

# **NEPALESE SECURITY MARKET: SYSTEM, PRACTICES AND PROCESS**

**By:**

**SURENDRA KUMAR YADAV**

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

**A Thesis Submitted to:**

**Office of the Dean**

**Faculty of Management**

**T.U Regd No: 7-2-282-381-2003**

**St. Xavier's Campus**

**2010**

# RECOMMENDATION

This is to certify that the thesis  
Submitted by

**Sneha Tuladhar**

Entitled

## **NEPALESE SECURITY MARKET: SYSTEM, PRACTICES AND PROCESS**

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

.....

**Shankar Thapa**

Head of Department

St Xavier's Campus

.....

St. Xavier's Campus

Date : .....

# VIVA-VOCE SHEET

*We have conducted the viva-voce examination of the thesis presented*

By  
**Sneha Tuladhar**

Entitled  
**NEPALESE SECURITY MARKET:  
SYSTEM, PRACTICES AND PROCESS**

and found the thesis to be the original work of the student written according to the prescribed format. We recommended this thesis to be accepted in partial fulfillment of the requirements for Master of

**Business Studies (M.B.S.)**

## **Viva-Voce Committee**

Head of Research Department .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

Date : .....

# DECLARATION

I hereby declare that the work reported in this thesis entitled "**Nepalese Security Market: System, Practices and Process**" submitted to St. Xaviers Campus, Tribhuvan University, is my original work. It is done in the form of partial fulfillment of the requirement for the Master of Business Studies (M.B.S.) under the supervision and guidance of Shankar Thapa.

.....

**Sneha Tuladhar**

(Researcher)

Class Roll No.44/063

Exam Roll No: 4135/065

T.U Regd No: 7-2-282-381-2003

St. Xavier's Campus

# ACKNOWLEDGEMENTS

This entitled thesis "Nepalese Security Market: System, Practices and Process " has been prepared for the partial fulfillment of the requirement of Master's Degree of Business Studies (M.B.S) under the Faculty of Management, Tribhuvan University, is based on research models involving the use of quantitative as well as qualitative aspect.

I express my sincere gratitude to all the authors and learned personalities, whose writings have been cited in this study. I extend my deep sense of indebtedness to my respected supervisor Shankar Thapa of St Xavier's Campus for his precious guidelines, inspiration and suggestion thoroughly during the period of this research. Without their valuable insight, who provided the reference and reading materials during the period of research. I am also thank full to all my peers, friends and colleagues and my sincere thanks goes to the concern bank for their Valuable information and data.

Finally, I would like to express my sincere gratitude to all my family members for their assistance, timely encouragement in every steps and financial support.

.....  
**Sneha Tuladhar**  
(Researcher)

## Table of Contents

Viva Voce Sheet  
Recommendation  
Declaration  
Acknowledgement

<b><u>Chapters</u></b>		<b><u>Page No.</u></b>
<b>Chapter I</b>	<b>Introduction</b>	<b>1-9</b>
1.1	Background of the study	1-5
1.2	Statement of the problem	5-7
1.3	Objectives of the study	7
1.4	Significance of the study	7-8
1.5	Limitations of the study	8
1.6	Organization of the Study	8-9
<b>Chapter II</b>	<b>Review of Literature</b>	<b>10-43</b>
2.1	Conceptual Framework	10-11
2.2	Historical background of government securities	11-13
2.3	Review of theoretical literatures	13
2.3.1	Classical view	13-14
2.3.2	Keynesian view	14-15
2.3.3	Post Keynesian view	15-16
2.4	Resent issues on government borrowing	16-18
2.5	Types of investor	18-19
2.6	Types of government securities	19-25
2.7	Objectives of government debt	25-28
2.8	Effects of government bonds	28-31
2.9	Ownership, marketability and term structure of government bond	31
2.9.1	Ownership	31-32
2.9.2	Marketability	32
2.9.3	Term structure	32-33
2.9.4	Terms used in bonds	33-34
2.9	Review of legislations	34-35
2.10	Review of empirical studies	35
2.10.1	Review of books and articles	35-39
2.10.2	Review of dissertations	40-43
2.11	Research gap	43

<b>Chapter III</b>	<b>Research Methodology</b>	<b>44=48</b>
3.1	Research design	44
3.2	Population and sample	44
3.3	Nature and sources of data	45
3.4	Data collection procedure	45
3.4.1	Financial tools	45-46
3.4.2	Statistical tools	46-48
<b>Chapter IV</b>	<b>Presentation and Analysis of Data</b>	<b>49-83</b>
4.1	Analysis of secondary data	49
4.1.1	Trend and structure of government debt in Nepal	49-50
4.1.2	Trend of government securities issued in Nepal	50-54
4.1.3	Forecasted trend of internal debt based Curvilinear model	54-55
4.1.4	Percentage change in types and amount of Government securities	56-63
4.1.5	Ownership pattern og government securities	63-70
4.2	Presentation and analysis of Primary data	70-77
4.2.3	Test of hypothesis	78-83
<b>Chapter V</b>	<b>Summary, Conclusions and Recommendations</b>	<b>97-100</b>
5.1	Summary	87-88
5.2	Conclusions	89
5.3	Recommendations	89-91
Bibliography		
Appendix 1		
Appendix 2		
Appendix 3		
Appendix 4		

## ABBREVIATIONS

ADB	:	Asian Development Bank
CB	:	Commercial Bank
CPI	:	Consumer Price Index
CV	:	Coefficient of Variation
CBS	:	Central Bureau of Statistics
CEDA	:	Center for Economic Development and Administration
DMU	:	Debt Management Unit
DPMC	:	Debt Policy and Management Centre
DF	:	Degree of Freedom
DR	:	Discount Rate
DOD	:	Disbursed Outstanding Debt
EAPD	:	Economic Affairs and Policy Division
EPF	:	Employee Provident Fund
FI	:	Financial Institutes
F/Y	:	Fiscal Year
GBE	:	Government Business Enterprises
GDP	:	Gross Domestic Product
GNP	:	Gross National Product
IMF	:	International Monetary Fund
MOF	:	Ministry of Finance
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
NGO	:	Non- Government Organization
NPC	:	National Planning Commission
PSBE	:	Private Sector's Business Enterprises
PS	:	Private Sector
Rs	:	Rupee
RBP	:	Rastriya Bachat Patra
RBS	:	Rastriya Bima Sansthan
SD	:	Standard Deviation
SEBO	:	Security Board of Nepal
SOI	:	Service Oriented Institutions
T-Bills	:	Treasury Bills
TU	:	Tribhuvan University
TD	:	Total Debt
QEB	:	Quarterly Economic Bullet