

**A Case Study on Loan Disbursement and Realization
Of
Nepal Bank Limited**



BY

**Rajani Shrestha
T.U. Regd. No :- 7-1-238-042-97
Roll No. :- 30/062
Thakur Ram Multiple Campus, Birgunj**



**A Thesis
Submitted to
The Office of Dean
Faculty of Management
Tribhuvan University**



**In the partial Fulfillment of the requirement for the
Master's Degree in Business Studies
(M.B.S)**

December, 2010

RECOMMENDATION

This is to certify that the thesis

Submitted by

RAJANI SHRESTHA

Entitled

**" A CASE STUDY ON LOAN DISBURSEMENT AND
REALIZATION OF NEPAL BANK LTD "**

Has been prepared and approved by this department in the prescribed
format of Faculty of Management. This thesis is forwarded for
evaluation.

.....

(Lalan Dwibedi)

Thesis Supervisor

.....

(Rajeswor Prasad Acharya)

Chair Person Research Committee)

.....

Campus Chief

Thakur Ram Multiple Campus

Date:

VIVA -VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:

Rajani Shrestha

Entitled

**“A CASE STUDY ON LOAN DISBURSEMENT AND
REALIZATION OF NEPAL BANK LIMITED”**

And found the thesis to be 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 of Master's Degree in Business Studies (M.B.S.)

Viva – Voce Committee

Head of Research Department :

Member (Thesis Supervisor) :

Member (External Expert) :

Date :

DECLARATION

I hereby declare that the work reported in this thesis entitled "**A Case Study on Loan Disbursement and Realization of Nepal Bank Limited**" submitted to Thakur Ram Multiple Campus, Faculty of Management Tribhuvan University is my original work done in the format of partial fulfillment of the required for the degree of master of business studies under the supervision of Mr Lalan Dwibedi of Thakur Ram Multiple Campus, Birgunj, Parsa.

.....

Rajani Shrestha

T.U. Regd. No. 7-1-238-042-97

Campus Roll No. 30/062

Thakur Ram Multiple Campus, Birgunj

Acknowledgement

My heartfelt gratitude goes to my respected supervisor lecturer, Mr Lalan Dwibedi, Thakur Ram Multiple Campus, Birgunj, Parsa, T.U. for his valuable advice and perpetual inspiration through out the study period.

I would like to express my sincere thanks to Mr.Rajeshwor Prasad Acharya, Dr. Deepak Shakya, Mr.Avinash Prasad Singh, Mr.Sanjay Shrestha for providing me essential facilities and who insisted me from time to time to undertake this thesis writing. It's my pleasure to acknowledge with my sincere thanks to all the lectures of Thakur Ram Multiple Campus for their academic support.

It is my greatest privilege to have the opportunity of expressing my deep sense of gratitude and humble regards to Mr.Sandip Manadhar for his kind assistance to prepare this thesis.

Further, I would also like to thank the officers of Nepal Bank Limited, Birgunj who helped me to avail data of the bank.

Table of Contents

S.N.	Page No:
Recommendation	I
Viva-Voce Sheet	II
Declaration	III
Acknowledgement	IV
Abbreviation	V
Tabel of Contents	VI-X

S.N.	Page No.
------	----------

Chapter 1

Introduction

1.1 General Background	1
1.1.1 Origin and Historical growth of Banking	3
1.1.2 Organizational structure of Nepal Bank Ltd.	4
1.1.2.1 Figure of organizational structure of Nepal Bank Ltd	5
1.1.3 Investment policy	6
1.1.4 Loan Maturity and Method of Repayment	7
1.1.5 Security	8
1.1.6 Rate of interest	8
1.1.7 Financial Procedures	11
1.1.8 Functions of Nepal Bank Limited	12
1.1.8.1 To accept Deposit	12
1.1.8.1.1 Current Account	12
1.1.8.1.2 Saving Account	13
1.1.8.1.3 Fixed Deposit Account	14
1.1.8.2 To Grant Loans	14
1.1.8.3 To Transfer Money	14
1.1.9 Authority to Loan Approval manager level	15
1.1.10 Management	15
1.1.11 Competitor of Nepal Bank Ltd.	16
1.1.11.1 Rastriya Barijya Bank	17
1.1.11.2 Nepal Arab Bank Ltd	17

1.1.11.3 Nepal Investment Bank Ltd	17
1.1.11.4 Nepal Standard Chartered Bank	18
1.1.11.5 Himalayan Bank Ltd	18
1.1.11.6 Nepal SBI Bank Ltd	18
1.1.11.7 Nepal Bangladesh Bank Ltd	18
1.1.11.8 Everest Bank Ltd	18
1.1.11.9 Bank of Kathmandu Ltd	19
1.1.11.10 Nepal Credit and Commerce Bank Ltd	19
1.1.11.11 Lumbini Bank Ltd.	19
1.1.11.12 Nepal Industrial and Commercial Bank Ltd	19
1.1.11.13 Machha Puchchhre Bank Ltd	19
1.1.11.14 Kumari Bank Ltd	20
1.1.11.15 Laxmi Bank Ltd.	20
1.1.11.16 Sidhratha Bank Ltd	20
1.2 Statement of the problem	20
1.3 Objectives of the study	21
1.4 Hypothesis of the study	22
1.5 Limitation of the study	22
1.6 Organization of the Study	22

Chapter -2

Review of Literature

2.1 Conceptual Framework	24
2.1.1 Need for Loan Policy	25
2.1.1.1 Components of a Loan Policy	26
2.1.1.1.1 Loan Objective	26
2.1.1.1.2 Volume and Mix of Loans	26
2.1.1.1.3 Geographical Spread	26
2.1.1.1.4 Loan Evaluation Procedures	27
2.1.1.1.4.1 Industry Prospects	27

2.1.1.1.4.2 Operational Efficiency	27
2.1.1.1.4.3 Financial Efficiency	28
2.1.1.1.4.4 Management Evaluation	28
2.1.1.1.4.5 Fundamental Analysis	28
2.1.1.1.5 Loan Administration	29
2.1.1.1.6 Credit Files	29
2.1.1.1.7 Lending Rates	29
2.2 Willful Defaulters of Nepal Bank Ltd.	30
2.3 Things your boss wants you to know	31
2.3.1 Forget about excuses	31
2.3.2 Don't aim for perfection	31
2.3.3 Simply carrying your share is not enough	31
2.3.4 Follow through on your own	31
2.3.5 Anticipate problems	31
2.3.6 Be resilient about foul-ups	31
2.3.7 Take care of problems don't take them to your boss	31
2.3.8 Punctuality counts	31
2.3.9 Attendance Counts	32
2.3.10 Don't be a squeaking wheel	32
2.3.11 Don't carry grudges over routine losses	32
2.3.12 Choose your battles carefully	32
2.3.13 Deal directly with person who can make the decisions	32
2.3.14 Whenever possible, keep control of solving you problem	32
2.3.15 Learn to translate boss language	33
2.3.16 Learn what other people in the organization are doing	33
2.3.17 Getting along with your co-workers	33
2.3.18 Project the organization's reputation and privacy	33
2.3.19 Let others win sometimes-even when you have the power	33
2.3.20 Learn timing	33
2.3.21 Don't lie	33
2.3.22 Read your business's professional and trade publications	33
2.3.23 Get to know your peers in your industry	33
2.3.24 Never assume other people are operating from your premises, your standards, your goals, or your rules	34

2.3.25 Use common sense in applying these and all business behavior rules to your own situations	34
2.4 Risks of Financial Institution	34
2.4.1 Interest Risk	34
2.4.2 Market Risk	35
2.4.3 Credit Risk	35
2.4.4 Off-balance sheet Risk	36
2.4.5 Technological and operational Risk	36
2.4.6 Foreign exchange Risk	36
2.4.7 Country or Sovereign Risk	36
2.4.8 Liquidity Risk	37
2.4.9 Insolvency Risk	37
2.5 Document required for application of Loan	37
2.6 Review of Related Research Studies	38

Chapter- 3

Research Methodology

3. Introductions	41
3.1 Research Design	42
3.2 Nature and Source of Data	42
3.3 Population and Sample	42
3.4 Data Gathering Procedures and Instrument	43
3.5 Data Processing Procedure	43
3.6 Tools and Techniques for Analysis	43
3.6.1 Financial Tools	43
3.6.1.1 Ration analysis	43
3.6.2 Statistical tools	49

Chapter-4

Data Analysis and Presentation

4.1 Descriptive Analysis	55
4.1.1 Target and Actual Loan Approval	58
4.1.2 Target and Actual Loan Disbursement	58
4.1.3 Target and Actual Loan Realization	60
4.1.4 Target and Actual Realization of NPA	62
4.1.5 Interest Amount in Respect of Total Income	64
4.1.6 Cost of Fund	67
4.1.7 Loan disbursement and realization of gold-silver	69
4.1.8 Loan disbursement and realization of Hypothecation, JCF	72
4.1.9 Loan disbursement and realization of Hypothecation, Public	74
4.1.10 Loan disbursement and realization of pledge(Agricultural	76
4.1.11 Loan disbursement and realization of pledge(Others)	79
4.1.12 Loan disbursement and realization of Fixed Deposit Loan	81
4.1.13 Loan disbursement and realization of Project Loan	83
4.1.14 Loan disbursement and realization of Agricultural Loan	85
4.1.15 Loan disbursement and realization of Industrial Loan	87
4.1.16 Loan disbursement and realization of Service Loan	89
4.1.17 Loan disbursement and realization of Overdraft Loan	91
4.2.1 Testing the target and actual loan disbursement	95
4.2.2 Testing the target and actual loan realization	95
4.2.3 Testing the target and actual realization of NPA	96
4.2.4 Testing the cost of fund	96

Chapter 5

Summary, Conclusion and Recommendation

5.1 Summary	97
5.2 Conclusion	97
5.3 Recommendations	100
Bibliography	
Appendix- A	

ABBREVIATION

A.D.	Anno Domini
B.S.	Bikram Samwat
CB	Central Bank
CV	Co-efficient of Variance
FI	Finicial Institution
FY	Fiscal Year
HMG	His Majesty's Government
i.e.	That is
Ltd	Limited
NBL	Nepal Bank Limited
NRB	Nepal Rastriya Bank
SD	Standard Deviation
TC	Travel Cheque
USD	United State Dollar
NP	Net Profit
EPS	Earning Per Shares
DPS	Dividend Per Shares