RISK ASSETS MANAGEMENT IN COMMERCIAL BANKS OF NEPAL:

A Comparative Study of Standard Chartered Bank Nepal Ltd. and NIC Asia Bank Ltd.

By Pasang Sherpa People's Campus

Campus Roll No.: 5/071

T.U. Regd. No.: 7-2-503-85-2011

Second Year Exam Symbol No. 2710013

A Thesis 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 July, 2018

RECOMMENDATION

This is to certify that the thesis

Submitted by **PASANG SHERPA**

Entitled

RISK ASSETS MANAGEMENT IN COMMERCIAL BANKS OF NEPAL:

A Comparative Study of Standard Chartered Bank Nepal Ltd. and NIC Asia Bank Ltd.

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

Rajan Bilas Bajracharya	Ch	ChhatraMangalBajracharya	
(Thesis Supervisor)	(Head, Research Department) (C	Campus Chief)	

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

by PASANG SHERPA

Entitled

RISK ASSETS MANAGEMENT IN COMMERCIAL BANKS OF NEPAL:

A Comparative Study of Standard Chartered Bank Nepal Ltd. and NIC Asia Bank Ltd.

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 fulfillment of the requirement for the degree of

Master of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department	
Member (Thesis Supervisor)	
Member (External Expert)	

DECLARATION

I hereby declare that the work reported in this thesis entitled **Risk Assets**Management in Commercial Banks of Nepal: A Comparative Study of

Standard Chartered Bank Nepal Ltd. and NIC Asia Bank Ltd. 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 for the

degree of Master of Business Studies (MBS) under the supervision of Rajan

Bilas Bajracharya of People's Campus, T.U.

.....

Pasang Sherpa

People's Campus

Campus Roll No.: 5/071

T.U. Regd. No.: 7-2-503-85-2011

Second Year Exam Symbol No. 2710013

ACKNOWLEDGEMENTS

I would like to express my deep gratitude towards respected supervisor Mr. Rajan

Bilas Bajracharya of People's Campus, Tribhuvan University. I heartily appreciate

them invaluable supervision and useful guidance and no words can fully express my

feeling of gratitude to him.

I would also like to express my gratitude to all other member of People's Campus,

especially, Campus Chief Chhatra Mangal Bajracharya and other staffs, who

supported as well as inspired me to complete this thesis.

My special thanks go to all the respondents of the selected company who helped and

co-operated me by providing valuable information during my research.

My heartfelt thanks and gratefulness goes to my friends Sita Dhakal, who are

involved directly or indirectly during this study period and I never forget the helps of

my teachers and friends for their supports in each and every steps of my life. My

every achievement is possible because of their effort, help and blesses. My friends are

ever remembering for their credible help and co-operation.

Finally, effort has been made to avoid all type of error and mistake. I do not want to

state that this thesis is completely and perfectly satisfactory. There may be various

shortcomings. I am alone responsible for all those.

Pasang Sherpa

Campus Roll No.: 5/071

T.U. Regd. No.: 7-2-503-85-2011

Second Year Exam Symbol No. 2710013

TABLE OF CONTENTS

Cover Page	
Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	Page No.
CHAPTER-I: INTRODUCTION	
1.1 General Background	1
1.1.1 Profile of Concerned Banks	6
1.2 Statements of the Problems	8
1.3 Objectives of the Study	9
1.4 Significance of the Study	10
1.5 Limitations of the Study	10
1.6 Organization of the Study	10
CHAPTER-II: REVIEW OF LITERATURE	
2.1 Conceptual Framework	12
2.1.1 Commercial Banks	13
2.1.2 Loans and Advances	14
2.1.3 Performing Loans	15
2.1.4 Non-Performing Loans	15
2.1.5 Concept of Investment	16
2.2 Consumer Loan	20
2.3 Review of NRB Directives	21
2.4 Review of Journals	28
2.5 Review of Previous Research Works	33

CHAPTER-III RESEARCH METHODOLOGY	
3.1 Research Design	37
3.2 Nature and Sources of Data	38
3.3 Population and Sample	38
3.4 Analysis of Data	38
3.4.1 Financial Tools	38
3.4.2 Statistical Tools	43
CHAPTER-IV: PRESENTATION AND ANALYSIS OF DATA	
4.1 Measuring the Liquidity position of the Banks	41
4.1.1 Liquid Fund to current liability Ratio	41
4.1.2 Liquid Fund to Total Deposit Ratio	43
4.1.3 Cash and Bank Balance to Interest Sensitive Deposit Ratio	44
4.1.4 Total Assets to Total Liabilities Ratio	46
4.1.5 Loans and Advances to Total Assets Ratio	47
4.1.6 Investment to Loans and Advances and Investments ratio	49
4.1.7 Loans & Advance and Investment to Total deposit Ratio	51
4.1.8 Performing Assets to Total Assets Ratio	52
4.1.9 Non- Performing Assets to Total Assets Ratio	54
4.1.10 Return on Loan and Advances Ratio	55
4.1.11 Loan Loss Ratio	57
4.1.12 Interest Earned to Total Income Ratio	58
4.1.13 Interest Expenses to Total Income Ratio	60
4.1.14 Interest Income to Interest Expense Ratio	61
4.2 Measuring the Distribution of Loans and advances and Investment	62
4.2.1 Loans and Advances Portfolio	63
4.2.2 Investment Portfolio	65
4.2.3 Private Sector loans and total Loans and Advance	67
4.2.4 Government Sector loans to total Loan and Advances	68

4.2.5 Ratio of Government Securities to total Investment	69
4.2.6 Ratio of share and Debentures to Total Investment	70
4.3 Measuring the lending strength of the Banks	71
4.3.1 Net Assets	71
4.3.2 Deposit	72
4.3.3 Loan and Advances	74
4.3.4 Investment	75
4.3.5 Interest Earned	77
4.3.6 Provision for Doubtful Debts	78
4.3.7 Net Profit	80
4.4 Measuring correlation between Different Variables	81
4.4.1 Correlation between Deposit and Loans and Advances	81
4.4.2 Correlation between doubtful debts and Loans and Advances	83
4.4.3 Correlation between Interest Earned and Net Profit	84
4.4.4 Correlation between Net Profit and Loan & Advances	84
4.5 Major Findings of the Study	86
CHAPTER-V SUMMARY, CONCLUSION & RECOMMENDAT	'ION
5.1 Summary	89
5.2 Conclusion	91
5.3 Recommendation	94

References

Appendices

LIST OF TABLES

Table No.	Title	Page No.
4.1 Measuring t	the Liquid fund to current Ratio	42
4.2 Liquid Fund	d to Total Deposit Ratio	43
4.3 Cash and Ba	ank Balance to Interest Sensitive Deposit Ratio	45
4.4 Total Assets	s to Total Liabilities Ratio	46
4.5 Loans and A	Advances to Total Assets Ratio	48
4.6 Investment	to Loans and Advances and Investments ratio	50
4.7 Loans & Ac	dvance and Investment to Total deposit Ratio	51
4.8 Performing	Assets to Total Assets Ratio	53
4.9 Non- Perfor	rming Assets to Total Assets Ratio	54
4.10 Return on	Loan and Advances Ratio	56
4.11 Loan Loss	Ratio	57
4.12 Interest Ea	arned to Total Income Ratio	59
4.13 Interest Ex	spenses to Total Income Ratio	60
4.14 Interest Inc	come to Interest Expense Ratio	62
4.15 Loans and	Advances Portfolio SCBL	63
4.16 Loans and	Advances Portfolio NICA	64
4.17 Investmen	t Portfolio SCBL	65
4.18 Investmen	t Portfolio NICA	66
4.19 Private Sec	ctor loans and total Loans and Advance	67
4.20 Governme	nt Sector loan to Total loan & Advance Ratio	68
4.21 Ratio of G	overnment securities to total Investments	69
4.22 Ratio of Sl	hare and Debenture to total Investments	70
4.23 Net Assets	3	71
4.24 Deposit		73
4.25 Loan and A	Advances	74
4.26 Investmen	t	76
4.27 Interest Ea	rned	77
4.28 Provision	for Doubtful Debts	78

4.29 Net Profit	80
4.30 Correlation between Deposit and Loans and Advances	82
4.31 Correlation between doubtful debts and Loans and Advances	83
4.32 Correlation between Interest Earned and Net Profit	84
4.33 Correlation between Net Profit and Loan & Advances	85

LIST OF FIGURES

Figure No.	Title	Page No.
4.1 Measuring th	ne Liquid fund to current Ratio	42
4.2 Liquid Fund	to Total Deposit Ratio	44
4.3 Cash and Ba	nk Balance to Interest Sensitive Deposit Ratio	45
4.4 Total Assets	to Total Liabilities Ratio	47
4.5 Loans and A	dvances to Total Assets Ratio	48
4.6 Investment to	o Loans and Advances and Investments ratio	50
4.7 Loans & Adv	vance and Investment to Total deposit Ratio	52
4.8 Performing A	Assets to Total Assets Ratio	53
4.9 Non- Perform	ming Assets to Total Assets Ratio	55
4.10 Return on L	Loan and Advances Ratio	56
4.11 Loan Loss l	Ratio	58
4.12 Interest Ear	rned to Total Income Ratio	59
4.13 Interest Exp	penses to Total Income Ratio	61
4.14 Interest Inc	ome to Interest Expense Ratio	62
4.15 Loans and A	Advances Portfolio SCBL	63
4.16 Loans and A	Advances Portfolio NICA	64
4.17 Investment	Portfolio SCBL	66
4.18 Investment	Portfolio NICA	67
4.19 Net Assets		72
4.20 Deposit		73
4.21 Loan and A	dvances	75
4.22 Investment		76
4.23 Interest Ear	rned	77
4.24 Provision fo	or Doubtful Debts	79
4.25 Net Profit		81