

DETERMINANTS OF STOCK PRICE IN NEP LEASE CAPITAL MARKET

A THESIS

Submitted by:

Laxman Neupane

Nepal Commerce Campus

Campus Roll No:725/065

T.U Redg. No.5-1-49-76-2002

Exam Roll No:250223

Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

**In partial fulfillment of the requirements for the Degree of
Masters of Business Studies (M. B. S.)**

Kathmandu, Nepal

February 2013

Ref.....

VIVA-VOCE SHEET

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

By:

LAXMAN NEUPANE

Entitled:

DETERMINANTS OF STOCK PRICE IN NEP LEASE CAPITAL MARKET

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for Master Degree of Business Studies (M.B.S.)

Viva –Voce committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

Date:.....

RECOMMENDATION

This is to certify that the thesis

Submitted by:

LAXMAN NEUPANE

Entitled by:

DETERMINANTS OF STOCK PRICE IN NEP LEASE CAPITAL MARKET

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

.....

.....

.....

Mr.Mahendra Aryal

Dr.Sushil Bhakta Mathema

Mrs.Jyoti Pandey

Thesis Supervisor

Head of Research Department

Campus Chief

Date.....

DECLARATION

I hereby declare that the work reported in this thesis entitled “**DETERMINANTS OF STOCK PRICE IN NEPHEASE CAPITAL MARKET**” submitted to Nepal Commerce Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master of Business Studies under the supervision and guidance of Mr.Mahendra Aryal Lecturer of Nepal Commerce Campus.

Date.....

.....

Laxman Neupane

Nepal Commerce Campus

Campus Roll No: 725/065

T.U. Registration No:5-1-49-76-2002

Acknowledgement

This research study “Determinants of Stock Price in Nepalese Capital Market” has been carried out in partial fulfillment of Master’s Degree of Business Studies (MBS). During the course, I worked with sincerity, honesty and diligently, as far as possible. But beside my continual efforts, I also got unforgettable support from different people and parties. I am extremely grateful and overwhelmed by their support while completing my work.

I have great pleasure to express my gratitude and sincerity to head of the research department Dr. Susil Bhakta Mathema, my thesis supervisor Mr Mahendra Aryal Nepal Commerce Campus for this excellent and helpful guidance and supervision. I shall even remain indebted to him for this valuable direction, useful suggestion and comments during the course of preparing this thesis. Without his help, this work would not be come in this form.

I am grateful to Mr.Mahendra Aryal & Tirth Raj Ghimire for his valuable suggestion and encouragement on carrying out this study in time. I am also thankful to all my respected teachers and cooperative staff’s member of Nepal Commerce Campus for their cooperation.

Sincere appreciation is conveyed to those staffs of Standard Chartered Bank Ltd., Himalayan Bank Ltd, Nepal Investment Bank Ltd., Nepal SBI Bank Ltd. and Nabil Bank Ltd. for their advise, support and making data available, journal during data collection period. I am thankful to all respondents for providing necessary information for the study.

Thank You

Laxman Neupane

Nepal Commerce Campus

TABLE OF CONTENTS

Recommendation

Viva-Voce Sheet

Declaration

Acknowledgement

Table of Contents

List of Tables

List of Figures

List of Abbreviations

CHAPTER I: INTRODUCTION **Page No.**

1.1 General Background 1

1.2 The Statement of Problem 4

1.3 Significance of the Study 5

1.4 Objectives of the Study 6

1.5 Organization of the study 6

1.6 Limitation of the study 7

CHAPTER II: REVIEW OF LITRATURE

2.1 Conceptual Framework 8

2.1.1 Investment	9
2.1.2 Securities	9
2.1.3 Security Market	10
2.1.4 Stock Market and Stock Exchange	10
2.1.5 Common Stock	11
2.1.6 Preferred Stock	12
2.1.7 Debenture	13
2.1.8 Par Value	13
2.1.9 Book Value	13
2.1.10 Earning per Share	14
2.1.11 Dividend per Share	14
2.1.12 Market Price per Share	15
2.2 Theory of Price Behavior	16
2.2.1 Classical Approach	16
2.2.2 Efficient market hypothesis	21
2.3 Review of Previous Studies	23
2.3.1 Review of Journals and Articles	24
2.3.2 Review of Thesis	29
2.4 Research Gap	33
 CHAPTER: III RESEARCH METHODOLOGY	
3.1 Research Design	35
3.2 Population and Sample	36

3.3 Sources of Data	36
3.4 Data Analysis Tools	37
3.4.1 Statistical Tools	37
3.4.2 Financial Tools	41

CHAPTER: IV DATA PRESENTATON AND ANALYSIS

4.1 Analysis of financial indicators	43
4.1.1 EPS of Selected Banks	44
4.1.2 DPS of Selected Banks	46
4.1.3 MPS of Selected Banks	48
4.2 Analysis of Statistical Indicators and Variables	51
4.2.1 Correlation and Regression Analysis	51
4.2.1.1 Correlation between DPS and MPS	52
4.2.1.2 Regression Analysis between DPS and MPS	53
4.2.1.3 Correlation between EPS and MPS	55
4.2.1.4 Regression Analysis between EPS and MPS	56
4.2.1.5 Correlation between EPS and DPS	58
4.2.1.6 Regression Analysis between EPS and DPS	59
4.3 Primary Data Analysis and Presentation	61
4.3.1 Classification of Respondents	61
4.3.1.1 Factor affects the share price of the listed companies	62

4.3.1.2 Factors Considered when investment period	63
4.3.1.3 Trends of Stock Price Movement	64
4.3.1.4 Investment Sectors	65
4.3.1.5 Purpose of investment	66
4.3.1.6 International environment affect	67
4.3.1.7 Information available in early	68
4.3.1.8 Difficulties trading share on Nepalese capital market	69
4.3.1.9 NEPSE & SEBON protect investor effectively	70
4.3.1.10 Future price movement through historical price	71
4.4 Major Findings of the Study	72

CHAPTER: V SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary	75
5.2 Conclusions	76
5.3 Recommendations	77

Bibliography
Appendices

LIST OF TABLES

Table No.	Details	Page No
4.1	Analysis of Earning Per Share	43
4.2	Analysis of Dividend per Share	46
4.3	Analysis of Market Price per Share	49
4.4	Correlation Analysis between DPS & MPS	52
4.5	Regression Analysis between DPS & MPS	54
4.6	Correlation Analysis between EPS & MPS	55
4.7	Regression Analysis between EPS & MPS	57
4.8	Correlation Analysis between EPS & DPS	58
4.9	Regression Analysis between EPS & DPS	60
4.10	Classification of Respondent	61
4.11	Factor affects the share price of the listed companies	62
4.12	Factors Considered when investment period	63
4.13	Trends of Stock Price Movement	64
4.14	Investment Sectors	65
4.15	Purpose of Investment	66
4.16	International environment affect	67
4.17	Information available in early	68
4.18	Difficulties trading share on Nepalese capital market	69
4.19	NEPSE & SEBON protect investor effectively	70
4.20	Future price movement through historical price	71

LIST OF FIGURES

Table No.	Details	Page No
4.1	Earning per Share of Selected years and companies	45
4.2	Dividend per Share of Selected years and companies	48
4.3	Market Price per Share of Selected years and companies	51
4.4	Factor affects the share price of the listed companies	63
4.5	Factors Considered when investment period	64
4.6	Trends of Stock Price Movement	65
4.7	Investment Sectors	66
4.8	Purpose of Investment	67
4.9	International environment affect	68
4.10	Information available in early	69
4.11	Difficulties trading share on Nepalese capital market	70
4.12	NEPSE & SEBON protect investor effectively	71
4.13	Future price movement through historical price	72

LIST OF ABBREVIATIONS

CV	- Coefficient of Variation
DPS	- Dividend per Share
EPS	- Earning Per Share
HBL	-Himalayan Bank Limited
MPS	- Market Price per Share
NABIL	-Nabil Bank Limited
NEPSE	- Nepal Stock Exchange
NIBL	-Nepal Investment Bank Limited
NRB	- Nepal Rasta Bank
NSBI	-Nepal SBI Bank Limited
NWPS	- Net Worth Per Share
P.E.	- Probable Error
SCBL	-Standard Chartered Bank Limited
SD	- Standard Deviation
SDPS	- Stock Dividend per Share
SE	- Standard Error
SEBON	- Securities Board of Nepal