

CHAPTER –I

INTRODUCTION

1.1 General Background of the study

The land lock with rugged mountainous topography is a fait accompli for Nepal. It is one of the least developed countries in the world of economy. It totally dominated by agricultural sector. About 90 percent of people out of total population of the country live in rural areas. More than 38 percent of the people of Nepal are below the absolute poverty line.

As a developing country, Nepal is trying to develop and modernize rapidly on rational and social desired footings. But the structure of economy is still in preliminary agricultural with a very small industry base. So, to divest and to modify agro based economy, Nepal Government (NG) has adopted mixed economic policy model with an objective to help the state and private sector economy that complement each other in the development process from very inception of economic planning process back in 1956. Since then substantial initiative has been taken in promoting, protecting, and developing. The role of private sector cannot be denied in the process of economic development in an under-developed country like Nepal. The main responsibility for planned economic development ultimately rests on public sector and government sector. It is the best instrument for ensuring an equitable social economic system, erecting basic infrastructure for economic development, and guiding the nation towards a new economic direction. It is believed that in order to achieve security, stability and high standard of living, the

countries must be industrialized. The most important reason for embarking on a performance of industrialization is to increase the national income..

Nepal is an economically poor country, lies between two big countries (economically as well as in territory) China and India. China and India are in pace in its economic growth but Nepal is still facing low economic growth rate. It is due to the past political instability in Nepal. But now there are rays of hope that Nepal will develop in rapidly in bullish trend after the peace accord between Nepal government and Maoist insurgent. Because Nepal is not poor in its resources, it is only lack of the good environment for the capital investment. Recently the Maoists enter into the interim parliament by doing the peace accord with Nepal government after the 11years people's war. It provides the good environment to the investors. It definitely facilitates for the capital investments. It facilitates the capital market's function properly. Consequently the capital market would be developed. 'The capital market development is essential as it is the indicator of the corporate development in the country' (Manadhar, 2004: P: - 33 – 40). Capital market plays a crucial role in mobilization of saving & changing financial resources for expanding productive capacity of the country as well. 'For the economic development increase in saving as required and channeled to corporate sector through financial institutions. The transfer of surplus fund to the user is facilitated by capital market or the development of capital market is essential in transferring saving to investment'. (Manandhar, 2004 P:-33-40). Capital market can be classified into security market and non security market.

The place where the securities are transacted is called security market. It is a mechanism created to facilitate the exchange of financial assets. ‘Security market exists in order to bring together buyer and seller of securities, meaning that they are mechanism created to facilitate the exchange of financial assets.’ (Sharpe, Gordon etc; 2003: P:-1-3).

Common stock is a kind of security. ‘Common stock certificates are legal documents. Each common stock certificate represents a share of ownership (of equity) in a company that is legally organized as a corporation. Common stock holders have a residual claim on the earnings and the assets of their corporation’ (Francis; 1983: P :-37). ‘Common stocks are generally “full paid and non assessable”, meaning that common stock holders may loose their investment but not more.’ (Sharpe, Gordon etc: 2003:P:-1-3). It is a legal representation of any equity (ownership) position in a corporation.

Common stock is traded in the stock market. Common stock holders will get the return from common stocks. People buy the common stocks expecting to earn dividends plus capital gain when they sell their share at the end of some holding period. (Here in this study , stocks and shares are used interchangeably).

Stock market can be classified in several ways. On the basis of economic functions, Security market can be classified into primary and secondary market. Primary market is the place where corporation issue new securities. It denotes the original sale of the security by an issuer to public. ‘The primary market for the security is the one in which new issues of bonds, preferred stocks and common stocks are sold by various economic to acquire new capital’ (Reilly 1986: P :- 74) ‘The primary

market itself can be divided into seasoned and unseasoned new issues. A seasoned new issue refer to the offering of an already existing security, where as unseasoned new equity issues are often referred to as initial public offering.’ (Sharpe, Gordon etc; 2003: P:-10). The market where the existing & developed securities are traded is called the secondary market. Secondary market provides the liquidity to the purchaser of the security in primary market. ‘The secondary market involves trading securities initially sold in the primary market. Therefore, the secondary market provides liquidity to individuals who acquire securities in the primary market.’ (Reilly; 1986; P:-74) Nepal stock exchange (NEPSE) is the only a secondary market in Nepal.

The security exchange centre (SEC) was established in 1983 with an objective of facilitating and promoting the growth of capital markets. In 1993 , the SEC was converted into Nepal stock exchange (NEPSE) with the basic objective of imparting free marketability and providing liquidity to the corporate securities and government securities by facilitating transactions in its trading floor through market intermediaries, such as brokers, market makers etc it is a non profit organization, operating under securities exchange act 1983.So,the history of Nepal Stock Exchange is very short that it is still in developing stage. Security board, Nepal (SEBO/N) is there as an apex regulatory body to facilitate the orderly development of a dynamic and competitive stock market and maintains its credibility fairness, efficiency, transparency and responsiveness. Nepal stock exchange Ltd (NEPSE) formulated policies, rule and regulation for the smooth operation of the market. Despite this Nepalese security market still looks in developing stage and says rumors plays a vital role in price fluctuation. So it is need to conduct a study to

know the behavior of share price movement in Nepal Stock Exchange (NEPSE).

For the economic development of the country, there should be good environment for the establishment of corporation in the different sector of economy. 'For the economic development increase in saving as required and channeled to corporate sector through financial institutions. The transfer of surplus fund to the user is facilitated by capital market or the development of capital market is essential in transferring saving to investments'(Manadhar ; 2004: P;-33-40). The capital market efficiency occupies the important place in establishment of corporation or financial management or capital investments. An efficient capital market is a market that will channel liquid capital quickly to wherever it will do the most good. Any investors attempt to achieve better return plus capital gain from their investment. So, to know the price movement of share price is essential factors to any investors. History indicates that many research and investigation have been made regarding the share price behavior and movements.

Historically there have been essentially two theories concerning the valuation of security and price behavior; the technical analysis and fundamental analysis theory. The technical analysis theory suggests that by plotting the market price of share on chart over a period of time, one can obtain certain patterns which tend to repeat themselves. In this approach, different charts and diagrams are used. Therefore, such analyst are also called chartist. The technician believes that knowledge of past share price movement can help to predicts its possible future price movement. 'Typically the technical analysis designed to record historical financial data on chart study there charts in an effort to find meaningful

patterns, and use these patterns to predict future price' (Francis; 1983, P: 434). A technical analyst usually attempts to predict the short term price movement. The fundamental analysis theory suggests that the market value of the share is based on certain intrinsic or fundamental factors as earning, future dividends, Company's potential growth, company's capital structure etc.

Different empirical test had been done in the stock price changes. These studies were designed to measure the degree of randomness with which stock prices fluctuated. Hence efficient market theory has been advanced to explain the fluctuation in share price.

A market is said to be efficient if the current market price fully reflect all relevant available information. In the efficient market price always correct one, any past trading information is already reflected in the price of the stock and, therefore, any analysis to find undervalued security is useless. According to Eugene F Fama, there are three level of market efficiency.

- a) Weekly efficient market hypothesis.
- b) Semi-strongly efficient market hypothesis.
- c) Strongly efficient market hypothesis.

- a) **Weak form efficient market hypothesis(WEMH)** states that all past price information is already included in the current price. According to WEMH technical analysis cannot predict future movements because all past information has already been accounted for and, therefore, analyzing the stocks past price movements will provide no insight into its future movements.

- b) **Semi strong form efficient market hypothesis (SSEMH)** states that all the public ally available information must be already reflect in stock market price. Such information includes in addition to past prices, fundamental data on the firms product line, quality line, quantity of management,balance sheet , earning forecast and accounting practices.
- c) **Strong Efficient market hypothesis (SEMH)** States that the stock price is fully reflected all the available information public as well as privates. Since all the information accounted in stocks price, neither technical analysis can provide investors with an edge.

1.2 Focus of the Study

Share Price Movements of various listed Companies in Nepalese Stock Market has already been noted as one of the burning issues. It is talked that

1. Instability exists is Nepalese economy
2. Low level of share transaction.
3. Small size of capital market.
4. Market penetration by handful of businessman.
5. Limited number of market makers and intermediaries.

Are the contributing variables, which led Nepalese Stock Market to inefficiency?

In this scenario, this study intends to analyze the problems and causes that led the market to inefficiency. In this context, some corrective

measures are required to be initiated so the market certainty is to be ensured and interest of the investor can be protected.

1.3 Statement of Problem

Various studies have examined regarding the share price movement. Numerous theories were developed in the past regarding the share price behavior. Among them various tools of technical analysis theory are used on the one hand, and on the other hand the random walk of efficient market theory is used.

The technical analysis theory assumes that the historical behaviors of a securities price is rich information hence future price movement can be predicted. The technical analysts focused on the chart of the share price and assumed that one can obtain certain pattern which tends to repeat themselves. The another type of security analysis is the fundamental analysis which attempt to estimate the intrinsic value of the security by considering key economics and financial variables and decide whether the market price of share is above or below its intrinsic value . Both the theories are included the conventional security analysis theory. Their view about the stock market has been the price generally fails to reflect the real worth of the securities.

The second main theory consisted of attempts to analysis statistically the underlying share price behavior. According to Fama there are forms of efficient market. Weak form of efficient market hypothesis (WEMH) popularly known as random walk hypothesis (RWH) implies that historical price changes cannot be used to predict the future price. It supports that the security prices changes are independent but the technical analysis supports that they are dependent. Thus the WEMH or RWH is

directly odd with the technical analysis. Similarly, the fundamental analysis supports that the value of common stock is simply the PV of all the future income which the owner of the share will receive. However in real world, the intrinsic value of security couldn't be determined exactly. RWH supports that the successive price changes are uncorrelated over the time and its actual price move randomly. Evidence in support of RWH and WEMH varied across the different stock market. The semi strong and strong form of EMH can be tested indirectly. It can be tested by examining whether the security price react appropriately to new items of publicly available information.

Different empirical studies on share price movement and efficiency have been done in developed and big stock market. But finding of these studies of developed and big stock market may not be applicable in the context of developing stock market like Nepal stock exchange (NEPSE). Nepalese stock market is still at developing stage though this study focuses in the degree to which the stock market is efficient in pricing shares. Different studies have been done on stock price movement in past in the Nepalese context. But the finding of the past studies is still relevant in present context. Though this study is the part of same effort, it deviates significantly from the past studies because it would be conducted after the peace accord between the Nepal government and the Maoist in the politically transitional phase of the country. This study would be based on both the primary as well as the secondary information. This study tries to deal the following problems:

- 1) Do the share price over the short period changed randomly?
- 2) Is it possible to predict the future price movement of the share from its past record or can the past price movement be valuable information to forecast the future price movement.

- 3) Is the share price movement shows any systematic patterns or shows the random walk.
- 4) What are the impacts of peace accord between Nepal government and Maoist insurgent on share price movement and share trading volume? Or to study the impact of the signaling factors on stock price and trading volume.

1.4 Objectives of the Study

The major objective of this study is to assess the pattern of equity share price movements in Nepal. The following are the specific objectives.

- 1) To analyze the current share price movement in Nepalese security market.
- 2) To test the level of market efficiency of Nepalese stock market.
- 3) To study and analyze the stock price trend and trading volume of equity share price after the peace accord in Nepal.
- 4) To provide suggestions to the concerned organizations on the basis of study findings.

1.5 Significance of the Study

This study may be important and beneficial to all the parties who involve in the stock market.

- 1) This study may be relevant literature for the future research on share prices movements and price behavior.
- 2) It may be guidelines to the investor to know the future price fluctuations and market efficiency.
- 3) It may be helpful to the financial managers of corporate firms to know about the movement of the share price with respect to know the financial position of the firm.

1.6 Limitations of the Study

This study is going to be done for the partial fulfillment of MBS program with core subjects of finance. This study has the following limitation:

- 1) For the purpose of the study, only the ordinary shares are taken.
- 2) This is done for partial fulfillment for the MBS program, there is a time constraint.
- 3) There may be limitation of source of data or required data.
- 4) The available data may not be in verified and in systematic manner.
- 5) Only the short listed companies are taken as a sample for the study, so its conclusion may have some error.

1.7 Organizations of the Study

The study would be organized into five chapters which are as follows:

Chapter I: Introduction:

It includes general introduction of study, statement of the problem, objectives of the study, significant of the study, limitation of the study and organization of the study.

Chapter II: Review of Literature:

This chapters describes the conceptual framework of share price behavior and review of related available literature (journals, recommendations and articles etc.

Chapter III: Research Methodology:

It covers the nature and sources of data, population and sampling, methods of data analysis. etc.

Chapter IV: Data Presentation and Analysis:

It attempts to analysis and evaluate the data with the help of analytical tools and interpret the results obtained.

Chapter V Summary, Conclusion and Recommendations:

It sums up the results obtain through analysis, recommendations and some suggestions.

CHAPTER-II

REVIEW OF LITERATURE

In the past, number of studies has been conducted regarding the share price movements in developed stock market. Professional and experts have been concerned with development & testing the model of stock price behavior. The past price fluctuation in market of shares can or can not be meaningful information in forecasting the future price fluctuation. What are the factors affecting the share price movements? What is the degree of randomness with which stock price fluctuated? Various theories were developed to handle these questions.

The objective of this chapter is to review some of basic literature on share price behavior concerning theories including the review of related articles, journals and previous studies.

This chapter has been divided into three sections. The first section includes a brief description on theoretical framework of the share price behavior. It contains the technical analysis, fundamental analysis or intrinsic value analysis and efficient market theory. Second section briefly reviews news & articles related with the share price. And third section describes a brief review of previous studies in the context of Nepal as well as in the context of other countries as far as possible.

2.1 Theoretical Framework

There are various reasons and causes that affect the share price movements. There are economic and non economic factors which causes the share price fluctuation. The prices of share securities are typically

very sensitive, responsive to all events, both real and imagined, that cast light into the Murky future. (Cootner; 1964: P :- 1). Though all factors affect the share price movement, it would be very hard to find out completely accepted price formation theory. Generally there are three theories concerning in determination of stock's markets price. They are:

-) Technical Analysis theory
-) Fundamental Analysis theory
-) Efficient market theory.

2.1.1 Technical analysis theory:

Technical Analysis is a method of evaluating securities by analyzing the statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts & other tools to identify patterns that can suggest future activity (www.investopedia.com). 'Typically technical analysts designed to record historical financial data on charts, study these charts in an effort to find meaningful patterns, and use these patterns to predict future price. Some charting techniques are used to predict the movements of single security; some are used to predict the movement of market index; & some are used to predict both the actions of individual securities and the market actions.' (Francis; 1983: P:- 434). Technical Analysts believes that they can accurately predict the future price of stock by looking at its historical prices and other trading variables. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall. It can help to predict the short term future market trends. Technical analysts don't care weather the stock is undervalued or overvalued, the only thing that matters is a security's past trading data & what information this data can provide about where the security might move in future. 'Technical

analysts seek to estimate security prices rather than intrinsic value; that is, they try to forecast short run shifts in supply demand that will affect the market price of one or more securities. They tend to ignore such factors as the firms risks & earning growth in favor of concentrating on various barometers of supply & demand that they have desired' (Francis; 1983: P :- 435). The field of the technical analysis is based on the following assumptions:

I. Market value is determined solely by the interaction of supply & demand. Supply & demand are governed by numerous factors both rational & irrational.

II. Price moves in trends: in technical analysis, price movements are believed to follow trends. This means that after a trend has been established, the future price movement is more likely to be in the same direction as the trend than to be against it.

III.History tends to repeat itself: technical Analysis assumes that history tends to repeat itself, mainly in terms of price movements.

The repetitive nature of price movements is attributed to market psychology; in other words, market participants tend to provide a consistent reaction to similar market stimuli over time.

2.1.2 Fundamental Analysis Theory

Fundamental analysis theory is a very important theory on investment management. It claims that at any point in time an individual security has an intrinsic value which should be equal to the present value of the future cash flow from that security, discounted at appropriate risk related rate.

Fundamental analysis is a method used to determine the value of stock by analyzing the financial data that is fundamental to the company. It means that fundamental analysis takes into consideration only those variables that are directly related to the company itself such as its earnings, dividends etc. 'Fundamental analysis is about using real data to evaluate a security's value although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.' (www.Investopedia.com) 'Fundamental analysts study basic financial & economic facts about a company issuing a security in preparing their estimate of the security's value. They study the level and trend of the firm's revenue & earnings, the quality of the firm's products. The firm's competitive position in the markets where its products are sold, the firm's labor relations, the firm's sources of raw materials, the governmental rules that apply to the firms and many other factors that may affect the value of the firm's common stock. (Francis; 1983: P:- 382).' A fundamentalist attempts to derive value and compare it to market price acting on the implicit assumption that the market price for the security should approach the intrinsic value in the future.' (Reilly; 1986: P :- 347).

Fundamental Analysis attempts to measure the Security's intrinsic value. Investment decision is easy to make through this analysis: if the price of stock (market price, MPS) trades below its intrinsic value, it is undervalued or under priced. So it is a good investment, if market price of share is more than its intrinsic value it is over priced or overvalued and it is better to make short sale. Though many investors believe that fundamental analysis is useful, it is difficult to get clear picture of a company's value when there are so many qualitative factors such as a company's management and its competitive landscape. Besides this, agonists of this theory criticized that it can take a long time for a

company's value to be reflected in the market. So, when a fundamental analyst estimates intrinsic value, a gain is not realized until the stocks market price rises to its "correct" value.

2.1.3 Efficient Market Theory

Efficient market refers to the correctly priced stock in the competitive market. 'A stock market is said to be efficient if all the currently available information is rapidly reflected in stock prices' (Fama; 1970: P.383-417). The term market efficiency can be divided into external market efficiency or informational efficiency and internal market efficiency of operational efficiency. External market efficiency means the outsiders who having perfect information can quickly and accurately appraise the true economic value of an enterpriser so that they know what price they should pay per share. And internal market efficiency means the market is able to equate the supply of and the demand for its securities at a reasonable brokerage commission. 'If a security market were perfectly efficient in terms of external efficiency, then the market price of every security would equal it's true economic value. However, it would still not be possible for this external efficient market to allocate resources efficiently unless the cost of time required to trade securities was reasonable. This is the market of internal efficiency (or operational efficiency). All the securities must be immediately marketable in order for a market to be internally efficient.' (Francis; 1983: P:- 382). An efficient market is one where shares are correctly priced. An efficient market theory believes that there is perfect information in the stock market. It means whatever information is available about a stock to one investor is available to all investors. Since everyone has the same information about stock, the price of stock may reflect the knowledge of expectation of all investors. Since there is no way to know some thing

new about stock that isn't already reflected in stock price, investor would not be able to 'beat the market'. Proponents of this theory do not try to pick stock that is going to be winners; instead, they simply try to match the market performance.' Prof. Eugene F. Fama made the first attempt to synthesize the theory and organize the numerous empirical studies in 1970, Journal of finance article the initial presentation of the efficient market theory in terms of the 'fair game' model' (Reilly; 1986: P :- 347). Fama divided the overall Hypothesis (Efficient Market hypothesis, (EMH) into sub hypothesis depending upon the information set is involved. They are:

- I. Weekly form Efficient Market Hypothesis (WEMH)
- II. Semi-strong form Efficient Market Hypothesis (SSEMH)
- III. Strong form Efficient Market Hypothesis (SEMH)

I. Weekly form Efficient Market Hypothesis (WEMH) states that all past information is already included in current market price. The weak form Efficient Market hypothesis assumes that current stock price fully reflect all stock market information, including the historical sequence of prices, price changes, value data and any other market- generated information such as odd- lot sales & specialist activity (Reilly; 1986 : P :- 167) This means that the past & future price fluctuations is uncorrelated. So the technical analysis can't predict the future price movements. Since the study of past price movement will provide no insight it's future movement, investor would be unable to make profit from the analyzing of past price trend & volume. Weakly Efficient Markets are market in which past prices provide no information about future prices that would allow a short-term trader to earn a return above what could be attained with a naïve buy and hold strategy (Francis; 1983: P: - 465)

II Semi Strong form Efficient Market Hypothesis: - This hypothesis states that all publicly available information quickly reflects in the stock prices," Semi strong efficient markets are markets in which all relevant publicly available information is fully reflected in security prices, so that nothing that will lead to profitable trade can be gained from public sources (Francis; 1983:P :- 470) This hypothesis asserts that security prices adjust rapidly to the release of all new information i.e. all market information i.e. dividend announcement, stock split, economic use, political news etc.

III Strong Form Efficient Market Hypothesis: - This hypothesis assumes that all information affecting stock price, both public & private is reflected in security prices. Strongly Efficient Market is markets in which all information (Not just publicly available information) is reflected in security prices. (Francis; 1983: P: - 475) Since the stock price full reflects all the information (Public and Private) no group of investors has monopolistic access to information relevant to formation of stock prices." Therefore, no groups of investors should be able to derive above average profits consistently." (Reilly; 1986: P: - 167)

Weak Form Efficient Market hypothesis popularly known as Random walk theory or Random walk hypothesis. According to this theory, the paths that the market price follow is random walk" that cannot be determined from historical price information. (Market Price follow a random path up & down, without any influence by past price movement) "Random walk theory implies the future path of the price level of a security is no more predictable than the path of a series of accumulated random numbers. The series of price changes has no memory that is; the past can not be used to predict the future in any meaningful way" (Fama;

1970: P: 38). This means that price changes can not be predicted from historical changes or trend in meaningful manner. It implies that successive price changes are independent. If disagree with past trend & pattern as suggest by technical analysis rather actual price fluctuate truly over time.

2.2 Reviews of News and Articles

This section is devoted to the review of some News & articles related to share price movement and capital market in the context of Nepal to make more relevant and to add input in this study, which are as below:

A news on Kantipur national daily by Murahari Parajuli on the topic " Heavy falls on share market: two billion rupees loss on a single day." (Kantipur Nepali National Daily, Tuesday, March 6, 2007: P 1) says " sole capital market of the country has loosed about two billion rupees on Monday, in a single day.' according to him market capitalization has decreased from 1 trillion 30 billion 240 million rupees to 1 trillion 30 billion 100 million rupees." by quoting an expert he further wrote that "political instability, already published financial statement of bank and finance companies and strict in margin lending are the reasons for share price falls.

A news on the topic "Strict in margin lending" (Kantipur Nepali National Daily, Friday march 23, 2007: P-11) mentions that Nepal Rastra Bank (NRB) strict the policy of margin lending to buy the share of initial public offering. According to this news NRB gave the direction to the bank and other financial institutions not to provide loan to buy primary share until seven days of public offerings.

News on the Himalayan times on the topic "Bears dominates the markets" (The Himalayan times, Sunday, March 4, 2007: P-11) reports the weekly trading report in which NEPSE index drop to 508.89 points on Thursday (March 1) from 517.79 points of Sunday (Previous). "Share trading at the countries sole secondary market began on Sunday with its index at 517.79 points and drops steadily 514.66 points, 511.85, 511.81 points on the second, third and fourth day respectively. It further went down to close at 508.89 points on Thursday".

Another report on the Kathmandu Post on topic "Stock market Rebounds" (The Katmandu post, Friday, March 9, 2007: P:-7) reports the trading reports of two weeks. According to this report "Nepal stock exchange (NEPSE) gains a steady 10.74 points in its index today, ending at 486.81 points. After wiping up around 9 billions rupees, the stock market recouped over 3 billion rupees in the market capitalizations the value of all listed shares on Thursday. The capitalization rose to around Rs 127 billion up from Rs 124 billion".

From the above report & news it is clear that there are fluctuations in share prices in NEPSE. Sometimes it turns into bear trend, sometimes remains stable and sometime turns into bullish trend.

From the above report and news different policies (i.e. NRB' margin lending policy), political situations, company's conditions, investors knowledge etc are the reasons behind the share price fluctuations in the NEPSE.

Upendra Agrawal on the topic "Stock watch 15 may 14 June 2005" (The boss; 15 Jul-14 Aug 2005) wrote " In the commercial Banks, share of Nepal Investment Bank ltd experience the highest fluctuation of Rs 81

during the month with a high of Rs 860 and low of Rs 779. In the Finance sector Annapurna Finance Ltd had the highest fluctuations with a high of Rs 400 and low of Rs 355. In the insurance sector share of Rastriya Beema Sansthan fluctuated by Rs 75 with a high of Rs 1350 and low of 1275. In the development Bank Sector the share of Development Bank was vulnerable by Rs 81 with high of Rs 360 and a low of Rs 289. In manufacturing and processing sector the share of Unilever Nepal Ltd fluctuated by whopping Rs 999 with a high of Rs 1630 and a low of Rs 631."

From this article it is known that the share price fluctuated in every sector in Nepalese security market but the degree of fluctuation may differ to each other sectors.

An article by Rabindra Bhattarai (New Business Age, September 2004) on the topic "History Repeats" supports the technical analysis on share price movement. He said "price of almost all companies' stocks confirmed to rise". He gave the examples of Machhapuchhre Bank which share price was around face value for long time before crossed Rs140 and share price of Kathmandu Bank Ltd was hovering are Rs. 200 for long time which crossed Rs 300. Similarly he also gave the example of virtually insolvent Necon Air Ltd which share price was stagnant for long period cross Rs 30. He plotted the NEPSE index in graph which shows the index is up and down but in increasing trend. He said bullish trend has aroused a hope in the investors that the history definitely will repeat itself in the stock market. He further says "Stock market is very much unpredictable but the movement can somehow be forecasted on the basis of past patterns of price movement through the trend analysis's and behavior analysis"

Similarly Bhattraï wrote on the topic "Speculative Boom" (New business age, April 2005)" that following the change in political environment from February 1 the share market has turned bullish trend with the NEPSE index reaching 265.97 on February 28 from 247.41 on 31 June. The index stepped up by 568 point in a single day (feb16)".According to him, there was not any fundamental reason behind the increase in the market price of the share at this time rather it should be bearish because many companies distributed dividend to their shareholders and investor should wait one whole year to take the next prospective benefits from the company. He further says that "the existing bullish trend seems to be guided by gambling instinct."

From this article we can note that the security market price more or less fluctuated by the speculative buying.

From an article by Mr. Rabindra Bhattarai, on the topic "Rumor led the market." (New Business Age, December 2006) from its topic that Nepalese security market led by the Rumor and speculation. Investors invest their fund due to rumor rather than due to change in fundamentals. According to him the NEPSE index upped by 11 points after the agreement signed between SPA (Seven Party Alliance & the Maoist on Nov 8. Similarly, NEPSE index increased by 45.98 point with the peace accord week after on Nov 21. Bhattarai further wrote, "The regular speculators were trying to cash in on the political agreement by spreading rumors of a better economy in the future" which build a confidence to the investors of receiving better return in future.

Bhattarai gave the examples of speculations spreading about Nepal Bangladesh Bank (NB Bank) & Nepal Credit & Commerce Bank (NCC

Bank) According to him, Speculators spreads the propaganda about NB banks future prospects after its management was taken over by the Nepal Rastriya Bank (NRB). NB Bank's shares price reached Rs 335 after the NRB took over Bank's management however banks Book value at the end of fiscal year 2004/05 was only Rs. 65 per share. Just before NRB's takeover, depositors had withdrawn over Rs.3.5 billion from the bank drastically reducing it's business capacity. From this fact it is known that the market price was over priced. According to him "this was quite unjustified on the basis of banks fundamentals."Similarly, negative information has been flowed about the NCC bank. According to him, "The banks deteriorating performance and the decreasing credit worthiness of its promoters had led it into a liquidity crunch in recent days but in rumor that a Japanese company would invest in the bank pushed the market price up by almost Rs 90 per share between late November & early December." He further wrote: "Investors were blindly attracted to buy the bank shares because of this rumor."

It shows that the Nepalese security market & share price movement was led by the rumors which show that the Nepalese security market is not an efficient capital market.

An article by Bijaya Ghimire on Kantipur national daily on the topic "Risk of instability in share market" (Kantipur Nepali National Daily, March 14, 2007: P-6) supports that there is a instability and fluctuations in share market, and any investor who invest without knowledge can loose more. He viewed that price rise and falls is reasonable in organized and competitive market. He further says "In Nepalese capital market there are less investors who invest by analyzing the company's conditions and competition.

2.3 Review from Books

This section attempts to the review of some available previous studies, research & empirical works related to share price movement and capital market in the context of foreign countries as well as in the context of Nepal as far as possible to make more relevant and to add input in this study, which are as below:

2.3.1 Foreign Context

There are many studies had been done on security price behavior and movements. In the beginning it was the subjected to empirical work. The theory was developed from the accumulation of evidence empirical work. The efficient market hypothesis (EMH) could be traced from the random walk model. Louis Bachelier first tested the random walk model in 1900. He tested the model in commodity prices and found that those prices followed a random walk. He came to conclusion that "the mathematical expectation of the speculator is zero" & he described this conditions as a "fair game".

"In 1953, Kendall examined the behavior of weekly in nineteen indices of British industrial share price and in spot price for cotton (New York) and wheat (Chicago). After extensive analysis of serial correlation, he suggests, in quite graphic terms: the series looks like a wandering one, almost as if once a week the Demon of chance drew a random number from a symmetrical population of fixed dispersion & added it to the current price to determine the next week's price." **(Fama; 1970: P: 390).**

Moore (1964) studied weekly price changes of 30 randomly selected US stock for 1951-1958 and found an average serial correlation coefficient

0.06. The value was extremely low & indicated that the weekly changes data were of no value in predicting future price changes. (A.B. Moore; "some characteristics of changes in common stock prices", 1964).

In 1965, Fama analyzed the daily proportionate price changes of 30 blue-chips stock in DJIA for the period of 1957-1962. He followed standard statistical tools such as serial correlation & Run test to examine whether any dependency exists in lagged price changes. He found that the serial correlation coefficient for daily price changes were very small & average was 0.03 which is closely to zero. But out of 30, 11 autocorrelation coefficients were more than twice which shows lagged price changes shows some degree of dependence. Fama further examined the run tests. And, he found that actual & expected number of runs not significantly different. He concluded that although there exists slight dependencies in the series; the departure from randomness is negligible and the evidence is strong support for the independence. (**Fama; 1965: P: 34-105**)

Alexander (1961) tested the 'filter technique' on closing prices of two indices, the DJIA from 1897 to 1929 & Standard & poor industrial Average (S&P) from 1929 to 1959. In general, he indicated that filter rules produced better results than those earned by simple buy and hold policy. This led him to conclude that the independence assumption of the random walk model was not upheld by his data.

Alexander G. Kemp & Gavin C. Reid (1971) studied on British stock market. They used non parametric test on daily closing prices of 51 individuals equity shares & one financial times (F.T.) industrial index for 28 October 1968 to January 10, 1969. They reported that share price

movements were conspicuously nonrandom over the period considered. **(Alexander & Reid 1971: P: 47)**

Gupta (1985) analyzed the equity share price behavior in India during Jan 1971 to 1976 March and tested the RWH by using weekly prices of 39 individual shares & two indices The Economic Times (E.T.) index & Financial Express (F.E.) Index. He found the evidence in support of RWH. He concluded that the random walk model appeared to be an appropriate model appeared even for the less developed country like India to describe share price behavior. **(Gupta; 1989: P: 53-54).**

The review of above mentioned studies carried out in western countries. But question arise, findings of these studies are pertinent for Nepal. So, here need to research about Nepalese stock market.

A number of research studies have been done internationally on the stock market. Some has pleaded that the development of world capital markets appears to be reaching the stage where they can make significantly greater contribution to world economic growth and trade. More importantly, the ground work has been laid for healthy development and future growth of international capital market barring the intervention of war or other major disturbances, world capital markets gave promise of being able to play an increasingly important, through no predominant role in the movement of capital internationally.

In connection with the necessity of capital market, capital Market in India” has that capital is an extremely fascinating subject. An efficient capital market is an indispensable pre-requisite to economic development. In fact, even as regards the resources the public sector, the capital market has a rather important role to play.

The securities have generally been viewed as the principal investment vehicle, and traditionally texts in investment have focused on securities to the exclusion of the other investment alternatives. Securities are still the central focuses in the investment activity. In the same book, he has given suggestion of the problem by quoting the problem facing the individual investor involves selecting those investments that meets his or her needs and preferences. The starting point in this process is determining the characteristics of the various investments and the matching them with the individual' need and preference. In this way, an appropriate and suitable investment will be made.

The indicator of stock market reflects the development of an economy. It is important to predict the course of national economy because economic activity affects the corporate profits, investor attitudes and expectations and ultimately securities price. The key for the analysis is that overall economic activity manifests itself in the behavior of stock price or the stock market. This linkage between economic activity and the stock market is critical .

The investors must receive more return from return from holding a security than planning the same amount of money in a saving account. The total returns in holding a stock must include the risk premium and inflation premium and inflation premium because in seeking returns that exceeds those available in saving account. There is risk associated with a holding a security. There are two types of risk in holding a security i.e. systematic and unsystematic risk .

The 1980s were an easy decade for fund managers. Both stock market and commercial property investment provide high return by historical criteria. Whether or not fund managers added value, stock

investors obtained high return. The easy market condition of the 1980s did not persist into 1990 and Investments returns in real terms during the 1990s are unlikely to match those of the 1980s. Fund managers have some protection because of advantage for investors of investing through institutions rather than by direct investments in the companies. However, some aspects of the operation of stock market seen inefficient and called for comments. These inefficient may, in part, be a hangover from the regime of fixed commission when brokers competed by providing fund managers with data and company analysis information about the companies is that their primary motivation is to get clients to buy or sell shares, and this might introduce a bias towards dwelling on the strong or weak points in a company's record.

Stock market and their subsets, emerging growth stock, are well-managed companies operating in industries where earning and dividend are expected maintain there excepted to grow faster than inflation and overall economy. They are expected maintain their exceptional growth momentum through economic retractions as well as during economic prosperity. Growth stocks are not located in the traditional smokestack industries but in new and upcoming fields, such as computer, telecommunications, healthcare and biotechnology. Major characteristics of growth stock include higher price| earning ratios than the market average, substantial potential for above average long-term price appreciation, price volatility and correlation of capital to fuel growth, therefore little or no dividend pay-out in the early years .

There are two important aspects of capital market namely, the raising of funds in the form of shares and debentures and trading in the securities already issued by the companies. While first aspect is obviously

is much more important from the point of view of economic growth, the second aspect is also of considerable importance. In fact, if facilities for transfer of existing securities are abundant, the raising of new capital is considered assisted for the buyer of new issue of securities are confident that whenever he wants to get cash he can find a buyer with out much difficulty. This aspect is called the liquidity of the stock market. Thus, the liquidity of the stock market affects the raising the new capital from the market.

A senior Economist, B, in the finance and private sector department division of World Bank's Policy Research Department, has mentioned in his article that stock market may affect the economic activity through the creation liquidity. Many profitable investments require a long-term commitment of capital, but investors are often reluctant to relinquish control o their savings from long period. Liquid equity markets make investments less risky and more attractive because they allow save4rs to acquire asset equity and to sell it quickly and cheaply if they need access to their savings or want to alter their portfolios. At the same time, companies enjoy the permanent access to capital raised through issues. By facilitating ling term, more profitable investments, liquid markets improve the allocation of capital and enhanced the prospects for the long-term economic growth. Further, by making investment less risky, more profitable stock market liquidity can also lead to more investment.

Stock market liquidity rather than stock market size and volatility of the stock market matters for growth. Ross Levine shows that with taking example of 38 countries with more liquid stock markets in 1976 grew faster than those did economic with less liquid stock market in 1976

between 1976 and 1993. Stock market liquidity helps to forecast economic growth. He has used three measures of stock market liquidity verses value –traded ratio, turnover ad the value trade ratio divided by stock price volatility. The study has revealed that country that has more liquid stock market in 1976 enjoyed both faster rates of capital formation and greater productivity over the next 18 years, because liquid stock markets encourage more investment .

2.3.2 Nepalese Context

There arte some studies have been done by different researcher related to stock price of Nepalese capital market. Some of available studies are reviewed as below:

Radhe Shyam Pradhan (1994) studied on the topic "Financial Management Practices in Nepal" (Pradhan; 1994) and drew the conclusion that the positive relationship between the ratios of dividends per share to market price per share. According to him, stocks paying higher dividends have higher liquidity, lower leverage, higher earnings, and higher turnover and higher interest coverage. However, liquidity and leverage ratios are more variable for the stocks paying lower dividends while earnings, assets turnover and interest coverage is more variable for the stocks paying higher dividends. He concluded that PE ratios and dividend ratios are more variable for smaller stocks where as market value to book value of equity is more variable for higher stocks.

Similarly, **Sadkar Timilsena (1997)** conducted a research on "Dividend and Stock Prices: an Empirical Study" (**Timilsena; 1997: P: 1-80**) and found a positive relationship between dividends and stock

prices. He also found that the dividends have a predominant effect on stock prices.

Surya Chandra Shrestha (1999) conducted a research on "A stock price behavior in Nepal" (**Shrestha; 1999: P: 1-84**) with the aims to determine the efficiency of the stock market through the theoretical model of efficient market hypothesis in Nepalese stock market. He took 30 stocks as a sample from listed companies in NEPSE & examined the daily closing price during the period of 13 January 1994 to mid-July 1998 by using the tools of serial correlation and Run tests and found that successive price changes are not independent from the price changes of previous days.

According to him, "the information of the past price changes is helpful in predicting future price changes in a way that the speculation through technical analysis can make higher expected profit than they would be under naive buy and hold policy (i.e. average market return)." He also concluded that sufficient opportunities are available to sophisticated (both institutional and individuals) investors to earn higher return in the market. He also concluded that Nepalese stock market is not efficient in pricing shares even the random walk theory is not a suitable description for the stock market price behavior in Nepal.

Laxman Paudel (2001) studied on the topic "A Study on share price movement of joint venture banks in Nepal." (Paudel; 2001: P: 1-93). The main objectives of the study was to examine the form of the EMH does Nepal stock exchange market exists & to judge whether the market shares of different banking indicators, book value per share & other major financial ratios to explain the share price movements. From

his study, he concluded that Nepal stock exchange operates in a weak form of efficient market hypothesis, indicating that market price of shares move randomly. The market price per share does not accommodate all the available historical information.

Similarly **Basu Dev Upadhyaya** conducted a study on Share price behavior in Nepal (**Upadhyaya (Neupane 2001)**) with the main objective of to test the random walk or weak form efficient market hypothesis & to examine whether the successive price changes are independent or dependent to each other. For the study, he chose equity shares from the listed in NEPSE during the mid-July 1997 to mid-July 2000 as a sample. He examined the week end closing price by means of serial correlation test & Run test. And, he found that both the test - serial correlation & Run test analysis do not support the independence assumption of random walk model. So, he concluded that the Nepalese stock market may not be termed as 'weakly efficient' in pricing shares. He also concluded that the share price movements are caused by flow of several kinds of information in the market.

Dilip Raj Baral (2059) conducted a research on "stock price movement in Nepalese security market" (**Baral; 2059,**). The main objective of the research is to study & analyze stock price & volume and to examine the signaling factors impact on stock price. He analyzed the price trend of three years' NEPSE index, in different 30 months with the help of monthly trend (yr 2000 to 2002). He found that there is no relationship of price trend between 3 successive years. From his study he concluded that stock price trend is running in the unsystematically randomness in price movements. He also analyzed paired t-test for signaling factors with

reference to major three events & found that signaling effects played the major roles in fluctuation at stock price.

Nawin Adhikari (2004) studied on "share price behavior of joint venture banks in Nepal" (**Adhikari; 2004: P: 1-91**). He aimed to analyze the market share price behavior of joint venture banks in the Nepalese stock market. He took the 7 banks as a sample & did the security market line (SML) analysis of each bank and found that all the banks have under valued. He concluded that the joint venture bank's shares are blue-chips in the Nepalese security market. He also concluded that Nepal stock exchange operates in a weak form of efficient market hypothesis.

2.4 Review of Related Theses

The study has used primary data obtained from the experts and the employees of security market through the means of interviews.

Khangendra Prasad Ojaha (2000) has conducted a research on "Financial performance and common Stock pricing". The main objectives of this research were to study and examine the difference of financial performance and stock price as well to explore the signaling effects in stock price.

Secondary data was used from the publication of NEPSE, SEBO and the ministry of Finance. The analytical tools used to interpret the data were various graphs, bar diagram, t-test, multiple diagrams etc. The main findings of this study were the Nepalese stock market is in growing stage. In general, it is very new and just started to develop. Dominance of banking sector is prevalent in the market due to other industries including finance companies, insurance and manufacturing is not encouraging.

Corporate firm with long history have a relatively stable profitability parameters than the firms established after the economic liberalization of 1990. “There is a positive correlation between the net worth per share and stock prices of banking, airline, and hotel industries, there is no perfect correlation between the net worth per share and common stock price.

Though the profitability factor as mentioned in the study are the major factors for the demand and the price determination of the stocks, but its not the whole and sole, as there are number of other supporting factors that plays a vital role for the pricing of the stock in the secondary market (i.e. investment opportunities, government policies, companies performance, investors analysis etc.)

Bachhu Ram Dahal (2001) has conducted the research entitled “Stock market behavior as well to study and analyze the rate of listing of new companies and maintenance of listed companies in NEPSE. The study was verified by taking major seven events. Royal palace Massacre, Lease fire, September 11 attack, State of emergency, prime Minister’s visit to U.S.A. parliament and King’s visit to India. The effects and the finding of the study was presented by the use of various financial tools such as hypothesis testing g plays major role for fluctuation NEPSE index. The study limits its study only up to the effects and influences of such kinds of mentioned disaster. Those disasters are suppose once in long period, as well the influence may vary according to the time and the situation though having the same characteristics. Therefore this kind of study helps to provide the required data for a certain accidental period rather than providing supports for preventing such disasters. It fails to provide any kinds of suggestion as it is expected from such kinds of study.

Darapana Pokharel (2002) has conducted the thesis “A study of securities market in Nepal”. The main purpose of this study is to examine and analyze the trend as well as the risk and return of different sectors listed in securities market. To achieve this purpose, specific objectives have been set up such as; to find out and analyze the risk and return of different sector of securities market and to analyze the inter-relationship between the risk and return of each sector.

In order to support the study the sophisticated technique of analysis such as correlation method, regression method, statistical tools, financial tools, Test of significance were adopted to analyze the provided data from the securities market and the various listed joint stock company.

She has pointed about the risk and returns trend of the different sectors i.e. Banking, Finance, Insurance and Manufacturing and service organization, in her study. According to her “Among all sectors listed in the securities market, Banking sectors has the highest expected return (50-33%) followed by the finance sector with 47-36%. The sectors having the lowest expected return are the one categorized as others with just 10.3% and the trading sector with 10.65%.

Ms. Pokhrel has used the different tools and technique to analyze and interpret and data to meet the concrete report about securities market but she has not centralized her study on specific matter.

Prabhat Kumar Poudyal (2002) has conducted the thesis “Share price behavior of Joint “Venture Banks in Nepal”. The main objectives of his thesis were to analyze the market share price behavior of the Nepalese

Stock market and to examine how safe or risky to invest on joint venture bank's share.

The study is based on the published reports of the NEPSE and the listed jointed venture Banks in the security market. The study covers the periods of seven years (1995/96 to 2001/02), and the data for the seven years were presented in the form of various charts and figures.

Based on the analysis of data and their interpretation the study's empirical findings in relation to the objectives set could be summarized as follows:

He writes "Nepal Stock Exchange operates in a weak form of efficient market hypothesis, indicating that the market prices move randomly. The investors while deciding their investment and purchase neglect actual potential of the firm and semi professional advices are functioning at its high. The market values per share don't accommodate all the available historical information because of the inequilibrium in the stock market is observed".

Mr. Mahendra Kumar Shrestha, (2000), in his thesis "Growth and prospect of stock market of Nepal " tries to show the role of the capital market which has been increasing as to mobilize the saving of the nations and channelize them in to increase the level of saving and the canalize those saving into investment, which leads to economic growth. Capital market arises as to proper allocation of accumulated savings to various economic. Objectives of his study were:

-) To identify the legal obstacles in the stock market development
-) To study existing transaction system.

After the analysis of his objectives and findings, Mr. Shrestha has made the following recommendation:

-) The provision of annual general meeting (AGM) should be within four months from the completion of each financial year.
-) Financial statement and annual reports of the company's should be presented to an authority within the three months from the completion of each financial year.
-) Stock market transaction is depending on the demand and supply of security for sell or buy.
-) Market movers are the important indirect factor for the stock market transactions. GDP, interest rate, rate of inflation, foreign exchange rate and commodity price are the main movers of stock market. They affect the share price of the companies in the market.
-) Government and investor should be conscious, in this factor whereas so many changes will be in these movers. Government should be more concerned in decreasing of GDP, and increasing of interest attention to the foreign exchange rate, which also change frequently Nepalese capital market.
-) Information is the one of the main elements of stock market development. Every stock market transactions are depending in the information provided by the companies. Therefore, security board and stock exchange limited should be in coordination in the information provided by the companies for stock market development.

Bharat Prasad Bhatta's, (1997), study on "Dynamic of stock market in Nepal" reveal that resource mobilization has a vital role in the developing economy like Nepal .the development of the stock market is a must for the resource mobilization. There are various problems of Nepalese stock market, which have checked the resources mobilization in the economy. In his research work, Mr. Bhatta set the following objectives followed by some recommendations, which are given below:

Mr. Bhatta's recommendations, which are given below:

-) To analyze the trend of the Nepalese stock market.
-) To diagnose and compare the sartorial financial status of the stock in Nepalese stock market
-) To analyze the market share price of the stock market
-) To find the impact of the secondary or primary market and vice versa.

Mr.Bhatta's recommendation is as follows:

-) The government should make not only policies for the capital market development but also implement these policies appropriately.
-) Investment in corporate sector should be encouraged and there share should be listed in the stock exchange.
-) The regulator authorities of the stock market should create an environment to rise the trading of share in the stock exchange.
-) The government should make appropriate policies and programs for the enhancement of the entrepreneurship development in the Nepalese economy.

In his conclusion, he try to show that although it has become late to take steps to overcome such problems of the Nepalese stock market in order to make it active and supportive, the stock market has a good prospect for the resource mobilization to finance the productive enterprises in the Nepalese economy.

Stock market affects the economy of the country by the creation of liquidity .the study of unpublished thesis “Problem and prospect of primary and secondary market” by Sita Sharma, (2002), found that stock market development explains the future economic growth. Liquid equity market renders investment less risky and more attractive by following saver to their saving or alter their portfolio. At the same time, company can raise equity and enjoy provides by stock market renders investment less risky and more profitable, in the words of Levine, “investor will if they can leave”.

Sharma in her MBS thesis “Problems and Prospect’ of primary and secondary market” set the following objectives and give some conclusions related to the problems and prospects of state of stock market, which are given below:

-) To specify the state of primary and secondary market.
-) To identify the problems and prospects of primary as well as secondary market.
-) To assess the past and present behavior of business operations in the Nepal stock exchange.

In her study, she tried to find out the specific problems related to not only the primary and secondary market but also the factor, which were

affecting the whole capital market in the country, like problems of NIDC, problems of Nepal share markets, problem of registered brokers, dealers, market maker etc. more specifically, she takes all these phenomenon as her sample to study major findings are as follows:

-) There is no tax benefit in investing to secondary market.
-) Listed companies are slow to bring in their securities in the market.
-) People are showing great trust and faith in the stock market and large number of people investing in shares is a very positive sign though the price of share is decreasing.
-) The price and liquidity in the secondary market affect the growth of the primary market
-) Financial performance of almost all market maker is poor except in banking institutions.

She makes the following recommendations:

-) Tax system should be reformed and encouraged and stimulate capital formation.
-) NEPSE should adopt appropriate policy for membership and fee structure to attract member outside Kathmandu. All types of securities firms, including broker dealers, issue managers and full service security firm should be eligible for membership.
-) NEPSE should establish and arbitration committee to handle unresolved investor complaints. The NEPSE buy laws should be amended to establish procedure governing the process of arbitration.

-) One of the major problems cited in the NEPSE is the suspect of insider trading system, which is one of the worst flows in stock trading. Such a system must be immediately discouraged and total review of broker appointing system should be made further, if any practices are noticed, immediate action must be initiated.

Mr. Bachhu Ram Dahal's (2002), study on "Stock Market Behavior Of Listed Joint Venture Company in Nepal" described about the Nepalese stock market. The main objectives of his research study were to study, examine and analyze the stock market behavior. The specific objectives were:

-) To study and analyze stock price trend and volume of stock traded on the secondary market.
-) To study and analyze the rate of listing of new companies and maintenance of listed company in Nepal stock exchange ltd.
-) To study and examine the signaling factor ' impact on stock prices with the help of NEPSE index.
-) To suggest the abstract to the interested parties related to stock market.

In his conclusion, Mr. Dahal says that stock market is the backbone of investment sector of the country. So by promoting the stock market is sizeable economic sector gives rise the economic development by mobilizing swing in to productive sector by making suitable investment of making suitable investment for making suitable investment environment different elements like price trend NEPSE index, volume, of stock traded, rate of listing. Signaling factors should be analyzed.

Stock market was not properly analyzed for smooth operation of secondary market. It shows gap between theory and practice of investment. In Nepalese stock market, the study of market behaviors a very useful subject matter if properly analyzes for the development of stock market.

Nepal stock exchange limited is analyzing stock market behavior in very little area regarding the stock market. So experts should be recruited and analyzed market behavior in efficient way so that all parties interested with stock market can get benefit from this. The data analyzed showed that Nepal stock exchange is not providing facilities for investors such as general awareness about investment, investment procedure for general public and government stock trend in different periods and their causes are not explained. Most of the investors are complained that the market makers, brokers and NEPSE staff are making coalition for fraudulent activities towards investors. So, NEPSE should clear this type of charge for the development of stock market.

The role of market players of market should be made effective in promoting capital market in the country by giving proper training and adopting changes environment with modern tools and technique.

Investment is the lifeblood of economic development. It is evident that stock exchange has continued to fulfill their vital functions in the national economy .so long as private enterprises exist; we know that the stock exchange is the place where stock and share are bought and sold. The substantial competition in innumerable buyer and seller determines the prices with a measure of precision that cannot be obtained in other

unorganized market. So, stock market is the proper market for the development of the national economy.

The development of stock market in Nepal is both challenging and difficult. Share transition, public interest toward stock market, trend of the price movement and information system indicates the low performance of stock market. The problem like lack of strong professional analysis, independent buyer and seller, well-trained manpower and management delay in transfer of shares, rational investors exist from the Nepalese stock market. Moreover, there are many other attraction that stock market will be the strong market for the unemployment young generation to build their career in capital market; i.e.. It has a lot of prospect of development.

Finally, no comprehensive research has been conducted in relation to the development of the market in Nepal, major problems faced by Nepalese stock market and expectation of future growth. Thus the stock market further requires timely research to explore details of the problem and prospects of stock market in Nepal.

There are many thesis related this topic written by various researchers in past year. Among them some thesis are reviewed here for analysis of literature.

Upadhya (2001), his study accomplished by “Share Price Behaviour in Nepal”. His study mainly deals with the following issues: a) Do share prices over the short periods, such as day, or a week or a month, display random phenomenon? Whether the successive price changes are

uncorrected of one another? He applied Serial Correlation, Runs Test, Weighted Mean, Median, Chi-square test and Spearman's Rank Correlation and conducted findings such as a) The random walk hypothesis does not seem to fit the equity shares Nepalese Stock Market, b) The information of past price change have low power to predict the future price changes of longer week and c) The price change are not random or the price changes in the future will not be independent from the price changes of past. The randomness in some remaining equity share is weak enough to prohibit excess profit.

Poudel (2002), has conducted the thesis "A Study of Securities Market in Nepal". The main purpose of this study is to examine and analyze the trend as well as the risk and return of different sectors listed in securities market. To achieve this purpose, specific objectives have been set up such as; to find out and analyze the risk and return of different sectors of Securities Market and to analyze the inter-relationship between the risk and return of each sector.

In order to support the study the sophisticated technique of analysis such as correlation method, regression method, statistical tools and test of significance were adopted to analyze the provided data from the Securities Market and the various listed joint stock companies.

She has pointed about the risk and returns trend of the different sectors i.e. Banking, Finance, Insurance and Manufacturing and Services Organization, in her study. According to her "Among all sectors listed in the securities market, Banking sectors have the highest expected return (50-30)% followed by the Finance Sector with (47-36)%. The sectors

having the lowest expected return are the one categorized as other with just 10.3% and the Trading sectors with 10.65%”.

Ms. Poudhael has used the different tools and technique to analyze and interpret the data to meet the concrete report about Securities Market but she has not centralized her study on specific subjects matter.

Kandel (2002), entitles “A Study of Liquidity, Corporate Performance and Share Price Behaviour in Nepal”. He applied standard deviation, coefficient of correlation, regression equation and finding of Markowitz with time frame of data from 1995 to 2000 of selected listed Companies to find out the share price behaviour. His findings were on the basis of Standard Deviation (a) Observed market price is more consistent than the excepted prices (b) Market price is more stable and less variable than that of with expected market price (c) Equity investment has lower risk in 1995-1997. However, in 1997/98 the equity investment has average risk and others found the same. Similarly in 1998/2000 the equity investment has higher risk and others were remaining the same.

The finding from the coefficient of correlation throughout the review period were (a) The value of coefficient of correlation is considered significance, (b) Market price of share of depends more on DPS (c) The coefficient of determinates of both EPS and DPS have decreasing trends, this is the sign of risk associated with equity investment was increasing. Similarly, the finding from regression equation were, in 1995 to 1997 the market price was affected more by variable dividend per share compared to earning per share is very weak and the effect of which is negligible in compared to dividend per share, in review period 1997/1998 dividend per share was still stronger than

earning per share, during the review period in 1999/2000 dividend per share was stronger than earning per share. In 1999/2000 the influences of DPS over market price of securities was higher during the review period.

It concluded that DPS plays vital role on price formation. Though the effect of EPS has been increased but still DPS ruled over market prices. Hence the sensitivity of DPS is high instant response in the market.

On the basis of expected return on a portfolio and the portfolio variance (Covariance between govt. bond between share, govt. between NPB bond, shares and NRB) of sample Companies (commercial banks) has been calculated individually by using Markowitz model than he found (a) Portfolio variance is very minimal, (b) The co-response among the securities is not sensitive, (c) Changing in interest is in favour of investors, as the interest rate goes up, the market price of existing fixed income securities falls, and vice versa, they affect the price of equity either. But the effect is too weak in the case of Nepalese market as Markowitz model. It is evident that the Securities Market of Nepal was in nascent stage.

Then the last findings was from CAPM Mode by calculating Beta were (a) the responds of investment's return to market forces found weak since most of the banks having low beta (b) the investment have relatively low systematic risk, also goes under the name of non diversifiable risk.

Through these studies have many useful findings, there are limitations, too.

Paudel (2005), studied on “A study on the movement of Stock Price of Joint Venture Commercial Bank” and found that, generally banking sectors NEPSE index has dominated to the other sectors. The movement of the stock prices is dependent to the historical price. The stock of all sampled companies is under priced since their expected rate of return is higher than the respective required rate of return.

Gautam (2006), his study on “A Study of Stock Market Behaviour in Nepal” concluded that political instability and other laws related issues are the prominent factors for the underdevelopment of security market in Nepal. She further concluded that the stockbrokers and stock market are not being much active to create investment environment in stock market. Most of the investors are influenced through media only. Information deficiency in the capital market may be one of the reasons for determination of share price by excessive speculation. The available information is of low quality and people have very little knowledge of the trading procedure and price formation mechanism in NEPSE. Lack of effective laws and effective implication of the existing laws are the contributing factors for the less development of the capital market. She also argued that some of the major problems experienced by stock market are the poor regulatory controls and supervision by SEBO/N and NEPSE.

Neupane (2007), made a research entitled “Determinants of Stock Price in NEPSE” and tried to explore the factors that have significant influence on the stock price in NEPSE. He concluded his study by quoting:

) Nepalese investors have not adequate education about the capital market. They do not have good knowledge and information to analyze the scenario and to forecast share price. Perhaps due to this reason stock price in NEPSE rather shows irrational behaviour.

-) In NEPSE, DPS, BPS & EPS individually do not have constituent relationship with the market price of the share among the listed companies. The pricing behaviour varies from one company to another. But EPS, BPS & DPS jointly have significant effect in market price of the price of the share. So, there may be other major factors affecting the share price significantly.
-) Commercial banking sector has dominated the overall performance of NEPSE. Manufacturing and processing trading and hotel sectors have weak performance. So, financial intermediaries are strong but their ultimate investment is suffering.
-) Companies performances (earning, dividend, book value, risk etc.), political stability, national economy, demand & supply situation are the major factors affecting the share price in NEPSE.
-) There is deficiency of proper laws and policies regarding the capital market. Shareholders are feeling unsecured to invest in security markets due to poor regulatory mechanism to protect shareholders interests. The implementation of existing laws is weak.
-) Since NEPSE is in increasing trend, in spite of unfavourable environment for investment, Nepalese citizens have a huge amount of scattered fund remained unproductive, which can be used in the industrial development through capital market to accelerate the economic growth of the nation.

With the existing different Armed Groups, industrial development and capital market development is impossible. So, the peaceful solution of the armed Groups problem is preliminary condition for capital market and economic development in Nepal.

2.5 Research Gaps

Since the above reviewed studies on Nepalese stock market offered some limited findings in past. Adjustment of time period & other variables are needed to be more conclusive about the efficiency of Nepalese stock market.

Most of the above mentioned studies are based on secondary data. Though few studies collect the primary information, they are incomplete and might be irrelevant in present context. So there need to be updated primary data collection. Therefore this study conducts the questionnaire survey to find out the facts about the share price movements.

Most of the studies were based on randomly selected sample stocks. Basu dev Uppadhya studies was based on 23 stocks tried to select from all the sectors, but the findings of the study might not be relevant in present context because many changes taking places in Nepal and in Nepalese capital market. Similarly, all the above mentioned studies are based on either overall NEPSE index or sample stocks. This study tries to consider from both i.e. overall NEPSE index as well as some sample stock to measure the movement of share price in Nepalese stock market. Earlier studies on share price movement need to be updated. This study attempt to consider and adjust different variables related to present context. This study based on both secondary and primary data.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Introduction

This study is based on both primary and secondary sources of information. Secondary sources of information were used to measure the signaling effect on share price as well as to test independence of share price change while the basic purpose of primary sources of information analysis is to survey the opinions of the investors on share price movement.

This chapter describes the following aspects of research methodology:

- Nature & sources of data
- Populations and sampling
- Method of analysis

3.2 Nature & Sources of Data

The data employed in this study consists of two sets. The first set consists of secondary data & the second set consists of primary data of respondents opinions on share price movement. The necessary secondary data are collected from different sources i.e. annual report of security board Nepal, other publications of security board of Nepal, official publications of Nepal stock exchange, annual reports and publications of different companies, different news paper and magazines.

The primary sources of information are collected from field survey. The field survey is based on questionnaire as well as un structured

dialogues with investors while visiting them Respondent/ Investors) to distribute & collect the questionnaire. The study was done on the trading floor of Nepal Stock Exchange with investors before trading time (12-3pm).

3.3 Population & Sampling

All the companies listed in the Nepal Stock Exchange are considered as the total population. To measure the current market trend, signaling effects (i.e. impact of peace accord) on share price movements in Nepalese Secondary Market, NEPSE index is taken to analysis. Because index measured the general market trends. So, all the companies that were existence and doing share transaction on NEPSE during (2061-65) were considered as sample first. But as index is no more than a measure of general market trends, it may give the false impression of the extent of price fluctuations in individual markets. Hence the use of individuals share price series is also appropriate to measure the share price fluctuations. So another sample (2nd sample) is considered to draw the conclusion more reliable. However, some methods logical problems arise in the application of individual share price for example; a) The choice of the time interval over which prices should be recorded and b) the selection of equity shares to be included in the sample. Since it is difficult & impracticable to present the daily index to measure the general market trend, monthly NEPSE index were used. Similarly the daily closing price & week-end closing prices were not available for some of the sample shares either because there was 'no trading' in those shares. Hence the monthly end closing price was considered as appropriate for selected samples shares for this study.

Seventeen company's shares are actively traded in the Nepal Stock Exchange Ltd. during 2061 to 2065 constitute the sample for this study while selecting the sample adequate case has been from all sectors. "55.86%" of total securities issues covered by commercial banking sectors " Sector wise chart, (Annual Report, SEBON, 2005/06). Presently around 72% of financial claims in the Nepal Stock Exchange are from commercial banking." (Pant; 2007). By considering these facts 8 samples was taken from commercial banking sectors out of seventeen samples.

Similarly since the second highest total securities issues covered by finance company sector. (Annual Report, SEBON, 2005/06). 3 Samples was taken from finance sectors. To cover all the sectors one sample was taken from rest of the sectors i.e. from manufacturing & processing sectors, one from hotel sectors, one from insurance sectors, one from development banking sectors, one from trading sectors & one from other sectors.

3.4 Method of Analysis

The method of analysis employed in this study includes the use of i) Trend analysis. ii) Chi-Square test.

3.4.1 Trend Analysis

Trend analysis is one of the suitable statistical tools to measure the price trend stock volume trend during the selected period. It is useful to compare the price trend as well as stock volume before & after the peace accord between Nepal government & Moist. It is appropriated to measure the signaling effect on share price movement, Stock trading volume. For analyzing signaling factors effects on NEPSE index, four major events i.e. Political change of Magh19, 2061 (Feb 1, 2005), People's movement

2062/063 & Peace accord between Nepal Government and Maoist (Kartik 22, 2063), Government lead by the Maoist from Bhadra 2065 are considered. Tabular as well as graphical measures are considered for presenting & analyzing the data.

3.4.2 Chi-Square test

Chi-square test is a non-parametric test because it depends only on the set of observed and expected frequencies and degree of freedom. Since chi-square test does not make any assumption about population parameters, it is also called a distribution free test. Chi-square test is a test, which describes the magnitude of difference between observed frequencies and expected (theoretical) frequencies under certain assumptions.

In another words, it describes the magnitude of the discrepancy between theory and observation. It is defined as, Chi-square = Sum of $(O-E)^2/E$

Where,

O= Observed frequencies

E= Expected frequencies

To achieve the research objectives from chi-square techniques the following steps has been developed and tested. (Hypothesis test)

1st step: Ho: There is no significant difference in the opinion made by the different groups of respondents.

2nd step: H1: There is significant difference in the opinion made by different groups of respondents.

3rd Step; Test statistics

$$\text{Chi-square} = \sum (O-E)^2 / E$$

4th Step; Find out Critical Value

The tabulated values (critical Value of Chi- Square for (n-1) d.f. at alpha level of significance usually 5%).

5th Step: Decision

Make decisions by comparing the calculated value of chi-square with tabulated of chi-square. If calculated chi-square is less than the tabulated chi-square, it is not significant and H_0 : is accepted otherwise it is rejected.

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Data Presentation

Data presentation & analysis is one of the most important parts of the study. After collecting raw data, these data should be presented in simple way or process to analyze & deliver meaningful conclusion & meet the objective of the study. A report of the study becomes worthless if the presentation & analysis of data are faulty even the valid & reliable data have been collected. So, this chapter focused on the presentation and analysis of the available data in a proper way to meet the objectives of the study made earlier.

The main purpose of this study is to examine the behavior share price movement in Nepalese stock market. It focuses the price trend & volume of share traded in a Nepalese stock market before and after the peace accord between Nepal government & Maoist. Beside this to measure impact signaling factor on share price movement in Nepalese stock market during the 2003 to mid 2009 with the help of NEPSE index concerning the major event happened in Nepal during the period. It further tries to measure the independence of successive price change by using statistical tools.

As stated earlier in the previous section, this chapter consists of both the primary as well as secondary data analysis. Secondary data have been collected from already published; monthly, annual report of Nepal stock exchange, Security Board of Nepal & other concerned companies. Similarly, primary data have been collected through the

questionnaire method both the primary & secondary data are presented & analyzed with the help of different tools.

4.2 Secondary Data Analysis

The purpose of this section is to carry out secondary Data Analysis. This section is exclusively devoted for the analysis of share price movement.

4.2.1 Trend Analysis

I. NEPSE Index

Index is known as the indicator of the movement of the overall security prices in the secondary market. It measures the general market trend. Thus NEPSE index trend analyzed here to measure the overall security market. Here, Monthly Index (Month end Index) has been taken to analyze from year 2061 to 2065.

The following table presents the monthly end NEPSE index from 2061 to 2065 (B.S.)

Table 4.1
Monthly end Index: during (FY 2061-2065)

Year	Month	Monthly Closing NEPSE Index
2061	Baisakh	204.35
	Jestha	213.12
	Ashad	222.04
	Shrawan	241.50
	Bhadra	234.50
	Ashwin	231.30
	Kartik	235.00
	Mangsir	236.30
	Poush	239.60
	Magh	257.20
	Falgun	280.60
	Chaitra	293.20
2062	Baisakh	285.40
	Jestha	277.70
	Ashad	286.60
	Shrawan	300.00
	Bhadra	293.35
	Ashwin	297.34
	Kartik	302.39
	Mangsir	302.78
	Poush	305.50
	Magh	317.69
	Falgun	339.79
	Chaitra	334.77
2063	Baisakh	385.89
	Jestha	372.01
	Ashad	386.83
	Shrawan	389.23
	Bhadra	382.56
	Ashwin	398.44
	Kartik	447.43
	Mangsir	508.01
	Poush	532.33
	Magh	523.94
	Falgun	494.06
	Chaitra	494.59

2064	Baisakh	513.45
	Jestha	575.04
	Ashad	683.95
	Shrawan	705.96
	Bhadra	817.08
	Ashwin	861.35
	Kartik	915.38
	Mangsir	1025.91
	Poush	958.91
	Magh	814.43
	Falgun	714.76
	Chaitra	746.69
	2065	Baisakh
Jestha		930.65
Ashad		976.01
Shrawan		1084.76
Bhadra		963.36
Ashwin		933.97
Kartik		806.90
Mangsir		734.85
Poush		659.81
Magh		663.52
Falgun		667.20
Chaitra		661.27

(Source: Annual report of NEPSE, daily record of NEPSE, Kantipur National daily)

From the above Table 4.1, It is known that NEPSE Index was at 204.35 at Beginning (Baishakh 2061) & ended at 293.20 (End of Chaitra 2061) on the year 2061. NEPSE Index was in increasing trend for first 4 months of 2061 & turned to decreasing trend for next 2 months (Bhadra & Ashoj). After that NEPSE Index turned to bullish trend rest of the years. NEPSE Index was 239.60 at the end of Poush reached 257.20 at the end of Magh, 280 & 293 at the end of Falgun & Chaitra accordingly. Here, NEPSE Index Increased by 17.6 points at the end of Magh month. Similarly, 23.4 points increased at the end of Falgun with compare to end of Magh. A gain of 23.4 points in a month is definitely a high growth. However there wasn't any fundamental reason behind it because many company's have already held AGMs and distributed dividend. According

to Rabindra Bhattarai, the existing bullish trend was guided by a gambling instinct. The change in the political environment may have improved the investors confidence (Mr Bhattarai, Rabindra; New Business Age, April 2005). From this we can conclude that there is a major role of signaling factors. When the political change of Magh 19 (Feb-1) happened, there was developed confidence in investors in the hope that there would be political stability in Nepal. But it was proved their (Investors Analysis) was wrong. Because After that event, seven parties alliance stepped forward for full fledged democracy. They began movement against Gyanendra for democracy. Due to political instability, movement for democracy, NEPSE Index decreased by 7.8 points to the end of Baishakh of 2062 in compare to Chaitra of last year.

NEPSE Index was at 285.40 in Beginning (Baisakh 2062) and ended at 334.77 (End of Chaitra 2062) on the year 2062. NEPSE Index was in fluctuating trend for first 5 months of 2062 and from Ashwin NEPSE Index turned to increased trend and reached at 339.79 points at the end of the falgun. But again decreased to 334.77 points to next months. It was because of people movement for democracy. There was no any trading in NEPSE for 5 days during the chaitra month of the year 2062 due to the curfew. After that, NEPSE reached to 385.89 points at the end of Baishakh of the Next year (2063). NEPSE Index increased by 51.12 points at the last of Baishakh in compare to a month ago. A gain of 51.12 points in a month is definately a high growth in Nepal Stock Exchange. There might have different reasons behind it. Among them, the success of peoples' movement 2062/63 is one of the major influencing factors. But NEPSE Index fluctuates randomly after that. Movement in Terai is one of the variables behind the instability in NEPSE Index till Bhadra. NEPSE Index turned to bullish trend reaching

447.43 points at the end of kartik, 2063. NEPSE index continued to increase in bullish trend & reached at 508.01 points at the end of Mangsir, 2063. NEPSE index increased by 60.58 points at the end of mangsir in compare to the month ago of the year. A gain of 60.58 points in a month is an abnormal and perhaps a record high growth in Nepal stock exchange. We can tell that the peace accord of Kartik 22, 2063 (November 8, 2006) is one of important factors. The bullish trend remained continue upto end of Poush with NEPSE index 532.33 points. Again there was heavy falls on NEPSE Index & turned to bearish trend reaching 494.59 at the end of Chaitra 2063. There might be the reason of falls on international share market in Asia (China, Philippines) & Europe during that period. Beside it, strict in margin lending policy adopted by NRB is also a one of the important factors behind it. In 2064 NEPSE Index was at 513.45 at beginning (Baisakh 2064) and ended at 746.69 (End of Chaitra 2064) on the year 2064. NEPSE Index was in increasing trend for first eight months and reaches highest to 1025.91 and after it turned to decreasing trend for next three months (Poush, Magh and Falgun) and in Chaitra it increase to 746.69. Similarly In 2065, NEPSE Index was at 806.26 at the beginning (Baisakh 2065) and ended at 661.27(End of chaitra 2065) on the year 2065. NEPSE Index was in increasing trend for first four months and reaches highest to 1084.76. After it turned to decreasing trend for next seven months from Bhadra to Magh and then it slightly increases in Falgun and again it decreases at the end of the chaitra and reaches to 661.27. It is increasing trend at the beginning but when the moaist lead the government then after the share market move into the boom stage. That was the main causes of leading the government by anti capitalism party.

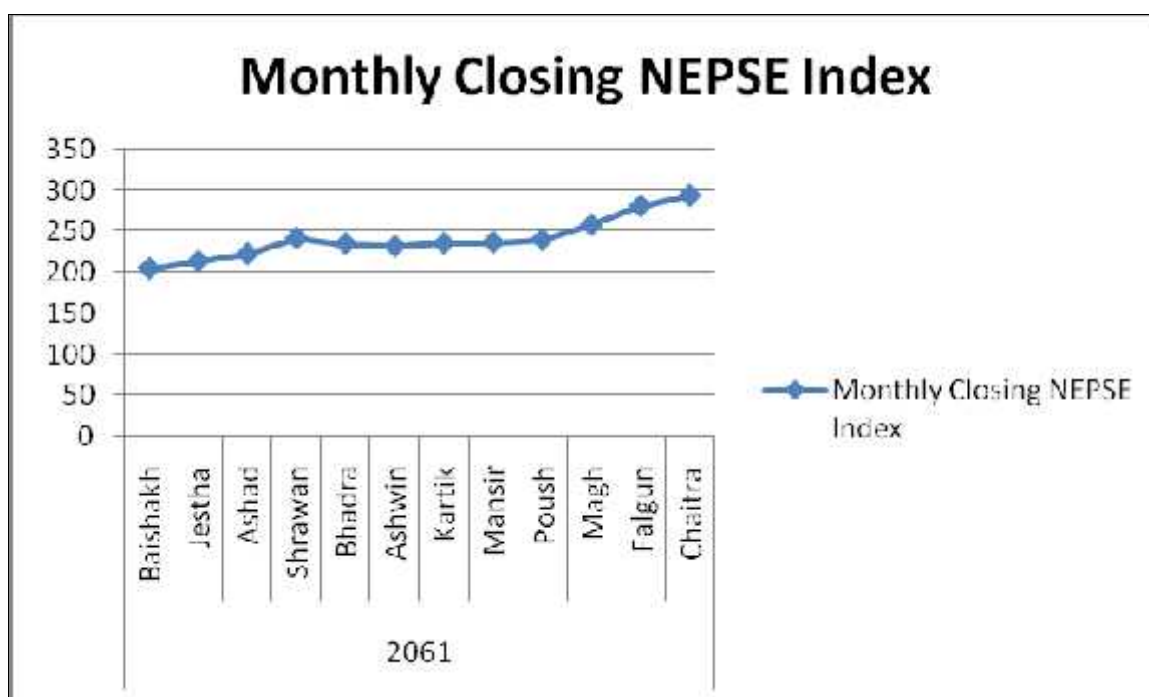
The NEPSE index trend is presented analyzed by plotting the trends on paragraph for each year separately. On the Y axis of the figure

present the NEPSE index points while X axis shows the twelve months. They are presented as below:

The presentation and analysis of the NEPSE Index trends of year 2061 is presented as below:

Figure: -4.1

NEPSE Index Trend of year 2061

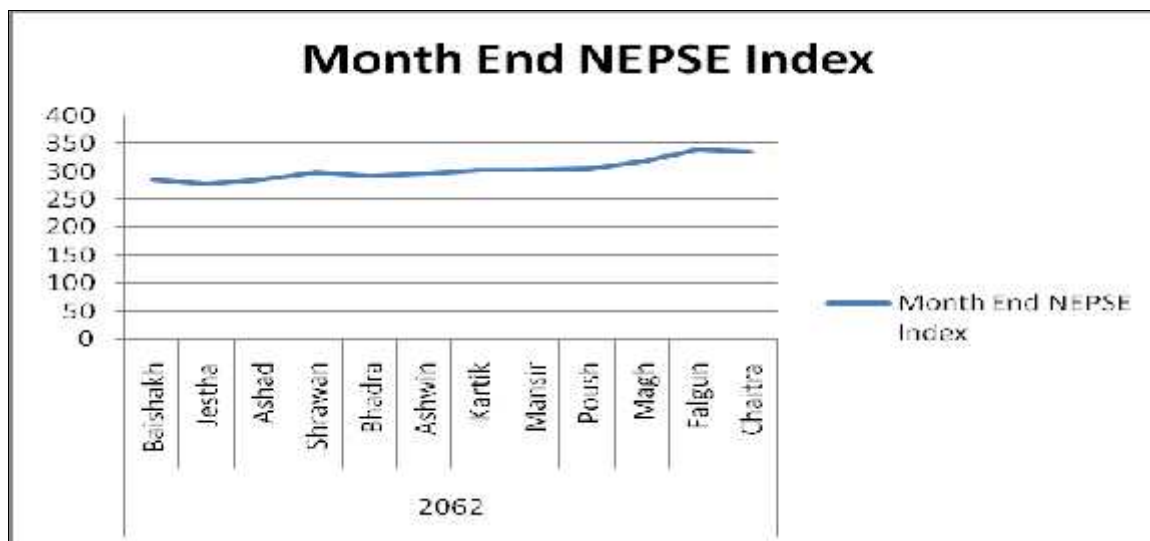


From the Above figure 4.1, It can be seen that the NEPSE index began from the points near 200 & end at near the points of 300 at the end of year 2061. The trend shows increasing trend till shrawan & then turn to decreasing trend for few months & again increasing trend at the end of year 2061.

The trend of NEPSE index of the year 2062 is presented below.

Figure: 4.2

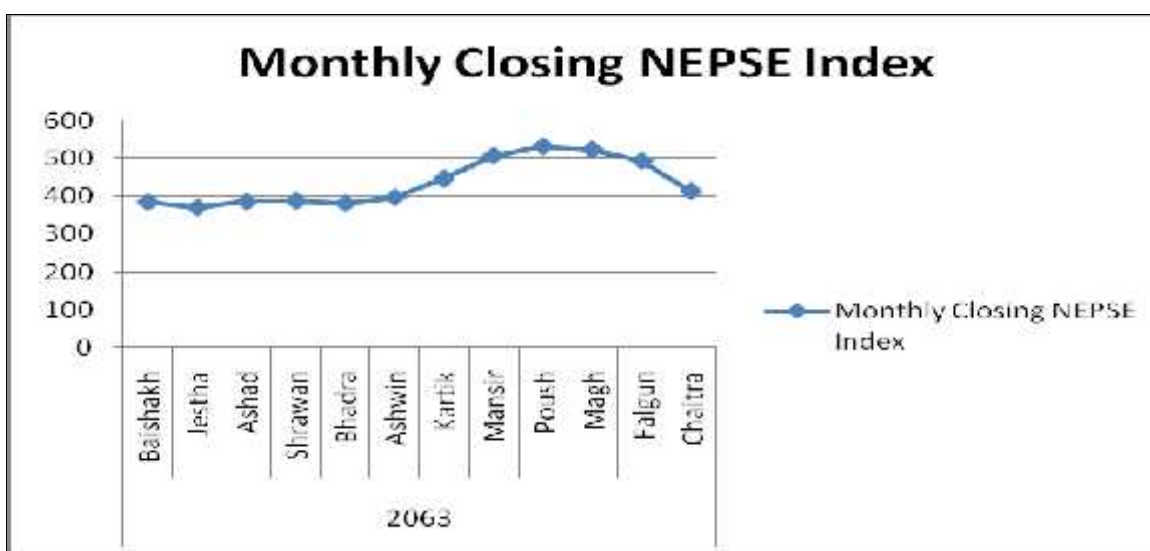
NEPSE Index Trend of year 2062



From the Above Figure 4.2, it can be seen that the NEPSE index began from below the point of 300 on year 2062. NEPSE index began on decreasing trend for one month & slightly upto shrawan. After that index turned to slightly decreasing trend & again turned to decreasing trend for 1 month & then started to increase at low rate upto Falgun & turned to decreasing trend at the end of yr 2062 at the low rate. The trend seems more flatter in compare to other years.

NEPSE index trend of the year 2063 is presented as below:

Figure 4.3
NEPSE Index Trend of year 2063



From the above figure 4.3, it is seen that NEPSE index began from the below the points of 400 & ended at near the 400 points on yr 2063. The trend seems normal until the month of Aswin of the year and turned to bullish trends up to Poush by crossing the 500 points then again turned to bullish trend till the end of the year by reaching the line near the points of 400. It seems more fluctuation on the year.

Figure 4.4
NEPSE Index Trend of year 2064



From the above figure 4.4, It can be seen that the NEPSE index began from the points near 500 and end at near the points of 750 at the end of year 2064. The trend shows increasing trend till Mangsir and then turn to decreasing trend for few months and again increasing trend at the end of year 2064.

Figure 4.5
NEPSE Index Trend of year 2065



From the above figure 4.5, it is seen that NEPSE Index began from near the point of 800 and end at above the 600 points on yr.2065. The trend shows increasing trend till Shrawan and then turn to decreasing trend upto Magh. Then it slightly increase in Falgun and ended at chaitra by decreasing.

II. Analysis of Volume of Stock Traded

NEPSE Index indicates the overall security prices. It is a price index. It is equally important to analyze the value of stock traded in NEPSE to know the impact of signaling factors. So, this study analyzed the monthly volume of stock traded in NEPSE from Baishak 061 to Chaitra 065 for 60 months.

Table 4.2
Volume of Stock Traded in NEPSE

Years	2061	2062	2063	2064	2065
Months	No. of shares Traded (in '000)				
Baisakh	2862.09	644.28	913.85	1289.84	3494.98
Jestha	870.82	1459.48	3973.71	2032.09	2593.96
Ashad	393.09	2733.79	836.33	3833.04	3327.88
Shrawan	843.19	886.60	716.818	2817.26	3497.56
Bhadra	6322.83	698.28	1067.533	1812.24	2974.83
Ashwin	707.46	397.49	454.427	2727.69	2331.22
Kartik	178.45	476.63	1366.611	946.62	3187.55
Mangsir	595.59	1354.86	1782.251	3138.82	2493.96
Poush	2212.4	533.22	1895.34	2394.62	29310.19
Magh	565.54	673.31	1184.52	1540.09	1816.61
Falgun	1123.19	722.45	1486.11	219.11	1762.05
Chaitra	858.5	784.04	1225.26	159.00	1476.88
Total	17533.15	11414.43	16866.76	22910.42	58267.87

The above table no-4.2 shows the No. of shares traded during the different months of the 5 years from 2061 to 2065. There was the highest trading volume i.e. 6322830 shares during month of Bhadra in 2061. There was the least trading volume in the month of kartik of the year where only 178,450 shares were traded in NEPSE. similarly, 565,540 shares were traded on the mont of magh while 1,123,190 shares were traded in next month. There was increased in share trading volume by 5565000 shares in Falgun in compare to Magh. Change in political enviroment On magh 19 is a reason behind it because investors thought that there would be political stability in Nepal.

There was the highest trading volume i.e. 2,733,090 shares traded on Ashad of 2062. 397,490 shares were traded on Ashwin of 2062 which was the least trading volume of the year. similarly 644,280 shares were traded on beginning (Baisakh) of the year 2062 & raised to 1,459,480 shares on Jestha & 2,733,710 shares on Ashad of the year. In this way, there was bullish trend on to Ashad of 2062.

Similarly 3,973,710 shares were traded on Jestha 2063, which was the highest trading volume & 454,427 shares traded on Aswin 2063 which was the least volume of share traded of the yr 2063(Baishakha to Poush 2063). There was increased in share trading volume in Jestha by 3,154,840 shares in compare to previous month. The success of peoples's movement 2062/063 was the one of the important factors behind it. Because investors have confidence of their investment secure. Similarly, 1,366,611 shares were traded on Kartik & reached 1,782,251 shares to Mangsir of 2063. 415,640 shares increased in a month. Here also, the signaling factor played the role to increase the investors for the investment. The peace accord of Kartik 22, 2063 is the major influencing factors behind it.

Similarly in 2064, 1289840 shares traded at the beginning of Baisakh and 159000 shares traded at the end of the Chaitra. The volume of shares was in fluctuating trend for first eight months and reaches to 3138820 shares on Mangsir which was the highest trading volume for this year. And, then after the volume of shares moves to the decreasing trend and reaches to 159000 shares at the end of Chaitra.

Similarly in 2065, 3494980 shares traded at the beginning of Baisakh and 1476880 shares traded at the end of the chaitra.3497560 volume of shares on shrawan was the highest trading volume for this year.The volume of shares was in fluctuating trend for first nine months and reaches to 29310190 shares on Poush.And then after the volume of shares moves to the decreasing trend and reaches to 1476880shares at the end of chaitra.

III. Analysis of Volume of Stock Traded Amount

Only the no. of shares traded in Nepal Stock Exchange does not give the real picture of market trend and growth because there are some shares which have the very high market price; many times more than par value, some are trading at par value some are trading at below the par. Consequently, it affects the market growth and market capitalization. So it is better to analyze the volume of trading amount in NEPSE to know the market trend.

Table 4.3**Volume of Share Traded Amount in NEPSE**

Years	2061	2062	2063	2064	2065
Months	Volume of share traded amount (in 'Million)				
Baisakh	1278.37	233.56	453.19	527.82	1920.74
Jestha	147.61	277.67	618.25	894.29	2227.93
Ashad	254.37	198.02	327.92	1432.06	2648.24
Shrawan	676.27	289.32	342.523	1717.64	2982.14
Bhadra	1796.02	198.18	374.407	1441.56	3053.88
Ashwin	200.81	108.61	245.83	2024.45	1927.94
Kartik	55.16	175.59	712.03	921.02	2614.24
Mangsir	156.36	326.87	1006.46	2732.37	1873.61
Poush	165.55	183.92	1081.67	3030.79	1403.95
Magh	145.72	222.37	607.75	1181.93	1003.58
Falgun	306.89	329.03	716.42	1876.38	1160.64
Chaitra	295.5	282.52	510.23	1081.25	1108.41
Total	5478.63	2825.66	6996.68	18861.56	23925.3

Here in this study we try to analyse the volume of monthly trading amount from Baisakh 2061 to Chaitra 2065 for 60 months. In the above table, the highest share traded amount in 2061 is 1796.02 million and in 2062 is 329.03 million. Similarly in 2063 the highest share traded amount is in the month of Poush which is 1081.67 million, in 2064, 3030.79 million is the highest traded share amount on Poush and in 2065, 1927.94 million is the highest traded share amount on Ashwin.

Comparing to the yearly basis the total volume of share traded in 2061 is 5478.63, in 2062 is 2825.66 million, in 2063 is 6996.68 million, in 2064 is 18861.56 million and in 2065 is 23925.30 million which is highly increasing trend comparing to each other. It seems the higher increasing trend because the number of financial institution has been rapidly growing day by day.

4.3 Presentations and Analysis of Primary Data

This investigation deals with the study of opinions of respondent with respect to the major aspects of share price movement in Nepal. This study is based on questionnaire survey of the opinion of 60 investors. Some important questions are seted & provided to the investors at trading floor of Nepal stock exchange. The proforma of structured questionnaire are presented in Appendix 1 and the calculated part of their questions are shown in Appendix 2. The responses of Investors to the questionnaires have been analyzed as below:

a) Impact of peace Accord on Nepalese Security Market:

Step 1st: H₀: There is no significant difference between observed frequency and expected frequency. In other words Nepalese Stock market has faced various problems after peace accord.

Step 2nd: H₁: There is significant difference between observed frequency and expected frequency. In other words Nepalese Stock market has not faced various problems after peace accord.

Step 3rd: Test statistics Under H₀ (Null Hypothesis), the test statistics is,

$$\text{Chi-square} = (O-E)^2/E$$

Where,

O = Observed Frequency

E = Expected Frequency

H₀: Null Hypothesis

H₁: Alternative Hypothesis

$$\text{Calculated Chi square} = (O-E)^2/E = 20.00$$

$$\text{Degree of freedom (d.f.)} = n-1 = 4-1 = 3$$

The tabulated value of chi-square at 5% level of significance for 3 d.f. is 7.815.

Conclusion:

Since, calculated value of Chi- Square is greater than the tabulated value of chi- square.

Therefore, H1: is accepted.

b) Impact of major influence factors to change the stock price.

Step 1st: H₀: There is no significant difference between observed frequency and expected frequency. In other words, the impact of major influence factors to change the stock price.

Step 2nd: H₁: There is significant difference between observed frequency and expected frequency. In other words, the impact of the major influence factors do not change the stock price.

Step 3rd: Test statistics Under H₀ (Null Hypothesis), the test statistics is,

$$\text{Chi-square} = (O-E)^2/E$$

Where,

O = Observed Frequency

E = Expected Frequency

H₀: Null Hypothesis

H₁: Alternative Hypothesis

$$\text{Calculated Chi square} = (O-E)^2/E = 56.67$$

$$\text{Degree of freedom (d.f.)} = n-1 = 4-1 = 3$$

The tabulated value of chi-square at 5% level of significance for 3 d.f. is 7.815.

Conclusion:

Since, calculated value of Chi- Square is greater than the tabulated value of chi- square.

There fore, H1: is accepted.

c) Effect of publicity available information in Share Price:

Step 1st: H₀: There is no significant difference between observed frequency and expected frequency. In other words, the publicity available information brings the change in share price.

Step 2nd: H₁: There is significant difference between observed frequency and expected frequency. In other words, the publicity available information does not bring the change in share price.

Step 3rd: Test statistics Under H₀ (Null Hypothesis), the test statistics is,

$$\text{Chi-square} = (O-E)^2/E$$

Where,

O = Observed Frequency

E = Expected Frequency

H₀: Null Hypothesis

H₁: Alternative Hypothesis

$$\text{Calculated Chi square} = (O-E)^2/E = 0.30$$

$$\text{Degree of freedom (d.f.)} = n-1 = 3-1 = 2$$

The tabulated value of chi-square at 5% level of significance for 3 d.f. is 5.991

Conclusion:

Since, calculated value of Chi- Square is less than the tabulated value of chi- square.

There fore, Ho: is accepted.

d) Usefulness of inside information:

Step 1st: H₀: There is no significant difference between observed frequency and expected frequency. In other words, the inside information can be used to beat the Nepalese Stock market.

Step 2nd: H₁: There is significant difference between observed frequency and expected frequency. In other words, the inside information cannot be used to beat the Nepalese Stock market.

Step 3rd: Test statistics Under H₀ (Null Hypothesis), the test statistics is,

$$\text{Chi-square} = (O-E)^2/E$$

Where,

O = Observed Frequency

E = Expected Frequency

H₀: Null Hypothesis

H₁: Alternative Hypothesis

$$\text{Calculated Chi square} = (O-E)^2/E = 1.90$$

$$\text{Degree of freedom (d.f.)} = n-1 = 3-1 = 2$$

The tabulated value of chi-square at 5% level of significance for 3 d.f. is 5.991

Conclusion:

Since, calculated value of Chi- Square is less than the tabulated value of chi- square.

There fore, Ho: is accepted.

e) Randomness of share price changes:

Step 1st: H₀: There is no significant difference between observed frequency and expected frequency. In other words, randomness of share price changes exists in the Nepalese Stock market.

Step 2nd: H₁: There is significant difference between observed frequency and expected frequency. In other words, randomness of share price changes does not exist in the Nepalese Stock market.

Step 3rd: Test statistics Under H₀ (Null Hypothesis), the test statistics is,

$$\text{Chi-square} = \frac{(O-E)^2}{E}$$

Where,

O = Observed Frequency

E = Expected Frequency

H₀: Null Hypothesis

H₁: Alternative Hypothesis

$$\text{Calculated Chi square} = \frac{(O-E)^2}{E} = 7.50$$

$$\text{Degree of freedom (d.f.)} = n-1 = 3-1=2$$

The tabulated value of chi-square at 5% level of significance for 3 d.f. is 7.815.

Conclusion:

Since, calculated value of Chi- Square is greater than the tabulated value of chi- square.

There fore, H₀: is accepted.

f) Purpose of holding share:

Step 1st: H₀: There is no significant difference between observed frequency and expected frequency. In other words, investors hold the share in Nepalese Stock market.

Step 2nd: H₁: There is significant difference between observed frequency and expected frequency. In other words, investors do not hold the share in Nepalese Stock market.

Step 3rd: Test statistics Under H₀ (Null Hypothesis), the test statistics is,

$$\text{Chi-square} = (O-E)^2/E$$

Where,

O = Observed Frequency

E = Expected Frequency

H₀: Null Hypothesis

H₁: Alternative Hypothesis

$$\text{Calculated Chi square} = (O-E)^2/E = 23.33$$

$$\text{Degree of freedom (d.f.)} = n-1 = 3-1 = 2$$

The tabulated value of chi-square at 5% level of significance for 3 d.f. is 7.815.

Conclusion:

Since, calculated value of Chi- Square is less than the tabulated value of chi- square.

Therefore, H₁: is accepted.

g) Factors that effect in Decision Making.

Step 1st: H_0 : There is no significant difference between observed frequency and expected frequency. In other words, various factors play the role in decision making to invest in Nepalese Stock market.

Step 2nd: H_1 : There is significant difference between observed frequency and expected frequency. In other words, various factors do not play the role in decision making to invest in the Nepalese Stock market.

Step 3rd: Test statistics Under H_0 (Null Hypothesis), the test statistics is,

$$\text{Chi-square} = \frac{(O-E)^2}{E}$$

Where,

O = Observed Frequency

E = Expected Frequency

H_0 : Null Hypothesis

H_1 : Alternative Hypothesis

$$\text{Calculated Chi square} = \frac{(O-E)^2}{E} = 23.33$$

$$\text{Degree of freedom (d.f.)} = n-1 = 3-1 = 2$$

The tabulated value of chi-square at 5% level of significance for 3 d.f. is 7.815

Conclusion:

Since, calculated value of Chi- Square is greater than the tabulated value of chi- square.

Therefore, H_1 : is accepted.

h) Usefulness of current market price in future period.

Step 1st: H_0 : There is no significant difference between observed frequency and expected frequency. In other words, usefulness of current market price in future in Nepalese Stock market.

Step 2nd: H_1 : There is significant difference between observed frequency and expected frequency. In other words, there is no usefulness of current market price in future in Nepalese Stock market.

Step 3rd: Test statistics Under H_0 (Null Hypothesis), the test statistics is,

$$\text{Chi-square} = (O-E)^2/E$$

Where,

O = Observed Frequency

E = Expected Frequency

H_0 : Null Hypothesis

H_1 : Alternative Hypothesis

$$\text{Calculated Chi square} = (O-E)^2/E = 0.27$$

$$\text{Degree of freedom (d.f.)} = n-1 = 3-1 = 2$$

The tabulated value of chi-square at 5% level of significance for 2 d.f. is 5.991

Conclusion:

Since, calculated value of Chi- Square is less than the tabulated value of chi- square.

Therefore, H_1 : is accepted.

4.4 Major Findings of the Study

The findings of the primary and secondary data analysis are discussed below:

-) The investors were asked about the impact of peace accord on Nepalese Secondary Market; Most of the respondents viewed the positive impacts. They viewed that there are increased in share trading volume & share price after the peace accord. So, it is found that investors felt secure in their investment after the peace accord.
-) With respect to influencing factors of stock price, investors gave the first priority to the signaling factors & second priority to company performance. However, with the help of informal dialogues with different investors on this aspect, it is found that announcement of right & bonus share also plays the important role in stock price movement.
-) With respect to usefulness of publicly available information the absolute majority of the respondents were of the view that the publicly available information is useful in identifying consequently. It (Publicly available information) brings the changes in share prices.
-) Regarding the useful of inside information to beat the market, it is found that major respondents believes that the inside information can used to "beat the market". 30% investors believed that it can not be used to "beat the market" but 28.33% does not know about it. From this we can know that there are few investors who doesn't know about the inside information.
-) With respect to randomness in day to day price change majority (i.e.50%) respondents viewed the price change followed the randomness. Equal percentage i.e. 25% respondents says no and

don't know.. It shows that there is not uniformity among investors in Nepalese secondary markets.

-) With regard to the purpose of holding shares, major portions of the respondents i.e.50% invest their money for the future income, 25% invest their money for the social status, 16.67% of total respondents are using their excess fund (Available fund) in shares and 8.33% respondents invest for dividend. It shows that there are four types of investors. First types of investors invests their fund for the future income so they are more conscious about stock market & different events and the investors who are using their excess money, are not more conscious about their shares and share trading on secondary market.
-) Regarding the decision making for investments, there seems four type of investors. One type of investors who invest on the basis of current market prices trend. Next type of investors who invests their fund by analyzing the company current performance. It shows that there are technical analysts who invest their fund on the basis of current market price trend in the hope of capital gain by raising the market price in future. Next type of investors who adopt the fundamental analysis who invests their fund by analyzing the company's current performance.
-) Regarding the usefulness of current trading price of share, major respondent rank first to the point "to predict the future price" and "To make buy or sell decision". It shows that major investors who analyze the share on current trading price rather than fundamental analysis which shows that still a huge portion of investors are not full aware of the market
-) From the trend analysis, overall trend of NEPSE index is increasing.

-) NEPSE index fluctuates randomly, some time it turns to bullish trend and some time turns in bearish trend.
-) From the data analysis it came to know that share price movements in Nepalese security market is affected by political movements, signaling factors, peace accord, NRB Lending policy etc.

CHAPTER – V

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Summary

For the economic development, for overall development of the country, there should be well environment for the establishment of corporations in the different sectors of economy. The capital market efficiency occupies the important role in capital investment. From the literature review, it is known that there are numerous studies and research have been done on the developed market to measure the level of market efficiency. In Nepal, there are also some research work have been done. But the adjustment of time period & other variables are needed to be more conclusive about the efficiency of stock market in Nepal. Efficiency of market reflected in share price movement. So studies on share price movement are very important. So this study attempts to analyze the Nepalese capital market with reference to the present conditions and current happenings. This study mainly aims to asses the behavior of share price fluctuations in Nepal Stock Exchanges and test the hypothesis that share price changes are independent. Besides these this study aims to measure the signaling impact on share price. Its specific objectives are (i) To analyze the current market or share price trend with the help of price index. (ii) To examine the successive price changes are independent or dependent for each other (ii) To measure the impact of signaling factors on share price movement and (iv) To conduct the opinion survey of investors regarding various aspects of share price movement in Nepalese Security Market.

This study is based on secondary as well as primary data. All the companies listed in NEPSE are taken as populations and all the actively traded companies in NEPSE are taken as samples one to analyze the general market trend and impact of signaling factors on share price movement on Nepalese Security Market. Monthly closing price is considered for the study. The period covered by the study is from Baishakh, 2061 to Chaitra, 2065. Primary data was collected from field survey. Field survey was conducted through the questionnaire & collected the opinions of 60 concerned respondents on different aspects of share price movement.

Different statistical techniques are used for analyzing the data. Trend analysis used to analyze the NEPSE index trend, trend of volume of share traded in Nepal stock exchange. Chi square test computed to measure the significant impact on share price movement of different major events happened in Nepal or signaling factors and it was tested at 5 % level of significance.

In order to study the opinion of investors regarding the various aspects on share price movement, a questioner survey of 60 respondents was carried out. Different questions stated on questionnaire was analyzed after getting the responses from the respondent one by one. After presenting & analyzing the data, the findings were presented and interpreted. On the basis of finding, conclusion will be drawn of some recommendation would be given at the end of study.

5.2. Conclusion

From the findings of the data presentation and analysis, this study concludes that there is a high share price fluctuation in Nepalese Security Market. From the trend analysis of NEPSE Index & volume of stock

traded and the traded amount in Nepal stock exchange, Nepalese stock market moves randomly. With the help of chi-square test and trend analysis, it can be concluded that Nepalese stock market is very sensitive to the signaling factors. So, it can be said that Nepalese stock market is efficient in the sense of pricing share but there might be some error to say Nepalese stock market is 'efficient' since the market efficiency is defined as all the relevant information is reflected in share price.

Another conclusion can be drawn that there was increasing trend in share price and share trading volume after the peace accord of Kartik 22, 2063 and political movement of 2065 and most of the investors felt it positively impact on share market but does not think it as a major influencing factors on share price movements. Lastly, we can conclude that Nepalese stock market is not an efficient market but slightly exists the weak form efficient market hypothesis.

5.3. Recommendations

Based on this study some recommendations are given. They are as follows:

-) Since the non random share price changes are observed, it is recommended that the investor should be aware of the fact that above averages return is possible to some extent from the past trend of pattern.
-) It is recommended that speculations on the basis of rumour regarding the current market price fluctuations should be stopped. So it would be better to publish the working result of listed companies at least on quarterly basis.

-) It is recommended that the market makers should give the attentions to the small investors and not only to the huge investors.
-) It is recommended that the false information's or rumor flower should be punishable.
-) It is very positive factors that Nepal Rastriya Bank stricted the margin lending policy which gives the chances to the small investors too.
-) It is recommended that the regulatory body should be more active so that the inside trader should be minimize.

BIBLIOGRAPHY

Books:

- Bhattarai, R. (2005), *Investment Theories and Practices*, Buddha Academic Publishers and Distributers
- Cheney, John M & Edward, A. Mosses (1992), *Fundamental of Investment*, Paul / USA: West Prakashan.
- Francis, Jack Clark (1997), *Investment Analysis and Management*, New York: MC Graw Hill Book Company.
- George, A. Chrity and Clendix, John C. (1982), *Introduction to Investment*, MC Graw Hill Book Company.
- Howard, K.Wolf and Pant P.R. (2008), *Social Science Research and Thesis Writing*, Buddha Academic Enterprises, Kathmandu.
- Manandhar K.D, (2065), *Corporate Finance*, Ishowari Books and Stationary, Minbhawan, Ktm.
- Pradhan, Dr. Radhe Shyam (2004), *Financial Management*, Buddha Academic Enterprises, Kathmandu.
- Reilly, Frank K.(1986), *Investment*, The Dydren Press, CBS Publishing Japan Ltd, Japan.
- Sharma, P.K. & Chaudhary, A. K, *Statistical Methods*, Khanal Books and Stationary, Kathmandu.

Shrestha, M.K.(1992), *Capital Market in Nepal (Nepalese Market Review)*, Asmita Publication, Kathmandu.

Shrestha, M. K., Bhandari, Dipak Bhadhur and Poudel Rajan Bhadhur (2005), *Fundamental of Investments*, Buddha Academic Enterprises, Kathmandu.

Journal Periodicals/Annual Reports:

Bhattarai, Rabindra (February 2007), *New Business Age*.

Company Act, Ministry of Law and Justice, Nepal Law Books Management Board (1997).

Fama, E.F(1965), *Random Walk in stock Market Prices*, Financial Analyst Journal

Securities Board, Nepal; A Five Year Performance (1993-1998), Thapathali, Kathmandu Nepal 1998.

Securities Board, Nepal Ten years of Securities Board in Nepal Thapathali, Kathmandu , 1998

Securities Board Nepal, *Annual Report 2007/08*, Kathmandu, Nepal

Securities Board Nepal, *Annual Report 2006/07*, Kathmandu, Nepal.

Securities Board Nepal, *Annual Report 2005/06*, Kathmandu, Nepal.

Securities Board Nepal, *Annual Report 2004/05*, Kathmandu, Nepal.

Securities Board Nepal, *Annual Report 2003/04*, Kathmandu, Nepal

Securities Board, *Special Journal 2005*, Thapathali, Kathmandu Nepal.

Securities Board, *Special Journal 2006*, Thapathali, Kathmandu
Nepal.

Thesis:

Aryal, Mukti, *A Study on General Behaviour of Stock Market Price*,

An Unpublished Master Degree Thesis, Shanker Dev Campus,

T.U. 1995

Bhattarai, Anjani Raj, *Share Marketing Nepal*, An Unpublished MBA

thesis. Shanker Dev Campus, T.U. 1990.

Bhattarari, Prajwal, *Growth, Problem & Prospects of Nepalese Stock*

Market, M.B.S Thesis. Nepal Commerce Campus Ktm.2006

Gautam, Uddhav, *A Study of Stock Market Behaviour in Nepal*, An

Unpublished Master Degree Thesis, Public Youth Campus, T.U.

2004.

Gurung, Jas Bahadur. *Share Price Behaviour or Listed Companies in*

Nepal, Shanker Dev Campus, T.U. 1999.

Kandel, Nirajan, *A Study of Liquidity, Corporate Performance &*

Share Price Behaviour in Nepal, An Unpublished Master Degree

Thesis, Nepal Commerce Campus, T.U.2002.

Karki, Paban, *Practices of Brokering Services in Nepalese Stock*

Market, Nepal Commerce Campus, Ktm, 2006

Mahat, L.D. *Volatility Shares*, An article published in Kathmandu

Post daily. Source: idmahat@mos.com.np, 2004.

Neupane, Sambhu, *Determinants of Stock Price in NEPSE*, An

Unpublished Master Degree Thesis, Shankar Dev Campus, T.U.

2004.

Poudel, Rita, *A Study of Securities Market in Nepal*, An Unpublished

Master Degree Thesis, Shankar dev Campus, T.U.2002.

Poudel, Shekhar, *A Study of Movement of Stock Price of Joint*

Venture Commerce Bank, An Unpublished Master Degree

Thesis, Shankar Dev Campus, T.U. 2003.

Upadhya, Dinesh, *Share Price Behaviour in Nepal*, An Unpublished

Master Degree Thesis, Nepal Commerce Campus, T.U. 2001.

Appendix: 1

Dear Sir / Madam,

To complete the Master degree in Management Faculty thesis writing is necessary. So, now a day I am writing a thesis about the “Share Price Movements in Nepalese Security Market”. I have arisen a different question about this topic. Please give a tick mark in your choice’s answer.

I hope you will be helpful to the researcher for the completion of thesis writing.

Thank you.

Questions for Primary data.

Name:

Occupation:

Address:

Telephone no:

- 1) What are the impact in Nepalese Stock Market after peace accord?
 - a) Increase in share trading volume.
 - b) Decrease in share trading volume.
 - c) Increase in share price.
 - d) No any impact.

- 2) What are the major influences factors to change the stock price?
 - a) Company performance.
 - b) Due to dividend.
 - c) Due to R/E.
 - d) Due to signaling factor.

- 3) Does the publicity available information bring the changes in Share price?
 - a) Yes
 - b) No

- c) Don't know
- 4) Do you think that the inside information can be used to beat the market in Nepal?
 - a) Yes
 - b) No
 - c) Don't know.

- 5) In your view randomness of share price changes in Nepalese Stock Market exists or not?
 - a) Yes
 - b) No
 - c) Don't know

- 6) Why the most of the investors hold the share in stock market?
 - a) Social status.
 - b) Income.
 - c) For Dividend.
 - d) To utilize the available fund.

- 7) What factors play the role in decision making to invest in share market?
 - a) Current market price.
 - b) Company's performance.
 - c) Expert advice.
 - d) Own analysis.

- 8) What are the usefulness of the current market price in future?
 - a) To predict the future price.
 - b) To identify the bad or good share.
 - c) To predict the future return.
 - d) To make buy or sell decision.

Primary Data Analysis

Qes. 1 What are the impact in Nepalese Stock Market after peace accord?

- I Increase in share trading volume.
- II Decrease in Share trading volume.
- III Increase in share price.
- IV No any impact

Number	Observed Value(O)	Expected Value(E)	O-E	(O-E) ²	(O-E) ² /E
I	10	15	-5	25	1.67
II	30	15	15	225	15.00
III	10	15	-5	25	1.67
IV	10	15	-5	25	1.67
60				(O-E)²/E =	20.00

Qes. 2 What are the major influences factors to change the stock price?

- I company Performance.
- II Due to dividend.
- III Due to R/E.
- IV Due to singal factor.

Number	Observed Value(O)	Expected Value(E)	O-E	(O-E) ²	(O-E) ² /E
I	10	15	-5	25	1.67
II	5	15	-10	100	6.67
III	5	15	-10	100	6.67
IV	40	15	25	625	41.67
60				(O-E)²/E =	56.67

Qes. 3 Does the publicity available information bring the change in Share Price?

- I Yes
- II No
- III Don't Know

Number	Observed Value(O)	Expected Value(E)	O-E	(O-E) ²	(O-E) ² /E
I	21	20	1	1	0.05
II	18	20	-2	4	0.20
III	21	20	1	1	0.05
60				(O-E)²/E =	0.30

Qes. 4

Do You think that the inside information can be used to beat the market in Nepal?

- I Yes
- II No
- III Don't Know

Number	Observed Value(O)	Expected Value(E)	O-E	(O-E) ²	(O-E) ² /E
I	25	20	5	25	1.25
II	17	20	-3	9	0.45
III	18	20	-2	4	0.20
60				(O-E)²/E =	1.90

Qes. 5

In your view randomness of share price changes in Nepalese Stock market exist or not?

- I Yes
- II No
- III Don't Know

Number	Observed Value(O)	Expected Value(E)	O-E	(O-E) ²	(O-E) ² /E
	Value (O)	Value (E)	O-E	(O-E) ²	(O-E) ² /E
I	30	20	10	100	5.00
II	15	20	-5	25	1.25
III	15	20	-5	25	1.25
60				(O-E)²/E =	7.50

Qes. 6

Why the most of the investors hold the share in stock market?

- I social Status
- II Income
- III For dividend
- IV To Utilize the available fund.

Number	Observed Value(O)	Expected Value(O)	O-E	(O-E) ²	(O-E) ² /E
I	15	15	0	0	0.00
II	30	15	15	225	15.00
III	5	15	-10	100	6.67
IV	10	15	-5	25	1.67
60				(O-E)²/E =	23.33

Qes. 7

What factors play the role in decision making to invest in share market ?

- I Current market price.
- II Company's performance .
- III Expert advice.
- IV Own analysis.

Number	Observed Value(O)	Expected Value(E)	O-E	(O-E) ²	(O-E) ² /E
I	15	15	0	0	0.00
II	30	15	15	225	15.00
III	5	15	-10	100	6.67
IV	10	15	-5	25	1.67
60				(O-E)²/E =	23.33

Qes. 8

What are the usefulness of the current market price in Future?

- I To predict the future price.
- II To identify the bad of good share.
- III To predict the future return.
- IV To make buy or sell decision.

Number	Observed Value(O)	Expected Value(E)	O-E	(O-E) ²	(O-E) ² /E
I	16	15	1	1	0.07
II	14	15	-1	1	0.07
III	14	15	-1	1	0.07
IV	16	15	1	1	0.07
60				(O-E)²/E =	0.27

Note. Sagar Ji if you need change in the observed value, u d be changed this only.

