

# **CHAPTER- I**

## **INTRODUCTION**

### **1.1 Background**

The Nepal Stock Exchange Limited (abbreviated as NEPSE) is the only stock exchange of Nepal. It is located in Singha Durbar Plaza, Kathmandu, Nepal. On April 4, 2013 the equity market capitalization of the companies listed on NEPSE was approximately US\$ 5674 million. The basic objectives of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers, etc. NEPSE opened its trading floor on 13 January, 1994. As on April 4, 2013, the number of listed companies is 334, which includes Commercial banks, Hydro power companies, Insurance companies and Finance companies among others. The exchange has 59 registered brokers as of April 2013. The NEPSE index is primary all equity market index of NEPSE. It is regulated by the Securities Board of Nepal.

The history of securities market began with the floatation of shares by Biratnagar Jute Mills Ltd. and Nepal Bank Ltd. in 1937. Introduction of the Company Act in 1964, the first issuance of Government Bond in 1964 and the establishment of Securities Exchange Center Ltd. in 1976 were other significant development relating to capital markets. It was later converted into Securities Exchange Center. In earlier years of its establishment, the center confined its activities in trading government securities. It started listing and trading corporate securities in November 1984. It was established with an objective of facilitating and promoting the growth of capital markets. Before conversion into stock exchange it was the only capital markets institution undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services. Nepal Government, under a program initiated to reform capital markets converted Securities Exchange Center into Nepal Stock Exchange (NEPSE) in 1993. The objective of NEPSE is to enhance marketability and liquidity of corporate securities by providing trading floor and facilitating and regulating trading activities. It is owned by Nepal Government, Nepal Rastra Bank and Nepal Stock Exchange Board. The authorized and issued capital exchange is Rs.50 million, out of which Rs. 34.91 million is subscribed. Nepal Government, NRB, NIDC and members of the exchange have subscribed 58.67 percent, 34.60 percent, 6.13 percent and

0.60 percent of the subscribed capital respectively. NEPSE is trying to change the composition of ownership pattern through automation in trading has been already put into operation, NEPSE has encouraged Wide Area Network to encourage the internal trading.

The members of NEPSE are permitted to act as intermediaries in buying and selling of government bonds and listed corporate securities. At present, there are 23 member brokers and 2 market makers, who operate on the trading floor as per the Securities Exchange Act, 1983, rules and bye-laws. Besides this, NEPSE has also granted membership to issue and sales manager securities trader (dealer). Issue and sales manager works as manager to the issue and underwriter for public issue of securities whereas securities trader (dealer) works as individual portfolio manager. The securities available for trading are: - a) Shares: - Equity shares, Preference shares  
b) Debentures and c) Government bonds.

NEPSE operates on the “NEPSE Automated Trading System” (NATS), a fully screen based automated trading system which adopts the principle of an order driven market. Purchase and sell of physical share certificates is done through NATS. While talking about market timings, trading on equities takes place on all days of week (except Saturdays and holidays declared by exchange in advance). On Friday only odd lot trading is done. However, the exchange may also extend, advance or reduce trading hours when it deems it necessary.

Capital market is a market that enables suppliers and demanders of long-term funds make transactions or the place where long-term securities having maturity period greater than one year are traded. The instruments used in capital market are debt, stock, preferred stocks, bonds and convertible issue. The long-term debts are installment debts, commercial debts represented by acceptance bills, commercial debts and accommodation papers etc. Saving and deposits schemes, which are not securities bearings, fall under the non-securities segment of market. Capital markets are also classified as primary market and secondary markets. Primary markets are the markets in which corporations raised new capital and in which newly issued securities are involved. If we were to sell new issue of common stock to raise common stock to raise capital, there would be a primary market transaction. The corporation selling the stock receives proceeds from the sale in the primary market transaction. Secondary markets are those in which previously issued securities are traded by far the most active secondary market and the most important one to the financial managers is the stock

market. It is here that price of firms stocks are established and since the primary goal of financial management is to maximize the firm's stock price, knowledge of the market, in which the price is established, is essential for anyone involved in managing the business.

Stock exchanges are intricately inter-woven in the fabric of nation's economic life. Without a stock exchange the saving of the community, the sinews of economic progress and productive efficiency would remain underutilized. The task of mobilization and allocation of savings could be attempted in the old days by a much less specialized institution than the stock exchange. But as business and industry expanded and the economy assumed more complex nature, the need for 'permanent finance' arose. Entrepreneurs needed money for long term whereas investors demanded liquidity – the facility to convert their investments into cash at any given time. The answer was ready market for investments and this was how the stock exchange came into being. Stock exchange means anybody of individuals, whether incorporated or not, constituted for the purpose of regulating or controlling the business of buying, selling or dealing in securities. The securities include shares, scripts, stocks, bonds, debentures, government securities and rights or interest in securities (Bhalla, 2004:96).

Nepal is one of the least developed countries of the world and has very little development in the part of capital market. The Nepalese capital market in open-market securities is in its infancy stage. The government established 'Security Exchange Center' in 1976 and enacted 'Securities Exchange Act' in 1983 to promote and regulate the market of open-market securities. Thereafter, the center started secondary market operation by listing corporate securities. In order to activate the capital market; the government has massively amended the Act, constituted 'Security Exchange Board of Nepal', and converted Securities Exchange Center into Nepal Stock Exchange. Exchange now provides full-fledge secondary market. Financial institutions like commercial banks, insurance companies, and development banks dominate the trading of securities in NEPSE.

The Nepal Stock Exchange Limited, in short NEPSE, is a non-profit organization, operating under Securities Exchange Act, 1983. The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc. NEPSE opened its trading floor on 13th January 1994. Government of

Nepal, Nepal Rastra Bank, Nepal Industrial Development Corporation and members are the shareholders of NEPSE.

An investment is a commitment of money that is expected to generate additional money. Every investment entails some degree of risk; it requires a present certain sacrifice for a future uncertain benefit (Francis, 1997:73). Investment, in its broadest sense, means the sacrifice of current dollars for future dollars. Two different attributes are generally involved: time and risk. The sacrifice takes place in the present and is certain. The reward comes later, if at all, and the magnitude is generally uncertain (Sharpe, 2004:121). Investment is the sacrifice of certain present value for the uncertain future reward. It entails arriving at numerous decisions such as type, mix, amount, timing, grade etc. of investment and disinvestments. Further, such decision-making has not only to be continuous but rational too. Broadly speaking, an investment decision is a tradeoff between risk and return. All investment choices are made at points of time in accordance with the personal investment ends and in contemplation of an uncertain future. Since investments in securities are revocable, investment ends are transient and investment environment is fluid, the reliable bases for reasoned expectations become more and vaguer as one conceives of the distant future. Investors in securities will, therefore, from time to time, reappraise and reevaluate their various investment commitments in the light of new information, changed expectations and end (Bhalla, 2001:131).

## **1.2 Statement of the Problem**

The problem toward which this study is directed is to identify the performance of common stocks listed in NEPSE. Now-a-days, investment in common stocks in Nepal is getting momentum due to flow of information through print media although not so adequate. The individual investors are investing in common stocks despite very little information because of less opportunity available elsewhere. Most of them are based on the price movement of stocks in the market. Not much information is available in the market regarding various risk factors. There are no specific agencies to provide information on the performance of various common stocks. Therefore, this study is directed towards the measurement of performance of common stocks. Are the common stocks listed performing well as per their risks? Which common stocks are outperforming the market? To what extent the performance of common stocks is related to the market? How can investors form profitable portfolios out of the available common stocks?

The investors could not identify the good and bad stock in lack of proper information and lack of not creating confidence. Several university researchers that because of the lack of sufficient support, information, and whim had played significant role in share price movements identified it and that investment on common stock is based on institution, imagination, guesswork and conscious judgment based on little understood, statistical probabilities in Nepalese stock market.

Brokers are also supposed to assist in the maintenance of a fair and orderly market but they may not be able to do this job in their full capacity successfully because of the various obstacles presented in the economic environment. So the necessity to analyze the practical situation of the price formation and brokering services in Nepalese stock market is a most in present situation.

Stock market provides investors good investment opportunity with fair return and instant liquidity with minimal risk of loss. It helps to mobilize financial resources for the investment in development projects and thereby helps in economic development, in turn, further develop the stock market. The investment strategy based on the technical analysis is more profitable than buy and hold policy of timing of selling and buying. Fundamental analysis theory holds the view that there exists intrinsic value of the stocks, which helps to select the right stock at a time. Market is efficient in pricing the shares. In that condition, investment decision becomes simple. But investors are losing interest in the performance of share market mainly due to the behavior of fraudulent and scandalous activities. The investors are confused which stock is bad and which stock is good.

The study period is not longer enough and other comprehensive test in short data series seems that the study was focused on the methodological study only. The study mainly has sought the answer to the following research questions.

- i) What is the trend of annual turnover of Nepal Stock Exchange?
- ii) How many companies listed in Nepal Stock Exchange?
- iii) What is the trend in market capitalization?
- iv) What is the behavior of NEPSE Index?
- v) What are the roles of NEPSE in the development of capital market?

### **1.3 Objectives of the Study**

This study was conducted to meet the following objectives:

- To evaluate current position of Nepal Stock Exchange in Nepalese capital market.
- To examine and evaluate the roles of NEPSE in the development of capital market.
- To analyze the role of the brokers in price formation in Nepalese Stock Market.

#### **1.4 Significance of the Study**

This research study has much significance to many. Stockbrokers to evaluate the investment alternatives for the interested investors can use it. There are various factors that cause market fluctuation of stock price in the market; mainly two factors economic and non-economic factors. The most fundamental factor in stock price fluctuation lies change in corporate earnings, interest rates and business cycle trends which contribute to makeup the economic factors. Political changes, administrative changes, changes in weather and other natural conditions. The volumes of transaction, institutional investors, transactions etc directly affect the stock price. Although margin transactions increase purchase whose stock price is going up, once the price begins to fall, they become a selling factor and accelerate price decline.

The listing of shares in stock exchange center and their trading in the stock market is not too long. The stock market has been providing capital for investment in industrial productive sector, financial sector, service sector and other.

#### **1.5 Limitations of the Study**

No research works are free of some shortcomings or limitations. So this research study also has some limitations. The main limitations are mentioned below:

- (a) This study is based on secondary sources of data.
- (b) Various trading costs (e.g. brokerage commission), taxes etc are excluded from the study.
- (c) Market return is based only on NEPSE index.

#### **1.6 Organization of the Study**

The whole study has been divided into five chapters.

##### **Chapter 1: Introduction**

This chapter deals with the introductory part of the study, which includes background of the study, statement of the problem, objective of study, significant, limitation of the study. This part of the study gives us theoretical knowledge of the whole report. It will give us detailed information about the topic. It provides us with the ideas when the NEPSE came into existence and which bodies had made their significant effort towards the establishment of that organization. It will also tell us that which parties will be benefited from this type of study. It will help investor to invest their earnings in some profitable sectors. It will also help them to know and face the problems related to their study.

## **Chapter 2: Review of Literature**

This chapter deals with review of the different literature in regard to the theoretical analysis and review relevant books, articles, periodicals, journal and thesis related to the study field. This will embrace the overview of the organization. Therefore it includes conceptual framework and other related studies. This chapter will provide the review relating to the topic roles of NEPSE in more detail and descriptive manner. It will provide us more information related to the topic what has been summarized from different articles printed on newspaper and others in different time horizon.

## **Chapter 3: Research Methodology**

This chapter deals with research methodology used to carry out the research. It includes research design, population and sample, source and technique of data collection, data collection procedure, and data processing and data analysis tools. It is the sequential steps followed by a researcher in studying a problem that helps to obtain reliable and actual result needed for the study. It is based on certain research design. This chapter will give us knowledge regarding how many sectors and among them which sectors have been incorporated for the study. It will provide us some idea about how and from where the sources of data have been collected. It will help to forecast the obstacles and hindrances that may be felt during the collection and analysis of data. It will also tell us how the collected data and information have been processed and analyzed to get the desired result.

## **Chapter 4: Data Presentation and Analysis**

This chapter is the main part of the study, which includes analysis and interpretation of the data using financial and statistical tools. Tables and bar diagrams has been used for presentation of data. At the time of interpretation of data, this chapter divided into two parts, the first part defines primary data from the concern personnel and field visit report by the researcher. And finally discusses about major finding of the study.

## **Chapter 5: Summary, Conclusion and Recommendations**

The whole study is summarized and concluded in this final chapter. Summary, conclusion and a list of recommendation for further improvement derived from the analysis is also presented in this chapter.

## **CHAPTER- II**

### **REVIEW OF LITERATURE**

#### **2.1 Conceptual Framework**

Virtually all individuals and organizations earn or raise money and spend or invest money. Most successful firms have ongoing needs for funds. They can obtain funds through various external sources. The sources can be financial institutions like commercial banks, finance companies, insurance companies etc. The second way is by private placements. Third way is through financial markets. The financial markets are forums in which suppliers of funds and demanders of funds can transact business directly. The suppliers of funds in the financial markets know where their funds are being lent or invested. The two common financial markets are the money market and the capital market. A transaction in short-term debt instruments or marketable securities takes place in the money market. Long-term securities, stocks and bonds, are traded in the capital market.

Apart from the some information gathered from the internet sites such websites of stock market and security board, searching for various sources of relevant studies, including libraries, in Nepal was not fruitful as no previous research was found to done on the field of stock market, which means that this study is exploratory in nature in the field of research of Nepal. Therefore, only foreign materials were available to study to build a theoretical framework for the research process. For this, various websites were browsed to gain knowledge and access to foreign Internet sites and previous researches sites.

Common stocks represent equity, or an ownership position in a corporation. It is a residual claim, in the sense that creditors and preferred stockholders must be paid as scheduled before common stockholders can receive any payments. So investment in common stocks bears much risk than in any other alternatives (Sharpe, 2004:457).

This chapter deals with the review relating to the topic roles of Nepal stock exchange and security board in more detail and descriptive manner. For this study various books, journals and articles, some previous thesis reports related with this topic had been reviewed. Since the research topic was absolutely new and the thesis paper and the topic were not easily found,



many indirectly topic-related subjects had been studied. These studies were presented in below.

### **2.1.1 Financial Market**

Financial market provides a forum where suppliers of loans and investments can transact business directly. The two keys of financial markets are money market and capital market. Transactions in short-term debt instruments or marketable securities are done in money market whereas long-term securities (Bond and Stocks) are traded in the capital market.

### **2.1.2 Capital market**

The capital market is a financial relationship created by a number of institutions and arrangements that allows the suppliers and demands of long-term funds to make transaction. Capital market may be divided into securities market. The term securities include long-term financial tools, which are used by the companies to gather the needed long-term fund. Capital market includes:

- Activity relating to the organization, distribution, and trading of securities.
- Organization, which facilitates this activities.
- Individuals and institutions, which buy and sell securities.
- Rules and regulations, customs and practices that control the organization and conduct of business in the market.

Securities are marketable financial instruments that bestow on their owners the right to make specific claims on particular assets. An individual security provides evidence of either creditor ship or ownership depending on whether it is a bond or a stock respectively. A bond is a loan that is paid off with interest; the investor lends money to the borrowing company that issued the bond. In contrast, stockownership represents a cash investment in the future of a corporation; the investor owns a part of the corporation and shares in its profit.

A Firm either may have debt and equity in its capital structure or only equity but no any firm can separate without equity. So, equity is the compulsion of every corporation. The main characteristic of equity investment is that investor is liable only up to the amount they have invested.

Common stock has one important investment characteristic and one important speculative market price tend to increase irregularly but persistently over the decades as their net worth builds up through the reinvestment of undistributed earnings. However, most of the time common stocks are subject to irrational and excessive price fluctuations in both directions as the consequence of the ingrained tendency of most people to speculate of gamble, i.e. to give way to hope, fear and greed.

Securities markets can be divided into two parts: a) Primary market and b) secondary market. Primary market is the one where companies first issued shares are traded while the once issued shares are traded in secondary market. The secondary market can be viewed as a 'used' securities market. The development of the securities market enables the efficient transformation of savings from the hands of surplus spending units to those of direct spending ones who can use them more productively with lesser risk.

The stock exchange is the secondary market. It is intricately interwoven in the fabric of the nation's economic life. It is generally thought that a stock exchange services only to those who have money to invest and securities to sell. This is an understatement for a stock exchange benefits the whole community in a variety of ways. By enabling procedures to raise capacity it indirectly gives employment to millions of people and help consumers to get goods needed by them.

Actually market mechanism establishes the existence of random walk theory that the successive price changes to be independent. The stock market poses steady inflow of information that influences the set of anticipation's of the individuals. Independence is an important property of random walk hypothesis. Proponents of random walk recognize that, in general, strictly an independence assumption doesn't exist in real world.

## **2.2 Review of Related Studies**

This sub-section is concern with the previous research work done by the different scholars more specially; the chapter includes the conceptual framework, review of foreign research and review of Nepalese research.

### **2.2.1 Review of Foreign Research**

Research on the stock market and security price did not begin with the development of a theory of price formation, which was ten subjected to empirical test. It impetus for the

development of the theory came from the accumulation of evidence in the middle 1950 that the behavior of common stock and other speculation of prices could be well approximated by a random walk. Much of the theory on the random walk can be traced to French mathematician Louis Bachelor whose PhD dissertation titled "The Theory of Speculation". He tested the model in commodity speculation I France was a "Fair game". He also concluded that the current price of a commodity was an unbiased estimate of its future price. After the first discovery of the random walk model by Louis Bachelor, empirical testing of the model in the stock market prices almost remained stagnate until 1960s. There are large number of studies most of which are briefly reviewed below.

Kendall (1953) also tested the model that gave rises to the theory. Then after in 1960s and onwards numerous studies were carried out in this area validated the hypothesis while some other studies refuted this theory as a true description of the market. These researches apply various analyzing tools and mechanical rules, details of that have been presented in the following paragraphs.

Kendall (1953:61) made significant contribution to advance in the study of the random walk model. He tested the model on the weekly price changes of the 19 indices of British industrial shares and in the spot price series of cotton (New York) and wheat (Chicago). He analyzed the data by serial correlation coefficient and concluded that the subsequent stock price movement follows random walk. He showed that the successive price changes are statistically independent to its past price changes.

Roberts (1959) conducted simulation tests by comparing the cumulating of random numbers and the Dow-Jones Industrial Average Index (DJIAI) for about one year. He observed the first difference of two series produce the same pattern. He gave a number of methodological suggestions for testing what he calls the chance model. He suggested run analysis for testing independence of price changes. Similarly Osbern (1959) analyzed stock price from New York stock exchange (NYSE) using daily log price changes, which was called Borwain Motion. He found the consistency between the Borwain Motion and share prices movements rise to support on random walk hypothesis.

Cootner (1962:19) analyzed weekly and 14 week interval data on 45 stocks from New York stock exchange (NYSE). He found that one-week interval stock price move as a random

walk. However, he also found some dependencies in the data at 14-week interval. The average serial correlation coefficient for one week was -0.047 and for 14 was 0.131. He focused the importance of "differencing interval" while testing for randomness in stock price behavior.

Fama study (1965) on the Random Walk Model. He observed the daily proportionate prices of 30 individual stocks the Dow Jones Industrial Average. He employed the statistical tools such as serial correlation and run test to draw inference about dependence of the price series. He calculated auto-correlation coefficient for daily changes in log prices for log from 1 to 30 and found that the coefficient were almost close to zero in overall.

Dryden (1970:21) studied daily London all-market indices for four year, and found the serial correlation coefficient 3.30 to 0.16 that is significantly differs from zero. He suggests "sufficient divergence from the random walk hypothesis to justify a more extensive analysis of the behavior of individual share quote on the London stock exchange".

Solnik (1973) investigated the daily price of 234 common stocks of eight European countries namely, France, Italy, UK, Germany, Netherlands, Belgium, Switzerland, Sweden for the time period from March 1966 to April 1971. He calculated the returns for various interval of the each stock and studied the distribution of serial correlation coefficient. He pointed out random walk is more apparent in the European stock price behavior than in the American price behavior.

Sharma and Kennedy (1977) tested the random walk model, by run test and spectral analysis against representative stock market indices of Bombay, Network and London stock exchange during 1963-73. They found that the stocks on Bombay stock exchange obey random walk and are equivalent in sense to the behavior of share price in the market of developed countries.

Gupta (1985) found out comprehensive test of the random walk hypothesis by employing serial correlation and run analysis in two sets of time series data. The two sets of time series data are the first was the economic time index, number of daily share prices and financial express index number of equity prices on a daily and other weekly series and another was a weekend closing price. He concluded on the basis of these test the random walk model share

price behavior suggesting in the Indian stock exchange were efficient in the weak sense in pricing share.

Mahapatra (1995:23) tested the weakly efficient market hypothesis using rank correlation analysis based on relative strength. The sample was end of month closing price of 26 stocks from Bombay stock exchange during the period January 1989 to December 1992. He argued that the Indian stock market is less efficient in the short run but more efficient in the long run.

Mobarek and Keasey (2000, page no 23) The study seek evidence supporting the weak form efficient of the market using daily market return series of the listed securities on the Dhaka Stock Exchange for the period of 1988 to 1997. Empirical analyses suggest that the Dhaka Stock Market of Bangladesh is not weak form efficient. The result of individual share returns also evidence that they are not following random walk model.

Majnoni and Massa (2001: 23) measurement of market efficiency of the Italian Stock Market. The data used two different's data set on prices and returns, first on daily data then on intraday data. The analysis based on daily data that shows the strong positive correlation between price changes and trading volume is due to significant causal relationship between trading volumes and price formation. The increasing concentration of trading should not be interpreted as an indication of poor market efficiency since the component of price volatility due to the market imperfections has declined as a proportion of total volatility even for infrequently traded stocks.

Abraham, Seyyed and Alsakran (2002, page no 23) The data consist of weekly index value for the three major Gulf Stock Markets of Kuwait, Saudi Arabia and Bahrain for the period (October 1992 to December 1998). Random walk hypothesis and market efficiency hypothesis are assessed using the variance ratio and the nonparametric (run test) consistent with results in the literature for similar emerging markets both RWH and weak form efficiency are rejected for the Gulf Markets when the observed index levels are used. The corrected indices show that successive price changes are independent for all three markets implying weak form efficiency. Random Walk Hypothesis for the Saudi Arabia and Bahrain markets cannot reject. Kuwaiti market falls to follow a random walk even after the correlation.

Pena and Alana (2003:24) test if stock index price follows random walk in the Spanish Stock Market by means of variance ratios. By using daily, weekly and monthly price returns autocorrelation in the Spanish Stock Market for the two indexes (IGBM and IBEX35) and for individual securities but means of variance ratio tests. They found that positive string autocorrelation for both IGBM and IBEX35 index daily returns cannot reject the random walk hypothesis for the period March 31, 1997 to 2000, significant position of autocorrelation especially in daily and weekly period. The positive index autocorrelation monthly returns are not significant at 5% level in any period. On the other hand, Spanish Stock Market security daily returns show weekly positive autocorrelation. Even though index monthly return cross-correlation at one lag (a month) between portfolios based on size. In particular, large stock portfolios lead to the small stock ones.

Islam and Khaled (2005:24) carried out a test of weak-form efficiency of the Dhaka Stock Exchange using monthly versus daily data or weak. The study uses daily, weekly, and monthly market prices and returns of the stock exchange during the year 1990 to 2001. Starting from the January 1990, the daily market price data cover the period up to 23 November 2001, while the weekly and monthly price data cover the period up to 21 November 2001 and October 2001 respectively. Data for the period 1990 to 1991 were taken from the daily price quotations. Test of weak form efficiency of the Dhaka Stock Exchange by using the autocorrelation test. Test separately for the period before July 1996 and for the period after March 1997. They concluded on the basis of these tests weak-efficiency is rejected by using autocorrelation test but on the basis of hypothesis at 5% significance level in the case of monthly data. But for Weekly data and daily data the market efficiency was rejected for the pre boom period (1996) but not for the post crash.

### **2.2.2 Review of Nepalese Research**

Shrestha (1982: 31) conducted a study on the role of securities marketing center in the economic development of Nepal. The study was conducted with the objectives to examine the role played by securities marketing center in promoting Nepalese security. This study covered the period of 4 years (2034/35 to 2037/38). He has concluded that the securities marketing center is very poor in terms of the primary market and facing the problem in the demand and supply. Investors are influenced by the value to share and dividend policy of the company while buying or selling the securities.

Bhattarai (1985: 26) carried out a study of impact of securities exchange center on capital mobilization with special reference to the government securities and share market in Nepal. The objective of this study was to evaluate the significant features of government securities market to find out the contribution of Securities Exchange Center. He concluded that Securities Exchange Center has mobilized long-term capital required to the new companies launch the development activities in the country to provided the investment opportunities to investor through the primary market.

Bhattarai (1990) carried out a study on share market in Nepal. The sample for the study comprised of 12 companies. This study was based on secondary data. Differential statistical tools and financial tools were applied. He concluded that the investors in capital market through brokers' network raised the transaction volume. Market starts to walk randomly reflecting providing alternatives to make diversified portfolio facilitates true value of share and investors.

Bhatta (1995:26) carried out a study on assessment of the performance of listed companies in Nepal. The basic objective of this study was performance of listed companies. He has taken 10 listed companies as sample based on secondary data. By using different statistical tools like ratio analysis, beta coefficient and portfolio to analyze the dividend yield, liquidity, leverage, risk and return etc. He concluded that capital market to run efficiently requires continues flow of information and there is serious deficiency of such information in market. Investors are depressed in the market by rules and regulations and bureaucratic set up mind of the companies.

Bhatta (1997) carried out a study on dynamic of stock market in Nepal. The primary objective of the study was to anal use trend research study and to analyze the market share price of secondary market. By using differential statistical tools like mean, standard deviation and other essential tools for the study purpose of 14 companies listed in stock market could be regarded as the heart of the capital market. There is a high volatility of share price.

Gurung (1999) conducted a study on the basis of share price behavior of listed companies in Nepal. The study was conducted with the objectives to test the monthly movement of share price behavior of listed companies in Nepal. The sample for the study comprised of 15 companies representing form commercial bank, insurance and finance, manufacturing and

processing and trading. Using different statistical tools like mean, coefficient correlation and financial parameters. He mentioned that the number of listed companies has been increased during the study period. The study was to analyze the relation between traded and listed companies, to evaluate the trading turnover, to analyze the share price behavior of listed companies whose stocks are listed in stock exchange center and trade in the stock market. The performance of commercial banks is better than that of trading concerns and the investment in this group is more attractive so, banking group is higher than compare to the other group. Market was bluish during the initial period of the study. The higher fluctuations in prices in decreasing trend and higher variations in prices showed the performances of listed companies have been deteriorating. More over this implies the uncertainty and instability in stock market.

Timilsina (2001: 26) conducted a study on capital market development and stock price behavior in Nepal. The main objectives of the study was to find out the fair market prices of equalities and observe the variation of actual prices from the computed fair prices to test whether the present behavior of prices will remain stable. The study covered a period of 8 months (2002/2003). By using different statistical, mathematical and financial tools including the formulation of hypothesis was done in the study. He concluded that the market price of share depends on earning per share (EPS) as well as dividend per share (DPS), direct and immediate response in the market.

Pradhan (2003: 31) conducted a study on stock market behavior in a small capital market. Different financial tools were used in the study period of 1986 to 1990. The sample for study was taken from 7 listed companies. The main objective of the study was the stock market behavior in a small capital market in the context of Nepal. He concluded that the larger stocks have larger price earnings ratios, larger ratio of market value to book value of equity, lower liquidity, lower profitability and smaller dividend. Larger stocks also have higher leverage, lower assets turnover and lower interest coverage but these are more variable for smaller stocks than for larger stocks. Stocks with higher price earnings ratios have lower liquidity, higher leverage, lower turnover, lower profitability and lower interest coverage's.

Pradhan and Upadhya (2004: 45) conducted a study on the efficient market hypothesis and the behavior of share prices in Nepal. The objective of the study was to make a comprehensive investigation of weak and other form of efficient market hypothesis.



Different statistical tools were used in the study serial correlation, the run test, weighted mean, median, chi-square test and spearman's rank correlation. Twenty-three equity shares listed and actively traded in the Nepal Stock Exchange LTD. He concluded that Nepalese Stock Market might not be termed as "weakly efficient" in Pricing shares where market efficiency is defined as all historical information is reflected in security price. The main factors affecting share prices perceived by the respondents are dividends, retained earnings, bonds share and right issue. The study also found that the shareholders in high tax brackets did not prefer relined earning instead of dividends.

Poudel (2005: 83) conducted study on share price behavior of listed companies in Nepal. The study was conducted with the objectives to test the daily share price behavior of listed companies in Nepal. The sample for the study comprised of 21 companies representing from each sector listed in Nepal Stock Exchange. This, study is based on the secondary data. Different statistical tools like serial correlation and run test were used. He concluded that NEPSE index showed a steady increase in the later month of the study period, which also shows the better performance of NEPSE. Stock market performance is more or less in a stable position in the capital market overall in the study period. The stock market performance is steady increasing with the increase in the number of listed companies. The badly affected sectors were hotels, trading, manufacturing and processing sectors due to different reasons. The NEPSE index showed a better performance during the study period.

## **CHAPTER- III**

### **RESEARCH METHODOLOGY**

Research methodology is the sequential steps followed by a researcher in studying a problem that helps to obtain reliable and actual results from the study. The research methodology enables to describe the method and techniques applied in the study including research design. The research methodology concentrates on the various sub-topics, which are mentioned below:

#### **3.1 Research Design**

This research study is based on certain research designs. Selection of appropriate research design is necessary to meet the objective of the study. This study emphasizes on descriptive and analytical study of collective data over a period of time and it gives suggestion on the improvement of capital structure. So this study is based on descriptive and analytical research designs.

A quantitative research design has been adopted to plan the activities required to be followed for carrying out the various tasks of research work such as choosing the methodology to be adopted, gathering data, analyzing data and finally writing the report. Using a quantitative approach provides richer detail for exploring viewpoints in early stages of research, allowing the researcher to gain a better initial understanding of the problem and to identify phenomena, attitudes and influences. (Reilly, Frank K. (1990:192)).

#### **3.2 Description of Data & Sample**

Nepal stock exchange has classified the companies into nine sectors i) Commercial banks ii) Financial institutions iii) Insurance companies iv) Hotel companies v) Manufacturing and processing companies vi) Trading companies vii) Development banks viii) Hydropower and ix) Others. The overall sector has been taken for the study period of 2007 to 2012 as sample among them.

### 3.3 Sources and Procedures of Data Collection

This study is based completely on historical data. The data required for this research study are particularly collected from secondary sources. It will content mostly the annual reports, profit and loss account and balance sheet of concerned companies.

The data are collected from various annual reports, trading reports, and financial statements, various articles and journals available in central library, library of Nepal Commerce Campus. Besides, website of NEPSE was used to collect relevant data.

### 3.4 Tools of Analysis

The tools used for the analysis of the data include both financial and statistical tools. Financial tools used are the formulas of returns and risks for the individual securities and the portfolios. The statistical tools used are: measures of dispersion (variance, standard deviation and co-variance), correlation and regression techniques, and hypothesis testing.

### 3.5 Return measurement

In analyzing a common stock's performance, the holding period return on the common stock needs to be correctly calculated over the period of the evaluation. The single period rate of return is the basic random variable in investments analysis. This rate of return concept is important because it measures the speed at which the investor's wealth increases or decreases. The rate of return formula can be stated in a form appropriate for almost any investment.

$$R_t = \frac{P_t - P_{t-1} + C_t}{P_{t-1}} \quad \dots \quad \dots \quad \dots \quad \dots \quad \dots \quad (3.1)$$

Where,

$R_t$  = an investment's single period rate of return

$P_t$  = market price at the end of period t

$P_{t-1}$  = price at the end of period t-1

$C_t$  = cash flow income received during the t<sup>th</sup> period

For common stocks, it can be simply stated as:

$$R_t = \frac{EP - BP + D_t}{BP} \quad \dots \quad \dots \quad \dots \quad \dots \quad \dots \quad (3.2)$$

Where,

EP = end price of stock;

BP= beginning market price of stock; and

D<sub>t</sub>= dividend received during the period of the evaluation.

Average return or arithmetic average is the simple time-weighted average. So

$$\begin{aligned}\bar{R}_t &= \frac{\sum_{t=1}^T R_t}{T} \\ &= \frac{R_1 + R_2 + \dots + R_T}{T} \dots \dots \dots \dots \dots \dots (3.3)\end{aligned}$$

Where,

R<sub>1</sub>...R<sub>T</sub> = Returns for assets from 1 to T time periods and

T= Numbers of time periods.

### 3.6 Computation of Dividend

Dividend is an important cash inflow for the common stock holder. So in order to calculate holding period rate of return calculation of dividend is an important task. In this research paper stock dividend is converted into cash dividend. The model used to convert stock dividend into cash dividend is as follows:

$$\text{Stock dividend} = [\% \text{ of stock dividend}] \times [\text{no. of shares outstanding}]$$

Here if the stock dividend is declared before 35 days of ending holding period, the ending price (EP) of the same year is taken as MPS after stock dividend otherwise next year's EP is taken as the MPS after stock dividend. For example if a company declares stock dividend on 20<sup>th</sup> March 2011 then EP for 2011/2012 is used to convert stock dividend into cash dividend. But if a company declares stock dividend after 10<sup>th</sup> June 2011 then EP for 2011/2012 is used as MPS to convert stock dividend into cash dividend. Therefore total cash dividend is calculated as follows:

$$\text{Total cash dividend} = \left[ \frac{\% \text{ of cash dividend} \times}{\text{Paid up value}} \right] \times \left[ \frac{\% \text{ of stock dividend} \times}{\text{MPS after stock dividend}} \right] \dots \quad (3.4)$$

### 3.7 Measurement of Risk

When analyzing investments, analysts define risk as variability of return. Financial analysts and statisticians prefer to use a quantitative risk surrogate called the variance of returns, denoted  $\text{Var}(r)$ . The variance of an asset's rates of return for historical data is given by:

$$\text{Var}(r_i) = \frac{\sum_{t=1}^T (r_{i,t} - \bar{r}_i)^2}{T-1} \dots \dots \dots \quad (3.5)$$

Where,

- $\text{Var}(r_i)$  = variance or returns of asset i;
- $r_{i,t}$  = rate of return of asset i in period t; and
- $\bar{r}_i$  = average rate of return of asset i.

Variance as well as standard deviation measure total risk of an asset. So standard deviation  $\delta$ , of the rates of return is given by:

$$u = \sqrt{\text{Var}(r_i)} = \left[ \frac{\sum_{t=1}^T (r_{i,t} - \bar{r}_i)^2}{T-1} \right]^{1/2} \dots \dots \dots \quad (3.6)$$

The total risk of an asset can be divided into two parts: diversifiable risk and undiversifiable risk. Therefore,

$$\text{Total risk} = \text{Undiversifiable risk} + \text{Diversifiable risk}$$

Undiversifiable risk is that portion of total variability in return caused by market factors that simultaneously affect the prices of all securities. It is also called systematic risk. Changes in the economic, political, and sociological environment that affect securities markets are sources of systematic risk. The beta ( $\beta$ ) is an index of systematic (or undiversifiable) risk that gauges how much the  $i^{\text{th}}$  asset's return typically reacts to a change in the market portfolio's return. Beta coefficients may be used for ranking the systematic risk of different assets. The

beta coefficient also measures the slope of the characteristic line. The beta coefficient is defined as:

$$\beta_i = \frac{\text{Cov}(r_i, r_m)}{\text{Var}(r_m)} \dots \dots \dots \dots \dots \dots \dots \quad (3.7)$$

Where,

$\beta_i$  = beta coefficient of asset I

$\text{Var}(r_m)$  = the variance of returns for the market portfolio.

$\text{Cov}(r_i, r_m)$  = the covariance of returns of  $i^{\text{th}}$  asset with the market.

$$\text{Cov}(r_i, r_m) = \left[ \frac{\sum_{t=1}^T (r_i - \bar{r}_i)(r_{m,t} - \bar{r}_m)}{T - 1} \right] \dots \dots \dots \dots \dots \quad (3.8)$$

Systematic risk is given by,

$$\text{Systematic risk} = \beta_i^2 \text{Var}(r_m)$$

The percentage of total risk that is systematic risk can be measured by the coefficient of determination  $\rho^2$ .

$$\rho^2 = \frac{\text{systematic risk}}{\text{unsystematic risk}} = \frac{\beta_i^2 \text{Var}(r_m)}{\text{Var}(r_i)} \dots \dots \dots \quad (3.9)$$

Diversifiable risk is that portion of total risk, which is unique to the firm that issued the securities. It is also called unsystematic risk. It is given by:

$$\text{Diversifiable risk} = \text{Var}(e)$$

$\text{Var}(e)$  is called residual variance or standard error squared. The percentage of unsystematic risk equals  $(1-\rho^2)$ .

The characteristic line and CAPM provide a foundation for risk-adjusted performance analysis. The equilibrium rate of return for individual assets is given by the CAPM. The

relationship between covariance and expected return is known as security market line [Sharpe, 2004:235].

For our purpose, the ex post SML is simply the equation of the line going through the points  $(0, \bar{r}_f)$  and  $(1, \bar{r}_m)$ . The return given by the ex post SML for an asset with a beta of  $\beta_i$  can be used as a benchmark return,  $\bar{r}_{bi}$ , for that asset. That is:

$$\bar{r}_{bi} = \bar{r}_f + (\bar{r}_m - \bar{r}_f) \beta_i \dots \dots \dots \dots \dots \dots \dots \quad (3.10)$$

One measure of an asset's risk-adjusted performance is the difference between its average return ( $\bar{r}_i$ ) and the return on its corresponding benchmark return, denoted ( $\bar{r}_{bi}$ ). This difference is generally referred to as the asset's ex post alpha (or differential return), and is denoted  $\alpha_i$ :

$$\alpha_i = \bar{r}_i - \bar{r}_{bi} \dots \dots \dots \dots \dots \dots \dots \quad (3.11)$$

$$\therefore \alpha_i = \bar{r}_i - [\bar{r}_f + (\bar{r}_m - \bar{r}_f) \beta_i] \dots \dots \dots \dots \dots \quad (3.12)$$

Characteristic line is a simple linear regression model expressing the relationship between the excess return on the market portfolio. [Sharpe 2004:909] The simple equation of characteristic line is given by:

$$r_{i,t} = \alpha_i + \beta_i \times r_{m,t} + \varepsilon_{i,t} \dots \dots \dots \dots \dots \quad (3.13)$$

- Where,  $r_{i,t}$  = total rate of return in period t.
- $r_{m,t}$  = rate of return for market in period t.
- $\alpha_i$  = regression intercept
- $\beta_i$  = slope of characteristic line
- $\varepsilon_{i,t}$  = unexplained residual return that occurs in period t.

The characteristic line is used to measure statistically the undiversifiable risk and diversifiable risk of individual assets and portfolios. [Francis, 1997: 153]. The ex-post characteristic line for performance evaluation is given by:

$$r_i - r_f = \alpha_i + \beta_i (r_m - r_f) \dots \dots \dots \dots \dots \quad (3.14)$$

**3.8 Various indexes used in Performance Evaluation**

- 1) Rate of Return

- 2) Standard Deviation (SD)
- 3) Coefficient of Variation (CV)
- 4) Coefficient of Correlation
- 5) Co-efficient of determination

### 3.8.1 Rate of Return

In analyzing a common stock's performance, the holding period return on the common stock needs to be correctly calculated over the period of the evaluation. The single period rate of return is the basic random variable in investments analysis. This rate of return concept is important because it measures the speed at which the investor's wealth increases or decreases. The rate of return formula can be stated in a form appropriate for almost any investment.

$$R_t = \frac{P_t - P_{t-1} + C_t}{P_{t-1}} \dots \dots \dots \dots \dots \quad (3.8.1.1)$$

Where,

- $R_t$  = an investment's single period rate of return
- $P_t$  = market price at the end of period t
- $P_{t-1}$  = price at the end of period t-1
- $C_t$  = cash flow income received during the t<sup>th</sup> period

For common stocks, it can be simply stated as:

$$R_t = \frac{EP - BP + D_t}{BP} \dots \dots \dots \dots \dots \quad (3.8.1.2)$$

Where,

- EP = end price of stock;
- BP = beginning market price of stock; and
- $D_t$  = dividend received during the period of the evaluation.

Average return or arithmetic average is the simple time-weighted average. So



$$\begin{aligned} \bar{R}_t &= \frac{\sum_{t=1}^T R_t}{T} \\ &= \frac{R_1 + R_2 + \dots + R_T}{T} \dots \dots \dots \dots \quad (3.8.1.3) \end{aligned}$$

Where,

$R_1 \dots R_T$  = Returns for assets from 1 to T time periods and

T = Numbers of time periods.

### 3.8.2 Standard Deviation

Standard deviation is measure of dispersion, which takes into account each value of the data and also how all observation are distributed (Chandan, 2003: 221). In general, if different values of data are reasonably close to mean then there is very little variability of dispersion of data. On the other hand if values are at a considerable distance from the center of mean, the variability is said to be small. Standard deviation measures such variability and it can be computed by using following formula:

$$\dagger = \left[ \frac{\sum_{t=1}^T (r_{i,t} - \bar{r}_i)^2}{T - 1} \right]^{1/2} \dots \dots \dots \dots \quad (3.8.2.1)$$

where,

$r_{i,t}$  = rate of return of asset i in period t; and

$\bar{r}_i$  = average rate of return of asset i.

† = Standard deviation

### 3.8.3 Coefficient of Variation (CV)

The CV is relative measure of dispersion. It is expressed as a percentage and is useful in comparing the variability of two or more set of data. Since it is a ratio, the units of measurement have no significance.

The co-efficient of variation is given by:

$$CV_i = \frac{\sigma_i}{R_i} \times 100 \quad \dots \quad \dots \quad \dots \quad \dots \quad \dots \quad (3.8.3.1)$$

### 3.8.4 Coefficient of Correlation (r)

Correlation analysis is the statistical tool that can be used to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the direction of relationship between two sets of figures. It is the square root of coefficient of determination. Correlation can either be positive or it can be negative. If variables are changing in the same direction, then correlation is said to be positively correlated but when the variation of two variables take place in opposite direction, the correlation is termed as negative. Thus, correlation coefficient lies in between +1 or -1. While interpreting correlation coefficient, due care should be provided as it misleads the results and decision.

### 3.8.5 Coefficient of (Multiple) Determination (R<sup>2</sup>)

The coefficient of determination is a measure of the determination is measure of the degree (extent or strength) of linear association or correlation between two variables, one of which happens to be independent variable (S). In other words R<sup>2</sup> measures the percentage total variation variables. The coefficient of determination can have value ranging from zero to one. If R<sup>2</sup> is equal to 0.85, which indicates that the independent variables used in regression model explain 85% of total variation in the dependent variable. A value of one can occur only if the unexplained variation is zero, which simply means that all the data points in the scatter diagram fall exactly on the regression line.

## **CHAPTER- IV**

### **PRESENTATION AND ANALYSIS OF DATA**

This chapter deals with the main body of the study the presentation and analysis of the collected data. The first chapter deals with the historical development of capital market. The second and third part deals with the sector wise listed companies, annual turnover, market capitalization, traded share quantity, number of transaction. The rest of part deals with behavior of NEPSE index of their sectors listed in NEPSE and the findings of the study.

#### **4.1 Historical Development of Capital Market**

The history of security market began with the flotation of shares by Biratnagar Jute Mills Ltd. and Nepal Bank Ltd. in 1937. Introduction of the Company Act in 1964, the first issue of Government Bond in 1964 but there was no secondary market to provide liquidity for these bonds until the establishment of securities marketing center in 1976 were other significant development resulting to capital markets.

In 1983, His Majesty's Government Nepal under a programmer initiated to reform capital market, converted Securities Exchange Centre (SEC) in 1984. Securities Exchange Centre was established with an objective of facilitating and promoting the growth of capital markets. SEC carried primary and secondary market services for the corporate securities. Thus, the actual development of the stock market began since 1984. The remarkable changes came only after the initiation to reform the market in 1993, when the SEC was converted into Nepal Stock Exchange. Nepal Stock Exchange Centre (NEPSE) is a non-profit organization and new market mechanism was introduced. NEPSE is the only stock exchange in the country. It is owned by the Government, Nepal Rastra Bank (the central Bank) and Nepal Industrial Development Corporation. It has an ownership holding of its member also. Securities businesspersons such as stockbrokers, market makers and securities dealers, registered by Securities Exchange Board (SEBON) have to get membership from the stock for conducting securities business. The Securities Exchange Board (SEBON) is operating since 1993.

Securities market is a place where buying and selling of securities takes place in an organized way. The parties involved in securities market are investors, intermediaries and specialists.

Securities markets provide options to all categories of investors and make the financial market most competitive in the developing countries. Securities Exchange Act has empowered NEPSE with the capacity of promulgating various Byelaws in order to ensure orderly and fair transactions of securities. Accordingly, the NEPSE has made and adopted the securities listing Byelaws 1996 and membership of stock exchange and transactions Byelaws 1998.

Securities markets bring together buyers and sellers of securities, they are mechanisms created to facilitate the exchange of financial assets. A market mechanism is the trading procedures of an organized market through which the listed securities are traded. So, under this mechanism the trading procedures will be determined by the stock exchange. Some countries have adopted automation and some are still managing and running open-out-cry system. NEPSE had also adopted the open-out-cry system licensing two types of members. They were market makers and member brokers. Market makers were the institutional members. They, being well-organized institutions, are considered an expert in the analyzing financial statements and controlling and regulating the market through market mechanism. So these organizations are allowed making buy and sale in and form their own account. NEPSE has licensed six organizational market makers. The number goes on decreasing. Market makers quite the job of market making of corporate securities when NRB puts investment ceilings by publishing directives. Now a day there is no market maker operating in the market.

Member brokers are the license holders who are empowered to accept the buy and sale orders from their individual and institutional clients and make transactions in trading floor organized, managed and operated by stock exchange. The rate or brokerage commission ranges from 1 to 1.5 percent. These intermediaries are not allowed to buy and sale in and from their own account.

NEPSE has also licensed to dealer primary market and dealer secondary market. Dealer (primary market) operates as a manager to the issue and underwriter whereas dealer (secondary market) operates as a portfolio manager. Presently, NEPSE licensed to 11 dealers (primary market) and 2 dealers (secondary market).

## 4.2 Sector-Wise Listed Companies

Trading on the floor of the NEPSE is restricted to listed corporate securities and government bonds. Companies established under company act 1964, must be listed in Stock Exchange Ltd. Number of listed companies was 62 in the initial month of floor trading of NEPSE. Then this number increased by listing of additional companies. At the end of observed period, 216 companies are listed in NEPSE. According to the latest data 235 companies have been listed in stock exchange up to the fiscal year 2012/13 but here in our study we have included up to the fiscal year 2011/12 only. The trend of group wise a listed company is increasing. The number of listed companies in finance group has increased at higher rate, than that of other sectors. The higher number of listed companies in finance group implies the well management, facilities provided to investors, effective securities to the investors.

**Table 4.1**  
**Distribution of Listed Companies**

Sector	2007/08	2008/09	2009/10	2010/11	2011/12
Commercial Bank	17	21	23	24	26
Finance	55	61	62	71	69
Insurance	17	17	19	21	21
Hotel	4	4	4	4	4
Mfg & Processing	18	18	18	18	18
Trading	4	4	4	4	4
Development Bank	23	29	40	61	68
Hydropower	3	3	4	4	4
Others	1	2	2	2	2
<b>Total</b>	<b>142</b>	<b>159</b>	<b>176</b>	<b>209</b>	<b>216</b>

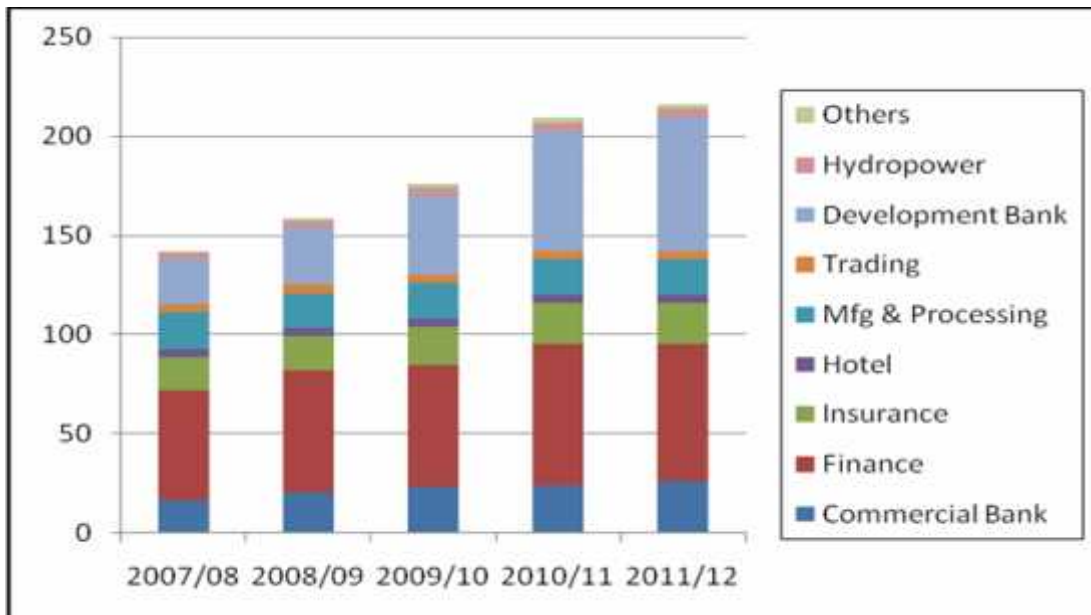
*Source: Nepal Stock Exchange Ltd.*

The total number of listed companies was 114 in the initial year of floor trading. In 2007/08, the numbers of listed companies increased to 142, and then it kept increasing each year. The trend of group wise listing companies is increasing. The number of listed companies in Finance, Commercial and Development Bank group has increased at higher rate than that of Insurance, Hotel, Manufacturing and processing, Trading, Hydropower and Other groups. The number of companies listed under Insurance and manufacturing & processing sector are

comparatively lower than the number of companies listed under commercial bank, Finance and Development banks but can be considered somehow satisfactory, but the number of companies established under Hotel, Trading, Hydro-power and Others are very low. Finance and Development bank dominates over other listed companies in the terms of total number of listed companies. The numbers of companies are also being established under commercial bank, Insurance and Manufacturing & processing sectors. The number of companies established under Hotel, Manufacturing & Processing and Trading sectors are constant since 2007/08 to 2011/12.

At the end of the observed period, the total number of companies is 26 in commercial bank and it was 69 in finance which was highest among all. There was 21 companies established under Insurance and under the Hotel sector only 4 companies were established, 68 companies were established by the end of fiscal year 2011/12 under Development banks. Manufacturing & Processing sector and Trading sector had 18 and 4 companies respectively established under them. Finally the number of companies established under Hydro power sector and Others sectors are 4 and 2 respectively at the end of the observed period.

**Figure 4.1, Distribution of Listed Companies**



From figure 4.1, we can observe that the number of listed companies of listing figure indicators shows that the stock market in Nepal is burning issue with rapidly growing companies. In 2007/08, the total number of listed companies was only 142, then in 2008/09, there was a slight increase in the number of listed companies and it was 159 companies established.

In 2009/10, the list of companies reached to 176 then after it was 209 in 2010/11. Finally in the year 2011/12, the number of listed companies reached to 216. From the figure as well, it can be clearly viewed that the number of companies established under the finance sector and development bank sector was highest whereas the number of companies established under commercial bank, Insurance sector, Hydro power and others sector were very less.

Besides this, there was no change or the number of companies established under Hotel sector, Mfg. and processing sector and Trading sector was constant throughout the observed 5 years. Hence, these sectors need to increase their efficiency and attract investors to upgrade their position.

#### **4.3 Annual turnover**

Annual turnover is a good way to inspect the average time horizon a fund employs. It is a qualifier of how fast a fund turns over its holdings throughout the year. A highly dynamic fund will have a high yearly turnover. The annual turnover also means the rate of percentage at which a mutual fund or exchange traded fund replaces its investment holdings annually. It is meant to adjust to the inflows and outflows of cash and the report on trading activity level in the fund. It can also be defined as the amount of business that a business conducts over the period of one year which is usually measured through income and sales and determines whether or not the company made profit or loss.

The most successful year so far for Nepal Stock Exchange was 2007/08 year whose annual turnover of the market was Rs 21980.57 million compare to other years but again recorded a sharp decline in 2008/09 with the turnover reaching Rs 19437.96 million. It drastically fell from Rs. 21980.57 million in 2007/08. In 2009/10 went up to Rs 11020.78 million. Commercial Bank has dominated over other groups in the terms of amounts. Annual turnover for observed year is Rs 5615.37 million.

**Table 4.2**  
**Annual Turnover (Rs. in Millions)**

Year	2007/08		2008/09		2009/10		2010/11		2011/12	
	Value	%	Value	%	Value	%	Value	%	Value	%
Commercial Bank	13822.1 4	62.88	12406.45	63.83	7196.24	65.30	3431.82	54.81	5615.37	60.09
Finance	2307.53	10.50	2615.4	13.46	1263.94	11.47	630.69	10.07	279.85	2.99
Insurance	264.86	1.20	212.8	1.09	183.47	1.66	377.15	6.02	334.28	3.58
Hotel	27.67	0.13	18.69	0.10	10.15	0.09	151.93	2.43	185.43	1.98
Mfg. & Processing	343.44	1.56	26.08	0.13	37.74	0.34	363.06	5.80	811.25	8.68
Trading	33.65	0.15	33.49	0.17	35.43	0.32	27.53	0.44	22.91	0.25
Dev. Bank	1981.05	9.01	2740.36	14.10	1323.53	12.01	813.24	12.99	647.4	6.93
Hydropower	0.29	0.001	890.3	4.58	752.45	6.83	343	5.48	1243.38	13.31
Others	3199.94	14.56	494.39	2.54	217.83	1.98	122.67	1.96	204.81	2.19
<b>Total</b>	<b>21980.5</b> 7		<b>19437.96</b>		<b>11020.78</b>		<b>6261.09</b>		<b>9344.68</b>	

*Source: Nepal Stock Exchange Ltd.*

Table 4.2, shows that the annual volume is in fluctuating trend. Among the observed 5 fiscal years, the annual turnover of the year 2007/08 was highest which was 21980.57 whereas the lowest annual turnover was in 2010/11 as its annual turnover was 6261.08. The trend of annual turnover was little bit increased.

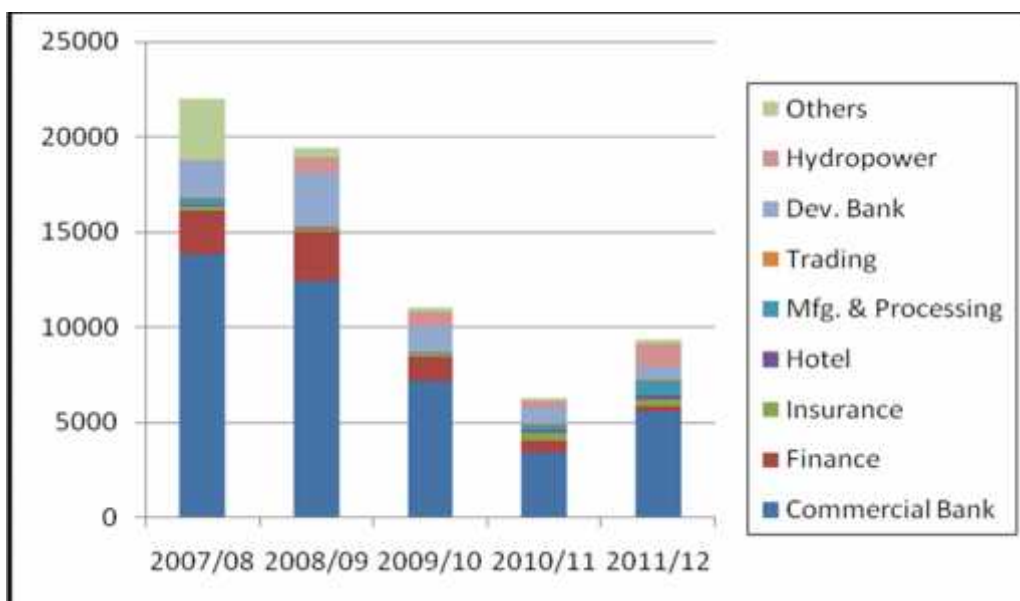
In the year 2007/08, the annual turnover of commercial bank was highest as its annual turnover was 13822.14 ie. 62.88% whereas the lowest annual turnover recorded was that of Others sectors as it was only 0.29 ie. 0.001%. If we have the comparative study of the table, we can see that commercial banks sector had dominated all other sectors in all the 5 observed years. Now in the year 2008/09, again commercial bank sector had the highest turnover by 12406.45 ie. 63.83% whereas Hotel sector had the lowest annual turnover of 18.69 ie. 0.10%. The position of commercial bank was highest in the year 2009/10 as well as its annual turnover for this year was 7196.24 ie. 65.305 and once again in this year as well, hotel sector had the lowest annual turnover of 10.15 ie. 0.09%. In 2010/11, the annual turnover of



commercial bank was 3431.82 ie. 54.81% and the annual turnover of Development banks was 813.24 ie. 12.99% whereas the annual turnover of Trading sector was only 27.53 ie 0.44%.

At the end of the observed period ie. in the year 2011/12, the annual turnover of commercial bank was highest as its annual turnover was 5615.37 ie 60.09% and the Hydropower sector had the second highest annual turnover as its annual turnover was 1243.38 ie. 13.31% whereas the trading sector had the lowest annual turnover as it was 22.91 ie 0.25%.

**Figure 4.2: Annual Turnover**



In figure 4.2, the annual turnovers of different companies established under different sectors are in fluctuating condition. From the figure also, it is clear that the annual turnover is at the highest point in one time whereas it is at the lowest point at the next time. The annual turnover of the year 2007/08 was 21,980.57 which were the highest among all the observed years. Then coming to the year 2008/09, its annual turnover was reduced to 19,437.96.

The decreasing process continued in the following 2 years i.e. the annual turnover recorded in 2009/10 was only 11,020.78 and in 2010/11, it was only 6261.09. Then after, there was a slight increase in the year 2011/12 as its annual turnover was 9344.68. From the figure, it is clear that the annual turnover of some sectors like: Commercial bank. Finance, Development bank and Others are comparatively higher than that of other sectors such as: Insurance, Hotel, Mfg. and processing, Trading and Hydro power. If we clearly view the figure, it can be

observed that in all years, commercial banks dominated the other sectors in the term of annual turnover.

#### 4.4 Market Capitalization

Market capitalization measures of a company's total value. It is estimated by determining the cost of buying an entire business in its current state. Market capitalization derived by multiplying the number of shares outstanding by the current market price of shares. Market capitalization the lists of companies at the secondary market are on the continuous rise.

**Table 4.3**  
**Market Capitalization (Rs. in Millions)**

Year	2007/08		2008/09		2009/10		2010/11		2011/12	
Sector	Value	%	Value	%	Value	%	Value	%	Value	%
Commercial Bank	218264.19	70.74	192611.17	53.49	174097.45	53.24	111983.05	46.80	119433.29	46.58
Finance	27113.59	8.79	17342.23	4.82	21834.23	6.68	13756.06	5.75	10117.97	3.95
Insurance	10897.16	3.53	8640.23	2.40	11285.39	3.45	9937.18	4.15	11254.32	4.39
Hotel	3484.13	1.13	3346.41	0.93	3521.89	1.08	3040.64	1.27	3213.71	1.25
Mfg & Processing	6576.81	2.13	5424.58	1.51	5491.21	1.68	9577.84	4.00	10767.2	4.20
Trading	686.83	0.22	980.7	0.27	1599.41	0.49	1380.74	0.58	1072.04	0.42
Development Bank	15619.36	5.06	16648.39	4.62	21458.39	6.56	13210.54	5.52	12304.82	4.80
Hydropower	25863.26	8.383	20769.65	5.77	18729.38	5.73	13550.98	5.66	12765.65	4.98
Others	18.67	0.01	94350	26.20	69000	21.10	62850	26.27	75450	29.43
<b>Total</b>	<b>308524.00</b>		<b>360113.36</b>		<b>327017.35</b>		<b>239287.03</b>		<b>256379.00</b>	

*Source: Nepal Stock Exchange Ltd*

The increased market value suggests the good performance of the companies that the investors are highly interested to such companies. The market capitalization value of the listed securities the higher value of market capitalization is Rs. 360113.36 and the lowest is Rs. 239287.03.

The percentage of market capitalization of commercial bank has highest shares as 70.74%, 53.49%, 53.24%, 46.80% and 46.58% among other eight sectors of the listed companies. The

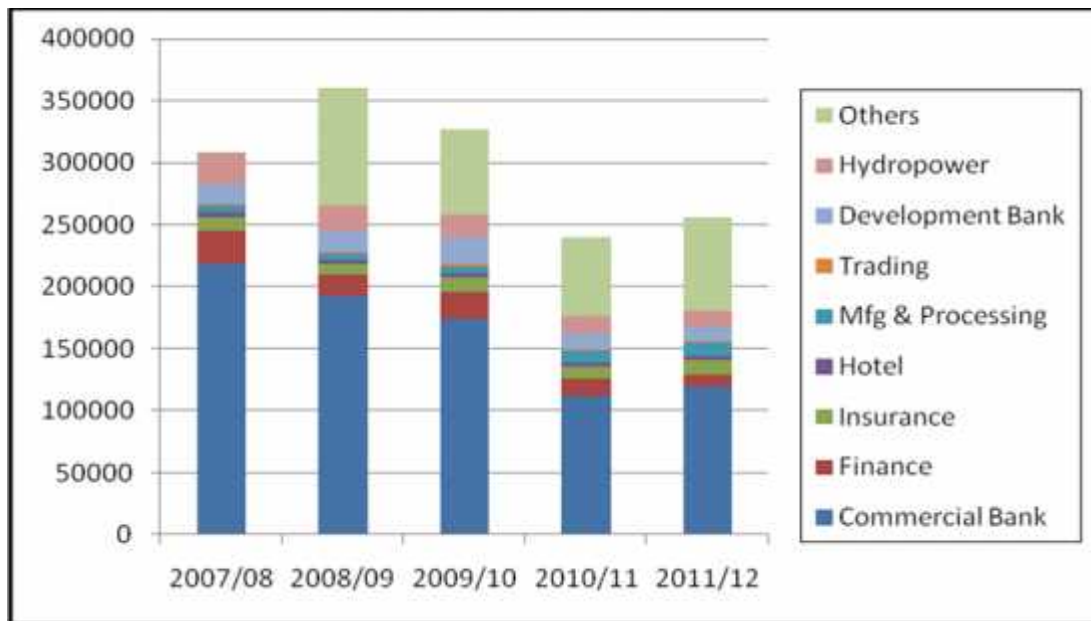
commercial banks are dominating the other sectors in terms of market capitalization. Commercial banks alone has a market capitalization of Rupees 218264.19 million (70.74%) in 2007/08 followed by the finance company Rupees 27113.59 million (8.79%).

The proportion of market capitalization of Hotel, Manufacturing and processing, Trading as well as Others group is lower but the proportion of market capitalization of Finance, Insurance, Development bank and Hydro-power are attractive to encourage the investors to invest in these sectors. In 2007/08, the market capitalization of commercial bank was 218264.19 ie. 70.745, the finance sector had the market capitalization of 27113.59 ie. 8.79% whereas Others sector had the market capitalization of 18.67 ie 0.01%. The market capitalization of Commercial banks was 192611.17 ie. 53.49 in the year 2008/09. In the same year, the market capitalization of Finance and Development bank was 17342.23 ie. 4.82% and 16648.39 ie. 4.62% respectively. In this year, the lowest market capitalization was that of Trading sectors as it had only the market capitalization of 980.70 ie 0.27% In 2009/10, the market capitalization of Commercial bank and Finance sectors was 174097.45 ie. 53.24% and 21834.23 ie. 6.68% respectively.

Likewise, the market capitalization of Insurance, Development bank and Hydro-power sector was 11285.39 ie. 3.45%, 21458.39 ie. 6.56% and 18729.38 ie. 5.73% respectively. Same as previous year, the market capitalization of Trading sector was lowest with 1599.41 ie 0.49%. In the year 2010/11. as well Commercial bank sector had the highest market capitalization as it was 111983.05 ie 46.80%. In the same year, the market capitalization of Finance, Insurance, Development bank and Hydro-power sector was 13756.06 ie. 5.75%, 9937.18 ie. 4.15%, 13210.54 ie. 5.52%, 13550.98 ie. 5.66% respectively.

Finally in the year 2011/12, the market capitalization value of Commercial bank was 119433.29 ie. 46.58 which was the highest among the other listed sectors and the lowest market capitalization value was that of Trading sectors as it was recorded only 1072.04 ie 0.42%. The market capitalization value of Hotel sector was also low which was 3213.71 ie. 1.25%. Similarly the market capitalization value of Finance sector, Insurance sector, Manufacturing and processing sector, Development bank sector and Hydro-power sector was 10117.97 ie 3.95%, 11254.32 ie. 4.39%, 10767.20 ie. 4.20%, 12,304.82 ie. 4.80% and 12,765.65 ie 4.98% respectively. Finally the total market capitalization of Others sector is 754.50 ie. 29.40%.

**Figure 4.3: Market Capitalization**



In figure 4.3, the market capitalization value of different sectors has been shown in a pictorial way to give a quick glance of market capitalization of the observed years. We can see the fluctuating trend of market capitalization in the given years. The total market capitalization in the year 2007/08 was 3, 08,524.00. After coming to the year 2008/09, its total market capitalization increased to 3, 60,113.36.

If we observe the total market capitalization of the year 2009/10, there was a slight decrease in the total market capital as it was only 3, 27, 017.35 and then after the total market capitalization was decreased to 2, 39,287.03 in the year 2010/11. Finally in the last year of our observation, i.e. in 2011/12, there was little increase so its total market capitalization is 2, 56,379.00. In above figure of market capitalization shows that the commercial bank dominated the trading floor.

The proportion of market capitalization of Hotel, Manufacturing and processing, Trading as well as Others group is lower but the proportion of market capitalization of Finance, Insurance, Development bank and Hydropower are attractive to encourage the investors to invest in these sectors. Market capitalization since the commercial bank group commands a lion's share in the total NEPSE trading.

#### 4.5 Traded Share Quantity

Table 4.4, presents the sector wise traded shares quantity and percentage of share traded quantity. The traded share quantity of the sector wise listed companies is increasing during the study period even the number of traded companies. In 2007/08 the share-traded quantity was 26390.94 decreases to 25332.64 in 2008/09 but in 2009/10 again decreases to 22734.39 then after it starts to increase again 23117.39 in 2010/11 and 34667.31 in 2011/12.

**Table 4.4**  
**Traded Share Quantity**

Year	2007/08		2008/09		2009/10		2010/11		2011/12	
	Value	%	Value	%	Value	%	Value	%	Value	%
Commercial										
Bank	11241.42	42.60	13301.44	52.51	9680.63	42.58	8534.28	36.92	15415.74	44.47
Finance	3094.3	11.72	3552	14.02	3265.97	14.37	3591.19	15.53	2196.91	6.34
Insurance	433.27	1.64	418.51	1.65	629.9	2.77	1590.59	6.88	1521.56	4.39
Hotel	158.07	0.60	95.89	0.38	50.28	0.22	1584.59	6.85	1387.77	4.00
Mfg &										
Processing	1655.09	6.27	95.12	0.38	360.68	1.59	1128.52	4.88	1132.46	3.27
Trading	14.97	0.06	14.66	0.06	12.01	0.05	37.77	0.16	9.82	0.03
Development										
Bank	2534.9	9.61	3631.82	14.34	3535.1	15.55	5158.69	22.32	5419.47	15.63
Hydropower	7251.22	27.48	3612.12	14.26	4776.7	21.01	1210.63	5.24	7127.66	20.56
Others	7.7	0.03	611.08	2.41	423.12	1.86	281.13	1.22	455.92	1.32
<b>Total</b>	<b>26390.94</b>		<b>25332.64</b>		<b>22734.39</b>		<b>23117.39</b>		<b>34667.31</b>	

*Source: Nepal Stock Exchange Ltd*

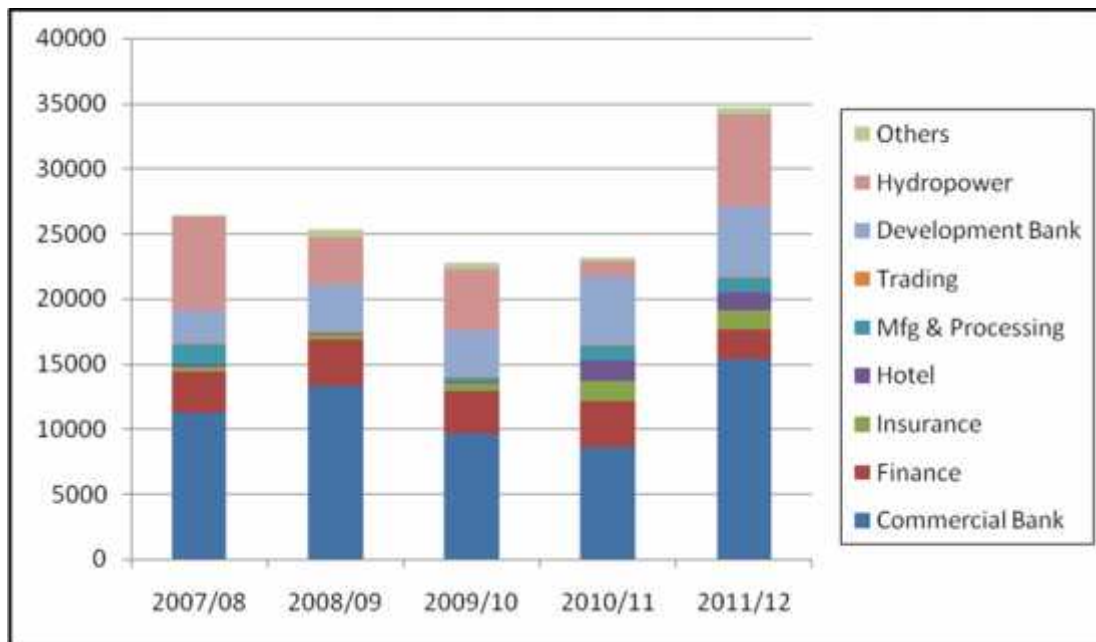
Commercial bank dominated the trading floor, as it captured the largest chunk of the total share trading. It accounted 42.60% in 2007/08, 52.51% in 2008/09, 42.58% in 2009/10, 36.92% in 2010/11 and 44.47% in 2011/12. Commercial bank the maximum share traded of 15415.74 shares of total shares traded in 2011/12 and lowest share traded of 8534.28 shares in 2010/11. Second position is occupied by the hydro-power sectors whose percentage of share traded are 27.48% in 2007/08, 14.26% in 2008/09, 21.01% in 2009/10, 5.24% in 2010/11 and 20.56% in 2011/12. The highest share traded quantity was 34667.31 in 2011/12 and lowest share traded quantity of hydro-power sector was 22117.39 in 2009/10.

The total number of traded share quantity of finance sector is in increasing trend since the year 2007/08 to 2010/11 and the number of traded share quantity was decreased in 2011/12. The total number of traded share quantity of finance sector in 2007/08 was 3094.3 ie. 11.72%, in 2008/09, it was 3552 ie. 14.02, in 2009/10, it was 3265.97 ie. 14.37%, in 2010/11, it was 3591.19 ie. 15.53 and finally in 2011/12, it was 2196.91 ie. 6.34.

The total number of traded share quantity of Insurance was 433.27 ie. 1.64% in 2007/08, 418.51 ie. 1.65% in 2008/09, 629.9 ie. 2.77% in 2009/10, 1590.59 ie. 6.88% in 2010/11 and 1521.56 ie. 4.39% in 2011/12. If we observe the table, we can see that the Development bank sector had made a progress as a result of which the total number of traded share quantity is in increasing trend. The traded share quantity was 2534.9 ie. 9.61% in 2007/08, 3631.82 ie. 14.34% in 2008/09, 4776.7 ie. 21.01% in 2009/10, 1210.63 ie. 5.24% in 2010/11 and 5419.47 ie. 15.63% in 2011/12. Trading sector had the least traded share quantity throughout the whole observed periods as its traded share quantity was 14.97 ie. 0.06% in 2007/08, 14.66 ie. 0.065 in 2008/09, 12.01 ie. 0.05% in 2009/10, 37.77 ie. 0.16% in 2010/11 and 9.82 ie. 0.03% in 2011/12.

The total number of traded share quantity of Hotel sector was also somehow unsatisfactory as its traded share quantity was 158.07 ie. 0.60% in 2007/08, 95.89 ie. 0.38% in 2008/09, 50.28 ie. 0.22% in 2009/10, 1584.59 ie. 0.38% in 2010/11 and 1387.77 ie. 4.00% in 2011/12. The condition of Manufacturing and processing sector is also same like that of Hotel sectors as its total number of traded share quantity was 1655.09 ie. 6.27% in 2007/08, 95.12 ie. 0.38% in 2008/09, 360.68 ie. 1.59% in 2009/10, 1128.52 ie. 4.88% in 2010/11 and 1132.46 ie. 3.27% in 2011/12. Hence these were the information's related to different sectors about their traded share quantity in the observed years.

**Figure 4.4: Traded Share Quantity**



From the figure 4.4, it is clear that the traded share quantity of the sector wise listed companies is fluctuating during the study period. According to the figure, the highest share traded quantity was in 2011/12 as its total traded share quantity was 34,667.31 whereas the lowest share traded quantity was in 2009/10 as its total traded share quantity was 22,734.39. The total traded share quantity of the firstly observed year i.e. 2007/08 was 26,390.94 and there was a slight reduction on the second year i.e. 2008/09 as its total traded share quantity was 25,332.64. Then once again it was reduced to 25,754.39 in the year 2009/10. The total traded share quantity of 2010/11 was 23,117.39 and finally in the year 2011/12, it was recorded highest among the observed years as its total traded share quantity reached to 34,667.31 as mentioned earlier.

After analyzing the quantity of shares traded on the observed years, it can be concluded that Commercial banks had the highest number of shares traded whereas the other sectors such as: Finance, Manufacturing and processing, Development bank and Hydro power had somehow satisfactory traded share quantity but the remaining sectors like: Insurance, Hotel, Trading and others had very low quantity of shares traded.

#### 4.6 Number of Transactions

NEPSE has fixed the trading days and hours during which the members are allowed to enter the floor to make the transactions. NEPSE has fixed the board lot of 10 shares if the face value is Rs. 100 or the face value is Rs. 10. The transactions on regular trading should be done one board lot. The transactions of less than 10 shares are permitted only on odd lot trading hours. Thus, the number of transactions occurred during a certain period.

**Table 4.5**  
**Number of Transactions**

Year	2007/08		2008/09		2009/10		2010/11		2011/12	
Sector	Value	%	Value	%	Value	%	Value	%	Value	%
Commercial Bank	54314	36.45	68171	33.00	89826	42.35	65031	21.57	86188	29.45
Finance	30462	20.44	58742	28.44	35100	16.55	59756	19.82	39953	13.65
Insurance	3332	2.24	8337	4.04	14090	6.64	31982	10.61	26035	8.90
Hotel	911	0.61	505	0.24	113	0.05	534	0.18	853	0.29
Mfg & Processing	96	0.06	75	0.04	49	0.02	163	0.05	212	0.07
Trading	108	0.07	83	0.04	77	0.04	64	0.02	50	0.02
Development Bank	53317	35.78	64831	31.38	63394	29.89	134689	44.67	108040	36.92
Hydropower	6436	4.32	2811	1.36	7748	3.65	7944	2.63	29135	9.96
Others	32	0.02	3027	1.47	1718	0.81	1342	0.45	2147	0.73
<b>Total</b>	<b>149008</b>		<b>206582</b>		<b>212115</b>		<b>301505</b>		<b>292613</b>	

*Source: Nepal Stock Exchange Ltd.*

Table 4.5 is all about the number of transactions taken place in different sectors in the observed years. This table shows that the overall banking sector has the highest transaction in the term of number. The number of transaction of Commercial bank is 54314 ie 36.45% in 2007/08, 68171 ie. 33.00% in 2008/09, 89826 ie 42.35% in 2009/10, 65031 ie 21.57% in 2010/11 and 86188 ie. 29.45% in 2011/12.

Based on the number of transactions, Finance and Development bank sector encourage for investing in these sectors. The total number of transaction of finance sector is 30462 ie. 20.44% in 2007/08, 58742 ie. 28.44% in 2008/09, 35100 ie. 16.55% in 2009/10, 58742 ie 28.44% in 2008/09, 35100 ie 16.555 in 2009/10, 59756 ie. 19.82% in 2010/11 and 39953 ie. 13.65% in 2011/12.

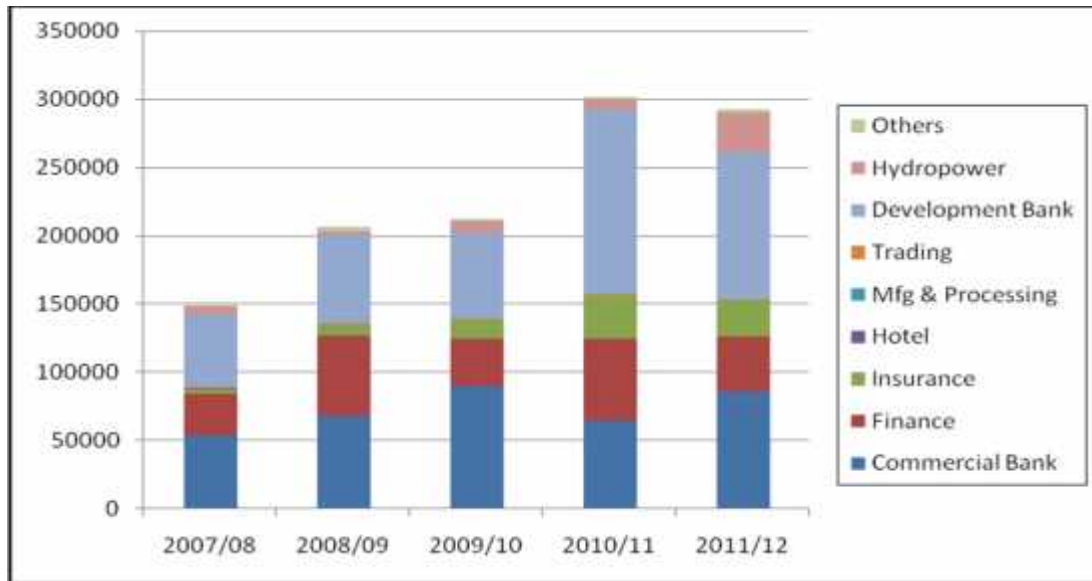


Similarly, the number of transactions occurred in Development bank sectors were 53317 ie. 35.78% in 2007/08, 64831 ie. 31.38% in 2008/09, 63394 ie. 29.89% in 2009/10, 134689 ie. 44.67% in 2010/11 and 108040 ie. 36.92% in 2011/12. The number of transactions occurred on Manufacturing and processing and Trading sectors were the lowest among the other sectors. The number of transactions that took place in Manufacturing and processing sectors were 96 ie. 0.06 in 2007/08, 75 ie. 0.04 in 2008/09, 49 ie. 0.02 in 2009/10, 163 ie. 0.05 in 2010/11 and 212 ie. 0.07 in 2011/12. Similarly the number of transactions occurred in Trading sectors were 108 ie. 0.07 in 2007/08, 83 ie. 0.04 in 2008/09, 77 ie. 0.04 in 2009/10, 64 ie. 0.02 in 2009/10 and 50 ie. 0.02 in 2011.12.

While talking about Hotel sector, it had the highest number of transactions in the year 2007/08 as there was all together 911 ie. 0.61 transactions whereas lowest transactions was seen in 2009/10 as there was only 113 ie. 0.05 transactions.

The number of transactions of Insurance sector is in fluctuating trend as its number of transactions was 3332 ie. 2.24 in 2007/08 which reached to 31982 ie. 10.61 transactions reduced to 26035 ie. 8.90. In 2007/08, there occurred only 32 transactions in Others sector but there was sudden rise in the number of transactions in 2008/09 as the number of transaction rose to 3027 ie.1.47. Then the number of transactions was reduced to 1718 ie. 0.81 in 2009/10. Once again the number of transactions was lowered to 1342 ie. 0.45 in 2010/11 and in 2011/12, its number of transactions was somehow upgraded to 2147 ie. 0.73 transactions.

**Figure 4.5: Number of Transaction**



In figure 4.5, we can see the number of transactions of different sectors that took place on the observed years. In the figure, we can see that the number of transactions was in increasing trend for the first 4 years but it was slightly decreasing in the last year of our observation. In the first year of the observed year i.e. 2007/08, the total number of transaction was 1,49,008. In 2008/09, the total number of transaction was 2,06,582. In 2009/10, there was again increase in the number of transactions, so its total number of transaction reached to 3,01,505 but in 2011/12, there was a slight decrease as its total number of transaction fall down to 2,92,613.

From the figure, it can be concluded that Commercial bank, Finance sector and Development banks had the high number of transactions whereas Insurance and Hydro-power sector had somehow satisfactory number of transactions but Hotel, Manufacturing and processing, Trading and Others sectors had very dissatisfying number of transactions.

#### **4.7 Behavior of NEPSE Index**

Index is a device designed to measure the change in a group of related variable over a period of time. Indexes are used to determine the relationship between historical price and movements and economic variables and to determine the systematic risk for individual securities and portfolios.

**Table 4.6****NEPSE Index During the Latest 5 Years (2007/08-2011/12)**

Month	2007/08	2008/09	2009/10	2010/11	2011/12
August	739.53	1175.38	661.03	421.16	339.91
September	885.5	962.55	630.55	403.15	331.4
October	878.86	881.86	578.19	423.87	330.22
November	897.29	750.71	528.89	413.85	323.97
December	984.53	695.5	548.11	404.06	316.02
January	803.69	658.83	512.34	410.57	315.97
February	756.76	677.52	485.14	391.66	315.12
March	709.4	664.13	443.17	365.25	298.9
April	736.46	647.78	419.28	347.72	404.74
May	833.18	707.89	490.08	336.73	373.55
June	937.46	662.63	455.75	336.68	377.48
July	1034.02	716.01	461.63	358.81	

*Source: Nepal Stock Exchange Ltd.*

The NEPSE index hit the peak of price at 1175.38 points in 2008 whereas the lowest NEPSE index was recorded at 315.12 in February 2012. In the beginning fiscal year 2007/08, the NEPSE index is in increasing trend since the month of August 2007 to January 2008. The NEPSE index of August was 739.53 points which reached to 984.53 points in December, 2007.

Coming to February, 2008 the NEPSE index fall down to 756.76 points and in April, 2008 it was only 736.46 points. Finally from May, it started to increase again so the NEPSE index of May, 2008 was 833.18 points which was increased to 1034.02 points at the end of Fiscal year 2007/08 ie. July, 2008. At the beginning of the fiscal year 2008/09 ie in August, 2008 it was the highest recorded as its NEPSE index was 1175.38 points. Then after it started gradually decrease in the following months.

So, at the end of fiscal year 2008/09 ie. in July 2009, the NEPSE index reached to 716.01 points. The same decreasing process continued in the fiscal year 2009/10 as well as a result of which the NEPSE index at the beginning of the year ie. In August 2009, its NEPSE index

was only 661.03 points. In April 2010, the NEPSE index was 419.28 points which was recorded as lowest for that fiscal year. In July 2010, the NEPSE index was slightly increased and reached to 461.63 points.

In the beginning of the fiscal year 2010/11, the NEPSE index was 421.16 points which was the highest index for that fiscal year. As in previous years, the NEPSE index slowed down. The NEPSE index reached to 410.57 points in January 2011 and by the end of the fiscal year ie. July 2011, the NEPSE index was only 358.81 points. The lowest NEPSE index of fiscal year 2011/12 was 298.90 points recorded in March 2012, whereas the highest NEPSE index for the same year was 404.74 in the following month ie. April 2012. So, by observing the table, we can say that the NEPSE index continued to decrease in 2011/12 as well.

The standard deviation of the different fiscal years was 104.41 in 2007/08, 160.98 in 2008/09, 75.11 in 2009/10, 33.26 in 2010/11, and 41.96 in 2011/12. The standard deviation of the fiscal year 2007/08 was 104.41 which is lower than the standard deviation of the fiscal year 2008/09 as its standard deviation was 160.98 but the standard deviation of the fiscal year 2009/10 was 75.11 which was greater than the standard deviation of the fiscal year 2010/11 as its standard deviation was just 33.26 which again rose to 41.96 in the fiscal year 2011/12.

The standard deviation of the fiscal year 2008/09 was high so its volatility is high and the standard deviation of the fiscal year 2010/11 was low so its volatility is also low. Hence the high risky year was the fiscal year 2008/09 and the less risky year was the fiscal year 2010/11.

**Figure 4.6: Monthly Movement of NEPSE Index**

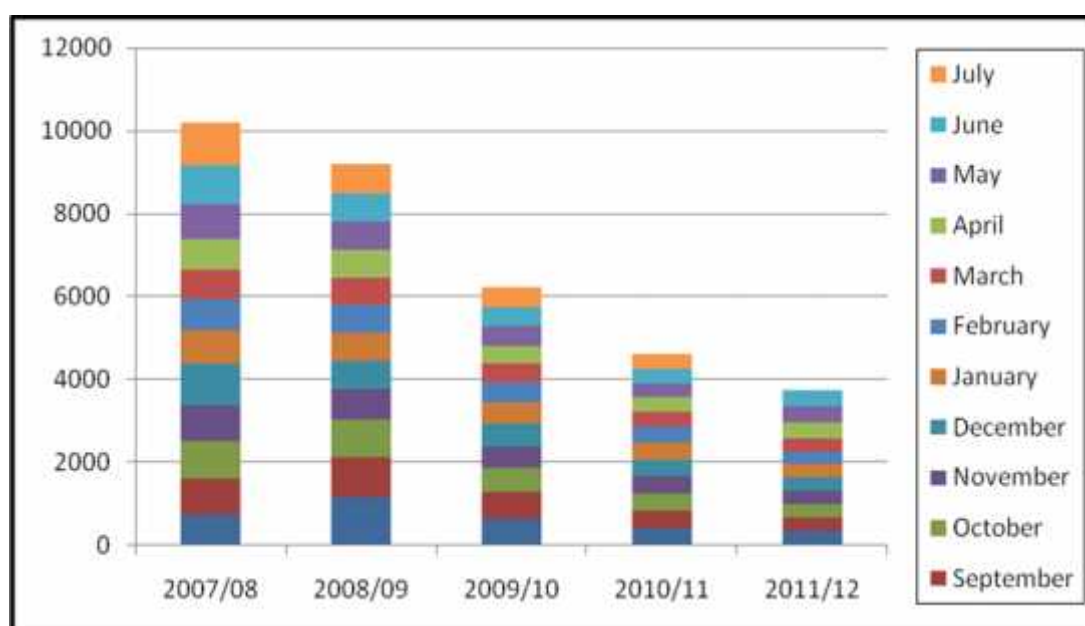


Figure 4.6, of behavior of NEPSE index shows that from the first fiscal year in 2007/08 it started to decrease regularly up to 2011/12. From 2007/08 fiscal year, the figure shows the slight decreasing process in NEPSE index till the end of observation period which shows the decreasing trend if NEPSE index and there is no any sign of improvement in NEPSE index. The NEPSE index at the end of fiscal year 2007/08 was 1034.02. Then the NEPSE index gradually decreased to 716.01 at the end of fiscal year 2008/09. At the end of fiscal year 2009/10, the NEPSE index fall down to 461.63. At the end of the fiscal year 2010/11, the NEPSE index again decreased to 358.81. Finally at the end of the observed fiscal year 2011/12, the NEPSE index was 377.48.

#### **4.7.1 NEPSE Index of Commercial Bank**

Trading of commercial bank group the largest group at the NEPSE floor registered and increases of index up to 1081.05 in July 2007/08 but it went down to 752.33 in July 2008/09. Commercial bank in 2009/10 again decrease and went down to 437.33 in July and once again in July 2010/11 the commercial bank index slump down to 327.98 point which is shown in Table 4.7.

**Table 4.7**  
**NEPSE Index of commercial Bank**

Month	2007/08	2008/09	2009/10	2010/11	2011/12
August	824.91	1079.38	679.4	385.27	300.83
September	995.52	1019.15	631.21	369.35	287.89
October	951.46	899.06	552.19	393.27	283.46
November	952.23	745.06	495.92	380.02	274.19
December	979.7	657.1	530.09	366.22	262.44
January	785.9	617.46	490.62	377.65	259.86
February	730.56	668.61	457.54	350.13	260.97
March	690.48	660.39	411.88	314.11	250.36
April	732.07	649.56	375.84	296.87	386.68
May	834.76	722.72	468.56	298.22	345.64
June	960.78	679.64	429.25	289.94	347.11
July	1081.05	752.33	437.33	327.98	

*Source: Nepal Stock Exchange Ltd.*

Table 4.7 is all about the NEPSE index of Commercial bank. We can see the NEPSE index of Commercial bank in different fiscal year is in decreasing trend. Only in the year 2007/08, the NEPSE index of Commercial bank is in increasing trend. The NEPSE index of Commercial bank in August 2007 was 824.91 points which reached up to 979.79 points in December 2007, but with the beginning of 2008, its NEPSE index fall down to 785.90 points in January 2008 and it again reduced to 690.48 points in March but there was a drastic rise in the NEPSE index at the end of the fiscal year ie, the NEPSE index of Commercial bank in July was 1081.05 points. The NEPSE index was slightly reduced to 1079.38 points at the beginning of the fiscal year 2008/09, ie. In August 2008 and it was 1019.15 points in September 2008. Then after the NEPSE index started to fall down year by year. The lowest NEPSE index marked for the fiscal year was 617.46 points in January 2009.

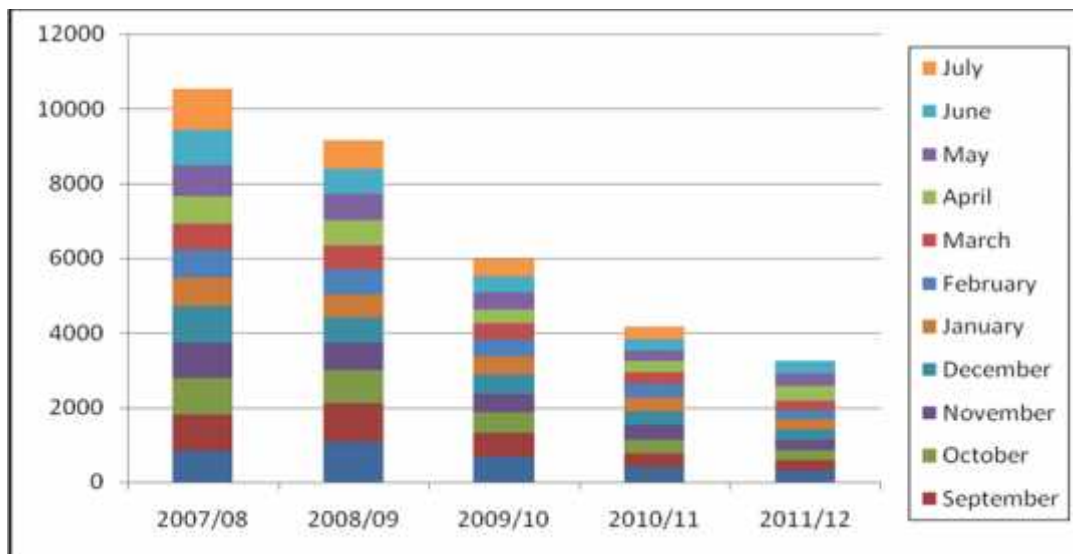
If we clearly observe different months of the fiscal year 2008/09, we can see that the NEPSE index is in fluctuating trend. Coming to the fiscal year 2009/10, the NEPSE index of August was 679.40 points which was the highest NEPSE index for that year. The lowest NEPSE index recorded was 375.84 points in July 2010, it was 437.33 points. The highest NEPSE

index of the fiscal year 2010/11 was 393.27 points which was recorded on October, whereas it's beginning NEPSE index ie. The NEPSE index of August was 385.27 points.

In January 2011, its NEPSE index was 377.65 points. Then the NEPSE index fell down in every following months because of which the NEPSE index of June was only 289.94 points. But the NEPSE index increased to 327.94 points in the next month ie. on July. The decreasing process continued in 2011/12 as well whose lowest NEPSE index recorded was 250.36 and the highest was 386.68 points. The NEPSE index at the beginning of the fiscal year was 300.83 points whereas it was 347.11 at the end.

The standard deviation of the different fiscal years was 125.95 in 2007/08, 153.13 in 2008/09, 89.39 in 2009/10, 38.24 in 2010/11, and 49.05 in 2011/12. The standard deviation of the fiscal year 2007/08 was 125.95 which is lower than the standard deviation of the fiscal year 2008/09 as its standard deviation was 153.13 but the standard deviation of the fiscal year 2009/10 was 89.39 which was greater than the standard deviation of the fiscal year 2010/11 as its standard deviation was just 38.24 which again rose to 49.05 in the fiscal year 2011/12. The standard deviation of the fiscal year 2008/09 was high so its volatility is high and the standard deviation of the fiscal year 2010/11 was low so its volatility is also low. Hence the high risky year was the fiscal year 2008/09 and the less risky year was the fiscal year 2010/11.

**Figure 4.7: Monthly Movement of Commercial Bank**



The trend of NEPSE index of commercial bank is in decreasing trend from the observation period 2007/2008 to 2011/2012. So, the NEPSE index of Commercial bank is highest in the

fiscal year 2007/08 whereas it is lowest at the fiscal year 2011/12. The NEPSE index of Commercial bank at the end of the fiscal year 2007/08 was 1081.05. Then after at the end of the fiscal year 2008/09, the NEPSE index of Commercial bank gradually decreased to 752.33. Again at the end of the fiscal year 2009/10, the NEPSE index of Commercial bank fall down to 437.33. Then the NEPSE index of Commercial bank was only 327.98 at the end of the fiscal year 2010/11. Finally, at the end of the fiscal year 2011/12, the NEPSE index of Commercial bank was 347.11.

#### 4.7 NEPSE Index of Finance Companies

According to the Nepal Stock Exchange Ltd Finance sector was in decreasing process from its fiscal year July 2007/08 to June 2011/12 are 1173.09 to 265.64 respectively which is shown in the table 4.8.

**Table 4.8**  
**NEPSE Index of Finance Companies**

Month	2007/08	2008/09	2009/10	2010/11	2011/12
August	503.88	1183.91	658.23	380.99	286.6
September	550.01	1249.66	633.39	363.88	277.45
October	714	1104.01	614.2	360.53	274.82
November	791.4	968.17	560.55	354.71	271.37
December	1064.9	962.4	546.56	340.41	268.32
January	921.4	873.78	506.12	335.64	265.36
February	966.4	795.81	479.38	332.03	260.37
March	960.7	772.04	448.37	315.5	256.1
April	954.9	732.75	412	308.93	268.24
May	1103.4	762.99	443.75	303.28	272.2
June	1099.1	679.61	407.55	301.24	265.64
July	1173.09	692.57	390.65	298.43	

*Source: Nepal Stock Exchange Ltd.*

NEPSE index for finance in the observation period from 2007/08 to 2011/12 was in decreasing trend as it went down to 265.64 from 1173.09 points. The NEPSE index at the beginning of the fiscal year 2007/08 was 503.82 points and it went on increasing for the next



five months. So in December, its NEPSE index was 1064.90 points which was reduced to 921.40 points in its next month.

In the month of January, once again the decreasing process continued for the next three months. In May 2008, the NEPSE index of Finance companies was 1103.40 points which went to 1173.09 points in July. At the beginning of the fiscal year 2008/09 ie. on August, its NEPSE index was 1183.91 points and on its following month it was 1249.66 points which was recorded the highest ever for that year was in June 679.61 points. The ending NEPSE for that year was 692.57 points. In August 2009, the NEPSE index of Finance companies was 658.23 points. It was reduced to 560.55 points in November 2009. Then it was decreased to 479.38 points in February 2010 and finally it was diminished to 390.65 points in July 2010.

If we see the fiscal year 2010/11, the monthly movement is in slow decrease process. In August, it was 380.99 points which gradually decreased and reduced to 298.43 points in July ie. End of the year. The same decreasing trend continued in 2011/12 as well. The NEPSE index was 286.60 points in August 2011. In September, it was 277.45 points which went on decreasing and decreasing and at the end ie. in June, it was 265.64 points.

The standard deviation of the different fiscal years was 217.45 in 2007/08, 195.23 in 2008/09, 93.13 in 2009/10, 27.83 in 2010/11, and 23.83 in 2011/12. The standard deviation of the fiscal year 2007/08 is 217.45 which was greater than the standard deviation of the fiscal year 2008/09 as its standard deviation is 195.23. Similarly, the standard deviation of the fiscal year 2009/10 was 93.13 which was greater than the standard deviation of the fiscal year 2010/11 as its standard deviation was just 27.83 which was decreased to 23.83 in the fiscal year 2011/12. The standard deviation of the fiscal year 2007/08 was high so its volatility is high and the standard deviation of the fiscal year 2011/12 was low so its volatility is also low. Hence the high risky year was the fiscal year 2007/08 and the less risky year was the fiscal year 2011/12.

**Figure 4.8: Monthly Movement of Finance Companies**

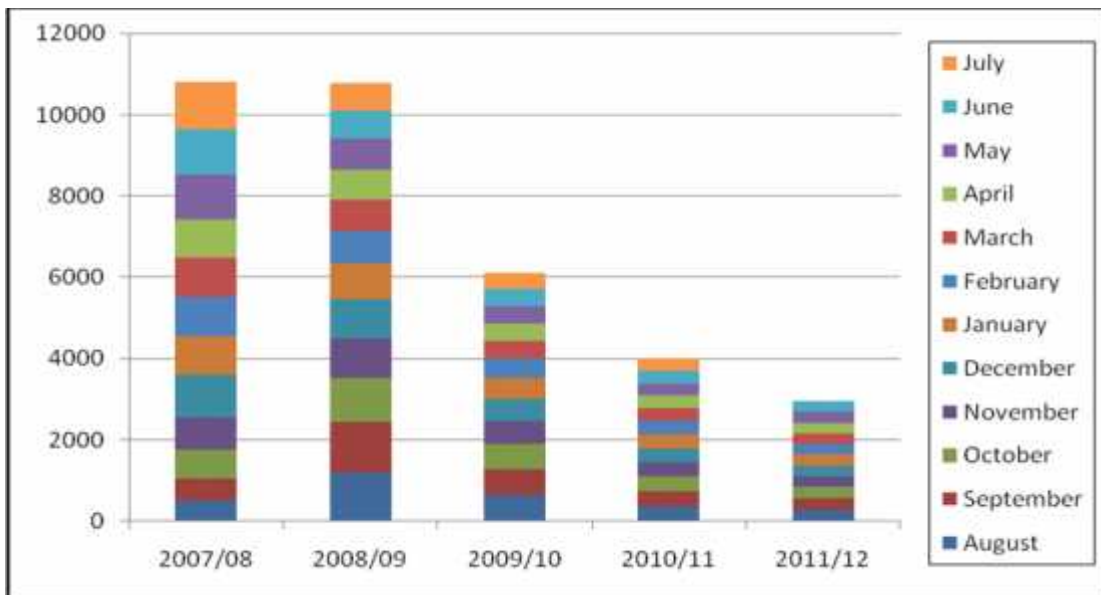


Figure 4.8, the NEPSE index of finance shows that as decreasing trend and remains constant in 2007/08 and 2008/09. It drastically decreases in 2009/10 and the trend of decreasing continues in both the fiscal year 2010/11 and 2011/2012. The NEPSE index of Finance companies at the end of fiscal year 2007/08 was 1173.09 whereas at the end of the fiscal year 2008/09, its NEPSE index was 692.57. The NEPSE index of Finance companies at the end of 2009/10 was 390.65. Again, at the end of the fiscal year 2010/11, the NEPSE of Finance companies was 298.43. Finally at the end of the fiscal year 2011/12, the NEPSE index of Finance companies was 265.64.

### 4.7.3 NEPSE Index of Insurance Companies

The NEPSE index for insurance had a highest in the year of 2007/08 as 1035.06 in December and the lowest recorded as 648.31 in August. As decreasing process it decreased from 813.58 in the month of July in 2007/08 to 651.31 in the month of July of 2008/09 then to 500.86 in the month of July in 2009/10 again to 410.15 in the month of July in 2010/11 and finally to 480.90 in the month of June in 2011/12 which has been shown in table 4.9.

**Table 4.9**  
**NEPSE Index of Insurance Companies**

Month	2007/08	2008/09	2009/10	2010/11	2011/12
August	648.31	881.46	640.92	485.18	409.53
September	690.65	818.65	606.65	459.97	408.06
October	715.68	802.44	606.3	457.49	402.24
November	813.85	771.72	575.6	491.28	399.49
December	1035.06	710.47	575.34	480.68	389.96
January	820.26	715.16	575.44	484.03	395.7
February	769.8	693.72	575.51	480.37	391.43
March	725.83	657.22	564.03	459.01	384.55
April	733.54	636.88	556.13	442.52	467.55
May	769.21	651.97	557.86	419.55	489.76
June	827.23	630.79	547.69	426.32	480.9
July	813.58	651.31	500.86	410.15	

*Source: Nepal Stock Exchange Ltd.*

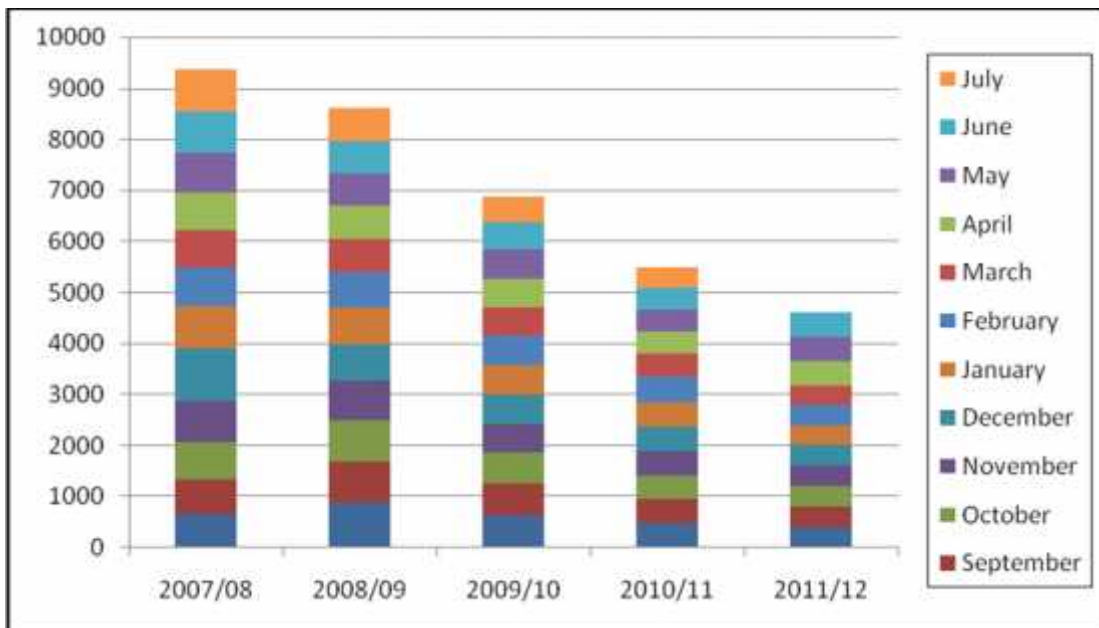
Table 4.9 shows that the highest month of NEPSE index of insurance was 1035.06 recorded in December 2007/08 and the lowest month was March 2011/12 with 384.55 points. The beginning NEPSE index of 2007/08 was 648.31 points in August then it started to increase for the next five months as a result of which the NEPSE index of December was recorded highest. Then after the NEPSE index started to fall down.

By the next month ie. on January 2008, it was reduced to 820.26 points. In February, it was only 769.80 points. Despite this, in June, the NEPSE index somehow increased to 827.23 points which was slightly reduced to 813.58 points in July. In August, the NEPSE index was 881.46 points which was recorded as the highest NEPSE index for the fiscal year 2008/09/ The NEPSE index of this year is in slow decreasing trend. The NEPSE index of Insurance companies in November was 771.72 points which was reduced to 693.72 points in February. By the end of year ie. on July 2009, the NEPSE index was 651.31 points. The fiscal year 2009/10 also showed the same trend. The NEPSE index at the very beginning of the year was 640.92 points which remained at 606 points for the next two months. Then after for the next

four month, the NEPSE index remained at 575 points. The NEPSE index was reduced to 547.69 points in June 2009.

The standard deviation of the different fiscal years was 98.14 in 2007/08, 82.13 in 2008/09, 34.79 in 2009/10, 27.89 in 2010/11 and 51.22 in 2011/12. The standard deviation of the fiscal year 2007/08 is 98.14 which was greater than the standard deviation of the fiscal year 2008/09 as its standard deviation is 82.13 but the standard deviation of the fiscal year 2009/10 was 34.79 which was greater than the standard deviation of the fiscal year 2010/11 as its standard deviation was just 27.89 which again rose to 51.22 in the fiscal year 2011/12. The standard deviation of the fiscal year 2007/08 was high so its volatility is high and the standard deviation of the fiscal year 2010/11 was low so its volatility is also low. Hence the high risky year was the fiscal year 2007/08/ and the less risky year was the fiscal year 2010/11.

**Figure 4.9: Monthly Movement of Insurance Companies**



In figure 4.9, we can see that similar to other sectors, the NEPSE index of Insurance companies were in decreasing trend. The NEPSE index of Insurance companies was highest in the fiscal year 2007/08 whereas it was recorded lowest in the fiscal year 2011/12. The NEPSE index of Insurance companies at the end of the fiscal year 2007/08 was 813.58. Likewise, the NEPSE index of Insurance companies at the end of the fiscal year 2008/09 was 651.31. At the end of the fiscal year 2009/10, the NEPSE index of Insurance companies

decreased to 500.86. Again at the end of the fiscal year 2010/11, the NEPSE index of Insurance companies recorded was only 410.15. Finally, it was 480.90 at the end of the fiscal year 2011/12.

#### 4.7.4 NEPSE index of Hotel Sectors

NEPSE index of hotel sector in the fiscal year 2007/2008 in the month of July was 343.57 and it increased to 363.95 in the month of July in 2008/09, it reached to 404.99 in the month of July in 2009/10 and again it increased to 409.57 in the month of July in 2010/11 and finally it increased to 487.40 in the month of June in 2011/12 which has been shown in table 4.10.

**Table 4.10**  
**NEPSE Index of Hotel Sector**

Month	2007/08	2008/09	2009/10	2010/11	2011/12
August	276.45	353.11	366.85	398.26	387.32
September	281.72	361.99	366.85	397.04	381.66
October	281.14	364.69	368.61	402.48	379.01
November	279.6	364.3	369.75	392.87	392.78
December	420.59	365.07	366.49	448.99	405.92
January	412.79	364.48	366.49	449.14	410.73
February	412.02	346.59	366.49	459.14	429.44
March	412.01	355.05	362.52	432.57	435.88
April	402.87	363.11	365.46	434.83	436.94
May	401.93	366.45	378.5	402.06	503.04
June	373.95	367.42	409.94	402.42	487.4
July	343.57	363.95	404.99	409.57	

*Source: Nepal Stock Exchange Ltd.*

Table 4.10 shows that the NEPSE index of hotels sector is in increasing trend. It is the only sector which is in increasing trend. The highest NEPSE index of hotel sector was 503.04 points in the month of May in 2011/12 whereas the lowest NEPSE index was 276.45 points in the month of August in 2007/08. In the same year the NEPSE index stayed at the same point for two months ie. 281 points. The NEPSE index in December 2007 was 402.59 points

which was again reduced to 412 points for the next 3 months of 2008. Then in April 2008, the NEPSE index was recorded 402.87 points and which started to decrease ever since.

At the beginning of the fiscal year 2008/09, the NEPSE index was 353.11 points. In the next month ie. in September 2008, it was increased to 361.99 points. The NEPSE index of Hotel sector stayed constant at 364 points in October and November. Although the NEPSE index of Hotel sector is in increasing trend, we can see the fluctuating condition in the fiscal year. The NEPSE index of Hotel sector was 346.59 points in February 2009. After 3 months of this reduction, the NEPSE index was somewhat increased to 367.42 points in June which was reduced to 363.95 points in July.

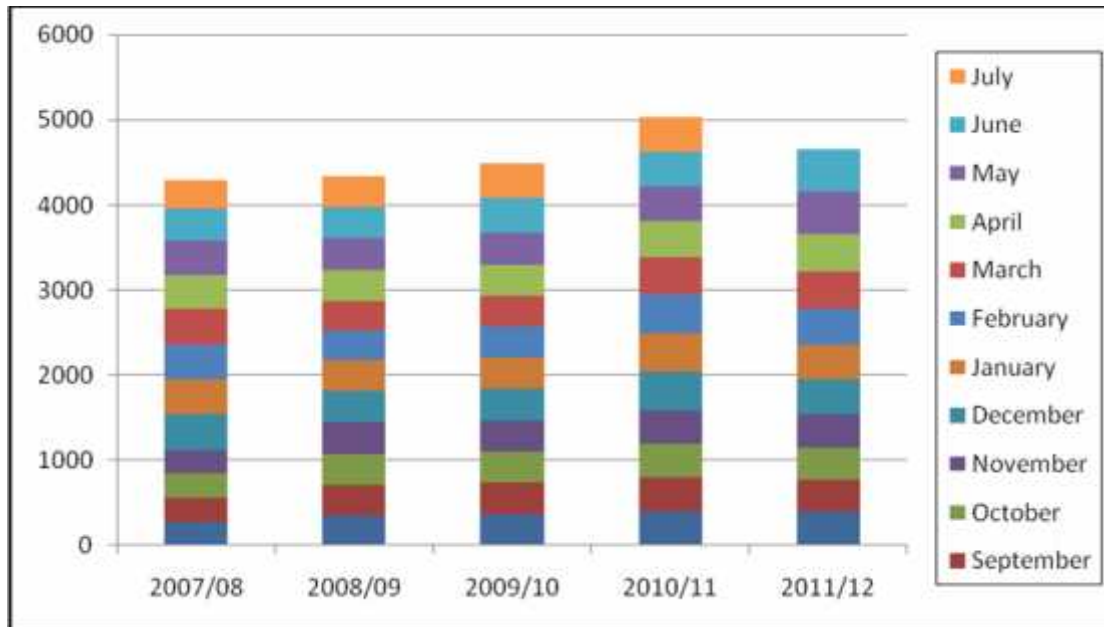
With the beginning of next fiscal year ie. 2009/10, the NEPSE index of Hotel sector stayed at 366.85 points for two months. The constant NEPSE index started to increase with some points for the next 2 months which again stayed in constant position of 366.49 points for the next 3 months which then was reduced to 362.52 points in March 2010. The highest NEPSE index for this year was 409.94 points which was recorded in June and coming to July the NEPSE index was slightly decreased to 404.99 points. The fiscal year 2010/11 began with the NEPSE index of 398.26 points and ended with 409.57 points. The highest NEPSE index for this year was 459.14 points in February 2011, whereas the lowest NEPSE index was 392.87 points in November 2010. In this year as well, the NEPSE index was fluctuating, if it increased in one month, it decreases in another month.

In the final year of our observation, ie. in 2011/12, the NEPSE index was 387.32 points in August which was increased to 405.92 points in December. The NEPSE index started to increase in the year 2012 and reached to 503.04 points in the month of May and the last but not the least the NEPSE index of June was 487.40 points.

The standard deviation of the different fiscal years was 61.56 in 2007/08, 6.34 in 2008/09, 15.94 in 2009/10, 24.07 in 2010/11 and 52.98 in 2011/12. The standard deviation of the fiscal year 2007/08 was 61.56 which was greater than the standard deviation of the fiscal year 2008/09 as its standard deviation was only 6.34. Similarly, the standard deviation of the fiscal year 2009/10 was 15.94 which was lower than the standard deviation of the fiscal year 2010/11 as its standard deviation was 24.07 which again rose to 52.98 in the fiscal year 2011/12. The standard deviation of the fiscal year 2007/08/ was high so its volatility is high

and the standard deviation of the fiscal year 2008/09 was low so its volatility is also low. Hence the high risky year was the fiscal year 2007/08 and the less risky year was the fiscal year 2008/09.

**Figure 4.10: Monthly Movement of Hotel Sector**



The figure 4.10 shows that 2007/08 and 2008/09 remains nearly constant according to the figure. From the fiscal year 2007/08 to 2010/11 it is in increasing trend whereas in the fiscal year 2011/12, there was little decrease in the trend. The NEPSE index of Hotel sectors at the end of the fiscal year 2007/08 was 343.57. Again at the end of the fiscal year 2008/09, the NEPSE index of Hotel sectors was 363.95. By the end of the fiscal year 2009/10, the NEPSE index of Hotel sector increased to 404.99. So, the increasing trend continued in the year 2010/11 as well as the NEPSE index at the end of the year was 409.57. Finally at the end of the fiscal year 2111/1, there was a slight decrease in the NEPSE index as it was recorded only 487.40.

#### **4.7.5 NEPSE Index of Manufacturing and processing**

NEPSE index for Manufacturing and processing sector was fine as compared to other sectors for the study periods. It was recorded the highest in the month of April in the fiscal year 2011/12 as its NEPSE index was 667.28 points and the lowest was 347.74 points in the month of August in the fiscal year 2007/08. The NEPSE index of Manufacturing and processing sector at the end of the fiscal year ie. on July it was 423.66 points which was

increased to 434.32 points at the end of the fiscal year 2008/09. Coming to the fiscal year 2009/10, the NEPSE index decreased to 427.89 points. Then there was a high increase in the fiscal year 2010/11 as its ending index increased to 587.34 points. The increasing process continued in the last year of our observation ie. In the fiscal year 2011/12 as its NEPSE index was 666.76 points.

**Table 4.11**  
**NEPSE Index of Manufacturing and Processing**

Month	2007/08	2008/09	2009/10	2010/11	2011/12
August	347.74	441.92	433.94	445.54	587.23
September	350.19	441.92	438.35	450.16	607.47
October	350.19	432.79	438.82	471.69	607.48
November	350.19	432.79	438.82	471.69	646.43
December	350.19	431.44	438.82	521.87	665.42
January	360.96	416.08	434.61	517.72	665.15
February	392.75	404.1	437.47	526.13	657.14
March	413.23	428.28	437.47	512.81	652.62
April	411.15	438.21	433	509.88	667.28
May	418.82	434.32	424.39	498.46	667.07
June	418.82	434.32	427.89	570.95	666.76
July	423.66	434.32	427.89	587.34	

*Source: Nepal Stock Exchange Ltd.*

Table 4.11 shows that over all the 2011/12 was the best year for the manufacturing and processing sector. In 2007/08 the highest index point was 423.66 in the month of July and the lowest index point was 347.74 in August. Similar to hotel sector, it is a sector whose NEPSE index is in increasing trend.

In the first year of our observation, ie. in 2007/08, the NEPSE index is in increasing trend. The NEPSE index stayed at 350.19 points for 4 months starting from September to December. Then in January 2008, it was increased to 360.96 points. The increasing trend went on and it stayed at 418.82 points for 2 months ie. May and June. At the beginning of the fiscal year 2008/09, the NEPSE index of Manufacturing and processing rose to 441.92 points



and stayed in the same condition for the next month as well. For the next time ie. in October and November, it stayed at the same point ie. 432.79 points. In February 2009, the NEPSE index was decreased to 404.10 points which was raised against to 428.28 points.

So in overall, the NEPSE index of Manufacturing and processing sector was in fluctuating trend in the fiscal year 2008/09. The NEPSE index at the beginning of the fiscal year 2009/10 in August was 433.94 points. Then the NEPSE index was increased to 438 points for the next four months ie. from September to December. In January 2010, the NEPSE index marked was 434.61 points. Then it stayed at 437.47 points for 2 months ie in February and March. Finally at the end of this fiscal year ie. on June and July, the NEPSE index of Manufacturing and processing was 427.89 points. In the fiscal year 2010/11, we can see the increasing trend of NEPSE index of manufacturing processing sectors.

The NEPSE index at the beginning of the year was 445.54 points in August 2010, which was rose to 521.87 points in December 2010, which was rose to 521.87 points in December 2010. The increasing process continued and it reached to 526.13 points in February 2011. Then it was highly increased to 570.95 points in June 2011 and it was for one more time increased to 587.34 points. The NEPSE index of manufacturing and processing sector stayed in the same condition ie. The NEPSE index in August 2011 was also 587.23 points. There was increase in NEPSE index as a result of which the NEPSE index rose to 607.47 points and stayed at the same point for the next month as well. The NEPSE index of manufacturing and processing went on increasing on every following month. The NEPSE index reached to 646.43 points in November 2011 and it was increased to 665 points in December 2011 and January 2012. So the ending NEPSE index for the fiscal year 2011/12 was 666.76 points.

The standard deviation of the different fiscal years was 33.09 in 2007/08, 10.80 in 2008/09, 5.05 in 2009/10, 43.55 in 2010/11 and 60.58 in 2011/12. The standard deviation of the fiscal year 2007/08 is 33.09 which was greater than the standard deviation of the fiscal year 2008/09 as its standard deviation was 10.80. Similarly, the standard deviation of the fiscal year 2009/10 was 5.05 which was lower than the standard deviation of the fiscal year 2010/11 as its standard deviation was just 43.55 which again rose to 60.58 in the fiscal year 2011/12. The standard deviation of the fiscal year 2011/12 was high so its volatility is high and the standard deviation of the fiscal year 2009/10 was low so its volatility is also low. Hence the

high risky year was the fiscal year 2011/12 and the less risky year was the fiscal year 2009/10.

**Figure 4.11: Monthly Movement of Manufacturing and Processing**

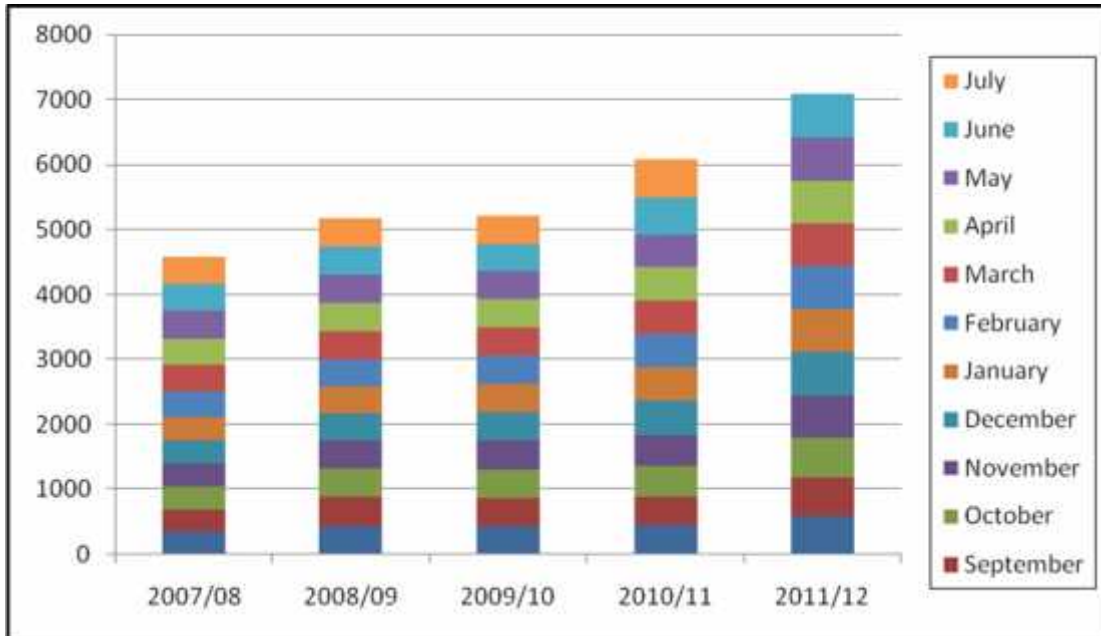


Figure 4.11 shows that there was increase in the trend from the year 2007/08 to 2008/09 and remain constant till the year of 2009/10 but then starts to increase in the year of 2010/11 and 2011/12 the trend line shows the increasing trend. The NEPSE index of Manufacturing and processing sectors at the end of the fiscal year 2007/08 was 423.66. There was a slight increase in the NEPSE index of the Manufacturing an processing sector at the end of the fiscal year 2008/09 as its index was 434.32. Again at the end of the fiscal year 2009/10, the NEPSE index of Manufacturing and processing sector was 427.89 at the end of the fiscal year 2010/11, there was increase in the NEPSE index of Manufacturing and processing sectors as its NEPSE index reached to 587.34. Finally the NEPSE index at the end of the fiscal year 2011/12, it was again increased to 666.76.

#### **4.7.6 NEPSE Index of Trading Companies**

NEPSE index of trading sector in 2007/08 recorded highest 212.55 in June and the lowest was 162.08 in three months i.e. August, September and October. The NEPSE index of trading companies was in increasing trend from 2007/08 to 2009/10 but in the year 2010/11 there was a little decrease in the trend which is show in the table 4.12.

**Table 4.12**  
**NEPSE Index of Trading Companies**

Month	2007/08	2008/09	2009/10	2010/11	2011/12
August	162.08	210.59	281.78	282.08	241.97
September	162.08	214.46	261.3	266.87	250.71
October	162.08	218.31	261.21	266.57	250.71
November	162.32	208.72	256.07	264.77	250.62
December	165.2	206.45	265.75	259.89	255.25
January	162.32	202.68	260.78	264.6	220.11
February	162.32	221.96	251.35	274.54	226.28
March	125.83	214.08	266.36	271.1	221.44
April	196.71	218.02	287.1	261.08	196.19
May	210.83	281.78	284.22	251.31	189.18
June	212.55	295.83	282.08	241.97	191.97
July	200.31	279.55	282.08	241.97	

*Source: Nepal Stock Exchange Ltd.*

The NEPSE index of Trading companies in the observed five fiscal years are in fluctuating trend. In same year the NEPSE index are increasing whereas on other years, the NEPSE index are decreasing. The NEPSE index in August 2007 ie. at the very beginning of the fiscal year 2007/08 was 162.08 points. The NEPSE index of manufacturing and processing stayed at the same point for the next five months starting from August 2007 to February 2008 except the month of December 2007 where its NEPSE index was 165.20 points. The highest NEPSE index of the fiscal year 2007/08 was 212.55 recorded in June 2008 whereas the lowest was 125.83 points recorded in March 2008. The ending NEPSE index of the same fiscal year was 200.31 points.

Coming to the fiscal year 2008/09, the beginning NEPSE index for the year was 210.59 points. The NEPSE index was increased to 218.31 points in October but then after for the next 3 months, the NEPSE index went on decreasing as a result of which it was only 202.68 points in January 2009. In February ie. in the next month, there was sudden rise in the NEPSE index, so the NEPSE index of Trading companies reached 221.96 points. The NEPSE index was increased to 281.78 points on May 2009 which was furthermore increased to

295.83 points in June 2009. Despite this the ending NEPSE index of Trading companies was Recorded only 279.55 points. In the next year ie. In fiscal year 2009/10, the beginning NEPSE index was 281.78 points. Then for the next 2 months, the NEPSE index was stopped to 261 points. The NEPSE index of Trading companies reached 265.75 points in December 2009. The same NEPSE index fell down to 251.35 points in February 2010.

Then after, there was a tremendous increase in the NEPSE index as it reached to 287.10 points in April whereas the ending NEPSE index for that year was only 282.08 points. So the highest NEPSE index for that year was 287.10 points and lowest NEPSE index was 251.35 points. The ending NEPSE index of the fiscal year 2009/10 and the beginning NEPSE index of the fiscal year 2010/11 were the same. The NEPSE index of Trading companies for the fiscal year 2010/11 is in decreasing trend. The highest NEPSE index for this year was 282.08 points in August and lowest was 241.97 points in June and July 2011. The NEPSE index of Trading companies in 2011/12 is in fluctuating trend. In August, the NEPSE index was 241.97 points which was increased to 250 points for 3 months ie. from September to November. Then it was reduced to 220.11 points in January 2011/12 which again increased to 226.28 points in February. The ending NEPSE index of the fiscal year was 191.97 points in June so the highest NEPSE index for this year was 255.25 points and lowest was 189.18 points.

The standard deviation of the different fiscal years was 25.73 in 2007/08, 33.61 in 2008/09, 12.56 in 2009/10, 12.15 in 2010/11 and 30.63 in 2011/12. The standard deviation of the fiscal year 2007/08 is 25.73 which was lower than the standard deviation of the fiscal year 2008/09 as its standard deviation was 33.61 but the standard deviation of the fiscal year 2009/10 was 12.56 which was slightly greater than the standard deviation of the fiscal year 2010/11 as its standard deviation was 12.15 which rose to 30.63 in the fiscal year 2011/12. The standard deviation of the fiscal year 2008/09 was high so its volatility is high and the standard deviation of the fiscal year 2010/11 was low so its volatility is also low. Hence the high risky year was the fiscal year 2008/09 and the less risky year was the fiscal year 2010/11.

**Figure 4.12: Monthly Movement of Trading Companies**

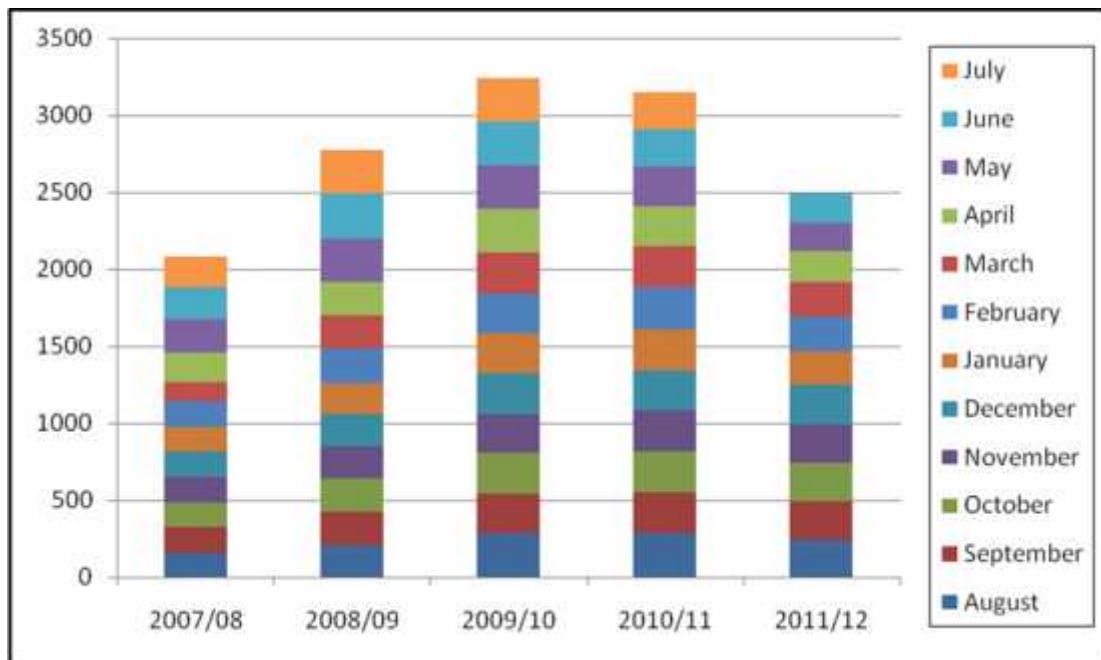


Figure 4.12 shows that the NEPSE index for trading sector is in increasing process from the initial year 2007/08 to till the year 2009/10. Then after there was slight decrease in the year 2010/11 then after there was again great decrease in the year 2011/12. The NEPSE index of Trading companies at the end of the fiscal year 2007/08 was 200.31. At the end of the fiscal year 2008/09, the NEPSE index of Trading companies rose to 279.55. After coming to the end of the fiscal year 2009/10, it was recorded the highest NEPSE index ie. 282.08. But there was a slight decline in the NEPSE index of Trading companies at the end of the fiscal year 2010/11, as it was reduced to 241.97. After the slight decline in the fiscal year 2010/11, there was somehow great decline in the NEPSE index at the end of the fiscal year 2011/12 so its NEPSE index was 191.97.

#### **4.7.7 NEPSE Index of Development Bank**

Development bank has listed in Nepal Stock Exchange in the year of 2001/02 in the month of January. But here we have applied latest five-year's related NEPSE index data of development bank. The development bank of NEPSE index took place in the trading floor with listed three companies. According to the data, NEPSE index of development bank decreases from the initial year till to 2011/12, which is shown in table 4.13.

**Table 4.13**  
**NEPSE Index of Development Bank**

Month	2007/08	2008/09	2009/10	2010/11	2011/12
August	631.01	1518.74	695.44	412.11	285.71
September	752.23	1430.85	662.04	388.62	281.79
October	1046.18	1397.78	646.81	396.17	278.13
November	1278.63	1118.74	580.65	390.38	272.81
December	1720.76	1087.02	597.53	380.03	262.09
January	1497.91	987.9	558.26	356.77	253.49
February	1062.17	931.65	518.56	340.59	235.19
March	1008.19	866.02	455.35	323.51	233.65
April	938.15	821.93	128.4	306.68	272.12
May	996.37	756.91	198.94	298.88	264.88
June	1136.76	692.31	473.54	291.16	247.62
July	1434.39	748.48	473.53	294.15	

*Source: Nepal Stock Exchange Ltd.*

The NEPSE indexes of Development bank in the observed five years are in fluctuating trend. The NEPSE indexes of Development bank in some year are in increasing trend whereas in some other year they are in decreasing trend. Among the observed five fiscal years, the highest NEPSE index was 1720.76 points marked in December 2007 whereas the lowest was 233.65 points in March 2012. The beginning NEPSE index of fiscal year 2007/08 was 631.01 points then it was increased to 1046.18 points on October 2007. There was a drastic increase in the NEPSE index of Development bank in December 2007 as its NEPSE index reached to 1720.76 points. Coming to January 2008, the NEPSE index of Development bank was raised to 1136.76 points and in June as well the NEPSE index was increased and set up at 1434.39 points.

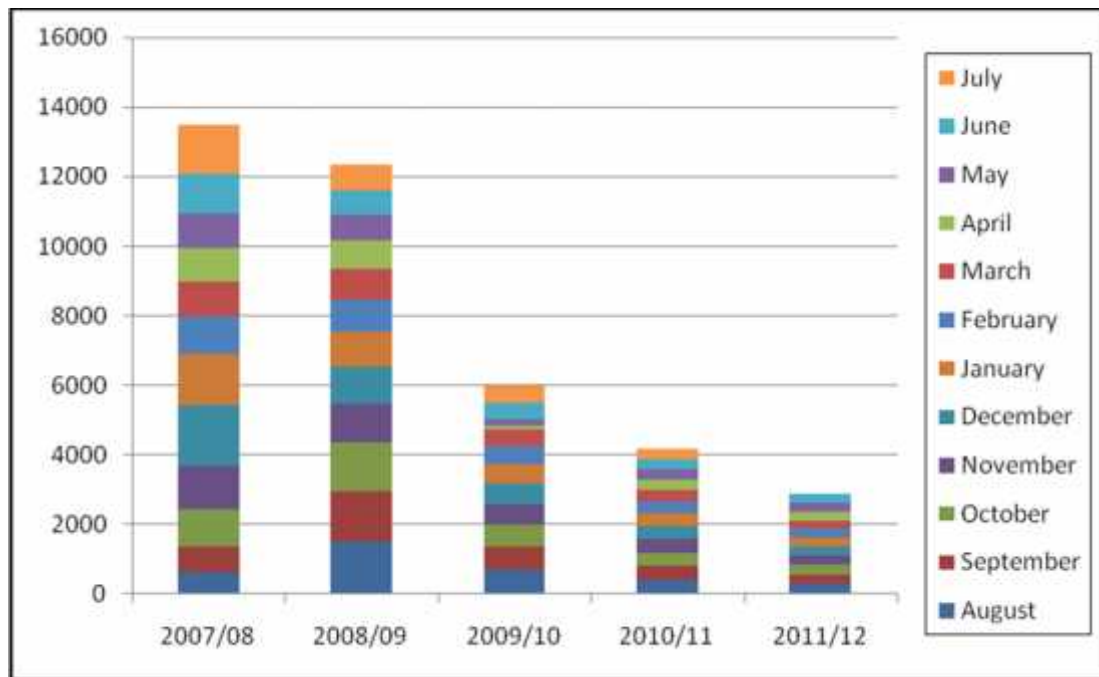
The NEPSE index at the beginning of the fiscal year was 1518.74 points. In this year, we can see the huge decrease on the NEPSE index as it was started from 1518.74 points and ended with 748.48 points. In November, the NEPSE index was 1118.74 points which was reduced to 987.90 points in January 2009. The lowest NEPSE index for this year was 692.31 points in June 2009. The starting NEPSE index for the fiscal year 2009/10 was 695.44 points which

was reduced to 662.04 points in September 2009. It was furthermore decreased to 580.65 points in November. There was little bit increase in NEPSE index as it was 597.53 points in December. After December, the NEPSE index started to gradually decrease which was decrease in such a way that it reached 128.40 points in April 2010. Then after it somehow managed and reached to 473 points in June and July.

In the fourth year of our observation ie. in the fiscal year 2010/11, the NEPSE index are in decreasing trend. At the beginning of the fiscal year, its NEPSE index was 412.11 points which was reduced to 356.77 points at the middle of the year and finally it was 294.15 points in June 2011. The beginning NEPSE index of the fiscal year 2011/12 was very less compared to previous years as its NEPSE index was only 285.71 points. The NEPSE index was reduced to 281.79 points in the second month. The NEPSE index of Development bank was further more reduced to 253.49 points at the middle of the fiscal year which again diminished to 247.62 points at the end of the year. The highest NEPSE index for this year was 285.71 points and lowest was 233.65 points in the month of March.

The standard deviation of the different fiscal years was 312.13 in 2007/08, 285.31 in 2008/09, 175.26 in 2009/10, 44.60 in 2010/11 and 27.80 in 2011/12. The standard deviation of the fiscal year 2007/08 is 312.13 which was greater than the standard deviation of the fiscal year 2008/09 as its standard deviation was 285.31. Similarly, the standard deviation of the fiscal year 2009/10 was 175.26 which was greater than the standard deviation of the fiscal year 2010/11 as its standard deviation was just 44.60 which was again reduced to 27.80 in the fiscal year 2011/12. The standard deviation of the fiscal year 2007/08 was high so its volatility is high and the standard deviation of the fiscal year 2011/12 was low so its volatility is also low. Hence the high risky year was the fiscal year 2007/08 and the less risky year was the fiscal year 2011/12.

**Figure 4.13: Monthly Movement of Development Bank**



Development Bank in NEPSE index shows the decrease from the fiscal year 2007/08 till to 2011/12. From year 2007/08 to 2008/09 there was very little decrease in the NEPSE index where as there was a drastic decrease in the year 2009/10 and then after the decrease process continues in both the year 2010/11 and 2011/12. From the chart also it is clear that the NEPSE index of Development bank at the end of the fiscal year 2007/08 was highest as its NEPSE index was 1434.39. Coming to the second fiscal year of our observation. ie. 2008/09, the NEPSE index of Development bank was slightly reduced to 748.48. The NEPSE index of Development bank at the end of the fiscal year 2009/10 was 473.53 which was very low compared to the first and second fiscal year of our observation. Then at the end of fiscal year 2010/11, there was again slight decline in the NEPSE index as it was 294.15. At the last fiscal year of our observation ie. at the end of the fiscal year 2011/12, the NEPSE index was again reduced to 247.62.

#### **4.7 NEPSE Index of Hydropower**

Hydropower sector has also been included in Nepal Stock Exchange. Here, in our study, we have included five fiscal years for our study, starting from the fiscal year 2007/089 to the fiscal year 2011/12. The highest NEPSE index ever recorded was 1249.45 points in July which was the end of the fiscal year 2007/08. The NEPSE index of the Hydropower sector at the beginning of the fiscal year was also good as its NEPSE index was 1187.90 points. The



NEPSE index of Hydro power sector at the end of 2008/09 was 977.19 points which was decrease to 540.48 points at the end of next fiscal year 2009/10 which was reduced to 567.23 points in July 2010/11. Finally at the end of fiscal year 2011/12 ie. In July, its NEPSE index was 626.07 points. The decreasing trend of NEPSE index of Hydropower sector can be clearly viewed from following table.

**Table 4.14**  
**NEPSE Index of Hydropower**

Month	2007/08	2008/09	2009/10	2010/11	2011/12
August	1187.9	1236.62	854.62	522.86	567.88
September	1390.3	1145.59	831.89	500.54	563.46
October	1359.1	1062.51	829.09	540.48	610.9
November	1395.9	912.74	797.22	529.91	543.14
December	1569.9	897.49	812.64	528.73	512.24
January	1185	840.01	802.41	540.47	526.91
February	1182.6	838.78	789.7	534.6	488.42
March	1005.3	898.54	696.5	534.6	458.06
April	1035	843.63	651.1	493.49	646.84
May	1161.6	887.48	757.23	464.12	582.77
June	1218.5	894.55	706.32	486.44	626.07
July	1249.45	977.19	540.48	567.23	

*Source: Nepal Stock Exchange Ltd.*

Similar to most of the other sectors, the NEPSE index of Hydropower is also in decreasing trend. The highest NEPSE index among the observed five fiscal year was 1569.90 points and lowest was 458.06 points. The NEPSE index of Hydropower at the beginning of the fiscal year 2007/08 was 1187.90 points which was increased to 1390.30 points in the second month. The NEPSE index was raised up to 1569.90 points in December 2007. In January 2008, the NEPSE index of Hydropower fell down to 1185 points. The NEPSE index in February and March were decreasing as their NEPSE index was 1182.60 and 1005.30 points respectively. In April, there was slight increase in NEPSE index and reached 1035 points and by the end of the fiscal year began with the NEPSE index of 1236.62 points which was slowed down to 1145.59 points in the second month of that year. The NEPSE index of Hydropower were

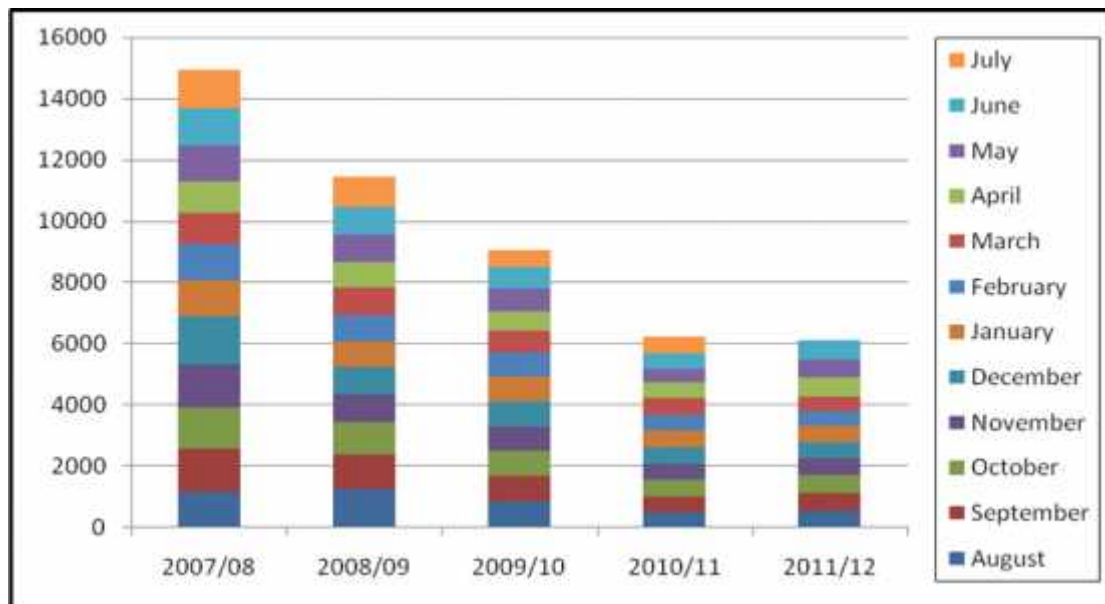
decreasing in every month until April 2009 and the NEPSE index for this month was 843.63 points but then after there was gradual increase in the NEPSE index and finally it was 977.19 points at the end of the fiscal year. The highest NEPSE index of Hydropower for this year was 1236.62 points and lowest was 838.78 points.

The beginning NEPSE index of the fiscal year 2009/10 was 854.62 points which was the highest NEPSE index for that year as well. Similarly, the ending NEPSE index of Hydropower of the same year was 540.48 points which was the lowest NEPSE index for that year. The NEPSE index was 797.22 marked on November 2009 and with the gradual decreased on the NEPSE index it was 696.50 points in March 2010. In the fiscal year 2010/11, the NEPSE index of Hydropower of most of the months stayed at the range of five hundred, among them only 3 months stayed at the range of four hundred points. The highest NEPSE index for this year was 567.23 points in July 2011 and the lowest NEPSE index was 464.12 points in May 2011.

Coming to the fiscal year 2011/12, the beginning NEPSE index was 567.88 points which was reduced to 563.46 points in the second month and was upgraded to 610.90 points in the third month. The highest NEPSE index for this year was 646.84 points in the month of April 2012 and lowest NEPSE index was 458.06 points in March 2012. The ending NEPSE index of Hydro power for this year was 626.07 points.

The standard deviation of the different fiscal years was 160.24 in 2007/08, 129.07 in 2008/09, 91.69 in 2009/10, 28.62 in 2010/11 and 72.53 in 2011/12. The standard deviation of the fiscal year 2007/08 was 160.24 which was greater than the standard deviation of the fiscal year 2008/09 as its standard deviation was 129.07. Similarly, the standard deviation of the fiscal year 2009/10 was 91.69 which was greater than the standard deviation of the fiscal year 2010/11 as its standard deviation was just 28.62 which increased to 72.53 in the fiscal year 2011/12. The standard deviation of the fiscal year 2007/08 was high so its volatility is high and the standard deviation of the fiscal year 2010/11 was low so its volatility is also low. Hence the high risky year was the fiscal year 2007/08 and the less risky year was the fiscal year 2010/11.

**Figure 4.14: Monthly Movement of Hydropower**



From figure 4.14, it can be concluded that the NEPSE index of Hydropower is in decreasing trend while we look for the NEPSE index of Hydropower in different fiscal years. Among the observed 5 fiscal years, the NEPSE index was highest at the end of the fiscal year 2007/08 whereas it was lowest at the end of the last year of our observation i.e. in 2011/12. So, the NEPSE index of Hydropower at the end of fiscal year 2007/08 was 1249.45. At the end of the fiscal year 2008/09, there was high decline in the NEPSE index of Hydropower as it was reduced to 977.19. The declining process continued and the NEPSE index at the end of the fiscal year 2009/10, it was 540.48. Then after the NEPSE index of Hydropower at the end of the fiscal year 2010/11, was 567.23. Finally the NEPSE index of Hydropower was 626.07 at the end of the fiscal year 2011/12.

#### **4.7.8 NEPSE Index of Other Sectors**

NEPSE index for other sector was 818.12 in August and decreased to 769.21 in July of the year 2007/08 then it was increased to 1582.37 in August and again decreased to 669.69 in July of the year 2008/09. In 2009/10, it was 646.19 in August and it was reduced to 528.73 in June. In 2010/11, it was 522.86 in August and it was again reduced to 489.96 in July. Finally in the year 2011/12, it was 481.74 in August and increased to 563.96 in June which shown in the table 4.15.

**Table 4.15**  
**NEPSE Index of Other Sector**

Month	2007/08	2008/09	2009/10	2010/11	2011/12
August	818.12	1582.37	646.19	522.86	481.74
September	818.12	845.88	657.94	500.54	487.61
October	818.12	832.96	628.57	540.48	493.49
November	818.12	704.93	592.16	529.91	499.36
December	818.12	677.91	589.81	528.73	495.84
January	818.12	667.34	552.22	540.47	512.28
February	818.12	659.11	535.78	534.6	527.55
March	817.47	626.23	501.72	534.6	469.99
April	817.47	605.08	522.86	493.49	581.58
May	817.47	699.05	562.8	464.12	529.9
June	817.47	640.32	528.73	486.44	563.96
July	769.21	669.69	540.48	489.96	

*Source: Nepal Stock Exchange Ltd.*

The NEPSE index of the other sector is in fluctuating trend in the observed five fiscal years. The highest NEPSE index was 1582.37 points recorded in August 2008 and the lowest NEPSE index was 464.12 points in May 2011. The NEPSE index of Other sectors in the fiscal year 2007/08 was quite surprising as it stayed as the constant position for the initial seven months i.e. the NEPSE index from August 2007 to February 2008 was 818.12 points. Then after the NEPSE index was increased to 817.47 points and for one more time it stayed at the same condition for the next 3 months again i.e. from March 2008 to June 2008. But in July, the NEPSE index was degraded to 769.21 points.

The NEPSE index at the beginning of the fiscal year 2008/09 was surprisingly high as it reached to 1582.37 points. But it couldn't stay in the same position and was reduced to 845.88 points in the following month. Then after the NEPSE index of Other sectors went on decreasing month by month and finally the ending NEPSE index was only 669.69 points. The lowest NEPSE index recorded for that year was 605.08 points in April 2009. The fiscal year 2009/10 started with the NEPSE index of 646.19 points which was increased to 657.94 points in the second month. Then after the NEPSE index was decreased to 628.57 points in the third

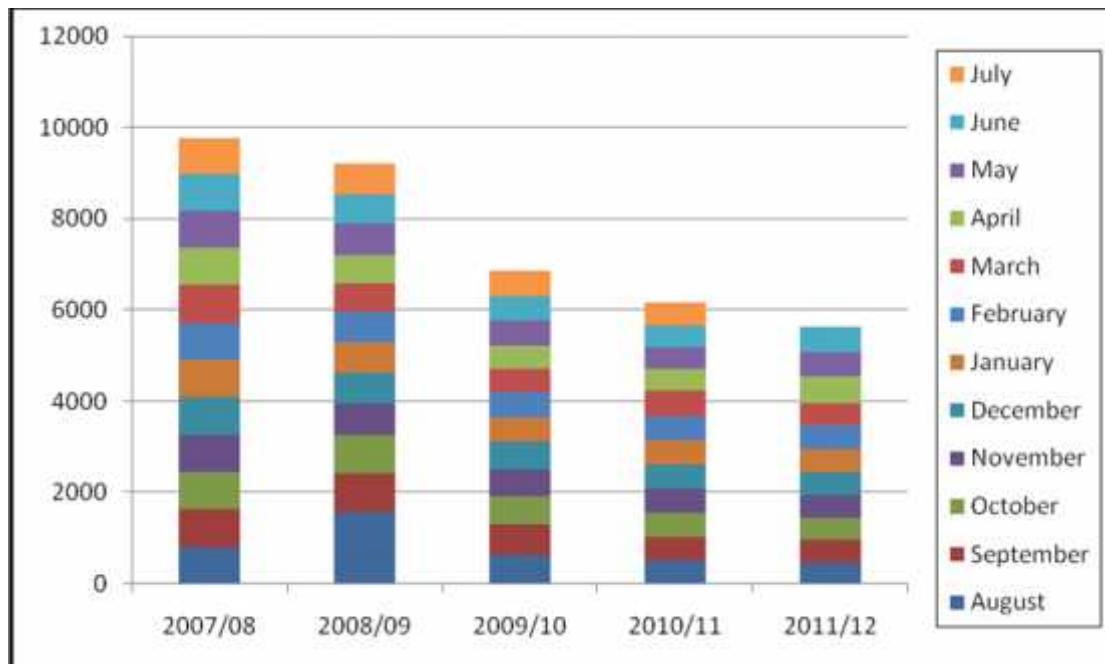
month. The NEPSE index of Others sectors went on decreasing in every months. The highest NEPSE index for this year was 657.94 points in September 2009 and the lowest NEPSE index was 501.72 points in March 2010. The ending NEPSE index of Other sector for this fiscal year was 540.48 points.

Coming to the fiscal year 2010/11, the highest NEPSE index recorded was 540.48 points in October 2010 and the lowest NEPSE index was 464.12 points in May 2011. The initial NEPSE index for this fiscal year was 522.86 points which decreased to 500.54 points in the second month. The NEPSE index of Other sectors in march 2011 was 534.60 points which was reduced to 493.49 points in the following month ie. in April 2011. By observing the beginning and the ending NEPSE index of Other sector in the fiscal year 2011/12, we can say that NEPSE index for this year was in increasing trend although the NEPSE index in other four years were in decreasing trend.

The NEPSE index in initial month of the fiscal year 2011/12 was 481.74 points which was increased to 499.36 points in November. In January 2012, the NEPSE index was increased to 512.28 points, which was then increased to 581.58 points in April and finally the ending NEPSE index for this year was 563.96 points.

The standard deviation of the different fiscal years was 14.05 in 2007/08, 267.13 in 2008/09, 51.19 in 2009/10, 25.63 in 2010/11 and 54.13 in 2011/12. The standard deviation of the fiscal year 2007/08 is 14.05 which was very lower than the standard deviation of the fiscal year 2008/09 as its standard deviation was 267.13 but the standard deviation of the fiscal year 2009/10 was 51.19 which was greater than the standard deviation of the fiscal year 2010/11 as its standard deviation was just 25.63 which again rose to 54.13 in the fiscal year 2011/12. The standard deviation of the fiscal year 2008/09 was high so its volatility is high and the standard deviation of the fiscal year 2007/08 was low so its volatility is also low. Hence the high risky year was the fiscal year 2008/09 and the less risky year was the fiscal year 2007/08.

**Figure 4.15: Monthly Movement of Other Sector**



Like other groups, the other sector is also in decreasing trend which can be clearly viewed from the above diagram. From the initial year 2007/08, the trend of NEPSE index decrease slightly in year 2008/09. Then after there was high decrease from the fiscal year 2008/09 to 2009/10. Again the decreasing process continued in both the years 2010/11 and 2011/12.

Now while talking about the NEPSE index of different fiscal years, the NEPSE index of Other sectors was highest in the fiscal year 2007/08 as it was recorded 769.21 at the end of the fiscal year. At the end of the fiscal year, 2008/09 the NEPSE index of Other sectors was 669.69. In the year 2009/10, the NEPSE index continued to decrease and it decline to 540.49 at the end of the fiscal year. The NEPSE index was 489.96 at the end of the fiscal year 2010/11 as the NEPSE index of that year was slightly decreasing. Finally the NEPSE index of Other sector was recorded 563.96 at the end of the fiscal year 2011/12.

#### **4.8 Major Findings of the Study**

The major findings of this study are as follows:

- There are altogether 216 companies listed in stock exchange up to the fiscal year 2011/12. Out of these are 26 Commercial Banks, 69 Finance Companies, 21 Insurance Companies, 4 Hotel sector, 18 Manufacturing and Processing, 4 Trading Companies, 68 Development Banks, 4 Hydropower and 2 Other sector.

- The number of listed companies is in increasing trend. The number of the companies in the initial year was 142 in 2007/08 and 159 in 2008/09 went up to 176 in 2009/10, 209 in 2010/11 and 216 in 2011/12.
- The annual turnover is fluctuating. In first four year of our observation, ie. from the fiscal year 2007/08 to 2010/11, it is in decreasing trend but the annual turnover was little bit increased in the fiscal year 2007/08 was 21980.57 which reduced to 19437.96 in the fiscal year 2008/09. The annual turnover of the fiscal year 2009/10 was 110020.78. There was a drastic decrease in the annual turnover in the fiscal year 2010/11 as its annual turnover was only 6261.09 but there was increase in the annual turnover was somehow increased to 9344.68.
- Market capitalization value is in erratic trend in each group in each year. The proportion of market capitalization of commercial bank is the highest among nine sectors. Its proportion is 70.74% in 2007/08, 53.49% in 2008/09, 53.24% in 2009/10, 46.80% in 2010/11 and 46.58% in 2011/12. Whereas the least proportion of market capitalization has been occupied by Trading sectors. Its proportion is 0.22% in 2007/08, 0.27% in 2008/09, 0.49% in 2009/10, 0.58% in 2010/11 and 0.42% in 2011/12. Hence, it can be concluded that the Commercial bank sector commands a lion's share in the NEPSE trading floor.
- While talking about traded share quantity, Commercial bank dominated the trading floor as it captured the largest chunk of the total share trading. It accounted 42.60% in the fiscal year 2007/08, 52.51% in 2008/09, 42.58% in 2009/10, 36.92% in 2010/11 and 44.47% in 2011/12. Despite this, if we come to the total traded share quantity of the observed years, the total share traded in the fiscal year 2007/08 was 26390.94, in 2008/09 was 25332.64, in 2009/10 was 22734.39, in 2010/11 was 23117.39 and in 2011/12 was 34667.31.
- NEPSE has fixed the trading days and hours during which the members are allowed to enter the floor to make transactions. The sectors such as Commercial bank, Finance and Development bank had comparatively more number of transactions. The number of transactions took place in Commercial bank sector during the fiscal year 2007/08 was 54314, in 2008/09 was 68171, in 2009/10 was 89826, in 2010/11 was 65031 and in 2011/12 was 86188 transactions. If we observe the number of transactions took place in different fiscal years, we can see that there were 149008 transactions taking place in the fiscal year 2007/08, 206582 transactions in 2008/09, 212115 transactions in 2009/10, 301505 transactions in 2010/11 and 292613 transactions in 2011/12.

## **CHAPTER- V**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

The chapter presents the summary and the conclusion of this study. Finally, it presents recommendations for the future study.

#### **5.1 Summary**

Nepal is one of the least developed country in the world. Nepal launched planned economic development more than four decades ago. Recently she has adopted the path of economic development through liberalization. The capital market institutions are engaged in mobilization of savings into the productive investment activities. So to develop the economy of the country an efficient and effective capital market is a vital importance. The basic objectives of this study are concern to the concept of capital market; analyze its performance and price behavior of shares of listed companies and role of NEPSE index.

The second chapter presents the theoretical and research review. In theoretical there are two approaches: Technical analysis and Fundamental of security analysis. Technical analysis involves the study of the past volume price fluctuations where as fundamental analysis approach, the security analyst the factor economic influences, industry factors and pertinent company information such as product and management in order to calculate an intrinsic value of the firms security. In an efficient market, there are three forms (a) weak form (b) semi-strong and (c) strong form. In weak form, stock price behavior can be test by using parametric (Serial Correlation) and non-parametric.

Research Methodology and Presentations of data deals with the methods of analysis. This chapter presents the research design of the study. This study covers five years time from 16 July 2007 through 16 July 2012. In Nepal Stock Exchange there are eight sectors listed. So, all nine sectors (1) Commercial Bank, (2) Finance Companies, (3) Insurance Companies, (4) Hotel, (5) Manufacturing and Processing (6) Trading, (7) Development Bank and (8) Hydropower and 9) Others have been taken as a sample for the study. Data used for the study purpose are based on the secondary data, primary data and major sources of data are NEPSE. For analysis of data, percentage method, bar diagram has been used. A statistical tool like standard deviation has been used to measure the volatility of behavior of NEPSE index.



Calculation of standard deviation is a positive relationship between risks varies from investor to investor. A risk aversion is the approach where the investor doesn't want to bear additional risk and wants secured and safe return. The level of risk is not so easy to measure.

The NEPSE index reflects the aggregate volatility of the share prices of the companies listed. View point of standard deviation 104.41 in 2007/08, 160.98 in 2008/09, 75.11 in 2009/10, 33.26 in 2010/11 and 41.96 in 2011/12. The fiscal year 2010/11 was the less risky year for the NEPSE index.

## **5.2 Conclusion**

The following conclusions have been derived from the major findings of this study.

- Capital market is a vital importance to develop the economy the country, an efficient and effective stock market. The growth of institution, growth of primary and secondary market and increase in listed companies it implies that the capital market in Nepal is in developing process.
- The number of transactions, traded amount and market capitalization suggest that the Banks and Finance companies as companies as compared to others are in better position. They look less affected than the performance of Hotel and Other companies.
- Commercial banks total annual turnover stood at 13822.14in the fiscal year. 2007/08 with those shares accounting for 70.74% of the total market capitalization during the same fiscal year. These indicators reveal that the share of commercial banks have a dominant role in determining the key indicators of the Nepalese Stock Exchange. It is thus unsurprising that commercial banks have continued to appear as the most attractive investment alternatives since the opening of the floor.

## **5.3 Recommendations**

- The performance of commercial bank, finance companies and manufacturing and processing companies is better than the other sectors so it is recommended to the investors to invest their investment in these sectors.

- It is also recommended to the concerned regulatory body to carry out or helps to carry out further research on the specifics of market efficiency to develop an efficient capital market.
  
- In addition, the market capitalization has also been observing a significant growth in the recent days. Meanwhile, NEPSE should plan to invite “Expression of Interest” from prospective consultants to initiate the online trading. NEPSE should also announce for the EOI and initiate a process to purchase appropriate software and other logistics for the purpose.

## BIBLIOGRAPHY

Annual Reports of Nepal Stock Exchange (2007/08 - 2011/12).

Annual Reports of Security Board Nepal (2007/08 - 2011/12).

Bajracharya, B.C. (2006) *Business Statistics and Mathematics*, M.K. Publisher and Distributor, 10<sup>th</sup> edition, Kathmandu.

Bhalla, V.K. (2004) *Investment Management: Security Analysis and Portfolio Management*, 9th edition, New Delhi: S. Chand & Company Ltd.

Brigham, E. F., Gapenski, L. C., and Ehrhardt, M. C. (1999) *Financial Management*, 5<sup>th</sup> edition, New Delhi: Harcourt Asia Pvt. Ltd.

Brigham, E. F., and Houston, J. F. (2001) *Fundamentals of Financial Management*, 5<sup>th</sup> edition, New Delhi: Harcourt Asia Pvt. Ltd.

Cheney, J. M. and Moses, E. A. (1992) *Fundamentals of Investments*, New Delhi: Prentice-Hall of India.

Donald, E.F. and Ronald, J.J. (2000) *Security Analysis and Portfolio Management*, New Delhi: Prentice-Hall of India.

Fama, E. F. and French, K. R. (1992) “*The Cross-section of Expected Stock Returns*,” *Journal of Finance*, vol.47, no.2, June, pp.427-465.

Francis J. C. (1997) *Investments: Analysis and Management*, 7th edition. New York: Mc Graw Hill Publishing Company.

Guragain, B. R. (2002), 3.18 *Price Formations and Brokering Services in Nepal Stock Exchange, (T.U)*.

- Jack C. F. (1998) *Management of Investment*, 2nd edition, (Singapore: M C Graw Hill Book Company).
- Kendall (1953) *Financial Markets and Institutions*, Southwestern College Publishing 5<sup>th</sup> edition.
- Kothari, C.R., (2003) *Research Methodology, Methods and Techniques*, 8<sup>th</sup> edition New Delhi, Willey Easterly Ltd.
- Osbern (1959) *Financial Markets and Institutions*, Southwestern College Publishing 5<sup>th</sup> edition.
- Pandey, R. P. (2006), 3.44 *Issue and Prospects of Development Corporate Debenture Market in Nepal, (T.U).*
- Paneru, L. R. (2003), 3.30 *Stock Market and Economic Growth, (T.U).*
- Panta, P.R. (2012) *Social Science Research and Thesis Writing* 3rd edition Buddha Educational Enterprises. Kathmandu
- Pradhan, R. S. (2004) *Financial Management* 7<sup>th</sup> edition Kathmandu Buddha Academic Publishers and Distributors Pvt. Ltd.
- Prasanna C. (1995) *The Investment Analysis/Game*, 6th edition, (India: Tata M C Graw Hill, 47.
- Reilly, F. K. (1990) *Investment Analysis and Portfolio Management* 9<sup>th</sup> edition New York: The Dryden Press.
- Roberts (1959) *Financial Markets and Institutions*, Southwestern College Publishing 5<sup>th</sup> edition.
- Sharpe, W. F, Alexander, G. J, and Bailey, G. V. (1995) *Investment* 5<sup>th</sup> edition Prentice Hall Inc. USA.

Shrestha, M. K., Poudel, R. P., and Bhandari, D. B. (2005) *Fundamentals of Investments*, 9<sup>th</sup> edition Kathmandu: Buddha Academic Publishers and Distributors Pvt. Ltd.

Shrestha, M.K. (1990) *Commercial Banks Comparative Performance Evaluation*, Karmachari Sanchaya Kosh Publication, Year 16.

Sthapit, A. B.(1997), *Statistical Methods* Buddha Academic Enterprises Pvt. Ltd, Kathmandu, 3<sup>rd</sup> Edition.

Thapa, Y. M. (2006), 3.43 *Behaviour of Nepal Stock Exchange Index, (T.U)*.

Van Horne, J. C., (1996) *Financial Management and Policy* 9<sup>th</sup> edition Prentice hall of India, New Delhi.

Van Horne, J. C. and Wachowicz, J. M. (1995) *Fundamentals of Financial Management* 11<sup>th</sup> edition, Prentice Hall Inc. USA.

## APPENDIX

S.No.	Companies Name	Stock Symbol	Listed Shares	Paid up Value	Total Paid up Value
<b>Commercial Banks</b>					
1	<a href="#">Agricultural Development Bank Ltd</a>	ADBL	31,930,000	100	3,193,000,000
2	<a href="#">Bank of Kathmandu</a>	BOK	19,202,122	100	1,920,212,200
3	<a href="#">Civil Bank Ltd</a>	CBL	20,000,000	100	2,000,000,000
4	<a href="#">Commerz and Trust Bank Nepal Ltd.</a>	CTBNL	20,000,000	100	2,000,000,000
5	<a href="#">Citizens Bank International Limited</a>	CZBIL	21,018,400	100	2,101,840,000
6	<a href="#">Everest Bank Ltd</a>	EBL	16,411,264	100	1,641,126,400
7	<a href="#">Global IME Bank Limited</a>	GBIME	24,181,378	100	2,418,137,800
8	<a href="#">Grand Bank Nepal Ltd.</a>	GRAND	20,000,000	100	2,000,000,000
9	<a href="#">Himalayan Bank Ltd.</a>	HBL	27,600,000	100	2,760,000,000
10	<a href="#">Janata Bank Nepal Ltd.</a>	JBNL	20,600,000	100	2,060,000,000
11	<a href="#">Kumari Bank Ltd</a>	KBL	16,029,962	100	1,602,996,200
12	<a href="#">KIST Bank Limited</a>	KIST	20,000,000	100	2,000,000,000
13	<a href="#">Laxmi Bank Limited</a>	LBL	16,940,811	100	1,694,081,100
14	<a href="#">Lumbini Bank Ltd.</a>	LUBL	16,016,000	100	1,601,600,000
15	<a href="#">Machhachapuchhre Bank Ltd</a>	MBL	24,781,817	100	2,478,181,700
16	<a href="#">Mega Bank Nepal Ltd.</a>	MEGA	23,300,000	100	2,330,000,000
17	<a href="#">Nabil Bank Ltd.</a>	NABIL	30,460,518	100	3,046,051,800
18	<a href="#">Nepal Bangladesh Bank Ltd.</a>	NBB	20,103,890	100	2,010,389,000
19	<a href="#">Nepal Bank Limited</a>	NBL	39,655,236	100	3,965,523,600
20	<a href="#">Nepal Credit And Com. Bank</a>	NCCB	14,700,000	100	1,470,000,000
21	<a href="#">Nepal Investment Bank Ltd.</a>	NIB	37,680,077	100	3,768,007,700
22	<a href="#">NIC Asia Bank Ltd.</a>	NICA	23,115,520	100	2,311,552,000
23	<a href="#">NMB Bank Ltd.</a>	NMB	20,000,000	100	2,000,000,000
24	<a href="#">Prime Commercial Bank Limited</a>	PCBL	25,744,458	100	2,574,445,800
25	<a href="#">Sanima Bank Ltd.</a>	SANIMA	22,173,851	100	2,217,385,100
26	<a href="#">Nepal SBI Bank Limited</a>	SBI	26,487,050	100	2,648,705,000
27	<a href="#">Siddhartha Bank Limited</a>	SBL	15,717,983	100	1,571,798,300
28	<a href="#">Standard Chartered Bank Ltd.</a>	SCB	20,392,900	100	2,039,290,000
29	<a href="#">Sunrise Bank Limited</a>	SRBL	20,150,000	100	2,015,000,000
<b>Total</b>			<b>654,393,237</b>	<b>2,900</b>	<b>65,439,323,700</b>
<b>Finance</b>					
30	<a href="#">Arun Finance Limited</a>	ARUN	1,500,000	100	150,000,000
31	<a href="#">Central Finance Co. Ltd.</a>	CFCL	1,683,558	100	168,355,800
32	<a href="#">Crystal Finance Limited</a>	CFL	700,000	100	70,000,000
33	<a href="#">Citizen Investment Trust</a>	CIT	2,160,000	100	216,000,000
34	<a href="#">Capital Mer. Bank And Fin</a>	CMB	9,350,695	100	935,069,500
35	<a href="#">Civil Merchant bitty sanstha</a>	CMBSL	1,300,000	100	130,000,000
36	<a href="#">Everest Finance Ltd.</a>	EFL	842,080	100	84,208,000
37	<a href="#">Fewa Finance Co. Ltd.</a>	FFCL	1,201,200	100	120,120,000
38	<a href="#">Goodwill Finance Co. Ltd.</a>	GFCL	3,104,348	100	310,434,800

39	<a href="#">General Finance Ltd.</a>	<b>GFL</b>	969,672	100	96,967,200
40	<a href="#">Guheyshwori Mer. Bank. Fin</a>	<b>GMFIL</b>	2,062,428	100	206,242,800
41	<a href="#">Hama Merchant &amp; Finance Ltd.</a>	<b>HAMA</b>	2,000,000	100	200,000,000
42	<a href="#">Himalayan Finance Limited (Bittiya Sanstha)</a>	<b>HFL</b>	1,400,000	100	140,000,000
43	<a href="#">ICFC Finance Limited</a>	<b>ICFC</b>	3,561,861	100	356,186,100
44	<a href="#">Imperial Financial Inst. Ltd.</a>	<b>IFIL</b>	1,497,300	100	149,730,000
45	<a href="#">International Leasing And Fin. Co.</a>	<b>ILFC</b>	20,088,000	100	2,008,800,000
46	<a href="#">Jebil's Finance Ltd.</a>	<b>JEFL</b>	2,000,000	100	200,000,000
47	<a href="#">Janaki Finance Ltd.</a>	<b>JFL</b>	1,462,500	100	146,250,000
48	<a href="#">Kaski Finance Limited</a>	<b>KAFIL</b>	2,407,440	100	240,744,000
49	<a href="#">Kathmandu Finance Limited.</a>	<b>KFL</b>	1,546,624	100	154,662,400
50	<a href="#">Kuber Merchant Finance Limited</a>	<b>KMBSL</b>	1,500,000	100	150,000,000
51	<a href="#">Lalitpur Finance Ltd.</a>	<b>LFC</b>	1,708,135	100	170,813,500
52	<a href="#">Lumbini Finance Ltd.</a>	<b>LFCL</b>	2,947,143	100	294,714,300
53	<a href="#">ManjuShree Financial Institution</a>	<b>MFIL</b>	2,250,000	100	225,000,000
54	<a href="#">Maha Laxmi Finance Ltd.</a>	<b>MFL</b>	4,200,000	100	420,000,000
55	<a href="#">Multipurpose Finance Co. Ltd.</a>	<b>MPFL</b>	250,000	100	25,000,000
56	<a href="#">Nepal Aawas Finance Limited</a>	<b>NABB</b>	1,762,611	100	176,261,100
57	<a href="#">Namastee Bittiya Sanstha Ltd.</a>	<b>NBSL</b>	312,500	100	31,250,000
58	<a href="#">NIDC Capital Markets Ltd.</a>	<b>NCM</b>	2,335,644	100	233,564,400
59	<a href="#">Nava Durga Finance Co.Ltd.</a>	<b>NDFL</b>	1,793,756	100	179,375,600
60	<a href="#">Nepal Express Finance Limited</a>	<b>NEFL</b>	1,952,561	100	195,256,100
61	<a href="#">Nepal Finance Ltd.</a>	<b>NFS</b>	1,114,425	100	111,442,500
62	<a href="#">Nepal Housing And Merchant Fin.</a>	<b>NHMF</b>	2,202,965	100	220,296,500
63	<a href="#">Narayani National Finance Co. Ltd.</a>	<b>NNFC</b>	6,474,845	100	647,484,500
64	<a href="#">Nepal Share Markets Ltd.</a>	<b>NSM</b>	20,342,880	100	2,034,288,000
65	<a href="#">Om Finance Ltd.</a>	<b>OFL</b>	3,257,100	100	325,710,000
66	<a href="#">Paschimanchal Finance Co. Ltd</a>	<b>PFC</b>	2,356,424	100	235,642,400
67	<a href="#">Peoples Finance Limited.</a>	<b>PFCL</b>	2,887,906	100	288,790,600
68	<a href="#">Premier Finance Co. Ltd</a>	<b>PFCLL</b>	1,208,125	100	120,812,500
69	<a href="#">Prudential Finance Company Limited</a>	<b>PFIL</b>	4,831,285	100	483,128,500
70	<a href="#">Pokhara Finance Ltd.</a>	<b>PFL</b>	3,120,000	100	312,000,000
71	<a href="#">Patan Finance Ltd.</a>	<b>PFLBS</b>	1,100,000	100	110,000,000
72	<a href="#">Prabhu Finance Company Limited</a>	<b>PRFL</b>	5,489,640	100	548,964,000
73	<a href="#">Progressive Finance Limited</a>	<b>PROFL</b>	1,200,000	100	120,000,000
74	<a href="#">Reliance Finance Ltd.</a>	<b>RFL</b>	2,000,000	100	200,000,000
75	<a href="#">Reliable Finance Limited</a>	<b>RIBSL</b>	2,725,091	100	272,509,100
76	<a href="#">Seti Finance Limited</a>	<b>SETI</b>	506,000	100	50,600,000
77	<a href="#">Samjhana Finance Co. Ltd.</a>	<b>SFC</b>	225,000	100	22,500,000
78	<a href="#">Shrijana Finance(Bittiya Sa</a>	<b>SFFIL</b>	280,000	100	28,000,000
79	<a href="#">Siddhartha Finance Limited</a>	<b>SFL</b>	1,544,252	100	154,425,200
80	<a href="#">Shree Investment Finance Co. Ltd</a>	<b>SIFC</b>	1,760,000	100	176,000,000
81	<a href="#">Subha Laxmi Finance Co. Ltd.</a>	<b>SLFL</b>	2,000,000	100	200,000,000

82	<a href="#">Sagarmatha Merchant Banking And Finance Limited</a>	SMBF	1,650,000	100	165,000,000
83	<a href="#">Synergy Finance Ltd</a>	SYFL	4,744,090	100	474,409,000
84	<a href="#">Union Finance Ltd.</a>	UFCL	1,765,854	100	176,585,400
85	<a href="#">Unique Finance Limited</a>	UFIL	2,000,000	100	200,000,000
86	<a href="#">United Finance Ltd</a>	UFL	3,508,012	100	350,801,200
87	<a href="#">World Merchant Bank Ltd</a>	WMBF	1,819,803	100	181,980,300
88	<a href="#">Zenith Finance Limited</a>	ZFL	2,053,144	100	205,314,400
<b>Total</b>			<b>166,016,897</b>	<b>5,900</b>	<b>16,601,689,700</b>
<b>Hotels</b>					
89	<a href="#">Oriental Hotel Ltd.</a>	OHL	5,000,000	100	500,000,000
90	<a href="#">Soaltee Hotel Ltd.</a>	SHL	30,087,062	10	300,870,620
91	<a href="#">Taragaon Regency Hotel</a>	TRH	16,744,790	100	1,674,479,000
92	<a href="#">Yak and Yeti Hotel Ltd.(Ord.)</a>	YHL	2,209,208	100	220,920,800
<b>Total</b>			<b>54,041,060</b>	<b>310</b>	<b>2,696,270,420</b>
<b>Manufacturing &amp; Processing</b>					
93	<a href="#">Arun Vanaspati Udhog Limited</a>	AVU	550,343	100	55,034,300
94	<a href="#">Bottlers Nepal Ltd.(Balaju)</a>	BNL	1,948,887	100	194,888,700
95	<a href="#">Bottlers Nepal (Terai)Ltd.</a>	BNT	1,210,000	100	121,000,000
96	<a href="#">Birat Shoe Ltd.(Ord.)</a>	BSL	165,000	100	16,500,000
97	<a href="#">Butwal Spinning Mills Ltd.</a>	BSM	1,306,693	100	130,669,300
98	<a href="#">Fluer Himalayan Limited</a>	FHL	262,102	75	19,657,650
99	<a href="#">Gorakhakali Rubber Udhog Ltd.</a>	GRU	3,833,400	75	287,505,000
100	<a href="#">Harisiddhi Brick and Tile Fac.Ltd.</a>	HBT	18,650,000	10	186,500,000
101	<a href="#">Himalayan Distillery Ltd.</a>	HDL	4,130,000	100	413,000,000
102	<a href="#">Jyoti Spinning Mills Ltd (ord.)</a>	JSM	1,270,288	100	127,028,800
103	<a href="#">Nepal Bitumin and Barrel Udyog</a>	NBBU	210,680	100	21,068,000
104	<a href="#">Nepal Khadya Udhog Ltd.</a>	NKU	90,000	100	9,000,000
105	<a href="#">Nepal Lube Oil Ltd.</a>	NLO	203,936	100	20,393,600
106	<a href="#">Nepal Vanaspati Ghee Udhog Ltd</a>	NVG	101,250	100	10,125,000
107	<a href="#">Raghupati Jute Mills Ltd.</a>	RJM	1,806,966	100	180,696,600
108	<a href="#">Shree Bhrikuti Pulp And Paper Ltd</a>	SBPP	3,500,000	100	350,000,000
109	<a href="#">Shree Ram Sugar Mills Ltd</a>	SRS	3,045,990	100	304,599,000
110	<a href="#">Uniliver Nepal Ltd.</a>	UNL	920,700	100	92,070,000
<b>Total</b>			<b>43,206,235</b>	<b>1,660</b>	<b>2,539,735,950</b>
<b>Others</b>					
111	<a href="#">Nepal Film Dev.Co. Ltd.</a>	NFD	491,285	100	49,128,500
112	<a href="#">Nepal Doorsanchar Company Limited</a>	NTC	150,000,000	100	15,000,000,000
<b>Total</b>			<b>150,491,285</b>	<b>200</b>	<b>15,049,128,500</b>
<b>HydroPower</b>					
113	<a href="#">Arun Valley Hydropower Development Company Limited</a>	AHPC	3,049,066	100	304,906,600



114	<a href="#">Butwal Power Co. Ltd.</a>	BPCL	10,152,694	100	1,015,269,400
115	<a href="#">Chilime Hydro power Co.</a>	CHCL	17,472,000	100	1,747,200,000
116	<a href="#">National Hydro Power Co.</a>	NHPC	13,851,862	100	1,385,186,200
117	<a href="#">Sanima Mai Hydropower Ltd.</a>	SHPC	10,550,000	100	1,055,000,000
<b>Total</b>			<b>55,075,622</b>	<b>500</b>	<b>5,507,562,200</b>
<b>Tradings</b>					
118	<a href="#">Bishal Bazar Co. Ltd.</a>	BBC	491,400	100	49,140,000
119	<a href="#">Nepal Trading Ltd.</a>	NTL	50,000	50	2,500,000
120	<a href="#">Nepal Welfare Company Ltd.</a>	NWC	41,000	50	2,050,000
121	<a href="#">Salt Trading Corporation</a>	STC	587,061	100	58,706,100
<b>Total</b>			<b>1,169,461</b>	<b>300</b>	<b>112,396,100</b>
<b>Insurance</b>					
122	<a href="#">Alliance Insurance Company Limited</a>	AIC	1,623,593	100	162,359,300
123	<a href="#">Asian Life Insurance Co. Limited</a>	ALICL	4,971,284	100	497,128,400
124	<a href="#">Everest Insurance Co. Ltd.</a>	EIC	1,012,500	100	101,250,000
125	<a href="#">Guras Life Insurance Co. Ltd.</a>	GLICL	4,999,919	100	499,991,900
126	<a href="#">Himalayan Gen.Insu. Co.Ltd.</a>	HGI	1,008,000	100	100,800,000
127	<a href="#">Lumbini General Insurance</a>	LGIL	1,534,090	100	153,409,000
128	<a href="#">Life Insurance Co. Nepal</a>	LICN	4,050,000	100	405,000,000
129	<a href="#">NB Insurance Co. Ltd.</a>	NBIL	1,419,597	100	141,959,700
130	<a href="#">Nepal Insurance Co.Ltd.</a>	NICL	1,317,474	100	131,747,400
131	<a href="#">Neco Insurance Co.</a>	NIL	1,352,216	100	135,221,600
132	<a href="#">NLG Insurance Company Ltd.</a>	NLG	2,250,000	100	225,000,000
133	<a href="#">Nepal Life Insurance Co. Ltd.</a>	NLIC	6,375,000	100	637,500,000
134	<a href="#">National LifeInsu. Co.Ltd.</a>	NLICL	5,082,411	100	508,241,100
135	<a href="#">Premier Insurance co. Ltd.</a>	PIC	1,020,000	100	102,000,000
136	<a href="#">Prudential Insurance Co.</a>	PICL	2,500,000	100	250,000,000
137	<a href="#">Prime Life Insurance Company Limited</a>	PLIC	4,881,600	100	488,160,000
138	<a href="#">Rastriya Beema Sansthan</a>	RBS	995,138	100	99,513,800
139	<a href="#">Sagarmatha Insurance Co.Ltd</a>	SIC	2,583,651	100	258,365,100
140	<a href="#">Shikhar Insurance Co. Ltd.</a>	SICL	1,750,000	100	175,000,000
141	<a href="#">Siddhartha Insurance Limited</a>	SIL	2,508,000	100	250,800,000
142	<a href="#">Surya Life Insurance Company Limited</a>	SLICL	4,113,000	100	411,300,000
143	<a href="#">United Insurance Co.(Nepal)Ltd.</a>	UIC	1,008,000	100	100,800,000
<b>Total</b>			<b>58,355,473</b>	<b>2,200</b>	<b>5,835,547,300</b>
<b>Development Banks</b>					
144	<a href="#">Ace Development Bank Limited</a>	ACEDBL	8,273,921	100	827,392,100
145	<a href="#">Alpine Development Bank Limited</a>	ALDBL	1,000,000	100	100,000,000
146	<a href="#">Apex Development Bank Ltd.</a>	APEX	6,665,596	100	666,559,600
147	<a href="#">Araniko Development Bank Limited</a>	ARDBL	2,100,000	100	210,000,000
148	<a href="#">Axis Development Bank Limited</a>	AXIS	7,000,000	100	700,000,000

149	<a href="#">Bhrikuti Vikash Bank Limited</a>	<b>BBBL</b>	3,853,105	100	385,310,500
150	<a href="#">Bageshowori Dev.Bank</a>	<b>BBBLN</b>	2,079,000	100	207,900,000
151	<a href="#">Bagmati Development Bank Limited</a>	<b>BGDBL</b>	500,000	100	50,000,000
152	<a href="#">Bhargav Bikash Bank Ltd.</a>	<b>BHBL</b>	1,000,000	100	100,000,000
153	<a href="#">Biratlaxmi Bikash Bank Limited</a>	<b>BLDBL</b>	1,941,802	100	194,180,200
154	<a href="#">Bright Development Bank Ltd</a>	<b>BRTBL</b>	1,400,000	100	140,000,000
155	<a href="#">Bishwa Bikas Bank Limited</a>	<b>BSBL</b>	2,973,600	100	297,360,000
156	<a href="#">Business Universal Development Bank Ltd.</a>	<b>BUDBL</b>	8,420,630	100	842,063,000
157	<a href="#">Chhimek Laghubitta Bikas Bank Limited</a>	<b>CBBL</b>	2,098,699	100	209,869,900
158	<a href="#">City Development Bank Limited</a>	<b>CDBL</b>	3,080,058	100	308,005,800
159	<a href="#">Clean Energy Development Bank Limited</a>	<b>CEDBL</b>	10,880,000	100	1,088,000,000
160	<a href="#">Civic Development Ltd.</a>	<b>CIVIC</b>	400,000	100	40,000,000
161	<a href="#">Country Development Bank Ltd.</a>	<b>CNDBL</b>	3,200,000	100	320,000,000
162	<a href="#">Corporate Development Bank Ltd.</a>	<b>CORBL</b>	2,000,000	100	200,000,000
163	<a href="#">Cosmos Development Bank Ltd.</a>	<b>CSDBL</b>	437,500	100	43,750,000
164	<a href="#">Diprox Development Bank</a>	<b>DDBL</b>	1,273,698	100	127,369,800
165	<a href="#">Excel Development Bank Ltd.</a>	<b>EDBL</b>	1,000,000	100	100,000,000
166	<a href="#">First Microfinance Development Bank Ltd.</a>	<b>FMDBL</b>	1,000,000	100	100,000,000
167	<a href="#">Gaumukhee Bikas Bank Ltd</a>	<b>GABL</b>	400,000	100	40,000,000
168	<a href="#">Garima Bikas Bank Limited</a>	<b>GBBL</b>	3,300,000	100	330,000,000
169	<a href="#">Gandaki Bikas Bank Limited</a>	<b>GDBL</b>	2,500,000	100	250,000,000
170	<a href="#">Gurkha Development Bank</a>	<b>GDBNL</b>	6,608,184	100	660,818,400
171	<a href="#">Gaurishankar Development Bank Ltd.</a>	<b>GSDBL</b>	2,119,213	100	211,921,300
172	<a href="#">Hamro Bikas Bank Ltd.</a>	<b>HAMRO</b>	601,000	100	60,100,000
173	<a href="#">H &amp; B Development Bank Ltd.</a>	<b>HBBL</b>	8,979,301	100	897,930,100
174	<a href="#">Infrastructure Development Bank Limited</a>	<b>IDBL</b>	8,275,344	100	827,534,400
175	<a href="#">Innovative Development Bank Ltd.</a>	<b>INDB</b>	1,000,000	100	100,000,000
176	<a href="#">International Development Bank Ltd.</a>	<b>INDBL</b>	6,400,000	100	640,000,000
177	<a href="#">Jyoti Bikas Bank Limited</a>	<b>JBBL</b>	7,400,000	100	740,000,000
178	<a href="#">Jhimruk Bikas Bank Ltd.</a>	<b>JHBL</b>	400,000	100	40,000,000
179	<a href="#">Kanchan Development Bank Ltd.</a>	<b>KADBL</b>	1,100,000	100	110,000,000
180	<a href="#">Kailash Bikas Bank Ltd.</a>	<b>KBBL</b>	7,783,776	100	778,377,600
181	<a href="#">Kasthamandap Development Bank Ltd.</a>	<b>KDBL</b>	6,538,195	100	653,819,500
182	<a href="#">Kabeli Bikas Bank Limited</a>	<b>KEBL</b>	220,000	100	22,000,000
183	<a href="#">Khandbari Development Bank Ltd.</a>	<b>KHDBL</b>	500,000	100	50,000,000
184	<a href="#">Kakre Bihar Bikash Bank Ltd.</a>	<b>KKBL</b>	300,000	100	30,000,000
185	<a href="#">Kamana Bikas Bank Limited</a>	<b>KMBL</b>	2,300,000	100	230,000,000
186	<a href="#">Kalika Microcredit Development Bank Ltd.</a>	<b>KMCDB</b>	500,000	100	50,000,000
187	<a href="#">Kankai Bikas Bank Ltd.</a>	<b>KNBL</b>	912,055	100	91,205,500
188	<a href="#">Karnali Development Bank Limited</a>	<b>KRBL</b>	800,000	100	80,000,000
189	<a href="#">Mahakali Bikas Bank Limited</a>	<b>MBBL</b>	400,000	100	40,000,000
190	<a href="#">Miteri Development Bank Limited</a>	<b>MDB</b>	1,300,147	100	130,014,700
191	<a href="#">Malika Bikash Bank Limited</a>	<b>MDBL</b>	2,425,500	100	242,550,000

192	<a href="#">Metro Development Bank Limited</a>	<b>METRO</b>	1,229,600	100	122,960,000
193	<a href="#">Madhyamanchal Gramin Bikas Bank Limited</a>	<b>MGBL</b>	1,000,000	100	100,000,000
194	<a href="#">Mission Development Bank Ltd.</a>	<b>MIDBL</b>	1,000,000	100	100,000,000
195	<a href="#">Muktinath Bikas Bank Ltd.</a>	<b>MNBBL</b>	3,675,000	100	367,500,000
196	<a href="#">Manaslu Bikas Bank Ltd.</a>	<b>MSBBL</b>	1,200,000	100	120,000,000
197	<a href="#">Matribhumi Bikas Bank Ltd.</a>	<b>MTBL</b>	440,000	100	44,000,000
198	<a href="#">Narayani Development Bank Ltd.</a>	<b>NABBC</b>	437,423	100	43,742,300
199	<a href="#">Nepal Consumer Development Bank Ltd.</a>	<b>NCDBL</b>	2,000,000	100	200,000,000
200	<a href="#">Nepal Development Bank</a>	<b>NDB</b>	3,200,000	100	320,000,000
201	<a href="#">NDEP Development Bank Limited</a>	<b>NDEP</b>	5,824,512	100	582,451,200
202	<a href="#">Nilgiri Bikas Bank Limited</a>	<b>NGBL</b>	996,748	100	99,674,800
203	<a href="#">NIDC Development Bank Ltd.</a>	<b>NIDC</b>	2,978,784	100	297,878,400
204	<a href="#">Nerude Laghubita Bikas Bank Limited</a>	<b>NLBBL</b>	1,000,003	100	100,000,300
205	<a href="#">Naya Nepal Laghubitta Bikas Bank Ltd.</a>	<b>NNLB</b>	200,000	100	20,000,000
206	<a href="#">Nirdhan Utthan Bank Ltd.</a>	<b>NUBL</b>	1,999,169	100	199,916,900
207	<a href="#">Pacific Development Bank Limited</a>	<b>PADBL</b>	732,000	100	73,200,000
208	<a href="#">Pathibhara Bikas Bank Limited</a>	<b>PBSL</b>	1,000,000	100	100,000,000
209	<a href="#">Public Development Bank Limited</a>	<b>PDB</b>	1,500,000	100	150,000,000
210	<a href="#">Paschimanchal Bikash Bank</a>	<b>PDBL</b>	3,365,000	100	336,500,000
211	<a href="#">Pashchimanchal Grameen Bikas Bank Ltd.</a>	<b>PGBBL</b>	1,000,000	100	100,000,000
212	<a href="#">Purwanchal Grameen Bikash Bank Limited</a>	<b>PGBL</b>	600,000	100	60,000,000
213	<a href="#">Prabhu Bikas Bank Ltd.</a>	<b>PRBBL</b>	7,659,640	100	765,964,000
214	<a href="#">Professional Diyalo Bikas Bank Ltd.</a>	<b>PRDBL</b>	2,000,000	100	200,000,000
215	<a href="#">Purnima Bikas Bank Limited</a>	<b>PURBL</b>	1,100,000	100	110,000,000
216	<a href="#">Rising Development Bank Ltd.</a>	<b>RDBL</b>	2,000,000	100	200,000,000
217	<a href="#">Rural Microfinance Development Centre Ltd.</a>	<b>RMDC</b>	5,200,000	100	520,000,000
218	<a href="#">Shangrila Development Bank Ltd.</a>	<b>SADBL</b>	3,200,000	100	320,000,000
219	<a href="#">Sahayogi Vikas Bank</a>	<b>SBBLJ</b>	1,428,840	100	142,884,000
220	<a href="#">Siddhartha Development Bank Limited</a>	<b>SDBL</b>	6,450,000	100	645,000,000
221	<a href="#">Sewa Bikas Bank Limited</a>	<b>SEWA</b>	2,576,000	100	257,600,000
222	<a href="#">Shine Resunga Development Bank Ltd.</a>	<b>SHINE</b>	3,838,363	100	383,836,300
223	<a href="#">Sindhu Bikas Bank Ltd.</a>	<b>SINDU</b>	1,000,000	100	100,000,000
224	<a href="#">Sana Kisan Bikas Bank Ltd</a>	<b>SKBBL</b>	2,300,000	100	230,000,000
225	<a href="#">Swarojgar Laghu Bitta Bikas Bank Ltd.</a>	<b>SLBBL</b>	157,000	100	15,700,000
226	<a href="#">Summit Micro Finance Development Bank Ltd.</a>	<b>SMFDB</b>	280,000	100	28,000,000
227	<a href="#">Subhechha Bikas Bank Limited</a>	<b>SUBBL</b>	1,309,413	100	130,941,300
228	<a href="#">Supreme Development Bank Ltd.</a>	<b>SUPRME</b>	2,100,000	100	210,000,000
229	<a href="#">Swabalamwan Bikash Bank</a>	<b>SWBBL</b>	1,493,345	100	149,334,500
230	<a href="#">Triveni Bikas Bank Limited</a>	<b>TBBL</b>	3,700,613	100	370,061,300
231	<a href="#">Tourism Development Bank Ltd.</a>	<b>TDBL</b>	6,400,000	100	640,000,000
232	<a href="#">Tinau Development Bank Limited</a>	<b>TNBL</b>	1,288,000	100	128,800,000
233	<a href="#">Vibor Bikas Bank Limited</a>	<b>VBBL</b>	6,800,000	100	680,000,000
234	<a href="#">Western Development Bank Limited</a>	<b>WDBL</b>	1,000,020	100	100,002,000

235 <a href="#">Yeti Development Bank Limited</a>	<b>YETI</b>	13,299,584	100	1,329,958,400
<b>Total</b>		<b>257,599,381</b>	<b>9,200</b>	<b>25,759,938,100</b>