Awareness and Challenges of Stock Market in Bhutan

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Abstract

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

1. Introduction

According to Musonera and Safari (2008) a stock market is an organized market for the trading of stocks, bonds and other financial securities. According to Singh (1997), "Stock markets basically play a big role to accelerate economic growth and financial sector development by motivating, promoting, attracting domestic savings and increasing quality of investment". Well-functioning and efficient stock markets signify growth and development of the economy, as it provides a mechanism through which companies can raise capital for expansion purposes by seeking and issuing securities/stocks and bonds. They help release idle funds for investment because they generally provide higher rates of return than alternative investments. An active stock market provides a strong impetus for economic growth.

To develop the capital market in the country, the Royal Government of Bhutan establish RSEBL in August,1993 and officially opened for trading on 11th October,1993 as a non-profit making organization (http://www.rsebl.org.bt/rseb#intro). Currently, RSEBL is the only stock market in Bhutan. It is one of the world's smallest stock exchange markets with market capitalizations of around 375 million dollars and 21 listed companies as of February, 2015. To promote the stock market, RSEBL has come up with five brokerage firms: BOB Securities Limited (Bank of Bhutan Limited), RICB Securities Limited (Royal Insurance Corporation of Bhutan), BNB Securities Limited (Bhutan National Bank Limited), BDB Securities Limited (Bhutan development Bank Limited) and Drukyul Securities Broker Private Limited, which have contributed to the growth of the capital market of Bhutan. According to the RSEBL report of 2015, the market capitalization increased from Ngultrum (Nu.) 10,012.54 million during the year 2010 to Nu. 23,995.05 in 2015.

Capital markets play a specific role in any economy. However, the Bhutanese capital market seems to have made negligible contribution towards the growth of the stock market. In Bhutan share trading is still at its infant stage. According to RSEBL Annual Report 2015, the numbers of shareholders decreased from 62,991 in 2014 to 62,555 in 2015. The decrease in the number of shareholders account was mainly due to secondary market transactions.

Stock markets have played a significant role in the investment process in developed countries such as the United States, the United Kingdom, Japan and others. However, the development of stock markets in developing countries

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depends on many factors. One of these factors, for example, is the robustness of the country's capital market. Kazarwa (2015) found that most developing nations are facing problems of slow growth of capital markets and a limited role played by the capital market in economic development, which impedes the development of a stock market. Furthermore, Kazarwa (2015) identified factors such as political stability, population, literacy rate, privatization and public awareness that play a vital role in the development of a stock market.

The RSEBL, which was set up in 1993 has made limited contribution to the growth of the nation in the last 24 years. In fact, the growth of the stock market has been very slow and limited. For instance, in the year 2000, the market capitalization worth of Nu 2,360.09 million increased only to Nu 23,995.05 million in 2015. When we compare with other developing nations like Rwanda, the market capitalization increased from $1.7billion in 2012 to $1.9billion in 2013. This research aims to ascertain and measure the awareness level for those living in the urban area of Thimphu concerning the stock market and to delineate the challenges faced by the RSEBL and the brokerage firms.

1.1. Objectives and Significance of the Study

This study has dual aims: (a) to assess awareness of the stock market and (b) explore the challenges faced by the Royal Securities Exchange of Bhutan and brokerage firms.

This research is expected to form an important source of information to RSEBL, the public, the education institutions of Bhutan and prospective investors. Firstly, RSEBL will not only be helped by discovering the challenges that impede the growth of the Bhutanese Stock Exchange but also gain ability for suggestions to the concerned authorities to develop the market. The public, academic institutions and domestic and foreign investors will have a reliable source of information regarding the stock market in Bhutan. This research will also help the RSEBL to implement the findings of this research in their policy and plans.

2. Literature Review

In today's financial practices, stock markets play a vital role in enhancing the economy of a country. According to Singh (1997), stock markets basically play a big role to accelerate economic growth and financial sector development by motivating, promoting, and attracting domestic savings and increasing quality of investments. A study by Agarwal (2001) of nine African nations indicates that stock market development has led to increased economic growth. Another study by Mohtadi and Agarwal (2001) of twenty-one developing nations shows that the development of a stock market increases private investment and economic growth. These studies indicate that stock markets contribute to economic development by stabilizing productivity and liquidity shocks.

According to Levine (1997) stock market liquidity has been a catalyst for long run growth in developing countries. "Stock market liquidity is a robust predictor of real per capital gross domestic product (GDP) growth, physical capital growth, and productivity growth" (Levine and Zervos, 1998). However, research by Massele *et al.* (2013) in Tanzania suggests that major challenges faced by the Dar-es-Salaam Stock Exchange (DSE) market are that the stock exchange is less liquid due to a low level of shares changing of hands, lack of public awareness about the stock and few market participants. Inadequate liquidity makes stock market trading less attractive as an investment option, with adverse consequences particularly for long–term projects Garcia and Liu (1999). Consequently, illiquid stock markets are likely to gradually stagnate. According to Bencivenga and Smith (1992), a new stock market can also increase economic growth by decreasing liquid assets holdings and this increases the physical capital growth rate in the long run.

Pagano (1993) found that regulatory and institutional factors may influence the functioning of stock markets. For example, mandatory disclosure of reliable information about firms may enhance investor participation, and regulations that instill investor's confidence in brokers should encourage investment and trading in the stock markets. Bank (2005) confirmed that stock markets, on account of liquidity, facilitate firms to attain much needed capital quickly; therefore, it facilitates capital allocation, investment and growth. There exists a strong need for implementing the efficient monitory regulations that could contribute to the transparency and effectiveness of stock markets. Glaeser *et al.* (2001) argue that the apparent success of the Poland security market and the relative failure of the Czech Stock exchange are due to the much stronger law enforcement of the powerful regulatory authority in Poland as compared to its Czech counterpart.

It has been seen that in the case of developing nations, the main factors that hamper the functioning of a stock market is lack of information and infrastructure. A study by Musonera and Safari (2008) found out that the challenges faced for the growth of a stock exchange in Rwanda is because of lack of information and infrastructure. Most of the Rwandan public did not know about the stock market and there was lack of information on roles, functions and operations of the stock exchange. Additonally, they found that the market infrastructure is underdeveloped in Rwanda, especially the payment system, and it could not facilitate transaction payments to facilitate trading, settlement and delivery. A study by Hobijn and Jovanovic (2001) also emphasized the connection between the evolution of the stock exchange market and the exploitation of new technologies by the companies. The sluggishness of stock markets in the seventies and the early eighties could be explained by the low investment in information technologies by the companies.

Another study conducted by Kazarwa (2015) on the challenges faced by emerging stock markets in Africa, was conducted using interviews with a population comprised of five listed companies and the Capital Market Authority. The study found that challenges faced by Rwanda Stock were that the general public was not fully knowledgeable about trading in stocks. Another important issue was that there were few skilled and experienced investment analysts in the region. Further, the study states that lack of awareness is one of the major challenges faced by the Rwanda

Stock Exchange, where respondents explained that the public has not yet understood the benefits of the stock market and that most people do not even know what a stock market is all about. Greenwood and Jovanovic (1990) show that the new stock markets provide timely and accurate information about the firms to the investors, which thus increases the investors' risk adjusted returns.

Mensah *et al.* (2012) studied the challenges and prospects of the Ghana Stock market. The main objective of this study was to find out the challenges and prospects of the Ghana Stock market. It also sought to ascertain the level of public awareness of the stock Exchange and discover the availability of prospects on the stock market. The study design was cross sectional. Stratified and simple random, sampling methods were used for the study. Four set of questionnaire were used to collect data from listed companies, unlisted companies, Staff of Ghana Stock Exchange and individual investors. Descriptive and inferential analysis was carried out. According to the study it found out that key challenges confronting the Ghana Stock Exchange (GSE) are liquidity challenges, low patronage by Ghanaian firms, low earnings, strict regulations and low media attention, high cost of listing on the Stock exchange and lack of education on the Stock market.

The work by Afego (2015) emphasizes efficiency, trends in performance, and developmental challenges faced by the African stock markets. It highlights that the reasons for slow growth of the African stock markets were lack of public enlightenment and awareness about stock markets and low literacy rate (Afego, 2015). While the latter is not a concern for the study of the Bhutanese market, the former offers reinforcement to the ideas under study here.

Fredholm and Taghavi-Awal (2006) focused more on developing countries capital markets and suggested the use of a Capital Market Diagnostics (CMD) model to evaluate the level of development of capital markets in developing countries. The main causes for the low level of development is a lack of capital, due to low interest and level of knowledge from domestic investors and a pension system that does not channel investments to the capital market. The research found that level of development was low, mainly due to a lack of investment opportunities.

The stock market is expected to encourage savings by providing individuals with an additional financial instrument that may better meet their risk preferences and liquidity needs. Levine and Zervos (1998) found that better savings mobilization may increase the savings rate, which in turn plays an important role in determining market capitalization. One of the reasons that most Latin American countries have a smaller stock market than East Asian countries is due to their low savings rate. To promote stock market development, Latin American countries can encourage savings and investment through appropriate policies (Garcia and Liu, 1999).

A study by Ganapathi (2014) used convenient sampling to look at public awareness towards capital market investment with special reference to JRF securities limited in Hyderabad and found that most of the public are aware of the capital market, but they lack knowledge about capital market investment. The study also found that most of the respondents knew about the JRF Securities Limited through newspaper and television and the public expressed interest in investing in the stock market but lacked proper guidelines and information.

Another study by University of Peradeniya looked at capital market awareness. The study was conducted to assess the level of general awareness and acceptability of the capital market as an investment tool. The survey found that most of the respondents heard about the stock market, but more than half of the sample respondents do not have any knowledge about the investing procedure and benefit of investing in the stock market. The study also found that most of the respondents are willing to invest in the stock market and they prefer to invest their money in a period for 1 to 3 years. The result found that level of awareness, knowledge about stock market, knowledge about the benefits of investing in stock market and a knowledge about stock brokers determine the investing ability in the stock market.

A study conducted by Sharma (2012) looked at perception of retail investors towards stock markets in Bhutan. The main objective of this research was to find the awareness level, perception and causes behind the poor participation of Bhutanese Investors in the activities of RSEBL. The study was carried out using qualitative method. According to the study, investors sought to have thorough knowledge about a company's sustainability and organic growth prior to investing. Awareness about the existence of RSEBL low and indicated a lack of literacy and advertisement. The study also found that the majority of respondents put their money in banks where rates of interest are fixed as opposed to stocks that require continuous monitoring as the prices rise and fall frequently.

A broker for the Royal Insurance Corporation of Bhutan mentioned that only five or six of the listed companies under RESBL are regularly traded and those listed companies are mainly banks and insurance companies. "The others are somewhat dormant. Right now the volume is not that big. It's very minimal. Stock exchange trades only three days a week at present." Furthermore, the Chief Executive of the Exchange said, it is embarrassing that the shops are open but there are no customers.

Therefore, research will help to discover the level of awareness by the public about the stock market and the challenges which are faced by the Bhutanese stock market in terms of its development. These studies show that most stock markets in developing countries like Rwanda Stock Exchange, Ghana Stock Exchange and Dar-es-Salaam Stock Exchange face similar challenges such as: lack of public participation, lack of awareness about the stock by public, liquidity problem, regulatory, lack of market participants are the major hindrance for the development of a stock market.

3. Methodology

This section provides a detailed description of the research approach adopted in this study. Research design, data collection approach, sample design, target population, sample size and data analysis procedure are presented in the subsequent sections. The study is descriptive in nature. Descriptive study was appropriate because the nature of the problem is well known, and the objective is clearly specified (Mothari, 1990). The study chooses to use descriptive research due to the desire to acquire first hand data from respondents. This research focuses on the public

awareness of the stock market and challenges faced by the RSEBL and brokerage firms. In order to fulfill the objective of this research, both quantitative and qualitative techniques were chosen. Tashakkori and Teddlie (2003) state that multiple methods are useful because they provide better opportunities to answer research questions and better evaluate the extent to which research findings can be trusted and inferences made from them. The purpose of using a mixed method was also to address different research questions and generate information from different groups. For this study, survey questionnaire was designed in order to collect information from the public and evaluate their level of awareness about the stock market. In addition, face to face semi-structured interviews with officials of RSEBL and brokers were also carried out.

The research is mainly based on primary sources of data collection. The survey questionnaire was designed to collect data from the public who are located in the urban area of Thimphu. Thimphu is the capital of Bhutan and is the largest city in the country. It is a cosmopolitan, urban center for the country and centrally located. Further, face-to-face, semi-structured interviews were conducted to collect data from the officials of the RSEBL and the brokerage firms.

Distribution of the questionnaires to the urban public and interviews with the officials were based on purposive sampling because the data was collected as per the researcher's judgment. This method is extremely fast, easy, readily available, and cost effective. It is flexible and meets multiple needs and interests. It enables researchers to select a sample based on the purpose of the study and based on knowledge of the population. It also helped to target a very specific population, which can assist in gaining detailed insight on their characteristics.

3.1. Sampling Design for Survey Respondents

As per the National Statistics Bureau Report 2016, Thimphu has a total population of 116,012. To obtain data about the awareness of the stock market from the urban public of Thimphu, the researcher used a formula offered by Yamane (1967) to calculate the sample sizes. Based on Taro Yamane statistics, the sample size is 100 as determined in the following table. The confidence interval of the sample is 90%.

Total no. of population in Thimphu =116012 $n = \dfrac{N}{1 + Ne^2}$ n=116012/1+116012(0.10) ^2 = 100	Where, n=sample size N=population size e=the error of sampling degree (margin of error is 10%)

3.2. Data Analysis

The study involved both quantitative and qualitative methods. Quantitative data collected were processed using the Statistical Package for Social Science (SPSS) by using the descriptive statistics mainly based on frequencies and crosstabs. For the qualitative data collected, the following steps was used for interpreting the data:

Reading transcripts: Face-to-face interview data were transcribed into written form in order to conduct a thematic analysis. In this step, the researchers read the transcripts of recorded interviews.

Labeling/Coding: In this stage the researchers coded the information from the transcripts. Coding was done by writing notes on the texts and analyzing word usage and frequency. Coding helps the researcher identify the important points from the interview transcripts and narrows down their focus.

Categorizing: The codes identified in the coding stage were then categorized.

Ranking: Researchers ranked the categories according to their importance.

Interpreting: The researchers interpreted the results and formed conclusions.

4. Findings

Table-1. Respondent Characteristics

	Demographic Characteristics	Frequency	Percentage
Gender	Male	48	48%
	Female	52	52%
Age	18 to 25	40	40%
	26 to 35	44	44%
	36 to 45	9	9%
	46 and above	7	7%
Education Level	Illiterate	2	2%
	Class 12 and below	28	28%
	Diploma	6	6%
	Graduate	52	52%
	Masters	8	8%
	PhD	4	4%
Occupation	Businessman	29	29%
	Salaried worker	60	60%
	Housewife	7	7%
	Retired	4	4%

Sector of Organization	Civil service	10	17%
	Non-Government organization	5	8%
	Private companies	32	53%
	Public companies	13	22%
Income Level (in Nu.)	15000 and below	42	42%
	15001 to 30000	37	37%
	30001 to 45000	10	10%
	45001 and above	11	11%

Table 1 presents simple statistics of the respondents of the study. Out of the total 100 respondents, 52% are female and the rest (48%) are male. Around 44% are in the age level of 26-35years followed by 20% within the age bracket of 26-35 years. Very few of the respondents fall in the age brackets of 36-45 years (9%) and above 46 years (7%).

When it comes to the level of education, the majority of the respondents have graduate level (52%) followed by 28% with qualification of class 12 and below. Regarding the occupation, the majority of the respondents were salaried workers (60%) and businessmen (29%). Majority of those salaried workers worked with private (53%) and public companies (22%). Around 17% of them are civil servants and 8% are working with non-government organizations.

Further, information on the level of income of the respondents was collected. A large majority of the respondents (42%) are low income earners with earning capacity of less than Nu.15000. There are around 37% earning in the income range of Nu.15001 to Nu.30000, and the rest (21%) are in the high income category earning more than Nu.30000 per month.

## 4.1. Awareness
a. Awareness Level

In examining the awareness level of the people residing in Thimphu, the study uses descriptive analysis of data collected through survey. It is found that around 65% are aware of the existence of stock market in Bhutan.

Figure-1. Awareness Level
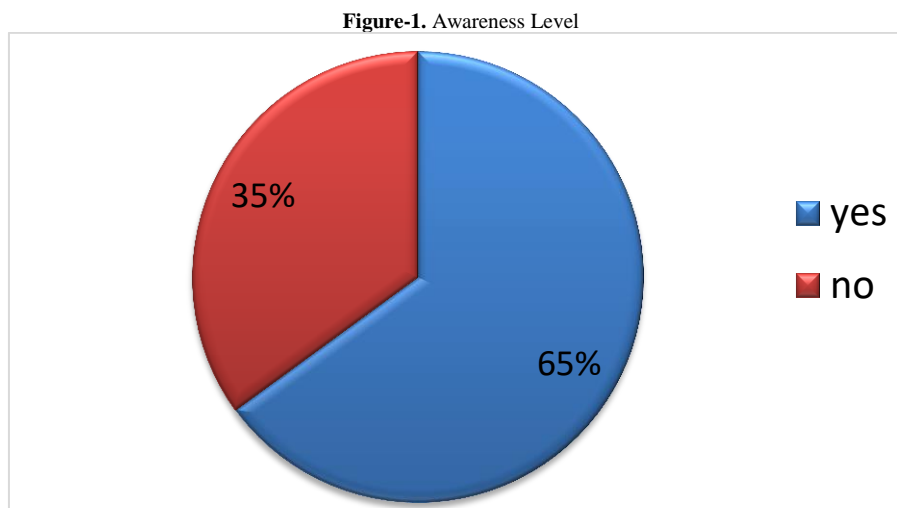
The level of awareness of the public about the existence of RSEBL is satisfactory with 65% stating they are aware of the organization. Analysis using cross tabulation reveals that there is no significant difference in the awareness level between men and women. Around 55% of the women and 45% of the men are aware of the Stock market.

When it comes to brokerage firms and their role in the purchase and sale of shares, around 65% of the respondents stated they are aware. However, their actual participation in the stock market is very limited by the fact that only 9% have purchased shares and bonds of the companies.

Figure-2. Purchased Shares and Bonds
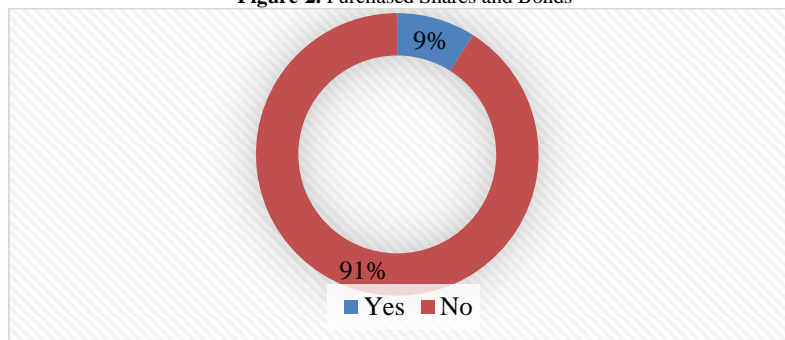
The survey reveals that only 9% of respondents have participated in stock market operations. Analyzing this small fraction of population who participated in the stock market, research shows around 55% are between the ages of 26-to-35. This is not surprising since this age group is the most educated, highest employed and earning income in the country. Shares purchased were from Bhutan National Bank shares (BNB), Royal Insurance Corporation of Bhutan limited (RICB), GIC-Bhutan Re Limited(GBRL), and Bhutan Insurance Limited(BIL). More than half of the respondents (55%) purchased the shares during the year 2005-2015.

The decisions of whether to participate in the stock market is dependent on if the people are aware of its existence. Although the majority of the respondents are aware, they do not seem to have comprehensive information regarding the stock market. Only 22% of the respondents stated that they know the advantages and disadvantages of investing in the stock market. Similarly, few of the respondents knew where and when to purchase and sell the shares. These numbers suggest that people of Thimphu do not have sufficient knowledge about the stock market.

b. Willingness to Invest In the Stock Market

In order perpetuate the operation of the stock market, there must be active participants and brokers. Hence, to study the future of the stock market, willingness of the respondents to participate was explored. Seventy percent of respondents were interested to invest in the stock market.

Figure-3. Willingness to participate
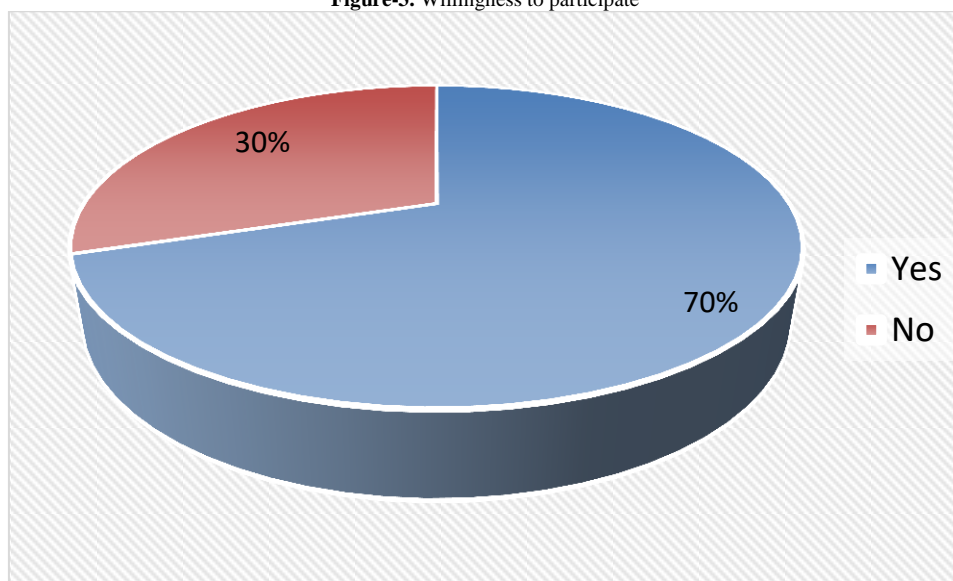
Investigating the willingness to invest further, it was mostly (62%) the salaried group of workers who were willing to invest in the stock market, followed by businessmen (29%), retired employees (6%) and housewives (3%). When it comes the educational level, most of the graduates (50%) are willing to participate in the market.

Since these numbers indicate a considerable number of the population who are not in favor of participating in the market, factors that impede participation have been studied. There are several factors such as market fluctuation, risk, lack of proper guidelines and awareness, and the lack of sufficient money, that were stated as impediments to investors and are represented in Figure 4.

Figure-4. Factors affecting participation
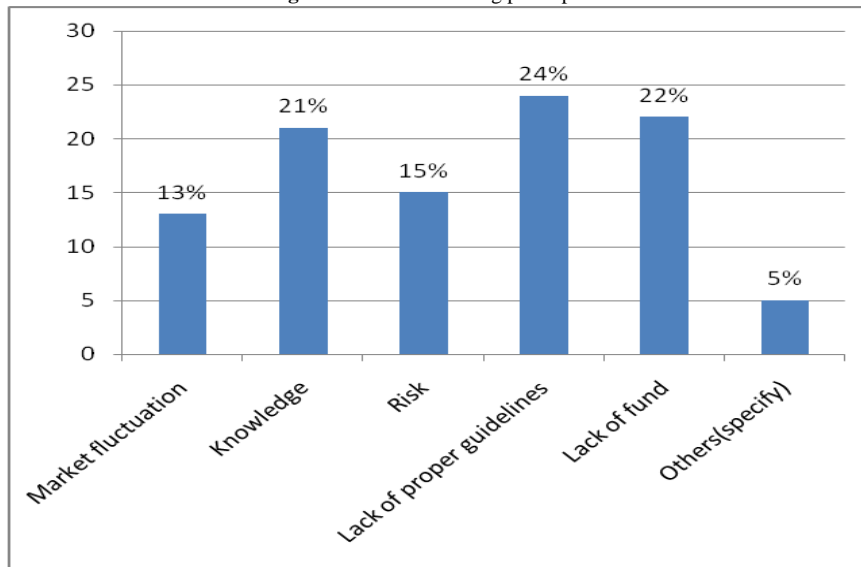
The respondents whose income is below Nu.30000 said that among many factors, lack of funds and lack of proper guidelines are the major factors that restrict them from investing in shares. On the other side, market fluctuation and lack of proper guidelines were the main factors that restricted investors in the income level above Nu.30000 from investing. Thus, since there are no proper guidelines from the RSEBL, respondents do not know how to invest in the shares even though they may have enough funds.

c. Public Suggestions

The study also collected suggestions from the public regarding the development of the stock market. While many of the public (64%) were not satisfied with the awareness program created by RSEBL and brokers so far, it is suggested that the RSEBL should create an awareness program on the benefits of investing, procedures of investing, and proper guidelines on trading of shares. In addition, most of the public said that even though they are aware about the existence of the stock market, they do not have knowledge on how the shares are traded. They indicated a definite requirement of awareness program and suggested RSEBL come up with more ways to disseminate regular information.

Additionally, the study showed that the number of listed companies on the stock exchange should be increased in order to have active stock market trading. A total of 16% of respondents suggested RSEBL to increase the numbers of listed companies and the number of shares offered by the listed companies. Respondents stated that they are not able to get shares even if they deposit funds. Therefore, if RSEBL increases the number of listed companies and number of shares offered by the companies, investors will buy and sell shares frequently, which leads to active trading of securities.

Few of them also suggested the RSEBL come up with more numbers of brokers and increase the frequency of trading days. Today, the RSEBL has only 5 brokerage firms and the numbers of trading days is three days in a week.

4.2. Challenges faced by Royal Securities Exchange of Bhutan (RSEBL)
a. Lack of Active Public Participation

"Lack of active public participation" in the stock market is the major challenge which was pointed out by all the brokers and the officials of RSEBL who were interviewed. The reason for this could be because many participants are not aware of the Stock market. This is supported by 86% of the respondents who agreed that "*People are not aware of the stock market and how the shares are traded".* This clearly suggests that there is lack of public awareness about the stock market. Despite the efforts put in by RSEBL to publicize and provide market information via social media like Facebook, the findings of this study that the public has not yet fully understand the benefits of the stock market.

The majority of shareholders are currently from the rural areas of eastern Bhutan, where four mining companies are located. Many eastern farmers purchased shares and they hold about 40 to 45 percent of the total shares of the companies but do not actively trade on the stock exchange. Since, most of them are illiterate, it is a challenging task for the RSEBL and the brokerage firms to educate them on stock trading. Based on the findings of this study, we must assume most of village shareholders have lack of information about the roles, functions and operations of the stock exchange.

The lack of public awareness about the benefits of the stock market is one of the major barriers in the development of the stock exchange. Even though RSEBL, with the help of their brokers, came up with an awareness program, it still has not made much impact on the public. This is possibly due to the fact that the programs lasted for only a short period of time. Another complication that could be a hindrance to encouraging public participation could be the new system that RSEBL has adopted. Under the previous system, the transaction took place if the buyer and seller came for settlements. Under the new system, the brokers are asked to put the order in to RSEBL and the clients

have to put the order in by themselves, unassisted by a broker. Thus, the new system is a lengthier process and it is time consuming and requires more effort and knowledge by the buyer.

This finding is supported by previous research conducted by Kazarwa (2015) on the challenges faced by Rawanda Stock Exchange. It was found that the general public was not fully knowledgeable about trading in stock and had not understood the benefits of stock market. A similar finding was also found in a study carried out by Afego (2015) which highlights the reasons for slow growth of the African stock markets as lack of public enlightenment and awareness about stock markets and low literacy rate which hampered the growth of African stock markets.

b. Lack of Active Participation from the Companies

Firms whose shares are listed on a stock exchange for public trading are called listed companies. One of the most important requirements of a stock exchange is to have more companies listed on the exchange to attract investors. However, RSEBL has only 21 listed companies which is a very small number, and the numbers of listed companies have remained constant for many years. As per the regulation of RSEBL, private companies should fulfill certain criteria to be listed on the stock exchange. 71% of respondents said that the "*company's criteria are too stringent for the private companies*" and lack of funds may be another reason why the private companies are not listing on the stock exchange. Higher standard listing requirements were also noted as a critical challenge. For instance, the requirements of having market capitalization of Nu.20 million is found particularly difficult to fulfill by the private companies because most of them have capital of less than Nu.20 million.

Some of the interviewees also stated that one of the reasons for having small number of listed companies could be because private companies are not willing to share their profit. Even though private companies fulfill the criteria set by RSEBL, they do not choose to list on the stock exchange and rely on other sources of funding. Lack of understanding by companies could be another reason for having less number of listed companies as many of the private companies may not know about the benefits of listing on the exchange. Further, they lack the basic understanding of the listing process and operations of the stock market. This lack of companies' participation poses a challenge for the growth of the stock market. Similar findings were stated by Mensah *et al.* (2012) who reported that a key challenge confronting the Ghana Stock Exchange (GSE) was high cost of listing on the Stock exchange and lack of education for companies, because of which it was difficult for more companies to be listed on the Stock exchange.

c. Low Frequency of Trade

Low frequency of trade is another challenge faced by the Bhutan stock market. 43% of the respondents agreed that the "*exchange has only 21 listed companies and from those companies only three or four major company's shares are traded regularly*". Additionally the number of shares offered by the twenty one listed companies is very limited.

Further, 57% of the respondents noted that even after making initial deposits, the shares offered by the companies are of limited numbers. This tends to disappoint investors and may discourage further involvement in the exchange. This is a major challenge that the stock market has faced in the past and is still facing. The situation may hamper the exchange's image in the eyes of the public and discourage participants from investing in shares in the future, which will ultimately lead to fewer participants and low frequency of trade.

The shares offered by the companies are minimal which leads to low frequency of trade. More than half of the respondents agreed that unlike other countries, "*the stock market in Bhutan is very small*". When it comes to the number of trading days, trading happens only on Mondays, Wednesdays and Friday. Additionally, investors may not be able to trade on that particular day if the systems are down. Since the number of trading day are few, there is low frequency of trade on the stock market.

d. Liquidity Problem

Another challenge of the Bhutan stock exchange is the liquidity problem. The stock market is not liquid enough because of the change of hands of shares is too low. Most of the respondents said that when a company declares a high dividend, the clients are holding the shares for longer periods of time and are unwilling to sell. Based on this research, only 25% of shares of the companies are in the market and out of that only 5% is in the secondary market. This is because the companies are providing high returns of investment in the form of dividends. Hence, the investors do not want to sell their shares.

Seventy-one percent of the respondents said "*matching of the price while trading is another major problem*". When an investor sells the shares, they want a higher price but the buyers want to buy at the lower price. Since the matching of buyers and sellers does not happen, frequently the trade could not take place and this may cause liquidity problems in the long run. This finding can be supported by a previous study by Levine (1997) where it was found that one of the major challenges faced by Dar-es-Salaam Stock Exchange (DSE) was the lack of liquidity. The change of hands of shares was too low where it led to the liquidity problem in the exchange.

5. Recommendations

1. From this research, it can be concluded that the RSEBL and the brokerage firms to educate public and investors on the importance and benefits of investing in the stock market. It should be for a longer or even on-going duration so that the public will understand the process, benefits and nature of the market.

2. The RSEBL should encourage more companies to list on the stock exchange. Such encouragement includes reducing listing fees, minimizing listing requirements and encouraging trade. As a result of which the numbers of shareholders will increase leading to more secondary transactions.
3. RSEBL should also conduct an education and awareness program with the objective to educating companies on the benefits for being listed in the stock market. The Government could come up with incentive programs to motivate and encourage listing.
4. A program should be devised to encourage active trading.

6. Conclusion

The main goal of this research was to assess the level of public awareness about the stock market and the challenges faced by the RSEBL for its development. To achieve the purpose of this study, the information was collected from the public in Thimphu along with officials of RSEBL and the brokers from the five brokerage firms. Thimphu was chosen as the main Dzongkhags (districts) because it is one of the most populated Dzongkhags in Bhutan and also RSEBL is located there.

The research found that Bhutanese people are still new to the concept of the stock market and they choose financial institutions to invest their money instead. The study found that most of the respondents are aware about the existence of the RSEBL, however, the public and investors find it difficult to understand about the functioning of the stock market, benefits of and the procedure of investing in shares. Many are not able to participate in the stock market due to lack of knowledge about Stock market technicalities.

The discussion regarding the challenges faced by the stock exchange revealed that lack of active public participation, low numbers of listed companies, low frequency of trade and liquidity as the major challenges that the exchange is facing. Moreover, the number of listed companies is also very small, and shares offered by them are limited. The number of trading day are limited and the trading of shares is too low.

This research served to update the understanding of the challenges to stock markets in emerging economies and Bhutan in particular. At this time, to overcome some of the challenges, the RSEBL is planning to come up with a small and medium enterprise (SME) board for all those private companies who do not qualify under the current listing rules. These companies would be able to initially come to the stock exchange and fall under separate SME rules and categorization. After a two year waiting period with validated revenue streams, SME listed companies can the apply as full listing members. Additionally, the RSEBL along with the Ministry of Education, is again considering an education program to inform the public about the workings and benefits of the stock market.

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