# A STUDY ON INVESTMENT PATTERNS OF FINANCE COMPANIES IN NEPAL

## A THESIS

### **Submitted by:**

#### Bikram Maharjan

Patan Multiple Campus Campus Roll No.:- 99/061 Exam Roll No.:- 1606 TU Registration No.: 7-3-22-1501-2004

#### **Submitted to:**

Office of The Dean Faculty of Management Tribhuvan University

In Partial Fulfillment of the Requirements of the Master's Degree of Business Studies(M.B.S.)

Patan Dhoka, Lalitpur March, 2011

## RECOMMENDATION

This is to certify that the Thesis

Submitted by:

### Bikram Maharjan

Entitled

### A STUDY ON INVESTMENT PATTERNS OF FINANCE COMPANIES IN NEPAL

has been prepared as approved by this department in the prescribed format of

Faculty of Management. This thesis is forwarded for examination.

(Mr. Diwakar Pokhrel) Campus Chief (Prof. Mr. Bihari Binod Pokharel)

Head of Research Department

..... (Mr. Surya Devkota)

Thesis Supervisor

Date:-

.....

(Mr. Laxman Kumar Regmi) Thesis Supervisor

## VIVA – VOCE SHEET

We have conducted the viva - voce examination of the thesis

Submitted by Bikram Maharjan

Entitled

## A STUDY ON INVESTMENT PATTERNS OF FINANCE COMPANIES IN NEPAL

And found the thesis to be original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the Master's of Business Studies (MBS)

#### Viva-Voce Commitee

Head of Research Department: .....

Member (Thesis Supervisor): ...

Member (Thesis Supervisor): ...

Date: .....

### DECLARATION

I hereby declare that the work reported in this thesis entitled "Investment Analysis of Finance Companies in Nepal : A Case Study of Peoples Finace Limited, Shree Investment and Finance Co.Limited, National Finance Limited, Kathmandu Finance Limited, Universal Finance Limited, Union Finace Limited" submitted to Patan Multiple Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfilment of the requirement for the Master's Degree in Business Studies under the guidance and supervision of Mr. Rakesh Chandra Mishra

-----

**Bikram Maharjan** Researcher Roll No. 99/061 Faculty of Management

Patan Multiple Campus

Date: .....

#### ACKNOWLEDGEMENTS

I would like to thank many people who have helped me & encouraged me to bring out this research work.

Firstly, I would like to extend my eternal gratitude to my thesis supervisor **Mr**. **Rakesh Chandra Mishra** for his full intuitive support, proper and continuous guidance and constant encouragement. It would be impossible for me to successfully complete this thesis without his support.

I would like to express my profound sense of gratitude to **Mr. Rakesh Chandra Mishra** for his advice & support for preparation of thesis work.

Finally, I would like to extend special thanks to all the respondents companies for providing the necessary data and valuable suggestion on my subject matter.

Bikram Maharjan Patan Multiple Campus

Date:

### **TABLE OF CONTENTS**

Viva-Voice Sheet Recommendation Declaration Acknowledgement Table of Contents List of Tables List of Figures Abbreviations

#### Page No.

Chapter I	In	troduction	
1.1. Background			1
	1.1.1	Investment and Investment Patterns	1
	1.1.2	Introduction of Selected Finance Companies	3
1.2. Statement of the Problem			4
1.3. Objectives of the Study			6
1.4. Focus of the Study			6
1.5. Significance of Study			7
1.6. Limitations of the Study			7
1.7. C	1.7. Organization of the Study		8
Chapter II	R	eview of Literature	
2.1. 0	Concept	ual Review	9
	2.1.1	Investment and Investment Policies	9
	2.1.2	Features of a Sound Lending and Investment	
		Policy	13
	2.1.3	Finance Companies and Investment policies	15
	2.1.4	History of Finance Companies	16
	2.1.5	Growth and Development of Finance	
		Companies in Asian Countries	20
	2.1.6	Finance Companies of Nepal	20
	2.1.7	Functions of Finance Companies	22
	2.1.8	Characteristics of Finance Companies	22
	2.1.9	Sources and Uses of Fund of Finance	
		Companies in Nepal	23
	2.1.10	Problems of Finance Companies	24

2.2 Contri	bution of Finance Companies towards National	
Ed	conomy	26
2.3 Review	w of Relevant Studies	27
2.3.1	Review of Related Journals	27
2.3.2	Review of Related Articles	30
2.3.3	Review of Related Dissertations	33
2.4 Direct	ives Issued by NRB for Finance Companies	
2.5 Research Gap		
		40
<b>Chapter III</b>	Research Methodology	
3.1. Introdu	uction	41
3.2. Resear	rch Design	41
3.3. Nature and Sources of Data		41
3.4. Popula	ation and Sample	42
3.5. Tools	for Analysis	42
3.5.1	Financial Tools	42
3.5.2	Statistical Tools	46
<b>Chapter IV</b>	Data Presentation and Analysis	
4.1. Financ	ial Ratio Analysis	50
4.2. Statist	ical Analysis	67
4.2.1	Correlation Analysis	67
4.2.2	Coefficient of Determination	67
4.2.3	t-test	67
4.2.4	Analysis of Variance	74
4.3. Preser	ntation and Analysis of Primary data	78
4.4. Major	Findings	87
Chapter V	Summary, Conclusion and Recommendations	
5.1. Summ	ary	92
5.2. Conclu	usion	93
5.3. Recom	nmendations	95
Bibliography		

Annex

### LIST OF TABLES

Table No.	Title	Page No.
1	Deposit, Investment and Loans & adv. of People's Finance	51
2	Deposit, Investment and Loans & adv. of Shree Investment and	52
	Finance	
3	Deposit, Investment and Loans & adv. of National Finance	53
4	Deposit, Investment and Loans & adv. of Kathmandu Finance	54
5	Deposit, Investment and Loans & adv. of Universal Finance	55
6	Deposit, Investment and Loans & adv. of Union Finance	56
7	Mean of Ratios of Finance Companies	57
8	Coefficient of Variation of Ratios of Finance Companies	63
9	Average Data of Net Profit, Interest on Investment and Interest	
	on Loan & Advances	67
10	Correlation Coefficient, Coefficient of Determination and t-	
	statistics matrix of Net profit, Interest on Investment and Interest on	
	Loan & Advance	68
11	Average Data of Total Investment and Loan & Advances and	
	its Various Sectors	70
12	Correlation coefficient, Coefficient of Determination and t-	
	statistics matrix of Total Investment and Loan and Advances and its	72
	various sectors	
13	Distribution of Investment Sectors by Finance Companies	74
14	ANOVA result between Finance Companies	76
15	ANOVA result between sectors of Finance Companies	76

### LIST OF FIGURES

Figure No.	Title	Page No.
1	Deposit, Investment and Loans & adv. of People's Finance	51
2	Deposit, Investment and Loans & adv. of Shree Investment and	52
	Finance	
3	Deposit, Investment and Loans & adv. of National Finance	53
4	Deposit, Investment and Loans & adv. of Kathmandu Ginance .	54
5	Deposit, Investment and Loans & adv. of Universal Finance	55
6	Deposit, Investment and Loans & adv. of Union Finance	
7	Mean of Ratios of Finance Companies	58
8	Coefficient of Variation of Ratios of Finance Companies	64
9	Average data of Total Investment and Loan and Advances and	
	its various sectors	70
10-23	Questionnaires	78-87

### **ABBREVIATIONS**

&	= and
Adv.	= Advances
ANOVA	= Analysis of Variance
Ave.	= Average
CV	= Coefficient of Variation
Govt.	= Government
H <sub>0</sub>	= Null Hypothesis
$H_1$	= Alternate Hypothesis
i.e.	= that is
Invt.	= Investment
KF	= Kathmandu Finance
MBS	= Masters of Business Studies
NF	=National Finance
NRB	= Nepal Rastra Bank
PF	= People's Finance
SF	= Shree Investment and Finance
UF1	= Universal Finance
UF2	= Union Finance
USA	= United States of America