

**INVESTMENT POLICY OF
COMMERCIAL BANKS OF NEPAL**

(A Comparative Study of NABIL Bank Ltd. and Nepal Investment Bank Ltd.)

Submitted By:

dipak khadka

makawanpur multiple Campus

Campus Roll No.: /

T.U. Registration No.:

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 (M.B.S.)

Hetauda, Nepal

April, 2009

RECOMMENDATION

This is to certify that the thesis:

Submitted by

Dipak khadka
Entitled

Investment Policy of Commercial Banks of Nepal
(A Comparative Study of NABIL Bank Ltd. and Nepal Investment 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.

Bin bahadur raut

Thesis Supervisor

yubaraj giri

Campus Chief

makawanpur multiple campus

VIVA - VOCE SHEET

We have conducted the viva-voce examination of the thesis presented by

XXXXXXXXXXXXXXXXXXXX

Entitled

Investment Policy of Commercial Banks of Nepal

(A Comparative Study of NABIL Bank Ltd. and Nepal Investment 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 (M.B.S)

Viva – Voce Committee

Head of Research Committee :

Member (Thesis Supervisor) :

Member (Thesis Supervisor) :

Member(External Expert) :

TRIBHUVAN UNIVERSITY
Faculty of Management
Makwnpur Multiple Campus, Hetauda

DECLARATION

I hereby declare that this thesis entitled “**Investment Policy of Commercial Banks of Nepal (A Comparative Study of NABIL Bank Ltd. and Nepal Investment Bank Ltd.)**” submitted to the office of dean, Faculty of management, Tribhuvan University is my original research work which is prepared as the partial fulfillment of the requirement for Degree of Master of Business Studies (M.B.S) under the guidance and supervision of **Mr. Bin Bahadur Raut**, Thesis Supervisor, Makwnpur Multiple Campus, Hetauda .

Dipak Khadka
Researcher
Roll No : 25
Makwnpur Multiple Campus, Hetauda
T.U. Regd. No. : 7-3-242-201-2003
Date: April , 2009

ACKNOWLEDGEMENT

I wish to extend my deep sense of indebtedness to **Mr Bin Bahadur Raut** my thesis supervisor, who provided me valuable guidelines, insightful comments, encouragement and generous treatment to complete this thesis. This work never has been come out in the present form without **his** inspiration, valuable suggestions and guidelines. I am also extremely indebted to all the teachers of **Makwanpur Multiple Campus Hetauda**, who encouraged me in my entire academic attempt.

Similarly, I will thank all the co-workers, seniors and sub-ordinates of NABIL and NIBL Banks, for providing me the data without which the research was not possible. I express my heartfelt gratitude to my parents & other family members who always inspired me to complete this journey of higher education from the benchmark of my academic qualification that I had. Without their encouragement and inspiration my higher education could not have been fulfilled.

At last but not least, I must not forget to thank my friends and colleagues Mr. Amir Shrestha, Mr. Prabindra Dhoj Kunwar and Mr. Sanjiv Subedi Without their cordial cooperation, this work would have been very difficult for me.

With Regards,

Mr. Dipak Khadka

Researcher

Makwanpur Multiple Campus, Hetauda,

TABLE OF CONTENTS

Recommendation

Viva- Voce Sheet

Declaration

Acknowledgement

Table of Contents

List of Tables

Abbreviations

Page No.

CHAPTER – I: INTRODUCTION

1.1 Background of the Study

1

1.2 Evolution of Banking in Nepal

3

1.3 Profile of Concerned Banks

3

1.4 Statement of the Problem

6

1.5 Objectives of the Study

7

1.6 Limitation of the Study

8

1.7 Organization of the Study

8

CHAPTER – II: REVIEW OF LITERATURE

2.1 Conceptual Framework

10

2.1.1 Commercial Bank

10

2.1.2 Joint Venture Bank

11

2.1.3 Investment

11

2.2 Review of Related Studies

21

2.3 Review of Master's Degree Thesis

25

CHAPTER – III: RESEARCH METHODOLOGY

3.1 Research Design	30
3.2 Population and Sample	30
3.3 Nature and Source of data	30
3.4 Method of Data Presentation and Analysis	31
3.5 Financial Tools	31
3.5.1 Liquidity Ratios	31
3.5.2 Asset Management Ratio	33
3.5.3 Profitability Ratios	35
3.5.4 Risk Ratios	36
3.5.5 Growth Ratios	36
3.6 Statistical Tools	37

CHAPTER – IV: DATA ANALYSIS AND PRESENTATION

4.1 Financial Analysis	39
4.1.1 Liquidity ratio	39
4.1.2 Analysis of the Asset Management Position of the banks	44
4.1.3 Analysis of the profitability position of the banks	48
4.1.4 Risk Ratios	51
4.1.5 Growth Ratios	53
4.2 Statistical Analysis	56
4.2.1 Co-efficient of correlation analysis	56
4.2.2 Trend Analysis and Projection for next five years	58
4.2.3 Test of Hypothesis	64
4.3 Major Findings of the Study	68
4.3.1 Findings from the Liquidity Ratios Analysis	68
4.3.2 Finding from the Asset Management Ratio	69
4.3.3 Finding from the Profitability Ratios	69
4.3.4 Finding from the Risk Ratios	70
4.3.5 Finding from the Growth Ratios	70
4.3.6 Finding from the Co-efficient of correlation analysis	70
4.3.7 Finding from the Trend Analysis	71
4.3.8 Finding from the Test of Hypothesis	71

CHAPTER – V: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary	72
5.2 Conclusion	74
5.3 Recommendations	75

APPENDIX

BIBLIOGRAPHY

LIST OF TABLES

No.	Details	Page No.
4.1	Current Ratio	40
4.2	Cash and Bank Balance to Current Assets Ratio	41
4.3	Cash and bank balance to total deposit ratio	42
4.4	Investment on govt. securities to current asset ratio	43
4.5	Loan and advances to current assets ratio	43
4.6	Loan and advances to total deposit ratio	44
4.7	Total investment to total deposit ratio	45
4.8	Loan and advances to total working fund ratio	46
4.9	Investment on government securities to total working fund ratio	47
4.10	Investment on shares and debentures to total working fund ratio	48
4.11	Return on Loan and Advances Ratio	49
4.12	Return on equity	50
4.13	Total Interest Earned to Total outside Asset Ratio	51
4.14	Liquidity risk ratio	52
4.15	Credit risk ratio	53
4.16	Growth ratios of total deposits	54
4.17	Growth Ratios of Loan and Advances	54
4.18	Growth Ratios of Total Investment	55
4.19	Growth Ratios of Net Profit	55
4.20	Co-relation between Deposit and Loan and Advances	56
4.21	Correlation between Deposit and Total Investment	57
4.22	Trend value of total deposit of NABIL and NIBL	59
4.23	Trend value of Loan and Advances of NABIL and NIBL	60
4.24	Trend value of Total Investment of NABIL and NIBL	62
4.25	Trend value of Net Profit of NABIL and NIBL	63
4.26	Hypothesis Test on Loan and Advances to Total Deposit Ratio	65
4.27	Hypothesis test on total investment to total deposit of NABIL and NIBL	66

ABBREVIATIONS

C.V.	-	Coefficient of variance
DPS	-	Dividend per Share
EPS	-	Earning per Share
Etc.	-	Etceteras
FY	-	Fiscal Year
GON	-	Government of Nepal
Govt.	-	Government
JVBs	-	Joint Venture Banks
NABIL	-	Nepal Arab Bank Limited
NIBL	-	Nepal Investment Bank Limited
NRB	-	Nepal Rastra Bank
NRs.	-	Nepalese Rupees
P.E.	-	Probable Error
r	-	Coefficient of Correlation
RBB	-	Rastriya Banijya Bank
ROA	-	Return on Assets
ROE	-	Return on Equity
ROI	-	Return on Investment
S.D.	-	Standard Deviation
S.N.	-	Serial Number
TU	-	Tribhuvan University