

**A STUDY  
ON  
STOCK PRICE BEHAVIOR  
OF  
LISTED FINANCE COMPANIES**

**A Thesis Submitted to**  
*Office of Dean*  
*Faculty of Management*  
*Tribhuvan University*

**By:**

**Nirmala Chaulagain**  
**Makawanpur Multiple Campus**  
Campus Roll No -17

**T.U REGISTRATION NO - 7-1-242-209-96**

*In partial fulfillment of the requirement of the degree of*  
**Master of Business Studies (M.B.S)**

Makawanpur Multiple Campus  
Hetauda Makawanpur  
March 2010

# **RECOMMENDATION**

This is to certify that the thesis:

Submitted by:  
**NIRMALA CHAULAGAIN**

Entitled:

**A STUDY ON STOCK PRICE BEHAVIOR OF  
LISTED FINANCE COMPANIES**

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

**Bin Bahadur Raut**  
(Supervisor)

**Jayaram Devkota**  
(Supervisor)

Date:

## VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:

**NIRMALA CHAULAGAIN**

Entitled:

**A STUDY ON STOCK PRICE BEHAVIOR OF  
LISTED FINANCE COMPANIES**

and found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for

**Master's degree in business studies (M.B.S.)**

Viva-voce committee

Head, Research Department: .....

Member (Thesis supervisor): ..... BachhuRam Adhikari  
(Campus chief)

Member (Thesis supervisor): .....

Member (External Expert): .....

Date: .....

## DECLARATION

I here by declare that the work done in thesis entitled " A study on stock price behavior of listed finance companies" has been submitted to Makawanpur multiple campus, Faculty of management, Tribhuvan university, is my own created work report in the form of partial fulfillment of the requirement of Master's Degree in Business studies (MBS) course under the guidance of respected teachers Mr. Bin Bahadur Raut, Jayaram devkota and Udhhav sapkota of Makawanpur Multiple campus.

Date:

.....  
**Nirmala chaulagain**  
Researcher

## Acknowledgement

I Express my sincere gratitude to all the authors and learned personalities, whose writings have been cited in this proposal. I also express my sincere gratitude to those authors whose writings though are not cited but helped and inspired me in making my vision clear and reaching conclusion.

I extend my deep sense of indebtedness to my respected teachers Mr. Bin Bahadur Raut, Jayaram Devkota and Udhhav Sapkota for their precious guidelines, inspiration and suggestion thoroughly during the period of this research. Without their valuable insight, I would not think of accomplishment of this thesis paper.

I acknowledge my profound gratitude to Nepal stock exchange ltd. security board of Nepal and sampled finance companies for the co-operation shown and providing necessary data.

I want to give thanks Makawanpur multiple campus library for providing the reference and reading materials during the period of research.

Finally, I would like to give thanks to my friend Gita Neupane, Dipankar Grimire from Apex College Ktm who provides me crucial support during the period of research. Specially Thanks to Bimala Maharjan for helps me to computer work for this Thesis.

Nirmala Chaulagain  
Researcher

## LIST OF TABLES

<u>TABLE</u>		<u>PAGE NO.</u>
Table 1	Monthly NEPSE Index (year 2007/08)	57
Table 2	Listing Rate of Finance companies for different years	58
Table 3	Expected return, Standard deviation and C.V. of each Finance company.	62
Table 4	Market capitalization of sample finance company (In million)	63
Table 5	Beta co-efficient of sample finance company	65
Table 6	Result of Run Test	66
Table 7	Correlation coefficient	68
Table 8	Coefficient of Determination	70
Table 9	Calculated and tabulated values of t-statistics for r	72
Table 10	Simple Regression Analysis	73
Table 11	Standard deviation of random error term	74

## LIST OF FIGURES

<u>FIGURE</u>		<u>PAGE NO.</u>
Figure 1	Monthly NEPSE Index (closing) for Fiscal year 2008/09	58
Figure 2	No of Listed Finance companies in NEPSE	59
Figure 3	GroupWise turnover Fiscals year 2007/08 (In Units)	60
Figure 4	GroupWise turnover Fiscals year 2007/08 (In Amounts)	60
Figure 5	Expected return, and risk in Common stock of each Finance companies.	62
Figure 6	Market capitalization sample finance company	64
Figure 7	Correlation coefficient	69
Figure 8	Coefficient of Determination	70

# **Table of contents**

***Recommendation***

***Viva-Voce sheet***

***Declaration***

***Acknowledgement***

***Abbreviations***

***List of Tables***

***List of Figures***

***Table of content***

<b><u>Chapter I: Introduction</u></b>		<b><u>Page No.</u></b>
1.1	Introduction	1
1.1.1	Capital markets	1
1.1.2	Price of securities	3
1.1.3	Variables affecting the price of securities	4
1.1.4	Securities market in Nepal	5
1.1.5	Financial companies in Nepal	10
1.2)	Focus of the study	11
1.3)	Statement of the problems	11
1.4)	Objective of the study	12
1.5)	Limitation of the study	12
1.6)	Significance of the study	13
1.7)	Hypothesis of the study	14
1.8)	Organization of the study	14
 <b><u>Chapter II : Review of literature</u></b>		
2.1)	Conceptual frame work	16
2.1.1)	Capital market	16
2.1.2)	Security market	17
2.1.3)	Stock exchange	18
2.1.4)	Price determination	20



2.1.5)	Theory of price behavior	20
2.2)	Review of stock market in international context	28
2.3)	Review of journals, book and articles of stock market In Nepalese context	32
2.4)	Review of master degree's thesis:	36

### Chapter III: Research Methodology

3.1)	Introduction	47
3.2)	Research design	47
3.3)	Population and sampling	47
3.4)	Sources of data	48
3.5	Data collection techniques	48
3.6	Data analysis tools	48

### Chapter IV : Data Presentation and Analysis

4.1	Behavior of NEPSE Index	56
4.2	No of listed companies in stock exchange	58
4.3	GroupWise monthly turn over	59
4.4	Trading performance of Sampled Stock	61
4.5	Risk and return analysis of individual finance companies	61
4.6	Market capitalization of sample finance companies	63
4.7	Market sensitivity analysis	64
4.8	The run test	66
4.9	Relationship of book value to market value	67
4.10)	The Major finding	75

### Chapter V: Summary, Conclusion and Recommendation

5.1)	Summary	77
5.2)	Conclusion	78
5.3)	Recommendation	78

### Bibliography

### Appendix

## **ABBREVIATIONS: -**

Dps	=	Dividend per share.
Eps	=	Earnings per share.
Ltd.	=	Limited.
Mpps	=	Market price per share.
Etc.	=	Et Cetera.
G/N	=	Government of Nepal.
i.e.	=	That is.
IT	=	Information Technology.
NIDC	=	Nepal Industrial Development Corporation.
CFL	=	Central Finance Limited.
GFL	=	Gorkha Finance Limited.
UVSFL	=	Universal Finance Limited.
UTDFL	=	United Finance Limited.
SFL	=	Standard Finance Limited.
GWFL	=	Goodwill Finance Limited.
COMB&FL	=	Cosmic Merchant Banking and Finance Limited.
CAMB&FL	=	Capital Merchant Banking and Finance Limited.
CIT	=	Citizen Investment Trust.
BVPS	=	Book Value per Share.
SEC	=	Security Exchange Center.
NRB	=	Nepal Rastra Bank
NEPSE	=	Nepal stock exchange.
OTC	=	Over the counter.
SEBON	=	Securities board of Nepal.