

**A STUDY ON IMPLEMENTATION AND IMPACT OF NRB
DIRECTIVES ON SELECTED COMMERCIAL BANKS IN NEPAL**

A Thesis Submitted to
Office of the Dean
Faculty of Management
Tribhuvan University

**In the Partial Fulfillment of the Requirement for the Degree of
Master in Business Studies (MBS)**

Submitted by:
Sajani Maharjan

Roll No. 363/062
Central Department of Management

Kirtipur, Kathmandu

2068

RECOMMENDATION

This is to certify that the thesis

Submitted By:

Sajani Maharjan

Entitled:

**“A STUDY ON IMPLEMENTATION AND IMPACT OF NRB DIRECTIVES
ON SELECTED COMMERCIAL BANKS IN NEPAL”**

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

_____	_____	_____
Dr.Arun Kumar Thakur	Prof. Dr. Bal Krishna Shrestha	Prof. Dr. Dev Raj Adhikari
(Thesis Supervisor)	Chairperson	Head
	Research Committee	Central Department of Management T.U,
	Central Department of Management	Kiritpur

Date: November, 2011

VIVA-VOCE SHEET

We have conducted the Viva-Voce Examination of the thesis presented
by

Sajani Maharjan

Entitled:

**“A STUDY ON IMPLEMENTATION AND IMPACT OF NRB DIRECTIVES
ON SELECTED COMMERCIAL BANKS IN NEPAL”**

And found 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 of the requirement for the degree of

Master of Business Studies (MBS).

VIVA-VOCE Committee

Chairman, Research Committee: _____

Member (Thesis Supervisor): _____

Member (External Expert): _____

Member (Central Department of Management) _____

Date: / /

ACKNOWLEDGEMENT

The completion of the present study is a result of help and support of several hands. Therefore, I would like to express my heartfelt gratitude to all those respondents for their support and help.

I kindly would like to express my sincere gratitude to Mr. Arun Kumar Thakur sir for his regular guidance and insightful ideas. I also would like to mention the name of Mr. Rishi Raj Dawadi who provided the required supports to finalize the report in a prescribed manner.

Besides them, I whole-heartedly remain grateful to the personnel of the banks for providing me the necessary data, the respondents of the questionnaire for the keen interest in answering, the library staff of Central Department of Management, Central Library, for providing me the references.

Sajani Maharjan
Researcher

Date: 14th November, 2011

DECLARATION

I hereby declare that this study entitled "A STUDY ON IMPLEMENTATION AND IMPACT OF NRB DIRECTIVES ON SELECTED COMMERCIAL BANKS IN NEPAL" submitted to the Central Department of Management, Tribhuvan University embodies the results of bona fide research work carried out for partial fulfillment of the requirement for the degree of Masters of Business Studies (MBS) in Management. Thesis is prepared under the supervision of Mr. Arun Kumar Thakur, lecturer of Central Department of Management, Tribhuvan University, Kathmandu, Nepal. No part of the research has been submitted to any other university or institution by researcher or by any body and conferred with any degree or diploma.

Sajani Maharjan

Researcher

Date: 14th November, 2011

TABLE OF CONTENTS

	Page No.
Recommendation	
Viva-Voice Sheet	
Declaration	
Acknowledgement	
Table of Content	
List of Table	
List of Figure	
Abbreviations	
CHAPTER -ONE	
INTRODUCTION	1-15
1.1 Background of the Study	1
1.2 Focus of the Study	11
1.3 Statement of Problem	11
1.4 Objectives of the Study	12
1.5 Significance of the Study	13
1.6 Limitations of the Study	14
1.7 Organization of the Study	15
CHAPTER -TWO	
REVIEW OF LITERATURES	16-45
2.1. Conceptual Framework	16
2.1.1 Supervision and Regulation of NRB	16
2.1.2 Review of NRB Directives	18
2.2 Review of Related Studies	34
2.2.1 Review of the Article and Journal	34
2.2.2 Review of the Previous Studies	37
2.3 Research Gap	45
CHAPTER - THREE	
RESEARCH METHODOLOGY	46-53
3.1 Research Design	46
3.2 Populations and Sample	47
3.3 Source of Data	48
3.4 Data Collection Techniques	48
3.5 Data Analysis Tool	49

CHAPTER - FOUR

DATA PRESENTATION AND ANALYSIS 54-92

4.1 Capital Fund Analysis	54
4.2 Loan and Loan Loss Provision Analysis	67
4.3 Single Borrower Limits	77
4.4 Correlation Analysis	82
4.5 Primary Data Analysis	83
4.6 Major Findings of the Study	88

CHAPTER - FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 93-98

5.1 Summary	93
5.2 Conclusions	94
5.3 Recommendations	97

BIBLIOGRAPHY

ANNEXES

LIST OF TABLES

Table No.	Title	Page No.
4.1	Capital Fund of NIBL	54
4.2	Portion of Dividend on Net Profit	58
4.3	Capital Fund of NABIL Bank Ltd	59
4.4	Portion of Dividend on Net Profit	62
4.5	Capital Fund of SCBNL	63
4.6	Portion of Dividend on Net Profit	66
4.7	Loan and Loan Loss Provision of NIBL	67
4.8	Loan and Loan Loss Provision of NABL Bank Ltd.	71
4.9	Loan and Loan Loss Provisioning of SCBNL	74
4.10	Comparative Chart of the Single Borrower Limit of NIBL	78
4.11	Comparative Chart of the Single Borrower Limit of NABIL Bank Ltd.	78
4.12	Comparative Chart of the Single Borrower Limit of SCBNL	79
4.13	Correlation of Coefficient Analysis	82
4.14	No. of Respondents	83
4.15	Primary Data Analysis I	84
4.16	Primary Data Analysis II	85
4.17	Primary Data Analysis III	87

LIST OF FIGURES

Figure No.	Title	Page No.
4.1	Capital Fund of NIBL	55
4.2	Core Capital to RWA of NIBL	56
4.3	CAR to RWA of NIBL	56
4.4	Capital Fund of NABIL Bank Ltd.	59
4.5	Core Capital to RWA of NABIL Bank Ltd.	60
4.6	CAR to RWA of NABIL Bank Ltd.	61
4.7	Capital Fund of SCBNL	64
4.8	Core Capital to RWA of SCBNL	65
4.9	CAR to RWA of SCBNL	65
4.10	Portfolio of Loan and Advance of NIBL	68
4.11	Loan Loss Provision of NIBL	69
4.12	NPL and Provision for NPL of NIBL	70
4.13	Portfolio of Loan and Advance of NABIL Bank Ltd.	72
4.14	Loan Loss Provision of NABIL Bank Ltd.	73
4.15	Portfolio of Loan and Advance of SCBNL	75
4.16	Loan Loss Provision of SCBNL	76
4.17	Comparative Chart of Single Borrower Limit of NIBL	79
4.18	Comparative Chart of Single Borrower Limit of NABIL Bank Ltd.	80
4.19	Comparative Chart of Single Borrower Limit of SCBNL	80

ABBREVIATIONS

BAFIO	: Bank and Financial Institution Ordinance
BFIRD	: Bank and Financial Institutions Regulation Department
BIS	: Bank for International Settlement
CAR	: Capital Adequacy Ratio
CIB	: Credit Information Bureau
GLL	: General Loan Loss
IMF	: International Monetary Fund
JVBs	: Joint Venture Banks
NABIL	: NABIL Bank Limited
NCA	: Nepal Chartered Accountant
NGO	: Non- Government Organization
NIBL	: Nepal Investment Bank Limited
NIC	: National Insurance Corporation
NPA	: Non- Performing Assets
NRB	: Nepal Rastra Bank
PNB	: Punjab National Bank
RWA	: Risk Weighted Assets
SCBNL	: Standard Chartered Bank Nepal Limited
SCT	: Smart Choice Technology
SRP	: Supervisory Review Process
TWA	: Total Risk Weighted Assets