AN ANALYSIS ON THE STOCK MARKET IN MYANMAR, WITH SPECIAL REFERENCE TO FIRST PRIVATE BANK

PHYO WAI HTUN
EMDevS – 35 (15th BATCH)

OCTOBER, 2019
AN ANALYSIS ON THE STOCK MARKET IN MYANMAR, WITH SPECIAL REFERENCE TO FIRST PRIVATE BANK

A thesis submitted in partial fulfillment of the requirements for the degree of Master of Development Studies (EMDevS)

Supervised by
Dr. Nyunt NyuntSwe
Professor (Retired)
Yangon University of Economics

Submitted by
Phyo Wai Htun
Roll No. 35
EMDevS (15th Batch) (2017-2019)

OCTOBER, 2019
ABSTRACT

Financial system is the major driving factor for the economic development of the country. Capital market is related to the economic growth of the country. The study aims to examine the current situation of the stock market and to provide knowledge to the potential private investor with the choice of investment strategy and to the firms in maximizing the value of index to attract the investment decision. As study design, descriptive methods are used together with regression analysis. Secondary data and most of information are collected from the website of Yangon Stock Exchange. The study is only emphasized to the analysis of stock market in Myanmar with special reference to First Private Bank for 2017 and 2018. According to the analysis, the stock price is independent variable and the volume of share traded is dependent variable. The quantity demand of traded share is price elastic. The market capitalization of the Yangon Stock Exchange (YSX) varied according to the variation of price and the volume of traded share. Generally, the market index of YSX create the favorability of buyer to buy the stock at the lowest price. It is the time to promote the knowledge on stock market practice and perform for the environments that ensure the growth of capital market in well-functioning.
ACKNOWLEDGEMENT

First, I would like to express my deep gratitude to the committee of Master of Development Studies programme, Yangon University of Economics for giving me the opportunity to attend the programme and conduct this research. I would like to say my great thank to Professor Dr. Tin Win, Rector of Yangon University of Economics. I would like to express my gratitude to Professor Dr. Nilar Myint Htoo, Pro Rector of Yangon University of Economics.

I would like to indebt to former programme director Professor Dr. Thida Kyu, Pro Rector of University of Economics-Meiktila. I would also like to acknowledge the guidance of Professor Dr. Cho Cho Thein, Program Director of Master of Development Studies and Head of Department of Economics, Yangon University of Economics.

My highest gratitude goes to my supervisor Professor Dr. Nyunt NyuntSwe, Professor (Retired), Yangon University of Economics for her sincere guidance and valuable advice to accomplish my thesis. I would like to express my highest thanks to Professor Dr Khin Thida Nyein for her precious guidance.

I would like to acknowledge Professor, Associated Professor, Lecturer, Assistant lecturer for their kind support during the study period. I would also like to thank to the supporting staffs of Department of Economics who give their hand to support the programme.

I would like to express my great thank to my colleagues who gave me moral support and significant memories during the whole course of the study.

Last but not least, I offer my gratitude to all the person who contributed various support to my thesis.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>i</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>ii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>iii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>v</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>vii</td>
</tr>
<tr>
<td><strong>CHAPTER I</strong></td>
<td><strong>LITERATURE REVIEW</strong></td>
</tr>
<tr>
<td>1.1 Rationale of the Study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Objective of the Study</td>
<td>2</td>
</tr>
<tr>
<td>1.3 Method of the Study</td>
<td>2</td>
</tr>
<tr>
<td>1.4 Scope and Limitation of the Study</td>
<td>2</td>
</tr>
<tr>
<td>1.5 Organization of the Study</td>
<td>2</td>
</tr>
<tr>
<td><strong>CHAPTER II</strong></td>
<td>DEVELOPMENT OF STOCK MARKET IN ASEAN COUNTRIES</td>
</tr>
<tr>
<td>2.1 Financial system</td>
<td>4</td>
</tr>
<tr>
<td>2.2 Flow of Financial system</td>
<td>5</td>
</tr>
<tr>
<td>2.3 Type of Financial system</td>
<td>6</td>
</tr>
<tr>
<td>2.4 Stock market</td>
<td>8</td>
</tr>
<tr>
<td>2.5 Role and function of Stock Market</td>
<td>9</td>
</tr>
<tr>
<td>2.6 Review on similar studies</td>
<td>10</td>
</tr>
<tr>
<td>3.1 Thailand</td>
<td>14</td>
</tr>
<tr>
<td>3.2 Vietnam</td>
<td>16</td>
</tr>
<tr>
<td>3.3 Singapore</td>
<td>18</td>
</tr>
<tr>
<td>3.4 Philippine</td>
<td>20</td>
</tr>
<tr>
<td>3.5 Indonesia</td>
<td>22</td>
</tr>
<tr>
<td>3.6 Malaysia</td>
<td>24</td>
</tr>
<tr>
<td>3.7 Laos</td>
<td>25</td>
</tr>
<tr>
<td>3.8 Cambodia</td>
<td>26</td>
</tr>
<tr>
<td>3.9 Brunei Darussalam</td>
<td>27</td>
</tr>
<tr>
<td>3.10 Association of South East Asia Nations</td>
<td>28</td>
</tr>
<tr>
<td>Table no.</td>
<td>Title</td>
</tr>
<tr>
<td>----------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>4.1</td>
<td>Amount of authorized capital of First Private Bank (1992-2014)</td>
</tr>
<tr>
<td>4.2</td>
<td>The price and number of traded share (1992-2014)</td>
</tr>
<tr>
<td>4.3</td>
<td>Number of shareholder, amount of share and value of total share traded in the market (2016-2017)</td>
</tr>
<tr>
<td>4.4</td>
<td>Summary of financial statement of First Private Bank (2014-2016)</td>
</tr>
<tr>
<td>4.5</td>
<td>Share information of First Private Bank (2012-2018)</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure no.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Flow of fund through financial system</td>
<td>5</td>
</tr>
<tr>
<td>3.1</td>
<td>Total value of share traded and GDP growth rate of Thailand, 2010-2018</td>
<td>16</td>
</tr>
<tr>
<td>3.2</td>
<td>Total value of share traded and GDP growth rate of Vietnam, 2010-2018</td>
<td>18</td>
</tr>
<tr>
<td>3.3</td>
<td>Total value of share traded and GDP growth rate of Singapore, 2010-2018</td>
<td>20</td>
</tr>
<tr>
<td>3.4</td>
<td>Total value of share traded and GDP growth rate of Philippine, 2010-2018</td>
<td>21</td>
</tr>
<tr>
<td>3.5</td>
<td>Total value of share traded and GDP growth rate of Indonesia, 2010-2018</td>
<td>23</td>
</tr>
<tr>
<td>3.6</td>
<td>Total value of share traded and GDP growth rate of Malaysia, 2010-2018</td>
<td>25</td>
</tr>
<tr>
<td>4.1</td>
<td>Market capitalization of Yangon Stock Market, 2016-2018</td>
<td>33</td>
</tr>
<tr>
<td>4.2</td>
<td>Trading volume and price of share of FMI, 2016-2018</td>
<td>34</td>
</tr>
<tr>
<td>4.3</td>
<td>Trading volume and price of share of MTSH, 2016-2018</td>
<td>35</td>
</tr>
<tr>
<td>4.4</td>
<td>Trading volume and price of share of MCB, 2016-2018</td>
<td>36</td>
</tr>
<tr>
<td>4.5</td>
<td>Trading volume and price of share of TMH telecom, 2018</td>
<td>37</td>
</tr>
<tr>
<td>4.6</td>
<td>Price and number of traded share of FPB, 2017-2018</td>
<td>44</td>
</tr>
<tr>
<td>4.7</td>
<td>Price and number of traded share of FPB, 2017</td>
<td>45</td>
</tr>
<tr>
<td>4.8</td>
<td>Price and number of traded share of FPB, January to March 2017</td>
<td>46</td>
</tr>
<tr>
<td>4.9</td>
<td>Price and number of traded share of FPB, April to June 2017</td>
<td>47</td>
</tr>
<tr>
<td>4.10</td>
<td>Price and number of traded share of FPB, July to September 2017</td>
<td>47</td>
</tr>
<tr>
<td>4.11</td>
<td>Price and number of traded share of FPB, October to December 2017</td>
<td>48</td>
</tr>
<tr>
<td>4.12</td>
<td>Price and number of traded share of FPB, 2018</td>
<td>49</td>
</tr>
<tr>
<td>4.13</td>
<td>Price and number of traded share of FPB, January to March 2018</td>
<td>50</td>
</tr>
<tr>
<td>4.14</td>
<td>Price and number of traded share of FPB, April to June 2018</td>
<td>51</td>
</tr>
</tbody>
</table>
4.15 Price and number of traded share of FPB, July to September 2018 51
4.16 Price and number of traded share of FPB, October to December 2018 52
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMV</td>
<td>Base Market Value</td>
</tr>
<tr>
<td>CBM</td>
<td>Central Bank of Myanmar</td>
</tr>
<tr>
<td>CMV</td>
<td>Current Market Value</td>
</tr>
<tr>
<td>CSX</td>
<td>Cambodia Securities Exchange</td>
</tr>
<tr>
<td>DDL</td>
<td>Disclosure Document for Listing</td>
</tr>
<tr>
<td>FPB</td>
<td>First Private Bank</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HNX</td>
<td>Hanoi Stock Exchange</td>
</tr>
<tr>
<td>HOSE</td>
<td>Hochiminh Stock Exchange</td>
</tr>
<tr>
<td>IDX</td>
<td>Indonesia Stock Exchange</td>
</tr>
<tr>
<td>KLSE</td>
<td>Kuala Lumpur Stock Exchange</td>
</tr>
<tr>
<td>LSX</td>
<td>Laos Securities Exchange</td>
</tr>
<tr>
<td>MEB</td>
<td>Myanmar Economic Bank</td>
</tr>
<tr>
<td>MMK</td>
<td>Myanmar Kyats</td>
</tr>
<tr>
<td>MSEC</td>
<td>Myanmar Securities Exchange Center</td>
</tr>
<tr>
<td>PSE</td>
<td>Phillipine Stock Exchange</td>
</tr>
<tr>
<td>SET</td>
<td>Security Exchange of Thailand</td>
</tr>
<tr>
<td>SGX</td>
<td>Singapore Stock Exchange</td>
</tr>
<tr>
<td>YSX</td>
<td>Yangon Stock Market</td>
</tr>
</tbody>
</table>
CHAPTER I
INTRODUCTION

1.1 Rationale of the Study

The economic development is an inspiration of the country because it is a way of alleviating poverty, fostering equity and creating better society. This development will be facilitating by mobilizing financial resources through a mechanism by bringing together the firm who need the financial support and the firm who have excess. The financial system is the major contribution factor to promote the economic development of the country. There are two type of market in financial system; they are money market and capital market. Capital market is the popular one among private investor. In capital market, the capital goods also known as stocks represent ownership of a corporation. They are the most visible instrument on financial landscape.

In the past, there were a long debate on the role of stock market for promoting economic growth and sustainable development. But there was obviously the number of countries which established the stock exchange has increased significantly from 50 in 1975 to over 160 in 2015 that attribute to the consensus of positive relation between stock exchange and economic development. It is important to understand on the fact that potential growth of capital market contribute to the economic development. It is also important to not only understanding of the role of exchanges and its operation but working towards environments that ensure the development of well-functioning capital market. Many empirical studies show that the ratio of capital market to Gross Domestic Product (GDP) tends to be increased with the higher real income and wealth. The higher the capital market become, the higher rate of investment become and increased GDP.

In recently, the index of stock market indicates the economy’s health because it reflects the trust of private investor through direct investment or a mutual fund. If the index of stock market declines, there will be less productive investment and a slower-growing economy.

Since the beginning of political transition 2010, Myanmar is seen as the potential growth of economies and occupied the headline of global press for investment. Stock exchange becomes one of favorable field to attract domestic and foreign investment. Yangon
stock exchange was established in 2015 with the technical support of Daiwa Research Institute and Japan Stock Exchange. It is a new market for Myanmar and assumes as good future of mobilization of savings and financial assets.

At the same time, the knowledge of stock market becomes paramount for the better choice of right decision. The information and the operation of stock market need to be well developed with the legal support aimed at ensuring the fairness and transparency. In the early phase of stock exchange, it attains high interest of local investor that was shown by sharp rise of index of stock exchange in the early phase of stock exchange.

1.2 Objectives of the study

The study is obvious in the sense that it is the first study of stock market in Myanmar and the main objectives are

1. to examine the current situation of stock market of Myanmar
2. to provide knowledge to investor to ensure least nominal and favorable return to their investment as well as to the firms to work hard in maximizing the value of the aforesaid index that attract the investment decision.

1.3 Method of the study

To achieve the objective of the study, descriptive research design is used together with regression analysis. The data of this study was retrieved from the Yangon Stock Exchange Market website namely www.ysx-mm.com. At present, 5 companies are listed in the market and the companies are categorized into bank, investment holding, real estate development and telecommunication. Among those First Private Bank Ltd (FPB) is selected because the data are more informative and more variable. The period of data is selected for 2017 and 2018 because FPB listed in February 2017.

1.4 Scope and limitation

The study examines by using the secondary data only that available on the website of Yangon Stock Exchange (YSX) and first private bank (FPB). The duration of the study is from 2017 to 2018.

1.5 Organization of the study

The study consists of five chapters. Chapter 1, introduction, states the rational of the study, objective, method of the study, scope and limitation. Chapter 2 describes the literature review on financial system including flow and type of financial system, money and capital
market, financial instrument of capital market, stock exchange. Chapter 3 explains about the stock exchange in ASEAN countries such as Thailand, Vietnam, Indonesia, Philippine, Singapore, Laos, Cambodia, Brunei, ASEAN platform, market index and capitalization. Chapter 4 describes the development of stock market in Myanmar, analysis of Yangon Stock Exchange, history of First Private Bank, its financial statement according to disclosure document for listed, analysis of price and number of traded share in market. Chapter 5 mentions the conclusion of findings and suggestions.
CHAPTER II
LITERATURE REVIEW

As an evidence of empirical studies and theoretical concepts, the stock market is directly related to the economic growth and play pivotal role within both the emerging economy and advanced market. Masoud (2013) imply that the effective stock market has positive relation to the economic growth both in short and long run. The better mobilization and aggregation of capitals is, the higher rate of economic growth become. The relationship between financial system and the growth of Gross Domestic Product (GDP) is further supported by the evidence of World Bank (1989).

2.1 Financial System

Financial system consists of financial market and financial institutions. The important function of the financial system is to allocate money to the most productive investment projects in the economy. If the financial system is working properly, only project with high risk adjusted rate of return are funded and those with low rates are rejected. (Frederic, 2013)

Financial institutions are the firms including commercial bank, credit unions, insurance companies, pension funds, mutual funds, and finance companies that provide financial service. The distinguishing feature of these firms is their investment on financial assets such as business loans, bonds and stocks rather than real assets such as manufacturing facilities and equipment. Financial institutions dominate the financial system worldwide and are far more important sources of financing than financial market.

Financial market is the market where people buy and sell the financial instruments such as stock, bonds and future contracts. The large amount of money will involve in the transactions of financial market which will be incredibly risky. The price may swings from time to time that make the newsworthy of financial market. Financial market can be classified as money market and capital market. (David S. Kidwell, 2013)

Financial market also classified as bank based and market based system. As recent economic trends with the support of IMF and World Banks, many countries are now adopting capitalist economies by promoting private investment and ownership. It is significant for efficient allocation of capitals which contributes to accelerate production and economic efficiency of the whole.
The financial markets create the pathway of fund flow from the firm which has excess savings to the firm which need investment. They are significant for efficient allocation of capitals which contributes to accelerate production and economic efficiency of the whole. They play a major role for economic development of the country by establishing essential function of economic and crucial way of channeling funds from the lender to the borrower through its tools such as stock and bond. These tools are securities that entitle the owner to a share of the firm’s profits and assets. If financial markets undergo well, there will be direct improvement of well-being of customers. However, if financial markets break down, serious financial crisis will occur and lead to economic hardship and consequently political instability. (Frederic, 2013)

2.2 Flow of financial system

It is obvious that a stock market is important for the growth of economy because it allow the movement of funds from the firms who have excess without investment opportunities and to the firms who have those opportunities. By using the function of stock market, the investment and production may increase while the achievement of economic efficiency may ensure and the prosperity of society may improve.

The flow of financial system is the pathway of money from the firm with the excess to the firm which needs to invest or expand. It can be shown by figure 2.1

Figure 2.1: Flow of funds through the financial system

Source: (Frederic, 2013)
Hassan MK, Sanchez B, Yu J-S(2011) also investigated the role of financial development in accounting for economic growth in low- and middle-income countries for the period 1980 to 2007. Using panel data regression and variance decomposition of annual GDP per capita for a sample of one hundred and sixty eight countries, they found a positive relationship between financial development and economic growth in developing countries unlike that obtained in developed countries. The findings suggest that the level of development of the country is important when investigating the relationship between financial development and economic growth. Gurley and Shaw (1967) argued that the development of financial market is a positive effect on the real income and wealth. Beck and Levine (2004) investigated the impact of stock markets and banks on economic growth. The findings from the study showed that stock market development and banking sector development have a positive impact on economic growth.

Market based system as well as stock market acts as major avenues of investment which in turn to fill the capital requirement of the industries. Arnold (2004) argued that stock markets are where government and industry can raise long-term capital and investors can purchase and sell securities. Typically, markets, whether they will be shares and bonds, are simply mechanisms to allow the possibility of trade between individuals or organizations. Additionally, very few stock exchanges around the world still possess a physical location where buyers and sellers meet to trade. Capital market instrument are debt and equity instruments with maturitites of greater than one year.

The trend of investment was focused on the stock market in which the investor interested in the price of shares that yield attractive returns to them. Share has also been a major financial resource to fulfill the requirements of the firms for expansion. The firm can share the risk of finance with the investors that are generally acceptable concern for investors in related to the unpredictable condition of investment in future. The manager of firms also need to pay due attention to the factors that influence the price because the price conveys the information to the outside about the present situation and future of the firm. The investors need to know the influencing factor on the price of the stocks in order to make decision for investment. The risks and benefit about stock market in kind of the influencing fact. The price of stock may be varied according to the various factors including internal factors of the firms such as earnings, dividend, book values, etc and external factors such as policy, regulation, interest rate, investor’s preference and etc.
2.3 Type of financial market

Kidwell (2013) mentions that there are different types of financial market and based on these markets the different financial instruments exist.

i. Primary and Secondary market

In primary market, the firm which needs investment called external funds by selling new stock or bonds to initial buyer. This is the only time a company receives money from selling the share. If it is the first time of a company has offered a particular type of security to the public, not in secondary market, is called unseasoned offering or primary offering or an initial public offering (IPO). All financial claims have primary market.

Secondary market provides liquidity for investors who own primary claims. Securities can be sold only once in a primary market while subsequent transactions take place in secondary markets. Stock exchange is an example of a well known secondary market. Market capitalization is the total market value of all the outstanding stock. Earnings per share (EPS) is simply net income divided by the number of shares outstanding. The price divided by earnings per share is called piece/earning (P/E) ratio.

ii. Exchange and Over-The-Counter (OTC) market

Once issued, the financial claims (securities) can be traded in the secondary market on an organized security exchange. Organized security exchanges provide a physical place and communication facilities for the members to conduct their transactions under the specific rules and regulations. Only listed firms and members involve in trading the security, stock or bonds.

Securities not listed on an exchange are bought and sold in the over-the-counter market. It differs from the organized exchange because they has neither trading place nor qualify to be listed on the exchange. But the investors execute the transaction through OTC dealer especially found in the technology firms in recent years.

iii. Public and Private market

Public markets are organized financial market where securities registered with the Securities and Exchange Commission (SEC) and highly regulated for fairly traded and fully disclosure of the investment’s risk. Individual can access to public markets through the retail division of commercial and investment banks.
Private markets involve direct transaction between two parties. Transaction in private markets called private placement and there is very little regulation compared to public market. Major advantages of private market are the speed of fund raised and low transaction cost but as disadvantage, privately placed securities cannot legally be sold in public markets.

iv. Future and Optional market

Market may also exist for future and options which is also called derivative securities because they drive their value from some underlying asset. Future contracts are contracts for the future delivery of assets such as securities, foreign currencies, interest rates, and commodities.

Option contracts are contracts for one party to perform a specific act if called on to do so by the option buyer or owner.

v. International and Domestic market

Financial market can be divided into international and domestic market depending on the location they exist. In these market, domestic or overseas firms can borrow or lend large amount of US dollars that have been deposited in overseas banks. The markets are closely linked to US dollars and capital market.

vi. Foreign exchange market

The foreign exchange market is the market in which foreign currencies are bought and sold. Foreign currencies such as the US dollar, the British Pond, the Euro, etc are traded with one another.

Mankiw (2016)stated about the 10 data series of the index of leading economic indicators that are often used to forecast the economic activity in near future. Some indicators related to the stock market are the followings

1) Index of stock market

The stock market reflects expectations about future economic conditions because the investors bid up the prices if they expect companies to be profitable. An increase in stock prices indicates that investors expect the economy to grow rapidly while a decrease in stock prices indicated that investors expect an economic slowdown.

2) Index of consumer expectations
This is direct measure of expectations based on survey conducted. Increased optimism about future economic conditions among consumers suggests increased consumer demand for goods and services, which in turn will encourage businesses to expands production and employment to meet the demand. The decline of stock price reduces the wealth of consumer and may lead to reduce consumption and decrease GDP.

2.4 Stock Market

Stock market is a market in which shares of ownership in corporations are bought and sold. Stock is shares of ownership in a corporation. It is equity claims on the net income and assets of a corporation. It often makes periodic payment (dividends).

The stock market is the ordinary place for institutions to deploy stocks and increase fund. If there are listed public institutions, then they can deploy their shares in the market to collect more funds to expand the business. As for companies that did not participate in the stock market, they have to start the Initial Public Offering Process (IPO). The market offers its shares. It could be said that the stock exchange has a primary function by supporting the economic growth of the country in the fields of industry and commerce. Sen and ray(2013) said that market is the main cause for the development of industry and commerce as it plays an important role in developing industrial sector of the country.

The stock market is an important catalyst in deciding business investment because the price of shares affects the amount of funds that can be raised by selling newly issued stock to finance investment spending.

The pioneering work on determinants of share prices by Collins (1957) identified dividend, net profit, operating earnings and book value as the factors influencing share price. Following this research, there were many studies to identify the influencing factors of share prices in different stock markets.

Zahir & Khanna (1982) examined the share price of private firms and showed that the prices are significantly influenced by dividend, earning and yield of both more volatile and less volatiles shares. Further, they also highlight that the index of security price is a remarkable determinant for price of more volatile share.

A stock market can be a market place, where shares and stock are traded as commodity. In addition, it is act as central for the developing and emergence of a market economy. In the history, it is shown that a key to structural transformations in any economy; from traditional, rigid, insecure bank-based to a more flexible, more secure economy that is immune to shocks, fluctuations and lack of investors’ confidence (Stapley, 1986).
Karathanassis & Philippas (1988) studied banks listed on Athens Stock exchange. They found that dividend, retained earnings and size to exert a significant positive influence on share prices. Uddin (2009) analysed the effect of certain factors on the price of bank’s share listed on Dhaka Stock Exchange. The study found dividend, earnings and net asset value per share to bear obvious relation with the market price of share.

2.4 Role and function of stock market

The relation between stock market and the economic growth represent the connection between different sectors namely savers and borrowers. At the saving site, they have excess amount of money and want to put in the place with the purpose of getting more benefits while at the borrowing site, they require the additional finance to accelerate their production. The basic role of stock market is to create pathway of financial flow from the firm who surplus to the firm who need. More than that,

1. To increase the amount of available financial resource
2. To support the financial information of companies which in turn reduce the cost of access to such information
3. To give liquidity for owners who have various financial assets
4. To support in the development of various financing method (short, medium and long term)

Singh (1993) suggested three significant element of stock market which can increase the economic growth via acceleration cycle by

1. Increasing savings and investments
2. Improving the productivity of investments and
3. Raising the profitability of existing capital stock

2.6 Review on similar studies

Najeb Masoud (2013) studied on the impact of stock market performance upon economic growth in 2013. The main objective was to detect the causal relation between the performance of stock market and economic growth. The studies analyze the secondary data mostly from the developed countries and some data from the emerging countries for the duration of 6 years from 1996 to 2001. It showed that the stock market capitalization of the world increases from 14,494 billion dollars in 1996 to 25,711 billion dollars in 2001 which described that 80 percent increasement for 6 years. The market capitalization hit the peak to 31,668 billion dollars in 2000 with significant increasement in developed countries. The
studies illustrated that the stock market has played pivotal role for economic development in both developed and emerging markets. The market capitalization has positive relation with real GDP per capita, traded value and liquidity.

Azit Kumar Dey (2014) studied about the dividend policy and its impact on market price in 2014. One objectives of the study were to identify the security price reaction to the announcement of dividends in an emerging market. The empirical result identify Brittain’s (1996) partial adjusted model as the best dividend behavioral model and as insiders trade in the stock market, information used to be adjusted with the price of shares before and after the announcement of dividend. The study showed that the announcement of dividend has no obvious impact on the price of stock in emerging market.

Byson Majanga (2015) studied on the dividend effect on the stock price which emphasized on listed companies of Malawi Stock Exchange. The study illustrated that the dividend had strong positive relation with the price of stock which was an outcome of influencing factor including dividend yield.

Illys, Adnan and Farzand (2015) studied on effect of dividend policy on stock prices among 45 non-financial companies listed on KSE-100 index. The study described that the dividend payout ratio has an obvious positive relationship with the price of share. Earning per share also had positive significant relation to the price of stock market. Return on equity had negative relation to the price of share.

Asset is a financial claims or piece of property that is a store of value.

Asymmetric information is a situation that arises when on party’s insufficient knowledge about the other party involved in a transaction makes it impossible to make accurate decision when conducting the transaction.

Banks are financial institution that accept money deposits and make loans.

Bond is a debt security that promises to make payments periodically for a specified period of time.

Brokers are agents who match buyers with sellers.

A bourse is a market organized for the purpose of buying and selling securities, commodities, options and other investments. A bourse is more commonly known as a stock exchange. The word "bourse" is based on the house, belonging to Van der Burse, where merchants would gather and trade with one another.

Capital is wealth, either financial or physical, that is employed to produce more wealth.
Capital market is one of financial market in which longer-term debt (generally with original maturity of greater than one year) and equity instruments are traded.

Capitalization means the total market value of all outstanding share of company. It is calculated by multiplying the total number of outstanding shares with current price of each share. It is also used to determine the size of company.

Cash flow is the difference between cash receipts and cash expenditures.
Cash flows are cash payments to the holder of a security.
Common stock is a security that is a claim on the earnings and assets of a company. It also refers to equity securities.
Conflicts of Interest is a manifestation of the moral hazard problem, particularly when a financial institution provides multiple services and the potentially competing interests of those services may lead to a concealment of information or dissemination of misleading information.

Equities are claims to share in the net income and assets of a corporation.

Dealer is a person who link buyers with sellers by buying and selling securities at the stated prices.
Dividend is the periodic payment of equities of the securities and consider as long-term securities because they have no maturity date.
Derivative security is a financial instrument whose value depends on, or is derived from, some underlying security. For example, the value of a futures contract to buy corn at some future point in time is derived from the price of corn.
IMF—International Monetary Fund is the international organization developed by the Bretton Woods agreement whose objective is to promote the growth of the world trade by making loans to countries experiencing balance-of-payments difficulties.

Liquid is easiness conversion into cash.
Liquidity is the relative ease and speed with which an asset can be converted into cash.
Limited order is an order to buy or sell at a designated price or at any better price.
Long-term is a debt or financial instrument having a maturity of ten years or more.

Return is the payments to the owner of a security plus the change in the security’s value, expressed as a fraction of its purchase price. More precisely called the rate of return.
Return on assets (ROA) is net profit after taxes per dollar of assets.
Return on equity (ROE) is net profit after taxes per dollar of equity capital.
Risk is the degree of uncertainty associated with the return on an asset.

Security is a claim on the borrower’s future income that is sold by the borrower to the lender. It is also known as a financial instrument.
Short term is a debt or financial instrument having a maturity of one year or less.
Stock is a security that is a claim on the earnings and assets of a company.
Stockholder is those who hold stock in a corporation own an interest in the corporation proportional to the percentage of outstanding shares they own.
The stock market index provide a useful tool to summarize the vast array of information generated by the continuous buying and selling of stocks.

Underwrite is the purchased securities from a cooperation wat a predetermined price and then resell them in the market.

Volatility is a statistical measure of the tendency of a security’s price to change over time.

World Bank is the international bank for Reconstruction and Development, an international organization that provides long-term loans to assist developing countries in building dams, roads, and other physical capital that would contribute to their economic development.
CHAPTER III
DEVELOPMENT OF STOCK MARKET IN ASEAN COUNTRIES

In this chapter, development of stock markets among ASEAN countries is necessary to illustrate in this chapter. The relation between annual growth rate of GDP and the number of traded share of the stock market of each countries is described. The Market index and market capitalization are also described. Among ASEAN countries, stock market is well developed and functioning in Thailand, Malaysia, Indonesia, Philippine, Vietnam and Singapore while Laos, Cambodia, Myanmar developed stock market at early phase and Brunei is only one country need to be established.

3.1 Thailand

The first stock exchange was established in July 1962 with limited partnership. In 1963, the stock exchange was registered as a limited company and its name changed to the Bangkok Stock Exchange Co., Ltd. (BSE). From the beginning of stock exchange BSE provided a good venue but gradually decline from THB160 million in 1968 to THB114 million in 1969 and sharply to THB46 million in 1970. It stuck to THB 26 million all time till BSE ceased operation in the early 1970s. Although the BSE was not successful, the establishment of a capital market in Thailand by providing appropriated rule and regulations proposed by the Second National Economic and Social Development Plan (1967 -1971). In 1970, the report “A Capital Market in Thailand” produced and it became the blue print of Thailand capital market for its future development.

In 1972, the government of Thailand amended “Announcement of the Executive Council No. 58 on the Control of Commercial Undertakings Affecting Public Safety and Welfare”. In 1974, the Securities Exchange of Thailand Act, B.E.2517 enacted and established the Securities Exchange of Thailand (SET) was enacted to provide for securities trading with the purpose of promoting savings and mobilizing the domestic capital. The Revenue Code revised to allow the investment of savings in the capital market. In 1975, the basic legislative framework was in place and SET started trading officially on April 30, 1975. The beginning of 1991, the name was formally changed to the Stock Exchange of Thailand (SET).SET encourages the general public to become shareholders in domestic businesses and industries.
The core operation of the SET includes listing securities supervision of information disclosures by listed companies, oversight of securities trading, and monitoring member companies involved in trading securities, as well as dissemination of information and education to investors.

The Securities and Exchanges Act of 1992 (SEA) stipulates the SET is overseen by the Securities and Exchange Commission (SEC) and provides a clear distinction between the primary and secondary capital markets. SEC regulates and facilitates the successful development of the capital market but the policies and operations of SET are the responsibility of SET Board of Governors.

Primary Market: The SEC monitors and regulates the primary market. For issuing new securities and additional securities, the company needs to submit filing requirement to SEC to review the finance and operations of the company. Then SEC approves the issuance of securities and their sale to the public.

Secondary Market: After the initial public offering, the securities may be traded in the secondary market once the issuer has applied for and been granted approval by the SET. (Thailand, 2019)

**Role of the Stock Exchange of Thailand**

As defined in the Securities and Exchange Act of 1992, the SET’s primary roles are:

1. To serve as the center for the trading of listed securities, and to provide systems needed to facilitate securities trading;
2. To conduct any business related to securities trading, such as clearing house, securities depository, securities register, and similar activities;
3. To undertake any other business approved by the SEC.
Regulatory framework of the Capital Market in Thailand

Source: (Thailand, 2019)

Figure 3.1 the total value of shares traded and annual GDP growth rate of Thailand, 2010-2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of GDP growth (annual)</td>
<td>7.51</td>
<td>0.84</td>
<td>7.24</td>
<td>2.69</td>
<td>0.98</td>
<td>3.13</td>
<td>3.36</td>
<td>4.02</td>
<td>4.13</td>
</tr>
<tr>
<td>Total value of traded share (billion US$)</td>
<td>222.43</td>
<td>215.27</td>
<td>238.85</td>
<td>349.91</td>
<td>310.64</td>
<td>271.32</td>
<td>325.00</td>
<td>339.53</td>
<td>386.54</td>
</tr>
</tbody>
</table>

Source: (WorldBank, 2019)

The figure 3.1 show that the percentage of GDP growth rate fluctuate between 2010 and 2013 while total value of stock traded have upward trend from about US$ 210 billion in
2010 to about US$350 billion in 2013. The percentage of GDP growth rate declines in 2014 while total value of stock traded also decreases about US$ 300 billion. From 2015, the growth rate of GDP increase and the total value of stock traded also increase from about 275 billion to about 390 billion.

3.2 Vietnam

The first stock trading center known as Hochiminh City Securities Trading Center (HoSTC), established on 20 July 2000 and the first trading executed on 28 July 2000 with two listed companies. In May 2007, Hochiminh City Securities Trading Center inaugurated to Hochiminh Stock Exchange (HOSE) and officially opened on August 2007. HOSE has applied continuous order matching method since July 2007 and accepted remote terminals few months later. As from the end of September 2007, the trading value of the whole market has reached over VND 1,000 billion per session. HOSE have signed Memorandum of Understanding (MoU) with other exchanges in London, New York, Malaysia, Singapore, Czech, Warsaw (Poland), Tokyo (Japan). Etc. on IT, training, information and cross listing in the future. (Thanh, 2016)

Hanoi Securities Trading Center (HASTC) officially inaugurated on March 2005 and organized share auction for equalization of State owned enterprises and started the program of equalization of State owned enterprises through stock exchange. On 14th July 2005, the secondary trading went live with six listed companies through negotiation method. On October 2008, remote trading system officially launched. On 24 June 2009, the HNX was inaugurated as a State-owned single-member limited liability company owned by the Ministry of Finance as the representative and the market for unlisted public companies (UPCoM) was lunched. The HNX has made significant contribution to the development securities market such as share auction, Government Bond bidding positively and efficiently. It has operated markets including listed stock market, Government Bond market, Unlisted Public Company market (UPCoM) and Derivatives market. In 2017, market capitalization of UPCoM tripled compare to that of listed stock market of HNX. (Exchange H. S., 2019)

**Role of stock exchange in Vietnam**

1. Create good conditions for joint-stock firms to list their stocks on the exchange;
2. Develop the information systems in order to publicize information fully, timely and accurately;
3. Improve software to follow and detect insider and corner trading;
4. Upgrade the information technology system due to the market’s requirements and international standards; continue applying and completing the “remote terminals” project and turn to non-floor trading method in the future
5. Propose sensible policies for a strong securities market;
6. Continue signing more Memorandum of Understanding (MoU) with other stock exchanges and together hold the cross listing on the exchange floors

Figure 3.2 the total value of shares traded and annual GDP growth rate of Vietnam, 2010-2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>6.42</td>
<td>6.24</td>
<td>5.25</td>
<td>5.42</td>
<td>5.98</td>
<td>6.68</td>
<td>6.21</td>
<td>6.81</td>
<td>7.08</td>
</tr>
<tr>
<td>Shares traded (billions)</td>
<td>30.86</td>
<td>11.52</td>
<td>0.00</td>
<td>13.96</td>
<td>29.86</td>
<td>23.75</td>
<td>27.01</td>
<td>44.30</td>
<td>52.80</td>
</tr>
</tbody>
</table>

Source: (WorldBank, 2019)

The above figure illustrates that the percentage of GDP growth rate deceased from about 6.5% in 2010 to about 5.2% in 2012 while total value of stock traded also decreased from US$ 49 billion in 2010 to US$ 40 billion in 2012. As the GDP growth rate increase from about 5.5% in 2013 to about 6.8% in 2015, the trend of stock traded value also increase significant from about 10.5 billion in 2016 to about 20.5 billion in 2015. From 2016 to 2018, the annual growth rate of GDP increased from about 6.2% to about 7% while the total value of stock traded also increased from about 20.8% to about 50.2%.
3.3 Singapore

Stock Exchange of Singapore (SES) was a stock exchange company in Singapore. It was formed in 1973, when the termination of currency interchangeability between Malaysia and Singapore. On 1 December 1999, it merged with Singapore International Monetary Exchange (SIMEX) and Securities Clearing and Computer Services Pte Ltd (SCCS) to form the Singapore Exchange (SGX). On 23 November 2000, SGX became the second exchange in Asia-Pacific to be listed via a public offer and a private placement. There were 741 listed companies and market capital was about $936.87 Billion.(SES, 2019)

The companies listed on SGX belong to one of two groups; the companies listed on the SGX Mainboard and the companies listed on SGX Stock Exchange of Singapore Dealing and Automated Quotation System (SESDAQ). The companies which want to be listed in SGX mainboard need to fulfill the requirements set of SGX while a listing on SESDAQ is not tied to the fulfillment of any additional conditions. On 26 November 2007, after an extensive study of other market models and a public consultation, SESDAQ was replaced by SGX catalyst. It could be used as a catalyst to propel growth upon listing with corporate advice on listing and corporate governance issues.(Singapore, 2019) SGX operates several different divisions such as

1. SGX Electronic Trading System (SGX ETS) ; to provide global trading access to SGX markets where 80% of the customers are from outside Singapore.
2. SGX Derivatives Trading (SGX DT); to provide derivatives trading.
3. SGX Securities Trading (ST); to provide securities trading.
4. SGX Derivatives Clearing (DC); subsidiary for clearing and settlement operations.
5. SGX AsiaClear: to offer clearing services for over-the-counter (OTC) oil swaps and forward fright agreements.
6. SGX Reach: an electronic trading platform.
7. Central Depository Pte Ltd: subsidiary responsible for securities clearing, settlement and depository services.
8. Asian Gateway Investments Pte Ltd: wholly owned subsidiary
9. Singapore Exchange IT solutions Pte Ltd: provides computer services and maintenance as well as software maintenance.
The figure 3.3 demonstrates that the percentage of GDP growth rate is seem to be decreased from about 14.1% in 2010 to about 2.5% in 2018 while the total value of stock traded also declined from about 300 billion in 2010 to about 220 billion in 2018. Between 2012 and 2013, the percentage of GDP growth rate slightly increased while the total value of stock traded increased also.

3.4 Philippine

On 23 December 1992, the Philippine Stock Exchange (PSE) was formed with the combination of the Manila Stock Exchange (MSE) which was established on 1927 and the Makati Stock Exchange (MkSE) which was established on 1963 to consolidate and hasten development of the capital market of Philippine. In 1993, the Securities and Exchange Commission (SEC) approved the PSE’s By-laws.

In 1994, the PSE was granted for its license to operate as a securities exchange and simultaneously canceled the licenses of the MSE and MkSE.
In June 1998, the PSE was granted for self-regulatory organization status by the Securities and Exchange Commission (SEC) which meant that the bourse\(^1\) can implement its own rules and establish penalties on erring trading participants (TPs) and listed companies.

In 2001, the PSE was transformed from a non-profit, non-stock, member-governed organization into a shareholder-based, revenue-earning corporation headed by a president and a board of directors.

In December 2003, PSE listed its own shares on the exchange. In 2005, the PSE adopted an online daily disclosure system (ODiSy) to improve the transparency of listed companies and ensure full, fair, timely and accurate disclosure of material information from all listed companies.\(^{(Rada, 2019)}\)

On July 26, 2010, the PSE launched its new trading system, PSEtrade, which replaced the MakTrade system. The system was acquired from the New York Stock Exchange.

On June 22, 2015, the PSE launch its new trading system, the PSEtrade XTS, which will replace the PSEtrade system acquired from the New York Stock Exchange. The new trading system will be acquired from the National Association of Securities Dealers Automated Quotations (NASDAQ). There were 323 listed companies and market capital was about $253.59 Billion in 2018.

Figure 3.4 the total value of shares traded and annual GDP growth rate of Philippine, 2010-2018
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value of traded share (billion US$)</td>
<td>22.25</td>
<td>27.37</td>
<td>35.68</td>
<td>44.59</td>
<td>42.21</td>
<td>38.42</td>
<td>35.85</td>
<td>33.80</td>
<td>29.21</td>
</tr>
</tbody>
</table>

Source: (WorldBank, 2019)

Figure 3.4 describes that the percentage of GDP growth rate decreased from about 7.3% in 2010 to 3.8% in 2011 while the total value of stocks traded increased from about US $22 billion to about US $30 billion in the same year. GDP growth rate increased to about 6.5% in 2012 and 7% in 2013 while the total value of traded stock increased to about 35.5 billion in 2012 and about 44 billion in 2013, On the other hand, the GDP growth rate decreased to 6% in 2014 and 2015 while the traded stock also decreased about 40 billion in 2014 and about 35.5 billion in 2015. GDP growth rate decreased from about 7% in 2016 to about 6.2% in 2018 while the total value of stock traded declined from about 35.3 billion in 2016 and about 29 billion in 2018.

3.5 Indonesia

The capital market in Indonesia also known as Jakarta Stock Exchange (JSX) has established on 1912 during the Dutch colonial era and the exchange was established for the interest of the Dutch East Indies (VOC). The government of Indonesia reactivated JSX in 1977 under the supervision and management of the Capital Market Supervisory Agency and grew rapidly ever since with the support of incentives and regulations issued by the government.

In 1988, the Indonesia Pararel Bourse operated and managed by the Securities and Money Trading Organization which composed of brokers and dealers. In 1989, Surabaya Stock Exchange started to operate and was managed by Surabaya Stock Exchange Inc.

In 1992, JSX was privatized and in 1993, PT PemeringkatEfek Indonesia established. In 1995, JSX introduced its computerized Jakarta Automatic Trading System (JATS). Indonesia Pararel Bourse was merged into Surabaya Stock Exchange.

In 2002, JSX implemented the remote trading system. In 2007, Surabaya Stock Exchange was merged into JSX and JSX change its name into the Indonesia Stock Exchange (IDX). In 2009, Indonesia Bond Pricing Agency (IBPA) was established. JSX launched IDX new trading system (JATS Next-G). In 2012, Sharia Principals and Trading Mechanism was launched.
In 2016, IDX took part to succeed Tax Amnesty Program. IDX developed Sharia product in the capital market by taking into account that Indonesia has the largest Moslem population in the world, many of which view the Sharia economy model as the best choice to comply with Islamic Sharia law as a pattern of religion believed. It is supported by strong regulation both from the Financial Service Authority and the National Sharia Council and the Indonesian Ulema Council. In 2018, there were 616 Listed companies and capital market was Rp7,023.50 trillion. (Exchange I. S., 2018)

Strategic objectives of IDX are

1. To increase quantity and quality of Listed companies
2. To increase capacity of exchange members and broadened participant
3. To develop and optimize the infrastructure of Exchange
4. To increase number and participation from investors.

Figure 3.5 the total value of shares traded and annual GDP growth rate of Indonesia, 2010-2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of GDP growth (annual)</td>
<td>6.22</td>
<td>6.17</td>
<td>6.03</td>
<td>5.56</td>
<td>5.01</td>
<td>4.88</td>
<td>5.03</td>
<td>5.07</td>
<td>5.17</td>
</tr>
<tr>
<td>Total value of traded share (billion US$)</td>
<td>104.45</td>
<td>105.48</td>
<td>91.93</td>
<td>98.86</td>
<td>90.72</td>
<td>75.05</td>
<td>90.41</td>
<td>92.51</td>
<td>104.65</td>
</tr>
</tbody>
</table>
Figure 3.5 illustrates that the percentage of GDP growth rate decreased from about 6.2% in 2010 to about 5% in 2015 with the decline trend of total value of traded stock from about 105 billion in 2010 to about 85 billion in 2015. The percentage of GDP growth rate slightly increase from about 5% in 2016 to about 5.2% in 2018 while the total value of share traded increased from about 85 billion in 2016 to about 105 billion in 2018.

3.6 Malaysia

The Kuala Lumpur Stock Exchange (KLSE) established in 1930 when the Singapore Stockbrokers’ Association was developed as a formal organization. In 1937 it was re-registered as the Malayan Stockbrokers’ Association. By 1960, The Malayan Stock Exchange was formed and public trading of shares began in May. In 1961, the Board system was introduced whereby two trading rooms, one in each Singapore and Malaysia, were linked into a single market with the same stocks and shares listed at a single set of prices on both boards. In 1964, the Stock Exchange of Malaysia entitled. The stock market of Malaysia operated as the stock exchange of Malaysia and Singapore (SEMS) after Singapore seceded from Malaysia in 1965. Then the exchange split from the stock exchange of Singapore and named as Kuala Lumpur Stock exchange Board in 1973. In 2004, the KLSE stock market was converted from a not-for-profit organization limited by the guarantee of its membership called the Bursa Malaysia Berhad with total market capitalization was US $189 billion. In June 2007, market capitalization became US $307 billion and market divided into a Securities Exchange, a Derivatives Exchange and an offshore Exchange. (KAIN, 2013)
Figure 3.6 shows that the percentage of GDP growth rate decreased from about 7.4% in 2010 to 4.8% in 2013 while the total value of shares traded also increased from about 110 billion in 2010 to about 140 billion in 2013. GDP growth rate increased to about 6% in 2014 while the total value of share traded at steady pace about 140 billion. Then GDP growth rate declined to about 4.2% while the total value of shares traded decreased to about 100 billion in 2016. From 2016 to 2018, the GDP growth rate increased from about 4.2% to 4.7% while the total value of share traded also increased from about 100 billion to about 138 billion.

### Table 3.6

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of GDP growth (annual)</td>
<td>7.42</td>
<td>5.29</td>
<td>5.47</td>
<td>4.69</td>
<td>6.01</td>
<td>5.09</td>
<td>4.22</td>
<td>5.90</td>
<td>4.72</td>
</tr>
<tr>
<td>Total value of traded share (billion US$)</td>
<td>114.79</td>
<td>130.32</td>
<td>123.66</td>
<td>142.16</td>
<td>142.65</td>
<td>111.48</td>
<td>98.29</td>
<td>137.42</td>
<td>135.33</td>
</tr>
</tbody>
</table>

Source: (WorldBank, 2019)

3.7 Laos

The 6th National Assembly session has launched national social-economic plan for 2006-2010 in which establishment of Lao Securities Exchange (LSX) included. On September 2007 Bank of the Lao PDR (BOL) and Korean Exchange (KRX) signed the Memorandum of Understanding (MoU) to develop LSX with holding 51% share by BOL and
49% share by KRX. The LSX was officially launched on 10th October 2012. The purpose of LSX are to develop the nation by raising the long-term funds to the firms and to promote the integrity of Lao financial market. (LaosSecuritiesExchange, 2019)

The vision of LSX is to move toward for being an international standard stock exchange. The missions of LSX is to maximize liquidity, transparency and fairness in service by excelling ethics of human resources, soundness of regulations and modernized IT system with the latest technology.

**Organization structure of LSX**

![Organization structure diagram]

Source: (LaosSecuritiesExchange, 2019)

### 3.8 Cambodia

In November 2006, the Ministry of Economy and Finance (MEF) of the Kingdom of Cambodia and Korea Exchange (KRX) signed the Memorandum of Understanding (MoU) on the development of the securities market in Cambodia. In 2008, the MoU on the establishment of a Cambodia Securities Exchange in the Kingdom of Cambodia was signed. In 2009, “Joint-Venture Agreement” to establish a stock market (The Cambodia Securities Exchange Co., Ltd) has signed as public enterprise. The Cambodia Securities Exchange (CSX) has been capitalized on 23rd February 2010 by MEF holding 55% share and KRX holding 45% of total share. Cambodia held launching ceremony of the Securities Trading at CSX on 18 April 2012. (CambodiaSecuritiesExchange, 2019)

The vision of CSX is to build a financial highway for Cambodia. The missions are to facilitate the raising for capital by companies in Cambodia, to establish investor-friendly...
environment for securities trading for investors in and outside Cambodia, to offer a variety of state-of-the-art products and services to all market participants and to operate a self-sustaining public enterprise under the guidance of the Royal Government of Cambodia

**Organization Structure of CSX**

![Organization Structure of CSX](image)

Source: ([CambodiaSecuritiesExchange, 2019](#))

3.9 Brunei

Brunei is the only one ASEAN country who is trying to establish securities market. Although the domestic capital market is less advanced than the money market, the development of capital market in Brunei is considerable growth potential. Currently, the investment side of the market dominated on the capital market. There has been a pool of domestic capital (funds of Brunei Investment Agency and Government pension) for investment. At the top of Brunei Darussalam’s strategy to execute the successful expansion of its capital markets platform is the establishment of a local securities exchange. The challenge has been creating way of vast institutional investment sums into the domestic market. Historically, Brunei has significant remark on the sukuk (Islamic bonds) issuance which offered only in local market. Progress could be widen the investor base and developed the issuance of non-government securities such as corporate bonds as well as asset-backed, revenue-backed, and mortgage-backed securities. There is also a range of opportunities for bringing more equity issues to the market. Through the securities exchange, sukut prepared to extend to the secondary market which in turn enabling access of investors to sukuk. Brunei financial sector blue print 2016-2025 recommended the followings in associated with the development of capital market. ([Darussalam, 2016-2025](#))
Regarding with Sukuk issuance

1. To expand the domestic sukuk programme and channel sukuk into local market
2. To further develop Brunei Darussalam’s yield curve as a benchmark for corporate sukuk and to provide a safe and liquid investment instrument for domestic financial institutions
3. To undertake possible market operations for banking system liquidity-smoothing purpose, which would help anchor the short end of the yield curve

Regarding with fund securities exchange

4. The launch of a securities exchange in Brunei Darussalam is expected to catalyse economic growth and business expansion through enabling alternative funding routes for Bruneian businesses.

Regarding with fund management

5. To structure fund management industry around core propositions that leverage Brunei Darussalam’s competitive advantages

In March 2019, Brunei announced Brunei dollar 414.7 million to finance the establishment of the sultanate’s stock exchange. The Ministry of Finance and Economy (MoEF) tabled a budget for the 2019-20 fiscal year including $21 million towards establishing Brunei’s Stock Exchange. The allocated budget will disburse for the development of infrastructure, technology and socio-economic studies related to the implementation of stock exchange. The timeline of launching securities exchange is not disclosed yet. (HAMIT, 2019)

3.10 Association of South East Asian Nations (ASEAN)

On 8 April 2011, member countries committed to integrate their stock exchange by 2015 and launched a new website with the purpose of promoting the regional blue chip equities to the investors. On September 2012, the ASEAN Exchanges collaboration launched the ASEAN Trading Link a gateway for securities brokers to offer investors easier access to connected exchanges. The purpose of trading link is to connect the securities markets of the ASEAN exchange. Now Thailand, Malaysia, Singapore, Indonesia, Philippines, Vietnam exchanges collaborate for promoting the capital market of ASEAN and attracting investors to ASEAN. At the end of August 2012, the combined capital market was US$2.1 trillion with over 3,600 listed companies.
Bursa Malaysia and Singapore Exchange were the first two exchanges to join on the launch day while the Stock Exchange of Thailand joined on 15 October 2012, developing the virtual market with 2,200 listed companies worth for US$ 1.4 trillion capital as combined market. (Exchanges, 2019)

3.11 Market Capitalization

Market capitalization also known as current market value (CMV) is the number of share and market price of share of listed company. It is the total value of all the outstanding claims in the market. It can be calculated as

\[
\text{Market capital (current market value)} = \text{the number of share of each listed company} \times \text{market price of share of each listed company}
\]

Example

Stock of listed A: Price = MMK 20,000 and number of shares = 1,000,000

Stock of Listed B: Price = MMK 40,000 and number of shares = 2,000,000

Then, Market capitalization of stock exchange = Market capital of listed A + Market capital of listed B

\[
= (\text{MMK 20,000} \times 1,000,000 \text{ shares }) + (\text{MMK 40,000} \times 2,000,000 \text{ shares})
\]

\[
= \text{MMK 100,000,000,000}
\]

\[
= \text{MMK 100 billion Kyats}
\]

3.12 Market Index

Market index is the unit value of a stock index calculated in a method of Market capitalization-weight is point principally and adopts currency as its unit value with the purpose of investors understandability ahead of mathematical precision.

Calculation method,

\[
\text{Index} = \frac{\text{CMV}}{\text{BMV}} \times \text{base point}
\]
Where, CMV = current market value

BMV = based market value

Example:

Base point = 1,000 Kyats (MMK)

Base Market Value (BMV) = 100 Billion Kyats

Stock of listed A: Price = MMK 20,000 and number of shares = 1,000,000

Stock of Listed B: Price = MMK 40,000 and number of shares = 2,000,000

Then, CMV = Market capital of listed A + Market capital of listed B

\[
= (\text{MMK 20,000} \times 1,000,000 \text{ shares}) + (\text{MMK 40,000} \times 2,000,000 \text{ shares})
\]

\[
= \text{MMK 100,000,000,000}
\]

\[
= \text{MMK 100 billion}
\]

Market Index = CMV/BMV * MMK 1,000

\[
= 100/100 \times 1000
\]

\[
= \text{MMK 1,000 billion}
\]
CHAPTER IV
DEVELOPMENT AND ANALYSIS OF STOCK MARKET IN MYANMAR

Development of stock market in Myanmar special focus on Frist Private Bank (FPB) Ltd described. Analysis was done by linear regression where the price of share assumed as independent variable while the amount (volume) of traded share assumed as dependent variable.

4.1 Development of Stock Market in Myanmar

In 1996, Myanma Economic Bank (MEB) and Daiwa Institute of Research Ltd. (DIR) developed the Myanmar Securities Exchange Centre C., Ltd. (MSEC) to establish a stock exchange in Myanmar. In 2012, Central Bank of Myanmar (CBM), DIR and Japan Exchange Group, Inc. (JPX) signed the MoU to develop human resource and to provide technical assistance to develop financial and capital market in Myanmar. In 2013 the Securities and Exchange Law was enacted. In 2014 the Securities and Exchange Commission of Myanmar (SECM) was developed and is primary regulator for capital market of Myanmar. In 2014, Yangon Stock Exchange Joint-Venture Company Limited (YSX) was incorporated and registered. In 2015, YSH obtained permission of stock exchange business. Ministry of Finance released the rule of securities exchange. YSX held the Grand Opening Ceremony on 9\textsuperscript{th} December 2015.

According to the timeline of development of ASEAN integrated Capital Market, the Road Map of the development of capital market in Myanmar had been developed. As an implementation of bond market, the CBM has issued 2-year government Treasury bond and Kyats ten million denomination of Treasury bond has been issued. Since January 2010, Myanmar Economic Bank (MEB) and Myanmar Securities Exchange Center Co., Ltd (MSEC) have been selected as agents of sale of government treasury bonds. Secondary market trading was allowed in April 2013. In order to support the development of capital market in Myanmar, the Japan Exchange Group, the Daiwa Institute of Research Ltd, the Policy Research Institute of Ministry of Finance (Japan), the stock exchange of Thailand and the stock exchange of Korea are providing technical assistance. The Myanmar Securities and Exchange Law enacted during July, 2013. According to Article 41- (b) of Myanmar
Securities and Exchange Law, YSX announced 17 criteria for Public Company in August 2015. (See annex 1). Yangon Stock Exchange Market (YSX) established in December 2015 as paid up capital of 32 billion Kyats composed of 51% by MEB, 30.25% by DIR and 18.75% by JPX. (Exchange Y. S., 2018)

The vision of YSX is to make new opportunities and build confidence for the economic development. The missions are integrity, fairness and openness are foundation for attaining the vision

**Organization structure of YSX**

![Organization structure diagram](image)

In March 2016, First Myanmar Investment Co., Ltd. (FMI) listed and granted the trading of shares in the YSX. In May 2016, Myanmar Thilawa SEZ Holdings Public Ltd. (MTSH) listed and in August, Myanmar Citizens Bank Ltd. (MCB) listed also. As the next, First Private Bank Ltd. (FPB) listed in January 2017. Lastly, Tah Moe Hnye Telecom Public Co., Ltd (TMH) listed in 26th January 2018. The index of YSX started at 1000 as baseline and increased up to 1322 within the first month. As of the market capital, there was about 750 billion Kyats at the initial and abruptly increase to about 970 billion Kyats within the first month.
4.2 Analysis of Yangon Stock Exchange

Stock market in Myanmar initially start as primary market where the firms sell the new stock (ordinary share) to external investors and it is the time only company get the money as investment. When the company wants to be listed in yangon stock exchange, they need to do Disclosure Document for Listing (DDL) to YSX for reviewing financial and operational status of the company. After filing the requirement of YSX, the company approves to be listed. All the listed companies in YSX enrolled the ordinary share in the stock exchange and so that the YSX act as secondary market.

Figure 4.1 Market Capitalization of Yangon Stock Exchange (YSX), 2016-2018

![Market Capitalization Chart](image)

Source: (Exchange Y. S., 2018)

Market capitalization of YSX calculated by the combination of multiplication of the price and number of traded share of each listed. The market capitalization of YSX decreased in second quarter of 2016 from MMK 1,000 billion to MMK 587 billion. Then it increases up to MMK 937 in third quarter of 2016 and gradually decline to MMK 633 billion. It abruptly rises to MMK 747 billion in September 2016 and then decrease to MMK 646 billion in the fourth quarter of 2016. In first quarter of 2017, the market capitalization hit the highest about MMK 832 billion and decline to about MMK 717 billion. In second quarter, it is about MMK 690 billion through out the period and decrease to about MMK 635 billion that is the lowest in the third quarter. The capitalization of YSX is at the same pace round about MMK 600 billion in the last quarter of 2017 and in the whole year of 2018.
4.2.1 First Myanmar Investment Co., Ltd. (FMI)

FMI established in 1992 as a group of domestic entrepreneurs after Myanmar had adopted the market economy and promulgated the Myanmar Investment Laws. The first public offering of share was subscribed completely in 1992 with the strong interest of investors. In the following years of 1990s, FMI made the investment in the various sector especially in financial services, real estate, portfolio investment, automobile, transportation and health care. (Investment, 2015)

Figure 4.2 Trading volume and price of share of First Myanmar Investment Co., Ltd

![Trading volume and price of share of FMI](source: www.ysx-mm.com)

The average share price of FMI is 15,231 MMK with maximum 41,000 MMK in March 2016 and minimum 10,000 in December 2018. The average number of traded share is 3,459 with maximum 210,752 in March 2016 and minimum “0” in August 2018. The value of “n” is 668. Total traded value of FMI between March 2016 and December 2018 is about 55,497 million Kyats.

4.2.2 Myanmar Thilawa SEZ Holdings Public Ltd. (MTSH)

34
According to disclosure document of listing (DDL), MTSH is a public company and invest in other companies which engaged in the development of real estate in Myanmar. It was incorporated in May 2013 and established by the Principal Shareholders to made the investment into Myanmar Japan Thilawa Development Ltd. (MJTD). Under the MJTD Joint Venture Agreement, the Myanmar parties including the Myanmar government hold 51.0% of total capital of MJTD while the Japan parties including the Japan government hold 49.0%. At the date of submitting DDL, MTSH has authorized capital 500,000 million Kyats which divided into 50,000,000 share with the value of 10,000 Kyats for each share. (MTSH, 2016)

Figure 4.3 Trading volume and price of share of Myanmar Thilawa SEZ Holding Public Limited (MTSH), May 2016-December 2018

Source: (Exchange Y. S., 2018)

The average price of share is 3,725 with maximum 7,000 Kyats in May 2016 and minimum 2,750 Kyats in January 2018. The average number of share traded is 7,197 with maximum 78,269 in November 2016 and minimum “0” in November 2016. The value of n is 637. Total traded value of MTSH between May 2016 and December 2018 is about 37,554 million Kyats.

4.2.3 Myanmar Citizens Bank Ltd (MCB)
With the reference to DDL, the company incorporated as public limited in 1991 and established semi-government bank in 1992 with the view of increasing the financial service. At the time of listed, there were one head office and 20 branch operated throughout the whole country. As of July 2016, the share capital of MCB was 75,000 million Kyats, divided into 15,000,000 share with the value of 5,000 Kyats per share. (MCB, 2016)

Figure 4.4 Trading volume and price of share of Myanmar Citizens Banks Ltd (MCB), August 2016-December 2018

Source: (Exchange Y. S., 2018)

The average price of share is 8,340 with maximum 12,000 Kyats in August 2016 and minimum 7,000 Kyats in January 2018. The average number of share traded is 408 with maximum 26,806 in August 2016 and minimum “0” for 203 days which composed of 102 days in 2018, 92 days in 2017 and 9 days in 2016. Total traded value of MCB between August 2016 and December 2018 is about 2,093 million Kyats. The value of “n” is 568.

4.2.4 Tah Moe Hnye Telecom Public Co.,Ltd (TMH)

According to the disclosure document of listing (DDL), TMH incorporated in 2007 and in 2-16, renamed as TMH Telecom Co., Ltd and then converted as public company in 2016. Before listing into YSX, TMH authorized the share capitals of 500,000 million Kyats which divided into 500,000,000 shares with the value of 1,000 MMK per share. (Hnye, 2017)
Figure 4.5 Trading volume and price of share of Tah Moe Hnye Telecom Public Co., Ltd (TMH), January-December 2018

The average price of share is 2,899 with maximum 3,200 Kyats in January 2018 and minimum 2,600 Kyats in June 2018. The average number of share traded is 896 with maximum 9,788 in January 2018 and minimum “0” mostly in May and June 2018. Total traded value of TMH between January and December 2018 is about 586 million Kyats. The value of “n” is 222.

4.3 First Private Bank Ltd (FPB)
4.3.1 Development of First Private Bank Ltd

First Private Bank (FPB) was founded in 1992 as public company with authorized capital of 1,000 million Kyats. It paid the dividends to shareholder since Financial Year 1992-1993 and annually up to 2016-2017. Before listed to YSX, there were 33 total buildings including 2 head offices and 31 branches across Naypyitaw, Yangon, Mandalay, Sagaing, Bago, Magway, Ayyarwaddy, Mon, Tanintaryi, Shan-South, Kayay and Kayin. At 24th annual meeting, the board of director of FPB decided to list to YSX and started its application on 8.12.2015 by recruiting Myanmar Securities Exchange Centre (MSEC) as financial advisor. FPB submitted disclosure document for Listing (DDL) for all outstanding shares to YSX and started official trading of shares in YSX from 20.1.2017. According to disclosure document of FPB to YSX, type of securities list are ordinary shares.
Table 4.1 Amount of Authorized capital of FPB (1992-2014)

<table>
<thead>
<tr>
<th>Date</th>
<th>Authorized Capital (Million Kyats)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>1,000</td>
</tr>
<tr>
<td>1999</td>
<td>2,000</td>
</tr>
<tr>
<td>2005</td>
<td>5,000</td>
</tr>
<tr>
<td>2008</td>
<td>10,000</td>
</tr>
<tr>
<td>2011</td>
<td>30,000</td>
</tr>
<tr>
<td>2014</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Resource: (Bank F. P., 2016-2017)

According to the history statement of FPB, it increased its authorized capital from 1,000 million Kyats in 1992 to 100,000 million Kyats in 2014. At the time of listed to YSX, the authorized capital reached 96,410 million Kyats with the price of 39,000 for each of ordinary shares (2,472,053).

The Objectives of FPB are to mobilize internal and external financial resources of investment in productive enterprises especially in the private sector and to assist and facilitate the establishment of share, stock and security markets.

The visions are to be a model in clean, efficient, honest corporate governance and to set high ethical and moral standards in banking and finance.

The missions of FPB are

1. To finance and provide financial advice to private enterprises,
2. To support economic, institutional and social development
3. To promote the successful operation of equity and security markets
4. To promote reduction of poverty
5. To enhance access to bank’s services for all

With the scope of core value, FPB intended to be accountable, responsible, transparent and trustworthy and to provide fairness to customers, staffs, shareholders and to protect the interest of all stakeholders.

FPB also set the strategies as follow,

i. To enhance bank technology and information technology
ii. To modernize business practice by introducing international best practices and standards
iii. To motivate and train the staffs to increase professional and technical skills
iv. To diversity financial products including consumer finance  
v. To motivate and search active cooperation and participation of shareholders and stakeholders  
vi. To expand the network and customer base  

As strengths, FPB received track record of paying dividends yearly to shareholders. In addition, it enjoys public confidence on its banking’s performance along with the record of long standing profit growth.  

However, FPB also suffer from the challenges just like other local banks such as limited capacity to modernize, emerge and survive fierce compared to domestic and foreign banks in current situation.  

In DDL, FPB also stated the risk factors depending on the instability of political situation, macroeconomic and financial uncertainty. The major risks of FPB categorized into  
a. Credit risk  
b. Operational risk and  
c. Market risk  

(a) Credit risk  
Like other domestic bank, the major income of FPB depends on an interest rate of loan. Central Bank of Myanmar instructed to limit the non-performing loan to 2%. FPB have only 30 million Kyats in 2016-2017 due to sound credit policy, systematic vetting of credit applications and effective supervision practices. As one of private bank, FPB operate the rates of deposit and lending according to the reference of CBM. Banks could not utilized risk-based pricing on deposits and loans. Competitive reduction in the interest rate of deposits and loan will be another risk to decrease the profit of bank. FPB performed the foreign banking and money changer and also have the risk of possible exchange losses due to Kyats depreciation and US dollar appreciation. FPB also suffer from the liquidity risk that may arise from disruption of payments to customers. It is due to lack of money market and insufficient interbank market.  

(b) Operational risk  
FPB have the operational risks based on the insufficient or ineffective physical, financial and human resources. Regarding physical resource, insufficient building, materials and equipment may encounter while financial constrains for daily
operation of banking. As human resource, limited quantities of skillful staffs to handle daily operation and improper capacity of modernized banking service will be the risk to decline customer satisfactory. Another risk is the disaster in which man-made and natural disaster include. Banks in Myanmar are developing and modernizing the infrastructure of information technology for mobile banking, internet banking and IT solution for core banking in daily practices. During the IT processing, there will be the risk of hacking and cyber-attack. According to Disclosure Document for L, FPB prepared a recovery plan to encounter those operational risks in future. The operation risk may also arise from the changes of rule and regulation of banking.

(c) Market risk

The first Financial Institutional Law enacted in 1990 and the number of private banks had grown steadily up to 30 in 2016. According to Central Statistical Organization, Ministry of Planning and Finance, deposits in private banks have exceeded state-owned banks and constitute about 55% of total transferable deposits in November 2018. The more trust and confidence on private banks are, the higher competition among domestic banks also noted in increasing the interest rate of deposits and decreasing the rate of lending. As a result, some banks loss the customers and the profit may decline. On the other hand, 13 foreign banks have received branch licenses and they may be potential competitors to domestic market.

According to the supplement document for the preparation to be listed on 18 January 2017, the base date for basic price assessment of AFB was 16th December 2016. The range of expected market value of the company was determined as following measures,

- a. The market price method based on new share issues and over-the-counter trading for the last 6 months
- b. Net asset value of FPB and
- c. The methods of comparisons with similar companies

Based on the above, the value of each share of FPB which will be on the listing day was calculated as 39,000Ks with the methods of comparisons with similar companies in the market by considering the followings,

- i. Certain premium to be added on FPB’s net asset
- ii. Average value of the price range implied by comparing similar companies and
- iii. The tick size of YSX (it is 500Ks)
Since the beginning of the operation, the amount of share traded and capitals increases from about 205 million kyats (about 20,000 shares) in 1992 to about 2,477 million kyats (about 82,000 shares) in 2017. Table 4.2 illustrated the budget year, price of share, traded share and capital of FPB from 1992 to 2017.

Table 4.2 the price, amount of share traded and total capital of FPB (1992-2017)

<table>
<thead>
<tr>
<th>Year</th>
<th>Share price</th>
<th>Amount of share traded</th>
<th>Million (Kyats)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-1994</td>
<td>10,000</td>
<td>20,566</td>
<td>205.66</td>
</tr>
<tr>
<td>1995-1999</td>
<td>11,000</td>
<td>32,144</td>
<td>353.58</td>
</tr>
<tr>
<td>1999-2006</td>
<td>12,000</td>
<td>277,584</td>
<td>3331</td>
</tr>
<tr>
<td>2006-2007</td>
<td>13,000</td>
<td>91,238</td>
<td>1186.09</td>
</tr>
<tr>
<td>2007-2008</td>
<td>14,000</td>
<td>78,468</td>
<td>1098.55</td>
</tr>
<tr>
<td>2008-2012</td>
<td>15,000</td>
<td>459,839</td>
<td>6897.59</td>
</tr>
<tr>
<td>2012-2013</td>
<td>17,000</td>
<td>596,141</td>
<td>10134.4</td>
</tr>
<tr>
<td>2013-2014</td>
<td>18,000</td>
<td>286,038</td>
<td>5148.68</td>
</tr>
<tr>
<td>2014-2015</td>
<td>19,000</td>
<td>151,921</td>
<td>2886.5</td>
</tr>
<tr>
<td>2015-2016</td>
<td>20,000</td>
<td>189,324</td>
<td>3786.5</td>
</tr>
<tr>
<td>2016-2017</td>
<td>25,000</td>
<td>207,194</td>
<td>5179.85</td>
</tr>
<tr>
<td>2016-2017</td>
<td>30,000</td>
<td>82,596</td>
<td>2477.88</td>
</tr>
<tr>
<td>First date of listed</td>
<td>39,000</td>
<td>2,472,053</td>
<td>96410.07</td>
</tr>
</tbody>
</table>

Source: (Bank F. P., 2016-2017)

Before listed to YSX, there were 2,472, 053 ordinary shares in the market. The market capitalization of FPB on the first day of listed is about MMK 96,410 million Kyats as the multiplication of market price and total number of listed shares.

According to the annual report 2016-2017, the ratio of shareholder to the ordinary share varies. About 20% of shareholders own less than 1,000 shares while about 80% own more than 1,000 shares of FPB. On the other hand, the categories of shareholder are individual shareholders constitute about 73.2% while business group is about 15.3% and director is about 11.4%. Table 4.3 illustrated about number of shareholders to the amount of share and percentage of total share.
Table 4.3 number of shareholder, amount of shares and value of total shares traded in the market

<table>
<thead>
<tr>
<th>No</th>
<th>Range of shares</th>
<th>Number of Shareholders</th>
<th>Amount of shares</th>
<th>Value of total shares (Million Kyats)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1-10</td>
<td>4,023</td>
<td>15,324</td>
<td>153.24</td>
<td>0.62</td>
</tr>
<tr>
<td>2</td>
<td>11-100</td>
<td>2,859</td>
<td>96,403</td>
<td>964.03</td>
<td>3.90</td>
</tr>
<tr>
<td>3</td>
<td>101-1000</td>
<td>1,040</td>
<td>364,204</td>
<td>3,642.04</td>
<td>14.73</td>
</tr>
<tr>
<td>4</td>
<td>1001-10000</td>
<td>357</td>
<td>960,694</td>
<td>9,606.94</td>
<td>38.87</td>
</tr>
<tr>
<td>5</td>
<td>More than 10000</td>
<td>54</td>
<td>1,035,428</td>
<td>10,354.28</td>
<td>41.88</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>8,433</td>
<td>2,472,053</td>
<td>24,720.53</td>
<td>100</td>
</tr>
</tbody>
</table>

Resource: (Bank F. P., 2016-2017)


Table 4.4 Summary of Financial Statement of FPB (2014-2016)

<table>
<thead>
<tr>
<th>Year/ Kyats in Millions</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance Sheet</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash equivalents</td>
<td>19,828.77</td>
<td>26,294.40</td>
<td>30,048.76</td>
</tr>
<tr>
<td>Current Assets</td>
<td>136,538.61</td>
<td>155,326.27</td>
<td>172,004.74</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>3880.28</td>
<td>3,897.64</td>
<td>5,397.93</td>
</tr>
<tr>
<td>Total assets</td>
<td>160,247.66</td>
<td>185,518.31</td>
<td>207,451.43</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>123,883.25</td>
<td>143,705.54</td>
<td>155,432.12</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>123,883.25</td>
<td>143,705.54</td>
<td>155,432.12</td>
</tr>
<tr>
<td>Total Equity</td>
<td>36,364.41</td>
<td>41,812.77</td>
<td>52,019.31</td>
</tr>
<tr>
<td><strong>Profits and Loss statement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>18,327.39</td>
<td>20,850.56</td>
<td>22,646.19</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>8,048.34</td>
<td>8,762.40</td>
<td>8,549.34</td>
</tr>
<tr>
<td>Gain Before Expenses</td>
<td>9,844.14</td>
<td>10,774.10</td>
<td>10,865.96</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>1,513.41</td>
<td>1,697.50</td>
<td>2,110.00</td>
</tr>
<tr>
<td>Earning before financial costs and taxes</td>
<td>8,330.73</td>
<td>9,076.60</td>
<td>8,755.96</td>
</tr>
<tr>
<td>Financial costs</td>
<td>282.39</td>
<td>314.2</td>
<td>206.62</td>
</tr>
<tr>
<td>Taxes</td>
<td>2,010.53</td>
<td>2,189.35</td>
<td>2,137.20</td>
</tr>
<tr>
<td>Net Profit</td>
<td>6,037.81</td>
<td>6,573.05</td>
<td>6,412.14</td>
</tr>
</tbody>
</table>

Resource: (First Private Bank Public limited, 2016)
In DDL, FPB shows that the dividend per share is gradually decline form 2,499 Kyats in 2012 to 2,000 Kyats in 2018. The value of share decreases from 22,471 Kyats in 2012 to 18,117 Kyats in 2013, and then gradually increase to 23732 at 2018. Earnings per share also decline from 3822 Kyats in 2012 to 2524 Kyats in 2018.

<table>
<thead>
<tr>
<th>Share information (Kyats)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend per share</td>
<td>2,499</td>
<td>2,690</td>
<td>2,306</td>
<td>2,197</td>
<td>2,005</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Value per share</td>
<td>22,471</td>
<td>18,117</td>
<td>19,742</td>
<td>20,970</td>
<td>21,984</td>
<td>23,289</td>
<td>23,732</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>3,822</td>
<td>3,233</td>
<td>3,523</td>
<td>3,363</td>
<td>2,984</td>
<td>2,619</td>
<td>2,524</td>
</tr>
</tbody>
</table>

Source: (First Private Bank Public limited, 2016)

4.3.2 Analysis of First Private Banks public Ltd

The price and number of traded volume of FPB analyze by regression for 2017 and 2018 and time series analysis for yearly and quarterly.

4.3.2.1 Linear regression

In order to analyze the effect of share price on the quantity of share, the regression analysis model is used and the result as follow

\[ Y = a + bX + \varepsilon_i \]

\( X \) = price of share (Independent variable or predictor variable)
\( Y \) = quantity of traded share (Dependent variable or criterion variable)
\( a \) = constant
\( b \) = coefficient
\( \varepsilon_i \) = error term

\[ Y = -2073.332 + 0.114X \]

\( t = (-2.411) \)

\( R^2 = 0.45, F = 12.851*** \)

*** Represent ‘1’ percent significant level
The above figure shows that the quantities demand on shares is the price elastic where the percentage of quantity demand of share change according to the change of share price. The average price of share is 25,857 Kyats with maximum 34,000 Kyats in January 2017 and minimum 22,000 Kyats in June 2018. The average number of share traded is 679 with maximum 14,538 in January 2017 and minimum “0” mostly in May and August 2018. The value of “n” is 468. Total traded value of FPB between January 2017 and December 2018 is about 8,649 million Kyats and total traded number of share is 317,977.
4.3.1.2 Time series analysis

The price and number of traded share of FPB analyze for yearly (2017 and 2018) and quarterly of 2017 and 2018.

Figure 4.7 Price of share and number of traded share of FPB, 2017

Source: (Exchange Y. S., 2018)

In 2017, the mean price of share is MMK 26,952 (minimum MMK 22,000 and maximum MMK 34,000) and mean volume of traded share is 1,144 (minimum 10 and maximum 14,538) (n=229). The total volume of traded share is 261,926 and it is about 10.6% of total number of listed share. The average market capitalization is about MMK 66,588 million Kyats with the minimum MMK 54,385 million and maximum 84,050 million.
In first quarter (January to March) of 2017, the price of the FPB fluctuate between MMK 35,000 and 30,000, the volume of traded share also fluctuate too. As the previous listed company, the volume of traded share hit the largest number 14,538 at the price of share is MMK 34,000 in January 2017. At 3 March 2017, FPB declared the dividends to share holder who owe the share on 30 March 2019. The mean price of share is MMK 31,408 (min MMK 30,000 and max MMK 34,000) and the average number of traded share is 2,046 (min 70 and max 14,538), n=49. In March 2017, FPB declared the payment of dividend of share which will be distributed to the person who owns the share on 30\textsuperscript{st} March 2017.
Figure 4.9 the price and number of traded share of FPB, April to June 2017

Source: (Exchange Y. S., 2018)

In second quarter of 2017, the price decline below MMK 30,000 while the volume of traded share also declines. In June 2017, the price of share is about MMK 26,000 where the volume of traded share hit the highest 3,271. The mean price of share is MMK 27,925 (min MMK 26,000 and max MMK 30,000) and the average number of traded share is 726 (min 35 and max 3,271), n=60.

Figure 4.10 the price and number of traded share of FPB, July to September 2017
In third quarter (July to September) of 2017, the price of share decreases about MMK 23,000 and the volume of traded share also decrease. But in August 2017, the price drops the lowest value MMK 22,000 while the volume of traded share is 3,881. Meanwhile the price of share is at MMK 24,000 while the number of traded share increases to 5,590. The mean price of share is MMK 23,992 (min MMK 22,000 and max MMK 26,000) and the average number of traded share is 1,252 (min 35 and max 5,590), n=64. In September 2017, the traded volume of traded share hit to 5,590 after the annual meeting in which FPB announce the financial statement in annual report 2016-2017. The interest of investor on FPB increased on the value of share which is about 33,000 Kyats and raised the number of traded share in August and September 2017.

Figure 4.11 the price and number of traded share of FPB, October to December 2017

From October to December 2017, the volume of traded share is the highest for 2,710 at the price of 24,000. The lowest volume of traded share occurs for 10 shares at the price of 27,000. The mean price of share is MMK 25,393 (min MMK 23,500 and max MMK 27,000) and the average number of traded share is 679 (min 10 and max 2710), n=56.
In 2018, the mean price of share is MMK 24,808 (minimum MMK 22,500 and maximum MMK 27,500) and mean volume of traded share is 235 (minimum 0 and maximum 5,000) \((n=239)\). The total volume of traded share is 56,051 and it is about 2.27\% of total number of listed or ordinary share. The average market capitalization is about MMK61,325 million with the minimum MMK 55,621 million and maximum 67,981 million.
Figure 4.13: The price and number of traded share of FPB, January to March 2018

In first quarter of 2018, the price of share is at the same pace around 26,000 MMK and the volume of traded share also below 1,000. At 13 March 2019, FPB declared the dividend for financial year 2017 and 2018. The maximum number of traded share is 1,764 for MMK 27,000. There is no traded share at the price of 26,000 also noted. The mean price of share is MMK 26,797 (min MMK 26,000 and max MMK 27,500) and the average number of traded share is 679 (min 0 and max 1764), n=59. In March 2018, FPB declared the payment of dividend of share which will be distributed to the person who owns the share on 30th March 2018. The interest of investor on FPB increased on the dividend of share and raised the number of traded share in March 2017.
In second quarter of 2018, the price decline round about 25,000 MMK and the volume of traded share hit the highest for 5,000 in April and second highest for 3,200 in May. After the middle of May 2019, the price of share decline about 23,000 MMK. The mean price of share is MMK 24,369 (min MMK 22,500 and max MMK 26,000) and the average number of traded share is 267 (min 0 and max 5,000), n=61.

Figure 4.11 the price and number of traded share of FPB, July to September 2019
In third quarter of 2018, the share price increase to 24,000 MMK and the number of share traded is mostly below 1,000 and sometime there is zero traded. The mean price of share is MMK 24,347 (min MMK 22,500 and max MMK 26,000) and the average number of traded share is 184 (min 0 and max 1,197), n=62.

Figure 4.12 the price and number of traded share of FPB, October to December 2018

Source: (Exchange Y. S., 2018)

In fourth quarter of 2018, the price of share stable around 24,000 and no significant number of traded share noted. The mean price of share is MMK 23,719 (min MMK 23,000 and max MMK 24,500) and the average number of traded share is 188 (min 0 and max 1,244), n=57.
CHAPTER V

CONCLUSION

This chapter includes the findings and suggestions that have been proposed for the further studies. Primarily, the objective of this study to analyses the stock market in Myanmar especially focus on the First Private Bank to describe the situation of stock market in Myanmar and to provide the information of stock market to the investor and the firm.

5.1 Findings

According to an empirical studies, theoretical concept and the analysis of stock market among ASEAN counties, the annual growth rate of GDP and the number of traded share of the stock market has a strong positive relation. Among ASEAN countries, Thailand, Malaysia, Indonesia, Philippine, Vietnam and Singapore have well developed stock market while Laos, Cambodia, Myanmar undergo the early phase of stock market. Brunei is only one country which do not have the stock market.

Among ASEAN countries, Myanmar is the 9th countries that developed the stock market. Currently, the share of listed company is ordinary type and the type of the stock market in Myanmar is secondary market where the investors who own the primary stock can be sold and subsequent transactions taking place. The market capitalization is composed of the price and number of traded share. If the price and number of share traded increase, the market capitalization also increase.

In 2016, the market capitalization of YSX hit the peak to about MMK 962 billion in March and about 922 billion in May. In 2017, the capitalization of YSX hit the peak to about MMK 837 billion in January and decline gradually to about MMK 537 billion in September that is the lowest. In 2018, the market capitalization of YSX is the same pace about MMK 600 billion.

The linear regressions used to analyze the relation between the share price and the number of traded share of FPB for 2017 and 2018. The quantity demand on share is price elastic that means the percentage of quantity demand of stock changes according to the change in percentage of stock price. The market price of share had positive relation with the...
number of traded share. It is most probably due to the positive interest of investor on the listed company.

The analysis of FPB by using time series between the stock price and number of traded share for yearly and quarterly done to explore the factor influencing the stock price.

In 2017, the average price of share of FPB is 26,952 Kyat with the range of minimum 22,000 Kyats and maximum 34,000 Kyats. The average number of traded share of FPB is 1,144 with range of minimum 10 and maximum 14,538. The total number of traded share in 2017 is 261,926 which is 10.6% of total listed share. The average market capitalization of FPB is about 66 billion Kyats with the range of minimum 54 billion Kyats and maximum 84 billion Kyats. The value of “n” is 229.

In 2018, the average price of share of FPB is 24,808 Kyats with the range of minimum 22,500 Kyats and maximum 27,500 Kyats. The average number of traded share is 235 with the range of minimum “0” and maximum 5,000. The total number of traded share is 56,051 that is 2.27% of total listed share. The average market capitalization is about 61 billion Kyats with the range of minimum about 55 billion Kyats and maximum about 67 billion Kyats. Market capitalization of FPB declines depending on the decreasing the price and number of traded share in 2018. The value of “n” is 239.

In quarterly analysis, dividend is one of attracting factor to investors because there is significant increasing in the number of traded share after declaring the dividend of share in March 2017.

After organizing annual meeting 2017 and 2018, the number of traded share increase, it is most probably due to the interest of investor on the image of listed company. The value of share stated in annual report is the clue for the good image of company

5.2 Suggestions

Mostly the price of stock is the stable at the low price in 2017 and 2018. It is favorable situation of investor to buy the stock and ensure the high return of investment. But the number of traded share is not increase. The most probability is insufficient of market information and limited knowledge on the stock market. It is the time to promote the knowledge on the nature, practice, rule and regulation of stock market among the community. The awareness raising activities can be done by organizing training course, seminar and workshop through media channels, websites, social media and etc.
The environments that ensure the growth of capital market in well–functioning is also significant determinant factor. Currently there is about 160 public company registered at Myanmar Investment Committee and need the encouragement to be listed companies.

There are some limitations to get primary data on the behavior of customer on the stock market and their expectation on the future of stock market. The study focuses on only the two variables such as the price of share and volume of traded share. Further studies on the behavior, expectation and number of buyer and seller should be explored. Further analysis should be done on other variables such as price of related goods, macro economy, micro economy, political economy and etc.
Annex 1

Announcement of YSX’s Listing Criteria

Yangon Stock Exchange (YSX) hereby issues the following Criteria for a Public Company to list on YSX in accordance with the Article 41- (b) of Myanmar Securities and Exchange Law.

1. It shall be a registered company limited by shares in accord with the Myanmar Companies Act, conducting 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 Kyats 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 laws 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.

The criteria above are minimum standards to be referred as a general guideline for public companies. YSX will grant listing permission only after YSX receives listing application submitted by a public company and YSX confirms the company’s eligibility of listing in term of protecting interests of general public through conducting examination.
REFERENCES


Thailand, S. E. (2019, 8 10). SET. Retrieved from SET: https://www.set.or.th

