

# **INVESTMENT POLICY AND PRACTICES OF COMMERCIAL BANK**

**(A Comparative Study On Nepal SBI Bank Ltd. and  
NepalBangladesh Bank Ltd.)**

## **A THESIS**

**Submitted By:**

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

**Janakpur Dham**

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# RECOMMENDATION

This is to certify that the Thesis

*Submitted by:*  
*Santosh Kumar Dubey*

*Entitled:*

## **INVESTMENT POLICY AND PRACTICES OF COMMERCIAL BANKS (A Comparative Study On Nepal SBI Bank Ltd. and Nepal Bangladesh Bank Ltd.)**

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## VIVA-VOCE SHEET

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*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 fulfilment of the requirements for Degree of **Master of Business Studies ( M.B.S.)**.*

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## Declaration

I hereby declare that the work reported in this thesis entitled "**Investment Policy & Practice of commercial Bank** (A Comparative Study On Nepal SBI Bank Ltd. and Nepal Bangladesh Bank Ltd.)" submitted to R.R. Multiple Campus, Management Dean, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Degree of Master of Business Studies(MBS), under the guidance and supervision of **Mr. Saroj Kumar Thakur Faculty of Management** Ramswarup Ramsagar Multiple Campus, Janakpur, Tribhuvan University.

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Santosh Kumar Dubey

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**Appendix - 1**  
**Current Ratio of NSBI**

**(Rs.in million)**

FY	Current assets	Current liabilities	Ratio (in times)
<b>2008</b>	1390.90	1245.75	1.12
<b>2009</b>	2758.23	2622.50	1.05
<b>2010</b>	5054.53	4938.43	1.02
<b>2011</b>	7284.32	6772.31	1.08
<b>2012</b>	8633.60	8125.07	1.06

**NBBL**

FY	C.A	C.L	C.R.
2008	14165.33	19433.25	0.73
2009	16881.45	21899.93	0.77
2010	19451.52	24314.4	0.80
2011	20867.78	25516.33	0.83
2012	23153.10	27334.21	0.85

**Appendix -2**  
**Cash and Bank balance to Total deposited of**

**NSBI**

FY	Cash and Bank balance	Total deposit	Ratio (%)
2008	129.15	1179.89	10.95
2009	291.71	2513.14	11.61
2010	685.47	4807.94	14.26
2011	443.37	6268.95	7.08
2012	389.63	7768.89	5.01

**NBBL**

FY	Cash and Bank balance	Total deposit	Ratio (%)
2008	1264.67	1861.9	6.80
2009	1679.21	21007.37	9.42
2010	1768.70	22760.90	7.77
2011	2014.47	24814.01	8.12
2012	1717.35	26490.85	6.48

**Appendix - 3**  
**Cash and bank balance to current assets Ratio of NSBI**

**(Rs. in million)**

FY	Cash and Bank balance	Current assets	Ratio (in%)
2008	129.25	1390.90	9.29
2009	291.71	2758.23	10.57
2010	685.47	5054.53	13.56
2011	443.37	7284.32	6.09
2012	389.63	8633.60	4.51

**NBBL**

FY	Cash& Bank balance	Current assets	Ratio (in%)
2008	1264.67	14165.33	8.93
2009	1974.21	16881.45	11.72
2010	1768.70	11451.52	9.09
2011	2014.47	20867.78	9.65
2012	1717.35	23153.10	7.42

**Appendix - 4**  
**Investment on Government securities to C.A. Ratio.**  
**NSBI**

**(Rs. In million)**

FY	Investment on govt. securities	C.A.	Ratio (%)
2008	116.70	1390.90	8.39
2009	235.63	2758.23	8.54
2010	601.61	5054.53	11.90
2011	1119.99	7284.32	15.37
2012	1114.32	8533.60	12.91

**NBBL**

FY	Investment on govt. securities	C.A.	Ratio (%)
2008	3047.75	14165.33	21.52
2009	3998.87	16881.45	23.69
2010	2781.7	19451.52	14.30
2011	4569.72	20867.78	26.21
2012	5144.31	23153.10	22.22

## Appendix – 5

### Loan & advance to current Assets Ratio

NSBI

(Rs. In Million)

FY	Loan & advance	Current Assets	Ratio (%)
2008	1111.56	1390.90	79.92
2009	2105.74	2785.23	76.34
2010	3649.00	5054.53	72.19
2011	5584.64	7284.32	76.67
2012	6891.86	8633.60	79.83

NBBL

FY	Loan & advance	Current Assets	Ratio (%)
2008	8913.73	14165.33	62.93
2009	10001.85	16881.45	59.25
2010	13081.7	19451.52	67.25
2011	12424.52	20867.78	59.54
2012	14642.56	23153.10	63.24

## Appendix - 6

### Loan and Advance to Total deposit Ratio

NSBI

FY	Loan & advance	Total deposit	Ratio (%)
2008	1111.56	1179.89	94.21
2009	2105.74	2513.14	83.79
2010	3649.00	4807.94	75.89
2011	5584.64	6268.95	89.08
2012	6891.86	7768.89	88.71

NBBL

FY	Loan & advance	Total deposit	Ratio (%)
2008	8913.73	18619.37	47.87
2009	10001.85	21007.37	47.61
2010	13081.7	22760.90	57.47
2011	12424.52	24814.01	50.07
2012	14642.56	26490.85	55.27

## Appendix - 7

### Total Investment to Total deposit Ratio

**NSBI**

FY	Total Investment	Total deposit	Ratio (%)
2008	255.00	1179.89	21.61
2009	423.15	2513.14	16.84
2010	983.50	4807.94	20.45
2011	1190.27	6268.95	18.99
2012	1394.95	7768.89	17.95

**NBBL**

FY	Total Investment	Total deposit	Ratio (%)
2008	3047.75	18619.37	16.37
2009	3998.87	21007.37	19.04
2010	2878.30	22760.90	12.65
2011	11692.34	24814.01	47.12
2012	10889.03	26490.85	41.10

**Appendix - 8****Loan and advance to Total Working fund Ratio****NSBI**

FY	Loan & advance	Total working fund	Ratio (%)
2008	1111.56	1592.76	69.79
2009	2105.74	2986.17	70.52
2010	3649.00	5494.18	66.41
2011	5584.64	7437.88	75.08
2012	6891.86	9010.28	76.49

**NBBL**

FY	Loan & advance	fun Total working	Ratio (%)
2008	8913.56	20672.45	43.12
2009	10001.85	23355.23	42.82
2010	13081.7	26751.20	48.90
2011	12424.52	27418.16	45.31
2012	14642.56	29460.04	49.70

**Appendix - 9****Investment on govt. security to total working fund ratio****NSBI**

FY	Investment on govt. Security	fun Working fund	Ratio (%)
2008	116.70	1592.67	7.33
2009	235.63	2986.17	7.89
2010	601.61	5494.18	10.95
2011	1119.99	7434.88	15.06
2012	1114.43	9010.28	12.37

**NBBL**

FY	Investment on govt. Security	Working fund	Ratio (%)
2008	3047.75	20672.45	14.74
2009	3998.87	23355.23	17.12
2010	2781.70	26751.16	10.40
2011	5469.72	27418.16	19.95
2012	5144.31	29460.04	17.46

**Appendix - 10****Investment on govt. securities to total Investment Ratio**

**NSBI**

FY	Investment on share & debenture	Working fund	Ratio (%)
2008	0	1592.67	-
2009	0	2986.17	-
2010	0	5494.18	-
2011	0.353	7437.88	0.0047
2012	0.353	9010.28	0.0039

**NBBL**

FY	Investment on share & debenture	Working fund	Ratio (%)
2008	34.27	20672.45	0.17
2009	34.27	23355.23	0.15
2010	42.80	26751.20	0.16
2011	39.91	27418.16	0.15
2012	39.91	29460.04	0.14

**Appendix - 11**  
**Return on the working fund Ratio**  
**NSBI**

**(Rs. In Million)**

FY	Net profit (Loss)	Total working fund	Ratio (%)
2008	1.34	1592.67	0.084
2009	12.47	2986.17	0.147
2010	48.68	5494.18	0.886
2011	<b>87.88</b>	7437.88	1.180
2012	103.67	9010.86	1.50

**NBBL**

FY	Net profit (Loss) '	Total working fund	Ratio (%)
2008	235.02	20672.45	1.14
2009	212.12	23355.23	0.91
2010	278.51	26751.20	1.04
2011	308.27	27418.16	1.12
2012	457.45	29460.04	1.55

**Appendix-12**  
**Return on Loan & advance Ratio**

**NSBI**

FY	Net profit	Loan & advance	Ratio (%)
2008	1.34	1111.56	0.12
2009	12.47	2105.74	0.59
2010	48.68	3649.00	1.33
2011	<b>87.88</b>	5584.64	1.57
2012	103.67	6891.86	1.50

**NBBL**

FY	Net profit	Loan & advance	Ratio (%)
2008	235.02	8913.73	2.64
2009	212.12	10001.85	2.12
2010	278.51	13081.7	2.13
2011	308.27	12424.52	2.48
2012	457.45	14642.56	3.12

**Appendix-13**

**Total Interest earned to Total Working fund Ratio of NSBI**

**(Rs.in million)**

F.Y.	Total Interest earned	Working fund	Ratio(%)
2008	96.35	1592.67	6.05
2009	185.09	2986.17	6.20
2010	310.21	5494.18	5.65
2011	499.92	7437.88	6.72
2012	605.53	9010.28	6.72

**NBBL**

F.Y.	Total Interest earned	Workingfu fund	Ratio(%)
2008	1149.00	20672.45	5.56
2009	1201.23	23355.23	5.14
2010	1308.22	26751.20	4.89
2011	1446.47	27418.16	5.27
2012	1626.47	29460.04	5.52

**Appendix-14**  
**Total Interest Paid to Workin<sup>g</sup> fund Ratio of**  
**NSBI**

F.Y.	Total Interest earned	Working fund	Ratio
2008	48.13	1592.67	3.02
2009	92.94	2986.17	3.11
2010	163.90	5494.18	2.98
2011	240.13	7437.88	3.23
2012	337.05	9010.28	3.74

**NBBL**

F.Y.	Total Interest earned	Working fund	Ratio
2008	578.13	20672.45	2.80
2009	554.13	23355.23	2.37
2010	557.24	26751.20	2.08
2011	561.96	27418.16	2.05
2012	648.84	29460.04	2.20

**Appendix-15** **Credit Risk Ratio of NSBI**

F.Y.	Loon & advance	Total assets	Ratio
2008	1111.56	1592.76	69.79

2009	2105.74	2986.17	70.52
2010	3649.00	5494.18	66.42
2011	5584.64	7437.88	75.08
2012	6891.86	9010.28	76.49

**NBBL**

F.Y.	Loan & advance	Total assets	Ratio
2008	8913.73	20672.45	43.12
2009	10001.85	23355.23	42.82
2010	13081.7	26751.20	48.90
2011	12424.52	27418.16	45.31
2012	14642.56	29460.04	49.70

**Appendix: 16      Liquidity Risk Ratio of NSBI**

F.Y.	Liquid assets	Total Deposit	Ratio
2008	129.25	1179.89	10.95
2009	291.71	2531.14	11.61
2010	685.47	4807.94	14.26
2011	443.37	6268.95	7.07
2012	389.63	7768.89	5.02

**NBBL**

F.Y.	Liquid assets	Total Deposit	Ratio
2008	1264.67	18619.37	6.79
2009	1479.21	21007.37	9.42
2010	1768.70	22760.90	7.77
2011	2014.47	24814.01	8.12
2012	1717.35	26490.85	6.48

### Growth Calculations:

$D_n$  = Total Deposit in the nth year.

$D_0$  = Total Deposit in the initial year.  $G$  = Growth rate

Now, We have

$$D_n = D_0 (1+g)^{n-1}$$

$$D_{2010} = D_{2006} (1+g)^4$$

### Appendix: 17

#### Calculation for Growth Ratio of Total deposit NSBI

$$7768.89 = 1179.89(1+g)^4$$

$$(1+g) = \frac{7768.89}{1179.89} \quad g = 0.60 \therefore g = 60\%$$

$$\text{NBBL } 26490.85 = 18619.37(1+g)^{5-1}$$

$$1+g = \frac{26490.85^{1/4}}{18619.37}$$

$$\therefore g = 0.092 = 9.2\%$$

### Appendix-18

#### Calculation for growth of Total Loan & Advance NSBI

$$6891.86 = 1111.56 (1+g)^{5-1}$$

$$(1+g) = \frac{6891.86^{1/4}}{1111.56}$$

$$1+g = 1.578$$

$$\therefore g = 0.578 = 57.8\%$$

NBBL

$$14642.56 = 8913.73012^{54}$$

$$(1+g) = \frac{14642.56}{8913.73}$$

$$1+g = 1.321$$

$$g = 1.321 - 1$$

$$\therefore g = 0.321 = 32.1\%$$

### Appendix-19

Calculation for growth ratio of total Investment

NSBI

$$1394.95 = 255 (1 + g)^{1/4}$$
$$(1+g) = \frac{1394.95}{255}$$

$$255 (1+g) = 1.5293$$

$$1+g = 1.578$$

$$\text{or, } g = 1.5293 - 1 = 0.5293 = 52.93\%$$

NBBL

$$10889.03 = \frac{3047.75 (1+g)^{5-1}}{3047.75}$$
$$= \frac{0889.03}{3047.75}$$

$$1+g = 1.3718 \quad g = 1.3748 - 1$$

$$\therefore g = 0.3748 = 37.48\%$$

### Appendix-20

#### Calculation of Growth Ratio of Net Profit

NSBI

$$103.67 = \frac{1.34(1+g)^{54}}{03.67}$$
$$(1+g) = \frac{1.34}{03.67}$$

$$1+g = 2.57$$

$$g = 2.9657 - 1 = 196.57\%$$

NBBL

$$457.45 = \frac{235.02 (1+g)^{54}}{234.02}$$
$$(1+g) = \frac{457.45}{234.02}$$

$$1+g = 1.12$$

$$g = 1.1812 - 1$$

$$\therefore g = 0.1812 = 18.12\%$$

### Appendix-21

### Trend value of Total deposit

#### NSBI

Year (t)	Total deposit (Y) Rs. in million	X = t-2010	X <sup>2</sup>	XY	Y=a+bx
2008	1179.89	-2	4	-2359.78	1121
2009	2513.14	-1	1	-2513.14	2.814
2010	4807.94	0	0	0	4507.76
2011	6268.95	1	1	6268.95	6201.14
2012	7768.89	2	4	15537.78	7894.52
<b>Total</b>	<b>Y = 22538.81</b>		<b>X<sup>2</sup> = 10</b>	<b>XY = 16933.81</b>	

n = 5,

$$a = \frac{\sum Y}{n} = \frac{22538.81}{5} = 4507.76$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{16933.81}{10} = 1693.38$$

#### Projected trend value of Total deposit (2011-2013)

Year (t)	X = t- 2010	Y = 4507.76 + 1693.38 X
2009	3	9587.9
2010	4	11281.28
2011	5	12974.66
2012	6	14668.04
2013	7	16361.42

#### NBBL

Year (t)	Total deposit (Y) Rs. in million	X = t-2010	X <sup>2</sup>	XY	Y=a+bx
2010	18619.37	-2	4	-37238.74	<b>18828.58</b>

2009	21007.37	-1	1	-21007.37	20783.54
2010	22760.90	0	0	0	22738.5
2011	24810.01	1	1	24814.01	24693.46
2012	26490.85	2	4	52981.70	26648.42
Total	113692.5	0	X <sup>2</sup> = 10	XY = 19549.6	

Now,

n=5,

$$a = \frac{\sum Y}{n} = \frac{113692.5}{5} = 22738.5$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{19549.6}{10} = 1954.96$$

### Projected trend value of Total deposit

Year(t)	X = t-2010	Y = 22738.5 + 1954.96 X
2009	3	28603.38
2010	4	30558.34
2011	5	32513.3
2012	6	34468.26
2013	7	36423.22

### Appendix-22 Trend value of Loan & Advances.

#### NSBI

Ye	Loan & Advance (Y) Rs. in million	X = t-2010	X <sup>2</sup>	XY	Y=a+bx
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2008	1111.56	-2	4	-2223.12	860.66
2009	2105.74	-1	1	-2105.74	2364.61
2010	3649.00	0	0	0	3868.56
2011	5584.64	1	1	5584.64	5372.51
2012	6891.86	2	4	13783.72	6876.46
Total	Y = 19342.8		X <sup>2</sup> = 10	XY = 15039.5	

Now,

n=5,

$$a = \frac{\sum Y}{n} = \frac{19342.8}{5} = 3868.56$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{15039.5}{10} = 1503.95$$

#### Projected trend value of Loan & Advance

Year (t)	X = t - 2010	Y = 3868.56 + 1503.95 X
2008	3	8380.41
2009	4	9884.36
2010	5	11388.31
2011	6	12892.26
2012	7	14396.21

**NBBL**

Year (t)	Loan & Advances (Y) Rs. in million	X = t-2010	X <sup>2</sup>	XY	Y=a+bx
2008	8913.73	-2	4	-17827.46	9036.81
2009	10001.85	-1	1	-10001.85	1042.84
2010	13081.07	0	0	0	11812.87
2011	12424.52	1	1	12424.52	13200.9
2012	14642.56	2	4	29285.12	14588.93
Total	Y = 59064.36		X <sup>2</sup> =10	XY=13880.33	

Now, n=5,

$$a = \frac{\sum Y}{n} = \frac{59064.36}{5} = 11812.87$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{13880.33}{10} = 1388.03$$

**Projected trend value of Loan & Advance**

Year (t)	X = t- 2010	Y = 11812.87 + 1388.03X
2009	3	15976.96
2010	4	17364.99
2011	5	18753.02
2012	6	20141.05
2013	7	21529.08

**Appendix-23**

**Trend value Analysis of Total Investment Of**

**NSBI**

t	Total investment (Y) Rs in million.	X = t-2010	x 2	XY	Y=a+bx
2008	255	-2	4	-510	239.97
2009	423.15	-1	1	-423.15	544.67
2010	983.15	0	0	0	849.37
2011	1190.27	1	1	1190.27	1154.07
2012	1394.95	2	4	2789.90	1459.77
Total	Y = 4246.83		X2 -10	XY= 3047.02	

Now,

n = 5,

$$a = \frac{\sum Y}{n} = \frac{4246.83}{5} = 849.37$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{3047.02}{10} = 304.70$$

Then,

**Projected trend value of Total Investment**

Year(t)	X=t-2010	Y=849.37+304.70X
2009	3	1763.47
2008	4	2068.17
2010	5	2372.87
2011	6	2677.57
2012	7	2982.27

**NBBL**

t	Total Investment (Y) Rs. in million	X = t-2010	X2	XY	Y=a+bx
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2008	3047.75	-2	4	-6095.5	1826.06
2009	3998.87	-1	1	-3998.87	4163.66
2010	2878.30	0	0	0	6501.26
2011	11692.03	1	1	11692.34	<b>8838.86</b>
2012	108890.03	2	4	21778.06	11176.46
Total	Y = 32506.32	0	X2 -10	XY 23376.03	

Now,  
 $n = 5,$   
 $a = \frac{\sum Y}{n} = \frac{32506.32}{5} = 6501.26$   
 $b = \frac{\sum XY}{\sum X^2} = \frac{23376.03}{10} = 2337.60$

**Appendix-24**  
**Trend value Analysis of Total Net Profit SBI**

Ye	Net Profit (Y) Rs. in million	X = t-2010	X <sup>2</sup>	XY	Y=a+bx
2008	1.34	-2	4	-2.68	-5.39
2009	12.47	-1	1	-12.47	22.61
2010	48.68	0	0	0	50.61
2011	<b>87.88</b>	1	1	<b>87.88</b>	78.61
2012	103.67	2	4	207.34	106.61
Total	Y = 253.04		X <sup>2</sup> -10	XY= 280.07	

Then,

Now,  
 $n = 5,$   
 $a = \frac{\sum Y}{n} = \frac{253.04}{5} = 50.61$   
 $b = \frac{\sum XY}{\sum X^2} = \frac{280.07}{10} = 28.00$

**Projected trend value of Total Net Profit**

Year (t)	X = t- 2010	Y = 50.61 + 28 X
2009	3	134.61
2010	4	162.61
2011	5	190.61

2012	6	218.61
2013	7	246.61

**NBBL**

Y	Net Profit (Y) Rs. in million	X = t-2010	X <sup>2</sup>	XY	Y=a+bx
2008	235.02	-2	4	-470.07	190.07
2009	212.12	-1	1	-212.12	244.17
2010	278.51	0	0	0	298.27
2011	308.27	1	1	308.27	252.37
2012	457.45	2	4	914.9	406.47
Total	Y = 1491.37		X <sup>2</sup> -10	XY= 541.01	

Now, n=5,

$$a = \frac{\sum Y}{n} = \frac{1491.37}{5} = 298.27$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{541.01}{10} = 54.10$$

Then,

**Projected trend value of Total Net Profit**

Year (t)	X = t- 2010	Y = 298.27 + 54.10 X
2009	3	460.57
2010	4	514.67
2011	5	568.77
2012	6	622.87
2013	7	676.97

