

**A STUDY ON CREDIT MANAGEMENT
OF
OM FINANCE LIMITED**

By:

Anteem Gurung
Prithvi Narayan Campus
T.U. Registration No: 7-1-295-98-99

A Thesis Submitted to:

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

*In partial fulfillment of the requirements for the degree of
Master of Business Studies (M.B.S.)*

**Pokhara
September, 2013**



त्रिभुवन विश्वविद्यालय
TRIBHUVAN UNIVERSITY

पृथ्वीनारायण क्याम्पस
PRITHVI NARAYAN CAMPUS



520142
520143
520389
523462
526837
527440
531944

पत्र संख्या :
चलानी नं :

(.....**RECOMMENDATION**.....)

भीमकाली पाटन, पोखरा, नेपाल
Bhimkali Patan, Pokhara, Nepal

This is to certify that the thesis:

Submitted by

Anteem Gurung

Entitled

A Study on Credit Management of Om Finance Limited

*has been prepared as approved by this campus in the prescribed
format of the Faculty*

of Management. This thesis is forwarded for examination.

Supervisor

Associate Prof. Surendra Bahadur Bharijoo

.....

Head of Department

Prof. Dr. Puspa Raj Sharma

.....

Campus Chief

.....

Date:



त्रिभुवन विश्वविद्यालय
TRIBHUVAN UNIVERSITY

पृथ्वीनारायण क्याम्पस
PRITHVI NARAYAN CAMPUS



520142
520143
520389
523462
526837
527440
531944

पत्र संख्या :
चलानी नं :

(..... VIVA-VOCE)

भीमकाली पाटन, पोखरा, नेपाल
Bhimkali Patan, Pokhara, Nepal

We have conducted the viva-voce examination of the
thesis presented by
Anteem Gurung
Entitled
A Study on Credit Management of Om Finance Limited
and found the thesis to be the 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
Master's Degree in Business Studies (M.B.S.)

Viva-voce Committee

Chairperson, Research Committee :

Member (Thesis Supervisor) :

Member (External Expert) :

Member :

Date:

DECLARATION

I hereby declare that the work reported in this thesis entitled “A Study on Credit Management of Om Finance Limited” submitted to Central Department of Management, Tribhuvan University is my original work. It is done in the form of partial fulfillment of the requirement for the Master of Business Studies (MBS) under the supervision and guidance of Lecture Mr. Surendra Bahadur Bharijoo, Central Department of Management, Prithivi Narayan Campus.

.....

Anteem Gurung

Central Department of Management

Pokhara

Date:-

ACKNOWLEDGEMENTS

This research study on Credit Management of Om Finance Limited, has been prepared to fulfill the partial requirement of master in business studies program. For this, I am greatly thankful to the management faculty of Tribhuvan University for preparing this research a compulsory in the course. This study has been carried out under the supervision of **Mr. Surendra Bahadur Bharijoo** Associate Professor of Prithivi Narayan Campus. I would like to express my sincere and heartfelt appreciation and gratitude to him for providing me all sorts of guidelines, valuable comments and suggestions along with an analytical support in order to complete the thesis. His guidance and help has been great source of encouragement and inspiration to me.

My sincere appreciation goes to Associate Prof. Dr. Puspa Raj Sharma, Head of Department of Management, Prithivi Narayan Campus for his valuable comments and suggestions to bring the thesis in to present form.

I would like to offer my gratitude to all honorable teachers as well as all the concerned staffs of Om Finance Limited for providing all the relevant required data and information. I would also like to express my genuine appreciation to the library staffs of Prithivi Narayan Campus and Tribhuvan University.

Finally, I should furnish my trustworthiness to all of my friends for supporting me during each and every stage of thesis writing. And my paramount dedication is to my family members who have been uninterrupted source of sustain for me while during the tribulation of this work.

Last but not least, I would like to extend my thanks to 'The Creative Computer, Bagar-1, Pokhara' for setting the dissertation.

Anteem Gurung

TABLE OF CONTENTS

Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
CHAPTER – I INTRODUCTION	1-7
1.1 Background of the Study	1
1.2 Focus of the Study	5
1.3 Statement of the Problem	5
1.4 Objective of the Study	6
1.5 Significance of the study	6
1.6 Limitations of the Study	6
1.7 Organization of the Study	7
CHAPTER - II REVIEW OF LITERATURE	8-28
2.1 Conceptual Review	8
2.2 Review of Related Studies	21
2.3 Review of Thesis	24
2.4 Research Gap	27
CHAPTER – III RESEARCH METHODOLOGY	29-38
3.1 Research Design	29
3.2 Population and Sampling	29
3.3 Nature and Sources of Data	30
3.4 Tools of Data Analysis	30
3.5 Limitation of the Research Methodology	38
CHAPTER – IV DATA PRESENTATION AND ANALYSIS	39-68
4.1 Credit Ratios	39
4.2 Credit Efficiency Ratio	48
4.3 Loans & Advances Portfolio Analysis	52
4.4 Profitability Ratios	57
4.5 Analysis of Growth Rate	60
4.6 Coefficient of Correlation Analysis	64
4.7 Major Findings of the Study	67
CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATIONS	69-72
5.1 Summary	69
5.2 Conclusion	70
5.3 Recommendations	71
Bibliography	
Appendix	

LIST OF TABLES

Table	Page
4.1 Loans & Advances to Current Assets Ratio	40
4.2 Loans & Advances to Total Assets Ratio	41
4.3 Total Investment to Total Deposit Ratio	42
4.4 Loans & Advances to Fixed Deposit Ratio	44
4.5 Total Loans & Advances to Total Deposit Ratio	45
4.6 Investment to Loan & Advances Ratio	46
4.7 Liquid Fund to Loan & Advances Ratio	47
4.8 Provision for Possible Losses to Total Loan & Advances Ratio	49
4.9 Provision for Possible Losses to Net Interest Income Ratio	50
4.10 Non-Performing Loan to Total Loan & Advances Ratio	51
4.11 Priority Sector Credit to Total Credit Ratio	52
4.12 Sector Wise Credit to Total Credit Ratio	54
4.13 Mix of Security Wise Loan & Advances	56
4.14 Operating Profit to Loan & Advances Ratio	57
4.15 Net Profit to Loan & Advances Ratio	58
4.16 Net Interest Income to Total Loan & Advances Ratio	59
4.17 Growth Analysis of Loans & Advances	61
4.18 Growth Analysis of Provision for Possible Losses	62
4.19 Growth Analysis of Net Interest Income	63
4.20 Correlation between Total Loans & Advances and Net Profit	65
4.21 Correlation between Loans & Advances and Net Interest Income	65
4.22 Correlation between Total Deposits and Loan & Advances	66

LIST OF FIGURES

Figure		Page
4.1	Loans & Advances to Current Assets Ratio	40
4.2	Loans & Advances to Total Assets Ratio	42
4.3	Total Investment to Total Deposit Ratio	43
4.4	Loans & Advances to Fixed Deposit Ratio	44
4.5	Total Loans & Advances to Total Deposit Ratio	46
4.6	Investment to Loan & Advances Ratio	47
4.7	Liquid Fund to Loan & Advances Ratio	48
4.8	Provision for Possible Losses to Total Loan & Advances Ratio	49
4.9	Provision for Possible Losses to Net Interest Income Ratio	50
4.10	Non-Performing Loan to Total Loan & Advances Ratio	52
4.11	Priority Sector Credit to Total Credit Ratio	53
4.12	Sector Wise Credit to Total Credit Ratio	55
4.13	Operating Profit to Loan & Advances Ratio	58
4.14	Net Profit to Loan & Advances Ratio	59
4.15	Net Interest Income to Total Loan & Advances Ratio	60
4.16	Growth Analysis of Loans & Advances	61
4.17	Growth Analysis of Provision for Possible Losses	63
4.18	Growth Analysis of Net Interest Income	64

ABBREVIATIONS

ADBL	Agriculture Development Bank
ATM	Automated Teller Machine
BFI	Banks and Financial Institutions
BOK	Bank of Kathmandu
B.S.	Bikram Sambat
CV	Coefficient of Variation
Dept.	Department
DSCR	Debt Service Coverage Ratio
EBL	Everest Bank Limited
FY	Fiscal Year
HBL	Himalayan Bank Limited
i.e.	That is
IRR	Internal Rate of Return
LC	Letter of Credit
NBL	Nepal Bank Limited
NBBL	Nepal Bangladesh Bank Limited
NBFIs	Non- Banking Financial Institutions
NBIL	Nabil Bank Limited
NIBL	Nepal Investment Bank Limited
NI	National Income
NII	Net Interest Income
OFL	Om Finance Limited
PE	Probable Error
PPL	Provision for Possible Losses
R	Correlation Coefficient
T.U.	Tribhuvan University
WWW.	World Wide Web
\bar{X}	Arithmetic mean