# A STUDY ON SHARE PRICE BEHAVIOUR OF LISTED COMMERCIAL BANKS IN NEPAL

By:

SAJIL SHOVA SHAKYA PATAN MULTIPLE CAMPUS

Campus Roll No.:058/061

**Exam Symbol No.:1394/063** 

T.U. Registration No.: 7-3-22-1578-2004

A THESIS SUBMITTED TO:
OFFICE OF THE DEAN
FACULTY OF MANAGEMENT
TRIBHUVAN UNIVERSITY

In partial fulfillment of the requirement for the degree of Masters of Business Studies (M.B.S)

Patandhoka, Lalitpur February, 2010

## RECOMMENDATION

This is to certify that the Thesis

Sı	ıbmitte	d by:
Sajil	Shova	Shakya

_		
Hin	t1t	led:
וויב	ui.	icu.

"A Study on Share Price Behavior of Listed Commercial Banks in Nepal"

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

 Mr. Bishnu Gopal Khimbaja	
( Thesis Supervisor )	
——————————————————————————————————————	 Mr. Krishna Badan Nakarmi
(M.B.S. Programme)	Campus Chief
· ,	Patan Multiple Campus

Date:

### **VIVA- VOCE SHEET**

We have conducted the	viva- voce examination	of the thesis presented by
	Sajil Shova Shakya	

En	tit1	امط	

"A Study on Share Price Behavior of Listed Commercial Banks in Nepal"

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

## **Masters Degree in Business Studies (M.B.S.)**

Viva-Voce Committee				
Head of Research Department				
Member (Thesis Supervisor)				
Member (External Expert)				
Date:				

#### **DECLARATION**

I hereby declare that the work reported in this thesis entitled "A Study on Share Price Behavior of Listed Commercial Banks in Nepal" submitted to Research Department of Patan Multiple Campus, Patan Dhoka, Faculty of Management, Tribhuvan University is my own work which is prepared as the partial fulfillment of the requirement for the degree of Masters of Business Studies (M.B.S) under the supervision of Mr. Bishnu Gopal Khimbaja, Chairman, Management Subject Committee of Patan Multiple Campus, Tribhuvan University.

Date:		
	-	

Sajil Shova Shakya Campus Roll no. 58/061

Exam Symbol No. 1394/063

T.U Regd. No. :7-3-22-1578-2004

Patan Multiple Campus

ACKNOWLEDGEMENT

This Thesis is for Master's Degree in Business Studies (M.B.S) undertaken at T.U of

Nepal. For this I gained lots of guidelines and suggestions from my teachers, friends,

other Company's officials and my family. I wish to express my sincere and deep

gratitude first and foremost to my respected supervisor Mr.Bishnu Gopal Khimbaja,

who helped me by giving invaluable suggestions and providing me guidelines for

completion of thesis. I have no words to express my gratitude to him for his untiring

help and valuable advice.

I wish to acknowledge my sincere gratitude to all the staffs of Securities Board of

Nepal and Nepal Stock Exchange for their kind help in providing various books,

sources of data and other information for this study. It is also necessary to thanks T.U.

library for their cooperation by providing reference books, journals and dissertations.

I am also thankful to the unforgettable encouragement and company of my friend Mita

Maharjan, my brother Kabindra Shakya and sister Rashmi Shakya also deserves sincere

thanks for their cooperation and support during research time.

Finally, I pay my sincere obligation and gratitude to all the respected teachers and staffs

of my college who have provided a great deal of knowledge and ideas for existence of

this output.

Sajil Shova Shakya

Patan Multiple College

Roll No.: 58/061

#### LIST OF ABBREVIATIONS

EBL Everest Bank Limited

NABIL Nabil Bank Limited

NIBL Nepal Investment Bank Limited

HBL Himalayan Bank Limited

BOKL Bank of Kathmandu Limited

NRB Nepal Rastra Bank

SEC Securities Exchange Centre

SEBON Securities Exchange Board Nepal

NEPSE Nepal Stock Exchange Limited

GON Government of Nepal

NIDC Nepal Industrial Development Corporation

IPO Initial Public Offering

EPS Earning Per Share
ROE Return on equity
BOD Board of Director

F/Y Fiscal Year

OTC On the Counter

ROA Return on Assets

NIAT Net Income after Tax

ROE Return on Shareholder's Equity

MVPS Market Value per Share

P/E Price Earning

E/P Earning of Price

SD Standard Deviation

C.V Coefficient of Variation

Ltd. Limited

AGM Annual General Meeting

M.B.S Master in Business Studies

T.U. Tribhuvan University

## **TABLE OF CONTENTS**

RECOMMENDATION

VIVA – VOCE SHEET

DECLA	ARATION	
ACKN	OWLEDGEMENT	
LIST O	F ABBREVIATIONS	
TABLE	E OF CONTENTS	
LIST O	F TABLES	
LIST O	F FIGURES	
СНАР	ΓERS	Page No.
I	INTRODUCTION	1-14
1.1	General Background	1
1.2	Securities Market	3
1.2.1	Primary Market	4
1.2.2	Secondary Market	5
1.3	Regulation of Securities Market in Nepal	5
1.3.1	Securities Board, Nepal (SEBON)	$\epsilon$
1.3.2	Nepal Stock Exchange (NEPSE)	$\epsilon$
1.3.3	List of Listed Commercial Banks in Nepal	8
1.3.4	Brief introduction of the banks under the study	ç
1.4	Focus of the Study	10
1.5	Statement of the Problem	11
1.6	Objectives of the Study	12
1.7	Significance of the Study	12
1.8	Limitation of the Study	13
1.9	Organization of the Study	14
II	REVIEW OF LITERATURE	15-44
2.1	Introduction	15
2.2	Theoretical review	15
2.2.1	Classical Approach	15
2.2.1.1	Fundamental Analysis	16

16

2.2.1.2	Technical Analysis	18
2.2.2	Efficient Market Theory	22
2.2.2.1	The Random Walk Theory	25
2.3	Review of Related Studies	27
2.3.1	Foreign Context	28
2.3.2	Nepalese Context	31
2.3.3	Review of unpublished thesis	33
2.4	Securities Market in Nepal	36
2.4.1	Historical Development	36
2.4.2	A Glimpse of Stock Market Trading	38
2.4.2.1	Behavior of NEPSE Index	38
2.4.2.2	Market sensitivity analysis	40
2.4.2.3	Group-wise Monthly Turnover	42
2.4.2.4	Paid-up Value and Market Capitalization	43
2.4.2.5	Trading Performance of Sample Stocks	44
III	RESEARCH METHODOLOGY	45-50
3.1	Research Design	45
_		
3.2	Population and Samples to the Study	45
3.2 3.3	Population and Samples to the Study Sources of data	45 46
3.3	Sources of data	46
3.3 3.4	Sources of data Analysis of the Data	46 46
3.3 3.4 3.4.1	Sources of data Analysis of the Data Statistical tool	46 46 47
3.3 3.4 3.4.1 3.4.1.1	Sources of data Analysis of the Data Statistical tool Standard Deviation Coefficient of variation	46 46 47 47
3.3 3.4 3.4.1 3.4.1.1 3.4.1.2	Sources of data Analysis of the Data Statistical tool Standard Deviation Coefficient of variation	46 46 47 47 47
3.3 3.4 3.4.1 3.4.1.1 3.4.1.2 3.4.1.3	Sources of data Analysis of the Data Statistical tool Standard Deviation Coefficient of variation Beta coefficient	46 46 47 47 47 48
3.3 3.4 3.4.1 3.4.1.1 3.4.1.2 3.4.1.3 3.4.2	Sources of data Analysis of the Data Statistical tool Standard Deviation Coefficient of variation Beta coefficient Financial Parameter	46 46 47 47 47 48 48
3.3 3.4 3.4.1 3.4.1.1 3.4.1.2 3.4.1.3 3.4.2 3.4.2.1	Sources of data Analysis of the Data Statistical tool Standard Deviation Coefficient of variation Beta coefficient Financial Parameter Net Margin	46 46 47 47 47 48 48 48
3.3 3.4 3.4.1 3.4.1.1 3.4.1.2 3.4.1.3 3.4.2 3.4.2.1 3.4.2.2	Sources of data Analysis of the Data Statistical tool Standard Deviation Coefficient of variation Beta coefficient Financial Parameter Net Margin Assets Utilization	46 46 47 47 47 48 48 48 49
3.3 3.4 3.4.1 3.4.1.1 3.4.1.2 3.4.1.3 3.4.2 3.4.2.1 3.4.2.2 3.4.2.3	Sources of data Analysis of the Data Statistical tool Standard Deviation Coefficient of variation Beta coefficient Financial Parameter Net Margin Assets Utilization Return on Assets	46 46 47 47 47 48 48 48 49
3.3 3.4 3.4.1.1 3.4.1.2 3.4.1.3 3.4.2.1 3.4.2.2 3.4.2.3 3.4.2.4 3.4.2.5	Sources of data Analysis of the Data Statistical tool Standard Deviation Coefficient of variation Beta coefficient Financial Parameter Net Margin Assets Utilization Return on Assets Profit to Total Income	46 46 47 47 47 48 48 48 49 49
3.3 3.4 3.4.1.1 3.4.1.2 3.4.1.3 3.4.2.1 3.4.2.2 3.4.2.3 3.4.2.4 3.4.2.5	Sources of data Analysis of the Data Statistical tool Standard Deviation Coefficient of variation Beta coefficient Financial Parameter Net Margin Assets Utilization Return on Assets Profit to Total Income Total Cost to Profit	46 46 47 47 47 48 48 48 49 49 49

IV	DATA PRESENTATION AND ANALYSIS	51-66
4.1	Market Share Analysis	51
4.1.1	Market Shares of Deposits	51
4.1.2	Market Share of loan	52
4.1.3	Market Share of Investment	53
4.1.4	Market shares of Total Assets	54
4.1.5	Implication of the Market shares Analysis on Shares Price Behavior	55
4.2	Analysis of Financial Performance of the Selected Commercial Banks	56
4.2.1	Net Margin	57
4.2.2	Assets Utilization	58
4.2.3	Returns on Assets	58
4.2.4	Profit to Total Income	59
4.2.5	Total Cost to Profit	60
4.2.6	Return on Shareholder's Equity	61
4.2.7	Earning to Price Ratio	61
4.3	Risk and Return Analysis	62
4.3.1	Risk and Return analysis of Individual Banks	62
4.3.1.1	Standard Deviation	63
4.3.1.2	Co-efficient of Variation (CV)	63
4.3.1.3	Beta Co-efficient	64
4.4	Major Findings of the Study	65
V	SUMMARY, CONCLUSION AND RECOMMENDATION	67-61
5.1	Summary	67
5.2	Conclusions	69
5.3	Recommendations	70

BIBLIOGRAPHY

APPENDIXES 1 - 14

## LIST OF TABLES

Page No.

Title

Table No.

	3.	Monthly Turnovers	43
	2.	Market Risk and Return Analysis	40
	1.	Monthly Closing NEPSE Index	39
Figu	re No.	Title	Page No.
		LIST OF FIGURES	
	1).	Dem Coefficients of Dampied Commercial Dames	UT
	19.	Beta Coefficients of Sampled Commercial Banks	64
	18.	Coefficient of variation of Individual Banks	64
	17.	Standard Deviation of Individual Banks	63
	16.	Earning to Price Ratio	62
	15.	Return on Shareholder's Equity	61
	14.	Total Cost to Profit	60
	13.	Profit to Total Income	60
	12.	Return on Assets	59
	11.	Assets Utilization	58
	10.	Net Margin	57
	9.	Ranking of the Banks on the basis of Market Share	55
	8.	Market share of Total Assets	55
	7.	Market share of investment	54
	6.	Market Share of loan in amount	53
	5.	Market Shares of Deposits	52
	4.	Market Risk and Return Analysis	40
	3.	Monthly Closing NEPSE Index	39
	2.	Capital Structure of NEPSE	37
	1.	List of Commercial Banks in Nepal	8