

PORTFOLIO MANAGEMENT OF COMMERCIAL BANKS IN NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial
fulfilment of the requirements 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 Commercial Banks in 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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Report of the Research Committee

Miss Maheshwari Kumari Pandayhas defended research proposal entitled “**Portfolio Management of Commercial Banks in 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 Assoc. Prof. Dr. Dhruva Lal Pandey and submit the thesis for evaluation and viva voce examination.

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We have examined the dissertation entitled “**Portfolio Management of Commercial Banks in Nepal**” presented by Maheshwari Kumari Panday for the degree of **Master of Business Studies**. We hereby certify that the dissertation is acceptable for the award of degree.

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Abbreviations

CB	:	Commercial bank
CV	:	Coefficient of variation
EBL	:	Everest Bank Limited
FY	:	Fiscal year
L/A	:	Loans and advances
MCDM:		Multi criteria decision-making
NIBL	:	Nepal Investment Bank Ltd.
NMB	:	NMB Bank Ltd.
PPM	:	Project portfolio management
ROA	:	Return on assets
ROE	:	Return on equity
ROI	:	Return on investment
S.D.	:	Standard deviation
SEBON:		Securities board of Nepal
TOPSIS:		Technique for Order of Preference by Similarity to Ideal Solution

Abstract

Investment portfolio is one such tool that helps for proper utilization of resources. Portfolio theory deals with the selection of optimal portfolios which provides the highest possible return for any specific degree of risk or the lowest possible risk for any specified return. This study has been conducted with the objective to examine the portfolio investment management of commercial banks in Nepal. This study has covered ten years' data from 2011/12 to 2020/21.

Three commercial banks are taken as sample to analyze the portfolio investment management of the commercial banks. During the research, a brief review of literature has been conducted. As this research is related to the investment portfolio, financial strength and weakness of commercial banks have been measured on the basis of annual reports. In that course, different tools have been used. Moreover, the various financial tools like ratio analysis, risk and return analysis and statistical tools like arithmetic mean, standard deviation, coefficient of variation, Karl Pearson's coefficient of correlation, regression have been extensively used. Tables and figures are used to present the data and results, secondary data are collected from the NRB reports, annual reports and other related data.

Further, different ratios related to investment portfolio have been used. EBL has highest ROI and ROE as compared to other two CBs. Similarly, Also, NIBL has highest ROA as compared to other two CBs. This study also found that government securities has lower risk and lower return, loan and advance has moderate risk and moderate return and share and debenture has higher risk and higher return. The overall CV of CBs is 0.216, which indicates that the portfolio return of CBs is consistent. The CBs are not used successful in mobilizing their resources in the field of shares and debenture. They invested very nominal percentage of total outside investment on share and debenture of other companies.

The coefficient shows that share and debenture, government Securities and loan and advance indicates positive impact on financial performance of CBs in Nepal, while size of CBs indicates negative impact on financial performance of CBs in Nepal. The regression analysis indicates that there is sufficient variability in financial performance (ROA and ROE) explained by investment portfolio choice (share and debenture, government. Securities, L/A and size).