

# **FACTORS AFFECTING CAPITAL MARKET GROWTH IN NEPAL**

**A thesis**

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## **RECOMMENDATION**

This is to certify that the thesis

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

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## DECLARATION

I hereby declare that the work reported in this thesis entitled “**FACTORS AFFECTING CAPITAL MARKET GROWTH IN NEPAL**” submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of requirement for the Master’s Degree in Business Studies (MBS) under the supervision Padam Raj Adhikari and Srijana Khadka of Shanker Dev Campus.

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## ABBREVIATIONS

CMG	:	Capital Market Growth
CMSA	:	Capital Markets and Securities Authority
CMU	:	Capital Markets Union
CSE	:	Chittagong Stock Exchange
DSE	:	Dhaka Stock Exchange
FC	:	Financial Capacity
IA	:	Investor Awareness
ICB	:	Investment Corporation of Bangladesh
ID	:	Information Disclosure
IE	:	Institutional Efficiency
MBS	:	Masters of Business Studies
NEPSE	:	Nepal Stock Exchange
OLS	:	Ordinary Least Squares
RG	:	Regulation
RSEBL	:	Royal Securities Exchange of Bhutan Limited
SEBI	:	Securities and Exchange Board of India
SEBON	:	Securities Board of Nepal
SPSS	:	Statistical Package for the Social Sciences
TU	:	Tribhuvan University

# CHAPTER – I

## INTRODUCTION

### 1.1 Background of the Study

The capital market served as a fundamental pillar for economic advancement, facilitating the allocation of long-term funds to support industrial, infrastructural, and developmental initiatives critical for national growth. In Nepal, the capital market's origins traced back to 1937, when Biratnagar Jute Mills Ltd. and Nepal Bank Ltd. issued shares, laying the groundwork for a formalized financial system. The establishment of the Securities Exchange Center Ltd. in 1976 marked a significant step, eventually leading to the creation of the Nepal Stock Exchange (NEPSE) in 1994. Regulated by the Securities Board of Nepal (SEBON) under the Securities Act of 2007, NEPSE aimed to provide a structured platform for securities trading and investment mobilization. Despite these institutional efforts, the market faced persistent challenges, including limited depth and inefficiencies, which restricted its contribution to Nepal's economic development (Acharya & Koirala, 2016). Nepal's capital market struggled with structural limitations, notably a scarcity of listed securities and low market liquidity, which curtailed its growth potential. Emerging markets often faced similar hurdles, as weak regulatory frameworks hindered effective market operations, a challenge evident in Nepal's inadequate oversight mechanisms (Yartey & Adjasi, 2007). The global financial crisis of 2008-2010 further intensified these issues, causing a significant decline in investor confidence and market activity. This crisis exposed the market's fragility, as it struggled to recover compared to more developed economies, underscoring the need for enhanced regulatory and infrastructural reforms (Igbatayo, 2011).

Individual investors in Nepal encountered substantial operational barriers that deterred their participation in the capital market. Delays in share certificate verification and dividend disbursements created inefficiencies, mirroring challenges observed in Nigeria, where cumbersome registrar processes frustrated investors (Ikeobi, 2015). The reliance on outdated technological infrastructure, such as manual trading systems, increased transaction costs and limited market accessibility. The absence of automated trading platforms and efficient clearing mechanisms further compounded these issues,

making the market less appealing to both domestic and foreign investors (Acharya & Koirala, 2016).

Macroeconomic and regulatory constraints played a significant role in hindering the development of Nepal's capital market. Stable economic policies, including low interest rates and consistent exchange rates, were critical for attracting investment, yet Nepal grappled with high transaction costs and inadequate investor protection mechanisms (Schinasi & Prati, 1997). The market's heavy dependence on retail investors, coupled with minimal institutional participation, highlighted the need for improved financial literacy. Similar challenges were noted in Bangladesh, where high borrowing costs and a lack of quality securities restricted market growth, suggesting a regional pattern of structural weaknesses (Parvez et al., 2017).

Corporate governance and transparency deficits significantly undermined investor trust in Nepal's capital market. Robust governance standards were essential for market credibility, yet Nepal faced issues such as share price manipulation due to lax regulatory enforcement. The underdeveloped state of investment funds and derivative markets limited the availability of diverse investment options, reducing the market's competitiveness. This lack of diversity deterred investors seeking varied opportunities, further constraining market growth (Guerard et al., 2013).

Institutional efficiency remained a critical bottleneck for Nepal's capital market. In Nigeria, outdated registrar operations and technological lags hampered market performance, a situation paralleled in Nepal where manual processes and limited automation prevailed (Ikeobi, 2015). The lack of sufficient financial resources to modernize infrastructure, such as implementing electronic trading systems, restricted the market's scalability. Additionally, the market's shallow depth, characterized by low transaction volumes and market capitalization, made it less attractive to institutional investors seeking stable and high returns (Acharya & Koirala, 2016).

Investor awareness and financial literacy posed significant challenges to the Nepalese capital market's expansion. In Bangladesh, low investor awareness was a key barrier to market participation, a pattern also evident in Nepal, where retail investors often lacked access to reliable and timely corporate information (Parvez et al., 2017). The untimely

release of financial results and the absence of comprehensive financial education programs hindered informed decision-making, eroding investor confidence and reducing market activity. Addressing these gaps through targeted awareness campaigns and improved information dissemination was crucial for broadening participation (Ikeobi, 2015).

The operational framework of NEPSE further highlighted the challenges facing Nepal's capital market. The market's reliance on a small number of listed companies, primarily in banking and financial sectors, limited its diversity and resilience. The lack of advanced financial instruments, such as bonds and derivatives, restricted the market's ability to cater to varied investor preferences. Moreover, the absence of robust mechanisms for investor grievance redressal and dispute resolution added to operational inefficiencies, discouraging participation. These issues, combined with regulatory gaps, underscored the need for comprehensive reforms to enhance market functionality (Acharya & Koirala, 2016). The current study investigates factors affecting the growth of the Nepalese capital market, focusing on five independent variables: information disclosure, institutional efficiency, regulation, financial capacity, and investor awareness. It measures capital market growth, the dependent variable, through indicators such as market capitalization, transaction volume, and the number of listed securities. The research identifies specific barriers and proposes practical solutions to enhance market efficiency, boost investor confidence, and strengthen the capital market's role in driving Nepal's economic development.

## **1.2 Statement of Problem**

The Nepalese capital market, vital for fostering economic growth, faces persistent challenges such as low investor participation, limited market instruments, outdated infrastructure, and inefficiencies that hinder its development. This study seeks to examine how key factors influence capital market growth in Nepal. While prior studies have touched upon these issues, they often lacked contextual depth and a comprehensive understanding of their interrelationships and cumulative impact. Therefore, further investigation is necessary.

Earlier research on Nepal's capital market has been limited in scope. For instance, Bhandari (2023) reported market growth but also noted investor dissatisfaction due to

the limited availability of investment instruments. Panthi and Chalise (2021) identified political instability and regulatory weakness as key obstacles, while Risal (2016) observed that capital market growth was slow and largely dominated by the banking sector. However, these studies failed to offer a holistic perspective on the combined effects of structural, institutional, and behavioral factors. The current study addresses this research gap by exploring the relationship between these determinants and capital market growth in a structured framework.

Several theoretical foundations support the relevance of this inquiry. Khanal et al. (2025) highlighted NEPSE's inefficiencies, indicating a lack of transparency, which is explained by Asymmetric Information Theory. This theory suggests that inadequate information disclosure distorts market behavior. Acharya and Koirala (2020) emphasized weaknesses in regulatory oversight, consistent with Regulatory Capture Theory, which proposes that regulators may act in favor of market participants rather than the public interest. Similarly, Wangmo et al. (2018) observed low financial literacy in Bhutan, a concept central to Behavioral Finance Theory, which is also relevant to Nepal's retail-dominated market.

The extent to which these identified challenges affect capital market growth in Nepal remains uncertain. Studies from other countries support the theoretical underpinnings. Gbanador and Gbanador (2018), applying Financial Constraint Theory, found a significant link between market capitalization and economic growth in Nigeria. Sejjaaka (2013) demonstrated that disclosure practices influenced IPO readiness in Uganda. Parvez et al. (2017) reported that institutional performance had a major impact on capital market expansion in Bangladesh, aligning with Institutional Theory. This study aims to test the collective impact of these factors within Nepal's unique market context.

Despite valuable insights from international studies, theoretical applications in Nepal remain limited. The Asymmetric Information Theory explains how poor information disclosure can erode investor confidence, as seen in Khanal et al. (2025). Institutional Theory helps identify inefficiencies in governance structures, as discussed by Parvez et al. (2017). Additional frameworks such as Regulatory Capture Theory, Financial Constraint Theory, and Behavioral Finance Theory are conceptually relevant but have

not been empirically validated in Nepal. This research aims to bridge these theoretical and contextual gaps.

Empirical evidence from other emerging markets further underscores the need for Nepal-focused research. Yusoff and Guima (2015) found that macroeconomic constraints influenced capital market performance in MENA countries, suggesting financial capacity as a critical factor. Ikeobi (2015) identified limited investor awareness as a major participation barrier in Nigeria. Boshkovska et al. (2016) noted inefficiencies affecting investor confidence in Macedonia. While these studies are informative, they do not directly address Nepal's specific regulatory, infrastructural, and socio-economic landscape.

Similarly, broader studies like Bakri et al. (2024) on global information processing and Williams and Ali (2018) on capital market challenges in India and Tanzania have highlighted related issues but excluded the Nepalese context. Ovat (2014) recommended infrastructural improvements in Nigeria, which may also be applicable to Nepal. However, these general insights must be localized for policy relevance.

The continued underdevelopment of Nepal's capital market restricts its ability to contribute effectively to national economic growth. Though theories such as Financial Constraint and Behavioral Finance suggest plausible mechanisms for these barriers, their real-world impacts in Nepal remain underexplored. Hence, a Nepal-specific, evidence-based approach is essential for understanding and addressing these challenges. To address the limitations of existing literature and apply relevant theories within Nepal's context, this study develops the following research questions:

- i. What is the current situation of factors affecting the capital market growth in Nepal?
- ii. Is there any relationship between factors such as information disclosure, institutional efficiency, regulation, financial capacity and investor awareness with capital market growth in Nepal?
- iii. How do factors such as information disclosure, institutional efficiency, regulation, financial capacity, and investor awareness affect capital market growth in Nepal?

### **1.3 Objectives of the Study**

The main objective of this study is to investigate factors affecting the growth of Nepalese capital market. To achieve this main objective, specific objectives are as follows:

- i. To assess the current situation of factors affecting the capital market growth in Nepal.
- ii. To examine the relationship between factors such as information disclosure, institutional efficiency, regulation, financial capacity and investor awareness with capital market growth in Nepal.
- iii. To analyze the effect of factors such as such as information disclosure, institutional efficiency, regulation, financial capacity and investor awareness on capital market growth in Nepal.

### **1.4 Hypotheses**

In this study researcher has developed following hypotheses:

H<sub>1</sub>: There is significant impact of information disclosure on capital market growth in Nepal.

H<sub>2</sub>: There is significant impact of institutional efficiency on capital market growth in Nepal.

H<sub>3</sub>: There is significant impact of regulation on capital market growth in Nepal.

H<sub>4</sub>: There is significant impact of financial capacity on capital market growth in Nepal.

H<sub>5</sub>: There is significant impact of investor awareness on capital market growth in Nepal.

### **1.5 Significance of the Study**

The Nepalese capital market plays a crucial role in mobilizing savings and channeling investments to support national economic growth. However, its development has been constrained by persistent structural and operational challenges. This study is important because it seeks to examine key issues such as inadequate information disclosure, institutional inefficiency, weak regulation and transparency, limited financial capacity, and low investor awareness. These factors have significantly hindered the growth of Nepal's capital market. By identifying and analyzing these challenges, the study aims to contribute to the existing knowledge base and provide evidence-based insights that can inform policy reforms and improve regulatory frameworks. The findings are expected to assist market participants, regulators, and policymakers in designing

targeted strategies to enhance market efficiency, boost investor confidence, and promote the sustainable growth of the Nepalese capital market.

### **1.6 Limitations of the Study**

Limitations are potential weaknesses in the research design, methods, or data that may affect the accuracy or generalizability of the findings. This study's limitations are as follows:

- i. The descriptive and causal-comparative design may limit clear cause-effect conclusions.
- ii. The unknown investor population led to convenience sampling, which may affect sample representativeness.
- iii. Primary data collected via questionnaires (online and offline) in 2025 may involve response bias.
- iv. Analysis included demographic, reliability, descriptive and inferential (correlation and regression) methods, limited to selected variables.
- v. The study covered specific independent variables with capital market growth as the only dependent variable, possibly missing other key factors.

### **1.7 Organization of the Study**

The study has been organized into five chapters, structured as follows: Chapter I: Introduction – This chapter has included the background, statement of the problem, objectives, hypotheses (if any), significance of the study, limitations, and chapter plan.

Chapter II: Literature Review – This chapter has presented the theoretical review, empirical review, and research gap.

Chapter III: Research Methodology – This chapter has outlined the research design, population and sampling design, nature and sources of data, methodology, research framework, and definition of variables.

Chapter IV: Presentation and Analysis of Data – This chapter has provided the results, findings, and discussion.

Chapter V: Summary and Conclusion – This chapter has summarized the study and presented conclusions and recommendations.

Finally, the references and appendices have been included at the end.

## **CHAPTER – II**

### **LITERATURE REVIEW**

This chapter reviews relevant literature to enhance understanding of the key factors affecting capital market growth in Nepal. It supports the researcher in critically assessing and organizing scholarly sources related to the study variables. The chapter has been divided into two main sections: the theoretical review, which outlines key theories explaining how factors such as information disclosure, institutional efficiency, regulation, financial capacity and investor awareness impact capital market development; and the empirical review, which summarizes findings from previous studies that have examined similar factors. The review is focused on the current study and highlights how these variables influence capital market growth, particularly in the context of NEPSE. Details of each section are presented below.

#### **2.1 Theoretical Review**

This section explores key theories related to the factors affecting capital market growth in Nepal, focusing on their relevance to the study variables such as information disclosure, institutional efficiency, regulation, financial capacity, and investor awareness. The review covers important theories including Asymmetric Information Theory, Institutional Theory, Regulatory Capture Theory, Financial Constraint Theory, and Behavioral Finance Theory. These frameworks provide essential insights to understand the underlying causes and mechanisms through which these factors impact the growth and development of the Nepalese capital market. The following sections present a detailed analysis of these theories.

#### **Asymmetric Information Theory**

Asymmetric Information Theory was first developed by economist George Akerlof in 1970, in his influential paper “The Market for Lemons,” where he studied the used car market and explained how the presence of unequal information between buyers and sellers can lead to market failure. Historically, this theory emerged to address factors in markets where one party has more or better information than the other, resulting in adverse selection and inefficiencies. The core concept centers on the imbalance of information distribution, which can cause low-quality goods or risky investments to

dominate, as the less informed party cannot accurately assess the value or risk. The theory assumes that markets fail to allocate resources efficiently when information is imperfect or asymmetric. Yartey and Adjasi (2007) and Massele, Darroux, Jonathan and Fengju (2013) applied this theory to developing capital markets and emphasized that weak information dissemination and delayed disclosure increase uncertainty and reduce investor participation. In the context of the Nepalese capital market, this theory explains how inadequate information disclosure reduces investor confidence, hinders accurate valuation of securities, and ultimately constrains capital market growth.

### **Institutional Theory**

Institutional Theory was formally developed by John W. Meyer and Brian Rowan in 1977 within the field of organizational sociology. It focuses on how organizations conform to formal and informal rules, norms, and cultural beliefs in their environment to gain legitimacy and ensure survival. Historically, this theory evolved to explain why institutions, whether governmental, financial, or social, shape organizational behavior beyond purely economic motives. The core assumption is that organizations are influenced by institutional pressures to adopt standardized practices and structures to be accepted and deemed legitimate by society. Khamfula (2005) and Okoye, Nwisienyi and Eze (2013) tested this theory and concluded that the inefficiency of institutional systems, poor governance frameworks, and lack of investor confidence are major factors in weak capital markets. This theory is directly relevant to the study's institutional inefficiency variable, as weak institutions in Nepal's capital market hinder effective regulation, reduce trust among investors, and limit the market's capacity to grow sustainably.

### **Regulatory Capture Theory**

Developed by George Stigler in 1971, this theory explains how regulators can be influenced or controlled by the industries they regulate. It arose from concerns about government regulation after World War II. The theory assumes regulators may favor powerful firms due to lobbying or corruption, undermining fair regulation. This theory is supported by Okereke-Onyiuke (2006) and Igbatayo (2011), who found that inadequate oversight, poor regulation, and corporate manipulation have weakened trust and efficiency in African capital markets. In Nepal's capital market context, this theory explains the factors related to weak regulation and transparency, where regulatory

bodies may fail to protect investors and maintain fair practices, thereby impeding capital market development.

### **Financial Constraint Theory**

This theory was developed in the 1990s by economists like Fazzari, Hubbard, and Petersen. Financial Constraint Theory explains how limited access to external finance restricts firm investment and growth. It originated from observations that many firms, particularly small and medium enterprises, face financing barriers due to information asymmetry and credit rationing. The theory's core idea is that financial constraints reduce firms' ability to invest in profitable opportunities, hindering economic growth. It assumes that imperfections in capital markets cause varying degrees of financing difficulties for firms. Adenuga and Akpan (2007) and Acquah-Sam (2014) empirically supported this theory, showing that limited access to investible funds in emerging markets significantly impedes capital market participation and development. This theory is highly relevant to the limited financial capacity factor in Nepal's capital market, illustrating how lack of access to capital restricts investor participation and the overall liquidity and expansion of the market.

### **Behavioral Finance Theory**

Behavioral Finance Theory originated from the work of psychologists Daniel Kahneman and Amos Tversky in the late 1970s, and was further developed by economists like Richard Thaler. It emerged as a response to traditional financial theories that assume investors are fully rational. The historical context is the integration of psychological insights into economic decision-making, emphasizing that cognitive biases, emotions, and heuristics affect investor behavior. The theory assumes investors frequently behave irrationally, influenced by biases like overconfidence, anchoring, and herd behavior, resulting in poor financial decisions. Kaur and Vohra (2012) and Suman and Warner (2013) provided empirical evidence that low investor awareness, poor education, and emotional trading behaviors are major factors in emerging capital markets. This theory is relevant to the low investor awareness variable in the Nepalese capital market, as limited financial literacy and behavioral biases among investors lead to poor decision-making, reducing market efficiency and growth potential.

## 2.2 Empirical Review

Khanal et al. (2025) investigated weak form of market efficiency in Nepalese stock market. The objective of the study was to determine the presence of weak form efficiency by analyzing historical return patterns in the overall index and its sub-indices from 2013 to 2022. Quantitative research methodology was used for this research, employing the Kolmogorov-Smirnov test, run test, and Hurst exponent as analytical tools. Independent variables were historical price and volume data, and dependent variable was market efficiency in NEPSE. Finding of the study was that the null hypothesis of weak form efficiency was rejected across most sectors, indicating that NEPSE did not exhibit weak-form efficiency and that technical analysis could be effective in generating abnormal returns due to the predictability of historical return patterns.

Radu (2024) explored developments and challenges regarding the European Capital Markets Integration Project, focusing on the Capital Market Union (CMU) within the European Union. The objective of the study was to analyze the status, key developments, and obstacles affecting the CMU's efficiency and sustainability. The methodology involved a qualitative analysis of regulatory frameworks, market practices, and recent events such as the COVID-19 pandemic. Independent variables included regulatory barriers, national practices, geopolitical uncertainties, and pandemic impacts, while dependent variables were financial integration, economic stability, and market competitiveness within the EU. The findings revealed that the CMU plays a crucial role in fostering deeper financial integration, providing alternative financing channels, and diversifying investment opportunities. However, challenges such as regulatory fragmentation, divergent national policies, and geopolitical risks continue to hinder its full implementation.

Bakri et al. (2024) investigated assessing information processing in capital market structures. The objective of the study was to understand trends, challenges, and implications for investors and market dynamics in alternative investment markets. The methodology involved a comprehensive research design combining literature review and empirical analysis. The independent variables were market microstructure, information dissemination, and investor behavior, while the dependent variable was market efficiency and liquidity. The findings revealed a notable surge in investor

interest in alternative assets driven by diversification and higher returns amid volatility, alongside challenges such as complexity, opacity, and liquidity constraints. The study underscored the importance of due diligence, manager selection, and regulatory oversight in mitigating risks and maintaining market efficiency and liquidity.

Bhandari (2023) studied capital market integration, advantages, and challenges in Nepal. The objective of the study was to evaluate the current state and growth prospects of the Nepalese capital market. The research primarily used secondary data from market reports and relevant publications. The independent variables were financial instruments, market diversification, sector participation, and government-regulator collaboration, while the dependent variable was capital market growth and investor satisfaction. The findings revealed that despite recent growth, investors remained dissatisfied due to limited financial instruments, low diversification, and insufficient investment opportunities. The real estate sector's low participation and dominance of banks in the secondary market skewed market representation. The study also found that public sentiment significantly influenced secondary market dynamics, and improvements in internet access, trade reporting, and credit rating had supported market expansion.

Panthi and Chalise (2021) surveyed the development and challenges of the Nepalese capital market. The objective of the study was to assess the current state and obstacles affecting the capital market in Nepal. The methodology involved collecting data through open-ended and close-ended questionnaires from 80 respondents, including regulators from SEBON, NEPSE, NRB, and the Insurance Board, as well as employees from banking and insurance sectors, government employees, brokers, lecturers, students, and corporate houses. The independent variables included political conditions, investor participation, and implementation of regulations, while the dependent variable was the development status of the Nepalese capital market. The findings indicated that although many regulations had been formulated to support the market, political instability, limited participation of major investors, and poor implementation of rules had hindered the capital market's systematic development and overall favorability.

Acharya and Koirala (2020) reviewed legal aspect of money market and capital market in Nepal. The objective of the study was to analyze the legal instruments governing

both markets and understand their structural differences and regulatory frameworks. Qualitative research methodology was adopted for this research. Independent variables were legal frameworks and regulatory bodies, and dependent variable was the structure and function of money and capital markets in Nepal. Finding of the study was that the money market in Nepal was regulated by the central bank and focused on short-term investment through banks, financial institutions, and insurance companies, while the capital market was regulated by the securities regulator and dealt with medium and long-term investment through instruments such as equity shares, preference shares, debentures, government bonds, and mutual funds, guided by respective legal acts.

Tigari and Aishwarya (2019) analyzed capital markets in India within a conceptual framework to evaluate recent reforms from 2010 onwards. The study used secondary data collected from journals, publications, and websites to examine the impact of government and SEBI reforms on the performance of Indian stock exchanges. The independent variables included the various capital market reforms implemented post-2010, while the dependent variable was the growth and development of the Indian capital market. The findings revealed that the reforms significantly enhanced the performance and sustainability of the Indian capital market by improving market efficiency and investor confidence. The study highlighted the capital market's crucial role in transforming savings into capital investment and contributing to India's economic development.

Gamkrelidze (2019) analyzed capital market development: challenges and opportunities. The objective of the study was to evaluate the current standing of capital markets and identify possible solutions for further development by observing examples from several countries. The methodology was a descriptive and evaluative study based on secondary data from the historical context and status of securities markets, particularly focusing on developing countries like Georgia. The independent variables were historical context and current market conditions, while the dependent variable was capital market attractiveness to investors. The findings indicated challenges in the development of capital markets in developing countries and provided recommendations to enhance market attractiveness for investors.

Williams and Ali (2018) conducted a comparative study of capital market operations in India & Tanzania. The objective of the study was to capture and compare the trends, similarities, and patterns in the activities and movements of the Indian and Tanzanian stock markets to understand their impact on investors. Descriptive research methodology was used for this research, utilizing secondary data from financial years 2013 to 2016 and analyzing statistical trends. Independent variables were regulatory frameworks and market activities of Securities Exchange Board of India (SEBI) and Capital Markets and Securities Authority (CMSA), and dependent variable was stock market performance and investor impact. Finding of the study was that while both markets operated under their respective finance ministries and aimed to regulate the securities sector, differences and similarities in market trends highlighted the growing integration of global financial markets and emphasized the importance of understanding cross-country market dynamics for investors.

Wangmo et al. (2018) investigated awareness and challenges of stock market in Bhutan. The objective of the study was to assess the awareness level of the public and explore the challenges faced by the Bhutanese stock market. Mixed-method research methodology was used for this research, incorporating both quantitative and qualitative techniques based on primary data collected through semi-structured questionnaires. Independent variables were public awareness, knowledge of investment procedures, and market participation, and dependent variable was stock market development in Bhutan. Finding of the study was that although more than half of the public were aware of the Royal Securities Exchange of Bhutan Limited (RSEBL), most lacked adequate knowledge about trading procedures and benefits, and the stock market faced challenges such as low public and company participation, infrequent trading, and liquidity issues, indicating the need for increased public education and broader company listings.

Gbanador and Gbanador (2018) investigated the impact of Capital Market as a tool for economic growth in Nigeria. The objective of the study was to analyze the relationship between capital market variables and economic growth. The methodology used was ordinary least squares (OLS) regression on time series data from 1985 to 2017, with market capitalization, value of transaction, and all shares index as independent variables, and Gross Domestic Product (GDP) as the dependent variable. The findings

revealed that capital market had a significant impact on economic growth, with market capitalization exerting a positive and significant influence on Nigeria's economic growth. However, the value of transaction and all shares index did not have a significant impact on economic growth, which was attributed to factors such as weak market efficiency and the underdeveloped nature of the Nigerian capital market.

Parvez et al. (2017) examined capital market: opportunities and challenges. The objective of the study was to explore the role of Investment Corporation of Bangladesh (ICB) in capital market development and assess its opportunities and challenges. The methodology involved both qualitative and quantitative analysis using ten years of compiled data (2001-2011) from ICB, Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), and related financial organizations. The independent variable was the performance of ICB, and the dependent variables included capital market development indicators such as market capitalization and net profit. The findings showed a steady increase in paid-up capital and net profits for ICB since 2006, with the capital market of Bangladesh developing progressively due to government efforts, despite being at an early stage. The study concluded that continuous improvement in ICB's performance would significantly contribute to the growth of the Bangladeshi capital market.

Risal (2016) undertook a critical assessment on capital market development in Nepal. The objective of the study was to evaluate the development trend of the capital market and identify factors influencing its growth. Critical analytical methodology was used for this research based on secondary sources of information covering the period from 1992/93 to 2012/13. Independent variables were investor perception, financial institution involvement, and capital market components, and dependent variable was capital market development in Nepal. Finding of the study was that capital market development in Nepal had progressed slowly, but the perception of investors and financial institutions toward the stock market was positive, with the market largely dominated by stock trading and the active role of banks and financial institutions.

Boshkovska et al. (2016) investigated market capitalization and factors of its determination—the case of Republic of Macedonia. The objective of the study was to determine the effects of various economic growth factors on capital market development measured through market capitalization. Multivariate linear regression

methodology was used for this research, utilizing secondary data from 1997 to 2013. Independent variables were economic growth factors, and dependent variable was market capitalization. Finding of the study was that the capital market in the Republic of Macedonia was found to be small and underdeveloped, and the economic growth factors considered did not exhibit significant influence on market capitalization due to the market's limited development.

Yusoff and Guima (2015) investigated stock market development of Middle East and North Africa (MENA) region. The objective of the study was to identify the determinants influencing capital market development in Egypt, Saudi Arabia, and Tunisia. Correlation analysis methodology was used for this research, based on secondary data from 1992 to 2012. Independent variables were macroeconomic factors including exchange rate, oil rent, income per capita, inflation, domestic savings, and interest rate, and the dependent variable was stock market development. Finding of the study was that certain macroeconomic factors showed significant relationships with stock market development in some countries but were irrelevant in others, with variations explained by each country's unique economic and legal environment, highlighting the need for tailored policy approaches to enhance collective capital market growth in the region.

Ertürk (2015) studied challenges of financialised firm behaviour for Capital Markets Union. The objective of the study was to analyze the implications of financialised corporate behavior on the effectiveness of the Capital Markets Union (CMU) initiative in the European Union. Qualitative research methodology was used for this research based on literature review and critical analysis of policy documents. Independent variables were financialised firm behavior and corporate governance ideology, and dependent variable was the sustainability and effectiveness of the Capital Markets Union. Finding of the study was that the CMU project relied on an inappropriate benchmark of the US capital markets, which promoted shareholder value maximization and resulted in negative macroeconomic outcomes such as low private investment, stagnant wages, frequent stock market crises, and a misalignment of stakeholder interests, suggesting that the CMU should adopt a more inclusive and long-term oriented corporate governance framework.

Buljat et al. (2015) analyzed the capital market in Croatia to investigate the impact of the 2008 global financial crisis on the country's financial stability. The study used a descriptive and analytical methodology focusing on macroeconomic and microeconomic indicators, with market capitalization and trading volume as independent variables and capital market stability as the dependent variable. The findings revealed that the financial crisis led to a decline in market capitalization, which contributed to a decrease in the overall value of the capital market. At the microeconomic level, prices of stocks, bonds, and other financial instruments fell. Although the volume of trade decreased, the number of transactions increased, indicating that investors traded more frequently but in smaller quantities. This behavior heightened risk and made investors more cautious in the Croatian capital market.

Ikeobi (2015) investigated challenges faced by individual investors in the Nigerian capital market. The objective of the study was to identify and assess the barriers affecting individual investors' participation in the capital market and how these challenges impact capital mobilization. Descriptive research methodology was used for this research, utilizing primary data collected through unstructured questionnaires and analyzed with frequency distribution tables and simple percentages. Independent variables were inefficiencies of market operators, lack of information, capital market crash, paucity of investible funds, low returns, and transparency issues, and dependent variable was individual investor participation in the capital market. Finding of the study was that individual investors faced numerous obstacles including lack of awareness, inadequate knowledge of market operations, low returns, and a general lack of transparency, all of which hindered efficient fund mobilization and indicated a need for improved investor education and market reforms.

Ovat (2014) assessed the extent of development of the Nigerian capital market through a comparative analysis. The objective of the study was to evaluate key indicators of capital market development, including listing, market capitalization, and turnover ratio, by comparing Nigeria with other emerging markets such as Malaysia, Indonesia, Korea Republic, Singapore, and South Africa. The methodology involved a comparative analysis of these indicators across the selected markets. The independent variables were listing, market capitalization, and turnover ratio, while the dependent variable was the level of capital market development. The findings revealed that the Nigerian capital

market performed poorly relative to the other emerging markets, indicating that it lagged behind in terms of development. The study recommended increasing market size, improving market infrastructure and institutional arrangements, promoting market internationalization, and ensuring macroeconomic stability to accelerate the development of the Nigerian capital market.

Agarwal (2014) reviewed Indian capital market: issues and challenges ahead. The objective of the study was to explore and clarify the conceptual issues and emerging challenges in the Indian capital market by identifying under-researched areas and policy gaps. Qualitative research methodology was used for this research based on conceptual analysis of existing literature. Independent variables were structural issues such as market penetration, security lending, IPO underperformance, and trading strategies, and dependent variable was the development and efficiency of the Indian capital market. Finding of the study was that several critical areas including capital market penetration, intraday trading, share pledging, and both qualitative and quantitative investment approaches remained insufficiently researched, and there was a pressing need for SEBI to address pending policy reforms to enhance the market's overall effectiveness and investor confidence.

Sejjaaka (2013) investigated challenges to the growth of capital markets in underdeveloped economies, focusing on the case of Uganda. The objective of the study was to identify factors explaining why private sector firms have largely avoided using stock exchanges for financing despite the recognized benefits. The study employed expert interviews, literature reviews, focus group discussions, and static panel regression analysis on panel data from 2003 to 2007. Independent variables included firm age, auditor type, disclosure levels, firm size, board legitimacy, and market activity, while the dependent variable was IPO readiness. The findings showed that age, auditor type, disclosure, and size significantly predicted IPO readiness, with board legitimacy and market activity also positively influencing firms' efforts to prepare for stock market flotation. The study emphasized that IPO readiness is a maturation process influenced by firm characteristics and information costs, suggesting that legislative measures to improve disclosure and financial reporting could enhance firms' acceptability as investment vehicles.

**Table 1***Summary of Empirical Review*

Author(s)	Titles	Objectives	Methodology	Findings
Khanal et al. (2025)	Weak form of market efficiency in Nepalese stock market	To determine presence of weak form efficiency by analyzing historical return patterns	Quantitative research methodology DV: Market efficiency IVs: Historical price, volume data	NEPSE rejected weak-form efficiency; technical analysis can generate abnormal returns.
Radu (2024)	European Capital Markets Integration Project	To analyze status, developments, and obstacles affecting CMU's efficiency and sustainability	Qualitative analysis DV: Financial integration, economic stability, market competitiveness IVs: Regulatory barriers, practices, geopolitical uncertainties, pandemic impacts	CMU fosters financial integration but faces regulatory fragmentation and geopolitical risks.
Bakri et al. (2024)	Assessing information processing in capital markets	To understand trends, challenges, and implications for investors and market dynamics in alternative investments	Mixed methods (literature review + empirical) DV: Market efficiency and liquidity IVs: Market microstructure, information dissemination, investor behavior	Surge in investor interest in alternatives; challenges include complexity and liquidity constraints.

Bhandari (2023)	Capital market integration in Nepal	To evaluate current state and growth prospects of Nepalese capital market	Secondary data analysis DV: Capital market growth, investor satisfaction IVs: Financial instruments, market diversification, sector participation, government-regulator collaboration	Growth noted but investors dissatisfied due to limited instruments and low diversification.
Panthi and Chalise (2021)	Development and challenges of Nepalese capital market	To assess current state and obstacles affecting Nepalese capital market	Survey with questionnaires DV: Market development IVs: Political conditions, investor participation, regulation implementation	Political instability and poor implementation hinder market development.
Acharya and Koirala (2020)	Legal aspects of money and capital markets in Nepal	To analyze legal frameworks and structural differences of money and capital markets	Qualitative research methodology DV: Market structure and function IVs: Legal frameworks, regulatory bodies	Money market regulated by central bank (short-term); capital market regulated by securities regulator (medium/long-term).

Tigari and Aishwarya (2019)	Capital market reforms in India	To evaluate impact of reforms on Indian capital market since 2010	Secondary data analysis DV: Capital market growth IVs: Post-2010 capital market reforms	Reforms improved market performance, efficiency, and investor confidence.
Gamkrelidze (2019)	Capital market development: challenges and opportunities	To evaluate capital market status and recommend solutions for developing countries	Descriptive secondary data DV: Market attractiveness IVs: Historical context, current market conditions	Development challenges exist; recommendations provided to improve investor attractiveness.
Williams and Ali (2018)	Comparative Study of Capital Market Operations	To capture and compare trends, similarities, and patterns in Indian and Tanzanian stock markets	Descriptive research, secondary data (2013-2016) DV: Stock market performance, investor impact IVs: Regulatory frameworks, market activities (SEBI, CMSA)	Both markets showed similarities and differences reflecting growing global market integration, important for investors.
Wangmo et al. (2018)	Awareness and Challenges of Stock Market in Bhutan	To assess public awareness and explore Bhutanese stock market challenges	Mixed-method DV: market growth IVs: Public awareness, investment knowledge, market participation	Public awareness was moderate but knowledge and participation low, with challenges like low liquidity and company listings.

Gbanador and Gbanador (2018)	Impact of Capital Market on Economic Growth in Nigeria	To analyze relationship between capital market variables and economic growth	OLS regression, time series data (1985-2017) DV: Gross Domestic Product IVs: Market capitalization, value of transaction, all shares index	Market capitalization positively impacted growth; other variables had no significant effect due to market inefficiencies.
Parvez et al. (2017)	Capital Market: Opportunities and Challenges	To explore ICB's role in capital market development and assess opportunities and challenges	Qualitative and quantitative analysis, data from 2001-2011 DV: Market capitalization IV: Investment Corporation of Bangladesh (ICB) performance	ICB's improved performance contributed to steady capital market growth despite early development stage.
Risal (2016)	Critical Assessment of Capital Market Development in Nepal	To evaluate capital market development trends and factors influencing growth	Critical analytical method, secondary data (1992-2012) DV: Market development IVs: Investor perception, financial institution involvement, market components	Slow but positive growth with strong investor and financial institution support, market dominated by stock trading and banks.

Boshkovska et al. (2016)	Market Capitalization Determinants in Macedonia	To determine effects of economic growth factors on capital market development (market cap)	Multivariate linear regression, secondary data (1997-2013) DV: Market capitalization IVs: Economic growth factors	Market was small and underdeveloped; economic factors showed no significant influence on market capitalization.
Yusoff and Guima (2015)	Stock Market Development in MENA Region	To identify determinants influencing capital market development in Egypt, Saudi Arabia, Tunisia	Correlation analysis, secondary data (1992-2012) DV: Stock market development IVs: Exchange rate, oil rent, income per capita, inflation, domestic savings, interest rate	Macroeconomic factors influenced stock markets differently across countries, necessitating tailored policies.
Ertürk (2015)	Challenges of financialised firm behaviour for Capital Markets Union	To analyze implications of financialised corporate behavior on CMU effectiveness	Qualitative (literature review, policy analysis) DV: Sustainability and effectiveness of CMU IVs: Financialised firm behavior, corporate governance ideology	CMU relied on US market benchmark promoting shareholder value, causing negative macroeconomic effects; suggested inclusive long-term governance framework.

Buljat et al. (2015)	Impact of 2008 financial crisis on Croatia's capital market	To investigate 2008 crisis impact on Croatia's financial stability	Descriptive and analytical (macro & micro indicators) DV: Capital market stability IVs: Market capitalization, trading volume	Financial crisis decreased market capitalization and prices; trading volume fell but transaction frequency rose, increasing risk and investor caution.
Ikeobi (2015)	Challenges of individual investors in Nigerian capital market	To identify barriers affecting individual investors' participation and capital mobilization	Descriptive (questionnaires, frequency tables) DV: Individual investor participation IVs: Market operator lack, lack of information, market crash, low returns, transparency issues	Investors faced awareness, knowledge, return, and transparency issues, hindering fund mobilization and needing education and reforms.
Ovat (2014)	Development of Nigerian capital market: Comparative analysis	To evaluate capital market development indicators versus emerging markets	Comparative analysis DV: Capital market development IVs: Listing, market capitalization, turnover ratio	Nigerian market lagged behind peers; recommended expanding market size, improving infrastructure, internationalization, and macroeconomic stability.

Agarwal (2014)	Indian capital market: Issues and challenges	To explore conceptual issues and emerging challenges in Indian capital market	Qualitative (conceptual literature analysis) DV: Market development and efficiency IVs: Market penetration, security lending, IPO underperformance, trading strategies	Critical areas under-researched; urgent need for SEBI policy reforms to improve effectiveness and investor confidence.
Sejjaaka (2013)	Challenges to capital market growth in underdeveloped economies (Uganda)	To identify factors explaining low stock exchange financing by private firms	Mixed methods (interviews, focus groups, panel regression) DV: IPO readiness IVs: Firm age, auditor type, disclosure levels, firm size, board legitimacy, market activity	Firm characteristics and disclosure influence IPO readiness; suggested legislative improvements to enhance firm acceptance for investment.

### 2.3 Research Gap

The research gap for the current study on “Factors Affecting Capital Market Growth in Nepal” emerges from comparing prior studies with its design and scope. Previous studies, like Bhandari (2023) and Risal (2016), relied on secondary data analysis, while Panthi and Chalise (2021) used surveys but lacked causal analysis. The current study has adopted a descriptive and causal-comparative research design to explore relationships and impacts, addressing this methodological gap. Regarding population and sampling, Khanal et al. (2025) and Acharya and Koirala (2020) focused on market data or regulatory frameworks without clear investor sampling, and Wangmo et al. (2018) used mixed methods with unspecified sampling designs. The current study has targeted investors in Nepal’s capital market, using Cochran’s (1977) formula for sample

size and convenience sampling, filling this specificity gap. For data nature and collection, prior studies such as Gbanador and Gbanador (2018) and Yusoff and Guima (2015) used secondary time-series data, while Ikeobi (2015) employed questionnaires but lacked survey timing details. The current study has utilized primary data through structured questionnaires, collected both online and offline in 2025, offering a contemporary approach. In terms of analysis, Sejjaka (2013) used mixed methods with regression, and Boshkovska et al. (2016) applied multivariate regression, but few integrated demographic and reliability tests. The current study has incorporated demographic analysis, reliability tests, descriptive statistics, correlation, and regression, providing a robust analytical framework. Finally, variables in past studies, like Parvez et al. (2017) focusing on institutional performance or Bakri et al. (2024) on information processing, did not collectively examine information disclosure, institutional efficiency, regulation, financial capacity, and investor awareness. The current study has included these as independent variables with capital market growth as the dependent variable, addressing this comprehensive variable gap. The current study has successfully maintained a research gap by adopting a unique design, specific population, contemporary data collection, advanced analysis, and holistic variables compared to prior studies.

## **CHAPTER – III**

### **RESEARCH METHODOLOGY**

The research methodology section presents the methods, tools and techniques applied to analyze the data and prepare the report. In this study, the adopted methodology successfully fulfilled both the main and specific objectives. The research methodology includes (i) research design, (ii) population and sampling, and sampling design, (iii) nature and sources of data, and the instruments of data collection, (iv) methods of analysis and (v) research framework and definition of variables. The details of these methodological aspects are explained below.

#### **3.1 Research Design**

This study has employed both descriptive and causal-comparative research designs to address the factors affecting capital market growth in Nepal. The descriptive design has been used to assess the current state of factors such as information disclosure, institutional efficiency, regulation, financial capacity, and investor awareness, fulfilling the first research objective of identifying the current condition of the capital market. This design allows for the observation and presentation of existing conditions but does not explain their causes. To meet the second objective, which explores the relationship between these factors and capital market growth, and the third objective, which examines their individual and collective impacts, the causal-comparative design has been applied. This design supports the analysis of both correlations and causal effects on market development. These two designs have been purposefully selected to align with the study's objectives, while other designs have been excluded to maintain focus and relevance.

#### **3.2 Population, Sampling, and Sampling Design**

The population for this study comprises individual investors actively trading in the Nepal Stock Exchange. Due to the absence of exact data on the total number of investors in NEPSE, a sample size of 384 respondents has been calculated using Cochran's (1977) formula, which is widely adopted in research with unknown population sizes. However, during the data collection phase, responses have been gathered from 413 respondents, and thus the study has utilized this revised sample size of 413. Given

constraints in time and resources, a convenience sampling technique has been employed to select participants. Respondents have been chosen from among individual investors actively engaged in NEPSE, with an emphasis on those involved in capital market activities relevant to the study's focus on factors such as information disclosure, institutional efficiency, regulation, financial capacity, investor awareness, and capital market growth. The formula used for determining the sample size is as follows:

$$n = \frac{z^2 pq}{e^2}$$

Where;

n = Sample size for infinite population

Z = Critical value of desired confidence interval

p = Estimated proportion of an attribute that's present in population

e = Level of significance

With Confidence Interval of 95% and 5% level of significance

Here,

Z = 1.96, p = 0.5, q = 0.5, e = 0.05

Now,

$$n = \frac{(1.96)^2 0.5 \times 0.5}{0.05^2} = 384 \text{ optimal sample size}$$

The ideal sample size, based on Cochran's (1977) formula, is 384; however, the revised sample size of 413 includes extra respondents to account for potential errors in the stochastic model.

### **3.3 Nature and Sources of Data, and the Instrument of Data Collection**

This study has utilized primary data collection, with sources including individual investors, market intermediaries and institutional representatives. Respondents were approached online and offline to ensure broader accessibility and convenience, using digital platforms such as WhatsApp, Gmail, Facebook Messenger, and Viber. A structured questionnaire administered via Google Forms has served as the instrument of data collection. The questionnaire included both multiple-choice questions and Likert scale items (ranging from 5 – strongly agree to 1 – strongly disagree), designed to gather information on the independent variables: information disclosure, institutional efficiency, regulation, financial capacity and investor awareness in relation to the dependent variable capital market growth.

### 3.4 Method of Analysis

The method of analysis refers to the techniques that have been used to interpret the collected data, including various statistical methods. Specifically, the analysis has included reliability testing, demographic profile summaries, and both descriptive and inferential statistics. Descriptive statistics have been used to summarize key measures such as minimum, maximum, mean, and standard deviation for all variables. Inferential statistics have included correlation analysis to examine the relationships between the independent variables including information disclosure, institutional efficiency, regulation, financial capacity and investor awareness with the dependent variable, capital market growth. Additionally, regression analysis has been employed to assess the individual and collective impact of these factors on capital market growth. The tools for analysis have included the following:

#### A. Reliability Test

Reliability indicates the consistency of a research tool. This study used Cronbach's alpha to assess questionnaire reliability, with values above 0.7 deemed acceptable in social sciences (Nunnally & Bernstein, 1994; Tavakol & Dennick, 2011). Variable's reliability results are in Chapter 4, with the scale and interpretation below.

**Table 2**

*Scale of Reliability Analysis*

Cronbach's Alpha ( $\alpha$ ) Value	Internal Consistency
Above 0.9	Excellent
0.8 - 0.9	Good
0.7 - 0.8	Acceptable
0.6 - 0.7	Questionable
0.5 - 0.6	Poor
Below 0.5	Unacceptable

*(Source: Cronbach, 1951)*

Table 2 presents the reliability scale, where Cronbach's alpha above 0.9 is excellent, 0.8–0.9 is good, 0.7–0.8 is acceptable, 0.6–0.7 is questionable, 0.5–0.6 is poor, and below 0.5 is unacceptable, indicating the internal consistency of the measurement items used in the study, which helps ensure the validity and reliability of the collected data.

## **B. Respondent's Demographic Profile**

This study has collected demographic information from participants involved in the Nepalese capital market, including individual investors, market intermediaries, and institutional representatives. Key demographic variables considered are gender, age group, marital status, education level, employment status, monthly income, and years of investment experience. Understanding these demographic characteristics has helped explore their relationship with perceptions of information disclosure, institutional efficiency, regulation, financial capacity and investor awareness factors that influence capital market growth. The study also recorded the number of questionnaires distributed, completed, and the overall response rate to assess data reliability. A detailed demographic profile of the respondents is presented in Chapter 4 of the results section.

## **C. Descriptive Statistics**

Descriptive statistics have been essential in analyzing key variables related to the factors affecting Nepalese capital market growth. Specifically, the independent variables such as information disclosure, institutional efficiency, regulation, financial capacity, and investor awareness have been examined alongside capital market growth as the dependent variable. This analysis has provided insights into the minimum, maximum, mean, and standard deviation (SD) of these variables, helping to understand their distribution and variability. These statistical measures have been crucial in assessing the central tendencies and dispersion of the data, laying the groundwork for more detailed analyses investigating how these factors impact the growth of the Nepalese capital market. The following are the findings from the descriptive statistics:

### **Arithmetic Mean**

The arithmetic mean, also known as the average, represents the central value of a dataset and is one of the most commonly used measures of central tendency. It is calculated by summing all the values in the dataset and then dividing by the total number of values. This provides a single value that is useful for summarizing the data, offering a general sense of the typical value or central point within the dataset. Because of its simplicity, the arithmetic mean is widely used in various fields, such as statistics, economics, and social sciences, to understand overall trends and patterns. However, while it serves as an effective measure in many cases, the arithmetic mean can be significantly influenced by outliers or extreme values. For example, if there is a data

point that is much higher or lower than the others, it can skew the mean, making it less representative of the majority of values in the dataset. Therefore, while the arithmetic mean is valuable for providing a quick overview, it may not always give a complete picture of the data, especially when the distribution is uneven or contains outliers.

The formula for the arithmetic mean is as follows:

$$\text{Arithmetic mean } (\bar{X}) = \frac{\sum X}{n}$$

Where,

$n$  = Total number of values in the dataset

$\sum X$  = Sum of all values in the dataset

### **Standard Deviation**

Standard deviation is an important statistical measure used to assess the degree of variation or dispersion within a dataset. It indicates how much individual data points deviate from the mean (average) of the dataset. By taking the square root of the variance, it provides a numerical value that reflects the spread of the data. A smaller standard deviation suggests that the values are tightly clustered around the mean, indicating low variability, while a larger standard deviation indicates greater dispersion, with values spread farther apart. This measure is crucial for ensuring consistency, reliability, and predictability, and is commonly used in finance, research, and quality control. Understanding the standard deviation helps to evaluate the risk or uncertainty of data, making it essential for decision-making processes, especially when comparing different datasets or distributions. It is also useful in identifying patterns, trends, and anomalies, contributing to more accurate predictions and assessments. Additionally, it plays a vital role in hypothesis testing and confidence interval estimation, providing insight into the precision of statistical results.

The formula for the Standard deviation is as follows:

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum(X-\bar{X})^2}{n-1}}$$

Where,

$X$  Represents each individual data point in the dataset

$\bar{X}$  Represents the mean (average) of the dataset

$n$  is the total number of data points in the dataset

## D. Inferential Statistics

Inferential statistics have included both correlation and regression analyses. Correlation analysis has been used to assess the relationships between key independent variables such as information disclosure, institutional efficiency, regulation, financial capacity, and investor awareness with the dependent variable, capital market growth. Regression analysis techniques have been applied to examine the individual and combined impact of these factors on the growth of the Nepalese capital market. These statistical methods have enabled a comprehensive exploration of how various institutional and informational challenges influence market performance and development. The following are the findings from the inferential statistics:

### Correlation Analysis

Correlation analysis examines the strength and direction of relationships between variables, with the correlation coefficient “r” used to quantify this on a scale from +1 to -1. A positive correlation (+1) represents a direct relationship, while a negative correlation (-1) indicates an inverse relationship. A value of 0 suggests no linear relationship. This analysis helps evaluate the relationships between variables and guides further statistical analysis. The results of Karl Pearson’s correlation coefficient (r) have been computed using SPSS software version 29. Additionally, correlation analysis assists in identifying potential predictors or causes of a particular outcome, which is essential for data-driven decision-making. It is widely used in various fields, including social sciences, economics, and healthcare to establish or confirm connections between key variables.

The Pearson correlation coefficient (r) is calculated using the formula:

$$r = \frac{n(\sum XY) - (\sum X)(\sum Y)}{\sqrt{[n(\sum X^2) - (\sum X)^2]} \sqrt{[n(\sum Y^2) - (\sum Y)^2]}}$$

Where;

n = the number of data pairs

$\sum XY$  = the sum of the product of each pair of scores

$\sum X$  And  $\sum Y$  = the sums of X and Y scores respectively

### Regression Analysis

Regression analysis is a statistical approach used to evaluate the effect of one or more independent variables (predictors) on a dependent variable (outcome). It investigates

how changes in the predictors influence the outcome, with the magnitude and direction of these effects measured by regression coefficients ( $\beta$ ). This technique is widely used to comprehend and forecast results, assess patterns, and identify key factors contributing to changes in the dependent variable. It also allows for predicting future outcomes of the dependent variable based on the values of the independent variables, making it valuable for informed decision-making. Additionally, regression analysis aids in detecting multicollinearity among predictors, ensuring that the model's findings are reliable and valid. By doing so, it offers a deeper understanding of the relationships that shape the outcome variable. Furthermore, it helps in refining models by identifying significant predictors and eliminating irrelevant ones, enhancing the overall accuracy and efficiency of the analysis.

### **Model Specification**

In this model, the dependent variable is Capital Market Growth, which is influenced by several independent variables including Information Disclosure, Institutional Efficiency, Regulation, Financial Capacity and Investor Awareness in the context of the current study. The model is represented as:

$$CMG = \beta_0 + \beta_1ID + \beta_2IE + \beta_3RG + \beta_4FC + \beta_5IA + \epsilon_{it}$$

Where;

$\beta_0$  = Intercept/constant term

CMG = Investment Decision Making

ID = Information Disclosure

IE = Institutional Efficiency

RG = Regulation

FC = Financial Capacity

IA = Investor Awareness

$\epsilon_{it}$  = Error term of the stochastic model

Betas including  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$ ,  $\beta_4$  and  $\beta_5$  are the parameters of the model

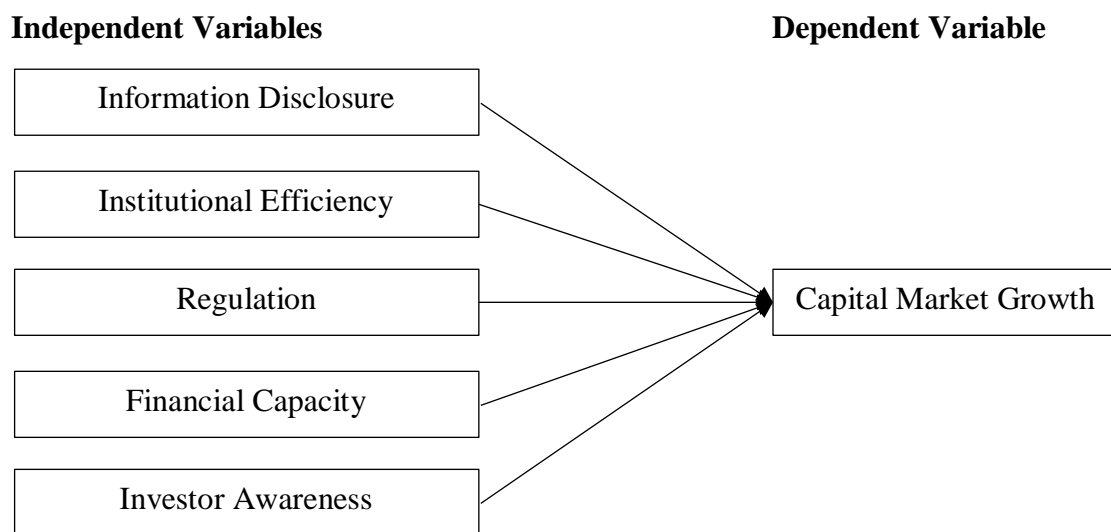
### **3.5 Research Framework and Definition of Variables**

This study focuses on the factors affecting the Nepalese capital market. The research framework identifies five key independent variables: Information Disclosure, Institutional Efficiency, Regulation, Financial Capacity, and Investor Awareness. These variables are hypothesized to influence the dependent variable, Capital Market

Growth. The framework aims to systematically examine how each of these factors, both individually and collectively, impact the growth and development of the Nepalese capital market. This structured approach helps clarify the relationship between institutional, regulatory, informational, and investor-related factors and the overall performance of the capital market. The research framework is illustrated in the following figure:

**Figure 1**

*Research Framework*



*(Source: Likeobi, 2015)*

**Dependent Variable**

**Capital Market Growth**

Capital market growth refers to the progressive development of the capital market in terms of liquidity, market capitalization, trading volume, number of listed companies, and investor participation. It plays a crucial role in mobilizing domestic savings, allocating resources efficiently, and promoting long-term economic development (Levine, 1997). A growing capital market enhances financial intermediation by enabling firms to raise capital for productive use, thereby supporting innovation, industrialization, and employment. In Nepal, the capital market is primarily represented by the Nepal Stock Exchange (NEPSE), whose expansion over recent years has illustrated the increasing role of stock markets in national finance. However, weak infrastructure, regulatory issues, and investor mistrust limit growth, so capital market development reflects Nepal's economic modernization (Shrestha & Koirala, 2020).

## **Independent Variables**

### **Information Disclosure**

Information disclosure is a fundamental component of capital market efficiency. It refers to the timely, transparent and comprehensive provision of financial and non-financial information by companies and regulatory institutions to market participants. Accurate disclosure reduces information asymmetry between insiders and investors, enabling better investment decisions and enhancing trust in the market (Healy & Palepu, 2001). When companies disclose audited financial statements, risk profiles and strategic plans, it improves market valuation accuracy and reduces the likelihood of fraud or market manipulation. In developing economies like Nepal, inconsistent and insufficient disclosure practices often deter potential investors and increase market volatility. Promoting a culture of transparency through regulatory mandates and technological platforms is therefore essential to facilitate a well-informed and active investor base.

### **Institutional Efficiency**

Institutional efficiency refers to the operational performance, coordination and credibility of institutions that govern and facilitate capital market activities, such as stock exchanges, securities boards and clearing houses. Efficient institutions ensure fast transaction processing, strict regulatory enforcement and the protection of investor rights, which are essential for building confidence in the market (Allen & Gale, 2000). In Nepal, SEBON and NEPSE play a central role, but they face factors such as outdated systems, limited technical expertise and bureaucratic inertia. Inefficiencies in these institutions often lead to delays, market manipulation and reduced investor participation. Improving institutional capacity through digital infrastructure, staff training and policy reforms is necessary for promoting smoother market functioning and attracting both domestic and international investment.

### **Regulation**

Regulation in the capital market involves the framework of laws, rules and guidelines developed by regulatory authorities to govern market conduct, ensure investor protection and maintain market integrity. Well-designed regulations minimize systemic risks, curb market abuse and create a level playing field for all participants (La Porta et al., 2006). Regulatory institutions such as SEBON are tasked with ensuring that listed

companies comply with disclosure requirements, trading rules and ethical standards. However, in countries like Nepal, regulatory factors such as limited autonomy, inconsistent enforcement and lack of real-time monitoring often hamper the effectiveness of market oversight. Strengthening regulation through technology-driven surveillance, legal reforms and stakeholder engagement is critical for ensuring market transparency, reducing volatility and fostering sustainable capital market growth.

### **Financial Capacity**

Financial capacity refers to the capital market's ability to mobilize financial resources, support liquidity and offer a wide range of investment instruments and services. It encompasses not only the availability of funds but also the presence of institutional investors, investment banks and financial products that meet diverse investor needs (Demirgüç-Kunt & Levine, 1996). A market with strong financial capacity can absorb economic shocks, allocate capital efficiently and provide risk-adjusted returns, thereby enhancing investor confidence. In Nepal, limited financial capacity, due to a narrow investor base, restricted credit flows and a lack of derivative instruments, has been a significant barrier to market development. Enhancing financial capacity requires fostering mutual funds, insurance investments and pension funds, as well as increasing participation from retail and institutional investors to deepen the market base.

### **Investor Awareness**

Investor awareness refers to the level of knowledge, financial literacy and understanding that investors possess about market mechanisms, investment risks and legal protections. A well-informed investor base is essential for reducing irrational behavior, improving market efficiency and encouraging long-term investment strategies (OECD, 2016). Inadequate awareness often leads to speculative behavior, susceptibility to rumors and panic-driven decisions, which undermine market stability. In Nepal, many investors enter the stock market with limited financial education, relying on informal sources of advice. As a result, there is a pressing need for structured investor education programs, public awareness campaigns and the incorporation of financial literacy into national education curricula. Increased awareness not only improves individual investment decisions but also enhances the overall efficiency and maturity of the capital market.

## **CHAPTER – IV**

### **PRESENTATION AND ANALYSIS OF DATA**

In this chapter, data have been presented in an appropriate format, then analyzed and discussed. The analysis has aimed to answer the research questions posed or test the hypotheses set in the introduction chapter. The outcomes of the analyses have been considered as the results. These results have then been discussed and interpreted in light of relevant theories and empirical studies to reach a conclusion. Accordingly, this chapter has been organized under the Results and Findings section.

#### **4.1 Results**

This section presents the data and results obtained from the collected primary data, analyzed using SPSS and Excel. It includes reliability tests, the demographic profile of respondents and both descriptive and inferential statistics including correlation and regression analysis, applied to assess the impact of identified factors affecting capital market growth in Nepal. Respondents have been categorized based on demographic factors such as gender, age group, marital status, education level, employment status, monthly income and years of investment experience. The reliability of each variable has been evaluated to ensure consistency of the measurement scales. Descriptive statistics such as minimum, maximum, mean and standard deviation have been used to summarize the collected data. Correlation analysis has been conducted to examine the relationship between the independent variables such as ID, IE, RG, FC and IA with the dependent variable CMG. Regression analysis has also been conducted using SPSS software to analyze the effects of these independent variables on capital market growth. The results of the reliability tests, demographic profile, descriptive statistics, and inferential statistics including correlation and regression analyses have been presented in the following subsections.

##### **A. Results of Reliability Test**

Reliability indicates the consistency and stability of a research instrument in measuring what it is intended to measure. In this study, Cronbach's alpha has been used to assess the internal consistency of the questionnaire items related to ID, IE, RG, FC, IA and CMG. A Cronbach's alpha value greater than 0.7 is considered acceptable in social

science research, reflecting a satisfactory level of reliability (Nunnally & Bernstein, 1994; Tavakol & Dennick, 2011). The commonly accepted interpretation scale classifies values above 0.9 as excellent, 0.8–0.9 as good, 0.7–0.8 as acceptable, 0.6–0.7 as questionable, 0.5–0.6 as poor, and below 0.5 as unacceptable (Cronbach, 1951). Based on this scale, the reliability results for each variable in the current study have been evaluated and are presented in the following table.

**Table 3**

*Reliability Test of Each Variables*

Study Variables	No. of Items	Cronbach's Alpha
ID	5	0.855
IE	5	0.840
RG	5	0.837
FC	5	0.833
IA	5	0.839
CMG	5	0.847

*(Source: SPSS Version 29)*

Table 3 presents the results of the reliability test using Cronbach's alpha, which indicate a high level of internal consistency for all study variables. The Cronbach's alpha values for Information Disclosure (0.855), Institutional Efficiency (0.840), Regulation (0.837), Financial Capacity (0.833), Investor Awareness (0.839), and Capital Market Growth (0.847) are all above the acceptable threshold of 0.7, suggesting that the questionnaire items used to measure each construct are reliable and consistent for the current study.

## **B. Results of Respondents' Demographic Profile**

This section presents the demographic profile of the respondents, derived from the primary data collected through structured questionnaires. The demographic characteristics include gender, age group, marital status, education level, employment status, monthly income, and years of investment experience. Analyzing the demographic profile provides important context for interpreting the results and identifying any patterns or differences in perceptions regarding the factors affecting capital market growth among different investor groups. The respondents' demographic details are summarized in the following table.

**Table 4**  
*Respondents' Demographic Profile*

Demographic Factors	Options	Frequency (N)	Percentage (%)
Gender	Male	216	52.3
	Female	197	47.7
Age Group	Under 25 years	123	29.8
	25 - 35 years	202	48.9
	36 - 45 years	70	16.9
	46 - 55 years	14	3.4
	Over 55 years	4	1.0
Marital Status	Married	208	50.4
	Unmarried	205	49.6
Level of Education	Below +2 level	81	19.6
	+ 2 level	82	19.9
	Bachelor level	79	19.1
	Master level	102	24.7
	Above master level	69	16.7
Employment Status	Employed	82	19.9
	Self-employed	102	24.7
	Student	98	23.7
	Unemployed	131	31.7
Monthly Income	Less than Rs. 20,000	94	22.8
	Rs. 20,000 - Rs. 30,000	69	16.7
	Rs. 30,001 - Rs. 40,000	89	21.5
	Rs. 40,001 - Rs. 50,000	69	16.7
	More than Rs. 50,000	92	22.3
Years of Investment Experiences	Less than 1 year	82	19.9
	1 – 3 years	79	19.1
	4 – 6 years	85	20.6
	7 – 9 years	70	16.9
	More than 9 years	97	23.5

*(Source: Online and Field Survey, 2025; SPSS Version 29) N = 413*

Table 4 displays the demographic profile of the 413 respondents who participated in the study. In terms of gender distribution, the sample is fairly balanced, with 52.3% male and 47.7% female participants, indicating a nearly equal representation of

perspectives across genders. The age distribution shows that a majority of respondents (48.9%) fall within the 25–35 age group, followed by 29.8% under 25 years, suggesting that younger and early-career investors dominate the respondent pool. Only a small proportion (4.4%) are above 45 years, highlighting limited participation from older investors. Marital status is nearly evenly split, with 50.4% married and 49.6% unmarried respondents. Regarding educational attainment, 24.7% of respondents hold a master's degree, followed by 19.9% who completed +2 level, and 19.6% below +2 level. Interestingly, 16.7% have education above the master's level, indicating that a significant portion of the respondents are relatively well-educated, which may influence their awareness and perception of capital market issues. Employment status reveals that 31.7% are unemployed and 23.7% are students, suggesting that a substantial portion of respondents may be engaging with the capital market without stable income. Meanwhile, 24.7% are self-employed and 19.9% are employed, reflecting diverse professional backgrounds. Monthly income data shows a wide range, with the largest group (22.8%) earning less than Rs. 20,000 per month, and 22.3% earning more than Rs. 50,000, indicating varied financial capacity among investors. In terms of investment experience, 23.5% of respondents have more than 9 years of experience, while the remaining are fairly evenly distributed across other experience brackets. This suggests that while there is a presence of experienced investors, a majority have moderate to limited exposure to the capital market. These demographic insights provide important context for interpreting variations in perceptions of factors affecting capital market across different population segments.

## **B. Results of Descriptive Statistics**

Descriptive statistics, including minimum, maximum, mean, and standard deviation, have been used to analyze the questionnaire data. The study examines five independent variables such as Information Disclosure (ID), Institutional Efficiency (IE), Regulation (RG), Financial Capacity (FC) and Investor Awareness (IA) and one dependent variable Capital Market Growth (CMG). These measures help understand the distribution, central tendency, and variability of responses. ID reflects market transparency, IE assesses institutional performance, RG evaluates the regulatory framework, FC measures investors' financial strength and IA captures market knowledge and awareness. CMG indicates the perceived development of Nepal's capital market. The descriptive statistics for each variable are presented below, followed by a summary.

**Table 5***Descriptive Statistics of Information Disclosure*

Code	Scale Items of Information Disclosure	Min	Max	Mean	S.D.
ID1	Companies listed in NEPSE disclose timely and accurate financial information.	1.00	5.00	4.1792	0.89326
ID2	I am able to access important corporate information for my investment decisions.	1.00	5.00	3.8547	0.78716
ID3	NEPSE and SEBON provide sufficient data for market analysis.	1.00	5.00	3.7094	0.89379
ID4	Poor disclosure practices discourage investment in the capital market.	1.00	5.00	3.7530	0.96392
ID5	Improved transparency can significantly enhance investor confidence.	1.00	5.00	3.8354	0.92011

*(Sources: Online and Field Survey, 2025; SPSS Version 29)*

Table 5 reveals the respondents' perceptions regarding Information Disclosure in the Nepalese capital market. The statement "Companies listed in NEPSE disclose timely and accurate financial information" has the highest mean score of 4.1792, indicating strong agreement among respondents, while its standard deviation of 0.89326 suggests moderate variability in responses. The statement "I am able to access important corporate information for my investment decisions" has a mean of 3.8547, showing a positive tendency, with a relatively low SD of 0.78716, indicating more consistent agreement. "Improved transparency can significantly enhance investor confidence" follows closely with a mean of 3.8354 and an SD of 0.92011, implying that most respondents recognize the role of transparency, though opinions are slightly varied. The statement "Poor disclosure practices discourage investment in the capital market" has a mean of 3.7530 with a higher SD of 0.96392, reflecting general agreement but more dispersed views. Lastly, the statement "NEPSE and SEBON provide sufficient data for market analysis" records the lowest mean of 3.7094, indicating moderate agreement, and an SD of 0.89379, suggesting moderate variation in perception. Overall, Respondents view disclosure positively but vary on its consistency and impact.

**Table 6***Descriptive Statistics of Institutional Efficiency*

Code	Scale Items of Institutional Efficiency	Min	Max	Mean	S.D.
IE1	NEPSE efficiently handles trading activities without delay.	1.00	5.00	3.8910	0.85630
IE2	Regulatory institutions like SEBON function effectively and fairly.	1.00	5.00	3.9225	0.91842
IE3	The institutional framework in Nepal promotes healthy capital market development.	1.00	5.00	4.0363	0.83964
IE4	Weak institutional capacity hampers smooth functioning of the capital market.	1.00	5.00	3.8281	0.82555
IE5	Efficient institutions are key to attracting both domestic and foreign investors.	1.00	5.00	3.8257	0.85821

*(Sources: Online and Field Survey, 2025; SPSS Version 29)*

Table 6 outlines the respondents' perceptions of institutional efficiency in Nepal's capital market. The highest mean score is observed for the statement "The institutional framework in Nepal promotes healthy capital market development" with a mean of 4.0363, reflecting strong agreement and a relatively low standard deviation of 0.83964, indicating consistent responses. The next highest is "Regulatory institutions like SEBON function effectively and fairly", with a mean of 3.9225 and a standard deviation of 0.91842, suggesting general agreement but with slightly more varied views. "NEPSE efficiently handles trading activities without delay" follows closely with a mean of 3.8910 and a lower SD of 0.85630, implying positive perception and moderate consistency in responses. The statement "Weak institutional capacity hampers smooth functioning of the capital market" has a mean of 3.8281, showing agreement among respondents, supported by the lowest SD of 0.82555, reflecting high consistency. Lastly, "Efficient institutions are key to attracting both domestic and foreign investors" records a mean of 3.8257, with a standard deviation of 0.85821, indicating general agreement with moderately dispersed opinions. Overall, Institutional efficiency is seen positively, especially for market growth and fairness.

**Table 7***Descriptive Statistics of Regulation*

Code	Scale Items of Regulation	Min	Max	Mean	S.D.
RG1	Regulatory policies are clearly defined and consistently enforced in NEPSE.	1.00	5.00	3.8257	0.89422
RG2	SEBON's monitoring system effectively reduces market manipulation.	1.00	5.00	3.8717	0.85927
RG3	Investors are adequately protected by Nepal's capital market regulations.	1.00	5.00	3.8959	0.86536
RG4	Regulatory inefficiencies discourage new investment in the stock market.	1.00	5.00	3.9831	0.86586
RG5	Effective regulation helps build trust and stability in the capital market.	1.00	5.00	3.9976	0.85474

(Sources: Online and Field Survey, 2025; SPSS Version 29)

Table 7 outlines respondents' views on the regulatory environment of Nepal's capital market. The highest mean score is for the statement "Effective regulation helps build trust and stability in the capital market", with a mean of 3.9976, reflecting strong agreement and a relatively low SD of 0.85474, indicating consistent responses. Closely following is "Regulatory inefficiencies discourage new investment in the stock market", with a mean of 3.9831 and SD of 0.86586, showing general agreement and moderate variability. The statement "Investors are adequately protected by Nepal's capital market regulations" has a mean of 3.8959 and SD of 0.86536, suggesting that respondents generally believe regulatory protections exist, though opinions are somewhat varied. "SEBON's monitoring system effectively reduces market manipulation" also scores positively, with a mean of 3.8717 and SD of 0.85927, indicating consistent agreement. Lastly, "Regulatory policies are clearly defined and consistently enforced in NEPSE" receives a slightly lower mean of 3.8257, but still shows general agreement, with an SD of 0.89422, reflecting moderate variation in responses. Overall, the results highlight that respondents recognize the importance and relative effectiveness of regulation, although concerns about regulatory enforcement and consistency remain.

**Table 8***Descriptive Statistics of Financial Capacity*

Code	Scale Items of Financial Capacity	Min	Max	Mean	S.D.
FC1	There is sufficient capital flow in the Nepalese stock market.	1.00	5.00	3.9056	0.84950
FC2	Financial institutions actively support investment in capital markets.	1.00	5.00	3.8789	0.83890
FC3	Availability of investment instruments enhances capital market growth.	1.00	5.00	3.9104	0.84141
FC4	Lack of financial capacity limits participation in the capital market.	1.00	5.00	3.9249	0.85143
FC5	Developing diverse financial products would improve market performance.	1.00	5.00	3.9177	0.84071

*(Sources: Online and Field Survey, 2025; SPSS Version 29)*

Table 8 shows the respondents' perceptions regarding financial capacity in the Nepalese capital market. The highest mean value is observed for the statement "Lack of financial capacity limits participation in the capital market" with a mean of 3.9249, indicating strong agreement among respondents, and a standard deviation of 0.85143, showing moderate variability. Close behind is "Developing diverse financial products would improve market performance", which has a mean of 3.9177 and SD of 0.84071, reflecting broad agreement and consistent responses. The item "Availability of investment instruments enhances capital market growth" follows with a mean of 3.9104 and SD of 0.84141, suggesting that respondents generally recognize the role of diverse instruments in fostering growth. "There is sufficient capital flow in the Nepalese stock market" scores a mean of 3.9056, indicating a positive perception, with an SD of 0.84950, implying moderate dispersion. Lastly, "Financial institutions actively support investment in capital markets" has the lowest mean among the items at 3.8789, still reflecting agreement, with the lowest SD of 0.83890, showing the most consistent views. Overall, the responses suggest that while financial capacity is considered a key factor in capital market participation and growth, there is also awareness of current limitations and the need for more diverse financial products.

**Table 9***Descriptive Statistics of Investors Awareness*

Code	Scale Items of Investors Awareness	Min	Max	Mean	S.D.
IA1	I understand how the stock market operates.	1.00	5.00	3.9492	0.86453
IA2	I am aware of the risks associated with investing in the capital market.	1.00	5.00	3.9613	0.86375
IA3	I make investment decisions based on research, not rumors.	1.00	5.00	3.8402	0.80871
IA4	Investor education programs help in improving decision-making.	1.00	5.00	3.8523	0.84185
IA5	Low investor awareness is a barrier to capital market development.	1.00	5.00	3.8450	0.85911

*(Sources: Online and Field Survey, 2025; SPSS Version 29)*

Table 9 provides insights into the respondents' views on investor awareness in the Nepalese capital market. The highest mean is recorded for the statement "I am aware of the risks associated with investing in the capital market", with a mean of 3.9613 and a standard deviation of 0.86375, indicating strong agreement and moderately consistent responses. Following closely is "I understand how the stock market operates", with a mean of 3.9492 and an SD of 0.86453, reflecting a generally high level of market understanding with moderate variation in opinion. The statement "Investor education programs help in improving decision-making" shows a mean of 3.8523, suggesting positive perception of such programs, and an SD of 0.84185, indicating consistent agreement. The item "Low investor awareness is a barrier to capital market development" scores a mean of 3.8450, showing general agreement with an SD of 0.85911, suggesting a moderate spread in responses. Lastly, "I make investment decisions based on research, not rumors" has the lowest mean at 3.8402, though still positive, with the lowest SD of 0.80871, showing the most consistency in responses. Overall, the results indicate that respondents are generally aware of stock market operations and associated risks, while also recognizing the importance of investor education and its role in enhancing capital market participation.

**Table 10***Descriptive Statistics of Capital Market Growth*

Code	Scale Items of CMG	Min	Max	Mean	S.D.
CMG1	The capital market in Nepal has shown significant growth in recent years.	1.00	5.00	3.9177	0.84360
CMG2	There is a noticeable increase in investor participation in the market.	1.00	5.00	3.9201	0.85667
CMG3	Trading volume and liquidity in NEPSE have improved.	1.00	5.00	3.9661	0.85264
CMG4	The listing of new companies in NEPSE is encouraging market expansion.	1.00	5.00	4.0605	0.82363
CMG5	Overall, the capital market is contributing to Nepal's economic growth.	1.00	5.00	3.8959	0.81628

*(Sources: Online and Field Survey, 2025; SPSS Version 29)*

Table 10 demonstrates respondents' views on the growth of Nepal's capital market. The highest agreement is with the statement "The listing of new companies in NEPSE is encouraging market expansion", which has a mean score of 4.0605, indicating strong positive perception, and a relatively low standard deviation of 0.82363, showing consistent responses. Following this, respondents agreed that "Trading volume and liquidity in NEPSE have improved", with a mean of 3.9661 and SD of 0.85264, reflecting a positive and moderately consistent opinion. The statement "There is a noticeable increase in investor participation in the market" has a mean of 3.9201 and SD of 0.85667, showing favorable perception with some variability. Similarly, "The capital market in Nepal has shown significant growth in recent years" scored a mean of 3.9177 and SD of 0.84360, suggesting general agreement on recent market growth. Lastly, "Overall, the capital market is contributing to Nepal's economic growth" received a mean of 3.8959 with the lowest SD of 0.81628, indicating consistent belief among respondents. Overall, the data shows optimism about market growth, liquidity, participation, and economic contribution.

**Table 11***Summary of Descriptive Statistics*

Study Variables	N	Min	Max	Mean	S.D.
ID	413	1.00	5.00	3.8663	0.71132
IE	413	1.00	5.00	3.9007	0.67199
RG	413	1.20	5.00	3.9148	0.67572
FC	413	1.00	5.00	3.9075	0.65409
IA	413	1.00	5.00	3.8896	0.66099
CMG	413	1.00	5.00	3.9521	0.66019

*(Sources: SPSS Version 29)*

Table 11 summarizes the descriptive statistics of all study variables including ID, IE, RG, FC, IA and CMG. Each variable has a sample size of 413 respondents, with minimum scores of 1.00 (except Regulation which has 1.20) and maximum scores of 5.00, indicating a full range of responses across the scale. The mean values for the independent variables range from 3.8663 for Information Disclosure to 3.9148 for Regulation, reflecting generally positive perceptions about these factors affecting the Nepalese capital market. Financial Capacity and Institutional Efficiency also received relatively high means of 3.9075 and 3.9007 respectively, while Investor Awareness scored a mean of 3.8896, showing respondents' moderate to high awareness. The dependent variable, Capital Market Growth, has the highest mean of 3.9521, suggesting a strong positive perception of market expansion and development. Standard deviations are relatively low (between 0.65 and 0.71), indicating consistency in responses across all variables. Overall, these statistics reveal favorable views on the key factors influencing capital market growth in Nepal.

#### **D. Results of Inferential Statistics**

Inferential statistics, including correlation and regression analyses, were conducted to examine the relationships between Information Disclosure, Institutional Efficiency, Regulation, Financial Capacity, Investor Awareness with Capital Market Growth. Correlation analysis assessed the strength and direction of these relationships, while regression analysis evaluated how well the independent variables predict capital market growth. These analyses identify significant factors influencing market development. Detailed results are presented in the following sections.

### Correlation Analysis

Correlation analysis has conducted to measure the relationships between Information Disclosure (ID), Institutional Efficiency (IE), Regulation (RG), Financial Capacity (FC), Investor Awareness (IA) with Capital Market Growth (CMG). This technique identifies the strength and direction of associations between each independent variable with the dependent variable. The correlation results are presented in the table below.

**Table 12**

*Correlation Analysis Between Study Variables*

Variables	ID	IE	RG	FC	IA	CMG
ID	1					
IE	0.854**	1				
RG	0.820**	0.868**	1			
FC	0.812**	0.822**	0.852**	1		
IA	0.781**	0.804**	0.838**	0.830**	1	
CMG	0.770**	0.808**	0.819**	0.792**	0.865**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

(Source: SPSS Version 29)

Table 12 depicts the correlation analysis results between the independent variables and Capital Market Growth (CMG). Information Disclosure (ID) shows a strong positive correlation with CMG ( $r = 0.770$ ,  $p < 0.01$ ) indicating a significant and strong relationship. Institutional Efficiency (IE) has a very strong positive correlation with CMG ( $r = 0.808$ ,  $p < 0.01$ ) reflecting an even stronger influence on market growth. Regulation (RG) also exhibits a very strong positive correlation with CMG ( $r = 0.819$ ,  $p < 0.01$ ) suggesting that clear and enforced regulations are closely linked to capital market development. Financial Capacity (FC) shows a strong positive correlation with CMG ( $r = 0.792$ ,  $p < 0.01$ ) highlighting the important role of financial resources in market growth. Lastly, Investor Awareness (IA) has the strongest very strong positive correlation with CMG ( $r = 0.865$ ,  $p < 0.01$ ) emphasizing the critical impact of investor knowledge and awareness on capital market growth. All relationships are statistically significant at the 0.01 level, confirming the importance of each factor in supporting Nepal's capital market development.

### Regression Analysis

Regression analysis has been conducted to examine the impact of ID, IE, RG, FC and IA on CMG. The analysis includes the model summary, analysis of variance and regression coefficients to assess how significantly and effectively these factors contribute to the growth of Nepal's capital market. The results of the regression analysis are presented in the following sections.

**Table 13**

*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.889	0.791	0.789	0.30357

a. Predictors: (Constant), ID, IE, RG, FC, IA

*(Source: SPSS Version 29)*

Table 13 highlights the model summary of this study, showing an R-square value of 0.791. This indicates that approximately 79.1% of the variation in CMG is explained by the predictors including ID, IE, RG, FC and IA. The remaining 20.9% of the variance is attributed to other independent variables which are not included in the model.

**Table 14**

*Analysis of Variance (ANOVA)*

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	142.063	5	28.413	308.311	0.000
	Residual	37.507	407	0.092		
	Total	179.571	412			

a. Dependent variable: CMG

b. Predictors: (Constant), ID, IE, RG, FC, IA

*(Source: SPSS Version 29)*

Table 14 represents the analysis of variance for the regression model. The significance value (Sig.) of the model is 0.000, which is less than the 5% significance level (0.05). This indicates that the regression model is statistically significant, meaning that the independent variables ID, IE, RG, FC, and IA collectively have a significant impact on CMG.

**Table 15***Coefficients of Independent Variables for Dependent Variable CMG*

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Sd. error	Beta		
1	(Constant)	0.316	0.095		3.314	0.001
	ID	0.054	0.044	0.058	1.218	0.224
	IE	0.180	0.053	0.184	3.416	0.001
	RG	0.135	0.054	0.138	2.502	0.013
	FC	0.048	0.050	0.048	0.962	0.337
	IA	0.516	0.046	0.516	11.128	0.000

a. Dependent variable: Capital Market Growth (CMG)

(Source: SPSS Version 29)

$$\text{CMG} = 0.316 + 0.054\text{ID} + 0.180\text{IE} + 0.135\text{RG} + 0.048\text{FC} + 0.516\text{IA} + \epsilon_{it}$$

Table 15 presents the regression coefficients for the impact of each independent variable on Capital Market Growth (CMG). The unstandardized coefficient for Information Disclosure (ID) is 0.054 with a p-value of 0.224, which is greater than the 0.05 significance level, indicating that ID does not have a statistically significant effect on CMG. Institutional Efficiency (IE) has a coefficient of 0.180 and a p-value of 0.001, indicating a significant positive impact on CMG at the 5% significance level. Regulation (RG) also shows a statistically significant positive impact with a coefficient of 0.135 and a p-value of 0.013, which is below the 0.05 threshold. In contrast, Financial Capacity (FC) has a coefficient of 0.048 with a p-value of 0.337, implying an insignificant effect on CMG. Investor Awareness (IA) exhibits the strongest statistically significant influence on CMG, with a coefficient of 0.516 and a highly significant p-value of 0.000. Among all the predictors, based on standardized coefficients (Beta), Investor Awareness (Beta = 0.516) has the highest impact on Capital Market Growth, whereas Financial Capacity (Beta = 0.048) shows the lowest impact. This suggests that enhancing investor awareness is the most influential factor in promoting capital market growth, while financial capacity contributes the least in the current model.

**Table 16***Test of Hypotheses*

Hypotheses	Sig. Value	Decision
H <sub>1</sub> : There is significant impact of information disclosure on capital market growth in Nepal.	0.224	Rejected
H <sub>2</sub> : There is significant impact of institutional efficiency on capital market growth in Nepal.	0.001	Accepted
H <sub>3</sub> : There is significant impact of regulation on capital market growth in Nepal.	0.013	Accepted
H <sub>4</sub> : There is significant impact of financial capacity on capital market growth in Nepal.	0.337	Rejected
H <sub>5</sub> : There is significant impact of investor awareness on capital market growth in Nepal.	0.000	Accepted

*(Source: Regression Analysis)*

Table 16 presents the results of the hypothesis tests based on the regression analysis. The significance value for H<sub>1</sub> (Information Disclosure) is 0.224, which is greater than the 0.05 threshold, leading to the rejection of the hypothesis indicating that information disclosure does not have a statistically significant effect on capital market growth in Nepal. For H<sub>2</sub> (Institutional Efficiency), the p-value is 0.001, which is less than 0.05, so the hypothesis is accepted, confirming a significant positive effect on capital market growth. H<sub>3</sub> (Regulation) is also accepted with a p-value of 0.013, indicating that regulation significantly influences the growth of Nepal's capital market. However, H<sub>4</sub> (Financial Capacity) is rejected due to its high p-value of 0.337, showing no significant impact. Lastly, H<sub>5</sub> (Investor Awareness) is strongly supported with a p-value of 0.000, highlighting a highly significant and positive effect on capital market growth. These findings confirm that institutional efficiency, regulation, and investor awareness are key drivers of capital market growth in Nepal.

#### **4.2 Major Findings**

This study has examined the factors affecting capital market growth in Nepal, using primary data collected from 413 respondents through structured questionnaires. The research has analyzed five independent variables, namely Information Disclosure (ID), Institutional Efficiency (IE), Regulation (RG), Financial Capacity (FC), and Investor

Awareness (IA), in relation to the dependent variable Capital Market Growth (CMG). Reliability analysis has confirmed acceptable to strong internal consistency across all constructs. The demographic profile of respondents has included a mix of investors, professionals, and market participants, ensuring relevant insights into the Nepalese capital market. Both descriptive and inferential statistical tools, including correlation and regression analysis using SPSS Version 29, have been employed to assess perceptions, relationships and impacts among the study variables.

Descriptive statistics have shown that all variables have been rated favorably by respondents, with mean values ranging from 3.86 (ID) to 3.95 (CMG), suggesting an overall positive perception of the key factors influencing capital market growth. Among them, Institutional Efficiency ( $M = 3.90$ ,  $SD = 0.67$ ) and Regulation ( $M = 3.91$ ,  $SD = 0.67$ ) have received relatively higher scores, indicating confidence in regulatory frameworks and institutional performance. Investor Awareness ( $M = 3.88$ ,  $SD = 0.66$ ) has also been rated positively, reflecting increasing financial literacy and engagement. Financial Capacity ( $M = 3.90$ ,  $SD = 0.65$ ) and Information Disclosure ( $M = 3.86$ ,  $SD = 0.71$ ) have also been perceived favorably but with slightly more variability in responses.

Correlation analysis has revealed significant and positive relationships between all independent variables and capital market growth at the 0.01 significance level. Information Disclosure has shown a strong correlation with CMG ( $r = 0.770$ ), indicating that timely and transparent financial information plays an important role in influencing investor behavior. Institutional Efficiency has demonstrated a very strong correlation ( $r = 0.808$ ), suggesting that effective operations of NEPSE and SEBON are critical to market performance. Regulation has also exhibited a very strong relationship ( $r = 0.819$ ), confirming the importance of well-defined and enforced policies in building trust. Financial Capacity has maintained a strong positive relationship ( $r = 0.792$ ), emphasizing the relevance of financial infrastructure and capital access. Investor Awareness has shown the strongest relationship with CMG ( $r = 0.865$ ), highlighting that informed and aware investors are crucial to capital market expansion.

Regression analysis has further identified the extent to which these variables impact capital market growth. The model has achieved a high R Square value of 0.791, indicating that about 79.1% of the variation in capital market growth is explained by

the five predictors. ANOVA results have confirmed the model's overall significance ( $F = 308.311, p < 0.01$ ). Among the predictors, Investor Awareness has had the strongest and most significant impact on CMG ( $\beta = 0.516, p = 0.000$ ), confirming that enhanced awareness directly boosts investor participation and market confidence. Institutional Efficiency ( $\beta = 0.180, p = 0.001$ ) and Regulation ( $\beta = 0.135, p = 0.013$ ) have also had statistically significant positive effects, underscoring their roles in ensuring transparency and fair practices. However, Information Disclosure ( $\beta = 0.054, p = 0.224$ ) and Financial Capacity ( $\beta = 0.048, p = 0.337$ ) have shown statistically insignificant impacts, suggesting that while important, these factors may currently lack the strength or infrastructure to independently drive market growth. In terms of standardized coefficients, Investor Awareness ( $\beta = 0.516$ ) has the strongest impact on capital market growth, followed by Institutional Efficiency ( $\beta = 0.184$ ) and Regulation ( $\beta = 0.138$ ). Information Disclosure ( $\beta = 0.058$ ) and Financial Capacity ( $\beta = 0.048$ ) have minimal effects.

The current study finds strong positive correlations between all independent variables and capital market growth (CMG). Information Disclosure (ID) shows a strong positive correlation with CMG, consistent with Bakri et al. (2024) and Ikeobi (2015), supporting Asymmetric Information Theory (Akerlof, 1970), which emphasizes how improved information dissemination reduces market inefficiencies and builds investor confidence. Institutional Efficiency (IE) and Regulation (RG) exhibit very strong positive correlations with CMG, aligning with Panthi and Chalise (2021) and Acharya and Koirala (2020), and supporting Institutional Theory (Meyer & Rowan, 1977) and Regulatory Capture Theory (Stigler, 1971), highlighting how strong institutions and unbiased regulations are critical for legitimacy and sustainable market growth. Financial Capacity (FC) correlates strongly with CMG, consistent with findings by Parvez et al. (2017) and Buljat et al. (2015), reinforcing Financial Constraint Theory (Fazzari et al., 1990s), which explains how limited capital access restricts investment and market expansion. Investor Awareness (IA) shows the strongest positive correlation with CMG, matching the results of Wangmo et al. (2018) and Ikeobi (2015), underpinned by Behavioral Finance Theory (Kahneman & Tversky, 1970s; Thaler), which highlights the importance of investor knowledge in mitigating cognitive biases and improving market participation.

In regression analysis, Investor Awareness emerges as the strongest and most significant predictor of capital market growth, confirming the empirical results of Wangmo et al. (2018) and supporting Behavioral Finance Theory's emphasis on investor psychology and education. Institutional Efficiency and Regulation also demonstrate significant positive effects, consistent with Panthi and Chalise (2021) and Acharya and Koirala (2020), emphasizing the need for sound institutions and effective regulatory frameworks as explained by Institutional Theory and Regulatory Capture Theory. However, Information Disclosure and Financial Capacity, while strongly correlated, show insignificant effects in the regression, suggesting contextual factors may limit their independent influence despite theoretical relevance from Asymmetric Information and Financial Constraint theories. These findings collectively underscore how multiple theoretical perspectives explain both convergent and divergent impacts on capital market growth in emerging economies like Nepal.

## **CHAPTER – V**

### **SUMMARY AND CONCLUSION**

The purpose of this chapter to present an overview of the study in the summarized form along with major findings and the conclusion of the study. Accordingly, it has been organized in three sections:

#### **5.1 Summary**

The main objective of this study is to investigate the key factors affecting capital market growth in Nepal. It has focused on three specific objectives: assessing the current situation of these factors related to capital market growth, examining the relationship between these factors and capital market growth, and analyzing the effects of these factors on capital market growth. To achieve these objectives, the study has employed a descriptive and causal-comparative research design. The population has consisted of investors, market intermediaries, and institutional representatives involved in Nepal's capital market. Data have been collected through both online and field surveys. A total of 413 responses have been received and analyzed using SPSS Version 29. Convenience sampling has been used for data collection. The reliability of all variables has been confirmed as acceptable. The demographic profile has shown that respondents have been nearly evenly split between male and female, mostly young adults, with diverse educational backgrounds and employment statuses. Monthly income and years of investment experience have also varied among respondents, providing a comprehensive perspective on the investor base.

Descriptive statistics have revealed that respondents have generally held positive perceptions of the studied variables. Institutional efficiency, regulation, and investor awareness have received particularly favorable ratings, indicating confidence in the effectiveness of institutions, regulatory frameworks, and investor knowledge. Financial capacity and information disclosure have also been rated positively, though with slightly more variability in responses.

Correlation analysis has demonstrated significant positive relationships between all independent variables and capital market growth. Investor awareness has shown the

strongest association, underscoring the importance of informed investors in promoting market development. Institutional efficiency and regulation have exhibited very strong correlations with market growth, highlighting their critical roles. Financial capacity and information disclosure have maintained strong positive relationships, indicating their relevance, though to a lesser extent.

Regression analysis has further clarified the extent to which these variables have impacted capital market growth. Investor awareness has had the strongest and most significant positive effect, confirming that greater investor knowledge has enhanced market participation and confidence. Institutional efficiency and regulation have also shown significant positive impacts, emphasizing the critical roles of effective institutions and regulatory frameworks in fostering market growth. However, information disclosure and financial capacity have not demonstrated statistically significant effects, suggesting that these factors, while important, currently have limited direct influence on capital market growth.

The hypothesis testing has aligned with these findings, accepting the significant effects of institutional efficiency, regulation and investor awareness and rejecting the hypotheses related to information disclosure and financial capacity. Overall, the study has highlighted the importance of improving investor education, institutional effectiveness, and regulatory enforcement to promote the growth of Nepal's capital market, while also pointing to areas such as information transparency and financial infrastructure that may require further development.

## **5.2 Conclusion**

The first objective of the study is to assess the current situation of factors related to capital market growth in Nepal, which has been fulfilled through descriptive analysis. The findings indicate that respondents generally perceive the key factors influencing capital market growth positively, particularly institutional efficiency, regulation, and investor awareness. The demographic profile provides a comprehensive view of investors, showing a balanced representation across gender, age, education, and investment experience, which contributes to a well-rounded understanding of the challenges faced in the capital market environment. From the researcher's perspective,

this balanced demographic participation strengthens the study's generalizability and offers valuable insights for designing inclusive market interventions.

The second objective of the study is to examine the relationship between the identified factors such as information disclosure, institutional efficiency, regulation, financial capacity, and investor awareness with capital market growth. This objective has been addressed through correlation analysis, which reveals significant and positive associations between all these factors and capital market growth. Notably, investor awareness shows the strongest correlation, emphasizing the importance of informed investors in supporting market expansion. Institutional efficiency and regulation also demonstrate strong relationships with market growth, underlining their critical roles in ensuring a transparent and trustworthy capital market. The researcher views these findings as a clear indication that efforts to improve investor education and strengthen market governance are essential priorities for enhancing capital market development in Nepal.

The third objective is to analyze the effects of these factors on capital market growth, which has been explored through regression analysis. The results indicate that investor awareness, institutional efficiency, and regulation have significant positive impacts on capital market growth, with investor awareness being the most influential predictor. However, information disclosure and financial capacity have shown statistically insignificant effects, suggesting that while these factors remain important, their current influence on capital market growth is limited. These findings highlight the need for policy focus on enhancing investor education, strengthening institutional operations, and enforcing regulatory frameworks to foster sustainable growth in Nepal's capital market. The researcher believes that prioritizing these key areas will create a more resilient and investor-friendly market environment that can attract broader participation and long-term investment.

### **5.3 Recommendations**

This study on the challenges affecting capital market growth in Nepal has several important implications for policymakers, practitioners, and the academic community. These recommendations provide a foundation for recommendations and identify areas for future research.

**Recommendations for Policymakers**

- Prioritize initiatives to enhance financial literacy and investor education, empowering participants to make informed investment decisions.
- Strengthen institutional operations and ensure consistent enforcement of regulations to build market confidence and transparency.
- Review and improve disclosure requirements to gradually increase their positive impact on market development.
- Promote a more inclusive, transparent, and stable capital market environment that attracts both domestic and foreign investments.

**Recommendations for Practitioners**

- Use study findings to improve operational efficiency and customer engagement strategies within market intermediaries and financial institutions.
- Emphasize investor education programs and transparent communication to increase investor trust and participation.
- Focus on streamlining processes and upgrading technological infrastructure to ensure smooth market operations.
- Recognize diverse financial capacities and experience levels among investors and tailor services to meet their specific needs.
- Encourage broader market participation to support sustainable growth.

**Recommendations for the Academic Community and Future Research**

- Contribute to literature on capital market development in emerging economies, with a focus on Nepal.
- Highlight the need for further research on factors such as technological innovation, behavioral biases, and macroeconomic variables that influence market growth.
- Suggest longitudinal studies to examine changes over time and comparative research involving other developing countries.
- Recommend qualitative research to gain deeper insights into investor motivations and institutional challenges beyond quantitative data.
- Encourage scholars to explore these areas to better understand capital market mechanisms and support evidence-based policymaking.

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# APPENDIX

## Questionnaire

Dear Respondent,

I am Rajani Paudel, an MBS student at Shanker Dev Campus, Putalisadak, Kathmandu. As part of my master's degree thesis, I am conducting a study entitled "Factors Affecting Capital Market Growth in Nepal." This study aims to identify and assess factors that influence the growth of the capital market in Nepal. The data collected from this questionnaire will be used solely for academic purposes and will be kept strictly confidential. Your voluntary participation is highly appreciated. Please take a few minutes to complete the following sections.

### Section A: Demographic Information

#### 1. Gender

- a) Male
- b) Female

#### 2. Age Group

- a) Under 25 years
- b) 25 – 35 years
- c) 36 – 45 years
- d) 46 – 55 years
- e) Over 55 years

#### 3. Marital Status

- a) Married
- b) Unmarried

#### 4. Level of Education

- a) Below + 2 level
- b) +2 level
- c) Bachelor's level
- d) Master's level
- e) Above master level

## 5. Employment Status

- a) Employed
- b) Self-employed
- c) Student
- d) Unemployed

## 6. Monthly Income

- a) Less than Rs. 20,000
- b) Rs. 20,000 – Rs. 30,000
- c) Rs. 30,001 – Rs. 40,000
- d) Rs. 40,001 – Rs. 50,000
- e) More than Rs. 50,000

## 7. Years of Investment Experience

- a) Less than 1 year
- b) 1 – 3 years
- c) 4 – 6 years
- d) 7 – 9 years
- e) More than 9 years

## Section B: Statements for Study Variable

The following statements are related to the variables in this study. Please indicate your level of agreement with each statement. Your responses will be measured using a five-point Likert scale, defined as follows:

### *Five Point Likert's Scale*

Likert scale items	Ratings
Strongly Agree	5
Agree	4
Neutral	3
Disagree	2
Strongly Disagree	1

(Source: Likert, 1932)

### Information Disclosure (ID)

Code	Statements	Ratings				
		5	4	3	2	1
ID1	Companies listed in NEPSE disclose timely and accurate financial information.					
ID2	I am able to access important corporate information for my investment decisions.					
ID3	NEPSE and SEBON provide sufficient data for market analysis.					
ID4	Poor disclosure practices discourage investment in the capital market.					
ID5	Improved transparency can significantly enhance investor confidence.					

(Source: Author's Development)

### Institutional Efficiency (IE)

Code	Statements	Ratings				
		5	4	3	2	1
IE1	NEPSE efficiently handles trading activities without delay.					
IE2	Regulatory institutions like SEBON function effectively and fairly.					
IE3	The institutional framework in Nepal promotes healthy capital market development.					
IE4	Weak institutional capacity hampers smooth functioning of the capital market.					
IE5	Efficient institutions are key to attracting both domestic and foreign investors.					

(Source: Author's Development)

### Regulation (RG)

Code	Statements	Ratings				
		5	4	3	2	1
RG1	Regulatory policies are clearly defined and consistently enforced in NEPSE.					
RG2	SEBON's monitoring system effectively reduces market manipulation.					
RG3	Investors are adequately protected by Nepal's capital market regulations.					
RG4	Regulatory inefficiencies discourage new investment in the stock market.					
RG5	Effective regulation helps build trust and stability in the capital market.					

*(Source: Author's Development)*

### Financial Capacity (FC)

Code	Statements	Ratings				
		5	4	3	2	1
FC1	There is sufficient capital flow in the Nepalese stock market.					
FC2	Financial institutions actively support investment in capital markets.					
FC3	Availability of investment instruments enhances capital market growth.					
FC4	Lack of financial capacity limits participation in the capital market.					
FC5	Developing diverse financial products would improve market performance.					

*(Source: Author's Development)*

### Investor Awareness (IA)

Code	Statements	Ratings				
		5	4	3	2	1
IA1	I understand how the stock market operates.					
IA2	I am aware of the risks associated with investing in the capital market.					
IA3	I make investment decisions based on research, not rumors.					
IA4	Investor education programs help in improving decision-making.					
IA5	Low investor awareness is a barrier to capital market development.					

*(Source: Author's Development)*

### Capital Market Growth (CMG)

Code	Statements	Ratings				
		5	4	3	2	1
CMG1	The capital market in Nepal has shown significant growth in recent years.					
CMG2	There is a noticeable increase in investor participation in the market.					
CMG3	Trading volume and liquidity in NEPSE have improved.					
CMG4	The listing of new companies in NEPSE is encouraging market expansion.					
CMG5	Overall, the capital market is contributing to Nepal's economic growth.					

*(Source: Author's Development)*

Thank you for your participation and for filling out the questionnaire!

PAPER NAME

**QR CODES AND CUSTOMER SATISFACTI  
ON OF COMMERCIAL BANKS**

AUTHOR

**Shradha Gurung**

WORD COUNT

**13974 Words**

CHARACTER COUNT

**87571 Characters**

PAGE COUNT

**50 Pages**

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