

**DISCLOSURE AND PERFORMANCE
OF
LISTED COMPANIES
IN
NEPAL STOCK EXCHANGE**

A Thesis

Submitted by:

Mr. Mohan Pd. Lamichhane

Roll No.: 256/062

T. U. Regd. No.: 5-1-37-75-99

Shanker Dev Campus

Putalisadak, Ktm.

Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

(In the partial fulfillment of the requirement for the degree of Masters of
Business Studies)

Recommendation

This is to certify that the thesis

Submitted by:

Mohan Prasad Lamichhane

Entitled

“Disclosure And Performance of Listed Companies in Nepal Stock Exchange” has been prepared as approved by this department in the prescribed format of faculty of management.

This thesis is forwarded for examination.

.....

Putalisada

Dr. Shilu Manandhar Bajrachrya

Thesis Supervisor

Shanker Dev Campus

Putalisadak.

.....

Dr. Kamal Deep Dhakal

Campus chief

Shanker Dev Campus

VIVA-VOCE SHEET

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

By

Mohan Prasad Lamichhane

Entitled:

“Disclosure and Performance of Listed Companies in Nepal Stock Exchange”

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 of the requirements for the degree of

Master of Business Studies (MBS).

VIVA-VOCE COMMITTEE

Chairperson (Research Committee)

Member (thesis supervisor)

Member (external expert)

Date:

TRIBHUVAN UNIVERSITY

SHANKER DEV CAMPUS

DECLARATION

I hereby declare that the work reported in the thesis entitled “Disclosure and Performance of Listed Companies in Nepal Stock Exchange” submitted to Shanker Dev Campus is my original work done in the form of partial fulfillment of the requirement for the degree of Masters of Business Studies under the guidelines and supervision of **Dr. Shilu Manandhar Bajrachrya**, Lecturer of Shanker Dev Campus.

Date: January, 2009

.....

Mohan Prasad Lamichhane

Researcher

Roll No.: 256/062

T. U. Regd. No.: 5-1-37-75-99

Shanker Dev
Campus

Putalisadak,
Kathmandu.

ACKNOWLEDGEMENT

I am very much obliged to my thesis advisor Dr. Shilu Manandhar Bajrachrya, Lecturer of Shanker Dev Campus who showed me the path to go along my research work, gave me valuable direction and useful suggestion to complete this research work.

I would like to express my gratitude and thanks to Prof. Dr. Kamal Dip Dhakal who always encouraged me to go ahead. I would like to express to all staffs of Shanker Dev Campus Library and Central Library. I would like to express my thanks to all the staffs of SEBON who provided me the required data.

Finally it is my great pleasure to express sincere thanks to my friends Bhanu Bhakta Lamsal, Dev Raj Mainali, Rabi Shrestha, Bipin Tiwari, Deepak Shrestha, Suvash Timilsina and others without whose inspiration I would have been unable to complete my research work.

I hope this small effort will be of great value to those who are involved in disclosure and all the other future researchers of this area of managerial finance.

I apologize for any errors committed in this work.

It was a great experience of doing a thesis work which certainly helped me to gain deep knowledge in the subject matter. Though it was very difficult to get data and information, it was pleasant feeling to accomplish the thesis work finally.

Mr. Mohan Pd. Lamichhane

Kirtipur, Kathamndu.

TABLE OF CONTENTS

Page no.

CHAPTER - I

Introduction

1.1	General Background.....	1
1.2	History and Development of Securities Market in Nepal.....	2
1.3	Corporate Disclosures.....	4
1.4	Provisions regarding information disclosure.....	8
1.5	Statement of Problem.....	9
1.6	Objectives of the study.....	11
1.7	Research Hypothesis	11
1.8	Significance of the study	14
1.9	Limitations of the study.....	15
1.10	Organization of the study.....	15

CHAPTER - II

Review of Literature

2.1	Conceptual review	17
2.2	The efficient market hypothesis of information disclosure.....	19
2.2.1	Weak efficiency market hypothesis.....	20
2.2.2	Semi-strong efficient market hypothesis.....	20
2.2.3	Strong efficient market hypothesis.....	20
2.3	Overview of legal framework	21
2.4	Review of related studies	23

CHAPTER - III

Research methodology

3.1	Research design.....	30
3.2	Nature and Source of data.....	30
3.3	Population and sample.....	31
3.4	Data processing techniques.....	32

CHAPTER - IV

Presentation and analysis of data

4.01	Review of disclosure practice.....	34
4.02	Submission of annual reports.....	35
4.2.1	Annual reports and financial statement disclosure by total listed companies.....	35
4.2.2	Annual reports and financial statement disclosure by listed commercial banks.....	37
4.2.3	Annual reports and financial statement disclosure by listed development banks.....	38
4.2.4	Annual reports and financial statement disclosure by listed finance companies.....	39
4.2.5	Annual reports and financial statement disclosure by listed insurance companies.....	40
4.2.6	Annual reports and financial statement disclosure by listed hotel companies.....	42
4.2.7	Annual reports and financial statement disclosure by listed manufacturing and processing companies.....	43
4.2.8	Annual reports and financial statement disclosure by listed trading companies.....	44

4.2.9	Annual reports and financial statement disclosure by listed other companies.....	46
4.3	Annual general meeting.....	47
4.4	Reporting by securities businessperson.....	48
	Issue managers.....	48
	Stock brokers.....	50
4.5	Empirical analysis of disclosure.....	51
4.6	NEPSE index and corporate disclosure.....	52
4.7	Trading turnover and corporate disclosure.....	53
4.8	Market capitalization and corporate disclosure.....	55
4.9	Hypothesis testing.....	56
	Hypothesis 1.....	57
	Hypothesis 2.....	58
	Hypothesis 3.....	59
	Hypothesis 4.....	61
	Hypothesis 5.....	62
4.10	Survey on disclosure and performance.....	64

CHAPTER - V

Summary, Conclusions and Recommendations

5.1	Summary.....	67
5.2	Conclusion	69
5.3	Recommendations.....	73

Bibliography

Appendices

LIST OF TABLES

Annual report and financial statement disclosure of the listed companies.....	35
Annual report and financial statement disclosure of the listed commercial banks.....	37
Annual report and financial statement disclosure of the listed development banks.....	38
Annual report and financial statement disclosure of the listed finance companies.....	39
Annual report and financial statement disclosure of the listed insurance companies.....	40
Annual report and financial statement disclosure of the listed hotel companies.....	42
Annual report and financial statement disclosure of the listed manufacturing and processing companies.....	43
Annual report and financial statement disclosure of the listed trading companies.....	44
Annual report and financial statement disclosure of the listed other companies.....	46
Annual general meeting conducted by listed companies.....	47
Report submission by issue managers.....	49
Report submission by stock brokers.....	50
Status of Corporate disclosure, NEPSE index, trading turnover and market capitalization.....	51
Ranges of MPS between disclosing and non disclosing companies.....	57
Ranges of net worth per share between disclosing and non disclosing companies.....	59
Ranges of net profit per share between disclosing and non disclosing companies.....	60
Ranges of MPS to PVS between disclosing and non disclosing companies....	61
Ranges of MPS to NWPS between disclosing and non disclosing companies.	63

LIST OF FIGURES

Annual report and financial statement disclosure of the listed companies	36
Annual report and financial statement disclosure of the listed commercial banks.....	37
Annual report and financial statement disclosure of the listed development banks.....	38
Annual report and financial statement disclosure of the listed finance companies.....	39
Annual report and financial statement disclosure of the listed insurance companies.....	41
Annual report and financial statement disclosure of the listed hotel companies.....	42
Annual report and financial statement disclosure of the listed manufacturing and processing companies.....	43
Annual report and financial statement disclosure of the listed trading companies.....	45
Annual report and financial statement disclosure of the listed other companies.....	46

LIST OF ABBREVIATIONS AND SYMBOLS

AGM	= Annual General Meeting
ANOVA	= Analysis of Variance
Co.	= Company
CDM	= Central Department of Management
d.f.	= Degree of Freedom
DR	= Disclosure Ratio
e.g.	= For Example
EMH	= Efficient Market Hypothesis
Etc.	= Etcetera
FDI	= Foreign Direct Investment
Fig.	= Figure
FY	= Fiscal Year
GAAP	= Generally Accepted Accounting Principles
i.e.	= That is
IAS	= International Accounting Standard
ICAN	= Institute of Chartered Accountants of Nepal
Ltd.	= Limited
MBS	= Masters of Business Studies
MCR	= Market Capitalization Ratio
Mfg	= Manufacturing
MPS	= Market Price per Share
NEPSE	= Nepal Stock Exchange
NIDC	= Nepal Industrial Development Corporation
NRB	= Nepal Rastra Bank

LISTS OF APPENDICES

Pro-forma of structured questionnaire.....	I
Chi-square (χ^2) test for market price per share between disclosing and non disclosing companies.....	II
Chi-square (χ^2) test for net profit per share between disclosing and non disclosing companies.....	III
Chi-square (χ^2) test for net worth per share between disclosing and non disclosing companies.....	IV
Chi-square (χ^2) test for MPS to PVS between disclosing and non disclosing companies.....	V
Chi-square (χ^2) test for MPS to NWPS between disclosing and non disclosing companies.....	VI
Summary of calculation of correlation coefficient and test of significance of the correlation coefficient.....	VII
F-test and t-test.....	VIII