

Determination of Share Price of Joint Venture Commercial Banks

A THESIS

Submitted by:

Binita Neupane

Nepal Commerce Campus

T.U. Registration No: 7-2-25-1059-96

Campus Roll No: 309/057

MBS IInd year 1st Symbol No 1733/2059

Submitted to:

Office of Dean

Faculty of Management

Tribhuvan University

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

**New Baneshwor, Kathmandu
December, 2008**

RECOMMENDATIONS

This is to certify that Ms. Binita Neupane prepared the thesis of **Determination of Share price of Joint Venture Commercial Banks** under my supervision and I accept it for the partial fulfilment of the Master's in Business Studies and I fully approve and forward to the Central Department the Management, Tribhuvan University, Kirtipur, Kathmandu Nepal.

.....
Prof.Dr. Bihari Binod Pokharel
Chairperson, Research Committee

.....
Dr. Prakash Neupane
(Thesis Supervisor)
Nepal Commerce Campus

Date: _____

VIVA-VOCE SHEET

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

Binita Neupane

Entitled

“Determination of Share price of Joint Venture Commercial Banks”

and found the thesis to be the original work of the student written according to the prescribed format. We recommend this thesis to be accepted as partial fulfillment of the requirements for Master of 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 “**Determination of Share Price of Joint Venture Commercial Banks.**” submitted to Nepal Commerce Campus, Faculty of Management, Tribuwan University is my original work done in the form of partial fulfilment of the requirement of the Master Degree in Business Studies under the guidance and supervision of **Dr. Prakash Neupane.**

Binita Neupane

(Researcher)

Nepal Commerce Campus, New Baneswor

Roll No. 309/057

Date:

ACKNOWLEDGEMENTS

I would like to express my deep gratitude to Dr. Prakash Neupane, Nepal Commerce Campus for their guidance, supervision and inspiration during the preparation of this thesis.

I wish like to express especial gratitude to Dr. Bihari Binod Pohkarel, Chairperson, Research Committee for kind cooperation and inspiration in connection with preparation of this thesis.

I really appreciate Mr. Safal Thapa, my friend for support and valuable suggestion provided to me to complete this study.

Similarly, I would like to express many thanks to professors and lectures of Nepal Commerce Campus, all my colleagues, staff at Library and administration of Nepal Commerce Campus, central library and Shankar Dev Campus who helped me directly and indirectly for the completion of the thesis.

Finally, I would like to extend my heartily thanks to all members of my family who inspired me in many ways to cope during the entire period of study.

Binita Neupane

Date:

TABLE OF CONTENTS

	Page
VIVA-VOCE SHEET	
RECOMMENDATIONS	
ACKNOWLEDGEMENTS	
DECLARATION	
LIST OF TABLES	
LIST OF FIGURES	
ABBREVIATION	
Chapter I	
<i>INTRODUCTION</i>	1-19
1.1 General Background	1
1.2 Introduction of Joint Venture Commercial Banks	5
1.2.1 Standard Chartered Bank Nepal Ltd (SCB)	5
1.2.2 Nabil Bank Ltd. (NABIL)	6
1.2.3 Everest Bank Ltd. (EBL)	8
1.2.4 Nepal SBI Bank Ltd.(SBI)	9
1.2.5 Himalayan Bank Ltd. (HBL)	11
1.2.6 Nepal Bangladesh Bank Ltd. (NBL)	13
1.3 Statement of Problems	14
1.4 Objective of Study	16
1.5 Statement of Hypothesis	16
1.6 Importance of Study	17
1.7 Limitation of Study	18
1.8 Organization of Study	18

Chapter II

<i>LITERATURE REVIEW</i>	20-39
2.1 Conceptual Framework	20
2.1.1 Introduction to Common Stocks	20
2.1.2 Features of Common Stocks	21
2.1.3 Advantages of Common Stocks Financing Form Corporation's Viewpoint	22
2.1.4 Disadvantages of Common Stocks Financing Form Corporation's Viewpoint	23
2.1.5 Earning Per Shares	24
2.1.6 Retained Earning	24
2.1.7 Dividend per Share (DPS)	24
2.1.8 Stock Splits	26
2.1.9 Stock Repurchase	26
2.1.10 Net Worth Per Share (NWPS)	27
2.1.11 Market Price per Shares (MPS)	27
2.2 Review of Different Studies	28
2.3 Review of Different Master Thesis	34

Chapter III

<i>RESEARCH METHODOLOGY</i>	40-46
3.1 Introduction	40
3.2 Research Design	40
3.3 Population and Sample	40
3.4 Source of Data	41
3.5 Data Collection Techniques	41
3.6 Data Processing	42
3.7 Data Analysis Tools	42
3.7.1 Dividend Payout Ratio	42

3.7.2	Return on Equity	42
3.7.3	Karl's Pearson's Coefficient of Correlation	42
3.7.4	Coefficient of Determination	43
3.7.5	Regression Analysis	43
3.7.7	Application of SPSS	46

Chapter IV

DATA ANALYSIS AND PRESENTATION 47-70

4.1	The Correlation Coefficient Analysis between MPS and Various Financial Indicators	47
4.2	Regression Analysis	52
4.2.1	The Regression Equation of MPS on EPS	52
4.2.2	The Regression Equation of MPS on NWPS	53
4.2.3	The Regression Equation of MPS on DPS	54
4.2.4	The Regression Equation of MPS on DPR	55
4.2.5	The Regression Equation of MPS on ROE	57
4.2.6	The Multiple Regression Equation of MPS on EPS and NWPS	58
4.2.7	The Multiple Regression Equation of MPS on DPR and ROE	61
4.3	Analysis of Primary Data	63
4.3.1	Causes for abnormal Price fluctuation of Joint Venture Commercial Banks	64
4.3.2	Responsible Agencies for Nepalese Share Market Inefficiency	65
4.3.3	Analysis of Potential Factors Affection Market Inefficiency	66
4.3.4	Corrective Measures for Improving Share Price Of JVCBs	67
4.4	Major Findings	68

Chapter V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 71-75

5.1	Summary	71
5.2	Conclusions	73
5.3	Recommendation	74

BIBLIOGRAPHY

ANNEX-I	Correlation Analysis and T-test
ANNEX-II	Simple Regression Analysis (Under SPSS)
ANNEX-III	Multiple Regression Analysis (Under SPSS)
ANNEX-IV	Major Financial Indicators of JVCBs taken for Study
ANNEX-V	Pro Forma of Structured Questionnaire

LIST OF TABLES

<u>Table No.</u>	<u>Page No.</u>
1.2.1 Capital Structure of SCB Nepal Ltd	6
1.2.2 Capital Structure of Nabil Bank Ltd	7
1.2.3 Capital Structure of EBL	9
1.2.4 Capital Structure of SBI Bank Ltd	11
1.2.5 Capital Structure of HBL	12
1.2.6 Capital Structure of NBL	13
2.1 Glimpse of Various Financial Indicators	25
4.1 Correlation Analysis Between MPS and Various Financial Indicators	47
4.2.1 Regression Analysis of MPS with EPS	52
4.2.2 Regression Analysis of MPS with NWPS	53
4.2.3 Regression Analysis of MPS with DPS	54
4.2.4 Regression Analysis of MPS with DPR	55
4.2.5 Regression Analysis of MPS with ROE	57
4.2.6 The Multiple Regression Analysis of MPS on EPS and NWPS	58
4.2.7 The Multiple Regression Analysis of MPS on DPR and ROE	61
4.3.1 Causes of Abnormal Price Fluctuation	65
4.3.2 Responsible Agencies for Nepalese Share Market Inefficiency	66
4.3.3 Potential Factors Affecting Market Inefficiency	67
4.3.3 Measures for Improving Share Price of JVCBs Inefficiency	67

LIST OF FIGURES

<u>Figure No</u>	<u>Page No</u>
1.2.1 Ownership of SCB Nepal Ltd	5
1.2.2 Ownership of Nabil Bank Ltd	7
1.2.3 Ownership of EBL	8
1.2.4 Ownership of SBI Bank Ltd	10
1.2.5 Ownership of HBL	12
1.2.6 Ownership of NBL	14

ABBREVIATION

6.P.Er	six times of the probable error
AGM	Annual General Meeting
B.S.	Bikram Sambat (Nepalese Year)
C.V.	Coefficient of Variation
CB	Commercial Banks
CEO	Chief Executive Officer
DPR	Dividend Payout Ratio
DPS	Dividend Per Share
EBL	Everest Bank Limited
EPS	Earning Price Per Share
FIs	Financial Institutions
HBL	Himalayan Bank Limited
HMG	His Majesty's Government
i.e.	that is
JVCBs	Joint Venture Commercial Banks
Ltd.	Limited
MPS	Market Price Per Share
NABIL	Nepal Arab Bank Limited
NBL	Nepal Bangladesh Bank Limited
NEPSE	Nepal Stock Exchange
NRB	Nepal Rastra Bank

NWPS	Net worth Per Share
P.E.	Probable Error
r	correlation coefficient
r ²	coefficient of determination
ROE	Return on Equity
Rs.	Rupees
SBI	Nepal State Bank of India
SCB	Standard Chartered Bank Limited
S.D.	Standard Deviation
SPSS	Statistical Program for Social Science