CHAPTER I

INTRODUCTION

1.1 General Background

Investor awareness is the term used in investor community which describes the level of knowledge of the investor bout the investment environment i.e. about the investment rights and obligations, law and procedures, types of investment, investment service provider and their control mechanism etc. The level of awareness helps to measure or helps to benchmark the investor exposure and knowledge about the information of the industry as a whole. The significance of the awareness is that investors are expected to base their investment decisions on market information. In case of lack of access to the market information, the investor may be placed at low profile amongst his/her peers in the market. Thus, investor awareness contributes directly or indirectly to the competing business participants for identifying the potential investment opportunities which ultimately leads to achieve the investment objectives.

Capital market is the mechanism created to facilitate the exchange of the financial assets with a maturity period of more than one year. It is the legal entity established to facilitate the sale and resale of transferable securities. Capital market have significant stake on gross domestic product (GDP) of the national economy which creates the employment opportunities through capital formation and growth of the economy as a whole. But, only the existence of the capital market does not guarantee the significant contribution for the gross domestic product and the economic growth. The mechanism creates the micro-level saving mobilization, opportunities along with its challenges, too. The financial literacy and the awareness level might be the crucial element for the healthy growth of market. The term investor awareness has been used in investment communities frequently. It describes the investors' literacy and knowledge about the investment environment or about the market.

On the other hand, stock market is a part of the whole capital market mechanism. In the stock market people buy and sell securities which are less tangible than gold but not less valuable (Ritter and Silber, 2008). The market in which new securities are resold is called secondary markets. Secondary market provides liquidity to the economy through the role of financial intermediaries between selling segments and buying segments. Secondary market introduces the brokerage services for the sake of smooth operation of financial transactions. Generally, stock brokers provide the brokerage services as agents of the investors and execute on behalf of their customers against the commissions or fees. The typical roles of the stock broker are to disseminate the information about the domestic and foreign markets and securities, to provide appropriate advices to the clients, to buy and sell orders for clients, to manage and review the investor portfolios, etc. Stock brokerage firms have the direct interaction with the investors during the exchange of the securities and have the obligation of advising and solving the investor problems. Thus, to develop the investor awareness, brokerage firms can have significant role.

The inception of the capital market has been provided investment opportunities for individual and institutional investors in Nepal. The investment being the current sacrifice of spending for the future benefits and the capital formation is an essential macroeconomic parameter that enlarges the economic activities in the economy. The capital market acts as a mechanism that creates investment alternatives for the saving groups and long-term fund for individuals, institutions, and for the government. The history of the capital market was began in early seventeen century, the Amsterdam Stock Exchange is considered as the oldest stock exchange in the world which was started in 1602 followed by Paris Bourse in 1724 in Paris, France. The Bombay Stock Exchange which was established in 1875 is a pioneer stock exchange in South Asia. The practice of stock exchange in Nepal is of recent phenomenon which was started after issuance of common stock by Biratnagar Jute Mills Limited in 1937 (A.D.) whereas the oldest existing stock certificate was issued in 1606 for a Dutch company (Vereinigte Oostindische Compaignie).

The history of securities exchange in Nepal shows that the first amendment in Securities Exchange Act, 1983 in 1993 paved the way for the restructuring of stock market in Nepal, which led to establish Securities Board of Nepal (SEBON) in 1993 with a mandate to regulate and develop the stock market. The Act also led to convert the then Securities Exchange Centre (SEC) into Nepal Stock Exchange (NEPSE), a full- fledged open-out-cry trading system with the induction of stock brokers in January 13, 1994. With the existence of stock exchange, numbers of financial institutions, investment groups and independent investors have been engaging in financial sector in term of their association in banking and finance, insurance, manufacturing and service industries and hydropower sectors. As a result, the practitioners and beneficiaries or the investment communities have grown tremendously in the short period. Such speedy growth also raised the issue of the quality of growth and sustainability. To expand and to achieve the sustainable growth of economy, the investors' awareness and their commitment for the long term investment play the vital role. Thus it is expected that the awareness and commitment should moves in the same direction, and their association contributes a lot to the economic development.

Financial instruments refers to the stock, bond, debenture and other financial assets those represents the right of the holder to receive future prospective benefits under the terms and conditions provided in the instrument(s). Financial instruments are traded in the financial market. Investors can buy or sell securities immediately at a price that varies little from the financial markets and facilitates the pricing discovery process. Buy and sell orders that flow from investors' demand and supply preferences determine the price of securities in the security market. Since securities market is the major component of capital market it is the need of today to address the investor‘s preferences as to the financial assets those are transacted in such markets. This study is a small attempt towards the end.

Financial market facilitates the transaction of financial assets like deposits, loan, bonds, securities, stocks, cheques, bills etc. Financial market refers to all the activities of financial institutions those transact on financial assets and liabilities.

Financial market is defined as place where fund supplier and fund borrowers are brought together with the help of financial intermediaries directly or indirectly. These intermediaries channel nation‘s savings into most productive uses. Lenders or suppliers of funds exchange money for other financial assets that tend to provide a better future return. The net effect such a transaction is that they buy a claim against some one‘s money holding at some future date. In fact, they create loanable funds in the financial market. (Henning & Pigott, 1975).

Financial market is functional perspective is a rational system of collecting savings and allocating them efficiently to the ultimate users for investment in productive assets or current consumption. (Kidwell & Peterson, 1981). Like wise Mishkin (1992), Baye and Jansen (1996), Mayo (2002) consent that financial market is the arrangement that helps to allocate resources efficiently.

Financial market can be better understood with a full-fledged knowledge on their various types and categories. The lines of demarcation are not clear-cut in practice. Even then for the purpose of simplification and made it understandable, financial market is classified as Capital market, Money market, Primary market, Secondary market and Loan and security market etc. Capital market is an important part of financial market. The market in which long term financial instruments, such as equities and bonds, are raised and traded is capital market. Capital market securities include such marketable debt securities with long term financial instruments, such as equities and bonds, are raised and traded is capital market.

Capital market securities include such marketable debt securities with maturities of a year or more and equity securities. Most of associated markets come under the scope of capital market. In fact, capital market deals with longer term and relatively riskier securities. All those who needed longer-term funds depend on capital market. Likewise, business and industries issue shares and other securities to raise funds from capital market. In the context of Nepal, capital market is slowly growing as well as improving. Growth of capital market has made it possible for the public limited companies to raise the long term capital by issuing shares and other industrial bonds to the investing public. On the whole, capital market is proving very significant to enhance the country‘s financial sector development. It is mainly because capital market as much more diverse than those found in money market. Capital market is further classified into stock market, Money lenders, and Local Businessmen etc.

Whatever may be the classification, financial instruments is the main medium through which each of the markets discussed above deals. Securities market cannot remain aloof what kind of securities are dealt in securities market. Speaking another way, securities market and its status are determined by the securities that are transacted in the securities market. On the other the depth and breadth of financial instruments are highly dominated by investors preferences. Due to this very reason, this study attempts to identify the factors that influence investors while making investment decision so far as the matter of investing in financial instruments is concerned. To which securities investors give more priority, what the reasons are those mainly attract the investors to invest in a particular security, why they prefer one security over other(s) etc. are the issues to be addressed here in the study. Further, this study also strives to address whether or not the Nepalese investors are compensated rightly as per the risk they bear.

1.2 Statement of the problem

There is a teacher conducting a question-and-answer review session before an examination. Some students are able to find answers to all possible questions while some others are not. If the latter are aware of the questions, they will ask the teacher for answers. Then the answers will be shared by all students and no extra effort is needed. However, if they are unaware of some questions, they cannot raise relevant questions. If the able students know this, rather than asking the teacher what the answers are, they would make extra efforts to find the answers privately, in order to retain a competitive advantage. Similar situations take place at public forums. Stock analysis requires massive information regarding so many uncertainties that, even for experts, the complete risk identification is unrealistic. Investors may thus be different in not only the amount of information they own, but also the uncertainties they are aware of. Generally, investors are unaware of some information in two ways. First, they may not know of the existence of the information/uncertainty (this is what "unawareness" literally means). Second, they may be unable to incorporate the information into their decision making for instance, a layman may know a technical term but cannot properly implement it.

Over the past few decades stock markets in the emerging economics have surged with growing attention of the investors around the world. As a result of the emerging equity market phenomenon and of the need to provide liquidity for privatization-linked equity issues the relationship between stock market development and economic growth has received renewed attention of academicians and policy makers both in the developed and developing countries. The growing importance of stock markets in the developing countries has open up many avenues for research in the relationship between financial development economics growth, with focus on development role of stock markets. Empirical studies in many developing countries suggested that every nation has a infrastructure and the differences in the national financial systems have profound impact upon the pace of economic growth of nations. Evidence shows that financial development of a nation overwhelmingly affects its economic growth.

During last two decades financial sector in Nepal has growth rapidly. Latest data on the financial sector show that the growth in the financial sector has outplace the growth in the real sector. This had raised the question regarding the sustainability of the growth of the financial sector in the country. As the financial sector in Nepal is dominated by the banks, the growth has taken place mostly in the banking sector. The role of securities market in the process of the country's development has not received attention of the government and the policy makers. As a result the securities market in Nepal has not been able to make contribution to the extent it should have in the development of the country.

During last one and half decade the financial sector has grown significantly. Despite a history of almost half a century of development efforts under different plans, conscientious efforts to develop financial sector started quite late in Nepal. The process of financial sector development in the country actually started since 1976 when the government establishes Securities Marketing Centre to provide and develop market for securities. However, visible impact on the development of financial sector was observed in the country only when the government changed its restrictive policy and opened up in the hitherto closed financial sector to private sector and foreign participation in the establishment of banks. With the adoption of the privatization and economic liberalization policy by the government the process got further impetus and the financial sector in Nepal grew fast especially in quantitative terms. In 1994 Securities Board of Nepal was established with the main responsibilities to regulate, supervise, and monitor the securities market. Similarly the Securities Marketing Centre was converted into Nepal Stock Exchange Limited (NEPSE) with the objective to provide secondary market for securities transaction and ensure smooth trading of securities. For this an open cry system was introduced and investors were allowed to deal in securities only through licensed brokers. In 2007 the stock market has been automated to facilitates the securities transactions.

Although the role of financial sector in the economic development of the nation remained controversial for some times, recent theories in finance suggest that stocks markets do promote long term growth. It has been experienced that the development of the stocks markets in the emerging nation passes through four main stages (Papaioannou & Duke, 1993). Development of equity market in any country requires political and economical stability and growth oriented policies as pre-conditions. At the first stage, equity prices rise and the investors gradually gain confidence in the equity market. They accept equity as an alternative to traditional bank deposit and government a securities. At the second stage, equity markets gain more credibility and market liquidity increases. Investors long for rise in risk adjusted returns and demand a wide variety of securities to match their risk preferences. Rules and regulation are refined and the equity markets start functioning on the basis of self-discipline. Common stock markets at this stage gradually get integrated with the international markets and attract foreign investors. At the third stage, equity markets become an integral part of the overall financial system. Investors get higher, less volatile returns and easily absorbed new issues of stock and bonds. The volume of trading increases as the equity markets become more liquid and firms go for initial public offerings to replace their debts. At this stage a mechanism for risk transfer develops forecasting markets for equity and currencies-hedging instrument such as derivatives and index products. At the final stage the equity markets get highly integrated with the global markets and the equity risk premium match with the internationally competitive levels. Equity markets at this stage achieve stable growth and attain mature state.

Despites the history of more than 25 years, equity market in Nepal have barely entered the first stage of development. Due to the political and economical instability, absence of growth-oriented policies and weak regulatory framework stocks markets in Nepal has failed to gain investors' confidence. Unavailability of the timely information, high volatility of equity prices, weak supervision and monitoring has made the stock market highly risky for general investors. Except in the case of some commercial banks, investors have not yet accepted investment in stock as an alternative to bank deposits and government securities (K.C. & Snowden, 1999). Evidence shows that stock market development helps country's economic growth in many ways. By encouraging acquisition and dissemination of information stock markets reduce cost of mobilizing savings and facilitate investments. In countries where stock market discipline is effective firms tend to be more productive, thereby creating more wealth per unit of money invested (Diamond & Verrecchia, 1990). Liquid stock market makes investment less risky because they allow savers to buy and sell financial assets they hold cheaply and quickly and change their portfolio anytime according to their risk-return preference.

In such circumstance, if an investor knows the solutions of the stated issues can be placed in aware category whereas investors have no ideas on these matters, can be placed in unaware category. Level of awareness can be increased amongst the general public through promotional campaigns, seminars, publications and programs in FM/TV etc (Baidhya & Parajuli, 2004). Therefore, in a developing economy like Nepal in case of existence of majority of investors in unaware category, there would be a situation of raising question on the performance of the concern authorities. In local context, Security Board of Nepal (SEBON), Nepal Stock Exchange Limited (NEPSE), Nepal Rastra Bank (NRB) and forty-nine stock brokerage companies are the authorities and their scope of work is fully or partially focuses towards the growth and development of Nepalese capital market.

1.3 Objectives of the Study

The basic objective of the study is to identify the level of awareness among the stock investors and extent of relationship between investor awareness and volume of common stock investment in Nepalese Share Market.

The specific objective of this study can be outlined as follows:

- To identify the level of equity investors' access to market information.
- To analyze the trends of firm specific fundamental variables in Nepalese capital market.

1.4 Significance of the Study

Awareness is the level of existing information with the perception and ability of understanding the upcoming environment. It is the general assumption that the more aware investors make more investment decision and less aware investors comparatively make less investment decision. As crawling in developing phase of our stock market, does investors are aware of existing flow of information provided by the SEBON and other concern information? Does the current rules and policies are applicable and fascinating for upcoming investors? It is the expected that the awareness and their commitment move in the same direction, and their association contribute a lot to the economic development. Capital market is divided into primary and secondary market. Primary market raise the seed capital through the public offering and the secondary is only the platform which retains the long term investment through exchange of the securities. More specifically, secondary market provides liquidity to the economy through the role of financial intermediaries and those intermediaries have directly connected with the individual investors. Thus, there might be sufficient room at the end of the brokerage firms and financial intermediaries to play vital role for creating investor awareness in Nepalese financial market.

The justifications of the study are presented in the light of the following points as below:

1. Aware investors play important watchdog roles which increase the likelihood that the

regulating bodies can identify the potential market anomalies prior to its occurrence.

2. Aware investors can also better choose investment alternatives that are most appropriate for them in light of their individual circumstances such as age, wealth, income, debt and years to retirement etc.
3. Investor awareness has become more important with the rise in popularity of the internet which may bring tools for initial investors into the security markets. On the other hand, awareness helps to make them up-to-date with the investment environment and provide tools to assess the risks associated with their portfolios.
4. Investor awareness also helps to develop the skill of investors to protect themselves against fraud and other malpractices.
5. Investor awareness helps to maximize the impact on use of limited resources of government agencies.

Thus, the study tries to help to create importance of awareness and stock investment in financial market. The aware investor and stakeholders with efficient market exposure can perceive and get the required information to achieve their investment goals. The sources of the information might be different and the acquisition of the required information might be the other issue for stock investors. The rapid growth of the information technology (IT) sector has provided the one stop information accessibility. The internet provides cost-effective information to a large number of investors, as well as to the media people and others who directly or indirectly engage in investor awareness efforts.

The study deal with the following issues:

- What is the extent of awareness of common stock investors?
- What are the reasons that the investors want to hold their investment for the long term?
- Do the information dissemination and the roles of concern authorities are sufficient to create awareness?
- How for the stock investors rely on their own expertise and awareness in decision making?
- How could the awareness level determine the investment level?
- Do the investors have the concept about the dividend declaration date, ex-dividend date, holder-of-the record date, payment date?
- How far stock investors know about the trend of the fundamental variables?

- What is the correlation of between the investment awareness and equity investment?
- Is there significant relation between firm specific fundamental variables? etc

The study formulates the following testable statement that can be tested in the following sections. The null hypothesis has been presented as follows:

H_{01}: There is no significant relationship between investor awareness and investment on equity.

H_{02}: There is no significant problem on access to market information for equity investors.

1.5 Organization of the Study

This research has been organized in five chapters as below:

Chapter I: Introduction

The first chapter deals with introduction. This includes background, statement of the problem, objectives of the study and organization of the study.

Chapter II: Review of Literature

The second chapter includes theoretical framework, review of previous studies in the field of investor awareness and concluding remarks.

Chapter III: Research Methodology

Third chapter includes research design, nature and sources of data, selection of the sample enterprises, population and sample, the method of analysis and finally limitations of the study.

Chapter IV: Data Presentation and Analysis

Fourth chapter includes secondary data in the first part, presentation of primary data in second part and concluding remarks in the third part.

Chapter V: Summary, Conclusion and Recommendation:

The fifth chapter includes summary and conclusion of the study along with the recommendation.

CHAPTER II

REVIEW OF LITERATURE

This chapter contains the review of literature on investor awareness has organized various into four sections: theoretical framework, previous empirical studies, review of similar studies in Nepalese context and finally, concluding remarks. The theoretical framework has been presented in the first sector and the second part contains the review of major empirical studies. The related studies in Nepalese context have been shown in the third section and at last the fourth section has been devoted to the conclusions of the major reviews.

2.1 Theoretical Framework

Financial market absorbs a large amount of news or signal every day. The information processing requires a quality judgment. For instance, news from reliable sources is more meaningful to rebalancing the portfolios than news from the unreliable sources. Judgment quality itself a difficult task, to make this case, investment education helps a lot. A rational investment management process includes the analysis of investment alternatives, risk and return analysis, portfolio selection, evaluation and revision in a continuous process. Investment decision making process is highly associated with risk and return trade-off. To make a good investment decision, it needs lots of information related to the assets situation in the market, risk and return factors involved with securities, other opportunity available in the market, cost of fund, government current policies and priorities, expected change in policy, laws and directives, tax regulation as well as attitude of investors.

Investment, risk and return are the integrated financial terms. Investment simply means sacrificing of current expenditure for the future benefits. Risk means the variability of returns, it is also define as the uncertainty that can be systematically assessed, that is measured, priced and most importantly shared. Return is compensation against the investment in terms of dividend and capital gains. Bodie, Kane & Macus (2009) stated "An investment is the current commitment of money or other resources in the hope of reaping future benefits." Sharpe, Alexander & Bailey (2001) stated "Investment, to its broadest sense means the sacrifice of current dollars for future dollars. Two different attributes are generally involved time and risk. The sacrifice takes place at present and is certain. The reward comes later, if at all, and the magnitude is generally uncertain. Fischer & Jordan (1996) stated "An investment is a commitment of funds made in the expectation of some positive rate of return. If the investment is properly undertaken, the return will be commensurate with the risk the investor assumes."

Every investment have some degree of risk, which refers the possibility of something bad happening at some time in future or situation that could be dangerous or have a bad result which are not expected at the time of investment is the commitment of money that is expected to generated additional money. It is the process of selection of the investment opportunities that will provide the maximum future return at an acceptable level of risk. A wide range of investment alternatives are available to individual institutional investors. In additional to the traditional common stock, preferred stock and bond alternatives and other financial assets- such as convertibles, warrant, right, commodity future, financial future and option are available. Real assets alternatives such as real estates, precious metals and collectibles are also available for investment.

Stock markets are basically similar to other kinds of market. People buy and sell, bargain and haggle, win and loss in this market. In stock market people buy and sell securities, stocks and bonds which are less tangible than gold but not less valuable (Ritter and Silber, 2005). Stock market, as any other markets is a mechanism created to bring the buyers and sellers together with or without particular place or location since market can exist even without location or place; however, time, price, product and its unit are fundamentals for the markets to subsist. The stock market is said a forward looking market and stock prices reflects anticipations about future economic activities (Oskooe, 2010). Various instruments of the securities are the products that exchanged per unit of their respective price within given time frame. Stock market facilitates the exchange of financial securities which helps to mobilize the internal and external financial resources. The companies as well as the state can participate in the stock market. The government can issue and sell the governments bonds, etc and pull the funds from the market for financing the short term budgetary deficits and for the long-term development appetite.

Nonetheless, the selling of securities is possible only if individual and institutional investors could make easy come back into the markets, for whom stock market provide ample opportunities for the long term capital investment as well as short term speculative venture, for which liquidity and lucrative market are the fundamentals. So, the safeguarding the interests of the investors is equally important together with overall development and management of the market. For attracting more number of investors in the market, it requires assertive role and need of strong, free and independent market regulator which is often highly acknowledged. Broadly speaking, all the investment alternatives can be categorized into eight categories as follows:

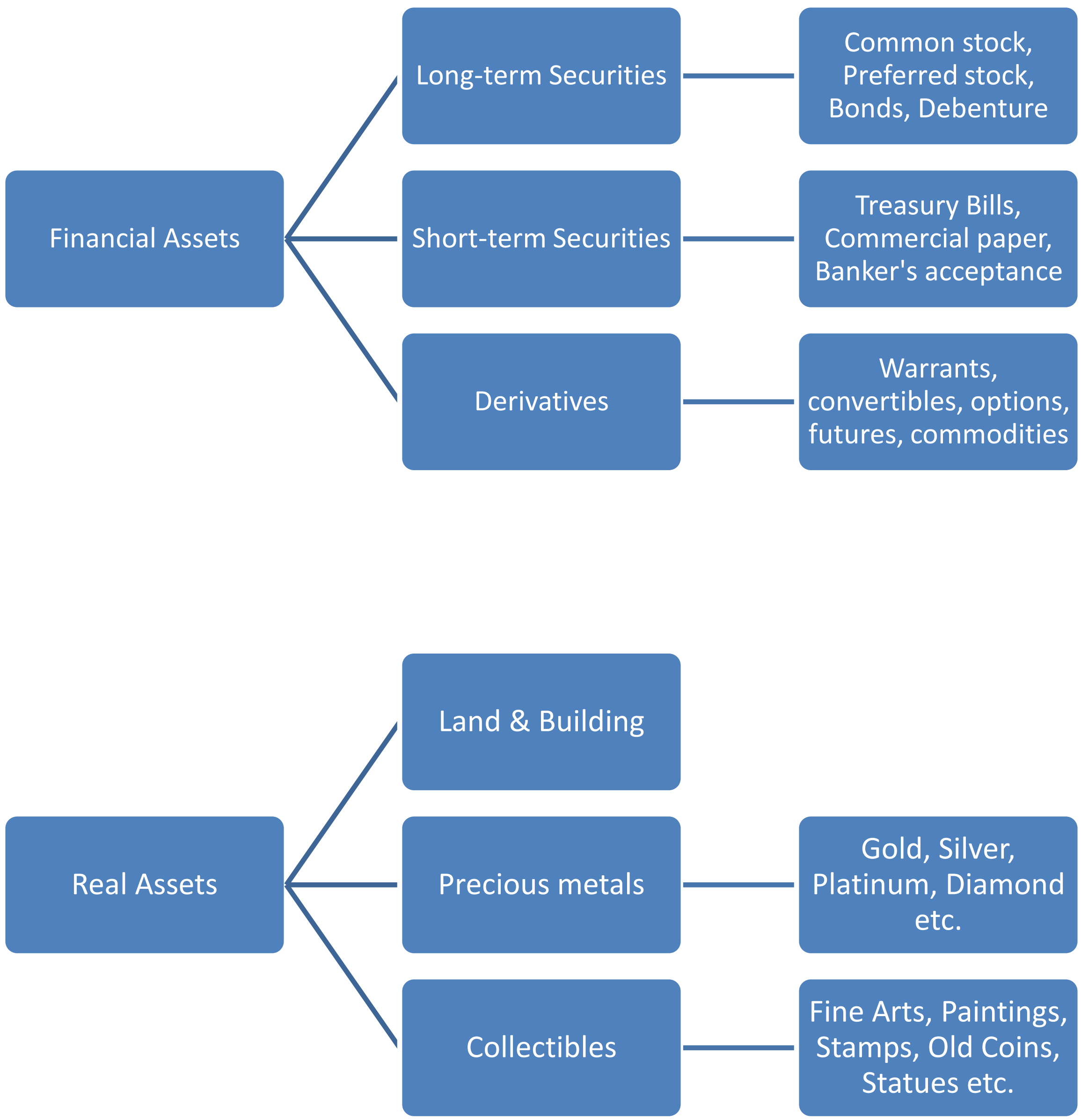

Fig 1: Investment Alternatives

Noted from: BBA Lectures; Categories of Investment

Companies raise funds to finance their projects through various methods like promoters bring their own money, borrow from the financial institutions, and raise capital by issuing securities. The funds may be raised through either by issuing of fresh shares at par or at premium or at discount, preferences shares, debenture or global receipts. The main objectives of a capital issue are given below:

- To promote a new company
- To expand an existing company
- To diversify the production
- To meet the regular working capital requirements
- To capitalized the reserve

The market for long term securities like bonds, equities and preferred stocks is divided into primary and secondary market. The primary market deals with the new issues of securities whereas secondary deals with the transactions of issued financial securities. Primary market is the market in which securities are sold at the time of their issuance. All securities are first traded in the primary market, and the proceeds from the sale of securities go to the issuing firm. These new issues of stocks bonds or other securities typically are marketed to the public by investment bankers. Primary market issues can be divided into seasoned issued and unseasoned issued. Seasoned issue involves the issue of more of an existing which is already trading in the market, for instance, right shares and bonus shares. These shares are already very well known to investors and traded in the marketplace, and they have an established track record. Unseasoned issues, involves issuance of completely new securities and is often referred to as Initial Public Offering (IPO). Unseasoned issue has no established trading history in the markets they are more difficult to value than seasoned issues. There is the parity between the secondary and primary market and the growth of the primary market depends on the secondary market. Outstanding securities are traded into the secondary market, which is commonly known as stock market or stock exchange. In the secondary market, the investors can sell and buy securities any time at their will. Stock markets predominately deal in the equity shares. Debt instruments likes bonds and debentures are also traded in the stock market. Well regulated and active stock market promotes capital formation. The health of the economy is reflected by the stock market in the best case scenario.

The role of the stock market as the part of financial market in economic development process is highly emphasized by modern economic growth theories. The capital market development is positively correlated with economic growth with feed-back effects, but the strong link is from economic growth to capital market suggesting that financial development follows economic growth and at the same time economic growth determines financial institutions to change and develop (Brasoveanu, et.al 2008). However, Beckaert, et.al(2005) analyzes financial liberation as a special case of capital market development which determines equity market liberalization.

To analyze the in-depth knowledge on equity investment, this study is only related to the common stock and its awareness in investment communities. Thus, the study only gives emphasis on the aspect of the equity.

Sharpe (2001) stated that common stock represents equity or an ownership position in a corporation. It is a residual claim, in the sense that creditors and preference shareholders must paid as scheduled before common stock holders are in the principal entitled only to any value remaining after all other claimants have been satisfied.

When investors buy common stock, they receive certificate of ownership as a proof of there being part owners of the company. The certificate states the number of share purchased and their par value. Common stock is the first security of a corporation to be issued and, in the event of bankruptcy, the last to be retired. It is the ownership interest of a corporation. Each share of stock is fraction of the rights and ownership interest of a corporation. Each share of stock is fraction of the rights and privilege that belongs to the owners of a business. Stock certificate is evidence of the fractional ownership (Bhalla, 2009).

Benjamin Graham has decided the nature of common stock very aptly "Common Stocks have one important investment value and average market price tend to increase irregularly but presently over the decade as their net worth builds up through the reinvestment of undistributed earnings. However, most of the time common stocks are subject to irrational and excessive price fluctuation in both directions as the consequences of the ingrained tendency of most people to speculate or gamble, i.e. way to hope, fear and greed.

As owners, common stockholders are entitled with certain rights and privileges are as follows.

a) Control: Common stock has voting rights that can be used to elect corporate directions that, in turn appoint the corporate offices.

b) Preemptive right: A preemptive right gives existing shareholders the first option to purchase a proportionate interest in a new issue of a corporation stock. The purpose of this provision is to protect stock holders against a loss of their investment, control and dilution in the value of their shares.

c) Liquidation rights: As owners rather creditors, common stockholders receive no priority in the distribution of assets resulting from a liquidation of a corporation. Typically, after assets are sold and liabilities and preferred stockholders are satisfied, then if any cash will be available, be the right to get for common stockholders.

d) Right to Income: Common stockholders have no legal right to receive certain return from the institution. As a practical matter, however, the board of directions may declare cash dividends to the stock holders and others like right shares, bonus shares, etc. against the financial resources are made available to the institution. Sometimes to meet the return on other similar investment, even if the period when the corporation has experience substantial amount of loss, Board of Directors needs to declare return in any term to maintain the market price of the stock market and to satisfy the stock holders.

Similarly, the common stock values include par value, book value and market value. These terms are different in their characteristics and their values in monetary terms are as follows:

a) Par value: The face value of the stock, established at the time the stock is initially issued is par value. Without a stock split or other action by the board of directors, the par value of the stock does not change. In Nepal common stock are often issued at par value of Rs.100.

b) Book Value: Book value per share is calculated by dividing the total assets on the balance sheet by the numbers of common stock outstanding. This figure represents the assets value per share after deducting liabilities and preferred stock. Typically, common stock in profitable corporation will be valued based on earning power and will sell at price significantly greater than book value.

c) Market value: Market value in the secondary markets is determined by supply and demand factors and reflects the consensus opinion of investors and traders concerning the "value" of the stock. Market value is influenced by many factors including economic and industry conditions, expected earnings and dividends, and market and company risk consideration.

When people buy common stock they give up current consumption for the hope of attaining more future consumption. They expect to collect dividend and eventually sell the stock at a profit. Horne (1996) stated "The benefit associated with ownership includes the cash dividends paid during the year together with an appreciation in market price, or capital gain realized at the end of the year". Returns are defined as the dividend yields plus the capital gain or loss.

The after tax increase in the value of initial investment is the investment return, the increase in value can come from two sources: a direct cash payment to the investor or an increase in market value of the investment relative to the original purchase price. An investment on single period rate of return denoted 'r' is simply the total return an investor would receive during the investment period or holding period stated as a percentage of the investment made at the start of the holding period.

$$r = \frac{(Pt - Po) + Dt}{Po}$$

Where,

r = single period rate of return

P_t = market price at the end of period 't'

P_o = current market price or purchase price

D_t = cash dividend received during time period 't'

P_t-P_o = income from price appreciation (or loss from price depreciation) sometimes called capital gains (or losses)

Above formula can be used to determine both actual single period return as well as expected return. Holding period's return is often calculated for periods other than one year. Many holding period returns over periods shorter or longer than one year are annualized. In general, if the length of the holding period is not specified, it is measured to be one year. Since, the traditional approach of investment suggests that there is always association between risk and returns. Thus, the risk on common stock can be defined as follows:

Risk is uncertainly associated with the end-of-period value of an investment. "Risk is the possibility of something bad happening at some time in the future; a situation that could be dangerous or have bad result." as described by the Oxford Advanced Learner's Dictionary. Uncertainties and risks are the facts of investment on common stockholders. Uncertain and risk is perceived by different people in different ways. Some perceived uncertainty as simply a lack of definite outcomes. It is the unknown event, which may be favorable or unfavorable. Other many people consider risk as a chance of happening some favorable event or danger of losing some value. The terminology uncertainty and risk are often used interchangeably.

Although it is not quite clear what previously uncertainty and risk means. Authorities in the field of finance and people concern about finance do agree that risk is the product of uncertainty. If we interpret certainty as a future outcome which is hundred percent sure to happen, uncertainty is then just the opposite of certainty that refers to all possible future outcomes none of which is known for sure to happen. Risk on the other hand is the product of all potential outcomes expressed with probability associated with each of them and it is measured in terms of the degree of variability in the probability distribution of such outcome. Risk defines most generally is the probability of the occurrence of unfavorable outcomes. But risk has different meanings on different context. In our context, probability distribution has been used as initial measures of return and risk.

Uncertainty and risk are treated separately in financial analysis. The practices are to translate the uncertainty into the mathematical value that represents the best estimate of all certainty. In other words uncertainty can avoid or make necessary measures by calculating the expected value of all possible future uncertain outcomes. But, risk is treated differently. Although risk arises from uncertainty it magnitude depends upon the degree of variability in the uncertain future outcomes, and it is measured in terms of standard deviation.

In project evaluation, risk, in fact is an indication of chance of losing investment value. The word chance here refers to the probability of losing the initial investment. In other words, the project risk indicates the probability of return being less than the expected. Every investment involves uncertainty that make future investment returns risky. Sources of uncertainty that contribute to investment risk are as follows:

a. Interest Rate risk: Interest rate risk is defined as the potential variability of return caused by changes in the market interest rates.
b. Bull-Bear Market risk: Bull-Bear market risk arises from the variability in market returns resulting from altering bull and bear market forces.

c. Purchasing Power risk: It is the variability of return an investor suffers because of inflation.
d. Management risk: Management risk is defined as the variability of return caused by a decision made by a firm's management and board of director's. Futhermore, errors made by business managers can harm who invested in their firms.
e. Default risk: Default risk is that portion of an investment's total risk that results from changes in the financial integrity of the investment. It is related to the probability that some or all the initial investment will not be returned.
f. Liquidity risk: Liquidity risk is that potion of an asset's total variability of return which results from price given or sales commission paid in order to sell the assets without delay.
g. Call ability risk: Call ability risk and preferred stocks are issued with a provision that allows the issuer to call them in for repurchase. That Portion of a security's total variability of return that drives from the possibility that the issue may be called is the call ability risk.
h. Convertible risk: Convertible risk is that portion of the total variability of return from a convertible bond or a convertible preferred stock that reflects the possibility that the investment may be converted into the issuer's common stock at a time or under terms harmful to the investor's best interests.
i. Political risk: The variability of return accomplishes through legislative judicial or administrative branches of the government are called political risk. Political risk can be further classified as international and domestic political risk.
j. Industry risk: An industry risk is that portion of an investment's total variability of return caused by events that affect the products and firms that make up an industry.

The risk discussed above are the major sources of investment risk, to determine the investment risk all the uncertainties could be listed, then add up to find the total risk or total variability of returns. There are certain ways of measuring risk involved in common stocks. The measurement of risk has always been a subject for debate. The measurement stamps primarily from the various ways investors perceive risk. Financial analyst and statisticians prefer to a use quantitative risk surrogate called the variance of return.

a) Standard deviation(σ)

The square root of the variance of the rates of return is called the standard deviation. “The variance of an asset’s rates of return equals the sum of the products of squared deviation of each possible rates of return multiplied by the probability that the rates of return occurs.” Standard deviation is measure of dispersion is standard deviation. The greater the standard deviation of returns, the greater is the risk of an investment. The standard deviation (σ) can be expressed mathematically as:

$$\sigma = \sqrt{\frac{\sum(R_{j-}\overline{R_j})2}{n-1}}$$

As long as the return distribution is relatively systematic a mirror image above and below the mean standard deviation still works. If greater the value of standard deviation, the greater the possibilities of future outcomes be fluctuate.

b) Coefficient of Variation (C.V.)

A standard deviation can sometimes be misleading in comparing the risk, or uncertainty surrounding alternatives if they differ in size. To adjust for the size or scale, the standard deviation can be divided by the expected return to compare the coefficient of variance (C.V.). “If risk is measured by the standard deviation then risk per unit of expected return can be measured by the coefficient of variance (C.V.).”

$$\text{Coefficient of Variation (C.V.)} = \frac{\sigma}{\overline{R}}$$

“If rate of return should increase as the risk increases, the C.V. provides a quick summary of the relative trade-off between expected return and risk.” Thus the coefficient of variation is a measure of risk per unit of expected return. The larger the CV, the larger the relative risk of the investment.

c) Variance:

The square of the standard deviation is variance. It is the statistical tool of the variability of a set of observations. The symbol is σ^2. It is the measure of total risk. The smaller the variance, the lower the riskiness and vice-versa.

d) Beta Coefficient (β):

Beta is considered as a measure of systematic risk present in a particular risky asset relative to an average risky asset. It indicates the risk associated with the company's stock in comparison with the market risk. It measures the sensitivity of a stocks' return on the market portfolio. It is functionally related to the correlation and covariance between the security and the market portfolio in the following way.

$$\beta_j = \frac{cov(R_j R_m)}{var\ R_m}$$

Total risk on investment can also be calculated by the summation of systematic risk i.e. market risk and unsystematic risk or (specific risk)σ^2.

Total risk = Systematic risk+ unsystematic risk

e) Range:

Range is a measurement of risk. The stock prices being the one major component of total stock return, it moves up and down frequently. The range measure the highest and lowest point of the path for a certain period. The idea behind the range is higher the range higher the risk, lower the range, lower the risk.

Range = (highest point- lowest point)

f) Risk free rate of return:

The rate of return from risk-free assets is called risk-free. Generally, Treasury bills are regarded as the most common examples of risk-free assets. Risk-free assets are any assets that impose no risk to investors.

g) Market rate of return:

The market rate of return is generally the benchmark rate of return which earned by the market indicators, for instance, the return on NEPSE index. It is also described as the average rate of return generated by the market performance. The rate of return on NEPSE index, which might be the proxy of market rate of returns, can be calculated as follows:

Market rate of return = (This year's index- last year's index)/last year's index

Further, it is known that "an investment as a commitment of funds made in expectation of some positive rate of return. If the investment is properly undertaken, the return will be commensurate with the risk of investor assume." Investment is the commitment of a given sum of money into an investment alternative with the expectation of receiving additional sum in future. This definition undergoes two important points. First, the process of investment involves the trading for future income. Second, the objective of investment is to receive a future flow of funds larger than that originally invested. Thus, we invest to gain a positive return.

Investors invest according to their goals, perception and sentiments. Their motive may be different accordingly. The motives can be; for the income and price appreciation of their wealth, to become financially secure, to hedge against inflation, method of tax planning, due to excitement, and some take invest as a matter of prestige. To become a successful investor it takes time and efforts along with the adoption of systematic process. The first and foremost act is setting the investment objective. Talking about the investment objective, obviously everybody has different objective and it change from one circumstance to another circumstances. But it is the truth that before investment, the objective must be clear. However there is not any perfect or compulsory step or process to follow but while investing, the investors should tentatively follow the following procedures:

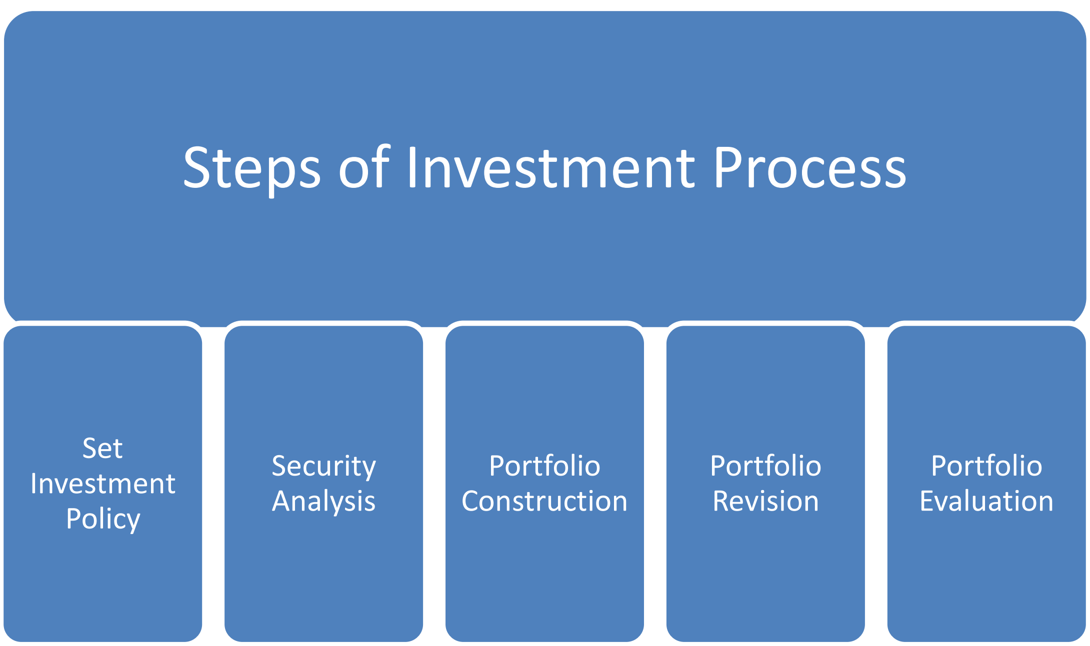

Fig 2 : Investment Process

Noted From : investmentpedia.org

Set investment policy: The first step of the investment process is to set the investment policy. It involves determining the investor's objectives and the amount of his or her investable wealth. Investment objective should be stated in terms of risk and return. This step involves the identification of the potential categories of financial assets for consideration in the ultimate portfolio.

Perform Security Analysis: The second step of the investment process is to perform security analysis. It involves the examination the number of security with the broad prospective. The purpose for conducting such examination is to identify those securities that currently appear to be mispriced. There are two main approaches of security analysis:

Technical Analysis: It is the study of stock market price in order to predict the future price movement for the common stock of the particular firm. At first past prices are examined orderly and identify the recurring trends or pattern of price movement. Then, predict according to the past ones.

Fundamental analysis: It begins with the intrinsic value of any financial assets equals the present value of all cash flows that the owner of the asset expects to receive. Once the intrinsic value of the common stock of the particular firm has been determined, it is compared with the security's current market price of the common stock. If the current market price of the common stock is below the intrinsic value, a sale is recommended.

Construct a portfolio: The third step is construction of portfolio. This gives the details identification of specific securities and also the proportion of investable wealth to be put into each security.

Revision of the portfolio: This step recommends realizing the currently held portfolio and suggesting holding with superior risk and returning characteristics. The investors must balance the costs of moving to the new portfolio against the benefits of the revision.

Evaluate the portfolio performance: This step determines the gain by comparing the actual performance with the benchmark in terms of risk and return.

Besides the above steps there are some other factors which must be properly analyzed before the investment decision making as follows:

a) Promoters' credibility: Promoters past performance, their experience and knowledge in their related field.
b) Efficiency of the Management: The managing director's background and experience in the related field.
c) Project details: The credibility of the appraising institution or agency, the stake of the appraising agency in the forthcoming issue, ability of raw materials, government norms regarding it and the tax concessions.
d) Products: Reliability of demand and supply projection of the products, competition on the market, foreign collaboration etc.
e) Financial data: Accounting policy, revaluation of the assets, and analysis of data such as capital, reserve, turnover, profits, dividend records and profitability ratio.
f) Litigation: Pending litigation and their effect on the profitability of the company, E.g. default of payments, pending lawsuit, Etc.
g) Risk Factors: A careful study of the general and specific risk factors should be carried out.
h) Auditors report: Through reading and analysis of the auditor's reports.
i) Investor's service: Promptness in replying to the enquiries of allocation of shares, refund of money, annual reports, dividends and share transfer should be assessed with the help of past records.

Portfolio

Simply a portfolio is the combination of securities such as bonds and money market instruments. But, here this study only includes the securities related to the common stock so it is the combination of the different securities (common stocks) of the different companies. The process of blending together the broad assets classes so as to obtain optimum return with the minimum risk is called portfolio construction. Diversification of investment helps to spread risk over many assets. A diversification of securities gives the assurance of obtaining the anticipated return on the portfolio. In a diversified portfolio, some securities may not perform as expected, but others may exceed the expectation and making the actual return of the portfolio reasonably close to the anticipated one. Keeping a portfolio of single security may lead to a greater likelihood of actual return somewhat different from that of the expected return. Hence, it is a common practice to diversify securities in the portfolio. Commonly, there are two approaches in the construction of the securities viz. traditional approach and Markowitz efficient frontier approach. In the traditional approach, investor's needs in term of income and capital appreciation are evaluated and appropriate securities are selected to meet the needs of the investors. The common practice in the traditional approach is to evaluate the entire financial plan of the individual. In the modern approach, portfolios are constructed to maximize the expected return for a given level of risk. It views portfolio construction in terms of the expected return and risk associated with obtaining the expected returns. The selection of the portfolio depends on the various objectives of the investors.

Portfolio selection: The portfolio analysis begins where the security analysis ends and this fact have important consequences for investors. Portfolio are combination of securities, may not take on the aggregate characteristics of their individual parts. Investment position is undertaken with the goal of earning some expected rate of return. Investors seek to minimize inefficient deviations from the expected rate of return. Diversification is essential for the creation of an efficient investment because it can reduce the variability of returns around the expected return.

The portfolio manager seeking efficient investments works with two kinds of statistics- expected return statistics and risk statistics. The expected return and risk statistics for individual assets are the exogenously determined input analyzed by the portfolio analysis. The objective of portfolio analysis is to develop a portfolio that has the maximum return at whatever level of risk the investor seems appropriate. All information available to the securities analyst is supposed to be summarized in the risk-return statistics describing the investment candidates.(Francis, 1992)

Investors rarely place their entire wealth in a single asset rather they construct a portfolio. Portfolio is simply an investment made on two or more than two securities. Portfolio analysis considers the determination of future risk and return in holding various blends of individual securities.

Diversification is essential to the creation of an efficient investment because it can reduce the variability of returns around the expected return. There are two broad sources of uncertainties. The first is due to overall market risk-change in nation's economy, tax reforms act, a change in world energy situation, business cycle, the inflation rate, interest rates, exchange rates and so forth. None of these macroeconomics factors can predict with certainty. These risks affect securities and consequently, cannot be diversified away. So, it is the systematic risk. Even the investors who hold a well-diversified portfolio will be exposed to this type of risk. The second risk component, however, is unique to a particular company being independent of economic, political and other factors that affects securities in a systematic manner-it is the unsystematic risk. By diversification, unsystematic risk can be reduced and even eliminated if diversification is efficient. Therefore, not all of the risk involved in holding a stock is relevant, part of it can diversified away.

Recent trends in investment management:

Contemporary investment environment consists of three major aspects: securities, security market, and financial institution. However some changes have been observed in these aspects in recent periods because of different emerging and ongoing trends:

Globalization and Liberalization: With the concept of globalization and liberalization, there is a broad choice of securities available to investors so that they do not limit themselves to the investment in domestic securities. Increasing use of information and communication technology and the deregulation in the financial environment of global economy have encouraged globalization in securities investment in recent years. As the result, investors have opportunities to participate in foreign security investment.

Financial engineering (restructuring): It is the process of creating new securities. And it can be done in two ways unbundling and bundling. Unbundling refers to breaking up one security into several new securities whereas the bundling refers to combining more securities to create a single security. Financial engineering views securities as a bundle of possible risky cash flows that may be sliced up and rearranged according to the need of traders in the security markets.

Securitization: The combining of the different securities to form a new security is called securitization. It is a process of pooling back assets into mortgage backed securities.

Information and Technology: With the advancement of technology, financial sector has also been advanced. Online trading, online information flow and automated trading etc are some examples of emerging of due to the rapid growth in information and technology.

Research and development: Research being the fact findings process and generally focus towards to identify the new frontier of knowledge. Research leads to the development of various wings of knowledge. Recently, intra organization as well as separate research institutions started to allocate substantial amount of annual budget for this purpose. Thus, it is the general understanding that research and development activities directly or indirectly influence the stock returns.

The fundamental review of the principle and the development of world capital market support the development of stock market in Nepal. It's the known fact that stock market is the competing mechanism which channel savings into investment. The well-functioning stock market promotes economic development by fuelling engine of growth through faster capital accumulation and tuning it through better resources. An organized stock market stimulates opportunities by recognizing and financing productive projects that led to diversify risk and facilitate exchange of goods and services. The importance of stock market lies in raising capital for business, mobilizing saving for investment, facilitating company growth, redistribution of wealth, development of corporate government, creating investment opportunities for small investors, raising capital for development projects, and work as barometer of the economy. The historical background of stock market in Nepal started after the introduction of common stock certificates by Biratnagar Jute Mill in 1936 A.D. and Nepal Bank Ltd. in 1937 A.D. Securities Exchange Centre was established in 1976 and it has converted into Nepal Stock Exchange Ltd (NEPSE) on 13th January 1994 which opened its trading floor for stock exchange. It has adopted open-cry system which later on replaced by the partial automation system for the transaction of securities. The NEPSE index is consider as the measure to show the economic development of the country but it is controversial. However, a stable macroeconomic environment is a pre-requisite for the development of the stock market.

2.2 Review of previous studies

Review of some major empirical studies

Among the diverse range of financial literature, the awareness is the primitive issue which is essential for the growth and development of the stock market regardless of geographic location. This section presents the review of some of the major previous studies in prevailing literature that provides some useful insight for the study.

Barbar & Odean (2001) theoretical models predicted that overconfident investors trade excessively. They tested this prediction by partitioning investors on gender. Psychological research demonstrates that, in areas such as finance, men are more overconfident than women. Thus, theory predicted that men will trade more excessively than women and the performance of men will hurt more by excessive trading than performance of women and thereby reduce their returns more so than do women.

Volpe et al. (2002) surveyed 530 online investors to examine their investment literacy and the relationship between the literacy and online investor characteristics. Online investors answered about 50% of questions correctly. Investors 50 years of age or older were more knowledgeable than those who are younger. Women had lower levels of investment knowledge than men. Investors with graduate degrees were more knowledgeable than those with some high school or college education. Those who traded online were more knowledgeable. The results of this survey indicate that online investors should improve their knowledge about basic investment concepts and tools. Introduction E-finance has made tremendous inroads to the delivery of traditional financial services such as mortgage processing, credit card payments, electronic tax filing, internet checking and saving accounts, and online investing. The advent of online investing has significantly impacted an investor's decision-making process by providing instant access to a vast amount of financial information, lower transaction costs, and quick order execution. However, the benefits brought by new technology may not automatically insure investors a greater profit. Only informed decisions based on a solid understanding of investment concepts and tools will offer investors a better chance of success. Although the Internet has changed the investment decision-making process, the importance of evaluating the investment merits of a common stock by the company's fundamentals remains unchanged. In fact, given the present level of corporate fraud and accounting misinformation, it is more important than ever that investors appropriately evaluate their investment decisions.

Chan (2003) examined returns to a subset of stocks after public news about them is released. They were compared to other stocks with similar monthly returns, but no identifiable public news. There is a major difference between return patterns for the two sets. He found evidence of post-news drift, which supports the idea that investors under react to information. This is strongest after bad news. He also found some evidence of reversal after extreme price movements that are unaccompanied by public news. The patterns are seen even after excluding earnings announcements, controlling for potential risk exposure, and other adjustments. They appear, however, to apply mainly to smaller stocks. He also found evidence that trading frictions, such as short-sale constraints, may play a role in the post-bad-news drift pattern.

Bernheim & Garrett (2003) investigated the effects of employer-based financial education on personal saving, explored cross-sectional relations between the availability of employer-based

financial education and various measures of asset accumulation, and interpreted these patterns in light of various potentially confounding factors. The findings favored the hypothesis that employer-based financial education stimulates saving, both in general and for retirement.
Ameriks & Zeldes (2004) examined the empirical relationship between age and portfolio choice, focusing on the observed relationship between age and the fraction of wealth held in the stock market. They illustrated and discussed the importance of the well-known identification problem that prevents unrestricted estimation of age, time and cohort effects in longitudinal data. The study documented three important features of household portfolio behavior: significant non-stockownership, wide-ranging heterogeneity in allocation choices, and the infrequency of active portfolio allocation changes. Based on a specification including age effects and time effects (excluding cohort effects) analyzed that equity ownership has a hump-shape pattern with age, while equity shares conditional on ownership are nearly constant across age groups. Based on a specification that includes age effects and cohort effects (excluding time effects), analyzed that equity portfolio shares increase strongly with age. Following the same individuals over time, found that almost half of the sample members made no active changes to their portfolio allocations over our nine-year sample period, while the vast majority of those who did make changes increased their allocations to equity as they aged.

Guiso & Jappelli (2005) documented lack of awareness of financial assets in the 1995 and 1998 Bank of Italy Surveys of Household Income and Wealth. It then explores the determinants of awareness, and finds that the probability that survey respondents are aware of stocks, mutual funds and investment accounts is positively correlated with education, household resources, long-term bank relations and proxies for social interaction. Lack of financial awareness has important implications for understanding the stockholding puzzle and for estimating stock market participation costs.

Graham et al. (2005) investigated whether this “competence effect” influences trading frequency and home bias. The investors who feel competent trade more often and have a more internationally diversified portfolio. The male investors, and investors with higher income or more education, are more likely to perceive themselves as knowledgeable investors than are female investors, and investors with lower income or less education. Our results are unlikely to be explained by other hypotheses, such as overconfidence or informational advantage.

Mirshekary & Saudagaran (2005) examined the perceptions and characteristics of users of corporate financial statements in Iran. The results suggest that annual reports are regularly used as a basis for making investment and other economic decisions. As in many developing countries, users depend more heavily on information obtained from the published annual reports than on advice from stockbrokers and acquaintances or on tips and rumors. While respondents differed in their rating of the importance of different sections of the annual report, the overall results showed that they ranked the income statement, the auditors' report, and the balance sheet as the three most important parts of the annual report (in that order). There is a weak level of consensus among bank loan officers, tax officers, and auditor groups about the importance of several information items. Most users believe that a delay in publishing annual reports, lack of reliability of the information, and lack of adequate disclosure are the main concerns with corporate financial reports in Iran. The evidence on Iran is relevant to other developing countries in the Middle East and beyond.

Al-Tamimi (2006) identified factors influencing the UAE investor behavior. The questionnaire included thirty four items that belonged the five categories, namely self-image/ firm-image coincidence; accounting information; neutral information; advocate recommendation; and personal financial needs. Six factors were found the most influencing factors on the UAE investor behavior. The most influencing factor was by order of importance: expected corporate earnings, get rich quick, stock marketability, past performance of the firm's stock, government holdings and the creation of the organized financial markets. On the other hand, five factors were found the least influencing factors on the UAE investor behavior. The least influencing factor was by order of importance: expected losses in other local investments, minimizing risk, expected losses in international financial markets, family member opinions, gut feeling on the economy. Two factors had unexpectedly least influence on the behavior of the UAE investors behavior, namely the religious reasons and the factor of family member opinions.

Bogan (2006) indicated that frictions (e.g., information and transaction costs) could account for the lower than expected stock market participation rates and examined the hypothesis that there has been a fundamental change in participation and links this change to the reduction of these frictions by the advent of the Internet. Using panel data on household participation rates over the past decade, the results show computer/Internet using households raised participation substantially more than non-computer using households. The increased probability of participation was equivalent to having over $27,000 in additional household income or over two more mean years of education.

Christelis et al. (2007) studied the relation between cognitive abilities and stockholding using the recent Survey of Health, Ageing and Retirement in Europe (SHARE), which has detailed data on wealth and portfolio composition of individuals aged 50+ in 11 European countries and three indicators of cognitive abilities: mathematical, verbal fluency, and recall skills. The propensity to invest in stocks is strongly associated with cognitive abilities, for both direct stock market participation and indirect participation through mutual funds and retirement accounts. Since the decision to invest in less information-intensive assets (such as bonds) is less strongly related to cognitive abilities and concluded that the association between cognitive abilities and stockholding is driven by information constraints, rather than by features of preferences or psychological traits.

Kafle (2007) highlighted the important reform initiatives and some critical aspects of capital market development in Nepal. The vision of new Nepal has to have an important place for dynamic capital market. Nepalese financial system is characterized by small but growing capital market. During the past 16 years of its operation, securities market has witnessed three market phases of ups and downs. The market lacks sect oral diversification of performing listed companies, access to secondary trading issuer and market is not sufficient, capacity of regulator, exchange and the players is limited, the market is featured by active individual investors and the institutional investors are conspicuously absent. The market infrastructures supporting the trading, clearing and settlement are not sufficient. Thus the effort to build a dynamic market is going to be an ardent task requiring a lot of commitment and efforts of the government, regulator, market players and the investors. He concluded that the government sector involvement in the market operation should be shifted to benefit from private sector efficiency and competition, and its focus should be towards strengthening the market regulator and in building market infrastructure.

Lusardi & Mitchell (2007) introduced a new dataset, the Rand American Life Panel (ALP), which offers several appealing features for an analysis of financial literacy and retirement planning. It allows us to evaluate financial knowledge during workers' prime earning years when they are making key financial decisions, and it offers detailed financial literacy and retirement planning questions, permitting a finer assessment of respondents' financial literacy than heretofore feasible. The study also compare respondents' self-assessed financial knowledge levels with objective measures of financial literacy, and most valuably, we can investigate prior financial training which permits us to identify key causal links. By every measure, and in every sample we examine, financial literacy proves to be a key determinant of retirement planning. We also find that respondent literacy is higher when they were exposed to economics in school and to company-based financial education programs.

Chang (2007) conducted a study on investors' reaction to intangible stock returns that are orthogonal to accounting measures. The study shows that over the 1 year horizon typically associated with under reactions and investors tend to overreact to intangible information giving rise to negative return forecastability for future returns. In addition, this affect in positively related to firm size. The study focus on the issues: Do investors under react or over react to information on accounted for financial measures. Are there responses depend on firm characteristics? In light of large amount of evidence on market anamolies these are the natural questions being asked by the investment communities. The study used CRSP and COMPUSAT database for the period January 1980 to December 2005. The stock market data are from the CRSP includes all the NYSE/AMEX and NASDAQ listed common equalities. The study uses the regression models and concluded that investors facing intangible information over the previous year tend to overreact for small firms. The same pattern remains after controlling for systematic risk on R & D expenditures. The study should note that the under reaction effect for the largest firms are both statistically and economically less significant than the overreaction. Finally, the asymmetric responses to the intangible information across firm sizes provide a serious challenge to both risk based and behavioral models.

Individuals are increasingly put in charge of their financial security after retirement. Moreover, the supply of complex financial products has increased considerably over the years. However, we still have little or no information about whether individuals have the financial knowledge and skills to navigate this new financial environment. To better understand financial literacy and its relation to financial decision-making, we have devised two special modules for the DNB

Household Survey. We have designed questions to measure numeracy and basic knowledge related to the working of inflation and interest rates, as well as questions to measure more advanced financial knowledge related to financial market instruments (stocks, bonds, and mutual funds). We evaluate the importance of financial literacy by studying its relation to the stock market: Are more financially knowledgeable individuals more likely to hold stocks? To assess the direction of causality, we make use of questions measuring financial knowledge before investing in the stock market. We find that, while the understanding of basic economic concepts related to inflation and interest rate compounding is far from perfect, it outperforms the limited knowledge of stocks and bonds, the concept of risk diversification, and the working of financial markets. We also find that the measurement of financial literacy is very sensitive to the wording of survey questions. This provides additional evidence for limited financial knowledge. Finally, we report evidence of an independent effect of financial literacy on stock market participation: Those who have low financial literacy are significantly less likely to invest in stocks. (Van et al.,2007)

Renneboog, Ter Horst & Zhang (2008) critically reviewed the literature on socially responsible investments. Particular to SRI is that both financial goals and social objectives are pursued. Over the past decade, SRI has experienced an explosive growth around the world reflecting the increasing awareness of investors to social, environmental, ethical and corporate governance issues.

Fodor (2008) provided a conceptual viewpoint of the appropriate theoretical framework for measuring the integrity of capital markets from a regulatory/law-enforcement perspective. The study discusses the metrics involved with the abstract concept of measuring the integrity of capital markets. References include measurement tools and measurement principles issued by academic institutions and relevant international organizations. Primary research was conducted by way of the Royal Canadian Mounted Police's Market Integrity Index research project. The paper finds that there is an interplay of forces that determine the relative integrity of a given market over time. This paper suggests that critiques of the efficacy of systemic market structure can be evaluated on a quantitative basis.

Al-Tamimi & Kalli (2009) indicated that the financial literacy of UAE investors is far from the needed level. The financial literacy level is found to be affected by income level, education level, and workplace activity. High-income respondents hold high educational degrees, and those who work in the field of finance/banking or investment had as expected a higher financial literacy level than others. Whereas, financial illiteracy exists regardless of the age of the respondents. A significant difference in the level of financial literacy was found as well between the respondents according to their gender. Specifically, women have a lower level of financial literacy than men. Finally, the result indicated that there is a significant relationship between financial literacy and investment decisions. The most influencing factor that affects the investment decision is religious reasons and the least affecting factor is rumors.

Fang & Peress (2009) tested the hypothesis by reaching a broad population of investors, mass media can alleviate informational frictions and affect security pricing even if it does not supply genuine news. The researcher investigated this hypothesis by studying the cross-sectional relation between media coverage and expected stock returns. The findings show that stocks with no media coverage earn higher returns than stocks with high media coverage even after controlling for well-known risk factors. These results are more pronounced among small stocks and stocks with high individual ownership, low analyst following, and high idiosyncratic volatility. The findings suggest that the breadth of information dissemination affects stock returns.

Nepal particularly can learn from Indian market in the areas of the functioning of stock exchange, mutual funds, central depository system of securities, instruments diversification, investor's education and awareness building, adoption of information technology and opening the secondary market for NRN and Foreign Institutional Investors (FIIs). Regarding investors' education and awareness, India has created National Institute of Securities Market (NISM) with huge physical infrastructure with the collaboration of industrial houses and different universities. (Paudyal, 2010)

Adhikari (2010) conducted a study on " Investment Behavior of Nepalese Investors" with the aims to explore why Nepalese investors invest in share market and whether their decision to invest in share market are in a way influenced by behavioral factors. The existence or otherwise of three selected behavioral bias, namely heuristics relating to information, herding behavior and overconfidence were empirically tested through data collected from self-administered questionnaire from Nepalese investors and supplemented by interviews with brokers. The study has found that varying availability of information and the level of understanding of the respondents have an influence in their investment decision making process. While interviewing with the brokers the study found that most of the Nepalese investors do not have necessary skills to analyze financial information related to the companies they are considering investing in and this affects the quality of their investment decision making. As a second variable overconfidence; on this matter the study has found that the respondent investors are mostly overconfident regard to their self-reported level of investment related knowledge, experience and their ability to pick stock. They exhibited wishful thinking that the shares they hold will appreciate value. There was a notable difference in the level of confidence in various aspect of investing according to their age and gender of the respondents. The last variable is herding behavior; the study has found that the respondent exhibited herding behavior. Their need to confirm with others was one of the influences on their investment decision making process. Data collection for the study was done in two phases. The first phase involved collection of data from individual and second collection from security brokers. 60 questionnaires were distributed through 4 securities brokerage firm and 49 completed questionnaires were received. Based on the analysis it is observed that Nepalese investors invested in share for both financial and non-financial reasons, behavioral factors have an important influence in Nepalese investors' investment decision making process, investors are found to exhibit some facts, all above three selected behavioral biases, influence their investment decisions.

Cheung (2011) analyzed the impacts of index inclusions and exclusions on corporate sustainable firms. The impacts are measured in terms of stock return, risk and liquidity. It is not found any strong evidence that announcement significant impact on stock return and risky. Index inclusion stocks experience a significant but temporary increase in stock return. Systematic risk shows little change after announcements. But, idiosyncratic risk is higher after announcements.

Sun & Wei (2011) documented the direct evidence that when analysts make more judgment intensive decisions, such as issuing stock recommendations. When analyst overweight the intangible information leads to overreaction. On the contrary, when analysts make less judgment-intensive decisions, such as earnings per share (EPS)forecasts, there is no such evidence of overreaction. More specifically, analyst recommendations are much more sensitive to intangible information, while EPS forecasts are more sensitive to tangible information. The sensitivity of long -term growth forecasts to intangible and tangible information fall in between. The study also tested and found that the overconfidence bias in analyst recommendations contributes to the market over reaction to intangible information. The results are consistent with the overconfidence hypothesis which suggests that investor should be overly sensitive to intangible information when they need to make more subjective judgments.

Amagain & Shrestha (2011) examined the movements of stock price in Nepalese market. Daily stock prices are used to test the independence of changes in stock price by applying the Augmented Dickey Fuller (ADF), and Philips-Perron (PP) unit root test. The results obtained from these tests imply that Nepalese stock market follow random walk model. It means the future stock prices cannot be predicted in advance from the past observed stock prices and hence is no scope for traders to make abnormal profits from modeling the past observed stock prices. The paper analyses the pricing behavior in Nepalese stock market and found that past movement in stock prices cannot be used to predict their future changes and investors cannot devised various trading rules or techniques to make abnormal returns from transactions.

Kaur & Vohra (2012) documented the participation of women in the economy is important in order to enhance and contribute towards raising the economic potential of a country. Long-standing inequalities have prevented women from participating in and benefiting from stock markets. They face discriminatory practices which prevent them from seeking entry into certain occupations, especially male-dominated ones. In the present study, the diverse literature available worldwide on the stock market participation of women has been explored and analyzed in terms of their objectives, research methodology, sample, respondents and the impediments faced by women while investing in the stock market. The article demonstrates that there are several impediments that prevent women from investing in the stock market and suggests that besides financial literacy programmes, changes in attitude and behavior of the society as well as women are needed in order to improve their participation in the stock market.

Dongol (2013) conducted a study on “Stock market reaction to public information” where the study found that Nepalese stock market was sensitive to new public information means that the new information reacts immediate to the price of movement of the Nepalese stock market. The study was conducted in June 2011 within the Kathmandu valley where the survey questionnaire has been focused on self-administered, structured questionnaire. The survey comprises 10 questionnaires. Out of the 124 questionnaire distributed to the individual 93 responses has been usable. Most of the respondents have been found to have strong belief on impact of new information of price movement of the Nepalese stock market based on the flow of the new information. The Nepalese investors are found to be more aware of the new information announcements. The findings of the survey analysis have indicated that the Nepalese stock market is sensitive to new public information. The investors believe that the stock prices are adjusted immediately after the occurrence of new events. This is the positive part of the investors as being rational and way to the efficient market as a developing stock market in the South Asia region.

Qureshi, Mehmood & Sarwar (2014) examined the level of retail investor's trust and awareness in stock market of Pakistan. The research investigates several dimensions necessary to build trust and awareness of investors in stock market. To examine level of trust and awareness, the study used primary data and later analyzed it using the statistical package for social sciences to generate descriptive statistics, inferential statistics, correlation, regression and factor analysis. The main determinants that contribute 46% variation in awareness of investor were financial literacy and social learning, whereas the main determinants that contribute 68% variation in trust of investor were regulations and supervision, disclosure of reliable information, willingness, convenient, getting returns, interpersonal trust and perceived risk. The findings also revealed a moderate positive correlation between awareness and trust among the investing public.

Risk is an inherent feature of all types of financial investments due to the variability in the actual and expected returns on investment. The concept 'risk perception' means the way in which investors view the risk of financial assets, based on their concerns and experience. The risk perception of investors is an important factor that influences the investment decisions. Hence, in the present study, based on the review of literature and discussions with experts in the field a number of factors influencing the risk perception of investors were identified. These factors include unpredictability of returns, knowledge about the financial assets, chance for incurring loss, diversification of portfolios, and dependence on professional investment advice. The investors were provided with nine statements relating to risk, to measure their perception towards risk. In the present paper, the relation between risk perception of the investors in the Kerala State and their investment decisions in mutual funds is analyzed.(Sindhu & Kumar, 2014)

Banumathy & Azhagaiah (2016) studied the awareness of investors on stock market investment. The data were collected from 290 stock market investors of Puducherry using structured questionnaire. The analysis is made using Mann-Whitney U test and Kruskal-Wallis H Test. The study proves that there is a significant difference between male and female investors on awareness of stock market investment; there is a significant difference among the age, educational and occupational groups with respect to awareness; there is also a significant difference among the investors of different age and occupational groups, in respect of awareness.

Malathy & Saranya (2017) surveyed the globalization of financial markets has been increasing the size of the community of retail investors' over the past two decades by providing a wide variety of market and investment options. Hence, it makes their investment decisions process more complex. The factors influencing investor's perception are return on investment, market trend or risk, short term profitability, price of the share, dividend policy, past financial performance, company reputation, reputation of the board, current earnings of the company and expert opinion. This study focuses the main factors influencing investor's perception. The study was conducted to understand the factors that influence Investors perception as well as to analyze the investor behavior with respect to various factors that influence an investment decision. The factors that were ranked highly in level of importance, namely, company reputation, return on investment, reputation of the board, past financial performance, dividend policy is all ascertained with the help of the information available in the stock market decision. Return on investment is a very important factor that influences the investment decision. Return is the ultimate aim for an investor. Hence, majority of respondents rated ROI very high. Every investor should be very cautious in market trend or risk while investing. The main factors influencing investments are the return on investment and for the short-term profitability.

Bhavani & Shetty (2017) investigated how investment choice gets affected by the demographics and perceptions of the investor. Investor's behavior is influenced by many factors at the time of investment decision making. Demographic profile and perceptions play an important role to select a particular choice of investment. This paper helps to enhance the knowledge on different investment avenues like bank deposits, life insurance policies, mutual funds and equity which in turn will be highly useful to the financial advisors as it will help them advise their clients regarding these avenues with respect to their demographic profiles. The study also highlights the evidences that the investment choice depends on and is affected by the demographic variables and perceptions. However, the results of this research show that the most investors have little knowledge on the investment avenues for their investments. Mann Whiteny ‘U’ test, Kruskal-Wallis has been conducted to test the hypotheses with the help of SPSS. A logistic regression result of this study proves that investors’ age, gender, education and occupation significantly influences the selection of investment avenues. Wealth Management professionals emphasizes that customer behavior and psychology play a vital role in successfully building and sustaining a wealth management relationship. Behavioral finance is new emerging science which focuses on understanding the psychology effects on investment decision.

Gurung (2017) analyzed the status of primary market response in Nepal using secondary data collected from annual reports of various capital market institutions of 22 years starting from 1993/94 to 2014/15. The study followed descriptive research design and analysis has been carried out throughout accordingly. The study concludes that the total capital mobilization has been increasing during the study period implying there is transfer of capital from surplus sectors to the productive investments gradually. Ordinary shares including rights offerings has found more active in the primary market than that of other alternative market mechanisms. It means preference shares, debentures, mutual funds and citizen unit schemes have been found still unorganized in Nepal. Initial public offerings is mainly dominated by the ordinary shares has been highly oversubscribed during the study period except in few cases. This particular case shows the public response towards primary market is found good. However, when we go through all other indicators the primary market has still found unsystematic, vulnerable and even small in size. There are a very limited number of merchant bankers as financial intermediary in the primary market. The liberalization policy has brought major changes in regulatory and institutional framework but the primary market has yet to be improved and advanced so that the corporate houses can benefit by designing optimum capital structure and investors are also benefitted by developing appropriate investment portfolios. More specifically, the primary market is more dynamic after the introduction of federal republic system since 2006/07 in Nepal, though it is still unstable.

Sakthi & Robert (2017) studies entitles consists of Investor Awareness of Stock Markets in Stock Broking Firm. The objective is to study the impact of the investor's awareness in the Stock Markets. To study the influence of stock and investment strategies in Saravana Stocks Private Limited. To study the influence of demographic profile on investors awareness on stock market in Saravana Stocks Private Limited. Primary data is collected from structured Questionnaire with 120 respondents. Descriptive Research Design is used in this study. Primary data is collected from Convenience Sampling technique. The collected data were classified and tabulated and analyzed using the tools, Independent samples t-test and Anova-one way. The Awareness of Investors in Stock Market tells about Age levels of investors above 40 are highly aware compare to other groups. The marital status is highly aware. The education levels of investor are highly aware and there is a significant difference between them. The occupation levels of the investor of business people are highly aware compare to other. The investors of the income level are highly aware and of investing in stock markets. The Mean Analysis of the investors consist of the dimension of investors awareness level having the higher rank is A6, and the investors awareness level having the least rank is A5. Therefore the investors are highly aware in investing in stock markets and the company earns the profit and they also collect money from the financial institutions to develop the organization.

Wangmo, Choden, Daly & Dorji (2018) investigated the awareness level and challenges confronting the Bhutanese Stock market and brokers to ascertain its development potential within this emerging economy. The study was carried out using both quantitative and qualitative techniques and is mainly based on primary sources of data where a semi-structured questionnaire was designed to collect data from the public, brokers and officials of Royal Securities Exchange of Bhutan Limited (RSEBL). The findings have revealed that more than half of the public are aware of the existence of the RSEBL and they are not highly knowledgeable about trading on the Stock market or its benefits. The study also found that the respondents are interested in investing in the Stock market but lacked knowledge on investment avenues. Furthermore, the findings have revealed the challenges and limitations which hinder the development of a more robust stock market in Bhutan. The major challenges faced by RESBL and its brokers are lack of participation from public and companies, low frequency of trade and liquidity problem. The study suggests that the public should be educated on the benefits of investing in the stock market as well as on the procedures of investing in stocks. In addition, RSEBL should encourage more companies to be listed in the stock exchange. This study draws awareness to the existence of the Bhutan stock market as a potential investment opportunity. Furthermore, it sheds light on the challenges emerging markets face in establishing a viable and effective exchange.

Rana (2019) examined the factors associated with investor awareness and perceived risk attitude of investors and their relationship with investor behavior. Based on a sample of 204 individual investors from stock market in Nepal, the study shows that two factors namely ‘financial awareness’ and ‘social learning’ are highly loaded factors of investor awareness and two factors namely ‘affection’ and ‘cognition’ are highly loaded factors of perceived risk attitude of investors in stock market of Nepal. The study also concludes that there is significant positive relationship between investor awareness and perceived risk attitude, between perceived risk attitude and investment behavior and between investor awareness and investment behavior. Further, study reports a significant predictive power of investor awareness and perceived risk attitude variables in determining the investor behavior in Nepal.

Prabakaran (2019) examined the awareness about the stock market, it mainly focused the risk, general information and the Intra-day trading procedure's variables to create the model for the awareness. Through a two-step approach of the partial least square analysis, the four constructs of awareness were tested and validated. Furthermore, there were three hypotheses as significantly out of the six, which is related to the study. This research contributed to the investors, on which awareness as an important to invest before entering into the market.

Simbre & Barriga (2019) analyzed increasing importance of financial markets across the world has reinforced the general conviction that finance is an important element of economic growth, in particular—the stock market. Even a country not known for having a sophisticated economy relies on its stock exchange to help business raise capital and give investors opportunities to back new and established enterprises. This study determines the level of awareness of Filipinos on the stock market in relation to economic development. The respondents of the study were the selected 500 employees working in selected business districts in Metro Manila: Makati, Ortigas, and Taguig. The stock investment performance and economic growth performance regarding the

Gross Domestic Product of the Philippines were gathered from the website of the World Bank for years 2002 to 2016. For data analysis, Frequency and Percentage, Weighted Mean, and Pearson Product Moment Correlation (r) were employed. Findings show that the respondents are aware of the stock market investments and the possible return of the investment, but moderately aware of the process of investing. This paper provides policy recommendations.

Based on the review of some of the major earlier studies, it is realized that there is a specific research gap in area of investor awareness in Nepalese context. Similarly, investors are keen to get the information but what is their status of access to market information is the another area of the study. Thus, this study tries to blend both scopes in an effort.

CHAPTER III
RESEARCH METHODOLOGY

Research methodology indicates the methods and processes employed in the entire aspects of the study. It refers to the various subsequent steps to be adopted by a researcher in studying a problem with certain objectives in a view. So, it is the method, steps, and guidelines, which are to be followed in analysis and it is a way of presenting the collected data with meaningful analysis.

This section highlights the methodology adopted in the process of present study. It also focuses about sources and limitations of the data, which are used in the present study. Research is a logical and systematic search for new and useful information on a particular topic (Rajasekar, Philominathan, & Chinnathambi, 2013).

Research Methodology refers to the various steps that are generally adopted by a researcher in studying his research problem along with logic behind it. Thus, research is an art of scientific and systematic investigation to get information about a specific topic. It can be considered as an endeavor to find an answer of intellectual and practical problems using the applicable scientific method. (Bist, 2014).

This chapter is organized into five sections. First section deals with the brief description of research design, while second section describes the nature and sources of data and selection of sample. The detail about the selection of sample enterprises has been provided in section three and section four explains the method of analysis employed for the interpretation of data. The limitations of the study have been presented in section five.

3.1 Research design

The research design employed for the study consists of descriptive and correlational research design. The descriptive research design is a fact-finding operation searching for adequate information. It is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest. It is a type of study, which is generally conducted to assess the opinions, behaviors, or the characteristics of a given population. It does not necessarily seek to explain relationships, test hypothesis, make predictions or get the meanings and implications of a study rather it is a process of accumulating facts. The descriptive research design is selected for the study to learn the profile of respondents, presentation and description of the data collection, and to describe the characteristics of the investors in the Nepalese stock market.

3.2 Nature and sources of data

The study employs both the secondary and primary data. The secondary data has been used to find the trend of the firm specific variables. The primary data has been collected through structured questionnaire to explore awareness and to know the access in market information.

Secondary Data

The secondary data are collected from NEPSE and SEBON database and some of them were collected from the sample enterprises. The major source of the secondary data is the annual reports of security market authorities and the sample enterprises. Despite the 176 listed enterprises as at 13th February 2020, only 146 are treated as the population of the study due to the unavailability of the required database. Out of the population, the sample constitutes 27 commercial banks.

Primary Data

A survey was carried out to collect opinions of investors in Nepalese stock market. The stock investors were randomly selected. The structured questionnaire contains the demographic characteristics along with the stock market issues which is designed to measure the investor awareness were provided to the respondents. Those questionnaires were provided to the respondents in different locations within Kathmandu as per convenience.

3.3 Selection of enterprises and respondents

Twenty-Seven commercial banks listed in NEPSE constitute the sample of the study. For the sample selection process, first of all total 826 firm year’s data for 146 firms are managed in alphabetical order and only commercial banks were selected.

A list of sample enterprises is presented in Table 3.1 as follows:

Table 3.1

Name of the Sample enterprises

S.N.	Sample Enterprises	S.N.	Sample Enterprises
1.	Agricultural Development Bank	15.	Nepal Bangladesh Bank
2.	Bank of Kathmandu	16.	Nepal Credit and Commerce Bank
3.	Century Commercial Bank	17.	NIC Asia Bank
4.	Citizens Bank International	18.	Nepal Investment Bank
5.	Civil Bank	19.	Nepal SBI Bank
6.	Everest Bank	20.	NMB Bank
7.	Global IME Bank	21.	Prabhu Bank
8.	Himalayan Bank	22.	Prime Commercial Bank
9.	Kumari Bank	23.	Rastriya Banijya Bank
10.	Laxmi Bank	24.	Sanima Bank
11.	Machhapuchchre Bank	25.	Siddhartha Bank
12.	Mega Bank	26.	Standard Chartered Bank
13.	Nabil Bank	27.	Sunrise Bank
14.	Nepal Bank		

The firm specific variables selected for the study are: earnings per share (EPS), market price per share (MPS), cash dividend, book value per share (BVPS) & market equity (ME) for the period of mid-July 2008 to mid-July 2019.

Earnings Per Share (EPS) is a measure of how much profit a company has generated. Companies usually report their earnings per share on a quarterly or yearly basis. EPS can be calculated as:

$$\text{EPS} = \frac{Net\ income - Preferred\ Dividends}{No.of\ Share\ Outsatnding}$$

Market Price Per Share (MPPS) is the value of a company according to the stock market. MPPS can be calculated as:

$$\text{MPPS} = \frac{Total\ value\ of\ the\ company}{No.of\ share\ outstanding}$$

Cash dividend is that portion of profit which is declared by the board of directors to be paid as dividends to the shareholders of the company in return to their investments done in the company and then discharging such dividend payment liability by paying cash or through bank transfer**.**

Book Value Per Share (BVPS) is the equity available to common shareholders divided by the number of outstanding shares. This represents the minimum value of a company's equity. BVPS can be calculated as:

$$\text{BVPS} = \frac{Total\ Equity - Preferred\ Equity}{Total\ Shares\ Outstanding}$$

Market Equity is calculated by multiplying the current stock price by the total number of outstanding shares. It can be presented as below:

ME = Total Shares Outstanding x Face Value

The primary data were collected from the stock investor within the Kathmandu valley. More specifically, responses were collected from the broker offices in the Kathmandu. Selection of the stock investors are based on the convenience way. Total 91 structured questionnaires were distributed among the stock investors during the month of January, 2020 and 65 filled up questionnaires were collected. Thus, the response rate is 72 percent.

3.4 Method of analysis

The study intends to analyze the investor awareness and stock investment and to analyze the trends of firm specific variables. The descriptive statistics, the correlation matrix, the chi-square test, one sample t-test and the graphical presentation are employed for the secondary and the primary data analysis.

3.4.1 Mean

Mean is the arithmetic average of a range of values or quantities computed by dividing the total of all values by the number of values. It refers to the average that is used to derive the central tendency of the data. The arithmetic mean is the most commonly used and readily understood measure of central tendency. It is determined by adding all the data points in a population and then dividing the total by the number of points. In this study, mean is calculated to find out the average of the responses given by the respondents regarding to the different variables in Likert scale question. Mean value of the responses in Likert scale question is calculated on all samples.

$$\text{Mean } (\bar{x}) = \frac{\sum x}{n}$$

Where, x = Value of responses of each independent or dependent variable

n= Number of statements

3.4.2 Standard deviation

The standard deviation is a statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is a higher deviation within the data set; thus, the more spread out the data, the higher the standard deviation. The greater the standard deviation of securities, the greater the variance between each price and the mean, which shows a larger price range. Standard deviation is an especially useful tool in investing and trading strategies as it helps measure market and security volatility and predict performance trends. Formula of Standard Deviation is:

$$\sigma = \sqrt{\frac{\sum(R_{j-}\overline{R_j})2}{n-1}}$$

3.4.3 Median

Median is the middle number in a sorted list of numbers. Median is the number separating the higher half of a data sample, population or a probably distribution from the lower half. To determine the median value in a sequence of numbers, the numbers must first be arranged in value order from lowest to highest. The basic advantage of the median over the mean in describing data is that is resilient to extremely large or small values and may be a better descriptor of a typical outcome. In this study, median is calculated to find out the mid value of the responses provided by the respondents in Likert scale question, which is calculated on whole sample. The formula for median is as follows:

Median (Md) = $(N + 1)/2^{th}$ term

Where, N = Number of Statements

3.4.4 One sample t-test

A one-sample t-test is used to test whether a population mean is significantly different from some hypothesized value. There are two kinds of hypotheses for a one sample *t*-test, the null hypothesis and the alternative hypothesis. The alternative hypothesis assumes that some difference exists between the true mean (μ) and the comparison value (m0), whereas the null hypothesis assumes that no difference exists. The purpose of the one sample *t*-test is to determine if the null hypothesis should be rejected, given the sample data. The alternative hypothesis can assume one of three forms depending on the question being asked. If the goal is to measure any difference, regardless of direction, a two-tailed hypothesis is used. If the direction of the difference between the sample mean and the comparison value matters, either an upper-tailed or lower-tailed hypothesis is used. The null hypothesis remains the same for each type of one sample *t*-test. The hypotheses are formally defined below:

- The null hypothesis (H0) assumes that the difference between the true mean (μ) and the comparison value (m0) is equal to zero.
- The two-tailed alternative hypothesis (H1) assumes that the difference between the true mean (μ) and the comparison value (m0) is not equal to zero.
- The upper-tailed alternative hypothesis (H1) assumes that the true mean (μ) of the sample is greater than the comparison value (m0).
- The lower-tailed alternative hypothesis (H1) assumes that the true mean (μ) of the sample is less than the comparison value (m0).

3.4.5 Correlation

The correlational research design is used to obtain the description of the phenomena and to ascertain the extent of relationship of two variables. In general, the magnitude of a correlation depends upon the extent to which an increase in one variable is accompanied by an increase in the other. When the change in one variable leads to specific changes in another, the two variables are said to be covary or in other words, the relationship between them exist. In the correlational relationship, changes in one variable accompany changes in another and the magnitude of the changes range between perfect positive correlation (+1) to perfect negative correlation (-1) and no correlation when the coefficient is 0. A positive correlation indicates that the scores move together, both increasing or both decreasing. On the other hands, a negative correlation indicates that as scores on one variable rise, scores on the other decreases. The correlational research design is employed for the study to identify how strongly the selected variables are related or delineating the association of the variables.

3.5 Limitations of the study

The study has been performed on the basis of sample and on survey data, thus the limitations of the sample and survey studies is essential to consider while using the findings of the study. The sample enterprises and the respondents were selected from the Kathmandu valley thus the generalization of the study might not be effective keeping in mind the opinion all Nepalese stock investors, and the study is based on analysis of common stock thus the result cannot be generalized for the other stocks. Only selected statistical tools have been employed in the study.

Finally, the study is conceptualized, outlined, and conducted within the stipulated time frame thus the study might not be departed from some of the weaknesses that can be cured and eliminated.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

This section presents the data presentation and analysis supported by the scope of the study. This chapter has been divided into three sections. The first section contains the analysis of secondary data, the next part includes the presentation and analysis of primary data and the third section includes the concluding remarks on overall analysis.

4.1 Secondary Data Analysis

The practices of economic system in the world are open, close and mix. Both the earlier are not sufficiently creates its sole contribution for the national economy thus most countries adopt the mixed approach where Nepal is also one who adopt the mix economic system. The financial market in such economic system has gradually been influenced by different kinds of information. The information actually brings some monetary values so that valuation of the financial instruments does not remain static. Being the highly liquid characteristics of the capital market, many opportunities as well as challenges emerges and disappeared if it is not captured at the right time and the right way.

The firm specific variables might be the useful market information in case of relatively static and growing economy. On the other hand, the behavioral issues and the personal characteristics of the market participants are also very much essential to increase the level of confidence and belief towards the development of capital market.

The study used the secondary data to examine the trends of the firm specific variables like earnings per share (EPS), market price per share (MPPS), cash dividend, book value per share (BVPS) and market equity (ME) for the period of 2008 to 2019.

4.1.1 Descriptive Statistics

Table 4.1 presents the descriptive statistics of the sample enterprises. The descriptive statistics contains minimum and maximum variables, mean and standard deviation coefficients.

Table 4.1

Descriptive Statistics

Variables	Unit	N	Minimum	Maximum	Mean	Std. Deviation
Earnings Per Share	Rs.	296	0	526.08	38.36	59.92
Market Price Per Share	Rs.	296	0	6830	681.77	866.66
Cash Dividend	Percent	296	0	80	7.99	12.28
Book Value Per Share	Rs.	296	-1323.04	402	129.02	209.40
Mkt. Equity at Face Value	Million	296	100.00	12869.74	3695.84	2906.42

The coefficients in Table 4.1 shows the list of variables in the first column and the statistics are presented in corresponding row of each variable. The variables selected for the study are measured in different units like in Rs, Percent and in Million units which is shown in second column. The table presents that the mean earnings per share is Rs.38.36, Mean Market price per share is Rs.681.77, cash dividend average is 7.99 percent, average book value per share is Rs.129.02 and mean market equity at face value is 3695.84 million. The descriptive statistics is based on 296 observations where the highest standard deviation is 2906.42 million and the lowest is 12.28 percent for cash dividend.

Table 4.2

Correlation Matrix

Variables	*EPS*	*MPPS*	*Cash Div*	*BVPS*	*ME at FV*
EPS	1				
MPPS	0.16455	1			
Cash Div	0.180142	0.64624	1		
BVPS	-0.52631	0.328872	0.276865	1	
ME at FV	-0.16201	-0.21888	-0.06382	0.166286	1

Table 4.2 shows the correlation matrix of the variables considered for the study. The coefficients in the table indicate that there is both the positive and negative correlation shown among the variables. There are altogether 10 correlation coefficients, out of them the highest correlation is 0.65 between Market Price per Share and Cash Dividend. The lowest correlation is -0.06 between Book Value per Share and Market Equity at Face Value. Likewise, there are total four negative coefficients and six positive correlations among the selected variables for the study.

4.1.2. Trend Analysis

The movement of the variables during the period of 2008 to 2019 is analyzed in this section. Trend analysis gives an idea about the potential future movements of the variables. For this analysis, similar to the descriptive statistics and the correlation matrix, all the variables selected for the study are analyzed. The graphical presentation of the corresponding trend of each variable is presented below:

i) Trend of Earnings Price Per Share

Table 4.3

Mean Earnings Per Share

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mean EPS	61.64	63.54	58.90	42.79	37.95	38.76	30.24	31.71	31.29	26.55	23.24	26.75

Noted From: Researcher Calculation

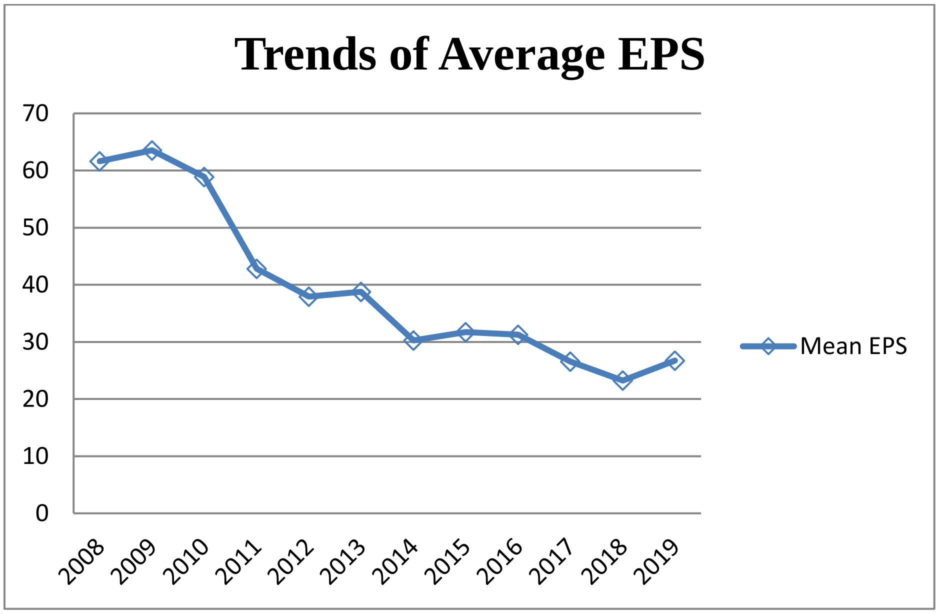

Figure 4.1.Trend of EPS

The Table 4.3 shows year in first row and average EPS in second. The highest mean EPS is 63.54 for the year 2009 and the lowest is 23.24 for the year 2018. The graphical presentation for these values is presented in Figure 4.1. The trend shows that except 2009, the values follow downward movement.

ii) Trend of Market Price per Share

Table 4.4
Mean Market Price Per Share

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mean MPPS	1552.05	1264.09	679.47	383.50	372.93	483.11	857	662.19	977.76	591.65	339.46	351.04

Noted From: Researcher Calculation

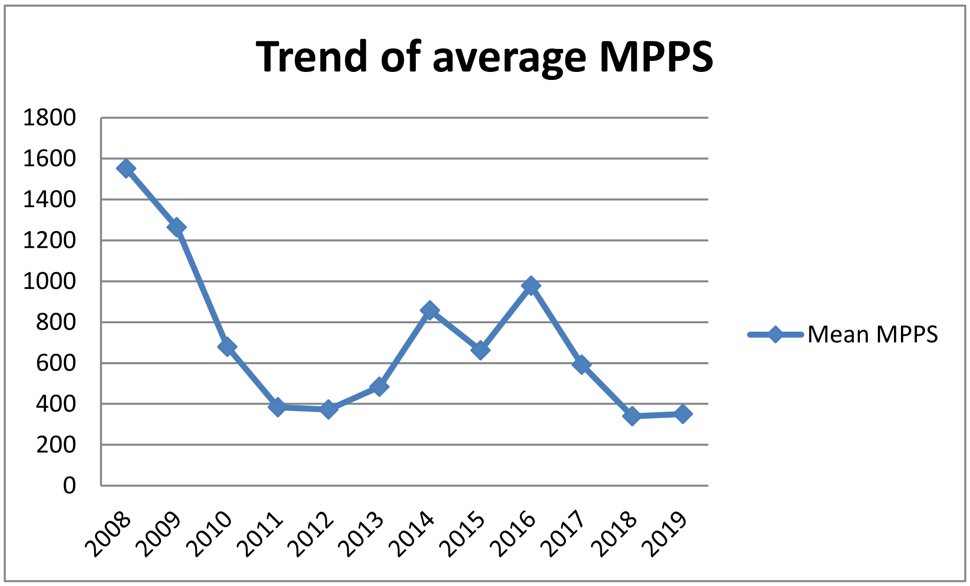

Figure 4.2. Trend of MPPS

The Table 4.4 shows year in first row and average MPPS in second. The highest mean MPPS is 1552.05 for the year 2008 and the lowest is 339.46 for the year 2018. The graphical presentation for these values is presented in Figure 4.2. In general the values in the graph indicate downward movement.

iii) Trend of Cash Dividend

Table 4.5
Mean Cash Dividend

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mean Cash div	10.36	8.07	13.15	10.95	8.45	11.13	9.38	2.15	2.03	3.08	8.44	10.00

Noted From: Researcher Calculation

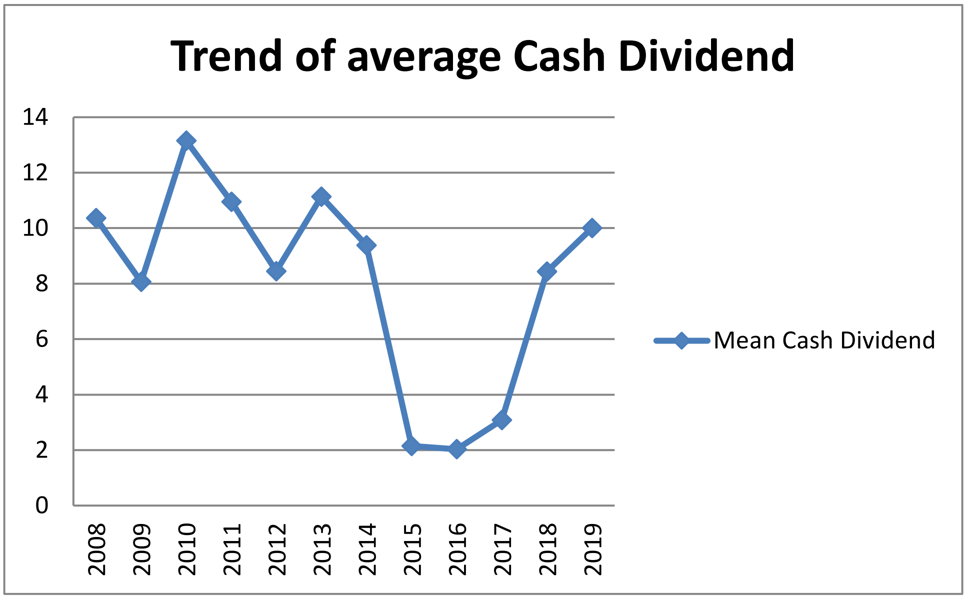

Figure 4.3.Trend of Cash Dividend

The Table 4.5 shows year in first row and average cash dividend in second. The highest mean cash dividend is 13.15 percent for the year 2010 and the lowest is 2.03 percent for the year 2016. The graphical presentation for these values is presented in Figure 4.3. In general the values in the graph indicate upward movement.

iv) Trend of Book Value per Share

Table 4.6
Mean Book Value Per Share

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mean BVPS	83.76	108.21	52.68	63.27	96.48	115.31	159.12	162.79	168.63	162.10	173.42	179.38

Noted From: Researcher Calculation

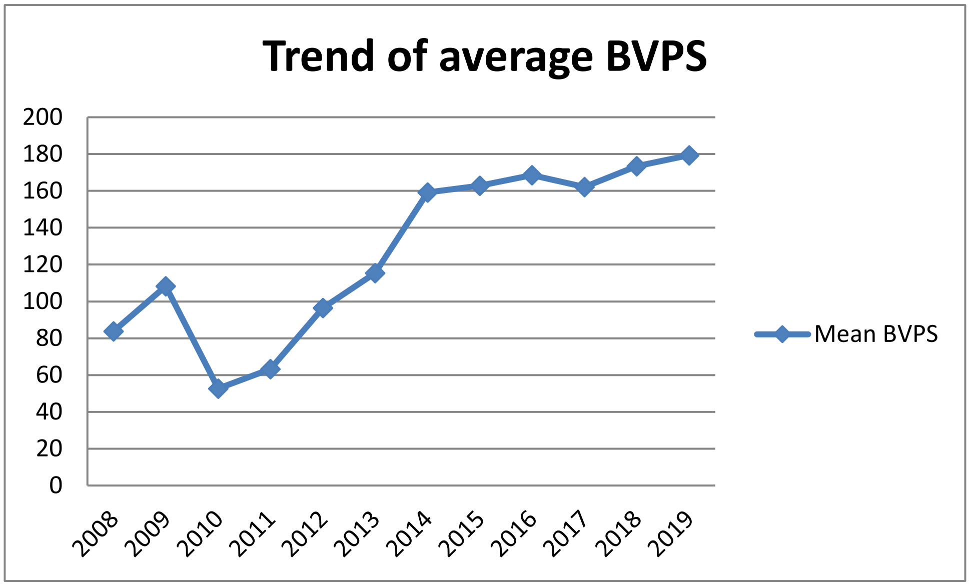

Figure 4.4.Trend of BVPS

The Table 4.6 shows year in first row and average book value per share in second. The highest mean book value per share is 179.38 for the year 2019 and the lowest is 52.68 for the year 2010. The graphical presentation for these values is presented in Figure 4.4. In general the values in the graph indicate upward movement.

v) Trend of Market Equity at Face Value

Table 4.7
Mean Market Equity

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mean ME	908.6	1199.6	1402.2	1715.9	1848.2	2349.3	2669.5	3328.1	4182.7	6616.3	8132.7	8857.5

Noted From: Researcher Calculation

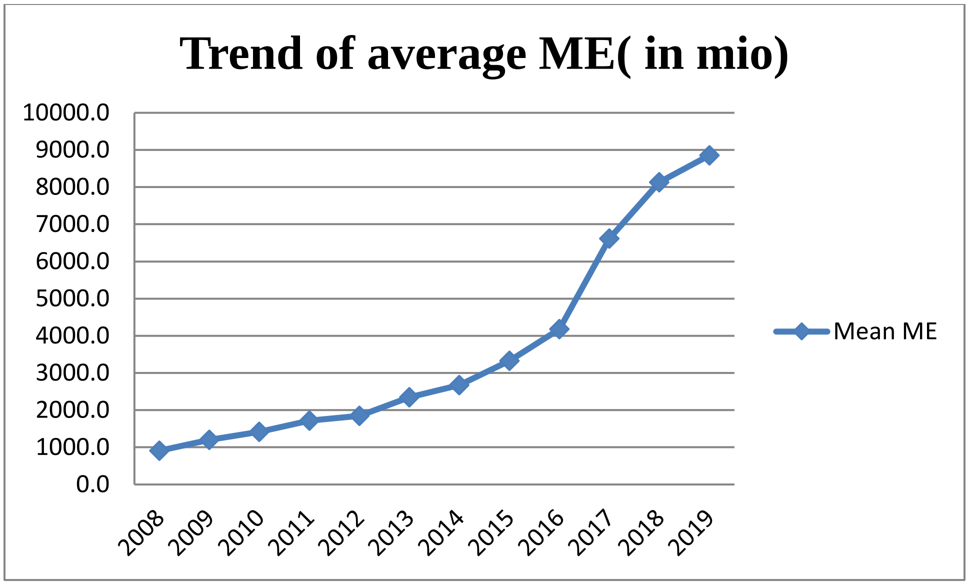

Figure 4.5.Trend of ME

The Table 4.7 shows year in first row and average market equity in second. The highest mean ME is 179.38 for the year 2019 and the lowest is 52.68 for the year 2010. The graphical presentation for these values is presented in Figure 4.5. In general the values in the graph indicate upward movement.

Here, the trend analysis from Figure 4.1 to Figure 4.5 presents the analysis of the selected variables for the study suggested that out of five selected variables three of them poses the upward movements whereas two variables exhibit downward movements during the study period 2008 to 2019.

4.2 Primary Data Analysis

The primary data analysis focuses towards the analysis of demographic characteristics, investor awareness and investors' access to market information. Investor awareness is the outcome of multiple interacting efforts made by the investor own self, listed companies, stock exchange, government, financial intermediaries, media and so on. Basically, investors get aware through their exposure on investment community, economic issue analysis, number of participation in investment training, workshops, formal education, learning expectation, amount of media coverage, number of awareness campaign, etc.

The study confined these variables into 21 yes/no questionnaires and the cut-off point is 50 percent. For instance, if a respondent have 50 percent and less “yes” responses/agreement is considered as less aware/low access.

The framework to convert categorical responses into numeric value corresponding to investor awareness (IA) is calculated as:

IA = (Sum of ‘Yes’ response of ET, AI, US and LE)/N

Where,

ET= Formal education and Training

US= Understanding of subjects

AI=Access to information

LE= Learning expectation

N= Total number of questions

Similarly, equity investors’ access to market information (AI) is converted into numeric form as follows:

AI = (Sum of responses on Likert items)/N

Where,

N= Total Likert items × Scale

For instance, in the four likert items if one investor responds 3 for first item, 2, 4 and 2 for forth item then the ‘sum of responses on likert items’ constitute 11 and ‘N’ is the (4×5) i.e. 20 so that AI level is 0.55 meaning that the respondent is aware. Since, the measurement of the variables IA and AI are in percentile form. Thus the values of these variables are restricted between 0 and 1. In sum, the classification of investor awareness level and their access to market information is based on the table below.

Table 4.8

Benchmark for Categorization

Classification	Classification	Benchmark
Less Aware	Low Access	50% & Below
Aware	Satisfactory Access	50-70 %
Fairly Aware	Fairly Access	70-85%
Highly Aware	Highly Access	85% & Above

4.2.1 Profile of Respondents

Table 4.9

Respondents' Characteristics

Characteristics	Frequency	Percentage
Age		
25 - 35	24	36.92
35 - 45	27	41.54
45 - 55	12	18.46
Above 55	2	3.08
Sex		
Male	44	67.69
Female	11	16.92
Other	10	15.39
Sector of Employment		
College/Campus	11	16.92
Bank/Finance	7	10.77
Government office	8	12.31
Private Business	19	29.23
Others(individual investor)	20	30.77
Academic Background		
SLC	2	3.08
Intermediate	3	4.62
Bachelor	27	41.54
Masters and Above	33	50.77
Level of Investment		
Below 5 Lakh	23	35.38
5 to 25 Lakh	28	43.08
25 & Above	14	21.54

The characteristics of respondents presented in Table 4.9 which shows that about 42 percent of the respondents lie in age group 35 to 45 years, with respect to gender 83 percent are male and remaining are female & other investors, similarly 31 percent investors are others (individual investors), around 51 percent characterize the academic background of masters and above and about 43 percent respondents are the middle class investors i.e. the investment level 5 to 25 lakh.

Table 4.10

Investor Awareness and Access to Market Information

Characteristics	Frequency	Percentage
Investor Awareness		
Less Aware	3	4.62
Aware	9	13.85
Fairly Aware	27	41.54
Highly Aware	26	40
Access to Information		
Low Access	18	27.69
Satisfactory Access	32	49.23
Fairly Access	12	18.46
Highly Access	3	4.62

Based on the standard Table 4.8 and the investors' responses on the provided statements in the structured questionnaire, their classification in terms of awareness and access to market information is presented in table 4.10. This study result shows that about 42 percent of total investors are fairly aware and around 49 percent of respondents lie corresponding to satisfactory access. Thus, only 4.62 percent stock investors are seems as less aware whereas about 28 percent investors have low access to market information.

Table 4.11

Investor Awareness through Formal Education & Training

Formal Education & Training		Responses			
		No	%	Yes	%
2.1	Have you ever taken formal course on investment?	49	75.38	16	24.62
2.2	Are you familiar with computer operation? (MS-Word, Excel &Internet)	11	16.92	54	83.08
2.3	Have you attended investor training program provided by SEBON?	25	38.46	40	61.54
2.4	Have you attended such kind of training from other institutions?	38	58.46	27	41.54
2.5	Do you have common stock investment related work experience?	16	24.62	49	75.38

The investor awareness mapping through Formal Education & Training presented in Table 4.11 shows that 25 percent investors have taken formal course on investment, 83 percent investors are familiar with computer operation, similarly 62 percent have attended investor training program provided by SEBON, around 42 percent have attended training program provided by other institutions and 75 percent investors have common stock investment related work experience.

Table 4.12

Investor Awareness through Understanding of Subjects

Understanding of Subjects	Responses			
	No	%	Yes	%
2.6 Do you know the trading hours & days of NEPSE?	10	15.38	55	84.62
2.7 Do you know the current brokerage commission rates?	15	23.08	50	76.92
2.8 Do you know about the concept of right share?	13	20.00	52	80.00
2.9 Do you know about the concept of bonus share?	19	29.23	46	70.77
2.10 Do you know about the Initial Public Offering (IPO)?	8	12.31	57	87.69

The Table 4.12 shows that 85 percent of investor knows about trading hours & days of NEPSE, 77 percent knows about current brokerage commission rates. Similarly, 80 percent, 71 percent and 88 percent investor knows about right share, bonus share & IPO respectively.

Table 4.13

Investor Awareness through Learning Expectations

Learning Expectations	Responses			
	No	%	Yes	%
2.11 I want to participate on SEBON's investor training program	9	13.85	56	86.15
2.12 I want to learn more on practical aspect of portfolio management	15	23.07	50	76.93
2.13 I want to learn about investment decision making process	37	56.92	28	43.08
2.14 I am interested to know about foreign stock exchange operation	19	29.23	46	70.77
2.15 I want to learn on buying/selling strategies	22	33.85	43	66.15

Investor Awareness through Learning Expectations presented in Table 4.13 shows that 87 percent are interested in taking SEBON's training program, 77 percent wants to learn about practical aspect of portfolio management, 43 percent and 71 percent are interested in learning investment decision making process and foreign stock exchange operation. 66 percent of investor wants to learn on buying/selling strategies. The result of this study shows that maximum numbers of investors are interested in learning.

Table 4.14

Investor Awareness through Access on Information

Access on Information	Responses			
	No	%	Yes	%
2.16 Do you have internet connectivity at your home or office?	15	23.07	50	76.93
2.17 Are you the subscriber of daily newspaper?	21	32.31	45	69.23
2.18 Do you have access to watch business news & programs on TV?	17	26.15	48	73.85
2.19 Do you have access to listen business news & programs on radio and FMs?	47	72.30	18	27.70
2.20 Do you have friends and family circle who interact about the stock market?	23	35.38	42	64.62
2.21 Do you think investor awareness help to develop Nepalese Stock Market?	14	21.54	51	78.46

Investor Awareness through Access on Information presented in Table 4.14 shows that 76 percent investor have internet connectivity, 69 percent are subscriber for daily newspaper. Similarly, 74 percent & 27 percent have access to watch and listen to business news and programs on TV and on Radio respectively. 64 percent have family circle that interact about stock market and 78 percent investor thinks that awareness help to develop Nepalese Stock Market.

Table 4.15

Mean and Median of Investor Awareness and Access to Information

	N	Investor Awareness	Access to Information
Mean	65	0.785	0.613
Median	65	0.81	0.625

Table 4.15 presents the mean median statistics of the variable investor awareness and access to market information. As per stated 50 percent benchmark level, the Table 4.15 shows that mean response of investors' awareness is 0.785 and the result of the study shows the equity investors in secondary market are aware, more specifically, investors are fairly aware. On the other dimension, mean response of equity investors in terms of access to market information is measured as 0.613 which suggest that Nepalese stock investors have satisfactory access to market information based on this study.

4.2.2 Correlation analysis between investor awareness and level of investment

Table 4.16

Pearson Correlation (Parametric)

Description	Level of investment
Investor Awareness	0.290
Sig.(2-tailed)	0.019
N	65

The parametric test, Pearson Correlation provides the degree of association between two variables; investor awareness and level of investment is presented in Table 4.16. The result shows that there is positive relationship between two variables and it is significant at the 0.05 level of significance. Thus, the alternative hypothesis i.e. there is significant relationship between investor awareness and investment on common stock is accepted.

Contingency table of investor awareness and level of investment

Table 4.17

Cross tabulation of investor awareness and investment level

Investor Awareness Level	Level of investment						Total	
	Below 5 Lakh		5 to 25 Lakh		25 & above			
	f	%	f	%	f	%	f	%
Less Aware	1	1.54	2	3.08	0		3	4.62
Aware	6	9.23	2	3.08	1	1.54	9	13.85
Fairly Aware	9	13.85	14	21.54	4	6.15	27	41.54
Highly Aware	7	10.77	10	15.38	9	13.85	26	40.00
Total	23	35.38	28	43.08	14	21.54	65	100.00

Table 4.17 shows the frequencies corresponding to different classes of investor awareness with classes of investment. The frequencies with indication of percentage based on total responses are presented in each category. Investor awareness is equally important in each level of investment thus the frequency distribution corresponding to investment is high. The extreme frequencies in cross tabulation shows that 0% less aware investor invests in 25 lakh & above and 15.38% highly aware investors have 5 to 25 lakh equity investment in secondary market.

One sample t-test of access to information

Under the parametric test, one sample t-test is used to test the hypothesis that there is significant problem on access in market information for equity investors as alternative hypothesis.

Table 4.18

One Sample t-test of investors' access to information

Test Value = 0.50	T	Df	Sig.(2-tailed)
Access to market information	5.609	64	2.000

The test value is assumed to be 0.50 which is the cut-off point of investors' responses for this study. The critical t-statistics at 5% level of significance and 64 degree of freedom is 2.000 (2-tailed), which is lesser than calculated t-value. Thus, the null hypothesis is rejected in favor of alternative hypothesis i.e. there is significant problem on access to market information for equity investors in secondary market.

4.3 Investors' suggestion for Nepalese stock market

Table 4.19

Investors Suggestions

Statements	Responses			
	No	%	Yes	%
Do you think the current sources of information are sufficient?	59	90.77	6	9.23
Do you think advertisement is necessary to create investor awareness?	8	12.31	57	87.69
Do you think the existing brokerage firms are sufficient to meet the current needs?	55	84.62	10	15.38
Do you think new stock exchange is necessary?	16	24.62	49	75.38

The structured questionnaire also included a section which is designed to get the investor suggestion for the Nepalese stock market participants. Four statements were provided with Yes and No response options. The analysis is simply conducted in frequency distribution with percentage. Table 4.19 shows summary of the analysis where about 91 % respondents are not satisfied with the current sources of information, nearly 88% are in favor of advertisement, almost 85% believed that existing brokerage firms are not sufficient to meet the current demand and about 75% felt that new stock exchange is necessary.

Despite the suggestions provided in the above statements, respondents were also prescribed the additional suggestions to increase the investors' awareness in Nepalese capital market through the end of concern authorities. Respondents believed that to enhance the existing level of awareness following suggestions need to be executed.

- Disseminating timely and sufficient information.
- Conducting the effective training and workshops.
- Investors need to be alert to get the information own-self.
- Advertising through media.
- Developing proper data storage and management system.
- Introducing basic investment courses from school level.
- Government initiatives and support to expand the market.
- Creating attraction to Non-resident Nepalese in capital market.
- Introducing online trading system.

4.4 Concluding remarks

This study is conducted to examine the relationship between the investor awareness and level of stock investment and to analyze the trend of the firm specific variables selected for the study. The trend analysis suggest that out of five selected variables only three variables namely cash dividend, BVPS and Market Equity have the upward movements whereas two variables namely EPS & MPPS exhibit downward movements during the study period 2008 to 2019. Likewise, the survey result shows that there is positive relation between stock investment and level of investor awareness.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIOS

5.1 Summary

From the inception of the financial market various factors have been directly or indirectly influencing for the stock market so that financial market participants believe that the events that burst out expectedly or unexpectedly that have significant impact on investors' mindset and that information play an important role in individual investment decisions. The investor knowledge on such events and its contribution can be termed as the investor awareness.

Investor awareness is the level of existing information with the perception and ability of understanding the upcoming environment. It is the general assumption that the more aware investors make more investment decision and less aware investors comparatively make less investment decision. As crawling in developing phase of our stock market, does investors are aware of existing flow of information provided by SEBON and other concern information? Does the current rules and policies are applicable and fascinating for upcoming investors? It is expected that the awareness and their commitment move in the same direction, and their association contribute a lot to the economic development.

Capital market is divided into primary and secondary market. Primary market raise the seed capital through the public offering and the secondary is only the platform which retains the long term investment through exchange of the securities. More specifically, secondary market provides liquidity to the economy through the role of financial intermediaries and those intermediaries are directly connected with the individual investors. Thus, there might be sufficient room at the end of the brokerage firms and the financial intermediaries to play vital role for creating investor awareness in Nepalese financial market. The study basically deals with the issues like – What is the extent awareness of common stock investors? What are the reasons that the investors want to hold their investment for the long term? Do the information dissemination and the roles of concern authorities are sufficient to create awareness? How far the stock investors rely on their own expertise and awareness in decision making? How could the awareness level determine the investment level? Do the investors have the concept about the dividend declaration date, ex-dividend date, holder-of-the record date, payment date? How far stock investors know about the trend of the fundamental variables? What is the correlation of between the investment awareness and equity investment? Is there significant relation between firm specific fundamental variables?, etc.

Keeping eyes on the stated issues, the basic objective of the study is to analyze the investor awareness and level of stock investment in Nepalese stock market and the specific objectives of the study are - to determine the association between investor awareness and volume of equity investment, to identify the level of equity investors' access to the market information, and to analyze the trends of firm specific fundamental variables in Nepalese capital market.

The study is based on the descriptive and correlational research design which employed both the secondary data and the primary data. The sample of the secondary database is 27 commercial banks listed in NEPSE and the sample for primary data is 112 stock investors. The study covers the period of 2008 to 2019. The response rate for the data collection is 65 percent and the descriptive analysis, correlation matrix and the graphical methods are employed for the analysis.

5.2 Conclusion

In this study, investor awareness and its relationship with investment decision in equity and investors' access to market information were examined. Investor awareness is crucial for the investment decision making and sustainable growth of capital market. The result of the study depicted that equity investors are aware and their level of awareness is high compared to desired level. The finding of the study is that fully aware equity investors have more chances of holding high volume of equity investment. In other words, there is positive correlation between awareness and level of investment. Investors are keen to get market information timely and sufficiently to make a profitable investment. Nepalese capital market is characterized with limited source of information. The rational fact is that investors need to have good access to market information but the study shows that there is problem on access to information for equity investors in secondary market.

The investor awareness level is found to be affected by the related work experience, understanding of investment environment, learning expectation and access to market information. Equity investors in secondary market are not satisfied with the available sources of information and efforts of information disseminating mechanism.

Equity investors with higher investment have more knowledge/aware in investment than those with lower investment. Equity investors with higher educational background have more investment than those with lower level of education. Mass equity investors in secondary market experienced that existing sources of information are not sufficient and realized the need of advertisement. Similarly, majority of them believed that existing brokerage firms are not sufficient to meet the market needs and think the need of new stock exchange.

Since, the objectives of this study are to find out the extent of relationship between investor awareness and volume of equity investment in secondary market and to identify the level of equity investors' access to market information. The results show that there is positive relationship between awareness and equity investment and problem on access to market information.

The findings suggest that level of investment would increase, if various efforts were done to enhance the level of investor awareness. The stakeholders in the securities market has been engaging for investor awareness activities but the investor base or attraction of investors has not been reached in required level. Investors are always intense to get first hand market information and want to be updated to protect their investment. On the other hand, regulating bodies are also trying to protect the investors from the malpractices and fraud in the capital market. With the same line, the research finding shows that there is problem for equity investors to get the information which help to create and expand level of awareness and there is progressive relationship between awareness and level of investment. The finding of the secondary analysis suggested that most of the firm specific variables have downward movements except market equity in Nepalese stock market during the study period.

5.3 Recommendations

Based on the analysis of primary and secondary database and their major findings, the following recommendations are suggested for the stock market participants.

- The initial development phase of the stock market is yet to be succeeded to attract the number of investors. For the grow and development of such stock market, it is essential to attract more participant so that based on insight of the study, it is recommended that It is time to launch more investor awareness campaign through the end of concern authorities.
- Along with the awareness programs, investors are suggested to participate in such programs and to get the diverse range of knowledge on stock market performance.
- Concerned authorities should adopt some techniques which help to create investor awareness such as publications for investors, facilities of hotlines and toll free numbers, websites with up-to-date information, investors alerts system, financial awareness curriculum, public /community meetings, specific investing tools and plain language disclosure documents.

Therefore, the study introduced certain procedures for the analysis of secondary and primary database, selects some variables based on its availability, and shows the relationship between variables like investor awareness and the level of stock investment. Further, the study tried to find the access level of the stock investors to the market information. With the conception of research work as the study expect to attract more researches on the same topic and expect that there would be substantial attraction for stock market studies in Nepalese academic and practical arena in near future.

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Websites:

www.investmentpedia.org

www.sebon.gov.np

Annex-1

Dear Sir/Madam,

This questionnaire is anticipated to obtain information from stock investors; for the purpose of a thesis work. The objectives of the study are: to study the relationship between investors' awareness and level of investment on common stock and to identify the access on information of equity investors.

The survey contains four sections and it will take approximately 10 to 15 minutes to complete. Please, do not spend too much time on single question. Your first response is usually the best and there is no right or wrong answer, every response has Importance for the study.

Your answer will be kept confidential. It would not be shown to any other individual or authority or, elsewhere. This effort is strictly for thesis purposes, if you have any enquiry regarding this research work, please contact at shresthasunita948@mail.com

Thank you for your kind cooperation.

1. Personal Information

1.1 Sex a) Male b) Female c) other

1.2 Age a) 25-35 b) 35-45 c) 45-55 d) Above 55

1.3 If you are employed, your sector of employment

a) College/campus b) Bank/Finance

c) Government office d) Private business

e) Others (please specify ………………………………..)

1.4 Academic Background

a) Literate b) SEE c) Intermediate d) Bachelor e) Master and above

1.5 Level of Investment

a) Below 5 Lakh b) 5 to 25 Lakh c) 25 and above

1.6 Investor Awareness

a) Less Aware b) Aware c) Fairly Aware d) Highly Aware

1.7 Access to Information

a) Low Access b) Satisfactory Access c) Fairly Access d) Highly Access

2. Awareness Mapping

Please mark (√) each items with either "Yes" or "No"

Questions	Response	
Formal education and training		
2.1 Have you ever taken formal course on investment?	Yes	No

2.2 Are you familiar with computer operation? (MS-Word, Excel & Internet)	Yes	No
2.3 Have you attended investor training program provided by SEBON?	Yes	No
2.4 Have you attended such kind of training from other institutions?	Yes	No
2.5 Do you have common stock investment related work experience?	Yes	No

Understanding of Subjects

2.6 Do you know the trading hours & days of NEPSE?	Yes	No
2.7 Do you know the current brokerage commission rates?	Yes	No
2.8 Do you know about the concept of right share?	Yes	No
2.9 Do you know about the concept of bonus share?	Yes	No
2.10 Do you know about the Initial Public Offering (IPO)?	Yes	No

Learning Expectations

2.11 I want to participate on SEBON's investor training program	Yes	No
2.12 I want to learn more on practical aspect of portfolio management	Yes	No
2.13 I want to learn about investment decision making process	Yes	No
2.14 I am interested to know about foreign stock exchange operation	Yes	No
2.15 I want to learn on buying/selling strategies	Yes	No

Access on information

2.16 Do you have internet connectivity at your home or office?	Yes	No
2.17 Are you the subscriber of daily newspaper?	Yes	No
2.18 Do you have access to watch business news & programs on TV?	Yes	No
2.19 Do you have access to listen business news & programs on radio and FMs?	Yes	No
2.20 Do you have friends and family circle who interact about the stock market?	Yes	No
2.21 Do you think investor awareness help to develop Nepalese Stock Market?	Yes	No

3. Investor Information

Please mark (√) each items corresponding to the following descriptions.
(Strongly agree (4), Agree (3), Disagree (2) and Strongly Disagree (1))

Descriptions	Response			
3.1 SEBON has been providing information for investor education.	4	3	2	1
3.2 NEPSE has been providing sufficient market information.	4	3	2	1
3.3 Brokerage firms have been providing sufficient trading information.	4	3	2	1
3.4 Listed companies have been disclosing require information on time.	4	3	2	1
3.5 Newspapers & Magazines have allotted sufficient space for economic issues and for market information.	4	3	2	1

4. Suggestions

Please mark (√) each items with either "Yes" or "No" based on your experience and provide your opinion.

Questions	Response	
4.1 Do you think the current sources of information are sufficient?	Yes	No
4.2 Do you think advertisement is necessary to create investor awareness?	Yes	No
4.3 Do you think the existing brokerage firms are sufficient to meet the current needs?	Yes	No
4.4 Do you think new stock exchange is necessary?	Yes	No

4.5 Please write your suggestions/comments to improve investor awareness in Nepal?
………
………
………………………………………………………………………

Thank You