

**COMPARATIVE ANALYSIS OF CREDIT MANAGEMENT  
OF NBL AND EBL**

**Submitted by:**

Mahesh Rimal

T.U. Regd. No.: 7-2-214-509-2008

Roll No. : 227/ 2068-070

Exam Roll No. : 280280

Central Department of Management  
Tribhuvan University  
Kirtipur, Kathmandu, Nepal

**Submitted to:**

Office of the Dean

Faculty of Management

Tribhuvan University

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

**Kathmandu**

**Nepal**

**2018**

**RECOMMENDATION**

**This is to certify that the thesis**

**Submitted by:**

**MAHESH RIMAL**

*Entitled:*

**“COMPARATIVE ANALYSIS OF CREDIT MANAGEMENT OF NBL AND EBL”**

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

.....

**Mr. Bharat Singh Thapa   Prof.Dr. Sanjay Kumar Shrestha   Asso.Prof. Dr. Ramji Gautam**  
**(Thesis Supervisor)      (Chairman, Research Committee)      (Head of Department)**

Date: .....

## VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by

**MAHESH RIMAL**

Entitled:

**“COMPARATIVE ANALYSIS OF CREDIT MANAGEMENT OF NBL AND EBL”**

*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  
The partial fulfillment of the requirement for*

Master Degree of Business Studies (M.B.S.)

### Viva-Voce Committee

Member (Thesis Supervisor)	.....
Member (External Expert)	.....
Chairman (Research Committee)	.....
Member (Head of Department)	.....

Date:.....

## **DECLARATION**

I hereby declare that the work reported in this thesis entitled “**Comparative Analysis of Credit Management of NBL and EBL**” submitted to Tribhuvan University, Department of Commerce, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of Mr. Bharat Thapa, Lecturer of Tribhuvan University, Department of Commerce, Kathmandu.

.....

**Mahesh Rimal**

Researcher

Roll No. 227 (2068-070)

Exam Roll No. : 280280

Tribuvan University

Date:

## ACKNOWLEDGEMENT

This thesis entitled “**Comparative Analysis of Credit Management of NBL and EBL**” has been prepared for the partial fulfillment of the requirement of Master’s Degree of Business Studies (MBS) under the Faculty of Management, Tribhuvan University, is based on research models involving the use of quantitative and qualitative model to study the comparative credit status of Nepal Bank Ltd., and Everest Bank Ltd.

First of all, I would like to extend my sincere regard and profound gratefulness to work under the admirable supervision of **Mr. Bharat Singh Thapa** of Tribhuvan University. He always guided and motivated me and I had his exclusive consideration and guidance all the time.

I also express my gratitude to the staff of various corporate bodies, including Nepal Bank Ltd. and Everest Bank Ltd. I would furnish my trustworthiness to all of my friends who supported me during each and every stage of research work.

Finally, I would like to express my genuine appreciation to the staffs of library of Global College of Management and Central Department of Tribhuvan University.

At last but not least, my paramount dedication is to my friends and my family members who have been uninterrupted source during this work.

.....

Researcher

**Mahesh Rimal**

## TABLE OF CONTENTS

	<b>Page No.</b>
<i>DECLARATION</i>	<i>ii</i>
<i>RECOMMENDATION</i>	<i>iii</i>
<i>VIVA-VOCE SHEET</i>	<i>iv</i>
<i>ACKNOWLEDGEMENTS</i>	<i>v</i>
<i>TABLE OF CONTENTS</i>	<i>vi-viii</i>
<i>LIST OF TABLES</i>	<i>ix</i>
<i>LIST OF FIGURES</i>	<i>x</i>
<i>ACRONYMS</i>	<i>xi</i>
<b>CHAPTER-ONE : INTRODUCTION</b>	<b>1-9</b>
1.1 Background of the Study	1
1.2 Statement of problem	6
1.3 Objectives of study	7
1.4 Significance of study	7
1.5 Limitation of study	7
1.6 Organization of study	8
<b>CHAPTER-II: REVIEW OF LITERATURE</b>	
2.1 Theoretical Review	10
2.1.1 Defining Commercial Bank	10
2.1.2 Functions of Commercial Bank	12
2.1.3 Concept of Credit	14
2.1.4 Types of Credit	15
2.1.5 Objectives of Sound Credit Policy	19
2.1.6 Credit Risk Management	20
2.1.7 Concept of Investment Policy	22
2.1.8 Considerations for Sound Lending and Investment	23
2.1.9 Lending Procedures	24
2.2 Review of Rules, regulations and NRB directives regarding Credit Management of Commercial Banks	30
2.2.1 Regulation to maintain minimum capital fund by the Commercial Bank as per NRB Directives	31

2.2.2	Loan classification and Loan Loss Provisioning	32
2.2.3	Loan Loss provision	30
2.2.4	Directives relating to single borrower Credit limit	33
2.2.5	Directives regarding Investments in share and securities by Commercial Banks	34
2.2.6	Directives regarding Interest rate spread	35
2.3	Review of Empirical Studies	35
2.3.1	Review from International Studies	35
2.3.2	Review from Nepalese Context	38
2.3.3	Review of Thesis	40
2.4	Research Gap	43
<b>CHAPTER- III: RESEARCH METHODOLOGY</b>		
3.1	Research Design	44
3.2	Source of Data	45
3.3	Population and Sample	45
3.4	Methods of Data Analysis and Presentation	45
3.5	Financial Tools	46
3.5.1	Credit/ Loan related ratio	46
3.5.2	Credit Efficiency Ratio	47
3.5.3	Profitability Ratio	50
3.6	Statistical tools	50
3.6.1	Arithmetic Mean	50
3.6.2	Standard Deviation	51
3.6.3	Coefficient of Variation	51
3.6.4	Correlation	51
3.6.5	Hypothesis Testing	51
3.6.5.1	T- Statistics	51
<b>CHAPTER-IV: DATA PRESENTATION AND ANALYSIS</b>		
4.1	Financial Tools	53
4.1.1	Credit/ Loan Related Ratio	53
4.1.1.1	Loan and Advances to Total Assets Ratio	55
4.1.1.2	Total Investment to Total Deposit Ratio	56
4.1.1.3	Loan and Advances to Total Deposit Ratio	56
4.1.1.4	Investment to Loan and Advances and Investment	57

4.1.2	Credit Efficiency Ratio	58
4.1.2.1	LLP to Total Loan and Advances Ratio	59
4.1.2.2	Nonperforming Loan to Loan and Advances Ratio	60
4.1.3	Profitability Ratios	61
4.1.3.1	Operating Profit to Loan and Advances Ratio	62
4.1.3.2	Net Profit to Loan and Advances Ratio	63
4.1.3.3	Interest Income to Total Loan and Advances Ratio	64
4.1.3.4	Interest Expenses to Deposit Ratio	65
4.2	Correlation Analysis	66
4.3	Test of Hypothesis	67
4.3.1	The test of difference in Credit/loan ratios between NBL and EBL	67
4.3.2	The test of difference in Credit efficiency ratios between NBL and EBL	68
4.3.3	The test of difference in Profitability ratios between NBL and EBL	68
4.4	Major Findings	69
<b>CHAPTER- V : SUMMARY CONCLUSION AND RECOMMENDATIONS</b>		
5.1	Summary	72
5.2	Conclusion	73
5.3	Recommendation	74
	Bibliography	75
	Appendix	79



## LIST OF TABLES

4.1	Credit/loan related Ratios	
4.2	Credit Efficiency Ratios	54
4.3	Profitability Ratios	59
4.4	Correlation Analysis	62
4.5	T-test	68
4.6	T-test	68
4.7	T-test	69

## LIST OF FIGURES

4.1	Total Loans and Advances to Total Assets Ratio	55
4.2	Total Investment to Total Deposit Ratio	56
4.3	Loans and Advances to Total Deposit Ratio	57
4.4	Investment to Loan and Advance and Investment Ratio	58
4.5	Loan Loss Provision to Total Loan and Advances Ratio	60
4.6	Nonperforming loan to Total Loans and Advances Ratio	61
4.7	Operating Profit to Total Loan and Advances Ratio	63
4.8	Net Profit to Total Loans and Advances Ratio	64
4.9	Interest Income to Total Loan and Advances Ratio	65
4.10	Interest expenses to Total Deposit Ratio	66

## LIST OF ABBREVIATIONS

ADB	: Agricultural Development Bank
BFI	: Bank/Financial Institution
CAR	: Capital Adequacy Ratio
CB	: Commercial Bank
CEO	: Chief Executive Officer
CRR	: Cash Reserve Ratio
C.V	: Coefficient of Variation
EBIL	: Emirates Bank International Ltd
LDC	: Least Developed Countries
LTD	: Limited
P.E	: Probable Error
EBL	: Everest Bank Limited
NBL	: Nepal Bank Limited
NBLB	: National Bank Ltd, Bangladesh
NGO	: Non Government Organization
NPA	: Non-Performing Assets
NRB	: Nepal Rastra Bank
RBB	: Rastriya Banijya Bank
Rs.	: Rupees
S.D	: Standard Deviation
Min.	:Minimum
Max.	:Maximum