CHAPTER ONE
INTRODUCTION

1.1 Introduction of Right Share and Capital Market

The Shares which are issued for the existing share holders of the business firm is known as Right Share. The preemptive right gives holders of common stock the first option to purchase additional issue of common stock. In some stages, the right is made part of every corporate chapter in others right must be specifically inserted in the chapter.

The purpose of the preemptive right is twofold. First it protects the power of control of present stockholders. It is not for this safeguard, the management of a corporation under criticism from stock holders could pervert stockholders from removing it from office by issuing a large numbers of additional shares at a very low price and purchasing this shares itself. Management would theory secure control of the corporation to trust rate the will of the current stock holders.

The second and for the most important protection that the preemptive right afford stockholders concerns dilution of value.

Thus, selling common stock at a below market value will enable new share holders to buy stock on terms more favorable than those that had been extended to the old shareholders. The preemptive right prevents sum occurrences.

If the firm sells new stock to existing shareholders it is called right offering.

If each shareholder is given an option to buy certain no. of share and terms and condition of right offering on specified in a sheet of paper it is known as a right offering

Capital market is a market for long-term securities having maturities greater than one year. They are vital to long term and prosperity of economy since they provide the channel through which needed fund can be raised. It is a mechanism

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through which public savings are realized to industrial and business enterprises. The key instruments used in capital market are debt, preference stock and bond and convertible issues. Demand of capital in the capital market comes from agriculture, industries, trade and government, which sources are from individuals, corporate saving multinational investors and surplus of government. So, some of the important members of capital markets are stock exchange, specialized financial institutions, bank and Investment Company etc.

A place where long-term lending and borrowing takes place is known as capital market. Therefore the capital market is the market for long-term borrowing and lending, capital market consists of securities market and non-security market. Securities market implies mobilization of funds through issuance of the securities. Shares, Band, Bills, and debenture by corporate sector and Bonds, Bills and Debentures by government. These securities are traded in the market and generally negotiable and hence can be traded in the secondary markets. Non security market refers to the mobilization in the financial resources by the financial institutions in the form of deposit and loans.

Capital market plays a crucial and effective role in economy development of a nation. The health of the economy is reflected in the two wings of capital markets i.e. primary market or new issue market and secondary market.[1] The main objective of the capital market is to create opportunity for maximum numbers of people to get benefit from return obtained by directing the economy towards the productive sector by mobilizing the long term capital. The objective can be fulfilled only by the rational accountable behaviors as institutions mediator and investor.[2]

Resource mobilization is assumed to be vital and challenging work in the present day. World economy in this era of financial, economic and political

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[1] Krishna Kumar Agrwal (1997) Indian capital market New Delhi Answari Road, Anmol Publication, Pvt Ltd. p. 240.

[2] HMG Nepal (1997) The Ninth Plan, Kathmandu. P. 167

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liberalization the task is more complicated a before. Actually the current financial crisis of the USA effected all over the world during FY-2009. Moreover, capital market, which is called the life blood of the liberalized economy, is the mechanism through which the resources are mobilized and flowed from non productive sector to productive sector.[3]

To develop the economy of a country an efficient and effective capital market is of vital importance. The growth of capital market in a country depends upon the saving available, proper organization of intermediary, to bring the investors and business ability together for mutual interest. Capital market is organized market through which buyers and sellers of long term capital are met and the function of buying and selling takes place. Capital market is such a powerful marketing which gives opportunity to the investors to invest their savings in ordinary shares, debenture and government securities. In the present time for fast industrial growth capital market plays an important role. Recently in Nepal, right share is one of the key instruments to raise capital from capital market. It can be easily noticed increasing trends of issuing right share, a type of equity share issued by a company to the existing share holders.

1.2 Background of the Study

When a company is formed, it obviously must be financed. Often the seed money comes from founders and their families and friends. For some companies, this is sufficient to get things launched and with retained earnings no more equity is needed. Common stock holders of a company are its ultimate owners, collectively; they own the company and assume the ultimate risk associated with ownership. The nature of equity ownership however depends upon the type of the business or organization.

[3] KGopal Prasad Bhatta (1995) "Assessment of Performance of listed companies in Nepal" an unpublished MBa thesis, Central dept. of management. T.U. p1.

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Every firm constantly faces the financial problem from its very inception. A growing firm thriving day by day always remains in the destitute of funds either for expansion or diversification of business or to sustain in the competitive area. In order to cope with various financial situations firms usually issue common stock to general investors' preference share and various types of debentures as demanded by their target capital structure. This paper mainly focuses on the right offering to the existing shareholders. Some companies are bound to issue new shares of additional stock to the existing shareholders simply because of pre-emptive right clause in the act of incorporation.

Ordinary share, preference share and debenture are three important securities used by firms to raised fund to finance their activities. Ordinary share provide ownership right to ordinary shareholders. They are the legal owners of the company. As a result, they residual claims on income and assets of the company. They have right to elect the board of directors and maintain their proportionate ownership in the company called the pre-emptive right.

Large number of corporate firms announce and issue right share to increase their capital base if the corporate management felt such need or to comply with the policy directives given by the concern authority to increase the capital base from time to time. In our country, Nepal Rastra Bank issues the policy directives to the Commercial Banks to control and for the supervision of the establishment and operation of commercial bakes in Nepal. Nepal Rastra Bank has already issued the policy provisions regarding the requirements of minimum paid up capital in commercial banks. Which, significantly affected the right share issuing practices of commercial Banks in Nepal. A company issues right share under the principle of pre emptive right of the shareholders,. Under this right the existing shareholders have the first priority to purchase any new equity issued by the company.

It is not very practical to attempt to issue this new share at a premium to the existing share price because rational new investors would prefer to buy existing

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shares directly in the secondary market rather than more expensive new ones. Equally it is normally difficult to make a substantial new issue share at the prevailing market price.

It is often necessary to consider to make new issue at a discount to the correct market price. But to do so would be to rob existing shares. This can be avoided the existing shareholders are given right to buy these discounted share proportion to their existing shareholders. Hence the name "right issues". These issues are normally described by reference to how many new shares can be bought for holder of existing share owners. For example 1 for 5 right issue means these for every 5 share owned the shareholders gets the right to buy of new shares being offered. The company does not force its existing shareholders to buy any new shares in the company rather it is granting them with an option to buy these new shares. As the new shares are being issued at a lower price than the current market price of the existing shares, this option should have a value and can be sold if the current shareholder does not like to take it up.

Right have intrinsic financial values because they are normally offered at a price some what lower than the current market price of stock. Consequently a market exists for the buying and selling of rights and once again we enter the world of speculator. An especially attractive speculative investment is using margin to buy rights with the hope that the value will raise.

In Nepal, first rights shares issuing company is Nepal Finance and Saving Co. Ltd, It issued Rs. 2 million and . In fiscal Year 1995/96 then Seti Cigarette Factory Issued the right shares in same fiscal year (1995/96). Like wise Himalayan General Insurance co. ltd. (1996/97). Botllers Nepal Ltd (1996/97) Nepal share markets Co. Ltd. (1996/97) Nepal Bank Ltd. (1997/98) Nepal United co. Ltd. (1997/98), Annapurna Finance Co. Ltd (1997/98) Nepal share markets co. Ltd (1998/99), Necon Air Ltd (1999/2000), Paschimanchal finance co. Ltd (1999/2000), Ace Finance co Ltd (1999/2000) Narayani Finance Ltd (2000/2001)

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Everest bank Ltd (2000/2001) Bank of Kathmandu Ltd (2000/2001). Nepal Housing and merchant finance Ltd (2000/2001), Ace finance Ltd. (2001) Nepal SBI Bank Ltd (2001/2002) NIDC Capital markets Ltd (2001/2002)

(for more detail ref. **Appendix 1: Rights Share Issue in Nepal)**

1.3 Focus of the Study

In any firm, right share is taken as major financial decision that affects the value of the firm. The main focus of this study is to examine the practice made by the sample firms in regards to the right share and its impact on stock price movement. The purpose of this study is to provide a clear understanding of the circumstances surrounding a right offering to analyses the right of the offer the improving its effectiveness. This study also examines the practice made by the Nepalese firm in this regard, stock price movement and current legal provision, regarding right share issue.

1.4 Statement of the Problem

Right offering announcement by a company serves good news to the existing shareholders. A shareholder, whose name is in the company book already recorded, then the person is entitled to have a proportionate number of new shares at a below market price, a view held by professional investor. Finance directors and some academics is that a right issue because it has increased the supply of a company's share, will have a depressing effect on the share price. It should consider some theoretical relationship in rights offering. Several issues conformity the financial manager, who is deciding on the details of right offering. Here it should also consider the pure stock split effect of the issue of right. Under those assumptions the question posed to financial management i.e.

- How many rights will be required to purchase a share of the newly issued stock?
- What is the value of each right?
- What effect will the rights offering have on the price of the existing stock?

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We can find the number of the shares to be issued by dividing the fund to be raised by the subscription price of each share.

We can divide the no. of new share in the no of existing shares to get the no. of rights required to subscribe one share of the new stock. It means that the high subscription price makes more rights needed to buy a share of the stock and vice versa. Value of right can be calculated in rights on and exercise price.

While viewing the share price movement after announcement of right offering by some companies mixed result have been found. For example, Nepal saving and finance company limited in fiscal year (2052/53) market price of its share was Rs. 110 for three months before announcement of right share,. but after the announcement the price is higher than market price of the share which was Rs. 117. In the case of Ace finance co. ltd. before announcement there was no transaction at all before the record date. In Nepal Bank limited closing price before announcement was Rs. 370 but after the announcement it decreased to Rs. 350 per share. In Necon Air Ltd. it is found to follow the price movement consistent with the theory that rights offering announcement appreciates the price of the shares. There is an actual appreciation in the price after announcement of right share. For example, market price decreased from Rs. 390 per share to Rs. 366 per share after announcement. And the market price was substantially reduced down to Rs. 195 in the closing of the first day's transaction after the actual issue of right shares. This dilution in market price might, have been attributed to the increase in the number of shares of common stock. In this way that is price impact of right issue (offering) announcement on share price of listed comprises under consideration is one aspect of the statement of the problem of this research work. When a company sells securities by subscription it gives information to all its investors. It gives the shareholders the option to purchase additional shares of the company or sell their rights to another investor or no action. If an investor wants to purchase the newly issued share of the company all terms and condition must be meet. The holder of right or the existing shareholders have three choices.

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i. Subscribe for new share [Taking up the right] if the existing shareholder has sufficient cash resources to buy new shares, and if he feels the company will use the money to raise in a profitable way then he should take the right.

ii. Sell right: The new shares are cheaper than the current market price and both new and old shares will rank equal footing when the formalities have been completed. This new not exercise right have a value for which a third partly will be willing to pay If the shareholder is not happy about the right issue or equities some extra cash be should sell the right. Usually the rights are sold via a broker who will charge commission.

iii. Do nothing at all: When shareholder neither subscribes nor sells his rights. It reduces the wealth of shareholder. After, study of the rights share allotment reported of these three companies, no full subscription of right share in all cases have been found out varying degrees of under subscription of shares have been found for different companies The following table assists to clarify this statement.

Table 1.1

Right Offering and its Subscription

No. of Shares	Nepal Investment Bank	Ace Finance Ltd
Issued	5,72,400	450000
Subscribed	557659	447235
Under Subscribed	14741	2765

(Source: Right Share and its impact on market price of the stock A thesis by Pratap Naryan Shrestha 2005 p. 9)

The above table shows that there were a lot of shares that were remained unsubscribed by the existing shareholders and were purchased by the employees of the respective companies and underwriter. But the company act is silent on this part and such situation make the vary essence of right offering questionable, which

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can be sold separately, a number of shareholders, who do not want to abandon completely their ownership over the company have the destitute to subscribe for new shares, will have no option to choice Consequently, their post issue wealth position will suffer because of the subsequent dilution in the share price. Only those shareholders, who will continue to stay and exercise rights to purchase the pro-rata shares of new common stock, will remain un harmed by the right issue If there were the right instrument available with existing shareholders, who do not exercise the rights could protect them from incurring loss by selling only the rights. In this case, their post issue wealth positions will not suffer because the value of right, which they receive in its sale, exactly offsets the dilution in the market price of the share. Hence, the absence of the right instrument and the implicit of the shareholders wealth, which do not exercise the rights, is another aspect of the research problem.

Theoretically after announcement of the right share, stock price of the company should be increased and after exercising the right share, stock price of the company should be decreased by its value of the right. Stock price movement is not similar among all the companies listed in the Nepal stock exchange who have practices the right shares.

The process of rights share issue is lengthy and complicated in Nepal. To issue the right share, company should take the permission from security board of Nepal and also registered their shares. Company can't issue their rights shares directly so they issue their shares through issue manager.

Here are some specific problems, which are researchable.

a. What is the practices of right share in Nepalese security market ?
b. Is there any significant difference on stock price movement of companies before and after announcement of the right share ?
c. Is there any difference between theatrical value and market value after announcement of the right shares ?

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d. What are the major problems to issuing the rights share in Nepal ?

e. What are the rules and regulations about rights share in Nepal ?

1.5 Objective of the Study

The main objective of the study is to analyze **"The practices of right share issue and its impact on share market price".** The study has been carried out with the following other objectives taking in mind.

a. To examine the significant different of stock price movement before and after the announcement of the right share.

b. To compare the theoretical value and the real market value after the announcement of the right share.

c. To identify the problem of the right share practice in Nepal.

d. To point out suggestion to the related bodies.

1.6 Significance of the Study

Many studies have been done in different subjects to fulfill different objectives in Nepal. All studies have their own importance. The entire subject is equally important for the concerns of the people. This study is also important for those people who are interested to know about the right share and its practices in Nepal. Students who are studying about the right share in their course of study they will be directly benefited by this study. They will gain practical knowledge from the outcomes of the study. Government of Nepal can also benefit from it in formulating its policies and strategies. Many brokers, security board of Nepal, Nepal stock exchange also could be benefitted work. All those re-searchable issues which have remained un-answered could become the basis for further research for many researcher.. This study is important to measure the price movements of the stock due to right offering. This is important from many points of view.

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1.7 Limitation of the Study

There are some limitations of the study these are as follows

a. The study is mainly based on secondary data although some primary data will also be used as supporting tools.
b. In case of the primary data issue managers give right to the lower level employees to fill in the questionnaires and they fill in according to their own views. This would not represent the views of the companies.
c. Non availability of sufficient resources is another limitation of the study.
d. The non-availability of various references, materials and resources act as constraints.
e. Other variables are totally ignored to measure the price movements.

1.8 Organization of the Study

This study is organized into five chapters and each chapter is devoted to some aspects of the study on issue and practice of right share and its impact on stock price movement of selected listed companies. The following are the five chapters:

Chapter One	Introduction
Chapter Two	Review of Literature
Chapter Three	Research Methodology
Chapter Four	Data Presentation and Analysis
Chapter Five	Summary, Conclusion and Recommendation

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CHAPTER TWO
REVIEW OF LITERATURE

The introduction chapter describes about introduction of capital market, background of the study, focus of the study, statement of the problem, objective of study, limitation of study, significance of study, statement of hypothesis and organization of the study. This chapter deals with the review relating to the right share and capital market in more detailed and descriptive manner. For this purpose various books journals articles from newspaper, magazines and other related studies have been reviewed & appropriate incorporated. In the context of Nepal, no specific research studies were available regarding right issue and its impact on stock price movement. A lot of efforts have been made to cover various aspects of the study so that the adequate feedback could be obtained to broaden the base and enriched to the study.

2.1 Conceptual Review

2.1.1 Right Offering

The right of holders of common stock in a business corporation are established by the law of state in which the corporation is chartered and by the terms of the charter granted by the state. Charters are relatively uniform on many matters, including collective and specific rights. Certain collectively rights are usually given to the holders of common stock (Weston and Copeland, 1992).

1. The right to amend the charter with the approval of the appropriate officials in the state and incorporation,
2. The right to adopt and amend by laws,
3. The right to elect the directors of the corporation,
4. The right to authorize the sale of fixed assets,
5. The right to enter into mergers,
6. The right to change the amount of authorized common stock, and

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7. The right to issue preferred stocks, debentures, bonds, and other securities,

Westeon and Copeland (1992) states that common stock holder also have specific rights as individual owners.

1. The right to vote in the manner prescribed by the corporate charter,
2. The right to sell their stock certificates (their evidence of ownership) and, in this way, to transfer their ownership interest to other persons,
3. The right to inspect the corporate books (obviously, a corporation cannot have its business affairs distribute by allowing every stockholder to go through any records of the stockholder wants to inspect. Further more, a corporation cannot wisely permit a competitor who buys share of its common stock to look at all the corporation records. There must be, and there are, practical limitations to this right), and
4. The right to share residual assets of the corporation on dissolution. (However, the holders of common stock are last among the claimants to the assets of corporation).

A right is an option to buy a security at a specified price during a designated period. A company gives its existing stockholders the first opportunity to purchase a new security issue on a privileged-subscription basis. The legal provision requiring the companies to offer new issues of holders of ordinary shares is referred to as the preemptive right. The concept of rights has grown out of the common law doctrine that a shareholder should have the opportunity to preserve his/her share in the earnings, ownership and surplus of a company. The per-emptive right gives shareholders the first opportunity to purchase additional issue of the company's securities.

When a company makes a right issue, it sends a "Letter of offer" to existing holders of equity share indicating the amount of new full shares or coupons to which they are entitled in proportion to their old shareholding letter of offers must

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be exercised within a relatively short given period usually not more than thirty days, unless the date is extended by the company.

Right plays an important role in the financing of companies. Despite the wide spread used of rights, their significance in often misunderstood by both the issuing companies and the shareholders.

The 'Privileged subscription is fairly simple in the sense that after the issue has been approved by the company and the controller of capital issue notices and sent to shareholders indicating that all those who are shareholders as on a certain date may subscribe to additional shares in a given proportion.

Choice of the shareholder when a rights issue is made as follows: (Cowdel, Billing, and Cowdell, 2001)

Subscribed for the new shares (this is some times called taking up the rights): If the shareholders has sufficient cash resources to buy the new shares and if he/she feels the company will use the money to raised in a profitable way, then s/he should take up the rights.

Sell the rights: The new shares are cheaper than the current market price, and both new and old shares will rank on equal footing when the formalities have been completed. Thus the newly nil paid shares have a value for which a third party would be willing to pay. If the shareholders are not happy about the right issues or equities some extra cash be should sell the rights. Usually the rights are sold via a broker who will charge commission.

Do nothing at all: in this case, investors neither subscribes nor sells. It reduces the total wealth of shareholders.

There is another type of right issues is called deep discounted rights issues. A deep discounted rights issue also reduces the price per share considerably, which makes the shares more marketable.

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2.2 Related Issues

There are some related issues about right issue of share and its practice. Related issues are divided into following sub-topics.

2.2.1 Review of Books

Prof. Dr. M.K. Shrestha (1992) states that thought the size of the shareholders population in Nepal has been growing constantly the government seems to have not take an initiative in formulating the separate act which protects the shareholders rights.

Shareholders subscribe the shares floated by the public limited companies through the Security Exchange Centre (SEC) for the firm belief that there will be proper response of their rights which consists of both of the collective and specific rights. The collective rights of shareholders include the amendment of charter with approval of appropriate officials.

In Nepal, the concerned officials seem to be not relevant as they interfere in the shareholders' rights. That is why the collective rights of the shareholders get ignored. In the annual general meeting shareholders can amend the internal by laws, elect directors, authorize the sale of assets, enter into mergers, change amount of the authorized capital and so on. But in reality, many annual general meeting have undermined the collective rights of the shareholders. For instance, National life and General Insurance Company had suppressed the collective rights of shareholders by not adhering to the consent of shareholders members in the board through the proposal was put forward by the management before the shareholders. The same is true in the case of **Butwal Dhago Udhyog** as the management wanted to have a control over the collective rights of shareholders.

Shareholders have right to vote as prescribed by the charter, they have right to sell the transfer share certificate and also rights to inspect accounts as well right

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to claim as assets and income. Regarding their voting rights, the contest through collecting proxies can perform a very useful representation in the board of directors. By gaining board representation through proxies, the winning candidate may stimulate the shareholders expectations. But in practice, the trend of collective proxies has found to be mixed. Because in most of the cases the candidate having representation the board through proxies seems to have considered only few vested interest of shareholders of at the cost of many others. These can be taken as the tangible evidence.

One of the basic rights of shareholders is the power to use their votes while they elect their representatives for the board of directors. By exercising this power, shareholders choose a representative who can guide the board to formulate strategic plans and polices beneficial to the shareholders at large. Hence, the voting rights of shareholders are very crucial while its misuse may cause a great loss to the shareholders themselves.

Jeff Madura (1998) states that corporations sometimes focus their sales of stock towards a particular group of people, such as their existing shareholders giving them preemptive rights' (first priority) to purchase a new stock. By placing newly issued stock with existing shareholders, the firm avoids diluting ownership. Pre-emptive rights and exercised by purchasing new shares during the subscription period (which normally lasts a month or less) at the price specified by the rights. Alternatively, the rights can be sold to someone else.

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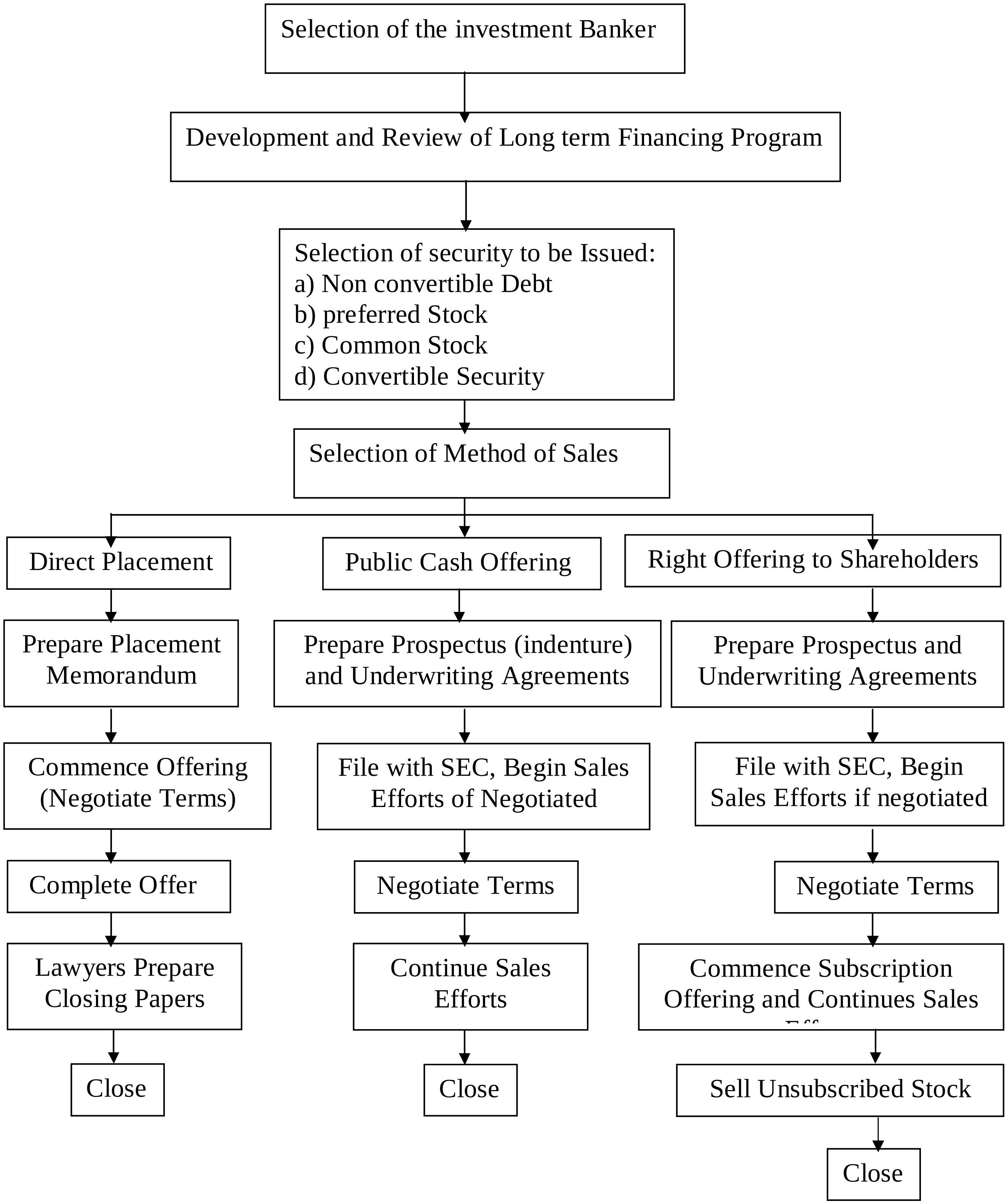
How securities are sold ? Moyer, Macguigan, Kretlow, 1997

Flow Chart-1



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Moyer, Macguigan and Kretlow (1997) state that when selling stock through a right offering firms usually enlist the service of investment bankers, who urge right holders to purchase the stock. In an arrangement called standby underwritings, the investment banker agrees to purchase at subscription price any shares that are not sold to right holders. The investment banker can resell the shares. In a standby underwriting, the investment banker bears risk and is compensated by an underwriting fee.

Van Horne (1979) states that one of the most important aspect of a successful right offering is the subscription price. If the market price of the stock should fall below the subscription price, stockholders obviously will not subscribe to the stock for they can buy it in the market at a lower price. Consequently, a company will set the subscription price at a value lower than current market price to reduce the risk of the market price's falling below it.

A part from the number of rights required to purchase one share, the risk that a market price of a stock will fall below the subscription price is a function of the volatility of the company's stock, the tone of the market expectations of earnings, and other factors. To avoid all risk, a company could set the subscription price so for below the market price that there is virtually no possibility that the market price will fall below it. The greater the discount from the current market price, the greater the value of the right, and the greater the probability of a successful sale of stock, all other things the same.

As long as the stockholder doesn't allow his rights to expire, theoretically he neither gains nor losses by the offering. Therefore, it might seem feasible to set the subscription price at a substantial discount in order to assure a successful sale.

However, the greater the discount, the more shares that will have to be issued to raise a given amount of money, and the greater dilution in earning per share. The dilution may be a relevant consideration, for the investment community analyzes closely the growth trend in earning per share. Significant under pricing of

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the new issue may excessively damped the growth trend in earnings per share and result in a lower price/earnings ratio in the market. Although theoretically the stock holder should be equally well off regardless of the subscription price set, in practice the market value of his stock holdings may suffer if there is excessive dilution in reported earnings per share. Obviously, this would be in imperfection in the market, but imperfections on occasion can be important.

Moreover, if the firm wishes to maintain the same divided per share, under-pricing which results in more shares being issues, will increase the total amount of dividends the company will need to pay and lower its coverage ratio. The disadvantage of under pricing must be balance against the risk of the market price's falling below the subscription price is to reduce the probability of this occurrence to a tolerable level. If, then, the subscription price results in excessive dilution, the company should consider a public issue, where is the amount of under pricing usually it less.

Van Horne also states about 'privilege subscriptions vs. public issue' that by offering a stock first to existing stockholders, the company taps investors who are familiar with the operations of the company. As a result, a successful sale is probable. The principle sale tool is the discount from the current market price, whereas with a public issue, the major selling tool is the investment banking organization. Because the issue is not underwritten, the floatation costs of rights offering are lower than the cost of an offering to general public. Moreover, many stockholders feel that they should be given the first opportunity to buy new common shares offsets these advantages is the fact that a right offering generally will have to be sold at a lower price than will an issue to the general public. Also, a public offering will result in a wider distribution of shares. Management can request stockholders with preemptive right to waive them so that the company can sell stock to the general public. If the arguments is persuasive enough or if management controls enough stock, the pre-emptive right may be waived.

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Harry G. Gauthamann and Herbert E. Dougall (1962) state that there is other factors that influences the success of rights offering. The size of the capital outlay in relation to stockholder existing ownership of the stock importance.

The breakdown between institutional and individual investors may also bear upon the success of the rights offering. The current trend and tone of the stock markets are extremely important. If the trend is upward and the market is relatively stable in this upward movement, the probability of a successful sale is quite high. The more uncertain the stock market, the greater the under-pricing that will be necessary in order to sell the issue. In fact, there are time when the market is so unstable that an offering will have to be postponed.

Michael Firth and Simon M. Keane (1986) state that in a new issue the company is selling shares to outsides and it is therefore important to existing shareholders that the best price be obtained. In a rights, issue, however it is the existing shareholders themselves who subscribe the new funds, and consequently, the issue price doesn't have the same significance. Their position is analogous to that of the trader who takes goods from his business for personal use and charges himself a lower than normal price, what he loses a seller he gains as a buyer. In the same way, when a company makes a rights issue at less than current market value of the company's shareholders lose as existing owners of the firm but gain an equivalent amount as new in investors. In practice, companies generally make right issue at a discount of about 20 percent on market value to allow for any drop in market prices during the period of the issue, since not even existing shareholders will buy shares in their own company at above market value. A discount of some sort is therefore necessary, but from the shareholders' point of view the size of the discount is irrelevant.

M. First and S.M. Keans also state in the size of the discus should be a matter of indifference to investor, as it is clear from some of the present reports on rights issues that the significance of the issue terms is not always properly

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understood. A low issue price inevitably means a great number of new shares with consequent dilution of the ex-price; such dilution is often portrayed as being harmful to shareholders and therefore something to by minimized. This interpretation misses the point that, while a low issue price does indeed result in lower share price as well as lower earnings and dividend per share, it also results in the investor having a correspondingly higher number of shares which exactly counterbalance the effects and the dilution. His/her overall position is the same, no matter what issue price is used.

Because the issue price in a rights offering can be pitched with below market value without loss to excising shareholders, the possibility of a drop in market price during the period of the issue should theoretically present less of a problem than in the case of a new issue. In both instances the issue price has to be set at a figure which will ensure that the issue is not left standard by any downturn in the market but, whereas in a new any safety margin built into the issue price constitutes a potential loss to shareholder, in a rights issue the price can be set low enough to protect the issue against any penalty on exiting investors.

Given that in a rights issue a low price imposes on penalty on shareholders, the take up of the issue can be ensured by simply issuing the new shares at a sufficiently deep discount; yet this is a strategy which is only rarely adopted.

There are several possible explanations for the reluctance of companies and their advisers to adopt the deep discounting strategy. There is reason to suspect that those responsible for setting the issue terms sometimes fail to appreciate that the issue price is unimportant and regard and discount as a loss to the company which should be kept to minimum. Alternatively, even if financial managers themselves accept the logic of the low price strategy, they may be afraid that the market might misinterpret the dilution caused by low issue price as being the detrimental factor to shareholders.

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Keasey, Hudson and Little (1998) state that with this size of rights issue, there is going to be a significant dilution of the value of each individual share. In fact, even in a certain amount of money is raised that would not add value to the profitability of the business, the value of your new shareholding, assuming no stock market sentiment or reaction, should only change by the amount of money paid over or the new shares of course, the stock market does react and the value of the new shareholding may well be different from money paid for the new shares. it will depend on how the market thinks the extra money raised by the company will be put to use.

In contrast to rights issues, there exist some empirical evidence regarding the reaction of the market to stock splits. They seem to occur after there has been an increase in share price and there is a further price rise after the announcement of the split. This positive price effect may well reflect the fact that stock splits are associated with an increase in dividends. In other words, stock splits are good news (at least in the short term) for the investors. Sadly, there is an absence of evidence concerning whether they can be predicted.

Cowdell, Bilings and Cowdell (2001) state that an alternative method of resigning finance for this purpose is vendor lacing. Vendor placing cannot be made without the approval of the shareholders.

A variation on a vendor placing is a vendors' rights issue. In cases where the issued shares are purchased by a single buyer (usually an issuing house). The shares are then offered to the shareholder of the issuing company as in a rights issue this avoids the dilution that takes place with a vendor placing.

Colin Chapman (1999) states that raising money through the share markets through rights issues also strengthens balance sheets and prevents the kind of over borrowing that has forced many large companies into difficulty.

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Sometimes companies will want to use both methods. For example, a British company may use a rights issue to fund a UK acquisition, but, if seeking to takeover a European company, could use a foreign currency bond to match the currency of the target company's country.

If a rights issue is under subscribed there is a danger that the share price will fall, even if underwrites have been appointed, and this defect part is the objective of the exercise which is to raise more capital. The most important question for a company making a rights issue is to decide on the terms at which it will offer new shares. Normally, this is done by offering the shareholders the right to buy a number of shares at a special price for each share they own. In 1990, the British Brewing Group Bass sought to raise 558 m by giving its equity holders the right to buy one new share for every five they already owned. This is known as one-for five issues. As soon as a rights issue has been completed, the price of the existing shares usually falls to reflect their dilution as a result of new stock on the register.

A rights issue is not cheap, which is one of the main arguments against this form of raising additional capital. There are underwriting fees, fees to lawyers, accountants and public relations consultancies plus the actual cost of printing and distributing the substantial amount of documentation necessary.

2.2.2 Review of Journals

There are many articles published on various journals about rights issues.

Scholes (1972) used the market model to examine a sample of 696 issues made on the NYSE between 1926 and 1966. He found abnormal gains in the period leading up to the issue; a small price fall of, on average, some 0.3 percent in the month of the issue; and thereafter, no abnormal gains or losses. The price behaviour in the issue month was independent of the size of the issue and thus scholars were able to reject the price presser hypothesis.

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Smith (1977), has examined a sample of 853 rights issue made on the NYSE between 1926 and 1975. Smith found abnormal returns of 8-9 percent in the one-year pre-issue period, the virtually no abnormal returns thereafter. Although he had carried out no specific tests for price pressure, his results show a small price decline of 1.4 percent in the two months preceding the issue date, following by a 'recovery' of the same magnitude in the two months after the issue, possibly indicating the existence of a small amount of price pressure.

Similar results were obtained by Ball, Brown and Finn (1977), for 193 Australian rights issues between 1960 and 1969. There was a mean abnormal return of 10 percent in the year before the issue with little unusual behaviour thereafter apart from a temporary price decline of 0.9 percent in the month after the announcement.

Smith's (1977), sampled accounted for less than ten percent of issue: whereas in Britain and many other European countries, rights issues predominate. The price of the new whereas in a right issue is normally fixed at a level somewhat below the current market price of the shares. But this lower price should not generally diminish the wealth of the existing shareholders. This is because, for shareholders, who do choose to take up the allocation, the fall in price is comparable to the inconsequential decline, which accompanies a capitalization issue or stock-split. And shareholder, who chooses not to take up the allocation of the new shares, can sell their rights to the new shares in the period before the payment is due. Consequently, only irrational shareholders, who neither exercise their rights nor sell their rights, will see their wealth reduced. The company can, therefore, set a price for the rights issue sufficiently low to ensure that the rights will be exercised without fearing any adverse wealth implication for its existing shareholders.

Rights issues appear to be a less expensive way of raising money than underwritten public offerings. Smith (1977), estimated, for example, that for a 100

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million dollar issue "reported out of pocket expenses" would be 3.8 million dollar less for a rights issue and this difference was not offset by the other categories of expenses which he defined. But if they are cheaper than underwritten public offerings, there is a paradox.

Why do the great majority of firms in the United States choose the apparently more expensive way or raising equity finance ? Hansen and Piknkerton (1982), contend that the direct comparison of costs of rights with underwritten public offering may be misleading because other things are not equal: a third variable, ownership structure, confuses the comparison. Companies with heavily concentrated ownership predominantly undertake US right issues; and the costs of rights issues decline as the ownership concentration increase.

The resolution of the paradox proposed by Heinkel and Schwart (1986), emphasizes the information asymmetry between investors and firms seeking new equity, with the form of the new issue taking on a signaling role. For example, setting a low price in a rights issue would have a detrimental signaling effect.

But the higher price carries the risk that shareholders will not exercise their rights, and failure of the issue would bring the cost penalties. Then, only higher quality firms would adopt for the rights issue. Smith (1977), who so clearly posed the paradox in the first place, offers a different resolution to it. He focuses on potential conflicts of interest between managers and directors, on the one hand, and shareholders, on the other. Some of the benefits of underwriting may accrued to the dissectors and managers rather than to the shareholders. Investment bankers, whose firm's act as underwriters, and often represented on BOD and are in a strong position to represent the interest of the underwriters, are in a position (quite legally) to give a range of favour to the management. But the question may arise, why would shareholders allow managers to impose extra cost on them for these reasons ? Smith invokes the agency cost framework of Jensen and Meckling (1976): only if the costs of monitoring the managers fall short of the extra cost of

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the financing method will the shareholder curb the managers; monitoring, is of course, both expensive and beset by public good problems. Perhaps, it is for these reasons that Bhagat (1983) found a significant negative price reaction when directors succeed in removing from their charter the provision requiring that new equity offer does appears to have been achieved at the expense of the shareholders' wealth. Smith (1977) and Eckbo and Masulis (1991), compare the cost of uninsured rights, standby rights and firm commitment-underwriting offerings. Their evidence indicated that uninsured rights offerings and least costly and underwritten offerings are most costly. Yet in the US, rights are seldom used. Why do US managers use the more costly method for raising equity capital ? Smith argues that management may gain, at the cost of shareholders, from an underwritten may compensate managers through side payments if managers exercise their discretionary authority to award them with the underwriting contract. Second, an investment banker on a corporate board of directors, may lobby for selection of his investment-banking housetop perform the underwriting services. Third, in corporations where management compensation is tied to accounting profits, management may have an incentive to use underwritten offerings instead of rights offerings. In an underwriting offering management can include payment for past (present or future) consulting advice of the investment bankers, in the underwriting fee. These fee (or other expenses of raising equity capital) do typically not lower accounting profits, but income is reduced if the investment bankers are compensated explicitly for counseling advice.

Paul Marsh (1979) used London share price database to study equity right issue and the efficiency of the UK stock market. He takes whole population of right issuing company i.e. 1145 companies on the London quoted and registered companies between 1962 to 1975 although 148 issues were excluded because of potential ambiguities in the calculation of rights issue adjustment factors. He found the population abnormal return estimate for the two years post announcement period was only 4.5 percent or almost exactly half of the figure obtained for the

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random sampling. Similarly, over the one-month period following the announcement the abnormal return estimated were 2.8 percent and 1.6 percent respectively. The mean ex-port market return was only 0.8 percent higher than the mean risk fee rate over the two-year post announcement period, so he expects his results to be largely independent of his beta estimates.

Since his study was concerned with market efficiency, the confined his attention to the post announcement period and striking feature was the apparent existing of abnormal returns after the news has been made public. Furthermore, his results are unaffected by the choice of model although the results were somewhat lower with market model.

He further states that price pressure implies a temporary price fall around the ex-data. To test this, he applied the single stage cross sectional model to full sample of nearly a thousand issues. The result is consistent with the existence of small amount of price pressure. Share prices appear to suffer a temporary set back of 0.9 percent during the immediate ex-right period, although they make then recover from this over the next month with an abnormal return of 1.8 percent over the second period examined. while a small part of the price fall could be due to information effects delayed until after announcement date because of non-trading. There appear to be no other plausible explanation, which are consistent with market efficiency.

The results of his test on price pressure and market liquidity were for more conclusive. Although on an average, there did appear to be small setback of 0.5 percent to 1 percent when the shares went ex-rights, he found no evidence what ever that the returns over the issue (or announcement) period were related to the size of the issue. Quoted companies appear to be able to sell any reasonable amount of new equity at effectively the current market price and do not appear to face a downward and sloping demand curve for their shares. Hence although in recent years there has been an active public debate in the UK or the adequate of the

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capital market there seems little satisfaction for any real concern over the operations of this particular segment. The London Stock Exchange appears to be a highly liquid market.

Hansen and Pinkerton (1982), argue that Smith's finding that rights are less costly may be due to systematic difference in the type of firms in choosing rights offering. They find that rights offerings and advantageous only for closely held corporations. They argue that firms with diffused share-ownership would incur greater costs from rights offerings than underwriting offerings.

During the last two decades information-theoretic models have been increasingly used to understand corporate finance phenomena. For example, Mausulis and Korwar (1986) find a significant negative market reaction to announcement of firm commitment underwritten offerings. Such a negative market reaction had generally been ascribed to averse selection problem in the seasoned equity market. Specifically, Myers and Mijluf (1984), argue that shareholder-wealth-maximizing managers are better informed about a firms' value than outside investors. Such managers will not tend to offer new equity to the public if the market price is significantly less than their assessed valuation. In general equity is issued when it is overpriced. Hence, market participants lower the stock price at the announcement of a public equity issue, to correct for the overpricing. Not all the managers wish to issue equity to take advantage of their superior information. Some firms may wish to issue (correctly priced or even somewhat under priced) equity to invest in a positive net present value project or to adjust their debt structure. If market participates can be convinced that the firm is issuing equity not because it is overpriced but from effective real investments or capital structure changes, then it might not lower the stock price.

Also if the firm announces the rights offering to raise equity capital and if the existing shareholders are expected to subscribe to all the new shares, then the firm's price will be unaffected at the announcement. The reason is that is fully

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subscribed rights offering managers cannot take advantage of their superior information since the existing and the new shareholders are the same. Hence, there is no adverse selection risk for fully subscribed rights offering.

Eckbo and Masulis (1991) find evidence consistent with this market reaction is most negative for underwritten offering and least negative for uninsured rights, and in between for standby rights when the extant subscription rate is not as high as for uninsured rights offering. Many firms cannot expect to have their rights offering fully subscribed. As noted by Eckbo and Masulis (1991), rights subscription rates will depend on personal wealth constraints of shareholders, portfolio diversification considerations, transaction costs and tax liabilities of selling rights, and benefits from maintaining proportional voting power. As the expected subscription rate decreases, the adverse selection risk increases. Underwriters may be able to lesson this adverse selection risk by certifying to outside investors that the firm in issuing equity not because it considers it overpriced, but for effecting real investments or capital structure changes. A question that arises is how do underwriters certify the price of the seasoned offering. For seasoned offerings, investors have an easily available benchmark to compare the offering price to namely, the price on the exchange-floor. In a semi strong form efficient market, the exchange-floor price would reflect the information of underwriters.

2.2.3 Review of Relevant Studies

Till the date, many studies have been done related with the impact on market price by using various variables such as EPS, DPS and signaling effects. But out of them only related thesis on rights issue have directly studied on the impact on share price, have been considered.

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Bansidhar Gautam's Study

In the year 2058 B. Gautam has done study on the topic of "Analysis of Share Price Movement Attributed to Rights Offering Announcement".

The main objectives of his study were

a. To find the effect or rights offering on the share price movement.

b. To find out, if there is any problem in the primary issue of securities

c. To analyze the adequacy of the contents of the company act 2053 in regard to section 21, that emphasis about that matter to be disclosed in the issue prospectus.

The major findings of his study were:

a. Change in share price due to rights offering cannot be generalized.

b. There is lack of legal provision in company act regarding the issue of right share.

c. There is lack of investors protection act.

d. Nepalese security market has failed to use various capital market instruments such as warrants, convertible, option etc.

e. Security board has failed to establish one window policy to support the primary issue of shares.

To conduct the study, he had used correlation analysis between share price movement and NEPSE index, i.e. general market movement and t-statistics between share prices before and after rights issue announcement. T-statistics was used to test if there was significant change in share price before and after the issue of rights. But he did not consider the value of rights, which is very important in share price determination after the issue of rights share. Further, his analysis only covers the data from FY 2052 to FY 2056. The result may not represent the present economic scenario. He had taken only three companies as sample to complete his study but here the researcher has taken three commercial banks issuing rights share and two finance co. till FY 2061/62 as sample to accomplish the study.

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Nirmal Bahadur Aryal's Study

N. Aryal (1960) has done a study on the topic of "Equity Right Issue, its Practice and Impact in Nepal" in 2060.

The main objectives of his study were:

a. To examine the relationship between stock price reaction and announcement of rights issues.
b. To analyze the relationship between rights share and equity share and rights share and NEPSE index.

The major findings of his study were:

a. Announcement of equity rights issue are associated with a positive effect on share prices.
b. Theoretical value of rights differs from company to company.
c. Firstly company issues rights share for increasing equity capital and to invest it in company's diversification and expansion. Secondly they issue rights share to increase capital to meet the level prescribed by Nepal Rastra Bank (Central Bank of Nepal).
d. The rights share and equity share has low degree of positive correlation. The correlation coefficient between rights share and NEPSE index has also positive correlations.

To conduct his study he had used cross-sectional analysis by estimating the regressions. He analyzed only the relationship between rights share to equity share and rights share and rights share to NEPSE index.

Subash Lamichhane's Study

In the year 2061 S. Lamichhane has done a study on the topic of "Rights Share Issue Practice in Nepal and its Impact on Market price of Share"

The main objectives of his study were:

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a. To identify the significant change in share price after announcement of rights offering.
b. To find out problems associated with rights issue in Nepal.
c. To analyze the procedure and mechanism of rights issue in the context of Nepal.

The major findings of his study were:

a. There is significant different between share price before and after the rights issue of the sample companies.
b. Rights share issue is new practice in Nepal; sample companies are unable to increase the market capitalization through rights issue, as the practice does not follow the theory.
c. Under subscription of rights share is common problem. Company act 2053 is not adequate for this and issues procedure of rights shares.
d. Shareholders of Nepalese Company has lack of the knowledge about the rights share.

To conduct the study, he had used the correlation between share price and price index, t-statistics between share price before and after the rights issue announcement. He did not consider the value of rights, which is very important in share price determining after the issue of rights shares.

Chitra Bahadur Ghatri's Study

In the year 2062 C. Ghatri has made the study on the topics of "Rights Share Practice in Nepal and its Impact on the Share price of listed companies".

The main objective of his study were:

a. To find out the significant changes in share price after announcement of the rights shares.
b. To study the rights share practice in Nepal.
c. To study the impact of rights offering in earning per share.

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d. To analyze the problem regarding under subscription of rights share.

The major findings of his study were:

a. There was significant different in share price after announcement of the rights share except people finance Ltd. among 10 sample companies of his study.
b. Rights offering are comparatively new practice in Nepal. Market is not mature and company with track record is very low.
c. Most companies are issuing rights shares to fulfill the capital requirement as per the NRB directives. Shareholder of Nepalese security market has lack of knowledge about rights share.
d. The major cause of under subscription of rights share are lack of effectiveness in the flow of information, lack of awareness among the investors, poor financial performance of the issuing Co., financial problem of shareholders and lack of the provision for rights transfer.
e. After increase the share capital through rights share, earning per share is increase by 0.29769 when 1 unit increase in share capital amount.

To conduct the study, he had used the correlation coefficient, coefficient of determinants, regression analysis, t-test and financial formula.

After reviewing the above theses, it is found that various studies have been done on the topic of share price and its determinant. Researcher have highlighted the rights share practice in Nepal from various aspects and also making effort to highlight the under subscription problems but not in the practice of right share issue and it's impact on share market price. So, this study is trying to find the practice of right share issue and it's impact on share market price of sample companies. The result of this study could provide as an important basis for study to the shareholders and companies with regards to the rights issue and it's practice in Nepal.

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2.2.4 Review of Case Studies

The Amalagated Northern Company (A)

Hunt and Williams (1955) state that in January, 1952, Carl Lybrand, treasurer of The Amalgamated northern company was considering two alternative methods of selling of forthcoming $5,000,000 issue of common stock; one a direct sale to the public through investment bankers on a competitive bid basis and the other dale to the company's shareholders through privileged subscription, involving the sure of purchase warrants known as rights." In either case it would be necessary to see the new issue of stock at a price below the current market but a direct sale to the public world involve a minimum "under pricing "or discount under market price, and thus would maximum the company's return per share issued. A rights offering stockholders had to be more substantially under priced, because on individual company's stockholder group was but a part of the total market and many stockholder could not be expected to act with respected to the new share offered unless a real advantage in term of discount, existed.

Thought the company's return per share, in a rights offering, would be somewhat less than in a direct offering, privileged subscription had some advantages in the maintained of gives stockholder relation had, since stockholders would receive that many people considered an "extra dividend" to the extent that the right had a cash value on the market, to should be used to subscribe to the new shares at a price below the current market. This was a major reason why privileged subscription had enjoyed an increasing popularity in corporate financing over recent years.

The Amalgamated northern Company was public utility holding company, which owned all the outstanding securities of four operating utility companies in the 1927 to finance and to give management aid to the operating companies. These subsidiaries had grown steadily with the economy of the area and had produced company was swidely held and was actively treaded on the New York Stock Exchange. The current market price of the common stock was about $ 30 per

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share. An annual cash dividend of $ 1.80 per share, maintained since 1947, and representing from 70 percent to 75 percent of annual per share earning during this period, yielded 60 percent on this market price. The company's management planned to maintain the current dividend rate per share in the future. A summary of per share earnings, dividends, and market prices is presented in Exhibit 1.

Financing to provide for general expansion had been successfully carried out at various times since 1946. In 1950, most utilities were still engaged in expanding to meet unfulfilled demands outstanding since the end of the war; after the Koreans emergency some were forced to accelerate their already larger programs to provide for emergency requirements. Amalgamated Northern was in this positive; a substantial part for newly planned industrial power consumption in the area.

The questions of whether or not to sell common stock through the use of rights had come up in 1948 and again in 1950, when the less two sales had been made. In each case, a negative decision had been made because direct sale of stock to the public produced a higher return per share to the company, due to the lesser degree of under pricing which was necessary. Also, in born 1948 and 1950, the stock was selling on the market at a price slightly above book value; a rights offering would have entailed a discount which have reduced the offering price to a figure below book value and the management did not consider that this would be a desirable move. Furthermore, at the time of the two previous offering, the stock had been held primarily by male investors. In 1950, 37 percent of the shareholders had owner ten or fewer shares each, and since this indicated the probability that a considerable proportion of these holder would not exercise their rights., the type of ownership had contributed to the decision not to use rights at this time. Exhibit 2 summarizes the changing composition of the stockholder group in 1948, 1950, and 1952.

Since the last issue of common stock in 1950, a number of change had taken place both in the company's financial position and within the using rights. The company's stockholder group had changed appreciable in its structure, since a

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number of large institutional investors had bought sizable holding of the common stock. Also, the stock was currently selling on the market at a substantial premium above book value and considerable discount could be put on a future issue without producing as price below book value. In addition, the use of rights was becoming increasingly popular among utility companies, and the securities and exchange commission had gone on record several times in the past few years as favoring the principle of privileged subscription. In fact, in the case of several utility companies undergoing corporate change international will providing under the Public utility Holding company act of 1935 the commission had extents some pressure for inclusion of mandatory per-emptive rights the their corporate charters. The Amalgamated Northern Company, however was not subject to the provision of this act or to the direct supervision of the securities and Exchange Commission in this regard, Mr. Lybrand felt that all these development had bearding on the current decision.

In reviewing the various aspects of the two alternative method in greater detail, Mr. Lybrand noted the following facts:

1. If rights were not used, the sale would be made direct to the public through underwriters. The issues of 1948 and 1950, which had been placed in this manner, had produced net proceeds to the company of 96 percent of the closing price of the stock on the day previous to the offering after all underwriting fees and expenses of issue. It appeared that under current market conditions, which were highly favorable to new utility issue, return of at least 95 % (percent) of current market price could again be expected. Therefore, with a closing price of $ 30.00 per share on the say before the offering the company could expect to net $ 28.50 per share after expense. With such as issue, if the rate of earning were maintained at approximately the current level, there would be no appreciable dilution of per share earnings, and the dividend rate would not be endangered.

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2. In contrast to a direct sale to the public, through underwriters, where the success of the issue could not predicated and counted on so far as the issuer was concerned a rights offering involved a number of pricing and timing factors beyond the control of the company. A success with which these factors dealt with often determined the degree of success, which the new issue experienced on the market. It would be necessary to make a number of basic decisions such as the amount of the discount to be placed on the offering expected stockholder reacting, underwriting arrangement, and other matter.

On of the most important decisions which Lybrand could have made with regards to the extend of under pricing or the amount of discount under current market for using it to arrive at a subscription price. Since one of the factors which seemed to contribute to the popularity of rights issues on the market was the fact that many stockholders considered the sale value of rights as "windfall income", it seemed desirables to price the issue at a low enough price so that the rights would have a substantial value. On the other hand, Mr. Lybrand felt that there were significant danger in setting the price too low.

Rights gave the stockholders the privilege of subscribing to the new shares at a discount below current market price. If, as was usually the case, the issuing company maintained the dividend rate in affect before the offering, the income yield and the new shares was higher than if they had been bought on the open market; thus an, "extra dividend" existed. If the shareholder was financially unable or otherwise did not desire to subscribe, he could sell his rights on the market for cash. Sale of rights theoretically protected the stockholder from a dilution in the market value of his equity, which would result from the sale of additional shares to other investors at prices below recent market levels, but many buyers regarded the cash proceeds of selling rights as income.

If the discounts were too small, the stockholders would have an essentially worthless privilege, and could not be expected to act on it that is, either to

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subscribe to the new shares or sell the rights. Lybrand could have made with llowed carefully the progress of several recent rights of firings: in a few cases, the discount had been so small that the unit value of the rights was not great enough to cover the brokerage fees involved in selling them, nor was the discount below market price sufficient to make it attractie to make subscribe to new shares. The rights then become more of a nuisance than privilege. especially to small stockholders. For example, if the rights turned out to have a market value of only 5 cents each, the holder of ten shares would probably not bother to exercise them, but would let them lapse. Even if the aggregate value were sufficient to cover brokerage fees involved in selling the rights, it was later necessary for the stockholders to compute their value for income tax purposes; some stockholders allowed low-value rights to lapse rater than to go this trouble.

Since one of the principle reasons for issuing rights was to strengthen stockholder relations, an offering which created a nuisance rather than a benefit, was undesirable from this point of view. The discount had to be great enough to create a right value of such a proportion that no stockholder could afford not to exercise the rights.

since some discount was usually necessary in the offering price whenever a company issued new of per share earning would result. The amount of dilution depended on the size of the issue relative to the amount of outstanding securities, and also on the size of the per share discount. In rights offerings, the amount of the discount was typically general than in a direct sale, through the degree of dilution of per share earning usually turned out to be negligible. The typical investor usually thought of dilution rate after the offering, and also of the dividend coverage subsequent to the issue of the new shares. Mr. Lybrand had notched that almost without accepting the companies their dividend rate, and the dividend coverage had not been appreciably decreased, but he realized that these factors largely governed to maintain the current dividend rate, the market price of the stock would be depressed, and this would, from a stockholder-relations point of view, tend to defeat the purpose of the rights offering.

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As he tried to make these applicable to the proposed issue by his company, Mr. Lybrand knew that there was no way to compute precisely the amount of discount, since the market conditions and other factors beyond the company's control would change the offering period. The announcement of the offering was usually made about two months before the offering took, place the subscription period typically later from two to three weeks. He knew that the following factors had an important effect on the eventual value of the rights privilege, and therefore had to be taken into account:

1. The probable status of the securities market from the offering announcement to the actual offering, and during the subscription period. As rise or fall in over all securities price would have the effect of widening or narrowing the spread between the offering price and the market price and would be reflected in an increased or decreased rights value. In January 1952, the market performance of high grade utility common stocks was outstanding through Mr. Lybrand knew that the market as sensitive to development in the international situation, especially as the affected the outlook for defense spending.
2. The 'Pressure' on the market price of the stock when it became known that a new issue was forthcoming. Pressure typically started immediately evaluation of the forthcoming presence of additional shares on the market especially as they affected the company's ability to maintain the current dividend coverage and rate. The degree of pressure was often computed as the offering announcement and the percentage drop between the market price of the stock two days previous to the offering announcement and the market price plus value of rights throughout the subscription period with the figures weighted by an appropriate market index to remove random fluctuations in security prices. Maximum pressure usually averaged from 5 % to 12 % during the subscription period.
3. Allowance for right value. The subscription price must be set sufficiently low that even after allowing for a market drop and for pressure, the rights

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would had a value to the stockholder sufficient to induce him to exercise them.

4. Expenses and fees of issue, and underwriters' fees, if any. Before arriving at the net proceeds to the company, these expenses had to be taken into account.

Mr. Lybrand noted that in most recent rights offering the total degree of under pricing or discount-the spread between the subscription price and the market price two as previous to the offering announcement had been from 10 percent to 20 percent the offering discount or spread between the subscription price and the market price on the day on which the subscription price was set (and a considerable amount of pressure had already taken place) had been from 5 percent to 15 percent.

Mr. Lybrand would also have to make a decision as to the underwriting of the issue. Some companies which had issued securities via rights had felt that the discount was sufficient to induce almost all stockholder to either subscribe to the new issue, to sell the right to another investor who would then subscribe, and than therefore underwriting was an unnecessary expense.

Experience showed that in rights offerings, even where the discount was substantial, about 5% of the rights we allowed to lapse for one reason or another; this small portion of the stock could be sold by the company at a later date. Since the degree of underwriting risk decreased as the amount of discount was increased some underwriting offered to share the profits from the sale of the 'tag end', or unsubscribed shares, with the company. Under such circumstances often experienced a negligible underwriting charges and occasionally showed a net profit where the underwriter had disposed of the tag end at a substantial premium above the subscription price.

Another way of ensuring the success of a rights offering was to offer second bite or over subscription privileges to stockholders. Under this plan, stockholders would be allowed to subscribe to the new issue on the usual prorate basis,

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determined by the number of share already held. This was called "primary subscription" stockholders would also be allowed to subscribe to any quality of unsubscribe shares remaining after the subscription period on a pro rata basis. This was know as over subscription. Oversubscription was popular among large available to increase holdings of an attractive security where smaller stockholders were not able to affords more than the primary subscription. Offerings, which were not underwriting often, had over subscription privileges.

Mr. Lybrand knew that companies that issued new shares from time to time where sharply split on the question of privileges subscription. some maintained that it was the duty of management to obtain capital at the lowest price to the company, and therefore to seek a maximum return per share issued; this could be accomplished best through a direct sale to the public. They further stated that high income tax rates had made in increasingly different to maintain an earning rate sufficient to any reasonable dividends relations were rather vague and did not out-weight the disadvantage of rights offerings.

Companies which used privileged subscription, were equally firm their belief that such a policy brought about important long term benefits not only to the company but also to the stockholders. They pointed out that those companies, which had mandatory pre-emptive rights either through state law of by the terms of their characters, had "learned to live with rights" and were offered enthusiastic about their use. Many stockholders, they said, felt that such a policy demonstrated that management recognized its responsibilities to the company's stockholders. The additional degree of dilution was in most cases negligible and some utilities through that a continued policy of issuing through rights had made the stock more attractive to investors than would otherwise be the case, resulting in a increased long term market level. With a higher market price level than if rights had never been used, they said, the rights under pricing was canceled out, since they started from a higher base on their offerings, and probably received the same net return per share that would be experienced by a similar company which sold direct to the public.

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In order to consider the two methods of sale more tangibly, Mr. Lybrand decided to assume that if rights were offered, the following conditions should exists:

Amount required to finance	$5,000,000.00
Current market price per share (two days previous to offering announcement)	$30.00
Total Under-pricing or discount (including market condition, pressure, fees, etc.)	15 %
Offering price per share	$ 25.20
Number of additional share required (one new share for each either now held)	196.078
Additional annual dividend requirement (at current rate)	$ 352,940.40

<u>Exhibit 1</u>

The Amalgamated Northern Company (a)

Earning dividends and market prices

1948-1952

Earning per common share after interest	1948	1949	1950	1951	1952
	$2.50	$2.57	$2.53	$2.40	$2.46
Annual cash dividend per share	1.80	1.80	1.80	1.80	1.80
Market price ranger for year: High	$27^{3/4}$	28	$27^{7/8}$	$28^{3/4}$	$31^{1/8}$
Low	$24^{5/6}$	$25^{1/4}$	$24^{1/4}$	28	$26^{1/2}$

<u>Exhibit 2</u>

The amalgamated northern company (a)

Distribution by share groupings of common stockholders as of

December 31st ,1948-1950-1952

Group	Percent of Total Shares			Percent of Total Share		
	1948	1950	1952	1948	1950	1952
1-10 shares	18%	14%	10%	52%	37%	22%
11-25 shares	21	16	14	22	20	19

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26-50 shares	38	36	32	12	16	20
51-100 shares	18	20	24	8	13	24
Over 100 shares	5	14	19	6	14	15
Total	100%	100%	100%	100%	100%	100%

The number of share in 1948. 1,000,000; in 1950, 1250,000; in 1952, 1,62,000.

Grettenberger (1987) revealed many rights that were caught in the stock market crash in 1929. In some instances the companies withdraw their stood offers and returned the subscriptions that had been received, for example, an offering of stock was made by The North American Company in September, 1929 at $100 on one-for-ten basis. At one time after the offer, the stock was selling at 170 and the rights reached a value of 71/8. The number of rights bought and sold totaled 1,180, 450. With the crash, the value of the right fell to 1/64 of a dollar and later its value had disappeared entirely, the price of the stock fell to $70 or $30 less than the subscription price for new stock as a result of this situation, the company withdraw its stock offer and returned the subscription that had been received. With the cancellation of the offer, the rights those who purchased them with the purpose of taking up the stock suffered the loss of whatever they had paid for the rights.

In May, 1949, Columbia gas system, offered 1,345,300 common shares to existing stockholders at $ 10 per share. The quoted value of the company's common share was well above the $10 price during the early part of the offering period. The stock market dropped generally and company shares few in value below the price named in the rights. As a result, 304,998 of the 1,315,300 shares offered were not taken by stockholders or purchasers of rights. Since the company needed the proceeds of there shares to finance construction, they were subsequently sold with SEC permission at competitive bidding to underwriters at $ 12.253 per share and Columbia received full payment within three days. As a result of this experience in 1950 the company asked stockholders to approve as

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amendment of the certificate of incorporation to remove the pre-emptive right of the common stockholders.

2.2.5 Review of Securities Law and Acts

There are some legislations regarding primary market of securities, which should be followed by companies, which are going to issue securities. Bureaucratic procedures of securities issue directed and control by legislation of securities. Important legislative provisions of securities have been made in Security Exchange Act 2040. Securities, Exchange Regulation 2050, Membership of Stock Exchange and Transaction Buy Laws 2055, Securities Listing Byelaws 2053. Issue Management Guidelines 2054, Security Allotment Guidelines 2054, Securities Registration and Issue Approval guideline 2057. Like this way, special acts as Banking and financial Institution Ordinance 2062 and Company Ordinance 2062 has been passed.

I. Company Ordinance 2062

There are following important provisions regarding securities issue in Company Ordinance 2062.

- Company should be published its prospectus before issuing the securities. Before published it, company must approved from SEBO/N.
- Various information about the company, its promoters and the contents of the issuing securities should be mention in the prospectus according to the format prescribed by ordinance.
- Company must be published the notice in national daily newspaper at 3 times, 15 days before issuing the security.
- Par value of the company should not be more than Rs 100 for shares.

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- Company should not call the amount of more than 50 percent of its par value at the time of share application but this rule is not compulsory for that company, which has published its balance sheet from last three years.
- Company share be allotted the issuing securities within 3 month after closing date of securities issues. And then company should be provided the certificate of securities within 2 month after allotment.
- Company should not be allotted that security, which has not 50 percent subscribed and excluding underwriting.
- Company should not issue its securities on discount but in some cases e.g. transfer of the creditors to shareholders; this rule has not been any restriction.
- Company should issue the securities at premium of that; what net worth is more than total liabilities which has earning profit continuously from last 3 years and which AGM has been passed this rules.
- Company ordinance explain about the rights of the existing shareholders on new issuing share in section 54 (4).
- If the company can not sell its rights of the existing shareholders on new issuing share in section 54 (4).
- If the company can not sell its rights share within 35 days after closed date than company should take the other alternatives to sell the share by taking the permission from SEBO/N.

II. Banking and Financial Institutions Ordinance 2062

The following are the major provisions for banking and financial institutions to issue their securities on this ordinance.

- Every bank and financial institutions should be taken the approved from SEBO/N and registered the prospectus to Nepal Rastra-Bank before issuing the securities.
- Bank and financial institutions should be called the all amount of share at the time of application.

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- Ø Every bank and financial institution should be done their all activities about the securities according to the current rules of securities.

III. Security Exchange Act 2040

Security Exchange Act 2040 explains about the securities on chapter II (B). There are following provisions about the securities in this act.

- Ø Before issuing the securities, every firm should be register their securities in the SEBO/N. For this, firm should be give the application to SEBO/N.
- Ø After investigating the application, SEBO/N can be given the permission to firm to issue the securities and registration the securities.
- Ø Security Exchange Act 2040 prohibition to take the advantage on the basis of insider information.

IV. Security Exchange Regulation 2050

Security Exchange Regulation 2050 explains about the securities issue on chapter VI. Following provision are mention about the securities issue in this regulation. It has been issued security exchange regulation act, 1994 under the security exchange Act 1983. There are following provisions in this regulation.

- Ø Every security must be register in the SEBO/N and to issue them, related company should be take the permission.
- Ø For registration and permission, company should be give the application to SEBO/N along with various documents. Following are the some important document for application.
  - Detail of memorandum, article of association and prospectus of the company.
  - Acts and rules under which company is formulated.
  - Amount, par value, number and type of share and special provisions of issuing security.
  - Other condition and facilities of security issue.
  - Reason of change in price on previous time issued securities.

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- Types, number, amount and transaction of last three years, if previous issued securities.
- Issue manager of security and under writer of securities.
- Provision of representation in board of directors for equity shares.
- Provision about distribution of profile.
- Three years audited and three years projected income statement and balance sheet.
- Name, address, duties and responsibilities of directors, managers and chief officers.
- Name, cast, address, qualification of person who prepares memorandum and article of association.
- Other details asked by SEBO/N

V. Securities Registration and Issue Approval Guidelines 2057

Securities Registration and Issue Approval guidelines 2057 include the following provisions about securities issue.

a) Any corporate firm can be issued their securities after getting the approved letter from SEBO/N. But they should be complete the various directives given by SEBO/N for different time. For taking the approved letter, company should be give the application along with various documents prescribed by acts.

b) For issuing the securities, company has been complete its 1 year period, it published its balance sheet and profit/loss account and complete its activities according to the objectives.

c) Company should be advertised the public issue, 7 to 15 days before issuing the securities. In advertisement, various information e.g. place of getting and submitting the application, method of the filling application, paid up among, name of bank and center, account number of the investment banker etc. are mentions.

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d) There should not be less than 35 days and more than 60 days of the time between the issue date of closed date of the securities issue.
e) Securities must be listen in the security market within the 45 days after allotment to transaction in the market.
f) There should be open the securities issue within 2 month after getting the issue approved.
g) Paid up value of the share should be completely collected before issuing the rights share.

VI. Securities Allotment Guidelines 2051

Following provisions are mention about the securities allotment in securities allotment guidelines.

a) There should be ranking, scrutiny and classifying the all applications of the securities.
b) Securities should be allotment on the basis of board lot system.
c) Where there is also subscription of the issued securities then these should be given the first priority to the minor applications.
d) There should be published the notice about allotment after 3 days of allotment decision.

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CHAPTER THREE
RESEARCH METHODOLOGY

"Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain object in view. It would be appropriate to maintain that research projects are not susceptible to any one complete and inflexible sequence of steps and the type of problems to be studied will determine the particular steps to be taken and their order too". (CR Kothari, Quantitative technique)

Research methodology is a technique of analyzing the obtained data to solve the research problem. It consists of descriptive approach and statistical tools. Descriptive approach is used to analyze the research problem, setting hypothesis and other theoretical problem. Statistical tools are used to analyze the numerical data. Researcher has used the following methodology to complete the research.

3.1 Research Design

"A research design is the arrangement of conditions for collecting and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure". (Claire selltiz and others Research methods in social sciences, 1962 p. 50)

3.2 Sources of Data

This study is based on both primary and secondary data

i. Primary Data

Primary data were collected from the brokers, investors, and issue managers, To identify the problem, opinions, and practice of right share in Nepal.

ii. Secondary Data

Secondary data were collected from published and unpublished documents, annual reports, prospectus and bulletin of Security Board of Nepal (SEBO/N)

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Nepal Stock Exchange (NEPSE) and other related companies. Newspapers, Magazine, books, and other reports have been useful sources of secondary data. Some other related and important information has been collected from internet.

3.3 Data Collection Technique

Necessary data for this study were collected from various sources out of them only related data were taken in to the consideration.

a. Questionnaire method

To take information about the right share and it's various aspects questionnaire method has been used. Due to the various limitations only 30 questionnaire forms were distributed to the individual investors brokers and issue managers. Name of respondents of the questionnaire is presented in appendix no.

b. Historical Data Record Method

Historical data were collected from various reports, Prospectus of concerned companies, and newspaper,. where appropriate and contextual published data from other researchers work have also been used in this study.

3.4 Populations and Sampling

There were 194 companies listed in NEPSE at the time of FY 2065/66. As many as 103 companies have received approval for issuing right shares (2065/066) (Source: http://www.stocknews.com/). Most of them were financial institutions to expand their capital. The people's trust in the banking sector because of its transparency, which was the main reason behind large investment in the share market recently. Although commercial bank controls the share market of Nepal, two samples from the finance company and three samples from commercial banks have been used as samples in this study. Fluctuation in the share price of the commercial banks makes movement in the NEPSE index. Due to the various limitations, it was

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beyond the capacity of the researcher to include all the right share issuing companies in the sample.

To test the hypothesis about the price movement of the stock before and after the announcement of rights share, some market prices were required. For this purpose researcher has taken price of the different time of period as the sample, which was based on purposive and judgmental sampling method.

3.5 Statement of the Hypothesis

To analyze the data related to stock price movement affected by the announcement of right shares, t-statistics was used to test the significant different between the stock price movement before and after the rights shares announcement under the following hypothesis:

a. **Null Hypothesis (H0) :** There is no significant difference between the stock price (NEPSE index) movements before and after the announcement of the right share.

b. **Alternative Hypothesis:** There is significant difference between the stock price movements before and after the announcement of the right shares.

3.6 Statistical Tools

To analyze the data obtained from various source, statistical mathematics and financial tools were used. A brief explanation of such types of statistical tools used in this study is as follows.

a. Percentage (%)

Percentage is the proportion of one unit on the whole unit. It measures the proportion of one unit among all units. To measure the change in price movement of stock of concern company before and after announcing the right share. To

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measure the contribution of right share on total public issue and to measure the view of the respondent of the primary data percentage is used.

b. Average ($\bar{X}$)

Average measures, which condense a huge unwieldy data into single value, which represent the entire data, it' is value lies between the two extreme observations i.e. largest and smallest item. For this study, weighted arithmetic mean has been used to various variables.

c. Correlation coefficient (r)

Correlation analysis is the statistical tool that can be used to describe the degree of which one variable is linearly related to another. Correlation can either be negative or positive. If both variables are changing in the same direction, then co-relation is said to be positive but variables are changing opposite direction then correlation is said to be negative. In the study correlation coefficient is calculated between share price and NEPSE index before and after the announcement of the right.

d. Coefficient of Determination (r^2)

The coefficient of determination is a measure of the degree (extent of strength) of linear association or correlation between two variables. One of which happens to be independent and other being dependent variables. In other words (**r**) measure the percentage of total variation in dependent variable explained by independent variables. The coefficient of determination has value range from 0 to 1. A value of one occur only if the unexpected variation is zero which simply means that all the points in the scatter diagram fall exactly on the regression line.

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e. Use of T-test

T-statistics is also used to test the significance of the difference between the share price before and after the announcement of the right share. Here the researcher has used paired t-test. Hypothesis has set as follows.

Null hypothesis: There is not any significance different between the share price before and after the announcement of the right share.

Alternative hypothesis: There is significance different between the share price of the selected company before and after the announcement of the right share of that company.

$$S_1^2 = \frac{\sum (X_1 - \overline{X}_1)^2 + \sum (X_2 - \overline{X}_2)^2}{n_1 + n_2 - 2}$$

T Cal = (Calculated value of T) $\dfrac{\overline{X_1} - \overline{X_2}}{\sqrt{S_1^2\left(\dfrac{1}{n_1} + \dfrac{1}{n_2}\right)}}$

Here: X = index before announcement of right share.

Y = index after announcement of right share.

n = Number of observation.

In this analysis research have used 5 % level of significance to test the hypothesis.

f. Valuation of Right and the Theoretical Value of the Stock

Rights have certain market value because the right share is generally offered at lower than market price. So people are interested towards that particular share attached with rights. After right offering existing shareholders want to exercise that right due to not any provision to sell the right in Nepal, valuation of right is very important to analyses the share price movement. After the closing date of the right share the share price is drop to the extent of value of right.

Value of each right is calculated by the giving formula.

Vr = $\dfrac{P_0 - P_s}{N+1}$

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Theoretical value of stock = P_0-Vr

where, P_0 = current market price of the stock (right on price)

Ps = Subscription price

N = No. of share required to purchase one newly issued share

Vr = Value of each right

g. Statistical Table and Diagram

According to the requirement of the study simple and complex statistical table has been used to present the data collected through primary and secondary sources. Multiple bar-diagram, pie chart, line graph and data tables can be used on the required place.

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

In this chapter the researcher has present the data to give a complete picture of the study. Data are from both primary and secondary sources. To obtain the best result, data have been analyzed according to the research methodology which is presented in the research methodology chapter.

4.1 Practice of Right Shares in Nepal

4.1.1 Features of right Share in Nepal

According to the security board of Nepal (SEBO/N) a total of 194 (as of May 2009) companies have been listed in NEPSE. Of 194 listed companies only or corporate firms only 103 companies have been issued right share to fulfill their capital requirement. Nepal Finance and Saving Co. Ltd was the corporate company which had issued right share first time in Nepal in FY 1995/96. The company got permission to issue the right share at 22/10/1995. The issue manager of the right share was the company itself. In FY 1995/96 other companies did not issue the right. Nepal Finance and Saving Co. Ltd had issued the right share of Rs. 2.00 million. In fiscal year 1996/97 there were three companies which had issued the right share. Himalayan General Insurance Co., Bottlers Nepal Ltd, and Nepal Share Market Ltd had issued Rupees 30.00 million, 225. 20m and 20 million respectively. In FY 1997/98 three companies issued right and they were Nepal united co. Ltd. Nepal Bank Ltd. and Annapuran Finance Co. Ltd. They issued Rs 3.01 million, 241.95 million, 5 million respectively.

In fiscal year 1998/99, there wes only one company issuing right share and this was Nepal share market Co. Ltd., which issued right share for Rs.30 million and got permission to issue it on 25/05/1999 for this Fund Manager was AFCL (Annapurna Finance co. ltd)

In fiscal year 1999/2000, there were three cases of right issue Necon Air Ltd, Paschimanchal Finance Co. Ltd, and Ace Finance Co. Ltd. They issued

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amounted to Rs. 89.60 million, Rs. 20.00 million and Rs. 15.00 million by right share Narayani Finance Ltd, Everest Bank Ltd, and Bank of Kathmandu Limited issued right share amounted to Rs. 12.58 million, 119.21 million and 234.00 million right share in fiscal year 2000/2001.

In fiscal year 2001/2002 there were three cases of right issue. They were Nepal SBI Bank Ltd, Nepal Housing and merchant financial Ltd and NIDC capitals market Ltd. In FY 2002/2003 there cases of right share issue we can find. Nepal share markets and finance Ltd, Mahalaxmi Finance Ltd, and Peoples finance Ltd. are three cases. There were four cases of right share issue in 2003/2004. They are Alpic Everest Finance ltd, Siddhartha Finance Ltd, NB-Finance and leasing co. Ltd and Nepal Bangaladesh Bank Ltd. There were six cases of right share issue in FY 2004/2005. Annapurna Finance Company Ltd, Nirdhan Utthan Bank Ltd, Nepal SBI Bank Ltd, Nepal Investment Bank Ltd, National finance Co Ltd, and Development. credit bank Ltd were the six right share issuing companies. The trend of issuing right share has increased in FY 2005/2006 to FY 2008/2009. The total companies that issued the right share & the total Amount is as follows.

Table 4.0

Fiscal Year wise Right Share Issue in Nepal

(in Million)

S.No.	Fiscal Year	Right Issue Approved (In Million)	Cases of Right Share Issue
1	1993-1994	-	-
2	1994-1995	-	-
3	1995-1996	69.00	2
4	1996-1997	275.20	3
5	1997-1998	249.96	3
6	1998-1999	30.00	1
7	1999-2000	124.60	3
8	2000-2001	365.79	3
9	2001-2002	387.87	4
10	2002-2003	162.24	4
11	2003-2004	429.92	4
12	2004-2005	669.42	6
13	2005-2006	1,241.45	14
14	2006-2007	1,817.25	15
15	2007-2008	7,605.21	49
16	2008-2009	11,615.35	50
	Total	**25,043.26**	**161**

Most of the companies had issued right share at par Rs 100 except some of other (i.e. Bottlers Nepal Ltd which issued the right at Rs. 260). Companies are not allow to sell their right at premium. Generally it is the commercial Bank which

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issues the right share in large amount. The range of right share issue was from Rs. 2 million to Rs. 1567.73 million. Highest amount issued through the right issue was Rs. 1567.76 million by the Nepal Stock Exchange Nepal Share Markets Ltd in Fiscal year 2008/09. Nepal Share Markets Ltd got permission the right share on on 2066/01/28 and the ratio was 1:3 Announcement then the second highest amount was Rs. 1200.00 million issued by Kist Marchant & Finance Ltd on 2065/06/08 in 1:1.5 ratio. The third highest amount was Rs. 1116.89 million issued by Nepal Bangla Desh Bank Ltd on 2065/07/11 in 1:1.5 ratio. The issued date and the closed date of right share were found different between all the companies. There were no any similarities. Most of the companies issued the right share at par and on 1:1 ratio. The other observed ratio ware 5:1-Om Finance (2065/04/02) and 4:1 Central Finance (2066/01/28).

As per the SEBON report, Kist Merchant Banking & Finance Ltd. has issued largest amount of right share of Rs. 1950.00 million, the second highest was Nepal Share Markets Co. Ltd. with Rs. 1617.73 million.

Table 4.1

Top ten companies that issued the highest amount of Right Share

(till June 30, 2009 a compiled information)

S. N.	Name of Issuing Company	Amount of Issue Approved (Rs. in million)	Times	Issued on
1	Kist Merchant Banking & Finance Ltd.	**1,950.00**	**4**	05/11/2006 04/05/2007 24/09/2008 24/04/2008
2	Nepal Share Markets Co. Ltd.	**1,617.73**	**4**	13/05/1997 25/05/1999 05/12/2009
3	Nepal Bagladesh Bank Ltd.	**1,476.81**	**2**	17/06/2004 10/27/2008
4	Nepal Investment Bank Ltd.	**1,356.84**	**4**	08/09/2002 05/02/2005 09/01/2008 23/01/2009
5	Standard Finance Ltd	**907.50**	**2**	03/06/2008 14/05/2009
6	Development Credit Bank Ltd.	**886.40**	**2**	14/07/2005 13/12/2007
7	Lumbini Bank Limited	**800.00**	**4**	13/07/2006 10/03/2008 14/06/2009 29/05/2007

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8	Nepal Merchant Banking & Finance Ltd. .	**800.00**	**1**	13/12/2007
9	Nepal Credit & Commerce Bank Ltd.	**700.00**	**1**	06/06/2007
10	National Hydro Power Company Ltd.	**694.94**	**1**	07/01/2008
	Total	**11,204.22**		

Source : SEBO/N annual report

4.1.2 Contribution of Right Share on Total Public Issue

A company can collect its needed money through different instrument. The total money that the company can collect is known as the total public issue. The instrument may be different. Right share issue is one of them. From the following table The contribution of the right share to the total public offering can be seen.

Table 4.2

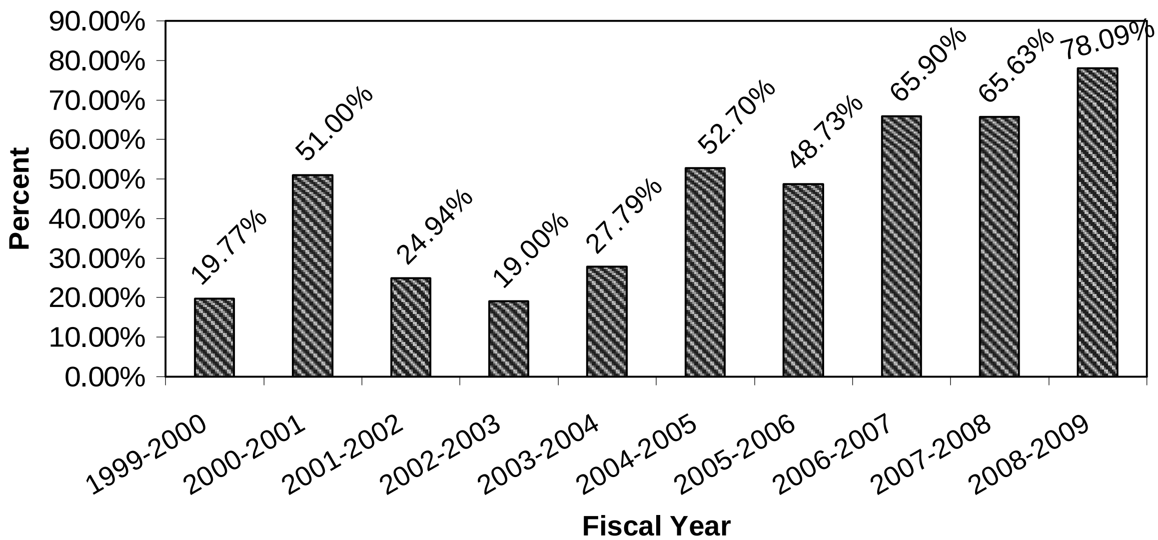
Contribution of Right Share on Total Public Issue

Fiscal Year	**1993-1994**	**1994-1995**	**1995-1996**	**1996-1997**	**1997-1998**	**1998-1999**	**1999-2000**	**2000-2001**	**2001-2002**	**2002-2003**	**2003-2004**	**2004-2005**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**
Contribution %	**0.00%**	**0.00%**	**23.49%**	**82.84%**	**54.06%**	**11.63%**	**19.77%**	**51.00%**	**24.94%**	**19.00%**	**27.79%**	**52.70%**	**48.73%**	**65.90%**	**65.63%**	**78.09%**

Source: SEBO/N Annual Report 2065/66

Figure No. 1

Contribution of Right Share on Total Public Issue (Past 10 years data)



Above table and figures show that there were no any contribution of right share on

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fiscal year 2050-051 and 2051-052. But from then on wards the contribution of right share was seen in an increasing trend.

The total contribution of right share from FY 2050-51 to FY 2065-66 was 62.19 % (in amount) .

Contribution of debenture, preference share and mutual unit scheme on total public issue were nominal in Nepal than the right share.

4.1.3 Subscription of Right Share in Nepal

There was not a single case of actual subscription. When the existing shareholder apply for all the announced share is called actual subscription of Right Share. If there is application for more than the announcement is called over subscription. And if there is application for less than requirement is called under subscription. About the right share subscription in Nepal we can get more information from the table below.

Table 4.3

Subscription of Right share in Nepal

Subscription Cases	No. of Corporate Firm	Percentage
Under subscription	16	48.49
Over subscription	3	9.09
Full subscription	4	12.12
Data not available	10	30.30
Total	33	100

From the above table it becomes clear that 16 companies out of 33 were under subscription. That means company was not able to collect sufficient amount that it need to expand it's program by the announcement of right share. In this case the decision of the board of director to announce the right share was not a good decision. Three companies out of 33 companies were able to collect actual amount that they needed for the further program. Nepal share market co. Ltd, Ace finance co. Ltd and Nepal housing and merchant finance limited were the three companies which were successful in collecting the actual amount they needed. These

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companies subscription ratios were 1:2, 1:1 and 2:1 respectively. Four companies out of 33 companies were over subscribed. They were Bottlers Nepal Ltd, Narayani Finance Limited, Nepal SBI Bank Limited and Paschimanchal Finance Ltd. Subscribed amount are not available for 10 companies.

From the above analysis the researcher concludes that the good performing companies were over subscribed, bad performing companies were under subscribed and Normal companies were fully subscribed. When an investor thinks that the company would invest it's extra fund in a profitable way then he wants invest more in the company. If the existing share holder are not satisfied with the decision of Board of directors then they will not be motivated to invest more.

4.1.4 Process for the Issue of Right Share in Nepal

Generally following process must be done to issue the right share in Nepal.

- The board of director (BOD) should decide and determine the quantum of further capital requirement and the proportions in which the rights issue might be offered to its existing shareholders.
- Annual general meeting (AGM) should pass the proposal of BOD by its majority.
- Company should notify the NRB, NEPSE, office of the company registration and SEBO/N. With the prospectus, in advance of the date of board meeting on which right issue is likely to be considered and should get permission from there.
- Make an announcement with prospectus, which gives a general indication of the reasons, purpose of the issue, which will make the issue desirable.
- Letter of provisional allotment or right offering to the shareholders with the prospectus. This will define the term of the rights offering the number of new shares allocated to each given no of old share the price at which the issue is to be made.

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- After the record of the letter of the provisional allotment the allotment most be accepted or preannounced and payment in full or partial most be made for those shares, which are preannounced.
- Certificates are distributed to the shareholders who have participated in the right offering announcement. Shareholders who had accepted and fully paid up their allotment can re announced the actual shares certificates in favor of third party.
- List the shares in the stock exchange again with the increased number, which must be approved by stock exchange, after which an application for listed new shares could be made.

4.2 Right Share and it's Impact on Share Market Price.

4.2.1 Right Share and its Impact on Share Market Price Movement of Sample Companies

This part of the study analyzed the price movement of selected listed companies with NEPSE index. Different time period from I to VII has been taken for observing the price movement with the announcement date as the point of performance selected points of time period are

I. 90 days before announcement
II. 30 day before announcement
III. 1 day before announcement
IV. Day of announcement
V. 1 day after announcement
VI. 30 day after announcement
VII. 90 days after announcement

The main objective of this study was to eliminate the effect of the general market movement from our analysis. Otherwise the procedure for eliminating the effect of general market movement would boil down to adjusting the actual share price on any date. To eliminate the effect of market movement, adjusted price

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relative has calculated. To calculate the adjusted price relative, following steps has been implemented.

Step 1: Calculation of price relative of share price of related company by dividing the each share price by its base date share price.

Step 2: Calculation of price relative of NEPSE index by dividing each NEPSE index by its base data NEPSE index.

Sep 3: Calculate the adjusted price relative by dividing the result of Step 1 by result to step 2.

Table 4.4

Price Movement of Everest Bank Limited

Time	Share price	Price relative	% change from base	NEPSE index	Price relative	% change from Base	Adjusted price related	% change from base
I(-90)	.921	100	00	374.87	100	0	100	00
II(-30)	.710	77.09	-22.91	342.25	91.30	-8.7	84.44	-15.56
III(-1)	.660	71.66	-28.34	322.94	86.15	-13.85	83.18	-16.82
IV (0)	.660	71.66	-28.34	326.14	87.00	-13.00	82.36	-17.64
V(1)	.660	71.66	-28.34	326.14	87.00	-13.00	82.36	-17.64
VI(30)	.715	77.63	-22.27	319.90	85.34	-14.66	90.96	-9.04
VII(90)	.690	74.92	-25.08	282.34	75.32	-24.68	99.47	-0.53

By analyzing the above table price movement of Everest Bank Limited we can show. Share price in the market price is decreasing from point I to point V but in point VI it is increased again in point VII it is decreased. Therefore the price change in mixed. % change in share price from it base is -22.91, -28.34, -28.34, -28.34, -22.37, -25.08 respectively on points II, III, IV, V VI and VII. NEPSE index is in mixed trend. It has decreased from base date to point III then it has increased to point V after that it has decrease from point VI to point VII. Percentage change in NEPSE index from base date to point VII by -8.7%, -13.85%, -13.00% -13.00%,

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-14.66% and -24.68% respectively. Similarly the adjusted price relative has decreased from base date to point V and it is increased in point VI and point VII adjusted price relatives are lower than the base date in all the point percentage change in adjusted price relative from base to point VII by -15.56%, -16.82%, -17.64%, -17.64%, -9.04% and -0.53% respectively.

From this analysis the researcher concludes that announcement of the right share affects the share price of Everest bank Limited. After announcement of the price of share in the market place has been increased it is proved from the increment of share price after point IV (the day of Right announcement). Adjusted price relative has also increased from point IV to point VII. % change from base in less in point VII compare to other points.

Table 4.5

Price Movement of Siddhartha Finance Co. Limited

Time	Share price	Price relative	% change from base	NEPSE index	Price relative	% change from Base	Adjusted price related	% change from base
I(-90)	165	100	00	211.22	100	00	100	00
II(-30)	173	104.84	4.84	207.52	98.25	-1.75	106.70	6.70
III(-1)	150	90.90	-9.10	206.33	97.68	-2.32	93.06	-6.94
IV (0)	150	90.90	-9.10	205.83	97.45	-2.55	93.28	-6.72
V(1)	150	90.90	-9.10	207.13	98.06	-1.94	92.70	-7.30
VI(30)	148	89.70	-10.30	201.22	95.27	-4.73	94.15	-5.85
VII(90)	145	87.88	-12.12	210.56	99.69	-0.31	88.15	-11.85

From the above table we can say that share price of Siddhartha Finacne Co. is in decreasing order from point II to point VII, which is Rs 165 at point I i.e. 90 days before announcement and it is Rs 150 at the announcement date. and it is decreasing again from the date of announcement of right share i.e. point IV and at the date 90 days after announcement it is Rs. 145. Price relative is also increase in point II from point I it is 104.84 from 100 base price. But from point II to point VII

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it is in decreasing ordered. Percentage change of share price is positive in comparison to base date in point II but there after it is in decreasing order after point II to point VII. That is -9.10%, -9.10%, -9.10%, -10.30% and -12.12% respectively. NEPSE index is also in decreasing order from point I or base date to point IV. But in point V it is increased and again in point VI it is decrease. But in Point VII it is again increased to 99.69.

Adjusted price relative is increased from point I to II but there after it decrease to 92.70 from 106.70 from point II to Point V. From Point V to Point VI it is increased and from Point VI to VII it is again decreased. percentage change of adjusted price relative from point II to VII are 6.70%, -6.94%, -6.72%, -7.3%, -5.85% and -11.85% respectively

From the above analysis of share price movement of Siddartha Bank limited researcher concluded that price movement of this company is according to the principle i.e. share price after right share announcement increase for some time and then after it decrease then the base date.

Table 4.6

Price Movement of Nepal Bangladesh Bank Limited

Time	**Share price**	**Price relative**	**% change from base**	**NEPSE index**	**Price relative**	**% change from Base**	**Adjusted price related**	**% change from base**
I(-90)	379	100.00	0.00	215.39	100	00	100.00	0.00
II(-30)	380	100.26	0.26	211.75	98.31	-1.69	101.99	1.99
III(-1)	440	16.09	16.09	226.88	105.33	5.33	110.22	10.22
IV (0)	440	116.09	16.09	226.88	105.33	5.33	110.22	10.22
V(1)	440	116.09	16.09	226.88	105.33	5.33	110.22	10.22
VI(30)	280	73.88	-26.12	224.09	104.04	4.04	71.01	-28.99
VII(90)	278	73.35	-26.65	233.81	108.55	8.55	67.57	-32.43

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From the above calculated table we can analysis the price movement of Nepal Bangladesh Bank limited. Share price 90 days before announcement of right share (i.e. point I) is Rs. 379 but thereafter it is increase to Rs. 440 in point III. Then it is constant to point V that is one day after announcement. Price was decreased to Rs. 280 in point VI that is 30 days after announcement of right share. And it is slightly decrease to Rs. 278 in point VII. % change in price of share from point II to VII are 0.26%, 16.09%, 16.09%, 16.09% -26.12%, and -26.65% respectively. NEPSE index is decrease in point II from base point I. But it increase to Point III from II and constant from III rd to V point But from point V to VII it is decrease and again it is increase from VI to VII so it is in mix trend.

Adjusted price relative is increased from point I to point II and it is constant to point V and decrease from point VI to point VII. Percentage change of adjusted price relative from point I to point VII are 1.99%, 10.22%, 10.22% 10.22%, -22.99% and -32.43% respectively.

From above analysis researcher conclude that change in price of share is due to the right share announcement. Because mix movement of NEPSE index also could not affect the decreasing order of the price of share. Therefore it is proved that price of share would increase some time after announcement but it would decrease from some period of time by the value of right and more then that.

Table 4.7

Share Price Movement of People's Finance Limited

Time	Share price	Price relative	% change from base	NEPSE index	Price relative	% change from Base	Adjusted price related	% change from base
I(-90)	101	100.00	0	211.53	100	0	100	0.00
II(-30)	100	99.00	-1	209.69	99.13	-0.87	99.87	-0.13
III(-1)	96	95.05	-4.95	208.76	98.69	-1.31	96.31	-3.39
IV (0)	96	95.05	-4.95	208.76	98.69	-1.31	96.31	-3.69
V(1)	96	95.05	-4.95	208.88	98.69	-1.31	96.31	-3.69

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VI(30)	95	94.06	-5.94	205.82	97.30	-2.70	96.67	-3.33
VII(90)	92	91.08	-8.92	205.32	97.06	-2.74	93.84	-6.16

From the above table we can explain that share price of people's finance limited has decrease after announcement of the right share. Shere price was Rs. 101 per share at the 90th days before the announcement but is declining to Rs. 92 after 90 days of the announcement Rs. 100 at point II, Rs. 96, Rs. 96, Rs, 96 at the point III, IV, and V respectively and Rs. 95 at point VI and Rs. 92 at point VII. Price relative is also declining from point I to VII. % changes is also declining by the higher rate. Here NEPSE index also declining from point I to Point VII. NEPSE index is 211.53 at point I and 209.69, 208.76, 208.76, 208.76, 205.82 and 205.32 at point II, III, IV V, VI and VII respectively. Percentage change in NEPSE is also declining all the way from point I to point III. Adjusted price is Rs. 99.87 at point II, 96.31 at point III, IV and V and 96.67 and 93.84 at point VI and VII respectively.

From this analysis we can not conclude that price change is only by announcement of the right share. Because in NEPSE index also decline at all the point.

Table 4.8

Share Price Movement of Nepal SBI Bank

Time	Share price	Price relative	% change from base	NEPSE index	Price relative	% change from Base	Adjusted price related	% change from base
I(-90)	338.00	100	0.00	247.17	100.00	0.00	100.00	0.00
II(-30)	426.00	126.04	26.04	278.86	112.82	12.82	111.71	11.71
III(-1)	370.00	109.47	9.47	292.59	118.38	18.38	92.47	-7.33
IV (0)	370.00	109.47	9.47	292.59	118.38	18.38	92.47	-7.53
V(1)	370.00	109.47	9.47	292.59	118.38	18.38	92.47	-7.53
VI(30)	375.00	110.95	10.95	288.34	116.66	16.66	95.11	-4.89
VII(90)	342.00	101.18	1.18	290.88	117.68	17.68	85.98	-14.02

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By analyzing the price movement of Nepal SBI Bank limited, share price is higher than base point price in all the time period, but it is in mix trend. Share price his increased from based date to point II then it has decreased up to point V that is one, day after date of announcement of right share. Price has increased to point VI by Rs. 5 and again it decrease in point VII. Percentage change on share price from point II to point VII is 26.04%, 9.47%, 9.47%, 9.47%, 10.95% and 1.18% respectively. The case of NEPSE index it has increased to point V but slightly decreased from this point to point VI and again it increased an point VII but these all points index are more then that of base date.

Similarly the adjusted price relative movement in similar to the share price movement of this bank. It has increased from bas date to point II but it has been decreasing from point III to point V. After this it has increased to point VI then it has decreased to point VII. Percentage change in adjusted price relative from base date to point VII by 11.71%, -7.53%, -7.53%, -7.53%, -4.89% and -14.02% respectively.

From above analysis researcher concluded that announcement of right share affect the share price of the Nepal SBI Bank limited, immediately after announcing the right share price his increased then it has decreased. Adjusted price relative is similar as share price of Nepal SBI Bank limited.

Table 4.9

Price Movement on Average of Sample Companies

Time	**Share price**	**Price relative**	**% change from base**	**NEPSE index**	**Price relative**	**% change from Base**	**Adjusted price related**	**% change from base**
I(-90)	380.8	100	0	252.036	100	0	100	0
II(-30)	357.8	93.96	-6.04	250.014	99.20	-0.80	94.72	-5.28
III(-1)	343.2	90.13	-9.87	251.50	99.79	-0.21	90.32	-9.68
IV (0)	343.2	90.13	-9.87	252.04	100.00	0	90.13	-9.87
V(1)	343.2	90.13	-9.87	252.324	100.11	0.1	90.04	-9.96

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VI(30)	322.6	84.72	-15.28	247.874	98.35	-1.65	86.14	-13.86
VII(90)	309.4	81.25	-18.75	244.580	97.04	-2.96	83.73	-16.27

By analyzing the average of sample companies, share price is decrease from point I to point III and then it is constant to point V then after it is again in decreasing ordered. % change is 6.04 percent decrease from point I to II but it decrease by more in point III IV and V but in point VI and VII percentage change is highly negative. NEPSE index is in mix ordered. It decrease from point I to Point II and increased to point V and then it is again decreased to point VI and VII. Percentage change is positive in point V but negative in all other point. But percentage change is higher negative in point VII. Adjusted price relative decreasing in all the point. percentage change in adjusted price relative is going higher negative in all the point. It is -5.28%, -9.68%, -9.87%, -9.9% -13.86%, -16.27% respectively from point II to VII.

From the analysis of the price movement of average of sample companies researcher know that, share price is slightly increase after announcement of right share. And then it decrease from the date of the announcement. Share price is affected by the announcement of the right share of every companies.

4.2.2 Correlation Coefficient Between Share Price Movement and NEPSE Index Movement

In Nepal NEPSE index represents that the market movement of Nepalese security market. The price of share sometimes change due to the change in NEPSE index. Therefore researcher knew that there should be study about the affection of NEPSE index in the market price of share. For this, correlation between NEPSE index and price of share should be examined.

After calculating the correlation coefficient between share price movement and NEPSE index movement following result has been obtained.

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Table 4.10

Correlation Coefficient Between Share Price Movement and NEPSE Index Movement

Sample companies	Correlation coefficient (r)	Coefficient of determination (r^2)
Everest Bank Limited	0.73	0.5329
Siddartha Finance Co. Ltd.	0.32	0.1024
Peoples Finance Ltd.	0.9032	0.8158
Nepal SBI Bank Ltd.	0.25035	0.0627
Nepal Bangladesh Bank Ltd.	-0.15	0.0225
Average of Sample companies	0.7618	0.5803

Source: Appendix No. 5

From the above table we can conclude following things. the correlation coefficient between market movement and share price movement of Everest bank limited in highly positive. Therefore we can say that price movement is caused by the market movement 53% price movement of Everest bank limited is affected by the movement in the market. Because correlation coefficient between market and share price is 0.73 and coefficient of determination is 53.29%

In the case of Siddhartha Finance company limited the relation between market movement and price of share movement is quite different correlation between two is 0.32 and coefficient of determination is only 10.24 %. That means only 10.24 % of movement in share price is affected by the market movement other portion of affection is cause of right share offering.

Again in the case of people's finance limited the relation of market movement with share price movement is high positive correlation coefficient between them is 0.9032 and coefficient of determination is 81.58 percent. The meaning of this data is that 81.58 percent movement in share price is the cause of

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market movement and only rest percentage is the cause of announcement of right share.

When we look the case of Nepal SBI Bank limited the relation between market movement and share price movements is lower, i.e. 0.25035 and coefficient of determination is only 6.27 percent. That menace only 6.27 percent of movement in share price is caused by the movement in market price another portion is the caused by the right share announcement.

Correlation coefficient between market price and NEPSE index in the case of Nepal Bangladesh bank limited is negative that menace there is negative relation. when market movement goes down wards then the share price movement grows up, only 2.25 percent of movement in share price is affected by the movement in market shows the coefficient of determination.

But in average of sample companies correlation coefficient between market movement and share price movement is highly positive i.e. 0.7618 and coefficient of determination is 58.03 percent. In average 58.03 percent of movement in price of share is caused by the movement in market and rest is by the announcement of right share.

By observing above analysis research conclude that the announcement of right share affects the price of the share in any case by more or less.

4.2.3 T-Test of Share Price of Related Companies and NEPSE Index

Theoretically after the right share issue, share price of concern company move upward till the date of issue closed. To analyze is there any significant change in share price movement and market index or not after announcing the right share researcher has used t-statistics. following calculated table shows the calculated and tabulated value of t-statistic of researcher has use t-statistics. Following calculated table shows the calculated and tabulated value of t-statistic of respective companies.

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Table 4.11

T-Test of Share Price of Related Companies and NEPSE index

S.N	Sample Company	Test	Sig. Level	Degree of freedom	t. cal	t. tab	Result
1	Everest Bank Ltd.	SP	5 %	10	1.98	2.228	NS
		MI	5 %	10	2.51	2.228	S
2	Siddartha Finance Co. Ltd.	SP	5 %	10	1.81	2.228	NS
		MI	5 %	10	0.17	2.228	NS
3	Nepal Bangladesh Bank Ltd.	SP	5 %	10	3.11	2.228	S
		MI	5 %	10	-3.794	2.228	S
4	People's Finance Ltd.	SP	5 %	10	2.55	2.228	S
		MI	5 %	10	2.30	2.228	S
5	Nepal SBI Bank Limited	SP	5 %	10	2.224	2.228	NS
		MI	5 %	10	-1.316	2.228	NS
6	Average of Sample companies	SP	5 %	10	5.22	2.228	S
		MI	5 %	10	1.08	2.228	NS

SP = Share Price

MI = Market index

NS = Not significant

S = Significant

Above table shows that degree of freedom, tabulated and calculated value of t-test and result from the calculation. The calculation part is shown in the appendix 6. According to above table calculated T-value of Everest Bank limited is 1.98 where tabulated T-value at 10 degree of freedom at 5 percent level of significance is 2.228. Calculated t value is less than the tabulated value. Therefore there is not significant different between the share price movement of Everest Bank limited before and after the right share announcement. But the calculated T. value of NEPSE index (i.e. market index) is higher than the tabulated value before and after

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the right share announcement so there is significant different between before and after the right share announcement. It means because of the announcement of the right share there should not be significant different.

In the case of Siddhartha Finance Co. Limited calculated T value is less than the tabulated t value (i.e. 1.8<2.228). That mean there is not any significant different before and after the right share announcement in the share price. There is also not any significant different between and after the announcement of right share in NEPSE index . It means right share does not affect the market price of share of Siddhartha finance co. limited.

In the case of Nepal Bangaladesh Bank Limited, calculated T-value is higher in (in both case share price and NEPSE index). There is significant different between the share price of Nepal Bangladesh bank limited before and after the announcement of the right share. That means the announcement of the right share affects the market price of share.

In the case of people's finance limited the tabulated value of t is lower then the calculated value of it. That means there is significant different between the share price before and after the announcements. And in case of NEPSE index the tabulated value is also lower than the calculated value that means thee is significant different between before and after the announcement of right share in NEPSE Index. It means that the announcement of the right share affects in the market price of the share and the NEPSE index.

In the case of Nepal SBI Bank limited calculated t value is lower than tabulated t-value for share price and NEPSE index both. Therefore there is not any significant different between share price and NEPSE index movement between and after the announcement of right share. That means right share does not affect the share price of Nepal SBI Bank limited and NEPSE indexes.

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But in the case of Average of the sample companies there is mixed result. Tabulated t-value is lower in the case of share price and higher in the case of NEPSE index. It shows that there is significant different between the market price of share before and after the announcement of right share. But there is not significant different between the NEPSE index before and after the announcement of the right share. that means announcement of the right share affects the share price of the company but does not affect in the market index.

From the above analysis researcher can concluded that the announcement of the right share moves the market price of the share but can not move the NEPSE index (i.e. market index)

4.2.4 Theoretical Value and Market Value of Stock

Generally after announcement of the right share the market price of the stock goes up till to the date of close then after it is decreased by the value of right. And the wealth position of the shareholder remain unchanged ether they practice right or sell them. If shareholder do not do anything the wealth position decreases by the total value of the right. Researcher want to know that does this theory apply in the contest of Nepal or not ? For this researcher take the market price of the stock 60 days after announcement of the right share and one day before the announcement of the right share. Value of right and theoretical value of stock are calculated in the appendix 7 and calculated value are put in this table.

Table 4.12

Theoretical value and market value of stock

Companies	**Rights on Price**	**Subscription Price**	**Required no. of right**	**Value of right**	**Theoretical value share**	**Market value of Stock**
Everest Bank Ltd.	Rs. 660	Rs. 100	1	Rs.280	Rs.380	Rs. 650
Siddhartha Finance Co. Ltd.	Rs.150	Rs. 100	1	Rs. 25	Rs. 125	Rs. 137
Nepal Bangladesh	Rs. 440	Rs. 100	1	Rs. 170	Rs. 270	Rs.290

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Bank Ltd.						
People's F. Ltd.	Rs. 96	Rs. 100	1	Rs. 0	Rs. 96	Rs. 90
Nepal SBI Bank Ltd.	Rs.370	Rs. 100	2	Rs.90	Rs.280	Rs. 346

From the above table research knows that price behaviour of Everest Bank limited does not follow the theory. According to the theory the price of the stock should be Rs. 380 but at the same time the price of the stock is rs. 650. During the observing time the price of the share of Everest Bank Limited Never fall to Rs. 380. Therefore the value of the stock of Everest Bank limited is overpriced. Market price of the stock is decreased by lower than the value of one right.

Share price behaviour of Siddhartha Finance Co. Limited is also like Everest Bank limited. Market value of stock is Rs. 137 but the theoretical value of the stock is Rs. 125 therefore, the price of the share of siddhartha finance co. limited is also over priced during the time of study market price of the stock of this co. never reach to Rs. 125 after the announcement of the right share.

In the case of Nepal Bangladesh bank limited, theoretical value of the share is Rs. 270 but the market value of the share is Rs. 290. It also does not followed the theory. And market to price of the share of Nepal Bangladesh bank limited is also over priced. The value of stock decrease after announcement of right share but not by the value of right but by the lower than value of right.

In the case of people's finance co-limited the value of each right is zero. Therefore theoretical value of share is Rs. 96 but the market value of the share is only is Rs. 90. The price of the share of people's finance co. limited is under priced. It may by the lower performance of the company. By the announcement of the right share, wealth of the share holder decreased in this case.

Market price of share of Nepal SBI Bank Limited is higher than the theoretical value of share. Market price is Rs. 346 where as theoretical value of share is only Rs. 280. According the theory the price of the stock should be

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decrease by its value of right after the closed date of the right exercise. But the theory is not applying here. Therefore the price of the stock of this co. is over priced. Market value of stock of this bank never reached to Rs. 280 within the 6 different time period.

Reasons of variations between practical value and theoretical value of Stock

In most of the case the theoretical value of the stock is lower than the practical value of the stock. The main reason of the happen is the market price of the stock determine by the demand and the supply of the stock in the market place. Stock of good performing company is over priced and that of lower performing company is underpriced. Practical (Market) value of the stock is directly effected by the investment behavior of the investors, performance of the firm, demand and supply of stock and the global economy as well. But in the calculation of the theoretical value those things are irrelevant. However, we can calculate the theoretical value from the following tools.

Rights on Price (Po), Subscription Price (Ps) and Required no of Share for a new right (N) and Value of Right (Vr). So, that the both values are found different.

In the case of People's Finance Limited when the co. announce the right share amounted to Rs 20000000 Rs. 11725000 was subscribed. At that time the market price of the stock was Rs. 90 where as the theoretical price of the stock was Rs. 96. In this case also 117250 share out of 2,00,000 (i.e. 59%) was subscribed. From this researcher can conclude that the share holders of the peoples finance co. are not rational. They bought the share at Rs. 100 but when they want to sell after the close date they get only Rs. 90.

4.3 Analysis of Primary Data

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Most of the study and analysis is based on the secondary data but some information are collected through primary data by taking personal interview and by distributing the questionnaire to concern person. Questionnaire are present in appendix no 10.

To know the respondents view on practice of right share in Nepal, while asking respondents from different categories do they think that Nepalese firms are practicing right share in increasing ratio, following is the response result.

Table 4.13

Nepalese Firm's Practice of Right Share

Option	Brokers		Investor	
	Respondent	Percentage	Respondent	Percentage
Strongly agree	2	20	2	20
Agree	8	80	8	80
Natural	0	0	0	-
Disagree	0	0	0	
Strongly disagree	0	0	0	-
Total	10	100	10	100

Source : Direct Field Survey, 2009.

From above table out of 10 sample brokers 8 were agree and 2 were strongly agree with the view that, Nepalese firms are using right share to increase their capital. And out of 10 investor 2 were strongly agree and 8 were agree with the view. From this, researcher can conclude that Nepalese firms are using right share instrument to increase their capital in increasing ratio. Because they do not have sufficient income to give bonus share to increase the required fund.

While question was asked about the information about right share announcement their respondent view was as follows:

Table 4.14

Information About Announcement of Right Share

Option	Brokers		Investor	
	Respondent	Percentage	Respondent	Percentage
Yes	5	50	7	70
No	5	50	3	30

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Total	10	100	10	100

Source: Direct Field Survey, 2009.

Out of 10 broker 5 says that existing shareholders of any company are not getting enough information about the announcement of right share and 5 says that information is enough to existing shareholders. 70 percent of the investor out of 10 say that they are not getting enough information but 30 percent say that they are getting enough information.

From this analysis researcher can conclude that majority of the shareholders are not getting enough information about the right share announcement. Therefore No. of share subscripted is lower in most of the cases.

While asking the question about the calculation of wealth position of shareholder after announcement of the right share result of the answer is in the given table.

Table 4.15

Calculation of Wealth Position after Right Share Announcement

Option	**Brokers**		**Investor**	
	Respondent	**Percentage**	**Respondent**	**Percentage**
All	0	-	1	10
Most of Them	5	50	3	30
None	0	-	-	-
Few investor	5	50	6	60
Total	10	100	10	100

Source: Direct Field Survey, 2009.

From this table 50 percent broker are saying that most of the investor calculate their wealth position after the announcement of the right share but 50 percent are saying that only few investor calculate the wealth position. While that only few investor calculate the wealth position. While same question was put to the investors 60 percent respondent say that only a few investor calculate their wealth portion. 30 percent says that most of them calculate the wealth position and

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10 percent say that all the investor calculate their wealth position after announcement of right share.

From this analysis research can concluded that only few investor calculate their wealth position after announcement of right share other do not calculate and they do according to other and some don't know how to calculate and what will be the wealth position.

When the question was about the effect of the right share on the market price of the stock than the answer was as following.

Table 4.16

Effect of the Right Share on the Price of Stock

Option	Brokers		Investor	
	Respondent	Percentage	Respondent	Percentage
Would rise	4	40	4	40
Would fall	6	60	6	60
Remain constant	-	-	-	-
Don't Know	-	-	-	-
Total	10	100	10	100

Source: Direct Field Survey, 2009.

40 % of broker out of 10 says that price of the stock would fall and 60 percent brokers say that it would rise and 40 percent investor says that it would rise and 60 percent says that it would fall. From this we can say that price of the stock would rise from the date of announcement to the close date but it would fall then after.

Investor and brokers was asked do they satisfied with legal provision about right share is Nepal. Their answer were as follows.

Table 4.17

Satisfaction with Legal Provision

Option	**Brokers**		**Investor**	
	Respondent	**Percentage**	**Respondent**	**Percentage**

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Current provision is satisfactory	5	50	6	60
Should be amend	2	20	3	30
It other please Specify	3	30	1	10
Total	**10**	**100**	**10**	**100**

Source: Direct Field Survey, 2009.

From the above table we can say that 50 percent brokers are satisfied with the current legal provision about right share. 20 percent says that it should be amend and 30 percent respondent out of 10 total says that they don't know about the legal provision. Among 10 stock investor 60 percent i.e. 6 person says that legal provision about right share is satisfactory and 30 percent says. It should be amend and 10 percent says that they don't know about that.

From this analysis we can say that legal provision is not the subject of concern of brokers. It is satisfactory there is not any problem to exercise right due to the legal provision in Nepal.

Sometimes right share are not fully subscribed. There are many reason for not subscribing the right share. Researcher asked a question to Ten Brokers and Ten stock investor about why the right share are not fully subscribed ? And the result of answer are presented in given table.

Table 4.18

Reason for Under Subscription

Option	Brokers		Investor	
	Respondent	Percentage	Respondent	Percentage
Lack of knowledge about it	0	0	2	20
Inadequate legal provision	0	0	3	30
Past performance of organization	5	50	3	30
lack of information about it to the shareholders	5	50	2	20
Total	10	100	10	100

Source: Direct Field Survey, 2009.

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50 percent of the brokers say that the subscription ratio depends upon the past performance of the organization and 30 percent of the investor are agree with this option. 20 percent investor and 50 percent brokers are agree that there is lack of information about the right share to the shareholders therefore they are not fully subscribed.

20 percent and 30 percent investor are agreed with the option lack of knowledge about it and inadequate legal provision respectively. From this we can say that past performance of the organization is the main reason to subscription ratio of the right share. Right share of good performing and high profit earning organization subscribes fully and other not.

When the question to the investor and brokers was about the problem that shareholder face with the announcement of the right share their answer were as follows.

Table 4.19

Problem of Shareholders with Announcement of Right Share

Option	Brokers		Investor	
	Respondent	**Percentage**	**Respondent**	**Percentage**
Existing Shareholder can not sell their right if they want	4	40	6	60
They are bound to lose if they do not exercise their right	6	60	3	30
Total wealth of existing shareholder remain unchanged	0	0	0	0
Any others	0	0	1	10
Total	**100**	**100**	**10**	**100**

Source: Direct Field Survey, 2009.

60 percent of brokers and 30 percent of investor are agree with the option that existing share holder are bound to lose if they do not exercise their right because the price of the stock will fall after the book closed date. 40 percent brokers and 60 percent stock player are agreed with the option that they can not

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sell their right if they want. Because there is not any provision of selling their right. Shareholders must be exercise their right other wise they lose their wealth position. Ten percent of investor are agree with the option "Any Other" .

From this we can learn the problem of the existing shareholders was bound to lose and can not sell their right if they want. When researcher asked to the stock brokers and stock player do they agree with that Nepalese small investor are neglecting to attend the AGM then the result was as follows.

Table 4.20

Negligence of Small Investor to AGM

Option	Brokers		Investor	
	Respondent	Percentage	Respondent	Percentage
Yes	7	70	7	70
No	3	30	3	30
Total	10	100	10	100

Source: Direct Field Survey, 2009.

70 percent investor and brokers say that Nepalese small scale investor are neglecting to attend the annual general meeting (AGM) and 30 percent respondent say that the investor are not neglecting to attend the AGM. From his we can conclude that small investor are neglecting to attended the AGM. In another question about why small investor are neglecting to attend the AGM. Answer of 50 percent respondent was because shareholders don't get the information about the AGM. And 50 percent respondent say that they can not bear their expenses or there is not any provision of transportation or they are not getting any thing if they attend the AGM and except they loose time and money.

From this analysis researcher conclude that all the shareholder of any the organization have right to get information about AGM and they have right to attend AGM. for the share holder the board of director (BOD) must provide the

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expenses and transportation cost. They must motivate all stock holder to attend the annual general meeting.

At last researcher asked to the brokers and the stock player that why the firms with high profit and good performance do not issue the right share and they response as following.

Table 4.21

Reason for not Issuing Right Share

Option	Brokers		Investor	
	Respondent	Percentage	Respondent	Percentage
They don't need extra capital	3	30	3	30
They earn needed fund themselves	7	70	7	70
Their share price is high in the market	-	-	-	-
Only poor and bad performing organization announces the right share to their shareholders	-	-	-	-
Total	10	100	10	100

Source: Direct field survey 2009

70 percent of the brokers and investor agreed that the good performing organization earn their needed fund themselves they give bonus share if they need extra fund 30 percent of investor and brokers agreed that good performing organization don't need extra capital.

From above analysis we can say that good performing organization earn their extra capital themselves. They give bonus share to their shareholder if they need extra capital to expand their program.

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4.4 Regression Analysis

To calculate the percentage change in market price per-share after the book closed date of the right offering researcher used the regression mode. here, market price of the share of each sample company before announcement of the right share is taken as independent variables (X) and market price of same companies after the book closed date is taken as dependent variable (Y).

Table 4.22

Market Price of Share before Right Offering and after Book Closed

Name of Sample Companies	Right share announcement Date	Book Closed date	MPS before announcement	MPS After book Closed
Everest Bank Limited	2058-3-27	2058-3-30	660	600
Siddhartha Finance Co. Ltd.	2060-8-9	2060-10-9	150	137
Nepal Bangaladesh Bank Ltd.	2061-3-25	2061-5-3	440	290
Peoples Finance Ltd.	2060-2-13	2060-4-16	96	90
Nepal SBI Bank Ltd.	2062-1-13	2062-3-17	370	345

Source: SEBO/N Annual Report.

Table : 4.23

Regression Analysis

X	Y	XY	X^2	Y^2
660	600	396000	435600	360000
150	137	20550	22500	18769
440	290	127600	193600	84100
96	90	8640	9216	8100
370	345	127650	136900	119025
$\Sigma X = 1716$	$\Sigma Y=1462$	$\Sigma XY=680440$	$\Sigma X^2=797816$	$\Sigma Y^2=589994$

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Let the regression equation of y on be

$$Y = a + bx$$

To find the value of a and b we hae the following two normal equation.

$$\Sigma y = na + b\Sigma x \text{ .... (i)}$$

$$\Sigma xy = a\Sigma x + b\Sigma x^2 \text{ ....(ii)}$$

Substituting the values of n, Σx Σy, Σxy, Σx^2 in equation (i) and (ii) we have

$$1462 = 5a + b1716 \text{ .... (iii)}$$

$$680440 = a.1716 + b.\ 797816 \text{ ... (iv)}$$

by solving the equation (iii) and iv) we got

$$b = 0.85540$$

$$b. = 1.1758$$

our regression line be $y = 1.1758 + 0.85540\ x$

From the above calculation market price of the stock after book closed of right depend upon the market price of stock before announcement of right share. Market price of share after the book closed of right offering is 0.85 times of the stock price before the right offering. Thus on an average stock price has decreased by 0.15 or 15 percent from the right offering in Nepal.

4.5 Problems of Right share Practice in Nepal

- Lack of transferable right

The right can't use those existing share holders who are economically weak. If the right can transfer to another person as the desire of the stock holder, it could be benefited such right holders.

- Limited investing opportunities

The history of right share is not so long in Nepal and limited firms have been offering such rights to the existing stock holders as well.

- Lack of Awareness Level

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The awareness level of existing shareholders regarding the stock market is found limited.

- **Imperfect legal provision for right share announcement**

The current legal provisions are not found sufficient in Nepal to cop the global technology for more detail Ref. Recommendation # (iii).

- **Lack of open market and free pricing**

Here is not open market and free pricing system in Nepal.

- **Ineffective working system in security market**

The working system of security markets are not found effective. It is limited in open cry system but in should be introduce Electronic System..

4.6 Major Findings of the Study

After completing the study researcher find out the following findings.

- There is only 14 years history of right share in Nepal. Till fiscal year 2065/66 only 161 cases of right share announcement can we find by 28 companies.
- Contribution of the rights share on total public issue till the fiscal year 2061-62 is 32.27 percent.
- Largest amount collected by commercial bank through the issue of right share. 65 percent of total amount collected by right share is by commercial bank.
- Large number of right share issued is under subscribed. Poor performance of the related company, lack of effective information and lack of transferable right are the major cause of under subscription of right share in Nepal.
- There is no significant different between share price movement before and after announcing the right share of Everest Bank Limited. after announcing the right share, share price of Everest bank limited has increased. There is positively high relation between share price of Everest Bank Limited and NEPSE index. Right share does not affect the share price movement of

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Everest Bank Limited. Theoretical value of stock of this bank is lower than it's market value of share after Book closed date of right share.

- There is no significant different between the share price of Siddhartha Finance Co. Limited before and after the announcement of the right share. The co-relation coefficient between NEPSE index and market price of the share is slightly positive. That means change in the market movement slightly affect the share price of the Siddhartha Finance Co-Limited. The ratio of the change in both (NEPSE and Market Price) is different.
- In the case of people's finance Co-limited co-relation between market movement and share price is high. That movement in market affect the share price of the co. There is not significant different between the share price of this co. before and after the announcement of the right share. That means right share announcement does not affect the market price of the stock.
- There is significant different between share price movement before and after announcing the right share of Nepal Bangladesh Bank Limited. After announcing the right share, share price of Nepal Bangladesh Bank Limited has decreased. There is negative (insignificant) relation between share price of Nepal Bangladesh Bank Limited and NEPSE index. Right share affects the share price movement of Nepal Bangladesh Bank Limited. Theoretical value of stock of Nepal Bangladesh Bank Limited is approximately similar to it's market value of stock after closed date of the right share.
- There is no significant difference between share price movement before and after announcing the right share of Nepal SBI Bank limited. immediately after announcing the right share, share price of this bank has increased than after it has decreased. There is positive but low relation between share price of this bank and NEPSE index. Right share does not affect the share price movement of Nepal SBI Bank Limited. Theoretical value of stock of Nepal SBI Bank Limited is lower than it's market value after book closed date of the right share.
- There is significant different between the share price of average of sample companies before and after the announcement of right share. But there is not

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significant different in market index before and after the announcement of the right share. The correlation coefficient between NEPSE index and share price of average of sample Companies is high. They are highly co-related 58.03 percent change is affected by the change in the market index and remaining portion by the right share. But NEPSE index is not affected by the announcement of the right share.

- Interest of the investor to purchase the right share depends upon the past performance of the organization.
- Due to low flotation cost, easy process to collection fund and legal provision are the cause of right share prefer by Nepalese corporate firms.
- There are difficulties to investors due to not transferable rights in Nepal.
- Legal provisions about right share in Nepal are insufficient.
- Almost, all the companies' ex - right price of the stock is higher than theoretical ex-right price. Thus it can be said that the market ex-right price is higher than the theoretical ex-right price.

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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

With the development in technology, the world has become a global village and with the globalization of business, the competition among firms has tremendously increased. to successfully compete the corporate firm should expand and modernize their business, which needs huge amount of funds. Capital market which is called life blood of the liberalized economy is the mechanism through which the resources are mobilized and flowed from non-productive sector to productive sector. Capital market is organized market through, which buyers and sellers of long term capital are met and there to function of buying and selling takes place. The place of development of equity market in Nepal is extremely slow and it has not efficient to contribute to the development of corporate sector. Developing country like Nepal, there is greater importance of capital market and particularly the equity market. Since it facilitates the development of corporate sector and overall growth of the economy. The history of capital market in Nepal dates back to 1937 A.D. When the share of Biratnagar Jute mills and Nepal Bank Limited were floated to the general public.

Security Board of Nepal (SEBO/N) was established under securities exchange act 2040 on June 8th 1999, with a major objective of regulating and managing capital market. Following the establishment then the security Transaction center was re-named in to Nepal stock Exchange Ltd, and began share transaction with "open cry" system for the first time. In it's early stage a company needs financing, one source is the venture capitalists that specialize in financial new enterprises. If the company is successful, it often will go pubic with an initial public offering of common in order to cope with various financial dearth situations, firms usually issue common stock to general investors or right offering to the existing shareholders or preference share and various type of debenture as

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demanded by the target capital market structure. This, research mainly focuses on the rights offering to existing shareholders. The investment bankers provide middleman services to both seller and the buyers of new securities, helping plan to issue. Underwriting, it mean handling the job of selling the issue to the ultimate investors.

Rights share, a type of equity share issued by corporation to raise additional fund giving first priority to the existing share holders to take the share. Those corporations, which have already issued shares to the public allowed to issue rights shares, provided the share already issued and fully paid. right share is issued giving proportionate right to the existing share holders to purchase the new share. It is option based financial approach, where existing shareholders are given an original ownership percentage of the shareholders. Right offering is a method of raising father fund from the existing shareholders by offering additional securities to them on a pre-emptive basis. It involves the offer of additional share to existing shareholders. These are offered in proportion of existing shareholder. Each existing shareholders received one rights for each share they owned. They normally offered at a subscription price some what lower than the current market price of the stock, within specified period of time. the pre-emptive right is the right of existing shareholders to maintain their ownership of the company by purchasing new shares issued by the company. The pre-emptive right gives holders of common stock the first option to purchase additional issue of common stock. Some times companies are bound to issue new shares of additional stock of existing shareholders because of pre-emptive right clause in the act of incorporation. If such clause are not include in the company charter then company has a choice of marking the sale to its shareholders or to an entirely new set of investors.

The stock flotation is called right offering, if it sells to the existing shareholders. A right issue involves selling to ordinary shares to existing shareholders of the company.

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Demand of the common stock of the company will increase by the right offering announcement, because they were entitled to have proportionate number of new shares at below than market price. On the other hand, all those existing share holders have on opportunity to bargain for more prices than currently prevailing in the market. Such phenomenon results the price of share to the upward direction. After the issuance of the right share price appear to suffer a temporary settable during the immediate ex-rights period. While a small part of the price fall could be due to information effects delayed until after the announcement date because of non-trading there appear to be no other plausible explanation, ultimate analysis, state of capital market in which several factors operate simultaneously, it of difficult to predict actual price of stock in which stock should be traded.

There are not many studies have been conducted about the right share practice in Nepal. Researcher has made his best effort to collect a lot of information about right share for this study from review. Researcher divided the information in the form of conceptual review, review of books, journals and previous studies and review of laws and acts.

Primary data are collected by the distribution the questionnaire the stock player and the stock brokers. Secondary data are collected from published and unpublished documents of related instructions.

Only three commercial bank and two finance company are taken as the sample of the study out of 28 right issuing company.

To analyze and generalize the collected data, descriptive and analytical research design has been adopted various financial, statistical and mathematical tools analyze such types of data, collected data are presented in the tabular form than such data are analyzed to meet the objective of the study.

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5.2 Conclusion

From the analysis of primary and secondary data researcher has to reach in the following conclusion.

- Right share practices in Nepal is in increasing trend. It is the second largest instrument of capital fund in Nepal.
- There is no any separate rule about announcement of right share and provision about right share. Current rule and regulations are insufficient.
- Most of the companies which issued right share has faced the problem of under subscription.
- All sector except hotel have been practiced the right share. But commercial Bank have issued the large volume of right share and more finance companies have been practiced the right share.
- Theoretical value and practical value of stock after book closed date is not similar. Theoretical value is some how lower than the actual market value of all the companies except people's finance limited. In case of people's finance limited market value is lower than the theoretical value.
- Investor were not rational in the case of People Finance Limited because market price of the stock is lower than the subscription price but more than 50 percent share was subscribe.
- Low performance of the related company is main cause of under subscription.
- Small investor do not want to attend the annual general meeting because they would not get any benefit from it.
- Shareholders who want to sell their right they can not sell their right. They must have to exercise their right or to lose their wealth position.
- Share holders are not getting enough information about the right share in Nepal.

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5.3 Recommendation

The recommendation are made as per the analysis of primary and secondary data as well as relating information about Nepalese corporations' right issue. It is important that changes are made as to make rights issue more easy, effective and efficient, the following are some recommended correlative actions.

i. In ordered to make the capital market more efficient, market participants and academic institutions should jointly promote and undertake more research and market analysis activities.

ii. The present open cry system' of stock trading has become obsolete and is being replace by "Electronic Trading System" in many countries. Therefore such electronic trading system' for the sake of transparency and efficient, should introduce in Nepalese stock market.

iii. Under subscription of rights issue is a common phenomenon. Existing shareholders that are not willing to buy extra shares have no alternative then expiring their rights. This is why company act 2053 should be amended and provision if regally transferable rights should be made and right should be listed in secondary market. It will not only prevents existing shareholders from dilution of their wealth position but will also adds dimensions in secondary market that makes secondary market more divergent and investors find another financial tool to invest money in problem of under subscription of rights issue can be reduced simultaneously.

Investors are not protected by any law and rules, researcher prefer the Government of Nepal to make investor protection Act by this, investor can feel secured themselves

iv. Those rights, which didn't exercise by the existing shareholders exercised by the employee of the respective company. It is not good practice. Therefore, remaining shareholders give option to buy those unexercised right, if they don't exercise, it should be sell in the market.

v. In order to attract the investment the issue prospects should provide some incentives for right offering.

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vi. Good communication, banking facilities and postal services should be developed to encourage investors.

vii. The awareness program can be conduct for general investors using mass and though program via seminars, training and work shops.

viii. Regulation and their implementation should be sound and strict. It should be realize that good rules and regulations with poor implementations do virtually no work.

ix. Shareholders are not clear about right share, its benefits and its impact on stock price and their wealth position. Government of Nepal, security Board of Nepal and Nepal stock exchange should organize and launch various program to increase the investor's awareness, regarding the right share and its impact.

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