PUBLIC PERCEPTION ON EXISTING PROVISIONS OF CONCERNED AUTHORITIES OF NEPAL STOCK MARKET

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ABSTRACT

Research on *Public Perception on Existing Provisions of Concerned Authorities of Nepal Stock Market* has the specific objective to identify and assess the public perception on existing provisions of concerned authorities of Nepal Stock Market and suggestions for the concerned authorities. The exploratory sequential mixed research design has been the base for the research. Researcher used focus group discussion and survey for the primary and annual reports for the secondary data collection. The researcher collected respondents' views using the dichotomous and rank scale in the survey through the samples drawn using stratified random sampling for the primary data collection. The triangulation of qualitative and quantitative analyses conducted separately concluded the results. The qualitative analysis used respondents' idea, and experience collection and generalization whereas, quantitative analysis used statistical approach.

The survey found more than 40 percent investors invest without analyzing the market and stock price determinants. The focus group discussion had similar conclusion on the issue. The survey found 44 percent respondents liked the existing laws and policies related to the stock investment in Nepal which got acceptance from the focus group discussion accordingly. The survey found 58 percent respondents like the existing roles of regulatory and controlling bodies; NEPSE and SEBON. The survey and focus group discussion concluded that the organization listed in NEPSE are to manage interaction program with stakeholders and adapt sound accounting and auditing standard for investors' interest protection. The companies are to be able to catch market sentiments timely despite quantitative factors and organize the interaction program about the stock investment program with potential shareholders at their reach regularly. Research concluded that the regulatory bodies are to develop reward punishment, instruct listed companies for disclosing their information timely, and prompt rule to the broker. Government has to establish investors' protection fund for the investment empowerment, and prompt supervision mechanism to regulate the investment. Few respondents suggested for the incorporation of another secondary market and extension of timing of security trading with one day policy for the future development of competitiveness in the secondary stock market of Nepal.

Keywords: Price, Variables, Banks and finance companies, Stock market, Nepal

1. Introduction

Stock market is a place to trade securities and has pioneer role in economic empowerment of any nation. It is contributing capital formation for the sustainable economic growth of any nation (Bhandari et al., 2023). Moreover, the government and the authorities of listed companies in the market seemed unable to play effective and desired role to initiate the sustainable market with the expected outcome of the existing investors. Equally, both potential and existing investors have lack of knowledge regarding both fundamental and technical

regarding the capital market. As a result, the investors are unable to cut a good figure from the share market portfolio investment (Bhandari et al., 2023). The market facilitates savers and capital users through funds pooling, risk sharing and transferring wealth. As the market enables resources' flow towards the most generative investment sectors and portfolios. Therefore, it is pioneer for sustainable economic prosperity (Sindhu, Bukhari, and Hussain, 2014). The mobilization of capital is empowered by the capital investment as the investment deserves the prompt role for the enhancement nation's economy. Investment divisible into two categories like real investment (assets land, building or fixed property) and monetary investment (investment in financial market on securities) respectively.

Securities market history in Nepal initiated with shares floatation by Biratnagar Jute Mills Limited and Nepal Bank Limited in 1937 (Bhandari et al., 2023). The introduction of the Company Act in 1964, the first issuance of a Government bond in 1964, and the establishment of Securities Exchange Centre Limited in 1976 were other significant developments relating to Nepalese capital markets. Securities Exchange Centre established with the objective to facilitate and promote the growth of capital markets (Bhandari et al., 2023). The Securities Exchange Centre was only capital market (Bhandari et al., 2023). Government had reformed capital markets converting Securities Exchange Centre as a Nepal Stock Exchange in 1993 under a program (https://gtn.com.np). Members of the NEPSE allowed as intermediaries in buying and selling government bonds and listed corporate securities (https://www.academia.edu). There are 50 member brokers with 43 branches, that operate on the trading floor as per the Securities Act, 2007, rules, and bye-laws. The broker house and its branches are active in 21 different cities of Nepal (Bhandari et al., 2023).

The NEPSE and Security Board of Nepal are two fundamental constitutional organizations having complementary roles. NEPSE is itself a single secondary or capital market in Nepal and SEBON is the regulatory body of the market. However, both have common goal of capital market empowerment and development efficiently. The SEBON got established on 26th May 1993, with the provision of the Securities Exchange Act, 1983 having the objective for promotion and protection of investors' interest. It supervises, and monitors the stock exchange's activities. Besides regulatory role, it contributes for the prosperity of the capital market through fair, healthy, efficient and responsible securities transactions (SEBO/N; 2023). The board observes development policies, and legal and regulatory reform for the empowerment of the capital market in Nepal to encourage and protects all the stakeholders of the market. Both private (investors, brokers, secondary market listed companies, and financial investors) and government sectors (MoF, Companies Registrar, NRB, NEPSE, FNCCI, ICAN, and Association of Chartered Accountants) have pioneer role for sustainable empowerment, promotion, and enhancement of national capital market. The NEPSE listed companies under the 13 noticed commercial bank, development bank, finance, microfinance, manufacturing and processing, hydropower, non-life insurance, life insurance, hotels, mutual fund, trading, investment companies, and others respectively (Bhandari, et al., 2023). Out of the total value of the market capitalization the banks and financial institutions covered the higher proportion and was 53.9 percent and capitalization value appeared NRs. 964.81 billion (NEPSE, 2021). Therefore, banks and financial institutions appeared as attractive and popular to the existing and potential investors in the market as they regularly serve them with banking service through their branches that exist many in numbers, mostly all over the nation (Bhandari et al., 2023).

NEPSE has incorporated an "Open out Cry System" resembles that the securities transactions are directed by open auction principle on the trading floor. In the trading floor the calculation of stock price takes place with matching of bid and offer prices. It has provision of fixation of board lot of 10 shares and the face of each share is NRs. 100 or 100 share when face value reaches to NRs. 10. The initial price of every day shall not cross the limitation of 10 percent more or less than of closing price of the last trading day. However, it can vary within % percent limit in every consecutive transactions. Also, it has provision of a T+3 system. The system means the transaction settlement to accomplish within 3 operation from the transaction day. Securities trading in Nepalese secondary market takes place only 6 days in a week. Among the days from Sunday to Thursday the trading runs 3 hours daily and on Friday the trading runs only for an hour. The securities trading schedule of the NEPSE is as Table 1.

Table 1 Stock Trading Timing in Nepalese Stock Market

Trading days	Trading hours	Types of trading
Sunday- Thursday	11 p.m. - 3 p.m.	regular trading
Friday	11 p.m. - 1 p.m.	regular trading

Source*: NEPSE Annual Report (2023/2024),* and (https://www.elibrary.tucl.edu.np)

Levine (1996) conducted an empirical analysis on firm level, industry level, individual country level studies, and broad cross country comparison. The study demonstrated that financial intermediary's growth and development has strength full and positive association with long-run economic growth of the nation. The commercial banks, development banks, finance companies, micro finances, and infrastructure development banks appeared with corresponding numbers as 20,17,17, 57, and 1 respectively (NRB report, 2023). The financial institutions were increasing up to 2018 A.D. and are gradually decreasing due to the merger and acquisition as Table 2.

Table 2 History and Growth of Financial Institutions in Nepal during Four Decades

BFIs	1980	1990	2000	2010	2015	2018	2019	2020	2021	2022	2025
Commercial Banks	2	5	13	27	30	28	28	27	27	26	20
Development Banks	2	2	7	79	76	33	29	20	18	17	17
Finance Companies	-	-	45	79	48	25	23	22	17	17	17
Microfinance Fin. Inst.	-	-	2	78	81	103	90	85	70	65	52
Infrastructure Dev. Banks				-	-	-	1	1	1	1	1
Total	4	7	67	263	235	189	171	155	133	126	106

Source*: Bank and Financial Institutions Regulation Department, NRB (2024/25)*

Banks and financial institutions possess crucial role for the national economic prosperity. Commercial banks represent one dimension of the national economic enhancement through canalizing available economic and financial activities among intermediaries between surplus and deficit. Financial phenomenon is composition of two elementary complements that are

depository Financial Institutions (commercial banks, development banks, and finance companies) and non- depository Financial Institutions (employees' provident fund, and insurance companies). Therefore, all the economic activities are directly or indirectly canalized through the banks and financial institutions (Wagle, 2021).

Literatures observed on the topics related to the securities and stock market of listed companies. Among the studies and researches, most of the researches are on the topics of capital market related to the financial performances evaluation of homogeneous companies. Some researchers had made on the care perspectives of stock price determinants. However, few researches found on the topic, Public Perception on Existing Provisions of Concerned Authorities of Nepal Stock Market" Therefore, this research is suitable for share investors, potential investors, researchers, students, authority of NEPSE and SEBON, managements of the banks and financial institutions, policy makers' to accomplish individual and organizational objectives. NEPSE has attempted to deliver an efficient regulatory system and information transparency to advance the investors' confidence to analyze the data without anomalies. However, still there are very few investors in the stock market who are holding the stock market completely. The investors cover about negligible percentage of a total national population (Bhandari et al., 2023).

The public perception on existing provisions of concerned authorities of Nepal Stock Market" with distinct perspectives, and strategies formulation for the stakeholders of stock market including investors, listed companies' authorities, brokers, regulatory bodies and controlling bodies are still matters of general thoughts in the Nepalese stock market (Dhungana, 2011; Bhandari et al., 2023). The effective answers on the thoughts enable listed companies, NEPSE, and SEBON authorities to eliminate any unexpected catastrophe developing, controlling, and strengthening the existing market with prompt strategies in up-coming days (Dhungana, 2011; Bhandari et al., 2023). Moreover, the concerned authorities receive information from the perception of the people through the research results regarding the ongoing provisions of the concerned authorities with which several reforms in operation and policy level get entertained for the future. Equally, the result helps the related journals of economics, finance, and sustainable development to be updated. Therefore, the study becomes meaningful (Bhandari et al., 2023). In order to direct the research with the prompt road map the research has the research questions like, what is the public perception regarding the existing provisions of concerned authorities of the stock market? And what strategies can be implemented to empower stock investment, and market?

2. Literature Review

Literature review is a comprehensive summary of previous research on core, similar and peripheral topics. It surveys several scholarly articles, books, and other sources relevant to a particular area of research. Its fundamental aim is to synthesize the previous research with enumeration, description, summarization, objectively evaluation, clarification, and application of the existing research theme for the solution of newly stated research problem in the ongoing research. For these all accomplishment, the review precisely integrates review of the existing relevant concepts, assumptions, books, and journals, findings of earlier studies of the relevant field (Neuman, 2014). Thus, the previous studies are the foundation to the new research. This continuity in research gets ensured through linking between ongoing study and the earlier studies. It is clear that the purpose of the literature review is to detect what research studies have been conducted in one's chosen field of study and what remains to be done (Kothari, 2004).

The conceptual framework and financial market deliver the core concept to any research about the stock price determinants of national secondary market listed companies of any nation. It is the integration of the terms capital market, securities and securities market, stock market and stock exchange, stock price determination, theories related to the stock price behavior, and the existing conceptual framework for this research analysis. The total financial market including long-term and short-term financial market created by several institutions and arrangements that allows the suppliers and demands of long-term funds to make transactions is called the capital market. It is divided into security market and the non-securities market. The term securities includes long-term transaction which has a maturity period of more than one year. Companies used these tools to collect the needed long-term funds. The capital market includes the elements as (a.) activities relating to the organization, distribution, and trading of securities, (b.) organization that facilitates this activity, (c.) individuals and institutions which buy and sell securities, (d.) Rules and regulations, and customers and practices that control the organization and conduct of business in the market.

Stock exchange is an institution where quoted securities are exchanged between stakeholders. The stakeholders are buyers and sellers. Market makers and brokers are the main operators of the Stock exchange where market makers trade in a group of shares, and brokers act as agents for their clients. The clients are the investors who buy and sell shares. (Fama & Miller, 2002). The functions are ready to market, continuous market, evaluations of securities, safety of transactions, canalization of savings, and widening the share ownership. Behind these functions, there are three responsibilities, as (a.) Price discovery function- to determine a fair price for securities for trading or (b.) Minimization of transaction cost- to enable transactions at a low cost as possible or (c.) Provisioning for liquidity- to enable transactions at low prices quickly and easily.

Theories and Concepts

The history of stock price determinants has deeply rooted in economic theory, investor behavior, and the evolution of financial markets. With passage of time several factors got identified that affect and influence stock prices since the early days of financial markets to present complex global economy. An over view constituted the elementary components like Modern Financial Theories and Behavioral Economics, and the Efficient Market Hypothesis deliver the foundation concept to overcome the research objectives.

Modern Financial Theories and Behavioral Economics (1905 - Present) observe the period from the mid-20th Century and onwards, the stock price determinants concepts and beliefs appeared as expanded with new theories and insights. Among the theories, Efficient Market Hypothesis (EMH) was enunciated and Introduced by Eugene Fama in 1960. The hypothesis asserts that stock prices always reflect all available information, meaning it's impossible to "beat the market" consistently. In this view, stock should be determined solely by publicly available information and random fluctuations (https://www.investopedia.com). (i.) A large number of rational, profit-maximizing investors exist who actively participate in the market by analyzing, valuing, and trading stocks theses investors are price takers: that is one participant alone cannot affect the price of security, (ii) Information is free of cost and widely available to market participants at approximately the same time, (iii.) Information is generated in a random fashion such that announcements are basically independent of one another and (iv.) "Investors react quickly and accurately to new information, causing stock prices to adjust accordingly" (Jones, 2003, p. 425). In such a market, the current prices of security obviously "Fully Reflect" all

available information. Similarly, in a perfect and competitive economy compared to rational individuals with homogeneous beliefs about future prices, by any meaningful definition present security price must fully reflect all available information about future prices. "An initial and very important premise of an efficient market is that there are large numbers of knowledgeable and profit-maximizing investors who adjust the information rapidly" (Reilly, 1994, p. 166). "The degree of market efficiency has important implications for the economy and for the investment decision-makers. Security prices must provide accurate signals to allocate capital resources correctly. Mispriced security results in an incorrect allocation of capital" (Cheney, 1996, p. 746).

The conclusion is that, in an efficient market, there is neither a free lunch nor an expensive dinner. "It is not possible to systematically gain or lose abnormal profits from trading based on available information" (Weston & Copland, 1996, p. 93). This notion of market efficiency can be divided into three categories based on the type of information used in making market decisions. They are Weak Form Market Efficiency, **Semi-strong** Form Market Efficiency, and Strong Form Market Efficiency respectively. Weak Form Market Efficiency hypothesizes that today's security prices fully resemble all information associated in historical prices. It means that non investors able to earn more returns developing trading rules focused on historical price" (Weston and Copland, 1996, p. 94). Semi-strong Form Market Efficiency assumes that current security prices completely resemble all information publicly available. Therefore, non-investors able to earn more returns applying publicly available resources related the corporations like annual reports, NEPSE price information, or published investment advisory reports. It accumulates all publicly available information regarding the company's dividend, earnings, stock split, assets, stock split related information, newly product development, accounting sifting, financing resistances. The market becomes semi-strong when it could incorporate all these information quickly into pricing. "If the semis strong hypothesis is true then only a few than what could be earned by using a naïve buy and hold strategy" (Francis, 1986, p. 608). Strong Form Market Efficiency asserts that price fully reflect all information, public and nonpublic" (Jones, 2003:29). In this market non investors should be enabled to earn, over a reasonable period, higher rates of return applying publicly available information in an excellent manner. This state and version refers as monopolistic access to the information from certain market participants (https://www.elibrary.tucl.edu.np).

The elements of Modern Financial Theories and Behavioral Economics along with EMH are behavioral finance and macroeconomic and global factors are also equally primary to consider. Behavioral Finance theory is a theory of behavioral economics, judgment, and decision-making that was developed by Daniel Kahneman and Amos Tversky in the 1970s and 1979s (https://en.wikipedia.org). They introduced behavioral finance, which acknowledged that Stock prices can also be influenced by investors' emotions, biases, and irrational behavior factors like fear, greed, and herd mentality can drive swings. Macroeconomic and Global factors, as globalization grew, external factors such as global trade dynamics, exchange rates, geopolitical risks, and commodity prices began to have more pronounced effects on stock prices (www.sciencedirect.com). Technological and Algorithmic Trading, in recent years the rise of algorithmic trading and high-frequency trading has added a new layer of complexity. The complex models and vast amounts of data to execute trades in milliseconds influence short-term price movements of the stock in the stock markets (https://www.investopedia.com).

The empirical incorporate review of research articles published in journals, research published in newspaper, academic researches such unpublished or published dissertations

academic degree. These are pioneer sources and deserve significant role to provide complement guidelines and knowledge for thesis writing (https://www.elibrary.tucl.edu.np). A study conducted by Michele, Thaler, and Wamack on "Price Reactions to Dividend Initiations and Omissions: Overreaction or Drift", drew that the short-run price impact of dividend omissions is negative and that of initiation is positive, that long-term drift in prices following announcements of initiations and especially omissions and that there is no evidence of important change in volume or clientele, which mitigates price pressure as a potential explanation for the anomalous drift" (Michele et al., 1995, p. 217). Fama's (1965) on the random walk model was one of the best definitive and comprehensive studies ever conducted. He observed the daily proportionate prices of 30 individual stocks of the Dow Jones Industrial Average Index (DJIAI) for the period of 1957 to 1962. He employed statistical tools such as serial correlation and ran tests to draw inferences about the depended of the price series. He calculated the auto-correlation coefficient for daily changes in log prices for lag from 1 to 30 and found that the coefficient was almost close to zero overall (https://www.elibrary.tucl.edu.np). The correlation coefficient for daily changes in averages was +0.03, which is near zero. But on the daily price changes, 11 out of 30 stocks have a correlation coefficient more than twice their computed standard errors. The coefficient ranged from the smallest 0.06 to the largest 0.123. Fama also calculated serial correlation for lug from 1 to 10 for no-overlapping differencing intervals of four, nine, and sixteen days to examine the possibility of price change across longer intervals shows dependence (https://www.elibrary.tucl.edu.np). All the results are again not significantly different from zero.

International Monetary Fund (IMF, 1997, p. 17), the article stated that "Policy Development and Review Development Division published a working paper entitled "Determinants of Stock Prices: The case of Zimbabwe. The working paper examined the general relationship between stock price and macroeconomic variables in Zimbabwe, using the revised Dividend discounted model, error-correction model, and multi-factor return generating model. Despite the large fluctuation in stock prices since 1997, the analysis indicated that the Zimbabwe Stock Exchange functioned quite consistently during the period. Whereas, sharp increases in the share prices in stock prices during 1993-1994 were mainly due to the shift of the risk premium that was caused by partial capital account liberalization, the monetary".

In Business Age (2004, p. 10), Panta analyzed in her study "Current status of share market in Nepal," the trend of the Nepalese stock market and the present state of the primary and secondary market was found satisfactory. According to her study, the development of the stock market primarily depends on the program and then implementation. In Nepal, the overall policy environment has not been conducted to the development of the stock market. Therefore, it is difficult to develop a more efficient secondary market, trading system for both equity and debt securities. Capital Market is a crucial element in the national economy. Its role in reinvigorating and boosting the economic activity in the country holds significance. The strategic plan released by the securities board can, to a great extent, energize the investors. Dealers by increasing investor interest in it. The security market experiences both boom and boast soon after the beginning of securities trading through broker's members on the stock exchange floor. Although the market started to function quickly boosting the price of the share to an unexpected level, it could not sustained." In Business Age (July 2005, p. 53), the study noted that "Nepal stock exchange's securities price index (NEPSE Index) during June remained fluctuating. It remained bullish till June 10 reaching 216.75 and then it turned bearish continuously reaching the level of 211.31 on June 15. The rise started with the appointment of

the new government and the main leader was the commercial bank group the market-dominating sector in the exchange understandable enough, the increase in the price was fueled by the expectation for the early end of the conflict between the government and political parties, after the appointment of Deuba as a Prime Minister. But the publication of the third quarter financial result was no way less important factor for such positive impact on commercial bank sector has been in June 2005. The NEPSE index seems sensitive to political economic and financial sector developments it has raised after the disclosure of the financial situation by the companies and when there were positive signs of political stability and it decreased for some company shares. It shows that the investors are becoming aware of when to buy and sell the securities."

The Rising Nepal (Jan 20, 2006, p. 6), the study noted that "Asian development bank experts have seen many obstacles to the growth of capital market. This includes a low level of investors' confidence. Disclosure of poor and manipulated financial information week enforcement of regulation, absence of instructional investors, lack of diversity in the range of the financial instrument and the scope of active participation for the various intermediaries." The Kathmandu Post (May 18, 2007, p. 6), the article noted that "Investors were enlightened and they started inquiring about the company's financial health and future prospects before buying and selling shares. People turned to price earnings multiples: NEPSE indexes informed trading became sort of a norm when the stock market entered 2003. Many who could not cope with the system of intelligent speculation left the ground. As a result, the number of buyers gradually came down and so did the prices". Mullins (2014) in his work, stock market prices: determinants and consequences. The researcher had the objective of detecting the determinants and consequences related to the stock market prices in the United Kingdom and concluded that the aggregate stock market prices were significantly linked to the real economy. The research found that number of instances of non-efficient market behavior, in terms of unexplained stock returns before the financial crisis, predictability of equity premium, and possibly the weak statistical relationship between the stock prices and corporate investments. He investigated the movements of the stock prices in the UK from 1700 to 1987 and noticed that a strong nominal interest rate affected excess returns during the period. However, it appeared that inflation hurt the stock price after 1950. Moreover, he analyzed the British financial crisis since 1700 using efficient and non-efficient market models and found that fluctuations in macroeconomic variables deserved one-half of equity price variations. In addition, he concluded that the institutional reasons associated with managerial autonomy caused an effect on equity prices. This research is relevant to the ongoing research as it has delivered about the core concept for this research.

Research Gap

The significant aim to fulfill the insufficiency noticed in the earlier similar research. Earlier researchers rarely made studies on stock price determinants of listed banks and finance companies in Nepal. Core literature such as stock price determinants of listed companies in the national secondary market, have taken the companies of homogeneous nature as few samples and public perception on the legal provisions and strategies required in qualitative or quantitative. Moreover, under the financial institutions, the earlier research has taken the commercial, development banks and finance companies. Taking the literature as the fundamental source for the topic formation.

3. Research Methodology

Research methodology is a tool that enables to systematically solve the research problem of the ongoing research (Creswell, 2011). The preliminary conceptual orientation of methodology integrates ontology, epistemological, and axiology as a standard. Therefore, it constitutes overall essential approaches and elements for the research completion and the constituents are philosophy, research area, research design, sampling procedure, data collection procedure, data presentation tools and techniques, variables, validity and reliability, and analytical tools respectively. This research has used the pragmatism research and has integrated the multiple research approaches; positivism, interpretivism, and epistemology. The researcher has used descriptive and analytical research methodology constituting exploratory sequential mixed research design. The dichotomous and rank scale for the exploration of the investors or public views on the existing provisions of stock market and financial institutions from qualitative and quantitative perspectives, on the data collected through survey and focus group discussion. 1000 stakeholders living or working at Pokhara City and are from any geography of the nation is total population of for the stated purposes. The city is the capital city of Gandaki Province of the nation and most probably the potential stakeholders. The researcher invited the stakeholders for the participation in the focus group discussion where 21 participants appeared. They were senior officers of listed banks and finance companies, NEPSE/SEBON, securities brokers, lecturers of finance, market analyzers, professional investors, potential investors, and experts including CEO, CA, and retired-CEO. It used statistical tools using Microsoft Excel software and the SPSS-27.

4. Results and Discussion

The focus group discussion, and survey entertained the structured and open questionnaires. The questionnaires had own specification. The first questionnaire contained total 15 open questions, and second questionnaire contained 24 questions which were for the focus group discussion and survey respectively. The second questionnaire had three parts as the first, second, and third part. The third part related with objective of the research contained six questions (QN 1 to QN 6) belong to respondents' information, and seven questions (QN 16 to QN 24) were mixed questions belong to the objectives. The last two questions (Q N 23 to QN 24) were open ended respectively in order to accumulate the respondents open views. Among the respondents the gender wise distribution in both survey and focus group discussion was as figure 1.

Figure 1 Gender Wise Distribution of the Respondents
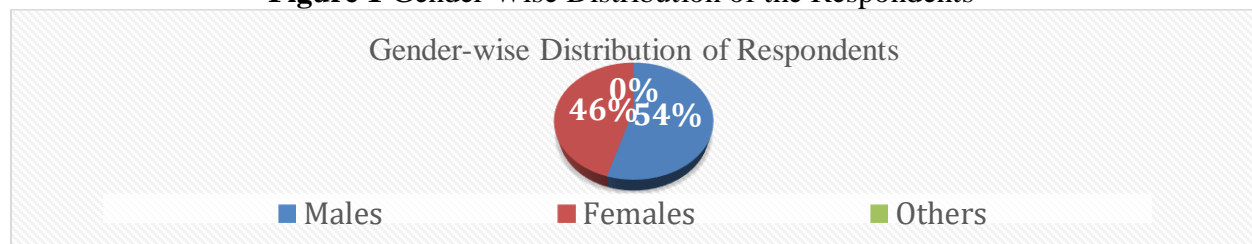
The academic qualification wise distribution of the respondents involved to share their ideas on the questionnaire were as figure 2.

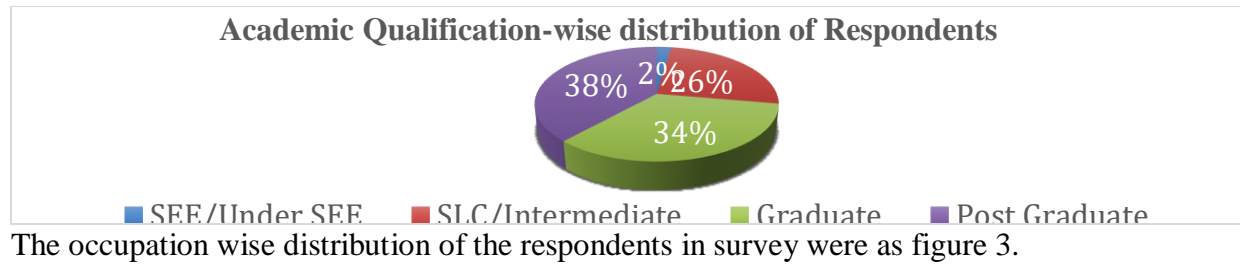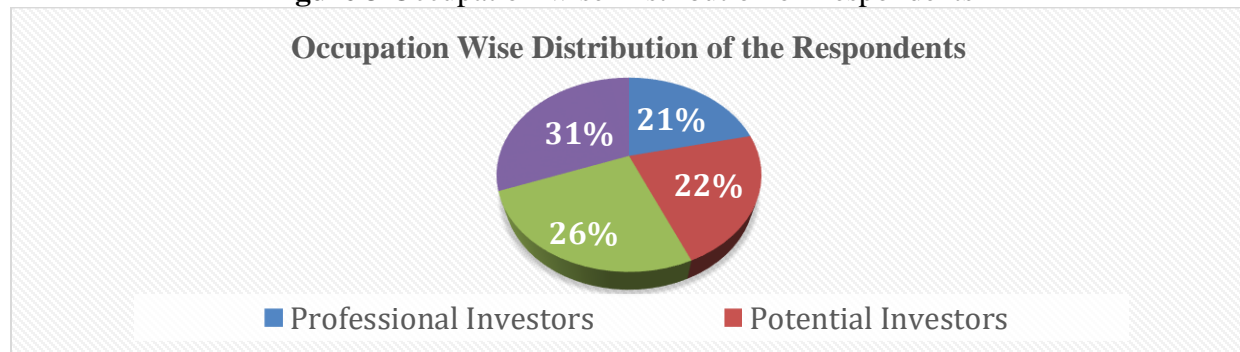**Figure 2** Academic Qualification-wise Distribution of Respondents

Academic Qualification-wise distribution of Respondents

The occupation wise distribution of the respondents in survey were as figure 3.

Figure 3 Occupation-wise Distribution of Respondents

Occupation Wise Distribution of the Respondents

The experience wise distribution of the respondents involved to share their ideas on the questionnaire were as figure 4.

Figure **4 Experience Wise Distribution of the Respondents**

The Investment sector wise distribution of the respondents involved to share their ideas

Experience Wise Distribution of the Respondents
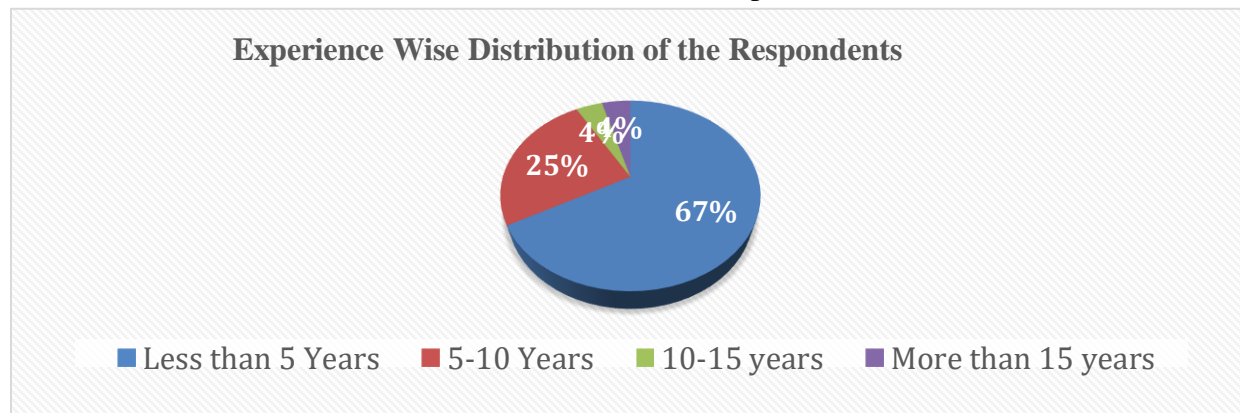
on the questionnaire were as figure 5.

Figure 5 Investment Sector-wise Distributions of the Respondents

Investment Sector-wise Distribution of the Respondents

23%
9%
6%
62%

■ Commercial Banks ■ Development banks ■ Finance Companies ■ More than one type
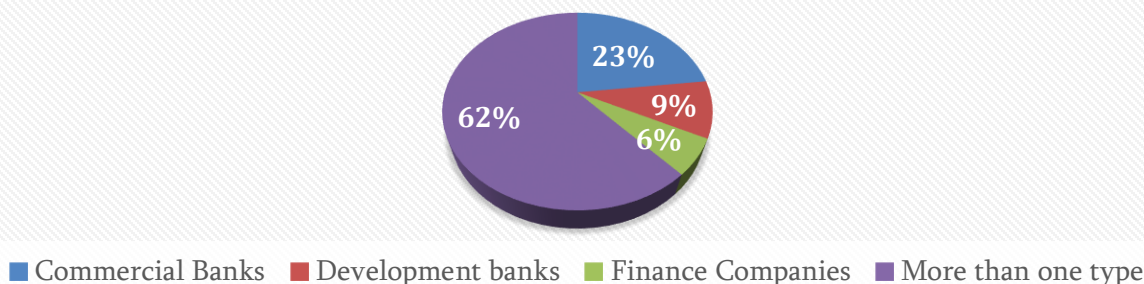
4.2 Suggestions and Strategies for Investors and Concerned Authority

In-order to to draw the suggestions to the investors and strategies to the concerned authorities that belonged to SEBON/NEPSE and the management of banks and finance companies listed in Nepalese secondary market the researchers has incorporated qualitative and quantitative analysis. The qualitative analysis to get answer and the result of the objective of the research, researcher has conducted focus group discussion with 6 question from question number 9 to 15 of the questionnaire used in the focus group discussion. Out of the question, the ninth question was, do investors make investment decision with analysis of relevant indicators? In the discussion, the participants were in three groups. The majority or 11 shared their views in favor of "Yes". Similarly, six participants shared their views on the favor of 'No'. But the remaining 4 participants remained 'undecided'. The result concluded that the participants disagreed with the result 'Yes' were remarkable in number. The tenths question was, are the prevailing roles of NEPSE/ SEBON regarding the share trading prompt? In the discussion, the majority or 10 participants shared their views in favor of 'Yes'. Similarly, 7 participants shared their views in favor of 'No'. But the remaining 4 participants remained 'undecided'. The result showed that the participants disagreed with the result 'Yes' were also remarkable in number. The eleventh question was, are the prevailing laws of NEPSE/ SEBON regarding the share trading prompt? In the discussion, the majority or 10 participants shared their views in favor of 'Yes'. Similarly, 7 participants shared their views on the favor of 'No'. But the remaining 4 participants remained 'undecided'. The result showed that the participants disagreed with the result 'Yes' were also remarkable in number.

The twelfth question was, what reforms should be adopted in listed financial institutions to protect stock investors' interest? In the discussion, the participants commonly concluded that the institutions need to organize and conduct interaction programs with shareholders periodically. In-addition to this, they focused that the institutions are to get standardized with the incorporation of accounting and auditing standard for the overall transparency of the organization. The thirteenth question was, what reforms should be adopted in listed financial institutions to attract stock investors' interest? In the discussion, the participants commonly concluded that the institutions need to catch market sentiments timely and organize the interaction programs with potential shareholders at their local levels. The fourteenth question was, what reforms should be adopted in NEPSE/SEBON policies to protect stock investors' interest? In the discussion, the participants commonly concluded that the authorities should suggest the financial institutions to disclose their organizational information to the brokers and

investors timely and transparently. In-addition to this, participants concluded that authorities should empower the brokers to be professional on trading in the secondary market incorporate the day one policy in the secondary market. The fifteenth question was, what reforms should be adopted to government policies to protect stock investors' interest? In the discussion, the participants commonly concluded that the government should monitor and supervise the NEPSE listed companies regularly with the establishment of investors' investment protection fund to protect and hold the interest and existence of investors in the stock market. In-order to collect the respondents' open views the survey questionnaire adopted two questions question number 23 and 24 respectively. Among the question, question number 23 was about the stock price determinants' identification, over the question no any remarkable idea could be obtained.

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	132	43.6	43.6	43.6
No	111	36.6	36.6	80.2
No idea	60	19.8	19.8	100.0
Total	303	100.0	100.0	

However, question number 24 was related to trading policy of secondary market, over the question 11 respondents out of 303 total respondents shared the idea of requirement of another secondary market in Nepal for the competitive stock trading. And, 17 respondents shared the idea for the endorsement of 1-day policy for the speedy transaction in the secondary market.

Quantitative analysis for the exploration of prompt strategies for the investors and the concerned authorities in the ongoing secondary stock market in Nepal. The survey questionnaire constituted 9 questions from question number 16 to 24. four questions were of mixed type including closed ended and open ended with ranks 1 to 5. The research has presented results obtained from the statistical analysis in the tables. Among 300 respondents 179 respondents have chosen the option 'Yes', 75 respondents have chosen the option 'No' and the remaining 49 respondents have chosen the option 'No-idea' or 'Undecided' as Table 7

Table 7 Investors Make Investment Decision with Analysis

Options		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	179	59.1	59.1	59.1
	No	75	24.8	24.8	83.8
	No idea	49	16.2	16.2	100.0
	Total	303	100.0	100.0	

Note: *Analysis of Primary Data Collected by the Researcher in Survey, 2023*

The percentage of the respondents who responded on the question, whether the prevailing laws and policies for trading share sound or not. Among 300 respondents 132 respondents have chosen the option 'Yes', 111 respondents have chosen the option 'No' and the remaining respondents have chosen the option 'No-idea' or 'Undecided'. The number of respondents in the group of 'Yes' and 'No' option were nearer. The respondents from option 'No' and 'No-idea' together exceeded the group who has chosen option 'Yes' as Table 8.

Table 8 The Prevailing Laws and Policies for Trading of Share are Sound

Note: *Analysis of Primary Data Collected by the Researcher in Survey, 2023*

The percentage of the respondents who responded on the question, whether the roles of NEPSE/SEBON are sound or not. Among 300 respondents, 176 respondents have chosen the

options 'Yes', 56 respondents have chosen the option 'No' and the remaining respondents have chosen the option 'No-idea' or 'Undecided'. Therefore, majority of the respondents believed that the prevailing roles are prompt as Table 9.

Note: *Analysis of Primary Data Collected by the Researcher in Survey, 2023*

Among five possible options, four closed and one open with rank analysis found that option second and fourth got mean 3 with SD 1. Hence, the institutions are to organize interaction programs with shareholders frequently and incorporate the Accounting and Auditing Standard in-order to hold them with organization in the secondary market as Table 10.

Table 10 Reform Required in the Companies for Investors' Interest Protection

Reforms/ Statements	N	Mini-mum	Maxi-mum	Mean	Std. Dev.
The institutions are to disclose their real and timely financial and non-financial information.	303	1.00	5.00	2	1
The institutions are to organize interaction programs with shareholders frequently.	303	1.00	4.00	3	1
The institutions are to conduct AGMs and audits on time.	303	1.00	5.00	2	1
The institutions are to incorporate the Accounting and Auditing Standard.	303	1.00	4.00	3	1
Others	303	1.00	5.00	0	0

Note: *Analysis of Primary Data Collected by the Researcher in Survey, 2023*

Among five possible options, four closed and one open with rank analysis found that option second and fourth got mean 3 with SD 1. Hence the institutions are to organize the interaction programs with potential shareholders at their reach frequently, and be able to catch market sentiments timely despite quantitative factors as Table 11.

Table 11 Reform Required in Listed Companies for Attraction Investors' Interest

Table 9 Prevailing roles of NEPSE and SEBON are Prompt

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	176	58.1	58.1	58.1
	No	71	23.4	23.4	81.5
	No idea	56	18.5	18.5	100.0
	Total	303	100.0	100.0	

Reforms/ Statements	N	Minimum	Maximum	Mean	S. D.
The institutions are to disclose their organizational information through print and electronic.	303	1.00	4.00	2	1
The institutions are to organize the interaction programs with potential shareholders at their reach frequently.	303	1.00	4.00	3	1

The institutions are to adopt a competitive dividend policy and offer.	303	1.00	5.00	2	1
The institutions are to be able to catch market sentiments timely despite quantitative factors.	303	1.00	4.00	3	1
Others	303	1.00	5.00	5	0

Source: Primary Data Analysis from Survey, 2023

Among five possible options, four closed and one open with rank analysis found that option second, third, and fourth got mean 3 with SD 1. Authorities are to suggest the institutions to disclose the available financial information to brokers and investors timely and transparently, make prompt rules to make brokers professionalized, and develop a reward-punishment system for making the market attractive and effective as Table 12.

Table 12 Reform Required in Regulatory Organization NEPSE/SEBON

Reforms/ Statements	N	Minimum	Maximum	Mean	S. D
Monitoring and supervising listed banks and financial institutions.	303	1.00	5.00	2	1
Development of a reward-punishment system.	303	1.00	4.00	3	1
Suggestions to the institutions to disclose the available financial information to brokers and investors timely and transparently.	303	1.00	4.00	3	1
Prompt rules to make brokers professionalized.	303	1.00	4.00	3	1
Others	303	1.00	5.00	0	0

Note: *Analysis of Primary Data Collected by the Researcher in Survey, 2023*

Among five possible options, four closed and one open with rank analysis found that option third, and fourth got mean 3 with SD 1. Authorities are to monitor and supervise the companies and establish investors' protection fund for making market attractive and effective as Table 13.

Table 13 Reform Required in Government Policy

Reforms/ Statements	N	Minimum	Maximum	Mean	Std. D.
Formulation and implementation of prompt laws and policies for the capital market.	303	1.00	4.00	2	1
Implementation of capital market educational package to the potential investors and shareholders.	303	1.00	4.00	2	1
Establishment of investors' protection fund.	303	1.00	4.00	3	1
Monitoring and supervision of listed companies.	303	1.00	4.00	3	1
Others	303	1.00	5.00	0	0

Note: *Analysis of Primary Data Collected by the Researcher in Survey, 2023*

The listed companies should reform their services to hold the existing investors. Among five possible options, four closed and one open with rank analysis found that option third, and fourth got mean 3 with SD 1. Hence, the government authorities are to monitor and supervise listed companies and establish investors' protection fund for making the market attractive and effective.

5 Findings and Conclusion

The accomplishment of the research under the topic with stated objectives and research problems regarding the strategies and the suggestion exploration, the research appeared that the survey found more than 40 percent investors invest without analyzing the market and stock price determinants. The focus group discussion had similar conclusion on the issue. The survey found 44 percent respondents liked the existing laws and policies related to the stock investment in Nepal. The focus group discussion had similar conclusion on it. The survey found 58 percent respondents like the existing roles of regulatory and controlling bodies; NEPSE and SEBON. The focus group discussion accepted. The survey and focus group discussion both concluded that the organization listed in NEPSE are to manage interaction program with stakeholders and adapt sound accounting and auditing standard for investors' interest protection. The survey and focus group discussion both concluded that the listed companies are to be able to catch market sentiments timely despite quantitative factors and organize the interaction program about the stock investment program with potential shareholders at their reach regularly. The survey and focus group discussion both concluded that the regulatory bodies are to develop reward punishment, instruct listed companies for disclosing their information timely, and prompt rule to the broker. The survey and focus group discussion both concluded that the national government has to establish investors' protection fund for the investment empowerment, and prompt supervision mechanism to regulate the investment in the market. Few respondents suggested for the incorporation of another secondary market and extension of timing of security trading with one day policy for the future development of competitiveness in the secondary stock market of Nepal.

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