A study on the

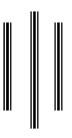
"RELATIONSHIP BETWEEN FINANCIAL INFORMATION AND MARKET PRICE OF SHARE"

With Respect to Nepalese Commercial Banks

Submitted By:

TEJ BAHADUR PURI CENTRAL DEPARTMENT OF MANAGEMENT Kirtipur

T.U Reg.No:7-1-7-1123-2003 Roll No: 354 Batch No: 2065/67 Exam Roll No: 280406



A Thesis Submitted To:

Office of the dean Faculty of management Tribhuvan University

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

KIRTIPUR, KATHMANDU

Date: March, 2013

DECLARATION

I hereby declare that the work reported in this thesis entitled "RELATIONSHIP BETWEEN FINANCIAL INFORMATION AND MARKET PRICE OF SHARE": With Respect to Nepalese Commercial Banks" submitted to Central department of Management, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement for the Master's Degree of Business studies (MBS) under the supervision of Teaching Assistant Mr.Bishnu prakash Adhikari Central department of Management.

TEJ BAHADUR PURI (Researcher) TU Reg. No. 7-1-7-1123-2003 Roll No: 354

Date: / / 2013

TABLE OF CONTENTS

PRELIMINARY PART

Title Page Acknowledgements List of Abbreviations List of Tables List of Figures

CHAPTER 1: INTRODUCTION 1.1 BACKGROUND	Page No.
1.1.1 inancial Market	1
1.1.2 Securities markets	2
1.1.3 Development of security market in Nepal	4
1.1.4 Financial information	5
1.2 Focus of the study	7
1.3 Statement of the problem	8
1.4 Theoretical framework	9
1.5 Hypothesis	9
1.6 Objective of the study	10
1.7 Research methodology	10
1.7.1 Research design	10
1.7.2 Population and sample	11
1.7.3 Data collection methods	17
1.7.4 Data analysis tools	17
1.7.4.1 Financial tools	17
1.7.4.2 statistical tools	21
1.8 Limitations of the study	24
1.9 Organization of the report	25
CHAPTER 2: REVIEW OF LITERATURE	
2.1 CONCEPTUAL REVIEW	26
2.1.1Overview of Financial Institutions	26
2.1.2 Financial Market	26
2.1.3 Money Market	27
2.1.4 Capital Market	32
2.1.5 Security Market in Nepal	51
2.1.6 Current status of Nepalese security market	53
2.1.7 An overview of Sector Wise Listed Companies	54
2.1.8 Financial Statement	55
2.1.9 Demand and Supply of Financial Information	64
2.2 REVIEW of RELATED STUDIES	71
2.2.1 International Review	71
2.2.2 National Review	73

CHAPTER 3: DATA ANALYSIS AND PRESENTATION

3.1 PRESENTATIONS of DATA along with C.V. ANALYSIS	77
3.1.1 Earning per share (EPS)	77
3.1.2 Return on Assets (RoA)	79
3.1.3 Price Earnings Ratio (P/E ratio)	81
3.1.4 Liquidity Ratio (CRR)	83
3.1.5 Dividend in share capital (including bonus)	85
3.1.6 Capital Adequacy Ratio	87
3.2 Correlation Coefficient Analysis between EPS and MPS	89
3.3 Testing of Hypothesis	93
CHAPTER 4: SUMMARY, CONCLUSIONS	
AND	
RECOMMENDATIONS	
4.1 Summary	101
4.2 Conclusions	104
4.3 Recommendations	105

ENDING MATERIALS

BIBLIOGRAPHY

APPENDIX

LIST OF TABLES

2.1.1 Sector wise Listed Companies	54
3.1.1 EPS of the sample banks	78
3.1.2 ROA of sample banks	80
3.1.3 Price Earnings Ratio of sample banks	82
3.1.4 Liquidity Ratio of sample banks	84
3.1.5 Dividend in Share capital of sample banks	86
3.1.6 Capital Adequacy Ratio of sample banks	88
3.2.1 Correlation between EPS and MPS of sample banks	90
3.3.1 <u>Hypothesis 1</u> For the EPS & MPS of Bank of Kathmandu (BoK)	93
3.3.2 Hypothesis 2 For the EPS & MPS of Everest Bank Limited (EBL)	94
3.3.3 Hypothesis 3 For the EPS & MPS of Himalayan Bank Limited (HBL	95
3.3.4 Hypothesis 4 For the EPS & MPS of Nepal SBI Bank Limited (NSBI	96
3.3.5 <u>Hypothesis 5</u> For the EPS & MPS of Nepal Investment Bank Limited (NIBL)) 96
3.3.6 Hypothesis 6 For the EPS & MPS of NABIL Bank Limited	97
3.3.7 Hypothesis 7 For the EPS & MPS of laxmi Bank Limited (LBL)	98
3.3.8 <u>Hypothesis 8</u> For the EPS & MPS of Standard Chartered Bank Nepal	
Limited (SCBNL)	98
3.3.9 <u>Hypothesis 9</u> For the EPS & MPS of Kumari Bank Limited (KBL)	99
3.3.10 <u>Hypothesis 10</u> For the EPS & MPS of Nepal Credit & Commerce Bank	
Limited (NCC)	100
4.1 Summarized table of performance of sampled banks	103
4.2 summarized table of correlation and test of hypothesis	103

LIST OF FIGURES

2.1.2Financial Market	26
) Primary Market	39
) Specialists	47
3.1 EPS of the sample banks	79
3.2 RoA of the sample banks	81
3.3 P/E ratios of the sample banks	83
3.4 Liquidity ratios of the sample banks	85
3.5 Dividend on share capital of the sample banks	87
3.6 capital adequacy ratios of the sample banks	89
3.7 Correlation coefficient of the sample banks	92
3.8 EPS of sample banks	92
3.9 MPS of sample banks	93

LIST OF ABBREVIATIONS

IRIS Integrated Risk Information System

USAID United States for International Development

& and

ABBS Any Branch Banking System

ADBL Agricultural Development Bank Limited

AMEX American Stock Exchange

ATM Automated Teller Machine

Bok Bank of Kathmandu

CD Certificate of Deposit

CEO Chief Executive Officer

CRR Cash Reserve Ratio

DPS Dividend per Share

DY Dividend Yield

EBL Everest Bank Limited

e.g., Example

EPS Earnings per Share

FX Foreign Exchange

GAAP Generally Accepted Accounting Principles

HBL Himalayan Bank Limited

i.e., That is

IPO Initial Public Offering

KBL Kumari Bank Limited

Ke Return on Equity

LBL Laxmi Bank Limited

Ltd. Limited

MBS Masters in Business Studies

Mkt. Market

MPS Market Price per Share

NABIL NABIL Bank Limited

NASDAQ National Association of Securities Dealers Automated

Quotation

NBOC Nepal Bank of Ceylon Limited

NCC Nepal Credit & Commerce Bank Limited

NEPSE Nepal Stock Exchange

NGO Non-Government Organization

NIBL Nepal Investment Bank Limited

NIDC Nepal Industrial Development Corporation

No. Number

NPL Non Performing Loan

NRB Nepal Rastra Bank

NSBL Nepal SBI Bank Limited

NYSE New York Stock Exchange

OTC Over the Counter

P/E ratio Price Earnings Ratio

PoS Point of Sale

Pvt. Private

R&D Research and Development

RoA Return on Assets

Rs. Rupees

SCBNL Standard Charted Bank Nepal Limited

SEBON Security Board of Nepal

SEC Security Exchange Center

SMC Security Market Center

SMS Short Message Service

TRWA Total Risk Weighted Assets

TU Tribhuvan University

UAE United Arab Emirates

WACC Weighted Average Cost of Capital