

**YANGON UNIVERSITY OF ECONOMICS**  
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**INVESTOR ATTITUDE TOWARDS STOCK TRADING IN**  
**YANGON STOCK EXCHANGE**

**EIEIMON**  
**(MBF-4<sup>th</sup> BATCH)**

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# **INVESTOR ATTITUDE TOWARDS STOCK TRADING IN YANGON STOCK EXCHANGE**

A thesis is submitted for a partial fulfilment towards the requirements for  
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Supervised by

Professor Dr. Daw Soe Thu  
Programme Director  
MBF Programme  
Yangon University of Economics

Submitted by

EiEi Mon  
Roll No. 15  
MBF 4<sup>th</sup> Batch

## **ABSTRACT**

The objective of the study is to identify the current situation of stock trading in Yangon Stock Exchange. Moreover, this study examines investor attitude towards stock trading. In the meantime, there are five listed companies, six securities companies, and over 30,000 investors, however; only about 1,500 investors are making stock trading actively in Yangon Stock Exchange. Primary data were collected by distributing questionnaire to 20% of investors who are now trading shares of listed companies through securities companies and the survey period was during October, 2018. The secondary data were also collected from YSX website and SECM website. Descriptive method was used for analysis. The study found that most of investors trading on YSX are medium-term investors whose interest is to get dividends of companies rather than others. Moreover, they are also interested in saving deposit in the bank and buying/ selling gold and silver than stock investment. Therefore, the study made recommendations that YSX and responsible members should share the capital market education to public throughout country so as to increase investor knowledge concerning stock trading.

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# **CHAPTER I**

## **INTRODUCTION**

Capital market plays a crucial role in development of a country by mobilizing funds to generate investment. It is the transmission mechanism between surplus units from the savers who do not spend all their income and deficit units from the borrowers who need the capital. Therefore, capital market acts as an important link between savers and investors. A well-capital market provides the attractive funds even from foreign countries besides domestic savings; therefore, it gives opportunities to investors from different institutions such as commercial banks, mutual funds, investment trust and so on, to get a good return on the investing funds.

If the capital market is absented, people who want to save, invest their funds in passive investment like gold, real estate, conspicuous consumption, etc. A country where capital is scarce may face a greater hindrance to capital formation and economic growth as capital market does not develop well. Myanmar Government also endeavors to establish a capital market in Myanmar since 1995 because of the importance for the development of a country. However, there was Rangoon Stock Exchange in Myanmar before World War II and traded equity securities on that stock exchange. Seven European firms traded a limited number of British and European stocks in the secondary market. At that time, there were no Myanmar companies listed in that fledging market. However, Rangoon Stock Exchange failed to develop and ended with the outbreak of World War II.

After many reform measures were taken in the real sectors as well as in the financial sector to be in line with the market economy, the idea of forming a stock market in Myanmar revived again. Implementing and developing stock market in Myanmar gains a couple of benefits to the country. The government and business which are seeking the capital can generate the funds themselves easier from the investors who want to invest their surplus fund by trading on stock market. To supervise and manage the stock exchange market, Myanmar government established Securities and Exchange Commission of Myanmar (SECM) in August, 2014. Yangon Stock Exchange held the Grand Opening Ceremony successfully on 9<sup>th</sup> December, 2015. Yangon Stock Exchange started the trading operation on 25<sup>th</sup> March, 2016 with the First Myanmar Investment Company Ltd. After that, Myanmar Thilawa SEZ Holdings (MTSH), Myanmar Citizens Bank (MCB), First Private Bank (FPB) and

TMH Telecom Public Company Ltd (TMH) were also listed on the Yangon Stock Exchange.

### **1.1 Rationale of the Study**

The capital market not only provides government and private sectors to make long-term investments but also gives the opportunities to investors to participate in the various huge businesses. In above motivation, Yangon Stock Exchange became the first stock exchange in Myanmar so as to develop the capital market after long decade passed. Myanmar people regard gold, US dollar and property as the investment; however, the kinds of investment which international regard are stock, bond, cash, property and commodities and gold. Stock has a running business behind it; and the more growth the businesses' profit, the more stock value increases.

Yangon Stock Exchange was officially launched on 9<sup>th</sup> December, 2015 with a sequence of endeavors like enacting the Securities and Exchange Law and related rules, formation of Myanmar Securities Commission as regulatory body, stipulating business regulations and issuing listing criteria, introduction of Stock Exchange system and installation of ICT infrastructure and capacity building to staff and etc.

However, the newly stock exchange market isn't active and daily trading volume and value remains quite small because of a limited number of listed companies, insufficient number of investors and lack of capacity or lack of knowledge of investors as to stock market. In the present time, in spite of having over 30,000 investors of listed companies, only over 1500 investors are making stock trading actively in Yangon Stock Exchange. In addition, although Yangon Stock Exchange began its stock trades with the high stock price of listed companies, in these days, their prices and stock trades gradually decline. Thus, knowledge of stock market and their price fluctuating are considered as a hot issue for investors. Stock market movements are difficult to understand, and forecasting it is even more difficult. As mentioned above, this study will identify the current situation of stock trading of Yangon Stock Exchange, investor's knowledge of stock trading and their attitudes to stock price fluctuation

### **1.2 Objectives of the Study**

As development of Capital Market is essential for achievement of economic development of a country, the main objectives of the study are-

- i. To identify the current situation of stock trading in Yangon Stock Exchange and
- ii. To examine investor attitude towards stock trading in Yangon Stock Exchange

### **1.3 Scope and Methods of the Study**

Although Yangon Stock Exchange was officially launched on 9<sup>th</sup> December, 2015, its trading started on March 25<sup>th</sup>, 2016. Therefore, this study emphasized present situation of stock trading of Yangon Stock Exchange from March, 2016 to July, 2018. The study also identifies on investor attitude towards stock trading in Yangon Stock Exchange.

Descriptive method together with data analysis was mainly used in this study. The data for this study were gathered through the use of primary and secondary data sources. As a primary data collection, questionnaires were constructed by using convenient sampling method, and in order to fulfill the thesis objective, the study used questionnaire to ask investors trading shares currently in YSX. Secondary data and information are collected from YSX website, Securities Companies, relevant books, references, thesis papers and other internet websites.

### **1.4 Organization of the Study**

The Chapter 1 is the introduction which include rational of the study, objectives of the study, scope and method of the study and organization of the study. Chapter 2 illustrates the literature review about financial market, comparison of capital market and money market, primary market and secondary market, role of stock market, investors in stock market and their attitudes and factors affecting stock price fluctuation. Development of Capital Market in Myanmar, history of YSX, establishment of Yangon Stock Exchange, overview of trading, clearing and settlement, current situation of stock trading in Yangon Stock Exchange and stock price fluctuation in Yangon Stock Exchange are examined and evaluated in Chapter 3. Chapter 4 consists of research design, profile of the respondents, investment behavior of respondents, analysis of investor attitude towards stock trading in Yangon Stock Exchange. Based on the findings in Chapter 4, suggestion, recommendations and need for further research are revealed in Chapter 5.

## **CHAPTER II**

### **THEORETICAL BACKGROUND**

This chapter discusses the theoretical framework which is an importance part of thesis and research. This includes a discussion of the concepts of money market and capital market besides primary and secondary market nature and role of stock market. As foundation of research study of this paper, the chapter is to review the literature concerning the factors affecting stock market price fluctuation, which will analyze internal and external factors so as to understand their contribution to volatility.

#### **2.1 Role of Financial Market**

Financial market is a place where the fund from people who have the surplus money; however, they do not have the productive use for them flow to those with shortage. Financial markets are the other key component of investment environment. Well-functioning financial market is designed to allow governments and corporations to raise new funds and to allow investors to execute their buying and selling orders. Activities in financial markets also provide direct effect on personal wealth besides the behavior of business and consumers.

There are three important economic functions of financial market: (i) determining the prices of assets trade through the interactions between buyers and sellers (ii) providing a liquidity of the financial assets and (iii) reducing the cost of transactions by reducing explicit costs. In the financial market includes capital market, commodity market, money market, derivatives market, future market, insurance market and foreign exchange market. Financial markets can be distinguished into two major dimensions (i) money market vs capital markets and (ii) primary market vs secondary market.

Although all securities are traded in the primary market firstly, the secondary market intends liquidity these securities investors bought by trading on Stock Exchange. In the primary market, corporate and government entities can raise capital by issuing the new securities as the first transactions. In the secondary market, the previously issued securities are traded among investors by using securities brokers who deliver an order received from investors in securities to a market place where these orders are executed (Kristina Levisauskaite, 2010).

Financial markets conduct the prominent economic function of channeling funds from government, corporations and households that want to invest surplus funds, to those that have shortage funds as they wish to expand their business or other various reasons. Those who want to save and lend funds, the lender-savers, are at the left and those who must borrow funds as the various reasons, the borrower-spenders, are at the right. The principal lender-savers are households, and the most important borrower-spenders are business and government. However, households and foreigners also borrow to finance their purchase of cars furniture and so on. Thus, the arrows show that funds flow from lender-savers to borrower-spenders through two routes. Borrowers borrow funds directly from lenders in financial market by selling their securities in the direct finance (Mishkin Frederic S, 2007).

## 2.2 Comparison of Money Market and Capital Market

Money market is a market in which only financial instruments or debts with one year or less than one year are traded. On account of trading short-term securities, level of risk is lower and high liquidity. The money market includes commercial banks, non-financial business with the excess funds and financial instruments are certificates of deposit, treasury bills, commercial paper, bankers' acceptances, repurchase agreements, other short-term investment vehicles. In the money market, economic units with the short-term surplus funds (i.e., buy money market securities) can lend to the other economic units who need short-term funds (i.e., sell money markets instruments)

**Figure (2.1)**

### Flow of Money Market



Source: Yangon Stock Exchange Website (2015)

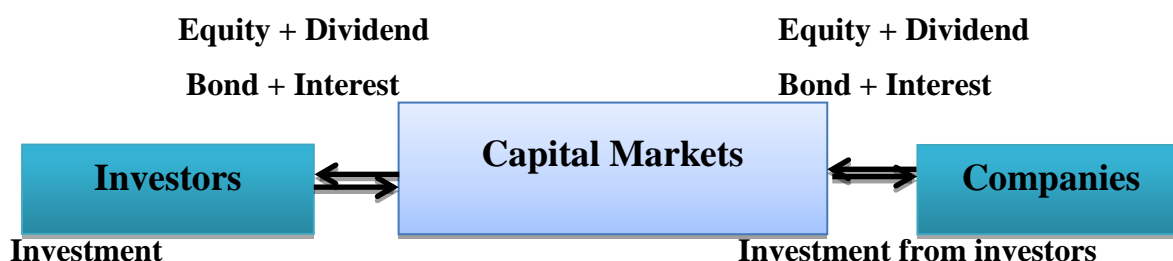
Capital market is defined as a market in which long-term financial instruments with more than one year are traded; in addition, it allows firms, government to finance spending in excess of their current incomes. The primary role of the capital market is allocation of ownership of the economy's capital stock. In general terms, the ideal is a market in which prices provide accurate signals for resource allocation: that is, a

market in which firms can make production-investment decisions, and investors can choose among the securities that represents ownership of firm's activities under the assumption that security prices at any time "fully reflect" all available information (Fama ,1970).

Financial instruments traded in the capital market are long-term securities; therefore, the investors can suffer more risky rather than short-term securities. Banks, insurance companies, pension funds, lending the large amounts of funds for a long-term period, investment funds with big pools of funds for investing, are the fund suppliers in the capital market. In this market uses common stocks, preferred stocks, treasury bonds, municipal bonds, corporate bonds and other long-term investment vehicles as the financial instruments. Three main functions in such market provide: (i) capital to businesses and governments (for issuers), (ii) investment opportunities (for investors) and (iii) information for efficient investment and governance (for both).

**Figure (2.2)**

**Flow of Capital Market**



Source: Yangon Stock Exchange Website (2015)

### 2.3 Primary Market Vs Secondary Market

A primary market is a place where government, company and corporation sell their securities like stocks or bonds to the members of the public who are willing to subscribe to such shares so that they can gain capital to expand existing business or purchase new entity. In accordance with Mishkin (2004), it is a market in which a company or corporation sell the new issues of securities to the public initially to expand its businesses, acquisition of machinery or new technology or diversification or supply of money in the system in order to check inflation.

The primary market for financial instruments is a direct market where companies offer their shares to the public; in addition, the buyers and sellers have the chance to negotiate for the shares on offer, especially in the auction markets where the highest bidder is assumed to have won the purchasing battle. The purpose of the

primary market is to provide finances to organizations so as to boost their current activities. The primary market involve direct contact between the company and the investor because company offers shares directly to the investor who considers them for purchase related to associated profits and the costs of the shares, and the price of the financial instruments is usually fixed in such market. Besides, the buyers can buy financial instruments such as bonds or shares at any place, especially the organization premises; however, if they want to trade them they hold, they need to do through the secondary market.

Secondary Market can trade existing financial instruments like shares, bonds, debentures, options, treasury bills and commercial papers among sellers and buyers. Generally, in the secondary market, individuals or organizations do not want to hold on stock or bonds bought initially at the primary market and wish to retrieve its money investment. Trading financial instruments are done through auctions in the stock exchange or through over the counter (OTC) platforms. The secondary market is an indirect financial platform where prospective buyers purchase shares from other investors through stock exchange or OTC and in this market, the original owner of the shares is not involved in the transfer of the units of ownership.

The secondary market does not offer finances to the company because the shares are traded between prospective investors who have speculative motives. Therefore, the secondary market involves the exchange of shares from one investor to the other. The secondary market has physical existence which means that this form of trade is rooted in a specific place such as stock exchange offices and halls where investors sell their units of ownership to other investors. This market has a trading regulation and is supervised by a trading commission to avoid unfair trading and the investors receive the same information in such market so as to avoid the use of privileged information. In the secondary market, individual investors use securities brokers to act as intermediaries for them. The broker delivers orders received from investors in securities to market place where these orders are executed.

#### **2.4 Development of Stock Markets in Some Asian Countries**

Historically, while the Asian markets have had stock exchanges for more than 100 years, they did not rise to prominence until after World War II. Corporate governance frameworks in Asia have gone through major transformation since the

1997-1998 Asian financial crisis. During this period, policymakers, regulators and stock exchanges in Asia introduced new laws, listing requirements, and codes, as well as established institutions such as institutes of directors and capital market supervisory authorities to enhance capital market. The global process of structural change has also reached the region and today a rising number of Asian stock exchanges are private and joint stock companies.

#### **2.4.1 Japan Stock Market**

The financial system of any country consists of the financial institution, market and regulations and the system performs various economic functions. Among them transferring funds from surplus to deficit units of the economy is the most notable and important. In the case of Japan, every component of financial system is under restructuring. The Japanese financial system was under intense regulation. Monetary authorities and industrial self-constraints restricted the working of free market mechanism. However, since the middle of 1970s when MOF started to issue huge amount of government bonds under the new economic circumstances of lowered economic growth, financial liberalization has evolved and market mechanism has taken to resume their roles in Japan's finance.

After the Meiji Restoration in 1868, the Stock Exchange Ordinance was enacted in 1878 and stock exchanges were established both Tokyo and Osaka immediately. Securities firms started their business by dealing in national bonds at the beginning and in stocks in the 1890s. Taking the opportunity of World War I, the development of heavy industries took place, which resulted in the remarkable expansion of the stock market as well as bond market. Some companies offered their shares to the public and came to list on the stock exchange. However, the outbreak of World War II brought about strict control and regulation of the stock markets by the government.

With the end of the war, the exchanges suspended trading on 9<sup>th</sup> August, 1945 and were ordered by a GHO memorandum on September 1945 to postpone the resumption of trading indefinitely. And then, trading in securities was carried out at the offices of securities companies as well as on unofficial markets. After the American law was enacted in May 1948, and based upon it, a new Securities and Exchange Law patterned and a new stock exchange founded on the membership system was organized and opened in 1949. Nevertheless, the stock market activity



was dull after the resumption of trading until the outbreak of the Korean War in June 1950.

The bond market, after 11 years of inactivity since the end of war, also witnessed a turn in its history with the resumption of trading on the Tokyo and Osaka's exchange in April 1956. Based on the opinion of the Securities and Exchange Council submitted in June 1961, a Second Session was opened on the Tokyo, Osaka and Nagoya exchange in October of the same year. Since the spring of 1968, conditions in the stock market continued to be favourable due to improvement in the nation's balance of payments position, favourable business conditions, a remarkable increase in the purchase of Japanese stocks by the foreign investors. In 1981, stock and bond prices reacted much more sensitively to the movements of foreign investors. In the meantime, a new Banking Law was enacted and the Securities and Exchange Law was amended to allow banking institutions to sell to the public and deal in government bonds.

#### **2.4.2 Korean Stock Markets**

Korea's Stock Markets have developed significantly over the past 54 years since the establishment of Korea Stock Exchange (KSE). As Korea's economy successfully overcame such international turmoil as the oil shocks and the Asian financial crisis to emerge as the world's 7<sup>th</sup> largest trading nation, the KSE has also shown tremendous achievements, growing into the world's 10<sup>th</sup> largest stock exchange through consistent market liberalization.

Korea's Stock Market was officially organized in March 1956 with the establishment of the Korea Stock Exchange (KSE) in the form of the corporation with joint contributions from banks, insurance and securities companies. Although there had been previous exchange before the KSE, such as the Joseon Exchange (1931) and the Joseon Stock Exchange (1943), they were designed exclusively to create capital for Japanese companies operating in Korea and were both closed in 1946.

In January 1962, the Korean government enacted the Securities and Exchange Act (SEA) and the Commercial Code, in an attempt to create a legal framework for the development of securities market. In order to enhance stability, in 1963, the government reorganized the KSE from a corporation into a government owned entity, promoting the capital adequacy of securities firms and improving the securities transaction systems. In 1976, the Securities and Exchange Commission (SEC) and its

executive body, Securities Supervisory Board (SSB) were established as Korea's principal financial regulators. Moreover, the Korea Securities Computer Corporation (KOSCOM) was established to provide a computer system for the securities market.

### **2.4.3 China's Stock Market**

The Shanghai and Shenzhen Stock Exchange were established in December 1990 in accordance with the allowance of the Chinese government to establish stock exchange in 1990. At the end of 1991, the Shanghai Stock Exchange (SSE) had 8 listed stocks and 25 members, while the Shenzhen Stock Exchange (SZSE) had 6 listed stocks and 15 members. On April 4, 1991, SZSE launched the Shenzhen Composite Index, taking the previous day as the base of 100 points. On July, 1991, SSE launched the Shanghai Composite Index, taking December 19, 1990 as its base of 100 points.

### **2.4.4 Vietnam Stock Market**

There are two principal financial institutions that are operating in the Vietnam financial market. They are: Stock Trading Center of Vietnam or STC in Ho Chi Minh City and Hanoi Securities Trading Center or Hanoi STC. In 2000, the Stock Trading Center of Vietnam or STC, known as the Ho Chi Minh Securities Trading Center was established and it is located in Ho Chi Minh City. It conducts as an authorized body of Vietnam State Securities Commission and the principal responsibility of the STC is to supervise the stock trading operations in Vietnam. In the year 2005 after establishing Ho Chi Minh Securities Trading Center, Hanoi Securities Trading Center was incorporated in Hanoi and it deals with buying and selling and auctions of shares and bonds.

### **2.4.5 Laos Stock Market**

The Lao Securities Exchange (LSX) was officially opened on 10<sup>th</sup> October 2010 which presided by Standing Deputy Prime Minister & Chairman of Securities and Exchange Commission (SEC); Governor of Bank of the Lao PDR. The LSX is the first capital market in the Lao PDR which will attract the huge capital to develop the nation and raising the long term funds to companies and also promoting the integrity of Lao financial market.

Thus, Lao Government deems it is necessary to establish capital market so as to collect the long term funds for providing to companies which are required for developing and expanding their manufacturing and services sustainably.

#### **2.4.6 Cambodia Stock Market**

In order to implement Capital Market in Cambodia, the government has to develop 4I's: infrastructure, investors, issuers and intermediaries. Among 4I's, the government can control only infrastructure and the other 3I's are beyond the control of government. The way to drag the 3I's to the hand of Government is to put more effort on education. Cambodia's government upgrade their regulatory framework because of their now gearing toward Capital market. They issue draft laws on the issuance and trading of non-government securities and on government securities. Securities services provided by banks and securities firms are supervised and regulated by SEC.

Securities and Exchange Commission of Cambodia (SECC) was formed on 29<sup>th</sup> April, 2009 under the Law on the Issuance and Trading of Non-Government Securities. Nevertheless, the Securities and Exchange Commission of Cambodia has been in full operations since August 2008. The Ministry of Economy and Finance of the Kingdom of Cambodia and Korea Exchange signed a Memorandum of understanding on "the Development of the Securities Market in Cambodia". Based on this Memorandum of Understanding, the Prime Minister hosted an international conference in November 2007 and proclaimed to launch of the Cambodia Securities Market Project.

In March 2009, the Royal Government of Cambodia represented by the Ministry of Economy and Finance and Korea Exchange has signed a Joint-Venture Agreement to establish a Stock Market. The Cambodia Securities Exchange was established in February 23<sup>rd</sup>, 2010. In accordance with the Joint-Venture Agreement, the Cambodia Securities Exchange has been capitalized by both parties in which Ministry of Economy and Finance owns 55-percent of the registered capital and Korea Exchange the remaining 45-percent.

#### **2.5 Role of Stock Market**

Stock represents fraction of ownership in a firm and is issued by a company so as to raise funds for their business. In addition, stock is also called share because it

represents a portion of ownership of a firm. Shareholders indirectly participant in the management of a company depend on their own proportion of the shares they have. The owner of stocks can claim to a portion of the assets/earnings of a company; nevertheless, they do not have an opportunity to ask companies to redeem the money they have invested. Investors can trade shares anytime to others on OTC market or Stock Exchange Market. There are two main types of stock as common stock and preferred stock.

Basically, Stock exchange is a market place where buyers who want to buy shares and sellers who want to sell them, can trade through securities companies. Stock market is a place where the securities can be sold and purchased at an agreed price. In addition, stock exchanges are far from homogeneous organisations and they differ from country to country in terms of organisation, ownership, size, legal constraints governing their administration, disclosure of information, investors incentives like taxation etc. Cooper (1982).The stock exchange provides the facility for the members to trade securities and only exchange members may trade there. The members include brokerage firms, which offer their services to individual investors, charging commissions for executing trades on their behalf. Other exchange members make buying and selling shares for their own account as dealers or market makers who set prices at which they are willing to buy and sell for their own account (Kristina Levisauskaite, 2010).

The term stock trader typically refers to someone who frequently buys and sells stocks to capitalize on daily price fluctuation. Stock trading can be refined based on certain criteria:

**Active trading** is what an investor who places 10 or more trades per month does. Typically, they use a strategy that relies heavily on timing the market, trying to take advantage of short-term events (at the company level or based on market fluctuation) to turn a profit in the coming weeks or months.

**Daily trading** is the strategy employed by investors who play hot potato with stocks buying, selling and closing their positions of the same stock in a single trading day, caring little about the inner workings of the underlying business. The aim of the day trader is to make a few bucks in the next few minutes, hours or days based on daily price fluctuations.

## 2.6 Investors in Stock Market and Their Attitudes

Investors can be classified as individual or institutional. The investment by individuals in a large corporation commonly exceeds 50 per cent of the total equity. Each individual's investment is typically small, nevertheless, causing the ownership to be scattered among numerous individual shareholders.

The various types of institutional investors that participate in the stock markets are commercial banks, stock-owned saving institutions, saving banks, finance companies, stock mutual funds, securities firms, insurance companies and pension funds. Because some financial institutions hold large amounts of stock, their collective sales or purchases of stocks can significantly affect stock market prices. There are three types of investors namely conservative investors, moderate and aggressive investors. There are also different avenues to invest for investor's namely corporate securities, equity shares, preference share, and debentures, bonds and mutual funds, etc. The investor can get education about their investment from financial institution, financial markets, media, etc. (C.Kavitha, 2015).

Selden (1912) in his article "*Psychology of Stock Market*" mentioned that once the investor develops positive attitude towards stock investment, he remains committed towards it despite of resistance from any internal or external force. Further, Weinstein. N (1980) added that people who are having positive attitude would like to prove those who are injecting negativity wrong. As a result, positive attitude actually makes him ready to face challenges which the stock market will pose due to its stock price fluctuations. Investor overconfidence (Barber and Odean (2001b) may account for high level of trading in financial markets as well as the fact the individual investors make systematic mistakes in the way they process information. The illusion of knowledge can occur when people are given a lot of information on which to base a forecast or assessment. As Oskamp (1965) noted, forecast accuracy tends to improve a lot more slowly than investor confidence. Thus, investors may believe that data, especially from online sources, confer knowledge, and they may overestimate the precision of the data.

According to UNCTAD (1998), investors are motivated by the following factors: macro-economic and political stability, high growth potential, ease of capital and income repatriation, legal transparency and adequate investors' protection, adequate information and reporting disclosures. Moreover, investors are interested in the financial returns on their investment and hence prefer to invest in more liquid

instruments. Warren et al. (1990) and Rajarajan (2000) predict individual investment choices (e.g. stocks, bonds, real estate) based on lifestyle and demographic attributes. The investors see rewards as contingent upon their own behaviour.

## **2.7 Factors Affecting Stock Price Fluctuation**

To understand stock prices and their fluctuating is essential for investors who are participating in stock market because stock price movements are also difficult to understand besides forecasting it. (Sattam Allahawiah, 2012). Stock prices change in the stock market on daily basis because they are determined by supply and demand forces.

The factors of stock prices movement are divided into two parts as internal factors and external factors. The internal factors are a change in board of directors, appointment of new management, and the creation of new assets, supply and demand, company announcements, analysts' earnings estimates, economic data announcements, new laws and regulations and investor sentiment in short term. According to Kay and Putten (2007), the stock price fluctuation is related to company performance which is shown as a dividend payoff. Some company-specific factors that can affect the share price:

- News releases on earnings and profits and future estimated earnings
- Announcement of dividends
- Introduction of a new product or a product recall
- Employee layoffs
- A change of management

Investor sentiment or confidence can cause the market to go up or down which can cause stock prices to rise or fall. *How do investor decisions affect stock prices?* Investors make decisions to buy a stock when its market price is below their valuation, when means they believe the stock is undervalued. On the other hand, they may sell their holdings of a stock when the market price is above their valuation, which means they believe the stock is overvalued.

If the consensus among investors is a favorable revision of expected performance, there are more buy orders for the stock. Demand for shares exceeds the supply of shares for sale, placing upward pressure on the market price. Conversely, if the consensus among investors is lowered expectations of the firm's future performance,

there are more sell orders for the stock. The supply of shares for sale exceeds the demand for shares, placing downward pressure on the market price. Overall, the prevailing market price is determined by the participation of investors in aggregate.

Also, investors respond to the release of new information that affects their opinions about a firm's future performance. In general, favorable news about a company's performance will make investors believe that the company's stock is undervalued at its prevailing price. Unfavorable news about a company's performance will make investors believe that the company's stock is overvalued at its prevailing price.

The external factors include government rules and regulations, uncontrolled natural or environmental circumstances, GDP growth rate, government support, and track record of dividends, policy interest rate change, economic cycle, international events and investor sentiments in long term. If it looks like the economy is going to expand, stock price may rise. Investors may buy more stocks thinking they will see future profits and higher stock prices.

If the economic outlook is uncertain, investors may reduce their buying or start selling. Country's inflation/ deflation can affect the stock price. Inflation means higher consumer prices; therefore, this often slows sales and reduces profit. Higher prices will also often lead to higher interest rates and these changes will tend to bring down stock prices. As the result of deflation, stock prices may go down, and investors may start selling their shares and move to fixed-income investment like bonds. Interest rates may be lowered to encourage people to borrow more.

Regarding the currency effect on the stock market, Ajayi and Mougoue (1996) found that currency depreciation leads to a decline in stock prices in the short run because of this negative relationship as follows: exchange rate depreciation suggests higher inflation in the future, which makes investors skeptical about the future performance of companies. Therefore, the stock prices drop. Moreover, emerging stock market price fluctuation is sensitive to certain local and global events.

## **CHAPTER III**

### **CURRENT SITUATION OF STOCK TRADING IN YANGON STOCK EXCHANGE**

This chapter presents the development of capital market in Myanmar, history of Yangon Stock Exchange, establishment of Yangon Stock Exchange, overview of trading, clearing and settlement, current situation of stock trading in YSX and stock price fluctuation in YSX.

#### **3.1 Development of Capital Market in Myanmar**

Capital market is an important role for the development of country; therefore, Myanmar Government endeavors to establish a capital market in Myanmar since 1995. In the first, Myanmar Securities Exchange Center Co.Ltd (MSEC) was established as a joint-venture company with Myanma Economic Bank and Daiwa Institute of Research Ltd. of Japan in 1996. As lack of public companies together with many other reasons, it did not become a full-fledged capital market in the near future and thus, establishment of capital market is still in infant stage after its commencement 15 years ago. After that, Myanmar Government established Yangon Stock Exchange on 9<sup>th</sup> December, 2015.

However, Yangon Stock Exchange was not a first stock exchange because there was a Rangoon Stock Exchange in Myanmar to trade equity securities before World War II. Nevertheless, seven European firms traded their limited number of British and European stocks in the secondary market within an informal OTC market. In that fledgling securities market, Myanmar listed companies were not involved. After the outbreak of World War II, Rangoon Stock Exchange was closed and development of stock market failed. In the late 1950s, government established nine joint-venture corporations with the private sector and shares of these corporations were traded as preferred stock on an official OTC market; however, as all the firms were nationalized by government after 1962, this market also ended up.

Myanmar has transited to market economy since 1988 and many reform measures were taken in the real sectors such as financial sector to be in line with the market economy. Being aware of the crucial of capital market for the development of the country, a stock market in Myanmar revived again. In order to appear a capital market in Myanmar in 1991, Central Bank of Myanmar made efforts to get technical



and financial assistance from International Monetary Fund (IMF), the United Nations Development Programme (UNDP) and the International Finance Corporation (IFC) and seek international co-operation for establishment of capital market. The Ministry of National Planning and Finance formed a steering committee in 1992 and the Ministry of National and Planning and Finance and the Ministry of Finance and Revenue held various seminars in conjunction with the KPMG Peak Marwick Co., the UNDP and the Daiwa Institute of Research (DIR) Ltd of Japan to establish a capital market since 1994. In early 1995, Myanma Economic Bank and Daiwa Institute of Research (DIR) made an agreement to sign a Memorandum of Understanding in the hope of development of capital market project in Myanmar. And then, Myanmar Securities Exchange Center Co.Ltd (MSEC) was established as 50-50 percent Joint-Venture Company between Myanma Economic Bank (MEB) which is a state-owned bank and the Daiwa Institute of Research (DIR) of Japan. At that time, there were only two companies, Forest Products Joint Venture Company, joint-ventured between the Ministry of Forestry and private sector, and Myanmar Citizens Bank Ltd listed at MSEC and MSEC traded 3 year and 5 year Government Treasury Bonds on the over the counter (OTC) Market.

As an effective and sound regulatory system is essential for the development of capital market, Union Parliament approved to enact the “Securities and Exchange Law” on 31<sup>st</sup> July, 2013. After getting the approval of Union Government, Ministry of Planning and Finance prescribed Securities and Exchange Rules on 27<sup>th</sup> July, 2015 in accordance with the provisions of section (71-i) of Securities and Exchange Law. According to the provisions of section (3) of Securities and Exchange Law and section (2) of Securities and Exchange Rules, Securities and Exchange Commission of Myanmar (SECM) was established as a regulatory body of capital market to regulate and monitor the securities business to be operated safely and smoothly in August, 2014. Yangon Stock Exchange was officially launched on 9<sup>th</sup> December, 2015 for the development of capital market with the Securities and Exchange Law and related regulations, installation of ICT infrastructure and issuing listing criteria for public companies, introduction of stock exchange system and stipulating business regulations.

### **3.2 History of Yangon Stock Exchange**

To develop a systematic capital market with sound and effective regulatory system which can mobilize long-term fund for State and private enterprises, the Ministry of Finance and Revenue (MOFR) established the Capital Market Development Committee and six Sub-Committees to support it in 2008. The Central Bank of Myanmar, Japan Exchange Group and Daiwa Institute of Research (DIR) signed an MOU with the view to develop capital market and implement a stock exchange in Myanmar. On 31<sup>st</sup> July, 2013, Securities and Exchange Law was enacted and the Securities and Exchange Commission of Myanmar (SECM) was established as a regulator under the Ministry of Finance (MOF) in August 2014, to supervise and monitor the stock market and securities companies.

On 15<sup>th</sup> December, 2014, Myanma Economic Bank, Japan Exchange Group and Daiwa Institute of Research was obtained foreign investment permit from Myanmar Investment Commission and Yangon Stock Exchange (YSX) obtained certificate of company incorporation from DICA; after that, Yangon Stock Exchange was officially incorporated on 22<sup>nd</sup> December, 2014 as a foreign joint venture company under the Myanmar Companies Act. On 23<sup>rd</sup> December, 2014, Myanma Economic Bank, Japan Exchange Group and Daiwa Institute of Research signed Joint-Venture Agreement for establishment of the Yangon Stock Exchange.

In accordance with the Securities Exchange Law, Yangon Stock Exchange obtained a stock exchange permit from Securities and Exchange in Myanmar (SECM) on 28<sup>th</sup> April, 2015. After obtaining the permission, Yangon Stock Exchange office which was former Central Bank of Myanmar, had been conducted renovation for setting up function concerning the stock exchange. In April 2015, KBZ bank was selected as a fund settlement bank by the selection committee through government procedure with the view to cleaning and settlement the fund for stock trading. In August 2015, listing criteria were announced by Yangon Stock Exchange as the follows- and YSX held the Grand Opening Ceremony successfully on 9<sup>th</sup> December, 2015.

Yangon Stock Exchange issued the following business regulations regarding the operational matters which are necessary for trading securities in the securities market.

**Table (3.1) Regulations for Stock Market**

Regulation	Matter concerned
Trading Business Regulation	Matter concerning stock trading on YSX
Trading Participant Business Regulation	Matter concerning trading participant of YSX
Listing Business Regulation	Matter concerning listing, listed stock, listed company compliance, delisting
Clearing and Settlement Business Regulation	Matter concerning clearing and settlement procedure of YSX
Book entry transfer Business Regulation	Matter concerning book entry transfer of stock and record of transfer instruction management
Shareholder's Agency Business Regulation	Matter concerning shareholder's agency business by YSX

Source: Yangon Stock Exchange Website (2015)

According to the article 41 (b) of Myanmar Securities and Exchange Law on 13<sup>th</sup> August, 2015, Yangon Stock Exchange published listing criteria for a public company to be listed on stock exchange as follow-

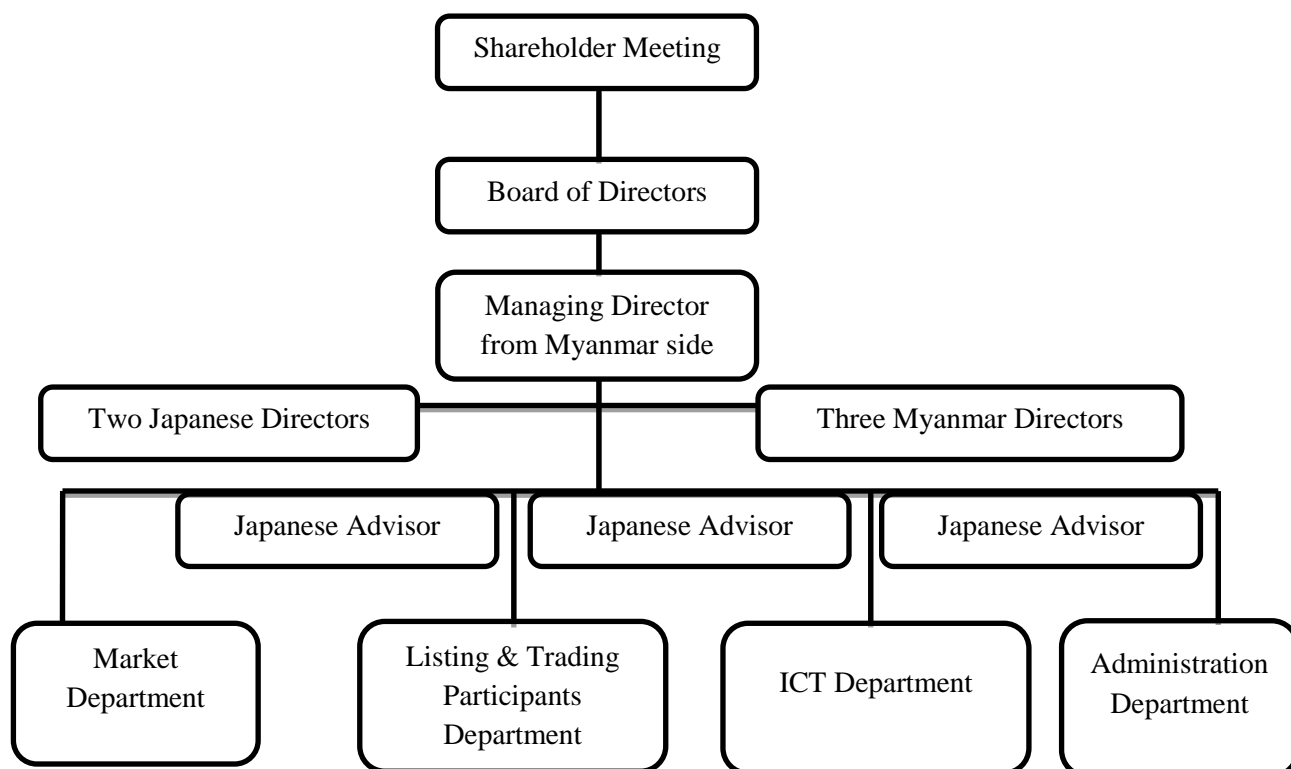
1. It shall be registered company limited by shares in accord with the Myanmar Companies Act, conducting the business in line with the public company's features and procedures.
2. It shall have at least 100 shareholders and above.
3. Paid –up capital shall be the minimum of kyat 500 million on the date of application.
4. It shall have the profit at least 2 years during the period of before the date of application.
5. The business shall have the stable basic income and conduct in accordance with the existing laws.
6. The Board of Directors and the heads of the company shall be in good character and have had not been having any punishment by a court, in addition, have not been facing any lawsuits. They shall perform their duties and responsibilities with well-prepared, in good-faith and fairly in line with the laws.

7. The Board of Directors and the heads of the company shall not act any deceptive manners by the public for the interest of the company and self-interest.
8. Each Director of the public company shall not do any business which has the same interest carrying out by the public company, except with the approval of Shareholder meeting.
9. The company, the Board of Directors and the heads of such company shall not be included in the black list of any public and government organizations.
10. Book –keeping of accounts and auditing of the company shall be undertaken in accordance with the Myanmar Accounting Standards and Myanmar Standards on Auditing.
11. The company shall fulfill tax duties in accordance with existing tax law of Myanmar.
12. The disclosure of relevant corporate information and the facts that the public should be known, shall be disclosed and submitted to the Securities Exchange Commission of Myanmar and Yangon Stock Exchange, besides it shall be disclosed and announced to the public by means of easy understandable and best suitable ways in timely manner. For disclosure of corporate information, it shall prescribe especially and precisely on the matters which have a considerable impact on investment decisions of the investors, such as the risk factors for the potential loss and the basic potential business activities.
13. It shall set up an effective system to comply with laws, rules and regulations by appointing the compliance officer.
14. It shall have business plan containing business design, business process environment and the risk factors.
15. It shall set up a system to prevent the insider trading.
16. It shall continuously operate and manage stably without any influence by keeping soundness of good corporate governance, internal management and internal control system.
17. It shall have rational expectation to get a profit base upon stable revenue.

### 3.3 Establishment of Yangon Stock Exchange

With the view to establishing a Stock Exchange in Myanmar and providing technical assistance, the Central Bank of Myanmar signed a Memorandum of Understanding (MoU) with Daiwa Institute of Research (DIR) and Japan Exchange Group, Inc. (JPX) in May 2012. Yangon Stock Exchange Joint-Venture Company Limited was incorporated on 22<sup>nd</sup> December 2014 as a foreign joint venture company under the Myanmar Companies Act upon obtaining foreign investment permits dated on 15<sup>th</sup> December, 2014 under Myanmar Foreign Investment Law. On 23<sup>rd</sup> December, 2014, Yangon Stock Exchange was established as a joint-venture company between Myanma Economic Bank, Daiwa Institute of Research Ltd. and Japan Exchange Group, Inc. with the total paid up capital of MMK 32 billion and the grand opening ceremony of Yangon Stock Exchange was held on 9<sup>th</sup> December, 2015 after completion of office building renovation and installation of ICT infrastructure.

**Figure (3.1) Organization Structure of YSX**



Source: Yangon Stock Exchange Website (2015)

### 3.4 Overview of Trading, Clearing and Settlement

There are five key players to trade shares successfully in the Yangon Stock Exchange. These are Securities Exchange Commission of Myanmar (SECM), Stock Exchange, Securities Companies, Listed Companies and Investors.

Securities Exchange Commission of Myanmar was formed in August, 2014, comprising with one chairman and six members so as to monitor and manage the stock market after Myanmar Government enacted the Securities and Exchange Law on July 31<sup>st</sup>, 2013 as part of the capital market reforms. Securities Exchange Commission of Myanmar (SECM) is the independent government body and securities regulator of the capital market and to regulate market participants.

In accordance with section 42 (a) of the Securities and Exchange Law and section 4 of the Trading Participant Business Regulations, the Securities Exchange Commission of Myanmar officially announced the six securities companies which were awarded securities business license. The six securities companies trading on Yangon Stock Exchange are shown in Table (3.2). Investors who have bank account and securities account, can trade listed companies' shares on YSX through the securities companies.

**Table (3.2) Six Securities Companies**

No	Securities Companies	Licensed Date
1	Myanmar Securities Exchange Centre Co.Ltd	26-02-2016
2	KBZ Sterling Coleman Securities Co.Ltd	26-02-2016
3	AYA Trust Securities Co., Ltd	01-03-2016
4	CB Securities Co., Ltd	01-03-2016
5	KTZ Ruby Hill Securities Co., Ltd	01-03-2016
6	UAB Securities Limited	23-11-2016

Source: Yangon Stock Exchange Website (2015)

Yangon Stock Exchange started the trading operation on 25<sup>th</sup> March, 2016 with the First Myanmar Investment Company Ltd.,. In the present time, Yangon Stock Exchange conducts the trade with shares of five listed companies which are shown in Table (3.3).

**Table (3.3) Five Listed Companies**

No	Listed Companies	Listed Date
1	First Myanmar Investment Co.Ltd (FMI)	25-03-2016
2	Myanmar Thilawa SEZ Holdings Public Ltd. (MTSH)	20-05-2016
3	Myanmar Citizens Bank Ltd, (MCB)	26-08-2016
4	First Private Bank (FPT)	20-01-2017
5	TMH Telecom Public Company Ld (TMH)	26-01-2018

Source: Yangon Stock Exchange Website (2015)

Trading on the market of YSX is divided into block trading and continuous trading. On account of trading hour is from 9:30 am to 1:00 pm, orders for continuous trading shall be accepted during these periods and transaction is executed by way of call auction at 10:00 am, 11:00am, 12:00 and 1:00 pm through trading system of YSX. As for block trading, trading participants can send orders with over 10,000 trading unit which is accepted from 10:30 am to 1:30 pm by using facsimile. Matching method is applied as Price Priority (the lowest sell and highest buy orders take precedence over other orders) and Time Priority (the order placed earliest takes precedence among orders at the same price). Orders shall be classified into market orders and limited orders.

Trades are settled on the third business day following the trade execution day (T+3, excluding non-business days) and Yangon Stock Exchange provides as Central Counterparty to guarantee the settlement of trade conducted through novation which transfer obligation between buyers and sellers. Different amount of securities and funds will be settled between each participants using Delivery versus Payment method so as to remove the principal risks which mean delivering securities and payment of fund conduct at the same time. Securities transfer is effective as book entry transfer system of YSX and fund transfer is effective through designated fund settlement bank.

### **3.5 Current Situation of Stock Trading in Yangon Stock Exchange**

Yangon Stock Exchange has been officially conducting as the first-ever stock exchange in Myanmar by trading shares of five listed companies to be allowed by YSX on the six securities companies. Regarding trade of first listed stock (FMI) as from 25<sup>th</sup> March, 2016, trading volume of the first three days reached over 530,000

and also trading value was approximately 20 billion Myanmar Kyat (16 million USD). Table (3.4) shows the current situation with regard to shares of listed companies. First Myanmar Investment Co.Ltd (FMI) issued 25,825,076 outstanding shares with par value 1000kyat and its share price is presently around kyat 13,000 per share although its reference price was kyat 26,000 per share when listed in YSX while outstanding shares of MTSH is 38,929,150 share and its par value is kyat 1000. As the same way of FMI, its reference price was kyat 4000 per share; unlucky, its current share price decrease to around kyat 3000 per share significantly. Share price situations of other listed companies are shown in Table (3.4).

**Table (3.4) Present Situation of Listed Companies**

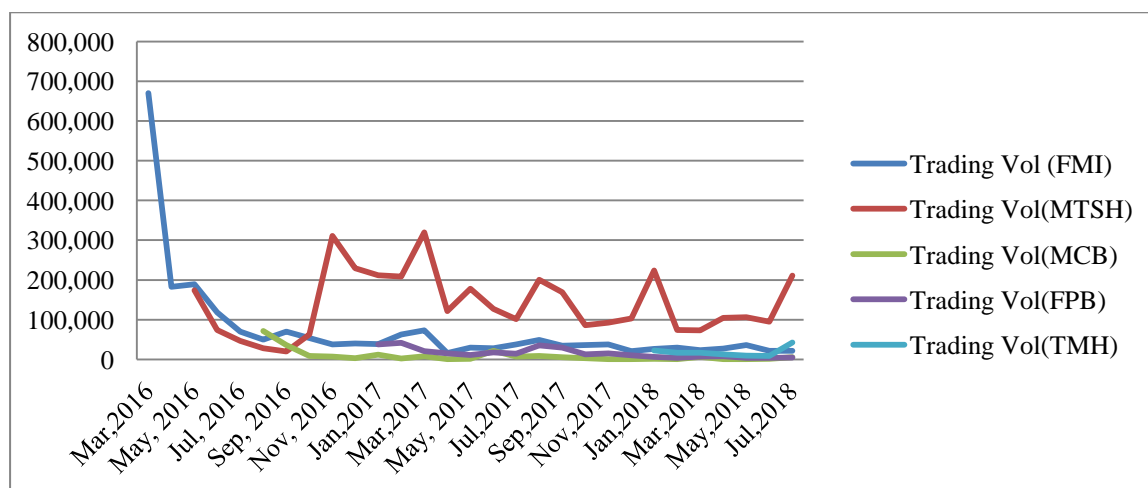
Listed Companies	FMI	MTSH	MCB	FPB	TMH
Established date	3 <sup>rd</sup> July, 1992	3 <sup>rd</sup> May, 2013	30 <sup>th</sup> Oct, 1991	5 <sup>th</sup> Mar, 1992	21Aug, 2007
Outstanding Shares	25,825,076	38,929,150	10,400,986	2,472,053	12,212,906
Par Value	1000 kyat	1000 kyat	5000 kyat	10000 kyat	1000 kyat
Reference Price	26,000 k	4,000 k	6,800 k	39,000 k	3000 kyat
Last Day Price (24.8.2018)	11,500 k	2,850 k	7,700 k	24,500 k	2,900 k

Source: Yangon Stock Exchange Website (2015)

As Yangon Stock Exchange emerged in Myanmar as the very first step stock exchange after long decade, it is facing some obstacles to attract not only public companies but also investors, thus securities market is not active and daily trading volume and value remains quite small.

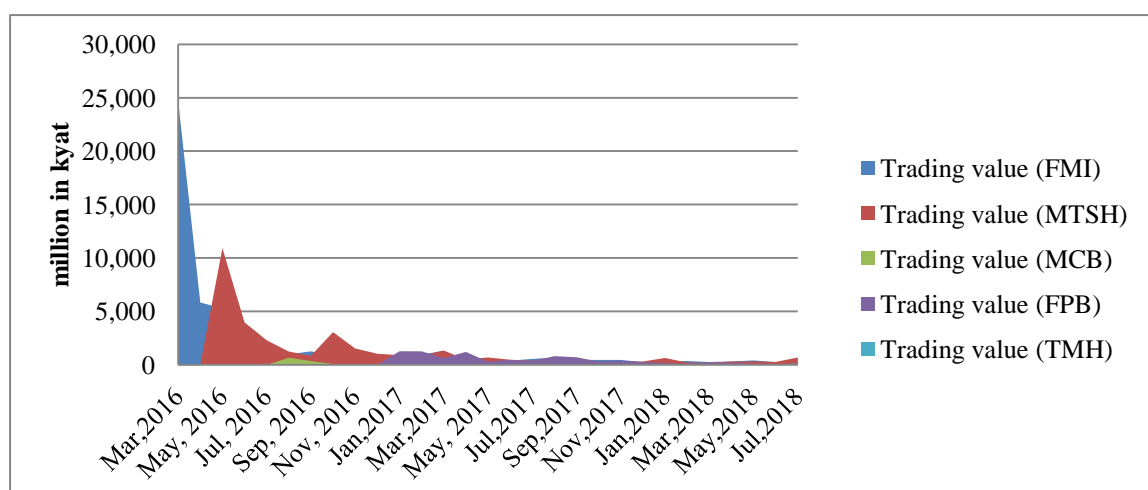


**Figure (3.2) Trading Volume Situation of Listed Companies**



Source: Yangon Stock Exchange Website (2015)

**Figure (3.3) Trading Value Situation of Listed Companies**



Source: Yangon Stock Exchange Website (2015)

Figure (3.2) and Figure (3.3) illustrate the situation related to trading volume and trading value of the present five listed companies. Again, trading volume of FMI's shares steadily increased almost 700,000 and trading value also hikes up kyats 25 billion for the beginning three days after launching to trade with FMI on 25<sup>th</sup> March, 2016. However, as of May, 2016, trading volume of FMI significantly decreased below 200,000 and then, trading volume gradually reached below 100,000 on the next months.

One can see clearly in Figure (3.2) and Figure (3.3) that trading volume of shares of Myanmar Thilawa SEZ Holdings Public Ltd. (MTSH) the same as FMI began below 200,000 and trading value was at its peak kyats 10 billion during these trading days. After share split which each shareholder owning one share has a change

to own ten shares, with the view to more affordable price to investors because of reducing share price, trading volume of MTSH went up above 300,000 while its trading value is unstable as it goes to downward trends. Trading (both volume and value) among MCB, FPB and TMH are shown as in Figure (3.2) and Figure (3.3) in which you can see that these share volume and value also gradually goes to downward trends.

Yangon Stock Exchange started to calculate MYANPIX (Myanmar Stock Price Index) from 25<sup>th</sup> March, 2016 which registration number is 4/8680/2016 and 4/8681/2016 in order to represent price fluctuation of an overall stock market and become basic tools to describe Myanmar's stock market for investors. Calculation method is as follow and Table (3.6) shows MYANPIX of July, 2018.

### Calculation methods

$$\text{Index} = \frac{\text{CMV}}{\text{BMV}} * \text{Base Point}$$

Where:

CMV= Current market value

BMV= Base market value

Market value= $\sum$ (No.of shares for each constituent\* Stock price for each constituent)

**Table (3.5) Index as at 31<sup>st</sup> July, 2018**

Index	Code	Last price	No. of Listed Company	Trading volume (shares)	Trading value (MMK)	Market Cap. (mil MMK)
Myanmar Stock Price Index	MYANPIX	470.62	5	20,018	71,667,900	627,335

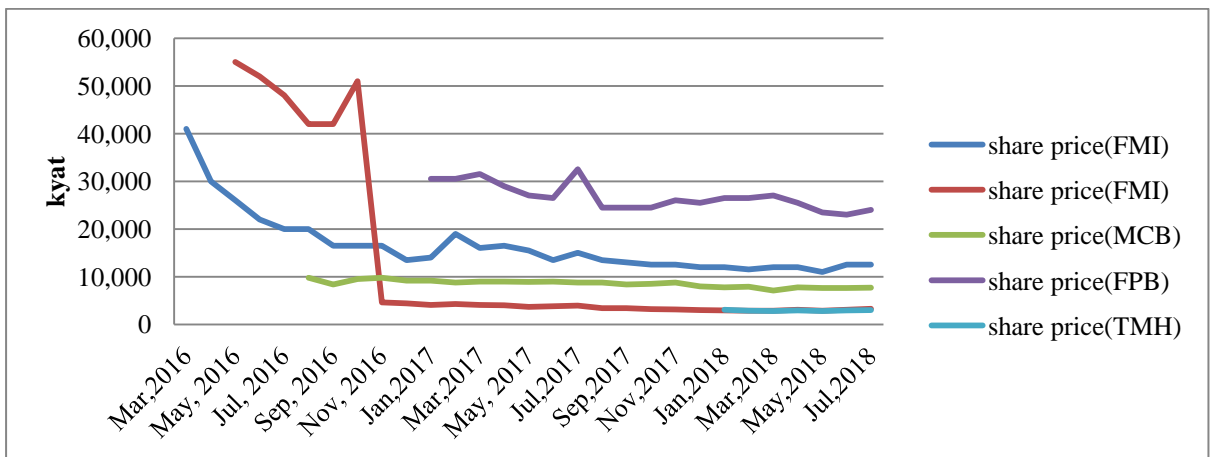
Source: Yangon Stock Exchange Website (2015)

### 3.6 Stock Price Fluctuation in Yangon Stock Exchange

Figure (3.4) illustrates share price fluctuation of listed companies trading on Yangon Stock Exchange as of 25<sup>th</sup> March, 2015. At the beginning days of stock trading of FMI, share price of FMI went up kyat 41,000 per share significantly although the reference price was kyat 26,000 per share, however, share price is going as downward trend without stable. Now, FMI's share price declined kyat 12,500 in

July, 2018. In addition, you can see share price fluctuation of other four listed companies in Figure (3.4). Share price of MTSH increased kyat 55,000 per share in spite of being kyat 30,000 per share as the reference price in May 2016. In November, 2016, its share price went down kyat 4,600 per share steadily because of share split as explained in Figure (3.2) and Figure (3.3). Share price of MTSH is fluctuating between kyat 3,000 and kyat 3,500 per share in present time. The other share prices of (MCB, FPB and TMH) like FMI and MTSH goes as downward trend currently.

**Figure (3.4) Share Price Situation of Listed Companies**



Source: Yangon Stock Exchange Website (2015)

## CHAPTER IV

### ANALYSIS ON INVESTOR ATTITUDE TOWARDS STOCK TRADING IN YANGON STOCK EXCHANGE

This chapter presents research design, demographic profile of respondents, and investment behaviour of respondents and investors attitudes towards stock trading in Yangon Stock Exchange.

#### 4.1 Research Design

This study was descriptive to the extent of investor knowledge of stock trading and their attitudes towards stock price fluctuation. Currently, although there are over 30,000 investors who opened securities accounts in securities companies, only about 1500 investors are trading shares in Yangon Stock Exchange through securities companies they opened. This study used both primary data and secondary data. The first approach of the study distributed questionnaire survey to 240 of investors opened securities accounts in 6 securities companies. In order to increase the validity and reliability of the study, descriptive method is used.

#### 4.2 Profile of the Respondents

This section presents about the profile of respondent of surveyed. Age level, kind of gender, marital status, educational level, occupation status, monthly income, and expenditure condition will be summarized as follow.

##### Age Level of the Respondent

The age level of surveyed respondents are categorized into (4) groups, ranging from up to 30 years , 31 to 40 years, 41 to 50 years and above 50 years respectively. The most respondent of the study is 31-40 in which is shown in Table (4.1) in accordance with survey result.

**Table (4.1) Age of the Respondent**

Age (Years)	No. of Respondents	Percent
up to 30	78	32.5
31-40	96	40.0
41-50	58	24.2
Above 50	8	3.3
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

### Gender of the Respondent

According to Table (4.2), the survey result is that 80% of total respondents are female who are interested in stock trading.

**Table (4.2) Gender of the Respondent**

Gender	No. of Respondents	Percent
Male	48	20.0
Female	192	80.0
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

### Marital Status of the Respondent

The survey result is that 60.4% of total respondents are single and 35.8% of total respondents are married, in accordance with Table (4.3).

**Table (4.3) Marital Status of the Respondent**

Marital Status	No. of Respondents	Percent
Married	86	35.8
Single	145	60.4
Divorced	9	3.8
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

### Educational Qualification of the Respondent

According to Table (4.4), the survey result is that 54.2% of total respondents are graduate persons, 30.8% of total respondents are post graduate persons, 11.7% of total respondents are high school person and 3.3% of total respondent is other respectively.

**Table (4.4) Educational Qualification of the Respondent**

Education	No. of Respondents	Percent
High School	28	11.7
Graduate	130	54.2
Post graduate	74	30.8
Other	8	3.3
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

### **Occupation of the Respondent**

Table (4.5) shows occupation of respondent in accordance with survey result. One can see that 37.1% of total respondent are company employees, 29.2% of total respondent are private owned business, 12.9% are government employees and NGO employees are 20.8%.

**Table (4.5) Occupation of the Respondent**

<b>Type of Occupation</b>	<b>No. of Respondents</b>	<b>Percent</b>
Company employees	89	37.1
Private Owned Business	70	29.2
Government employees	31	12.9
NGO employees	50	20.8
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

### **Monthly Income of the Respondent**

Monthly incomes of respondents are classified into four groups. In accordance with Table (4.6), 40.4% of total respondents are kyat 250,000 to 700,000 and 24.6% of total respondents are up to kyat 250,000.

**Table (4.6) Monthly Income of the Respondent**

<b>Income</b>	<b>No. of Respondents</b>	<b>Percent</b>
Up to kyat 250000	59	24.6
Kyat 250000-700000	97	40.4
Kyat 700000-1500000	38	15.8
Above 1500000	46	19.2
Total	240	100.0

Source: Survey Data, 2018

### **Average Spending Condition from monthly income of the Respondent**

Table (4.7) presents spending conditions of respondents upon their monthly income. According to survey result, 40.4 % of total respondents spend between 40% - 60% and 12.9% of total respondents spend 25%-40% of their income.

**Table (4.7) Average spending condition from monthly income of the Respondent**

<b>Average spending condition (%)</b>	<b>No. of Respondents</b>	<b>Percent</b>
25%-40%	31	12.9
40%-60%	97	40.4
60%-80%	76	31.7
Above 80%	36	15.0
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

### **Investment Options of Respondent**

The investment options of surveyed respondents are divided into four groups like stock; saving, gold/ silver and real estate in Table (4.8) which shows that investors are interested in saving deposit in the banking sector are 30.8% and 24.6% of investors wish to invest in stock.

**Table (4.8) Investment Options of Respondent**

<b>Investment Option</b>	<b>No. of Respondents</b>	<b>Percent</b>
Stock	59	24.6
Saving	74	30.8
Gold/Silver	71	29.6
Real Estate	36	15.0
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

## **4.3 Investment Behaviour of Respondent**

This section describes investment behaviour of investors trading in Yangon Stock Exchange. There are type of investment, influencing factors for selling shares and investing shares, company information that investors expect, investment amount per year and investment time horizon.

### **Type of Investment of Respondents**

Types of investment of investors are categorized as short term investment, mid-term investment, long term investment and mix of any two. Table (4.9) presents that 30.4% of total investors make mid-term investment and 27.9% and 27.5% of total investors make long term investment and short term investment respectively.

**Table (4.9) Type of Investment of Respondents**

Type of Investment	No. of Respondents	Percent
Short term	66	27.5
Mid term	73	30.4
Long term	67	27.9
Mix of any two	34	14.2
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

### **Objective Factors of the Investment of Share**

Objective factors of investing in Yangon Stock Exchange are shown as dividend, low share price, expectation of share price increase and expectation of capital gain in Table (4.10). According to survey result, 51.7% of total investors depend on getting dividend that will be paid off by companies and 19% of total investors are expectation of capital gain.

**Table (4.10) Objective factors of the investment of share**

Objective Factors of the investment of share	No. of Respondents	Percent
Dividend	124	51.7
Low share price	21	8.8
Expectation of share price increase	46	20.4
Expectation of capital gain	49	19.2
Total	240	100.0

Source: Survey Data, 2018

### **Objective Factors of the Sale of Share in Stock Market**

Factors that influence for selling shares investors hold are shown in Table (4.11). They are divided into four groups: Low or no dividend, Low share price, expectation of share price decrease and other. One can see clearly in Table (4.11) that 31.3% of investors who want to sell their holding shares are as the result of expectation of share price decrease. Again, 30.4% of total investors want to sell shares as companies' dividends are low or not.



**Table (4.11) Objective Factors of the Sale of Share in Stock Market**

<b>Objective Factors of the sale of share</b>	<b>No. of Respondents</b>	<b>Percent</b>
Low or no dividend	73	30.4
Low share price	57	23.8
Expectation of share price decrease	75	31.3
International events	35	14.6
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

### **Company Information Investor Expected**

The company information investors expected are described four categories as availability of information, transparency of criteria used by the management, good investor relations department and other in Table (4.12). In accordance with survey result, 58.8% of investors expect transparency of criteria used by management and 12.5% of investors want to receive good investor relations department.

**Table (4.12) Company Information Investor Expected**

<b>Information</b>	<b>No. of Respondents</b>	<b>Percent</b>
Availability of information to shareholders	64	26.7
Transparency of criteria used by the management	141	58.8
Good investor relations department	30	12.5
Other	5	2.0
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

### **Factors considered by Investors for Investing**

Factors that investors observe to invest a company share are shown in Table (4.13) which one can see clearly issues like profitability, P/E ratio, Company Performance and other. According to survey result, Investors who study company performance are 46.3% and investors depending on company profitability are 32.1%.

**Table (4.13) Factors considered by Investors for Investing**

<b>Factors</b>	<b>No. of Respondents</b>	<b>Percent</b>
Profitability	77	32.1
P/E ratio	39	16.3
Company performance	111	46.3
other	13	5.3
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

### **Investment Time Horizons of Investors**

The investment time horizons of investors upon investing stock are shown in Table (4.14). There are divided into four groups such as less than 1 week, between 1 week and 1 month, between 1 month and 6 month and between 6 month and 2 years. In accordance with the survey result, 46.7% of investors invest share of the company between 6month and 2 years and 40% of investors invest share between 1 month and 6 month.

**Table (4.14) Investment Time Horizons of Investors**

<b>Time</b>	<b>No. of Respondents</b>	<b>Percent</b>
Less than 1 week	5	2.0
Between 1 week and 1 month	27	11.3
Between 1 month and 6 month	96	40.0
Between 6 month and 2 years	112	46.7
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

### **Share Values investing in a year**

Investing share values in a year are classified into four groups. There are below kyat 100,000, kyat 100,000- 500,000, kyat 500,000-10, 00,000 and above kyat 10, 00,000. Table (4.15) describes that 34.6% of total investors invest in stock between kyat 100,000 and kyat 500,000 in a year and 15% of total investors invest in stock below kyat 100,000 in a year.

**Table (4.15) Share Value Investing in a Year**

<b>Value</b>	<b>No. of Respondents</b>	<b>Percent</b>
Below kyat 100000	36	15.0
Kyat 100000-kayt 500000	83	34.6
Kyat 500000-kayt 1000000	62	25.8
Above kyat1000000	59	24.6
<b>Total</b>	<b>240</b>	<b>100.0</b>

Source: Survey Data, 2018

#### **4.4 Analysis on Investor Attitude towards Stock Trading**

This section describes analysis of the knowledge level related to stock trading of investors in YSX and their attitudes towards stock price fluctuation. Identifying five point likert scale was used to measure the degree of respondents “agree or disagree” on a given statement related to investors’ attitudes. The respondents expressed their knowledge on stock trading and stock price fluctuation by using the 5 point likert scale (from 1=strongly disagree, 2=disagree, 3= neither agree nor disagree, 4= agree, 5= strongly agree).The greater the mean value is, the more investors have knowledge concerning stock trading. If not, the respondents do not agree upon a given statement. If the mean value is equal 3, respondents are unsure with the statement given in questionnaire.

##### **4.4.1 Analysis of the Knowledge Level Related to Stock Trading of Investor**

Table (4.16) illustrates the rank by means and standard deviations of investors’ stock trading knowledge. From survey result, it is found that the investor knowledge level having the higher rank is “following stock market information through financial news” in which has the highest level of agreement among respondents (3.53 mean, 1.034 SD). “Buying shares based on future expectation rather than past performance” is the second knowledge with 3.47 mean, 1.157 SD. Third, “trusting in Yangon Stock Exchange” is 3.40 mean, 1.038 SD. After that, “raising funds from the stock market is much easier and cheaper than other sources” has 3.28 means, 0.978 SD. Most of investor deals with licensed broker when seeking financial advice about stock. Therefore, its mean is 3.32 mean and Standard Deviation is 1.132. However, they do

not clearly understand the role of brokerage firms. As the result, mean is 3.05 and Standard Deviation is 1.183. It is found that “return on investment in stock market is higher than those of other investments” is the lower rank among respondents (2.98 mean, 0.843 SD).

**Table (4.16) Analysis of the Knowledge Level Related to Stock Trading of Investor**

No	Statement	Mean	Std. Deviation
1	I'm somewhat knowledgeable about stock market	3.23	1.132
2	I usually follow the stock market through financial news	3.53	1.034
3	I clearly understand the role of brokerage firms	3.05	1.183
4	I always have trust when trading on YSX	3.40	1.038
5	When seeking financial advice, I deal with licensed broker	3.32	1.132
6	I usually visit the YSX website	2.23	1.153
7	I usually buy shares based on future expectation rather than past performance	3.47	1.157
8	Raising funds from the stock market is much easier and cheaper than other sources	3.28	.978
9	The return on investment in stock market is higher than those of other investments	2.98	.843
10	Now, I'm investing into Stock Market	3.15	1.191
<b>Overall Mean</b>		<b>3.17</b>	

Source: Survey Data 2018

#### **4.4.2 Analysis on Investor Attitude to Stock Price Fluctuation**

This section presents factors affecting stock price fluctuation of companies listed on Yangon Stock Exchange. To analysis stock price fluctuation, thirteen questionnaires were used and asked investors who are investing in stock market in current, for possible factors which would be encouraged decision makers to supervise

and manage stock price. These thirteen questionnaires are categorized as internal factors and external factors of stock price fluctuation. The participants expressed their opinions by using the 5 point likert scale.

**a) Internal Factors Influencing Stock Price Fluctuation**

Table (4.17) illustrates the rank by means and standard deviations of all possible internal factors affecting stock price fluctuation in Yangon Stock Exchange. Respondents strongly believed that unfavourable news of companies' performance make the stock price decrease because means for this result is 3.85 means and standard deviation is 0.879. The second statement which has 3.72 means and 1.027 SD that favourable news of companies' performance will increase the stock price of that company. The third motivation for stock price fluctuation which has 3.69 mean and 1.054 SD is that as the result of dividend policies, share price will be ups and downs. As investor wishes to supply and demand on stock they held, stock price of a certain company can fluctuate in the short term in accordance with Table (4.17) in which states 3.58 mean and 0.995 SD. According to internal factors affecting stock price fluctuation, changing in board of directors, appointment of new management and creation of new asset also play as an important role with 3.56 mean and 0.913 SD. However, as the result of investor's earning, stock price cannot fluctuate because of 3.20 mean and 1.061 SD.

**Table (4.17) Internal Factors Influencing Stock Price Fluctuation**

No.	Statement	Mean	Std. Deviation
1	As the company announcements, new laws and regulations, share price of that company will fluctuate in the short run	3.60	.962
2	Share price will be ups and downs in accordance with companies' policies as to dividends	3.69	1.054
3	Share price can move as investors' earnings results	3.20	1.061
4	In the short term, share price of certain company can fluctuate, depend on supply and demand of investors	3.58	.995
5	As the company performance, a change in board of directors, appointment of new management and creation of new assets	3.56	.913
6	In general, favourable news about a company's performance will make investors believe that the company's stock will increase	3.72	1.027
7	Unfavourable news about a company's performance will make investors believe that the company's stock will decrease	3.85	.879
<b>Overall Mean</b>		<b>3.60</b>	

Source: Survey Data 2018

#### **b) External Factors Influencing Stock Price Fluctuation**

The external factors influencing stock price fluctuation is shown in Table (4.18). The first motivation is that stock price will fluctuate as the result of government's policy and political changes. For this statement, mean is 3.61 and SD is 1.009. The second is that stock price can change in long term by depending on country's GDP growth rate because of 3.46 mean and 1.066 SD for this statement. Followed by, respondent argued that government's support and contribution play an important role to stable stock price with 3.43 mean and 0.961 SD in accordance with Table (4.18). "International events can affect stock price of certain country" statement has 3.39 mean and 1.025 SD. Nevertheless, respondents do not accept that currency

depreciation of certain country and natural disaster can also lead stock price fluctuation with 3.27 mean and 1.022 SD and 3.22 mean and 1.009 SD respectively.

**Table (4.18) External Factors Influencing Stock Price Fluctuation**

<b>No.</b>	<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	Depending on country's GDP growth rate, stock price can change in the long term.	3.46	1.066
2	Government's support and contribution play vast role to develop stock market and stable stock price.	3.43	.961
3	International events can affect stock price of certain country.	3.39	1.025
4	Currency depreciation of certain country leads to a decline in stock prices in the short run.	3.27	1.022
5	The stock price fluctuation can also happen as natural disaster.	3.22	.949
6	As change of government's policy and political stock price declines or goes up rapidly in the market.	3.61	1.009
<b>Overall Mean</b>		<b>3.39</b>	

Source: Survey Data 2018

According to Table (4.17) and Table (4.18), the overall mean of internal factors affecting stock price fluctuation is 3.60 mean and the overall mean of external factors influencing stock price is 3.39 mean.

## **CHAPTER V**

### **CONCLUSION**

This chapter consists of discussions depend on the aforementioned analysis to reach the aim of the thesis. Based on the findings, suggestions and need for further research are presented.

#### **5.1 Findings**

In this study, according to investment behavior of investors as to trading on Yangon Stock Exchange, it is founded that most of investors trading on Yangon Stock Exchange through securities companies are mid-term investors. Nevertheless, even investors invested in Yangon Stock Exchange presently want to invest in saving deposit in the banking sector and their another investment options buy and hold gold/silver in accordance with Burmese traditional spirit. After that, they wish to trade stock in Yangon Stock Exchange. The investor's major objective of investing share is to get dividend that will be paid off the company's shareholders. On the other hand, investors want to sell their shares they hold because they expect that share price will decrease. Besides, investors expect transparency of criteria used by company management they purchased share. Again, they study company performance mainly than calculating P/E ratio and profitability when trading shares of listed companies in Yangon Stock Exchange.

In accordance with analysis on the investor's attitudes towards stock trading, before making a trade of share of the company in YSX, investors usually follow financial news such as TV, Website, Newspapers, Business news and channels. Investors trade or hold their shares depend on future expectation rather than past performance and connect with licensed brokers when buying shares in YSX they trust. However, they do not know about the role of brokerage firms well. Moreover, they do not accept that "the return on investment in stock market is higher than those of other investment. And, most investors do not understand to visit the YSX website well. According to analysis of investors' attitudes to stock price fluctuation, it is founded that listed companies information such as unfavorable and favorable news, laws and regulations affect stock price mainly and listed companies' dividend policies make share prices of these companies changeable. In the short term, investors' sentiment or confidence can cause the stock prices to rise or fall. As the result of



demand and supply of shares depend on investors' decisions, it is one of the motivations for stock price fluctuation. It is found that stock prices also change due to change in government's policy and political, GDP of country and government's support and contribution in the long run. Internal factors influencing stock price fluctuation are more than external factors in accordance with survey results.

## **5.2 Suggestions**

This study found that the major difficulty is insufficient number of investors and no institutional investors such as pension funds, insurance companies and etc. Involvement of ethical institutional investors in the stock market is very essential for growth stage of emerging securities market. Therefore, this study suggests that there need to participant in the securities market not only institutional investors but also foreign investors besides individual investors. Another suggestion is that SECM, YSX and Securities Companies need to give the education in concerned with capital market to the public throughout country by making seminar or workshop. To understand the stock market well, YSX should attract the public to visit YSX Website.

Yangon Stock Exchange and Securities Companies should give the knowledge the shareholders to make the long term investment because most of investors in Myanmar are interested only in mid-term investment rather than long-term investment. For the shareholders do not understand long-term investment nature well, share prices are not stable in the market. Listed companies should disclose information such as new dividend policies, companies' news, and new management policies and so on in time so as not to fluctuate stock price. In spite of making 2 times matching for stock trading of YSX in beginning time, presently, it is more liquid because of trading with 4 times matching per one day. However, this study also suggests that Yangon Stock Exchange should afford to increase the number of listed companies because investors have a chance to choose shares they like among many listed companies.

To develop stock market and increase investors in domestic, Yangon Stock Exchange, securities companies and investors are responsible to involve in the stock market in harmony. In the recent time, there are no persons who can specify fair price for share value of a company. Specifying fair price for such stock value is very important in stock market and individual investors can involve more in securities market if specify fair value. As the result, stock market will active more and more.

This study suggests that should assign persons or organization who can decide fair price equally for stock value of a company. The next suggestion is that government should prepare clear guideline, rules and regulations for participating foreign investors in YSX.

### **5.3 Need for Further Research**

The findings and results of the study are limited only Current Stock Trading of Yangon Stock Exchange. The findings of the study cannot be generalized to other countries because YSX has business environment, institutions, position and its own unique culture. However, recognizing that it is hoped it will open new avenues for current stock trading of YSX and to stable stock price although this study is very first paper. For YSX is the emerging stock market of country, future similar studies should be conducted. The future studies will have better understanding of the need for stock market to develop in country successfully.

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## APPENDIX

### Questionnaire for Stock Trading of Yangon Stock Exchange

This questionnaire will be used for MBF Thesis about Stock Trading of Yangon Stock Exchange and this does not relate to other businesses. Please read each question and kindly respond as indicated in following. Thank you for your time and commitment.

#### Basic Information

1. Your Age is\*
  - a. Up to 30
  - b. 31-40
  - c. 41-50
  - d. Above 50
2. What kind of Gender\*
  - a. Male
  - b. Female
3. What is your Marital Status\*
  - a. Married
  - b. Single
  - c. Divorced
4. Your Educational Qualification \*
  - a. High School
  - b. Graduate
  - c. Post graduate
  - d. Others
5. Your Occupation is\*
  - a. Company employee
  - b. Private owned employee
  - c. Government employee
  - d. Others
6. Your Monthly Income\*
  - a. Up to kyat 250,000
  - b. Kyat 250,000- kyat 700,000
  - c. Kyat 700,000- kyat 15, 00,000
  - d. Above kyat 15, 00,000
7. What percentage of your expenditure from monthly income\*
  - a. 25%-40%
  - b. 40%-60%
  - c. 60%-80%
  - d. Above 80%
8. What investment option are you considering?
  - a. Stock
  - b. Saving
  - c. Gold / silver
  - d. Real estate

#### Investment Behavior of Respondent(*Mark only one.*)

9. If you are an investor, what type of investment do you make?
  - a. Short term investment
  - b. Mid -term investment
  - c. Long term investment

- d. Mix of any two
10. What are the objective factors that you think are in general taken into account when investing in the stock market?
- a. Dividend
  - b. Low share price
  - c. Expectation of share price increase
  - d. Expectation of capital gain
11. What factors influence you to sell yours shares of a certain company?
- a. Low or no dividend
  - b. Low share price
  - c. Expectation of share price decrease
  - d. Other**
12. What kind of information/ attention/ services do you expect from the company in which you invest?
- a. Availability of information to shareholders
  - b. Transparency of criteria used by the management
  - c. Good investor relations department
  - d. Other
13. What factors do you observe while investing in a company stock?
- a. Profitability
  - b. P/E ratio
  - c. Company performance
  - d. Other
14. Which is your investment time horizon in general?
- a. Less than 1 week
  - b. Between 1 week and 1 month
  - c. Between 1 month and 6 month
  - d. Between 6 month and 2 year
15. How much do you invest in a year?
- a. Below 100,000
  - b. 100,000- 500,000
  - c. 500,000- 1,000,000
  - d. Above 1,000,000

## **Analysis On Investor Attitude Towards Stock Trading**

### **(I) Analysis of The Knowledge Level Related To Stock Trading of Investors**

1=Strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree, 5= strongly agree

- |  |   |   |   |   |   |
|--|---|---|---|---|---|
| 16. I am somewhat knowledgeable about stock market.  | 1 | 2 | 3 | 4 | 5 |
| 17. I usually follow the stock market through financial news on TV, YSX website, securities companies' website and newspapers. | 1 | 2 | 3 | 4 | 5 |
| 18. I clearly understand the role of brokerage firms.  | 1 | 2 | 3 | 4 | 5 |
| 19. I always have trust when trading on YSX.   | 1 | 2 | 3 | 4 | 5 |
| 20. When seeking financial advice, I deal with licensed brokers.   | 1 | 2 | 3 | 4 | 5 |
| 21. I usually visit the YSX website.   | 1 | 2 | 3 | 4 | 5 |
| 22. I usually buy shares based on future expectation rather than past performance.   | 1 | 2 | 3 | 4 | 5 |
| 23. Raising funds from the stock market is much easier and cheaper than the other sources like banks.                          | 1 | 2 | 3 | 4 | 5 |
| 24. The return on investment in stock market is higher than those of other investments.  | 1 | 2 | 3 | 4 | 5 |
| 25. Now, I am investing into Stock Market regularly.   | 1 | 2 | 3 | 4 | 5 |

### **(II) Investor Attitude to Stock Price Fluctuation (*Mark only one.*)**

1=Strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree, 5= strongly agree

#### **a) Internal Factors of Stock Price Fluctuation**

- |   |   |   |   |   |   |
|---|---|---|---|---|---|
| 26. Share price of that company will fluctuate in the short run because of the company announcements (for example- it will produce new product or new technology (or) it is facing accidents), new laws and regulations,. | 1 | 2 | 3 | 4 | 5 |
| 27. Share price will be ups and downs in accordance with companies' policies as to dividends.   | 1 | 2 | 3 | 4 | 5 |
| 28. As investors' earnings results, share price can move.   | 1 | 2 | 3 | 4 | 5 |

29. In the short term, share price of certain company can fluctuate, depend on supply and demand of investors. 1 2 3 4 5
30. Because of the company performance, a change in board of directors, appointment of new management and creation of new assets and etc., stock price can fluctuate in the short run. 1 2 3 4 5
31. In general, favorable news about a company's Performance will make investors believe that the company's stock price will increase. 1 2 3 4 5
32. Unfavorable news about a company's Performance will make investors believe that the company's stock price will decrease. 1 2 3 4 5
- b) External Factors of Stock Price Fluctuation**
33. Depending on country's GDP growth rate, stock price can change in the long term. 1 2 3 4 5
34. Government's support and contribution play vast role to develop stock market and stable stock price. 1 2 3 4 5
35. International events can affect stock price of certain country. 1 2 3 4 5
36. Currency depreciation of certain country leads to a decline in stock prices in the short run. 1 2 3 4 5
37. As natural disasters (weather), the stock price fluctuation can also happen. 1 2 3 4 5
38. Because of changes of government's policy and political, stock price declines or goes up rapidly in the market. 1 2 3 4 5