



"PREFERENCE OF FINANCIAL INSTRUMENTS IN NEPAL"

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RECOMMENDATION

This is to certified that the thesis
submitted by
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entitled to

"PREFERENE OF FINANCIAL INSTRUMENTS IN NEPAL"

Has been prepared approved by thi department in the prescribed format of
the faculty of management.This thesis is forwarded for examination.

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VIVA-VOCE SHEET

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

by

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"Preference of Financial Instruments in Nepal"

And found that the thesis to be original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the Degree of Master of Business Studies (M.B.S.)

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DECLARATION

I hereby proclaim that the work reported in the thesis entitled "Preference of financial instruments in Nepal "submitted to Janta Multiple Campus ,faculty of management, Tribhuvan university is my original work done in the form of partial fulfillment of the requirements of Masters degree in business studies (M.B.S) Under the supervision of **Bishnumaya Sharma**, Janta Multiple campus Itahari Sunsari.

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Executive Summary

The study on “preference of financial instruments in Nepal” is a latest study. It aims to give new knowledge in the field concern to primary and secondary nepese capital market .There are various problems in capital market to bring smoothness in securities transaction.so with the following objectives ,this study is made and answer to the following questions prepared as statement of the problem.

The main objective of the study is to analyze the preference of financial instruments in Nepalese Securities Market. The specific objectives of this study are outlined as follows:

-) To examine the growth pattern of long-term financial instruments like equity shares, debentures, preferred stocks, and government bond etc.
-) To examine the investors’ preferences and attitudes towards the financial instruments.
-) To identify the most popular sector for investment and factors that influence investors to invest in different types of securities.
-) To examine the prospects of new financial instruments in the Nepalese Security Market.
-) To attract the investment choice of nepali investors in securities as to enlarge the scope of capital market that helps in accelerating the Nepalese economy.c

Financial market and institutions have undergone significant changes in recent years. Technology, innovation, deregulation, competition, and global financial crises have driven transformation. Changes in information and computer technologies have fostered the growth of new financial instruments and products and the development of new and creative way to hedge and manage risks in a globalize environment occurred that changes the scope, size and activities of financial institutions. The financial market plays a key role of facilitating the flow of funds from individual units to business, government, and household as well. The financial institutions in relation to financial market are the key players serving the role of intermediaries to determine the flow of funds in financial system. Financial institutions and markets serve the purpose of both the savers and users

of the funds. Thus, there is a growing prospectus of financial market, financial institutions, and financial instruments in a developing nation like Nepal.

In context of Nepal, there is a very short history of financial institutions, financial instruments, and its markets but it is slowly developing according to the needs of the economy although they are not sophisticated as in the market of the advanced countries. There is a growing awareness among the Nepalese investors regarding the financial system, financial markets, and its instruments. Despite this fact, the security market is taking its ride on a slow pace is, of course, affected by the investors' awareness. In this context, it is relevant to address the investors' preferences towards the financial instruments where they invest their surplus savings. Investors are said to be the backbone of economic development. Therefore, the investors should be encouraged to make investments in securities market by creating congenial investment environment and providing varieties of financial instrument.

Components of primary markets help to raise funds. They can act as facilitator as well as governing body. Wide variety of financial instruments available for investment indicates developed security markets. Study mainly focused on the preference of financial instruments and components of primary markets. This study is mainly deals with following questions:

-) What is the present situation and growth pattern of financial instruments in the transaction?
-) Which financial instruments investors prefer more?
-) What are the attitudes of individual and institutional investors towards the transaction of financial assets?
-) Which features of common stock are more significant in influencing investor?
-) Which investment sector do investors prefer more?
-) What are the main objectives of investment in common stock?
-) Are there significant differences among choices of different types of bonds between individual and institutional investors?

-) Which factors affects the choice of security?
-) What is the reason for preferring government securities?
-) Do investors analyze risk and return involved in a security while investing?
-) Are investors aware of general issues concerning the securities market?
-) What are the necessary actions to make progress in security market?

Nepalese security market is in developing stage. The amount of public issue and its number are in increasing trends. There are so many financial instruments available for the Nepalese investor but derivative securities are still have not been introduced to them. Banking sector is dominating other sector and finance sector has been issued large number of public issue than non-financial sector. Ordinary shares cover the high portion of the public issue. Institutional investor prefers simple interest bond but individual investor prefer mortgage bond, which is result of the chi-square test also. Nepalese investors analyze the overall company's performance to choose security for investment. Majority of respondent are in favor of introducing derivative securities and increasing the number of mutual fund. Respondents suggest broadening the access of the securities services, professionalism of the stock market and traders, institutional capacity and services beyond the capital city to develop security market in Nepal. Nepalese financial instruments are not developed at all and the components of primary markets have not been playing the effective role equally.

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ABBREVIATIONS

CDS	:	Central Depository System
CIT	:	Citizen Investment Trust
i.e.	:	that is
IPO	:	Initial Public Offering
LC	:	Letter of Credit
NCM	:	Nepal Industrial Development Capita Market
NEPSE	:	Nepal Stock Exchange Ltd.
NIDC	:	Nepal Industrial Development Corporation
NMB	:	Nepal Merchant Bank Ltd.
No.	:	Number
NRB	:	Nepal Rastra Bank
NSLMB	:	Nepal Sri Lanka Merchant Bank Ltd.
ROC	:	Registrar of Companies
SEBON	:	Security Board of Nepal
SEC	:	Securities Exchange Center
S.N.	:	Serial Number
SPSS	:	Statistical Package for Social Studies
Vol.	:	Volume