

EFFECT OF POLITICAL CHANGES IN NEPALESE STOCK MARKET

By:

POM RAJ BHANDARI

Shanker Dev Campus

Roll No.: 335/060

T.U. Registration No: 37807-94

A Thesis Submitted to

Office of the Dean

Faculty of Management

Tribhuvan University

In the partial fulfillment of the requirements of the degree of

Masters of Business Studies (M. B. S.)

Kathmandu, Nepal

September, 2009

VIVA-VOCE SHEET

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

Submitted by:

POM RAJ BHANDARI

Entitled

EFFECT OF POLITICAL CHANGES IN NEPALESE STOCK MARKET

and found that the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for the degree of

Masters of Business Studies (M. B. S.)

Viva-Voce Committee

Head, Research Department:

Member (Thesis Supervisor):

Member (Thesis Supervisor):

Member (External Expert):

RECOMMENDATION

This is to certify that the thesis

Submitted by:

POM RAJ BHANDARI

Entitled:

EFFECT OF POLITICAL CHANGES IN NEPALESE STOCK MARKET

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

Shree Bhadra Neupane
(Supervisor)

Prof. Bisheshwor Man Shrestha
(Head, Research Department)

Prof. Dr. Kamal Deep Dhakal
(Campus Chief)

Rabindra Bhattarai
(Supervisor)

DECLARATION

I hereby declare that this thesis entitled effect of political changes in Nepalese stock market submitted to the Office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of the partial fulfillment of the requirement of Masters of Business Studies (M.B.S.) under the guidance and supervision of Mr. Shree Bhadra Neupane and Mr. Rabindra Bhattarai of Shanker Dev Campus, Kathmandu.

.....

Pom Raj Bhandari

ACKNOWLEDGEMENT

This study has been made as a partial requirement for the Master's Degree in Business Studies. I am grateful to all those who have been a source of encouragement to complete this study. I am highly indebted to my friends, colleagues and teachers at Shanker Dev Campus for their important suggestions and necessary support.

I express my profound gratitude to my supervisors, Mr. Shree Bhadra Neupane and Mr. Rabindra Bhattarai for their valuable guidance, suggestions, support and inspiration to complete this thesis. I owe a deep sense of gratitude to Mr. Neupane and Mr. Bhattarai for their continued support during preparation of this paper. I would also like to record my indebtedness to all of my respected teachers of Shanker Dev Campus.

I also express my gratitude to the staff of various corporate bodies, including SEBO/N, Nepal Rastra Bank, Nepal Stock exchange Ltd.

I would like to express my gratitude to all the staff members of Shanker Dev Campus and Central Library of Tribhuvan University for their co-operation, and assistance.

Last but not the least, my paramount dedication is to my family members who have been uninterrupted source of sustain for me while during the tribulation of this work.

Pom Raj Bhandari

TABLE OF CONTENTS

Viva-voce sheet

Recommendation

Declaration

Acknowledgement

	Page
CHAPTER – I INTRODUCTION	1
1.1 Background	1
1.2 Statement of problem	2
1.3 Research Hypothesis	3
1.4 Objectives of the study	4
1.5 Limitation of the Study	4
1.6 Organization of the Study	4
CHAPTER – II REVIEW OF LITERATURE	6
2.1 Conceptual Review	6
2.1.1 Capital Market	6
2.2 Securities Markets	7
2.2.1 Primary Market	8
2.2.2 Secondary Market	9
2.3 Stock Brokers	10
2.4 Price and Trading Procedure	13
2.5 Stock Exchange	14
2.6 Review from past studies	17
2.7 Review of thesis	26
2.8 Research Gap	39
CHAPTER – III RESEARCH METHODOLOGY	41
3.1 Research Design	41
3.2 Population and Sample	41
3.3 Sources and Collection of Data	41
3.4 Presentation and analyses of data	42
3.5 Analytical Tools	42
3.5.1 Range	42
3.5.2 Research Hypothesis	42
CHAPTER – IV PRESENTATION AND ANALYSIS OF DATA	43
4.1 Aggregate NEPSE index	43
4.2 Daily fluctuation in Nepse index	43
4.2.1 Daily fluctuation in Nepse index: Hypothesis testing	44
4.3 Daily Nepse return	44
4.3.1 Daily Nepse return: Hypothesis testing	45

4.4 Sector wise NEPSE index	46
4.5 Sector and period wise Neps Index	46
4.6 Commercial Banking index return	47
4.6.1 Commercial Banking index return: Hypothesis testing	48
4.7 Manufacturing sector daily index return	48
4.7.1 Mfg sector daily index return: Hypothesis testing	49
4.8 Hotel sector daily index return	49
4.8.1 Hotel sector daily index return: Hypothesis testing	50
4.9 Other sector daily index returns	50
4.9.1 Other sector daily index return: hypothesis testing	51
4.10 Trading sector daily index return	51
4.10.1 Trading sector daily index return: Hypothesis testing	52
4.11 Insurance sector daily index return	52
4.11.1 Insurance sector daily index return: Hypothesis testing	53
4.12 Finance sector daily index return	53
4.12.1 Finance sector daily index return: Hypothesis testing	54
4.13 Development bank sector daily index return	54
4.14 Development bank sector daily index return: hypothesis testing	55
4.15 Major findings	55
CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATION	59
5.1 Conclusion	61
5.2 Recommendation	61

BIBLIOGRAPHY
APPENDICES

LIST OF TABLES

Table 4.1 Aggregate NEPSE index	43
Table 4.2 Daily fluctuation in NEPSE index in three periods	44
Table 4.3 Test of significance of daily fluctuation of NEPSE index	44
Table 4.4 Daily Nepse return	45
Table 4.5 Test of significance of daily NEPSE return in three periods	45
Table 4.6 Sector wise NEPSE index	46
Table 4.7 Sector and period wise Nepse Index	46
Table 4.8 Commercial Banking index return	47
Table 4.9 Test of significance of commercial banking index daily return	48
Table 4.10 Manufacturing sector daily index return	48
Table 4.11 Test of significance of manufacturing index daily return	49
Table 4.12 Hotel sector daily index return	49
Table 4.13 Test of significance of hotel index daily return in three periods	50
Table 4.14 Other sector periodic index return	50
Table 4.15 Test of significance of other index daily return in three periods	51
Table 4.16 Trading sector periodic index return	51
Table 4.17 Test of significance of trading index daily return in three periods	52
Table 4.18 Insurance sector periodic index return	52
Table 4.19 Test of significance of insurance index daily return in three periods	53
Table 4.20 Finance company sector periodic index return	53
Table 4.21 Test of significance of finance company index daily return	54
Table 4.22 Development bank sector periodic index return	54
Table 4.23 Test of significance of development bank index daily return	55