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**Growth, Problems and Prospects of Stock Market  
in Yangon Stock Exchange**

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# **Growth, Problems and Prospects of Stock Market in Yangon Stock Exchange**

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## **ABSTRACT**

The objective of the study is to identify the growth, problems and prospects of stock market in Yangon Stock Exchange. Moreover, this study examines investors' attitude towards stock trading and the attitudes of listed public companies upon the Yangon Stock Exchange. In YSX, there are 5 listed companies, this study will be conducted in 4 listed companies. Descriptive research method was used in this study in both primary and secondary data were applied in it. Primary data are gathered by structured questionnaire to listed companies that what are the growth, problems and prospects of stock market in Yangon Stock Exchange. Secondary data are collected by approaching Yangon Stock exchange office, listed companies, website, previous researchers' thesis and other sources from internet. It can be concluded that the number of listed company, the market capitalization and the amount of IPO are satisfactory. There is insufficient number of securities and brokers and low level of industrialization and small volume of securities traded hinders the growth of stock market. The investors are not realized the need of stock exchange. This study suggests that Yangon Stock Exchange should be able to increase the number of listed companies as investors have the ability to select shares that they like among many listed companies. It is necessary to increase the number of listed companies in the stock market in order to develop for the capital market as well as for the national economy. This study suggest that the government creates a complete financial system that would help to increase the development of financial system in Myanmar. Furthermore the stock market regulations with a view to make stronger and more attractive to local investors.

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## ABBREVIATIONS

AYATrust	AYA Trust Securities Co., Ltd.
CBSC	CB Securities Co., Ltd.
CSX	Cambodia Securities Exchange
DICA	Directorate of Investment and Company Administration
DIR	Daiwa Institute of Research Ltd.
FMI	First Myanmar Investment Public Co., Ltd
FPB	First Private Bank Ltd.
HOSE	Ho Chi Minh Stock Exchange
HNX	Hanoi Stock Exchange
HoSTC	Ho Chi Minh City Securities Trading Center
IPO	Initial Public Offering
JPX	Japan Exchange Group
KBZSC	KBZ Stirling Coleman securities Co., Ltd.
KtzRH	KTZ Ruby Hill Securities Co., Ltd.
LSX	Lao Securities Exchange
MYANPIX	Myanmar Stock Price Index
MTSH	Myanmar Thilawa SEZ Holdings Public Co., Ltd
MCB	Myanmar Citizen Bank Ltd.
MSEC	Myanmar Securities and Exchange Center Co., Ltd.
MIC	Myanmar Investment Committee
OTC	Over the Counter
SECM	Securities Exchange Commission of Myanmar
TMH	TMH Telecom Public Co., Ltd.
UABSC	UAB Securities Co., Ltd.
YSX	Yangon Stock Exchange

# **Chapter 1**

## **Introduction**

The capital market is the network of market mechanisms that allows individuals and institutions to buy and sell financial product, low transaction cost instruments, and reasonable price. Shares in publicly listed and non-listed firms are traded on the stock market (G. Kaur, 2014). It's distinct from the stock exchange as it contains all of the country's national stock exchange. In an initial public offering (IPO) to raise capital, the primary market is where businesses float shares to the general public. A secondary market is a marketplace where securities already issued in which investors can buy and sell stock and bonds on the market. The capital market will provide investors with exposure to a broader range of investment opportunities. By boosting domestic investment returns, stock markets may bring prosperity to an economy. Citizens in Myanmar have historically invested their money in real estate, foreign currencies, and valuable metals, as well as in bank saving accounts. With the establishment of the stock market, a wide range of the population is given the opportunity to engage in the economic development of the country by channeling capital into the corporate sector.

Stock markets can also serve as a conduit for the inflow of foreign capital. Therefore it can increase the Foreign Direct Investment of the country. With Myanmar having a weak base of local investors, especially when it comes to institutional investors, the first year of foreign investment may bring much needed local stock market support. Myanmar's government has also been striving since 1995 to create a capital market in Myanmar due to the importance of a country's development. In August 2014, the Myanmar government set up the Myanmar Securities and Exchange Commission (SECM). The opening ceremony was held successfully on 9 December 2015 by the Yangon Stock Exchange. It began trading with First Myanmar Investment Company Ltd on March 25, 2016. After that, the Yangon Stock Exchange also included Myanmar Thilawa SEZ Holdings (MTSH), Myanmar Citizens Bank (MCB), First Private Bank (FTB) and TMH Telecom Public Company (TMH) (ysx-mm).

## **1.1 Rationale of the Study**

Not only does the capital market offer long-term investment to government and private sectors, it also provides investors the opportunity to participate in the numerous huge businesses. After a long decade, Yangon Stock Exchange became Myanmar's first stock exchange to grow the capital market. The stock is running and the more the income of the companies rise, the more stock is going. Money needs to shift from less to more profitable activities in order to expand an economy. One of the most important sources for companies to raise money is the stock market. Experience has shown that share prices and other assets are an important part of economic growth dynamics (Nasbimana,2005).By allowing surplus capital and assets to become efficient by putting together borrowers and money lenders at a low cost, stock exchange encourages investment.

Apart from the possibility of dividends and longterm capital growth, more than a platform for trading in commodities, bonds and shares. Yangon Stock Exchange has now been incorporated and registered by the Directorate of Investment and Company Administration (DICA). The newly established stock market is not so successful and the trading volume is relatively small due to a limited number of listed companies, lack of liquidity on the stock market and lack of awareness on the stock market. Lack of interest in Myanmar's stock exchange goes beyond mere unconsciousness. The key issues are investor security and transparency. Investors expect to invest their money in securities, providing them with risk-based returns. They expect a reasonable profit with the return of the original investment.

In reality, while listed companies have more than 34,000 investors, in Yangon Stock Exchange, only 150 investors are actively trading. Yangon Stock Exchange released six trading securities companies pursuant to Section 42(a) of the Securities and Exchange Act and Section 4 of the Trading Participant Business Regulations. For the gain of the investor, brokerage companies can provide investment advice to help invest in the stock market. Nonetheless, businesses now face challenges in the complete implementation of securities firms' positions. This study will find out in the near future the possibilities for the issue and the Yangon Stock Exchange stock market growth. This thesis can be useful for the growth of Yangon Stock Exchange trading shares, the potential investor who is interested in investing in the capital market can easily obtain

the investment decision for direct investment in the capital market and can be useful to policy makers associated with capital market development.

## **1.2 Objectives of the Study**

The main objectives of the study are:

- 1) To identify the stock exchange practices of listed companies in Yangon Stock Exchange
- 2) To analyze the growth, problems and prospects of stock exchange in Yangon Stock Exchange

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

This study is the growth, problems and prospects of stock exchange in Yangon Stock Exchange. In YSX, there are 5 listed companies, this study were conducted in 4 listed companies. This study focus on the growth, problems and prospect of stock market. Descriptive research method was used in this study in both primary and secondary data were applied in it. Primary data are gathered by structured questionnaire to listed companies that what are the growth, problems and prospects of stock market in Yangon Stock Exchange. Secondary data are collected by approaching Yangon Stock exchange office, listed companies, website, previous researchers' thesis and other sources from internet.

## **1.4 Organization of the Study**

This study includes five chapters. Chapter one is the introduction that explains rationale of the study, objectives of the study, scope and method of the study and organization of the paper. Chapter two presents theoretical background of the role of financial market in economy, the securities market, stock market, types of stocks, participants in stock market and regulation of securities market. Chapter three emphasis about the overview of Yangon Stock Exchange. Chapter four describes analysis on the growth, problems and prospects of stock market in Yangon Stock Exchange based on 4 listed companies. Chapter five includes the summary of the findings, conclusions and the need of the further study will be given.

## **Chapter 2**

### **Theoretical Background**

This chapter presents the theoretical background of the role of the financial market, definition of financial market, types of financial market, the importance of stock exchange, the role of securities companies, duties of securities companies in Yangon Stock Exchange.

#### **2.1 Role of Financial Market in Economy**

Financial markets play a vital role in the distribution of modern economies' wealth and activity. Financial markets create products that provide a return to those with excess funds (investors / lenders), making those funds available to those who need extra money (borrowers). They provide a platform bridging the gap between lenders and borrowers. The 'price' established in this market is the rate of interest. (Essay Sauce, 2019)

The financial market is a place where someone has surplus money and no idea of doing business, the other has idea but not enough capital, so the latter finances the money needed in the financial market, so the financial market is the most important place in the investment sphere. There are many kinds of markets in the financial market that sell assets and the other one will purchase them. With the creation of the financial market, it is also possible for public companies and only government to raise funds to buy and sell their properties as well as other investors (Wikipedia ).

Financial markets are also the economic factor in the capital markets. Capital is required by businesses as an input into the production process, so that the goods and services required to satisfy the economy's wants can be produced. Financial markets provide an efficient process through which non-consumption profits can still contribute to aggregate demand. Customer, business and government savings can be used not only for future consumption, but also for investment in resources, which increases the productive capacity of the economy (Investopedia).

Primary financial markets are markets where businesses raise funds through the sale to investors of financial assets such as shares or debentures. Secondary financial markets are markets where investors deal with other investors in financial assets such as securities or debentures (Investopedia).

Financial markets bridge the gap between borrowers and lenders by supplying borrowers with money loans that are taken from savers ' money. Businesses borrow money to expand, invest in research and development or infrastructure. Individuals also borrow, but for personal purposes this could be a home loan, a holiday, a car or an educational course. Financial institutions offer loans that charge interest rates to make a profit. Governments borrow to stimulate economic activity and finance major infrastructure projects. Just as there are borrowers from loans, there are people with excess funds who do not actually want to invest it. Individuals putting deposits in financial institutions actually lend their money to the company in order to get a return on it. Businesses sometimes become lenders of funds when they have a good cash flow and profits and no need for urgent investment.

Governments are also borrowers as they plan for a budget surplus to achieve the desired economic results. This is when financial institutions and other companies have the desire to make money by paying an interest rate. Borrowers and lenders are satisfied with this operation of activities by bridging the gap between them. Financial market is essential to the development of economic growth. Customers have historically saved money by financial services like banks. This has been the subject of change in recent years. Today Australia has the highest shareholding rates in the world. Financial market becomes compulsory it also contributed to the nation's growing interest in more sophisticated financial instruments. This growing trend has led to a more significant and critical role for financial markets in the economy. Financial markets possess critical effect on nation's economic growth and being a source of fun for further continuing development of the economy. It has three economic functions (1) to decide the market price of assets to trade between buyers and sellers (2) higher liquidity of financial assets (3) to reduce the cost of buying and selling the assets, by trading over the financial market (E. Sauce, 2019).

## **2.2 Functions of Financial Market**

There are different functions that the financial market performs. Some of the functions of the financial market are (1) price determination (2) funds mobilization (3) liquidity (4) risk sharing (5) easy access (6) reducing in the transaction costs and provision of the information (7) capital formation. The financial market performs the function of price determination of the various financial instruments by which the financial markets trade price buyers and sellers. The market forces of demand and

supply in the market determine this price. The required return from the funds invested by the investor is also determined by the market participants in the financial market after determining the market price.

The financial market's liquidity role is to provide an incentive for investors to sell their financial instruments at any time during working hours on the market with market price. If there is no liquidity mechanism on the financial market, investors will be forced to hold their shares on the market at any time without selling at fair value. The market must therefore provide investors with the ability to sell shares readily and by offering liquidity feature to transform them into cash at any time. If an individual who undertakes the investments is different from the people who invest funds in those investments while conducting the risk sharing process. The industries need investors to raise the funds in an easy-to-access way, and the investors need the industries to invest their money and gain their returns. The financial market website thus quickly provides potential buyers and sellers, which allows them to save time and money in finding potential buyers and sellers. The trader requires different types of information during the purchase and sale of the securities transaction. It is necessary to get the same time and money.

But the financial market tends to provide traders with all kinds of information without them having to spend any money. The financial market reduces transaction costs in this way. Financial markets provide the channel through which the new savings of the investors flow in the country which aid in the capital formation of the country (wallstreet, 2019).

### **2.3 Securities Market**

Securities market is a part of the larger financial market where, on the basis of demand and supply, securities can be purchased and sold between economic subjects. Securities markets include stock markets, bond markets and derivatives markets where prices can be calculated and where professional as well as non-professional investors can meet. Securities markets can be divided into two tiers below. Main markets for issuing new securities and secondary markets for buying and selling existing securities. Secondary markets can also be categorized into regulated exchanges, such as stock exchanges and over - the-counter, where individual parties meet to buy or directly sell securities. With equity holders realizing that there is a secondary market in which their

shares can be sold and transformed into cash enhances people's willingness to hold stocks and bonds, thus increasing companies' ability to issue securities. (Wikipedia).

Securities markets exist in order to bring together buyers and sellers of securities, meaning that they are mechanisms created to facilitate the exchange of assets. There are many ways of identifying the security market. The securities market provides an effective way of raising money for commercial enterprises and at the same time provides an investment opportunity for individuals and institutions. Markets of shares have both theoretical and practical viewpoints. Securities markets provide financial assets with interest and meaning. The purchase and sale of shares on the financial markets is extremely important for the allocation of capital within the economy that the stock market provides as a reliable guide to corporate success and to facilitate productivity (S.Dahal, 2010).

## **2.4 Regulation of Securities Market**

On 31 July 2013, the Securities Exchange Law (20/2013) was enacted to create a formal capital market in Myanmar, protect investors through rules and laws, and regulate market participants such as public companies, securities firms, and stock exchanges. The Securities and Exchange Commission of Myanmar (SECM) in compliance with Section 3, Article 4 of this Act was formed with Notification No. (64/2014) dated 19-8-2014 issued by the Union Government. The Ministry of Finance's Deputy Minister is the chairman of the seven-member SECM. The major regulatory agencies are Myanmar's Security Exchange Commission and Yangon Stock Exchange, which are involved in public issues approval and registration. While SECM is the only stock market regulator to oversee and regulate the overall market operation. These two bodies work in approving and registration of the share to public.

### **(1) Security Exchange Commission of Myanmar**

SECM granted YSX Joint Venture Limited permission to conduct the securities business. SECM published the requirements for the bank to settle the funds in respect of securities trading at YSX as an announcement no (3/2015) in the state-owned newspaper on 11-3-2015 and, according to the announcement, the KBZ bank was chosen to meet the criteria. SECM issued the underwriting business license to six securities firms as of 25-2-2016, according to Section 7(a) of the Securities Exchange Act. SECM authorized to be listed as the listed companies, First Myanmar Investment

Co., Ltd (FMI) on 25-3-2016, to conduct securities business at YSX, Myanmar Thilawa SEZ Holding Public Ltd (MTSH) was on 20-5-2016 and 26-8-2016 respectively Myanmar Citizens Bank (MCB).

## **(2) Yangon Stock Exchange**

Yangon Stock Exchange Joint Venture Company Limited (YSX) subsequently received approval from the Myanmar Investment Committee (MIC) for foreign investment with permit No.877/2014. The Investment and Company Administration Directorate (DICA) enabled Yangon Stock Exchange (YSX) to be incorporated into the registration number 3JV/2014-2015. Subsequently, with permit No.877/2014, Yangon Stock Exchange Joint Venture Company Limited (YSX) received approval from the Myanmar Investment Committee (MIC). The Directorate of Investment and Company Administration (DICA) allowed Yangon Stock Exchange (YSX) to be included in the 3JV/2014-2015 registration number. Five securities companies (KBZ Stirling Coleman Securities Co., Ltd, CB Securities Ltd, AYA Trust Securities Co., Ltd, KTZ Ruby Hill Securities Co., Ltd and UAB Securities Limited) received a listing approval from YSX in March 2016. YSX began trading for the first time and First Myanmar Investment (FMI) was listed on 25 March on YSX.

## **2.5 Stock Market**

Shares in public listed companies are traded on the stock market. In an initial public offering (IPO) to raise capital, the primary market is where businesses sell shares to the general public. When new securities are issued on the primary market, they are exchanged on the secondary market— where one investor purchases shares from another investor at the prevailing market price or at whatever price the buyer and seller agree on. The regulatory authority controls the secondary market or stock exchanges. A stock exchange allows stock brokers for stocks and other shares of trading companies. Only if it is listed on an exchange can a stock be bought or sold. So, it's the stock buyers and sellers ' meeting place (economics times, 2018).

A stock market, equity market or share market is the aggregation of buyers and sellers of stocks or shares representing business ownership claims; these may include securities listed on a public stock exchange as well as private-traded stocks, such as private-sector shares sold to investors through equity crowd funding platforms. Investment in the stock market is most often made by stockbrokerages and websites for

electronic and online trading. Investment is usually made with a plan of investment in mind (Wikipedia).

### **2.5.1 Types of Stock Market**

The financial market is a world where new securities of varying financial products and services are periodically distributed to the public, customized to the needs of each customer from all income brackets. On the capital market, which is split into primary and secondary markets, these financial products are bought and sold.

#### **(i) Primary Market**

For the first time, the primary market is the production of securities and the selling of new stocks and bonds to the public. A first public offering or IPO is another example of a primary market. When a private company first communicates to the public, an IPO may take place. By general, the secondary market is called the stock market. In general, the secondary market is called the stock market. In the primary market, where a company receives capital from the investors and the investors receive the shares, the securities are first sold for sale to the general public, then listed on the stock exchange for trading purposes (educba, 2019).

#### **(ii) Secondary Market**

A secondary market is a marketplace where securities already issued in which investors can buy and sell both equity and debt on the market. Therefore, it is a market where investors buy securities from other investors, not from the issuing company. It does so in the primary market when a company issues its shares for the times. These shares will be available after the IPO (Initial Public Offering) for sale in the secondary market. Examples of secondary markets are stock markets such as the Yangon Stock Exchange. The secondary market is concerned with fixed revenue, variable revenue and hybrid instruments. Generally, debt securities such as bonds are fixed income instruments. It also involves the exchange of interest. Equity and derivatives are contingent profit instruments. There are two kinds of secondary market. They are;

Bonds are fixed income instruments. It also involves the exchange of interests. Equity and derivatives are contingent profit instruments. There are two secondary market styles. They are:

**(a) Exchange**

It is a platform where buyer and seller, including YSX, do not have direct contact. As an exchange is a guarantor, there is no counterparty risk. Heavy regulation also makes trading shares a safe place for investors. Nonetheless, due to trading fees and tax, investors face a relatively higher transaction cost.

**Over the Counter (OTC) Market**

It is a decentralized environment where the market consists of participants trading with each other. One such kind of market is the foreign exchange market (FOREX). There is more competition among the participants to get higher volume, so prices of securities may vary from seller to seller. Also, OTC markets suffer from counterparty risk as parties deal with each other directly (S.B.Borad, 2018).

**2.5.2 Stock Market in Cambodia, Lao, Myanmar and Vietnam (CLMV)**

The Yangon Stock Exchange (YSX) opened in Myanmar in December 2015, with five listed companies and a combined USD 428 million market capitalization as of March 2017. YSX is a joint venture between the Myanmar Economic Bank (51%), the Daiwa Securities Group (32%) and the Japan Exchange Group (17%). The first company to list was First Myanmar Investment. According to Myanmar's Special Companies Act, companies eligible for listing are among the more than 200 public companies in Myanmar.

Cambodia Securities Exchange (CSX) will start share trading in 2012 in Cambodia. CSX's two shareholders are Cambodia's Royal Government (55%) and Korea's Exchange (45%). Actually there are five listed companies on CSX, with USD 54.78 billion in total market capitalization as of March 2017. As of March 2017, the Lao Securities Exchange (LSX) has five listed companies and USD 1.1 billion in market capitalization. LSX is targeting to have 25 listed companies by 2020 and 60 listed companies by 2025, according to a new strategic plan for capital market development.

As of March 2017, Viet Nam has two stock exchanges, HO Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX), with 324 and 380 listed companies. HNX has a USD 42.7 billion market capitalization and HOSE has a USD 51.02 billion market capitalization. The State Securities Commission, the Vietnam State Bank, HNX and HOSE have expanded personnel and other resources to keep up with rapid expansion of the industry (Phnom Penh, 2017).

**(a) Cambodia Securities Exchange (CSX)**

The CSX started operations in July 2011 with the assistance of Korea Exchange, such as the stock exchange in neighboring Lao PDR. The Cambodian government's goal with the establishment of CSX is to improve access to longer-term and cheaper capital than banks' capital. As of December 2019, there are five listed companies in CSX. CSX has 15 securities companies, six of whom are registered as underwriters, one as dealers, three as brokers, and two as investment advisors. The SECC has issued accreditation to cash settlement agents related to securities, securities registers, stock transfer agents, paid agents, qualified accounting firms and independent auditors and valuation firms offering securities sector services (Phnom Penh, 2017).

**(b) Lao Securities Exchange (LSX)**

Lao Securities Exchange (LSX), established on October 10, 2010 and operating on January 11, 2011, is only one of the country's stock markets. Key policies include the updating and implementation of the supervisory process, financial technology innovation with effective risk management, banking system development and stabilization, and non-bank financial institutions. Increasing numbers of the listed company and financial products include diversification of the capital market. Until 2019, there are 10 listed companies and 5 insurance companies in LSX. Local and foreign investors will find it easier to buy and sell stocks on the Lao Insurance Exchange (LSX) with the launch of the Home Trading System earlier this month. LSX, a Lao-Korean joint venture, has introduced the new stock trading service, so investors can place orders from anywhere in the world to buy and sell stocks with internet access. Individuals wishing to trade on the LSX are advised to contact one of the two associated security firms that can provide information of the trading system. Traders need to install software for home trading and open a bank account to access the online system (Maliny, 2017).

There are two stock exchanges in Vietnam, Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX). HOSE was established in 2000, currently lists 377 companies and, as of February 2019, has a market capitalization of USD 138 billion. The exchange was formally inaugurated on July 20, 2000 by the Ho Chi Minh City Securities Trading Center (HoSTC) and trading began on July 28, 2000. In July

2003, the government increased the foreign ownership cap for equities to 30% in a bid to boost liquidity and completely removed the foreign ownership limit for the bonds of a single issuer. Foreign participants at Vietnam's Stock Trading Center must register on behalf of foreigners through a custodian licensed to hold securities. When registered, the foreign investor will be given a securities transaction code that will allow securities trading. HoSTC was rebuilt and upgraded to the Ho Chi Minh Stock Exchange on August 8, 2007. Hanoi Stock Exchange (HNX), formerly the Hanoi Securities Trading Center (Hanoi STC), was launched in March 2005, dealing with stock and bond sales and trading. In 2009, the Hanoi STC was changed to the Hanoi Stock Exchange. After Ho Chi Minh City Securities Trading Center, it was the second securities trading center to open in Vietnam. The HNX houses 378 companies and as of February 2019 has a market capitalization of USD 8.5 billion. Vietnam's stock exchange has five securities companies. It is a requirement for you to start investing in the Vietnam Stock Exchange to get a brokerage account. With language barriers still a problem in this country, it's usually better to open an account at one of Vietnam's largest brokerage firms (Huong Thi & Thuy Thi , 2018).

## **2.6 Types of Stock**

Common stock and preferred stock are two main types of stock. Most common stocks have equal rights to vote, earnings and liquidation. Nonetheless, on the basis of these characteristics stocks are often graded.

**Common Stock:** common stock is in this form the bulk of the issued stock. Common shares reflect a company's ownership and a dividend claim on a share of profits. Investors get one vote per share to elect members of the board, who influence the management's important decisions. Over the long term, common stock yields higher returns than almost any other investment by way of capital growth. This higher return comes at a cost as the most risk is associated with common stocks. If a company goes bankrupt and liquidates, only the investors, bondholders and preferred shareholders are paid after that the common shareholders receive money. Common stock includes the different stock types: blue-chip stocks, growth stocks, dividend stocks, and stocks of small stocks and treasuries.

**Preferred Stock:** Preferred stock reflects a degree of ownership in a corporation but does not usually come with the same voting rights. Generally a fixed dividend is guaranteed to investors with preferred shares forever. Preferred stock is different than common stock, which has variable dividends that are never guaranteed. Another advantage is that preferential owners will be paid off before the common shareholder in the case of liquidation. Preferred stock may also be callable, making it possible for the company to buy the shares from shareholders for whatever reason at any time. Some investors consider preferred stock to be more like debt than equity. A good way to think about shares of this kind is to see them as being between bonds and common shares. (Wikipedia)

## 2.7 Participants in Stock Market

The Stock Market's major players are stock brokers, floor traders, dealers, market makers, issue managers and securities firms. In Yangon Stock Exchange, stock brokers and securities companies are permitted to operate.

**Stock Brokers:** Stocks are bought and sold through stock markets, normally they need a middleman to conduct the trade for this reason the average person to buy stocks through these exchanges. A stockbroker is named this middleman. While this has not always been the case, a discount brokerage company most often conducts the actual execution of stock trades for individual investors electronically. But many trades are still being conducted by human brokers, especially for large institutional investors.

Stockbrokers are well versed in the markets and can provide advice on buying and selling the best times. It is their job to find the best possible rates for customers. A stockbroker earns a commission in the form of a flat fee or percentage of the transaction's value in exchange for conducting the trade and offering advice. There is less competition for human stockbrokers in the online trading period. But there are still many cases where an investor wants to work with a broker directly to conduct a stock trading. For example, they may want to ensure that the sale is done at a specific price, or they may have multiple transactions that they would like to execute in a particular order. A stockbroker's work is rewarding and can be lucrative, but without its obstacles it is not (Tim Lemke, 2019).

**Securities Companies:** Securities Companies operate as private financial institutions to promote stock trading between investors and corporations, such as the purchase and sale of financial instruments. Its primary purpose is to maximize returns on investment that produce desirable investor outcomes, thus reducing diversified risks from existing market conditions. Securities companies represent the intermediary's investors with markets. Securities firms ' customers include pension funds, insurance companies, foreign banks, and the rich. Securities companies are carrying out a number of functions. These roles manifest differently depending on the type of securities firms. The role of securities firms in the financial system is primarily embodied in the theories of financial intermediation and financial functions in the following three aspects: risk filtration, product formation and asset pricing and asset-based risk portfolios. Risk filtration is the elimination of incorrect information or noise-making information on the capital market through financial intermediation operations, enabling investors to have accurate information for investment in securities and make their best investment decisions. As an important broker on the capital market, securities companies are working to collect and analyze information correctly with accounting firms valuation institutes and credit rating agencies as well as with other financial institutions (ebrary.net).

In addition to product development, financial intermediaries such as securities firms also have the role of asset pricing. The position of market-based asset pricing is performed through the underwriting sector of securities firms and related funding and M&A services. The underwriting of securities is the basic sector of investment banks. Securities underwriting is the investment banks ' rudimentary service. Therefore, investors could easily identify the pricing feature of investment banks through bonds and IPOs in the financing efforts of companies. In the modern financial system, the role of risk portfolios focused on asset appreciation is realized through financial intermediaries such as universal banks, brokerage companies, mutual funds, and asset management firms. Therefore, financial intermediaries are the risk management propeller and the facilitators to tackle the increasingly complex financial mechanisms and market issues (ebrary.net).

## **Chapter 3**

### **Overview on Yangon Stock Exchange**

In this chapter, this study conducts the overview of the Yangon Stock Exchange in Myanmar. It also include the formation of securities companies in Yangon Stock Exchange, advantages and disadvantages of securities companies.

#### **3.1 Emergence of Yangon Stock Exchange**

Financial markets play a vital role in the distribution of modern economies ' wealth and activity. The market-oriented economic system was introduced by Myanmar in 1988. The economy is starting to decentralize central control, facilitating the growth of the private sector, enabling foreign direct investment and fostering foreign trade. The legislation, directives, rules and regulations that had prevented and limited the growth of the private sector have been replaced and many laws have been changed to be consistent with the change in time and saturation. The Foreign Investment Law Union of Myanmar was adopted in November 1988 and the procedures approved in December 1988 are beginning to promote foreign direct investment. Myanmar has opened the doors to foreign investment in order to engage in the exploitation of natural resources by establishing mutually beneficial companies over the long term. The government is now conducting a growth and poverty reduction eight-point mission to provide assistance to rural people. According to UNDP and UNICEF reports, the poverty rate decreased to 26% in 2010, compared to 32% in 2005, with the goal of raising the poverty rate to 16% in 2015. In 2017, the Myanmar Living Condition Survey (MLCS) report reveals that 24.8% of the population is bad. In 2017, the poverty line was 1,590 kyats per person per day. Those with levels of consumption at or below 1,590 kyat per day are considered poor. The headcount of poverty in rural areas (30.2%) is 2.7 times higher than in urban areas (11.3%). The number of poor people in rural areas is 6.7 times higher than in urban areas.

Myanmar lacks infrastructure such as – technology, communications, construction, a limited pool of skilled financial professionals and general financial illiteracy among the majority of Myanmar's population would severely hamper its development. In addition, the high cost of operating the distribution channel such as brokers and agent networks will also hinder the successful operation of the securities

market in at least a few years. Capital markets create opportunities for companies to access cheap capital and expand their business while also providing opportunities for public investment. The Myanmar public needs sound investment opportunities in order to be able to afford health care, education for children and retirement. There is currently no private pension scheme in Myanmar for people working in the private sector, so millions of Myanmar citizens need to provide for their own retirement, and the public health care program is also insufficient to meet demand, so millions of Myanmar citizens need to depend on savings to pay for health care in the event of unforeseen health problems. The stock market is built on trust and trust. To build confidence, the regulator must develop and implement clear rules and regulations. The domestic public companies will have to be open and reveal all the necessary information that investors generally expect to receive in order to gain the confidence of investors.

Myanma Economic Bank and Daiwa Research Institute Ltd (DIR) founded Myanmar Securities Exchange Center Co., Ltd (MSEC) with the ultimate goal of setting up a stock exchange in Myanmar in 1996. Under the Ministry of Finance and Revenue (MOFR), Myanmar's Central Bank (CBM), Daiwa Research Institute Ltd (DIR) and Japan Exchange Group, INC (JPX), signed a Memorandum of Understanding in May 2012 to improve human resources and provide technical assistance to develop Myanmar's financial and capital markets. The securities and exchange law was passed in July 2013. Under the Ministry of Finance, this law established the Securities and Exchange Commission of Myanmar (SECM).

Subsequently, with permit No.877/2014, Yangon Stock Exchange Joint Venture Company Limited (YSX) received approval from the Myanmar Investment Committee (MIC). The Directorate of Investment and Company Administration (DICA) has made it possible to integrate Yangon Stock Exchange (YSX) into the registration number 3JV/2-14-2015. YSX was granted permission for the stock exchange business by the Myanmar Securities and Exchange Commission (MSEC) in April 2015. YSX recommends Kanawha Bank (KBZ Bank) for cash settlement as a fund settlement bank on YSX stock trading. YSX granted trading licenses to First Myanmar Investment Co.' Ltd. in March 2016 to five securities firms (KBZ Stirling Coleman Securities Co., Ltd, CB Securities Ltd, AYA Trust Securities Co., Ltd, KTZ Ruby Hill Securities Co., Ltd and UAB Securities Limited). For the first time, YSX started trading and First Myanmar Investment (FMI) was listed on YSX on 25 March. YSX announces a new stock index called MYANPIX (Myanmar Stock Price Index) will be issued on May 20. At that time,

Myanmar Thilawa SEZ Holding Public Ltd. (MTSH) had been listed on YSX. Myanmar Citizen Bank Ltd. (MCB) has been listed on YSX on August 26. As of January 26, 2018, there are five listed companies in YSX. They are First Myanmar Investment (FMI), Myanmar Thilawa SEZ Holding Public Ltd. (MCB), First Private Bank Ltd. (FPB) and TMH Telecom Public Co., Ltd. (TMH) (ysx-mm).

Over the twoyear period following the launch of the YSX, the total trading value exceeded MMK 570 billion by the end of May 2018. The rapid increase in trading volume on the YSX provides ample space for further expansion of the market. Currently there are 300 public companies in Myanmar that are expected to be listed on the YSX in the near future. The SECM enabled online trading to boost the stock market in December 2017 with the intention of expanding the trading channel and increasing matching times in March 2018 from 2 times to 4 times a day. The SECM has allowed mobile trading to boost the convenience of investors, allowing securities companies to place orders through mobile applications. Following the introduction of mobile trading, an investor had to come to the Securities Company office in person or call a sales person from the Securities Company to place an order for the exchange of stock.

A stock exchange is a company or organization that offers "trading" services for stock trading and other securities to stock brokers. The assets exchanged on a stock exchange are: equity issued by the company, unit trusts, derivatives, pooled investmet products and bonds. There are two hundred registered pubic firms, but not all can expect to be listed on the stock exchange. There is no program for people working in Myanmar's private sector, so many people in Myanmar should be looking after their own retirement. The securities market is a highly knowledgeable service industry and securities companies can invest heavily in human resources and prepare the crew for this purpose.

Yangon Stock Exchange's biggest challenge will be to raise money from investors and increase the number of companies listed. The crucial step in accepting foreign investment is to amend the law. Without overseas investment, the domestic market will be very hard to grow. The new law on Myanmar Companies is enacted, allowing foreign investors to participate in the process of trade. We will have to take on the risk of currency, so they need Myanmar Kyat's hedging facilities.

### **3.2 Public Companies**

Public companies that issued securities by offering an initial public offer (IPO) and today trading the issued shares and securities across the counter and even online. A public company which is a publicly traded company, publicly owned company, publicly listed company or public limited company is a company whose ownership is formed by a share of the stock intended for free trade. A public company can be listed on a stock exchange means listed company, meaning unlisted public company, which allows the sale of shares or not. Public listed companies have more benefit over private firms that can sell their stock market shares to raise funds. By doing so, public companies will establish and sell new stock market shares, and additional funding will be necessary (Wikipedia).

In Myanmar, SECM notification 1/2016 must also be complied with by public companies with more than 100 shareholders. The SECM just reviews the audited accounts for these firms ' financial status. There are 200 public companies listed in Myanmar. A public company is required by law to apply a prospectus to the SECM before a public offer of its securities and to print a prospectus

#### **(a) Listed Public Companies**

Listed public companies are the company listed in the stock market and their securities can be readily tradable and investors at their choice may buy and sell shares. The buyer who buys the shares becomes the shareholder in the respective listed company and may have the right to vote at that listed company's annual general meeting.

When investors want to trade their own stock, they may operate through securities companies over the counter and online trading. At the annual general meeting, which consists of both executive and non-executive members, the board of directors ' role is determined by the voting shares of shareholders. Compositions of boards are often defined and regulated by different corporate governance. The decisions should be communicated to the shareholders in a timely manner, and resolutions of the board should be adopted when certain essential decisions are taken (Wikipedia). There are five listed companies in Myanmar that have been granted YSX operations since 2016. The SECM scrutinizes each company's prospectus and corporate report for the oversight of listed companies. All companies listed must disclose information approved by their boards of directors to the public.

**(b) Unlisted Public Companies**

There are issues related to financial reporting in Myanmar by non-listed public companies. Unlisted public companies can be distinguished from licensed corporations because they can have more than 50 non-employee members and they can also collect money from the public. An unlisted shares-limited public company is a corporation that issued shares to the public but decided not to have those shares listed on a stock exchange. It has the same rights as a registered public company under the Companies Acts. Around 300 unlisted public companies in Myanmar are limited by shares. Such businesses are more likely to act with an intent for profit compared to companies that are constrained by guarantee as their equity capital structure makes it easier for investors to earn financial returns.

**3.3 Trading Participants in Yangon Stock Exchange**

YSX revealed its listing requirements for submitting publicly listed companies in August 2015. On December 9, 2-15, the Grand Opening Ceremony was held by YSX. YSX entered into a fund settlement agreement with KBZ Bank in February 2016 for stock trading. On 25 March 2016, YSX launched the first trading and FMI start listed on YSX. YSX will announce on May 20th that it will publish a new stock index called MYANPIX (Myanmar Stock Price Index). Thilawa SEZ Holding Public Ltd, listed on 20 May, is the second publicly listed company. Myanmar Citizen Bank Ltd is the third publicly listed company on August 26. On January 20, 2017, the fourth is First Private Bank. The fifth is TMH Telecom Public Co., LTD (TMH) listed on 26<sup>th</sup> January 2018. There are five companies listed on the YSX at the moment. There is a list of 17 requirements provided by the YSX that must be followed by all listed companies. The SECM scrutinizes each company's prospectus and corporate report for the supervision of the listed companies. The SECM also regulates the disclosure of information by listed companies which, if shares, can affect prices. All listed companies are required to disclose information that their boards of directors authorize to the public (ysx-mm).

**Table 3.1: List of the Public Listed Companies**

<b>Company Name</b>	<b>Code</b>	<b>Listed Date</b>
First Myanmar Investment Public Co., Ltd.	00001	25 <sup>th</sup> March 2016
Myanmar Thilawa SEZ Holdings Public Co.; Ltd.	00002	20 <sup>th</sup> May 2016
Myanmar Citizens Bank Ltd.	00003	26 <sup>th</sup> August 2016
First Private Bank Ltd.	00004	20 <sup>th</sup> January 2017
TMH Telecom Public Co., Ltd	00005	26 <sup>th</sup> January 2018

Source: YSX, 2019

### **3.4 Securities Companies**

A stock exchange is a company or cooperative association that provides stock brokers with trading services for equity and other securities trading. The stock market is therefore absolutely critical to economic growth and development. Yangon Stock Exchange, as a stock exchange, is a place where investors can buy or sell the shares of the listed company. Investors must send their purchase and sale orders to Yangon Stock Exchange via securities companies with securities licenses issued by Myanmar's Securities Exchange Commission as well as Yangon Stock Exchange trading qualifications. This trade on the stock market can be handled by securities firms. Securities companies perform a number of functions like investment banks and brokerage firms. On December 26, 2017, Myanmar's Securities Exchange Commission issued approval to a handful of securities firms for online trading, which passed online trading tests and are ready for the program. Before that, starting from its official launch on March 24, 2016, Yangon Stock Exchange operated by securities companies using normal trading or offline trading.

Securities Companies operate as private financial companies to facilitate stock trading between investors and businesses, such as buying and selling financial instruments. Its primary purpose is to optimize investment returns that provide favorable investor results, reducing diversifiable risks from existing market conditions. Securities firms represent the investors with the markets of the intermediary. Clients of securities companies include pension funds, insurance firms, foreign banks, and the rich. Securities companies perform a number of functions. Depending on the type of securities firms, these roles manifest differently.

The SECM has given a business license to six securities firms for intermediaries since the launch of YSX. Four of them are local companies and four are joint venture firms (Myanmar Securities and Exchange Center, KBZ Stirling Coleman Securities Co; ltd and KTZ Ruby Hill Securities Co., ltd.) (ysx-mm).

**Table 3.2: Securities Companies in Myanmar**

<b>Company Name</b>	<b>Date</b>	<b>License Number</b>
KBZ Stirling Coleman securities Co; ltd.	26.2.2016	No.001
Myanmar Securities and Exchange Center Co., ltd.	26.2.2016	No.002
AYA Trust Securities Co., ltd.	1.3.2016	No.003
CB Securities Co., ltd.	1.3.2016	No.004
KTZ Ruby Hill Securities CO., ltd.	1.3.2016	No.005
UAB Securities Co., ltd.	23.11.2016	No.006

Source: YSX, 2019

According to the law, the SECM may grant business license for the following categories:

- (1) Securities dealing business license
- (2) Securities brokerage business license
- (3) Securities underwriting business license
- (4) Securities investment advisory business license
- (5) Securities company's representative business license
- (6) Securities business license prescribed by notification issued by the SECM

For the first three categories of the six above, a securities company must apply to the SECM only, and a company that obtains either category of the license may perform the fourth category business without obtaining a separate business license. Securities companies ' revenue comes from corporate underwriting, IPO consulting, brokerage, government bond trading, and others. In addition, for most securities companies in Myanmar, the main source of income is interest incurred by the bank deposit funded as paid-in capital at the time the companies were created. Next is the income from government bond trading. Although brokerage activities are an important

source of cash flow, due to the high fees paid to the YSX, they do not generate profit (secm.gov.mm).

### **3.5 Current Situation of Share Trading at YSX**

The YSX can carry out custody, clearance and settlements without obtaining permission from Myanmar's Security Exchange Commission, according to Section 51 of the Security Exchange Act. Yangon Stock Exchange has planned Book-Entry Transfer as a Book-Entry Transfer Institution, and securities companies can also act as a Book-Entry Transfer Business for their customers as an account management institution with approval from Myanmar's Security Exchange Commission. Myanma Economic Bank and Daiwa Research Institute Ltd (DIR) established the Myanmar Securities Exchange Center Co., Ltd (MSEC) in Myanmar in 1996 with the ultimate objective of setting up a stock exchange. Under the Ministry of Finance and Revenue (MOFR), the Central Bank of Myanmar (CBM), Daiwa Research Institute Ltd (DIR) and Japan Exchange Group, INC (JPX), signed a MOU in May 2012 to develop human resources and provide technical assistance for the growth of the financial and capital markets in Myanmar. In July 2013, the Securities and Exchange Law was passed. Under this statute, Myanmar's Securities and Exchange Commission (SECM) was formed under the Ministry of Finance.

YSX approved the listing of First Investment Co., Ltd (FMI) and issued trading licenses to five securities companies (KBZ Stirling Coleman Securitas Co., Ltd, CB Securities Ltd, AYA Trust Securities Co., Ltd, KTZ Ruby Hill Securitas Co., Ltd and UAB Securities Limited). YSX conducted its first trading on First Myanmar Investment (FMI) listed on YSX on 25 March. Trading hour is between 9:30 a.m. and 1 p.m. with two equivalent hours of 11:00 a.m. and 1 p.m. until March 30, 2018. YSX raised the trading times to four times as 10:00 am, 11:00 am, 12:00 pm and 1:00 pm in order to increase the account of customers and to make the cash flow faster on the market. Five listed companies are currently trading on the Yangon Stock Exchange (YSX). Until introducing online trading, investors have historically only been able to trade over the counter offline system whereby investors have to position their orders on the phone or at securities firms.

At the date of 31 July 2019, share price of FMI is 11,000 kyats, MTSB is 3,350 kyats MCB is 8,000 kyats, FPB is 24,500 kyats and TMH is 3,050 kyats. Trading

volume of first Myanmar Investment Public Co., Ltd (FMI) shares are 43,218 and trading value is 481,460,500 kyats. Trading value of Myanmar Thilawa SEZ Holding Public Co., Ltd (MTSH) shares are 180,375 and trading value is 591,576,950 kyats. Trading volume of Myanmar Citizens Bank Ltd.,(MCB) shares are 877 and trading value is 7,041,000 kyats. Trading volume of First Private Bank Ltd., (FPB) shares are 2531 and trading value is 59,922,500 kyats. Trading volume of TMH Telecom Public Co., Ltd (TMH) shares are 29,258 and trading value is 86,879,100 kyats.

Myanmar's Securities Exchange Commission (SECM) issued online trading approvals for the growth of the Myanmar capital market to four securities firms on 26 December 2017. These securities companies are Myanmar Securities Exchange Center Co., Ltd, KBZ Sterling Coleman Securities Co., Ltd, AYAtrust Securities Co., Ltd and CB Securities Ltd, which have passed online trading tests and are ready to operate their systems. At the launch ceremony on 17 May 2018, KTZ Ruby Hill Securities Co., Ltd. launched an online trading service for their investors (ysx-mm).

## Chapter 4

### Analysis on Growth, Problems and Prospects of Stock Market in Yangon Stock Exchange

In this chapter, research design, profile of respondents and factor influencing on growth, problems and prospects of stock market in Yangon Stock Exchange based on the questionnaires results are presented. The presentation of results is in the form of tables and chart. Also the researcher use SPSS program in analyzing data which collected from the listed companies. Presenting, reviewing and discussing research-based findings. The results are presented in tables and figures, where the frequency and percentage are shown.

#### 4.1 Survey Design

Research design is the conceptual framework within which research is conducted. Research design is a plan, structure and strategy for achieving the study's goals. To achieve objectives of the study, both primary and secondary data. There are 5 listed companies in Yangon Stock Exchange. The information was collected from employees of the 4 listed companies in Yangon Stock Exchange. The questionnaires are distributed to the 40 respondents are used for the data analysis using convenience sampling.

#### 4.2 Demographic Profile of Respondents

Closed-type questions are asked about demographic characteristics of respondents such as gender, place and level of education of respondents. That feature has been evaluated in absolute and percentage terms and the description of respondents' demographic features is described in the following tables.

**Position of Respondents:** Table (4.1) shows the position of respondents, that are divided in to five groups; directors, general manager, assistant general manager and manager. The result from the analysis on the position of respondents are as follow:

**Table (4.1) Position of Respondents**

<b>Respondents' position</b>	<b>No. of respondents</b>	<b>Percentage</b>
Director	2	5
Chief Executive Officer	3	8
General Manager	3	8
Assistant General Manager	5	13
Manager	10	25
Supervisor	6	15
Staff	11	26
Total	40	100

Source: Survey Data, 2019

The table states that survey includes 2 respondents are directors and 3 respondents are chief executive officers, 3 respondents are general managers, 5 assistant general managers, 10 managers, 6 respondents are supervisors, 11 respondents are staff. In term of percentage, staff share the largest with 26%, while manager and supervisor share the 25 % and 15% and while director share the lowest 5%.

**Gender of Respondents:** Table (4.2) shows the gender of respondents with the participants' ratio. The result of gender analysis of sample respondents are as follows:

**Table (4.2) Gender of Respondents**

<b>Gender</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Male	15	38
Female	25	64
Total	40	100

Source: Survey Data, 2019

From the result of analysis on gender of respondents, it is found that there is 15 number of male respondents and 25 number of female respondents. In term of percentage, female respondents share the largest with 64% while male respondents share 38%.

**Age of Respondents:** Table (4.3) shows age of respondents is analyzed into four groups; age between 21 to 30, age between 31 to 40, age between 41 to 50 and age of above 50. The result of age of respondents are as follows:

**Table (4.3) Age of Respondents**

Age of Respondents	No. of Respondents	Percentage
21- 30	15	38
31- 40	10	25
41- 50	11	27
Above 50	4	10
Total	40	100

Source: Survey Data, 2019

According to the result of survey, the age of 15 respondents are between 21 to 30, the age of 10 respondents are also between 31 to 41, whilst age of 11 respondents are between 41 to 50 but the 4 respondents are age of above 50. To express with percentage, 38% of total respondents are between the age of 21 to 30 is the highest , at the same time 10% of respondents are lowest at the age of above 50.

**Marital Status of Respondents:** Table (4.4) shows the gender of respondents with the participants' ratio, it is grouped into single and married. The result of marital status of respondents are as follows:

**Table (4.4) Marital Status of Respondents**

Marital Status	No. of Respondents	Percentage
Single	22	55
Married	18	45
Total	40	100

Source: Survey Data, 2019

From the result of the survey, 22 respondents are single and 18 respondents are married. With the percentage, 55% of total respondents are single and 45% of total respondents are married.

**Educational Level of Respondents:** Table (4.5) analyze the educational level of respondents is analyzed into two groups; graduate level and master degree level. The result of educational level are as follows:

**Table (4.5) Educational Level of Respondents**

<b>Educational Level</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Graduate	32	80
Master Degree	8	20
Total	40	100

Source: Survey Data, 2019

Table reports that education level of respondents include 32 number of respondents are graduate and 8 respondents are master degree respectively. In term of percentage, master degree respondents share the largest with 80%, while the share of graduate is 20%.

**Monthly Income of Respondents:** Table (4.6) (4.5) analyze monthly income of respondents is analyzed into four groups; below kyat 300,000, between kyat 300,000 to 1,000,000, between kyat 1,000,000 to 2,000,000 and above kyat 2,000,000. The result of monthly income of respondents are as follows:

**Table (4.6) Monthly Income of Respondents**

<b>Monthly Income</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Below 300,000	9	23
Between 300,000 - 1,000,000	21	52
Between 1,000,001 - 2,000,000	7	17
Above 2,000,000	3	8
Total	40	100

Source: Survey Data, 2019

Monthly incomes of respondents are classified into four groups in accordance with Table (4.6), 52% of total respondents are kyat 300,000 to 1,000,000 and 8% of total respondents are up to above kyat 2,000,000.

**Percentage of Expenditure from Monthly Income of Respondents:** Table (4.7) shows, the educational level of respondents is analyzed into two groups; graduate level and master degree level. The result of percentage of expenditure from monthly income of respondents are as follows:

**Table (4.7) Percentage of Expenditure from Monthly Income of Respondents**

Percentage of Expenditure	No. of Respondents	Percentage
25% to 40%	5	13
40% to 60%	13	32
60% to 80%	14	35
Above 80%	8	20
Total	40	100

Source: Survey Data, 2019

According to the result, percentage of expenditure from monthly income of respondents is divided into 4 group, 35% of total respondents are used 40% to 60% of their income for expenditure and only 13% of total respondents are used 25% to 40% of their income for expenditure.

**Investment Option of Respondents:** Table (4.8) shows the investment option of respondents with the participants' ratio, it is grouped into share, saving, gold or silver and real estate. The result of investment option of respondents are as follows:

**Table (4.8) Investment Option of Respondents**

Investment Option	No. of Respondents	Percentage
Stock Share	11	28
Saving Deposit	19	47
Gold or Silver	4	10
Real Estate	6	15
Total	40	100

Source: Survey Data, 2019

According to the result of the table (4.8) shows that 11 respondents are interest to invest in share option, 19 respondents are interest to invest in saving option, 4 respondents are interest in gold or silver and 6 respondents are interest to invest in real

estate. With the percentage of saving option is the largest of 47%, while the investment percentage of gold or silver is the lowest of 10%.

### **4.3 Analysis of Growth, Problems and Prospect of Yangon Stock Exchange**

The analysis of primary data was collected through questionnaire is presented in this section. The questionnaires were distributed to the top, middle and operational level of 5 listed companies and investors with respect to Growth, Problem and Prospects of stock market in Yangon Stock Exchange.

Respondents from financial, investment section of listed companies and investors were actively participated in this survey. 40 questionnaires were distributed among listed companies. The response of each choice in the question where the choices are to be ranked are weighted by the value of the rank assigned by the respondents. And weighted arithmetic means were calculated to find out the overall rank for each choice for the respondents.

#### **4.3.1 Analysis of Growth of Yangon Stock Exchange**

Overall growth of Yangon Stock Exchange has been analyzed on the basis of growth of number of listed company, amount of market capitalization, amount of IPO, number of brokers and securities companies, level of industrialization and volume of securities traded etc. growth measurement – base statements and their mean score has been presented in Table 4.1

**Table 4.9 Growth of Yangon Stock Exchange**

<b>Sr.</b>	<b>Statement</b>	<b>Mean Score</b>	<b>Standard Deviation</b>
1.	The growth of number of listed companies and securities companies are satisfactory.	2.65	1.122
2.	The growth of market capitalization, trade volume and value in the stock market are satisfactory.	2.875	0.992
3.	The growth of amount of IPO is satisfactory.	2.7	0.939
4.	Increase in institutional investors is necessary condition for the growth of stock market.	3.8462	0.709
5.	Number of brokers and securities companies are not sufficient.	3.25	0.927
6.	Low level of industrialization and small volume of securities traded hinders the growth of stock market.	3.45	0.876

Source: Survey Results 2019

The mean score of the growth number of listed companies and securities companies is 2.65. Mean score is nearest to 3 which means respondents think that growth rate of number of listed company is unsatisfactory. On the other hand, respondents are asked to rank the growth of market capitalization, trade volume and value in the stock market. The mean score is 2.875 which means that respondents are not clearly say that the growth rate of market capitalization, trade volume and value in the stock market are satisfactory or not. The mean score of the growth amount of IPO is 2.7 which is nearest to 3. It indicates that the most of the respondents cannot clearly say the growth amount of IPO is satisfactory. On the other hand, respondents are asked to rank the increase in number of institutional investors in stock market which mean score of is 3.8462 which is nearly 4. It means that they are strongly agree with that increase in institutional investors in stock market is satisfactory. Similarly, the respondents are agreeing with the statement that number of brokers and securities companies are not sufficient. So mean score of this statement is 3.25. The mean score of level of industrialization and small amount volume of securities traded hinders the growth of stock market is 3.45 which is nearly 4. It means that the respondents are agree with the low level of

industrialization and small volume of securities traded hinders the growth of stock market.

#### 4.3.2 Analysis of Problems of Yangon Stock Exchange

The problems of Yangon Stock exchange has been analyzed on the basis of legal rules and regulations, availability of investment information and disclosures of listed companies, influenced by small number of large investors instead of large number of institutional investors, special provisions to attract institutional investors, number of issue manager and brokers, insufficient knowledge of investors about the stock market and lack of professionalism in brokers. Problem measurement-base statement and their mean score are presented in Table 4.3.

**Table 4.10 Problems of Yangon Stock Exchange**

<b>Sr.</b>	<b>Statement</b>	<b>Mean Score</b>	<b>Standard Deviation</b>
1.	Legal rules and regulations of MSEC are not sufficient and appropriate.	3.05	0.932
2.	Investment information and disclosures of listed companies are not easily available to potential investors.	3.175	0.984
3.	Yangon Stock Exchange is greatly influenced by small number of large investors.	3.4	0.778
4.	There is no special provision to attract institutional investors in stock market.	3.475	0.905
5.	Number of securities companies and brokers are not sufficient.	3.27	0.847
6.	The need of new stock exchange is now realized by investors.	3.35	1.145
7.	There is insufficient knowledge of investor about the stock market.	3.65	0.893
8.	Lack of professionalism in brokers has hindered the development and improvement of stock market.	3.375	0.8679

Source: Survey Results 2019

As regarding with the legal rules and regulations are not sufficient, mean score is which is nearest to 3.05. It means that most of respondents are not strongly agree with the statement. Respondents are asked to rank the statement i.e. investment information is not easily available to investors. The mean score of the statement is 3.175. Regarding the stock market is greatly influenced by small number of large investors: the means score is 3.4. It means that respondents are agreed with the statement. Another factor is that, there was no special provision to attract institutional investor in stock market, respondents are also agree with this statement. So its mean scores is 3.475. As far as concerned with the number of securities companies and brokers are not sufficient, mean score is 3.27. It indicates that they feel that it is the important problem of Yangon Stock Exchange. The respondents are asked to rank the statement that the need of new stock exchange is now realized by investors, the mean score is 3.35. It means that they cannot clearly say that whether it is agree or disagree. Most of respondents are agree with the statement no. 8 and 9 it means score are 3.65 and 3.375 which indicated that insufficient knowledge of investors and lack of professionalism in brokers are the vital problem of Yangon Stock Exchange.

### **4.3.3 Analysis of Prospects of Yangon Stock Exchange**

Regarding the prospect of Yangon Stock Exchange, respondents are asked to rank the different measurement base statements. These are based on the number of listed company and trade value of listed companies, return form the stock market, growth amount of IPO, general provision, investor awareness' program launched by YSX, liquidity, credibility and marketability, trend of large companies listed in YSX and interest of educated and business people. Government policy towards the stock market and on-site and off-site inspection conducted by YSX. These are analyzed with the help of mean score. The prospects measurement-base statements and their score is presented in table 4.3.

**Table 4.11 Prospects of Yangon Stock Exchange**

<b>Sr.</b>	<b>Statement</b>	<b>Mean Score</b>	<b>Standard Deviation</b>
1.	The number of companies listed and the turnover of listed companies are rising every year.	2.975	0.947
2.	Yangon Stock Exchange provides satisfactory return.	3.10	0.982
3.	The growth of amount of IPO is increasing yearly.	3.025	0.891
4.	Legal provision of stock market has become easier and improved in comparisons to previous year.	3.45	0.714
5.	The program for potential investor awareness is frequently launched by YSX is successful.	3.37	0.868
6.	The main factor for developing the stock market is liquidity, credibility and marketability.	3.67	0.998
7.	There is a great trend of large companies listed in YSX and investors are increasing interest of education about stock market and institutional investors are greater prospect for YSX.	3.65	0.802
8.	SECM has taken the policy credible, transparent and investor friendly stock market.	3.3	0.758
9.	One-site inspection and off-site inspection performed by YSX is a very good news for investors and listed companies.	3.15	0.8929

Source: Survey Results 2019

The mean score of the statement no.1 is 2.975 which indicate that respondents are not strongly agreed with the number of listed companies and trade value of number of listed company. Similarity, increase of stock market provides unsatisfactory return: the means score is 3.10 which indicates the respondents are not agreed with the statement. When respondents are asked to rank the growth amount of IPO. The mean score is 3.025. It means that they are not agree with the growth amount of IPO is increasing. These are the main prospects of the stock market. On the other hand some statements based on legal provision and investor awareness program launched by YSX, respondents are not clearly say that they are agree or disagree. So, the rank it is don't know and their mean score are 3.45, 3.37 and 3.67. It means that YSX investors are not aware about the rules and regulation and program launched by YXS. As far as the liquidity, credibility and marketability is the main factor to develop the stock market, the mean score is 3.65 which means respondents are agreed with it. Based on that point, one of the reasons to invest in stock is liquidity, credibility and marketability. Regarding the trend of large company listed in YSX and increasing interest of educated and business people. The mean score is 3.33 .It means that most of the respondents are not strongly agree with this statements. Another statement regarding the inspection conducted by YSX is good news for investors, mean score is 3.15.in this case, respondents are not clearly stands on the point agree or disagree, it means that they are not aware about the statement. So it is concluded that the inspection program conducted by YSX is not successful.

#### **4.3.4 Summary of analysis of Growth, Problem and Prospects of Yangon Stock Exchange**

**Table 4.12 Summary of Mean score and Standard Deviation**

<b>Sr.</b>	<b>Statement</b>	<b>Mean Score</b>	<b>Standard Deviation</b>
1.	Growth of Yangon Stock Exchange	3.129	0.927
2.	Problems of Yangon Stock Exchange	3.343	0.919
3	Prospects of Yangon Stock Exchange	3.29	0.872

Source: Survey Results 2019

According to the result, it shows that the growth of Yangon Stock Exchange is unsatisfactory, because the overall mean scores is greater than statistical mean value 3.

After collecting of the survey questionnaire, the result shows that there is some problems with Yangon Stock Exchange, since overall mean score of the problems of Yangon Stock Exchange is greater than 3. After the survey, the result shows that there is some level of prospect on Yangon Stock Exchange to develop, since the overall mean value of the prospect of Yangon Stock Exchange is greater than statistical mean value 3.

## **Chapter 5**

### **Conclusion**

Stock exchange is only the financial institution's critical part of the economy's growth. More qualified stock brokers and securities companies are needed on the stock exchange. Two hundred public companies are licensed in the current year, but not all of them can be expected to be listed on the stock exchange. So this study explored the growth, problems and prospects of stock market in Yangon Stock Exchange. This conclusion chapter includes three parts: first part is finding, second part is suggestions and the last part is limitations and needs for further research.

#### **5.1 Findings**

This study examined the Yangon Stock Exchange's stock market growth, problems and prospects. In this report, there are two main objectives: to define the stock exchange activities of Yangon Stock Exchange listed companies and to examine the growth, problems and prospects of the Yangon Stock Exchange stock exchange.

The required data was collected through survey to total of 40 respondents from the employees of listed companies. The demographic factors include respondent's position, gender, age, marital status, education, monthly income, the percentage of expenditure from monthly income and the investment option.

In recent years, the stock market has become a vital part of the economic growth of the country. It can play an important role in encouraging and supporting a saving direction to provide entrepreneurs with investment in economically viable projects. The developed countries have shown, for example, that the stock market is the main factor affecting economic development. The stock market can provide a direct link between the capital fund's listed companies and investors. Therefore, both theoretical and practical perspectives on the stock market.

This study aims to examine the current running situation of stock market in Yangon Stock Exchange. The specific objectives of the study are to examine the growth of stock market in YSX, to identify the problems and challenges of stock market and to analyze the prospects to stock market in YSX. This study was conducted based on the primary and secondary data. The secondary data were collected from the Yangon Stock Exchange's website, Myanmar Securities Exchange Commission's website, trading

report of Ministry of Finance, website of each securities companies and Wikipedia website. The primary data was collected from the different respondents 'survey questionnaire, some direct interview of related authority and investors. This study used some historical and descriptive research design.

In examination of growth of Yangon Stock Exchange, it was based on the growth number of listed companies and securities companies, market capitalization, trade volume and value in the stock market, amount of IPO, number of institutional investors, number of brokers and securities companies, the level of industrialization and volume of securities traded in Yangon Stock Exchange. It can be concluded that the number of listed companies and securities companies is not satisfactory. The market capitalization, trade volume and value in the stock market and the amount of IPO are not growth enough. The increase in institutional investors are satisfactory. There is insufficient number of securities companies and brokers. The low level of industrialization and small volume of securities traded hinders the growth of stock market.

In the analysis of problems of Yangon Stock Exchange, it was based on the legal rule and regulations, investment information and disclosures of listed companies available, number of investor in the stock market, special provision form institutional investor, knowledge about the stock market and professionalism in brokers. It is conclude that the major problems of the stock market are insufficiency of legal rules and regulations, unavailability of information and disclosures, influenced by small number of large investors, the number of securities companies and brokers are not sufficient, insufficient number of securities companies and brokers, insufficient knowledge of investors etc. The investors are not realized the need of stock exchange.

In the examination of prospect of Yangon Stock Exchange, it was based on the number and the market capitalization and trade value of listed companies, satisfactory return of investment of stock market, the growth amount of IPO, legal provision, an investor awareness program, liquidity, credibility and marketability of stock market, trend of large companies, and interest of investors and policy of Security Exchange Commission of Myanmar. This study found that the major challenge in the stock market is insufficient number of investors, and there were no institutional investors including insurance companies, pension funds, and so on. From the analysis of prospects of Yangon Stock Exchange, it is resulted that number of listed companies increase in not satisfactory, return of investment from the stock market is not also satisfactory,

increasing amount of initial public offering are enough, increasing trend of large companies listed in Yangon Stock Exchange and increasing interest of educated and business people are the major prospects of Yangon Stock Exchange general provision taken by government, on-site and off-site inspection program launched by Yangon Stock Exchange are the minor prospects of Yangon Stock Exchange.

## **5.2 Suggestions**

Involvement of responsible institutional investors in the stock market is important for the growth of securities markets. SECM and YSX could extend the scope of investor education by holding seminars or workshops on YSX to provide knowledge and investor awareness. Many Myanmar investors are only interested in investing in short-and mid-term investment, so stock markets should provide more information and knowledge on the value and validity of long-term stock market investment. Listed companies should disclose their management style and intent, the new management practices and financial information of their businesses in a transparent manner, and should increase the knowledge of potential investors. This study suggests that Yangon Stock Exchange should be able to increase the number of listed companies as investors have the ability to select shares that they like among many listed companies.

It is necessary to increase the number of listed companies in the stock market in order to develop for the capital market as well as for the national economy. The results of this study also have major implications for securities firms to attract potential investors to their online channels of trading. This study suggest that the government creates a complete financial system that would help to increase the development of financial system in Myanmar. Furthermore the stock market regulations with a view to make stronger and more attractive to local investors. The regulator for capital market and YSX should make discussion and negotiation with potential listed companies and public companies to become listed company in YSX. The government might deregulate the laws and regulations concern with the investment in stock market for the further growth of stock market in YSX.

### **5.3 Limitation and Needs for Further Research**

A great number of issues were raised in this study requiring further attention. The present study was limited by the size of the sample. The data collected for the study is a small group of respondents with a limited sample size of 40 respondents from the listed companies. Further studies utilizing larger and more diverse samples are needed. Larger samples would likely yield more stable findings relative to the relationships among adoption of growth, problems and prospects of stock market in Yangon Stock Exchange and other related variables.

For Yangon Stock Exchange is the emerging stock market of country, further similar studies should be conducted. The further studies will have better understanding of the need for the growth, problems and prospects of stock market in Yangon Stock Exchange to develop in country successfully. Firstly, further researchers could strengthen the finding by using a larger number of participants. Secondly, further research could conduct studies to find solutions which would reduce issues and challenges found in this study. Further research could investigate the reasons behind this failure and suggest solutions, helping to reduce these barriers.

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# **Appendix**

## **Questionnaire**

### **Section (A)**

#### **Profile of Respondents**

##### **1. Respondent's position**

- Director
- Chief Executive Officer
- General manager
- Assistant General Manager
- Manager
- Supervisor
- Staff

##### **2. Gender of Respondents**

- Male
- Female

##### **3. Age of Respondents**

- Below 21
- Between 21- 30
- Between 31-40
- Between 41-50
- Above 50

##### **4. Marital Status of Respondents**

- Single
- Married

##### **5. Educational Level of Respondents**

- Graduate
- Master degree

**6. Monthly Income (in Myanmar Kyats)**

- Below 300,000
- Between 300,000 to 1,000,000
- Between 1,000,001 to 2,000,000
- Above 2,000,000

**7. What percentage of your expenditure from monthly income?**

- 25% to 40%
- 40% to 60%
- 60% to 80%
- Above 80%

**8. What investment option are you considering?**

- Stock Share
- Saving Deposit
- Gold or silver
- Real estate

**Section (B)**

How far do you agree/disagree with the following observations on growth of Yangon Stock Exchange? (Please make a tick-mark at the appropriate number as per following scheme: 5 = strongly agree; 4 = agree; 3 = do not know; 2 = disagree, and 1 = strongly disagree)

**Growth of Yangon Stock Exchange**

S r.	Statement	Agreeable Level				
		5	4	3	2	1
1.	The growth of number of listed companies and securities companies are satisfactory.	5	4	3	2	1
2.	The growth of market capitalization, trade volume and value in the stock market are satisfactory.	5	4	3	2	1
3.	The growth of amount of IPO is satisfactory.	5	4	3	2	1
4.	Increase in institutional investors is necessary condition for the growth of stock market.	5	4	3	2	1
5.	Number of brokers and securities companies are not sufficient.	5	4	3	2	1
6.	Low industrialization rates and low volumes of traded securities hamper stock market growth.	5	4	3	2	1

## Section (C)

### Problems of Yangon Stock Exchange

Sr.	Statement	Agreeable Level				
		5	4	3	2	1
1.	Legal rules and regulations of MSEC are not sufficient and appropriate.	5	4	3	2	1
2.	Investment information and disclosure of listed companies are not easily available to potential investor.	5	4	3	2	1
3.	Yangon Stock Exchange is greatly influenced by small number of large investors instead of large number of institutional investors.	5	4	3	2	1
4.	There is no special provision to attract institutional investors in stock market.	5	4	3	2	1
5.	Number of issue manager and brokers are not sufficient.	5	4	3	2	1
6.	The need of new stock exchange is now realized by investors.	5	4	3	2	1
7.	There is insufficient knowledge of investor about the stock market.	5	4	3	2	1
8.	Lack of professionalism in brokers has hindered the development of stock market.	5	4	3	2	1

**Section (D)****Prospects of Yangon Stock Exchange**

Sr.	Statement	Agreeable Level				
		5	4	3	2	1
1.	The number of companies listed and the turnover of listed companies are rising every year.	5	4	3	2	1
2.	Yangon Stock Exchange provides satisfactory return of investment.	5	4	3	2	1
3.	the growth of amount of IPO is increasing yearly.	5	4	3	2	1
4.	Legal provision of stock market has become easier and improved in comparisons to previous years.	5	4	3	2	1
5.	The program for potential investor awareness is frequently launched by YSX is successful.	5	4	3	2	1
6.	The main important factor for developing the stock market is liquidity, credibility and marketability.	5	4	3	2	1
7.	There is a great trend of large companies listed in YSX and investors are increasing interest of education about stock market and institutional investors are greater prospect for YSX.	5	4	3	2	1
8.	SECM has taken the policy of credible, transparent and investors friendly stock market.	5	4	3	2	1
9.	One-site inspection and off-site performed by YSX is good news for investors and listed companies.					