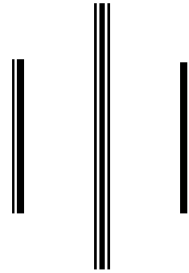


RIGHT SHARE ISSUING PRACTICE AND ITS IMPACT ON SHARE PRICES OF SELECTED BANK AND FINANCIAL INSTITUTIONS OF NEPAL



A

Thesis

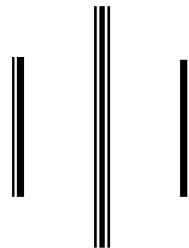
SUBMITTED BY:

MAMTA SHARMA

Mahendra Multiple Campus, Nepalgunj

T.U. Regd. No.: 7-2-55-556-2001

MBS Exam Roll No.: 1457



SUBMITTED TO:

Office of the Dean

Faculty of Management

Tribhuvan University

Kirtipur

In partial fulfillment for the requirements for the degree of Master of
Business Studies (MBS)

Nepalgunj, Nepal

November, 2010



TRIBHUVAN UNIVERSITY
FACULTY OF MANAGEMENT
Mahendra Multiple Campus
Nepalgunj

Ref.....

Date:

RECOMMENDATION LETTER

This is to certify that the thesis:

SUBMITTED BY

MAMTA SHARMA

ENTITLED

**RIGHT SHARE ISSUING PRACTICE AND IT'S IMPACT ON SHARE PRICES
OF SELECTED BANK AND FINANCIAL INSTITUTIONS OF NEPAL**

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

Mr. Nagendra Rijal
(Thesis Supervisor)

Mr. Chakra Bahadur Bom
(Chairman of Research Committee)

Mr. Laxman Pokhrel
(Assistant Campus Chief)

Date:



Fax No.

081-520278

081-525578

TRIBHUVAN UNIVERSITY
FACULTY OF MANAGEMENT
Mahendra Multiple Campus
Nepalgunj

Ref.....

Date:.....

VIVA- VOCE SHEET

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

MAMTA SHARMA

ENTITLED

**RIGHT SHARE ISSUING PRACTICE AND IT'S IMPACT ON SHARE PRICES
OF SELECTED BANK AND FINANCIAL INSTITUTIONS OF NEPAL**

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 requirement for Master of Business Studies (MBS)

VIVA-VOCE EXAMINATION COMMITTEE

Chairman of Research Department

Member (Thesis Supervisor).....

Member (External Expert).....

Member (External Expert).....

Date: -

DECLARATION

I hereby declare that the work reported in this thesis entitled **RIGHT SHARE ISSUING PRACTICES AND ITS IMPACT ON SHARE PRICES OF SELECTED BANKS AND FINANCIAL INSTITUTIONS OF NEPAL** submitted to Mahendra Multiple Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Masters in Business Studies under the supervision of Mr. Nagendra Rijal, teacher of the Mahendra Multiple campus.

Researcher

.....

Mamta Sharma
T.U. Registration No. 7-2-55-556-2001
Exam Roll no: 1457

Date:

ACKNOWLEDGEMENT

Banking industry is one of the rapidly growing industries of our country. In absence of adequate avenues for investment, people have concentrated on investments in shares of the banks for better return in short span of time. Financial Institutions are issuing various types of shares (IPOs, Bonus Share, Right Share, etc) in order to increase their capital to meet the current NRB requirements. This has an impact upon the price of shares of Financial Institutions.

This thesis entitled ‘Right Share Issuing Practices and it’s Impact on Share Prices of Selected Banks and Financial Institutions of Nepal’ has been prepared and submitted to ‘Mahendra Multiple Campus’ as a partial fulfillment of the requirements of MBS (Masters of Business Studies) program offered by Tribhuwan University.

With due respect, I express my humble gratitude to Mr. Chakra Bahadur Bom, Chairman of Research Committee; Mr. Mukesh Gupta, member of Research Committee and, Mr. Laxman Pokherel, Asst. Campus Chief, for their guidance and kind supervision extended to complete this thesis on time.

I would also like to thank my family and friends for their insightful suggestions, constant efforts in collecting and arranging related materials and a lot of inspiration.

Finally, I would like to extend my sincere gratitude to my respected teacher the research guide Mr. Nagendra Rijal for his constant support and encouragement shown throughout the preparation of this thesis.

Mamta Sharma

.....

Date: Nov, 2010

TABLE OF CONTENTS

	P.N
RECOMMENDATION.....	i
VIVA-VOCE SHEET.....	ii
DECLARATION	iii
ACKNOWLEDGEMENT.....	iv
TABLE OF CONTENT.....	v
LIST OF TABLES	vi
ABBREVIATION	vii
CHAPTER I: INTRODUCTION	1-10
1.1. Background of the study	1
1.2. Statement of the problem	6
1.3. Objective of study	8
1.4. Significance of the study	8
1.5. Limitations of the study	8
1.6. Research Methodology	9
1.7 Statement of Hypothesis	9
1.8. Organization of the study	10
CHAPTER II: REVIEW OF LITERATURE	11-42
2.1. Conceptual Framework /Review of books.....	11
2.1.1. Capital Market.....	11
2.1.2. Securities Market.....	12
2.1.3. Initial Financing	16
2.1.4. Venture Capital	16
2.1.5. Initial Public Offering	16
2.1.6. New issue market	18
2.2. Right issue	19
2.2.1. Characteristics of Right	19
2.2.2. Pre – emptive Right	20
2.2.3. Offering through Rights	21
2.2.4. Significance of Right Offering	23
2.2.5. Limitations of Right Offering	25
2.2.6. Procedure of Right Issue in Nepal	25
2.2.7. Market Vs Theoretical Value	26
2.2.8. Right Issue Vs Public Offering	27
2.2.9. Right IssueVs Bonus Issue	28
2.3. Review of related Studies.....	28
2.3.1. Review of Mini Research	28
2.3.2. Review of Journal/Articles	29
2.3.3. Review of Unpublished Thesis	36
2.4. Research gap.....	41
CHAPTER III: RESEARCH METHODOLOGY	43-53
3.1. Introduction	43
3.2. Research Design.....	44
3.3. Source of Data.....	44

3.4. Population and Sample.....	44
3.5. Sources & Techniques of data Collection	46
3.6. Method of Analysis	47
3.6.1. Financial Tools	47
3.6.2. Statisticals Tools	48
3.6.2.1. T-test.....	48
3.6.2.2. F –test	50
3.7. Right Offering & Valuation of its Equity.....	51
3.8. Removing the Effect of General Price Movement	51
CHAPTER IV: DATA PRESENTATION AND ANALYSIS	54-70
4.1. Analysis of Impact on share Prices due to Issue of Right Shares	55
4.2. Hypothesis Testing on Secondary Data by using t- Test	57
4.3. Hypothesis Testing on Secondary Data by using F-test.....	62
4.4. Calculation of Value of Right & Ex Right Prices	67
CHAPTER VI: SUMMARY, CONCLUSION AND RECOMMENDATIONS	71-77
5.1. Summary	71
5.2. Conclusion / Major findings.....	74
5.3. Recommendations	75
BIBLIOGRAPHY	78-82
ANNEXURE	83-100

LIST OF TABLES

S.N	TITLE OF TABLE	P.N
1.	Table 1.1: Details of Right Issue in Nepalese Capital Market	4
2.	Table 3.1 : Population & Sample of Right Issuing Companies	46
3.	Table 4.1: Data of Right Issuing Companies	54
4.	Table 4.2: Price at different points of time of Right Issuing Companies	55

Abbreviation

AGM	: Annual General Meeting
BFI	: Bank & Financial Institution
BOD	: Board of Directors
CDS	: Central Depository System
CRO	: Company Registrar Office
FY	: Fiscal year
IPO	: Initial Public Offering
MB	: Merchant Banker
MOF	: Ministry of Finance
NEPSE	: Nepal Stock Exchange
NIC	: Nepal Industrial & Commercial
NRB	: Nepal Rastra Bank
OTC	: Over-the-Counter
SEBON	: Security Exchange Board of Nepal
SEC	: Securities Exchange Centre
SRO	: Self Regulated Organization
Viz.	: Namely
WTO	: World Trade Organization