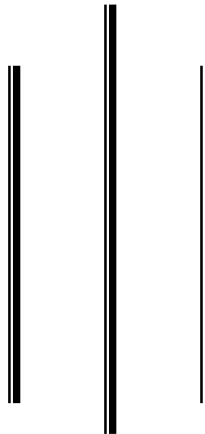


ANALYSIS OF PROFIT PLANNING PROCEDURE
(With Reference to Nepal SBI Bank Limited)

By

RITA KUMARI ACHARYA
Shanker Dev Campus
Campus Roll No.: 2055/064
T.U. Regd.No.: 1713-93
2nd Year Exam Symbol No.: 390217

A Thesis Submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University



In partial fulfillment of the requirements for the degree
of Masters of Business Studies (MBS)

Kathmandu, Nepal
August 2011

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Rita Kumari Acharya

Entitled:

ANALYSIS OF PROFIT PLANNING PROCEDURE

(With reference to Neapl SBI bank limited)

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

**Asso.Prof. Prakash Singh
Pradhan**
(Thesis Supervisor)

**Prof. Bishweshor Man
Shrestha**
(Head, Research Department)

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

Romakanta Bhattarai
(Thesis Supervisor)

VIVA-VOCE SHEET

We have conducted the viva-voce of the thesis presented

By:

Rita Kumari Acharya

Entitled:

ANALYSIS OF PROFIT PLANNING PROCEDURE
(With reference to Neapl SBI bank limited)

And found the thesis to be the r original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfilment of the requirement for the degree of

Master of Business Studies (MBS)

Viva-Voce Committee

Head. Research Denartment

Member (Thesis Supervisor)

Member (Thesis Supervisor)

Member (Thesis Supervisor)

DECLARATION

I hereby declare that the work reported in this thesis entitled “**Analysis of profit planning procedure**” (With special reference to **Nepal SBI Bank Limited**) 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 **Asso. Prof. Prakash Singh Pradhan and Romankanta Bhattarai**, of Shanker Dev Campus, T.U.

RITA KUMARI ACHARYA

Shanker Dev Campus

Campus Roll No.: 2055/064

T.U. Regd.No.: 1713-93

2nd Year Exam Symbol No.: 390217

ACKNOWLEDGEMENT

This thesis has been prepared as a partial fulfillment of the requirement of master's Degree of Business studies under the faculty of management, tribhuvan University. This study "*Analysis of Profit planning Procedure: A case study of Nepal SBI Bank Limited.*" aims to access the comprehensive budgeting of commercial bank in Nepal providing comprehensive acknowledge to future research and other interested persons.

I have great pleasure to express my gratitude and sincerity to my thesis supervisor Asso.Prof. Prakash Singh Pradhan and Romakanta Bhattarai, of Shanker Dev Campus, TU for their excellent and effective guidance and supervision. I will remain indebted to them for their valuable direction useful suggestion and comments during the course of preparing this thesis without their help this work would not have come in this form.

I highly appreciate to all the staff of Nepal SBI bank, NRB library, Shanker Dev campus Library and central library for their valuable advices and support in collecting and presenting the necessary data and journals.

I would also like to express my gratitude to my friends, family members as well as all known and unknown people who supported as well as inspired me to complete this thesis.

At last, I don't want to state that this research is complete and perfectly satisfactory. There may be various limitations and short comings. I am responsible for the errors and omissions, I apologize for my mistakes and thankful for your valuable suggestions.

Rita Kumari Acharya

TABLE OF CONTENTS

Recommendation
Viva Voce Sheet
Declaration
Acknowledgement
Table of Contents
List of Tables
List of Charts
Abbreviations

CHAPTER-I INTRODUCTION Page No.

1.1	General Background of the Study	1
1.2	History of Banking Development	3
1.3	Importance of Financial Institution	7
1.4	Statement of the Problem	8
1.5	Objectives of the Study	8
1.6	Signification of the Study	9
1.7	Limitations of the Study	9
1.8	Design of the Study	10

CHAPTER-II CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE

2.1	Introduction	11
2.2	Conceptual Framework of Profit Planning and Control	11
2.2.1	Concept of Profit Planning and Control	11
2.2.2	Profit	13
2.2.2.1	Long Range and Short Range Profit	14
2.2.3	Planning	14
2.2.3.1	Long Range and Short Range Planning	15
2.2.3.2	Corporate Planning	16
2.2.3.3	Role of Forecasting in Planning	17

2.2.4	Control	17
2.2.5	Budget and Budgeting	19
2.2.6	Budgeting: As a Device of Profit Plan	20
2.2.7	Essentials of and Effective Budgeting	21
2.2.8	Basic Assumptions and Limitations of Profit Plan	23
2.2.9	Resources Mobilization Plan or Budget	24
2.2.10	Resources Deployment Plan or Budget	25
2.2.11	Planning for Non-Funded Business Activities	26
2.2.12	Performance Reports	28
2.3	Profile of Nepal SBI Bank Limited	30
2.3.1	Introduction	30
2.3.2	Establishment	30
2.3.3	Share Capital	30
2.3.4	Management Personnel & Branches	31
2.3.5	Broad Objectives and Goals of NSBI	35
2.4	Review of Previous Studies	36
2.4.1	Review of Books	37
2.4.2	Review of Thesis	40
2.5	Research Gap	45

CHAPTER-III

RESEARCH METHODOLOGY

3.1	Introduction	47
3.2	Research Design	48
3.3	Population and Sample	48
3.4	Hypothesis	48
3.5	Nature and Sources of Data	49
3.6	Data Collection Procedure	49
3.7	Data Processing	49
3.8	Research Variable	49
3.9	Time period of Profit Plan	49
3.10	Methods of Data Analysis	50
3.11	Method of Presentation	54

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

4.1	Introduction	55
4.1.1	Human Resources and Branch Offices of NSBI	57
4.1.2	Resource Mobilization Planning	57
4.1.3	Customer Deposit Collection	59
4.1.4	Deposit Collection Budget of NSBI	59
4.1.5	Movement in Deposit Collection of NSBI	63
4.1.6	Other resources of NSBI	63
4.2	Structure and Planning System of NSBI	65
4.3	Resources Deployment plan of NSBI	68
4.3.1	Total Deployment Investment of NSBI	71
4.3.2	Budgeted and Actual LDO of NSBI	74
4.3.3	Movement in LDO of NSBI	78
4.3.4	Resources Deployment in other sector (NLDO)	78
4.3.5	Actual Deposit and Outstanding LDO of NSBI	80
4.4	Planning for Expenditure of NSBI	83
4.4.1	Interest Expenses	83
4.5	Revenue Planning of NSBI	85
4.5.1	Interest Income	85
4.6	Performance Evaluation of NSBI	86
4.6.1	Ratio Analysis	87
4.6.1.1	Liquidity Ratio	87
4.6.1.2	Leverage Ratio	89
4.6.1.3	Debt-equity Ratio	89
4.6.1.4	Interest Coverage Ratio	91
4.6.1.5	Activity Ratio	92
4.6.1.6	Profitability Ratio	93
4.7	Trend Analysis and Projection for next five year	94
4.8	Cash Flow Statement	97
4.9	Balance Sheet Analysis	100
4.10	Profit and Loss Analysis	101
4.11	Major Finding of the Study	101

**CHAPTER-IV SUMMARY, CONCLUSIONS AND
RECOMMENDATIONS**

5.1 Summary	104
5.2 Conclusion	105
5.3 Recommendations	106

Bibliography

Appendices

LIST OF TABLES

Table No.		Page No.
1.1	Lists of Commercial Banks in Nepal	6
2.1	List of Total Branch of NSBI	32
2.2	Board of Directors	34
2.3	Central Management Committee of NSBI	34
2.4	ATM location of Nepal SBI Bank	35
4.1	Status of personnel in NSBI	55
4.2	Status of Branches of NSBI	56
4.3	Status of Available Resources of NSBI	57
4.4	Status of Budgeted and Actual Deposit Collection	60
4.5	Summary of Budgeted and Actual deposit collection	61
4.6	Movement of Deposit Collection	63
4.7	Other Sources of NSBI	64
4.8	Total Income Generating Deployment of NSBI	69
4.9	Total Resources Deployment of NSBI	71
4.10	Comparative Table showing Budgeted and Actual Loan, Discounted, Overdraft of NSBI	74
4.11	Summary of Budgeted LDO and achievement	76
4.12	Table Showing Movement in LDO of NSBI	78
4.13	Status of Budgeted and Actual Deployment in Other Sector	78
4.14	Table Showing Actual deposit and Actual LDO of NSBI	80
4.15	Table Showing Summary of Actual Deposit and Actual LDO	82
4.16	Status of Average Cost of Deposit	83
4.17	Table showing Summary of Actual deposit and Interest expenses	84
4.18	Status of Average return on LDO	85
4.19	Table showing summary of Actual LDO and Interest Income	86
4.20	Current Ratio of NSBI	88
4.21	Debt Equity Ratio of NSBI	90
4.22	Interest Coverage Ratio	91
4.23	Status Showing Activity Ratio of NSBI	93
4.24	Profitability Ratio of NSBI	94
4.25	Trend Line of Total Deposit	95
4.26	Trend Value of Net Profit	96
4.27	Cash Flow Statement of NSBI	98

LIST OF FIGURES

Figure No	Page No.
2.1 Status Showing Pie Chart of Deployment	31
4.1 Status Showing Increasing Trend of Employee of NSBI	56
4.2 Trend Line Showing Increasing Trend of Branch	57
4.3 Pie Chart Showing Status of Total Available Resources	58
4.4 Bar Diagram Showing Fiscal Year Wise Available Resources	58
4.5 Bar Diagram Showing Budgeted and Actual Deposit Collection	60
4.6 Stack Line with Marker Showing Budgeted and Actual Deposit Collection	61
4.7 Bar Diagram Showing Other Resources of NSBI	64
4.8 Stack Line with Marker Show Other Resources of NSBI	65
4.9 Pie Chart Showing Status of Deployment	72
4.10 Bar Diagram Showing Status of Deployment	73
4.11 Bar Diagram Showing Budgeted and Actual LDO of NSBI	75
4.12 Scatter Diagram Showing Status of Budgeted and Actual LDO of NSBI	76
4.13 Bar Diagram Showing Status of Budgeted and Actual NLDO of NSBI	79
4.14 Bar Diagram Showing Status of Actual Deposit and Actual LDO	81
4.15 Column Series and Area series Showing actual deposit and Actual LDO	81
4.16 Bar Diagram Showing Status of Total Deposit and Interest Expenses	84
4.17 Bar Diagram Showing Status of Interest Income and Total LDO	86
4.18 Bar Diagram Showing Status of Current Assets & Current Liabilities	89
4.19 Bar Diagram Showing Status of Borrowings & Shareholders' Equity	90
4.20 Bar Diagram Showing Status of Interest Coverage Ratio	92
4.21 Trend line Showing Trend values of Total Deposit	96
4.22 Trend line Showing Trend Values of Net Profit	97

ABBREVIATIONS

AD	:	Anno Domini
ATM	:	Automatic Teller Machine
BCPT	:	Branch Core Planning Team
BOK	:	Bank of Kathmandu
F/Y	:	Fiscal Year
i.e.	:	That is
ICR	:	Interest Coverage Ratio
EBIT	:	Earning Before Interest & Tax
NBB	:	Nepal Bangladesh Bank Ltd.
NGO	:	Non Government Organization
NIBL	:	Nepal Investment Bank Limited
O/S LDO	:	Outstanding LDO
L/C	:	Letter of Credit
COD	:	Cost of Deposit
NABIL	:	Nabil Bank Limited
EBL	:	Everest Bank Limited
Ltd.	:	Limited
AGM	:	Annual General Meeting
BOD	:	Board of Directors
NSBI	:	Nepal State Bank of India
MBS	:	Master of Business Studies
NGO	:	Non Government Organization
C.V.	:	Coefficient of Variance
T.U.	:	Tribhuvan University
Pvt.	:	Private
P.E.	:	Probable Error
PPC	:	Profit Planning & Control
SWOT	:	Strength Weakness Opportunity and Threat
WTO	:	World Trade Organization
RCPT	:	Regional Core Planning Team
USA	:	United States of America