

INVESTMENT PORTFOLIO OF FINANCE COMPANIES

(Comparative Analysis of Om Finanae and Fewa Finance)

Submitted By:

UDAYA BAHADUR THAPA CHEETRI

Shanker Dev Campus

Campus Roll No: 56/065

T.U Regd. No: 7-2-39-2-2005

2nd Year Exam Symbol No: 391224

A Thesis

Submitted To

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirement for the degree of

Master of Business Studies (MBS)

Kathmandu, Nepal

December, 2014

RECOMMENDATION

This is to certify that the thesis

Submitted by

UDAYA BAHADUR THAPA CHEETRI

Entitled

INVESTMENT PORTFOLIO OF FINANCE COMPANIES

(Comparative Analysis of Om Finanae and Fewa Finance)

Has been prepared as approved by this Department in the prescribed format of Faculty of Management. This thesis is Forwarded for examination.

.....
Asso. Prof. Rita Maskey
(Thesis Supervisor)

.....
Prof.Dr. Kamal Deep Dhakal
(Head of Research Department)

.....
Asso. Prof. Prakash Singh Pradhan
(Campus Chief)

VIVA – VOCE SHEET

We have conducted the viva – voce examination of the thesis presented

By:

UDAYA BAHADUR THAPA CHEETRI

Entitled

INVESTMENT PORTFOLIO OF FINANCE COMPANIES

(Comparative Analysis of Om Finanae and Fewa Finance)

And found the thesis to be original work of the student and written according to the prescribe format of Faculty of Management, Tribhuvan University. We recommend the thesis to be accepted as partial fulfillment of the requirement for the

Master's Degree of Business Studies (M.B.S)

Viva – Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

DECLARATION

I hereby declare that the work reported in this thesis entitled "Investment portfolio of finance companies (comparative Analysis of Om Finanae and Fewa Finance)" submitted to the Office of the Dean, Faculty of Management, Tribhuvan University is my original work completed in the form of partial fulfillment of the requirements for the Master of Business Studies (M.B.S.) under the supervision of Asso.prof, Rita Maskey, of Sankar Dev Campus.

Asso. Prof. Rita Maskey

Udaya Bahadur Thapa Cheetri

Researcher

Roll No: 56/065

T.U Reg: 7-2-39-2-2005

Shanker Dev Campus

ACKNOWLEDGMENTS

This research work entitled " Investment Portfolio of Finance Companies (Comparative Analysis of Om Finance and few finance)" is prepared to submit in Office of the Dean, Faculty of Management, T.U. in partial fulfillment of requirement of the Master Degree of Business Studies (M.B.S.) It is my great opportunity to complete this thesis under the supervision of Mr. Krishna Prasad Acharya, Assistant Campus Chief of Shankar Dev Campus, and Kiran Thapa for generous encouragement and undertaking of the supervision of my entire research work. This form of the report is the outcome of this continuous encouragement, helpful suggestions and comments.

At this moment I cannot forget teaching and non- teaching staffs of Shanker Dev Campus, T.U. who inspired me by showing keen interest in my work. The help of my friends is also unforgettable to me. I would also express my sincere thanks to my brother for providing proper suggestion while preparing this thesis. There are other compatriots who have been supportive, directly or indirectly. I thank all of them.

I would like to thanks my family members for their valuable suggestions, continuous encouragement and help through the research work.

Udaya Bahasdur Thapa Chhetri
Shanker Dev Campus

Date: November, 2014

TABLE OF CONTENT

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

CHAPTER –I INTRODUCTION	1-9
1.1 Background of the Study	1
1.2 Statement of the Problem	5
1.3 Focus of the study:	6
1.4 Objective of the study	7
1.5 Significance of Study	7
1.6 Limitations of the Study	8
1.7 Organization of the study	9
CHAPTER-II REVIWE OF LITERATURE	10-25
2.1 Conceptual Framework	10
2.1.1 Conceptual Review of Investment and Portfolio analysis:	10
2.1.2 Portfolio Management and its objective	12
2.1.3 Portfolio Risk	14
2.1.4 <i>Return</i>	15
2.1.4.1 <i>Single Period Rate of Return</i>	16
2.1.4.2 Required Rate of Return	16
2.1.4.3 Expected Rate of Return	16
2.1.4.4 Portfolio Return	17
2.1.5 Portfolio Performance Measurement	17
2.1.5.1 Sharpe’s Performance Measure	18
2.1.5.2 Treynor’s Portfolio Performance Measure	18
2.1.5.3 Jensen Performance Measure	
2.2. Review of related Studies	20

2.2.1 Review of Article /Journal	18
2.2.2 Review of Thesis	20
2.3 Research Gap	25
CHAPTER III RESEARCH METHODOLOGY	
26-34	
3.1 Research Desig	26
3.2 Population and Sample	26
3.3 Nature and Source of Data	26
3.4 Data Collection Procedure	26
3.5 Data Processing and Analysis	26
3.5.1 Financial Tools	27
3.5.2 Statistical Tools	31
3.6 Limitation of the Methodology	34
CHAPTER IV DATA PRESENTATION AND ANALYSIS	35-82
4.1 Analysis of Investment Portfolio	35
4.2 Investment Analysis of Loan and Advances	41
4.2.1 Hire Purchase Loan	42
4.2.2 Housing Loan	44
4.2.3 Term Loan	52
4.2.4 Fixed Loan	54
4.3 Profitability Analysis	56
4.3.1 Return on Total Assets	56
4.3.2 Return on Equity	58
4.3.3 Return on Investment	60
4.3.4 Weighted Average Interest Spread Ratio	61
4.4 Analysis of Risk and Return of OFL and FFL	
4.4.1 Sector wise risk and return of Loan and Advances	64
4.4.2 Portfolio Return	66
4.4.3 Analysis of Covariance and Correlation	67
4.4.4 Portfolio Risk and Return	69
4.5 Portfolio Performance Analysis	71
4.5.1 Analysis of Market Position	71
4.5.2 Measurement of Portfolio Performance	75
4.6 Major Findings of the Study	78

CHAPTER V SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	83-88
5.1 Summary	83
5.2 Conclusion	85
5.3 Recommendations	86
BIBLIOGRAPHY	

LIST OF TABLE

Table	Title	Page No.
4.1	Investment of OFL and FFL	36
4.2	Loan and Advances Investment of OFL and FFL	41
4.3	Hire Purchase Loan Investment	42
4.4	Housing Loan Investment	44
4.5	Housing Loan Portion over Total Loan	48
4.6	Term Loan Investment	52
4.7	Fixed Loan Investment	54
4.8	Return of Total Assets	56
4.9	Return on Total Equity	58
4.10	Return of Total Investment	60
4.11	Weighted Average Interest Spread Ratio	62
4.12	Sector wise Risk and Return of Loan and Advances	64
4.13	Portfolio Return of Loan and Advances	66
4.14	Covariance and Correlation of OFL and FFL	68
4.15	Loan and Advances Portfolio Risk and Return	70
4.16	Calculation of Market Returns, Variance of Market	72
4.17	Sharpe Portfolio Performance Measurement	75
4.18	Ranking of Sharpe Portfolio Performance	76

LIST OF FIGURE

Table	Title	Page No.
4.1	Investment Trend Analysis of OFL	37
4.2	Investment Trend Analysis of FF	38
4.3	Mean Investment of OFL and FFL	40
4.4	Hire Purchase Loan Analysis	43
4.5	Housing Loan Investment	45
4.6	Housing Loan Analysis over Total Loan	49
4.7	Effect of NRB's Circulation over Loan Borrower	50
4.8	Effect of NRB's Circulation over Financial Institutions	51
4.9	Term Loan Analysis	53
4.10	Fixed Loan Analysis	55
4.11	Return on Total Assets Analysis	57
4.12	Return on Total Equity Analysis	59
4.13	Return on Total Investment Analysis	61
4.14	Weighted Average Interest Spread Ratio Analysis	63
4.15	Portfolio Risk and Return of Loan and Advance	70
4.16	Market (NEPSE) Index movement	73
4.17	Market Return Movement Ratio	74
4.18	Sharpe Portfolio Performance Measurement	75
4.19	Ranking of Sharpe Portfolio Performance	77

ABBREVIATIONS

A.D	After Death/ Anna Domini
ALBL	Al-Arafa Islam Bank Limited
ATM	Automated Teller Machine
B.S.	Bikram Sambat
Co.	Company
CV	Coefficient of Variance
FFL	Fewa Finance Limited
FY	Fiscal Year
Ltd.	Limited
MBS	Master's in Business Studies
NEPSE	Nepal Stock Exchange
No	Number
NRB	Nepal Rastra Bank
OFL	Om Finance Limited
Rs	Rupees
S.D.	Standard Deviation
SLBL	Social Islam Bank Limited