ROLE OF NEPAL STOCK EXCHANGE IN SECURITIES MARKET

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RECOMMENDATION

This is to certify that the thesis

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Entitled:

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has been prepared as approved by this Department in the prescribed format of the Faculty

of Management. This thesis is forwarded for examination.

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VIVA-VOCE SHEET

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

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"**Role of Nepal Stock Exchange in Security Market**"

And found the thesis to be the original work of the student and writTen according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for,

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Viva Voce Committee

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DECLARATION

I here declare that the work reported in this thesis entitled "Role of Nepal Stock Exchange (NEPSE) in Security Market" Submitted to Shanker Dev Campus, Faculty of Management, Tribhuwan University, is my original work done in the form of partial fulfillment of the requirements for the Master Degree in Business Studies (MBS) under the supervision of my thesis supervisor Manoj Bhattarai & Dr. Shilu Manandhar Bajracharya.

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ACKNOWLEDGEMENT

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ABBREVIATIONS

$	=	Us Dollar
	=	Summation
AD	=	Anno Domini
ADB	=	Agriculture Development Bank
AGM	=	Annual General Meeting
AMEX	=	American Stock Exchange
B.S.	=	Bikram Sambat
BJM	=	Biratnagar Jute Mill
BOK	=	Bank Of Kathmandu Ltd.
BSE	=	Bombay Stock Exchange
CDS	=	Central Depository System
CIT	=	Citizen Investment Trust
CO.LTD	=	Company Ltd.
COM. BANK	=	Commercial Bank
DEV. BAK	=	Development bank
EBL	=	Everest Bank Ltd.
FIG	=	Figure
FY	=	Fiscal year
GDP	=	Gross Domestic Product
GOVT.	=	Government
HBL	=	Himalayan Bank Ltd.
Ie	=	For Example
LTD.	=	Limited
MBS	=	Master of Business Studies
MKT.CAPT	=	Market Capitalization
NABIL	=	Nabil Bank Ltd.
NATS	=	Nepal Automated Trading System
NBL	=	Nepal Bank Ltd.
NEPSE	=	Nepal Stock Exchange

NIB Bank	=	Nepal Investment Bank Ltd.
NIC Bank	=	Nepal Industrial and Commercial
NIDC	=	Nepal Industrial & Development Corporation
NIM	=	New Issue Market
NO.	=	Number
NRB	=	Nepal Rastra Bank
NSM	=	Nepal Share Market
NSTC	=	Nepal Security Trading Centre
NYSC	=	New York Stock Exchange
OTC	=	Over the Counter Market
RS	=	Rupee
S.NO.	=	Serial Number
SCBL	=	Standard Chartered Bank Ltd
SD.	=	Standard Deviation
SEBON	=	Security Board of Nepal
SEC	=	Security Exchange Centre
SMC	=	Security Market Center
TSE	=	Tokyo Stock Exchange
YR	=	Year

CHAPTER- I

INTRODUCTION

1.1 Background

The business world is changing fast and the changing life style has always been challenging to the business community and has given opportunities to produce thousand of goods and services to satisfy the changing need of people. The societal needs have increased tremendously in quality as well as in quantity. Market for the products and services have developed throughout the world and the competitions among the firms has altered the managers to forecast the future preferences of the society. As of business expansion ever the security market is increasing.

A security market can be defined as a place for bringing together buyer and sellers' financial assets in order to facilitate trading. Market index are the indicator of performance of the markets. For example either the market is moving upward, downward or is stagnant. Securities market can be divided in various ways. Such as on the basic of security traded security market can be divided as primary and secondary market. A primary market is the place where corporations and government issue new shares. It is the market for the initial sale of securities. Secondary market is the market in which securities are traded among the investors. Nepal Stock Exchange (NEPSE) is an example of secondary market. Similarly on the basis of life span of securities, securities market can be classified as Money Market and Capital Market. Money market is the market for a short term and highly liquid debt securities and Capital market is the market for long term securities issued by government and or a corporation.

Nepal is trying to develop its economy through economic liberalization. Capital market and its extensity play a great role to develop the nation's economy. Nepal, the capital deficit economy required the huge amount of investment money in production activities for the rapid economic development. The stock market can play a vital role by encouraging and analyzing the saving to provide the entrepreneurs for investment in

profitable projects in the Nepalese capital market. In the context of Nepalese capital market it is in institutional arrangement with in which a number of institutional bodies like securities board, NEPSE, office of registrar, shareholders association of Nepal and listed companies are in existence. In Nepalese capital market there are twenty four broker, seven issue managers, and one organized stock exchange centre (Nepal stock exchange) are currently in operation. Only few privatized companies are listed to NEPSE and most of the listed companies are inactive and rarely their share is traded on the floor.

The major concern of around the globe has been to accelerate the development process and increase the welfare of the people. Development of capital market in Nepal is no exception with the establishment of commercial banks and long term financial institutions like NIDC. In fact in Nepal Market capitalization started in 1994, with the enactment of the company act in 1992 B.S. However failure of number of companies with in a short span of time damned the spirit and for a long period market capitalization took a back seat.

Nation's economic growth and solving the problem of undeveloped economy is widely depending on the nature of its economic infrastructure. One of the basic elements in achieving a self reliant growth of the economy for sustaining the desired level of economic development is an accelerated rate of investment or capital upon the efficiency of the financial system. A developed financial system is a hallmark of any free enterprises and economy as well.

In the absence of developed securities market in Nepal, the government was the sole issuing authority of developments bonds and national saving certificates. Therefore the securities generally found in the market were mainly the government securities. Accordingly Nepal Rasta Bank has been managing the issue of short term treasury bills to time. Nepal Rasta Bank makes arrangement for the issue, register, purchase, and sale, transfer of ownership and redemption of government bonds and debentures. Therefore, government securities are fully traded under the management and supervision of Nepal Rastra Bank.

The government had dominant control as to the capital investment and management in most of those companies. In the earlier phase of capital market many companies were later on either liquidated or sold to privet parties. Some of the prominent companies are still in operation under public sector while a few of them are in process of privatization. The companies are incorporated either under the full ownership of government or under joint investment with the private sector. The role of pirate sector except in the operation of small scale industries was almost nil during that period. It also leaded to the slow development of security market.

From the discussion it can be said that the existence of market for securities is of importance to both issuer and investors. Securities market assists business and government in raising funds which eventually is invested in industries where capital is most productive. So the role of organized security exchange like NEPSE is not mutually exclusive in ever the slow developing economy like a Nepalese one.

Organized exchanges are physically market place where agent of buyer and seller operate through the auction process. There is no. of organized exchanges; two are true national market place and the other one regional and local. Secondary market is also well known by stock exchange.

The history of security market began with the flotation of share by Biratnagar jute Mills Ltd. And Nepal Bank limited in 1937. Introduction of the company act in 1964, the first issuance of government bond in 1964 and the establishment of securities exchange centre ltd. In 1976 was other significant development relating to capital markets. Securities exchange centre was established with an objective of facilitating and promoting the growth of capital markets. Before conversion into stock exchange it was only capital markets institutions undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services. His Majesty 's Government under a programmed initiated to reform capital markets converted securities exchange centre into Nepal Stock Exchange in 1993. NEPSE is a non profit motive organization under securities exchange act 1983.

The basic objective of NEPSE is to impact free marketability and liquidity to the government and corporate securities by facilitating transaction in ins trading floor through member, market intermediaries, such as broker, market maker etc. NEPSE opened trading floor on 31st January 1994.

The history of financial market in Nepal is not so old and it is in growth stage. However, the development phase of market is not completely satisfactory compared to the development and emergence of various financial and non financial institutions.

The financial market in Nepal is not basically different from the financial market in general. Hence, it has been explained very briefly here.

The financial market is still in an infancy in Nepal. Since the financial market plays an important role in the efficient distribution and use of resources.

The system of lending and borrowing in an unorganized way is prevalent in Nepal since the ancient time. Even today substantial portion of rural credit is available from the unorganized sector. The system of providing loan through the organized sector was initiated by Tejarath Adda established in 1993 B.S. The scope of this institution which made available loans only to the government employees in the beginning was limited.

The system of collecting deposited and granting loan in the organized sector had started with the establishment of Nepal Rastra Bank Ltd. In 1994 B.S. The mobilization of funds by selling securities to the general public had, however started with the establishment of Biratnagar Jute Mills in 1993 B.S.

There are many changes taking place in the financial system of Nepal due to the financial liberalization. The business activities are increasing rapidly. The situation of monopoly has come to an end and age of competition has emergence in Nepalese Financial System. Many banks and financial institution have been established to cater the credit need of individual and business firms.

According to the Lawrence J Gitman: "*Financial market provides a form in which supplies of funds and demands of loans and investment can transact business directly*." (Gitman. L.G, 1988)

1.2 Statement of Problem

NEPSE is only one security exchange centre running in 14yrs but no significant development taken place so far but due to low literacy rate in Nepal Nepalese people are not so interested in investing in securities but they are more interested towards jewelries, cars, buildings, and various non profitable assets.

Government need to create incentives for capital mobilization remove barriers to private sectors educate investors and provide basic legal and regulatory reforms. To this date the stock market development in Nepal has not reached its full potential for many reasons. To bridge this knowledge gap this study focuses on this issue.

- Is NEPSE playing an effective role in capital market?
- What is the growth trend of Nepal Stock Exchange?
- What is the present state of NEPSE and securities market in Nepal?
- Do the investors are aware of Securities Market while making investment decision?
- What is the current legal situation or state of securities market?

1.3 Objectives of the Study

The overall objective of the study is to examine the role played by NEPSE in promoting Nepalese security market and to explore the existing financial institution set up in the country for providing industrial and the commercial finance to investors. The securities market performance has been broadly classified here on new issue market and stock market. Thus to present a real picture on how the securities market is functioning, this study will be of great importance

The specific objectives of this study are:

❖ To explore the composition of primary and secondary market and their performance behaviors.

❖ To evaluate the price movement of companies in the Nepal Stock Exchange.

❖ To forecast the future trends of NEPSE in terms of Quality, quantity value and volume.

❖ To explore the problems associated with NEPSE.

1.4 Focus of the Study

This study contains the overall security market of Nepal including primary and secondary market. The history, current situation and future prospectus of NEPSE are the main subject matter of this study.

NEPSE is in operation since 1994, but till now not so significant development had been made so far. Policy makers are unable to diagnose and identify appropriate policies for the development of stock market. Some of the process has been made which is conversion of securities exchange centre into NEPSE. The government also took a number of measures to get up the economy of Nepal such as privatization policy, economic liberalization policy, and reform of financial sectors.

1.5 Significance of the Study

This research is helpful in different areas though finding of previous research are equally important. I realized the necessity of the research work on particular topic. Various shortcoming are sorted out which can be turned into the strength of stock market. Graphs are presented so well that a layman can understand what is there in stock market. Investors might be enriched with the various topic which in last lead to investment in shares. Various samples are taken from different sectors and detail analysis was done which will be helpful for the financial manager of various companies. Lastly any interested individuals and researchers will found this thesis as guidelines for research in stock market.

1.6 Limitations of the Study

) Only the five year data from 2003/04-2007/08 been considered in this study.

) Few sample out of population been taken that may or may not represent universe.

) The data collected from NEPSE concerned organization and brokers so the data may be either actual or estimated.

) Few statistical tools are used to complete this study.

) Among the various aspects of NEPSE this study will focus only on the history, present situation and future prospectus of NEPSE rather then private and public company.

1.7 Organization of the Study

This study will have the following organization.

CHAPTER- I: Introduction chapter deals with Background of study, Statement of problem, Objective of study, Focus of study, Significance of study, Limitation and organization of study.

CHAPTER -II : Second chapter is Review of literature which deals with the review or rewind the available literature. It includes review of books, journals of previous thesis.

CHAPTER- III: Third chapter is Research Methodology which explains the research methodology used in the study. This includes research design, source of data, population and samples, method of data analysis etc.

CHAPTER-IV: Fourth chapter is Data collection and presentation which is important chapter of the study it includes presentation and analysis of data.

CHAPTER-V: Fifth chapter is Summary, Conclusion and Recommendation which summaries the main conclusions of the study.

CHAPTER -II
REVIEW OF LITERATURE

2.1 Background

In this part of study, review of existing literature has been made. To review the previous research, thesis, various articles published in newspaper, journal on this topic are the main subject matter of review of literature. The previous studies can not be ignored because they provide foundation to this study. The relevant articles were reviewed and various published and unpublished data and materials are also available from different sources. Review of literature is an essential part of all studies. It is a way to discover how previous researches are done in the area of our problems.

2.2 Capital Market

The market where the transactions of long- term securities are made is called Capital market. The fund collected in this market can be spent in long term investment. Hence, capital market is a long term credit market. Broadly it consists of a series of community through which the saving fund can be mobilized into productive sectors. So it can be defined as a channel for the mobilization of Public saving funds into productive sectors. A capital market is just what the name implies – A market for long terms funds strictly speaking the capital market encompass any transaction involving long term debt or equity obligation.

The capital market is the heart of modern economy. The capital market is inevitable for the economy development of a country. The capital market mobilizes saving for economic development. Since the instruments of capital market have liquidity& they are easily available. The financial instrument work as near money and they are less risky. The funds called by the capital market can be spent investments. In the absence of capital market even those having adequate capitals cannot be use in capital productive works.

According to Peter s rose "The capital market is designed to finance long term investment, financial instrument traded in the capital market have original maturities of more then one year."(Joshi Shyam 2006-07)

In the words of S K kooper and others "The framework for the borrowing and lending of funds for the periods of longer than a year is called capital market." (Joshi Shyam 2006-07)

The World Bank defines capital market as "The market in which long term financial instrument such as equities and bond are raised and traded" (Joshi Shyam 2006-07)

It is therefore capital market plays a great role in the mobilization of constant funds of saving and changing these financial resources for expanding productive capacity in the countries. But the major problem is the process of development is to increase the level of saving and to canalize those saving into investment. So capital market is playing a crucial role in the process of economic development. In this way the importance of capital market arises as to proper allocation of accumulated saving and utilizing these funds in productive sectors.

2.3 Defining Security Market

Securities market can be defined as a place where the investor buy and sell financial instruments. A dealer is an individual or a firm that put its own capital at a risk by investing in a security in order to carry inventory of the security and make a market in it.

A securities market or financial market can be defined as a mechanism for bringing together buyers and sellers of financial assets in order to facilities trading. One of its functions is price discovery that is to cause security prices to reflect currently available information. (Sharpe, Alexander and Bailey 2003)

Business firms need capital to finance their operations. In order to grow and expand they must invest big amount in different sectors. But it should be noted that before investing in any project a complete study should be done. Sometimes government lends a big amount of capital to private sector and some times government also borrows from private sectors. The security market permits both business firm and government to raise the required fund by selling securities in the securities market by selling securities. Simultaneously investors with excess funds are able to invest and earn a return enhancing their welfare. The return to an investor may be capital gain as well as normal gain.

The history of securities market began in Nepal with the floatation of shares by Biratnagar Jute mill ltd. And Nepal Bank ltd. In 1937 A D. Introduction of the company act in 1964, the first issuance of government bond in 1964, and the establishment of securities centre ltd. In 1976 were other significant development relating to capital market.

Securities Exchange centre was established with an objective of facilitating and promoting the growth of capital markets. Before conversion into stock exchange it was only capital market institution undertaking the hob of brokering, underwriting, managing public issue, market making for government bonds and other financial services. Nepal government under a program initiated to reform capital market converted securities exchange centre into Nepal Stock Exchange in 1993 A.D

The development of a sound security market with its constituent financial institution is one of the mechanisms which enable the efficient transformation of saving from the hand s of surplus spending unit to those of deficit spending ones who can use them move productivity and or have risk aversion.

The existence of market for securities is of advantage to both issuer and   investors. As to their benefit to issuers a securities market assists business and government in raising funds. In a society with private ownership of the means of production and distribution of goods and services, saving must be directed towards investment in industry where the

capital is productive. Government must also be able to borrow for public improvement. Market mechanism makes possible the transfer of funds from surplus to deficit sectors, efficiently and at low cost.

There are mainly two types of financial market. First one is Money market and second one is Capital market. Short term funds can be raised from money market and long term fund or middle fund can be raised from capital market. This can be explained as follows.

(1) Money Markets

Money market is also known as short term financial market. The financial market in which funds are borrowed for short period is called money market. Generally money market trades Commercial papers, Certificate of deposit, Short term bonds and Government Treasury bills.

Nepalese money market can be divided as the organized and un- organized sector. Under the organized sector Commercial banks, Co-operative Ltd. Agriculture bank and Central bank are working and under the un-organized sector creditors, local merchants, land lords other various parties are working.

Figure 1.1

Classification of Nepalese Securities Market

Source:[Rabinbdra Bhattarai- investments theory & practice 2006]

(ii) Capital Markets

Capital market is also known as long term financial market. Long term funds of firms are collected from the capital market. Hence, capital market is a long term credit market. The meaning of capital market can be made from its definition. According to Peter S. Rose-
"The capital market is designed to finance long-term investment. Financial instruments traded   in the capital market have original maturities of more than one year."

Capital is the life blood of all kinds of organizations. Capital structure is the combination of the long-term debt, Preferred stock and Common stock. An optimum capital structure decreases the cost of capital and increase the earning per share. Conscious financial

analyses even use the low capital gearing. Business finance is that business activities which is concerned with the accusation and conversion of capital funds in meeting the financial needs and overall activities and overall objective of business enterprise's. This is the thinking of company point of views.

Investors are the real owner of the joint stock company, they purchase the share and establish the company to get the dividend and capital gain, but who protect theirs investment and right.

Securities Board of Nepal (SEBO) protects and promotes the interest of investors by regulating the securities market. For this purpose SEBO was established on 26th May, 1993 under the provision of Securities Exchange Act 1983. Beside the regulatory role it is also responsible for the development of securities market in country.

Nepal is a developing country. For the balanced development of the country she has been adopting planned economic development, which requires a steady supply of medium to long-term capital funds. Supply of capital market is the institution which is engaged in the mobilization of ideal saving or funds in productive opportunity, development and expansion of capital market is essential for the rapid economic development by mobilizing the long term capital." (Ojha, 2000/01)

Nepal Stock Exchange (NEPSE) is the only one license holder mediator of securities board of Nepal (SEBO).All the broker companies (who has received that certificate of stock trading and become the member of NEPSE.) trade in the trading floor of NEPSE. This is the secondary market of stock which market provides the liquidity in the stock.

In the respect, capital market plays a great role in mobilization of a constant flow of saving and changing these financial resources for expanding productive capacity in the countries. Stock market is a major component of the securities market. Stock market is a medium through which corporate sector mobilize funds to finance productive projects by issuing shares in the market. Similarly, stock market provides the best investment

opportunity to the investors. Further many profitable projects require a long term venture capital to finance. Most investor tempts to provide risk and is reluctant to tie their saving in to the long term commitment. Liquid stock market makes the investment less risky and more attractive. It encourages savers to invest in the long term projects because they can sell securities quickly and easily.

The organized stock is recent phenomenon in Nepal. The history and securities market began with the floatation of share by Biratnagar Jute Mills ltd. And Nepal Bank ltd 1937 A.D. Introduction of the company act in 1951, the first issue of government bond in 1964 and the establishment of the securities exchange centre in 1976 were other significant development relating to the capital market. Securities Exchange Centre was established in 1976 with the objective of facilitating and promoting the growth of capital market. Before conversion into a Stock exchange it was the only capital market institution under taking the job of brokering, underwriting, managing public issues, market making for government bonds and other financial services.

Nepal Government under a program initiated to reform capital market converted securities exchange centre into Nepal Stock Exchange in 1993. Nepal Stock Exchange in short NEPSE is a non profit motive organization operating under securities exchange act 1983.

The basic objective of NEPSE is to impart free marketability and liquidity of the government bonds and corporate securities by facilitating transactions in its trading floor through market intermediaries such as brokers, market makers etc.

In summary the market where securities are traded is known as a capital market. The capital market is broadly categorized into two types. They are primary capital market and secondary capital market.

2.4 Classification of Securities Market

One way in which securities market may be classified is by the types of securities brought and sold there. The broadest classification is based upon whether the securities are new issue or are already outstanding and owned by investors. New issues are made in the primary market and the securities that are already outstanding and owned by investor usually bought and sold through the security market called secondary market.

2.4.1 Primary Market

The primary markets are the markets for new securities in which a borrower issues new securities in exchange for cash from an investor (buyer). The primary markets are the media through which new financial securities are issued or generated. They are the media by which demanders and suppliers of today's fund and the creator and acceptors of financial claims meet. In the primary market financial assets are created and exchanged satisfying in the part of the financial need s of demanders and suppliers fund. At the present concept it is the market for direct issuance of government and business organizations securities. The primary market of the country is dominated by the government securities due to the existence of new issue market for individual securities.

The main function of primary market is to make the financial capital available to make new investment in building, equipment, various kinds of stock and other kinds of necessary goods. The investor banker performs the role of an expert in issuing new securities. In the context of Nepal there are so many companies which are working as an underwriter or as an issue manager. Such as Nepal Merchant Bank, Nepal Industrial and Development Company, United Finance, Ace Development Bank, Citizen Investment Trust, Nepal Share market. These companies advice to the business firms regarding to the nature of security interest rate and underwrite the issue of securities. The commercial banks are not directly involved in this market. Usually the business firms make private placement of securities. The direct sales of securities by the buyer with out underwriting is called private placement of securities.

Securities available for the first time are offered through primary market. The issuer may be brand new company or one that has been in business for many years. The securities offered might be new type for the issuer additional amounts of a security used frequently in the past. The key is that these securities absorb new funds for the offers of the issuer.

The primary securities market includes all transactions that result in the accumulation of financial capital by the firms, governments or individuals to be used in the consumption or real capital investment. The participants in this process are m any and varied but important segment includes the money brokers who act as a middleman for exchanging securities for fund. These brokers provide valuable services. Their principle role is to assist in the pooling of the funds by the certain of securities form that appeal to the ultimate investors.

The growth of primary is encouraging since many public limited companies including joint venture commercial banks have bee successful to tap capital through flotation of securities to the general investing public. The contribution of primary market to company financing is direct in the sense that provides additional funs to the issuing companies either for starting a new enterprise or for expansion diversification of the existing one.

2.4.2 Secondary Market

The secondary markets are the markets where already outstanding financial assets are traded from old to new owners. Secondary markets provide the liquidity for financial assets making them more attractive. So secondary market is the place where securities once sold are purchased and repurchased to provide liquidity to the government and other business enterprises. The trading of government securities in secondary market in the context of Nepal is very thin. Similarly organized securities exchanges the physical location where trading of securities are done under a set of rules and regulations. Investors usually purchase securities in the secondary market by calling securities brokers. In the securities market investors buy and sell securities themselves, the issuer never gets any cash flow from the trades. Nepal Stock exchange (NEPSE) is an example of organized stock exchange and this is the only stock exchange in Nepal. Similarly the

New York Stock Exchange(NYSE), Tokyo Stock Exchange, American Stock exchange (AMEX) Bombay Stock Exchange(BSE) are the example of secondary market. Securities exchange centre in order to promote the market used to support the market even involving itself in buying and selling activities if necessary. The secondary market ever operated in the country was on DBS. The SEC initiated the secondary market in the fiscal year 1975-76. Since then the volume traded in the secondary marker is in increasing trend.

Over The counter market also is an example of secondary market. Over The counter market is not an organization but an intangible market for the purchasers and sellers or securities not listed by the organized exchanges. It is not a formal exchange centre like organized stock exchange. The OTC market competes with investment banker and the organized exchanges because OTC dealer can operate in both the primary and secondary markets.

Securities with the following characters tend to be traded in the Over the Counter Market: Securities of companies with a small capitalization, Securities of companies which are owned by a few holders, Securities of government and their subdivisions and securities which are purchased in large blocks. Such as government securities purchased by banks, life insurance companies and other large investors' securities listed in an organized exchange.

Similarly Third market and fourth markets also are an example of secondary market. The third market is an OTC market where the securities listed in the organized stock exchange are traded. More generally the term third market now refers to the trading of any exchange listed securities in the over the counter markets. The trading system and hour are not fixed to the third market like organized stock exchange. In the third market dealers provide only execution and record keeping services for their clients. Fourth market also exists in the over the counter market and here trades occur directly among investors. In other word in this market the buyer and seller deal directly with each other.

This deal occurs in the exchange listed securities. But in the context of Nepal Third market and Fourth market are not in practices.

The existing of well functioning secondary markers where investors come together to trade existing securitizes assures the purchaser of primary securities that they can quickly sell their securities If the need arises. Of course such sales may involve a loss because there is not guarantee in the financial markets. A loss however may be very preferable to no cash at all if the securities could not be sold rapidly. If investors could not resell securities readily they would be hesitant to acquire them and such reluctance would reduce the total quality of funds available to finance industry and government those who own securities must be assured of a fast, fair orderly and open system purchase and sell at know prices.

In the conclusion it can be said that secondary market are the markets for existing assets which are currently traded between investors. It is this market that creates the prices and allows for liquidity. If secondary markets did not exit investor's would have no place to sell their assets. Without liquidity many people would not invest at all. In summary secondary markets are indispensable in the country like Nepal to the proper functioning of the primary market the later in turn are indispensable to the proper functioning of the economy**.**

2.5 Nepal Stock Exchange (NEPSE)

The securities exchange centre was established with an objective of facilitating and promoting the growth of capital markets. Before its conversion into stock exchange it was only a capital market institution undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services. In 1983 the centre was converted into Nepal Stock Exchange(NEPSE) with the basic objective of imparting free marketability and providing liquidity to the government and   corporate securities by facilitating transactions in its trading floor through market intermediaries such as brokers market makers etc. and it is a non profit organization , operating under Securities Exchange act 1983.

NEPSE opened its trading floor on 13th January 1994 through licensed members. The history of securities market began with the flotation of share by Biratnagar Jute mills and Nepal Bank Ltd. In1937. Introduction of the company act 1964, the first issue of government bond in 1964 and the establishment of securities exchange center ltd in 1976 were other significant development resulting to capital markets. His majesty government under programs initiated to reform capital markets converted securities exchange centre into Nepal Stock exchange in 1993. Nepal Stock exchange in short NEPSE is a non profit organization, operating under securities exchange act 1983.

The securities exchange centre was established with an objective of facilitating and promoting the growth of capital markets. Before conversion into stock exchange it was only the capital market institution undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services.

The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading flower through floor with the help of market intermediaries, broker and market maker etc. NEPSE opened its trading flower on 13th January 1994 through licensed members

2.5.1 Members of NEPSE

Members of NEPSE are permitted to act as intermediaries in buying and selling   of government bonds and listed corporate securities. At present there are 23 member brokers 2 market maker who operate on the trading floor as per the securities exchange act 1983, rules and bye laws.

Besides this NEPSE has also granted membership to issue and sale manager securities trader dealer) Issue and   sales manager works as manager to the issue and underwriters for public issue of securities whereas securities trader (dealer) works as individual portfolio manager.

Following are the broker members of NEPSE

Table-2.1

Member of NEPSE

Sno.	Firm Name	Code	Tel No.	Address
1	Kumari Securities Pvt. Ltd	1	01-4418036	Dilli Bazar, Ktm
2	Arun Securities Pvt. Ltd.	3	01-6916470	Putali sadak ktm
3	Opal Securities pvt. Ltd.	4	01-4421648	Ram shah path ,tm
4	Market securities Pvt. Ltd	5	01-4248973	Kichha pokari, Ktm
5	Agrawal Securities Pvt. Ltd	6	01-4229739	Shanker dev marga
6	J F securities Pvt. Ltd.	7	01-4223089	Putalisadak, ktm
7	Ashutosh Brokerage & securities Pvt	8	01-4220276	Kichha Pokhari, Ktm
8	Pragyan securities Pvt.Ltd.	10	01-4498234	Putalisadk ktm
9	Malla & Malla stock brokering	11	01-4414263	Dilli Bazar ktm
10	Annapurna securities services	13	01-4419051	Putalisadak, Ktm
11	Nepal Stock House	14	01-4255732	Anamnagar, Ktm
12	Primo Securities Pvt.Ltd.	16	01-4239214	Shankder dev marg
13	Khandelwal stock Brokering Pvt. Ltd.	17	01-4230787	Indrachok ktm
14	Sagarmatha Securities Pvt. Ltd	18	01-4242548	Putalisadak ktm
15	Nepal investment & securities Pvt. Ltd.	19	01-4495450	Old Baneswor ktm
16	Silpa securities Pvt. Ltd.	20	01-4255782	New road ktm
17	Midas Stock Brokering co Pvt. Ltd.	21	01-4416050	Dilli Bazar ktm
18	Sirprabi Securities Pvt. Ltd.	22	01-5530701	Kupondol Lalitpur
19	Sweta securities Pvt. Ltd	25	01-4444791	Putalisadak ktm
20	Asian Securities Pvt. Ltd.	26	01-4224262	New road ktm
21	Shree Krishna securities Pvt. Ltd	28	01-4440709	Putalisadak ktm
22	Trisul Securities Pvt. Ltd.	29	01-4242621	Putalisadak ktm
23	Primier securities Pvt. Ltd.	32	1-4231339	Putalisadak ktm

Source: Rabindra Bhattarai, investment Analysis 2006

2.5.2 Board of Directors

The board of directors of NEPSE consists 9 (Nine) directors in accordance with securities with securities exchanger act 1983. Six directors are nominated by government of Nepal

and different institutional investors. Two of the licensed members and General Manger of the NEPSE is the ex official directors of the board.

Table-2.2

Directors in NEPSE

S No.	Name	Designation
1	Mr. Bimal Prasad Wagle	Chairman
2	Mr. Gokul Ram Thapa	Member
3	Mr. Ramji Pant	Member
4	Mr. Rabindra Ballav Pant	Member
5	Mr. Rewat Bahadur Karki	G M(Member)

Source: Rabindra Bhattarai, investment Analysis 2006

2.5.3 Organization of NEPSE

Ministry of finance, Security board, Nepal Rastra Bank, NIDC, Members of NEPSE and GM of NEPSE are the organization of NEPSE. The details are shown in table 2.3

Table - 2.3

Organization of NEPSE

S No.	Name of organization	No. of directors	Designation
1	Ministry of Finance	1	Chairman
2	Securities Board	2	Director
3	Nepal Rastra Bank	2	Director
4	NIDC	1	Director
5	Licensed Members	2	Director
6	G.M. of NEPSE	1	Director

: *Rabindra Bhattarai, investment Analysis 2006*

2.5.4 Capital Structure of NEPSE

The authorized and issued capital of the Stock exchange is Rs 50 Million, of this Rs 34.91 million is subscribed by Nepal Government, Nepal Rastra Bank, NIDC, and licensed members.

Table-2.4

Capital Structure of NEPSE

S No.	Shareholders	Rs in millions	Percentage (%)
1	Nepal Government	20.48	58.67
2	NRB	12.08	34.60
3	NIDC	2.14	6.13
4	Members	0.21	0.60
	Total	**34.91**	**100**

Source: Rabindra Bhattarai, investment Analysis 2006

2.6 Security Board of Nepal (SEBO)

Securities Board, Nepal was established pm May 26, 1993 under the provision of securities exchange act 1983(first amendment). Since its establishment SEBO has been concentrating its efforts on improving the legal and statutory framework which are the bases for the healthy development of the capital market. As a pat of its continuous efforts to build a sound system, the securities exchange act 1983 was amended the horizon of SEBO by bringing market intermediaries directly under jurisdiction and also made it mandatory for the corporate bodies to report to SEBO annually as well as semi annually established a direct relationship of SEBO with the market intermediaries and the listed companies supremacy in its jurisdiction yet to be established and clearly recognized.

2.6.1 Objective of SEBO

General Objectives of SEBO are as follows

➤ To render contribution to the development of capital market by making securities transaction fare healthy efficient and responsible.

➤ To promote and protect the interest of the investor by regulating the issuance sale and distribution of securities and purchase sale or exchange of securities.

➤ To supervise, look after and monitor the activities of the stock exchange and of corporate bodies carrying on securities business.

2.6.2Function of SEBO

The Main Functions of SEBO are as follows.

➢ To monitor and supervise the securities transactions

➢ To conduct the researches and studies along the area of capital market.

➢ To advice Nepal Government on the issue related to the development of capital market and the protection of the investor interest.

➢ To approve stock exchange for he operation and to oversee them for healthy trade of securities.

➢ To register and regulate market intermediaries involved in the primary issues as well as in the secondary trading securities.

2.6.3 Trading Procedure of NEPSE

NEPSE the only Stock Exchange in Nepal introduced fully automated screen based trading since 24th August 2007. The NEPSE trading system is called NEPSE Automated Trading system (NATS) is a fully automated screen based trading system, which adopts the principle of an order driven market.

2.6.4 Market Timings

Trading on equities takes place on all days of week (except Saturday and holidays declared by exchange in advance) on Friday only odd lot trading is done.

The NEPSE has fixed the trading days and hour during which the members are allowed to enter the floor to make the transactions.

<div align="center">

Table -2.5

Market Timings

</div>

Types of Trading	Days	Trading Time
Regular Trading	Sunday to Thursday	12Noon-15 PM
Odd lot Trading	Friday	12 Noon-13 PM

Source: Rabindra Bhattarai, investment Analysis 2006

Note: The exchange may however close the market on days other than schedule holidays or may open the market on days originally declared as holidays. The exchange may also extend advance or reduce trading hours when it deems fir necessary.

2.6.5 Securities Available for Trading

NEPSE facilitates trading in the following instruments

- ❖ Ordinary or Equity Shares.
- ❖ Preference share.
- ❖ Debenture.
- ❖ Government Bonds.
- ❖ Mutual funds.

Circuit Breaker

NEPSE has implemented index based circuit breakers wit effect from 2064/6/4 (21st September 2007). In addition to the circuit breakers price range is also applicable on individual securities.

Index Based Circuit Breakers

The index based breaker system applies at 3 stages of the NEPSE index movement in way viz. 15 points, 20 points and 25 points or 3%, 4% and 5%, whichever is breached earlier. These circuit breakers when triggered bring about a trading halt in all equity.

- ❖ In case of 15 points or 3% whichever is reached earlier in either way there would be a market halt for 15 minutes if the movement takes places before 13:00 hr. incase this movement takes after 13: hr there will be trading halt at this level and market shall continue trading.
- ❖ Incase of 20 points or 4% whichever is reached earlier in either way, there would be a market halt for half an hour if the moment takes places before 14:00 hr. incase this movement takes after 14:00 hr there will be no trading halt at this level and market shall continue trading.
- ❖ Incase of 25 points or 5% whichever is reached earlier in either way trading shall be halted for the remainder of the day.

Price Range

Price range is applicable on individual securities. The trading of the individual securities are not halter but allowed to trade with n the price range.

The price band is 10% of previous close on either way.

During the ATO session the range is 5% on either way of previous close price. After the band is 2% pm either way pf the last traded price till it reaches to 10% of the previous close.

Trading Location

The trading can be done either from NEPSE's trading   floor or from the broker's office. NEPSE uses sophisticated technology through brokers can trade remotely from their office located inside the Katmandu valley. This remote trading facility was started from 1 November 2007.

Trading System

NEPSE operates on the NEPSE Automated trading system (NATS) a fully screen based automated trading system which adopts the principle of an order driven market.

Order Matching Rules

The system adopts principle of order driven market. The best buy order is matched with the best sell order. An   order may match partially with another order producing multiple trades. For order matching the best buy order is the one with the highest price and the sell order is the one with the lowest price. This is because the system view all buy orders available from the point of view of the sellers and all sell orders from the point of view of the buyers in the market. So of all buy orders available in the market at any point of time a seller would obviously like to sell at the highest possible buy price that is offered. Hence the best buy order is he order with the highest price and best sell order is the order with the lowest price.

Settlement

NEPSE has adopted a T +3 settlement system. Settlement will be carried out on the basis of paper verses payment. The trading is done at "T" +1; the buying brokers have to submit bank vouchers for settlement with covering letter. At T+2, the selling brokers must submit share certificate with covering letter. At T+3, NEPSE prepares billing for payment and this will be forwarded to the bank.

Once the settlement is done he buying brokers with the consultation of the clients must decide and present the purchased shares if they want to record it as bank transfer. This must be completed with in T+5.

BANK TRANSFER

Under this mechanism an opportunities to derive the market benefit is provided. But presently the buying brokers must complete the BT process with in T+5. The transactions that are executed can be recorded in different re way and NEPSE has considered all possible retention. The following are the major key point to be considered.

This is related only with buy of the securities.

- ❖ The buyer may decide to have market benefit either to have capital gains or to minimize the loss.
- ❖ In order to do this she/he may partly send for name transfer or may register it in bank transfer.
- ❖ If she/ he register total purchase in blank transfer and can put for sale and if only the part of he shares are subscribed then she/ he can handover the part and the part an be forewarned for name transfer to the concerned company. In order to do this she/ he have to cancel the bank transfer for that portion.

Brokerage Commission

Table-2.6

Brokerage for equity

S no.	Trading amount	Brokerage %
A	Up to Rs 50000	1%
B	>Rs 50000& <5000000	0.9%
C	>500000&<1000000	0.8%
D	>1000000	0.7%

Source: Rabindra Bhattarai, investment Analysis 2006

Table 2.7

Brokerage for Government Bond

S no.	Trading amount	Brokerage %
A	Up to Rs50000	0.2%
B	>Rs 500000<5000000	0.1%
C	>Rs 5000000	0.05%

Source: Rabindra Bhattarai, investment Analysis 2006

Table 2.8

Brokerage for all other Stocks which is not Listed Above

S no	Trading amount	Brokerage %
A	Up to Rs 50000	0.75%
B	>50000 &<Rs5000000	0.60%
C	>Rs5000000	0.4%

2.7. Role of NEPSE in Security Market

We know that security market is an important constituent of capital market. It has a wide term embracing the buyers and sellers securities and all these agencies and institutions which assist the sale and resale of corporate securities. Commenting to the importance of securities market Hugh D Pratrick says that "The development of sound securities market with its constituent financial institution is one of the mechanism which enable the efficient transformation of saving from the hands of surplus spending one who can use them more productively and or have less risky aversion." In this way due to the help of security market idle saving can be canalized to most productive purpose.

Stock and shares are one of the assets into which money can be invested. This investment further is more attractive to a majority of individual because it is also liquid in character. In the securities market there is the great importance of demand and surplus for price fixation. The stock market affects the functioning of the economy in two principal ways;

first market development may affect the national income through their influence on the aggregate properties to consume, to save and to invest. Second way with a given level of saving and investment market arrangements can result in a more or less efficient allocation of fund.

The stock market is considered as an indicator of the entire economic activities of an economy because the stock market affects various macro economic aspects of the economy as well as is affected by the various sorts of macro and micro economic variables. Among the various macroeconomic variables money supply of economy and its relation with the stock price is great debate in the financial literature.

NEPSE provides an organized market place for the investor to pay and sell securities freely. The market for these is an almost perfectly competitive one because a large number of sellers and buyers participate. The shares listed however are not really homogenous like a commodity in a perfectly competitive market. NEPSE plays a not able part in the economic life of a country acting as a free market for securities, where prices are determined by the forces to supply and demand. The NEPSE part is not only to provide a market for securities but also assist in the raising of funds for government and industry. Thus a free and active the stock and shares have become a perquisite for the mobilization distribution of a nations saving as to support modern business.

Without the institution like NEPSE saving of the community steps of economic progress and the production efficiency would be used much wastefully then they are not. The task of mobilizing and distributing of saving could be attempted in the old days by a much or less specialized institution than stock exchange. The business expanded and the economy became more complex so there is a need of permanent finance. So the investors want liquidity the facility to convert their investments into cash at any given time.

So the institution Nepal Stock Exchange plays a great role in the economic life of a county acting as a free market security, where prices are determined by the forces to supply and demand. The function of the stock exchange is not only to provide a market

for securities but also assist in the raising of funds for the government and industry. Thus a free and active in the stock and shares have become a prerequisite for the mobilization and distribution of a nations saving as to support modern business.

Every country wants its economy development which requires efficient transformation of saving or invertible resources into actual investment, but people who initiate investment are not necessary those who have funds for the purpose. As the process of industrial development which stared in modern time self financing becomes insufficient to support it. On the other hand there are other people generally who have surplus of funds but do not have desire and or capability to utilize them for investment activity. Under such circumstance the need for a market mechanism that facilitated the transfer of funds from surplus spending units become obvious.

The financial institution remedy such situation by soliciting the resources from savers by offering them a variety of financial securities differentiated in maturity, yield provides them to the most efficient users. Thus more efficient allocation of inevitable funds results. So the need of securities market important in developing nation like Nepal where host of traditional social and psycho logic consideration conspire against the direction transaction between surplus unit and deficit unit.

Finally NEPSE has a leading role in the economic development by providing capital formation which makes the borrowing and lending cheaper and to increase liquidity. This encourages the investment and may also increase overall spending in the economy.

2.8 Prospects of Nepalese Stock Market

Nepal is still at an early stage of economic and social development. The establishment of parliamentary democracy in 1990 opened the way for sweeping economic reforms. Joint venture with foreign financial and other organization was encouraged to some extent and privately owned industrial and commercial enterprises were permitted to development in some fields. Like other markets Nepalese Stock market is also in developing condition.

After conversion of Securities exchange centre (SEC) into NEPSE in 1993, and the NEPSE started of trading securities through the members brokers in its own floor or by the help of sophisticated and automated networking system. The Nepalese stock market has witness both boom and bust cycles. The market passed the boom phase only for a few months after the introduction of the new trading mechanism, then after then market running smoothly even though up and down in the share price and NEPSE index was varying in different years. The amendment in the securities exchange act and the guidelines were some of the measure taken to improve in the legal and statutory frame work. Now day's different measures have been taken to improve the performance of stock market in Nepal which is as follows.

1) Improvement in Legal Provision

In this year some amendment has been made in "securities regulation and issue guidelines 2000". It is regarding the accountability of the information disclosed in the prospectus regarding the risk of changes in the shares prices exemption of AGM. Similarly some amendment is made in "membership of stock exchange and transactions byelaws 1998" . The amendment also made a provision that brokers cannot transfer their ownership until five years from the date of getting NEPSE membership. The amendment also made a provision that only up to 49 percent of ownership can be transformed to a corporate body. As per the amendment after ownership transfer one cannot again transfer the ownership for at least three years.

2) Supervision and Monitoring

In the fiscal year SEBO conducted on site inspection of the public issue of two companies. During the inspection , SEBO supervised whether the investors are given access to the prospectus memorandum and articles of association of the issuing company, certificate of issue approval given by SEBO and other document as well as checked whether the issuing companies and issue manager are paying attention to address investors complain . During the inspection SEBO also provided suggestions to the issuing co9mpanies and the issue manager regarding the improvement in the public issue arrangement.

3) Trading of Government Securities Through Stock Exchange

With the view to implement Nepal Government program for the trading of government securities   in the stock exchange as announced in the budget a high level committee has been formed under the govern ship of ministry of finance with representation from SEBO, NEPSE and Nepal Rastra bank. The "public debt act 2002 has delegated authority to the Nepal Rastra bank for necessary arrangement of primary and secondary transactions. In this context SEBO has also draft "government securities trading bylaws "based on the draft   regulation proposed by Nepal Rastra bank.

4) Increasing Interest of Business Persons

In this fiscal year SEBO registered the securities of 16 companies consisting five commercial banks , two development bank, seven fiancé   companies, one insurance company and one hydropower company and approved the issuance of securities amounting to Rs 1482.92 millions. Similarly during the year SEBO also approved the additional sale of units of citizen unit of scheme amounting to Rs 62.87 million. In the last fiscal year SEBO granted issue approval to 17 different companies to raise Rs 813.74 millions.

5) Trading System in NEPSE

NEPSE only the stock exchange in Nepal introduced fully automated screen based trading since 24th August 2007. The NEPSE trading system is called NEPSE Automated Trading System, (NATS) is a fully automated screen based trading system, which adopts the principle of an order driven market. Similarly trading on equities takes places on all days of week (except Saturday and holidays declared by Nepal Government). On Friday only odd lot trading is done.

6) Relationship with Foreign Securities Regulations

Viewing the importance of cooperation with the other securities market regulations SEBO has made efforts in further enhancing the relationship with them. During this year efforts have made to harmonize the listing rules of the SAARC region. SEBO provided comments on the study conducted in this regard by south Asian federation of exchanges

(SAFE). In this year high level team of SEBO visited securities exchange board of India to exchange market experiences and explore the areas of mutual cooperation Likewise in this sponsorship of World Bank office in Nepal, a team of SEBO, NEPSE and line ministry.

2.9 Problems Faced by Nepal Stock Exchange

We can see that current state of stock market in Nepal is not satisfactory. It gives wrong impression when we look at overwhelming response of the investor for majority f the public issue. However if we analyze the present status of Nepalese Stock Market, almost every public issue has been oversubscribed during the past ten years. It shows the welcoming response from the retail investors but it can also be interpreted as the sufficient knowledge of investors about the capital market. The declining interest rate of deposits in the commercial banks and slow down in the economic activities leads to the oversubscribing of securities in the stock market.

There is not enough public issue to meet the demand of all retail investors. The performance of the companies which have gone to public for raising capital are also unable to meet the expectation of the investor in the sense that they are unable to provide the minimum acceptable rate of return to investors. Nowadays, some joint ventures banks and finance companies are able to provide it to the investors like the above mentioned problems. The other problems are explained below.

1. Lack of Political Stability

At present Nepal is suffering from poor law and other situation like killing, violence, terror and obstructed the regular movement of the activities of the government. In fact the government was forced to declare the state of emergency in the country for a long period. All the mentioned factors definitely affected the smooth development of the stock market. In summary it can be said that Nepalese political situations is not stability, because of this Nepal stock market is facing so many problems in the securities market.

2. Lack of Efficient and Suitable Tax Policy

The tax policy hindered the development of stock market by increasing transactions cost and creating a disincentive for investment in equity and private bond market. In Nepal capital gain on securities transactions are taxed as income to corporation and individual investors while emerging markets capital gain on investment in stock and bonds are not taxed. Also there is no tax incentive for taking on the burdens associated with the offering of shares and disclosure of the information to the public. At the early stage of stock market, listed companies are often granted a lower tax rate as an incentives to issues shares to the public because the listing of other companies in the stock market benefit to the society by enhancing the depth and liquidity of stock market. High transaction cost and capital gain tax discourage investment in the stock market and tend to reduce market liquidity.

3. Agro Based Economy

In Nepal above 85% of the total population depends on agriculture. In other hands most of the people live in the urban area. It means the absolute size of the urban economy is very small. It is one of the poorest countries in the world. 40% people are in below the poverty line. Therefore the size of the stock market is too small. So it is itself a problem that Nepalese capital market is limited by size and population.

4. Low Investors Confidence

investors confidence in the stock market is relatively low because of share price volatility low return on investment, inadequate information on which to base investment decision, lack of understanding about the operation of financial market and instrument and a general perception that the stock market is not a fare game, However considerable progress has been made but it is not adequate to restore investors confidence. Therefore transparency and openness of transactions quality professional services, adequate corporate financial disclosure and improved legal, regulatory and supervisory frameworks are the direct needs of investors in Nepal stock exchange.

5. Shortcoming of Existing Securities Law and Regulations

Existing securities law and regulation do not clearly define the regulatory, supervisory and enforcement function of the stock exchange and securities board. The securities exchange act and companies act are not clear on the division of authorizes between the register of companies and the securities board regarding the feeling of prospectuses and periodic disclosure requirements by public companies. The prospects registration (securities exchange act) and listing (securities exchange regulation and NEPSE bye law) provision involve a multiplicity and absences of the window policy creates unnecessary burbles , expenses , confusion, complication and delay act as a disincentive to companies thinking of coming to the market by the way of public issue of stock.

6. Restriction to Foreign Investors

Government adopted various economic liberalization policies in various sectors of economy such as hydropower, telecommunication, manufacturing and process industries, but no effort has been made to allow foreign investment in Nepalese capital market. This has caused restriction not only in the foreign investment but also in the managerial accepts that can come through foreign investment.

7. Lack of Money and Bond Market

There is an absence of private money market debt instrument and corporate debt securities in Nepal. Because of these there has been a tendency for banks to dominate primary market. It is essential to have a critical mass of financial instrument that is need for an economically viable securities market. Development of money market in commercial paper and other negotiable debt instrument would provide an alternative source of funding for the private sector and would faster, greater competition in the financial sector.

8. Inefficiency of Securities Board (SRBO)

Securities board, Nepal is responsible for regulating and monitoring of the entire securities business in Nepal. By analyzing its present organizational structure, the number of staff and available resources from government is not sufficient for the board to

perform its role effectively and efficiently. There is lack of trained and qualified members in SEBO.

9. Shortcoming in Legal Affairs for Stock Market Regulation and Enforcement

At present there are twelve regulation and guidelines related to the stock market activities in Nepal which are as follows.

- ❖ Securities exchange act 1983.
- ❖ Securities exchange and regulation act 1993.
- ❖ Company act, 1993.
- ❖ Commercial Bank act, 1974.
- ❖ Finance company act, 1985.
- ❖ Foreign exchange act 1985.
- ❖ Foreign investment and technology transfer act, 1992.
- ❖ Membership of stock exchange and transaction bye law 1993.
- ❖ Securities listing bye law 1996.
- ❖ New issue management guidelines 1997.
- ❖ Securities allotment guidelines 1997.
- ❖ Securities registration and issue approval guidelines, 1995.

Even there were a long list of act and guidelines securities regulatory system is seriously deficient for investor's protections. A powerful and suitable securities act and supporting guidelines are required for Nepalese capital market.

10 High Cost of Public Issue

SEBO has conducted a research recently with the objective of estimating cost and providing policy to public issue. The finding of the study shows he cost of public issue of the new companies. The cost associated with public issue is underwriting cost, advertising cost, printing and other cost, amount collection and refund charges etc. these cost are very high in Nepalese stock market.

11. Lack of Institutional Investors

Institutional investor can mobilize saving in a cost effective manner for individual savers. Otherwise might not participate in the stock market. Nepal there is limited numbers of institutional investors in Nepalese capital market. They are as follows.

- ❖ NIDC
- ❖ Citizen investment trust.
- ❖ Provident fund.
- ❖ Commercial banks.
- ❖ Finance and insurance companies.
- ❖ Venture capital firm etc.

12. Need of Credit Rating Agencies

A credit rating agency is essential to the successful operation of a money market and bond market for private issuers. A credit rating is an opinion about credit risk, or a assessment of the ability of an issuer of debt securities to make timely payment of principal and interest on a security over the life time of instrument. In order to establishing a credit rating agency in Nepal it will be necessary to take step to further development of the infrastructure for the money and bond market. Credit rating agency are also able to rate the claims paying ability of insurance company and solvency of bank and other financial institutions. Therefore there is an urgent need to lay ground work for the establishment of Nepalese credit rating agency.

14. Low Capital Formation

There is low formation of capital in Nepal. Capital required for investment in business is raised from capital formation. The capital is formed from the saving of the people. Nepal being an undeveloped country with 90 percent of the population dependent on agriculture has low income to make sufficient saving. Even saving is spent in unproductive activities rather than in commercial or industrial activities. Thus due to low saving there is low capital formation and the primary market could not develop on Nepal.

2.10 Review of Research works

Darpana Pokhrel (2002) has conducted the thesis "A study of securities market in Nepal" Main objectives of her study were as follows.

- ❖ To find out and analyze the risk and return of different sectors of securities market.
- ❖ To analyze the inter relationship between the risk and return of each sectors.
- ❖ To examine the trend of different sectors in terms of their total paid up value, annual turnover, capitalization and forecast their trend for future.

Study was made in different sectors like Bank, Finance, insurance, manufacturing & service organization. According to her "Among all sectors listed in securities market, banking sector has the highest expected return.(50-33%) finance sector with (47-36%). The sector having the lowest expected return are the one categorized as other just 10.3% and the trading sector with 10.65%.

Ms Deepak Pokhrel has used the different tools and technique to analyze and interpret the data to meet the concrete report about securities market but she has not centralized her study on specific subject matter.

Mr. Bachchu Ram Dahal (2002): Study on "Stock Market Behavior of Listed Joint Venture Company in Nepal." Describe about the Nepalese stock market. The main objectives of research study were as follows.

- ❖ To study and analyze stock price trend and volume of stock traded on the secondary market.
- ❖ To study and analyze the rate of listing of new companies and maintenance of listed company in Nepal stock exchange.
- ❖ To suggest the abstract to the inter3ested parties related to stock market.
- ❖ To study and examine the signaling factors impact on stock price with the help of NEPSE index.

❖ To study and analyze the investors views regarding the decision on the stock investment.

In conclusion Mr. Dahal   says that stock market is the backbone of investment sector of the country. So by promoting the stock market in sizeable economic sector gives raises the economic development by mobilizing resources into productive sectors by making suitable investment. For a suitable investment various elements like price trend NEPSE index, volume of stock traded, rate of listing factors are to be analyzed. His findings were as follows.

❖ In Nepalese stock market the study of market behavior is a very useful subject matter if properly analyzed for the development of stock market.

❖ Nepal stock exchange ltd. Is analyzing stock market behavior in very little area regarding stock market. So experts should be required and analyze market behavior in efficiency.

❖ The data analysis showed that NEPSE is not providing facilitating for investors such as general awareness about investments, investment procedure for general public and movement of stock trend in different periods and their cause are not explained.

❖ The market players in the market should be made effective in promoting capital market in the country by giving proper training and adopting changes the environment with modern tools and technique.

❖ The stock market will be the strong market for the unemployed young generation to build career in capital market. I.e. it has lot of prospectus of developments.

Finally no comprehensive research has been conducted in relation to development of stock market in Nepal, major problems faced by Nepalese stock market and expectation of future growth. Thus the stock market further requires timely research to explore details of the problem and prospects of stock in Nepal.

Jyoti Joshi's Master Thesis on "Study on the Role of NEPSE in Securities Market 2003" and the objectives of the study were as follows.

❖ Introduction of securities market, composition of primary and secondary market, and its performance behaviors.

❖ To prescribe way and means by which secondary market would be more effective and meaning full.

❖ To forecast the future trends of business and other various kinds of activities in the NEPSE in terms of quality, volume and value.

❖ To assess the past and present behavior of business operation in NEPSE market.

❖ Study on legal provision relating to protection of investors interest.

Following are the Major Finding of the Study

❖ Public response is high due to lack of investing opportunity in other fields.

❖ There is significant increment in the number of listed companies in stock exchange, as compared to the growth of public companies.

❖ The dynamism of the stock market has been greatly reduced by the domination of the long term share holders.

❖ The performance of banking group is highly attractive and liquid.

❖ The secondary market which presents an institution mechanism that was inadequate, nontransparent, hardly regulated and rarely geared to investor's protection.

❖ The stock price should indicate the direction in which community's saving should be invested. Price system established on the share exchange provides guidance to investors and helps them directly.

❖ Significant changes have been found in the primary market which is the establishment of merchant's banks, provision of speedy allotments, proportionate allotment of shares etc.

❖ **Mukti Aryal Conducted a Research on "The General Behavior of Stock Market Price":** The prime objectives were as follows:

❖ To discuses theoretically the movement of stock price as predicted by the random walk model.

❖ To develop the empirical probability distribution of successive price changes of an individual common stock and stock market as a whole.

❖ To examine whether the successive price change of stock market are independent to each other or not.

Finally with respect to distribution of price changes, from the investor point of view, the sole interest is in the shape of distribution that is the only information needs to make meaningful investment decision.

Research Gap

Today's world is marked by rapid changes and new development such as researcher conducted a few years back, may not be adequate to explain current phenomena. Thus continuous effort needs to make a investment decision. Through many affiliate researchers have been done in this area but there have been very few exclusive researchers on this subject. The recent research by Jyoti Joshi (200) suffers a short coming of having inadequate graphical analysis. Moreover the tremendous development between (2002-2006) calls for new researches to be conducted. To bring the forth the new development and to bridge the gap between the past research and the present situation, I see out to conduct the research in this intriguing topic. I have been through many literature reviews and given best to fulfill this work.

Also this researcher had a burning desire to understand the reasons behind the slow pace development in the area of stock exchange, in spit of being established since 1994. I wanted to unveil reasons behind common people ignorance and lack of participation in this field and their tendency to pursue the traditional system of investment. In my research effort had been made to under stand the role of NEPSE and I hope this research will be helpful to the future researcher for references.

CHAPTER – III
RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals to the research methodology adopted and implied for the resources used in achieving the predetermined objectives as stated in the earlier chapter. Thus this chapter contains –Research design, Source of data, and information, Data collection techniques, and finally statistical tools used.

A descriptive analysis is used because the secondary sources of empirical data have been employed to analyze the using variables which is related to condition and growth of secondary market .According to the topic "Role of Nepal Stock Exchange in the securities market "primary and secondary data are used to show the present trend and market responses present situation of market

3.2 Research Design

"A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with   economic procedure"

Research design refers to the plan or strategy conceived by the researchers that will answer the research questions. In other words research design is the conceptual framework created by the researcher with in which the   research to be conducted and will obtain the answer to the research questions.

This study is conducted with a view of gaining somewhat clear outlook about the measure of role of Nepal Stock Exchange in the securities market. This study seems to entailing investigation by the use of financial and statistical model to explain the whole phenomenon of the role of Nepal stock exchange in the securities market and have predetermined aims of measurement analysis and evaluation of the relevant details and

information collected in an efficient manner as possible from Nepal Stock Exchange, SEBO and other sources.

It includes nature of data, specification of the method of the proposed study and detail plan for carrying out the study with various empirical data for the analysis of problems etc. first the data are presented in table or diagram secondly presently data are analysis by using various financial and statistical tools and at last analyzed data are compared and interpreted for the conclusion.

3.3 Data Collection Technique

In order to collect the necessary information and data for the present analysis, a systematic process has been employed as follows.

1. First of all, need of the study has been identified.

2. Personal approach is used to collect the required data and information.

3. In order to collect some data and information, most pertinent organization and official authorities has been identified.

4. On the basis of need identification, nature of data has been identified.

5. On the basis of such information and data, analysis will be made.

3.4 Source of Data

With the view of fulfill the predetermined objectives that are set up for the study both primary as well as secondary sources are Included. The required data have been collected mainly from the secondary sources. Primary sources of the data are mainly based on interviews and queered and secondary data are mainly based on booklets. The monthly NEPSE index is derived from various annual reports and trading reports published by Nepal Stock Exchange. Other primary data are collected from Securities Exchange Board Nepal. Besides this, some well known information are collected from magazines and journals. The library of various books and writers as well as from the office copies of the publication maintained by the exchange have also been consulted for the collection of additional information in   completing this study more steadily. The web site of Nepal Stock Exchange as well as some others websites were also used for references.

3.5 Population and Samples

Nepal Stock Exchange has categorized the total listed companies in to 7 groups. Out of them the companies that were in existence and doing share transactions in NEPSE were considered as the sample for the study.

Table 3.1

Population and Samples

S no.	Types of Listed Companies	No. of Listed Co	No. of Sample Co.	Sample Co
1	Commercial Banks	17	5	Nabil Bank ltd SBI Bank ltd. Bank of Kathmandu Ltd. Standard Chartered Bank ltd Everest Bank ltd.
2	Development Banks	21	2	Nepal Development Bank ltd. Nirdhan Utthan Bank ltd
3	Finance	55	5	Nepal Share Market ltd. NIDC capital market ltd. Good Will Finance co. ltd United finance Ltd. Pokhara Finance ltd.
4	Insurance	17	3	Nepal Insurance Co. ltd National Life General insurance Everest Insurance Co. ltd.
5	Manufacturing & Processing	8	2	Himalayan Distillery ltd Uniliver Nepal
6	Hotel	3	2	Soltee Hotel Ltd. Orient Hotel ltd.
7	Trading	3	1	Bisal Bazar Co. ltd.
8	Other	1	1	Nepal Film Dev. Co. ltd

(Source: Annual Report of SEBO)

3.6 Methods for Analysis and Interpretation

The main purpose of analyzing the data is to change if from an unprocessed from to an understandable presentation. Method of analysis is applied as simple as possible. Results are presented in tabular form and clear interpretation or it is given simultaneously. Detail calculations are presented in appendices at the end of this study. The method of analysis employed in this study, consists of two types of analytical tools and techniques.

) Statistical-Tools

Statistical Methods Used

Statistical methods are mathematical technique used to facilitate the analysis and interpretation of numerical data secured from groups of individual or groups of observation from a single individual. The figures provide details description and tabular as well as analyze data without subjectivity but only objectively.

Data have been simply presented in tabular form and interrelated in percentage and simple average, simple bar diagram, and graphic presentation have also been depicted in the text. On the basis of historical data, using both financial and statistical tools performs details analysis of different variables.

Percentage Analysis

The percentage analysis is done to compare the two of more data for general information. It is used as a method to divide the opinions of the related sectors into two or more sectors.

Financial Methods

Qualitative Analysis

Regarding the primary data the qualitative analysis is done rather than quantitative analysis. Qualitative analysis is restricted only up to classification and portions the views of the respondents. As qualitative analysis the issue relating the subject matter is discussed according to the theoretical accepted standard and support formed through the data collected from field survey to form a rationalized implementation of the issues. The issues are categorized using weighted average score where ever felt essential.

Market Price of Stock

One of the major data of this study is market price of stock. There were three price records available (i.e. high, low and closing price of each year). So two appropriate

approaches either average price of high and low price or the closing price can be used. The main argument of average price may be that it represents the price of the whole year. Hence, the closing price is used as market price of stock, which has a specific time span of one year and study has focused in annual basis.

Return

Return is the motivating force in the investment process that is it is the reward for undertaking the investment. Return on a typical investment consists of two components. The first component that usually comes to mind is the periodic cash receipts (either interest or dividends). This cash receipt is also known as ordinary gain on investment. The second component is the appreciation or depreciation in the price of assets and this is commonly called capital gain or loss. The capital gain or loss is the difference between the purchase price and the price at which the assets can be sold.

Mathematically:

Total Return= Capital Gain (Loss) + Ordinary Gain

Capital gain/loss= Ending value of assets- Beginning value of assets.

Ordinary gain =Dividends or Interest.

Return can be expressed in two ways – Rupee return and percentage returns.

Normally return denotes the percentage return.

Rupee and Percentage Return

Return in rupees= capital gain or loss+ ordinary gain.

= (Ending price of assets –Beginning price of assets) +cash receipts

Return in percentage= $\dfrac{Beginingprice\, Z\, endingprice\, \Gamma\, cashreceipts}{beginnningprice}$

Realized and Expected Return

➢ Realized Return: A realized return is the past return. It is the return that was or could have been earned. The realized return is also known as historical rate of return.

➢ Expected Return: An Expected return is the return from as assets that investor expects they will earn over some future period. It is a predicted rate of return subject to uncertainty, and may or may not occur. The realized rate of return may differ from the expected rate of return.

Single Period Rate of Return

A Single period rate of return is also known as holding period rate of return. A holding period or single period return is simply the total return an investor would earn during the period of holding the securities. Holding period rate of return is often calculated for a period other than one year. For this reason, the length of the holding period should be indicated for a specific single period return. In general if the length of the holding period is not specified it is assumed to be one year.

$$\text{Single period return or holding period return} = \frac{pt1\,Z\,pt\,\Gamma c}{pt} * 100$$

Multiperiod Return and Annualized Return

A Multiperiod return is the return earned during the multiple period of holding the securities. For example if securities are held for three years and one year is taken as one period then we are holding the securities for three periods and this is known as Multiperiod investment. To express the multiple period returns as annual return we convert the returns on an annual basis. Such an annualized return is the mean return and there are tow types of mean returns.

Arithmetic Mean

Arithmetic mean return is the most familiar statistical measure to any investor or individual. Therefore the word mean will refer to the arithmetic mean unless otherwise specified. This mean is calculated by dividing the total return of multiple periods by the number of observations or returns. The arithmetic mean return is appropriate as measure

of the centre tendency of a distribution consisting of returns calculated for a particular time such as a year.

Where,

R = arithmetic mean return

r_t= single period rate of return

n= number of observations or returns.

Geometric Mean

It is another method of calculating the annualized return. Geometric mean return is calculated by taking the nth root of the product of one plus individual rates of return minus one. When percentage changes in values over time are involved the arithmetic mean is needed to describe accurately the 'true' average rate of return over multiple periods. The Geometric mean return measures compounded cumulative returns over a time. It is often used in investment and finance to reflect the growth in investment funds, which is it measures the realized change in wealth over multiple periods.

In equation

$G_{m=}$ ¶$(1 \Gamma r1)(1 \Gamma r2)(1 \Gamma r3) \Gamma ..... \Gamma (1 \Gamma rn)'^{1/n}_{-1}$

Where,

G_m=Geometric mean return

R_t=Single period return at time t

N= Number of observations or returns

Arithmetic Mean verses Geometric Mean

Two means returns can be calculated to express our multi period return as annualized returns but which mean should be used to measure the performance of the investment over multiperiod The answer depends on the investors objectives.

⟩ The arithmetic mean return is appropriate as a measure of the centre tendency of a distribution of return for particular periods.

⟩ The arithmetic mean return in case of a percentage change in values overt a time period can be misleading one.

For example,

Year	Ending Price	Holding Period Rate (r)
1	Rs 10	No beginning price
2	Rs 20	Rs 20-10/Rs10 =100%
3	Rs 10	Rs10-20/Rs 20=-50%
		Total = 50%

Mean Return (r) = r/n **= 50%/2**

=25%

The value in the beginning of year 2 or end of year 1 is Rs 10 and at the end of year 3 is also Rs 10. The value has not changed over the period but the arithmetic mean is showing 25% change. Therefore it is misleading one to show the change in value but the central tendency that it is showing is correct one.

➢ Geometric mean return can express the true average rate of return over a multiperiod and can show accurately the change in the investment value.

➢ Due to the inherent bias in the arithmetic mean, the geometric mean will always be equal to or less than the arithmetic mean.

➢ Geometric average is considerably lower than the arithmetic average because it reflects the variability in the returns.

➢ The geometric mean and arithmetic mean will only be equal when the holding period returns are constant over the investment period.

Expected Return of Common Stock

The study also aims to find out the expected on investment in common stock. Usually this rate is obtained by arithmetic mean of the past year's returns.

Symbolically

R = $\overline{R}/n$

Where,

R= Expected rate of return

N= Number of year that the return is taken

$\quad$ =sign of summation

Required Rate of Return

The required rate of return on an individual security is represented by a risk free rate of interest plus a risk premium. Capital market theory shows the risk premium to be equal to the market premium. $E(Rm)\,ZRf'$, weighted by the index of the systematic risk of the individual securities. The required rate of return is calculated to find out the status of the share of the company, comparing it with the expected rate of return of the company. The expected rate of return is the average return of company whereas the required rate of return is the calculated as follows:

Required rate of return = $R_f + E(Rm)\,ZRf'$. B_j

Where

R_f= Risk free rate

E (R_m)= expected market return

B_j= beta coefficient on stock J

Risk

Risk in a financial analysis is the variability of return. The deviation between the expected and actual return brings variability in the return and the variability is termed as risk. The higher the deviation between expected and actual return the higher will be the risk.

Risk, in other words is defined as uncertainty of returns and if there is certainty there is no risk at all. Risk and return in investment go together and without risk no more return can be expected.

Source of Risk

Why do the actual returns deviate from an expected return? Various factors play roles to make the actual return differ from expected return and such factors are known as sources of risk. The factors or sources of risk are as follows

Numerous factors may contribute to investment uncertainty. The uncertainty makes investment risky. The sources of uncertainty that contribute to investment risk are as follows:

1) Interest Rate Risk

It is the potential variability of return caused by the changes in the market interest rates. Market interest rate influences the values of an assets and hence its return. If the market interest rate raises the value of assets (bond) will decrease. A higher interest rate means a higher discount rate and a higher discount rate causes a lower present value of any assets.

2) Liquidity Risk

Liquidity risk is associated with uncertainty created by the inability to sell the investment quickly for cash. The return variability will increase if price discounts and sales commission are to be given in order to liquidity assets in time. The less the liquidity, the greater will be the risk. So two factors -price and time are associated with liquidity.

3) Political Risk

Political risk is the portion of assets 'total variability of return caused by changes in the political environment (domestic and international as well as the international changes of the company). The current Nepalese political environment had made a significant impact on the investment to increase the losses.

4) Purchasing Power Risk

Purchasing power risk is the variability of return; an investor suffers because of inflation. Inflation erodes the purchasing power of the rupees and increases investment risk. The rate of inflation is measured by percentage change in the consumer index (CPI) over the period. The consumer price index is calculated by collecting the prices of consumer goods. This index in Nepal is calculated by Nepal Rastra Bank (NRB). Inflation for a single period can be measured as follows.

$$Qt= \frac{CPIt \; \Gamma 1 \; Z \; CPIt / CPIt * 100}{}$$

Where,

Qt= rate of inflation at time t

CPI_t= consumer price index at time t

CPI_{t+1}= consumer price index at time t+1

This equation is used to calculate one period inflation rate but if there is multiple periods then we use the concept of present value and future value.

5) Default Risk

Default risk is related to the probability that some or all of the initial investment will not be returned. The degree of default risk is closely related to the financial condition of the company issuing the security and the security is rank in claims on assets in the event of a default or bankruptcy.

6) Callability Risk

Some securities are issued with a call provision i.e. company may call back the securities issued before their maturity. The callability risk is the portion of a securities total variability of return that derives from the possibility that the issue may be called.

7) Convertibility Risk

Convertibility risk is that proportion of the total variability of return from a convertible bond or convertible preferred stock that reflects the possibility that the investment may be converted in to the issuer's commons tock at a time or under terms harmful to the investor's best interests.

8) Management Risk

A company's management and Board of Directors are involved in the decisions ranging from product innovation and production methods to financing and acquisitions. All these decisions made by the management materially affect the risk face by investors. Sometimes the management may make a decision which turns out to be wrong later on. For example the poor management of Nepal Bank Ltd. Arouses the investment risk to the shareholders. The share price continuously fell and had to list out from the Nepal Stock Exchange. This has been creating risk to the investors.

Measuring the Risk

There are many ways to measures risk. But in this study standard deviation and coefficient of variance is calculated.

Standard Deviation

Standard deviation is a measure of dispersion and may tell about the variability associated with expected cash flow in terms of degree of risk. It measures the deviation or variances about the expected cash flow of each of the possible cash flows. Projects with the higher standard deviation are riskier. Standard deviation is an estimate of the likely divergence of an actual return from an expected return. It is statistically measure of the variable of a distribution of return a around its mean. Mathematically

Standard deviation $= \sqrt{(Rj \, Z \, Rj)/n \, Z1}$

Variance of Stock

The variance is a measure of the dispersion from the average value. It is the squared deviation form the mean deviation divided by the number of observation less one. One

divided by (n-1) since the deviations are measure form the mean so one degree of freedom is lost.

$$(Rj \, \mathbb{Z} \, Rj)2 / n \, \mathbb{Z}1$$

Variance=

Coefficient of Variance

The coefficient of variance CV is a measure of relative dispersion (risk) that is useful in comparing the risk of assets with differing expected returns. Higher the coefficient of variance, greater the risk. Symbolically CV can be expressed as follows.

Coefficient of variance (CV) = Standard Deviation / Expected Return on stock j

Covariance

Covariance is a statistical measure of relationship between two random variables. It measures how two random variables such as return on securities j and market reruns are related to each other. A positive value for covariance indicates that the securities returns tend to be move in the same direction with other. A negative covariance indicates the tendency for the returns to offset one another. A relatively small or zero value for the covariance indicates that there is little or no relationship between the returns for the two securities

It is Calculated as follows.

$$(Rj \, \mathbb{Z} \, Rj) * (Rm \, \mathbb{Z} \, Rm) / n \, \mathbb{Z}1$$

Covariance $R_m \, R_j$=

Correlation

Correlation analysis is the statistical tool that we can use to describe the degree to which one variable is linearly related to another variable. Tow or more variables are said to be correlated if change in the value of one variable appears to be related or linked with the change in the other variables. The most widely used in practice for calculating correlation coefficient between tow variables is Karl Pearson's correlation coefficient. The correlation coefficient between two variables j and m usually is denoted by R (jm) or R_{jm}.

In our study correlation coefficient is relationship between market return and stock return. It also rescales the covariance to facilitate comparison with corresponding values for other pairs of random variables. It always lies between -1 to +1. A value of -1 represents perfect negative correlation and a value of +1 represent perfect positive correlation.

Correlation(j,m)= cov(Rm.Rj)/oR_j.oR_m

Beta Coefficient

The beta coefficient is an index of systematic risk. Betas can be used for an ordinal ranking of systematic risk of the assets. It assumes that the total market risk is equal to 1. Beta indicates the risk associated with the company's stock in comparison with the market risk. Beta is a measure of risk. It captures systematic risk common to the entire economic system. It measures the sensitivity of a stocks return on the market portfolio. Beta is a famous statistical tool in finance. It is functionally related to the correlation and covariances between the security and the market portfolio in the following way.

Beta(Bj)= cov $(R_m.R_j)$/var(R_m)

Graphical Analysis

Various graphical methods were used during our interpretation of data which is pie chart, bar diagram, histogram and numerous numbers of tables. It is presented in as simple as possible. We have studied on different heading to gain details knowledge of NEPSE.

3.7 Limitation of the Study

In the context of Nepal, there are numerous problems while undertaking any research. Reports are searched concrete type and on the other hand support and suggestion of the government are so poor. Even the financial statement of the companies published by them is not readily available since they are treated as highly confident.

The study period was chosen for the 6th year but due to the lack of proper information (Data) it couldn't be held perfectly. This type of problems is more in non government enterprises. Nepal Stock Exchange ltd is also unable to provide the required data of all the listed manufacturing companies from the year of listing. Therefore the study is based on the limited observation.

During the primary data collection, concerned parties were unwilling to response to the researcher. Other important limitation of the study has been included in the chapter 1

CHAPTER–IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter deals with the analysis of data collected and their presentation. NEPSE has categorized its listed company under eight different heading and samples were taken according to the sectors. The presentation and analysis of data are classified into different subheadings like, issue of equity share, issue of debenture, right share issue, analysis of turnover, analysis of secondary market movement, Market capitalization etc.

4.2 Issue of Equity Shares in Fiscal yr 2007/08

In the fiscal year 2007/08 altogether 21 companies including five Commercial banks, 11 Development banks, 8 finance companies, 2 insurance companies, and one other company issued their securities. The amount of issue was Rs 3874.75 million comprising ordinary share amounting to Rs 924.8 million.

While issuing securities of Infrastructure development bank there was an over subscription of 93.55 % and it is the highest percentage during this period, similarly while issuing securities of Lord Buddha Financial Institutional Ltd there was an over subscription of 16.73 % which is the lowest oversubscription during the period.

Table 4.1

Issue of Equity Shares in Fiscal Year 2007/08

S.No.	Sector	No. of company	Amount (in million)
1	Finance Company	8	189.80
2	Development Bank	4	385
3	Insurance Company	2	50
4	Commercial bank	1	300
		Total	**924.80**

Source: (Annual Report of SEBON)

During this period 8 finance companies, 4 development bank, 2 insurance companies and 1 commercial bank issued share. The details are shown in Appendix-4.

4.2.1 Issue of Debenture

In the fiscal year 20074/08 altogether five Companies (Four commercial banks & one other) issued the debenture of Rs 1600 Million. While issuing debenture there is no over and under subscription.

Table 4.2

Issue of debenture

S.no	Sector	No. of company	Amount(in million)
1	Commercial bank	4	1450
2	Other	1	150
		Total	**1600**

Source: (Annual report of SEBON)

Kumari Bank ltd., Himalayan Bank Ltd., Nepal Investment Bank Ltd. and Nabil Bank ltd. and Nepal Electricity Corporation issued the debenture. The details are shown in Appendix-5

4.3 Right Share Issue in the Fiscal Year 2007/08

In the fiscal year 2007/08 altogether 42 companies comprising eight commercial banks, 11 development banks, 20 finance companies, and three insurance companies issued right share of Rs 6087.10 million.

Table 4.3

Right Share Issue

S No.	Sector	No. of Company	Amount(in million)
1	Commercial Bank	8	2717.10
2	Development Bank	11	850.70
3	Finance Company	20	2418.90
4	Insurance Company	3	100.40
	Total	**42**	**6087.10**

Source: (Annual report of SEBON)

As shown in table 4.3 in the fiscal year 2007/08, eight commercial banks, 11 development banks, 20 finance companies and 3 insurance companies issued the right share of Rs 6087.10 million. The details of right share issued are presented in Appendix 6-10.

4.3.1 Right Share Issue (Commercial Banks)

In the fiscal year 2007/08 eight commercial banks issued the right share of Rs 2717.10 Million. Generally most of the banks issued right of 5:1 but Nepal Merchant and Banking (N.M.B.) issued the right of 1:4 which is the highest ratio of right among the commercial banks. Similarly Lumbini bank Ltd, Laxmi Bank ltd. and Development Credit Bank Ltd issued the right of 3:1, 4:1 and 1:3 respectively. The detail of right share issued by commercial banks in the fiscal year 2007/08 is shown in Appendix- 6

Table 4.4

Right Share Issue of Commercial Banks

S. No.	Name of Company	Amount (in million)
1	Nepal Investment Bank Ltd	201.30
2	Siddhartha Bank Ltd.	138
3	NIC Bank Ltd.	158.40
4	Lumbini Bank Ltd.	250
5	Kumari Bank Ltd.	180
6	Laxmi Bank ltd.	183
7	Development Credit Bank Ltd	806.40
8	NMB Bank Ltd.	800
9	**Total**	**2717.10**

Source: (Annual report of SEBON)

The highest amount of right share was issued by Development Credit Bank Ltd. of Rs 806.40 Million. Similarly lowest amount of right share was issued by Siddhartha Bank Ltd. of Rs 138 Million.

4.3.2 Right Share Issue (Development Banks)

In the fiscal year 2007/08, 11 Development Banks issued the right share of Rs 850.70 Million. The highest amount of right was issued by Gorkha Development Bank of Rs 160 Million. The bank had issued the right in the ratio of 2:1. On the other hand Sahayogi Bikas Bank issued the right of Rs 10 Million in the ratio of 1:1.2 which is the lowest ratio among the development Bank during this fiscal year.

Table 4.5

Right Share Issue of Development Banks

No. of Dev. Bank	Total amount(in million)
11	850.70

During the fiscal year 2007/08, 11 development banks issued the right share of Rs 850.70 million. The details of right share issued of development banks are shown in Appendix 7.

4.3.3 Right Share Issue (Finance Companies)

During the fiscal year 2007/08, 20 Finance Companies issued the right share of Rs 2418.90 Million. Kist Merchant Banking & Finance issued the right of Rs 600 Million in the ration of 1:3 which is highest amount during this period. Similarly Premier Finance Ltd. issued the right of Rs 14.40 Million in the ratio of 2:1, which is the lowest amount of right among the finance company during this period.

Table 4.6

Right Share Issue of Finance Companies

No. of Finance Company	Total Amount in million
20	2418.90

In the fiscal year 2007/08 20, insurance companies issued the right share of Rs 2418.90 million. The details of right issued of Finance company are shown in Appendix-8.

4.3.4 Right Share Issue (Insurance Companies)

During the fiscal year 2007/08, three insurance Companies issued the right of Rs 100.40 Million.Sagarmaatha insurance Company ltd. Premier Insurance Company ltd and

Himalayan General Insurance Company Ltd issued the right of Rs 23.60 million, Rs 39 Million, and 37.80 Million respectively. The detail is shown in Appendix-9.

4.4 Analysis of Turnover

Annual turnover constitutes an important indicator for measuring the economic activities of a nation. It also reflects the stock market liquidity as the higher amount of trading of stock greater the stock market liquidity.

4.5 Sector Wise Annual Turnover

 In the share market of Nepal there are eight sectors where investors can invest his/her fund. Among these sector commercial banks are the mostly desired sectors by investors so the turnover in this sector is higher than other sector. While analyzing the sector wise turnover from the last five year it was found that there is an increasing trend in commercial banks, Development banks ,manufacturing and processing and finance companies but in insurance , hotel trading and other sectors showed a fluctuating trend. The detail is shown in table 4.7

Table 4.7

Turnover in Million

Year	2003/04	2004/05	2005/06	2006/07	2007/08	Total
Com.Banking	332.51	863.41	2696.27	5855.57	13822.14	27462.09
Dev.Banking	25.90	32.33	82.76	355.73	1981.05	2477.77
Mfg & Prroc	4	10.31	17.19	24.12	343.44	399.06
Finance	129.69	165.09	305.84	642.64	2307.53	3532.79
Insurance	64.59	36.86	129.90	204.97	264.86	701.18
Hotel	6.68	2.84	19.76	7.07	27.67	64.02
Trading	11.84	11.83	15.80	10.42	33.65	83.54
Others	0.66	0.29	.02	0.54	0.29	1.8

Source: -Annual report of SEBON

As shown in table 4.7 total turnovers in million of commercial banks are highest in comparison to other sectors. Turnover of commercial banks, development banks, manufacturing & processing and finance companies showed an increasing trend from the fiscal year 2003/2004 to 2007/08. But turnover of insurance company, Hotel, trading and other companies showed a fluctuating trend.

4.6.1 Monthly Market Capitalization for the Fiscal Year 2003/04

During the fiscal year 2003/04 highest market capitalization of commercial banks were highest in comparison to other sectors. Similarly highest market capitalizations were in the month of May/June. The details of monthly market capitalization in the fiscal year 2003/04 are shown in Appendix-10.

Table 4.8

Monthly Market Capitalization in the Fiscal Year 2003/04 (Rs in Million)

Month	Total mkt capt.(All sectors)
July/Aug03	744001.76
Aug/Sep 03	772240.13
Sep/Oct 03	662720.65
Oct/Nov03	701780.72
Nov/Dec03	767644.48
Dec/Jan 04	798218.45
Jan/Feb 04	772299.84
Fb/March 04	736714.95
March/Apr04	746554.50
Apr/May 04	779597.92
May/June 04	1083217.57
June/July 04	818443.84

Source- Appendix-10

As shown in table 4.8 month wise total market capitalization showed a fluctuating trend. In the month of Oct/Nov market capitalization were Rs 701780.72 million, which is the lowest in comparison to the other month. While talking about sector wise capitalization the lowest market capitalization were of trading sectors. Total capitalization during this period was Rs 120490.10 million.

4.6.2 Monthly Market Capitalization for the Fiscal Year 2004/05

In the fiscal year 2004/05 mrket capitalization of commercial banks were Rs 813113.04 million which is the highest in comparison to other sectors. Similarly market

capitalizations of trading sectors were Rs 128101.97 million, which is the lowest market

capitalization during this fiscal year. The details are shown in Appendix-11.

Table 4.9

Monthly Market Capitalization in the Fiscal Year 2004/05(Rs in million)

Month	Total mkt capt.(All sectors)
July/Aug04	902814.34
Aug/Sep 04	808481.06
Sep/Oct 04	852336.12
Oct/Nov04	671507.32
Nov/Dec04	1018719.40
Dec/Jan 05	933198.08
Jan/Feb 05	1059779.30
Fb/March 05	1018905.02
March/Apr05	1310871.60
Apr/May 05	1125811.30
May/June 05	1318783.00
June/July 05	1206920.00

Source- Appendix-11

As shown in table 4.9 monthly markets capitalization of June/July were Rs 1206920

Million which is the highest and in the month of Aug/Sep monthly market capitalization

were Rs 808481.06 Million, it is the lowest in comparison to other months.

4.6.3 Monthly Market Capitalization for the Fiscal Year 2005/06

In the fiscal year 2005/06 highest market capitalization in the month of May/June were Rs 2103719.70 Million, which is the highest in comparison to other month. Similarly monthly capitalization of Oct/Nov were Rs 1173385.9 Million, it is the lowest monthly capitalization in comparison to other month.the details of monthly market capitalization in the fiscal year 2005/06 is shown in Appendix-12.

Table 4.10

Monthly Market Capitalization in the Fiscal Year 2005/06(Rs in million)

Month	Total mkt capt.(All sectors)
July/Aug05	1399771.50
Aug/Sep 05	1394096.00
Sep/Oct 05	940864.15
Oct/Nov05	1173385.90
Nov/Dec05	1508889.20
Dec/Jan 06	1324910.90
Jan/Feb 06	1356506.50
Fb/March 06	1487924.00
March/Apr06	1202668.90
Apr/May 06	1301252.90
May/June 06	2103719.70
June/July 06	1990509.50

Source – Appendix-12

As shown in table 4.10 while talking about the sector wise market capitalization, capitalization of commercial banks were Rs 12013686.44 Million and capitalization of trading sectors were Rs 153215.98 million, it is the lowest market capitalization as compared to other sectors.

4.6.4 Monthly Market Capitalization for the Fiscal Year 2006/07

From this fiscal year new sector hydropower is added and its total market capitalization was Rs 146905.26 Million. Before this fiscal year hydropower related companies were listed under the other sectors. The detail of monthly market capitalization of the fiscal year 2006/07 is shown in Appendix-13.

Table 4.11

Monthly Market Capitalization in the Fiscal Year 2006/07(Rs in million)

Month	Total mkt capt.(All sectors)
July/Aug06	1926624.74
Aug/Sep 06	1818601.74
Sep/Oct 06	1595500.29
Oct/Nov06	12097257.00
Nov/Dec06	2284003.54.
Dec/Jan 07	2780593.39
Jan/Feb 07	2449570.45
Fb/March 07	2791186.52
March/Apr07	2097780.03
Apr/May 07	2607189.90
May/June 07	3349847.27
June/July 07	3272759.08

Source –Appendix-13

As shown in table 4.11 highest market capitalization in the month of May/June were Rs 3349847.27 Million and in the month of Oct/Nov were Rs 12097257 million, it is the lowest market capitalization in comparison to other months.

4.6.5 Monthly Market Capitalization for the Fiscal Year 2007/08

In the fiscal year 2007/08 the secondary market showed an increasing trend in terms of market capitalization. In the share market commercial banks are the big sectors and its market capitalization also were highest in comparison to other sectors. The details of monthly market capitalization in the fiscal year 2007/08 are shown in Appendix-14

Table 4.12

Monthly Market Capitalization in the Fiscal Year 2007/08(Rs in million)

Month	Total mkt capt.(All sectors)
July/Aug07	4190788.96
Aug/Sep 07	42240208.56
Sep/Oct 07	5494268.73
Oct/Nov07	3849294.09
Nov/Dec07	5774913.24
Dec/Jan 08	5380028.33
Jan/Feb 08	4996892.68
Fb/March 08	4904265.77
March/Apr08	3706395.43
Apr/May 08	4744367.37
May/June 08	5363266.79
June/July 08	7913432.52

Source – Appendix-14

The highest capitalization were in the month of June/July which is Rs 7913432.52 million and market capitalization in the month of March/April were Rs 3706395.43 million which is the lowest in comparison to other months.

4.7.1 Top Ten Companies for the Fiscal Year 2003/04

(a)Top Ten Companies on the Basis of Traded Amount

In the fiscal year 2003/04, on the basis of traded amount Bottlers Nepal Ltd. is in 1st position with Rs 1025.60 Million amount and Machhapuchhre Bank Ltd. in 10th position with 34.04 million amounts. The details of top ten companies on the basis of traded amount are shown in table 4.13.

Table 4.13

Top Ten Companies on the Basis of Traded Amount

S.No.	Name of the Companies	Traded Amount in Million
1	Bottlers Nepal Ltd.	1025.60
2	Nepal Bangladesh Bank Ltd	222.79
3	Himalayan Bank Ltd.	152.15
4	Laxmi Bank Ltd.	108.08
5	Nabil Bank Ltd	73.96
6	Bank Of Kathmandu Ltd.	70.96
7	Standard Chartered Bank Ltd.	64.32
8	Everest Bank Ltd.	56.11
9	Nepal Investment Bank Ltd.	41.39
10	Machhchhapuchhre Bank Ltd.	34.04

Source: Annual Report of SEBO, F/Y2003/04

Figure 4.1

Top Ten Companies on the Basis of Traded Amount
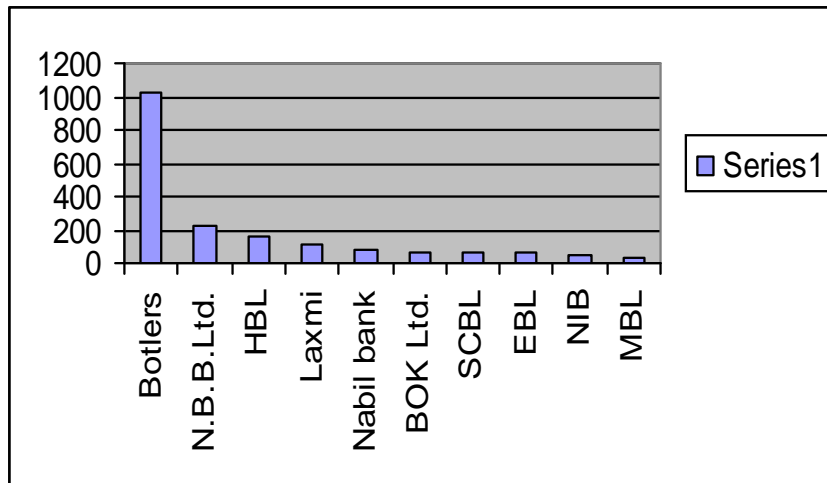
(b)Top Ten Companies on the Basis of Share Traded

On the basis of share traded Bottlers Nepal Ltd. is in 1st position with 1914 thousand share and Laxmi Bank ltd. & Nepal Bangladesh Bank ltd in 2nd and 3rd position respectively. The details of top ten companies on the basis of share traded are shown in table 4.14.

Table 4.14

Top Ten Companies on the Basis of Share Traded

S.No.	Name of the Companies	Share Traded (in 000)
1	Bottlers Nepal Ltd.	1914
2	Laxmi Bank Ltd.	848
3	Nepal Bangladesh Bank Ltd.	590
4	Bank of Kathmandu Ltd.	327
5	Machhchhapuchre Bank Ltd.	318
6	Development Credit Bank Ltd.	190
7	Himalayan Bank Ltd.	179
8	International Leasing & Finance Co.	127
9	Butwal Finace Company Ltd.	122
10	Nepal Life insurance Co. Ltd	118

Source: Annual Report of SEBO, F/Y2003/04

Figure 4.2

Top Ten Companies on the basis of Share traded

(c)Top Ten Companies on the Basis of Market Capitalization

During the fiscal year 20034/04, on the basis of market capitalization Standard Chartered Bank ltd. Nabil Bank ltd. and Himalayan Bank ltd are in 1st, 2nd and 3rd position respectively. Details are shown in table 4.15

Table 4.15

Top ten Companies on the Basis of Market Capitalization

S.No.	Name of the Companies	Mkt. Capt(rs in million)
1	Standard Chartered Bank ltd	6535.47
2	Nabil Bank Ltd.	4909.95
3	Himalayan Bank Ltd.	4410
4	Nepal Investment Bank Ltd.	2775.75
5	Everest Bank Ltd.	2142
6	Bank of Kathmandu Ltd.	1363
7	Nepal SBI Bank Ltd.	1325.49
8	Nepal Lever Ltd.	1186
9	Rastriya Beema Sansthan	1111
10	Nepal Inc. & Commerce Bank	1090

Source: Annual Report of SEBO, F/Y2003/04

Figure 4.3

Top ten Companies on the Basis of Market Capitalization
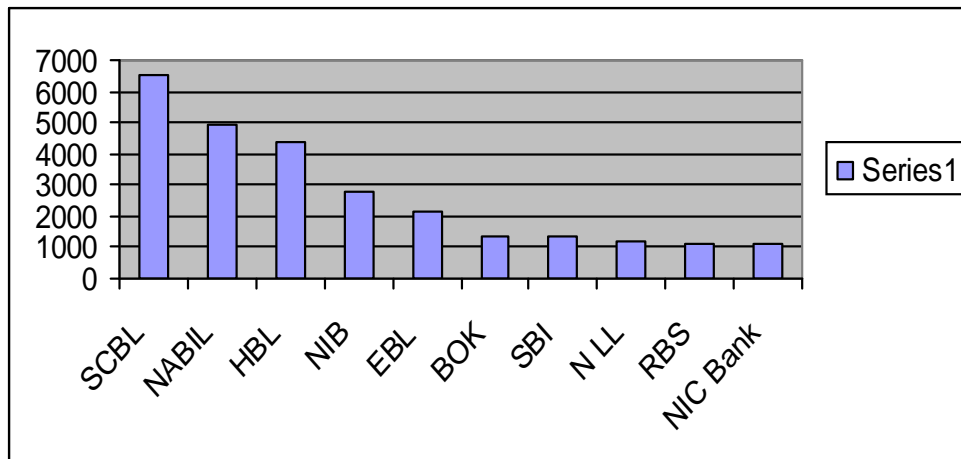
4.7.2 Top Ten Companies for the Fiscal Year 2004/05

(a)Top Ten Companies on the Basis of Traded Amount

In the fiscal year 2004/05, on the basis of traded amount Standard Chartered Bank ltd., Bank of kathmandu, and Kumari Bank ltd are in 1st, 2nd and 3rd position respectively. The detail of top ten companies on the basis of traded amount is shown in table 4.16.

Table 4.16

Top Ten Companies on the Basis of Traded Amount

S.No.	Name of the Companies	Traded amount in million
1	Standard Chartered Bank Ltd.	2317.88
2	Bank of Kathmandu ltd.	242.18
3	Kumari Bank Ltd.	239.10
4	Nabil Bank Ltd.	211.21
5	Laxmi Bank Ltd.	160.58
6	Lumbini Bank Ltd.	158.22
7	Nepal Investment Bank Ltd.	137.51
8	Everest Bank Ltd.	122.76
9	Himalayan Bank Ltd.	101.61
10	Himalayab Distrilerry ltd.	93.58

Source: Annual Report of SEBO, F/Y2004/05

Figure 4.4

Top Ten Companies on the Basis of Traded Amount
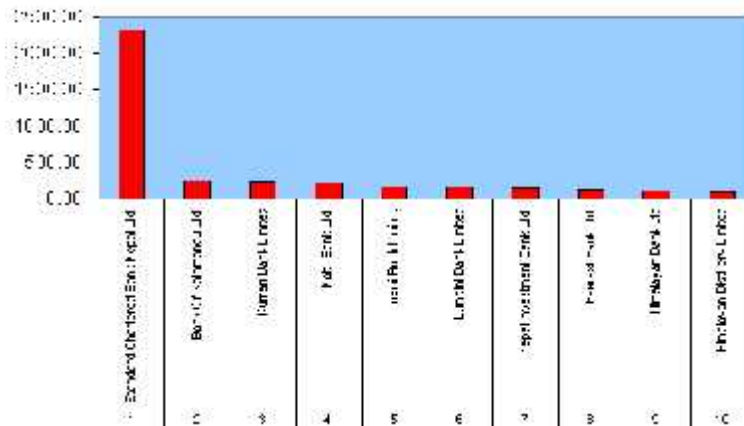
b) Top Ten Companies on the Basis of Share Traded

On the basis of share traded Harisiddi Bricks & Trial Fact. Ltd is in 1st position and Nepal Bangladesh Bank Ltd. is in 10th position. The details are shown in table 4.17

Table 4.17

Top Ten Companies on the Basis of Share Traded

S.No.	Name of the companies	Share traded (in 000)
1	Harisiddi Bricks & Trial Fact ltd	6653
2	NCM Mutual Fund	2326
3	Standard Chartered Bank Ltd.	1319
4	Himalayan Bank ltd.	936
5	Lumbini Bank Ltd.	906
6	Kumari Bank Ltd.	906
7	Laxmi Bank Ltd.	729
8	Bank of Kathmandu Ltd.	667
9	Machhapuchhre Bank Ltd.	410
10	Nepal Bangladesh Bank Ltd.	317

Source: Annual Report of SEBO, F/Y2004/05

Figure 4.5

Top Ten Companies on the Basis of Share Traded

(c)Top Ten Companies on the Basis of Market Capitalization

In the fiscal year 2004/05, on the basis of market capitalization Standard Chartered Bank ltd., Nabil Bank ltd and Himalayan Bank ltd are in 1st, 2nd & 3rd position respectively. The details are shown in table 4.18

Table 4.18

Top Ten Companies on the Basis of Market Capitalization

S.No.	Name of the companies	Mkt. Capt(rs in million)
1	Standard Chartered Bank ltd.	8785.32
2	NABIL Bank Ltd.	7389.47
3	Himalayan Bank Ltd.	4830
4	Butwal power Co. Ltd	4111.38
5	Everest Bank Ltd.	2740.50
6	Nepal Investment Bank Ltd.	2362.34
7	Bank of Kathmandu Ltd.	1993.40
8	Uniliver Nepal Ltd.	1973.51
9	NIC Bank Ltd.	1830
10	Laxmi Bank Ltd.	1567.50

Source: Annual Report of SEBO, F/Y2004/05

Figure 4.6

Top Ten Companies on the Basis of Market Capitalization
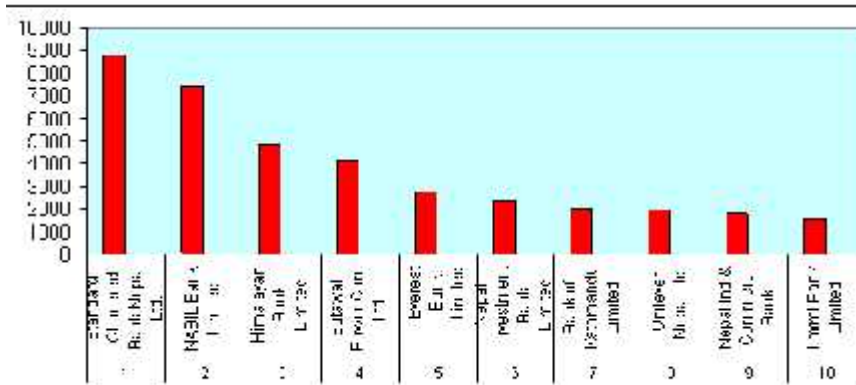
4.7.3 Top Ten Companies for the Fiscal Year 2005/06

(a) Top Ten Companies on the Basis of Traded Amount

In this fiscal year 2005/06, on the basis of traded amount Bank of Katmandu, NIC Bank and NIB are in 1st, 2nd and 3rd position respectively. The detail of top ten companies on the basis of traded amount is shown in table 4.19.

Table 4.19

Top Ten Companies on the Basis of Traded Amount

S.No.	Name of the companies	Traded amount in million
1	Bank of Kathmandu Ltd	562.21
2	Nepal Ind. & Commerce Bank ltd.	275.81
3	Nepal Investment Bank Ltd	234.44
4	Kumari Bank Ltd.	220.51
5	Standard Chartered Bank Ltd.	218.26
6	Siddartha Bank Ltd.	181.44
7	Nabil Bank Ltd.	165.21
8	Nepal SBI Bank Ltd.	147.76
9	Machhapuchchre Bank Ltd.	144.90
10	Chilime Hydropower Company Ltd.	144.78

Source: Annual Report of SEBO, F/Y2005/06

Figure 4.7

Top Ten Companies on the Basis of Traded Amount
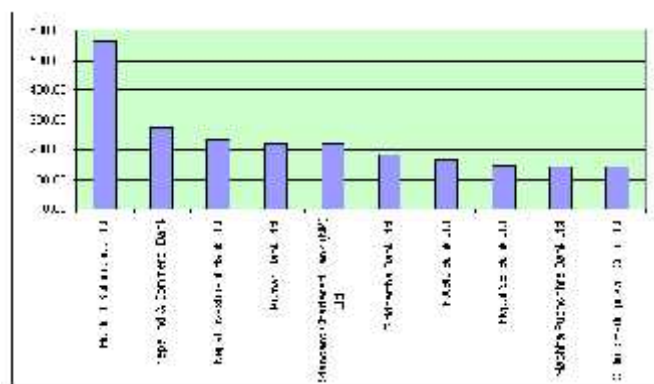
(b) Top Ten Companies on the Basis of Share Traded

While talking about the top ten companies on the basis of share traded NCM mutual fund is in 1st position and Soltee Hotel Ltd in 10th position. Details are shown in table 4.20.

Table 4.20

Top Ten Companies on the Basis of Share Traded

S.No.	Name of the companies	Share traded (in 000)
1	NCM Mutual Fund	2827
2	Bank of Kathamandu Ltd.	929
3	Lumbini Bank Ltd.	702
4	Nepal Ind. & Commerce Bank Ltd.	651
5	Kumari Bank Ltd.	557
6	Siddartha Bank Ltd.	552
7	Chilime Hydropower Co. Ltd.	457
8	Machhapuchhre Bank Ltd.	432
9	Soltee Hotel Ltd.	341
10	Laxmi Bank Ltd.	308

Source: Annual Report of SEBO, F/Y2005/06

Figure 4.8

Top Ten Companies on the Basis of Share Traded
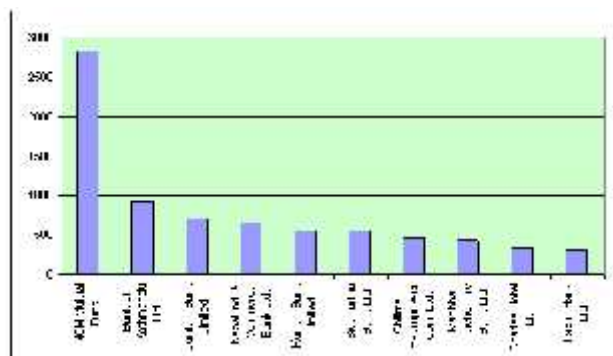
C) Top Ten Companies on the Basis of Market Capitalization

Share price of commercial banks are higher than other sectors so market capitalization of commercial banks are higher then other sectors. The details of top ten companies on the basis of market capitalization are shown in table 4.21

Table 4.21

Top Ten Companies on the Basis of Market Capitalization

S.No.	Name of the Companies	Mkt.Capitalization(rs in million)
1	Standard Chartered Bank Ltd.	14142.68
2	NABIL Bank Ltd.	10998.29
3	Himalayan Bank Ltd.	8494.20
4	Nepal Investment Bank Ltd.	7441.38
5	Everest Bank Ltd.	5212.62
6	Butwal Power Company Ltd.	4530.91
7	Nepal SBI Bank Ltd.	3964.56
8	Bank of Kathmandu Ltd.	3940.44
9	NIC Bank Ltd.	2976
10	Chilime Hydro power Com. Ltd.	2918.40

Source: Annual Report of SEBO, F/Y2005/06

Figure 4.9

Top ten Companies on the Basis of Market Capitalization
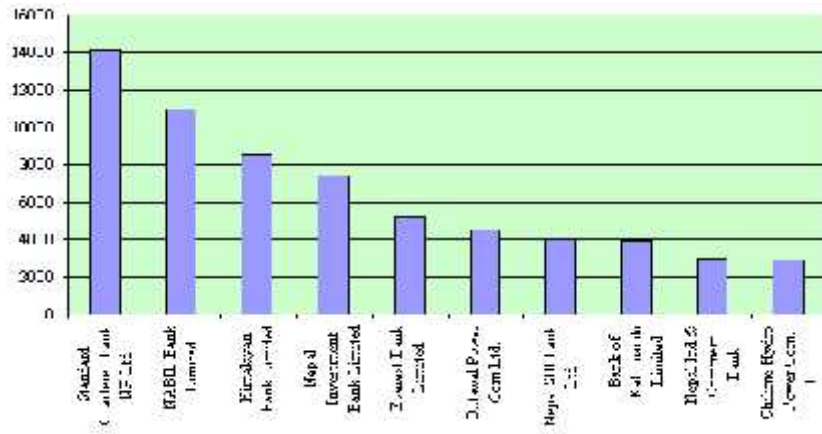
4.7.4 Top Ten Companies' Fiscal year 2006/07

(a)Top Ten Companies on the Basis of Traded Amount

In the   fiscal year 2006/07,135 companies were listed in Stock Exchange. While categories top ten companies on the basis of traded amount Bank of Katmandu ltd. Kumari Bank ltd and National Hydropower are in 1st, 2nd and 3rd position respectively. The details are shown in table 4.22.

Table 4.22

Top Ten Companies on the Basis of Traded Amount

S.No.	Name of the Companies	Traded amount in million
1	Bank of Kathmandu Ltd	798.80
2	Kumari Bank Ltd.	644.92
3	National Hydropower Co. Ltd	642.36
4	Chilime Hydropower Company Ltd.	584.98
5	Siddartha Bank Ltd.	467.99
6	Nepal Investment Bank Ltd.	429.16
7	Nabil Bank Ltd.	390.75
8	Lumbini Bank Ltd.	374.50
9	Nepal SBI Bank Ltd.	365.01
10	Machhapuchhre Bank Ltd.	348.59

Source: Annual Report of SEBO, F/Y2006/07

Figure 4.10

Top Ten Companies on the Basis of Traded Amount
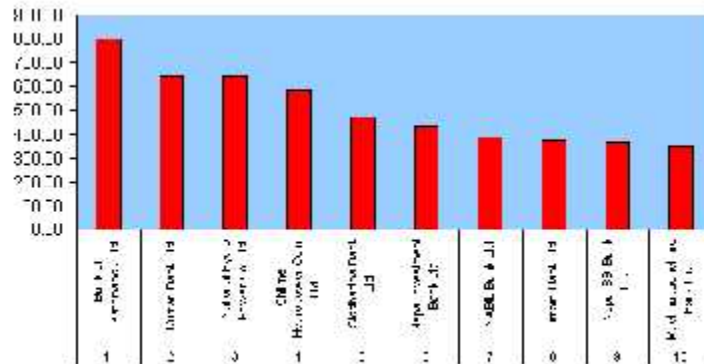
(b)Top Ten Companies on the Basis of Share Traded

In the fiscal year 2006/07 while ranking top ten companies on the basis of share traded, National Hydropower Co. is in 1st position with 3740 (thousand) share traded. Details are shown in table 4.23

Table 4.23

Top Ten Companies on the Basis of Share Traded

S.No.	Name of the companies	Share traded (in 000)
1	National Hydropower Company Ltd	3740
2	Lumbini Bank Ltd.	1318
3	Kumari Bank Ltd.	1023
4	Nepal Bangladesh Bank Ltd.	976
5	Chilime Hydropower Company ltd.	885
6	Nepal Credit & Commerce Bank Ltd	879
7	Siddhartha Bank Ltd.	860
8	Bank of Kathmandu Ltd.	803
9	Machchhapuchhre Bank Ltd.	776
10	Sanima Bikas Bank Ltd.	650

Source: Annual Report of SEBO, F/Y2006/07

Figure 4.11

Top Ten Companies on the Basis of Share Traded
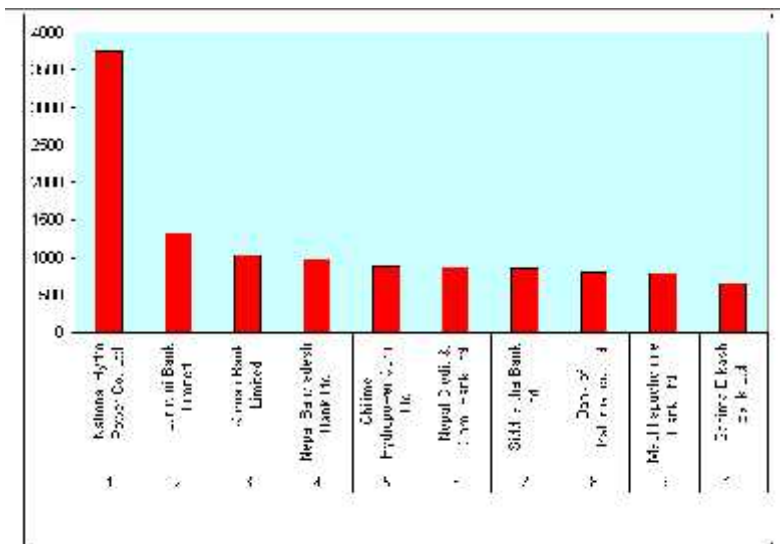
(C) Top Ten Companies on the Basis of Market Capitalization

Share price of Standard Chartered Bank ltd**.** is the highest in the Share market of Nepal.

While ranking the top ten companies on the basis of market capitalization Nabil Bank ltd

. is in 1ˢᵗ position. Details are shown in table 4.24

Table 4.24

Top Ten Companies on the Basis of Market Capitalization

S.No.	Name of the companies	Mkt.Capitalization(rs in million)
1	NABIL Bank Ltd.	24795.25
2	Standard Chartered Bank Ltd.	24382.03
3	Himalayan Bank Ltd.	14270.26
4	Nepal Investment Bank Ltd.	13855.39
5	Everest Bank Ltd.	9185.40
6	Butwal Power Comapany ltd.	8390.58
7	Bank of Kathmandu Ltd.	8293.19
8	Nepal SBI Bank Ltd.	7618.17
9	Chilime Hydropower Company Ltd.	6858.24
10	Nepal Ind. & Commerce Bank ltd.	6270

Source: Annual Report of SEBO, F/Y2006/07

Figure 4.12

Top Ten Companies on the Basis of Market Capitalization
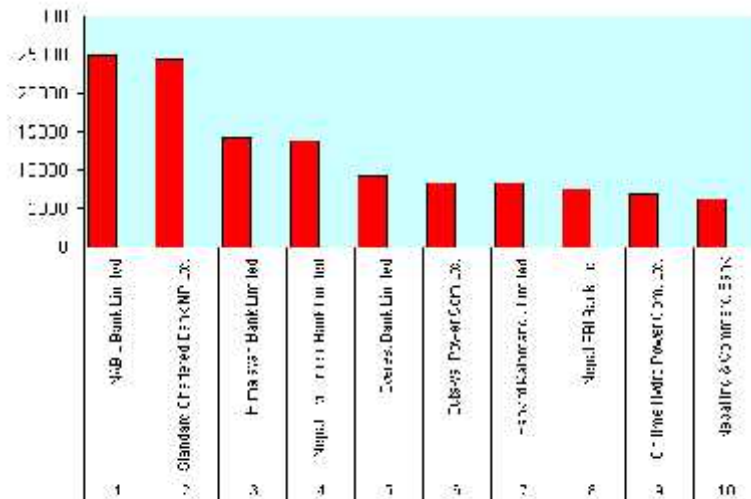
4.7.5 Top ten Companies for the Fiscal Year 2007/08

(a) Top Ten Companies on the Basis of Traded Amount

The details of top ten companies on the basis of traded amount is shown in table 4.25

Table 4.25

Top Ten Companies on the Basis of Traded Amount

S No.	Name of the Companies	Traded amount (Rs in Million)
1	National Hydropower Co. Ltd.	1969.85
2	Nabil Bank Ltd.	1777.02
3	Bank of Kathmandu Ltd.	1663.84
4	Nepal Bangladesh Bank Ltd.	1519.69
5	Standard Chartered Bank (Nepal) ltd.	1110.80
6	Machapuchhre Bank Ltd.	1089.68
7	Kumari Bank Ltd.	1024.18
8	Chilime Hydropower Co. Ltd.	905.43
9	Kist Merchant Bank & Finance Ltd.	871.03
10	Lumbini Bank Ltd.	851.33

Source: Annual Report of SEBO, F/Y2007/08

As shown in table 4.25, according to traded amount National Hydropower Co. ltd. Is in first position with Nrs 1969.85 million. Similarly Nabil Bank and Bank of Kathmandu in 2nd & 3rd position with Nrs 1777.02 & 1663.84 Million respectively. With the traded amount of Nrs 851.33 million Lumbini Bank Ltd .is in 10th position.

Figure 4.13

Top Ten Company on the Basis of Traded Amount
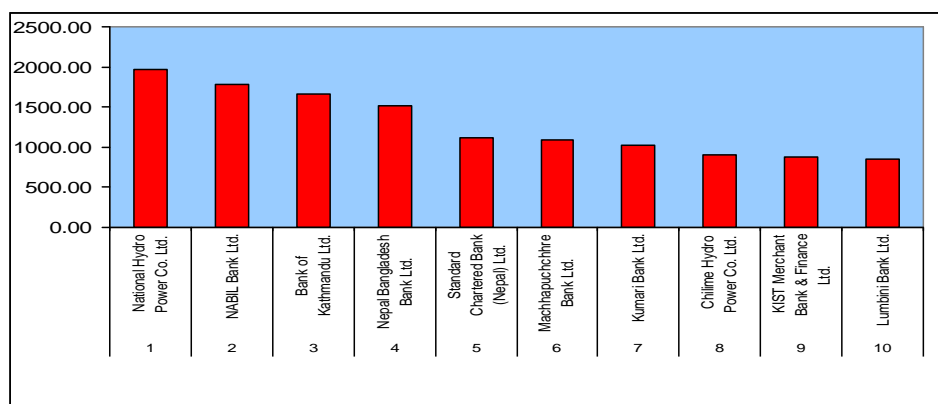
(b)Top Ten Companies on the Basis Share Traded

In the fiscal year 2007/08, on the basis of share traded National Hydropower, Nepal Bangladesh ltd and Lumbibi Bank are in the 1st, 2nd and 3rd position respectively. The detail are shone in table 4.26

Table 4.26

Top Ten Companies on the Basis Share Traded

S.No.	Name of the Companies	Share traded(in000)
1.	National Hydropower Co. Ltd.	6384
2	Nepal Bangladesh Bank Ltd.	1936
3	Lumbini Bank ltd.	1567
4	Machhapuchhre Bank Ltd.	1304
5	NCC Bank Ltd.	1269
6	Kumari Bank Ltd.	1087
7	Harrisiddi Bricks & Tile Fact.	1082
8	Bank of Kathmandu Ltd	956
9	Kist Merchant & Finance Co. Ltd	855
10	Gurkhas Development Bank ltd.	733

Source: Annual Report of SEBO, F/Y2007/08

Figure 4.14

Top Ten Companies on the Basis of Share Traded
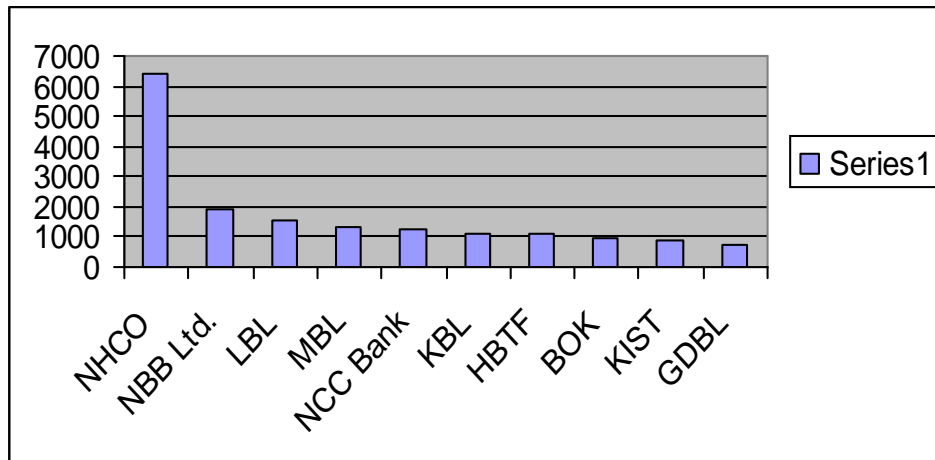
(C) Top Ten Companies on the basis of Market Capitalization

According to Total Market Capitalization Standard Chartered Bank Ltd. Is in 1st position with Nrs 42337.95 Million. Nabil Bank ltd. Is in 2nd position with Nrs 36259.98 Million and Nepal Ind. & Com. Bank in 10th position with Nrs10169.28 Million.

Table 4.27

Top ten Companies on the basis of Market Capitalization

S.No.	Name of the Companies	Capitalization (Rs in Mil.)
1	Standard Charterd Bank Ltd.	42337.95
2	Nabil Bank Ltd.	36259.98
3	Nepal Investment Bank Ltd.	24654.54
4	Himalayan Bank Ltd.	16054.04
5	Bank of Kathmandu Ltd.	14173.82
6	Butwal Power Co. Ltd.	13080.91
7	Everest Bank Ltd.	11838.96
8	Chilime Hydropower Com. Ltd.	11396.35
9	Machhapuchhre Bank Ltd.	10393.89
10	Nepal Ind. & Commercial Bank Ltd.	10169.28

Source: Annual Report of SEBO, F/Y2007/08

Figure 4.15

Top Ten Companies on the Basis of Market Capitalization
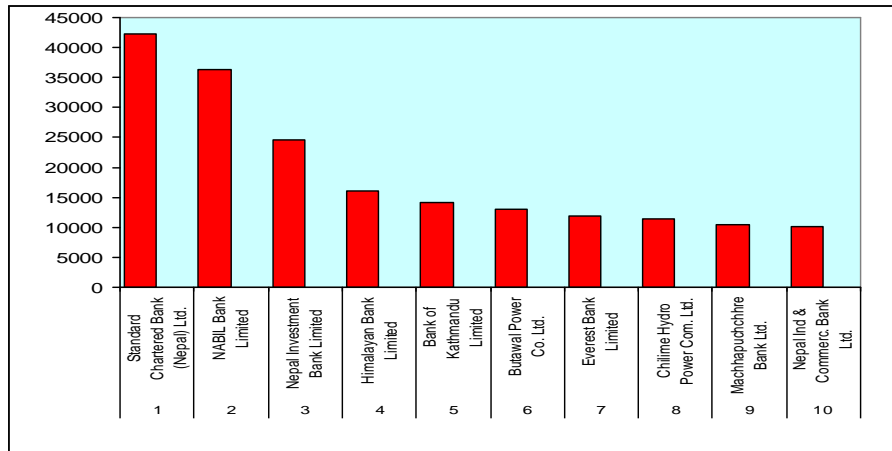
4.8 Stock Price Index of Nepal Stock Exchange

Market index have always been of great importance in the world of security analysis and portfolio management. Both individual and institutional investors use the market indexes as a benchmarking against which they evaluate the performance of their own or institutional portfolio. Market index are used to determine the relationship between historical price movement and economic variables and to determine the systematic risk for individual security and portfolio. Technical analysis usually uses price moments to predict future movements in the stock market.

Stock market index are used to study the trend of growth pattern in the economy, to analyze as well as to forecast the business cycle and to correlate stock market index to economic activities. However index is a device designed to measure the change in group of related variables over a period of time. Here, the index is taken as a measuring tool

whether the performance of stock market is good or bad. This clearly focuses on the price of stock that is increasing or decreasing in the market. Because the price of stock go up or down in a particular period of compared to the previous period as disclosed by index. The highest index suggests the increase in the market price of the stock and implies the better performance of companies and vice versa. Thus the NEPSE index shows the behavior of stock price in the capital market.

Stock price index reflects the market trends because it takes all the issues listed on the Exchange in account. NEPSE follows the standard as well as poor index method while calculating the index of stock prices. According to this the computation formula for price index is as follows.

Each day's index= each day's total market value / Base day's total market value *100

$P_{01} = P_1 \times Q_1 / P_o \times Q_o$

.Where,

P_{o1}= NEPSE price index.

P_1= Today's price index.

Q_1=listed shares.

P_o Base market price (2050-10-30 or 12th Feb 1994)

Q_o= Base listed shares. (2050-10-30 or 12th Feb 1994)

After the initiation of trading flower NEPSE started to calculate the NEPSE index. For this purpose of calculation of index, NEPSE has taken 12 th Feb 1994 as base period. The period value for index was initially set at 100. Thus, 100 multiply the ratio of current market value to base period market value. In 1994/95 market index remained at 195.25 point. Then it started to increase showing fluctuating pattern.

4.9.1 Sample Co. & Operational Performances for the Fiscal Year 2003/04

Till the end of the fiscal year 2007/08 altogether 149 Companies (including 44 Commercial and Development bank, 60 Finance Companies, 17 Insurance companies 18 Mfg and processing Companies, 4 Hotel, 4 Trading and 2 other companies)were listed in Nepal stock Exchange. To complete this research 21Companies were taken as sample companies from different sector. Sample companies, paid up value of sample companies, Traded share, No. of transaction, closing price and total market capitalization is shown in table 4.28.

Table 4.28

Sample Companies & Operational Performance for the Fiscal year 2003/04

S No.	Name of the sample Company	Paid up Value/share	Traded Shares (in 000)	No. of Transaction	Closing Price	Mkt Capt Rs in Milion
Commercial Bank						
1	Nabil Bank Ltd.	100	9.48	89	174	661.7
2	SBI Bank Ltd.	100	71.06	622	307	1325.18
3	Bank Of Kathmandu Ltd.	100	327.2	1688	295	1367.56
4	Standard Chartered Bank Ltd.	100	38.74	867	1745	6537.47
5	Everest Bank Ltd	100	108.8	1742	680	2142
Mfg & Processing		S				
6	Himalayan Distrilary Ltd.	100	0.22	12	100	413
7	Uniliver Nepal Ltd.	100	4.28	59	1400	1694
Hotel						
8	Soltee Hotel Ltd.	100	14.7	30	65	565.32
9	Orient Hotel Ltd.	100	35.64	393	42	210
Other						
10	Nepal Film Dev. Co.	100	1.75	24	42	18.76
Trading						
11	Bishal Bazar Co. Ltd	100	8.23	42	1400	522.2
Insurance						
12	Nepal Insurance Co. Ltd.	100	6.8	34	375	296.25
13	National life General insurance	100	0.96	39	270	81
14	Everest Insurance Co. Ltd	100				
Finance						
15	Nepal Share Markets Fin Ltd.	100	1.88	36	103	123.6
16	NIDC Capital Market ltd.	100	9.15	93	107	64.2
17	Goodwill Finance Ltd.	100	10.59	51	180	60.75
18	United Finance ltd.	100	55.33	1924	106	63.6
19	Pokhara Finance Ltd.	100	5.67	71	285	57
Development Bank						
20	Nepal Development Bank Ltd.	100	22.05	822	102	163.2
21	Nirthan Utthan Bank Ltd.	100	1.2	112	90	9

Source: Annual report of SEBON, FY-2003/04

4.9.2 Sample Co. & Operational Performances for the Fiscal Year 2004/05

In the fiscal year 2004/05, 135 companies were listed in Stock Exchange. Out of those 135 Companies 21 companies were taken as sample companies and their operation result are shown in table 4.29.

Table 4.29

Sample Companies & operational performances (Fy2004/05)

S No.	Name of the sample Company	Paid up value/share	Traded Shares (in 000)	No. of Transaction	Closing Price	Mkt Capt Rs in Milion
Commercial Bank						
1	Nabil Bank Ltd.	100	169.5	1441	1505	7389.47
2	SBI Bank Ltd.	100	161	1233	335	1446.04
3	Bank Of Kathmandu Ltd.	100	66.7	3210	430	1993.4
4	Standard Chartered Bank Ltd.	100	1319	1496	2345	8785.32
5	Everest Bank Ltd	100	163.2	2126	870	2740.5
Mfg & Processing						
6	Himalayan Distrilary Ltd.	100	935.8	14	100	413
7	Uniliver Nepal Ltd.	100	7.14	91	1631	1973.51
Hotel						
8	Soltee Hotel Ltd.	100	6.14	12	50	434.86
9	Orient Hotel Ltd.	100	75.37	435	50	250
Other						
10	Nepal Film Dev. Co.	100	0.01	1	42	18.76
Trading						
11	Bishal Bazar Co. Ltd	100	4.57	28	1930	719.89
Insurance						
12	Nepal Insurance Co. Ltd.	100	8.66	72	370	292.3
13	National life General insurance	100	1.41	46	431	129.3
14	Everest Insurance Co. Ltd	100	25.37	71	325	97.5
Finance						
15	Nepal Share Markets Fin Ltd.	100	18.49	51	120	144
16	NIDC Capital Market ltd.	100	36.97	152	145	87
17	Goodwill Finance Ltd.	100	6.12	20	185	62.44
18	United Finance ltd.	100	67.05	836	117	70.2
19	Pokhara Finance Ltd.	100	1.59	42	365	73
Development Bank						
20	Nepal Development Bank Ltd.	100	36.57	859	88	140.8
21	Nirdhan Utthan Bank Ltd.	100	2.19	128	100	10

Source: Annual report of SEBON, Fy 2004/05

4.9.3 Sample Co. & Operational Performances for the Fiscal Year 2005/06

Market capitalization showed an increasing trend form the fiscal year 2003/04 to 2007/08. if number of share increase then generally market capitalization also increase. The details of sample companies and their operational result are shown in table 4.30.

Table 4.30

Sample Companies and Operational Performances (FY2005/06)

S No.	Name of the sample Company	Paid up value/share	Traded Shares (in 000)	No. of Transaction	Closing Price	Mkt Capt Rs in Milion
	Commercial Bank					
1	Nabil Bank Ltd.	100	86.11	1126	2240	10998.29
2	SBI Bank Ltd.	100	307.7	1941	612	3964.56
3	Bank Of Kathmandu Ltd.	100	928.7	3705	850	3940.44
4	Standard Chartered Bank Ltd.	100	73.09	1169	3775	14142.68
5	Everest Bank Ltd	100	117.1	2138	1379	5212.62
	Mfg & Processing					
6	Himalayan Distrilary Ltd.	100	0.4	4	94	388.2
7	Uniliver Nepal Ltd.	100	6.34	94	2500	2301.75
	Hotel					
8	Soltee Hotel Ltd.	100	341.14	35	57	495.74
9	Orient Hotel Ltd.	100	30.44	304	44	220
	Other					
10	Nepal Film Dev. Co.	100	0.47	2	38	16.97
	Trading					
11	Bishal Bazar Co. Ltd	100	5.59	42	2400	655.2
	Insurance					
12	Nepal Insurance Co. Ltd.	100	13.9	83	405	415.93
13	National life General insurance	100	24.24	58	700	210
14	Everest Insurance Co. Ltd	100	21.42	107	295	177
	Finance					
15	Nepal Share Markets Fin Ltd.	100	140.5	89	145	174
16	NIDC Capital Market ltd.	100	36.37	166	208	124.8
17	Goodwill Finance Ltd.	100	3.89	90	245	124.03
18	United Finance ltd.	100	16.29	536	154	92.4
19	Pokhara Finance Ltd.	100	9.53	31	410	164
	Development Bank					
20	Nepal Development Bank Ltd.	100	153.6	651	102	163.2
21	Nirthan Utthan Bank Ltd.	100	3.5	200	100	27.43

Source: Annual report of SEBON, Fy 2005/06

4.9.4 Sample Co. & Operational Performances for the Fiscal Year 2006/07

Number of transactions and traded share also showed an increasing trend as compared to previous fiscal year. Yearly closing price also showed an increasing trend. The details are shown in table 4.31.

Table 4.31

Sample Companies and Operational Performances FY2006/07)

S No.	Name of the sample Company	Paid up value/share	Traded Shares (in 000)	No. of Transaction	Closing Price	Mkt Capt Rs in Milion
Commercial Bank						
1	Nabil Bank Ltd.	100	125.6	1436	5050	24795.25
2	SBI Bank Ltd.	100	459.8	2129	1176	7618.17
3	Bank Of Kathmandu Ltd.	100	803	4005	1375	8293.19
4	Standard Chartered Bank Ltd.	100	61.6	971	5900	24382.03
5	Everest Bank Ltd	100	203.4	2440	2430	9185.4
Mfg & Processing						
6	Himalayan Distrilary Ltd.	100	16.15	7	105	433.65
7	Uniliver Nepal Ltd.	100	7.39	97	3400	3130.38
Hotel						
8	Soltee Hotel Ltd.	100	53.77	49	126	1095.85
9	Orient Hotel Ltd.	100	23.79	291	86	430
Other						
10	Nepal Film Dev. Co.	100	14.24	21	38	16.97
Hydropower						
11	Chilime Hydropower Co.	100	884.7	1631	940	6858.24
Trading						
12	Bishal Bazar Co. Ltd	100	3.28	32	2575	702.98
Insurance						
13	Nepal Insurance Co. Ltd.	100	2.16	16	357	366.63
14	National life General insurance	100	53.5	94	720	216
15	Everest Insurance Co. Ltd	100	52.95	84	290	261
Finance						
16	Nepal Share Markets Fin Ltd.	100	174.55	201	300	480
17	NIDC Capital Market ltd.	100	52.45	189	455	341.25
18	Goodwill Finance Ltd.	100	14.35	93	220	110
19	United Finance ltd.	100	12.08	457	146	249.6
20	Pokhara Finance Ltd.	100	31.04	80	400	240
Development Bank						
21	Nepal Development Bank Ltd.	100	60.9	1176	1543	244.8
22	Nirthan Utthan Bank Ltd.	100	2.3	22	110	36.17

Source: Annual report of SEBON, Fy 2006/07

4.9.5 Sample Co. & Operational Performances for the Fiscal Year 2007/08

Till the end of the fiscal year 2007/08,142 companies were listed in stock exchange. In this whole year trading floor was open only 235 days. Five companies were delisted during this fiscal year. The details are shown in table 4.32.

Table 4.32

Sample Companies and Operational Performances (FY2007/08)

S No.	Name of the sample Company	Paid up value/share	Traded Shares (in 000)	No. of Transaction	Closing Price	Mkt Capt Rs in Milion
Commercial Bank						
1	Nabil Bank Ltd.	100	426.48	2948	5275	36259.98
2	SBI Bank Ltd.	100	416.99	2708	1511	9788.31
3	Bank Of Kathmandu Ltd.	100	955.15	6106	2350	14173.82
4	Standard Chartered Bank Ltd.	100	180.06	2137	6830	42337.95
5	Everest Bank Ltd	100	118.31	1614	3132	11838.96
Mfg & Processing						
6	Himalayan Distrilary Ltd.	100	134.29	5	100	413
7	Uniliver Nepal Ltd.	100	3.62	64	4100	3774.87
Hotel						
8	Soltee Hotel Ltd.	100	64.63	69	236	2052.54
9	Orient Hotel Ltd.	100	92.63	816	185	925
Other						
10	Nepal Film Dev. Co.	100	7.7	32	38	19
Hydropower						
11	Chilime Hydropower Co.	100	648.85	1656	1562	11396.35
Trading						
12	Bishal Bazar Co. Ltd	100	14.69	106	2201	600.87
Insurance						
13	Nepal Insurance Co. Ltd.	100	21.16	18	350	359.44
14	National life General insurance	100	18.44	38	900	270
15	Everest Insurance Co. Ltd	100	4.03	54	291	270
Finance						
16	Nepal Share Markets Ltd.	100	259.71	1610	1670	2672
17	NIDC Capital Market ltd.	100	35.62	178	901	675.75
18	Goodwill Finance Ltd.	100	60.01	137	633	316.5
19	United Finance ltd.	100	11.97	264	935	561
20	Pokhara Finance Ltd.	100	18.24	40	657	394.2
Development Bank						
21	Nepal Development Bank Ltd.	100	168.32	1377	302	483.2
22	Nirthan Utthan Bank Ltd.	100	1.09	26	134	36.76

Source: Annual report of SEBON ,Fy 2007/08

4.10 Analysis of Secondary Market Movement

While taking the number of listed companies from the fiscal year 2003/04 to the fiscal year 2007/08 it is seen that there is an increasing trend in the listed companies. The details of the secondary market movement are shown in table no. 4.33.

Table 4.33

Analysis of Secondary Market Movement (Rs in Million)

Fiscal Yr.	Listed Companies	Market Capitalization	Annual Turnover	Yearly Closing NEPSE
2003/04	114	41424.77	6468.18	222.04
2004/05	125	61365.89	4507.68	286.67
2005/06	135	96763.74	3451.43	386.83
2006/07	135	186301.28	8360.07	683.95
2007/08	149	366247.65	22820.67	963.36

Source :(Annual report of SEBO 2003/04-2007/08)

Table 4.33 (analysis of secondary market movement) indicates that there is an increasing trend in the secondary market movement. Listed companies during these 5 yrs period also showed an increasing trend. In the fiscal yr 2003/04 altogether 114 companies were listed similarly in the fiscal yr 2007/08 142 companies were listed showing an increasing trend. Market capitalization also showed an increasing trend. By the end of the fiscal yr 2003/04 total market capitalization was Nrs 41424.77 (Million) which increased and reached to Nrs 366247.65 (million) by the end of the fiscal yr 2007/08. But annual turnover showed a fluctuating trend. Closing NEPSE of fiscal yr 2002/03 was 202.02 it increased and reached to 963.36 by the end of fiscal yr 2007/08.

4.11 No. of Securities Business Person

History of share market in Nepal is not old as we think. People and organized companies are involved to develop the share market in Nepal. Nepal Stock Exchange is only the share market in Nepal.

Table 4.34

Securities Business Person

Securities business person	Number
Security broker	23
Issue manager	8
Market maker	3
Security dealer	1
Total	**35**

Source (Investment Analysis –Rabindra Bhattrai)

4.12 Presentation & Analysis of Primary Data

The study has followed secondary data as supporting base which has been taken from previous resources, studies, report, library search and other related documents. In the course of first hand data to justify the study on the topic primarily, interviews and questionnaire method have been made applicable. It reveals the important information as to outlook of the investment decision of investors.

A number of questions were put up by means of 20 copies of questionnaire. Categorically, the questions raised through this means were of three types.

- Yes/ No question
- Multiple choice questions
- Scaling questions

100% of the questionnaires were collected from the field survey. The questionnaire so collected is thus related to find out the opinion of investors on investment action for trading share through secondary market. Sample is attached as appendix -1.

1) Factors Considered in Share Purchase

Regarding the factors to be kept in mind while purchasing the share, altogether 25 respondents were asked. The result is shown below.

Table 4.35

Consideration in Share Purchase

S.No	Research Variables	No. of respondent	Percentage
A	Company's Performance	11	44
B	Profit	4	16
C	Price of the Share	2	8
D	All of above	8	32
	Total	25	100

Majority (44%) of the respondent considered the performance of the company while purchasing the share but only 8% of the respondent consider shares price while purchasing the share.

2) Reasons of Purchasing the Shares

Some of the investors purchase the share to secure future and some of they purchase to gain profit. While asking question about the reasons to purchase the shares, Different parties showed their different reasons. The summary is shown below.

Table 4.36

Reasons of purchasing the share

S.No	Research Variables	No. of respondent	percentage
A	To gain profit	12	48
B	For secure future	11	44
C	For social status	2	8
D	To increase the no. of shares	-	
	Total	25	100

3) Causes of decreasing the shares prices

There are various factors which affects the price of the share. In the context of Nepal now a day's share price is decreasing day by day. What may be the causes of decreasing the share? To find out the actual reason different parties were asked about

Table 4.37

Causes of decreasing the share price

S.No.	Research Variables	No. of respondent	percentage
A	Increase in capital gain tax	3	12
B	Global Financial Crises	4	16
C	Government policy	4	16
D	Political instability	14	56
	Total	25	100

4) Transactions habit

Some of the investors purchase and sell the shares frequently but some them transact occasionally only. While asking question about the purchase and sell of the shares, most of the respondent are not sure about the purchase habit. Most of the respondents choose not fixed option. The detail is shown in the following table.

Table 4.38

Transaction habit

S.No.	Research Variables	No. respondent	percentage
A	Once	2	8
B	Twice	1	4
C	Monthly	1	4
D	Not fixed	21	84
	Total	25	100

5) Investors future expectation

There are various reasons of purchasing the shares. Some of the investor purchases the share with an expectation of Right share, but some of the investors purchase the share with an expectation of bonus share and cash dividend. Normally no body expects just voting right from the company. While asking question "what do you expect from the company whose shares you have owned?" it was found that no body expects the voting right in the general meeting. The details result is as follows.

Table 4.39

Future expectation of investors

S.No.	Research Variables	No. of respondent	percentage
A	Right share	12	48
B	Bonus share	11	44
C	Cash dividend	2	8
D	Voting right	-	
	Total	25	100

6) Shares broker in Nepal.

Shares are traded only through the share broker. Now in Nepal altogether 23 share brokers are in operation. Some of the respondents say this number is not enough but some of the respondents found with no idea about the number of share brokers. While asking question about the no of share broker's majority of the respondent said that this number is not adequate. Similarly 12 percent of the respondent found with no idea about the number of share broker.

Table 4.40

Share broker in Nepal

S.No.	Research Variables	No. of respondent	percentage
A	Yes	6	24
B	No	16	64
C	Don't know	3	12
D			
	Total	25	100

7) Secure Investment Sector

Every investment consists certain degree of risk. Investment is made at present but the reward or return comes only in future. Because of the time gap there is risk factor. There are various sectors such as banking sector, finance sector, hydropower sector where an investor can invest his / her invest able fund. Generally most of the investor chose banking sector to make an investment. The details of secure investment sector according to the respondent are given below.

Table 4.41

Secure investment sector

S.No.	Research Variables	No. of respondent	percentage
A	Banking	11	44
B	Finance	5	20
C	Hydropower	9	36
D	Other	-	-
	Total	25	100

8) Tendency of NEPSE index review

Every investor expects an increase in the share price after purchasing the shares. They always see the share price in daily news paper or in the website of Nepal stock, but some

of the investor ignores the share price. While asking question, how often you care the share price after purchasing the share, it was found that 44% of the respondent care the price daily and 16% of the respondent care the share price weekly. The result summary is shown below.

Table 4.42

Tendency of NEPSE index review

S.No.	Research Variables	No. of respondent	percentage
A	Daily	11	44
B	Weekly	4	16
C	Sometimes	3	12
D	Ignore	7	28
	Total	25	100

9) Types of available securities

Generally securities having high price consists high degree of risk and return also. Similarly moderate kinds of securities consists medium level of risk and return also. Some of the investor prefers high price security to purchase but some prefer low price securities. According to the filed survey it was found that 28% of the respondent prefers high price securities, 36% risky securities, 20% moderate, and rest 16% prefer low price securities to purchase. The summary is given below.

Table 4.43

Types of securities available

S.No.	Research Variables	No. of respondent	percentage
A	High price	7	28
B	Moderate	5	20
C	Risky	9	36
D	Low price	4	16
	Total	25	100

10) Trading Mechanism of securities in Trading Floor.

Now NEPSE is using a sophisticated machine to purchase and sell the securities. Brokers don't need to go to the NEPSE floor as before. Thy can purchase and sell the securities from their own office. They can match the shares with the help of the sophisticated machine. While asking question, are you satisfied with the trading mechanism of securities in trading floor? It was found that some of the respondents are satisfied but some are unsatisfied, some of the respondents don't have any idea about the mechanism. The summary is as follows.

Table 4.44

Trading mechanism of securities

S.No.	Research Variables	No. of respondent	percentage
A	Yes	6	24
B	No	14	56
C	Mixed	4	16
D	Don't know	1	4
	Total	25	100

11) Effects of international economy to Nepalese Share Market

World has became a village by globalization. Each and every country depends up on the economy of other country. Similarly all activities are affected by international economy. International economy also affects the Share market of Nepal. In the view of some respondent it is affected fully but in the view of other it affects little bit only. The summary is given below.

Table 4.45

Effects of international economy

S.No.	Research Variables	No. of respondent	percentage
A	Yes	9	36
B	No	1	4
C	Little bit	10	40
D	Fully	5	25
	Total	25	100

12) Use of consultant in investment decision

Investment should be made on those securities which provide high level of return and low degree of risk. Investors may not have proper idea about the company and securities, so some of the investor asks help with the share broker while purchasing the shares. But some investor never asks with the share broker. While asking question "do you consult and ask for help with share broker while making an investment decision? it was found that some of the respondent ask for help but some respondent never ask for any kinds of help. The summary is as follows.

Table 4.46

Use of Consultant in investment decision

S.No.	Research Variables	No. of respondent	percentage
A	Yes	7	28
B	No	4	16
C	Some times	4	16
D	Don't know	10	40
	Total	25	100

13) Government role in securities market

The policy of Nepal government direct affects the share market but the policy of Nepal government is not so clear. While collecting primary data it was asked to the respondent,

is GON's policy is clear and perfect to handle the share market of Nepal. The summary is as follows.

Table 4.47

Government role in securities market

S.No.	Research Variables	No. of respondent	Percentage
A	Yes	8	32
B	No	12	48
C	Never	3	3
D	Sometimes	2	2
	Total	25	100

14) Complaints of Securities Market

While collecting the primary data various complaints were found about the share market of Nepal. The major complaints are as follows.

➢ Trading days and hour is limited so it should be increased.
➢ Payment should be made with in 3 days but receipt is received after a one week only.
➢ Reliable information is not outlasted.
➢ Some of the share broker show their money minded activities.

15) Problems of Securities market

➢ Katmandu oriented trading.
➢ Limited number of share broker.
➢ Political instability.
➢ Lack of investor awareness.

16) Role and responsibility of Government to improve the securities market of Nepal.

➢ Rules, regulation and policy should be perfect, clear and transference.

➢ Capital gain tax should be decrease to 10% from 15%.

➢ Some broker office should be added outside the valley also.

➢ Share loan should be provided to the investors in nominal interest rate.

17) Most preferable Five Commercial Banks to purchase the shares in secondary market.

➢ Nabil Bank Ltd.

➢ Himalayan Bank Ltd.

➢ Kumari Bank Ltd

➢ Standard Chartered Bank ltd.

➢ Laxmi Bank Ltd.

18) Most preferable 5 Finance Companies to purchase the shares in secondary market.

➢ ICFC Bittiya Sanstha Ltd.

➢ Nepal Share Market

➢ Good Will Finance

➢ United Finance

➢ Pokhara Finance

4.13 Major finding of the study

The Nepal Stock Market is in developing condition. According to the requirement of time it is using highly sophisticated technology to transact the share in trading floor but in past this kind of facilities were not available in the trading floor. Now to transact the share, share broker need not go to the Nepal Stock House. They can trade share from their own office.

According to the nature and objective of the study primary data as well as secondary data has been used to meet the objective of the study. Secondary data were collected from the annual report of Securities Board of Nepal (SEBON), daily share related newspaper, weekly news paper, library search, and magazine, bulletin, and share market related websites and other journals. Questionnaires were distributed to the public who are interested in share market. Information was tabulated and presented as per the requirement of the study. The liquidity position of our country is also high this could have also led to high pub lie response to share application. There is no proper analysis to make and people investment in shares looking at the market situation and environment. Currently there is lack of various investment opportunities and proper environment to investment funds that affects the share market also. During this research period NEPSE index, which represents the whole share market showed fluctuating pattern. The major findings of this study are as follows.

- ❖ Most of the respondent considers profit, company's performance, and Price of the shares while purchasing the shares in secondary market. It was found by field survey.
- ❖ Some of the investors purchase the shares to secure the future; some of them purchase the shares to gain profit. Similarly some of the investors purchase the shares for social status and to increase the no of shares also.
- ❖ Capital gain tax and political instability are the main causes of falling the shares price. It was found by field survey.
- ❖ Bonus shares and Right shares are the main expectation of investors, it was found by the filed survey.
- ❖ While asking question about the investment sectors banking sector and Finance sectors are the secure and mostly invested sectors.
- ❖ Most of the respondent said that underwriters of Nepal Stock Market are honest which was found at the time of field survey?
- ❖ It was found most of the investor of Nepal Stock Market is not familiar to the stock market and they take decision on the basis of their own analysis.

❖ According to the major proportion of the respondent there are not specific problem in trading of the securities but some of the respondent said that some the stock brokers show money minded activities.

❖ Taking interview with exports of Nepal Stock Market most of them follow the technical as well as fundamental analysis method of stock price movement.

❖ Studying the annual trend of the price movement of the Nepal Stock Market it was found that stock price trend is in increasing trend. But from one yr primary data it was found the stock market in Nepal is in developing stage.

❖ Studying the sector wise annual turnover from the fiscal yr 2003/04 – 2007/08 it was found that annual turnover showed an increasing trend during this period.

❖ Studying the Monthly market capitalization form July/Aug 07- June/July 08 it was found that monthly market capitalization showed a fluctuating trend.

❖ While studying the closing NEPSE index in the fiscal yr 2003/04 was 222.04 then by the end of fiscal yr of 2007/08 it reached to 963.36 showing an increasing trend.

❖ While studying the monthly market capitalization form the fiscal yr of 2003/04 to 2007/08 it was found that market capitalization also showed an increasing trend and no. of share traded also showed an increasing trend.

❖ During the fiscal yr 2007/08 altogether 16 companies issued primary share of Nrs 924.80 Million. Similarly five companies issued debenture of Nrs 1600 million.

❖ During this fiscal yr altogether 42 companies issued Right share of Nrs 6087.10 Million.

❖ While analyzing the rate of listing of new companies there was an increasing trend during this time period (ie form 2003/04- 2007/08)

❖ Volume of stock traded in stock exchange during this study period was found increasing trend.

❖ In the fiscal year of 2007/08 there has been effort to bring transparency in the public issue process, initiate for the systematization of the market and in making legal provision for trading of government securities in the stock exchange.

❖ While analyzing the multiple bar diagram to find out the stock price leading companies in stock market, it was found that commercial banks are the price leading during this period. (2007 June- 2008 July)

❖ While collecting primary data or filed survey it was quite difficult to collect the data and to get the correct and reliable information form the associated persons.

❖ In the correct situation strengthening regulation of securities market, modernizing securities transaction system, facilitating alternative market mechanism for the de listed and unlisted securities, establishing central depository for the efficient transfer of securities, improving the efficiencies of market intermediaries, encouraging institutional investment, rationalizing taxation on securities to promote investor are the major areas not making progress to the level of expected.

CHAPTER- IV
SUMMARY, CONCLUSION & RECOMMENDATION

Summary, conclusion & recommendation are the last chapter thesis. This chapter represents and indicates the whole thesis in brief. The whole thesis can be checked by this chapter only. Generally summary represents the short form of the thesis; conclusion represents some idea & view from the analysis and presentation of data, & Recommendation gives some suggestions for future study. The main thing about the share price is that, the price movement in the secondary market is high. Generally there is no price movement in the primary market. Till now all of the companies have issued their primary share in par value of Nrs 100/share but Nepal Telecom is only the company in Nepal in case of issuing share in premium of minimum of Nrs 600/share. While analyzing the data of price movement, NEPSE Index, Turnover, Market capitalization etc, various statistical tools are used.

5.1 Summary

Nepal Stock Exchange in short NEPSE is a non profit making organization operating under securities exchange act 1983. The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transaction in its trading floor through the stock broker, market maker, market intermediaries etc. NEPSE opened its trading floor in 13th Jan 1994.

Government of Nepal, Nepal Rastra Bank, Nepal Industrial Development Corporation and member are share holder of NEPSE.

The level of risk is high in secondary market so investor hesitates to invest in securities. The main problem of secondary market is lack of reliable and adequate information about the company and future prospects. The price of any share fully depends upon the information which flows in the securities market. Right share, bonus share, cash dividend

play a great role in the increasing or decreasing the price of the share. While there is proper information about the market there is no chance of loss.

The economy of the country showed some slight   changes during this fiscal year as compared to previous year. Both the primary and secondary market showed some improved performance.   In secondary market number of transactions & market capitalization, also increased significantly.

Now a big number of people are involving in share market. Some of they are involved with proper knowledge about share market but some are involved with out proper knowledge. Investment in share consist a time gap. Because of time gap there is always risk. The main problems of investor are lack of adequate knowledge about share market.

The performance of many listed companies, especially hotel, trading and insurance sector are poor in comparison to other sectors. The performance of hotel sectors depends up on the tourism industry. The main problem of hotel sector is political instability and security condition of Nepal.

The new securities Exchange Act drafted by SEBO with the objective of upgrading the regulatory standards and developing the further regulatory capacity of SEBO could not be enacted. However, SEBO with in the ambit of the present regulatory frame work introduced some measures to enhance transparency in the market. During this period SEBO made it mandatory for all companies going public to make disclosure of the person and instructions accountable for the information. The issuing companies are also required to disclose the risk of the price change and there should be a declaration regarding the company's compliance to the respective rules and regulations.

The closing stock price index at the end of the fiscal yr 2007/08 is 963.36 which is satisfactory as compared to previous yr of 2006/07 which was 683.95. Price index is used to measure the performance of the stock market. The highest index suggests the increased in the market price of the stocks and implies the better performance of the companies and

vice versa. NEPSE index of share price has computed by using standard and Poor's index method with the base period of 12 February 1994.

5.2 Conclusions

Even now Nepal Stock Market is in the growth stage. It has crossed the initial stage but not reached in the matured stage.

- ➢ Studying the market capitalization from the fiscal yr 2003/04 – 2007/08 it was found that market capitalization showed an increasing trend during this period, but value in RS and number of share traded showed fluctuating trend.
- ➢ During the research period (2007/08) altogether 16 companies issued ordinary share   of Nrs 924.80 Million, Similarly five companies issued debenture of NRS 1600 million.
- ➢ Studying the sector wise turnover for this fiscal year Commercial bank represents the highest percent of 73.5 (Nrs 13822.14million)
- ➢ While studying the sector wise annual turnover from the fiscal year of 2003/04 – 2007/08 commercial bank, development bank, Manufacturing and processing & Finance companies showed an increasing trend but Insurance, Hotel, Trading & Other showed fluctuating trend.
- ➢ In this fiscal year (2007/08), while studying the monthly market capitalization in the month of Dec/Jan it has been NRs 320397.09 Million which is the highest for the whole year.
- ➢ Majority portions of investors of Nepalese Stock market invest their money form the view point of income which was found from the field survey.
- ➢ Most of the investor was asked for their preference of investment sector. Most of them said that they were attracted towards banking and financial sectors for making investment.
- ➢ According to the major portion of respondents international environment directly and fully affects the Nepalese Stock market.

➢ According to the major portion of respondents of Nepalese stock market , it were found that GON's (government of Nepal) policy is not clear and perfect in the Nepalese stock market.

➢ According to the field survey in the Nepalese stock market, it was found that investor is not aware about investment.

➢ Most of the respondent said that share brokers are honest and helpful but some of the respondent said that some broker show their money minded activities and they are not honest and helpful also.

➢ It was found form the field survey that most of the investors of Nepalese Stock market take decision on the basis of their own analysis but some investors ask for help to the share brokers.

➢ Most of the respondents were asked about the major influencing factors of stock price movement they said that companies performance affects the stock price which was found form the field survey.

➢ Taking interview with the experts of Nepalese Stock market, most of them follow the technical as well as fundamental analysis method of stock price movement.

➢ On analyzing the primary data it was found the stock market in Nepal is in developing stage comparing to other country.

➢ Investment process and its other factors like NEPSE index, price trend and investment facilities are not doing their work in systematic way.

➢ According to the field survey it is found that most of the investor purchase shares for secure their future.

➢ Asking question about the causes of decreasing the share price, most of the respondent said that political instability is the main cause.

➢ No investors are sure about their purchase habit of share (they purchase the share when they have cash and when company is going to issue right share)

➢ Most of the respondents care share price daily but some of them care price sometimes only, it was found in the field survey.

➢ Majority of respondents are not satisfied with the policy of government of Nepal to handle the share market. But some respondent said that government is changeable so some times its policy is good also.

> Most of the respondent complaints to the security market of Nepal they said that trading days and hour is not enough so it should be extend.

> About the problems of securities market of Nepal majority portion of respondent said that price of securities is uncertain it is found in the field survey.

> While studying the role of government to improve the securities market of Nepal respondent said that financial act should be flexible and they recommend decreasing the capital gain tax to 10% from 15%.

5.3 Recommendations

✓ Government of Nepal formulates proper and perfect rule and regulations but such formulated rules and regulations may not be applied in practical life, similarly while formulating such kinds of rules and regulations national and international stock exports should hire to develop and formulate the system.

✓ Investors are the basic variables and back bone of the capital market after having awarded them, stock market development is possible and meaningful.

✓ Foreign investors (individual as well as institutional investors) should encourage and promote to invest in the Nepalese stock market.

✓ Economic development of every large company depends upon the industrial advancement of various types and classes of industries (small industries, middle industries, and large industries) and development of stock market. Therefore government should encourage and consider the industrial development in the country.

✓ NEPSE index plays major role for creating investment prosperity. So for removing stock market difficulties such as transactions facilities, investor's interest and investment facilities should be managed in effective way by formulating investors' protection act.

✓ The listed company's data, their performance appraisal, their condition of work, their productivity, their commitment to NEPSE should be updated and analyzed again and again. If any companies are found in doing works against NEPSE should immediately take action on it.

- ✓ The implementation of WAN (wide area network) system is in operation in NEPSE, it is in initial phase so this system should be improved.
- ✓ The stock market lacks the existence of sophisticated investors. It is recommended to regulatory bodies to carry out programs using various media and spot program to inform and attract the potential investors in investing into shares.
- ✓ The price fluctuation is not predictable by general investors, so technician facilities should be provided by Nepal Stock Exchange so the general investors should also get benefit from the Nepal stock exchange.
- ✓ The role of market maker in securities market should be clear and effective by giving proper training and adopting changed environment with modern tools and technique.
- ✓ Investors should be provided with investment guidelines form news and media. They should get proper and reliable information about the stock market.
- ✓ The study of stock market behaviors should be done in periodic manner so that proper result can be drawn when it is necessary from the NEPSE.
- ✓ Signaling factors should be analyzed so that future movements of price can be predicted from the side of analyst and from the side of the investors
- ✓ Manual based trading system is replaced by sophisticated computer system that should be improved and changed as per the need and requirement of situation.

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Appendix – 1

Role of Nepal Stock Exchange in Securities Market

[Questionnaire]

Dear Sir / Madam

I hereby request you to fill up the questionnaire prepared by me for collecting the primary data which would be prepared for facilitating the research conducted for the partial fulfillment for the requirement of the MBS degree. The research topic is "Role of Nepal Stock Exchange in Securities market". Here your view will be used to make this research complete and meaningful. Be sure, your personal details and view will not be published anywhere. One of the most popular and widely used methods of collecting the primary data is questionnaire method. In this questionnaire, most of the questions are of Objective type so just use tick mark [ ] on the box but some questions need your view also. Write down your short view where necessary. Your kind cooperation will be helpful to complete this study successfully.

Ram Chandra Adhikari
(Researcher)
Master of Business Studies
Shanker Dev Campus

About the respondent

Name   :
Address   :
Phone no.   :
Email   :
Occupation :
Date   :

Please Tick the relevant answers:

1. What factor do you consider while purchasing the share of the company?

   (a) Company's performance   [ ]   (b) Profit   [ ]

   (c) Price of the share   [ ]   (d) All of above   [ ]

2. Why do you purchase the share?

   (a) To gain profit   [ ]   (b) for secure future   [ ]

   (c) For social status   [ ]   (d) To increase the no.of share [ ]

3. Share price of the company are falling down in decreasing trend, what may be the cause of decreasing the price of the share?

   (a) Increase in Capital gain tax   [ ]   (b) Global financial crises   [ ]

   (c) Government policy   [ ]   (d) Political instability   [ ]

4. How often do you transact (purchase & sell) the shares in a year?

   (a) Once   [ ]   (b) Twice   [ ]

   (c) Monthly   [ ]   (d) Not fixed   [ ]

5. What do you expect from the company, whose share you have owned?

   (a) Right share   [ ]   (b) Bonus share   [ ]

(c) Cash dividend   [ ]   (d) Voting right   [ ]

6.   Now in share market altogether 23 brokerage firms are in operation, do you think this number is adequate?

     (a) Yes   [ ]   (b) No   [ ]

     (c) Don't know   [ ]

7.   In which sector do you feel secure to make an investment?

     (a) Banking sector   [ ] (b) Finance sector   [ ]

     (c) Hydropower   [ ] (c) Others   [ ]

8.   How often do you care the share price after you purchase the share?

     (a) Daily   [ ] (b) weekly   [ ]

     (c) Sometimes   [ ] (d) ignore   [ ]

9.   What kinds of securities do you want to purchase?

     (a) High price   [ ] (b) Moderate   [ ]

     (c) Less risky   [ ] (d) Low price   [ ]

10.   Are you satisfied with the trading mechanism of securities in Trading Floor?

     (a) Yes   [ ] (b) No   [ ]

     (c) Mixed   [ ] (d) Don't Know   [ ]

11.   Does international economy affects the share market of Nepal?

     (a) Yes   [ ] (b) No   [ ]

     (c) Little bit   [ ] (d) fully   [ ]

12. Do you consult and ask for help with share broker while making an investment decision?

(a) Yes   [ ] (b) No   [ ]
(c) Don't know   [ ] (d) Sometimes   [ ]

13. Is G O N'S policy clear and perfect to handle the share market of Nepal?

(a) Yes   [ ] (b) No   [ ]
(c) Never   [ ] (d) Sometimes   [ ]

14. Do you have any complaints about the Securities Market of Nepal?

(a) ……………………………
(b) ……………………………
(c) ……………………………
(d) ……………………………

15. What are the major problems of Securities Market of Nepal?

(a) …………………………………
(b) …………………………………
(c) …………………………………
(d) …………………………………

16. What should be done from Govt. side to improve the Securities Market of Nepal?

(a) …………………………………

(b) …………………………………

(c) ………………………………….

(d) ………………………………….

17. Choose any 5 Commercial banks to purchase the share in the secondary market.

(a) ………………………………

(b) ………………………………

(c) ………………………………

(d)………………………………

(e) ………………………………

18. Choose any 5 Finance Companies to purchase the share in the secondary market.

(a) ………………………………

(b) ………………………………

(c) ………………………………

(d) ………………………………

(e) ………………………………

THANK YOU

Appendix -2

Respondents

S.no.	Name of the respondent	Occupation
1	Rejendra Koirala	Service
2	Biswas Acharya	Service
3	Asta B. Kshetri	Service
4	Nirupa Rana	Service
5	Puspa Raj Banstola	Service
6	Sabina Sharma	Student
7	Santosh Tandukar	Service
8	Salik Ram Thapa Chhetri	Service
9	Nitesh K.C.	Service
10	Parsu Ram Nepal	Service
11	Sujit Thapa	Service
12	Rajendra Karki	Service
13	Prabhakar Aryal	Business
14	Dinesh Aryal	Service
15	Kumari Aryal	Housewife
16	Deepa Adhikari	Student
17	Sunoj Shrestha	Student
18	Hare Ram Ghimire	Share Investor
19	Yam Karna Basnet	Job Holder
20	Man B. Bam	Student
21	Shanker Thapa	Student
22	Dijendra Tamang	Student
23	Sangita Dahal	Student
24	Yassodha Silwal	Share Investor
25	Neelam Acharya	House wife

Appendix – 3

Sample Companies

S.No.	Name of the Company	Sector
1	Nabil Bank Ltd.	Commercial Bank.
2	Nepal S B I Bank Ltd.	Commercial Bank.
3	Bank of Kathmandu Ltd.	Commercial Bank.
4	Standard Chartered Bank ltd.	Commercial Bank
5	Everest Bank Ltd.	Commercial Bank
6	Nepal Development Bank ltd	Development Bank
7	Nirdhan Utthan Bank ltd.	Development Bank
8	Nepal Share Market Ltd.	Finance Company
9	NIDC Capital Market Ltd.	Finance Company
10	Good Will Finance ltd.	Finance Company
11	United Finance Ltd.	Finance Company
12	Pokhara finance Ltd	Finance Company
13	Nepal Insurance Co. ltd	Insurance Company
14	National Life General Insurance Co.ltd.	Insurance Company
15	Everest General Insurance Co. ltd	Insurance Company
16	Himalayan Distillery Ltd.	Mfg & Processing
17	Unilever Nepal Ltd.	Mfg & Processing
18	Soltee Hotel Ltd.	Hotel
19	Orient Hotel Ltd.	Hotel
20	Bisal Bazar Co. ltd	Trading
21	Nepal Film Dev. Corporation	Other
22	Chilime Hydropower Co. ltd	Hydropower

Appendix - 4

Ordinary Share Issue (fiscal year 2007/08)

S No.	Name of the Company	Amount (million)	Issue Date	Subscription (in %)
1	Merchant Finance Co. Ltd.	12.00	13/08/2007	-
2	Lumbini General Insurance Co. Ltd.	25	24/08/2007	71.73
3	Siddartha Insurance Co. Ltd.	25	02/09/2007	60.63
4	Infrastructure Development Bank Ltd.	24	30/10/2007	93.55
5	Kuber Merchant Bittiya Sanstha Ltd.	22.50	14/11/2007	44.47
6	Prabhu Finance Company Ltd.	48	22/11/2007	77.30
7	Agriculture Development Bank.	125	30/11/2007	-
8	Nepal Development and Emp. Bank	128	11/03/2008	35.05
9	Sikhar Bittiya Sanstha	20	22/06/2008	26.71
10	Clean Energy Development Bank	96	19/06/2008	36.46
11	Subechha Development Bank	12	25/06/2008	61.83
12	Kaski Finance Ltd.	20	27/06/2008	21.93
13	Lord Buddha Financial Institution L.	22.50	29/06/2008	16.73
14	Sagarmatha Merchant banking & Fin.	20	06/07/2008	25.78
15	Reliable Investment Financial Inst.	24.80	07/07/2008	31.52
16	Global Bank Ltd.	300	09/07/2008	34.25
	Total	**924.80**		

Source: Annual report- Securities Board of Nepal 2007/08

Appendix - 5

Debenture Issues (Fiscal Year 2007/08)

S.No.	Name of the Company	Amount	Issue Date	Subscription
1	Nepal Electricity Corporation	150.00	14/02/2008	1.11
2	Kumari Bank Ltd.	400.00	15/05/2008	1.01
3	Himalayan Bank Ltd.	500.00	22/06/2008	1.00
4	Nepal Investment Bank Ltd.	250.00	26/06/2008	1.00
5	Nabil Bank Ltd.	300	13/07/2008	1.00
	Total	1600		

Source: Annual report- Securities Board of Nepal 2007/08

Appendix – 6

Right Issues (Fiscal year 2007/08, Commercial Banks)

S No.	Name of the company	Amount(million)	Ratio	Issue date	Subscription (in %)
1	Nepal Investment Bank Ltd.	201.30	5:1	January 29, 2008	0.99
2	Siddhartha Bank Ltd.	138.00	5:1	February 25, 2008	0.99
3	NIC Bank Ltd.	158.40	5:1	March 14, 2008	0.96
4s	Lumbini Bank Ltd.	250.00	3:1	March 31, 2008	0.85
5	Kumari Bank Ltd.	180.00	5:1	April 24, 2008	0.99
6	Laxmi Bank Ltd.	183.00	4:1	May 2, 2008	0.99
7	Development Credit Bank ltd	806.40	1:3	January 3, 2008	0.99
8	NMB Bank Ltd.	800.00	1:4	January 8, 2008	0.99
	Total	**2727.10**			

Source: Annual report- Securities Board of Nepal 2007/08

Appendix- 7

Right Share Issue (Fiscal Year 2007/08 Dev. Banks)

S No.	Name of the company	Amount(million)	Ratio	Issue date	Subscription (In %)
1	Nirdham Uththan Bank Ltd	39.50	1:1.2	November 16, 2008	-
2	Paschimancha Bikas Bank ltd	47.50	1:0.9	December 2, 2008	0.89
3	Bhrikuti Bikas Bank Ltd.	30.00	1:1.25	December 10, 2007	0.97
4	Siddartha Bikas Bank Ltd.	50.00	1:1	February 10, 2008	-
5	Sanima Bikas Bank Ltd.	64.00	5:1	May 7, 2008	0.99
6	Ace Development Bank Ltd.	96.00	10:3	May 25, 2008	-
7	Gorkha Bikas Bank Ltd.	160.00	2:1	May 26, 2008	1.23
8	Business Development Bank	150.00	1:1.25	May 29, 2008	0.67
9	Himchuli Bikas Bank Ltd.	60.00	1:2	May 30, 2008	0.99
10	Annapurna Bikas Bank Ltd.	150.00	1:1.25	June 10, 2008	-
11	Sahayogi Bikas Bank Ltd.	10.00	2:1.2	June 17, 2008	0.9
	Total	**850.70**			

Source: Annual report- Securities Board of Nepal 2007/08

Appendix- 8

Right Share Issue (Fiscal Year 2007/08 Finance Companies)

S No.	Name of the company	Amount(million)	Ratio	Issue date	Subscription (in %)
1	Capital Merchant Banking & finance Ltd	161.00	1:1	December 9, 2008	0.77
2	Premier Finance ltd.	14.40	2:1	December 28, 2008	0.98
3	Central Finance ltd.	24.00	2:1	September 11, 2007	-
4	Nepal Share Market Fin Ltd	240.00	1:1.5	November 19, 2007	0.99
5	IME Financial Institute Ltd.	50.00	1:1	December 2, 2007	0.99
6	Prudential Bittiya Sanstha ltd.	50.00	1:1	March 14, 2009	0.86
7	Paschimanchal Finance Ltd.	27.80	2:1	May 19, 2008	0.97
8	Kist Merchant Banking & Fin.	600.00	1:3	May 16, 2008	0.85
9	Good Will Finance Ltd.	50.00	1:1	May 25, 2008	0.99
10	United Finance Ltd.	75.00	1:1	May 30, 2008	0.98
11	Nepal Express Finance Ltd.	30.00	5:3	June 2, 2008	0.99
12	Royal Merchant Banking & fin	60.10	1:1	June 1, 2008	0.99
13	ICFC Bittiya Sanstha Ltd.	224.80	1:3	June 10, 2008	0.85
14	International Leasing & Fin Ltd.	504.00	1:3.5	June 9, 2008	0.99
15	Nepal Housing & Merchant Fin	80.40	1:1	June 25, 2008	0.83
16	Shree Investment & Finance ltd.	16.80	4:1	June 23, 2008	0.99
17	Standard Finance ltd.	72.60	1:1	June 30, 2008	1.01
18	Gorkha Finance Ltd.	30.00	1:1	July 13, 2008	1.06
19	Guheswori Merc Banking & Fin	37.00	5:3	July 15, 2008	-
20	Nepal Awas Bikas Bittiya Sanstha	70.50	1:1	July 15, 2008	0.96
	Total	**2418.90**			

Source: Annual report- Securities Board of Nepal 2007/08

Appendix - 9

Right Share Issue (Fiscal Year 2007/08 Insurance Companies)

S No.	Name of the company	Amount(million)	Ratio	Issue date	Subscription (in %)
1	Sagarmatha Insurance Co Ltd.	23.60	10:3	February 20, 2008	0.96
2	Premier Insurance Co. Ltd.	39.00	1:1.3	June 26, 2008	0.86
3	Himalayan General Insurance ltd	37.80	5:3	July 7, 2008	-
	Total	**100.40**			

Source: Annual report- Securities Board of Nepal 2007/08

Appendix -10
Monthly Market Capitalization in the Fiscal Year 2003/04 (Rs in Million)

Month	Com bank	Mfg & pr	Hotel	Other	Trading	Insurance	finance	Dev bank	Total
July/Aug03	452178.45	21032.01	99258.36	53272.81	10465.26	50210.91	53205.65	4378.31	744001.76
Aug/Sep 03	471914.56	21058.21	102989.2	51988.26	10359.35	49986.85	53628.08	10315.59	772240.13
Sep/Oct 03	407070.08	87572.06	43870.36	8790.26	8798.1	42555.52	46068.85	17995.42	662720.65
Oct/Nov03	430661.85	93159.21	46018.63	9216.9	9892.15	45017.23	49017.23	18797.52	701780.72
Nov/Dec03	472803.25	101004.06	49775.63	10185.25	11127.56	47989.63	53982.25	20776.85	767644.48
Dec/Jan 04	489056.55	106154.25	53518.52	10641.58	10713	51080.25	55198.74	21855.56	798218.45
Jan/Feb 04	489618.56	97134.38	47649.36	9700.2	9744	46488.62	52112.37	19852.35	772299.84
Fb/March 04	442586.27	87292.13	82482.49	8787.63	8764.2	41909.26	47057.17	17835.8	736714.95
March/Apr04	462198.86	96664.2	47220.2	9761.26	9753.6	46797.46	56024.66	18134.26	746554.5
Apr/May 04	487536.13	96786.48	49463.56	10393.18	10249.54	51107.05	57632.77	16429.21	779597.92
May/June 04	544963.21	99867.58	282921.6	10930.2	10788.14	53875.63	62777.83	17093.42	1083217.57
June/July 04	536478.25	92175.82	47363.47	9861.25	9835.22	49270.49	57768.58	15690.76	818443.84
Total	5687066.02	999900.39	952531.4	203528.78	120490.1	576288.9	644474.2	199155.1	9383434.81

Source: -Annual report of SEBO -FY 2003/04

Appendix- 11

Monthly Market Capitalization in the Fiscal Year 2004/05(Rs in Million)

Month	Com bank	Mfg & pr	Hotel	Other	Trading	Insurance	finance	Dev bank	Total
July/Aug04	600184.99	97840.32	50706.11	10344.02	10308.45	53313.93	62717.07	17399.45	902814.34
Aug/Sep 04	547349.42	86341.28	44234.19	9045.78	9032.52	45940.35	51498.22	15039.3	808481.06
Sep/Oct 04	573868.68	91154.36	46483.26	9555.89	9695.7	47137.12	58787.56	15653.55	852336.12
Oct/Nov04	449595.56	73040.5	36598.95	7517.25	7654.5	37603.03	47121.98	12375.55	671507.32
Nov/Dec04	694457.75	107360.75	53544.96	10984.13	11226.6	58470.72	64459.17	18215.3	1018719.4
Dec/Jan 05	630805.79	98969.33	47879.42	9892.22	10206	57639.51	60770.81	17035	933198.08
Jan/Feb 05	681044.16	104645.78	47076.84	72298.95	10716.3	60418.89	65524.85	18053.55	1059779.3
Fb/March 05	669224.26	90185.32	40370.32	82484.06	9406.31	53679.35	56893.65	16661.9	1018905.2
March/Apr05	883587.05	110713.58	50033.22	91495.21	12691.29	70893.41	70572.5	20885.3	1310871.6
Apr/May 05	754628.08	91514.87	41312.69	79164.45	10807.02	69751.25	59678.65	18954.3	1125811.3
May/June05	859187.05	110742.9	50498.36	97838.45	13655.44	82883.29	80322.73	23654.82	1318783
June/July 05	787180.25	100484	46291.04	89158.89	12701.84	77062.08	73222.69	20819.21	1206920
Total	**8131113.04**	**1162992.99**	**555029.4**	**569779.3**	**128101.97**	**714792.93**	**751569.88**	**214747.23**	**12228127**

Source: -Annual report of SEBON, FY -2004/05

Appendix -12

Monthly Market capitalization in the fiscal year 2005/06(Rs in million)

Month	Com bank	Mfg & pr	Hotel	Other	Trading	Insurance	finance	Dev bank	Total
July/Aug05	933689.25	111725.6	51187.61	96664.69	14123.69	87733.82	81151.01	23495.78	1399771.5
Aug/Sep 05	923383.2	118517.77	51226.06	95415.36	15142.58	86953.67	81526.88	21930.51	1394096
Sep/Oct 05	639917.58	77646.46	32329.27	60020.12	9525.7	55915.5	51928.21	13581.31	940864.15
Oct/Nov05	815195.68	91064.58	39197.46	76376.92	1366.88	67936.17	65452.17	16796.05	1173385.9
Nov/Dec05	1044860.08	110518.49	50728.36	95046.22	15269.73	88556.86	82771.32	21138.09	1508889.2
Dec/Jan06	915239.52	94588.01	43886.6	82423.23	13291.39	77613.66	78519.56	19348.91	1324910.9
Jan/Feb 06	930270.91	94700.07	44608.47	90091.14	14056.07	79588.69	80351.96	22839.21	1356506.5
Feb/March 6	1047024.86	97867.29	45077.7	91904.36	14388.57	82543.58	81748.6	27369.01	1487924
sMarch/Apr06	855579.06	79213.98	35411.72	70028.37	11080.77	65441.81	64608.94	21304.23	1202668.9
Apr/May 06	948567.97	78085.62	34923.46	74884.13	11370.2	66092.2	65021.02	22308.27	1301252.9
May/June 06	1549219.19	122479.21	53543.88	121584.02	17547.16	104635.1	102695.02	32016.12	2103719.7
June/July 06	1410739.14	114399.04	49083.51	165845.31	16053.24	100517.79	102601.07	31270.35	1990509.5
Total	**12013686.44**	**1190806.12**	**531204.1**	**1120283.87**	**153215.98**	**963528.85**	**938375.76**	**273397.84**	**17184499**

Source: -Annual report of SEBON,FY-2005/06

Appendix - 13

Monthly market capitalization in the fiscal year 2006/07(Rs in million)

Month	Com bank	Mfg & pr	Hotel	Other	Hydropower	Trading	Insurance	finance	Dev bank	Total
July/Aug06	1361242.85	110230.41	46884.2	161062.33		15288.8	100597.97	100150.78	31167.4	1926624.74
Aug/Sep 06	1269113.6	110116.36	44309.09	154885.54		14605.05	97440.68	96555.21	31576.21	1818601.74
Sep/Oct 06	1127661.99	91869.24	37317.36	131465.13		12418.94	82378.16	84729.75	27659.72	1595500.29
Oct/Nov06	1373094.89	10280041	41921.23	163408.9		13906.86	92738.23	98234.83	33911.02	12097257
Nov/Dec06	1642468.96	108736.58	45368.72	214202.88		14680.73	101674.75	107495.51	49375.41	2284003.54
Dec/Jan 07	1955804.55	121963	51112.68	282801.02		16219.18	130570.95	138110.02	84011.99	2780593.39
Jan/Feb 07	1693097.66	105456.13	45381.55	235700.72		13796.46	126049.32	147393.99	82694.62	2449570.45
Feb/March 7	1863314.07	127346.27	58339.2	270206.85		16383.29	172818.11	190106.14	92672.59	2791186.52
March/Apr07	1401317.23	95932.85	48754.36	205540.22		12100.13	127797.57	141223.43	65114.24	2097780.03
Apr/May 07	1788016.51	111307.13	57575.94	248682.56		14488.38	144120.78	170674.08	72324.52	2607189.9
May/June 07	2325436.33	136104.41	70826.56	327054.03		18097.56	163077.41	216023.71	93227.26	3349847.27
June/July 07	2311614.26	122246.76	63070.54	168101.14	146905.26	15923.1	152951.7	195079.99	96866.33	3272759.08
Total	**20112182.9**	**11521350.1**	**610861.43**	**2563111.3**	**146905.26**	**177908.48**	**1492215.63**	**1685777.44**	**760601.31**	**39070913.9**

Source: -Annual report of SEBON,FY 2006/07

Appendix - 14

Monthly market capitalization in the fiscal year 2007/08(Rs in million)

Com bank	Mfg & pr	Hotel	Other	Hydropower	Trading	Insurance	finance	Dev ban
2978822.13	136302.43	74837.95	543.62	439695.42	18277.14	187735.19	225342.86	129231.9
2967518.36	123871.01	73560.34	494.2	497592.26	16612.4	171439.29	215865.5	157255.
4035831.15	130780.04	76545.24	518.91	565159.68	17440.08	184140.94	259521.08	224331.6
2759365.53	87187.94	50952.46	345.94	366939	11629.7	134194.22	237309.41	201369.8
4040028.72	124554.2	72856.52	494.2	535064.95	16772.06	217985.95	397925.34	369231.
3596481.75	106425.29	83452.89	420.07	532050.74	14394.07	222560.25	422088.5	402154.7
3280903.65	120682.39	102098.71	469.49	459282.2	15895.87	208320.97	439080.91	370158.4
3214311.6	140148.19	107092.71	528	453126.64	16572.48	205331.58	472998.65	294155.9
2420440.72	117789.55	85516.66	422.4	316566.19	11265.01	152650.88	378470.5	223273.5
3188363.82	139166.9	99745.68	501.6	390308.73	18144.26	190075.5	457528.62	260532.2
3608561.12	133737.35	93054.33	475.2	420971.69	21566.9	194810.54	500979.14	389110.5
5181667.62	172238.7	111978.75	593.47	553835.2	28035.57	262502.85	1002478.48	600101.8
1272296.17	1532883.99	1031692.24	5807.1	5530592.7	206605.54	2331748.16	5009588.99	3620907.

Source: -Annual report of SEBON,FY -2007/08