

# **LETTER OF CREDIT BUSINESS OF NEPAL INVESTMENT BANK LTD.**

*A Thesis Submitted to:*

Office of the Dean  
Faculty of Management  
Tribhuvan University

*In Partial fulfillment of the requirement for the degree of  
Masters of Business Studies (M.B.S.)*

*Submitted By:*

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# RECOMMENDATION

This is to certify that the Thesis work

Submitted by  
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Entitled

**“LETTER OF CREDIT BUSINESS OF  
NEPAL INVESTMENT BANK LIMITED”**

has been prepared as approved by this department in the prescribed form of the faculty of management. This thesis is forwarded for examination.

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# VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis presented  
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Entitled

**"Letter of credit business of  
Nepal Investment Bank Limited"**

Has found that the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirements for Master Degree in Business Studies (M.B.S.).

## **VIVA-VOCE COMMITTEE:**

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# DECLARATION

I hereby declare that the thesis entitled "Letter of credit business of Nepal Investment Bank Ltd." submitted to Office of Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirements of Master of Business Studies (M.B.S.) under the guidance and supervision of Dr. Shilu Manandhar Bajracharya, Lecturer of Shanker Dev Campus, Kathmandu.

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## **Acknowledgement**

This Thesis entitled “ Letter of Credit Business of Nepal Investment Bank Ltd.” is based on the assessment required by curriculums designed and introduced by Tribhuwan University during second year programme for Master of Business Studies (M.B.S.).

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(Rajina Joshi)

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## **Executive Summary**

At present, the trade / business is not confined to one country and has expanded internationally. In international trade there arises problem of distance and unfamiliarity between the parties' viz. importer and exporter. On one hand, there is no guarantee between them that importer will send good after receiving payment while on the other hand there is no guarantee that importer will make payment after receiving goods. By any chance, even without intention, if the importer fails to pay the bill, the exporter will find it next to impossible to recover the amount. Moreover when the goods are imported from another country there arises the problem such as hazard of journey as well as cost involved in it, customs formalities and import / export as well as exchange control regulations. Hence as the answer to the entire abovementioned problem, the Letter of Credit (**L/C**) came into existence as a concrete solution whereby the Bank takes the responsibility to fulfill the requirement of both the parties and acts as a middleman. LC is the most important financial instrument in today's world of international trade and it is unimaginable to carry out foreign trade without using LC.

The present study regarding the Letter of Credit operations is concerned with the study of Nepal Investment Bank Ltd. (**NIBL**). The study has been conducted to present the L/C business of NIBL where all the aspects involved in the process of Letter of Credit transactions. The objective of the study can also be meant to familiarize about the LC to the general public as well as the people who are involved in the international trade. Moreover to come up with the findings, conclusions regarding the performance of L/C business of NIBL and to provide the suggestions and guidelines which will be beneficial for the Co. as well as to other banks in order to improve its performance for the benefit of the organization thereby uplift the economy of the nation.

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## ABBREVIATIONS

<b>A.D.</b>	:	<b>After Death of Christ</b>
B.S.	:	Bikram Sambat
B.C	:	Before Christ
T-BILL	:	Treasury Bill
B/L	:	Bill Of Lading
L/C	:	Letter of Credit
DC	:	Documentary Credit
HMG	:	His Majesty's Government
ICC	:	International Chamber of Commerce
IDC	:	Industrial Development Corporation
ISBP	:	International Standard of Banking Practice
FOM	:	Faculty of Management
M.B.S.	:	Masters in Business Studies
TU	:	Tribhuvan University
AGM	:	Annual General Meeting
CBs	:	Commercial Banks
NEPSE	:	Nepal Stock Exchange Limited
NRB	:	Nepal Rastra Bank
NIBL	:	Nepal Investment Bank Limited
PAN	:	Personal Account Number
SEBON	:	Security Board of Nepal
UCP	:	Uniform Custom And Practice
Ltd.	:	Limited
SBI	:	State Bank of India
UCPDC	:	Uniform Customs and Practices for Documentary Credit
IFIC	:	International Finance Investment and Commerce
VAT	:	Value Added Tax

**CIF** : **Carriage, Insurance and Freight**

C&F : Carriage and Freight

**OGL** : **Open General License**

SWIFT : Society of Worldwide Inter Bank Financial  
Telecommunication

***Bi.Bi.Ni.*** : ***Bideshi Binimaya Niyaman***

TFD : Trade Finance Dept.

A.M : Arithmetic Mean

S.D : Standard Deviation

USD : United State Dollar

NRS : Nepalese Rupees