FACTORS DETERMINING SHARE PRICE IN NEPALESE STOCK MARKET

A Thesis

Submitted by

DIPESH GURUNG

Campus Roll No.: 233/2068-70

T.U. Registration No.: 7-2-289-7-2006

Central Department of Management

Kirtipur, Kathmandu

Submitted to

Central Department of Management

Tribhuvan University

In Partial Fulfillment of the Requirements

For the Degree of Master of Business Studies (MBS)

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DECLARATION

I hereby declare that the work reported in this thesis entitled **"Factors Determining Share Price in Nepalese Stock Market ''** submitted to Research Department of Central Department of Management, T.U., kirtipur is my original work done in the form of partial fulfillment of the requirements for the Master of Business Studies (MBS) prepared under the supervision and guidelines of Lect. Phul Prasad Subedi of Central Department of Management.

……………………….

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RECOMMENDATIONS

This is to certify that the thesis

Submitted by*:*
Dipesh Gurung

Entitled:

FACTORS DETERMINING SHARE PRICE IN NEPALESE STOCK MARKET

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

.... ……………………..   ……………………………   …………………………….

Lect. Phul Prasad Subedi   **Prof.Dr.Sanjay Kumar Shrestha**   **Asso. Prof. Ramji Gautam**

(Thesis Supervisor)   **(Chairman, Research committee)**   **(Head of Department)**

Date: ……………..

Viva-Voce Sheet

We have conducted the viva-voce examination of the thesis

Presented by
Dipesh Gurung

Entitled:

FACTORS DETERMINING SHARE PRICE IN NEPALESE STOCK MARKET

And found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment for Master's Degree in Business Studies (M.B.S.)

Viva Voce Committee:

Head of Research Department: …………………

Member (Thesis Supervisor): ……………………………..

Member (External Expert): ……………………………….

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LIST OF ABBREVIATIONS

BSE	Bombay Stock Exchange
DPS	Dividend per Share
EPS	Earning per Share
GDP	Gross Domestic Product
GNP	Gross National Product
GNPI	Gross Net Premium Income
HMG	His Majesty of Government
KSE	Karachi Stock Exchange
Ltd.	Limited
NAPS	Net Assets per share
NBL	Nepal Bank Limited
NEPSE	Nepal Stock Exchange
NRB	Nepal Rastra Bank
No.	Number
P/E Ratio	Price Earning Ratio
SEBON	Securities Board of Nepal
SEC	Securities Exchange Center
SET	Stock Exchange of Thailand
T-Bills	Treasury Bills

CHAPTER I
INTRODUCTION

1.1 Background of the study

Security market plays an important role in mobilizing savings and channeling them in productive purposes and many more like providing liquidity on securities so that one can minimize the risk and maximize the returns.

Stock market indices are used to study the trend of growth pattern in the economy, to analyze as well as to forecast business cycles and to correlate it with economic activities. The higher index implies increase in market price of securities and he better performance of companies and vice versa. NEPSE follows the Standard and Poor's Index method for its calculation by taking the market capitalization of all listed securities based on February 12,1994 prices as 100 (SEBON, 1998).

The history of capital market in Nepal dates back to 1936 in which year the shares of Biratnagar Jute Mills Ltd. were floated. HMG Nepal introduced the Company Act in 1964 and the first issue of government bonds made in the same year through Nepal Rastra Bank to collect the developmental expenditures. It carried 6 percent rate of interest and had the maturity period of five years (Shrestha, 2038).

HMG Nepal announced the Industrial Policy in 1974 and under this policy and institution named Securities Marketing Center (SMC) was established to deal in government securities-development bonds and national savings bonds and corporate securities of few companies. The government has the virtual monopoly over the security market. Then, securities Exchange Center was established in 1976 with an objective of facilitating and promoting the growth of capital market. It was the only capital market institution in Nepal.

Securities Exchange Act came into force 1984. Since then, SEC started to operate under this act. The purpose of this a6ct was to provide systematic and favorable market environment for securities ensuring and protecting the interest of individuals and

institutional investors as well as to increase the public participation in various firms and companies (Gurung, 1999).

Due to the world whim of privatization and economic liberalization, operation of SEC was felt to change to make it compatible with the changing economic system. As a result, HMG Nepal brought about change in the structure of SEC by dividing it into two distinct entities- Securities Board of Nepal (SEBON) and Nepal Stock Exchange Ltd. (NEPSE) at the policy level in 1993. Since then they are operating as the main constituents of securities market in Nepal.

The establishment of security market in Nepal in 1985 and Nepal Stock Exchange (NEPSE) market in 1994 opened an avenue to both small and large investors to invest in the enterprise sector and participate in the secondary market. Despite apprehensions of many, secondary market proved to be successful with the both entrepreneurs and the investors showing earnest acceptance and participation in the process.

In today's context, Nepalese stock market is greatly influenced by political situation of the country; stockbrokers said the market is largely influenced by the latest political developments. The first Constituent Assembly was dissolved after it failed to deliver a constitution even after several deadline extensions. The brokers said the market started falling when the Maoist lawmakers resorted to violence against the proposed voting process in the CA. For instance, economic factor has several indicators like GDP, GNP, trade balance, foreign exchange rate, oil price, inflation, interest rate and several others. Out of these indicators, those indicators which serves the purpose of the study and which are available are taken for this study. Then the analysis is done to see the relationship between NEPSE index and he chosen factors and thereafter, its relationship with politics.

1.2 Statement of Problems

When we look at the history of stock market then we would find its foundation around 70 years back with the floatation of shares by Biratnagar Jute Mill Ltd. and Nepal, Bank Ltd. even though with the pass time the volume of investors and many more have been increased but stock market still lack its quality growth here means several factors like

knowledge and experience of investors connoisseur brokers, quantitative and qualitative tools of analyzing the stock market volatility.

The situation of stock market in Nepal worsened from 1995/96 onwards with the onset of political instability. Both the investment climate as well as the operational climate suffered leading to poorer results in many companies. As a result, the price at NEPSE nose-dived and it incurred heavy losses.

The period was 1997 to 1998, after which the situation improved somewhat with the commencement of operations by many finance companies, which paid out dividends. The improvement, however, was only marginal just to keep enough attentions.

The economic and political scenario became more volatile with the rise in insurgence which led to slowing down of economic activities resulting at worsening performance in many sectors like tourism and manufacturing, thus, leading to a more volatile NEPSE. This shows that not only the economic factor but the volatility in the political factor might have the significant influence on the stock price. Therefore it is significant influence on the stock price. Therefore it is crucial to identify whether stock market get affected by the non economic factors as well.

A very small proportion of manufacturing, trading and hospitality sectors are listed with NEPSE. More importantly, services sector which has shown tremendous growth after economic reforms, have hardly been listed except commercial banks, a few hotel and airline companies (both in the hospitality sector). The most affected are the manufacturing companies followed by trading and hospitality companies. Banks and finance companies, as compared to others are in better position. Such listed companies affect on the stock market are usually neglected while showing the factors influencing stock price in Nepal.

In this way, this study aims at studying the various relevant factors influencing the stock market of Nepal. Here the major challenge is to maintain status quo while undergoing this research work as various reviews have to be made which suggest several influencing factor and to match those factor in context to Nepal itself a challenging job.

1.2.1 Research Questions

The overall aim of this research is to explore the relationship between the Nepalese stock market and the relevant factors affecting stock market. Therefore, the research question for this study is based on the following questions:

1. What are the economic, business and external factors influencing the share market?

2. Is there any significant role of these factors on the variation of NEPSE index if the factors influence on NEPSE index is found insignificant?

1.3 Objectives of the study

The major objectives of this research are mentioned below:

1. To identify the various factors influencing Nepalese share market.

2. To examine the degree of impact on NEPSE index.

1.4 Significance of the Study

Every research work has its own importance. This research completely deals with the study of the stock market of Nepal and its relationship with various influential factors. It includes several aspects of identifying the key factors influencing the stock market i.e. economic factors, business factors and external factors.

This study is significant to the following stakeholders:

1. The key players in the stock market like brokers, market makers can also be benefitted. They have access to the information regarding the factors influencing stock market given my research outcome. Such information is beneficial to make them alert and enable them to take sound decision.

2. This study is also significant in the way that within the given time frame it attempt to identify whether there is any political influence on stock market performance measured by NEPSE index. The idea is to use an approach where the analysis of the most quantitative factors influence on the stock market is identified. Following the result showing no significant influence on the stock market is identified. Following the result showing no significant influence, political factor implications is tested. Therefore, the

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outcome thus created may also have implications for historical studies. Here the researchers can conduct in –depth studies which can further provide the concrete result.

3. There are other stakeholders who may get benefitted from this study so in overall whole state or the government can get benefitted from this study.

4. This study will be useful to several shareholders transacting in the share market. Nowadays, the number of investors investing in the share market is increasing. The outcome of the study can help them while making their transaction.

1.5 Research Hypothesis

The hypothesis is a clear statement of what is intended to be investigated. It should be specified before research is conducted and openly stated in reporting the results. It is a powerful tool of advancement of knowledge, consistent with existing knowledge and conducive to further enquiry.

1. There is no significant relationship between inflation and NEPSE index.

2. There is no significant relationship between gold price and NEPSE index.

3. There is no significant relationship between remittance and NEPSE index

4. There is no significant relationship between number of listed companies and NEPSE index.

5. There is no significant relationship between number of Brokerage firms and NEPSE index.

6. There is no significant relationship between Volume of securities traded and NEPSE index.

7. There is no significant relationship between Retained Earnings and NEPSE index.

8. There is no significant relationship between Net Assets per Share (NAPS) and NEPSE index.

9. There is no significant relationship between Political factors and NEPSE index.

10.There is no significant relationship between Exchange Rate and NEPSE index.

11.There is no significant relationship between Gold Price and NEPSE index.

1.6 Limitations of the Study

Every research is made under certain limitations or constraints. Some of the limitations of this study are given below:

1. The study includes only include six brokers.

2. The study focuses only on few factors such as inflation, political factors, listed companies, remittance, gold price, brokerage firms and volume of securities traded, Net Asset Per Share (NAPS), EPS, Price Earning Ratio, Retained Earning, Exchange Rate.

3. External politics are not taken into consideration.

4. This Study is based on Primary data as well as secondary data. Secondary data are collected from NEPSE, concerned organization and from different financial journals; therefore, the error may exist as they publish.

5. Primary data is based on the answer of the respondent. So, it is subjected to be different according to loyalty of overall respondents.

1.7 Literature Review

In this chapter, the focus has been made on the review of literature relevant to the Factors determining share price in Nepalese stock market. Every possible effort has been made to grasp knowledge and information that are available from the libraries, document collection centers, other information managing bureaus and concerned stock market.

1.7.1 Conceptual Framework

This Research has considered dependent and independent variables where there is one dependent variable i.e. NEPSE index and several independent variables which are determined after proper analysis. This study has focused on study on influence of business, economic and external factors impacting on stock market volatility which has considered certain factors affecting share price. Most of the variables are obtained from the literature review and some are our proposed variables. Such as Inflation, Listed companies, Brokerage firms, Gold price, Volume of securities traded (VST), Remittance,

Exchange Rate, EPS, Price Earning Ratio, and Net Asset Value per share, Political Factors etc.

1.8 Research Methodology

Research Methodology is a way to systematically solve the research problem. It refers to the various sequential steps that are to be adopted by a researcher during the course of studying a problem with certain objectives. It includes construction of research design, nature of data, data gathering procedure, population and sample and data processing procedure. The main purpose of this chapter is to focus on different research methods and conditions used to conduct study.

1.8.1 Research Design

The study aims to evaluate of determining share prices in Nepalese Stock Market. So Analytical and Descriptive research design has been following for the study.

1.8.2 Population and Sample

The study is also based on secondary data. Here the primary data have been used to give support to the analysis and the conclusion. In order to collect the data from two different players in the stock market are targeted one is investor and another are brokers. Sampling has been done using non-probability convenience sampling. Here this study has taken the sample size of 100 investors. All together 100 questionnaires is distributed to the investors. In Nepal there are 58 Brokerage firms trading in the share market. With regard to the sample size determination, the idea to target six brokerage firms in Kathmandu valley.

1.8.3 Nature and Sources of Data

This research is mainly based on the secondary data. The secondary data have been collected from financial statements, annual reports, unpublished official records of concerned companies, journals and from the official website of SEBON.

1.8.4 Data Collection Procedures

The various stock exchange publications formed an important supplementary source of the data for this study, particularly on investment policy.

1.8.5 Data Analysis Tools

Analysis of the data involves a number of closely interrelated operations that are performed to get answer to the research questions, Analysis and presentation of data is the core of the study. This study needs some financial and statistical tools to accomplish the objectives. The financial and statistical tools are most reliable. To achieve the objective of the study, various financial, statistical and accounting tools have been used in this study.

The various results obtained with the help of financial, accounting and statistical tools are tabulated under different heading. Then they are compared with each other to interpret the results. Two kinds of tools have been used to achieve the purpose.

- Financial Tools
- Statistical Tools

1. Financial Tools

Financial tools basically help to analyze the strength and weakness of a firm. Ratio analysis is one of the important financial tools has been used in the study. It helps to show the mathematical relationship between two accounting items or figure and can measure the financial performance and status of a firm with the other firms. Ratio analysis is the part of whole process of analysis of financial statements of any business or industrial concern especially to take output and credit decision.

2. Statistical Tools

Some important statistical tools have been used to present and analyze the data for achieving the objective of this study. Co-efficient of variance, Correlation analysis,

Standard deviation, least square, linear trend analysis etc have been used for the purpose. The basic statistical analysis related is discussed below:

1.9 Organization of the study

The study has been organized into the following five chapters:

Chapter I: Introduction

This chapter deals with subject matters of the study consisting background of the study, origin and development of share market in Nepal, introduction of sample organization, statement of the problems, objective of the study, rationale of the study and limitation of the study.

Chapter II: Review of literature

This chapter deals with review of the different literature of the study field. Therefore it includes conceptual framework along with the review of major books, journal, research works and thesis etc.

Chapter III: Research Methodology

This chapter deals with the research methodology and it includes research design, population and sample, source and technique of data collection, data analysis tools and limitation of the methodology.

Chapter IV: Data Presentation and Analysis

The main part of research is Data Presentation and Analysis. This chapter deals with analysis and interpretation of the data using financial and statistical tools described in Chapter three. This chapter also includes the major findings of the study.

Chapter V: Summary, Conclusion and Recommendations

This chapter deals with summary of the study held, the conclusion made and the possible recommendations. There after bibliography and appendices are also included.

CHAPTER II
REVIEW OF LITERATURE

2.1 Review of Literatures

There has been an enormous volume of research work done for finding the factors responsible for stock market fluctuations and finding a correct model for describing their relations. This review explores some relevant works to determine major factors of the stock market fluctuations, acclaims there is a plethora of methodologies for predicting such variations.

Mary Hall (2018) stated the stock market is a complex interrelated system of large and small investors making uncoordinated decisions about a huge variety of investments " The Market is not al living entity, rather it is just short hand for the collective values of individual companies. Interest Rates are believed top pay a major role in the valuation of any stock or bond. There are several reasons for this, and there is some debate about which is most important. First interest rate affects how much investors, banks business and governments are willing to borrow, therefore affecting how much money is spent in economy. Additionally, rising interest rates make certain "safer'' investments (notably us treasures) more attractive alternate top stocks.

David R. Harper (2018) examined and investigated the stock prices are determined in the market place, where seller supply meets buyers demand. But, unfortunately, there is no clean equation that tells us exactly how stock price will behave, that the force es fall into three categories: fundamental factors, technical factors and market sentiment. In a efficient market, stock prices would be determined primarily by fundamentals, which .at the basic level, refer to a combination of two things EPS and P/E Ratio. EPS is when we buy a stock a proportional share of an entire future stream of earning. That's a reason for the valuation multiple. In technical factors inflation is huge driver from a technical perspective as well. Historically, low inflation has a strong inverse correction with valuations (low inflation drives high multiples and high inflation drives low multiples). Deflation, on the other hand is generally bad for stocks because it signifies a loss in

pricing power for companies, Economic strength of market and pass, substitutes, incidental transactions, Demographic of investors, the trends, liquidity takes a major role. In market sentiment can be defined as psychology and social science. It is a behavioral finance. Daniel kahneman, a psychologist won the 2002 Nobel memorial prize in economics. The ideas in behavioral finance confirm observable suspicious that investors trend to overemphasize data that come easily to mind, many investor react with greater pain to losses than with pleasure to equivalent gains and that investors trend to resist in a mistake.

Fadiran and Olowookere (2017) stated the stock price is directly affected by business factors such as selling price of the shares will fall. The same hold between share price and price earnings ratio (PE). The negative relationship between SP and interest rate is expected since shares and deposits are close substitutes. If interest rate on deposit increases, deposit becomes more attractive, making the demand for shares to fall and so the price of shares will fall as well. It is worthy of note that the exchange and interest rates are also negatively related, affirming theoretical relationship between the two variables. Among the explanatory variables, GR and PE ratio are highly correlated. This clearly states there is significant relationship between performance factors and Economic factors have direct impact on share price. Current study as well indicates the same effect.

Phuyal and Adhikari (2016) examined the qualitative factor such as political factor and quantitative factors like inflation, gold price, remittance, and dividend declaration and distribution as the major factors influencing the share market. Similarly, gold price was the least influencing factor.

Sapna and Dani (2014) examined a study on Stock Market and Factors Affecting Trading Volume" keeping major objective of understanding the relation between the stock price and volume in the stock market along with the analysis of different factors affecting the trading volume of stock. The study has applied exploratory study of respondent and correlation analysis between price and trading volume in the stock market using SPSS tool. The study concluded that price and volume are highly correlated and at the same time not only the price but other factors do affect the trading volume.

Bilal and Talib (2013) studied gold price and stock market relationship keeping the major objective of examining long run relationship between gold price and Karachi Stock Exchange (KSE) and Bombay Stock Exchange (BSE). The statistical techniques used for this study includes Unit Root Augmented Dickey Fuller test, Phillips-Perron, Johnson Co-integration and Granger's Casualty test to measure the long run relationship between gold prices, KSE and BSE using monthly data from 1st July 2005 to 30th June 2011. From the Co-integration test the study concluded that there is no long run relationship exists between monthly average gold prices and KSE stock index; whereas a significant long run relationship existed between gold prices and BSE stock index. Similarly, under Granger casualty test it is found that there is no casual relationship exists among average gold prices, KSE and BSE stock indices.

Kumar (2013) studied on Indian stock market performance keeping the major objective of deriving the factors which determine the performance of stock market in India. This paper has used the data reduction technique i.e. factor analysis based on the average monthly data of twelve macro-economic variables. These twelve factors are classified under three major factors named Macro Environment, Industrial performance and Policy rates. Further, SPSS tool has been used to obtain the factor scores (coefficient, t-value, R2, Durban Watson). This analysis concluded that the industrial performance play a significant role in influencing the stock market. Similarly, the impact of policy rates seemed nominal and unsustainable. However, market rely more on optimistic macroeconomic environment. Besides, stock market also responds to the performance of the firm specific factors and unforeseen events in the economy.

Naik (2013) investigated the impact of macroeconomic factors on stock market behavior considering Indian data. The study applied Johansen's co-integration and vector error correction model to explore the long term equilibrium relationship between stock market index and macro economic variables. Here monthly data of five macroeconomic variables were used named industrial production index, inflation, money supply, short term interest rate, exchange rate and stock market index of the period of 1994-2011 Concluded that the macroeconomic variables and the stock market index are co-integrated. Hence, long run equilibrium relationship exists between them.

Pastor and Veronesi (2012) analyzed how changes in the government policy affect stock prices. The study developed a simple asset pricing model featuring uncertainty about government policy and a government whose decisions have both economic and non-economic motives. The model makes numerous testable predictions, like stock prices should fall at the announcement of policy change, decline in prices should be large if uncertainty about government policy is large and policy change is preceded by a short or shallow economic downturn, policy changes should increase volatilities and correlations among stocks and finally the jump risk premium associated with policy decisions should be positive, on average.

Sopipan N. (2012) forecasted the stock prices of top 50 listed companies on Stock Exchange of Thailand. The study has used the multiple regressions considering high correlation (multi co linearity problem) among the explanatory variables. In order to avoid the problem the study has used Principal Component Analysis (PCA). Thus the study have employed principal component scores (PC) in a multiple regression analysis. The paper have concluded that 99.4% of the variation in the stock prices of top listed companies on Stock Exchange of Thailand can be explained by all PCAs.

Nirmala Patel (2011) studied keeping the major objective of this article to identify the determinants of share prices across selected sectors that is auto, health care and public sector in the Indian market over the period of 2000-2009. The study applied Panel Co-integration Test where panel data pertaining to the sectors auto, healthcare and public sector undertaking over the period 2000-2009 is used. The study has chosen dividend, profitability, price earnings ratio and leverage as possible determinants of share prices and employs the fully modified ordinary least squares method to identify the share price determinants. The paper concluded from their results that the variables like dividend, price earnings ratio and leverage are significant determinants of share prices for all the sectors under consideration. Further, in the case of auto sector, profitability is also found to be a factor influencing share prices.

Arjitet Al. (2010) examined and investigated the relative influence of the factors affecting Bombay Stock Exchange (BSE) and thereby categorizing them. The determinants considered in this paper are Oil prices, Gold price, Cash Reserve Ratio, Food price

inflation, Call money rate, and Dollar price, Foreign Direct Investment (FDI), Foreign Portfolio Investment and Foreign Exchange Reserve (Forex). The study has used statistical methods to do the analysis based on monthly basis database of different economical factors. The study applied multiple regression model and factor analysis to identify the primary factors affecting Sensex. In conclusion they identified that the external reserve, inflation, oil price and cash reserve affect Sensex significantly.

Julio and Yook (2010) examined the investment behavior of firms around national elections. They have used uni-variant and multi variant analysis method. The study concluded that firm level corporate investment tends to be lower just before national elections for a large sample of countries around the world. Similarly, within the countries, reduction in capital expenditures is larger when the election outcome is more difficult to predict. Specifically, the study find that controlling for investment opportunities and the economic environment, corporate investment rates drop by an average of 4.8% in the period leading up to elections relative to investment rates in non-election years.

Sutheebanjard and Premchaiswadi (2010) proposed the new prediction function or the stock exchange of Thailand (SET index). The study have included the important economic factors in the proposed prediction function named the Dow Jones, Nikkei and Hang Seng index; the minimum loan rate(MLR) and previous SET index. The study has applied two-member Evolution Strategy (ES) technique. The experiment was conducted by analyzing the SET index during three different time periods. The data were used to evaluate the performance of proposed prediction function for two short periods and finally long term period data covering 1040 days were used to predict the SET index. The study concluded that the proposed prediction function not only yield the lowest Mean Absolute Percentage Error (MAPE) for short term period but also yield the MAPE lower than 1% for long term periods.

Bogan (2008) studied on the linkage between stock market and internet keeping the major objective of examining the hypothesis that there had been a fundamental change in the stock market participation and links this change to the reduction of these frictions by the advent of the internet. The study had used panel data on household participation rates over the past decade. The paper concluded that computer/internet using households raised

stock market participation substantially more than non-computer using household. The increased probability of participation was equivalent to having over $27000 in additional household income or over two more mean years of education.

Chaigusinet. At. (2008) studied on the stock exchange of Thailand keeping the major objective of analyzing the relevant literature on the stock Exchange of Thailand (SET), according to the categories of techniques used. In order to determine the factors influencing the SET index, both soft computing and hard computing techniques were applied. Soft computing deals with imprecision, uncertainty and approximation while had computing deals with precision, certainty and exact solution. The study concluded that although the driving indicators may vary from time to time, the main indicators include the Dow John Index, Nikkei index, the Hang Seng index, the Minimum Loan Rate, the gold price and the value of Thai bhat.

Mateev and Videv (2008) examined the relationship between macroeconomics and capital markets in order to determine whether the variations in stock returns can be explained by macroeconomic variables that might proxy for relevant systematic factors. They applied Multi factor asset pricing model and two pass regression procedure following the Chen et. al approach. They concluded that macroeconomic variables play no significant role in explaining the variation in excess stock returns under the time-series asset-by-asset regressions. Similarly, the evidence from a two pass regression indicated that there is weak linkage between macroeconomic environment and capital markets in transition economies. Local risk factors are found as the most important factors in explaining the fluctuations of stock returns in small and illiquid emerging markets such as the Bulgarian stock market.

Yilmaz and Gulay (2006) studied on Istanbul stock market and dividend policy keeping the major objective of examining the effects of cash dividend payments on stock returns and trading volumes in the stock market. The study also investigates whether there is any difference in the investment behavior of investors with respect to the dividend payout ratio. The study has used an event study methodology to avers the effect of cash payments on the prices of underlying assets. The paper have concluded that prices start to rise for certain period before the cash dividend payments and on the ex dividend day,

they fall less than do dividend payments, finally decreasing in the sessions following the payment. Similarly, trading volume showed considerable upward movement before the payment date and stable thereafter. Thus cash dividends influence prices and trading volume in different ways before, at and after providing greater opportunity for the investors to make some profitable active trading strategy.

Khan (2004) studied on inflation and stock market performance keeping the major objective of this study to test whether there is any long term equilibrium relationship(co-integration) in inflation and stock market development t or not. Here the author had used the theory of co-integration and ECM to examine relationship between inflation and stock market development. Co-integration is used to determine the long run or equilibrium relationship between/among variables in economics. The study concluded that there is empirical link between inflation and stock market development. Here, the findings are consistent with the interpretation that the inflation strengthen frictions in the stock market, decreases the real rate of return on financial assets and consequently decreases trading and capitalization in the stock market.

2.2 Research Gap

Most of the researches on share market volatility are generally focused on the macro economic factors affecting the stock market. The parameters difficult to quantify like political upheavals and temperaments of people are often ignored. In context of Nepal, the research done on the effects of non-economic and difficult to quantify parameters on the NEPSE index is almost nil. This thesis attempts to aware the research community about this apparent gap in the analysis of Nepali Stock market.

Since economic variables are available and measurable so, most of the researchers use certain variables as the key variables for identifying their influence on stock market like inflation, interest rate, exchange rate etc. due to this reason many other important aspects are neglected like technological, size and volume of transaction in stock market, number of listed securities, number of registered brokerage firm etc. therefore for the realistic outcome it is necessary that all the factors should be considered which are quantifiable

and at the same time influential in the Nepalese stock market. With this regard, this study attempt to fill those gaps where the above mentioned words have not done yet or ignored. This research work do not only consider different influential factor like number of listed companies, number of brokerage firms but also has tried to find the influence of non-economic factor i.e. Politics and business factors as well as External factors. Moreover, the literature review of previous section reveals two important facts for this thesis. The first is they list important variables that should be considered for analyzing the fluctuations in the stock market index. The second fact is the prediction of stock market behavior is much complex and requires sophisticated mathematical techniques. Considering these facts this thesis attempts to study the factors affecting stock market as far as possible.

2.3 Conceptual Framework

This research has considered dependent and independent variables where there is one dependent variable i.e. NEPSE index and several independent variables which are determined after proper analysis. This study has focused on study on influence of business, economic and external factors impacting on stock market volatility which has considered certain factors affecting share price. Most of the variables are obtained from the literature review and some are our proposed variables. The independent variables that are obtained from the literature reviews figure is given in next page.

Figure No. 2.1

Factors determining share price in Nepalese stock market

Inflation	
Listed companies	Economic Factors
Remittance	
Brokerage firms	
Volume of traded securities	
Earning Per Shares	Business Factors → Market Share Price
Price Earning	
NAPS (Net Assets per share)	
Political factors	
Exchange Rate	External Factors
Gold Price	

Source: https;//www.investopedia.com
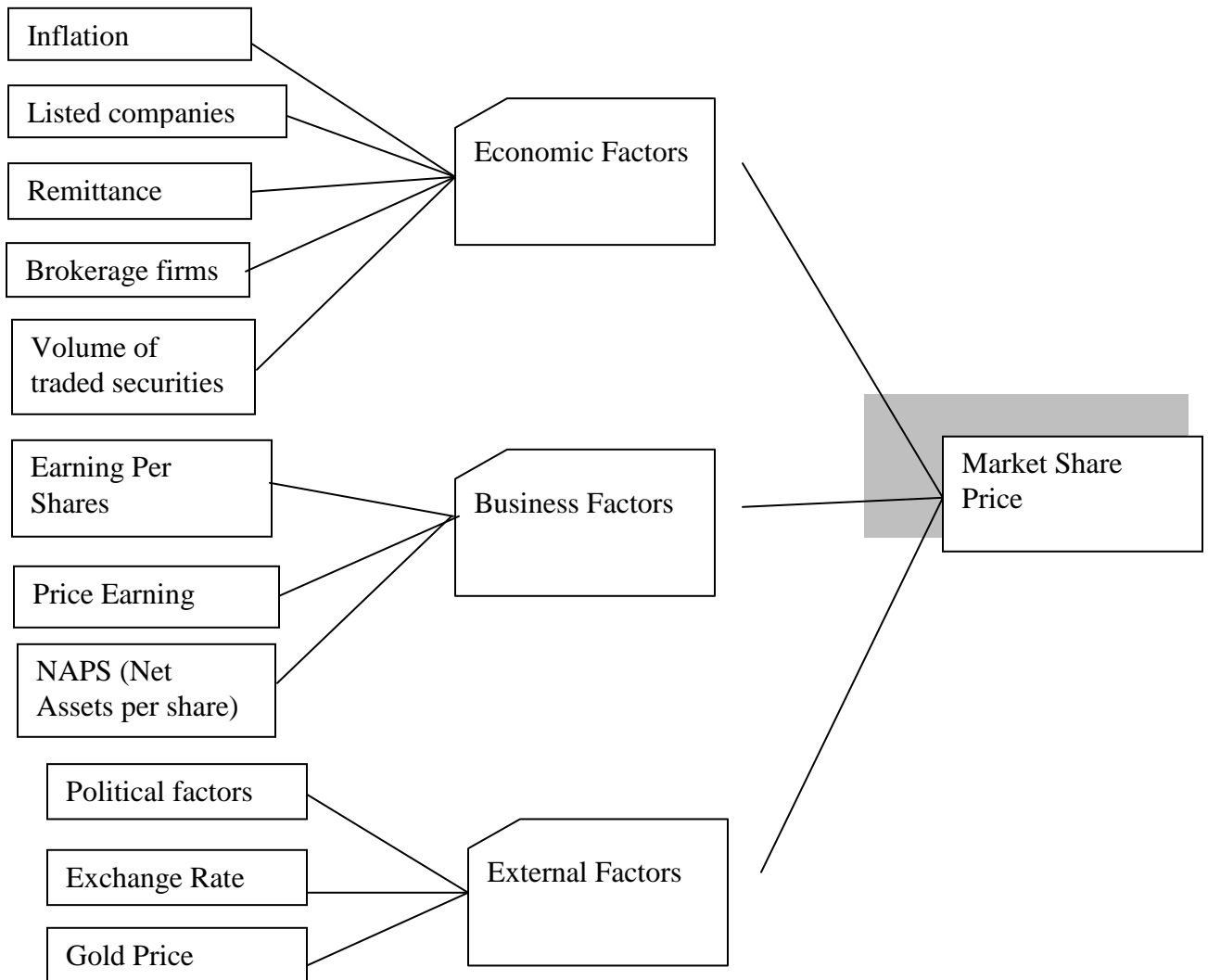
Specification of variables is given below:

Inflation: Inflation is the rise in the price of goods and services. It reduces the purchasing power each unit of currency can buy. Rising inflation has an insidious effect: input prices are higher, consumers can purchase fewer goods, revenues and profits decline, and the economy slows for a time until a steady state is reached. Investors are interested in income generating stocks, or stocks that pays dividends, the impact of high

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inflation makes these stocks less attractive than during low inflation, since dividends tend to not keep up with inflation levels. In addition to lowering purchasing power the taxation on dividend cause a double negative effect. Despite not keeping up with inflation and taxation levels, dividend yielding stocks do provide a partial hedge against inflation. So people are likely to spend more than invest. Therefore this study attempts to identity the linkage between inflation and NEPSE index.

Listed Companies: Listed companies are those companies whose names are registered in the share market. The factor is taken to identify whether the pattern in the growth of companies listed in share market have any significant impact on NEPSE index. After a company goes public and starts trading on the exchange, the price is determined by supply, and demand for its shares in the market. If there is high demand for its share due to favorable factors, the price would increase. If the company's future growth potential doesn't look good seller of the stock could drive down its price. Hence there is direct impact on share market.

Brokerage firms: These are the firms that buy or sell goods or assets for clients. Initially there were few brokers working for their clients and now the number has increased. This study aims at identifying whether the trading in share market is significantly affected by the number of available brokers or brokerage firms.

Gold price: Gold is symbolically taken as ornaments which we wear and that distinctly reflect our living standard or status. Gold price greatly depends on its demand in global market and dollar exchange rate. This study aims to identify the relationship between security market and the investment on gold which has been presumed to exist by several people.

Volume of securities traded (VST): There are several types of securities traded in share market like equity shares, debentures, T-bills, bonds and others. Therefore, this study aims at identifying the relationships between the trends o securities traded in share market and NEPSE index.

Remittance: Remittance is the major source of income of our country which has not only increased the living standard of Nepalese people but also has maintained our country balance of payment (BOP). Employment abroad has not only helped Nepal in minimizing

ever growing unemployment problem it has also injected much needed foreign currency into our economy to fill up foreign exchange and investment gap thereby helping Nepal avoid a major balance of payment crisis. This study aim is to identify whether the flow of foreign currency influence the investment in share market or not.

Exchange Rate: The key effect of a rising currency is to make a country's products more expensive for foreign buyers: the home currency purchases more of the foreign currency than before and the foreign one less of the home currency. Hence there is a direct impact on share market.

EPS: Earnings and Dividends directly affect the share market of the country as earnings and Profits are the sole determining factors to measure the success and failure of the business. Therefore, this study aims to identify the degree of impact on share price.

Price Earning Ratio: The price-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. Price-earnings ratios are the most popular way to assign a relative value to a stock, but there are many other techniques that investors use to make decisions.

Net Asset Value per share: Asset value per share, or more precisely NAV in practice, is the price at which shares in that fund can be bought and sold. Theoretically, asset value should be the same as the sum of the individual securities, but closed-end funds typically trade at either a premium or discount to NAV. This is because their prices on an exchange are determined by supply and demand forces.

Political Factors: The company's and overall country's economy is directly affected by the political scenarios. The policies, and strategies implemented thereafter bring about all the visible as well as intangible change in the overall financial transactions thereby affecting company's performance.

CHAPTER III
RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It refers to tile various sequential steps that are to be adopted by a researcher during the course of studying the problem with certain objectives. This chapter presents all the necessary steps to be followed throughout this research work in order to achieve and accomplish the objective of the study. Research methodology discussed in this chapter helps to guide the research study providing different issues and aspects. It systematically solves the various sequential steps to adopt by a researcher in studying problem with the objectives in view. This chapter is to outline tile nature and sources of data, sample selection and classification of variables, techniques and steps adopted in interpreting and analyzing the data. It also focuses on how to collect required data, what is the population and sample, and what techniques to be adopted to analyze and interpret etc.

3.1 Research Design

Research design serves as framework for the study. It guides the data collection and analysis phase. The quantitative and qualitative data as well as primary and secondary data are used in this research.

- With regard to the quantitative factor analysis eleven variables are considered named inflation, gold price, remittance, number of listed companies, volume of securities traded, number of brokerage firms, price earning ration, Political factors, NEPSE, earning per share and exchange rate. The selection of these variables is entirely based on its availability and its reliability. The multivariate correlation and regression analysis is used as the fundamental tool for this thesis.

- Political factor is a qualitative concept. There is no known standard technique that represents political instability as a numeric parameter. In this study, the analysis of the political influence on the stock market is quite tricky. We have considered the selective portion of political events i.e. the transitional changing government of Nepal.

- Both primary and secondary data analysis has been considered where the sample size of 100 investors and 6 brokers view were gathered through the questionnaire survey.

3.2 Population and Sample size

This study is also based on the primary and secondary data. Here the primary data have been used to give support to the analysis and the conclusion. In order to collect the data two different players in the stock market are targeted one is investor and another are brokers. Thus two different questionnaires are prepared. Total numbers of investors in the share market consist on investor holding promoter shares and Investor holding Public shares. The number of promoters is not that big. This group should easily exceed 6-7 thousands. But this group does not come to the market. The second group comes to the market regularly. But their numbers run into lakh. So, identifying the number of investors is virtually impossible. That's why sampling has been done using non-probability convenience sampling. Here, this study has taken the sample size of 100 investors. All together 100 questions are distributed to the investors.

In Nepal there are 58 brokerage firms trading in the share market. With regard to the sample size determination, the idea to target six brokerage firms in Kathmandu valley.

3.3 Data Collection Procedure

This study is done after following the proper procedure of collecting the data. As we know every study or research work starts with the generation of new idea. This idea is generated from different sources for instance if certain problem arises or to prevent the problem from occurring in advance or several other. Since this study is for academic purpose so, a proper process will be adopted to conduct this research work.

3.4 Instrumentation of data

For the analysis of the qualitative aspect, primary data has collected from respondent of different investors and brokers. This will be broken down into two phases. The questionnaire will be composed of instruction of how to answer the questions and the statements in the questionnaire paper, coding system will be used for Likert scale

questions. To gather data, the questionnaires have designed in a structured format that includes:

- Multiple choice responses
- Yes / No questions

3.5 Reliability and Validity

Reliability reflects trustworthiness and validity reflects legitimacy or soundness in research work. In this research, data were collected from authorized sources like official websites, journal articles and books. Here the researcher had referred to the official websites of the share market, Nepal Rastra Bank, Security Board of Nepal, Nepalese Stock Market, and The Kathmandu Post.

For primary data, reliability and validity of the data collected is tested using Cronbach's (it should be greater than 0.67). Alpha test, cross check and pilot testing is deployed to minimize errors generated from the non-response of the questionnaire.

For secondary data, reliability is high because the data's are collected from NRB's websites and its validity is measured by various tests such as Multi co linearity, Autocorrelation and VIF.

The reliability of the measure indicates that the stability and consistency with which the instrument is measuring the concept and helps to access the goodness of a measure.

3.6 Data Analysis method

The data analysis method that is carried out in the research will be descriptive analysis and inferential analysis including various tests such as regression, correlation coefficient, F-test statistics and P-values.

3.7 Expected outcome of the study

The expected outcome of the study is to establish the relationship between influential factors and NEPSE index, to ascertain the relationship between political factors and security market, to ascertain the relationship between inflation and NEPSE, able to know the pattern of NEPSE index, to know the key variables and their lasting magnitude of effects on index, to know the determinants and their order to influence that they have in Nepalese Securities Market.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

This chapter consists of quantitative as well as qualitative analysis of factors affecting the NEPSE index. Section (4.1) uses descriptive analysis to determine the relationship among the variable as we as the investors and brokers' preferences in deemed factors influencing the share market through primary data collection. Section (4.2) uses regression and correlation analysis to determine whether there is a relationship between the NEPSE index and the relevant variables. And finally, section (4.3) analyzes the major political events (Transitional change in the government) to see whether NEPSE index is influenced by political upheavals.

4.1 Analysis of the Primary Data

The primary purpose of collecting the data is to give meaning to a statistical story of to uncover some new facts. The analysis of primary data elucidates the current trends in the market. In this survey, a sample of 100 investors and 6 brokers were taken. Statistics is concerned with the scientific method by which information is collected, organized analyzed and interpreted for the purpose of description and decision making. Statistical method can be divided into two major categories; Descriptive statistics and inferential statistics.

The analysis describes the main feature of a collection of data quantitatively. It deals with the presentation of numerical facts or data in either table of graphs from and with the methodology of analyzing the data. In order to analyze the primary data descriptive analysis is used.

Figure No. 4.1: Analytical framework of the study

The analysis of the factors is shown in the below figure.

<u>**Figure No. 4.1**</u>

<u>**Analytical framework of the study**</u>

Source: https://www.investopedia.com
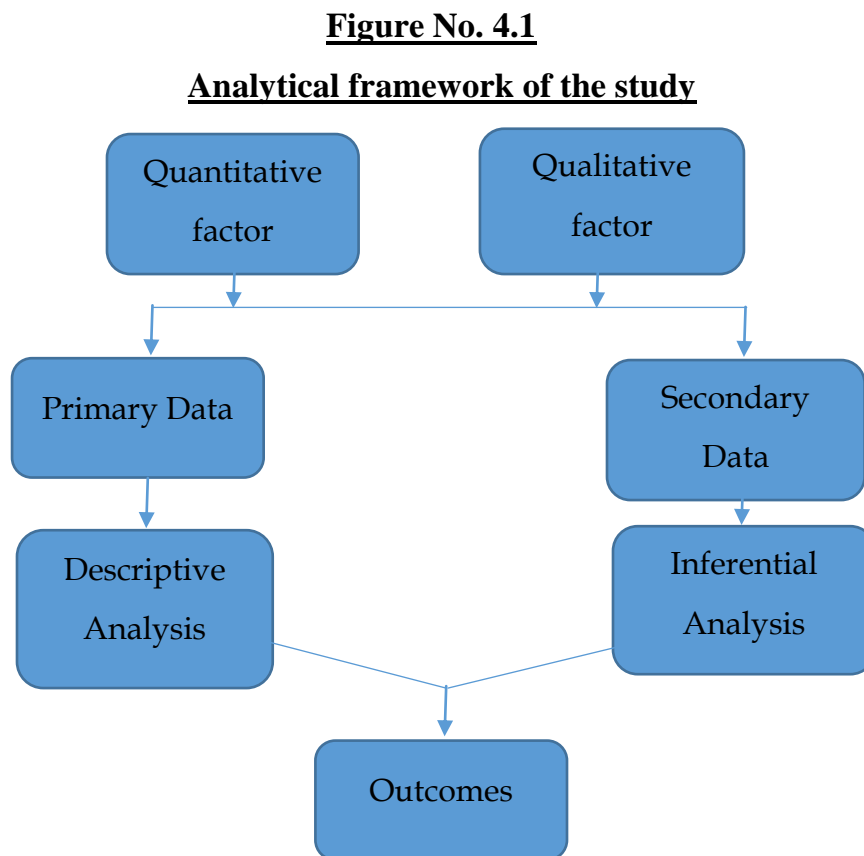
Quantitative factors and qualitative factors are focal point of the study similarly primary as well as secondary data are used in the study. Descriptive analysis and inferential analysis are applied for the outcomes.

Table No 4.1: Frequency distribution of passive and active investors

The study identified mainly two types of investors; Active Investors and Passive investors. Active investors are those who regularly trade in market, involved in some

kind of buying and selling of securities and observe the market quite closely, keep regular check on the trends of the market.

<div align="center">

Table No. 4.1

Frequency of passive and active investors

Types of investors	Frequency	Percent
Passive	45	45
Active	55	55
Total	100	100

</div>

Source: Field survey 2018

Figure No.4.2: Percentage of passive and active investors influencing the stock market

The Percentage of types of investors influencing the stock market is given below figure.

<div align="center">

Figure No. 4.2

Passive and active investors

</div>
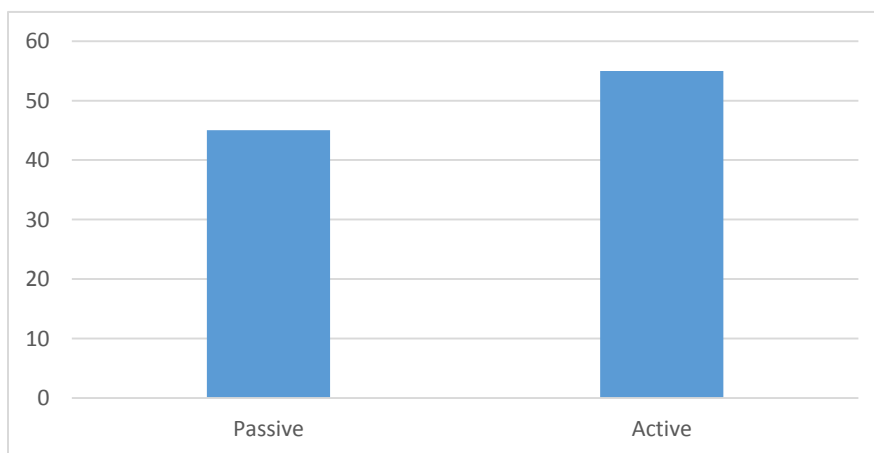
Table 4.1 and figure 4.2 shows out of 100 investors, 45 % were passive investors who buy and sell shares very less frequently and 55% were active investors who frequently buy and sell shares.

Table No. 4.2: Frequency, Mean & Mode of independent factors influencing the stock market

The table given below shows the result of rating question where the respondents were asked to sort the factors influencing the stock market. The respondents were asked to give numeric value 1 to the most influential factor and 11 to the least influential factor.

<u>Table No. 4.2</u>

<u>Frequency, Mean & Mode of independent factors</u>

S.N	Factor	Frequency of each rank									Mode	Mean
1	Inflation (Inf)	11	9	11	10	12	13	13	8	13	13	11.11
2	Exchange Rate	11	3	30	12	5	5	1	5	4	5	8.44
3	Gold price (Gold)	21	9	13	9	12	6	10	15	3	9	10.89
4	Remittance(Rem)	1	8	11	10	16	7	21	10	6	10	10
5	Volume of securities traded (VS)	10	2	3	21	11	8	10	26	2	10	10.33
7	Number of listed companies (NL)	1	2	17	15	20	10	15	9	11	15	11.11
8	Political events (PE)	40	22	10	1	6	6	2	6	4	6	10.78
9	NAPS	12	14	8	9	8	5	6	20	18	8	11.11
10	Price Earnings Ratio	14	11	10	11	7	2	21	7	7	7	10
11	EPS	19	11	12	9	10	9	10	14	3	9	10.77

Source: Field survey 2018

Figure No 4.3: Frequency, Mean & Mode of independent factors

The Figure of Mean, Mode and frequency of independent factors is given below.

Figure No 4.3

Frequency, Mean & Mode of independent factors
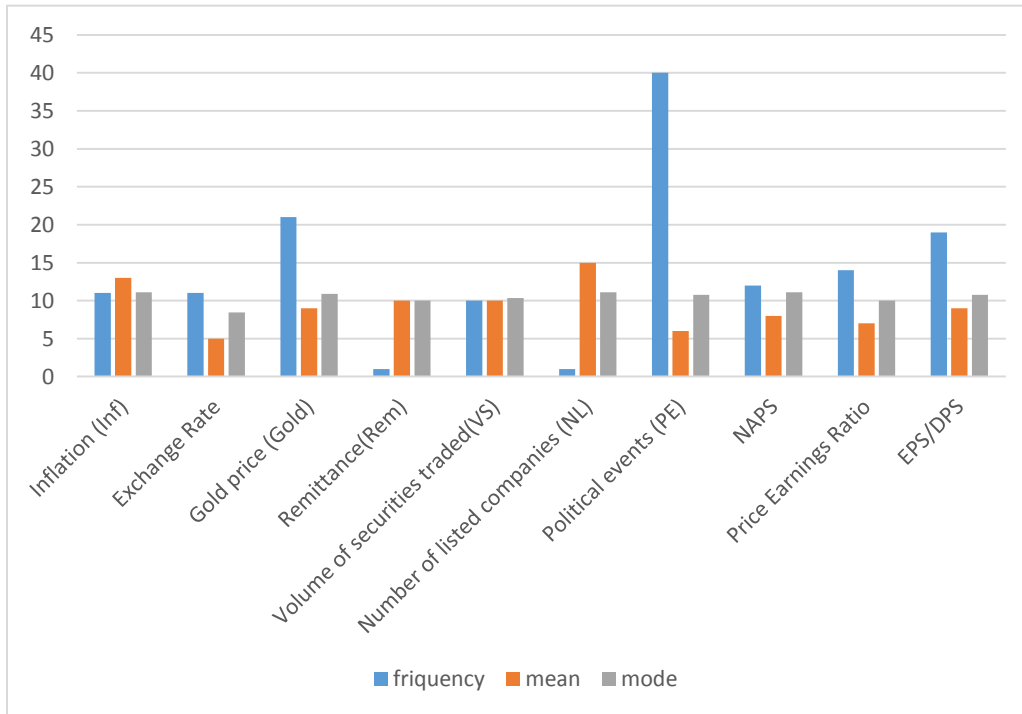
The figure (4.3) is based on the table (4.2). The data of above table is sort according to the mode for ordering the factors, from most influential to the least influential. It gives more concrete and clear picture of investor's preference on the given factors influencing share market. It shows that majority of the users considered political events as the major factor with mode of 1 and gold price as the least influential.

The mode of a set of data values is the value that appears most often. A mode of a continuous probability distribution is often considered to be any value at which its probability density function has a locally maximum value, so any peak is a mode.

In probability and statistics, population mean and expected value are used synonymously to refer to one measure of the central tendency either of a probability distribution or of the random variable characterized by that distribution. In the case of a discrete probability distribution of a random variable, the mean is equal to the sum over every possible value weighted by the probability of that value; that is, it is computed by taking the product of each possible

Table No. 4.3: Frequency distribution of investor considering political news

The frequency distribution of investor considering political news is given below table.

Table No. 4.3.

Frequency distribution of investor considering political news

	Frequency	Percent	Valid Percent	Cumulative Percent
No	7	7	7	7
Yes	93	93	93	100
Total	100	100	100	

Source: Field survey 2018

Figure No.4.4: Percentage of Investor considering political news.

The percentage of investor considering political news is given below figure.

Figure No. 4.4

Percentage of Investor considering political news
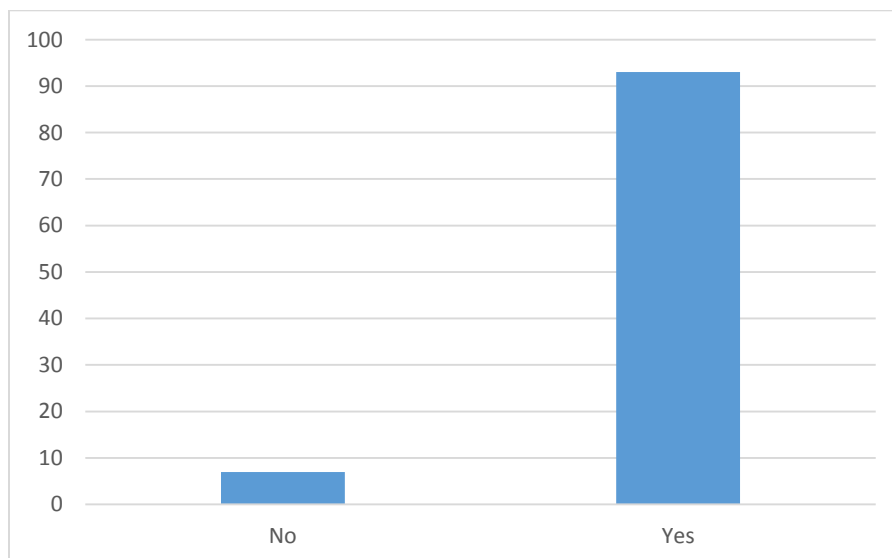
Fig. 4.4 shows that out of 100 share investors, 93% of Investor considering political news while transacting (buying and selling) shares in the stock market. Moreover, their decisions were found to be very sensitive towards the political news.

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Table No. 4.4: Frequency distribution of inflation influencing share market

The frequency distribution of inflation influencing share market is given below table.

Table No 4.4

Frequency distribution of inflation influencing share market

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	14	14	14	14
Agree	41	41	41	55
Neutral	27	27	27	82
Disagree	13	13	13	95
Strongly Disagree	5	5	5	100
Total	100	100	100	

Source: Field survey 2018

Figure No.4.5: Percentage of inflation influencing share market

The percentage of inflation influencing share market is given below figure.

Figure No.4.5

Percentage of inflation influencing share market

Fig 4.5 shows that out of 100 sample investors, 14% of investors strongly agree with the fact that inflation influences the share market, 41% of investor agree with the fact that inflation influences the share market, 27% investors gave neutral response, 13 % of investor disagree with the fact that inflation influences the share market and 5 % of investors strongly disagree with the fact that inflation influences the share market. From this analysis we can infer that most of the investors agree with the fact that inflation is one of the major factors that influence the share market.

Table No. 4.5: Frequency distribution of exchange rate influencing share market.

The frequency distribution of exchange rate influencing in share market is given below.

Table No.4.5

Frequency distribution of exchange rate influencing share market

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	27	27	27	27
Agree	34	34	34	61
Neutral	29	29	29	90
Disagree	6	6	6	96
Strongly Disagree	4	4	4	100
Total	100	100	100	

Source: Field survey 2018

Figure No. 4.6: Percentage of Exchange rate influencing share market

The percentage of Exchange rate influencing share market is given below figure.

Figure No. 4.6

Percentage of Exchange rate influencing share market

Fig 4.6 shows that Out of 100 sample investors, 27% of investors strongly agree with the fact that exchange rate influencing share market, 34% of investor agree with the fact that exchange rate influencing share market, 29% investors gave neutral response, 6% of investor disagree with the fact that exchange rate influencing share market and 4 % of investors strongly disagree with the fact that exchange rate influencing share market. From this analysis we can infer that most of the investors agree with the fact that exchange rate is one of the major factors that influence the share market.

Table No. 4.6: Frequency distribution of gold price influencing share market

The frequency distribution of gold price influencing share market is given below table.

Table No. 4.6

Frequency distribution of Gold price influencing the share market

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	11	11	11	11
Agree	34	34	34	45
Neutral	32	32	32	77
Disagree	18	18	18	95
Strongly Disagree	5	5	5	100
Total	100	100	100	

Source: Field survey 2018

Figure No. 4.7: Percentage of Gold price influencing share market

The percentage of Gold price influencing share market is given below figure.

<u>**Figure No. 4.7**</u>

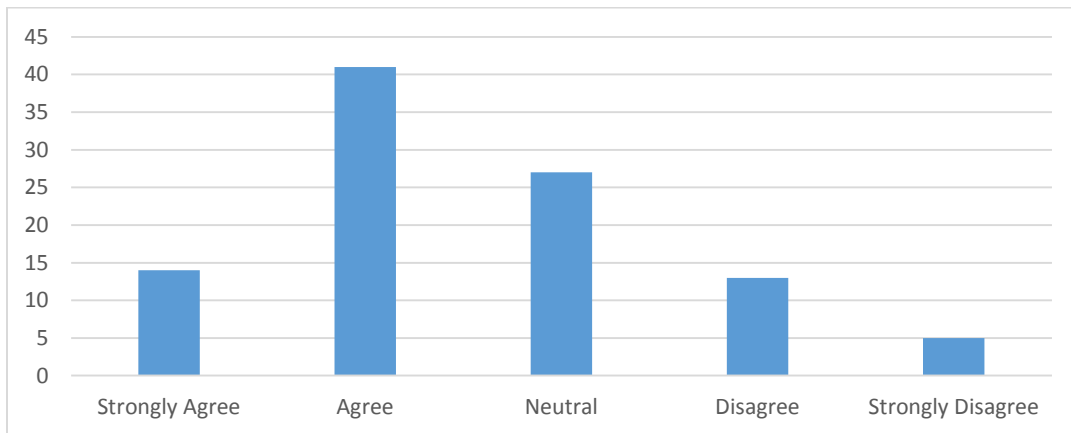<u>**Percentage of Gold price influencing share market**</u>
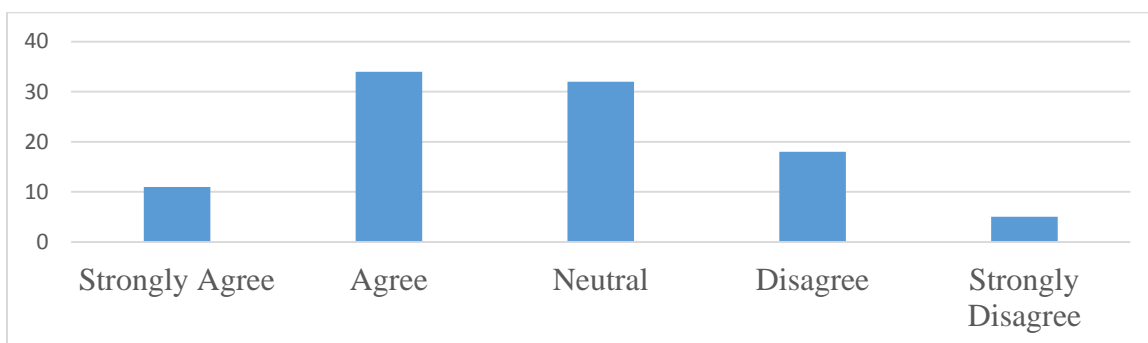
Fig 4.7 shows that out of 100 sample investors, 11% of investors strongly agree with the fact that gold price influencing share market, 34% of investor agree with the fact that gold price influencing share market, 32% investors gave neutral response, 28% of investor disagree with the fact that gold price influencing share market and 5 % of investors strongly disagree with the fact that gold price influencing share market. From this analysis we can infer that most of the investors agree with the fact that gold price is one of the major factors that influence the share market.

Table No.4.7: Frequency distribution of remittance influencing share market.

The frequency distribution of remittance influencing share market is given below table.

<u>**Table No 4.7**</u>

<u>**Frequency distribution of remittance influencing share market**</u>

	Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Strongly Agree	15	15	15	15
Agree	34	34	34	49
Neutral	25	25	25	74
Disagree	20	20	20	94
Strongly Disagree	6	6	6	100
Total	100	100	100	

Source: Field survey 2018

Figure No. 4.8: Percentage of remittance influencing share market

The percentage of remittance influencing share market is given below figure.

Figure No. 4.8
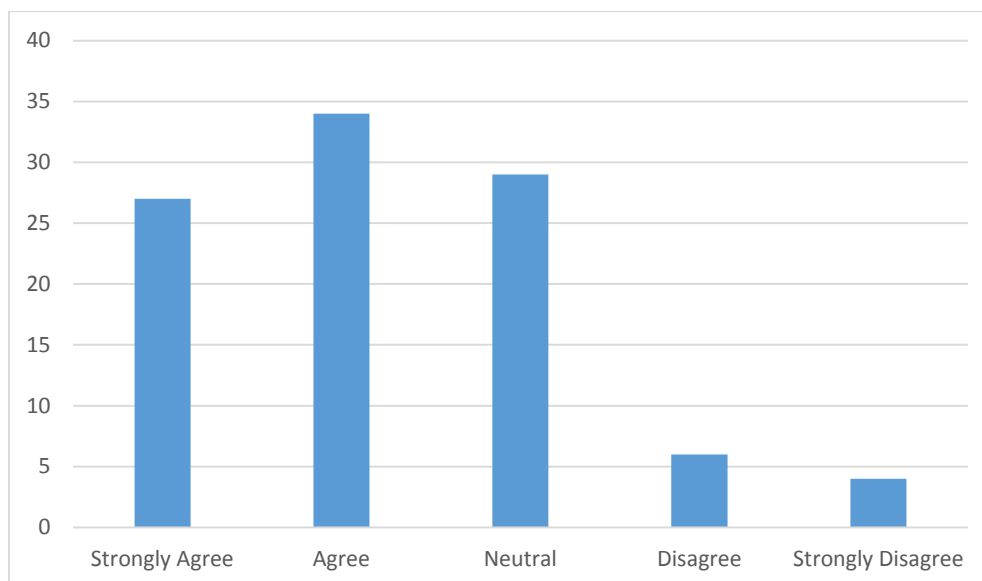**Percentage of remittance influencing share market**
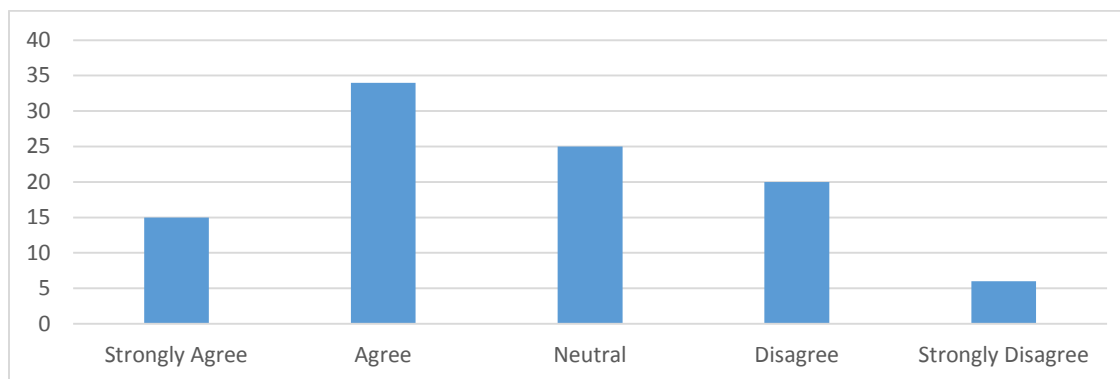
Fig 4.8 shows that Out of 100 sample investors 15% of investors strongly agree with the fact that remittance influencing share market, 34% of investor agree with the fact that remittance influencing share market, 25% investors gave neutral response, 20% of investor disagree with the fact that remittance influencing share market and 6 % of investors strongly disagree with the fact that remittance influencing share market. From this analysis we can infer that most of the investors agree with the fact that remittance is one of the major factors that influence the share market.

Table No. 4.8: Frequency of Volume of securities influencing share market

The frequency of securities traded influencing share market is given below table.

Table No 4.8
Frequency of Volume of securities traded influencing share market

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	25	25	25	25
Agree	40	40	40	65
Neutral	25	25	25	90
Disagree	7	7	7	97
Strongly Disagree	3	3	3	100
Total	100	100	100	

Source: Field survey 2018

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Figure No. 4.9: Percentage of Volume of securities influencing share market

The percentage of volume of securities influencing share market is given below figure.

Figure No. 4.9

Percentage of Volume of securities traded influencing share market
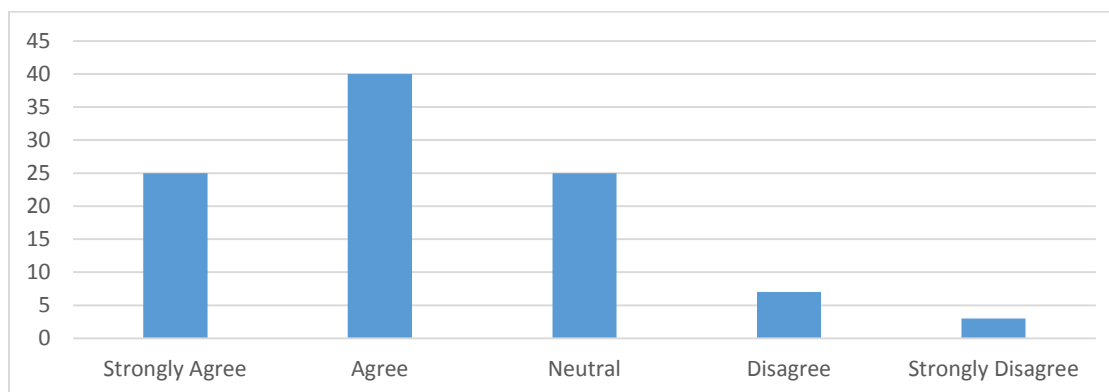


Fig 4.9 shows out of 100 investors 25% of investors strongly agree with the fact that Volume of securities influencing share market, 400% of investor agree with the fact that Volume of securities influencing share market, 25% investors gave neutral response,7% of investor disagree with the fact that Volume of securities influencing share market and 3 % of investors strongly disagree with the fact that Volume of securities influencing share market. From this analysis we can infer that most of the investors agree with the fact that Volume of securities traded is one of the major factors that influence the share market.

Table No. 4.9: Frequency brokerage firms influencing share market

The frequency brokerage firms influencing share market is given below table.

Table No 4.9

Frequency brokerage firms influencing share market

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	15	15	15	15
Agree	29	29	29	44
Neutral	31	31	31	75
Disagree	19	19	19	94
Strongly Disagree	6	6	6	100
Total	100	100	100	

Source: Field survey 2018

Figure No. 4.10: Percentage of brokerage firms influencing share market

The percentage of brokerage firms influencing share market is given below figure.

Figure No. 4.10

Percentage brokerage firms influencing share market

Fig 4.10 shows that out of 100 sample investors 15%of investors strongly agree with the fact that Number of brokerage firms influencing share market, 29% of investor agree with the fact that Number of brokerage firms influencing share market, 31% investors gave neutral response 19% of investor disagree with the fact that Number of brokerage firms influencing share market and 6 % of investors strongly disagree with the fact that Number of brokerage firms influencing share market. From this analysis we can infer that most of the investors agree with the fact that brokerage firms are one of the major factors that influence the share market.

Table No.4.10: Frequency distribution of listed companies influencing share market

The frequency distribution listed companies influencing share market is given below.

Table No 4.10.

Number of listed companies influencing share market.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	12	12	12	12
Agree	41	41	41	53
Neutral	28	28	28	81
Disagree	13	13	13	94
Strongly Disagree	6	6	6	100
Total	100	100	100	

Source: Field survey 2018

Figure No.4.11: Percentage of listed companies influencing share market

The percentage of listed companies influencing share market is given below figure.

<u>**Figure No.4.11**</u>

<u>**Percentage of listed companies influencing share market**</u>
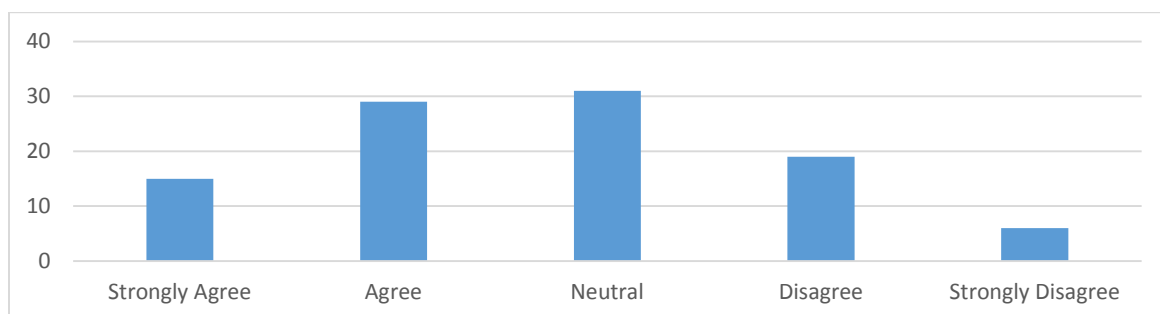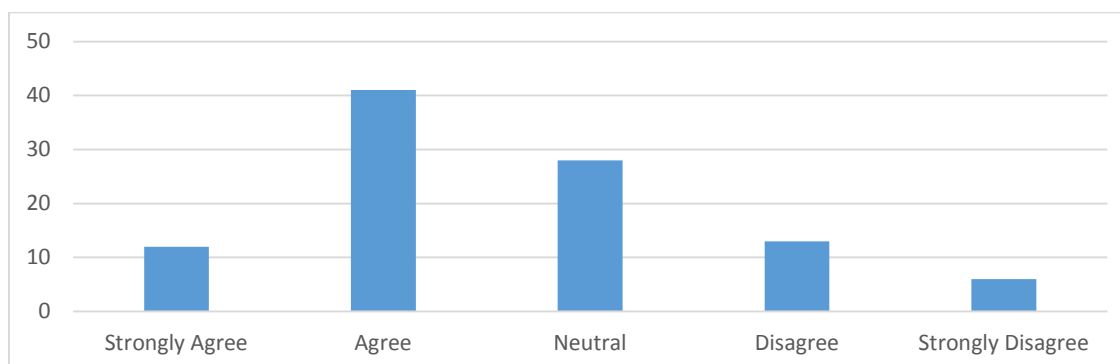

Fig 4.11 shows that out of 100 sample investors 12% of investors strongly agree with the fact that listed companies influencing share market, 41% of investor agree with the fact that Number of listed companies influencing share market, 28% investors gave neutral response 13% of investor disagree with the fact that Number of listed companies influencing share market and 6 % of investors strongly disagree with the fact that Number of listed companies influencing share market. From this analysis we can infer that most of the investors agree with the fact that listed companies are one of the majorities of investors agreed with this fact.

Table No.4.11: Frequency influence of EPS for share market.

The frequency influences of EPS for share market is given below table.

<u>**Table No. 4.11**</u>

<u>**Frequency influences of EPS for share market**</u>

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	27	27	27	27
Agree	48	48	48	75
Neutral	15	15	15	90
Disagree	6	6	6	96
Strongly Disagree	4	4	4	100
Total	100	100	100	

Source: Field survey 2018

Figure No. 4.12: Percentage of influence of EPS for share market

The percentage of influence of EPS for share market is given below figure.

<u>**Figure No. 4.12**</u>

<u>**Percentage of influence of EPS for share market**</u>
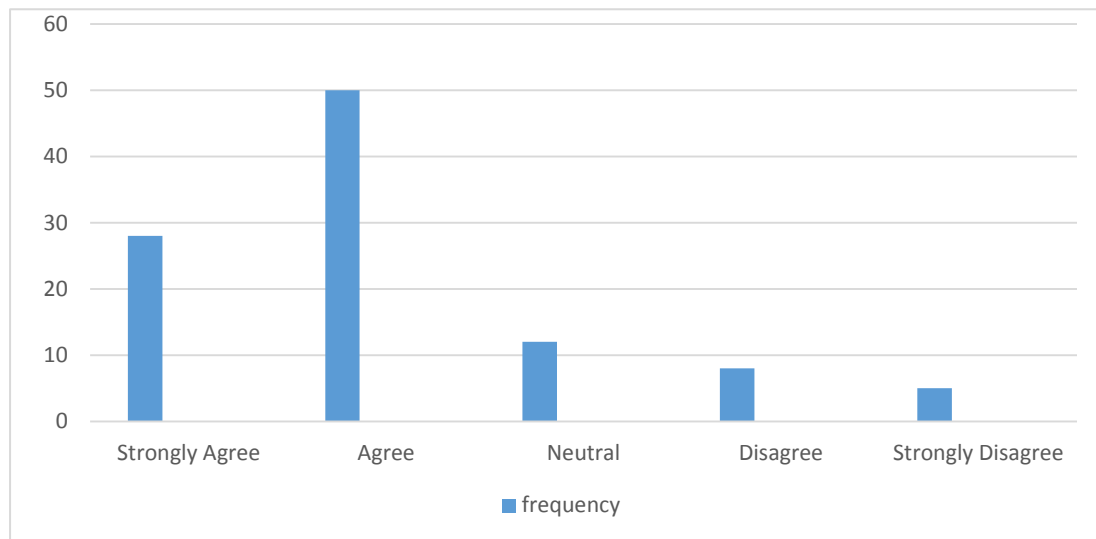
 Out of 100 sample investors 27% of investors strongly agree with the fact that EPS regarding share market influencing share market, 48% of investor agree with e fact that EPS regarding share market influencing share market, 15% investors gave neutral response 6% of investor disagree with the fact that EPS regarding share market influencing share market and 4 % of investors strongly disagree with the fact that EPS regarding share market influencing share market. From this analysis we can infer that EPS regarding share market is one of the major factors that influence the share market as investors agreed with this fact.

Table No. 4.12: Frequency of NAPS regarding share market

The frequency of NAPS regarding share market is given below table.

Table No.4.12

Frequency of Net assets per share (NAPS) regarding for share market

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	10	10	10	10
Agree	30	30	30	40
Neutral	36	36	36	76
Disagree	19	19	19	95
Strongly Disagree	5	5	5	100
Total	100	100	100	

Source: Field survey 2018

Figure No.4.13: Percentage of NAPS regarding the share market

The percentage of NAPS regarding the share market is given below figure.

Figure No.4.13

Percentage of NAPS regarding the share market
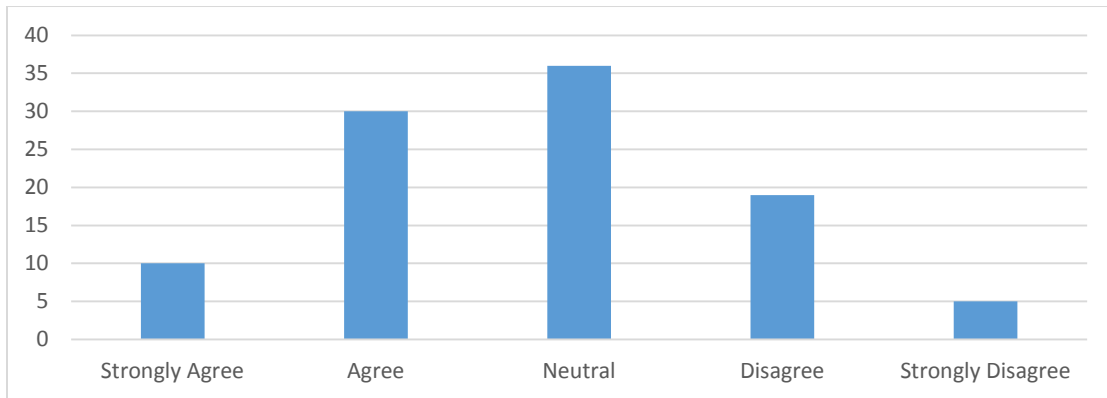
Out of 100 sample investors 10% of investors strongly agree with the fact NAPS regarding the share market, 30% of investor agree with the fact that NAPS share market, 36% investors gave neutral response 19 % of investor disagree with the fact NAPS regarding share market and 5% of investors strongly disagree with the fact that NAPS regarding share market. Here, majority of investors gave a neutral response.

Table No. 4.13: Frequency distribution of NAPS influencing share market

The frequency distribution of NAPS influencing share market is given below table.

Table No. 4.13

Frequency distribution of NAPS influencing share market

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	25	25	25	25
Agree	35	35	35	60
Neutral	26	25	25	85
Disagree	9	9	9	95
Strongly Disagree	5	5	5	100
Total	100	100	100	

Source: field survey 2018

Figure No. 4.14: Percentage of NAPS influencing share market.

The percentage of NAPS influencing share market is given below figure.

Figure No. 4.14

Percentage of NAPS influencing share market
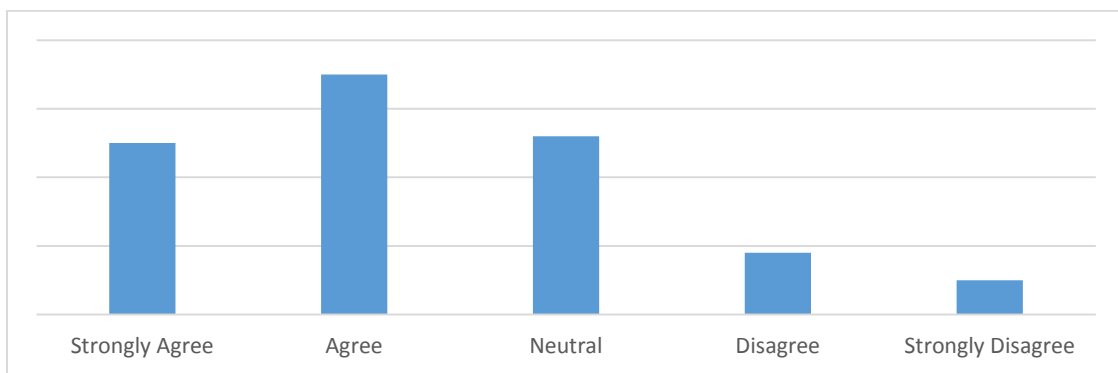
Out of 100 sample investors 25% of investors strongly agree with the fact that NAPS influencing share market, 35% of investor agree with the fact that NAPS influencing share market, 26% investors gave neutral response 9 % of investor disagree with the fact that NAPS influencing share market and 5% of investors strongly disagree with the fact that NAPS influencing share market.

Table No. 4.14: Frequency price earning ratio influencing share market

The frequency price earnings ratio influencing share market is given below table.

Table No. 4.14

Price earning ratio influencing share market.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	10	10	10	10
Agree	36	36	36	46
Neutral	40	40	40	86
Disagree	9	9	9	95
Strongly Disagree	5	5	5	100
Total	100	100	100	

Source: Field survey 2018

Figure No. 4.15: Percentage of Price earnings ratio influencing share market

The percentage of price earnings ratio influencing share market is given below figure.

Figure No.4.15

Percentage of Price earnings ratio influencing share market
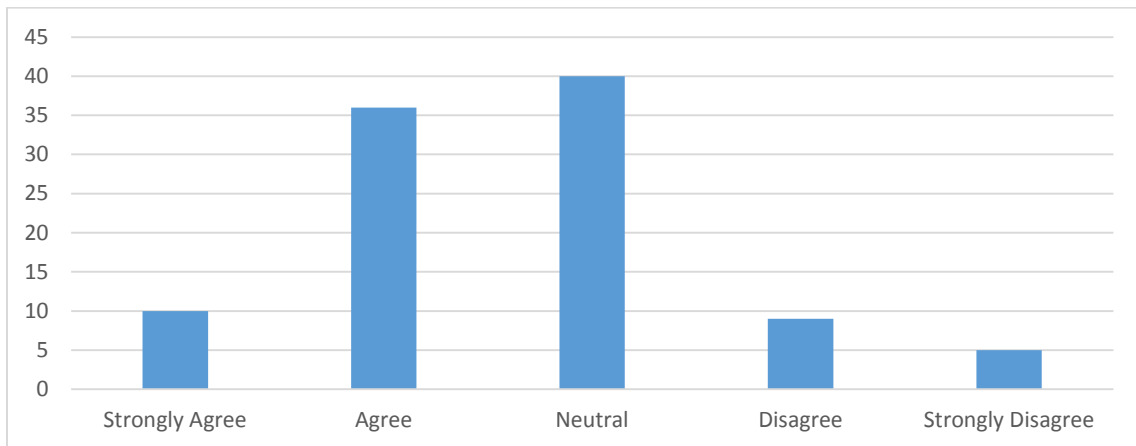
Uses of percentage change in the values of the each variable instead of the actual values. Out of 100 sample investors 10% of investors strongly agree with the fact that price earnings ratio influencing share market, 36% of investor agree with the fact that price

earnings ratio influencing share market, 40% investors gave neutral response 9% of investor disagree with the fact that price earnings ratio influencing share market and 5 % of investors strongly disagree with the fact that price earnings ratio influencing share market. From this analysis we can infer that most of the investors agree with the fact that price earnings ratio is one of the major factors that influence the share market.

4.1.1 Analysis of hypothesis

The study has considered the secondary data over the period of ten years from 2007/8 to 2017/18 on quarterly basis. The data set contains the values for six economic parameters that are inflation, remittance, and gold price, volume of securities traded, number of brokerage firms, number of listed companies and the value of NEPSE index.

The variables have different units as well as different ranges of values. Analysis using such a disperse data will not produce reliable results, obviously. Therefore we follow the Inflation is an exception, because it is already a percentage change.

The following notations are used throughout this section.

PNEPSEchange- Percentage change in NEPSE index.

PInflationChange- Percentage change in Inflation.

PRemChange- Percentage change in Remittance.

PGoldChange- Percentage change in gold price.

PVolChange- Percentage change in volume of securities traded

PBrokChange- percentage change in number of brokerage change.

PComChange- Percentage change in number of listed companies.

We first examine the linear relation between the dependent variable PNEPSEchange separately with each of the independent variables Inflation, PRemChange, PGoldChange,

PVolChange, PBrokChange and PComChange. Thereafter, we use the technique of multiple regressions to analyze the joint effect of the independent variables on PNEPSE.

4.1.2 Simple Linear Regression Analysis

Linear regression is a method to find the straight line that describes the relation between two variables, one dependent and one independent, when the number of independent variables is more than one. Then finding such a linear relation is called multiple regressions. The coefficient of correlation and adjusted R squared are parameters that describe how good the obtained linear model.

The study uses the linear regression model for the analysis of the secondary data because of two major reasons. First and the most important is, in many situations non-linear models like exponential regression, GARCH model etc. can be approximated using linear models. Linear models are often found superior for describing relations between various variables within a short span of time. Our data set spans a period of 10 years which suggests linear model might be the good starting point. The second reason is the simplicity of linear models. The calculations and analysis are easier compared to non-linear models.

Hypothesis 1: NEPSE index vs. Inflation

The linear regression model assuming percentage change in NEPSE (PNEPSEchange) and Inflation as the dependent and independent variable respectively can be expressed as the following equation.

PNEPSEchange= $\beta_0 + \beta_1$ Inflation + $\mathcal{E}$

We express the null hypothesis as following:

$H0_1\beta_1 = 0:$ There is no linear correlation between percentage change in NEPSE (PNEPSEchange) and Inflation.

Figure No. 4.16: Scatter plot of PNEPSEChange vs PInflationChange

The figure (4.16) shows the Scatter plot of PNEPSEChange vs PInflationChange. The plot does not appear to have a clear linear pattern. We further perform linear regression.

<u>**Figure No. 4.16**</u>

<u>**Scatter plot of PNEPSEChange vs PInflationChange**</u>
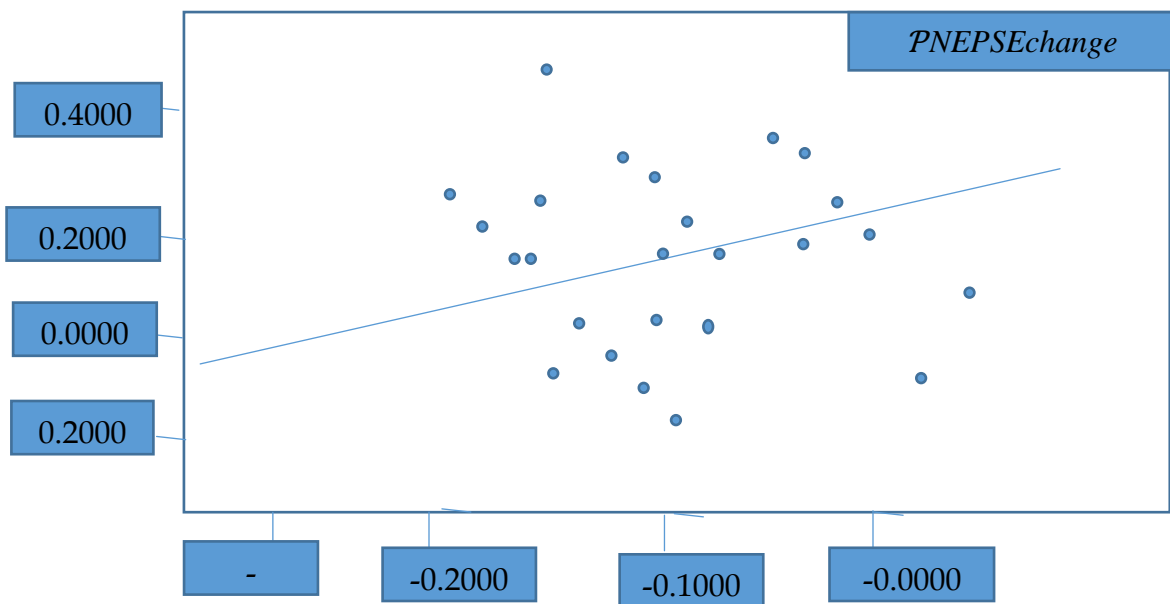
The figure (4.16) shows the Scatter plot of PNEPSEchange vs PInflationChange. The plot does not appear to have a clear linear pattern. It is further performed Linear regression.

Table No. 4.15: Regression result between PNEPSEChange Vs Inflation.

The regression result between PNEPSE Change and PinflationChange is given below table.

Table No. 4.15

Regression result between PNEPSEChange vs PInflationChange

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson Sig. F Change
1	.178[a]	.032	-.291	511.23454	.775

a. Predictors: (Constant), inflation

b. Dependent Variable: nepse.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound
1	(Constant)	1432.710	1041.385		1.376	.263	-1881.442	4746.863
	Inflation	-38.521	123.298	-.178	-.312	.775	-430.911	353.869

a. Dependent Variable: nepse

Form the table (4.15), the linear relationship between PNEPSEchange and inflation is expressed as follows:

PNEPSEchange= 1432.710 -38.52 Inflation

But the overall model summary shows the coefficient of correlation is very low, R=0.178. The t-test on the regression coefficient *β* gives the significance level 0.775, which is much larger than the acceptable level of 0.05. Thus, there is no strong evidence to reject H_0, the null hypothesis.

Hypothesis 2: NEPSE index vs. Remittance

The linear regression model assuming percentage change in NEPSE (PNEPSEchange) and percentage change in remittance (PRemChange) as the dependent and independent variable, respectively, can be expressed as the following equation.

$\varepsilon\,NEPSEchange = \hat{a}_0 + \hat{a}_1 pRemChange + \varepsilon$

We express the null hypothesis as following:

$H0_2.\hat{a}_1 = 0$: There i no linear correlation between percentage change in NEPSE (PNEPSEchange) and in remittance (PRemChange)

Figure No.4.17: Scatter plot of PNEPSEchange vs. PRemChange

The figure (4.17) shows the Scatter plot of PNEPSEchange vs. PRemChange is shown below.

Figure No.4.17

Scatter plot of PNEPSEchangeVs. PRemChange
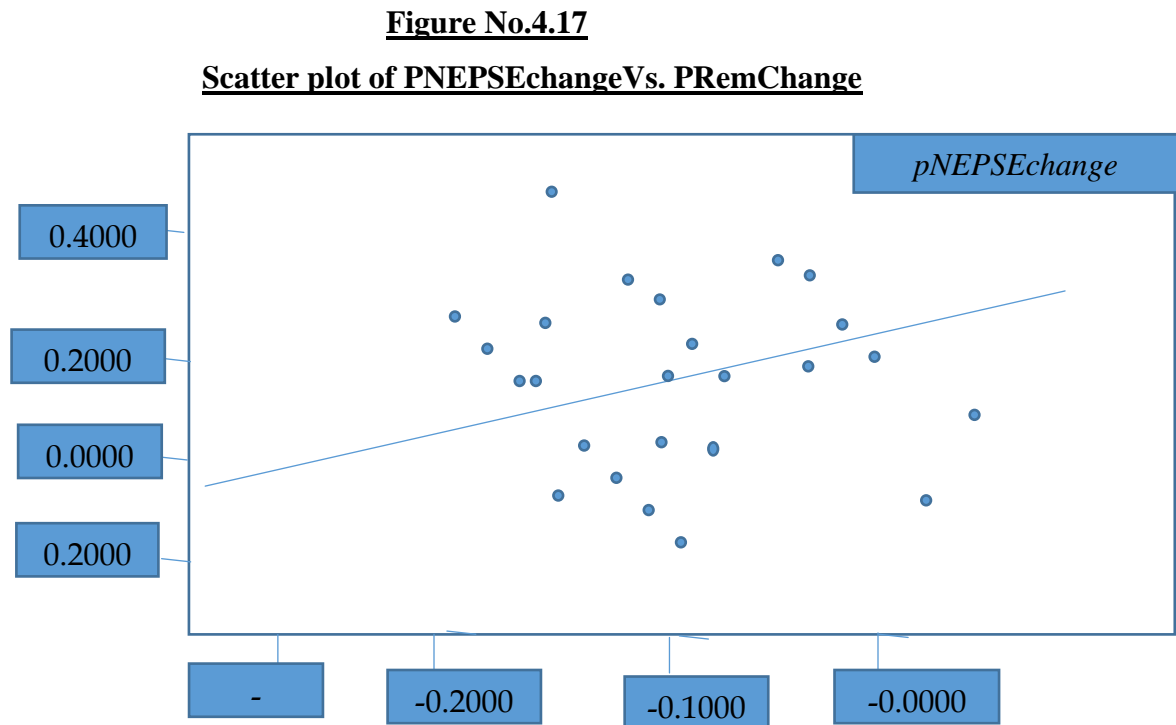
The figure (4.17) shows the Scatter plot of PNEPSEchange vs. PREMchange which does not shows to any linear pattern.. So it is further performed to linear regression analysis.

Table No.4.16: Regression result between PNEPSE change Vs Premchange

The Table 4.16 shows the regression result between PNEPSEChange Vs PREMChange.

Table No. 4.16

Regression result between PNEPSEchange Vs PRemchange

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson R Square Change
1	.778[a]	.606	.474	326.27608	.606

a. Predictors: (Constant), remittance

b. Dependent Variable: nepsei

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.	95.0% Confidence Interval for B Lower Bound	Upper Bound
1	(Constant)	-1768.271	1351.648		-1.308	.282	-6069.818	2533.276
	Remittance	.012	.006	.778	2.146	.121	-.006	.031

a. Dependent Variable: nepse

Form the table (4.16), the linear relationship between PNEPSEchange and PRemChange can be expressed as follows:

*PNEPSEchange=-1768.27 + 0.121*PRemChange

But the overall model summary shows the coefficient of correlation is very low, R=2.178. The t-test on the regression coefficient *b* gives the significance level 0.989, which is much larger than the acceptable level of 0.05. Thus, there is no strong evidence to reject H_0, the null hypothesis.

Hypothesis 3: NEPSE index vs. Gold Price

The linear regression model assuming percentage change in NEPSE (PNEPSEchange) and percentage change in gold price (PGoldchange) as the dependent and independent variable respectively, can be expressed as the following equation.

$$NEPSEchange = H_0 + H_1 pGoldchange$$

We express the null hypothesis as following:

$H0_3, H_1 = 0$: There is no linear correlation between percentage change in NEPSE (PNEPSEchange) and percentage change in gold price (PGoldchange).

Figure No.4.18: Scatter plot of PNEPSEChange vs. PGold change

The fig 4.18 shows scatter plot of PNEPSEChange vs PGold Change.

Figure No.4.18

Scatter plot of PNEPSE change vs. PGoldchange
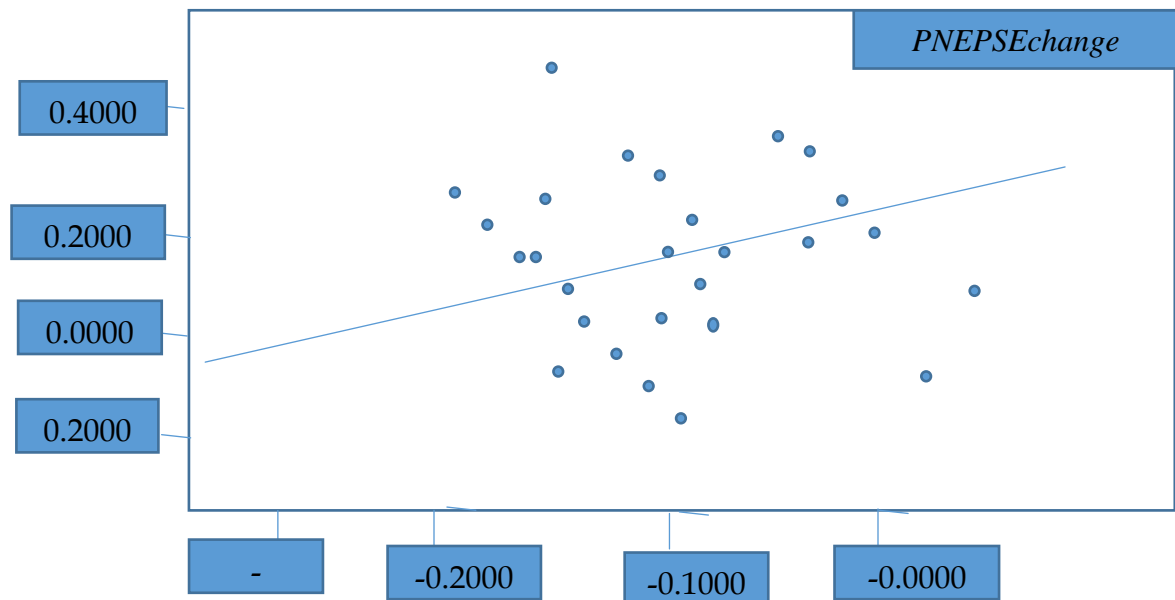
The figure (4.18) shows the Scatter plot of PNEPSEchange vs. PGoldchange which does not shows to any linear pattern.. So it is performed further the regression analysis

Table No.4.17: Regression result between PNEPSEchange vs. PGoldchange

The regression result between PNEPSEChange vs. PGoldChange is given below table.

<u>**Table No.4.17**</u>

<u>**Regression result between PNEPSEchange vs. PGoldchange**</u>.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.868[a]	.753	.671	257.94055

a. Predictors: (Constant), gold price

b.   Dependent Variable: nepse

Model**Coefficients**[a]

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-52122.188	17582.643		-2.964	.059	-108078.006	3833.629
	goldpric	12.042	3.977	.868	3.028	.056	-.615	24.699

a. Dependent Variable: nepsei

Form the table (4.17), the linear relationship between PNEPSEchange vs. PGoldchange is expressed as follows:

PNEPSEchange=-52122.188 + *12.042*pGoldchange

But the overall model summary shows the coefficient of correlation is very low, R=0.868. The t-test on the regression coefficient gives the significance level 0.056, which is much larger than the acceptable level of 0.05. Thus, there is no strong evidence to reject H_0, the null hypothesis.

Hypothesis 4: NEPSE index vs. Volume of Securities Traded

The linear regression model assuming percentage change in NEPSE (PNEPSEchange)
and percentage change in Volume of Securities Traded (PVolchange) as the dependent
and independent variable respectively, can be expressed as the following equation.

$NEPSEchange = \delta_0 + \delta_1 pVolchange + \varepsilon$

We express the null hypothesis as following:

$H0_{3.}\delta_1 = 0$: There is no linear correlation between percentage change in NEPSE
(PNEPSEchange) and percentage change in Volume of Securities Traded (PVolchange)

Figure No.4.19: Scatter plot of PNEPSEchange vs. PVolchange

Fig.19 shows the Scatter plot of PNEPSEChange vs PVolchange.

<u>**Figure No.4.19**</u>

<u>**Scatter plot of PNEPSEchange vs. PVolchange**</u>
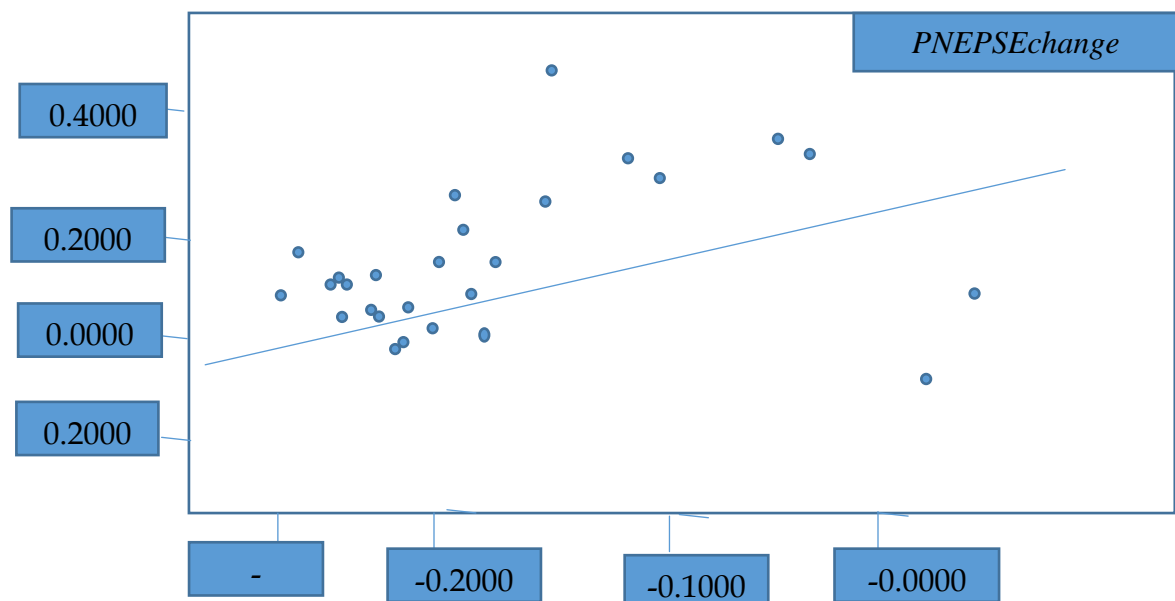
The figure (4.19) shows the Scatter plot of PNEPSEchangeVs. PVolchange which does
not shows any linear pattern. So it is performed further to the regression analysis.

Table No 4.18: Regression result between PNEPSEchange vs. PVolchange.

The given below table shows the regression result between PNEPSEChange vs Pvolchange.

Table No 4.18

Regression result between PNEPSEchange vs PVolchange

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.562[a]	.316	.088	429.58109

a. Predictors: (Constant), volume

Dependent Variable: nepsei

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound
1	(Constant)	699.070	402.252		1.738	.181	-581.077	1979.217
	volume	.240	.204	.562	1.178	.324	-.409	.889

a. Dependent Variable: nepsei

Form the table (4.18), the linear relationship between PNEPSEchange and PVolchange. Can be expressed as follows:

*PNEPSEchange= 699.070 + 0.240*pVolchange.

But the overall model summary shows the coefficient of correlation is very low, R=0.562. The t-test on the regression coefficient ∂ gives the significance level 0.324, which is much larger than the acceptable level of 0.05. Thus, there is no strong evidence to reject H_0, the null hypothesis and conclude that there is significant linear relation between PNEPSEchange and PVolchange, but only with a moderate correlation is 0.562.

Hypothesis 5: NEPSE index vs. Brokerage firms

The linear regression model assuming percentage change in NEPSE (PNEPSEchange) and percentage change in brokerage firms (PB rokChange) as the dependent and independent variable, respectively, can be expressed as the following equation.

NEPSEchange= £$_0$ + £$_1$pBrokChange + ε

We express the null hypothesis as following:

H05.£$_1$ =0: There i no linear correlation between percentage change in NEPSE (PNEPSEchange) and in brokerage firms (PBrokChange)

Figure No.4.20: Scatter plot of PNEPSEchange vs. PBrokeChange

The figure 4.20 shows the scatter plot of PNEPSEChange vs PBrokchange.

Figure No.4.20

Scatter plot of PNEPSEchange vs. PBrokeChange
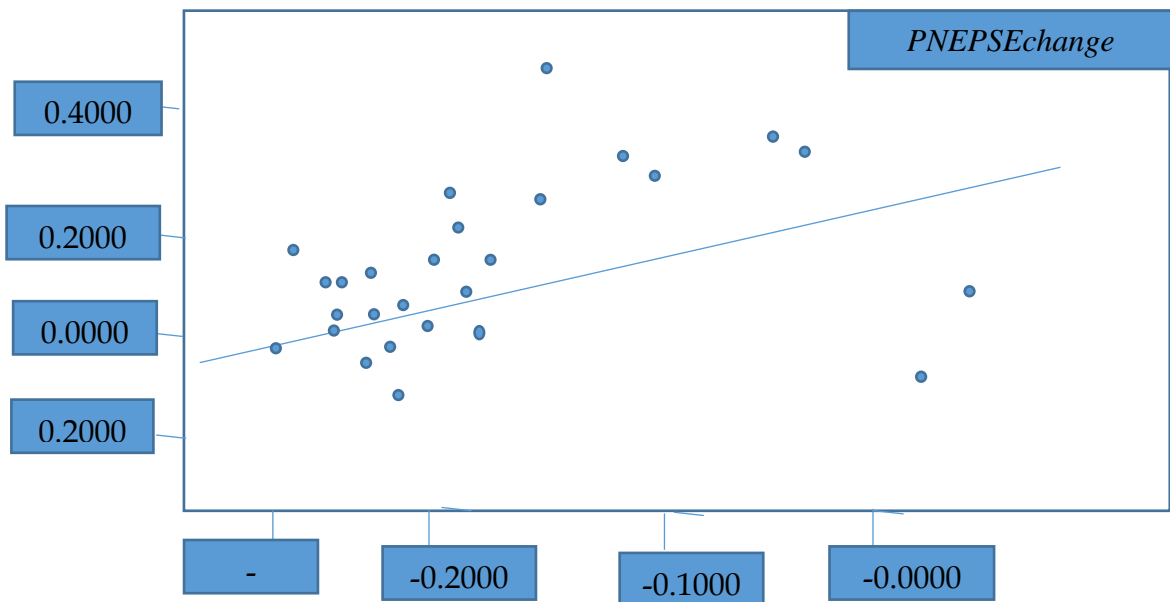
The figure (4.20) shows the Scatter plot of PNEPSEchange vs. PBrokeChange which does not appears to have any linear pattern. So it is performed in the linear regression analysis.

Table No.4.19: Regression result between PNEPSEchange vs PBrokeChange

The regression result between PNEPSEChange vs PBorkeChange is presented in below table 4.19.

<div align="center">

Table No.4.19

</div>

<div align="center">

Regression result between PNEPSEchange vs PBrokeChange

</div>

Model summary		R	R^2		Std. Error of the Estimate	
		0.069	0.005		0.1506022	
Regression		Unstandardized		Standardized	T value	Sig
Officiate		£	Std. Error	Zeta		
	Constant	0.036	0.025		1.469	0.150
	PBrokChange	-0.088	0.207	-0.069	-0.424	0.674
Predictor: PBrokChange						
Dependent Variable : PNEPSEchange						

Form the table (4.19), the linear relationship between PNEPSEchange and PBrokeChange is expressed as follows:

*PNEPSEchange= 0.036 + 0.0.088*PBrokeChange

But the overall model summary shows the coefficient of correlation is very low, R=0.069. The t-test on the regression coefficient £ gives the significance level 0.674, which is much larger than the acceptable level of 0.05. Thus, there is no strong evidence to reject H_0, the null hypothesis.

Hypothesis 6: NEPSE index vs. Number of listed companies

The linear regression model assuming percentage change in NEPSE (PNEPSEchange) and percentage change in Number of listed companies (PComChange) as the dependent and independent variable, respectively, can be expressed as the following equation.

$NEPSEchange = ñ_0 + ñ_1 pComChange + \varepsilon$

The null hypothesis is expressed as follows:

$H06 ñ_1 = 0$: There is no linear correlation between percentage change in NEPSE (PNEPSEchange) and in Number of listed companies (PComChange)

Figure No. 4.21: Scatter plot of PNEPSEchang vs. PComChange

The scater plot of PNEPSEChange vs PComChange is represented below figure.

Figure No. 4.21

Scatter plot of PNEPSEchangeVs. PComChange
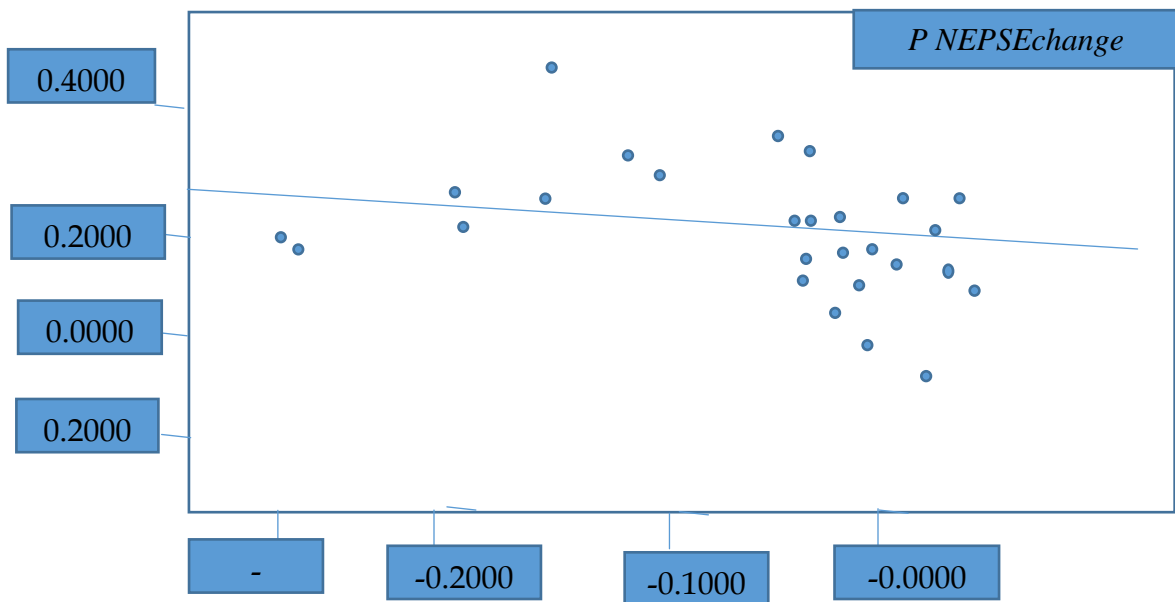
The figure (4.21) shows the Scatter plot of PNEPSEchangeVs. PComChange which does not appear to have any linear pattern. So it is performed in the linear regression analysis.

Table No. 4.20: Regression result between PNEPSEchange vs PComChange

The below table shows the regression result between PNEPSEChange vs PComChange

Table No.4.20

Regression result between PNEPSEchange vs PComChange.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson Sig. F Change
1	.800[a]	.639	.519	311.95956	.104

a. Predictors: (Constant), companie

a.　Dependent Variable: nepsi

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound
1	(Constant)	-3504.129	2007.821		-1.745	.179	-9893.910	2885.652
	Companie	23.861	10.346	.800	2.306	.104	-9.065	56.786

a.　Dependent Variable: nepsei

Form the table (4.20), the linear relationship between PNEPSEchange and PComChange is expressed as follows:

*NEPSEchange= -3504 + 23.861*PComChange

But the overall model summary shows the coefficient of correlation is very low, R=0.800. The t-test on the regression coefficient ñ gives the significance level 0.104, which is much larger than the acceptable level of 0.05. Thus, there is no strong evidence to reject H_0, the null hypothesis.

Figure No. 4.22: Scatter plot of PNEPSEchang vs.PEPSChange

The scatter plot of PNEPSEChange vs PEPSChange is represented below figure.

Figure No. 4.22

Scatter plot of PNEPSEChange vs. PEPSChange
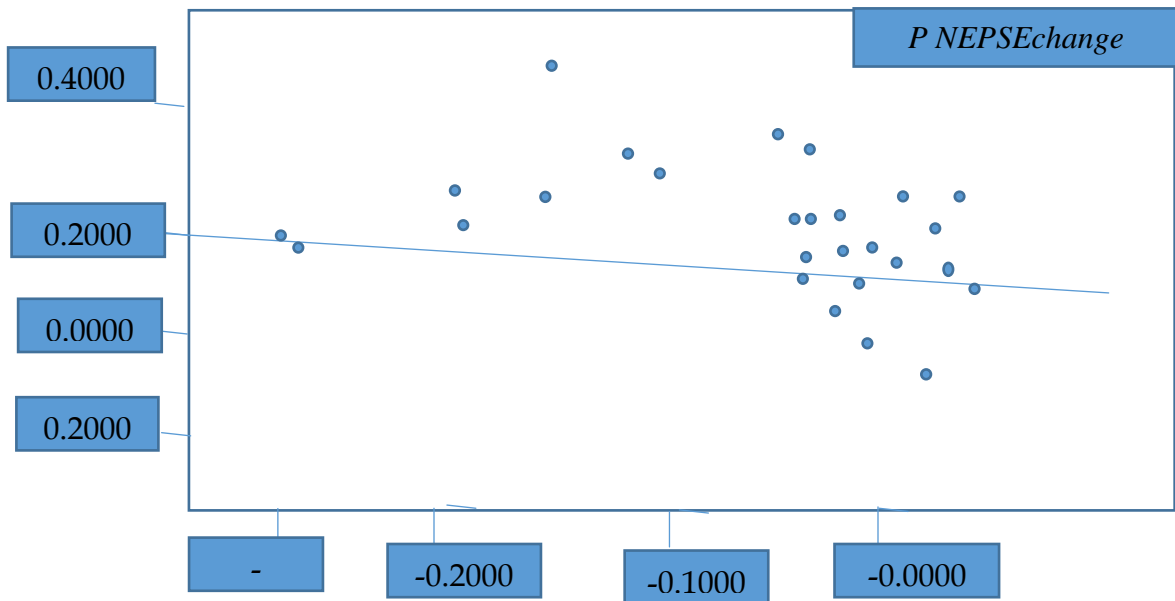
The figure (4.22) shows the Scatter plot of PNEPSEchangeVs. PEPSChange which does not appear to have any linear pattern. So it is performed in the linear regression analysis.

Table No. 4.21: Regression result between PNEPSEchange vs PEPSChange

The regression result between PNEPSEChange and PEPSChange is presented below table.

Table No. 4.21

Regression result between PNEPSEchange vs PEPSChange

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.839[a]	.704	.605	282.76662	.704	7.125	1	3	.076	3.130

a   Predictors: (Constant), EPS

b.   Dependent Variable: nepsei

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1701.62	402.252		1.738	.181	-581.077	1979.217
	Security	-0.342	.204	0.839	1.178	0.076	-.409	.889

a.   Dependent Variable: nepsei

Form the table (4.21), we can express the linear relationship between PNEPSEchange and PEPSchange is expressed as follows.

*PNEPSEchange= 1701.62 – 0.342PEPS*change

But the overall model summary shows the coefficient of correlation is very low, R=0.839. The t-test on the regression coefficient ∂ gives the significance level 0.076, which is much smaller than the acceptable level of 0.05. Thus, there is no strong evidence to reject H_0, the null hypothesis.

Figure No. 4.23: Scatter plot of PNEPSEchange Vs. PPERChange

The scatter plot of PNEPSEChange vs PPERSChange is presented below figure.

Figure No. 4.23

Scatter plot of PNEPSEchange vs. PPERChange
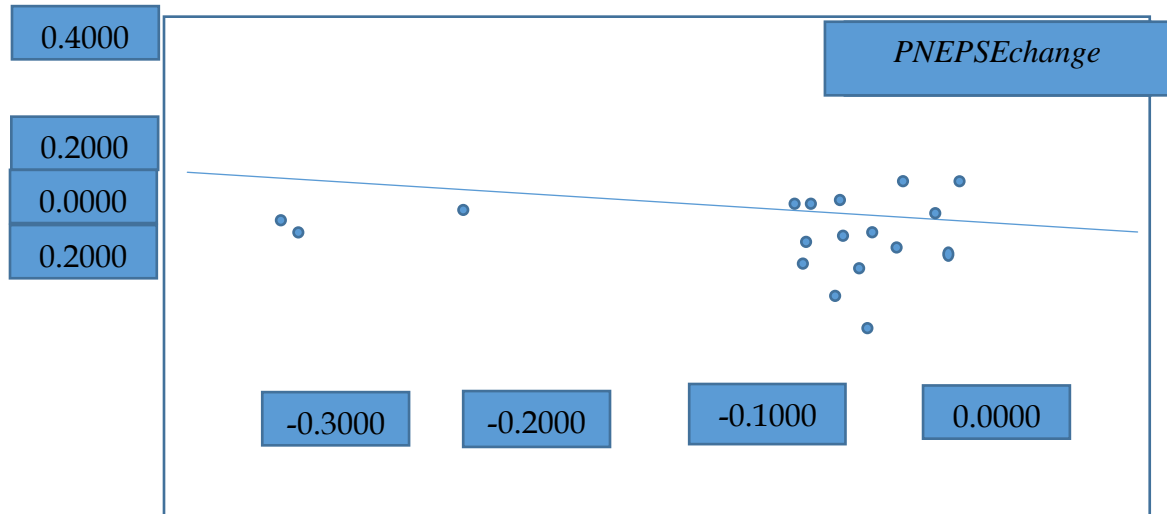
The figure (4.23) shows the Scatter plot of PNEPSEchange Vs. PPERchange which does not appear to have any linear pattern. So it is performed in the regression analysis.

Table No.4.22: Regression result between PNEPSEchange and PPERChange.

The regression result between PNEPSEChange and PPERChange is presented below table.

Table No.4.22
Regression result between PNEPSEchange Vs PPERChange

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.781[a]	.610	.480	324.30431	.610	4.698	1	3	.119	3.163

a. Predictors: (Constant), PER

b. Dependent Variable: nepsei

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	2381.271	601.829		3.957	.029	465.981	4296.560
PER	-.468	.216	-.781	-2.167	.119	-1.156	.219

a. Dependent Variable: nepsei

Form the table (4.22), So the linear relationship between PNEPSEchange and PER can be expressed as following:

*NEPSEchange= 2381.271 – 0.468EPSChange*

But the overall model summary shows the coefficient of correlation is very low, R=0.781. The t-test on the regression coefficient $\tilde{n}$ gives the significance level 0.119, which is much larger than the acceptable level of 0.05. Thus, there is no strong evidence to reject H_0, the null hypothesis.

Figure No.4.24: Scatter plot of PNEPSEchangeVs. PExchangeRateChange

The scatter plot of PNEPSEChange vs PExchangeRateChange is represented below figure.

Figure No.4.24

Scatter plot of PNEPSEchange Vs PExchangeRateChange
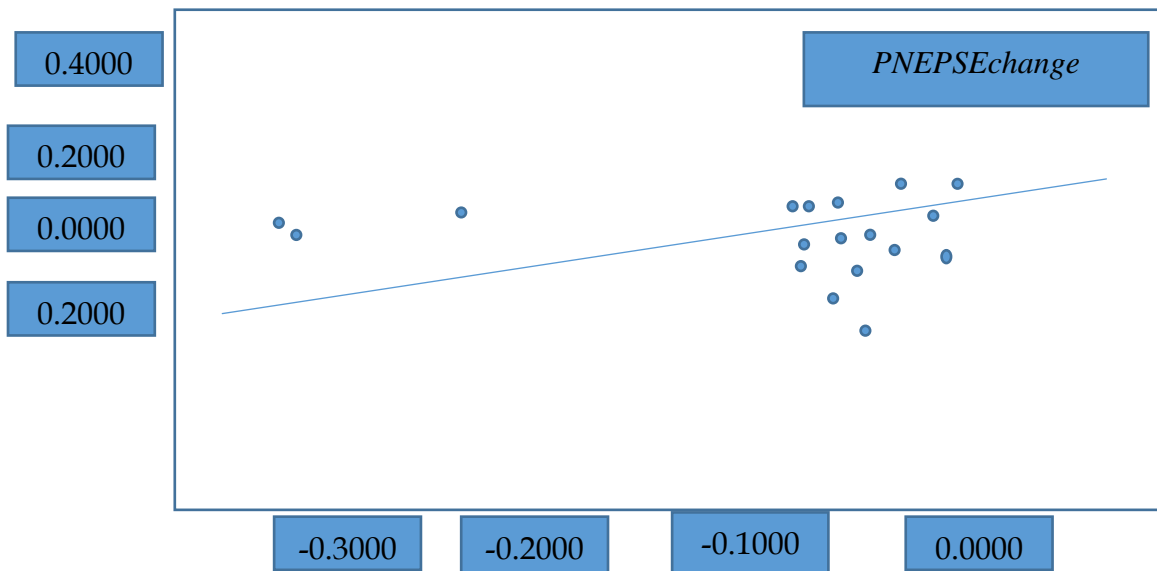
The figure (4.24) show the Scatter plot of PNEPSE Change Vs. PExhangeRate Change which does not appear to have any linear pattern. So it is presented in the regression analysis.

Table No 4.23 Regression between PNEPSEChange vs PExchangeRChange.

The regression result between PNEPSEChange and PExchange rate Change is shown in below table.

<u>**Table No.4.23**</u>

<u>**Regression result between PNEPSEchange vs PExchangerateChange**</u>

Model Summary[b]

Mod el	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.909[a]	.827	.769	216.21100	.827	14.319	1	3	.032	3.027

a. Predictors: (Constant), Exchange Rate

b. Dependend Variable: nepsi

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4085.125	1377.722		-2.965	.059
	Excr	52.583	13.896	.909	3.784	.032

a. Dependent Variable: nepse

Form the table (4.23), the linear relationship between PNEPSEchange vs PExchange RateChange is expressed as follows:

PNEPSEchange= -4085.125+52.583Exchange RateChange

But the overall model summary shows the coefficient of correlation is very low, R=0.909

The t-test on the regression coefficient $\tilde{n}$ gives the significance level .032, which is much smaller than the acceptable level of 0.05. Thus, there is no strong evidence to accept H_0, the null hypothesis.

60

4.2 Multiple linear regression analysis

In this part the paper analysis the multiple linear regression analysis to examine the NEPSE index depends linearly on some or all independent variables. More specifically we examine the relation between the independent variables inflation, remittance change, According to the table the coefficient of multiple regressions is 1, which shows the weak correlation. Moreover, the significance value is 0.26, which is much larger than the acceptable value 0.05 value. Thus there is no significant evidence to reject the null hypothesis. We conclude the linear regression model is inappropriate, because even the best possible combination does not have a significant effect on NEPSE change.

Table No.4.24 Relative strength of individual variable

The relative strength of individual variables is given below table.

Table No.4.24

Relative strength of individual variable

Variable	Corresponding coefficient	Value	Significance
Constant	B	-6249.015	.018
Inflationchange	A	.024	.018
Remchange	μ	203.915	.023
Volume of securities change	Å	-.029	.387

In the above table we can see that all variable except volume of security change have significance value much higher than the acceptable 0.05. This shows that only volume of securities change has not significance partial effect on dependent variable NEPSE change. Thus though there is a significance linear relationship between inflation change and remittance. Still there is significant relationship between volume of security change and NEPSE index because the correlation value of volume of security higher than the NEPSE's correlation value.

4.3 Findings and Discussions:

Mary Hall (2018) stated the stock market is a complex interrelated system of large and small investors making uncoordinated decisions about a huge variety of investments " The Market is not al living entity, rather it is just short hand for the collective values of individual companies. Interest Rates are believed top pay a major role in the valuation of any stock or bond. There are several reasons for this, and there is some debate about which is most important. First interest rate affects how much investors, banks business and governments are willing to borrow, therefore affecting how much money is spent in economy. Additionally, rising interest rates make certain "safer'' invest ents (notably us treasures) more attractive alternate top stocks.

David R. Harper. (2018) examined and investigated the stock prices are determined in the market place, where seller supply meets buyers demand. But, unfortunately, there is no clean equation that tells us exactly how stock price will behave, that the force es fall into three categories: fundamental factors, technical factors and market sentiment. In a efficient market, stock prices would be determined primarily by fundamentals, which .at the basic level, refer to a combination of two things EPS and P/E Ratio. EPS is when we buy a stock a proportional share of an entire future stream of earning. That's a reason for the valuation multiple. In technical factors inflation is huge driver from a technical perspective as well. Historically, low inflation has a strong inverse correction with valuations (low inflation drives high multiples and high inflation drives low multiples.

Fadiran and Olowookere (2017) stated the stock price is directly affected by business factors such as selling price of the shares will fall. The same hold between share price and price earnings ratio (PE). The negative relationship between SP and interest rate is expected since shares and deposits are close substitutes. If interest rate on deposit increases, deposit becomes more attractive, making the demand for shares to fall and so the price of shares will fall as well. It is worthy of note that the exchange and interest rates are also negatively related, affirming theoretical relationship between the two variables. Among the explanatory variables, GR and PE ratio are highly correlated. This clearly states there is significant relationship between performance factors and Economic factors have direct impact on share price. Current study as well indicates the same effects

implying that performance factors such as EPS had significant importance, likewise, most economic factors such as remittance has major impact on share market, thereby implying the consistency on the result.

Phuyal and Adhikari (2016) stated the political factor and dividend declaration and distribution as the majorfactors influencing the share market which is reflected by their respective mode value. Similarly, gold price was the least influencing factor. Current study as well suggests the political factor as the main factor considered by investors implying significant relationship between political factors and economic factors, maintaining the consistency on the results.

Kumar (2013) concluded that the industrial performance play a significant role in influencing the stock market. Similarly, the impact of policy rates seemed nominal and unsustainable. However, market rely more on optimistic macroeconomic environment. Besides, stock market also responds to the performance of the firm specific factors and unforeseen events in the economy. Present study concludes that business factors have significant impact on share impact.

Naik (2013) concluded that the macroeconomic variables and the stock market index are co-integrated. Hence, long run equilibrium relationship exists between them. Present research indicates that EPS has significantly influenced the share market, which thereby, implies consistency in result.

Yilmaz (2006) through 'dividend policies and price-volume reactions to cash dividends on the stock market' concluded that earnings eventually resulting dividends declaration has direct impact on share market which seemed to be consistent through the current study's analysis as well.

CHAPTER V
SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Summary and Major Findings

This research has been done with the major objectives to determining and analyzing the factor influencing the share market. With this regards, different literatures were reviewed in order to identify the factors affecting the stock market. Then eleven relevant factors were determined that were appropriate in terms of its availability and suitability through expert option. Those factors are: Inflation, remittance, gold price, and numbers of listed companies, numbers of brokerage firms and volume of securities traded, exchange rate, Earning per Shares, Net Asset per Shares, Price Earning Ratio.

The data is collected from different secondary sources like websites of different organizations like Nepal Rastra Bank, SEBON, NEPSE and others. Primary data is also collected to support the secondary data analysis and to obtain more concrete result. 100 questionnaires are distributed to investors of the share market and six questionnaires were distributed to the active brokers within the Kathmandu valley.

In order to test the relationship the factors and NEPSE index, two types of analysis has been done according to the nature of the data. For the primary data, descriptive analysis has been done and for secondary data, inferential analysis has been done. Then, political factor has also been considered to identify its influence in the stock market. Both primary and secondary data analysis has done to determine its influence on the stock market.

In the rating question the respondents were asked to sort the factors influencing the stock market and majority of the respondents considered political events as the major factors, with mode of 1, and gold price as the least influential factor, with mode 13.

Similarly, 93% of investors consider political events/news while transacting shares in the stock market. 14% of the investors strongly agree and 41% of investors agree with the fact that inflation influences the share market. This shows that the majority of investors consider inflation as one of the major influential factor for the share market. 11% of the investors strongly agree with the fact that gold price influences the share market. 32% of

the investors agree with the fact that gold price influences share market and 33% of the investors gave neutral response. 15% of investors strongly agree and 34% of investors agree with the fact that remittance influences share market. Here, the majority of investors agreed on the remittance as influential factors for the share market. 27% of investors strongly agree with the fact that exchange rate influencing share market, 34% of investor agree with the fact that exchange rate influencing share market, 29% investors gave neutral response. From this analysis we can infer that most of the investors agree with the fact that exchange rate is one of the major factors that influence the share market. 25% of the investors strongly agree and 40% of investors agree with the fact that volume of securities traded influences share market. Here, the majority of investors agreed that volume of securities traded is one of the major influential factors for the share market. For the numbers of brokerage firms, 29% of investors agreed and 31% of investors gave neutral response that it influences the share market. 12% of investors strongly agree and 41% of investors agreed with the fact that number of listed companies affects the share market. 27% of the investors strongly agree with the fact that EPS influences the share market. 48% of the investors agree with the fact that EPS influences share market and 15% of the investors gave neutral response. Likewise, 10% of the investors strongly agree with the fact that NAPS influences the share market. 30% of the investors agree with the fact that NAPS influences share market and 36% of the investors gave neutral response. 10% of the investors strongly agree with the fact that Price Earning Ratio influences the share market. 36% of the investors agree with the fact that Price Earning Ratio influences share market and 40% of the investors gave neutral response. Out of 59 active share investors, 58 investors are considering political news while transacting in the share market and out of 41 passive investors, 38 investors consider political news while transacting in the share market.

Correlation coefficient and significance level of 0.0087 and 0.594 respectively reflect that there is no linear correlation between inflation and NAPSE index. Correlation coefficient and significance level of 0.158 and 0.329 respectively reflect that there is no linear correlation between remittance and NEPSE index. Correlation coefficient and significance level of 0.26 and 0.873 respectively reflect that there is no linear correlation

between gold price and NEPSE index. Correlation coefficient and significance level of 0.378 and 0.016 respectively reflect that even though there is linear correlation between volume of securities traded and NEPSE index but its strength is very weak. Correlation coefficient and significance level of 0.069 and 0.674 respectively reflect that there no linear correlation between number of brokerage firms and NEPSE index. Correlation coefficient and significance level of 0.033 and 0.841 respectively reflect that there is no linear correlation between numbers of listed companies and NEPSE index.

Finding from the primary data shows that 93% of investors consider political news while transacting share market. Similarly out of 100 investors, 55 investors consider political news and 45 investors consider political news while transacting in the share market. Findings from the secondary data analysis show that NEPSE index fluctuated when there is change in the government.

5.2 Conclusions

The establishment of the security market in Nepal in 1985 and Nepal Stock Exchange (NEPSE) market in 1994 opened and avenue to both small and large investors to invest in the enterprise sector and participate in the secondary market. This study analyzed the factors that influence the stability of the stock market. The first phase of the study began with the literature reviews from which list of factors influencing the share market were identified. Eleven key variables were determined through expert option. Those factors were inflation, remittance, gold price, numbers of listed companies, numbers of brokerage firms and volume of security traded, exchange rate, EPS, Price Earning Ratio, NAPS. Then a survey of the stock market investors was done to gather their options. Majority of the respondents indicated that politics influences the stock market stability.

The second phase of the study examined secondary data to test whether various parameters of the NEPSE index. The study did not consider political situation because it is not quantifiable. In order to test the relationship among the factors and NEPSE index, Simple and multiple regression models has been used. From the analysis it was evident that there is no straightforward linear relation between the chosen variables and NEPSE index. This result reinforced the conclusion drawn by the survey of stock market

investors suggesting that there must be non-quantifiable parameters like politics influence on the stability of share market.

Finally, this study examined the overall political history during the selected time period to decide whether political uncertainty has influenced NEPSE index; the conclusion was this indeed the case, political uncertainty greatly/strongly influence the share market of Nepal which was evident from the analysis i.e. from the primary data analysis, 96% of investors and 100% of brokers agreed that politics influence the share market of Nepal and from secondary data analysis NEPSE index fluctuated during the government change.

In this way out of overall stock market behaviors found to be greatly influenced by politics. There appear no or very less correlation between stock market factors like inflation, remittance, gold price, volume of security traded, numbers of brokerage firms, numbers of listed companies while on other hand political factor appeared to be the most influential factor affecting the stock market of Nepal. Thus, simple mathematical model of linear regression cannot describe stock market behavior.

5.3 Recommendations

On the basis of major findings drawn in previous chapter and the conclusion derived in this chapter, the following recommendations have been made for enhancing the right share practices in Nepal;

Investors

- **S**ince the study concludes political factors as major influencing factor, investors are recommended to make sensible judgment taking all factors into consideration before entirely depending on political status of the country.

Stakeholders

- Regulatory offices, issue managers, issuing companies and government should jointly organize investors awareness program on stock because still number of investors are unaware about share and share market it.
- Company should play promotional role, for the full subscription of rights share,

because there exist large no rights not exercise by the existing shareholders. Thus, misconception and rumors about rights share, to lead them to irrational decision. Thus the concern authorities must consider making aware to the investors regarding misconception about right share and other influential factors. The awareness program should be available for general investors through interaction, advertisement, videoconference, seminars, training, workshops and radio talk.

- In order to make the capital market more efficient. The SEBON should create the friendly environment and then, market participants and academic institutions should jointly promote and undertake more research and market analysis activities.

Policy Makers

- The barricade made by legislation for transferring the right share to only one nominee has adversely affected the existing shareholders. Thus such provision which makes the shareholders uncomfortable should be abrogated and appropriate provision should be made.

- Infrastructure like good communication, banking facilities and postal services should be developed to encourage investors.

- Company act should be amended to make clear provision regarding the issue of rights share and subsequent allotment of rights issue.

Government

- Regulation and their implementation should be sound and strict by the government level. So that all kinds of investors can earn equal benefit on the basis of their investment.

- There lacks a well-accepted criteria of quantifying political stability. One research idea is to develop a new or adopt some existing strategy for quantifying political stability and add it as a variable in the linear model to examine the relations between various factors and stock market stability.

Future Researchers

- There is a lack of proper analytical model that could best apply and analyze the political factors as the major factor influencing the share market. So it can be

proposed topic for research i.e. to identify the analytical model for the political factors influence on the share market.

- There is large number of nonlinear of models applied to explain the factors to influencing the stock market. A possible topic of study is to apply nonlinear model to explain the behavior of NEPSE index.

- Only few variables' influences have been studied whereas there are plenty players that directly affect the stock market in Nepal. Proposed new study can expand its study covering most factors that directly affect share market.

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QUESTIONNAIRES

This survey is conducted for the fulfillment of requirements of Graduate Research Report.

Questionnaires: (For investors)

1) Do you have investment only in shares?

(a)Yes ☐

(b)No ☐

If No, in which of the following do you have your investment other than shares?

   (a) Gold ☐
   (b) Real Estate ☐
   (c) Derivatives ☐
   (d) Others ☐

2) While investing in shares, which of the following areas do you prefer to invest? (You can tick more than one)

(a) Bank and Finance ☐

(b) Mutual Fund ☐

(c) Manufacturing and Processing ☐

(d) Trading ☐

(e) Hotels ☐

(f) Insurance ☐

(g) Hydro electricity ☐

(h) Government Bond ☐

(i) Information Technology ☐

(j) Preferred Stock ☐

(k) Preferred Convertible ☐

3) Why do you select Investment in shares? (Tick more than one)

(a) To generate high returns ☐

(b) To earn return on idle resources ☐

(c) To make a provision for an uncertain future ☐

(d) To meet the cost of inflation ☐

4) Do you refer to the websites of NEPSE or SEBON while making any investment decisions?

(a) Yes ☐

(b) No ☐

(5) Which type of investor are you?

(a) Active ☐

(b) Passive ☐

6) Which of the following factors do you think that influence the share market the most? Rank them according to their priorities with '1' as the most influencing to '11' as 'least influencing'.

(a) Inflation ☐

(b) Remittance ☐

(c) Volume of Securities traded ☐

(d) Number of brokerage firms ☐

(e) Number of listed companies ☐

(f) Political events ☐

(g) EPS ☐

(h) Net Assets per share (NAPS) ☐

(i) Price Earning Ratio ☐

(j) Gold Price ☐

(k) Exchange Rate ☐

7) Do you consider political news while investing in share market?

(a) Yes ☐

(b) No ☐

If yes, which of the following factors are more influential? (You can choose more than one)

    (a) Transitional Political situation

    (b) Legislation and regulation regarding stock market ☐

    (c) Government Initiatives ☐

    (d) Strikes ☐

    (e) Election ☐

8) Give your preference and tick if you agree or disagree with the given statement

S. No	Items	Strongly agree	Agree	neutral	Disagree	Strongly Disagree
1	Inflation influence stock market					
2	Exchange Rate influence stock market					
3	Gold price influence stock market					
4	Remittance influence stock market					
5	Volume of securities traded influence stock market					
6	Number of brokerage firms influence stock market					
7	Numbers of listed companies influence stock market					
8	Political Factors					
9	Price Earning Ratio affect stock market					
10	EPS influence stock market					
11	NAPS affecting stock market					

CHAPTER I
INTRODUCTION

1.1 Background of the study

Security market plays an important role in mobilizing savings and channeling them in productive purposes and many more like providing liquidity on securities so that one can minimize the risk and maximize the returns.

Stock market indices are used to study the trend of growth pattern in the economy, to analyze as well as to forecast business cycles and to correlate it with economic activities. The higher index implies increase in market price of securities and he better performance of companies and vice versa. NEPSE follows the Standard and Poor's Index method for its calculation by taking the market capitalization of all listed securities based on February 12,1994 prices as 100 (SEBON,1998).

The history of capital market in Nepal dates back to 1936 in which year the shares of Biratnagar Jute Mills Ltd. were floated. HMG Nepal introduced the Company Act in 1964 and the first issue of government bonds made in the same year through Nepal Rastra Bank to collect the developmental expenditures. It carried 6 percent rate of interest and had the maturity period of five years (Shrestha, 2038).

HMG Nepal announced the Industrial Policy in 1974 and under this policy and institution named Securities Marketing Center (SMC) was established to deal in government securities-development bonds and national savings bonds and corporate securities of few companies. The government has the virtual monopoly over the security market. Then, securities Exchange Center was established in 1976 with an objective of facilitating and promoting the growth of capital market. It was the only capital market institution in Nepal.

Securities Exchange Act came into force 1984. Since then, SEC started to operate under this act. The purpose of this a6ct was to provide systematic and favorable market environment for securities ensuring and protecting the interest of individuals and institutional investors as well as to increase the public participation in various firms and companies (Gurung, 1999).

Due to the world whim of privatization and economic liberalization, operation of SEC was felt to change to make it compatible with the changing economic system. As a result, HMG Nepal brought about change in the structure of SEC by dividing it into two distinct entities- Securities Board of Nepal (SEBON) and Nepal Stock Exchange Ltd. (NEPSE) at the policy level in 1993. Since then they are operating as the main constituents of securities market in Nepal.

The establishment of security market in Nepal in 1985 and Nepal Stock Exchange (NEPSE) market in 1994 opened an avenue to both small and large investors to invest in the enterprise sector and participate in the secondary market. Despite apprehensions of many, secondary market proved to be successful with the both entrepreneurs and the investors showing earnest acceptance and participation in the process.

In today's context, Nepalese stock market is greatly influenced by political situation of the country; stockbrokers said the market is largely influenced by the latest political developments. The first Constituent Assembly was dissolved after it failed to deliver a constitution even after several deadline extensions. The brokers said the market started falling when the Maoist lawmakers resorted to violence against the proposed voting process in the CA. For instance, economic factor has several indicators like GDP, GNP, trade balance, foreign exchange rate, oil price, inflation, interest rate and several others. Out of these indicators, those indicators which serves the purpose of the study and which are available are taken for this study. Then the analysis is done to see the relationship between NEPSE index and he chosen factors and thereafter, its relationship with politics.

1.2 Statement of Problems

When we look at the history of stock market then we would find its foundation around 70 years back with the floatation of shares by Biratnagar Jute Mill Ltd. and Nepal, Bank Ltd. even though with the pass time the volume of investors and many more have been increased but stock market still lack its quality growth here means several factors like knowledge and experience of investors connoisseur brokers, quantitative and qualitative tools of analyzing the stock market volatility.

The situation of stock market in Nepal worsened from 1995/96 onwards with the onset of political instability. Both the investment climate as well as the operational climate suffered

leading to poorer results in many companies. As a result, the price at NEPSE nose-dived and it incurred heavy losses.

The period was 1997 to 1998, after which the situation improved somewhat with the commencement of operations by many finance companies, which paid out dividends. The improvement, however, was only marginal just to keep enough attentions.

The economic and political scenario became more volatile with the rise in insurgence which led to slowing down of economic activities resulting at worsening performance in many sectors like tourism and manufacturing, thus, leading to a more volatile NEPSE. This shows that not only the economic factor but the volatility in the political factor might have the significant influence on the stock price. Therefore it is significant influence on the stock price. Therefore it is crucial to identify whether stock market get affected by the non economic factors as well.

A very small proportion of manufacturing, trading and hospitality sectors are listed with NEPSE. More importantly, services sector which has shown tremendous growth after economic reforms, have hardly been listed except commercial banks, a few hotel and airline companies (both in the hospitality sector). The most affected are the manufacturing companies followed by trading and hospitality companies. Banks and finance companies, as compared to others are in better position. Such listed companies affect on the stock market are usually neglected while showing the factors influencing stock price in Nepal.

In this way, this study aims at studying the various relevant factors influencing the stock market of Nepal. Here the major challenge is to maintain status quo while undergoing this research work as various reviews have to be made which suggest several influencing factor and to match those factor in context to Nepal itself a challenging job.

1.2.1 Research Questions

The overall aim of this research is to explore the relationship between the Nepalese stock market and the relevant factors affecting stock market. Therefore, the research question for this study is based on the following questions:

1.What are the economic, business and external factors influencing the share market?

2.Is there any significant role of these factors on the variation of NEPSE index if the factors influence on NEPSE index is found insignificant?

1.3 Objectives of the study

The major objectives of this research are mentioned below:

1. To identify the various factors influencing Nepalese share market.

2. To examine the degree of impact on NEPSE index.

1.4 Significance of the Study

Every research work has its own importance. This research completely deals with the study of the stock market of Nepal and its relationship with various influential factors. It includes several aspects of identifying the key factors influencing the stock market i.e. economic factors, business factors and external factors.

This study is significant to the following stakeholders:

1. The key players in the stock market like brokers, market makers can also be benefitted. They have access to the information regarding the factors influencing stock market given my research outcome. Such information is beneficial to make them alert and enable them to take sound decision.

2. This study is also significant in the way that within the given time frame it attempt to identify whether there is any political influence on stock market performance measured by NEPSE index. The idea is to use an approach where the analysis of the most quantitative factors influence on the stock market is identified. Following the result showing no significant influence on the stock market is identified. Following the result showing no significant influence, political factor implications is tested. Therefore, the outcome thus created may also have implications for historical studies. Here the researchers can conduct in –depth studies which can further provide the concrete result.

3. There are other stakeholders who may get benefitted from this study so in overall whole state or the government can get benefitted from this study.

4. This study will be useful to several shareholders transacting in the share market. Nowadays, the number of investors investing in the share market is increasing. The outcome of the study can help them while making their transaction.

1.5 Research Hypothesis

The hypothesis is a clear statement of what is intended to be investigated. It should be specified before research is conducted and openly stated in reporting the results. It is a powerful tool of advancement of knowledge, consistent with existing knowledge and conducive to further enquiry.

1. There is no significant relationship between inflation and NEPSE index.

2. There is no significant relationship between gold price and NEPSE index.

3. There is no significant relationship between remittance and NEPSE index

4. There is no significant relationship between number of listed companies and NEPSE index.

5. There is no significant relationship between number of Brokerage firms and NEPSE index.

6. There is no significant relationship between Volume of securities traded and NEPSE index.

7. There is no significant relationship between Retained Earnings and NEPSE index.

8. There is no significant relationship between Net Assets per Share (NAPS) and NEPSE index.

9. There is no significant relationship between Political factors and NEPSE index.

10. There is no significant relationship between Exchange Rate and NEPSE index.

11. There is no significant relationship between Gold Price and NEPSE index.

1.6 Limitations of the Study

Every research is made under certain limitations or constraints. Some of the limitations of this study are given below:

1. The study includes only include six brokers.

2. The study focuses only on few factors such as inflation, political factors, listed companies, remittance, gold price, brokerage firms and volume of securities traded, Net Asset Per Share (NAPS), EPS, Price Earning Ratio, Retained Earning, Exchange Rate.

3. External politics are not taken into consideration.

4. This Study is based on Primary data as well as secondary data. Secondary data are collected from NEPSE, concerned organization and from different financial journals; therefore, the error may exist as they publish.

5. Primary data is based on the answer of the respondent. So, it is subjected to be different according to loyalty of overall respondents.

1.7 Literature Review

In this chapter, the focus has been made on the review of literature relevant to the Factors determining share price in Nepalese stock market. Every possible effort has been made to grasp knowledge and information that are available from the libraries, document collection centers, other information managing bureaus and concerned stock market.

1.7.1 Conceptual Framework

This Research has considered dependent and independent variables where there is one dependent variable i.e. NEPSE index and several independent variables which are determined after proper analysis. This study has focused on study on influence of business, economic and external factors impacting on stock market volatility which has considered certain factors affecting share price. Most of the variables are obtained from the literature review and some are our proposed variables. Such as Inflation, Listed companies, Brokerage firms, Gold price, Volume of securities traded (VST), Remittance, Exchange Rate, EPS, Price Earning Ratio, and Net Asset Value per share, Political Factors etc.

1.8 Research Methodology

Research Methodology is a way to systematically solve the research problem. It refers to the various sequential steps that are to be adopted by a researcher during the course of studying a problem with certain objectives. It includes construction of research design, nature of data, data gathering procedure, population and sample and data processing procedure. The main purpose of this chapter is to focus on different research methods and conditions used to conduct study.

1.8.1 Research Design

The study aims to evaluate of determining share prices in Nepalese Stock Market. So Analytical and Descriptive research design has been following for the study.

1.8.2 Population and Sample

The study is also based on secondary data. Here the primary data have been used to give support to the analysis and the conclusion. In order to collect the data from two different players in the stock market are targeted one is investor and another are brokers. Sampling has been done using non-probability convenience sampling. Here this study has taken the sample size of 100 investors. All together 100 questionnaires is distributed to the investors. In Nepal there are 58 Brokerage firms trading in the share market. With regard to the sample size determination, the idea to target six brokerage firms in Kathmandu valley.

1.8.3 Nature and Sources of Data

This research is mainly based on the secondary data. The secondary data have been collected from financial statements, annual reports, unpublished official records of concerned companies, journals and from the official website of SEBON.

1.8.4 Data Collection Procedures

The various stock exchange publications formed an important supplementary source of the data for this study, particularly on investment policy.

1.8.5 Data Analysis Tools

Analysis of the data involves a number of closely interrelated operations that are performed to get answer to the research questions, Analysis and presentation of data is the core of the study. This study needs some financial and statistical tools to accomplish the objectives. The financial and statistical tools are most reliable. To achieve the objective of the study, various financial, statistical and accounting tools have been used in this study.

The various results obtained with the help of financial, accounting and statistical tools are tabulated under different heading. Then they are compared with each other to interpret the results. Two kinds of tools have been used to achieve the purpose.

- Financial Tools
- Statistical Tools

1. Financial Tools

Financial tools basically help to analyze the strength and weakness of a firm. Ratio analysis is one of the important financial tools has been used in the study. It helps to show the mathematical relationship between two accounting items or figure and can measure the financial performance and status of a firm with the other firms. Ratio analysis is the part of whole process of analysis of financial statements of any business or industrial concern especially to take output and credit decision.

2. Statistical Tools

Some important statistical tools have been used to present and analyze the data for achieving the objective of this study. Co-efficient of variance, Correlation analysis, Standard deviation, least square, linear trend analysis etc have been used for the purpose. The basic statistical analysis related is discussed below:

1.9 Organization of the study

The study has been organized into the following five chapters:

Chapter I: Introduction
This chapter deals with subject matters of the study consisting background of the study, origin and development of share market in Nepal, introduction of sample organization, statement of the problems, objective of the study, rationale of the study and limitation of the study.

Chapter II: Review of literature
This chapter deals with review of the different literature of the study field. Therefore it includes conceptual framework along with the review of major books, journal, research works and thesis etc.

Chapter III: Research Methodology
This chapter deals with the research methodology and it includes research design, population and sample, source and technique of data collection, data analysis tools and limitation of the methodology.

Chapter IV: Data Presentation and Analysis

The main part of research is Data Presentation and Analysis. This chapter deals with analysis and interpretation of the data using financial and statistical tools described in Chapter three. This chapter also includes the major findings of the study.

Chapter V: Summary, Conclusion and Recommendations

This chapter deals with summary of the study held, the conclusion made and the possible recommendations. There after bibliography and appendices are also included.

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