

CREDIT MANAGEMENT OF THE COMMERCIAL BANK IN NEPAL

(With Special Reference to Nepal Investment Bank Limited and Bank of Kathmandu Limited)

By:

Samridhi Shrestha

Prithvi Narayan Campus

T.U. Regd. No: 7-2-241-245-2004

Roll No. 38/064

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirements for the degree of

Master of Business Studies (M.B.S.)

Pokhara

March, 2013

**CREDIT MANAGEMENT OF THE COMMERCIAL BANK IN
NEPAL**

**(With Special Reference to Nepal Investment Bank Limited and Bank of
Kathmandu Limited)**

By:

Samridhi Shrestha

Prithvi Narayan Campus

T.U. Regd. No: 7-2-241-245-2004

Roll No. 38/064

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirements for the degree of

Master of Business Studies (M.B.S.)

Pokhara

March, 2013

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Samridhi Shrestha

Entitled:

CREDIT MANAGEMENT OF THE COMMERCIAL BANK IN NEPAL

**(With Special Reference to Nepal Investment Bank Limited and Bank of
Kathmandu Limited)**

has been prepared as approved by this department in the prescribed format of the faculty of management. This thesis is forwarded for examination.

Supervisor

Prof. Dr. Puspa Raj Sharma

Signature:

Head, Research Department

Signature:

Campus Chief

Signature:

Date :

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:

Samridhi Shrestha

Entitled:

CREDIT MANAGEMENT OF THE COMMERCIAL BANK IN NEPAL

**(with Special Reference to Nepal Investment Bank Limited and Bank of
Kathmandu Limited))**

and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the degree of

Master of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

Member

Date:

DECLARATION

I hereby, declare that the work reported in this thesis entitled "Credit Management of the Commercial Bank in Nepal: with Special Reference to Nepal Investment Bank Limited and Bank of Kathmandu Limited." Submitted to Prithvi Narayan Campus, faculty of Management, Tribhuvan University is my original piece of work done in the requirement for the master's degree in business studies (M.B.S.) under the supervision and guidance of Prof. Dr. Puspa Raj Sharma, of Prithivi Narayan campus Pokhara, Kaski.

.....

Samridhi Shrestha

Researcher

Roll No: 38/064

Prithivi Narayan Campus

Date :

ACKNOWLEDGMENT

This research study on Credit Management of the Commercial Bank in Nepal with Reference to Nepal Investment Bank and Bank of Kathmandu Limited .First of all, I would like to express my deep gratitude to sincere gratitude to my thesis supervisor as well as Head of Research Department, Prof. Dr. Puspa Raj Sharma for his constant encouragement, patient guidance, valuable suggestion and supervision on several aspects of this study. I am very much obliged to the personnel of Nepal Investment Bank Limited and Bank of Kathmandu Limited. I am equally thankful to all the concerned officials for their valuable assistance. I would like to give thank to Mr. Dirgha Prasad Adhikari and Mr. Prakash Thapa for their kind cooperation during entire study period for this research in a way or the other.

I would also like to express special thanks to Mr. Pushpa Raj Paudel, Quick Computer Services, Pokhara for computer assistance.

May 2013

Samridhi Shrestha

TABLE OF CONTENTS

Acknowledgement

List of Tables

List of Figures

	Page
CHAPTRE- I: INTRODUCTION	1-7
1.1 Background of the study	1
1.2 Statement of problem	4
1.3 Objectives of the study	5
1.4 Significance of the study	5
1.5 Limitation of the study	6
1.6 Organization of the study	7
CHAPTER- II: REVIEW OF LITERATURE	8-40
2.1 Conceptual Review	8
2.2 Review of Related Studies	34
2.3 Research Gap	39
CHAPTER-III: RESEARCH METHODOLOGY	41-54
3.1 Research Design	41
3.2 Nature and Sources of Data	41
3.3 Population	42
3.4 Sampling	42
3.5 Period Covered	44
3.6 Data Collection Procedures	44
3.7 Data Analysis Tools	44
CHAPTER-IV: PRESENTATION AND ANALYSIS OF DATA	54-79
4.1 Financial Conditions of Selected Nepalese Commercial Banks	54
4.2 Financial and Statistical Tools Analysis	55
4.3 Major Finding	77
CHAPTER-V: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	80-85
5.1 Summary	80
5.2 Conclusion	80
5.3 Recommendation	83
BIBLIOGRAPHY	
APPENDICES	

LIST OF TABLES

Tables	Title	Page
4.1	Cash and Bank Balance to Total Deposit Ratio	56
4.2	Cash and Bank Balance to Current Deposit Ratio	58
4.3	Credit and Advance to Total deposit Ratio	59
4.4	Credit and Advance to Fixed Deposit Ratio	60
4.5	Credit and Advance to Total assets Ratio	62
4.6	Performing Assets to Total Assets Ratio	64
4.7	Non-performing (over-due) Credit to Total Credit and Advance Ratio	65
4.8	Credit Loss Provision to Total credit and advance Ratio	67
4.9	Total Assets to Equity (net worth) Ratio	69
4.10	Net Profit to Credit and Advance Ratio	70
4.11	Net Profit/ Loss to Total Assets Ratio	72
4.12	Interest Income to Total Credit and Advance	74
4.13	Earning Per Share Ratio	75
4.14	Price Earnings Ratio (P/E ratio)	76

LIST OF FIGURES

Figures	Title	Page
4.1	Cash and Bank Balance to Total Deposit Ratio	56
4.2	Cash and Bank Balance to Current Deposit Ratio	58
4.3	Credit and Advance to Total deposit Ratio	60
4.4	Credit and Advance to Fixed Deposit Ratio	61
4.5	Credit and Advance to Total assets Ratio	63
4.6	Performing Assets to Total Assets Ratio	64
4.7	Non-performing (over-due) Credit to Total Credit and Advance Ratio	66
4.8	Credit Loss Provision to Total credit and advance Ratio	68
4.9	Total Assets to Equity (net worth) Ratio	70
4.10	Net Profit to Credit and Advance Ratio	71
4.11	Net Profit/ Loss to Total Assets Ratio	73
4.12	Interest Income to Total Credit and Advance	75
4.13	Earning Per Share Ratio	76
4.14	Price Earnings Ratio (P/E ratio)	77

ABBREVIATIONS/ACRONYMS

Avg.	:	Average
BOK	:	Bank of Kathmandu
C.V.	:	Coefficient of Variation
EPS	:	Earning Per Share
Max.	:	Maximum
Min.	:	Minimum
MPPS	:	Market Price Per Share
NIBL	:	Nepal Investment Bank Limited
No.	:	Number
NPA	:	Non Performing Assets
NPL	:	Non-Performing Loan
NRB	:	Nepal Rastra Bank
P/E Ratio	:	Price Earnings Ratio
Req.	:	Required
S.D.	:	Standard Deviation