CHAPTER- I
INTRODUCTION

1.1 Background of the Study

Financial market is concerned with accumulation and mobilization of capital resources, which act as a lifeblood for any productive activities. Financial market plays a fundamental role in the economic development of a country. They are the intermediary link in facilitating the flow of funds from savers to investors. By providing an institutional mechanism for mobilizing domestic savings and efficiently channeling them into productive investments, they lower the cost of capital to investors and accelerate economic growth of the country. The financial market in Nepal is relatively undeveloped. Limited people of urban area have only access to the financial market and most of the people are not familiar with the financial market. Few financial instruments are available in which to invest in Nepal.

Capital markets, which deal with securities such as stocks and bonds, are associated with financial resource mobilization on a long term basis. By raising capital directly from the public, they lower the cost of capital. Capital markets also allow for wider ownership among the public, thereby distributing risks and wealth amongst smaller investors. For investors, they provide an effective vehicle for making investment choices which suit their own preferences of risk and returns based on available information. As such, capital markets help the economy to generate more savings and productive investments. A basic feature of an efficient capital market is constant liquidity, i.e., an easy mechanism for entry and exit by investors. This requires sufficient volume and size of transactions in the market.

Capital market is a market of long-term securities, which have maturities more than of one year while money market is the market of short term securities maturing at most one year. Both the market plays an important role for establishment and operation of financial activities (Winfield and Curry; 1985:8).

Money Market refers to the network of corporations, financial institutions, investors and governments which deal with the flow of short-term capital. The money market usually applied to the buying and selling of debt instruments maturing in one year of less. There numerous types of money market instruments and the best known are commercial papers, banker's acceptances, treasury bills, certificates of deposits, Eurodollars, repurchase agreements etc (Bhattarai; 2004:159).

Securities are the legal representation of the right to receive prospective future benefits under stated condition which represents shares, stock, bond and debenture stock issued by a corporate body.

Institutional investors and individual investors, both are equally important from the investment point of view. As to the general meaning, the organized financial institutions that have substantial funds investment in the securities of others are known as institutional investors. Institutional investors play decisive role in the mobilizing the financial recourses from small savers to large units of industrial investors through collecting funds from small savers by issuing own securities in large volume through direct placement in primary market as well as they trade on securities in large volume in the secondary market provide liquidity and competitive market provide to the listed securities among various companies.

Institutional investors are the active financial intermediaries involved in the securities market as investors. Generally, they are less restricted in buying and selling securities. They buy and sell in bulk and have significant impact on the securities market in respect of resource mobilization, stock market price movement, market liquidity and so on. Especially , institutional investors do not hold securities for financial securities in order to control over the management of the corporation instead they hold securities for financial benefits that may be generate from these investment in the day to day transaction basis.

On the other hand we cannot neglect the potentiality of individual investors. There is an emerging trend of household saving to be invested in some security to earn future profit among common people. Unemployed, adult, housewives, retired personnel, students are attracted to investment day to day so that they can have some favorable future return. However, individual investor looks for different alternative than investing only in security market.

Both the investors no doubt must have equal participation in the investment. But the environment for the investment should be friendly i.e. having a sound economic condition, only than they feel comfortable to invest. In the financial market the investors have different option to invest.

Equities are probably the most familiar type of security. They come in two forms; common stock and preferred stock. Common stock represents ownership in a corporation. The two most important characteristics of common stock as an investment are its residual claim and limited liability features (Bodie, Kane & Marcus; 2002:44). Common stock, much more important due to different features like interest coupon, dividends, capital appreciation, ownership right, status etc will be searching by the investor to make investment.

Another type of security is preferred stock which represents the right to receive the stated dividend. The dividend on a preferred stock is usually fixed at some amount and never changed. Further, in the even of liquidation, preferred shares have a particular face value. The reason preferred stock (or preference stock, as it is sometimes termed) is called "Preferred" is that a company must pay the fixed dividend on its preferred stock before any dividends can be paid to common shareholders. In other words, preferred shareholders must be paid first (Corrado & Jordan; 2002:70).

Primary Market is the market in which securities are first time offered by the company to the Investors. The issuers may be a brand- new company or that has been in business for many-many years. The securities offered might be a new type for the issuers or additional amount of securities used frequently in the past. The primary market functions are operated by middlemen, called investment bankers. The investment bankers' principal activity is to bring sellers and buyers together, this creating a market. He normally buys the new issues from the issuer at an agreed upon price and hope to resell it to the investing public at a higher price or he does this on the basis of commission from the issue for taking responsibility of selling the securities to the potential investors. This act of investment bankers is said to be underwriting of securities.

But all new issues are not underwritten; many issuers make direct sales to investor group, with only some investment banking securities provided for example, securities are often sold directly to institutions. This is referred to private placement. The investment bankers may act only as a finder; that is, he locates the institutional buyers for a free.

The secondary market liquidates the shares and provides the opportunity between the seller of the securities and investors. So, the investor can buy or sell any securities of any business companies that are listed in the secondary market.

After securities have been purchased from the primary market, they can be traded in the secondary market. The secondary market comprises the organized security exchange and a specialist facilitates the transaction. The major of all capital market transaction occur in the secondary markets do not go to the organizational issuer instead to the initial owners (seller) of the securities (NEPSE, Annual report; 2001:73).

So, the secondary market is a security market where old securities are traded. In other words, once the securities have been issued in primary market, then they are traded in secondary market .The trading of stocks in secondary market is held of different business companies without their involvement. Investors can buy and sell any securities of any business companies that are listed in secondary market.

The basic economic function of security market is to provide marketability and liquidity for long-term investments, thereby the supply of equity and long-term debt capital for the financing of business companies. Once the investors purchase the security from the primary market, they need a place to sell those securities, which is called secondary market. Once new issues have been purchased by investors, they change hands in the secondary markets. There are actually two broad segments of the secondary markets: The organized stock exchange and the Over the counter market (Fisher and Jordan; 2000:22).

Government polices, rules and regulations impact the interest rates and market situation. Financial market is affected by the government activities. Government policies influence in the economy of the state, on the money supply and likewise transaction of financial instrument in security market. The government can create certain favorable situation for the up liftment of security market.

1.1.2 Investors Attitude towards Earning

There are two types of investors & they are ; Institutional Investors & Individual Investors. Generally Institutional Investors think that they can earn by investing substantial funds in the securities of others. Their attitude towards earning is very positive. They also think that they can earn with the help of mobilizing the financial resources from small savers to large units of industrial investors through collecting funds form small savers by issuing own securities in large volume through direct placement in primary market as well as they trade on securities in large volume in the secondary market provide liquidity and competitive market provide to the listed securities among various companies. They thin that they can buy and sell in bulk and have significant impact on the securities market in respect of resource mobilization, stock market price movement market liquidity & so on.

Individual Investors think that they can earn by investing their household saving in some security. They also think that they can earn by investing their saving in land, gold etc. They think that they can earn by taking loan from banks and other financial institutions to invest in land, building, gold etc. with the process of purchasing at low price and selling at very high price from which they think that they can earn high.

Investors are looking for projects. They make investment planning with mutual funds, money markets, stocks, bonds, portfolio and GICS. The Institutional Investors Group on Climate Change (IIGCC) is a forum for collaboration between pension funds and other institutional investors on issues related to climate change (www.iigcc.org.).

Investors are willing to share their knowledge and experience. Chemicals companies should monitor & manage expectations as there has been a sharp reversal of investor attitude towards the industry over the past few months. Investors' changing attitude towards construction group Henry Boot, whose shares are the income portfolio's most successful investment. Although Pizza Express shares remain good value at the moment, there is distinct possibility Mr. Market's unforgiving attitude towards stumbling retailers could se the fall a lot lower.

Many top performing local authorities see to have adopted a Scrooge- like attitude towards the staff who have earned them three star status. Real estate investment trusts change the attitude of investors towards the attraction of commercial property.

This paper attempts to explain the effect of dividend payment and retained earning on market price of share in the context of Nepalese companies. A majority of earlier studies conducted in USA mostly indicate that retained earning effect is more than the dividend effect given investment opportunities. A study of Indian evidence shows that their stock market has also started recognizing the impact of retained earnings. This paper investigates these implications in the context of Nepal and finds only limited support for it. The results indicate the customary strong dividend and very weak retained earnings effect on market price of share. The study shows a predominant influence of dividends and an absence of retained earning effect on share price. Dividends are found relatively more attractive among the Nepalese stockholders. They are therefore not indifferent toward dividend and retained earnings (Pradhan, 2003).

Investors with a wait and see attitude for institutional lending & financing are missing a great opportunity to buy while everything is on sale . Investors started the week running to the safety of Treasurys and commodities such as gold, worried that any other asset. The collective attitude of investors determines share price levels. Investors generally adopted a wait & see attitude, in anticipation of the release of annual report on corporate results and they are taking a 'Wait and see attitude', in anticipation of definite signals from government.

As commodities stocks have become more mainstream portfolio holdings, investor's attitude toward produces of "Stuff" has grown notably friendlier (Barrons.com).

1.2 Securities Market in Nepal

1.2.1 History of Security Market in Nepal

The history of capital market in Nepal dates back to 1936 in which year the shares of Biratnagar Jute Mills Ltd. were floated. In 1937, Tejarath was set up to facilitate loans to the government employees and was converted into Nepal Bank Ltd. Government of Nepal introduced the Company Act in 1964 and the first issue of government bonds made in the same year through Nepal Rastra Bank (NRB) to collect the developmental expenditures. It carried 6 percent rate of interest and had the maturity period of five years (Shrestha; 2038).

Government of Nepal announced the Industrial Policy in 1974 and under this policy, an institution named Securities Marketing Center (SMC) was established to deal in government securities-development bonds and national savings bonds, and corporate securities of few companies. The government had the virtual monopoly over the security market. Then, Securities Exchange Center (SEC) was established in 1976 under the ownership of the government, Nepal Rastra Bank (NRB) and Nepal Industrial Development Corporation (NIDC) - a government owned industrial development bank. The main function of SEC was to assist in the development of a capital market by performing the role of a broker, underwriter and share issuer, and to sell government bonds. It was the only capital market institution in Nepal. Securities Exchange Act came into force in 1984. Since then, SEC started to operate under this act. The purpose of this act was to provide systematic and favorable market environment for securities ensuring and protecting the interest of individuals and institutional investors as well as to increase the public participation in various firms and companies (Gurung 1999). After the inception of the Securities Exchange Center, shares of various manufacturing, trading and banking companies became listed. Interestingly, the listed shares were dominated by public enterprises during this stage.

SEC had provided facilities to trade the government securities and few of corporate securities like shares and debentures. Only the shares of 10 companies were listed in SEC and there was involvement of no broker and dealer in the securities market. So, SEC itself was undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services (NEPSE 1998). Apart from this, there was the absence of effective secondary market to ensure liquidity to the securities.

The interim government (1990/91) initiated financial reform program and two indirect investment vehicles-Citizen's Investment Fund and NIDC Capital Markets Ltd.- were established with the collective investment schemes in the corporate sector (Gurung 1999).

Then, due to the world whim of privatization and economic liberalization, the operation of SEC was felt to change to make it compatible with the changing economic system. In 1992, the Finance Companies Act was amended. This enabled finance companies to be established to function in various areas such as leasing, housing finance, and hire-purchase. These institutions were also allowed to perform capital market functions such as share issue, portfolio management, market making and custodial services. In 1993, the Securities Exchange Act was amended and the Securities Exchange Center (SEC) was converted into two distinct entities - Nepal Stock Exchange (NEPSE) for securities trading by private brokers and the Securities Exchange Board, Nepal (SEBO/N) for oversight functions as a regulatory body. This amendment also permitted private sector market intermediaries and set the operating guidelines for intermediary functions such as broking, market making, issue management, and portfolio management.

The Nepalese securities market still could not take it's height. The further improvement of this market is very crucial. It helps in accumulating even small savings for development activities of the economy otherwise, which would have spent in unproductive areas. But it is true that there is no presence even of organized money market in rural areas, which covers more than 80 percent of the total area of the country. Thus, the securities market is only confined to the very limited urban areas of Nepal.

Basically, Institutional investors may play more significant role in the capital market of the country like Nepal. It is because; the development of the capital market in Nepal is in infant stage. The knowledge and information about the stock market to the general people is very low. Therefore they cannot supply the sufficient funds in the capital market and their role in the stock market is almost insignificant.

In Nepal only limited types of security are traded. The investors are restricted to choose only the limited types of securities are available to invest. Equity is the major instrument of financial market in Nepal.

Government issues various types of securities in the market. Treasury bills, Development Bonds, National Bonds, Citizen Savings Bonds and special bond are government securities. Nepal Rastra Bank (NRB) has been actively issuing various government securities in the country.

1.2.2 Nepal Stock Exchange (NEPSE)

Nepal Stock Exchange, in short NEPSE, is a non-profit organization, operating under Securities Exchange Act, 1983. The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc. Government of Nepal, Nepal Rastra Bank, Nepal Industrial Development corporation and members are the shareholders of NEPSE. NEPSE opened its trading floor on 13th January 1994. Members of NEPSE are permitted to act as intermediaries in buying and selling of government bonds and listed corporate securities. At present, there are 23 member brokers and 2 market makers, who operate on the trading floor as per the Securities Exchange Act, 1983, rules and bye-laws. Besides this, NEPSE has also granted membership to issue and sales manager securities trader (Dealer). Issue and sales manager works as manager to the issue and underwriter for public issue of securities whereas securities trader (Dealer) works as individual portfolio manager. In the beginning of the 2007/08 fiscal year, NEPSE has replaced the old open-out-cry system of securities trading, which was in place since the beginning of secondary trading in 1994, with the automated trading system (ATS). The ATS has not only mechanized securities trading, but also reduced the manipulation of prices and human errors.

The number of investors is estimated to cross one million. A non profit organization till now, NEPSE is operating under the Securities Exchange Act-2063. The Government of Nepal (58.66 %), the Nepal Rastra Bank (34.60%), the Nepal Industrial Development Corporation (6.12%) and Licensed Members (0.62%) are its shareholders.

1.2.3 Securities Board of Nepal (SEBO/N)

SEBO/N was established on June 7, 1993 with its mission to facilitate the orderly development of a dynamic and competitive capital market and maintain its credibility, fairness, efficiency, transparency and responsiveness under the Securities Exchange Act 1983 (SEBO, 2001). It is an apex regulator of the securities market in Nepal. It registers the securities and approves the public issues. Moreover, SEBO/N frames the policies and programs required to monitor the securities market, provides license to operate stock exchange business and stock brokers and supervises and monitors the stock exchange operations and securities businesspersons.

The functions, duties and powers of SEBO/N as per the Securities Related Act, 2006 are as follows.

- Register securities and approve prospectus of public companies
- Provide license to operate stock exchanges.
- Provide license to operate securities businesses

- Permit the operation of collective investment schemes and investment fund programme.
- Draft regulations, issue directives and guidelines, and approve bylaws of stock exchanges.
- Supervise and monitor stock exchanges and securities business activities.
- Take enforcement measures to ensure market integrity
- Review reporting of issuer and listed companies, and securities businesspersons.
- Conduct research, study and awareness programmes regarding securities markets.
- Coordinate and cooperate with other domestic as well as international securities related regulatory agencies.
- Formulate policies and programmes relating to securities markets and advise the Government of Nepal as and when required.

1.2.4 Present Status of Stock Market in Nepal

Stock Market in Nepal has been growing gradually in term of turnover as well as capital investment. As of the June 2008 there are 23 stockbrokers, 3 securities dealers and 9 issue managers providing securities market intermediation services.(SEBO/N, 2008). The major regulatory framework for the securities markets is provided by securities Act 2006, which has given authority to the SEBO/N for the regulation of securities market.

Security market in Nepal is witnessed a slight growth from last year. But the growth of security market is not so satisfactorily. If we compare the NEPSE index of the year 2003/04 with the current year 2007/08 then great increment can be observed. These do prove that the security market is expanding as per the increased awareness of security market in Nepal.

Table 1.1
Securities Market Indicators (in Millions)

Year	2003/04	2004/05	2005/06	2006/07	2007/08
Number of Public Issue	14	14	29	34	64

Amount of Public Issue	1027.5	1626.8	2443.3	2295.5	10668.2
No. of listed co.	114	125	135	135	142
No. of traded companies	92	102	110	116	136
Paid up Value of Listed Securities	13404.9	16771.8	19958.0	21798.8	29465.0
Market Capitalization	41424.74	61365.89	96763.74	186301.28	366247.50
Annual turnover	2144.27	4507.68	3451.92	8360.10	22820.80
No. of share traded	6468.00	18434.00	12221.93	18147.25	285997.7
NEPSE index	222.04	286.67	386.83	683.95	963.36

(Source: SEBO/N Annual Report 2007/08)

From the above table we can have a glance picture of the trading of security (Share) in NEPSE. A total of 64 public limited companies raised funds amounting to Rs. 10,668.2 million by floating securities in the fiscal year 2007/08. In the fiscal year 2006/07, a total of 34 public limited companies had raised funds from public issue of securities amounting to Rs. 2,295.5 million.

In the last fiscal year total listed companies in Nepal Stock Exchange Ltd. Were 135 which reached to be 142 in the fiscal year 2007/08. In the fiscal year 2007/08, the market capitalization of the listed companies increased by 96.59 percent to be Rs. 3,66,247.50 million as compared to market capitalization of Rs. 1,86,301.28 million in the fiscal year 2006/07. In the fiscal year 2007/08, the annual turnover increased by 172.98 percent to be Rs. 22,820.8 million as compared to turnover of Rs. 8,360.1 million in the fiscal year 2006/07. In the fiscal year 2007/08, the price index of the listed securities in Nepal Stock Exchange Ltd. (NEPSE Index) reached to 963.36 points with the increase of 279.41 points as compared to fiscal year 2006/07.

In the fiscal year 2007/08, securities market has shown positive signs in line with the country heading towards political stabilization and with the estimation of rising trend of major economic indicators like gross domestic product at basic price, gross national income, national saving and gross domestic saving. The securities markets as a whole has shown its dynamism with the rising number of companies floating share, increase in the number of listed companies, significant increase in market capitalization and market index and percent of turnover on market capitalization as compared to previous fiscal year. (Annual Report; SEBO/N: 2007/08)

In the fiscal year 2006/07, 21 companies comprising five commercial banks, 11 development banks, eight finance companies, two insurance companies & one other company issued their securities to the public. 42 companies comprising eight commercial banks, 11 development banks and 20 finance companies issued rights shares. The stock exchange have de-listed 12 companies for non-compliance of legal provisions. NEPSE have categorized 71 companies into group 'A' comprising 14 commercial banks, 7 development bank, 37 finance companies, 11 insurance companies, one manufacturing and processing company and one other company. Citizen Investment Trust (CIT) have sold units amounting to Rs. 1,984.1 million and repurchased units amounting Rs. 1,204.3 million under Citizen Unit Scheme. Under the NCM Mutual Fund, 2002 total investment have reached to Rs. 194.7 million and the net asset value (NAV) increased to Rs. 48.89. 69 companies have declared cash dividend and bonus share. Out of these companies, 16 have declared cash dividend, 28 have declared bonus shares, 25 have declared both dividend and bonus shares.(SEBO/N Annual Report; 2007/08)

The Government of Nepal has issued three new Regulations, namely, Securities Businessperson (Stock Broker, Dealer and Market Maker) Regulation-2007, Securities Board Regulation-2007 and Stock Exchange Licensing Regulation-2007. Among other things, paved the way for opening a new stock exchange, increase the number of stock brokers and reduce the brokerage commission.

After a long time wait, Over-the-counter (OTC) market is started from the beginning of June, 2008. OTC market has helped to transact the securities of those companies that are not listed in the NEPSE. This market has also helped those investors who hold the securities of unlisted companies. They have got an opportunity to trade such securities. OTC market allow to trade securities of unlisted companies. (Aviyaan Weekly, June, 2008). Over-the-counter Ltd. Implemented the bylaws since June, 04 2008.

1.3 Focus of the Study

The main focus of the whole study has been surrounded to the investor's periphery with the choice regarding the financial instrument that is traded in the NEPSE. Investors basically prefer to get good expected return from their investment .And in the efficient market only the investors are rational. So, the investors should be efficient enough to recognize the potential for excess return. The most important condition for market is to know what the preference of the investor is. Thus, it is necessary to give guidelines frequently to the companies and investors for economic strength of the nation and ensure to give sound expected return to the investors for making investment meaningful and rewarding.

Securities market plays vital role in Nepalese Economy. It effects the whole economic environment of the Nation .Security market is one of the prominent sources for the economic development. So, the existing and potential investors are the biggest assets of the nation. Hence this study has focused to provide information about the present conditions of Nepalese investor's preference in choosing the securities.

This study has been covered the analysis of the securities, which are common in the Nepalese Financial Market. It is analyzed that what factors affect the preference of investors. Basically, the companies issue the common stocks and these stocks are transacted regularly in NEPSE. Why do Nepalese companies not issue the debentures and preferred stocks in the primary market of Nepal? Actually the prime concern of this study is to predict the investor's preference on selecting the financial instrument and the reason of selecting.

This study has tried to find out the different prominent factors of the investors. Actually it focuses much more towards the investors and with regard to the financial instrument, which are traded in the NEPSE.

1.4 Statement of the Problem

Most of the people from rural areas are almost illiterate to securities. Also in urban areas, very few people with business and intellectual family backgrounds bear some knowledge on it. Concentration of wealth in a few hands is also one of the major reasons behind backwardness of societies. This is a nationwide problem. On the basis of disparity in income, living standard, and educational status, we can outrightly categorize people living in the country under lower, medium and upper class. There is a wide economic gap between rich and bourgeois. Investing on various financial instruments forming efficient portfolios helps in reducing such gap by generating sufficient passive income to the small investors.

Investors in Nepal have been found relating it to gambling and speculation. However, it is very different from speculation and gambling. It is the process of rational decision-making. The investment process begins from setting investment policy to portfolio construction, revision and performance evaluation. Choice of securities for investors is extremely limited and confined to a few securities to construct and evaluate efficient portfolios. Due to state of utopia and over-expectation of getting rich overnight, people (mid-class) hesitate to invest in securities at first. Also if they invest in securities, they don't behave rationally. Instead, they invest in without proper analysis and judgment of the risk and return leading their decision to adhocism. There is presence of information gap, misguided attitude, and suspicious authenticity of the financial statements published by the institutions. Guided by these, the investors are seemed selecting the securities without proper guidance and analysis. As a result, they may incur losses or reap profits beyond their expectations.

While investing rationally in a security, the price and value of that security should be matched and taken decision accordingly. If the price of that security is greater than its value, it will be better to sell short or simply sell. Likewise, if the price is less than its value, it will be better to buy or invest in (*Francis, J. C: 2001, 209*). This can only happen and the accurate price can be calculated only when the investors are provided with sufficient, authentic information required to calculate the real value of securities and their growth prospective. But in the context of Nepal, there is limited flow of information, non-transparency of the trading mechanisms, poor knowledge of securities analysis, and lack of consultancies for consultation to judge and value the securities. Thus, the problem is that the investors could not identify the profitable stocks to invest in.

Furthermore, there are limited numbers of securities to construct portfolios, and investors lack organization responsible for analyzing the securities technically as well as fundamentally. Despite of the problems inherent, investors are attracted to securities investment, especially on stocks and government securities. However, the specific questions that are tried to answer through this research are:

- What is the attitude of investors toward investment in securities?
- What is the investors' trend of investment on securities?

- What are the prospects and challenges of security investment in Nepal from the investors' viewpoint?
- What forms of return do the investors' desire?
- What are the factors that most influence investor's attitude and their anticipation of return and risk?

1.5 Objectives of the Study

Some of the specific objectives behind conducting this research study will be:

- To analyze on investors' attitude towards investment in securities.
- To examine the investors trend of investment on securities.
- To indicate the criteria adopted by the investors while making decision on securities.
- To analyze the forms of return desired by Nepalese investors on securities investment.
- To reveal the earnings desired by investors from securities.
- To examine the factors that influence investors' attitude, expected return and risk.

1.6 Significance of the Study

In modern society, securities are considered as the important investment alternative. Its vitality in the upliftment of nation's economy cannot be overlooked. In one way, it can mobilize the capital resources from savers to investors. It can be used to finance the development as well as business projects, which cannot be funded alone by the companies and corporations. On the other part, the investors may reap a benefit of capital appreciation and cash in return that may fulfill the different objectives of individual investors. There may be different objectives of investors behind investing in financial instruments. Some invest to ensure regular income for retirement age, some for children's education and some others for emergency fund. And such purposes induce them to invest in different types of financial assets.

Regarding the problems inherent and stated above, this study may act as a guideline to introduce the securities issued in the market, and the earnings associated with them to the investors. On the basis of study of investment trend, behavioral analysis and investors' earnings preference, we can infer certain core ideas on investors' attitude towards securities. Thus, it will be beneficial for the potential investors and the prospective issuers too. As a result, the trading of capital market may expand both in volume and value. Instilling positive attitude on securities and enticing the investors on taking rational decision is thus its major significance. In another way, it may also help in bolstering the earnings of minority investors and thus helps reduce the widening gap prevailing in our society. Hence, somewhere there lays the potentiality and significance of conducting this study. The topic thus selected, the focus and the objective thus targeted through it are of vital importance to the existing as well as potential investors. If referred seriously, this may bring a drastic change in investors' current attitude and induce them to invest more rationally. Moreover, this study aims to inculcate in the investors mind for conduction of fair securities transaction through proper analysis of risk and return and comparison of price with value.

1.7 Limitations of the Study

This study may not be totally free from errors and limitations. Such drawbacks have been minimized to a very extent. The study still carry following limitations:

- This study is based on primary as well as secondary sources of data. Accordingly, investors may not give the authentic and needed information as much as they are expected to be. They may not even respond to some questions. In such cases, certain intuitions will have to be made.
- Most of the data are on common stock investors and NEPSE is the prime study area.
- This is a descriptive research where the behaviour and attitude of investors have been studied. So, qualitative rather than the quantitative techniques of

analysis are used. Thus, the use of statistical tools is limited.

- All deciding factors for the investment in securities have not been incorporated.
- Stipulated time and resources are also limitation of this study.
- Reliability of this study depends upon the accuracy of published data and the genuineness of respondent.

1.8 Organization of the Study

- This whole research work have been divided into five chapters. They are as follows.
- The first and introduction chapter of the research work. This chapter has included introduction, focus of study, statement of the problem, need and significant of the study objective of the study.
- The second chapter is termed as review of related literature. This study deals with the review of related studies.
- The third chapter research methodology deals with the research design, population and sample, data collection procedures, statistical and Analytical tools and variables defined.
- The fourth chapter present the analysis and interpretation of the study in this chapter secondary data are approved and analysis the data.
- The fifth chapter of this research work is the final chapter. This chapter contains summery, conclusion and recommendation.

In this way, the whole research area is outrightly categorized into five parts and every part have been properly organized and prepared as mentioned. If required, necessary additions might be performed without violating the core topic structure.

Besides these, bibliography and appendices have been included.

CHAPTER-II

REVIEW OF LITERATURE

This chapter highlights upon the existing literature and research related to the present study with a view to functioning out what had already been explained and how the present research adds to this dimension. Under this research, various books, journals, articles and previous research has been consulted and reviewed.

2.1 Conceptual Framework

Every Investor wants to invest those sectors that can assure the increment of their wealth. Financial Market is one of the best sector that investor can be assured that their investment will be safe and can earn more benefit. After analysing the detailed information provided by various companies, investors select and invest in one of the best alternative securities of any companies.

2.1.1 Investment

The word 'investments' is one that most of us are familiar with hearing in financial context. For many of us, it may make us thing of big business and vasts sums of money, but there is much to the world of investments than multi-million dollar deals. Although it is true that, at the top level, investments may run into many millions, it is possible for the average person in the street to invest smaller amounts of money and to invest it wisely.

In truth, investments can cover a wide range of options. One of the most traditional types of investing is in the stock market. This has been viewed by some as being a difficult type of investment to get into, but times are changing. The new range of online stockbrokers available mean that it's now easy (and fairly inexpensive) to get involved in buying and selling shares.

An alternative type of investment, which has become particularly popular in the UK, is that of property. Putting money into residential properties and then taking a rental income is seen by many as a win-win situation. The largest downside to this type of investing is that a large capital sum is needed to begin with, or else it is need to take out a sizeable loan. As with the stock market, property should be looked at as a long-term investment.

Investment in its broad sense means the sacrifice of current dollars for future dollars. The investment for future returns generally and automatically involves two attributes time and risk. The sacrifice of present wealth takes place in certainty but the reward or return is uncertain and hence bears a risk of uncertainty (Sharpe, Alexander and Bailey; 2002:11).

Investment is an exchange of financial claim - stocks and bonds etc. Investment is the employment of funds with the aim of achieving additional income or growth in value. It involves the commitment of resources that have been saved or put away from current consumption in the hope that some benefits will accrue in future. An investment involves the sacrifice of current rupees for future rupees. The sacrifice takes place in the present and certain. The reward comes later and is uncertain.

Investment is generally categorized into real assets or financial assets. Real assets are tangible, material things such as buildings, automobiles, factories, knowledge and machines that are used to produce goods that can be seen and felt. Real assets are generally less liquid than financial assets. Returns on real assets are frequently more difficult to measure accurately. But our principal concern is with financial assets.

Financial assets are piece of paper representing an indirect claim to real assets held by someone else. These pieces of paper represent debt or equity commitments. Financial assets define the allocation of income or wealth among investors. Financial assets are created and destroyed in the ordinary course of doing business. When a loan is paid off, both the creditor's claim (a financial asset) and the debtor's obligation (a financial liability) cease to exist. Financial assets such as stocks and bonds can be held by investors in both direct and indirect forms. Investors can buy and sell stocks and bonds directly through financial markets or indirectly by pooling their funds with other investors.The returns on a financial asset come from the income produced by the real assets that are financed by the issuance of the security.

2.1.2 Investment Alternatives (Financial Instruments)

There are various types of investment alternatives have been developed in financial market. Widely used investment alternatives in modern business society are classified as follows:

a) Equity Securities:

Equities are probably the most familiar type of security. Stocks are shares of ownership of a public corporation which are sold to investors to allow the companies to raise a lot of cash at once. The investors profit when the companies increase their earnings which keeps the economy growing. It is easy to buy stocks, but takes a lot of knowledge to buy stocks in the right company. Equities are often termed as stocks or shares. Stocks represent a part ownership of a corporation (Hatch; 1983:165). Holding a stock certification means that the holder owns the part of the corporation. Thus there are only corporate stocks no government of state and local government stock, since individuals cannot own governments (at least not legally) (Ritter; 1993:29). Equities or stocks are basically the contracts that establish an ongoing relationship between borrower and lender and almost always bundling some combination of control "Control Rights" and rights to be a "residual claimant". In the establishment of the corporations of small and medium sizes, stock sales to the incorporators are usually the principal source of cash and other assets (Kent; 1972:264).

People invest in equities because they want to make more income than they do in a saving account. For the possibility of making more income, they assume more risk. There are several advantages and disadvantages of investing in stock. The likelihood of dividends and price appreciation motivates most investors to purchase common stocks. Many companies might declare relatively small cash dividends, perhaps with a return of only 2 or 3 percent. But these companies may also offer a good chance for price appreciation over time. Equity investment also offers a high potential return. Greater than average returns are possible if one buys and sells the correct stocks. On the other hand, in equity investments risk of various types are also present. There is the financial risk that the company will go bankrupt. There is the liquidity risk that the price of stock might be quite low when one wants to sell it. Along with them inflation risk also presents. In the period of high inflation, market prices of equity are depressed.

Equity securities or stocks come in two forms: common stock and preferred stock. Of these, common stock is much more important.

i) Common Stock

Common stock is the first security of a corporation to be issued and in the event of bankruptcy, the last to be retired. Each share of common stock entitles its owner to one vote on any matters of corporate governance that are put to a vote at the corporation's annual meeting and to a share in the financial benefits of ownership. An investor in common stock receives certificate of ownership, stating the number of shares and par value of share. Common stock holders have the voting rights, they can vote for a board of directors and to vote on major issues that may be presented before them. Dividend is not a must for common stocks; some pay it but not all. Companies in early growth stage typically pay low or no dividends; rather, they retain as much earnings as possible to finance rapid growth. As companies become more established, they may pay a high percentage of profits as dividends (Santomero and Babbel; 1997:343).

Payment of the common dividend is purely discretionary on the part of management, but may be constrained by certain covenants that are designed to protect other claimant's interests. If earnings are retained rather than distributed, stock holders do benefit in the sense that if the retained earnings are invested profitably, the firm will grow in size, and the stock holders will eventually capture the growth.

ii) Preferred Stock

The term preferred relates to the right of preference in payment of dividends when funds are scarce and preference in payment in the event of bankruptcy. In exchange for these preferences, the preferred shareholder generally accepts a fixed dividend as opposed to a common dividend which may increase a company profits increase. When a company is unable to pay dividends for several periods on cumulative preferred stock, all unpaid dividends must be paid before any common dividends may be paid.

The voting rights of preferred stockholders may not be the same as those of common stockholders (Elli;2001:218).

Preferred stock has features similar to both equity and debt. Like a bond, it promises to pay to its holder a fixed amount of income each year. In this sense preferred stock is similar to an infinite-maturity bond, that is, a perpetuity. It resembles a bond in that it does not convey voting power regarding the management of the firm. Preferred stock is an equity investment, however. The firm retains discretion to make the dividend payments to the preferred stockholders; it has no contractual obligation to pay those dividends.

b) Debt Securities

Debt securities are those on which interest has to pay an they have certain maturity period. Debt securities can be divided into two parts. They are as follows:

i) Short Term Debt Securities

Short term debts are the obligations that mature in one year of less. These usually are highly marketable. Many of these securities are traded in the money market. They are as follows:

<u>Treasury Bills</u>

Treasury bills (T-bills) are the most marketable of all money market instruments. T-bills represent the simplest form of borrowing: The government raises money by selling bills to the public. Investors buy the bills at a discount from the stated maturity value. At the bill's maturity, the holder receives from the government a payment equal to the face value of the bill. The difference between the purchase price and ultimate maturity value constitutes the investor's earnings. Individuals can purchase T-bills directly at auction or on the secondary market from a government securities dealer. T-bills are highly liquid; that is, they are easily converted to cash and sold at low transaction cost and with not much price risk. Market of T-bill has started since 2018 B.S. and the process of selling treasury bills of banks, financial institutions and individuals through an auction has been initiated since 2045 in Nepal

Certificates of Deposits

A certificate of deposit or CD is a time deposit with a bank. Time deposits may not be withdrawn on demand. The bank pays interest and principal to the depositor only at the end of the fixed term of the CD. CDs are usually negotiable and they can be sold to another investor if the owner needs to cash in the certificate before its maturity date. Short-term CDs are highly marketable, although the market significantly thins out for maturities of three months or more.

Commercial Paper

Commercial paper is an unsecured debt issued by large and well known corporations with high credit ratings to finance its short term needs. Very often, commercial paper is backed by a bank line of credit, which gives the borrower access to cash that can be used (if needed) to pay off the paper at maturity. Commercial paper is available in a variety of denominations and usually ranges in maturity from 2 to 270 days.

ii) Intermediate and long term Securities

It is the obligations that mature in more than one year. They are as follows

Government Securities

Government securities are the fixed income securities issued by the government. These securities are among the safest of all investments, as the government is unlikely to default on interest or on principal repayments. In Nepal, Nepal Rastra Bank has been actively issuing various government securities like T-bills, Development bonds, National Saving Bonds, Special Bonds and public saving cards with the main aims of tackling the deficit budget.

Treasury Notes:

Treasury Note is a marketable government debt security with a fixed interest rate and a maturity between one and 10 years. Treasury notes can be bought either directly from the government or through a bank.

When buying Treasury notes from the government, it can be either put in a competitive or noncompetitive bid. Treasury notes are extremely popular investments as there is a large secondary market that adds to their liquidity. Interest payments on the notes are made every six months until maturity. The income for interest payments is not taxable on a municipal or state level but is federally taxed. Treasury notes are similar to certificates of indebtedness except with regard to their time until maturity.

Treasury Bonds

Treasury bonds (T-Bonds, or the long bond) have the longest maturity, from ten years to thirty years. They have interest payment every six months like T-Notes, and are commonly issued with maturity of thirty years. The secondary market is highly liquid, so the yield on the most recent T-Bond offering was commonly used as a proxy for long-term interest rates in general. Treasury bond issues that are callable may be called anytime during the last 5 years of the life of the issue.

Saving Bonds

Savings bonds provide a safe, risk-free investment guaranteed by the government. It is also a long term debt instrument, which normally matures in five years. This types of bonds in Nepal known as pubic saving card. The characteristics of the public saving card are same as the other long term bonds. It has also fixed interest rate and payable semiannually. It can be purchased only by Nepalese citizens. It is also a taxable government bond. Nepal government initiated the process of selling public saving card since 2059.

Agency Securities

Debt obligations of these entities are collectively called agency securities or simply agencies. Agency Securities are fixed-income securities that are issued by U.S. government-sponsored entities (GSEs) that are started to reduce borrowing costs for students, farmers, and homeowners. Agency securities are issued by organizations such as Government National Mortgage Association (Ginnie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae). Government sponsored enterprises (GSE) are private corporations chartered by the Federal Government and granted privileges so they can advance specific purposes. However, because of their special GSE status, the market doesn't demand as high of an interest rate as it would from an equivalent private sector issuer because of the perception that the government would step in to back the securities in the case of a default. However, the government does not actually back these debt issues.

Municipal Securities

Municipal bonds are issued by state and local governments. They are similar to Treasury and corporate bonds except that their interest income is exempt from federal income taxation. The interest income also is exempt from state and local taxation in the issuing state. Municipal bonds are typically less complicated investments than corporate bonds. However, while municipal debt often carries a high credit rating, default risk does exist. Thus, investing in municipal debt requires more care than investing in Treasury securities. There are basically two types of municipal bonds.

General Obligation Bond

General obligation bonds are the bonds which are secured by the full "faith and credit" (the taxing power) of the issuer (municipality). In other words, the government/municipality is obligated to use its taxing power, if necessary, to repay the debt. "Full faith and credit" means the power of the municipality to collect taxes. General obligation bonds are the associated low interest costs. They are considered very low risk for the investor; consequently, they usually sell at the lowest rates of interest. The bond issue is often less complex then other types of bonds so administrative costs are less in preparing the issue.

Revenue Bonds

Revenue bonds are issued to finance particular projects and are backed either by the revenues from that project or by the particular municipal agency operating the project. Typical issuers of revenue bonds are airports, hospitals, highway and port authorities. Obviously, revenue bonds are riskier in terms of default than general obligation bonds. Revenue bonds may carry a slightly higher interest rate than General Obligation bonds, however, they are usually considered the second-most secure type of municipal bonds.

Corporate Bond

Corporate bonds are debt securities issued by private and public corporations. Companies issue corporate bonds to raise money for a variety of purposes, such as building a new plant, purchasing equipment, or growing the business. When we buy a corporate bond, we lend money to the "issuer," the company that issued the bond. In exchange, the company promises to return our money, also known as "principal," on a specified maturity date. Until that date, the corporation usually pays a stated rate of interest. They typically pay semiannual coupons over their lives and return the face value to the bondholder at maturity. These bonds are similar in structure to Treasury issues but they differ most importantly from Treasury bonds in degree of risk.

c) Derivate Securities

The term derivative is commonly used to describe a type of security whose market value is directly related to, or derived from, another traded security. Option, futures, and forward contracts are examples of derivatives as well as stock warrants, swap agreements and other more exotic variations. The most important determinant of the price of the option is the current price of the company's shares on the open market (the underlying asset).

i) Option

Option contract an agreement that gives the owner of stocks the right, but not the obligation, to buy or sell a specific asset at a specified price for a set period of time. The most familiar options are stock options. Options are a very flexible investment tool, and a great deal is known about them. Options come in two flavors - calls and puts options. Call options are securities that allow a person to buy a stock at a specified price, known as the exercise (or strike) price, on or before a certain date, known as the expiration date. Put options are similar to call options except that they give the buyer the right to sell stock at a specific price instead of buying it.

ii) Rights

Rights are issued by a corporation to existing common stockholders in connection with the sale of additional shares of stock at a specified attractive price within a specified time. A rights issue is offered to all existing shareholders individually and may be rejected, accepted in full or (in a typical rights issue) accepted in part by each shareholder. Rights are often transferable, allowing the holder to sell them on the open market. Rights can be sold separately from the share to other investors during the life of the right or shareholders must either take up the rights or let them lapse. Once the rights have lapsed, they no longer exist). Subscription price for new share, number of new shares, value of right and effect of the rights should be considered before issuing rights by financial manager.

iii) Futures

Futures contracts are agreements to buy or sell assets at some time in the future. Futures that provide the contract holder the right to buy or sell a specified amount of an agricultural and natural resources commodity at a designated price within a specified period of time are known as commodity futures. Futures that provide the contract holder the right to sell or buy Treasury bond, foreign exchange and stock index is known as financial futures.

iv) Warrants

A Warrant is an option to buy a stated number of shares of common stock or bond at a specified exercise price. Warrants are similar to the call options except that they are issued by the firm itself and, typically, have longer maturities. When debt, preferred stock, or common stock is issued, it may be sold in units, which include one or more warrants to purchase common stock or other securities. Warrants, thus, are often used as "sweeteners" to make it easier to sell the associated security.

d) Other Securities

i) Pension funds

A Pension fund is a pool of assets forming an independent legal entity that are bought with the contributions to a pension plan for the exclusive purpose of financing pension plan benefits. Pension funds are important shareholders of listed and private companies. The Economist has reported that pension funds world-wide hold over the largest for any category of investor of other funds.

ii) Mutual Fund

Mutual funds are simply a means of combining or pooling the funds of a large group of investors. They buy and sell decisions for the resulting pool are then made by fund manager, who is compensated for the service provided. Since mutual funds provide indirect access to financial markets for individual investors, they are a form of financial intermediary. In fact, mutual funds are now the largest type of intermediary in the world followed by commercial banks and life insurance companies.

iii) Closed-end funds

Closed-end fund is an investment company with a fixed number of shares that are bought and sold only in the open stock market. With a closed-end fund, the number of shares is fixed and never changes. If we want to buy shares, we must buy them from another investors. Similarly, if we wish to sell shares that we own, we must sell them to another existing investor. Shares of closed-end funds are bought and sold in the stock markets, their share prices at any point in time may or may not be equal to their net asset values.

The diversity in securities market instruments attracts the investors of various risk preferences providing the choices in the investment alternatives. But in case of Nepalese securities market, it is mostly dominated by risky instrument (equity share), which constitutes more than 80 percent of the total paid up value of the securities listed in the stock exchange and the rest consisting of preference, debentures/bonds and mutual funds. Recently government securities are listed in the stock exchange, however, these securities are mostly held by institutions and free float securities are not in the hands of individuals resulting in limited or no trades. Lack of benchmark interest rate provided by government securities market and the trustee mechanism, the corporate bonds issue practice has still not been popular. So, the market has not become attractive to risk averter and risk neutral investors (Thapa; 2007).

2.1.3 Types of Investors

Depending on investors nature, attitude, involvement, risk, capacity, knowledge and information, investor's can be classified in different way. So there are many types of investors in the market. On the basis of information, Investors are classified into individual investors and institutional investors.

a) Individual Investors

Individual investors are those who buy and sell securities for their personal account, and not for another company or organization. Individual investors buy in much smaller quantities than larger institutional investors. Individual investors are part timer; they are the businessman, government worker, doctors, lawyers and even housewives, students and unemployed adults. When a individual buys securities, holds them and gets divided of profit through price appreciation, the cash flow become income to the people. Individuals have an opportunity cost in obtaining investment information, such as reading publication, tracking stocks prices and building a files on securities.

b) Institutional Investors

A non-bank person or organization that trades securities in large enough share quantities or dollar is known as institutional investor. An institutional investor is an investor, such as a bank, insurance company, retirement fund, hedge fund, or mutual fund, that is financially sophisticated and makes large investments, often held in very large portfolios of investments. Because of their sophistication, institutional investors may often participate in private placements of securities, in which certain aspects of the securities laws may be inapplicable. Institutional investors face fewer protective regulations because it is assumed that they are more knowledgeable and better able to protect themselves.

2.1.4 Investment Risks

All investors require greater return for greater risk, Thus, all portfolio managers much be aware of not only the return they provide investors, but how the return measures up to the level of risk taken to achieve it.

The number-one reason why individuals invest too conservatively or do not invest at all is fear of loosing money. A healthy respect for the dangers of financial markets is essential to investing, but too much fear, often driven by a lack of understanding, can be debilitating. The key to investing is not avoiding risk, but managing it intelligently (Ellie; 2001:107).

On ground of assurance of the return, there are two kinds of Investments - Riskless and Risky. Riskless investments are guaranteed, but since the value of a guarantee is only as good as the guarantor, those backed by the full faith and confidence of a large stable government are the only ones considered riskless.

Depending on the nature of the investment, the type of investment will vary. Mostly the investment risks are divided as follows:

a) Business Risk

Business risk is the financial risk inherent in a particular company. Components of business risk include fluctuations in sales, cash flow, and earnings due to any multitude of causes, including poor management, economic downturns, or a highly competitive environment. The most extreme result of business risk is bankruptcy of the company in which investors receive partial or no payment of interest and principal on bonds and find their common stock worthless.

b) Market Risk

Market risk is the result of momentum in the securities markets. These movements, or trends, are generally the result of changes in economic, political, or social conditions, or investor preferences. Nearly all marketable investments are subject to market risk. Stocks are subject to the market risk of the general stock market and to the current trend in investing styles, whether it is growth versus value of small versus large-company stock.

c) Liquidity Risk

Liquidity risk is the risk that an investment cannot be sold quickly at a reasonable price. In the event that we would need to raise cash for an emergency, selling investments with liquidity risk can cause significant losses in principal. Avoiding liquidity risk is as simple as keeping enough invested in liquid securities to cover an emergency. A good rule of thumb is six months living expenses held in liquid investment.

d) Management Risk

The risks associated with ineffective, destructive or underperforming management, which hurts shareholders and the company or fund being managed. This term refers to the risk of the situation in which the company and shareholders would have been better off without the choices made by management. Management risk refers to the chance that company managers will put their own interests ahead of the interest of the company and shareholders. Management risk also applies to investment managers, whose decisions and actions may divert from the investors' wishes or reduce the value of an investment portfolio.

e) Interest Rate Risk

Interest rte risk is the risk that interest rates will change after the purchase of an investment. This is the risk to earnings or capital arising from movement of interest rates. This represents the fluctuation in the value of an investment when market interest rate changes. This has a big impact on interest-paying investments because as market interest rate rises or falls, an investor's money is tied up in a bond that pay less or more than the going rate, and hence the value of the investor's bond decreases or increases.

f) Inflation Risk

This is the uncertainty over future rates of inflation. If the return from an investment is barely keeping up with the rate of inflation, an investor's purchasing power will be eroded as time goes on. In other words, the investor will receive a lesser amount of purchasing power than what was originally invested because the cost of buying everything has gone up. Inflation risk is also known as Purchase power risk that is potential risk of loss in the value of cash due to inflation.

g) Default Risk

The risk that companies or individuals will be unable to pay the contractual interest or principal on their debt obligations is known as default risk. This is the uncertainty regarding an issuing firm's ability to pay interest, principal, etc. on its debt instruments.

h) Callability Risk

This is the risk that an investment is recalled (or retired) prior to the original stated date. This type of risk is most applicable to long-term bonds and preferred stocks.

This usually happens when the issuing firms find the market conditions favorable in "refinancing" such investments

i) Political Risk

This is caused by changes in the political environment that affect an investment's market value. Political risk can be classified as either domestic or foreign political risk. An example of domestic political risk is a change in the tax laws, and an example of foreign political risk is a change in a foreign government's policy regarding capital outflow.

2.1.5 Investment Process

The investment process describes how an investor makes decisions about what securities to invest in, how extensive these investments should be, and when they should be made. Though it does not get sufficient attention and understanding, the investment process is critical for every investor for several reasons. The investment process involves the following steps:

a) Understanding the investor's need and preferences.

The investment process always starts with the investor and understanding their needs and preferences. It involves determining the investor's objective and the amount of his or her investable wealth. Investor objectives should be stated in terms of both risk and return. In this first investment process, the investor's needs, tax status and most importantly, their risk preferences are identified.

b) Performing security Analysis

The second step of the investment process is to perform security analysis, Security analysis is conducted to assist in making buy and sell decisions for individual securities (or groups of securities) within the broad categories of financial assets. The security analysis gives the basic idea about identification about both undervalued or cheap stocks to buy and overvalued or rich stocks to sell. There are two main approaches to security analysis. They are:

Technical Analysis:

Technical analysis is a method of using past price and volume patterns to predict future price movements. In another word, Technical analysis is technique for predicting market direction of future stock price movements based on historical price and volume behaviour and investor sentiment. It is widely used in the commodity markets. It is essentially the search for bullish or bearish signals, meaning positive or negative indicators about stock prices or market direction.

Fundamental Analysis:

Fundamental analysis represents the examination of a firm's accounting statements and other financial and economic information to assess the economic value of a company's stock. Information regarding such things as management quality, products and product markets is often examined as well.

c) Constructing the Portfolio

The next part of the process is the actual construction of the portfolio, which we divide into three sub-parts. The first of these is the decision on how to allocate the portfolio across different asset classes defined broadly as equities, fixed income securities and real assets. This asset allocation decision can also be framed in terms of investments in domestic assets versus foreign assets, and the factors driving this decision. The second component is the asset selection decision, where individual assets are picked within each asset class to make up the portfolio. In practical terms, this is the step where the stocks that make up the equity component, the bonds that make up the fixed income component are picked. The final component is execution, where the portfolio is actually put together, where investors have to trade off transactions cost against transactions speed. In this stage, many investors fail

d) Performance Evaluation

Investing is after all focused on one objective and one objective alone, which is to make the most money we can, given the risk constraints us operate under. Investors are not forgiving of failure and unwilling to accept even the best of excuses, and loyalty to money managers is not a commonly found trait. By the same token, performance evaluation is just as important to the individual investor who constructs his or her own portfolio, since the feedback from it should largely determine how that investor approaches investing in the future.

2.1.6 Investor's Objectives, Constraint and Preferences

a) Objectives

Different investors will have very different investment objectives and strategies. Some of investors will be very active, buying and selling frequently; other will be relatively inactive, buying and holding for long periods of time. Some will be willing to bear substantial risk in seeking out returns; for others, safety is a primary concern. We invest today to have more tomorrow. In other words, investment is simply deferred consumption; instead of spending today, we choose to wait because we wish to have more to spend later. There is no difference, really, between investing and saving.

Most investors are risk-averse, meaning that all other things the same, they dislike risk and want to expose themselves to the minimum risk level possible. However, larger returns are generally associated with larger risks, so there is a trade-off. In formulating investment objectives, the individual must therefore balance return objectives with risk tolerance (Corrado and Jordan; 2002:53).

Whether waging a war, building a car or making a seafood gumbo, investor must identify investment objectives (Elli; 2001:283).

Most investments are undertaken to increase in wealth. Investors invest to generate desired wealth when it is needed for retirement, children's education or other financial goals. Most investors do not necessarily have a single investment objective at any point in time. They may undertake both education for children and retirement objectives at a same time. Another investment objective may be to establish and emergency fund and is to gain feeling of financial security.

b) Constraints

Investor's investment will be affected be affected by various constraints. Most common and important constraints are as follows:

Resources:

Resources are probably the most obvious constraint and the one to which many investor relate. Resources mean any kind of real assets and financial assets. Obviously, Lack of resources, investment can not be undertaken at all. So, minimum requirement of resource should be maintain before investment undertaken. Since there are frequently minimum commission levels, account fees, and other costs associated with buying and selling securities an investors need resources.

Horizon

The investment horizon refers to the planned life of the investment. The investment horizon for retirement depends on age which can very long whereas buying house in near future is relatively short horizon. So it is true that stocks outperformed the other investments in the long run, but there were short periods over which they did much worse.

Liquidity

An asset with a high degree of liquidity is one that can be sold quickly without a significant price concession. There is the possibility that an asset will need to be sold quickly.

Taxes

Different types of investments are taxed very differently. When we talk about the return on an investment, what is really relevant is the after tax return. As a result, taxes are a vital consideration. Higher tax bracket investors will naturally seek investment strategies with favorable tax treatments, while lower tax bracket investors will focus more on pretax returns.

Special circumstances

Everyone will have some special or unique requirements or opportunities. Since it is difficult to envision any other investment with such a favorable payoff, such an opportunity should probably be taken even though there may be some undesirable liquidity, tax or horizon considerations. Possible special circumstances would be essentially endless. The number of dependents and their needs will vary from investor to investor, and the need to provide for dependents will be an important constraint. Some investors want to invest only in companies whose product and activities they consider to be socially or politically suitable, and some investors want to invest primarily in their own community or state.

c) Investors Preferences

Preference on investment depends upon the nature of investors. Risk lover (investor) prefers on the stock which have high return and risk averse investor prefers on the stock which have low risk even though the stock have low return. So, investors vary in their preferences. Some investors are very concerned about the possibility of losses with stocks and prefer to keep a lower proportion of stocks in their portfolios. Other investors are less concerned about the possibility of losses with stocks and prefer to keep a higher proportion of stocks in their portfolio. Some investors prefer stocks of socially responsible companies and some conventional companies. Some investors prefer foreign stocks while others prefer domestic stocks. Some people believe that they can pick stocks that would earn higher than average returns where as some people believe that they are unable to do so.

2.1.7 Security Markets

Security, in general is a piece of paper representing the investor's rights to certain prospects or property and the conditions under which investors may exercise these rights. Share, bond, commercial paper preferred stock, Treasury bill etc are the example of securities. Moreover, the security is a legal representation of the right to receive prospective future benefits under stated conditions. Security markets are mechanisms created to facilitate the exchange of financial or security assets. Therefore, the market exists in order to bring together the buyers and sellers of securities. There are many way in which security markets can be distinguished. On the basis of securities traded, security market can be classified as follows:

a) Primary Market

Market in which corporations and government institutions raise a new capital is known as primary market. Primary market is basically concerned with the accumulation of funds. All securities, whether in money or capital markets, are initially issued in the primary market. This is the only market in which the company or government is directly involved in the transaction and receives direct benefit from issue that is the company actually receives the proceeds from the sale of securities. Once the securities begin to trade among individual, business, government or financial institution, savers and investors, they become part of the secondary market. (Bhattarai; 2004:06).

b) Investment Banking Firm

An investment banking firm, among other things, specializes in arranging financing for companies by finding investors to buy newly issued securities. The firm acts as a middleman in the distribution of new securities to the pubic and creates primary market. Therefore, the people or institutions responsible for finding out investors for the initial public offering (IPOS) of securities sold in the primary market is known as investment banking firm. The principal function of the firm is to buy the securities from the issuing company and then resell them to investors. In other different countries investment bankers also provide brokerage services but in Nepal the issue managers only manage initial public offering and provide financial services (Bhattarai; 2004:08). The investment banking firm also performs advisory, administrative, and distribution functions instead of only underwriting the securities.

c) Secondary Market

The market in which previously issued securities are traded among investors is known as secondary market. In the secondary market, investors are constantly appraising the values of companies by buying and selling shares previously issued by these companies. In the secondary market investors buy and sell stocks with other investors.

If you think of the primary as the new-car showroom at an automotive dealer, where cars are first sold to the public, then the secondary market is just the used-car lot. Secondary market stock starting among investors through three channels: 1. Directly with other investors, 2. Indirectly through a broker who arranges transactions for others. 3. Directly with a dealer who buys and sells securities from inventory (Corrado & Jordan; 2002;126).

d) Dealers and Brokers

A dealer buys and sells securities from inventory. A dealer maintains an inventory and stands ready to buy and sell at any time. A broker is an intermediary who arranges security transactions among investors. A broker brings buyers and sellers together but does not maintain an inventory. A dealer attempts to profit by selling securities at a higher price than the average price paid for them. Securities dealers hold securities in inventory only until the first opportunity to resell them.

A securities broker arranges transactions between investors, matching investors wishing to buy securities with investors wishing to sell securities. Brokers may match investors with other investors, investors with dealers, and sometimes even dealers with dealers. The distinctive characteristic of securities brokers is that they do not buy or sell securities for their own account. Facilitating trades by others is their business (Corrado & Jordan; 2002:127).

e) Over the Counter (OTC) Market

Over the counter market is not a formal exchange like organized stock exchanges. OTC neither requires membership for trading of securities not listing of securities for trading, earning that formal listing of securities are not necessary in the OTC market. This Securities Market is largely characterized by dealers who buy and sell securities for their own inventories. NASQAD is often referred to as an OTC Market. However, in their efforts to promote a distinct image, NASDAQ officials prefer that the term OTC not be used when preferring to the NASDAQ market. Nevertheless, old habits die hard, and many people still refer to NASDAQ as an OTC Market (Corrado & Jordan; 2002;136). In 1971, Nasdaq a computer network of securities dealers who disseminate timely security price quotes to Nasdaq subscribers was initiated. It provides immediate information on a computer linked system of bid and asked prices for stocks offered by various dealers.

f) Third Market

The third market is an OTC Market where the securities listed in the organized stock exchange are also traded. More generally, the term third market now refers to the trading of any exchange listed security in the over the counter (OTC) markets. The trading hours are not fixed to the third market like organized stock exchange. In the third market dealers provide only execution and record keeping services for their client.

g) Fourth Market

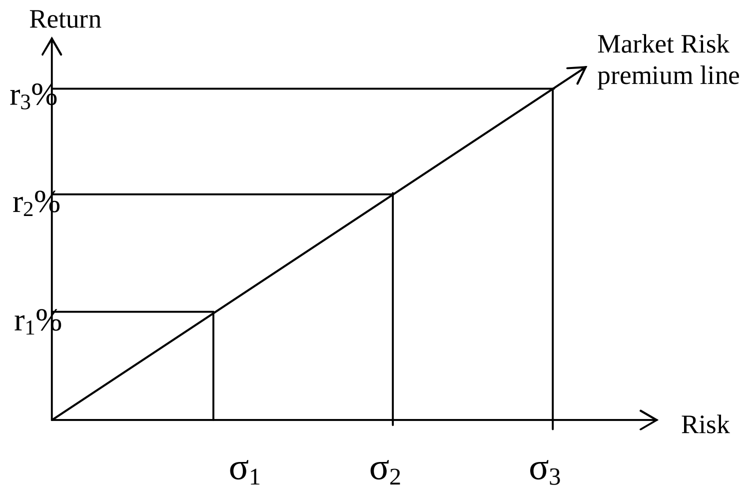
The fourth market refers to direct trading between investors in exchange listed securities without benefit of a broker. The direct trading among investors that characterizes the fourth market has exploded in United States few years back due to the advent of the electronic communication network (ECN) which provides quotations and execution automatically.

2.1.8 Relationship between Risk and Return

The amount of risk associated with an investment is directly related to its expected total return. This universal rule of investing means that if we want a higher level of return on our investment, then we will have to take more risk to get it. If we are willing to take a higher level of risk, we should expect to be compensated by earning a higher rate of return. It is not always true that a riskier asset will pay a higher average rate of return, it is usually true. The reason is that most investors are risk averse. As a result, high risk assets must offer investors high returns to induced them to make the riskier investments.

In addition to knowing intuitively that risk and expected return are related, risk of investments can be measured numerically by equating volatility in total returns with risk. Standard deviation is a statistical measure of past volatility. It measures the extent to which numbers differ from the arithmetic mean of the series. The standard deviation has more meaning when we know that normally two-thirds of the returns will lie within one standard deviation of the mean.

Fig: 2.1. Relationship between Risk and return



The figure 2.1 represents a higher risk premium. For taking risk S.D. 1, the expected return is r1 when an investor assumes risk S.D.2, the return must be r2 Increasing the return (risk premium) by r2-r1 for assuming more risk: S.D.2-S.D1. This assumption of linear relationship states that the risk premium must increases or decreases in proportion to a change in level of risk. It also indicates higher the risk, higher the return and lower the risk lower the return.

a) Systematic Risk and Unsystematic Risk

Dividing total risk into its two components, a general (market) component and a specific (issuer) component, we have systematic risk and nonsystematic risk, which are additive:

Total risk = General risk + Specific risk

= Market risk + Issuer risk

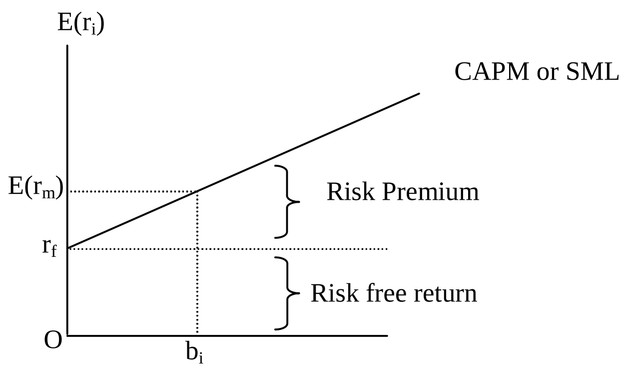
= Systematic risk + Nonsystematic risk

The variability in a security's total returns that is directly associated with overall movements in the general market or economy is called systematic risk. Virtually all securities have some systematic risk, whether bonds or stocks, because systematic risk directly encompasses interest rate, market, and inflation risks. Investors cannot escape this part of the risk because no matter how well they diversify, the risk of the overall market cannot be avoided. The variability in a security's total returns not related to overall market variability is called the nonsystematic risk. An unsystematic risk is one that affects a single asset, or possibly a small group of assets. This risk is unique to a particular security and is associated with such factors as business and financial risk as well as liquidity risk. Although all securities tend to have some nonsystematic risk, it is generally connected with common stocks.

b) Security Market Line (SML)

Security market line (SML) is a graphical representation of the linear relationship between systematic risk and expected return in financial market. In other words, the Security Market Line (SML) shows the relationship between risk as measured by beta and the required rate of return. The SML equation can be used to find the required rate of return on stock.

Figure 2.2 Security Market Line



2.1.9 Factors to be considered before Investing in Securities

Stocks investors who want to invest n the stock market should not invest directly in corporation. At first, they come in stock exchange market. They invest on the information base on prospectus of company and other public notice and details, which are published by the company.

While investment policies needed to be informed, the investor needs to consider many factors. Usually these are the factor to be considered in the investment planning decision (Shim and Siegel; 1989:256).

Investing is all about making money by investing in the stock market rationally. The following things are the basis for the investments to meet the criteria of stability and strength. Let's review the typical investments considered by most. The following are some investment attributes that must be considered by investors.

- Security of principal
- Role of return
- Marketability (Liquidity)
- Stability of income
- Strength(Leverage)
- Inflation
- Cash flow
- Tax benefit
- Limited Management Requirements.

a) Investment Consideration to Potential Investors in Primary Market

Investors should be able to manage their investment from beginning of planning for investment till the security is liquidated. While buying in initial market or in primary market the investor should be unaware of different aspect of the securities issued. Rules and regulation applied by security board will alone not be able to protect interest of investment. Investors should be able to analyze and evaluate the different aspect of company and its security issued. Investors should select those company's shares, which are regarded as well operating and future prospect, reliable management, beneficial sector or high growth, protective provision of indenture etc. before they finally invest.

Investor investing in stock must compare price and value of share in market and should select shares, which have owner market price than its intrinsic value. The investors investing in bonds and debenture should find out the provision of repayment of principle in case of default.

The investor are to informed about following before making investment decision in primary issue or initial issue (SEBON; 2058:11).

i. The investors should take necessary information about company such as; promoters, size of company, growth of company, company's environment, Board of directors (BOD) and the past and forecasted statements (Performa balance sheet) etc. from the prospectus, Articles, Memorandum of the concerned company and company's promoters.
ii. The investor should make a public announcement made by the company in National daily newspaper before 7 to 15 days the opening of issue of share.

b) Investment Consideration to the Potential Investors in the Secondary Market

The investors are required to be informed on the followings before investment in the share in the secondary market (SEBON; 2058:11):

i. To keep all information of the companies return to the shareholders in the form of cash dividend, stock dividend, bonus share etc. To keep the timely information about companies earning per share (EPS), book price per share (BPS), price earning ratio (P/E ratio), future plan and growth expectancy of the company by studying annual, quarterly and half yearly performance reports, profit and loss account, Balance sheet and Annual Reports etc.
ii. To analyze the information (price sensitive and other information) notified to the investor in the notice board of SEBON and NEPSE about the listed companies.
iii. To study the articles related to the trading of shares and economic matters published in the different newspaper and magazines.
iv. To study the trading statements and financial analysis of the listed companies published by NEPSE.
v. To study annual reports and other information published by SEBON.
vi. To attend the Annual General Meeting (AGM) regularly.
vii. To study the act and regulation concerning to the share holders right.
viii. To derive the necessary information related to the trading of shares from website from SEBON (www.sebonp.com) and NEPSE (www.nepalstock.com)

The investment consideration begins from the selection of the broker to assist the trading in the securities market. Most investors have access to investment information in the form of oral and written form from their brokers. Brokers subscribe to well known investment information sources that can be used by their customers. Brokers are most active trading agents of capital markets. Stockholders are back bone of stock market and its smooth functioning.

The investor's first step in establishing a satisfactory relationship with a broker is to choose a firm that is suitable fro his needs and to select a representative of the firm with whom he can work. In practice it is hard to separate the two choices, for if one of satisfactory firm but is unhappy with the representative, it is embracing to shift one's account to another with the representative with in the some firm. The brokerage firm should be well known and long established institution. In selecting a firm an investor can ask for recommendations from his banks or from friends whose opinions he trust. The representative should be able to furnish the investors at all times, on reasonable notice, information on any specific company's securities (Fisher and Jordan; 1992:17). The representative should not be the type who is always trying to sell the investor something, on the other hand, he should be aware of the securities held by the investor and should inform him of any news that is relevant to these holding. Basically, the function of the representative is to give service and information to the investor so that the latter can make investment decisions and for mutually satisfactory business relationship between the two lines with the investor, for he must make his own investing philosophies and goal quite clear so that the representative will be able to offer the type of service desired (Fisher and Jordan; 1992:17).

The representative should not be the type who is always trying to sell the investor something on the other hand, he should be aware of securities held by the investors and should informed him of any news that is relevant to those holding. Basically the function of the representative is to give service and information to the investors so that the latter can make investment decision and for a mutually satisfactory business relationship between the two lies with the investor for he must make his own investing philosophies and goals quite clear so that the representative will be able to offer the type of served desired (Fisher et.al, 1992).

For an investor the investment process starts after the selection of a reliable broker who can guide well in investment industry. The broker helps investors in security analysis and in providing all necessary information about the stocks current position.

Every investor must be able to calculate the intrinsic value of security and if the market rice available below the value the purchase should be made and vice versa.

2.1.10 Others Factors Affecting the Investment Decision/Policies

Besides above mentioned basic principles, some basic factors really affect the investment policy and composition of the components. However, their degree of affecting power may vary. These are the pother factors that have significant affecting power:

- Regulatory Provision
- Management Perception
- Present composition of the investment portfolio
- Availability and accessibility of the investment

2.1.11 Stock Market Information for Securities Investment

Investment is an information-oriented subject. Investor makes their investment decisions on the basis of their expectations fro the future. Many pieces if information influences investment decisions. Investors need to know the characteristics of various investments alternatives and must keep informed on the institutions and markets where they are available. Up to date information is required on the status of and trends in the economy, particular industries, and firms.

Success in investing will be largely dependent on 1) discovering new and credible information rapidly and in more detail than others do and 2) applying superior judgment of as to ascertain the relevance of the information must be analyzed. Superior judgment comes from the capacity to take information and see given relationships more clearly or perceive more interrelationships. Judgment depends pretty much upon one's store of knowledge and experiences. The task of security analysis is largely a matter of shifting, sorting and rearranging data on the markets, the economy, Industry and firms. By applying various tools of analysis to the data, investor formulates expectations and judgments about the alternatives open to him.

There are two broad categories of information: Internal and external. Internal information consists of data and events made public by firms concerning their operations .It mainly takes the form of interim and annual reports to shareholders, and public and private investments of the officers and managers of the firm. The principal information sources generated internally by a firm are its financial statements. The analyst does not, of course, limit inquiry to information provided by accountants, ingenious and competent analysts sample widely from many kinds of information.

External source of information are those generated independently outside the company. This source provides provide supplements to company-generated information by overcoming some of its bias, such as public pronouncements by its officers. The externals information sources also provide certain kinds of information not found in the materials made available by companies themselves (Fisher and Jordan; 2000:189). Market information is an essential matter to the present and potential investor to know about the listed companies' right information in right time, right place.

Actions Speak Louder than words: Information is not usually available to all parties in business in equal measure. For example, the board of directors will know more about the future prospects of the business of the business than the shareholders who have to rely on published information. This information asymmetry means that investors not only listen to the board's rhetoric and confident projections, but also examine the information content in its corporate actions. This signaling effect is most commonly seen in the dividend signals that the company is expected to be able to sustain those levels of cash distribution in the future (Pike and Neale; 1998:23).

Many corporate managers are some what parsimonious in their release of information to the market. Their motives are often understandable, such as reluctance to divulge commercially sensitive information. As a result many valuations are largely based on inspired guesswork.

The value of a company quoted on a semi-strong efficient market can snoop the pre-product to what information has been released supplemented by intuition, yet company chairman are fond of complaining that the market persistently undervalues their companies.

Some for example, Richard Brason (Virgin) and Andrew Loyd- webber (Really useful group) have, in expansion even mounted buy- back operations to repurchase publicly held shares to return 'their' enterprises in to private hands. The problem however, is often of their own making.

The market can only absorb and process the information offered to it. Indeed, information hoarding may even be interpreted adversely. If information about the company performance and future prospects is jealously guarded we should not be surprised if the valuation even of quoted companies appears somewhat haphazard (Pike and Neale, 1998:97).

Information helps the investors that the best investment decision taking among the above available. Information affects the prices of the securities of a company. Any information that affects the value of the company will also affects the price of its securities. This includes firm specific information of its future earnings, cash flows and growth prospects; macro economic information on inflation, interest rates and the economy; the industry specific information. As the managers of the company have control on the firm specific information they should provide such information to the investors (capital market) as soon as possible.

Importance of Information

No one should buy a stock without knowing as much as possible about company that issues it, and it is possible only by gathering as much information as is available on the company.

Informed investing is not grouping in the dark, it is not purchasing a share because the name is attractive, it is the investing in the company whose performance and strengths have been evaluated and the investment is made in a reasonable belief that company is good and the price will rise.

The information that one should seek to be able to invest knowledgeably can be broken down into:

- Information on the company-its performance, its sales its profits and its products.
- Information in the company's performance in relation to the other similar companies.
- Information on the industry in which the company operates. Industries go through periods of boom and depression. Some companies are more susceptible to economic depression than others. It is important to know at what stage of the economic cycle the company is in.
- Information on the company at a period of drought, agro-based industries would not do well.
- Information on government policy on legislation likely to be passed, on taxation to be imposed, or duties to be levied or reduced. All these would affect the performance of the company and as a result the share price.
- Information on consumer outlook and fashions and spending. These can be of prime importance.

In Nepal, the investors do not properly understand the risk and reward of investing in the stock market. This leads to increase the savings into bank deposits rather than direct investment in the shares by the individual investors. In order to make informed decisions, investors must have access to accurate and timely information. But this is not the case in Nepalese corporate sector. The lack of accurate and timely information is one of the important reasons why investors to a great extent have lost their confidence in Nepalese stock market. Privatized companies have even a worse track record in case of periodic performance publicity or disclosure. They show the losses more readily in worse situation than the profit in prosperous situation.

Investors' confidence in the Nepalese stock market is relatively low because of stock market volatility. Investors put their money in shares expecting reasonable return to earn from it. Such returns in the form of both dividend appreciation and capital appreciation should be reasonable enough to attract them. Dividend as a prime motivator is worthy enough to attract the investor to make the investment decision, if provided enough and regularly. But the dividend policy and calculation is not so easy to analyze. Blank epitomizes the lack of consensus by stating the harder one look at the dividend picture, the more it seems like a puzzle, with pieces that just don't fit together (Black Journal, 1976 and Adhikary dissertation, 2001:5).

2.2 Review of Journal and Articles

These days information highway or the Internet has become to the most easily accessible mediums to gain information in any subject matter. In the study period, various journals and articles have been consulted.

Financial economics is the application of economic theory of financial markets (Smith 1996). It is a large body of theory including such well known models as ‘Modern Portfolio Theory’ of Markowitz (1952), The Capital Assets Pricing Model (CAPM) of Sharpe (1964), The Efficient Market Hypothesis of Samuelson (1965), and Fama (1965), and the Option Pricing Model of Black and Scholes (1973). Although, these models are all included in Institute of Faculty Education Ltd. (1996), their acceptance or use is controversial.

Finance from the investor’s perspective is explained as: “Investor’s whether they are individuals or institutions such as pension funds, mutual funds, mutual funds or close endowments hold portfolios that are they hold a collection of different securities. Much of the innovation in investment research over the past 40 years has been the development of a theory of portfolio management, and this module is principally an introduction to these new methods. It will answer the basic question what rate or return will investors demand to hold a risky security in their portfolio? To answer this question, we must consider what investors want how we define return, and what mean by risk.”

One of the fundamental issues in finance is what the factors are that affect expected return on assets, the sensitivity of expected return to those factors and the reward for bearing this sensitivity. There is a long history of listing in this area, and it is clearly one of the investigated areas in finance.

Almost all of the testing, investors were aware of using realized returns as a proxy for expected returns. The use of average realized returns as a proxy for expected returns relies on a belief that information surprises tend to cancel out over the period of a study and realized returns are therefore an unbiased estimate of expected return. However, it is to be belief that there is ample evidence but this belief is misplaced. There are period's longer than 10 years during which stock market realized returns are an average less than the risk free.

Returns management appears predictable to an econometrician or appear to deviate from the capital Assets Pricing Model, but investor can neither perceive nor exploit this predictability. Return may also appear excessively volatile even though prices react efficiently to cash flow news (William N. Goetxmann; 1999:27).

"In our benchmark model with perfect information, returns are unpredictable using past information. But returns become predictable both cross section all and overtime. When investors learn about the cash flows process without perfect information return is negatively related to past dividends and prices appear to react too strongly to realize dividends."

Return is the main objective of investment and any investors want to make more money in the future. The main measurement tool of benefit, which is received from a security, is the rate of return.

The investor return is a measure of growth in wealth resulting from that investment. This growth measure is expressed in percentage forms to make it comparable across large and small investors. Stock returns may be riskier or more volatile, but this concept is a difficult one to express simply. To do so, we borrow a concept from statistics, called standard deviation. It is a simple measure allowing us to quantity asset returns by risk, and it also provides the basis for investor decision about portfolio choice.

In securities market the feedback is often slow and noisy. There may even be a trade-off between speed and clarity of feedback whereby short-term traders get quicker, but noisier, feedback, and long-term traders receive clearer feedback but must wait for it. This paper looks at what happens in financial market when people are overconfidence and concluded that overconfidence is costly to society. Overconfident traders do not share risk optimally; they expand too many resources, on information acquisition and they trade too much. These are dead weight losses. Overconfidence increases trading volume and market depth, but decreases the expected utility of confident traders. Overconfident traders increase volatility, though overconfident market makers may dampen it. Price taking traders, who are overconfident about their ability to interpret when there are many overconfident traders, market, tend to under-react to the information rational traders. Under-react to abstract, statistical and highly relevant information and overreact to salient, but less relevant information. Like those who populate them, markets are predictable in their biases (Terrance Odean, Journal of Finance, 1998:87).

Small investor is far loss exposed low risk than if his eggs were in one or two baskets -for oven the most highly regarded companies have boon known to go into liquidation. Modem financial theory suggests that diversification should be one of the prime objectives of the investors. The public is increasingly aware of the need for management. This in part reflects increased advertising and promotional activities initially by unit trust groups, more recently by the life assurance companies (Winfield & Curry; 1985).

If a man loses his money in the stock market it is almost always because of his own greed stupidity or gullibility. It is certainly never the fault of the exchanges and it is very rarely the fault of his broker (Palat; 1991).

Ghimire (2002), "The essence of the message is that investors should be careful at this time while investing in the secondary market. For example, buy Standard Chartered Bank Nepal LTD's shares when they come down to Rs.1500 because the dividend yield then will be more than 7% Investors should be considered also while investing in the primary market. Do not get excited to heavy investment on primary issue because the allocation would be low and you may have to wait for six months before the scrip you invest on will be open for trading on the secondary market. Even then it will not offer the price sufficient to compensate for the wait."

Shrestha, (2000), study on "Why share market is inactive, problems and measures" found that "Investors are noticing about the negligence of public limited companies that have raised funds from share market by providing sufficient assurance of return on their investment within a desirable time framework as promised in prospectus. But despite so many years say 2 to 4 years company management is simply taking lame excuses of the problems which they have to face in real business world. Actual results have lagged behind from that of the estimated results exhibited in prospectus at the time of floating shares to the investing public.

2.3 Review of Unpublished Masters Degree Thesis

Under this section, various masters degree thesis related to this study have been reviewed.

Mr. Badri Subedi (2003) on his study “Investors Awareness in the securities Market in Nepal” the study had the following objectives:

- To examine the popularity of the securities among the general public.
- To find out whether the investors are adequately aware or not in the share trading.
- To trace out the investors attitude towards the share investment in comparison to investment in other sectors.

To achieve the objectives of this study, descriptive and analytical design has been used. Some financial and statistical tools have been applied to examine facts and descriptive techniques have been adopted to evaluate awareness of investors in Nepalese security market and through analyzing following findings have been drawn out:

Out of the total investors 24.54 percent investors responded that there are better opportunities for investors in non- securities sectors while 75.46 percent responded there were better opportunities for Nepalese investors in securities sectors. Among these respondents, who choose securities market as better sector for investors, responded the banking, finance, insurance, manufacturing, hotel, trading and other sectors are suitable for investment in ranking. Likewise, the respondents, who chose non- securities sector as better sector for investors responded the bank fixed deposit, fixed asset, business venture and other sectors are suitable for investment in ranking. They specify the nursing home and educational institutes.

18.05 percent of the respondents said that they are satisfied with the present availability of the information about the securities while 81.95 percent of the respondents showed their dissatisfaction about the present situation of the availability of the adequate information.

Companies are found unable to meet the target level as described in the prospectus as 14 percent of the investors said that listed companies are able to meet the target as mentioned in their prospectus while 86 percent of them said that they are not able to meet the target as mentioned in the prospectus.

The regularly activities of the regulatory authorities were found inefficient as 32 percent of the respondents responded that the regulatory activities are efficient while 68 percent of them opposed the response.

The status of grievances handling of the different institutions involved in share trading activities could not be considered satisfactory as 12.5 percent of the total respondents are found satisfied with the performance of the different institutions in handling the grievances of investors while 87.5 percent of them showed their dissatisfaction.

Most of the investors were found dissatisfied with the return they are presently getting from the stock investment as 23.61 percent of the total investors were found satisfied while 76.39 percent were found dissatisfied.

Friends and other sectors were found to be highly inspiring source to get the idea to invest in share while investors education program and brokers were found to be less inspiring sources to make investment in shares.

The regulatory aspect of NEPSE is found at low to maintain the fair share trading activities as 29.17 percent of investors were found satisfied with the regulatory activities while 70.83 percent of them were found dissatisfied with their regulatory activities.

The dividend and capital appreciation were found most inspiring factors for investors to invest in shares while social status and participation in AGM were found less inspiring factors whereas marketability was found to be moderately considerable factors.

The level of investors' awareness in the securities market was found at low and moderate level as responded by most of the investors while it is at very low and very high level as responded by very few investors.

The rumor and whim is found highly and moderately responsible in influencing the decision of the investors in share investment as responded by most of the investors whereas it is at low and very low responsible as per some of the investors.

Mr. Kiran Pandit (2004) has conducted a study on “Investors Preference and Financial Instruments in Nepal.” The study has the following objectives:

- To explore widely used financial instruments in Nepal.
- To study the primary issues in Nepalese Financial Market.
- To analyze the preferences of the different investors of Nepal and to know what type of instruments the investors prefer the most.

In order to achieve the defined objectives Mr. Pandit has combined Descriptive, Exploratory and analytical methods. By the help of these followings has been drawn:

- The issuance of corporate securities made since 1993/94 shows that around 76% of total issue is covered by common stock is the most widely used corporate security. Government issues, show that Treasury bills are the mostly used government security, which covers around 39% of total government issues.

- Corporate securities, government securities, real estate and bullion are considered as the major investment alternative. Among them, corporate securities are found to be the most preferred investment alternative. Preferences over these alternatives in terms of different categories of investors were also found similar. However, as per the size of investors, small investors showed high preference toward real estate also. Similarly, the employed investors preferred the corporate securities whereas unemployed preferred real estate.

- To focus more on financial instruments, common stocks appeared as the most preferred financial instrument. Preferences of different categories of investors, as well as different size of investors were also found similar. As per the issuance agreed that the capital market heavily depends upon common stock. Investors also agreed that the capital market lacks the choices. It means financial innovation is really lacking in Nepalese financial market.

- Results showed that investors prefer banking and financial sector very much in comparison to other sectors. Analysis of subscription ratios showed that the issues of financial institutes are highly over subscribed in the primary market. In the secondary market trading also, last five years trading volume shows that more than 55% of trading volume is covered by the shares of commercial banks.

- Growth (capital gain) was found to be the most preferred investment objective for all type of investors. When only stock investment was considered, then also investors preferred capital gain. Bonus shares appeared as the second preferred objective of the stock investment.

- More than 30% respondents have never invested on government securities. Majority of those who have invested said that they have invested because of safety. Those who are aware and have invested in government securities disagreed that the low yields make government securities unattractive to individual investors.

- When alternatives with increasing risk and return, were asked to select. Majority of investors selected alternative with moderate risk and return.

Mr. Prasad Dangol (2004) had conducted a study on "A Study on Investors Perception in Nepalese Stock Market." The study had the following objectives:

- To examine the impact on the stock market as per the change of investors' perception.
- To examine whether investors' perception leads to growth of the stock market.

In order to achieve the objective Mr. Dangol used the secondary data as well as primary data in the form of questionnaire. And the data collected has analyzed by using the different test and ultimately following major findings has been detected which are as follows:

- The interests of investors have been decreasing continuously towards the stock market. Regarding the revenue from the disposal of the stocks, 30.37% of individual and 55% of institutional investors reinvested on other shares/ stocks. And the remaining individual investors invested on other sectors after selling their stocks such as bank deposits, business, Government bond and others. The remaining institutional investors invested on other sectors after selling their stocks such as bank deposit, invested on business and others.

- The revenue dividends and capital gains from stocks were not also 100% reinvested on stocks. It was seen that 52.59% individual and 55% institutional investors' perceptions indicated that they did reinvest the dividends and capital gains in stock, 7.41% individual and 5% institutional investors indicated that their reinvestment depended on others situations.

The remaining 40% of both types of investors indicated that they did not reinvest the dividend and capital gains in stock.

- The fluctuation of the stock price is the cause of the investors' perception. Actually, changing perception of investors' continuously pushes the price of the stock up and down. From the one sample runs test it was found that banks, manufacturing and others sectors have a negative trend in response to their share price. Similarly finance and insurance sectors have a positive trend in response to their share price. In aggregate, it was found that the NEPSE index has a negative growth. It indicated that the perception of the investors' led the growth of the stock market.

Mr. Santosh Upadhyay (2004) has conducted a study on "Investors Preference and Financial Instruments." The study has the following specific objectives:

- To study the preferences of the investors in the financial instrument.
- To assess investors' awareness regarding the investment decisions in selecting securities.
- To analyze the investment trend in the security market of Nepal.

Mr. Upadhyay has used different research variable in the questionnaire and this has been tested through the statistical tools and finally he draw the following major findings:

- The market capitalization of the different financial securities showed that common stock had the largest chunk of trading in the market. Hence, it can be said that Nepalese investors are trading common stocks. Likewise, the stocks of banking sectors had the largest chunk of trading in the market, which proved that the preference of investors is on common stock of banking system.
- The majority of the Nepalese investors preferred the equity share for investment. They preferred government securities after common stocks. The stocks and preferred stocks were least preferred.
- The investors preferred the banking sector for investment.

- The majority of the respondents stated that the investors do not make risk return analysis before making investment decision.
- Nepalese investors' main objective of investment was profit.
- If investors were not satisfied with their return from investment decision in securities as the respondents were asked whether they were satisfied or not on return from their investment decision in securities.
- Major portion of the investor were not aware regarding their investment in Nepalese security market.
- Major portion of the respondents stated that dividends/returns were the main influencing factors for preferences of investors.
- The majority of the respondents of the different groups stated that the Nepalese investors were not getting sufficient and timely information from the companies.
- With respect to the rules and regulation of government, it was found that the existing rules and regulations were not sufficient to protect the investor's investment in the security market.

Mr. Sudip Amatya (2005) had conducted a study on "Present Status of Nepalese Debt Securities Market." The study had the following objectives:

- To study the position of debt securities market in the structure of Nepalese Securities market.
- To analyze the trend and ownership pattern of government securities.
- To examine key investors and characteristics of Nepalese corporate debt securities.
- To identify the major problems of Debt securities market growth in Nepal.

In order to obtain its objectives Mr. Amatya use different statistical tools and by the help of this he found out the different findings which are as follows:

- The total volume of securities issued from 1993/94 to 2002/03 shows increasing trend. The major portion of securities market is covered by debt securities; it is also in increasing trend. Government debt securities are the main dominant securities in sense of volume, which cover more than 98% of total securities market and issuing regularly throughout the observation period. But the participation of corporate debt securities in securities market is very small, unsatisfactory and irregular so that only three issues can be seen from 1993/94 to 2003/04.

- While analyzing the ownership pattern of government bonds and T- bills. It is found that major holder of these securities was Nepal Rastra Bank in previous years of observation and in latter years, commercial banks are the main holders of these securities. Participation of financial institution, insurance corporations and other organizations in purchasing government Debt securities is comparatively low. On the other hand, participation of individual investors is increasing but not sufficiently.
- The amount of government debt securities is increased every year, which is good sign for debt securities market. The forecast amount of government debt securities from 2004 to 2008 shows increasing trend with healthy growth rate. If government maintain this trend in future, it will be helpful to reduce external debt and to mobilize internal debt in productive sectors by which nation will be benefited.
- The trend of T-Bills issued during the observation period seems to be increasing. The forecast amount of T-Bill in coming years also shows increasing trend. That means money market of government debt securities is effectively growing, which is good sign for overall debt securities market.
- The trend of development bond was increasing in starting period of observation, decreasing in middle period of observation and again increasing in recent year of the observation. The forecast amount of development bond for coming years shows increasing trend, which is sign of a good prospect of debt securities market.
- The trend of national saving bond shows increasing in first 15 years of observation, but it has been showing decreasing trend in last 2 years of observation. The main holders of national saving bond are individual investors, if this decreasing trend continues in the future periods; participation of individual investors will be decreased.

- The trend of special bond is increasing in the previous years of observation but shows decreasing trend in recent years. The forecasted amount of special bond shows increasing trend, which is good sign for debt securities market.
- Government has issued another debt instrument named public saving card since 2001/02, which can be sold only to Nepalese citizens. The initiation of public saving card has initiated the new step in the growth of government bond.
- The characteristics of Nepalese corporate debt securities are quite worth as necessary to be a quality security.

CHAPTER-III
RESEARCH METHODOLOGY

Research methodology refers to the various sequential steps (along with a rational, of each step) to be adopted by a researcher in studying a problem with certain object in view (Cothari, 1994:19). A focus is to be given to research design, sample selection and size, data collection procedure, data processing, definition of variables, meaning and definition of statistical tools used. This chapter will highlight the research methodology used for the study.

3.1 Research Design

A research design is a plan, structure, and strategy to obtain the objectives of the study. The research is based on the secondary as well as primary data and information. The descriptive as well as analytical research design has been used. The variables related with the performance of the company, market information and relevant subjects are included in the study.

3.2 Population and Sample

In Nepalese context, due to the lack of information of financial instruments, potential investor is manipulated or exploited by the brokers, financial institution, company and other market intermediaries. So brokers, investors, experts are taken as a population and from the population 18 brokers and 45 normal individual investors as well as the 5 officials from the NEPSE and 5 officials from SEBO/N are taken as sample.

All the companies listed in NEPSE have been considered. Individual investors are the investor who is engaged in buying and selling of securities. Brokers are the person or institutions who act as a middle man for trading of securities. The staff members of SEBO/N and NEPSE have also been considered.

Total population size of the investors includes all the investors who are trading security business in Nepal. Only 45 investors have been selected for this research under which 34 investors gave their responses. There are altogether 23 licensed brokers and out of which 18 is selected for the sample but 16 of them responded. Likewise only 5 officials of SEBO/N and 5 officials of NEPSE are selected as samples and all of them gave a response.

3.3 Source and Collection of Data

For the study purpose, it has been used two types of data such as:

- Primary source of data
- Secondary source of data

Primary sources of data are mainly based on interview and queries and secondary data are mainly based on Booklets, trading Volume issued by Nepal Stock Exchange (NEPSE) and Nepal Security Board of Nepal (SEBO/N).

Secondary data have been collected from the following sources:

- Trading report published by stock exchange Nepal.
- Financial statement and other transaction of listed companies listed by NEPSE.
- Out side published material directly related to investor's attitude on earnings.
- Booklets published by other related agencies like SEBO/N, ministry of finance, and T.U. Library as the relevant materials.

3.4 Analysis of Data

Analysis is the careful study of available facts so that one can understand and draw conclusion from them on the basis of established principles and sound logic. The collected data information through primary as well as secondary sources correspondingly will be tabulated, categorized and analyzed by using appropriate statistical and financial tools. Tick mark and open- end questions are included in the questionnaires. Many concerned personalities will be interviewed in the course of collecting data to get relevant information. The comparative analysis will be undertaken by using percentage, graphs and chart. The empirical results have been extracted in this study by using annual data of listed companies.

3.5 Statistical Tools

Some statistical tools are used to implicit the comparative results are as follows :

a) Multiple Bar- diagrams and graphs

Diagrams and graphs are visual aids which give a bird's eye view of a set of numerical data which show the information in a way that enables us to make comparison between two or more than two sets of data. Diagrams are in different types. Out of these various types of diagram one of the most important form of diagrammatic presentation of data is multiple bar diagram which is used in cases where multiple characteristics of the same set of data have to be presented and compared.

b) Pie- diagram

A pie- diagram is a widely used aid that is generally used for diagrammatic presentation of the values differing widely in magnitude. In this method all the given data are converted into 360 degree as the angel of a circle is 360 degree and all components of the data are presented in terms of angels that total 360 degree for one set of data.

c) Percentage

Percentage is one of the most useful tools for the comparison of two quantities or variables. Simply, the word percentage means per hundred. In other words, the fraction with 100 as its denominator is known as a percentage and the numerator of this fraction is known as rate of percent.

d) Chi Square test

Chi Square test the goodness of fit suppose we have given some frequency distribution data & let we use Binomial Distribution then chi Square test the fitted Binomial Distribution is good or not, for it first we calculated the expected frequencies (E) according to given or observed frequencies (O).In testing of hypothesis, chi square test has been used. Expected frequencies were calculated by applying following formula:

$$\text{Expected Frequency of RiCj} = \frac{\text{Row Total x Column Total}}{\text{Grand Total}}$$

Where,

Calculated values of chi square can be calculated by applying following formula:

Under null hypothesis (Ho) test statistic

$$\chi^2 = \Sigma \frac{(0 - E)^2}{E}$$

Where,

O = Observed frequency

E = Expected frequency

In order to achieve the research objectives, following hypothesis have been created and the various research variables reflected in the questionnaire have been tested through chi-square statistics at 95 % level of confidence (5 % level of significance).

- **Null Hypothesis:**

There is no significant different between observed and expected mean.In research study the popular hypothesis is null hypothesis because it measures the failure of the relationship.

- **Alternative Hypothesis:**

There is significant different between observed and expected mean.

CHAPTER-4

PRESENTATION AND ANALYSIS OF DATA

This chapter includes the analysis of secondary and primary information collected from Security Board Nepal (SEBO/N) and Nepal Stock Exchange (NEPSE) along with their result and interpretation. The chapter starts with the analysis of secondary data concerned with the issuance of financial instruments i.e. corporate securities and governments securities. Analysis of Primary data collected through questionnaire method is conducted thereafter. Finally the chapter ends with the major findings of the study.

4.1 Presentation and Analysis of Secondary Data

In this section presentation and analysis of secondary data is conducted. Main source of Secondary is NEPSE trading reports, SEBO/N annual reports and NRB annual report. Some of the data have been collected from their official websites. The main purpose of the Research is to study about the investor's attitude on financial instruments, which is issued in the Nepalese market. Broadly we can have mainly two types of security one is corporate security and next one is Government security.

4.1.1 Corporate Securities

Following table shows the issue of corporate securities which are taken from SEBON annual report 2006/07.

Table 4.1
Issue of Corporate Securities (Rs. in Million)

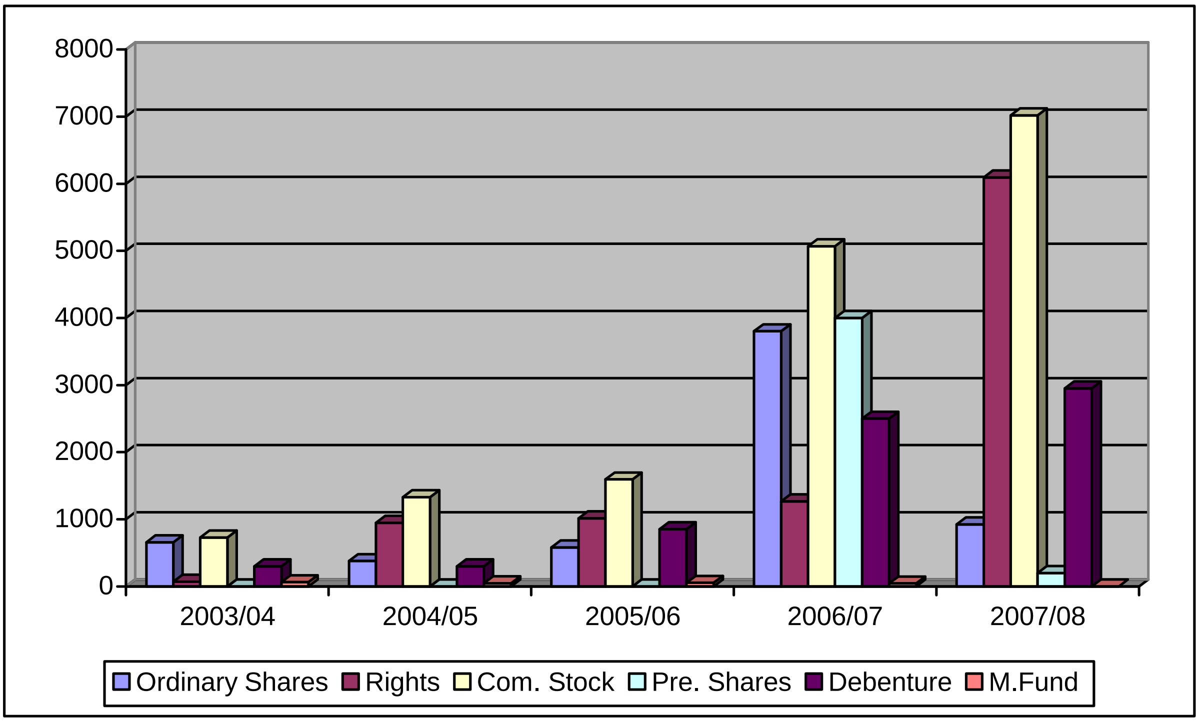
F/Y	Ordinary Shares	Right Shares	Common Stock*	Preference Shares	Debenture	Mutual Fund	Total
2003/04	657.50	70.00	727.50	0.00	300.00	62.28	1089.78
2004/05	377.48	949.34	1326.82	0.00	300.00	45.49	1672.31
2005/06	579.83	1013.50	1593.33	0.00	850.00	53.21	2496.54
2006/07	3802.50	1265.30	5067.80	4000.00	2500.00	43.80	11611.60
2007/08	924.80	6093.40	7018.20	200.00	2950.00	0.00	10168.20
Total	**6342.11**	**9391.54**	**15733.65**	**4200.00**	**6900.00**	**204.78**	**27038.43**
%	23.46	34.73	58.19	15.53	25.52	0.76	100.00
Rank			1	3	2	4	

* Common Stock = Ordinary shares + Right shares

The table 4.1 shows that the amount of different corporate securities that are issued from the fiscal year 2003/04 to 2007/08 in Nepalese financial market. The total amount figures Rs.27,038.43 millions. Table shows that Right shares have the largest share in the total amount i.e. 34.73 %, and then comes Ordinary shares, debenture, preference shares and mutual fund/unit scheme. These instruments are ranked in terms of their coverage in their total amount. The ranks show that Common stock is in first rank, Debenture in the second, Preference shares in the third and Mutual fund/unit scheme.in the fourth.

Figure 4.1

Issue of Corporate Securities



The multiple bar chart presented in 4.1 shows the issues of corporate securities made in capital market of Nepal since 2003/04 .Columns represent the corporate securities of different year. It is clear from the figure that common stocks are the most widely used and the mutual fund is the least one, which is seen in very small columns in the figure.

On this basis, we can conclude those common stocks are the most widely used corporate security. Similarly, mutual fund is a least used instrument with rank 4 in Nepalese financial market. It means that capital market of Nepal is heavily dependent upon the equity instruments mainly common stock. Financing from the other instruments is still very small as compared to equity instrument.

Issuance of just four types of securities reveals the fact that our capital market is really very poor on the matter of varieties of corporate securities. Nepalese capital market is fully dependent upon these traditional types of securities. Financial securities innovation is lacking in Nepal's capital market. The chart also shows that in year 2006/07 trend of issuance of preference share has initiated with great amount. It shows also issue of debenture is also increasing.

4.1.2 Issuance of Government Securities

Treasury bills, Development bonds, National Saving Bonds, Special Bonds, Public Saving Bonds are the government securities.

Table 4.2
Issues of Government Securities (Rs. in Million)

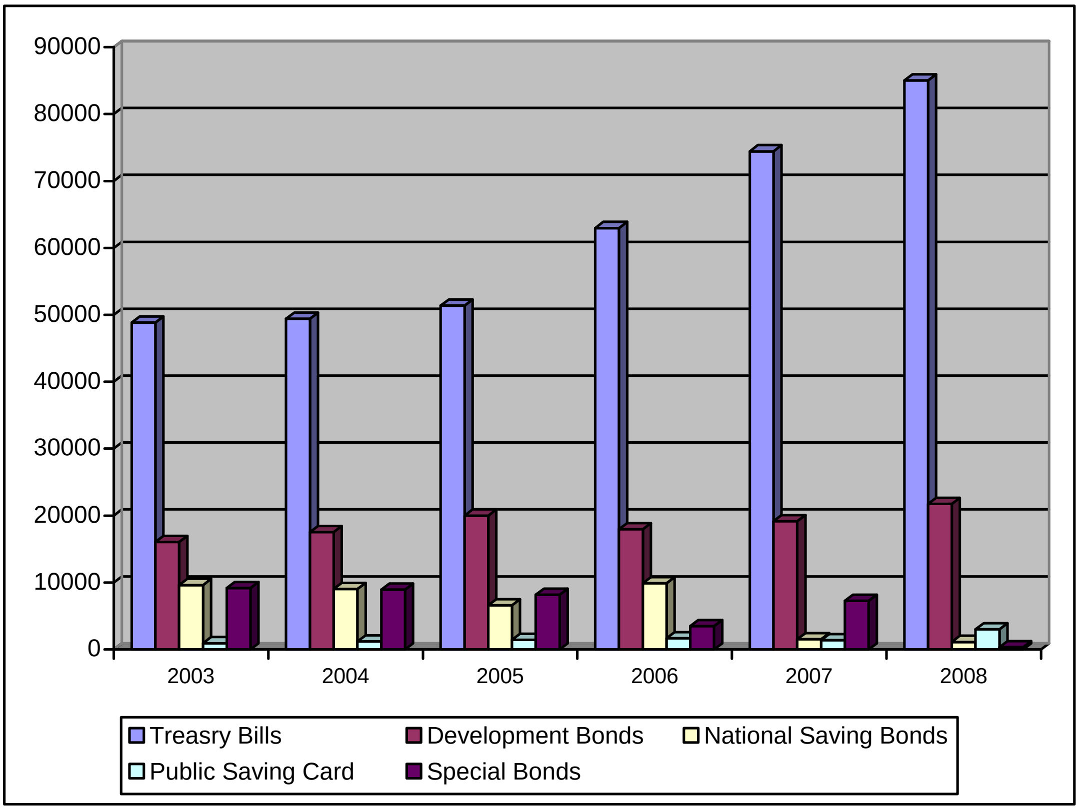
F/Y	Treasury Bills	Development Bonds	National Saving Bonds	Public Saving Card	Special Bonds*	Total Bonds
2003	48860.70	16059.20	9629.80	931.10	9164.50	84645.30
2004	49429.60	17549.20	9029.80	1178.90	8946.20	86133.70
2005	51383.10	19999.20	6576.80	1428.90	8176.30	87564.30
2006	62970.30	17959.20	9876.80	1678.90	3469.80	95955.00
2007	74445.30	19177.10	1516.90	1391.00	7245.70	103776.00
2008	85033.00	21735.40	1116.90	3014.30	339.40	111239.00
Total	**372122.00**	**112479.30**	**37747.00**	**9623.10**	**37341.9**	**569313.30**
%	65.36	19.76	6.63	1.69	6.56	100.00
Rank	1	2	3	5	4	

* includes IMF Promissory Notes

Similarly, if we see the trend of issues of Government securities, in table 4.2, we can see Treasury bills come in the first rank and Development Bonds, National Saving Bonds, Special Bonds and public saving cards come in second, third, fourth and fifth rank respectively in terms of percentage coverage in total amount of government securities in the period of 2003 to 2008. Public saving cards were issued in 2003 to 2008 which is seen quite small and has contributed 1.69% in total amount of government securities issuance. So it is in fifth rank.

Figure 4.2

Chart of Government Issues



The chart presented in figure 4.2 displays the trends of issuance of various government securities. In the figure, we can see the Treasury bill is in increasing trend and has covered with highest bar columns and the Development bond is also increasing from couple of years. Issuance of Special bonds is decreasing up to the year of 2006 but in the year of 2007 it is increased but in the year 2008 it is again decreased. National Saving Bonds are also decreasing up to the year of 2005 but in the year 2006, it is increased & in 2008 it is again decreased. Public saving cards column is in very high level.

From these analysis we can conclude that Treasury bills and Development Bonds are the most widely used government securities and Public saving cards are the instrument which is new than others.

Treasury bills are mostly used by institutional investors. This also helps them to increase their liquidity. That's why this instrument is very much preferred among institutional investors.

4.1.3 Involvement of different Sectors in Financial Market of Nepal

Analysis has been conducted from the data of listed companies in financial market since the beginning of the security market development in Nepal up to the fiscal year 2007/08.

Table 4.3

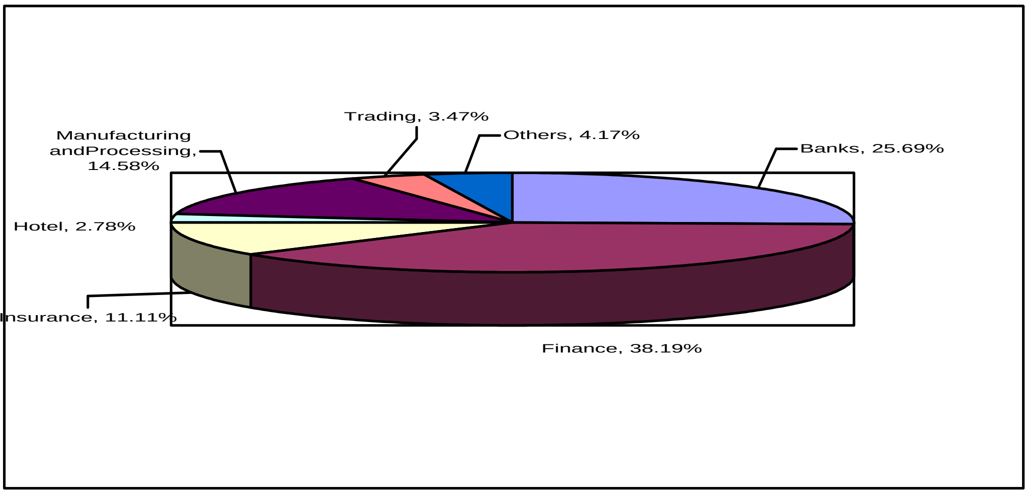
Sector-wise coverage ratio of financial market

S.No.	Sectors/Companies	Number of companies involved in Financial Market	Coverage Ratio
1	Banks	37	25.69%
2	Finance	55	38.19%
3	Insurance	16	11.11%
4	Hotel	4	2.78%
5	Manufacturing and Processing	21	14.58%
6	Trading	5	3.47%
7	Others	6	4.17%
	Total	**144**	**100.00%**

The table 4.3 shows that 144 different companies are listed in financial market till the fiscal year 2007/08. Among the listed companies, 55 Finance Companies have been listed which is largest involvement in the financial market and 4 hotels are listed in financial market which is lowest involvement in the financial market.

Figure 4.3

Chart of Sector-wise involvement in Financial Market



Above pie chart displays that institutional wise involvement of finance company is 38.19% of total coverage percentage of Financial Market. Here others company represents the Hydro power companies, film development company and economic development company which are listed only 3.47% among the total listed companies.

From the analysis it is found that the finance companies are actively functioning in the financial market. However, in the market, commercial and development banks are mostly preferred instead of finance companies by the investors.

4.2 Presentation and Analysis of Primary Data

This section consists the presentation and analysis of primary data collected from different respondents (Investors, Brokers and staff of SEBO/N & NEPSE). The primary data have been collected through the questionnaires distributed to the staff members of NEPSE and SEBON, Broker and investors. The collected data have been presented in the table and figure and then analyzed. The purpose of the analysis of primary data is to achieve the objectives of the study.

4.2.1 Financial Instruments and Investors Preference

There are various types of securities in the market. Investors give preference them for their investment. Majority of Nepalese investors prefer to invest in common stock. They also prefer to invest in government securities, debenture & preference share. The first question asked the respondents to prefer among the given securities. The table 4.2.1 shows the results of the respondents.

Table 4.4

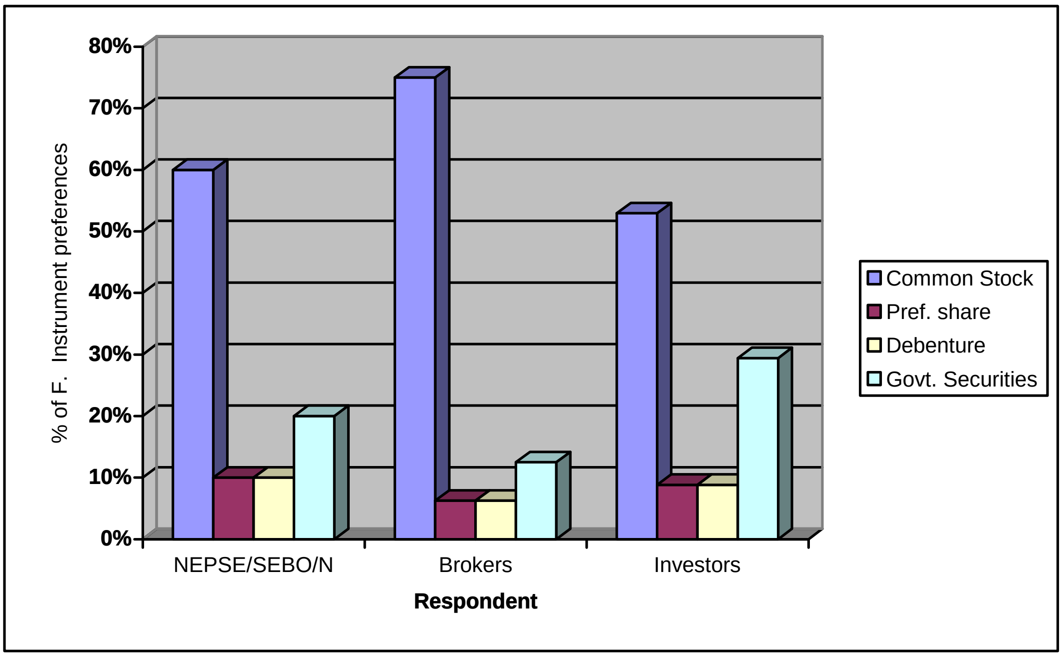
Investor's Preference on Financial Instrument

S.N.	Securities	NEPSE/ SEBO/N		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Common Stock	6	60	12	75	18	52.94	36	60.00
2	Preference Share	1	10	1	6.25	3	8.82	5	8.33
3	Debenture	1	10	1	6.25	3	8.82	5	8.33
4	Government Securities	2	20	2	12.5	10	29.41	14	23.33
	Total	**10**		**16**		**34**		**60**	

In the above table 4.2, it is clearly given the respondents view upon the different financial instrument. Majority of the respondents (60%) stated that the Nepalese investors prefer to invest in common stock, 23.33% of the respondents stated that the preference of investors on government securities and 8.33% of respondents stated that the investors prefer to invest in debenture and preference share equally. Compairing to the responses of each respondent's group, majority of responses 60%, 75%, 52.94% of staff of NEPSE and SEBON, broker and investors also prefer to common stock respectively in Nepalese market. Each respondent has preferred the debenture and preference share in the low volume.

Figure 4.4

Investor’s Preference on Financial Instruments



The multiple bar diagram presented in fig 4.4 clearly describes the preference of investor regarding the common stock, preference share, and debenture and government bonds. In the figure we can see that most of the investor prefer the common stock and after the common stock, the Government bonds are preferred whereas investors prefer the preference share and the debenture at least.

On the basis of all this things finally, we can say that most of the investor gives the preference towards the common stock and after that they go for the government bonds and the least coverage of the investor go for the preference share and the debenture.

To test the hypothesis whether there is significant difference or not between the opinions of different corresponding groups, chi-square test has been used. The computed chi- square value is 2.53 and the tabulated value at 5 percent level of significance for d.f., v = 6 is 12.592 (Appendix-2). The calculated value is less than the tabulated value. Therefore, it can be stated that there is no significant difference in the opinions of different responding groups. Thus, the responses of different groups are similar regarding the investor preferences.

4.2.2 Investment Sectors and Investors Preference

Investors choose various sectors for their investment. These sectors are; Banking, Finance Companies, Insurance Companies, Manufacturing Company, Hotel, Trading Company.

The second question asked the respondents to prefer among the given sectors/companies. The table 4.5 shows the results of the respondents.

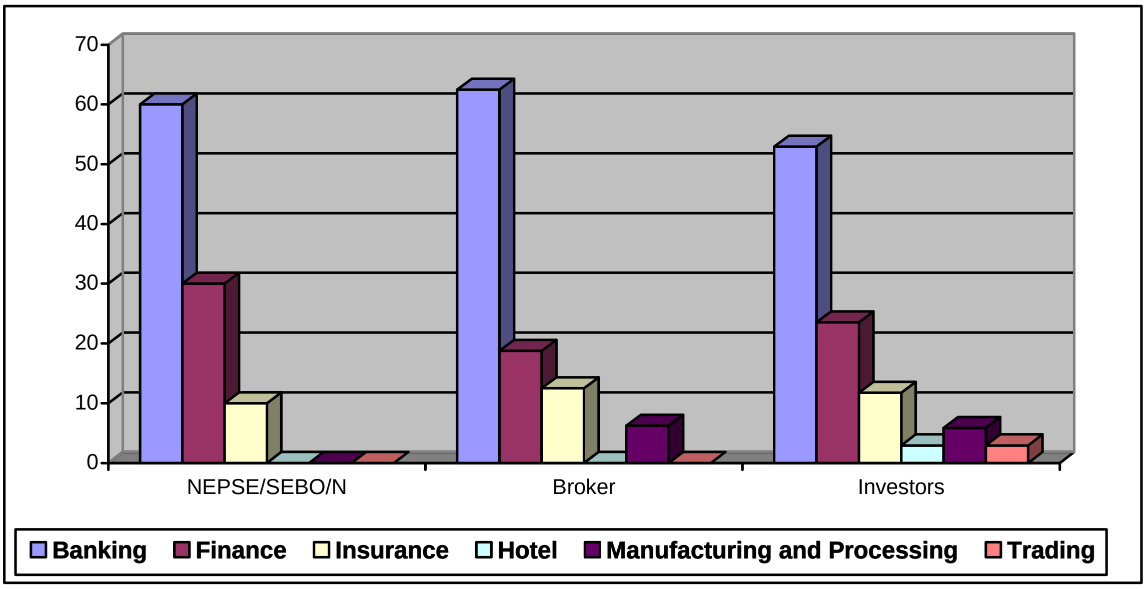
Table 4.5
Sector wise Investors Preferences

S.N	Sectors/ Companies	NEPSE/ SEBON		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Banking	6	60	10	62.5	18	52.94	34	56.67
2	Finance Co.	3	30	3	18.75	8	23.53	14	23.33
3	Insurance Co.	1	10	2	12.5	4	11.76	7	11.67
4	Hotel		0		0	1	2.94	1	1.67
5	Manu Co.		0	1	6.25	2	5.88	3	5.00
6	Trading Co.		0		0	1	2.94	1	1.67
	Total	**10**	**100**	**16**	**100**	**34**	**100**	**60**	**100**

We can see from the above table 4.5 that the majority of the opinions (56.67%) have supported banking sector investment, 23.3 % respondents have stated that Nepalese investors prefer finance companies. Then 11.67 % respondents prefer insurance companies. 5.00% investors prefer manufacturing company and 1.67 %, 1.67 % investors prefer Hotel and trading company respectively and majority of respondents 60.0 %, 62.5 % and 52.94 % from staff member of NEPSE and SEBON, Broker and investors respectively have stated that Nepalese investors prefer to invest in banking sector. We can see here clearly most of the investors do not like to invest in hotel sector. Only one investor has preferred hotel sector to make investment.

Figure 4.5

Sector-wise Investor's Preference



The multiple bar diagram presented in fig 4.5 shows the preference of investors according to the sectors of financial market in Nepal. Among the different sector it is clearly seen that the most of the investor prefer the banking, after that they have preferred the finance company, then after the issuance company, manufacturing company and the trading company.

On analyzing all these aspects we can conclude that most of the investors' preference is to make investment on the banking sector than any other investment alternatives whereas investors are not interested to invest in the hotel sector.

To test whether there is significant difference or not between the responses of the NEPSE and SEBON, Broker and investors, the chi square test has been used. The calculated value of chi square is 2.63 and the tabulated value at 5 % level of significance foe d.f., v = 10 is 18.307 (Appendix-2). Since the calculated value is less than the tabulated value, the opinions of all responding groups are similar and there is no significant difference between the responses of different groups regarding the sector wise preferences of investors.

4.2.3 Investor's Purpose of Investment

Profit or return from the investment is the main purpose of the investors. Very few investors invest for the purpose of marketability or liquidity & social status.

Table 4.6

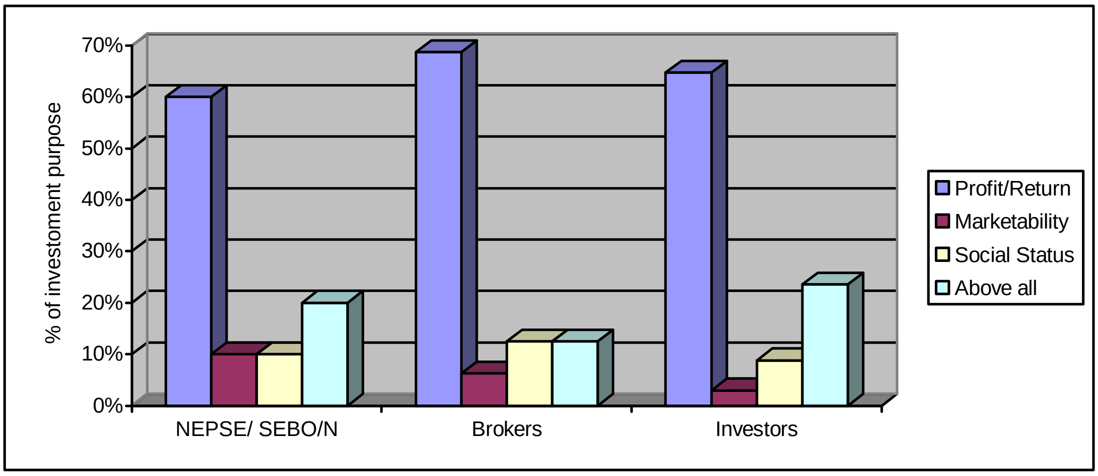
Investor's purpose of Investment

S.N.	Purpose	NEPSE/ SEBON		Broker		Investors		Total	
		Nos.	**%**	**Nos.**	**%**	**Nos.**	**%**	**Nos.**	**%**
1	Profit/Return	6	60	11	68.75	22	64.71	39	65.00
2	Marketability	1	10	1	6.25	1	2.94	3	5.00
3	Social Status	1	10	2	12.5	3	8.82	6	10.00
4	Above all	2	20	2	12.5	8	23.53	12	20.00
	Total	**10**		**16**		**34**		**60**	**100**

In the above table 4.6, the responses of different groups are presented with aspect to purpose of investors to invest in financial instruments, 75.00% opinions revealed that profit or return from the investment is the main purpose of the investors. Only 5.00% opinions revealed that investors invest for marketability and 10.00% opinions revealed that they do make investment in the securities for social status. 20.00% respondents stated that they invest for profit/return, marketability and social status. 60% of NEPSE, 64.71 % of investor responded that the investors invest in financial instrument for profit or return.

Figure 4.6

Investors Purpose of Investment



The column chart presented in fig. 4.6 shows the purpose of investment. Among the different purpose it is clearly seen that most of the investor invest to get the profit/return. Only less number of the investors invest in financial market for the liquidity or marketability and for social status. And 20.00% of the investors invest for the purpose of profit/return, marketability and social status.

On analyzing all these aspect of purpose of investment we can conclude that majority of investors invest for the purpose of profit/return whereas few investors invest for the purpose of marketability and social status.

To test whether there is significant difference between the opinions of different responding groups or not, the hypothesis was tested using chi-square. The calculated value of chi-square is 1.72 and the tabulated value at 5 % level of significance for d.f., v = 6 is 12.529 (Appendix-2). Since the calculated value is less than the critical value, there is no significant difference between the opinions of NEPSE and SEBON, Broker and investors. So, the opinions of different groups are similar.

4.2.4 Market Mechanism and Investors Preference

The investors purchase the securities from both primary & secondary market. Nepalese investor prefer the primary market to purchase the securities. The investors are also interested to purchase securities from the secondary market. Very few investors want to purchase Mutual Fund.

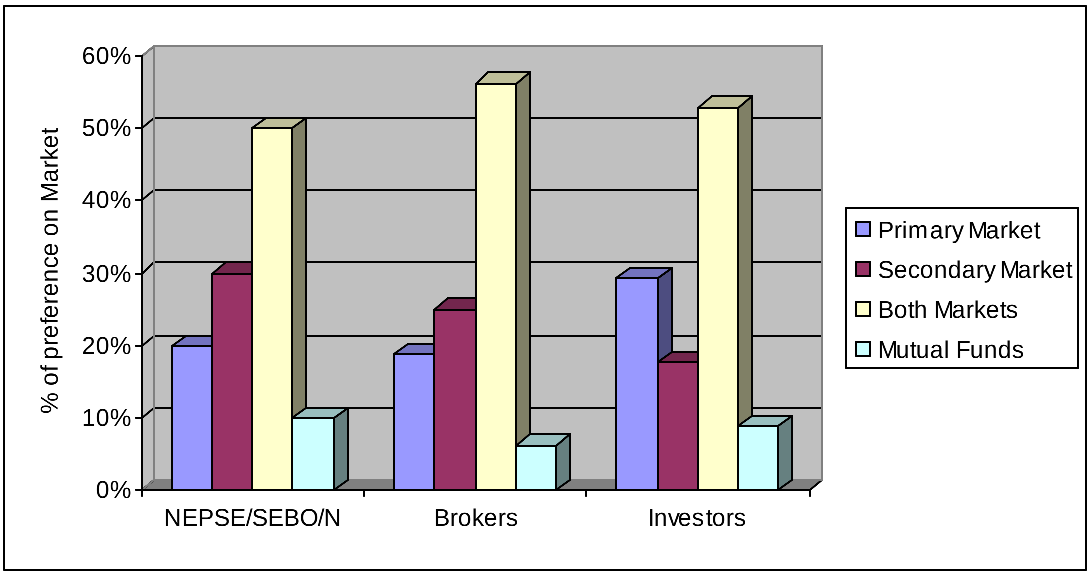
Table 4.7
Investors Preference on Market

S. N	Response	NEPSE/ SEBON		Broker		Investors		Total	
		Nos	**%**	**Nos.**	**%**	**Nos.**	**%**	**Nos.**	**%**
1	Primary Market	2	20.00	3	18.75	11	32.35	16	26.67
2	Secondary Market	3	30.00	4	25.00	5	14.71	12	20.00
3	Both market	4	40.00	8	50.00	15	44.12	27	45.00
4	Mutual Fund	1	10.00	1	6.25	3	8.82	5	8.33
	Total	**10**		**16**		**34**		**60**	**100**

In the above table 4.7, the responses of different respondent groups are presented. The respondents were asked that from which market, investors want to purchase the securities. The majority of the respondents i.e. 45.00% respondents opinion were that the investors purchase the securities from both primary and secondary market. 26.67% respondents stated that the Nepalese investor prefer the primary market to purchase the securities. 20.00% respondents replied that the investors are interested to purchase securities from the secondary market. Few respondents stated that investors want to purchase Mutual fund. Majority of respondents 40.00%, 50.00% and 44.12% from staffs of NEPSE and SEBON, Brokers Security investors respectively stated that the investor want to purchase the securities from both market.

Figure 4.7

Investors Preference on Market



The chart presented in figure 4.7 answers about the investor's preference on markets to purchase the security. Among the above mentioned market, it is clearly seen that most of the investor prefer to purchase the securities from both primary and secondary market and after that they prefer to purchase from the primary market. Finally few numbers of investors prefer to purchase the security through Mutual Funds.

On analyzing all these aspects we can conclude that most of the investor prefers to purchase the security from both the market (Primary and Secondary) whereas less number of investor wants to purchase through Mutual funds.

To test whether the difference in the preference on the mechanism of security investment between opinions of different responding groups is significant or not, the chi-square test is employed. The calculated chi-square value is 2.41 and the tabulated value at 5 % level of significance for d.f., v = 6 is 12.529 (Appendix-2). Since the calculated value of chi-square is less than the tabulated value, it can be stated that the opinions of the NEPSE and SEBON, Broker and Investors are same and there is no significant between the responses.

4.2.5 Satisfaction from Return

Every investors want to satisfy from return on their investment but they are not satisfied because they can't get return as they want.

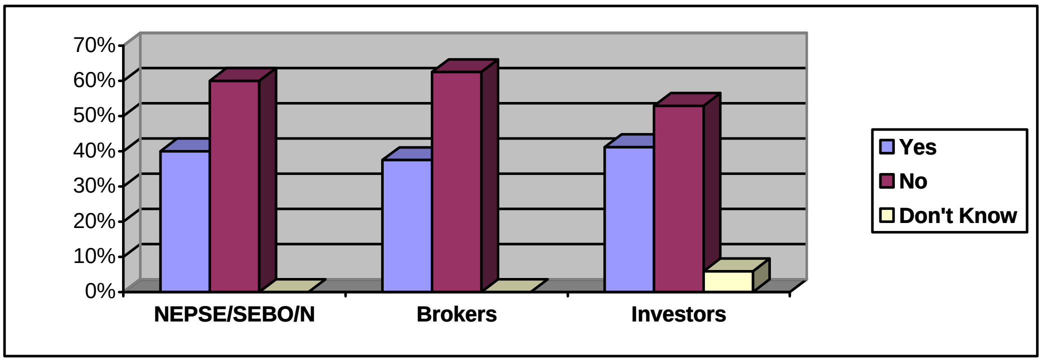
Table 4.8
Satisfaction from Return

S.N.	Response	NEPSE/ SEBO/N		Broker		Investors		Total	
		Nos	%	Nos.	%	Nos.	%	Nos.	%
1	Yes	4	40.00	6	37.50	14	41.18	24	31.48
2	No	6	60.00	10	62.50	18	52.94	34	59.26
3	Don't Know	0	0	0	0	2	5.88	2	9.26
	Total	10		16		34		60	100

The respondent's were asked whether they are satisfied with the return on their investment, the majority of respondent i.e. 59.26 % stated that the investors are not satisfied from return on their investment. 31.48 % respondents stated that the investors are satisfied from their return and 9.26 % responses clarified that they don't know about investor's satisfaction from their return. Comparing the percentage of satisfaction from their return on investment, majority of the respondents from each group i.e. 60.0 %, 62.5 %, and 52.94 % of NEPSE and SEBON, Broker and Investor respectively concluded that the investors are not satisfied from return on their investment.

Figure 4.8

Satisfaction from Return



The column chart presented in fig 4.8 shows whether they are satisfied with the return on their investment. It is clearly seen that majority of Investors i.e. 59.26% are not satisfied with the return they are getting from the investment, only 31.48% of investors are satisfied with the return and 9.26 % of investor have no any idea about the return.

On analyzing all these aspects we can conclude, with the responses made by the respondent that most of the investors are not satisfied with the return whereas they don't know about some investors' satisfaction from their return.

To test the hypothesis whether difference between the opinions of different corresponding groups is significant or not, chi-square values are calculated. The calculated chi square value is 1.77 and the tabulated value at 5 % level of significance for d.f., v = 4 is 9.488 (Appendix-2). The calculated value is less than the tabulated value. Therefore, it can be stated that there is no significant difference in the opinions of different responding groups. Thus, the responses of different groups are similar regarding the satisfaction from the return.

4.2.6 Level of Investors' Awareness in Nepalese Security Market

How many Nepalese investors & how much they know about the investment in financial instrument. The level of awareness of investors is low about the investment in financial instrument in Nepalese Security Market.

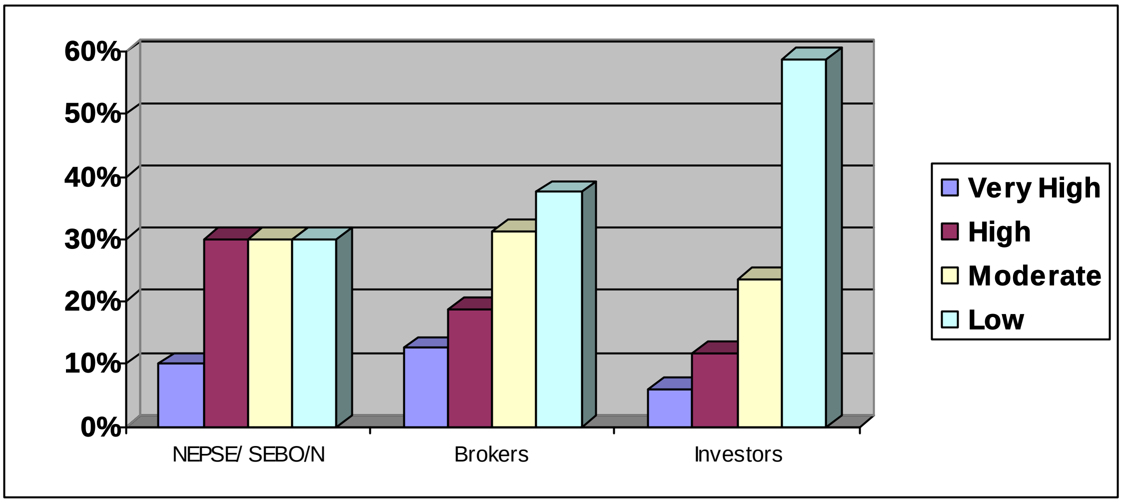
Table 4.9
Level of Investors' Awareness in Nepalese Security Market

S.N.	Response	NEPSE/ SEBO/N		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Very High	1	10	2	12.50	2	5.88	5	8.33
2	High	3	30	3	18.75	4	11.76	10	20.00
3	Moderate	3	30	5	31.25	8	23.53	16	28.33
	Low	3	30	6	37.50	20	58.82	29	43.34
	Total	10	100	16	100	34	100	60	100

In the above table 4.9 different respondents responses regarding the investor's level of awareness in security market are presented. The majority of the respondents 43.34% stated that the level of awareness of investors is low about the investment in financial instruments. 28.33% of the respondents stated that level of awareness of the investors is moderate about their investment where as 20.00% respondent replied that level of awareness about financial investment is high and 8.33% of respondents replied that they level of investor's awareness is very high. 58.82% Investors stated that the level of investors' awareness is low regarding the investment in financial instrument in the Nepalese security market.

Figure 4.9

Level of Investor's Awareness in Security Market



The bar chart presented in fig 4.9 shows the level of awareness of investors regarding the investment in security market. It is clearly seen that as per the respondents responses, majority of the investors' (43.34%) level of awareness regarding the investment in the security market is low, only 8.33% of investors are highly aware about the investment in financial market of Nepal.

On analyzing all these aspects we can conclude that only few percentages of the investors are highly aware about the investment and other majority has low level of awareness about the investment in the security market.

However, the difference in the level of awareness of corresponding groups is significant at the 5% level of significance as the calculated chi-square value is 19.59 which is greater than the tabulated value 12.529 (Appendix-2). This indicates that there is significant difference between the responses of the corresponding groups regarding the level of awareness of investors in Nepalese security markets.

4.2.7 Influencing Factors of Investors Preference

There are many factors which influence the investors preference for investment.

Table 4.10

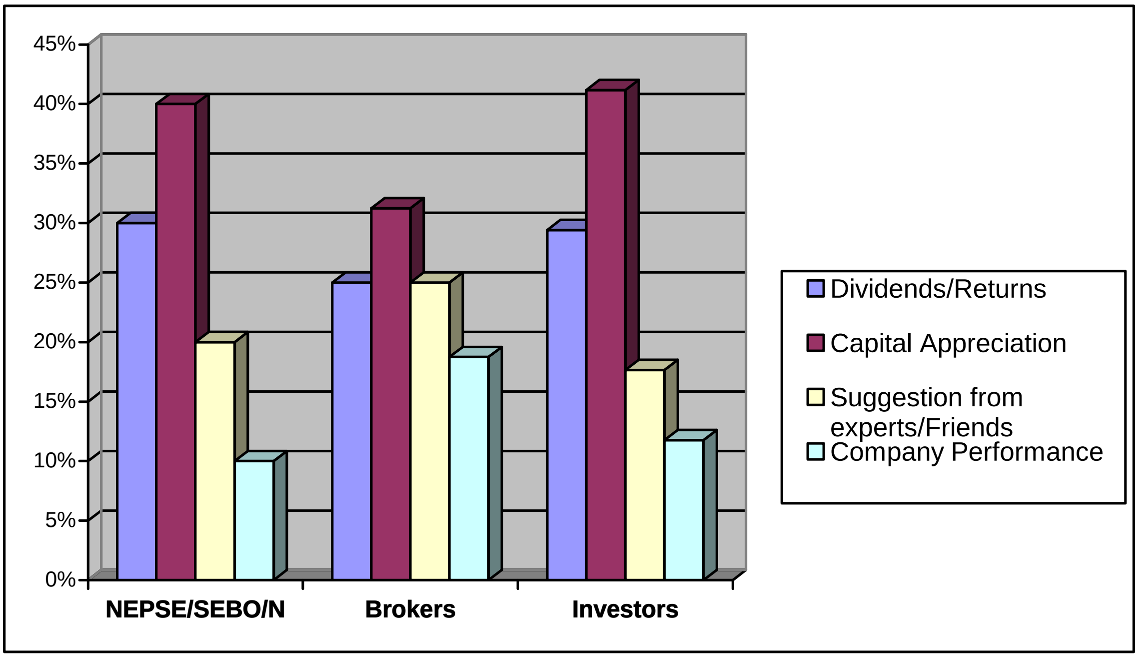
Influencing Factors of Investors Preference

S.N.	Response	NEPSE/ SEBO/N		Broker		Investors		Total	
		Nos.	%	Nos	%	Nos.	%	Nos.	%
1	Dividend/ Returns	3	30	4	25.00	10	29.41	17	28.33
2	Capital Appreciating	4	40	5	31.25	14	41.18	23	38.34
3	Suggestion from relatives/friends or rumors	2	20	4	25.00	6	17.65	12	20.00
4	Company Performance	1	10	3	18.75	4	11.76	8	13.33
	Total	**10**	**100**	**16**	**100**	**34**	**100**	**60**	**100**

With respect to the evaluation of the influencing factor of investor's preference, the majority of the opinions i.e. 38.34% revealed that the major influencing factor is capital appreciation. 28.33% opinions revealed that the next influencing factor is dividend where as 29.00% replied suggestion from relatives/friends and 5.55 % opinions concerned with the company performance to be main influencing factors for the investors. In the aspect, when the responses of different groups are compared, majority of the respondents from each category 40%, 31.25 % and 23% from NEPSE and SEBON, Broker and Investors respectively stated that capital appreciation is the main influencing factor for the investors in the financial market in Nepal.

Figure 4.10

Influencing factors of Investors Preference



The bar chart presented in fig 4.10 shows the influencing factors for the investor's preference. It is clearly seen that as per the responses of the respondents, majority of the investors (38.34 %) is influenced for the investing in financial instrument for to capital appreciation and where as 13.33% of investors is influenced due to company performance.

On analyzing all these aspects we can conclude that the majority of Nepalese investor invest in security market is mainly for the purpose of getting capital appreciation whereas some investor are influenced by return, company performance and suggestions from relatives/friends also.

To test whether difference between the opinions of different responding groups is significant or not, chi-square test has been employed. The calculated chi-square value is 5.26 and the tabulated value at 5% level of significance for d.f., v = 6 is 12.592 (Appendix-2). Since the calculated value of chi-square is less than the tabulated value, it can be stated that the opinion of NEPSE and SEBON, Broker and Investors are same and there is no significant difference between the responses.

4.2.8 Availability of Information to Investors from Companies

There are few companies who give information about investment. They also can't give sufficient information to investors, So, The majority of Nepalese investors are not getting the sufficient and timely information regarding the investment from the companies.

Table 4.11
Availability of Information to Investors

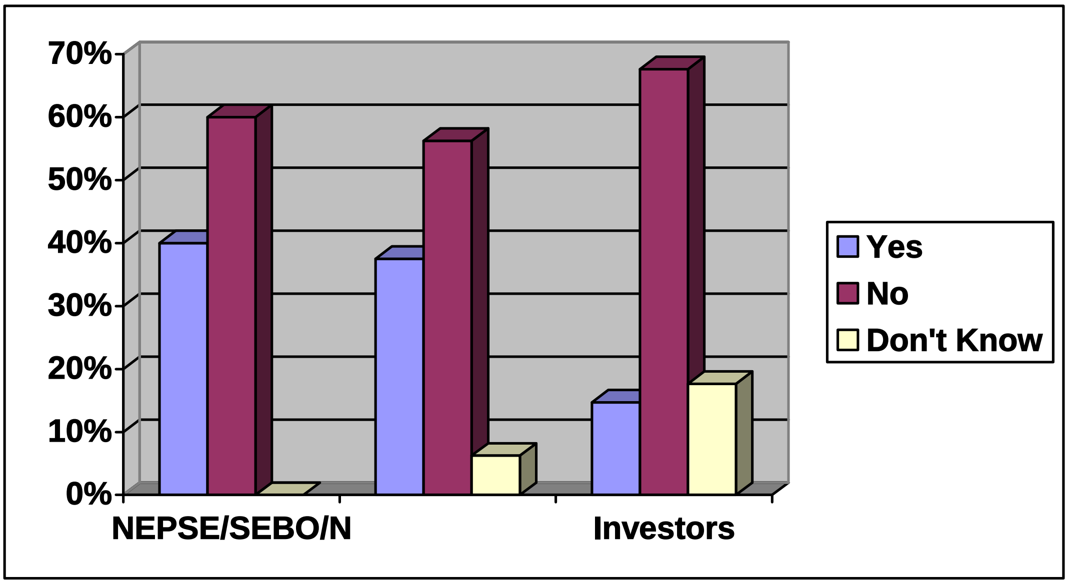
S.N.	Response	NEPSE/ SEBON		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Yes	4	40	6	37.5	5	14.71	15	25.00
2	No	6	60	9	56.25	23	67.65	38	63.33
3	Don't Know		0	1	6.25	6	17.65	7	11.67
	Total	**10**	**100**	**16**	**100**	**34**	**100**	**60**	**100**

The respondents were asked whether the Nepalese investors getting sufficient and timely information from companies where they have made investments. The majority of the respondents i.e. 63.33% stated that the investors are not getting the sufficient and timely information regarding the investment from the companies. 25.00%

respondents stated that they are getting sufficient and timely information from the companies. Likewise, 11.67% respondents didn't know about getting sufficient and timely information from the companies. In these aspects, when the responses among the different responding groups are compared, majority of the responses from each group i.e. 60.00%, 56.25% and 67.65% of respondents from staff members of NEPSE and SEBON, Broker and investors respectively opined that the investors are not getting sufficient and timely information from companies where they have made investment.

Figure 4.11

Availability of Information to Investors



The bar chart presented in fig. 4.11 shows the availability of information to investors from companies. It is clearly seen from the figure that the majority of the investors (63.33%) didn't get the timely information from the companies and 25.00% of the investor get the timely information from the companies whereas we can see that the 11.67% respondents have no idea about the investor regarding the availability of information from company.

On analyzing all these aspects we can conclude that almost all Nepalese investors are far from availability of information to which they are investing. So, in order to make favorable environment, which will try to pull the participations more and more investor to invest in the security market, the companies should provide timely and sufficient information to the investors.

To test the hypothesis whether there is significant difference or not between the opinions of different corresponding groups, chi square test has been used. The calculated chi square value is 6.20 and the tabulated value at 5 % level of significance for d.f., v = 4 is 9.488 (Appendix-2). The calculated value is less than the tabulated value. Therefore, it can be concluded that there is no significant difference in the opinions of different responding groups regarding availability of information.

4.2.9 Effect of political situation on the decision of the investors

Most of field can't be free from the affect of political situation and it's disturbance in the context of Nepal like wise it effects on the decision of investors for investing in the security.

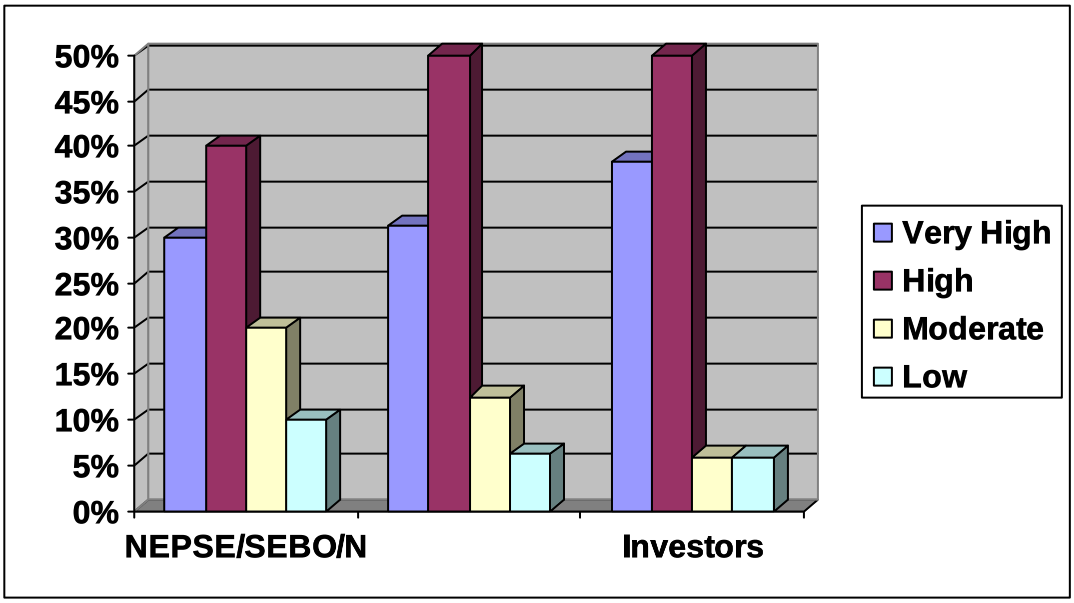
Table 4.12
Effect of political situation on the decision of the investors

S.N.	Response	NEPSE/ SEBO/N		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Very high	3	30	5	31.25	13	38.24	21	35.00
2	High	4	40	8	50	17	50.00	29	48.33
3	Moderate	2	20	2	12.5	2	5.88	6	10.00
4	Low	1	10	1	6.25	2	5.88	4	6.67
	Total	**10**	**100**	**16**	**100**	**34**	**100**	**60**	**100**

The respondents were asked to what extent the political situation of country affects the decision of the investors investing in security. Majority of the respondents i.e. 48.33% opined that political situation of the country will highly influence the decision of the investor for investing in security. 35.00% respondents stated that political situation of country will very highly influence the decision of the investor. 10.00% of respondents stated that the political situation of the country will moderately affect the decision of the investors and 6.67% of the respondents stated that there would be low effect of political situation on decision of the investor.

Figure 4.12

Effect of Political Situation on the Decision of the Investors



The bar chart presented in fig 4.12 shows that the effect of the political situation on the decision of the investors. It can be seen clearly that all most all of the respondents stated that there is positive relation between the effects of political situation on the decision of the investor i.e. majority of respondents stated that political situation will highly effect the decision of the investors. Few respondents stated that there is less effects of political situation on the decision of the investors.

On analyzing all these aspects we can conclude that political situation of country determines the investment possibility. So, in order to increase the number of investor friendly political situation is necessary.

To test whether there is significant difference or not between the responses of the responding groups regarding the effects of political situation on decision of investors, the chi-square test has been used. The calculated value of chi square is 2.29 and the critical value at 5 % level of significance for d.f., v = 6 is 12.592 (Appendix-2). Since the computed value is less than the critical value, the opinions of all responding groups are similar and there is no significant difference between the responses of different groups.

4.2.10 Main Attraction of Common Share

The main attraction of Nepalese investors in making investment is common stock due to capital gain.

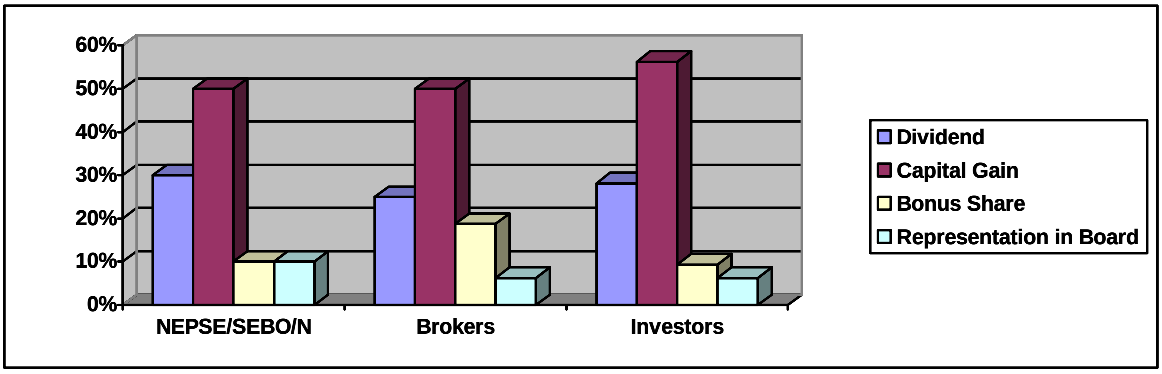
Table 4.13
Main Attraction of Common Share

S.N.	Response	NEPSE/ SEBO/N		Broker		Investors		Total	
		Nos.	**%**	**Nos.**	**%**	**Nos.**	**%**	**Nos.**	**%**
1	Dividend	3	30	4	25	9	28.13	16	27.59
2	Capital Gain	5	50	8	50	18	56.25	31	53.45
3	Bonus Share	1	10	3	18.75	3	9.375	7	12.06
4	Representation in Board	1	10	1	6.25	2	6.25	4	6.90
	Total	**10**	**100**	**16**	**100**	**32**	**100**	**58**	**100**

The respondents were asked about their main attraction in making investment in common stock. The majority of the respondents i.e. 53.45 % opined that Capital Gain is the main factor of attraction of common share. 27.59% respondents stated that the main attraction factor is Dividend. Likewise, 12.06% respondents replied that bonus share is the main attraction of common share investment and 6.90% respondents stated that participation in board is main factor. As per the responses of NEPSE and SEBON, Broker and Investors, the majority of responses of each group i.e. 50%, 50%, and 56.25% agreed with the statement that the main attraction of the common share is capital gain.

Figure 4.13

Main Attraction of Common share



The bar chart presented in fig 4.13 shows the major elements for the attraction of the common equity share. It is clear from that among various elements capital gain is the powerful means for the attraction of investor and Dividend is the second attraction factor for investors whereas participation in board and bonus share are other elements for the attraction of customer but it is an attraction for quite less coverage of investors.

On analyzing all these aspects we can conclude that most of the investor in the Nepalese security market is attracted for the purpose of getting dividend whereas less coverage of investor is attracted for the participation in board.

However, the difference in the opinion about means of the attraction in common share is not significant. At the 5% level of significance the calculated chi-square value is 0.60 which is less than the tabulated value 12.592. It can be stated that the opinion of NEPSE and SEBON, Broker and Investors are same and there is no significant difference between the responses.

4.2.11 Reasons for not Issuing Debenture/Debt and Preference Share by the Company

Table 4.14
Reasons for not Issuing Debenture/Debt and Preference Share by the Company

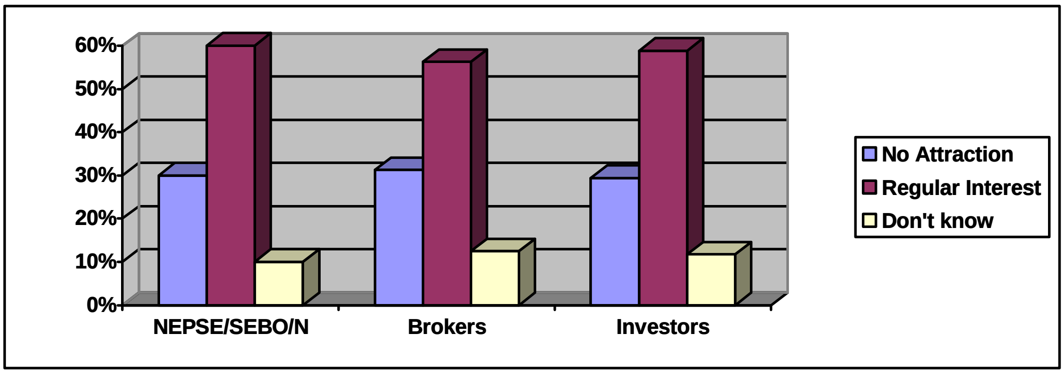
S.N.	Response	NEPSE/ SEBO/N		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	No attraction	3	30	5	31.25	10	29.42	18	30.00
2	Certain return	6	60	9	56.25	20	58.82	35	58.33
3	Don’t know	1	10	2	12.50	4	11.76	7	11.67

	Total	**10**	**100**	**16**	**100**	**34**	**100**	**60**	**100**

Regarding the response about reasons of not issuing debenture and preference share compared to common stock by companies, majority of respondents i.e. 58.33% stated that there is certain and regular return should be paid to the investors in the issuance of debenture and preference share either the company is going on profit or loss. Only 30.00% respondents replied that investor's are not attracted to invest in debenture and preferred stocks and 11.67% respondents replied that they do not know why the Nepalese companies are not issuing debentures and preferred stocks. When the opinions of different groups are compared, the majority responses of different responding groups i.e. 60 %, 56.25%, and 58.82% from NEPSE and SEBON, Broker and Investors respectively stated that the main reason is certain and regular return payment to investors in debenture/debt and preferred stock.

Figure 4.14

Reasons for not Issuing Debenture/Debt and Preferred Stock



The multiple bar diagram presented in fig 4.14 shows the reasons for not issuing debt and preferred stocks. It is clear that among various reasons, the reason regarding certain and regular return should be paid to the investor is the powerful reason due to which the company did not issue debt and preferred stock. We can also see that the no attraction is the second reason of not issuing the debt and preferred stock. some respondents can be seen that who are unaware about the reason for not issuing the debt and preferred stock.

On analyzing all these aspects we can conclude that the powerful reasons of not issuing the debt and preferred stock in the Nepalese security market are due to certain and regular return for the security and of no attraction of investor and issuing companies on it.

To test whether there is significant difference or not between the responses of the NEPSE and SEBON, Broker and investors, regarding the reasons for not issuing debenture/debt and preferred stock, the chi-square test has been used. The calculated value of chi square is 2.22 and the tabulated value at 5 % level of significance for d.f., v = 4 is 9.488 (Appendix-2). Since the calculated value is less than the tabulated value, the opinions of all responding groups are similar and there is no significant difference between the responses of different groups.

4.2.12 Main Attraction of Government Securities

The main attraction of Nepalese investors for investing in the security is Government Securities because it is the risk free return and it is also more safety than other securities.

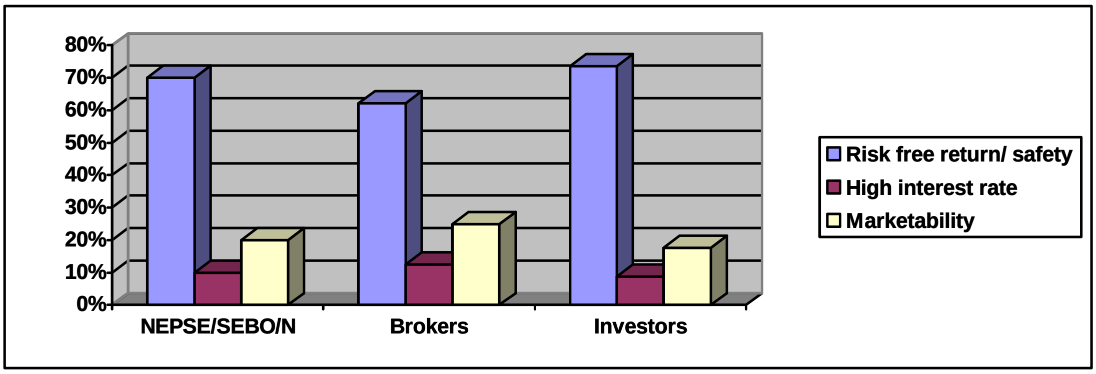
Table 4.15
Main Attraction of Government Securities

S.N.	Response	NEPSE/ SEBO/N		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Risk free return/ safety	7	70	10	62.50	25	73.53	42	70.00
2	High interest rate	1	10	2	12.50	3	8.82	6	10.00
3	Marketability	2	20	4	25.00	6	17.65	12	20.00
	Total	**10**	**100**	**16**	**100**	**34**	**100**	**60**	**100**

With respect to the attraction of government securities, 70% of respondents opined that feature of risk free return and safety is the main attraction of government securities. 20% respondents stated that marketability is the main attraction compared to commercial banks and other means of financial instrument. The majority of the respondents from each groups i.e. 70%, 65.25% and 73.53% from NEPSE and SEBON, Broker and investor respectively stated that the main attraction of government security is the risk free return and safety.

Figure 4.15

Main Attraction of Government Securities.



The multiple bar diagram chart presented in fig 4.15 shows the various elements for attraction of government securities. It is quite clear from the figure that among various elements for investing in government securities, the strong elements as per the respondents' responses is Risk free return and safety in which we can find large coverage of investors. After that the rest of the respondents replied that the main attraction for investing in government securities is marketability and high interest rate.

On analyzing all these aspects we can conclude that the most important reason for the attraction of government securities is risk free return and safety. Marketability of the government securities is also one of important reason for the attraction.

To test difference between the responses of the NEPSE and SEBON, Broker and investors regarding the main attraction of government securities, the chi-square test has been used. Since the calculated value of chi square is 1.55 is less than the tabulated value at 5% level of significance for d.f., v = 4 is 9.488. (Appendix-2), the opinions of all responding groups are similar and there is no significant difference between the responses of different groups.

4.2.13 Attitude toward risk

Investors want to invest in that financial instruments which have low risk and give high return. Some investors want moderate risk . Most of the investors in Nepal want to invest in low risk financial instruments.

Table 4.16

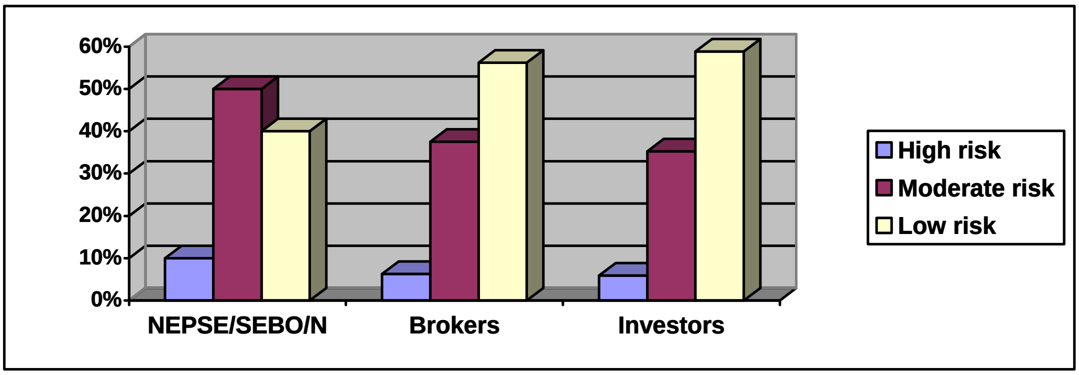
Attitude toward risk

S.N.	Response	NEPSE/ SEBO/N		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	High risk	1	10	1	6.25	2	5.88	4	6.67
2	Moderate Risk	5	50	6	37.50	12	35.29	23	38.33
3	Low risk	4	40	9	56.25	20	58.83	33	55.00
	Total	10	100	16	100	34	100	60	100

With respect to the attitude toward risk, 55% of respondents opined that investors want to invest in those financial instruments which have low risk to get higher return. 38.33% respondents stated that investors want moderate risk where as 6.67% respondent replied that investors want to be high risk taker.

Figure 4.16

Attitude toward risk



On analyzing all these aspects we can conclude that the most of the investors are interested to invest in those financial instruments which have low risk. It means that most of the investors in Nepal are risk averter.

To test difference between the responses of the NEPSE and SEBON, Broker and investors on attitude toward risk, the chi-square test has been used. Since the calculated value of chi square is 1.15 is less than the tabulated value at 5% level of significance for d.f., v = 4 is 9.488. (Appendix-2), the opinions of all responding groups are similar and there is no significant difference between the responses of different groups.

4.2.14 Knowledge of Financial Derivatives and Investors

Most of Nepalese investors don't have information about financial derivatives so, they don't have knowledge about it.

Table 4.17

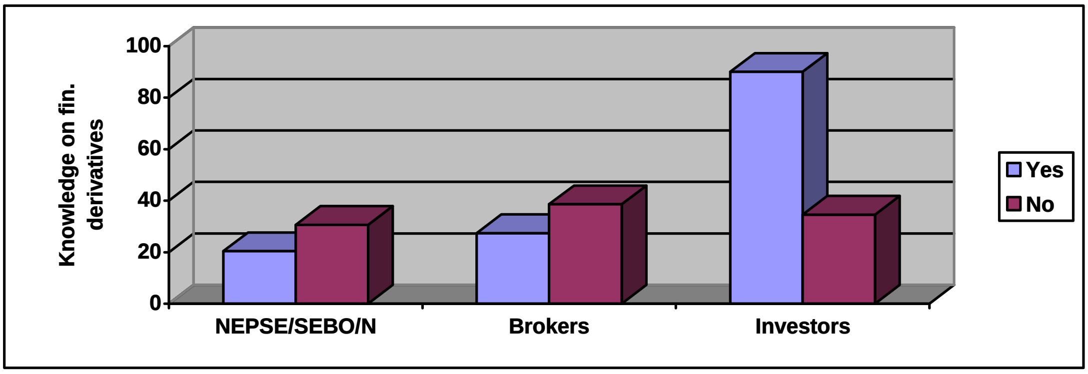
Knowledge of Financial Derivatives and Investors

S.N.	Response	NEPSE/ SEBO/N		Broker		Investors		Total	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1	Yes	8	80	15	93.75	6	17.65	29	48.33
2	No	2	20	1	6.25	28	82.35	31	51.67
	Total	10	100	16	100	34	100	60	100

With respect to the financial derivatives, 51.67% of respondents opined that they are don't have any information about financial derivatives where as 48.33% respondent stated that they have knowledge about the financial derivatives. Majority of SEBO/N, NEPSE and Brokers stated that they have heard about the financial derivatives but Majority of investors stated that they have not heard about financial derivatives.

Figure 4.17

Knowledge of Financial Derivatives and Investors



On analyzing all these aspects we can conclude that the most of the investors are unknown about the financial derivatives like future, options and warrants. It means that knowledge of futures, options and warrants are lacking in Nepalese financial market.

To test difference between the responses of the NEPSE and SEBON, Broker and Investors on knowledge regarding financial derivatives, the chi-square test has been used. Since the calculated value of chi square is 30.05 is more than the tabulated value at 5% level of significance for d.f., v = 2 is 5.991. (Appendix-2), the opinions of all responding groups are not similar and there is significant difference between the responses of different groups.

4.2.15 Difficulties to Invest in Securities in Nepalese Security Market

Various groups of investors were asked about the difficulties that the investors are currently facing in the Nepalese security market. Respondents pointed out the following difficulties:

- Investors have limited alternatives of securities in Nepalese financial market even though various financial instruments have been developed and practiced in developed countries.
- Access to secondary trading services is limited, transparency and efficiency of the issuer and market is not sufficient. Capacity of the regulator, exchange and the players is limited. The market is featured by active individual investors and the institutional investors are conspicuously absent.
- Timely disclosure of corporate information for the protection of investors is lacking in Nepalese context.
- In Nepal, there are restrictions on foreign investment in the local stock market. No security market can be developed unless it attracts the foreign investors to invest the money in many developed and emerging securities market.
- Broker besides only helping for transaction of security, they don’t provide the proper advice to the clients.

- Even though NEPSE has adopted computer software system, the services provided by the NEPSE are seen insufficient.
- Few numbers of security analyst or firm involved in forecasting market trends and future price of the securities, they feel difficulties to take right investment decisions at right time.
- It can be seen that mostly price of share is determined on the basis of speculation, imagination.

4.2.16 Suggestion from Respondents to improve the Security Market of Nepal.

The respondents were also requested to suggest for the improvement of the security market of Nepal. The suggestions collected from respondent are as follows:

- New financial instruments should be traded in the market. It may be hybrid types of instruments, asset backed instruments, forward, options, swaps etc.
- Non-transparent and lack of openness in transaction will make the investors suspicious to invest in that security. So, Disclosure practice should be immediately removed in the Nepalese security environment.
- Brokers must provide proper advice to the investors. They will not be limited in the transaction of securities.
- Adequate legal framework or legal infrastructure for the operation of security market should be incorporated.
- There should also be financial consultancy agencies to provide financial assistance to the existing as well as prospective investors when the feel it necessary.
- The existing rules and regulation of government are insufficient for protecting investor’s investment in security market. Hence, the government should draft new rules and regulations to make the trading scientific and transparent.
- The Central Depository System of Securities (CDS), which is very important from the aspect of market, should be established. CDS helps the process of clearing and settlement and ownership transfer process will be efficient and transparent.

- Listing process of companies should not be delayed.
- Number of stockbrokers in the stock market should be increased. Easy entry and exit mechanism for stockbrokers in the market should be developed.
- Institutional investors should be formed. The role of institutional investor in the market is known to add up new instrument through collective investment schemes, play role in stabilization of the securities prices, make rational analysis of information and pressurize the issuer for the regular flow of credible information.

4.3 Major Findings of the Study

This study has attempted to emphasize different components of the investors and financial instrument so that we can trace out the vital things, which will ultimately help the investors and to develop the financial instruments market of Nepal. On this ground, the study has tried to find many findings. The major findings from the secondary data analysis are as follows:

- Issue of corporate securities shows that corporate securities consist of common stock, preference share, debentures and mutual fund/ unit scheme. Among these securities, most of the companies issue common stock and hence it has high volume of coverage in Nepalese market. Likewise, we can see debentures, preference share and mutual fund/unit scheme have the respective position in the Nepalese security market.
- Issue of government securities shows that the government securities consists of treasury bills, development bonds, national saving bond, public saving card and special bonds. Among these securities government issues heavy volume of treasury bills and hence it has high volume of coverage in Nepalese market. Likewise, development bonds, national saving bonds, special bonds and public saving card have the respective position in the Nepalese market between the years of 2003 to 2008.
- Majority of finance companies were found listed more than other companies in Security market of Nepal. Likewise, Commercial banks, manufacturing &

processing ,Insurance, other,Trading and Hotel sectors were respectively listed in the security market of Nepal.

Apart from these major findings from secondary data analysis, we have also various other findings on the analysis of primary data.

- Most of the investors have preferred the common stock for investment among various available financial instruments in Nepal. Government securities appeared as the second most preferred financial instrument after common stocks. The preferred stocks and debentures were appeared as the least preferred financial instrument.
- Among the various sector most of the investor preferred Banking sector. After the banking they gave the priority to the finance company. This ultimately proves that Nepalese investors are interested to invest in financial sector.
- Majority of people wanted to invest in banking sector even though the numbers of finance companies are listed more than banks. It has also shown that Insurance, hotel, manufacturing & processing and trading are less preferred sector for financial investment. Preference didn't change with the change in the responding groups. Staff of NEPSE, SEBO/N Brokers and Investors preferred commercial bank, finance company and insurance company to make investment respectively thereafter.
- Profit/Return was found to be the most preference to get from their investment for all types of respondents. Few investors preferred marketability and social status as a return from their investment. Some investors were interested to get profit/return, marketability and social status from their investment.
- It was found that majority of investor wanted to trade their investment in both primary and secondary market. Few investors wanted to trade through mutual fund.
- The majority of the respondents stated that the Nepalese investors are not satisfied with the return from their investment.
- It was found from the respondents responses that majority of investor are not aware regarding their investment in Nepalese security market.
- It was found out that major portion of the investors is influenced for investing in security is mainly for capital appreciation. Suggestion from relatives and

friends and rumour as same factor are harmful to the investor. This factor also seen as one of influencing factor in decision making on investment.

- The majority of the respondents of the different groups felt that the Nepalese investors are not getting sufficient and timely information from the companies.
- It was found that investors' decision on financial investment is highly influenced by political situation, few investors agreed upon the statement that political situation does not influence the decision of investor.
- The reason behind main attraction of common share investment appeared capital gain. Dividend appeared as second factor of attraction. Some of investors preferred representation in Board as the attraction of common stock investment.
- With respect to the companies not preferring to issue debt and preferred stock, the majority of the respondents stated that certain and regular interest payment to investors was the main reason that the Nepalese companies did not prefer to issue debt and preference stock frequently.
- It was found out from the responses given by respondent that the main attraction of Nepalese investors towards the government securities is due to the risk free return and safety.
- It was also found out from the responses given by respondent that the Nepalese investor didn't like high risk. Most of investor are risk avoider.
- Officials of NEPSE and SEBO/N had knowledge of derivatives where as most of investors had not knowledge about the financial derivatives like future, options and warrants etc. Therefore it can be said that knowledge of futures, options, warrants are lacking in Nepalese financial market.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter summarizes the whole study in the three sections. Section first includes the summary of the study. The second section presents the conclusion of the study. The third section of this chapter is recommendation on investor's attitude and anticipation on earning with respect to financial instrument.

5.1 Summary

This study has been conducted to analyze the investor's preference on financial instruments. The first objective was to study on investor's attitude towards securities. Similarly the second and third objective were to study the investors trend of investment on securities and to study the criteria adopted by the investors while making decision on securities.

The data were collected through distribution of constructed questionnaire (Appendix-1) among randomly selected respondents. The respondents were requested to fill a special questionnaire prepared for this research. They were also requested to provide some suggestions to improve security market in Nepal. The researcher succeeded to fill up the questionnaire from 60 respondents. Along with they were also requested to give their personnel profile. But the research remained limited to collect data from Kathmandu valley only.

The collected questionnaires were systematically arranged and relevant data were extracted for the fulfillment of research objectives. The responses from the respondents were tabulated, figured and analyzed. The secondary data were abstracted from various annual reports of NEPSE/SEBON, NRB publications and different financial management related books. The study covered the sample period of five years beginning from F/Y 2003/04 to F/Y 2007/08.

To make clear from the figure, the tabulated data collected from various respondents groups is presented in the multiple bar diagram.

After the data tabulation and presentation hypothesis testing was conducted. The results of respondents were also analyzed to ascertain the difference in their responses. In this regard Chi-Square was employed and tested at 5% level of confidence to test whether there is significant difference between the opinions of the different responding groups or not.

5.2 Conclusion

After analyzing the secondary data and responses of the respondents, major conclusions of the study have been drawn out as follows:

Fiscal year 2006/07 proved to be a remarkable year for share market. With the restoration of peace and subsequent boost of investor confidence major indicators of share market grew tremendously. But share market grew little low in the fiscal year 2007/08 coparatively in the fiscal year 2006/07.It i.e the fiscal year 2006/07 would be remembered as a boom year for Nepalese Stock Market. Almost all the previous records of the securities market have been shattered in the year.

Major indicators of secondary market like amount of share traded, number of listed share, number of transaction, annual turnover, total market capitalization of listed shares increased in the review period.

The above-mentioned (in previous chapter) major findings of this study are concluded that investors prefer the common stock in the Nepalese financial market. In the common stocks also they prefer the common stock of banking sector. Most of the investors feel confident that investment in the banking sector is good by which investor can increase their capital and it will also provide a high return in the form of dividend. That is why; market capitalization of the common stocks of banking sector is high. Hence, the preference of investors is on common stock of banking sector.

The second preferable instrument found to the government securities. The government securities are taken as risk less investment. The Nepalese investors least prefer the preferred stocks and debenture. It was found from the primary data, certain and regular interest payment to the investor and no attraction is the main reason of the Nepalese companies for not preferring to issue debenture and preferred stock.

The Nepalese investors are not appeared that the level of awareness of investors is really poor. Investor's are influenced mostly due the capital appreciation. Some of investors follow of suggestions of relatives and friends or rumour. They don’t analyze the risk and return before any investment in any securities. They invest their money just by observing the market trend, which is very unscientific in Nepalese context. They state that they are not getting sufficient and timely information from the companies where they have invested their money.

It seems efficient services of market intermediaries, conducive and realistic policies of regulating authorities, awareness campaigns for investors, better concern toward the investors attitude or preferences are the major felt need, in this regard.

5.3 Recommendations

As per the external banks directory most of the companies opted to issue bonus and right share to increase their capital base. It created buying pressure on market as investor attracted by the offering of bonus shares and right share. The investors should be encouraged to make investments in securities market by creating friendly investment environment. Sufficient policies regarding the financial sector reforms and security market development should be incorporated create such environment. The specific recommendations to encourage the Investor and for the development of security market is summarized below.

- The development of security market is depending on political stability of the nation. Due to the political conditions of the country, investors are scaring what will happen to their investment. So, government should try to maintain the political stability to win the investors confident.

- The role of brokers in the development of security market is most important. They should also avoid involving themselves in to security market disorders. As well as, the concerned authorities should take very strict action to those institutions and personnel for creation of security market disorders. The brokers should provide right and authentic information about all the companies to help the investors to choose the security of particular company that best fit his personal risk and return category but should not try to influence the investor's decision for his personal benefits.
- Sufficient and reliable information should be provided to investors. Then investors will be attracted to invest in security market. Most of the Nepalese Investors has low level of knowledge on security market. Investors' awareness program and campaigns may be the best technique to provide adequate knowledge about available financial instrument and their transaction in security.
- Efficient trading mechanism and simplified procedures should be developed so that investors can understand and participate in the security market easily.
- Adequate information should be provided to the investors regarding other financial instruments than common stock. information regarding derivatives should be provided to the investor so that they can be attracted to invest in financial instruments.
- NEPSE has launched computerize system to flow the information of transaction to the public. There should be provisions to buy or sell securities, which will attract the prospective investors residing outside the Kathmandu valley to make investment through centrally located secondary market of Nepal.
- To attract the institutional investors in the market of financial instruments and to avoid their passiveness in secondary market, some flexibility in the directives should be brought. The limitations imposed currently can be loosened to make them invest more on the financial instruments.
- Although NEPSE is performing the market surveillance system to some extends, it should improve the quality of this activities the high volatility if

market prices of securities regularly and effectively to create the price formation of the securities.

- Regulating authorities should act on the best interest of investor. They should not be simply watching the malpractices of listed companies.

BIBLIOGRAPHY

Books:

Adhikari, Nanda Kumar and Shrestha, Prakash (2063), **Corporate Finance**, Khushbu Prakashan, Kathmandu.

Bhalla, V.K. (1983), **Investment Management, Security Analysis and Portfolio Management**, Bombay: S. Chandra Publishing Company.

Bhattarai, Rabindra (2004), **Investments Theory & Practice**, Kathmandu, Buddha Academic Publishers and Distributors PVT. LTD.

Bodie, Zvi and Kane, Alex and Marcus, Alan J. (2002), **Investments**, Boston, Irwin McGraw- Hill.

Corrado Charles J. & Jordan Bradford D. (2002), **Fundamentals of Investments Valuation & Management** 2nd edition, Boston, Irwin McGraw- Hill

Cowdell, J. Billings, and Cowdell P (2001), **Investment Management**, Canterbury, UK: Financial World Publishing.

Fisher , D. E. and Jordan (2000), **Security Analysis and Portfolio Management**, New Delhi: Prentices Hall of India Pvt. Ltd.

Francis, J.C. (1986), **Investment Analysis and Management**, New York: McGraw Hill Publication.

Fabozzi, F. J. (2002), **Overview of Financial Instruments**, USA: Yale University (Electronic version)

Hatch, J. E. (1983), **Instrument Management in London**, Scarborough, Canada: Prentice Hall Canada Inc.

Kent, R. (1972), **Money & Banking** 6th edition, Illinois, USA: Dryden Press.

Raghu, P. (1991), **Shares for Investment and Wealth: A guide to Investing Wisely**, New Delhi: Indian Book Distributors.

Richard Pike & Bill Neale, (1998), **Corporate Finance and Investment: Decision and Strategies**, New Delhi : Prentice Hall of India.

Santomero, A. M. and Babbel, D. F.(1997), **Financial Markets, Instruments and Institutions**, Boston, USA: Irwin McGraw Hill.

Sharma P. K. and Chaudhary A. K. (2005), **Statistical Methods for MBS, MBA and MPA**, Kathmandu, Khanal Books Prakashan.

Sharpe, W. F., Alexander, G. D. and Bailey, J. V. (2001), **Investment**, New Delhi: Prentice Hall of India.

Shrestha, Prakash and friends (2062), **Fundamentals of Financial Management**, Khushbu Prakashan, Kathmandu.

Shreshtha, Prakash and friends (2008), **Fundamentals Principals of Financial Management**, Taleju Prakashan, Kathmandu.

Slater, Jim (1994), **Investment Made Easy**, London, Butler & Tanner Ltd.

Van Horne, J. C., and W. J. M. (1996), **Fundamentals of Financial Management**, New Delhi: Prentice Hall of India.

Weirich, J. L. (1983), **Personal Financial Management** , Boston, USA: Little Brown and Company.

Weston J. Fred & Copeland Thomas E. (1992), **Managerial Finance**, 9th edition, USA, The Dryden Press.

Williams, Ellie (2001), **Investor's Desk Reference**, New York, The McGraw – Hill.

Thsesis

Amatya, S (2005), "**Present Status of Nepalese Debt Securities Market",** An Unpublished Master Degree Thesis, Shankar Dev Campus, Tribhuvan University.

Dangol, P (2004), **"A Study of Investors Perception in Nepalese Stock Market'**, An Unpublished Master Degree Thesis, Public Youth Campus, Tribhuvan University.

Pandit, K (2004), "**Investors Preference and Financial Instruments in Nepal**", An Unpublished Master Degree Thesis, People's Campus, Tribhuvan University.

Poudel, R.P. (2002), "**A Study on Government Securities Practices in Nepal**", An Unpublished Master Degree Thesis, Central Department of Management, Tribhuvan University.

Subedi, B (2003), "**Investors Awareness in the Securities Market in Nepal**", An Unpublished Master Degree Thesis, Shankar Dev Campus, Tribhuvan University.

Upadhyay, S (2004), "**Investors Preferences and Financial Instruments",** An Unpublished Master Degree Thesis, Shankar Dev Campus, Tribhuvan University.

Journals / Reports / Articles

Annual Report, Security Board of Nepal (SEBO/N), Fiscal Year 2007/08.

Adhikari, N (October 2006), **Securities Markets Development in Nepal**, SEBO/N Journal Vol. II.

Kafle, D. R. (July 2007), **Building Dynamic Capital Market**, SEBO/N Journal Vol. III.

Thapa, Kiran (July 2007), **Nepalese Securities Market: Regulation and Development**, SEBO/N Journal Vol. III.

Websites:

www. answer. com
www. ask. com
www. investopedia. com
www. nepalstock. com

www. newbusinessage.com

www. nrb.org. np

www. sebonp.com

www. wikipedia.com

Appendixes

Appendix-1

Dear Sir/ Madam,

I would like to request you to kindly fill up the following questionnaire prepared for collection of your views as precious data input for my research work.

This research is conducted for partial fulfillment of the requirement of Masters of Business Studies (M.B.S.) degree. The research is related to title "**Investor's Attitude and Anticipation of Earnings** ***(With Special Reference to Financial Instruments)***". I assure you, your responses and views will be kept completely confidential. Your correct information in this regard will help to explore actual scenario in this context.

So, I cordially request you to kindly answer the questions below.

Thank you.

Nani Maharjan

(Researcher)

Master of Business Studies

Patan Multiple Campus, T.U.

Respondent's profile (Personal)

Name :

Office :

Address :

Designation :

Qualification :

Date :

Research Questionnaire

Please place (√) mark on the correct box and express your ideas and views where necessary.

1. Which financial instrument do the investors prefer to make investment among following alternatives?
   a. Equity Share ☐
   b. Preference Share ☐
   c. Debenture / Bonds ☐
   d. Government Bonds ☐
2. Regarding opportunity, in which sector do the investor think that they have better opportunities for investing in security investment
   a. Banking ☐
   b. Finance Company ☐
   c. Insurance Company ☐
   d. Hotel ☐
   e. Manufacturing Company ☐
   f. Trading Company ☐

3. As per your preference, for what purpose do the investors want to invest in securities?
   a. Profit / Return
   b. Marketability
   c. Social Status
   d. Above All
4. Which mechanism do the investor prefer to invest in Security Market?
   a. Primary Market
   b. Secondary Market
   c. Both Market
   d. Mutual Fund
5. Are the investors satisfied with the return from their investment decision in the security market?
   a. Yes
   b. No
   c. Don’t Know
6. What is the level of investor's awareness upon financial instruments in Nepal
   a. Yes
   b. No
   c. Don’t Know
7. In your opinion, which of the following is the main influencing factor for investors?
   a. Dividends / Returns
   b. Capital Appreciation
   c. Suggestion from relatives, friends/Rumors
   d. Company Performance
8. In your opinion, are the Nepalese investors getting sufficient and timely information from the companies where they have made investment?
   a. Yes
   b. No
   c. Don’t Know
9. To what extent do you think political situation influence the decisions of the investors?
   a. Very High
   b. High
   c. Moderate
   d. Low
10. In your opinion, what is the main attraction of common stock?
   a. Dividend

b. Capital Gain
c. Bonus Shares
d. Representation in Board

11. In Nepalese capital market, other financial instruments except common stock have not been used frequently. In your opinion, why do the companies not prefer to issue debt and preferred stocks?
    a. No Attraction
    b. Certain and regular Return
    c. Don't Know

12. What is the main attraction of government securities?
    a. Risk Free Return
    b. High Interest Rate
    c. Rumors

13. In your opinion, what level of risk do the Nepalese investor's like to make investment in financial market?
    a. High Risk
    b. Moderate Risk
    c. Low risk

14. Have you heard about the financial derivatives like futures, options, warrants etc.?

    Yes No

15. Do you think, are there any difficulties to invest in securities in Nepal?

16. What improvement would you like to see to develop the Nepalese securities market?

Thank you for your kind cooperation

Appendix-2

Question-wise responses and calculation of Chi-square

Question No.1

Alternatives	NEPSE/ SEBO/N	Brokers	Investors	Total
Common Stock/share	6	12	18	36
Preference share	1	1	3	5
Debenture/Bonds	1	1	3	5
Government Bonds	2	2	10	14
Total	**10**	**16**	**34**	**60**

Fixing the level of significance at 5%

Calculation of expected frequencies (E):

Expected Frequency of RiCj = $\frac{\text{Row Total x Column Total}}{\text{Grand Total}}$, $R_1C_1 = \frac{36x10}{60} = 6$

Similarly other value of expected frequency can be calculated using above formula. Calculated expected frequencies are inserted in table below.

Chi-square Test

(Row, Column)	Observed Frequency (O)	Expected Frequency (E)	O-E	$\frac{(0 - E)^2}{E}$
R_1C_1	5	6.00	-1.00	0.17
R_1C_2	10	9.60	0.40	0.02
R_1C_3	16	20.40	-4.40	0.95
R_2C_1	1	0.83	0.17	0.03
R_2C_2	1	1.33	-0.33	0.08
R_2C_3	2	2.83	-0.83	0.25
R_3C_1	1	0.83	0.17	0.03
R_3C_2	1	1.33	-0.33	0.08
R_3C_3	2	2.83	-0.83	0.25
R_4C_1	3	2.33	0.67	0.19
R_4C_2	4	3.73	0.27	0.02
R_4C_3	8	7.93	0.07	0.00
				2.07

$\chi^2 = \sum\frac{(0 - E)^2}{E} = 2.07$

Degree of freedom = (r-1) (c-1)

= (4-1) (3-1) = 6

$\Im$ = 5%

Tabulated value $\chi^2_{0.05}(6) = 12.592$

Conclusion: Since calculated χ^2 < tabulated χ^2, it is not significant and H_0 is accepted which means, the responses of different group is not significantly different.

Question No. 2

Sectors	NEPSE/ SEBO/N	Brokers	Investors	Total
Banking	6	10	18	**34**
Finance Company	3	3	7	**13**
Insurance Company	1	2	5	**8**
Hotel			1	**1**
Manufacturing Company	0	1	2	**3**
Trading Company			1	**1**
Total	**10**	**16**	**34**	**60**

Chi-square test

(Row, Column)	Observed Frequency (O)	Expected Frequency (E)	O-E	$\frac{(0 - E)^2}{E}$
R_1C_1	5	5.67	-0.67	0.08
R_1C_2	10	9.07	0.93	0.10
R_1C_3	16	19.27	-3.27	0.55
R_2C_1	2	2.17	-0.17	0.01
R_2C_2	3	3.47	-0.47	0.06
R_2C_3	6	7.37	-1.37	0.25
R_3C_1	2	1.33	0.67	0.33
R_3C_2	2	2.13	-0.13	0.01
R_3C_3	4	4.53	-0.53	0.06
R_4C_1	1	0.50	0.50	0.50
R_4C_2	1	0.80	0.20	0.05
R_4C_3	1	1.70	-0.70	0.29
R_5C_1	0	0.00	0.00	0.00
R_5C_2	0	0.00	0.00	0.00
R_5C_3	1	0.57	0.43	0.33
				2.63

Calculated $\chi^2 = \sum\frac{(0 - E)^2}{E} = 2.63$

Degree of freedom $= (r-1)(c-1)$

$= (6-1)(3-1)$

$= 10$

$\Im = 5\%$

Tabulated value $\chi^2_{0.05}(10) = 18.307$

Conclusion: Since calculated $\chi^2 <$ tabulated χ^2, it is not significant and H_0 is accepted.

Question No.3

Purpose	**NEPSE**	**Brokers**	**Investors**	Total
Profit/Return	6	11	22	39
Marketability	1	1	1	3
Social Status	1	2	3	6
Above All	2	2	8	12
Total	**10**	**16**	**34**	60

Chi-square test

(Row, Column)	**Observed Frequency (O)**	**Expected Frequency (E)**	**O-E**	$\mathbf{\frac{(0 - E)^2}{E}}$
R_1C_1	6	6.50	-0.50	0.04
R_1C_2	11	10.40	0.60	0.03
R_1C_3	22	22.10	-0.10	0.00
R_2C_1	1	0.50	0.50	0.50
R_2C_2	1	0.80	0.20	0.05
R_2C_3	1	1.70	-0.70	0.29
R_3C_1	1	1.00	0.00	0.00
R_3C_2	2	1.60	0.40	0.10
R_3C_3	3	3.40	-0.40	0.05
R_4C_1	2	2.00	0.00	0.00
R_4C_2	2	3.20	-1.20	0.45
R_4C_3	8	6.80	1.20	0.21
				1.72

Calculated $\chi^2 = \sum \frac{(0 - E)^2}{E} = 1.72$

Degree of freedom $= (r-1)(c-1)$

$= (4-1)(3-1)$

$= 4$

$\Im = 5\%$

Tabulated value $\chi^2_{0.05}(4) = 9.488$

Conclusion: Since calculated χ^2 < tabulated χ^2, it is not significant and H_0 is accepted.

Question No. 4

Market Mechanism	**NEPSE**	**Brokers**	**Investors**	**Total**
Primary Market	2	3	11	**16**
Secondary Market	3	4	5	**12**
Both Market	4	8	15	**27**
Mutual Fund	1	1	3	**5**
Total	**10**	**16**	**34**	**60**

Chi-square test

(Row, Column)	**Observed Frequency (O)**	**Expected Frequency (E)**	**O-E**	**$\frac{(0 - E)^2}{E}$**
R_1C_1	2	2.67	-0.67	0.17
R_1C_2	3	4.27	-1.27	0.38
R_1C_3	11	9.07	1.93	0.41
R_2C_1	3	2.00	1.00	0.50
R_2C_2	4	3.20	0.80	0.20
R_2C_3	5	6.80	-1.80	0.48
R_3C_1	4	4.50	-0.50	0.06
R_3C_2	8	7.20	0.80	0.09
R_3C_3	15	15.30	-0.30	0.01
R_4C_1	1	0.83	0.17	0.03
R_4C_2	1	1.33	-0.33	0.08
R_4C_3	3	2.83	0.17	0.01
				2.41

Calculated $\chi^2 = \sum \frac{(0 - E)^2}{E} = 2.41$

Degree of freedom = (r-1) (c-1)

= (4-1) (3-1)

= 6

$\Im = 5\%$

Tabulated value $\chi^2_{0.05}(6) = 12.592$

Conclusion: Since calculated χ^2 < tabulated χ^2, it is not significant and H_0 is accepted.

Question No.5

Satisfaction	**NEPSE**	**Brokers**	**Investors**	**Total**
Yes	4	6	14	**24**
No	6	10	18	**34**
Don't Know	0	0	2	**2**
Total	**10**	**16**	**34**	**60**

Chi-square test

(Row, Column)	**Observed Frequency (O)**	**Expected Frequency (E)**	**O-E**	$\frac{(0 - E)^2}{E}$
R_1C_1	4	4.00	0.00	0.00
R_1C_2	6	6.40	-0.40	0.03
R_1C_3	14	13.60	0.40	0.01
R_2C_1	6	5.67	0.33	0.02
R_2C_2	10	9.07	0.93	0.10
R_2C_3	18	19.27	-1.27	0.08
R_3C_1	0	0.33	-0.33	0.33
R_3C_2	0	0.53	-0.53	0.53
R_3C_3	2	1.13	0.87	0.66
				1.77

Calculated $\chi^2 = \sum \frac{(0 - E)^2}{E} = 1.77$

Degree of freedom = (r-1) (c-1)

= (3-1) (3-1)

= 4

$\Im$ = 5%

Tabulated value $\chi^2_{0.05}(4) = 9.488$

Conclusion: Since calculated χ^2 < tabulated χ^2, it is not significant and H_0 is accepted.

Question No. 6

Level of Awareness	**NEPSE**	**Brokers**	**Investors**	**Total**
Very High	1	2	2	5
High	3	3	6	12
Moderate	3	5	9	17
Low	3	6	17	26
Total	**10**	**16**	**34**	**60**

Chi-square test

(Row, Column)	Observed Frequency (O)	Expected Frequency (E)	O-E	$\frac{(0 - E)^2}{E}$
R_1C_1	1	0.83	0.17	0.03
R_1C_2	2	1.33	0.67	0.33
R_1C_3	2	2.83	-0.83	0.25
R_2C_1	3	1.67	1.33	1.07
R_2C_2	3	2.67	0.33	0.04
R_2C_3	4	5.67	-1.67	0.49
R_3C_1	3	2.67	0.33	0.04
R_3C_2	5	4.27	0.73	0.13
R_3C_3	8	9.07	-1.07	0.13
R_4C_1	3	4.83	-1.83	2.50
R_4C_2	6	7.73	-1.73	4.97
R_4C_3	20	16.43	3.57	9.61
				19.59

Calculated $\chi^2 = \sum\frac{(0 - E)^2}{E} = 19.59$

Degree of freedom $= (r-1)(c-1)$

$= (4-1)(3-1)$

$= 6$

$\Im = 5\%$

Tabulated value $\chi^2_{0.05}(6) = 12.592$

Conclusion: Since calculated χ^2 > tabulated χ^2, it is significant and H_0 is rejected.

Question No. 7

Influencing Factors	NEPSE	Brokers	Investors	Total
Dividends/Returns	3	4	10	**17**
Capital Appreciation	4	5	14	**23**
Suggestion from relatives and friends / rumour	2	4	6	**12**
Company Performance	1	3	4	**8**
Total	**10**	**16**	**34**	**60**

Chi-square test

(Row, Column)	Observed Frequency (O)	Expected Frequency (E)	O-E	$\frac{(0 - E)^2}{E}$
R_1C_1	3	2.83	0.17	0.01
R_1C_2	4	4.53	-0.53	0.06
R_1C_3	10	9.63	0.37	0.01
R_2C_1	4	3.83	0.17	0.01
R_2C_2	5	6.13	-1.13	0.21
R_2C_3	14	13.03	0.97	0.07
R_3C_1	2	2.00	0.00	0.00
R_3C_2	4	3.20	0.80	0.20
R_3C_3	6	6.80	-0.80	0.09
R_4C_1	1	1.33	-0.33	0.67
R_4C_2	3	2.13	0.87	1.33
R_4C_3	4	4.53	-0.53	2.59
				5.26

Calculated $\chi^2 = \sum\frac{(0 - E)^2}{E} = 5.26$

Degree of freedom $= (r-1)(c-1)$

$= (4-1)(3-1)$

$= 6$

$\Im = 5\%$

Tabulated value $\chi^2_{\,0.05}(6) = 12.592$

Conclusion: Since calculated $\chi^2 <$ tabulated χ^2, it is not significant and H_0 is accepted.

Question No. 8

Sufficiency of Information	NEPSE	Brokers	Investors	**Total**
Yes	4	6	5	**15**
No	6	9	23	**38**
Don't Know	0	1	6	**7**
Total	**10**	**16**	**34**	**60**

Chi-square test

(Row, Column)	Observed Frequency (O)	Expected Frequency (E)	O-E	$\frac{(0 - E)^2}{E}$
R_1C_1	4	2.50	1.50	0.90
R_1C_2	6	4.00	2.00	1.00
R_1C_3	5	8.50	-3.50	1.44
R_2C_1	6	6.33	-0.33	0.02
R_2C_2	9	10.13	-1.13	0.13
R_2C_3	23	21.53	1.47	0.10
R_3C_1	0	1.17	-1.17	1.17
R_3C_2	1	1.87	-0.87	0.40
R_3C_3	6	3.97	2.03	1.04
				6.20

Calculated $\chi^2 = \sum \frac{(0 - E)^2}{E} = 6.20$

Degree of freedom = (r-1) (c-1)

= (3-1) (3-1)

= 4

$\Im$ = 5%

Tabulated value $\chi^2_{0.05}(4) = 9.488$

Conclusion: Since calculated χ^2 < tabulated χ^2, it is not significant and H_0 is accepted.

Question No.9

Influence of Political situation	NEPSE	Brokers	Investors	Total
Very High	3	5	13	**21**
High	4	8	17	**29**
Moderate	2	2	2	**6**
Low	1	1	2	**4**
Total	**10**	**16**	**34**	**60**

Chi-square test

(Row, Column)	Observed Frequency (O)	Expected Frequency (E)	O-E	$\frac{(0 - E)^2}{E}$
R_1C_1	3	3.50	-0.50	0.07
R_1C_2	5	5.60	-0.60	0.06
R_1C_3	13	11.90	1.10	0.10
R_2C_1	4	4.83	-0.83	0.14
R_2C_2	8	7.73	0.27	0.01
R_2C_3	17	16.43	0.57	0.02
R_3C_1	2	1.00	1.00	1.00
R_3C_2	2	1.60	0.40	0.10
R_3C_3	2	3.40	-1.40	0.58
R_4C_1	1	0.67	0.33	0.17
R_4C_2	1	1.07	-0.07	0.00
R_4C_3	2	2.27	-0.27	0.03
				2.29

Calculated $\chi^2 = \sum\frac{(0 - E)^2}{E} = 2.29$

Degree of freedom $= (r-1)(c-1)$

$= (4-1)(3-1)$

$= 6$

$\Im = 5\%$

Tabulated value $\chi^2_{0.05}(6) = 12.592$

Conclusion: Since calculated χ^2 < tabulated χ^2, it is not significant and H_0 is accepted.

Question No.10

Attraction of common stock	NEPSE	Brokers	Investors	Total
Dividend	3	4	9	**16**
Capital Gain	5	8	18	**31**
Bonus Share	1	3	5	**9**
Representation in Board	1	1	2	**4**
Total	**10**	**16**	**34**	**60**

Chi-square test

(Row, Column)	Observed Frequency (O)	Expected Frequency (E)	O-E	$\frac{(0 - E)^2}{E}$
R_1C_1	3	2.67	0.33	0.04
R_1C_2	4	4.27	-0.27	0.02
R_1C_3	9	9.07	-0.07	0.00
R_2C_1	5	5.17	-0.17	0.01
R_2C_2	8	8.27	-0.27	0.01

R_2C_3	18	17.57	0.43	0.01
R_3C_1	1	1.50	-0.50	0.17
R_3C_2	3	2.40	0.60	0.15
R_3C_3	5	5.10	-0.10	0.00
R_4C_1	1	0.67	0.33	0.17
R_4C_2	1	1.07	-0.07	0.00
R_4C_3	2	2.27	-0.27	0.03
				0.60

Calculated $\chi^2 = \sum\frac{(0 - E)^2}{E} = 0.60$

Degree of freedom = (r-1) (c-1)

= (4-1) (3-1)

= 6

$\Im$ = 5%

Tabulated value $\chi^2_{0.05}$ (6) = 12.592

Conclusion: Since calculated χ^2 < tabulated χ^2, it is not significant and H_0 is accepted.

Question No. 11

Reason for not issuing debt and preferred stocks	**NEPSE**	**Brokers**	**Investors**	**Total**
No Attraction	3	5	10	**18**
Certain and regular return	6	9	20	**35**
Don't Know	1	2	4	**7**
Total	**10**	**16**	**34**	**60**

Chi-square test

(Row, Column)	**Observed Frequency (O)**	**Expected Frequency (E)**	**O-E**	$\frac{(O-E)^2}{E}$
R_1C_1	3	3.00	0.00	0.00
R_1C_2	5	4.80	0.20	0.01
R_1C_3	14	10.20	3.80	1.42
R_2C_1	6	5.83	0.17	0.00
R_2C_2	9	9.33	-0.33	0.01
R_2C_3	16	19.83	-3.83	0.74
R_3C_1	1	1.17	-0.17	0.02
R_3C_2	2	1.87	0.13	0.01
R_3C_3	4	3.97	0.03	0.00
				2.22

Calculated $\chi^2 = \sum \frac{(0 - E)^2}{E} = 2.22$

Degree of freedom = (r-1) (c-1)

= (3-1) (3-1)

= 4

$\Im = 5\%$

Tabulated value $\chi^2_{0.05}(4) = 9.488$

Conclusion: Since calculated χ^2 < tabulated χ^2, it is not significant and H_0 is accepted.

Question No.12

Attraction of Government Securities	**NEPSE**	**Brokers**	**Investors**	**Total**
Risk Free Return	7	10	25	**42**
High Interest Rate	1	2	5	**8**
Marketability	2	4	4	**10**
Total	**10**	**16**	**34**	**60**

Chi-square test

(Row, Column)	**Observed Frequency (O)**	**Expected Frequency (E)**	**O-E**	$\mathbf{\frac{(0 - E)^2}{E}}$
R_1C_1	7	7.00	0.00	0.00
R_1C_2	10	11.20	-1.20	0.13
R_1C_3	25	23.80	1.20	0.06
R_2C_1	1	1.33	-0.33	0.08
R_2C_2	2	2.13	-0.13	0.01
R_2C_3	5	4.53	0.47	0.05
R_3C_1	2	1.67	0.33	0.07
R_3C_2	4	2.67	1.33	0.67
R_3C_3	4	5.67	-1.67	0.49
				1.55

Calculated $\chi^2 = \sum \frac{(0 - E)^2}{E} = 1.55$

Degree of freedom = (r-1) (c-1)

= (3-1) (3-1)

= 4

$\Im = 5\%$

Tabulated value $\chi^2_{0.05}(4) = 9.488$

Conclusion: Since calculated χ^2 < tabulated χ^2, it is not significant and H_0 is accepted.

Question No. 13

Attitude toward risk	**NEPSE**	**Brokers**	**Investors**	**Total**
High Risk	1	1	2	**4**
Low Risk	5	6	12	**23**
Moderate risk	4	9	20	**33**
	10	**16**	**34**	**60**

Chi-square test

(Row, Column)	**Observed Frequency (O)**	**Expected Frequency (E)**	**O-E**	$\frac{(0 - E)^2}{E}$
R_1C_1	1	0.67	0.33	0.17
R_1C_2	1	1.07	-0.07	0.00
R_1C_3	2	2.27	-0.27	0.03
R_2C_1	5	3.83	1.17	0.36
R_2C_2	6	6.13	-0.13	0.00
R_2C_3	12	13.03	-1.03	0.08
R_3C_1	4	5.50	-1.50	0.41
R_3C_2	9	8.80	0.20	0.00
R_3C_3	20	18.70	1.30	0.09
				1.15

Calculated $\chi^2 = \sum \frac{(0 - E)^2}{E} = 1.15$

Degree of freedom $= (r-1)(c-1)$

$= (3-1)(3-1)$

$= 4$

$\Im = 5\%$

Tabulated value $\chi^2_{0.05}(4) = 9.488$

Conclusion: Since calculated $\chi^2 <$ tabulated χ^2, it is not significant and H_0 is accepted.

Question No. 14

Knowledge of financial derivatives	**NEPSE**	**Brokers**	**Investors**	**Total**
Yes	8	15	6	**29**
No	2	1	28	**31**
Total	**10**	**16**	**34**	**60**

Chi-square test

(Row, Column)	Observed Frequency (O)	Expected Frequency (E)	O-E	$\frac{(0 - E)^2}{E}$
R_1C_1	8	4.83	3.17	2.07
R_1C_2	15	7.73	7.27	6.83
R_1C_3	6	16.43	-10.43	6.62
R_2C_1	2	5.17	-3.17	1.94
R_2C_2	1	8.27	-7.27	6.39
R_2C_3	28	17.57	10.43	6.20
				30.05

Calculated $\chi^2 = \sum\frac{(0 - E)^2}{E} = 30.05$

Degree of freedom = (r-1) (c-1)

= (2-1) (3-1)

= 2

$\Im$ = 5%

Tabulated value $\chi^2_{\ 0.05}\ (2) = 5.991$

Conclusion: Since calculated χ^2 > tabulated χ^2, it is significant difference and H_1 is accepted.

Appendix-3

List of Security Brokers in Nepal

In the beginning, the lissence of broker was issued to 27 securities companies but in fiscal year 2007/08 only 23 securities companies are actively functioning in security market.

S. No	Firm Name	Code	Tel. No.	Address
1	Kumari Securities Pvt. Limited	1	01-4418036	Dilli Bazar,Kathmandu
2	Arun Securities Pvt. Limited	3	01-6916470	Putalisadak,Kathmandu
3	Opal Securities Investment Pvt. Limited	4	01-4421648	Ramshah Path,Kathmandu
4	Market Securities Exchange Company Pvt. Limited	5	01-4248973	Kichha Pokhari,Kathmandu
5	Agrawal Securities Pvt. Limited	6	01-4229739	Shankardev Marga, Putalisadak,Kathmandu
6	J.F. Securities Company Pvt. Limited	7	01-4223089	Putalisadak,Kathmandu
7	Ashutosh Brokerage & Securities Pvt. Limited	8	01-4220276	Kichha Pokhari,Kathmandu
8	Pragyan Securities Pvt. Limited	10	01-4498234	Putalisadak,Kathmandu
9	Malla & Malla Stock Broking Company Pvt. Limited	11	01-4414263	Dillibazar,Kathmandu
10	Annapurna Securities Service Pvt. Limited	13	01-4419051	Putalisadak,Kathmandu
11	Nepal Stock House Pvt. Limited	14	01-4255732	Anamnagar,Kathmandu
12	Primo Securities Pvt. Limited	16	01-4239214	Shankardev Marga, Putalisadak,Kathmandu
13	Khandelwal Stock Broking Company Pvt. Limited	17	01-4230787	Indrachowk,Kathmandu
14	Sagarmatha Securities Pvt. Limited	18	01-4242548	Putalisadak,Kathmandu
15	Nepal Investment & Securities Trading Pvt. Limited	19	01-4495450	Old Baneshowar,Kathmandu
16	Sipla Securities Pvt. Limited	20	01-4255782	NewRoad,Kathmandu
17	Midas Stock Broking Company Pvt. Ltd.	21	01-4416050	Dillibazar,Kathmandu
18	Siprabi Securities Pvt. Limited	22	01-5530701	Kupondol,Lalitpur
19	Sweta Securities Pvt. Limited	25	01-4444791	Putalisadak,Kathmandu
20	Asian Securities Pvt. Limited	26	01-4240609	Viharmarga,Kathmandu
21	Shree Krishna Securities Pvt. Limited	28	01-4224262	NewRoad,Kathmandu
22	Trishul Securities Pvt. Limited	29	01-4440709	Putalisadak,Kathmandu
23	Premier Securites Pvt. Limited	32	01-4231339	Putalisadak,Kathmandu

(Source: www.nepalstock.com, May, 2009)

Appendix-4

Staffs of Security Board of Nepal (SEBO/N)

Presently, there are 30 staffs in SEBON including chairman, two directors, five deputy directors, six officers, six assistants, six support staffs and messenger, and there are four staffs on contract basis.

S.N.	Name	Designation
1	Dr. Surbir Poudel	Chairman
2	Mr. Niraj Giri	Director, Corporate Finance & Administration Department
3	Mr. Paristha Nath Poudyal	Director, Securities Market & Regulation Department
4	Mr. Binaya Dev Acharya	Deputy Director, Corporate Finance Department
5	Mr. Nabaraj Adhikari	Deputy Director, Planning & Development Department
6	Mr. Mukti Nath Shrestha	Deputy Director, Market Regulation & Compliance Department
7	Mr. Dhruba Timilsina	Deputy Director, Stock Exchange and Securities Businessperson Surveillance Department
8	Mr. Mekh Bahadur Thapa	Deputy Director, Financial Information Analysis Department
9	Mrs. Manju Upadhyay	Officer, Finance Section
10	Mr. Krishna Prasad Ghimire	Officer, Legal Section
11	Mr. Anuj Rimal	Officer, Administration Section
12	Mr. Ambika Prasad Giri	Officer, Corporate Finance Section
13	Mr. Gopal Krishna Acharya	Officer, Education & Training Section
14	Mr. Niranjaya Ghimire	Officer, Legal Section
15	Mr. Suraj Pradhananga	Senior Assistant , Reports Review Section
16	Mr. Deepak Sharma	Senior Assistant, Education & Training Section
17	Mr. Raju G.C.	Assistant, Registration & Market Monitoring Section
18	Mrs.Sashi Aryal	Assistant, Administration Section
19	Mr. Nabarja Pandit,	PA, Chairman's office
20	Mr. Rajan Thapa	Assistant, Corporate Finance Section
21	Mr. Nahakul Bhattarai	Support Staff
22	Mr. Rajesh Lage	Messenger
23	Mr. Rajan Khatiwada	Messenger
24	Mr. Arjun Prasad Dhakal	Messenger
25	Mr. Deepak Chhetri	Messenger
26	Mr. Nabaraj Poudyal	Messenger

Deputation on Contract Basis

1. Mr. Deepak Raj Kafle Training Expert
2. Mr. Nabin Man Vaidya IT Offic
3. Mr. Prem Kajee Shrestha Supervisor, Library & Documentation Section
4. Mr. Binod Maharjan Suppor Staff

(Source: www.sebonp.com)

Appendix-5

Staffs of Nepal Stock Exchange Pvt. Ltd. (NEPSE) Fiscal year 2007/08

S.N.	Name	Designation
1	Mr. Shankar Man Singh	General Manager
2	Mr. Promod Kumar Bhattarai	Acting Deputy General Manager
3	Mr. Vijay Gurung	Manager
4	Mr. Sambhu Prasad Pant	Acting Assistant Manager
5	Mr. Uttam Raj Bhatta	Senior Officer
6	Mr. Khom Bhatta	Senior Officer
7	Nr. Niranjan Phuyal	Senior Officer
8	Mrs. Samjhana Baral	Senior Officer
9	Mr. Krishna Raj Pokharel	Senior Officer
10	Mr. Harish Pokharel	Senior IT Officer
11	Mr. Surendra Raj Wagle	Officer
12	Mr. Narayan Timilsina	Officer
13	Mrs. Resha K.C.	Officer
14	Mr. Deepak Raj Joshi	Officer
15	Mrs. Prabin Pandak	Officer
16	Mr. Murahari Parajuli	Officer
17	Mr. Sagar Dhungel	Officer
18	Mr. Upendra Raj Timsina	Officer
19	Mr. Basu Dev Pandey	IT Officer
20	Mr. Subodh Dhungel	Senior Assistant
21	Mr. Prakash Bahadur Deupa	Senior Computer Operator
22	Mr. Bhesh Raj Khanal	Senior Computer Operator
23	Mr. Badriram Adhikari	Senior Computer Operator
24	Mr. Sudarshan Upadhya	Senior Computer Operator
25	Mrs. Tanuja Aryal	Senior Computer Operator
26	Miss Sanju Kadel	Senior Assistant
27	Mr. Giri Raj Dahal	Senior Assistant
28	Mr. Siddhi Nath Misra	Senior Assistant
29	Mrs. Sharmila Pathak	Senior Computer Operator
30	Mr. Jagadish Rijal	Senior Computer Operator
31	Mr. Bal Krishna Koju	Senior Computer Operator
32	Mr. Niraj Shrestha	Senior Driver
33	Mr. Dil Bahadur Basnet	Assistant Recorder
34	Mrs. Sashi Raut	Assistant Recorder
35	Mr. Prakash Dahal	Assistant Recorder
36	Mr. Laxman Mandal	Assistant Recorder

Appendix-6

List of the respondent for the questionnaires

Categories	Response Number
Investors	**34**
Brokers:	
Kumari Securities Pvt. Ltd.	1
Arun Securities Pvt. Ltd.	1
Agrawal Securities Pvt. Ltd.	1
Malla and Malla Stock Broking Co. Pvt. Ltd.	1
Om Securities and Allies Services Pvt. Ltd.	1
Annapurna Securities Service Pvt. Ltd.	1
Nepal Stock House Pvt. Ltd.	1
Nikhil Securities Pvt. Ltd.	1
Primo Securities Pvt. Ltd.	1
Sagarmatha Securities Pvt. Ltd.	1
Nepal Investment & Securities Trading Pvt. Ltd.	1
Silpa Securities Pvt. Ltd.	1
Siprabi Securities Pvt. Ltd.	1
Sweta Securities Pvt. Ltd.	1
Yeti Securities Co. Pvt. Ltd.	1
Premier Securities Pvt. Ltd.	1
Staff Member of SEBON	**5**
Staff Member of NEPSE	**5**
Total	**60**