

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Initial Public Offering (IPO) is a part of primary market mechanism. IPO is the process of selling stocks to the public at large by a closely held corporation or its principal stockholder. Initial Public Offering is the first time issuance of securities to the public. The securities offered can be ordinary share, debenture, preference share etc. It provides all the investors an opportunity to acquire a portion of the financial claims. An initial public offering (IPO) occurs when a security is sold to the general public for the first time with the expectation that a liquid market will develop. Public Offering is a security offering where all investors have the opportunity to acquire a portion of the financial claims being sold (Keown and Petty: 2002, 471). An IPO can be any debt or equity security.

Most of company starts out by raising equity capital from a small number of investors, with no liquid market existing if these investors wish to sell their stock. If a company prospers and needs additional equity Capital, at some point the firm generally finds it desirable to “go public” by selling stock to a large number of diversified investors. Once the stock is publicly traded, this enhanced liquidity allows the company to raise capital on more favorable terms than if it had to compensate investors for the lack of liquidity associated with a privately held company. Through IPO, the founder simply wants to establish a value and liquidity for the stock (Van Horne:2002, 578). Existing shareholders can sell their share in open-market transactions. There are certain ongoing costs associated with the need to supply information on regular basis to investors and regulators for publicly traded firms. Furthermore, there are substantial one-time costs associated with initial public offering that can be categorized as direct & indirect costs. The direct costs include the legal, auditing and underwriting fees. The indirect costs are management time and effort devoted to conducting the offering, and the dilution associated with selling shares at an offering price that is, on average, below the price prevailing in market shortly after the IPO. These direct and indirect costs affect the cost of capital for firms going public.

In Nepal, the first public issue of ordinary shares takes place more than fifty years back with public issue of Biratnagar Jute Mills and Nepal Bank Limited. But the development of the capital

market started in 1976 AD after establishment of securities Exchange Center Ltd. with the objective of facilitating and promoting the capital market in Nepal. It was the only capital market institution which undertook the job of brokering, underwriting and managing public issue, market making for government bonds and other financial services. Securities Exchange Center Ltd. dealt in the securities as a broker as well as a regulatory body. The Centre used to take, buy and sale only on orders from interested investors and conform them if a price and quantity matched. There was no time limit with in which deal took place. It normally takes place one to three weeks. Dues to this, general public faced problems while buying or selling securities. The Security Exchange Center Ltd. issued 62 Companies shares. Among these 23 companies were undersubscribed including Harisiddhi Break & Tile Ltd., Banswari Leather and Shoes Factory Ltd., Nepal Awas Bikas Bitta Company Ltd. etc. Although the secondary market was non-functional and public were not fully aware of on the working of the capital market, the public response to the new issue of share of selected company like bank and finance company were overwhelming.

Security Exchange Center was converted into Nepal Stock Exchange Limited (NEPSE) in 1993, and under its support, the brokerage system of secondary market was established. Nepal Stock Exchange Limited is a non profit organization. It operates under Security Exchange Act 1983. The basic objective of NEPSE is imparted free marketability and liquidity to the government bonds and corporate securities. With the establishment of full fledged Stock Exchange, the shares which the public had held for decades, becomes liquid.

Security Board of Nepal (SEBON), regulator of Nepalese Security market, was established on May 26, 1993, under the provision of the Security Exchange Act, 1983. It promotes and protects the interest of the investors by regulating the issuance, sale and distribution of securities and purchase, sale and exchange of securities, to supervise, look after and monitor the activities of the stock exchange and the other related firms on securities business, and to provide contribution to the development of the capital market by making securities transactions fair, healthy, efficient and responsible.

This study is based on the dealing process in the primary market. As well as the study concerned with the pace public offering and public response to IPO in Nepal.

As per the provision of Company Act, Privately held companies cannot issue their shares in public by themselves. The issue must be done through issue managers. Though the company can raise the capital to the extent of its authorized capital, it generally issues stocks as per the need of its company. The amount of share capital of the issued share is called issued capital. The total amount paid by the promoters at the time of establishment or after time-to-time rising of funds by the company is the paid-up capital.

1.2 Statement of the Problems

There exist various types of obstacles in IPO. In this respect, there is the tendency, limitation of ownership and control of the enterprises within the close circle. On the other hand, there were no financial or other incentives for the firms to the public. Furthermore the existing strong barriers of socio-economic and historical reasons made the successful flotation difficult.

Dealing in public issues of the primary market securities is subject to the directives and regulatory framework of the concerned governing bodies. Hence, the study is primarily deals with the process of managing the process of the public issues by the issue managers. Besides, Investment in the primary market instrument has gaining the interest of the general and corporate investors. Most of the public offerings have been successfully made since the investors have considerable concern and willingness for investment in these securities

There is not any provision to present citizenship at the time of submitting their share application form. So, single investor can apply hundred of applications, showing dummy names. As a result they can capture large number of shares. When single investor captures large number of share, he can influence the company management and stock price also. Generally people are aware from public offering however in developing country like Nepal IPO is still new phenomenon. More than 50 percent people are still uneducated. The study is concerned with following issues-

- why people invest their money in stock?
- Why do most of the firm don't like to go to the public?
- What are the factor determining sound decision regarding the investment stock?

- What extent do responses (over & under subscriptions) to IPO effect the stock price?

Therefore many problems are found in the field of public offering in Nepalese stock market rather than developed countries.

1.3 Research Question

Research question has been assess the basic objective of the study. In this research following issues to be deal for the purpose of the study . The research is attempted to sort out the answer to the following question.

- What is the dimension of pace of IPO in Nepal ?
- How is the response' made by the investors satisfactory ?
- How is the subscription pattern of securities in response to IPO?
- What is the level of awareness of people towards the IPO ?

1.4 Objectives of the study

This study is being to evaluated the public response of the IPO or primary issue of shares in the contest of Nepal to assess the growth of IPO

- To assess the pace of IPO in Nepal.
- To analyze subscription pattern of securities in response to IPO.
- To analyze the pattern of public response to IPO.

1.5 Research Methodology

The Research Methodology is a way to systematically solve the research problem. It may be understand as a science of studying how research is done scientifically. It is necessary for the researcher to know not only the research method but also the methodology.

1.5.1 Research Design

The research design is the conceptual structure with in which research is conducted. It constitutes the blue print for the collection, measurement and analysis of data. As such the design includes

an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of data.

1.5.2 Population & Sample

Number of companies listed in Nepal Stock Exchange (NEPSE) by the end of FY 2009/10 has reached 176 and these companies are divided into eight sectors which include commercial banks, development banks, finance companies, trading companies, hotels and others (SEBON, Annual Report 2009/10). However, the study is focused on only those companies which have gone for IPO during the period of FY 2003/04 to 2009/10. To find out the public response to the Initial Public Offering, this study has divided in to two sectors as Financial Institutions and Insurance Sector and Non Financial Sector. Due to unavailability of reliable data this study has completed upon the base of selected sample from Finance sectors.

23 commercial bank , 40 development bank, 62 finance companies, 19 insurance companies had issued their public in FY 2009/10. The study is based on FY year 2003/04 to 2009/10.

3 different commercial bank are chosen as sample . Nepal Investment Bank, Laxmi Bank Ltd. and Siddhartha Bank Ltd.

5 different Development banks are chosen as samples. Chhimek Development Bank Ltd, Deprose Development Bank Siddhartha Development Bank Ltd, Himchuli Development Bank, Sanima Development Bank Ltd,

3 different Finance Companies are chosen as sample. Everest Finance Co., IME Financial Institution, ICFC Financial Institution.

3 different Insurance Co. are chosen as sample. Lumbini General Insurance Co.Ltd., Siddhartha Insurance Ltd. , Shiker Insurance Co.

1.5.3 Sources of Data

The present study is based on primary as well as secondary data as per the objective and requirement of the study. For the characteristic of the study, the secondary data is collected from Nepal's leading Issue managers NMB, CIT and NIDC Capital Markets. Similarly, the other sources of secondary data have been acquired from different libraries and journal as well as annual report and websites of SEBON/NEPSE. The primary data have been collected through structured interview and asked to the related staffs of SEBON and other general public who are investing their money in primary issue.

1.5.4 Data analysis tools

To attain above mention objective on the basis of primary data collected from questionnaires and informal discussion with investors. The statistical tools are used as required by the study.

1.5.5 Statistical Tools

The appropriate statistical tools are used where ever required to extract the result from the data collected. The different tools are as follows;

Multiple Bar-Diagrams and Graphs

Diagrams and graphs help to shows the general pace of the rations in respect to the time periods of the analysis year. Out of various types of diagrams one of the most important from of diagrammatic presentation of data is multiple bar diagram which is used in cases where multiple characteristic of the same set of data have to be presented and compared.

Pie-diagram

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

Percentage Analysis

The percentage analysis is done to compare two or more data for general information. It is used to find out the portion of sample in favor of different choices.

Simple Arithmetic Mean

Simple arithmetic mean indicates the measure of the Middle of the data set and denoted by μ or \bar{X} . In other words it is just the sum of all the observations divided by the number of observations. During analysis, Mean or Average has been used by synonymous to equal weighted mean.

T- Test

Deal with the small sample for testing of hypothesis concerning population means difference between to population means and observed sample correlation coefficient etc. T- test based on exact sample test is used. The t-test for difference between to means is used to test whether two independent samples have been drawn from to normal populations having the same means and equal population variance or there is significant difference between population means from which the samples of drawn.

1.6 Significance of the Study

IPO is one of the crucial factors for general investors and public company. This study might serve to be crucial information for these respective institutions taken as sample for the study in IPO procedure. This research will be significant for the following way:

- This study is expected to helpful for the general investor and the organizations that directly and indirectly related in IPO.
- This study will get the knowledge of practical exist in rules and regulation for policy maker and help them to make policy about IPO.
- This study guided investor to get right decision for investment on right place at right time.

1.7 Limitation of the Study

Although public response might be seen on other type of shares, however response in primary share issue is considered and other aspects have been neglected, as they are difficult to measure. Some companies have not disclosed the information despite the legal provisions of obtaining information regarding their financial position.

- This study is mostly based on secondary data as well as primary data.
- This study based on seven years data from fiscal year 2003/04 to 2009/10.
- The study has been limited within 14 listed company only.
- The study is not covered recent changes because of limitation of data.

CHAPTER – II

REVIEW OF LITERATURE

This chapter is devoted to the conceptual framework and review of past studies on the initial public offering. Review of literature means that the study of relevant topic in the related field of research or reviewing related research studies and findings such that all past studies, their conclusion and deficiencies may be known and further research can be done. In cause of research review of existing literature would help to check the chances of duplication in present study. This one can find what studies have been conducted and what remains to go with.

2.1 Conceptual Framework

A market is the means by which product and services are bought and sold directly or through an agent. A market should provide accurate information on the price and volume of past transactions, and current supply and demand.

A Financial Market can be defined as a mechanism bringing together buyers and sellers of financial assets in order to facilitate trading. Alternatively, Financial market is a place, where securities are bought and sold, the facilities and people engaged in such transactions, the demand for and availability of securities to be traded, and the willingness of buyers and sellers to reach agreement on sales. Financial Market plays as an active market where capital resources are transferred from savers to users, where savers let user to use their saving in expectation of multiplied returns from users in specified time period. Financial market consists of money

market and capital market. Transactions in short term debt instruments, or marketable securities takes place in the money market where long term securities (bonds and stocks) are traded in the capital market (Gitman, 2001:30).

2.1.1 Money Market

Money market comprises of Short-Term Loans, Certificates of Deposit, Treasury-Bills, Banker Acceptances, Commercial Paper and Promissory Notes for short-term financial needs and practices in both primary & secondary market. Money market deals with short term instruments. Money market exists in other to bring together buyers and seller of securities meaning their mechanism is created to facilitate the exchange of financial assets (Sharpe, Alexander & Bailey 2002, 9).

Money market brings together the supplier and the demander of short-term liquid fund. It is the type of market, which is meant for a short term and for highly liquid debt securities. Money market typically involves financial assets that have a life span of one year or less. Money market instruments include short-term marketable, liquid and low risk securities. Money market instruments, sometimes, are also called cash equivalents or just cash.

2.1.2 Capital Market

Capital market is the market where long term lending and borrowing takes place. The capital market is defined as a place where finance is raised by companies for meeting their requirement of funds for new projects, modernization, expansion programs, long-term working needs and for various others propose. Companies and the Government can raise funds for long-term investment via the capital market, which includes stock market, bond market and the primary market. The capital market mobilizes savings of individuals as investment in shares, debentures, units of mutual funds and other like financial instruments which are ultimately deployed for productive purpose in various sectors of the economy.

Capital market refers to the links between lenders and borrowers of funds, arranging of funds-transfer process to seek each other's benefit. The capital market serves as link between suppliers and demanders of long term funds maturities with more than one year to make transactions. It has wide term embracing the buyers and the sellers of securities and all those agencies and institutions which assists the sale and resale of corporate securities. The primary function of the capital market is to allocate resources optimally due to this; it is one with the lowest possible prices for transactions services.

The capital market also comprises two segments-the new issue of market that is known as the primary market and the secondary market where already issued securities are traded. For the purpose of this manual, only primary market would be dealt in detail. Capital market consists of non-security and securities market.

2.1.2.1 Non Security Market

In non-security market, the transaction or the exchange of the funds takes place between user and supplier without issuing securities. The fund is raised as long term in the market. The non-security market includes the financial transactions between the lending institutions such as development banks, business houses, banks or individual too. The contract between parties of capital exchange has less liquidity due to restriction of liquidation of these loans in secondary market.

2.1.2.2 Security Market

A security market can be defined as a place for bringing together buyers and sellers of financial assets in order to facilitate the sale and resale of transferable securities. Securities markets major function is to provide link between saving and investment there by facilitating the creation of new wealth. Although, securities are concerned in few locations, they refer more to mechanism, rather than to place, designed to facilitate the exchange of securities by bringing buyers and sellers of securities together. Securities, such as equities, short and long term debt instruments, derivatives etc are the products that are traded in the markets institutions such as investment bankers and security firms, securities issuing institutions such as government and corporate bodies and the participants of the securities markets. Securities market is classified into two, the market at where the transactions of the securities issued for the first time take place is called primary market. Secondary market is the market for the existing securities where second hand securities are bought and sold in the market.

2.1.3 Primary Market

The term “Primary Market” is used to denote the market for original sale of securities by issuer to the Public. The primary market is the place where corporations and Government Issue new

securities at first time to generate the money for real investment. All the securities, whether it is for short term or long term, are initially issued in the primary market. This is the only market in which the company or government bodies are involved in the transaction and receives direct benefits from issue that is the company actually receives the proceeds from the sale of securities (Bhattarai, 2005: 7).

The primary market itself can be subdivided into seasoned and unseasoned issues. A seasoned new issue refers to the offering of an additional amount of already existing securities, whereas an unseasoned new issue involves the initial offering of a security to the public.

In primary market the principal sources of funds is the domestic savings of individual and business, other supplies include foreign investors and governments. The ultimate supplies of funds are those sectors with a surplus of current incomes over expenditures (savings) and these funds flow to ultimate users, economic use securities to finance a surplus of expenditure over their current incomes.

2.1.4 Secondary Market

Secondary market involves the purchase and sale of securities which are already issued to the general public and traded in the stock exchange. Secondary market is created by brokers, dealers and market makers. Brokers bring buyer and seller together with themselves actually buying or selling, dealers set price at which themselves are ready to buy and sell (bid and ask price respectively). Brokerage and dealer come together organized market or in stock exchange (Gitman, 1992: 457). Nepal Stock Exchange (NEPSE), New York Stock Exchange (NYSE) and Bombay Stock Exchange (BSE) are the example of organized stock exchange (secondary market).

The secondary market is a very important element of the securities market. The existence of an organized secondary market can provide this level of confidence to holder of securities so that they can purchase securities in the primary market readily convert these securities to cash whenever they wish to do so. The benefit of secondary market is that it increases the investment opportunities. Person who may not have been able to acquire securities on the primary market have been able to acquire securities on the secondary market.

2.1.5 Primary Market and Initial Public Offering

The primary market itself can be subdivided into seasoned and unseasoned issues. A seasoned issue refers to the offering of an additional amount of already existing securities, whereas an unseasoned new issue involves the initial offering of a security to the public. This unseasoned new issue is often referred to as Initial Public Offering (IPO).

When a company wants to raise funds from the public, it issues securities at first time and announces to the public to exercise the offering and this announcement for the public raise funds is called Initial Public Offering. It is the raising of long term funds for governments or corporations from a sufficient public group in the primary market. The most important aspect of public offerings is its role as the single most effective means by which government and corporate entities can obtain long-term (debt or equity) on a permanent basis. Public issue means rising of capital directly from the public. Issue of equity obviously creates a value of company and no doubt it is the major source of capital.

Thus Initial Public Offering involves raising of funds for governments or corporations from the public through the only issuance of various securities in the primary market and is often the only major source of obtaining large sum of fixed rate, long term funds.

2.1.5.1 Common Equity/Stock Offering

Common equity represents the ownership position in a company. The holders of common stocks, called shareholders or stockholders are the legal owners of the company. They are entitled for dividends for the capital contributed by shareholders by purchasing common shares. The capital represented by common stock is called share capital.

Equities convey ownership of the corporation and are basically valued in line with expected future earnings. To date they have been relatively little affected by financial innovation (Gutam & Thapa, 2006:17).

Many companies have only one class of stock, often called common stock or ordinary shares. This class of stock carries residual ownership of the company, entitling the holder to unlimited interest in the earnings and assets of company after limited claims are paid. Dividends paid on stocks are usually unstable because they tend to vary with earnings and also less than earnings. The market price of common stock is often subject to wide fluctuations, because it depends largely upon investors expectations of future earnings.

Following are the most significant feature of equity shares.

1. Risk: -

Equity shareholders run the risk of receiving nothing if earnings are insufficient to cover all obligations (Srivastava, 1995:337).

2. Control: -

Every equity shareholder has the right to vote on every resolution placed before the company and his voting right on a pool is in proportion to this share of paid-up capital of the company (Srivastava, 1995:338).

3. Rights:-

The equity shareholder have the right of Voting, to transfer shares in the proceeds upon the liquidation of company, share in the profits when distributed as dividends etc.

4.Pre-emptive Right

The Company is under legal compulsion to offer new issues to the equity stockholders before placing them in the market for subscription. Such a right of equity stockholders to purchase newly issued equity stock is termed as 'preemptive right' or 'right offering'.

5. Maturity

There is no stated maturity at which capital must be returned to the equity shareholders. So, equity shares provided permanent capital to the company.

2.1.5.2 Preference Shares

Preferred stock is a fixed income security and it is also the alternative sources of long term funds for the company. Preferred stock is similar to bonds in same respects and to common stocks in other ways preferred stock represents equity of a corporation but it has different from common stock because it has preferences over common stock in payment of dividends and in the assets of the corporation in the event of liquidation (Ross, Jaffe and Westerfield, 1993:402).

The preferred stock, though not a popular with investors as bonds and common stock, offers unique features that make it attractive under certain circumstances. First, it is hybrid security because it has characteristics of two types of securities: debt and common stock. Second, it is essentially a fixed income security. Preferred stock investors typically receive fixed dividends (Cheney & Moses, 1992: 404-405).

Preferred stock has a number of features, major features includes:

- It has priority of claim over common stockholders with regards to income. They are paid dividend at a fixed rate specified in the agreement.
- Preferred stockholder claims on assets are superior to equity Stockholder during the time of liquidation of company.
- Normally preferred stockholder do not have direct right to participate in the management through voting from directors and other matters.
- Unlike common stockholder, preferred stock always has a Par value.
- At their option preferred stockholders may be allowed (if mentioned in the corporation's charter) to switch over to equity stock.
- A call provision gives the issuing corporation the right to call in the preferred stock for redemption.
- Today, however most new preferred stock has a sinking fund and thus an effective maturity date.

2.1.5.3 Bonds/Debenture

Debenture as a debt security is the alternative sources of long-term fund for the company and given different names in different countries. In the United Kingdom, Nepal and India the term 'debenture' is popular, but in the US the term 'bond' is common (Srivastava, 1995:342). A

debenture is an unsecured corporate debt, whereas a bond is secured by a mortgage on the corporate property. A debenture is an acknowledgement of a debt under the sale of a company and containing a contract for the repayment of the principal sum at a specified date and for the payment of interest at a fixed rate percentage (Srivastava, 1995:343). A bond is a type of fixed-income security by a borrowing entity in which the amount to be paid to the investor is specified in the investment contract or indenture. Debentures have some important features such as interest rate, maturity date, redemption, indenture, security, converted ability, yield and claims on assets & incomes (Pandey, 1994:820).

In short, debenture is a formal evidence of debt and termed as the senior securities of a company. Certain distinguishing features of debentures are as follows:

- The debenture or bond has fixed maturity date. That means, the principal amount of bond must be repaid at the time of maturity.
- Debenture holder has priority on claim to income over preferred stockholder and common stockholder.
- Bondholders also have priority over stockholder in respect of their claims on assets.
- Debenture holders do not have controlling power through the vote for the election of directors but indirectly influence managerial decision through protective covenants in indenture.

2.1.5.4 Options

An option is probably the most popular derivative security in the world of investment. It is a contract between two people wherein one person grants the other person the right, but not obligation, to buy or sell a specified asset at a pre-determined price on or before a set expiration date. It is derivative security because it derives its value from an underlying security (Security for which the option has been written) such as a stock, a bond etc. In the securities industry, options are marketable security and can be bought and sold in the stock exchanges. So the option owner has the right to sell the option and any other investors can invest on it. An option buyer pays an option writer a premium for granting the option. After options have been created, they can be traded at determined premiums (or Prices) that fluctuate continuously (Gutam &Thapa, 2006: 7-1). Option is not in exercise up to now in Nepal.

The option is divided into two types i.e. Put and Call Option. Option to sell certain shares at predetermined price within or a certain later date called Put Option where as an option to buy certain share at a predetermined price with in or on certain future date is called call option (Bhattarai, 2006: 291).

Option has certain features which are given below.

- 1. Exercising Date:** - The fixed price stated in the option contract at which the underlying asset may be purchased or sold is the exercise price. it is also called strike price and denoted by E.
- 2. Expiration Date:** - The option has a certain maturity period. The option expires after its maturity period and the maturity date is the expiration date.
- 3. Exercising an option:** - The act of buying or selling the underlying asset through an option contract is called exercising an option.

2.1.5.5 Warrants

A warrant is along-term option that gives the holder the right to purchase a stated number of shares of the company stock at a specified price within stipulated period of time. Generally, warrants are distributed with debt and preferred stock, and they are used to induce investors to buy long-term debt and preferred stock with a lower coupon rate than would otherwise be required. Warrants are long-term call options that have value because holders can buy the firm's common stock at the exercise price regardless of how high the market price increase. Warrants are usually used by growing firms as sweeteners to reduce the cost of fund. Warrants may be detachable or non-detachable. Detachable warrants can be sold or purchased without selling or purchasing the security to which it is attached so that after the warrants have been exercised, the bond remains outstanding and total capital increases. Warrants are not in exercises in Nepal till date.

2.1.5.6 Convertible

Convertible are bonds or preferred stock that can be exchanged for stated number of common stock at the option of the holder within stipulated period of time. A bond can be converted into preferred stock or common stock while the preferred stock can be converted into common stock only. Conversion feature increases the marketability of the security. Unlike the exercise of

warrants, the debt and preferred stock is simply replaced by common stock but does not provided additional capital (Gautam & Thapa, 2006: 6-4).

At first time in Nepal, the convertible preferred stock is issued by Everest Bank Limited some time ago but convertible bond are not in practice till date.

Convertible Securities may have the following features;

- 1. Conversion Ratio:** - It is the ratio at which a convertible security can be exchanged for a common stock. It explains the number of shares into which a convertible can be converted
- 2. Conversion Price:** - It is the price per share that is effectively paid after the conversion of the convertible into common stocks. It is determined by dividing the par value of convertibles by the conversion ratio.
- 3. Conversion Value:** - Conversion value is the value of the convertible measured in terms of the market price of the common stock into which it can be converted. Conversion value can be found simply by multiplying the conversion ratio by current market price of the firm's common stock.

2.1.6 Initial Public Offering (IPO) Manual

Initial Public Offering (IPO) manual is the details procedure of handling initial public offering of the companies seeking 'go public' for the first time. This manual outlines all the activities and steps that to be observed by all issuing companies and issue manager in respect to initial public Offering (IPO). This manual has been prepared with a view to present, descriptive and step-by-step action sequences in the Initial Public Offering, relevant to all the companies shares to the general public. But, it is subject to periodic amendments and supplements.

The public Offering is not an easy task. There are many organizations involves during this periods. They are:

2.1.6.1 Issuing Company

Issuing company is the company that raising funds as the from of Debenture, Preference Share, Equity Share etc, from the general public through the process of public offering as per requirement of business activity. The company seeking for public offerings could be a new

company or new company set by the existing company or by existing listed company. As per company Act, only public companies are liable to go for public offerings but not for private companies on it. NRB has made mandatory that financial institutions must go for common stock public offerings within specified time of operation commencement.

2.1.6.2 Merchant Bankers

Merchant bankers are the financial intermediary that specializes in selling new security issues and advising firms with regard to major financial transaction (Gitman, 2003: 316). The role of merchant bankers is to help create and expand securities underwriting and advising corporations and managing investment portfolio for the needing groups. They charge service charge to their client for intermediary and advisory role. The role of merchant banking in managing the public offerings comes under the heading of securities underwriting. For the working of merchant banking function in Nepal, Nepal Rastra Bank has set forth the working guidelines.

2.1.6.3 Issue Manager

Issue manager is an institution who is solely responsible to manage initial public offering. Financial institutions with the merchant banking operations, manage the overall issue process of any public company termed as issue manager. Issue managers are institutions holding license from Nepal Stock Exchange to manage public offering issues (Securities Exchange Act, 2063). Issue manager work as manager to the issue and underwriting for public issue of securities (SEBON, 2006 September 22). Issue managers receive issue commission from issuing company for their services through the negotiation. NEPSE has authorized 16 companies to serve as issue manager given below.

Table 2.1

Name of Issue Manager in Nepal

S. N.	Name of Issue Manager
1	National Finance Co. Ltd.
2	Ace Development Bank Ltd.
3	NIDC Capital Markets Ltd.
4	NMB Bank Ltd.
5	Nepal Share Markets & Finance Ltd.

6	United Finance Ltd.
7	Citizen Investment Trust
8	Nepal Finance company Ltd.
9	Elite Capital Ltd.
10	Nepal Housing & Merchant Finance Ltd.
11	Vibor Bikas Bank Ltd.
12	DCBL Bank Ltd.
13	Nepal Srilanka Merchant Banking & Finance Ltd.
14	Tinau Bikas Bank Ltd.
15	Civil Capital Markets Ltd.
16	Investment Management Merchant Banker Ltd.

Sources: Annual Report of SEBON

2.1.6.4 Underwriter and Underwriting

The underwriters are investing-banking firms that act as financial midwives to a new issue (Brearley and Others 2004: 370). In general, there are group of underwriters who handle an IPO. Among such group of underwriters one act as a lead underwriter and rest as selling group. The underwriters enable the issuing company to determine the range of price at which the securities are to be offered along with the numbers of shares to be sold. Underwriters sell the issued shares to the retail as well as institutional investors. These underwriters either work on best effort basis or underwriter the entire issue. In the best effort basis, the underwriter does not guarantee that the entire issue of company will be sold but it will just put forth its best effort to sell the issue.

Underwriting is an agreement between the issuing company and a financial institution like bank, merchant banker, broker or other person, providing for their taking up the shares or debentures to the extent specified in the agreement between them, if it is not subscribed by the public. The underwriting agreements ensure that the public issued is fully subscribed. The commission paid to the underwriters as consideration for the underwriting arrangement is known as underwriting commission.

2.1.6.5 Bankers to the Issue

Bankers to the issue are normally commercial banks and their main responsibility is to provide custodian service to the issuing company. They may or may not receive applications from the

investors, issue acknowledgements for the same and enter application details in application schedules. They may also be involved in the process of realizing the proceeds of issue through cheques /drafts and release final certificates to the issue manager for the number of applications and amount collected.

2.1.6.6 Collection Centers

These are the authorized institution to collect application from the investors issue acknowledgement for the same proceed of issue through cheques/drafts. They also issue final certificates to the issue manager for the number of applications and amount collected. They are provided collection charges for their services, which are usually determined through negotiation and are based on number of applications handled and amount collected. Banks, finance companies or brokerage house mostly performs such roles.

2.1.6.7 Security Board of Nepal (SEBON)

Security Board of Nepal was established in June 7, 1993 under the provision of securities Exchange Act, 1983 (first amendment) and is now functioning as an apex regulator of securities market. Since its establishment, SEBO has been concentrating its effort on improving the legal and statutory frameworks which are the bases for the healthy development of the capital market (Bhattarai, 2006, 38). As per Securities Act, 2006, the major objectives of SEBON are to regulate issue and trading of securities and market intermediaries, promote market development and investors right (SEBON 2006 Sept. 22).

2.1.6.8 Nepal Stock Exchange Limited (NEPSE)

Nepal stock Exchange (NEPSE) is a non-profit organization and sole institutions to facilitate secondary market transactions established under Securities Exchange Act, 1983. It commenced its regular operations on January 13, 1994 and had adopted Open-Cry cry system in past but now adopted Computer system for transaction of securities.

The history of securities markets began with the flotation of share by Biratnagar Jute Mills and Nepal Bank Ltd. in 1937. Under the Industrial Policy Security Market Centre was established in 1974 which is converted into Securities Exchange Centre (SEC) with the objective of facilitating and promoting the growth of capital market (Adhikari 2004, 75). Later when Securities

Exchange Act was regulated in 1983, it started to operate under this act. Under a programmed initiated to reform capital market, Securities Exchange Centre (SEC) converted into Nepal Stock Exchange (NEPSE). The basic objective of NEPSE is to import free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through market intermediaries, such as brokers and market makers. Government of Nepal, Nepal Rastra Bank, Nepal Industrial Development Corporation and its member is the shareholder of NEPSE. Member of NEPSE are permitted to act as intermediaries in buying and selling of government bonds and corporate securities.

2.1.6.9 Offices of the Registrar of companies (ROC)

Registrar of Companies (ROC) is the governing body for any institution registered under Company Act. In its governing role, it observes and regulates any company going into public examining whether the process of 'going public' is in accordance with the rules and regulation set forth by the existing Company Act or not.

As per the Company ordinance 2062, before publishing prospectus, one copy of the prospectus needs to be submitted to ROC. In this process, ROC approves the prospectus to be published. While approving the prospectus, ROC makes sure that important information is not missed out and unnecessary information is not mentioned. Upon satisfactory changes ROC grants approval to issuing company to issue the prospectus. Apart from approving the prospectus to be published by the issuing company before going into public, ROC does not play other major role.

2.1.6.10 Nepal Rastra Bank (NRB)

Nepal Rastra Bank is the central banking authority in Nepal. It is the governing authority in setting guidelines to all the bank and financial institution regarding its area of operation. But, in the case of public offerings, its involvement is very minimal. Its role in the issue process is only to grant bank and financial institutions approval to be involved with different role in the issue process. If the issuing companies are financial institutions then they need to obtain approval from Nepal Rastra Bank as well, prior issuing their shares to public. Also for different fund based activities of merchant banking, approval needs to be taken from Nepal Rastra Bank.

2.1.7 Securities Issue Procedure in Primary Market (Legal Rules, Regulations)

The securities issue in Nepal should have to make by abiding the securities Transaction Act 1983, Issue management guidelines, 1997 Securities registration and issue approval guidelines 2000. According to the provision mentioned in this legal framework, the procedure of securities issue in Nepal is as follows,

1. The issuing company should have to select the issue manager or underwriter to manager or underwrite the issue.
2. After the selection of the issue manager, the issue manager should have to prepare the prospectus of the issuing company as per the format designed by the company registration office and ministry of commerce and industry.
3. After the preparation of the prospectus, the issue manager should have to send the prospectus to the issuing company for getting an approval from the Board of Director (BOD).
4. After the approval from the BOD of issuing company, the prospectus should have to be sent to the company registrar for the approval. The registrar of Company (ROC) will send a company of prospectus to the SEBON, Nepal Rastra Bank (NRB) and Insurance Board in case of insurance company for the review of the prospectus.
5. The SEBON, Nepal Rastra bank (NRB) and Insurance Board will send the prospectus after the review.
6. The ROC will again make a correction to the prospectus with reference to the feedback received from the SEBON, Nepal Rastra Bank (NRB) and Insurance Board.
7. The ROC will send the corrected prospectus to the issue manager and the issue manager again sends the corrected prospectus back to the issuing company for the approval.
8. After the approval of issuing company the prospectus should have to send to the ROC for the approval.
9. After the approval of prospectus from ROC, the issue manager should have to register the security in the SEBO for issue after paying certain fee.

Table 2.2
Registration Fee on Issue

Amount of issue	Commission
Up to Rs 50,00,000	0.25%

Rs 50,00,000 to Rs 100,00,000	0.2%
Above Rs 100,00,000	0.15%

10. The SEBON will provide the approval for issue after the discussion of BOD of SEBON.
11. The issue manager should have to issue the securities within the 2 months of receiving the approval.
12. The issue manager should have to prepare the share issue announcement on the basis of the approved prospectus by ROC.
13. The announcement should have to publish in the National daily newspaper.
14. The issue of securities should have to open within a maximum of 15 days and minimum of 7 days of the announcement of the public issue.
15. The share should have to be issued for minimum of 5 days if the share is issued from minimum of 10 collection counters that will cover all 5 development region. If the above provision is not possible, the share should have to open for 7 days.
16. If the targeted amount is not collected within 7 days the company can extend the issue for next 30 days. After that if company thinks to open issue further, the company can extend for another 15 days after getting an approval from SEBON.
17. The issue manager should have to close the sale of share by providing per notice.
18. This issue manager collects the fund from the collection counter day by day.
19. The company has to allot the share according to the allotment guidelines of SEBON.

Table 2.3

The allotment period of Securities

Number of Securities	Time Period (in days)
Up to 15000	45
15000 to 60000	60
60000 to 100000	70
Above 100000	90

Sources: SEBON

20. The distribution of share certificate should have to commence within the 45 days to the allotment after completing the allotment of 50% of shares The Company also has to list

the securities in the stock exchange within this period. Similarly, if the company has to refund it has to be made within this period.

2.2 Review of Related Studies

This section of the study draws excerpts from International articles, Nepalese journal articles along with Masters Degree Thesis. International journals have been accessed through the different websites and newspapers. Similarly, Nepalese journals and Masters Degree thesis have been accessed from Library of Lumbini Banijya Campus.

2.2.1 Review of International Journals

Large number of research work has been carried out elucidating different aspects of IPO's throughout the globe. However, only those works, which were accessible and considered relevant to this study have been included and excerpted below:

Corwin & Schultz (2005), examined syndicates for 1638 IPO's from January 1997 through June 2002. Contrary to popular belief that the larger syndicate yields benefits, they discussed several factors that may limit syndicate size. They mainly examined how syndicate structure affects the likelihood and magnitude of offer price revisions in response to information revealed during the filling period. As a proxy for information, they used the total return from the midpoint of the filling price range to the closing price of the first day of trading. For the purpose, they collected an initial sample of 2146 IPO's issued from the Securities Data Company's (SDC) Global new issues Database. They found strong evidence of information production by syndicates members in IPO's under-written by large syndicates and particularly by syndicates with a lot of co-manager, the offer price is more likely to be revised away from the midpoint of the filling price in respond to information. For large IPO's, they found underwriter who can provide coverage by a top-ranked analyst are more likely to be include in the syndicate. Simarly, even though the issuers benefit from increasing the number of syndicate members and especially the number of co-managers who underwrite their IPO, syndicate size is very much dependent upon the

preference of book manager rather than issuers. Finally, they concluded that although the IPO proceeds increase from 1997-2002, syndicates grew smaller.

Goergen & Others (2006), carried out a study on, “The Strategy of Going Public: How UK Firms Choose Their Listing Contracts.” The study carried two objectives: The first objective was to derive potential factors that may influence the choice of IPO listing contracts from the few theoretical papers and empirical studies in the fields. The second object was to test how well those factors explain the choice of the listing contract for the case of UK IPO’s. The study focused on 240 flotations, which were listing on the official list of London Stock Exchange (LSE) during the period of 1991 to 1995. They used a binomial profit model to measure the impact of the variables on the contract choice. As the study proposed that three types of factors essentially influence the choice of contract; ex-ante uncertainty, certification and the visibility/exposure of the issue, they found that the higher the firms choose a placing contract. They also found strong evidence that the sponsor and creditors screening signals the quality of the IPO firm. Hence, firms, which use highly reputable sponsors and those with high debt to assets ratios usually, choose public offer contracts. They also found that firm that make small issues find it cheaper to use placing contracts. Finally, they concluded that in general the decision to choose a placing rather than an offer or vice-versa is taken by the firm within the framework of rational behavior.

Baru & Fawcett (2006), performed a study on, “Initial Public Offerings; An Analysis of Theory and Practice.” The study intended to extend the IPO literature by analyzing unique data from surveys of Chief Financial Officers (CFO’s) to compare CFO perspectives to prevailing academic theory. Specifically, they examined the following seven issues; motivations for going public, timing of the IPO’s, underwriter selection under-pricing, signaling IPO process issues and the decision to stay private. In this regard, they surveyed three sub samples of firms, namely those that successfully completed an IPO, those that began the process but chose to withdraw the issue and those that are large enough to go public, but have not attempted an IPO. They surveyed 330 CFO’s and their survey process followed Dill Man’s (1978) total design method, which is a standard for conducting academic surveys. Their findings are summarized as:

The most important motivation for going public is to create public shares for use in future acquisitions. Insiders are opportunistic especially at VC-backed firms. They seek to go public at a time that portends a high stock price. The underwriter selection process is driven by a very small set of selection criteria namely underwriter reputation and IPO process expertise. CFO attributes most under pricing to market uncertainty and the need to reward investors for taking the risk of IPO. The most important positive signal is past historical earnings, this may promote window dressing. CFO's strongly prefer firm – commitment underwriting. Companies remain private to preserve decision-making control ownership.

2.2.2 Review of Past Research Work

Prior this, quite a few research has been carried out by various scholars covering different aspects of capital market. Yet there is dearth of research study in the area of IPO. However, few research studies that are considered relevant and accessible during study period have been excerpted below:

Shrestha (1996) has conducted a research study on, “Public Response to Primary issue of Share in Nepal”. The main objective of the study was to evaluate the primary market of shares, analyze the pattern of public response to the shares and to identify the problems of primary market in Nepal. He has used both primary and secondary data from 12 selected companies for the period of 3 years, from January 1993 to January 1996. He has employed simple average, chi-square test and coefficient for deduction.

The study conclude that public response to the issue of shares of banks, finance and insurance companies were better than that of manufacturing and processing, trading, hotel and other groups of companies. The success of response to the public issues largely depends on the response from within Kathmandu valley and to some extent, the issues of shares seem to attract from outside the valley.

Pandey (2001), who has done research on, “Public Response to Primary Issue of Shares in Nepal,” with the object of: identify the problems of primary share issue market, assess the growth of primary issue market, analyze the pattern of public response to shares & find the reasons of variations. Mr. Pandey has summarized his find as: public response in primary market is high due to lack of opportunities for investment in other fields. No proper investment analysis is been made. Despite this, public are attracted towards shares than other sectors, basically to increase their value of investment, be it dividend capital gain or bonus shares. it can be seen that public response to primary issues on banking and Financial sectors is normally higher than that of the manufacturing and services sector. Major causes for proper response in the period 1995-1998 were; interest rates were higher as compared to dividend yield, the public companies were not performing well and

Paudel(2002), has done, “Investing in shares of Commercial Banks in Nepal:An assessment of Return and Risk Element,”Major finding of his studied were:The share of commercial bank in Nepal are heavily traded in the stock market and , these shares play a key role in the determination stock exchange indicators. The average mean return on market portfolio , as measured by changes in the NEPSE index,was 5.51 percent are over the sample period. All the shares produced higher rates of return than the return on market portfolio. However the risk and return characteristics do not seem to be the same for all the shares reviewed. The shares with larger standard deviation seem to be able to produce higher rate of return. The portion of unsystematic risk is very high with the shares having negative beta coefficient.The risk per units of return, as measured by the coefficient of variation , is less than that of the market as a whole for all the individual shares. Most of the shares fall under the category of defensive stocks,(having beta coefficient less then 1) except the shares of Bank of Kathmandu Limited.Return on the shares of Nepal Arab Bank Limited is negatively correlated with the return on market portfolio and, therefore, it has negative beta coefficient. From the analysis , it appears that none of the shares are correctly priced. Theoretically the market price of an over priced (under priced)share will fall (rise) in order to increase the excepted return such that the excepted return equal the required return . Therefore,shares of Arab Bank Limited,Nepal Indosuez Bank Limited and Himalayan Bank limited which are overpriced relative to

equilibrium thus market forces, will decline. The remaining share to be under-priced indicating a possible positive long term price trend.

Adhikari (2005), has conducted a research on “An Analysis of Determinants of IPO Under pricing in Nepal.” The basic objective of the study was to analyze the under pricing of IPO’s in the context of Nepal. Beside the study also examined the trends of Public offering market and process of going public in Nepal. For propose of study data of the periods of 4 years from 1999/00 to 2003/04 were used.

The researcher concluded that under-pricing does not occur among Nepalese firms. The researcher also added that the result is not consistent with theory and different finding of empirical studies conducted in different countries. IPO’s market in Nepal does not enjoy any right to set the price of their issue. The price setting process is totally controlled by the regulatory body. Because of this reasons, Nepalese merchant banker could not play any role to influence the offer price of IPO’s.

Bhattarai (2006), has performed a study on, “Public Response to Initial Public Offering in Nepal,” with the basic objective of assessing public response to the initial public offering. However, the study also focused on the dealing process and pace of the IPO. The study has used both primary and secondary data. Primary data collected through direct questionnaires provided to the general investor while secondary data were collected from various publications of SEBON, NEPSE and other institutions.

The study concluded that most of the general investors in Nepal do not have significant information regarding the primary market but still they are very much interested to invest money in the primary market. It also found that almost each sector was getting good response from public. Specially, financial institutions and insurance companies were becoming more preferable for public than the other non-financial sectors.

Bhattarai, P. (2007) conducted “Problem and Prospect of Primary Market” founded that most of the people considered stock market investment as a black art that they have unrealistically

optimistic or pessimistic expectations about stock market investment or perhaps a few of the unknown. Nepalese individual investors cannot analyze the securities as well as market properly because of the lack of information and poor knowledge about the analysis of securities for investment. He shows that the institutional development of securities market in Nepal started in 1976; it is still at an underdeveloped stage, characterized by legal inadequacy, low resource availability to the corporate governance practices, low involvement of institutional investors, poor disclosure practices, high cost of public issue, high transaction cost and lack of enforcement and auditing standards.

Public response is high due to lack of opportunities for investment in other fields. No proper investment analysis is been made. Public are attracted towards share that other sectors basically to increase their value of investment. The dynamic of the stock market has been greatly reduced by the domination of the long-term shareholders, who prefer holding the share with the hope of increasing their wealth. This can be justified by small number of share that is traded on the stock market. Even though this reduces the drive of the stock market the investors have very few rather no alternative to holding shares.

Sharma, R. (2008) “Market Efficiency and the Investors’ Behavior Of the Primary Market in Nepal” concluded that the existing market situation shows the good response from the investors towards the issuing companies. The banking and the finance sector are ahead in the response from the general investors. The initial issues for the general public from those sectors are highly responded by the investors. Their every issue is over-subscribed these days. Due to their good performance in profit orientation, general investors are fully confident for the more secured return in future days. This reaction is limited in other sector because the market status does not belong to others. We think, for the market efficiency of primary market, every sector should be responded equally by the general investors with more confidence. Producing the confident investors is the main function of the Nepalese stock market. The every stock provisions and the guidelines provided by SEBO to regulate the primary issues should be updated and every legal provision should help the existing or potential investors to think for invest in the primary market. When the existed problem are solved or eliminated, the market is seemed to be efficient to produce maximum number of confidence investors.

Subedi (2009) “Current Position of Nepal Stock Exchange in Nepalese Market” for the analysis of roles of NEPSE and SEBON in the development of capital market in Nepal. Besides the study focused on the study of roles of NEPES and SEBON , analysis of market trend with regard to the annual turnover and NEPSE Index and finally to examine the quantity and numbers of total trades of different listed companies in the NEPSE.

The major finding of his research work were the large block of share being traded in the stock exchange was captured by the share of commercial banks. Trading, manufacturing and processing as well as other real sectors participation was nominal . Even though total number of transaction has been increased during the study period , the large portion of it was covered by the stock of commercial banks. The NEPSE index reflected the aggregate volatility of the share price of the companies being listed and traded in the NEPSE.

2.3 Research Gap

Even though numerous studies have been carried out in different part of the world covering different aspects of securities market, stock trading mechanism and stock pricing behaviors etc. including public response in primary issue of different securities. But there is still lack of research in the field of Initial Public Offering to the stock investment Few studies have analyzed existing state of IPO’s in Nepal. However, none of the studies has been able to portray the complete picture of IPO’s and their practices in Nepal. This study tries to understand the pace of initial public offering, investor response, procedures, rules, regulations and provisions as well as public awareness about it.

This study will be helpful to public companies (new and existing), issue manager, underwriter, investor, government organizations, general public, researcher and other parties related to IPO (Primary issue of different securities).

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

The Research Methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. It is necessary for the researcher to know not only the research method but also the methodology. When we talk about the research methodology, we not only talk about the research methods but also consider the logic behind the methods we use in the context of our research study and explain why we are using a particular method or technique and explain, why we are not using others so that research results are capable of being evaluated either by researcher himself or by others. The study of research methodology gives the student the necessary training in gathering materials and arranging them, particularly in field work required and techniques for collection of data appropriate to particular problems, in the use of statistics, questionnaires and recoding evidence, sorting it out and interpreting it.

3.2 Research Design

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

3.3 Population and Sample

Number of companies listed in Nepal Stock Exchange (NEPSE) by the end of FY 2009/10 has reached 176 and these companies are divided into eight sectors which include commercial banks, development banks, finance companies, trading companies, hotels and others (SEBON, Annual Report 2009/10). However, the study is focused on only those companies which have gone for IPO during the period of FY 2003/04 to 2009/10. To find out the public response to

the Initial Public Offering, this study has divided in to two sectors as Financial Institutions and Insurance Sector and Non Financial Sector. Due to unavailability of reliable data this study has completed upon the base of selected sample from each sectors. The sample have selected at random from each sector.

Population and Sample for Study

S.N.	Institutions	Population	Sample Size
Financial Institutions and Insurance Sectors			
1	Commercial Banks	23	3
2	Development Banks	40	5
3	Finance Companies	62	3
4	Insurance Companies	19	3
Total		144	14

3.4 Sources of Data

The present study is based on primary as well as secondary data as per the objective and requirement of the study. For the characteristic of the study, the secondary data is collected from Nepal's leading Issue managers NMB, CIT and NIDC Capital Markets. Similarly, the other sources of secondary data have been acquired from different libraries and journal as well as annual report and websites of SEBON/NEPSE. The primary data have been collected through structured interview and asked to the related staffs of SEBON and other general public who are investing their money in primary issue.

3.5 Data Presentation and Analysis

For the sake of effectiveness, the data collected from various sources have been presented in the form of table, chart and bar graph as per the need of the study. The result obtained from the analysis has been clearly interpreted so as to depict the exact finding of the study. Analysis is the careful study of available facts so that one can understand and draw conclusion from them on the basis of established principles and sound logic. The empirical results have been extracted in this study by using annual data of listed companies from 2003/04 to 2009/10.

3.6 Tools for Analysis

To attain above mention objective on the basis of primary data collected from questionnaires and informal discussion with investors. The statistical tools are used as required by the study.

3.6.1 Statistical Tools

The appropriate statistical tools are used where ever required to extract the result from the data collected. The different tools are as follows;

3.6.1.1 Multiple Bar-Diagrams and Graphs

Diagrams and graphs help to shows the general trend of the rations in respect to the time periods of the analysis year. Out of various types of diagrams one of the most important from of diagrammatic presentation of data is multiple bar diagram which is used in cases where multiple characteristic of the same set of data have to be presented and compared.

3.6.1.2 Pie-diagram

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

3.6.1.3 Percentage Analysis

The percentage analysis is done to compare two or more data for general information. It is used to find out the portion of sample in favor of different choices.

3.6.1.4 Simple Arithmetic Mean

Simple arithmetic mean indicates the measure of the Middle of the data set and denoted by μ or \bar{X} . In other words it is just the sum of all the observations divided by the number of observations. During analysis, Mean or Average has been used by synonymous to equal weighted mean. It is calculated by:

$$\text{Mean} = \frac{\text{Sum of total values}}{\text{Number of values}}, \bar{X} = \frac{\sum x}{N}$$

3.6.1.5 T- Test

Deal with the small sample for testing of hypothesis concerning population means difference between to population means and observed sample correlation coefficient etc. T- test based on exact sample test is used. The t-test for difference between to means is used to test whether two independent samples have been drawn from to normal populations having the same means and equal population variance or there is significant difference between population means from which the samples of drawn.

The following formula is uses to test an observed sample correlation coefficient:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{S_p^2 \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

Similarly, $S_p^2 = \frac{1}{n_1 + n_2 - 2} \left\{ \sum X_1^2 - \frac{(\sum X_1)^2}{n_1} + \sum X_2^2 - \frac{(\sum X_2)^2}{n_2} \right\}$

Where, \bar{X}_1 = Mean of first Sample

\bar{X}_2 = Mean of second Sample

S_p^2 = an unbiased estimate of the common variance and its value is computed

n_1 = Number of first sample

n_2 = Number of second sample

3.7 Limitation of the Methodology

Availability of data is a major concern. NEPSE is the sole authority to release data needed for analysis in this study but has not been able to provide them all. So the major portion of analysis especially stock price information has been based on daily newspapers and subsequently bounded to be influenced by their quality of presentation. The unavailability of data has also forced to limit the time frame of study into FY 2003/04 to FY 2009/10. The study has used stratified random sampling and descriptive and analytical research design, hence is subjected to their inherent biases.

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The data presentation and analysis is the important part of the study because all the information and ideas will be analyzed and presented in this chapter. The forwarded study is the study of the investor's response to Initial Public Offering in Nepal as the component of investment. The basic objectives of this study have been already mentioned in the first chapter. The Initial Public offering aspects have disused in the review of literature. In the research methodology necessary analytical tools and techniques have been employed for the accomplishment of prescribed objectives. In this chapter efforts have been made to process the obtained data analyzed and interpret them. The available data are presented in table and graph and they are analyzed with the help of statistical, mathematical and financial tools and finally interpreted on the basis of which facts are explored.

4.2 Pace of Initial Public Offering

4.2.1 Amount of Public Issues Approved

As per the provision of Securities Exchange Act, 2063 and regulation and guidelines made there under, the company must get issue approval from SEBON prior to make their offer to public. From the FY 2003/04 to 2009/10 has approved 280 issues of securities amounting to Rs. 45712.22m. The situation of issue approved in different year is presented in Table 4.1.

Table-4.1 shows the amount of issues approved by SEBON vary during the period. The highest amount of issue approved was Rs.16828.51m (36.81%)and in the fiscal year 2008/09 and second highest amount of issue approved Rs.10822.41(23.63%) in the FY year 2009/10 and was followed by Rs.10668.2 m (23.33%) in fiscal year 2007/08, Rs2295.5 m (5.02%) in fiscal year 2006/07, Rs.2443.28m (5.34%) in fiscal year 2005/06, Rs1626.82m (3.59%) in fiscal year 2004/05. Similarly, the amount of approved was Rs. 1027.5 m (2.24%) in 2003/04.

Table 4.1

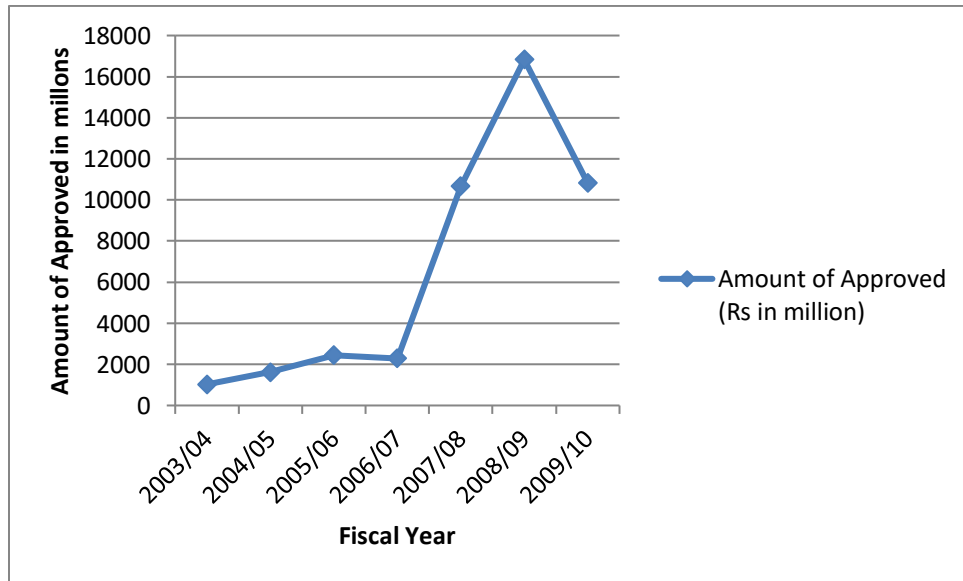
Amount of Issue Approved

Year	Amount of Approved (Rs in million)	% of Issue Approved
2003/04	1027.5	2.24
2004/05	1626.82	3.59
2005/06	2443.28	5.34
2006/07	2295.5	5.02
2007/08	10668.2	23.33
2008/09	16828.51	36.81
2009/10	10822.41	23.63
Total	45712.22	100.00

Source: SEBON Annual, Report 2009/10

The figure 4.1 shows the fluctuations of amount of issued approved by SEBON during the period. It is shown that, in the past few years the amount of approved was in increasing trend.

Fig. 4.1
Amount of issue approved



4.2.2 Number of Issued Approved

The number of issue approved during the period of 2003/04 to 2009/10 varies differently which is presented in below at table 4.2.

Likewise, the amount of public issue approved, the number of issues approved in a fiscal year also had not shown any consistent trend over the study period. Total number of issue approve by SEBON during the period of FY 2003/04 to 2009/10 is 280. During the entire study period the same number of issue approved in a year were 14 (5 %) on two fiscal years, FY 2003/04 and FY 2004/05 where the second highest number of issue approved in a year is 34 (12.14 %) on fiscal year 2006/07 The highest number of issues approved was 64 (22.86 %) in the FY 2007/08 and FY 2008/09. In FY 2009/10 the number of issue is 61(21.88%) . The number of issue approved was decreased .

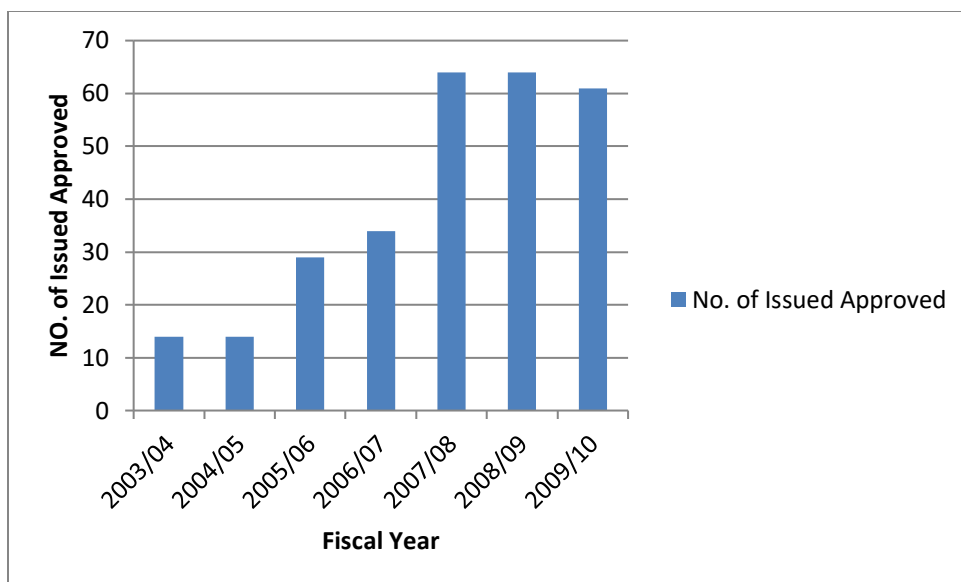
Table 4.2
Number of Issue Approved

Year	No. of Issued Approved	Issue Approved (Rs. in million)	Average Size (Rs. in million)	% of Issue Approved
2003/04	14	1027.5	73.39	5
2004/05	14	1626.82	116.20	5
2005/06	29	2443.28	84.25	10.36
2006/07	34	2295.5	67.51	12.14
2007/08	64	10668.2	166.69	22.86
2008/09	64	16828.51	262.95	22.86
2009/10	61	10822.41	177.41	21.88
Total	280	45712.22	163.26	100.00

Source: SEBON Annual, Report 2009/10

The average number of issue approved in each fiscal year has also been in fluctuating trend. Average size of issue offered was Rs.67.51 m the FY 2006/07 which is smallest and Rs. 262.95m in the FY 2008/09 which is largest size over the study period.

Figure 4.2
Number of Issued Approved



4.2.3 Sector wise Issue Approved

SEBON approved different types of securities of different sectors for public issue since FY 2003/04 to FY 2008/09. The total amount of issued approved is Rs.45712.22 m during this period. The most intriguing aspect of this approved amount is the contribution from financial sector that includes commercial banks, development banks, finance companies and insurance companies as revealed from Table 4.3.

The table shows that SEBON accepted the various sector's issued for going to public. The highest issue approved by SEBON was 122 issues (44.53 %) of Finance Sector and it was followed by 78 issues (28.47 %) of Development Bank Sector, 59 issues (21.53 %) of Commercial Bank Sector and 15 issues (5.47 %) of Insurance Sector during study period (FY 2003/04 to FY 2009/10).

Table 4.3
Sector wise Issued Approved

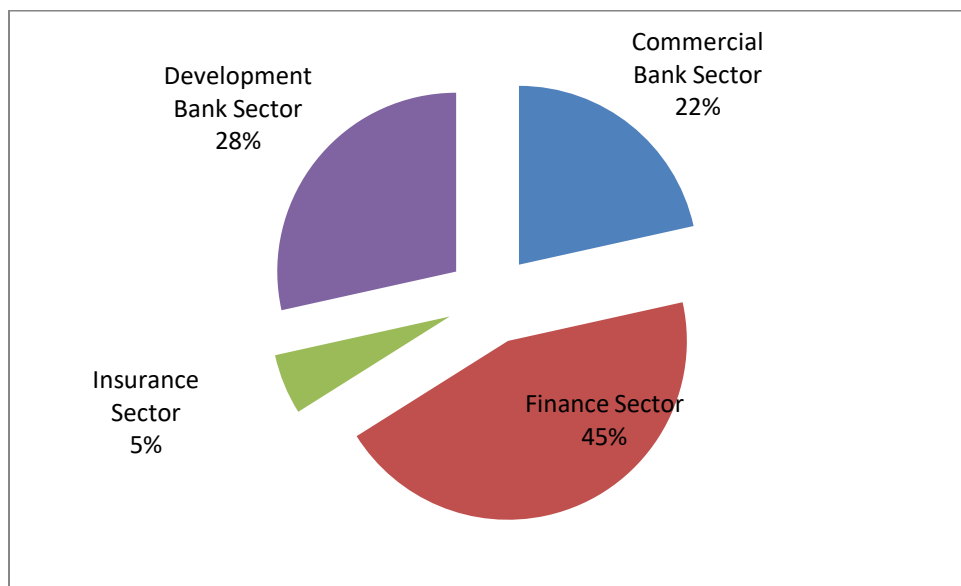
Sector	No. of Issued Approved	% of Issued Approved
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Commercial Bank Sector	59	21.53
Finance Sector	122	44.53
Insurance Sector	15	5.47
Development Bank Sector	78	28.47
Total	274	100

Source: SEBON Annual, Report 2009/10

Above data is also presented in to the Figure 4.3 which is shown below.

Figure 4.3 Sector wise issue Approve



4.2.4 Publicly Issued Companies

As per required of NEPSE, issuing companies should list their issues in NEPSE for allowing such issues to be traded on its trading floor. Since opening of NEPSE in FY2008/09, 159 companies have already been listed where out of these, 12 companies had de-listed from Trading Floor of NEPSE. So at the end of FY 2006/07, there are 135 companies listed in NEPSE. Total paid up value these listed securities by the end of fiscal year 2008/09 reached Rs. 61140.39 m which was Rs. 29465.8 m in last fiscal year (2007/08). In the end of fiscal year 2009/10, 176 companies listed in NESPSE and total paid up value these listed securities is 79356.73. The most intriguing aspect of this total paid up capital is the contribution from financial sector that

includes commercial banks, development banks, finance companies and insurance companies as revealed from tables 4.4.

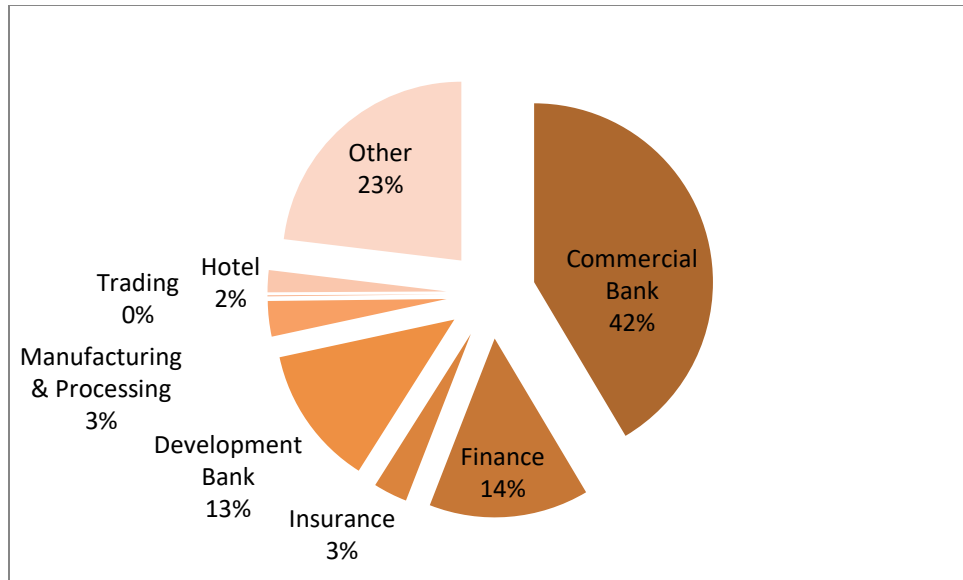
Table 4.4
Publicly Issued Companies

S.N	Sector	No of Public Issue	Paid of Value (Rs in million)	Percent
1	Commercial Bank	23	32900.64	41.46%
2	Finance	62	11466.39	14.45%
3	Insurance	19	2432.99	3.07 %
4	Development Bank	40	10027.14	12.64 %
5	Manufacturing & Processing	18	2539.74	3.20%
6	Trading	4	82.18	0.10%
7	Hotel	4	1580.71	1.99%
8	Other	6	18326.98	23.09 %
	Total	176	79356.73	100 %

Source: SEBON Annual, Report 2009/10

As shown in Table 4.4, out of 176 listed companies, 144 companies belong to financial sector. From paid-up value perspective commercial banks occupies 41.46 % (23) development bank have 12.64% (40), finance companies accounts for 14.45% (62) and insurance companies have 3.07% (19). Together as financial sector they account for 71.62%.

Figure 4.4
Publicly Issued Companies



On other hand manufacturing and processing sector, trading, hotel and others account for 3.20%, 0.10%, 1.99% and 23.09% of the total paid of value respectively. Together as non-financial sector they account for 28.38% of the total paid of value.

4.2.5 Public Issues from Finance and Non-Finance Sector

Listed companies can be divided into Finance sector and Non-finance sector companies. Finance sector mainly includes companies from commercial banks, development banks, finance companies and insurance while non-finance sector companies includes the companies from manufacturing and processing companies, trading companies, hotels and others .

Table 4.5 reveals the public issues from finance and non-finance sector during the study period.

Table 4.5
Public Issues from Finance and Non-finance Sector

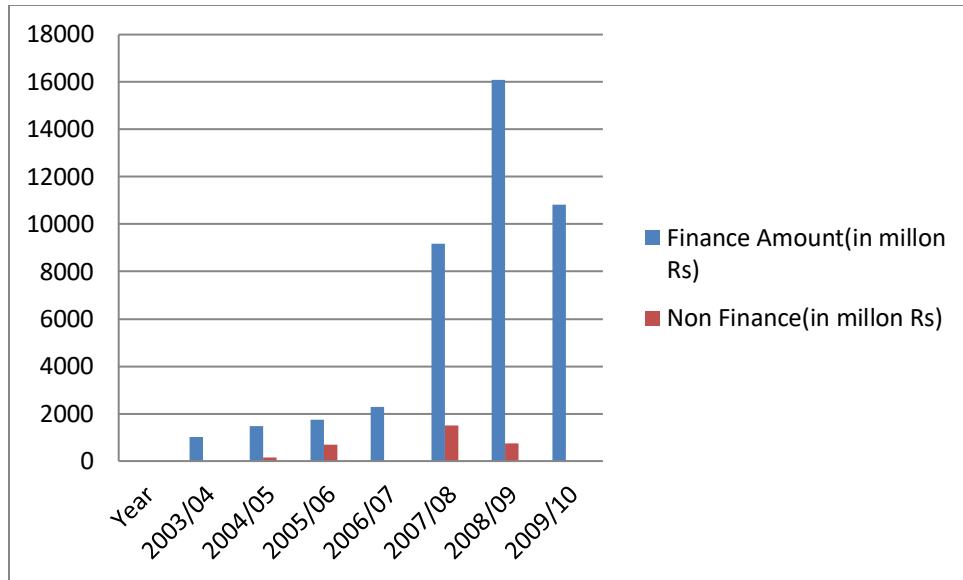
Sector	Finance			Non-finance			Total	
	No. of Issue	Amount (Rs in million)	Annual Growth (%)	No. of Issue	Amount (Rs in million)	Annual Growth (%)	No of Issue	Amount
Year								

2003/04	14	1027.5	84.62	0	0	-	14	1027.5
2004/05	13	1486.82	44.70	1	140	-	14	1626.82
2005/06	27	1759.42	18.33	2	683.86	388.47	29	2443.28
2006/07	34	2295.50	30.47	0	0	(100)	34	2295.50
2007/08	63	9168.2	299.38	1	1500	-	64	10668.2
2008/09	62	16082.07	75.41	2	746.44	(50.24)	64	16828.51
2009/10	61	10822.41		0	0		61	10822.41
Total	274	42641.92		6	3070.3		280	45712.22

Source: SEBON Annual, Report 2009/10

From Table 4.5 revealed that total of 280 public issues was made from finance and non-financial sector during the study period. Out of this, total of 274 (97.86%) offers came from financial sector whereas rest 6 (2.14%) from non-financial sector. During the study period total of Rs. 34889.81m issued to public. Out of it Rs. 42641.92m (93.28%) came from financial sector. Similarly, contribution from non-financial sector is Rs. 3070.3 m which is 6.72% of total.

Figure 4.5
Public Issues from Finance and Non-finance Sector



These figures clearly show that the financial sector is dominant force of Nepalese IPO market and often calls the shot in the field. This might be the reason why government has promulgated an array of rules and regulations bring in more transparency and disciplines into the sector.

To test where the index between Finance and Non-finance Sector are differing or not T-test is performed. Since there are Finance and Non-finance sector and yearly data between 7 years are taken as the number of observation. The overall results of this calculation are given in the following table.

Table 4.6
Result of T-Test

Total no. of Observation	Calculated T-value	Degree of Freedom	Tabulated T-value	Result	Decision
7	4.48	12	2.179	Tab-T < Cal-T	H0 is rejected

Source: Appendix-3

Note: (i) The significance level is 5 %.

(ii) Tabulated T-value at 12 Degree of Freedom is 2.179.

T-statistics is highly significant at 5 % level of significance. This implies that Finance sector and Non-financial sector are significantly different and it is noted that primary market is concentrated to financial sector then Non-financial sector.

4.2.6 Instrument-wise Public Issues

Likewise many other emerging markets Nepalese market also provides limited variety of investment instruments which mainly includes common stock, preferences shares, right shares, debenture and few issues from collective investment schemes like mutual fund but in this study the collective investment schemes are not includes. Over a period of time Nepalese stock market has been relying on few financial instruments such as common stock and right shares, which can not be considered good sign regarding overall development of Nepalese stock market.

Table 4.7

Fis. Year	Ord. Share		Pref. Share		Right Share		Debenture		Total	
	No of Issue	Amt. (in m)	No Of Issue	Amt.	No of Issue	Amt. (in m)	No Of Issue	Amt(in m)	No of issue	Amt (in m)
2003/04	10	657.50	-	-	3	70	1	300	14	1027.50
2004/05	7	377.48	-	-	6	949.34	1	300	14	1626.82
2005/06	14	579.83	-	-	11	1013.45	4	850	29	2443.28
2006/07	15	380.3	1	400	17	1265.3	1	250	34	2295.50
2007/08	16	924.80	-	-	43	6793.4	5	2950	64	10668.20
2008/09	12	1816.32	-	-	50	14262.19	2	750	64	16828.51
2009/10	28	2649.37	-	-	33	8173.04	-	-	61	10822.51

Total	102	7385.6	1	400	163	32526.72	14	5400	280	45712.32
%	36.43	16.16	0.36	0.88	58.21	71.16	5	11.81		

Instrument-wise Public Issues

Sources: SEBON Annual Report

As shown in Table 4.7, out of 280 offers during the sample period, 102 issues were ordinary shares, which is 36.43% of the total issue offered during the period. Similarly, 163 issues were right shares, which is 71.16% of total issue. Also 14 issues were debentures (11.81%). Hence from number of issues offered perspective, Right share was the most preferred instrument for issuing company, followed by Ordinary share, debenture and preference share respectively.

From issued amount perspective right share emerges as most used financial instrument with 71.16% of total issued amount. Second most used instrument was Ordinary share 36.43% and debenture occupying 11.81% of total amount and preferred stock 0.88% respectively .

Figure 4.6

Instrument-wise (On the basis of No. of issue) Public Issue Approved

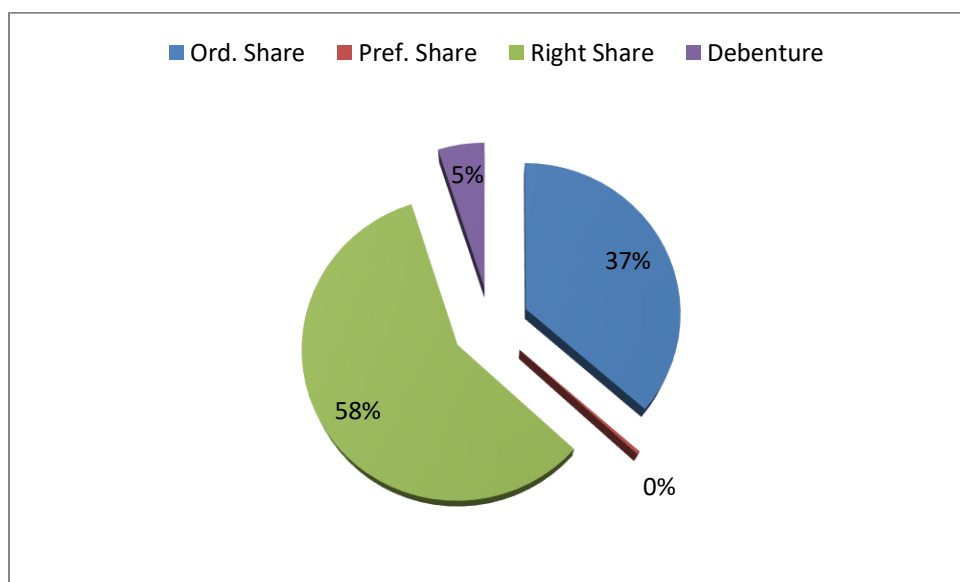
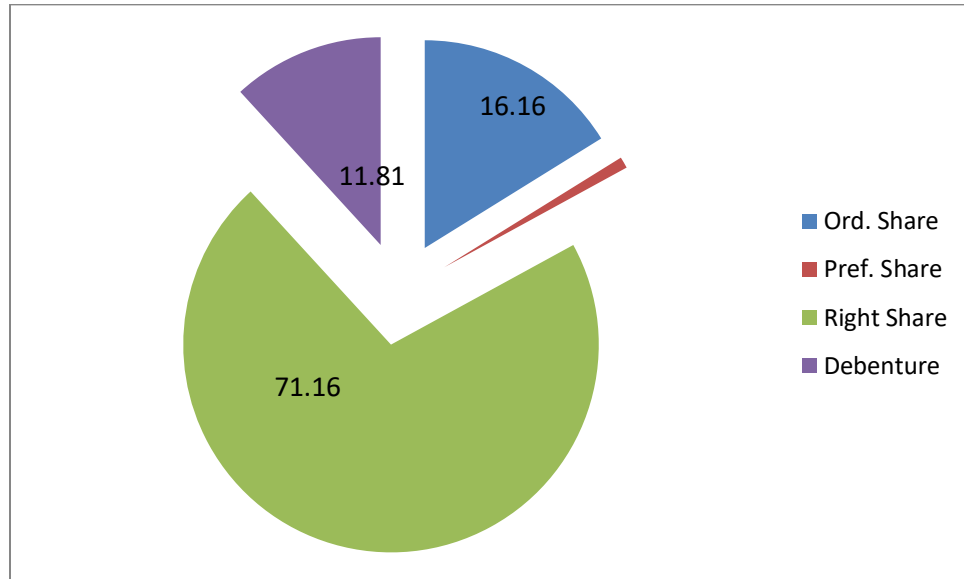


Figure 4.7
Instrument-wise (On the basis of Total Amount) Public Issue Approve



The most striking aspect of the analysis has been the fact that preferences shares were issued only 1 times and debenture 14 times during the entire study period which covered 7 fiscal years. This clearly shows that Nepalese stock market is overly dependent on few financial instruments likely ordinary share and right share. This over dependency, on one hand limits the boundary of investment opportunities to the public and on other hand, limits the overall development prospect of Nepalese stock market. At the same time this may also justify the selection of ordinary share as subject of this study.

4.3 Subscription (Over and Under) Pattern of Securities

When a company offers its issues to public, the demand received from public is bound to vary. When demanded number of securities is higher than the offered number of securities, it is called over-subscription and when the demanded number of securities is lower than the number of securities offered, it is called under-subscription. Similarly when the offered number of securities and demanded number of securities are equal it is case of full subscription. More information regarding it has been presented in Table 4.8.

As revealed from Table 4.8, total of 280 different companies issued different securities (only Ordinary Shares, Right Share, Preference Share and Debenture) to the public during the study period of FY 2003/04 to FY 2009/10.

Table 4.8
Over and Under Subscription of Securities

Fiscal Year	Total no. of Issued	Over Subscription		Under Subscription		Fully Subscribed		Unknown	
		No	%	No	%	No	%	No	%
2003/04	14	12	85.71	2	14.29	-	-	-	-
2004/05	14	6	42.86	7	50	1	7.14	-	-
2005/06	29	17	58.62	10	34.48	2	6.9	-	-
2006/07	34	16	47.06	14	41.18	3	8.82	1	2.94
2007/08	64	19	29.69	32	50	3	4.69	10	15.63
2008/09	64	10	15.63	-	-	-	-	54	84.38
2009/10	61	25	40.98	-	-	-	-	36	59.02
Total	280	105	37.5	65	23.21	9	3.21	101	36.07

Source: Annual Report of SEBON

Hence, from the total of 280 issues, 105 issues representing 37.5% of total issues were oversubscription, 65 issues accounting 23.21% were under subscribed and 9 issues (3.21%) were fully subscribed where there was unknown about subscription pattern of 101 issues representing 36.07% of total no. of issue. On instrument wise basis, the ordinary share was oversubscribed most of the time in comparison to other securities where as in case of fully subscribed; right share and debenture capture about 2/3 part of the total number but right share under subscribed most of time. That fact may hint out why most companies prefer common shares to raise capital from general public rather than other securities.

4.4 Public Response to Initial Public Offering

Nepal Stock Exchange Limited has divided the total listed companies into eight sectors. They are Commercial Banks, Finance Companies, Development Banks, Insurance Companies, Manufacturing & Processing Companies, Trading Companies, Hotels and others. Investors have to decide in which sector they want to made investment. As per objective, this study only concerned with the investors priority and response for the IPO so whole study based on Financial sector (Commercial Bank, development bank, Finance companies and Insurance companies).

4.4.1 Public Response to Commercial Bank

23 commercial bank had issued their public in FY 2009/10. NABIL Bank Limited (Nepal Arab Bank Limited) was the first commercial bank.

To analyze the public response to commercial banks, Three commercial banks (Nepal Investment Bank Ltd.,Laxmi Bank Ltd. and Siddhartha Bank Ltd.) are chosen as samples which are shown in the following table.

The Table 4.8 shows the information of 3 different commercial banks with number of shares issued, number of applications applied by general public to the company and Subscription Times which shows the public response to these companies .

Table 4.9
Public Response to Commercial Banks

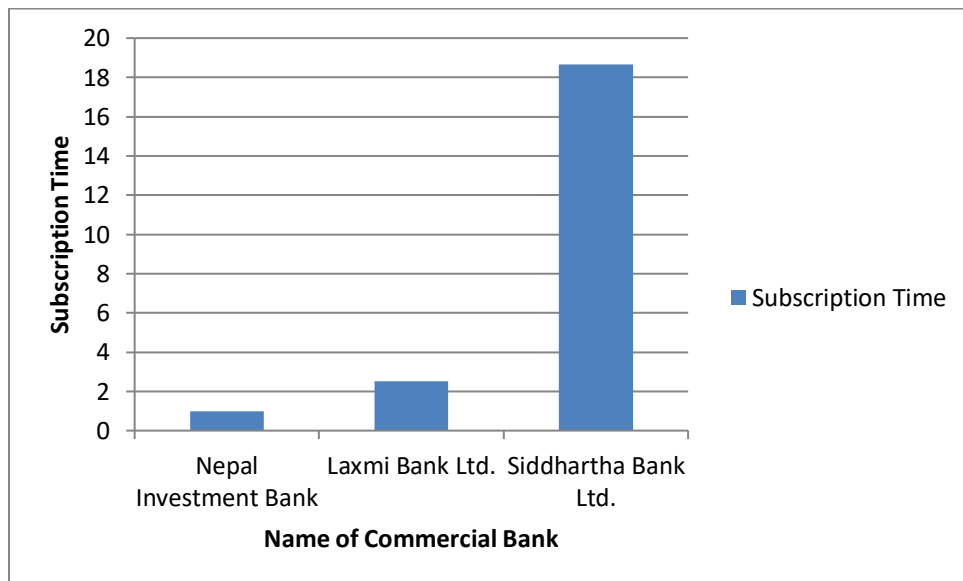
S.N	Name of Commercial Banks	Issued Years	No of Shares Issued	Shares Applied	Subscripti on Time	Result
1.	Nepal Investment Bank	2005	2952900	2923371	0.99	Under Subscribed
2.	Laxmi Bank Ltd.	2003	192500	483849	2.51	Over Subscribed
3.	Siddhartha Bank Ltd.	2005	150000	279795	18.65	Over Subscribed

Sources: NMB, NIDC Capital Market, CIT and Annual Report of SEBON

As revealed from table 4.8 out of 5 sampled commercial banks, the IPO of Siddhartha Bank Ltd. (ordinary share) gets the highest demand with subscription times of 18.65. It means investors gave high response to this company. Similarly, Laxmi Bank Ltd. had issued 192500 units but investor applied for 483849 units and subscription was 2.51 times more than issue size. It means that investor gave positive response to this company. But in case of Nepal Investment Bank the public response was just opposite. This bank had issued 29522900 units Share (Right Share) but demand was only 2923371(Subscription is only 0.99 times) and result was under subscribed. That means investors gave less response to this bank than the other bank.

In the above table, it is shown that among 3 banks, 2 banks had oversubscribed and 1 had under subscribed which indicates that IPO of this sector were highly appreciated and demanded by general public. Investors give high priority and response to the public issues of commercial banks.

Figure 4.8
Public Response to Commercial Banks



4.4.2 Public Response to Development Bank

40 Development banks had issued their public and some other are in the process of issue of securities to public and get the approval for issue of the Ordinary Share at the end of FY 2009/10. Nepal Development Bank Limited was the first Development bank and last time Pashupati Development bank ltd issue share to the public.

To analyze the public response to Development banks, five Development Banks ; Chhimek Development Bank Ltd (CDBL), Deprose Development Bank, Sanima Development Bank Ltd (SDBL), Himchuli Development Bank Ltd (HDBL) and Siddhartha Development Bank Ltd (SDBL) are chosen as samples which are shown in the following table:

The Table 4.9 shows the information of 5 different Development banks with number of shares issued, number of applications applied by general public to the company and Subscription Times which shows the public response to these companies.

Table 4.9
Public Response to Development Banks

S.N.	Name of Development Bank	Issued Years	No of Shares Issued	Shares Applied	Subscription Time	Result
1.	Chhimek Develop. Bank	2004	30000	41781	1.39	Over Subscribed
2.	Deprose Develop.Bank	2005	34800	90250	2.59	Over Subscribed
3.	Siddhartha Develop. Bank	2006	200000	444860	2.22	Over Subscribed
4.	Sanima Develop. Bank	2006	960000	38697600	40.31	Over Subscribed
5.	Himchuli Develop. Bank	2007	120000	16034400	133.62	Over Subscribed

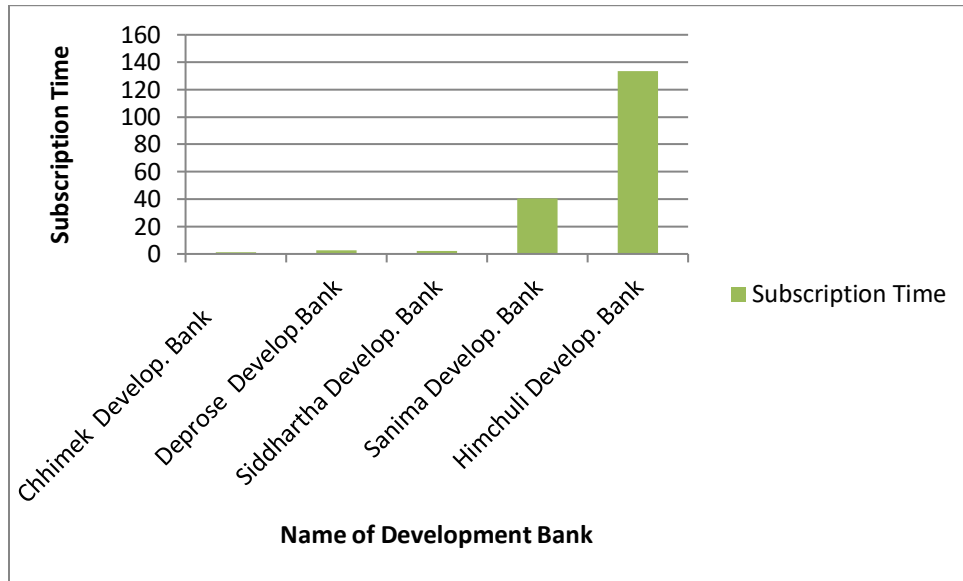
Sources: NMB, NIDC Capital Market, CIT and Annual Report of SEBON

As revealed from table 4.9 out of 5 sampled Development banks, the IPO of Himchuli Development Bank Ltd (ordinary share) gets the highest demand and subscription was 133.62 times more than issued sized which set a new records in the history of Primary issue in Nepal. That means investors gave high response to this company then the other company (not only Development Banking Sector but also all of the companies to go public for IPO up to now in Nepal). Similarly, Sanima Development Bank had issued 960000 units of ordinary share but investor applied for 38697600 units and subscription was 40.31 times more than issue size. This

shows the response of the investors to this bank was also very high. It was followed by Chhimek Development Bank Ltd, Deprose Development Bank and Siddhartha Development Bank subscription were 1.39 ,2.59 and 2.22 times shows the public response was very low (but over subscribed). That means investors gave less response to these bank than the other.

From the table, it is shown that among five Development banks two banks had very high public response and rest three had low public response but not under subscribed all of the above company.

**Figure 4.9
Public Response to Development Banks**



4.4.3 Public Response to Finance Companies

Finance Companies are the major attraction of the investor to purchase the shares. There are 62 Finance Companies had issued their public and some other are in the process of issue of securities to public and get the approval for issue of the Ordinary Share at the end of FY 2009/10. IPO from finance companies received good response from general public leading to oversubscription of the issues during the study period.

To simply the study of public response to finance companies, 3 Finance companies: Everest Finance Co, IME Financial Institution Ltd and ICFC Financial Institution Co Ltd are chosen as samples which are shown in the following table:

Table 4.10

Public Response to Finance Companies

S.N	Name of Finance Company	Issued Years	No of Shares Issued	Shares Applied	Subscription Time	Result
1	Everest Finance Co.	2005	80000	432000	5.40	Over Subscribed
2	IME Financial Institution	2006	175000	802305	4.58	Over Subscribed
3	ICFC Financial Institution.	2007	244000	16034400	35.06	Over Subscribed

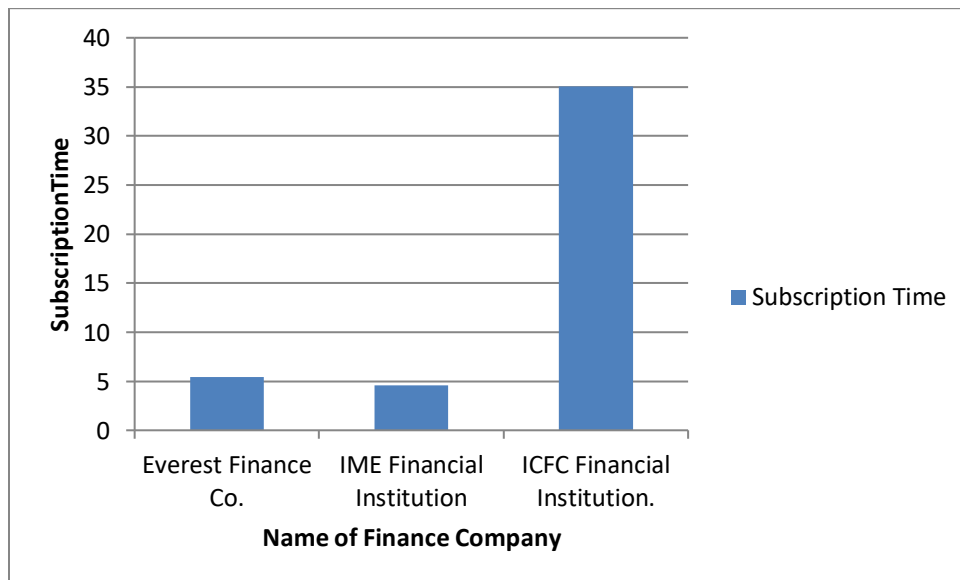
Sources: NMB, NIDC Capital Market, CIT and Annual Report of SEBON

The Table 4.10 shows the information of 3 different Finance Companies with number of shares issued, number of applications applied by general public to the company and Subscription Times which shows the public response to these companies.

As revealed from table 4.10 out of 3 sampled Finance Companies, the IPO of ICFC Financial Institution Ltd gets the highest demand and subscription was 35.06 times more than issued sized that means investors gave high response to this company then the other. Everest Finance Co and IME Financial Institution received medium response from the public with subscription of 5.40 times and 4.58 times in each companies respectively.

4.10

Public Response to Finance Companies



From the above table, it is shown that 3 Finance had oversubscribed which indicates that IPO of this sector were highly appreciated and demanded by general public. Finance Companies are also getting successful to attract investors.

4.4.4 Public Response to Insurance Companies

Insurance Companies are also parts of financial institution and play major role in the development of economy and security market. Insurance company is divided into Life and Non-life Company. There are 19 insurance Companies had issued their public and some other are in the process of issue of securities to public at the end of FY 2009/10. Himalayan General Insurance Limited was the first Insurance Company and last time Siddhartha Insurance Company Limited issue share to the public.

To analyze the public response to Insurance Companies, 3 Insurance Company ,Nepal Life Insurance Co. (NLIC), Life Insurance Crop Nepal, Shikhar Insurance Co. are chosen as samples which are shown in the table.

Table 4.11
Public Response to Insurance Companies

S.N.	Name of Insurance Company	Issued Years	No of Shares Issued	Shares Applied	Subscription Time	Result
1.	Lumbini Gernal Insurance Co.Ltd.	2007	250000	180000	0.72	Under Subscribed
2.	Siddhartha Insurance Ltd	2007	250000	155000	0.62	Under Subscribed
3.	Shikhar Insurance Co.	2006	250000	1093965 0	43.76	Over Subscribed

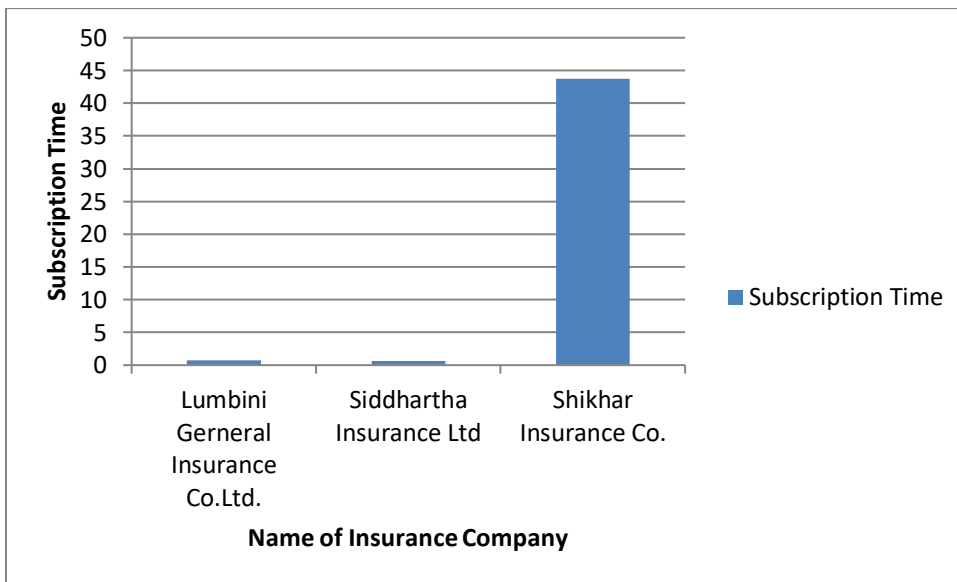
Sources: NMB, NIDC Capital Market, CIT and Annual Report of SEBON

The above table shows the public response to the non- life insurance companies with issued and applied number of shares as well as subscription times.

As revealed from table 4.11 out of 3 sampled insurance Companies, the IPO of Shikhar Insurance Co. gets the highest demand and subscription was 43.73 times more than issued sized

that means investors gave high response to this company then the other. Similarly, Siddhartha Insurance Ltd. Issued 250000 units of ordinary share but investor applied for 180000 units and subscription was 0.72 times less than issue size. Lumbini General Insurance Co.Ltd had issued 250000 units share but demand was 155000 Subscription was 0.62 times and result was Under subscribed. That means investors gave less response to this company also. Hence public response to this company was not high.

Figure 4.11
Public Response to Insurance Companies



From the table, it is shown that among 3 sampled insurance companies, all had oversubscribed but out of these companies 1 had very high, 2 had medium . This shows that Investor are more interested to purchase the share of insurance companies (both life and non-life). Investors give high priority and response to the public issues of insurance companies.

4.5 Analysis of Primary Data

Along with secondary data, primary data were taken to justify the study on the topic. Questionnaires method was implemented for this purpose.. In questionnaires method, number of questions was put up by means of copies of questionnaire. Categorically, the questions raised through this means were of three types, namely, Yes/No questions, Multiple Choice questions and Open end questions. The questionnaires were distributed to find out the first hand information from the investors of stock market. The investor has mixed feeling on the primary market and their responses have analyzed as follows:

4.5.1 Sources of Idea/Information about Investment

Regarding the Idea/information about investment to make investment into primary issue of securities, 70% of the respondents replied that they known through media, 10% through brokerage firm, 18% get information through friends and relatives and rest 5% know through other sources like issue manager, issuing company and market.

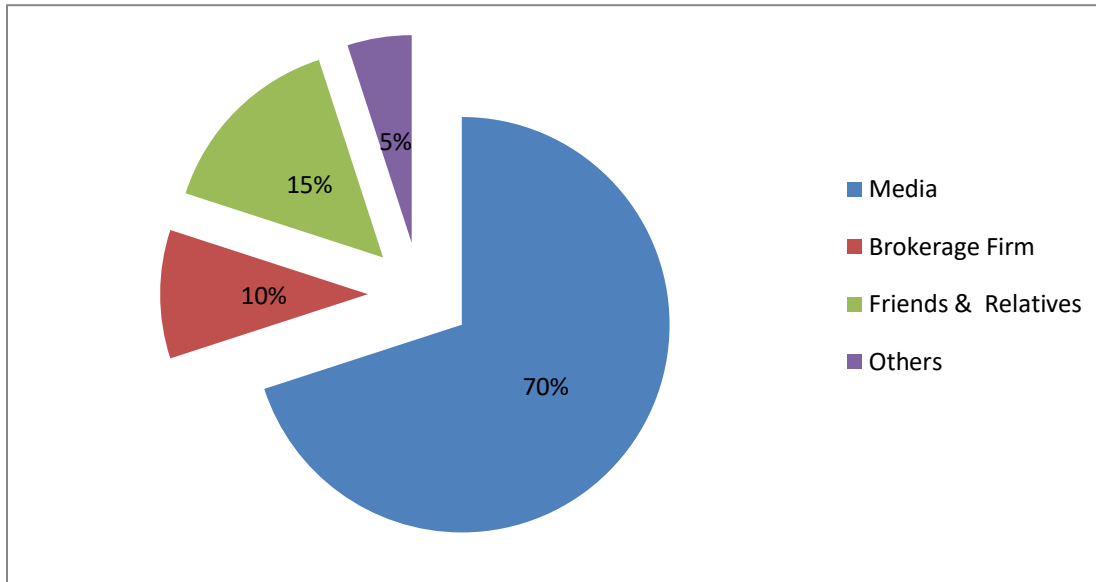
Table 4.12

Sources of Information about Investment

Research Variable	No. of respondents	% of investors
Media	84	70
Brokerage Firm	12	10
Friends & Relatives	18	15
Others	6	5
Total	120	100

Source: Field Survey

Figure 4.12 Sources of Information/Idea



4.5.2 Preferred Sector of Investment

In the questions regarding their preferred sector of investment, 50% of investors are interested in banking sector, 12.50% were interested in Insurance Companies, 25% in Finance/Development Bank 7.50% in manufacturing & processing companies and remaining 5% in other companies. From the table 4.15, it is clear that most of the investors, i.e., 50% are attracted by banking industry performance.

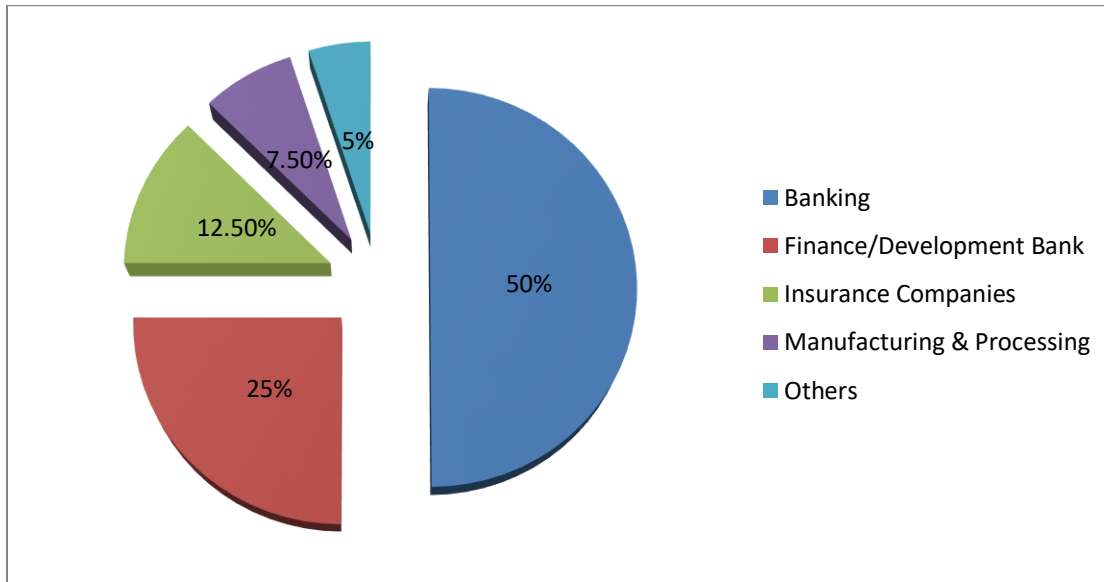
Table 4.13
Sector-wise Preferences for Investment

S. N.	Research Variable	No. of respondents	% of investors
A	Banking	60	50
B	Finance/Development Bank	30	25
C	Insurance Companies	15	12.50
D	Manufacturing & Processing	9	7.50
E	Others	6	5
	Total	120	100

Source: Field Survey

Figure 4.13

Sector-wise Preference of Investor



4.5.3 Past Experience of Primary Issue

This objective of this question was to find out the investor past experience of investment in primary issue or primary market of them. With respect to the evaluation of experience, 61% investors have the past experience of primary market where rest of respondent has no past experience of primary issue. This is the good sign for the development of primary market that new investor are trying to invest their money in the primary issue (IPO).

Table 4.14

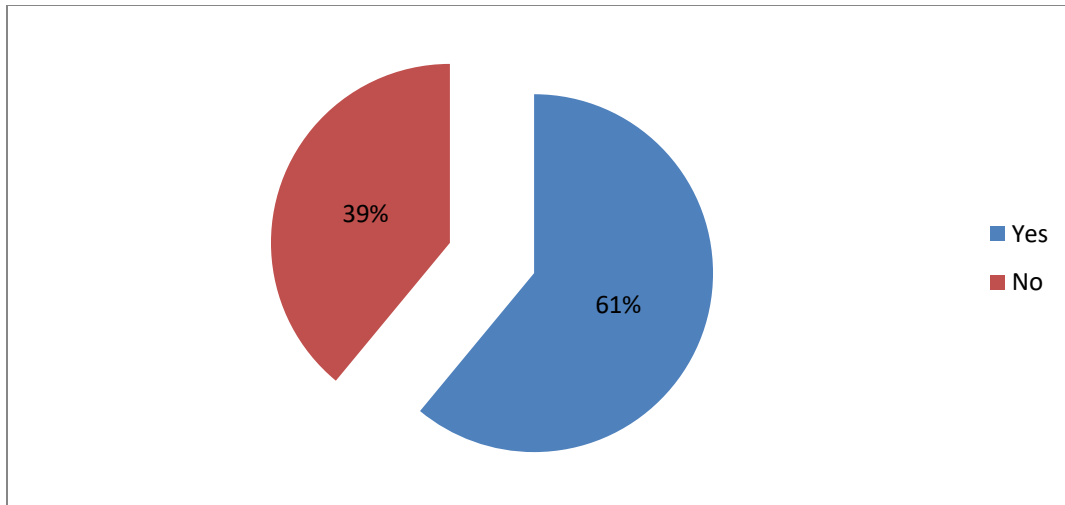
Past Experience of Primary Issue (IPO)

S. N.	Research Variable	No. of respondents	% of investors
A	Yes	73	61
B	No	47	39
	Total	120	100

Source: Field survey

Figure 4.14

Experience of Primary Issue



4.5.3 Investors' Awareness

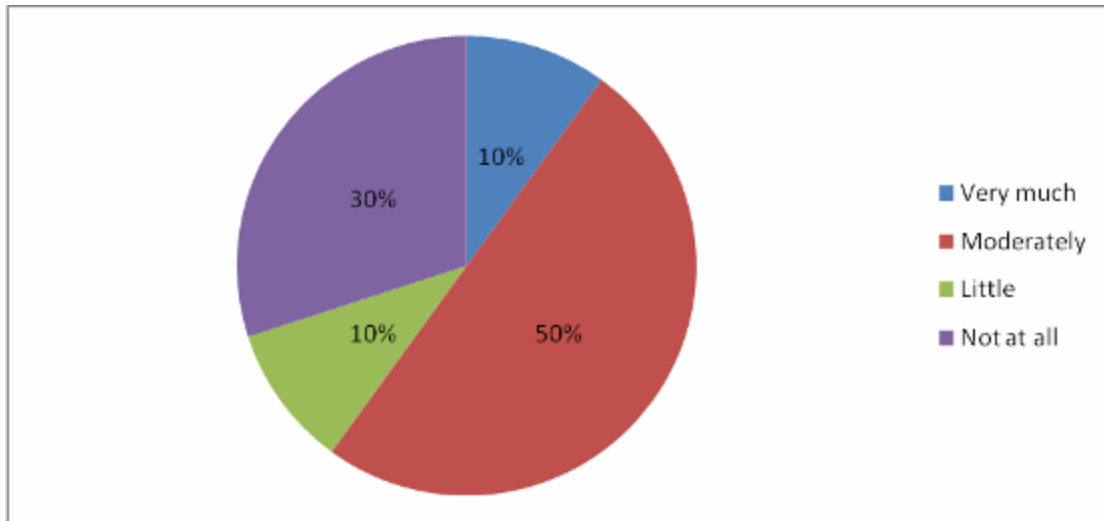
When investors were asked whether they are aware or not about the financial performances of companies, 50% replied that they are moderately known about the financial performances of the companies they have interested or planned to invest upon. 30% replied that they are not at all knowledgeable, 10% were very much known and rest 10% has little knowledge regarding their companies' performance.

Table 4.15
Investors Awareness about Performance of Companies

S. N.	Research Variable	No. of respondents	% of investors
A	Very much	12	10
B	Moderately	60	50
C	Little	12	10
D	Not at all	36	30
	Total	120	100

Source: Field Survey

Figure 4.15
Investors awareness about performance of Companies



4.5.4 Purpose for Investment in IPO

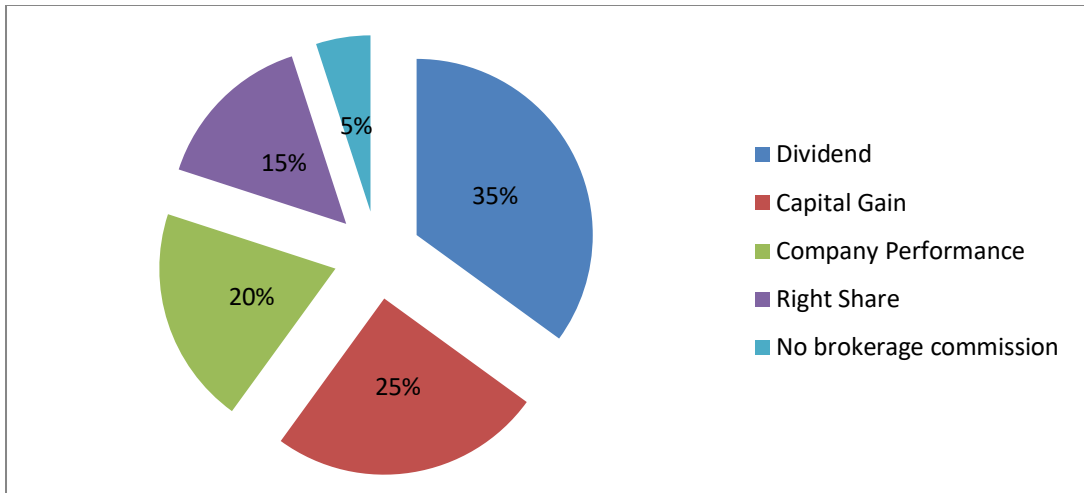
Investors were asked for their purpose or impressed to invest their money in Public offering that if they were interested with dividend, capital gain, company performance, right share or no brokerage commission, 35% said that they are more interested in dividend income, 25% replied in favor of capital gain, 20% in favor of company performance, the purpose of 15% investor was Right Share and remaining 5% in favor of no brokerage commission. The following table describes their reasons behind owning the shares.

Table 4.16
Purpose to Invest in Public Offering

S. N.	Research Variable	No. of respondent	% of investor
A	Dividend	42	35
B	Capital Gain	30	25
C	Company Performance	24	20
D	Right Share	18	15
E	No brokerage commission	6	5
	Total	120	100

Source: Field Survey

Figure 4.16
Purpose for Investment in IPO



4.5.6 Habit of investor to read the prospects of the Company

When they were asked whether they read the prospects before investment in primary issue or not, 60% were read the prospects before they made investment remaining 40% replied that they have no idea regarding this (does not considered what is written in the prospects).

Table 4.17

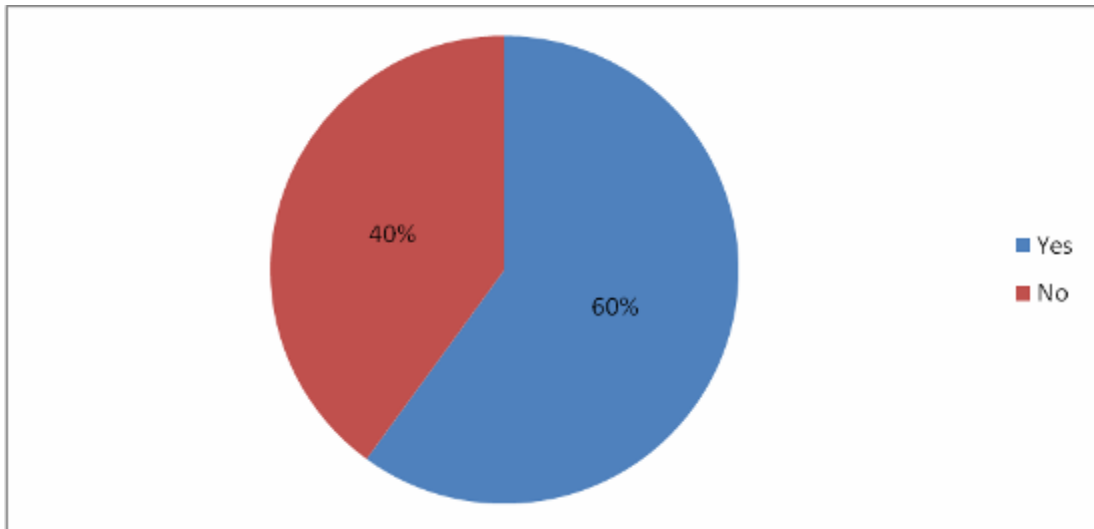
Investors Habit to read the prospects of the Company

S.N.	Research Variable	No. of respondents	% of investors
A	Yes	72	60
B	No	48	40
Total		120	100

Source: Field Survey

Figure 4.17

Investors Habit to read the prospects



4.5.7 Bases of Decision for Investment

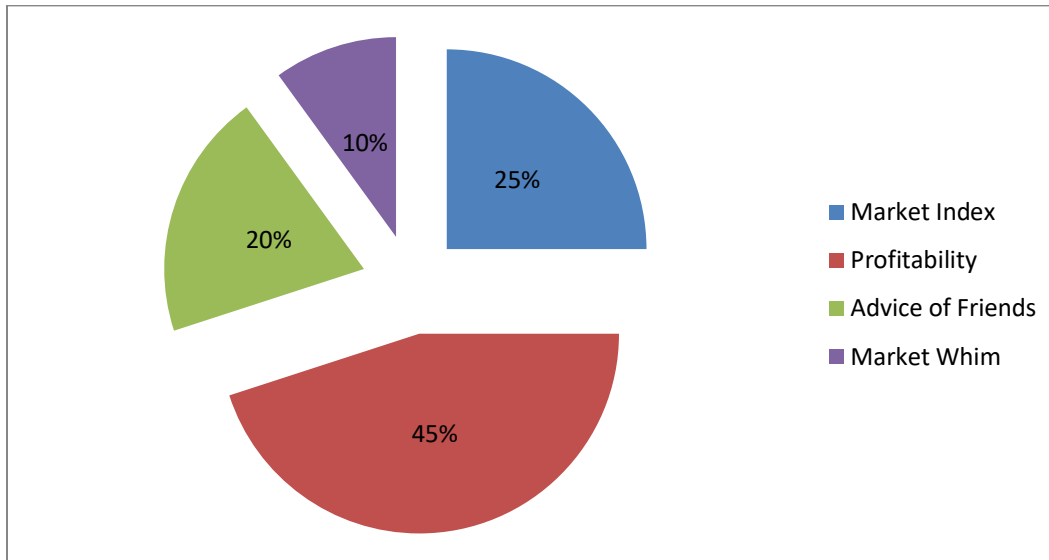
Regarding the investment decision making procedures, 25.% of the respondents replied that they made decision on the basis of market index, 45% replied that they made decision on the basis of company’s profitability, 20% made on the basis of friends opinion and remaining 10% said that they made decision on the basis of market whim.

Table 4.18
Bases of Decision for Investment

S. N.	Research Variable	No. of respondents	% of investors
A	Market Index	30	25
B	Profitability	54	45
C	Advice of Friends	24	20
D	Market Whim	12	10
Total		120	100

Source: Field Survey

Figure 4.18
Bases of Decision for Investment



4.5.8 Sources of Funds to Invest in IPO

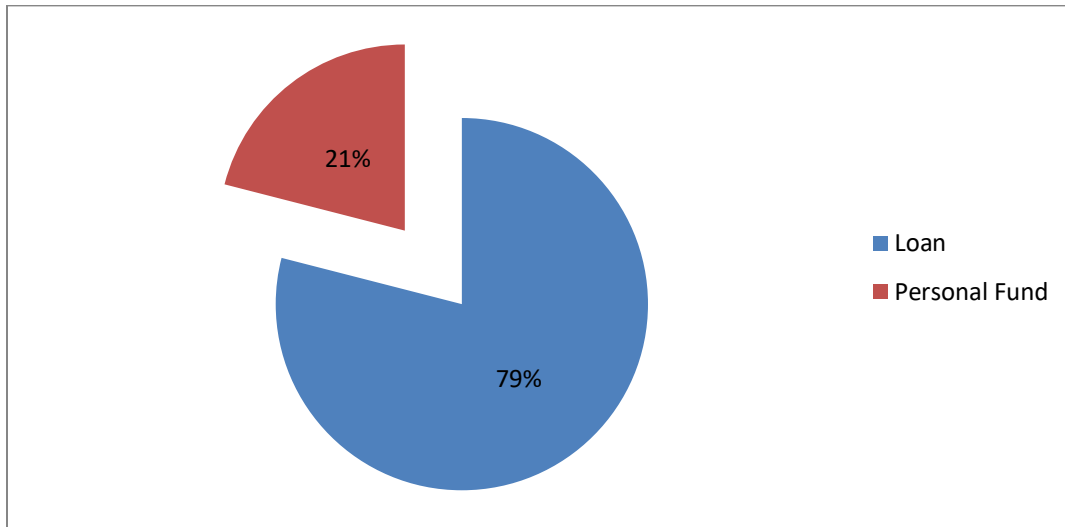
When Investors were asked for their sources of invest in Public offering is personal fund or loan/credit, most of them (75%) used the fund from loan that collection from bank, financial institutions and relatives but 25% people used their own personal funds for investment.

Table 4.19
Sources of Fund for Investment

S. N.	Research Variable	No. of respondents	% of investors
A	Loan	95	79
B	Personal Fund	25	21
Total		120	100

Source: Field Survey

Figure 4.19
Sources for Investment



4.5.9 Reason for most of the company not likes to go for IPO

To understand the view of the investors regarding the reason that the most of company not like to go for IPO, 40% of respondent thinking is due to sharing of profit for public, 21% think that the management becomes complex after public issue. The companies do not like to carry the obligations from public share holders is the thinking of another 18% respondent where 12 % investor thinking is the company already have enough money for investment so why they needs to issue share. Rest of respondents (9%) thinks the other reasons rather than the specified reasons above.

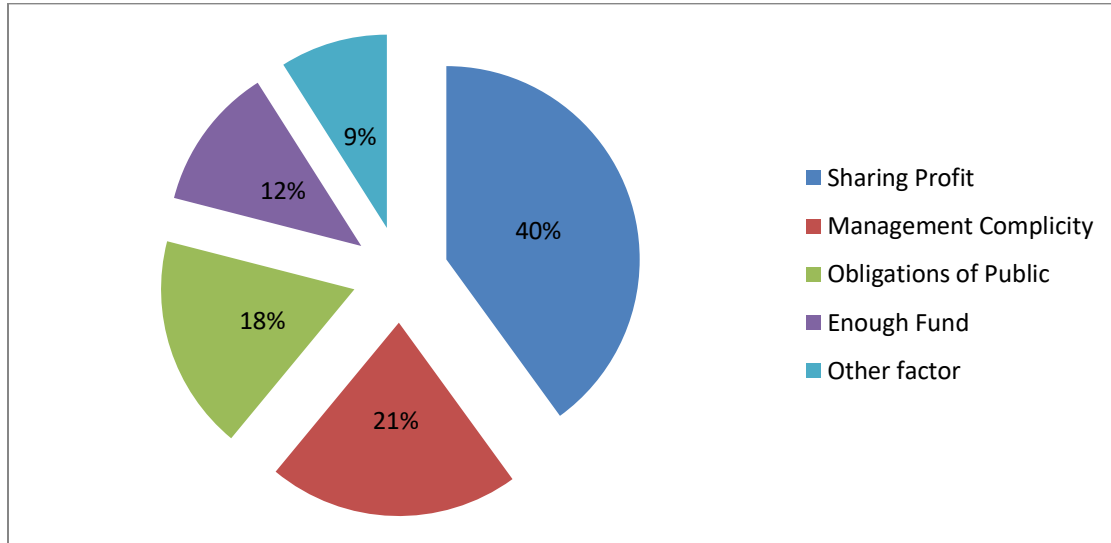
Table 4.20
Reason for most of the company not like to go for IPO

S. N.	Research Variable	No. of respondents	% of investors
A	Sharing Profit	48	40
B	Management Complicity	25	21
C	Obligations of Public	22	18
D	Enough Fund	14	12
E	Other factor	11	9
Total		120	100

Source: Field Survey

Figure 4.20

Reason for most firms not like for IPO



4.5.10 Number of Company's Securities Invested

Regarding the respondent current investment condition, the majority of the respondents have invested their money into purchasing the securities more than one company. In this 53% of the respondents have invested 2-5 companies. Similarly, 25% respondents invest their money in only one company, while people investing 5-10 company is 17% and rest of 5% investor are hole time share trader (big investor) that they invest their money in more than 10 companies.

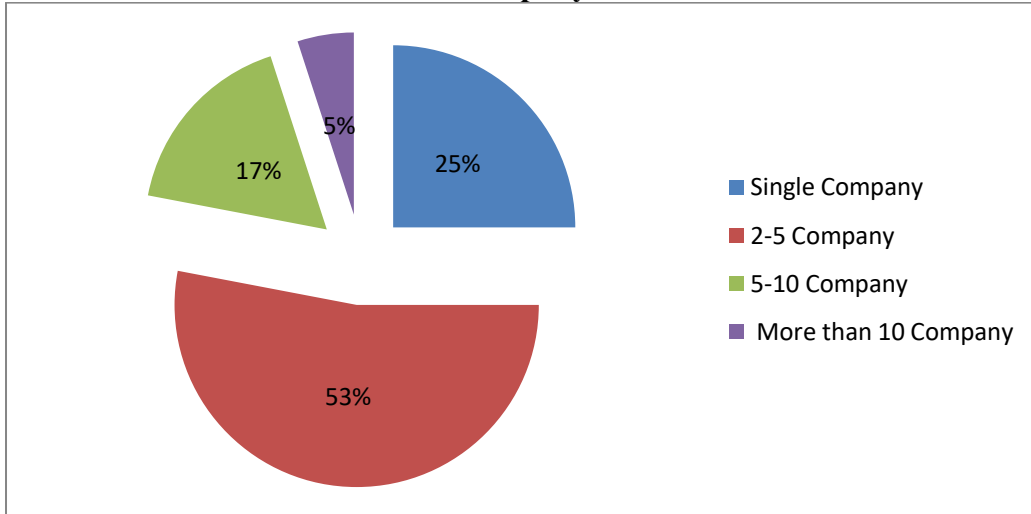
Table 4.21

Number of company's Invested

S. N.	Research Variable	No. of respondents	% of investors
A	Single Company	30	25
B	2-5 Company	64	53
C	5-10 Company	20	17
D	More than 10 Company	6	5
Total		120	100

Source: Field Survey

Figure 4.21
Number of Company's Invested



4.5.11 Investor's Current Investment in Specific Instrument

The question was asked to the investor about their current investment in specific instrument i.e. common stock, Debenture/Bonds, Preferred stock and others. The objective of this question was to find the financial instrument in which the investor has actually invested now. In this connection, 78% respondent refers that the common stock is their existing invested financial instrument, out of the total 120 investor taken for sample. A little parts of the respondents were in favor of Debenture/Bond (9%), Preferred Stock (7%) and other 6% have invested their money in other financial instruments except stated above.

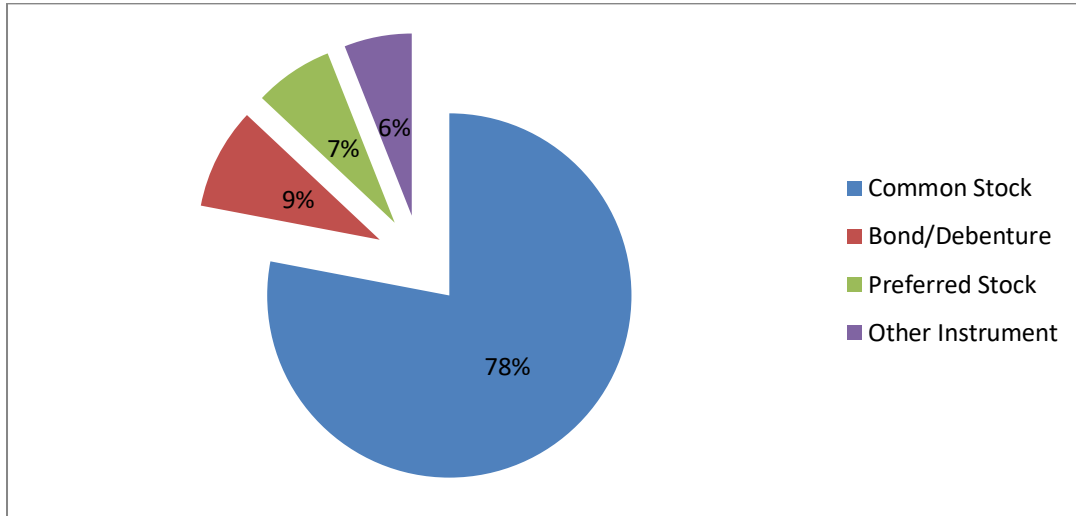
Table 4.22
Instrument-wise Investments

S. N.	Research Variable	No. of respondents	% of investors
A	Common Stock	94	78
B	Bond/Debenture	11	9
C	Preferred Stock	8	7
D	Other Instrument	7	6
Total		120	100

Source: Field Survey

Figure 4.22

Instrument-wise Investments



4.5.12 Causes that the Limited People invested in IPO

The objective of the question was to find out the view of people about the reason of only a few people investing in Primary issue. 45% people think that the main reason is lack of money where 31% people's view is less of knowledge about primary market. 15% peoples are towards the lack of information about IPO and remaining 9% are in favor to other reason than stated above.

Table 4.23/

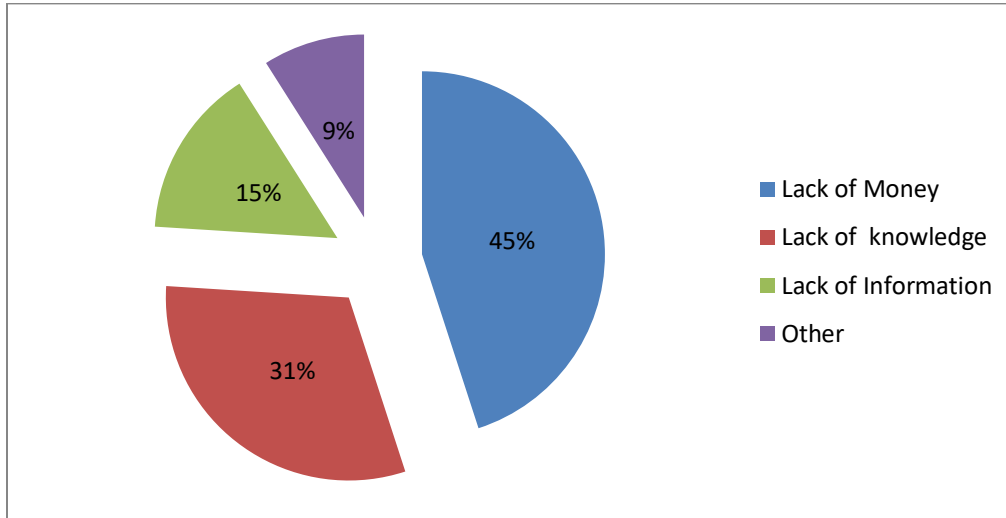
Causes for Limited People involved in IPO

S. N.	Research Variable	No. of respondents	% of investors
A	Lack of Money	54	45
B	Lack of knowledge	37	31
C	Lack of Information	18	15
D	Other	11	9
Total		120	100

Source: Field Survey

Figure 4.23

Causes for limited people involved in IPO



4.6 Major Finding

The study was set out to analyze different aspects of IPO's in Nepal. The data, which were obtained through Primary and Secondary sources, were analyzed using different tools and models which resulted in following findings;

- The trend of IPO of Nepalese companies is increasing. This indicates that the new companies are interested to collect the scattered surplus amount from the public for the proper investment. Pace of IPO in Nepal can be considered to be good. In the FY 2007/08 and 2008/09 the number of companies whose issue was approved by SEBON was 64 that is the highest number of companies issue approved in single year. In the FY 2003/04 and FY 2004/05 the lowest number of companies issue were approved by SEBON that is only 14 and in FY 2009/10 the number of companies whose issue was approved by SEBON was 61 which was less than FY year 2008/09
- The amount of issued approved has increased from Rs. 1027.5 m in FY 2003/04 to Rs. 16828.51 in FY 2008/09 but the amount of issued has decrease in FY 2009/10 which was Rs.10822.21. The number of issued approved increased from 14 in FY 2003/04 to 64 in FY 2008/09 but during year the number of issued approved decrease from 64 in FY 2008/09 to 61 in FY 2009/10.

- Among eight sector financial sector that includes commercial bank, finance company, development bank and insurance companies has accounting for 274 Issued approved of total issued amount Rs. 42641.92m while non-finance sector that comprises manufacturing and processing, trading companies, hotels and others has accounting for 6 issued approved of total issued amount Rs. 3070.3m. Where from the t-test we find that investors response are towards the financial sector then the non financial sector.
- Similarly, as far as instrument-wise offer is concerned, out of 280 issued approved, 163 (58.21%) offers have been right shares, followed by ordinary shares 102 (36.43%) debentures 14 (5%), and preference shares 1 (0.36%) offers respectively and from the amount perspective, right shares has accounting 71.16% of total amount, followed by ordinary shares (16.16%), debenture (11.81%), and preference shares (0.88%) respectively.
- During the study period 280 companies have offered different type of securities through IPO to public. Out of which offers from 105 companies (37.5%) of total offers have received oversubscription. Similarly 65 companies (23.21%) issued have received under-subscription, only 9 companies (3.21%) have received fully subscribed where there was unknown about subscription pattern of 101 company (36.07%).
- In financial institution and insurance sector, the subscription of commercial banks was 7.38 times in average and development banks was 36.026 times in average. This shows the public response to development banks was greater or more than commercial bank. Past data shows that average subscription of finance companies was 15.01 times and average subscription of insurance companies was 15.03 times which shows the most responded sector was insurance sector.
- The primary source of data shows that the major sources of information of public offering is media which is 70%. Majority investors are seemed to be new in the market.
- People are getting aware to primary market to choose the right sector for investment. Investor making portfolio of their investment. 53% investors invest their money in two to five companies.
- 60% People read prospects of the company before investing their money in stocks.

- Analysis of institution and instrument-wise public issue reveals that most of the issuing companies are banks and the issuing companies prefers to issue ordinary shares most of the times.
- People think that the present environment is not suitable for investment. 50% people prefer to invest their money in the banking sector. Limited number of people involved in IPO is due to the lack of money (45%), information (15%)and knowledge(31%).
- The primary analysis shows that 40% respondents said the main cause of firm not go for public is distribution of profit and 21% management complicity.
- This study has found that public response to the primary market is highly positive due to lack of opportunities for investment in other sector .Despite this, people are attracted towards shares to increase their value of investment .
- This study has found that to play the key role in the security market development all bodies like NRB, SEBON, NEPSE and other related body has to play key roles for development of security market activities.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter embodies three parts of the study: Summary, Conclusion and Recommendations. The first part goes over with summarization of the whole study, the second part depicts the conclusion and the final part presents recommendation in the light of its findings.

5.1 Summary

Money or Capital in financial vocabulary is one of the most important requirements for any business entity. Business entities need Capital at various stages of their performance. Some may need it to establish their businesses while other way needs it to diversify their activities and achieve their ambitious growth plan. Generally there exist two markets from where business entities secure capital viz: money market and capital market. Money market avails funds for shorter period of time, maximum of one year whereas capital market avails long term funds with terms suiting the needs of business entities. Primary market is the market for new and unseasoned securities whereas secondary market is the market for existing and seasoned securities.

Initial public Offering (IPO) is the key mechanism of primary market. IPO is the first time issuance of securities to the public. Securities being offered can be debt or equity offering. Various components of capital market play important roles in practice and procedure of IPO. Investment Bankers or Underwriters are one among them. Investment bankers are individuals or institutions who provide an arrangement of functions to ensure that business entities are able to meet their objectives of issuing securities through IPO. Moreover, they ensure that during IPO, all the steps and processes are followed in agreement to existing rules and guidelines.

As far as practices in Nepal are concerned basically there exist two institutions which guide and influence IPO process. They are Security Board of Nepal (SEBON) and Nepal Stock Exchange (NEPSE). SEBON is the regulatory body which looks after all the securities market transaction including IPO. According to SEBON, 324 companies have got issue approval for public issue. Likewise, NEPSE is the sole stock exchange of Nepal which provides liquidity and marketability

to the securities being offered. By the end of FY 2009/10 176 companies have been listed in NEPSE and FY year 2003/04 to 2009/10 280 companies have got issue approval for public issue.

Before going to the public, the company must be approved from SEBON. After getting approval, issuing company must give its information to the NEPSE and Company Registers Office. Issuing company is free to choose one or more than one issue manager/s for the process of issuing the securities. Bankers to the issue also involved during this period. Issue manager must be publishing a public notice in the national daily newspapers to offer public for investment seven days before the application forms distribute date. Issue manager has to publish and distributed the prospects also which make easy to the public to decide whether to invest their money or not. The application period must not more than one month. If issue managers think the required applications have collected, they can close anytime after one week to receive application. If over application is received, the distribution of share should be decided through allotment procedure. For this purpose additional 45 to 90 days can be taken. After allotment within next 15 days the issue manager has to refund the money of those public whose application has not been accepted. Within 30 days of refund period the certificates has to be distributed.

Even though the foundation of systematic capital market development was laid in 1976 A.D. with the establishment of Security Exchange Centre (SEC), Nepalese capital market after more than two decades is still in its infant stage. The securities being offered and its practices are still traditional and limited. Moreover, there is dearth of research work covering different aspects of capital market in Nepal. In this context, this study has been carried out with the objective of unraveling various aspects of IPO's, their practices in Nepal and public response on it.

Conceptual review of the study has covered concept of financial market, IPO, IPO as a mechanism of primary market, process of IPO, different aspect of IPO which shed light on how IPO is being practiced in Nepal. Similarly, review of related studies has covered the research works carried out along with few dissertations relating to subject matter. Research works carried were in the form of journal-articles which was mainly retrieved from online sources and newspaper. The dissertations shed light on capital market issues and existing state of securities

issue in Nepal to certain extent which are accessed from Library of Lumbini Banijya Campus, SEBON and TU Central Library.

For the purpose of meeting the objectives of the study, it has used descriptive and analytical research design and stratified random sampling. As per sampling frame of 14 companies representing 4 different sectors: commercial banks, development bank, finance companies, insurance companies listed in NEPSE. I have been selected Finance setor(commercial Bank., development bank, finance bank, insurance bank). As the study is based on Primary as well as secondary data have been retrieved from questionnaires to investor, annual report of SEBON, NEPSE, NRB directives, various Acts & regulations and newspaper.

The analysis of amount of issues being offered and number of issues being offered have revealed that Nepalese IPO sector have grown during the study period. Similarly, sector-wise analysis of public issue revealed that financial sectors IPO has been dominating Nepalese IPO market and instrument-wise analysis of offered issues have identified ordinary shares as the most preferred instrument. The analysis also revealed that most of the issues offered during the study period were oversubscribe.

In financial institution and insurance sector, the subscription of commercial banks was 7.38 times in average and development banks was 36.026 times in average. This shows the public response to development banks was greater or more than commercial bank. Past data shows that average subscription of finance companies was 15.01 times and average subscription of insurance companies was 15.03 times which shows the most responded sector was insurance sector.

The primary source of data shows that the major source of information of public offering is media. Majority investors are seemed to be new in the market. These days' people are getting aware to primary market to choose the right sector for investment and invest their money in more then one companies. The investors think that those companies who are performing well in the market will do better in the future and read prospects of the company before investing money. Majority of investors invest money in the primary market by lending from others and they think that the companies do not like to go to public because of reality of sharing profit with others.

People think that due to the lack of knowledge, limited number of people invests in primary market and the present environment is not suitable for investment.

This study has found that Public response in security market is high due to lack of opportunities for investment and attracted towards shares to increase their value of investment. They are getting aware of stock market, and realized the importance of the investment in shares

5.2 Conclusion

From the above, we find that the capital market of Nepal is still in developing stage. This is good sign to the expansion of the primary market. Due to this, most of the companies are issued only common stock where bond, preference and convertibles share are rarely practice but option and warrants are still not in practice. This shows that the securities markets are dominated by common stock.

As per this study, almost every sector is getting good response from public. Specifically financial institutions and insurance sector is more preferable for public than non financial sector. Pace of IPO in Nepal seems to be irregular. The number of companies approved for public offering by SEBON in a single year varies from 64 to 14. The highest amount of issue approved by the SEBON was Rs. 16858.51 m in FY2008/09 while the lowest amount of issue was Rs. 1027.5 m in FY 2003/04. If we see on the basis of sector, SEBON had granted 97.86 % approval for financial sector and 2.12% approval for non financial sectors.

Though, the public offering is operated through the away of laws, regulation and there is still lacking clear cut provision in many important sectors such as underwriting, provision of underwriting commission, process of issue etc. The investors have not more knowledge about the primary market. Even though the organization's process of public offering is quite long; the service provided to the investors seems to be satisfactory. If raising interest of the public in to primary market is one of the objectives, then the primary market of Nepal is fulfilling this role gradually. The fluctuating of political situation is also effect the development of securities market by which the NEPSE index is fluctuating over and under many time.

5.3 Recommendation

In spite of the limitations under which the study has been carried out it has been able to meet the objective of the study. On the basis of the study made following recommendations are made.

- Nepalese capital market is largely dependent on financial sector which is not good sign for overall development of IPO market and capital market as a whole. In this regard the regulatory body and the government should take a step forward and encourage public issues from other sectors like manufacturing and processing by providing additional facilities like tax-concessions.
- Ordinary share is found to be the most used financial instrument while other financial instruments like preference shares and debentures are rarely issued. The fact that such ordinary shares carry maximum risk to investors on one hand and also cause dilution of ownership to issuing company, seemed to be forgotten. In this regard, its recommended that root cause beneath should be traced and tackled for good.
- There is no clear legal provision about security market, underwriting and underwriting commission, which should be fulfill for development of capital market. So, focus should be given for making and implementation of the existing acts, rules and provisions.
- There are 16 issue manager and a few are actively doing their job . So take some action to establish more issue manager in the different part of the country and encourage involving more actively
- Regional stock exchange centre should establish so that more people will be involved in the investment activities on primary as well as secondary market.
- To make the investment more attractive and affordable to the small investors, the Nepalese companies should introduce other types of securities such as options, warrants etc.
- For increasing the public follow on primary as well as secondary market, there should make the provisions of Over the Counter Market, encourage to establish securities investment consultant, doing more seminar, meeting, conference that increase the knowledge about the investment opportunity for the people.
- To be successful in the stock market, investors should always be clear to his strengths, weakness, requirements, wishes, risk taking capabilities and how to react on different and

ever changing market conditions and they should not buy the shares of a company until they know details about it.

- Issuing company's post issue compliance practice is found to be poor. The issuer companies should be made aware in complying with the post issue legal provisions at the time of public issue. Issue manager should also take the responsibility to make the issuer companies aware of compliance issue.

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ANNEX-1
T-Test

Year	X ₁	X ₂	(X ₁ - \bar{x}_1)	(X ₁ - \bar{x}_1) ²	(X ₂ - \bar{x}_2)	(X ₂ - \bar{x}_2) ²
2003/04	14	0	-25.14	632.02	-0.86	0.74
2004/05	13	1	-26.14	683.3	0.14	0.02
2005/06	27	2	-12.14	147.38	1.14	1.3
2006/07	34	0	-5.14	26.42	-0.86	0.74
2007/08	63	1	23.86	569.3	0.14	0.02
2008/09	62	2	22.86	522.58	1.14	1.3
2009/10	61	0	21.86	477.86	-0.86	0.74
Total	274	6		3058.86		4.86

$$\begin{array}{ll} \sum x_1=274 & \sum x_2=6 \\ N=7 & N=7 \end{array}$$

$$\begin{array}{ll} \bar{x}_1=\sum x_1/N & \bar{x}_2=\sum x_2/N \\ 39.14 & 0.86 \end{array}$$

$$\begin{aligned} S^2P &= 1/n_1+n_2-2[\sum(\bar{x}_1-\bar{x}_1)^2+(x_2-\bar{x}_2)^2] \\ &= 1/7+7-2[3058+0.86] \\ &= 255.31 \end{aligned}$$

$$\begin{aligned} t &= \bar{x}_1-\bar{x}_2/\sqrt{s^2p(1/n_1+1/n_2)} \\ &= 39.14-0.86/\sqrt{255.31(1/7+1/7)} = 4.48 \end{aligned}$$

Where,

Significant level= 5%

$$\begin{aligned} \text{Degree of freedom} &= n_1 + n_2 - 2 \\ &= 7 + 7 - 2 = 12 \end{aligned}$$

The tabulated value of t at 5% level of significance for two tailed test and for 12 d. f. 2.179.

Since calculated value of t is greater than tabulated value so H₀ is reject

ANNEX – 2**Securities Issue
(2003/04-2009/10)****Fiscal Year 2003/04****(Rs. in Millions)**

S.N	Issure	Types Of Securities	Issue Amount	Subscr ption %	Issue Manager
1	Standard Finance	Ordinary Share	24.00	251.35	CIT
2	Standard Finance Ltd.	Ordinary Share	24.00	362.54	NMB
3	Alpic Everest Finance Ltd	Right Share	20.00	100.51	NEFINSCO
4	Nepal Investment Bank Ltd.	Debenture	300.00	102.28	AFC
5	Cosmic Merchant Bqning & Fin Ltd.	Ordinary Share	24.0	717.83	NMB
6	Kumari Bank Ltd.	Ordinary Share	150.00	811.35	CIT & NCML
7	Siddartha Finance Ltd.	Right Share	20.00	88.84	NEFINSCO
8	Fewa Finance Co. Ltd	Ordinary Share	8.00	2355.00	NMB
9	Nepal Credit & Commerce Bank ltd.	Ordinary Share	210.00	122.10	CIT & NCML
10	NB Finance & Leasing Co. Ltd.	Right Share	30.00	66.84	NSMB
11	Chhimek Bikas Bank Ltd.	Ordinary Share	3.00	139.27	NMB
12	Pachhimanchal Dev.Bank Ltd.	Ordinary Share	6.00	2023.28	NMB
13	Prudential Insurance Co. Ltd.	Ordinary Share	20.00	956.81	NMB
14	Kist Merchant Banking & Finance Ltd.	Ordinary Share	20.00	179.60	NMB
^	Total		1027.50		

Fiscal Year 2004/05**(RS. in Millions)**

S.N	Issuers	Types of Securities	Issue Amount	Subscription %	Issue Manager
1	Nepal Bangladesh Bank Ltd	Right Share	359.92	95.26	NSMB
2	Lumbini Bank Lt	Ordinary Share	150.00	721.24	CIT

3	World Merchant Banking & Fin. Ltd.	Ordinary Share	24.00	965.17	NMB
4	National Hydro Power Co. Ltd	Ordinary	140.00	21.55	NCML&NSML
5	Annapurna Finance Co. Ltd.	Right Share	20.00	97.33	NCML
6	Birgunj Finance Ltd.	Ordinary Share	24.00	704.48	NMB
7	Deprosc Development Bank Ltd.	Ordinary Share	3.48	259.34	NMB
8	Everest Bank Ltd.	Debenture	300.00	100.00	CIT
9	Nirdhan Utthan Bank Ltd.	Right Share	15.00	65.92	NMB
10	Nepal SBI Bank Ltd.	Right Share	215.93	96.50	NMB
11	Everest Finance Ltd.	Ordinary Share	8.00	540.46	NMB
12	Capital Merchant Banking & Finance Ltd	Ordinary Share	28.00	202.49	CIT
13	National Finance Co. Ltd.	Right Share	43.20	97.06	NCML
14	Nepal Investment Bank Ltd.	. Right Share	295.29	99.04	AFC
	Total		1626.82		

Fiscal Year 2005/2006

S.N.	Issuer	Types Of Securities	Issue Amount	Subscription %	Issue Manager
1	Chilime Hydro Power Co. Ltd.	Ordinary Shae	237.41	509.84	CIT
2	Development Credit Bank Ltd.	Right Share	95.87	80.00	NMB
3	Prudential Bittiya Santha Ltd.	Ordinary Share	24.50	113.34	NCML
4	Siddhartha Bank Ltd.	Ordinary Share	150.00	1865.33	NCML
5	Bank Of Kathmandu Ltd.	Debenture	200.00	133.31	NMB
6	Srijana Finance Ltd.	Ordinary Share	4.00	121.08	NCML

7	Kumari Bank Ltd.	Right Share	125.00	153.46	NCML
8	Gandaki Development Financial Institution Ltd.	Ordinary Share	15.00	397.51	NMB
9	Fewa Finance Co. Ltd.	Right Share	30.00	97.40	NMB
10	Business Development Financial Institution Ltd.	Ordinary Share	12.00	2188.34	NCML
11	Om Finance Co. Ltd.	Right Share	30.00	99.66	NMB
12	Royal Merchant Banking & Fin Ltd.	Ordinary Share	17.50	283.30	CIT
13	Goodwill Finance Ltd.	Right Share	25.00	94.96	NCML
14	Janaki Finance Co. Ltd.	Right Share	10.00	98.33	NEFINSCO
15	Central Finance Ltd.	Right Share	12.00	98.32	NCML
16	Taragaun Regency Hotels Ltd.	Right Share	446.45	57.45	NCML
17	Bhajuratna Finance & Saving Co. Ltd.	Ordinary Share	10.50	274.36	NCML
18	Guheswori Merchant Banking & Finance Ltd.	Ordinary Share	20.00	213.54	NCML
19	Siddhartha Bikash Bank Ltd.	Ordinary Share	20.00	222.43	NMB
20	IME Financial Institution Ltd.	Ordinary Share	17.50	458.46	NMB
21	Shikhar Insurance Co Ltd.	Ordinary Share	25.00	4375.86	NMB&NCML
22	Bhrikuti Development Bank Ltd.	Ordinary Share	6.42	214.42	NCML
23	Machhapuchere Bank Ltd.	Right Share	165.00	87.13	NMB
24	Machhapuchere Bank Ltd.	Right Share	165.00	87.13	NMB
25	Nepal Share Markets & Finance Ltd.	Right Share	40.00	90.94	CIT
26	Nepal Investment Bank Ltd.	Debenture	250.00	100.00	AFC
27	Nepal Industrial & Commercial Bank Ltd.	Debenture	200.00	100.00	AFC
28	Patan Finance Ltd.	Ordinary Share	20.00	116.06	NEFINSCO
29	Nepal SBI Bank Ltd	Debenture	200.00	101.20	CIT
	Total		2443.28		
	Fiscal Year 2006/2007				
S.N.	Issuer	Types Of Securities	Issue Amount	Subscription %	Issue Manager
1	Pokhara Finance Ltd.	Right Share	20.00	99.00	NMB
2	Narayani Industrial Bikash Bank Ltd.	Ordinary Share	6.00	614.00	NEFINSCO
3	Sanima Bikash Bank	Ordinary Share	96.00	4031.00	NMB
4	Lumbini Bank Ltd.	Right Share	100.00	100.00	NCML
5	Paschimanchal Bikash Bank Ltd.	Right Share	28.00	76.00	NCML
6	Bageswori Bikash Bank Ltd.	Ordinary Share	9.00	448.00	NMB
7	Alpic Everest Finance Ltd.	Right Share	20.00	96.00	NMB
8	Peoples Finance Ltd.	Right Share	40.00	56.00	NCML
9	Sahayogi Bikash Bank Ltd.	Ordinary Share	6.00	1917.00	NCML
10	Chhimek Bikash Bank Ltd.	Right Share	20.00	81.00	NMB

11	Nepal Development Bank Ltd.	Right Share	160.00	54.00	NCML
12	Gorkha Development Bank (Nepal) Ltd.	Ordinary Share	96.00	10832.00	NCML & NMB
13	Ace Finance Co. Ltd.	Right Share	194.00	99.00	NCML
14	Navadurga Finance Co. Ltd.	Right Share	11.00	99.00	NEFINSCO
15	Annapurna Finance Co. Ltd.	Right Share	80.00	99.00	NCML
16	Emporial Financial Institution Ltd.	Ordinary Share	19.50	2568.00	NMB
17	Swabalamban Bikash Bank Ltd.	Ordinary Share	6.00	9623.00	NMB
18	Himchuli Bikash Bank Ltd.	Ordinary Share	12.00	13362.00	NCML
19	ICFC Financial Institution Ltd.	Ordinary Share	24.40	3506.00	NMB
20	Annapurna Bikash Bank Ltd.	Ordinary Share	29.40	2194.00	NEFINSCO
21	Laxmi Bank Ltd.	Right Share	122.00	98.00	NMB
22	Civil Merchant Financial Institution Ltd.	Ordinary Share	20.00	1500.00	NEFINSCO
23	Capital Merchant Banking & Finance Ltd.	Right Share	84.00	80.00	CIT
24	Yeti Finance Ltd.	Right Share	6.30	83.00	NCML
25	Business Development Bank Ltd.	Right Share	30.00	100.00	AFC
26	Nepal Express Finance Ltd.	Ordinary Share	15.00	782.00	NCML
27	Kist Merchant Banking & Finance Ltd.	Right Share	100.00	99.00	NCML
28	Siddhartha Bank Ltd.	Right Share	100.00	99.00	AFC
29	Biratlaxmi Bikash Bank Ltd.	Ordinary Share	20.00	1340.00	NCML
30	Nepal Investment Bank Ltd.	Debenture	250.00	100.00	AFC
31	Malika Bikash Bank Ltd.	Ordinary Share	15.00	5484.00	NMB
32	Lumbini Bank Ltd.	Right Share	150.00	-	AFC
33	Excel Development Bank Ltd.	Ordinary Share	6.00	1897.00	NMB
34	Everest Bank Ltd.	Preference Share	400.00	147.37	CIT
	Total		2295.50		
	Fiscal Year 2007/2008				
S.N.	Issuer	Types Of Securities	Issue Amount	Subscription %	Issue Manager
1	Merchant Finance Co. Ltd.	Ordinary Share	12.00	-	NEFINSCO
2	Lumbini General Insurance Co. Ltd.	Ordinary Share	25.00	71.73	NMB
3	Siddhartha Insurance Ltd.	Ordinary Share	25.00	60.63	NMB
4	Infrastructure Development Bank Ltd.	Ordinary Share	24.00	93.55	NMB
5	Kuber Merchant Bittiya Sanstha Ltd.	Ordinary Share	22.50	44.47	NMB
6	Prabhu Finance Co. Ltd.	Ordinary Share	48.00	77.30	NMB
7	Agriculture Bikas Bank Ltd.	Ordinary Share	125.00	-	ACE
8	Nepal Development & Employment Bank Ltd.	Ordinary Share	128.00	35.05	ACE
9	Sikhar Bittiya Sanstha Ltd.	Ordinary Share	20.00	26.71	NEFINSCO

10	Clean Energy Development Bank Ltd.	Ordinary Share	96.00	36.46	NMB
11	Subechha Development Bank Ltd.	Ordinary Share	12.00	61.83	ACE
12	Kaski Finance Ltd.	Ordinary Share	20.00	21.93	NMB
13	Lord Buddha Financial Institutions Ltd.	Ordinary Share	22.50	16.73	ACE
14	Sagarmatha Merchant Banking & Fin. Ltd.	Ordinary Share	20.00	25.78	CIT
15	Reliable Investment Financial Institutions Ltd.	Ordinary Share	24.80	31.52	NMB & NCML
16	Global Bank Ltd.	Ordinary Share	300.00	34.25	NCML
17	Nepal Electricity Corporation	Debenture	1500.00	1.11	NMB
18	Kumari Bank Ltd.	Debenture	400.00	1.01	NMB
19	Himalaya Bank Ltd.	Debenture	500.00	1.00	ACE
20	Nepal Investment Bank Ltd.	Debenture	250.00	1.00	ACE
21	Nabil Bank Ltd.	Debenture	300.00	1.00	NCML
22	Nepal Investment Bank Ltd.	Right Share	201.30	0.99	ACE
23	Siddhartha Bank Ltd.	Right Share	138.00	0.99	NMB
24	NIC Bank Ltd.	Right Share	158.40	0.96	NCML
25	Lumbini Bank Ltd.	Right Share	250.00	0.85	ACE
26	Kumari Bank Ltd.	Right Share	180.00	0.99	NCML
27	Laxmi Bank Ltd.	Right Share	183.00	0.99	NMB
28	Nepal Credit & Commerce Bank Ltd.	Right Share	700.00	-	NCML
29	Paschimanchal Bikas Bank Ltd.	Right Share	47.50	0.89	ACE
30	Bhrikuti Bikas Bank Ltd.	Right Share	30.00	0.97	NCML
31	Development Credit Bank Ltd.	Right Share	806.40	0.99	NMB
32	Siddhartha Bikas Bank Ltd	Right Share	50.00	-	ACE
33	Sanima Bikas Bank Ltd.	Right Share	64.00	0.99	S NCML
34	Ace Development Bank Ltd.	Right Share	96.00	-	NCML
35	Gorkha Bikas Bank Ltd. Right Share	Right Share	160.00	1.23	CIT
36	Business Development Bank Ltd.	Right Share	150.00	0.67	ACE
37	Himchuli Bikas Bank Ltd.	Right Share	60.00	0.9	NCML
38	Annapurna Bikas Bank Ltd	Right Share	150.00	-	NEFINSCO
39	Sahayogi Bikas Bank Ltd.	Right Share	10.00	0.99	NCML
40	Capital Merchant Banking & Fin. Ltd.	Right Share E	161.00	0.77	ACE
41	Premier Finance Co. Ltd.	Right Share	14.40	0.9	NCML
42	Nirdhan Uthan Bank Ltd.	Right Share	39.50	-	NCML
43	Central Finance Ltd.	Right share	24.00	-	NCML
44	Nepal Merchant Banking & Finance Lt	. Right Share	800.00	0.95	NFC
45	Nepal Share Markets & Finance Ltd.	Right Share	240.00	0.99	CIT
46	IME Financial Institutions Ltd.	Right Share	50.00	0.99	NMB
47	Prudential Bittiya Sanstha Ltd.	Right Share	50.00	0.86	ACE

48	Paschimanchal Finance Co. Ltd.	Right Share	27.80	0.97	NFC
49	Kist Merchant Banking & Fin. Ltd.	Right Share	600.00	0.85	ACE
50	Goodwill Finance Ltd.	Right Share	50.00	0.99	ACE
51	United Finance Ltd.	Right Share	75.00	0.98	NCML
52	Nepal Express Finance Lt	Right Share	30.00	0.99	NCML
53	Royal Merchant Banking & Fin. Ltd.	Right Share	60.60	0.99	ACE
54	ICFC Bittiya Sanstha Ltd.	Right Share	224.80	0.85	NMB
55	International Leasing & Finance Ltd	Right Share	504.00	0.92	NCML
56	Nepal Housing & Merchant Finance. Ltd.	Right Share	80.40	0.83	ACE
57	Shree Investment Finance Ltd.	Right Share	16.80	0.99	NMB
58	Standard Finance Ltd.	. Right Share	72.60	1.01	NCML
59	Gorkha Finance Ltd.	Right Share	30.00	1.06	CIT
60	Guheswori Merchant Banking & Fin. Ltd.	Right hare	37.00	-	NCML
61	Nepal Awas Bikas Bitta Co. Ltd.	Right Share	70.50	0.96	NFC
62	Sagarmatha Insurance Co. Ltd.	Right Share	23.60	0.96	ACE
63	Premier Insurance Co. Ltd.	Right Share	39.00	0.86	ACE
64	Himalayan General Insurance Ltd.	Right Share	37.80	-	ACE
	Total		10668.20		
	Fiscal Year 2008/2009				
S.N.	Issuer	Types Of Securities	Issue Amount	Subscription %	Issue Manager
1	Citizens Bank International Ltd.	Ordinary	300.00	20.98	ACE
2	Bank of Asia Nepal Ltd.	Ordinary	300.00	18.90	18.90
3	Sunrise Bank Ltd.	. Ordinary	375	26.75	NMB
4	Prime Commercial Bank Ltd	OrdinaryT	300.00	29.85	CIT
5	Tribeni Bikas Bank Ltd.	Ordinary	15.00	-	ACE
6	Pashupati Bikas Bank Ltd	Ordinary	80.00	-	NCML
7	Madhyamanchal Gramin Bikas Bank Ltd.	Ordinary	30.00	15.26	NFC
8	Vivor Bikas Bank Ltd.	Ordinary	265.20	7.18	NMB
9	Public Development Bank Ltd	Ordinary	60.00	28.26	NCML
10	Api Finance Ltd.	Ordinary	18.00	26.24	NCML
11	Crystal Finance Ltd.	Ordinary	21.00	31.06	NMB
12	Arun Valley Hydropower Dev. Co. Ltd.	Ordinary	51.50	27.74	NMB
13	Siddhartha Bank Ltd.	Debenture	400.00	-	ACE
14	Laxmi Bank Ltd	Debenture	350.00	-	NMB
15	Machhapuchhre Bank Ltd.	Right Share	93.00	-	NMB

16	Kist Bank Ltd.	Rightare Sh	1200.00	-	ACE
17	Nepal Bangladesh Bank Ltd.	Rigt hare	1116.89	-	NMB
18	Nepal Investment Bank Ltd.	Right Share	803.03	-	NCML
19	NMB Bank Ltd.	Right Share	330.00	-	DCBL
20	DCBL Bank Ltd.	Right Share	553.73	-	NMB
21	Gandaki Development Bank Ltd.	Right Share	50.00	-	NMB
22	Swabalamwan Bikas Bank Ltd.	Right Share	35.00	-	NMB
23	Bageswori Bikas Bank Ltd.	Right Share	15.00	-	NMB
24	Nepal Bikas Bank Ltd.	Right Share	320.00	-	NCML
25	Infrastructure Development Bank Ltd	Right Share	240.00	-	NMB
26	Siddhartha Development Bank Ltd	Right Share	537.86	-	ACE
27	Sanima Bikas Bank Ltd.	Right Share	384.00	-	CIT
28	Ace Development Bank Ltd.	Rights Share	292.86	-	ELITE
29	Narayani Development Bank Ltd.	Rights Share	10.00	-	ELITE
30	Gorkha Development Bank Ltd.	Rights Share	120.00	-	ACE
31	Nepal Development & Employment promotion Bank Ltd.	Rights Share	160.00	-	ACE
32	Bhrikuti Bikas Bank Ltd.	Rights Share	141.00	-	NCML
33	Excel Development Bank Ltd.	Rights Share	60.00	-	ACE
34	Kathmandu Finance Ltd.	Rights Share	37.95	-	ACE
35	Narayani Finance Ltd.	Rights Share	150.07	-	NMB
36	Yeti Finance Ltd.	Rights Share	31.25	-	ACE
37	Om Finance Ltd.	Rights Share	14.00	-	NFC
38	Union Finance Ltd.	Rights Share	72.52	-	NCML
39	Srijana Finance Ltd.	Rights Share	14.00	-	NCML
40	National Finance Ltd.	Rights Share	62.80	-	NMB
41	Nepal Srilanka Merchant Bank Ltd.	Rights Share	200.00	-	NCML
S.N.	Issuer	Types Of Securities	Issue Amount	Subscription %	Issue Manager
42	Peoples Finance Ltd.	Rights Share	168.00	-	ACE
43	Pokhara Finance Ltd.	Rights Share	180.00	-	NMB
44	IME Financial Institution Ltd.	Rights Share	125.00	-	NMB
45	Samjhana Finance Ltd.	Rights Share	27.83	-	NCML
46	Universal Finance Ltd.	Rights Share	60.23	-	NFC
47	Civil Merchant Bittiya Sanstha Ltd.	Rights Share	50.00	-	NFC
48	Premier Finance Ltd.	Rights Share	47.52	-	NCML
49	Imperial Finance Ltd.	Rights Share	50.00	-	NMCL
50	World Merchant Banking & Finance Ltd.	Rights Share	72.00	-	NMB
51	Central Finance Ltd.	Rights Share	25.39	-	ACE

52	Standard Finance Ltd.	Rights Share	834.90	-	NCML
53	Navadurga Finance Co. Ltd.	Rights Share	54.71	-	NMB
54	Prabhu Finance Ltd.	Rights Share	80.00	-	ELITE
55	Everest Finance Ltd.	Rights Share	20.00	-	ACE
56	Nepal Share Markets & Finance Ltd.	Rights Share	1567.73	-	CIT
57	Nepal Express Finance Ltd.	Rights Share	24.00	-	NCML
58	General Finance Ltd.	Rights Share	2424.18	-	NCML
59	Neco Insurance Co. Ltd.	Rights Share	55.00	-	CIT
60	United Insurance Co. (Nepal) Ltd.	Rights Share	28.80	-	NCML
61	National Life Insurance Co. Ltd.	Rights Share	132.00	-	CIT
62	National Hydropower Co. Ltd.	Rights Share	694.94	-	NCML
	Total		16828.51		
	Fiscal Year 2009/10				
1	Krishai Bikas Bank	Ordinary Share	960.00	2.97	ACE
2	NMN Bank Ltd.	Ordinary Share	203.77	-	-
3	Miteri Bikas Ltd	Ordinary Share	13.54	85.27	Ace
4	Mahakali Bikas Bank	Ordinary Share	8.18	84.33	Ace
5	Kasthamandab Deve. Bank Ltd	Ordinary Share	96.00	49.71	NIDC
6	Pathibhara Bikas Bank	Ordinary Share	24.50	36.14	-
7	Reshunga Bakas Bank Ltd.	Ordinary Share	9.18	39.55	CIVIL
8	Udham Bikas Bank Ltd.	Ordinary Share	15.00	-	NIDC
9	Nerude laghubita Bikas Bank Ltd	Ordinary Share	6.00	45.96	NIDC
10	Sewa Bikas Bank Ltd	Ordinary Share	40.00	27.68	NMB
11	City Development Bank Ltd	Ordinary Share	60.00	28.07	ACE
12	Manakamana Bikas Bank Ltd	Ordinary Share	300.00	5.42	NIDC
13	Nilgiri Bikas Bank Ltd	Ordinary Share	15.00	20.00	ELITE
S.N.	Issuer	Types Of Securities	Issue Amount	Subscription %	Issue Manager
14	Ghaurishankar Devnk Bank Ltd	Ordinary share	60.00	10.25	ACE
15	Western Deve. Bank Ltd	Ordinary Share	23.00	15.11	-
16	Alpain Dev Bank Ltd	Ordinary Share	33.00	11.48	-
17	Diyalo Bikas Bank Ltd	Ordinary Share	35.00	12.31	-
18	Araniko Dev Bank Ltd	Ordinary Share	98.00	5.10	GMBL
19	Biswa Bikas Bank Ltd	Ordinary Share	93.60	7.40	GMBL
20	Jenitha Finance Ltd	Ordinary Share	42.00	13.89	NMB
21	Shubha laxmi Finance Ltd	Ordinary Share	60.00	5.06	ACE
22	Suryadersah Finance Campany Ltd	Ordinary Share	40.00	13.04	NMB
23	Swastik Merchant Finance Company Ltd	Ordinary Share	30.00	9.93	ACE

24	Asian Life Insurance Com. Ltd	Ordinary Share	108.00	15.14	NIDC
25	Suya Life Insurance Com. Ltd	Ordinary Share	108.00	4.22	NMB
26	Primer Life Insurance Com. Ltd	Ordinary Share	108.00	10.17	NIDC
27	Unik Financial Institutation Ltd	Ordinarr Share	40.00	10.42	NIDC
28	Sati Bitiya Sastha Ltd	Ordinary Share	19.60	-	CIVIL
29	Lumbini Bank Ltd	Right Share	300.00	-	-
30	Laxmi Bank Ltd	Right Share	439.23	-	NMB
31	Nepal S.B.I. Bank Ltd	Right Share	437.26	-	CIT
32	Golbal Bank Ltd	Right Share	500.00	-	ELIT
33	Bank of Asia Nepal Ltd	Right Share	500.00	-	CIVIL
34	Sunrise Bank Ltd	Right Share	375.00	-	NIDC
35	Malika Bikas Bank	Right Share	150.00	-	-
36	Business bikas Bank	Right Share	441.00	-	ACE
37	Himchuli Bikash Bank	Right Share	317.40	-	NMB
38	Pachimanchal Dev Bank Ltd	Right Share	210.00	-	GMBL
39	Anapuna bikas Bank Ltd	Right Share	462.00	-	ELITE
40	Tribeni Bikash Bank Ltd	Right Share	50.00	-	ECE
41	Pasupati Bikas Bank Ltd	Right Share	50.00	-	GMBL
42	Sahayoghi Bikas Bank Ltd	Right Share	15.00	-	NIDC
43	Fewa Finance Ltd	Right Share	182.00	-	-
44	Saghamatha Merchant Bank&Finance Ltd	Right Share	75.00	-	-
45	Lard Buddha Finance Ltd	Right Share	37.50	-	-
46	Kaski Finance Ltd	Right Share	100.00	-	-
47	Birgang Finance Ltd	Right Share	334.70	-	NMB
48	Goodwill Finance Ltd	Right Share	173.25	-	ACE
49	International Lisiing & Finance Ltd	Right Share	1360.80	-	NIDC
S.N	Issuer	Types Of Securities	Issue Amount	Subscription %	Issue Manager
50	KUber Merchant Finance Ltd	Right Share	100.00	-	NMB
51	Mahalaxmi Finance Ltd	Right Share	324.00	-	NMB
52	Butwal Finance Ltd	Right Share	337.26	-	NMB
53	Yati Finance Ltd	Right Share	62.50	-	ALITE
54	C.A.M.B. Finance Ltd	Right Share	75.05	-	GMBL
55	Prundencial Finance LTD	Right Share	200.00	-	CVIL
56	United Finance Ltd	Right Share	165.00	-	ELITE
57	Om Finance Ltd	Right Share	105.00	-	NIDC
58	Gorakha Finance LTD	Right Share	69.14	-	GMBL
59	Merchant Finance Company Ltd	Right Share	90.00	-	GMBL

60	Alaience Insurance Company Ltd	Right Share	59.95	-	NIDC
61	Nepal Life Insurance Company Ltd	Right Share	75.00	-	NIDC
	Total		9658.64		

**Questionnaire:
“A Study of People’s Response on Initial Public Offering”**

Dear Respondent,

I am going a research on the topic of “A Study of People Response on Initial Public Offering” in partial Fulfillment of the Requirements of the degree of Master of Business Studies (M.B.S.) Your sincere and unbiased response will be highly beneficial and as such will be appreciated. The information you provide hereby will be kept confidential and be solely used for this research purpose .

Respondent’s Profile

Name:.....

Occupation:.....

Address:.....

1. How do you get information for opportunity to invest in primary market?
 - a. Media
 - b. Brokeage Firm
 - c. Friend & Relatives
 - d. Others
2. Which sector would you prefer to investment?
 - a. Banking
 - b. Finance/Development Bank
 - c. Insurance companies
 - d. Manufacturing & Processing
 - e. Other
3. Do you have any past experience to investment in Public Offering?

- a. Yes
 - b. No
4. What investor are awareness about the Financial performance companies?
- a. Very much
 - b. Moderately
 - c. Little
 - d. Not at all
5. In what purpose do you want invest in IPO?
- a. Dividend
 - b. Capital Gain
 - c. Company performance
 - d. Right Share
 - e. No brokerage commission
6. Do you read prospects of the company before investment?
- a. Yes
 - b. No
7. What are the main bases of decision for investment?
- a. Market Index
 - b. Profitability
 - c. Advice of Friends
 - d. Market Whim
8. What type of fund do you utilize for the primary market?
- a. Personal Fund
 - b. Loan/Credit
9. Due to which of the following reasons you think the most of firm do not like to going in public?
- a. Sharing profit
 - b. Management Complicity
 - c. Obligation of Public
 - d. Enough fund
 - e. Other factor
10. How many companies have you invested in?
- a. Single company
 - b. 2-5 companies
 - c. 5-10 companies
 - d. More than 10 companies
11. In instrument wish, which type would you prefer to invest ?
- a. Common stock
 - b. Bond & Debenture
 - c. Preferred Stock

- d. Other Instrument
12. There are limited no.of people who invest their money in the primary market, what do you think the reason of it?
- a. Lack of Money
 - b. Lack of information
 - c. Lack of Knowledge
 - d. Others

Bio-Data

Name : Basana Shrestha
Father's name : Bharat Shrestha
Date of Birth : 2037-12-26
Address : Butwal-10, Ragmarg Chauraha
Gender : Female
Marital Status : Married
Religion : Hindu
Language : Nepali ,English
E-mail : basana-shrestha@yahoo.com
Qualification : M.B.S.

