Fluctuation of Nepalese Stock Prices

$\mathbf{B}\mathbf{y}$

RAJESH THAPA

Balkumari College

Roll No.: 54 (2061 to 2063)

T. U.Regd. No. 5-1-19-626-98

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

In the Partial fulfillment of the requirement for the Master's Degree in Business Studies (M.B.S)

November, 2008

VIVA-VOCE SHEET

We have conducted the Viva-voce examination of the Thesis presented by

RAJESH THAPA

Entitled

Fluctuation of Nepalese Stock Prices

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

Master of Business Studies (MBS)

VIVA-VOCE COMMITTEE

Chairperson, Research Committee	· · · · · · · · · · · · · · · · · · ·
Member (Thesis Advisor)	:
Member (External Expert)	:
Date :	•

RECOMMENDATION

This is to certify that the thesis

Submitted by

RAJESH THAPA

Entitled

Fluctuation of Nepalese Stock Prices

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

Mr. Babu Ram Panthi
Thesis Advisor

Mr. Bharat Khanal
Programme Incharge, MBS

Mr. Chiranjibi Shrestha
Campus Chief

Date:

ACKNOWLEDGEMENT

I have become bright having advisor as Mr. Babu Ram Panthi, lecturer of Balkumari College, Narayangarh, Chitwan, to carry out my thesis. His remarkable support during my Master in Business Study (MBS) programme from Balkumari College is eternal in further study and research period.

I want to deliver my gratitude to Mr. Ganga Prasad Sapkota and Vijaya Pradhan, lecturer of Balkumari College, who helped me by providing guideline in the conference of statistical analysis.

I express my heartily thanks to all the lecturers of my Balkumari College, whose cooperation, encouragement and intellectual support were the prime cause on completion of this dissertation.

I express my thanks to all the financial experts of difference financial institutions, investors, lecturers of different colleges and non-financial experts of concerned constructions and technical houses who provided valuation ideas, information, views about the fluctuations of Nepalese stock prices so well.

I am also highly indebted with my friend Mr. Dev Raj Subedi, who encourages me to accomplish this study.

November, 2008

RAJESH THAPA Balkumari College

TABLE OF CONTENTS

Recommendation	
Viva-Voice Sheet	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
Chapter One	
1. Introduction	1-8
1.1 General Background	1
1. 2 Statement of the problem	5
1. 3 Objectives of study	6
1. 4 Significance if the study	7
1. 5 Limitations of the study	7
1.6 Organization of Study	8
Chapter Two	
Review of Literature	9-38
2.1 Conceptual Review	9
2.1.1 Common Stock	9
2.1.2 Behavior of stock price fluctuation	14
2.2 Review of Legal Provision of HMG/N	27
2.3 Articles and Journal Review	31
2.4 Review of Thesis	38
2.5 Research Gap	43
Chapter Three	
Research Methodology	44-47
3.1 Introduction	44
3.2 Research Design	44
3.3 Population and Sample	45

3.4 Method of Data collection	45
3.5 Methods of Analysis	46
3.5.1 Methods of Calculating Index	46
3.5.2 Statistical Procedure	47
Chapter Four	
Presentation and Analysis of Data	51-90
4.1 Introduction	51
4.2 Presentation and Analysis of Data	52
4.2.1 Statistical Analysis	52
4.2.2 NEPSE Index	53
4.2.3 Monthly Trend Analysis	54
4.2.4 Annual Trend Analysis	62
4.2.5 Number of Listed Companies in NEPSE	64
4.2.6 Number Transacted Companies and Volume of	
Stock Traded	66
4.2.7 Paid-up Value and Market Capitalization	67
4.2.8 Market Capitalization of Listed Companies	68
4.2.9 Closing Market Price of Selected Companies	70
4.2.10 Correlation Coefficient between Book value Per share	
and Closing Price on 2065	74
4.2.11 Coefficient of Variation	76
4.2.12 Test of Hypothesis	77
4.3 Presentation and Analysis of Data	80
4.3.1 Interview with Experts	80
4.3.2 Questionnaire Analysis	81
4.4 Major Findings of the Study	90
Chapter Five	
Summary, Recommendation and Conclusion	93-98
5.1 Summary	93
5.2 Recommendation	96
5.3 Conclusion	98

LIST OF TABLES

Table No	o Title P	age No.
3.1	Respondent Profile	45
4.1	NEPSE Index	53
4.2	Monthly NEPSE index during the fiscal years 2003	55
4.3	Monthly NEPSE index during the fiscal year 2004	56
4.4	Monthly NEPSE index during the fiscal year 2005	57
4.5	Monthly NEPSE index during the fiscal year 2006	58
4.6	Monthly NEPSE index during the fiscal years 2007	60
4.7	Monthly NEPSE index during the fiscal years 2008	61
4.8	Annual trend analysis from the fiscal years 1996/97 to 2006/07	7 62
4.9	Mean, S.D. & C.V. of monthly NEPSE index during 2001 to 20	007 63
4.10	Sector wise Monthly Movements in NEPSE Index during the	
	fiscal year 2007	64
4.11	The number of listed companies in stock exchange	65
4.12	Number of Transacted Companies and Volume	66
4.13	Paid-up value of listed companies (2007/08)	67
4.14	Market capitalization of listed companies 2006/07	68
4.15	Market capitalization of listed companies 2007/08	69
4.16	Closing market price of selected Banks	70
4.17	Closing market price selected Finance Companies	71
4.18	Closing Market Price of selected Insurance Companies	73

4.19	Correlation coefficient between book value per share and	
	closing price on 2065	74
4.20	Correlation coefficient between NEPSE index and	
	volume of stock traded fiscal year 1996/97 to 2007/08	75
4.21	Variability of closing prices during (16 July 04 to April, 08)	76
4.22	Test of hypothesis of correlation coefficient between book	
	value per share and closing price of stock NEPSE index	
	and volume of stock traded	77
4.23	Test of hypothesis on signaling effect	78
4.24	Test of hypothesis on difference between mean of daily	
	NEPSE and annual NEPSE index	80
4.25	Sector-wise Preference for Investment	82
4.26	Investors' Awareness on the Stock Market	83
4.27	Views of Difficulties Faced by Investors	84
4.28	Government Policy Analysis on the stock market	85
4.29	Participation on company's Management	85
4.30	Opinion of environmental effect	86
4.31	Causes of Holding the Shares of Company	87

LIST OF FIGURES

Figure	No Title Page	No
4.1	Line Chart of NEPSE Index	54
4.2	Line Chart of Monthly NEPSE index during the fiscal year 2005	57
4.3	Line Chart of Monthly NEPSE index during the fiscal year 2006	59
4.4	Line Chart of Monthly NEPSE index during the fiscal years 2007	60
4.5	Line Chart of Monthly NEPSE index during the fiscal years 2008	61
4.6	Line Chart of Annual trend analysis from the fiscal years 1996/97	
	to 2006/07	63
4.7	Line Chart of The number of listed companies in stock exchange	65
4.8	Line Chart of Number of Transacted Companies and Volume	66
4.9	Pie Chart of Paid-up value of listed companies (2007/08)	67
4.10	Pie Chart of Market capitalization of listed companies 2006/07	68
4.11	Pie Chart of Market capitalization of listed companies 2007/08	69
4.12	Bar Diagram of closing market price of selected Banks	70
4.13	Line Chart of closing market price selected Finance Companies	72
4.14	Line Chart of Closing Market Price of selected Insurance Companies	73
4.15	Pie Chart of Investors' Awareness on the Stock Market	83
4.16	Pie Chart of Views of Difficulties Faced by Investors	84

ABBREVIATION

% = Percentage

Co. = Company

C.V. = Coefficient of Variation

EWI = Equally Weighted Index

FY = Fiscal Year

GMI = Geometric Mean Index

Govt. = Government

NEPSE = Nepal Stock Exchange

NRB = Nepal Rastra Bank

OTC = Over-The-Counter

PWI = Price Weighted Index

r = Correlation Coefficient

 r^2 = Coefficient of Determinant

SD = Standard Deviation

SEBON = Security Board Nepal

VWI = Value Weighted Index