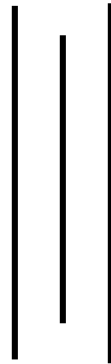


# **GROWTH OF STOCK MARKET IN PERSPECTIVE OF LISTED COMMERCIAL BANKS**

**By**  
**Aadarsh Limbu**  
**Shanker Dev Campus**  
**T.U. Redg. No: 7-2-362-1-2002**  
**Campus Roll No. 3/62**

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



*In partial fulfillment of the requirement for the Degree of*  
*Master of Business Studies (M.B.S)*  
**Kathmandu, Nepal**  
**November, 2008**

## **RECOMMENDATION**

This is to certify that the Thesis

Submitted by:

**Aadarsh Limbu**

**Entitled:**

### **GROWTH OF STOCK MARKET IN PERSPECTIVE OF LISTED COMMERCIAL BANKS**

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

Supervisors

.....

**Shree Bhadra Neupane**

.....

**Achyut Raj Bhattarai**

.....

**Dr. Kamal Deep Dhakal**

**(Campus Chief)**

# VIVA-VOCE SHEET

We have conducted the viva –voce examination of the thesis presented

by

**Aadarsh Limbu**

Entitled:

## **GROWTH OF STOCK MARKET IN PERSPECTIVE OF LISTED COMMERCIAL BANKS**

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

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

### Viva-Voce Committee

Head, Research Department .....

Member (Thesis Supervisor) .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

# **TRIBHUVAN UNIVERSITY**

**Faculty of Management**

**Shanker Dev Campus**

## **DECLARATION**

I hereby declare that the work reported in this thesis entitled “**GROWTH OF STOCK MARKET IN PERSPECTIVE OF LISTED COMMERCIAL BANKS**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of **Mr. Shree Bhadra Neupane** and **Mr. Achyut Raj Bhattarai** of Shanker Dev Campus.

.....

**Aadarsh Limbu**

**Researcher**

**T.U. Registration No. 7-2-362-1-2002**

**Campus Roll No. : 3/062**

## **ACKNOWLEDGEMENT**

This thesis titled as “Growth of Stock Market in Perspective of listed commercial Banks” has been conducted to fulfill the partial requirement of MBS program. I am obliged that Tribhuvan University has offered the requirement of thesis writing in the MBS level. To complete this thesis was not an easy task and would not be possible without the guidance of my research guides Mr. Achyut Raj Bhattarai and Mr. Shree Bhadra Neupane. So I am extremely grateful to them for their most valuable advice, time and knowledge. Collecting literature and journals were made easy by library of Shanker Dev Campus and Xavier Academy, so I am thankful to those two libraries for providing me all necessary books, magazines, journals etc. I am greatly thankful to the concern persons and organizations that made arrangement for an easy browsing of data required for this thesis work from websites. I would also like to offer my heartfelt thanks to my parents and all my friends for helping me to complete this thesis in many ways, without them this important task would not be complete.

Aadarsh Limbu

# TABLE OF CONTENTS

Acknowledgement  
Table of Contents  
List of Tables  
List of Figures  
Abbreviations

**Page No.**

## **CHAPTER –I INTRODUCTION**

1.1 Nepalese Economy	1
1.2 Background of Stock Market in Nepal	3
1.3 Market and their Functions	5
1.4 Statement of the Problem	7
1.5 Objective of the Study	8
1.6 Research Methodology	9
1.7 Limitation of the Study	10
1.8 Organization of the Study	10

## **CHAPTER –II REVIEW OF LITERATURE**

2.1 Conceptual Review	12
2.1.1 Capital Market	12
2.1.2 Financial Market	15
2.1.3 Primary Market	16
2.1.4 Secondary Market	18
2.1.5 Stock Valuation	21
2.1.6 Bank Efficiency	24
2.2 Review of Legal Provisions	26
2.2.1 Nepal Rastra Bank Act 2058	26
2.2.2 NRB Directives Relating to the Banking Sector	33

2.3	Review of Articles and Journals	42
2.4	Review of Thesis	46

### **CHAPTER – III RESEARCH METHODOLOGY**

3.1	Introduction	52
3.2	Research Design	52
3.3	Nature and Source of Information	53
3.4	Population and Sample	54
3.5	Tools for Analysis and Interpretation	54

### **CHAPTER – IV DATA PRESENTAION AND ANALYSIS**

4.1	Analysis of Individual Commercial Banks	60
4.1.1	Nabil Bank Ltd.	60
4.1.2	Standard Chartered Bank Ltd.	63
4.1.3	Himalayan Bank Ltd.	66
4.1.4	Nepal Investment Bank Ltd.	69
4.1.5	Everest Bank Ltd.	72
4.2	Interfirm Comparison	74
4.3	Analysis of Share Quantity Traded of commercial bank	76
4.4	Percentage Contribution of Commercial bank in the context of Market Capitalization	78
4.5	Comparison with the Market	79
4.6	Analysis of Market Sensitivity	82
4.7	Major Findings of the Study	85

## **CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATIONS**

5.1 Summary	88
5.2 Conclusion	89
5.3 Recommendation	90

### **Bibliography**

### **Appendices**



## LIST OF THE TABLES

<i>Table No.</i>	<i>Title</i>	<i>Page</i>
4.1.1.	Realized Return (R), Expected Return ( $\bar{R}$ ), Standard Deviation ( ), Coefficient of Variance (C.V.), & Earning Per Share (EPS) Of Nabil Bank	61
4.1.2	Realized Return (R), Expected Return ( $\bar{R}$ ), Standard Deviation ( ), Coefficient of Variance (C.V.), & Earning Per Share (EPS) Of Standard Chartered Bank Ltd.	64
4.13	Realized Return (R), Expected Return (R), Standard Deviation ( ), Coefficient of Variance (C.V.), & Earning Per Share (EPS) Of Himalayan Bank Ltd.	67
4.1.4	Realized Return (R), Expected Return ( $\bar{R}$ ), Standard Deviation ( ), Coefficient of Variance (C.V.), & Earning Per Share (EPS) Of Nepal Investment Bank	70
4.1.5	Realized Return (R), Expected Return ( $\bar{R}$ ), Standard Deviation ( ), Coefficient of Variance (C.V.), & Earning Per Share (EPS) Of Everest Bank	72
4.2.1	Expected return, Standard deviation and Coefficient of variance of each bank	75
4.3.1	Traded Share Quantity (In 000)	76
4.4.1	Market Capitalization of Commercial Banks	78
4.5.1	Realized Market Return ( $R_m$ ), Standard deviation ( ), and Coefficient of variance (CV) of NEPSE	80
4.6.1	Calculation of Beta coefficient of common stock of Nabil	

	Bank	82
4.6.2	Beta coefficient of each commercial bank	84

## LIST OF FIGURES

<i>Figure No.</i>	<i>Title</i>	<i>Page</i>
4.1.1	Movement of MPS and EPS of Nabil Bank	63
4.1.2	Movement of MPS and EPS of SCB	66
4.1.3	Movement of MPS and EPS of HBL	69
4.1.4	Movement of MPS and EPS of Nepal Investment Bank	71
4.1.5	Movement of MPS and EPS of Everest Bank	74
4.2.1	Expected return, Standard deviation & coefficient of variance of Commercial banks	76
4.4.1	Pie Chart showing the percentage contribution of each commercial bank.	79
4.5.1	Movement of NEPSE Index (NI)	81

## ABBREVIATIONS

\$	= Dollar
$\bar{R}$	= Expected Return on Common Stock
	= Summation
AGM	= Annual General Meeting
C.V	= Coefficient of Variation
CAPM	= Capital Assets Pricing Model
CAR	= capital adequacy ratio
CIB	= Credit Information Bureau
CIF	= Citizen Investment Fund
CPG	= Credit Policy Guidelines
CV	= Coefficient of variation
D	= Dividend
EPS	= Earning Per Share
GDP	= Gross Domestic Product
HBL	= Himalayan Bank Ltd.
HGM	= His Majesty's Government
MPS	= Market Price of Stock
NABIL	= Nabil Bank Ltd.
NEPSE	= Nepal Stock Exchange
NI	= NEPSE Index
NIB	= Nepal Investment Bank Ltd.
NIDC	= Nepal Industrial Development Corporation
NRB	= Nepal Rastra Bank
OTC	= Over the Counter Market
R	= Return on Common Stock Investment
SCB	= Standard Chartered Bank Ltd
SEBO/N	= Security Exchange Board Nepal
SEC	= Securities Exchange Center
TSA	= technical service agreement
$\beta$	= Beta
	= Standard Deviation