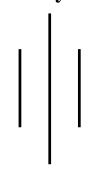
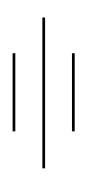
INVESTMENT POLICIES

OF COMMERCIAL BANKS (A Comparative study of NBL and NIBL)



A THESIS SUBMITTED BY Jnanendra K.C.

Saraswati Multiple Campus Campus Roll No.: 70/063 T.U. Reg. No.: 7-1-32-773-2000



Submitted to:

Office of the Dean Faculty of Management Tribhuvan University

In Partial fulfillment of the requirement of the degree of Masters of Business Studies (M.B.S) Kathmandu, Nepal

December, 2010

RECOMMENDATION

This is to certify that the thesis

Submitted by:

JNANENDRA K.C.

Entitled

"INVESTMENT POLICIES OF COMMERCIAL BANKS"

(A COMPARATIVE STUDY WITH REFERENCE TO NABIL BANK LIMITED AND NEPAL INVESTMENT BANK)

Has been prepared as approved by the thesis department in the prescribed format of the faculty of management. This thesis is forwarded for examination.

Associate Prof. Keshav Raj Pantha
(Thesis Supervisor)

Date:/2067

VIVA- VOCE SHEET

We have concluded the viva-voce examination of the thesis

Presented by:

Jnanendra K.C.

Entitled

"INVESTMENT POLICIES OF COMMERCIAL BANKS"

(A COMPARATIVE STUDY WITH REFERENCE TO NABIL BANK LIMITED AND NEPAL INVESTMENT BANK)

And found that 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 requirement of degree of **Master in Business Studies (M.B.S.).**

<u>Viva – Voce Committee</u>

1)	Chairperson, Research Committee:	
2)	Member (External Expert):	
3)	Member (Thesis Supervisor):	
4)	Member:	
5)	Member:	
Date	:/2067	

DECLARATION

I hereby declare that the work reported in this thesis entitled "Investment Policies of commercial Banks" (A Comparative study of NBL and NIBL" Submitted to Saraswati Multiple Campus, Faculty of Management, Tribhuvan University is my original work done in the format partial fulfillment of the requirement for the Master's Degree Studies (M.B.S.) under the supervision and guidance of Mr. Keshav Raj Panta, Associate Professor, Saraswati Multiple Campus, Kathmandu, Nepal.

Date:	
	Jnanendra K.C.

Researcher
T.U. Reg. No.: 7-1-32-773-2000

Campus Roll No.: 70/063

Saraswati Multiple Campus, Kathmandu

ACKNOWLEDGEMENT

I extend my sincere gratitude to Supervisor Associate Prof. Keshav Raj Pantha of

Saraswati Multiple Campus for his valuable guidance, suggestions, timely supervision

and cooperation in completing this thesis work, without whose efforts this thesis

would not have come out in this manner.

This thesis has also been influenced by a number of standard and popular textbooks,

journals, articles etc. As far as possible, they have been duly acknowledged at the

appropriate places. I am thankful to all of them. I am very grateful to my family,

friends, colleagues and others for their kind co-operation and support during the

research period. I shall be remiss in my duty if I do not thank the courteous staff of

NABIL and NIBL for their help in providing the necessary Secondary data.

I wish to express my special appreciation to my family who always created the

environment for my success.

I am thankful to the librarians of Saraswati Multiple Campus and Central Library for

providing me with related books and thesis and the entire teacher involved there who

made me capable of writing of this thesis, I am alone responsible for whatever

weaknesses it may still contain.

Jnanendra K.C.

Campus Roll No.: 70/063

Saraswati Multiple Campus

iν

Table of Contents

S. No		Page No.
Recommend	ation	i
Viva-Voce S	heet	ii
Declaration		iii
Acknowledg	ement	iv
Table of con	tents	
List of Table	·s	v
List of Figur	es	vi
List of Abbre	eviation	vii
CHAPTER	I: INTRODUCTION	
1.1	Background of the Study	1
	1.1a.Evolution of bank	3
	1.1b.Commercial banks and investment policy	5
	1.1c.Investment patterns of Nepalese commercial banks	7
	1.1d.Profile of sample banks	11
1.2	Statement of problem	15
1.3	Objective of the study	17
1.4	Focus and significance of the study	17
1.5	Limitation of the study	18
1.6	organization of the study	18
CHAPTER	II: REVIEW OF LITERATURE	
2.1	Review of supportive text	20
2.1a.	Definition of investment	20
	2.1b. Features of sound lending and Investment policy study	21
	2.1c.Sources of Funds for the investment	23
2.2	Review of previous study	24
	2.2a. Review of articles	24
	2.2b Review of research papers	26

		2.2c Review of thesis	28
	2.3	Review of Legislative provisions	31
CHAP	TER	III: RESEARCH METHODOLOGY	
	3.1	Introduction	47
	3.2	Research Design	47
	3.3	Sources of data	48
	3.4	Population and sample	48
	3.5	Method of Analysis	49
	3.5.1	Financial Tools	50
	3.5.2	Statistical Tools	58
CII A D	ED	W. DATEA DDEGENORATION AND ANALYZING	
СНАР		IV: DATA PRESENTATION AND ANALYSIS	
	4.1	Financial Analysis	62
		4.1.1 Liquidity ratio	62
		4.1.2 Asset management ratio	69
		4.1.3 Profitability ratio	76
		4.1.4 Risk ratio	82
	4.2	Statistical Tools	86
		4.2.1 Trend Analysis	86
		4.2.2 Coefficient of correlation Analysis	89
		4.2.3 Test of Hypothesis	91
	4.3	Major findings of the study	92
СНАР	TER	V: SUMMARY, MAJOR FINDINGS & RECOMMENDATION	
	5.1	Summary and conclusion	97
	5.2	Recommendations	100
	3.4	Necommendations	100

Bibliography Appendices

List of tables

Table No.	Title of the table	Page No.
1.1	List of Licensed commercial Banks in Nepal	9
4.1	Current Ratio of NABIL and NIBL	63
4.2	Cash and Bank balance to total deposit of NABIL and	64
	NIBL	
4.3	Cash and Bank balance to current assets ratio of NABIL	66
	and NIBL	
4.4	Investment on government securities to current assets	67
	ratio of NABIL and NIBL	
4.5	Loans and Advances to current ratio of NABIL and NIBL	68
4.6	Loans to Total Deposit ratio of NABIL and NIBL	70
4.7	Total investment to Total Deposit ratio of NABIL and	71
	NIBL	
4.8	Loans and advances to Total working fund ratio of	73
	NABIL and NIBL	
4.9	Investment on government securities to total working	74
	fund ratio of NABIL and NIBL	
4.10	Investment on shares and Debenture to Total working	75
	Fund ratio of NABIL and NIBL	
4.11	Return on total working fund ratio of NABIL and NIBL	77
4.12	Return on loan and advances ratio of NABIL and NIBL	78
4.13	Total interest earned to total outside asset ratio of NABIL	79
	and NIBL	
4.14	Total interest earned to total working fund ratio of	80
	NABIL and NIBL	
4.15	Total interest paid to total working fund ratio of NABIL	82
	and NIBL	

4.16	Liquidity risk ratio of NABIL and NIBL	83
4.17	Credit risk ratio of NABIL and NIBL	84
4.18	Capital risk ratio of NABIL and NIBL	85
4.19	Trend Analysis of loans and advances to total deposits ratio of NABIL and NIBL	87
4.20	Trend Analysis of Total investment to total Deposit ratio of NABIL and NIBL	88
4.21	Coefficient of correlation between deposit and loan and advances	90
4.22	Test of hypothesis on loan and advances to total deposit ratios between NABIL and NIBL	91

List of Figures

Figure No.	Title of the Charts	Page No.
4.1	Trend Line of Loan and Advance to Total Deposit Ratio of NABIL and NIBL	87
4.2	Trend Line of Total Investment to Total Deposit Ratio of NABIL and NIBL	89

LIST OF ABBREVIATION

B.S. Bikram Sambat

C.V. Coefficient of Variation

EPS Earning Per Share

Fig Figure

F/Y Fiscal Year

HBL Himalayan Bank Limited

i.e That is

JVB Joint Venture Bank
NABIL Nabil Bank Limited

NEPSE Nepal Stock Exchange

NIBL Nepal Investment Bank Limited

No. Number

NRB Nepal Rastra Bank

NSBL Nepal State Bank of India Limited

PE Probable Error

Pvt. Private

r Coefficient of Correlation

RBB Rastriya Banijya Bank

Rs. Rupees

S.D Standard Deviational

SEBO/N Security Exchange Board of Nepal

SEC Security Exchange Centre

TU Tribhuvan University

WTO World Trade Organization