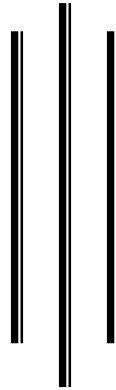


INVESTMENT TRENDS, PROBLEMS AND PROSPECTS OF SECURITIES IN NEPAL

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Faculty of Management
Tribhuvan University



*In partial fulfillment of the requirements for the
Degree of*
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December, 2008

RECOMMENDATION

This is to certify that the thesis

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DECLARATION

I here by declare that the work reported in this thesis entitled “**Investment Trends, Problems and Prospects of Securities in Nepal**” submitted to Shankar Dev Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of **Associate Prof. Dr. Geeta Pradhan** and **Rishi Raj Gautam**, Lecturer, of Shankar Dev Campus.

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LIST OF ABBRIVIATION

%	= Percentage
&	= And
A.D.T.	= Average Daily Turnover
B.S.	= Bikram Sambat
BOK	= Bank of Kathmadu
C.B.	= Commercial Bank
CRO	= Company Registered Office
F.Y.	= Fiscal Year
G.D.P.	= Gross Domestic Product
H.M.L.	= Himalayan Bank Limited
i.e	= That is
MOF	= Ministry of Finance
NABIL	= NABIL Bank Limited
NEPSE	= Nepal Stock Exchange
NIB	= Nepal Investment Bank
No.	= Number
NRB	= Nepal Rastra Bank
P.	= Page
SCBNL	= Standard Chartered Bank
SEBO/N	= Security Board of Nepal

CHAPTER I

INTRODUCTION

1.1 Background of the Study:

Capital market plays dominant role in the economy for developing and underdeveloped nations. Capital market contributes to gain economic growth. There is no way to gain economic growth until capital market is operating smoothly. Therefore capital market is the backbone of the nation economy. Capital market also provided the capital formation and invested is generated where the saving of individuals are directed towards productive sector.

“Security market is a mechanism created to facilitate the exchange of financial securities or assets bringing together buyers and sellers of securities. Securities markets provide an effective way of procuring long term funds by issuing shares and debentures or bond for corporate enterprises and government at a same time provide an investment opportunity for individuals and institutions. Thus the market place for these financial securities is called securities market which is further sub divided into the primary and secondary market. The security market plays an important role in mobilizing saving and channeling them into procedure investment for the development commerce and industry for the country. It basically assists the capital formation and economic growth of the country. In many developing countries like Nepal, the underdeveloped capital market is still prevailing in the economy. The Nepalese securities market still 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 organized money market in rural areas which covers almost 90% of the total area of the country. Thus the securities market is only confined to the very limited urban areas of Nepal (Gurung, Dec. 2004:1).

NEPSE has a vital role and lending role to play in helping industries to raise fund and to provide capital formation in the economy. But there are many problems faced by securities market like Agro based economy ,Lack of political stability , Information are not available to the investor ,high cost of public issue , Inefficient market etc. Otherwise prospects are to improvement provision, Expansion of market to trading of government securities, trading of government securities through exchange etc.

Stock market may affect the economic activities through to creation of liquidity. Although some analysts said that stock market in developing country's plays little positive role in economic growth ,however recent evidence show that stock market can play a vital role ,giving a big boost to economic development for the developing country like Nepal. Many profitable investments require a long term commitment of capital but investors are often reluctant to relinquish control of their saving for long periods. Liquid equity markets investments less risky and more attractive. Stocks provide the best investment opportunity to the investor. It also provides liquidity to the securities. The liquidity affects the economic activities and there by affects the development of the country. The level of liquidity is influenced by the price formation of the stock in the

stock market. So in order to maintain the high liquidity in the stock; the stock market has to be efficient in all aspects.

In Nepalese context, an Investment trend of securities market has increasing trends like no of listed company, turnover, capitalization, NEPSE Index etc. Its shows that positive aspects in the Nepalese capital markets, in which different investors are invest in securities and discusses about different problems and prospects of securities markets in this thesis and also analyzed how the investors are invested in securities on investable fund and analyzing the trend of NEPSE Index, turnover, market capitalization, no. of listed companies and behavior of stock price by using different tools and technique to find out the problems and prospects of securities price in Nepal. Limited external sources of financing because of the less develop financial market in the economy the savers and the investors often the same entity in the Nepalese economy, which is one of the discouraging factor for the rapid growth of investment in productive activities . The relationship between financial development and economic growth with focus on development role of stock market has been in debate for some time in the past. Empirical studies suggest that financial development does matter and stock, market do spur economic growth. Unfortunately, in Nepal, despite a history of about half a decade of planned economic activities to developed real sector of the country. Little attention was paid to the development of financial sector. Over the past one and half decade, financial sector despite many problems has developed significantly in Nepal. However, most of the developments were confined to the banking sector. Stock market has virtually remain stalled because of the law priority in the governments financial reform policies.

First of all, Biratnagar jute mill was able to issue the share and started the issuing of share in history of security of Nepal. The main objectives of issuing share were collection of the fund by the public and to invest the productivity sector or activity. But, now days several companies have arise in the forms of issuing company like financial and non financial company in Nepal. But the development of the capital market in 1976 A.D. and stock markets begin with the flotation of share by Nepal Bank Limited (NBL) and Biratnagar Jute Mills Limited (BJM) in 1937 A.D. Under the company act 1936 A.D. After 1956 the policy of government to maintain control of the financial sector by restricting the entry of private sector in to financial activities limited the growth of financial sector in the country. Securities exchange center was established 22 Ashad 2033B.S. Under the company act 2021 B.S. It was established with the objectives of facilitating and promoting the growth of capital market, Before conversion in to Nepal Stock Exchange (NEPSE) it was the only capital market institutions undertaking the job of brokering underwriting ,Managing public issue market making for government bonds and other financial services . His Majesty's Government under a program initiate to reform capital markets converted securities exchange center in to Nepal Stock Exchange in 1993A.D. In Nepal, there are 145 listed companies nine issue manager, 23 brokerage firm to provide service of securities and Nepal has an only one stock market (Bhattarai, 2006:1-2).

Securities Exchange Center was established at 22 Ashad 2033 B.S. with an objective of operating of stock market and developing of capital market from mobilizing of internal

capital. At that time, it was authorized capital 200 Lakhs, issued capital 57 Lakhs and paid up capital is 56.19 Lakhs (Bhattarai, 2005:29).

According to security exchange act 2049 B.S. converted into Nepal Stock Exchange in 1993 A.D. It also called NEPSE in short form. The basic objectives of NEPSE is to impart the free marketability and liquidity to the government and corporate security by facilitating transaction in its trading floor through member market intermediaries ,such as brokers ,market makers etc.

Table 1.1
Capital structure of NEPSE (In Rs. 10 Lakhs)

S.N.	Share holder	Amount	Percentage
1	Government of Nepal	20.48	58.67
2	NRB	12.08	34.60
3	NIDC	2.14	6.12
4	Other Member	0.21	0.62
	Total	34.91	100

Sources: NEPSE Report 2061/62

The largest shareholder of NEPSE is government of Nepal .It has more than 50% share and government of Nepal was invest Rs. (20.48) Lakhs in the NEPSE and smallest shareholder of NEPSE has other member . It has only 0.62% invest in NEPSE.

Securities board of Nepal was established on June 7, 1993 as an apex regulator of securities market in Nepal. As per the securities acts 2006, the major objectives of SEBO/N are to regulate issue and trading of securities and market intermediate promote

the market and protect the investor's rights. The duties and responsibilities of SEBO/N are as follows:-

- Register securities and approved prospectus of public companies.
- Provide license to operate stock exchange.
- Provide license to operate securities business.
- Give permission to operate collective investment scheme and investment funds.
- Profit regulations, issue directives, guidelines and approved by laws of stock exchanges.
- Supervise and monitor stock exchanges and securities business activities.
- Take enforcement measure to ensure market integrity.
- Review reporting of issuer and listed company and securities business persons.
- Conduct research, study and awareness programs regarding securities market.
- Co-ordinate and cooperate with other domestic as well as international regulators.
- Frame policies and programmers relating to securities markets and advice the government of Nepal in this regard.

Development of economy and growth of stock market is related sector each other when the strong economy market in the country than the growing stock market. Increasing employment, per capita income, economic growth rate, industrialization, exports,

companies performance and controlled inflation all provide strong support to the growth in the stock market.

Table 1.2
Nepalese economic indicators

Fiscal Year	2003/04	2004/05	2005/06	2006/07*
Inflation (%)	-	5.7	7.7	6.2
GDP Growth	4.7	3.1	2.8	2.5
Trade deficit(Rs in millions)	-8236	-9077	-11354	-11740
Deficit (%)	15.3	15.4	17.6	17.5
GDP per capita(US Dollar)	293	328	310	383
Real per capita GDP Growth	1.6	0.7	-0.2	0.9

Sources: Nepali Economy and Stock Market by Rabindra Bhattarai.

*forecasted

In Nepal economic growth rate is less than inflation rate and increasing trade deficit it means the very slow of economic development in Nepal. Therefore stock market is not properly strong capacity in Nepal.

1.2 Statement of the Problem:

Nepalese capital market is very small in comparison other developed stock market. There are few members of broker, limited member of listed companies, and very few transaction of share. In Nepal only one stock market i.e. NEPSE so that the investor does not gain the arbitrage opportunity.

Basically, the problem of stock market in Nepal are limited no of listed companies, small capital market and inefficient market, lack of proper rationalism of investors ,lack of appropriate information as required time frame ,incorrect trading system because few investor can affect the whole capital market etc. (SEBO/N,2005:51).

Stock market is affected by political changes and with this change up and down in the share prices. Due to lack of coordination investors, shareholders and any other interested people cannot take information, news perfect knowledge of the company. At this situation investor are attracting in bonus share right offering than dividend. On the other hand investors invested in the securities without analysis of financial performance of the company. Stock market is centralized only on the Katmandu valley. so ,in the out of valley the investors has not sufficient knowledge about the stock market and limited number of investor and the major problem of the stock are lack of institution of investment consultancy ,more gap between real and market price of share (Manadhar,2004:39).

The regulating and monitoring body of the market is unable to make the appropriate policy for the development of the stock market. Few person or investor may be able to influencing the whole share market with the hike and liquidity and the secondary market left the positive and impact on the capital mobilization in the economy (New Business Age,feb2004:47). However this upward movement in the stock value did not remain for long. In our market ordinary stock is the maximum proportion of the capital structure other debenture and preface share are low used in the capital structure but derivative securities, right option, warrant, future contract, forward contract are not used in Nepal.

The development of stock market in Nepal is both challenging and difficult. Though the view point of number of share transactions, public interest towards stock markets the trend of the price movement information system etc. indicates the low performance of

stock market. Long with this the problem like law as strong professional analysis independent buyer and seller, trained manpower and management delay in transfer of shares, rational investor exists from Nepalese stock market. Because of the embryonic nature, Nepalese stock market is not efficient enough to evaluate the price of the stock (Shrestha, 2008:12).

The study deals with the following issues:

-) Are the investors rational about the stock market?
-) Does the trading system of NEPSE is correct?
-) What is the investment trend of Nepalese stock market?
-) What is the problem of Nepalese stock market?
-) Does the information are available?
-) What is the price movement of commercial banks?

1.3 Objective of the Study

The main objective of the study is to identify the existing condition of stock market problem faced by stock market potential for the development of the stock market & to analyze the price movement of commercial Bank in Nepal. To fulfill the above objectives the following specific objectives are set:

-) To examine the investment trends of securities.
-) To evaluate the problem and prospects of securities in commercial bank.
-) To analyze the daily price movement of listed commercial bank in Nepal.

1.4 Importance of the Study

Stock market plays the vital role in the economy when market is booming the economy is good and when stock market is declining the economy is bad. It also represents the country policy towards industry. It helps to analyze overall country's gross income saving investment and consumption. Any success of business organization ensures the prosperity of the country.

This study may help you to answer of question. The investment includes how an investor makes decision about what securities to invest in how extensive the investment should be and when they should be made.

To analysis present state of pricing and secondary market in Nepal and helps people to suggest how to analyze and take right decision to invest in stated securities. Investing in the stock market takes some knowledge of how to market operates and more importantly, how the particular stocks you may be considering investing in have performed the past. This takes some time and is crucial if you want to be successful with your stock market investing.

The following points will be the importance of this study:-

-) The study provides literature to further researchers in this area because it helps the find out of research gap to further researcher.
-) This research will be beneficial to the university students who are curious to know the investment trend of securities in Nepal and major problem faced by Nepalese stock market & its prospects for the development of stock market.

-)] It can be useful for security market to formulate appropriate policy by the following recommendation. Also, may be useful for the development of stock market.
-)] It can be beneficial to the investor who has not sufficient knowledge about stock market.
-)] It can be beneficial to the all related or interested person (Broker Company, staff of NEPSE & SEBO, issue manager etc.) about the stock market.

1.5 limitation of the Study

Every study will not free from some obstacles. So the research study has also obtained some limitations which are given below:-

- As the study is only concern to stated share of commercial bank so the result cannot be thoroughly in overall investment in securities in Nepal.
- The study is limited only to the investment trends problems & prospects of the stock markets.
- The study is competing with in the limited & covers 7 years (2000/01 to 2006/07) only.
- Time finance & authentic information are also the major limitation of the study.
- The study is only based on 5 listed commercial Banks.

1.6 Organization of the Study

This study has been organized in to five chapters which are:-

Chapter-I: Introduction

Chapter-II: Review of Literature

Chapter-III: Research Methodology

Chapter-IV: Presentation and analysis of Data

Chapter-V: Summary, Conclusion and Recommendations.

Chapter One focus on the subject matter of the study consisting background of the study, statement of problem, objective of the study, significance of the study, limitation of the study and organization of the study.

Chapter Two contains the review of literature. It includes conceptual framework and review of past studies Articles, Journals, Newspaper etc.

Chapter Three explains the research methodology including research design nature and Source of data population and sample size, Data Collection procedure & different tools & technique etc.

Chapter Four deals with analysis and interpreted of data using primary and secondary sources of data.

Chapter five is the last chapter of this study it deals the summary, conclusion and suitable recommendations.

Reference Books magazine news paper, previous dissertation is shown under the bibliography documents reviewed and some questionnaire separately shown under appendices.

CHAPTER II

REVEIEW OF LITERATURE

This chapter deals with the review of related studies and diffident aspects of the topic “Investment trends, problems and prospects of securities in Nepal” in more detail and descriptive manner. In the context of Nepal, there is not any social research studies have been available regarding the stock market behavior and decision making while investing in securities.

Generally in this study there are two part, first part is the conceptual review and the another part is the Review of previous studies, various books, journal, published and unpublished documents such as: articles, some research reports prospects of the particular selected listed companies are consulted and reviewed. Two part of this study are as follows:

2.1 Conceptual Review

2.2 Review of Related Studies

2.1 Conceptual Review

It works as a theoretical framework in the field of research. All the basic knowledge requires in the field of research can be cleared from the conceptual review. The concepts of those required basic knowledge are as follows.

2.1.1 Capital Market: Capital market is such financial market where long-term securities are transacted. It is also called long-term financial market. In the capital market

in which financial assets with a term to maturity of typically more than one year are traded, government and corporations are issued the long term securities. Generally capital market mobilized the national saving fund and issued the shares, debenture, and bonds of organized corporation.

Capital market means anybody or individuals, where incorporates or not, constituted for the purpose of regulating or controlling the business of buying and selling or delaying in securities (Valla, 1997:21).

Capital market deals with financial assets or securities. Securities will be fairly priced in the capital markets if they are efficient. Capital markets are considered to be efficient if the prices of securities reflect the available information. Depending on the extent of the information being impounded in the securities reflect the available information. Depending on the extent of the informant being impended in the security prices, capital markets may be efficient in weak semi-strong or strong form, capital market consists of two components the primary capital market and the secondary capital market (Pandey, 2002: 430).

The Nepalese capital market in open market securities is in its infancy stage the government established security marketing centre in 1976. And enacted securities exchange Act in 1983 to promote and regulate the market of open market securities. Then after, the center started secondary market operation by listing corporate securities. In a bid to activate the capital market the government massively amended the Act, constituted

security exchange board, and converted securities exchanges center into Nepal stock exchange with these superstructure facilities Nepal stock exchange now provides full fledged secondary market. As of mid-July 1994, it operated with the help of 6 market makers and 25 brokers and listed Rs. 2182 million worth of securities paid up value of listed securities of 66 listed companies (Shrestha, Paudel and Bhandari, 2003: 42).

2.1.1.1 Primary Market: The primary market is that market where newly issued of by the company or primary issue of securities traded for the first time. In other words primary capital market is a conduit for the sell of new securities. New or listed companies may make the public issues of shares. The initial public offering (IPO) is the public issue of securities by new companies for the first time.

A primary market is the place where corporations and government issue new securities. All securities, whether in money and capital market are initially issued in the primary market. This is the only market in which the company or government is directly involved in the transaction and receives direct benefits from an issue that is, the company actually receives the proceeds from the sell of securities (Bhattarai, 2006:11).

As in everywhere else there are three parties involved in primary market of securities in Nepal. They are (1) Securities issuing companies /government, (2) Securities buyers /investors and (3) Issue manager performing the functions of merchant bank. The government and public limited companies issue securities. General public, for profit and

nonprofit organizations are the buyers /investors of securities and financial companies licensed to carry out merchant banking activities (work as manager of issue in Nepal.) (Shrestha, Paudel and Bhandari, 2003: 29).

2.1.1.2 Secondary Market: The secondary market is that market where existing outstanding securities are bought and sold. In other words the second time issue of securities is called secondary market.

Secondary capital market deals in the second hand issue securities stock exchanges are secondary markets where buyer and seller trade in already issued securities. A stock exchange provided the following useful economic functions:

-) Help determining fair price based on demand and supply force and all available information.
-) Provide easy marketability and liquidity for investors.
-) Facilitate in capital allocation in primary market through price signaling.
-) Enable investors to adjusting portfolios of securities (Pandey, 2002: 424).

2.1.2 Securities

The term security will be used to refer to a legal representation of the right to receive prospective future benefits under stated condition (SAB, 6th edition :3). The primary task of security analysis is to identify mispriced securities by determining these prospective future benefits ,the condition under which they will be received, the likelihood of such conditions.(SAB:6th edition :3). There are major securities of capital structure are as follows:-

a) Ordinary Share /Common Stock :- common stock of a company are papers which represents ownership shareholder enjoy right to dividend , right to vote and right to right shares.

b) Preferred Stock:-preferred stock given a fixed income security, so it is a fixed income security. The preferred stock holder gets first priority for dividend and liquidation right. But after priority bonds and debenture holders, preferred holder has no voting right except same special condition.

c) Debenture /Bond: - Debenture gives a fixed interest instead of investment on debenture or bond, according to the length of maturity, debt securities are classified into two classes i.e. short term debt security and long term debt securities. In the short term debt securities, there is commercial paper, certificates of deposit, banker acceptance, T-bill etc. In the long term debt securities are government securities, corporate securities, municipal securities etc.

2.1.3 Fundamental and Technical

a) Fundamental Analysis Theory.

Fundamental analysis is based on the fundamentals of the information relatively to the companies. The persons who analyzed the securities on the basis of facts and figure is called a fundamental analysis. Fundamental analysis consists of such risk, earning dividend, growth rate etc. Fundamental analysis approach involves working to analyzed different sectors such as economic influences, industrial factors, government action. Firm's financial statement, its competitor and pertinent company information like

product demand earning, dividend and management in order to calculate and intrinsic value for firms securities.

“Fundamental analyses delve into companies earning their management, economic outlook, firms competitors market conditions and many other factors (Jack and Clark, 1986:398).

b) Technical Analysis

Technical analysis determined the market value of securities by the interaction of supply and demand technical Analysis percents the past data in charts and predicts the patens of future prices. In this approach, different charts and diagram and are used to Analysis the securities. Therefore, such an analysis is also called a chartist past data are used to Analysis the securities and thus the technicians tend to look back ward and they think life about future earnings and dividends.

According to the Edwards and Magee the following are the assumptions of technical Analysis

-) Market value is determined by the interaction of supply and demand.
-) Supply and demand are governed by numbers factors both rational and irrational.
-) Securities processed to more in trends that persist for an appreciable length of time, despite minor fluctuation in the market.
-) Changes in a trend are caused by the shifts in supply and demand.
-) Shifts in supply and demand, no matter why they occur can be detected scorne or later in charts of market transactions.
-) Some chart patterns tend to repeat themselves.

2.3.1.1 Technical vs. Fundamental Analysis.

-) Technical Analysis believes that past patterns of market action will recur in the future and therefore they can be used for predictive purposes.
-) Technical Analysis estimates prices instead of values.
-) Technical Analysis ignores the facts of fundamental analysis such as risk earnings, dividends, growth rate etc.
-) Some analysts use both the techniques but think of technical analysis to be superior to fundamental Analysis, because technical analysis is easier, faster and can be simultaneously applied to more stocks than fundamental analysis can be.
-) Much technical analysis would say that fundamental analysis is not worthless, but it is just too troublesome to bother with. Fundamental analysis is hard work, manipulated income statements cannot give an accurate estimate of value and should wait for price increases at underpriced securities.

2.1.4 Prevailing Securities Legislation & Other Related Acts

Prevailing Securities legislation

-) Securities Exchange Ordinance, 2005.
-) Securities Exchange Regulation, 1993.
-) Membership of Stock Exchange and Transaction by e-laws, 1998.
-) Securities Listing - Bye Laws, 1996.
-) Issue Management Guidelines, 1997.
-) Securities Allotment Guidelines, 1994.
-) Securities Registration and Issue Approved Guidelines, 2000.

-) Guideline on Business of Ethics for securities brokers, 2001.
-) Bonus share issue guidelines 2001.

Other Related Acts

-) Company ordinance, 2005.
-) Insurance Act, 1992.
-) Bank of financial institutions ordinance, 2005.
-) Foreign exchange (Regulation) Act, 1962.
-) Foreign investment technology transfer Act, 1992(Sources, Bhattarai; 2006:.38).
Other newly laws appear in the annual report of SEBO 2006/2007 is,
-) Securities related act 2006.
-) Securities Board of Nepal Regulator, 2007
-) Stock exchange regulation, 2007
-) Securities business Person Regulation, 2007.
-) Draft securities registration & issuance regulation, 2007 etc.

Major Regulating Agencies

-) Securities Board of Nepal (SEBO/N).
-) Nepal Rasta Bank (NRB).
-) Company Registrar's office (CRO).
-) Nepal Stock Exchange (NEPSE).
-) Insurance Board.
-) Concerned ministers of Nepal government.

2.1.5 Major Problems Faced By Nepalese Securities Market.

At present there are many problem faced by the Nepalese securities market. In Nepal, the commercial Bank provided low interest rate in deposit its direct effect the economic development of Nepal because interest rate and inflation rate is the main variable indicator of the economy. In Nepal inflation rate is higher than interest rate as a result saving has decreases and production and GDP also Decrease. On the other hand, Nepalese capital market is very small and only one stock market so there is no arbitrage opportunity and investor has not sufficient knowledge to investment on the securities.

There are not enough public issues to meet the demand of all retail investors. The performance of the companies which have gone to public for using capital are also unable to meet the expectations of the interest as in the sense that they are unable to provide the minimum acceptable rate of return to the investors If we analyze the present status of securities market of Nepal almost every public issue has been oversubscribed during 15 years. It shows the well coming response from retail investors but it can also be interpreted as the sufficient knowledge of investor about the capital market and the main problem funded by stock market are as follows:

1) Lack of Appropriate Rules and Regulations

Due to the lack of appropriate rules and regulations affect the stock market in Nepal. The security Laws are unclear and inadequate from several aspects. Process and procedure for enforcement and investigation in securities legislation are not clear this restricts the regulator from correcting the unethical and unfair market practices.

2) Lack of Political Stability

Political instability creates the Negative Environment to the investors. So in which country there is political instability. In that situation there is more fluctuation on share price.

In Nepal there is suffering from poor law and order situation, killing, terror, hike and violence obstructed the regular movement of the activities of the government. Due to this reason the investor's desire and expectations has been changes to investment on the securities.

3) Lack of Institutional Support for Training the Qualified Manpower

Stock market is more dynamic market than other market so well trained, brilliant and hard working staffs are request for the successful operator of stock exchange and the other hand less institutional support for training to qualified manpower.

4) High Cost of Public Issue

Cost of public issue (i.e. underwriting cost, advertising, printing and other expenses, collection and refund charge and issue management commission) is relatively high in Nepal as compared to neighboring countries the aggregate cost of public issue is 0.34% at minimum and 24.25 % at maximum of the issued amount in Nepal and this cost is 7.10% or at minimum and 10.30% at maximum in India (SEBO Journal, Oct 2005: 51).

5) High Transaction Cost

Cost relating to secondary trading of securities is taken here as transaction cost lower the transaction cost higher the return to the investors on securities trading and vice versa. Competent transition cost is incentive to increase volume of share trading low transaction cost helps to stabiles securities market by redacting volatility in prince there by provide investors a suffer place to invest.

6) Lack of Accounting and Auditing Standards

In Nepal due to the poor Accounting and auditing practice that do not show the real picture of corporate sector this do not allow informed investment decrees in the securities market. Nepalese Accounting and auditing standards are yet to be effective implemented by empowering the regulators and creating required awareness in the corporate sector

7) Lack of Efficient Tax Policy

There is a need to rationalized tax policies towards capital formation, to encourage the private sector secondary market transactions. There is the high level of taxation of transactions executed on the stock exchange. Stock brokers pay once third of commission earned in the form of transaction taxes or fee to the NEPSE. In most emerging markets, transaction cost to Invertors taking high transaction cost and capital gains in order to encourage basic taking. High transaction cost and capital gain taxes discourage inverting in the stock market and tend to reduce market liquidity. Another way, tax offices have wide discretionary powers and this leads to reluctance on part of companies to published objectively audited accounts which in tum deprives the investors

the essential basis for judging such company. In the absence of true information investors are reluctant to invest in the share of those companies. So, unsuitable tax policy also is one of the problems having in the Naples capital Market.

8) Insufficient Knowledge and Information Problem to the Investor

The regulatory authority role to educate general investor on securities market is also not sufficient most of all small investors do not know when and how to sell and buy their shares . They do not know how the stock market functions what should be their return whether their company is functioning satisfactory or not etc.

On the hand, the main factor affecting to the share market is the lack of information at timely and properly. Though, NEPSE is publishing annual report, trading report and financial information of listed companies it has not been so transparent and most of the times these have been found incomplete for public purpose. Thus the lack of stock market statistic has also infinite squeezing the turnover level as well as slow growth of Nepalese stock market.

9) Low Capital Formation

Capital is like a life blood of the every business. Capital is needed to smoothly operation and developing the business. In Nepal there is slow formation of capital it required for investment in business is raised from capital formation. The capital is formed from the saving of the people. Nepal being an underdeveloped country with 90% of the population dependent on agriculture has too low income to make sufficient saving. Event the saving

are spent in unproductive activities rather than in commercial or industrial activities. Thus, due to the low saving and hence low capital formation the primary market could not develop in Nepal

10) Limited Market

In Nepal, around 90 percentage of the total population depend on agriculture and the rural area of the country more than urban area. Due to these reports the market of securities is limited in urban area. Here is only one stock market (i.e. NEPSE) therefore; the investor would not gain arbitrage opportunity from the market. There is a major problem of stock market in Nepal.

11) Inadequate Infrastructures

Infrastructure is also a major problem faced by Nepalese stock market. Since, major parts of the country is covered by the hilly region, good roads, school, college, postal service and communication and transportation facilities are not available easily in that area. Due to the inadequate infrastructure efficient communication, transportation, different resources, trading place those who wish to invest in stock market also cannot do properly

2.1.6 Prospects of Nepalese Stock Market

Capital plays a vital role in the economic development of a country. Being a capital deficient country, Nepal has to make every endeavor to mobilize available capital efficiently. Securities markets provide mobility of the scattered saving. Retail investors with limited capital fund could also participate in the industrial development process of the

country through their investment in the securities. However, both individuals and institutions are putting most of their saving into bank deposit and bullion market because of the present state of the security market. Thus, long-term saving that should be invested in the securities markets are going into short term investments. Presently, stock exchange facility is available only in Katmandu valley. Hence, there is a scope of expanding this facility in other region of the country. Privatization of public enterprises such as Nepal telecommunication, corporation, Nepal Airlines and other public enterprises using share sale made of privatization as announced by HMG/N In the budget speech of F.Y.2003/04 could provide a huge investment opportunity in the securities markets(SEBO, Journal, vol 1, June 2004:78).

) Strategic Plan Lunched By SEBO

With the objective of carrying out the market development activities in a planned way, SEBO has brought the five years strategic plan (2002-2007). The strategic plan will help for the improvement in the legal and regulatory framework of the capital markets. The major strategic plans are as follows

- To modernize the security market.
- To make effective regularity system of security market.
- To increase and expand the capital market through the proper allocation and operational efficiency.
- To make transparent and the viable to the security market system.
- To increase the depth and breadth of security market.

) **The Electronic System of Trading**

NEPSE has launched a computerized technology so that all transaction and related activities are done by software and online trading. It helps the efficiency of share transaction in stock market. It also the major prospects of stock market in Nepal.

) **Investment On Tourism and Hydropower Sector**

Tourism and hydropower sector can be the backbone of Nepal's economic development. Hydropower projects, in particular are long term investment projects and Nepalese banks which normally lend for short term purpose; cannot be a suitable source of financing. Hence the issue of debt securities for this purpose could provide a strong dynamic for the development of the securities market in Nepal.

) **Facilities to Entry and Exist of Securities Business Person.**

Corporate bodies willing to operate securities business such as issue manager, stock broker, share register etc. have applied for SEBO's permission. However there is a lack of clear provision in the prevailing securities legislation regarding the entry and exist of securities business persons. So, necessary provision has been incorporated in the proposed security exchange act. Besides, initiatives to facilitate the entry and exist process being taken under the framework of present securities legislation. This is also one of the gates for the development of Nepalese stock market.

) **Growth of stock market indicators**

Generally, in Nepalese stock market, its indicators are increasing in yearly figure. NEPSE Index was 226.03 in 1993/94 and it was 683.95 in 2006/07. Currently, NEPSE crossed

1100 points at 6 Aug 2008, it was indicates that the potentials of development of stock market in Nepal is very high.

J **Opening of OTC market in Nepal**

Currently, the OTC market is open for security exchange in Nepal. The SEBO/N has provided authority for the operations of OTC market on 27 May 2008. It has been operating from 4 June 2008. Forty companies are delisting which is exchange in OTC market, but not listed in Nepal stock exchange. It also may be prospects of the Nepalese stock market.

2.2 Review of Related Studies

Various related studies have been found in the field of share market in Nepal. There are as follows:-

2.2.1 Review of International Context

Researches studies have been done internationally on the stock market .Some of them are as follows:-

Ross Levine in his article “**Stock markets growth and tax policy**” published by Blackwell publishing for the American finance Association. He explains that this paper addressed the question: how does trading of financial assets and tax policy affect economic growth? The paper examines a model in which liquidity and productivity risk elicit the creation of a stock market & studies how the resulting stock market changes the incentives of investors in ways that alter steady state growth rates. In particular, stock markets accelerate growth by(1) facilitating the ability to trade ownership of firms

without disrupting the productive processes occurring within firms and (2) allowing investors to hold diversified portfolios. Stock market arises in this model to help agents manage liquidity and productivity risk, and in so doing stock markets accelerate Growth. In the absence of financial market firm specific productivity shocks may discourage risk adverse investors from investing in firm's stock market, however allow individuals to invest in a large number of firms and diversify against idiosyncratic firm shocks. This raises the fraction of resources allocated to firms expedites human capital accumulation and promotes economic growth.

Cecil L. Dunn in his articles “**problems of the postwar capital market**” published by stage publications, Inc. In association with the American Academy of political and social science, he had recommended that the capital market are as follows:

-) The creation of voluntary, community – sponsored business financing corporations on the pattern of the “Industrial foundations” should be encouraged a major function of these agencies should be the position of a meeting grown for investors and business in need of funds. The contacts between such parties should be uniformly drawn with their major provisions subject to the decision of the agency. The existence of this service should be widely publicized and every effort should be made to draw the attention of investors to local opportunities.
-) Banking institutions should make avoidance research advisory and management service which will permit them to liberalize lending with little hazard to liquidity.

- J Banks should create Joint insurance funds in a form somewhat like a credit pool to permit the liberalization of lending practices especially with respects to term and installment loan.
- J The question of publicly financed and managed agencies should be made the subject of further study to be undertaken in the light of the success of the voluntary measures purposed and in consideration of the probable effects of pending federal legislation to extend the lending service of the reconstruction finance corporation to equity investments in small business.

Ziamba and Schwartz in his article **“The Growth in the Japanese stock market, 1949-90 & Prospects for the future”** he has highlighted the growth of Japanese stock market more than other stock market of the world. He had found that the end of 1988 market share to be: united states, 32.6% Japan, 39.0% Europe 22.2% and all others 6.2% therefore Japan’s market share is still larger than that of the united states but by not as much.

Europe is share increases only slightly because many of the major European market’s also have large cross holding that are nearly as large as those in Japan. The two economic in the world that seem to be doing best today, Japan and Germany, both have very large cross holdings. This effect on the resulting business practice leads to better relationships, product quality, sales and long – run profits.

Pandey in his Book “**Financial management** has explained that the capital market in India the first stock exchange is the Bombay stock exchange was established in 1875. Now there are 23 stock exchanges in India. The number of shareholders has increased to about 30- 40 million. There are about 9000 listed companies. Both the market capitalization and volume of trades have shown general growth, although they have fluctuated over years.

The Indicator of stock market reflects the development of an economy it is important to predict the course of national economy because economic activity affects the corporate profits. Investor attitudes, expectations & ultimately securities price. The key for the analysis is that overall economic activity manifest itself in the behavior of stock price or the stock market .This linkage between economic activity and the stock market is critical (Fisher and Jorden, 1990: 20).

2.2.2 Review of Nepalese Context

The future of NEPSE hinges on the economic policies of the government. The government has to spell out clearly what policies it will follow. For instance when there was a talk that the Maoists would adopt us socialist type of economy it had a negative reaction type of economy. It had a negative reaction in the stock market. When government policies are not clear investors will adopt a wait and watch mode which not good for the economy. An investor needs to feel secure of his/her investments within the last decade a strong foundation for a liberal economy has already been laid and trying to break that will push us further down the drain (Boss, August 2008:64).

The major drawbacks of NEPSE are as follows: - One major drawback is the absence of central depository system (CDS). What is happening at present is that according to regulations we are suppose to transfer ownership names on to share certificate within 15 days but in reality it takes two to three months. Another drawback is that NEPSE has not been able to act as an economy barometer because it is mostly concentrate with financial institutions. And next is ratio of trading turnover to market capitalization has not gone over 5 percent which should have been 40 to 50 percent for a developing market. And the other hand when we looked at our annual trading to GDP, it is only one percent which should have been at least 25 percent. Lastly, with the professionalism of stock brokers who are mostly concentrating in taking fees for transaction, they should be counseling investors too. Also, the number of brokers has gone down. The lack of institutional investors has hindered the growth of stock market (BOSS, Aug.2008:64).

The factors which helped to push the NEPSE, which are as follows: First, more than 90 percent of the market is dominated by banks, finance companies and insurance companies and the financial performance of these companies is continuously improving. Second, the stock market is totally concentrated in the Kathmandu Valley and the people fee safer in this area. So the people have feel safer to invest in the stock market. Third, the Nepali stock market has no impact from the situation out of the value. If there is some such effect the people who had their investment in the assets outside the valley have diverted in to the stock market in the valley. Fourth, the buying and selling pressure in the market is totally dependent on the valleys limited investors. Fifth, there is the diversion

of the investment from gold to the stock market. Lastly, as the opportunities to invest in other sectors are limiting, the people are increasing investing in the stock market (New Business Age, February 2006:47).

The primary and secondary stock markets are gradually improving in Nepal. There is a growth of both market in terms of various indicators such as number of new issue companies ,volume of new share ,volume of shares, no of listed companies ,capitalization ,no of shareholder ,however with in the short period ,stock market faced with both boom and bearish trend (Shrestha,2005 :28) .

The empirical results shows that the stock market has not been developed us enough to effect and push development of various sectors of the economy. Lack of promotion and expansion of economy the stock market is in infancy stage .It means the Nepalese stock market is still small and capture limited sector of the economy .Therefore the result is consistent in Nepalese context that increase in GDP pushes capital market to enlarge and expand (Shresthas,2005:28) .

The NEPSE index that was 494.59 points in mid April 2007 went up 78% by the beginning of the October 2007 and it is approaching 900 marks. Increasing expectations of the investors towards the bonus and right share from the financial institutions are pushing the market every day. Due to this, the investors are not heeding the warnings issued by the regulations. They are not caring about the current fluid political situation either furthermore; the bull-run is leveraged by the automated trading system and

manipulation by the well known but not declared market scndlers. The automated trading system has enable the broker to increase the market by quoting the market price in the maximum range and executing the transaction in a small no of shares, thus creating an .artificial scarcity of the shares(New Business Age , October 2007:46).

At present retail buyer are increasing pushing the index up. The new investors should be very careful not to be fooled .meanwhile, Security Board of Nepal (SEBO/N); issuing a press statement has urged the investors to be very careful while investing “Be careful of the noise creators who can mislead.” States the press note. Investors might find themselves on the road over night ,if they do not look at profit and loss account management ,income per share ,book value ,risk factor and financial health of the company, warns the board, the regulatory authority of the capital market (Himalayan times, 6 Aug2008:11).

2.2.3: Review of Masters Degree Thesis

There are many masters degree thesis prepared by various researchers in the past year. Among them, some thesis is reviewed for analysis of literature:-

Mr.Rishi Khanal (2003), in his thesis “**Growth problems & prospectus of stock market in Nepal**” shows the major objectives are as follows:-

-) To study the growth trend and current position of stock market in Nepal.
-) To find out the existing problems faced by the Nepalese stock market.
-) To examine the sector- wise financial status of stocks in Nepalese stock market.
-) To analyze the prospectus of Nepalese stock market.

) To suggest improvement in stock market of Nepal.

The analysis of this study based on both primary and secondary data . he had taken the whole stock market as a sample and he had take the different tools: GDP, Inters rate, inflation, trend analysis etc.

After this study he found the following conclusions:-

) The aspect of the liquidity in the stock market is not functioning well in Nepalese stock market. There is almost no liquidity in the stock market for shares expect that of banking and some financial and insurance sector.

) The manufacturing sector do not have good performance in Nepalese stock market due to the reasons of all firms in this sector have sustained loss.

) The investors are interested to invest their resource in the shares of corporate through the stock market in the Nepalese economy.

) Nepalese stock market is the infancy stage and NEPSE is the only one institution in the country.

) Transparency and openness of transaction, quality professional services, adequate corporate financial disclosures and improved legal, regulatory and supervisory frame work are the urgent needs of Nepalese stock market.

) Investors' confidence in Nepalese stock market relatively low because of stock market volatility, low return in investment, inadequate information, lack of financial market instruments.

He makes the following major recommendations:-

) The number of staff should be adequate and properly trained in all aspects of securities market.

-) The government should formulate appropriate policies for improving the environment for private sector development for efficient mobilization of saving through the stock market.
-) The government should allow foreign investors to invest in Nepalese capital market.
-) The bodies of SEBO should developed public awareness and investor's education program.
-) There should be efficient coordination and cooperation among DEBO/N, NEPSE& NRB In order to develop the stock market.
-) The NEPSE should be computer based technology in trading system.

Mr. Ramesh Timilsina (2007), in his thesis **“Investment trend of securities in Nepal”** tries to shows the trends of Capital market problem and its impact the economic development in Nepal. He set the major objectives are as follows:-

-) To find act investing trend of securities in Nepal of stated commercial banks in NEPSE.
-) To find out the problem and prospective of investing securities in Nepal.
-) To analyze individual behaviors to take a decision of investing in securities.

The analysis of this study based on both primary and secondary data. He had taken five commercial bank as a sample of total listed commercial banks. He had taken the different tools to analysis like, Trend analysis, Technical Analysis.

After the analysis of this study, of this study, He found the conclusions are follows:-

-) The investor is not conscious to take investment decision due to the lack of sufficient knowledge.

-) The activity on the stock market and the share price are determined by the excessive speculation, they have little correspondence with fundamentals real performance of the economy.
-) Due to the political instability are the prominent factors for the under development of the security market in Nepal.
-) Market index reflects market trends and it takes all issues listed on the exchange on the account.

He makes also recommendations are as follows:-

-) Investor must be beware about the stock market.
-) Investor should read the morning journals as well as daily newspaper for sufficient knowledge.
-) The investor should always be aware of the daily stock price and volume traded figure of stock price records published by NEPSE.
-) The investors should not “act on whim” and should properly analyze the study the market trends before making their investment decision.
-) Investors awareness programmer should be launched the provided with investment guidelines.

Srijana Shrestha, (2008) had research on “**Growth &Prospects of stock market in Nepal**” it describes about the growth of Nepalese stock market and its prospectus. The main objectives of her researcher study are as follows:-

-) To assess the situation of the stock market in Nepal.
-) To analyze the growth trend of Nepalese stock market.

-) To evaluate the problems in Nepalese stock market.
-) To examine the sector wise financial status of stock in Nepalese stock market.

The analysis of this study based on both primary and secondary data. She has taken five commercial bank as a sample. She has taken to analysis the different financial tools i.e. trend analysis, expected return, Standard deviation and coefficient of variation etc.

In her study, she tried to find out the problems related to the capital market & current situation of stock market in Nepal. Major finding are as follows:-

-) Most of the people use to take guidance from friend rather than stock broker.
-) Mainly investor motives about the return and asserts price appreciation.
-) More than 80% people said the information provided by the company to NEPSE is not appropriate.
-) Current rules and regulation of NEPSE and SEB O/N are not sufficient to develop stock market.

She makes the following major recommendations:

-) Investor must have sufficient knowledge about the securities to invest.
-) The trading system of NEPSE should be modernized or computerized.
-) Free information about stock market must be available in the market.
-) Companies should be maintaining their financial statement structure according to the international accounting standard.

) The government, regulating Authority the stock exchange, listed companies, market players etc should understand their respective roles and play their roles with sincerity.

2.3 Research Gap

There have been done several researches in stock market. All of those researches have many fruitful finding and their own limitation. For example,

Khanal (2003) shows descriptive and diagnostic in its theoretical point in view rather than practical bases. He has done research in stock market growth trend through the NEPSE index, market capitalization and turnover etc. but not used any technical Analysis to show the price fluctuation which is the most important factor for Analyzing the growth/ trend of stock market.

Timilsina (2007) tries to show the trend of stock market including problem but it is not enough to Analysis the market. His analysis only based on total market like, NEPSE, Index, turnover, capitalization etc but not separately analysis of commercial bank. This is mainly base on investment trend of securities only.

Shrestha (2008) tries to show the current status and prospects of stock market but not analysis of problem related to stock market. Also, she did not analysis of price fluctuation on share price and separately analysis of commercial bank indicator.

The main focus in this study is to analyze the growth, prospects and price fluctuation on the stock market. This study helps to analyze the development and improving the stock market also, analyze the price increasing and decreasing trend.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

Research Methodology is the systematic methods of finding solution to the research problem i.e. systemic collection, recollection, recording, analysis, interpretation and reporting of information." Methodology refers the various steps that are generally adopted by a researcher in studying his research Problem along with the logic behind it. Thus research methodology is away to systematically solve the research problem " (Wolf; 11th 1999:203)

This chapter deals about the research methodology by which the collected data are analyzed to get the result, in this regard, this chapter is carried out to diagnose the stock market activities in Nepal. To achieve the objective, the study has been described as follows:-

3.1 Research Design

This study is carried out to get the empirical result of the stock market. To conduct the study, analytical and descriptive research approach is adopted for the reality available historical data. All the data used in this study are primary and secondary in nature.

3.2 Population and Sample

According to the annual report of SEBO/N 2006/07, there are altogether 135 listed companies in the NEPSE from different sector. The concern of the study is only on

commercial banking sector ,therefore the size of population is total number of commercial banks listed in the NEPSE i.e. 15 Commercial bank up to year 2006/07.

This study explores the objectives set in the previous section and it is also expected that this study will help in analyzing the stock market scenario. On the basis of convenient sampling techniques, top 5 private commercial banks on the basis of their performance and these banks are categorized in group a classification for the sample in this research.

- 1) Standard Chartered Banks Ltd
- 2) NABIL Bank Ltd
- 3) Nepal Investment Bank Ltd.
- 4) Himalayan Bank Ltd
- 5) Bank of Kathmandu Ltd

3.3 Nature and Sources of Data:

With the fulfilling the predetermined objective that are set up for the study both primary as well as secondary sources are included. The main place of data was the central office of Nepal stock exchange (NEPSE), Security Board office, Thapathali, Kathmandu and economic survey published by ministry of finance .The main sources of data is annual report of SEBO/N, annual report of NEPSE ,various bulletins available and useful to the study are also taken into consideration. The research is mainly based on primary as well as secondary data for analysis.

3.3.1 Primary Data

Those data which are collected for the first time for any specific purpose are called the primary data. Primary data gathered by the researcher for the research project at hand collection of primary data is comparatively expensive than the collection of secondary data but they are exactly in the form that the researcher requires.

Primary data are collected through questionnaire and informal interview of the concerned persons like officer of SEBO/N, NEPSE, banks, brokers and issue manager.

3.3.2 Secondary Data

The secondary sources of data are the annual report of security board of Nepal, Trading report of NEPSE, different books from library, periodicals, newspaper, cutting, company magazines etc. Guideline and unpublished thesis, research work that directly related to financial performance and stock market would from secondary data for the purpose of this study. Significant information is also collected from internet and various websites like www.nepalstock.Nepal stock .com, www.sebon.com, www.google.com for this study.

3.4 Data Collection Procedure /Technique

The main required data and information have been collected from the primary as well as secondary data. The primary sources are descriptive, possibly subjective responses from the target group or personnel regarding the prevailing practices about investment. And secondary sources of data are collected from different report, journals, article etc.

3.4.1 Primary Collection Procedure:

The primary data are collected from different group of related field like staff of SEBO, NEPSE, Bank, Brokerage firm and issue manager by using questionnaire and interview methods.

Regarding the primary data, 45 questionnaires are distributed among them from SEBO/N there are approximately 50 staffs but 10 staffs are taken as a research sample. Similarly from NEPSE there are approximately 100 staffs and 15 staffs are taken as a research sample. Accordingly from banks, from brokers and from issue manager there 15 commercial bank, 27 brokers and 9 issue manager among them 10 staffs are taken as a sample from 2 commercial banks , 5 staffs are taken as a sample from 2 brokerage firm and 5 staffs are taken as a sample from issue manager . All together 50 copies of questionnaire are distributed but 45 copies are receipted as a rood response.

3.4.1.1 Questionnaire

As a part of methodology a questionnaire (see annex -i) was design to elicit of much information as possible on the trading activities more precisely on investment attitude of investors. The questionnaire design for this study also solicited informal of specific cases malbeit not with much success, which involved the application or use of technical analysis approach for forecasting stock movement of particular company. The questionnaire was design to seek two kinds of responses viz.

- Yes/ No answer
- Multiple choice answer

A number of questions were put up by means of 50 copies of questionnaire; categorically the questions raised through this means were of two types namely. Yes/no question, multiple choice questions . The questionnaire so collected is thus related to find out the opinion of investors for investment decision to shares, problem and prospects of security market.

3.4.1.2 Interview

With a view to reduce into the limelight the impediments that erode the confidence of small investors in the stock exchange ,causing instability to the market price or shares ,personnel interview were held with many of the concerned personalities ,interaction with the brokers ,investors and authorities of NEPSE was taken place to explore the information and data available with them. In addition to this, some formal or informal discussion are held in order to elicit the true information about the subject matter.

3.4.2 Secondary Collection Procedure

The secondary data are collected NEPSE, SEBO/N, Past research, Journals, Article, Newspaper and other sources. Mainly, in this study no of listed companies, annual turnover, market capitalization, NEPSE index, closing price of commercial bank etc are taken to analyze the study.

3.5 Data Processing and Analysis

Data collected from questionnaire were in row form. They were classified and tabulated in the require format. Simple arithmetic percentage tools were used for analyzing in primary data. Data collected from secondary sources were analyzed and presented in bar diagram, pie chart and percentage.

3.6 Methods of Analysis

The methods of analysis employed in this study include the use are follows:-

Trend Analysis

Trend analysis is one of the suitable statistical tools to measure the index ,market capitalization ,turnover, listed companies ,paid up value etc. during the selected period also known about the trend of price fluctuate in NEPSE index .Trend analysis also help to the forecasting future growth in Nepalese stock market. It also describe about the stock market trend by using percentage of growth and increase and decrease of volume.

Trend analysis is analyzed to find out the problems associated with stock market and future potential to develop the stock market in Nepal. Commercial banks in NEPSE are taken as a sample and different indicators like issue approved ,market capitalization ,paid up value ,no of listed companies ,annual turnover and price fluctuate in NEPSE have been used to perform the analysis .

Filter Rules

Eugene fama and marshall blume designed the programmed to trade the securities of an x percent filter rule and this strategy operates as if the price of a security rises at least x percent buy and hold the security until its prices drops at least x percent from a subsequent height. Then liquidate the long position and assume a short position until the price rise by x percent. But under this strategy the research reported that nobody could outperform the naïve buy & hold strategy.

Buy: % of market price rise | x%

Sell: % of market price fall | x %

Run Test

Another technique used to analyze the behavior of stock price is the run tests have files not affected by the filter rule. Run is based on the percentage change in price. A run occurs in a series of numbers wherever the changes in the positive (+ve %), Negative (-ve %) & zero run until the price charges alter (i.e.) the change in positive to negative +ve to zero etc) the total changes, it is called one run.

The run tests also found that active traders who search for various types of Non random trends from which to earn a profit will not be able to beat a naïve buy and hard strategy on average

Moving Average Analysis.

One the most reliable and easily read technical indicates to investor is the moving average of closing prices of security or market indexes. The effect of averaging is to give

a smoother curve and to lessen the fluctuations that pull the actual figure from the generate trend. In American Context, 30-week and 200 days moving average of closing prices or market index is popular but here in the study 5-days moving average of market index is presented for analysis purpose in a short period.

Chart construction: In a 5 day's moving average, the first moving average is obtained by adding up the 5 day's value of market indexes and divided 5 and is Placed against the middle of 5 days i.e. three days, similarly, the second 5 days moving Average is calculated by dividing at second, third fourth, fifth etc value of market index and is placed against the middle of the day, A line chart of these moving averages is plotted along with a line chart of market index. Each day charts are up dated they examined for trends to see if there is buying or selling present somewhere.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS OF DATA

INTRODUCTION

This chapter is the main body of the study. This chapter includes analysis of collected primary and secondary data and their presentation. In this chapter the relevant and available information from NEPSE, Security Board Nepal (SEBO/N), and different books and articles are analyzed to find out the problems associated with stock market and future potential to develop the stock market in Nepal. Also, appropriate statistical and financial tools have been used to perform the analysis.

4.1 Analysis of Secondary Data

Analysis of secondary data has been analyzed by using the different indicators, Issued approved, market capitalization, turnover, NEPSE Index, trend of fluctuation on stock price etc.

4.1.1 Analysis of Trend of no. of listed Companies no of Traded company, and no. of listed Securities

Table 4.1

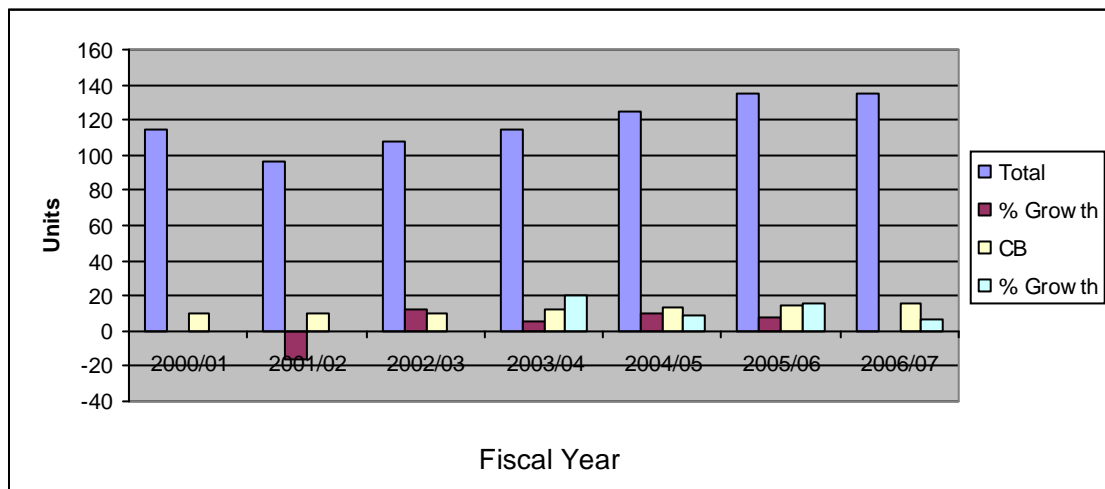
No. of listed Companies no of Traded Company and no. of listed Securities

F.Y.	No. of Listed Company				No of Traded Company	% of Growth	No: of Listed Securities	% of Growth
	Total	% Growth	CB	% Growth				
2000/01	115	-	10	-	67	-	124971	-
2001/02	96	-16.52	10	0.00	69	1.54	134150	7.34
2002/03	108	12.50	10	0.00	80	15.94	159958	19.24
2003/04	114	5.56	12	20.00	92	15.00	161141	0.74
2004/05	125	9.65	13	8.33	102	10.87	194673	20.81
2005/06	135	8.00	15	15.38	110	7.84	226540	16.37
2006/07	135	0.00	16	6.67	116	5.45	243504	7.49

Source: Trading Report of NEPSE

Figure: 4.1

No of Listed Companies

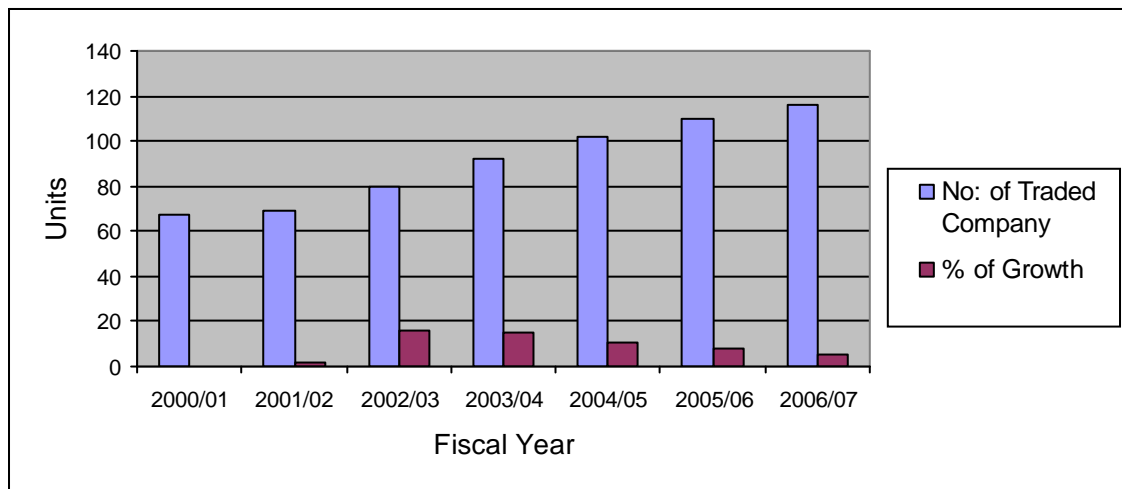


The highest number of listed companies was 2005/06 and 2006/07, lowest in 2001/02 i.e.

96 only. Growth rate of listed companies is positive in all these years except in 2001/02

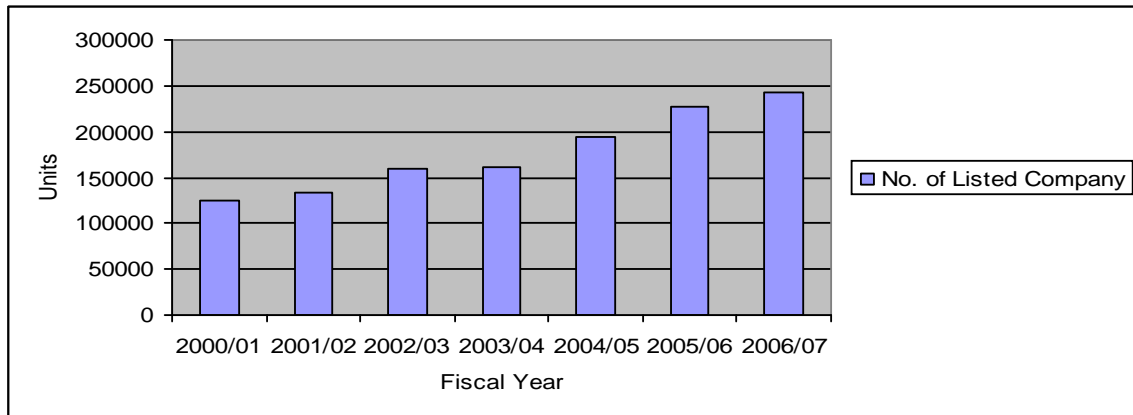
because NEPSE deleted some companies from its list because of Non-disclosure of necessary information correctly and timely. The growth rate was the highest in 2002/03 i.e. 12.50 percent and lowest percent was – 16.52 in 2001/02. In the other hand, listed companies of commercial Bank (CB) is also increasing trend. It was height growth rate was in 2003/04 i.e. 20 percent and lowest was zero percent increases in 2000/01 to 2002/03.

Figure: 4.2
No of Traded Company



Number of traded company in 2000/01 was 67 and 116 in 2006/07. This figure shown that traded increasing trend. The highest growth percent of traded company in 2002/03 was 15.94 percent growth and lowest in 2001/02 was 1.54 percent.

Figure: 4.3
No of Listed Securities



The present system is that the securities issued to the public should be listed in stock exchange with in 45 days after the allotment date. Regarding the above figure No. of listed securities was positive in every year. It was highest at 2004/05 i.e. 20.81 percent and lowest growth rate in the year 2003/04 i.e. 0.74 percent. In the year 2006/07 number of listed securities were 243504, which grow by 7.49 percent in comparison with the year 2005/06.

4.1.2 Analysis of Trend of NEPSE and Commercial Bank Index.

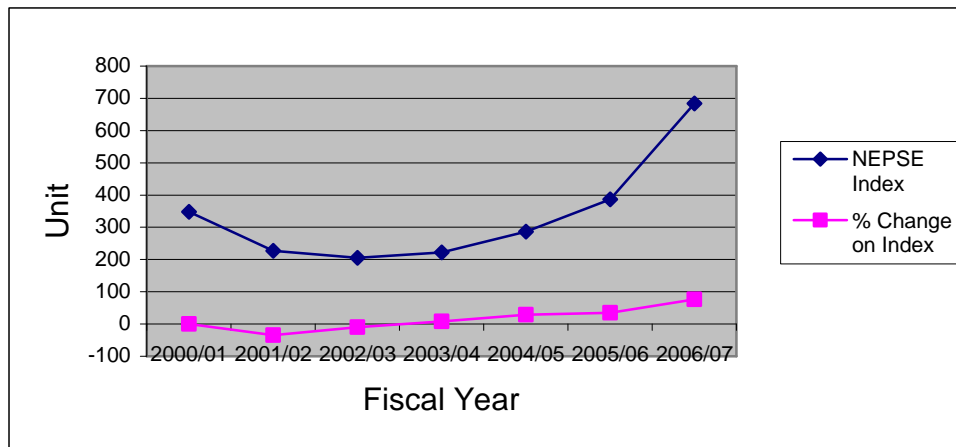
Table 4.2

NEPSE and Commercial Bank Index

Fiscal Year	NEPSE Index	% Change on Index	C.B' S Index	% Change in Index
2000/01	348.43	-	379.38	-
2001/02	227.54	-34.70	219.35	-42.18
2002/03	204.86	-09.97	199.90	-8.88
2003/04	222.04	8.39	231.97	16.04
2004/05	286.67	29.11	304.64	31.33
2005/06	386.83	34.94	437.49	43.61
2006/07	683.95	76.81	181.07	-58.61

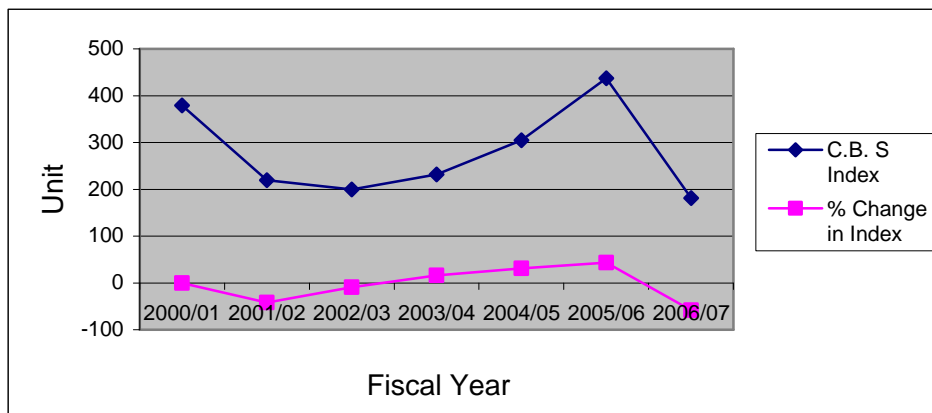
Sources: Annual Trading Report of NEPSE

Figure: 4.4
NEPSE Index



By analyzing the table 4.2, NEPSE index in base year 2000/01 was 348.43 then after was declined up to 2002/03 than after it was increasing trend up to year 2006/07 i.e. it was 683.95 and the growth rate also highest i.e. 76.81 percent. Due to the political instability, manipulation in price and most of listed companies expect banking sector not making transaction in capital market the NEPSE index again in down ward trend.

Figure: 4.5
Commercial Bank Index



Similarly, commercial Bank's index in the base year 2000/01 was 379.38 than after it was up & down situation up to 2006/07. Commercial Bank's & Index was highest in 2005/06

i.e. it was 437.49 and the growth rate also highest i.e. 43.61 percent and lowest price and lowest growth rate was in 2006/07 i.e. 181.07 & -58.61 percent.

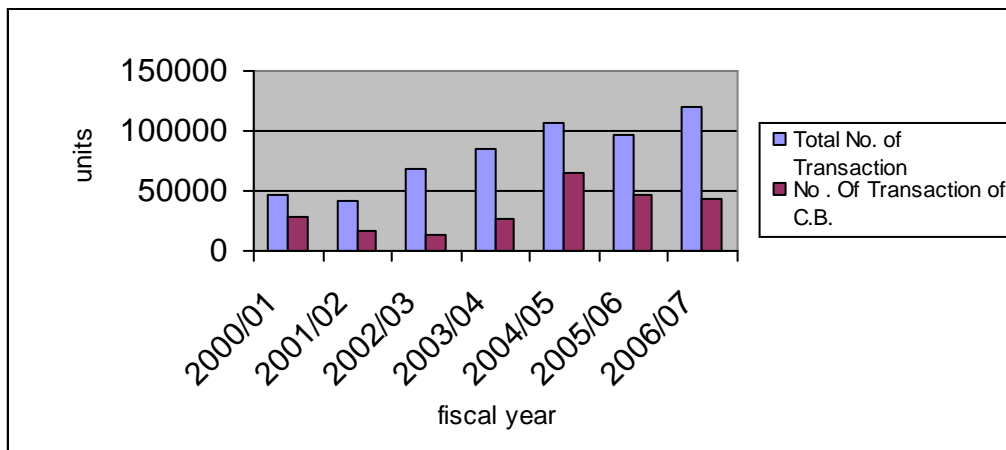
4.1.3 Analysis of No. of Transaction

Table: 4.3
Number of Transaction

Fiscal Year	No: of Transaction		C.B.'s no. of transaction	% of Growth
	Total	% of Growth		
2000/01	46095	-	27619	-
2001/02	42028	-8.82	17363	-37.13
2002/03	69163	64.56	12798	-26.29
2003/04	85533	23.67	26000	103.16
2004/05	106246	24.22	64966	149.87
2005/06	97374	-8.35	45886	-29.37
2006/07	120510	23.76	42648	-7.06

Sources: Annual Trading Report of NEPSE

Figure: 4.6
Number of Transaction



Number of transaction in NEPSE and C.B. were fluctuating in yearly basis. The maximum number of transactions in 2006/07, it was 120510 only 42028 transactions in

NEPSE was made in the year 2001/02. The highest growth rate of transaction in year 2002/03 was 64.56 percent and lowest was negative in year 2001/02 i.e. -8.82 percent.

Similarly, No of transaction of commercial bank (CB) the maximum number of transaction in 2004/05, it was 64966 transaction, it was also highest growth rate i.e. 149.87 percent and the lowest was in year 2002/03 i.e. 12798 transactions and the lower growth rate was in year 2001/02 i.e. -37.13 percent.

4.1.4 Analysis of Total Paid up Value and paid up Value of Commercial Bank.

Table 4.4
Total paid up value and paid up value of C.B.

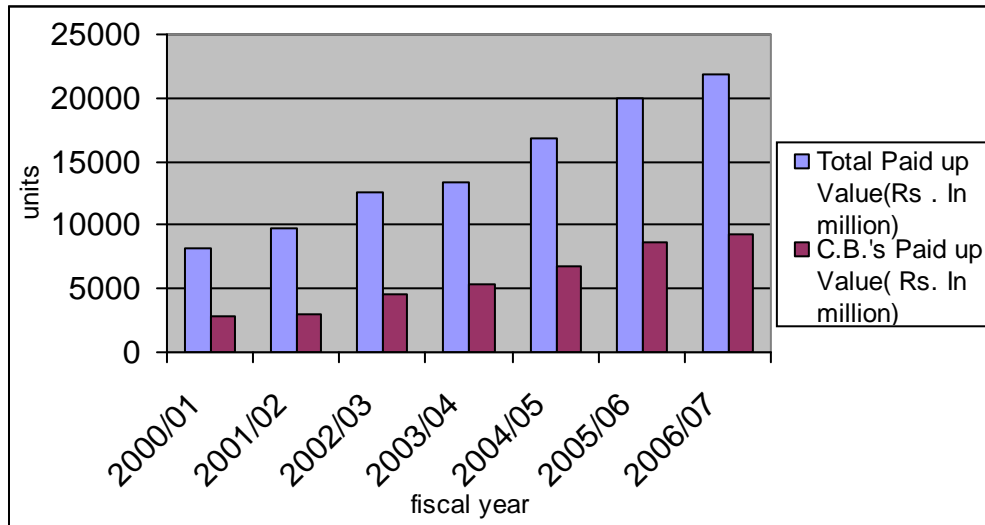
(Rs. In Million)

Fiscal Year	Total Paid up Value	% Increase in Total Paid up Value	C.B.'s Paid up Value	% Increase
2000/01	8165.20	-	2843.60	-
2001/02	9685.00	18.61	2942.01	3.46
2002/03	12560.10	29.69	4584.92	55.84
2003/04	13404.90	6.73	5380.45	17.35
2004/05	16771.90	25.12	6700.16	24.53
2005/06	19958.00	19.00	8666.73	29.35
2006/07	21799.00	9.22	9281.93	7.10

Sources: Annual Trading Report of NEPSE

Figure: 4.7

Total paid up value and paid up value of C.B.



By analyzing the table 4.4, by the end of this fiscal year 2006/07, the paid up value of listed securities increased by 9.22 percent and reached to Rs. 21799 million in comparison with Rs. 19958 million in year 2005/06. Total paid up value in 2000/01 was Rs. 8165.20 million and it was in increasing trend till the year 2007. The growth rate of total paid up value was highest in 2002/03 i.e. Increased by 29.69 percent and lowest growth rate in the year 2003/04 i.e. increased by 6.73 percent. Percentage increased in total paid up value is satisfactory.

Similarly, paid up value of commercial bank was also increasing trend up to 2006/07 because all are positive growth rate. The highest paid up of CB was in year 2006/07 i.e. 9281.93 million and the lowest was in year 2001/02 i.e. 2843.60 million. The highest growth rate of C..B.'s paid up value was in year 2002/03 i.e. 55.84 percent and lowest was in year 2001/02 i.e. 3.46 percent.

4.1.5 Analysis of No. of Issues Approval and Amount of Issue Approval.

Table 4.5

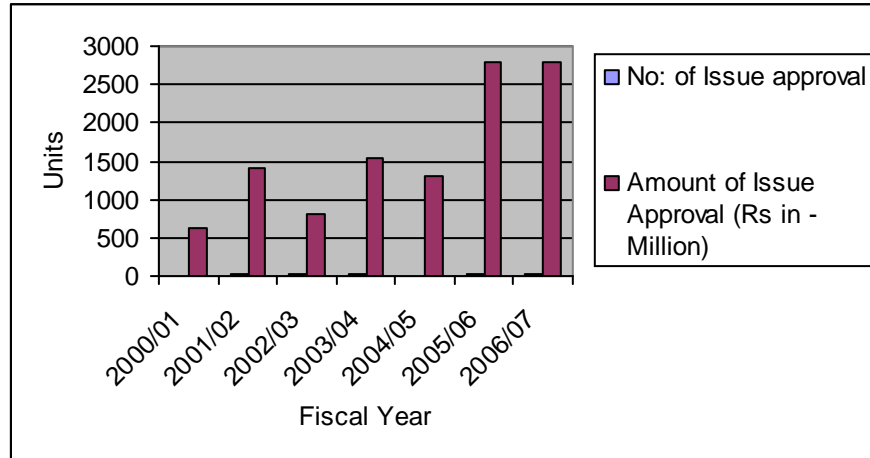
No. of Issues Approval and Amount of Issue Approval

Fiscal Year	No: of Issue approval	Amount of Issue Approval (Rs in -Million)	% of Growth
2000/01	9	634.29	-
2001/02	16	1416.63	123.34
2002/03	17	813.74	-42.56
2003/04	16	1547.20	90.13
2004/05	12	1315.80	-14.96
2005/06	38	2800.96	112.87
2006/07	34	2785.40	-0.56

Sources: Annual Trading Report of NEPSE

Figure: 4.8

No. of Issue Approval and Amount of Issue Approval.



From the table 4.5, total amount of issue approval were fluctuation in yearly basis up to year 2006/07. In the fiscal year 2005/06, SEBO registered the securities 38 companies and granted issue approval amounting to Rs. 2800.96 million. The highest percentage growth of issue approval was in year 2001/02 i.e. 123.34 percent and the lowest growth

of issue approval was in year 2002/03 i.e. – 42.56 percent. SEBO registered the securities of 9 companies was in year 2000/01 i.e. the lowest no of issue approval.

4.1.6 Analysis of Total Market Capitalization and C.B.'s market capitalization.

Table: 4.6

Total market capitalization and C.B.'s market capitalization

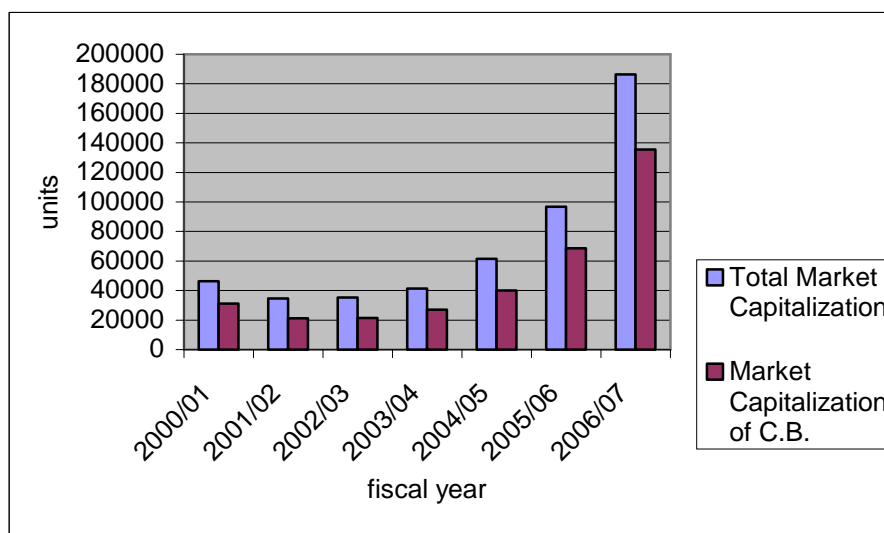
(Rs. In Million)

Fiscal Year	Total Market Capitalization	% of Growth	Market Capitalization of C.B.	% of Growth
2000/01	463349.41	-	31235.21	-
2001/02	34703.87	-25.13	21227.42	-32.04
2002/03	35240.39	1.55	21436.72	0.49
2003/04	41424.77	17.55	27147.42	26.64
2004/05	61365.89	48.14	40119.88	44.79
2005/06	96763.74	57.68	68694.36	71.22
2006/07	186301.30	92.53	135588.40	97.38

Sources: Annual Trading Report of NEPSE.

Figure 4.9

Total market capitalization and C.B.'s market capitalization



Total market capitalization of listed securities at the end of fiscal year 2006/07 is Rs. 186301.30 million. It was the highest total market capitalization & lowest in the year 2001/02 i.e. Rs. 34703.87 million. The highest growth rate of total market capitalization was in 2006/07 i.e. 92.53 percent and lowest growth rate was in year 2001/02 i.e. -25.13 percent.

Similarly, the market capitalization of listed commercial bank at the end of fiscal year 2006/07 is Rs. 135588.40 million. It was the 72.78 percent portion of total market capitalization in year 2006/07 also, was the highest capitalization & lowest in the year 2001/02 i.e. Rs. 21227.42 million. The highest growth rate of C.B's capitalization was in 2006/07 i.e. 97.38 percent and lowest growth rate was in year 2001/02 i.e. - 32.04 percent.

4.1.7 Analysis of Total Number of Share Traded and no. of Share Traded of C.B.

Table: 4.7

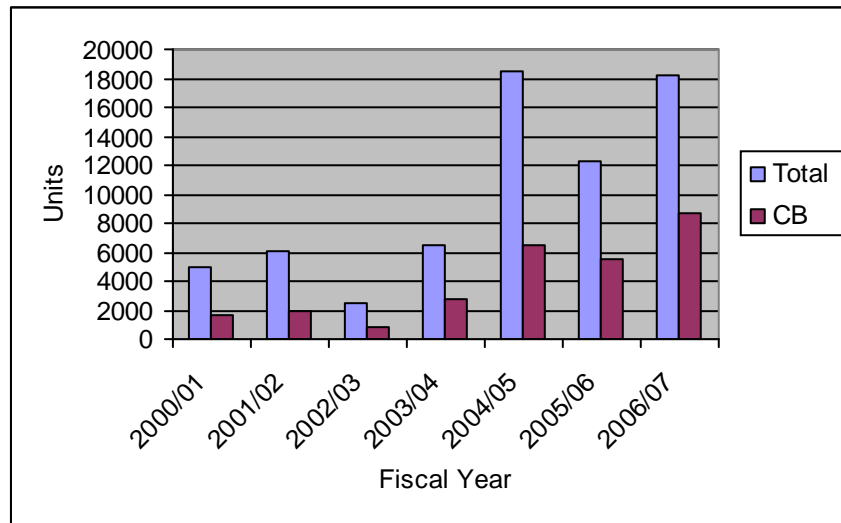
Total no of Share Traded and no of Share Traded of C.B.

Fiscal Year	No: of Share Traded (Share Unit in 'ooo')			
	Total	% of Increase	C.B.	% of Increase
2000/01	4989.15	-	1623.12	-
2001/02	6004.68	20.35	1935.55	19.25
2002/03	2427.89	-59.57	858.98	-55.62
2003/04	6468.18	166.41	2737.52	218.69
2004/05	18433.55	184.99	6416.57	134.39
2005/06	12221.93	-33.70	5534.72	-13.74
2006/07	18147.25	48.48	8700.20	57.19

Sources: Annual Trading Report of NEPSE.

Figure: 4.10

Total no of Share Traded & no of Share Traded of C.B.



By the table 4.7, the highest total no of share traded was in year 2004/05 i.e. 18433.55 thousand. It was also highest growth rate i.e. 184.99 percent and lowest total no. of share traded was in year 2002/03 i.e. 2427.89 thousand and it was also lowest growth rate i.e. -59.57 percent.

Similarly, the highest no. of share traded of C.B. was in year 2006/07 i.e. 8700.20 thousand & lowest was in year growth rate of C.B was in year 2003/04 i.e. 218.69 percent & lowest was in year 2002/03 i.e. -55.62 percent.

4.1.8 Analysis of Market Days and Average Daily Turnover

Table 4.8

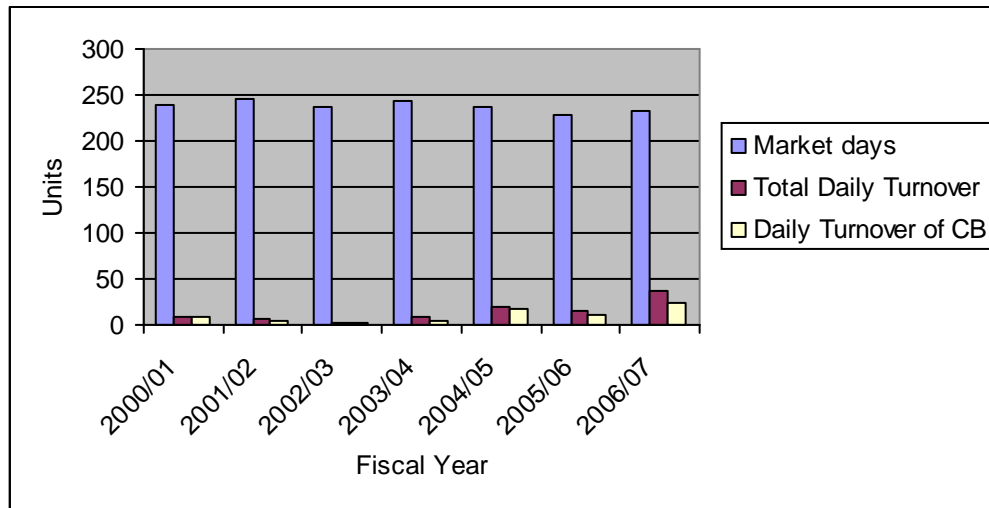
Market Days and Average Daily Turnover

Fiscal Year	Market days	% of Growth	Average Daily turnover (Rs. Million)			
			Total	% of Growth	C.B.	% of Growth
2000/01	240	-	9.73	-	8.01	-
2001/02	246	2.50	6.26	-35.66	4.68	-41.57
2002/03	238	-3.25	2.42	-61.18	1.40	-70.09
2003/04	243	2.10	8.82	264.46	3.55	153.57
2004/05	236	-2.88	19.10	116.55	17.04	380.00
2005/06	228	-3.39	15.14	-20.73	11.83	-30.58
2006/07	232	1.75	36.03	137.98	23.98	102.70

Source: Trading Report of NEPSE

Figure 4.11

Market days and average daily turnover (Rs. In Million)



One of the most important stock market development indicators is average daily turnover.

Daily turnover provides the liquidity to the stock market and commission to the stock

brokers. Stock brokers won't survive with out having transaction in the stock market by

analyzing the above figure. It has seen that average turnover in NEPSE was in

consistency. A.D.T. in the year 2002/03 was Rs. 2.42 million and Rs. 36.03 million in 2006/07. It was highest and lowest A.D.T. in the year 2003/04 the growth rate of turnover was exceptionally high i.e. it was growth 264.46 percent in comparison with the year 2002/03. Similarly, AD.T of commercial bank in the year 2006/07 was Rs. 23.98 million and Rs. 1.40 million in 2002/03. It was highest and lowest A.D.T. In the year 2004/05 the growth 380 percent in comparison with the year 2003/04 i.e. the highest growth of C.B and the lowest was in the 2002/03 i.e. -70.09 percent.

Market day also affects the A.D.T in stock market. Highest no of market day was 2001/02 i.e. 246 days and lowest number of market day was in 2005/06 i.e. 228 days. But in growth rate of market day in 2001/02 was the year having maximum growth of market day and the year 2005/06 was the having lowest growth rate -3.39 percent i.e. 228 market day. Higher the market day per year, higher the dances of growth of stock market. Therefore, it can be assumed that the trend of stock market day per year in Nepalese stock market in satisfactory.

4.1.9 Analysis of Sector wise Market Capitalization in year 2006/07

Table: 4.9

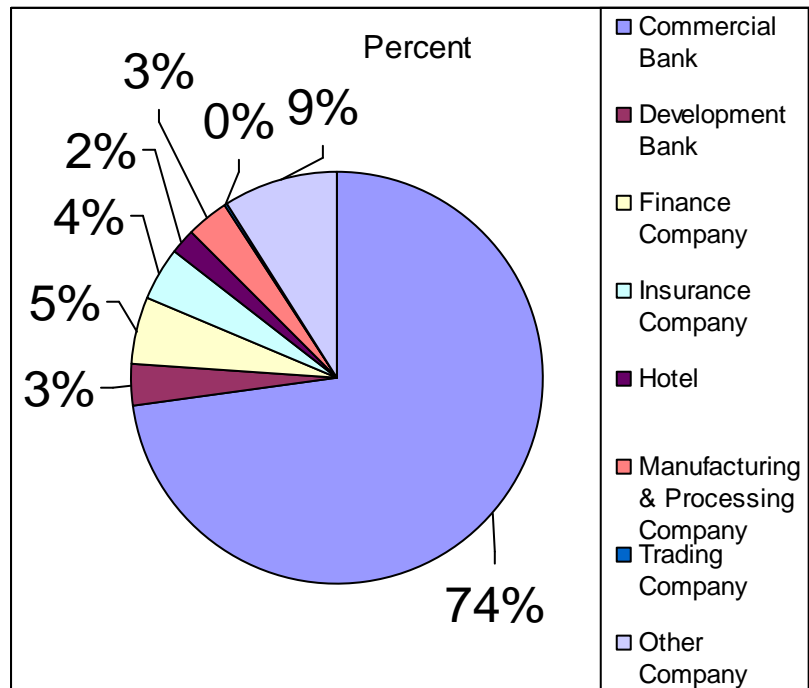
Sector wise Market Capitalization

(Rs. in million)

S.N.	Sector	Market Capitalization	Percent
1	Commercial Bank	1,35,588.40	72.78
2	Development Bank	6010.60	3.23
3	Finance Company	9889.30	5.31
4	Insurance Company	8059.80	4.33
5	Hotel	3261.10	1.75
6	Manufacturing & Processing Company	6200.00	3.33
7	Trading Company	796.40	0.43
8	Other's Company	16,495.70	8.85
	Total	1,86301.30	100

Figure 4.12

Sector Wise Market Capitalization



By the end of F.Y. 2006/07, the market capitalization of the listed securities reached to Rs. 186301.30 million. The highest capitalization of C.B. was 135588.40 million i.e.72.78 Percent by sector wise analysis and the lowest capitalization of trading company was 796.40 million i.e 0.43 percent. It means the maximum portion of total capitalization is the commercial bank.

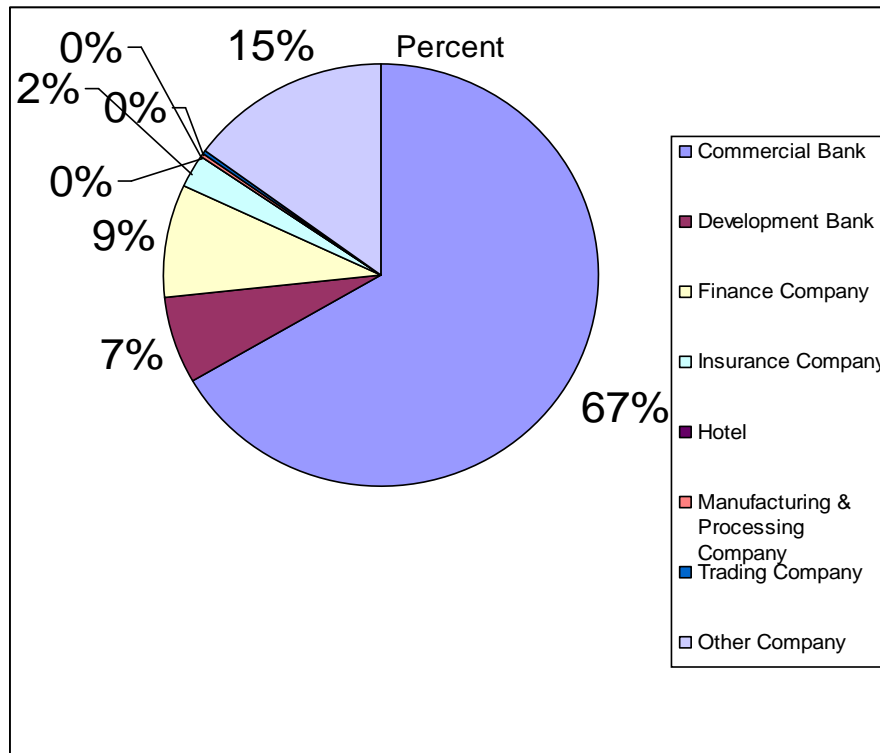
4.1.10 Analysis of Sector Wise Turnover in year 2006/07

Table: 4.10
Sector Wise Turnover

(Rs. in million)

S.N.	Sector	Market Capitalization	Percent
1	Commercial Bank	5563.50	66.55
2	Development Bank	577.50	6.91
3	Finance Company	713.60	8.54
4	Insurance Company	205.00	2.45
5	Hotel	7.00	0.08
6	Manufacturing & Processing Company	24.30	0.29
7	Trading Company	10.40	0.12
8	Other Company	1258.80	15.06
	Total	8360.10	100

Figure: 4.13
Sector Wise Turnovers



In this fiscal year, the percentage turnover of commercial bank was the highest i.e. 66.55 percent and the lowest of the trading company i.e. 0.12 percent. It means that the highest turnover is also commercial bank by sector wise analysis.

4.2 Trend of price fluctuation of commercial bank

Trend analyses of price fluctuation by different technical methods are as follows:

4.2.1 Filter Rule:

Eugene Fama and Marshall Blume designed the programmed to trade the securities at an X percent filter rule and this strategy operates as if the price of a security raise at least x percent buy & hold the security until its prices drops at least X percent from a subsequent

height. Then, liquidate the long position and assure a short position until the price raise by x percent But under this strategy, the research reported that nobody could out perform the naïve buy & hold strategy.

Buy: % of market price raise | X%

Sell: % of market price raise TMX%

4.2.2 Run test: Another technique used to analyze price movement of stock prices is the run test. It is based on the increase or decrease of closing price or change of closing price. A run occurs in a series of numbers wherever the changes in the (+ve), negative (-ve) & zero run. Until the price change alters (i.e. the change in positive to negative +ve to zero etc,) the total changes, it is called one run.

The run tests also found that active traders who search far various types of non random trends from which to earn a profit will not able to beat a naïve buy and hold strategy on average.

By using filter rule and run test we can find out daily price movement of price, there are as follows:

Table: 4.11
Prices Changes of standard Chartered Bank.

Date	Days	Closing Price	Filter Rule			Run Test	
			% Change	X= 4% buy/sell decision	X = 8% buy/sell decision	Price Change (Rs)	Set of Run
27, July 2008	Day 1	7000	-	-	-	-	
28, July 2008	Day 2	7011	0.16	-	-	11	Run 1 Positive run
29, July 2008	Day 3	7101	1.28	-	-	90	
30, July 2008	Day 4	7500	5.62	Buy	-	399	
31, July 2008	Day 5	7720	2.93	-	-	220	
1 August 2008	Day 6	7874	2.00	-	-	154	
					-		
3 August 2008	Day 7	7874	0.00	-	-	0	Run 2 Zero run
4 August 2008	Day 8	8001	1.61	-	-	127	Run 3 Positive run
5 August 2008	Day 9	8161	2.00	-	-	160	
6 August 2008	Day 10	8300	1.70	-	-	139	
7 August 2008	Day 11	8300	0.00	-	-	0	Run 4 Zero run
8 August 2008	Day 12	8400	1.20	-	-	100	Run 5 positive run
11 August 2008	Day 13	8201	2.37	-	-	-199	Run 6 Negative run
12 August 2008	Day 14	8300	1.21	-	-	99	Run 7 Positive run
13 August 2008	Day 15	8350	0.60	-	-	50	

By the above table 4.11, we just conclude that the share of Standard Chartered Bank's was not fluctuate more so that it some rare news to knows and less transaction were made during the period cause less action were taken for this kind. The price changes from day 1 to 15, shows, just 1. Buy signal on day 4 because their price have been increased by more than 4% but at 8% there was not any buy or sell signal, because the change in the price of all days less than 8% .

Under the run test, in the above 15 days data of Standard Chartered Bank, 4 positive, 2 zero and one negative run are present as well Price during day one to day six have been increased and it is considered one positive run than seven the price equal of day 6 so it is zero run and than day 8 to day 10 also have positive run and day 11 also zero run then day 13 is negative run and day 14 and 15 are positive run.

Table 4.12**Price Changes of Nabil Bank Ltd.**

Date	Days	Closing Price	Filter Rule			Run Test	
			% Change	X= 4% buy/sell decision	X = 8% buy/sell decision	Price Change (Rs)	Set of Run
27, July 2008	Day 1	5410	-	-	-	-	
28, July 2008	Day 2	5450	0.74	-	-	40	Run 1 Positive run
29, July 2008	Day 3	5460	0.18	-	-	10	
30, July 2008	Day 4	5690	4.21	Buy	-	230	
31, July 2008	Day 5	5850	2.81	-	-	160	
1 August 2008	Day 6	5900	0.85	-	-	50	
3 August 2008	Day 7	5900	0.00	-	-	0	Run 2 Zero run
4 August 2008	Day 8	6025	2.12	-	-	125	Run 3 Positive run
5 August 2008	Day 9	6150	2.07	-	-	125	
6 August 2008	Day 10	6273	2.00	-	-	123	
7 August 2008	Day 11	6398	1.99	-	-	125	
8 August 2008	Day 12	6300	-1.53	-	-	-98	Run 4 Negative run
11 August 2008	Day 13	6175	-1.98	-	-	-125	
12 August 2008	Day 14	6100	-1.21	-	-	-75	
13 August 2008	Day 15	6100	0.00	-	-	0	Run 5 Zero run

From the table 4.12, the price of NABIL Bank is increased trend up to day 12 and than decreasing trend up to day 14. The above calculation of price changes from day 1 to 15 shows just 1 buy signals on day 4 because their price have been increased by more than

4% but at 8% there way not any buy and sell signal, because the change in the price of all days less than 8 % .

Under the Run test, Run 1, 3 are the positive Run test, Run 2 and 5 are zero and Run 4 is negative Run .It helps the calculation of price trend of stock.

Table 4.13
Price Change of Bank of Kathmandu

Date	Days	Closing Price	Filter Rule			Run Test	
			% Change	X= 4% buy/sell decision	X = 8% buy/sell decision	Price Change (Rs)	Set of Run
27, July 2008	Day 1	2400	-	-	-	-	
28, July 2008	Day 2	2411	0.46	-	-	11	Run 1 Positive run
29, July 2008	Day 3	2425	0.58	-	-	14	
30, July 2008	Day 4	2460	1.44	-	-	35	
31, July 2008	Day 5	2485	1.02	-	-	25	
1 August 2008	Day 6	2630	5.84	Buy	-	145	
3 August 2008	Day 7	2630	0.00	-	-	0	Run 2 Zero run
4 August 2008	Day 8	2614	-0.61	-	-	-16	Run 3 Negative run
5 August 2008	Day 9	2652	1.45	-	-	38	Run 4 Positive run
6 August 2008	Day 10	2754	3.85	-	-	102	
7 August 2008	Day 11	2809	2.00	-	-	55	
8 August 2008	Day 12	2601	-7.40	Sell	-	-2.08	Run 5 Negative run
11 August 2008	Day 13	2600	-0.04	-	-	-1	
12 August 2008	Day 14	2650	1.92	-	-	50	Run 6 Positive
13 August 2008	Day 15	2630	-0.75	-	-	-20	Run 7 Negative run

From the above table 4.13, the price of BOK is increasing trend day 1 to day 6 and than fluctuated on price. The above calculation of price changes from day 1 to 15, shows just 1

buy signals on day 6 and just 1 sell signals on day 12 because their price have been increased by more than 4% and also decrease more than 4% but at 8% there was not any buy & sell signal because the change in the price of all days les than 8%.

By run test, run 1,4,6 are the positive run test, run 2 is the zero and run 3,5,7 are the negative run test it means the price was nor increasing/decreasing trend but it is fluctuated in different days.

Table 4.14
Price Change of Nepal Investment Bank

Date	Days	Closing Price	Filter Rule			Run Test	
			% Change	X= 4% buy/sell decision	X = 8% buy/sell decision	Price Change (Rs)	Set of Run
27, July 2008	Day 1	2620	-	-	-	-	
28, July 2008	Day 2	2700	3.05	-	-	80	Run 1 Positive run
29, July 2008	Day 3	2686	-0.52	-	-	-14	Run 2 Negative run
30, July 2008	Day 4	2700	0.52	-	-	14	Run 3 Positive run
31, July 2008	Day 5	2760	2.22	-	-	60	
1 August 2008	Day 6	2781	0.76	-	-	21	
3 August 2008	Day 7	2781	0.00	-	-	0	Run 4 Zero run
4 August 2008	Day 8	2860	2.34	-	-	79	Run 5 Positive run
5 August 2008	Day 9	3146	10.00	Buy	Buy	286	
6 August 2008	Day 10	3272	4.01	Buy	-	126	
7 August 2008	Day 11	3594	9.84	Buy	Buy	322	
8 August 2008	Day 12	3430	-4.56	Sell	-	-164	Run 6 Negative run
11 August 2008	Day 13	3235	-5.69	Sell	-	-195	
12 August 2008	Day 14	3450	6.65	Buy	-	215	Run 7 Positive
13 August 2008	Day 15	3400	-1.45	-	-	-50	Run 8 Negative run

By the above table 4.14 , in the filter rule $X = 4\%$ from 1 to 15 days shows 4 buy decision at day 4,10, 11 and 14 and sell decision at day 12 and 13 because there are more raise and fall then $X = 4\%$ and in the filter rule $X = 8\%$. From 1 to 15 days, shows day 4 and day 11 has been buy decision because it has more raise then $X = 8\%$.

Under the run test there are 8 run set up, where 1,3,5 and 7 are positive run, run 4 is zero run and 2,6,8 run are Negative run. It means the more fluctuation price of Nepal investment bank than other 3 bank.

Table : 4.15
Price Change of Himalayan Banks Ltd.

Date	Days	Closing Price	Filter Rule			Run Test	
			% Change	X= 4% buy/sell decision	X = 8% buy/sell decision	Price Change (Rs)	Set of Run
27, July 2008	Day 1	2120	-	-	-	-	
28, July 2008	Day 2	2250	6.13	Buy	-	130	Run 1 Positive run
29, July 2008	Day 3	2220	-1.33	-	-	-30	Run 2 Negative run
30, July 2008	Day 4	2275	2.48	-	-	55	Run 3 Positive run
31, July 2008	Day 5	2493	9.58	Buy	Buy	218	
1August 2008	Day 6	2500	0.28	-	-	7	
3August 2008	Day 7	2500	0.00	-	-	0	Run 4 Zero run
4August 2008	Day 8	2460	-1.60	-	-	-40	Run 5 Negative run
5August 2008	Day 9	2550	3.66	-	-	90	Run 6 Positive run
6August 2008	Day 10	2674	4.86	Buy	-	124	
7August 2008	Day 11	2720	1.72	-	-	46	
8August 2008	Day 12	2600	-4.41	Sell	-	-120	Run 7 Negative run
11August2008	Day 13	2500	-3.85	-	-	-100	
12August2008	Day 14	2550	2.00	-	-	50	Run 8 Positive
13August2008	Day 15	2515	-1.37	-	-	-35	Run 9 Negative run

From the above table 4.15 the filter rule $X = 4\%$ from 1 to 15 days shows 3 buy decision at day 2, 5 and 10 and sell decision at day 12 because the price change more than 4% increase/decrease from the closing price and in the $X = 8\%$ there is only one buy decision at day 5

Under the run test there are 9 run set up, where run 1, 3, 6, 8, are positive run test, run 4 is zero and run 2,5,7,9 are negative run test. It means more fluctuation of price than other commercial banks.

4.2.3. Moving Average

One of the most reliable and easily read technical. Indicators to investors are the moving average of closing prices of security or market indexes. The effect of averaging is to give a smoother curve and to lesson. The fluctuations that pull the actual figure from the general trend. In American context, 30- week and 200 day moving average of closing prices or market index is popular but here in the study, 5 days moving average of market index is presented for analysis purpose in a short period.

Chart construction: In a 5 day moving average, the first moving average is obtained by adding up the five days values of market indexes and divided by 5 and is placed against the middle of 5 days i.e. 3rd day and moving 1st day's price and adding the following 5 days and so on.

Chart interpretation: when weekly market indexes penetrate the moving average line, technicians interpret this penetration as signal. When market index move down ward through moving average they frequently fail to rise again for many moths. Thus a down word penetration though a moving average line is signal and to sell. When indexes are above the moving average but the difference is narrowing, this is a signal that a bull market may be ending.

Moving average chart & Figure of commercial bank is as follows:

Table 4.16
5- Day Moving Average Index of Commercial Bank
(27 June 2008 to 13 August 2008)

Days	SNCBL	NABIL	NIB	BOK	HBL
1-5 days	7266.40	5572	2693.20	2436.20	2271.60
2-6 days	7441.20	5670	2745.40	2482.20	2347.60
3-7 days	7613.80	5760	2741.60	2526.00	2397.60
4-8 days	7793.80	5873	2776.40	2563.80	2445.60
5-9 days	7926.00	5965	2865.60	2602.20	2500.60
6-10 days	8042.00	6049.60	2968.00	2656.00	2536.80
7-11 days	8127.20	6149.20	3130.60	2691.80	2580.80
8-12 days	8232.40	6229.20	3260.40	2686.00	2600.80
9-13 days	8272.40	6259.20	3335.40	2683.20	2608.80
10-14 days	8300.20	6249.20	3396.20	2682.80	2608.80
11-15 days	8310.20	6214.60	3421.80	2658.00	2577.00

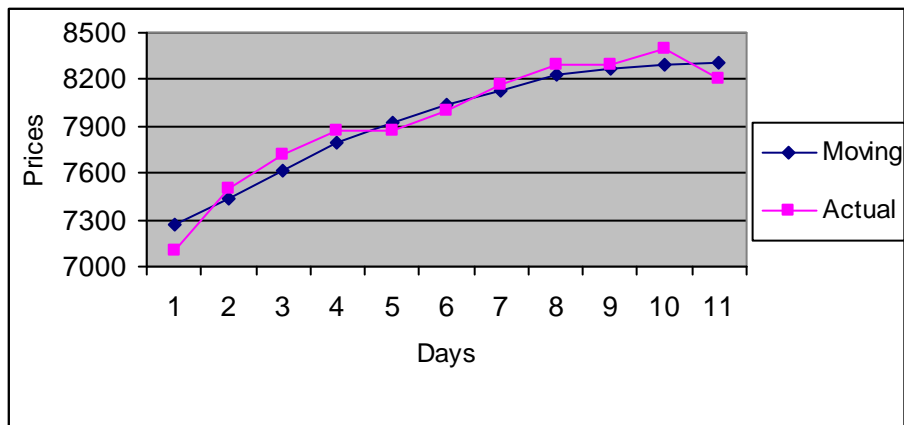
Table 4.17

Actual Closing Price of Commercial Bank

Days	SCBNL	NABIL	NIB	BOK	HBL
29 July 2008	7101	5460	2686	2425	2220
30 July 2008	7500	5690	2700	2460	2275
31 July 2008	7720	5850	2760	2485	2493
1 August 2008	7874	5900	2781	2630	2500
3 August 2008	7874	5900	2781	2630	2500
4 August 2008	8001	6025	2860	2614	2460
5 August 2008	8161	6150	3146	2652	2550
6 August 2008	8300	6273	3272	2754	2674
7 August 2008	8300	6398	3594	2809	2720
8 August 2008	8400	6300	3430	2601	2600
9 August 2008	8201	6175	3235	2600	2500
10 August 2008	8300	6100	3450	2650	2550
11 August 2008	8350	6100	3400	2630	2515

Figure 4.14

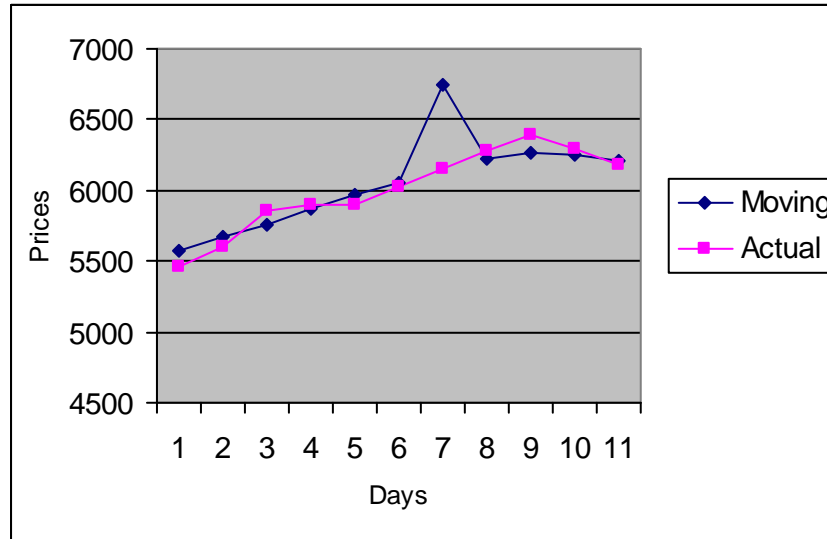
Actual and Moving Average Trend of SCBNL



By the above figure 4.14 shows the 5 days moving average of standard charted bank. In this figure, there is fluctuating over the 11 day's price. Generally the price has increasing trend. The actual trend increasing from second day it is the right time to buy and

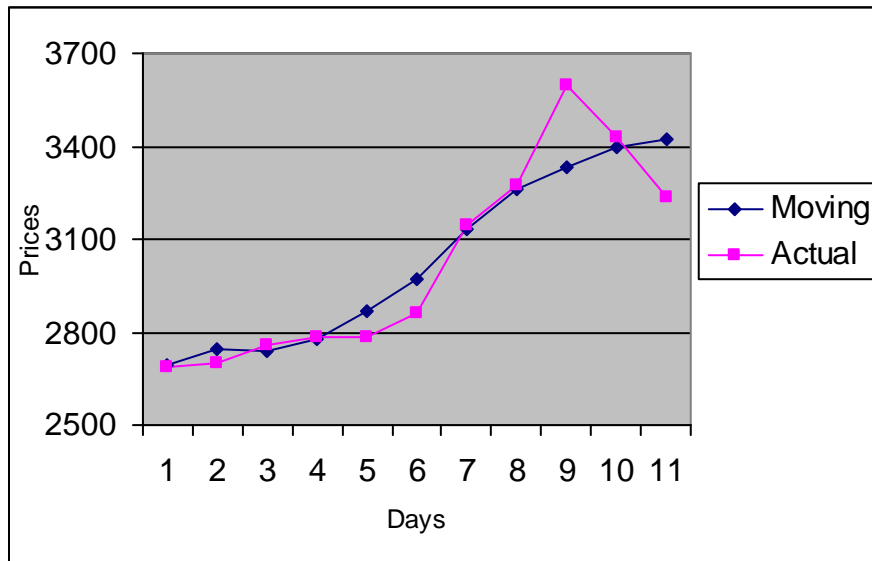
decreasing then moving average at 4 day, it is the right time to sell and also increasing from 5 days it should buy and lastly, actual trend is fall down than average trend after ten days so it is the right time to sell.

Figure 4.15
Actual and Moving Average Trend of Nabil Bank



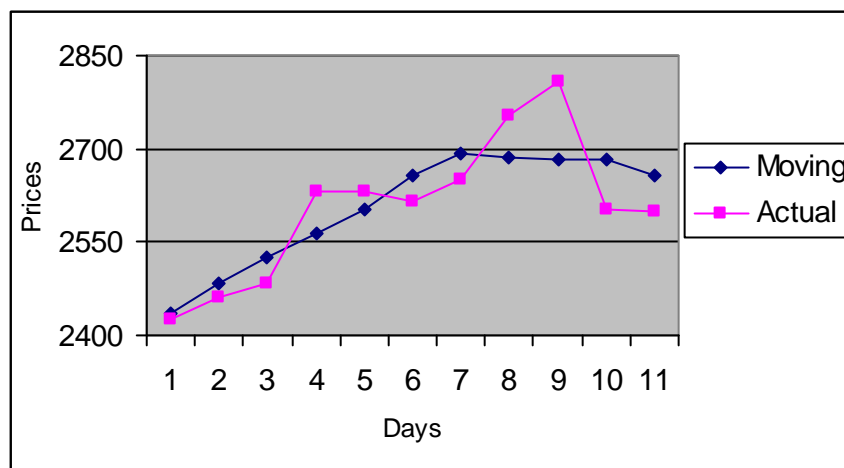
By the above figure 4.15 shows the 5 days moving average and actual trend of Nabil Bank Ltd. The trend also fluctuated over the eleven day's price. The actual trend increasing from second day and eight day from moving average trend so it is right time to buy. The actual trend decreasing from third, six, ten days from moving average trend so it is right time to sell of stock.

Figure 4.16
Actual and Moving Average Trend of NIB



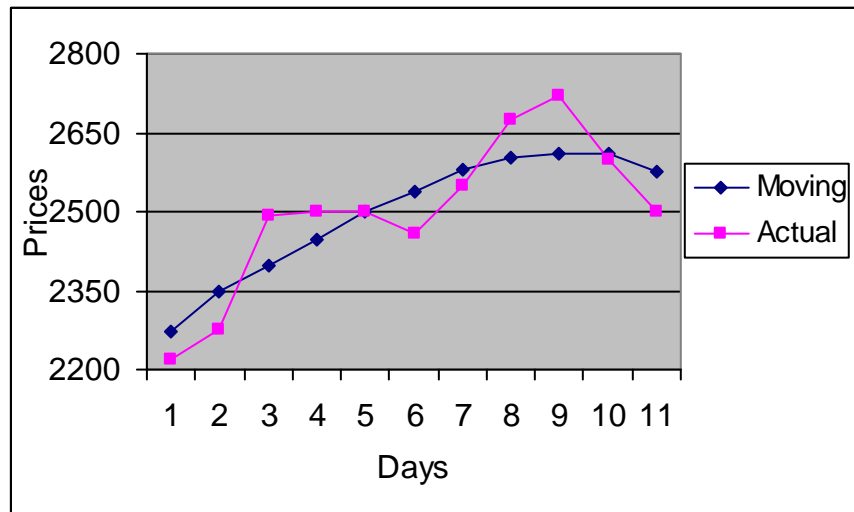
By the above figure 4.16 shows the 5 day moving average and 11 day's actual price of NIB. The actual trend has increasing from third day and 8 day from moving average trend, so it is right time to buy and the actual trend decreasing from fourth and tenth day so it is right time to sell.

Figure 4.17
Actual and Moving average trend of BOK



By the above figure 4.17 shows the 5 days moving average and 11 days actual price of BOK. The actual trend increasing from third day, second day from moving average trend so it is right time to buy. The peak point of actual trend is 9th day. The actual trend decreasing from five days, ninth day from moving average trend so it is right time to sell.

Figure 4.18
Actual and Moving Average Trend of HBL



By the above figure 4.18 shows the 5 days moving average and 11 days actual price of HBL. It is shows that the more fluctuate than other bank's price. The actual trend increasing from second, six day from moving trend so it is right time to buy and the actual price decreasing from third and ninth day from moving average so it is right time to sell.

4.3 Analysis of Primary Data

For the purpose of the study on the topic "Investment trends, problems and droplets of securities in Nepal" interviews and questionnaire methods have been used as a source of primary data. Returned answers from respondent are presented below.

4.3.1 Analysis of Interviews

While taking interview with senior official of SEBO/N, NEPSE, Brokers, Issue Manager about the problems and prospects of securities. It was know that Nepalese stock market has suffering from lots of problems even though it has some prospects. According to the officers of SEBO and NEPSE the market has not got well trained and qualifies manpower. The regulatory bodies are not able to discharge their regulatory functions properly, investor are not aware about the stock market. The emphasized that Nepalese stock market is dominated by retailing investors come forward to act in publish manner. So growth and stability can not be fully achieved unless rational and institutional investors come forward to participate in the stock market and they explains that the prospects of stock market are increasing no of listed companies, start of O.T.C. market, start of electronic trading system etc.

On the other hand, the brokers and issue manager said that there is small capital market in Nepal, lack of rational investor about the securities, rules and regulations are not appropriate, Regulating bodies are not effective. They also express their anger to the government for sharp fall in share price due to weak law and order situation in the country. They also said that they are not fully satisfied with the growth trend of stock market.

4.3.2 Questionnaire Analysis

Regarding primary data, fifty copies of questionnaire were distributed to express their views about the stock market to senior officials of SEBO, NEPSE, brokers, issue

manager, lecture, students and bank. But only, 45 copies of the questionnaire were collected during the study period. The questionnaire is related to find out the problems faced by the Nepalese stock market and the points that provide the prospects of the market. Their responses have been analyzed as follows.

1. Analysis of Growth Trend.

Table 4.18
Responses to Growth Trend of Stock Market

S.N.	Variables	No. of Respondent	% of Respondent
1	Yes	25	55.56
2	No	14	31.11
3	Do Not Know	6	13.33
	Total	45	100

Sources: Field Survey 2008

Table 4.18 shows that 55.56 percent respondents are satisfied on growth trend of stock market, as well as 6 percent of them said that they do not know about it and finally 14 percent have no answered, it means they are not satisfied with the growth trend of Nepalese stock market.

2) Analysis of Problem Faced by Stock Market.

Table 4.19
Number of Respondents on Problems

S.N.	Problems	No. of Respondent	% of Respondent
1	Small Capital Market	15	33.33
2	Luck of Investor confidence	1	2.22
3	Lack of proper knowledge of investor	20	44.44
4	Lack of co-ordination between monitoring body of stock market.	1	2.22
5	In appropriate rules & regulations	3	6.67
6	Restriction of foreign investors	5	11.11
	Total	45	100

Sources: fiscal survey 2008

Table 4.19 indicates that the respondents are asked to know about the given problems of Nepalese Capital market. There are 44.44 percent respondents said the main problem is lack of proper knowledge of investor about the stock market, as well as 33.33 percent respondents said that small capital market in Nepal, likewise 11.11 percent respondent said that restriction to foreign investor to make investment in Nepalese capital market and other 6.67 and 2.22 percent are inappropriate rules and regulations, lack of investor confidence, lack of co-ordination between monitoring bodies respectively.

3. Analysis of prospects to Nepalese stock market.

Table 4.20
Number & percentage of respondents on Prospects

S.N.	Prospects	No. of Respondent	% of Respondent
1	Increasing number of large companies listed in NEPSE	18	40
2	Stock market provides maximum return	4	9
3	Liquidity and marketability	5	11
4	Increasing interest of educated public towards stock market.	13	29
5	Limited opportunities to invest investors long term saving instead of share investment	5	11
	Total	45	100

Sources: Field survey 2008.

Table 4.20 Reveals that the majority of respondents for prospects to Nepalese stock market is 40 percent, it said that there is increasing number of large companies listed in NEPSE. In this way 29 percent respondents assume the increasing interest of educated public towards stock market and 11 percent said that stock market provides maximum return & limits opportunities to invest investors' long term saving instead of share investment. Trend of large companies listed in NEPSE and educated people attracts toward this market mean it has great prospect to develop.

4. Analysis of Main Influencing Factor the Price of the Stock.

Table 4.21
Main Influencing Factors on Share Price

S.N.	Research Variables	No. of Respondent	% of Respondent
1	Dividend	9	20
2	Rumors	9	20
3	Financial situation of company	18	40
4	Management of the company	9	20
5	Others	-	-
	Total	45	100

Source: field survey 2008

Regarding the influencing factors for prices fluctuation of share in stock market different investors have given different views. According to Table 4.21 the majority of respondents for main influencing factor on share price are 40 percent in financial situation of the company. Out of sixty percent equally agreed for dividend, management of the company and rumors affect on price.

5. Analysis of Factors Motive to Makes Investment

Table 4.22
Factor Motive to Makes Investment

S.N.	Research Variables	No. of Respondent	% of Respondent
1	Social Status	4	9
2	Dividend	18	40
3	Friends & family	5	11
4	Stock brokers	4	9
5	Marketability	14	31
6	Others	-	-
	Total	45	100

Sources: Field survey 2008.

Regarding this question, what factors motive you to makes investment in stock market? Table 4.22 reveals that the 40 percent are interested for dividend, marketability make to invest in stock market by 31 percent, as well as 11 percent said friends and family make them to invest in market and remaining 9 percent said the stock brokers and also 9 percent said that social status motive to make decision. So, dividend is the major motivational factor to the investors.

6. Analysis of Information provided by the Company is Appropriate

Table 4.23
Appropriate Information Provided by the Company

S.N.	Variables	No. of Respondent	% of Respondent
1	Yes	18	40
2	No	27	60
3	Do not know	-	-
	Total	45	100

Sources: Field survey 2008.

Regarding this question, do you think that information provided by the company is appropriate? In response Table 4.23 shows that 60 percent respondent are agreed appropriated information does not provided by the company and in it's against 40 percent respondent give the answer.

7. Analysis of SEBO/N Rules and Regulations Affect the Value of Stock.

Table 4.24

SEBO/N Rules and Regulation Affect the Value of Stock

S.N.	Variables	No. of Respondent	% of Respondent
1	Yes	36	80
2	No	5	11
3	Do not know	4	9
	Total	45	100

Sources: Field survey 2008.

Table 4.24 explains that 80 percent respondents are in favored of SEBO/N rules and regulation affect the value of stock, and in against 11 percent respondent are appear SEBO/N rules and regulation does not affect the value of stock and remaining 9 percent are unknown about it.

8. Analysis of Awareness of Investor

Table 4.25

Awareness of Investor

S.N.	Variables	No. of Respondent	% of Respondent
1	Yes	6	13
2	No	32	71
3	Do not know	7	16
	Total	45	100

Sources: Field survey 2008.

Table 4.25 explained that the 71 percent investors are not aware, likewise, 13 percent are aware and remaining 16 percent unknown about the stock market.

9 Analysis of Basic of Decision Making the Stock Market.

Table 4.26
Basic of Decision Making on Stock Market

S.N.	Variables	No. of Respondent	% of Respondent
1	NEPSE index	4	9
2	Closing price	4	9
3	Turnover	1	2
4	Company's goodwill	9	20
5	Company's profit	27	60
6	Others	-	-
	Total	45	100

Sources: Field survey 2008.

Table 4.26 indicate that 60 percent respondents are affected by the company's profit in the decision making on stock market, such ways 20 percent made decision on the basis of company's goodwill and equally 9 percent replied that they made decision on the basis of NEPSE index and closing price, as well as 2 percent made decision on the basic of turnover

10. Analysis of Nepalese Stock Market is Informational and Operationally Efficient.

Table 4.27

Nepalese Stock Market is Informational and Operationally Efficient.

S.N.	Research Variables	No. of Respondent	% of Respondent
1	Yes	2	4.44
2	No	36	80
3	Do not know	7	15.56
	Total	45	100

Sources: Field survey 2008.

Table 4.27 represents that 80 percent respondents are not agreed about Nepalese stock market is informational and operationally efficient and in the against only 4.44 percent finally, 15.56 percent do not know about it.

11. Analysis of Most Responsible for Appropriate Trading System

Table 4.28

Most Responsible for Appropriate Trading System

S.N.	Research Variables	No. of Respondent	% of Respondent
1	Investors	9	20
2	NEPSE	18	40
3	Brokers	9	20
4	SEBO/N	4	9
5	Other main regulating body	5	11
	Total	45	100

Sources: Field survey 2008.

Table 4.28 reflects that 40 percent respondents said that NEPSE is the most responsible for appropriate trading system, like this equally 20 percent said that investors and Brokers are the main responsible and 11 percent said that other main regulating body is responsible, remaining 9 percent respondents said that most responsible is SEBO/N.

4.4 Major Finding of the Study

The major findings of the study from the primary data are as follows:

-) By taking the indirect interview with senior officer and staff of SEBO/N, NEPSE general investor, brokers etc. It was found the infancy stage of Nepalese stock market, rules and regulations is not effective, investor less awareness about the stock market etc.
-) By analyzing the questionnaires, majorities of respondents are satisfied with the growth trend of the market.
-) Due to the lack of proper knowledge of investor about the stock market are big problem and most of the respondents answer was the prospects of Nepalese stock market is increasing no. of listed large companies in NEPSE.
-) The major motivator factor for investor to make investment in stock market was dividend given by their shares and most of the respondents are said financial situation of the company is the main influencing factor the price of the stock.
-) The respondent number of 60 percent said that information provided by the company is not appropriate about the stock market.
-) The respondent number of 80 percent people said that SEBO/N rules and regulation does affect the value of stock.

-) Most of the respondents said that investor does not awareness about the stock market.
-) The respondent number of 60 percent respondent said that company's profit is the basic of decision making on stock market and 80 percent are against the Nepalese stock market is information and operational efficient.
-) Majority of respondents blames to the NEPSE is the most responsible for appropriate trading system than other regulating body.

The major findings of the study from the secondary data are as follows:

Trend Analysis

-) The growth rates of total listed companies are positive in all years except in 2002 because deleted some companies from its list because they did not disclose necessary information correctly and timely. But growth rate of commercial bank are positive in all years and no of traded company are positive in all years.
-) The numbers of listed securities are increasing gradually and NEPSE index are fluctuating up to 2004 but there after increasing trend. Similarly commercial banks index has fluctuating manner. Also, no of transitions in NEPSE and C.B. are in fluctuating manner.
-) Total paid up value and paid up value of C.B. has increasing trend up to around 56 percent from around 3.50 percent. Banking sector covered majority of paid up values in every year.

-) The number of issue approval and amount of issue approval the fluctuation in every year. It has maximum no of issue approval i.e. 38 companies and maximum amount of issue approval i.e. Rs. 2800.96 million
-) Total market capitalization and banking sector market capitalization are positive in all years except in 2001. Banking sector also covered most of the market capitalization in NEPSE than other sector in every year.
-) Growth of average daily turnover, market days are at satisfactory level. Because generally it has increasing trend.
-) Total no. of share traded and no. of share traded of C.B. are fluctuated manner.

Filter rule

Four and eight percent of filter rule was experienced for every bank only for the sake of predict the decision of buy and sell. For SCBNL there are only one buy decisions at 4%. For NABIL banks Ltd., there are only one buy decisions at 4%, for Bok, there are one buy and one sell decision at 4%. For NIB there are 4 buy and 2 sell at 4% and 2 buy at 8% decision ,for HBL there are only 3 buy and 1 sell at 4% and only 1 buy decision at 8%.

Run Test

Run test was examining to analysis the behavior of stock prices of different bank. There are 5 run of NABIL bank, 7 run of SEBNL and BOK, 8 Run of NIB and 9 run of HBL. It shows that the more fluctuation price of HBL than other bank because the maximum run is the Himalayan bank ltd.

Moving Average:

By the above figure, it has taken 5 -day moving average of 5 commercial banks.

According to this price range of 1st last price HBL is more fluctuated than other bank.

Generally, SCBNL, NABIL, NIB and BOK are increasing trend.

CHAPTER V

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Summary

Capital market plays dominant role in the economy for developing and underdeveloped nations. Capital market contributes to gain economic growth. There is no way to gain economic growth until capital market is operating smoothly. Therefore, stock market is the back bone of investment. Sector of country, it also provided the capital formation. So by promoting the stock market, government. Can also develop the economic sector it gives the economic development by mobilizing saving in to productive sectors by making suitable investment opportunities. In Nepalese stock market, NEPSE index, volume and number of share traded, rates of listing, paid up value, market capitalization etc are the determinates for investment as well as growth indications.

Nepalese stock market is the institutional development of securities market started in 1976 A. D., it is still at an underdeveloped stage, characterized by legal inadequacy, low resource availability to the regulator, low liquidity ,double taxation on dividend and capital gain tax , poor corporate governance practice ,low involvement of institutional investor, poor discloser practices, high cost of public issue, high transaction cost, lack of enforcement of accounting and auditing standard, lack of qualified manpower, lack of sufficient knowledge to the investor etc.

This study has attempted to identify the problems associated with Nepalese stock market and the area, which provides the potentials for the growth of the market. the main objectives of this study is to examine the growth trends of securities, problems and prospects of securities and to evaluate the daily price movement of listed commercial bank and to suggested improvement in stock market of Nepal.

Five listed commercial banks in NEPSE are taken as sample and analysis of their price fluctuation by using technical analysis i.e. (filet rule, run test, Moving average) on the other hand, primary and secondary data used to analyze of this study. In the primary data, there are interview and questionnaire method to analyze from different respondents person. In the secondary data, there are analyzing the growth trend of stock market by using different indicators like: no of listed company, turnover market capitalization, number of securities traded, securities analysis etc. and tables and diagram are used to present the data and results secondary data are collected from NEPSE, SEBO/N, related, News paper, articles etc.

Securities market plays a crucial role in mobilizing a constant flow of saving and channeling these financial resources for expanding productive capacity in the countries. Thus, securities markets assume a greater role and significance in the present day economics.

5.2 Conclusion

Due to the dynamism of stock market affect the price of commercial sector than other sector. Also, more fluctuated price of commercial bank because almost indicators of it's higher than other sector. On the other hand, investors have very little alternatives of investment available. They are not well aware of the fact that investing in shares involving risk. So, the converted bodies should feel responsible to providing sufficient and reliable information about investment in shares. So that the rational could be upgraded and the pricing may become effective.

After analyzing this study, from primary and secondary data the following conclusion can be drawn as follows:

- ✓ Due to the increasing number of listed companies, number of traded companies and number of listed securities, it can be beneficial for investor to investment in stock market.
- ✓ NEPSE index is a barometer that represents value of shares of companies listed with stock market. It is a benchmark to measure investors' confidence. When increase the index, increasing the performance of the economics of the corporate sector.
- ✓ The analysis of shares through technical approach is based on actual price movement in the market and it is not based on anticipated or forecasted value: Thus, analyzing the shares with technical tools, increasing chances of taking right action at the right time but it largely depends on the skill or expertise of analyst.

- ✓ Average daily turnover provides the liquidity to the stock market and commission to the stock brokers. Stock brokers will not survive without having transactions in the stock market. Generally increasing trend of A.D.T., it means more liquidity provided to the stock market.
- ✓ No. of shares traded, capitalization and turnover has increasing trend it means Nepalese capital market is developing stage and it may be more marketability and liquidity in future.
- ✓ On the basis of sector wise analysis, shows the most portions of market capitalization and turnover i.e. commercial bank sector.
- ✓ The major problem of the stock market is insufficient knowledge of the investor because they invest on stock price by rumors and whim they don't calculate the financial situation of the company. Also small capital market in Nepal.
- ✓ The major prospects of the Nepalese stock market is increasing number of large companies in NEPSE and its increase the more liquidity in the market.
- ✓ Lack of appropriate rules & regulations the stock market is not developing as well and is not responsible for appropriate trading system by different regulating body.
- ✓ Dividend is the most important factor motive to make investment decision and investor desires the maximum return on their investment.
- ✓ Transparency and openness of transaction, quality professional services. Adequate corporate financial disclosures and improved large regulatory and supervisory framework are the urgent needs of Nepalese stock market.

5.3 Recommendations

Nepalese stock market is on infancy stage. There are prevailing various kinds of obstacles or problems. These obstacles should be addressed to development the markets. As per the analysis of the study and findings following recommendation are as follows:

- ✓ The government and other major regulating body should be formulate appropriate rules and regulations about the stock market, Which can helps the developing of stock market.
- ✓ The government should follow foreign investors to invest in Nepalese capital market. It can help the increase of market size.
- ✓ The investor should be consider the stock market as an important gambling place to make fortunes overnight. They should not 'act on whim' and should properly analyze and study daily newspaper, financial news, journals articles etc.
- ✓ Due to the lack of political in stability, the government should be made better environment for investment or political situation of the country must be stable.
- ✓ The securities board Nepal has the responsibility of regulating the entire securities market in Nepal. To make the board effective, the number of staff should be adequate and properly trained in all aspects of securities markers. It should bring new and emerging stock market regulatory regimes to match international standards.
- ✓ Free information about stock market must be available in the market so that people or investor would have willingness and curiosity to learn and understand about stock market in Nepal.

- ✓ NEPSE, SEBO/N & Government should be introduce the progrmme to increase the investor confidence..
- ✓ There should be efficient coordination and co-operation among regulating body like government, CRO, SEBO/N, NEPSE, MOF etc.
- ✓ For developing of stock market, there should be expansion of brokers out of valley. Also, trading of share should be made out of valley.
- ✓ Strong accounting and auditing standards should be effective implemented by empowering the regulator and creating requital awareness in the corporate sector.
- ✓ Investor's awareness programmer should be lunched and provided with investment guidelines.
- ✓ SEBO/N should focus to play its role in infrastructure development, improvement of professionalism of the market participants, enhance disclosure standards, supervise market and take enforcement actions to ensure fairness and transparency in the market.
- ✓ There should be increasing the market size and transaction ratio by both financial and real sector because Ratio of market capitalization verses GDP is minimum at now i.e. 6 and 2 percent only.

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APPENDIX I
QUESTIONNAIRE

Dear Sir/Madam

I have been conducting a research on **“Investment Trends, Problems and Prospects of Securities in Nepal”**. In partial fulfillment of master degree of business studies. I am preparing some question about the study & it helps to know the problems & prospects of the stock market. I request you to fill up this questionnaire from your side, which can be helpful for me to conduct the research in this topic please do cooperate by explaining your opinion in this given form .your opinion will be a grateful to analyze this research paper.

I am looking forward for your favorable response.

Thank you

Researcher

Nilam Kharel
Roll No – 109/062
M .B. S.
Sankar Dev College

Respondent

Name:
Education:
Organization:
Position:
Date:

Questions: Please tick { } the following Questions:-

Q. N. 1 Are you satisfied with the growth trend of Nepalese stock?

Yes No

Do not know

Q. N. 2 In your opinion, what are the problems of stock market in Nepal? [no 1 is the most important , please rank this answer] .

Small capital market.

Lack of investor confidence.

Lack of proper knowledge of investor.

Lack of coordination between monitoring body of stock market.

Inappropriate rules & regulations.

Restriction of foreign investor.

Q. N.3 Rank the following prospects of Nepalese stock market. [no 1 is the most important] .

Increasing number of large companies listed in Nepal stock exchange.

Stock market provides maximum return.

Liquidity and marketability of securities.

Increasing interest of educated public towards stock market.

Limited opportunities to invest investors long term saving instead of share investment.

Q.N 4 In your opinion which of the following this main influencing factor the price of the stock?

Dividend

Rumors

Financial situation of company

Management of the company

Others

Q.N 5 what factors motive you to makes investment in stock market?

Social status

Dividend

Friends and family

Stock broker

Marketability

Others

Q.N 6 Do you think that information provided by the company is appropriate?

Yes

No

Do not know

Q. N.7 Does SEBON rules & regulation affect the value of stock?

Yes

No

Do not know

Q. N 8 Do you think investors in the Nepalese stock market are aware?

Yes

No

Do not know

Q. N 9 On what basis do you make decision to invest in share in the secondary market?

NEPSE index

Closing price

Turnover

Company's goodwill

Company's profit

Others

Q.N 10 Do you think that Nepalese stock market is informational and operationally efficient?

Yes

No

Do not know

Q.N. 11 Who is most responsible for appropriated trading system in stock market?

Investors

Brokers

NEPSE

SEBO/N

Main Regulating Body

APPENDIX - II

List of Listed Companies

	Name of the Company
S.N.	Commercial Bank
1	NABIL bank Ltd.
2	Nepal Investment Bank Ltd.
3	Standard Chartered Bank (Nepal) Ltd.
4	Himalayan Bank Ltd.
5	Nepal SBI Bank Ltd.
6	Nepal Bangladesh Bank Ltd.
7	Everest Bank Ltd.
8	Bank of Kathmandu Ltd.
9	Nepal Industrial & Commercial Bank Ltd.
10	Machhapuchhare Bank Ltd.
11	Laxmi Bank Ltd.
12	Kumari Bank Ltd.
13	Lumbini Bank Ltd.
14	Nepal Credit & Commerce Bank Ltd.
15	Siddharth Bank Ltd.
	Development Bank
16	Nepal Industrial Development Corporation
17	Nepal Development Bank Ltd.
18	Development Credit Bank Ltd.

19	Nirdhan Uthan Bank Ltd.
20	Chhimek Development Bank Ltd.
21	Paschimanchal Bikash Bank Ltd.
22	Deprox Development Bank Ltd.
23	Gandaki development Financial Institution Ltd.
24	Business Development Financial Institution Ltd.
25	Bhrikuti Bikash Bank Ltd.
26	Siddhartha Bikash Bank Ltd.
27	Sanima Bikash Bank Ltd.
28	Narayani Ind. Development Bank Ltd.
29	Sahayogi Vikash Bank Ltd.
30	Bageshwori Development Bank Ltd.
31	Gorkha Development Bank Ltd.
32	Annapurna Development Bank Ltd.
33	Swabalamban Development Bank Ltd.
34	Ace Development Bank Ltd.
35	Himchuli Development Bank Ltd.
36	Malika Development Bank Ltd.
37	Birat Laxmi Development Bank Ltd.
38	Axcel Development Bank Ltd.
Finance Company	
39	Nepal finance & Saving Co.Ltd.
40	NIDC Capital Markets Ltd.

41	National Finance Co.Ltd.
42	Nepal Share Markets Co.Ltd.l
43	Annapurna Finance Company Ltd.
44	Kathmandu Finance Ltd.
45	People Finance Ltd.
46	Union finance Co.Ltd.
47	Citizen Investment Trust
48	Nepal Abas Bikash Bitta Co.Ltd.
49	Narayani Finance Ltd.
50	Ace Finance Co.Ltd.
51	Yeti Finance Co.Ltd.
52	Gorkha Finance Co.Ltd.
53	Shamjana Finance Ltd.
54	Universal finance Ltd.
55	Nepal Housing & Merchant Finance Ltd.
56	General Finance Ltd.
57	Mahalaxmi Finance ltd.
58	Latlitpur Finance Co.Ltd.
59	Goodwill Finance Co.Ltd.
60	Pashchimanchal Finance Co.Ltd.
61	Pokhara Finance Ltd.
62	Lumbini Finance & Leasing Co.Ltd.
63	Siddhartha Finance Ltd.

64	Nepal Merchant Banking & Finance Ltd.
65	Nepal Bangladesh Finance & Leasing Co.ltd.
66	International Leasing & Finance Co.Ltd.
67	United Finance Ltd.
68	Shree Investment & Finance Co.Ltd.
69	Central finance Co.Ltd.
70	Nepal Srilanka Merchant Bank Ltd.
71	Permier Finance Co.Ltd.
72	Navadurga Finance Co.Ltd.
73	Butwal Finance Ltd.
74	Janaki Finance Co.Ltd.
75	Standard Finance Ltd.
76	Om Finance Co.Ltd.
77	Cosmic Merchant Banking & Finance Ltd.
78	Fewa Finance Co.Ltd.
79	Kist Merchant Banking & Finance Co.Ltd.
80	World Merchant Banking & Finance Ltd.
81	Birjung Finance Ltd.
82	Capital Merchatn Banking & Finance Ltd.
83	Everest Finance ltd.
84	Prudential Bittiya Sanstha Ltd.
85	Srijana Finance Ltd.
86	Royal Merchant Banking & Finance Ltd.

87	Guheshwori Merchant Banking & Finance Ltd.
88	IME Financial Institution Ltd.
89	Bhajuratna Finance & Saving Co.Ltd.
90	Patan Finance Ltd.
91	Imperial Financial Institution Ltd.
92	Civil Marchant Financial Co. Ltd.
93	ICFC Financial Co. Ltd.
94	Nepal Express Finance Ltd.
Insurance Company	
95	Rastriya Beema Sansthan
96	Nepal Insurance Co.Ltd.
97	National Life & General Insurance Co.Ltd.
98	Himalayan General Insurance Co.Ltd.
99	United Insurance Co. (Nepal) ltd.
100	Everest Insurance Co.Ltd.
101	Premier Insurance Co. Nepal Ltd.
102	Neco Insurance Co.Ltd.
103	Alliance Insurance Co.Ltd.
104	Sagarmatha Insurance Co.Ltd.
105	N.B. Insurance Co.Ltd.
106	Nepal Life Insurance Co.Ltd.
107	Life Insurance Corporation (Nepal) Ltd.
108	Prudential Insurance Co.Ltd.

109	Lumbini General Insurance Co.Ltd.
110	Shikhar Insurance Co.Ltd.
Hotel	
111	Yak & Yeti Hotel Ltd.
112	Soaltee Hotel Ltd.
113	Taragaon Regency Hotels Ltd.
114	Oriental Hotels Ltd.
Manufacturing and Processing Company	
115	Morang Sugar Mills Ltd.
116	Bottlers Ltd.
117	Nepal Lube Oil Ltd.
118	Biratagar Jute Mills Ltd.
119	Nepal Banspati Ghee Udyog Ltd.
120	Sri Raghupati Jute Mills Ltd.
121	Butwal Dhago Karkhana Ltd.
122	Corakhkali Rubber Udhyyog Ltd.
123	Jyoti Spinning Mills Ltd.
124	Bottles Nepal (Terai) Ltd.
125	Arun Vanaspati Udyog Ltd.
126	Harisiddhi Brick & Tiles Factory Ltd.
127	Unilever Nepal Ltd.
128	Khadhya Udyog Ltd.
129	Birat Shoe Ltd.

130	Himgri textile Industries Ltd.
131	Shree Bhrikuti Pulp and Paper Nepal Ltd.
132	Fleur Himalayan Ltd.
133	Sri Ram Sugar Mills Ltd.
134	Nepal Bitumen & Barrel Udhyog Ltd.
135	Himalayan distillery Ltd.
Trading Company	
136	Bishal Bazar Co.Ltd.
137	Salt Trading Corporation Ltd.
138	Nepal Byaper Co. (Koshi) Ltd.
139	Nepal Trading Ltd.
140	Nepal Welfare Company Ltd.
Other	
141	National Productivity & Economic Development Center Ltd.
142	Nepal Film Development Co.Ltd.
143	National Hydro Power Co.Ltd.
144	Butwal Power Co.Ltd.
145	Chilime Hydropower Co.Ltd.

APPENDIX III

List of Securities Businesspersons

S.N.	Broker
1	Kumari Securities (P) Ltd.
2	Arun Securities (P) Ltd.
3	Opel Securities (P) Ltd.
4	Market Securities & Exchange Co. (P) Ltd.
5	Agrawal Securities (P) Ltd.
6	Aashutosh Brokerage & Securities (P) Ltd.
7	Pragyan Securities (P) Ltd.
8	Malla & Malls Stock Broking Co. (P) Ltd.
9	Om securities & Allied Services (P) Ltd.
10	Annapurna Securities Service (P) Ltd.
11	Nepal Stock House (P) Ltd.
12	Primo Securities (P) Ltd.
13	Khandewal & Stock Broking Co. (P) Ltd.
14	Sagarmatha Securities (P) Ltd.
15	Nepal Investment & Securities Trading (P) Ltd.
16	Sipla Securities (P) ltd.
17	Midas Stock Broking co. (P) Ltd.
18	Siprabi securities (P) ltd.
19	Siprabi Securities (P) Ltd.
20	Sweta Securities (P) Ltd.

21	Asian Securities (P) Ltd.
22	Sri Krishna Securities Ltd.
23	Trishul securities & Investment Ltd.
24	J.F. Securities (P) Ltd.
25	Premier Securities Co.Ltd.
Issue Manager	
1	National Finance Co.Ltd. (NFC)
2	Ace finance Co.Ltd. (AFCL)
3	NIDC Captial Markets Ltd. (NCML)
4	Citizen Investment trust (CIT)
5	Nepal Marchant Banking & Finance Ltd. (NMB)
6	Nepal Finance & Saving Co.Ltd.
7	Nepal Share Markets & Finance Ltd.
Issue Manager and Securities Dealer	
8	Nepal Sri Lanka Merchant Bank Ltd. (NSLMB)
9	Untied Finance Ltd. (UFL)