

**CREDIT EXPOSURE OF JOINT VENTURE
COMMERCIAL BANKS ON AUTO LOAN
A COMPARATIVE STUDY OF EVEREST BANK LTD
AND NEPAL BANGLADESH BANK LTD**

A Thesis

Submitted By:

Bunu Tamang

People's Campus

Campus Roll No: 50/2068

T.U. Regd. No: 7-1-271-7-2005

Submitted To:

Research Depart

People's Campus

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

Kathmandu, Nepal

January, 2018

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Bunu Tamang

Entitled:

**Credit Exposure on Auto Loan of Everest Bank Ltd and Nepal Bangladesh
Bank Ltd**

(A Comparative study of Everest Bank Ltd and Nepal Bangladesh Bank Ltd)

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

.....
Rajan Bilas Bajracharya

(Thesis Supervisor)

.....
Nirmal Mani Panthi

(Head, Research Department)

.....
Nirmal Mani Panthi

(Campus Chief)

VIVA-VOCE SHEET

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

Bunu Tamang

Entitled:

**Credit Exposure of Joint Venture Commercial Banks on Auto Loan
(A Comparative study of Everest Bank Ltd and Nepal Bangladesh Bank Ltd)**

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 for the **Degree of Master of Business Studies (MBS)**

Viva-voce Committee

Head, Research Department.....

Member (Thesis supervisor).....

Member (External Expert).....

DECLARATION

I hereby declare that the work reported in this thesis entitled to **Credit Exposure of Joint Venture Commercial Banks on Auto Loan (A Comparative study of Everest Bank Ltd and Nepal Bangladesh Bank Ltd)** submitted to the People's Campus, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement for the Master's Degree in Business Studies (M.B.S.) under the supervision and guidance of **Rajan Bilas Bajracharya**, for People's Campus, Tribhuvan University.

.....
Bunu Tamang

Researcher

People's Campus

T.U. Regd. No: 7-1-271-7-2005

Roll No. 50/2068

ACKNOWLEDGEMENT

I would like to acknowledge my deepest gratitude to those entire respected person who helped me in successful completion of the thesis. It was an unforgettable experience, which provided me an opportunity to gain practical knowledge rather than mere conventional conception and theories.

I would like to express my sincere gratitude to my supervisor Mr. **Rajan Bilas Bajracharya**, head of research department for his valuable guidance and supervision to my study. I am equally thankful to lecturer, People's Campus and all the staffs of People's Campus for their support and help during thesis writing.

I am thankful to my friend Neeta Shrestha and all my colleagues for their support and help during thesis writing. Similarly, I would like to express my thanks to all the staffs and teachers of People`s Campus.

Thank You
Bunu Tamang

TABLE OF CONTENTS

Recommendation	ii
Viva Voce Sheet	iii
Declaration	iv
Acknowledgement	v
Table of Contents	vi
List of Tables	ix
List of Figures	x
Abbreviations	xi
CHAPTER I INTRODUCTION	
1.1 Background of the study	1
1.1.1 Competitive Environment of Auto-loan	3
1.1.2 Auto-Loan in Everest Bank Ltd.	4
1.1.3 Auto-loan in Nepal Bangladesh Bank Ltd	5
1.2 Statement of the Problem	6
1.3 Research Question	8
1.4 Objectives of the Study	8
1.5 Significance of the Study	9
1.6 Limitation of the study	9
1.7 Organization of the Study	10
CHAPTER II REVIEW OF LITERATURE	
2.1. Conceptual Framework	11
2.1.1 Conceptual Framework	11
2.1.2 Concept of Banking Products	12
2.2 Types of Auto-Loan	16
I. Dealer Purchase: New	16
II. Dealer Purchase: Used	16
III. Person-to-Person: Used	17
2.3 General Guidelines for Auto-Loan	17
2.4 Auto-loan Disbursement Procedures	21
I. Pre-disbursement Activities	21
II. Security Documents for Auto-loan	21
III. Events of Default	22

IV. Deficiencies in Securing Documents	23
V. Prepayment of loan	24
VI. Collection Unit	24
2.5 General Marketing Strategies of Banking Organizations to secure Auto-loan business	24
2.6 Review of Articles	25
2.6.1 Banks, Finance firms slug it out	25
2.6.2 Effect of Global Financial Crisis Nepalese Market	28
2.6.3 Auto-loan Strategy of Standard Chartered Bank Nepal	30
2.7 Review of Thesis	31
CHAPTER III RESEARCH METHODOLOGY	
3.1 Introduction	35
3.2 Research Design	35
3.3 Sources of Data	35
3.4 Data Processing Procedures	35
3.5 Population and Sample	36
3.6 Financial Indicators and Variables:	36
1. Amortization Method	36
CHAPTER IV PRESENTATION AND ANALYSIS OF DATA	
4.1 Auto-loan Scheme	37
4.1.1 How Amortization works	37
4.1.2 Introduction of Auto-loan	37
4.2 Lending Procedure at Bank	42
4.3 Customer Survey	43
4.3.1 People Interested in Auto-loan: In Consideration of their Age	43
4.3.2 People Demand for Auto-loan: Profession wise	44
4.3.3 Preference of Auto-loan: Married and Single	47
4.3.4 Sources considered by the customers while getting information about Auto-Loan	48
4.3.5 Reasons for Choosing the Specific Bank	50
4.3.6 The Percentage of Loan Taken out of the Total Value	52
4.3.7 The Procedure of taking Auto-loan from the bank	54
4.3.8 Auto-loan as a Better Option or not	56
4.3.9 The level of satisfaction with the service provided by the bank	57
4.4 Findings	59

CHAPTER V SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1	Summary of Findings	62
5.2	Conclusion	65
5.3	Recommendation	66

REFERENCE

ANNEX

LIST OF TABLES

Table No.		Pg. No.
1.1	Rapid Growth of Financial Sector in NEPAL	2
1.2	Features of Auto Finance Scheme of EVEREST Bank Ltd	5
4.1	Outstanding Credit of Commercial Banks Classified by Type of Security	38
4.2	Amount of Loan	39
4.3	Market percentage	39
4.4	Interest Charged	40
4.5	Interest Rate for Auto Loan	41
4.6	People Interested in Auto-loan: In Consideration of Their Age	43
4.7	Peoples' Demand for Auto-loan: Profession wise	45
4.8	Demand for Auto-loan in Everest and NBBL: Profession wise	46
4.9	Preference of Auto-loan in Everest and NBBL	47
4.10	Sources considered by the customers while getting information about Auto- Loan	48
4.11	Sources Considered in Everest and NBBL	50
4.12	Reasons for Choosing the Specific Bank	51
4.13	Percentage of Loan Taken out of the Total Value	53
4.14	The Procedure of taking Auto-loan from the bank	54
4.15	Auto-loan as a better option or not	56
4.16	Auto-loan as a better option or not in Everest and NBBL	57
4.17	The Level of Satisfaction with the Service Provided by the Banks	59

LIST OF FIGURES

Figure No.		Page No.
2.1	Product and Services Provided by NBBL	12
2.1	Product and Services Provided by EVEREST	13
4.1	People Interested in Auto-loan: In Consideration of Their Age	44
4.2	Peoples' Demand for Auto-loan: Profession wise	45
4.3	Preference of Auto-loan: Married and Single	47
4.4	Sources considered by the customers while getting information about Auto- Loan	49
4.5	Reasons for Choosing the Specific Bank	52
4.6	Percentage of Loan Taken out of the Total	53
4.7	The Procedure of taking Auto-loan from the bank	55
4.8	Auto-loan as a better option or not	56
4.9	Percentage of Overall Level of Satisfaction	58

ABBREVIATIONS

EBL	Everest Bank Ltd.
EMI	Equal Monthly Installment
GDP	Gross Domestic Product
HBL	Himalayan Bank Limited
MIS	Management Information System
NBB	Nepal Bangladesh Bank
NCC	Nepal Commerce and Credit
NRB	Nepal Rastra Bank
PNB	Punjab National Bank
RBB	Rastriya Banijya Bank
RST	Riot Strike Terrorism
SAIM	South Asian Institute of Management
SCBNL	Standard Charter Bank Nepal Ltd
THT	The Himalayan Times
UF	Universal Finance
USD	United States Dollar