

**ISSUES AND PROSPECTS OF CORPORATE  
DEBENTURE MARKET IN NEPAL**

**By**

**LOZIC KRISHNA SAGAR**

**Shanker Dev Campus**

**T.U. Regd. No.: 7-1-31-402-98**

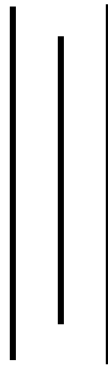
**Campus Roll No. : 566/061**

**A Thesis Submitted to:**

**Office of the Dean**

**Faculty of Management**

**Tribhuvan University**



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

**Kathmandu, Nepal**

**August, 2009**

## **RECOMMENDATION**

This is to certify that the Thesis

Submitted by:

**LOZIC KRISHNA SAGAR**

**Entitled:**

### **ISSUES AND PROSPECTS OF CORPORATE DEBENTURE MARKET IN NEPAL**

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

.....

**Shree Bhadra Neupane**  
(Thesis Supervisor)

.....

**Prof. Bisheshwor Man Shrestha**  
(Head of Research Department)

.....

**Prof. Dr. Kamal Deep Dhakal**  
(Campus Chief)

.....

**Achyut Raj Bhattarai**  
(Thesis Supervisor)

## **VIVA-VOCE SHEET**

We have conducted the viva –voce of the thesis presented

by

**LOZIC KRISHNA SAGAR**

Entitled:

**ISSUES AND PROSPECTS OF CORPORATE  
DEBENTURE MARKET IN NEPAL**

*And found the thesis to be the original work of the student and written  
according to the prescribed format. We recommend the thesis to  
be accepted as partial fulfillment of the requirement for*

**Master Degree of Business Studies (M.B.S.)**

### **Viva-Voce Committee**

Head, Research Department .....

Member (Thesis Supervisor) .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

# **TRIBHUVAN UNIVERSITY**

**Faculty of Management**

**Shanker Dev Campus**

## **DECLARATION**

I hereby declare that the work reported in this thesis entitled **“ISSUES AND PROSPECTS OF CORPORATE DEBENTURE MARKET IN NEPAL”** submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of **Shree Bhadra Neupane** and **Achyut Raj Bhattarai** of Shanker Dev Campus.

.....  
**LOZIC KRISHNA SAGAR**

**Researcher**

**T.U. Regd. No. : 7-1-31-402-98**

**Campus Roll No. : 566/061**

## ACKNOWLEDGEMENT

It was almost impossible to complete this thesis entitled “*Issues and Prospects of Corporate Debenture Market in Nepal*” without expert professional guidance and assistance coupled with constant encouragement from many quarters. I would like to express my deepest thanks to my supervisor Shree Bhadra Neupane and Achyut Raj Bhattarai, Shanker Dev campus for providing all sorts of guidelines, valuable comments and suggestions along with an analytical support in order to complete this thesis. Their guidance and help has been a great source of encouragement and inspiration to me.

I would like to offer my gratitude to all honourable teacher as well as staffs of Tribhuvan University and Shanker Dev Campus, all the concerned staffs of Securities Board of Nepal and Nepal Stock Exchange for providing all relevant data and necessary information.

I must also acknowledge to Shanker Dev Campus Library, and Administration of Shanker Dev Campus, NRB library for providing necessary books, journals and articles.

I also owe a great deal of gratitude to Suraj Maharjan, Santosh Maharjan and Niroj Shrestha for their continuous support and assistance in all the ways possible.

Finally, I would like to offer my special thanks to all those who have supported me in completion this thesis work.

Lozic Krishna Sagar  
Researcher

## **TABLE OF CONTENTS**

Acknowledgement

Table of Contents

List of Tables

List of Figures

Abbreviations

### **CHAPTER – I      INTRODUCTION**

Background of the Study

Focus of the Study

Statement of the Problem

Objectives of Study

Significance of the Study

Limitation of the Study

Organization of the Study

### **CHAPTER – II:      REVIEW OF LITERATURE**

## 2.1 Conceptual Review

### 2.1.1 Concept of Debt

### 2.1.2 Debt Securities Market

#### 2.1.2.1 Government Debt Market

#### 2.1.2.2 Corporate Debt Market

### 2.1.3 History of Corporate Debt Market in Nepal

### 2.1.4 Long Term Debt Instruments

### 2.1.5 Types of Government Securities

### 2.1.6 Terms Related to Corporate Bond Market

### 2.1.7 Key Characteristics of Bonds

### 2.1.8 Risk Associated with Bond Investment

### 2.1.9 Bond Ratings

### 2.1.10 Buying and Selling Rules of Securities

### 2.1.11 Valuation of Bond

### 2.1.12 Bond Return Measures

### 2.1.13 Cost of Debt Capital

### 2.1.14 Bond Spreads

### 2.1.15 How Bonds Trade

### 2.1.16 Why Interest Rate Changes

## 2.2 Review of Journals and Articles

## 2.3 Related Laws and Acts

## 2.4 Review of Thesis

## **CHAPTER – III: RESEARCH METHODOLOGY**

3.1 Introduction

3.2 Research Design

3.3 Sources of Data

3.4 Population and Sample

3.5 Research variables

3.6 Graph

3.7 Method of analysis

3.7.1 Duration of Bond

3.7.2 Valuation Model

3.7.3 Statistical Tools Used

## **CHAPTER – IV DATA PRESENTATION AND ANALYSIS**

**4.1** Presentation and Analysis of Secondary Data

4.1.1 Corporate debt securities in Nepalese Market

4.1.2 Position of Corporate Debenture in Total Debt Market of Nepal

4.1.3 Position of Corporate Debenture in Nepalese Capital Market

4.1.4 Information Disclosure

4.1.5 Interest Rate Analysis

4.1.6 Features of Nepalese Corporate Debentures

4.1.7 Debenture trading in Secondary Market

4.1.8 Upcoming Corporate Debenture Issues

4.1.9 Valuation of Nepalese Corporate Debenture

4.1.10 Duration of the Nepalese Corporate Debenture

**4.2** Presentation and Analysis of Primary Data

4.2.1 Most Preferable Investment Alternative

4.2.2 Most Preferred Corporate Debenture

4.2.3 Most Preferred Debenture Issuing Corporate Sector

4.2.4 Major factors that Hinder the Smooth Growth of Nepalese Corporate Bond Market.



4.2.5 Reason for less trading of Debt Securities in Secondary Market

4.2.6 Observations on under developed stage of debt securities market in Nepal

**4.3 Major Findings**

## **CHAPTER – V: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

5.1 Summary

5.2 Conclusion

5.3 Recommendation

## **LIST OF TABLES**

<b>Table no.</b>	<b>Title of the Table</b>	<b>Page</b>
Table 4.1	Debenture issue out of Total Securities Issue	68
Table 4.2	Position of corporate and government debt in total debt market	73
Table 4.3	Instrument wise securities issue	75
Table 4.4	Sector wise information disclosure by listed companies	79
Table 4.5	Structure of Interest Rate	81
Table 4.6	Interest Rate of Debenture currently floating in Nepalese Market	83
Table 4.7	Features of Nepalese corporate Debentures	84
Table 4.8	Secondary trading of Corporate Debenture	86
Table 4.9	Upcoming Corporate Debenture Issues	87
Table 4.10	Valuation of Nepalese corporate debentures	88
Table 4.11	Duration of Nepalese Corporate Debentures	90
Table 4.12	Most Preferable Investment Alternative	91
Table 4.13	Most invested Corporate Debenture	92
Table 4.14	Most preferred corporate debenture	93
Table 4.15	Most preferred debenture issuing corporate sector	94
Table 4.16	Major factor for debenture market not being popular	94
Table 4.17	Reason for less trading of debt securities in secondary market	96
Table 4.18	Observations on under developed stage of debt securities market	97

## **LIST OF FIGURES**

<b>Figure no.</b>	<b>Title of the Figure</b>	<b>Page</b>
Figure 2.1	Different shapes of yield curve	31
Figure 4.1	Debenture out of Total Securities Issue	70
Figure 4.2	Percentage of Debenture Issue out of Total Issue	71
Figure 4.3	Contribution of Corporate Debt in Total Debt of Nepal	74
Figure 4.4	Trend of Securities Issue Instrument Wise	76
Figure 4.5	Market share of Security Instrument	77