

Study on Share Price Movement of commercial Bank in Nepal,

A Thesis Submitted By:

**SUDIP KHANAL
Saraswoti Multiple Campus
Roll No. 45/063
T.U. Regd No. 7-1-32-745-099**

Submitted To:

**Office of the Dean
Faculty of Management
Tribhuvan University
Kathmandu, Nepal.**

In Partial Fulfillment of the Requirement for the Degree of

Master of Business Studies. (M.B.S.)

March 2010

ACKNOWLEDGEMENT

This thesis entitled "**A Study on Share Price Movement of commercial Bank in Nepal**", prepared for the partial fulfillment of the requirements of **Master's Degree in Business Studies [MBS]**, is an outcome of continuous and immeasurable cooperation and support of several hands. I would like to express my heartfelt gratitude to all for their support.

I express my sincere honour and special sense of gratitude to my academic supervisor, Associate Prof. Rajan Pratap Singh Basnyat for his generous guidance, thoughtful encouragement and brilliant insight throughout this research work.

I am highly obliged to Prof. Dr. Samartha Bahadur Singh, TU, Associate Prof. Keshav Raj Panta, Associate Prof. Bijaya Prakash Shrestha, Chairman Research Committee SMC for their support, suggestions and encouragement. I express my sincere thanks to my teachers of Department of Management Saraswoti Multiple Campus.

I would like to gratefully acknowledge Mr. Bhairab Pokhrel, Saraswoti Multiple Campus, Librarians, of central Library, SEBO Nepal and Nepal Rastra Bank for providing various Books Reports, Journals and previous research papers. I am grateful to all members of NEPSE and member of Share Department of all the Banks who supported me by providing necessary data and information.

I appreciate the encouragement and enthusiastic support that I got from My Brother Mr. Laxman Khanal, Mr. Ram Hari Devkota Mr. Govinda Devkota and Lekh Dhoj Mademba. I am grateful to my parents Mr. Lok Chandra Khanal and Mrs. Mina Kumari Khanal for their encouragement and support throughout the course of study and I would like to dedicate this dissertation to my loving and caring parents.

SUDIP KHANAL

Researcher

Roll No. 45/063

T.U. Regd No. 7-1-32-745-099

Date: 26 March 2010

TBALE OF CONTENTS

S.N. Content	Page No.
Recommendation	I
Viva-Sheet	II
Declaration	III
Acknowledgement	IV
Table of Contents	V
List of Tables	VIII
List of Figures	X
list of Abbreviations and Acronyms	XII
CHAPTER I : INTRODUCTION	1-7
1.1 Background	1
1.2 Statements of the Problem	5
1.3 Objective of the study	5
1.4 Importance of the Study	6
1.5 Limitations of the study	6
1.6 Organization of the study	7
CHAPTER II : LITRATURE REVIEW	8-24
2.1 Conceptual Framework (Review of Text Books)	8
2.1.1 Common Stock	8
2.1.2 Features of Common Stock	8
2.1.3 Advantages of common Stock Financing	10
2.1.4 Disadvantages of Common Stock Financing	11
2.1.5 Fights of common Stock Holders	12
2.1.6 Earning Per Share(EPS)	12
2.1.7 Retained Earnings	13
2.1.8 Dividend per Share (DPS)	13

2.1.9	Book Value per Share (BPS)	13
2.1.10	Market Value per Share	13
2.2	Reviews of the Previous Studies	14
2.3	Review of Master's Thesis	19

CHAPTER III: RESEARCH METHODOLOGY	25-33
3.1 Introduction	25
3.2 Research Design	25
3.3 Scope of the study Population	26
3.4 Source of Data	27
3.5 Data Collection Techniques	27
3.6 Data Processing	28
3.7 Data Analysis Tools	28
3.7.1 Statistical Tools	29
3.7.1.2 Average/Mean	29
3.7.1.2 Standard Deviation	29
3.7.1.3 Coefficient of Variance	29
3.7.1.4 Karl Pearson's Coefficient of Correlation	30
3.7.1.5 Coefficient of Determination	30
3.7.1.6 Regression Analysis	31
3.7.1.7 Coefficient of Regression	31
3.7.1.8 T-Test	33
3.8 Methods of Data Presentation	33
CHAPTER IV : DATA PRESENTATION AND ANALYSIS	34-91
4.1 Commercial Banks of Nepal	34
4.1.1 Listing of Commercial Banks in NEPSE	35
4.2 Relationship between EPS, DPS and BPS to MPS	36
4.3 Analysis of Financial Indicators	36
4.3.1 Bank of Kathmandu	36
4.3.2 Everest Bank Limited	41
4.3.3 Himalayan Bank Limited	45
4.3.4 Kumari Bank Limited	48
4.3.5 Laxmi Bank Limited	50
4.3.6 Lumbini Bank Limited	53
4.3.7 Machhapuchhre Bank Limited	54

4.3.8	NABIL Bank Limited	58
4.3.9	Nepali Credit and Commerce Bank Limited	62
4.3.10	Nepal Bangladesh Bank Limited	63
4.3.11	Nepal Industrial and Commercial Bank Limited	67
4.3.12	Nepal Investment Bank Limited	71
4.3.13	Nepal SBI Bank Limited	71
4.3.14	Siddhartha Bank Limited	78
4.3.15	Standard Chartered Bank Limited	79
4.4	Primary Data Analysis	82
4.4.1	Classification of Respondents	83
4.4.2	Purpose of Share Investment	84
4.4.3	Reason of Public attraction in Commercial Banks	85
4.4.4	Public Awareness about Share Investment	86
4.4.5	Status of Present Laws and Policies	88
4.4.6	Role of EPS in the Determination of Share Price	89
4.4.7	Role of Dividend in the determination of Share Price	90
4.4.8	Role of Company Assets Structure	91
4.4.9	Role of Capital Structure	92
4.4.10	Role of Political Fluctuation	94
4.4.11	Effect of AGM and BOD Election in Share Price	95
4.4.12	Company Risk vs. Share Price	96
4.4.13	Most Influential Determinant of Share Price	97
4.5	Major Findings of the Study	99
CHAPTER V : SUMMARY, CONCLUSIONS & RECOMMENDATIONS		102-106
5.1	Summary	102
5.2	Conclusion	104
5.3	Recommendations	105
BIBLIOGRAPHY		107
ANNEXES		110

LIST OF TABLES

S.N.	Title	Page No.
3.1	Name of Commercial Banks Listed in NEPSE	26
4.1	Operation Date of Nepalese Commercial Banks	34
4.2	Summary of the Financial Performance of BOK	37
4.3	Relationship of BPS, EPS and DPS with MPS of BOK	39
4.4	Simple Regression Equation of BOK	40
4.5	Summary of the Financial Performance of EBL	41
4.6	Relationship of BPS, EPS and DPS with MPS of EBL	43
4.7	Simple Regression Equation of EBL	43
4.8	Summary of the Financial Performance of HBL	45
4.9	Relationship of BPS, EPS and DPS with MPS of HBL	46
4.10	Simple Regression Equation of HBL	49
4.11	Summary of the Financial Performance of KBL	49
4.12	Summary of the Financial Performance of LBL	50
4.13	Relationship of BPS, EPS and DPS with MPS of LBL	52
4.14	Simple Regression Equation of LBL	52
4.15	Summary of the Financial Performance of LUBL	53
4.16	Summary of the Financial Performance of MBL	54
4.17	Relationship of BPS, EPS and DPS with MPS of MBL	56
4.18	Simple Regression Equation of MBL	57
4.19	Summary of the Financial Performance of NABL	58
4.20	Relationship of BPS, EPS and DPS with MPS of NABL	60
4.21	Simple Regression Equation of NABL	61
4.22	Summary of the Financial Performance of NCCBL	62
4.23	Summary of the Financial Performance of NBBL	63
4.24	Relationship of BPS, EPS and DPS with MPS of NBBL	65

4.25	Simple Regression Equation of NBBL	65
4.26	Summary of the Financial Performance of NICBL	67
4.27	Relationship of BPS, EPS and DPS with MPS of NICBL	69
4.28	Simple Regression Equation of NICBL	69
4.29	Summary of the Financial Performance of BIBL	71
4.30	Relationship of BPS, EPS and DPS with MPS of NIBL	73
4.31	Simple Regression Equation of NIBL	73
4.32	Summary of the Financial Performance of SBI Bank	75
4.33	Relationship of BPS, EPS and DPS with MPS of SBI Bank	77
4.34	Simple Regression Equation of SBI Bank	77
4.35	Summary of the Financial Performance of SBL	79
4.36	Summary of the Financial Performance of SCBL	79
4.37	Relationship of BPS, EPS and DPS with MPS of SCBL	81
4.38	Simple Regression Equation of SCBL	81
4.39	Classification of Respondent	83
4.40	Purpose of Share Investment	84
4.41	Reason of Public attraction in Commercial banks	85
4.42	Public Awareness about Share Investment	87
4.43	Status of Present Laws and Policies	88
4.44	Higher EPS indicates Higher Share Price	89
4.45	Role of Company Assets Structure in Share Price	91
4.46	Role of Company Assets Structure in Share Price	91
4.47	Good Capital Structure indicates higher Share Price	93
4.48	Political Situation Change the Share Price	94
4.49	AGM and Election of BOD effect on Share Price	95
4.50	Higher the risk, More the Share Price	96
4.51	Most Influential Determinant of Share Price	97

LIST OF FIGURES

Figure No.	Title	Page No.
1.	Relationship between MPS, DPS, BPS and EPS of BOK	38
2.	Relationship between MPS, DPS, BPS and EPS of EBL	42
3.	Relationship between MPS, DPS, BPS and EPS of HBL	46
4.	Relationship between MPS, DPS, BPS and EPS of LBL	51
5.	Relationship between MPS, DPS, BPS and EPS of MBL	55
6.	Relationship between MPS, DPS, BPS and EPS of NABL	59
7.	Relationship between MPS, DPS, BPS and EPS of NBBL	64
8.	Relationship between MPS, DPS, BPS and EPS of NICBL	67
9.	Relationship between MPS, DPS, BPS and EPS of NIBL	71
10.	Relationship between MPS, DPS, BPS and EPS of SBI Bank	75
11.	Relationship between MPS, DPS, BPS and EPS of SCBL	80
12.	Purpose of Share Investment	84
13.	Reason of Public attraction in Commercial Banks	86
14.	Public Awareness on Share Investment	87
15.	Status of Present Laws and Policies	88
16.	Higher EPS indicates Higher Share Price	89
17.	Dividend Pattern matters in Share Price Determination	91
18.	Role of Company Assets Structure in Share Price	92
19.	Role of Capital Structure in Share Price	94
21.	Effect of AGM and Election of BOD in Share Price	95
22.	Role of Risk in Share Price Determination	96

ABBREVIATIONS/ACRONYMS

ADB	:	Agricultural Development Bank
AGEM	:	Annual General Meeting
AM	:	Arithmetic Mean
B.S.	:	Bikram Sambat
BOD	:	Board of Directors
BOK	:	Bank of Kathmandu
BPS	:	Book-Value per Share
CV	:	Coefficient of Variance
df	:	Degree of Freedom
DPS	:	Dividend per Share
EBL	:	Everest Bank Limited
EPS	:	Earning per Share
F/Y	:	Fiscal Year
HBL	:	Himalyan Bank Limited
KBL	:	Kumari Bank Limited
LBL	:	Laxmi Bank Limited
Ltd.	:	Limited
MBL	:	Machhapuchchhre Bank Limited
MBS	:	Master's in Business Studies
MPS	:	Market Price per Share
NA	:	Not available
NBBL	:	Nepal Bagladesh Bank Limited

NBL	:	Nabil Bank Limited
NCC(BL)	:	Nepal Credit and Commerce (Bank Limited)
NEPSE	:	Nepal Stock Exchange
NIBL	:	Nepal Investment Bank Limited
NIC(BL)	:	Nepal Industrial and Commercial (Bank Limited)
NIDC	:	Nepal Industrial Development Corporation
NRB	:	Nepal Rastra Bank
NSBIBL	:	Nepal SBI Bank Limited
NWPS	:	Net Worth per Share
Re.	:	Rupee
ROE	:	Return on Equity
Rs.	:	Rupees
SA	:	Strongly Agree
SBI	:	State Bank of India
SBL	:	Siddhartha Bank Limited
SCBL	:	Standard Chartered Bank Limited
SD	:	Standard Division
SD	:	Strongly Disagree
SEBO/N	:	Security Exchange Board of Nepal
TU	:	Tribhuvan University
US\$:	US Dollar
USA	:	United States of America