

# CHAPTER-I

## INTRODUCTION

### 1.1 Background of the Study

Nepal is a small mountainous and landlocked country situated in the southeastern of Asia. It is still a developing country lying between two most populated countries of the world. India and China situated between  $26^{\circ} 22'$  to  $30^{\circ} 27'$  North latitude and  $80^{\circ} 4'$  to  $88^{\circ} 12'$  longitude. Nepal occupies an area of 147181 sq. km. and attitude range from 60m. to 8848m.. Physically the country is divided into three major geographical regions. They are Himalayan region, Mountainous region and Terai region. To the south of the country is low flat and fertile area and rest of the area is hilly and mountainous of the world Sagarmatha/ Mt. Everest (8848 m) and the holy birth place of Lord Buddha Kapilbastu are situated respectively on the Northeastern and Southeastern side of the capital city Kathmandu. Politically the country is divided into 5 development regions, 14 zone and 75 districts mainly. Agriculture is the backbone of Nepalese economy where up to 90% of people are depends on agriculture. The economy of Nepal is mainly based on agriculture.

For the economic development of a country, Nepal lunched plan more than 5 decade ago. Recently it has adopted the path of economic development through liberalization. However any strategy for economic development requires a steady supply of medium and long-term funds for productive investment for the mobilization of inevitable resources. Capital market is an important intermediary through which effective budgeting of the deficit units for productive investment are made available. Capital market can be decomposed into securities market and non-security markets.

The security market is the place where share of listed companies are treaded or transferred from one hand to another at the fair price through the

organized brokerage system. Security market may be classified a primary and secondary market. The primary market is place where companies sell securities for the first time. Thus the money flows from investors to the security issuing company. Secondary market is place where outstanding securities are bought and sold. The secondary market is a market for old securities i.e. the securities which have already been listed in the stock market. (*Shrestha, 2003: 19*)

There are different types of financial markets. Each market serves a different set of customer or deals with different types of securities. Transfer of capital between savers and those who need capital take place in different ways like direct transfer, indirect transfer through investment banks and indirect transfer through financial intermediaries. Financial market can be divided into money market and capital markets.

### **1.1.1 Money Market**

Money markets are the markets for debt securities with maturities of less than one year. Money market involved the trading of short securities. Sometimes money markets are classified as organized or unorganized markets. The organized or formal money markets provide institutions mechanism for the transaction of short-term securities and commercial bank. Finance companies and other savings/credits unions are the players in the money markets, local merchants, indigenious bankers come under the informal sector or unorganized sector.

### **1.1.2 Capital Market**

Capital markets are the markets for long-term debt and corporate stock. Capital markets are mainly classified as primary market and secondary market. Primary markets are the market in which corporate bodies and government raise new capital by issue new securities. All the securities, whether in money capital markets are initially issued in the primary market? Thus is only market in which the company or government is directly

involved in the transaction and receives direct benefits from an issue. Secondary market is the market in which securities are traded that has been issued at some previous points of time. Secondary market deals with previously issued share mainly traded through the stock exchange and over the counter market or direct dealing. It is the market that creates the prices and allow for liquidity. The function of the secondary market is to provide liquidity for the securities purchased in the primary market.

The government of Nepal passed a law related to company registration and regulation in 1936 A. D. Thus the stock market in Nepal began with the establishment of Biratnagar Jute Mills Limited in 1936. Securities exchange center was established in 1976 to trade the securities. Securities exchange center was bifurcated into two distinct entities. Securities Exchange Board Nepal (SEBO/N) and Nepal Stock Exchange Limited (NEPSE) in 1993-listing of share in stock exchange and their daily trading in the secondary market through the institutional brokerage system started only after the restoration of democracy in 1990. Because of the world wide privatization and economic liberalization economic changes have been brought in the country.

In the context of Nepalese capital market, a number of institutional bodies like Securities Board Nepal, Nepal Stock Exchange and Company Registrar's Office. Shareholders Association of Nepal is existed. Similarly 23 brokers, exchange center are currently in operation. Only few companies are listed in NEPSE but unfortunately most of the listed companies are inactive. In this way, Nepalese stock market is growing slowly. The behavior series of stock price is totally dependent upon NEPSE and SEBO/N.

#### **1.1.2.1 Security Board of Nepal (SEBO/N)**

Security Board of Nepal (SEBO/N) was established June 7, 1993 under the provision of Securities Exchange Act, 1983 (first amendment). It was established with the objective of promoting and protecting the interest of

investors by regulating securities market. Besides the regulatory role, it is also responsible for the development of legal securities market in the country. So SEBO/N has identified the policy for the development of legal and regulatory reforms, standardizing, disclosures, bringing enforcement to ensure compliance and promoting broad based market as a priority area to reform. As a part of its countries efforts to build a sound system of the securities exchange the private sector has also been equally participated. In the private sector investor, listed companies, financial and market intermediaries and similarly in public sector, National Planning Commission, Ministry of Finance, Company Registrar's Office, Nepal Rastra Bank, Nepal Stock Exchange Ltd, Federation of Nepal Chamber of Commerce and Industry, Institute of Chartered Accounts of Nepal and Associations of Chartered Accountants of Nepal have provided vital support for promoting the capital market in the country.

#### **1.1.2.2 Nepal Stock Exchange (NEPSE)**

The history of Nepal Stock Exchange, abbreviated as NEPSE. It is the only one organized stock market, which provides floor for the trading of securities already issued for the development of capital market. NEPSE was established in 1976 and changed into NEPSE in 1993. NEPSE is a non profit making organization, operating under Securities Exchange Act 1983. Before conversion into Nepal stock Exchange, it was the only capital market institution undertaking the job of the brokering, underwriting managing public issue, market making for government bond and other financial services.

The main objective of NEPSE is to upgrade the infrastructure of the security exchange that it could handle the increase activity more efficiency. This has included a focus on the modernization of the trading settlement and surveillance producers. Another objective of NEPSE is to impart free market ability and liquidity to government and corporate securities by facilitating transition in its trading floor through market intermediaries, such

as broker, market maker and securities dealer NEPSE is the only one secondary market of the country for security transactions. Other forms of secondary market such as OTC market, the third and fourth market are not initiated till date.

As at the end of the fiscal year 2007/08 there are 142 listed companies, 23 industrial securities brokers 9 issue managers & 2 market maker to smooth the daily transaction of buying and selling of securities (*SEBO/N annual report – F/Y 2007/08*)

## **1.2 Focus of the Study**

By raising the scattered fund from a large numbers of investors by issuing shares, project and mega project can be launched. Since, there are a large number of middle class families in Nepal. The small investors can invest by purchasing share of such projects in primary market or in secondary market. NEPSE is an organized stock exchange for trading stocks (shares) in secondary market. But the general public and investors do not have good knowledge of capital market and its pricing mechanism. The price of the stock is determined by the interaction of buyer and sellers (demand and supply) in NEPSE.

The investment in stock is highly risky as it consists purchasing power risk: bull-bear market risk, management risk default risk, liquidity risk, taxability risk, political risk, including risk etc. But the investors like to risk avert. There are various factors determining the behavior of the price of share. Some factors are quantitative and their affect on share price can be quantified, but other some factors are qualitative, and the effect of such factors on share price can't be quantified. This study intends to determine the factor associating with behavior of the price of the stock. This study also focuses to test whether the successive price changes of the securities are dependent or independent. The behavior of price series has been always a subject matter of controversial debate to the extreme extent among the academics of financial and economic circles. There are various approve

lines to predict the successive price movement of stock. Efficiency market theory issue of the best approaches is also the best but the implications of efficient market are much more important in one hand while in Nepalese context. Thus this study focused on the stock market efficient and stock price behavior in listed financial institutions.

### **1.3 Statement of Problem**

Due to the economic liberalization and globalization policies adopted by government of Nepal the number of public limited company is increasing tremendously. These institutions are providing banking services, insurance services and participation in developmental works, manufacturing, processing and other various services sectors. Although, Nepal's capital market's history is short, the concept of capital market is growing rapidly within a short span of time. It is mandatory to enlist public limited companies in Nepal stock exchange, which creates liquidity on share of such companies issues in the primary market and provides floor for trading of share? Altogether, there are 142 companies, which are listed in NEPSE. (*SEBO/N - Annual Report 2007/08*).

Investors purchase the stocks of the companies through the primary market i.e. initial offering or through the secondary market. Most of these investors are not aware of the financial strength of the companies and they do not analyze companies financial indicators before they invest their funds through secondary NEPSE. The market price of common stock does not seem to be in accordance with the financial indicators i.e. net worth per share, earning per share, dividend per share and the last years dividend. Instead, in determination of the market price per share of commercial bank especially foreign joint venture banks has been much higher than MPS of the other sectors moreover, the overall NEPSE is dependent upon mps of the companies. Generally, the trend is that MPS of public quoted companies is above their book value. The market value determined by supply and demand functions.

However, in an efficient market MPS fully reflects all the historical information publicly available.

Here arise the questions of efficiency of the Nepalese share market. The high movement of share price may be outcome of the efficient market behavior. An article in spot light states "our stock market is not efficient enough since all the state company do not make past information available to shareholders. Many listed companies do not pursue timely financial statement or annual report to the investors. The dubious and hazardous movement of share prices has no sound fundamental of analysis and relationship to past results revealed in limited calculated dividend yield, net worth and price multiples. The investors conclude that there has been a foul play using inside information". It denotes that every investor should be well aware of the degree of risk in which they are investing or going to invest their saving funds. They are very few parties of analyzing this fund haphazardly without considering risk involved in their investments. That is way the major issues might be whether the MPS of listed companies, especially for selected companies are really representing the financial indicators, i.e. NWPS, EPS and DPS etc.

**More specifically the research questions are**

- What are the major financial indicators, which have major influence on determining the MPS?
- What is the major factor of determine in stock price.
- How does the price of the move with the movement of associating factor with it?
- How does the qualitative and qualitative factor affect the behavior of price of the stock?
- Are the common stock of the sampled companies are equilibrium priced?

- How much the signaling and information factors affect the share price?

#### **1.4 Objective of the Study**

The basic aim of this study is to define current situation of movement of stock price in Nepal. These specific objectives are as follows.

- To examine the stock price movement of listed financial institution in current situation.
- To measure the performance of listed financial institution using appropriate indicators.
- To study whether stocks of the sampled companies are overpriced, underpriced or equilibrium price.
- To study investor's response regarding change of stock price.
- To make appropriate recommendation/suggestions for the betterment of the stock market and soon.

#### **1.5 Significance of the Study:**

This study will be important for the following individuals:

- This research is very useful for further research.
- This research is very useful for university student who are further reading.
- This research is very useful to analysis for investor in secondary market.
- This research is very important for government of Nepal.
- This research is very useful for financial manager and analyst.
- This research is very useful for who involves in marketing activities in NEPSE.



## **1.6 Limitation of the Study**

This study aims at finding the fact and movement of stock price in Nepal. Therefore, the scope is limit only within stock price in Nepal. Here are mention some limitations of purpose study. Every activity has its own boundary. As in the same way this study also has some boundaries which can not be ignored. These boundaries are called as limitations of this study. The limitations of this study are:

- Time and budget limitation.
- The study fully depends on secondary sources of data as well as primary data (questionnaire and interview).
- Due to the shortage of time volume and budget new method may not be developed.
- Foreign information and rules affecting the share market is ignored.
- This study is limited only in the stock market in Nepal.
- Generally, research is based on the data of NEPSE office file, annual report, company's website and other publication.
- Certain period data (yrs) has been taken for the analysis, result based on this data.

## **1.7 Organization of the Study**

This study is divided into following five chapters.

### **Chapter 1: Introduction**

This chapter includes general background of the study focus of the study, statement of the problem, objectives of the study, significances of the study, limitation of the study, research methodology and organization of the study.

## **Chapter 2: Review of Literature**

This chapter consists of conceptual framework on capital market, securities as well as securities market, stock price, except that this chapter reviews the relevant previous studies made on the stock price determinants. This chapter also reviews the published books, journals and unpublished thesis, reports and articles.

## **Chapter 3: Research Methodology**

It reveals the methodology adopt in carrying out the research work. It will include research design, population and sample, Sources of data, Procedure of data Collection, method of data's analysis and research variables.

## **Chapter 4: Data Presentation and Analysis**

It is concerned with the presentation and analysis of data that will be collect through various sources. Various collected data tabulates in their sequential order and describe and analyze with statistical tools as well as findings of the study.

## **Chapter 5: Summary, Conclusion and Recommendations**

This chapter sums up the result obtained through analysis which includes summary of major findings, conclusion and recommendations.

## **CHAPTER-II**

### **REVIEW OF LITERATURE**

Review of literature is to develop theoretical foundation of the student on the study area. This part shall include conceptual review on the area that needed to be based on a review of text- books and other references material such as journals and magazines.

The basic concern if the study is to focus on the literature review of stock price movement of two companies listed in Nepal Stock Exchange. So, in this chapter an attempt is made to review some of other literature concerning the stock market in Nepal and abroad as well as the market price behavior. The price behavior of the stock and its trading activity has got the tremendous (huge) concentration in security investment. So, a better understanding of these determinants may increase investors' confidence in the stock market and there by evidences of previous studies done. This chapter reviews some basic academic courses books. Journals and other related studies. Unfortunately, very few researchers have been performed in this topic in Nepal. Our stock price market is still in immature state and hence; unable to provide valuable information relating to such type of study. However the main purpose of the literature review is to find out what research studies have been conducted in one's chosen field of the study and what remains to be done. It provides the foundation for the developing a comprehensive theoretical framework from which hypothesis can be developed for testing. Thus, the previous studies cannot be ignored because they provide the foundation of the present study.

#### **2.1 Conceptual Framework**

Before getting into the core concept of factors determining the stock of price, it is logical to be familiar with some technological terms which then some technological term related to capital market are defined.

### **2.2.1 Capital Market**

Capital market is known as long-term financial market and long term funds of the firm are collected from the capital market. Hence, capital market is a long - term credit market.

The meaning of capital market can be made clear from its definition, which is below.

“The capital market is designed to finance long term investment. Financial instruments in the capital market have original maturities of more than one year.” (*Rose*) capital markets are classified as primary market and secondary market. Market of new securities of company is called primary market. Those securities can either be sold directly by the company or through underwriting on the company, underwriters are appointed to sell those securities due to little recognition new company in the market. Secondary market is the market place where second hand securities are traded. Secondary deals with previously issued share mainly traded through stock exchange and over the counter market or direct dealing. It is the market that creates the prices and allow for liquidity. The functions of the secondary market are to provide liquidity for the securities purchased in the primary market.

The history of the capital market in Nepal dates back to the era of Rana Prime minister Juddha Shamsheer when Gunjaman Singh, the First Secretary at Nepalese Embassy in England returned back to Kathmandu and set up the “Industrial council”. The council drafted Company Act and Nepal Bank Act for the first time in 1936. Biratnagar Jute Mills Ltd. initiated the first published floatation of shares in the securities market in 1937. In the same year Nepal Bank Ltd. also issued the shares. However at that time the participation on the ownership structure of the corporate was restricted mostly to the Rana family.

The establishment of security exchange center on 2033 B.S developed the capital market. The number of listed companies and their trading was very negligible until the government of Nepal has made economic reforms along with board financial policy, entities has been started and various banking and finance companies as well as other companies in private sector are being established with local and foreign investment. As they were established as public companies, these companies have to issue some of their share of the general public. So the development of security market in Nepal takes its pace only the establishment of these and finance company. (*Vaidya, 2057: 70*)

### **2.1.2 Security Market**

A market is the means by which products and services are brought and sold directly or through an agent. A market need not by a physical location. There is no requirement of ownership by those who established and administer and market they need only provided a chief, smooth transfer of goods of services for a diverse client etc.

However, the meaning of security market differs from what people generally understand by term market. A security market (or financial market) can be fined as mechanism bringing together buyers and sellers. Financial assets in order to facilities trading are brought or sold, the facilities and people engage in such transactions, the demand for and available our securities to the trade and the willingness of buyers and sellers to reach agreement on sells. In security market, the goods that are transacted are generally common stock, debenture, bonds preferred stocks, options, treasury bills/ bonds etc. The New Work Exchange (NYSE), the Chicago Board of Trade (CBT), the American Stock Exchange (AMEX) and Nepal Stock Exchange (NEPSE) are some example of the security market.

There are two main important functions of security market, mainly the raising of fund in from the share and debenture and trading in the security already issued by companies. While the first assets are obviously much

more important from the point view of economic growth, second aspect is also considerably important. Infact, if facilities for transferring of existing securities are abundant, the raising of new capital is considered existed as the buyer of a new issue of security become confident that wherever he wants to get cash, he can find a buyer of the security without much difficulty. This aspect is called the liquidity of the stock market. Thus the liquidity of the stock market affects the raising of new capital from the market. (*Levine, 1992: 33*)

Security market sets a price for the securities its trades and makes it easy for people to trade them. Security market facilitates the sale and resale of transferable securities. The security market can be defined as a mechanism for bringing together buyer and seller of financial assets to facilitate trading. Security market is a place where share of listed companies are traded or transferred from one hand to another at a fair price through the organization brokerage system. Securities market is classified into two markets in which new securities are sold is called primary market. All the securities whether in the money or capital market are initially issued in the primary market? This is the only market in which the corporate or government issues are directly involved in the transaction and receives direct benefits from the issue. That is, the company actually receives proceeds from the sell of securities. [*Gitman, 1998: 33-34*]

The market in which existing securities are resold is secondary market. Brokers, dealers and markets create secondary market. Brokers bring buyers and sellers together with themselves actually buying and selling; dealers set price at which they themselves are ready to buy and sell (bid and asked price respectively). Brokers and dealers came together organized market or in stock exchange. The functions of security market are to provide liquidity for the securities purchase in the primary market. Security market is also known as economical barometer of the country. This is because it reflects the economic policies of the country. All together things remains the same

the raising price shown the policy is favorable and the declining price included the opposite. (*Mainali, 2003:7*)

### **2.1.3 Stock Exchange**

The stock exchange is an institution- where quoted securities are exchanged buyer and sellers. The stock exchange provides market in a wide range of traded securities, generally of medium to long term maturities, issued by companies' government and public organizations. (*Winfield, 1985:22*)

Most of the investor are attracted to the equity share because of its marketability and attracted to the equity share because of its marketability and liquidity. One may like to buy more shares or selling existing shares from time to time when he is in need of money or when he wants to shuffle his portfolio. Since the stock exchange is a place where a large number of buyers and sellers congregate, one can buy and large, easily find his counter part for sale or purchase of share. The investor can convert his shares in to cash at the prevailing market price readily. The exchanges of stock facilities of all those function without which are almost possible.

The securities exchange helps allocate scare fund to the best user. That is by disclosing the price behavior of securities and requiring the discloser of certain co-operate financial data. They allow investor to access the securities risk and return and to move their fund into the promising investment. An efficient market is one that allocates fund to the productive uses. Along with this, there is lot of functions of security exchange such as ready market and contiguous market, evaluation of securities, safety of transactions canalization of saving and widening the share ownership etc. However, besides these functions, there are three things a security exchange must do:

- Determine a fair price for the securities of traders or price discovery functions
- Enable transactions to be made at low cost as possible or minimization of transaction cost.
- Enable transaction to be made this price quickly and easily or provision of liquidity.

Out of these functions, the major functions of stock exchange are price discovery. Thus, the price discovery is the process of arriving at fair price for securities. Fair price indicates the compromise between fair offer price (lowest price at which any well informed trader willing to sell) and fair bid price (high price any well informed buyer is willing to pay). Different markets do this different way and different way of organization a market affects how closely the market approaches the ideal of fair prices. However, a very important fact that should not be forgotten is the concept of market efficiency, which also the necessary pre-condition for approaching to the fair price. In an efficient market value of securities equal its price of securities price reflects available information about the market.

The key function of securities exchange is to create a continuous market for securities at a price that is not very different from the price at which there will previously sold. The continuity of securities market provides the liquidity necessary to attract investors' fund. Without exchanges investors might have to hold daily securities to maturities and equity securities indefinitely. It is doubtful that many people would be willing to invest under such conditions. A continuous market also reduce the volatility of securities price future enhancing liquidity (*Gitman, 1992: 458*)

Securities are legal representation of the right to receive future benefits under conditions. Its value depends on expectations of the amount of those benefits and evolution reflects both the information available and the conclusion people draw from that information since the market may quite big no single buyer or seller can influence the price of a share to any significant extent. Thus the exchange products, through its continuous process of evolution, price of securities, as close as possible to investment value best or present and future income yielding prospectus of various enterprises capitalized at 'national ' rate of interest the rate which prevail if and where all the liquid savings are employed onto productive purposes (*Gupta, 1982: 148*)



### 2.1.4 Stock Market in Nepal

Nepal Stock Exchange (NEPSE), the only stock exchange in our country, which was establishment with an objective of facilitating and promoting the growth of capital market in Nepal. Before it's conversion into institution, undertaking, the job of brokering, under for government bonds and other financial services. In 1993, the securities center was converted into Nepal Stock Exchange (NEPE) with the basic objectives of imparting free marketability and providing liquidity to the government and corporate securities by facilitating transactions in its trading floor through market intermediaries, such as brokers, market etc.

The need of stock market in Nepal has been accepted reality. In 1990, when democracy was resolved, the interim government in its short period has initiated banking reformation and has establishment of Nepal Industrial Development Corporation (NIDC) is also another major steps to improve financial system in Nepal. HMG, under the program initiator to return the capital market converted securities Exchange Act 1983. NEPSE commenced its operation on 13<sup>th</sup> January 1994, with ownership among HMG, the Nepal Rastra Bank (NRB) and NIDC and its licensed members. The ownership of different members is given:

S. N.	Shareholder	Investment (%)
1	HMGIN	52.55
2	NRB	39.72
3	NIDC	07.04
4	Other members	00.69

The stock exchange provides an organized market place for the investors to buy sell securities freely. The market for these securities is an almost perfectly competitive one because large number of sellers and buyers

participate. In stock exchange, there is active bidding and two ways actions trading takes place through the buying and purchasing activities are done through bargaining, however the price of securities have been determined. The stock exchange provides an auction market in which members of stock exchange participate to ensure continuity of the price and liquidity to investors.

### **2.1.5 Efficiency of Stock Market and Price**

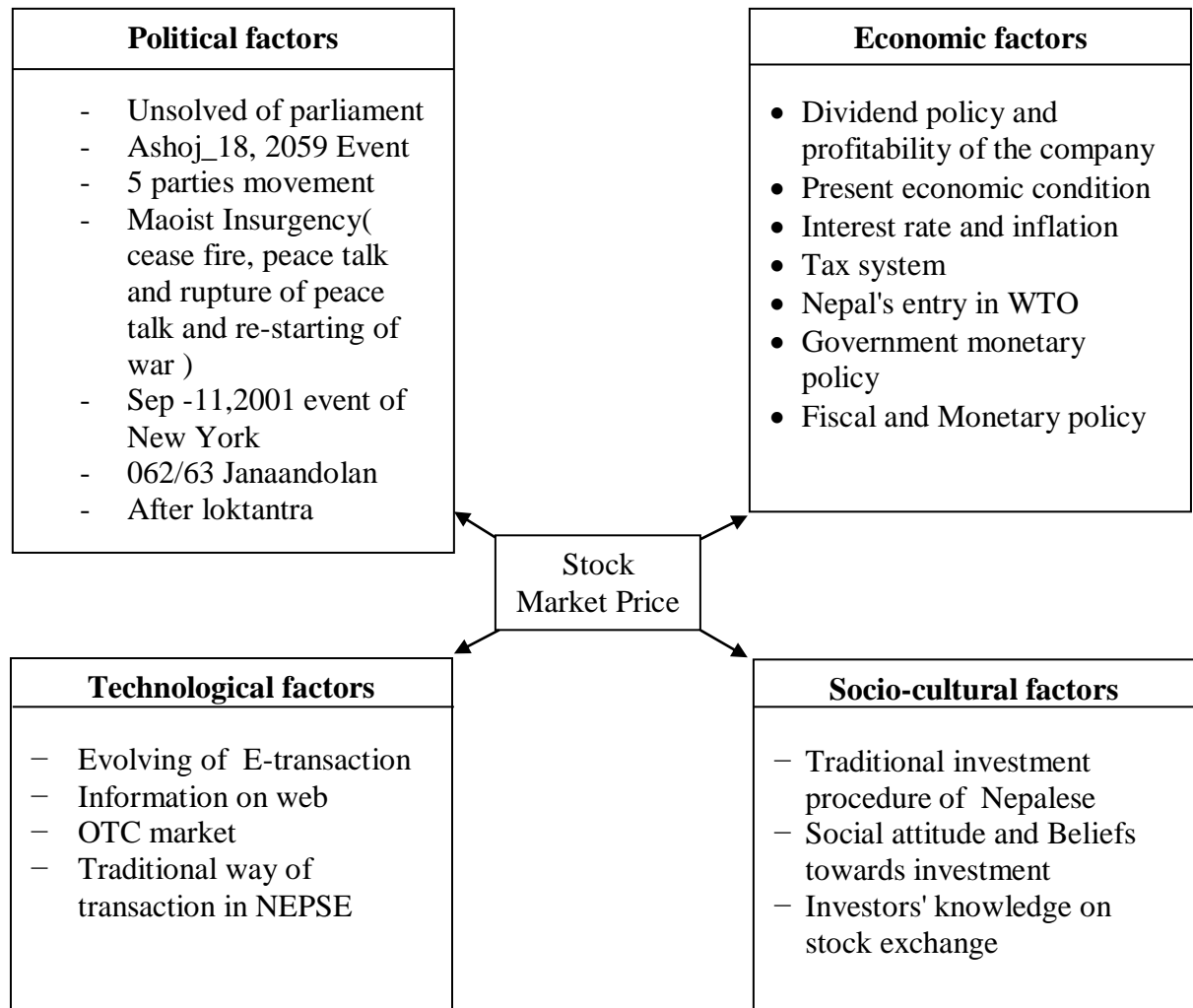
A securities market should be efficient in two respects: one in external efficiency and another in internal efficiency. External efficiency means that new information is widely quickly and cheaply available to investors, which include what is know able and relevant for judging securities and is rapidly reflected in there prices .in externally efficient market the price of security should fully immediately reflected in market prices. And in an internally efficient market the spread between the buyers bid prices and seller asked prices, which the broker duller get as payment for market making should not be so larger discourage securities trading .in the other words internal efficiency requires be immediately marketable at a reasonable cost. Efficiency securities markets will make investment move able and flexible and thus helping allocate resources such that they can be approximately used.

### **2.1.6 Variables Affecting the Price of Securities**

Though the price of securities is determines by the interaction of demand and supply of corresponding securities. However there are many other factors that cause the stock price fluctuation. Major of them can be classified as political, economic, socio-cultural and technological factors. These variables may be closely related to the internal factors of the corresponding companies like the dividend policy of the company, business volume and profitability position of the company or to the external factors like the economic condition of the nation, government's monetary polity and

political environment of the country etc. for this research purpose some important variables of these classified factors to be taken and analyzed on the basis of primary as well as secondary data. As a whole, these major factors, (internal and external) that affect the price of the security can be presented on the following chart:

**Chart: 1 Factors Affecting MPS**



As described above all variables or factors have their own role in change of market price of shares of the listed companies. Hence some have major role and some have minor role in change of market price of shares. So, out of above variables the following major factors or variables have been taken for analyzing as research variables as signaling and information effect:

- Ceasefire on 29<sup>th</sup> Jan, 2003 ( Magh 15,2059) and starting on peace-talk.
- 5 major political parties' movement after the dissolution of parliament during last eight months.
- Rupture of peace-talk and re-starting war at 27<sup>th</sup> Aug, 2003 (Bhadra-10,2060).
- Nepal's entry in World Trade Organization (WTO) at 11<sup>th</sup> Sep, 2003 (Bhadra-25,2060).
- Agreement in SAFTA treaty by Nepal on 12<sup>th</sup> SAARC Summit Islamabad in Pakistan on 4-6<sup>th</sup> January, 2004 (Paush 20-22, 2060).

### 2.1.7 Common Stock

Common stock represents equity or an ownership position in a corporation. Shareholders of common stock, called shareholder or stockholders are legal owners of consultancy. The common stocks are the permanent

And vital sources of capital residual claim, in the sense that creditors and preferred stockholders must be paid as scheduled before common stock holders can receive any payment.

The common stock are issued by the firms to raise ownership capital and the investment buy time, with the expectation that they receive a share represent a share of profit periodically. The common stocks legally represent the equity of business firm and the holders are the owners who share all the profit and losses of the business. They enjoy all earnings after meeting the obligations of interest on debts and dividends on preferred stocks. Thus they enjoy all net benefits of the business by assuming the risk of losing their capital. (*Pradhan, 1196: 132-133*)

The market value of share is the price at which it trades in the stock market. It is generally based on expectations about the performance of the company, in general and the company, in particular ordinary shares of all companies may not be traded on stock markets. Therefore, the market value of ordinary shares of all companies may not be available (*Pandey, 1997: 907*)

Shareholders of common stock have no guarantee of receiving any periodic distributions of earnings in the form of dividends, nor are they guaranteed anything in the event of liquidation. Common stock holders are likely to receive nothing as a result of bankruptcy proceedings. However, one thing they are assured of is that as long as they pay more than the par value for the stock. They cannot lose any more than they have invested in the firm. Moreover, the common stockholders can receive unlimited return through the distribution of earnings and through appreciation in the value of holdings. Nothing is guaranteed, but the possible rewards for providing risk capital can be great. (*Gitman, third edition*)

The common stockholders are the real owner of the company. Equity shares are the important role in capital structure. These types of capital are called common stock. Common stock does not get any special right but it has voting right controlling and managing right of the company. Out of the common stock holders a few people are chosen as board members or as board of director. Common stock holders have direct investment in company (*Ghimire, 2064: 206*)

### **2.1.8 Common Stock Value**

There are mainly three types of value of the common stock.

#### **1. Face value**

The face value when the stock initially at price as mentioned in article and memorandum of the company is called par value. The par value does not change until there is a stock split or other such initiative by the board of directors; the par value of new issue each share of common stock in Nepal is Rs. 100 according to Company Act 1996.

#### **2. Book Value per Share**

The book value of each common stock is the equal to common equity, consisting of the divided by number of share outstanding.

### **3. Market Value**

This value is based on the market demand and supply. Market value is determined by the demand and supplies factors and reflects the negotiation between investors and sellers for the transaction. The market value influenced by many factors like economic and industrial factors environmental factors, expected earnings and industrial factor environmental factors, expected earnings and dividends, speculations, government stability and other signaling effects like major events inside the country. (*Chency and Mosses, 1995: 417-418*)

#### **2.1.7.2. Features of common stock**

The common stockholders have a claim to residual income, which is earning available for ordinary share holders, after paying expense, invest changes, tax and preference dividend, if any the income may be split into two parts, dividend and retained earnings. Dividend immediately flows to shareholders, whereas retained earnings are reinvested in the business of the company. A company is not under a legal obligation to distribute dividends out of the available earnings.

##### **A. Claim on Income:**

The common stockholders have a claim to residual income, which are earnings available for ordinary shareholders, after paying expenses, interest charges, taxes and preference dividend, if any. The income may be split into two parts, dividends and retained earning. Dividends are immediate cash flow to shareholders, whereas retained earnings are reinvested in the business. A company is not under a legal obligation to distribute dividends out of the available earnings.

##### **B. Claim to Assets:**

The common stockholders have a residual claim on the company's assets in case of liquisition. Out of the realized value of assets, first the claims of debt-holder and then preference shareholder are satisfied and then remaining balance, if any, is paid to the common stockholders. (*kafle, 2006:14*)

### **C. Right to Control:**

The ordinary shareholders have the legal power to elect directors to the board. If the board fails to protect their interest, they can replace the directors. They are able to participate in the management of the company through their voting right and right to maintain proportionate ownership. (*kafle, 2006: 14*)

### **D. Voting Right:**

Common stockholders have the right to vote on stockholders matter, such as the selection of the board of the directors, sale of fixed assets and merger of the company, amended of corporate character etc. When the stockholders need to cast vote in different matters in the company their either there present themselves or use proxy. A proxy is a form that a shareholder can use it to transfer voting right temporarily to the others. (*Bhattacharai, 2005: 150*)

### **E. Preemptive Right:**

Preemptive right is the right to do something before others. It is also a right of shareholders have right to purchase any additional shares issued by the company before they are offered to the public. If the preemptive right is contained in firm's character, then the firm must offer any new common stock to existing shareholders. If the character does not prescribe a preemptive right, the firm has a choice to of making the sale of the existing stockholders or to an entirely new set of investors. If it sells to the existing stockholders, the stock issue is called right offering.

The preemptive right gives holders of common stock the first options to purchase the additional issue of stock. The purpose of preemptive right is to protect the power of control of present stockholders. (*Bhattacharai, 2006: 151-152*)

## **2.2 Movement of Stock Price**

There are numerous of reasons that cause the share price fluctuation. Some of them are economic, non-economic and other factors. The price of

securities are typically very sensitive, responsive to all events, both real and imagine, that cast light into the market feature. Though all the factors give raise to the observed movement of share price. It will be very hard to find out completely accepted formation theory. There are different type theories of stock price movements.

In the broad sense, there exist three theories concerning stock price behaviours. These theories explain share price fluctuations in the stock market. Market efficiency is the premise for all of the theories. The theories are :-

- Efficient Market Analysis Theory
- Technical Analysis Theory
- Fundamental Analysis Theory

### **2.2.1 Efficient Market Analysis Theory**

Efficient market is concerned with the pricing mechanism of securities market. In a competitive market the equilibrium price of any goods and services at a particular movement in time is such that the available supply is equated to the aggregate demand. This price represents a consensus of the members trading in the market about the true worth of the goods or service, based on all publicly available information. As soon as, a new price of relevant information available, it is analyzed and interpreted by the market. The result is a possible change in existing equilibrium price. The new equilibrium price will hold until yet another bit of information is available for analysis and interpretation.

In an efficient market, liquid capital will channel quickly and accurately where it will do the community the most good. Efficient market will provide ready financing for worthwhile business ventures and drain capital away from corporations, which are poorly managed, or produce obsolete products. In the efficient market, the cost of obtaining capital will accurately reflect the prospects for each firm. This means the firms with the most attractive investment opportunities will be able to obtain capital at a fair price which reflects their true potential. The 'right' investments will be



made, and society will be better off. To the extent that professional security analysis play a role in making in this way, they have served well, and the total benefit for their services may be very large.

**An efficient market can exist if the following events occur:**

- Information is free of cost and widely available to market participants at approximately the same time.
- Information is generated in a random fashion such that announcements are basically independent of one another.
- A large number of rational, profit-maximizing investors exist who actively participate in the market by analyzing, valuing and trading stocks. These investors are price takers. That is, one participant alone can not affect the price of a security.
- Transaction cost such as sales commission on securities are ignored.
- Taxes are assumed to have no noticeable effect on investment policy.
- Investors react quickly and accurately to the new information causing stock price to adjust accordingly. (Charles, 1943: 425)

One set of test of market efficiency examines the informational efficiency of security prices. Existing model of the efficient market imply that all relevant information regarding given stocks reflected in its current market price.

**2.2.1.1 Levels of Market Efficiency**

There are three levels of market efficiency depending upon types of information set impounded into the price. In other words, the forms of markets are determined on the basis of how publicly available information is related in the market price of shares. The statements that price reflected all available information represents the highest order of market efficiency. As fame suggest, it is useful to distinguish three leels of market efficiency.

### **a) Weak from efficiency**

If the pricing in the stock market has reflected all information found in the record of past prices and volume, it is considered as weak from efficiency and participation of technical analysis approach in the market become futile.

### **b) Semi-strong from efficiency**

If current price of stocks reflect not only all information found in the record of past prices and volume but also other publicly available information in the market is semi-strongly efficient. In that market, even fundamental analysis of published accounting information has no value because participants would have discounted it accurately and instantaneously when they are disclosed.

### **c) Strong from efficiency**

It is such a market where stock price fully reflects all the available relevant information, public as well as private. It is considered that the market held strong from of efficiency. In this market, insider information can not beat the market because no single participant has monopolistic access to that kind of information (*Gautam, 2004:26*).

These three levels of efficiency described above are not indifferent to each other but they are serially higher order in degree of market efficiency. If the market is semi-strongly efficient, it must be efficient in weak sense also because the past price data is one form of published information, which must have been impounded in the price. The market is not efficient in a weak sense, the past price information could be used to predict the future price to exploit abnormal profit. It implies that information contained in past prices has not been reflected fully into the current prices. Similarly, for the market to be strongly efficient, it must also be efficient at the semi strong and weak levels, otherwise prices are not reflecting all relevant information

### 2.2.2 Technical Analysis Theory

Technical analysis is one of the important theory of price determination and interpretation of the stock prices. This is the modern and practical method to analysis the price fluctuation in the security market. Technical analysis is based on the widely accepted premise that securities price are determined by the supply and demand of securities. (*Francis, 1997: 521-522*)

Technical analysis theory is study of past price and volume data of stocks to forecast future price movements. It is an alternative approach to predicating stock price movement in literatures of investments management. Technical analysis is market oriented philosophy and it can concentrate on the force of supply of and the demand for shares as reflected in the actions of market rather than the intrinsic worth of shares .The analysis of or prospective inventors who analyze the security to predict the future movement in the past are known as technical analysis. Technical analysis maintain that the price of a share at anytime present time is the balance stuck by buyers and sellers at point in time price movements take place on account in account of divers internal and external factor. Prices stabilize when equilibrium between buyers and sellers is achieved they believes that record of price movement over a period of time in the past .As the whole theory is based on the assumptions that history repeat his patterns of past movements will repeat themselves in the future”. (*Raghu, 1991:172*)

The technical believes the forces of supply and demand are reflection in patterns, of price and volume of trading, by examination of these patterns, technical whether prices are moving higher or lower and even by how much. therefore, the patterns or a trends in prices is a basis of technical analysis various charts are prepared to determined trends and to determine whether price are likely to rise or fall. Technical attempt to predicate short-term price movement and thus maker recommendation concerning the timing of purchase and sales of either specific stock or groups of stock or stock in general. It is something said that fundamentals analysis is designed to

answer the question 'what?' and technical analysis to answer the question when?' (*Sharpe, Alexander and Baily 2001: 844*)

### Basic Assumptions of Technical Analysis

According to the Edwards and Magee, the following are the assumption of technical analysis.

- Market value is determined by the interaction of supply and demand.
- Supply and demand are governed by numerous factors, both rational and irrational.
- Changes in a trend are caused by the shift in supply and demand.
- Security prices tend to move in trends that persist for an appreciable length of time, despite minor fluctuations in the market.
- Shift in supply and demand, no matter why they occur, can be deducted sooner or later in charts of market transactions.
- Some chart patterns trends to repeat themselves. (*Bhattacharai, 2006: 343*)

Technical analysis however, attempt to predict future stock price by analyzing past stock price. In general, tomorrow's stock price is influenced by today's price. The direction of price change is an important various tools, the technicians attempt to correctly catch changes in the various tools. The technicians attempt to collectly catch changes in trend and take advantages of them.

Technical analysts used different kinds of tools and techniques to determined and forecast the stock price on the basis of past data and information. This techniques is based on the fundamental technique. Technical analysis is easier, faster, more result oriented and more market oriented philosophy than fundamental analysis. Some important techniques of technical analysis is given below:

- The Dow theory
- Charts
- Contrary opinion
- Confidence index

- readth of market
- Relative theories
- Moving average

### **2.2.3 Fundamental Analysis Theory**

Fundamental analysis is the study of the determinants of stock value. It believes that the prices of securities demand on the intrinsic value of securities, intrinsic value is the value that is justified by financial facts such as assets value earning dividends and others fundamentals. Fundamentals analysis approach involves working to analyze different factors such as economic influence industry factors, government actions, firm is financial statements, its competitor and pertinent company information like product, demand, earning dividends and management in order to calculate an intrinsic value for firms securities. The analyst who believes on fundamental facts to determine the intrinsic value of stock popularly knows as fundamental analysts or fundamentals. A fundamentalist claims that at any point of time and individual stock has an intrinsic value, which equal to present value to present value of the future cash flow from the securities discounted at appropriate risk adjusted discount rate.” The value of common Stock is simply the present value of all future income which the owner of the share will receive”. (*Jack Clark Francis, 1986:398*)

Fundamentalist forecast stock price on the based of economic industry and company’s statistics.

#### **Top down Verses button up forecasting**

Some investment organizations that employ financial analysts flow a sequential top down forecasting approach. With this approach the financial analysts are first involved in making forecasts for the economy, then for industries, and finally for companies. The industry forecasts are based on the forecasts for the economy and in turn, a company's forecasts are based on the forecasts for both its industry and the economy.

Bottom up forecasting may unknowingly involve in consistent assumptions. For example, one analyst use one forecast of foreign exchange rate in projection the foreign sales of company A, while another analysts may use a different forecast in projecting the foreign sales of company B. Top down system are less susceptible to this danger because all the analysis in the organization would use the same forecast of exchange rate. (*Sharpe, 1999:23-25*)

### **Econometric models**

An econometric model is a statistical model that provides a means of forecasting the levels of certain variables known as endogenous variables. In order to make these forecasts, the model relies on assumptions that have been made in regard to the levels of certain other variables supplied by the model user, known as exogenous variables.

An econometric model may be extremely complex or it may be a simple formula that can be implemented with a calculator. In either case, it should be involve a blend of economics and statistics, where first economics is used to suggest the forms of relevent relationships and then statistical procedures are applied to historical data to estimate the exact nature of the relationships involved.

#### **2.2.4 Financial Statement Analysis**

The annual report presents four basic financial statements the income statement, the balance sheet, the statement of retained earning and the statement of cash flow.

A financial statement represents the scorecards for recording and evaluating an organizations performance. Financial statements are therefore essential to the efficient management of an organization. They also provide the basis for compensation to the participants or shareholders. For the owners of the firms, an important part of their compensation is increases in the value of the enterprise. The financial statements of business are based accounting rules or conventions. To achieve consistency and comparability, the use of

subjective judgements is minimized. But the valuation of an enterprise is based in the projections or forecasts of its future performance. (*Weston and Copeland, 1992:21-22*)

### **2.2.5 Review of Unpublished Master Degree Thesis**

There are many masters thesis prepared by various researchers in the subsequent years. Among them some thesis are reviewed here for analysis of literature.

**Mr Shrestha**, 1999 has conducted research on the topic "Stock Price Behaviour in Nepal".

The specific objectives of this study were:

- To examine the serial correlation of the successive daily price changes of the individual stock.
- To determine whether the sequence of the price change are consistent with the changes of the series of random numbers expected under the independent Bernoulli process.
- To determine the efficiency of the stock market through the theoretical model of efficient market hypothesis in the Nepalese stock market.
- To provide feedback policy inputs towards institutional development of efficient market.

**In this research Mr Shrestha concluded that**

- The mean values of the serial correlation coefficient are lower when the lag days are increased. So the information of the past price changes have low power to predict the future prices changes for longer days.
- Some company's serial correlation coefficient of the daily closing price changes in natural log for lag days from 1 to 15 are negligible while some others have most of the coefficient close to zero. This means there exist no profitable trading rules to make return more than the market return on these, acute fundamental and other analysis are

requires which accurately predict that appearance of the new information in the market that have impact on prices and appropriate estimation of the new information in the market that have impact on the prices and appropriate estimation of the value because of that information.

- In there overall there exists significant difference between actual number of runs and expected numbers of runs for the series of daily closing price changes of the market. This test also varifies the fact that the price changes is not random or the price changes in the present and future stock market will not be independent from the price changes of past and present, respectively.

**Mr Ojha**, 2000 has conducted a research on "Financial Performances and common stock pricing".

**The main objectives of this research were:**

- To study and examine the difference of financial performances and stock prices.
- To examine the relationship of dividends and stock price.
- To explore the signaling effects on stock price.

**In this research Mr Ojha conclude that:**

- Nepalese stock market is in infancy stage; in general it is very and has just started to develop.
- Older firms have been issuing bonus share more times than the new one.
- Dominance of banking sector is prevalent in this market due to other industries including finance companies, insurance and manufacturing is not encouraging.
- Corporat firm with long history have a relatively stable profitability parameteres than the firm established after the economics liberation.



- Dividend per share is relatively more stable than the dividend payout ratio. That's why payout ratio and dividend yields have been highly fluctuating.
- Due to lack of proper investment opportunity most of the investors have directed their saving towards the secondary stock market, this computed by such agency.
- People have a misconception that the issuance of bonus shares and right share. Which actually decrease the net worth per share and resultantly ought to decrease the market price of stock also, do not decrease the price and this makes them to invest even at the high price with the expectation of getting the same to increase their overall wealth.
- There is significant positive correlation between the dividends paid and stock prices of banking and manufacturing industries. All other industries have not a perfect correlation between the dividends paid and stock prices.
- There is 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.

**Mr Paudyal**, 2002 has conducted research on the topic "Share Price Behaviour of Joint Venture Bank in Nepal".

**The main objectives of Mr Paudyal were:**

- To analyze the market share price behaviours of the Nepalese stock market.
- To examine how safe of risky. It is not invest on Joint Venture Bank's share.
- To analyze the sensitivity of the share in relation to the market.
- To test whether or not the share in banking companies are blue chips in our context.

**In this research, Mr Paudyal concluded that:**

- The market share and the growth rate of different banking indicators used are not completely captured by the market value of these banks.
- The established bank have good track record of their financial position and the newly established banks are penetrating the market. All the banks are operating in profit, although some of them suffered loss during their initial shares. The investor's attitude towards the shares of these banks seemed to be positive.
- Most of the banks are offering cash dividends every year, which may not be applicable to other types of non-banking firms.
- In the security market line analysis it was found that all the banks under study are still under priced hence the potentiality of each bank in beating the market still remains alive.

**Mr. Bastola**, 2003 has prepared the thesis on the topic “Stock Market in Nepal”

**The main objective of study**

- To show the actual performance of the various sector on the basis of EPS, DPS, MPS, ASP, DPR, ROE, PER and DY.
- To recommend the suggestion to the management the stock market and various sector.
- To pin point the real problems regarding the stock and various sector.
- To make familiar for the general investors about security market of Nepal stock market, securities trading in the floor, settlement of transaction etc.

**In this research Mr Bastola concluded that**

- The very small size of the stock market has implication of the low liquidity share.

- High volatility of the stock price implies that there is high risk associated with the investment in the share of stocks listed in the stock exchange which may discourage the investment in the financial assets.
- Probability of the high return with the investment ensures attract many investors to the stock market.
- The very low rate over turn in the manufacturing sector has discouraged the investor to commit their recourse in the sector, which in turn may check the growth of banking and finance and insurance sector in subsequent period.
- The annual average DPS, of Rs. 42.66 in the shares of the corporate sector is diverting the saving to invest in share rather deposits in commercial banks.
- Currently, the volatility of shares high, which may lead to loose the faith of investors in the Nepal Stock Market.
- Regulation of stock market is very weak.

**Mrs Gautam**, 2004 has prepared the thesis on the topic "A study on Stock Market Behaviour in Nepal".

**The main objectives of this research were:**

- To study and analyze the stock price trend, number of listed companies and volume of stock traded on the secondary market.
- To study and examine the impact of signaling factors on NEPSE index, market capitalization and volume of stock traded of the listed companies.
- To analyze the stock market sensitivity of the listed companies, and inter relationship between the markets return and return of listed companies.

- To trace out the investors views regarding the decision on stock investment.
- In this study Gautam concluded that the political instability, unstable policies and other law related issues are the prominent factors for the underdevelopment of the security market in Nepal. Due to the political instability situation investors are not willing to invest not only in share market but also in all sectors.
- Ceasefire between Maoists and Government brought some sort of peace and the economic environment became suitable, which was also favourable to stock market.
- Stockbrokers and stock market are not active enough to create investment environment in stock market. Most of the investors are influenced through media only but not stock market and stockbrokers since the quality of information available to investors, the rationality of the investors in Nepal is to be quite low, they have very little knowledge of the trading procedure and price formation mechanism in NEPSE.
- The main factor affecting the stock market is lack of timely and transparent financial reporting and nonperformance of due diligence requirements prior to issuance of new listings.

**Mr. Siwakoti**, 2006 has prepared the thesis on the topic “An Analysis of Stock Market Trend in Nepal”

### **The main objective of study**

The main objective of this research is to study, examine and analysis the stock market behavior. The specific objectives are as follows:

- To study and evaluate the stock price behavior and volume of stock traded on the secondary market.
- To study and analyze the turnover of listed companies in Nepal stock exchange ltd.

- To analyze the investor's view while making the investment decisions.
- To suggest the result to the interested parties related to stock market.

**In this research Mr Siwakoti concluded that**

Based on the analysis, interpretation and finding of the study some conclusion have been as below.

Stock market can play vital role for the economic development of the country. There is a large gap between theory and practice of investment in the Nepalese Stock Market. The data analysis shows that yearly as well as monthly trend of NEPSE is not satisfactory and proper. Investors and NEPSE officials shift their responsibilities on one another. Most of the investors complain about not properly performance. We can't ignore the political event inside and outside the country, which is also one of the major reasons behind unsatisfactory development of stock market.

Process and its other factors like NEPSE Index, price trend and investment facilitations are not doing their work in systematic way. It was found that investors in the stock market take the investment decisions on the basis of market price of share. Most of the investors were facing difficulties in the stock market. The investors are interested to invest their resources in the share corporate sector through the stock market in the Nepalese economy. It is necessary to develop the entrepreneurship and encourage entrepreneurs to start the productive venture as soon as possible. Management capacity of the entrepreneurs is a key to better performance of the firms. The government should launch programs to enhance the management capacity of entrepreneurs, which may contribute to raise the return from the investment.

Investment is the back bone of an economy, which in turn assist to prosper the banking and finance and insurance sectors. Unfortunately, the manufacturing sector doesn't have a good performance in the nepalese economy.

Due to lack of the clear information, investors are confused about the investment. We have seen NEPSE index highly effected by the internal political environment, political inconsistance nation, internal conflict investors are not confidance about investment they feel unsecured of their investment.

## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter refers to the overall research method from teiretical aspects to the collection and analysis of data. “Reasearch methosology regers to the various sequential steps to be adopt by a researdher in studying a problem with certain objectives in view.” (*Kothari, 1999:19*) Thus the main purpose of this study is to stress on the different research methods and conditions, which are used in this study.

The purpose of this study is to analyse movement of stock price in Nepal. To achive the objectives, some methodology have been adopted which includes research design, population and samples, nature and sources of data and data collection teqniques, data analysis tools and so on.

#### **3.2 Research Design**

Generally research design means definite procedure and technique, which guides to study and provides ways for research viability. It is the arrangement of collected data and its analysis. A reseach design is a plan of the proposed research work. A research design represents of compromise dicated by the mainly practical consideration. To achieve the objective of this study descriptive and analytical research study has been used. Some financial and statistical tools have been applied to examine the fact and description techniques have been adopted to evaluate stock price movement. All the data used in this study are secondary as well as primary in nature. It is especially based on the price pattern of the share that, increase or decrease. It is based on the recent six year histroical data provided by NEPSE.

#### **3.3 Population and Sample**

There are all the listed companies listed in the stock exchange are considered as total population out of them, companies that are in the

existence and doing the share transactions in NEPSE are considered as the sample of study. The companies were categorized into nine groups as done by the stock exchange. A total of 142 companies are listed in Nepal Stock Exchange. Recently Nepal Stock Exchange Ltd. deleted 12 companies from its list as they are not following the procedure guided by NEPSE. Only the transactions are considered as sample with listed companies population.

### **3.4 Nature and Source of Data**

To achieve the above-mentioned objectives, the research is based upon the secondary data for the quantitative assessment of the information. As input for the study, the secondary data are collected through various published and unpublished documents. Mainly sources of secondary data on this study are monthly and annual trading report of NEPSE. In addition supported data and information have been collected from the articles of newspaper, brochures, journals, and booklets and published and unpublished records of NEPSE. Extensive uses of the bulletin, survey of NEPSE and Securities Board have been taken in this study. Moreover, relevant literature was collected from the central library of Post Graduate Campus, Biratnagar, library of Mahendra Morang Multiple Campus, Biratnagar, library of Security Board Nepal and website of NEPSE Ltd. and website of SEBO/N. The primary data are collected, schedule of questionnaire are developed and distributed to the investors, brokers, NEPSE staff and other related parties with stock market. Ten tick marks and two pen-end questionnaires.

To get reliable information, discussions were also conducted with investors, NEPSE staff and other related parties with NEPSE

### **3.5 Data Processing and Procedure**

Data collection from secondary sources was analyzed on the basis of NEPSE price Index. Such as Annual index, monthly index, and sector wise index and Sector wise index and related annual trend, monthly trend of different years and correlation. Daily index during the month of July, 2008 is also presented as a sample for the purpose of daily movement knowledge. Data presenting and analyzing tools are trend bar diagram ratio analysis, percentage and paired + - test.



The primary data collected from questionnaires were raw form. Questionnaires were raw form. Future they are classified and tabulated in the required form. Simple arithmetic percentage tools were used for analysis. Major findings are based on the analysis and interpretation of data.

### 3.6 Research Variable

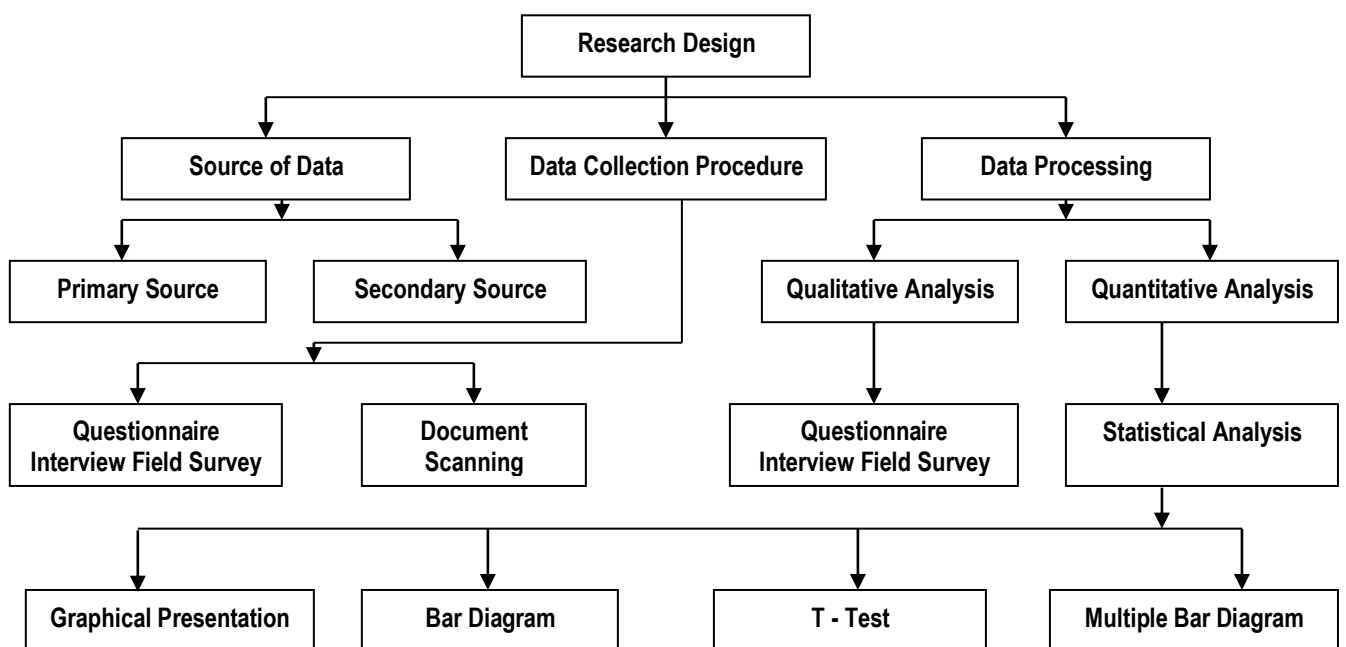
Major market behaviour tools such as : NEPSE impact of signaling factors on stock price, volume of stock traded, rate of listing new companies in stock exchange and maintenance of them in stock exchange.

For analyzing signaling factor, impact on NEPSE index with signaling factors the following major events are analyzed.

- Establishment of Lok Tantra in Nepal
- Royals moved on Government
- Nepal's Entry on WTO

### 3.7 Statistical Procedure

Simple percentage are used as an arithmetical tools to interpret data, paired t-test is used as statistical tool to test null hypothesis. For the test of hypothesis 10 NEPSE indexes before and after for the three major event.



### **3.8 Limitation of the Study:**

In the context of Nepal there are numerous problems while undertaking any research reports are searched concrete type and on the other hand, support and suggestions of the government are so poor. Even the financial statement of the companies published by them is not readily available, since they are treated as highly confidential.

The study period is chosen for information(data). The recently analyzing year is chosen of 2007/08. This type of problems is more in non-government enterprises. Nepal Stock Exchange Ltd, it is also unable to provide the require data of all listed manufacturing enterprises from the year of listing.

Therefore the study is based on the limited observation. Other important limitation has been included in chapter-I. Although maximum no. of limitation of the study effort of making the concrete has been made.

# CHAPTER-IV

## DATA PRESENTATION AND ANALYSIS

### 4.1 Introduction

Data presentation and analysis is the main parts of the research work. In this chapter the study tries to find out the proof from the mathematical calculation from the theoretical statement using different statistics tools. Due of the study is completing successful to prove the statement it would of course be the concrete and substantial.

Data presentation plays vital role to show actual statement of studies. From it we can analyze actual condition of the purposed problem of organization. Everyone can study and understand about the condition particular statement of problem. However, presentation of data only an initial stage of knowledge problem but it is base on the analysis data. It plays the vital role to analyze the particular problem.

The prime aim of this chapter is to analyze and elucidate the collected data following the conversion of unprocessed data to an understandable presentation. So this chapter presents the analysis and interpretation of the data related to stock price, NEPSE market index volume of stock traded etc. the concrete and substantial.

As stated earlier in the methodology section this study consists of both primary and secondary data. Secondary data have been collected particularly from daily, monthly and annual trading report of Nepal Stock Exchange. Similarly, data, collected from primary sources (interview and questionnaire method) have been analyzed under the heading of opinions survey that helps to ranner your mention on investment behaviour of investors. However, primary data collection dors not fully satisfy the need of research work on this topic, the study has utterly relied on the secondary sources of data. Data collected from the secondary sources are also tested with sophisticated statistical tools. Data presentation and analysis reveals

performance of securities during the year 2002, 2003, 2004, 2005, 2006, 2007 and 2007/ 08.

The main purpose of this chapter is to examine the price trend of different joint stock company with the help of NEPSE index. The study also aims to analyze the number of stock traded 8 years of period of different joint stock companies. In the same way the study try to check the impact of signaling effect on fluctuation of stock price with the help of different major events during the year 2007/08. Similarly, the study also focuses on the study that the listing rate of different corporate bodies in Nepal Stock Exchange (NEPSE). The study also wants to explore investors' attitude by taking primary data with field survey filled by different parties interested stock market is considered.

Price is the major element in stock market analysis. For analyzing stock market behaviour the price trend can be used. By seeing the price trend one can conclude its nature in different aspects, e.g. trend of price in different periods.

Similarly, the number of stock trended is also accounted for seeing pattern of volume traded in stock market. In other hand, the rare of listing new joint stock companies in Nepal security exchange (NEPSE) is another important factor to see the growth of joint stock companies in the development of Nepalese stock market. Analysis has been classified into three main points to generalize the facts of the information.

Finally, this chapter contains two sections in which the first section analysis the investment attitudes of investors in the stock exchange effect of signaling effect on NEPSE index with the help of hypothesis test is done second section.

## **4.2 Presentation and Analysis of Secondary Data**

Main objectives of this research task have been focused up to the secondary data. Main sources of secondary data are Napes annual report, SEBO annual report website library, magazine, newspaper and other valuable booklets.

This section provides interpretation analysis of secondary data. Thus this section is exclusively devoted for analysis of common stock different companies through price trends signaling of NEPSE index provided by Nepal stock Exchange center, volume of stock traded rate of listing of new companies in market and maintenance of then in NEPSE considered. For doing such present action statistical tools such as time series analysis bar-diagram, regression and correlation. Ratio analysis simple interest multiple bar-diagram are used.

#### **4.2.1 Statistical Analysis**

Under this sub-unit statistical tools trend analysis including graphical analysis bar-diagram and hypothesis test are done for analysis.

##### **4.2.1.1 Monthly Trend Analysis**

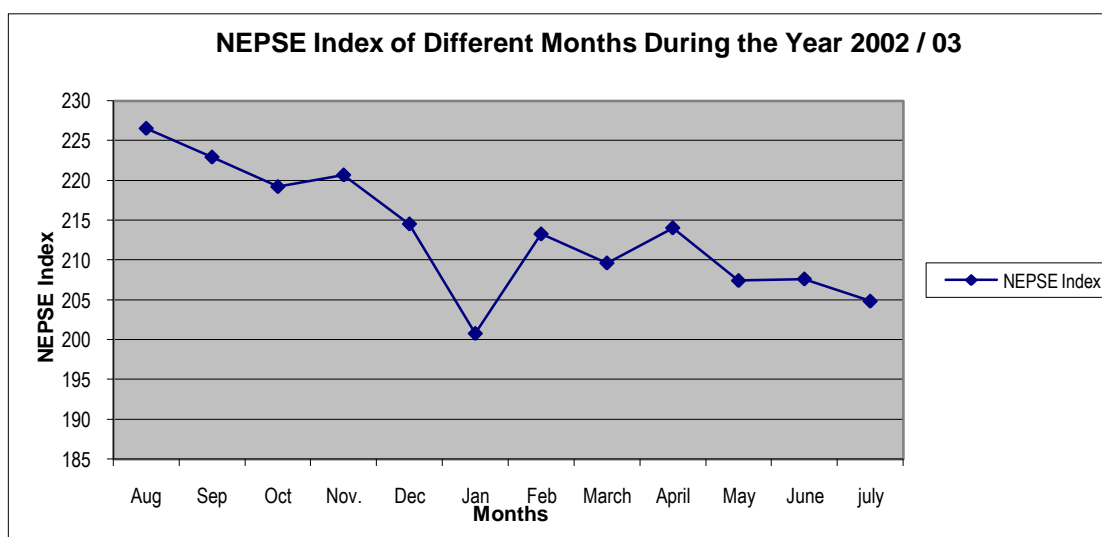
There are so many techniques for analyzing price trend among them one suitable technical for analyzing price trend in monthly trend analysis which is based on monthly of yrs 2003, 2004, 2005, 2006, 2007 and 2007/08 which is taken from NEASE annual report. Tabular as well as geographical measures are considered from presenting and analyzing the data is illustrated in this following table.

**Table 4.1 NEPSE Index of Different Months During the Year 2002/03**

Months	NEPSE Index	Months	NEPSE Index
Aug	226.59	Feb	213.31
Sep	222.98	March	209.66
Oct	219.26	April	214.08
Nov.	220.73	May	207.45
Dec	214.57	June	207.65
Jan	200.80	July	204.86

*Source:- SEBO Annual Report 2002/03*

**Fig 4.1 NEPSE Index of Different Months During the Year 2002/03**



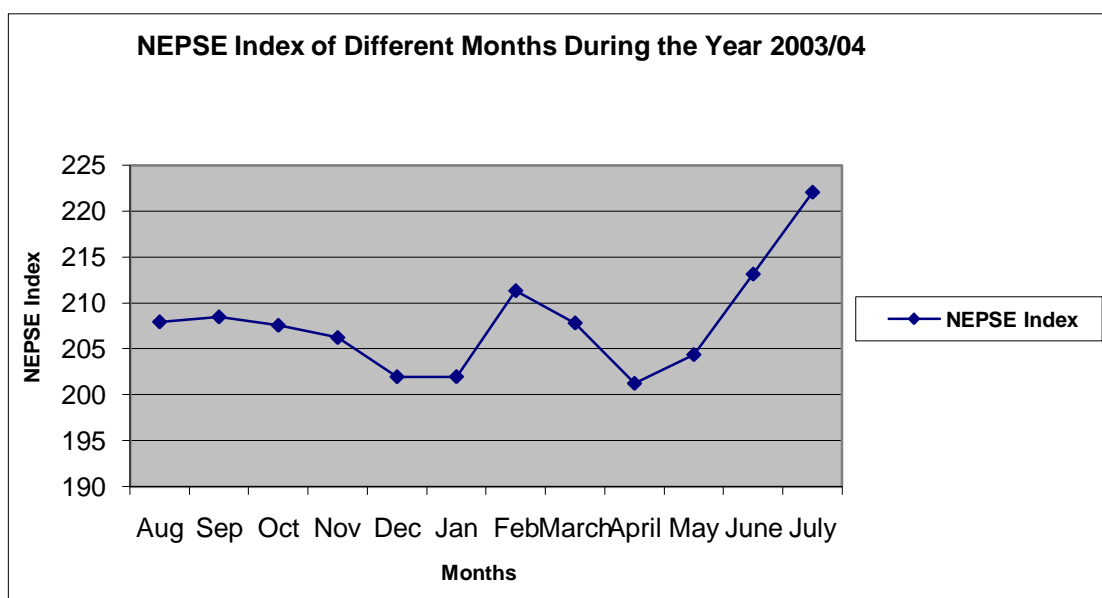
Above table and figure no 4.1 show that the NEPSE index from Aug 2002 to July 2003. By the end of this fiscal year, the price index of listed securities (NEPSE index ) remained at 204.86 points. In this fiscal year the highest index of 226.59 is noted on August 2002 and the lowest index of 200.80 on January 2003. The price index on listed securities of this fiscal year neither so fluctuate and nor so constant. Rational investors purchase the stock on January and sell the stock on April to get some amount of profit. But the investors may not do so, because some other golden chance may arise the price of stock on secondary markets.

**Table 4.2 NEPSE Index of Different Months During the Year 2003/04**

Months	NEPSE Index	Months	NEPSE Index
Aug	207.92	Feb	211.31
Sep	208.46	March	207.80
Oct	207.54	April	201.22
Nov	206.21	May	204.35
Dec	201.94	June	213.12
Jan	201.95	July	222.04

Source:- SEBO Annual Report 2003/04

**Fig 4. 2 NEPSE Index of Different Months During the Year 2003/04**



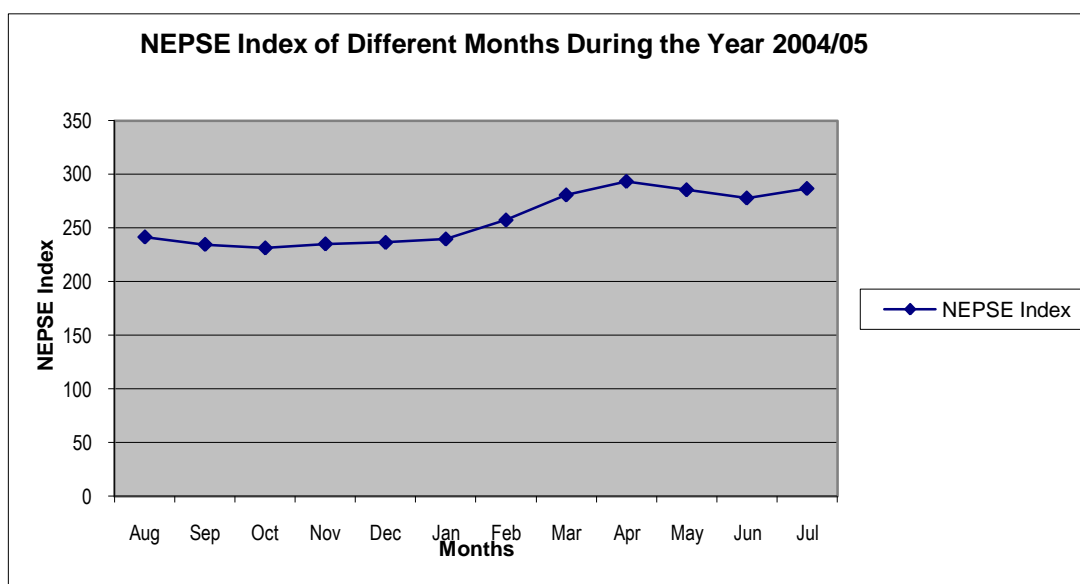
Above table and figure no 4.2 shows that the NEPSE Index from August 2003 to July 2004. By the end of this fiscal year, the price index of the listed securities (NEPSE Index) remained at 222.04 points, which is 17.11 points higher than that of the last fiscal years index 204.86 points. In this fiscal year, the highest index of 222.04 is noted on July 2004 and the lowest index of 201.22 on April 2004. The price index of listed securities of this fiscal year neither so fluctuate and nor so constant.

**Table 4.3 NEPSE Index of Different Months During the Year 2004/05**

Month	NEPSE Index	Month	NEPSE Index
Aug	241.51	Feb	257.29
Sep	234.58	Mar	280.65
Oct	231.31	Apr	293.26
Nov	235.08	May	285.42
Dec	236.38	Jun	277.79
Jan	239.61	Jul	286.67

*Source: Annual report of security board 2004/05*

**Fig 4. 3 NEPSE Index of Different Months During the Year 2004/05**



Above table and figure no 4.3 shows the NEPSE Index from August 2004 to July 2005. By the end of this fiscal year, the price index of the listed securities (NEPSE Index) remained at 286.67 points, which is 64.63 points higher than that of the last fiscal years' index 222.04 points. The price index on listed securities of this fiscal year is in increasing trend.

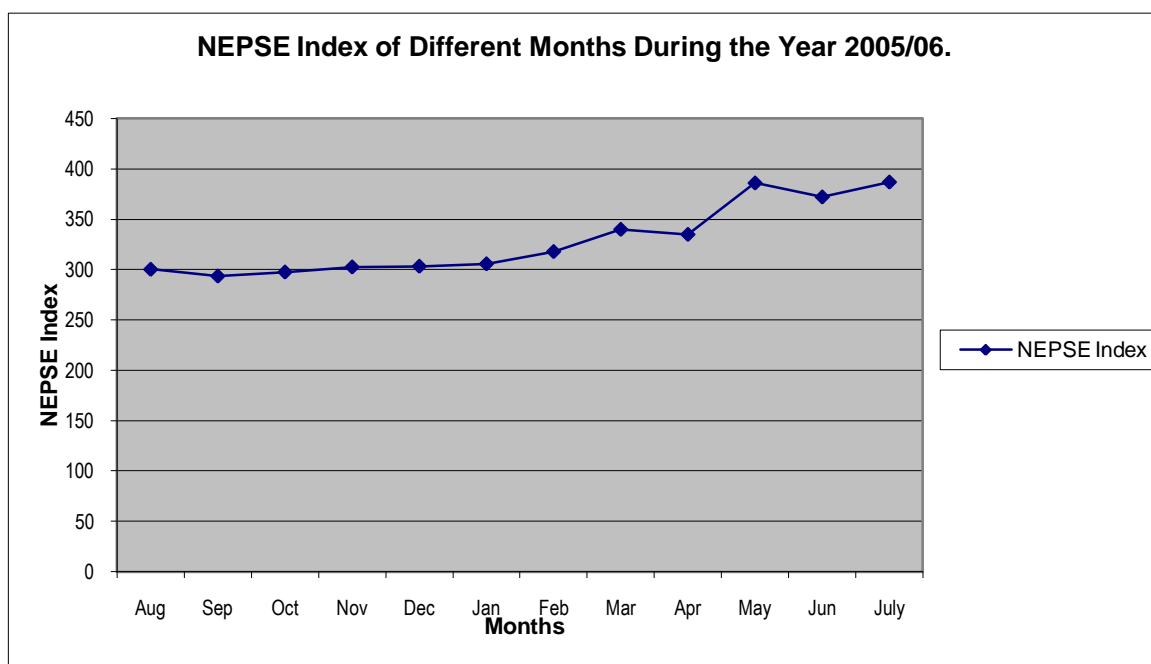
**Table4.4 NEPSE Index of Different Months During the Year 2005/06.**

Months	NEPSE Index	Months	NEPSE Index
Aug	300.05	Feb	317.69
Sep	293.30	Mar	339.79
Oct	297.34	Apr	334.77
Nov	302.39	May	385.89
Dec	303.12	Jun	372.01
Jan	305.50	July	386.83

*Source: - Annual Report of Security Board 2005/06*



**Fig 4. 4 NEPSE Index of Different Months During the Year 2005/06.**



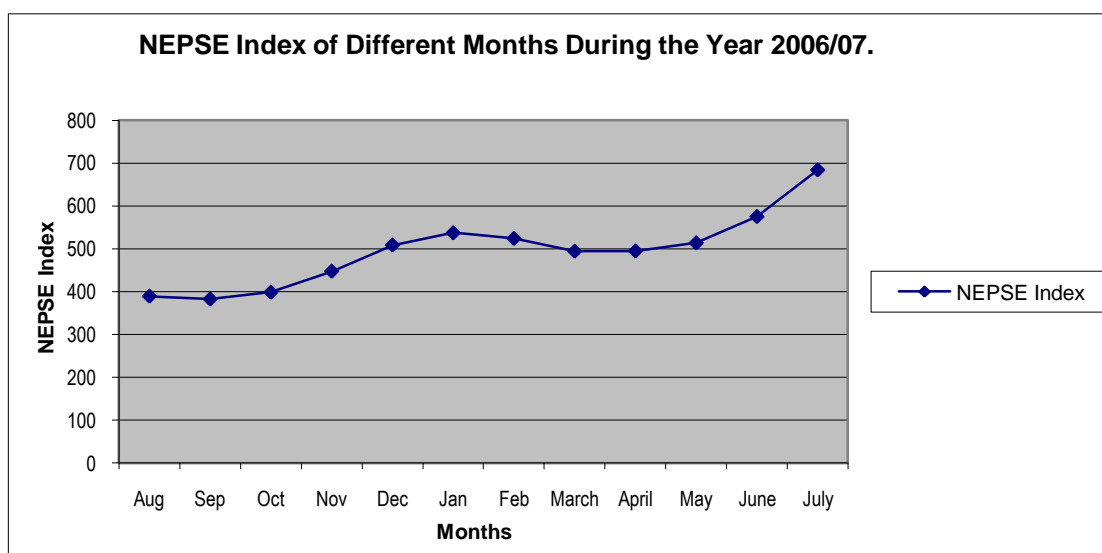
Above table and figure no 4.4 shows the NEPSE Index from August 2005 to July 2006. By the end of this fiscal year, the price index of the listed securities (NEPSE Index) remained at 386.63 points which is 100.16 points higher than that of the last fiscal years' index of 386.83 is noted on July 2006 and the lowest index of 293.3 on September 2005. The price index trend is in increasing trend. From the investment point of views increasing trend is better than decreasing trend.

**Table4.5 NEPSE Index of Different Months During the Year 2006/07.**

Months	NEPSE Index	Months	NEPSE Index
Aug	389.23	Feb	523.94
Sep	382.56	March	494.06
Oct	398.44	April	494.59
Nov	447.43	May	513.45
Dec	508.58	June	575.04
Jan	537.09	July	683.95

*Source:- Annual Report of Security Board 2006/07*

**Fig 4.5 NEPSE Index of Different Months During the Year 2006/07.**



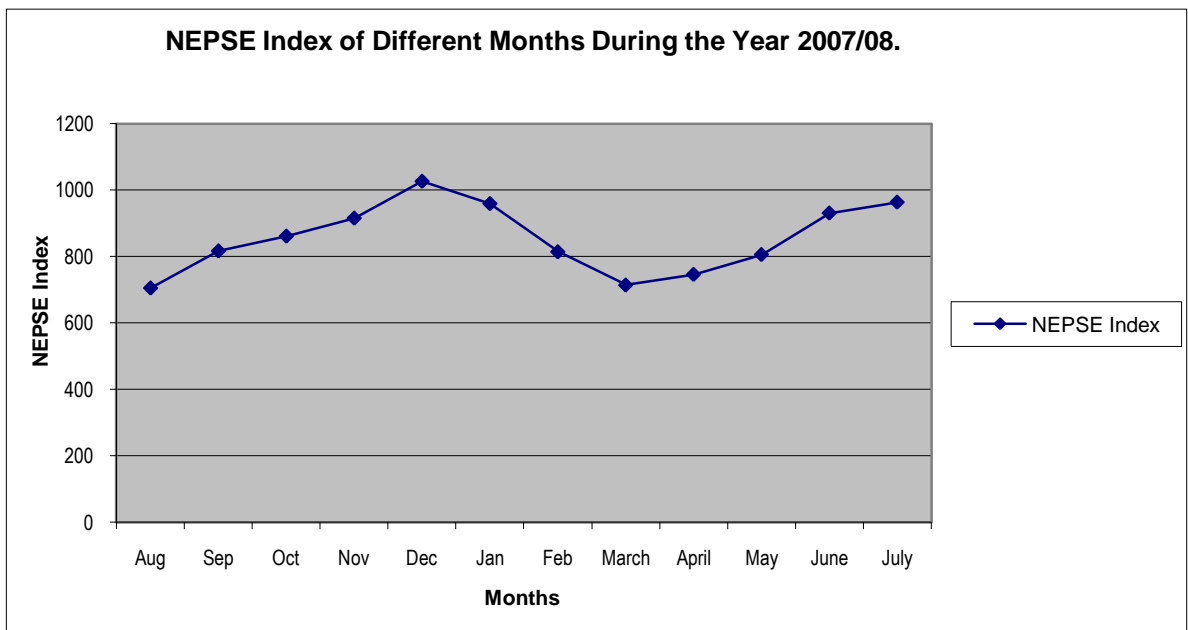
Above table and figure no. 4.5 shows the NEPSE Index from August 2006 to July 2007. By the end of this fiscal year, the price index of listed securities (NEPSE Index) remained at 683.95 points which is 297.12 points higher than that of the last fiscal years' index 386.83 points. In this fiscal year the highest index of 683.95 is noted on July 2007 and the lowest index of 382.56 is noted on September 2006. NEPSE Index was decreased in September 2006 and March 2007 after then the trend of NEPSE Index is in increasing. From the investment point of view increasing trend is better than decreasing trend.

**Table4.6 NEPSE Index of Different Months During the Year 2007/08.**

Months	NEPSE Index	Months	NEPSE Index
Aug	705.96	Feb	814.43
Sep	817.08	March	714.76
Oct	861.37	April	746.69
Nov	915.38	May	806.26
Dec	1025.91	June	930.65
Jan	958.91	July	963.36

*Source:- Annual Report of Security Board 2007/08*

**Fig 4.6 NEPSE Index of Different Months During the Year 2007/08.**



Above table and figure no. 4.6 shows that the NEPSE Index from August 2007 to July 2008. By the end of this fiscal year, the price index of listed securities (NEPSE Index) remained at 963.36 points which is 297.41 points higher than that of the last fiscal years' index 683.95 points. In this fiscal year the highest index of 1025.91 is noted on December 2007 and the lowest index of 705.96 is noted on the August 2007. NEPSE Index was decreased in January, February and March 2008 after then the trend of NEPSE Index is in increasing. From the investment point of view increasing trend is better than decreasing trend.

#### **4.2.1.2 Annual Trend Analysis**

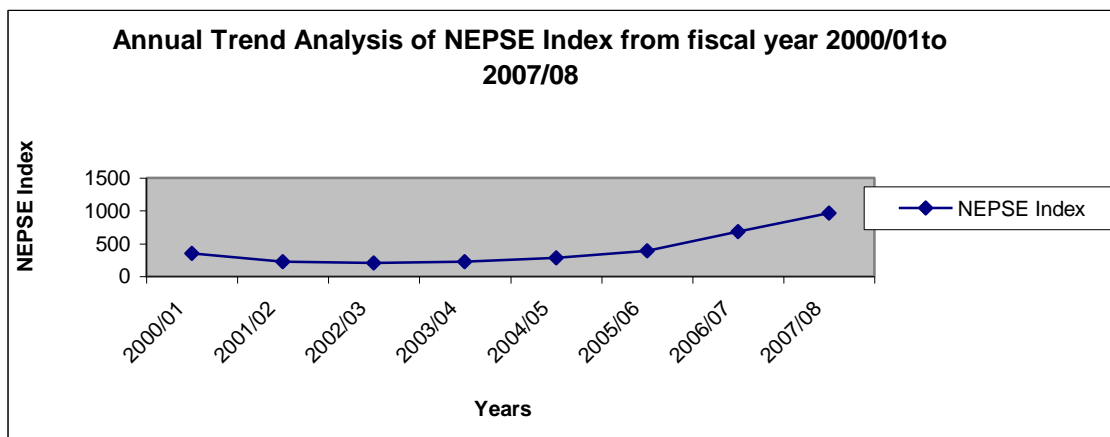
One of the important and suitable techniques of data analysis is annual trend analysis. For this purpose NEPSE Index of 8 years were taken, i.e. 2000/01 to 2007/08. From this type of analysis plays the role to summarize index as a whole of year. The annual index is supposed as a closing price of last days of respective fiscal year. Tabular as well as graphical measures are considered for presenting and analyzing the data.

**Table4.7 Annual Trend Analysis of NEPSE Index from Year 2000/01 to 2007/08.**

Year	NEPSE Index
2000/01	348.43
2001/02	227.54
2002/03	204.86
2003/04	222.04
2004/05	286.67
2005/06	386.83
2006/07	683.95
2007/08	963.36

*Source: - NEPSE Annual Report 2007/08*

**Fig 4.7 Annual Trend Analysis of NEPSE Index from Year 2000/01 to 2007/08.**



From the above data and figure analysis, it is seen that price trend during the different 8 years is not constant. Price index is some fluctuate in different years. Taking base year as 2000/01 it resulted that there is price movement from the fiscal year 2000/01 to 2002/03 it is in decreasing trend. Then after it is in increasing trend and we can observe that in the year 2007/08 it is the highest position. That was the highest price of stock trading of NEPSE history due to the belief of investors on secondary market. In conclusion we

can say that there the annual trend in the year 2003/04 to 2007/08 is in increasing trend and there have been some improvements.

#### **4.2.1.3 Sector wise Monthly Trend Analysis**

Nepal is less developing and landlocked country. Nepalese industrial sector is the backbone of Nepalese economy. Industries and other joint venture company play the vital role in the capital market. There are nine types of Nepalese industries registered in the NEPSE Ltd. These are Commercial Banks, Manufacture and Process Industries, Hotels, Other Industries, Hydro power, Trading Industries, Insurance Companies, Finance Companies and Developments Banks. Mainly the Nepalese economy is based on these sector industries and also these are trading sources of capital market. In the secondary market this stock trading daily in different price movement at different volume. Now the Nepalese capital market mainly carries the vital role of Commercial Banks, Insurance companies, Financial company and Hydro Power, than remaining others. Now, data of whole sectors are presented here sources from available annual report of NEPAL stock exchange, and presented sector wise.

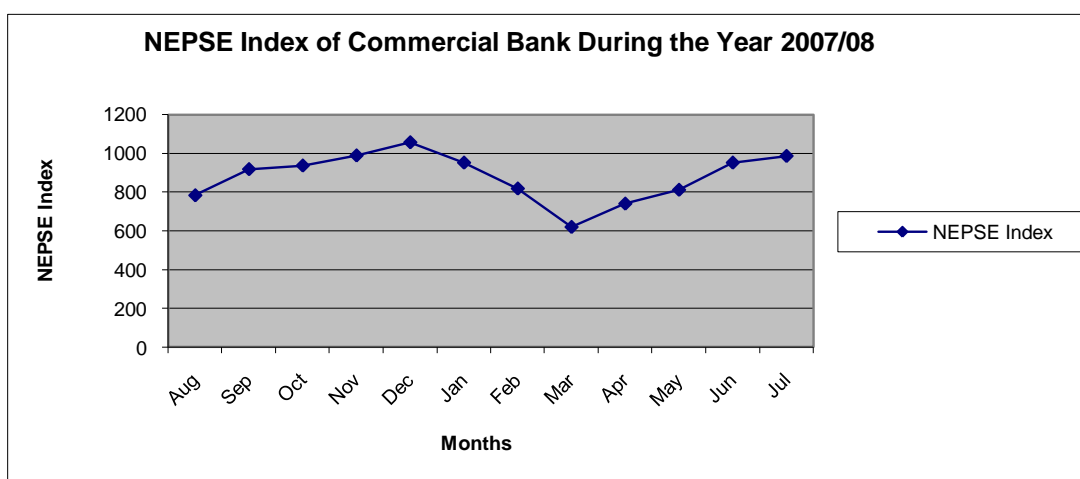
#### **A. Monthly Trend Analysis of Commercial Bank.**

**Table 4. 8 NEPSE Index of Commercial Banks during Year 2007/08**

Months	NEPSE Index	Months	NEPSE Index
Aug	782.55	Feb	817.63
Sep	917.58	March	691.12
Oct	936.27	April	739.56
Nov	988.39	May	810.94
Dec	1056.27	June	951.33
Jan	951.26	July	985.65

*Source:- Annual Report of NEPSE 2007/08*

**Fig 4.8 NEPSE Index of Commercial Banks During Year 2007/08**



From the above table and figure no. 4.8 shows that the NEPSE Index of Commercial Banks during fiscal year 2007 to 2008. The commercial banks price index of all months during year 2007/08 is shown as slightly fluctuating. It is supposed the base month of August; the monthly price is in increasing trend. The highest monthly index is in December, 2007 which is 1056.27 points and we are also shown that the lowest monthly trend is in March, 2008 with 691.12 points.

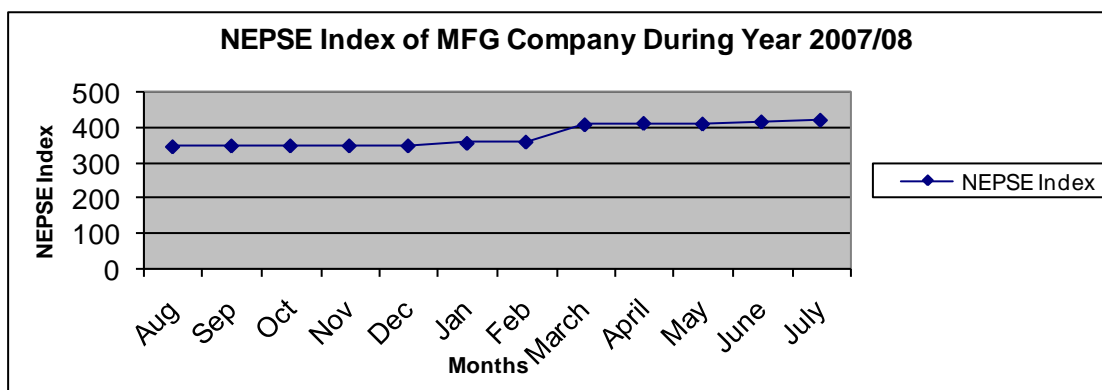
### **B. Monthly Trend Analysis of Manufacturing and Processing Company.**

**Table 4.9 NEPSE Index of MFG Company During Year 2007/08.**

Months	NEPSE Index	Months	NEPSE Index
Aug	347.54	Feb	360.96
Sep	350.00	March	410.52
Oct	350.19	April	414.52
Nov	350.19	May	412.70
Dec	350.19	June	418.82
Jan	357.28	July	423.66

*Source:- Annual Report of NEPSE Fiscal Year 2007/08*

**Fig 4. 9 NEPSE Index of MFG Company During Year 2007/08**



From above table and figure no. 4.9, we can analyze as follows. The price index of Manufacturing and Processing Companies of all months during year 2007/08 is shown as slightly fluctuating. It is supposed the base month of August; the monthly price index is in increasing trend. The highest monthly index is in July, 2008 with 423.66 points and we are also shown that the lowest monthly index is in August with 347.54 points. It is analyzed in this way beginning month has lowest point and ending month has highest point and remaining months are increasing trend during fiscal year 2007/08. The fiscal year 2007/08 is traded of Manufacturing and Processing Company as usual.

**C. Monthly Trend Analysis of Hotel Industries.**

**Table 4. 10 NEPSE Index of Hotel Industries During Year 2007/08**

Months	NEPSE Index	Months	NEPSE Index
Aug	247.35	Feb	413.56
Sep	280.18	March	414.79
Oct	281.14	April	409.69
Nov	279.60	May	392.88
Dec	285.85	June	394.07
Jan	420.97	July	370.88

*Source:- Annual Report of NEPSE Fiscal Year 2007/08*

**Fig 4. 10 NEPSE Index of Hotel Industries During Year 2007/08**



From above table and figure no. 4.10, we can analyze as follows. The price index of Hotel Industries of all months during year 2007/08 is shown as slightly fluctuating. It is supposed base month of August, the monthly price index is in increasing trend. The highest monthly index is in January, 2008 with 420.97 points and we are also shown that the lowest monthly index is in August, 2007 with 247.35 and the price of index of remaining months are in increasing trend.

**D. Monthly Trend Analysis of Other Industries.**

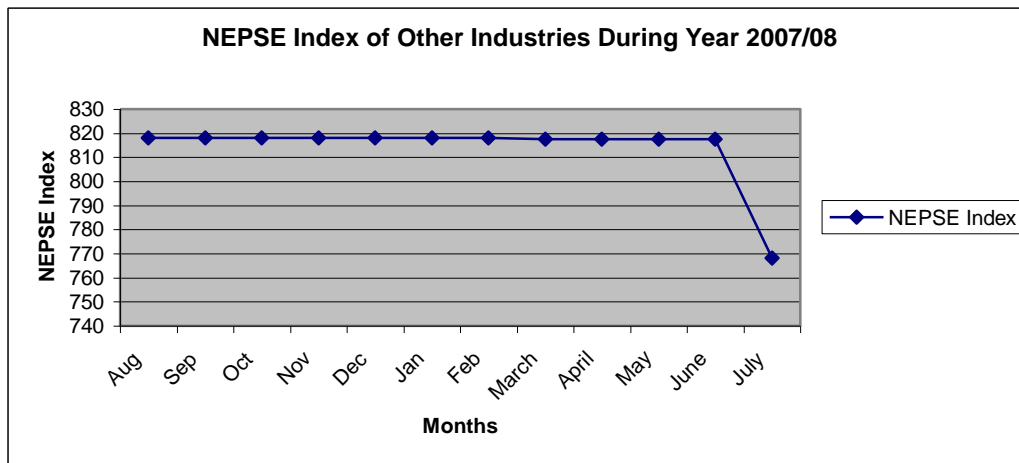
**Table 4.11 Monthly Trend Analyses of Other Industries During Year 2007/08**

Months	NEPSE Index	Months	NEPSE Index
Aug	818.12	Feb	818.12
Sep	818.12	March	817.47
Oct	818.12	April	817.47
Nov	818.12	May	817.47
Dec	818.12	June	817.47
Jan	818.12	July	768.26

*Source: - Annual Report of NEPSE 2007/08*



**Fig 4.11 Monthly Trend Analysis of Other Industries During Year 2007/08**



From above table and figure no. 4.11, shows that the NEPSE price index of Other Industries is constant from August, 2007 to February, 2008 with 818.12 points, then after slightly decreasing from March to June 2008, and then after last month July is high decreasing with 768.26 points.

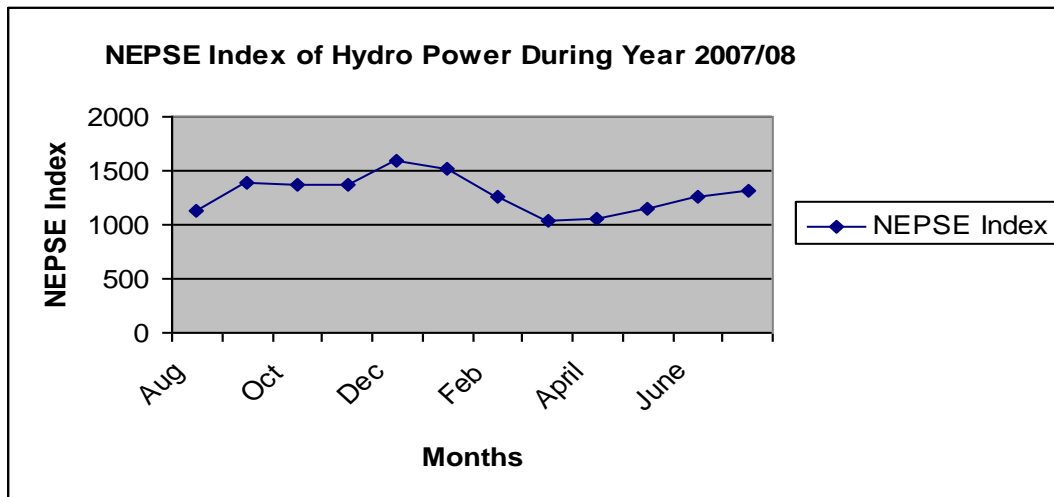
#### **E. Monthly Trend Analysis of Hydro Power**

**Table 4.12 Monthly Trend Analyses of Hydro Power During Year 2007/08**

Months	NEPSE Index	Months	NEPSE Index
Aug	1121.49	Feb	1257.81
Sep	1396.18	March	1033.30
Oct	1377.31	April	1054.06
Nov	1362.69	May	1140.89
Dec	1593.08	June	1256.78
Jan	1515.57	July	1323.99

*Source: - Annual Report of NEPSE 2007/08*

**Fig 4.12 Monthly Trend Analysis of Hydro Industries During Year 2007/08**



From the above and figure no. 4.12, shows that the price index of hydro power company is highly fluctuate trend. In the price trend first two months is increasing trend. Then after the price trend is decreasing from October 2007 to November 2007 and the price index of the month December 2007 is highly increasing with 1593.08 points and lowest price index is on March 2008 with 1033.30. The range of different two points is 559.78. it shows that the fluctuating of price is more. Hydro Power Company is highly trading company in secondary market. So the volume of trading is high.

#### **F. Monthly Trend Analysis of Trading Industries**

**Table 4.13 Monthly Trend Analyses of Trading During Year 2007/08**

Months	NEPSE Index	Months	NEPSE Index
Aug	162.08	Feb	162.32
Sep	162.03	March	151.66
Oct	162.03	April	128.76
Nov	162.32	May	199.88
Dec	165.20	June	213.40
Jan	165.20	July	204.08

*Source: - Annual Report of NEPSE 2007/08*

**Fig 4.13 Monthly Trend Analysis of Trading Industries During Year 2007/08**



From the above table and figure no. 4.13, we can see that NEPSE price index of trading industries is in nearly constant. The price is also so fluctuate. In the beginning month price trend slightly increasing trend from month August 2007 to January 2008 and the price index is decreasing from February 2008 to April 2008. Then after price index is increasing trend. June has highest price index with 213.4 points and April has lowest price index with 128.76 points during the year.

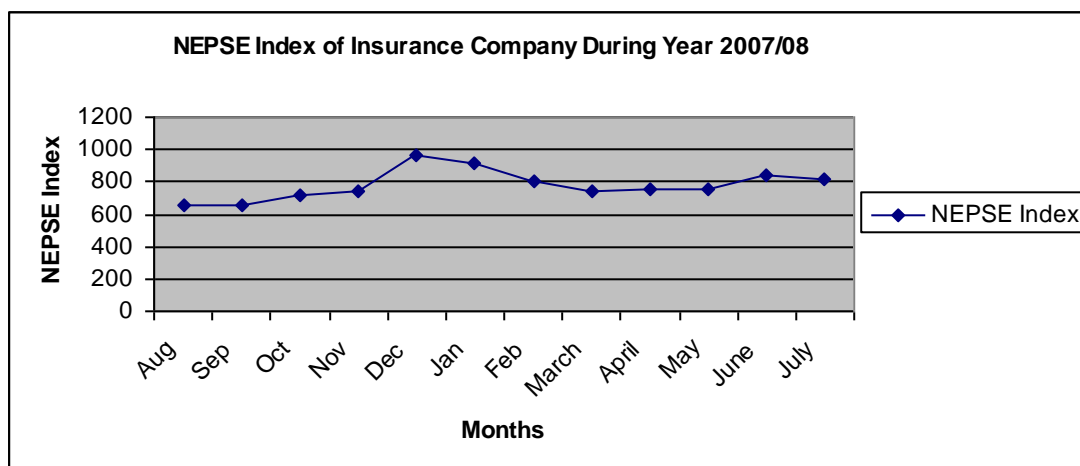
### **G. Monthly Trend Analysis of Insurance Company**

**Table 4.14 Monthly Trend Analyses of Insurance Company During Year 2007/08**

Months	NEPSE Index	Months	NEPSE Index
Aug	653.50	Feb	808.11
Sep	659.80	March	746.04
Oct	711.54	April	751.16
Nov	742.90	May	749.72
Dec	963.98	June	844.88
Jan	915.12	July	817.25

*Source: - Annual Report of NEPSE 2007/08*

**Fig 4.14 Monthly Trend Analysis of Insurance Company During Year 2007/08**



From the above table and figure no. 4.14, we found that the monthly price index of Insurance Company of all months during the year 2007/08 is slightly fluctuating. The range of index is 653.37 points and 963.98 points; the difference between these two points is 310.61 points. It shows that the fluctuation of price is more. The highest price index is on December 2007 and the lowest price index is on August 2007. The insurance companies are highly trading companies in secondary market. So the volume of trading is high.

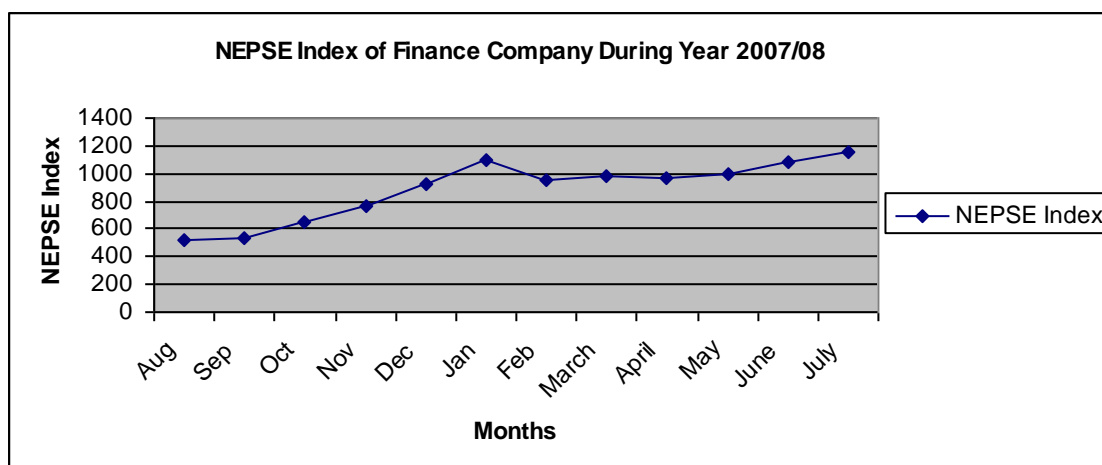
#### H. Monthly Trend Analysis of Finance Company

**Table 4.15 Monthly Trend Analyses of Finance Company During Year 2007/08**

Months	NEPSE Index	Months	NEPSE Index
Aug	513.92	Feb	952.17
Sep	528.02	March	978.26
Oct	652.34	April	964.04
Nov	766.02	May	994.50
Dec	929.27	June	1083.29
Jan	1102.89	July	1152.74

*Source: - Annual Report of NEPSE 2007/08*

**Fig 4.15 Monthly Trend Analysis of Finance Companies During Year 2007/08**



From the above table and figure no. 4.15, we can see that the price index of finance company, we conclude that the price trend is in increasing trend. It is supposed that the August is the best month of the fiscal year 2007/08. The range index is 513.92 points to 1152.74 points; difference between these two points is 638.82 points. It shows that the price fluctuation is more. So the finance companies are one of the most trading companies among all, some market information and political change situation directly affects the stock on secondary market.

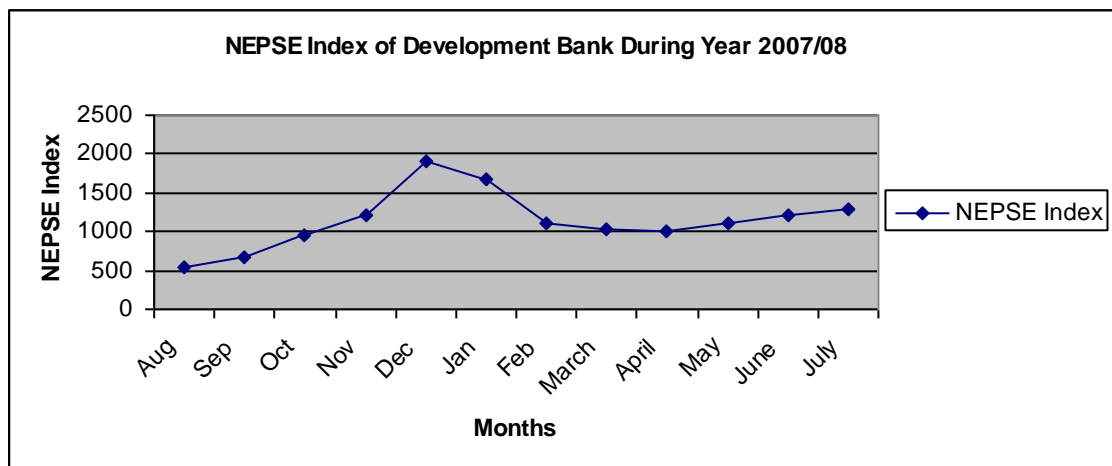
### **I. Monthly Trend Analysis of Development Bank**

**Table 4.16 Monthly Trend Analyses of Development Bank During Year 2007/08**

Months	NEPSE Index	Months	NEPSE Index
Aug	542.05	Feb	1106.89
Sep	672.58	March	1025.70
Oct	947.91	April	1012.33
Nov	1203.60	May	1102.97
Dec	1912.30	June	1207.04
Jan	1662.96	July	1285.89

*Source: - Annual Report of NEPSE 2007/08*

**Fig 4.16 Monthly Trend Analysis of Development Bank During Year 2007/08**



From the above table and figure no. 4.16, we can see that the price index of Development Bank, we conclude that the price trend is in increasing trend up to December 2007. Then it is decreasing in the April 2008 and then after again in increasing trend. The range index is 542.05 points to 1912.60 points; difference between these two points is 1370.55 points. It shows that the price fluctuation of price is highly more. So the Development Bank is one of the most trading companies among all.

In conclusion, the NEPSE Index is not satisfactory, but in improving level for the stock holders and for the brokers. The entire above trend has analyzed taking the base month of August.

#### **4.2.1.4 The Number of Listed Companies in NEPSE**

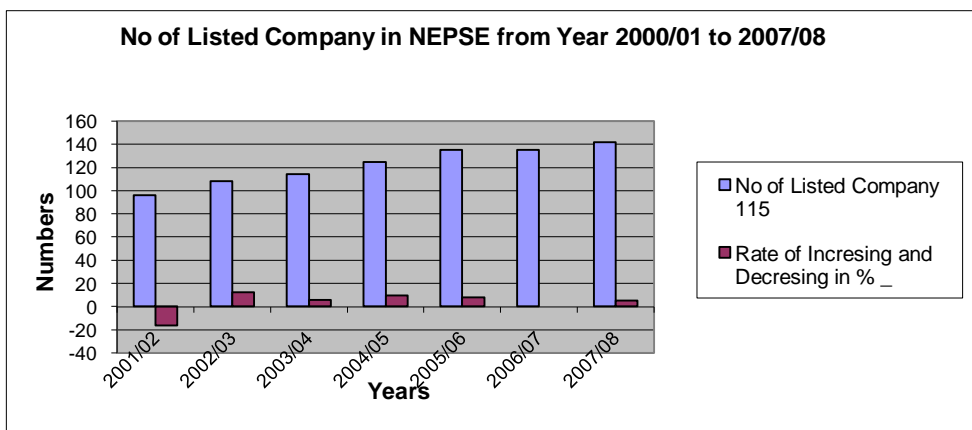
Table no. 4.17 shows that the number of listed companies in Nepal Stock Exchange Ltd from the fiscal year 2000/01 to 2007/08. The table clearly shows that the number of listed company is increasing in every fiscal year without fiscal year 2001/02. In the year 2007/08 the number of listed companies is in increasing trend. This shows that there have been some business opportunities and the many investors have listed their companies in NEPSE. These facts about the listed companies are also presented in bar diagram below.

**Table4.17 Number of Listed Companies in NEPSE During Year 2000/01 to 2007/08**

Fiscal Year	No of Listed Companies	Rate of increasing & decreasing in %
2000/01	115	-
2001/02	96	-16.52
2002/03	108	+12.50
2003/04	114	+5.55
2004/05	125	+9.65
2005/06	135	+8
2006/07	135	0
2007/08	142	+5.2

*Source:- NEPSE Annual Index 2007/08*

**Fig 4. 17 Numbers of Listed Companies in NEPSE During Year 2000/01 to 2007/08**



The above table and figure no. 4.17 simply shows that listed companies in NEPSE during the year 2007/08. From there the listed companies are decreased by 16.52 % from previous year 2000/01. Now , we can see that the listed company trend is in increasing trend. Now there are 142 listed companies from the data of NEPSE.

#### 4.2.1.5 Multiple Bar Diagram

Under the multiple bar diagram, comparative study among the different sectors can be made on the basis of price in different months. Here study of price among nine sectors in different month has been made. Following table clears the above statement.

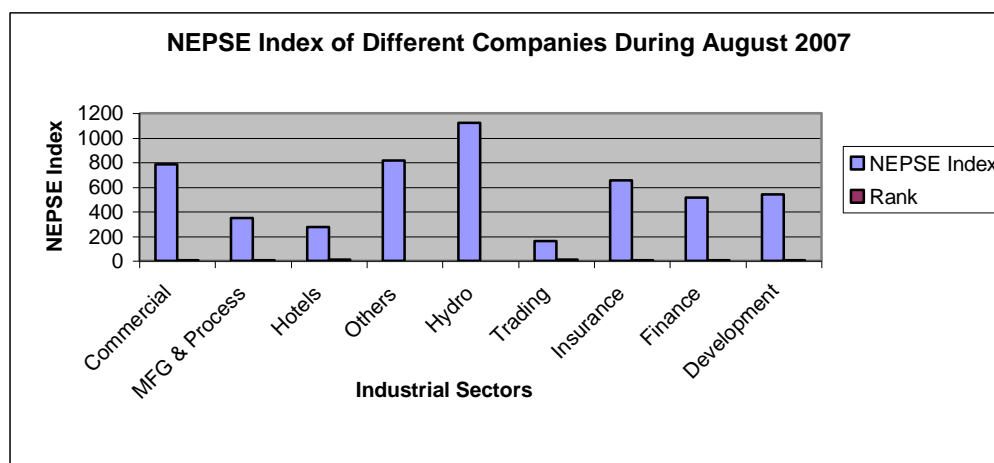
#### A. NEPSE Index Analysis of Multiple Price Index Analysis During the Aug, 2007

**Table 4.18 NEPSE Index of different Company During Aug, 2007.**

Industrial Sectors	NEPSE Index	Rank
Commercial Bank	782.55	3
Manufacturing & Process	347.54	7
Hotels	274.35	8
Others	818.12	2
Hydro Power	1121.49	1
Trading	162.08	9
Insurance	653.37	5
Finance	513.92	6
Development Bank	542.05	4

Source:- Annual Report of NEPSE 2007/08

**Fig 4. 18 NEPS E Index of Different Companies During August, 2007.**





The table no. and figure no. 4.18 shows that the stock price index of the different Nepalese industrial sectors listed in Nepal Stock Exchange Ltd. In the month of August, 2007, the stock price of Hydro Power is in the highest position of 1121.49 points and stock index of trading industries in the lowest position of 162.08 points. The rest 7 companies' indexes are 818.12, 782.55, 653.37, 542.05, 513.92, 347.54 and 274.35 points of Others Industries, Commercial Bank, Insurance Companies, Development Bank, Finance Companies, Manufacturing & Process Company & Hotels respectively. High price of stock represents the positive signal of industries for growth and low price is the bad condition of index.

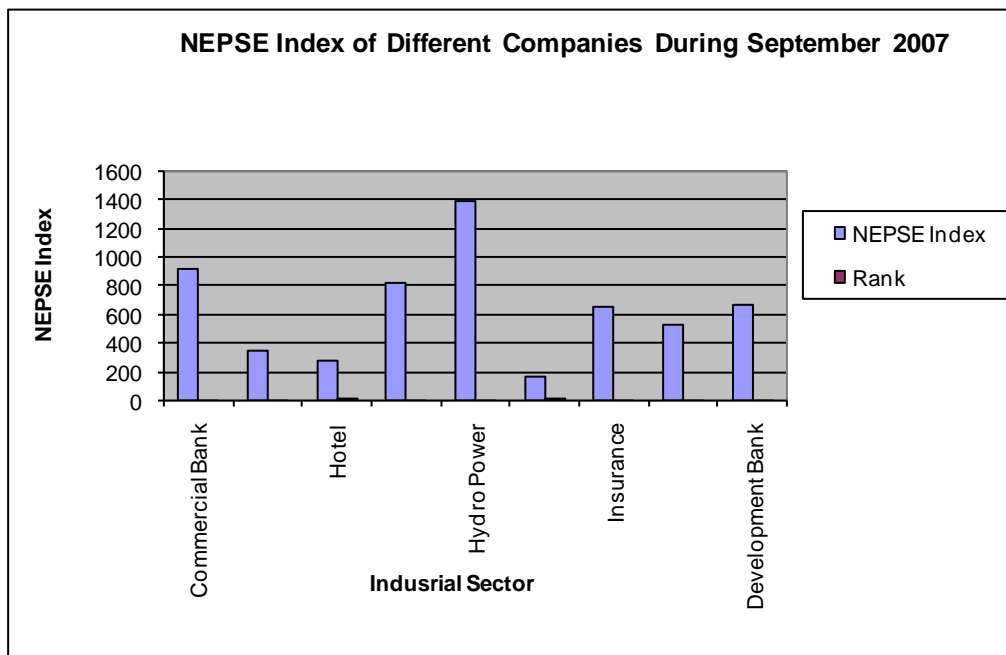
### **B. NEPSE Index Analysis of Multiple Industry During the Month of Sept, 2007.**

**Table4.19 NEPSE Index of Multiple Company During the Sept, 2007**

<b>Industrial Sectors</b>	<b>NEPSE Index</b>	<b>Rank</b>
Commercial Bank	917.58	2
Manufacturing & process	350.00	7
Hotel	280.18	8
Others	818.12	3
Hydro Power	1396.18	1
Trading	162.03	9
Insurance	659.80	5
Finance	528.02	6
Development Bank	672.58	4

*Source:- NEPSE Annual Report 2007/08*

**Fig 4.19 NEPSE Index of Multiple Companies During the Sept, 2007**



Above table & figure no. 4.19 jointly says that the stock price of the different industrial during the month of September, 2007. The stock price of Hydro Company is in the highest position with 1396.18 points and the Trading Industries is in the lowest position with 162.03 points. The rest of the companies the indexes as 917.58, 818.12, 672.58, 659.80, 528.02, 350.00 and 280.18 of Commercial bank, Others companies, Development Banks, Insurance Companies, Finance Companies, Manufacturing & Process company and Hotel Company respectively. High price of stock represents the positive signal of industries for growth and low price is the bad condition of index.

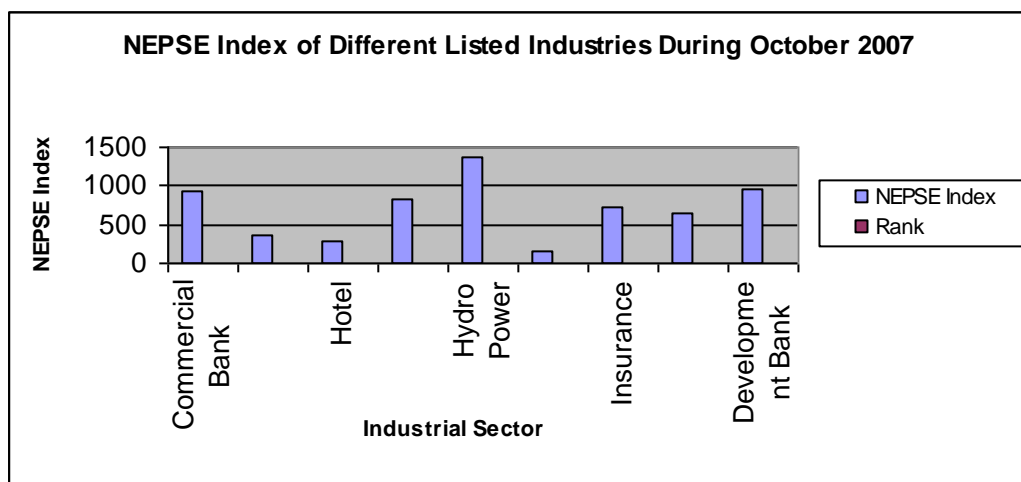
### C. NEPSE Index Analysis of Multiple Industry During the Month of Oct, 2007.

**Table 4.20 NEPSE Index of Multiple Listed Company During Oct, 2007**

Industrial Sectors	NEPSE Index	Rank
Commercial Bank	936.27	3
Manufacturing & Process	350.19	7
Hotel	281.14	8
Others	818.12	4
Hydro Power	1377.31	1
Trading	162.03	9
Insurance	711.54	5
Finance	652.34	6
Development Bank	947.91	2

Source:- NEPSE Annual Report 2007/08

**Fig 4.20 NEPSE Index of Multiple Listed Company During Oct, 2007**



This above table no. and figure no.4.20 jointly represents that the stock price of different industrial sector listed in Nepal Stock Exchange Ltd. during the month of October, 2007. The stock price of Hydro Power is in the first rank and the stock price of the Trading Industries is in the last rank. And Development Bank , Commercial Bank, Other Industries, Insurance Companies, Finance Companies, Manufacturing & Process and Hotel

industries respectively. From the monthly comparative analysis we find that the stock price traded of all industry.

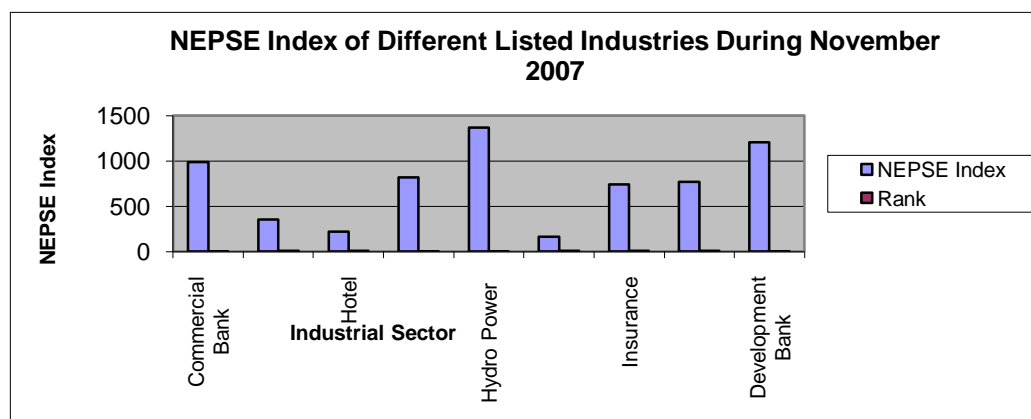
#### D .NEPSE Index Analysis of Different Listed Industry During Month of Nov, 2007

**Table 4.21 NEPSE Index of Different Industry During Nov, 2007**

Industrial Sectors	NEPSE Index	Rank
Commercial Bank	988.39	3
Manufacturing & Process	350.19	7
Hotel	219.60	8
Others	818.12	4
Hydro Power	1362.69	1
Trading	162.32	9
Insurance	742.92	6
Finance	766.02	5
Development Bank	1203.60	2

Source:- NEPSE Annual Report 2007/08

**Fig 4.21 NEPSE Index of Different Industries During Nov, 2007**



In the above table and figure No. 4.21 shows that the stock price of different industrial sectors listed on Nepal Stock Exchange Ltd. during the month of November, 2007, the stock price of Hydro Power is in first rank and the stock price of trading industry is in the last rank. And Development Bank, Commercial Bank, Other Industries, Finance company, Insurance Company, Manufacturing & Process industries and Hotel Industries are remaining ranked respectively.

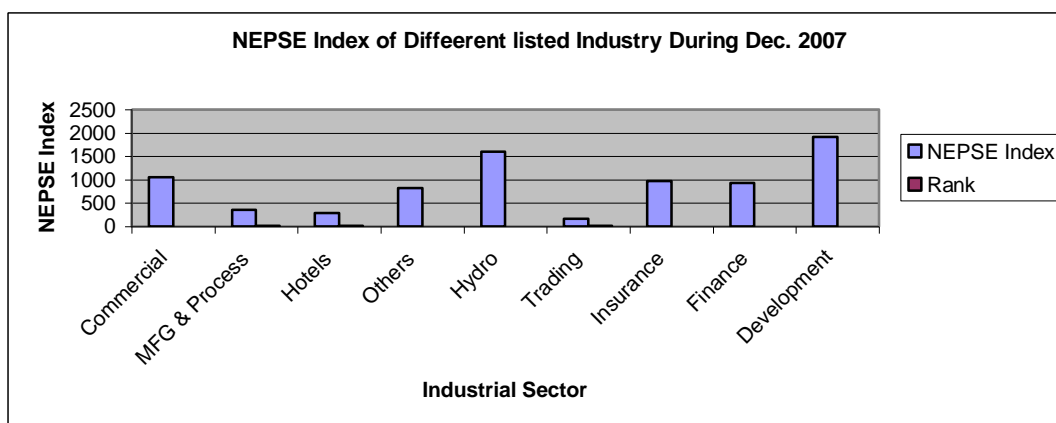
## E. NEPSE Index Analysis of Different Listed Industry During Dec, 2007

**Table 4.22 NEPSE Index of Different Listed Industry During Dec, 2007**

Industrial Sectors	NEPSE Index	rank
Commercial Bank	1056.27	3
Manufacturing & Process	350.19	7
Hotel	285.85	8
Others	818.12	6
Hydro Power	1593.08	2
Trading	165.20	9
Insurance	963.98	4
Finance	929.27	5
Development Bank	1912.30	1

Source:- NEPSE Annual Report 2007/08

**Fig 4.22 NEPSE Index of Different Listed Industries During Dec. 2007**



Above table and figure No. 4.22 jointly says that stock price of different industrial sectors listed on Nepal Stock Exchange Ltd., during the month of December 2007, the stock price of Development bank is in the first rank and the stock price of trading industries in the last rank. And Hydro Power, Commercial Bank, Insurance Companies, Finance Companies, Other Industries, Manufacturing & Processing Industries and Hotel Industries are ranked rest seven industries respectively.

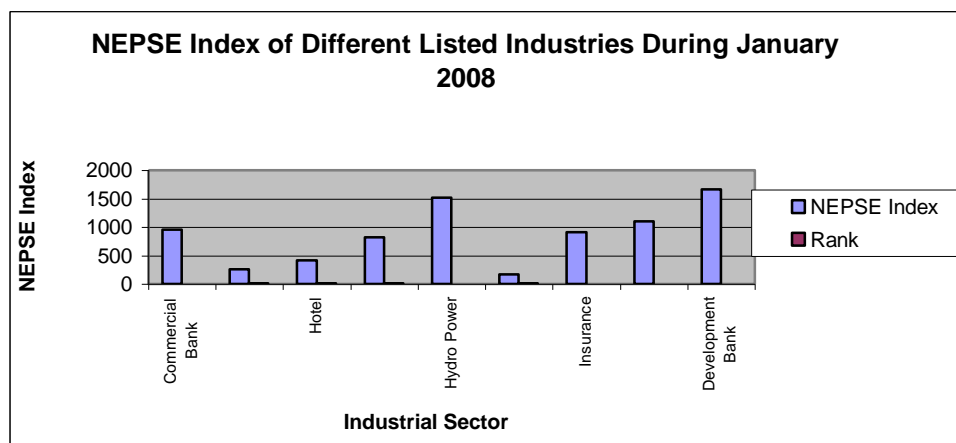
## F. NEPSE Index Analysis of Different Listed Industries During January, 2008

**Table 4.23 NEPSE Index of Listed Industry During Jan, 2008**

Industrial Sectors	NEPSE Index	rank
Commercial Bank	951.26	4
Manufacturing & Process	257.28	8
Hotel	420.97	7
Others	818.12	6
Hydro Power	1515.57	2
Trading	165.20	9
Insurance	915.15	5
Finance	1102.89	3
Development Bank	1662.96	1

Source:- NEPSE Annual Report 2007/08

**Fig 4.23 NEPSE Index of Different Listed Industry During Jan, 2008**



In the above table and figure No. 4.23 jointly represents that stock price of different industrial sectors listed on Nepal Stock Exchange Ltd., during the month of January 2008; the stock price of Development bank is in the first rank and the stock price of trading industries in the last rank. And Hydro Power, Finance Companies, Commercial Bank, Insurance Companies, Other Industries, Hotel Industries and Manufacturing & Processing Industries are ranked rest seven industries respectively.

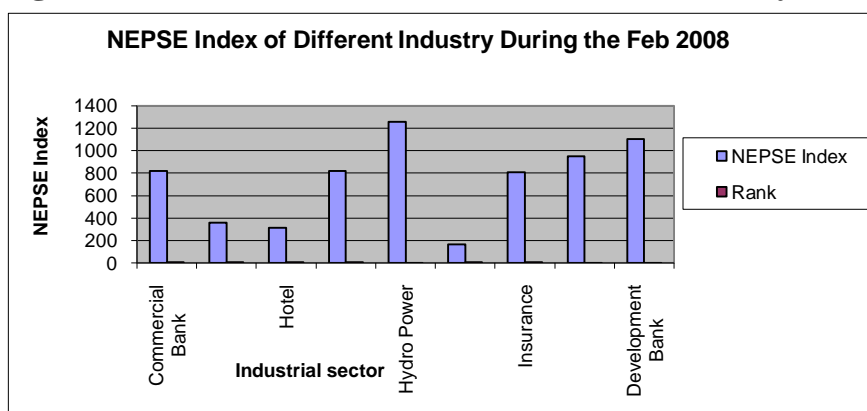
## G. NEPSE Index Analysis of Different Listed Industry During Feb, 2008

**Table4.24 NEPSE Index of Listed Industry During Feb, 2008**

Industrial Sectors	NEPSE Index	rank
Commercial Bank	817.63	5
Manufacturing & Process	360.96	8
Hotel	313.56	7
Others	818.12	4
Hydro Power	1257.61	1
Trading	162.32	9
Insurance	808.11	6
Finance	952.17	3
Development Bank	1106.89	2

*Source:- NEPSE Annual Report 2007/08*

**Fig4.24 NEPSE Index of Different Listed Industry During Feb, 2008**



In the above table and figure No. 4.24 jointly represents that stock price of different industrial sectors listed on Nepal Stock Exchange Ltd., during the month of February 2008. The stock price of Hydro Power is in the highest position of 1257.61 points and the stock price of trading industries in the lowest position of 162.32 points. Other remaining price indexes are 1106.89, 952.17, 818.12, 817.63, 808.11, 4013.56 and 360.96 points of other companies, Development Banks, Finance Companies, Other Industries, Commercial Bank, Insurance Companies, Hotel Industries and Manufacturing & Processing Industries respectively.

#### **H. NEPSE Index Analysis of Different Listed Industries During March, 2008**

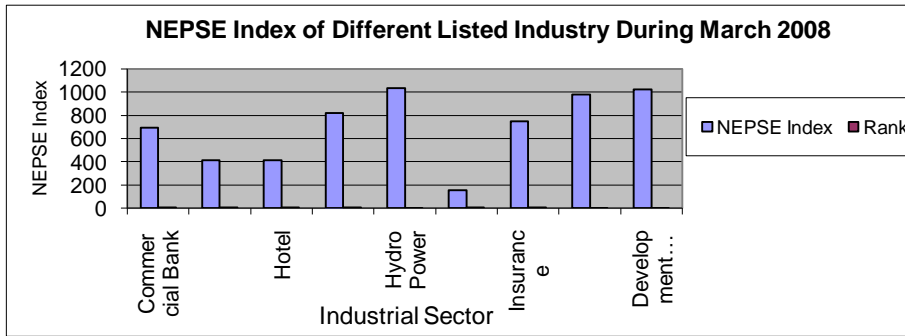
**Table 4.25 NEPSE Index of Different Listed Industry During March, 2008**

<b>Industrial Sectors</b>	<b>NEPSE Index</b>	<b>rank</b>
Commercial Bank	691.12	6
Manufacturing & Process	410.52	8
Hotel	414.79	7
Others	817.47	4
Hydro Power	1033.30	1
Trading	151.66	9
Insurance	746.04	5
Finance	978.26	3
Development Bank	1025.70	2

*Source: - NEPSE Annual Report 2007/08*

**Fig 4.25 NEPSE Index of Different Listed Industries During March, 2008**





In the above table and figure No. 4.25 jointly represents that stock price of different industrial sectors listed on Nepal Stock Exchange Ltd., during the month of March 2008. The stock price of Hydro Power Company is in again the highest position with 1033.30 points and then the second, third, fourth, fifth, sixth, seventh, eighth and ninth are Development Bank, Finance Companies, Other Industries, Insurance Companies, Commercial Bank, Hotel Industries, Manufacturing & Processing Industries and Trading Industries are ranked respectively.

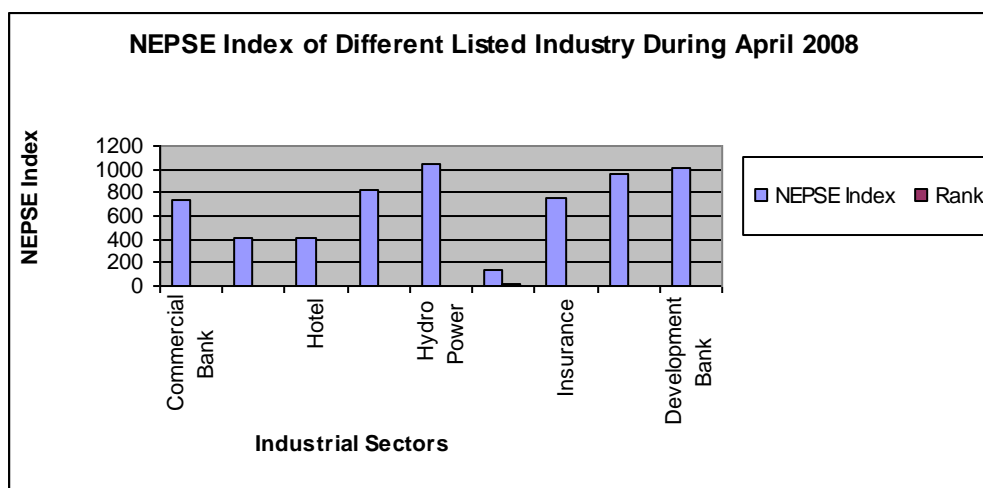
### I. NEPSE Index Analysis of Different Listed Industries During April, 2008

**Table 4.26 NEPSE Index of Different Listed Industries During April, 2008**

Industrial Sectors	NEPSE Index	rank
Commercial Bank	739.56	6
Manufacturing & Process	414.52	7
Hotel	409.69	8
Others	817.47	4
Hydro Power	1054.06	1
Trading	128.76	9
Insurance	751.16	5
Finance	964.04	3
Development Bank	1012.33	2

*Source:- NEPSE Annual Report 2007/08*

**Fig 4.26 NEPSE Index of Different Listed Industries During April, 2008**



From the above table and figure No. 4.26 jointly says that stock price of different industrial sectors listed on Nepal Stock Exchange Ltd., during the month of April 2008. The stock price of Hydro Power in the highest position with 1054.06 points and the stock price of trading industries in the lowest position with 128.76 points, then Development Banks, Finance Companies, Other Industries, Insurance Companies, Commercial Banks, Manufacturing & Processing Industries and Hotels are ranked respectively.

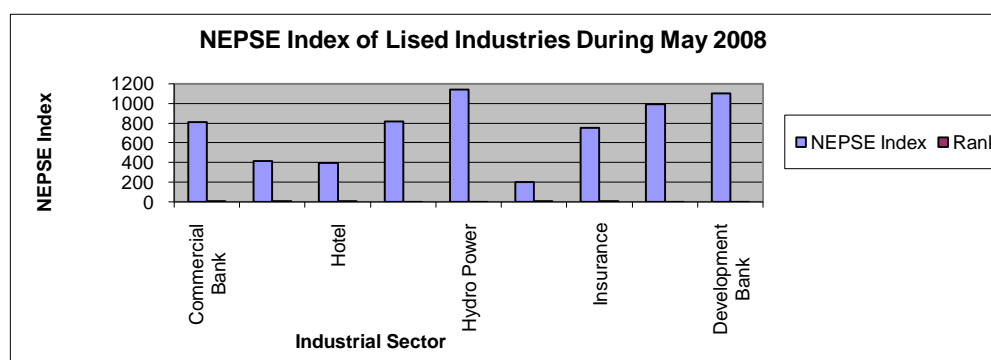
## J. NEPSE Index Analysis of Different Listed Industries During May, 2008

**Table 4. 27 NEPSE Index of Different Listed Industries During May, 2008**

Industrial Sectors	NEPSE Index	rank
Commercial Bank	810.94	5
Manufacturing & Process	412.70	7
Hotel	392.88	8
Others	817.47	4
Hydro Power	1140.89	1
Trading	199.88	9
Insurance	749.72	6
Finance	994.50	3
Development Bank	1102.97	2

Source: - NEPSE Annual Report 2007/08

**Fig 4.27 NEPSE Index of Listed Industry During May, 2008**



In the above table and figure No. 4.27 jointly says that stock price of different industrial sectors listed on Nepal Stock Exchange Ltd., during the month of May 2008. The stock price of Hydro Power is in again the first rank. Its index is 1140.89 points, Development Bank is in second rank with index of 1102.97 points, Finance Company is in third rank with 994.50 points, Other Industry is in fourth rank with 817.47 points, Commercial Bank is in the fifth rank with 810.94 points, Insurance Company is in the sixth rank with 749.72 points, Manufacturing & Processing Industry is in

eighth rank with 392.88 points and again last one is Trading Industry with 199.88 points.

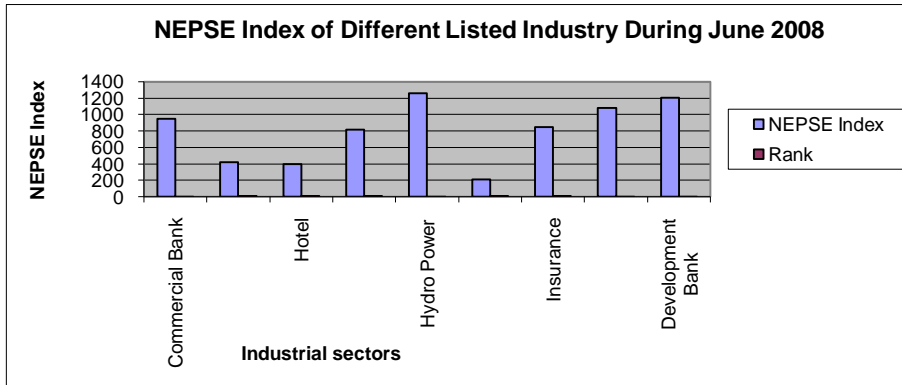
### **K. NEPSE Index Analysis of Different Listed Industries During June, 2008**

**Table 4. 28 NEPSE Index of Different Listed Industries During June, 2008**

<b>Industrial Sectors</b>	<b>NEPSE Index</b>	<b>Rank</b>
Commercial Bank	951.33	4
Manufacturing & Process	418.82	7
Hotel	394.07	8
Others	817.47	6
Hydro Power	1256.78	1
Trading	213.40	9
Insurance	844.88	5
Finance	1083.29	3
Development Bank	1207.04	2

*Source: - NEPSE Annual Report 2007/08*

**Fig 4.28 NEPSE Index of Listed Industries During June, 2008**



In the above table and figure No. 4.28, we find that the stock price of different industrial sectors listed on Nepal Stock Exchange Ltd., during the month of June 2008. The stock price of Hydro Power is in again ranked in first position. Its index is 1256.78 points. And then after Development Bank, Finance Company, Commercial Bank, Insurance Company, Other Industries, Manufacturing and Process Industries, Hotel Industries and Trading Industries ranked respectively.

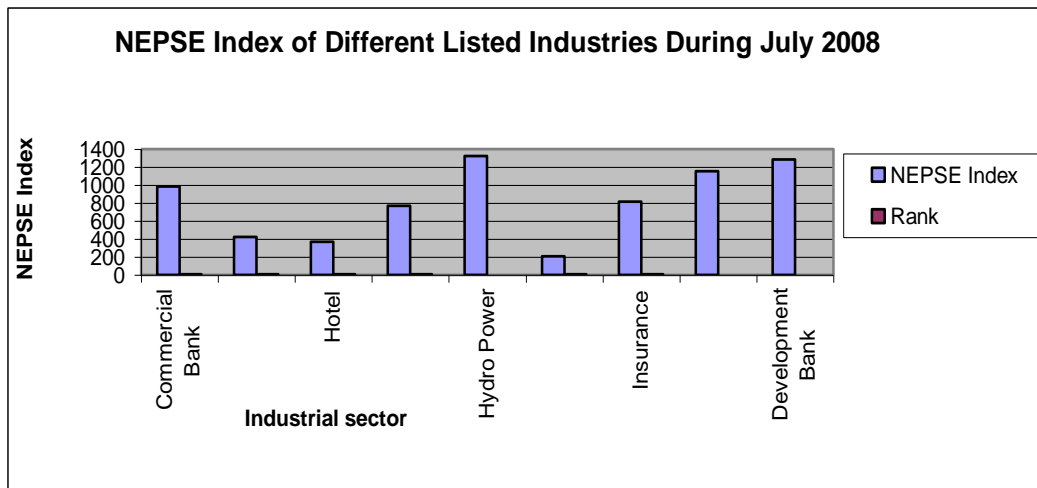
#### L. NEPSE Index Analysis of Different Listed Industries During July, 2008

**Table 4. 29 NEPSE Index of Listed Industries During July, 2008**

Industrial Sectors	NEPSE Index	rank
Commercial Bank	985.65	4
Manufacturing & Process	423.66	7
Hotel	370.88	8
Others	768.26	6
Hydro Power	1323.99	1
Trading	204.08	9
Insurance	817.25	5
Finance	1152.74	3
Development Bank	1285.89	2

Source:- NEPSE Annual Report 2007/08

**Fig 4.29 NEPSE Index of Different Listed Industries During July,**



**2008**

In the above table and figure No. 4.29 jointly says that stock price of different industrial sectors listed on Nepal Stock Exchange Ltd., during the month of July 2008. The stock price of Hydro Power is in the first rank. Its index is 1323.99 points; Development Bank is in second rank with index of 1285.89 points, Finance Company is in third rank with 1152.74 points, Commercial Bank is in fourth rank with 985.65 points, Insurance Company is in the fifth rank with 817.25 points, Other Industries is in the sixth rank with 768.26 points, Manufacturing & Processing Industry is in seventh rank with 423.66 points, Hotel Industry is in the eighth rank with 370.88 and again last one is Trading Industry with 204.08 points.

From above all months index analysis, Hydro Power Industries, Development Banks, Finance Companies, Other Industries and Commercial Banks, Insurance Companies and Manufacturing and Process industries are in better position, than other industries which are listed in the Nepal Stock Exchange. Trading and Hotel Industries are in the worse position, their price index are very low in every months.

#### **4.2.1.6 Number of Security Business Persons**

History of capital market in Nepal is not so old. People and organized company are not devoted upon this sector even now. Limited number of company and persons are trading in this sector. We can clear this fact by following table.

**Table 4. 30 No. of Securities Business Person from Year 1999/00 to 2007/08**

Securities Business person	Fiscal Year								
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Securities Broker	27	27	27	27	27	27	24	24	23
Issue Manager	10	10	10	9	9	9	9	9	11
Market Maker	3	1	-	-	-	-	-	3	2
Securities Dealer	2	2	2	2	2	2	2	2	2
<b>Total</b>	<b>42</b>	<b>40</b>	<b>39</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>35</b>	<b>38</b>	<b>38</b>

*Source: SEBO Annual Report 2007/08*

**Fig 4.30 No. of Securities Business Person from Fiscal Year 1999/00 to 2007/08**

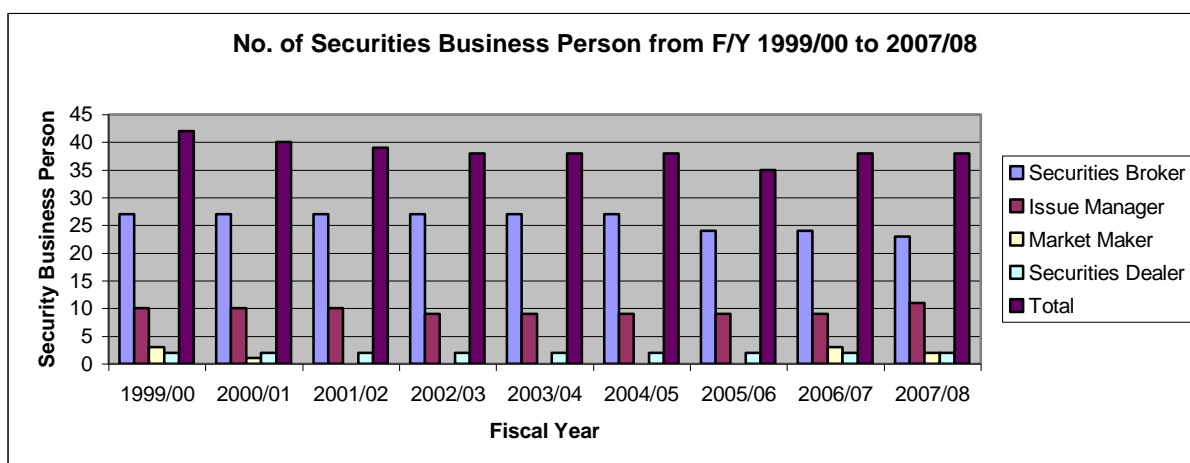


Table and figure No. 4.30 shows that the number of business persons is decreasing in each fiscal year. Cause may be the depression in the securities market.

#### 4.2.1.7 No. of Listed Companies, Transacted Companies and Volume of Stock Traded

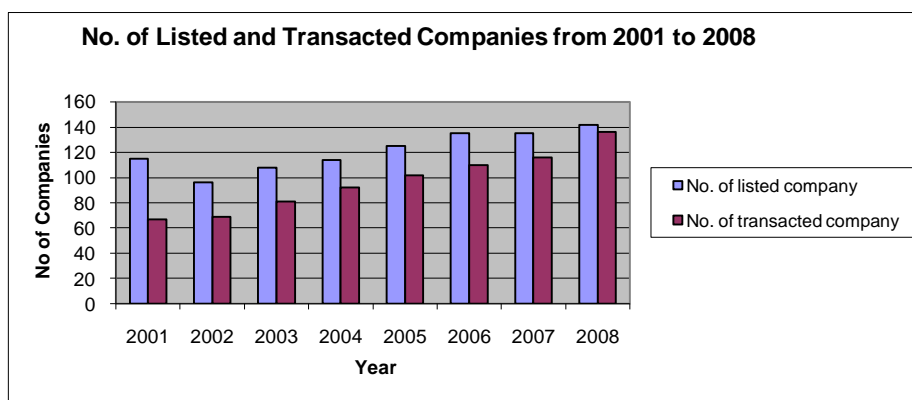
Although the numbers of listed companies are in increasing trend, the no. of transacting companies is also in increasing trend. Table No. 4.31 Shows that the volume of stock traded are in increasing trend but in the year 2003 and 2006 it was in decreasing trend but in the final year 2007/08 there has been a rapid increase in the volume of stock traded.

**Table 4.31 No. of Listed and Transacted Companies During Fiscal Year 2001 to 2008**

Years	No. of listed company	No. of transacted company	Volume of stock trade (000)
2001	115	67	4989
2002	96	69	6005
2003	108	81	2428
2004	114	92	6468.18
2005	125	102	18433.55
2006	135	110	12221.93
2007	135	116	18147.25
2008	142	136	26710.04

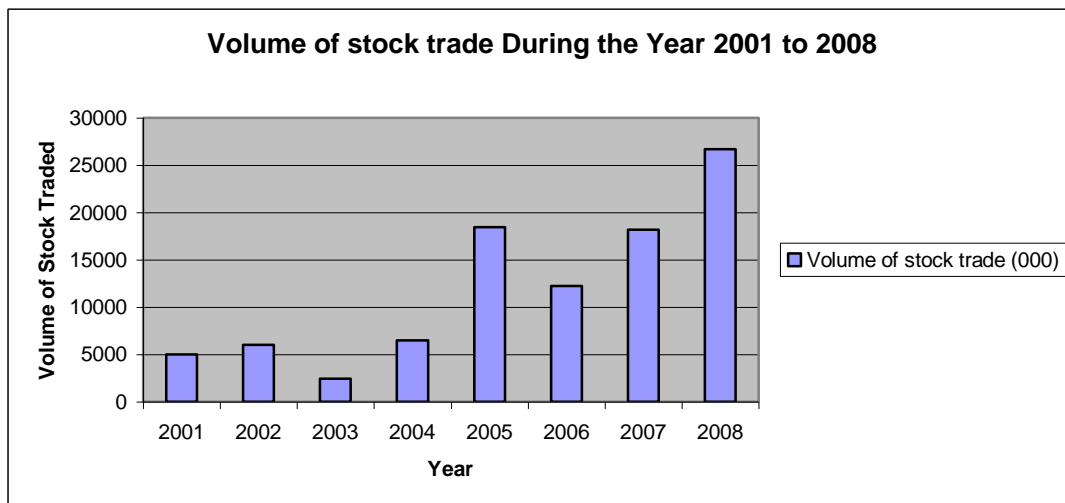
*Source: Security Board Annual Report 2007/08*

**Fig 4.31 No. of Listed and Transacted Companies During Fiscal Year 2001 to 2008**





**Fig 4.32 Volume of Stock Traded During 2001 to 2008**



#### 4.2.1.8 Correlation Analysis

Correlation analysis is defined as the statistical technique, which measures the degree and direction of relationship or association between/among the variables. In other words, it helps in standing the covariance two or more variables. Correlation analysis does not tell any thing about cause and effect relationship i.e. if there is high degree of correlation between the variables, we can not say which is the cause and which is the effect.

Here, it is analyzed the relationship of NEPSE index and other variables base on correlation analysis.

The simple Karl Person's direct formula is used for determining correlation between NEPSE index and other variables.

Formula,

$$r = \frac{n \sum x_1 x_2 - \sum x_1 \sum x_2}{\sqrt{n \sum x_1^2 - (\sum x_1)^2} \sqrt{n \sum x_2^2 - (\sum x_2)^2}}$$

where, r = correlaiton

N = No. of observation

X<sub>1</sub> = Dependent Variable

X<sub>2</sub> = Independent Variable

## Correlation Between NEPSE index and Volume of Stock Traded During Period of 2001 to 2008.

**Table 4.32 NEPSE Index and Volume of Stock Traded and its Correlation**

Year	NEPSE Index	Volume of stock traded (000)	Correlation ( R )
2001	348.43	4989	
2002	227.54	6005	
2003	204.86	2428	
2004	222.04	6468.18	
2005	286.67	18433.55	
2006	386.83	12221.93	
2007	683.95	18147.25	
2008	963.36	26710.04	0.845522

*Source:- NEPSE Annual Report 2007/08*

Above table shows NEPSE index, volume of stock traded and its correlation from year 2001 to 2008. From the correlation analysis we found that NEPSE index and volume of stock trading have positive correlation ( i. e. 0.845522), we found that the correlation value is satisfied. We also find out that cause and effect relationship is existed in this situation, for example if NEPSE index is high, the market will be influenced and investor will be motivated to invest on stock as a result the volume of stock trading also will increase. On other hand, if volume of stock trading is high, the company's reputation will increase, consequently the demand of the stock investment also increase a result stock price and its index also increase.

**Correlation between NEPSE Index and No. of Listed Companies during period of 2001 to 2008.**

**Table 4.33 NEPSE Index and No. of Listed Companies and its Correlation**

Year	NEPSE Index	No. of Listed Companies	Correlation ( R )
2001	348.43	115	
2002	227.54	96	
2003	204.86	108	
2004	222.04	114	
2005	286.67	125	
2006	386.83	135	
2007	683.95	135	
2008	963.36	142	0.792118

*Source:- NEPSE Annual Report 2007/08*

Above table shows NEPSE Index, no. of listed companies and its correlation during year 2001 to 2008. From the correlation analysis we found that NEPSE index and no. of listed companies have positive relationship ( i. e. 0.792118). Here, we found that the correlation value is satisfied. The cause and effects relationship is not existed at that situation because we can't predict the future form this relationship. Some time no. of listed companies are increasing but there might not increase the stock index.

Now, there is a situation of positive correlation between NEPSE index and no. of listed companies from analysis sprcific time period. It shows higher no. of listed companies increseases the NEPSE index increase, investors will demand stock investment to invest in different stocks. They purchase high no. of stock of different company consequently no. of listing companies will begin to increase.

#### **4.2.1.9 Number of Companies Deleted from the Stock Exchange**

“According to stock exchange act, 1983 there is provision of delemiting the companies which are not able to disclose the documents regarding annual general meeting, audit report, and unable to pay the annual fees of listing in NEPSe up to two years can be deleted from NEPSE. Due to thesesse very various provisions of NEPSE recently has deleted some companies from its list. NEPSE has started such type of activities for the first time in its history. The names of companies that are deleted from NEPSE are given in ANNEX – IV” (Bachchu Ram Dahal, 2001;60)

#### **4.2.1.10 Analysis of the Environment Effects on the Stock Price**

Nepalese stock market is not perfect and matured. Lack of the knowledge in investors, lack of the proper government policy, manipulated activities of brokers and in unstable politics has directly affected the stock market. Sometimes, national and international signaling effects may be the price determining factor of Nepalese securities market.

To test the stock price change dependent or independent on environmental factor paired t-test has been conducted. To find the impact of environmental factor on stock price, 20 days NEPSE index of these incidents has been taken. NEPSE index, 10 days before and after the incident, has been taken to analyze the impact on stock price. NEPSE index can be seen in the ANNEX- III.

Hypothesis between major events of the country and NEPSE price are made to find out the result. For this purpose, null hypothesis and alternative hypothesis is the base of the study.

#### **Hypothetical decision on the Establishment of Lok Tantra**

##### **Formulation of Hypothesis**

a) **Null hypothesis (Ho) :**  $\bar{d} = 0$  i.e. there is no significant differnece between the NEPSE index before and after establishment of Lok Tantra in Nepal.

b) **Alternative hypothesis (H<sub>1</sub>)** :  $\bar{d} \neq 0$  i.e. there is significant difference between the NEPSE index before and after establishment of Lok Tantra in Nepal.

Mean Deviation ( $\bar{d}$ ) = 28.332

Standard error ( $\delta$ ) = 14.15

Level of Significant ( $\alpha$ ) = 5%

No. of Observation (n) = 10

Test Statistics under H<sub>0</sub>:

$$t = \frac{\bar{d}}{\delta/\sqrt{n}} = 6.327$$

where,

$$\delta = \sqrt{\frac{1}{n-1} \left[ \sum d^2 - \frac{(\sum d)^2}{n} \right]}$$

n = no. of observation

d= difference in the observation

d<sup>2</sup>= square of difference in observation

$\delta$ = standard deviation

**Area of critical Reason:**

Table value of t at 5% level of significant (10 – 1) = 9 df in two tailed test is 2.262

**Decision:**

Calculated value |t| > tabulated |t|, therefor H<sub>0</sub> is rejected and H<sub>1</sub> is accepted which means there is significant different between the NEPSE index before and after establishment of Lok Tantra in Nepal.

## Hypothetical decision on the Royal move on Government

### Formulation of Hypothesis

c) **Null hypothesis (H<sub>0</sub>)** :  $\bar{d} = 0$  i.e. there is no significant difference between the NEPSE index before and after the Royal move on Government.

d) **Alternative hypothesis (H<sub>1</sub>)** :  $\bar{d} \neq 0$  i.e. there is significant difference between the NEPSE index before and after the Royal move on Government.

Mean Deviation ( $\bar{d}$ ) = 9.47

Standard error ( $\delta$ ) = 3.25

Level of Significant ( $\alpha$ ) = 5%

No. of Observation (n) = 10

Test Statistics under H<sub>0</sub>:

$$t = \frac{\bar{d}}{\frac{\delta}{\sqrt{n}}} = 9.21$$

### Area of critical Reason:

Table value of t at 5% level of significant (10 – 1) = 9 df in two tailed test is 2.262

### Decision:

Calculated value  $|t| >$  tabulated  $|t|$ , therefore H<sub>0</sub> is rejected and H<sub>1</sub> is accepted which means there is significant difference between the NEPSE index before and after the Royal move on Government.

## Hypothetical decision on Nepal's Entry on WTO

### Formulation of Hypothesis

e) **Null hypothesis (H<sub>0</sub>)** :  $\bar{d} = 0$  i.e. there is no significant difference between the NEPSE index before and after Nepal's Entry on WTO.

f) **Alternative hypothesis (H<sub>1</sub>)** :  $\bar{d} \neq 0$  i.e. there is significant difference between the NEPSE index before and after Nepal's Entry on WTO.

Mean Deviation ( $\bar{d}$ ) = 3.082

Standard error ( $\delta$ ) = 2.5259

Level of Significant ( $\alpha$ ) = 5%

No. of Observation (n) = 10

Test Statistics under  $H_0$ :

$$t = \frac{\bar{d}}{\delta / \sqrt{n}} = 3.8559$$

**Area of critical Reason:**

Table value of t at 5% level of significant (10 – 1) = 9 df in two tailed test is 2.262

**Decision:**

Calculated value  $|t| >$  tabulated  $|t|$ , therefor  $H_0$  is rejected and  $H_1$  is accepted which means there is significant different between the NEPSE index before and after Nepal's Entry on WTO.

**Table no. 4.34 Summary of Result from Hypothesis Paired t-test**

S.N.	Events	Tabulated value	Calculated value	Accepted / Rejected		Impacted on NEPSE
				$H_0$	$H_1$	
1.	Estb. Of Lok Tantra	2.262	6.327	Reject	Accept	Negative
2.	Royal Moved on Govt.	2.262	9.21	Reject	Accept	Negative
3.	Nepal's Entry on WTO	2.262	3.8559	Reject	Accept	Negative

From the above table it is clear that, the paired t-test tabulated value at 9 degree of freedom at 5% level of significant for two tailed test is 2.262. The calculated value is more than tabulated value. It means the  $H_1$  has accepted and the successive price changes of stock depend on the environmental incidence. From the above calculation, it has also been found that the calculated value of the event established of Lok Tantra, Royal Moved on

Government and Nepal's Entry on WTO have positive value of 't' indicate that negative impacted on NEPSE index.

Finally, it can be concluded that signaling factors played major roll in determining NEPSE index value. From the major three event analysis on above table show that signaling factor had certain relation for NEPSE index.

### **4.3 Presentation and Analysis of Primary Data**

Primary data always plays the vital role to make the research task meaningful as well as concrete. The study has followed secondary data as supporting base which has been taken from previous resources, studies, report, library search and other related documents. In the course of availing first hand data to justify the study on the topic primarily, interviews and questionnaire method have been made applicable. It reveals the important information as to outlook of the investment decision of investors.

#### **4.3.1 Questionnaire Analysis**

There are so many method of collection of primary data, among them one of the important method of primary data collection is questionnaire method. Under this method, important questions are set and provided to the related parties to take theirs opinion about the stock market. A number of questions were put up by means of 50 copies of questionnaire categorically; the question raised through this means were of three types:

1) Yes / No Questions 2) Multiple choice questions 3) Scaling questions

100% of the questionnaire was collected from the field survey. The questionnaire so collected is thus related to find out the opinion of investors on investment action for trading shares through secondary market. Questionnaire format has shown in ANNEX-1. Their responses have been analyzed as follows:

#### **4.3.2 Influencing Factors Analysis**



Regarding the major influencing factors for the stock price, different brokers, individual investors, institutional investors and NEPSE staffs gave different views on their own ideas. 16% of them give their view as company's profit as the influencing factor, 18% gave their view as company's performance, 4% said as company's board of directors, 30% said as company's dividend, 24% said as signaling factors and rest 8% said as above all. table No. 4.34 provides the clear picture of this subject as follows.

**Table 4.35 Influencing Factors of the Stock Price**

S. N.	Research variable	No of viewers	% of viewers
1	Company's profit	8	16
2	Company's performance	9	18
3	Company's board of directors	2	4
4	Company's dividend	15	30
5	Signaling factor	12	24
6	Above all	4	8
<b>Total</b>		<b>50</b>	<b>100</b>

*Source:- Field Survey*

#### **4.3.1.2 Trend Analysis**

Regarding the suitability trend of stock price movement, different investors, NEPSE staffs and brokers gave the different opinion in their own ideas; 60% of them provided their opinion as bullish trend, 20% provided their opinion about bearish trend, 10% gave their opinion about optimum trend and 10% gave their opinion about none of the above trend. Following table shows the clear picture about the above subject matter.

**Table 4.36 Suitability Trend of Stock Price Movement**

S. N.	Research variable	No of viewers	% of viewers
1	Bullish trend	30	60
2	Bearish trend	10	20
3	Optimum trend	5	10
4	None of them	5	10
<b>Total</b>		<b>50</b>	<b>100</b>

*Source:- Field Survey*

#### **4.3.1.3 Causes of holding the Share**

Different parties were asked for their interest on investment motives if they were interested on investment motives if they were interested with dividend, social status and marketing and above all, 20% of the investors said as social status, 40% of the investors said as income, 20% of the investors said as marketing and 20% of the investors said as above all. Following table gives the detailed information about this:

**Table 4. 37 Causes of Holding the Share of Company**

S.N.	Research variable	No of viewers	% of viewers
1	Social status	10	20
2	Income	20	40
3	Marketing	10	20
4	Above all	10	20
<b>Total</b>		<b>50</b>	<b>100</b>

*Source:- Field Survey*

#### **4.3.1.4 Sector of Investment Analysis**

regarding the sector of investment, different parties gave their own opinion, among them, 50% of them gave their opinion about banking sector, 10% of them gave their opinion regarding trading sector, 20% gave their opinion about manufacturing sector, 20% gave their opinion about others and none of them gave their opinion above all are unsecured. Following table shows the clear picture about the above subject:-

**Table 4. 38 Sector wise Analyses of Investors**

S. N.	Research variable	No of veiwers	% of viewers
1	Banking sector	25	50
2	Trading sector	10	20
3	Manufacturing sector	10	20
4	Others	5	10
5	Above all are unsecured	–	–
<b>Total</b>		<b>50</b>	<b>100</b>

*Source:- Field Survey*

#### **4.3.1.5 International Environment Analysis**

Regarding the international environment effect in the Nepalese stock market, different individual investors, institutional investors, brokers, NEPSE staffs and others gave their own ideas about this, among them, 80% respondents replied that international environment effect the Nepalese stock market, 10% respondents replied that international environment do not effect the Nepalese stock market and 10% of the respondents replied that they are unknown about this:

**Table 4.39 Opinion of International Environment Fffect**

S.N.	Research Variable	No of Viewers	% of viewers
1	Yes	40	80
2	Know	5	10
3	Don't know	5	10
<b>Total</b>		<b>50</b>	<b>100</b>

*Source:- Field Survey*

#### **4.3.1.6 HMG's Policy Analysis**

Regarding the HMG's policy is not clear and perfect in Nepalese stock market, different respondents replied their answers through questionnaire, among them, 60% of the respondents replied that government policy of stock market is not clear and perfect, 24% of the respondents replied that government policy of stock market is clear and perfect but 16% of the respondents replied that they are unknown about the policy of government in the stock market. Following table shows the clear picture about this:

**Table 4.40 HMG's Policy Analysis**

S. N.	Research Variable	No of Viewers	% of Viewers
1	Yea	30	60
2	No	12	24
3	Don't know	8	16
<b>Total</b>		<b>50</b>	<b>100</b>

*Source:- Field Survey*

#### **4.3.1.7 Investors Awareness Analysis**

Regarding the investors awareness analysis, different respondents replied their answers as follows, 20% of the respondents replied that investors in the Nepalese stock market are aware, 70% of the respondents in the Nepalese stock market are not aware, 4% of the respondents replied that they cant say about this and 6% of the respondents had no response about this. Following table shows the clear picture about this:

**Table 4.41 Investors Awareness on Stock Market**

S.N.	Research Variable	No of Viewers	% of Viewers
1	Yes	10	20
2	No	35	70
3	Cant say	2	4
4	blank	3	6
<b>Total</b>		<b>50</b>	<b>100</b>

*Source:- Field Survey*

#### **4.3.1.8 Underwriters' Honesty Analysis**

Question regarding the underwriters honesty in the Nepalese stock market, different respondents replied their opinion and experience on their own ideas, 30% of the respondents replied that underwriters of the Nepalese stock market are honest, 40% of the respondents replied that underwriters

of the Nepalese stock market are not honest, 10% of the respondents replied that they don't know about this and 20% of the respondents no response for the question. Following table shows the clear picture about the above statement:

**Table 4.42 Underwriter's Honesty in Nepalese Stock Market**

S.N.	Research Variable	No of Viewers	% of Viewers
1	Yes	15	30
2	No	20	40
3	Don't know	5	10
4	Blank	10	20
<b>Total</b>		<b>50</b>	<b>100</b>

*Source:- Field Survey*

#### 4.3.1.9 Decision Making Analysis

Regarding the decision to invest in shares in the secondary market, different respondents (brokers, individual investors, institutional investors, NEPSE staff and others) replied as so nobody said that he/she takes the decision on the basis of family advice and rumors, 40% take the decisions on the basis of rumors, 40% of the respondents replied that their bases of decision making is own analysis and 20% of the responded replied that their basis of the decision making is market price . This statement has been cleared from the following table:

**Table 4. 43 Basis of Decision Making on Secondary Market**

S.N.	Research Variable	No of Viewers	% of Viewers
1	Family advice	–	–
2	Rumor	20	40
3	Own analysis	20	40

4	Market price	10	20
<b>Total</b>		<b>50</b>	<b>100</b>

*Source:- Field Survey*

#### **4.3.1.10 Trading Difficulties Analysis**

Regarding the trading difficulties in shares in Nepalese stock market, different respondents replied different opinions, among them, 60% of the respondents replied that there are difficulties in trading shares in Nepalese stock. 24% of the respondents replied that there are no any difficulties in trading shares in NEepalese stock market and 16% of the respondent replied that they don't know about this, following table clears the above statement:

**Table 4.44 Trading Difficulties Analysis**

S. N.	Research Variable	No of Viewers	% of viewers
1	Yes	30	60
2	No	12	24
3	Don't know	8	16
<b>Total</b>		<b>50</b>	<b>100</b>

*Source:- Field Survey*

#### **4.3.1.11 Analysis of Free Opinions of Respondents**

Out of 12 questions about stock market only 2 questions were arisen as open-end questions. About the questions ANNEX- 1 clears for the related parties. Question no 11 is related with the major problem of Nepalese stock market and question no 12 is related with the suggestion about developing the Nepal stock market.

Out of 50 questionnaire papers only 52% respondents replied about this questions and rest 48% respondents no response about this question. So opinions are taken here only from 52% respondents. Actually making the report as original from all the common as well as niw suggestie points are presented here as follows:-

**Question No. (11):** In your opinion, what are the major problems of Nepalese stock market?

**Here, respondents said:**

- Lack of awareness in the people.
- Lack of rules and regulation of government.
- Lack of another stock exchange ltd.
- Downword economy of the country.
- Annual general meeting is not timely.
- Only one house of trading.
- Lack of industries.
- Lack of foreign investors.
- Number of brokers and investors are very few.
- Brokers are not working professionally.
- Ownership transfer process is very lengthy.
- There is no timely presentation of financial statement.
- Automation development.
- Less transparency.
- Information about stock was not coming timely.
- Lack of knowledge of investors and rural people.
- Unstablished government of country.
- Weak buying and selling system.
- Middle man tries to cheat.
- Companies are not honest.
- Proper information about the listed company.
- High rate of speculation.

In another question about Nepalese stock market development, different parties gave their suggestions as follows:

**Questions No. 12:-** In your opinion, how to develop the Nepalese stock market?

**Respondents said:**

- Proper rules and regulation of the government.
- Awareness of the people about stock market.

- Professional brokers.
- Number of broker and investors should increase.
- Stablish the other stock exchange ltd. in the different part of the country.
- Timely annual general meeting is necessary.
- Many trading floors.
- Information about stock should be published timely.
- Established government in the country.
- Strong buying and selling system.
- Honest brokers or middlemen.
- Company should be honest.
- Proper information publication about listed company.
- End the high rate speculation.
- Development of the industrial sectors.
- Increasing the number of foreing investors.
- Improvement of economic condition of country.
- Development of automation system.
- Transparency.
- Timely presentation of financial statement.
- Ownership transfer process should be computerized.

### **4.3.3 Interview with Experts**

There are so many method of primary data collection, among them one of the important methods of primary data collection is interview method. It is face to face data collection method while taking the interview with senior officials of NEPSE. Finance company and banking ltd. within the periphery of investors awareness about investmen decision, market makers morality and analysis method.

At the time of interview, the question has been asked about which method of analysis do you adopt? Most of the experts replied “ They use the technical as well as fundamental analysis method to invest in the share; out



of them some said that technical analysis method is more effective than fundamental analysis method.”

Similarly, another question has been asked about the market maker of Nepalese stock market honest? Most of them replied that not only the market makers but also the share issuing companies are not honest in the Nepalese stock market. They further gave the example of Machhapuchhere Bank Ltd. and Oriental finance company ltd are not issuing their shares according to the rules and regulations and made many financial statement to cheat the others.

According to the officials, Nepalese stock market is dominated by retailing investors coming forward to act in bullish manner. He emphasized that stability can not be fully achieved unless rational and institutional investors come forward to participate in the secondary market. However, he agreed the fact that lately the investors have become more sensitive and professional at least in comparison to investors in 1993 and 1994 when market was at the nascent stage.

While conducting the informal discussion with many investors in the stock market, they claimed that though they made investment decision after analyzing shares, they got less than the expected return from the investment. They accused brokers and NEPSE officials of joining hands for price manipulation. They also shared the experience of sharpe wealth devaluation in the past days. It was learnt that unprecedented swings in the Nepal stock exchange market index caused uproar among investors. During the period NEPSE index unexpectedly plunged by 22 points in a single day. What followed was the first time ever in the thirteen years old history of the market.

In this way, it was seen in the Nepalese Stock Exchange, investors and officials were at loggerheads' over the cause of stock market slack, blaming each other for the volatility of stock prices. Though, they have different theories to offer over the price fluctuations, the effort to improve the domestic stock market should be done from all quarters.

#### 4.4 Major Findings of The Study

On the basis of the above analysis and presentation the findings and result of the study are presented as follows:-

- Nepal Stock Exchange was established in 1993 under the securities exchange Act, 1983. NEPSE commences its operation on 13<sup>th</sup> , January, 1994, with ownership among HMG, NRB, NIDC, and its licensed members.
- There are altogether 142 companies listed in stock exchange out of these, 17 are Commercial Bank, 23 Development Bank, 55 Finance Companies, 17 Insurance Companies, 4 Hotels, 18 Manufacturing and Processing Companies, 4 Trading Industries , 1 Other Industries and 3 Hydro Powers.
- Studying the annual trend analysis of Nepalese stock price market, it is found that stock price trend is fluctuating in the different years. Taking baseless 2000/01 it resulted that they reach price movement from the fiscal year 2000/01 to 2002/03, it is not decreasing trend than from four years price of stock rapidly increasing and reached in the peak level i. e. 963.36 points in the July, 2008.
- In the sector wise comparison, the NEPSE Index of hydro power has reached to top level index than other sector's index in the fiscal year 2007/08. Similarly, Development Bank, Finance Company, Commercial Bank and Other Industries and Insurance Company are also have reached to top level. The performances of companies which have top level index have better position.
- The trend of new companies listing in NEPSE during the eight years, it has been decreasing trend in the fiscal year 2001/02 and increasing trend from 2002/03 to 2005/06, later in constant than fiscal year 2007/08 is increasing trend.

- From analyzing the multiple bar diagram to find out the stock price, the leading companies in stock market. It is found that the Hydro Power, Development Bank, Finance Company, Commercial Bank and Other Industry and Insurance Company are price leading in the study period August, 2007 to July 2008.
- Volume of stock traded is stock exchange during the study period was found in increasing trend in the beginning of year 2000/01 to 2001/02 and decreasing trend in 2002/03 but after then there has been a rapid increment in the volume of stock traded.
- While studying the number of securities business persons showed that in decreasing trend from 1999/2000 to 2007/08. It means there are no good opportunities in the stock market.
- On analyzing paired t-test for signaling factor with reference to major three events it was found that signaling effects had played major role in fluctuation at stock price.
- According to the hypothesis test if the calculated value of 't' is negative, the price index will be positively affected and if the calculated value of 't' is positive the price index will be negatively affected.
- The price index changes depend on environmental change. Favourable environment effected on NEPSE index positively and unfavourable environment effect on the NEPSE negatively.
- Investment process and its other factors like NEPSE index price trend and investments facilitators are not doing their work in systematic way.
- On analyzing primary data it was found the stock market in Nepal is in developing stage as investors are not well aware about this.
- For doing the field survey it was quite difficult to collect the data and to get the correct answers from the associated persons.

- Most of the respondents were asked about the major influencing factors of stock price movement, they said that company's dividend affect the stock price.
- Founding to the respondents bullish trend of the stock price movement is suitable for Nepalese security market.
- Most of the investors were asked for their preference of investment sector major portion of them said that they were attaching with incom.
- Most of the investors were asked for their preference of investment sector major portion of them said that they were attached with banking sectors for investment.
- According to the major problem of respondents, international environment direct moves the price of stock market.
- According to the major portion of respondents of Nepalese stock market, it were found that HMG's policy is not clear and perfect in Nepalese stock price market.
- According to the field survey in the Nepalese stock market, it was found that investors are not aware about investment.
- Most of the respondents said that underwriters of Nepalese stock market are honest which was found at the time of field survey.
- It was found that investors of Nepalese stock market take decision on the basis of theirs own analysis and rumours.
- According to the majority portion of the respondents, there are not any problems for trading of stock in stock market.

# **CHAPTER-V**

## **SUMMARY, CONCLUSION AND RECOMMENDATION**

This chapter presents about the summary and conclusion from the analysis of the study. This study was conducted to find out the movement of stock price of listed companies in Nepal Stock market. Summary deals about the short form of whole study, conclusion shows that of the analysis and recommendation suggests the improving to test cause of stock price movement in Nepalese stock market. Generally, this study is related with the price secondary market. There is no any price movement in the primary stock market but there are high price movements in the secondary stock market. Due to exchange process it was possible by only brokers and market maker. The various statistical tools and financial tools were adopted as test methodology.

### **5.1 Summary**

Financial market classified as money market and capital market. Money market may be defined as short term financial asset market, which is facilitates liquidity and marketability of the security, as the capital market is concerned with the long term finance.

Security market is the place where the share of listed companies are traded plate form transferred from one hand to another at a fair price through the organization brokerage system. Mainly, there are two types of security market where the security is traded. One is the primary market and another is secondary market. Primary market is the market in which corporate bodies and government raise new capital by issue new securities and secondary market is the market in which existing, already outstanding, securities are traded among investor. Securities market in the developed countries have a long history but in the our country Nepal do not have long history. The government of Nepal passed a law related to company registration and regulation in 1936 A.D. After the enactment of this law,

Biratnagar Jute Mill Ltd. was established in 1936 A.D. and also stock market in Nepal begun with establishment of Biratnagar Jute Mill Limited in 1936 A.D. The security exchange center was established in 1976 to trade the securities. Nepal Stock Exchange was established in 1993 under the Security Exchange Act 1983. HMGN under a program initiate to reform the capital markets converted securities exchange center into NEPSE in 1993 and also SEBO/N was established in 1993 under the securities exchange act 1983. There are 142 listed companies, 23 Industrial Securities Broker, 11 issue manager, 2 security dealers, 2 market makers to daily transaction of buying and selling the security. The basic laws of demand and supply determine the price of the securities.

The second chapter presents the theoretical and research review. In the theoretical review, the concept of the financial market, capital market and securities analysis have been presented. In the research review, the review of study on capital market done so far has been presented. Mainly, there are three approaches, Efficient market Analysis, technical analysis and fundamentals analysis for securities analysis. In an efficient market, a set of information is fully and immediately reflected in the market price. There are three types of efficient market depending upon the types of information set impounded into price.

Research methodology refers with the method of analysis. This chapter has presented about research design of the study. This study is mainly based on the secondary data of passed six years that cover the F/Y 2002/03 to 2007/08. Basically the data used in this study are primary as well as secondary and the major sources of secondary data are NEPSE annual report, annual report of SEBO, library search, magazines bulletin, journals and daily newspaper. For the analysis of the data bar graph, and line charts have been used. The number of listed companies has fluctuated during the study period. In addition to this, there are 9 groups that is commercial bank, manufacturing and processing, hotel other, hydropower and trading, insurance, finance and development bank.

Mainly, in this study NEPSE index have been taken as the measuring tools; weather the performance of the stock market good or not. This clearly focuses on the price of stock that is increase in a decreasing in the market. The higher index price suggests the increase in market price, stock and it implies the better performance of the company and vice versa. The main objective of the study was to analyze the stock price and the volume of newly listed companies in NEPSE, the rate of newly listed companies and maintenance of the listed companies in NEPSE. The investors' view regarding the decision on stock investment, and signaling factors impact on the stock price with the help of NEPSE index.

From the data and analysis the volume of stock traded, was not in the same direction as in the different years. The study shows that the volume of stock traded was in increasing trade. Similarly, the rate of listing of new companies was increasing condition.

In this study period, number of securities business person are in decreasing trend in the stock market. Annual stock price trained from many years are in the decreasing trend but from 2004, it is in increasing trend. Similarly commercial banks and hydropower and development bank are leading the price in the stock market.

In this study, for measuring the environmental incident in stock price, paired t-test formula of hypothesis has been adopted from hypothesis; it was found that environmental factor play major role in determining the NEPSE index.

## **5.2 Conclusion**

Based on the analysis, interpretation and findings of the study some conclusion has been as below.

By studying Nepalese stock price market, it was found that stock price trend is decreasing from many years but now it is in increasing trend. The indicator of the Economic Efficiency has increasing trend. It shows the good position of National Economy. Economic performance of the nation has moved to upward. The performance of the economic sector is progressing year by year. In the comparision of sector wise NEPSE Index, Hydro

Power, Banking sectors, Others Industries, Insurance & Finance Companies have dominated the other sector in NEPSE Index.

By studying the sector wise monthly trend analysis for one year (August, 2007 to July, 2008), the unsystematic activities of the Nepalese stock price market was found. No experts can certainly forecast about the stock price.

The price trend of 6 years NEPSE index, in different months with the help of monthly trend, it showed that the price trend of different months of the year 2002/03 was in decreasing trend but in the year 2003/04 & 2004/05 there is both increasing and decreasing trend and in the year 2005/06 & 2006/07 and 2007/08 there is in increasing trend. From this trend analysis we can say that there is no relationship of price trend between 6 successive years.

While analyzing the rate of listing of new companies there was decreasing trend in the year 2001/02 but then after it is in increasing trend from 2002/03 to 2005/06 and constant in the year 2007 and then after increasing in the year 2007/08. No of securities business persons showed that decreasing trend from 1999/2000 to 2007/08. It meant that there are no good opportunities in the stock market. Volume of stock traded in stock exchange during the study period was found in increasing trend in the year 2000/01 to 2001/02 but then it is in decreasing trend in the year 2002/03 & 2006/07 after then there has been a rapid increment in the volume of stock traded till now.

From applying Karl Person's coefficient of correlation has found the degree of relationship of NEPSE index with volume of stock traded and no of listed companies is positive and significant. On analyzing paired t-test for environmental incident factor with reference to major three events, it was found that, environment factor effects had played major role in fluctuation at stock price.

On analyzing primary data it was found the stock market in Nepal is in developing stage as investors are not well aware about this. Investment process and its others factors like NEPSE index, price trend and investments facilitators are not doing their work in systematic way. Investors were not satisfied with their investment as they were asked whether they were satisfied or not with their investmen. It was found that investors in the stock market take the investment decision on the basis of market price of shares.



Rumors are the most predominate factor to determine the market price of share. Investors' motive for owning shares of company is to receive the dividends from shares. Investors of Nepalese stock market invest their money from the view point of income which was found from the field survey. Bullish trend of the stock price movement is suitable for Nepalese security market. Investors were attracted towards banking and hydro power sectors for making their investment.

### **5.3 Recommendations**

Based on the findings and conclusion of this study the researchers have reached following recommendation.

- NEPSE create the investment opportunity for investor. So, NEPSE can and should provide transaction facilities for investors in easy and effective manner.
- The fluctuating trend of the share price is not predictable by general investors. So investors are recommended to get the consultancy service from the investment experts while making the investment.
- For the development of capital market stock brokers are suggested to provide rational and adequate advice to their clients/ investors.
- Listed companies are suggested timely and frequently information to the shareholders. And the investment guidelines should be provided also to them through news and media.
- Since the shareholder and investors have less knowledge of capital market, education package to the potential investors and shareholders should be provided and investors protection should be established.
- The stock holders in the stock market should make their role effective in promoting the capital market in the country by adopting the changing environment. They should have attitude professionals towards the investors.

- NEPSE and SEBO/N should establish the system for regular monitoring and analysis of the strength and weakness of the public, which could disclose the valuable information and suggestion to the investors in order to minimize the level of risk.
- To generate awareness among the investors, it is essential to organise programmes, seminars etc from time to time by concern agencies regarding the stock market to enhance the investor's confidence and to develop the hospitable environment.
- Signaling factors should be analyzed on a regular basis through the concern authorities so that the future movement of the price can be predicted from the side of analysts and investors.
- Economic development of every large country depends upon the industrial advancement of various types and classes of industries (small, middle and large industries) and development of stock market, on the other hand depends upon the development of industries. Government therefore should encourage and consider the industrial development in the country.
- Foreign investors should encourage and promote to invest in the Nepalese stock market.
- Most of the investors prefer investment in banking and financial sectors, so, NEPSE should think out of some strategies for channeling of investment.
- To know the stock price trend, the investor should always be aware of the daily stock price and volume traded figure of the stock price recorded by NEPSE. The public companies should provide the updated report to the investors periodically informing actual financial position of the company.
- There is necessity of a separate body to analyse the risk pattern of the companies. It will provide proper guidance to the investors by disclosing right information and suggestion about the investment risk. This will help the investors to take proper investment decision at the right time to avoid or to minimize the level of risk.

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<http://www.nepalstock.com>

<http://www.nrb.org.np>

<http://www.nyse.com>

<http://www.sebonp.com>

<http://www.stocksabout.com>

## ANNEX – I

### Questionnaire

**Researcher: Kamal Katwal  
T.U.**

1. what is the major influencing factor for the stock price?

- a. Company's Profit ( )      b. Company's Performance ( )  
c. Company's Board of director ( )      d. Company's dividend ( )  
e. Signaling Factor ( )      f. Above All ( )

2. In your opinion, which of the following trend of stock price of movement is suitable for Nepalese Security Market?

- a. Bullish Trend ( )      b. Bearish Trend ( )  
c. Optimum Trend ( )      d. None of above ( )

3. For what purpose do you want to own shares of a company?

- a. Social Status ( )      b. Income ( )  
c. Marketing ( )      d. Above all ( )

4. In which of the following sector do you think secure from investment of point of view?

- a. Banking Sector ( )      b. Trading Sector ( )  
c. Manufacturing Sector ( )      d. Others Sector ( )  
e. Above all ( )

5. Does international environment effect the Nepalese stock market?

- a. Yes ( )      b. No ( )  
c. Don't know ( )

6. Is not the HMG's policy clear and perfect in Nepalese stock market?

- a. Yes ( )      b. No ( )  
c. Don't Know ( )



7. Do you think investors in the Nepalese stock market are aware?

a. Yes ( )      b. No ( )

c. Can't Say ( )

8. Do you think underwriters in the Nepalese stock market are honest?

a. Yes ( )      b. No ( )

c. Don't Know ( )

9. On which basis do you make decision to invest in shares in the secondary market?

a. Family Advice ( )      b. Rumors ( )

c. Own Analysis ( )      d. Market Price ( )

10. Are there any difficulties in trading shares in Nepalese stock market?

a. Yes ( )      b. No ( )

c. Don't Know ( )

11. In your opinion, what are the major problems of Nepalese stock market?

a. ....

b. ....

c. ....

12. In your opinion, how to develop the Nepalese stock market?

a. ....

b. ....

c. ....

d. ....

Name :

Address (Office or Place)

## ANNEX - II

### Name of listed companies in NEPSE

#### Commercial Banks

1. Nabil Bank Limited
2. Nepal Investment Bank Limited
3. Standard Chartered Bank Limited
4. Himalayan Bank Limited
5. Nepal SBI Bank Limited
6. Nepal Bangladesh Bank Limited
7. Everest Bank Limited
8. Bank of Kathmandu Limited
9. Nepal Industrial and Commercial Bank Ltd.
10. Machhapuchhre Bank Limited
11. Laxmi Bank Limited
12. Kumare Bank Limited
13. Lumbini Bank Limited
14. Nepal Credit and Commerce Bank Ltd.
15. Siddharth Bank Limited
16. NMB Bank Ltd.
17. Development Credit Bank Ltd.

#### Manufacturing & Processing Company

1. Bottlers Nepal Ltd.
2. Nepal Lube Oil Ltd.
3. Nepal Banaspati Ghee Udyog Ltd.
4. Sri Raghupati Jute Mills Ltd.
5. Butwal Udyog Karkhana Ltd.
6. Gorkhali Rubber Udhdyog Ltd.
7. Jyoti Spinning Mills Ltd.
8. Bottelers Nepal (Terai) Ltd.
9. Arun Vanaspati Udyog Ltd.
10. Harisiddhi Brick & Tiles Factory Ltd.
11. Uniliver Nepal Ltd.
12. Khadya Udyog Ltd.
13. Birat Shoe Limited
14. Shree Bhrikuti Pulp and Paper Nepal Ltd.
15. Fleur Himalayan Ltd.

16. Sri Ram Sugar Mills Ltd.
17. Nepal Bitumen and Barrel Udyog Ltd.
18. Himalayan Distillery Ltd.

#### **Hotels**

1. Yak & Yati Hotel Ltd.
2. Soaltee Hotel Ltd.
3. Taragaon Regency Hotels Ltd.
4. Oriental Hotels Ltd.

#### **Other**

1. Nepal Film Development Co. Ltd.

#### **Hydro Power**

1. National Hydro Power Company
2. Butwar Hydro Power Co. Ltd.
3. Chilime Hydro Power Co. Ltd.

#### **Trading Company**

1. Bishal Bazar Co. Ltd.
2. Salt Trading Corporation Ltd.
3. Nepal Trading Ltd
4. Nepal Welfare Company Ltd.

#### **Insurance Company**

1. Rastriya Bima Sansthan
2. Nepal Insurance Co. Ltd
3. National Life & General Insurance Co. Ltd.
4. Himalayan General Insurance Co. Ltd.
5. United Insurance Co. Ltd.
6. Everest Insurance Co. Ltd.
7. Premier Insurance Co. Nepal Ltd.
8. Neco Insurance Co. Ltd.
9. Alliance Insurance Co. Ltd.
10. Sagarmatha Insurance Co. Ltd.
11. N. B. Insurance Co. Ltd.
12. Nepal Life Insurance Co. Ltd.
13. Life Insurance Corporation (Nepal) Ltd.
14. Prudential Insurance Co. Ltd.
15. Lumbini General Insurance Co. Ltd.

16. Shikhar Insurance Co. Ltd.
17. Siddhartha Insurance Ltd.

### **Finance Company**

1. Nepal Finance & Saving Co. Ltd
2. NIDC Capital Market Limited
3. National Finance Company Limited
4. Nepal Share Markets Co. Limited
5. Annapurna Finance Co. Limited
6. Kathmandu Finance Limited
7. Peoples Finance Limited
8. Union Finance Co. Limited
9. Citizen Investment Trust
10. Nepal Abash Bikas Bitta Co. Ltd.
11. Narayani Finance Ltd.
12. Yeti Finance Co. Limited
13. Gorkha Finance Co. Ltd.
14. Samjhana Finance Co. Ltd
15. Universal Finance Ltd.
16. Nepal Housing & Merchant Finance Ltd.
17. General Finance Ltd.
18. Mahalaxmi Finance Ltd.
19. Lalitpur Finance Co. Ltd.
20. Goodwill Finance Co. Ltd.
21. Paschimaanchal Finance Co. Ltd.
22. Pokhara Finance Ltd.
23. Lumbini Finance & Leasing Co. Ltd.
24. Shidhartha Finance Ltd.
25. Alpic Everest Finance Ltd.
26. International Leasing & Finance Co. Ltd.
27. United Finance Ltd.
28. Shree Investment & Finance Co. Ltd.
29. Central Finance Co. Ltd.
30. Nepal Srilanka Merchant Bank Ltd.
31. Premier Finance Co. Ltd.

32. Navadurga Finance Co Ltd.
33. Butwal Finance Ltd.
34. Janaki Finance Co. Ltd
35. Standard Finance Ltd.
36. Om Finance Co. Ltd.
37. Cosmic Merchant Banking & Finance Ltd.
38. Fewa Finance Co. Ltd.
39. Kist Merchant Banking & Finance Co. Ltd.
40. World Merchant Banking & Finance Ltd.
41. Birgunj Finance Ltd.
42. Capital Merchant Bankin & Finance Ltd.
43. Everest Finance Ltd.
44. Prudential Bittiya Sastha Ltd.
45. Srijana Finance Ltd.
46. Royal Merchant Banking & Finance Ltd.
47. Guheshwori Merchant Banking & Finance Ltd.
48. IME Financial Institution Ltd.
49. Bhajuratna Finance & Saving Co. Ltd.
50. Patan Finance Ltd.
51. Imperial Financial Inst. Ltd.
52. Civil Merchant Bittiya Sanstha
53. ICFC Bittiya Sanatha Ltd.
54. Nepal Express Finanace Ltd.
55. Kuber Mer. Bittiya Sanstha

#### **Development Banks**

1. Nepal Industrial Development Corporation
2. Nepal Development Bank Limited
3. Nirdhan Uthan Bank Limited
4. Chhimek Development Bank Limited
5. Paschimanchal Bikash Bank Limited
6. Deprox Development Bank Limited
7. Gandaki Development Financial Institution Ltd.
8. Business Development Financial Institution Ltd.
9. Bhrikuti Bikash Bank Limited
10. Sidharth Bikash Bank Limited
11. Sanima Bikash Bank Limited
12. Narayani Ind. Development Bank Limited

- 13. Sahayogi Vikash Bank Limited**
- 14. Bageshwori Development Bank Limited**
- 15. Gorkha Development Bank Limited**
- 16. Annapurna Bikas Bank**
- 17. Swalambalamwan Bikas Bank**
- 18. Ace Development Bank Ltd.**
- 19. Himchuli Bikash Bank Ltd.**
- 20. Excel Development Bank**
- 21. Malika Development Bank**
- 22. Birat Laxmi Development Bank**
- 23. Infrastructure Development Bank Ltd.**

## ANNEX – III

### 1. Lok Tantra Establishment

<b>Before</b>	<b>After</b>	<b>d</b>	<b>d<sup>2</sup></b>
337.99	338.54	0.55	0.30
337.45	343.28	5.83	33.99
337.57	361.58	24.01	576.48
337.52	374.87	37.35	1395.02
336.71	372.45	35.74	1277.35
334.88	367.99	33.11	1096.27
334.15	366.94	32.79	1075.18
334.77	368.68	33.91	1149.89
334.27	370.95	36.68	1345.42
331.80	375.15	43.35	1879.22

### 2. Royal Moves on Government

<b>Before</b>	<b>After</b>	<b>d</b>	<b>d<sup>2</sup></b>
240.01	246.94	6.93	48.0249
240.34	248.03	7.69	59.1361
240.72	250.76	10.04	100.8016
242.11	251.02	8.91	79.3881
243.76	251.68	7.92	62.7264
245.25	251.88	6.63	43.9569
246.85	253.94	7.09	50.2681
247.17	257.29	10.12	102.4144
246.98	259.05	12.07	145.6849
247.41	264.73	17.32	299.9824

### 3. Neapl Enter on WTO

<b>Before</b>	<b>After</b>	<b>d</b>	<b>d<sup>2</sup></b>
209.81	207.54	-2.27	5.1529
206.52	208	1.48	2.1904
205.32	208.32	3	9
203.18	208.46	5.28	27.8784
202.41	208.07	5.66	32.0356
201.65	207.58	5.93	35.1649
202.45	207.43	4.98	24.8004
204.44	207.41	2.97	8.8209
204.36	206.58	2.22	4.9284
205.02	206.59	1.57	2.4649

## ANNEX – IV

### List of Deleted Company From NEPSE

1. Nepal Battery Co. Ltd
2. The Judha Match Factory Ltd.
3. Nepal Plywood & Bobbin Co. Ltd.
4. Himal Cement Co. Ltd.
5. Sayapatri Color Lab Co. Ltd.
6. Nepal Med. Ltd.
7. Ace. Laboratories (Nepal) Ltd.
8. Letharage Bansbari Tannery & Shoe Factory Ltd.
9. Necon Air Ltd.
10. Plastic Trading Co. Ltd
11. Nepal United Co. Ltd.
12. Nepal Byapar Bikash Co. Ltd.



## ANNEX – V

### NEPSE Index and Volume of Stock Traded

<b>Years</b>	<b>NEPSE Index</b>	<b>Volume of Stock Traded</b>
2001	348.43	4989
2002	227.54	6005
2003	204.86	2428
2004	222.04	6468.18
2005	286.67	18433.55
2006	386.83	12221.93
2007	683.95	18147.25
2008	963.36	26710.04

### NEPSE Index and No. of Listed Companies

<b>Years</b>	<b>NEPSE Index</b>	<b>No. of Listed Companies</b>
2001	348.43	115
2002	227.54	96
2003	204.86	108
2004	222.04	114
2005	286.67	125
2006	386.83	135
2007	683.95	135
2008	963.36	142

## ANNEX – VI

### Sectoral Monthly Index of NEPSE 2007/08

<b>Company / month</b>	<b>Com. Bank</b>	<b>Mfg &amp; Pross</b>	<b>Hotel</b>	<b>Other</b>	<b>Hydro Power</b>	<b>Trading</b>	<b>Insurance</b>	<b>Finance</b>	<b>Dev. Bank</b>
<b>August</b>	782.55	347.54	274.35	818.12	1121.49	162.08	653.37	513.92	542.05
<b>Sept</b>	917.58	350.00	280.18	818.12	1396.18	162.03	659.80	528.02	672.58
<b>Oct</b>	936.27	350.19	281.14	818.12	1377.31	162.03	711.54	652.34	947.91
<b>Nov</b>	988.39	350.19	279.60	818.12	1362.69	162.32	742.92	766.02	1203.60
<b>Dec</b>	1056.27	350.19	285.85	818.12	1593.08	165.20	963.98	929.27	1912.30
<b>Jan</b>	951.26	257.28	420.97	818.12	1515.57	165.20	915.12	1102.89	1662.96
<b>Feb</b>	817.63	360.96	413.56	818.12	1257.61	162.32	808.11	952.17	1106.89
<b>March</b>	691.12	410.52	414.79	817.47	1033.30	151.66	746.04	978.26	1025.70
<b>April</b>	739.56	414.52	409.69	817.47	1054.06	128.76	751.16	964.04	1012.33
<b>May</b>	810.94	412.70	892.88	817.47	1140.89	199.88	749.72	994.50	1102.97
<b>June</b>	951.33	418.82	394.07	817.47	1256.78	213.40	844.88	1083.29	1207.04
<b>July</b>	985.65	423.66	370.88	768.26	1223.99	204.08	817.25	1152.40	1285.89