Chapter 11

The Royal Securities Exchange of Bhutan: A Critical Analysis of Performance for the Last Decade

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ABSTRACT

Keeping in view the vision “to become an integral part of the financial system and participate in the nation building”, the Royal Securities Exchange of Bhutan (RSEB) was established in August, 1993 as the only stock exchange in the small and beautiful country of Bhutan. Initially RSEB was set up under the control of Royal Monetary Authority (RMA), the central monetary authority of the country, but in 1996, it was delinked as an autonomous body. Since 1993, the exchange has registered a growth as far as number of listed companies, market capitalization and numbers of shareholders are concerned. But during a journey of twenty years, whether the growth ratio registered is satisfactory or not, is a cause of real concern. This paper aims to highlight the trend of growth in the performance of the stock exchange for the past decade from different angles. The paper also aims to critically emphasize in measuring the performance of RSEB to be able to popularize stock investment as an investment tool for personal finance. The contribution of capital formation into GDP of the country also will be analyzed. The paper will utilize both primary and secondary data to be collected through questionnaire and available on different Government publications, Journals, Reports and websites.


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INTRODUCTION

In South Asia, amidst two giant countries China and India, exists a small but beautiful landlocked country named the Kingdom of Bhutan. Recently, in 2008, people of Bhutan witnessed its first general election resulting in a transition from absolute monarchy system to constitutional monarchy system. The country is not only small in area (38,394 km$^2$) and population (634,982 as per Census report 2005) (Research and Evaluation Division, 2010), but its economy also is small and underdeveloped. As per the report of International Monitory Fund, the nominal GDP of the country was $2.209 billion and Par Capita Income was $2,836 in 2015 (IMF). As such Bhutan’s economy is considered to be one of the smallest in the world. It is mainly based on farming and animal husbandry, on which 56.3% of its population is dependent. The prime export of the country is of hydroelectric power. Tourism and cottage industry also play a vital role in the economy. India has been the main partner in both import and export. 93.7% of its imports and 78.8% of its export business are with the neighbouring country India (UNData, 2016).

To start with the discussion, let us highlight the evolvement of the financial sector of Bhutan in brief. In 1968, as a joint venture with the Chartered Bank of India, Australia and China, the Bank of Bhutan came into existence as the first public sector commercial bank of the country. In the initial years, till the Royal Monetary Authority was established, it took the responsibility of the central bank of the country. In 1980, the Royal Government of Bhutan and the Royal Insurance Corporation of Bhutan (RICBL) incorporated the Unit Trust of Bhutan (UTB) with the basic purpose to inculcate saving habits among the Bhutanese citizen and to channelize resources into productive sectors. Later on, in 1995 it was decided to convert UTB into a commercial bank as the growth in the economy could not be handled alone by the presence of only one bank in the country. Thereby Bhutan National Bank (BNB) came into existence and on 6$^{th}$ January, 1997, BNB officially opened for business. In the mean time, in 1982, for the purpose of regulating the financial sector and formulating the monetary policy, the Royal Monetary Authority of Bhutan (RMA) was established as the central bank of Bhutan. In the year 2008, Druk PNB was incorporated under the Companies Act of the Kingdom of Bhutan 2000, and licensed to operate as commercial bank by the Royal Monetary Authority of Bhutan under the Financial Institutions Act of Bhutan 1992. Druk PNB is the first FDI bank in the country with 51% of its shares held by Punjab National Bank, a leading public sector bank in India (Financial Institutions Training Institute). Tashi Bank Ltd. was established as the first private sector bank and the fourth commercial bank in the country, licensed by the Royal Monetary Authority of Bhutan under the Financial Institution Act of Bhutan, 1992 and incorporated under the Companies Act of the Kingdom of Bhutan, 2000. It started its commercial operations in 2010 (T Bank Ltd.).
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