

**LENDING PORTFOLIO MANAGEMENT OF
NEPALESE COMMERCIAL BANKS
(With Reference to NABIL and HBL)**

By:

DEEPAK SIGDEL

Shanker Dev Campus

T.U. Regd. No: 7-1-32-274-98

Campus Roll No: 147/061

Second Year Symbol No.: 4009

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

April, 2010

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

DEEPAK SIGDEL

Entitled:

**LENDING PORTFOLIO MANAGEMENT OF
NEPALESE COMMERCIAL BANKS
(With Reference to NABIL and HBL)**

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

.....
Prof. Dr. Kamal Das Manandhar
(Thesis Supervisor)

.....
Prof. Bisheshwor Man Shrestha
(Head of Research Department)

.....
Prof. Dr. Kamal Deep Dhakal
(Campus Chief)

.....
Kiran Thapa
(Thesis Supervisor)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

by

DEEPAK SIGDEL

Entitled:

**LENDING PORTFOLIO MANAGEMENT OF
NEPALESE COMMERCIAL BANKS
(With Reference to NABIL and HBL)**

*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 (Thesis Supervisor)

Member (External Expert)

TRIBHUVAN UNIVERSITY

Faculty of Management

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled **“Lending Portfolio Management of Nepalese Commercial Banks (With Reference to NABIL and HBL)”** 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 **Prof. Dr. Kamal Das Manandhar** and **Kiran Thapa** of Shanker Dev Campus.

.....

Deepak Sigdel

Researcher

Campus Roll No. : 147/061

T.U. Regd. No. : 7-1-32-274-98

Second Year Symbol No.: 4009

ACKNOWLEDGEMENT

This thesis entitled “*Lending Portfolio Management of Nepalese Commercial Banks (With Reference to NABIL and HBL)*” has been prepared in partial fulfillment for the degree of Masters of Business Studies (MBS) under the supervision of Prof. Dr. Kamal Das Manandhar and Kiran Thapa of Shanker Dev Campus. My special Thanks goes to Prof. Bisheshwor Man Shrestha, head of Research Department, Shanker Dev Campus. It is my privilege of getting helps and co-operation from different persons. It is not possible to enumerate the names of all of them. However, it will be matter of injustice if I forget the names of those personalities whose valuable suggestions and co-operation escorted to complete this thesis report.

First and foremost, I would like to offer special thanks to Debendra Bohara Lecturer of College of Business Management, Dillibazar for his proper suggestions. I could not remain without thanking to my teachers and lecturers who all helped me during my study of MBS and during preparation of this thesis report.

I especially appreciate my Parents and rest of my family who always created the environment for my success.

I am thankful to the librarians of Central Library, TU Kritipur and Library of Shanker Dev Campus for providing me with related books and thesis and the entire teacher involved there who made me capable of writing this thesis. I alone am responsible for whatever weaknesses it may still contain.

Deepak Sigdel

TABLE OF CONTENTS

Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
CHAPTER I: INTRODUCTION	Page No.
1.1 Background of Study	1
1.2 Lending Portfolio	3
1.3 Introduction of Selected Banks	4
1.3.1 Himalayan Bank Limited (HBL)	4
1.3.2 Nabil Bank Limited (NABIL)	5
1.4 Focus of the Study	6
1.5 Statement of the Problem	7
1.6 Objectives of the Study	9
1.7 Limitations of the Study	9
1.8 Organization of the Study	9
CHAPTER II: REVIEW OF LITERATURE	
2.1 Conceptual Review	11
2.1.1 Meaning and function of the commercial Banks	11
2.1.2 Meaning and Definition of lending	13
2.1.3 Loan disbursement and classification	14
2.1.4 Loan loss provision	16
2.1.5 Lending process	16
2.1.6 Portfolio Analysis	18
2.2 Review of Global Literature	21
2.3 Review of National Literature	28

2.4 Lending in the context of Nepal	33
2.5 Review of Related Studies	39
2.6 Research Gap	47
CHAPTER III: RESEARCH METHODOLOGY	
3.1 Research Design	49
3.2 Sources of Data	49
3.3 Population and Sample Survey Design	50
3.4 Method of Data Collection	50
3.5 Data Processing Technique	50
3.6 Tools and Techniques Employed	51
3.7 Tools Used	51
CHAPTER IV: PRESENTATION AND ANALYSIS OF DATA	
4.1 Financial Analysis of Himalayan Bank Limited & Nabil Bank Limited	53
4.2 Lending Portfolio Analysis	57
4.3 Non-performing Loan Analysis of HBL & NABIL	61
4.4 Correlation Analysis	63
4.4.1 Correlation coefficient between Deposit and Loan and Advance of HBL	64
4.4.2 Correlation coefficient between Deposit and Loan and Advances of Nabil	64
4.4.3 Correlation coefficient between NPL and Loan and Advances of HBL	65
4.4.4 Correlation coefficient between NPL and Loan and Advances of Nabil	
4.5 Regression Analysis	66
4.5.1 Impact of Loan and Advance and Non-Performing Loan on Net Profit of HBL and Nabil	66
4.5.2 Impact of Total Loan and Advances and Deposit on Net Profit of HBL and Nabil	69
4.6 Major Findings	72
CHAPTER V: SUMMARY, CONCLUSION AND RECOMMENDATION	
5.1 Summary	75
5.2 Conclusion	77

Bibliography**Annexure****LIST OF TABLES**

Table No.	Title	Page No.
4.1	Total Loan and Advances to Total Deposit Ratio	54
4.2	Non-Performing Loans to Total Loan and Advances Ratio	55
4.3	Total Investment to Total Deposit Ratio	56
4.4	Total Profit to Loan and Advance Ratio	57
4.5	Percentage of Portfolio of Lending of HBL and Nabil	58
4.6	Mean and Standard Deviation of Portfolio of Lending of HBL and NABIL	59
4.7	Non-performing Loan of HBL	61
4.8	Non-performing Loan of Nabil	62
4.9	Correlation coefficient between Deposit and Loan and Advances of HBL	64
4.10	Correlation coefficient between Deposit and Loan and Advances of Nabil	64
4.11	Correlation coefficient between NPL and Loan and Advance of HBL	65
4.12	Correlation coefficient between NPL and Loan and Advance of Nabil	66
4.13	Impact of Loan and Advance and Non-performing Loan on Net Profit of HBL	67
4.14	Impact of Loan and Advance and Non-performing Loan on Net Profit of Nabil	68
4.15	Impact of Total Loan and Advance and deposit on Net Profit of HBL	69
4.16	Impact of Total Loan and Advance and deposit on Net Profit of Nabil	71

LIST OF FIGURES

Figure no.	Title	Page No.
4.1	Non-performing Loan to Total Loan and Advances Ratio	55
4.2	Non-performing Loan of HBL	62
4.3	Non-performing Loan of NABIL	63

ABBREVIATIONS

A.D.	:	Anno Domini
AMC	:	Asset Management Company
ANOVA	:	Analysis of Variance
ATM	:	Automated Teller Machine
B.S.	:	Bikam Sambat
CEO	:	Chief Executive Officer
CIB	:	Credit Information Bureau
CPM	:	Credit Portfolio Management
DBI	:	Dubai Bank Limited
DEA	:	Data Envelopment Analysis
EBIL	:	Emirates Bank International Limited
EBL	:	Everest Bank Limited
EPS	:	Earning Per Share
GON	:	Government of Nepal
HBL	:	Himalayan Bank Limited
JVB	:	Joint Venture Bank
LLP	:	Loan Loss Provision
Nabil	:	Nabil Bank Limited
NBL	:	Nepal Bank Limited
NEPSE	:	Nepal Stock Exchange
NIBL	:	Nepal Investment Bank Limited
NIDC	:	Nepal Industrial Development Corporation
NPA	:	Non-performing Assets
NPL	:	Non-performing Loan
NRB	:	Nepal Rastra Bank
P. E	:	Probable Error
PSL	:	Priority Sector Lending
RBB	:	Rastriya Banijya Bank

SCBNL : Standard Chartered Bank Nepal Limited
SMS : Short Message Service
SPSS : Software Package for Social Studies