AN ANLYSIS ON PORTFOLIO MANAGEMENT OF COMMERCIAL BANKS IN NEPAL (With Reference to Selected Commercial Banks)

Submitted

By Shyam Sunder Sah Central Department of Management Exam Roll No: 5879 Campus Roll No:421 Batch No. 2061/063 T.U. Regd. No. 7-1-14-1580-97

> 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) Kirtipur, Kathmandu November, 2011

RECOMMENDATION

This is to certify that the thesis

Submitted by: Shyam Sunder sah

Entitled:

AN ANLYSIS ON PORTFOLIO MANAGEMENT OF

COMMERCIAL BANKS

IN

NEPAL

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

••••••

Prof. Dr. Manohar Krishna Shrestha (Thesis Supervisor) Prof. Dr. Bal Krishna Shrestha (Chairman, Research Committee Prof. Dr. Dev Raj Adhikari (Head of Department)

.....

Date:

VIVA-VOCE SHEET

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

Submitted by:

Shyam Sundar Sah

Entitled:

AN ANLYSIS ON PORTFOLIO MANAGEMENT

OF

COMMERCIAL BANKS

IN

NEPAL

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 for the Degree of Master of Business Studies (M.B.S.)

Viva-Voce Committee

Chairman, Research Committee	
Member (Thesis Supervisor)	
Member (External Expert)	
Member (Central Department Management)	

Date:

TRIBHUVAN UNIVERSITY

Central Depart of Management

Declaration

I hereby declare that the work reported in this thesis entitled AN ANLYSIS ON
PORTFOLIO MANAGEMENT
OF
COMMERCIAL BANKS
IN
NEPAL

Submitted to Central Department of Management, Tribhuvan University is my original work for the partial fulfillment for the Degree of Master of Business Studies (M.B.S.) under Supervision of **Prof. Dr. Manohar Krishna Shrestha**, retire professor of central management Campus, Kirtipur, Kathmandu.

Date:

.....

Shyam Sunder Sah

Campus Roll No: 421/061

T.U. Regd. No: 7-1-14-1580-97

ACKNOWLEDGEMENTS

Giving me great opportunity to prepare this thesis to fulfill the partial requirement of MBS program held under Tribhuvan University, I would like to heartily thank to Tribhuvan University.

I express my profound gratitude to my supervisor **Dr. prof. Manohar Krishna Shrestha** for her patient and continuous guidance with valuable comments and kind support to me all way through this thesis.

I also owe an indebtedness to all reputed authors whose writings have provided me the necessary guidance and invaluable materials for the enrichment of my research paper in all possible ways. I would like to express my genuine appreciation to all the staff of central Management Campus, Central library staff and Security Board library that provide me necessary information and data. And also express my gratitude to the staff of various corporate bodies who bigheartedly made accessible the requisites information.

I have tried to cover all the possible matters that I felt, important to sum up the **"Portfolio Analysis of Investment Pattern of Commercial Banks in Nepal".** I am hopeful that this task will be helpful to the students of business studies and to those who want to make further researchers under this topic.

> Shyam Sunder Sah Researcher Central Department of Management Tribhuvan University

TABLE OF CONTENTS

	Page No.
Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
CHAPTER - I INTRODUCTION	
1.1 Background of the Study	1
1.2 Focus of the Study	2
1.3 Statement of Problems	3
1.4 Objective of the Study	3
1.5 Importance of the Study	4
1.6 Limitation of the Study	5
1.7 Organization of the Stud CHAPTER - II REVIEW OF LITERATURE	5
2.1 Review of literature	
2.2 Definition of Investment	
2.3 Investment process	
2.4 Investment Portfolio	
2.5 Common Stock	
2.6 Risk on common stock	

- 2.7 Return on common Stock
- 2.8 Single period rate of return
- 2.9 Required rate of return
- 2.10 Expected rate of return
- 2.11 Portfolio
- 2.12 Portfolio Analysis

CHAPTER - III RESEARCH METHODOLOGY

- 3.1 Research Design
- **3.2** Population & Sample
- 3.3 Sources of Data
- 3.4 Data collection and Processing Techniques
- 3.5 Data Analysis Tools
- a) Financial Tools
- b) Statistical Tools

CHAPTER – IV DATA PRESENTATION & ANALYSIS

- 4.1 Invest to total deposit ratio
- 4.2 Loan and advance to total deposit ratio
- 4.3 Return on total assets
- 4.4 Return on share holders fund ratio
- 4.5 Risk and return analysis
- 4.6 Measuring of risk
- 4.7 Expected rate of return
- 4.8 Single period rate of return
- 4.9 Beta coefficient
- 4.10 Expected rate of return and CAPM
- 4.11 Trend analysis
- 4.12 Portfolio analysis

CHAPTER – V SUMMARY, CONCLUSION & RECOMMENDATIONS

- 5.1 Summary
- 5.2 Conclusion
- 5.3 Recommendations

Bibliography

Appendices

LIST OF TABLES

Table No.

Page No.

- 2.1 List of Licensed Commercial Banks in Nepal
- 4.1 Investment to total deposit ratio
- 4.2 Loan and advance to total deposit ratio
- 4.3 Return on total assets
- 4.4 Trend analysis loan and investment to total deposit ratio
- 4.5 Risk and return on common stock
- 4.6 **Portfolio formation**
- 4.7 Computation of portfolio return with different weight
- 4.8 Expected portfolio return, risk and coefficient of variation

LIST OF FIGURES

Figure No.

- 2.1 Systematic and un systematic risk
- 2.2 Feasible and efficient set
- 2.3 Portfolio selection for a highly risk
- 2.4 Selection an optimum portfolio
- 4.1 Investment to total deposit ratio
- 4.2 Loan and advance to total deposit ratio
- 4.3 Return on total assets
- 4.4 Trend analysis of loan and advance to total deposit ratio
- 4.4.1 Trend analysis of

Page No.

- 4.4.2 Trend analysis of
- 4.4.3 Trend analysis of
- 4.4.4 Trend analysis of
- 4.4.5 Trend analysis of
- 4.4.6 Trend analysis of
- 4.5 Risk and return on common stock
- 4.6 Expected portfolio risk and return