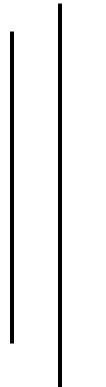


**SENSITIVITY OF NEPALESE INVESTORS WITH
REGARDS TO INITIAL PUBLIC OFFERINGS OF
COMMERCIAL BANKS**

Submitted By:
NARAYAN PRASAD GHIMIRE
Shanker Dev Campus
T.U. Registration No. 6-1-50-461-96
Campus Roll No. 1501/061

A Thesis Submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University



*In partial fulfillment of the requirements for the Degree of
Masters of Business Studies (M.B.S.)*

Kathmandu, Nepal
January, 2010

RECOMMENDATION

This is to certify that the thesis

Submitted by
NARAYAN PRASAD GHIMIRE

Entitled:

**SENSITIVITY OF NEPALESE INVESTORS WITH REGARDS TO
INITIAL PUBLIC OFFERINGS OF COMMERCIAL BANKS**

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

.....
Shree Bhadra Neupane
(Supervisor)

.....
Prof. Bisheshwar Man Shrestha
(Head, Research Department)

.....
Prof. Dr. Kamal Deep Dhakal
(Campus Chief)

.....
Dhurba Subedi
(Supervisor)

VIVA-VOCE SHEET

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

by

NARAYAN PRADAD GHIMIRE

Entitled:

**SENSITIVITY OF NEPALESE INVESTORS WITH REGARDS TO
INITIAL PUBLIC OFFERINGS OF COMMERCIAL BANKS**

*And found the thesis to be the original work of the student and written
according to the prescribed format. We recommend the thesis to
be accepted as partial fulfillment of the requirement for*

Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (Thesis Supervisor)

Member (External Export)

DECLARATION

I here by declare that the work reported in this thesis entitled “**SENSITIVITY OF NEPALESE INVESTORS WITH REGARDS TO INITIAL PUBLIC OFFERINGS OF COMMERCIAL BANKS**” submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of ShreeBhadra Neupane and Dhurba Subedi of Shanker Dev Campus.

.....
NARAYAN PRASAD GHIMIRE
Researcher
T.U. Registration No. 6-1-50-461-96
Campus Roll No. 1501/061

Date:.....

TABLE OF CONTENT

<i>Recommendation</i>	
<i>Viva-Voce Sheet</i>	
<i>Declaration</i>	
<i>Acknowledgement</i>	
<i>Table of Contents</i>	
<i>List of Table</i>	
<i>List of Figure</i>	
<i>Abbreviation</i>	

CHAPTER I INTRODUCTION

1.1	Background of the Study.....	1
1.2	Importance of Initial Public Offerings	5
1.3	Focus of the Study.....	6
1.4	Statement of the Problem	6
1.5	Objectives of the Study	7
1.6	Significance of the Study	8
1.7	Limitations of the Study.....	8
1.8	Organization of the Study	9

CHAPTER II LITERATURE REVIEW

2.1	Conceptual Review	12
2.1.1	Investment.....	12
2.1.2	Securities & Stock.....	13
2.1.3	Financial Market	17
2.1.4	Security Market & Stock Market	18
2.1.5	Initial Public Offering	19

2.1.6 Securities Exchange	20
2.1.7 Financial Institutions.....	21
2.1.8 Financial Returns: Cash Divident, Stock Divident, Right Shares Voting Rights and Capital Gains.....	22
2.1.9 Issue Manager and Underwriting of Shares.....	25
2.1.10 Share Application and Application Amount.....	27
2.1.11 Financial Analysys and Financial Reports.....	28
2.1.12 Sources of Financing for Share Purchase – Cash and Loan Purchase	30
2.1.13 Oversubscription, Undersubscription and Allocation of Shares	.31
2.1.14 Listing of Securities	32
2.1.15 Stock Market in Nepal and Stock Exchange(NEPSE)	33
2.1.16 Functions of Commercial Banks	35
2.1.17 Commercial Banks in Nepal	36
2.1.18 Brief Introduction of Major Commercial Banks Originating in Nepal	37
2.1.19 Financial Performance Indicators of Commercial Banks	40
2.2 Security Acts and NRB Directives.....	45
2.3 Review of Journals and Articles	51
2.4 Review of Thesis.....	52

CHAPTER III RESEARCH METHODOLOGY

3.1 Research Design.....	57
3.2 Population and Sample.....	57
3.3 Sample Frame.....	58
3.4 Sampling Unit	58
3.5 Sample size.....	58
3.6 Sources of Data	58

3.7 Types of Data	59
3.8 The Data Gathering Procedure.....	59
3.9 The Tools for Analysis.....	59
3.10 The Data Processing Procedure	59

CHAPTER IV DATA PRESENTATION AND ANALYSIS

4.1 Primary Data, its Scope and Analysis with Tables and Graphs.....	60
4.2 Data Analysis and Presentation through Secondary Data	105

CHAPTER V SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY	122
5.2 CONCLUSION.....	123
5.3 RECOMMENDATION	126

BIBLIOGRAPHY

APPENDICES

ACKNOWLEDGEMENT

First of all, I would like to contribute my gratitude to my thesis guide **Shree Bhadra Neupane** and **Dhurba Subedi, Shanker Dev Campus** who guided me during my entire thesis session through her valuable suggestions. Besides this, I also would like to pay my warm thanks to **“Prof. Bisheshwar Man Shrestha”, Head of Research Department, Shanker Dev Campus** for allowing me in preparing a thesis in the selected topic to explore something new in the concerning area.

Further, I am also thankful to all the people who helped me in providing the primary data by filling up the questionnaires in spite of having such busy schedules. I am also indebted to all the staffs from Security Exchange Board in providing the valuable data for the part of data analysis section.

In addition to this, I also would like to give my thanks to the all the staffs from the **“Computer Printing and Photocopy Centre, Library, Shanker Dev Campus”** in accomplishing all the required printing and other related tasks and helped in completing the entire thesis. I am also equally thankful to the staffs from the library of Shanker Dev Campus.

Narayan Prasad Ghimire

Thesis Researcher

Roll No. : 1501/ 061

January, 2010

LIST OF TABLES

Table Title	Page No.
Table 4.1 Institutional Vs Individual Investors	61
Table 4.2 Investors applying vs. not applying in to IPO	63
Table 4.3 Frequency in Investment	64
Table 4.4 Study of Financial Statements	66
Table 4.5 Factors Consideration for Investment Analysis	67
Table 4.6 Dependency on Sources to Get Information	69
Table 4.7 Source for Access to Information	70
Table 4.8 Gathering of Information on Investment Procedure	72
Table 4.9 Factors Associated with Information	73
Table 4.10 Preference of Markets for Investment	75
Table 4.11 Preference on Companies for Investment	76
Table 4.12 Factors that Motivate for Investment	78
Table 4.13 Sources for Funds	80
Table 4.14 Allocation of Shares vs. Application for Shares.	82

Table 4.15	Level of Allocation of Shares	83
Table 4.16	Strategies Carried after Post Allocation of Shares	85
Table 4.17	Return on Investment in IPO Market	87
Table 4.18	Participation in AGM of a Company	89
Table 4.19	Frequency of Participation in AGM	91
Table 4.20	Reasons for Participation into AGM	92
Table 4.21	Factors Experienced by the Investors	94
Table 4.22	Ranking of Share Allotment Methods	97
Table 4.23	Ranking of Loan Facility	98
Table 4.24	Ranking of Service of Issue Managers	100
Table 4.25	Fairness in Share Allotment	101
Table 4.26	Volume of Sectors Issuing Shares in IPO Markets	105
Table 4.27	Top 5 Commercial Banks Amount Traded in FY 2063/64	107
Table 4.28	Top 5 Commercial Banks Amount Traded in FY 2064/65	109
Table 4.29	Top 5 Commercial Banks Amount Traded in FY 2065/66	111
Table 4.30	Closing price of fiscal year 2063/64	113
Table 4.31	Closing price of fiscal year 2064/65	115
Table 4.32	Closing price of fiscal year 2065/66	117

LIST OF FIGURES

Figure Title	Page No.
Figure 4.5 Institutional Vs Individual Investors	62
Figure 4.6 Investors applying vs. not applying in to IPO	63
Figure 4.7 Frequency in Investment	65
Figure 4.4 Study of Financial Statements	66
Figure 4.5 Factors Consideration for Investment Analysis	68
Figure 4.6 Dependency on Sources to Get Information	69
Figure 4.7 Source for Access to Information	71
Figure 4.8 Gathering of Information on Investment Procedure	72
Figure 4.9 Factors Associated with Information	74
Figure 4.10 Preference of Markets for Investment	75
Figure 8.11 Preference on Companies for Investment	77
Figure 4.12 Factors that Motivate for Investment	79
Figure 4.13 Sources for Funds	81
Figure 4.14 Allocation of Shares vs. Application for Shares.	82

Figure 4.15	Level of Allocation of Shares	84
Figure 4.16	Strategies Carried after Post Allocation of Shares	86
Figure 4.17	Returns on Investment in IPO Market	88
Figure 4.18	Participation in AGM of a Company	90
Figure 4.19	Frequency of Participation in AGM	91
Figure 4.20	Reasons for Participation into AGM	93
Figure 4.21	Factors Experienced by the Investors	95
Figure 4.22	Ranking of Share Allotment Methods	97
Figure 4.23	Ranking of Loan Facility	99
Figure 4.24	Ranking of Service of Issue Managers	100
Figure 4.25	Fairness in Share Allotment	102
Figure 4.26	Volume of Sectors Issuing Shares in IPO Markets	106
Figure 4.27	Top 5 Commercial Banks Amount Traded in FY 2063/64	108
Figure 4.28	Top 5 Commercial Banks Amount Traded in FY 2064/65	110
Figure 4.29	Top 5 Commercial Banks Amount Traded in FY 2065/66	112
Figure 4.30	Closing price of fiscal year 2063/64	114
Figure 4.31	Closing price of fiscal year 2064/65	115
Figure 4.32	Closing price of fiscal year 2065/66	117

ABBREVIATIONS

A.D.	Anno Domini
AGM	Annual General Meeting
BJM	Biratnagar Jute Mill
BOK	Bank of Kathmandu
B.S.	Bikram Sambat
COF	Cost of Fund
DPS	Dividend Per Share
EBL	Everest Bank Ltd
EPS	Earning Per Share
IPO	Initial Public Offering
MPS	Market Price Per Share
MOF	Ministry of Finance
MVPS	Market Value Per Share
NASDAQ	National Association of Securities Dealers Automated Quotation
NEPSE	Nepal Stock Exchange
NBL	Nepal Bank Ltd
NIDC	Nepal Industrial Development Corporation
NIB	Nepal Investment Bank
NRB	Nepal Rastra Bank
OTC	Over the Counter
P/E	Price Earnings Ratio
RBB	Rastriya Banijya Bank
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
SDMS	Security Data Management System
SEBON	Security Board of Nepal

CHAPTER – I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

These days we can see a mass being driven towards share market to get a remarkable rate of return. Those who seemed to be unknown and uninterested at the initial period now seemed to be running after putting the chunk of their money in the shares of various companies. This is what we can refer to as “share attracting people in the world of investment”. A lots of news get published in the news papers citing the ups and downs of share prices on regular basis; share market reaching the boom level; share market falling towards downfall level and so on. Whatever the activities that are taking places around the Nepalese market, majority of people seemed to show their interest greatly on shares of “Commercial Banks” in the Nepalese Context. The recent cases of over-subscription with regards to the IPO of some of the commercial banks viz. “Sunrise Bank Ltd.”, “Prime Commercial Bank. Ltd.”, etc. are some of the examples that clearly depict the high level of interest and appetite of the Nepalese investors towards the “shares of commercial banks”.

Let us now dig into finding what Investment and other concerning aspects surrounded towards it at first. Investment refers to the act of putting some funds today with the expectation of getting some value in future. In other words, it is forgoing money today to get return tomorrow. Thus, Investment always involves some risk because by expecting to get something in future period, we are betting something for future return and this is a clear fact that future is always uncertain. It is a mechanism by which people with excessive funds or called "net savers" put in

their excess funds into some properties and wait for getting return in future dates. In turn, they help those who are in need of money and put them in productive sectors in order to create production for the economy. These two lines clearly demonstrate that investment is an opportunity and a tool for the sound health of an economy. Therefore, it pools in funds from savers and put it into use for those people who will benefit from it.

Investment means simply using resources that are available for the purpose of future consumption than current consumption. Many scholars have defined investment in numerous ways. "Investment means, in its broadest sense, the sacrifice of current dollars for future dollars." (*Sharpe; 2003:1*). Similarly, "Investment is the current commitment of the savings that compensates for the time, the expected rate of inflation and the uncertainty involved. To state in other words, an investment is any vehicle into which funds can be placed with the expectation that they will generate positive return and/ or their value will be preserved or increased". (Thapa 2006: 2). Some investments may produce more values than invested values, some may produce only equal values to invested values, and some may produce even less values than the invested values. Investment can be transacted by putting funds into various kinds of assets. One category is real assets and another is financial assets. The real assets refer to the assets that are tangible in nature and the financial assets are the one having no physical existence. They are merely represented by paper document in terms of certificates, etc. Similarly, the market corresponding to the tangible assets are called physical markets e.g. markets for televisions, automobiles, computer, etc. and the market that lays down the field for the transaction of the intangible assets that is securities such as bonds, stocks, etc. are referred to as security market.

The complex scenario of today's business world will be in jeopardy if there is no system of a market for proper utilization of funds, which can be referred to as

financial market. The more developed the financial market is, greater would be the chances for an economy to grow and achieve economic development. Thus, this calls for an efficient and developed financial market in an economy. Recalling from the beginning portion of the study, there are two classes of people in an economy, one, who is of net savers referred to as “lender” seeking to invest in any of profitable alternatives and the second, who is the user of the funds also referred to as “borrowers” for supporting the various prospective projects with positive returns financially. However, unless and until there is a proper mechanism or system that helps bring these two groups together, their objectives would remain unfulfilled. In such scenario, there also comes the existence of financial intermediaries. As mentioned earlier, efficient financial markets are essential to ensure adequate capital formation and economic growth in an economy, the role of financial intermediaries is indispensable that help to flow the savings from saver to users of funds. “Financial intermediaries include institutions such as commercial banks, life insurance companies, and pension and profit-sharing funds. These intermediaries come between ultimate borrowers and lenders by transforming direct claims into indirect ones. They purchase primary securities and, in turn, issue their own securities.” (*Van Horne; 2004: 530*).

With the advent and rapid development of financial market in today’s economy, however, this has truly become possible to a great extent. Though this has not become absolutely achievable in some of the underdeveloped country’s economy such as Nepalese economy, there is a greater prospective that there would be much more development in the financial market in the coming days even in underdeveloped countries like Nepal and help such groups fulfill their objectives with the prudent utilization of the funds. Ultimately, rational use of the funds will help fuel the economy of the country through the investment into various sectors by creating more employment, income and activating as many units of the economy as possible.

When we talk about the various sources of funds to be raised, we can find various types of sources available in terms of transactions in the financial markets. One is a fresh offering to ask for the funds to put into securities through public offering i.e. mass issue also referred to as “primary-market transaction” and the second is, second-hand offer i.e. secondary transactions also referred to as “secondary-market transaction”. In the recent days, it has been witnessed that the practice of both such transactions has been getting popular even in the under-developed financial markets such in Nepalese financial market. The huge attractions and subscription for the purchase of common shares of commercial and development banks in the recent days in Nepalese financial market is the best example of this scenario. However, that the great flow of such investors for such offer poses a lots of questions as doubts and call for inquiring about such mechanisms and the behavior shown by them for such issue for the betterment of the financial market and the welfare of such investors in the coming days ultimately.

To sum up, the increasing number of investors in financial industry (i.e. banks) and their attraction towards initial public offerings is obviously a sign of relief for the economy as there would be more funds available required for various projects gearing the economy towards healthy direction. However, the mounting trends without proper objectives and required level of analysis, in such offers also make it necessary to research whether the investors are standing in a right path and benefiting themselves. Even if they are in real benefits, can this be taken as a toll that will help them to maximize their wealth and also make the economy expand and develop in the long-run, is another point to mark for further analysis.

Different scholars have defined the term bank in different way with the same central theme. “A bank is an organization, the major function of which is to deal in money and credit. Bank’s main business is to pool the scattered ideal deposits in

the public and mobilize it into various productive uses.” (Shrestha; 2006: 1). Thus a bank is an institution whose whole debits are widely accepted in settlement of the other people’s debts. A bank is an organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to others for expenditure.

As the commercial banks that exist in Nepal are the public companies, they issue public and promoter shares as per the rules and regulations stated by central bank of Nepal, In today’s context, especially in Nepalese perspective, people are ready to invest for the Shares issued by banks as Initial Public Offering (IPO) and in the secondary markets as well. Without having knowledge on share market in depth, most of the people are investing hoping that there would be a materialistic return on their investment in future.

1.2 IMPORTANCE OF THE STUDY

As discussed above, investing into share markets has been a greatly a highly influential phenomena these days. Even in Nepalese share markets, this has been an increasing trend and this can be clearly seen among the crowds of Nepalese Investors. However, among the number of available shares, the shares of commercial banks have been the most attractive choice for almost all the investors from old to fresh ones. Hence, the study seeks to find out how much aware the Nepalese investors tend to be during the time of investment and what kind of behaviors they show during both the pre and post issuance of shares and the secondary markets pertaining to commercial banks in Nepal.

The study thus, has been laid on the foundations to explore the ways whether Nepalese investors tend to explore ways to make prudent investment and behave like rational investors. There have been made a number of studies on the similar

aspect in the past, a number of researches have been done in the similar fields. However, the study has been initiated to explore into the same in a much deeper way and to reach and bring out as much facts as possible. By this, a number of those from various backgrounds viz. academic, research, professional, service organizations, etc. can be benefitted in adding something new in their ongoing study and works.

1.3. FOCUS OF THE STUDY

The main theme of the entire study lays on the explanation of sensitivity of the Nepalese investors in market share price of commercial banks in Nepal. In today's context the trend of the investors has been growing to put the funds into stocks of financial companies and on top of that, shares of commercial banks have been the prime sector of investor among all the available sectors. This clearly shows how the shares of commercial banks are treated as the best alternatives of the investment sources. The concerning aspects are great in numbers from the research perspective viz. primary market investment, Sensitivity of Nepalese investors towards secondary market investment, towards stock of development banks, stocks of commercial banks, towards stocks of financial companies, etc. Thus, there are a number of factors that exist in the related aspects. However, this study only focuses on the aspect regarding the Nepalese investor's sensitivity towards stocks of commercial banks.

1.4. STATEMENT OF THE PROBLEM

Many investors put their funds into the stocks without any proper assessment and minimum required level of study. It is found that there is hardly any trend to analyze how the market is functioning, and whether it is worth investing into shares.

Thus, it is a prevailing scenario in the Nepalese context, the investors are found to depend upon “crowd and rumor-follower” approach for the investment of bank’s share. Moreover, another surprising factor is that the intention behind such investment is to get higher percentage of return on their initial investment as soon as possible especially as after the shares are listed into the Stock exchange. For the prevailing trend followed by them is to apply, get allocated certain number of shares and sell it as soon as the shares are get listed or the prices of the shares riches certain level and ensures them higher return. This has presented a serious scenario of an imperfect market and the prospective losses on the wealth and unhealthy practices of the investors.

To sum up, the above mentioned problems can be summarized through the series of points as follows:

1. How much the Nepalese investors are aware of the stock market, commercial banks performance and the share price fluctuations?
2. Do they really adopt any tools and techniques to find necessary information and advices for the analysis purposes?
3. How often do they invest into the shares of commercial banks?
4. Do they ever participate into annual general meetings after holding shares of an issuing company?

1.5 OBJECTIVES OF THE STUDY

Since this study has been conducted to present a picture about how much the Nepalese investors are aware towards the share market and what kind of practices they follow to make investment into shares of commercial banks and how

sensitive they are about the information required for making investment into shares, the main objective is about finding the sensitivity towards the investment into the shares of commercial banks. The major objectives of the study are as follows:

1. To find out the sensitivity of the investors towards the analysis banks and the market before investing the fund.
2. To assess the behavior of the investors of shares in commercial banks of Nepal.
3. To find their strategies after post-investment and about AGM participation.
4. To find out the trend of IPO issuances of Commercial banks.

1.6. SIGNIFICANCE OF THE STUDY

No doubt, a research study and its findings always benefit all the concerning parties by delivering proper information and conclusions. Moreover, due to the analysis based on data collected an array of findings would be produced along with recommendations that the author or the researcher find. This makes a strong basis for the usefulness of any particular thesis about the aspects such as what is there at present, how it is putting impact, and what should be there to bring improvement at the present level of the aspect on which the study is focused. Hence, this thesis will be believed to a significant study for all the interested parties such as investors, analysts, researchers, students, and other people involved in stock market of commercial banks in Nepal.

1.7. LIMITATIONS OF THE STUDY

Every single attempt will be placed in order to make this thesis as effective as possible. Various ways will be adopted in the process of reaching towards

meaningful conclusions and the solutions on the problems set above. Nevertheless, there would be a number of factors that would stand as a line of border better known as limitations in the concerning process. The major ones are:

1. The main source of data for the study has been based on Primary Data.
2. The focus of IPO analysis has been made on “common shares i.e. ordinary shares” only as only the issuance of IPO is popular in Nepalese context.
3. The secondary data that are required in the data analysis and presentation of the study have been collected on the basis of only top 5 commercial banks on the basis of closing price and amount traded.
4. As the data has been taken for the data presentation and analysis, the result could not be as conclusive as required.
5. The number of interviewee was 80 and the research is based on the response of the 80 interviewees i.e. confined to few people.
6. Since the primary data would be based mostly on the response of the resource personal i.e. direct interview, the validity of the findings may subject to biasness.

1.8. ORGANIZATION OF THE STUDY

In order to make the study more effective and interesting, the entire study will be structured on various chapter-wise basis. And the numbers of chapters that have been considered on this aspect are as follows:

Chapter I: INTRODUCTION

This is the first chapter that will be written to give an idea what this thesis study is about and how the topic came into existence for the study including its scope,

limitations and importance, etc. Simply it encompasses various topics such as general background, statement of the problem, objective of the study, theoretical framework, significance of the study, and limitations of the study.

Chapter II: REVIEW OF LITERATURE

This is the next succeeding chapter that will deal with two aspects: one, about the theoretical framework and the next, about any other study done in the past that shows interrelationship has also been reviewed and the common points have been drawn. Thus, it firstly presents overview on meaning, significance of market index and the types and computation technique of various market indexes as well. Then it goes step ahead highlighting about important findings from the previous related study materials.

Chapter III: RESEARCH METHODOLOGY

The Research Methodology chapter will aim at providing idea on the topics such as research design, population and sample, data collection procedure, data analysis procedure, various tools used in the study. It focuses on how the mentioned problem in the above section would be analyzed with proper research and analytical tools e.g. use of charts, tables, etc.

Chapter IV: PRESENTATION AND ANALYSIS OF DATA

This is one of the most crucial chapters of the entire study that will focus on analysis and interpretation of the results to be obtained through the presentation of data collected by various means. The researcher goes through the analytical steps by presenting the data as accurately as possible with the aim of giving a vivid

picture to the readers. For this, he has used simple to understand techniques to present data into readable format to make the analytical part as easy as possible.

Chapter V: SUMMARY, CONCLUSION AND RECOMMENDATION

This is the last chapter of the thesis study that will include major findings and conclusions and thereafter recommendations on that basis. It covers the topics such as summary of the entire study, conclusions drawn by the researcher and crucial findings from the study. In addition, it also produces recommendations based on the findings.

CHAPTER - II

LITERATURE REVIEW

Literature Review is focused and directed towards specific purposes. It is a crucial aspect of planning of the study. Basically, it is “Stock Taking” of available literature in one’s field of research. It is a selective subject. A researcher has to select the kind of literature to be reviewed and determine the purpose it starts with the selection of a problem for research which continues through the various stages of the research process and end with report writing.

Reviewing different available literatures from various sources are the major objectives of this chapter. The prime focus of review of literature is to collect external literacy information through various research journals and research thesis. Various articles relating to different aspects of commercial bank will help to conduct the study smoothly. It has divided into four major categories as conceptual review, security acts and NRB directives, review of journal and articles and review of related thesis.

2.1. CONCEPTUAL REVIEW

2.1.1. INVESTMENT

Investment, in its broadest sense, means the sacrifice of current Rupees (dollars) and resources for the sake of future rupees (dollars) and resources. In other words, it is a commitment of money and other resources that are expected to generate additional money and resources in the future. Such a commitment takes places in

the present and is certain to occur but the reward comes in the future and always remains uncertain. Therefore, every investment entails some degree of risk.

Investment environment is a combination of securities, markets and intermediaries (Bhattarai; 2006:1)

The objective of the investment is to systematically maximize the investors' wealth. Wealth can be defined as the positive difference between assets and liabilities. Investor's wealth maximization objective may change over a time. The investor invests on such security market in which he can make quick profit. The trend of the investors of security market in Nepal is commercial banks. In comparison of other securities, share of commercial banks is a hot cake to the Nepalese investors.

2.1.1. SECURITIES & STOCK

a. SECURITIES:

A security is a fungible, negotiable instrument representing financial value. Securities are broadly categorized into debt securities (such as banknotes, bonds and debentures); equity securities, e.g., common stocks; and derivative contracts, such as forwards, futures, options and swaps. The company or other entity issuing the security is called the issuer. A country's regulatory structure determines what qualifies as a security. For example, private investment pools may have some features of securities, but they may not be registered or regulated as such if they meet various restrictions.

Securities may be represented by a certificate or, more typically, "non-certificated", that is in electronic or "book entry" only form. Certificates may be bearer, meaning they entitle the holder to rights under the security merely by

holding the security, or registered, meaning they entitle the holder to rights only if he or she appears on a security register maintained by the issuer or an intermediary. They include shares of corporate stock or mutual funds, bonds issued by corporations or governmental agencies, stock options or other options, limited partnership units, and various other formal investment instruments that are negotiable and fungible.

Security is a form of assets that are offered to the likely investors for the purpose of raising required funds by either transferring the ownership from one hand as share-owner to other or by providing debts as a debt-holder. An array of securities can include varied forms so as to fulfill the objectives of different financial sectors. Some of the common examples include share i.e. stock, debentures, commercial papers, treasury bills, etc.

b. STOCK

Stock refers to an instrument that signifies an ownership position (called equity) in a corporation, and represents a claim on its proportional share in the corporation's assets and profits. Ownership in the company is determined by the number of shares a person owns divided by the total number of shares outstanding. For example, if a company has 1000 shares of stock outstanding and a person owns 50 of them, then he/she owns 5% of the company. Most stock also provides voting rights, which give shareholders a proportional vote in certain corporate decisions. Only a certain type of company called a corporation has stock; other types of companies such as sole proprietorships and limited partnerships do not issue stock and is also called equity or equity securities or corporate stock.

2.1.3 FINANCIAL MARKET

“Financial markets provide a forum in which suppliers of funds and demanders of funds can transact business directly. Whereas the loans and investments of institutions are made without the direct knowledge of the suppliers of funds (savers), suppliers in the financial markets know where their funds are being lent or invested. The two key financial markets are the money market and the capital market. Transactions in short-term debt instruments, or marketable securities, take place in the money market. Long-term securities-bonds and stocks – are traded in the capital market” (*Gitman; 2001:33*).

In other words, financial markets are the place where financial instruments and services take place. Financial market exists in order to bring buyer and seller of securities and financial services together. They are the mechanism that exists in order to facilitate the exchange of financial assets, thus adding to the liquidity of financial assets. Financial markets may be categorized into different types

“Financial markets are the places where financial assets and liabilities are traded. Financial market performs two important functions. First, they are the channels through which flows of savings are allocated to investment. They provide a variety of financial assets for those who wish to save. For those who wish to raise funds for investments they provide a variety of forms in which to raise those funds”(*Bhattarai; 2003:3*).

“A financial market, like any market, is just a way of bringing buyers and sellers together. In financial market, it is debt and equity securities that are bought and sold. Financial market differs in detail, however. The most important differences

concern the type of securities that are traded how the trading is conducted, and who the buyers and sellers are (*Ross; 2001:17*)”.

The financial markets can be classified into many categories. The various types of the market can be classified as follows:

1. Capital Market
2. Money Market
3. Primary Market
4. Secondary Market

1. Capital Market

“Capital market is the market place through which the entrepreneurs can collect the required long-term fund floating securities to the general public. Both the individual and institutional investors can invest in the issued securities. (Bhattarai, 2003:107). Capital market involves the trading of financial assets having a life span greater than one year. All long-term securities issued by corporations and government such as common stock, preferred stock, corporate bonds, government are the instruments of capital market” (*Paudel; 2006:27*).

2. Money Market

“Money market deals with trading of securities with less than one year of life span. It is the market for borrowing and lending for relatively short period of time, usually less than one year. Government, corporations and individuals requiring short-term loan are major participants of money market” (*Paudel, 2006:27*). The money market is created by a financial relationship between suppliers and demanders of short-term funds, which have maturities of one year or less. The money market exists because certain individuals, businesses, governments, and financial institutions have temporarily idle funds that they wish to place in some

type of short-term, interest-earning instrument. At the same time, other individuals, businesses, governments, and financial institutions find themselves in need of seasonal or temporary financing. The money market thus brings together these suppliers and demanders of short-term liquid funds.

3. Primary Market

When securities are issued for the first time, they are traded in primary market. All proceeds from the issue in this market go to issuing corporations. “It is the market for first issue of securities by corporation, in which the corporation raises new capital” (*Paudel; 2006:27*). The primary financial markets are the media, which the demanders and suppliers of today’s funds, the creators and acceptors of financial claims, meet. “In the primary markets; financial assets are created and exchanged satisfying in part the financial needs of both demanders and suppliers of today’s funds” (*Bhatarai; 2003:107*).

Similarly, all securities, whether in the money or capital market, are initially issued in the primary market. This is the only market in which the corporate or government issuer is directly involved in the transaction and receives direct benefit from the issue. That is, the company actually receives the proceeds from the sale of securities. Once the securities begin to trade between savers and investors, they become part of the secondary market. The primary market is the one in which “new” securities are sold.

5. Secondary Market

“The secondary financial markets are the markets where already outstanding financial assets are traded from old to new owners. This secondary market is known as second hand securities market. These secondary markets provide liquidity for financial assets, making them more attractive to savers. The assets can

be treasury bills, government bonds, common stocks, corporate bonds, etc”
(*Bhattarai; 2003:3*).

The secondary market is the financial market for trading of securities that have already been issued in an initial private or public offering. Alternatively, secondary market can refer to the market for any kind of used goods. The market that exists in a new security just after the new issue is often referred to as the aftermarket. Once a newly issued stock is listed on a stock exchange, investors and speculators can easily trade on the exchange, as market makers provide bids and offers in the new stock. A secondary market transaction involves one owner or creditor selling to another. It is therefore the security market that provides the means for transferring ownership of corporate securities (*Ross; 2001:17*).

2.1.4 SECURITY MARKET AND STOCK MARKET

1. Security Market

“A security market can be defined as a mechanism bringing together buyers and sellers of financial assets in order to facilitate trading. Alternately, security market is a place or places where securities are bought and sold, the facilities and people engages in such transactions, the demand for and availability of securities to be traded, and the willingness of buyers and sellers to reach agreement on sales. Over-the-counter markets (OTC), the New York Stock Exchange (NYSE), etc.”
(*Thapa; 2006:18*)

2. Stock Market

Stock Market is known as secondary market in the other side of market segment under capital market. It includes all transferable securities issued previously by

corporate bodies; such securities are also traded in the stock exchange. Stock market doesn't include securities of private company as they are not capable of being dealt in on stock exchange and are not marketable securities due to the restriction on transferability. In order to take the benefits from stock market the corporate bodies should have listed the security in the stock exchange. Stock market covers activities pertaining to the dealing in securities, whether good or bad, for the liquidity and marketability.

“A stock market is a market for the trading of company stock, and derivatives of same; both of these are securities listed on a stock exchange as well as those only traded privately” (http://en.wikipedia.org/wiki/Stock_market 10.10.2009)

2.1.5 INITIAL PUBLIC OFFERING

“The market for the stock that is just being offered to the public is called the initial public offering (IPO) market” (Paudel; 2006: 143). Similarly, an initial public offering (IPO) is the first sale of a corporation's common shares to investors on a public stock exchange. The main purpose of an IPO is to raise capital for the corporation. While IPOs are effective at raising capital, being listed on a stock exchange imposes heavy regulatory compliance and reporting requirements. The term only refers to the first public issuance of a company's shares (http://en.wikipedia.org/wiki/Initial_public_offering 10.10.2009).

An initial public offering (IPO) is the process through which a privately held company issues shares of stock to the public for the first time. Also known as "going public," an IPO transforms a small business from a privately owned and operated entity into one that is owned by public stockholders. An IPO is a significant stage in the growth of many small businesses, as it provides them with access to the public capital market and also increases their credibility and

exposure. Becoming a public entity involves significant changes for a small business, though, including a loss of flexibility and control for management. In many cases, however, an IPO may be the only means left of financing growth and expansion. The decision to go public is sometimes influenced by venture capitalists or founders who wish to cash in on their early investment.

“A firm “goes public” through an IPO when the stock is first offered to the public. Prior to an IPO shares are typically owned by the firm’s promoters, managers, and key employees” (*Pradhan; 2006: 171*).

Thus, an Initial public offering denotes such a stock market where a company sells its stock for the first time to a large public through certain mechanisms.

2.1.6 SECURITIES EXCHANGES

“Securities Exchange provide the marketplace in which firms can raise funds through the sale of new securities and purchasers of securities can maintain liquidity by being able to easily resell them when necessary. Many people call securities exchanges “stock markets,” but this label is somewhat misleading bonds, common stock, preferred stock, and a variety of other investment vehicles are all traded on these exchanges. The two key types of securities exchange are the organized exchange and the over-the-counter exchange” (*Gitman;,2001:50-51*).

1. Organized Securities Exchange

Organized securities exchanges are tangible organizations that act as secondary markets where outstanding securities are resold. Organized exchanges account for about 59 percent of the total dollar volume of domestic shares traded. The best-known organized exchanges are the New York Stock Exchange (NYSE) and the

American Stock Exchange (AMEX), both headquartered in New York City Organized Stock Exchange is the physical locations where securities are traded under some established rules and regulations. It is one of the important secondary markets where the investors buy and sell the securities between themselves. Organized stock exchange facilitates the trading of securities, which are listed in it. This means securities, which are not listed, are not traded in organized stock exchanges.

2. Over the Counter Exchange

“The over-the-counter (OTC) exchange is an intangible market for the purchase and sales of securities not listed by the organized exchanges. OTC traders, known as dealers, are linked with the purchasers and sellers of securities through the National Association of Securities Dealers Automated Quotation (Nasdaq) System. This sophisticated telecommunications network provides current bid and ask prices on thousands of actively traded OTC securities. The bid price is the highest price offered by a dealer to purchase a given security, and the ask price is the lowest price at which the dealer is willing to sell the security” (*Gitman; 2001:51*).

2.1.7 Financial Institutions

“Financial Institutions are organizations that issue financial claims against themselves and use the proceeds from this issuance to purchase primarily the financial assets of others” (Sharpe; 2002:10). In other words, financial institutions are intermediaries that channel the savings of individuals, businesses, and governments into loans or investments. Many financial institutions directly or indirectly pay savers interest on deposited funds; others provide services for a fee (for example, checking accounts for which customers pay services charges). Some

financial institutions accept customers' savings in earning assets such as real estate or stocks and bonds; and some do both. Financial institutions are required to operate within established regulatory guidelines.

2.1.6. FINANCIAL RETURNS: CASH DIVIDEND, STOCK DIVIDEND, RIGHT SHARES, VOTING RIGHTS AND CAPITAL GAINS

Nepalese Investors are mainly found to be attracted to make investment in shares because of various financial returns such as dividend, capital gains by selling etc. Especially, higher rate of dividends either in the form of cash, or bonus dividend and right shares are found to attract them for the investment. However, the other factors such as participation in AGM and utilizing voting rights, etc. seemed to be very minimal. The various returns have been described as follows:

1. Cash Dividend

Cash Dividend refers to the dividend paid in the form of cash to the shareholders. It is rated on the basis of face value of shares of a common stock. Cash dividend is one of the returns that an investor expects from his investment in a share of a stock of a company. Cash dividends are declared during the time of annual general meeting of a company.

The most common type of dividend is a cash dividend. Commonly, public companies pay regular cash dividends four times a year. As the name suggests, these are cash payments made directly to shareholders, and they are made in the regular course of business. In other words, management sees nothing unusual about the dividend and no reason why it won't be continued.

2. Stock Dividend

“A stock dividend is the payment to existing owners of a dividend in the form of stock. Often, firms pay stock dividends as a replacement for or a supplement to cash dividends. Although stock dividends do not have a real value, stockholders may perceive them to represent something they did not have before and therefore to have value” (*Gitman; 2001: 555-556*).

“Stock dividend simply is the payment of additional stock to stockholders. With stock dividend, a stockholder’s proportional ownership remains unchanged. Stock dividend represents nothing more than a recapitalization of the company” (*Pradhan; 2003: 413*).

Another type of dividend is paid out in shares of stock. This type of dividend is called a stock dividend. A stock dividend is not a true dividend because it is not paid in cash. The effect of a stock dividend is to increase the number of shares that each owner holds. Since these are more shares outstanding, each is simply worthless. A Stock dividend is commonly expressed as a percentage; for example, a 20 percent stock dividend means that a shareholder receives one new share for every five currently owned (a 20 percent increase). Since every shareholder owns 20 percent more stock, the total number of shares outstanding rises by 20 percent.

3. Right Shares (Rights)/ Right Issues

Rights allow existing common stock shareholders to acquire a proportionate share of a new issue of common stock. If stockholders are protected with a preemptive right, a rights offering satisfies this requirement. The use of rights may also benefit the corporation because of the ease of distributing the new stock issue and lower flotation costs. Rights are usually transferable or marketable; the stockholder who

receives the rights can either exercise them or sell them. Rights are therefore traded along with the common stock on the stock exchange and the OTC market.

“A rights issue is an invitation to existing shareholders to purchase additional new shares in the company. More specifically, this type of issue gives existing shareholders securities called "rights", which, well, give the shareholders the right to purchase new shares at a discount to the market price on a stated future date. The company is giving shareholders a chance to increase their exposure to the stock at a discount price” (<http://www.investopedia.com/articles/stocks>).

To sum up, Right Share is a security giving stockholders entitlement to purchase new shares issued by the corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned.

4. Voting Rights

Voting Rights refer to the rights of common shareholders to participate in voting for a desired candidate through annual general meetings. Every common shareholder is entitled to hold this right and is expected to utilize this voting right by participating into annual general meetings.

5. Capital Gain

Capital Gain refers to the appreciation in the price of the shares. In other words, it is the increase over the purchase price of the shares. If there is an increase, it is referred to as positive capital gain, and if the prices have gone down, it is called negative capital gain.

2.1.9 ISSUE MANAGER AND UNDERWRITING OF SHARES

When a company goes public with the intention of offering its shares of stock to the public, it has to ask for the help of a specialized institution that is capable of selling its shares and drawing the necessary funds from the market. For this, it has appointed an agent simply known as issue manager that undertakes the task of floating the shares and collecting the required amount of funds from such tasks. The brief explanation about issue manager and underwriting of shares has been described below as follows:

1. Issue Manager (Underwriter)

Issue manager refers to the companies who are appointed by the company that intends to issue shares through initial public offerings. When the company needs and wants to go to the public, it has to select any of the available issue managers, who are authorized to perform such tasks. Since the issue manager undertakes the responsibilities of issuing and accepting the application along with the required amount for the shares applied for, they are also known as Underwriting Agency or simply, underwriters.

“An underwriter is a financial institution or recognized institution dealing in securities (shares, debentures, bonds, etc.), which undertake, in consideration for a commission, to take the whole or a portion of the shares offered by a company to the public for subscription as it may not be taken up by the public, prior to making of such offer. However, section 28 of companies Act 2053 has put a condition that a company would have to appoint only a recognized institution dealing in securities (shares, debentures, bonds, etc.) as underwriters” (*Sharma; 1998:20*).

If the public issue of securities is a cash offer, underwriters are usually involved. Underwriting is an important line of business for large investment firms such as Merrill Lynch, Underwriters perform services such as the followings for corporate issuers:

1. Formulating the method used to issue the securities.
2. Pricing the new securities
3. Selling the new securities

“Typically, the underwriter buys the securities for less than the offering price and accepts the risk of not being able to sell them. Because underwriting involves risk, underwriters, combine to form an underwriting group called a syndicate to share the risk and to help sell the issue” (*Ross; 2001:425*).

2. Underwriting of Shares

“Before issuing a prospectus to the public, in case of a new company, it is necessary that the share equivalent to the minimum subscription have been subscribed for by the public. Commencement of business is not possible unless at least the minimum subscription amount is raised from the sale of shares. A company is not sure whether the shares or debentures offered for subscription may be taken up by the public. There arises a risk to ensure the success of issue. Therefore, companies resort to underwriting in order to ensure that sufficient number of shares or dentures would be subscribed for” (*Pillai; 2000:891*).

Underwriting refers to an agreement between the company on one hand, and an individual, firm or institution on the other, known as an underwriter, whereby the latter agrees to take up or guarantees to subscribe the shares unsubscribed by the public. Such an agreement is called underwriting agreement.

Thus, Underwriting of shares is an act performed by an issue manager to undertake the whole or a portion of shares offered by a company to the public for subscription due to their experience and expertise in such matters.

2.1.10 SHARE APPLICATION AND APPLICATION AMOUNT

As the Issue manager undertakes to sell the shares by the interested company, it has to primarily issue application forms along with a prospectus and collect money through such application forms.

1. Share Application

If prospective investors are interested to buy certain amount of shares within the given conditions, he/she has to fill up the application form and submit at the counter of the specified underwriting agencies by clearly mentioning the number of shares they want to subscribe at the designated counter of the underwriting agency.

2. Application Amount

While submitting the application, the interested investor also has to submit the required amount as mentioned in the offer notice along with the application form, which is known as application amount. The amount may vary such as 50% or more or less than of the face value of a common share depending upon the policy of the issuing company. However, now-a-days, the application amount equals to the full amount of face value i.e. Rs. 100 in Nepalese context.

2.1.11 FINANCIAL ANALYSIS AND FINANCIAL REPORTS

Before investing into shares of any company, it is an ideal practice for an rational investors that he/she should go through a process of studying and finding about the current financial situation of the concerning company and predicting how it would be function in coming days. This act is simply referred to as financial analysis. For this, the documents simply called, financial reports are the reliable sources that are published by the company on timely basis as prescribed by the regulatory body.

1. Financial Analysis

Financial analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their basis in making business decisions. Financial analysts often assess the firm's:

- a. **Profitability**- its ability to earn income and sustain growth in both short-term and long-term. A company's degree of profitability is usually based on the income statement, which reports on the company's results of operations.
- b. **Solvency**- its ability to pay its obligation to debtors and other third parties in the long-term.
- c. **Liquidity**- its ability to maintain positive cash flow, while satisfying immediate obligations; Both 2 and 3 are based on the company's balance sheet, which indicates the financial condition of a business as of a given point in time.

- d. **Stability**- “the firm's ability to remain in business in the long run, without having to sustain significant losses in the conduct of its business. Assessing a company's stability requires the use of both the income statement and the balance sheet, as well as other financial and non-financial indicators” (http://en.wikipedia.org/wiki/Financial_analysis 12.10.2009).

2. FINANCIAL STATEMENTS (OR FINANCIAL REPORTS)

Financial Statements are formal records of a business' financial activities. These statements provide an overview of a business' profitability and financial condition in both short and long term. There are four basic financial statements:

- a. **Balance Sheet** - also referred to as statement of financial condition, reports on a company's assets, liabilities and net equity as of a given point in time.
- b. **Income Statement** - also referred to as Profit or loss statement, reports on a company's results of operations over a period of time.
- c. **Cash Flow Statement** - reports on a company's cash flow activities, particularly its operating, investing and financing activities.
- d. **Statement of Retained Earnings** - explains the changes in a company's retained earnings over the reporting period.
- e. **Cost of Fund(COF)** – explain the cost and yield of the fund that is being hold and sold.

Because these statements are often complex, an extensive set of Notes to the Financial Statements and management discussion and analysis is usually included.

The notes will typically describe each item on the Balance sheet, Income statement and Cash flow statement in further details. Notes to Financial Statements are considered an integral part of the Financial Statements.

2.1.12 SOURCES OF FINANCING FOR SHARE PURCHASE - CASH AND LOAN PURCHASE

There can be various sources for investors when he/she intends to invest into shares of a issuing company. One is cash which is the easiest and most popular form of sources to invest into the shares and second, is loan which is the next alternative to cash, and is also getting popular these days due to the facilities given by the financial institutions.

1. Cash Purchase

Cash purchase refers to the investment into shares of a stock by putting full amount of amount instead of using loan through any financial institutions. This means, he or she has to put the cash into the investment for the stock purchase where borrowing from any financial institutions is abolished. This is especially done by the investors who have sufficient amount of cash but has not found any best alternative for the investment.

2. Loan Purchase

Loan Purchase refers to the purchase of shares by taking loans from a financial institution where certain percentage of amount is paid for the application of the share as a down-payment and rest amount through the loan. In such provision, the shares will be kept as collateral at the financial institution that lends loans for the

share purchase. This has become a prevailing scenario in Nepalese context at present days.

2.1.13 OVERSUBSCRIPTION, UNDER SUBSCRIPTION AND ALLOCATION OF SHARES

When an issue manager offers for the purchase of shares, the company may face either the case of oversubscription for shares or just the opposite to this, i.e. under subscription. And, also after the collection and the acceptance of the applications, the applicant's i.e. interested investors are either allotted no shares, or less than applied number of shares of equal to the applied number of shares.

1. Oversubscription of Shares

This is the situation when excess applications are received for the issued number of shares by the prospective investors. In other words, the over applications with the desire to buy certain number of common shares from the investors is referred to as oversubscription. In Nepalese context, this has become a dominant situation in the case of issuance of shares by the banking sectors.

Sometimes, a company receives applications for a larger number of shares than offered by it to public for subscription. This situation is termed as Over-subscription. However, allotment can be made only to the number of shares that are issued (*Pillai, 2000:891*).

2. Under subscription of Shares

This is the situation that occurs in contrary to the case of over-subscription. In other words, it refers to the situation, when applications are received below than

the required level of offered common shares. This situation takes place for the company that has been incurring losses or facing deteriorating financial situation regularly.

“Sometimes, the applications for share received are less than the number of shares issued. For instance, a company issued 10,000 shares to the public and company received applications for 8,000 shares for the public. This situation is called Under-subscription” (*Pillai; 2000:891*).

4. Allocation of Shares

“Allotment means acceptance of a share application which implies that application money on the shares that are allotted, becomes capital” (*Sharma; 1998:25*).

When Shares are offered to the applicants after receiving the applications for the offered shares with the notification to the concerned applicants, it is called allocation of shares. Allotment may take place below equal to the level of number of applied shares. However, it never takes place above than the applied number of shares. That is if an applicant has applied for 100 number of shares, and he/she may be allotted only 50 shares or exactly 100 shares, but not above than 100 shares.

2.1.14. LISTING OF SECURITIES

“Listing means the registration of issued securities with stock exchange to make them eligible for trading. It is the creation of responsibilities. It means the creation of responsibility towards shareholders and stock exchange and other governing entities. It is the process, which generates the volume of jobs to the company because once the transfer process becomes lengthy; the shareholders will be

unable to seize benefits of the market. In our context, the issuing companies have to commit at the time of issue to the probable investors that they will enlist the securities with the securities after the allotment of securities issued. But there is not any provision that such clause is to be mentioned with the approval of stock exchange. Once the issue is approved and registered with Securities and Exchange Board of Nepal, it seems feasible for listing. In fact, it is unfair. This is because if the listing of such companies is denied by stock exchange what will be the status of Securities Board of Nepal? The securities exchange act, 1983 has clearly mentioned that no securities of public limited company are tradable without listing. If transactions are done without listing that will be illegal and void. On the other hand, if all the documents are not furnished or the stock exchange feels not feasible for listing, the stock exchange can deny enlisting the securities. Both these provisions are conflicting with each other” (*Bhattarai; 2003:115*).

2.1.15 STOCK MARKET IN NEPAL AND NEPAL STOCK EXCHANGE (NEPSE)

1. Stock Market in Nepal

“The concept of stock market in Nepal is very new. It is still in infancy stage though it began with the floatation of shares by Nepal Bank Limited and Biratnagar Jute Mill Limited (BJM) in 1937 under the Company Act 1936. At that time, the participation on the ownership structure of the corporate sector was restricted mostly to the Rana family, consequently, the expansion of the capital market to the desired level had been made in Eight five Year Plan to reform the capital market. The establishment of Securities Exchange Center (SEC) in 1976 was the first and most important attempt made by the government to develop the stock market. It was established with the objective of facilitating and promoting the growth of capital market. Before conversion into Nepal Stock Exchange

(NEPSE), it was the only capital markets institutions undertaking the job of brokering, underwriting, managing public issue, marketing making for government bonds and other financial services. Later the securities exchange center was converted into Nepal Stock Exchange in 1993” (*Trading Report; 2002:53*).

3. Nepal Stock Exchange (NEPSE)

“Nepal stock exchange is an organized secondary market for listed securities. This market has been started with licensed members such as member brokers and market makers since January 13, 1994. Since then, it has followed an open out cry system. Under this system, the licensed members are allowed to enter into the trading floor to make transactions on behalf of their clients. NEPSE is the sole organization for the operation of secondary market for listed securities. The organizational structure of NPESE is as given below. NEPSE in fact, is working under SEBON. It has its own board of directors to direct and to formulate the policy matter to run the securities transactions business in the country. In order to execute day-to day activities a general manager will be appointed by HMG/N and it has several departments under which several division and sections are incorporated to run the day-to-day activities” (*Bhattarai; 2003:112*).

2.1.15. Commercial Banks

An institution which accepts deposits, makes business loans, and offers related services. Commercial banks also allow for a variety of deposit accounts, such as checking, savings, and time deposit. These institutions are run to make a profit and owned by a group of individuals, yet some may be members of the Federal Reserve System. While commercial banks offer services to individuals, they are primarily concerned with receiving deposits and lending to businesses.

2.1.16 FUNCTIONS OF COMMERCIAL BANKS

The primary functions performed by the commercial banks are as follows in consecutive form:

- Collect deposits in various types of accounts.
- Provide credit in the form of various loans, overdraft, and co-financing to industry, commerce, agriculture, export and service.
- Remit funds.

Subsidiary functions are as follows:

- Invest in government securities, treasury bills etc.
- Deal in foreign exchange.
- Provide agency functions such as collection of cheques, bills, promissory notes and so on.
- Execute standing instructions such as payment of rent, insurance premium, income tax etc. on behalf of their customers.
- Involve in collection of dividends and interest on shares and debentures.
- Purchase and sale of securities.
- Act as a customer's correspondent or representative in dealing with other banks.
- Underwrite shares floated by government bodies and public bodies.
- Supply trade information and statistical data.

- Involve in LC & Guarantee issuance, purchase or sale TC and Circular Notes etc.
- Act as referee with regard to the financial status of customers.

2.1.17 COMMERCIAL BANKS IN NEPAL

It is assumed that the regular history of coinage in Nepal began from the 5th Century A.D. The advent of 12th century marked a new period in economic history of Nepal. Silver coinage was introduced in this period which widened the scope for trade. The second major logical order of development was found in the innovation of interest bearing private debt such as bonds, mortgages and loans.

In the year 879/80 another era was introduced as a low cast merchant named “Sankhadar” paying all the debts that existed in the country. Similarly after the long gap, in 1877 A.D., Prime Minister Ranodip Singh introduced many financial and economic reforms. The “Tejarath Adda” was established at that time and whose purpose was to provide credit facilities to the general public at the very concessional interest rate.

Tejarath Adda extended credit only and it did not accept deposits from the public. Hence the Adda finally faced financial crisis making it impossible to meet the credit need of the general population throughout the country. With the new innovation, an establish and multi-functional financial institutional was felt at that time and as a result with the cooperation of Imperial Bank of India, Nepal Bank Ltd. came into existence under the Nepal Bank Act 1937.

Nepal Bank Ltd. played dual role of commercial banks and central banks. Until the establishment of Nepal Rastra Bank on 26th April, 1956, it carried all the

functions of central bank. It was a semi-government bank and it also could not extend the banking facilities in different sectors and as a result Rastira Baniyya Bank, a fully government owned bank was established on 23rd January, 1966.

“Until 1984, the Nepalese financial sectors were dominated by the above two commercial banks. Commercial Banking Act 1974 was amended in 1984 to increase the competition among commercial banks. Hence, provision was made to allow private sectors including foreign investment to open commercial banks. As a result, Nepal Arab Bank Ltd. (Nabil Bank) was established on July 12, 1984 with the partnership of Dubai Bank Ltd., Dubai. Now the numbers of commercial banks operating in the country are 24 and some more banks are already in pipeline to commence their business” (*Shrestha; 2006:3*).

2.1.18 BRIEF INTRODUCTION OF MAJOR COMMERCIAL BANKS OPERATING IN NEPAL.

1. Nepal Bank Limited

It was established on 15th November, 1937, as the first modern bank in Nepal with 51 percent share ownership of the government and 49 percent of private sectors. The initial authorized capital was Rs 10 million and paid up capital was Rs 842 thousand only. After the establishment of this bank, the entire work of Tejarath Adda was assigned to it. In its early stage, it not only provided commercial bank's services but also played the central bank's role. At present, the government holds 41% and the public holds 59% of its total share capital. This bank has 122 branches in the Kingdom.

2. Rastriya Banijya Bank

It was established on 23rd January, 1966 as fully government owned bank. The objective was to uplift the general public's economic status by providing congenial banking environment and develop and contribute in the agriculture sector. RBB is the largest commercial bank in Nepal. It has 188 branches in the kingdom.

3. Nabil Bank Limited

Nabil bank is the first joint venture bank established in partnership with Dubai Bank Ltd. It was established on 12th July, 1984. The bank had initiated its business with authorized capital of Rs 60 million and paid up capital of mere Rs. 30 million. The net worth of the bank by mid July 2005 was Rs. 1658 million. NB International (foreigner partner) holds 50 percent of the share capital of the bank, NIDC holds 10 percent, Nepal Stock Exchange holds 33 percent, Rastriya Beema Sansthan holds 9.67, and the general public holds 30%. It has 27 branches and one exchange counter (Tribhuvan Internal Airport) in the kingdom and is one of the leading joint venture banks of Nepal.

4. Nepal Investment Bank Limited

Nepal Investment Bank (NIB) was established on 27th February 1986, with the joint venture of Indosuez Bank of France. The shareholding patterns of the bank have changed and are as follows: Rastriya Banijya holds 15 percent, Rastriya Beema Sansthan holds 15 percent, General public holds 20 percent and the Nepalese promoters hold 50 percent. The bank has 15 branches throughout the kingdom.

5. Standard Chartered Bank

It was established on 30th January, 1987 with 15 percent share of general public, 35 percent of NBL and 50 percent of Grindlays Bank Ltd. At present the share holding pattern has changed. It has 10 branches in operation.

6. Himalayan Bank Limited

With Habib Bank of Pakistan's shareholding of 20 percent and Nepalese promotor's 80 percent this bank was established on 18th January 1993. It has 12 branches in operation.

7. Everest Bank Ltd (EBL)

With the share capital of 30% of local promoters, 50% of United Bank of India, Panjab, and 20% of General Public, EBL was established on 18th October, 1994. The bank has 14 branches in the kingdom.

8. Bank of Kathmandu Ltd. (BOK)

With the share capital of 45% of local promoters, 30% of Thailand Siam Commercial Bank and 25% of General Public, BOK was established on 12th March 1995. The bank has 25 branches in the kingdom. The share pattern has already changed and the Nepalese promoters and general public hold 97.70% and financial institution hold 2.07 and some companies are holding 0.23%.

2.1.19 FINANCIAL PERFORMANCE INDICATORS OF COMMERCIAL BANKS

“The financial result is the major part of the performance indicators of any type of organizations. Before making investment to the share of the banks or other organizations, investors makes one or both of the analysis’s that generally followed by the investors. The first and easy analysis is the technical analysis in which security price is evaluated by analyzing statistics generated by market activity, past prices and volume. The technical analysts do not attempt to measure a security’s intrinsic value; instead they look at stock charts for patterns and indicators that will determine a stock’s future performance. The second and important analysis is a fundamental analysis in which investors evaluate the worth of security by studying the financial data of the issuer. It scrutinizes the issuer’s income and expenses, assets and liabilities, management and the position in its industry” (*Thapa; 2006:392*)

The balance sheet and profit and loss accounts are the basic key indicators of the financial results. Capital and liabilities and assets constitutes the balance sheet whereas net interest income, total operating income, operating profit before provision, operating profit, profit from regular activities, profit before bonus and taxes constitutes the profit and loss accounts. All these components are presented in the following consecutive paragraphs:

i. Capital and Liabilities: This heading comprises of paid up capital, reverse and surplus, debenture and bond, borrowing, deposit (domestic currency and foreign currency), income tax liabilities, other liabilities and so on.

ii. Assets: Assets comprises of cash and bank balance, money at call and short notice, investment, loans and advances, fixed assets, non banking assets, other assets and so on.

iii. Net Interest Income: A total interest income and total interest expense constitutes the net interest income. This portion is presented in the income part of the profit and loss account.

iv. Total Operating Income: A total operating income is the summation of net interest income, fees commissions and discount, foreign exchange gain/loss (Net) and other operating income.

v. Operating Profit before Provision: To calculate it, staff expenses and other operating expenses is deducted from the total operating income.

vi. Operating Profit: Operating profit is calculated by deducting the provision for possible losses from operating profit before provision.

vii. Profit from Regular Activities: It is the summation of non operating income/expenses (net) and write- back of provision for possible losses and operating profit.

viii. Profit before Bonus and Taxes: It is the summation of extra-ordinary income/expenses (net) and profit from regular activities.

ix. Net Profit/Loss: It is calculated by deducting provision for staff bonus and provision for tax from the profit before bonus and tax.

x. Ratios Analysis

A tool used by individuals to conduct a quantitative analysis of information in a company's financial statements. Ratios are calculated from current year numbers and are then compared to previous years, other companies, the industry, or even the economy to judge the performance of the company. Ratio analysis is predominately used by proponents of fundamental analysis.

i. Return on Assets

Return on assets (ROA) is a percentage of the after-tax income as compared to the total assets of the company. This interactive tutorial explains the concept by walking you through the calculations, including where to find the numbers on the income statement and balance sheet.

ii. Return on Assets Du-Pont

Return on assets (ROA) is a percentage of the after-tax income as compared to the total assets of the company. Management at Du Pont came up with Return on Assets (Du Pont), an approach that determines the impact of asset turnover and profit margin on profits. This interactive tutorial explains the concept by walking you through the calculations, including where to find the numbers on the financial statements.

iii. Profit Margin

The profit margin shows the relationship between net income (profit) and sales. This interactive tutorial explains the concept by walking you through the calculations, including where to find the numbers on the income statement.

v. Return on Equity Du-Pont

Return on equity (ROE) measures profitability related to ownership. Management at Du Pont came up with Return on Equity (Du Pont), an approach that showed that return on equity depends on ROA and the equity multiplier. This interactive tutorial explains the concept by walking you through the calculations, including where to find the numbers on the financial statements.

viii. Earning Per Share

This refers to the earning earned on each share thereby indicating the performance of each share. This is calculated as total earnings available to common shareholders divided by the total no. of shares outstanding

vii. Dividend Per Share

This is a portion of earning distributed to share holders on each share wise. This is derived after retaining the portion of earnings which is further calculated as total dividends for common share holders divided by the no. of total shares outstanding.

viii. P/E Ratio

P/E ratio refers to the relationship between the price and the earning of each share. It actually shows the price of earning power of each share in the prevailing market.

viv. Return on Investment

A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result

is expressed as a percentage or a ratio. Return on investment is a very popular metric because of its versatility and simplicity. That is, if an investment does not have a positive ROI, or if there are other opportunities with a higher ROI, then the investment should be not be undertaken.

2.2 SECURITY ACTS AND NRB DIRECTIVES

There is acts and directives to qualify the issuing of share and in this sections it is focused as follows:

License Issued NRB Directive 2/066

According to article 15, banks and financial institutions cannot disburse the loan 7 days down the time. However, other banks and financial institutions can issue it after 7 days if it is not fully subscribed. The portion of the loan will be 50% margin lending. The period for loan will be as per the acts mentioned in the SEBO.

The provision for margin call has been mentioned in the article no 16. As per this article, the period for margin call is only for 21 days. It shall be due to the volatile in the market price.

As per the article 16(4), those banks and financial institutions cannot disburse the margin lending if capital output ration is not sufficient, having negative net worth, dis-listed organization and if the audit has not been made within the respective fiscal year.

SECURITIES BOARD OF NEPAL

Securities Board of Nepal (SEBON) was established by the Government of Nepal on June 7, 1993 as an apex regulator of Securities Markets in Nepal. It has been regulating the market under the Securities Act, 2006. The functions, duties and

powers of SEBON as per the Act are as follows.

To offer advice to Government on matters connected with the development of the capital market.

To register the securities of corporate bodies established with the authority to make a public issue of its securities.

To regulate and systematize the issue, transfer, sale and exchange of registered securities.

To give permission to operate a stock exchange to any corporate body desirous of doing so, subject to this Act or the rules and bye-rules framed under this Act.

To supervise and monitor the functions and activities of stock exchange.

To inspect whether or not any stock exchange is executing its functions and activities in accordance with this Act or the rules and bye-rules framed under this Act, and to suspend or cancel the license of any stock exchange which is not found to be doing so.

To issue licenses to conduct the business of dealing in securities, subject to this Act, or the rules and the bye-rules framed under this Act, to companies or institutions desirous of conducting the business of dealing in securities.

To supervise and monitor the functions and activities of securities-dealers.

To grant permission to operate collective investment schemes and investment fund programs, and to supervise and monitor them.

To approve the bye-rules concerning transactions in securities framed by stock exchanges and institutions engaged in the business of dealing in securities, and, for the purpose of making necessary provisions concerning the development of the capital market and protecting the interests of investors investing in securities, issue orders to have necessary alterations made in such bye-rules of stock exchange and institutions engaged in the business of dealing in securities.

To systematize the task of clearing accounts related to transactions in securities.

To supervise whether or not security dealers are behaving in the manner prescribed in this Act, or the rules and the bye-rules framed under this Act, while conducting business of dealing in securities, and suspend the license to conduct the business of dealing in securities in case any securities dealer is not found to be behaving accordingly.

To make or ensure necessary arrangements to regulate the volume of securities transacted and the procedure of conducting such transactions in order to ensure the promotion, development and clean operation of stock exchanges.

To make necessary arrangements to prevent insider trading or any other offenses relating to transactions in securities in order to protect the interest of investors in securities.

To review or make arrangement for reviewing the financial statements submitted by the corporate bodies issuing securities and security dealers, and issue directives deemed necessary in that connection to the concerned corporate body.

To systematize and make transparent the act of acquiring the ownership of a company or gaining control over its management by purchasing its shares in a single lot or in different lots.

To establish coordination and exchange cooperation with the appropriate agencies in order to supervise and regulate matters concerning securities or companies.

To discharge or make arrangements for discharging such other functions as are necessary for the development of securities and the capital market.

The Governing Board of SEBON is composed of seven members including one full time chairman appointed by the Government for a tenure of four years. Other members of the Board include joint secretary of Ministry of Finance, joint secretary of Ministry of Law, Justice and Parliamentary Affairs, representative from Nepal Rastra Bank, representative from Institute of Chartered Accountants of Nepal, representative from Federation of Nepalese Chambers of Commerce and Industries, and one member appointed by the Government from amongst the experts pertaining to management of securities market, development of capital market, financial or economic sector.

There are seven departments and sixteen sections in the organization of SEBON. Under the Management Department, there are two divisions namely Human Resources Section and Finance Section. There are also four sections under the Planning and Development Department namely Research Section, Training Section, Information Technology Section and International Affairs Section. There are also two sections under the Corporate Finance Department namely, Public Issue Section and Collective Investment Scheme Section. Likewise, Under the Regulation Department, there are two sections namely, Stock Exchange Regulation Section and Market Intermediaries Regulation Section. There are also

four sections under the Surveillance Department namely, Stock Exchange Surveillance Section, Market Intermediaries Surveillance Section, Trading Surveillance Section and Corporate Surveillance Section. Finally, under Legal Department, there are two sections Research and Investigation Section and Enforcement Section.

The major financial sources of SEBON are the government grant, transaction fee from the stock exchange and registration fee of corporate securities. Other financing sources include registration and renewal of stock exchange and market intermediaries and the income from mobilization of its revolving fund.

SECURITIES LAWS

The followings are the securities laws available in Nepal:

1. Securities Act, 2063
2. Securities Board Regulation, 2064 (Nepali Version)
3. Stock Exchange Licensing Regulation, 2064 (Nepali Version)
4. Securities Businessperson (Stock Broker, Dealer and Market Maker) Regulation, 2064 (Nepali Version)
5. Securities Businessperson (Merchant Banker) Regulation, 2064 (Nepali Version) and (English Version)
6. Securities Registration and Issue Regulation, 2065 (Nepali Version) and (English Version)
7. New Issue Management Guidelines, 1997
8. Securities Allotment Guidelines, 1994 (Nepali Version)
9. Compliance Guidelines for Securities Broker, 2058 (Nepali Version)
10. Securities Issue Guidelines, 2065 (Nepali Version)
11. Bonus Share Guidelines, 2058 (Nepali Version)

12. Government Securities Bylaws of SEBON, 2062 (Nepali Version)
13. Government Securities Transaction Bylaws of NEPSE, 2062 (Nepali Version)
14. Membership of Stock Exchange and Transaction Bylaws, 1993
15. Securities Listing Bye-laws, 2053(1996)
16. SEBON Financial Administration Regulation, 2066
17. SEBON Procurement Regulation, 2066

2.3 REVIEW OF JOURNALS & ARTICLES

Leckey, (2007), in his article “IPO Market has become Sensible” has concluded that the initial public offering market isn't what it used to be in the globalization age, the IPO market has become more sensible. It was due to open economy policy and free competition to the economy. He finally concluded that not only the internal environment but also the external environment affects the IPO throughout the world and it has become more sensible.

Ehsan, Manuchehr and Robert, (2007), in their article “*IPO Pricing and Executive Compensation*” have empirically investigated as whether executive compensation has any impact on the IPO pricing. Corporate governance issues including the CEO's compensation are critical to the firm at the time of the IPO as many firms establish a formal separation of ownership and control for the first time. Underwriters, financial analysts, and potential investors are involved in pricing of an IPO. Greater levels of ownership by the firm's executives and insiders decrease the underwriters' risk as the new IPO needs price support to be fully placed in the initial offering. Both of these outcomes may decrease underwriters' profits. Initial public offerings present **6/08/22 (7 Dec, 2009), registered rights**

Boulton, Smart and Zutter, (2009), in their article “*IPO Underpricing and International Corporate Governance*” have focused on the country level governance affect the underpricing of initial public offerings(IPOs). They have examined 4462 IPOs across 29 countries from 2000 to 2004, and found the surprising result that underpricing is higher in countries with corporate governance that strengthens the position of investors relative to insiders.

2.4 REVIEW OF THESIS

Some of the reviews made on the related studies as carried out in the past by various scholars and students have been described in brief below:

Subedi (2003) in his thesis entitled “*Investors' Awareness in the Securities Market in Nepal*” put his objectives as enhancing the awareness to the common people who are the part of investment. And he concluded that fair and timely disclosure of information is necessary to function make the securities market function efficiently. Information deficiency in the capital market may be one of the reasons for determination share price by excessive speculation. This may lead to domination by the gamblers and speculators in the capital market. Investors have little knowledge of the trading procedures and price formation mechanism in NEPSE. At present there is a general lack of investor's awareness about listed companies, the cooperation, and potential role of securities markets, techniques of financial analysis and risks and rewards of holding securities. The major recommendations given by him were about determining about the investment objective in terms of capital appreciation, safety or income and the choice of the investment alternative. Another was about to have regular source for getting proper information to help making investment decision. The sources can be monthly journal or daily newspaper, etc. that provides essential statistical data and financial news. Moreover he also recommends for the investors to be aware of the daily stock price, etc. However, he has not focused on the socio cultural, legal political scenario impact of international in the globalization era.

Upadhyaya (2004) conducted research on the topic of “*Investors Preferences for Investment in Nepal*”. It is mainly based on primary data. His objective was to find out the investor's preference on common stock rather than others things like

building, machinery and so on. He found that Nepalese investors prefer common stock when making investment decision. The common stock has the largest chunk of trading in the market. The main attraction of common stock is due to return and dividend from the company. The stocks of banking sectors have the largest amount of trading in the market i.e. the market capitalizing of common stock of banking sector is very high. Hence, the preference of investors is on common stock of banking sector. The Nepalese investors do not seem aware in regarding investment in security market. They don't analyze the risk and return before making any investment in any securities. They invest their money just by observing the market because Nepalese security market is not in equilibriums. The investors are fancily that the expiry rules and regulation regarding the security market are insufficient there claimed that fully are not getting sufficient and timely inform and from the companies where they have invested their money However, he has focused only for preference for the investment in Nepal but left out about supplementary factors for the awareness to the people and business environment in Nepal.

Guragain (2006) in his thesis titled "*A Study on Individual Investor's Knowledge and Attitude About Common Stock Investment in Nepal*", had set the objectives of analyzing the attitude of individual about common stock, tracing out whether the individual investors are rational or not for stock investment, tracing out the individual knowledge's towards the share and analyzing the behavior of individual for the stock investment, etc. He concluded his study with the findings that the individuals were highly concentrated towards the common stock investment only, where banking sector stocks occupied dominant portion. And also found that most of the investor's investment was without any proper analysis and were influenced by other informal factors such as relatives, friends, etc. However, he could not focus on the different class of people who are interested to invest in the common stock in Nepal.

Kansakar (2006) in his thesis study entitled “*Investment Decision and Investor’s Awareness of Securities Market in Nepal*” showed his concerns towards inability of securities market in attracting the investors towards investments in the securities and few peoples’ influence on the securities market. The major objectives set by him were: finding out whether the investors were adequately aware or not in share trading, tracing out the investor’s attitude towards the share investment in comparison to investment in other sectors and examining the popularity of the securities among the general public from primary data, etc. He concluded his study with the findings that most of investors didn’t keep any idea where to invest, and some of the investors were also found to have no idea regarding tax imposed by the government on dividend. Similarly, most of the investors were also found to have no idea regarding risk and return aspects of the security market. And, most of the investors were also found to have no idea about the securities market index. However, business environment, global impact and economy mode the country has not been adequately.

Shrestha, (2007) in his thesis study entitled “*Behaviour of Investors at Pre and Post Initial Public Offering*” showed his concerns towards behaviours of the investors in the security market in Nepal. The major objectives set by him were: finding out whether the investors were adequately aware or not in share trading, tracing out the investor’s attitude towards the share investment in comparison to investment in other sectors and examining the popularity of the securities among the general public from primary data, etc. He concluded his study with the findings that most of investors didn’t keep any idea where to invest, and some of the investors were also found to have no idea regarding tax imposed by the government on dividend. Similarly, most of the investors were also found to have no idea regarding risk and return aspects of the security market. And, most of the investors were also found to have no idea about the securities market index.

Ojha (2008) in her thesis “*Public Response to Initial Offering in Nepal*” had done the research work IPO to find out the responses of the general people and she concluded that investors response was should be transparent, should be discouraged the big investors as small investors gets the sustainable allotment. Similarly she focused on the advertisement for the awareness and facility location should be to the access of general people. Although the thesis is related to the response of the investors, no survey had been made to incorporate the people of different classes. It highly focused on secondary data.

Thapa (2008) in his thesis entitled “*Share Price Movements of Financial Institutions after the Issue of Right Share and Bonus Share*” has the objectives of price movements of financial institutions like commercial banks, development banks finance and so on. He wants to deliver the awareness the investor the reason behind of the movements of the financial institutions after the issue of right share and bonus share. And he concluded that the demand for the share will be less or sometimes nil as the investors do not find any return immediately. He also concluded that before annual general meeting (i.e. before book closing) the price gets increased as there will be the high demand and less supply. However, behavior of the investors has not been incorporated as it is completely based on the post IPO period.

Giri (2009) in his thesis entitled “*An Initial Offering (IPO) in Nepal*” has the objective of finding the reaction of the investors before IPO and after IPO and their reactions of over and under subscription. He concluded that investors were not so satisfied and found that there was the maximum of investment in financial institutions in comparison to other sectors. Similarly, he was talking about government policy for the foreigners and big investments. However, he could not scientifically prove it as it was on the basis of only secondary data. The thesis with

only secondary data looks incomplete although the researcher was trying to deliver his objectives of the research.

Research Gap

Gap analysis is an important part of research and in this section, it is presenting that what value has been added in this new research.

In the previous related reviewed thesis, it was found that most of them were based on the secondary data only whereas while doing any research work primary data also equally plays the vital role as it is based on the sensitivity of the Nepalese investors. Primary data plus secondary data both equally plays the vital role for finding out the behavior of the investors in commercial banks in Nepal.

As it was reviewed the different thesis, the thesis was not focused on the commercial banks in Nepal rather it was taking the entire sectors of the industry. So, in this thesis, it was trying to conclude the sensitivity of the Nepalese investors on the commercial banks of Nepal. It was only focused on commercial banks of Nepal.

Today's age is the age of globalization and impact of globalization, impact of external environment has not been incorporated in the related reviewed thesis.

In the previous related reviewed thesis, some of them has very few primary data but it was not incorporated the different group of the questionnaire people. Hence, in this thesis, people from different group such as from teaching, banking and finance, student and businessman were the target group whom the interview was focused on.

CHAPTER - III

RESEARCH METHODOLOGY

This chapter deals with the methods and processes associated with the entire study in order to carry this research. It includes the overall research methods from the collection of data to the presentation and the analytical methods. This chapter includes the research design, population and sample, sources of data, data collection techniques and analytical tools.

3.1. RESEARCH DESIGN

The research should be well-designed to carry out the thesis study. Research design means the definite procedure and techniques that provide ways to conduct research works. In this study, descriptive type of research design has been adopted due to the nature of the study.

Descriptive research is a fact finding operation searching for adequate information. It is a type of study, which is generally conducted to assess the opinions, behaviors or characteristics of a given population and to describe the situation and events occurring at present.

3.2. POPULATION AND SAMPLE

The population of the study is the investors as well as all the companies listed at NEPSE as the study is focused on the investors' behavior regarding the IPO Issues and the proportional volumes of the companies from various sectors. This study is

based on the survey and also the survey is based on sample because population for the study is unlimited.

3.3 SAMPLE FRAME

The study is carried out by conducting a survey in Kathmandu city because of the high concentration of all the knowledgeable investors in within the city. Sample frame of this study is investors from different categories: teachers, employees, students and professional investors from different categories and some companies from commercial and development banks, financial institutions, hydropower and other sectors.

3.4 SAMPLING UNIT

The sample units of the study are investors and some companies from the different categories as mentioned above.

3.5 SAMPLE SIZE

The data used in the study are primary data. As the population of the study is very huge in number, the data is collected by sample survey. The sample size is altogether 80.

3.6. SOURCES OF DATA

The required information and data have been collected though primary and secondary sources. Under primary source, necessary interviews and surveys were conducted with the help of questionnaire. Under secondary source, data have been collected through the Security Board of Exchange, Thapathali, Kathmandu.

3.7 TYPES OF DATA

The data collected for the study is of two types. One is Primary and the second one is Secondary data.

3.8. THE DATA GATHERING PROCEDURE

The survey has been conducted through structured questionnaire. The questionnaire have been distributed by the researcher and collected himself.

3.9. THE TOOLS FOR ANALYSIS

The collected data are presented through the help of descriptive statistics. Pie chart and bar graphs are used to demonstrate proportions and frequencies of the data more clearly. Moreover, analytical part of the study follows the descriptive analysis. This means the responses from the respondents have been arranged in such a written form that provides answers to the questions in fulfilling the objectives of the study.

3.10. THE DATA PROCESSING PROCEDURE

First the data have been collected with the help of questionnaires distributed to various investors. Then the collected data have been classified and stored in computer. Thereafter they have been properly classified, arranged and presented into different tables and thereafter into different graphs ultimately.

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

Presentation and analysis of the data in any research work is inevitable part and by which research work seems to be in completed. This chapter deals with the presentation and analysis of the data on the related matter that is sensitivity of the Nepalese investors with regards to initial public offering. In this chapter, the relevant and available data collected through various way, have been presented and appropriate analysis has been made on it. For ease, the data are presented in the tables and thereafter have been portrayed in various graphs.

4.1 Primary Data, its Scope and Analysis with Tables and Graphs

The research work has focused on the two types of data: Primary and secondary data. In the following consecutive section, primary data have been presented; thereafter analysis has been made on the given data. For this, the following factors have been taken into consideration:

- i. Institutional vs. Individual Investors.
- ii. Investors Applying vs. Investors not Applying in IPO markets.
- iii. Frequency in Investment.
- iv. Study of Financial Statements.
- v. Factors Consideration for Investment Analysis.
- vi. Dependency on Sources for Information.
- vii. Sources for Access to Information.
- viii. Gathering of Information on Investment Procedure.
- ix. Factors Associated with Information.
- x. Preferences on Choices of Markets for Investment.
- xi. Preferences on Choices of Companies for Investment.
- xii. Factors that Motivate for Investment.

- xiii. Arrangement for Funds.
- xiv. Allocation of Shares vs. Application for Shares.
- xv. Level of Allocation of Shares.
- xvi. Strategies Carried After the Post Allocation of Shares.
- xvii. Returns on Share Investment in IPO.
- xviii. Participation in AGM of a Company.
- xix. Frequency of Participation in AGM.
- xx. Factors Associated with the Participation in AGM.
- xxi. Factors Experienced by the Investors.
- xxii. Comments of Investors.

i. Institutional vs. Individual Investors

There are different types of investors exist in the market. For this the first question asked to the interviewee was about the type of investors. And the responses received from them have been presented in the table 4.1 as shown below:

Table: 4.9

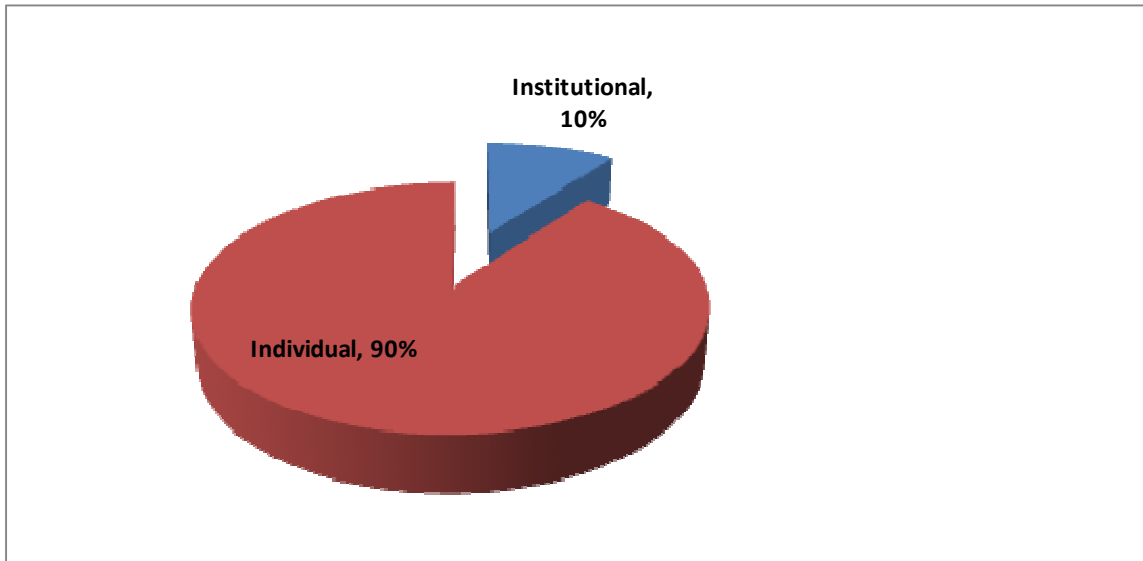
Institutional vs. Individual Investors

Type of Investors	Number	Percentage
Institutional	8	10%
Individual	72	90%
Total	80	100%

In the Table 4.1, 72 investors were found to be of Individual Investors whereas only 8 investors were found to be of Institutional. Similarly, the data presented in the table have been presented in the following Figure 4.1.

Figure: 4.1

Institutional vs. Individual Investors



In the Figure 4.1, we can see the individual investors have the majority in Nepalese primary market. However, the volume of individual and institutional could be differ. Out of 80 investors, 72 (i.e. 90%) are individual and only 4 investors (i.e. 10%) were found to be of institutional.

From the given data in both the table and figure, it can be concluded that there is a majority of individual investors that dominate institutional investors though the amount can be smaller in rupee value.

ii. Investors Applying vs. Investors not Applying in IPO Markets.

The second question was asked whether they have applied in the shares initial public offering (IPO). And the question had only two options as responses: The two types of responses were “Yes” and “No”. Out of 80 respondents, 60 persons had given answers in the first option and the rest had given under the second choice. The collected data have been presented in the Table 4.2:

Table: 4.10

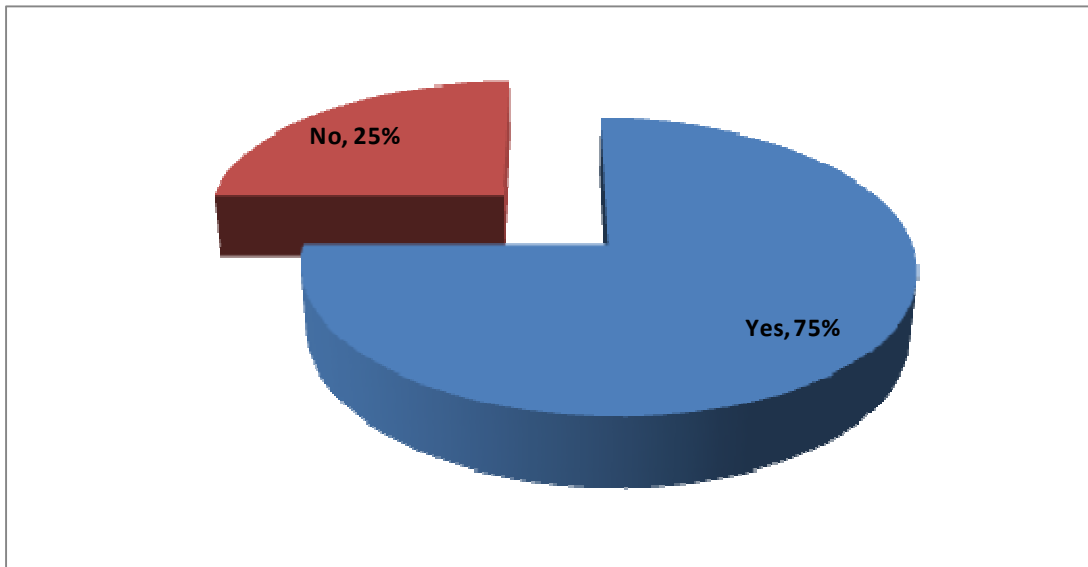
Investors Applying vs. not Applying in IPO

Type of Response	Number	Percentage
Yes	60	75%
No	20	25%
Total	80	100 %

In the Table 4.2, 60 investors were found to apply in the IPO shares whereas 20 investors were not found to apply in the shares. It has been presented in the following figure 4.2

Figure: 4.2

Investors Applying vs. Investors not Applying in IPO



In the Figure 4.2, it can be seen that the number of investors applying has major portion with 75% volumes whereas the investors who do not apply have lesser portions with only 25 % volumes.

It can be concluded that the number of investors applying for IPO is higher than that of the investors not applying. It gives an indication that large numbers of investors are interested in IPO market these days.

iii. Frequency in Investment

The next question asked to them was about how frequently they invest into IPO shares. And the responses received by them have been presented in the Table 4.3 as follows:

Table: 4.11

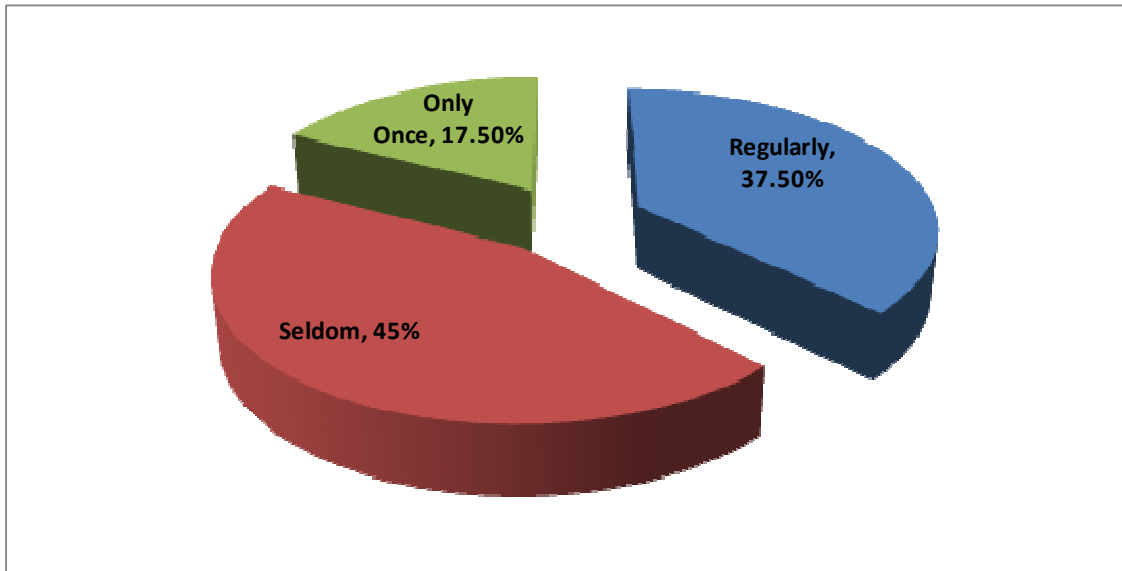
Frequency in Investment

Type of Frequency	Number	Percentage
Regularly	30	37.50%
Seldom	36	45%
Only Once	14	17.50%
Total	80	100%

In the Table 4.3, it has been shown that there are three categories of frequency in investment by investors. The number of investors who invest regularly is 30, and who invest seldom, is 36 whereas who invest only once is 14. Similarly the same data have been portrayed in the Figure 4.3 as shown below:

Figure: 4.3

Frequency in Investment



In the Figure 4.3, it can be clearly seen that number of investors investing regularly and seldom are greater than those who invest rarely that is only once in their lives. It is only 17.50% who have invested only once whereas it is 37.50 % for them who invest regularly and it is 45 % who invest seldom.

It can be concluded that majority of investors do not invest in IPO regularly, however there is also a major number of investors who apply regularly in the IPO. Very few investors are found to invest only once in their lives in the market.

iv. Study of Financial Statements

Study related to the financial statements was the next question asked to the investors before investing into the shares in IPO. The responses were in “Yes” and “No” type. Out of 80 respondents, only 20 respondents were found to study

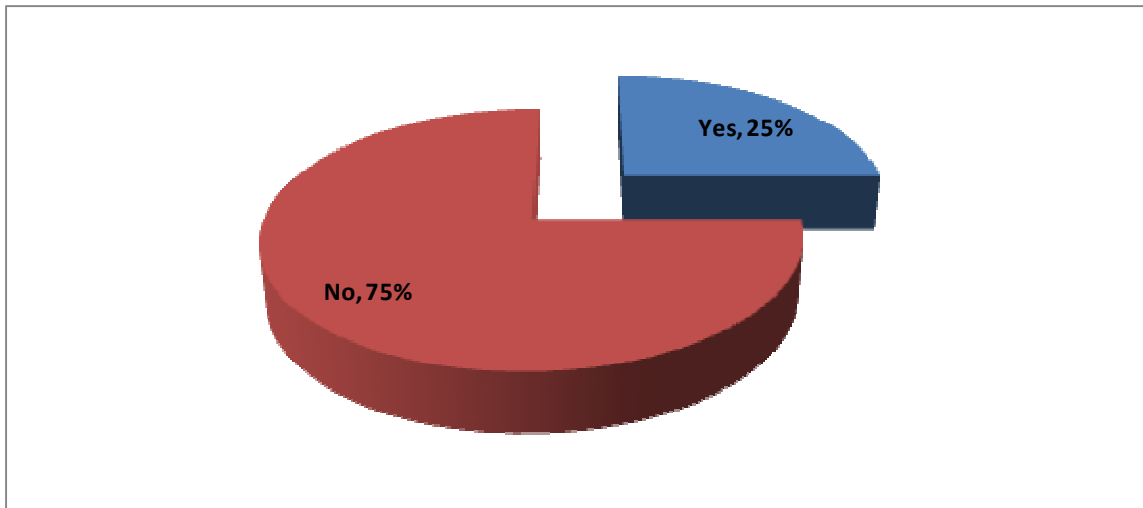
the statements whereas 60 respondents were found not to study the statements. The data have been presented in Table 4.4 as follows:

Table: 4.4
Study of Financial Statements

Type of Responses	Number	Percentage of Response
Yes	20	25%
No	60	75%
Total	80	100%

In the Figure 4, it can be clearly seen that the number of investors studying the financial statements is only 25 in terms of percentage whereas it is 75 in terms of percentage who do not study the statements.

Figure: 4.4
Study of Financial Statements



In the Figure 4.4, it can be clearly seen that the number of investors studying the financial statements is only 25 in terms of percentage whereas it is 75 in terms of percentage who do not study the statements.

It can be concluded that most of the investors do not study the financial statements. In other words, majority of investors do not care to study and analyze the statements before investing. It is recommended to the investors to study and understand the financial statements before investing.

v. Factors Consideration for Investment Analysis

The next question in the survey was focused on what type of factors they analyze while studying the financial statements for the investment purposes. And the responses have been presented in Table 4.5 as follows:

Table: 4.5

Factors Considered for Investment Analysis

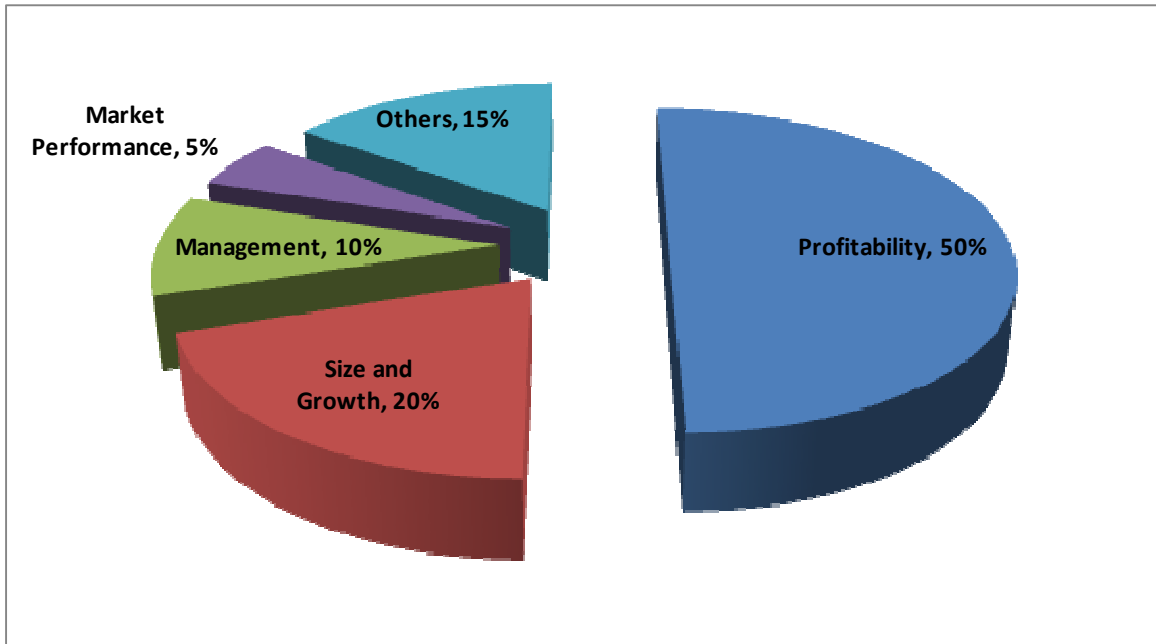
Type of Factors	Number	Percentage
Profitability	10	50%
Size and Growth	4	20%
Management	2	10%
Market Performance	1	5%
Others	3	15%
Total	20	100%

In the Table 4.5, out of 20 respondents, 10,4,2,1 and 3 respondents were found to focusing on profitability Size and Growth, Management, Market Performance and

other factors respectively. The followings 4.5 figure shows the factors considered for investment analysis.

Figure: 4.5

Factors Considered for Investment Analysis



In the Figure 4.5, 50 % investors who prefer to focus on the profitability factor whereas for other factors: size and growth, management, market performance and others, the it is just 20%, 10%, 5% and 15 % respectively.

It can be concluded that profitability is the most attractive factor for all the investors for the IPO markets. In comparison to this, the other factors play lesser roles in attracting the investors to induce for the investment.

vi. Dependency on Sources to Get Information

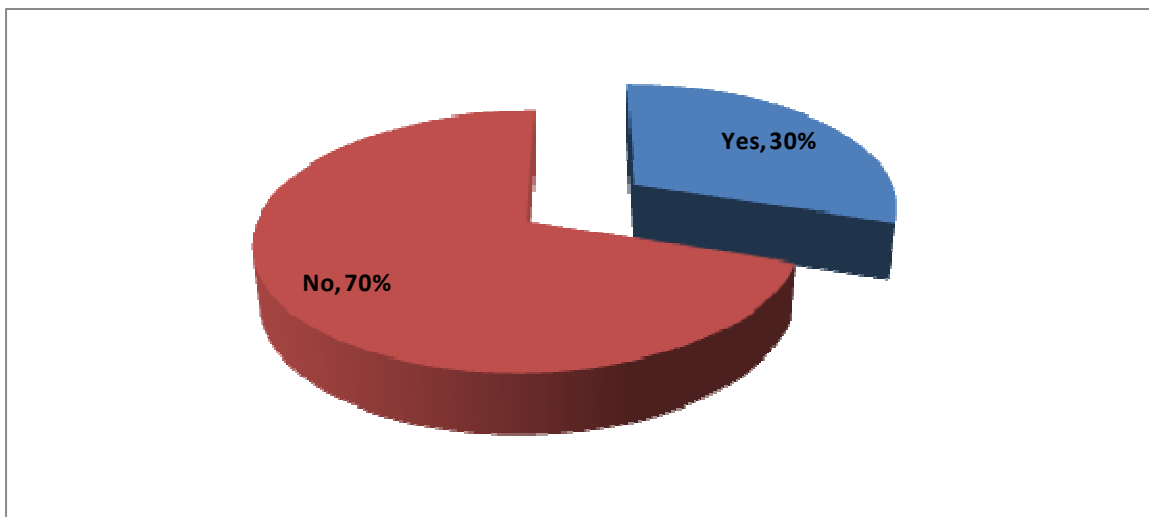
The next question was whether they depend on any sources to get information while applying for shares. And the responses collected from them have been presented in the Table 4.6:

Table: 4.6
Dependency on Sources to Get Information

Types of Responses	Number	Percentage
Yes	24	30%
No	56	70%
Total	80	100%

In the Table 4.6, it can be seen that 24 investors depend on sources to collect appropriate information whereas 56 do not depend on any of the sources. The same data have been presented in the Figure 4.6 as shown below:

Figure: 4.6
Dependency on Sources to Get Information



In the Figure 4.6, only 30% investors were found to rely on certain sources to gather an appropriate information on investment procedure while investing into shares whereas 70% investors were found not to rely on any sources for collecting required information while investing.

It can be concluded that a majority of investors do not need to rely on any sources for the purpose of collecting information that indicates that they either collect information themselves or they do not find it necessary to collect required amount of information. However, it is recommended to the investors to collect the appropriate information before investing into the share.

vii. Sources for Access to Information

Similarly, the next question was asked what type of sources they access for collecting the information. And the responses have been presented in the following Table 4.7:

Table: 4.7

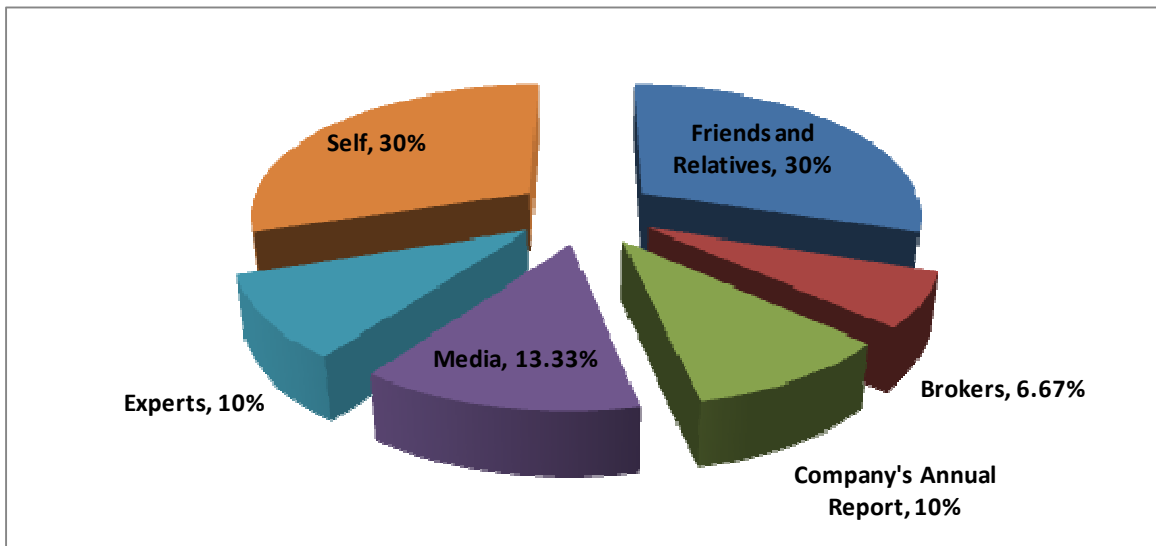
Sources for Access to Information

Types of Sources	Number	Percentage
Friends and Relatives	9	30%
Brokers	2	6.67%
Company's Annual Report	3	10%
Media	4	13.33%
Experts	3	10%
Self	9	30%
Total	30	100%

In the Table 4.7, the number of investors depending on friends and relatives, Brokers, company's annual report, Media, Experts and Self are 9, 2, 3, 4, 3 & 9 respectively. Out of which number of self-collecting and analyzing and collecting with the support of friends and relatives are greater than those of other factors. Similarly it can be shown in the figure 4.7

Figure: 4.7

Sources for Access to Information



In the Figure 4.7, it can be easily seen that the volumes of investors who depend on Friends and relatives and self are greater than that depend on experts, Medias, company's annual reports and brokers.

It can be concluded that majority of investors collect information on their own, as well as majority of them depend on friends and relatives. However, the number of investors depending upon other important sources is very lesser in comparison to other sources.

viii. Gathering of Information on Investment Procedure

The next question asked was whether they collect any information on investment procedure. And the responses given by them have been presented in the Table 4.8:

Table: 4.8

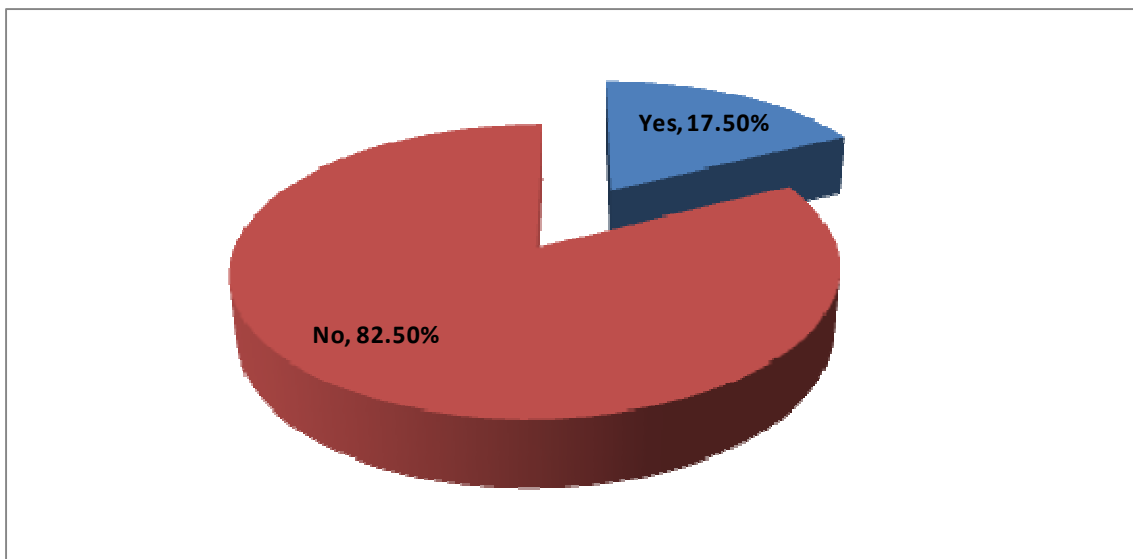
Gathering of Information on Investment Procedure

Types of Reponses	Number	Percentage
Yes	14	17.50%
No	66	82.50%
Total	70	100%

In the Table 4.8, it can be seen that the number of investors is only 14 who collect the information on gathering information on investment procedure whereas there are 58 investors who do not collect any information. The same data have been presented in the Figure 4.8:

Figure: 4.8

Gathering of Information on Investment Procedure



In the Figure 4.8, it can be clearly seen that 17.50 % investors were found to gather required information for analyzing on investment procedure whereas 82.50% investors were not found to be gathering any such information.

It can be concluded very less number of investors collect required information on the investment procedure. This indicates that there is a majority of investors who do not find it necessary to collect required information. Hence, it is recommended to collect required information on the investment procedure so that return on investment can be increased in the sustainable level.

ix. Factors Associated with Information

The next question was on what types of factors they were interested while gathering the information. And the responses along with the factors have been presented in the Table 4.9:

Table: 4.9

Factors Associated with Information

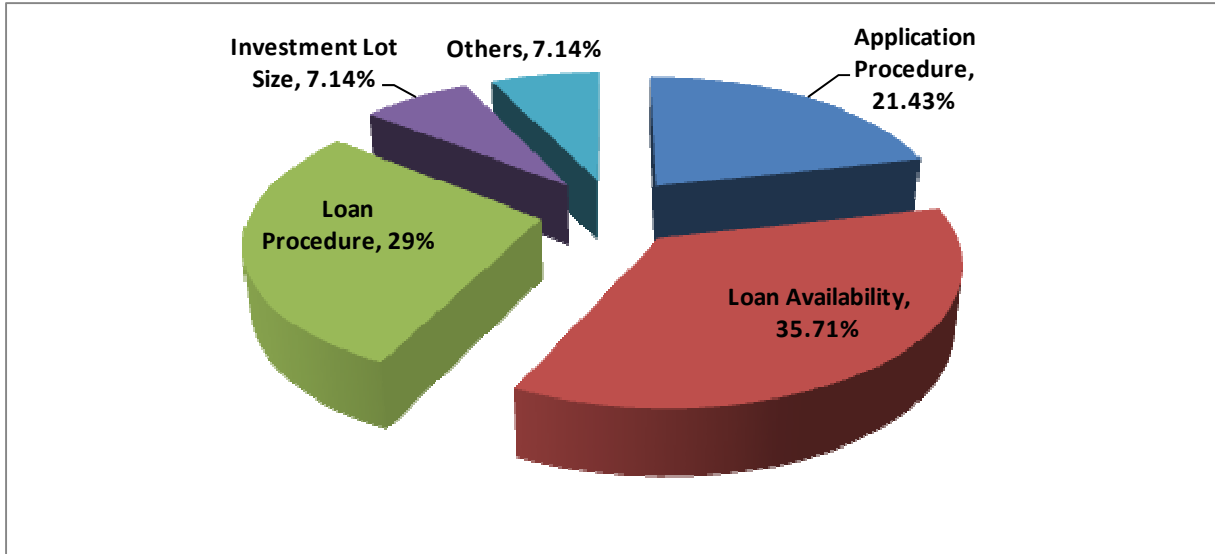
Types of Factors	Number	Percentage
Application Procedure	3	21.43%
Loan Availability	5	35.71%
Loan Procedure	4	28.57%
Investment Lot Size	1	7.14%
Others	1	7.14%
Total	14	100%

In the Table 4.9, it has been presented that out of 14 investors, only 5 were found to gather information on “loan availability”, 3 were found to gather information on

“loan procedure”, whereas rest of them were found to gather the information on “Application Procedure”, Investment Lot Size” and other factors 3,1 and 1 respectively.

Figure: 4.9

Factors Associated with Information



In the Figure 4.9, the loan availability is the dominant factor on which more investors have focused to collect data in comparison to other factors. Investment lot size is the least factor on which they were found to focus.

It can be concluded that maximum investors are concentrated towards collecting information on loan aspects, be it loan availability, or be it loan procedures. In comparison to this, less numbers of investors are concerned about collecting information on application procedure and investment lot size.

x. Preferences on Markets for Investment

The next question was whether they prefer to invest into the primary market i.e. IPO or secondary market i.e. NEPSE. And the responses received from them have been presented in the table 4.10 as shown below:

Table: 4.10

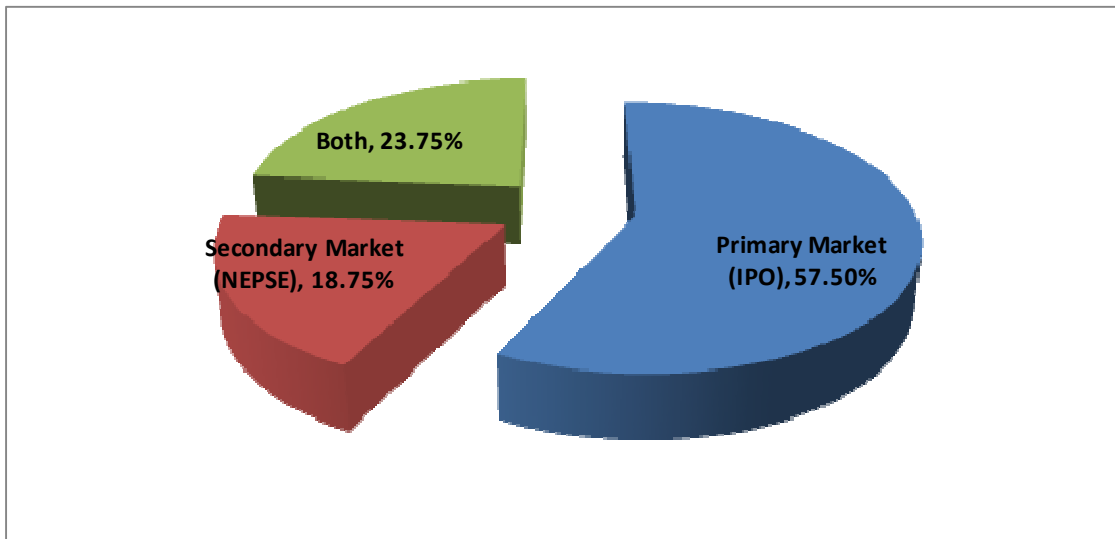
Preferences on Markets for Investment

Types of Markets	Number	Percentage
Primary Market (IPO)	46	57.50%
Secondary Market (NEPSE)	15	18.75%
Both	19	23.75%
Total	80	100%

In the Table 4.10 above, the number of investors preferring to invest in IPO is 46 whereas it is just 15 in the case of secondary market that is quite lesser than that of the investors in the case of primary market. Similarly, 19 out of 80 were found having investment in both –primary and secondary market. The above data (i.e Table 4.10) have been presented in the Figure 4.10:

Figure: 4.10

Preferences on Markets for Investment



In the Figure 4.10 also, it can be clearly seen that the pie representing primary market having 57.50 % is greater than that of the secondary market having 18.75% in total. Similarly, investment in both is 23.75 % in total.

It can be concluded that the majority of investors prefer primary market (IPO) to secondary market for their investment. Thus, i.e. primary market is the dominant market in comparison to the secondary market for investment among the investors. However, it is recommended that investment in secondary market may give more returns provided there is fundamental and technical analysis as there is uncertainty in the primary market.

xi. Preferences on Companies for Investment

Another question asked to them was what type of companies they preferred to invest in. And the responses from them have been presented along with all the given options in the Table 4.11 as follows:

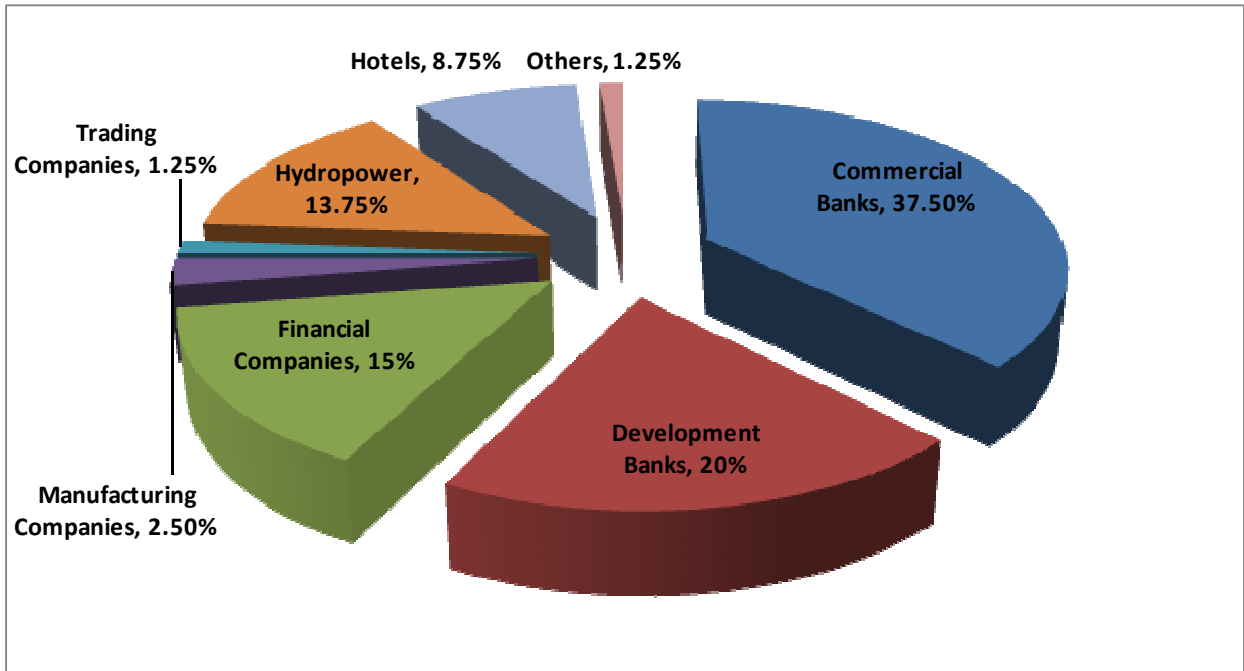
Table: 4.11
Preferences on Companies for Investment

Types of Companies	Number of Investors	Percentage
Commercial Banks	30	37.50%
Development Banks	16	20%
Financial Companies	12	15%
Manufacturing Companies	2	2.50%
Trading Companies	1	1.25%
Hydropower	11	13.75%
Hotels	7	8.75%
Others	1	1.25%
Total	80	100%

In the Table 4.11, it can be seen that 30 investors out of total 80 investors prefer to invest in commercial banks, in the case of development banks, financial companies, manufacturing companies, trading companies, hydropower and hotels the numbers of investors preferring to invest are 16, 12, 2,1,11,7 and 1 respectively. The same data have been presented graphically in the Figure 4.11 as shown below:

Figure: 4.11

Preferences on Companies for Investment



In the Figure 4.11, it can be clearly seen, that the number of investors preferring to invest in the companies, is the greatest on the part of commercial banks having 37.50 percentages. Similarly, the sectors such as development banks, financial companies, hydropower and hotels also show significant portions on the

preferences of investors having 20%, 15%, 13.75% and 8.75% respectively. However, it is just 1.25 % for both “trading companies” and “Other” sectors.

It can be concluded that Commercial banks is the sector that has dominated all the other sectors. Similarly, Development Banks and financial companies and hotels have also the significant portions among the investors’ choice for investment. However, other sectors have very minimum portions such as, manufacturing companies and trading, etc. Hence, it is recommended to the investors that investment should be done based on the performance of organization rather than simply believing on the commercial banks.

xii. Factors that Motivate for Investment

The next question asked to them was what type of factors that motivate them to invest into such market and sectors. And the responses have been presented along with the given options in the Table 12 as shown below:

Table: 4.12

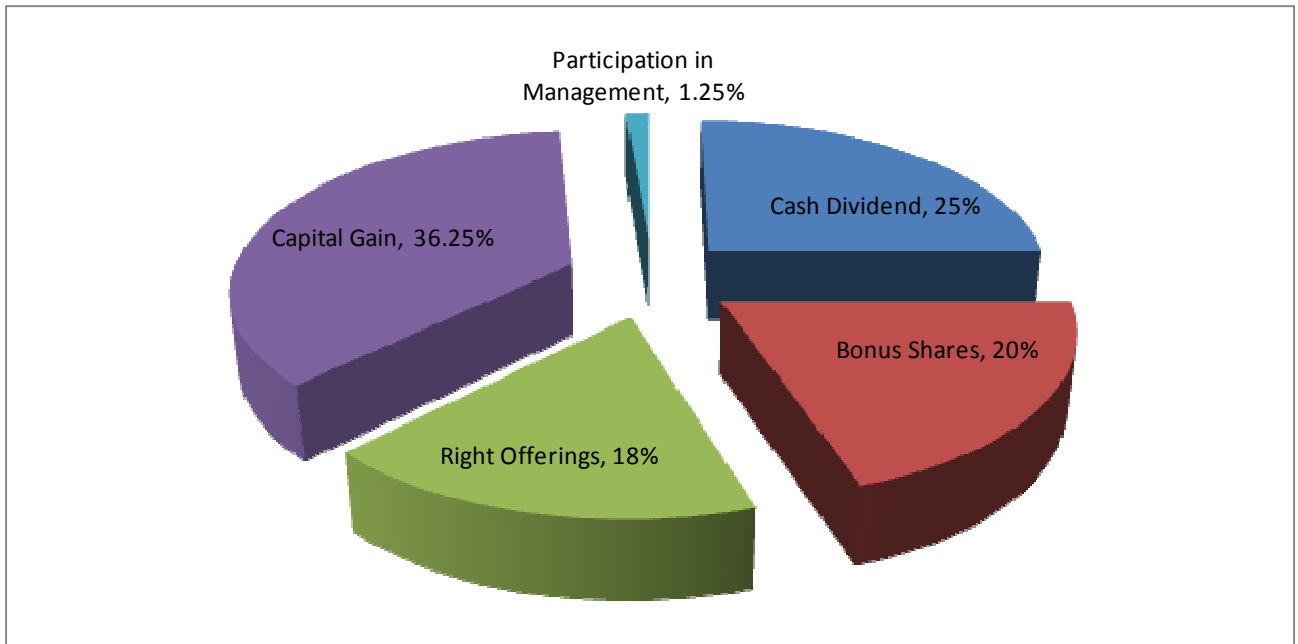
Factors that Motivate for Investment

Types of Factors	Number of Investors	Percentage
Cash Dividend	20	25%
Bonus Shares	16	20%
Right Offerings	14	17.50%
Capital Gain	29	36.25%
Participation in Management	1	1.25%
Total	80	100%

In the Table 4.12 above, it can be clearly seen that capital dividend is the greatest factor motivating the investors to invest having 20 numbers of investors who get motivated due to this factor. Similarly, the numbers of investors who are motivated to investors by the above factors are 16, 14, 29 and 1 for bonus shares, right offerings, capital gain and participation in management, etc. The above data have been presented in the Figure 4.12 as shown below:

Figure: 4.12

Factors that Motivate for Investment



In the Figure 4.12, it can be seen that 36.25, 25, 20, 17.50 and 1.25 percent investors prefer Capital Gain, Cash dividend, bonus shares, right offerings, and participation in management respectively to invest in the shares in IPO.

It can be concluded that capital gain, cash dividend and bonus shares are the most attractive factors that motivate the investors to invest into IPO shares. Similarly, the factor “Right Offering” is also found to attract the investors towards

investment; however, the factor “participation in management” is found to attract less number of investors. Hence, it is recommended to the investors to keep interest on the participation on the management as Nepal needs the qualified professionals in the management of the organization.

xiii. Arrangement for Funds

The next question asked to them was through what source they arrange for the required funds to put into investments. And the responses along with the given options to choose for them have been presented in the Table 4.13 as shown below:

In the Table 4.13, it can be seen that the source “Loans from financial institutions” dominate all the other sources having 35 numbers of investors depending upon. Similarly, Loans from informal sources, own savings and other sources, the numbers are 12, 29 and 4 respectively who depend on arranging the funds for the investment. Similarly the same data have been portrayed in the Figure 4.13 as well.

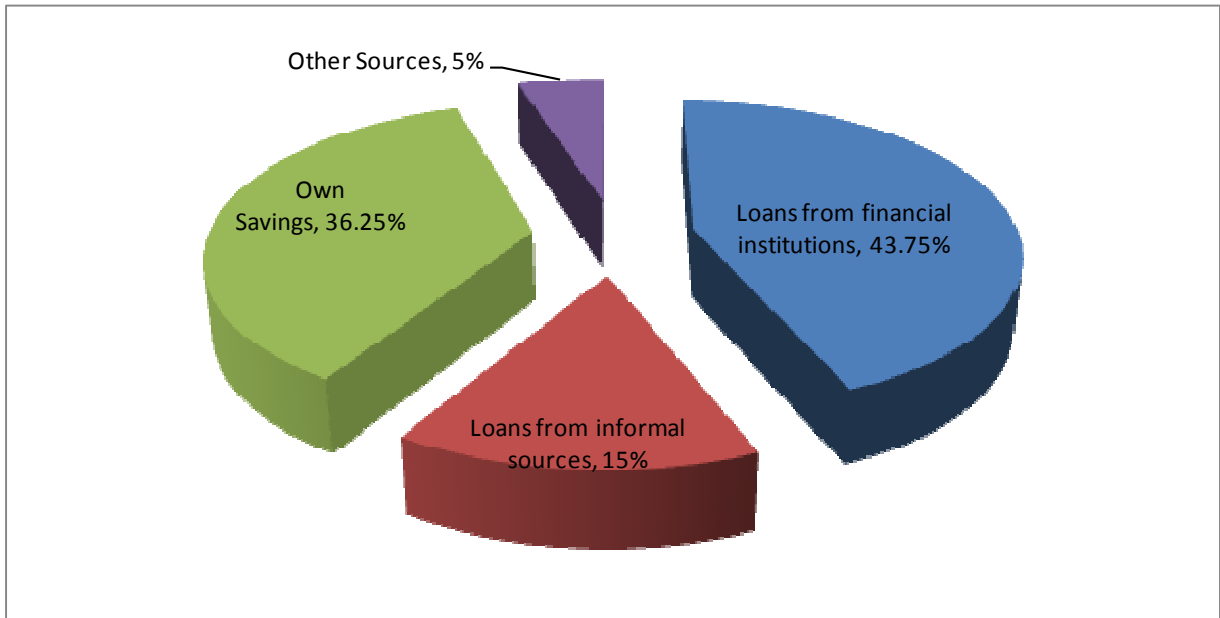
Table :4.13

Sources for Access to Funds

Sources for access to funds	Number of Investors	Percentage
Loans from financial institutions	35	43.75%
Loans from informal sources	12	15%
Own Savings	29	36.25%
Other Sources	4	5%
Total	80	100%

Figure: 4.13

Sources for Access to Funds



In the Figure 4.13, 43.75% investors arrange funds with loans from financial institutions. 36.25%, 15 % and 5%investors arrange through “Own Saving”, “Loans from informal sources” and other sources respectively.

It can be concluded that majority of investors arrange for the funds through loans from financial institutions. Similarly, arranging for funds through own savings and through informal sources are also the major ways among the investors. However, arranging for funds through other sources is very minimal in comparison to the above mentioned sources. Hence it is recommended to the investors to invest from authorized financial institutions.

xiv. Allocation of Shares vs. Application for Shares.

The next question asked to them was whether got allocated any shares on their applications in IPO. The responses along with the associated options in “Yes” and “No” have been presented in the Table 4.14:

Table: 4.14

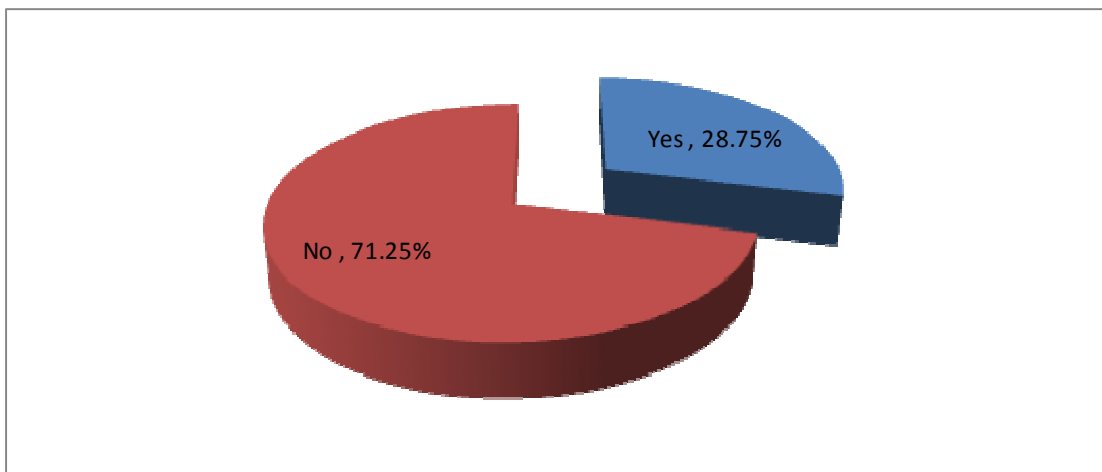
Allocation of Shares vs. Application for Shares.

Types of Responses	Number of Investors	Percentage
Yes	23	28.75%
No	57	71.25%
Total	80	100%

In the Table 4.14, it can be seen that out of 80 investors, only 23 investors were allocated the shares on their applications and remaining 57 had not been allocated the shares. Similarly the same data have been presented in the Figure 4.14 as shown below:

Figure: 4.14

Allocation of Shares vs. Application for Shares.



In the Figure 4.14, it can be seen that no. of investors saying “Yes” that represents the number of investors who were allocated shares is lesser than that of those saying “No” that represents the number of investors who were not allocated shares. 28.75% were the allocated and while 71.25 were not allocated out of 80 investors

It can be concluded that the ratio of investors receiving shares upon the application to the investors not receiving the shares is very minimal. This shows that all the applicants who apply for shares do not get allocated the shares they apply for. Hence, it is recommended to the investors to collect the appropriate information and procedure for apply of the share before applying for it.

xv. Level of Allocation of Shares

The next question was at what level they had been allocated shares in IPO after they applied. The concerning responses along with the associated options: “Full Allocation”, “Half Allocation”, “Less than Half”, “More than Half”, and “Very Few” have been presented in the Table 4.15 as shown below:

Table: 4.15

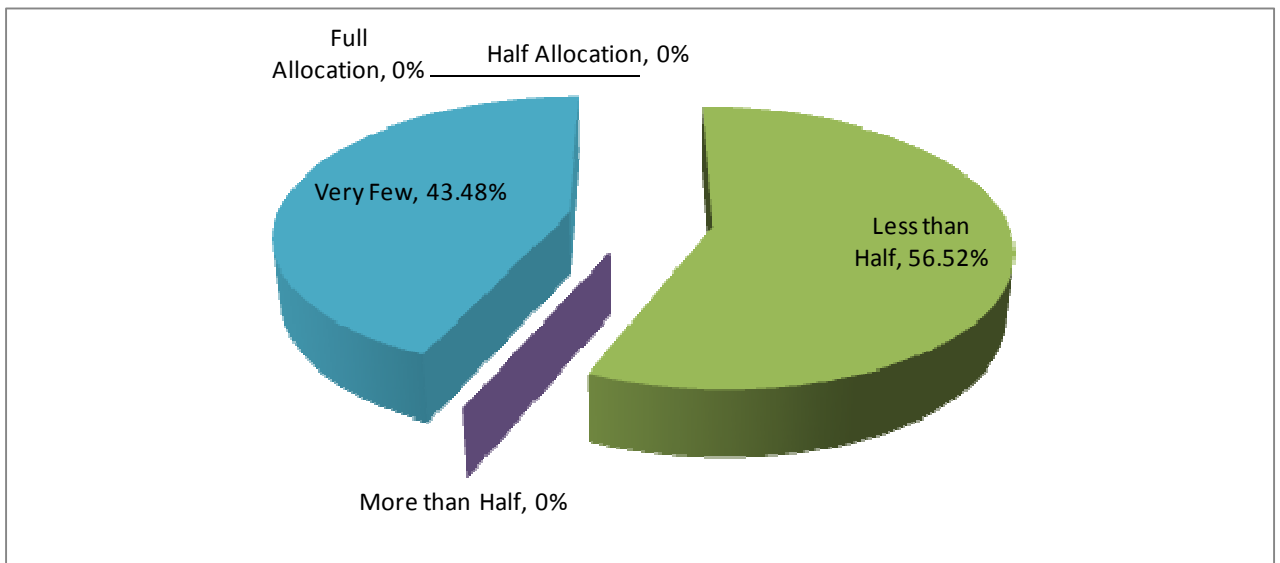
Level of Allocation of Shares

Level of Allocation	Number of Investors	Percentage
Full Allocation	0	0%
Half Allocation	0	0%
Less than Half	13	57%
More than Half	0	0%
Very Few	10	43%
Total	23	100%

In the Table 4.15, the number of investors who were allocated shares at full and half and more than half level is nil whereas, the number of investors is 13 and 10 for the options of “less than half” and “Very few” respectively. The same data have been presented in the Figure 4.15.

Figure: 4.15

Level of Allocation of Shares



In the Figure 4.15, the portions representing “full allocation”, “half allocation”, “more than half” clearly show that nobody has been allocated shares at full, half and more than half level. However, the portion representing the investors who were allocated shares at “Less than half” and “Very Few” level has the value of 52.52 % and 43.48 %.

It can be concluded that it is very hard to get full and half allocation of shares on the number of applied shares. Similarly the same case applies in the case of “More

than half’ too. However, majority of investors get allocated shares at less than half. Similarly, there are also a large number of investors who get very minimum level of shares. It is recommended to the investors not to apply the entire amount in the name of single person rather than applying in the name of multiple people so that there would be chances getting allocation to some satisfaction level.

xvi. Strategies Carried After Post Allocation of Shares

The next question asked to them was what type of strategies they carried after the allocation of shares. The responses along with the given options have been presented in the Table 4.16 below.

Table: 4.16

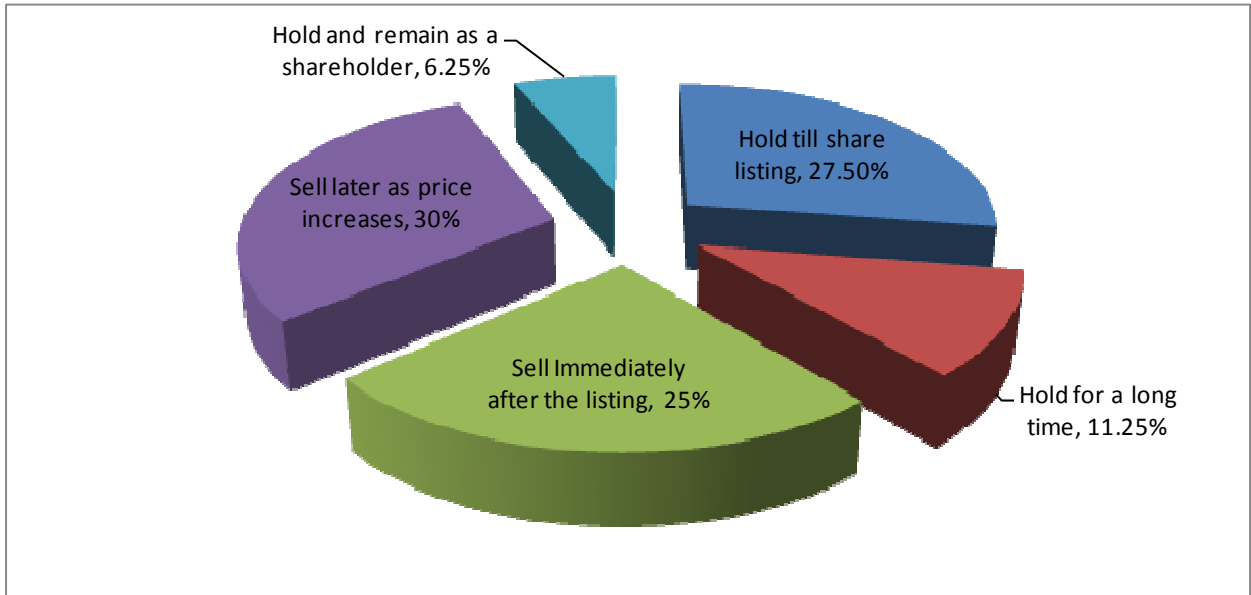
Strategies Carried After Post Allocation of Shares

Types of Strategies	Number of Investors	Percentage
Hold till share listing	22	27.50%
Hold for a long time	9	11.25%
Sell Immediately after the listing	20	25%
Sell later as price increases	24	30%
Hold and remain as a shareholder	5	6.25%
Total	80	100%

In the Table 4.16, it can be seen that the number of investors who held shares till listing of the shares in the NEPSE is 22. Similarly, it is 9, 20, 24, & 5 under the options “ Hold for a long time”, “Sell Immediately after the listing”, “Sell later as price increases”, “Hold and remain as a shareholder” respectively. Similarly, the same data been presented in the Figure 4.16 as shown below:

Figure: 4.16

Strategies Carried After Post Allocation of Shares



In the Figure 4.16, it can be seen that the investors holding the strategies of “sell later as price later” in terms of percentage is the highest one among all the other strategies. Similarly, it is 27.50%, 25 %, 11.25% and 6.25 % for the strategies “Hold till share listing”, “Sell immediately after the listing”, “Hold for a long time” and “Hold and remain as a shareholder” respectively.

It can be concluded that large numbers of investors tend to sell their shares as the associated prices increase later. Similarly, the investors wanting to sell the shares as soon as they are listed in the NEPSE, are also large in numbers. However, there is also a large number of investors who do not have clear idea to sell immediately after the listing, but wish to hold at least till the listing. In contrary to this, the number of investors with the strategy to be a shareholder for a long period and to hold the shares for a long period is very less in comparison to the above strategies.

Hence, it is recommended to the investors that before selling it, it would be better to make technical analysis.

xvii. Returns on Share Investment in IPO Market

The next question asked to them was whether they thought that investing into shares would offer better returns than any of other options. The responses along with the given options in terms of “Yes”, “No” and “Cannot Say” have been presented in the Table 4.17.

Table: 4.17

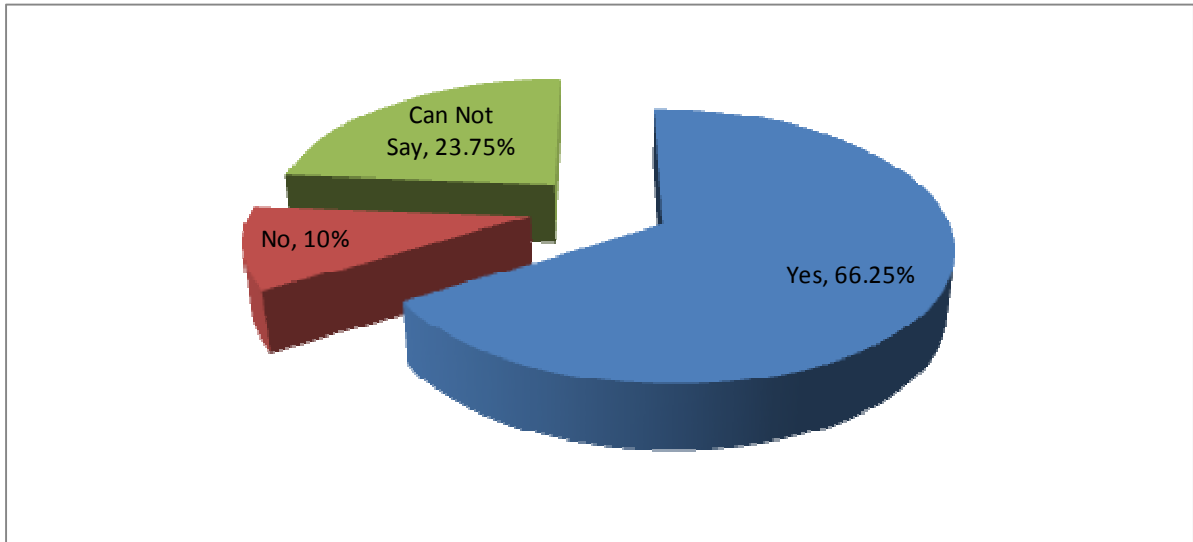
Returns on Share Investment in IPO Market

Type of Responses	Number of Investors	Percentage
Yes	53	66.25%
No	8	10%
Can Not Say	19	23.75%
Total	80	100%

In the Table 17, it can be seen that number of investors who gave responses in favor of “Yes” is 48 which is the dominant figure among all the other options. And it is 6 and 16 for the options “No” and “Cannot say”. Similarly the same data have been presented in the Figure 4.17 below:

Figure: 4.17

Returns on Share Investment



In the Figure 4.17, it can be seen that the percentage figure of investors saying “Yes” is 66.25% and for the options “No” and “Can not say”, it is 10% and 23.75% respectively.

It can be concluded that the maximum number of investors view that investing into shares in IPO offered better returns. In contrary to this, few number of investor regard that investing into shares may not necessarily bring better returns. However, there is significant number of investors who do not hold clear view on this matter. This shows that are investing into shares without any clear objective. Hence, it is recommended to the investors to invest in the different sectors wherever they have enough knowledge to minimize the risk and maximize the returns.

xviii. Participation in AGM of a Company

The next question was focused on finding whether the investors have ever participated in annual general meeting of a company. And among the whole respondents very few of them were found to participate in AGM. The responses collected from them have been presented along with the given options in terms of “Yes”, and “No” in the table 4.18 as shown below:

Table: 4.18

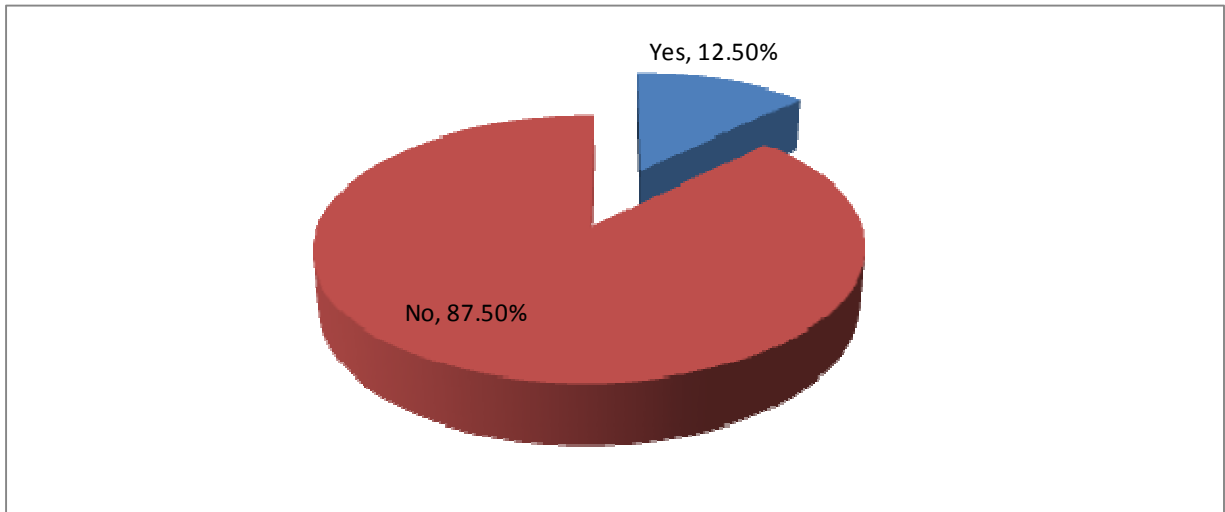
Participation in AGM of a Company

Types of Responses	Number of Investors	Percentage
Yes	10	12.50%
No	70	87.50%
Total	80	100%

In the Table 4.18, the number of investors who participated into AGM is just 10 and in term of percentage, it is 12.50 whereas who never participated is 70 which is 87.50 in terms of percentage. Similarly the same data have been presented in the Figure 4.18 below:

Figure: 4.18

Participation in AGM



It can be concluded that majority of investors do not participate in AGM which can be attributed to the lack of awareness and interests in such matters. In contrary to this, very less numbers of investors attend AGM. It is recommended to the investors to participate AGM so that they can raise their issues to them AGM.

xix. Frequency of Participation in AGM

The next question was asked to them was frequency of participation. The question was focused in finding how frequently they participate in the AGM. The responses collected from them have been presented along with the given options: “Regularly”, “Seldom” and “Only Once” in the Table 4.19.

Table: 4.19

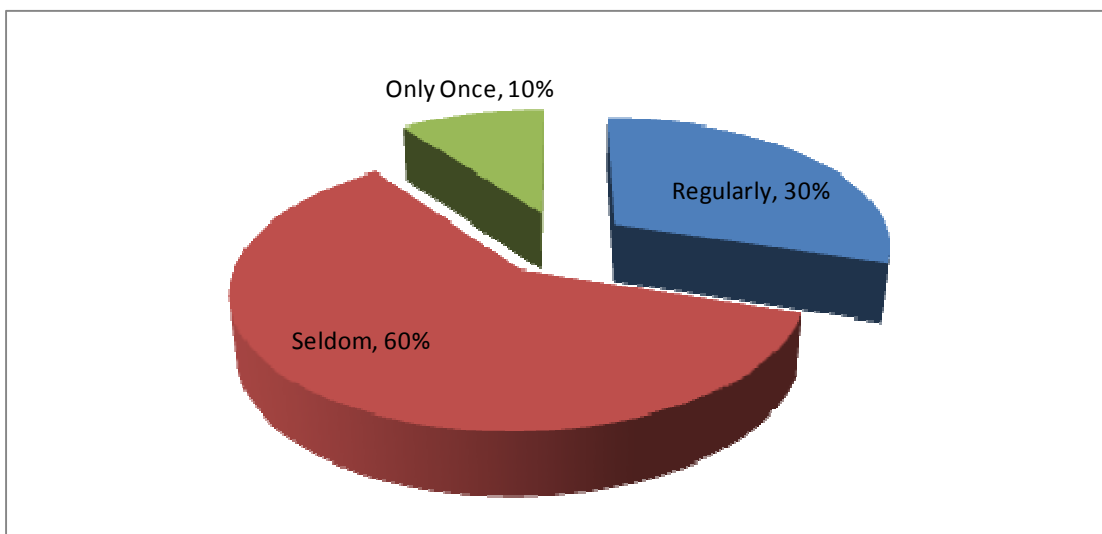
Frequency of Participation in AGM

Types of Frequency	Number of Investors	Percentage
Regularly	3	60%
Seldom	6	30%
Only Once	1	10%
Total	10	100%

In the Table 4.19, it can be clearly seen that only 3 investors were found to participate regularly in the AGM; similarly, only 6 investors were found to participate seldom and 1 investor was found to participate only once in the AGM. Similarly the same data have been presented in the following Figure 4.19.

Figure: 4.19

Frequency of Participation in AGM



In the Figure 4.19, it can be seen that the portions representing the given data is largest for the option “Seldom” that is 60% and the portions representing “Regularly” and “Only Once” are smaller than the former one with the figures of 30% and 10 % respectively.

It can be concluded that there is no regular trend among the investors in participating in the AGM, very few investors follow such regular trend. In other words, less number of investors were found to attend AGM regularly. In contrary to this, majority of investors attend AGM irregularly. However, those who had attended AGM is also large in number but lesser than those of the two other groups who attend regularly and irregularly. Hence, it is suggested to the investor that if he/she falls under the participation group, he/she would be in better off position if participated in the AGM regularly.

xx. Reasons for Participation into AGM

The next question was asked to find for what purposes they participated in the AGM. The responses collected from them have been presented in the Table 4.20 along with the given options.

Table: 4.20

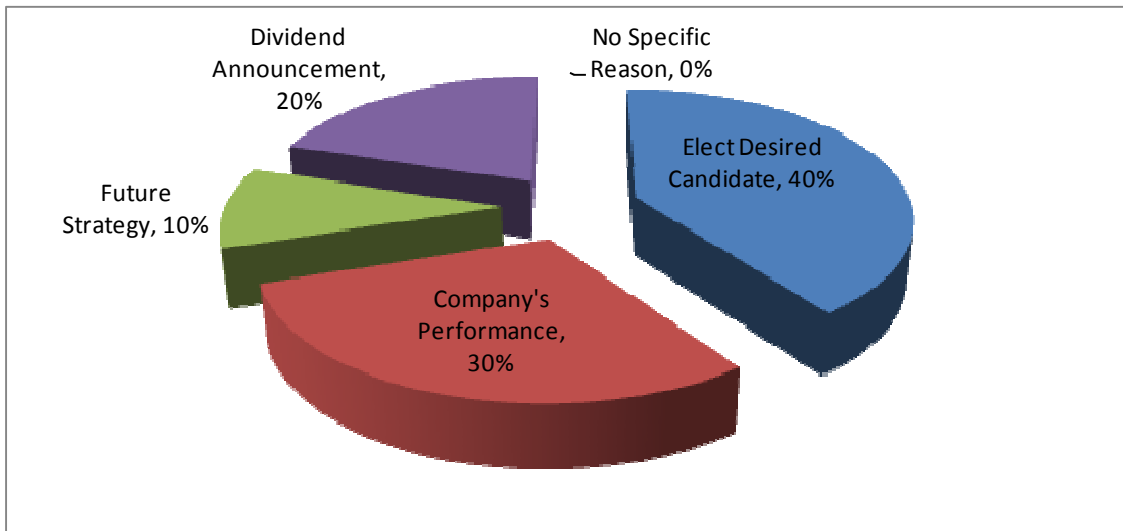
Reasons for Participation into AGM

Types of Factors	Number of Investors	Percentage
Elect Desired Candidate	4	40%
Company's Performance	3	30%
Future Strategy	1	10%
Dividend Announcement	2	20%
No Specific Reason	0	0 %
Total	10	100%

In the Table 4.20, number of investors who participate in the AGM for the factors “Future Strategy” is 1. And, out of other investors, 3 investors who had participated to know the company’s performance and other 2 investors were found to participate to know the “dividend announcement”. Out of the remaining 4 investors, only 4 investors was found to participate to elect desired candidate and no one had participated without any specific reason.

Figure: 4.20

Reasons for Participation into AGM



In the Figure 4.20, it can be seen that portion of the figure representing the number of investors who have participated to “electing the desired candidate” is highest than the other factors. And for other options of “company’s performance” and “to know the future strategy”, the figures are smaller whereas it is almost out of the figure for the option “without any specific reason”.

It can be seen that on the one hand, very few investors are interested to participate into AGM. Even among them, more number of investors is interested in knowing

the dividend announcement and company's performance and number of investors who are interested in electing desired candidate is very less. However, there is no any investor who participates without any specific reason. It is recommended to the investors to participate for the purpose of company's performance and to know the future strategy rather than only for electing desired candidates.

xxi. Factors Experienced by the Investors

The next question was asked to know what kind of situations they had faced from the investment into IPO. The types of factors were "Minor Benefit", "Huge Benefit", "Minor Loss", "Huge Loss" and "Neither Gain nor Loss". The responses gathered from them have been presented in the Table 4.21 along with the given options as shown below:

Table: 4.21

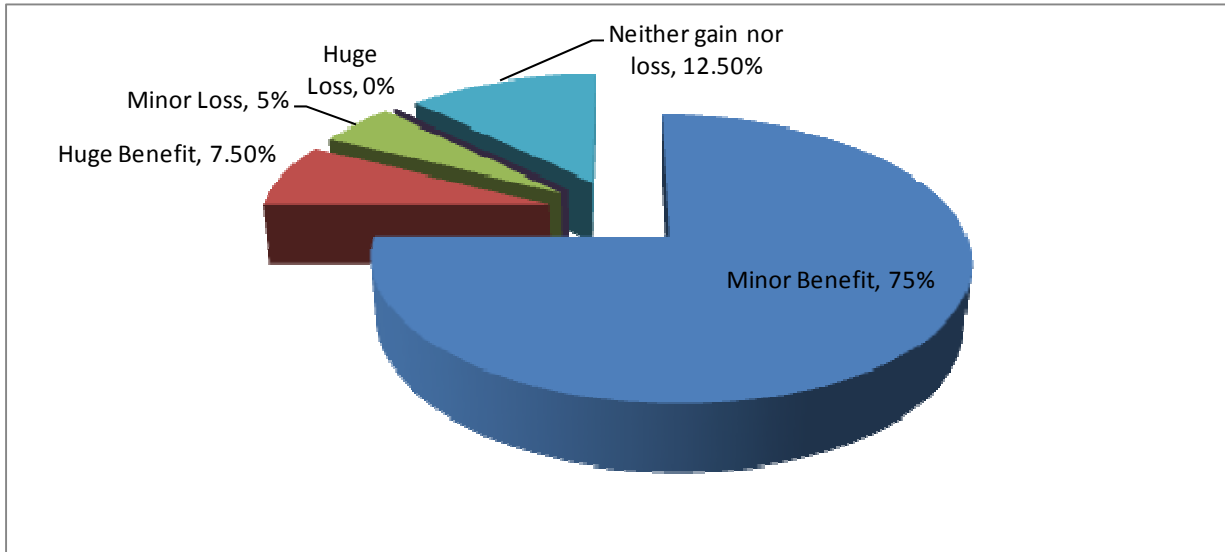
Factors Experienced by the Investors

Types of Factors	Number of Investors	Percentage
Minor Benefit	60	75%
Huge Benefit	6	7.50%
Minor Loss	4	5%
Huge Loss	0	0%
Neither gain nor loss	10	12.50%
Total	80	100%

In the Table 4.21 above, it can be seen that 60 investors out of 80 had experienced minor benefits, whereas, only 6, 4 and 10 investors had experienced huge benefit, minor loss and neither gain nor loss situation. No investor has experienced huge loss situation. The same data have been presented in the Figure 4.21 as well.

Figure: 4.21

Factors Experienced by the Investors



In the Figure 4.21, it can be seen that the largest portion represent the number of investors who have experienced minor benefit having 75%. Similarly, the portions representing the investors who had experienced “minor loss” is 5% and “neither gain nor loss” is 12.50% situations are smaller than the former one. Similarly “huge benefit” is 7.50% which is larger than “minor loss” but smaller than the “neither gain or loss” and “minor benefit”.

It can be concluded that normally, majority of investors enjoy only minor benefit from the investment in IPO whereas lesser number of investors enjoy huge benefit. Similarly, lesser numbers of investors suffer from minor loss but no one has found suffer from huge loss in this survey in the IPO investment. There are some investors who neither enjoy any benefit nor loss. It is recommended to the investors to make technical as well as fundamental analysis prior to the investment so that return on investment can be achieved sustainability.

xxii. Analysis on the Comments of Investors

Under this section, there are 4 sub-sections that are set to find the views of the investors on the present situation of IPO on four different factors that are as follows:

- a. Share Allotment Methods
- b. Loan Facility
- c. Service of Issue Manger
- d. Fairness in Share Allotment

Each of the factors has been described with the collected data below one after another with the following given options:

- i. Highly Satisfactory
- ii. Satisfactory
- iii. Not so satisfactory
- iv. Unsatisfactory
- v. Highly Unsatisfactory

a. Ranking of Share Allotment Methods

The first question asked under this sub-section was how they would like to rank the given 5 options. The data collected from them have been presented in the Table 4.22 below:

Table: 4.22

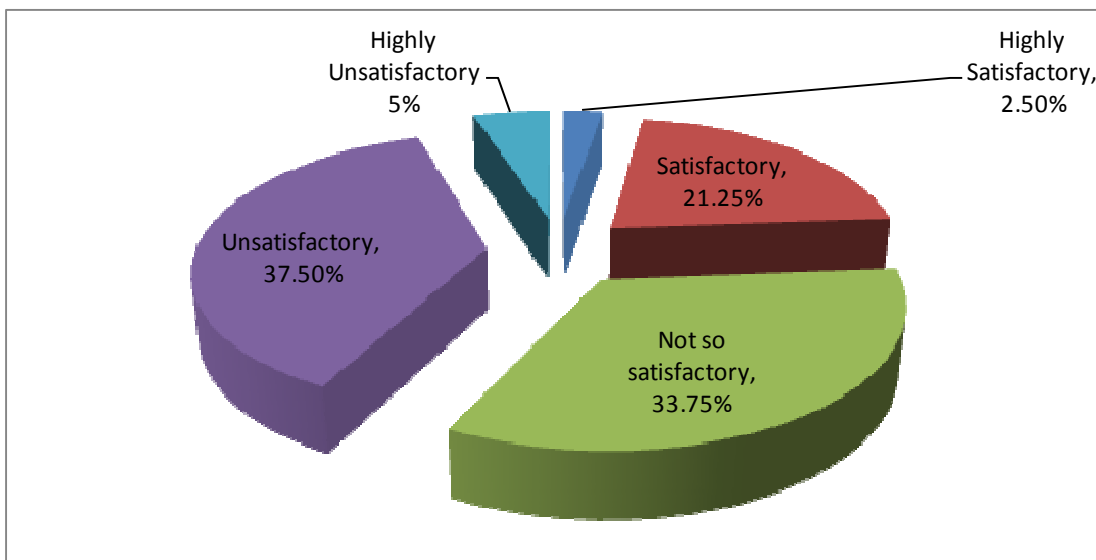
Ranking of Share Allotment Methods

Types of Factors	Number	Percentage
Highly Satisfactory	2	2.50%
Satisfactory	17	21.25%
Not so satisfactory	27	33.75%
Unsatisfactory	30	37.50%
Highly Unsatisfactory	4	5%
Total	80	100%

In the Table 4.22, it can be seen that only 2 investor is highly satisfied in the share allotment method. And, 17 investors were found to be satisfied in this aspect. However, 27 investors are found to be less satisfied and 30 investors were found to unsatisfied. Finally, only 4 investors were found to highly unsatisfied with the share allotment methods. The same data have been presented in the Figure 4.22 below:

Figure: 4.22

Ranking of Share Allotment Method



In the Figure 4.22, the factor “Unsatisfactory” and “Not so satisfactory” represent the largest portions as 37.50% and 33.75% respectively. Even the factor “Satisfactory” also represents the larger portion as 21.25% whereas “Highly Unsatisfactory” and “Highly satisfactory” represent very smaller portions as 5.00% and 2.50% respectively.

Large numbers of investors are unsatisfied with the present method of share allotment in the IPO, whereas, a smaller of investors are found to be satisfied with the present share allotment methodology. Hence it is recommended to the investors to play the crucial role in the share market to make the market more transparent and scientific.

b. Ranking of Loan Facility

The data on the ratings on “Loan Facility” have been presented in Table 4.23 along with the given options below:

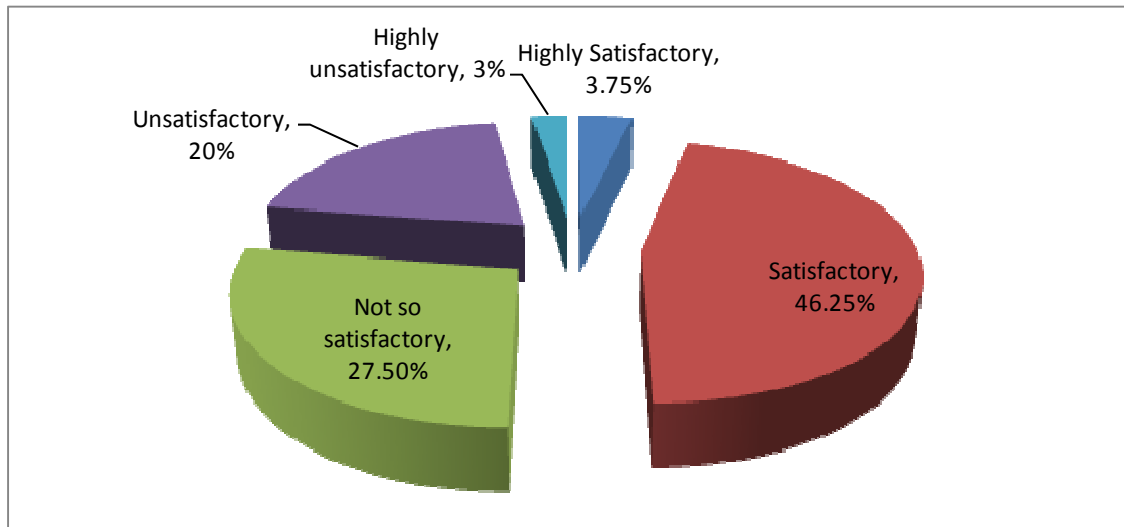
Table: 4.23
Ranking of Loan Facility

Types of Factors	Number	Percentage
Highly Satisfactory	3	3.75%
Satisfactory	37	46.25%
Not so satisfactory	22	27.50%
Unsatisfactory	16	20%
Highly unsatisfactory	2	2.50%
Total	80	100%

In the Table 4.23, 37 investors are found to be satisfied on the “loan facility” aspect whereas 22 investors were found to be not so satisfied with the aspect. And,

16 and 2 investors were found to be unsatisfied and highly unsatisfied respectively. Among them, only 3 investors were found to be highly satisfied with the aspect. Similarly, the same data have been presented in the Figure 4.23.

Figure: 4.23
Ranking of Loan Facility



In the Figure 4.23, the portion representing the investors who are satisfied is the largest one. And, the portions representing them who are not so satisfied and unsatisfied are also larger. However, the portions representing the investors who are highly unsatisfied and highly satisfied are very smaller in comparison to other portions.

It can be concluded that maximum number of investors are found to be satisfied with the present loan facilities for the investment purposes. However, very small number of investors is found to be unsatisfied with such facility.

c. Ranking of Service of Issue Manager

The next option given to them was to rank the service of issue manager in the IPO. The data collected by them have been presented in the Table 4.24 below:

Table: 4.24

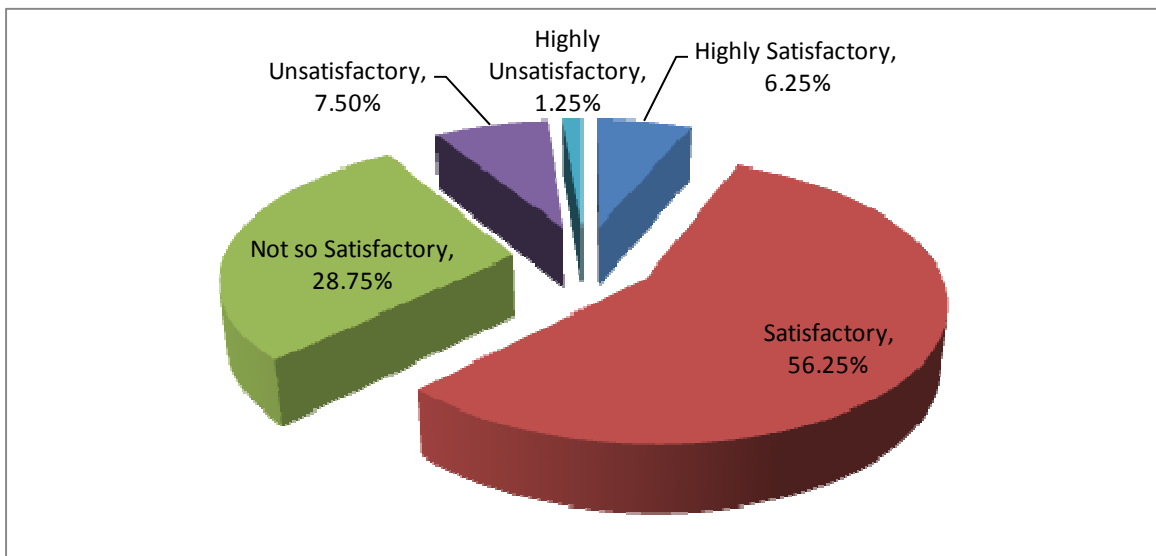
Ranking of Services of Issue Managers

Types of Factors	Number	Percentage
Highly Satisfactory	5	6.25%
Satisfactory	45	56.25%
Not so Satisfactory	23	28.75%
Unsatisfactory	6	7.50%
Highly Unsatisfactory	1	1.25%
Total	80	100%

In the Table 4.24, 23 investors are found to be not so satisfied with the service and only 6 investors are found to be unsatisfied. However, 45 investors are found to be satisfied and only 5 investors are found to be highly satisfied with the service respectively. There is 1 investor who is found to be highly unsatisfied.

Figure: 4.24

Ranking of Service of Issue Manager



In the Figure 4.24 above, the portion representing the investors who are satisfied dominates all the other factors having the value of 56.25 %. Similarly, the portions representing the investors who are not so satisfied and unsatisfied are also larger than other portions as 28.75% and 7.50% respectively whereas, the portion representing the investors who are highly satisfied and highly unsatisfied are very smaller as 6.25% and 1.25%.

It can be concluded that maximum number of investors are found to be satisfied with service of issue managers. However, there are also such major portions of investors who are not very satisfied with the service of issue manager. Hence, it is recommended to the investors to participate in such crucial things by giving constructive comments and views.

d. Fairness in Share Allotment

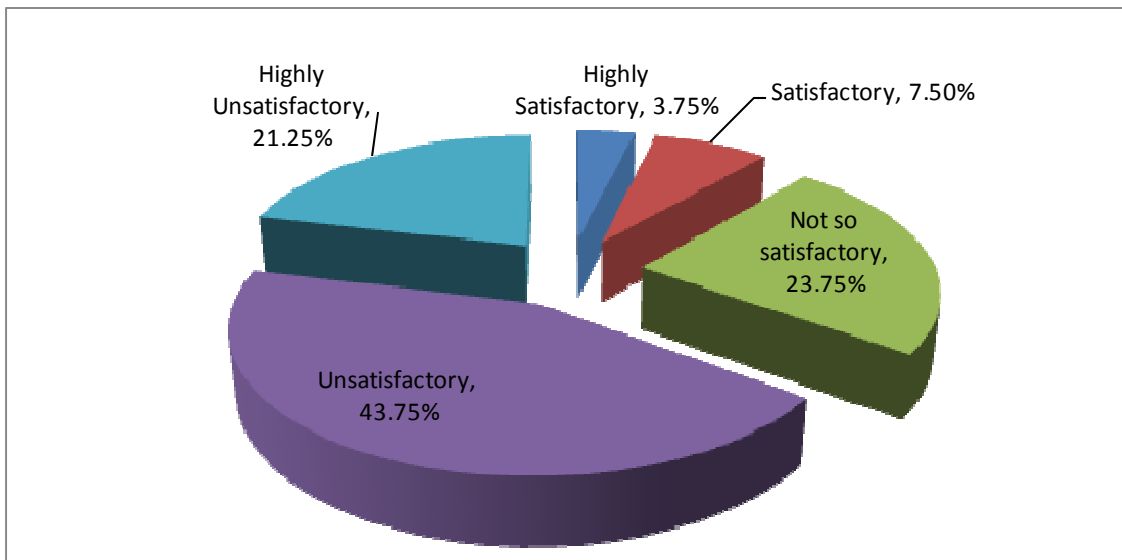
The last option given to rate was on “Fairness in Share Allotment”. The data collected from them have been presented on the Table 4.25 along with the given option.

Table: 4.25
Fairness in Share Allotment

Types of Factors	Number	Percentage
Highly Satisfactory	3	3.75%
Satisfactory	6	7.50%
Not so satisfactory	19	23.75%
Unsatisfactory	35	43.75%
Highly Unsatisfactory	17	21.25%
Total	80	100%

In the Table 4.25, 35 investors are found to be unsatisfied with the degree of fairness in share allotment and 17 investors are found to be highly unsatisfied and 19 were found not so satisfied with the degree of fairness in the share allotment whereas only 3 investor is found to be highly satisfied under this aspect .Similarly the same data have been presented in the Figure 4.25 below:

Figure: 4.25
Fairness in Share Allotment



In the Figure 4.25 above, it can be seen that 43.75 % investors are unsatisfied with the degree of fairness in share allotment. Similarly, 23.75 % investors are found to be not so satisfied and 21.25% are found highly unsatisfied with the degree of fairness while only 7.50 % and 3.75 % investors are found to be satisfied and highly satisfied respectively with the fairness.

It can be concluded that maximum number of investors are unsatisfied with the degree of fairness in share allotment. Similarly, the proportions of investors who

are very unsatisfied and not so satisfied are also greater. Interestingly, the proportion of investors who are satisfied at normal and high level is very low.

4. 2. Data Analysis and Presentation through Secondary Data

To make the perfect research work, it should be guided by primary and secondary data. Without secondary data, research work will not be completed. Hence, in this section secondary data has been focused.

Under this section, various data have been extracted from the given data of past 5 years for the volume of various sectors in the share issuance in IPO and 3 years for the top 5 commercial banks on the basis of volume traded and closing price on the respective fiscal year. For the purpose of more clarity, this section has been separated into the following three parts under which first, the relevant data have been presented and then proper analysis have been made on the data:

- i. Volumes of Various Sectors in the Share Issuance in IPO.**
- ii. Top Five Commercial Banks on the Basis of Volume Traded.**
- iii. Top Five Commercial Banks on the Basis of Closing Price.**

Each of the part has been explained with the presentation of data in the associated table and concerning analysis as well as given below:

i. Volumes of Various Sectors in the Share Issuance in IPO

Under this section, analysis has been made on the volumes of various sectors that represent different companies going for issue of ordinary shares in IPO. This seeks to explain which of the sectors have the dominant portions in the issuance of shares and which has fewer portions in the issuance. It is analyzed on the basis of the number.

Under this part, the numbers of various sectors have been presented that have issued ordinary shares in the IPO in the last 6 years in the Table 4.26 below.

Table: 4.26
Volumes of Sectors Issuing Shares in IPO

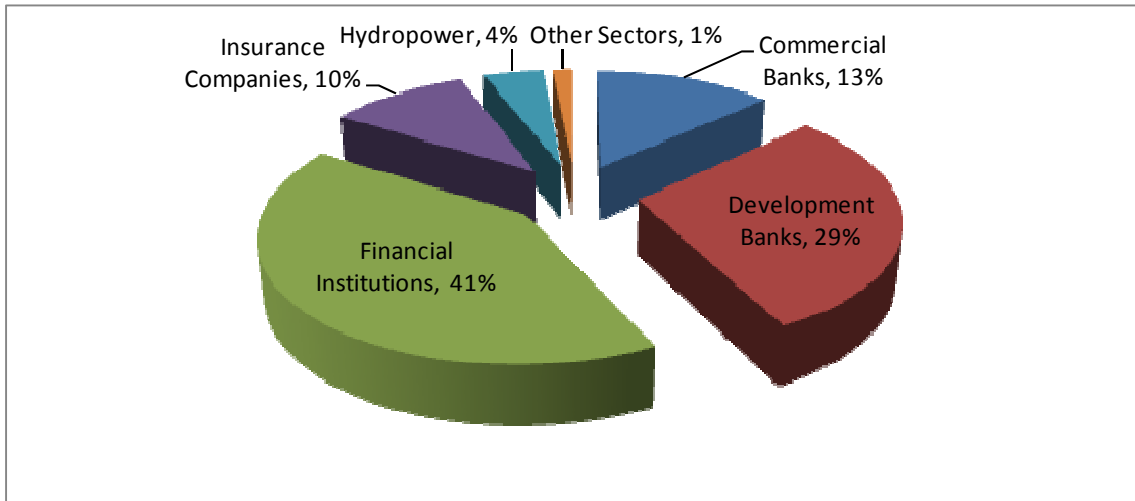
Sector	Up to 2009	2004 to 2009	Percentage
Commercial Banks	21	9	13%
Development Banks	23	20	29%
Financial Institutions	58	28	41%
Insurance Companies	18	7	10%
Hydropower	3	3	4%
Other Sectors	1	1	1%
Total	124	68	100%

Source: Annual Report/ SEBO

In the Table 4.26 above, only 9 commercial banks had issued ordinary share in the IPO within last 6 years. Similarly, 20 development banks, 28 financial institutions, 7 insurance companies, 2 hydropower companies had issued the shares in IPO in between 2004 to 2009. However, it was only 1 company from other sector that has issued the shares in the IPO. The same data have been presented in the figure 4.26 below:

Figure: 4.26

Volume of Sectors Issuing Shares in IPO.



In the Figure 4.26, it can be seen that the largest portion of the figure represents financial institutions indicating that there was a majority of financial institutions having 41% that issued IPO shares. There are also some commercial banks and developments banks having 13% and 29% who had issued IPO shares but they are lesser than that of financial institutions. Similarly an insurance company is holding 10%. In the same way, hydropower and other sectors are also very less in numbers that issued shares in the IPO.

It can be clearly seen that financial institutions that have dominant proportion among all the other sectors in the IPO issue. Commercial banks, and developments banks have also significant proportion in the issue, however, very few hydropower companies seemed to have gone for IPO issue. Similarly, the presence of other sectors seems to be almost nil in the issue.

ii. Top 5 Commercial Banks on the Basis of Amount Traded

Under this section, analysis has been made on basis of amount traded within the respective fiscal year. Data has been taken for the fiscal year 2063/64, 2064/65 and 2055/66. These three fiscal years table data has been presented consecutively as follows:

Table: 4.27

Top 5 Commercial Banks Amount Traded in FY 2063/64

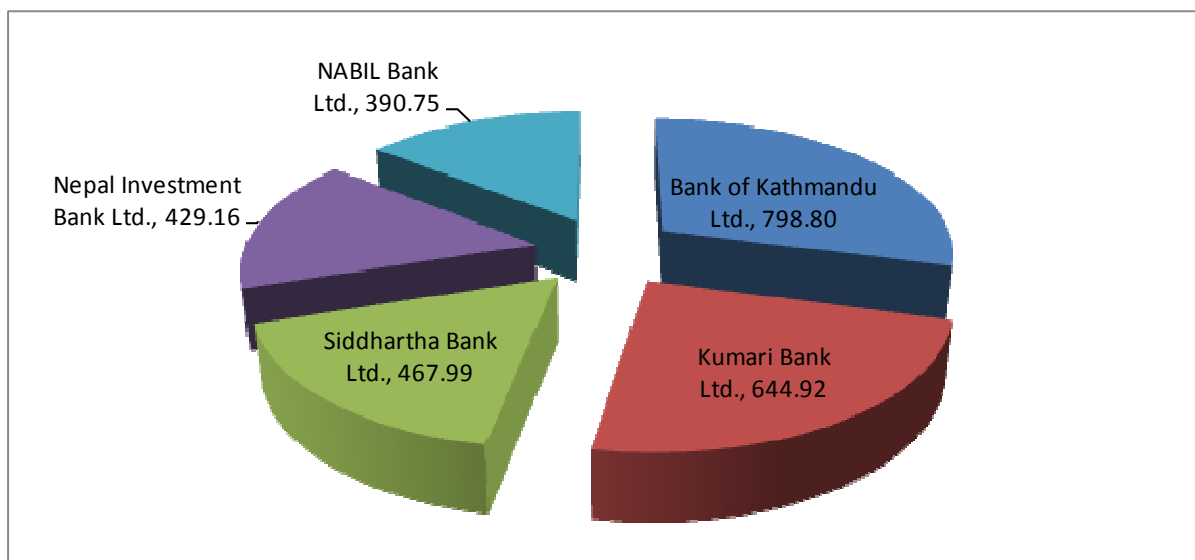
Name of Banks	Amount Traded (Rs. In Millions)
Bank of Kathmandu Ltd.	798.80
Kumari Bank Ltd.	644.92
Siddhartha Bank Ltd.	467.99
Nepal Investment Bank Ltd.	429.16
NABIL Bank Ltd.	390.75
Total	2731.62

Sources : SEBO Annual Report: Fiscal Year 2063/64 (16 July 2006 to 16 July 2007)

In the table 4.28 it can be clearly seen that Bank of Kathmandu appeared in the first position and Nabil Bank Ltd has appeared on the top 5th position on the basis of traded amount in the fiscal year 2063/64. Similarly, Kumari Bank Ltd, Siddhartha Bank Ltd, Nepal Investment Bank Ltd are in the position of 2nd, 3rd, and 4th respectively. It has been shown in the following figures 4.27:

Figure: 4.27

Top 5 Commercial Banks Amount Traded in FY 2063/64



As shown in figure 4.27, top 5 commercial banks amount traded in fiscal year 2063/64 has been shown and Bank of Kathmandu stood in the first position. Similarly, Kumari Bank Ltd, Siddhartha Bank Ltd, Nepal Investment Bank Ltd and Nabil Bank Ltd appeared in the second, third, fourth and fifth position respectively.

It can be concluded that during the fiscal year 2063/64, amount traded for Bank of Kathmandu is dominant. Majority of the transactions had taken place during the year. Similarly, other banks Kumari, Siddhartha, Nepal Investment and Nabil stood in the consecutive way in ascending order to the top 5 position. Hence, it can be recommended to the investors that such technical analysis should be considered before making any investment to the commercial banks.

Table: 4.28

Top 5 Commercial Banks Amount Traded in FY 2064/65

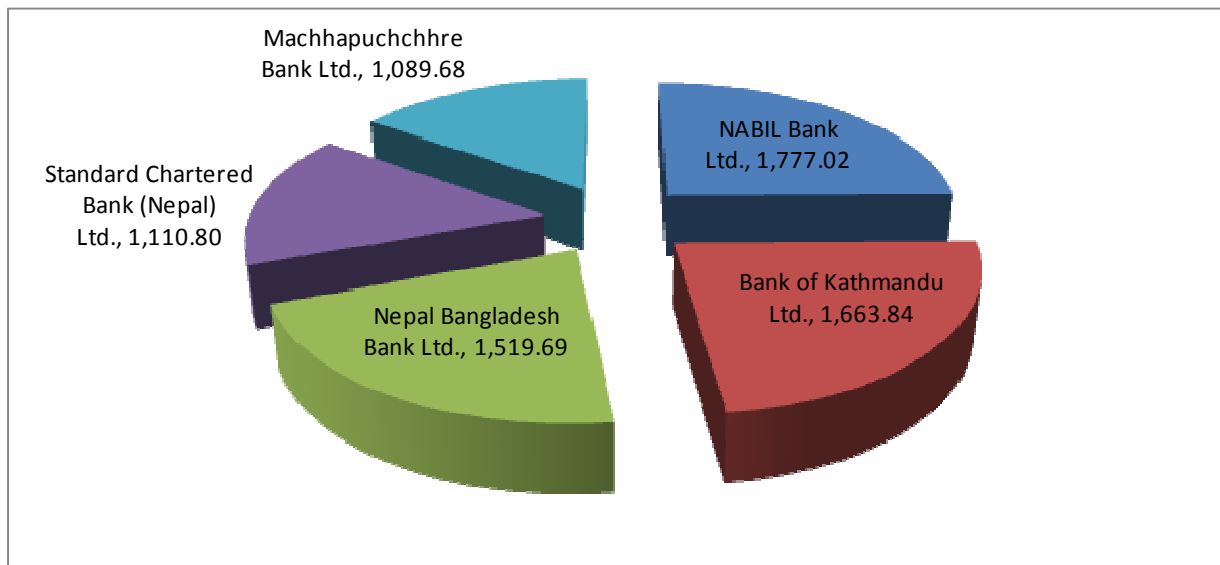
Name of Banks	Amount Traded (Rs. In Millions)
NABIL Bank Ltd.	1,777.02
Bank of Kathmandu Ltd.	1,663.84
Nepal Bangladesh Bank Ltd.	1,519.69
Standard Chartered Bank (Nepal) Ltd.	1,110.80
Machhapuchchhre Bank Ltd.	1,089.68
Total	7161.03

Sources : SEBO Annual Report: Fiscal Year 2064/65 (16 July 2007 to 16 July 2008)

In the table 4.28, it has been presented that Nabil Bank Ltd. appeared in the first position and Machhapuchchhre Bank Ltd. has appeared on the top 5th position on the basis of traded amount in the fiscal year 2064/65. Similarly, Bank of Kathmandu Ltd, Nepal Bangladesh Bank Ltd, and Standard Chartered Bank(Nepal) Ltd. are in the position of 2nd, 3rd, and 4th respectively. It has been shown in the following figures 4.28:

Figure: 4.28:

Top 5 Commercial Banks Amount Traded in FY 2064/65



In the figure 4.28, top 5 commercial banks amount traded in fiscal year 2064/65 has been shown and Nabil Bank stood in the first position. Similarly, Bank of Kathmandu, Nepal Bangladesh, Standard Chartered Bank and Machhapuchchhre Bank Ltd appeared in the second, third, fourth and fifth position respectively.

It can be concluded that during the fiscal year 2064/65, amount traded for Nabil Bank Ltd is dominant. Majority of the transactions had taken place during the year. Similarly, other banks Bank of Kathmandu, Nepal Bangladesh, Standard Chartered Bank and Machhapuchhre Bank stood in the consecutive way in ascending order to the top 5 position. Hence, it can be recommended to the investors that such technical analysis should be considered before making any investment to the commercial banks of Nepal. In this case, investment in such top 5 banks may increase the return on Investment.

Table: 4.29

Top 5 Commercial Banks Amount Traded in FY 2065/66

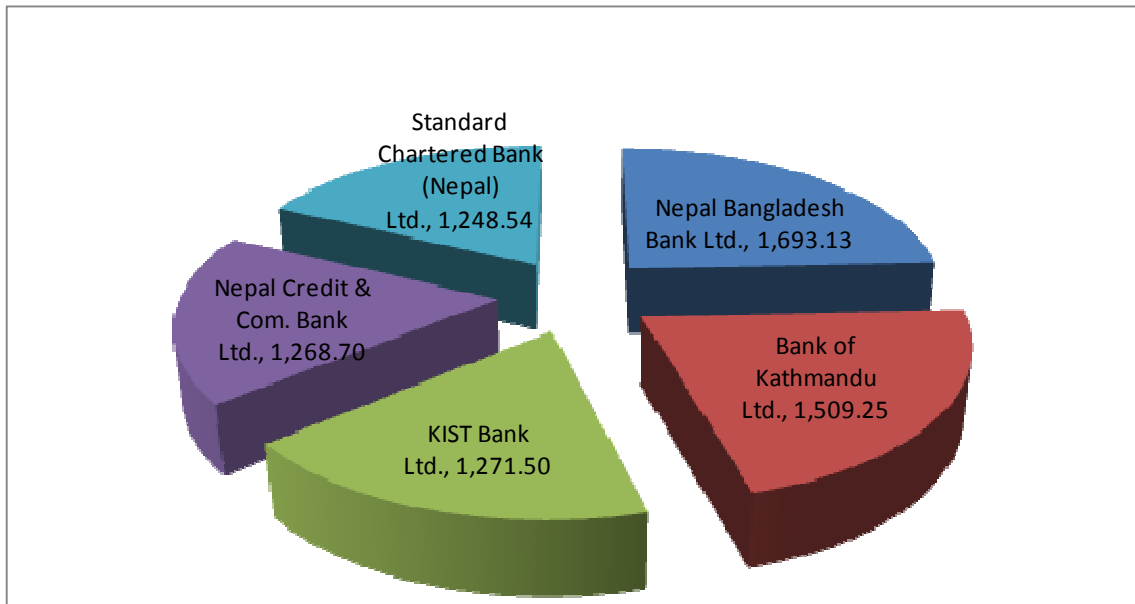
Name of Banks	Amount Traded (Rs. In Millions)
Nepal Bangladesh Bank Ltd.	1,693.13
Bank of Kathmandu Ltd.	1,509.25
KIST Bank Ltd.	1,271.50
Nepal Credit & Com. Bank Ltd.	1,268.70
Standard Chartered Bank (Nepal) Ltd.	1,248.54
Total	6,991.12

Sources : SEBO Annual Report: Fiscal Year 2065/66 (16 July 2008 to 16 July 2009)

In the table 4.29, it can be seen that Nepal Bangladesh Bank has the dominant role in terms of amount traded(i.e. Rs. 1693.13 in Millions) among the commercial banks in the fiscal year 2065/66. Similarly Bank of Kathmandu on second, Kist Bank in third, Nepal Credit and Commercial Bank in fourth and Standard Chartered Bank in the fifth having Rs.in millions 1,509.25, 1,271.50, 1268.70, 1248.54 respectively.. It has been shown in the following figures 4.29:

Figure: 4.29

Top 5 Commercial Banks Amount Traded in FY 2065/66



In the figure 4.29, top 5 commercial banks amount traded in fiscal year 2065/66 has been shown where Nepal Bangladesh Bank stood in the first position. Similarly, Bank of Kathmandu, KIST Bank, Nepal Credit and Commercial Bank Ltd. and Standard Chartered Bank(Nepal) Ltd. appeared in the second, third, fourth and fifth position respectively.

It can be concluded that during the fiscal year 2065/66, amount traded Nepal Bangladesh Bank Ltd played the dominant role. Majority of the transactions had taken place during the year. Similarly, other banks Bank of Kathmandu, KIST Bank Ltd, Nepal Credit & Commercial Bank Ltd. and Standard Chartered Bank stood in the consecutive way in ascending order to the top 5 position. Hence, it can be recommended to the investors that such technical analysis should be considered before making any investment to the commercial banks of Nepal. In this case, investment in such top 5 banks may increase the return on Investment.

iii. Closing Price of the Top 5 Commercial Banks

Closing price of the share of the top 5 commercial banks for 3 consecutive years has been presented in the following tables and graphs:

Closing price of fiscal year 2063/64

In the table 4.30, the closing price of the fiscal year 2063/64 of the top 5 commercial banks have been presented. As mentioned in the table standard chartered bank stood at the first having closing price Rs. 5900.00. Similarly Nabil Bank Ltd in second, Everest Bank Ltd in third, Nepal SBI Bank Ltd in fourth and Himalayan Bank Ltd in fifth position having closing price as Rs. 5050.00, Rs. 2430.00, Rs. 1776.00 and Rs. 1760 respectively.

Table: 4.30

Closing price of fiscal year 2063/64

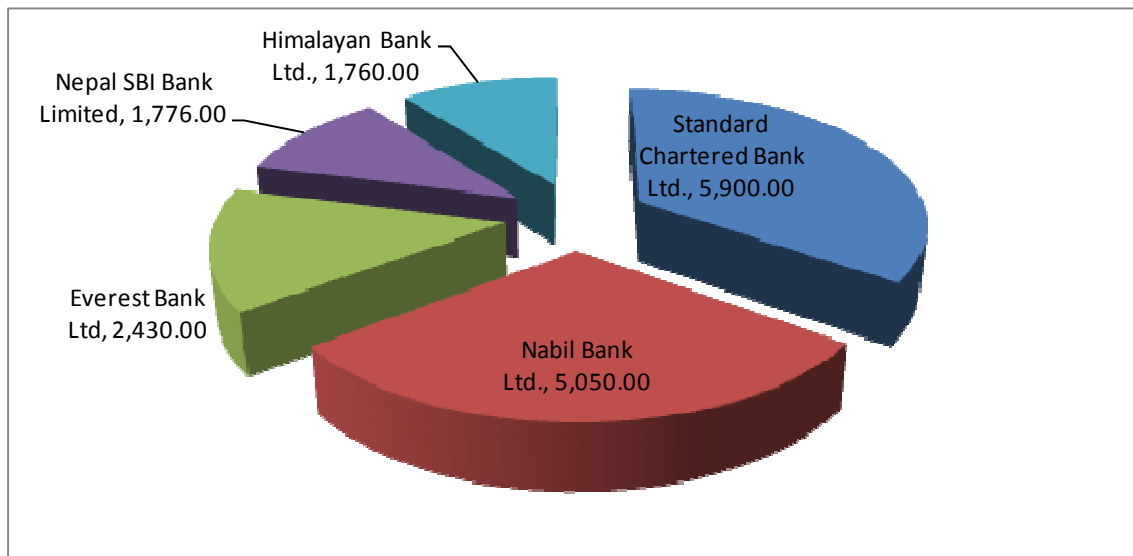
Name of Banks	Price (in Rs.)
Standard Chartered Bank Ltd.	5,900.00
Nabil Bank Ltd.	5,050.00
Everest Bank Ltd	2,430.00
Nepal SBI Bank Limited	1,776.00
Himalayan Bank Ltd.	1,760.00

Source: Annual Report/ SEBO

(See Annex – 1)

Figure: 4.30

Closing price of fiscal year 2063/64



In the figure 4.30, it can be clearly seen that Standard Chartered Bank Ltd has the highest closing price and Himalayan Bank Ltd has the lowest closing price in top 5 banks. Similarly, Nabil Bank Ltd, Everest Bank Ltd and Nepal SBI Bank Ltd comes one after another consecutively in top 5 banks for the closing price of their share.

In can be concluded that among the entire commercial banks in Nepal, Standard Chartered Bank Ltd, Nabil Bank Ltd, Everest Bank Ltd, Nepal SBI Bank Ltd, and Himalayan Bank Ltd are have good performance in the fiscal year 2063/64. Hence, it is recommended to the investors that investing on these commercial banks may give good returns; however, technical analysis keeps the crucial role before investment.

Closing price of fiscal year 2064/65

In the table 4.31, the closing price of the fiscal year 2064/65 of the top 5 commercial banks have been presented. As mentioned in the table standard

chartered bank stood at the first having closing price Rs. 6,830.00. Similarly Nabil Bank Ltd stood in second having the closing price Rs. 5,275.00, Everest Bank Ltd stood in third having the closing price Rs. 3,132.00, Nepal Investment Bank Ltd in fourth having the closing price Rs. 2,450.00 and Bank of Kathmandu Ltd stood in fifth position having closing price as Rs. 2,350.00 respectively.

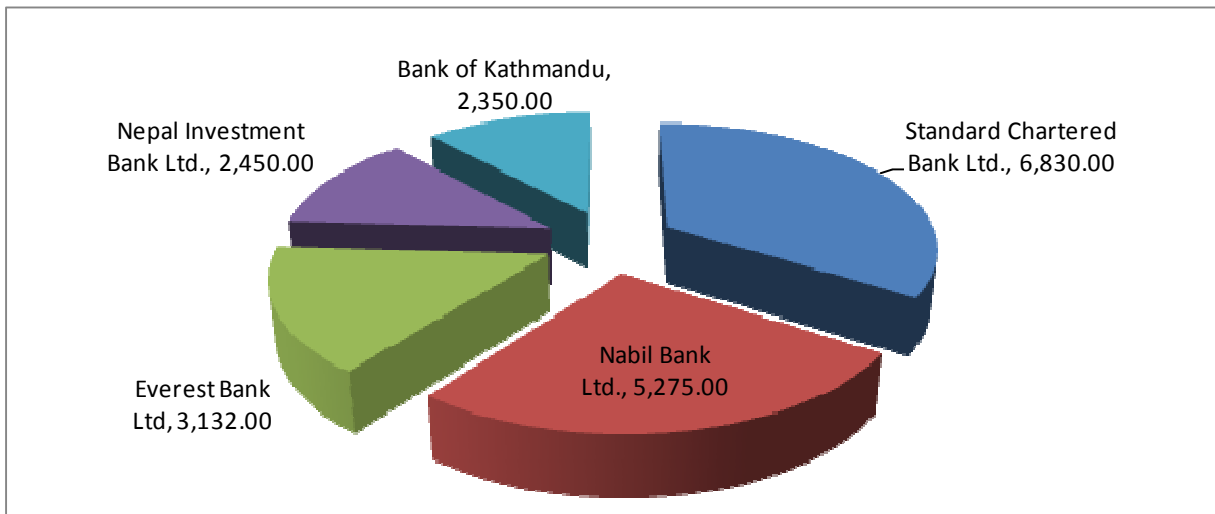
Table: 4.31
Closing price of fiscal year 2064/65

Sno	Name of Banks	Price (in Rs.)
1	Standard Chartered Bank Ltd.	6,830.00
2	Nabil Bank Ltd.	5,275.00
3	Everest Bank Ltd	3,132.00
4	Nepal Investment Bank Ltd.	2,450.00
5	Bank of Kathmandu	2,350.00

Source: Annual Report/ SEBO

(See Annex – 1)

Figure: 4.31
Closing price for fiscal year 2064/65



In the Figure 4.31, the closing price for fiscal year 2064/65 of the top 5 commercial banks have been shown. Among all the commercial banks, standard chartered Bank Ltd having the closing price of Rs. 6830.00 stood in the first position and Bank of Kathmandu stood in the last position having the closing price of Rs. 2350.00. Nabil Bank Ltd, Everest Bank Ltd and Nepal Investment Bank Ltd stood in second, third and fourth position.

In can be concluded that among the entire commercial banks in Nepal, Standard Chartered Bank Ltd, Nabil Bank Ltd, Everest Bank Ltd, Nepal Investment Bank Ltd, and Bank of Kathmandu Ltd have good performance in the fiscal year 2064/65. Hence, it is recommended to the investors that investing on these commercial banks may give good returns; however, technical analysis keeps the crucial role before investment.

Closing price of fiscal year 2065/66

In the table 4.32, the closing price of the fiscal year 2065/66 of the top 5 commercial banks have been presented. As mentioned in the table standard chartered bank stood at the first having closing price Rs. 6,010.00. Similarly Nabil Bank Ltd in second, Everest Bank Ltd in third, Nepal SBI Bank Ltd in fourth and Himalayan Bank Ltd in fifth position having closing price as Rs. 4,899.00, Rs. 2,455.00, Rs. 1,900.00 and Rs. 1,760 respectively.

Table: 4.32

Closing price of fiscal year 2065/66

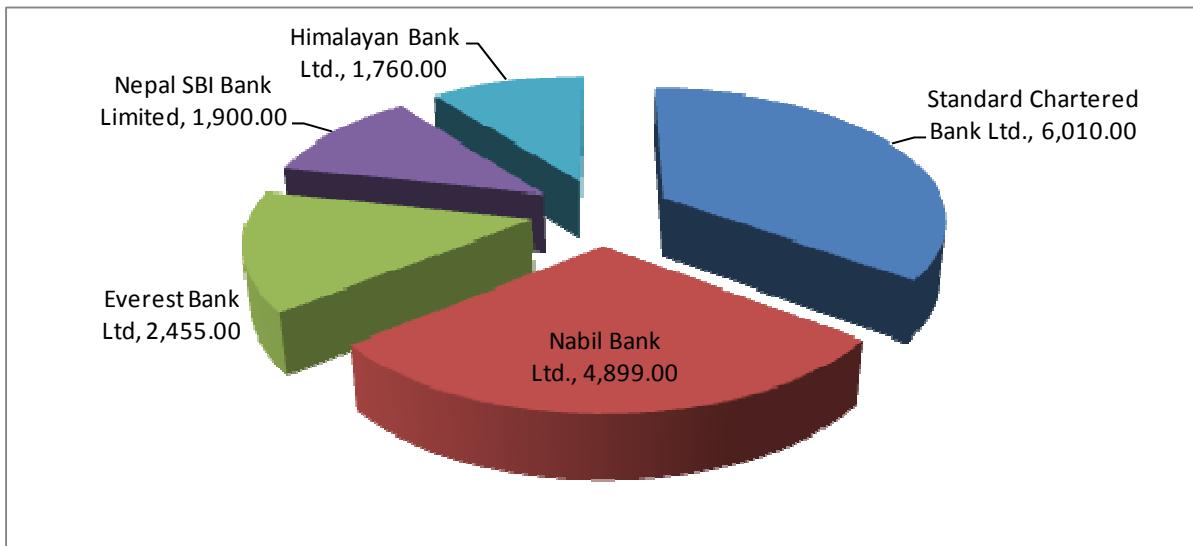
Sno	Name of Banks	Price (in Rs.)
1	Standard Chartered Bank Ltd.	6,010.00
2	Nabil Bank Ltd.	4,899.00
3	Everest Bank Ltd	2,455.00
4	Nepal SBI Bank Limited	1,900.00
5	Himalayan Bank Ltd.	1,760.00

Source: Annual Report/ SEBO

(See Annex – 1)

Figure: 4.32

Closing price for fiscal year 2065/66



In the Figure 4.32, the closing price for fiscal year 2065/66 of the top 5 commercial banks have been shown. Among all the commercial banks, standard chartered Bank Ltd having the closing price of Rs.6,010.00 stood in the first position

and Himalayan Bank Ltd stood in the last(i.e. fifth) position having the closing price of Rs. 1,760.00. Nabil Bank Ltd, Everest Bank Ltd and Nepal SBI Bank Ltd stood in second, third and fourth position respectively.

It can be concluded that among the entire commercial banks in Nepal, Standard Chartered Bank Ltd, Nabil Bank Ltd, Everest Bank Ltd, Nepal SBI Bank Ltd, and Himalayan Bank Ltd have good performance in the fiscal year 2065/66. Hence, it is recommended to the investors that investing on these commercial banks may give good returns; however, technical analysis keeps the crucial role before investment.

Major Findings

- i. There is a great majority of individual investors applying for shares in IPO in comparison to institutional investors.
- ii. Maximum numbers of investors are found to invest in shares in IPO. However, most of them tend to invest without analyzing the market and financial statement of the issuing company.
- iii. Among them who invest, the number of investors investing irregularly and regularly are significant indicant that there is no specific trend of investing into shares, however, due to the significant volume of investors investing regularly, it can be found that even maximum number of investors follow regular trend.
- iv. While investing, it is also found that maximum numbers of investors do not analyze the financial statements i.e. about the company. Among them, who analyze about the company are mainly found to focus themselves on the “profitability” factor in comparison to other given factors.
- v. Moreover, most of them are found not collecting required information for the purpose of analysis before investing. Even those who collect, mostly rely on friends and relatives. Interestingly, there is also a great number of investors who collect and analyze the information on their own i.e. self gathering and analysis.
- vi. Further, it is also found that less number of investors find it necessary to collect information on the “investment procedure” matter. In this regard, they are mainly found to focus on “loan availability” and “loan procedure” factors though “application procedure” is also the other important factor on which they are found to collect information.
- vii. As far as type of markets is concerned, primary market is found to be most preferable for the investors in comparison to the secondary markets.

- viii. Among the different types of companies, it is “commercial banks” that is found to be most attractive sector for the investors to invest. However, development banks, and financial institutions are also important sectors where investors are found to be interested to invest for shares in IPO.
- ix. As far as the factors that attract them for investing are concerned, capital gain, cash dividend and bonus shares are found to be most attractive for them.
- x. While arranging for funds, most of them have relied on loans from financial institutions and own savings. Less numbers of them are found to rely on other sources for funds to invest.
- xi. As far as ratio of allocation vs. application for shares is concerned, there are less number of investors who are allocated shares, and the remaining of them have not been allocated on their application. In the same way, most of them have been allocated less than half of the shares they have applied. Getting allocated shares at full, half and more than half level are nil.
- xii. Most of the investors are found to hold shares till listing and sell them as the price increases later. Very less of them are found to remain as shareholders and hold the shares for long time.
- xiii. A majority of investors are not found to attending AGM of the concerning company, whereas even those who attend do not follow it at regular level.
- xiv. The factors “dividend” and “company’s performance” are highly considered for attending into AGM by the investors. However, some of them attend the meeting without any specific reason.
- xv. Most of the investors are also found to have enjoyed minor benefit after the investment into the IPO. Very few of them have enjoyed major benefit and some of them have also experienced some losses.
- xvi. As far as their comments are concerned, most of the investors are not satisfied with the share allotment method, but there are also significant numbers of investors who are not very satisfied with the allotment method.

About other factors, most of them are also found to be satisfied with the loan facility method, but highly unsatisfied with the degree of fairness in the allotment of shares. There is also a majority of investors who are found to be satisfied with the performance of issue manager in the IPO though there also some investors who are not satisfied with the performance of issue managers.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

Investment means simply putting one's fund into certain sectors with the expectation of earning some returns at some future distance. It mainly comprises of time, risk and return factors. There may be various investment alternatives. One may invest into real assets such as land, vehicles and machinery, etc. And the next better alternative is financial assets represented by piece of papers such as stocks, bonds, t-bills and commercial papers, etc. For this there are two types of financial markets: one, is called the Primary market also refer to as "initial public offerings" for the fresh issue of stock and the second, is called the Secondary Market, that is referred to as "Nepal Stock Exchange" in Nepalese context. Securities market is an important financial market where the stocks are transacted either through fresh issue or already issued shares of stocks. When there is a fresh issue of shares of stocks, it is referred to as "primary market" and when there is a transaction of already issued shares, it is referred to as "secondary market". Initial Public Offering is one the most important and popular form of primary market through which a company goes for public for the first time by the issuance of shares of is stocks. There is a growing trend of investing into such markets these days. There can be various factors that attract investors for such trend of investment into such markets such as cash dividend, bonus shares, right offering, and capital gain, etc. Investing into IPO requires an investor to study about the company whose shares of stock he or she planning to purchase. For this, studying financial statements can be the best way to know about the company in detail. An investor in our Nepalese context has various alternatives in the form of different types of companies to

invest. The major and available sectors in the Nepalese contexts are commercial banks, development banks, financial institutions, hotels, hydropower and manufacturing and trading, etc. When an investor plans to invest, he or she has to contact the nearby office of the issue manager and know about the issuing company. After completing certain procedures such as filling application forms and submitting application amount, he or she stands as a liable applicant and prospective investors of the company. The available option can be either he or she gets certain amount of shares as per the amounts mentioned in the application or get rejected. If the application is rejected, then the moneys invested are refunded back. Once the investor becomes the shareholder of the issuing company, he or she may also attend annual general meeting, being one of the rights of a shareholder in order to elect desired candidate for the valuable position in the board members. There can be other reasons for such participation such as knowing of company's future strategy, dividend announcement, etc. After the allocation of shares, they are listed into the organized stock exchange i.e. NEPSE in our context. The investors have again choices in the later stage that can be, to sell immediate as the shares are listed, to hold and watch till favorable times come or to remain as shareholder for a longer period. No matter how much we talk about stock market, IPO, etc. and the benefits offered by such markets, it is a vital point to note that how much aware and sensitive the investors are while investing to such market. Since the study is concentrated on IPO, an effort is made to find what kind of behaviors the Nepalese investors show during the issue of IPO and after the post issue of IPO.

5.2 CONCLUSION

Since, the study was fully focused on the behavior of investors at the IPO, the entire data presentation and analysis was conducted strictly on how the investors show their behaviors at the issue of IPO and after the allocation of the shares.

Upon going through a survey study on the behavior of various investors with the help of data collected and also the past scenario of IPO issues by the companies from various sectors, some findings were derived. All the findings show that Nepalese investors are highly interested in investing their funds into the shares issued in the IPOs. Though some of them are found to invest in an irregular fashion, the number of investors investing into the IPO shares regularly is also significant. Interestingly, some of them invest without proper analysis even without bothering to study financial statements. Even those who study mainly focus themselves on the profitability factor though there are some investors who are also concerned with studying about the company's performance and management aspect too. Maximum investors were also found to arrange their funds for financing into the shares through the loan from financial institutions that indicates that the facility to invest into the shares has prevailed in our Nepalese context too. This has benefited all the interested investors ranging from the one having low investment baskets and funds to the ones having high investment basket and funds. However, investors making investment through their own savings is also remarkable in number in our context. This clearly indicates, maximum people have found the share investment one of the best alternative and they have also grown strong beliefs in such alternative. As far the factors that motivate them for investing are concerned, capital gain and bonus shares are found to attract them most in comparison to the other factors. Similarly, most of the investors are found to be attracted towards commercial banks and then developments in investing their funds for the shares though there is a major chunk of them who prefer to invest in the shares of financial institutions. However, very few of them opt to invest into hydropower sectors and others. In contrary to the fact that there are maximum numbers of investors who invest their funds into the shares in IPO issue, most of them do not get allocated the shares, even those who are allocated, get the shares below than the half level. This means, there is hardly any case in which investors have got full or half allocation of the shares upon their

application for the shares. This may also be one of the facts that most of the investors are found to be very unsatisfied with regards to the share allocation methods and fairness in the share allocation though some of them are also found to be satisfied but this figure is very minimal. Further, it was also found that most of the investors find it beneficial to invest into shares in the IPO issues at present context. In the further research, it was also found that majority of invest do not attend AGM of the issuing company to which they belong as shareholders. Very few of them attend the meeting, but mostly they concentrate on knowing the “dividend announcement” factor. Further, it was found that majority of investors tend to carry the strategy to hold the shares till listing. Even most of them expressed to have a strategy to sell as the price increases. Very few investors were found to remain as shareholders for a long time. About the benefit and the loss, most of them faced “minor loss” from such investment though some of them also faced minor loss, no gain and loss situations in such investment. Finally, they also extended their comments on the share allocation method, fairness in the distribution as mentioned above and the performance of issue manager and the facility of loan for such investment. On the one hand, most of them were found to be satisfied with the performance of the issue managers, and loan facilities, on the other hands, they ewer found to be unsatisfied with the share allocation methods and the degree of the fairness in the share allocation in the IPO issues.

Thus, ultimately it can be concluded that IPO issues has become a hot cake for Nepalese investors offering a better investment alternative in today’s context. It has become easier to invest even for them who do not have enough money through the loan facilities. Though few of them found it necessary to go through analysis about the issuing company, most of them have benefited from such investment.

5.3. RECOMMENDATION

- a. Since, most of the investors do not find it necessary to analyze about the company issuing shares in the IPO and the market before investing, there may be greater chances for them to face losses in the long run. It is always beneficial to put some efforts to analyze about the company by studying the financial statements or other factors to know about the company.
- b. While making such studies, the focus should be on various factors rather than profitability factor only. Since the other factors such as management, performance of the company and size and growth, etc., also affect the share price in future, the investors should also be concerned with all the other factors for analysis.
- c. The investors should also be focused on the other factors as the beneficial ones for investing into the shares rather than only on capital gains as it may lead towards market speculation in the long run.
- d. Instead of investing only in commercial banks, the other sectors can also be considered highly while investing into the IPO issues. High concentration only on sector may also lead to huge loss in future.
- e. As hydropower and hotel sectors are booming these days, the investors can also focus on these types of companies for the investment.
- f. Proper mechanism should be followed while allocating shares as there are large number of investors who remain unallocated the shares on their application. This may bring a kind of frustration among the investors before investing.
- g. If possible, facility to invest through loan purchase can also be considered provided few wealthy investors do not get chance to concentrate their wealth by occupying large chunk of shares in such issue. For this, proper

trade off should be stroke between the limits of loans to be issued and the limits of the number of shares that can be purchased.

- h. Investors must not only hold strategy to sell the shares immediately as they are listed or sell them as price increases late, but also should remain as shareholders for more returns later in the issuing companies.
- i. Since, it is a desire of a rational and idle investor to know about the performance and the other important aspects of the company; they must be encouraged to attend the annual general meetings and help to elect the right candidate to be in the board of directors and to know about the past and present performance of the company. This only not only increases more interest, awareness but also it makes the board members more cautious and firm to build better strategy and programs for the overall shareholders.
- j. The issue company should build a system of informing the prospective investors about the share allotment methods in a transparent and detailed way provided that it does not bring loss to the company's financing strategy.

BIBLIOGRAPHY

- Bhattarai, Pramod (2004). *The Nepalese Financial System*. Kathmandu: Asmita Books Publishers and Distributors.
- Bhattarai, Rabindra (2006). *Stock market in Nepal*. Kathmandu: Dhaulagiri Books & Stationery.
- Gitman, J. Lawrence (2001). *Principles of Managerial Finance*. New Delhi: Pearson Education Asia.
- Giri, Sedam (2009). *An Initial Offering (IPO) in Nepal*. Kathmandu: An Unpublished Master's Degree Thesis, Submitted to Faculty of Management, Tribhuvan University.
- Guragain, Damodhar (2006). *A Study on Individual Investor's Knowledge and Attitude About Common Stock Investment in Nepal*. Kathmandu: An Unpublished Master's Degree Thesis, Submitted to Faculty of Management, Tribhuvan University.
- Kansakar, Amrit Sagar (2006). *Investment Decision and Investor's Awareness of Securities Market in Nepal*. Kathmandu: An Unpublished Master's Degree Thesis, Submitted to Faculty of Management, Tribhuvan University.
- Krishanan, C.N.V, Ritchken, P.H and Thomson, J.B. (2005). Monitoring and Controlling Bank Risk: Does Risky Debt Help: *Journal of Finance*. New York: Publication of American Finance Association. 60(1):343.

- Lohani, Nawa Raj (1994). *Shareholders Right in Nepal*. Kathmandu: An Unpublished Master's Degree Thesis, Submitted to Faculty of Management, Tribhuvan University.
- Lowenstein, M. and Willard, Gregory, A. (2006). The Limits of Investor's Behavior. *The Journal of Finance*. New York: Publication of American Finance Association. (61):27.
- Ojha, Rakshya (2009). *Public Response to Initial Offering in Nepal*. Kathmandu: An Unpublished Master's Degree Thesis, Submitted to Faculty of Management, Tribhuvan University.
- Paudel Rajan B., Baral Keshar J, Gautam Rishi Raj, Dahal Gyan B., and Rana Surya B. (2006). *Fundamentals of Corporate Finance*. Kathmandu: Asmita Books Publishers and Distributors.
- Pillai R.S. and Bagavathi (2002). *Advanced Accountanc*. New Delhi: Konark Publishers Pvt. Ltd.
- Pradhan, Radhey Shyam (2002). *Financial Management*. Kathmandu: Budhha Academic Enterprises Pvt. Ltd.
- Ross Stephen A., Randolph W. Westerfield, and B. D. Jordon (2001). *Essential of Corporate Finance*. New York: Mc-Graw Hill/Irwin.
- Securities Exchange Board. *Annual Report (2008/09)*. Kathmandu: Securities Exchange Board: 5-85.

Sharma, Narendra (1998). *A Textbook of Accounting and Auditing*. Kathmandu: Ekta Books Distributors Pvt. Ltd.

Shrestha, S.K. (1994). *Public Response to Primary Issue of Shares in Nepal*. Kathmandu: An Unpublished Master's Degree Thesis, Submitted to Faculty of Management, Tribhuvan University.

Shrestha, Shyam (2007). *Public Response to Primary Issue of Shares in Nepal*. Kathmandu: An Unpublished Master's Degree Thesis, Submitted to Faculty of Management, Tribhuvan University.

Subedi, B. (2003). *A Study on Investor's Awareness in the Securities Market in Nepal*". Kathmandu: An Unpublished Master's Degree Thesis, Submitted to Faculty of Management, Tribhuvan University.

Thapa, Sachet (2008). *Share Price Movements of Financial Institutions after the Issue of Right Share and Bonus Share*. Kathmandu: An Unpublished Master's Degree Thesis, Submitted to Faculty of Management, Tribhuvan University.

Upadhyaya, Santosh (2004). *Investors Preferences and Financial Investment in Nepal*. Kathmandu: An Unpublished Master's Degree Thesis, Submitted to Faculty of Management, Tribhuvan University.

Vaidya, S. (2001). *Banking and Insurance Management*. Kathmandu: Taleju Prakashan.

Winfield K.G. & S.J. Curry (1985). *Success in Investment*. London: John Murray Publisher Ltd.

Websites:

http://en.wikipedia.org/wiki/Initial_public_offering (02.10.2009).

http://en.wikipedia.org/wiki/Stock_market (02.10.2009).

<http://www.answers.com/topic/initial-public-offering> (02.10.2009).

<http://www.investopedia.com/articles/stocks> (03.10.2009).

<http://www.sebonp.com> (03.10.2009).

http://en.wikipedia.org/wiki/Financial_analysis (05.10.2009).

http://en.wikipedia.org/wiki/Financial_statements (05.10.2009).

http://en.wikipedia.org/wiki/Secondary_market (05-10-2009).

http://en.wikipedia.org/wiki/Annual_general_meeting (20.10.2009).

<http://en.wikipedia.org/wiki/Security>(22.10.2009).

<http://www.palgrave-ournals.com/jibs/journal/vaop/ncurrent/abs/jibs200938a.html>
(20.10.2009).

<http://www.highbeam.com/doc/1G1-168399578.html> (21.10.2009).

<http://www.highbeam.com/doc/1P2-5871650.html> (21.10.2009)

ANNEXTURE

Annex – 1

Top Ten on the Basis of Traded Amount

SNo	Name of the Banks	Amount Traded (Rs. In Million)
Fiscal Year 2063/64		
1	Bank of Kathmandu Ltd.	798.80
2	Kumari Bank Ltd.	644.92
3	National Hydro Power Co. Ltd.	642.36
4	Chilime Hydropower Com. Ltd.	584.98
5	Siddhartha Bank Ltd.	467.99
6	Nepal Investment Bank Ltd.	429.16
7	NABIL Bank Ltd.	390.75
8	Lumbini Bank Ltd.	374.50
9	Nepal SBI Bank Ltd.	365.01
10	Machhapuchchhre Bank Ltd.	348.59
Fiscal Year 2064/65		
1	National Hydro Power Co. Ltd.	1,969.85
2	NABIL Bank Ltd.	1,777.02
3	Bank of Kathmandu Ltd.	1,663.84
4	Nepal Bangladesh Bank Ltd.	1,519.69
5	Standard Chartered Bank (Nepal) Ltd.	1,110.80
6	Machhapuchchhre Bank Ltd.	1,089.68

7	Kumari Bank Ltd.	1,024.18
8	Chilime Hydro Power Co. Ltd.	905.43
9	KIST Merchant Bank & Finance Ltd.	871.03
10	Lumbini Bank Ltd.	851.33

Fiscal Year 2065/66		
1	Nepal Bangladesh Bank Ltd.	1,693.13
2	Bank of Kathmandu Ltd.	1,509.25
3	KIST Bank Ltd.	1,271.50
4	Nepal Credit & Com. Bank Ltd.	1,268.70
5	Standard Chartered Bank (Nepal) Ltd.	1,248.54
6	Nepal SBI Bank Ltd.	1,158.71
7	Nepal Investment Bank Limited	908.59
8	NABIL Bank Ltd.	730.65
9	Nepal Ind. & Comm. Bank Ltd.	598.86
10	Siddhartha Bank Ltd.	561.69

Source: Annual Report/ SEBO

Closing Price of Commercial Banks for the Fiscal Year 2063/64, 2064/65 and 2065/66.

Sno	Name of the Banks	Bank Code	Closing Price (Rs.)
Fiscal Year 2063/64			
1	Standard Chartered Bank Ltd.	SCB	5,900.00
2	Nabil Bank Ltd.	NABIL	5,050.00
3	Everest Bank Ltd	EBL	2,430.00
4	Nepal SBI Bank Limited	SBI	1,776.00
5	Himalayan Bank Ltd.	HBL	1,760.00
6	Nepal Investment Bank Ltd.	NIB	1,729.00
7	Bank of Kathmandu	BOK	1,375.00
8	Nepal Industrial & Co.Bank	NICB	950.00

9	Kumari Bank Ltd	KBL	830.00
10	Siddhartha Bank Limited	SBL	778.00
11	Laxmi Bank Limited	LBL	664.00
12	Machhachapuchhre Bank Ltd	MBL	620.00
13	Nepal Bangladesh Bank Ltd.	NBB	550.00
14	Lumbini Bank Ltd.	LUBL	505.00
15	Nepal Credit & Com. Bank	NCCB	316.00
Fiscal Year 2064/65			
1	Standard Chartered Bank Ltd.	SCB	6,830.00
2	Nabil Bank Ltd.	NABIL	5,275.00
3	Everest Bank Ltd	EBL	3,132.00
4	Nepal Investment Bank Ltd.	NIB	2,450.00
5	Bank of Kathmandu	BOK	2,350.00
6	Himalayan Bank Ltd.	HBL	1,980.00
7	Nepal SBI Bank Limited	SBI	1,511.00
8	Nepal Industrial & Co.Bank	NICB	1,284.00
9	Machhachapuchhre Bank Ltd	MBL	1,265.00
10	Siddhartha Bank Limited	SBL	1,152.00
11	Laxmi Bank Limited	LBL	1,113.00
12	Kumari Bank Ltd	KBL	1,005.00
13	Nepal Bangladesh Bank Ltd.	NBB	1,001.00
14	NMB Bank Ltd.	NMBF	930.00
15	DCBL Bank Ltd.	DCBL	855.00
16	Lumbini Bank Ltd.	LUBL	631.00
17	Nepal Credit & Com. Bank	NCCB	457.00
Fiscal Year 2065/66			
1	Standard Chartered Bank Ltd.	SCB	6,010.00
2	Nabil Bank Ltd.	NABIL	4,899.00
3	Everest Bank Ltd	EBL	2,455.00
4	Nepal SBI Bank Limited	SBI	1,900.00

5	Himalayan Bank Ltd.	HBL	1,760.00
6	Bank of Kathmandu	BOK	1,750.00
7	Nepal Investment Bank Ltd.	NIB	1,388.00
8	Nepal Industrial & Co.Bank	NICB	1,126.00
9	Laxmi Bank Limited	LBL	1,062.00
10	Siddhartha Bank Limited	SBL	1,000.00
11	Kumari Bank Ltd	KBL	700.00
12	Citizens Bank International Ltd.	CZBIL	660.00
13	Bank of Asia Nepal Ltd	BOAN	571.00
14	Global Bank Limited	GBL	570.00
15	NMB Bank Ltd.	NMBF	499.00
16	Machhachapuchhre Bank Ltd	MBL	489.00
17	DCBL Bank Ltd.	DCBL	460.00
18	Lumbini Bank Ltd.	LUBL	435.00
19	KIST Bank Limited	KMBF	378.00
20	Nepal Credit & Com. Bank	NCCB	335.00
21	Nepal Bangladesh Bank Ltd.	NBB	280.00

Source: Annual Report/ SEBO

Annex -2

Annexure

Tribhuvan University
Faculty of Management
Shanker Dev Campus
Putalisadak, Kathmandu

FIELD SURVEY QUESTIONNAIRE

Thesis Title : “Sensitivity of Nepalese Investors With Regards to
Initial Public Offerings of Commercial Banks”

Type : Direct Questionnaire

Name : _____

Occupation: Student Service Business Teaching Others

Age : _____ Organization (If applicable): _____

Period of occupation: _____ year (s)

Sex : Male Female

Education: Master’s Degree Bachelor’s Degree Intermediate S.L.C.
 Literate

Dear Sir/Madam,

This questionnaire has been prepared to collect information on the “**Sensitivity of Nepalese Investors With Regards to Initial Public Offering of Commercial Banks**” for the analytical part of the thesis study. Therefore, you are highly requested to cooperate in providing answers in making the analysis effective. *(Instruction: Please tick the given boxes following the questions. You can tick more than one option if necessary.)*

1. What type of investors are you?

Ans: i. Individual ii. Institutional

2. Have you ever applied for shares in Initial public offering (IPO)?

Ans: i. Yes ii. No

3. If yes, how frequently have you applied for the shares?

Ans: i. Regularly ii. Seldom iii. Only Once

4. a. Do you study the financial statements of the issuing company before investing?

Ans: i. Yes ii. No

b. If yes, which of the following factors do you analyze about the company?

Please tick as many as appropriate? (More than one option can be chosen).

Please also give weightage with 1 “the most important”, 2 “the next important”, 3 as “Important”, 4 as “Semi important” and 5 as “Not so important”, and so on.

- Ans: i. Profitability ii. Size and Growth
 ii. Management iv. Market Performance
 v. Goodwill/ image vi. Others

If others, please specify

.....

5. a. Do you explore on any sources to get information for the analysis?

- Ans: i. Yes ii. No

b. If yes, which of the following factors do you rely on for getting the information? (More than one option can be chosen)

- Ans: i. Friends and Relatives Brokers
 iii. Company's Annual Report iv. Media
 v. Experts vi. Self

6. a. Do you gather information on investment procedures while applying for the shares?

- Ans: i. Yes ii. No

b. If yes, which of the following factors the information is concerned with?

(More than one option can be chosen)

- Ans: i. Application Procedures ii. Loan Availability
 iii. Loan Procedures iv. Investment Lot size
 v. Others

If others, please specify

7. Which one of the markets do you prefer to invest mostly? (More than one

option can be chosen)

- Ans: i. Primary Market (Initial Public Offering)
ii. Secondary Market (NEPSE)
iii. Both the market

8. What type of companies do you prefer to invest mostly? Please rate each of them with 1 as the “most preferable one”, 2 as “next most preferable one”, 3 as “semi preferable one”, 4 as “preferable one”, 5 as “least preferable one” & 6 “not preferable one” and so on.

- Ans: i. Commercial Banks ii. Development Banks
iii. Financial Companies iv. Manufacturing
v. Trading Companies vi. Hydropower
vii. Hotels vii. Others

If others, please specify.....

9. Which of the following major factors motivate you for investing? Please rate each of them with 1 as the “most preferable one”, 2 as “next most preferable one”, 3 as “semi preferable one”, 4 as “preferable one”, 5 as “least preferable one” & 6 “not preferable one” and so on.

- Ans: i. Cash Dividend ii. Bonus Shares
iii. Right Offerings iv. Capital Gain
iv. Participation in Management v. Others

If others, please specify.....

10. While investing, how do you arrange for funds to invest into the shares?
(More than one option can be chosen)

Ans: i. Loans from financial institutions ii. Own Savings
iii. Loans from informal sources iv. Any Others

11. Have you ever been allocated shares you have applied for?

Ans: i. Yes ii. No

12. If yes, at what level have you been allocated the shares?

Ans: i. Full Allocation ii. Half Allocation
iii. Less than half iv. More than half
v. Very Few

13. What type of strategies do you carry after the post-allocation of the shares?

Ans: i. Sell immediately after the listing
ii. Hold for a long time
iii. Hold till share listing
iv. Sell later when price increases
v. Hold and remain as a shareholder

14. Do you think that investing into shares offer better returns than that any other sources at present?

Ans: i. Yes ii. No iii. Cannot say

15. Have you ever participated in annual general meeting (AGM) of a company?

Ans: i. Yes ii. No

16. If yes, how frequently have you participated in the AGM?

Ans: i. Regularly ii. Seldom iii. Only Once

17. If yes, which of the factors are you interested on while participating into the meeting? (More than one option can be chosen)

Ans: i. Voting desired candidate to elect on the board
 ii. Knowing of company's performance
 iii. Knowing of future Strategy
 iv. Knowing of dividend announcement
 v. No specific reason
 vi. Being a director

18. Which of the following factors have you experienced from the investment in IPO? (More than one option can be chosen)

Ans: i. Minor Benefit ii. Huge Benefit
 iii. Minor Loss iv. Huge Loss
 v. Neither gain nor loss vi. Interest Loss

19. How do you rate the following aspects as comments? Please rate them as given in the direction below:

Highly Satisfactory = 1, Satisfactory = 2, Not so satisfactory = 3,

Unsatisfactory = 4, and Very unsatisfactory = 5

Ans: i. Share Allotment Methodology
 i. Loan Facility
 iii. Refund of money
 iv. Service of issue mangers

v. Fairness in share allotment



YOUR SIGNATURE

Thank you for you kind co-cooperation!

Survey Conducted By,

Narayan Ghimire
(Thesis Researcher)
MBS, 2061/63 Batch
Shanker Dev Campus

Date: _____