STOCK MARKET DEVELOPMENT AND ECONOMIC GROWTH OF NEPAL

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

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “STOCK MARKET DEVELOPMENT AND ECONOMIC GROWTH OF NEPAL”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degree nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declared that all information sources and literature used are cited in the reference section of the dissertation.

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August, 2024

REPORT OF RESEARCH COMMITTEE

Mr. Log Bahadur Bist has defended research proposal entitled "STOCK MARKET DEVELOPMENT AND ECONOMIC GROWTH OF NEPAL" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asst. Prof. Bhoj Raj Ojha and submit the thesis for evaluation and viva voce examination.

Dissertation Proposal Defended Date:
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APPROVAL SHEET

We have examined the dissertation entitled “STOCK MARKET DEVELOPMENT AND ECONOMIC GROWTH OF NEPAL" presented by Mr. Log Bahadur Bist for the degree of Masters of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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ABBREVIATIONS

GDP	Gross Domestic Product
MC	Market Capitalization
NEPSE	Nepal Stock Exchange
NRB	Nepal Rastra Bank
OTC	Over the Counter
SEBON	Security Board Nepal
SEC	Security Exchange Center
TOR	Turnover of Share
V	Volatility of Stock Return
VT	Value of Traded Share
WAN	Wide Area Network

ABSTRACT

This thesis investigates the relationship between stock market development indicators and economic growth in Nepal, focusing on market capitalization, value of traded shares, turnover ratio, and stock return volatility over the fiscal years 2008/09 to 2022/23. Utilizing a combination of Pearson's Correlation Coefficient, regression analysis, and descriptive statistics, the study analyzes the impact of these indicators on Gross Domestic Product (GDP).

The findings reveal a strong positive correlation between GDP and market capitalization ($r = 0.915$, $p < 0.01$), indicating that higher economic output is associated with significant growth in the market value of listed companies. Similarly, significant positive correlations are observed between GDP and the value of traded shares ($r = 0.784$, $p < 0.01$) and between GDP and turnover ratio ($r = 0.842$, $p < 0.01$), highlighting the close relationship between economic growth and market liquidity. However, the correlation between volatility and GDP is weak and near-zero (-0.029), suggesting minimal linear relationship between economic output and market volatility.

Regression analysis further confirms the significant impact of market capitalization and value of traded shares on GDP, with standardized coefficients (Beta) of 0.604 and 0.451, respectively. While turnover shows no significant effect on GDP, volatility exhibits a marginally significant negative relationship with GDP (Beta = -0.227, $p = 0.068$). The model demonstrates a strong fit, with an R-squared value of 0.933, indicating that 93.3% of the variability in GDP is explained by the independent variables.

These findings have important implications for policymakers, suggesting that enhancing market capitalization and trading activity could be effective strategies for promoting economic growth. Future research could delve deeper into the mechanisms through which these stock market indicators influence GDP and explore additional factors that might impact the relationship between stock market development and economic growth.

Keywords: *Stock Market Development, Economic Growth, Market Capitalization, Value of Traded Shares, Turnover, Volatility.*

CHAPTER – I

INTRODUCTION

1.1 Background of the Study

The capital market plays a crucial role in driving economic growth. As a vital component of the financial system, capital markets serve as a key engine of growth in modern economies (Nathaniel et al., 2020). Financial development fosters economic progress through either bank-based financial development, market-oriented financial development, or a combination of both. This process of economic development can take place in one or both directions depending on the country (Md. Qamruzzaman & Wei, 2018). Stock markets are particularly significant within financial markets for three primary reasons: they provide liquidity to financial assets, facilitate essential capital flows, and serve as valuable sources of information for investors (Prats and Sandoval, 2020).

The capital market plays a pivotal role in facilitating economic development and growth. Achieving economic development and efficiency involves directing resources toward the financial sector, enhancing its infrastructure, and optimizing financial intermediation capabilities (Donwa & Odia, 2010). On the other hand, the stock market's evolution is significantly influenced by political, economic, and global changes. As a result, investors tend to consider the market's condition when making investment decisions (Demir, 2019). Additionally, there are notable differences between developing and developed markets. Emerging markets often require foreign financing, making fair disclosure, accurate reporting, and transparency essential. Moreover, institutional reporting is necessary to reduce agency costs associated with information asymmetry (Uyar, Kılıç & Gökçe, 2016).

A stock market not only enables the efficient allocation of capital to productive investments but also offers investment opportunities for both domestic and foreign investors (Agyemang, Gatsi, & Ansong, 2018). It has a significant impact on aggregate demand, particularly through its influence on aggregate consumption and investment (Hoque & Yakob, 2017). While stock market development may causally affect a country's economic growth, the possibility that economic growth drives stock market development should not be overlooked. Indeed, it is plausible that causality operates in both directions simultaneously (Pradhan, 2013).

Capital market proved to be the important segments of the economy since it facilitates and provides better institutional arrangements for the borrowing and ending of long-term funds. Capital market is the general barometer that measures the proper collection and canalization of savings for investment in productive and income generation assets. The relationship between stock market development and economic growth has received renewed attention of academicians and policy makers in the present decade not in the developed and developing countries. The growing importance of stock markets in the developing countries has opened up many avenues for research in the relationship between financial development and economic growth, with focus on development role of stock market (Paul, 2018).

The global shift towards open economic systems has led to the growth of banking and financial services, including merchant banking, which provides financial advice and services to businesses. In Nepal, the development of the capital market began with commercial banks and the NIDC in 1994 B.S. However, early efforts faced setbacks due to company failures. Renewed initiatives in 2033 B.S. with the Nepal Security Trading Center struggled due to an unfavorable environment. The government’s liberal economic policies in 2049 B.S. finally established the Stock Exchange Market, leading to a market boom and increased primary issues (Gurung, 2017).

The concept of a stock market is relatively new to Nepal, with its origins traced back to 1937 B.S., when Nepal Bank Limited (NBL) and Biratnagar Jute Mills Ltd. (BJM) began issuing shares under the Company Act of 1936 B.S. Significant reforms in the capital market were limited in the initial 4-5 year plans. A notable advancement occurred with the establishment of the Securities Exchange Center (SEC) in 2038 B.S., marking the government's initial and significant effort to develop the stock market. The SEC was instrumental in fostering both the primary and secondary markets for government and corporate securities starting from Fiscal Year 2040/41 B.S. Despite substantial growth in the stock market relative to the economy, the corporate sector's share within the national economy remains low due to its small size. The creation of the Securities Board of Nepal (SEBON) under the Securities Exchange Act of 1983 and the subsequent transformation of the SEC into the Nepal Stock Exchange (NEPSE) were pivotal in advancing market development. Government policies aimed at capital market reform significantly enhanced both the primary and secondary markets, leading to an increase in corporate securities stock prices and improved market liquidity. However, these improvements were predominantly observed in the first year following the incorporation of SEBON and NEPSE.

The Government of Nepal established the Securities Board of Nepal (SEBON) on June 7, 1993, to serve as the primary regulatory body for the country's securities markets. Operating under the Securities Act of 2006, SEBON's primary mission is to regulate the securities market and protect investors' interests. According to the Securities Related Act of 2007, SEBON is responsible for a range of key functions, including the registration of securities issued by public limited companies, the approval of prospectuses for securities offerings, licensing stock exchanges and securities firms, authorizing collective investment schemes and investment fund programs, and drafting necessary regulations. Additionally, SEBON issues directives and guidelines, and it is tasked with supervising and monitoring the activities of stock exchanges and securities businesses.

SEBON's Governing Board consists of seven members, including a full-time chairman appointed by the government for a four-year term. The board's composition also includes the joint secretary of the Ministry of Finance, the joint secretary of the Ministry of Law, Justice, and Parliamentary Affairs, a representative from Nepal Rastra Bank, a representative from the Institute of Chartered Accountants of Nepal, a representative from the Federation of Nepalese Chambers of Commerce and Industries, and an expert in securities market management, capital market development, or financial or economic sectors, appointed by the government. SEBON primarily receives its funding through government grants, transaction fees from stock exchanges, and registration fees for corporate securities. Additional financial resources are derived from the registration and renewal fees of stock exchanges and market intermediaries, as well as income generated from its revolving fund.

The development of Nepal's capital market began in 1936 with the issuance of shares by Biratnagar Jute Mills Ltd. (NEPSE, 2009). In 1974, the Nepalese government introduced an industrial policy that led to the creation of the Securities Marketing Center (SMC), which managed government securities, including development bonds, national savings bonds, and a limited number of corporate securities. By 1976, the SMC was renamed the Securities Exchange Center (SEC), taking on the broader responsibility of managing the capital market, including brokerage services, underwriting, and public issue management, as there were no other capital market institutions in Nepal at the time.

In 1993, with the liberalization of the financial sector, the SEC was transformed into the Nepal Stock Exchange Ltd. (NEPSE), which took over the responsibility of overseeing secondary market operations. That same year, the Securities Board of Nepal (SEBON) was established to regulate the securities market. Since its establishment, NEPSE has experienced significant fluctuations. For example, following the end of the Maoist insurgency and the formation of the second Constitution Assembly (CA), the NEPSE index reached a peak of 1036.1, the highest level in six years (Shrestha & Subedi, 2014). These fluctuations in the NEPSE index have had a noticeable impact on economic activities and transactions. This study analyzes the statistical relationship between stock market development and economic growth in Nepal, providing valuable insights for trading firms, researchers, academics, and policymakers.

The long-term sustainability of a country's economic growth hinges on its ability to enhance the accumulation of both physical and human capital, utilize these productive resources more effectively, and ensure broad access to financial resources across the population. Scholars and policymakers have observed that rapid economic growth often leads to increased demand for specific financial structures, which a well-developed financial sector should be able to meet.

Since the introduction of the finance-led growth and growth-led finance hypotheses, the relationship between financial development and economic growth has sparked considerable debate. This research seeks to bridge the existing gap in understanding how financial development influences economic growth in Nepal.

The Nepalese stock market has undergone significant fluctuations, largely due to insufficient government policies and political instability (Shrestha & Subedi, 2014). Throughout the study period, the market has been predominantly driven by individual investors, with a noticeable lack of institutional investors, which has been a major shortcoming of the Nepalese stock market.

This study aims to investigate the stock market's contribution to Nepal’s economic growth. Previous research has often neglected the stock market's role as a driver of GDP growth, with more attention given to the banking sector by policymakers. This research seeks to address this gap by examining the relationship between stock market performance and GDP growth in Nepal. The following questions guide the study:

i. What indicators are used to investigate stock market development and economic growth?
ii. Is there a relationship between stock market development and economic growth?
iii. What is the impact of stock market development indicators on economic growth?

1.3 Objectives of the Study

The primary objective of this study is to examine the development of the stock market and its relationship with economic growth in Nepal. The specific objectives of the study are as follows:

i. To explore the indicators of stock market development and their connection to economic growth.
ii. To analyze the relationship between stock market development indicators and economic growth.
iii. To assess the impact of stock market development indicators on economic growth.

1.4 Rationale of the Study

The stock market often mirrors the overall economic health of a nation. A thriving stock market generally suggests a strong economy, while a declining market can be a sign of an economic downturn. Moreover, the stock market reflects a country's industrial policies, which are shaped and regulated by various laws and guidelines. This study is crucial for identifying current challenges and future opportunities, as well as for exploring the necessary policy formulations, regulatory frameworks, and amendments required to enhance the market's efficiency and development.

This research, which focuses on the Nepalese stock market within the context of its challenges, opportunities, and impact on economic growth, is invaluable for all stakeholders involved in the stock market. It offers insights into the obstacles and potential growth areas for investors interested in the market. The stock market is closely linked to economic growth, as it promotes increased earning capacity, savings, and investment opportunities. Economic growth is often driven by a country's efforts toward industrialization. The study aims to identify the challenges, opportunities, and potential for growth in the near future and to recommend policies and regulatory measures necessary for a well-functioning market. Standards play a critical role in stock market development, and financial statements should be prepared in a way that meets the information needs of relevant parties.

This research will also be valuable for university students who are interested in understanding the current state of the Nepalese stock market, including its growth, issues, and challenges. Additionally, the study's recommendations, based on its findings, are expected to be useful for policymakers involved in the development of capital markets.

1.5 Limitations of the Study

This study encountered several limitations. It was undertaken as part of the requirements for a Master of Business Studies degree, which introduced constraints such as limited time, financial resources, and research experience. Additionally, the research relied on secondary data. The specific limitations of the study are as follows:

i. The study focuses solely on the relationship between stock market development and economic growth.

ii. The research covers a period of fifteen fiscal years, from 2008/09 to 2022/23.

iii. Financial and time constraints were significant limitations of the study.

iv. The study examines only the past and present state of the stock market in Nepal and does not make any predictions about the future.

CHAPTER-II

LITERATURE REVIEW

In the context of a literature review, "the literature" refers to the collection of works that have been consulted to understand and investigate a particular research problem. A literature review involves re-examining these works and is a systematic, detailed, and critical summary of the existing literature in a specific field of study. It examines how other researchers have approached topics related to the research subject and what insights they have obtained. A literature review should provide a concise summary of the key content of research articles or studies and clearly highlight any connections with other research in the field.

2.1 Theoretical Review

The key concepts discussed in the conceptual review are as follows:

A well-developed stock market improves the efficiency of the market for corporate control by reducing the agency problem between shareholders and managers, especially in countries where stock market discipline is strong (Diamond & Verrecchia, 1982).

A stable macroeconomic environment is essential for stock market development. An unstable macroeconomic environment leads to information asymmetries and makes financial systems more vulnerable (K.C., 2010).

The success of the Nepalese stock market partly depends on the government's supportive role in aiding the Securities Board of Nepal (SEBON) with regulatory and institutional strengthening. It also relies on SEBON leadership's determination and ability to turn their vision into proactive plans, policies, and effective implementation. It is evident that the current unfavorable political situation in the country is a major factor in the continuous decline of the stock market index, although it is partially due to corrective measures as well (Paudyal, 2010).

Political instability and the absence of thoughtful policies hinder stock market development. Budgetary policy is a tool that can influence stock market behavior (Singh & Kansal, 2010).

Additionally, real factors such as weather, political instability, political decisions, wars, terrorist threats, boycotts and strikes, economic trends, international trade, and even corporate scandals are all factors that can affect stock market development.

It is essential to determine whether the small market size and other challenges in the stock market are hindering the development of the Nepalese stock market. A significant challenge going forward is the need to establish close coordination among regulators (Joshi, 2011). Current issues affecting the Nepalese stock market include disagreements over controversial policies among the Nepal Rastra Bank (NRB), the Insurance Board (Bima Samiti), and the Securities Board of Nepal (SEBON), as well as the need for a central securities depository, the privatization of NEPSE, the implementation of a mutual fund/trust act, diversification of financial instruments, and a strong commitment from authorities (Paudyal, 2010).

Many researchers have highlighted the strong link between capital markets and economic growth, with GDP often used as a key indicator. Obiakor and Okwu (2011) found that capital market development leads to economic growth. Similarly, other studies have shown that capital markets have a significant positive impact on economic growth, indicating a positive correlation between capital market development and economic growth. Since the stock market is a component of the capital market, it plays a significant role in the development of the capital market (Baker et al., 2008).

Blackburn et al. (2017) also noted a positive correlation between stock market development and economic growth, under the assumption that as GDP per capita exceeds a certain threshold, information costs become lower than bankruptcy costs, promoting the development of capital markets.

This perspective is not entirely new; Robinson (1952) argued that the financial system does not drive economic growth but rather responds to developments in the real sector. Consequently, some influential economists have historically assigned only a minor role, if any, to the financial system in economic growth.

The stock market is expected to encourage savings by offering individuals additional financial instruments that better align with their risk preferences and liquidity needs. Improved savings mobilization may lead to an increase in the savings rate (Levine & Zervos, 1996).

There is considerable debate surrounding the relationship between the financial system and economic growth. Stock markets are believed to increase savings and efficiently allocate capital to productive investments, thereby boosting the rate of economic growth. Stock markets contribute to the mobilization of domestic savings by expanding the range of financial instruments available to savers, enabling them to diversify their portfolios. In doing so, stock markets provide an important source of investment capital at relatively low cost (Dailami & Actin, 1990).

Efficient stock markets can lower the cost of information by generating and disseminating specific details about firms, leading to more accurate stock prices. A stock market is considered efficient if its prices reflect all available information. By reducing the cost of obtaining information, stock markets facilitate better decision-making about investment opportunities and improve resource allocation. Accurate stock prices, informed by available data, assist investors in making informed investment choices, thereby promoting better allocation of funds among corporations and potentially boosting economic growth. Additionally, stock market liquidity can mitigate downside risks and reduce the cost of investing in projects with long-term payoffs. In a liquid market, initial investors can easily, quickly, and cost-effectively sell their shares, maintaining access to their savings throughout the investment period (Bencivenga & Smith, 1996).

More liquid stock markets may encourage investment in long-term, potentially lucrative projects, thereby improving capital allocation and enhancing long-term growth prospects. However, the impact of increased stock market liquidity on economic growth remains ambiguous. Greater liquidity might reduce the need for precautionary savings, which could negatively affect economic growth. In such cases, stock prices are not solely determined by discounted future cash flows, as the efficient market hypothesis suggests. Instead, the market may develop speculative dynamics driven by irrational behavior, which could adversely affect the real economy, potentially transforming it into a speculative arena. Critics argue that highly liquid stock markets may undermine corporate governance by promoting investor myopia. When investors can easily sell their shares, they may lack long-term commitment, potentially leading to corporate governance issues with significant implications for economic growth (Bhide, 1994).

Further criticisms suggest that stock market liquidity might lead to shorter-term investment horizons and lower long-term investment rates. It may incentivize managers to focus on financial engineering successes rather than fostering organic growth (Singh, 1997). Consequently, stock market prices can become highly volatile, allowing for quick profits but undervaluing long-term investments. Managers might be discouraged from undertaking long-term projects as their performance is judged based on financial asset performance, potentially harming long-term prospects (Binswanger, 1999).

Empirical evidence indicates that the takeover mechanism in well-functioning stock markets may not serve a disciplinary role and that market selection is often based more on company size than performance (Singh, 1997). Research on industrial production and stock prices from 1953 to 1975 shows that stock market activity and economic cycles are closely aligned, suggesting that stock prices effectively reflect real economic variables (Barry, 1975).

Stock market development indicators mirror economic progress. Predicting the national economy's direction is crucial because economic activity influences corporate profits, investor sentiment, and security prices. The behavior of stock prices reflects overall economic activity, highlighting the critical connection between economic performance and the stock market (Fisher & Jordan, 1991).

Schwartz's study found that government bonds, treasury bills, and real estate provide some compensation for unexpected inflation. However, common stock returns were found to be negatively correlated with both expected and unexpected inflation, meaning that investors in common stocks are penalized rather than compensated for inflation (Schwartz, 1975).

2.1.1 Problems of Stock Growth

Like many emerging markets, Nepal experienced significant volatility during its formative years. The previous section highlighted three key market factors that affect market behavior. Below is a discussion of some of the challenges encountered in each of these areas, particularly during periods of speculative market activity.

- **Lack of Tradable Market Instruments**

  In Nepal, the range of tradable market instruments has been limited to equity shares and mutual funds. A separate over-the-counter market existed for long-term government bonds; however, since bond trading was conducted at par value, investors tended to retain their bonds, resulting in a stagnant market. With few alternative investment options, demand for shares surged significantly. This was particularly problematic during the initial speculative phase, as it exacerbated the price increase of already inflated shares.

- **Oligopolistic Market Structure**

  In its nascent stages, the stock market had a limited number of active participants, including only 50 registered stock brokers and just 3 market makers. This oligopolistic setup allowed for price manipulation with minimal transactions. Consequently, trades were often speculative rather than investment-driven. Market makers, recognizing their significant influence, engaged in speculative trading themselves instead of stabilizing the market based on the underlying financial health of companies, which further inflated prices.

- **Functional Overlaps Among Intermediaries**

  Due to low trading volumes, financial intermediaries such as merchant banks and brokers often performed multiple roles. This overlap, which would be considered a serious conflict of interest in more developed markets, gave these intermediaries considerable market power, enabling them to manipulate market conditions easily.

2.1.2 Practices in Share Market

Nepal's share market faces several irregularities that, while benefiting certain groups, negatively impact general investors. To create a clear and transparent market, it is crucial for both individuals and institutions responsible for market oversight to remain vigilant. The irregularities present in Nepal's share market include: (Bhattarai, 2016).

- **Pooling**

  In this type of irregularity, a specific group engages in buying and selling shares of a particular company among themselves. This practice artificially inflates the share price by creating the illusion of high trading volume for the public. Once the price reaches its peak, the members of the group sell their shares. Consequently, the share price, which had been driven up without genuine justification, falls, resulting in significant losses for general investors who had purchased shares in the expectation of continued price increases.

- **Cornering or Warehousing**

In this type of irregularity, an individual or group acquires all the shares of a particular company. This action leads to the shares being concentrated in the hands of a single entity or group, creating a shortage of shares in the market. As a result, the supply of these shares becomes limited while demand remains high. The entity involved in this manipulation then sells the shares in small quantities, driving the price up to its peak. Subsequently, they sell the remaining shares at the inflated price.

- **Organized Runs**

  In organized manipulations, a coordinated group spreads misleading rumors about a specific company to affect its share price. The primary goal of disseminating such rumors is to attract investors to buy the shares, allowing the group to sell their own shares at a profit. This strategy results in both capital gains and quick sales for those involved in the manipulation.

- **Ramping**

  Ramping involves attracting investors by showcasing rapid transactions of shares just before a major market shift, aiming to profit from such activities. This surge in share price leads general investors to believe that the demand for the company's shares is strong and will continue to rise in the future.

- **Wash sale**

  A wash sale is not a genuine sale of shares. Instead, the individual engages in transactions where they sell shares to family members or acquaintances, falsely suggesting a change in the share price. The individual sells shares at a low price to themselves, creating the illusion of a market decline, and then repurchases the shares at the reduced price to realize a profit. This scheme is typically conducted with the assistance of a broker.

- **Matching**

  When a broker receives both buy and sell orders from the same party, they may engage in price manipulation to match the orders. The broker might lower the price if they are dealing with a buyer or raise it if working with a seller to facilitate the transaction. Such practices have been prohibited since Ashad, 2062 B.S.

- **Insider Training**

  Insider trading refers to transactions conducted using confidential company information. This occurs when individuals with access to unpublished details, such as company staff, directors, or executives, buy or sell shares based on this inside knowledge. For example, if a company's board decides to issue a dividend but this decision is not yet public, and individuals with knowledge of this decision acquire shares before the price rises or obtain bonus shares, such transactions are classified as insider trading.

2.1.3 Prospects of Nepal's Stock Market

Revisions to the Securities Exchange Act and updated guidelines were part of the efforts to enhance the legal and regulatory framework. Currently, various initiatives are being undertaken to boost the performance of the stock market. These improvements are expected to offer promising prospects for the Nepalese stock market, as outlined below:

- **Trading System Automated**

  On August 24, 2007, the Nepal Stock Exchange (NEPSE) implemented a fully automated screen-based trading system known as the NEPSE Automated Trading System (NATS). This system operates on an order-driven market model and supports trading in various financial instruments, including shares (both equity and preference shares), debentures, government bonds, and mutual funds. NATS has significantly reduced human errors that were prevalent in the previous open outcry trading methods. The system has integrated several international practices to ensure global compatibility, and it has also undergone modifications to align with the country's existing rules and regulations.

- **Recruitment of new employees**

  To enhance operational efficiency, the Nepal Stock Exchange (NEPSE) hired 14 new employees through an open recruitment process in September 2018. Following a brief orientation, six of these recruits were assigned to the Surveillance, Listing, and Finance Departments, while the remaining eight joined the Trading and Human Resources Management Departments. NEPSE undertook organizational reforms to streamline its core operations, which included introducing a new organizational structure and implementing a Voluntary Retirement Scheme that was adopted by 45 percent of the staff. Additionally, NEPSE began outsourcing non-core activities, such as security and cleaning services, to further improve its efficiency.

- **Trading through WAN started**

  Following the introduction of the Automated Trading System (ATS) and under the guidance of NEPSE, member brokers began online trading via Wide Area Network (WAN) from October 13, 2007. This advancement allowed stock brokers to conduct transactions from their own offices. Brokers needed to meet NEPSE's infrastructure requirements to access WAN, which included having a price board, separate rooms with computers for client order entry, settlement, and providing up-to-date information to clients. Initially, NEPSE granted WAN trading permissions to Malla and Malla Stock Broking Limited, Nepal Stock House, Nepal Investment and Securities Trading Private Limited, Shree Krishna Securities Limited, and Premiere Securities Company Limited. By the end of the fiscal year 2014/15, all brokers were conducting transactions from their offices through WAN. This version rephrases the content while preserving the original meaning.

- **Market Introduced Halt System Introduced**

  Circuit breakers are regulations implemented by the Nepal Stock Exchange to manage extreme price fluctuations. If the NEPSE index changes by 4% within the first hour of regular trading, which is before noon, trading will be paused for 20 minutes. If, during the second hour (around 1 pm), the NEPSE index fluctuates by 5%, trading will be suspended for an additional 40 minutes. Should the index change by 6% at any point thereafter, trading for the remainder of the day will be stopped. Additionally, if a company's stock price changes by 10% in either direction within a single day, this is classified as channel-level trading.

- **Trading Hours Extended**

  As of July 17, 2016, the Nepal Stock Exchange extended its trading hours by one hour in response to growing trading volume following the automation of trading processes. Previously, trading activities were conducted over a period of three hours. Now, the trading floor operates from 11:00 AM to 3:00 PM. NEPSE anticipates that this extension will be advantageous for investors, particularly small investors.

- **Real Time Information Disseminated**

Starting November 28, 2008, NEPSE began offering real-time information on trading activities to investors. This development allows investors to view live share prices online from any location during trading hours. Additionally, investors can monitor trading activities, including top gainers, top losers, and updates on trading halts and resumptions, directly on NEPSE's website without any delay.

- **Trading of Promoter's Shares**

On March 31, 2008, NEPSE initiated the trading of promoters' shares using a distinct pricing method. For the initial trading of these shares, the price for a company with a positive net worth could not fall below five times its net worth per share or half of the current market price of its ordinary shares, whichever was lower. Conversely, for companies with a negative net worth, the initial trading price could not be less than half of the current market price of the ordinary shares.

- **OTC Market Started**

On June 4, 2008, NEPSE introduced the over-the-counter (OTC) market to provide shareholders with the opportunity to buy or sell shares of companies that have been de-listed or are not listed due to non-compliance with listing requirements. Currently, the OTC market facilitates the trading of shares from 43 companies. However, following a request from Nepal Rastra Bank, NEPSE decided to restrict the trading of Nepal Bank Limited shares in the OTC market, as such trading could adversely affect the ongoing Financial Sector Reform Project.

- **CDS and Clearing Limited**

CDS and Clearing Limited, established under the Company Act and promoted by Nepal Stock Exchange Limited (NEPSE) in 2010, began operations on March 31, 2011. The company's primary aim is to provide centralized depository, clearing, and settlement services in Nepal. It serves as a central depository for various financial instruments, including equities, bonds, and warrants, with a focus on handling securities in dematerialized form. The company is responsible for the safekeeping, deposit, and withdrawal of securities certificates, as well as the transfer of ownership and rights of these instruments, in accordance with the securities regulations set by the Securities Board of Nepal (SEBON).

2.2 Empirical Review

Akkutay (2024) examined the effects of stock market development on economic growth in Turkey. The study utilized quarterly data from the period 2006 Q1 to 2023 Q4, sourced from relevant financial databases. Using the Autoregressive Distributed Lag (ARDL) method, the research aimed to determine how stock market development impacts economic growth in both the short and long term. The findings revealed that while there was a significant negative impact on economic growth in the short term, this effect did not persist in the long term. The study suggests that modernizing Turkey's financial system is essential to ensure the stock market contributes positively to economic growth.

Dorjdagva et al. (2024) analyzed the relationship between stock market development and economic growth in 11 post-socialist countries and China. The study utilized unbalanced panel data spanning from 1995 to 2020. Employing the Vector Auto-Regressive (VAR) model, the research aimed to explore the dynamic interactions between economic growth and the Composite Index of Stock Market Development. The findings supported the Neutrality Hypothesis (NLH), indicating an independent relationship between economic growth and stock market development. The study recommends adjusting economic policies to address disparities between economic growth and stock market development, thereby promoting sustainable development in the selected countries.

Dhungana (2023) analyzed the Stock Market Development and Economic Growth of Nepal. In this study the stock market development indicators are market capitalization, trading turnover, NEPSE index, gross capital formation, and gross national savings. This research is based on secondary data. The econometric methods such as the Johnson co integration test, Granger causality test, and VAR model were used to assess the nexus between the stock market development and economic growth in Nepal. Long-term co integration has been observed between the stock market development indicators such as gross national savings, market capitalization, gross capital formation, trading turnover, stock market index, and economic growth. Likewise, economic growth and stock market development are shown to be causally related in a unidirectional manner by the Granger causality test. It concludes that stock market development matters for economic growth in the short and long run. The regulatory authority may adopt an appropriate policy for sustained growth of the stock market.

Saibel and Kaoval (2019) analyzed the problems and the development prospects an evidence from Russian stock market. The aim is to assess the current state of the Russian stock market, identify key problems hindering its effective development, and devise measures to eliminate them. The study employs logical, statistical and graphical methods of analysis. They include the low level of stock market capitalization, lack of infrastructure, high concentration of capitalization of enterprises operating in the fuel and energy complex, high level of fraud in the Russian stock market, imperfect taxation of transactions of the stock market, high volatility of the Russian securities market, lack of proper protection of investors' rights. The paper offers certain proposals to solve the existing problems, like attracting domestic and foreign investors, improving the regulatory framework and tax system, developing the system of insurance of transactions on the stock market, and others.

Araoye et al. (2018) analyzed the impact of stock market development on economic growth in Nigeria. This study examined the impact of the Nigerian Stock market development on the nation’s economic growth from 1985 to 2014. The study utilizes the Johansson’s co integration test in establishing if a long run relationship does exist between stock market development and economic growth in Nigeria. The empirical results suggest that the stock market is significant in determining economic growth in Nigeria using the error correlation model and it was found that the stock market has impacted insignificantly on the economic growth.

Palamalaia and Prakasamb (2014) investigated the direction of causality between stock market development and economic growth in India. The study employed cointegration and causality tests, using data from June 1991 to June 2013, to examine the long-run and short-run relationships between stock market development indicators and economic growth. The empirical findings revealed a clear long-run equilibrium relationship, with bidirectional causality between market capitalization and economic growth, and unidirectional causality from turnover ratio to economic growth. These results suggest that stock market development indicators, particularly market capitalization and turnover ratio, have a positive impact on economic growth in India.

Bayar et al. (2014) examined the relationship between stock market development and economic growth in Turkey during the period from 1999 to 2013. The study utilized the Johansen-Juselius co integration test and the Granger causality test to explore the long-run and causal relationships between economic growth and stock market indicators, such as market capitalization, total value of stocks traded, and the turnover ratio of stocks traded. The findings identified a long-run relationship between economic growth and these stock market indicators, with evidence of unidirectional causality from the stock market indicators to economic growth. These results suggest that stock market development plays a significant role in driving economic growth in Turkey.

Rana (2014) investigated the long-term relationship between stock market development and economic growth in Nepal. The study utilized 26 annual observations of real GDP, market capitalization, and annual turnover, covering the period from mid-July 1988 to mid-July 2013. By employing correlation analysis and time series analysis, the study aimed to determine the co-integrating relationship between these variables. The co-integration results revealed that both stock market size and liquidity could predict Nepal's economic growth during the period studied. Additionally, using the Engle-Granger procedures, the study concluded that stock market size and liquidity are co-integrated with Nepal's economic growth, indicating a significant interrelation between these variables.

Ishioro (2013) explored the relationship between stock market development and economic growth in Nigeria, focusing on the roles of market capitalization, value traded ratios, and the turnover ratio. The study employed Augmented Dickey-Fuller (ADF) unit root tests and the long-run Granger non-causality estimation technique to analyze the data. The findings revealed that the turnover ratio strongly correlates with economic growth, while market capitalization and value traded ratios exhibit weak negative correlations. The study identified liquidity, as represented by the turnover ratio, as a key driver of economic growth in Nigeria.

Nzomoi and Ikikii (2013) investigated the determinants of economic growth (GDP) in Kenya, focusing on the impact of stock market development indicators. The study utilized linear regression methods to analyze the relationships between stock market capitalization (SMC), stock trade volume (STV), and GDP. The findings revealed that both SMC and the fourth lag of STV are important determinants of economic growth, with positive correlations to GDP. The study also highlighted that market capitalization has a stronger impact on GDP compared to stock trade volume, likely due to the illiquidity of the Kenyan stock market.

Marinkovic et al. (2013) analyzed Granger causality tests to analyze the relationship between stock market development and real GDP growth. The study found that both the turnover ratio and stock turnover Granger-cause real GDP growth, indicating that these stock market indicators play a significant role in influencing economic growth.

Osamwonyi and Kasimu (2013) employed the Granger causality test procedure to assess the impact of stock market variables on GDP in Ghana, Kenya, and Nigeria. Their findings revealed that stock market variables explain a substantial portion of GDP variation in Ghana (77%), with variables like liquidity (LS), stock turnover (STO), and total value of stocks traded (TVL) being significant; however, TVL negatively impacts GDP. In Kenya, stock market variables (LS, market capitalization (MC), and stock turnover (STO)) account for 47% of GDP variation, showing weak statistical significance with LS negatively affecting GDP. In Nigeria, stock market variables (LS, MC, market index (MI), and stock trade volume (STV)) explain 56% of GDP variation, with weak statistical significance; MI positively impacts GDP, while STV has a negative effect.

Alajekwu, and Achugbu (2012) analyzed the role of stock market development on economic growth of Nigeria using a 15- year time series data from 1994 – 2008. The study measures the relationship between stock market development indices and economic growth. The stock market capitalization ratio was used as proxy for market size while value traded ratio and turnover ratio were used as a proxy for market liquidity. The results show that market capitalization and value traded ratio have a very weak negative correlation with economic while turnover ratio has a very strong positive correlation with economic growth. Also, stock market capitalization has a strong positive correlation with stock turnover ratio. This result implies that liquidity has propensity to spur economic growth in Nigeria and that market capitalization influences market liquidity.

Ho and Odhiambo (2012) examined the relationship between stock market development and economic growth in Hong Kong using the Autoregressive Distributed Lag (ARDL) bounds test. The analysis revealed a unidirectional causal relationship from stock market capitalization to economic growth. Additionally, there was a causal flow from economic growth to stock market turnover in both the short and long run. In the short term, stock market turnover also influenced economic growth, while economic growth affected the value of traded stocks.

Mainali (2011) analyzed the relationship between stock market development and economic growth in Nepal using correlation and regression analysis. The study utilized 26 annual observations of real GDP, market capitalization (MC), value traded (VT), and turnover from mid-July 1994 to mid-July 2009. The findings indicated that the stock market in Nepal is experiencing slow growth and is unable to show a significant positive impact on the economy. The study highlighted issues such as minimal participation from the real sector and a high concentration ratio, which contribute to the market's riskiness and illiquidity. The analysis also explored the causal relationships between stock market variables and economic variables.

Shahbaz et al. (2008) studied the stock market development and economic growth for Pakistan, Stock market development was found to be an important factor that enhance economic growth. The author also discovered a feedback relationship between stock market development and economic growth in long run. However, in the short run, the causality runs only from stock market development to economic growth.

Sindurkar (2004) conducted an analysis to examine the relationship between stock market development and economic growth using correlation analysis and time series analysis. The study found no significant relationship between GDP and market capitalization or the number of listed companies. Additionally, the correlation between the economic growth rate and turnover velocity was found to be both unexpected and insignificant, indicating a weak linkage between these stock market indicators and economic growth.

KC (2004) utilized correlation analysis and time series analysis to assess the state of the stock market in Nepal and its impact on the overall economy. The study revealed that the stock market remains underdeveloped and has struggled to make a significant impact on the country's economy. The small size of the market has made it susceptible to manipulation and price rigging. Indicators such as a low turnover ratio, low value-traded ratio, high volatility, and a high concentration ratio suggest that the stock market is characterize d by high illiquidity and elevated risk. Consequently, investors are often reluctant to participate, as the market fails to provide investment opportunities that align with their individual risk-return preferences.

Table 1

Summary of Empirical Review

SN	Authors	Methodology	Findings
1	Akkutay, (2024)	Autoregressive distributed lag (ARDL) method.	The findings indicate that although stock market development in Turkey had a significant negative effect in the short term, it did not result in a long-term negative impact on economic growth. To ensure that Turkey's stock market contributes positively to economic growth, the study suggests that the country's financial system needs to be modernized.
2	Dorjdagva et al., (2024)	Vector Auto-Regressive (VAR) model.	The findings support the Neutrality Hypothesis (NLH) by confirming an independent relationship between Economic Growth (EG) and the Composite Index of Stock Market Development (SMD). The study recommends adjusting economic policies to address the differences between economic growth and stock market development, ensuring sustainable development in the selected countries.
3	Dhungana, (2023)	Johnson cointegration test, Granger causality test, and VAR model	The Granger causality test demonstrates a unidirectional causal relationship between economic growth and stock market development, indicating that the development of the stock market plays a crucial role in fostering economic growth in both the short and long term. Based on these findings, regulatory authorities should consider implementing policies aimed at sustaining stock market growth by focusing on (i) improving disclosure and transparency, (ii) enhancing investor

			awareness and education, (iii) protecting shareholder interests, (iv) diversifying trading opportunities, and (v) ensuring macroeconomic stability.
4	Saibel and Kaoval, (2019)	The study employs logical, statistical and graphical methods of analysis.	They include the low level of stock market capitalization, lack of infrastructure, high concentration of capitalization of enterprises operating in the fuel and energy complex, high level of fraud in the Russian stock market, imperfect taxation of transactions of the stock market, high volatility of the Russian securities market, lack of proper protection of investors rights.
5	Araoye et. al, (2018)	Johansson's co integration test	Stock market is significant in determining economic growth in Nigeria using the error correlation model and it was found that the stock market has impacted insignificantly on the economic 25 growt
6	Palamalaia and Prakasamb, (2014)	cointegration and causality tests	The study establishes a clear long-run equilibrium relationship between stock market development indicators and economic growth in India. The empirical findings reveal a bidirectional causality between market capitalization and economic growth, as well as a unidirectional causality from turnover ratio to economic growth, both in the long run and short run. Overall, the results suggest that stock market development indicators, specifically market capitalization and turnover ratio, positively impact economic growth in India.

7	Bayar et al., (2014)	Johansen-Juselius co integration test and Granger causality test	The study identifies a long-run relationship between economic growth and stock market capitalization, total value of stocks traded, and the turnover ratio of stocks traded. Additionally, it finds a unidirectional causality from these stock market indicators to economic growth.
8	Rana, (2014)	correlation analysis and time series analysis	Rana (2014) examined the long-term co-integrating relationship between stock market development and economic growth in Nepal. The study utilized 26 annual observations of real GDP, market capitalization, and annual turnover, covering the period from mid-July 1988 to mid-July 2013. The co-integration results indicated that both stock market size and liquidity could predict Nepal's economic growth during this period. By employing the Engle-Granger procedures, the study further concluded that stock market size and liquidity are co-integrated with Nepal's economic growth, demonstrating a significant interrelation between these variables.
9	Ishioro, (2013)	Augmented Dickey Fuller(ADF) unit root tests and the long-run Granger causality estimation	The turnover ratio strongly correlates with economic growth in Nigeria, while market capitalization and value traded ratios show weak negative correlations. Liquidity is identified as a key driver of economic growth.

		technique	
10	Nzomoi, and Ikikii, (2013).	Linear regression methods	The study finds that both stock market capitalization (SMC) and the fourth lag of stock trade volume (STV) are important determinants of economic growth (GDP) in Kenya. These variables are positively correlated with GDP, indicating that stock market development significantly influences economic growth. However, market capitalization has a stronger impact on GDP than stock trade volume, potentially due to the illiquidity of the Kenyan stock market.
11	Marinkovic et al, (2013)	Granger causality	The turnover ratio and stock turnover both Granger-cause real GDP growth.
12	Osamwonyi and Kasimu, (2013)	Granger Causality test procedure as developed in Granger	The main finding is that stock market variables explain a significant portion of GDP variation in Ghana (77%), with LS, STO, and TVL being significant, though TVL negatively impacts GDP. In Kenya, stock market variables (LS, MC, and STO) account for 47% of GDP variation, with weak statistical significance and LS negatively affecting GDP. In Nigeria, stock market variables (LS, MC, MI, and STV) explain 56% of GDP variation, with weak statistical significance; MI positively impacts GDP, while STV negatively affects it.
13	Alajekwu and Achugbu, (2012)	Ordinary Least Square (OLS)	Market capitalization and value traded ratios have a weak negative correlation with

			economic growth, while the turnover ratio exhibits a strong positive correlation. Additionally, market capitalization positively correlates with the turnover ratio, indicating that liquidity can drive economic growth in Nigeria. However, due to multicollinearity in the data, the significance of stock market size for economic growth should be interpreted with caution.
14	Ho and Odhiambo (2012)	Autoregressive Distributed Lag (ARDL) bounds test	The analysis reveals a unidirectional causal relationship from stock market capitalization to economic growth. Additionally, there is a causal flow from economic growth to stock market turnover in both the short and long run. In the short term, stock market turnover also influences economic growth, while economic growth affects the value of traded stocks in the short term.
15	Mainali, (2011)	Correlation and regression analysis	stock market development indicates that the stock market in Nepal is creeping and unable to show significant positive impact in the economy. Minimum participation of real sector and high concentration ratio that the stock market is risky and illiquid. Study shows the causal relationship in between stock market variable and economic variable using 26 annual observation on the time series or real GDP, MC, VT, turnover from mid-July 1994 to mid-July2009.
16	Shahbaz et al.	The Johnsen	Stock market development was found to be

	(2008)	co-integration analysis	an important factor that enhance economic growth. The author also discovered a feedback relationship between stock market development and economic growth in long run.
17	Sindurkar,(2004)	correlation analysis and time series analysis	There is no significant relationship between GDP and market capitalization, as well as the number of listed companies. Additionally, the correlation between economic growth rate and turnover velocity is both unexpected and insignificant.
18	KC, (2004)	correlation analysis and time series analysis	The stock market in Nepal remains underdeveloped and has struggled to make a significant impact on the country's overall economy. The small size of the market has left it susceptible to manipulation and price rigging. Indicators such as a low turnover ratio, low value-traded ratio, high volatility, and a high concentration ratio suggest that the stock market in Nepal is characterized by high illiquidity and elevated risk. As a result, investors are often reluctant to participate in the stock market, as it fails to offer them opportunities to invest in securities that align with their individual risk-return preferences.

2.3 Research Gap

The literature review indicates that there has been limited examination of the challenges and prospects for stock market growth in Nepal, making this study potentially the first of its kind in recent times. Previous research has mainly focused on the development of stock markets and their relationship with economic growth, market conditions, and investor behavior. However, the growth and expansion of the capital market are critical for accelerating economic development. At this nascent stage of economic progress, stabilizing the Nepalese stock market could be crucial.

The review underscores the necessity of analyzing the development, issues, and future prospects of the Nepalese stock market. This study evaluates the performance of Nepal's capital market by examining indicators such as market capitalization, traded value, turnover, volatility, and market concentration, alongside economic indicators like GDP, savings, investment, and opinion surveys. Furthermore, previous studies have often neglected issues like pooling, wash sales, and insider trading. This research aims to fill this gap by addressing these current malpractices and predicting future market conditions.

This study addresses the time gap in previous research by incorporating significant recent changes in Nepal’s stock market. It also employs new tools and methodologies, providing a fresh and relevant perspective on how stock market development impacts economic growth in Nepal.

CHAPTER- III

RESEARCH METHODOLOGY

This chapter outlines the overall plans and approach utilized in this research. It includes definitions of key indicators, the scope of the study, the research design, as well as the nature and sources of data. Additionally, it details the tools and techniques employed to achieve the study's objectives.

The research employs a well-structured approach combining both quantitative and qualitative methods, utilizing financial and statistical tools to provide clear and direct insights. The detailed research methods are elaborated in the following sections of this chapter.

3.1 Research Design

This study adopts a descriptive and causal-comparative research design. The descriptive research design is employed to gather and analyze historical and current information about the selected variables, which include market capitalization, traded value, turnover, listed companies, volatility, and market concentration as indicators of stock market development. Economic growth indicators such as GDP, savings, and investment are also examined. The research aims to provide empirical results on stock market growth and the relationship between stock market indicators and economic growth indicators. By analyzing these relationships, the study aims to present a clear picture of current stock market growth issues and future prospects.

To evaluate the status of stock market development, ratio analysis is utilized. Additionally, correlational research is employed to analyze the relationships between stock market development variables and economic growth indicators. This approach helps in understanding the causality between stock market indicators and economic growth indicators. The study covers a 15-year period from the fiscal year 2008/09 to 2022/23, focusing on testing the causality between stock market and economic indicators.

3.2 Population and Sample

According to the SEBON Annual Report for 2022/23, there are a total of 270 listed companies across various sectors on the NEPSE. This study focuses on analyzing the problems and prospects of stock market growth and the relationship between stock market development and economic growth in Nepal. NEPSE is used as the sample for secondary data, covering a 15-year period from the fiscal year 2008/09 to 2022/23. This dataset reflects the overall performance and trends of all listed companies and is utilized to achieve the research objectives.

3.3 Nature and Sources of Data

To achieve the predetermined objectives of the study, secondary sources of data were utilized. The secondary data were obtained from several key sources, including the central office of the Nepal Stock Exchange (NEPSE) in Singha Darbar, the Securities Board Office in Khumaltar, Lalitpur, and the economic surveys published by the Ministry of Finance. The main sources of secondary data included the annual reports of SEBON, NEPSE, and the Nepal Rastra Bank (NRB). Additionally, various bulletins, websites, and academic journals were consulted to gather relevant information.

3.4 Data Collection Procedures and instrument

The secondary data for this study were collected from the following sources:

i. Annual reports of the Nepal Stock Exchange (NEPSE) from the fiscal year 2008/09 to 2022/23.
ii. Annual reports of the Securities Board of Nepal (SEBON) from the fiscal year 2008/09 to 2022/23.
iii. Annual reports from the Ministry of Finance.
iv. Economic reports from Nepal Rastra Bank.
v. Relevant journals and articles.
vi. Previous research studies and dissertations.
vii. Various websites.

3.5 Methods of Analysis

Secondary sources are analyzed and presented in tabulated form using ratio analysis, correlation matrix, and regression analysis. Various financial and statistical tools are employed in this study. Data analysis is conducted based on the patterns of the available data. The relationships between different variables related to the study topic are examined using these tools. The results obtained through financial and statistical analyses are tabulated under various headings and compared to interpret the findings. The statistical tools used for comparative results include:

3.5.1 Ratio Analysis:

This approach has been applied to assess Market Size and Market Liquidity to analyze stock market development. To measure market size, the Market Capitalization Ratio (MCR) is utilized. Market size is positively correlated with the ability to mobilize capital and diversify risk on an economy-wide basis (Mishra et al., 2010), which contributes to the development of the capital market.

$$\mathrm{MCR} = \frac{\text{Market capitalization}}{\text{GDP}}$$

To measure the market liquidity indicator, the Total Value Traded Ratio (TVTR) is used, which is expressed as the total value of shares traded in the stock market as a percentage of GDP. A liquid capital market enables companies to have ongoing access to capital through equity issues and allows investors to easily exit their investments (Mishra et al., 2010), thereby contributing to capital market development (Grais & Vittas, 2005).

$$\mathrm{TVTR} = \frac{\text{total value of share traded}}{\text{GDP}}$$

To assess stock market development, the Turnover Ratio (TOR) is employed. This ratio is determined by dividing the total value of shares traded by the market capitalization over a specified period.

$$\mathrm{TOR} = \frac{\text{total value of share traded}}{\text{total market capitalization}}$$

To assess the concentration in a stock market, the Concentration Ratio (CR) is utilized. This ratio is computed by determining the share of the ten largest stocks relative to the total market value. A stock market is deemed highly concentrated if it is dominated by a few large companies. High concentration is generally undesirable as it can negatively impact liquidity in the stock market.

$$\mathrm{CR} = \frac{\text{Market value of ten largest companies}}{\text{total market capitalization}}$$

3.5.2 Mean ($\bar{x}$)

The mean, often referred to as the average, is a fundamental and widely used statistical tool. It is calculated by summing all observations and then dividing by the total number of observations. In this study, the mean is used to measure the variability of stock prices and can be expressed as:

$$\overline{\mathrm{x}} = \frac{\sum \mathrm{x}}{\mathrm{N}}$$

Where,

$\bar{x}$= Mean *or Average*

$\sum X$ = Sum of variables $X_1+X_2+X_3+ \ldots\ldots X_n$,

N = Number of observations.

3.5.3 Pearson's Correlation Coefficient (r)

Pearson's correlation coefficient is a statistical measure that quantifies the degree of association between two continuous variables. It is widely recognized as one of the most effective methods for assessing the relationship between variables because it is based on covariance. This coefficient provides information on both the magnitude and direction of the relationship between the variables.

$$r = \frac{n(\Sigma xy)-(\Sigma x)(\Sigma y)}{\sqrt{n\Sigma x^2-(\Sigma x)^2][n\Sigma y^2-(\Sigma y)^2]}}$$

Where,

n= number of observation (year)

X= independent variables

Y= dependent variables

3.5.4 Regression analysis

In statistical modeling, regression analysis is a method used to estimate the relationships among variables. It encompasses various techniques for modeling and analyzing multiple variables, particularly focusing on the relationship between a dependent variable and one or more independent variables. Specifically, regression analysis helps to understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while keeping the other independent variables constant. Most commonly, it estimates the conditional expectation of the dependent variable given the independent variables, which is the average value of the dependent variable when the independent variables are fixed. In some cases, the focus might be on other parameters, such as quintiles, of the conditional distribution of the dependent variable. The estimation target is the regression function, a function of the independent variables. Additionally, regression analysis aims to describe the variation of the dependent variable around the regression function, which is often represented by a probability distribution. In this study, indicators of economic growth are treated as dependent variables, while indicators of stock market development are considered independent variables. The primary objective is to identify the relationship between stock market variables and economic growth variables. The specific variables used in the models include:

Gross Domestic Product (GDP), Market Capitalization (MC), Value of Traded Shares (VT), Turnover(TO), Volatility of Stock returns (V).

GDP = Gross Domestic Product (Base year:2014/2015)

MC = Market Capitalization

VT = Value of Traded Shares

TOR = Turnover of Shares

V =volatility of stock return

The estimated equations have been specified as follows;

$GDP = a + b_1 \log MC + b_2 \log VT + b_3 \log TO + b_4 \log V$ …………... (i)

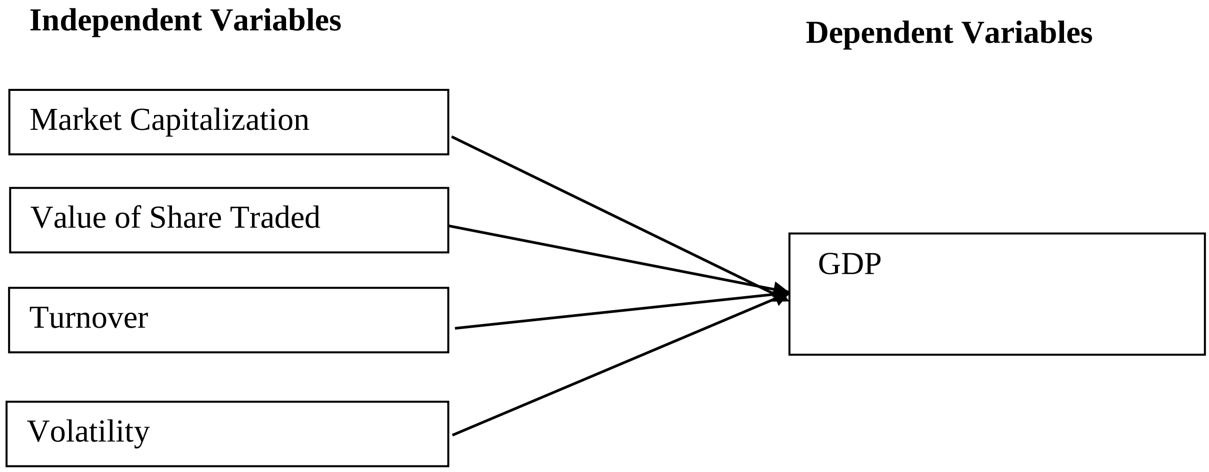
These equations are utilized to evaluate the relationship between various stock market indicators and economic growth indicators.

3.6 Research framework and definition of variables

The section details the variables used in the study of the Nepalese stock market, focusing on its problems, prospects, and economic growth. The conceptual framework identifies Gross Domestic Product (GDP) and the stock market as the dependent variables, while Market Capitalization, Value of Shares Traded, Turnover, and Volatility of Stock Prices are considered as independent variables. The conceptual framework for this study is illustrated in a figure.

Figure 1

Research Framework



(Source: Dhungana,2023)

Market Capitalization:

Market capitalization represents a company's total value, calculated by multiplying the total number of a company's outstanding shares by its current stock price. This includes both publicly traded shares and restricted shares held by company officers and insiders.

Value of Shares Traded:

The value of shares traded refers to the total monetary amount of shares bought and sold over a specific period in the stock market. This metric reflects trading activity and liquidity, providing insights into market trends and investor participation. Higher trading values typically indicate greater market liquidity and investor interest, while lower values may suggest reduced trading activity or caution among investors.

Turnover:

The turnover ratio measures the ease with which shares can be bought or sold in the market. It compares the number of shares traded during a period to the total number of shares available for trading in that same period. A higher turnover ratio indicates higher liquidity, meaning shares are easier to trade, while a lower ratio suggests lower liquidity and greater difficulty in trading shares.

Volatility:

Volatility measures the rate at which a stock's price fluctuates over time. High volatility indicates a stock's price changes rapidly and significantly, which may suggest higher risk. Volatility is typically measured by the standard deviation of a stock's annualized returns over a given period. Stocks with high volatility experience greater price swings, whereas those with low volatility exhibit more stable prices.

Stock Market Growth:

Stock market growth refers to the increase in the overall value or prices of stocks in the market. It reflects the performance and sentiment towards publicly traded companies and is often influenced by economic factors such as rising employment, consumer spending, and corporate earnings. A growing stock market is typically indicative of a healthy and expanding economy.

CHAPTER-IV

RESULTS AND DISCUSSION

This chapter systematically presents and analyzes secondary data. It utilizes various statistical tools and instruments, as described in the previous chapter, for presentation and analytical purposes.

4.1 Data presentation and analysis

In this section, the collected data are systematically arranged, presented, and analyzed to generate information and insights. This part focuses on the presentation and analysis of secondary data related to factors influencing the problems, prospects, and growth of the stock market in Nepal. The analysis distinguishes between two main categories of variables: stock market variables and economic growth variables. Stock market variables include market capitalization (MC), value traded (VT), turnover (TO), and volatility in stock price (V), while economic growth variables are GDP, investment, and gross domestic savings.

The trend of stock market development is examined using various indicators such as market size and liquidity. Key measures analyzed in this study include the number of listed companies, market capitalization, traded value, turnover, volatility, and concentration ratio. This study aims to explore the current status of the Nepalese stock market by analyzing and comparing time series data of these economic and stock market variables over a 15-year period.

4.2 Descriptive Analysis

Table 2 provides a detailed summary of descriptive statistics for both independent and dependent variables used in this study. This table presents essential metrics such as the arithmetic mean, standard deviation, and the minimum and maximum values for each variable. The independent variables under examination include market capitalization (MC), value traded (VT), turnover (TO), and volatility in stock price (V). These variables are assessed for their impact on the stock market, as indicated by GDP, over the period from fiscal years 2008/09 to 2022/23. This statistical summary offers a foundational perspective on the distribution and variability of the data, which is crucial for understanding the relationships and dynamics analyzed in the subsequent sections.

Table 2

Descriptive statistics for dependent and Independent Variable

Variables	Average	SD	Min.	Max.
GDP	2504.69	1365.16	815.66	5380.2
MC	1369841	1161274	322368	4231254
VT	100911.3	118161.1	6665.33	497501
TO	10.74	12.99	2.1	49.63
V	97.16	50.51	31.38	195.24

Where,

GDP = Gross Domestic product

MC = Market capitalization

VT = value traded

TO = Turnover

V = Volatility in stock price

Table 2 provides an overview of descriptive statistics for the variables analyzed in the context of stock market growth, covering the period from 2008/09 to 2022/23. The table includes metrics such as means, standard deviations, minimum, and maximum values for each variable.

Gross Domestic Product (GDP) has an average value of 2504.69 with a substantial standard deviation of 1365.16, indicating significant variability in economic output. The range, from a minimum of 815.66 to a maximum of 5380.2, highlights considerable differences in economic performance across the observations. This variability suggests a diverse economic environment within the dataset, reflecting varying levels of economic development and activity.

Market Capitalization (MC) also displays considerable variability, with an average of 1,369,841 and a standard deviation of 1,161,274. The values range from a minimum of 322,368 to a maximum of 4,231,254, indicating a wide spectrum of market sizes. This broad range suggests the dataset includes both small and large markets, which could significantly impact the overall analysis.

The Volume of Trade (VT) shows an average of 100,911.3 and a high standard deviation of 118,161.1, reflecting substantial fluctuations in trading activity. The range, from a minimum of 6,665.33 to a maximum of 497,501, suggests a diverse range of trading volumes, highlighting varying levels of market activity and investor engagement.

Turnover (TO) has an average value of 10.74 with a standard deviation of 12.99, indicating high variability in turnover rates. The values range from 2.1 to 49.63, suggesting that while some entities have low turnover rates, others experience much higher rates. This variability could be influenced by factors such as company size, industry, and market conditions.

Volatility in Stock Price (V) shows an average of 97.16 with a standard deviation of 50.51, indicating a wide range of stock price fluctuations. The values span from a minimum of 31.38 to a maximum of 195.24, reflecting significant differences in stock price stability across the dataset. High volatility may be indicative of market uncertainty or varying investor sentiment, which could have important implications for market analysis.

4.3 Correlation coefficient

Pearson's correlation coefficient (r) quantifies the degree and direction of a linear relationship between two variables. It ranges from -1, indicating a perfect negative correlation, to 1, signifying a perfect positive correlation, with a value of 0 representing no correlation between the variables.

Table 3

Correlation Analysis

		GDP	MC	VT	Turnover	Volatility
GDP	Pearson Correlation	1				
MC	Pearson Correlation	.915**	1			
VT	Pearson Correlation	.784**	.670**	1		
Turnover	Pearson Correlation	.842**	.884**	0.514	1	
Volatility	Pearson Correlation	-0.029	0.060	0.372	-0.224	1

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

The analysis demonstrates notable relationships among various economic and market indicators as measured by Pearson correlation coefficients. A strong positive correlation of 0.915 between GDP and Market Capitalization indicates that as GDP grows, Market Capitalization also tends to increase significantly. This relationship is statistically significant at the 0.01 level, suggesting a strong link between overall economic output and the market value of listed companies. Similarly, GDP shows a significant positive correlation with the Value of Traded (0.784) and the Turnover Ratio (0.842), both significant at the 0.01 level, indicating that higher GDP is associated with increased trading activity and market liquidity.

Market Capitalization has a moderate positive correlation with the Value of Traded (0.670) and a strong positive correlation with the Turnover Ratio (0.884), both significant at the 0.01 level. This suggests that a larger market capitalization is related to higher trading volumes and better liquidity. However, Market Capitalization has a near-zero correlation with Volatility (0.060), indicating a minimal linear relationship between these variables. There is also a moderate positive correlation between the Value of Traded and the Turnover Ratio (0.514), suggesting that higher trading volumes are somewhat related to higher turnover ratios.

Conversely, Volatility exhibits weak correlations with most variables, including a near-zero correlation with GDP (-0.029) and Market Capitalization (0.060), and a moderate positive correlation with the Value of Traded (0.372). The Turnover Ratio has a slight negative correlation with Volatility (-0.224), indicating a marginal tendency for higher turnover ratios to be associated with lower volatility, though this relationship is not strong.

In summary, the analysis highlights significant positive relationships between GDP, Market Capitalization, Value of Traded, and Turnover Ratio, while Volatility appears to be influenced by factors not directly captured by the other variables in the dataset. The significant correlations at the 0.01 level suggest robust and reliable connections between these economic and market indicators.

4.4 Regression Analysis

Regression analysis is a statistical technique employed to explore the relationship between a dependent variable and one or more independent variables. This method is useful for understanding how variations in independent variables are related to changes in the dependent variable. In this study, regression analysis can be used to predict variables such as Market Capitalization based on other factors like GDP, Value of Traded, Turnover Ratio, and Volatility.

Table 4

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.966[a]	0.933	0.907	431.52632

a. Predictors: (Constant), Volatility, MC, VT, Turnover

The model summary reveals a very high correlation coefficient (R) of 0.966, indicating a strong relationship between the observed and predicted values. The R-squared value of 0.933 means that 93.3% of the variability in the dependent variable can be explained by the independent variables, suggesting an excellent fit of the model. The Adjusted R-squared value of 0.907, which accounts for the number of predictors, confirms that 90.7% of the variability is explained by the model. The standard error of the estimate is 431.52632, representing the average deviation of the observed values from the predicted values, indicating a relatively precise model.

These findings collectively affirm that the independent variables are significant predictors of the dependent variable, providing a solid foundation for understanding the data relationships.

Table 5

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	26092891.885	4	6523222.971	35.031	.000[b]
	Residual	1862149.691	10	186214.969		
	Total	27955041.576	14			

a. Dependent Variable: GDP

b. Predictors: (Constant), Volatility, MC, VT, Turnover

The ANOVA table evaluates the performance of the regression model in explaining variations in GDP based on four predictors: Volatility, Market Capitalization (MC), Value Traded (VT), and Turnover. The analysis shows that the Regression Sum of Squares is 26,092,891.885, which represents the portion of the GDP variance explained by these predictors. The Residual Sum of Squares is 1,862,149.691, indicating the variance in GDP not explained by the model. The total variance in GDP amounts to 27,955,041.576. The degrees of freedom for the regression are 4, corresponding to the number of predictors, while the residual degrees of freedom are 10. The Regression Mean Square is calculated at 6,523,222.971, and the Residual Mean Square is 186,214.969. The

F-statistic of 35.031, derived from the ratio of these mean squares, suggests that the predictors have a significant impact on GDP. The p-value associated with the F-statistic is .000, confirming that the regression model is statistically significant and that the predictors significantly influence GDP.

Table 6

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1482.058	303.908		4.877	0.001
	MC	0.001	0.000	0.604	2.704	0.022
	VT	0.005	0.001	0.451	3.659	0.004
	Turnover	2.000	17.159	0.025	0.117	0.910
	Volatility	-6.138	2.998	-0.227	-2.047	0.068

a. Dependent Variable: GDP

The coefficients table provides an in-depth analysis of the influence each predictor has on GDP within the regression model. The constant term, which represents the expected GDP value when all predictors are set to zero, is 1,482.058. This constant has a standard error of 303.908 and is statistically significant, with a t-statistic of 4.877 and a p-value of 0.001, suggesting that the constant is significantly different from zero and plays a meaningful role in the model.

For the predictors, Market Capitalization (MC) has a coefficient of 0.001, indicating that each unit increase in MC corresponds to an expected increase of 0.001 units in GDP. With a standard error of 0.000, a standardized coefficient (Beta) of 0.604, a t-statistic of 2.704, and a p-value of 0.022, MC demonstrates a significant positive effect on GDP, with a relatively strong standardized impact.

Volatility (VT) has a coefficient of 0.005, suggesting that an increase in VT is associated with an increase in GDP by 0.005 units. This predictor has a standard error of 0.001, a

Beta of 0.451, a t-statistic of 3.659, and a p-value of 0.004, indicating a statistically significant positive effect on GDP, underscoring its importance in the model.

Conversely, Turnover has a coefficient of 2.000, but with a high standard error of 17.159. Its standardized coefficient is 0.025, the t-statistic is 0.117, and the p-value is 0.910, suggesting that Turnover does not significantly affect GDP, and its impact is not significantly different from zero.

Volatility, with a coefficient of -6.138 and a standard error of 2.998, shows a negative relationship with GDP. The standardized coefficient for Volatility is -0.227, the t-statistic is -2.047, and the p-value is 0.068. Although this p-value does not reach the conventional 0.05 significance level, it is relatively close, indicating a potential marginally significant negative effect of Volatility on GDP.

In conclusion, the analysis indicates that MC and VT are significant predictors of GDP, both showing a positive impact. Turnover does not exhibit a significant effect, while Volatility, though indicating a negative impact, is not statistically significant at the conventional level but may be marginally relevant.

4.5 Discussion

The analysis of the relationship between GDP and various stock market indicators reveals several key findings. GDP exhibits a strong positive correlation with Market Capitalization, Value Traded, and Turnover, suggesting that higher GDP levels are associated with increases in these indicators. Conversely, GDP shows a very weak negative correlation with Volatility, indicating a minimal relationship.

Regression analysis further illustrates that Market Capitalization and Value Traded significantly impact GDP, both demonstrating substantial positive effects. However, Turnover does not significantly affect GDP, as indicated by its non-significant p-value and minimal effect size. Volatility shows a marginally significant negative impact on GDP. Overall, Market Capitalization and Value Traded are identified as significant predictors of GDP, while Turnover and Volatility are not. These results highlight the complex interplay between stock market indicators and economic performance.

The stock market in Nepal faces various challenges and opportunities. Key issues include insufficient investor knowledge, investment risks, a lack of diversity in stock exchanges, restrictions on foreign investors, and low investor confidence. Respondents in the study noted that declining investor confidence, driven by changing political environments, is a significant problem, a view not entirely supported by Bhattrai (2016), who identified the unviability of the central securities depository (CDS) as a major issue. At the time, there was no official CDS unit in Nepal. Similarly, Pant (2020) pointed to insufficient regulations as a primary problem. However, this study finds political stability as a major prospect for growth, aligning with Bhattrai (2016), but differing from Mishra (2011), who highlighted the increasing number of listed companies and turnover as key prospects. Additionally, this study identifies pooling as a major malpractice that needs regulation to ensure smooth market operations.

Regarding stock market development trends, the average Market Capitalization Ratio (MCR) suggests a relatively large market size, though it is lower compared to developed countries, which typically have MCRs around 100%. This undervaluation of the Nepalese stock market is inconsistent with Regmi (2022). The average Value Traded to GDP ratio, which measures market liquidity, is higher than in some studies, such as Regmi (2022) and P.K. Mainali, due to differing study periods but still lower compared to developed markets. The average Turnover Ratio aligns more closely with P.K. Mainali (2011) but is higher than Regmi (2022), reflecting a mixed comparison with previous research. The Concentration Ratio of the top 10 companies is lower than in P.K. Mainali (2011), indicating less market concentration, which contrasts with earlier studies due to different periods of analysis.

Finally, the study assesses the role of the stock market in Nepal's economic growth based on secondary data. It finds a positive correlation between Market Capitalization (MC) and GDP, significant at both 1% and 5% levels, supporting the null hypothesis. This finding aligns with Levine and Zervos (1996) and Adamopoulos (2010), who also found positive correlations between stock markets and economic growth. The regression analysis confirms a positive relationship between GDP and MC, consistent with Levine and Zervos (1998), and a positive causal relationship between GDP and Value Traded, supported by Demirgüç-Kunt and Levine (1995).

CHAPTER-V

SUMMARY AND CONCLUSION

5.1 Summary

The study aimed to investigate the relationship between stock market development indicators and economic growth in Nepal over fifteen fiscal years, from 2008/09 to 2022/23. Utilizing data from annual reports of NEPSE, SEBON, the Ministry of Finance, and Nepal Rastra Bank, the research employed both descriptive and causal comparison methods. Data were analyzed using SPSS and MS Excel, with a focus on GDP, Market Capitalization (MC), Volume of Trade (VT), Turnover (TO), and Volatility (V). The key objective was to identify significant relationships and impacts between these variables to understand how stock market development influences economic growth.

The findings revealed significant variability in economic and market indicators, with GDP showing substantial variation across observations, reflected in its high standard deviation. Pearson correlation analysis demonstrated strong positive correlations between GDP and major stock market indicators such as Market Capitalization (0.915), Volume of Trade (0.784), and Turnover Ratio (0.842), all significant at the 0.01 level. Market Capitalization also correlated positively with trading volumes and liquidity, while Volatility showed weak correlations with most variables, suggesting its influence by different factors not captured in the dataset.

The regression analysis supported these findings, with an exceptionally high correlation coefficient (R) of 0.966 and an R-squared value of 0.933, indicating that 93.3% of the variability in GDP is explained by the independent variables. Market Capitalization and Volume of Trade emerged as significant predictors of GDP, both positively impacting economic growth. Turnover did not show a significant effect, while Volatility had a marginally negative but not statistically significant impact on GDP. Overall, the study highlights the crucial role of stock market development in promoting economic growth in Nepal, demonstrating strong and reliable connections between economic output and market indicators.

In conclusion, the study highlights the significant impact of stock market development on economic growth in Nepal. With strong positive correlations between GDP and key indicators such as Market Capitalization, Volume of Trade, and Turnover Ratio, it is evident that a thriving stock market contributes to economic expansion. The regression analysis reinforces these findings, showing that Market Capitalization and Volume of Trade are crucial predictors of GDP growth. Although Turnover did not show a significant effect and Volatility had a minor negative impact, the overall evidence underscores the vital role of stock market development in supporting Nepal's economic progress. This research provides valuable insights for policymakers and stakeholders aiming to enhance economic growth through targeted improvements in the stock market.

5.2 Conclusion

This study examines the relationship between stock market indicators and GDP in Nepal from 2008/09 to 2022/23. Using data from NEPSE, SEBON, the Ministry of Finance, Nepal Rastra Bank, and academic sources, the analysis highlights that Market Capitalization (MC) and Value of Traded Shares (VT) significantly boost GDP. Volatility (V) has mixed effects, while Turnover (TOR) does not significantly impact GDP. These findings emphasize the importance of market capitalization and trading activities in driving economic growth.

Market Capitalization demonstrates a significant and positive effect on GDP. The regression analysis indicates that as MC increases, GDP tends to rise significantly. This relationship underscores the importance of market capitalization as a key indicator of economic performance, highlighting that larger market capitalizations are closely associated with higher GDP levels.

Volatility shows a significant positive impact on GDP in the regression analysis, although this result is somewhat unconventional given the typical expectation of a negative relationship. Additionally, a separate analysis reveals a marginally significant negative effect, suggesting potential adverse impacts. These mixed findings indicate that Volatility's role is complex and influenced by other factors, but it still plays a significant part in the model.

Turnover does not significantly impact GDP, as indicated by its high standard error and lack of statistical significance in the regression analysis. This finding suggests that, while Turnover may be related to economic activity, it does not independently drive GDP growth. Turnover's non-significant effect implies that other factors might be more critical in influencing GDP within this model.

Value of Traded significantly impacts GDP, as shown in the regression analysis. This positive relationship highlights the importance of trading activities and market liquidity as crucial factors contributing to economic growth. Higher trading volumes are associated with increased GDP, emphasizing the role of active market participation in driving economic performance.

In summary, Market Capitalization and Value of Traded are significant predictors of GDP, with both having a robust positive effect. Turnover, despite its relevance to economic activity, does not significantly influence GDP in the regression model. Volatility's role is complex, showing both positive and marginally negative effects. The analysis effectively captures the relationships between these variables and GDP, highlighting the critical role of market capitalization and trading activities in driving economic performance.

5.3 Implications

The findings of this study hold significant policy implications for policymakers, investors, and stakeholders in Nepal's financial and economic sectors. Given the focus on Market Capitalization (MC), Value of Traded Shares (VT), Turnover (TOR), and Volatility (V), the study provides a foundational understanding of their impact on Gross Domestic Product (GDP). These insights could guide future research and policy development, particularly in enhancing economic growth through stock market mechanisms.

For policymakers, the significant positive impact of Market Capitalization on GDP suggests the need to develop strategies that promote the growth and development of the stock market. This could involve improving market infrastructure, ensuring regulatory stability, and enhancing investor confidence. Additionally, the positive influence of Value of Traded Shares on GDP underscores the importance of fostering trading activities and market liquidity. Policymakers should consider measures to reduce transaction costs, increase market accessibility, and create a more transparent trading environment to boost trading volumes.

Investors can leverage these findings to make informed decisions. Understanding that Market Capitalization and Value of Traded Shares are significant predictors of GDP can guide investment strategies that focus on companies with high market value and active trading. This insight can help investors identify potential growth opportunities and make more strategic investment choices. For academics and future researchers, this study provides a basis for expanding the scope of research beyond the current sample. Future studies could explore a broader range of financial indicators and institutions, including cooperatives and other financial entities. Incorporating additional variables such as geographic location, growth stages, macroeconomic factors, liquidity, and product delivery strategies can provide a more comprehensive understanding of the factors influencing economic growth and market stability.

The mixed effects of Volatility on GDP challenge theoretical expectations and suggest a nuanced relationship. This finding implies that while some market fluctuation is inevitable, extreme volatility could hinder economic stability. Policymakers and regulators should aim to balance market dynamism with stability by implementing measures that mitigate excessive market fluctuations and protect investor interests.

Overall, this study contributes to the growing body of knowledge on the relationship between stock market indicators and economic growth in Nepal. By addressing the identified variables and incorporating broader research perspectives, future studies can further advance our understanding of economic performance and support the development of more robust financial systems in Nepal. These insights can help guide more effective policies and investment strategies, ultimately contributing to sustainable economic growth.

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Appendix

Fiscal year	Nominal GDP (in billion)	Market capitalization	Value of traded	Turnover ratio	Volatility
2008/09	815.658	366248	22820	6.23	104.5
2009/10	988.272	512939	21681.1	4.23	148.13
2010/11	1192.77	376871	11851.1	3.15	81.88
2011/12	1366.95	323484	6665.33	2.1	37.69
2012/13	1527.34	368260	10272.8	2.8	48.24
2013/14	1695.01	514490	22048.8	4.3	31.38
2014/15	1964.54	1057160	77298.5	7.31	144.21
2015/16	2130.15	989400	65331.5	6.6	79.48
2016/17	2253.16	1890130	163958	8.67	195.24
2017/18	2674.49	1856830	132340	7.1	156.02
2018/19	3044.93	2234112	121300	8.45	139.04
2019/20	3658.79	2567500	110070	7	54.93
2020/21	4067.04	4231254	130321	7.4	51.03
2021/22	4810.96	2936571	120210	49.63	49.2
2022/23	5380.2	322368	497501	36.08	136.48

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