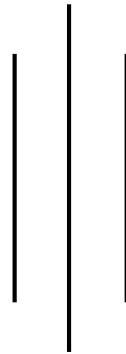


**PROFIT PLANNING & CONTROL
OF
NEPAL BANGLADESH BANK LIMITED**



By
Prakash Sharma
Shanker Dev Campus
Campus Roll No. 1663/062
T.U. Registration No. 7-1-49-758-98

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

In Partial Fulfilment of the requirements of the degree of
Master of Business Studies (MBS)

Kathmandu
June, 2010

RECOMMENDATION

This is to certify that the thesis:

Submitted by

Prakash Sharma

Entitled

**Profit Planning & Control
Of
Nepal Bangladesh Bank Limited**

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

.....
Khagendra Prasad Ojha
(Thesis Supervisor)

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

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

.....
Bhoj Raj Ojha
(Thesis Supervisor)

VIVA VOCE SHEET

We have conducted the viva voce examination of the thesis presented

by

Prakash Sharma

Entitled

Profit Planning & Control of Nepal Bangladesh Bank Limited

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

Head of the Research Department

Member (Thesis Supervisor):.....

Member (Thesis Supervisor):.....

Member (External Expert):.....

DECLARATION

I hereby declare that the work reported in this thesis entitled **Profit Planning and Control of Nepal Bangladesh Bank Limited** submitted to Shanker Dev campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfilment of the requirements of the Master's Degree in Business Studies (MBS) under the supervision of my thesis supervisors Khagendra Prasad Ojha and Bhoj Raj Ojha, Shanker Dev Campus, Tribhuvan University.

Date:

.....
Prakash Sharma

Researcher

Shanker Dev Campus

T.U.Regd.No. 7-1-49-758-98

Campus Roll No: 1663/062

Second Year Symbol No: 4267

ACKNOWLEDGEMENTS

As the partial fulfilment 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 supervisors **Khagendra Prasad Ojha** and **Bhoj Raj Ojha**, of Shanker Dev Campus. Their 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 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.

Last but not least, my sincere thanks goes to my friends, Deepa Sharma, Krishna Dumre, Shankar Bhattarai, Jhabindra Gyawali and Deepak Poudel for their help in my thesis and valuable suggestion.

Prakash Sharma
Researcher

TABLE OF CONTENTS

Recommendations	
Viva Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figure	
Abbreviations	
CHAPTER 1: INTRODUCTION	1-17
1.1 Background of the Study	1
1.2 Nepalese Economy- The Current Picture	2
1.3 Meaning & Importance of Financial Institution	3
1.4 Major Financial Policy of Nepal	4
1.5 Evolution of Commercial Bank	6
1.6 Profile of NB Bank	9
1.6.1 Introduction of NB Bank	9
1.6.2 Share Capital of NB Bank	10
1.6.3 The Management of NB Bank	11
1.6.4 Product & Services Offering	11
1.6.5 Branches of NB Bank	12
1.6.6 General Activities of NB Bank	12
1.6.7 The Banks Vision	13
1.6.8 The Banks Mission	13
1.6.9 The Banks Objectives	14
1.7 Statement of Problem	14
1.8 Objectives of the Study	15
1.9 Significances of the Study	15
1.10 Limitation of the Study	16
1.11 Organization of the Study	16

2.1	Introduction	18
2.2	Concept of Commercial Bank	18
2.3	NRB Regulation	19
2.4	Activities of Commercial Bank	20
	2.4.1 Collection of Resources	20
	2.4.2 Deployment of Resources	22
2.5	Role of Commercial Banks in Development of the Economy	25
2.6	Profit Planning as a Concept	26
2.7	Component of Profit Planning & Control	28
	2.7.1 Meaning & Concept of Profit	28
	2.7.2 Meaning & Concept of Planning & Control	29
	2.7.3 Long term & Short term Profit Planning	30
	2.7.4 Corporate Planning	31
	2.7.5 Forecasting	31
	2.7.6 Planning Verses Forecasting	32
2.8	Budgeting and Budget	32
	2.8.1 Budgeting: As a device of Profit plan	33
	2.8.2 Essential of an Effective Budgeting	34
2.9	Fundamental Concept of Profit Planning	36
2.10	Profit Planning and Control Process	39
2.11	Merits & Demerits of PPC	39
2.12	Basic Assumptions and Limitations of Profit Plan	40
2.13	Profit Planning in Commercial Bank	41
2.14	Development of Profit Plan	41
	2.14.1 Resources Mobilization Plan or Budget	42
	2.14.2 Resources Development Plan or Budget	43
	2.14.3 Planning for Non-Funded Business Activities	44
	2.14.4 Planning for Expenditure	44
	2.14.5 Planning for Revenue	45
2.15	Implementation of the Profit Plan	46
2.16	Performance Report	47
	2.16.1 Features of Performance Reports	48

2.17	Review of Previous Thesis	48
2.18	Research Gap	

CHAPTER 3: RESEARCH METHODOLOGY **52-55**

3.1	Introduction	
3.2	Research Design	52
3.3	Sources of Data	
3.4	Population and Sample	52
3.5	Data Collection Procedures	52
3.6	Research Variables	53
3.7	Methods of Data Analysis	53
3.8	Tools & Techniques Employed	
	3.8.1 Financial Tools	
	3.8.2 Statistical and Mathematical Tools	

CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.1	Resource Mobilization Planning	
4.2	Customer Deposit Collection Budget of NBBL	
	4.2.1 Deposit Collection Budget of NBBL	
4.3	Resources Deployment Plan of NB Bank	
	4.3.1 Deployment to Maintain Liquidity Position	
	4.3.2 Deployment for Income Generating Activities	
	4.3.3 Deployment of Other Assets	
4.4	Budgeted & Actual LDO of NBBL	
4.5	Resources Deployment in Other Sector (NLDO)	
4.6	Actual Deposit & Outstanding LDO of NBBL	
4.7	Interest Expenses	
4.8	Interest Income	
4.9	Interest Margin	
4.10	Performance Evaluation of NBBL	
4.11	Ratio Analysis	
	4.11.1 Liquidity Ratio	

- 4.11.2 Leverage Ratio
- 4.11.3 Turnover Ratio
- 4.11.4 Profitability Ratio
- 4.12 Major Findings of the Study

CHAPTER -V: SUMMARY, CONCLUSION AND RECOMMENDATIONS

- 5.1 Summary
- 5.2 Conclusions
- 5.3 Recommendations

Bibliography

Appendix

LIST OF TABLES

Table No.	Title	Page No.
4.1 :	Current Ratio	57
4.2 :	Cash and Bank balance Deposit Ratio	58
4.3 :	Cash and Bank Balance Assets Ratio	59
4.4 :	Investment on Government Securities to Current Assets Ratio	60
4.5 :	Loans and Advances to Current Assets Ratio	61
4.6 :	Loans and Advances to Total Deposit Ratio	62
4.7 :	Correlation between Deposits and Loan Advances	63
4.8 :	Total Investment and Total Deposit Ratio	65
4.9 :	Coefficient of Correlation between Deposit and Total Investment	66
4.10 :	Loan and Advances to Working fund Ratio	67
4.11 :	Investment on Government Securities to Total working fund Ratio	68
4.12 :	Investment of shares & Debenture to Total working Fund Ratio	70
4.13 :	Total OBS Operation to Loan and Advances Ratio	71
4.14 :	Loan Loss Ratio	72
4.15 :	Return on Loan & Advances Ratio	73
4.16 :	Return on Total Working Fund Ratio	74
4.17 :	Total Interest earned to Total outside Assets Ratio	75
4.18 :	Total Interest earned to Total working Fund Ratio	76
4.19 :	Total Interest Paid to Total working Fund Ratio	77
4.20 :	Credit Risk Ratio	78
4.21 :	Liquidity Risk Ratio	79
4.22 :	Capital Risk Ratio	80
4.23 :	Growth Ratio of Total Deposit	81
4.24 :	Growth Ratio of Loan & Advances	82
4.25 :	Growth Ratio of Total Investment	83
4.26 :	Growth Ratio of Total Net Profit	84
4.27 :	Trend Value of Total Deposits	85
4.28 :	Trend Value of Loan & Advances	87
4.29 :	Trend Values of Total Investment	89
4.30 :	Trend Value of Net Profit	90
4.31 :	Coefficient of Correlation between outside Assets and Net Profit	92
4.32 :	Coefficient of Correlation between Loans and Advances	93

4.33 : Coefficient of Correlation between Deposit and Net Profit	94
4.34 : Coefficient of Correlation between Deposit & Interest earned	95
4.35 : Coefficient of Correlation between Loans and Advances & Interest Paid	96
4.36 : Coefficient of Correlation between Total working Fund & Net profit	98
4.37 : Hypothesis Test on Loans & Advances to Total Deposit Ratio	99
4.38 : Hypothesis Test on Total Investment to Total Deposit Ratio	101
4.39 : Hypothesis Test of Investment of Government Securities to Current Assets Ratio	104
4.40 : Hypothesis Test of Loans & Advances to Current Assets Ratio	106
4.41 : Hypothesis Test of Return on Loans & Advances Ratio	109
4.42 : Hypothesis Test of Total Interest earned to Total Outside Assets Ratio	111
4.43 : Simple Regression Analysis of Net Profit and Total working Fund Ratio	114
4.44 : Simple Regression Analysis of Net Profit & Total Deposit	115

LIST OF FIGURES

Figure No.	Title	Page No.
4.1	Loans & Advances to current assets ratio of EBL, NABIL & BOK	62
4.2	Total investment to total deposit ratio of EBL, NABIL & BOK	65
4.3	Investment of government securities to total working fund ratio of EBL, NABIL & BOK	69
4.4	Growth ratio of total deposit of EBL, NABIL & BOK	81
4.5	Growth ratio of loan & advances of EBL, NABIL & BOK	82
4.6	Growth ratio of total investment of EBL, NABIL & BOK	83
4.7	Growth ratio of total net profit of EBL, NABIL & BOK	84
4.8	Trend value of total deposit of EBL, NABIL & BOK	86
4.9	Trend value of loans & advances of EBL, NABIL & BOK	88
4.10	Trend value of total investment of EBL, NABIL & BOK	89
4.11	Trend value of net profit of EBL, NABIL & BOK	91

LIST OF ABBREVIATION

ABBS :	Any Branch Banking System
A.D. :	After Death of Christ
ATM :	Automatic Teller Machine
B.C :	Before Death of Christ
B.S. :	Bikram Sambat
C.V. :	Coefficient of Variation
FY :	Fiscal Year
Govt. :	Government
ICICI :	Industrial Credit & Investment Corporation of India
i.e. :	that is
IFIC :	International Finance Investment & Commerce Bank
LDO :	Loan, Discount & Overdraft
Ltd. :	Limited
NBBL :	Nepal Bangladesh Bank Limited
NLDO :	Non Loan, Discount & Overdraft
No. :	Number
NRB :	Nepal Rastra Bank
P.E :	Profitable Error
PPC :	Profit Planning & Control
RBB :	Rastriya Banijya Bank
ROA :	Return on Asstes
Rs :	Rupees
S.D. :	Standard Deviation
T.U. :	Tribhuvan University
& :	And