DEVELOPMENT OF STOCK MARKET AND ECONOMIC GROWTH IN NEPAL

Submitted By:

AGNI BHANDARI SHANKER DEV CAMPUS

TU Regd. No: 5-01-61-01-99

Roll No. 1276/061

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)

Putalisadak, Kathmandu July, 2009

RECOMMENDATION

This is to certify that the thesis

Submitted by: AGNI BHANDARI

Entitled:

DEVOLPMENT OF STOCK MARKET & ECONOMIC GROWTH 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.

Prof. Snehalata Kafle	Prof. Dr. Kamal Deep Dhakal
(Thesis Supervisor)	(Campus Chief)

Pitri Raj Adhikari (Thesis Supervisor)

VIVA-VOCE SHEET

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

by **AGNI BHANDARI**Entitled:

DEVELOPMENT OF STOCK MARKET & ECONOMIC GROWTH 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 (External Expert)	
Member (Thesis Supervisor)	
Member (Thesis Supervisor)	

TRIBHUVAN UNIVERSITY

Faculty of Management Shanker Dev Campus

DECLARATION

I here by, declare that this thesis entitled "DEVELOPMENT OF STOCK MARKET & ECONOMIC GROWTH IN NEPAL" submitted to Shanker Dev Campus, faculty of management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master Degree of Business Studies (MBS) under the supervision of my thesis supervisor Prof. Snehalata Kafle & Pitri Raj Adhikari, Shanker Dev Campus, Tribhuvan University, Putalisadak.

AGNI BHANDARI

Researcher Shanker Dev Campus Campus Roll no: - 1276/061

T.U.Registration No:- 5-01-61-01-99

ACKNOWLEDGEMENT

I would like to express my sincere thanks and gratitude to my thesis supervisor Prof.

Snehalata Kafle & Pitri Raj Adhikari, for his tremendous help, valuable guidance,

support and encouraging advice.

This thesis work would never have been completed had I been unable to acquire

invaluable recommendations from my guidance and incredible help from my seniors

and my close friends.

I would like to thanks to my respective mother Mrs. Kalawati Devi Bhandari, for her

valuable ideas escorted the research to this level. Then I would like to thanks my

friends Lok Raj Joshi, Durga Bhatta, Dipak Mahara, Tank Raj Pant and Puspa Raj

Pandey for their help and better co-operation.

I express my deepest appreciation to my parents and all my family members who

always encouraged supported and inspired me continuously through out the work. I

am also greatly obliged to all of those who has supported me directly or indirectly

during my study.

agnibhandari@gmail.com

Agni Bhandari

July, 2009

iv

TABLE OF CONTENTS

		Page No.
RECO	i	
VIVA-VOVE SHEET		ii
DECLARATION		iii
ACKNOWLEDGEMENT		iv
TABLE OF CONTENTS		V
LIST OF TABLES		vii
	OF ABBREVIATIONS	viii
СНА	PTER – 1	
INTE	RODUCTION	1-6
1.1	General Background	1
	1.1.1 Historical Perspective of Nepalese Capital Market	2
1.2		4
1.3	3	5
1.4	Organization of the Study	6
	PTER: 2	
	IEW OF LITERATURE	7-24
2.1	Theoretical Framework	7
	Review of Empirical Works	12
	International Context	12
	National Context	18
2.3	Concluding Remark	24
_	PTER - 3:	25.22
	EARCH METHODOLOGY In displaying of Stook Monkey Development	25-32
3.1 3.1.2	Indicators of Stock Market Development Indicators of Economic Growth	25
3.1.2		26 26
3.3	Scope of the Study Research Design	27
3.4	Nature and Sources of Data	27
3.5	Methods of Data Analysis	27
3.5.1	Trend Analysis	28
3.5.2	Correlation Analysis	28
3.5.3	Regression Analysis	28
3.6	Test Statistics	29
3.7	Limitations of the Study	31
3.8	Definition of Key Terms	31

CHA	APTER – 4:	
PRE	SENTATION AND ANALYSIS OF DATA	33-51
4.1	Stock Market Development	33
4.2	Performance of Stock Market	37
4.3	Correlation Analysis	45
4.4	Regression Analysis	47
4.5	Major Findings	50
CHA	APTER - 5:	
SUM	IMARY, CONCLUSION AND RECOMMENDATION	52-57
5.1	Summary	52
5.3	Conclusion	53
5.4	Recommendations	55
REF	TERENCES	
APP	ENDICES	

LIST OF TABLE

		Page No.
Table 4.1	Trend of Stock Market Indicator	34
Table 4.2	Correlation Matrix	45
Table 4.3	Regression Result	48

ABBREVIATION

CBS : Central Bureau of Statistics
CIT : Citizen Investment Trust
EPF : Employees provident Fund

FY : Fiscal Year

GDP : Gross Domestic Product GON : Government of Nepal

Log : Logarithms

MC : Market Capitalization

MCR : Market Capitalization Ratio

NA : Not Available

NEPSE : Nepal Stock Exchange

Rs : Nepalese Rupees

SEBON : Securities Board of Nepal SEC : Securities Exchange Center SMC : Securities Market Center

TO: Turnover

TOR : Turnover Ratio
UK : United Kingdom
US : United States
V : Volatility
VT : Value Traded