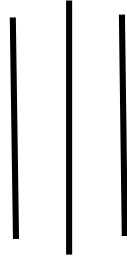


INVESTMENT POLICY OF COMMERCIAL BANKS
(With Special Reference to Nabil Bank, Nepal Investment Bank & SCBNL
Commercial Banks)



By:
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Exam Symbol No. : 280396
TU Registration No : 7-2-39-355-2004
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Tribhuvan University

In partial fulfillment of the requirements of the degree of
Master of Business Studies (MBS)
Kirtipur, Kathmandu
October, 2011

Date: 2068/07/03

RECOMMENDATIONS

This is to certify that the thesis

**Submitted by:
JITENDRA GHARTI**

Entitled

INVESTMENT POLICY OF COMMERICAL BANKS
(With Special Reference to Nabil Bank, Nepal Investment Bank & SCBNL
Commercial Banks)

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

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Prof. Dr. Bal krishna Shrestha
(Thesis Supervisor)
&
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Date: 2068/07/03

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VIVA-VOCE SHEET

We have concluded the viva-voce examination of the thesis

Submitted By:
JITENDRA BAHADUR GHARTI

Entitled

INVESTMENT POLICY OF COMMERICAL BANKS
(With Special Reference to Nabil Bank, Nepal Investment Bank & SCBNL
Commercial Banks)

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 of the requirement for

Master Degree in Business Studies (M.B.S.)

Viva – Voce Committee

Chairman, (Research Committee) :

Member (Thesis Supervisor) :

Member (External Expert) :

Date :

DECLARATION

I hereby, declare that the work reported in this thesis entitled factors “**INVESTMENT POLICY OF COMMERCIAL BANKS**” (With Special Reference to Commercial Banks)” submitted to office of the Dean, Faculty of Management (FOM), Tribhuvan University is my original work done in the form of partial fulfillment of the requirements for the **Master of Business Studies (MBS)**. This is prepared under the supervision of **Prof. Dr. Bal Krishna Shrestha** of the Central Department of Management, Tribhuvan University.

Date: October, 2011

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ABBREVIATIONS

AD	:	Anno Domini
AGM	:	Annual General Meeting
BS	:	Bikram Sambat
CV	:	Coefficient of Variation
Ltd.	:	Limited
MBS	:	Masters of Business Studies
NABIL:		Nabil Bank Limited
NIBL:		Nepal Investment Bank Limited
NEPSE:		Nepal Stock Exchange Ltd
r	:	Simple Coefficient of Correlation
Rs	:	Rupees
SBI	:	Nepal State Bank of India Limited
SCBNL:		Standard Chartered Bank Nepal Limited
SEBO/N	:	Security Board of Nepal
SD	:	Standard Deviation
TU	:	Tribhuvan University
US\$:	United States Dollar
USA	:	United States of America

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APPENDICES

Appendix-A

Standard Chartered Bank Nepal

(Rs. In Millions)

S.N.	F/Y	2005/06	2006/07	2007/08	2008/09	2009/10
1	Current Assets	12862.22	16650.32	19224.18	18330.82	20797.6
2	Current Liabilities	11903.72	15781.19	18196.01	17150.05	19569.38
3	Cash and Bank Balance	1276.24	2021.02	2050.24	3137.16	1929.31
4	Total Investment	12838.55	13553.23	13902.82	20236.12	19847.51
5	Total Deposit	23061.03	24647.02	29743.99	35350.82	35182.72
6	Loan and Advance	8935.42	10502.64	13718.60	13679.76	15956.95
7	Investment on Govt. Securities	2669.88	3338.67	4611.01	5763.13	6722.963
8	Invest. on Share and Debenture	11.19	11.19	11.19	11.19	11.19
9	Total Working Fund	13016.98	16883.22	19357.18	18443.07	21000.50
10	Total Interest Earned	1189.60	1411.98	1591.20	1887.22	2042.11
11	Total Interest Paid	303.20	413.05	471.73	543.79	575.75
12	Net profit	359.46	392.59	430.83	479.21	506.95
13	Operating Income	1180.43	1366.92	1640.26	1441.72	1499.21

Appendix-B

Nepal Investment Bank Ltd.

(Rs. In Millions)

S.N	F/Y	2005/06	2006/07	2007/08	2008/09	2009/10
1	Current Assets	21388.63	15383.81	20325.70	46750.23	47536.35
2	Current Liabilities	19914.70	37991.90	56724.20	79131.30	51030.55
3	Cash and Bank Balance	2335.52	2145.335	3284.48	6244.595	7684.33
4	Total Investment	5672.86	6540.93	6928.57	7399.45	8635.50
5	Total Deposit	18927.42	24489.50	34452.59	46698.10	50094.73
6	Loan and Advance	13178.15	17769.09	27529.30	36827.20	40318.30
7	Investment on Govt. Securities	2522.30	3525.3	3155.55	7399.81	8253.93
8	Invest. on Share and Debenture	1415.44	1773.8	3525.30	3907.068	3459.097
9	Total Working Fund	14739.53	11959.85	26474.20	43757.92	56793.20
10	Total Interest Earned	681.79	2194.27	2194.27	3267.94	4653.52
11	Total Interest Paid	490.95	992.16	992.16	1680.97	2553.84
12	Net profit	350.53	501.40	697.73	901.62	1265.71
13	Operating Income	665.40	986.73	1245	1310.85	1928.42

Appendix-C

Nabil Bank Ltd.

(Rs in millions)

S.N.	F/Y	2005/06	2006/07	2007/08	2008/09	2009/10
1	Current Assets	11961.95	14788.91	13161.68	13313.40	13868.30
2	Current Liabilities	11249.94	13977.29	17226.21	16384.73	15135.42
3	Cash and Bank Balance	630.94	1088.75	812.90	1051.82	1144.77
4	Total Investment	1420.36	1250.94	2752.78	4144.51	3610.99
5	Total Deposit	9464.28	12779.51	15839.01	1550.44	13447.65
6	Loan and Advance	5788.93	7334.76	8224.44	7437.90	7755.95
7	Investment on Govt. Securities	1402.85	1233.82	2732.96	4120.29	3588.77
8	Invest. on Share and Debenture	16.51	16.12	18.82	22.22	22.22
9	Total Working Fund	12184.05	15024.20	18367.15	17629.25	16562.61
10	Total Interest Earned	903.24	1047.03	1266.70	1120.18	1017.87
11	Total Interest Paid	404.39	432.96	578.36	462.08	317.35
12	Net profit	266.48	329.11	291.37	271.63	416.25
13	Operating Income	1128.93	1309.11	1573.31	1639.11	1340.51

Appendix- D

Calculation of Mean, S.D. & C.V. of Current ratio of SCBNL, NIBL & Nabil.

F/Y	SCBNL		NIBL		Nabil	
	X_1	X_1^2	X_2	X_2^2	X_3	X_3^2
2005/06	1.08	1.16640	1.074	1.15348	1.06329	1.13059
2006/07	1.055	1.11303	0.404	0.16322	1.058067	1.11951
2007/08	1.056	1.11514	0.358	0.12816	0.76405	0.58377
2008/09	1.068	1.14062	0.59	0.34810	0.812549	0.66024
2009/10	1.062	1.12784	0.931	0.86676	0.916281	0.83957
Total	5.32100	5.66303	3.35700	2.65972	4.61424	4.33367

Where, X1=Current ratio of SCBNL

X2=Current ratio of NIBL

X3=Current ratio of Nabil

n= no of year

For SCBNL

Calculation of mean ratio of SCBNL of Current Ratio:

$$\text{Mean } (\bar{X}_1) = \frac{\sum X_1}{n}$$

$$= \frac{5.321}{5}$$

$$= 1.0642$$

Calculation of S.D. of Current Ratio”

$$S.D. (\sigma) = \sqrt{\frac{\sum X_1^2}{n} - \left(\frac{\sum X_1}{n}\right)^2}$$

$$= \sqrt{\frac{5.663}{5} - \left(\frac{5.321}{5}\right)^2}$$

$$= 0.0088$$

Calculation of Coefficient Variation (C.V.) of Current Ratio:

$$C.V. = X \frac{\sigma_1}{\bar{X}_1} \times 100$$

$$= X \frac{0.0088}{1.0642} \times 100 \%$$

$$= 0.83 \%$$

For NIBL

Calculation of Mean of NIBL of Current Ratio:

$$Mean, (\bar{X}_2) = X \frac{\sum X_2}{n}$$

$$= X \frac{3.357}{5}$$

$$= 0.6714$$

Calculation of S.D. of NIBL of Current Ratio:

$$S.D.(\sigma) = X \sqrt{\frac{\sum X_2^2}{n} - \frac{(\sum X_2)^2}{n}}$$

$$= X \sqrt{\frac{2.6597}{5} - \frac{3.357^2}{5}}$$

$$= 0.2849$$

Calculation of C.V. of Current Ratio”

$$C.V. = X \frac{\sigma_2}{\bar{X}_2} \times 100$$

$$= X \frac{0.2849}{0.6714} \times 100 \%$$

$$= 42.43 \%$$

For Nabil

Calculation of Mean of Nabil of Current Ratio:

$$Mean, (\bar{X}_3) = X \frac{\sum X_3}{n}$$

$$= X \frac{4.6142}{5}$$

$$= 0.9228$$

Calculation of S.D. of Current Ratio:

$$S.D. = \sqrt{\frac{\sum X^2}{n} - \left(\frac{\sum X}{n}\right)^2}$$

$$= \sqrt{\frac{4.3336}{5} - \left(\frac{4.6142}{5}\right)^2}$$

$$= 0.1228$$

Calculation of C.V. of Current Ratio:

$$C.V. = \frac{S.D.}{\bar{X}} \times 100$$

$$= \frac{0.1228}{0.9228} \times 100$$

$$= 13.307 \%$$

Other Mean, S.D. and C.V. of Current Ratio of SCBNL, NIBL and Nabil are Calculated by accordingly.

Appendix- E

Calculation of Co-efficient of Correlation between deposit and loan & advances of SCBNL.

(Rs. in million)

Fiscal Year	SCBNL						
	Deposit (X)	Loan & Advances (Y)	$\sum X$	$\sum Y$	$\sum XY$	$\sum X^2$	$\sum Y^2$
2005/06	23061.03	8935.42	-6536.09	-3623.25	42720420.20	13127969.55	23681899.74
2006/07	24647.02	10502.64	-4950.10	-2056.03	24503450.41	4227275.81	10177565.68
2007/08	29743.99	13718.60	146.87	1159.93	21571.97	1345428.33	170362.97
2008/09	35350.82	13679.76	5753.70	1121.09	33105109.72	1256833.82	6450397.00
2009/10	35182.72	15956.95	5585.60	3398.28	31198972.04	11548279.77	18981424.02
Total	147985.58	62793.37			131549524.34	31505787.27	59461649.42

We have,

n= no of years

r= Coefficient of Correlation between two variables

Now , Calculate the mean of Deposit,

$$\text{mean } (\bar{X}) = \frac{\sum X}{n}$$

$$= \frac{147985}{5} = .58$$

$$= 29597 .116$$

Again, calculate the mean of Loan and Advances,

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{n}$$

$$= \frac{62793}{5} = .73$$

$$= 12558 .674$$

Calculation of Co-efficient of correlation between Deposit and Loan & Advances of SCBNL.

$$r = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}}$$

$$= \frac{59461649}{\sqrt{11469} \sqrt{5613}} = .42$$

$$= 0 .9236$$

Calculation of Probable error (P.E.) of correlation co-efficient,

Here,

$P . E = \sqrt{r^2}$
$= \sqrt{0 .9236^2}$
$= 0 .8531$

P.E. coefficient of correlation can be calculated by using following formula,
we have

$$P.E. (r) = \frac{\sum XY - \frac{\sum X \sum Y}{n}}{\sqrt{\left(\sum X^2 - \frac{(\sum X)^2}{n}\right) \left(\sum Y^2 - \frac{(\sum Y)^2}{n}\right)}}$$

Now

$$\frac{6.P.E. \times 0.0443}{0.2659}$$

Other Co-efficient of correlation of SCBNL, NIBL & Nabil are calculated by accordingly.

Appendix- F

Calculation of Trend of Total Deposit of SCBNL.

(Rs. in million)

F/Y (X)	Total Deposit (Y)	$X - 2007/08$	X^2	XY	$Y - \bar{Y}$
2005/06	23,061.03	(2.00)	4.00	(46,122.06)	22,607.68
2006/07	24,647.02	(1.00)	1.00	(24,647.02)	26,102.40
2007/08	29,743.99	0	0	0	29,597.12
2008/09	35,350.82	1.00	1.00	35,350.82	33,091.83
2009/10	35,182.72	2.00	4.00	70,365.44	36,586.55
Total	147,985.58		10.00	34,947.18	

Here,

$$X^2 \times 10$$

$$\sum Y = 147985.58$$

$$\sum xy = 34947.18$$

Now,

$$a = \frac{\sum Y}{N}$$

$$= \frac{147985.58}{5}$$

$$= 29597.116$$

$$b = \frac{\sum xy}{\sum x^2}$$

$$= \frac{34947.18}{10}$$

$$= 3494.718$$

Calculation of Total Value of total Deposit of SCBNL (2010/11-2014/15)

Fiscal Year (X)	$\sum x \sum Z_{2007/08}$	Trend Value ($yc=a+bx$)
2010/11	3	40,081.27
2011/12	4	43,575.99
2012/13	5	47,070.71
2013/14	6	50,565.42
2014/15	7	54,060.14

Other trend value of SCBNL, NIBL and Nabil are calculated by accordingly.