INVESTMENT ANALYSIS OF COMMERCIAL BANKS IN NEPAL

(A case study of Nepal Investment Bank, Himalayan Bank, Nepal SBI Bank, Everest Bank and Bank of Kathmandu)

Submitted By:

SUJAN BHURTEL

SHANKER DEV CAMPUS

T.U. Regd. No: 7-1-32-381-99

Campus Roll No: 665/062

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.)

Kathmandu, Nepal July, 2009

RECOMMENDATION

This is to certify that the thesis

Submitted by: SUJAN BHURTEL

Entitled:

INVESTMENTANALYSIS OF COMMERCIAL BANKS IN NEPAL

(A case study of Nepal Investment Bank, Himalayan Bank, Nepal SBI Bank, Everest Bank and Bank of Kathmandu)

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

Joginder Goet (Thesis Supervisor)

Prof. Bisheshwor Man Shrestha (Campus Chief)

Prof. Dr. Kamal Deep Dhakal (Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis

Submitted by: **SUJAN BHURTEL**

Entitled:

INVESTMENT ANALYSIS OF COMMERCIAL BANKS IN NEPAL

(A case study of Nepal Investment Bank, Himalayan Bank, Nepal SBI Bank, Everest Bank and Bank of Kathmandu)

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 for the Degree of

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

Viva-Voce Committee

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

DECLARATION

I hereby declare that the work reported in this thesis entitled INVESTMENT

ANALYSIS OF COMMERCIAL BANKS IN NEPAL (A case study of Nepal

Investment Bank, Himalayan Bank, Nepal SBI Bank, Everest Bank and Bank of

Kathmandu) Submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan

University is my original work for the partial fulfillment for the Degree of Master of

Business Studies (M.B.S.) under Supervision of Mr. Joginder Goet, lecturer of

Shanker Dev Campus, Putalisadak, Kathmandu.

Date:

SUJAN BHURTEL SHANKER DEV CAMPUS T.U. Regd. No: 7-1-32-381-99

Campus Roll No: 665/062

ACKNOWLEDGEMENTS

This thesis entitled INVESTMENT ANALYSIS OF COMMERCIAL BANKS IN NEPAL (A case study of Nepal Investment Bank, Himalayan Bank, Nepal SBI Bank, Everest Bank and Bank of Kathmandu) 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

First of all, I would like to extend my sincere regard and profound gratefulness to work under the admirable supervision of Joginder Goet, Lecturer of Shanker Dev Campus. He always motivated me and I had his exclusive consideration and guidance all the time.

involving the use of investment policy of commercial banks.

Finally, I would like to express my genuine appreciation to the staffs of library of Shanker Dev Campus and 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

TABLE OF CONTENTS

	Page No.
Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
CHAPTER - I INTRODUCTION	
1.1 Background of the Study	1
1.2 Focus of the Study	8
1.3 Statement of Problems	10
1.4 Objective of the Study	11
1.5 Limitation of the Study	12
1.6 Organization of the Study	12
CHAPTER - II REVIEW OF LITERATURE	
2.1 Conceptual Review	13
2.1.1 Principal of sound investment policy	13
2.1.2 Some Important Terms	15
2.2 Review of Related Journals (Articles)	17
2.3 Review of Related Studies	23
2.4 Review of Legislative Provision	26
2.5 Research Gap	30
CHAPTER - III RESEARCH METHODOLOGY	
3.1 Introduction	31
3.1.1 Research Design	31
3.1.2 Sources of Data	31
3.1.3 Population and Sample	32

3.2 Methods of Data Analysis		33
3.2.1	Ratio of Commercial Banks Investment to Sample	
	Bank Investment	33
3.2.2	Segregation of Total Investment of Sample Banks	33
3.3 Financial	Tools	34
3.3.1	Ratio Analysis	34
3.4 Statistical Tools		36
3.4.1	Multiple Regression Analysis	37
3.4.2	Coefficient of Correlation Analysis	37
3.4.3	Coefficient of Determination (R2)	38
3.4.4	Probable Error of Coefficient of Correlation	38
3.4.5	Trend Analysis	39
3.4.6	Arithmetic Mean	40
3.4.7	Standard Deviation	40
3.4.8	Co-Variance	40
CHAPTER -	IV PRESENTATION AND ANALYSIS OF DATA	
	PRESENTATION AND ANALYSIS OF DATA on and Analysis of Secondary Data	41
		41
4.1 Presentation	on and Analysis of Secondary Data	41
4.1 Presentation	on and Analysis of Secondary Data Ratio of Commercial Banks Investment to Sample Banks	
4.1 Presentation 4.1.1 4.1.2	on and Analysis of Secondary Data Ratio of Commercial Banks Investment to Sample Banks Investment	41
4.1 Presentation 4.1.1 4.1.2 4.1.3	on and Analysis of Secondary Data Ratio of Commercial Banks Investment to Sample Banks Investment Segregation of Investment	41 46
4.1 Presentation 4.1.1 4.1.2 4.1.3 4.1.4	on and Analysis of Secondary Data Ratio of Commercial Banks Investment to Sample Banks Investment Segregation of Investment Assets Management Ratio	41 46 49
4.1 Presentation 4.1.1 4.1.2 4.1.3 4.1.4 4.1.5	on and Analysis of Secondary Data Ratio of Commercial Banks Investment to Sample Banks Investment Segregation of Investment Assets Management Ratio Growth Ratio	41 46 49 71
4.1 Presentation 4.1.1 4.1.2 4.1.3 4.1.4 4.1.5	Ratio of Commercial Banks Investment to Sample Banks Investment Segregation of Investment Assets Management Ratio Growth Ratio Statistical Analysis	41 46 49 71 75
4.1 Presentation 4.1.1 4.1.2 4.1.3 4.1.4 4.1.5 4.2 Major Fin	Ratio of Commercial Banks Investment to Sample Banks Investment Segregation of Investment Assets Management Ratio Growth Ratio Statistical Analysis	41 46 49 71 75 82
4.1 Presentation 4.1.1 4.1.2 4.1.3 4.1.4 4.1.5 4.2 Major Fin	Ratio of Commercial Banks Investment to Sample Banks Investment Segregation of Investment Assets Management Ratio Growth Ratio Statistical Analysis dings of the Study	41 46 49 71 75 82
4.1 Presentation 4.1.1 4.1.2 4.1.3 4.1.4 4.1.5 4.2 Major Fine	Ratio of Commercial Banks Investment to Sample Banks Investment Segregation of Investment Assets Management Ratio Growth Ratio Statistical Analysis dings of the Study V SUMMARY, CONCLUSION & RECOMMENDAT	41 46 49 71 75 82
4.1 Presentation 4.1.1 4.1.2 4.1.3 4.1.4 4.1.5 4.2 Major Fin CHAPTER — 5.1 Summary	Ratio of Commercial Banks Investment to Sample Banks Investment Segregation of Investment Assets Management Ratio Growth Ratio Statistical Analysis dings of the Study V SUMMARY, CONCLUSION & RECOMMENDAT	41 46 49 71 75 82 FIONS
4.1 Presentation 4.1.1 4.1.2 4.1.3 4.1.4 4.1.5 4.2 Major Fin CHAPTER - 5.1 Summary 5.2 Conclusion	Ratio of Commercial Banks Investment to Sample Banks Investment Segregation of Investment Assets Management Ratio Growth Ratio Statistical Analysis dings of the Study V SUMMARY, CONCLUSION & RECOMMENDAT	41 46 49 71 75 82 FIONS 85 86

Appendices

LIST OF TABLES

Table No.		Page No.
Table No. 1	Total Commercial Banks Investment to NIBL Investment Ratio	41
Table No. 2	Total Commercial Banks Investment to HBL Investment Ratio	42
Table No. 3	Total Commercial Banks Investment to NSBIBL Investment Ratio	43
Table No. 4	Total Commercial Banks Investment to EBL Investment Ratio	44
Table No. 5	Total Commercial Banks Investment to BOKL Investment Ratio	45
Table No. 6	Segregation of Investment of NIBL	46
Table No. 7	Segregation of Investment of HBL	47
Table No. 8	Segregation of Investment of NSBIBL	48
Table No. 9	Segregation of Investment of EBL	48
Table No. 10	Segregation of Investment of BOKL	49
Table No. 11	Total Investment to Total Deposit Ratio of NIBL	50
Table No. 12	Total Investment to Total Deposit Ratio of HBL	51
Table No. 13	Total Investment to Total Deposit Ratio of NSBIBL	52
Table No. 14	Total Investment to Total Deposit Ratio of EBL	52
Table No. 15	Total Investment to Total Deposit Ratio of BOKL	53
Table No. 16	Total Investment plus Loan & Advance to Deposit Ratio of NIBL	55
Table No. 17	Total Investment plus Loan & Advance to Deposit Ratio of HBL	55
Table No. 18	Total Investment plus Loan & Advance to Deposit Ratio of NSBIBL	56
Table No. 19	Total Investment plus Loan & Advance to Deposit Ratio of EBL	56
Table No. 20	Total Investment plus Loan & Advance to Deposit Ratio of BOKL	57
Table No. 21	Total Investment to Total Assets Ratio of NIBL	58

Table No. 22	Total Investment to Total Assets Ratio of HBL	59
Table No. 23	Total Investment to Total Assets Ratio of NSBIBL	59
Table No. 24	Total Investment to Total Assets Ratio of EBL	60
Table No. 25	Total Investment to Total Assets Ratio of BOKL	61
Table No. 26	Investment on Government Securities to Total Assets Ratio of NIBL	63
Table No. 27	Investment on Government Securities to Total Assets Ratio of HBL	63
Table No. 28	Investment on Government Securities to Total Assets Ratio of NSBIBL	64
Table No. 29	Investment on Government Securities to Total Assets Ratio of EBL	65
Table No. 30	Investment on Government Securities to Total Assets Ratio of EBL	65
Table No. 31	Investment on Share and Debenture to Total Assets Ratio of NIBL	67
Table No. 32	Investment on Share and Debenture to Total Assets Ratio of HBL	68
Table No. 33	Investment on Share and Debenture to Total Assets Ratio of NSBIBL	69
Table No. 34	Investment on Share and Debenture to Total Assets Ratio of EBL	69
Table No. 35	Investment on Share and Debenture to Total Assets Ratio of BOKL	70
Table No. 36	Growth Ratio of Investment	72
Table No. 37	Growth Ratio of Deposit	73
Table No. 38	Growth Ratio of Loan and Advance	74

LIST OF FIGURES

Figure No.		Page No.
1	Total Commercial Banks Investment to Total Investment Ratio	45
2	Total Investment to Total Deposit Ratio	53
3	Total Investment Plus Loan and Advance to Deposits Ratio	57
4	Total Investment to Total Assets Ratio	61
5	Investment on government Securities to Total Assets Ratio	66
6	Investment on Share and Debentures to Total Assets Ratio	71
7	Growth Ratio of Investment	72
8	Growth Ratio of Deposit	73
9	Growth Ratio of Loan and Advance	76

ABBREVIATIONS

B. S. : Bikram Sambat

BOKL : Bank of Kathmandu Limited

CRR : Cash Reserve Ratio

CV : Co-efficient of Variation

EBL : Everest Bank Limited

EIR : Expected Inflation Return

ENR : Expected Nominal Return

EPS : Earning Per Share

ERR : Expected Real Return

FY: Fiscal Year

GDP : Gross Domestic Product

GNP : Gross National Product

Govt. : Government

HBL : Himalayan Bank Limited

i.e. : That is

IMF : International Monetary Fund

IRR : Internal Rate of Return

Ltd. : Limited

MBS : Masters of Business Studies

MPS : Market Price of Share

NBBL : Nepal Bangaladesh Bank Limited

NIBL : Nepal Investment Bank Limited

NPV : Net Present Value

NRB : Nepal Rastra Bank

NSBIBL : Nepal SBI Bank Limited

ROA : Return of Assets

ROE : Return on Equity

S.D. : Standard Deviation

SCBL : Standard Chartered Bank Limited

SEBO : Securities Board

TU : Tribhuvan University