

**A STUDY ON INVESTMENT PRACTICES OF SOME
COMMERCIAL BANKS IN NEPAL
(WITH REFERENCE TO BANK OF KATHMANDU LIMITED
& EVEREST BANK LIMITED)**

Submitted By

SRIJANA SUBEDI

Roll No: 3002 / 062

T.U Regd. No: - 7-1-38-2280-2000

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirements for the degree of
Master of Business Studies (M.B.S)

June, 2009

RECOMMENDATION

This is to certify that the thesis:

Submitted by

SRIJANA SUBEDI

Entitled

**A STUDY ON INVESTMENT PRACTICES OF SOME COMMERCIAL
BANKS IN NEPAL (WITH REFERENCE TO BANK OF KATHMANDU
LIMITED & EVEREST BANK LIMITED)**

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

.....

Shree Bhadra Neupane

(Thesis Supervisor)

.....

Pitambar Lamichhane

(Thesis Supervisor)

.....

Prof. Dr. Kamal Deep Dhakal

(Campus Chief)

Date:

VIVA - VOCE SHEET

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

SRIJANA SUBEDI

Entitled

**A STUDY ON INVESTMENT PRACTICES OF SOME COMMERCIAL
BANKS IN NEPAL (WITH REFERENCE TO BANK OF KATHMANDU
LIMITED & EVEREST BANK LIMITED)**

And found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for Master's Degree in Business Studies (M.B.S.)

Viva-Voce Committee

Head of Research Department
Member (Thesis Supervisor):
Member (Thesis Supervisor):
Member (External Expert):

Date:

DECLARATION

I hereby declare that the work reported in this thesis entitled “**A Study on Investment Practices of Some Commercial Banks in Nepal (With Reference to Bank of Kathmandu Limited and Everest Bank Limited).**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement of Master of Business Studies (MBS) under the guidance and supervision of Shree Bhadra Neupne and Pitambar Lamichhane lecturer of Shanker Dev Campus.

Researcher

Srijana Subedi

Roll No. 3002/062

ACKNOWLEDGEMENT

This entitled thesis “**A Study on Investment Practices of Some Commercial Banks in Nepal (With Reference to Bank of Kathmandu Limited and Everest Bank Limited).**” has been prepared for the partial fulfillment of the requirement of Master’s Degree of Business Studies (M.B.S) under the Faculty of Management, Tribhuvan University, is based on research models involving the use of quantitative as well as qualitative aspect of investment practice of commercial Bank.

I wish to extend my deep sense of indebtedness to Shree Bhadra Neupane and Pitambar Lamichhane thesis supervisor, who provided me valuable guidelines, insightful comments, encouragement to complete this thesis. This work has been come out in the present form with his inspiration, valuable suggestions, and guidelines.

I express my heartfelt gratitude to my parents and all my family members who always inspired me to complete this journey of higher education from the benchmark of my academic qualification that I had. Without their encouragement and inspiration, my higher education could not have been fulfilled.

I also thank to all my friends and colleagues. Without their cordial cooperation, this work could have been very difficult for me. Similarly, I thank to all my co-workers. Who always encouraged me to complete this work.

Thank You.

SRIJANA SUBEDI

Researcher

TABLE OF CONTENTS

	Page No
VIVA-VOCE SHEET	
RECOMMENDATION	
DECLARATION	
AKNOWLEDGEMENT	
TABLE OF CONTENTS	
LIST OF TABLES	
LIST OF FIGURES	
ABBREVIATIONS	
CHAPTER - I	
INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Origin of Bank	5
1.1.2 Commercial Banks and Investment Plan	6
1.2 Focus of the Study	7
1.3 Statement of the Problem	8
1.4 Objectives of the Study	9
1.5 Significant of the Study	9
1.6 Limitation of Study	10
1.7 Organization of the Study	10

CHAPTER - II

REVIEW OF LITERATURE	12
2.1 Conceptual Framework	12
2.1.1 Meaning of Commercial Bank	12
2.1.2 Banking Risks	13
2.1.3 Concept of Investment	14
2.1.4 Some Important Terms	17
2.1.5 Thought of Investment	
2.2 Review of Related Studies	21
2.2.1 A Glimpse on NRB Act	21
2.3 Review of Thesis	24

CHAPTER - III

RESEARCH METHODOLOGY	35
3.1 Research Design	35
3.2 Sources of Data	35
3.3 Population and Sample	36
3.4 Data Collection Procedure	36
3.5 Data Analysis Tools	36
3.6.1 Financial Tools	37
2.6.2 Statistical Tools	43

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA	46
4.1 Financial Analysis	46
4.1.1 Ratio Analysis	46
4.1.1.1 Liquidity Ratio	47
4.1.1.2 Assets Management Ratio	51
4.1.1.3 Profitability Ratio	54
4.1.1.4 Risk Ratio	60
4.1.1.5 Other Ratios	61
4.2 Statistical Analysis	64
4.2.1 Coefficient of Correlation Analysis	64
4.2.2 Time Series Analysis (Trend Analysis)	71
4.3 Major Findings	79

CHAPTER - V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	86
5.1 Summary	96
5.2 Conclusion	88
5.3 Recommendations	90
Bibliography	
Appendixes	

LIST OF TABLE

	Page No
Table No. 2.1 Provision for Investment in Deprived Sector	23
Table No. 2.2 Directives Regarding Capital Adequacy Funds (CAR)	23
Table No. 4.1 Cash & Bank Balance to Total Deposit Ratio	47
Table No. 4.2 Cash & Bank Balance to Total Deposit Ratio	48
Table No. 4.3 Cash & Bank Balance to Current Asset Ratio	49
Table No. 4.4 Investment on Government Securities to Current Assets Ratio	50
Table No. 4.5 Loan and Advance to Total Deposit Ratio	51
Table No. 4.6 Total Investment to Total Deposit Ratio	52
Table No. 4.7 Loan & Advances to Total Assets Ratio	53
Table No. 4.8 Investment on Government Securities to Total Assets ratio	54
Table No. 4.9 Return on Loan & advances	57
Table No. 4.10 Return on Total Assets Ratio	56
Table No. 4.11 Return on Equity Ratio	56
Table No. 4.12 Total Interest Earned to Total Assets Ratio	57
Table No. 4.13 Total Interest Earned To Total outside Assets Ratio	58
Table No. 4.14 Interest Earned to Operating Income Ratio	59
Table No. 4.15 Interest Paid to Total Assets Ratio	59
Table No. 4.16 Liquidity Risk Ratio	60
Table No. 4.17 Credit Risk Ratio	61
Table No. 4.18 Earning per Share	62

Table No. 4.19 Market Price per Share	63
Table No. 4.20 Price Earning Ratio	63
Table No. 4.21 Correlation between Deposit and Loan & Advances	65
Table No. 4.22 Correlation between Deposit and Total Investment	66
Table No. 4.23 Correlation between Loan and advance and Net Profit	67
Table No. 4.24 Correlation between Total Investment and Net Profit	68
Table No. 4.25 Correlation between Total Deposit of BOK and EBL	69
Table No. 4.26 Correlation between Total Investment of BOK and EBL	69
Table No. 4.27 Correlation between Loan & Advances of BOK and EBL	70
Table No. 4.28 Correlation between Net Profit of BOK and EBL	71
Table No. 4.29 Trend analysis of Total Deposit of BOK and EBL	72
Table No. 4.30 Trend line of Total Loan and Advance of BOK and EBL	74
Table No. 4.31 Trend Line of Total Investment between BOK and EBL	76
Table No. 4.29 Trend Analysis of Net Profit between BOK and EBL	78

LIST OF FIGURE

Figure No. 4.1 Trend analysis of Total Deposit of BOK and EBL	73
Figure No. 4.2 Trend line of Total Loan and Advance of BOK and EBL	75
Figure No. 4.2 Trend Line of Total Investment between BOK and EBL	77
Figure No. 4.2 Trend Analysis of Net Profit between BOK and EBL	79