PORTFOLIO MANAGEMENT OF HOTEL INDUSTRIES OF NEPAL

A Dissertation Submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of the requirement for the Master's Degree

By

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “PORTFOLIO MANAGEMENT OF HOTEL INDUSTRIES OF NEPAL". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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Sarita Bhomjan

June, 2024

REPORT OF RESEARCH COMMITTEE

Ms. Sarita Bhomjan has defended the research proposal entitled **"PORTFOLIO MANAGEMENT OF HOTEL INDUSTRIES OF NEPAL"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Dr. Kapil Khanal and submit the dissertation for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"PORTFOLIO MANAGEMENT OF HOTEL INDUSTRIES OF NEPAL"** presented by Ms. Sarita Bhomjan a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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List of Abbreviations

CV - Coefficient of Variation

FD - Fixed Deposit

MBS - Master of Business Studies

NBFCs - Non-Banking Financial Companies

OHL - Oriental Hotel Limited

ROA - Return on Assets

ROE - Return on Equity

ROI - Return on Investment

SHL - Soaltee Hotel Limited

SSRN - Social Science Research Network

T.U. - Tribhuvan University

TRHL - Taragaon Regency Hotel Limited

Abstract

This study examines the portfolio management practices of the hotel industry in Nepal, focusing on how these practices influence financial performance. The objective of the research is to analyze the impact of portfolio diversification on key financial metrics such as Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI). The study is motivated by the need for hotel industries to achieve sustainable growth and profitability through effective portfolio management.

The research employs a descriptive and exploratory design, utilizing secondary data collected from the annual reports and financial statements of three major hotels: Taragaon Regency Hotel Limited (TRHL), Soaltee Hotel Limited (SHL), and Oriental Hotel Limited (OHL). Data spanning from the fiscal years 2013/14 to 2022/23 is analyzed using various financial and statistical tools, including mean, standard deviation, correlation, and regression analysis.

Findings indicate significant variability in the financial performance of the hotels. Correlation analysis reveals a strong positive relationship between ROA and ROE, while ROI shows a negative correlation with deposits and investments in subsidiaries. Regression results indicate that deposits positively influence ROA and ROE, whereas investments in subsidiaries and other entities have mixed impacts, with the latter showing a positive influence on ROI but a negative effect on ROA and ROE. These results suggest that while portfolio diversification can enhance financial performance, its effectiveness varies depending on the specific financial metrics and investment types.

In conclusion, the study highlights the complexity of portfolio management in the hotel industry and underscores the need for a comprehensive approach that considers market conditions and operational efficiency. The findings provide valuable insights for hotel managers and investors aiming to optimize portfolio strategies for improved financial sustainability.

Keywords: Portfolio management, financial performance, diversification, Return on Assets, Return on Equity, Return on Investment.

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Any financial investment is intended to yield a positive rate of return. Everyone is willing to take a chance, but in order to get a return, one must be willing to take a risk. Portfolio diversity is an essential notion to minimise risk at a given rate of return. A portfolio is merely an assortment of securities assembled to accomplish specific investment objectives. "Investment positions are made with the expectation of receiving a return. The goal of investors is to reduce inefficient departures from this anticipated rate of return. Because diversification can lessen the variability of returns around the expected return, it is crucial to the certainty of an efficient investment (Reilly & Brown, 2003).

An assortment of investing assets is called a portfolio. The ownership of securities and investment in financial assets, such as stocks and bonds, is called a portfolio. In order to optimise profits while controlling risk, portfolio management in the hotel business entails the strategic distribution of resources among several hotel properties and associated assets. This covers financial commitments to real estate, lodging, and related industries. We need to broaden our examination of risk and return in the context of portfolio construction because, if a portfolio is being built, unsystematic risk can be reduced without significantly lowering return. "A collection or group of assets is called a portfolio. A portfolio of investments is an investment that consists of multiple assets. It consists of a group of securities. A portfolio is an investor's or an institution's list of securities holdings.

Efficient management of a portfolio investment in financial assets, such as company shares and debentures, is the focus of portfolio management. Professionals, other people, or the individuals themselves may be in charge of the management. A person or corporate entity's holdings of securities and investments in financial assets make up their portfolio. Individual choices and inclinations on risk and reward have led to these holdings. The act of making decisions, the accuracy of which cannot always be guaranteed, is intimately and immediately related to the process of portfolio management (Bhujel, 2021).

The assessment of future risk and return when owning combinations of individual assets is taken into account in portfolio analysis. The weighted average of the expected returns of each individual security makes up the portfolio expected return. A portfolio is a collection or group of assets, and the income or profit of the hotel should never invest its funds in those securities as the difference could result in a significant loss. A portfolio of investments is an investment that consists of multiple assets. "Portfolio means the lists of holdings in securities owned by an investor or institution." It is a collection of securities.

As with any other business, portfolio management is essential to the hotel industry in Nepal. The aim of portfolio management is to build a varied range of goods and services that can support the company's long-term growth and financial success.

Portfolio management must be given top priority in the Nepalese hotel industry if sustained growth and profitability are to be achieved. This entails expanding into new markets, investing in cutting-edge technologies, and investigating new product lines in order to diversify their product range and lower risk while increasing revenue streams. By carrying out market research, these businesses can find new trends and consumer preferences, which enables them to create goods and services that satisfy customers' demands and outperform rivals. Financial analysis can also be used to determine which goods or services are the most profitable and to direct resource allocation decisions. Effective portfolio management requires creating a strategy plan that takes the competitors, market demand, and available resources into account. Risk management entails evaluating the hazards connected to each good or service and creating backup strategies to lessen those risks. Ultimately, performance monitoring is essential for pinpointing areas in need of development and modifying the portfolio as needed.

In conclusion, portfolio management is essential to Nepalese hotel industries' success. These businesses can achieve sustained growth and profitability by broadening their product line, controlling risks, creating a strategic plan, analysing the market and finances, and keeping an eye on performance.

1.2 Statement of Problem

Portfolio management involves the management of a collection of investments, assets or products to achieve a specific objective. In the case of Hotel Industries in Nepal, the portfolio may consist of various products, services, and investments made in equipment, machinery, and human resources.

To effectively manage the portfolio of Hotel Industries in Nepal, several factors need to be considered, such as market demand, competition, supply chain management, financial management, and product innovation. Additionally, the current economic and political situation in Nepal may also affect the portfolio management decisions of Hotel Industries.

Therefore, to address the problem, a thorough analysis of the current portfolio management practices of Hotel Industries in Nepal is needed. This analysis should include identifying the strengths, weaknesses, opportunities, and threats of the portfolio management practices. Based on this analysis, recommendations can be made to improve the portfolio management practices of Hotel Industries in Nepal to achieve their objectives.

1.2.1 What is the current situation of portfolio management in Hotel Industries of Nepal?
1.2.2 What is the relationship between portfolio management and the performance of Hotel Industries in Nepal?
1.2.3 How does portfolio management impact the financial performance of Hotel Industries in Nepal?

1.3 Objectives of the Study

The main objective of the study is to examine the portfolio investment management of the Hotel Industries of Nepal. This study is focused on investment decisions on portfolios. The specific objectives of the study are as given below:

1.3.1 To assess the current situation of portfolio management in the Hotel Industries of Nepal.
1.3.2 To examine the relationship between portfolio management and the

performance of Hotel Industries in Nepal.

1.3.3 To analyze the impact of effective portfolio management on the financial sustainability and growth of Hotel Industries in Nepal.

1.4 Hypothesis of the Study

H1 : Portfolio Diversification through fixed deposit has significant impact on the profitability of the Organization.

H2 : Portfolio Diversification through investment in subsidiaries has significant impact on the profitability of the Organization.

H3 : Portfolio Diversification through investment in other entities has significant impact on the profitability of the Organization.

1.5 Significance of the Study

Since the concept of globalisation was introduced, all markets function as one. The investment is not limited to a single location. Its range has expanded. Managed portfolios are becoming more and more common. Keeping your financial portfolio in order is a difficult endeavour.

Different parties are always influenced by businesses, either directly or indirectly, because every commercial firm's operations should be carried out with care for the state's economic policy, which in turn influences the firm's financial situation and the state's economic policy. Every investor places money into shares in the hopes of earning a higher return, which the organisation does through the value maximisation goal. Investors used to have to focus exclusively on government sector shares. However, since the country's economic liberalisation was implemented, a number of hotels have opened, offering investors a wealth of new investment prospects. Due to the increased demand for a thorough examination and analysis of risk and return as well as market sensitivity, portfolio management was developed.

This study has important implications for many different areas of the economy. The organisation benefits from knowing all of its financial indicators and the direction of their fluctuations thanks to this analysis. Having a comprehensive understanding of the organization's performance variances and efficiencies is also beneficial. The entire research's findings assist the organisation in coming up with creative solutions for any

issues that may arise. The hotel business benefits from this study's insights on effective portfolio management techniques. These practices can be applied across various hotels to enhance financial stability and growth. Comparative studies can be conducted to benchmark performance within the industry.

1.6 Limitations of the Study

Every study has some limitations, but the researcher has made every effort to incorporate all the data required to carry out the investigation. The following are some restrictions that apply to the conduct of this study:

i. All secondary data were used in this investigation.

ii. The investigation must be finished in a short amount of time, which is its main constraint. The analysis used data from previous fiscal years, ranging from 2013–14 to 2022–23.

iii. The study solely addresses portfolio management during the decision-making process for investments.

1.7 Chapter Plan

The study has been organized into following different chapters:

Chapter I: Introduction

This chapter contains information about the study's background, problem statement, objectives, significance, and limitations.

Chapter II: Literature Review

The conceptual framework, a survey of the body of literature, and the research gap are all introduced in this chapter.

Chapter III: Research Methodology

The research design, population and sample, data sources, data collecting and processing methods, and data analysis tools are all covered in this chapter on research technique.

Chapter IV: Results and Discussion

The presentation and analysis of data are the topics of this chapter. The main focus of the research is this. The gathered data are shown in tabular form as well as in various formats. Various financial and statistical tools and procedures are utilised to analyse the acquired data using various statistical presentations. Discussion and findings are also included.

Chapter V: Conclusion

It includes the summary of the study, conclusion and implication.

In addition to the chapters mentioned above, this study includes appendices and separate references for the books and resources utilised to prepare the thesis report. Appendices and references are included at the end of the chapter.

CHAPTER II

LITERATURE REVIEW

Examining prior research studies and pertinent resources is known as a review of literature. It is a thorough examination of the subject topic and an advancement of current understanding. It begins with looking for an appropriate topic and goes on through volumes of related or comparable topics. This relates to the ongoing research and gives the study a new perspective. It is a necessary and essential step in the study process. This section has centred on the conceptual framework and a survey of pertinent literature pertaining to portfolio management. In this sense, a large number of books, periodicals, and papers on the subject have been reviewed. The literature review is predicated on the body of existing research-related literature. Every attempt has been made to learn as much as possible, and the knowledge and information that libraries provide is helpful in gathering sufficient feedback to increase the scope of the material to be studied.

2.1 Theoretical Review

The goal of every investment is to increase wealth. An investment is a financial commitment with the hope of earning more money. All investments involve a certain level of risk, requiring a sacrifice in the here and now in exchange for an uncertain reward in the future. The management of portfolio investments in Nepal's hotel business is the subject of this thesis. We will examine portfolio management techniques unique to hotel investing, as well as returns and hazards.

2.1.1 Investment

"Investment is the current commitment of funds over a period of time to generate a future flow of funds that will offset the time commitment of funds, the anticipated rate of inflation, and the uncertainty associated with the future flow of funds," according to the definition of the term (Reilly & Brown, 2003)

The portion of savings that is used to generate additional income down the road while preserving its value is known as an investment. Investments, then, are the present commitment of funds meant to offset the time, anticipated rate of inflation, and

uncertainty involved. Put another way, an investment is any kind of financial instrument into which money can be invested with the hope that it will increase in value or yield a positive return. In a larger sense, investment is the exchange of present rupees for future rupees. Danger and time are usually linked to two different attributes. The sacrifice is certain and occurs in the here and now. If a reward is given at all, it usually arrives later, and its exact value is usually unknown. "The purchase of a financial or real asset by an individual or institutional investor that yields a return proportionate to the risk assumed over a future investment term is referred to as an investment (Cheney & Moses, 1992)

Both financial and real assets are typically involved in investments. Investments in actual assets include things like buildings, land, factories, machinery, and so on. Investments in financial assets include securities like bonds, stocks, and T-bills that indirectly represent claims to real assets owned by third parties. Generally speaking, real assets are less liquid than financial ones.Investments evoke thoughts of wealth, danger, speculation, and profit. For the ignorant, investing can lead to financial ruin. Generally speaking, investing refers to spending money in order to obtain more. However, investing broadly speaking refers to giving up present money in exchange for future money. Two different attributes are generally involved in time and riskThe sacrifice is certain and occurs in the here and now. If there is a reward at all, it is usually unpredictable in size and comes later.

2.1.2 Portfolio Management

Efficient management of a portfolio investment in financial assets, such as company shares and debentures, is the main focus of portfolio management. Periodic oversight of the securities in the portfolio is assumed by portfolio management. A person's or a corporate entity's portfolio is their collection of securities and other financial assets that they have invested in, based on their personal preferences and choices about risk and return. The process of making decisions, the accuracy of which cannot always be guaranteed, is closely related to the process of managing a portfolio.

The goal of portfolio analysis is to create a portfolio with the highest possible return at whatever risk level that the investor feels suitable. An assortment of investment securities is called a portfolio. (Jain et al., 2013)

The skill of managing a portfolio is to ensure that it not only maintains its initial value but also increases in value over time and provides a sufficient return that is commensurate with the level of risk taken. The process of managing a portfolio follows a set of logical phases that are frequently used in the planning, carrying out, and monitoring of any decision. Choosing the best way to achieve an investing target or goal with the available assets is the fundamental challenge of portfolio management. The selection of optimum portfolios, or those that offer the highest return for a given level of risk or the lowest risk for a given rate of return, is the focus of portfolio theory (Bhat, 2008)

2.1.3 Investment Portfolio

Typically, a portfolio is described as a collection of assets. It consists of a group of securities. A portfolio is an investor's or an institution's list of securities that they own. An assortment of investment securities is called a portfolio. For instance, let's say you own stock in Bottlers Nepal Co., the Radisson Hotel, Nepal Investment Bank Ltd., and Standard Chartered Bank Ltd. These four distinct corporations' equities make up your investment portfolio. Future risk is taken into account in portfolio analysis, and return is calculated as a weighted average of each security's projected return. Portfolio theory deals with the selection of optimal portfolio i.e., the portfolio that provides the highest possible return for any specified degree of risk or the lowest possible risk for any specified rate of return. For financial assets, portfolio theory has been created. The actual investment portfolio is therefore the one from which investments are made based on the chosen optimal portfolio, that is, the portfolio that offers the best rate of return with the least amount of risk. "A portfolio just symbolises the practice of investors distributing their capital across multiple assets. A portfolio is an assortment of investment assets (Reilly & Brown, 2003)

An investor has every right to want to know what kind of performance was achieved if they have been paying someone or actively managing their portfolio. Such information can be used to change the manager's investment aim, the manager's constraints, or the manager's financial allocation. Possibly more significantly, a client can effectively convey their interests to the investment manager and possibly influence future portfolio management by using certain performance evaluation methods. Furthermore, an investment manager can pinpoint areas of strength or weakness by assessing their own

performance.

2.1.4 Investment Alternatives

An individual investor in the market has access to a plethora of investing options. Real asset alternatives and financial asset alternatives are two categories of investment options. Financial asset alternatives include common stocks, preferred stocks, bonds, convertibles, warrants, options, rights, futures, etc. Collectibles, real estate, and precious metals are a few examples of genuine asset choices. With so many options for investing, each investor hopes to maximise their profit from holding different kinds of assets, based on how they see and select those securities (Cheney & Moses, 1992).

2.1.5 Portfolio Analysis and Diversification

Including multiple alternatives or asset categories in the portfolio, as well as multiple assets from each category, can help lower investment risk. Because diversification can lessen the variability of returns around the expected return, it is therefore crucial to the formation of an efficient investment.

Diversification has the potential to substantially lower risk without also lowering the portfolio's expected rate of return. The purpose of taking up investment positions is to generate an anticipated rate of return. Because diversification can lower the variability of returns around the expected return, it is crucial for the development of an efficient system (Bhat, 2008).

The single most effective way to reduce portfolio risk is through diversification. To minimise exposure to the risk associated with any securities, investments are made in a diverse range of assets. Investing in multiple securities can potentially reduce total portfolio risk compared to individual securities.

Investing across a range of financial products and industries is an attempt at diversification, which aims to lower investment risk. That is a consensus among most investment specialists, however without a loss guarantee. The most crucial element in minimising risk and achieving your long-term financial goals is diversification.

The maxim "Don't put all your eggs in one basket" encapsulates the idea of diversity. Spreading your money throughout a variety of investments is crucial because every

investment has some degree of risk.

Because diversification reduces portfolio risk by removing unsystematic risk, investors did not make up for taking on this risk; instead, internal issues and a lack of professionalism are to blame. Only those who take market risk—also referred to as inevitable risk and systematic risk—will benefit. In terms of protection against volatility and uncertainty at the rate of return, diversification in investments or portfolio construction at the security or industry levels is important. We reduce the danger of a specific company's "bad luck" by selecting securities from multiple companies in different industries.

2.1.5.1 Portfolio Risk and Return

Important factors to consider when choosing a portfolio include the expected return and risk of each asset as well as the expected return and risk of other assets and how they relate to one another. An investor needs to be able to put an estimated return and risk on a portfolio in order to build efficient ones.

The ups and downs of a specific stock are not particularly significant to an investor. What matters is the risk and return on his or her investment portfolio. It follows that an investment's risk and return characteristics shouldn't be assessed in a vacuum; rather, each security's risk and return should be examined in relation to how it influences the risk and return of the portfolio in which it is held.

Portfolio Return

The weighted average of the projected returns of each individual asset in a portfolio is its expected return. The sum of the weights, which represent the percentages of the investor's wealth allocated to each asset, must equal one. (Cheney & Moses, 1992).

The expected return on the portfolio depends upon the amount of funds invested in each security; given expected return on the individual securities. The portfolio expected return is defined in equation as follows:

Portfolio return (R_P) = $W_A R_A + W_B R_B +$ ..... $+W_N R_N$

Here,

RP = Return on Portfolio

W_A = Weight or Proportion of Asset ‘A’

W_B = Weight or Proportion of Asset ‘B’

R_A = Expected Return of Asset 'A'

R_B = Expected Return of Asset 'B'

Portfolio Risk

It is not as simple to calculate a portfolio's risk as it is to calculate its projected return. The risk of a portfolio is determined by taking into account not only the risk of each individual item in the portfolio and their relative weights, but also the degree to which the returns of the assets move in tandem. The standard deviation, which is the variation of returns or its square root, is how we assess the risk of a particular asset. The covariance, often known as the correlation coefficient, indicates how closely the returns on the assets move together. The risk of the portfolio can be calculated by combining the metrics of individual asset risk (variance or standard deviation), relative asset weights, and the return of the co-moving asset (covariance or correlation). The variance or square root of the variance, or the standard deviation of returns, is used to calculate total risk (Cheney & Moses, 1992).

2.1.6 Financial performance

A company's ability to earn money and employ assets from its principal mode of business is measured subjectively by its financial performance. The phrase is frequently used to describe the general state of a company's finances throughout a specific time frame. It is not appropriate to define the firm's financial performance using just one metric. The return on assets used (ROCE), profit margin, current ratio, ROI, ROA, and so on can all be used to gauge financial performance. ROE and ROA are the metrics utilised in this study to assess financial performance.

2.2 Empirical Review

2.2.1 International context

Mohammed (2023) evaluated and ranked twenty Iraqi Oil Company projects based on five key criteria to improve portfolio management quality. Fuzzy TOPSIS was used in the methodology to address the gaps and interactions between projects after fuzzy AHP was used to determine the preference weights of the criterion. The results showed that by precisely calculating the weights of the criteria, the fuzzy TOPSIS technique greatly affects project ranking and helps determine which projects are most likely to meet organisational goals. The study's significant tool for stakeholders to improve the calibre of portfolio management is highlighted in the conclusion.

Cooper & Sommer (2023) aimed to enhance the estimation of financial value and the performance index (PI) of projects through iterative data updates. Acknowledging that there are several aspects that affect a project's worth, the researchers created a multifaceted worth Based Scorecard. This scorecard is intended to assist businesses in the efficient selection and prioritisation of new product development (NPD) projects. It is based on established, research-based criteria. Strong and current data are ensured by the iterative process, which improves project prioritisation and yields more precise financial predictions.

Eckert and Hüsig (2022) aimed to address the gap in understanding how portfolio management (PM) for innovation accommodates service and digital service innovations amidst the digital transformation of incumbent firms. In order to determine how much research has taken into account service and digital service innovations, the technique comprised a systematic analysis and synthesis of decades' worth of contributions in the field of innovation PM. The results were divided into four categories: antecedents, consequences, models/frameworks, and difficulties. It was found that although services are now more widely recognised than previously thought, the majority of innovative PM research is still concentrated on tangible goods. Although there have been numerous articles in recent years discussing the distinctions between product and service innovation PM, there is still a lack of research on digital service innovations. In order to encourage future contributions in this field, the conclusion highlights the necessity for a research agenda to further investigate how innovative PM for services and digital services differs from traditional product-focused PM.

Patanakul (2022) investigated how Portfolio Project Management (PPM) effectiveness

can be achieved through case study research involving four market-leading organizations in the USA. Using a variety of techniques as a guide, the approach identified five factors that are crucial to PPM effectiveness: 1) the PPM process and structure's strong relationship with strategic management; 2) the PMO's strong relationships with functions overseeing multiple projects; 3) the PMO's consulting role; 4) organisational cultural traits like consistency, involvement, and a sense of mission; and 5) the PPM committee members' integrative complexity. The results offer significant perspectives for scholars and professionals to reevaluate, enhance, and create PPM methodologies and operational settings, augmenting the comprehensive efficacy of PPM.

Karpenko et al. (2020) analyzed the optimization and harmonization of corporate property portfolio formation to reduce risk levels. The differentiated approach considers corporate property as discrete pieces for self-administration, whereas the portfolio approach manages corporate property collectively. These approaches were used in the research to optimise the management method. Results showed that the fuzzy sets approach improves the search for appealing corporate property investments and is useful in erratic financial markets. According to the study's findings, managing risk and uncertainty in business investment decisions is best accomplished by applying the fuzzy set technique.

AL-Badran (2020) analyzed the management of investment portfolios in Iraqi banks from 2010 to 2018 to determine its impact on the profitability of commercial banks listed on the Iraqi Stock Exchange. The process comprised figuring out the return, risk, and 2012 index for each Iraqi commercial bank that was listed on the financial market. The return on the banks' investment portfolio served as the independent variable, while the control and subsidiary variables were return on equity, return on investment, and risk-free return. To determine how effective investment portfolio management affects bank profitability, a financial analysis was done. The risk-free return had no statistically significant effect on the return on investment and equity, according to the results of statistical analysis utilising simple and multiple regression equations as well as Pearson's correlation coefficient. Likewise, it was determined that the return on equity and the investment portfolio had no discernible effects on each other. Statistical analysis revealed that the risk of the investment portfolio had an effect on both return on

equity and return on investment.

Mallick (2020) examined bank portfolio management under banking regulation, asymmetric information about borrower types, and imperfect competition in the credit market. A bank seeks to maximise predicted earnings while staying within the bounds of the portfolio variation. The research showed that both the participation constraint for inefficient borrowers and the incentive constraint for efficient borrowers will be binding for a monopoly bank. The ideal portfolio will be found on the efficiency frontier when the variance constraint binds. The study examined entry deterrents, takeovers, natural monopolies, and efficient portfolio diversification through mergers or interest swaps between predatory (aggressive) and defensive (prey) banks under a duopoly. The results demonstrated that cooperative efficient portfolio diversification outperforms other strategies by lowering portfolio variance for a specific package of loans and interest, thereby optimising the overall efficiency of the portfolio. This is especially true when portfolio returns exhibit negative correlations among banks.

Flores (2020) explored the relationship between project portfolio management success and business performance through a systematic literature review of scientific databases in the management field, applying specific inclusion and exclusion criteria. 66 of the 940 items that were initially discovered were chosen for a thorough examination. The results show that there are still a lot of unanswered questions despite the fact that many researchers have looked into the relationship from different angles. Since case studies from medium-sized businesses have been the basis of the majority of previous research, quantitative research is required to extrapolate findings and investigate the effects of project portfolio management in small and medium-sized businesses (SMEs).

Agblobi, Tornam, Kuhorfah, Asamoah and Kuhorfah (2020) investigated the impact of portfolio management on the profitability of banks by analyzing five commercial banks listed on the Ghana Stock Exchange from 2008 to 2017. The study gathered information from the Bank of Ghana and the Ghana Stock Exchange regarding the entire market value of government securities, investments in subsidiaries, and sums owed by other banks. The results of panel regression study showed that investing in subsidiaries and owning government securities significantly increase bank profitability. On the other hand, it was discovered that non-performing loans significantly reduced profitability. According to the report, banks should invest in subsidiaries and hold a

balance between retaining government securities and increasing profitability. They should also work to reduce the amount of non-performing loans by tightening due diligence protocols, increasing officer training, and stepping up monitoring efforts.

Ahmadi-Javid et al. (2019) presented a mathematical optimization method to select an appropriate set of a priori local and global responses to address risks threatening a project portfolio. Important variables like cost, budget, project preference weights, interdependencies between work packages, risk-event probabilities, and relationships between risk events' occurrence and impact are all taken into account by the technique. The suggested method offers a comprehensive strategy that may also be utilised successfully in project risk management, thanks to its increased features above existing approaches created for individual projects.

Platanakis and Urquhart (2019) examined the performance of native diversification, Markowitz diversification, and the sophisticated Black-Litterman model with VBCs, which accounts for estimate errors in a cryptocurrency portfolio, and added to the literature on cryptocurrencies, portfolio management, and estimation risk. The results demonstrated that the VBC-added advanced Black-Litterman model produces reduced risks and better out-of-sample risk-adjusted returns. The robustness of these results is maintained even after accounting for transaction costs and short selling, suggesting that the use of advanced portfolio approaches that account for estimating errors is the recommended approach for managing bitcoin portfolios.

Oliinyk and Kozmenko (2019) considered the task of creating an investment portfolio by a financial institution using funds sourced from enterprises' equity and borrowed funds. The portfolio was optimized to achieve maximum efficiency with a risk constraint specified by a Value at Risk (VaR) indicator. Based on the optimized portfolio data, a model for portfolio asset management was developed. Using the Pontryagin maximum principle, optimal strategies for the participants were determined. The study found the optimal function for managing the investment portfolio in terms of the share of income received. Numerical results illustrating the optimal management of investments from both the financial institution and the creditor were presented, demonstrating the effectiveness of the proposed strategies.

Danesh, Ryan and Abbasi (2018) suggested that project portfolio management (PPM)

has become essential for large organizations' service delivery, emphasizing the importance of understanding PPM issues and making quality decisions at the portfolio level. The application of multi-criteria decision making (MCDM) techniques can improve these choices. Even though a number of MCDM techniques have been introduced to assist PPM decision-making, their effectiveness has not been fully evaluated, particularly when used in combination. The article includes a literature overview of the applications of MCDM approaches to PPM, emphasising the need for additional evaluation and integration of these methods. It also identifies major PPM difficulties and suggests a new framework for categorising PPM-related MCDM methods.

Orabi (2017) examined how investors select investments to achieve their required rate of return, focusing on the performance of Jordanian banks in their alternative and portfolio investments. The findings showed that investment portfolio formation theories, such as diversification, return-risk trade-offs, and portfolio composition rules, are followed by Jordanian banks. To guarantee capital return and investor stability, the convenience concept is used. The analysis also showed that Jordanian banks constantly adhere to portfolio composition policies, the trade-off between risk and return, and diversification guidelines, which guarantee capital return and investor stability.

Pasini (2017) applied Principal Component Analysis (PCA) to three subgroups of stocks from the American Index Dow Jones Industrial (DJI) Average. While the third group had varied stocks, the first and second groups were homogeneous. The Kaiser's Rule and Cumulative Variance were employed to determine the main risk directions. The findings provided a strategic method for controlling investment risk and maximising returns through PCA, showing how to optimise portfolio investments to obtain the best returns and financial control.

Senthilnathan (2015) suggested that in investment, particularly in portfolio management, risk and returns are critical measures for making investment decisions. It included a succinct theoretical explanation along with examples on how to calculate the returns and related risks of individual stocks and stock portfolios. The reader's comprehension of risk and return in portfolio management is greatly enhanced by the use of illustrative tables and figures. One of the paper's main features are these graphics, which provide readers with insightful information about managing

investment portfolios.

Nanda, Mahanty and Tiwari (2010) investigated a data mining approach for classifying stocks into clusters to build a diversified portfolio and minimize risk. Using valuation ratios from the Bombay Stock Exchange for the 2007–2008 fiscal year and stock returns at various points in time, the clustering approach grouped equities according to particular investment criteria. The findings demonstrated that, for stock categorization data, K-means cluster analysis produced the most compact clusters when compared to SOM and fuzzy c-means. The clustering approach proved to be effective in portfolio management when stocks were chosen from these clusters to create a risk-minimized portfolio. The returns of this portfolio were then compared to the benchmark index.

2.2.2 National context

Bhujel (2021) analyzed the portfolio investment management of commercial banks in Nepal over a ten-year period, using investment portfolio choices (shares and debentures, government securities, loans and advances, and size) as proxies for financial performance. It focused on the financial standing of these institutions by examining government securities, loans and advances, shares, and debentures. The research employed judgmental sampling and secondary data from the Economic Bulletins of the NRB and annual reports of sample banks from 2009/10 to 2018/19 to compute and analyse return on investment, return on assets, and return on equity. Using a descriptive and analytical research design, the results showed that while Nepalese commercial banks' portfolio investment management is not up to par, investment portfolio decisions have a big influence on their bottom line.

Bhattarai (2019) examined the factors affecting the investments of Nepalese commercial banks, using secondary data from 10 commercial banks over the period 2012/13 to 2016/17, resulting in 50 observations. The information was taken from the relevant banks' yearly reports. The study focused on investment as the dependent variable and deposits, business size, and net profit as the independent variables. Descriptive, correlational, and causal comparative research methodologies were used. According to the regression model, there is a positive and statistically significant correlation between investment and deposits, meaning that investment quantities rise in tandem with deposits. Profitability had a positive but statistically insignificant

relationship with investment, indicating that higher profits typically lead to higher investment, though this finding was not statistically significant. Firm size showed a negative but statistically insignificant relationship with investment.

Ghimire & Khadka (2018) investigated the portfolio management of Kumari Bank and Nabil Bank in Nepal, focusing on major financial performances related to their portfolio management systems and fund mobilization. These banks' investment performance was assessed and contrasted using descriptive and analytical research techniques. Data from 28 Nepalese commercial banks needed to be collected, organised, tabulated, and described in order to carry out the study. Based on the researcher's evaluation, convenience selection resulted in the selection of Nabil Bank and Kumari Bank as sample banks. Several statistical and financial techniques were used to analyse profitability, asset management, and liquidity ratios. The outcomes demonstrated Nabil Bank's strong performance and efficient profit and liquidity management. In contrast, Kumari Bank maintained a solid financial position despite possessing less capital and market share than Nabil Bank.

Paudel and Koirala (2006) tested whether the Markowitz and Sharpe models of portfolio selection offer better investment alternatives for Nepalese investors. By applying these models to a sample of 30 stocks traded in the Nepalese stock market, the study found that these elementary models, developed about half a century ago, provide better options for making decisions in the choice of optimal portfolios in the Nepalese stock market.

Summary of the Literature Review

Table 1

Summary of the Literature

Author (Date)	Objective	Research Methodology	Findings
Mohammed (2023)	Provided and applied the concept and techniques of multi-criteria	Preference weights of criteria identified using fuzzy AHP, weights used in fuzzy	Measurement of criteria weights in fuzzy TOPSIS is important; it adjusts

	decision-making under fuzzy environment in the prioritization and selection of projects in a portfolio management.	TOPSIS to evaluate 20 Iraqi Oil Company projects against five key criteria.	project rankings and identifies the best project to achieve desired levels, aiding stakeholders in improving portfolio management quality.
Cooper & Sommer (2023)	Stated the importance of effective portfolio management in maximizing the value of new product development (NPD) portfolios.	Proposed dynamic portfolio management approach using Productivity Index (PI) and a multidimensional Value Based Scorecard.	Dynamic portfolio management with multiple iterations and robust data improves financial value estimates and PI, helping companies select and prioritize NPD projects effectively.
Patanakul (2022)	Investigated how PPM effectiveness can be achieved.	Case study research with four market-leading organizations in the USA.	Identified five contributors to PPM effectiveness: interaction with strategic management, strong relationship with multiple project management functions, consulting role of PMO, organizational cultural traits, and integrative complexity of PPM committee members.
Eckert & Hüsig (2022)	Examined how innovation portfolio	Reviewed and synthesized	Literature acknowledges

	management (PM) addresses digital service innovations.	contributions in innovation PM, classified findings into four categories, and provided a research agenda.	services more than expected, but focuses mostly on physical products. Digital service innovations are overlooked; differences between service and product innovation PM outlined.
Bhujel (2021)	Analyzed portfolio investment management of commercial banks in Nepal over ten years.	Descriptive and analytical research design using secondary data.	Portfolio investment management in Nepalese commercial banks is not satisfactory, but impacts financial performance.
Bhattarai (2019)	Examined factors affecting investment in Nepalese commercial banks.	Secondary data analysis, regression model.	Deposit positively impacts investment; firm size and profitability have mixed impacts.
Flores (2020)	Explored the relationship between PPM success and business performance.	Systematic literature review of 66 articles.	Found that while portfolio management impacts firm performance, more quantitative research and focus on SMEs is needed.
Agblobi et al. (2020)	Investigated the effect of banks' portfolio management on	Data collection from Bank of Ghana and Ghana Stock Exchange, panel	Government securities and subsidiary investments positively affect bank

	profitability in Ghana.	study regression analysis.	profitability; non-performing loans negatively affect profitability.
AL-Badran (2020)	Analyzed investment portfolio management in Iraqi banks from 2010-2018.	Financial analysis using secondary data, regression analysis, and Pearson correlation coefficient.	Found no significant impact of risk-free return on investment and return on equity; significant impact of portfolio risk on investment and equity returns.
Karpenko et al. (2020)	Analyzed optimization and harmonization of corporate property portfolio formation.	Used differentiated and portfolio approaches, fuzzy sets methodology.	Fuzzy sets methodology advantageous in unstable financial markets, optimizing corporate property investment decisions under risk and uncertainty.
Mallick (2020)	Examined bank portfolio management under regulation and asymmetric information.	Analysis of monopoly and duopoly banks, optimal portfolio variance constraints.	Efficient portfolio diversification through cooperation among banks is optimal, reducing portfolio variance and improving returns.
Ghimire & Khadka (2018)	Investigated portfolio management of Kumari and Nabil Bank of Nepal.	Descriptive and analytical research design, convenience sampling.	NABIL bank shows high performance in liquidity and profitability management; Kumari

			bank also maintains good status despite less capital.
Ahmadi-Javid et al. (2019)	Presented a method to address project portfolio risks using mathematical optimization.	Considered cost, budget, project preference weights, risk-event probabilities, and interdependencies.	Proposed method addresses project portfolio risks effectively, considering multiple factors.
Oliinyk & Kozmenko (2019)	Considered optimization of investment portfolios by financial institutions.	Optimization with equity and borrowed funds, using VaR indicator.	Optimal management strategies for investment portfolios presented, showing efficiency in portfolio asset management.
Platanakis & Urquhart (2019)	Compared diversification methods for cryptocurrency portfolios.	Comparison of native diversification, Markowitz diversification, and Black-Litterman model with VBCs.	Black-Litterman model with VBCs provides superior risk-adjusted returns and lower risks, even with transaction costs and short selling.
Danesh et al. (2018)	Suggested using MCDM methods for PPM in large organizations.	Literature review of MCDM methods applied to PPM.	Identified challenges in PPM, proposed new framework for classifying MCDM methods.
Orabi (2017)	Studied investment performance of Jordanian banks in portfolio investments.	Analysis of investment performance, diversification, and risk-return trade-off.	Jordanian banks adhere to investment portfolio theories, ensuring investor stability and capital return.

Pasini (2017)	Applied Principal Component Analysis to optimize portfolio investments in the DJI.	Analysis of homogeneous and heterogeneous stocks using PCA.	Results show optimized portfolio investments and financial control through PCA.
Senthilnathan (2015)	Explained risk and return in portfolio management with illustrations.	Theoretical explanation with tables and figures.	Illustrative tables and figures aid understanding of risk and return in portfolio management.
Nanda et al. (2010)	Investigated stock classification for portfolio building using data mining.	Clustering of stocks using K-means, SOM, and Fuzzy c-means.	K-means cluster analysis builds the most compact clusters, aiding in portfolio risk minimization.
Paudel & Koirala (2006)	Tested Markowitz and Sharpe models in Nepalese stock market.	Application of models to 30 stocks.	Found that Markowitz and Sharpe models offer better investment options in Nepalese stock market.

2.3 Research Gap

Going through the review of various articles, books, publications, and the unpublished research works previously done in this field, portfolio management is the most important part of Finance because they can strong impact of investment (Kumakov, 2020). Thus, it is not a very new concept. Many researchers have done research on this aspect. If researchers have no specific research have yet been able to go in-depth of the topic and have successfully accomplished the specified objectives of the research work.

The purpose of this research work and previous studies is quite different. Firstly, studies of portfolio management of banks were made during different periods. They had studied the portfolio management of banks on old periods (Parajuli, 2011) (Jaiswal,

2012). It became necessary to do new research study on portfolio management of recent periods. In this research, the data and information of sample organization has included used from 2012/13 to 2021/22. Similarly, the investment portfolio management of three Hotel Industries was not available in previous studies. To overcome this lack, a new research study was required to evaluate three hotels.

CHAPTER III

RESEARCH METHODOLOGY

The methodical approach to problem-solving in research is known as research methodology. The general research procedures a researcher uses to carry out his or her study are referred to as research methodology. It covers every step of the process, from the theoretical underpinnings to the data gathering and analysis. Scientific models form the basis of the research because the majority of the data are quantitative. It is made up of logical and technical elements derived from historical data.

It examines the several approaches that a researcher typically takes when researching his or her research problem and the reasoning behind them. The research methodology employed in this study is the main topic of this section. The population and sample of data, data collection methods, data sources' characteristics, and the tools and techniques used for data analysis are all included in study methodology. All of the data used in this study are secondary, and statistical and financial tools are used to analyse them. The results are displayed simply.

3.1 Research Design

An descriptive research approach was chosen for this study. After the qualitative data from secondary sources of information was examined, conclusions were drawn.

3.2 Population and sample

Three hotel industries have been identified as the population in order to fulfil the study's purpose, and three of these industries have been selected as the study's sample. In order to comprehend the portfolio management of Hotel Industries of Nepal, the Convenience Sampling Method was chosen based on the years of operation and the availability of an annual report. Data was collected between 2013–14 and 2022–23. These hotels were chosen as sample hotels for the analysis:

i. Taragaon Regency Hotel Limited
ii. Soaltee Hotel Limited
iii. Oriental Hotel Limited

3.3 Source of data

The secondary data used in this research investigation. The Internet, homepages, linked links, annual reports of related hotel industries, published publications and journals from various scholars and lecturers, and library research studies were used to gather the necessary material for the study.

3.4 Data Collection Procedures

It shows the sources of data and how they are collected. Most of the data necessary for the research is collected from secondary sources. Data related to the company's performance has been taken from the financial statements of Hotel Industries and their annual reports. The collection procedure is summarized below:

i. Financial documents provided by the related hotel on their website.
ii. Trading Report published by Nepal Stock Exchange Limited.
iii. Related websites of company
iv. Materials published in papers and magazines.
v. Other related books and booklets.

3.5 Data Analysis Tools

During the data analysis process, a number of financial and statistical methods have been used to help this research study achieve its goals.

3.5.1 Financial Tools

Portfolio analysis involves the evaluation of the performance and risk of an investment portfolio. Various financial ratios can be used to assess different aspects of a portfolio.

3.5.2 Statistical Tools

In order to help with management and managerial decision-making, a variety of statistical methods are frequently used in data analysis and interpretation. The correlation coefficient and standard deviation are examined for this study.

A study's planning, design, data collection, analysis, meaningful interpretation, and publishing of its findings are all aided by statistical approaches.

Mean

A mean is a single number that serves as a group's representative. It portrays the traits shared by the entire group. Its value falls between the two extremes, that is, the largest and smallest things, and it is a representative of the overall mass of homogenous data. By dividing the total of the quantities by the total number of things, it may be found.

Mean = $\frac{Sum\ of\ the\ terms}{N}$

Standard Deviation

The amount of variation or dispersion of a set of data values can be measured using the standard deviation, which is a measure of dispersion. The positive square root of variance is one way to define it. One helpful characteristic of the standard deviation is that, in contrast to variance, it has the same units of measurement as the data. Within the data collection, there is a larger deviation if the data points are farther from the mean. Therefore, the standard deviation increases with data spread.

Standard Deviation = $\sqrt{\frac{\sum(x_2-\mu)^2}{N}}$

x= Data point Value

μ = population mean

N= Population Size

Variance

The difference in numbers within a collection of data is measured as variance. Each number in the set's variance indicates how far it deviates from the mean. The difference between each value in the set and the mean is taken, the differences are squared, and the sum of the squares is divided by the total number of values in the set to determine variance. A statistical measure of how much a set of observations differs from one another is called variance. Since variance quantifies the variability from an average or mean, it is utilised in statistics for probability distribution.

$$CV = \frac{S.D}{Mean}\ x\ 100$$

Co-relation Coefficient

A statistical method for determining the strength of a relationship between two variables is correlation. Because they can reveal a predictive relationship that can be used in real-world situations, correlations are valuable tools. Over time, the nature and degree of any link between two or more variables change concurrently. The correlation coefficient ranges from -1 to +1. A high degree of positive correlation is indicated by numbers closer to +1, and a high degree of negative correlation is indicated by values near -1. To determine the degree of relationship between independent and dependent variables for each sample in this study, correlation is computed for the responses given on a Likert scale.

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2}}$$

where

x= Data point Value of dependent variable

y = Data point Value of independent variable

n = Number of value

Regression Analysis

Regression analysis is a mathematical measure of the average relationship between two or more variables in term of the original units of the data. Thus, it can be said that regression is the estimation or prediction of one variable's value from the given of other variables value.

3.6 Research Framework

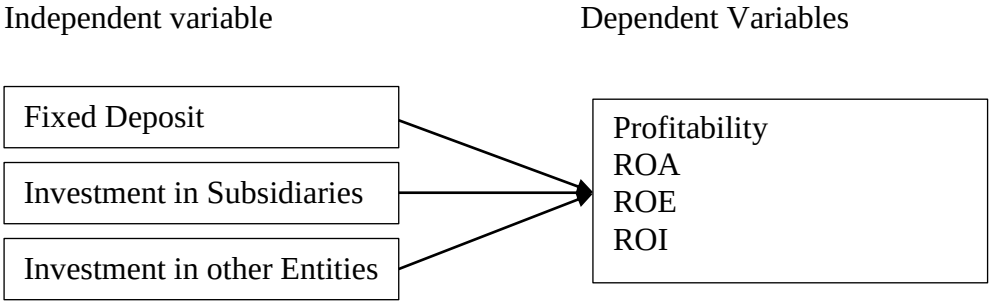

Figure 1: Research Framework

Fixed Deposit

One safe and well-liked investment option that banks and non-banking financial organisations (NBFCs) provide is the fixed deposit (FD). It has a set maturity date and offers a greater interest rate than a standard savings account. An individual deposits a lump sum payment for a certain period of time, which can be anything from a few months to several years, when they invest in an FD (Oliinyk & Kozmenko, 2019). An FD offers investors a guaranteed and fixed interest rate at the moment of investment, ensuring a consistent and predictable return on their capital. Because of this feature, FDs are a low-risk investment option because they are not affected by changes in the market. While the invested amount is locked in for the selected term, a lot of institutions allow early withdrawal with a penalty. Because they offer stability and guarantee that a portion of the portfolio is protected from market volatility, FDs are a crucial component of a diversified investment portfolio.

Investment in Subsidiaries

A parent corporation that invests in subsidiaries distributes money to its subsidiary businesses. When a parent business owns more than 50% of a subsidiary's voting stock, the subsidiary is under the parent company's control. By making investments in subsidiaries, the parent business can dictate and affect the strategic choices and day-to-day operations of the subsidiary (Eckert & Hüsig, 2022). By utilising the subsidiary's potential for success, this kind of investment is frequently employed for strategic growth and expansion into new markets or industries. The parent company spreads the risk over a wider range of business operations by investing in subsidiaries.

This diversification can improve the portfolio performance of the parent firm by shielding it from substantial losses in the event that one subsidiary underperforms while others do well.

Investment in Other Entities

The term "investment in other entities" describes the distribution of money to different outside organisations, including joint ventures, affiliate corporations, and unrelated businesses. Investing in these organisations can involve buying bonds, equity interests, or other financial instruments. There are several advantages to investing in other companies, especially when it comes to portfolio diversity. It enables the investing firm or individual to distribute their risk among several industries and ventures, which can lessen the negative effects of a single investment's underwhelming performance (Mohammed, 2023). Higher returns may also be obtained from these investments, particularly if the external companies perform well. These kinds of investments can also result in strategic alliances and collaborations that present new business benefits and expansion prospects. Investors can build a portfolio that is more resilient and balanced, able to withstand market fluctuations, by spreading their investments into several businesses.

CHAPTER IV

DATA ANALYSIS AND PRESENTATION

The process of portfolio analysis for hotels is analysing and analysing a group of hotel properties or investments in order to make well-informed judgements regarding their overall performance, risk, and contribution to the goals of an investor or company.

4.1 Descriptive Statistics

The properties of a data collection can be summed up and described using numerical or graphical approaches called descriptive statistics. They shed light on the distribution, variability, and central tendency of the data. Measures like mean, median, mode, standard deviation, variance, range, and quartiles are examples of common descriptive statistics.

Table 2

Summary of the Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	30	-10.24	19.69	7.0110	5.901
ROE	30	-15.70	26.43	10.0630	8.433
ROI	30	-97.72	601.30	138.365	169.228
Deposit	30	0	695438924	127503387	167654805
Investment in Subsidiaries	30	19966538	816564615	292952447	246493161
Investment in other Entities	30	7212830	168922292	52211875	61491486

The descriptive statistics provide a comprehensive overview of the financial performance and portfolio composition of the analyzed entities. In terms of Return on Assets (ROA), the data spans from a minimum of -10.24% to a maximum of 19.69%, with a mean of 7.0110% and a standard deviation of 5.901%. Return on Equity (ROE) ranges from -15.70% to 26.43%, with a mean of 10.0630% and a standard deviation of 8.433%. Return on Investment (ROI) exhibits the widest range, from -97.72 to 601.30,

with a mean of 138.365 and a standard deviation of 169.228. Deposits vary from a minimum of 0 to a maximum of 695,438,924, with a mean of 127,503,387 and a standard deviation of 167,654,805. Investments in Subsidiaries range from 19,966,538 to 816,564,615, with a mean of 292,952,447 and a standard deviation of 246,493,161. Investments in Other Entities span from 7,212,830 to 168,922,292, with a mean of 52,211,875 and a standard deviation of 61,491,486. These statistics provide valuable insights into the variability and distribution of key financial metrics, facilitating a deeper understanding of the financial performance and portfolio dynamics of the analyzed entities.

4.2 Correlation

Table 3

Correlation Analysis

	ROA	ROE	ROI	Deposit	Investment in Subsidiaries	Investment in other Entities
ROA	1					
ROE	.977**	1				
ROI	.449*	.448*	1			
Deposit	.078	.117	-.419*	1		
Investment in Subsidiaries	-.041	-.016	-.612**	.837**	1	
Investment in other Entities	-.035	.002	-.460*	.920**	.916**	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis reveals several significant relationships among the variables. Return on Assets (ROA) exhibits a strong positive correlation with Return on Equity (ROE) at 0.977, indicating a close association between these two performance metrics. Additionally, ROA demonstrates a moderate positive correlation with Return on

Investment (ROI) at 0.449, suggesting some alignment between asset efficiency and overall investment returns. However, ROA shows minimal correlation with Deposit, Investment in Subsidiaries, and Investment in Other Entities, with correlation coefficients close to zero. ROE shares similar correlation patterns with ROI, indicating a moderate positive relationship, but again displays minimal correlations with the investment and deposit variables. Notably, ROI demonstrates a significant negative correlation with Deposit at -0.419 and a strong negative correlation with Investment in Subsidiaries (-0.612) and Investment in Other Entities (-0.460), indicating that higher investments in subsidiaries and other entities are associated with lower returns on investment. Deposit exhibits strong positive correlations with both Investment in Subsidiaries (0.837) and Investment in Other Entities (0.920), suggesting a close relationship between deposit amounts and investments in other assets. Investment in Subsidiaries and Investment in Other Entities also show a strong positive correlation at 0.916, indicating that these two investment categories tend to move together. These correlation patterns provide insights into the interplay between financial performance metrics and portfolio composition, aiding in decision-making processes and strategic planning for the analyzed entities.

4.3 Regression Analysis

Table 4

Regression analysis with ROA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.345	1.835		4.003	<.001
	Deposit	2.516E-8	.000	.715	1.488	.014
	Investment in Subsidiaries	-6.958E-10	.000	-.029	-.062	.951
	Investment in other Entities	-6.392E-8	.000	-.666	-1.020	.031

a. Dependent Variable: ROA

The regression analysis with Return on Assets (ROA) as the dependent variable provides valuable insights into how different investments impact ROA. The constant term (B = 7.345, p < .001) is significant, indicating that ROA starts from a baseline of 7.345 when other factors are zero. The coefficient for Deposit is positive (B = 2.516E-8, Beta = .715) with a t-value of 1.488, and it is statistically significant (p = .014), suggesting that deposits positively influence ROA. Investment in Subsidiaries shows a very small negative relationship with ROA (B = -6.958E-10, Beta = -.029) and is not statistically significant (p = .951), indicating that such investments have a negligible impact on ROA. Investment in other Entities has a negative coefficient (B = -6.392E-8, Beta = -.666) with a t-value of -1.020 and is statistically significant (p = .031), implying that these investments negatively affect ROA. In summary, the analysis reveals that deposits positively impact ROA, investments in subsidiaries do not significantly affect ROA, and investments in other entities negatively influence ROA.

Table 5

Regression analysis with ROE

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.482	2.612		4.013	<.001
	Deposit	3.755E-8	.000	.746	1.560	.013
	Investment in Subsidiaries	-3.007E-9	.000	-.088	-.189	.852
	Investment in other Entities	-8.285E-8	.000	-.604	-.928	.036

a. Dependent Variable: ROE

The regression analysis with Return on Equity (ROE) as the dependent variable provides insights into the impact of various investments on ROE. The constant (B = 10.482, p < .001) indicates a baseline ROE of 10.482 when other factors are zero, which is significant. The coefficient for Deposit is positive (B = 3.755E-8, Beta = .746) with a t-value of 1.560, and it is statistically significant (p = .013), suggesting that deposits positively affect ROE. Investment in Subsidiaries shows a small negative relationship with ROE (B = -3.007E-9, Beta = -.088) and is not statistically significant (p = .852),

indicating that such investments do not have a meaningful impact on ROE. Investment in other Entities has a negative coefficient (B = -8.285E-8, Beta = -.604) with a t-value of -.928 and is statistically significant (p = .036), implying that these investments negatively affect ROE. Overall, the analysis reveals that while deposits positively influence ROE, investments in subsidiaries do not significantly impact it, and investments in other entities negatively affect ROE.

Table 6

Regression analysis with ROI

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	286.756	41.126		6.973	<.001
	Deposit	-1.166E-8	.000	-.012	-.031	.076
	Investment in Subsidiaries	-8.128E-7	.000	-1.184	-3.238	.003
	Investment in other Entities	1.747E-6	.000	.635	1.243	.025

a. Dependent Variable: ROI

The regression analysis in Table 9 examines the relationship between various investments and Return on Investment (ROI). The constant (intercept) has a significant value (B = 286.756, p < .001), indicating that ROI starts from a baseline of 286.756 when other factors are zero. The coefficient for Deposit is very small and negative (-1.166E-8), and although its t-value is -0.031, it is not statistically significant (p = .076), suggesting deposits have negligible impact on ROI. Investment in Subsidiaries shows a strong negative relationship with ROI (B = -8.128E-7, Beta = -1.184, t = -3.238, p = .003), indicating a significant adverse effect on ROI. Conversely, Investment in other Entities has a positive and significant relationship with ROI (B = 1.747E-6, Beta = .635, t = 1.243, p = .025), suggesting that these investments contribute positively to ROI. Overall, the analysis reveals that while investments in subsidiaries negatively affect ROI, investments in other entities positively influence it, and deposits have minimal impact.

4.4 Findings

The analysis indicates that current portfolio management practices in the Nepalese hotel industry exhibit varying degrees of impact on key performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI). The regression results reveal a significant positive relationship between deposits and ROA, suggesting that deposits contribute positively to asset efficiency. However, deposits do not show a significant impact on ROI, indicating their limited influence on overall investment returns. Investments in subsidiaries show a significant negative relationship with ROI, suggesting these investments may be detrimental to investment returns. Conversely, investments in other entities show a significant positive impact on ROI, highlighting their potential to enhance investment performance.

Despite these individual findings, the overall regression analysis does not demonstrate a consistently significant relationship between portfolio management variables and performance indicators. Investments in subsidiaries and other entities show mixed results: while the former negatively impacts ROI, it does not significantly affect ROA or ROE, and the latter positively influences ROI but negatively affects ROA and ROE. This inconsistency suggests that the relationship between portfolio management practices and financial performance in the Nepalese hotel industry is not straightforward. The significance of certain variables does not consistently translate across all performance indicators, indicating that other underlying factors may be at play.

These findings imply that the impact of effective portfolio management on financial sustainability and growth in the Nepalese hotel industry may be limited or complex. The lack of a consistently significant relationship between portfolio management variables and performance indicators suggests that factors beyond portfolio management, such as market conditions, operational efficiency, and external economic influences, may play a more critical role in determining financial outcomes. Therefore, while certain portfolio management practices show potential benefits or drawbacks, a broader approach considering various operational and external factors is likely necessary to enhance financial sustainability and growth in the industry.

4.5 Discussion

The findings of this study align with those of Mahanty and Tiwari (2010), who demonstrated the effectiveness of clustering in stock classifications to build diversified portfolios that minimize risk and enhance returns. Both studies underscore the pivotal role of strategic portfolio management and diversification in improving financial performance. However, the current study extends this understanding by providing empirical evidence from the Nepalese hotel industry, suggesting that while diversification is generally beneficial, its practical implementation can show variable outcomes depending on the specific financial metrics evaluated, such as ROA, ROE, and ROI.

The findings of this study align with Platanakis and Urquhart (2019), who highlighted the benefits of using advanced models like the Black-Litterman model to control for estimation errors in cryptocurrency portfolios. Both studies agree on the theoretical advantages of advanced portfolio management strategies in managing estimation risks and enhancing returns. However, the current study adds complexity by showing that these advanced strategies might not yield uniformly significant improvements across all financial metrics in every industry, suggesting a need for tailored approaches depending on the sector and specific investment types.

The findings of this study diverge from those of Pasini (2017), who applied Principal Component Analysis to optimize portfolio investments and demonstrated significant improvements in portfolio performance. In contrast, the current study finds that specific types of investments, such as those in subsidiaries and other entities, do not consistently contribute to improved financial outcomes in all cases. This difference might indicate that the application of sophisticated quantitative models, like Principal Component Analysis, might not directly correlate with improved financial performance in all industry contexts, particularly in sectors with distinct market dynamics like the hotel industry.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The thesis was divided into five different chapter. The first chapter provides the background of the study, highlighting the importance of portfolio management in the hotel industry in Nepal. It defines portfolio management and its significance in achieving investment goals through diversification to minimize risk. The chapter also outlines the statement of the problem, objectives of the study, hypotheses, significance, limitations, and the chapter plan. The first chapter was followed by literature review, which presented a review of existing literature on portfolio management, focusing on theoretical and empirical studies. Theoretical concepts such as investment, portfolio management, investment portfolio, investment alternatives, portfolio analysis, diversification, and portfolio risk and return are discussed. The empirical review covers international and national studies on portfolio management practices and their impact on financial performance.

The study adopts a descriptive and exploratory research design, analyzing secondary data from the fiscal years 2012/13 to 2021/22 for three hotel industries in Nepal: Taragaon Regency Hotel Limited, Soaltee Hotel Limited, and Oriental Hotel Limited. Data were collected from annual reports, financial statements, the Nepal Stock Exchange, and other related sources. Financial and statistical tools were employed to evaluate the data, including portfolio analysis and financial ratios like ROA, ROE, and ROI. Statistical methods such as mean, standard deviation, and regression analysis were used to summarize and describe the characteristics of the data, providing insights into the financial performance and portfolio dynamics of the hotels.

The data analysis reveals significant variability in financial performance metrics across the three hotels. Descriptive statistics highlight this variability, indicating diverse financial outcomes within the industry. Correlation analysis shows a strong positive relationship between ROA and ROE, while ROI exhibits a negative correlation with deposits and investments in subsidiaries, suggesting that higher investments in these areas are associated with lower returns on investment. Regression analysis further elucidates these relationships: deposits positively influence ROA, while investments in

subsidiaries and other entities have negligible or negative impacts. Similarly, deposits positively affect ROE, whereas investments in subsidiaries do not significantly impact ROE, and investments in other entities negatively affect it. For ROI, investments in subsidiaries negatively influence returns, whereas investments in other entities positively impact ROI, with deposits having minimal effect. These findings indicate that current portfolio management practices in the Nepalese hotel industry have varying degrees of impact on financial performance metrics, suggesting that factors such as market conditions and operational efficiency might play a more critical role in determining financial outcomes.

5.2 Conclusion

The thesis reveals significant variability in the financial performance metrics of the three analyzed hotels—Taragaon Regency Hotel Limited, Soaltee Hotel Limited, and Oriental Hotel Limited—indicating diverse outcomes within the Nepalese hotel industry. The descriptive statistics highlight this variability, with financial ratios such as ROA, ROE, and ROI showing a wide range of values. This suggests that the financial health and performance of these hotels are influenced by multiple factors, leading to different financial outcomes.

Correlation analysis provides further insights, demonstrating a strong positive relationship between ROA and ROE, indicating that as the return on assets increases, the return on equity also tends to improve. However, ROI shows a negative correlation with deposits and investments in subsidiaries, suggesting that higher investments in these areas might be associated with lower overall returns on investment. This indicates that while deposits and investments in subsidiaries are critical components of the portfolio, their impact on ROI may not be straightforward and warrants careful consideration.

The regression analysis deepens the understanding of these relationships. Deposits positively influence ROA and ROE, suggesting that maintaining a healthy level of deposits can enhance asset efficiency and equity returns. On the other hand, investments in subsidiaries do not significantly impact ROE and negatively affect ROI, indicating that such investments might not always yield the desired financial benefits.

Investments in other entities positively influence ROI but have a negative impact on ROA and ROE, reflecting the complexity of managing diverse investment portfolios.

The findings indicate that current portfolio management practices in the Nepalese hotel industry have varying degrees of impact on financial performance metrics. The inconsistency in the impact of different portfolio components suggests that other factors, such as market conditions, operational efficiency, and external economic influences, might play a more critical role in determining financial outcomes. Therefore, to achieve financial sustainability and growth, hotel industries in Nepal need to adopt a comprehensive approach to portfolio management that considers these external factors and tailors investment strategies to align with broader market dynamics and operational goals.

5.3 Implications

The findings of this study suggest several implications for further research in the field of portfolio management within the hotel industry. Future research should explore the influence of external factors such as market conditions, economic policies, and global tourism trends on financial performance. Additionally, examining the role of operational efficiency and management practices could provide deeper insights into their impact on financial metrics. Comparative studies between different industries or regions, as well as the exploration of advanced portfolio management techniques like machine learning, could enhance understanding and optimization of investment strategies. Further research could also focus on the effects of different investment types, conduct longitudinal studies to observe long-term trends, include stakeholder perspectives for practical insights, and investigate the impact of global events on portfolio performance. Addressing these areas can build on the current findings, offering a more comprehensive understanding of effective portfolio management practices and contributing to the broader field of financial management.

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APPENDIX I

Return on Assets

Fiscal Year	SHL	OHL	TRHL
2013/14	11.34	3.50	7.79
2014/15	9.29	3.67	6.01
2015/16	12.82	3.83	4.67
2016/17	14.34	7.21	9.27
2017/18	12.54	9.36	8.63
2018/19	12.07	9.23	10.40
2019/20	4.46	2.01	4.98
2020/21	(10.24)	(5.77)	(1.15)
2021/22	12.13	5.38	5.64
2022/23	19.69	6.16	11.07

APPENDIX II

Return on Equity

Fiscal Year	SHL	OHL	TRHL
2013/14	11.34	7.07	14.70
2014/15	9.35	7.31	10.08
2015/16	17.42	7.04	7.83
2016/17	18.69	13.22	13.85
2017/18	19.42	14.16	12.18
2018/19	18.34	13.64	14.58
2019/20	7.30	3.00	7.19
2020/21	(15.70)	(10.06)	(1.65)
2021/22	17.18	6.66	8.21
2022/23	26.43	7.35	15.76

APPENDIX III

Return on Investment

Fiscal Year	SHL	OHL	TRHL
2013/14	369.28	185.97	46.73
2014/15	165.18	188.30	29.39
2015/16	250.04	201.78	23.19
2016/17	305.70	439.64	40.19
2017/18	98.20	549.91	40.02
2018/19	105.15	601.30	38.49
2019/20	39.47	69.69	17.58
2020/21	(79.23)	(97.72)	(4.67)
2021/22	102.20	72.28	21.85
2022/23	202.07	78.35	50.63

APPENDIX IV

Portfolio of SHL

Fiscal Year	Deposit	Investment in Subsidiaries	Investment in Other Entities
2013/14	21,663,226	19,966,538	10,000,000
2014/15	20,466,869	55,966,538	10,000,000
2015/16	23,485,464	73,966,538	10,000,000
2016/17	24,236,421	73,966,538	10,000,000
2017/18	70,000,000	272,590,000	11,787,323
2018/19	90,000,000	272,590,000	11,308,980
2019/20	80,000,000	272,590,000	11,309,180
2020/21	0	272,590,000	11,305,258
2021/22	27,500,000	279,546,928	11,142,742
2022/23	0	261,840,000	12,847,563

APPENDIX V

Portfolio of OHL

Fiscal Year	Deposit	Investment in Subsidiaries	Investment in Other Entities
2013/14	10,000,000	48,521,539	7,212,830
2014/15	11,000,000	50,524,911	7,768,701
2015/16	11,000,000	48,060,119	8,324,572
2016/17	12,000,000	45,595,327	8,880,443
2017/18	12,000,000	43,455,259	9,436,314
2018/19	12,000,000	41,315,209	9,992,185
2019/20	12,000,000	85,472,996	10,548,056
2020/21	12,000,000	197,300,956	11,103,927
2021/22	13,000,000	208,576,768	11,659,798
2022/23	13,000,000	222,951,223	12,215,669

APPENDIX VI

Portfolio of TRHL

Fiscal Year	Deposit	Investment in Subsidiaries	Investment in Other Entities
2013/14	265,827,848	351,718,894	102,980,255
2014/15	264,876,171	441,745,025	110,307,148
2015/16	263,924,494	471,771,156	117,634,041
2016/17	312,972,816	573,649,513	124,960,934
2017/18	337,978,861	570,112,173	132,287,827
2018/19	338,930,538	778,085,280	139,614,720
2019/20	351,300,000	816,564,615	146,941,613
2020/21	270,700,000	597,131,494	154,268,506
2021/22	247,800,000	710,719,722	161,595,399
2022/23	695,438,924	629,688,156	168,922,292

APPENDIX VII

1. Soaltee Hotel Limited
    a. Profile of the Organization : Soaltee Hotel Limited
    b. Chain Hotel under Soaltee Hotel Limited: Soaltee Hotels
    c. Location of the Hotel: Soalteemod
    d. Phone Number: 01-4273999
2. Taragaun Regency Hotels Limited
    a. Profile of the Organization: Taragaun Regency Hotels Limited
    b. Chain Hotel under Taragaun Regency Hotels Limited: Hyatt Regency
    c. Location of the Hotel: Taragaun
    d. Phone Number: 01-5171234
3. Orientals Hotels Limited
    a. Profile of the Organization: Orientals Hotels Limited
    b. Chain Hotel under Oritental Hotels Limited: Radisson Hotel
    c. Location of the Hotel: Lazimpat
    d. Phone Number : 01-4511818

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Abstract This study examines the portfolio management practices of the hotel industry in Nepal, focusing on how these practices influence financial performance. The objective of the research is to analyze the impact of portfolio diversification on key financial metrics such as Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI). The study is motivated by the need for hotel industries to achieve sustainable growth and profitability through effective portfolio management. The research employs a descriptive and exploratory design, utilizing secondary data collected from the annual reports and financial statements of three major hotels: Taragaon Regency Hotel Limited (TRHL), Soaltee Hotel Limited (SHL), and Oriental Hotel Limited (OHL). Data spanning from the fiscal years 2013/14 to 2022/23 is analyzed using various financial and statistical tools, including mean, standard deviation, correlation, and regression analysis. Findings indicate significant variability in the financial performance of the hotels. Correlation analysis reveals a strong positive relationship between ROA and ROE, while ROI shows a negative correlation with deposits and investments in subsidiaries. Regression results indicate that deposits positively influence ROA and ROE, whereas investments in subsidiaries and other entities have mixed impacts, with the latter showing a positive influence on ROI but a negative effect on ROA and ROE. These results suggest that while portfolio diversification can enhance financial performance, its effectiveness varies depending on the specific financial metrics and investment types. In conclusion, the study highlights the complexity of portfolio management in the hotel industry and underscores the need for a comprehensive approach that considers market conditions and operational efficiency. The findings provide valuable insights for hotel managers and investors aiming to optimize portfolio strategies for improved financial sustainability. Keywords: Portfolio management, financial performance, diversification, Return on Assets, Return on Equity, Return on Investment. i CHAPTER I INTRODUCTION 1.1 Background of the Study Any financial investment is intended to yield a positive rate of return. Everyone is willing to take a chance, but in order to get a return, one must be willing to take a risk. Portfolio diversity is an essential notion to minimise risk at a given rate of return. A portfolio is merely an assortment of securities assembled to accomplish specific investment objectives. "Investment positions are made with the expectation of receiving