INVESTMENT PRACTICES OF COMMERCIAL BANKS (WITH REFERENCE TO NABIL BANK LTD. AND NIC BANK LTD.)

Submitted By: Keshab Dhakal Shankar Dev Campus T.U. Regd. No. 23265-95 Campus Roll No: 861/061

> Submitted to: Office of the Dean

Faculty of Management Tribhuvan University

In partial fulfillment of the requirements for the Degree of Master of Business Studies (M.B.S)

> Kathmandu February, 2012

RECOMMENDATION

This is to certify that the thesis:

Submitted by

Keshab Dhakal

Entitled

Investment Practices of Commercial Banks (With Reference to NABIL Bank Ltd and NIC Bank Ltd)

has been prepared as approved by this department in the prescribed format of faculty of Management. This thesis is forwarded for Examination

Asso. Prof. Ruchila Pandey (Thesis Supervisor) Prof. Biseswar man Shrestha (Head of Research Department) (For Campus Chief)

VIVA-VOCE SHEET

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

By

Keshab Dhakal

Entitled

Investment Practices of Commercial Banks (With Reference to NABIL Bank Ltd and NIC Bank Ltd)

and found the thesis to be the original work of the student written according to the prescribed format. We recommended this thesis be accepted in partial fulfillment of the requirements for

Master Degree of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department

••••••

Member (Thesis Supervisor)

Member (External Expert)

•••••

DECLARATION

I hereby declare that this thesis work reported in this thesis entitled "Investment Practices of Commercial Banks" (With Reference to NABIL Bank Ltd. and NIC Bank Ltd.) submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan University, is my own created work reported in the form of partial fulfillment of the requirement of Master's Degree in Business Studies (MBS) course under the guidance and supervisor of Asso. Prof Ruchila Pandey of Shanker Dev Campus.

> Keshab Dhakal Researcher Shankar Dev Campus T.U. Regd. No. 23265-95 Campus Roll No: 861/061

ACKNOWLEDGEMENT

This study is an effort to present in the Department of Management in Partial fulfillment of the requirement of the degree of Masters in Business studies.

During the research work many individual have supported me. First of all, i extend my gratitude to my supervisor **Asso. Prof. Ruchila Pandey** for her valuable and praise worthy suggestion, timely supervision and kind co-operation in completing this thesis work. Without her efforts and regular supervision this thesis work would not come out in this shape.

I would like to give thanks to the Librarian of Shanker Dev Campus and thanks to NABIL Bank Limited and NIC Bank Limited for supplying their data and information in their websites.

Finally, I would like to express my sincere gratitude to my family members, all my friends for their assistance, timely encouragement in every step.

Thank you.

Keshab Dhakal

TABLE OF CONTENTS

Page No.

Recommendation	
Viva-Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
CHAPTER-I INTRODUCTION	1-12
1.1 Background of the Study	1
1.2 Present Status of Banking Industry	2
1.3 Banks under Study	3
1.3.1 NABIL Bank Ltd	3
1.3.2 Nepal Industrial and commercial Bank Ltd	4
1.4 Investment pattern or trend of sampled banks	5
1.5 Investment and Investment policies.	6
1.5.1 Investment	6
1.5.2 Commercial banks and Investment policy	7
1.6 Statement of the Problem	
1.7 Objectives of the study	
1.8 Significance of the Study	10
1.9 Limitations of the Study	11
1.10 Organization of Study	
	12 26
CHAPTER-II REVIEW OF LITERATURE	13-26
2.1 Review of Concerned Studies	13
2.1.1 Review of Books	15
2.2 Meaning of Some Terms	17

2.3 Review of Journals/Article		
2.4 Review of Thesis	20	
2.5 Research Gap	26	
CHAPTER-III RESEARCH METHODOLOGY	27-37	
3.1 Research Design	27	
3.2 Nature and Sources of Data	28	
3.3 Population and Sample of Study	28	
3.4 Methods of Analysis	28	
CHAPTER-IV DATA PRESENTATION AND ANALYSIS	38-81	
4.1 Data Presentation and analysis	38	
4.1.1 Financial Tools	39	
4.1.2 Statistical Tools	75	
4.2 Trend Analysis	79	
4.3 Major Findings	81	
CHAPTER- V SUMMARY, CONCLUSION AND RECOMMENDATIONS	82-88	
5.1 Summary	82	
5.2 Conclusion	83	
5.3 Recommendations	85	
BIBLIOGRAPHY		
APPENDIX		

LIST OF TABLES

Table No.	Page No.	
Table 4.1Current Assets to Current Liabilities	41	
Table 4.2 Cash and Bank Balance to Total Deposits Ratio		
Table 4.3 Cash and Bank Balance to Current Assets Ratio		
Table 4.4 Investment on Government Securities to Current Assets Ratio		
Table 4.5 Loan and Advances to Current Assets Ratio	47	
Table 4.6 Loan and Advances to Total Deposit Ratio	49	
Table 4.7 Total Investment to Total Deposit Ratio	51	
Table 4.8 Loan and Advances to Total Working fund Ratio	53	
Table 4.9 Investment on Government Securities to Total working Fund Ratio	54	
Table 4.10 Investment on shares and Debentures to Total Working Fund Ratio	56	
Table 4.11 Return on Loan and Advances Ratio	58	
Table 4.12 Return on Total Assets	60	
Table 4.13 Total Interest Earned to Total outside Assets	61	
Table 4.14 Total Interest Earned to Total Working Fund Ratio	63	
Table 4.15 Total Interest Paid to Total Working Fund	65	
Table 4.16 Credit Risk Ratio	66	
Table 4.17 Liquidity Risk Ratio	68	
Table 4.18 Growth Ratio of Total Deposits	70	
Table 4.19 Growth Ratio of Loan and Advances	71	
Table 4.20 Growth Ratio of Total Investment	72	
Table 4.21 Growth Ratio of net profit	73	
Table 4.22 Non-Performing Assets	74	
Table 4.23 Coefficient of Correlation between total deposit and total investment	76	
Table 4.24 Coefficient of correlation between deposit and loan and advance	77	
Table 4.25 Coefficient of Correlation between Total assets and net profit	78	
Table 4.26 Trend Analysis of Total Deposit of NABIL and NIC	79	
Table 4.27 Trend analysis of non- performing assets of Nabil and NIC	80	

LIST OF FIGURES

Figure No.	Page No.
Figure 4.1Current Ratio of Banks	42
Figure 4.2 Cash and Bank Balance to Total Deposit Ratio	43
Figure 4.3 Cash and Bank Balance to Current Assets Ratio	45
Figure 4.4 Investment on Government Securities to Current Assets Ratio	46
Figure 4.5 Loan and Advances to Current Assets Ratio	48
Figure 4.6 Loan and Advances to Total Deposit Ratio	50
Figure 4.7 Total Investment to Total Deposit Ratio	52
Figure 4.8 Loan and Advances to Total Working fund Ratio	53
Figure 4.9 Investment on Government Securities to Total working Fund Ratio	55
Figure 4.10 Investment on shares and Debentures to Total Working Fund Ratio	57
Figure 4.11 Return on Loan and Advances Ratio	59
Figure 4.12 Return on Total Assets	60
Figure 4.13 Total Interest Earned to Total outside Assets	62
Figure 4.14 Total Interest Earned to Total Working Fund Ratio	63
Figure 4.15 Total Interest Paid to Total Working Fund	65
Figure 4.16 Credit Risk Ratio	67
Figure 4.17 Liquidity Risk Ratio	68
Figure 4.18 Growth Ratio of Total Deposits	70
Figure 4.19 Growth Ratio of Loan and Advances	71
Figure 4.20 Growth Ratio of Total Investment	72
Figure 4.21 Growth Ratio of net profit	73
Figure 4.22 Non-Performing Assets	74
Figure 4.23 Trend Analysis of Total Deposit of NABIL and NIC	80
Figure: 4.24 Trend analysis of non- performing assets of Nabil and NIC	81

ABBREVIARION

ADBN	Agriculture Development Bank
BC	Bikram Sambat
BOK	Bank of Kathmandu Ltd
C.V	Coefficient of Variation
EBL	Everest Bank Ltd
FDI	Foreign Direct investment
FL	Financial Institution
FY	Fiscal Year
IFC	International Finance Corporation
JVB	Joint Venture Bank
NABIL	Nabil Bank Ltd.
NBBL	Nepal Bangladesh Bank Ltd
NIBL	Nepal Investment Bank Ltd.
NIC	Nepal Industrial and Commercial Bank Ltd.
NIDC	Nepal Industrial Development Corporation
NPL	Non- performing Loan
NRB	Nepal Rastra Bank (Central bank of Nepal)
NSBI	Nepal SBI Bank Ltd
SCBNL	Standard Chartered Bank Nepal Ltd
SD	Standard deviation
SN	Serial Number