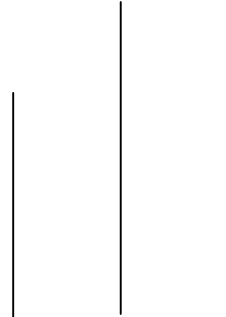
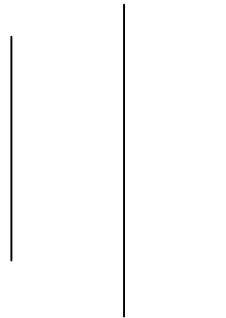


**INTERNAL FINANCING FOR INVESTMENT DECISION
OF
CORPORATE SECTOR IN NEPAL**



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A Thesis

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

**In partial fulfillment of the requirements for the
Master Degree in Business Studies (MBS)**

Kathmandu

January 2009

Date:.....

RECOMMENDATION

This is to be certified that the

Submitted by:
MR. MADHU PAUDEL

Entitled

**“INTERNAL FINANCING FOR INVESTMENT DECISION OF
CORPORATE SECTOR IN NEPAL”**

has been presented as approved by this department in the prescribed format of Faculty of Management. This thesis is forwarded for examination.

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Date:.....

VIVA- VOCE SHEET

We have conducted this viva - voce examination of the thesis presented by:

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

Viva- Voce Committee:

Head of the research department

Thesis supervisor

External expert

Member

Member

DECLARATION

I hereby declare that the work reported in this thesis entitled **“Internal Financing For Investment Decision of Corporate Sector in Nepal”** submitted to office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Studies (MBS) under the supervision of Associate Professor Dr. Rajendra Prasad Shrestha, Saraswati Multiple Campus.

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Date:

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Investment decision is one of the major functions to be performed continuously by financial manager in the course of the business. Internal finance of business enterprises is an important determinant of firm investment. The optimum value of internal finance variable is essential to maintain the investment in fixed assets. Internal finance refers to the net profit plus sinking fund or in other words it is known as free cash flow or cash available to the company.

The study of the internal finance and firm investment has never received so much attention in Nepal as in developed and industrialized countries. The empirical studies conducted abroad in the area of firm investment decision suggest existence of the relationship between firm investment and financial status. In this perspective, the study of the relationship between firm investment and internal finance of Nepalese enterprises is believed to have a greater significance in Nepal too.

This study aims at examining the various aspects of Nepalese firms' investment and internal finance. This study focuses to achieve objectives viz. (i) to examine the status of selected Nepalese enterprises in terms of cash flow, liquidity position, ratio of market value to book value of equity and ratio of dividend per share to earning per share, (ii) to determine the relationship of investment decision in fixed assets with cash flow and market value to book value of equity across the Nepalese enterprises, (iii) to estimate the effects of liquidity position on the investment decision in fixed assets, and (iv) to suggest areas of future research in investment decision.

I owe a deep debt of gratitude to Associate Prof. Dr. Rajendra Prasad Shrestha, Saraswati Multiple campus, Tribhuvan University, Kathmandu for his constant encouragement, patient guidance and valuable supervision at every stage of my work. This work would not have been materialized in the present form without incisive observations and intellectual directions in the course of completion.

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LIST OF ABBREVIATIONS

Adj.	=	Adjusted
CDM	=	Central Department of Management
Contd.	=	Continued
Dr.	=	Doctor
e.g.	=	For example
ed.	=	Edition
Es.	=	Enterprises
etal.	=	And others
etc.	=	Etcetera
FOM	=	Faculty of Management
FY	=	Fiscal Year
HMG/N	=	His Majesty's Government of Nepal
i.e.	=	That is
Ltd.	=	Limited
MA	=	Massachusetts Avenue
NBER	=	National Bureau of Economic Research
NEPSE Ltd.	=	Nepal Stock Exchange Limited
No.	=	Number
PP.	=	Page Number
Prof.	=	Professor
Pvt.	=	Private
S.N.	=	Serial Number
SEBO/N	=	Securities Board, Nepal
SPSS	=	Statistical Programme for Social Sciences
UN	=	United Nations
viz.	=	Namely
Vol.	=	Volume
vs.	=	"Versus"; Against