

# **PERFORMANCE EVALUATION OF MUTUAL FUNDS IN NEPAL**

**Submitted to**  
Office of the Dean  
Faculty of Management  
Tribhuvan University

**By**  
Pabitra Aryal  
Lumbini Banijya Campus, Butwal  
T.U. Reg. No. 7-2-302-49-2001  
Roll No. ....

In partial fulfillment of the requirement for the Degree of  
Master of Business Studies (M.B.S)

**Butwal, Nepal**  
**April, 2012**

**LUMBINI BANIJYA CAMPUS**  
**BUTWAL-13**  
**NEPAL**

**RECOMMENDATION**

This is to certify that the thesis

Submitted by  
Pabitra Aryal

Entitled  
**PERFORMANCE EVALUATION OF**  
**MUTUAL FUNDS IN NEPAL**

has been prepared as approved by this Department in the prescribed format of the faculty of Management. This Thesis is forwarded for examination.

.....  
Indra Chapagain  
(Thesis Supervisor)

.....  
Prof. Dr. Ishwor Gautam  
(Campus Chief / Head of Research Dept.)

Date: .....

**Tribhuvan University**

*Faculty of Management*

# **LUMBINI BANIJYA CAMPUS**

**Butwal, Rupandehi**

## **VIVA-VOCE SHEET**

We have conducted the viva-voce examination of the thesis

Submitted by

Pabitra Aryal

Entitled

### **PERFORMANCE EVALUATION OF MUTUAL FUNDS IN NEPAL**

and found the thesis to be the original work of the student and written according to prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements of Master's Degree in Business Studies (M.B.S)

#### **Viva-Voce Committee**

Head of Research Committee

.....

Prof. Dr. Ishwor Gautam

Member (Thesis supervisor)

.....

Lecturer Indra Chapagain

Member (External Expert)

.....

Date: .....

## **DECLARATION**

I hereby declare that this thesis entitled "Performance evaluation of mutual funds in Nepal" submitted to office of the dean, faculty management, Tribhuvan University is my original work as partial fulfillment of the requirement of Master's of Business Studies (M.B.S.) prepared under the guidance and supervision of Mr. Indra Chapagain, Lumbini Banijya Campus, Butwal, Rupandehi, Nepal.

.....

**Pabitra Aryal**

**T.U. Reg. No. 7-2-302-49-2001**

**Lumbini Banijya Campus**

**Butwal, Rupandehi**

## **ACKNOWLEDGEMENT**

I am very pleased to present myself as an author of the thesis entitled "Performance evaluation of mutual funds in Nepal" has been prepared for the partial fulfillment of the Degree of Master of Business Studies (M.B.S.).

I extend my deep sense of indebtedness to my respected supervisor Mr. Indra Chapagain lecturer of Lumbini Banijya Campus for their precious guidelines, inspiration and suggestion thoroughly during the period of this research. Without their valuable insight, I would not think of accomplishment of this thesis paper. I acknowledge my profound gratitude to Sample Banks for the cooperation shown and providing necessary data. In this regard, I would like to thank to Prof. Dr. Ishwor Gautam, Campus Chief of Lumbini Banijya Campus for having assisted to provide necessary suggestions during my research work. Also I want to give thanks for all the lecturers of Lumbini Banijya Campus for their kind cooperation during the study period.

Similarly, I would like to express debt of gratitude to my family members for their continuous inspiration and support during the entire period of study.

April, 2012

Pabitra Aryal  
Lumbini Banijya Campus  
Butwal, Rupandehi

## **LIST OF ABBREVIATIONS**

CIS	:	Collective Investment Scheme
CIT	:	Citizen Investment Trust
CUS	:	Citizen Unit Scheme
FOM	:	Faculty of Management
HPR	:	Holding Period Return
NAV	:	Net Assets Value
NCM	:	Nepal Capital Market
NEPSE	:	Nepal Stock Exchange
NIDC	:	Nepal Industrial Development Corporation
SEBON	:	Security Board of Nepal
TU	:	Tribhuvan University
UTI	:	Unit Trust of India

# CONTENTS

	<b>Page No</b>
Recommendation	i
Viva Sheet	ii
Declaration	iii
Acknowledgement	iv
Abbreviation	v
List of Tables	vi
List of Figures	vii
Table of Contents	viii-ix
	<b>Page No.</b>
<b>CHAPTER I</b>	
<b>INTRODUCTION</b>	<b>(1-7)</b>
1.1 General Background	1
1.2 Focus of the Study	3
1.3 Statement of the Problem	4
1.4 Objectives of the Study	4
1.5 Signification of the Study	5
1.6 Limitation of the Study	5
1.7 Organization of Study	6
<b>CHAPTER II</b>	
<b>REVIEW OF LITERATURE</b>	<b>(8-38)</b>
2.1 Conceptual Review	8
2.1.1 Conceptual Framework	8
2.1.2 Types of Mutual Fund	12
2.1.3 Strategic for Mutual Funds	15
2.1.4 Advantages and Disadvantages of Mutual Funds	17
2.1.5 History of Mutual Fund	20
2.1.6 Mutual Fund in Nepal	22
2.1.7 Net Asset Value	25
2.1.8 Calculating NAVs	26
2.1.9 How to Use Net Assets Values	26

2.1.10 Rate of Return of Open-End and Closed-End Fund Holding Period Return for Open-End Fund	27
2.2 Performance Measures of Mutual Funds	28
2.2.1 The Treynor Measure	29
2.2.3 Jensen Model	30
2.3 Review of Related Thesis	32
<b>CHAPTER – III</b>	
<b>RESEARCH METHODOLOGY</b>	<b>(39-48)</b>
3.1 Research Methodology	39
3.2 Research Design	39
3.3 Population and Samples	40
3.4 Types of Data Collection	40
3.5 Data Collection Techniques	41
3.6 Method of Data Presentation and Analysis	41
3.7 Tools for Analysis	42
<b>CHAPTER – IV</b>	
<b>PRESENTATION AND ANALYSIS OF DATA</b>	<b>(49- 73)</b>
4.1 Presentation and Analysis of Secondary Data	49
4.1.1 Performance of Citizen Investment unit Scheme	49
4.1.2 Performance of NCM Mutual Fund	51
4.1.3 Investment Portfolio	53
4.1.4 Performance Evaluation of Mutual Fund Performance Evaluation of Mutual Funds in terms of management	55
4.2 Presentation and Analysis of Primary Data	60
4.3 Major Findings	72
<b>CHAPTER – V</b>	
<b>SUMMARY, CONCLUSION AND RECOMMENDATION</b>	<b>(74- 79)</b>
5.1 Summary	74
5.2 Conclusion	76
5.3 Recommendations	77
<b>BIBLIOGRAPHY</b>	<b>(80-82)</b>
<b>APPENDIX</b>	<b>(83-93)</b>



## **LIST OF TABLES**

<b>Tables No.</b>	<b>Title</b>	<b>Page</b>
4.1	Performance of Citizen Investment Unit Scheme	50
4.2	Performance of NCM Mutual Fund	51
4.3	Investment Portfolio of NCM	53
4.4	Investment Portfolio of Citizen Unit Scheme	54
4.5	Portfolio Yield	55
4.6	Sharp's Index	56
4.7	Treynor's Index	58
4.8	Jenson's Performance Measures	59
4.9	Total Risk, Systematic Risk and Unsystematic Risk of Mutual Fund	60
4.10	Classification of Respondents	61
4.11	Present Condition of Mutual Fund Nepalese Financial Market	61
4.12	Present Managerial Skills on Mutual Fund Companies	62
4.13	Sectors of Investment that NIDC Capital Market and CUS Should Invest	64
4.14	Basic External Problems Facing by Mutual Fund Companies	65
4.15	Performance of NCM Mutual Funds	66
4.16	Performance of Citizen Unit Scheme	67
4.17	The Risk Level in Investing in Current Mutual Fund Scheme	68
4.18	Potentiality of Mutual Fund in Nepalese Capital Market	69
4.19	The Most Effective Means to Create Awareness about Mutual Funds	70
4.20	Steps to be Taken for the Development of Mutual Fund in Nepal	71

## **LIST OF FIGURES**

<b>Figures No.</b>	<b>Title</b>	<b>Page</b>
4.1	Graphical Representation Sharp's Index	57
4.2	Graphical Representation of the Treynor Index	58
4.3	Present Condition of Mutual Fund Nepalese Financial Market	62
4.4	Present Managerial Skills on Mutual Fund Companies	63
4.5	Sectors of Investment that NIDC Capital Market and CUS should invest	64
4.6	Basic External Problems Facing by Mutual Fund Companies	65
4.7	Performance of NCM Mutual Funds	66
4.8	Performance of Citizen Unit Scheme	67
4.9	Risk Level in Investing in Current Mutual Fund Scheme	68
4.10	Potentiality of Mutual Fund in Nepalese Capital Market	69
4.11	Most Effective Means to Create Awareness about Mutual Fund	70
4.12	Steps to be Taken for the Development of Mutual Fund in Nepal	72