

**“A STUDY ON INVESTMENT POLICY OF JOINT  
VENTRE COMMERCIAL BANKS OF NEPAL”**  
*(A comparison between NABIL Bank Limited &  
Standard Chartered Bank Nepal Limited)*

**Submitted By:**  
**Mahendra Sherpa**  
Shanker Dev Campus  
Campus Roll No. 1722/061  
T.U. Regd No.7-1-1-730-98

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

In partial fulfillment of the requirements for the degree of  
**Master's of Business Studies (MBS)**

Kathmandu, Nepal  
September, 2009

## **RECOMMENDATION**

This is to certify that the thesis:

Submitted by

**Mahendra Sherpa**

Entitled

**“A STUDY ON INVESTMENT POLICY OF JOINT  
VENTRE COMMERCIAL BANKS OF NEPAL”**  
*(A comparison between NABIL & SCBNL)*

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

.....  
**Mr. Joginder Goet**  
(Thesis Supervisor)

.....  
**Prof. Bisheshwor Man Shrestha**  
Head, Research Department

.....  
**Prof. Dr. Kamal Deep Dhakal**  
(Campus Chief)

# VIVA VOCE SHEET

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

**Mahendra Sherpa**

Entitled

**“A STUDY ON INVESTMENT POLICY OF JOINT  
VENTRE COMMERCIAL BANKS OF NEPAL”**  
*(A comparison between NABIL & SCBNL)*

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

## Viva Voce Committee

Chairperson, Research Committee: .....

Member (Thesis Supervisor):.....

Member (External Expert):.....

# DECLARATION

I hereby declare that the work reported in this thesis entitled “**A STUDY ON INVESTMENT POLICY OF JOINT VENTRE COMMERCIAL BANKS OF NEPAL**” (A comparison between **NABIL & SCBNL**) submitted to Shanker Dev campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements of the Master's Degree in Business Studies (MBS) under the supervision of my thesis supervisor Mr. Joginder Goet, Lecturer of Shanker Dev Campus, Tribhuvan University.

Date: .....

.....  
Mahendra Sherpa  
Researcher  
Shanker Dev Campus

## **ACKNOWLEDGEMENTS**

As the partial fulfillment of the MBS degree, I have prepared this report. During the course, I worked with sincerity, honesty and diligently, as far as possible. But beside my continual efforts, I also got unforgettable support from different people and completing my work.

Firstly, I would like to pay homage to my father and mother as well as my sister who headed me towards the light of education and path of truth. Due to their non-stopping effort for guidance, today I come in thesis position. So I would like to share the credit of my success with them. I'm really indebted by them.

After this, I would like to express my cordial gratitude to my all teachers, who taught me up to now. For this dissertation, I would like to pay my sincere thanks to my thesis supervisor **Mr. Joginder Goet**, Lecturer of Shanker Dev Campus. His incessant suggestion and guidance from the beginning to the end is really an appreciable effort. Their valuable support for the preparation of proposal to thesis is really praise worthy things. I am extremely indebted by their efforts despite of their busy schedule.

I would also like to express my gratitude to all other members of Shanker Dev Campus, especially, staffs from MBS department, libraries staffs as well as all known and unknown people who supported as well as inspired me to complete this thesis

**Mahendra Sherpa**  
**Researcher**

# TABLE OF CONTENTS

Recommendations	
Viva Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
Abbreviations	
	<b>(Page No.)</b>
<b>CHAPTER – I: INTRODUCTION</b>	<b>(1-8)</b>
1.1. Background of the Study	1
1.2. History of the Banks	2
1.3. Statement of the Problem	6
1.4. Objective of the Study	7
1.5 Significance of the Study	7
1.6. Limitations of the Study	7
1.7. Organization of the Study	8
<b>CHAPTER – II: REVIEW OF LITERATURE</b>	<b>(9-31)</b>
2.1 Theoretical Perspectives	9
2.1.1 Commercial Bank	9
2.1.2 Joint Venture	10
2.1.3 Features of a Sound lending and Investment Policy	11
2.1.4 Meaning of Some Important Terminology	12
2.2 Review of Related Studies	16
2.2.1 Review of Journal/Article	16
2.2.2 Review of Related Studies	20
2.2.3 Review of Previous Research	21
2.3 Research Gap	30
<b>CHAPTER – III: RESEARCH METHODOLOGY</b>	<b>(32-43)</b>
3.1 Research Design	32
3.2 Source of Data	32

3.3 Populations and Samples	32
3.4 Data Collection Techniques	34
3.5 Data Analysis Tools	34
3.5.1 Financial tools	34
3.5.2 Statistical tools	41

**CHAPTER – IV PRESENTATION AND ANALYSIS OF DATA (44-96)**

4.1 Data Presentation and Analysis	44
4.2 Presentation and Analysis of Primary Data	44
4.2.1 Appropriate Sectors for Making Investment	44
4.2.2 Major Portion of Deposit in Loan and Advances	45
4.2.3 Joint Venture Banks are Facing While Making Investment	45
4.2.4 Bank Management Responsible for this Problem or Not	46
4.2.5 Reason behind Investing in Government Securities	46
4.2.6 Joint Venture Banks Situated Only in Urban Area	47
4.2.7 Policies and Guidelines of NRB for Smooth Operation	47
4.2.8 Prevailing Interest Rate on Deposit/ Lending	48
4.2.9 Factors Considered while Taking Investment Decision	48
4.3 Presentation and Analysis of Secondary Data	49
4.3.1 Statistical tools	73
4.4 Major Findings of the Study	91
4.4.1 Findings of the Primary Research	91
4.4.2 Findings of the Secondary Research	91

**CHAPTER -V: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

**(97-102)**

5.1. Summary	97
5.2. Conclusions	98
5.3. Recommendations	99

***Bibliography***

***Appendix***

## **LIST OF TABLE**

<b>Table No.</b>		<b>Page No.</b>
Table 4.1	Sectors Appropriate for Making Investment	44
Table 4.2	Reason of Investing Major Portion of Deposit Loan and Advances	45
Table 4.3	Major Problems of Joint Venture Banks are facing	45
Table 4.4	Management of the Bank is Responsible for this Problem or Not	46
Table 4.5	Reason Behind Investing in Government Securities	46
Table 4.6	Joint Venture Banks Situated only in Urban Areas	47
Table 4.7	Policies and Guidelines of Nepal Rastra Bank for Smooth Operation of Joint Venture Bank	47
Table 4.8	Prevailing Interest rate on Deposit /Lending	48
Table 4.9	Factor Considered While Taking Investment Decision	48
Table 4.10	Current Ratio (Times)	50
Table 4.11	Cash and Bank Balance to Total Deposit Ratio	51
Table 4.12	Cash and Bank Balance to Current Assets Ratio	52
Table 4.13	Investment on Government Securities to Current Assets Ratio	54
Table 4.14	Loan and Advances to Current Assets Ratio	55
Table 4.15	Investment on Share and Debenture to Total Working Fund Ratio	56
Table 4.16	Loan and Advances to Total Working Fund Ratio	58
Table 4.17	Investment on Government Securities to Total Working Fund Ratio	59
Table 4.18	Total Investment to Total Deposit Ratio	60
Table 4.19	Loan and Advances to Total Deposit Ratio	61
Table 4.20	Total Interest Earned to Total Working Fund Ratio	62
Table 4.21	Return on Total Working Fund Ratio	63
Table 4.22	Interest Earned to Total Operating Income Ratio	64
Table 4.23	Total Interest Earned to Total Outside Assets Ratio	65
Table 4.24	Total Interest Paid to Total Working Fund Ratio	66
Table 4.25	Return on Loan and Advances Ratio	68
Table 4.26	Liquidity Risk Ratio	69
Table 4.27	Credit Risk Ratio	70
Table 4.28	Growth Rate of Total Deposit	71

Table 4.29	Growth Rate of Total Loan and Advances	72
Table 4.30	Growth Rate of Total Investment	72
Table 4.31	Growth Rate of Net Profit	73
Table 4.32	Correlation Between Deposit and Loan and Advances	74
Table 4.33	Correlation Between Deposit and Total Investment	75
Table 4.34	Correlation Between Outside Assets and Net Profit	76
Table 4.35	Correlation Between Deposit and Interest Earned	77
Table 4.36	Correlation Between Deposit and Net Profit	79
Table 4.37	Correlation Between Loan and Advances and Interest Paid	80
Table 4.38	Correlation Between Total Assets and Net Profit	81
Table 4.39	Trend Value of Total Deposit of NABIL and SCBNL	82
Table 4.40	Trend Value of Loan and Advances of NABIL and SCBNL	83
Table 4.41	Trend Value of Investment of NABIL and SCBNL	84
Table 4.42	Trend Value of Net Profit of NABIL and SCBNL	85

## LIST OF FIGURE

<b>Figure No.</b>		<b>Page No.</b>
Figure 4.1	Current Ratio (Times)	50
Figure 4.2	Cash and Bank Balance to Total Deposit Ratio	51
Figure 4.3	Cash and Bank Balance to Current Assets Ratio	53
Figure 4.4	Investment on Government Securities to Current Assets Ratio	55
Figure 4.5	Loan and Advances to Current Assets Ratio	56
Figure 4.6	Investment on Share and Debenture to Total Working Fund Ratio	57
Figure 4.7	Loan and Advances to Total Working Fund Ratio	58
Figure 4.8	Interest Earned to Total Operating Income Ratio	64
Figure 4.9	Total Interest Earned to Total Outside Assets Ratio	65
Figure 4.10	Total Interest Paid to Total Working Fund Ratio	67

## LIST OF ABBREVIATION

B.S.:	Bikram Sambat
NABIL:	Nabil Bank Limited
SCBNL:	Standard Chartered Bank Nepal Limited
BOKL:	Bank of Kathmandu ltd.
JVB:	Joint Venture Bank
NIBL:	Nepal Investment Bank Limited.
NIDC:	Nepal Industrial Development Corporation
RBB:	Nepal Rastra Bank
NSBL:	Nepal SBI Bank Ltd.
PE:	Probable Error
r:	Coefficient of Correlation
RBB:	Rastriya Banijya Bank
Rs:	Rupees
S.D.:	Standard Deviation
C.V.:	Coefficient of Variation
EBL:	Everest Bank Limited
EPS:	Earning Per Share
F/Y:	Fiscal Year
HBL:	Himalayan Bank Limited
NBBL:	Nepal Bangladesh Bank Limited
NBL:	Nepal Bank Limited
Ltd.:	Limited
NGBL:	Nepal Grindlays Bank Limited