DEVELOPMENT AND CHALLENGES OF NEPALESE SECURITY MARKET

A Dissertation submitted to the Office of the Dean, Faculty of Management
in partial fulfillment of the requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled " Development and Challenges of Nepalese Security Market". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

Abhishek Yadav
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REPORT OF RESEARCH COMMITTEE

Mr. Abhishek Yadav has defended research proposal entitled **"Development and challenges of Nepalese Security Market"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Joginder Goet submit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **" Development and challenges of Nepalese Security Market "** presented Abhishek Yadav candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Abhishek Yadav

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ABBREVIATIONS

ADB	:	Asian Development Bank
AGM	:	Annual General Meeting
APT	:	Arbitrage Pricing Theory
B S	:	Bikram Sambat
BFIS	:	Bank and Financial Institutions
BOD	:	Board of Director
CAPM:		Capital Asset Pricing Theory
CDS	:	Central Depository System
CIT	:	Citizen Investment Trust
CRA	:	Credit Rating Agency
CRO	:	Company Registrar Office
DNNs	:	Deep Neural Networks
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
IPO	:	Initial Public Offering
LTD	:	Limited
MC	:	Market Capitalization.
MPT	:	Modern Portfolio Theory
NEPSE:		Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
OTC	:	Over-The-Counter
SEBON:		Securities Board of Nepal
SEC	:	Security Exchange Centre
SME	:	Securities Market Centre
TU	:	Tribhuvan University

ABSTRACT

This study aims to investigate the development of the securities market in Nepal and its impact on investors' decision-making processes. Specifically, it seeks to understand the relationship between turnover value and market capitalization within the Nepalese securities market. The study utilizes a descriptive and causal comparative research approach to explore the relationship between turnover value and market capitalization in Nepal's securities market. Secondary data from various sources are collected and analyzed using tools like Excel and SPSS. Methods include correlation and regression analysis. Finding reveals a general increase in traded companies, dynamic patterns in share volume, resilience and growth in market transactions, and an upward trajectory in market capitalization. The regression model confirms a statistically significant relationship between turnover value and market capitalization, suggesting that increased turnover value positively impacts market capitalization. This study contribute to understanding Nepal's security market development and suggest considering macroeconomic variables in policymaking. Future research could explore additional variables and external factors to enhance understanding and inform financial sector decisions.

Keywords: *Market Capitalization, Securities Market, Turnover Value, Development, Nepal*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Security markets are integral in world economies, and they are catalysts of the modern monetary system. Financial derivatives like bonds, commodities including oil and gold, equities as well as other instruments are exchanged through these very important hubs. This is where governments raise money through bond issuance for public projects; companies also fundraise to expand their operations, invest in research or make acquisitions (Islam & Khaled, 2005).

The stock market plays a major role in improving efficiency within the financial system as observed by Obiakor&Okwu (2011). Security markets, especially stock exchange convert small savings into investments that support economic development. Security markets have been around since long time ago but only became globalized and technologically advanced in late 20th century. The rise of electronic trading systems, the dominance of high frequency trading and globalization of capital markets has changed how securities are traded today posing new opportunities as well as challenges.

Economic growth stands out as a primary driver of security market development. As countries grow, they tend to demand more capital, thus prompting firms to seek funding via equity or debt securities. Moreover, regulation enhancements have played a key role in the formation of security markets by upholding transparency, investor protection and market integrity. This is through regulatory frameworks such as the Dodd-Frank Act in the United States and Markets in Financial Instruments Directive (MiFID) in Europe that aim at preventing systemic risks and promoting fair and efficient markets.

However, Security markets have still has numerous complexities and challenges. For instance, market manipulation, volatility and liquidity constraints all pose risk of destabilizing market equilibrium for investors. The rises of complex financial products and new trading technologies have also increased the concern about market transparency as well as systemic risk concerns. With cyber threats looming over trading platforms and financial institutions there are possibilities of systemic attacks that could cripple down whole financial system.

Essential for healthy industrial development, Nepal's stock market plays a dominant position in the country's financial landscape. The establishment of Nepal Stock Exchange (NEPSE) Limited in 1993 marked the beginning of a formalized stock market in Nepal aimed at developing the capital markets. The growth of Nepalese capital market has seen many transformational practices including multiple Initial Public Offerings (IPOs) and listing of new stocks that show economic growth. Changes in regulations, infrastructure upgrades such as creation of Central Depository System (CDS) and Credit Rating Agency (CRA), complemented with additional mutual funds have reshaped the landscape. Still, being sensitive by nature, the market can easily be affected by economic, social and political matters thus emphasizing on how much market development is linked to bigger economic conditions.

The importance of any developing nation like Nepal cannot be over emphasized when it comes to creating a stock exchange. A dynamic stock exchange makes it easy for businesses to raise affordable capital required for long-term development plans. Increased activities within the market encourage private sector involvement in industry and infrastructure projects hence promoting an inclusive economy.

The stability of the stock market is a growing concern for governments and policymakers. The Nepalese stock market is particularly volatile and underdeveloped due to factors such as low investor awareness, market manipulation, insider trading, inadequate regulatory frameworks, poor infrastructure, and political instability. These issues have been documented by various scholars, including Ghimire (2022) and Panta (2020). A stable and developed stock market is crucial for expanding market capitalization and integrating into the global market. This integration can lead to wider investment opportunities, attracting investors to various financial instruments such as equities, bonds, commodities, and other securities. The diversification of the stock market in Nepal is essential for providing these investment opportunities and enhancing market stability.

The strength of financial institutions plays a pivotal role in the economic development of both developed and developing countries. Robust financial institutions contribute to significant growth and market booms globally, as noted by Billmeier & Massa (2009). The modern era has seen an increased focus on stock markets as catalysts for financial development and economic expansion.

Economic growth is significantly influenced by the development of the stock market, with a stable, long-term equilibrium existing between economic evolution and stock market progress. However, government consumption and macroeconomic instability negatively impact economic growth. Monetary and fiscal policies, along with other macroeconomic variables such as GDP growth rate, inflation rate, and money supply, also play critical roles in determining a nation's economic growth.

Thus a detailed understanding of the development as well as difficulties of security markets is important for policymakers along with market individuals to develop reliable threat administration and also regulative approaches.

1.2 Problem Statement

Over the past few years, the security market in Nepal has made considerable progress but still struggles with a number of barriers that prevent it from reaching its full potential. One of them is inadequate market regulations and rules, whose absence makes it difficult to have a smooth operating market as well as eliminates investors' trust. It is characterized by obsolete trading systems and lack of investor protection mechanisms thus making it inefficient and unreliable for investors. Another problem faced by these markets is little amount of money available coupled with frequent prices fluctuations. This volatility discourages wider participation and presents risks to investors caused by factors such as individual access restrictions or lack of educational resources required to understand how the market works. Lack of transparency in information also contributes to this through enabling unfair practices like insider dealing. The other challenges are those related to cyber-attacks that increase risk levels for the stock exchange and make investors skeptical about their investments in this area. In addition, there is another layer of complexity due to economic and political influences on these markets because uncertainty arising from either quarter can make people not put their money into an investment vehicle thus worsening its instability level.

Addressing these challenges requires comprehensive measures to strengthen market regulations, upgrade technological infrastructure, and enhance investor education. By bolstering investor protection mechanisms and fostering transparency, stakeholders can mitigate risks and enhance market integrity. Furthermore, initiatives to improve cyber security measures and minimize external influences can contribute to market stability and

investor confidence. Despite these challenges, the significance of Nepal's security market in mobilizing savings and fostering economic growth cannot be understated. Efforts to analyze growth trends and performance provide valuable insights for market development and regulatory reforms. Moreover, addressing issues related to unfair market practices and inadequate disclosure can foster investor trust and facilitate market growth. In light of these considerations, a thorough examination of Nepal's security market development and challenges becomes imperative. This study aims to delve into these issues, assessing the current state of the market and identifying areas for improvement. By exploring the intricacies of Nepal's security market landscape, stakeholders can devise informed strategies to overcome obstacles and foster sustainable market growth.

Although Nepal's capital market is expanding, it is not yet significantly contributing to capital mobilization. As SEBON is a member of the worldwide organization of securities markets regulators, it aims to establish a market with global standards commissions (IOSCO) by implementing or swapping out the existing regional online trading system for an established global online software standard.The securities market plays an important role in mobilizing savings, and channeling them into productive investment for the development of commerce and industry of the country. It basically, assists the capital formation and economic growth of the country. In many developing countries like Nepal, the undeveloped capital market is still prevailing in the economy (Obiakor&Okwu, 2011). The Nepalese securities market could not take its height. The further improvement of this market is very crucial. It helps in accumulating even small saving for development activities of the economy otherwise, which would have spent in unproductive areas. But it is true that there is no presence even of organized money market in rural areas, which covers almost 90 percent of the total area of Nepal. Despite these truths, an attempt has been made to analyze the growth trends and performance of the Nepalese securities market (Gurung, 2004).

The growing pessimism of the investors over the performance of share market is to be looked from broader company-industry economy framework. The frequent change in government has created political uncertainty regarding the coherent economic development strategy to the extent that entrepreneurs are not sure of what type of business policies to pursue (Kharel, 2019).

The downfall of share market is mainly due to the unfair share market practices that went undetected for a long period in Nepalese share market. There has been a growing tendency to sell worthless and fraudulent securities since regarding their moral standing and honest integrity of professionalism. The unfair share market practices cover wash sales, concerning of the share market, churning, formation of pools and cartels, misuse of insider information and so on. In wash sales, there is simply record of a sale but there is no sale of shares at all (Risal & Khatiwada, 2019).

Investors need sufficient information about the company before investing in the initial public offering of the company. It's found to be true in some extent, because some company's performances after the public issue were found to be very poor despite they showed very optimistic financial forecasts in the prospectus. However, there is a general feeling among the investors that the information disclosed through the public announcement and prospectus do not truly reflect the true picture of the future prospects of the company.

Shortcoming in accounting and audit practice of non-financial companies has led to the incomplete disclosure to investors and the Securities Board does not have powers to force these companies for making true and complete disclosure.
In this regard development of security market and challenges of this nation to be analyzed. Likewise, it is needed to check what the securities market challenges are existing are. So this study will be raised the following issue: -

- What is trend of development security market in Nepal?
- Is there any relationship between turnover value (trading volume) and market capitalization within the Nepalese security market?
- Does the turnover ratio affect the market capitalization?

1.3 Objectives of the Study

The securities market plays an important role in mobilizing savings, and channeling them into productive investment for the development of commerce and industry of the country. The Nepalese securities market could not take its height. The further improvement of this market is very crucial

This study mainly aims to examine the evolutionary trajectory of the Nepalese security market. Moreover, the specific objectives of the study are:

- To assess the comprehensive development of the security market in Nepal.
- To examine the relationship between turnover value and market capitalization within the Nepalese security market.
- To analyze the impact of turnover value on market capitalization.

1.4 Rationale of the Study

Security market movement helps to know about the real capital market situation of the nation. The policy maker from any sector can develop suitable strategies and implement them by means of action plan considering the securities markets development and its performance. In today's context, securities market is moving towards the free and open market system so as the securities exchange board has introduced OTC for the market players. So, this new step is thought to be the giant leap for the market. In this manner, it is expected that the study will provide more useful for operational activities as well as investors. This study will provide more information regarding securities market trend. Investors can assess how market fluctuation affects their investment and return. Similarly, government can take advantage of the study to form economic policy to review its policy reforms. Likewise, security broker, market maker, researcher and other interested parties can take advantage of the study in one or other way.

1.5 Limitations of the Study

- Some of the limitations of the study are listed below:
- The present study is based on pure aspect of development of securities market in Nepal. The study does not consider availability of different instrument and institutions for trading purpose. Similarly this study is based on both primary and secondary data.
- The views given by the respondents, which may constrain the quality of the study.
- Secondary data has the own limitation (i.e. reporting error) and in case of primary data the respondent sometimes may not be willing to give exact opinion. And some of the questionnaires have been returned by the respondent with incomplete responses.

- The sample size is relatively small (N=12), which could impact the generalizability of the findings. Hence, further research with a larger and more diverse sample may be necessary to confirm and extend these findings.

CHAPTER II

LITERATURE REVIEW

A literature review is an overview of the state of knowledge for a certain topic. It often comprises significant discoveries on a particular topic together with methodological and theoretical developments. Literature review studies established literature, which could include books, journals, papers, or other sources connected to the present investigation, provides information on the main findings of earlier research. Moreover. According to Geter et al. (2018), a systematic literature review maps areas of uncertainty and identifies gaps in research by providing a better overview of studies which research the same topic.

2.1 Theoretical Review

The reason of this frame is to concretely look at the corpus of hypothesis that has gathered in respect to an issue, concept, hypothesis, wonders. The hypothetical writing audit offer assistance build up what hypotheses as of now exist, the connections between them, to what degree the existing speculations have been examined, and to create unused speculations to be tried. Regularly this shape is utilized to assist build up a need of suitable hypotheses or uncover that current speculations are insufficient for clarifying unused or developing inquire about issues. The unit of investigation can center on a hypothetical concept or entire hypothesis or system. Speculations are defined to clarify, foresee, and get it marvels and, in numerous cases, to challenge and expand existing information inside the limits of basic bounding presumptions.

Macro-economic Factor Theory

The macroeconomic factors theory, which suggests that a bank's share price can be influenced by broader macroeconomic factors, has been developed and studied by many economists over the years. One notable economist who contributed to this theory is Eugene Fama, who is best known for his work on efficient markets and the relationship between risk and return. Fama's research on the relationship between macroeconomic factors and stock prices in the 1970s and 1980s provided crucial insights into how factors like interest rates, inflation, and economic growth might affect the performance of financial markets (Fama, 1981).

According to the macroeconomic factors hypothesis, stock returns are influenced by the underlying macroeconomic environment. Changes in economic growth, inflation, and monetary policy, in particular, have been demonstrated to be key predictors of stock returns (Rapach, et al., 2010).

Theory of Efficient Market Hypothesis

Investment theory is mostly based on the notions attributed to research by Eugene Fama, as detailed in his book "Efficient Capital Markets: A Review of Theory and Empirical Work" of 1970(Brown, 2019). The efficiency of the market is the extent to which the price appropriately reflects all pertinent information. If the markets are efficient, it is difficult to "beat" them when there are no inexpensive or overpriced assets because all of the data has already been integrated into pricing. Since the efficient market hypothesis shows that the market always functions efficiently and trades at fair value, it is practically difficult for a trader to buy stocks at an overvalued or overvalued rate (Mathur, 2020).

Markowitz Efficient Frontier

A term in portfolio theory, the Markowitz Efficient Frontier was first proposed by Harry Markowitz in 1952. It denotes the ideal set of portfolios that deliver the highest projected return for a given level of risk or the lowest risk for a given level of return. It assists investors in making well-informed decisions on asset allocation and is predicated on the idea of diversification. The efficient frontier is a tool that is frequently used in the finance industry to build portfolios that successfully balance risk and return. It has had a substantial influence on current portfolio management.

The following is the formula for the Markowitz Efficient Frontier:

$E(Rp) = \sum(wi * E(Ri))$(Fabozzi et al., 2011)

$\sigma p = \sqrt{(\sum\sum(wi * wi * \sigma i * \sigma j * \rho ij))}$

where:

E(Rp) is the expected return of the portfolio,

wi is the weight of asset i in the portfolio,

E(Ri) is the expected return of asset i,

σp is the standard deviation (risk) of the portfolio,

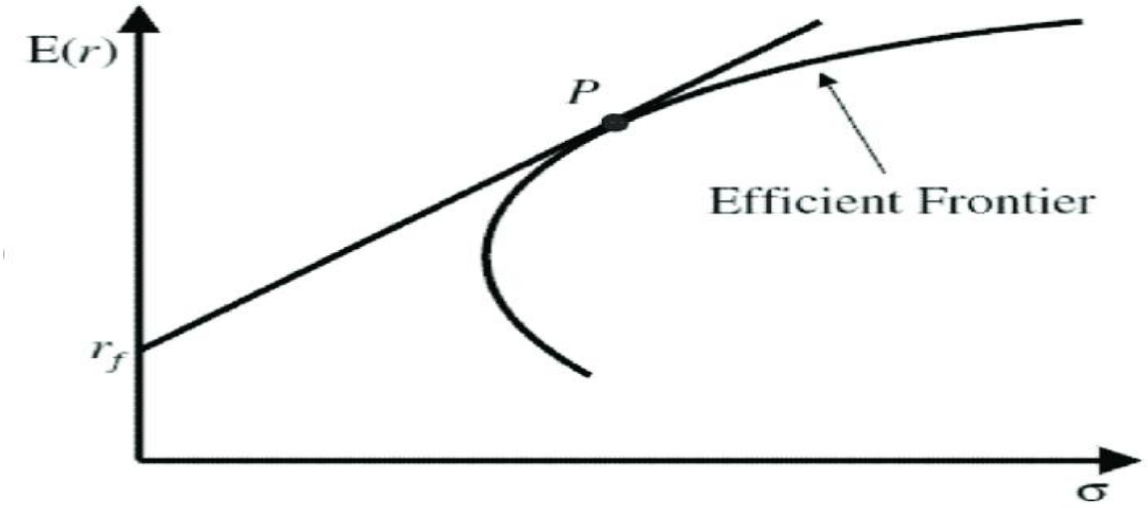
σi is the standard deviation (risk) of asset i,

ρij is the correlation coefficient between assets i and j.

The efficient frontier represents the set of optimal portfolios that achieve the highest expected return for a given level of risk or the lowest risk for a given level of expected return. The formula calculates the expected return and risk of the portfolio based on the weights and expected returns of individual assets, as well as their standard deviations and correlations. By adjusting the weights of different assets, investors can find the optimal portfolio that lies on the efficient frontier, providing the desired risk-return tradeoff.

Figure 1

Markowitz Efficient Frontier



(Source: Ngo et al., 2023)

Modern Portfolio Theory

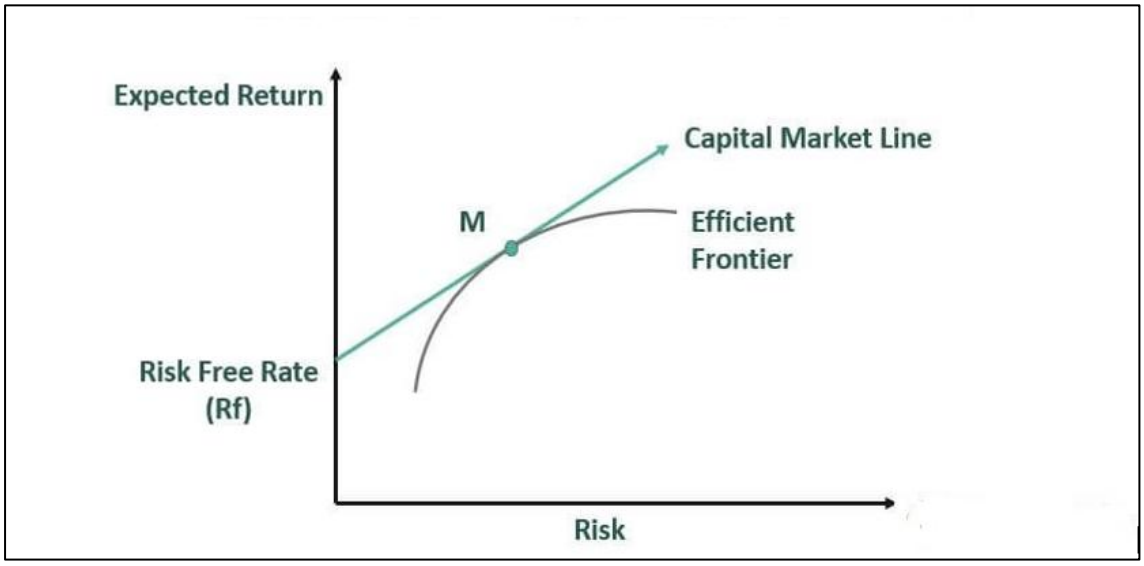
The Portfolio Theory was initially proposed by American economist Harry Markowitz in his paper "Portfolio Selection," which was published in the Journal of Finance in 1952.

Modern Portfolio Theory (MPT) is a risk-averse investor's technique for constructing diversified portfolios that optimize returns while avoiding unacceptable levels of risk(Markowitz, 1952). Elton and Gruber (1997) and Fabozzi et al. (2002) stated that iinvestors who want to understand the market as a whole, rather than business analysts who want to understand what makes each investment opportunity unique. Investments are statistically characterized in terms of their projected long-term return rate and short-term volatility. Volatility is tied to risk, and it reflects how awful an investment's bad years are likely to be compared to the average. The objective is to figure out how much risk you're

willing to take and then build a portfolio that gives you the best possible return for that amount of risk. Statistically, investments are classed based on their predicted long-term return rate and short-term volatility (Frazzini&Pedersen, 2014).

Figure 2

Modern Poritfolio Theory



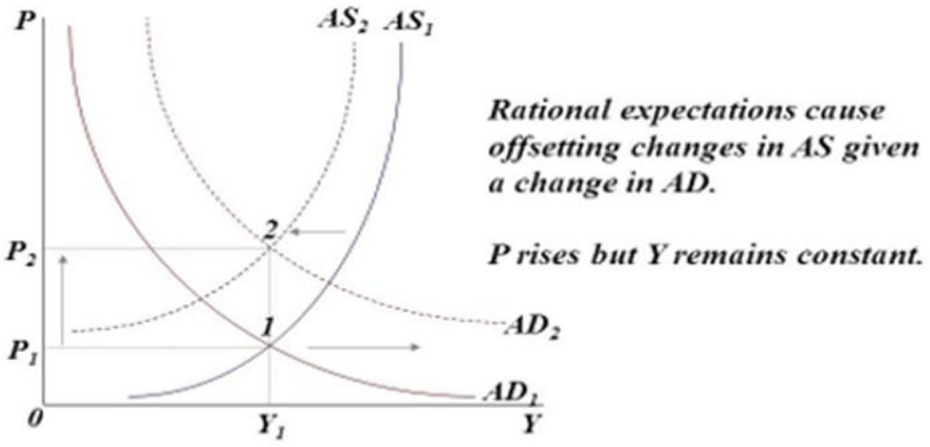
(Source: Jang & Seong 2023)

Rational Expectation theory

Rational expectations are an economic theory that states that individuals make decisions based on the best available information in the market and learn from past trends (Plot& Sunder, 1982). The new classic rational expectations model is a more fundamental critique of the Keynesian approach than a monetarist model that appears to corroborate both the high inflation rate and the high unemployment rate that occurred in the 1970s US economy (King, 2000). Economists, like employees and businesses, are unsure about the future, thus their actions are based on their projections. Economic players make rational future expectations if they use all available knowledge to meet the best prospective expectations (Baroudi, 2002)

Figure 3

Rational Expectation Theory



(Source:Baroudi, 2002)

Arbitrage Pricing Theory

Stephen Ross initially presented the APT in the 1976 paper "The Arbitrage Theory of Capital Asset Pricing." An alternative theory to the CAPM is the APT, which substitutes several macroeconomic factors, each with a unique risk factor, for the single component that influences the expected rate of return (Elshqirat, 2019). The relationship between the expected rate of return for a given stock, the risk-free return, and the return of other factors with its risk is a perfect linear relationship. In the APT, the expected rate of return is calculated as follows

$Ei = \rho + \gamma 1\beta i1 + \ldots + \gamma k\beta ik,$

Where Ei is the expected return on the ith asset, ρ is the risk-free return, βik is sensitivity ofith asset to the factor k, and ɣk is the risk premium of factor k.

Calderon-Rosell Theory

In 1991, Calderon-Rossell developed a model that investigated the primary factors influencing the growth of the capital market. This model is the most comprehensive effort to date to strengthen the CMD financial theory's basis. This model incorporates stock market. The two primary indicators are thought to be liquidity and economic growth. The two groups of determinants that make up the institutional and macroeconomic components are separated apart. Savings, income level, the growth of the banking

industry, private capital flows, investment, stock market liquidity, and macroeconomic stability are examples of macroeconomic factors. The factors within the institution are

Capital Asset Pricing Theory

The Capital Asset Pricing Theory, or CAPM as it is commonly known, is the particular equilibrium model that piques the curiosity of several investors. Asset pricing theory originated with Sharpe (1964) CAPM, which earned Sharpe a Nobel Prize in 1990. The strength and intuitive appeal of the CAPM's forecasts regarding risk measurement and the relationship between projected return and risk are what draw people in. It enables users to evaluate the pertinent risk of certain assets and the correlation between risk and predicted investment returns. The CAPM is attractive as an equilibrium model because of its simplicity and its implications. But over time, significant problems with the model have led to the development of substitutes. The main substitute for the CPM is the Arbitrage Pricing Theory (APT), which permits the presence of several risk sources. Despite being a straightforward model with a solid foundation in logic, the CAPM has a number of implausible assumptions. A few modifications to the fundamental CAPM that eased one or more of these presumptions were put out.Note that you can never completely eliminate risk from an investment, no matter how much diversification is feasible.

Signaling Theory and Network Leadership

The core notion of signaling theory is that signalers are insiders who have access to information and expertise that outsiders do not have (Taj, 2016). Traditionally, signaling theory has been used to describe how new enterprises seeking external finance and having more knowledge about their firm strive to communicate this and connect with external funders seeking profitable investment prospects. Signaling theory is used in investing and finance to analyze the valuation of new enterprises seeking external financing in the event of an initial public offering (Certo, 2003).

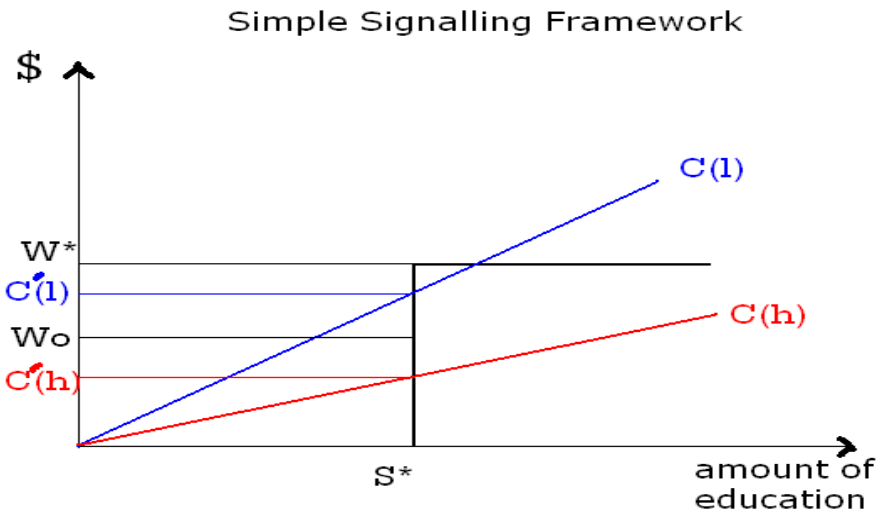
According to the relationship between signaling theory and investment markets, equity participation and convertibility can lessen information asymmetry between the venture and potential investors (Arcot, 2014). Top traders are those who post trading signals on the online social trading platform Ayondo, while followers are those who follow the trading signals of top traders. This means that the signaling and decision-making processes used by top traders and their followers in a peer network are like those used in

investment markets. As a result, signaling theory might be utilized to explain how trust in leadership ability develops. Over time, signaling theory recognizes a changing environment between network members and the signals they share.

A social network analysis of leadership in virtual collaborative environments such as social software systems, chat rooms, or virtual worlds reveals that the most effective emerging leaders are those who adopt mediating positions in virtual network interactions rather than directing or monitoring them (Kromidha & Li, 2019). Top traders, according to our research, mediate market and network dynamics to make decisions that are communicated back, impacting connections and their own leadership position over time. Transactional digital platforms provide good opportunity to investigate and develop network leadership theory in inter-organizational contexts. In this study, traders create opportunities by collaborating on online social trading platforms.

Figure 4

Signaling Theory



(Source:Connelly et al, 2011).

Capital Market Theory

After Markowitz developed modern portfolio theory, capital market theory was developed as researchers investigated the effects of adding a risk-free asset. Although Lintner and Mossin independently developed similar models in the mid-1960s, Sharpe is usually credited with creating the CAPM. Some of the assumptions made about

capital market theory: all investors are homogeneous return expectants; all investors are Markowitz efficient investors who make investment decisions based on expected return and risk; investors can borrow or lend any amount at a risk-free rate of interest. The capital market theory is a pricing model that is typically used for shares. Capital market theory establishes the framework for doing securities analysis. Unlike modern portfolio theory, which assumes how investors should behave, capital market theory is a positive theory that postulates how investors actually behave.

2.2 Thematic Review

A thematic analysis is a method of identifying, interpreting, and reporting patterns (themes) within a study topic (Vaismoradi et al., 2013). In this study under thematic review, this studied many academics' articles, papers, and literature to comprehend the present state of share market orientation in connection to investors' judgments. Different studies from throughout the world helps to understand how they did their study, the dangers they faced, and the ideas they employed. It helps to comprehend investment decisions as well as general trends and behaviors.

Concept Stock Market

Several definitions on stock market have given by some researchers:

The stock market is known as the secondary market under the capital market. It includes all transferable securities that firms have previously issued and that are traded on the stock exchange. Private company securities are not included in the stock market since they are not marketable securities because of their lack of liquidity and inability to be sold on a stock exchange (Aburidi & Aburidi, 2022).

The stock market encompasses all operations related to trading shares for marketability and liquidity, regardless of their quality. Regardless of the organizational structure or status of the issuers, only the securities of currently operating businesses are tradeable on the stock exchange (Vaidya et al., 2023).

According to Campbell et al. (1997), the stock market is a gauge of how much investors and other market players believe a firm is worth based on their projections for future profits, dividends, and growth potential.

The financial market known as the capital market is when sales and acquisitions result in long-term debt or equity instruments (Hardin & Hill, 2008).

A capital market, as opposed to a money market, is a financial market that buys and sells durational debt (more than a year) or securities backed by equity. Capital markets transfer savers' funds to governments and businesses that can employ them for constructive purposes (Sikarwar & Appalaraju, 2018).

According to Kamuti (2017), a main market is a financial market where a company first offers its new securities issuance.

The trading of publicly traded firm shares and related financial instruments takes place on a stock market. Stock exchanges used to be "open outcry," with trading taking place on the exchange's floor. The majority of contemporary stock trading takes place on computerized exchanges, where buyers and sellers match orders they have placed online to transact buying and selling (Dahal, 2010).

From the above definition, the stock market is a catchall term for the general facilitation of the buying and selling of shares of ownership in corporations. The market for publicly traded firms' shares. People refer to the network where stocks and bonds are "traded" as "the stock market." This entails the purchase and sale of stock in a corporation. The objective is to purchase a stock, keep it for a period, and then sell it for a profit. It's a method of making money by investing money.

Concept of Investment

Several researchers and agencies have proposed several definitions of consumer investment choice, which may be addressed as follows:

A financial commitment made now with the intention of earning payments later is called an investment. "Investors" can include individuals, governments, pension funds, and businesses. All types of investments are included in this definition, including individual stocks, bonds, commodities, and real estate holdings (Reilly et al., 2012). With the intention of expanding consumption in the future, an investment decision is a compromise between current and future consumption. Benefits in the future are exchanged for cash now. A person who decides to invest (and put off consumption) does

so by choosing a portfolio that, in accordance with utility theory, maximizes returns (Kamuti & Omwenga, 2017).

Investors base their decisions on a variety of informational options, and decision-making has been viewed as a mental process (Ogunlusi & Obademi, 2019).

As a result, choosing how to invest money now in hopes of earning more later on is included in the category of investment decisions. Future rewards are being swapped for current cash. The way each person invests draws attention to options for making smaller securities purchases. Investment decision-making has always been regarded as a mental process since investors base their decisions on a variety of information sources. When making an investment, a person chooses to balance now spending with future consumption in order to increase future consumption rates.

2.3 Empirical Review

This empirical research explains the major theoretical frameworks in various marketplaces, geographies, and situations. Open and indirect monitoring is used in this study to gather information or experiences. Data analysis can take two forms: qualitative and quantitative. It is investigated whether the theory under consideration is supported or refuted by prior study. Furthermore, data pertaining to the examined case studies may be found, retrieved, and evaluated uniformly throughout the publications.

Ayadi and Williams (2023) aimed to explore the possibility that securities markets in selected African countries of Egypt, Kenya, Nigeria and South Africa play a significant role in capital accumulation using panel data analysis. This is done by exploring the relationship between gross fixed capital formations on the one hand and financial market development indicators on the other hand. The analysis is based on annual times series from 1991 through 2017 spanning four African stock markets. The analysis utilized the fixed-effect and random-effect econometric models. The Durbin–Wu–Hausman test is used to choose between the two models. Findings indicated that stock market capitalization is a positive determinant of gross fixed capital formation. The market value traded and turnover have no relationship with capital formation. Therefore, the role of stock African stock markets in promoting capital accumulation and, subsequently, industrial growth in Africa is seriously questioned.

Ismailovna (2023).article investigated the relation between stock market development and economic growth in Uzbekistan to discern the infrastructure requirements, governmental interventions, and obstacles encountered in fostering stock market progression. The stusy was conducted employing a multifaceted approach, it used theoretical insights from economic literature with empirical observations, analyzing global crises such as the COVID-19 pandemic to discern their impact on stock market activity. Findings revealed the pivotal role of stock markets in mobilizing investment capital and driving economic expansion, accentuating the necessity of conducive infrastructure and supportive policy frameworks for their advancement. Challenges in cultivating stock markets, including the imperative for governmental backing, infrastructural enhancement, and integration into global financial networks, are delineated, with particular emphasis on the political imperative of safeguarding national interests in international financial domains. Moreover, the study highlighted the mechanism to operate a robust stock market ecosystem to catalyze economic growth.

Kulasekhar (2023) aimed to analyze the development of capital markets in India, focusing on their historical evolution, current state, and the impact of the COVID-19 pandemic, with insights into the functioning of capital markets, the role of regulatory bodies like SEBI, and the response of the Indian stock market to the pandemic. Utilizing secondary data from various sources, it employed descriptive analysis tools to cover key aspects including the growth and liquidity of the government securities market, the corporate bond market, and the performance of different sectors in the stock market before and after the COVID-19 pandemic. The findings highlighted the historical evolution of India's capital markets, the crucial role of SEBI in regulation, and the significant impact of the COVID-19 pandemic on the stock market, with varying degrees of resilience and vulnerability across sectors. The study concluded that India's capital markets had experienced significant development driven by regulatory reforms and technological advancements, with the stock market demonstrating resilience despite pandemic challenges, though uncertainties persisted, warranting continued vigilance and policy support for stability and growth in the post-pandemic era.

Khadka and Pradhan (2023) investigated the impact of firm-specific and macroeconomic factors on the profitability of Nepalese insurance companies, using secondary data from 16 companies from 2013/14 to 2020/21. The results indicated that the liquidity ratio

negatively impacted return on assets and return on equity, while assets tangibility had a positive impact on these variables. Higher assets tangibility led to higher return on assets and return on equity.

Upadhyaya et al. (2023) examined how financial performance indicators affect Return on Equity (ROE) and Return on Assets (ROA) in non-life insurance companies using panel data analysis. The study highlighted key success factors for profitability and efficiency in Nepal's insurance sector, suggesting that enhancing gross premiums, retention ratios, reducing expense ratios, and lowering combined ratios can significantly improve profitability.

Vaidya et al. (2023) conducted a qualitative investigation to understand the perspectives of Nepalese econophysicists who were also investors on the investment climate in the Nepalese stock market (NEPSE) and the obstacles they faced when making investment decisions. The research collected the opinions of participants on the NEPSE screening procedure and the return distribution structure of the market. The study used grounded theory to extract particular insights from the respondents' viewpoints and discovered that they were worried about listed companies' strong foundations. The respondents also brought up problems with false information and trading tactics.

The paper by Abrorov and Ahmadjonov (2022) investigated the potential of Islamic securities within the digital economy, particularly focusing on their role in developing the fund market. The study provide a comprehensive analysis that illuminates the ways in which technology might improve Islamic finance's efficiency, accessibility, and transparency. Through an examination of the convergence of digital advances and Islamic finance principles, they offer valuable perspectives on how digital tools and platforms might streamline the issuance, trading, and administration of Islamic securities. According to the research, utilizing digital innovations can greatly aid in the development and expansion of Islamic finance by providing new chances for industry players and possibly drawing in a larger pool of investors. In conclusion, the paper highlighted the importance of integrating technology into Islamic finance to harness its full potential in the digital economy, thereby fostering growth and development in the fund market while adhering to Islamic principles.

Akenten et al. (2020) conducted an exploratory study to assess the role of the capital market in driving economic growth in Ghana. Their research emphasizes that the advancement of the capital market is intricately linked to the preceding development of the broader financial sector. Essentially, the study posits that a robust and well-functioning financial sector lays the foundational groundwork necessary for the capital market to flourish. This progression is crucial because the capital market, once established and matured, becomes a pivotal mechanism through which economic growth is stimulated. It achieves this by facilitating the efficient allocation of resources, mobilizing savings, and channeling investments into productive ventures.

Alimov (2022) examined the integration of Uzbekistan's securities market into foreign capital markets from 2015 to 2021, addressing challenges such as outdated infrastructure and limited financial instruments. It highlighted key achievements in increasing capitalization and turnover of corporate securities while assessing the market's impact on economic growth. The study identified measures for further integration, including modernizing stock exchange activities and updating legislation, emphasizing the importance of liberalization, legal protection, and regulatory effectiveness. The finding indicated that despite progress, the securities market's development remains hindered by the dominance of state-owned shares and a lack of liquidity, impacting its effectiveness in stimulating economic growth. The conclusion emphasized the need for a conducive environment to create a local securities market that efficiently allocates capital and supports economic growth while integrating into foreign capital markets.

A study by Ataniyazov and Sayfullokhon (2022) titled "Stock Market in Uzbekistan: Current Situation and Development Prospects," is the analysis of Uzbekistan's stock market, identifying its then-current state, challenges, and potential growth avenues. The study examined various factors influencing the market's development, including capitalization, infrastructure, regulatory mechanisms, and investor protection. Through logical, statistical, and graphical analyses, the research identified key obstacles hindering market effectiveness, such as the complexity of legal frameworks and the absence of institutional investors. It proposed several measures to address these issues, including attracting domestic and foreign investors, enhancing dividend yields, improving legal and taxation systems, and fostering information transparency. The study highlighted the

importance of a holistic approach involving both market stakeholders and governmental intervention for sustainable market development.

Ghimire (2022) investigated the relationship between quarterly monetary variables such as lending rates, deposits, and narrow money supply along with fiscal deficit and imports, and the Nepalese stock market index using time series analysis. The study found that in the long run, interest rates and imports have significant negative and positive impacts on the stock market, respectively. Short-term effects reveal that only interest rates influence the NEPSE index, while other variables tend to converge to equilibrium within approximately four quarters, as indicated by the error correction model.

Niranla (2022) investigated the relationship between government policy and the price movement of Nepal's stock exchange (NEPSE). Using a case study design, it found that GDP and import were inversely associated with stock price movement, while CRR, export, interest rate, and inflation were positively associated. Macroeconomic variables played a crucial role in determining Nepalese stock price movement, and changes in government policy significantly affected the stock market.

Norov et al. (2022) examined the operations of commercial banks within the securities market, exploring their roles, regulatory frameworks, and activities like underwriting. Through comparisons with practices in different countries and an emphasis on the regulatory landscape in Uzbekistan, the article aimed to provide insights into the challenges faced by commercial banks in this domain and offers recommendations for improvement. The finding highlighted the significant role of commercial banks in the securities market, particularly in underwriting activities, and underscore the importance of regulatory compliance and collaboration among banks to overcome challenges. The conclusion emphasized the need for further development of the securities market, including increased participation of open joint-stock companies in issuing corporate bonds and the establishment of issuance syndicates to facilitate faster issuance and placement processes.

Popov et al. (2022) tried to address the gap in existing literature by developing mathematical models that can effectively represent the transformation of the over-the-counter (OTC) securities market induced by the tokenization of underlying assets. To achieve this, the study proposed two distinct models. Firstly, a model is introduced to

describe the internal transformation within the OTC financial market, focusing on the management of rights to underlying assets during their issuance and circulation. This model draw inspiration from the Harrison–Ruzzo–Ullman (HRU) model, applying analogous principles to economic agent relations in accessing underlying assets. Secondly, the study presents a mathematical model illustrating competitive tokenization-induced transformation in the OTC financial market. This model captured transaction costs associated with attracting investment in both the OTC financial market and the market for tokenized assets. Through these models, the research revealed significant insights into the expanded supply capabilities of tokenized assets, highlighting their impact on asset returns concerning invested capital. Thus, the findings of this study contributed to the advancement of understanding in digital financial transactions and provide valuable theoretical confirmation of the implications of asset tokenization on financial markets.

Omachar et al. (2021) examined the impact of government regulations on the correlation between securities market development (SMD) and economic growth (EG) in the Common Markets for Eastern and Southern Africa (COMESA) member states. Conducted as a longitudinal study spanning from 2005 to 2020, the research utilized panel data from nine COMESA member states and an econometric model incorporating four indicators: stock market capitalization, stock traded value for SMD, ease of doing business index for government regulations (GR), and real GDP growth rate for EG, employing a fixed effects model as a discussion estimator. Results indicated that government regulations positively influenced the relationship between SMD and economic growth in COMESA member states, aligning with neoclassical growth theory and the public interest theory of regulations. The study concluded that government regulations served as a significant macroeconomic factor allowing member states to directly impact the association between SMD and economic growth. This research contributed to the field by providing empirical evidence on the effect of government regulations on the SMD-EG relationship within COMESA, addressing a gap in the finance literature.

Thakur and Chaudhary (2021) examined the use of deep neural networks (DNNs) in stock price and trend prediction, focusing on their applicability to temporal data and hybrid approaches. The study also explored potential limitations and carried out experimental

evaluations using nine DNN models. The study concluded with a survey covering 2017-2020 research perspectives on DNN-based stock market prediction. The analysis indicated the significance of model enhancements and suggested that the prediction model's hyper parameters could have a significant impact.

Using grounded theory, Vaidya (2021) examined the investment choices made by Nepalese secondary market investors. The research, which relied on semi-structured interviews, discovered that investors wanted improved trading experiences at the NEPSE floor and were keen to invest in the stock market. Regarding the connection between macroeconomic variables and investment choices, there were differing views. The caliber of publicly traded corporations, technical analysis, market patterns, erratic political environments, insider trading, and an abundance of information were among the main worries of investors.

Zhang and Zhuang (2021) used a Markov chain model to predict the trajectory of the Chinese stock market. This study investigated the idea that the Markov chain had no aftereffects, making it better suited for analyzing and forecasting the closing stock price and stock market index. The research showed that applying the Markov chain model to the stock market yielded a comparatively positive outcome. It was suggested that this methodology could also be applied in other domains such as bond and future markets. Additionally, they recommended that the method be used as a foundation for decision-making and that the results from the Markov chain model for prediction could be combined with other elements that significantly influence changes in the stock market.

Chalise (2020) performed a descriptive analysis to evaluate the status of the capital market in Nepal, examining its composition and the impact of capital mobilization on GDP. The results indicated a significant positive impact of capital mobilization on GDP and share transactions on the NEPSE Index.

Mexmonov (2020) analyzed the evolution and functioning of the stock market in Uzbekistan, particularly focusing on the Tashkent Republican Stock Exchange, within the framework of economic reforms and development initiatives spearheaded by the government. It examined the establishment of the stock exchange, its role in facilitating securities trading, and its integration into the global financial market. Through a comprehensive analysis, the article shed light on the trajectory of the stock market's

growth, the regulatory framework governing securities transactions, and the involvement of various stakeholders, including investment institutions and market participants. The study found that there is significant strides made in modernizing the economy and fostering a conducive environment for financial market activities.

Panta (2020) investigated an autoregressive distributed lag (ARDL) model to analyze the relationship between stock market prices (NEPSE index) and macroeconomic variables like GDP, broad money supply, interest rate, inflation, and exchange rate. The study used an error correction model (ECM), derived from the ARDL model through simple linear transformation, to integrate short-term adjustments with long-term equilibrium without losing long-term information. The results showed that long-term fluctuations were strongly correlated with these variables, with money supply holding a positive relationship.

Rustamova (2020) conducted an economic analysis of the securities market development in Uzbekistan, examining transaction volumes, sector composition, and exchange dynamics. The study aimed to fill gaps in existing research, particularly regarding financing, analysis, regulation, and control aspects of the market. Through a detailed analysis, the article found a significant increase in trading volume and transactions, notably after the adoption of modern sales practices like IPO/SPO. This reflected heightened investor activity and the emergence of new instruments. The study concludes that while the stock market in Uzbekistan has witnessed notable progress, there remain challenges such as inadequate regulation structure, high demands on joint stock companies, and insufficient infrastructure for market forecasting. These findings revealed the need for further reforms to ensure sustained growth and stability in the securities market of Uzbekistan.

Sapkota (2020) aimed to determine stock investors' awareness in Nepal's capital market and analyze factors that influence it. Using 104 samples, a descriptive research design was adopted with structured questionnaires. Statistical analysis using SPSS revealed a significant relationship between investor awareness, fundamental and technical analysis, education programs, social learning, investment alternatives evaluation, regulators' rules, and information dissemination. The Pearson correlation coefficient showed a positive correlation between investor awareness and influencing factors.

Thinh et al. (2020) investigated the factors affecting the development of the Vietnamese derivative securities market, highlighting the importance of capital mobilization for economic growth and the role of derivative markets in attracting financial resources. Through a literature review, theoretical perspectives, and previous studies, the article established a framework for understanding derivative securities markets and their relationship to economic development. The study employed a qualitative method with ordinary least squares to analyze data collected from managers and experts in Vietnamese derivative securities companies. The findings suggested that both international integration and the legal environment significantly impacted the development of the Vietnamese derivative securities market, with international integration having a positive effect and the legal environment showing a negative influence. As a conclusion, the article emphasized the importance of regulatory adjustments and long-term strategic international integration directions to attract foreign investment and foster the strong development of Vietnam's derivative securities market, thereby contributing to the country's economic growth in the future.

Ngwakwe (2020) examined the impact of the COVID-19 pandemic on global stock indexes, including the SSE Composite Index, Euronext 100, and Dow Jones Industrial Average. Data was collected before and during the pandemic and analyzed using a paired t-test. The results indicated a significant reduction in mean stock value during the pandemic, while the Chinese Stock Exchange Composite Index experienced an increase. The S&P 500 and Euronext 100 indexes showed no significant difference in mean stock price.

In studyby Shiji and Aparna (2019) explored the various challenges encountered by investors. Utilizing a straightforward percentage analysis method, the authors identify and examine these problems in detail. The paper suggested that understanding these challenges is crucial for devising effective solutions, thereby providing a roadmap for addressing and mitigating the issues faced by investors. The findings highlighted the importance of targeted strategies to overcome these obstacles, ultimately contributing to a more robust and supportive investment environment.

Subedi (2019) analyzed Nepal's securities markets, using secondary sources like annual Security Board Nepal reports and library materials. The results showed an increasing trend in listed companies but a decrease in growth, suggesting that NEPSE should monitor market obstacles that prevent companies from being traded.

Pokharel (2018) conducted an exploratory investigation and analysis of the interrelationship between affective elements influencing stock prices and consumer investment decisions. The study aimed to understand how emotional factors impact investor behavior, particularly in the context of stock market investments. The findings revealed that most investors tend to base their purchasing decisions on the fundamental analysis of a company's financial statements. This approach suggests that while emotional and psychological factors play a role in investment decisions, the primary driver for most investors remains the objective assessment of a company's financial health and performance as reflected in its basic financial documents.

Onyuma and Kibet (2017) investigated the relationship between financial intermediary development, economic growth, and securities market development in Kenya. The study aimed to determine whether economic growth moderates the influence of financial intermediary development, particularly gross domestic savings, on securities market development. Through a correlational research design and hierarchical moderator multiple regression analysis, the study examines data from the Nairobi Securities Exchange and Central Bank of Kenya databases spanning 1997 to 2016. The finding revealed a significant positive relationship between financial intermediary development and securities market development in Kenya. Additionally, economic growth moderates this relationship, indicating that as the economy grows, the influence of financial intermediaries on securities market development increases. The conclusion emphasized the importance of policies aimed at promoting economic growth, financial sector development, and savings mobilization to foster securities market development in Kenya.

In study by Kamuti and Omwenga (2017) conducted a Structural Equation Modeling (SEM) analysis to uncover the variables that influence investment decisions on the Nairobi Securities Exchange (NSE). Their research highlighted the significant impact of various factors on the decision-making processes of investors participating in this financial market.

One key recommendation that emerged from their findings is the critical importance of transparency and accessibility of market data. Kamuti and Omwenga argue that investor companies should be consistently advised to make comprehensive and accurate market data readily available to the public. This transparency is essential for fostering an informed investor base, facilitating better investment decisions, and ultimately contributing to a more efficient and reliable securities exchange.

Smaoui and Khawaja (2017) aimed to comprehensively explore the factors influencing Sukuk market development across a sample of 13 countries from 2001 to 2013. It employed the system GMM procedure to address endogeneity, heteroscedasticity, and serial correlation issues in the data. The finding indicated that a combination of structural, financial, and institutional factors significantly impact Sukuk markets. Specifically, countries with larger economies, a higher proportion of Muslims in the population, a better investment profile, and lower corruption tend to have larger Sukuk markets. Conversely, a higher interest rate spread is negatively correlated with Sukuk market development. These results shed light on the complex interplay of various factors shaping the Sukuk market landscape and offer insights for policymakers and market participants seeking to promote its growth and stability.

Gurung (2004) aimed to study the growth trends and performance evaluation of the securities market in Nepal, employing a quantitative approach grounded in secondary data analysis covering fiscal years 1993/94 to 2002/03. The study utilized various analytical tools including percentage calculations, growth rate analysis, correlation coefficients, and regression models to scrutinize the market dynamics comprehensively. The findings revealed both strengths and weaknesses of security market across different aspects. While the primary market demonstrates fluctuations and negligible growth rates in public issue approvals, the secondary market shows a modest increase in listed and traded companies albeit with limited trading activity, underscoring challenges in market liquidity. Despite increases in transaction volumes and turnover ratios, liquidity remains low, hampering investor confidence.

Similarly, while paid-up capital and market capitalization show upward trends, erratic fluctuations and minimal contributions to GDP signal an immature and volatile market. The NEPSE index exhibited inconsistent performance among listed companies, reflecting varying investor sentiments.

The number of securities businesspersons fluctuates with limited overall growth, indicative of challenges in expanding the trading sector. Lastly, market size and liquidity shows a picture of a small and illiquid market compared to global standards, necessitating sustained reforms and development efforts.

Table 1

Empirical Review

S.N.	Date	Writer/ Writers	Objective	Method Used	Findings
1	2023	(Ayadi and Williams, 2023)	It aims to explore the possibility that securities markets in selected African countries of Egypt, Kenya, Nigeria and South Africa.	Panel data analysis	Findings indicated that stock market capitalization is a positive determinant of gross fixed capital formation. The market value traded and turnover have no relationship with capital formation

2	2023	(Ismailovna, 2023)	This study investigates the relation between stock market development and economic growth in Uzbekistan.	Multifaceted Approach	Findings revealed the pivotal role of stock markets in mobilizing investment capital and driving economic expansion, accentuating the necessity of conducive infrastructure and supportive policy frameworks for their advancement.
3	2023	(Kulasekhar, 2023)	It aims to analyze the development of capital markets in India. ``	Descriptive analysis tools	The findings highlighted the historical evolution of India's capital markets, the crucial role of SEBI in regulation, and the significant impact of the COVID-19

					pandemic on the stock market, with varying degrees of resilience and vulnerability across sectors
4	2023	(Khadka &Pradhan, 2023)	This study investigates the impact of firm-specific and macroeconomic factors on the profitability of Nepalese insurance companies.	Secondary data from 16 companies from 2013/14 to 2020/21.	Results indicated that the liquidity ratio negatively impacted return on assets and eturn on equity, while assets tangibility had a positive impact on these variables.
5	2023	(Upadhyaya et al., 2023)	To examine the impact of financial performance indicators on the Return on Equity (ROE) and Return on Assets	Panel data analysis	Key success factors that affect the profitability and efficiency of the insurance sector. This

			(ROA) of nonlife insurance companies		suggests that nonlife insurance companies in Nepal can improve their profitability by focusing on increasing their gross premium, retention ratio, reducing expense ratio, and decreasing combined ratio.
6	2023	(Vaidya et al., 2023)	It tries to understand the perspectives of Nepalese econophysicists who were also investors on the investment climate in the Nepalese stock market (NEPSE) and the obstacles they faced when making investment	Qualitative investigation	The study highlighted issues of inaccurate information and trading practices.

			decisions. The study gathered respondents' views on the NEPSE screening process and the market's return distribution structure.		
7	2023	(Alimov, 2023)	It examines the integration of Uzbekistan's securities market into foreign capital markets from 2015 to 2021, addressing challenges such as outdated infrastructure and limited financial.	Secondary Data	The conclusion emphasized the need for a conducive environment to create a local securities market that efficiently allocates capital and supports economic growth while integrating into foreign capital markets.
8	2022	(Abrorov & Ahmadjonov, 2022)	The paper investigated the potential of	Qualitative investigation	The findings suggested that leveraging

			Islamic securities within the digital economy, particularly focusing on their role in developing the fund market.		digital advancements can contribute significantly to the growth and evolution of Islamic finance, offering new opportunities for market participants and potentially attracting a broader investor base.
9	2022	(Ataniyazov & Sayfullokhon, 2022)	The study examines various factors influencing the market's development, including capitalization, infrastructure, regulatory mechanisms, and investor protection.	Logical, statistical, and graphical analyses	The study highlighted the importance of a holistic approach involving both market stakeholders and governmental intervention for sustainable market development.
10	2022	(Ghimire, 2022)	Understand the	Time series	In the long

			relationship between quarterly monetary variables, i.e., lending rate, deposits, and narrow money supply, as well as fiscal deficit and imports, and the Nepalese stock market index		run, interest rates and imports affect the stock market negatively and positively, with statistically significant coefficients. Besides this, in short, only interest rates impact the NEPSE index, whereas all other shocks come to converge into equilibrium after about four quarters, as suggested by the error correction model.
11	2022	(Niranla, 2022)	It investigates the relationship between government policy and the price movement	Case study design	Macroeconomic variables played a crucial role in determining Nepalese

			of Nepal's stock exchange (NEPSE).		stock price movement, and changes in government policy significantly affected the stock market.
12	2022	(Popov et al., 2022)	It tries to address the gap in existing literature by developing mathematical models that can effectively represent the transformation of the over-the-counter (OTC) securities market induced by the tokenization of underlying assets.	Harrison–Ruzzo–Ullman (HRU) model	The research revealed significant insights into the expanded supply capabilities of tokenized assets, highlighting their impact on asset returns concerning invested capital.
13	2022	(Norov et al., 2022)	It examines the operations of commercial banks within the securities market, exploring their roles, regulatory frameworks, and	Comparative Analysis	The conclusion emphasized the need for further development of the securities market,

			activities like underwriting.		including increased participation of open joint-stock companies in issuing corporate bonds and the establishment of issuance syndicates to facilitate faster issuance and placement processes.
14	2021	(Omachar et al., 2021)	It examines the impact of government regulations on the correlation between securities market development (SMD) and economic growth (EG) in the Common Markets for Eastern and Southern Africa (COMESA) member states.	Longitudinal study	Results indicated that government regulations positively influenced the relationship between SMD and economic growth in COMESA member states, aligning with neoclassical growth theory and the public

					interest theory of regulations.
15	2021	(Thakur & Chaudhary, 2021)	It examines the use of deep neural networks (DNNs) in stock price and trend prediction, focusing on their applicability to temporal data and hybrid approaches.	Survey	The analysis indicated the significance of model enhancements and suggested that the prediction model's hyper parameters could have a significant impact.
16	2021	(Vaidya, 2021)	To investigate the investment decisions of Nepalese secondary market investors using grounded theory.	Semi-structured interviews	The research found that investors were eager to invest in the stock market and sought better trading experiences at the NEPSE floor.
17	2021	(Zhang & Zhuang, 2021)	The study aims to predict the trajectory of the Chinese stock market.	Markov chain model	The research showed that applying the Markov chain model to the stock market yielded a

					comparatively positive outcome.
18	2020	(Akenten et al., 2020)	Assess the role of the capital market in propelling economic growth in Ghana.	Exploratory	The development of the capital market is preceded by the development of the financial sector
19	2020	(Mexmonov, 2020)	To analyze the evolution and functioning of the stock market in Uzbekistan, particularly focusing on the Tashkent Republican Stock Exchange.	Comprehensive analysis	The study found that there is significant strides made in modernizing the economy and fostering a conducive environment for financial market activities.
20	2020	(Panta, 2020)	It analyzes the relationship between stock market prices (NEPSE index)	Autoregressive distributed lag (ARDL) model	The results showed that long-term fluctuations were strongly

			and macroeconomic variables like GDP, broad money supply, interest rate, inflation, and exchange rate.		correlated with these variables, with money supply holding a positive relationship.
21	2020	(Rustamova, 2020)	It aims to conducte an economic analysis of the securities market development in Uzbekistan.	Descriptive research design	These findings revealed the need for further reforms to ensure sustained growth and stability in the securities market of Uzbekistan.
22	2020	(Sapkota, 2020)	Aims to determine stock investors' awareness in Nepal's capital market and analyze factors that influence it.	Descriptive research design	The study showed a positive correlation between investor awareness and influencing factors.
23	2020	(Thinh et al., 2020)	It investigates the factors affecting the	Qualitative method with ordinary least	The findings suggested that both

			development of the Vietnamese derivative securities market.	squares	international integration and the legal environment significantly impacted the development of the Vietnamese derivative securities market.
24	2020	(Ngwakwe, 2020)	Thes study examines the impact of the COVID-19 pandemic on global stock indexes.	Data was collected before and during the pandemic and analyzed using a paired t-test.	The results indicated a significant reduction in mean stock value during the pandemic, while the Chinese Stock Exchange Composite Index experienced an increase.
25	2019	(Shiji & Aparna, 2019)	This paper investigate the problems faced by Investors.	Simple Percentage Analysis.	Problems which can be faced by our investors could be solved.
26	2019	(Subedi, 2019)	It analyzes	It used	The results

			Nepal's securities markets.	secondary sources like annual Security Board Nepal reports and library materials.	showed an increasing trend in listed companies but a decrease in growth, suggesting that NEPSE should monitor market obstacles that prevent companies from being traded.
27	2018	(Pokharel, 2018)	Investigate and analyze the interrelationship between the affective 1elements for stock prices and its consumer investment decision	Exploratory	Most investors buy the company by examining the basic financial statement
28	2017	(Onyuma & Kibet, 2017)	It investigates the relationship between financial intermediary development, economic	Correlational research design	The conclusion emphasized the importance of policies aimed at promoting

			growth, and securities market development in Kenya.		economic growth, financial sector development, and savings mobilization to foster securities market development in Kenya.
29	2017	(Kamuti & Omwenga, 2017)	Uncover variables influencing Nairobi Securities Exchange investments decisions	SEM	Investor companies should always be advised to make market data available to the public
30	2017	(Smaoui & Khawaja, 2017)	It aimed to comprehensively explore the factors influencing Sukuk market.	GMM procedure	The finding indicated that a combination of structural, financial, and institutional factors significantly impact Sukuk markets.
31	2004	(Gurung, 2004)	It aims to study the growth trends and performance	Quantitative approach	The primary market demonstrates

	evaluation of the securities market in Nepal.	fluctuations and negligible growth rates in public issue approvals, the secondary market shows a modest increase in listed and traded companies albeit with limited trading activity.

2.4 Research Gap

The literature review outlined presents a comprehensive analysis of various studies investigating different aspects of securities markets and economic growth across multiple countries. Nevertheless, within the expansive landscape of research findings, it becomes evident that there exist several significant gap, signaling a call for more extensive investigation and analysis.

Firstly, while many studies study the relationship between stock market development and economic growth, there appears to be a lack of in-depth examination regarding the mechanisms through which specific aspects of stock market operations impact economic indicators. For instance, while Ayadi and Williams (2023) find a positive relationship between stock market capitalization and gross fixed capital formation in African countries, the underlying mechanisms driving this relationship remain largely unexplored. A deeper investigation into the channels through which stock market activities facilitate capital accumulation and economic expansion could provide valuable insights for policymakers and market participants alike.

Moreover, there seems to be limited research focusing on the intersection between technological advancements and financial market evolution, particularly in the context of emerging trends such as digital finance and Islamic finance. While Abrorov & Ahmadjonov (2022) explored the potential of digital tools to enhance accessibility and efficiency in Islamic finance, further studies could study the specific applications of technology in facilitating financial inclusion, risk management, and market transparency within Islamic finance frameworks.

Moreover, while some studies exlpored the regulatory environment and its impact on market development, there appears to be a gap in research focusing explicitly on regulatory reforms and their effectiveness in fostering market resilience and investor confidence. Investigating the role of regulatory bodies, the implementation of regulatory reforms, and their implications for market stability could provide valuable insights for policymakers seeking to promote sustainable market growth amidst evolving global economic landscapes.

Although some valuable researches has been conducted so far in Nepal. There is still a great opportunity and to explore identifying new data about the Securities market of Nepal. Nowadays, Nepalese securities market has been entered to the new horizon. Its size and market capitalization are growing day by day. SEBON has nowadays emphasizing the important of securities market, which has been changed the investors' vision.

The scope of NEPSE has changed since its gradual improvement of infrastructure and additional of mutual funds and market maker. New bylaws are being established to control stock market. The economic condition of the nation is also changes through time. The using tools and techniques are also different from other previous studies. There is growing financial literacy on general public as well as investors and advancement of technology. And obviously, Nepalese Security market has changed in many senses compare to ten years ago.

In spite of various researchers, there is huge deference in development and challenges of securities market in Nepal. The present study shows the development and challenges of Nepalese securities market regarding various aspects as the market size, annual turnover, NEPSE index and questionnaire to know about the securities market growth. Previous research has not studied the impact on growth on the investor's perspective as well as regulatory bodies But this study also would study the growth on perspective of investors and regulatory bodies and also study the challenges of securities market.

CHAPTER-III

RESEARCH METHODOLOGY

Research is the act of going back and conducting more investigation into a phenomenon. An organized and methodical effort is made to gather information about a particular issue that requires a solution. It's a form of scientific inquiry. Research is the objective, methodical pursuit of knowledge in order to solve a problem(Katila& Ahuja, 2002).

Methodology is the systematic and theoretical investigation of the procedures used in the study. A methodical investigation of current and new knowledge is used in research methods to add to issues, facts, and existing theories. Methodologies for solving research issues comprehensively through a systematic procedure are studied in research methodology(Gioia, 2021).

Research methodology adopted in this study includes research design, which is based on the study's goal population and sample, sources of data, data collection procedure, and data analysis tools and techniques.

3.1 Research Design

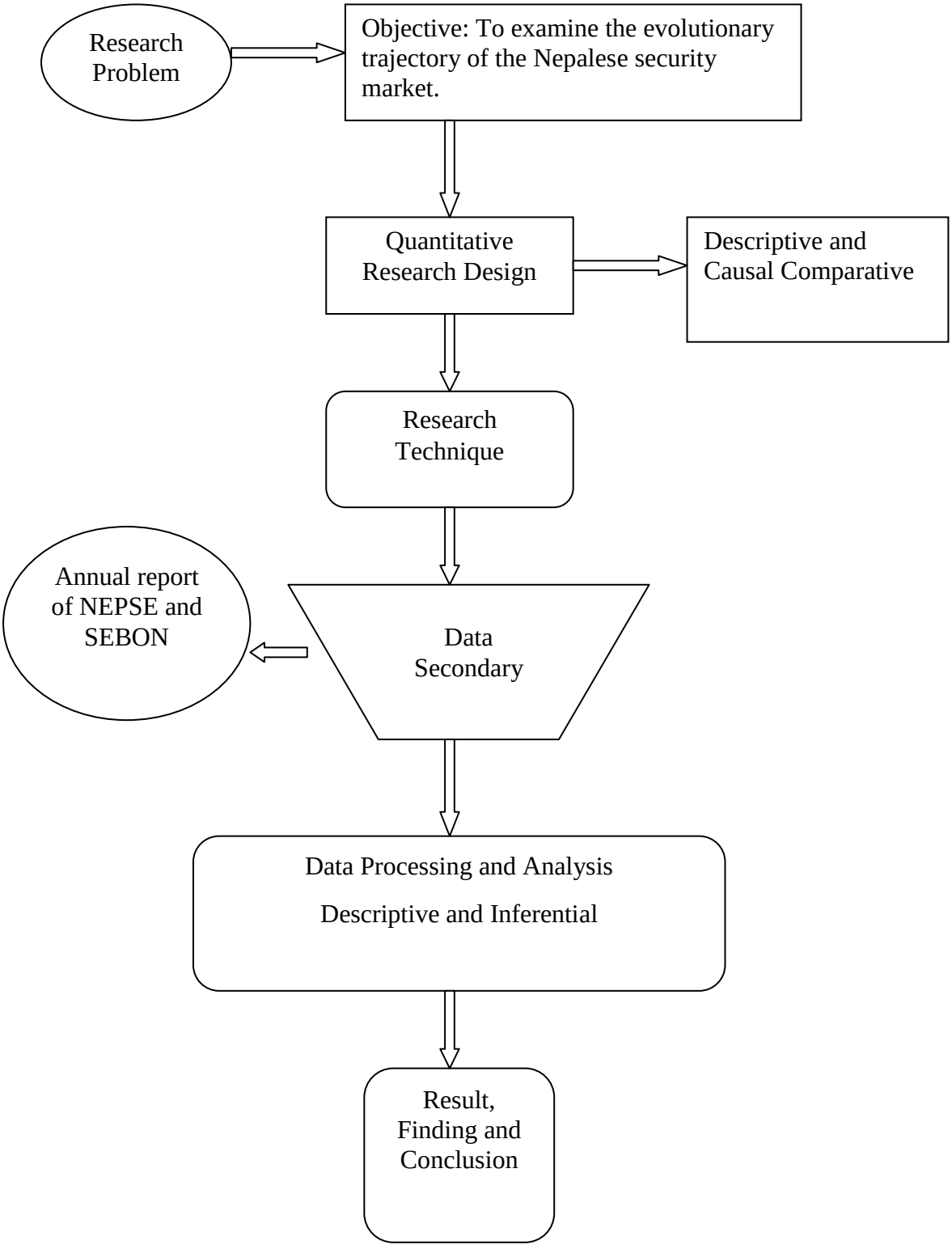
A research design is a set of parameters for gathering and interpreting data that seeks to find the balance between relevance to the research goal and cost and method. Research design refers to the plan, structure, approach, and inquiry concaved to guarantee that the search question is answered and variation is controlled(Wang & Zou, 2021).

This study adopts a descriptive and causal comparative research approach to investigate the relationship between turnover value and market capitalization. Descriptive research design systematically describe, document, and analyze the characteristics of a phenomenon or subject of interest. This approach aims to provide a detailed account of the existing conditions, behaviors, or attitudes within a specific context, without manipulating or altering the variables under study. Whereas, Causal comparative research design is focused on understanding and explaining the cause and effect relationships between variables through systematic investigation and analysis. It aims to provide insights into the causal mechanisms and processes underlying observed phenomena.

The research design involves the use of analysis of time series secondary data. To accomplish the objective, some financial and statistical tools are applied to make the data effective.

Figure 5

Research Design



3.2 Nature and Sources of Data

The study is based on secondary data. For the purpose of the study, data from Security Board of Nepal, Nepal Stock Exchange, Rastriya Bank, brokers and publication including daily papers used as the major source of data. Moreover, information from Banks, Financial institution, SEBON, NRB reports and various publications dealing in the subject matters of study were considered. Never the less, articles published in journals, research report and previous dissertations were measured for the analysis.

3.3 Data Collection Procedure

The study is primarily dependent on secondary data, as already mentioned. This research is based on Security Board of Nepal, Nepal Stock Exchange, articles, journals, references, annual reports and respective websites are considered for the needed observation. Supplementary information is collected from different institution and authorities like NRB, Financial Report and Ministry of finance. Likewise, various data and information are collected from the economic journals, periodicals, bulletins, magazines and other published and unpublished reports and documents from various sources for needed observation. Some review materials are mainly collected from central library, TU Kirtipur.

3.4 Method of Data Analysis

First of all, necessary data are collected from the published documents and then audited data are recorded manually and put them in a sheet. Then data were entered into the spreadsheet to work out the financial analysis and prepare necessary figures, according to the need and requirement of this study. For this purpose, gathered data have been processed using computer programs like Microsoft Excel, Microsoft Word and SPSS.

3.5 Method of Analysis

Various tools have been used to measure the comparative financial analysis and to draw inferences on the study area. The data which are collected and arranged in a systematic form are analyzed and presented through financial and statistical tools via ratio analysis and Karl Pearson's correlation coefficient. Moreover, Graphs and tables as appropriate have also been used to analyze the data. The collected data have been organized, tabulated, processed and analyzed by using various statistical and financial tools which are described as follows:

Correlation Analysis

Correlation analysis is a statistical technique used to evaluate the strength and direction of a linear relationship between two quantitative variables. The result of a correlation analysis is a correlation coefficient, which ranges from -1 to 1 (Catalano, 1981). Positive Correlation indicates that increase in one variable causes increase in another variable too. Similarly, Negative Correlation indicates that increase in one variable cause decreases in another variable. Whereas no correlation means there is no linear relationship between the variables (Ratner, 2009).

Regression Analysis

A statistical method for determining the relationship between one dependent variable and one or more independent variables is regression analysis (Gogtay et al., 2017). Modeling and comprehending the nature of this interaction is the aim. One independent variable is taken into account in a basic linear regression, whereas several independent variables are taken into account in multiple linear regression. A regression equation is generated by the study, which can be used to forecast or comprehend how changes in one or more independent variables will affect the dependent variable.

Regression analysis include estimating the coefficients, determining their significance, and analyzing how well the model fits the data overall. Many disciplines, including economics, finance, biology, and the social sciences, use regression analysis extensively to examine and comprehend the relationships between variables and generate predictions based on observed data (Darlington & Hayes, 2016).

Regression Equation

The regression equation is the mathematical formula that represents the relationship between the variables. For a simple linear regression with one independent variable, the equation is:

$y = \beta 0 + \beta 1\ x + \varepsilon$

Where,

y is the dependent variable

x is the independent variable

β0 is the intercept term.

β1 is the coefficient representing the relationship between turnover value and market capitalization.

ε is the error term, accounting for unexplained variability.

Parameter Estimation:

The coefficients β0 and β1 are estimated from the data using statistical methods. Common techniques include the method of least squares, which minimizes the sum of squared differences between the observed and predicted values of the dependent variable.

Goodness of Fit:

The goodness of fitness is measured by statistics like R-squared. R-squared indicates the proportion of variance in the dependent variable that is explained by the independent variable. A higher R-squared suggests a better fit of the model to the data (Jianlong et al., 2015).

Significance of the Model

The overall significance of the regression model is assessed using an analysis of variance (ANOVA) test. ANOVA, or Analysis of Variance, is a statistical method used to compare means among two or more groups to determine if there are any statistically significant differences. ANOVA is particularly useful when comparing means across multiple groups, as it allows you to assess whether the variability within groups is comparable to the variability between groups.

Interpretation of Coefficients

The coefficients β0 and β1 are interpreted in the context of the specific variables. In the case of market capitalization and turnover value, a positive β1 would suggest that, on average, an increase in independent variable is associated with an increase in dependent variable.

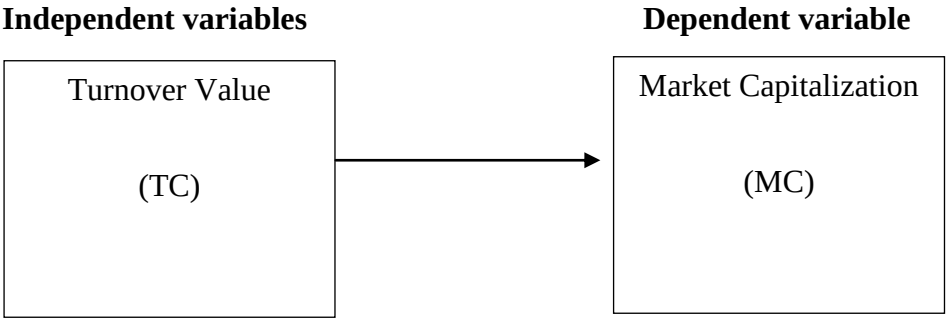
3.6 Research Framework and Definition of Variables

Research Framework

The figure 2 illustrates the conceptual frame followed for the research. The results you want to obtain from your investigation are illustrated through a conceptual framework. It outlines potential relationships between the pertinent variables for your investigation and indicates how they could be related.

Figure 6

Research Framework



(Source: Subedi, 2019)

The independent variable in the Turnover Value (TC) whereas Market Capitalization (MC) serves as Dependent Variables for the study.

Definition of Variables

Turn Over Value

The total amount of goods or services that a company sells over a given time period is referred to as turnover value (Rouwenhorst, 1999). It shows how quickly an organization completes its tasks. Additionally, the word clarifies how quickly a company collects money from its accounts receivable. It also measures how rapidly a business sells its stock.

According to Tucker (2017), turnover is computed by dividing the average assets under management of the fund by the lower of the total number of new stocks bought or sold within a 12-month period. Brown (2019).Since securities should only be added to or removed from the fund when the underlying index modifies its holdings, clarified index funds should not have a turnover rate higher than 20% to 30% which suggests the fund is poorly managed.

Market Capitalization

Mohammadi et al. (2019) carved a financial indicator known as market capitalization shows how much the outstanding shares of stock of a company are worth on the stock market. It is computed by multiplying the number of outstanding shares by the current market price per share. Investors frequently use market capitalization, which gives an indication of a company's scale in the financial markets, to evaluate a company's relative

size and significance in the investment landscape. According to Ko (2009), companies with greater market capitalizations are typically regarded as larger and may draw in a variety of investors.

CHAPTER-IV

RESULTS AND DISCUSSION

Data presentation and analysis is one of the important parts of any study. This chapter deals with results that are generated from the key variables which focuses on analyzing the relationship between the variables. The data used in the study consists of secondary time series data, including market capitalization and turnover value. This chapter discusses the outcomes of the important factors. It also includes facts and findings from the analysis.

4.1 Result of Secondary Data

The analysis of secondary data's are presented below:

4.1.1 Analysis of Number of Traded Companies and Number of Share Traded in NEPSE

Table 2

Analysis of Number of Traded Companies and Number of Share Traded in NEPSE

Fiscal Year	No. of Traded Companies	%of Growth	No. of Share Traded (in '000)	%.of Growth
2011/12	230	3.06	41478.90	58.07
2012/13	230	0	81571.70	96.65
2013/14	269	16.96	214104.73	162.52
2014/15	271	0.74	159700	-25.42
2015/16	274	1.11	302000	89.10
2016/17	198	-27.73	262310	-13.14
2017/18	222	12.12	293800	12.01
2018/19	230	3.60	387500	31.89
2019/20	230	0	428500	10.58
2020/21	269	16.96	340450	-20.55
2021/22	234	-13.01	249200	-26.80
2022/23	254	8.5	127.72	-48.75

Source: Annual Report of SEBON

Table 2 shows the number of traded companies in 2011/12 is 230 and is 274 in 2015/16 and 269 in 2021. The data shows that traded companies are on increasing till 2016 and it decreases to 198 in fiscal year 2016/17, then start to increase every fiscal year and get 269 in 2021. Among them highest is on year 2015/16 and lowest is on year 2014/15.

It represents that the number of Share traded in 2012 is 41478.9 (in 000) and regular increases up to 2014 then it decreases in 2015, and it rapidly increases to 831997 in 2016. In year 2016 no of traded share is decrease to 26231.35 and regularly increases up to 2021. Above table shows that No of traded Shares are on humped trend in all these years. Among them the highest is on year 2016 and the lowest is on year 2017.

The table shows number of traded companies in 2012 is 230 and 274 in 2016 and 254 in 2023. Above data show that traded companies are on increasing trend till 2014 and it is fluctuating till 2020 and growth up in 2021. After that, later it declined to 0 in 2022 which later grew to 8.5 in 2023. Among of them, the highest growth is in 2014 i.e. 16.96% and the lowest was in 2012 i.e. 0%. It is clear that No. of Traded companies are increasing but their growth rate is not so high.

The above analysis shows that the number of share traded in NEPSE are fluctuating. The growth rate of shared traded also seems varied. The growth percentage in 2012 is 58.07% and it has positive growth till 2014 i.e. 162.52%. In 2014, 214104 shares are traded in NEPSE floor. After then it declines to 159700 in 2015, in that year the growth rate declines to -25.42% after then it grows slowly in 2016 and reached 89.10% then it decline to -13.14% in year 2017 then start to grow rapidly in every fiscal year. In 2021 the growth rate is -20.50% after then further declines by -26.80% in 2022 which eventually declined to -48.75%. It shows that the growth rate is fluctuating in previous year and start to increase smoothly in recent year. It means from 2017, no of share traded has increased every years and after 2020, it is declining.

4.1.2 Analysis of Number of Transaction and Listed Securities in NEPSE

Table 3

Analysis of Number of Transaction and Listed Securities in NEPSE

Fiscal Year	No of Transaction (In '000)	% of Total No of Transaction	No of Listed Securities (In'000)	% of Total No of Listed Securities
2011/12	293489	9.09	1140081	10.90
2012/13	292366	-0.38	1297841	13.87
2013/14	566390	93.72	1607735	23.88
2014/15	477278	-15.73	1631500	1.47
2015/16	831997	74.32	2105400	29.04
2016/17	1357000	63.10	2965900	40.87
2017/18	1310138	-3.45	3598700	21.34
2018/19	1422791	8.60	4206600	16.89
2019/20	1848773	29.94	4827600	14.76
2020/21	15417668	733.94	5826000	20.68
2021/22	14712483	-4.57	6771200	16.22
2022/23	8644715	-41.24	7387100	9.10
Total	47175088		43365657	

Source: Annual Report of SEBON

Table 3represents no. of transaction in year 2011/12 is 293489 (in'000), then it decreases in 2012/13 and increases in 2013/14 to 566390. After then No. of transaction of each year is in increasing order. In the year 2020/21 it is highly increases and reached 15417668. Finally, in the year 2022/23 it decreased and reached 8644715. On the other hand, No. of listed securities in year 2012 is 140081 and in 2015 it is 1297841, which is continuously increased over all the years. In year 2021 No. of listed securities is reached to 15417668 which eventually reached 8644715. It shows that the percentage of growth in No of transactions is increasing every FY but No of listed securities are not increasing as No of transactions. Table 3 also shows percentage of total no of transaction in year 2011/12 is 9.9 then then slightly decreases and increase every year 2013/14. In year 2015/16 it has

increased to 74.32 and it decrease till to 2017/18 to -3.45%. In year 2018/17 it has increased to 8.60 then increases by 733.94% in year 2020/21. Finally in year 2021/22 it has decreased by -4.57 which has further decreased by -41.24% in year 2022/23.

4.1.3 Analysis of Percent of Turnover on Market Capitalization

Table 4

Analysis of Percent of Turnover on Market Capitalization

(Rs. In millions)

Fiscal Year	Market Capitalization	Annual Turnover	% of Turnover on Market Capitalization
2011/12	371115.74	10272.79	2.77
2012/13	514492.13	22048.87	4.29
2013/14	1057165.83	77300	7.31
2014/15	9894000	654300	6.61
2015/16	18901300	1646500	8.71
2016/17	18568200	2050200	11.04
2017/18	14351400	1214000	8.5
2018/19	15675000	1100700	7.02
2019/20	17928000	1500300	8.37
2020/21	40109600	1454440	3.63
2021/22	28693400	1202100	4.19
2022/23	30825200	4671300	15.16

Source: Annual Report of SEBON

The table 4 shows the Market Capitalization in year 2012 is 371115.74 (in millions) and it is grows continuously up to 18901300 in 2016, then it decreases to 18568200 and 14351400 in 2017 and 2018 continuously, then it slightly increases to 15675000 in 2019 and continuously increase up to 2021. The highly increase is 40109600 in year 2021. After that it decreased to 28693400 in 2022 which further decrease to 30825200 in 2023. In above table the highest Market Capitalization is in 2021. The Annual Turnover in 2012 is 10272.79, and it slightly increases every year till 2017. From 2018 it starts to decrease till 2019 then increase in 2020 and reached 1454400 in year 2021. This later decreased to 1202100 in 2022 and increased to 4671300 in 2023.

It also shows percent of Turnover on Market Capitalization is one of the best indicator of capital market. The annual turnover based in Market capitalization gives the exact condition of Capital Market. The percent on Market Capitalization in the base year 2011 is 2.77 percent that means in 2012, only 2.77 percent annual turnover exist on the basis of Market Capitalization, it increases in 2013 and 2014 and reached to 4.29 percent and 7.31 percent respectively. Then it decreases to 6.61 percent. After that it starts to increase till year 2016 and reached 11.04 percent. Again it declines in year 2018 and 2019 to 8.5 percent and 7.02 percent respectively. It slightly increase in year 2020. Finally it decreased to to 3.63 percent in 2021. In 2023, it has increased to 15.16 percent.

4.1.4 Paid up Capital of Listed Companies

The total amount of money invested in a business through the acquisition of its shares is known as total paid-up capital. The computation of this amount involves multiplying the total number of shares that a corporation has issued by the nominal or paid-up value per share. In essence, it represents the original equity investment made by the company's owners. Conversely, market capitalization offers a quick glimpse into the market's assessment of a company's worth. It is computed by multiplying a company's total number of shares by the share price as of right now, then adding these figures for all listed firms. This measure provides a sense of the total market value of stock of a corporation. Market capitalization shows the current perceived value of those stock market investments, whereas paid-up capital shows the actual amount invested in the company by shareholders. Therefore, paid-up capital can be thought of as the initial investment made in a company's financial assets, whereas market capitalization represents the asset's current market value.

Table 5

Paid up Capital of Listed Companies

Fiscal Year	Paid up value	% change in Paid up Value
2011/12	110.61	10.36
2012/13	126.06	12.06
2013/14	146.51	16.22
2014/15	179.68	6.52
2015/16	204.02	29.47
2016/17	289.60	41.95
2017/18	352.1	21.6
2018/19	412.3	17.1
2019/20	473.39	14.8
2020/21	573.24	21.1
2021/22	667.75	16.49
2022/23	728.95	9.16

Source: Annual Report of SEBON

The paid-up value from fiscal year 2011/12 to 2022/23 reveals a consistent upward trajectory, indicating a steady increase in the capital invested in the market over this period. Despite the continual growth, the rate of change in percentage terms has fluctuated, with the most significant increase occurring between fiscal years 2016/17 and 2017/18, at 41.95%, suggesting a surge in market investment. The smallest increase, at 6.52%, occurred between fiscal years 2014/15 and 2015/16, showing a more modest growth. Overall, the consistent upward trend in paid-up value reflects a broader market expansion, though the fluctuations in growth rates may point to varying market conditions or investor sentiment. These trends indicate an evolving financial landscape with ongoing investment, suggesting a robust yet potentially volatile growth pattern that stakeholders should monitor to understand market dynamics and predict future developments.

4.2 Correlation Analysis

Correlation analysis, a statistical method, assesses the intensity and direction of a linear connection between two quantitative variables. The outcome of this analysis is represented by a correlation coefficient, spanning from -1 to 1 (Lyons &Kuron, 2014).

Table 6

Correlation Analysis

		TV
MC	Pearson Correlation	.831**
	Sig. (2-tailed)	.001
	N	12

Table 6 shows the correlation analysis between turnover value and market capitalization. In this study, the Pearson correlation coefficient (r) between Turnover value (TV) and Market Capitalization (MC) is 0.831. This suggests a strong positive linear relationship between the market capitalization and turnover value. This implies that as the turnover value increases, there is a tendency for the market capitalization to also increase, and vice versa. The p-value (Sig. = 0.001) is below the commonly used significance threshold of 0.05, indicating that the observed correlation is statistically significant. In practical terms, this means there is evidence to reject the null hypothesis, suggesting that the correlation is not due to random chance. However, it's crucial to note that the sample size is relatively small (N=12), which could impact the generalizability of the findings. While these results are suggestive of a robust association, caution should be exercised in drawing broad conclusions, and further research with a larger and more diverse sample may be necessary to confirm and extend these findings. Additionally, it's important to remember that correlation does not imply causation, and other factors may be influencing the observed relationship between TV and MC.

Hypothesis

H01: Turnover value has significant relationship with Market Capitalization.

The correlation analysis shows that there is positive relationship between market capitalization and turnover value.

4.3 Regression Analysis

Regression analysis is a statistical method employed to investigate the association between a single dependent variable and one or multiple independent variables (Uyanık&Güler, 2013). It provides a framework for quantifying and understanding relationships between variables, making it a valuable tool in various fields for prediction, analysis, and decision-making.

The regression equation is

$MC = \beta_0 + \beta_1 AT + e$

Where,

MC is the market capitalization.

TV is the turnover value

$\beta_0$is the intercept term.

$\beta_1$is the coefficient representing the relationship between turnover value and market capitalization.

The regression analysis process involves estimating the values of β_0 and β_1 through statistical techniques. Once these values are determined, the equation can be used to make predictions about market capitalization based on turnover value. The results of the analysis, including the coefficient β_1, its significance, and measures like R-squared (indicating the proportion of variance in market capitalization explained by turnover value), help in interpreting the strength and direction of the relationship.

For example, if the coefficient β_1 is positive and statistically significant, it suggests a positive relationship between turnover value and market capitalization. In practical terms, it implies that as turnover value increases, market capitalization tends to increase as well. This analysis aids in understanding the impact of turnover value on market capitalization, providing valuable insights for investors, analysts, and decision-makers in the financial domain.

Table 7

Model Summary of Turnover value and Market Capitalization

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.831[a]	.690	.659	.419013515744486

a. Predictors: (Constant), TV

Table 7 offers an overview of a regression model examining the relationship between turnover value and market capitalization. The R value of 0.831 indicates the multiple correlation coefficients, which represents the strength and direction of the linear

relationship between the predictors and the response variable. In this case, turnover value is likely the predictor. The value of 0.831 suggests a strong positive correlation. The R Square value of 0.690 represents the proportion of the variance in the dependent variable (market capitalization) that can be explained by the independent variable (turnover value). Approximately 69.0% of the variability in market capitalization is accounted for by the model, indicating a moderately strong explanatory power. Similarly, the Adjusted R Square of 0.659 is a modified version of R Square that adjusts for the number of predictors in the model. It provides a more accurate reflection of the model's goodness of fit. In this case, the adjusted R Square is slightly lower than the R Square, which may suggest that the inclusion of the turnover value may not be improving the model substantially. The predictors in the model include a constant term and turnover value. The model's substantial explanatory capability suggests that turnover value is a strong predictor of market capitalization.

Table 8

ANOVA

Model			df	Mean Square	F	Sig.
1	Regression	3.909	1	3.909	22.261	.001[b]
	Residual	1.756	10	.176		
	Total	5.664	11			

a. Dependent Variable: MC

b. Predictors: (Constant), TV

Table 8 provides a comprehensive overview of the statistical significance of a regression model assessing the relationship between Market Capitalization (MC) as the dependent variable and Turnover Value (TV) as the predictor. The "Regression" row, with a sum of squares of 3.909 and 1 degree of freedom, represents the portion of the total variability in market capitalization that is explained by the regression model. The "Residual" row, with a sum of squares of 1.756 and 10 degrees of freedom which accounts for the unexplained variability. The F-statistic of 22.261, calculated as the ratio of the mean square for regression to the mean square for the residual, is associated with a significance level (Sig.) of 0.001. This p-value is below the conventional threshold of 0.05, indicating that the overall regression model is statistically significant. Therefore, the predictors in the

model, including the constant term and turnover value, contribute significantly to explaining the variability in market capitalization. These findings suggest that the relationship between TV and market capitalization is not likely due to random chance, and the model has explanatory power in capturing variations in market capitalization.

Table 9

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.906	0.859		2.204	.059
	TV	.743	.157	.831	4.171	.003

a. Dependent Variable: MC

Table 9 provides valuable insights into the estimated parameters of the regression model, where Market Capitalization (MC) is the dependent variable and turnover value (TV) serves as the predictor. The constant term, representing the intercept when turnover value is zero, is 2.906 with a standard error of 0.859. While the associated p-value (0.059) is slightly above the conventional significance threshold of 0.05, indicating marginal significance, the constant term remains crucial for the model. The coefficient for the turnover value is 0.743, suggesting that, on average, a one-unit increase in turnover value is associated with an estimated increase of 0.743 units in market capitalization. The standardized coefficient (Beta) of 0.831 emphasizes the importance of the turnover value in explaining the variance in Market Capitalization while considering the scales of the variables.

The statistical significance of the turnover value coefficient is supported by a t-statistic of 4.171 and a p-value of 0.003, indicating that the TV variable significantly contributes to predicting market capitalization. This implies that changes turnover value are associated with systematic changes in market capitalization. Nevertheless, it is essential to interpret these findings cautiously, considering the borderline significance of the constant term and potential external factors that might influence the observed relationship between turnover

value and market capitalization. Further exploration and validation may be warranted to enhance the robustness of the model and ensure its applicability in broader contexts.

4.4 Discussion

Key findings from study include a general increase in the number of traded companies, dynamic patterns in the volume of shares traded, a resilient and evolving market evidenced by a surge in transactions in 2020/23, an overall upward trajectory in market capitalization with a notable peak in 2021, and a peak in the percentage of turnover on market capitalization in the same year. These findings highlight the dynamic nature of the NEPSE and offer valuable insights into the trends and performance of the Nepalese stock market over the examined fiscal years. The main finding from the study is that the regression model, with Market Capitalization (MC) as the dependent variable and turnover value (TV) as the predictor, indicates a statistically significant relationship between turnover value and market capitalization. The coefficient for the turnover value variable is 0.743, and its statistical significance is supported by a t-statistic of 4.171 and a p-value of 0.003. This suggests that, on average, an increase in turnover value is associated with a significant and positive impact on market capitalization. The standardized coefficient (Beta) further emphasizes the importance of the turnover value in explaining the variance in market capitalization while considering the scales of the variables. Although the constant term's statistical significance is marginally above the conventional threshold, it remains a crucial component of the model. Hence, the analysis suggests that turnover value has a meaningful and positive influence on market capitalization, providing valuable insights for understanding the factors that contribute to variations in market capitalization.

In contrast to these findings, Al-Afeef (2020) presents evidence that the turnover ratio does not have a significant impact on market capitalization. Instead, Al-Afeef identifies that other factors, including the number of transactions, earnings per share (EPS), dividend yield ratio, and price-to-earnings (P/E) ratio, exhibit a statistically significant effect on market capitalization. This suggests that these variables are more influential in determining market capitalization than the turnover ratio. Conversely, a study conducted by Pavone (2019) offers a different perspective, revealing a positive relationship between market capitalization and turnover per share. This implies that as the turnover per share increases, so does the market capitalization. Similarly, research by Almumani and

Almazari (2021) supports the notion that turnover value significantly affects market capitalization. Their findings align with Pavone (2019), reinforcing the idea that turnover value is an important determinant of market capitalization. Supporting this finding Khan, Jagannathan (2019) also revealed a significant role pf turnover value on the market capitalization in case of Indian security Market. Similarly, in case of Nepal, Chalise (2020) performed a descriptive analysis to evaluate the status of the capital market in Nepal which revealed that market capitalization is significantly influenced by turnover value.

Similar to the research conducted by Kulasekhar (2023) on the Indian stock market reveals some similarities and differences. In both the Nepalese and Indian contexts, there is evidence of a general increase in the number of traded companies, indicating a growing interest in the stock market among businesses. In both markets, dynamic patterns in trade volume are also noted, which indicate variations in investor activity. However, Kulasekhar (2023) discovered that the Indian market suffered difficulties during the same period, resulting in a fall in trading activity, whereas the NEPSE saw a spike in transactions throughout the 2020–2023 period, which was attributed to resilience and adaptation. There could be a number of reasons for this discrepancy, such as variations in the regulatory frameworks, the economic situations, and the ways in which societies have responded to exogenous shocks like the worldwide pandemic. Both studies find general rising patterns in market capitalization, although there are differences in the time of the peaks. Although the NEPSE peaked in 2021, Kulasekhar (2023) notes that the Indian market had other high times. These variations draw attention to the distinctive characteristics of every market and emphasize how crucial context-specific analysis is. Both studies demonstrate a statistically significant positive correlation between turnover value and market capitalization, suggesting that higher turnover values typically translate into higher market capitalization. Overall, while the general trends shown in the Indian and Nepalese stock markets are similar, variations in particular results highlight the significance of doing context-specific research and taking into account the distinctive features of each market. This kind of comparison examination improves our comprehension.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter summarized the key findings from the previous chapter, which focused on constructing and measuring the market capitalization using turnover value in Nepal. The study period covered the fiscal year 2011/12 to 2022/23, and the analysis revealed significant relationships between market capitalization and turnover value. These findings contribute to the existing knowledge and provide insights for policymakers and regulators in the financial sector. It is recommended that they consider the impact of macroeconomic variables on the stock market when formulating policies and regulations. Furthermore, future research should explore additional variables and investigate the role of external factors, providing a more comprehensive understanding of the linkages between market capitalization and turnover value in Nepal.

5.1 Summary

This study primarily aims to examine the evolutionary trajectory of the Nepalese security market. In pursuit of this board objective, several specific objectives have been outlined, including an assessment of the overall development of the security market in Nepal. Additionally, the study seeks to analyze the specific role and standing of market capitalization within the Nepalese market context. The research aims to provide a comprehensive understanding of the dynamic landscape and key facets contributing to the growth and positioning of the Nepalese security market.

Descriptive statistics were used to examine the trends and characteristics of the variables, providing an overview of their behavior over the study period. Multiple correlation analysis was conducted to explore the relationships between the market capitalization and turnover value.

The study shows a comprehensive analysis of the development in the Nepalese security market, with a specific focus on the relationship between turnover value and market capitalization. Employing statistical techniques such as correlation and regression analyses, the study explores the dynamics of these financial variables. Correlation analysis reveals a strong positive linear relationship, indicating that as turnover value increases, market capitalization tends to follow suit. The subsequent regression analysis

quantifies this relationship, presenting a predictive model that supports the positive correlation. The ANOVA results affirm the statistical significance of the model, emphasizing turnover value as a significant predictor of market capitalization in the Nepalese security market.

The main findings highlight a meaningful association between turnover value and market capitalization, with practical implications for investors, analysts, and decision-makers in the financial domain. The positive correlation and quantified impact provide valuable insights for strategic financial planning. The study contributes to a deeper understanding of the Nepalese security market, offering a methodological framework that can be adapted for similar analyses in diverse financial contexts.

The conclusion summarizes the key insights, emphasizing the study's contribution to the ongoing discourse on the development of financial markets. The implications extend to various stakeholders, including investors, analysts, policymakers, regulatory bodies, academics, researchers, and companies operating within the Nepalese security market. The practical applications of the findings support informed decision-making, risk assessments, regulatory enhancements, market development, and educational initiatives within the Nepalese financial sector.

5.2 Conclusion

The study on Nepal's security market reveals that Nepal's security market has shown growth and resilience, as indicated by the upward trajectory of market capitalization, suggesting increased investor interest. However, fluctuations in market activity, particularly in annual turnover indicate market instability, potentially influenced by external factors or shifts in investor sentiment.

Secondly, the study highlights the significant role of market capitalization within the Nepalese market context, revealing a significant correlation with turnover value. This relationship suggests that as market capitalization increases, trading activity tends to increase, reflecting an active and engaged security market. Regression analysis further validates this connection, with turnover value explaining a substantial proportion of the variance in market capitalization, indicating the importance of trading activity in driving market growth. Moreover, Nepal's security market exhibits fluctuations across various indicators, such as the number of traded companies, shares traded, transactions, and listed

securities, indicating a dynamic and adaptable market environment. Therefore, while Nepal's security market shows promising signs of development, its inherent fluctuations necessitate ongoing monitoring and further research to comprehensively understand its evolution and implications for stakeholders.

5.3 Implications

Following the finding of the study, it can be argued that the result has a variety of implications on different fronts of the financial terrain. From investors' point of view, the positive relationship found between the turnover value and the market capitalization helps them to have a vague idea to fine-tune their investment strategy. The share tin a general sense, works as a possible predictor, which in part can be used by the investors to switch their portfolio to match with the forthcoming changes in the market capitalization. Financial analysts and risk managers can focus on the turnover value dynamics to alter their models and the matrixes for more refined risk. The insurance companies and other agencies should be careful in issuing the risk policy. Policymakers and the regulatory bodies active in the Nepalese financial sector can give due cognizance to the empirically robust outcomes to take decisions on market regulations and controls; to ensure the judicious stability and the growth.

Additionally, the study functions as a stimulant for continuous conversations as well as campaigns focused on boosting the regulative structure. Academicians plus scientists can improve this job checking out extra measurements of the Nepalese safety and security market or using comparable methods to assess economic markets in varied areas. Additionally instructional organizations can incorporate these understandings right into their educational program making certain that future financing experts are well-appointed with useful expertise concerning the connection in between turnover worth together with market capitalization. Basically the effects reach theoretical factors to consider supplying functional applications that add to notified decision-making market advancement plus instructional efforts within the Nepalese economic field.

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APPENDIX

Model	Variables Entered	Variables Removed	Method
1	TV[b]	.	Enter

a. Dependent Variable: MC

b. All requested variables entered.

		MC	TV
MC	Pearson Correlation	1	.831**
	Sig. (2-tailed)		.001
	N	12	12
TV	Pearson Correlation	.831**	1
	Sig. (2-tailed)	.001	
	N	12	12

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

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.831[a]	.690	.659	.419013515744486

a. Predictors: (Constant), TV

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.909	1	3.909	22.261	.001[b]
	Residual	1.756	10	.176		
	Total	5.664	11			

a. Dependent Variable: MC

b. Predictors: (Constant), TV

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.906	.859		3.385	.007
	TV	.743	.157	.831	4.718	.001

a. Dependent Variable: MC

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