

# **A STUDY ON MERCHANT BANKING IN NEPAL**

**A THESIS**

**By**

**Aliza Maharjan**

Central Department of Management

Exam Roll No.: 377/15

T.U. Regd. No.: 7-2-763-2-2010

*Submitted in partial fulfillment of the requirements for the degree of*

**Master of Business Studies (MBS)**

in the

**Faculty of Management**

**Tribhuvan University**

Kirtipur, Kathmandu

April 2019

## **Certificate of Authorship**

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

---

**Aliza Maharjan**

30<sup>th</sup> April 2019

## **RECOMMENDATION LETTER**

It is certified that thesis entitled "**A STUDY ON MERCHANT BANKING IN NEPAL**" submitted by Aliza Maharjan is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

---

Professor Dr. Bhoj Raj Aryal

Thesis Supervisor

Central Department of Management

Tribhuvan University, Kirtipur,

Kathmandu, Nepal

Date: 26<sup>th</sup> April 2019

## **APPROVAL SHEET**

We, the undersigned, have examined the thesis entitled "**A STUDY ON MERCHANT BANKING IN NEPAL**" submitted by Aliza Maharjan, a candidate for the degree of **Master of Business Studies (MBS Semester)** and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

---

Professor Dr.Bhoj Raj Aryal

Thesis Supervisor

---

Internal Examiner

---

External Examiner

---

Prof. Dr. Sanjay Kumar Shrestha

Chairperson, Research Committee

---

Asso. Prof. Dr. Ramji Gautam

Head of Department

Central Department of Management

Date: 30<sup>th</sup> April 2019

## ACKNOWLEDGEMENTS

It is indeed a great opportunity to the students to have an experience in writing thesis. It is also a compulsory part of the curriculum for MBS of Tribhuvan University because of that we got a chance for the practical experience of the work to be done in future.

In course of preparing this thesis work, many guidance, suggestions and instructions have been received from different dignitaries. I am thankful to all of them from the core of my heart. I am especially grateful to my thesis supervisor Professor Dr. Bhoj Raj Aryal of Central Department of Management, T.U. Kirtipur, for his valuable suggestions, guidance and continuous cooperation throughout the period of this study.

I also would like to thank to all the teachers and staffs of Central Department of Management for their suggestions and continuous support during the study period. Similarly, I would like to express gratitude to my all friends for their advices, encouragement, and cooperation while preparing this thesis. I am also grateful to the concerned staffs of different selected merchant companies and SEBON for providing their annual report and other relevant information and also for their precious time and positive response.

I would like to thank my friends especially Raju Tuladhar and Bikal Devkota who have been a constant source of encouragements and supports throughout this study. Finally, I am much grateful to my family members who have been a source of continuous encouragements and supports to achieve every success including this study.

Aliza Maharjan

Date: 30<sup>th</sup> April 2019

### *Abstract*

*The purpose of this study has to Study on Merchant Banking in Nepal. The study has analyzed over a Five-year period from 2012/13-2016/17 of 2 merchant Banking (NIBL Capital Limited & GBIME Capital Limited) in Nepal. This study has used convenience-sampling method to select the companies. Secondary and Primary data have been used in the study. Various methods like Structured Questionnaires, formal and informal interview, field survey, annual report published by the concerned institutions, Security Exchange Board of Nepal and Nepal Rastra Bank, etc. were used to meet the objectives of the study and to make the research meaningful. Analysis of Absolute Data, Analysis of Financial Ratios, Percentage, Frequency and Statistical Analysis is carried out to fulfill the objective of the study. Statistical Package for Social Sciences (SPSS) and excel applications has utilized to describe the data and determine the extent used and this has through descriptive analysis of means, standard deviations, and CV. Inferior research design has utilized via regression analysis to determine the relation between the dependent variable and the independent Variables. The information has displayed by use of tables and graphs.*

*The study found that there is negative correlation between Operating Expenses Ratio with ROA & ROE and statistically significant at 0.05 level with 2-tailed test. There is Positive between Net Profit Margin Ratio with ROA & ROE and statistically significant at 0.05 level with 2-tailed test. So these factors should analyze carefully to improve the performance of companies. Most of investor is satisfied with merchant banking service at moderate level. Similarly most of investors think that the development of merchant banking in Nepal at moderate level. Most of investors haven't idea what types of role is playing security board of Nepal to extend Merchant Banking activities in Nepalese capital market. But according to Employee and Manager said that inappropriate Legal Provision is major hinder for development of Merchant Banking Activities. They identified some problems of merchant banking in Nepal i.e. are No proper guideline by government, Centralize capital Market and Lack of Co-ordination between Concern Authority as the another problem.*

# CHAPTER- I

## INTRODUCTION

### **1.1 Background of the Study**

The investment opportunities and demand for capital are two moving wheels of economic development for which the mobilization of saving for investment is must to have a positive impact on the raising of living standard of people. The speedily development of the world in modern era depends to a large extent, on the level of financial activities. Finance can be defined as the art and science of managing money. Virtually all individual and organization earn or raise money and spend or invest money. Finance is concerned with the process, institutions, markets, and instruments involved in the transfer of money among and between individuals, business and governments or it can be defined as the management of the flows of money through Finance concerns itself with the actual flows of money as well as any claims against money.

Financial sector is the backbone of any country and it plays a crucial role in the mobilization and allocation of resources. The financial system of the country plays vital role in transferring resources from net savers to the deficit units of the economy. A developed financial system is of any free enterprises or mixed economy. Financial institutions and financial markets compete as ways of providing borrower with access to capital and providing liquidity to investors. This financial market is broadly classified into two i.e. Money Market and Capital Market. The main function of money market is to provide short-term funds to deficit spender while capital market avails funds for long –term investment in fixed capital.

Capital market is place where long-term securities having maturity period greater than one year are trade. The instruments used in capital market are debt, stock, 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 bearing, fall under the non securities segment of market. Capital are also classifies as primary market and secondary markets. Primary are the markets in which corporations raise 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, here would be a primary market transaction. The corporation selling the stock receives proceeds from the sale in the primary market transaction.

Nepal is a developing country. For the balanced development of the country, she has been adopting planned economic development, which requires a steady supply of medium to long term capital funds. Supply of capital markets are the institutions, which are engaged in mobilization of idle saving in productive opportunity. Development and expansion of capital market is essential for the rapid economic development by mobilizing the long term capital (Ojha, 2000).

The term 'Merchant Banking' was originated in the 18<sup>th</sup> and early 19<sup>th</sup> centuries in the United Kingdom when trade between countries was financed by bills of exchange drawn on the principle merchant houses. With the increase in international trade, the established merchants started the practice in lending their names to the new comers and accepting the bills of exchange on their behalf. They would charge a commission for the purpose and thus acceptance business became the hallmark of Merchant bankers. Once these banks had gained the confidence of the government, they also entrusted with the job of issuing bonds in the London market (Laxman & Naik, 2002).

Thus the development of merchant banking service is important for the growth of capital market. The development of merchant banking services is closely linked with worldwide move towards open and market oriented economic system. With the development of liberalized and market oriented economy, the banking and financial system is also expanding gradually, resulting with the introduction innovative financial services and instruments. As a result, the financial system has been experiencing and there is though competition among the players of the financial system. Thus, "Merchant Banking activities" include all activities where merchant banker provides services for those institutions or individuals who need information of different financial resources, required procedure to achieve these resources or any other required managerial work for such activities (Aryal, 2003).

In the context of Nepal though merchant banking exists from the establishment of Nepal Bank Limited in 1956 A.D., its existence was in crude form. After the restoration of democracy in 1990 A.D., and an announcement of government's



economic liberalization policy, private sector investors are attracted to invest in different organized commercial ventures. As a result numerous new private and public limited companies were established in a very short span of time to reap the benefit of economic liberalization policy of the nation. The development activity through the country had created excess demand for the sources of funds by the ever-expanding industry and trade, which could not be met all by the local banks and financial institutions. In these circumstances, the corporate sector enterprises had the only alternative to avail themselves of the capital market services for meeting long-term fund requirements through issue of shares and debentures. The growing demand for funds from capital market has enthused many organizations.

At present few financial institutions are involved in different merchant banking activities. Out of wide range of various services provided by merchant bankers, Nepali merchant bankers provide very few of them like management of debt and equity offerings, placement and distribution, issue management, financial structuring, project counseling, portfolio management, non-resident investment, corporate counseling and advisory services, mergers and acquisitions etc. Other merchant banking activities still have to be developed with the development of merchant banking in Nepal.

## **1.2 Statements of the Problem**

The development of any country depends on the economic growth the country achieves over a period. People will experience growth in the form of improved standard of living, namely economic development. Development of financial sectors are impossible until and unless the financial system of the country is strong. Financial system is strengthened through developed financial market that includes capital market and money market. In addition, the strength of capital market is highly dependent upon developed merchant banking system. Merchant banks play an important role in economic and financial development of the country. In the context of Nepal where lots of financial systems are being slowed down due to insufficient capital, technical and financial support, merchant banks encourages them by its versatile services like project counseling, corporate counseling, portfolio management, venture capital, issue management, etc.

Though merchant banking has emerged in developing countries long before, it has got new dimension only after issue of finance company act 1989. Thus we are not having a long history of merchant banking in Nepal. As a result most of the Nepalese are still unknown about the meaning of merchant banking, services provided by merchant banks and difference between commercial banking and merchant banking. Thus, people are unaware regarding the importance of merchant banking in the development of Nepalese Capital Market and overall Nepal.

The problem of the study is directed to find the solution of the following questions.

- i) What are the significances of merchant banking towards the development of securities industry in Nepal?
- ii) What are the financial performances of merchant banking in Nepal?
- iii) What are the present conditions, in terms of its service quality, development and legal status, of merchant banking in Nepal?

### **3. Purpose of the Study**

Financial activities grow with the improvement of economic situations. And, as the financial activities grow, the need of various merchant-banking activities will be felt. Merchant banks have emerged in Nepal with the development of capital market. Merchant banking activities is one of the major supporting instruments for any ongoing business organization. Availing of the required merchant banking services help business sustain, develop, and prosper and so on. The specific objectives of the study are as follows:

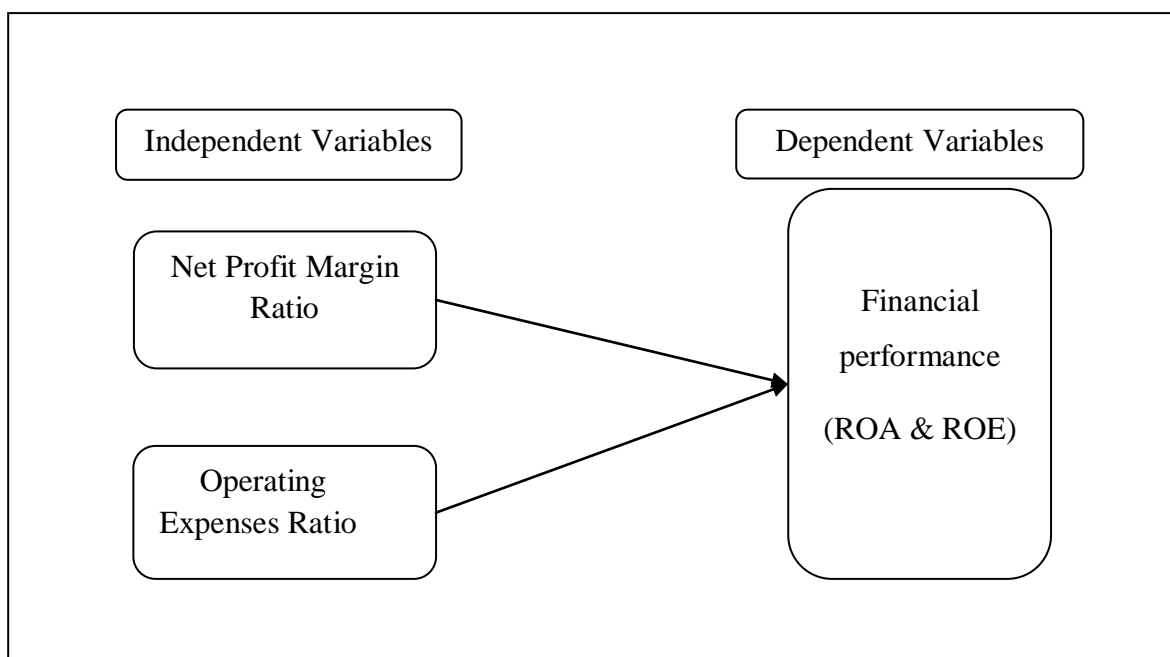
- i. To evaluate the significance of merchant banking towards the development of securities industry in Nepal
- ii. To examine the financial performance of merchant banking in Nepal
- iii. To analysis the presents conditions of merchant banking in terms of its service quality, development and legal status.

### **1.3 Theoretical framework and Hypothesis**

Based on the theoretical and empirical findings the expectations of how the independent variables impact the dependent variable were predicted and hypothesis are presented hereunder ROA & ROE in this context is a reflection of the net profit Margin and Operating expenses ratio of financial institution (Mathuva,2009) and (Madishetti,2013). Hence, the most crucial variable used in the study is financial

performance that is the dependent factor. Income sources and expenses are independent variables which makes impact on financial performance i.e dependent variable. Thus, this study has tested the following hypothesis in relation to the determinants of financial performance selected merchant banks listed in SEBON. The theoretical framework and Hypothesis are presented as follow:

**Figure 1 : Theoretical Framework**



(Source: Mathuva, 2009:37 & Madishetti, 2013:7)

### **Hypothesis 1**

H11: There is significance impact of Net Profit Margin Ratio in ROA

H12: There is significance impact of Net Profit Margin Ratio in ROE

### **Hypothesis 2**

H21: There is significance impact of Operating Expenses Ratio in ROA

H22: There is significance impact of Operating Expenses Ratio in ROE

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

Merchant Banking is an unexplored field in Nepal. There is hardly very rare availability of research work, journal and articles on “Merchant Banking in Nepal”. In this context, present study will serve as a source of literature in the field of merchant banking. The study attempts to fill a serious gap in this important area of capital structure practices with focus on merchant banking Services.

In brief, this study will be important for the following group & individuals:

- i) It is useful for University students of new generations and further researcher.
- ii) It is useful to financial managers & analysts.
- iii) It can be very useful for regulatory authorities like Securities Exchange Board of Nepal, Nepal Rastra Bank and all financial institutions in Nepal.

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

This study has been done for the partial fulfillment for Master's of Business studies. The study has been conducted within certain limitations and constraints. They are:

- i. This study is only concerned with merchant banking practices of financial institutions of Nepal.
- ii. The study is based on primarily on secondary data. Any intentional default and reporting errors that may occur while obtaining the data will not affect the proposed study.
- iii. Only the data provided by the concerned organizations is taken for the analysis.
- iv. Out of total population size of 25 merchant banks, only 2 merchant banks are taken as a sample size, due to which result may not be generalized beyond the specific population.
- v. In term of primary data, the number of questionnaire is only 100, which is considered as the sample size to represent the population.

### **1.6 Chapter Plan**

On this research, the study is carried out in different stages and procedures, as it needed. As well as study organized on following chapters in order to make the study easy to understand.

#### **Chapter- I Introduction**

This chapter covers background of the study, focus of the study, statement of the problem, objectives of the study, significance of the study, limitations of framework

and review of the major studies. It gives an overview of the related literature done in the past related to this study.

### **Chapter-II Literature Review**

This chapter is the brief review of literature related to this study. It includes a discussion on the conceptual framework and review of the major studies and research gap. It gives an overview of the related literature done in the past related to this study.

### **Chapter- III Methodology**

This chapter deals with the methodology followed to achieving the objective of the study, which include research approach, sampling procedure, and research instruments, collection of data and data analysis tools and techniques.

### **Chapter- IV Results**

This chapter deals with presentation, analysis and interpretation of data, collected from various sources. It also includes the major finding of the study.

### **Chapter- V Conclusions**

This chapter covers on the results and findings obtained from chapter four and recommend some suggestions based on the findings made.

Finally, references and appendices are also included at the end of the study.

## **CHAPTER -II**

### **LITERATURE REVIEW**

This chapter deals with theoretical aspect of the topic on Study of Merchant Banking with reference of NIBL & GBIME Capital Limited in Nepal. It provides the foundation for developing a comprehensive theoretical framework and knowledge of the status relevant to the field of research in order to explore the relevant facts for the reporting purpose. For this, NRB's directives, books, journals, articles, annual reports and some related research papers have been reviewed. This chapter has been, broadly classified into two sectors: theoretical perspective for conceptual review and review of related studies for development of research gap.

#### **2.1 Conceptual review**

This part deals with the conceptual and theoretical aspects of Merchant Banking of Nepal, factors affecting to financial performance of insurance and insurance history as well as development in Nepal.

##### **2.1.1 Concept of Merchant Banking**

A merchant bank is a financial institution that engages in underwriting and business loans, catering primarily to the needs of large enterprises and high net worth individuals. In the British market, the term merchant bank refers to an investment bank (Mou, 2017). The concept of merchant trading is difficult to define. There is no single all-purpose definition of merchant bank. It ended up specifying only what merchant bankers do or do not do it means any person who engaged in wholesale banking medium and long-term financing, equipment leasing, debt factoring, investment management issues and acceptance of bills and management of Unit Trusts (Meridan, 1984).

The process of transition from dealing in merchandise to provision of bank services differs, for the various banks. In general, however, the process started with merchants engaging purely in international trade, through barter trading. Over time, they became bankers, provided financial help to them to master foreign trading system, and improve on them. (Ekerete, 2005). Merchant banking is by its very nature a business based primarily on skills, a successful merchant is an association of

men and women of above average ability who make available to a variety of clients a wide range of fee rewarded services.

Merchant banks work as a bridge, which provides every kind of financial assistance to industries and commerce. They play a highly significant role in mobilizing funds of savers to investible channels assuring of promising return on investments and thus can help in meeting the widening demand for investible funds for economic activity. Merchant bankers help the economic development of the country through its wide range of services. The basic services provided by merchant banks are corporate counseling, project counseling, issue management, underwriting of public issue, portfolio management, bankers to the issue, loan or credit syndication, merger and takeover, arranging offshore finance venture capital, factoring, etc. Merchant banks play a vital role in economic and financial development of the country. The development of merchant banking services is closely linked with worldwide move towards open and market oriented economic system.

Merchant banking stands for providing various services relating to capital market and finance to corporate sector. This includes not only the activities for the above purpose in the country but at times arranging funds from outside the country. The merchant banker also provide consultancy to the corporate sector on the issues like finance, capital structure and investment, mergers, takeover and amalgamations, establishing coordination between the government and corporate sector. In fact the merchant banker should be able to provide guidance to an entrepreneur on all matters from the stage of conception of a project in his mind till it goes into commercial production. A good merchant banker would be considered to be one who is expert, honest, have integrity and capacity to develop public relations. Whenever a business concern needs funds from the capital market it would usually approach the merchant banker rather than banks or financial institutions (Toor, 2004).

### **2.1.2 History of Merchant Banking**

Merchant banking is introduced in different ways in different periods. Merchant banking originated in the 18th and early 19th centuries in the United Kingdom when trade between countries was financed by bills of exchange drawn on the principal merchant houses. With the increase in international trade, the established merchant banks started the practices in lending their names to the new comers and accepting

the bills of exchange on their behalf. They used to charge a commission for this purpose and thus acceptance business became the hallmark of merchant bankers. Once these banks had gained the confidence of the government, they were also entrusted with job of issuing bonds in the London market (Lakshmana & Naik, 2002).

The concept of merchant banking emerged slowly in Nepal. We have been seeing the activities of merchant banking since the establishment of Nepal Bank Ltd. Development of activities through the country had created excess demand for the sources of fund by the over expanding trade industry, which could not be met by the local commercial banks and financial institutions. Under this circumstance, the corporate sector enterprise had the only alternative to avail themselves for the capital market services for meeting long term fund requirements through the issue of shares and debentures, The growing demand for funds from capital market has enthused many organizations to enter into the field of merchant banking for managing the public issue.

The Finance Company Act 1989 gave birth to a new dimension to the merchant banking services as the act permits finance companies to sell and purchase the bonds issued by government or securities issued by other companies or institutions, to underwrite them and to form syndicate for such purpose or to participate in such syndicates and to act as broker under the Securities Exchange Act, 1983. Similarly section 3 (g) of the same act permits them to perform functions of merchant banking with prior approval of NRB.

Investment Trust (CIT) is a pioneer merchant banker of the country followed by other finance companies viz. NIDC Capital Market, National Finance Co., Nepal Share Market, etc. At present, Many financial institutions are involved in different merchant banking activities. Out of wide range of various services provided by merchant bankers, Nepali merchant bankers provide very few of them like issue management, underwriting, underwriting syndication, registrar to share etc. Other merchant banking activities still have to be developed with the development of merchant banking in Nepal. In this research, Global IME capital and NIBL Ace capital has taken as sample. So the short description of this sample companies as follows:



### **2.1.3 Profile of sample merchant Banker**

#### **i. Global IME Capital**

Global IME Capital Limited (GICL), a subsidiary of Global IME Bank Limited is the first specialized merchant bank in the history of Nepalese Capital Market. Global IME Capital (GICL) is incorporated under the Nepalese Companies Act 2007 and has been licensed by the Securities Board of Nepal under the Securities Act, 2007 to undertake merchant banking activities. GICL offers a full range of services including issue management, registrar to shares, underwriting and portfolio management services. GICL are also able to offer assets management, depository participant and corporate advisory services. GICL was founded in 2008 and aspires to serve the capital markets of Nepal with high level of integrity and consistency to be the first choice of its people.

As per Annual Report 2016/17, the authorized capital of the company is Rupees 300,000,000 (Rupees Three Hundred Million only) divided into three million equity shares of rupees 100each. The issued capital and paid-up capital of the company is Rupees 215,000,000 (Rupees Two Hundred Fifteen million only) divided into Two million One hundred fifty thousand equity share of Rupees 100 each.

#### **ii. NIBL Capital Limited**

NIBL Capital Limited is a wholly owned subsidiary of Nepal Investment Bank Limited. Established in 2011, NIBL Capital (then NIBL Capital Markets Limited) aims to provide exceptional and customized financial services ranging from merchant banking, advisory, and asset management services to depository participant functions. Our purpose is to help clients not only realize and plan their financial goals, but most importantly, to help achieve their goals with a well-conceived balance of risk and return. The strength of our parent company, coupled with our network and experience will hopefully act as the premier and trusted provider of customer-centric and innovation-driven investment banking services in Nepal. At NIBL Capital, its mission, vision, and core values are woven into everything deliver. Together, these aspects guide in seeing the bigger picture and creating a synergy that helps to achieve goals. On 11 February 2018, NIBL Capital and Ace Capital started

joint operation as NIBL Ace Capital Limited. Its mission is to serve to attain our mutual goal of economic growth by applying prudence, while taking a lead in providing tailor made investment-banking services. While NIBL Ace Capital already is an established force in the capital market, our merging with Ace Capital has further strengthened our reserve of professional expertise, talent, a strong capital base, and a vigorous long-term vision. This not only ensures to effectively manage your investments but also provide practical solutions for financial concerns.

As per Annual Report 2016/17, the authorized capital of the company is Rupees 500,000,000 (Rupees Five Hundred Million only) divided into three million equity shares of rupees 100each. The issued capital and paid-up capital of the company is Rupees 145,000,000 (Rupees One Hundred Forty Five million only).

#### **2.1.4 Functions of Merchant Banks**

Merchant banks provides both banking and consultancy services. It provides consultancy to its clients for financial, marketing, managerial and legal matters. Consultancy means to provide advice, guidance and service for a fee. It helps a businessperson to start a business. It helps to raise finance. It helps to expand and modernize the business. It helps in restructuring of a business. It helps to revive sick business units. It also helps companies to register, buy and sell shares at the stock exchange. A merchant bank may be considered as an institution, which centers its operation on all or most of the following activities:

##### **i. Corporate Counseling**

Corporate counseling is the beginning of the merchant banking services. Every industrial unit either new or existing needs it. The scope of corporate counseling is very vast. This service is, usually, provided free of charge to a corporate unit. Merchant bankers render advice to corporate enterprises from time to time in order to improve performance and build better image/reputation among investors and to increase the market value of its equity shares. It covers a wide range of merchant banking activities and includes the services such as project counseling, project management, loan syndication, working capital management, capital restructuring, public issue management, fixed deposit, lease financing, etc. Counseling is provided in the form of opinions, suggestions and detailed analysis of corporate laws as applicable to the business unit (Singh & Saxena, 2017).

**ii. Project Counseling**

Project counseling generally covers the study of the project and providing advisory services on the project practicability and procedural steps to be followed for its realization. So merchant bankers help their clients in various stages of the project undertaken by the clients. They assist them in conceptualizing the project idea in the initial stage. Once the idea is formed, they conduct feasibility studies to examine the viability of the proposed project. They also assist the client in preparing different documents like the detailed project report (Ravichandran, 2011).

**iii. Loan/Credit Syndication**

Merchant bankers provide specialized services in preparation of project, loan applications for raising short-term as well as long-term credit from various banks and financial institutions for financing the merchant banks render different capital restructuring services to the corporate units depending upon the circumstances a particular unit is facing (Machiraju,2003). It arranges to tie up loans for their clients. This take place in a series of steps. First, they analyze the patterns of the client`s cash flows, based on which the terms of borrowing can be defined. Then the merchant banker prepares a detailed loan memorandum, which is circulated to various banks and financial institutions and they are invited to participate in the syndicate. The banks then negotiate the term of lending based on which the final allocation is done.

**iv. Portfolio Management**

Merchant banks offer services not only to the companies issuing the securities but also to the investors. They give an opinion to their clients, more often than not institutional investors, on the topic of investment decisions as to the quantum of amount of security and the type of security in which to invest. They advise their clients, mostly institutional investors, regarding investment decision. Merchant bankers even undertake the function of purchase and sale of securities for their clients & provide them assistance i.e. to identify the potential targets of takeovers and to appraise the merger/takeover proposals with respect to financial viability and technical feasibility.

**v. Lease Finance**

Many merchant bankers also provide leasing and finance facilities to their customers. Leasing is an arrangement that provides a firm with the use and control over assets without buying and owning the same. It is a form of renting assets. The lessee pays the lease rent periodically to the lessor as regular fixed payments over a period. The lease rentals can also be agreed both in terms of amount and in terms of timing as per the profits and cash flow position of the lessee. Merchant bankers assist their clients by providing finance for the acquisition of asset taken on lease.

**vi. Venture Capital**

Many merchant bankers maintain venture capital funds to assist the entrepreneurs who lack capital to be risked. Capital funds may be provided for unproven ideas, products technology-oriented or start-up funds venture capital has emerged as a new merchant banking activity. It is a form of equity financing especially designed for funding high risk and high reward projects ( Ghimire & Thapa, 2016).

**vii. Promotional , Placement and Distribution Service**

A merchant bank functions as a promoter of industrial enterprises. It helps the entrepreneur in conceiving an idea, identification of projects, preparing feasibility reports, obtaining government approval etc. Some of the merchant banks also provide for technical and financial collaborations. It also helps the distributing various securities like equity shares, debt instruments, mutual fund products, fixed deposits, insurance products, commercial papers and soon. It has own distribution network.

**viii. Underwriting of public issues**

Underwriting is an agreement made between an issuing company and other party called as underwriter who binds himself to accept the under subscription of securities in consideration of certain amount of commission. A fully underwritten public issue spells confidence to the investing public, which generally ensures a good response to the issue. Keeping this in view, companies when float any public issues must have full understanding about such issue. Merchant bankers, managing an issue, have to decide very carefully after going through detail of the issue and also the issue amount to be underwritten ( Ghimire, Shakya & Sapkota, 2016).

There are others various functions performing by merchant banking not metions in above list such as non-resident investment, bought out deals, money market operation, management of interest and dividend of clients, broker in Stock Exchange and so on.

### **2.1.5 Nature of Merchant Banking**

Nature of merchant banking refers that an organization service for the fulfill of their client financial requirements. Generally, merchant banking activity involves the servicing of every financial need of the client. Therefore, it is a skill based activity and requires a focus skill base to provide for the requirements of clients. The services of a merchant banker could cover project counseling and pre-investment activities, feasibility studies, project reports, design of capital structure, issue management and underwriting, loan syndication, mobilization of funds from non-resident Indians, foreign currency finance, mergers, amalgamations and takeover venture capital and public deposits (Marchiraju, 2003).

Securities Board of Nepal has made the quality of manpower as one of the criteria for renewal of merchant banking registration. These skills should not be concentrated in issue management and underwriting alone, which may have an adverse impact on business as witnessed. Merchant bankers can turn to any of the activities, depending on resources, such as capital, foreign tie-ups for overseas activities and skills. They can provide the entire gamut of services or develop niche business. The depth and sophistication in merchant banking business are improving since the avenues for raising funds are widening and demand for funds is increasing.

### **2.1.6 Responsibilities of merchant banking in Nepal**

The responsibility of the merchant banker is ensuring the completeness of the disclosures is of paramount importance in view of the fact that entire reliance is based on offer document either prospectus or letter of offer because an independent agency like a merchant banker has done the security. Merchant banker has to be responsible in a great deal in terms of many things to many like investors, clients and other bodies. Investor protection is fundamental to a healthy growth of capital market; protection is not to be can coined as that of compensating for the losses suffered.

**i. Project evaluation and due Diligence**

Due diligence and project evaluation is one of the major responsibilities of the merchant banker. The merchant banker has to appraise the project of a bank or financial institutions before accepting an assignment. However, where a bank/financial institution have not appraised the project, the merchant bank undertakes a detailed evaluation of the project before taking up an assignment for issue management.

**ii. Capital structuring**

The merchant bankers should take into account the various factors such as leverage effect on earning per share, the project cost and the gestation period, cash flow ability of the company, the cost of capital, the considerations of management control, size of the company and general economic factors while designing the capital structure. These exercises are done mainly in order to meet the fund requirements of the company taking due cognizance of the investors preference.

**iii. Pricing of the issue**

It is also one of the main deals of the Merchant Banker. The merchant banker looks into the various factors while pricing the issue. Some of the factors are past financial performance of the company, book value per share, stock market performance of the shares (for existing companies, stock market perception of the company/group promoters, price earnings ratio of the company/industry, brand equity, if any). The merchant banker has a vital role to play in pricing of the instrument.

**iv. Bought and Deals**

The concept of bought and deals of public offering was started from India. It started off with over the counter exchange of India where a merchant banker act also as a sponsor and either takes up the entire issue to be offered wholly on jointly with other co-investors and off-loads the same to the public at a later date by an offer for sale. The role of a merchant banker on the OTC exchange is not only that of a merchant banker but that of an investment banker too.

**v. Marketing of the Issue**

Marketing of the issue is also a vital responsibility of the merchant banker. The first stage in the pre-issue marketing for placement of the issue with the financial

institutions, banks, mutual funds, FII's and NRI's second stage is the marketing of the issue to the general public through various vehicles such as press, brokers etc. (Bhattari,2012).

### **2.1.7 Qualities of Good Merchant Bankers**

Merchant banking has many different qualities. The following are the qualities of good merchant bankers.

#### **i. Attitude towards problem solving**

It is one of the most important personality traits of a merchant banker. Every client coming to him has to return fully satisfied having consulted a merchant banker. Positive approach to understand the view points of other, their difficulties and their adverse circumstances, is possible only when a person is skilled a human relations particularly the inter-personal and intra-personal behavior. Effective communication and proper feedback are the pre-requisites for creating a positive attitude towards problem solving which could be gained partly through learning process and partly as in born quality.

#### **ii. Aggressive Action**

Though, aggressiveness is a personality trait of a good leader; it has a wider connotation in merchant banking. Aggressive merchant bankers are always looking for new business. A good merchant banker is the one who does not allow his client to think anything outside except what he has been advised. Therefore, promptness in grasping the clients, problems and providing better choice amongst alternative solutions evidence aggressive approach in the profession to hold the client's interest is entirely for the present as well as for the future.

#### **iii. Leadership**

Leadership is a quality that a merchant banker should possess. All relevant skills, undated knowledge to interact with clients and effectively communicate are required for this leadership is synonymous with followers who follow the one who leads.

#### **iv. Co-operation and friendliness**

Co-operation and friendliness coupled with persuasiveness are the main instruments with which a merchant banker mixes with the people, gathers information, obtain business mandate and renders satisfactory services to the clients. Business of an

honest merchant banker spreads with geometrical propagation when he shares the thoughts of his clients with sympathetic gestures and offers pragmatic suggestions without greed or favors. Friendliness must flow as natural traits a merchant banker to win over the trust of the clients like a doctor or lawyer who retain their clients permanently. No doubt, these two characteristics are the symbols of good leadership but it hardly needs to be stressed.

**v. Wider Contacts**

Success of merchant banker depends upon his sociable nature and the richness of wider contacts. A merchant banker is supposed to be acquainted deeply with all the constitutions of merchant banking. Merchant bankers should widen contacts and references and continue to maintain the relationship with goodness, honor and humor by meeting people in people through writing and in special gatherings.

**vi. Inquisitiveness for Acquiring New Skills, Information and Knowledge**

Merchant bankers should always be ready for acquiring new skills, information and knowledge from different fields. Merchant bankers live on their wits they earn by giving information to needy clients. Therefore, they should keep abreast with latest information in the areas of the service, product and market. This is possible if merchant bankers possess the quality of inquisitiveness.

**2.1.8 Commercial Banks and Merchant Banks**

The basic difference between merchant banking and commercial banking is that the merchant bank offers mainly financial advice and services for a fee and collects through the non-cash mode of finance i.e. security papers while commercial banks accept deposits and lend money in the mode of cash. Moreover, the merchant bank offers portfolio services to its customers (individual and corporate) while the commercial banks provide retail trade banking services to its customers. Commercial bank is a banking company established by a number of people for providing the basic banking functions i.e. accepting deposits and lending money to public. NRB Act regulates it in Nepal. It specially engages in General Banking Service. It provides the debt related investment to public and business house. Exposure to risk in its product is less due to collateral security. Merchant banks refer to the financial institution that specializes in international trade, provide, and array of services to its clients. It is regulated by SEBON. It is consultancy type of business. It



concern with equity related transaction, which expose higher risk than investing activities of commercial banks. It is a kind of financial advisor, which is specially required for corporate firm to raise the capital for operating and expansion of the organization (Thapa & Rana, 2013).

### **2.1.9 Role of Merchant Bankers**

The role of merchant bankers cannot be defined. The role of merchant banker is dynamic in the wake of diverse nature of merchant banking services. Merchant banker's dynamism lies in promptly attending to the corporate problems and suggesting ways and means to solve it. The nature of merchant banking service is dependant oriented and promotional to help the industry and trade to grow and survive. Merchant banker is, therefore, dedicated to achieve this objective through its dynamism. It is always awake to renew his skills, develop expertise in new areas so as to equip himself with the knowledge and techniques to deal with emerging new problems of corporate business world. It has to keep pace with the changing environment where government rules, regulations and policies affecting business conditions frequently change where science and technology create new innovations in production process of industries envisaging immediate renovations, diversifications in modernization or replacements of existing plant and machinery or other equipments putting new demands for finance and necessitating overhauling of the capital structure of the firms. Merchant banker has to think and devise new instruments of financing industrial projects. It has to assume wider responsibilities of saving industrial units from going sick and guiding industries to be set up in industrially backward areas to eliminate regional imbalances in industrial, government its agencies along with the entrepreneurs, the investors and the whole community. It must bridge the communication gap between different sectors and resolve problem being faced in different areas concerned with the business world.

To discharge the above rule, a merchant banker has to be dynamic. For this reason, a merchant banker is sometimes, called M.B. i.e. Moving Bottom that means who never sits at one place, always moving attending meeting clients and constituents doing business and getting business by attending meeting and conferences imparting knowledge to others and acquiring supremacy in possession of latest information. Its role depicts a personally cult, which is unique and envious to be followed by others.

In the days ahead, merchant bankers have very significant role to play turning their activities to the requirements of the growth pattern of corporate sector, the industry and the economy as a whole, which is in it, a challenging task, and to meet those challenges. Merchant bankers will also have to adopt new ways and means in discharging their role and have to be more vigorous and strategic in planning their role.

#### **2.1.10 Business Development Approach and Strategy for Merchant Banking**

Every merchant banking institution has its approaches and strategies to operate the competitive market. The merchant banking activities are performed by its strategies to achieve the goal and establish the highly competitive business. The basic approach for a merchant banker is to maintain close contact with other agencies involved in managing public issues like man aging broker, advertising agencies, firms of registrar to the issue, banks operating as bankers to the issue and advocates/ solicitors who have expertise in the area of corporate law and consultancy. These agencies could give clue to the new business opportunity to be explored by the merchant banker. Merchant Banking services are highly competitive business activities and to get business, merchant bankers have to stand on their heels and run to grab the business opportunity. Each of the officers in merchant banking department, division, cell or bureau or company should have the requisite skills of marketing and salesmanship to ensure that the opportunity once found is not lost without obtaining mandate from the temperament of liking others. The source for locating business opportunities would vary in areas that give rise to new ideas, open avenues to new business and provide scope for additions in the expansion, amalgamation or reconstruction etc. These sources of information could be the banker whose client is thinking in terms of such ideas, the financial and technical consultancy firms, which are working on such ideas for their clients, licensing authorities of the central Government or Registration Departments of the state approached by the prospective borrowers with these institutions could provide a clue for different news dailies, weekly, and fortnightly or monthly magazines provide the sources of business opportunity. Such information could be the speeches of business executives, proceeding of annual general meeting of companies specially chairman's report highlighting future prospects for the company, personal interviews granted to the press, opening opportunities for entrepreneurs to take up new activities, information

published by chamber of commerce and industry, house journals of prominent industrial houses, press release by Government, import licenses or capital goods committee's clearance, foreign collaboration permissions, etc.

The strategy could be different in terms of many things but the basic strategy should be to get information, follow up the same and materialize the business opportunity. To this end, the merchant bankers should frequently join clubs where the business magnates meet and freely mix with them, talk about their future business plans and converse with them on issues of interest to them, join association or club of merchant bankers and be inquisitive to trace new opportunities for the merchant banking business, explore the possibilities of working with the existing merchant bankers to the forthcoming public issues or other merchant banking activities. In addition to above, merchant banker should take steps to promote new business in following manner.

1. Acquaint the existing business houses/ clients of incentives given by Government, new opportunities for business, to enthuse them to take up new activities.
2. Contact frequently the small business owners convince them of business growth through expansion of their activities by forming limited companies, pooling resources together through merger and amalgamation etc.
3. Helping private limited companies to convert into limited companies and take up new activities, expansion, modernization, diversification program etc. and assure them of requisite help,
4. Hold interviews with top business frequently and appraise them of merchant banking services and new areas of business activity to elicit from them and develop business connections.

Thus, merchant bankers, in addition to above, should assume the role of an experienced and skilled investigator and researcher to locate new business opportunities and expert marketing man to sell the service products instantaneously.

#### **2.1.11 Securities Trading and Merchant Banking**

There is difference between securities trading and investment banking. The investment banking is concerned primarily with new issues, whereas securities trading relate to existing securities. Investment bankers perform several important

functions to bring new securities to the investing public. The major functions of investment bankers are 1) Origination 2) Underwriting, and 3) Distribution. New securities are created during origination, bought by Merchant bankers during underwriting and sold to investors during the distribution phase.

**Origination:** Security flotation is complex matters, and security issuers look to the investment banker for specialized assistance during origination. Origination is the important function of providing issuers investment advice, information and assistance. The investment banker commonly.

- Advises the issuer on the type of security and specific terms that are most acceptable during current financial market condition
- Prepares and assists in filing a prospectus with the Securities and Exchange Commission
- Arranges for the efficient distribution of the new issue
- Arranges for a number of operational requirements such as trustees, security indentures (contracts) and safekeeping

Issuers depend heavily upon investment bankers who are financial market specialists to create securities, which meet of the issuer's needs and, simultaneously, are acceptable for sale to investors.

**Underwriting:** Investment banking firms often purchase a new issue or guarantee its sale at a specified price. The investment-banking firm underwrites the new issue when it assumes the marketing risk. If the security is not sold to investors at the offering price, then the underwriter incurs the loss. Underwriting is important to the issuer because it grants the amount of money which will be raised by the security issue.

**Distribution:** The investment bankers distribute the issue to many investors. To sell the issue quickly, a syndicate of many firms is formed for each issue, and the securities are distributed through a large network reaching many potential investors.

#### **2.1.12 Securities Businessperson (Merchant Banker) Regulations, 2008 in Nepal**

In exercise of the power conferred by section 116 of the Securities Related Act, 2007, the Securities Board of Nepal, upon the approval of the Government of Nepal hereby makes the regulations as follows:

## **Preliminary**

Short title and commencement:

- i. These regulations may be called the “Securities Businessperson (Merchant Banker) Regulations, 2008”.
- ii. They shall come into force from the date prescribed by the Securities Board of Nepal.

## **Definitions**

In these regulations, unless the subject or the context otherwise requires;-

- (a) “Act” means Securities Related Act, 2007.
- (b) “Board” means Securities Board of Nepal constituted pursuant to section 3 of the Act.
- (c) “License” means the license provided by the Board authorizing to carry out securities business as Merchant Banker.
- (d) “Merchant Banker” means securities businessperson which has obtained license to perform one or more function pursuant to Regulation 16.
- (e) “Merchant Banking Business” means one or more business as mentioned in Regulation 16. (f) “Issue Manager” means securities businessperson who has obtained license to carry out functions as mentioned in Part (a) of the Regulation 16.
- (g) “Securities Underwriter” means securities businessperson who has obtained license to carry out functions as mentioned in Part (b) of the Regulation 16.
- (h) “Share Registrar” means securities businessperson who has obtained license to carry out functions as mentioned in Part (c) of the Regulation 16.
- (i) “Portfolio Manager” means securities businessperson who has obtained license to carry out functions as mentioned in Part (d) of the Regulation 16.

### **2.1.13 Need & Importance of Merchant Banking in Nepal**

The need and importance of merchant banking is essential aspect for the development of each country. It plays a highly significant role in mobilizing funds of savers to investible channels assuring and promising return on investments and thus can help in meeting the widening demand for investible funds for economic activity with the growth of merchant banking profession. Corporate enterprises in both public and private sectors would be able to raise required amount of funds annually from

the capital market to meet the growing requirements of funds for establishing new enterprises, undertaking expansion, modernization and diversification of the existing need for a vigorous role to be played by merchant banks.

The need of merchant banking institutions is felt in the wake of huge public savings lying still untapped. The merchant banking has been the development activity throughout the country because of the excessive demand on the sources of funds needed for expanding industry and trade. It fulfilled a wide gap unabridged between the supply and demand of investible funds. All India Financial Institutions had experienced resource constraint to meet the ever-increasing demand for funds from the corporate sector enterprises. In this circumstance, through capital issue of equity and debentures with the growing demand for funds, there was pressure on capital market that enthused the commercial banking and shared the growing capital market. With this result, all the commercial banks is nationalized and public sector as well as in private sector including the foreign banks in India have opened their merchant banking windows and competing in this field. There has been a mushroom growth of financial consultancy firms and broker firms doing advisory functions as merchant bankers as well as managing public issues in syndication with other merchant bankers.

Merchant banks have been procuring impressive support from capital market for the corporate sector for financing their projects. This is evidence from the increasing amount raised from the capital market by corporate enterprises year after year. In view of multitude of enactments, rules regulations, guidelines and off shoot press release instructions brought out by the Government from time to time imposing statutory obligations upon the corporate sector to comply with all those requirements prescribed therein, the need of skilled agency existed which could provide counseling in these matters in a package form. Merchant bankers, with their skills, updated information and knowledge, provide the service to the corporate units and advise them on such requirements to be complied with for raising funds from the capital market under different enactments viz. Companies Act, income tax act, foreign exchange regulation act, securities contracts(regulation) act, and various other corporate laws and regulations. Thus, the merchant bankers help industry and trade to raise funds, and investors to invest their saved money in confidence, safety and expectation for higher yield. Merchant bankers advise the investors of the

incentives available in the form of tax relief, other statutory relaxations, good return of investment and capital appreciation in such investment to motive them to invest their savings in securities of the corporate sector.

- Important reason for the growth of merchant banking is due to exerting excess demand on the sources of funds forever expanding industry and trade.
- Corporate sector had the only alternative to avail of the capital market services for meeting their long-term financial requirements through capital issues of equity and debentures.
- With the growing demand for funds, there was pressure on capital market that enthused the commercial banks, share brokers and financial consultancy firms to enter into the field of merchant banking and share the growing capital market.
- In Nepal have opened their merchant banking windows and are competing in this field, and also doing advisory functions as merchant bankers as well as managing public issues in syndication with other merchant bankers.
- Merchant banks can play highly significant role in mobilizing funds of savers to investible channels assuring promising return on investments activity.
- With the growth of merchant banking profession, corporate enterprises in both public and private, sectors would be able to meet the growing requirements for the funds for establishing new enterprises, undertaking expansion / modernization / diversification of the existing enterprises.
- Merchant banks have been procuring impressive support from capital market for the corporate sector for financing their projects.
- In view of multitude of enactments, rules and regulations, guidelines and offshoot press release instructions brought out by the Government from time to time imposing statutory obligations upon the corporate sector to comply with all those requirements prescribed therein, the need of skilled agency existed which could provide counseling.
- Merchant bankers advise the investors of the incentives available in the form of tax reliefs, other statutory relaxations, and good return on investment and capital appreciation in such investment to motivate them to invest their savings in securities.

- Thus, the merchant bankers help industry and trade to raise funds, and the investors to invest their saved money in sound and healthy concerns with confidence, safety and organizations for higher yields.

## **2.2 Review of Previous Works**

This part of the literature review is devoted to review of major previous studies relating to merchant banking in detail. There are large numbers of studies in foreign and Nepalese context but only few of them are briefly reviewed below.

### **2.2.1 Review of Articles and Journals**

Hyderabad (2002) published the article topic on "Performance of Merchant Bankers in Public Issue Management, Financial Services, Texts, and Cases & Strategies of India." This study focuses overall performance of merchant bankers in the area of public issue management from 1989 to 1998. The criteria for evaluating the performance of merchant bankers included number of issues handled, average amount handled, instrument wise performance (equity, preference shares, debentures), the number of times the issue was oversubscribed and sector wise analysis. The study found bank subsidiaries as the market leader in respect of number and amount of public issues handled. Competition and professionalism in public issues management and the dominance of private merchant bankers was noticed. The inadequate infrastructure, inexperienced staff, unhealthy competition, tight rules and regulations by SEBI had been the major problems of merchant bankers in India. The author suggested for changing yardsticks of performance in post issue management services, widening the area of equity culture, establishment of independent training institutes, and clear and consistent regulations for merchant bankers by SEBI for improving efficiency of merchant banks.

Lakshmana (2002) carried out the research on "A study of Merchant Banking in India". The study aimed to analyze the functions of merchant banking in addition, their performance evaluation based upon a sample of merchant bankers during the period 1994 to 1999. The authors observed that the sluggishness in the primary market forced most of the category 1 merchant bankers to withdraw from merchant banking activities and changes in rules and regulations had also significant impact on their functioning and performance. The study also found that most of the merchant bankers concentrated on floating the public issues function while underwriting was



secondary. The study did not find a direct correlation between number of issues in each activity to the size and value of the issue. The authors recommended professional approach in their working and adoption of best practices of corporate governance for improving the performance of merchant banks.

Ekerete (2005) conducted research on "A Case Study of Selected Merchant Banks in Nigeria." This study was carried out to determine the extent of the marketing activities of merchant banks in Nigeria with a view to assessing the suitability or appropriateness of their current marketing practices. The study also examined how the marketing activities of the banks have affected their performance over the years and the factors that shape the marketing strategy of the banks. Data were obtained mainly from primary sources through interviews and questionnaire. Hypotheses were tested using Spearman Rank Correlation Coefficient and Kendall Coefficient of Concordance. The results among other things, showed a significant positive relationship between marketing budget of the banks and their profitability. Based on the results of the study, the researcher recommended a better equipped, functional and result oriented marketing department for the banks. Also better information flow between banks and their customers with greater emphasis on efficient service delivery.

Singh & Saxena (2017) published an article on "Significance of Merchant Banking in India." Merchant banking covers wide range of financial activities and in process includes a number of different financial institutions. Merchant banks are popularly called "Accepting and issuing houses". Because a merchant bank acts not only as an advisor and broker but also as a principal, a merchant bank has a longer term approach than a typical investment bank and is highly concerned with the viability of each investment opportunity and providing the right advice for a strong partnership with each client company. In banking, a merchant bank is a traditional term for an investment bank. It can also be used to describe the private equity activities of banking. Merchant banking is an important service provided by a number of financial institutions that helps in the growth of the corporate sector, which ultimately reflects into the overall economic development of the country. Merchant banks were expected to perform several functions like issue management, underwriting, portfolio management, loan syndication, consultant, advisor and host of other activities. Merchant banking is a combination of banking and consultancy services.

Sharma (2005) in her research paper topic: "Marketing Effectiveness in Merchant Banking Industry – A Comparative Study of Public and Private Sector". According to the researcher, the liberalization process in India has led to major developments in the industrial sector to make India a truly formidable and globally competitive industrial power and consequently, the merchant banks have emerged as an important intermediary in the financial market. The study aimed to analyze the relevance of marketing mix in the merchant banking services and to make a comparative analysis of its effectiveness of public as well as the private sector merchant banks. The researcher found that the 'people' was the most important component of marketing mix followed by product, price, promotion and place respectively. The results also showed that private sector merchant banking had more effective and efficient marketing mix as compared to public sector merchant banks. Unbalanced service mix with the dominance of issue management, inadequate quality of services, inadequate distribution network and inadequate promotional measures were found to be the major deficiencies, which hindered the marketing performance of merchant banks in India.

Saha (2006) in his paper reviewed on "Different Aspects of Book Building Process of Public Issues and Merchant Banking Activities Relating to such Process in The Indian Primary Capital Market". The author was of the view that though the merchant bankers remained almost stagnant and stereotyped till the 1990s, they witnessed a remarkable growth after the process of economic reforms and deregulation of the Indian economy due to structural modifications, introduction of new mechanism and instruments and adoption of a number of steps to safeguard the interest of investors through more disclosures and transparency. It was observed in the paper that in most of the public issues under book building methods during 2003 to 2006, only a few merchant bankers performed their activities as BRLMs. The issuing companies usually approached those merchant bankers who had the reputation and a very good track record in the market. The paper concluded that the reforming and restructuring of the economy had opened up several opportunities as well as challenges for financial services industry including merchant banking. Dynamic, strategic and vigorous merchant bankers are required to meet the challenges with a view to improve the corporate finance and to establish a healthy corporate environment.

### 2.2.2 Review of Previous Thesis

There are not many research works made as this topic i.e. Merchant Banking Practices Financial Institutions in Nepal. But all that previous research had not been success to analyze the true picture of Merchant Banking. The research work that Merchant Banking practices financial institutions in Nepal focuses in its performance for the development of Nepalese securities market. An attempt is made here to review some of the research, which has been submitted to in relation this research work.

Pradhan (2013) has conducted the research on the topic of “Merchant Banking in Nepal”. In this study, the analysis of institution and instrument wise public issue reveals that most of the issuing companies are banks and the issuing companies prefer to issue ordinary shares most of the time. The comparative study of income from Merchant Banking of various companies reveals that the merchant banking income of CIT and NCML is increasing very steadily. The test of consistency has concluded that the Merchant Banking income of NMB is more consistent, while that of NCML has more variation in income. The study revealed most of the respondents, the Merchant Banking regulations provided in the above mention Acts are insufficient.

Most of the respondents said that the position of Capital Market is still underdeveloped in our country. According to the most of the respondents, the reason behind more public issue of shares of banks and finance companies is the regulatory provision that has been made compulsory for banks and finance companies to go public.

Subedi (2015) has submitted research on the topic “Merchant Banking Practices of Financial Institutions”. In his research, he has tried to point about some features and problems of merchant banking in Nepal. The term merchant banking has come to an emergence in Nepal since very few years before but the people are still not familiar with merchant banking and their functions. It is found that merchant banking activities are concentrated on floating the public issues of securities. Analysis of public issue shows that the public issues of securities are in increasing trend. It has been found that major part of merchant banking income is through public issue management.

Ramajhi (2016) has made a study on “Merchant Banking Practices of Financial Institutions”. In his research he has tried to point about some features and problems of merchant banking in Nepal. In this study, the importance of merchant banking is increasing gradually as a result of development activities after the restoration of democracy and economic liberalization in Nepal. The term merchant banking has come in Nepal from few years before, most of the people are found to be unknown about it.

Capital market provides an important base for the development of industry, commerce and economy. Merchant banking and capital market are interdependent with each other in many aspects. In this regard the analysis of public issue shows that merchant bankers are also playing a highly significant role towards the development of securities industries as well as capital market in Nepal. The comparative study of income from Merchant Banking of various companies reveals that the merchant banking income of CIT and NFCL is increasing very steadily. The test of consistency has concluded that the Merchant Banking income of NFCL is more consistent, while that of NMB has more variation in income.

Analysis of the activities of the merchant banking found that merchant banking activities are concentrated on floating the public issues of securities. While studying the activity performance of Citizen Investment Trust (CIT), it has been revealed that CIT, as one of the leading merchant banker. The study of activity performance of Nepal Merchant Banking & Finance Ltd. as a merchant banker reveals that NMB is also providing issue management as major merchant banking services. From the analysis of response of questionnaire, we come to know that most of the merchants banking functions are performed by finance companies. The view of the respondents regarding the body that has to play the key role in the merchant banking development.

### **2.3 Research Gap**

Earlier studies and researches on the Study of Merchant Banking in Nepal are carried out on the apparent approach by taking the most common indicators in consideration. During the review of previous thesis, it is found most of the thesis has taken sample of NIDC capital Market and CIT. But no researcher has been conducted by taking

these newly established merchant companies like Global IME capital, NIBL capital and so on. Therefore, it is believed that this study will fulfill the gap, which had been made by the earlier researcher. Researcher has taken sample of Global IME capital and NIBL Capital, which analyzed overall condition of merchant banking and it predicts the relationship and impact of income and expense on merchant banking performance. Moreover, in this study, statistical tools such as correlation coefficient analysis and simple regression analysis have been used. Hence, this study differs from other researches in terms of sample companies, data presentation as well as statistical and financial tools used for interpretation and analysis of data. Keeping in view the above research gap, this research has analyzed the Merchant Banking by taking two companies. This Research have been used as sample with 5 years data 2012/13-2016/17.

## **CHAPTER- III**

### **METHODOLOGY**

Research methodology is a systematically way to solve the research problem. It refers to the various sequential steps that are to be adopted by a researcher during the course of studying the problem with certain objectives. This chapter refers to the overall research method from the theoretical aspect to the collection and analysis of data. This study covers quantitative methodology in a greater extent and use the descriptive part based on both technical aspects and logical aspect. This research tries to perform a well- designed quantitative research in a very clear and direct way using both financial and statistical tools. Details research methods are described in the following heading:

#### **3.1 Research Design**

Generally, research design is the plan, structure and strategy of investigation conceived to obtain answer to research questions and to control variance. In order to make any type of research a well- set research design is necessary to fulfill the objective of the study. Generally, research design means definite procedure and techniques, which guide to study and provide ways for research viability. It is arrangement for collections and analysis of data. To achieve the objective of this study, descriptive and analytical research design has been used. Some financial, statistical tools have been applied to examine facts, and descriptive techniques have been adopted to study primary and secondary data related with sample Merchant Banking

#### **3.2 Population and sample**

As per the SEBON report 2016/17, there are 25 Merchant Companies operating in Nepalese Capital Market. In this Research, NIBL Ace Capital and GBIME Capital Limited are selected for sample as per convenience sampling due to easily available data. This sample represents 8% of total population. The all employee who are working at GBIME and NIBL Capital limited are population for questionnaire for Manager and Employee and there are 50 employees are taken randomly from Manager and Employee groups. Similarly, all investors who have invested any

public issued from merchant banking considering as population. There are 50 investors taken randomly from Investors Groups.

### **3.3 Nature and Sources of Data**

The study is based on mainly primary data and secondary. Questionnaires and the sample Merchant banks have collected the necessary information. Similarly, structured questionnaire has used to collect the primary data from the respondents. Semi-Structured questionnaires has distributed in Sample merchant banks.

The study used both the primary as well as secondary data

- Primary data are collected through questionnaire survey with investors of both primary and secondary securities market, employees and managers of the sampled merchant banks.
- Secondary data are collected through annual reports, different books, articles, publications and websites.

### **3.4 Data collection Procedure/Techniques**

The employees and customer of Merchant banking collect the data through questionnaires that have filled out. The website of the bank and other websites as well as published books are also is used to collect secondary data.

### **3.5 Method of Data Analysis and Interpretation**

Data collected from secondary sources has analyzed by using various statistical tools like percentage analysis, ratio analysis, bar diagram, multiple bar diagram, arithmetic mean, standard deviation, coefficient of variation, etc. Similarly, data collected from questionnaires were in raw form. They were classified and tabulated in the required form and analyzed through tool using percentile. Major findings has based on the analysis and interpretation of data. The major data analysis tools used for the analysis and presentations of data are as follows:

#### **3.5.1 Percentage Analysis**

The percentage analysis is done to compare the two or more data for general information. One can use this function to establish a threshold of acceptance. It is used as a method to divide the opinions of the related sectors into two or more sectors.

### 3.5.2 Ratio Analysis

Ratio is the mathematical relationship between two accounting figures. “Ratio analysis is a part of the whole process of analysis of financial statements of any business or industrial concern especially to take output and credit decisions.” Thus, ratio analysis is used to compare a firm’s or to its overtime. The qualitative judgments regarding financial performance of a form can be done with the help of ratio analysis.

### 3.5.3 Bar Diagram

As far as bar diagram is concerned, simple as well as multiple bar diagram are being used for the purpose of the study. Simple bar diagram is a diagram for only one variable. It is used for the comparative study of two or more values of a single variable. On the other hand multiple bar diagram is used when two or more variables are to be compared at the same tome.

### 3.5.4 Arithmetic Mean

In this study mean is used to evaluate the average value of respective variables. It is obtained when the total value of the concerned variable is divided by the number of values in the distribution. In this study the mean value of ratios of sample manufacturing companies is calculated to compare their results. Mean value of companies is to be calculated by using following formula:

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N}$$

Where,

$\sum X$  = Sum of values

N = Number of observations

In this study, mean value of variables is derived from Excel

### 3.5.5 Standard Deviation

Standard deviation is the most popular and most useful measure of dispersion and gives uniform, correct and stable results. The chief characteristics of standard deviation are that it is based on mean, which gives uniform and dependable results. Furthermore, a standard deviation is always a positive number and is superior to the mean deviation, quartile deviation and range because it is used for further



mathematical treatment. Karl Pearson introduces the concept of Standard Deviation and this is denoted by the small Greek letter  $\sigma$  (read as sigma).

Standard deviation is calculated by using following formula.

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum(x-\bar{x}^2)}{n-1}}$$

Where,

X = Variable of observation.

$\bar{x}$  = Mean of X variables.

n = Number of observation

### 3.5.6 Coefficient of Variation

It measure of dispersion that is useful in comparing the risk of assets with expected return. Coefficient of Variation (C.V.) shows the risk per unit of return and it provides a more meaningful basis for comparison when the expected returns on two alternatives are not same. The higher coefficient of variation measures the higher the risk. The percentage measure of coefficient of standard deviation is called Coefficient of Variation (C.V.). The Standard Deviation calculated in the above formulae gives an absolute measure of dispersion. Hence, where the mean value if the variables is not equal, it is not appropriate to compare two pairs of variables based on Standard Deviation only. The coefficient of variation measures the relative measures of dispersion, hence capable to compare two variables independently in terms of their variability.

Coefficient of Variation is calculated by using following formula.

$$CV = \frac{\sigma}{\bar{x}}$$

Where,

$\sigma$  = Standard deviation of X variables.

$\bar{x}$  = Mean of X variables X

### 3.5.7 Correlation (r)

Correlation may be defined as the degree of linear relationship existing between two or more variables of a population or a sample. It simply measures the changes between the phenomenon. The correlation coefficient between two variables describes the degree relationship between those two variables. It measures the

increase or decrease in one variable due to increase or decrease in another variable. Karl Pearson's simple correlation coefficient 'r' is calculated by using following formula:

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

Where,

n = Total number of observations

X and Y = Two Variables

### 3.5.8 Coefficient of Regression

The coefficient 'b', which is the slop of line of regression of Y on X is called the coefficient of regression of Y on X. It represents the increment in the value of the independent variable Y for a unit change the values in value of the independent variable X. In other words, it represents the rate of change. The convenient way to calculate the value of 'b' is as:

$$b = \frac{n \sum XY - \sum X \sum Y}{N \sum X^2 - (\sum X)^2}$$

### 3.5.9 Coefficient of Determination ( $r^2$ )

The coefficient of determination is a measure of the degree of liner association or correlation between two variable one of which happens to be independent and other being dependent variable. In other word,  $r^2$  measures the percentage total variation in dependent variables.

### 3.5.10 t- Statistics

T-test, commonly known used to test the significance of an observed sample correlation coefficient, the following procedure has been applied

$$T = \frac{r}{\sqrt{1-r^2}} * \sqrt{n-2}$$

Where, r = Sample correlation between two variables

$r^2$  = Coefficient Determination

n = No of Pair of observations

Decision: If calculated 't' is less than or equal to tabulated value of 't' it falls in the accepted region and the null hypothesis is accepted and if calculated 't' is greater than tabulated 't' null hypothesis is rejected.

## **CHAPTER - IV**

### **RESULT**

Data presentation and analysis is the one of the important part of the research work. The basic objective of this chapter is to analyze and elucidate the collected data following the conversion of unprocessed data to an understandable presentation. Thus this chapter presents the analysis and interpretation of the data related to merchant banking. As it has been started earlier in the methodology section, this study consists of both primary as well as secondary data. Secondary data has been collected particularly from annual report of merchant bankers, Securities Exchange Board of Nepal, websites and handouts prepared by the concerned companies. Similarly, data collected from primary sources, interview and questionnaire method have been analyzed to gather information on problems and remedies for merchant banking.

#### **4.1 Presentation and Analysis of Secondary Data**

Since most of the merchant banking activities in Nepal are performed by finance companies, our study starts from analysis of selected companies, which are actively participated in merchant banking activities. Study of NIBL Ace Capital and GBIME Capital Limited has taken for analyzed the situation of merchant banking activities in Nepal. Thus, this section is exclusively devoted for the analysis of activity performance of leading merchant banks in context of Nepal.

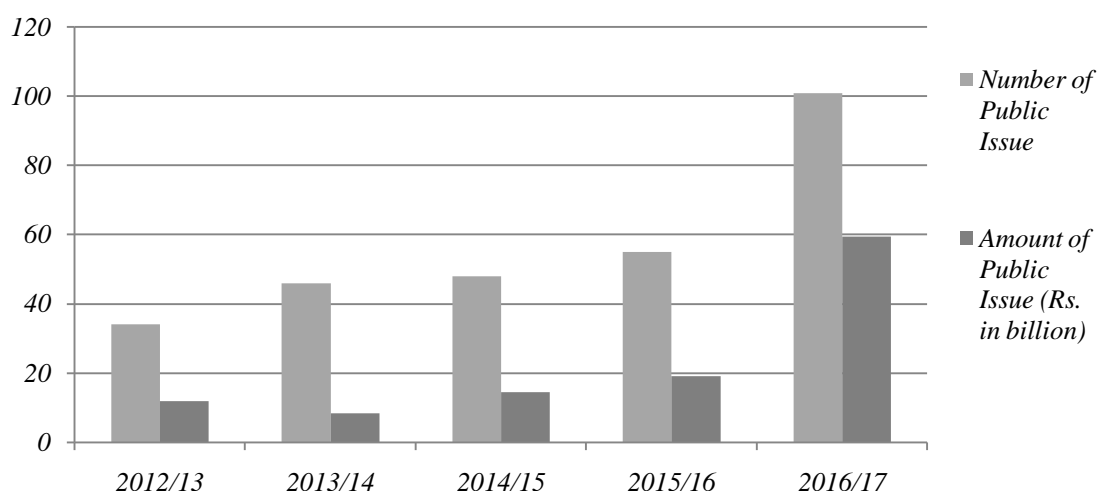
##### **4.1.1 Public Issue Analysis**

Though the function of merchant banking includes many activities in case of our country, the function of merchant banking is regarded as issue management. Thus, the analysis starts from the analysis of public issue of securities. Public issue helps to develop capital market, which provides an important base for the development of industry, commerce and the economy. As the public issue goes on increasing the role and importance of merchant banks also increases for the reason that merchant banks manage public issue in professional and systematic way. Tabular as well as graphical presentation of public issue in different fiscal years is presented in table 4.1 and figure 2 as follows:

Table 4.1

<i>Public Issue of Securities</i>		
Year	Number of Public Issue	Amount of Public Issue (Rs. in billions)
2012/13	34	11.91
2013/14	46	8.26
2014/15	48	14.44
2015/16	55	18.99
2016/17	101	59.39

*Source: Annex 1*



*Figure 2: Public issue of securities*

From the table 4.1 and figure 2 shows that there have been 284 public issues of different companies amounting Rs. 112.99 billion from 1012/13 to 2016/17. The number of public Issue is gradually increasing in each year, which shows public companies in Nepalese economy will increase in future also. Out of 284 issues, 34 issues each were in fiscal year 2012/13, which is the smallest number during the study period. Show the fiscal year 2016/17 has issued 101 different issuing company is Rs.59.39 billion which is highest in both amount and number of issue. The amount of public issues has decreased by 3.65 billion from fiscal year 2012/13 to 2013/14. Then after 2014/15, amount of public issue is gradually increased during the sample period. Hence, this trend of public issue shows the role and importance of Merchant Banks. Merchant banks should manage public issue in professional and systematic way.

#### 4.1.2 Institutions Wise and Instrument Wise Analysis of Public Issue

The institution wise analysis of public issues has been conducted to find out the sectors, which are benefited through merchant banking activities in the process activities in the process of public issue of securities. Similarly, instrument wise public issue analysis helps to find out the instruments that have been preferred during the issue of securities. The institution wise analysis of public issues is shows in below:

Table 4.2

##### *Institute Wise Public Issue*

Group	No. of Issue	% of Issue	Amount of Issue	% of Issue Amount
Commercial Bank	55	19.37%	64.83	57.38%
Development Bank	137	48.24%	14.8	13.10%
Finance Companies	24	8.45%	3.86	3.42%
Hydropower	33	11.62%	10.7	9.47%
Insurance	26	9.15%	10.3	9.12%
others	9	3.17%	8.5	7.52%
Total	284	100.00%	112.99	100.00%

Source: Annex 1

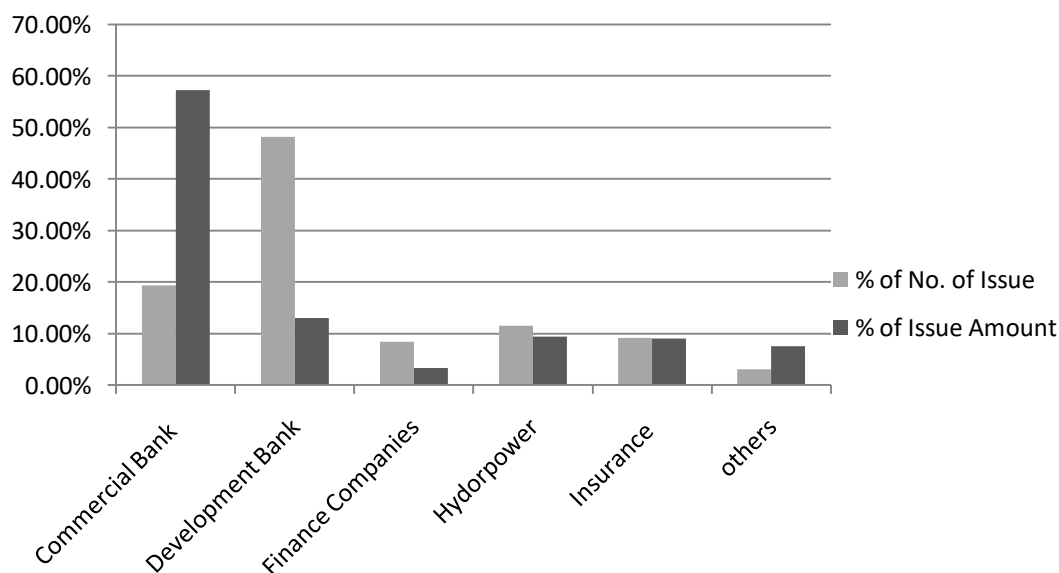


Figure 3 : Institute wise public issue

The table 4.2 and Figure 3 show the Institute-Wise public issue from 2012/13 to 2016/17. The table 4.2 has been clear that no. of issue in percentage and percentage of issue in amount. During 2012/13 to 2016/17, commercial bank has highest percentage of amount in public issued but second highest percentage of no. of issue.

It shows commercial banks required more fund to rise of capital for growth of commercial banks. There is highest no. of public issue by Development bank during the study period with second highest percentage of issue in amount i.e. 48.24% & 13.10% respectively. It shows banking sectors have collected more fund through public issue. Similarly, Finance, Hydropower, Insurance and Others `s percentage of Issue is 8.45%, 11.62%, 9.15% and 3.17% respectively with 3.42%,9.47%,9.12% and 7.52% of percentage of Issue amount. It shows that Hydropower and Insurance companies are raising more capital that shows growing non-banking sectors in Nepalese economy. The detail of instrument wise public issue is presented in the table 4.3 and Figure 4 Which are as follows:

Table 4.3

*Instrument Wise Public Issue*

Particulars	Units	% of Units	Amount in billion	% of Amount
Primary Issue	87	30.63%	16	14.16%
Right Issue	164	57.75%	65.52	57.99%
Further Issue	7	2.46%	13.82	12.23%
Mutual Fund	11	3.87%	9.75	8.63%
Bond	15	5.28%	7.9	6.99%
Total	284	100.00%	112.99	100.00%

Source: Annex 1

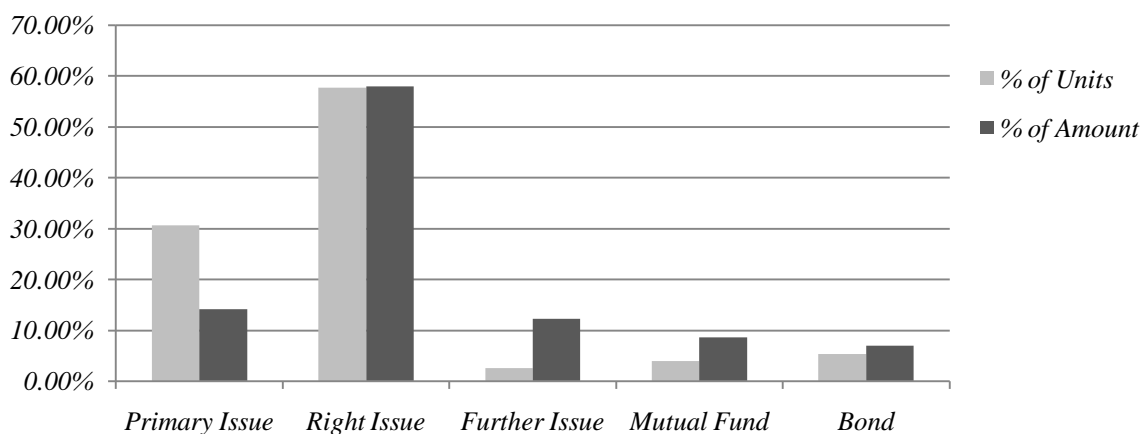


Figure 4 : Instrument wise public issue

From table 4.3 and Figure 4 clearly shows the major source of finance for most of the public bodies in Nepal are Right share. But as per the literature review, the major source of finance for most of the public companies are ordinary share. During the study period, Right share is major source of fund in comparison with ordinary share. It shows existing companies have increased their source of fund (Capital) through the

Right issued to protect the existing shareholder position in the organization. So around 57% of right issue in Unit and amount is issued during the study period. 30.63% of units and 14.16% of amount has issued through ordinary shares. The numbers of issues through ordinary shares were 87 After this mostly issued instrument to raise capital was further issue, others and Bond which are 2.46% of units and 12.23 % of amount, 3.87% of units and 8.63% of amount and 7.9% of units & 6.99% of amount respectively.

#### **4.1.3 Activity Performance of NIBL Capital Market**

NIBL capital markets limited is a subsidiary of Nepal Investment Bank Limited (Holding Company) is a limited liability company domiciled in Nepal has been registered on 2067/11/25 at office of the company registrar with registration number 1284/076/68. The company has received Merchant banking license from Securities Board of Nepal and CDS & Clearing Limited. The company has been providing Issue and Sales Management, Underwriting, Portfolio Management, Share Registrar and Depository Participants service. After established, it also provides various services to its clients as a Merchant banker. The activities of NIBL capital market is to Act as an issue and sales manager, to provide advice for it and arrange underwriting for public issues to encourage public participation in the ownership of industrial and commercial institution, collecting medium or long term capital from the public for the establishment and the expansion of industry. Besides these activities, it also has an active role to provide liquidity to securities as a market maker involving itself actively in buying and selling of securities in the secondary market. Out of various Merchant-banking services, the services provided by NIBL Capital are as follow:

##### **A) Public Issue Management:**

As one of the major function of merchant banking, NIBL has been actively participating in management of public issue of securities from its establishment. It has managed public issued of ordinary shares of various companies like banks, finance companies, manufacturing industries and others. NIBL has introduced unit scheme of its own institution. It has issued preference share and right share of various companies. The no and issue amount of the issues managed by NIBL is shown in table and figure below.

Table 4.4

*Public Issue Managed by NIBL*

Year	No. Issue of NIBL	Total Number of Issue	% of No. of Issue	Amount of NIBL	Total Amount	% (Amount)
2012/13	3	34	8.82%	43.45	11,910.00	0.36%
2013/14	1	46	6.52%	87.60	8,260.00	1.06%
2014/15	3	48	6.25%	449.00	14,440.00	3.11%
2015/16	9	55	5.45%	997.91	18,990.00	5.25%
2016/17	16	101	2.97%	4,612.84	59,390.00	7.77%

Source: Annex 2

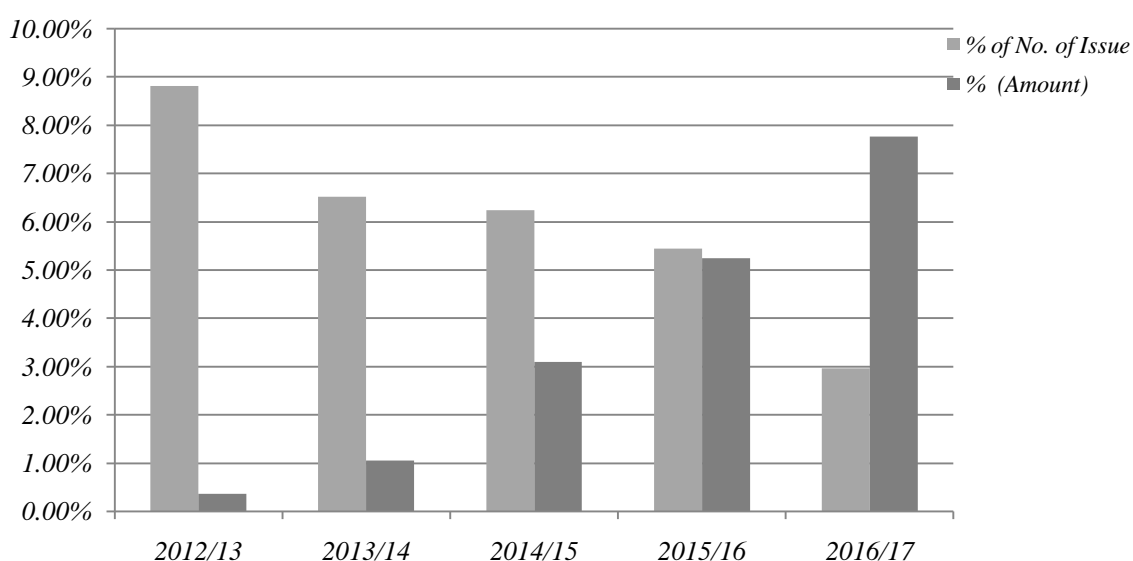


Figure 5 : Public issue managed by NIBL

Table 4.4 and Figure 5 show the performance of NIBL Capital as an issue manager of different companies during different fiscal years from 2012/13 to 2016/17. During the five years period, the company has managed to raise Rs 43.45 million capitals out of total Rs. 11,910.00 million that represent 0.36% in fiscal year 2012/13. Similarly, 8.82 % number of issued covers by NIBL in fiscal year 2012/13. Company has raised highest percentage of amount in last fiscal year 2016/17 i.e. 7.77% and 16 times NIBL has managed of public issued in comparison with total number of issued i.e. 2.97%. Frequency of number of issue of NIBL is fluctuating in trend but percentage of amount is increasing in tend from fiscal year 2012/13 to 2016/17. This trend shows NIBL gradually increase the capacity to manage the amount of public issued.



## **B) Underwriting & Syndication of Underwriting Public Issue**

NIBL Capital also provided the service of underwriting as well as syndication of underwriting public issue of various companies. NIBL has underwritten public issue of four companies from fiscal year 2012/13 to 2016/17. The amount of underwriting was ranging from Rs. four Lakh to Rs. Sixteen Lakhs.

## **C) Registrar to Share**

NIBL capital markets also provide service of registrar to the share service with an objective to provide help in the further activities of public limited companies. Its main objectives is to maintain the record of shareholders to fulfill the name transferring process and to assist in holding the preliminary and Annual General Meeting on behalf of those companies. NIBL capital markets limited provides services of different company's registrar to share issue.

### **4.1.4 Activity Performance of GBIME Capital Market**

Global IME Capital Limited (GBIME), a subsidiary of Global IME Bank Limited is the first specialized Merchant bank in the history of Nepalese capital market. Global IME Capital (GBIME) is incorporated under the Nepalese Companies Act 2007 and has been licensed by the Securities Board of Nepal under the Securities Act, 2007 to undertake Merchant Banking Activities. When established, there are merchant bankers with an objective to render the merchant banking services. As a merchant banker, it also provides various services to its clients. The activities of GBIME capital market is to act as an issue and sales manager, to provide advice for it and arrange underwriting for public issues, to encourage public participation in the ownership of industrial and commercial institution, collecting medium or long term capital from public for the establishment and the expansion of industry. Besides these activities, it also has an active role to provide liquidity to securities, as a market maker involving itself actively in buying and selling of securities in the secondary market.

## **A) Issue Management**

GBIME Capital markets have handled public issue of various companies. During the five years of period from fiscal year 2012/13 to 2016/17, it has managed many issues of ordinary shares, right shares, debentures and preference shares of various

companies. The brief detail of public issue handled by GBIME Capital Markets Limited is shown in the table no. 4.5 and Figure 5

Table 4.5

*Public Issue Managed by GBIME*

Year	No. Issue of GBIME	Total Number of Issue	% of No. of Issue	Amount of GBIME	Total Amount	% (Amount)
2012/13	2	34	5.88%	89.76	11910	0.75%
2013/14	3	46	6.52%	121	8260	1.46%
2014/15	4	48	8.33%	252.4	14440	1.75%
2015/16	9	55	16.36%	3156.8	18990	16.62%
2016/17	15	101	14.85%	4994.93	59390	8.41%

Source: Annex 2

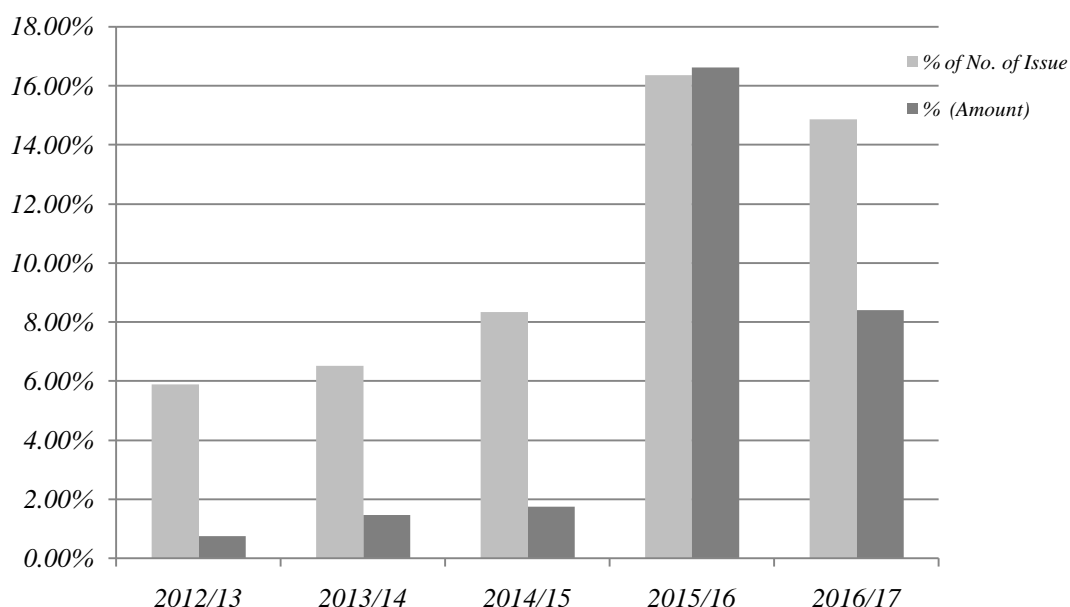


Figure 6 : Public issue managed by GBIME

Table 4.5 and Figure 6 show the performance of GBIME Capital as an issue manager of different companies during different fiscal years from 2012/13 to 2016/17. During the five years period, the company has managed to raise Rs 89.76 million capitals out of total Rs. 11,910.00 million that represent 0.75% in fiscal year 2012/13. Similarly, 5.88 % number of issued covers by GBIME in fiscal year 2012/13. Company has raised highest percentage of amount in last fiscal year 2015/16 i.e. 16.62% and 9 times GBIME has managed of public issued in comparison with total number of issued i.e. 16.36%. Frequency of number of issue of GBIME is increasing in trend but percentage of amount is fluctuating in trend from fiscal year 2012/13 to 2016/17.

This trend shows GBIME gradually increase the capacity to manage the amount of public issued because frequency and volume of amount are higher than last study periods in comparison with initial study periods.

### **B) Underwriting**

Out of 33 issues handled by GBIME Capital Markets Limited, it has underwritten public issue of different companies from fiscal year 2012/13 to 2016/17.

### **C) Registrar to the share**

GBIME Capital Market also provides service of registrar to the share service with an objective to provide help in the further activities of public limited companies. Its main objective is to maintain the record of shareholders, to fulfill the name transferring process and to assist in holding the preliminary and Annual General Meeting to behalf of those companies.

#### **4.1.5 Analysis of Total Assets from Sample Merchant Banking**

Total assets refer to the total amount of assets owned by a person or entity. Assets are items of economic value, which are expended over time to yield a benefit for the Merchant Bank. Here assets are usually recorded in the accounting records and appear in the balance sheet of Merchant Bank. Assets include anything a company owns that has monetary value. Total assets are defined as anything that a business owns, has value, and can be converted to cash. Generally, higher assets are useful and stronger for companies. However, it depends upon utilization of assets to generate the income for companies. Therefore, ideal assets are additional burden and wastage of source for fund. The total assets of NIBL and GBIME Capital Market are presented as follows:

Table 4.6

*Total Assets of NIBL and GBIME Capital Market Limited*

Year	NIBL in Rs. Million	GBIME in Rs. Million
2012/13	103.44	1138.76
2013/14	110.46	577.55
2014/15	4485.2	287.33
2015/16	4438.47	702.44
2016/17	1728.03	3098.4
Mean	2,173.12	1,160.90
SD	2,191.68	1,125.61
CV	1.01	0.97

*Source: Annex 3*

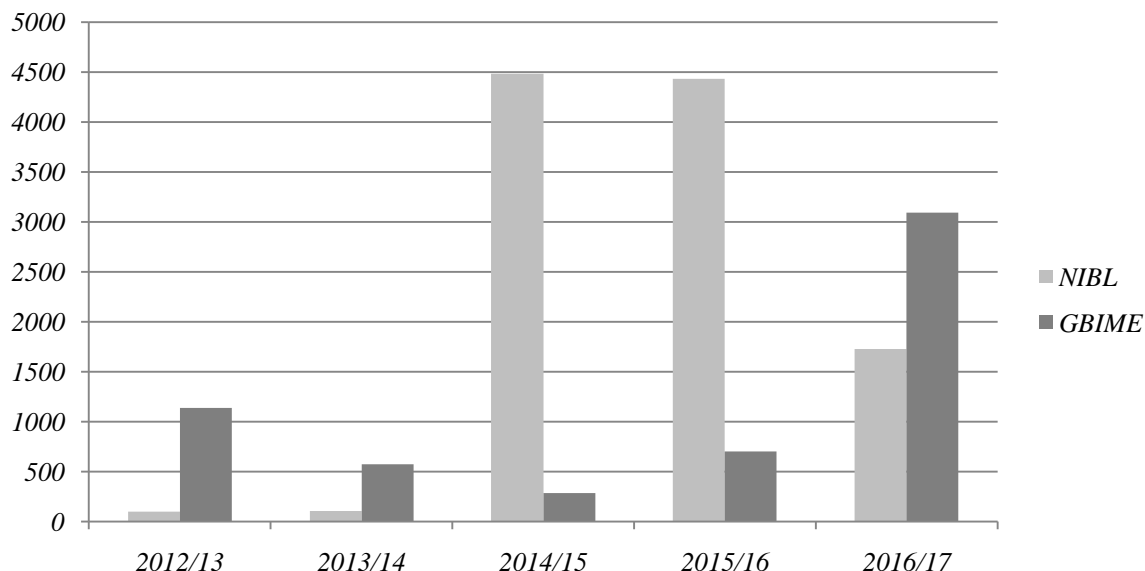


Figure 7 : Total assets of NIBL and GBIME Capital Market Limited

As per the table 4.6 and figure 7, the average of Assets of NIBL and GBIME are Rs. 2,173.12 in million and Rs. 1,160.90 in million respectively which shows NIBL capital has highest assets among the sample companies. It indicates that NIBL Merchant is strong in situation to manage the merchant activities. Figure seven shows that both merchant banks are fluctuating in trend. However, the trend of investment in assets of GBIME is gradually decreasing from fiscal year 2012/13 to 2014/15 and a thereafter-total asset of GBIME has increased in last two fiscal year. In the case of NIBL, the trend of investment in assets is lowest point at the first two fiscal year. Thereafter total Assets of NIBL is drastically increased from Rs. 110.46 million to 4485.2 million from fiscal year 2013/14 to 2014/15 and total assets of NIBL is decreased at last fiscal year. It shows the fluctuating of total assets of NIBL is higher than GBIME because CV of NIBL is higher than GBIME.

Decreasing trend of total assets indicates these conditions may harmful for these companies. However, it depends upon liabilities of the companies. If the liabilities are higher than assets, company may face the problem because Risk is uncertain, accident can happen any time, and companies may not be able to provide the return to stakeholders. So NIBL capital market are more likely to gain an upper hand in the competitive market than GBIME capital market because higher assets are able to have more investment options, increased specialization and wide range of resources.

Hence most GBIME required to expand their organization`s assets and resources to attain the large status which also increases their ability to acquire additional funds.

#### 4.1.6 Analysis of Share Holder Equity from Sample Merchant Banking

Shareholders' equity referred to as the owner's residual claim after debts have been paid, is equal to a firm's total assets minus its total liabilities. Found on a company's balance sheet, it is one of the most common financial metrics employed by analysts to assess the financial health of a company. Shareholders' equity represents the net or book value of a company. In other words is the net amount of a company's total assets and total liabilities, which are listed on a company's balance sheet. In part, shareholders' equity shows how much of a company's operations are financed by equity. Shareholders' equity is an important metric in determining the return being generated versus the total amount invested by equity investors.

Table 4.7

*Total Shareholder Equity of NIBL and GBIME Capital Market Ltd.*

Year	NIBL	GBIME
2012/13	102.330	40.010
2013/14	108.640	109.640
2014/15	118.170	104.210
2015/16	170.570	116.130
2016/17	251.150	141.000
Mean	150.172	102.198
SD	62.551	37.505
CV	0.417	0.367

*Source: Annex 3*

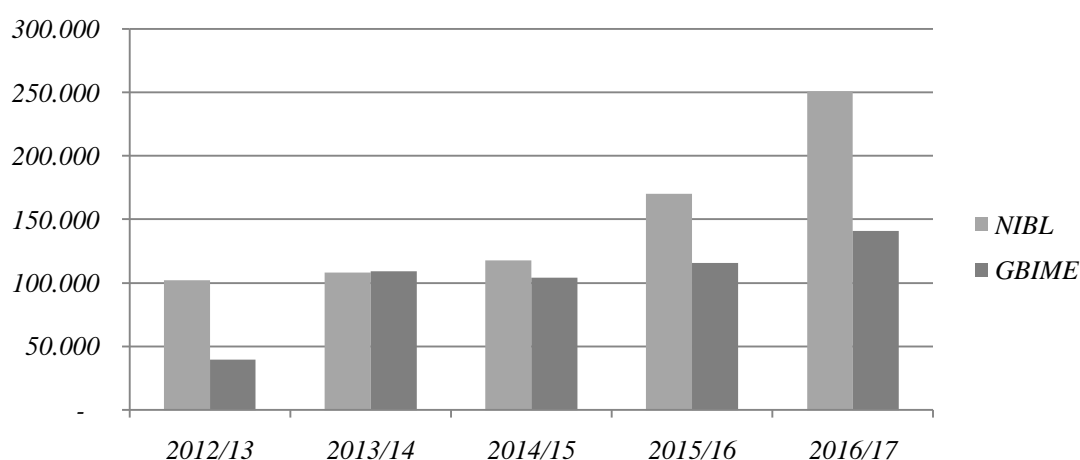


Figure 8 : *Total shareholder equity of NIBL and GBIME Capital Market Ltd.*

Table 4.7 and figure 8 shows patterns of shareholder equity of sample merchant companies listed in Nepal. The average of Shareholder equity of NIBL and GBIME are Rs.150.172 in million and Rs. 102.198 in million respectively, which shows NIBL has highest than GBIME. It means NIBL has highest risk bearing capacity. In others a word, NIBL has highest ability is able to protect itself against the financial losses in comparison with GBIME. As per the figure 8, capitals of each merchant company are increasing trend but ratio of increasing is not consistent among the companies. Although, companies are becoming stronger in term of capital. In table 4.7, the average of capital and SD are presented in absolute term. So there is difficult to find the consistently increase of shareholder equity. So CV is calculated to find the highly consistent sample company in further generating of equity capital. As per Table 4.7, GBIME has highly consistently equity capital during sample period due to lowest CV i.e 0.367 and NIBL has lowest inconsistently equity during sample period due to highest CV i.e. 0.417

#### 4.1.7 Analysis of Net Profit from Sample Merchant Banking

The net profit margin is equal to how much net income or profit is generated as a percentage of revenue. Net profit margin is the ratio of net profits to revenues for a merchant company. Net profit margin is typically expressed as a percentage but can also be represented in decimal form. The net profit margin is equal to how much net income or profit is generated as a percentage of revenue. Net profit margin is the ratio of net profits to revenues for a company or business segment. The net profit margin illustrates how much of each amount in revenue collected by a company translates into profit. Knowing how net profit measures operational efficiency and how it is related to parties associated with merchant activities can help improve management skills.

Table 4.8

<i>Net Profit of NIBL and GBIME Capital Market Limited</i>		
Year	NIBL in Rs. Million	GBIME in Rs. Million
2012/13	0.839	-0.42
2013/14	6.3	20.15
2014/15	9.53	5.1
2015/16	52.39	27.7
2016/17	100.87	41.18
Mean	33.986	18.742
SD	42.648	16.874
CV	1.255	0.900

*Source: Annex 3*

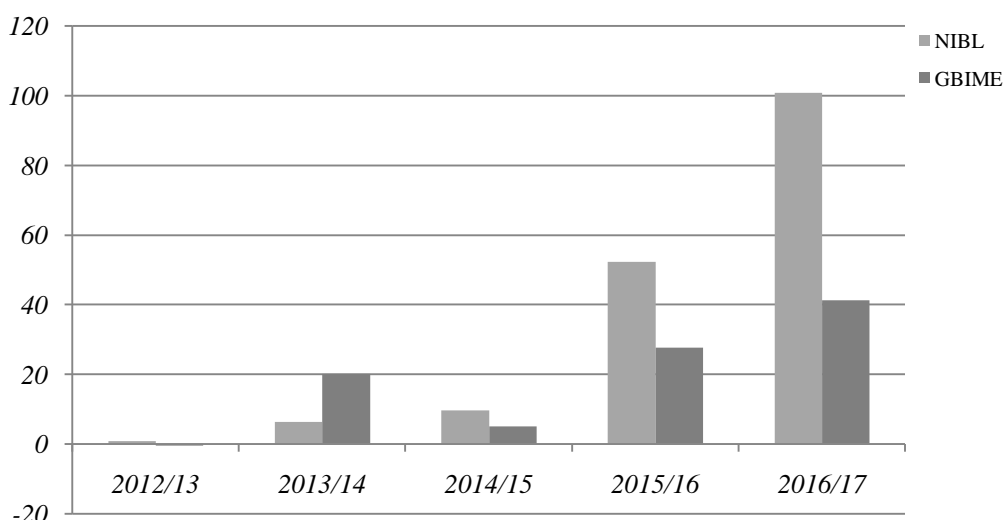


Figure 9 : Net profit of NIBL and GBIME Capital Market Limited

The patterns of net Profit of GBIME and NIBL is gradually increased during the study period as increase Assets and Shareholder Equity that has shown in Figure 9. It means Merchant Banks has successfully earned more profit from merchant banking activities in comparison with expenses. The average of Net Profit of NIBL & GBIME is Rs. 33.986 and Rs. 18.742 in million with CV 1.255 and 0.900 respectively. However, increased percentage of Net Profit is increasing in trend during study period but net profit of NIBL capital has decreased from fiscal year 2013/14 to 2014/15. There is negative net Profit of GBIME at initial fiscal year. Thereafter, it is increasing trend of net profit for both sample merchant bankers. Earning capacity of Net profit of NIBL capital is higher than GBIME capital, which shows NIBL has efficiency capacity than GBIME. GBIME has low management capacity to sell merchant activities than NIBL capital in the market as per competitors. Hence, The GBIME faced some problems during fiscal year 2012/13. Although GBIME management has successfully solved the Net Profit related problems in fiscal year 2012/13.

#### 4.1.8 Analysis of Operating Income from Sample Merchant Banking

Operating income also referred to as earnings before interest & taxes (EBIT), is the bottom line profit recorded on the income statement, and it is generated by the operational activity of a Merchant activities. Operating income is a measure of company operations. In Merchant Activities, Operating income is the sum of Issue and Sales Management Income, Underwriting Fee, Share Registrar Income, Fund

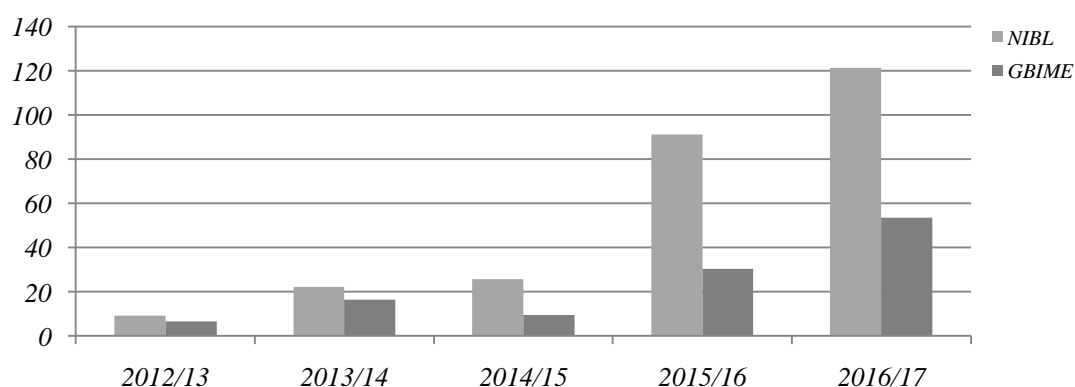
Management Fee, Mutual Fund Depository Fee, DP Income, Collection Commission Income and this type of merchant activities, which are regular source of core activities of Merchant Banking.

Table 4.9

*Operating Income of NIBL and GBIME Capital Market Limited*

Year	NIBL	GBIME
2012/13	9.38	6.78
2013/14	22.32	16.63
2014/15	25.71	9.59
2015/16	91.43	30.52
2016/17	121.38	53.61
Mean	54.044	23.426
SD	49.335	19.210
CV	0.913	0.820

*Source: Annex 3*



*Figure 10 : Operating income of NIBL and GBIME Capital Market Limited*

The figure 9 and table 4.8 show the trend of Operating Income of GBIME and NIBL during fiscal year 2012/13 to 2016/17. The trend of operating income is increasing trend but operating income of GBIME has decreased from 2013/14 to 2014/15. Volume of operating income of NIBL is increasing at higher than GBIME each year. The average of NIBL and GBIME are Rs. 54.044 in million and Rs.23.42 in million. The Earning ability of NIBL is higher than GBIME. However, the earning capacity of operating profit of GBIME is more consistency than NIBL because of GBIME `s CV is 0.820 and NIBL is 0.913. It is regular income for Merchant Banking from merchant and regular activities. NIBL has efficiency capacity than GBIME. GBIME has low management capacity to sell merchant activities than NIBL capital in the



market as per competitors. Hence, The GBIME faced some problems during study period.

#### 4.1.9 Analysis of Operating Expenses from Sample Merchant Banking

Operating expenses are those expenditures that merchant banking incurs to engage in activities not directly associated with the services of merchant banking. These expenditures are the same as SEBON Fee, CDS Fee, DP Commission Expenses, Staff Expenses, and Refund Commission Expenses. Therefore, An operating expense is an expense a business incurs through its normal business operations for merchant Banking. Operating expenses can greatly affect the profitability of a Merchant Banking and how much cash Merchant Bank has. Every Merchant Banking always tries to reduce the burden of operating expenses as much as possible because this is one of the deciding factors of the merchant baking's ability to compete with its competitors. Lower operating Expenses show better efficiency of merchant banking.

Table 4.10

*Operating Expenses of NIBL and GBIME Capital Market Limited*

Year	NIBL	GBIME
2012/13	7.79	9.35
2013/14	12.95	10.12
2014/15	19.96	11.87
2015/16	57.78	34.61
2016/17	80.26	37.91
Mean	35.748	20.772
SD	31.691	14.216
CV	0.887	0.684

Source: Annex 3

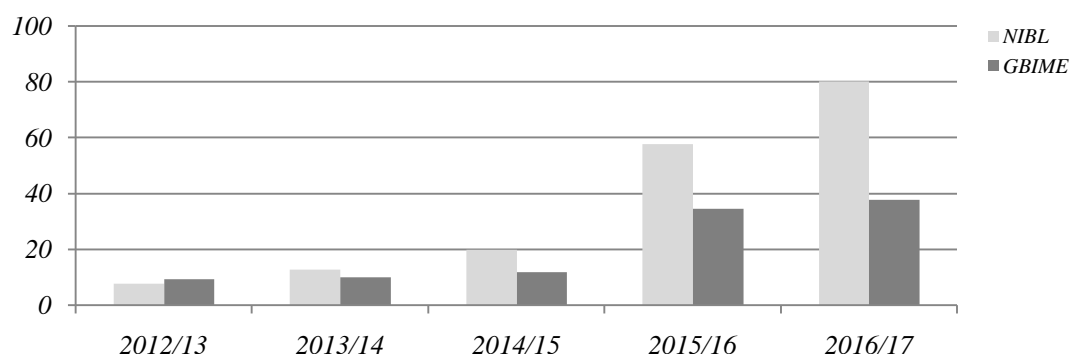


Figure 11 : Operating Expenses of NIBL and GBIME Capital Market Limited

Table 4.10 and figure 11 shows patterns of Operating Expenses of sample Merchant Banking companies listed in Nepal. The average of Operating Expenses of NIBL and

GBIME are Rs. 35.748 and Rs. 20.772 in million respectively. Among them, NIBL are highest than GBIME during each study period. NIBL has highest operating expenses as well as highest operating income than GBIME. Highest operating expenses are burden for company if repayment or repay capacity is weak. Therefore, impact of operating Expenses of company depends upon the operating expenses to operating income ratio. As per the figure 11; each company's Operating Expenses are increasing in trend. SD is presented in absolute term. So there is difficult to find the consistently increase of Operating Expenses. So CV is calculated to find the highly consistent sample company in further generating of Operating Expenses. As per Table GBIME has highly consistently Operating Expenses during sample period due to lowest CV and NIBL has lowest inconsistently Operating Expenses during sample period due to highest CV.

#### 4.1.10 ROA of NIBL and GBIME Capital Limited

ROA determine the net income produced per Rupees of assets. It is a measure of profitability linked to the asset size of the Merchant Companies. It is primary an indicator of managerial efficiency; it indicates how capably the management of the Merchant Companies has been converting the institution's assets into net earnings. It measures the profit earning capacity by utilizing available resources i.e. total assets. A higher ratio indicates the better income generating capacity of the assets and better efficiency of management in future. ROA is a useful static for comparing Merchant Companies profitability as it avoids distortions produced by differences in financial advantage.

Table 4.11

<i>ROA of NIBL and GBIME Capital Limited</i>		
Year	NIBL	GBIME
2012/13	0.81%	-0.04%
2013/14	5.70%	3.49%
2014/15	0.21%	1.77%
2015/16	1.18%	3.94%
2016/17	5.84%	1.33%
Mean	2.75%	2.10%
SD	2.78%	1.63%
CV	1.01	0.77

*Source: Annex 4*

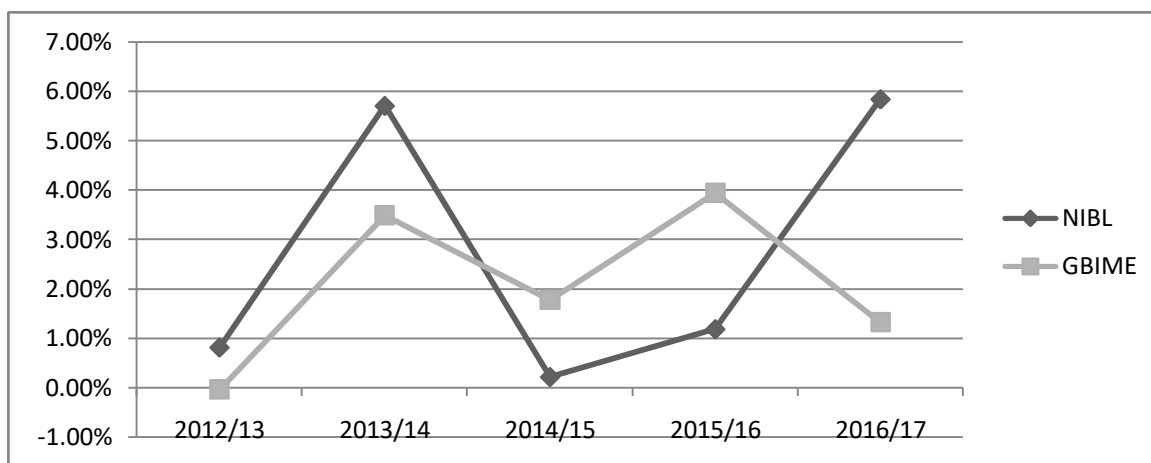


Figure 12 : ROA of NIBL and GBIME Capital Limited

Table 4.11 and Figure 12 disclose return on assets of NIBL & GBIME companies for last five years. ROA of both sample companies are fluctuating trend, which is, clearly show in figure 12. When, the performance of ROA of both companies has increased from 2012/13 to 2013/14. But both companies ROA has decreased from 2013/14 to 2014/15. It indicates both Companies management has facing some problems to generate more profit by using its assets or evaporated profit of this merchant bank due to some problem at this period. After that, NIBL has gradually increased of ROA but GBIME `s ROA has decreased after fiscal year 2015/16. An increasing trend of NIBL's ROA indicates that the profitability of the company is improving. Conversely, decreasing trend of GBIME means that profitability is deteriorating. In other words, this figure shows the ability of the NIBL to generate profit from the Merchant Banking' assets and measures the ability of the management to convert the assets of the Companies into net earnings is not consistent or fluctuating trend. Although, CV of NIBL and GBIME are 1.01 and 0.77 respectively which are highly consistent ROA of GBIME than NIBL. It means management capacity is more consistently ability to use its assets for generating the profit. ROA of NIBL is highest average ROA with highly inconstant. Although this companies have higher average assets during the study period which means these companies can't optimal use of available assets to generate the income.

#### 4.1.11 ROE of NIBL and GBIME Capital Limited

Return on Equity (ROE) is the ratio of net income to total equity capital, which measures the return to shareholders on their equity. It measures how well the

management is utilizing the shareholder's invested money to generate profit ROE is one of the most important measures for evaluating efficiency and profitability of companies' management based on the equity that shareholders have contributed to the companies. Return on equity ratio indicates how profitable a company is by comparing its net income to its average shareholder equity. It measures the rate of return on common stockholders' investment. Higher the returns on equity ratio represent the more efficient management and better returns to shareholders. It is calculated by dividing net income by shareholder's equity. The return on equity ratio is an important tool for the financial analysis to appraise the financial structure of the firm. The following tables indicate return on equity ratios trend of two merchant companies from 2012/13 to 2016/17.

Table 4.12

*ROE of NIBL and GBIME Capital Limited*

Year	NIBL	GBIME
2012/13	0.82%	-1.05%
2013/14	5.80%	18.38%
2014/15	8.06%	4.89%
2015/16	30.71%	23.85%
2016/17	40.16%	29.21%
Mean	17.11%	15.06%
SD	17.26%	12.76%
CV	1.009	0.848

Source: Annex 4

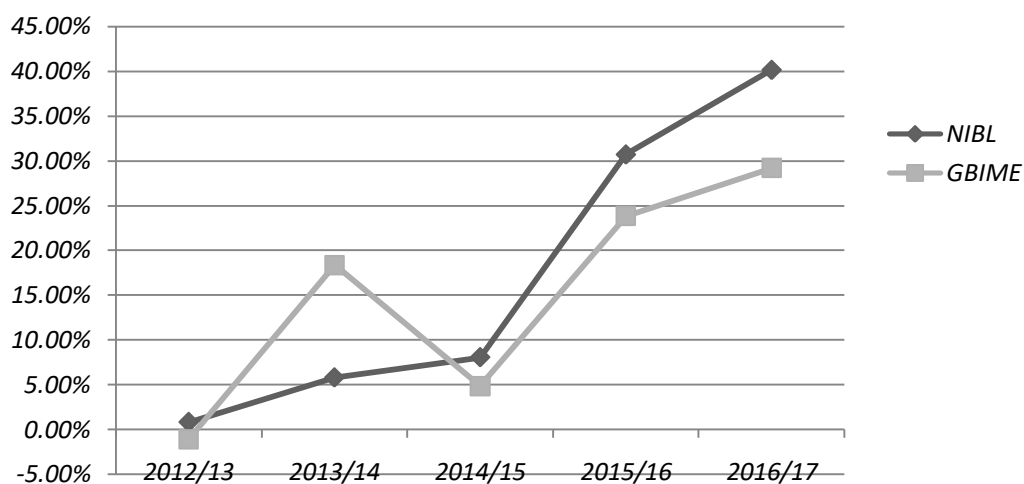


Figure 13 : ROE of NIBL and GBIME Capital Limited

Table 4.12 and Figure 13 disclose return on Equity of selected companies for last seven years. ROE of NIBL is increasing trend, but ROE of GBIME is Fluctuating in trend which is, clearly show in figure 13. When, the performance of ROE of GBIME has declined, it indicates Companies management has facing some problems to provide return to shareholder by using equity fund and vice versa. An increasing trend of ROE indicates that the profitability of both merchant banking is improving. Conversely, a decreasing trend means that profitability is deteriorating. The figure 13 shows the ability of Merchant Companies to generate profit from Companies' shareholder equity and measures the ability of the management to utilization of shareholder equity of the Companies into net earnings is not consistent or fluctuating trend. The average of Mena value of ROE of NIBL is 17.11% that is 2.05 % higher than GBIME. It shows NIBL is stronger in term of ROE than GBIME. Although; CV of NIBL is higher than GBIME, that are highly inconsistent ROE than GBIME. It means management capacity of GBIME is more consistently ability to use its using equity for generating the profit.

#### **4.1.12 Net Profit Margin Ratio of NIBL and GBIME Capital Limited**

The net profit margin indicates how well the company converts its sales into profits. The net profit margin is equal to how much net income or profit is generated as a percentage of revenue. Net profit margin is the ratio of net profits to revenues for a merchant banking. The net profit margin ratio is a profitability ratio and it represents the percentage of profit from operations after deducted business operating expenses, from revenues. It is both a measure of efficiency and of overall Merchant business health.

Table 4.13

##### *Net Profit Margin Ratio of NIBL and GBIME Capital Limited*

Year	NIBL	GBIME
2012/13	8.9%	-6.2%
2013/14	28.2%	121.2%
2014/15	37.1%	53.2%
2015/16	57.3%	90.8%
2016/17	83.1%	76.8%
Mean	42.9%	67.1%
SD	28%	48%
CV	0.66	0.71

*Source: Annex 5*

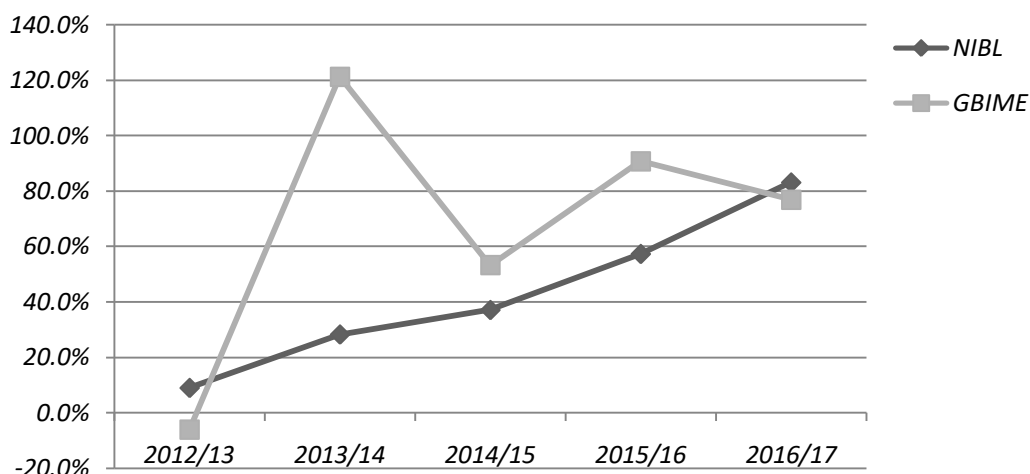


Figure 14 : Net profit margin ratio of NIBL and GBIME Capital Limited

Table 4.13 and Figure 14 disclose net profit margin ratio of selected companies for last five years. Net Profit margin ratio of NIBL is increasing trend, but Net Profit margin ratio of GBIME is Fluctuating in trend, which is, clearly show in figure 14. When, Net Profit margin ratio of GBIME has declined, it indicates Companies management has facing some problems to generate the profit by using its assets. An increasing trend of Net Profit margin ratio indicates that the profitability of both merchant banking is improving. Conversely, a decreasing trend means that profitability is deteriorating. The figure 14 shows the ability of Merchant Companies to generate profit from Companies and measures the ability of the management to utilization of assets Companies into net earnings is not consistent or fluctuating trend. The average of Mean value of NPM of GBIME is 67.11% that is 25.01 % higher than NIBL. It shows GBIME is stronger in term of NPM than NIBL. Although; CV of GBIME is higher than NIBL that are highly inconsistent Profit margin ratio than NIBL. It means management capacity of NIBL is more consistently ability to use its using assets for generating the profit.

#### 4.1.13 Operating Expenses Ratio of NIBL and GBIME Capital Limited

The operating expense ratio (OER) is a measurement of the cost to operate a piece of property compared to the income brought in by the property. It is equal to a company's operating expenses divided by its revenue. The operating ratio can be used to determine the efficiency of a company's management by comparing operating expenses to Operating income. The smaller the ratio, the greater the organization's ability is to generate profit. One of the most important considerations with this ratio

is the direction it takes over time. An expense ratio that is increasing over time means the company is operating less efficiently from period to period.

Table 4.14

*Operating Expenses Ratio of NIBL and GBIME Capital Limited*

Year	NIBL	GBIME
2012/13	83.0%	137.9%
2013/14	58.0%	60.9%
2014/15	77.6%	123.8%
2015/16	63.2%	113.4%
2016/17	66.1%	70.7%
Mean	64.70%	101.33%
SD	10.40%	33.77%
CV	0.15	0.33

Source: Annex 5

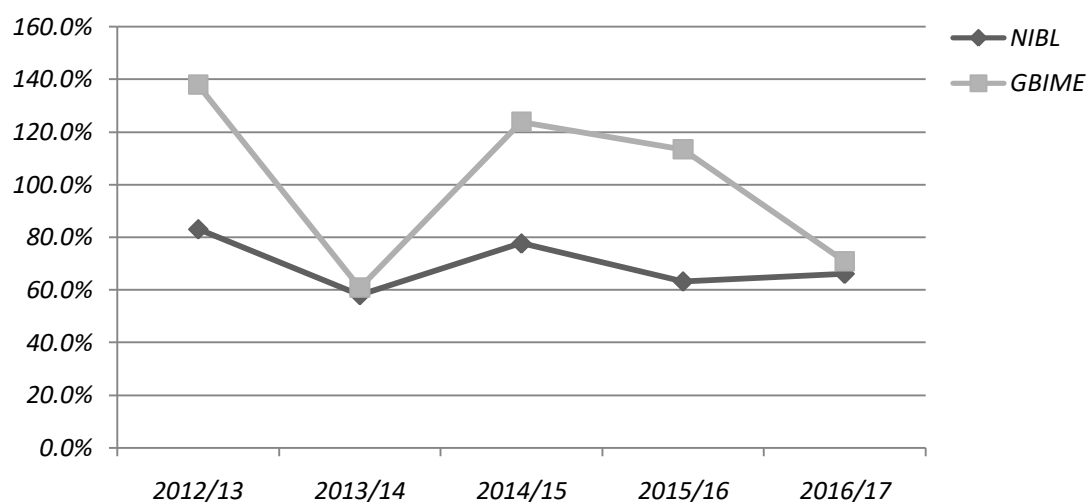


Figure 15 : Operating Expense Ratio of NIBL and GBIME Capital Limited

The table 4.14 and figure 15 shows the patterns of Operating Expenses Ratio of NIBL and GBIME capital limited from the fiscal year 2012/13 to 2016/17. The OER of GBIME is highly fluctuating with inconsistency than NIBL because GBIME's CV is 0.33 which is higher than NIBL Capital by 0.18. But the average mean value of GBIME is 101.33% and NIBL is only 69.60%. It shows NIBL Capital is operating highly efficiently than GBIME capital because of a lower operating expenses ratio. The average means of NIBL is increasing in trend but GBIME is highly fluctuating during the study period. After 2014/15, GBIME has gradually decreased the operating expenses ratio. It means GBIME has successfully reduced regular expenses or increased the income in comparison with operating expenses.

## 4.2 Statistics Analysis

### 4.2.1 Correlation Analysis between NPM & OER with ROA & ROE

Correlation is a statistical tool that measure relationship between two or more variables. It indicates the extent to which two or more variables fluctuate together. A positive correlation indicates the extent to which those variables increase or decrease in parallel; a negative correlation indicates the extent to which one variable increases as the other decrease. Correlation is computed into what is known as the correlation coefficient, which has value that must fall between -1 and 1.

Table 4.15

<i>Correlation Analysis</i>		<b>Correlations</b>	
		ROA	ROE
NPM	Pearson Correlation	0.48*	.714*
	Sig. (2-tailed)	.015	.020
	N	10	10
OER	Pearson Correlation	-.404*	-.474*
	Sig. (2-tailed)	.011	.016
	N	10	10

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
 \* . Correlation is significant at the 0.05 level (2-tailed).

*Source: Annex 6*

The table 4.15 shows the relationship between dependent Variables (ROA & ROE) with independent Variables (NPM & OER) to measure performance of merchant banking of Nepal with the study of NIBL and GBIME Capital Limited. As per the Table 4.15 shows there is positive relationship between NPM with ROA & ROE and Value of ROA & ROE are 0.48 and .714 respectively. It shows increase of NPM lead to increase of ROA and ROE of Merchant Banking and vice versa. it conclude that if increase of net profit margin ratio of merchant banking ration which leads to increase return of assets and return of equity. Similarly, there is negative relationship between OER with ROA and ROE of Merchant Banking and Value of person correlation of ROA & ROE with OER are -.404 and -.474 respectively. It means decrease of OER leads to increase ROA & ROE of Merchant Banking. It conclude that decrease of Operating expense is benefited to merchant banking and Return of assets as well as Return of equity.



#### 4.2.2 Simple regression Analysis of between ROA with NPM & OER

In the simple regression Analysis, there are only one dependent variable and one independent variable. In this analysis, ROA is dependent variables and NPM and OER are independent variables. The relationships and Impact of both independent variables on ROA is measured by simple regression analysis separately.

Table 4.16

*Regression Model between ROA with NPM & OER*

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error	Sig. F Change
NPM	.485 <sup>a</sup>	0.235	0.139	2.02%	0.015
OER	.404 <sup>a</sup>	0.164	0.059	2.11%	0.011

a. Predictors: (Constant), NPM  
b. Dependent Variable: ROA

*Source: Annex 7*

As shown in Table 4.16, the value of coefficient of multiple determinations between ROA with NPM & OER is 0.235 and 0.164 respectively. This implies that the variation in ROA can be explained by NPM is 23.5% and remaining 76.5% is explained by other factors. Similarly the variation in ROA can be explained by OER is 16.4% and remaining 83.5% is explained by other factors.

Table 4.17

*ANOVA table between ROA with NPM & OER*

Model		Sum of Squares	df	Mean Square	F	Sig.
NPM & ROA	Regression	9.996	1	9.996	2.455	0.015
	Residual	32.567	8	4.071		
	Total	42.563	9			
OER & ROA	Regression	6.959	1	6.959	1.564	0.011
	Residual	35.603	8	4.45		
	Total	42.563	9			

*Source: Annex 7*

The ANOVA results of this test are presented in Table 4.17. Finding form the Fishers ratio (i.e. the F-Statistics which is a proof of the validity of the estimated model) as reflected in Table 4.17 indicates that the F is about 2.455 and a P-value is 0.015 between NPM & ROA. Similar, the F is about 1.564 and a P-value is 0.011 between OER & ROA. This invariably suggests clearly that simultaneously the explanatory

variables are significantly associated with the dependent variable. The P value is 0.015 for NPM & ROA and 0.011 for OER & ROA, Which is lesser than alpha value 0.05, these shows that independent variable statistically significantly predict the dependent variable (ROA). Therefore, the model is a good predictor of the relationship between the dependent and independent variable. As a result, the independent variables are significant in explaining the variance in ROA.

Table 4.18

*Regression Coefficient between ROA with NPM & OER*

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.945	1.139		.829	.431
	NPM	.027	.017	.485	1.567	.015
2	(Constant)	5.026	2.185		2.301	.050
	OER	-.030	.024	-.404	-1.251	.011

*Source: Annex 7*

In table 4.18, the standardized coefficient indicates how much the dependent variable varies with an independent variable when all other independent variable is held constant. Under the study of Overall banks the regression coefficient denoted by  $b_1$  between ROA & NPM and ROA & OER is .485 and -.404 respectively. It means that Rs.1 increase in NPM leads to Rs .485 increase of ROA & vice-versa. In Case of OER, Rs. 1 increase in OER leads to Rs .404 decrease of ROA & vice-versa. There is a positive relationship between NPM and ROA. This is evident in the t-statistics value of 1.567 and a  $P < |t|$  (.015 < 1.567.) which means that with the influence of other variables held constant as NPM changes. This result further indicates that NPM is a significant positively determinant of ROA for sample Companies. However, there is negative relationship between OER and ROA. This is evident in the t-statistics value of -1.251 and a  $P < |t|$  (.011 < 1.251.) which means that with the influence of other variables held constant as OER changes. This result further indicates that OER is a significant negatively determinant of ROA for sample Companies.

### 4.2.3 Simple regression Analysis of between ROE with NPM & OER

In the simple regression Analysis, there are only one dependent variable and one independent variable. In this analysis, ROE is dependent variables and NPM and

OER are independent variables. The relationships and Impact of both independent variables on ROE is measured by simple regression analysis separately.

Table 4.19

*Regression Model between ROE with NPM & OER*

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error	Sig. F Change
NPM	.714 <sup>a</sup>	.510	.449	10.65249%	0.020
OER	.474 <sup>a</sup>	.225	.128	13.40036%	0.016

a. Predictors: (Constant), NPM

b. Dependent Variable: ROE

Source: Annex 8

As shown in Table 4.19, the value of coefficient of multiple determinations between ROE with NPM & OER is 0.510 and 0.225 respectively. This implies that the variation in ROE can be explained by NPM is 51.0% and remaining 49% is explained by other factors. Similarly the variation in ROA can be explained by OER is 22.5% and remaining 77.5% is explained by other factors.

Table 4.20 :

*ANOVA Table between ROE with NPM & OER*

Model		Sum of Squares	df	Mean Square	F	Sig.
NPM & ROE	Regression	945.721	1	945.721	8.334	0.020
	Residual	907.805	8	113.476		
	Total	1853.526	9			
OER & ROE	Regression	416.969	1	416.969	2.322	.016
	Residual	1436.557	8	179.570		
	Total	1853.526	9			

Source: Annex 8

The ANOVA results of this test are presented in Table 4.20. Finding from the Fishers ratio (i.e. the F-Statistics which is a proof of the validity of the estimated model) as reflected in Table 4.20 indicates that the F is about 8.334 and a P-value is 0.020 between NPM & ROE. Similar, the F is about 2.322 and a P-value is 0.016 between OER & ROE. This invariably suggests clearly that simultaneously the explanatory variables are significantly associated with the dependent variable. The P value is 0.020 for NPM & ROE and 0.016 for OER & ROE, Which is lesser than alpha value 0.05, these shows that independent variables statistically significantly predict the

dependent variable (ROE). Therefore, the model is a good predictor of the relationship between the dependent and independent variable. As a result, the independent variables are significant in explaining the variance in ROE.

Table 4.21

*Regression Coefficient between ROE with NPM & OER*

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.695	6.016		.282	.785
	NPM	.261	.091	.714	2.887	.020
2	(Constant)	36.221	13.877		2.610	.031
	OER	-.236	.155	-.474	-1.524	.016

Source: Annex 8

In the table 4.21, the standardized coefficient indicates how much the dependent variable varies with an independent variable when all other independent variable is held constant. Under the study of Overall banks the regression coefficient denoted by  $b_1$  between ROE & NPM and ROE & OER is .714 and -.474 respectively. It means that Rs.1 increase in NPM leads to Rs .714 increase of ROE & vice-versa. In case of OER, Rs. 1 increase in OER leads to Rs .474 decrease of ROE & vice-versa. There is a positive relationship between NPM and ROE. This is evident in the t-statistics value of 2.887 and a  $P < |t|$  (.714 < 2.887.) which means that with the influence of other variables held constant as NPM changes. This result further indicates that NPM is a significant positively determinant of ROE for sample companies. However, there is negative relationship between OER and ROE. This is evident in the t-statistics value of -1.524 and a  $P < |t|$  (.016 < 1.524) which means that with the influence of other variables held constant as OER changes. This result further indicates that OER is a significant negatively determinant of ROE for sample companies.

#### 4.2.4 Hypothesis Testing

Hypothesis testing is the use of statistics to determine the probability that a given hypothesis is true. Hypothesis testing is done using inferential analysis. Inferential analysis test hypotheses to determine if observed differences between groups or variables are real or occur simply by chance. The best way to determine whether a statistical hypothesis is true would be to examine the entire population. Since that is often impractical, researchers typically, examine a random sample from the

population. If sample data are not consistent with the statistical hypothesis, the hypothesis is rejected. Three alternative hypotheses were drawn for the purpose of identifying relationship between dependent and independent variables in this study.

### **Hypothesis 1**

#### **H11: There is significant relationship between NPM with ROA**

The correlation analysis shows that there is Positive relationship between NPM and ROA at 5% significant level. The correlation is significant at 5% where p-value is less than alpha i.e.  $0.015 < 0.05$ .

Hence, the alternative hypothesis (H1) is accepted. It means that there is significant relationship between NPM with ROA.

#### **H12: There is significant relationship between NPM with ROE**

The correlation analysis shows that there is Positive relationship between NPM and ROE at 5% significant level. The correlation is significant at 5% where p-value is less than alpha i.e.  $0.020 < 0.05$ .

Hence, the alternative hypothesis (H12) is accepted. It means that there is significant relationship between NPM with ROE.

### **Hypothesis 2**

#### **H21: There is significant relationship between OER with ROA**

The correlation analysis shows that there is Negative relationship between OER and ROA at 5% significant level. The correlation is significant at 5% where p-value is less than alpha i.e.  $0.011 < 0.05$ .

Hence, the alternative hypothesis (H21) is accepted. It means that there is significant relationship between OER with ROA.

#### **H22: There is significant relationship between OER with ROE**

The correlation analysis shows that there is Negative relationship between OER and ROE at 5% significant level. The correlation is significant at 5% where p-value is less than alpha i.e.  $0.016 < 0.05$ .

Hence, the alternative hypothesis (H21) is accepted. It means that there is significant relationship between OER with ROE.

Table 4.22

*Result Summary of Hypothesis*

Statement	Null Hypothesis	Alternative Hypothesis
There is significant relationship between NPM with ROA	Rejected ( $H_0$ )	Accepted ( $H_1$ )
There is significant relationship between NPM with ROE	Rejected ( $H_0$ )	Accepted ( $H_1$ )
There is significant relationship between OER with ROA	Rejected ( $H_0$ )	Accepted ( $H_1$ )
There is significant relationship between OER with ROE	Rejected ( $H_0$ )	Accepted ( $H_1$ )

### 4.3 Presentation and Analysis of Primary Data

Primary data plays the vital role to make the research task meaning full as well as concrete. In the course of availing first hand data, questionnaire analysis, formal and informal interview method have been adopted. Under questionnaire analysis, important questions are set and provided to the related parties to take their opinion about merchant banking in Nepal. A number of questions were put up by means of 100 copies of questionnaire. There are two types of questionnaire format i.e. are investor Group and Employee & Manger Group Questionnaire format has been shown in appendix 8 & 9. The questionnaires so collected are related to find out the opinion on merchant banking. The responses from the respondents have been analyzed as follows:

#### 4.3.1 Presentation and Analysis of Investors Group Questionnaire

A) Do you know about the services provided by Merchant Banking?

This question was prepared to know knowledge about service provided by Merchant Banking. Knowledge of merchant banking helps to investors to take wide range of services for starting of investment activities until running a businesses and investment. The responses received from respondents are presented below:

Table 4.23

*Know About the Services Provided By Merchant Banking*

Variables	Frequency	Percent
Yes	40	80.00%
No	10	20.00%
Total	50	100.00%

*Source: Field Survey, 2017*

It has been come to know about the services of merchant banks. The question has been raised to find out whether Customer is sufficient for merchant banking Service or not. Regarding this question, 80% of respondents replied yes, 20% of respondents replied no. It shows most of investor are involving in merchant banking activities after knowing about its service. There are some investors who participating in merchant Banking activities not knowing about the service provided by Merchant Baking.

B) Do you take any services from Merchant Banks?

This question has asked to respondent how they take services from Merchant Banking. The responses received from respondents are presented below.

Table 4.24

*Services Taken from Merchant Banking*

Variables	Frequency	Percent
Yes	45	90.00%
No	5	10.00%
Total	50	100.00%

*Source: Field Survey, 2017*

The table 4.24 shows that, out of total respondents, 90% of the respondents taken from the service provided by the merchant banks and rest 10% of the respondents verdict on didn't taken service provided by the merchant banks. It concludes that majority of the respondents are taken with the service of sample merchant banks. The verdict of service taken from Merchant Banking and Service know about Merchant Banking is exactly same. It concludes that who know about the service taken from merchant banking, they has taken service from merchant banking. But who doesn't know about the service taking from merchant banking, they hasn't taken service from merchant Banking in Nepalese Merchant Banking.

C) Are you satisfied with the services provided by Merchant Banks?

Around 80% of the people are aware of service taken from Merchant Banks. They have taken service taken from Merchant Banks. Everyone service taken person are or not satisfied with services provided by Merchant Banks.

Table 4.25 :

*Satisfied with the Services Provided by Merchant Banks*

Variables	Frequency	Percent
Yes	11	22.00%
To some Extent	33	66.00%
NO	6	12.00%
Total	50	100.00%

*Source: Field Survey, 2017*

As per the field Survey, Regarding this question 22% of respondents gave fully satisfied with service of merchant Baking. According to their view, Service of Merchant Banking is able to fulfill Customer Demand as per their demand. However, 66% respondents are satisfied to some extent regarding service of merchant bank while 12% of respondents are not satisfied with their service.

D) What is the current position of Merchant Banking on public/ private Sector?

This question developed to current position of Merchant Banking on public/ private Sector from the investor's point of view. The responses received from respondents are presented below.

Table 4.26

*Current Position of Merchant Banking on Public/ Private Sector*

Variables	Frequency	Percent
Good	15	30.00%
Moderate	28	56.00%
Low	7	14.00%
Total	50	100.00%

*Source: Field Survey, 2017*

This first question tries to identify Position of Public/Private Sector, which are involved in merchant banking activities. Regarding this question, it has been identified that Public/ Private Sector involved in merchant banking activities are good in Position as 30% of respondent's vertices, 56% answered Moderate and remaining 14% respondents said low in Current Position of Merchant Banking.



E) What is your opinion toward the capital market in Nepal?

Merchant Bankers play an important role in the development of capital market. Similarly development of capital market also affects the development of merchant banking. Thus they are interrelated with each other. Here, this question is raised to find out the development position of capital market.

Table 4.27

*Opinion toward the Capital Market in Nepal*

Variables	Frequency	Percent
Developed	5	10.00%
Moderate	27	54.00%
Underdeveloped	18	36.00%
Total	50	100.00%

*Source: Field Survey, 2017*

As the table no. 4.27, the details of the responses are presented. Regarding this question only 10% of respondents replied developed, 54% of respondents replied moderate while only 36% of respondents replied that it is developed while none of the respondents replied the capital market to be Underdeveloped.

F) Which institution is actively participated in Merchant Banking services?

The question tries to identify the institutions, those who are actively involved in merchant banking activities. This question was asked to know this opinion represent as follows:

Table 4.28

*Institution is actively participated in Merchant Banking Services*

Variables	Frequency	Percent
Bank	19	38.00%
Financial Institution	26	52.00%
Other Institution	5	10.00%
Total	50	100.00%

*Source: Field Survey, 2017*

Regarding this question, 38% of respondents answered Bank, 52% answered Financial Institution and only 10% answered Other Institution in merchant banking function in Nepal. Hence, financial institution is actively involved in merchant banking service than others.

G) What is the contribution of Merchant Banking towards the development of security market?

This question has been developed to know the view of respondents regarding the contribution of merchant banking towards the development of securities market in Nepalese context.

Table 4.29

*Contribution of Merchant Banking towards the Development of Security Market*

Variables	Frequency	Percent
Support to issuing Company	16	32.00%
Awareness to small investors investment	14	28.00%
Loan Syndication	5	10.00%
All of the Above	15	30.00%
Total	50	100%

*Source: Field Survey, 2017*

The table 4.29 shows that, 16 respondents representing 32.00% of the respondents said that Support to issuing Company regarding Merchant banking for development of Security Market in Nepal. While 14 (28%) of the respondents saying that Merchant Banking has contributed to security market as Awareness to small investor's investment. Similarly, only 5 (10%) of the respondents said that have contributed to towards the development of security market. And at last 30% of the respondents said that all of the above activities are performed to develop of security market.

H) What do you think about the security Board of Nepal to extend Merchant Banking activities in Nepalese capital market are...?

Security Board plays an important role in the development of capital market through extending of Merchant Banking activities. Similarly, development of capital market also affects the development of merchant banking. This question has developed to know the security Board of Nepal to extend Merchant Banking activities in Nepalese capital market. The responses received from respondents are presented below.

Table 4.30

*Security Board of Nepal to Extend Merchant Banking Activities in Nepalese Capital Market*

Variables	Frequency	Percent
Appropriate	12	24.00%
Inappropriate	14	28.00%
Can't Say	24	48.00%
Total	50	100%

*Source: Field Survey, 2017*

Regarding this question, 24% of respondents answered appropriate role Security Board of Nepal to extend Merchant Banking activities in Nepalese capital market. Similarly 28% respondents answered Inappropriate role Security Board of Nepal to extend Merchant Banking activities in Nepalese capital market and rest 48% answered as can't Say for Merchant Banking activities in Nepalese capital market.

I) What are the difficulties in performing merchant banking services?

This question has been raised to find out the concrete reason for the difficulties in the performance of merchant banking activities as it has been realized the lack of specific merchant bankers and sufficient merchant banking activities in our country. The question is also raised from investors prospective through questionnaire as well as formal and informal interview. The brief descriptions of the responses are as follows;

According to the most of the respondents the most difficulties in the performance of merchant banking activities is lack of professionalism. There is less knowledge about merchant banking system. Similarly, the manpower in the field of merchant banking is not trained that is why they are not competent. The respondents also complained towards the conservative management style.

The majority of respondents also stated that the difficulties are also because of underdeveloped capital market, which generates low level of business opportunities and capital tools to investors and merchant bankers.

The respondents also seem to be unsatisfied toward the unclear policies and lack of proper and sufficient regulatory framework that has absence of merchant banking guidelines. They are also not satisfied with unclear status between stock exchange and security board of Nepal and lack of co-ordination between stock exchange and security board of Nepal and lack of co-ordination between different regulatory bodies and merchant banking itself.

The respondents also pointed out towards various difficulties like volatile political situation, unconscious investors, underdeveloped industries sectors, lack of strategic planning and implementation, etc.

J) In your opinion, what kind of improvement should be required to progress in merchant banking area?

The respondents gave a lot of suggestion for the improvements required for boosting up merchant banking activities in Nepal. According to the most of the respondents there should be clear-cut policies, guidelines specifying activities and role of merchant banking by regulatory authority. They create an environment for industrialization in Nepal and should attract foreign investment in the local market.

Management should have clear business vision, financial discipline and good corporate culture. Level of specialization should be developed in the area of merchant banking and capital market. There should be provision of incentive to investors to invest in capital market and institutions to float their shares and other financial tools in the market. There should maintain transparent accounts by business to win public confidence to attract more public scripts for issue.

The respondents also stressed for political stability, public awareness programs to train more people and create awareness among businesspersons about merchant banking activities.

Similarly, respondents also gave various suggestions, as government should play promotional role for improvement in overall economic condition and open capital market to foreign investors. There should also be proper planning and commitment for development.

#### **4.3.2 Presentation and Analysis of Manager & Employee Group Questionnaire**

A) What is the current position of Merchant Banking on public/ private Sector?

This question developed to current position of Merchant Banking on public/ private Sector from the Manager & Employee's point of view. The responses received from respondents are presented below.

Table 4.31

*Current Position of Merchant Banking on Public/ Private Sector*

Variables	Frequency	Percent
Good	17	34.00%
Moderate	22	44.00%
Low	11	22.00%
Total	50	100.00%

*Source: Field Survey, 2017*

This first question tries to identify Position of Public/Private Sector, which are involved in merchant banking activities. Regarding this question, it has been identified that Public/ Private Sector involved in merchant banking activities are good in Position as 34% of respondent's vertices, 44% answered Moderate and remaining 22% respondents said low in Current Position of Merchant Banking.

B) Are you satisfied with the services provided by Merchant Banks?

Around 80% of the people are unaware of service taken from Merchant Banks. They have taken service taken from Merchant Banks. Everyone service taken person are or not satisfied with services provided by Merchant Banks. Following table shows the survey report:

Table 4.32

*Satisfied with the Services Provided by Merchant Banks*

Variables	Frequency	Percent
Yes	17	34.0%
To some Extent	25	50.0%
NO	8	16.0%
Total	50	100.0%

*Source: Field Survey, 2017*

As per the field Survey, Regarding this question 34% of respondents gave fully satisfied with service of merchant Baking. According to their view, Service of Merchant Banking is able to fulfill Customer Demand as per their demand. However, 50% respondents are satisfied to some extent regarding service of merchant bank while 16% of respondents are not satisfied with their service.

C) What is your opinion toward the Capital Market in Nepal?

Merchant Bankers play an important role in the development of capital market. Similarly, development of capital market also affects the development of merchant

banking. Thus, they are interrelated with each other. Here, this question is raised to find out the development position of capital market.

Table 4.33

<i>Current Position of Merchant Banking on Public/ Private Sector</i>		
Variables	Frequency	Percent
Developed	12	24.00%
Moderate	19	38.00%
Underdeveloped	19	38.00%
Total	50	100.00%

*Source: Field Survey, 2017*

As the table no. 4.33, the details of the responses are presented. Regarding this question only 24% of respondents replied developed, 38% of respondents replied moderate while only 38% of respondents replied that it is undeveloped.

D) How is the contribution of Merchant Banking towards the development of security market?

This question has been developed to know the view of respondents regarding the contribution of merchant banking towards the development of securities market in Nepalese context.

Table 4.34

<i>Contribution of Merchant Banking towards the Development of Security Market</i>		
Variables	Frequency	Percent
Support to issuing Company	13	26.00%
Awareness to small investors investment	6	12.00%
Loan Syndication	3	6.00%
All of the Above	28	56.00%
Total	50	100%

*Source: Field Survey, 2017*

The table 4.34 shows that, 13 respondents representing 26.00% of the respondents said that Support to issuing Company regarding Merchant banking for development of Security Market in Nepal. While 6 numbers (12%) of the respondents saying that merchant banking has contributed to security market as awareness to small investor's investment. Similarly, only 3 numbers (6%) of the respondents said that have contributed to towards the development of security market. And at last 28 numbers (56%) of the respondents said that all of the above activities are performed by merchant banks to develop of security market.

E) What do you think that the current legal provision of merchant banking activities is ...?

This question has been asked to think that the current legal provision of merchant banking activities. Here, this question is raised to find legal provision of merchant banking.

Table 4.35

*Legal Provision of Merchant Banking Activities*

Variables	Frequency	Percent
Appropriate	13	26.0%
inappropriate	23	46.0%
can't say	14	28.0%
Total	50	100.00%

*Source: Field Survey, 2017*

The table 4.35 shows that, 13 respondents representing 26.00% of the respondents said that appropriate to Legal Provision of Merchant Banking Activities. While 23 numbers (46%) of the respondents saying that legal Provision Merchant Banking has contributed to inappropriate. Similarly, 14 numbers (28%) of the respondents said that can't say.

F) What are the current problems of merchant banking services in Nepal?

This question has been developed to know the current problems of merchant banking services in Nepal.

Table 4.36

*Current Problems of Merchant Banking Services in Nepal*

Variables	Frequency	Percent
No proper guideline by government	5	10.00%
Centralize capital Market	8	16.00%
Lake of Co-ordination between Concern Authority	8	16.00%
All of the above	29	58.00%
Total	50	100.00%

*Source: Field Survey, 2017*

The table 4.36 shows that, 5 respondents representing 10.00% of the respondents said that No proper guideline by government Merchant banking for development of Security Market in Nepal. While 8 (16%) of the respondents saying that Centralize capital Market as the problems of Merchant Banking Services in Nepal .Similarly, only 8 (16%) of the respondents said that Lake of Co-ordination between concern

authority as another problem. At last, 58% of the respondents said that all of the above are problem of the merchant banking services in Nepal.

G) What are the difficulties in performing merchant banking services?

According to the most of the respondents the most important difficulties in the performance of merchant banking activities is lack of professionalism. There is less knowledge about merchant banking system. Conservative management style is another big problem in the performance of Merchant banking. As per many respondents, the problem and difficulties in merchant banking is not only because of the lack of proper guidelines but also because of unclear policies and guidelines but also because of unclear policies and insufficient regulatory framework. The problem is created due to lack of co-ordination between different regulatory bodies and merchant banking itself.

As it has been realized the lack of specific merchant bankers and sufficient banking activities in our country, the seventh question has been asked to find out the concrete reason for the difficulties in the performance of merchant banking activities. The respondents also pointed out towards various problems like current political situation, unconscious investors, underdeveloped industries sectors, lack of strategic planning etc.

H) In your opinion, what kind of improvement should be required to progress in merchant banking area?

This question has been developed to know the view of respondents regarding the contribution of merchant banking towards the development of merchant banking area. Many respondents viewed that there is the great significance of merchant banking towards the development of capital market. According to them, public issue management is synonymous with merchant banking in Nepalese context. Merchant bankers play vital role in performing different capital market activities like issue management, corporate counseling, underwriting, project planning etc. Many of the respondents view that merchant banker's foster growth and development of capital market through many services. The capital market would not be developed unless there is no perfect competition in merchant banking services. According to the respondents, the high competition in merchant banking services is only possible when there is a strong economic environment. Thus, the respondents viewed that



there is the significant contribution of merchant banking towards the development of securities market.

#### **4.4 Major Findings of the Study**

1. This increasing trend of public issue indicates the importance of merchant bankers and merchant banking activities for capital market development and growth of securities market. There have been 284 public issues of different companies amounting Rs. 112.99 billion from 1012/13 to 2016/17. The Number of Public Issue is gradually increasing in each year, which shows Public Companies in Nepalese economy will increase in future also.
2. Analysis of institution and instrument wise public issue reveals that most of the issuing companies are banks in amount and they prefer to issue right shares most of the time. During 2012/13 to 2016/17, Commercial Bank has highest percentage of amount in public issued but second highest percentage of No. of issue. During the study period, Right share is major source of fund in comparison with ordinary share. It shows existing companies have increased their source of fund (Capital) through the Right issued to protect the existing shareholder position in the organization. 30.63% of units and 14.16% of amount has issued through ordinary shares
3. During the five years period, NIBL has managed to raise Rs 43.45 million capitals out of total Rs. 11,910.00 million that represent 0.36% in fiscal year 2012/13. Company has raised highest percentage of amount in last fiscal year 2016/17 Frequency of number of issue of NIBL is fluctuating in trend but Percentage of amount is increasing in tend from fiscal year 2012/13 to 2016/17. This trend shows NIBL gradually increase the capacity to manage the amount of public issued.
4. During the five years period, GBIME has managed to raise Rs 89.76 million capitals out of total Rs. 11,910.00 million that represent 0.75% in fiscal year 2012/13. Frequency of number of issue of GBIME is Increasing in trend but percentage of amount is fluctuating in tend from fiscal year 2012/13 to 2016/17. This trend shows GBIME gradually increase the capacity to manage the amount of public issued because frequency and volume of amount are higher than last study periods in comparison with initial study periods.

5. The average of Assets of NIBL and GBIME are Rs. 2,173.12 in million and Rs. 1,160.90 in million respectively which shows NIBL capital has highest assets among the sample companies. The trend of investment in assets of GBIME is gradually decreasing from fiscal year 2012/13 to 2014/15 and a thereafter-total asset of GBIME has increased in last two fiscal year. Total Assets of NIBL is drastically increased from Rs. 110.46 million to 4485.2 million from fiscal year 2013/14 to 2014/15 and a total asset of NIBL is decreased at last fiscal year.
6. The average of Shareholder equity of NIBL and GBIME are Rs.150.172 in million and Rs. 102.198 in million respectively, which shows NIBL has highest than GBIME. In others a word, NIBL has, highest ability is able to protect itself against the financial losses in comparison with GBIME. The average of Net Profit of NIBL & GBIME is Rs. 33.986 and Rs. 18.742 in million with CV 1.255 and 0.900 respectively. However, increased percentage of Net Profit is increasing in trend during study period but net profit of NIBL capital has decreased from fiscal year 2013/14 to 2014/15.
7. The trend of operating income is increasing trend but operating income of GBIME has decreased from 2013/14 to 2014/15. Volume of operating income of NIBL is increasing at higher than GBIME each year. The average of NIBL is Rs. 54.044 in million and Rs.23.42 in million. The Earning ability of NIBL is higher than GBIME.
8. The average of Operating Expenses of NIBL and GBIME are Rs. 35.748 and Rs. 20.772 in million respectively. Among them, NIBL are highest than GBIME during each study period. NIBL has highest operating Expenses as well as highest operating income than GBIME. Highest operating Expenses are burden for company if repayment or repay capacity is weak.
9. ROA of both sample companies are fluctuating trend. The performance of ROA of both companies has increased from 2012/13 to 2013/14. But both companies ROA has decreased from 2013/14 to 2014/15.It indicates both Companies management has facing some problems to generate more profit by using its assets or evaporated profit of this merchant bank due to some problem at this period.
10. ROE of NIBL is increasing trend, but ROE of GBIME is Fluctuating in trend. The average of Mean value of ROE of NIBL is 17.11% that is 2.05 % higher than GBIME. It shows NIBL is stronger in term of ROE than GBIME. Similarly, Net Profit margin ratio of NIBL is increasing trend, but Net Profit margin ratio of

GBIME is Fluctuating in trend. Net Profit margin ratio of GBIME has declined, it indicates Companies management has facing some problems to generate the profit by using its assets.

11. The patterns of Operating Expenses Ratio of NIBL and GBIME capital limited are fluctuating trend from the fiscal year 2012/13 to 2016/17. The OER of GBIME is highly fluctuating with inconsistency than NIBL because GBIME `s CV is 0.33 which higher than NIBL Capital by 0.15. There is significantly positive relationship between ROE & ROA with NPM but there is significantly negative relationship between ROE & ROA with OER. Hence, alternative hypothesis is accepted because P-value is lesser than 5 %.
12. The coefficient of determinants ( $r^2$ ) between ROA with NPM and OER are 23.5% and 16.4 % respectively. The coefficient of Determinants ( $r^2$ ) between ROE with NPM and OER are 51% and 22.5 % respectively.
13. As per the Primary Data of Investor Group, 80% of respondents replied Know about the Services Provided by Merchant Banking and 20% of respondents replied no. Same result is found in case how they take services from Merchant Banking. It conclude that this respondent know about merchant banking who have taken any service form Merchant Baking.
14. Most of investor is satisfied with the Services Provided by Merchant Banks at moderate level. Only 22% of respondents gave fully satisfied with service of merchant Baking. It show merchant banking should increase the customer service at higher quality. From the Manger & Employee Group, 50% respondents are satisfied to some extent regarding service of merchant bank while 34% of respondents gave fully satisfied with service and 16% of respondents are not satisfied with their service.
15. There is 56% people realize the moderate level of current position of merchant banking on public & private sector. But from the Manger & Employee Group, 44% provides the reposes for moderate level of current position of merchant banking on public /Private sector which is highest respondent than Good and low level.
16. Finance company is actively participated in Merchant Banking Services than bank and other institution as per investor group survey study. 32 % of investor think that Support to issuing Company regarding Merchant banking for

development of Security Market in Nepal. At last, 30% of the respondents said that all of the above activities are performed to develop of security market.

17. From Manger & Employee Group, 26.00% of the respondents said that Support to issuing Company regarding Merchant banking for development of Security Market in Nepal. While 6 (12%) of the respondents saying that Merchant Banking has contributed to security market as Awareness to small investor's investment. Similarly, only 3 (6%) of the respondents said that have contributed to towards the development of security market. At last, 56% of the respondents said that all of the above activities are performed to develop of security market.
18. From the Manger & Employee Group, 46% respondent thinks that inappropriate legal provision for expanding merchant banking activities. This is highest response percentage of legal provision.

## **CHAPTER-V**

### **CONCLUSION**

This final chapter summery, conclusion and implication are given based on the results and analysis of data collected from the field. The suggestions of the possible solutions to the research problem are also given in this chapter. Finally, study suggests the area for further study in order to assist others who will be in a position to conduct studies by referring this study.

#### **5.1 Summary**

This study concerns in the topic of "Study of Merchant Banking in Nepal." The research has followed these objectives: (i) To evaluate the significance of merchant banking towards the development of securities in Nepal (ii) To know the financial performance of merchant bankers in Nepal (iii) To analysis the presents conditions of merchant banking in terms of its service quality, development and legal status. To meet the desired objectives, it utilizes the Seven years (2012/13 to 2016/17) of NIBL & GBIME Capital Limited. For this purpose, descriptive and inferior research design has adopted. Out of the total population, two Merchant companies have taken as sample using Convenience Sampling Method. Secondary and Primary data have been used in the study. Various methods like Structured Questionnaires, formal and informal interview, field survey, annual report published by the concerned institutions, Security Exchange Board of Nepal and Nepal Rastra Bank, etc. were used to meet the objectives of the study and to make the research meaningful. Analysis of Absolute Data, Analysis of Financial Ratios, Percentage, Frequency and Statistical Analysis is carried out to fulfill the objective of the study. The findings are drawn after analyzing the five years data of sample companies. Different ratios and percentage were calculated to get the results for conclusions. Since the topic of the study revolves around Merchant Banking in Nepal.

The analysis starts from analyzing the institution and instrument wise public issue. It has been conducted from the perspective of finding out the significance of merchant banking towards the development of securities industry in Nepal. They have been 284 public issues of different companies amounting Rs. 112.99 billion from the fiscal year 2011/12 to 2016/17. Out of the total public issues of securities during the

period, Development banks stood first position, which is 48.24% in number of issue but in term of amount, commercial bank is highest position with 57.38%. Similarly, the most preferred instrument is issue of Right Issue. Out of the total public issue, Right Issue occupies 57.75%, which is highest number of issue, and right issue occupies 57.99% in total amount of issued during the study period. Other instruments like Primary Issue, Further Issue, mutual/ unit fund and bond are issued as 30.63, 2.46, 3.87, and 5.28 percentages respectively in term of units. Similarly, Primary Issue, Further Issue, mutual/ unit fund and bond are issued as 14.16, 12.23, 8.63, and 6.99 percentages respectively in term of Amount.

The analysis of merchant banking activities has been done with the help of secondary as well as primary data. To assess the performance of financial institutions in relation to merchant banking activities, the analysis of the selected companies has been conducted. NIBL Capital Markets Limited is slightly higher position in number of Public Issue than GBIME Capital. GBIME provides better services like public issue management in amount in comparison with NIBL capital market, underwriting and registrar to share. Under share issue management, NIBL has handed 33 issues with Rs. 6,190.80 million and GBIME handle only 32 public issue raised amounting Rs. 8,614.89 million from the fiscal year 2011/12 to fiscal year 2016/17.

The Average total assets of NIBL & GBIME are Rs. 2,173.12 in million and Rs. 1,160.90 in million respectively which shows NIBL capital has highest assets among the sample companies. It indicates that NIBL Merchant is strong in situation to manage the merchant activities. So NIBL capital Market are more likely to gain an upper hand in the competitive market than GBIME capital market because higher assets are able to have more investment options, increased specialization and wide range of resources. The average of Shareholder equity of NIBL and GBIME are Rs.150.172 in million and Rs. 102.198 in million respectively, which shows NIBL has highest than GBIME. It means NIBL has highest risk bearing capacity. But GBIME has highly consistently equity capital during sample period due to lowest CV i.e 0.367.

The patterns of net Profit of GBIME and NIBL are gradually increased during the study period as increase Assets and Shareholder Equity. The average of Net Profit of NIBL & GBIME is Rs. 33.986 and Rs. 18.742 in million with CV 1.255 and 0.900 respectively. Earning capacity of Net profit of NIBL capital is higher than GBIME

capital, which shows NIBL has efficiency capacity than GBIME. GBIME has low management capacity to sell merchant activities than NIBL capital in the market as per competitors.

The trend of Operating Income of GBIME and NIBL during fiscal year 2012/13 to 2016/17. The trend of operating income is increasing trend but operating income of GBIME has decreased from 2013/14 to 2014/15. Volume of operating income of NIBL is increasing at higher than GBIME each year. NIBL has efficiency capacity than GBIME. GBIME has low management capacity to sell merchant activities than NIBL capital in the market as per competitors. Hence, The GBIME faced some problems during study period. The average of Operating Expenses of NIBL and GBIME are Rs. 35.748 and Rs. 20.772 in million respectively. Among them, NIBL are highest than GBIME during each study period. NIBL has highest operating Expenses as well as highest operating income than GBIME. Highest operating Expenses are burden for company if repayment or repay capacity is weak.

ROA of both sample companies are fluctuating trend. The ability of the NIBL to generate profit from the Merchant Banking' assets and measures the ability of the management to convert the assets of the Companies into net earnings is not consistent or fluctuating trend. Although, CV of NIBL and GBIME are 1.01 and 0.77 respectively which are highly consistent ROA of GBIME than NIBL. The average of Mena value of ROE of NIBL is 17.11% that is 2.05 % higher than GBIME. It shows NIBL is stronger in term of ROE than GBIME. Although, CV of NIBL is higher than GBIME that are highly inconsistent ROE than GBIME. It means management capacity of GBIME is more consistently ability to use its using equity for generating the profit.

Net Profit margin ratio of NIBL is increasing trend, but Net Profit margin ratio of GBIME is Fluctuating in trend. The average of Mena value of ROE of GBIME is 67.11% that is 25.01 % higher than NIBL. It shows GBIME is stronger in term of ROE than NIBL. Although; CV of GBIME is higher than NIBL that are highly inconsistent Profit margin ratio than GBIME. It means management capacity of NIBL is more consistently ability to use its using assets for generating the profit. The pattern of Operating Expenses Ratio of NIBL and GBIME capital limited is fluctuating trend from the fiscal year 2012/13 to 2016/17. The OER of GBIME is highly fluctuating with inconsistency than NIBL because GBIME `s CV is 0.33

which higher than NIBL Capital by 0.18. GBIME is weak to cover operating expenses from operating income.

There is significantly positive relationship between ROE & ROA with NPM but there is significantly negative relationship between ROE & ROA with OER. Hence, alternative hypothesis is accepted because P-value is lesser than 5 %. It shows that merchant companies should consider factors related to the NPM & OER for better performance.

From the analysis of response of questionnaire, we come to know that who takes service from merchant banking these investors know about the merchant banking activities and who don't take any service of merchant banking are unknown about the merchant banking activities. Most of Investors and Employee & Manager are satisfied with the Services Provided by Merchant Banks at some extent only. It shows that merchant bank should increase the quality of its activities. 56% of investors think that moderate level of current Position of Merchant Banking on Public/ Private Sector. Form the Employee and Manager Group, 34% of respondents are good in Position, 44% answered Moderate and remaining 22% respondents said low in Current Position of Merchant Banking

Merchant Bankers play an important role in the development of capital market. Similarly development of capital market also affects the development of merchant banking only 10% of respondents replied developed, 54% of respondents replied moderate while only 36% of respondents replied that it is developed while none of the respondents replied the capital market to be Underdeveloped. Similar view are found from Employee and Manager Group that provides 38% of respondents replied moderate while only 38% of respondents replied that it is undeveloped.

Financial Institution are most actively involved in merchant banking functions while other institutions like banks and other institutions are also performing this activity. Regarding Contribution of Merchant Banking towards the development of security market, more than half of the respondents do not agree in Support to issuing Company and all the option (Support to issuing Company, Awareness to small investor's investment & Loan Syndication). However, result is slightly difference in this case from Manager & Employee Group, 56.00% of respondent choose the all the activities performs by merchant banking.



According to investors, around half of investors Can't Say what kinds of activities done by Security Board of Nepal to extend Merchant Banking activities in Nepalese capital market. But according to manager & Employee, most of investors know about the legal provision. They said legal provision is inappropriate for development of merchant bank in Nepal.

The respondents also pointed out lots of problems for performance of merchant banking functions with their reasons. They said that there is No proper guideline by government, Centralize capital Market, Lack of Co-ordination between Concern Authority. They also suggested remedies so that merchant banking activities can be improved and boosted up in Nepal. Regarding the major role player for merchant banking activities respondents view, that merchant bank itself should be self-motivated. On the other hand, Nepal Rastra Bank (NRB) and Securities Exchange Board of Nepal (SEBO) should motivate and provide favorable environment.

## **5.2 Conclusion**

The coverage of the merchant banking is enormous and vast. The areas of function are unlimited to the merchant bankers. Merchant Banking services, therefore, are of great help to entrepreneur customers who cannot afford a permanent staff of financial specialists. Their activities are one of the major supporting instruments for any ongoing business organization. They can play a highly significant role in mobilizing funds from savers to invest through various channels assuring promising return on investment. Thus, they serve as an important intermediary to provide needed capital to corporations. Hence, the attempt has been made to find out the position and performance of merchant banking in Nepal. The importance of merchant banking is increasing gradually as a result of development activities economic liberalization in Nepal.

Capital market provides an important base for the development of industry, commerce and economy. Merchant banking and capital market are interdependent with each other in many aspects. In this regard, the analysis of public issue shows that merchant bankers are also playing a highly significant role towards the development of securities industries as well as capital market in Nepal. So public issue from merchant banking is growing each year. Hence, this trend of public issue shows the role and importance of Merchant Bank. Merchant bankers should manage

public issue in professional and systematic way. Involvement of Public Companies for raising capital is increasing each year. It shows market of merchant bank will be larger in the future. 284 companies has raised fund from public issued during the study period and Banking sectors are highly involved in public issue than others companies.

Activity performance of Merchant bank in Nepal is going better path, which is clarified by the performance of two sample companies i.e. NIBL capital Limited and GBIME capital limited. Involved of both companies in public issued is better in last fiscal year than initial fiscal year during study period. Companies, Total Assets, Share Holder Equity, Net Profit, and Operating Income are increasing trend in comparison with initial period of study. It shows size and volume of merchant bank is growing. ROE, Operating Expenses Ratio, Net Profit Margin Ratio of both companies are increasing trend which is better conditions of merchant banking activates in Nepal. There is positive significant relationship between NPM with ROA & ROE. It shows increase of NPM lead to increase of ROA and ROE of Merchant Banking and vice versa. There is negative significant relationship between OER with ROA & ROE. It shows decrease of OER lead to increase of ROA and ROE. Hence merchant banking in Nepal try to reduce operating expense ratio and increase the net profit margin ratio which play vital role to increase performance of merchant bank .

Most of investor is satisfied with merchant banking service at moderate level. It concludes that merchant banks required increasing the quality of service as per increase its volume and size. Most of investors have knowledge of merchant banking activities indicates the good future of the merchant banking in Nepal. It helps to merchant banker to increase their efficiency in day-to-day activities because Employee of the merchant banking doesn't not provide simple information which helps to save the time of staff. Knowledgeable investors also demand the quality service from the merchant banking.

The current position of Merchant Banking on public/ private Sector is in moderate level. Similarly most of investors think that the development of merchant banking in Nepal at moderate level. Financial institution is actively participation in merchant banking service. Merchant banking are involving to development of security market through Support to issuing Company , Awareness to small investors investment and Loan Syndication .Most of investors haven't idea what types of role is playing

security board of Nepal to extend Merchant Banking activities in Nepalese capital market. But according to Employee and Manager said that inappropriate Legal Provision is major hinder for development of Merchant Banking Activities. They identified some problems of merchant banking in Nepal i.e. are No proper guideline by government, Centralize capital Market and Lack of Co-ordination between Concern Authority as the another problem. the most important difficulties in the performance of merchant banking activities is lack of professionalism, less knowledge about merchant banking system, Conservative management style, unclear policies and insufficient regulatory framework, unconscious investors, underdeveloped industries sectors, lack of strategic planning etc.

The vertices between Investors and Employees & Manager are similar. Most of investor and employees think the overall conditions of merchant Banking in the moderate situation. This implies merchant banking condition in Nepal neither worst nor good. Therefore, these conditions will be improved if merchant banker and legal authorities will deal the problems and difficulties identify by the investor, Employees and Manager in this research. Legal provision, legal authorities don't play vital role to enhance the condition of merchant banking in the Nepal. Similarly legal authorities can't provide the sufficient legal information and its role to merchant banking. So many investors can't say the role of SEBON to extend the merchant banking activities in Nepal.

### **5.3 Implications**

Based on the major findings of the study, the following implications can be carried out:

#### **Recommendation for Improvement**

- Merchant banks should try to focus or specialize their services on merchant banking functions rather than making it only part of their function instead of sticking on selected merchant banking functions, similarly they should also make arrangement to introduce business and encourage severs outside Kathmandu valley to make them investors in the market.
- SEBON and NRB should make legal provision to allow the additional hybrid instruments such as warrants, option , Derivatives instruments to significance of merchant banking and size of Nepalese capital market.

- Merchant Banker should be increased which have positive relationship with ROA & ROE and while have negative impact with ROA & ROE should be reduced.
- All Merchant Banker should find an area they capitalize on it to get a competitive edge while trying to upgrade factors to impact positively on the ROA & ROE in which they are weak. This would place them ahead of competition. In addition, this would enhance their financial performance after analysis the different ratios, which not included in this study may affect to their performance.
- Most of investor is satisfied with merchant banking service at moderate level and the current position of Merchant Banking on public/ private Sector is in moderate level. Hence, Merchant Banking should increase the involvement of activities in public /Private sector with increase the quality of customer service.
- Most of investor can't say the role of SEBON in merchant banking activities. So investor awareness programmer should lunch by SEBON with the coordination of merchant banks in Nepal.
- Most of Employee and Manager provide the view of inappropriate legal provision to enhance the merchant activities. So Policy Maker organization should formulate the best rule and policy for development of merchant banks in Nepal.

#### **Further Researcher**

- Analysis of the others issue, which not included in this research, can be a good option for including further research.
- Detail statistical analysis of the various parameters to determine their relationship with the financial performance of insurance companies could be a good area for further research
- The study period has taken 5-year period and therefore for future studies a longer period needs to be studied
- To obtain a more accurate result and to generalize the result, future researchers could use probability sampling technique, random sampling technique, systematic sampling technique etc. instead of convenience sampling technique.

## Table of Contents

Cover page	i
Certification of Authorship	ii
Recommendation	iii
Approval Sheet	iv
Acknowledgement	v
Table of Contents	vi
List of Tables	ix
List of Figures	xi
Abbreviations	xii
Abstract	xiii
<b>CHAPTER- I INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study .....	1
1.2 Statements of the Problem.....	3
1.3 Theoretical framework and Hypothesis .....	4
1.4 Significance of the Study .....	5
1.5 Limitations of the Study.....	6
1.6 Chapter Plan .....	6
<b>CHAPTER –II LITERATURE REVIEW.....</b>	<b>8</b>
2.1 Conceptual review.....	8
2.1.1 Concept of Merchant Banking.....	8
2.1.2 History of Merchant Banking .....	9
2.1.3 Profile of sample merchant Banker.....	11
2.1.4 Functions of Merchant Banks.....	12
2.1.5 Nature of Merchant Banking .....	15
2.1.6 Responsibilities of merchant banking in Nepal .....	15
2.1.7 Qualities of Good Merchant Bankers.....	17

2.1.8	Commercial Banks and Merchant Banks .....	18
2.1.9	Role of Merchant Bankers.....	19
2.1.10	Business Development Approach and Strategy for Merchant .....	20
2.1.11	Securities Trading and Merchant Banking .....	21
2.1.12	Securities Businessperson Regulations, 2008 in Nepal .....	22
2.1.13	Need & Importance of Merchant Banking in Nepal .....	23
2.2	Review of Previous Works .....	26
2.2.1	Review of Articles and Journals .....	26
2.2.2	Review of Previous Thesis .....	29
2.3	Research Gap .....	30
<b>CHAPTER- III      METHODOLOGY.....</b>		<b>32</b>
3.1	Research Design.....	32
3.2	Population and sample .....	32
3.3	Nature and Sources of Data .....	33
3.4	Data collection Procedure/Techniques .....	33
3.5	Method of Data Analysis and Interpretation .....	33
3.5.1	Percentage Analysis .....	33
3.5.2	Ratio Analysis.....	34
3.5.3	Bar Diagram .....	34
3.5.4	Arithmetic Mean .....	34
3.5.5	Standard Deviation.....	34
3.5.6	Coefficient of Variation .....	35
3.5.7	Correlation (r).....	35
3.5.8	Coefficient of Regression.....	36
3.5.9	Coefficient of Determination ( $r^2$ ).....	36
3.5.10	t- Statistics .....	36
<b>CHAPTER – IV      RESULTS .....</b>		<b>37</b>
4.1	Presentation and Analysis of Secondary Data .....	37
4.1.1	Public Issue Analysis .....	37
4.1.2	Institutions Wise and Instrument Wise Analysis of Public Issue .....	39
4.1.3	Activity Performance of NIBL Capital Market .....	41
4.1.4	Activity Performance of GBIME Capital Market.....	43
4.1.5	Analysis of Total Assets from Sample Merchant Banking .....	45

4.1.6	Analysis of Share Holder Equity from Sample Merchant Banking.....	47
4.1.7	Analysis of Net Profit from Sample Merchant Banking .....	48
4.1.8	Analysis of Operating Income from Sample Merchant Banking .....	49
4.1.9	Analysis of Operating Expenses from Sample Merchant Banking .....	51
4.1.10	ROA of NIBL and GBIME Capital Limited .....	52
4.1.11	ROE of NIBL and GBIME Capital Limited.....	53
4.1.12	Net Profit Margin Ratio of NIBL and GBIME Capital Limited .....	55
4.1.13	Operating Expenses Ratio of NIBL and GBIME Capital Limited .....	56
4.2	Statistics Analysis .....	58
4.2.1	Correlation Analysis between NPM & OER with ROA & ROE .....	58
4.2.2	Simple regression Analysis of between ROA with NPM & OER.....	59
4.2.3	Simple regression Analysis of between ROE with NPM & OER.....	60
4.2.4	Hypothesis Testing.....	62
4.3	Presentation and Analysis of Primary Data.....	64
4.3.1	Presentation and Analysis of Investors Group Questionnaire .....	64
4.3.2	Presentation and Analysis of Manager & Employee Group	
4.4	Major Findings of the Study .....	75
<b>CHAPTER-V</b>	<b>CONCLUSION .....</b>	<b>79</b>
5.1	Summary.....	79
5.2	Conclusion .....	83
5.3	Implication.....	85

## **References**

## **Annexes**

## **Lists of Table**

Table 4.1 : Public Issue of Securities .....	38
Table 4.2 : Institute Wise Public Issue .....	39
Table 4.3 : Instrument Wise Public Issue .....	40
Table 4.4 : Public Issue Managed by NIBL .....	42
Table 4.5 : Public Issue Managed by GBIME .....	44
Table 4.6 : Total Assets of NIBL and GBIME Capital Market Limited .....	45
Table 4.7 : Total Shareholder Equity of NIBL and GBIME Capital Market Ltd.....	47
Table 4.8 : Net Profit of NIBL and GBIME Capital Market Limited .....	48
Table 4.9 : Operating Income of NIBL and GBIME Capital Market Limited .....	50
Table 4.10 : Operating Expenses of NIBL and GBIME Capital Market Limited .....	51
Table 4.11 : ROA of NIBL and GBIME Capital Limited .....	52
Table 4.12 : ROE of NIBL and GBIME Capital Limited .....	54
Table 4.13 : Net Profit Margin Ratio of NIBL and GBIME Capital Limited .....	55
Table 4.14 : Operating Expenses Ratio of NIBL and GBIME Capital Limited .....	57
Table 4.15 : Correlation Analysis .....	58
Table 4.16 : Regression Model between ROA with NPM & OER .....	59
Table 4.17 : ANOVA table between ROA with NPM & OER .....	59
Table 4.18 : Regression Coefficient between ROA with NPM & OER .....	60
Table 4.19 : Regression Model between ROE with NPM & OER .....	61
Table 4.20 : ANOVA table between ROE with NPM & OER:.....	61
Table 4.21 : Regression Coefficient between ROE with NPM & OER.....	62
Table 4.22 : Result Summary of Hypothesis .....	64
Table 4.23 : Know About the Services Provided By Merchant Banking .....	65
Table 4.24 : Services Taken from Merchant Banking .....	65



Table 4.25 : Satisfied with the Services Provided by Merchant Banks .....	66
Table 4.26 : Current Position of Merchant Banking on Public/ Private Sector.....	66
Table 4.27 : Opinion toward the Capital Market in Nepal .....	67
Table 4.28 : Institution is actively participated in Merchant Banking Services .....	67
Table 4.29 : Contribution of Banking towards the development of market .....	68
Table 4.30 : SEBON to extend Merchant Banking activities in capital market .....	69
Table 4.31 : Current Position of Merchant Banking on Public/ Private Sector.....	71
Table 4.32 : Satisfied with the Services Provided by Merchant Banks .....	71
Table 4.33 : Current Position of Merchant Banking on Public/ Private Sector.....	72
Table 4.34 : Contribution of Banking towards the Development of Market.....	72
Table 4.35 : Legal Provision of Merchant Banking Activities .....	73
Table 4.36 : Current Problems of Merchant Banking Services in Nepal .....	73

## **List of Figure**

Figure 1 : Theoretical Framework .....	5
Figure 2: Public issue of securities .....	38
Figure 3 : Institute wise public issue.....	39
Figure 4 : Instrument wise public issue.....	40
Figure 5 : Public issue managed by NIBL.....	42
Figure 6 : Public issue managed by GBIME .....	44
Figure 7 : Total assets of NIBL and GBIME Capital Market Limited .....	46
Figure 8 : Total shareholder equity of NIBL and GBIME Capital Market Ltd.....	47
Figure 9 : Net profit of NIBL and GBIME Capital Market Limited .....	49
Figure 10 : Operating income of NIBL and GBIME Capital Market Limited.....	50
Figure 11 : Operating Expenses of NIBL and GBIME Capital Market Limited.....	51
Figure 12 : ROA of NIBL and GBIME Capital Limited .....	53
Figure 13 : ROE of NIBL and GBIME Capital Limited .....	54
Figure 14 : Net profit margin ratio of NIBL and GBIME Capital Limited.....	56
Figure 15 : Operating Expense Ratio of NIBL and GBIME Capital Limited.....	57

## ABBREVIATIONS

Amt.	Amount
BS	Bikram Sambat
CIT	Citizen Investment Trust
Co.	Company
CV	Coefficient of Variation
FY	Fiscal Year
GBIME Capital	Global IME Capital Limited
i.e.	That is
Ltd.	Limited
MBS	Master of Business Studies
NEPSE	Nepal Stock Exchange
NIDC	NIDC Capital Market Limited
NPM	Net Profit Margin
NRB	Nepal Rastra Bank
OER	Operating Expenses Ration
OTC	Over the Counter Market
ROA	Return of Assets
ROE	Return of Equity
Rs.	Rupees
S.D.	Standard Deviation
SEBON	Securities Board of Nepal
TU	Tribhuvan University

## REFERENCES

- Aryal, K. (2003). *Merchant Banking and Mutual Fund in Nepal*. Kathmandu: Nepal Rastra Bank.
- Basnet, M. (1994). *Merchant Banking*. Kathmandu : Nepal Rsatra Bank.
- Bhattarai, P. (2002). *Capital Market in Nepal*. Kathmandu: Asmita Books and Stationary .
- Day, J. (1999). *Money and Finance in the Age of merchant Capitalism*. UK: Balckwell Publishers Limited.
- Ekerete, M. (2017). A Case Study of Selected Merchant Banks in Nigeria. *Pakistan Economic and Social Review*, XLIII(2), 271-287.
- Ghimire, R. R., & Thapa, K. (2016). *Capital Structure Management*. Kathmandu: Asmita Publication.
- Ghimire, T. R., Shakya, P., & Sapkota, P. (2016). *Capital Structure Management*. Kathmandu: Dreamland Publication.
- Hyderabad, R. (2002). "Performance of Merchant Bankers in Public Issue Management, Financial Services, Texts, and Cases &Strategies of India. *The Research Development Association*, 33(5), 332-343.
- Kaya, K. (2003). *An Overview of Merchant Banking*. Kathmandu: Nepal Rastra Bank.
- Kothari, C. (1994). *Quantitative Techniques*. New Delhi: Vikas Publishing House Pvt. Ltd.
- Lakshmana, B., & Naik, C. (2002). *Merchant Banking in India*. New Delhi: Prentice Hall of India.

- Machiraju, H. R. (2003). *Merchant Banking, Principles And Practice*. (3, Ed.) New Delhi: New Age International P.Ltd.
- Madishetti, S. (2013). *Ownership Structure And Financial Performance of Commercial Banks:A Comparative Study of Twomajor Banks in Tanzania*. International Interdisciplinary Research Journal, 1(2), 1-13.
- Mathuva, D. (2009). *Capital Adequacy, Cost Income Ratio and the Performance of Commercial Banks : The Kenyan Scenario*. The International Journal of Applied Economics and Finance, 3(2), 35-47.
- Meidan, A. (1984). *Bank Marketing Management*. London: Macmillan Publishers Limited.
- Mou, M. M. (2017). *Activities of merchant bank and a Comparative analysis of City Bank Capital, BRAC EPL Investment, Lankabangla Investment, Prime Bank Investment and IDLC Investment*. Dhaka: Master of Business Administration BRAC University.
- Ojha, K. (2005). *Financial Performances and Common Stock Pricing: A Case Study of Nepalese Stock Market*. Kathmandu : Security Board of Nepal.
- Pradhan, R. (2013). *Merchant Banking in Nepal*. Kathmandu: An Unpublished Master`s Degree Thesis, Submitted to Office of the Dean, Faculty of Management, T.U.
- Ravichandran, K. (2011). *Merchant Banking and Financial Services*. New Delhi: Himalayan Publishing House.
- Rayamajhi, S. (2016). *Merchant Banking Practices of Financial Institutions*. Kathmandu: An Unpublished Master`s Degree Thesis, Submitted to Office of the Dean, Faculty of Management, T.U.

- Sharma, A. (2005). *Marketing Effectiveness in Merchant Banking Industry – A Comparative Study of Public and Private Sector*. Gurgaon: Institute for International Management & Technology.
- Sharma, P. (2006). *Different Aspects of Book Building Process of Public Issues And Merchant Banking Activities Relating to Such Process in The Indian Primary Capital Market*. Finance India, X(3), 693-698.
- Singh, N., & Saxena, A. (2017). Significance of Merchant Banking in India. *Imperial Journal of interdisciplinary Research*, 3(8), 115-120.
- Subedi, S. (2015). *Merchant Banking Practices of Financial Institutions*. Kathmandu: An Unpublished Master`s Degree Thesis, Submitted to Office of the Dean, Faculty of Management, T.U.
- Tannam, M. (2011). *Tannan`s Banking Law and Practice in India*. New Delhi: India Law House.
- Thapa, K., & Rana, B. S. (2013). *Investment Management*. Kathmandu: Asmita Publication P.Ltd.
- Toor, N. (2005). *Information Handbook for Bank Promotion*. New India: Skylary Publications.
- Waghamare, S. (2015). performance evaluation of merchant bank in India-study of SBI capital market limited. *International journal of economic and business review*, 3(11), 171-174.