CORPORATE GOVERNANCE PRACTICES IN NEPAL

Submitted By

MANISHA TAPOL

Roll no: 01/061

T.U. Regd. No: 15952-95

A Thesis Submitted to:

Office of the Dean
Faculty of Management
Tribhuvan University
Shanker Dev Campus

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

Putalisadak, Kathmandu, 2009, Nepal

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

Manisha Tapol

Entitled:

Corporate Governance Practices in Nepal has been prepared as approved by this department in the prescribed format of Faculty of Management. This thesis is forwarded for examination.

	•••••	•••••
Dr. Kamal Das Manandhar	Bisheswor Man Shrestha	Dr. Kamal Deep Dhakal
(Supervisor) He	ad of Research Department	Campus Chief
Date:		

VIVA-VOCE SHEET

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

By

Manisha Tapol

Entitled

Corporate Governance Practices 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 the Degree of Master of Business Studies (M.B.S.)

Viva-Voce Committee:

Head of Research Department:	
Member (Thesis Supervisor):	
Member External Expert:	

Faculty of Management Tribhuvan University

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled **Corporate**Governance Practices in Nepal Submitted to the Shankar Dev Campus;

Tribhuvan University is my original work. It is done in the form of partial fulfillment of the requirements for the Master degree in Business studies under the supervision and guidance of Dr. Kamal Das Manandhar lecturer of Shankar Dev Campus of Tribhuvan University.

Date:			

Manisha Tapol Researcher **ACKNOWLEDGEMENT**

The present study "Corporate Governance practices in Nepal" has been prepared for

the partial fulfillment of the requirement for Master Degree in Business Studies.

The successful completion of this dissertation is the result of invaluable guidance of my

supervisor Dr. Kamal Das Manandhar, lecturer of Shanker Dev Campus. Without his

proper guidance and excellent supervision, this research report would not have been

presented in this form. So first of all, I would like to express my heartfelt gratitude to

him for his valuable supervision and regular inspiration during this study.

I am also extremely grateful to my respected teachers and all staff of Shanker Dev

Campus who supported me during my study in Shanker Dev Campus.

Last but not least, I would like to express my sincere thanks to all of them who had

supported me to complete this dissertation work.

Manisha Tapol

Shanker Dev Campus

TABLE OF CONTENTS

Recommendation Viva- Voce Sheet

Declaration

		Acknowledgement	
		Abbreviation	
		Table of Contents	
		List of Tables	
(CHAI	PTER -I	
]	INTRODUCTION	
1	.1. I	Background	1
1	.2. \$	Statement of Problem	8
1	.3 (Objective of the study	12
1	.4 I	Limitation of the study	12
1	.5 \$	Significance of the study	13
1	.6 (Organization of the study	13
(CHAI	PTER-II	
]	LITERATURE OF REVIEW	
2	.1 (Conceptual framework	15
	2	2.1.1 Definitions	15
	2	2.1.2 Principle of corporate governance	18
	2	2.1.3 Ensuring the basis for an effective corporate governance framework	19

	2.1.4 Importance of the corporate governance	19
	2.1.5 The major elements of corporate governance	22
	2.1.5.1Board of Directors	22
	2.1.5.2 Disclosure	25
	2.1.5.3 Annual General Meeting	26
2.2	Review of related international studies	28
	2.2.1 International journals	28
	2.2.2 White paper on corporate governance in Asia	34
2.3	Review of Nepalese research studies and activities	36
	2.3.1 Seminar on corporate governance in Nepal	36
	2.3.2 Corporate governance practices in Nepal	37
	2.3.3 Corporate and financial Government project	37
	2.3.4 The Federation of Nepalese Chambers of Commerce	
	and Industry (FNCCI) and Corporate Governance	37
	2.3.5 Articles published in corporate governance	38
	2.3.6 Nepalese Companies awarded for Corporate Governance	40
	2.3.7 Review of previous thesis	40
	2.3.8 Research gap	41
СН	APTER -III	
	RESEARCH METHODOLOGY	
3.1	Research Design	42
3.2	Nature and sources of data	43
3.3	Population and Sample	43
3.4	Methods of Data Collection, presentation and Analysis	43
3.5	Primary Data Collection Procedure	44
36	Statistical Tools	44

CHAPTER -IV

DATA PRESENTATION AND ANALYSIS

4.1.	Needs and application of primary research	46
	4.1.1.Nature of the Respondents	46
4.2	Awareness of corporate governance	49
4.3.	Opinion of Respondents on corporate governance	50
4.4.	Most important issues of corporate governance	51
4.5.	Important aspects to make better Corporate Governance Status	51
4.6	Best financial institutions to have Good corporate Governance system	52
4.7.	Clear mission and value expressed in written form	53
4.8.	Top three financial institution	54
4.9.	Poorest sectors in corporate Governance	55
4.10.	Average situation of Nepalese financial institution	56
4.11.	Information related to corporate Governance system	62
4.12.	Problems of Corporate Governance	63
4.13.	Major Findings	64
СНА	APTER -V	
SUM	IMARY, CONCLUSION AND RECOMMENDATION	
5.1.	Summary	67
5.2.	Conclusions	68
5.3.	Recommendation	68
	Bibliography	
	Questionnaire	
	Appendices	

LIST OF TABLES

TABLES NO.	PAGE NO.
4.1. Work experience of the respondents in their profession	46
4.2. Position or the designation of the respondents	47
4.3. Genders of the respondents	48
4.4. Ages of the respondents	48
4.5 Academic qualification of the respondents	49
4.6. Awareness on Corporate Governance	49
4.7. Meaning of corporate governance by respondents	50
4.8. Most important issues of corporate governance	51
4.9. Important issue to make better corporate governance	52
4.10. Fanatical Institutions with good corporate governance	52
4.11. Financial Institutions with Clear mission statements	53
4.12. Top first financial institution with good corporate governance	54
4.13. Top second financial institution with good corporate governance	54
4.14. Top third financial institution with good corporate governance	55
4.15 Poorest sector of Corporate Governance	56
4.16 Separation of roles of Chairman of CEO	57
4.17 Majority of directors are non-executives.	57
4.18 Significant numbers of institutional investors are there	57
4.19 The shareholders selected Significant number of directors in AGI	M 58
4.20 Good shareholders' right for voting	58
4.21 Good reporting and information system	58
4.22 Timely performance reports reviewed	59
4.23 Satisfied in internal auditing and control systems	59

4.24 Professional management systems	59
4.25 Ethical business	60
4.26 Timely financial audit	60
4.27 Adequate financial disclosures	60
4.28 Good Legal Audit system	61
4.29 Good organizational culture	61
4.30 Good relationship of Management with shareholders	61
4.31 Good working environment	62
4.32 Growth enhancement opportunities to employees	62
4.33 Information related to corporate governance	63
4.34 Problem of corporate governance	64

ABBREVIATION

BODS :Boards of directors

AGM :Annual General Meeting

et al : And Others

SEBO/N :Security Board, Nepal

NEPSE :Nepal stock Exchange

OECD :Organization for Economic Corporation and Development

SOEs : Stated owned Enterprises

NEDs :Non executives Directors

UK :United Kingdom

IFC :International Finance Corporation

FNCCI :Federation of Nepalese Chamber of Commerce & Industry

NRB . :Nepal Rastry Bank

BOK :Bank of Kathmandu

CEO :Chief Executive Offices