

Chapter I

1.1 Background of the study:

Capital market plays dominant role in the economy for developing and underdeveloped nations. Capital market contributes to gain economy growth. There is no way to gain economy growth until capital market is operating smoothly. Therefore capital is the backbone of the country. Capital market also provides the capital formation. It generates the investment that is saving of individuals are directed towards productive sector.

“Security market is a mechanism created to facilitate the exchange of financial securities or assets bringing together buyers and sellers of securities. Securities markets provide an effective way of procuring long term fund by issuing shares and debentures or bond for corporate enterprises and government at a same time provides an investment opportunity for individuals and institutions. Thus the market place for these financial securities is called securities market which is further sub divided into the primary and secondary market. The security market plays an important role in mobilizing saving and channeling them into procedure investment for the development of commerce and industry for the country. It basically assists the capital formation and economy growth of the country. In many developing countries like Nepal, the underdeveloped capital market is still prevailing in the economy. The Nepalese securities market still could not take its height. The further improvement of this market is very crucial. It helps in accumulating even small saving for development activities of the economy otherwise which would have spent in unproductive areas but it is true that there is no presence even organized money market in rural areas which covers almost 90% of the total area of the country. Thus the securities market is only confined to the very limited urban areas of Nepal (*Gurung, Dec2004; 1*).

NEPSE has a leading role to play to raise fund and to provide capital formation in the economy. But there are many problems faced by securities market. Those are: agro based economy, lack of political stability, information are not available to the investor, inefficient market etc. Though these problems are prevailed, it has tremendous opportunity. Those are: Expansion of market, trading of government securities etc.

Stock market may affect the economy activity. It creates liquidity. Although some analysts said that stock market in developing country's play little positive role in economy growth, however recent evidence show that stock market can play a prominent role, giving a big boost to economy development for the developing country like Nepal. Many profitable investments require a long term commitment of capital but investors are often reluctant to relinquish control over their saving for long periods. Stocks provide the best investment opportunity to the investor. It also provides liquidity to the securities. The liquidity affects the economy activities and there by affects the development of the country. The level of liquidity is influenced by the price formation of the stock in the stock market. So in order to maintain the high liquidity in the stock; the stock market has to be efficient in all aspects.

In Nepalese context, an investment trend of securities market has been increasing trends like no. of listed company, turnover, capitalization, NEPSE index etc. Its shows that positive aspects in the Nepalese capital market in which different investors are invest in securities. It is discussed about different problems and prospects of securities markets in this thesis and also analyzed the trend of NEPSE index, turnover, market capitalization, no. of listed companies and behavior of stock price by using different tools and technique to find out the problems and prospects of securities in Nepal. There are limited external sources of financing because of less develop financial market in the economy. The savers and investors are often the same entity in the Nepalese economy which is one of the discouraging factors for the rapid growth of investment in productive activities. The relationship between financial development and economy growth with focus on development role of stock market has been in debate for same time in past. Empirical studies suggest that financial development does matter and stock market do spur economy growth. Unfortunately, in Nepal, despite a history of about half a decade of planned economy activities to develop real sector of the country, little attention was paid to the development of financial sector. However, most of the developments were confined to the banking sector. Stock market has remained still because of the law priority in the governments financial reform policies.

First of all, Biratnagar jute mill was able to issue the share. The main objective of issuing share was collection of fund by the public and to invest the productivity sector. But now a days several companies have raised in the form of issuing company like financial and nonfinancial company in Nepal. But the development of capital market in 1976 A.D., stock market begun with the flotation of share by Nepal Bank Limited (NBL) and Biratnagar Jute mill Limited (BJM) in 1937 A.D. After 1956, the policy of government to maintain control of the financial sector by restricting the entry of private sector into financial activities that didn't support the financial sector in the country. Securities exchange center was established 22 Ashad 2033 B.S. under the company act 2021 B.S. It was established with the objectives of facilitating and promoting the growth of capital market. Before conversion into Nepal Stock Exchange (NEPSE), it was the only capital market institutions undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services. His Majesty's Government under a program initiate to reform capital markets converted securities exchange center into Nepal Stock Exchange in 1993 A.D. In Nepal, there are 145 listed companies, nine issue manager, 23 brokerage firm to provide service of securities and Nepal has an only one stock market(*Bhattacharai 2006:1-2*).

Securities Exchange Center was established at 22 ashad 2033 B.S. with an objective of operating of stock market and developing of capital market through mobilizing of internal capital. At that time, it was authorized capital 200 lakhs, issued capital 57 lakhs and paid of capital is 56.19 lakhs (*Bhattacharai*).

According to securities exchange act 2049 B.S., it was converted into Nepal Stock Exchange in 1993 A.D.It was also called NEPSE in short form. The basic objective of NEPSE is to impart the free marketability and liquidity to the government and corporate security by facilitating transaction in its trading floor through member market intermediaries, such as brokers, market makers etc.

Table 1.1

Capital structure of NEPSE (In Rs 10 lakhs)

S.N.	Share holders	Amount	Percentage
1	Government of Nepal	20.48	58.67
2	NRB	12.08	34.60
3	NIDC	2.14	6.12
4	Other members	0.21	0.62
Total		34.91	100

Sources: NEPSE Report 2061/62

The largest shareholder of NEPSE is government of Nepal. It has more than 50% share and government of Nepal was invested Rs 20.48 lakhs in the NEPSE and smallest shareholder of NEPSE has other members. It has only 0.62% invested in NEPSE.

Securities board of Nepal was established on June 7, 1993 as an apex regulator of securities market in Nepal. As per the securities acts 2062, the major objectives of the SEBO/N are to regulate issue and trading of securities and market intermediaries, promote the market and protect the investor's right. The duties and responsibilities of SEBO/N are as follows.

- Register securities and approved prospectus of public companies.
- Provide license to operate stock exchange.
- Provide license to operate securities business.
- Give permission to operate collective investment Scheme and investment fund.
- Profit regulation, issue directives, guidelines and approved by laws of stock exchange.
- Supervise and monitor stock exchange and securities business activities.
- Take enforcement measure to ensure market integrity.
- Review reporting of issue manager and listed company securities business persons.
- Conduct research, study and awareness programs regarding securities market.
- Coordinate and cooperate with other domestic as well as international regulators.

- Frame policies and programs relating to securities markets and advice the government of Nepal in this regard.

Development of economy and growth of stock market is related sector each other when the strong economy market in the country than the growing stock market. Increasing employment, per capita income, economy growth rate, industrialization, exports companies' performance and controlled inflation all provide strong support to the growth in the stock market.

Table 1.2

Nepalese economy indicators

Fiscal Year	2003/04	2004/05	2005/06	2006/07
Inflation (%)	-	5.7	7.7	6.2
GDP growth	4.7	5.7	7.7	2.5
Trade deficit(Rs in millions)	-8236	-9077	-11354	-11740
Deficit (%)	15.3	15.4	17.6	17.5
GDP per capita(US Dolor)	293	328	310	383
Real per capita GDP growth)	1.6	0.7	-0.2	0.9

Sources: Nepali Economy and Stock Market by Rabindra Bhattarai

In Nepal, economy growth rate is less than inflation rate and increasing trade deficit is means the very slow of economy development in Nepal. Therefore stock market is not properly strong capacity in Nepal.

1.2 Profile of concern Banks

Standard Chartered bank

Standard Chartered bank limited has been in operation in Nepal since 1987 when it was initially registered as a joint –venture. Today the bank is an integral part of standard chartered group who has 75 percent ownership in the company with 25 percent shares owned by Nepalese public. The bank enjoys the status of the largest international bank currently operation in Nepal. Head office of Standard Chartered bank

is Naya baneshwar, Kathmandu. It has 13 branches. Which are: Bhairahawa Branch, Biratnagar Branch, Birgunj Branch, Butwal Branch, Dharan Branch, Hetauda Branch, Lalitpur Branch, Lazimpat Branch, Lakeside Branch, Narayangarh Branch, Naya Baneshwore Branch, Nepalgunj Branch, New Road Branch, Pokhara, New Road. The authorized capital of Standard Chartered bank is Rs 1000.00 million(2006/07), issued capital is Rs 500.00 million (2006/07) and paid up capital is Rs 413.25 million (2006/07). No. of shares of this bank listed in NEPSE is 9319664 (2009).

Nabil bank

Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 19 points of representation across the kingdom and over 170 reputed correspondent banks across the globe. Head office of Nabil bank is at Kamaldi, Kathmandu. It has 31 branches which are scattered all over Nepal. Which are : Kantipath Branch, Kantipath, Kathmandu, Tripureshwore branch, New Road Branch, New Road, Kathmandu, Jorpati Branch, Jorpati, Kathmandu, Birgunj Branch, Adarsh Nagar, Birgunj, Alau Branch, Alau, Parsa, Biratnagar Branch, Goswara Road, Biratnagar, Lalitpur Branch, Kupondole, Lalitpur, Itahari Branch, Main Road, Itahari, Butwal Branch, Main Road, Butwal, Pokhara Branch, Chipledhunga, Pokhara, Bhairahawa Branch, Narayanpath, Bhairahawa, Nepalgunj Branch, Dhamboji, Nepalgunj, Lakeside Branch, Lake Side, Pokhara, Exchange Counter, Tribhuvan International Airport, Kathmandu, Dharan Branch, Mahendra Chowk, Dharan, Bhalwadi Branch, Bhalwadi, Rupandehi, Maharajgunj Branch, Maharajgunj, Kathmandu, Birtamod Branch, Hicola road, Anarmani , Damak Branch, Main Highway Road, Hetauda Branch, Bank Road, Hetauda, Narayangadh Branch, Sahid Chock, Baglung Branch, Baglung, Tulsipur Branch, Shitalpur, Ghorahi Branch, Dhagadhi Branch, Main Road, Mahendranagar Branch, New Baneshwor Branch, Halchowk Branch, Thamel Branch, Kaushaltar Branch. The authorized capital of Nabil bank is Rs Rs 500.00 million (2006/07), issued capital is Rs 491.65 million(2006/07), and paid up capital is Rs 491.65 million (2006/07). No. of shares of this bank listed in NEPSE is 9657470 (2009).

Nepal Investment Bank

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one of the largest banking groups in the world.

With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, has acquired on April 2002 the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd.

- The name of the bank has been changed to Nepal Investment Bank Ltd. upon approval of bank's Annual General Meeting, Nepal Rastra Bank and Company Registrar's office with the following shareholding structure A group of companies holding 50% of the capital
- Rashtriya Banijya Bank holding 15% of the Capital.
- Rashtriya Beema Sansthan holding the same percentage.

The remaining 20% being held by the General Public (which means that NIBL is a Company listed on the Nepal Stock Exchange). Head office of Nepal Investment is Durbarg, Kathmandu. It has 29 branches. Which are: Seepadole branch, Birgunj branch, Banepa branch, Pulchowk branch, Jeetpur branch, New road branch, Biratnagar branch, Butwal branch, Bhairahawa branch, Pokhara branch, Putalisadak branch, Narayangarh branch, Janakpur branch, Nepalgunj branch, Thamel branch, Kalimati branch, Birtamod branch, Battisputali branch, Dhangadi branch, Gongabu branch, Surkhet branch, Jumla branch, Baudha branch, Hetauda branch, Palpa branch, Lukla branch, Dhumbrahi branch, Naya baneshwor branch, and Bhotahiti branch.

The authorized capital of Nepal Investment Bank is Rs 801.35 million (2006/07), and paid up capital is Rs 801.35 million (2006/07). No. of shares of this bank listed in NEPSE is 24070689 (2009).

Himalayan bank Limited

Himalayan Bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cut-throat competition in the Nepalese Banking sector, Himalayan Bank has been able to maintain a lead in the primary banking activities- Loans and Deposits. Head office of Himalayan bank is situated at Karmachari sanchaikosh building, tridevimarg, themel. It has 24 branches which has scattered across the nation. Which are: Thamel branch, Maharajgunj branch, New road branch, Bhaktapur branch, Patan branch, Tandi branch, Bharatpur branch, Birgunj branch, Card center, Hetauda branch, Bhairahawa branch, Biratnagar branch, Banepa branch, Dharan branch, Pokhara branch, Butwal branch, Teku branch, Nepalgunj branch, Itahari branch, Palpa branch, Chahabil branch, Ghorahi branch, Trisuli branch and Swoyambhu branch. The authorized capital of Himalayan bank is Rs 1000.00 million (2006/07), issued capital is Rs 810.81 million (2006/07) and paid up capital is Rs 810.81 million (2006/07). No. of shares of this bank listed in NEPSE is 12162150 (2009).

Bank of Kathmandu

BOK started its operation in March 1995 with the objective to stimulate the Nepalese economy and take it to newer heights. Head office of bank of Kathmandu is at Kamalpokhari, Kathmandu. It has 28 branches which has scattered across the nation. Which are: Kamal Pokhari Branch, Thamel Branch, New Road Branch, Butwal Branch, Hetauda Branch, Nepalgunj Branch, Dhangadhi Branch, Pokhara Branch, Biratnagar Branch, Birgunj Branch, Amlekhgunj Branch, Itahari Branch, Kohalpur Branch, Gongabu Branch, Janakpur Branch, Tatopani Branch, Jawalakhel Branch, Surkhet Branch, Ghorahi Branch, Jumla Branch, Balaju Branch, Attariya Branch, New Baneshwor Branch, Gyaneshwor Branch, Tripureshwor Branch, Chabahil Branch, Bhaktapur Branch and Tulsipur Branch. The authorized capital of Bank of Kathmandu is Rs 1000.00 million (2006/07), issued capital is Rs 606.17 million (2006/07) and paid up capital is Rs 603.14 million (2006/07). No. of shares of this bank listed in NEPSE is 8443979 (2009).

1.3 Statement of the problem:

Nepalese capital market is very small on comparison other developed stock market. There are few members of broker, limited no. of listed companies, and very few transaction of share. In Nepal, It has solo stock market i.e. Nepal Stock Exchange, so investor does not gain arbitrage opportunity.

Though Nepal has small capital market, financial sector and Hydropower sector have been flourished. New companies and new financial institutes have been established. New sector of investment are identified and are implemented. By these reason, this small market has been enlarged day by day. So, we have studied about the investment trend through NEPSE index.

Basically, the problem of stock market in Nepal are limited no. of listed companies, small capital market, inefficient market, lack of proper rationalism of investor, lack of appropriate information as required time frame, incorrect trading system because few investor can affect the whole capital market etc. *(SEBO/N,2005:51)*.

Stock market is affected by political changes and with this change, it makes up and down in the share price. Due to lack of coordination between investors, shareholders and any other interested people cannot take information, new perfect knowledge of the company. At this situation investor are attracting in bonus right offering than dividend. On the other hand investor invested in the securities without analysis of financial performance of the company. Stock market is centralized only on the kathmandu valley. So out of valley, investor has not sufficient knowledge about the stock market. The major problems of the stock market are lack of institution of investment consultancy, more gap between real and market price of the share. *(Manadhar, 2004:39)*

The regulating and monitoring body of the market is unable to make the appropriate policy for the development of the stock market. Few person or investor may be able to influencing the whole share market with the hike and liquidity and are made the secondary market left the positive and impacted on the capital mobilization in the economy. *(New Business Age, feb2004:47)*. However this upward movement in the stock value did not remain for long. In our market, ordinary stock is maximum proportion of

the other capital like debenture and preference share but right option, warrant, future contract are not used in Nepal.

The development of stock market in Nepal is both challenging and difficult. The view point of number of share transactions, public interest toward stock market etc indicates the low performance of stock market. Stock market is also facing such problems like lack of strong professional analyst for individual buyer and seller, untrained manpower and management delay in transfer of share, rational investor exists from Nepalese stock market. Because of embryonic nature, Nepalese stock market is not efficient to evaluate the price of the stock (*Shrestha, 2008:12*).

The study deals with the following issues:

- Are the investors rational about the stock market?
- Does the information are available?
- What is price movement of commercial banks?
- What is the investment trend of Nepalese stock market?
- What is problem of Nepalese stock market?

1.4 Objective of the study

The main objective of the study is to identify the existing condition of the stock market problem faced by stock market and to analysis the price movement of commercial bank in Nepal. To fulfill the above objectives the following specific objectives are set:

- To examine the investment trends of securities.
- To evaluate the problems and prospects of securities in commercial banks.
- To analyze the daily price movement of listed commercial banks in Nepal.

1.5 Importance of the study

Stock market is an indicator of economy; some says it is a mirror of economy. While stock market is moving upward, economy is being sound and vice versa. It also represents the country policy towards industry. It helps to analyze overall country's gross income, saving, investment and consumption.

This study may help answer of question in terms of how an investor makes decision about what securities to invest in and when they should be made.

To analysis present state of pricing on secondary market in Nepal and helps people to suggest how to analyze and take right decision to invest in stated securities. Investment in the stock market needs some knowledge about how to market operates.

The following points will be the importance of this study.

- The study provides literature to further researchers in this area because it helps to find out of research gap to researcher.
- The research will be beneficial to the university students who are curious to know the investment trend of securities in Nepal and major problems faced by Nepalese stock market and its prospects for the development of the stock market.
- It can be beneficial to the investor who has not sufficient knowledge about the stock market.
- It can be useful for security market to formulate appropriate policy.
- It can be beneficial to the all related or interested person (Broker Company, staff of NEPSE, SEBO, and issue manager) about the stock market.

1.6 Limitation of the study

Every study will not free from some constraints. So the research study has also obtained some limitations which are below.

- It is only concern to stated share of commercial banks so the result cannot be obtained thoroughly in overall investment in securities in Nepal.
- The study is limited only to investment trends, problems and prospects of the stock markets.
- The study covers only five years (2002/03 to 2006/07).
- Time, finance and authentic information are also the major limitation of the study.
- The study is only based on five listed commercial banks.

1.7 Organization of the study

This study has been organized into five chapters. Which are:

- Chapter one : Introduction
- Chapter two: Review of literature.
- Chapter three: Research methodology.
- Chapter four: Presentation and analysis of data.
- Chapter five: Summary, conclusion and recommendations.

Chapter one focus on the subject matter of the study consisting background of the study, profile of concern banks, statement of the problem, objective of the study, significance of the study, limitation of the study and organization of the study.

Chapter two contains the review of literate. It includes conceptual framework and review of past studies articles, journals and newspaper etc.

Chapter three explains the research methodology including research design, source of data population, sample size, data collection procedure, different tools and technique etc.

Chapter four deals with analysis and interpreted of data using primary and secondary source of data.

Chapter five is the last chapter of this study. It deals the summary, conclusion and suitable recommendations.

Chapter II

Review of Literature

This chapter deals with the review of related studies and different aspects of this topic “Investment trends, problems and prospects of securities in Nepal” in more details and descriptive manner. In the context of Nepal, there is not any social research studies have been available regarding the stock market behavior and decision making while investing in securities.

Generally in this study there are two parts, first part is the conceptual review and the another part is the Review of previous studies, various books, journal, published and unpublished documents such as: articles, some research reports prospects of the particular selected companies are consulted and reviewed. Two parts of the study are as follows:

2.1 Conceptual Review

2.2 Review of Related studies.

2.1 Conceptual Review

It works as a theoretical framework in the field of research. All the basic knowledge requires in the field of research can be cleared from the conceptual review. The concepts of those required basic knowledge are as follows.

2.1.1 Capital Market: Capital market is such financial market where long term securities are transacted. It is also called long term financial market. In the capital market in which financial assets with a term to maturity of typically more than one year are traded, government and corporations are issued the long term securities. Generally capital market mobilized the national saving fund issued the shares, debenture and bonds of organized corporation.

Capital market means anybody or individuals, where incorporates or not, constituted for the purpose of regulating or controlling the business of buying and selling or delaying in securities (*Valla, 1997:21*).

Capital market deals with financial assets or securities. Securities will be fairly priced in the capital markets if they are efficient. Capital markets are considered to be efficient if the prices of securities reflect the available information. Depending on the extent of the information being impounded in the securities reflect the available information. Depending on the extent of the informant being impended in the security prices, capital markets may be efficient in weak semi-strong or strong form, capital market consists of two components the primary capital market and the secondary capital market (*Pandey, 2002: 430*).

The Nepalese capital market in open market securities is in its infancy stage the government established security marketing centre in 1976. And enacted securities exchange Act in 1983 to promote and regulate the market of open market securities. Then after, the center started secondary market operation by listing corporate securities. In a bid to activate the capital market the government massively amended the Act, constituted security exchange board, and converted securities exchanges center into Nepal stock exchange with these superstructure facilities Nepal stock exchange now provides full fledged secondary market. As of mid-July 1994, it operated with the help of 6 market makes and 25 brokers and listed Rs. 2182 million worth of securities paid up value of listed securities of 66 listed companies (*Shrestha, Paudel and Bhandari, 2003: 42*).

2.1.1.1 Primary Market: The primary market is that market where newly issued of by the company or primary issue of securities traded for the first time. In other words primary capital market is a conduit for the sell of new securities. New or listed companies may make the public issues of shares. The initial public offering (IPO) is the public issue of securities by new companies for the first time. A primary market is the place where corporations and government issue new securities. All securities, whether in money and capital market 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 benefits from an issue that is; the company actually receives the proceeds from the sell of securities (*Bhattarai, 2006:11*).

As in everywhere else there are three parties involved in primary market of securities in Nepal. They are (1) Securities issuing companies /government, (2) Securities buyers

/investors and (3) Issue manager performing the functions of merchant bank. The government and public limited companies issue securities. General public, for profit and nonprofit organizations are the buyers /investors of securities and financial companies licensed to carry out merchant banking activities (work as manager of issue in Nepal.) (*Shrestha, Paudel and Bhandari, 2003: 29*).

2.1.1.2 Secondary Market: The secondary market is that market where existing outstanding securities are bought and sold. In other words the second time issue of securities is called secondary market. A stock exchange provided the following useful economic functions:

- Help determining fair price based on demand and supply force and all available information.
- Provide easy marketability and liquidity for investors.
- Facilitate in capital allocation in primary market through price signaling.
- Enable investors to adjusting portfolios of securities (*Pandey, 2002: 424*).

2.1.2 Securities

The terms security will be used to refer to a legal representation of the right to receive prospective future benefits under stated condition (*SAB, 6th edition: 3*). The primary task of security analysis is to identify mispriced securities by determining these prospective future benefits, the condition under which they will be received, the likely hood of such conditions. (*SAB: 6th Edition: 3*). There are major securities of capital structure are as follows:-

a) Ordinary Share /Common Stock :- common stock of a company are papers which represents ownership shareholder enjoy right to dividend , right to vote and right to right shares.

b) Preferred Stock:-preferred stock given a fixed income security, so it is a fixed income security. The preferred stock holder gets first priority for dividend and liquidation right. But after priority bonds and debenture holders, preferred holder has no voting right except same special condition.

c) **Debenture /Bond:** - Debenture gives a fixed interest instead of investment on debenture or bond. According to the length of maturity, debt securities are classified into two classes i.e. short term debt security and long term debt securities. In the short term debt securities, there is commercial paper, certificates of deposit, banker acceptance, T-bill etc. In the long term debt securities are government securities, corporate securities, municipal securities etc.

2.1.3 Fundamental and Technical Analysis

a) Fundamental Analysis Theory.

Fundamental analysis is based on the fundamentals of the information relatively to the companies. The persons who analyzed the securities on the basis of facts and figure is called a fundamental analysis. Fundamental analysis consists of such risk, earning dividend, growth rate etc. Fundamental analysis approach involves analyzing the different sectors such as economic influences, industrial factors, government action. Firm's financial statement, its competitor and pertinent company information like product demand earning, dividend and management in order to calculate and intrinsic value for firms securities.

“Fundamental analyses delve into companies earning their management, economic outlook, firms competitors market conditions and many other factors (*Jack and Clark, 1986:398*).

b) Technical Analysis

Technical analysis determined the market value of securities by the interaction of supply and demand. Technical Analysis presents the past data in charts and predicts the patens of future prices. In this approach, different charts and diagram are used to Analysis the securities. Therefore, such an analysis is also called a chartist. The past data are used to Analysis the securities and thus the technicians tend to look back ward and they think life about future earnings and dividends.

According to Edwards and Magee the following are the assumptions of technical Analysis

- Market value is determined by the interaction of supply and demand.
- Supply and demand are governed by numbers factors both rational and irrational.
- Securities processed to more in trends that persist for an appreciable length of time, despite minor fluctuation in the market.
- Changes in a trend are caused by the change in supply and demand.
- Shifts in supply and demand, no matter why they occur can be detected sooner or later in charts of market transactions.
- Some chart patterns tend to repeat themselves.

2.1.3.1 Technical vs. Fundamental Analysis.

- Technical Analysis believes that past patterns of market action with recur in the future and therefore they can be used for predictive purposes.
- Technical Analysis estimate prices instead of values.
- Technical Analysis ignores the facts of fundamental analysis such as risk earnings, dividends, growth rate etc.
- Some analysis use both the techniques but think of technical analysis to be superior to fundamental Analysis, because technical analysis is easier, faster and can be simultaneously applied to more stocks than fundamental analysis is can be.
- Much technical analysis would say that fundamental analysis is not worthless, but it is just too troublesome to bother with. Fundamental analysis is hard work; manipulated income statement cannot give an accurate estimate of value and should wait for price increase at under priced securities.

2.1.4 Prevailing Securities Legislation & Other Related Acts

Prevailing Securities legislation

- Securities exchange ordinance, 2005.
- Securities exchange Regulation, 1993.
- Membership of stock exchange and transaction by e-laws, 1998.
- Securities listing- Bye laws, 1996.
- Issue management guidelines, 1997.

- Securities allotment guidelines, 1994.
- Securities Registration and issue approved guidelines, 2000.
- Guideline on Business of Ethics for securities brokers, 2001.
- Bonus share issue guidelines 2001.

Other Related Acts

- Company ordinance, 2005.
- Insurance Act, 1992.
- Bank of financial institutions ordinance, 2005.
- Foreign exchange (Regulation) Act, 1962.
- Foreign investment technology transfer Act, 1992(*Sources, Bhattarai; 2006:.38*).

Other newly laws appear in the annual report of SEBO 2006/2007 are:

- Securities related act 2006.
- Securities Board of Nepal Regulator, 2007
- Stock exchange regulation, 2007
- Securities business Person Regulation, 2007.
- Draft securities registration & issuance regulation, 2007 etc.

Major Regulating Agencies

- Securities Board of Nepal (SEBO/N).
- Nepal Rasta Bank (NRB).
- Company Registrar's office (CRO).
- Nepal Stock Exchange (NEPSE).
- Insurance Board.
- Concerned ministers of Nepal government

2.1.5 Major Problems Faced By Nepalese Securities Market.

At present there are many problem faced by the Nepalese securities market. In Nepal, the commercial Bank provided low interest rate in deposit. Its direct affect on the economic development of Nepal because interest rate and inflation rate is the main variable indicator of the economy. In Nepal inflation rate is higher than interest rate. As a result saving has decreases and production and GDP also Decrease. On the other hand,

Nepalese capital market is very small and is only one stock market so there is no arbitrage opportunity and investor has not sufficient knowledge to invest in the securities.

There are not enough public issues to meet the demand of all retail investors. The performance of the companies is also unable to meet the expectations of the stakeholder's interest as in the sense that they are unable to provide the minimum acceptable rate of return to the investors. If we analyze the present status of securities market of Nepal almost every public issue has been oversubscribed during 15 years. It shows impressive response from retail investors but it can also be interpreted as the sufficient knowledge of investor about the capital market and the main problem faced by stock market are as follows:

1) Lack of Appropriate Rules and Regulations

Due to the lack of appropriate rules and regulations affect the stock market in Nepal. The security Laws are unclear and inadequate from several aspects. Process and procedure for enforcement and investigation in securities legislation are not clear. This restriction causes the unethical and unfair market practices.

2) Lack of Political Stability

Political instability creates the Negative Environment to the investors. So in which country there is political instability. In that situation there is more fluctuation on share price.

In Nepal, there are suffering from poor law and order situation, violence obstructed the regular movement of the activities of the government. Due to this reason the investor's desire and expectations has been changes to invest from the securities to other sectors.

3) Lack of Institutional Support for Training to make Qualified Manpower

Stock market is more dynamic market than other market. So, well trained, brilliant and hard working staffs are required for the successful operation of stock exchange. But there is no more institutional support for training to produce qualified manpower.

4) High Cost of Public Issue

Cost of public issue (i.e. underwriting cost advertising printing and other expenses, collection and refund charge and issue management commission) is relatively high in Nepal as compared to neighboring countries the aggregate cost of public issue is 0.34% at minimum and 24.25 % at maximum of the issued amount in Nepal and this cost is 7.10% or at minimum and 10.30% at maximum in India (*SEBO Journal, Oct 2005: 51*).

5) Lack of Accounting and Auditing Standards

In Nepal due to the poor Accounting and auditing practice that do not show the real picture of corporate sector. Therefore are not well informed. They cannot take rational decision that which securities are to buy and to sell. In this circumstance, share market becomes more volatiles. Investors bear more risk in comparison to return.

6) Lack of Efficient Tax Policy

There is a need to rationalize tax policies towards capital formation and to encourage the private sector on secondary market transactions. There is the high level of taxation of transactions executed on the stock exchange. Stock brokers pay once third of commission earned in the form of transaction taxes or fee to the NEPSE. This market is taking high transaction cost and capital gains. High transaction cost and capital gain taxes discourage investing in the stock market and reduce to market liquidity. Another way, tax offices have wide discretionary powers and this leads to reluctance on part of companies to published objectively audited accounts which in **tum** deprives the investors the essential basis for judging such company. In the absence of true information investors are reluctant to invest in the share of those companies. So, unsuitable tax policy also is one of the problems having in the Naples capital Market.

7) Insufficient Knowledge and Information Problem to the Investor

The regulatory authority role to educate general is also not sufficient. Most of all small investors do not know when and how to sell and buy their shares. They do not know how the stock market functions and what should be their return whether their company is functioning satisfactory or not etc.

On the other hand, the main factor affecting to the Investors is the lack of information at timely and properly. Though, NEPSE is publishing annual report, trading report and financial information of listed companies it has not been so transparent and most of the times these have been found incomplete for public purpose. Thus the lack of stock market statistic has also infinite squeezing the turnover level as well as slow growth of Nepalese stock market.

8) Low Capital Formation

Capital is like a life blood of the every business. Capital is needed to smooth operation and developing the business. In Nepal there is slow formation of capital. It required for investment in business is raised from capital formation. The capital is formed from the saving of the people. Nepal, being an underdeveloped country, with 90% of the population dependent on agriculture, has too low income to make sufficient saving. Even the saving are spent in unproductive activates rather than in commercial or industrial activities. Thus, due to the low saving and hence low capital information the primary market could not develop in Nepal.

9) Limited Market

In Nepal, around 90 percentage of the total population depend on agriculture and the rural area of the country is more than urban area. Due to these report the market of securities is limited in urban area. Here is only one stock market (i.e. NEPSE) therefore; the investor would not gain arbitrage opportunity from the market. There is a major problem of stock market in Nepal.

10) Inadequate Infrastructures

Infrastructure is also a major problem faced by Nepalese stock market. Since, major parts of the country is cover by the hilly region ,good roads ,school ,college, postal service and communication and transportations facilities are not available easily in that area. Due to the inadequate infrastructure like efficient communication, transportation, different resources, trading place those who wishes to invest in stock market also cannot do properly.

2.1.6 Prospects of Nepalese Stock Market

Capital plays a vital role in the economic development of a country. Being a capital deficient country, Nepal has to make every endeavor to mobilize available capital efficiently on secured markets providing mobility of the scattered saving. Retail investors with limited capital fund could also participate in the industrial development process of the country through their investment in the securities. However, both individuals and institutions are putting most of their saving into bank deposit and bullion market because of the present state of the security market. Thus, long-term saving that should be invested in the securities markets are going into short term investments. Presently, stock exchange facility is available only in Katmandu valley. Hence, there is a scope of expanding this facility in other region of the country. Privatization of public enterprises such as Nepal telecommunication and other public enterprises has issued share. This provision was made by HMG/N In the budget speech of F.Y.2003/04. It could provide a huge investment opportunity in the securities markets (*SEBO, Journal, vol 1, June 2004:78*).

➤ Strategic Plan Lunched By SEBO

With the objective of carrying out the market development activities in a planed way, SEBO has brought the five years strategic plan (2002-2007). The strategic plan will help for the improvement in the legal and regulatory framework of the capital markets. The major strategic plans are as follows

- To modernize the security market.
- To make effective regularity system of security market.
- To increase and expand the capital market through the proper allocation and operational efficiency.
- To make transparent and the viable to the security market system.
- To increase the depth and breadth of security market.

➤ **The Electronic System of Trading**

NEPSE has launched a computerized technology so that all transaction and related activities are done by software and online trading. It helps the efficiency of share transaction in stock market. It also the major prospects of stock market in Nepal.

➤ **Investment On Tourism and Hydropower Sector**

Tourism and hydropower sector can be the backbone of Nepal's economic development. Hydropower projects, in particular are long term investment projects and Nepalese banks which normally lend for short term purpose; cannot be a suitable source of financing. Hence the issue of debt securities for this purpose could provide a strong dynamic for the development of the securities market in Nepal.

➤ **Facilities to Entry and Exist of Securities Business Person.**

Corporate bodies willing to operate securities business such as issue manager, stock broker, share register etc. have applied for SEBO's permission. However there is a lack of clear provision in the prevailing securities legislation regarding the entry and exist of securities business persons. So, necessary provision has been incorporated in the proposed security exchange act. Besides, initiatives to facilitate the entry and exist process being taken under the framework of present securities legislation. This is also one of the gates for the development of Nepalese stock market.

➤ **Growth of stock market indicators**

Generally, in Nepalese stock market, its indicators are increasing in yearly figure. NEPSE Index was 226.03 in 1993/94 and it was 683.95 in 2006/07. Currently, NEPSE crossed 1100 points at 6 Aug 2008, it was indicates that the potentials of development of stock market in Nepal is very high.

➤ **Opening of OTC market in Nepal**

Currently, the OTC market is open for security exchange in Nepal. The SEBO/N has provided authority for the operations of OTC market on 27 may 2008. It has been operating from 4 June 2008. Forty companies are delisting which is exchange in OTC market, but not listed in Nepal stock exchange. It also may be prospects of the Nepalese stock market.

2.2 Review of Related Studies

Various related studies have been found in the field of share market in Nepal. There are as follows:-

2.2.1 Review of International Context

Researches studies have been done internationally on the stock market .Some of them are as follows:-

Ross Levine in his article ‘**Stock markets growth and tax policy**’ published by Blackwell publishing for the American finance Association. He explains that this paper addressed the question: how does trading of financial assets and tax policy affect economic growth? The paper examines a model in which liquidity and productivity risk elicit the creation of a stock market & studies how the resulting stock market changes the incentives of investors in ways that alter steady state growth rates. In particular, stock markets accelerate growth by(1) facilitating the ability to trade ownership of firms without disrupting the productive processes occurring within firms and (2) allowing investors to hold diversified portfolios. Stock market arises in this model to help agents manage liquidity and productivity risk, and in so doing stock markets accelerate Growth. In the absence of financial market firm specific productivity shocks may discourage risk adverse investors from investing in firm’s stock market, however allow individuals to invest in a large number of firms and diversify against idiosyncratic firm shocks. This raises the fraction of resources allocated to firms expedites human capital accumulation and promotes economic growth.

Cecil L. Dunn in his articles **problems of the postwar capital market**” published by stage publications, Inc. In association with the American Academy of political and social science, he had recommitted that the capital market are as follows:

- The creation of voluntary, community – sponsored business financing corporations on the pattern of the “Industrial foundations” should be encouraged a major function of these agencies should be the position of a meeting grown for investors and business in need of funds. The contacts between such parties should be uniformly drawn with

their major provisions subject to the decision of the agency. The existence of this service should be widely publicized and every effort should be made to draw the attention of investors to local opportunities.

- Banking institutions should make avoidance research advisory and management service which will permit them to liberalize lending with little hazard to liquidity.
- Banks should create Joint insurance funds in a form somewhat like a credit pool to permit the liberalization of lending practices especially with respects to term and installment loan.
- The question of publicly financed and managed agencies should be made the subject of further study to be undertaken in the light of the success of the voluntary measures purposed and in consideration of the probable effects of pending federal legislation to extend the lending service of the reconstruction fiancé corporation to equity investments in small business.

Ziamba and Schwartz in his article “**The Growth in the Japanese stock market, 1949-90 & Prospects for the future**” he has highlighted the growth of Japanese stock market more than other stock market of the world. He had found that the end of 1988 market share to be: united states, 32.6% Japan, 39.0% Europe 22.2% and all others 6.2% therefore Japan’s market share is still larger than that of the united states but by not as much.

Europe is share increases only slightly because many of the major European market’s also have large cross heading that are nearly as large as those in Japan. The two economic in the world that seem to be doing best today, Japan and Germany, book have very large cross holdings. This effect on the resulting business practice leads to better relationships, product quality, sales and long – run profits.

Pandey in his Book “**Financial management** has explained that the capital market in India the first stock exchange is the Bombay stock exchange was established in 1875. Now there are 23 stock exchanges in India. The number of shareholders has increased to about 30- 40 million. There are about 9000 listed companies. Both the market capitalization and volume of trades have shown general growth, although they have fluctuated over years.

The Indicator of stock market reflects the development of an economy it is important to predict the course of national economy because economic activity affects the corporate profits, Investor attitudes, expectations and ultimately securities price. The key for the analysis is that overall economic activity manifest itself in the behavior of stock price or the stock market .This linkage between economic activity and the stock market is critical *(Fisher and Jorden, 1990: 20)*

2.2.2 Review of Nepalese Context

The future of NEPSE depends on the economic policies of the government. The government has to spell out clearly what policies it will follow. For example when there was a talk to the Maoists, they forced to adopt us socialist type of economy. It had a negative reaction type of economy. It affected a negative reaction in the stock market. When government policies are not clear investors will adopt a wait and watch mode which is not good for the economy. An investor needs to feel secure of his/her investments. Within the last decade a strong foundation for a liberal economy has already been laid and trying to break that will push us further down the drain *(Boss, August 2008:64)*.

The major drawbacks of NEPSE are as follows: - One major drawback is the absence of central depository system (CDS). What is happening at present is that according to regulations we are suppose to transfer ownership names on to share certificate within 15 days but in reality it takes two to three months. Another drawback is that NEPSE has not been able to act as an economy barometer because it is mostly concentrate with financial institutions. And next is ratio of trading turnover to market capitalization has not gone over 5 percent which should have been 40 to 50 percent for a developing market. And the other hand when we looked at our annual trading to GDP, it is only one percent which should have been at least 25 percent. Lastly, with the professionalism of stock brokers who are mostly concentrating in taking fees for transaction, they should be counseling investors too. Also, the number of brokers has gone down. The lack of institutional investors has hindered the growth of stock market *(BOSS, Aug.2008:64)*.

The factors which helped to push the NEPSE, which are as follows: First, more than 90 percent of the market is dominated by banks, finance companies and insurance companies and the financial performance of these companies is continuously improving. Second, the stock market is totally concentrated in the Kathmandu Valley and the people feel safer in this area. So the people have feel safer to invest in the stock market. Third, the Nepali stock market has no impact from the situation out of the value. If there is some such effect the people who had their investment in the assets outside the valley have diverted in to the stock market in the valley. Fourth, the buying and selling pressure in the market is totally dependent on the valleys limited investors. Fifth, there is the diversion of the investment from gold to the stock market. Lastly, as the opportunities to invest in other sectors are limiting, the people are increasing investing in the stock market (*New Business Age, February 2006:47*).

The primary and secondary stock markets are gradually improving in Nepal. There is a growth of both market in terms of various indicators such as number of new issue companies ,volume of new share ,volume of shares, no of listed companies ,capitalization ,no of shareholder ,however with in the short period ,stock market faced with both boom and bearish trend (*Shrestha,2005 :28*).

The empirical results shows that the stock market has not been developed us enough to effect and push development of various sectors of the economy. Lack of promotion and expansion of economy the stock market is in infancy stage .It means the Nepalese stock market is still small and capture limited sector of the economy .Therefore the result is consistent in Nepalese context that increase in GDP pushes capital market to enlarge and expand (*Shresthas,2005:28*) .

The NEPSE index that was 494.59 points in mid April 2007 went up 78% by the beginning of the October 2007 and it is approaching 900 marks. Increasing expectations of the investors towards the bonus and right share from the financial institutions are pushing the market every day. Due to this, the investors are not heeding the warnings issued by the regulations. They are not caring about the current fluid political situation either furthermore; the bull-run is leveraged by the automated trading system and manipulation by the well known but not declared market **scandlers**. The automated

trading system has enable the broker to increase the market by quoting the market price in the maximum range and executing the transaction in a small no of shares, thus creating an .artificial scarcity of the shares (*New Business Age , October 2007:46*).

At present, retail buyers are increasing pushing the index up. The new investors should be very careful not to be fooled .Meanwhile, Security Board of Nepal (SEBO/N); issuing a press statement has urged the investors to be very careful while investing “Be careful of the noise creators who can mislead.” States the press note. Investors might find themselves on the road over night ,if they do not look at profit and loss account management, income per share, book value, risk factor and financial health of the company, warns the board, the regulatory authority of the capital market (*Himalayan times, 6 Aug2008:11*).

2.2.3 Review of Masters Degree Thesis

There are many masters degree thesis prepared by various researchers in the past year. Among them, some thesis is reviewed for analysis of literature:-

Mr.Rishi Khanal (2003), in his thesis “**Growth problems & prospectus of stock market in Nepal**” shows the major objectives are as follows:-

- To study the growth trend and current position of stock market in Nepal.
- To find out the existing problems faced by the Nepalese stock market.
- To examine the sector- wise financial status of stocks in Nepalese stock market.
- To analyze the prospectus of Nepalese stock market.
- To suggest improvement in stock market of Nepal.

The analysis of this study based on both primary and secondary data. he had taken the whole stock market as a sample and he had take the different tools: GDP, Inters rate, inflation, trend analysis etc.

After this study he found the following conclusions:-

- The aspect of the liquidity in the stock market is not functioning well in Nepalese stock market. There is almost no liquidity in the stock market for shares expect that of banking and some financial and insurance sector.

- The manufacturing sector do not have good performance in Nepalese stock market due to the reasons of all firms in this sector have sustained loss.
- The investors are interested to invest their resource in the shares of corporate through the stock market in the Nepalese economy.
- Nepalese stock market is the infancy stage and NEPSE is the only one institution in the country.
- Transparency and openness of transaction, quality professional services, adequate corporate financial disclosures and improved legal, regulatory and supervisory frame work are the urgent needs of Nepalese stock market.
- Investors' confidence in Nepalese stock market relatively low because of stock market volatility, low return in investment, inadequate information, lack of financial market instruments.

He makes the following major recommendations:-

- The number of staff should be adequate and properly trained in all aspects of securities market.
- The government should formulate appropriate policies for improving the environment for private sector development for efficient mobilization of saving through the stock market.
- The government should allow foreign investors to invest in Nepalese capital market.
- The bodies of SEBO should developed public awareness and investor's education program.
- There should be efficient coordination and cooperation among SEBO/N, NEPSE& NRB In order to develop the stock market.
- The NEPSE should be computer based technology in trading system.

Mr. Ramesh Timilsina (2007), in his thesis “**Investment trend of securities in Nepal**” tries to shows the trends of Capital market problem and its impact the economic development in Nepal. He set the major objectives are as follows:-

- To find act investing trend of securities in Nepal of stated commercial banks in NEPSE.
- To find out the problem and prospective of investing securities in Nepal.

- To analyze individual behaviors to take a decision of investing in securities.

The analysis of this study based on both primary and secondary data. He had taken five commercial banks as a sample of total listed commercial banks. He had taken the different tools to analysis like, Trend analysis, Technical Analysis.

After the analysis of this study, He found the conclusions are follows:-

- The investor is not conscious to take investment decision due to the lack of sufficient knowledge.
- The activity on the stock market and the share price are determined by the excessive speculation, they have little correspondence with fundamentals real performance of the economy.
- Due to the political instability are the prominent factors for the under development of the security market in Nepal.
- Market index reflects market trends and it takes all issues listed on the exchange on the account.

He makes also recommendations are as follows:-

- Investor must be beware about the stock market.
- Investor should read the morning journals as well as daily newspaper for sufficient knowledge.
- The investor should always be aware of the daily stock price and volume traded figure of stock price records published by NEPSE.
- The investors should not “act on whim” and should properly analyze the study the market trends before making their investment decision.
- Investors awareness programmer should be launched the provided with investment guidelines.

Srijana Shrestha, (2008) had research on “**Growth &Prospects of stock market in Nepal**” it describes about the growth of Nepalese stock market and its prospectus. The main objectives of her researcher study are as follows:-

- To assess the situation of the stock market in Nepal.

- To analyze the growth trend of Nepalese stock market.
- To evaluate the problems in Nepalese stock market.
- To examine the sector wise financial status of stock in Nepalese stock market.

The analysis of this study based on both primary and secondary data. She has taken five commercial banks as a sample. She has taken to analysis the different financial tools i.e. trend analysis, expected return, Standard deviation and coefficient of variation etc.

In her study, she tried to find out the problems related to the capital market & current situation of stock market in Nepal. Major finding are as follows:-

- Most of the people use to take guidance from friend rather than stock broker.
- Mainly investor motives about the return and asserts price appreciation.
- More than 80% people said the information provided by the company to NEPSE is not appropriate.
- Current rules and regulation of NEPSE and SEB O/N are not sufficient to develop stock market.

She makes the following major recommendations:

- Investor must have sufficient knowledge about the securities to invest.
- The trading system of NEPSE should be modernized or computerized.
- Free information about stock market must be available in the market.
- Companies should be maintaining their financial statement structure according to the international accounting standard.
- The government, regulating Authority the stock exchange, listed companies, market players etc should understand their respective roles and play their roles with sincerity.

2.3 Research Gap

There have been done several researches in stock market. All of those researches have many fruitful finding and their own limitation. For example,

Khanal(2003) shows descriptively theoretical point of view rather than practical bases. He has done research in stock market growth trend through the NEPSE index, market capitalization and turnover etc. but not used any technical Analysis to show the price

fluctuation which is the most important factor for Analyzing the growth/ trend of stock market.

Timilsina (2007) tries to show the trend of stock market including problem but it is not enough to Analysis the market. His analysis only based on total market like, NEPSE, Index, turnover, capitalization etc but not separately analysis of commercial bank. This is mainly base on investment trend of securities only.

Shrestha (2008) tries to show the current status and prospects of stock market but not analysis of problem related to stock market. Also, she did not analysis of price fluctuation on share price and separately analysis of commercial bank indicator.

The main focus in this study is to analyze the growth, prospects and price fluctuation on the stock market. This study helps to analyze the development and improving the stock market, analyze the price increasing and decreasing trend.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

Research Methodology is the systematic methods of finding solution to the research problem i.e. systemic collection, recollection, recording, analysis, interpretation and reporting of information." Methodology refers the various steps that are generally adopted by a researcher in studying his research Problem along with the logic behind it. Thus research methodology is away to systematically solve the research problem" (*Wolf; 11th 1999:203*).

This chapter deals about the research methodology by which the collected data are analyzed to get the result, in this regard, this chapter is carried out to diagnose the stock market activities in Nepal. To achieve the objective, the study has been described as follows:-

3.2 Research Design

This study is carried out to get the empirical result of the stock market. To conduct the study, analytical and descriptive research approach is adopted for the reality available historical data. All the data used in this study are primary and secondary in nature.

3.3 Population and Sample

According to the annual report of SEBO/N 2008/09, there are altogether 159 listed companies in the NEPSE from different sector. The concern of the study is only on commercial banking sector, therefore the size of population is total number of commercial banks listed in the NEPSE i.e. 21 Commercial bank up to year 2006/07.

This study explores the objectives set in the previous section and it is also expected that this study will help in analyzing the stock market scenario. On the basis of convenient sampling techniques, top 5 private commercial banks on the basis of their performance and these banks are categorized in group a classification for the sample in this research.

- 1) Standard Chartered Banks Ltd
- 2) NABIL Bank Ltd
- 3) Nepal Investment Bank Ltd.
- 4) Himalayan Bank Ltd
- 5) Bank of Kathmandu Ltd

3.4 Nature and Sources of Data:

With the fulfilling the predetermined objective that are set up for the study both primary as well as secondary sources are included. The main place of data was the central office of Nepal stock exchange (NEPSE), Security Board office, Thapathali, Kathmandu and economic survey published by ministry of finance .The main sources of data is annual report of SEBO/N, annual report of NEPSE ,various bulletins available and useful to the study are also taken into consideration. The research is mainly based on primary as well as secondary data for analysis.

3.4.1 Primary Data

Those data which are collected for the first time for any specific purpose are called the primary data. Primary data gathered by the researcher for the research project at hand collection of primary data is comparatively expensive than the collection of secondary data but they are exactly in the form that the researcher requires.

Primary data are collected through questionnaire and informal interview of the concerned persons like officer of SEBO/N, NEPSE, banks, brokers and issue manager.

3.4.2 Secondary Data

The secondary sources of data are the annual report of security board of Nepal, Trading report of NEPSE, different books from library, periodicals, newspaper, cutting, company magazines etc. Guideline and unpublished thesis, research work that directly related to financial performance and stock market would from secondary data for the purpose of this study. Significant information is also collected from internet and various websites like www.nepalstock.Nepal stock .com, www.sebon.com, www.google.com for this study.

3.5 Data Collection Procedure /Technique

The main required data and information have been collected from the primary as well as secondary data. The primary sources are descriptive, possibly subjective responses from the target group or personnel regarding the prevailing practices about investment. And secondary sources of data are collected from different report, journals, article etc.

3.5.1 Primary Collection Procedure:

The primary data are collected from different group of related field like staff of SEBO, NEPSE, Bank, Brokerage firm and issue manager by using questionnaire and interview methods.

Regarding the primary data, 45 questionnaires are distributed among them from SEBO/N there are approximately 50 staffs but 10 staffs are taken as a research sample. Similarly from NEPSE there are approximately 100 staffs and 15 staffs are taken as a research sample. Accordingly from banks, from brokers and from issue manager there 15 commercial bank, 27 brokers and 9 issue manager among them 10 staffs are taken as a sample from 2 commercial banks , 5 staffs are taken as a sample from 2 brokerage firm and 5 staffs are taken as a sample from issue manager. Altogether 50 copies of questionnaires are distributed but 45 copies are received as a rood response.

3.5.1.1 Questionnaire

As a part of methodology a questionnaire (see annex -i) was design to elicit of much information as possible on the trading activities more precisely on investment attitude of investors. The questionnaire design for this study also solicited informal of specific cases **malbeit** not with much success, which involved the application or use of technical analysis approach for forecasting stock movement of particular company. The questionnaire was design to seek two kinds of responses viz.

- Yes/ No answer
- Multiple choice answer
- Ranking

A number of questions were put up by means of 50 copies of questionnaire; categorically the questions raised through this means were of two types namely. Yes/no question, multiple choice questions . The questionnaire so collected is thus related to find out the opinion of investors for investment decision to shares, problem and prospects of security market.

3.5.1.2 Interview

With a view to reduce into the limelight the impediments that erode the confidence of small investors in the stock exchange ,causing instability to the market price or shares ,personnel interview were held with many of the concerned personalities ,interaction with the brokers ,investors and authorities of NEPSE was taken place to explore the information and data available with them. In addition to this, some formal or informal discussion are held in order to elicit the true information about the subject matter.

3.5.2 Secondary Collection Procedure

The secondary data are collected NEPSE, SEBO/N, Past research, Journals, Article, Newspaper and other sources. Mainly, in this study no of listed companies, annual turnover, market capitalization, NEPSE index, closing price of commercial bank etc are taken to analyze the study.

3.6 Data Processing and Analysis

Data collected from questionnaire were in row from. They were classified and tabulated in the require format. Simple arithmetic percentage tools were used for analyzing in primary data. Data collected from secondary sources were analyzed and presented in bar diagram, pie chart and percentage.

3.7 Methods of Analysis

The methods of analysis employed in this study include the use are follows:-

Trend Analysis

Trend analysis is one of the suitable statistical tools to measure the index ,market capitalization ,turnover, no. of listed companies ,paid up value etc. during the selected period also known about the trend of price fluctuate in NEPSE index .Trend analysis also help to the forecasting future growth in Nepalese stock market. It also describe about the stock market trend by using percentage of growth and increase and decrease of volume.

Trend analysis is analyzed to find out the problems associated with stock market and future potential to develop the stock market in Nepal. Commercial banks in NEPSE are taken as a sample and different indicators like issue approved ,market capitalization ,paid up value ,no of listed companies ,annual turnover and price fluctuate in NEPSE have been used to perform the analysis .

Filter Rules

Evgene Fama and Marshall Blume designed the programmed to trade the securities of an x percent filter rule and this strategy operates as if the price of a security rises at least x percent buy and hold the security until its prices drops at least x percent from a subsequent height. Then liquidate the long position and assume a short position until the price rise by x percent. But under this strategy the research reported that nobody could outperform the naïve buy & hold strategy.

Buy: % of market price rise $\geq X\%$

Sell: % of market price fall $\leq X\%$

Run Test

Another technique used to analyze the behavior of stock price is the run tests have fies not affected by the filter rule. Run is based on the percentage change in price. A run occurs in a series of numbers wherever the changes in the positive (+ve %), Negate (-ve %) & zero run until the price charges alter (i.e.) the change in positive to negative +ve to zero etc) the total changes, it is called one run.

The run tests also found that active traders who search for various types of Non random trends from which to earn a profit will not be able to beat a naïve buy and hold strategy on average

Moving Average Analysis

One of the most reliable and easily read technical indicators to investor is the moving average of closing prices of security or market indexes. The effect of averaging is to give a smoother curve and to lessen the fluctuations that pull the actual figure from the general trend. In American Context, 30-week and 200 days moving average of closing prices or market index is popular but here in the study 5-days moving average of market index is presented for analysis purpose in a short period.

Chart construction: In a 5 day's moving average, the first moving average is obtained by adding up the 5 day's value of market indexes and divided 5 and is Placed against the middle of 5 days i.e. three days, similarly, the second 5 days moving Average is calculated by dividing at second, third fourth, fifth etc value of market index and is placed against the middle of the day, A line chart of these moving averages is plotted along with a line chart of market index. Each day charts are up dated they examined for trends to see if there is buying or selling present somewhere.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS OF DATA

INTRODUCTION

This chapter is the main body of the study. This chapter includes analysis of collected primary and secondary data and their presentation. In this chapter the relevant and available information from NEPSE, Security Board Nepal (SEBO/N), and different books and articles are analyzed to find out the problems associated with stock market and future potential to develop the stock market in Nepal. Also, appropriate statistical and financial tools have been used to perform the analysis.

4.1 Analysis of Secondary Data

Analysis of secondary data has been analyzed by using the different indicators, Issued approved, market capitalization, turnover, NEPSE Index, trend of fluctuation on stock price etc.

**4.1.1 Analysis of Trend of no. of listed companies', no. of Traded Company
and no. of listed securities.**

Table 4.1

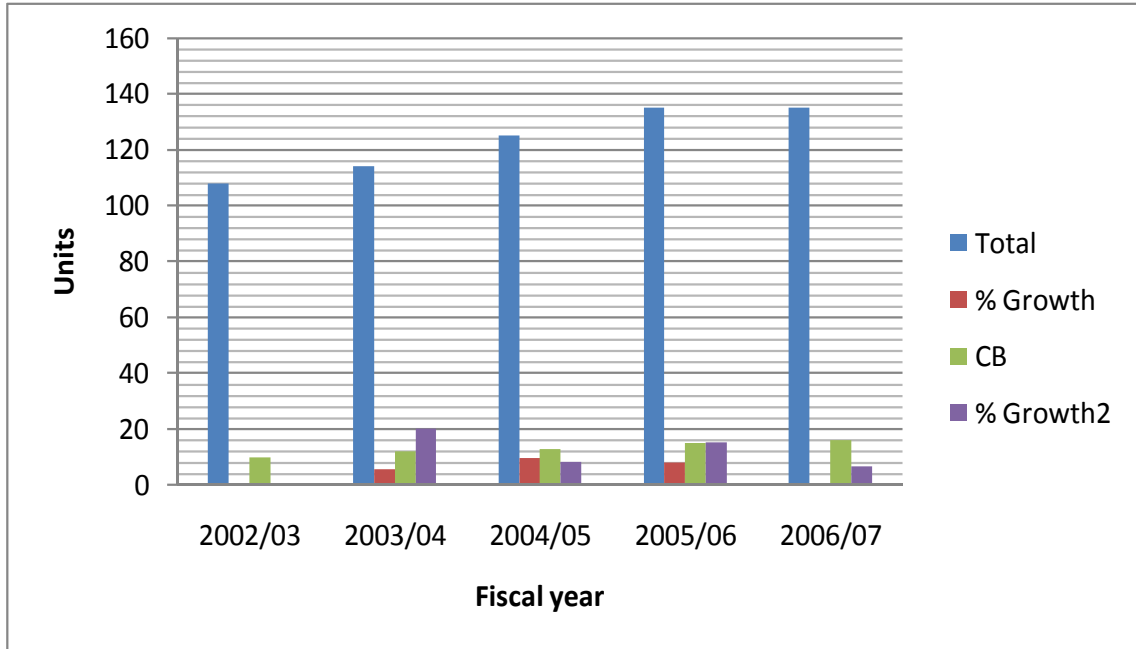
No. of Listed Companies, no. of Traded Companies and no. of Listed Securities.

F.Y.	No. of listed company				No. of Traded company	% Growth	No. of listed securities	% Growth
	Total	% of Growth	C.B	% Growth				
2002/03	108	-	10	0.00	80	-	159958	-
2003/04	114	5.56	12	20.00	93	15.00	161141	.74
2004/05	125	9.65	13	8.33	102	10.87	194673	20.81
2005/06	135	8.00	15	15.38	110	7.84	226540	16.37
2006/07	135	0.00	16	6.67	116	5.45	243504	7.49

Source: Trading Report of NEPSE.

Figure: 4.1

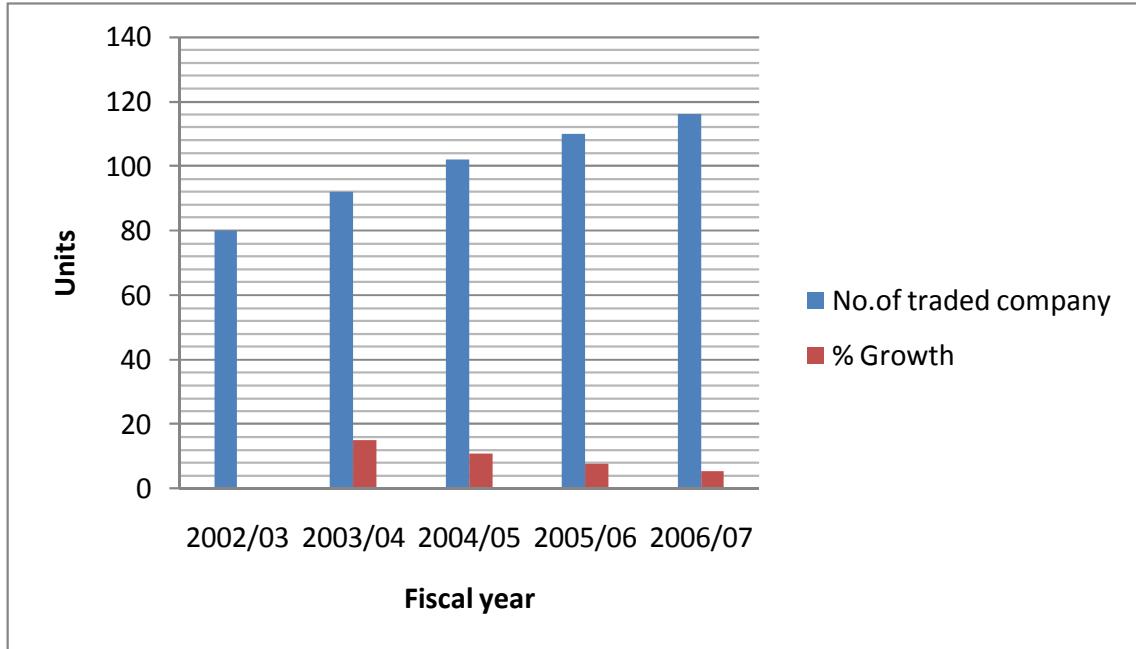
No. of listed companies



The highest number of listed companies was 2005/06 and 2006/07, lowest in 2002/03 i.e.108 only. Growth rate of listed companies is positive in all these year. The growth rate was highest in 2004/05 i.e. 9.65 percent and lowest percent was 0.00 in 2006/07. In the other hand, listed companies of commercial bank is also increasing trend. It was higher growth rate in 2003/04 i.e. 20 percent and lowest was in 2006/07.

Figure: 4.2

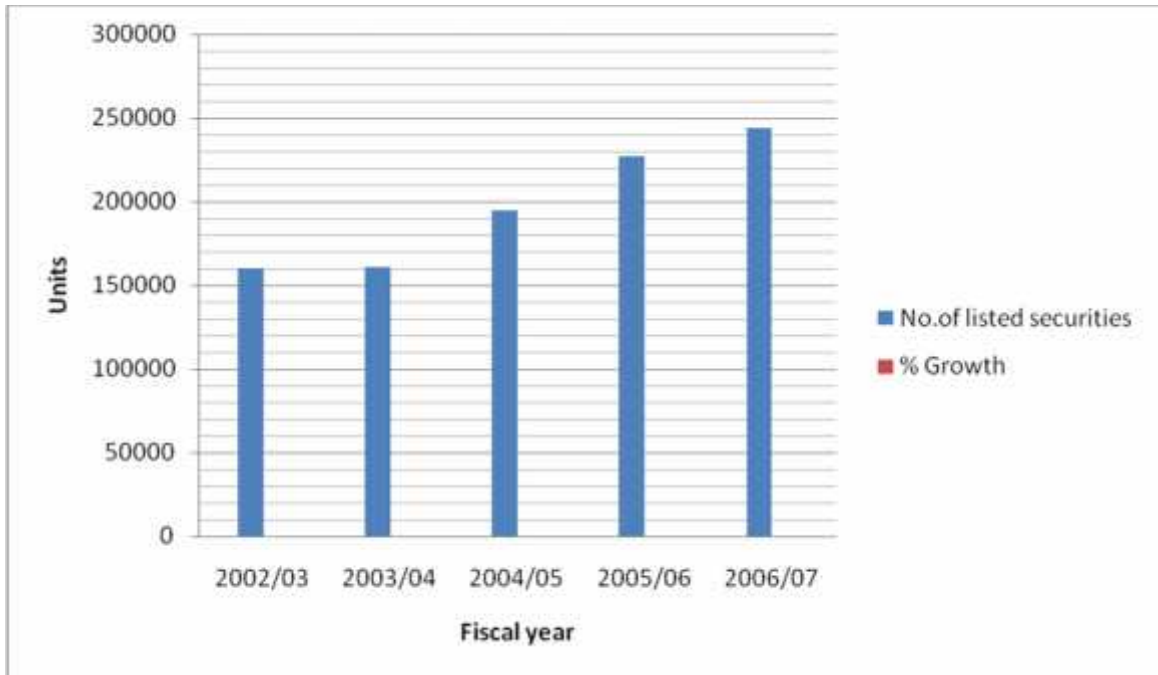
No. of traded company



No. of traded company in 2002/03 was 80 and 116 in 2006/07. This figure shows that traded companies are increasing trend. The highest growth percent of traded company in 2003/04 was 15 percent growth and lowest in 2006/07 was 5.45.

Figure 4.3

No. of listed securities



The present system is that the securities issued to the public should be listed in stock exchange within 45 days after the allotment date. Regarding the above figure no. of listed securities was positive in every year. It was highest in 2004/05 i.e. 20.81 percent and lowest growth rate was in the year 2003/04 i.e.0.74 percent.

4.1.2 Analysis of Trend of NEPSE and Commercial Bank Index

Table 4.2

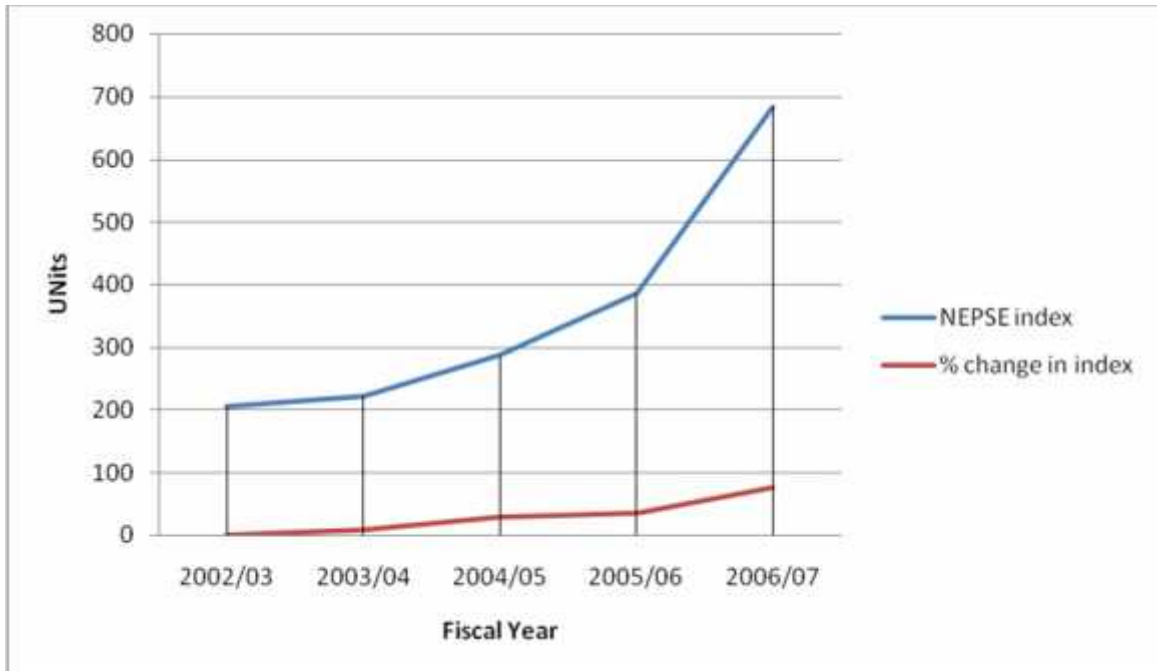
NEPSE and Commercial Bank Index

Fiscal Year	NEPSE Index	% change in index	C.B's index	% change in index
2002/03	204.86	-	199.90	-
2003/04	222.04	8.39	231.97	16.04
2004/05	286.67	29.11	304.64	31.33
2005/06	386.83	34.94	437.49	43.61
2006/07	683.95	76.81	181.07	-58.61

Sources: Annual trading report of NEPSE.

Figure: 4.4

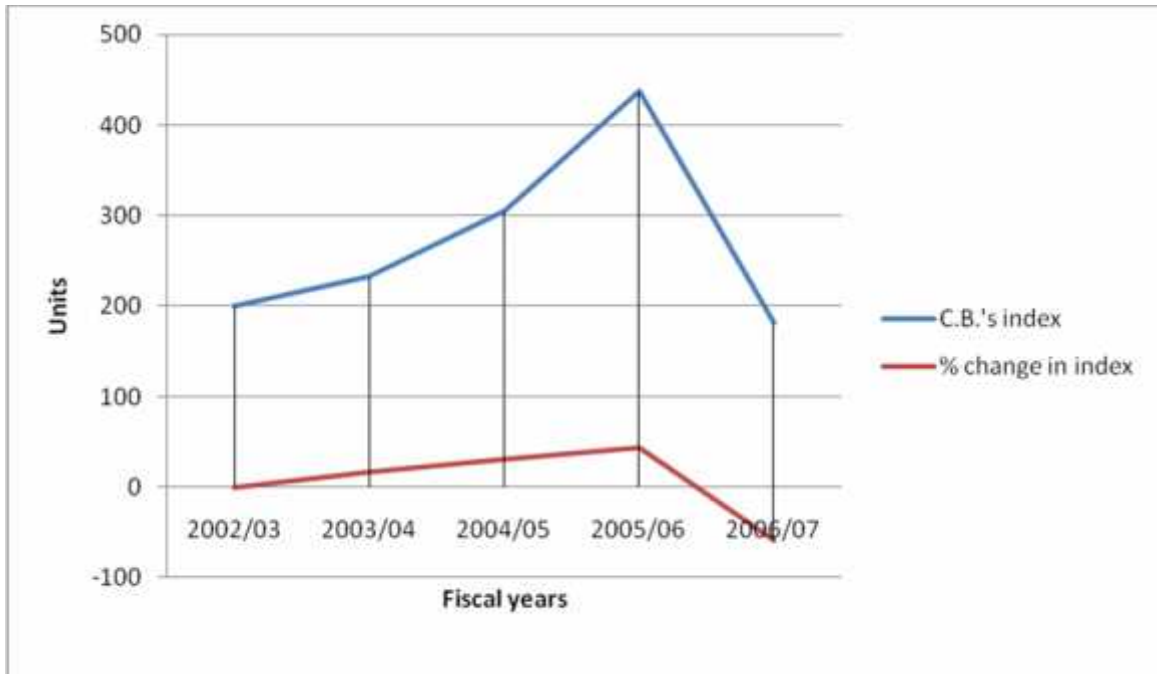
NEPSE Index



By analyzing the table 4.2, NEPSE index in base year 2002/03 was 204.86 then it was increasing trend up to year 2006/07 i.e. it was 683.95 and the growth rate was also highest i.e. 76.81 percent.

Figure: 4.5

Commercial Bank Index



Similarly, commercial Bank's index in the base year 2002/03 was 199.90 then it was up & down situation up to 2006/07. Commercial bank's index was highest in 2005/06 i.e. 437.49 and growth rate was also highest I.e. 43.61 percent and lowest index and lowest growth rate was in 2006/07 I.e. 181.07 & -58.61 percent.

4.1.3 Analysis of No. of Transaction

Table: 4.3

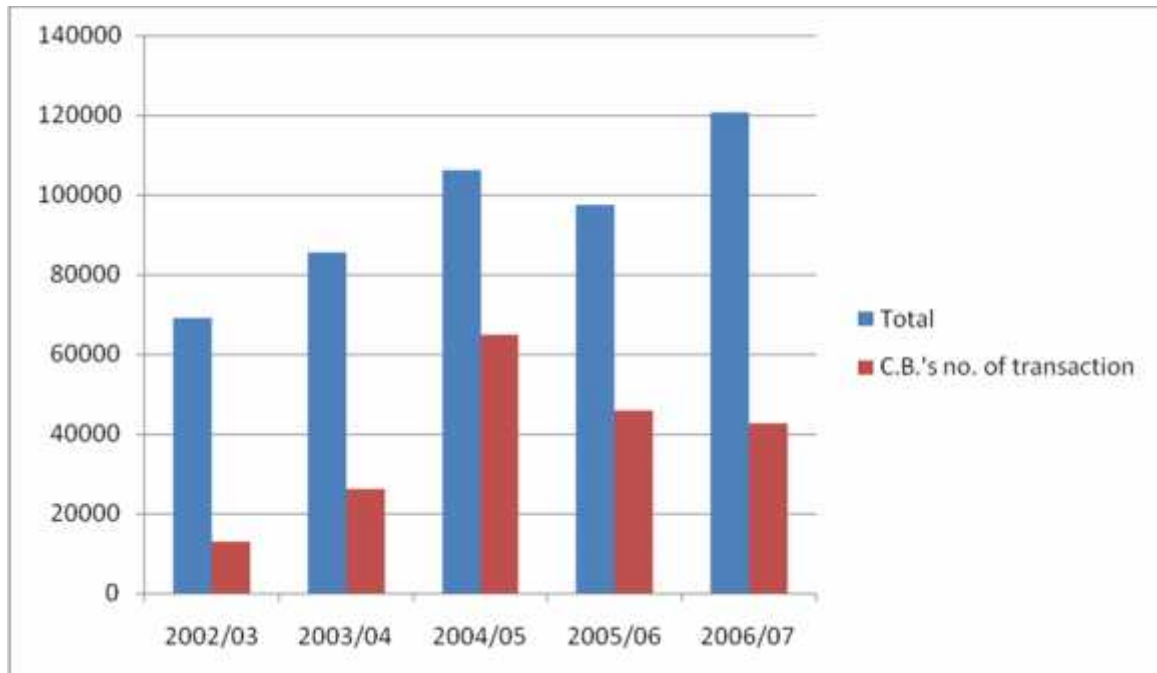
Number of transaction

Fiscal Year	No. of Transaction		C.B.'s no. of transaction	% of Growth
	Total	% of Growth		
2002/03	69163	-	12798	-
2003/04	85533	23.67	26000	103.16
2004/05	106246	24.22	64966	149.87
2005/06	97374	-8.35	45886	-29.37
2006/07	120510	23.76	42648	-7.06

Sources: Annual Trading Report of NEPSE

Figure: 4.6

Number of Transaction



Number of transaction in NEPSE and C.B. were fluctuating in yearly basis. The maximum number of transaction in 2006/07. It was 120510 and 69163 transaction in NEPSE was made in the year 2002/03. The highest growth rate of transaction was in year 2004/05 i.e. 24.22 percent and lowest was negative in year 2005/06 i.e. -8.35 percent.

Similarly, no. of transaction of commercial bank (CB), the maximum number of transaction was in 2004/05, it was 64966 transactions. It was the also highest growth rate i.e. 149.87 percent and lowest was in year 2002/03 i.e. 12798 transaction and lower growth rate was in year 2005/06 i.e. -29.37 percent.

4.1.4 Analysis of Total paid up value and paid of value of commercial Bank

Table 4.4

Total paid up value and paid up value of C.B.

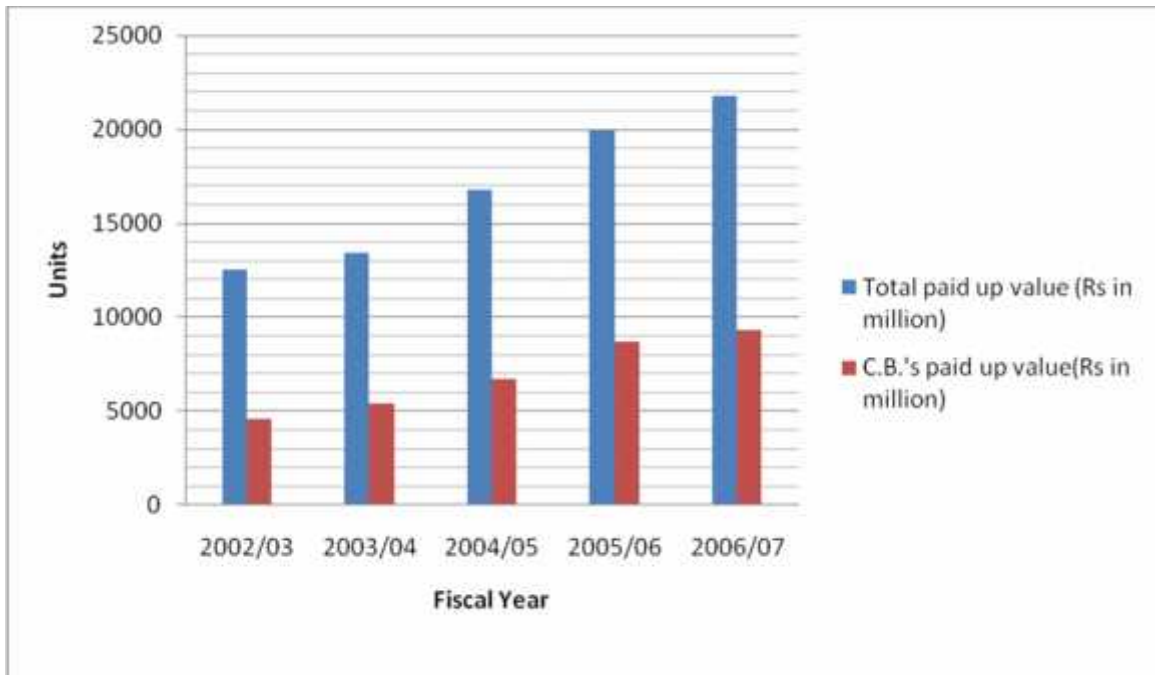
(Rs in Millions)

Fiscal Year	Total Paid up Value	% increase in Total paid up Value	C.B.'s paid up value	% increase
2002/03	12560.10	-	4584.92	-
2003/04	13404.90	6.73	5380.45	17.35
2004/05	16771.90	25.12	6700.16	24.53
2005/06	19958.00	19.00	8666.73	29.35
2006/07	21799.00	9.22	9281.93	7.10

Sources: Annual Trading Report of NEPSE.

Figure: 4.7

Total paid up value and paid up value of C.B.



By analyzing the table 4.4, by the end of fiscal year 2006/07, the paid up value of listed securities increased by 9.22 percent and reached to Rs 21799 million in comparison with Rs 19958 million in years 2005/06. Total paid up value in 2002/03 was 12560.10 million and it was in increasing trend till the year 2007. The growth rate of total paid up value was highest in 2004/05 i.e. increased by 25.12 percent and lowest growth rate in the year 2003/04 i.e. increased by 6.73 percent.

Similarly, paid up value of commercial bank was also increasing trend up to 2006/07. The highest paid up CB was in year 2006/07 i.e. 9281.93 million and lowest in year 2002/03 i.e. 4584.92 million. The highest growth rate of C.B.'s paid up value was in year 2005/06 i.e. 29.35 percent and lowest was in year 2006/07 i.e. 7.10 percent.

4.1.5 Analysis of No. of issue Approval and Amount of Issue Approval.

Table 4.5

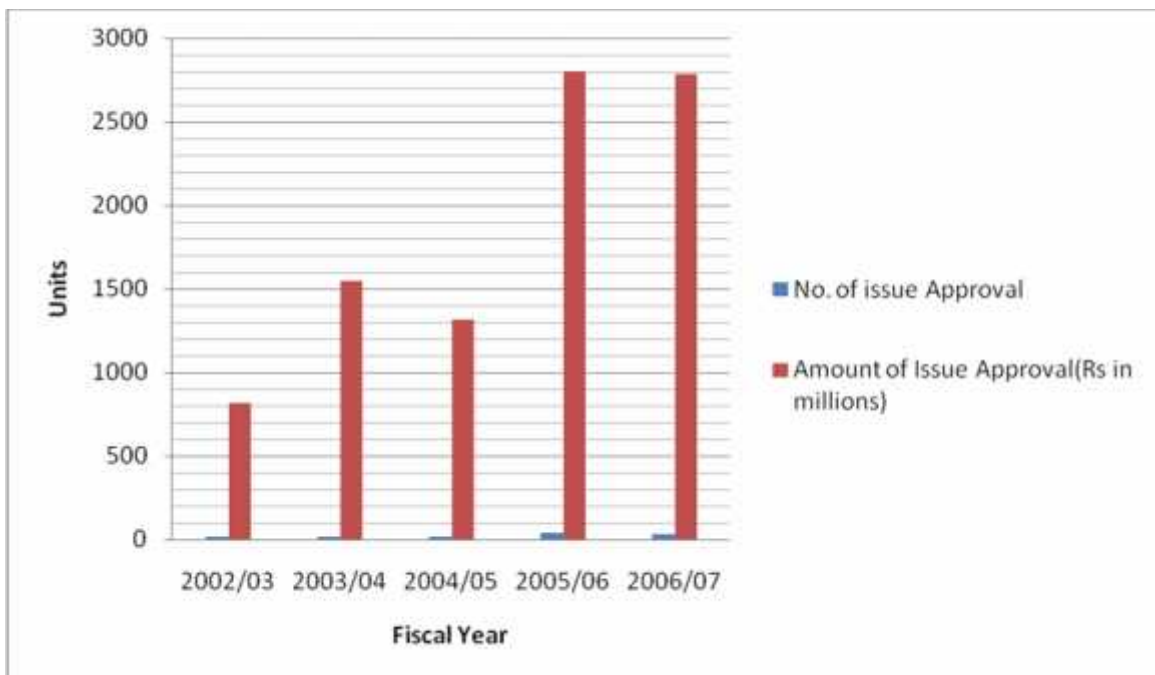
No. of issue Approval and Amount of Issue Approval

Fiscal Year	No. of issue Approval	Amount of Issue Approval(Rs in millions)	% of growth
2002/03	17	813.74	-
2003/04	16	1547.20	90.13
2004/05	12	1315.80	-14.96
2005/06	38	2800.96	112.87
2006/07	34	2785.40	-0.56

Sources: Annual Trading Report of NEPSE.

Figure: 4.8

No. of issue Approval and Amount of Issue Approval



From the table 4.5, total amount of issue approval were fluctuation in yearly basis up to 2006/07. In fiscal year 2005/07, SEBO registered the securities 38 companies and granted issue approval amounting to Rs 2800.96 million. The highest percentage growth of issue

approval was in year 2005/06 I.e. 112.87 percent and lowest growth of issue approval was in year 2004/05 I.e. -14.96 percent. SEBO registered the securities of 17 companies was in year 2002/03 I.e. lowest no. of issue approval.

4.1.6 Analysis of total market capitalization and C.B.'s market capitalization.

Table: 4.6

Total market capitalization and C.B.'s market capitalization.

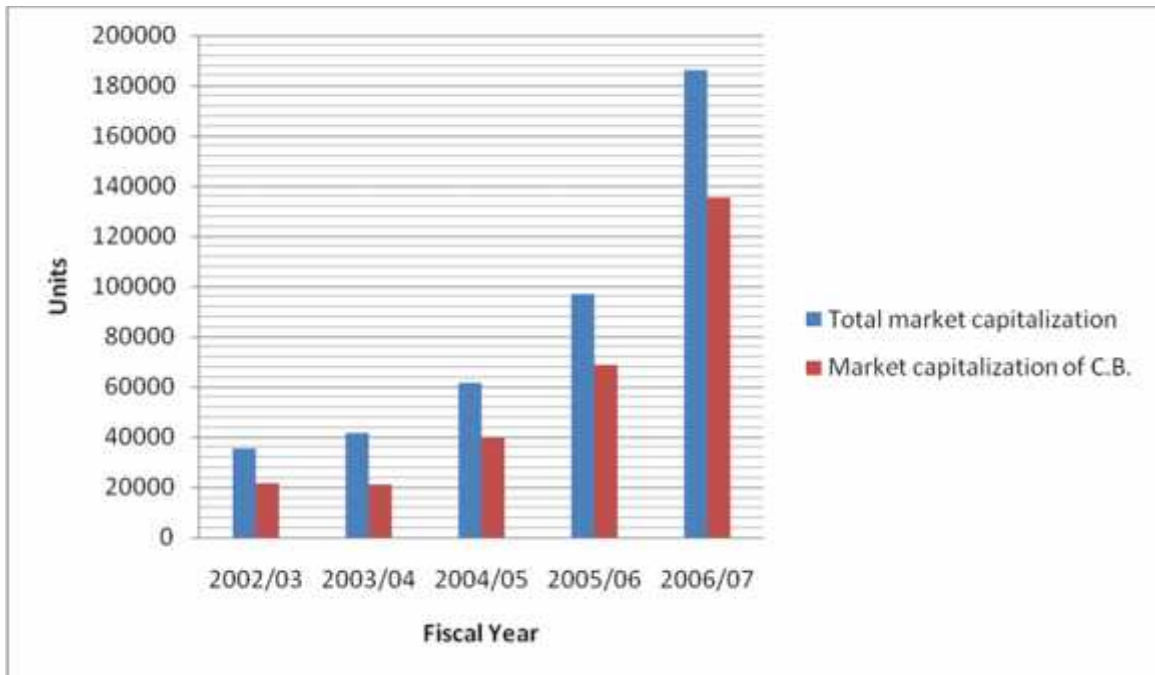
(Rs in Millions)

Fiscal Year	Total market capitalization	% of Growth	Market capitalization of C.B.	% of Growth
2002/03	35240.39	-	21436.72	-
2003/04	41424.77	17.55	27147.42	26.64
2004/05	61365.89	48.14	40119.88	44.79
2005/06	96763.74	57.68	68694.36	71.22
2006/07	186301.30	92.53	135588.40	97.38

Source: Annual Trading Report of NEPSE.

Figure 4.9

Total market capitalization and C.B.'s market capitalization



Total market capitalization of the listed securities at the end of fiscal year 2006/07 was 186301.30 million. It was the highest total market capitalization and lowest in the year 2002/03 i.e. Rs 35240.39 million. The highest growth rate of total market capitalization was in year 2006/07 i.e. 92.53 percent and lowest growth rate was in year 2003/04 i.e. 17.55 percent.

Similarly, the market capitalization of listed commercial banks at the end of fiscal year 2006/07 was Rs 135588.40 million. It was the 72.78 percent portion of the total market capitalization in year 2006/07 and also was highest capitalization. The lowest was in the year 2002/03 i.e. 21436.72 million. The highest growth rate of C.B.'s capitalization was in the year 2006/07 i.e. 97.38 percent and lowest growth rate was in year 2003/04 i.e. 26.64 percent.

4.1.7 Analysis of total number of share traded and no. of share traded of C.B.

Table: 4.7

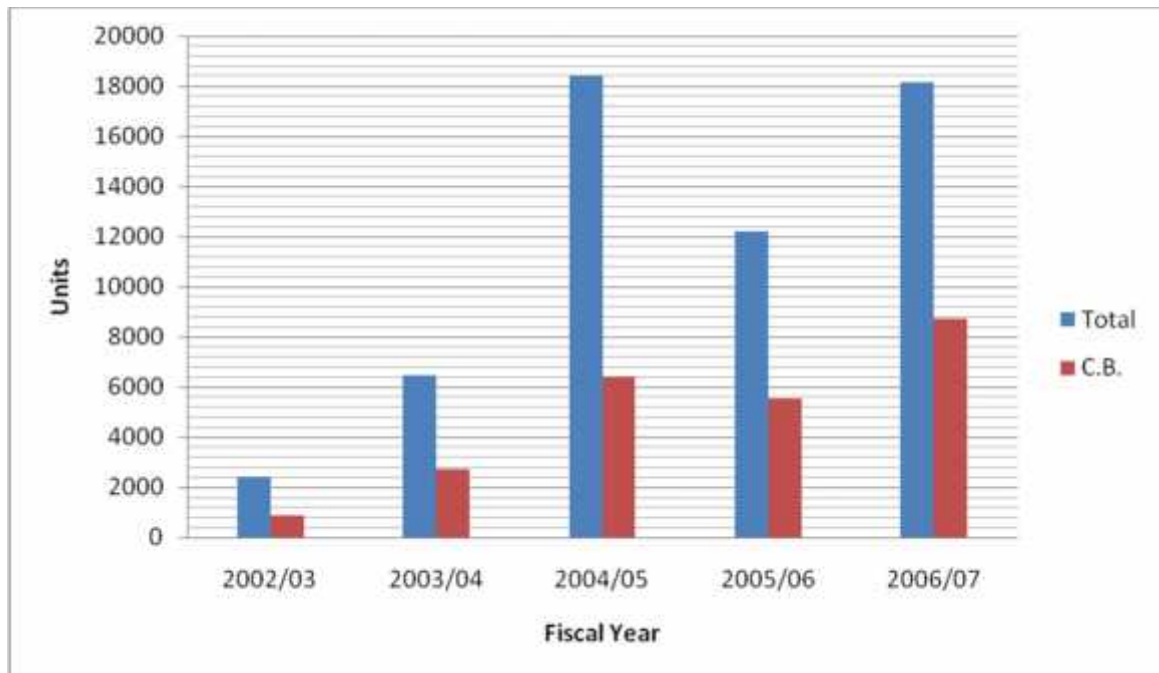
Total no. of share traded and no. of share traded of C.B.

Fiscal Year	No. of share traded(Share unit in '000')			
	Total	% increase	C.B.	% increase
2002/03	2427.89	-	858.98	-
2003/04	6468.18	166.41	2737.52	218.69
2004/05	18433.55	184.99	6416.57	134.39
2005/06	12221.93	-33.70	5534.72	-13.74
2006/07	18147.25	48.48	8700.20	57.19

Source: Annual Trading Report of NEPSE.

Figure 4.10

Total no. of share traded and no. of share traded of C.B



By the table 4.7, the highest total no. of share traded was in year 2004/05 i.e. 18433.55 thousand. It was also highest growth rate i.e. 184.99 percent and lowest no. of share traded was in year 2002/03 i.e. 2427.89 thousand and lowest growth rate was in year 2005/06 i.e. -33.70 percent.

Similarly, the highest no. of share traded of C.B. was in year 2006/07 i.e. 8700.00 thousand and lowest was in year 2002/03 i.e. 858.98 thousand. The highest growth rate of commercial bank was in year 2003/04 i.e. 218.69 percent and lowest was in year 2005/06 i.e. -13.74 percent.

4.1.8 Analysis of market days and average daily turnover

Table 4.8

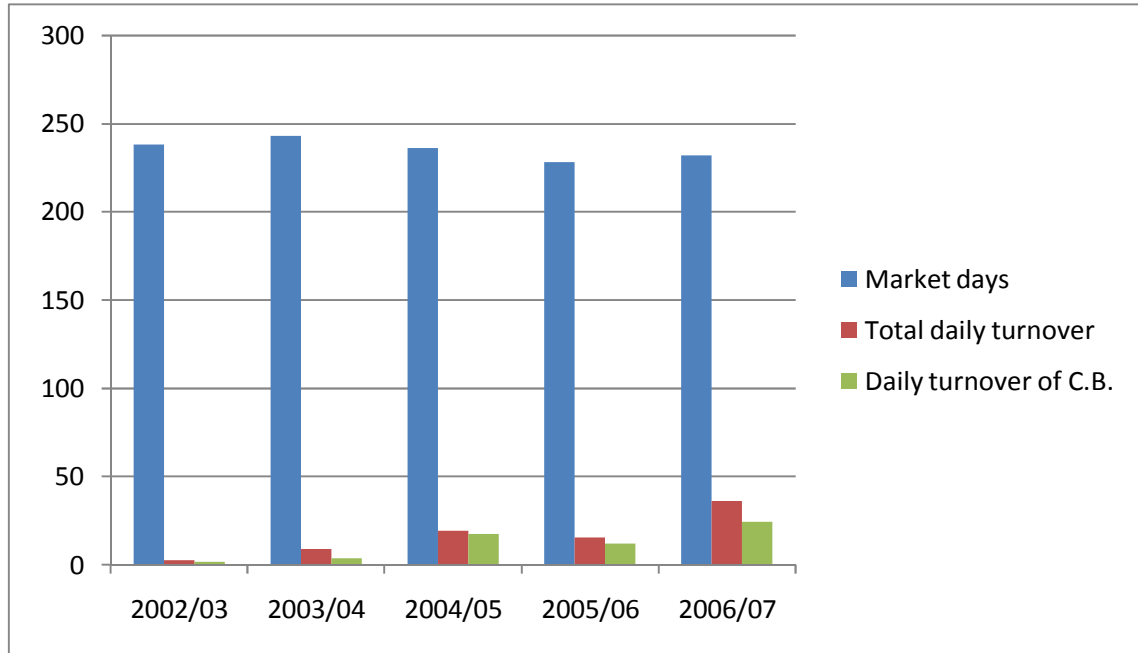
Market days and Average daily turnover

Fiscal Year	Market days	% of growth	Average daily turnover(Rs Million)			
			Total	% of growth	C.B.	% of growth
2002/03	238	-	2.42	-	1.40	-
2003/04	243	2.10	8.82	264.46	3.55	153.57
2004/05	236	-2.88	19.10	116.55	17.04	380.00
2005/06	228	-3.39	15.14	-20.73	11.83	-30.58
2006/07	232	1.75	36.03	137.98	23.98	102.70

Source: Annual Trading Report of NEPSE.

Figure 4.11

Market days and Average daily turnover (Rs in millions)



One of the most important stock market development indicators is average daily turnover. Daily turnover provides the liquidity to the stock market and commission to the stock Brokers. Average total daily turnover in the year 2002/03 was Rs 2.42 million and was also lowest turnover. The highest total daily turnover was in the year 2006/07 i.e. Rs 36.03 million. The growth rate of ADT in the year 2003/04 was 264.46 percent. It was highest growth rate in comparison with others years. Similarly ADT of commercial bank in the year 2006/07 was Rs 23.98 million and Rs 1.40 million in 2002/03. It was highest and lowest ADT. In the year 2004/05, the growth rate was 380 percent in comparison with the year 2003/04 i.e. highest growth rate of C.B. and lowest was in the year 2005/06 I.e. -30.58 percent.

Market days also affect the ADT in stock market. Highest no. of market days were in the year 2003/04 i.e. 243 days and lowest no. of market days were in the year 2005/06 i.e. 228 days.

4.1.9 Analysis of sector wise market capitalization in the year 2006/07

Table: 4.9

Sector wise market capitalization

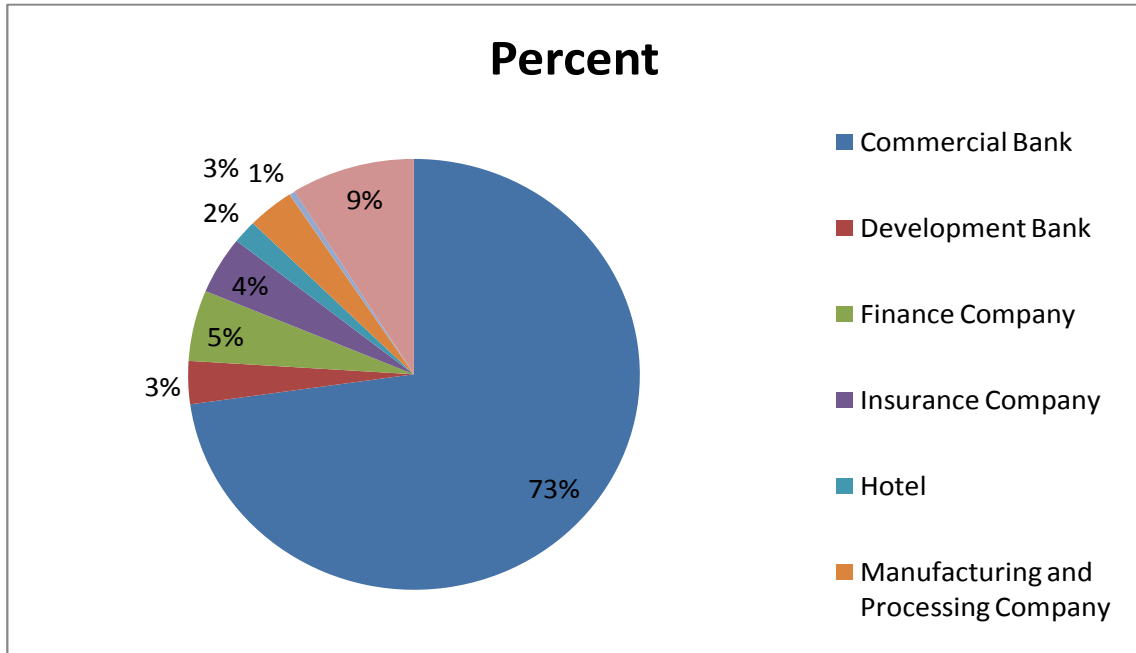
(Rs in millions)

S.N.	Sectors	Market capitalization	Percent
1	Commercial Bank	135588.40	72.78
2	Development Bank	6010.60	3.23
3	Finance Company	9889.30	5.31
4	Insurance Company	8059.80	4.33
5	Hotel	3261.10	1.75
6	Manufacturing and Processing Company	6200.00	3.33
7	Trading Company	796.40	0.43
8	Other's Company	16495.70	8.85
	Total	186301.30	100

Source: Annual Trading Report of NEPSE

Figure 4.12

Sector wise market capitalization



By the end of F.Y. 2006/07, the market capitalization of the listed securities reached to Rs 186301.30 million. The highest capitalization was of C.B. and it was Rs 135588.40 million i.e. 72.78 percent by sector wise analysis. The lowest capitalization was trading company and it was Rs 796.40 million i.e. 0.43 percent. It means the maximum portion of total capitalization is commercial bank.

4.1.10 Analysis of sector wise turnover in the year 2006/07

Table: 4.10

Sector wise turnover

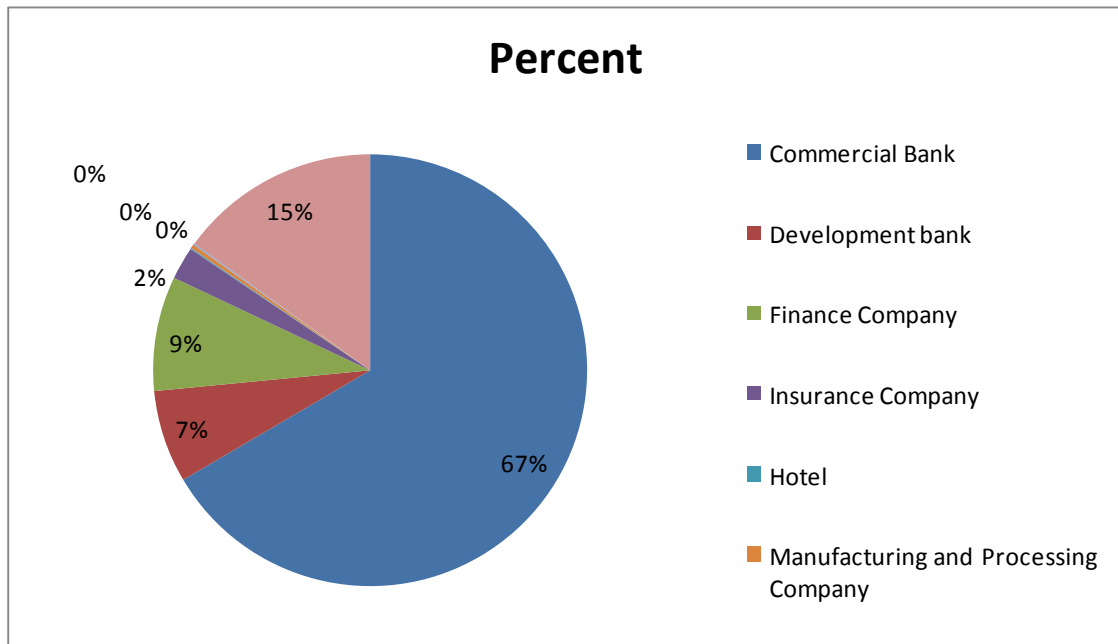
(Rs in millions)

S.N.	Sectors	Turnover	Percent
1	Commercial Bank	5563.50	66.55
2	Development Bank	577.5	6.91
3	Finance Company	713.60	8.54
4	Insurance Company	205.00	2.45
5	Hotel	7.00	0.08
6	Manufacturing and Processing	24.30	0.29
7	Trading Company	10.40	0.12
8	Other's Company	1258.80	15.06
	Total	8360.10	100

Source: Annual Trading Report of NEPSE

Figure: 4.13

Sector wise turnover



In this fiscal year, the percentage turnover of commercial banks were highest i.e. 66.55 percent and were hotels i.e. 0.08 percent. It means that the highest turnover is commercial banks.

4.2 Trend of price fluctuation of commercial bank

Trend analyses of price fluctuation by different technical methods are as follows:

4.2.1 Filter Rule:

Eugene Fama and Marshall Blume designed the programmed to trade the securities at an X percent filter rule and this strategy operates as if the price of a security raise at least x percent buy & hold the security until its prices drops at least X percent from a subsequent height. Then, liquidate the long position and assure a short position until the price raise by x percent But under this strategy, the research reported that nobody could outperform the naïve buy & hold strategy.

Buy: % of market price raise $\geq X\%$

Sell: % of market price raise $\leq X\%$

4.2.2 Run test: Another technique used to analyze price movement of stock prices is the run test. It is based on the increase or decrease of closing price or change of closing price. A run occurs in a series of numbers wherever the changes in the (+ve), negative (-ve) & zero run. Until the price change alters (i.e. the change in positive to negative +ve to zero etc.) the total changes, it is called one run.

The run tests also found that active traders who search for various types of non random trends from which to earn a profit will not able to beat a naïve buy and hold strategy on average.

By using filter rule and run test we can find out daily price movement of price, there are as follows:

Table 4.11
Prices change of Standard Chartered Bank.

Date	Days	Closing Price	Filter Rule			Run Test	
			% Change	X= 4% Buy/Sell decision	X= 8% Buy/Sell decision	Price Change(Rs)	Set of Run
August 2, 2008	Day 1	7874	-	-	-	-	
August 3, 2008	Day 2	8001	1.61	-	-	127	Run 1 Positive run
August 4, 2008	Day 3	8161	2.00	-	-	160	
August 5, 2008	Day 4	8300	1.70	-	-	139	
August 6, 2008	Day 5	8300	0.00	-	-	0	Run 2 Zero run
August 7, 2008	Day 6	8400	1.20	-	-	100	Run 3 Positive run
August 10, 2008	Day 7	8201	-2.37	-	-	-199	Run 4 Negative run
August 11, 2008	Day 8	8300	1.21	-	-	99	Run 5 Positive run
August 12, 2008	Day 9	8350	0.60	-	-	50	
August 13, 2008	Day 10	8499	1.78	-	-	149	
August 14, 2008	Day 11	8526	0.32	-	-	27	
August 18, 2008	Day 12	8500	-0.30	-	-	-26	Run 6 Negative run
August 19, 2008	Day 13	8220	-3.29	-	-	-280	
August 20, 2008	Day 14	8300	0.97	-	-	80	Run 7 Positive run
August 21, 2008	Day 15	8250	-0.60	-	-	-50	Run 8 Negative run

By the table 4.11, we conclude that the share of Standard Chartered bank's was not more fluctuate. The price change from day 1 to 15 shows not signal of buying and selling because the changes in all days was less than 4% and 8%.

Under the run test, in the above 15 days data of Standard Chartered bank, Run 1, 3, 5 and 7 are positive run, run 2 is zero run and run 4, 6 and 8 are negative run. It helps the calculation of price trend of stock.

Table 4.12
Price changes of Nabil Bank Ltd

Date	Days	Closing price	Filter rule			Run test	
			% change	X= 4%	X= 8%	Price change (Rs)	Set of run
August 2, 2008	Day 1	5900	-	-	-	-	
August 3, 2008	Day 2	6025	2.12	-	-	125	Run 1 Positive run
August 4, 2008	Day 3	6150	2.07	-	-	125	
August 5, 2008	Day 4	6273	2.00	-	-	123	
August 6, 2008	Day 5	6398	1.99	-	-	125	
August 7, 2008	Day 6	6300	-1.53	-	-	-98	Run 2 Negative run
August 10, 2008	Day 7	6175	-1.98	-	-	-125	
August 11, 2008	Day 8	6100	-1.21	-	-	-75	
August 12, 2008	Day 9	6100	0.00	-	-	0	Run 3 Zero run
August 13, 2008	Day 10	6000	-1.64	-	-	-100	Run 4 Negative run
August 14, 2008	Day 11	6101	1.68	-	-	101	Run 5 Positive run
August 18, 2008	Day 12	6130	0.47	-	-	29	
August 19, 2008	Day 13	6001	-2.10	-	-	-129	Run 6 Negative run
August 20, 2008	Day 14	6000	-0.02	-	-	-1	
August 21, 2008	Day 15	5900	-1.67	-	-	-100	

From the table 4.12, the price of Nabil bank is increasing trend up to day 5 and then decreasing up to day 10. After day 10 the price is increasing and then decreasing. The above calculation of price changes from day 1 to 15 shows not signal of buying and selling because the changes in all days was less than 4% and 8%.

Under the run test, Run 1 and 5 are positive run test, run 3 is Zero and run 2, 4 and 6 are negative run test. It helps the calculation of price trend of stock.

Table 4.13
Price Change of Bank of Kathmandu

Date	Days	Closing price	Filter rule			Run test	
			% change	X= 4%	X= 8%	Price change (Rs)	Set of run
August 2, 2008	Day 1	2630	-	-	-	-	
August 3, 2008	Day 2	2614	-0.61	-	-	-16	Run 1 Negative run
August 4, 2008	Day 3	2652	1.45	-	-	38	Run 2 Positive run
August 5, 2008	Day 4	2754	3.85	-	-	102	
August 6, 2008	Day 5	2809	2.00	-	-	55	
August 7, 2008	Day 6	2601	-7.40	Sell	-	-208	Run 3 Negative run
August 10, 2008	Day 7	2600	-0.04	-	-	-1	
August 11, 2008	Day 8	2650	1.92	-	-	50	Run 4 Positive run
August 12, 2008	Day 9	2630	-0.75	-	-	-20	Run 5 Negative run
August 13, 2008	Day 10	2610	-0.76	-	-	-20	
August 14, 2008	Day 11	2649	1.49	-	-	39	Run 6 Positive run
August 18, 2008	Day 12	2585	-2.42	-	-	-64	Run 7 Negative run
August 19, 2008	Day 13	2500	-3.28	-	-	-85	
August 20, 2008	Day 14	2560	2.4	-	-	60	Run 8 Positive run
August 21, 2008	Day 15	2536	-0.94	-	-	-24	Run 9 Negative run

From the above table 4.13, the price changes of Bank of Kathmandu shows just one sell signal on day 6 because their price have been decreased more than 4 percent but at 8% there was not any signal of buying and selling because the changes in the price of all days less than 8%.

By run test, run 2, 4, 6 and 8 are positive run test and 1, 3, 5, 7 and 9 are negative run. It means the price was not increasing and decreasing trend but it is fluctuated in different days.

Table 4.14
Price Change of Nepal Investment Bank

Date	Days	Closing price	Filter rule			Run test	
			% change	X= 4%	X= 8%	Price change (Rs)	Set of run
August 2, 2008	Day 1	2781	-	-	-	-	
August 3, 2008	Day 2	2860	2.84	-	-	79	Run 1 Positive run
August 4, 2008	Day 3	3146	10.00	Buy	Buy	286	
August 5, 2008	Day 4	3272	4.01	Buy	-	126	
August 6, 2008	Day 5	3594	9.84	Buy	Buy	322	
August 7, 2008	Day 6	3430	-4.56	Sell	-	-164	Run 2 Negative run
August 10, 2008	Day 7	3235	-5.69	Sell	-	-195	
August 11, 2008	Day 8	3450	6.65	Buy	-	215	Run 3 Positive run
August 12, 2008	Day 9	3400	-1.45	-	-	-50	Run 4 Negative run
August 13, 2008	Day 10	3300	-2.94	-	-	-100	
August 14, 2008	Day 11	3281	-0.58	-	-	19	Run 5 Positive run
August 18, 2008	Day 12	3155	-3.84	-	-	-126	Run 6 Negative run
August 19, 2008	Day 13	3120	-1.11	-	-	-35	
August 20, 2008	Day 14	3150	0.96	-	-	30	Run 7 Positive run
August 21, 2008	Day 15	3156	0.19	-	-	6	

By the above table 4.14, in the filter rule $X = 4\%$, from 1 to 15 days shows four buy decision at day 3, 4, 5 and 8 and two sell decision at day 6 and 7 because there are more raising and falling than $X=4\%$. In the filter rule $X= 8\%$, from 1 to 15 day shows buy decisions at 3 and 5 day because it has more raising than 8%.

Under the run test, there are 7 run set up where 1, 3, 5 and 7 are positive run and 2, 4 and 6 are negative run. It means the price of Nepal Investment Bank is more fluctuation than other bank.

Table 4.15
Price Change of Himalayan Bank

Date	Days	Closing price	Filter rule			Run test	
			% change	X= 4%	X= 8%	Price change (Rs)	Set of run
August 2, 2008	Day 1	2500	-	-	-	-	
August 3, 2008	Day 2	2460	-1.6	-	-	-40	Run 1 Negative run
August 4, 2008	Day 3	2550	3.66	-	-	90	Run 2 Positive run
August 5, 2008	Day 4	2674	4.86	Buy	-	124	
August 6, 2008	Day 5	2720	1.72	-	-	46	
August 7, 2008	Day 6	2600	-4.41	Sell	-	-120	Run 3 Negative run
August 10, 2008	Day 7	2500	-3.85	-	-	-100	
August 11, 2008	Day 8	2550	2.00	-	-	50	Run 4 Positive run
August 12, 2008	Day 9	2515	-1.37	-	-	-35	Run 5 Negative run
August 13, 2008	Day 10	2560	1.79	-	-	45	Run 6 Positive run
August 14, 2008	Day 11	2546	-0.55	-	-	-14	Run 7 Negative run
August 18, 2008	Day 12	2531	-0.59	-	-	-15	
August 19, 2008	Day 13	2449	-3.24	-	-	-82	
August 20, 2008	Day 14	2511	2.53	-	-	62	Run 8 Positive run
August 21, 2008	Day 15	2470	-1.63	-	-	-41	Run 9 Negative run

From the above table 4.15, the filter rule X=4%, from 1 to 15 days shows one buy decision at day 4 and one sell decision at day 6 because the price change has been more than 4%. But in the X=8%, there isn't any signal of buying and selling because prices aren't increased and decreased more than 8%.

Under the run test, there are 9 run set up. Run 2, 4, 6 and 8 are positive run and 1, 3, 5, 7 and 9 are negative run test. It means the price of Himalayan bank is more fluctuation than other bank.

4.2.3 Moving Average

One of the easiest indicators to investors is moving average of closing prices of securities. In American context, 30 weeks and 200 days moving average of closing prices or market index is popular but in our study, 5 days moving average of market index is presented for analysis.

Chart construction: In a 5 day moving average, the first moving average is obtained by adding up five days values of market indexes and divided by 5 and is placed against the middle of 5 days i.e. 3rd day and moving 1st day's price and adding the following 5 days and so on.

Chart interpretation: when weekly market indexes penetrate the moving average line, technicians interprets this penetration as signal. When market index move down ward through moving average they frequently fail to rise again for many months. Thus a down word penetration though a moving average line is signal and to sell. When indexes are above the moving average but the difference is narrowing, this is a signal that a bull market may be ending.

Table 4.16

5-Day Moving Average Index of Commercial Bank

(August 2, 2008 to August 21, 2008)

Days	SNCBL	NABIL	BOK	NIB	HBL
1-5 days	8127.20	6149.20	2681.80	3130.60	2580.80
2-6 days	8232.40	6229.20	2686.00	3260.40	2600.80
3-7 days	8272.40	6259.20	2683.20	3335.40	2608.80
4-8 days	8300.20	6249.20	2682.80	3396.20	2608.80
5-9 days	8310.20	6214.60	2658.00	3421.80	2577.00
6-10 days	8350.00	6135.00	2618.20	3363.00	2545.00
7-11 days	8375.20	6095.20	2627.80	3333.20	2534.20
8-12 days	8435.00	6086.20	2624.80	3317.20	2540.40
9-13 days	8419.00	6066.40	2594.80	3251.20	2520.20
10-14 days	8409.00	6046.40	2580.80	3201.80	2519.40
11-15 days	8359.20	6026.4	2566.00	3172.40	2501.40

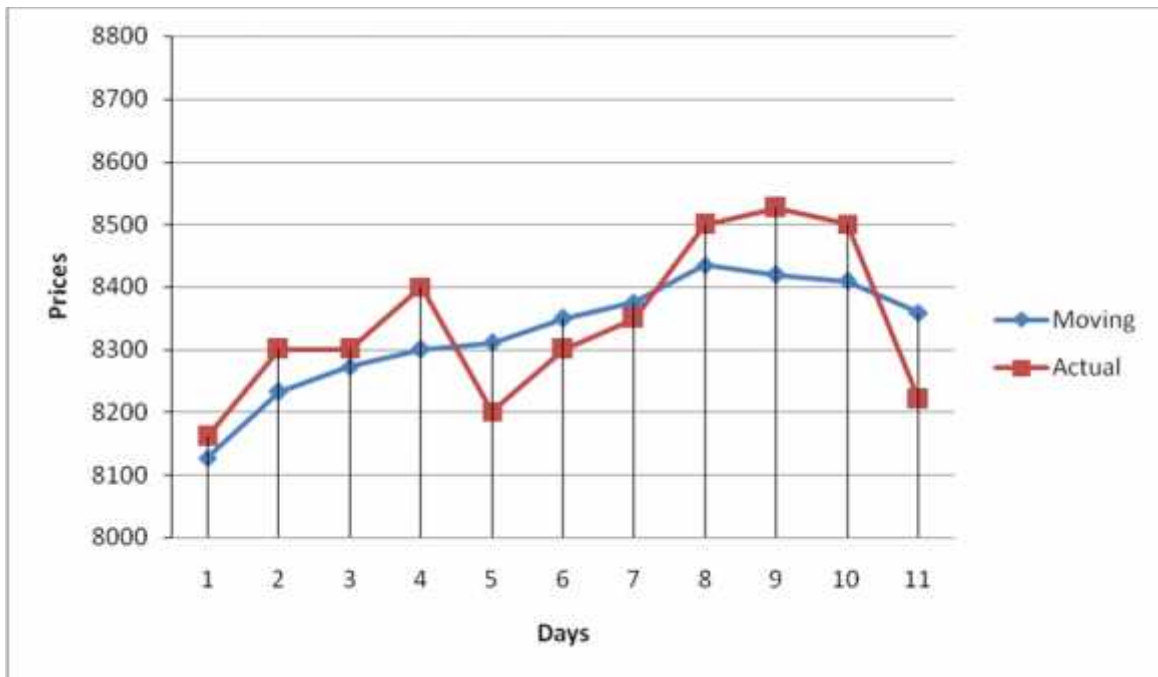
Table 4.17

Actual Closing Price of Commercial Bank

Days	SNCBL	NABIL	BOK	NIB	HBL
August 4, 2008	8161	6150	2652	3146	2550
August 5, 2008	8300	6273	2754	3272	2674
August 6, 2008	8300	6398	2809	3594	2720
August 7, 2008	8400	6300	2601	3430	2600
August 10, 2008	8201	6175	2600	3235	2500
August 11, 2008	8300	6100	2650	3450	2550
August 12, 2008	8350	6100	2630	3400	2515
August 13, 2008	8499	6000	2610	3300	2560
August 14, 2008	8526	6101	2649	3281	2546
August 18, 2008	8500	6130	2585	3155	2531
August 19, 2008	8220	6001	2500	3120	2449

Figure 4.14

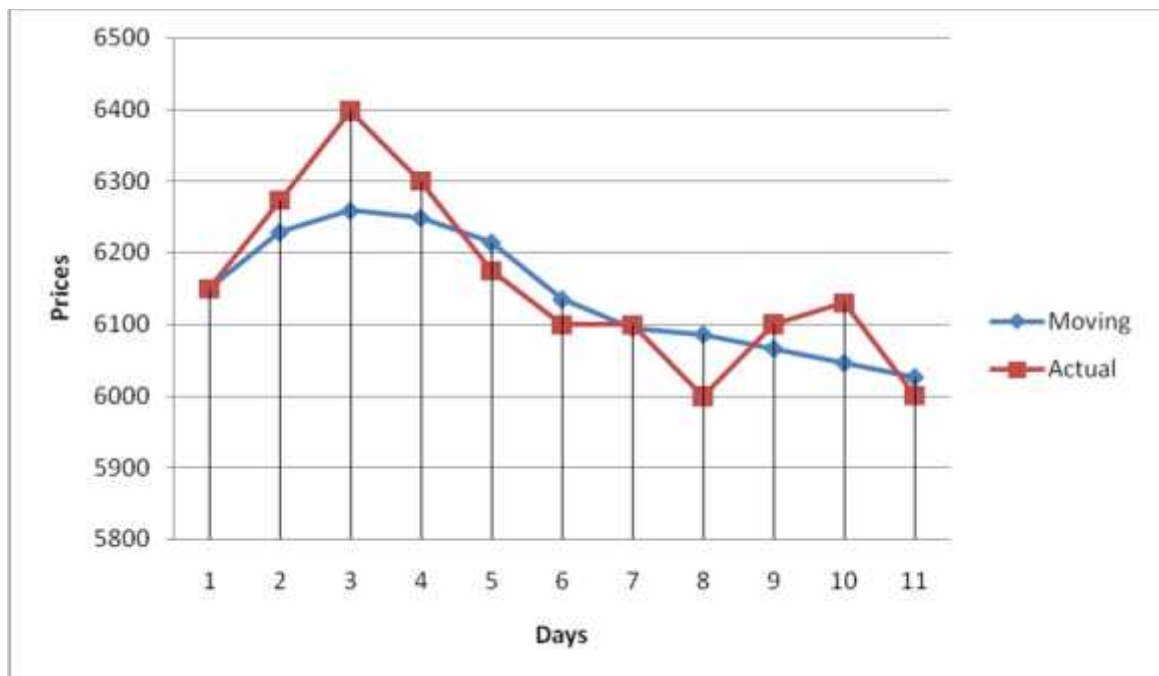
Actual and Moving Average Trend of SCBNL



By the above figure 4.14 shows the 5 days moving average of standard charted bank. In this figure, there is fluctuating over the 11 day's prices. Generally the moving average price has increasing trend. The actual trend has increasing than moving average from day 1st and it is right time to buy and it has decreasing than moving average after day 4th so it is right time to sell. It has also increasing after day 7th so it is right time to buy and lastly the actual trend has fall down than moving average so it should sell.

Figure 4.15

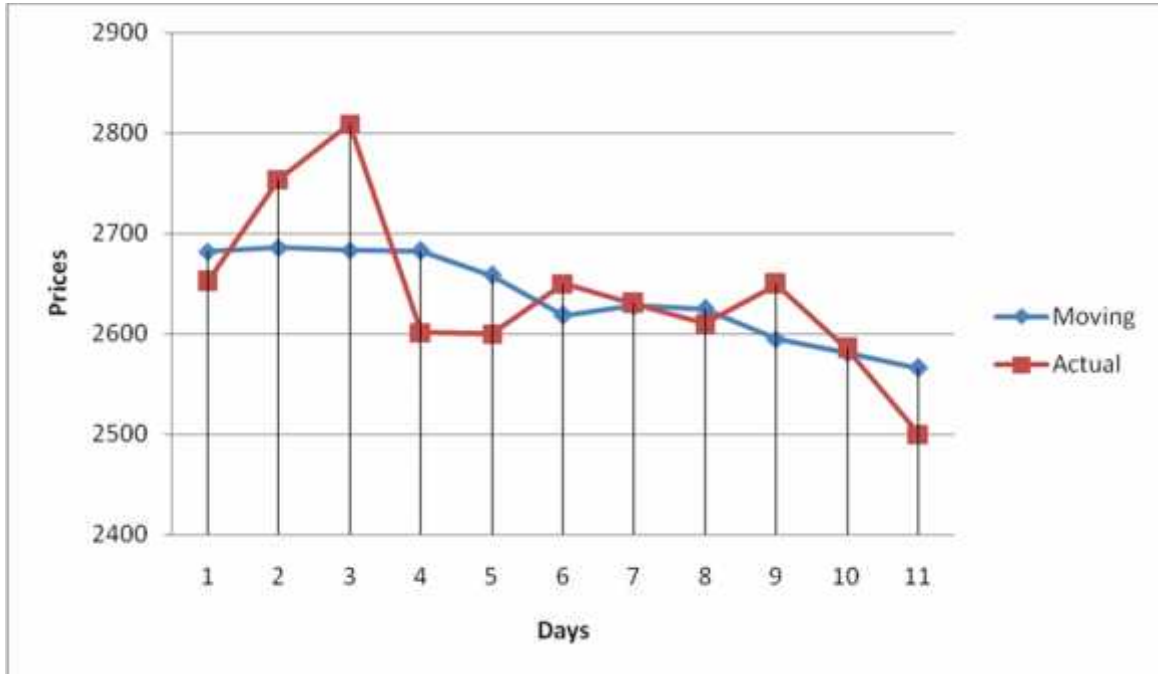
Actual and Moving Average Trend of Nabil Bank



By the above figure 4.15 shows the 5 day moving average and actual trend of Nabil bank. The trend is also fluctuated over the eleven day's price. The actual trend has increasing from day 1st so it is right time to buy and decreasing than moving average after day 4th so it is right time to sell. It has also increased at day 7th so it should buy. It has decreased at days 8th and 11th so it should sell. The actual trend has also increasing after day 8th so it is right time to buy.

Figure 4.16

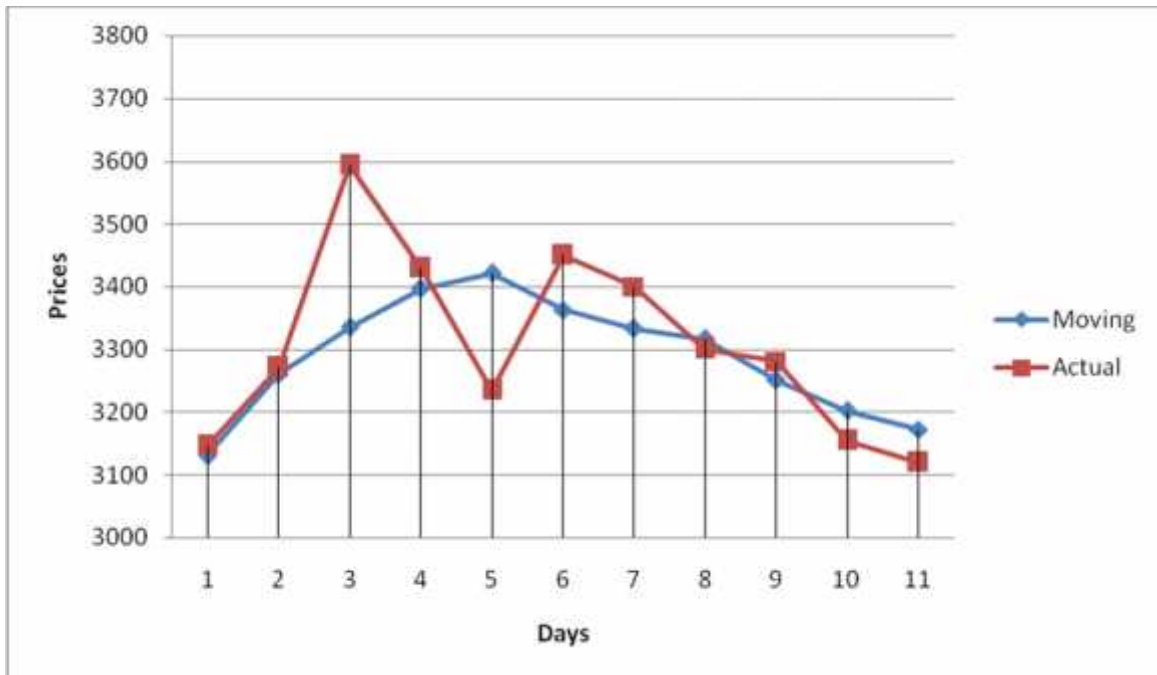
Actual and Moving Average Trend of BOK



By the above table 4.16 shows 5 day moving average and 11 day's actual price of BOK. The actual trend has increasing trend than moving average after day 2nd so it is right time to buy. After 3rd day it has decreasing so it is right time to sell. After 5th day, it has also increasing trend so it should buy. At days 8th and 11th, it has decreased so it should sell. The actual trend has increasing than moving average after day 8th so it is right time to buy.

Figure 4.17

Actual and Moving Average Trend of NIB

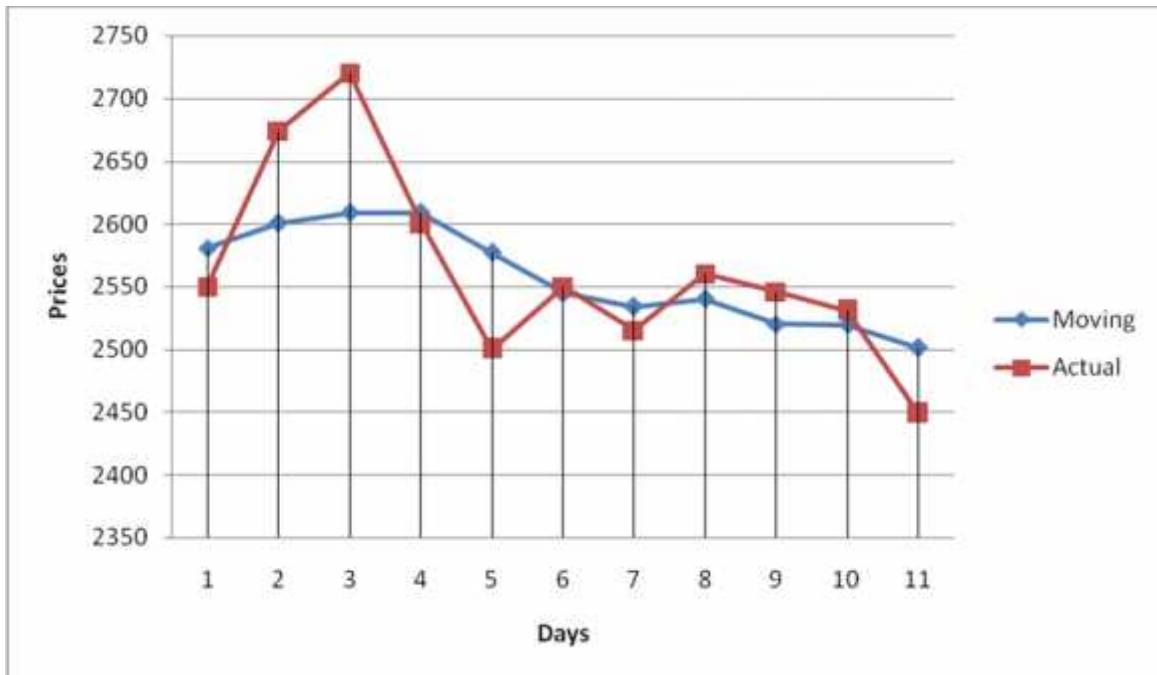


By the above figure 4.17 shows the 5 day moving average and 11 day's actual price of NIB.

The actual trend has increasing than moving average from day 1st so it is right time to buy. At day 5th, it has decreased so it should sell. After 5th day it has increasing so it is right time to buy. At 8th day, it has decreased so it should sell. At day 9th it has increased so it should buy and lastely the actual trend has decreasing than moving average after 9th day so it is right time to sell.

Figure 4.18

Actual and Moving Average Trend of HBL



By the above figure 4.18 shows 5 day moving average and 11 day's actual price of HBL. The trend has increasing than moving average from day 2nd so it is right time to buy but it has decreasing after day 3rd so it is right time to sell. At day 6th it has increased so it should buy. At days 7th and 11th, it has decreased so it should sell. It has also increasing than moving average after day 7th so it is right time to buy.

4.3 Analysis of Primary Data

For the purpose of the study on the topic "Investment trends, problems and prospects of securities in Nepal" interviews and questionnaire methods have been used as a source of primary data. Returned answers from respondent are presented below.

4.3.1 Analysis of Interviews

While taking interview with senior officers of SEBO/N, NEPSE, Brokers, Issue managers about the problems and prospects of securities, we have known that Nepalese stock

market has suffering from lots of problems even though it has some prospects. According to the officers of SEBO and NEPSE, the market has not got well trained and qualified manpower. The regulatory bodies are not able to discharge their regulatory functions properly. Investors are not aware about the stock market. The emphasized that Nepalese stock market is dominated by retailing investors come forward to act in publish manner. So growth and stability could not fully achieve unless rational and institutional investors come forward to participate in the stock market. They explained the prospects of stock market are increasing like no. of listed companies, start of OTC market and electronic trading system etc.

On the other hand, the brokers and issue manager said that there are small capital market in Nepal, lack of rational investors about the securities, rules and regulation are not appropriate, regulating bodies are not effective. They also expressed their anger to the government for sharp fall in share price due to weak law and order situation in the country. They also said that they are not fully satisfied with the growth trend of stock market.

4.3.2 Questionnaire Analysis

Regarding the primary data, fifty copies of questionnaire were distributed to officers of SEBO, NEPSE, Brokers, Issue managers, lectures, students and banks to know their view about the stock market. But only 45 questionnaires were collected during the study period. The questionnaires were related to find out the problems faced by the Nepalese stock market and the points that provide the prospects of the market. Their responses have been analyzed as follows.

1. Analysis of growth Trend.

Table 4.18

Responses of Growth Trend of Stock Market

S.N.	Variables	No.of respondents	% of Respondent
1	Yes	25	55.5
2	No	14	31.11
3	Do not know	6	13.33
Total		45	100

Source: Field survey 2008

Table 4.18 shows 55.56 percent respondents are satisfied on growth trend of stock, 31.11 percent respondents are not satisfied and 13.33 percent respondents said do not know. It means they are satisfied the growth trend of Nepalese stock market.

2. Analysis of problems faced by stock market.

Table 4.19

Number of Respondents on Problems

S.N.	Variables	No. of respondents	% of Respondent
1	Small capital market	15	33.33
2	Lack of investors' confidence	1	2.22
3	Lack of proper knowledge of investors	20	44.44
4	Lack of coordination between monitoring bodies of stock market	1	2.22
5	Inappropriate rules and regulations	3	6.67
6	Restriction of foreign investor	5	11.11
Total		45	100

Source: Field survey 2008

Table 4.19 indicates that the respondents are asked to know about the given problems of Nepalese Capital Market. There are 44.44 percent respondents who said the main

problem is lack of proper knowledge of investor about the stock market as well as 33.33 percent respondents said that the small capital market in Nepal. Likewise 11.11 percent, 6.67 percent and 2.22 percent respondents are restriction of foreign investor, in appropriate rules and regulations, lack of investor confidence and lack of coordination between monitoring bodies of stock market respectively.

3. Analysis of Prospects of Nepalese Stock Market.

Table 4.20
Number of respondents on Prospects

S.N.	Variables	No. of respondents	% of Respondent
1	Increasing number of larger companies listed in Nepal Stock Exchange.	18	40
2	Stock market provides maximum return.	5	11.11
3	Liquidity and marketability of securities.	4	8.89
4	Increasing interest of educated public towards stock market.	13	28.89
5	Opportunities to invest in stock rather than long term saving.	5	11.11
Total		45	100

Source: Field survey 2008

Table 4.20 shows that the majority of respondents for prospects to Nepalese stock market are 40 percent. It is said that there is Increasing number of larger companies listed in Nepal Stock Exchange. 29 percent respondents assume the increasing interest of educated public towards stock market and 11.11 percent said that Stock market provides maximum return and Opportunities to invest in stock rather than long term saving and lastly 8.89 percent said that Liquidity and marketability of securities. Trend of large companies

listed in NEPSE and educated people attracts toward this market mean it has great prospects of developing.

4. Analysis of Main Influencing Factors the Price of the stock.

Table 4.21

Main Influencing Factors on share price

S.N.	Variables	No. of respondents	% of Respondent
1	Dividend	9	20
2	Rumors	9	20
3	Financial situation of company	18	40
4	Management of Company	9	20
5	Others	-	-
Total		45	100

Source: Field survey 2008

About the influencing factors of prices fluctuation of share in stock market, different investors have given different views. According to table 4.21, the majority of respondents for main influencing factor on share price are 40 percent on financial situation of company. All the respondents have equally agreed for Dividend, Management of Company and Rumors respectively.

5. Analysis of factors Motive to make Investment.

Table 4.22

Factors Motive to make Investment

S.N.	Variables	No. of respondents	% of Respondent
1	Social status	4	8.88
2	Dividend	18	40
3	Friends and family	5	11.11
4	Stock brokers	4	8.88
5	Marketability	14	31.11
6	Others	-	-
Total		45	100

Source: Field survey 2008

Table 4.22 shows that 40 percent are interested for dividend. 31.11 percent investors said marketability makes to invest in stock market, 11.11 percent in friends and family and rest 8.88 percent in marketability and social status. So dividend is the major factor to investors for investment.

6. Analysis of Information provided by the company is Appropriate

Table 4.23

Appropriate Information provided by the company

S.N.	Variables	No. of respondents	% of Respondent
1	Yes	18	40
2	No	27	60
3	Do not know	-	-
Total		45	100

Source: Field survey 2008

Table 4.23 shows 60 percent respondents are agreed appropriate information does not provide by the company and rest 40 percent respondents are against it or information provided by the company is appropriate.

7. Analysis of SEBO/N Rules and Regulation Affect the Value of Stock.

Table 4.24

SEBO/N Rules and Regulation Affect the Value of Stock

S.N.	Variables	No. of respondents	% of Respondent
1	Yes	36	80
2	No	5	11.11
3	Do not know	4	8.89
Total		45	100

Source: Field survey 2008

Table 4.24 shows 80 percent respondents are in favor of SEBO/N rules and regulation affected the value of stock, 11.11 percent respondents are against it and rest 8.89 percent are unknown about it.

8. Analysis of awareness of Investors

Table 4.25

Awareness of Investors

S.N.	Variables	No. of respondents	% of Respondent
1	Yes	6	13.33
2	No	32	71.11
3	Do not know	7	15.56
Total		45	100

Source: Field survey 2008

Table 4.25 shows that 71.11 percent respondents are not awarded about Nepalese stock market, 13.33 percent are awarded and rest 15.56 percent is unknown about it.

9. Analysis of Basis of Decision making the secondary Market.

Table 4.26

Basis of Decision making the secondary Market

S.N.	Variables	No. of respondents	% of Respondent
1	NEPSE Index	4	8.89
2	Closing Price	4	8.89
3	Turnover	1	2.22
4	Company's Goodwill	9	20
5	Company's Profit	27	60
6	Others	-	-
Total		45	100

Source: Field survey 2008

Table 4.26 shows that 60 percent respondents are affected by company's profit in the decision making to invest in secondary market. 20 percent respondents are on the basis of company goodwill, equally 8.89 percent respondents are on NEPSE index and closing price and last 2.22 percent are on the basis of turnover.

10. Analysis of Informational and Operational Efficient of Nepalese stock market.

Table 4.27

S.N.	Variables	No. of respondents	% of Respondent
1	Yes	2	4.44
2	No	36	80
3	Do not know	7	15.56
Total		45	100

Source: Field survey 2008

Table 4.27 shows that 80 percent respondents are not agreed about informational and operational efficient of Nepalese stock market, 4.44 percent are agreed with it and rest 15.56 responded do not know.

11. Analysis of Most Responsible for Appropriate Trading System.

Table 4.28

Most Responsible for Appropriate Trading System

S.N.	Variables	No. of respondents	% of Respondent
1	Investors	9	20
2	NEPSE	18	40
3	Brokers	9	20
4	SEBO/N	4	8.89
5	Main regulating body	5	11.11
Total		45	100

Source: Field survey 2008

Table 4.28 shows that 40 percent respondents said that NEPSE is most responsible for appropriate trading system. Equally 20 percent respondents said investors and brokers, 11 percent respondents said main regulating body and rest 8.89 percent respondents said SEBO/N.

4.4 Major finding of the study.

- By taking indirect interview with senior officers and staffs of NEPSE, SEBO/N, Brokers, general investors etc, it was found that the Nepalese stock market is infancy stage. Rules and regulation is not affected, investors are less awarded about stock market etc.
- By analyzing the questionnaire, respondents are satisfied with the growth trend of stock market.
- The major motive factor to invest in stock market is dividend and most respondents answered larger companies listed in Nepal Stock Exchange is increasing so the prospects of Nepalese stock market are increasing trend.
- 60 percent respondents said the information provided by the company is not appropriated.

- 80 percent respondents said the SEBO/N's rules and regulation affected the value of stock.
- 71.11 percent respondents said investors are not awarded about the stock market.
- 60 percent respondents said the company's profit is main basis of decision making in the stock market.
- Knowledge about stock market is main problem to investors.
- 80 percent respondents said the Nepalese market is not information and operational efficient.
- 40 percent respondents said NEPSE is most responsible for appropriate trading system.
- 40 percent respondents said financial situation of company is main influencing factor on share price

Trend Analysis

- The growth rates of total listed companies and commercial has positive in all years. The no. of traded companies and no. of listed securities are increasing trend.
- NEPSE index has increasing trend similarly commercial banks index has increasing trend but in the year 2006/07, it has decreased.
- The total no. of transaction and CB transaction has fluctuating manner in NEPSE.
- Total paid up value and paid up value of CB has increasing trend.
- The no. of issue approval and amount of issue approval has fluctuating in every year. The maximum no. of issue approval was 38 companies and maximum amount of issue approval was 2800.96 million.
- Total market capitalization and banking sector market capitalization has positive in all years. Banking sector has also covered most of market capitalization in NEPSE.
- Total average turnover and commercial bank turnover has positive trend except in the year 2005/06 and sector wise turnover also shows most of the turnover of total turnover is covered by commercial banks.
- Total no. of share traded and no. of share traded of CB has fluctuation.

Filter Rule

Four and eight percent filter rule was experienced from 2nd August 2008 to 21st August 2008 to predict the decision of buy and sell. For SCBNL, there hasn't any buy and sell decision at 4% and 8%. For NABIL, there hasn't any buy and sell decision at 4% and 8%. For BOK, there has one buy sell decision at 4%. For NIB, there has four buy and two sell decision at 4% and two sell decisions at 8% filter rule. For HBL, there has one buy and one sell decision at 4%.

Run Test

Run test was examined to analysis the behavior of stock price. There has 8 run of SCBNL, 6 run of NABIL, 9 run of BOK, 7 run of NIB and 9 run of HBL. It shows the price of BOK and HBL has more fluctuating than other banks as these two banks has more run.

Moving Average

To show average value of security's price over a period of time, 5 day moving average was taken of five listed commercial banks. The moving average prices of SCBNL is increasing trend but last 3 day moving is decreasing trend. The Moving average prices NABIL is decreasing trend after day 3 but at it is increasing trend up to day 3. The moving average price of BOK is increasing and decreasing trend. The moving average trend of HBL is decreasing trend after day 3 but it is increasing trend up to day 3. The moving average price of Nib is increasing trend up to day 5 and this day it is decreasing trend.

CHAPTER V

Summary, Conclusion and Recommendations

5.1 Summary

Capital market plays dominant role in the economy for developing and under developed nation. Capital market contributes to gain economic growth. There is no way to gain economic growth until capital market is operating smoothly. Therefore capital market is the backbone of the nation economy.

Nepalese stock market is the institutional development of securities market started in 1976 A.D. It is still in an underdeveloped stage.

The main objective of this study is to identify the investment trends, problems and prospects of securities and to evaluate the daily price movement of listed commercial banks.

NEPSE has a leading role to play to raise fund and to provide capital formation in the economy. But there are many problems faced by securities market those are:- agro based economy, lack of political stability, Information are not available to the investor, high cost of public issue, inefficient market etc. Though these problems are prevailed, it has tremendous opportunity those are:- Expansion of market, trading of government securities etc.

Stock market may affect the economy activities. Although some analysts said that stock market in the developing country's plays little positive role in the economy growth ,however recent evidence show that stock market can play vital role for the developing country like Nepal.

Five listed commercial banks have taken as a sample and analyzed of their price fluctuation by using technical analysis i.e. (Filter rule, run test and moving average). On the other hand primary and secondary data used to analyze of this study. In the primary data, Interview and questionnaire methods were used to know different views of different person. In the secondary data, there were analyzed the growth trend of stock market by using different indicators such as no. of listed companies, turnover, market capitalization, no. of securities traded, securities analysis etc and table and

diagram were used to present the data and secondary data were collected from NEPSE, SEBO/N, newspaper etc.

5.2 Conclusion

After analyzing this study, the following conclusion can draw are as follows.

- Due to the increasing number of listed companies, number of traded companies and number of listed securities, it can be beneficial for investor to invest in stock market.
- The analysis of shares through technical approach is based on actual price movement in the market. Analyzing the shares with technical tools, increasing chances of taking right action at the right time are beneficial to the investors but it is dependent on the skill or expertise of analyst.
- Average daily turnover provides the liquidity to the stock market and commission to the stock brokers. Stock brokers will not survive without having transactions in the stock market. Generally increasing trend of A.D.T., it means more liquidity provide to the stock market.
- No of share traded, capitalization and turnover has increasing trend its means Nepalese capital market is developing stage and it may be more marketability and liquidity in future.
- Sector wise analysis shows most of the portion of market capitalization is commercial banks.
- The major problem of the stock market is insufficient knowledge about the securities to investors because they invest on stock price by rumors and whim. They don't calculate the financial situation of the company. Capital market is also small in Nepal.
- The increasing no. of companies in NEPSE shows the prospects of Nepalese stock market.
- Due to lack of appropriate rules and regulation, the stock market is not developed.
- Dividend is the most important factor to make investment decision.
- Transparency and openness transaction, quality professional service, improved large regulatory and supervisory framework are urgent needs of Nepalese stock market.

5.3 Recommendations

The stock market is in fancy stage. There are various kinds of obstacles. We should remove these obstacles. As per the analysis of the study, there are following recommendation:

- The government and major regulating bodies should formulate appropriate rules and regulation which can help to develop the stock market.
- The government should attract foreign investors to invest in Nepalese stock market because it can help the size of market.
- The investor should be considering about the stock market. For its daily news paper, financial news, journal etc have to study frequently.
- The security board Nepal is responsible for regulating the entire securities market in Nepal. To make the board effective, the no. of staff should be adequate and properly trained.
- Free information about stock market must be available in the market so that investors would have willingness and curiosity to understand about stock market.

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APPENDIX I
QUESTIONNAIRE

Dear Sir/Madam

I have been conducting a research on “**Investment Trends, Problems and Prospects of Securities in Nepal**” in partial fulfillment of master degree of business studies. I am preparing some question about the study & it helps to know the problems & prospects of the stock market. I request you to fill up this questionnaire from your side, which can be helpful for me to conduct the research. In this topic please do co-operate by explaining your opinion in this given form .your opinion will be a grateful to analyze this research paper.

I am looking forward for your favorable response.

Thank you

Researcher

Shailesh Joshi

Roll No – 19/062

M .B. S.

Makwanpur Multiple Campus

Respondent

Name:

Education:

Organization:

Position:

Date:

Questions: Please tick { } the following Questions:-

Q. N. 1 Are you satisfied with the growth trend of Nepalese stock?

- Yes No
- Do not know

Q. N. 2 In your opinion, what are the problems of stock market in Nepal? [no 1 is the most important , please rank this answer] .

- Small capital market.
- Lack of investor confidence.
- Lack of proper knowledge of investor.
- Lack of coordination between monitoring body of stock market.
- Inappropriate rules & regulations.
- Restriction of foreign investor.

Q. N.3 Rank the following prospects of Nepalese stock market. [no 1 is the most important] .

- Increasing number of large companies listed in Nepal stock exchange.
- Stock market provides maximum return.
- Liquidity and marketability of securities.
- Increasing interest of educated public towards stock market.
- Limited opportunities to invest investors long term saving instead of share investment.

Q.N 4 In your opinion which of the following this main influencing factor the price of the stock?

Dividend

Rumors

Financial situation of company
company

Management of the

Others

Q.N 5 What factors motive you to makes investment in stock market?

Social status

Dividend

Friends and family

Stock broker

Marketability

Others

Q.N 6 Do you think that information provided by the company is appropriate?

Yes

No

Do not know

Q. N.7 Does SEBON rules & regulation affect the value of stock?

Yes

No

Do not know

Q. N 8 Do you think investors in the Nepalese stock market are aware?

Yes

No

Do not know

Q. N 9 On what basis do you make decision to invest in share in the secondary market?

NEPSE index

Closing price

Turnover

Company's goodwill

Company's profit

Others

Q.N 10 Do you think that Nepalese stock market is informational and operationally efficient?

Yes

No

Do not know

Q.N. 11 Who is most responsible for appropriated trading system in stock market?

Investors

Brokers

NEPSE

SEBO/N

Main Regulating Body

APPENDIX - II

List of Listed Companies

S.N.	Name of the Company
	Commercial Bank
1	Nabil Bank Ltd.
2	Nepal Investment Bank Ltd.
3	Standard Chartered Bank Ltd.
4	Himalayan Bank Ltd.
5	Nepal SBI Bank Limited
6	Nepal Bangladesh Bank Ltd.
7	Everest Bank Ltd
8	Bank of Kathmandu
9	Nepal Industrial And Co.Bank
10	Machhachapuchhre Bank Ltd
11	Laxmi Bank Limited
12	Kumari Bank Ltd
13	Lumbini Bank Ltd.
14	Nepal Credit And Com. Bank
15	Siddhartha Bank Limited
16	NMB Bank Ltd.

17	<u>Bank of Asia Nepal Limited</u>
18	<u>Citizens Bank International Limited</u>
19	<u>KIST Bank Limited</u>
20	<u>DCBL Bank Ltd.</u>
21	<u>Global Bank Limited</u>
	Finance Company
22	Nepal Industrial Development Corporation
23	Nepal Development Bank Ltd.
24	Development Credit Bank Ltd.
25	Nirdhan Uthan Bank Ltd.
26	Chhimek Development Bank Ltd.
27	Paschimanchal Bikash Bank Ltd.
28	Deprox Development Bank Ltd.
29	Gandaki development Financial Institution Ltd.
30	Business Development Financial Institution Ltd.
31	Bhrikuti Bikash Bank Ltd.
32	Siddhartha Bikash Bank Ltd.
33	Sanima Bikash Bank Ltd.
34	Narayani Ind. Development Bank Ltd.
35	Sahayogi Vikash Bank Ltd.

36	Bageshwori Development Bank Ltd.
37	Gorkha Development Bank Ltd.
38	Annapurna Development Bank Ltd.
39	Swabalamban Development Bank Ltd.
40	Ace Development Bank Ltd.
47	Himchuli Development Bank Ltd.
42	Malika Development Bank Ltd.
43	Birat Laxmi Development Bank Ltd.
44	Axcel Development Bank Ltd.
45	<u>Nepal Finance and Saving Co.Ltd.</u>
46	<u>NIDC Capital Markets Ltd.</u>
47	<u>National Finance Co. Ltd.</u>
48	<u>Nepal Share Markets Ltd.</u>
49	<u>Annapurna Finance Company Limited</u>
50	<u>Kathmandu Finance Limited.</u>
51	<u>Peoples Finance Limited.</u>
52	<u>Union Finance Ltd.</u>
53	<u>Citizen Investment Trust</u>
54	<u>Nepal Aawas Bikas Beeta Co. Ltd.</u>
55	<u>Narayani Finance Limited</u>

56	<u>Yeti Finance Company Ltd.</u>
57	<u>Gorkha Finance Ltd.</u>
58	<u>Samjhana Finance Co. Ltd.</u>
59	<u>Universal Finance Ltd.</u>
60	<u>Nepal Housing And Merchant Fin.</u>
61	<u>General Finance Ltd.</u>
62	<u>Maha Laxmi Finance Ltd.</u>
63	<u>Lalitpur Finance Ltd.</u>
64	<u>Goodwill Finance Co. Ltd.</u>
65	<u>Paschimanchal Finance Co. Ltd</u>
66	<u>Pokhara Finance Ltd.</u>
67	<u>Lumbini Finance Ltd.</u>
68	<u>Siddhartha Finance Limited</u>
69	<u>Alpic Everest Finance Company Limited</u>
70	<u>United Finance Ltd</u>
71	<u>International Leasing And Fin. Co.</u>
72	<u>Shree Investment Finance Co. Ltd</u>
73	<u>Central Finance Co. Ltd.</u>
74	<u>Nepal Shree Lanka Merchant Bank</u>
75	<u>Premier Finance Co. Ltd</u>

76	Nava Durga Finance Co.Ltd.
77	Butwal Finance Ltd
78	Janaki Finance Ltd.
79	Standard Finance Ltd.
80	Om Finance Ltd.
81	Cosmic Mer.Bank And Fin.
82	Fewa Finance Co. Ltd.
	Hotels
83	Yak and Yeti Hotel Ltd.(Ord.)
84	Soaltee Hotel Ltd.
85	Taragaon Regency Hotel
86	Oriental Hotel Ltd.
	Manufacturing & Processing company
87	Bottlers Nepal Ltd.(Balaju)
88	Nepal Lube Oil Ltd.
89	Nepal Vanaspati Ghee Udhyog Ltd
90	Raghupati Jute Mills Ltd.
91	Butwal Spinning Mills Ltd.
92	Gorakhakali Rubber Udhyog Ltd.
93	Jyoti Spinning Mills Ltd (ord.)

94	Arun Vanaspati Udhyog Limited
95	Bottlers Nepal (Terai)Ltd.
96	Harisiddhi Brick and Tile Fac.Ltd.
97	Birat Shoe Ltd.(Ord.)
98	Uniliver Nepal Ltd.
99	Nepal Khadya Udhyog Ltd.
100	Shree Bhrikuti Pulp And Paper Ltd
101	Fluer Himalayan Limited
102	Shree Ram Sugar Mills Ltd
103	Nepal Bitumin and Barrel Udyog
104	Himalayan Distillery Ltd.
Others	
105	Nepal Film Dev.Co. Ltd.
106	Nepal Doorsanchar Company Limited
Hydropower	
107	National Hydro Power Co.
108	Butwal Power Co. Ltd.
109	Chilime Hydro power Co.
Trading	
110	Salt Trading Corporation

111	Bishal Bazar Co. Ltd.
112	Nepal Trading Ltd.
113	Nepal Welfare Company Ltd.
	Insurance
114	Nepal Insurance Co.Ltd.
115	Rastriya Beema Sansthan
116	National LifeInsu. Co.Ltd.
117	Himalayan Gen.Insu. Co.Ltd.
118	United Insurance Co.(Nepal)Ltd.
119	Everest Insurance Co. Ltd.
120	Premier Insurance co. Ltd.
121	Neco Insurance Co.
122	Alliance Insurance Company Limited
123	Sagarmatha Insurance Co.Ltd
124	NB Insurance Co. Ltd.
125	Nepal Life Insurance Co. Ltd.
126	Life Insurance Co. Nepal
127	Prudential Insurance Co.
128	Lumbini General Insurance
129	Shikhar Insurance Co. Ltd.

130	Siddhartha Insurance Limited
	Development Banks
131	Nepal Industrial Dev. Corp.
132	Nepal Development Bank
133	Nirdhan Utthan Bank Ltd.
134	Chhimek Vikash Bank Ltd.
135	Paschimanchal Bikash Bank
136	Infrastructure Development Bank Limited
137	Diprox Development Bank
138	Gandaki Bikas Bank Limited
139	Business Development Bank Ltd.
140	Bhrikuti Vikash Bank Limited
141	Sanima Vikash Bank Ltd.
142	Narayani Development Bank Ltd.
143	Clean Energy Development Bank Limited
144	Triveni Bikas Bank Limited
145	Purwanchal Grameen Bikash Bank Limited
146	Pashupati Development Bank Limited
147	Bageshowori Dev.Bank
148	Sahayogi Vikas Bank

149	Gurkha Development Bank
150	Annapurna Bikash Bank Limited
151	Swabalamwan Bikash Bank
152	Ace Development Bank Limited
153	Himchuli Bikash Bank Ltd.
154	Malika Bikash Bank Limited
155	Siddhartha Development Bank Limited
156	Biratlaxmi Bikash Bank Limited
157	Excel Development Bank Ltd.
158	Nepal Development And Employment Promotion Bank Limited
159	Subhechha Bikas Bank Limited
	Government Bond
160	Bikash Rinpatra 2067
161	Bikash Rinpatra 2067 Ka
162	Bikash Rinpatra 2067 Kha
163	Bikash Rinpatra 2067 Ga
164	Bikash Rinpatra 2072
165	Bikash Rinpatra 2075
166	Bikash Rinpatra 2075 Ka
167	Bikash Rinpatra 2076

167	Bikash Rinpatra 2076 Ka
168	Bikash Rinpatra 2076 Kha
169	Bikash Rinpatra 2076 Ga
170	Bikash Rinpatra 2072 Ka
171	Bikash Rinpatra 2071 Ka
172	Bikash Rinpatra 2067
	Corporate Debenture
173	Nepal Investment Bank Limited Bond 2067
174	Everest Bank Limited Rinpatra 2061
175	Bank of Kathmandu Rinpatra 2069
176	Nepal Investment Bank Limited Bond 2070
177	Nepal Industrial and Commercial Bank Limited Bond 2070
178	Nepal SBI Bank Rinpatra 2070
179	Nepal Investment Bank Bond 2071
180	Nepal Bidhut Pradhikaran Rinpatra 2069
181	Himalayan Bank Limited Rinpatra 2072
182	Nabil Bank Limited Bond 2075
183	Laxmi Bank Limited Debenture 2072
184	Nepal Investment Bank Limited Bond 2072
185	Kumari Bank Limited BOND 2070

	Preferred Stock
186	Everest Bank Limited Convertible Preference
	Mutual Fund
187	NCM Mutual Fund
	Promoters Share
188	KIST Bank Limited Promoter Share
189	Capital Merchant Banking And Finance Limited Promotor Share
190	Nepal SBI Bank Ltd. Promoter Share
191	United Finance Limited Promoter Share
192	Gorkha Finance Ltd. Promoter Share
193	Cosmic Merchant Bank And Fin. Co. Ltd. Promoter Share
194	Laxmi Bank Limited Promotor Share
195	Royal Merchant Bank And Finance Co. Ltd. Promoter Share
196	Nepal Share Markets Limited Promoter Share
197	Swabalamban Bikas Bank Limited Promoter Share
198	Kathmandu Finance Limited Promoter Share
199	Nepal Housing And Merchant Co. Ltd. Promoter Share
200	Fewa Finance Co. Ltd. Promoter Share
201	Nepal Credit And Commercial Bank Ltd. Promoter Share
202	Lalitpur Finance Co. Ltd. Promoter Share
203	Malika Development Bank Limited promoter Share

204	<u>Janaki Finance Limited Promoter Share</u>
205	<u>ACE Development Bank Limited Promoter Share</u>
206	<u>Patan Finance Limited Promoter Share</u>
207	<u>Annapurna Finance Co. Ltd. Promoter Share</u>
208	<u>Everest Finance Limited Promoter Share</u>
209	<u>General Finance Co. Ltd. Promoter Share</u>
210	<u>Paschimanchal Bikash Bank Ltd. Promoter Share</u>
211	<u>Bank of Kathmandu Promotor Share</u>
212	<u>Nepal Development Bank Limited Promoter Share</u>
213	<u>NABIL Bank Limited Promotor Share</u>
214	<u>Machhachapuchhre Bank Limited Promotor Share</u>
215	<u>Kumari Bank Limited Promotor Share</u>
216	<u>Alpic Everest Finance Company Limited Promotor Share</u>
217	<u>Lumbini Bank Limited Promotor Share</u>
218	<u>World Merchant Bank And Finance Limited Promoter Share</u>
219	<u>Samjhana Finance Co. Ltd. Promoter Share</u>
220	<u>Siddhartha Development Bank Limited Promoter Share</u>
221	<u>Yeti Finance Co. Ltd. Promoter Share</u>
222	<u>Peoples Finance Co. Ltd Promoter Share</u>
223	<u>Nepal Industrial And Co.Bank Promoter Share</u>
224	<u>Development Credit Bank Ltd. Promoter Share</u>

APPENDIX III

List of Securities Businesspersons

S.N.	Brokers
1	Kumari Securities Pvt. Limited
2	Arun Securities Pvt. Limited
3	Opal Securities Investment Pvt. Limited
4	Market Securities Exchange Company Pvt. Limited
5	Agrawal Securities Pvt. Limited
6	J.F. Securities Company Pvt. Limited
7	Ashutosh Brokerage & Securities Pvt. Limited
8	Pragyan Securities Pvt. Limited
9	Malla & Malla Stock Broking Company Pvt. Limited
10	Annapurna Securities Service Pvt. Limited
11	Nepal Stock House Pvt. Limited
12	Primo Securities Pvt. Limited
13	ABC Securities Pvt. Limited
14	Sagarmatha Securities Pvt. Limited
15	Nepal Investment & Securities Trading Pvt. Limited
16	Sipla Securities Pvt. Limited
17	Midas Stock Broking Company Pvt. Limited

18	Siprabi Securities Pvt. Limited
19	Sweta Securities Pvt. Limited
20	Asian Securities Pvt. Limited
21	Shree Krishna Securities Pvt. Limited
22	Trishul Securities Pvt. Limited
23	Premier Securites Pvt. Limited
Issue Manager	
1	National Finance Co.Ltd. (NFC)
2	Ace finance Co.Ltd. (AFCL)
3	NIDC Captial Markets Ltd. (NCML)
4	Citizen Investment trust (CIT)
5	Nepal Marchant Banking & Finance Ltd. (NMB)
6	Nepal Finance & Saving Co.Ltd.
7	Nepal Share Markets & Finance Ltd.