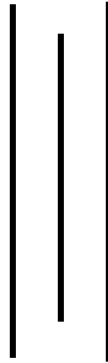


**COMPARATIVE STUDY OF INVESTMENT POLICY  
OF COMMERCIAL BANK OF NEPAL**  
(With reference to NABIL Bank Ltd. & Nepal SBI Bank Ltd.)

**By:**  
**BALRAM KHANAL**  
**Shanker Dev Campus**  
**T.U. Regd. No: 7-2-479-43-2003**  
**Campus Roll No: 2303/063**

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



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

**Kathmandu, Nepal**  
**January, 2010**

# **RECOMMENDATION**

This is to certify that the Thesis

Submitted by:

**BALRAM KHANAL**

Entitled:

**COMPARATIVE STUDY OF INVESTMENT POLICY  
OF COMMERCIAL BANK OF NEPAL**

**(With reference to NABIL Bank Ltd. & Nepal SBI Bank Ltd.)**

*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. Kamal Das Manandhar**  
(Thesis Supervisor)

.....  
**Prof. Bisheshwor Man Shrestha**  
(Head of Research Department)

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

.....  
**Kamal Prakash Adhikari**  
(Thesis Supervisor)

# VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

by

**BALRAM KHANAL**

**Entitled:**

**COMPARATIVE STUDY OF INVESTMENT POLICY  
OF COMMERCIAL BANK OF NEPAL**

**(With reference to NABIL Bank Ltd. & Nepal SBI Bank Ltd.)**

*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 of the requirements for*

**Master’s Degree of Business Studies (M.B.S.)**

## Viva-Voce Committee

Head, Research Department .....

Member (Thesis Supervisor) .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

# **TRIBHUVAN UNIVERSITY**

**Faculty of Management**

**Shanker Dev Campus**

## **DECLARATION**

I hereby declare that the work reported in this thesis entitled “**COMPARATIVE STUDY OF INVESTMENT POLICY OF COMMERCIAL BANK OF NEPAL (With reference to NABIL Bank Ltd. & Nepal SBI Bank Ltd.)**” 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 Master Degree in Business Studies (M.B.S.) under the supervision of **Prof. Dr. Kamal Das Manandhar** and **Kamal Prakash Adhikari** of Shanker Dev Campus.

.....  
**BALRAM KHANAL**

**Researcher**

**T.U. Regd. No. : 7-2-479-43-2003**

**Campus Roll No. : 2303/063**

## **ACKNOWLEDGEMENT**

This study is mainly concern with an analysis of investment policy of JVB (NABIL and NSBL) in Nepal. The study is a master's degree level thesis, prepared in Business studies programme and submitted to the department of management, Shanker Dev Campus, under Tribhuvan University. I would like to extend my profound gratefulness to Prof. Dr. Kamal Das Manandhar and Kamal Prakash Adhikari of Shanker Dev Campus, Kathmandu. As my Thesis advisor, he has devoted his valuable time assisting me to germinate this thesis in the existing form. This thesis wouldn't have been to this form in absence of his directions, advice and encouragement. I would like to thank Prof. Dr. Kamal Deep Dhakal, Campus Chief of Shanker Dev Campus, Kathmandu, whose co-operation and inspirations help me to bring this present study to the final completion.

I would like to express my sincere gratitude to all the lecturers of Shanker Dev Campus Kathmandu, for the valuable suggestions and encouragement to bring this study to this form. As well as I would like to thank all staff of Shanker Dev Campus who help me to prepare the thesis in the prescribed from.

My Special thanks go to Manager of NABIL Bank Ltd., who helps me to provide data and Mr. Pawan Ghimire, manager of Nepal SBI Bank hetauda Branch. I shall not stay without appreciating Mr. Niranjana Sigdel, Mr. Kavindra kandel, Mr. Shyam Prasad Upadhyay, Mr. Rabi Bikram K.C., Mr. Bishnu Bahadur Sonari Thapa Magar, K.B. Shrestha, Mr. Uddav Adhikari, Miss. Kanchan Lata Nepal, Mrs. Jagadamba Kumari Kuinkel, and all other friends for the significant cooperation and constructive support in the management of this work.

I deserve special thanks to Kamal Prakash Adhikari, whose inspiration, passions, support, encouragement and regular advice empowered me to bring this thesis final completion.

Balram Khanal

# TABLE OF CONTENTS

Acknowledgement

Table of Contents

List of Tables

List of Figures

Abbreviations

**Page No.**

## **CHAPTER – I INTRODUCTION**

1.1 Nepal a Short Profile	1
1.1.1 Banking and Financial System in Nepal	1
1.1.2 Role of Banking / Financial Institution in Nepal	4
1.1.3 Investment Policy of Commercial Bank	6
1.2 Focus of the Study	8
1.3 Statement of the Problem	8
1.4 Objectives of the Study	9
1.5 Need and Importance of the Study	9
1.6 Assumption and the Limitation of the Study	10
1.7 Organization of the Study	11

## **CHAPTER – II REVIEW OF LITERATURE**

2.1. Introduction of Conceptual Review	13
2.1.1 Banks and Banking	15
2.1.2 The Structure of Modern Banking System	20
2.1.3 Liquidity Management	21
2.1.3.1 Demand for Bank Liquidity	22
2.1.3.2 Supply of the Bank Liquidity	24
2.1.4 Cash Management	25
2.1.4.1 Cash and Marketable Securities Management	25
2.1.5 Portfolio Management	26
2.1.6 Introduction to the Investment	27
2.1.7 Investment Objectives	28
2.1.8 The Evolution of the Investment Environment	29
2.1.8.1 Securities	29

2.1.8.2 Security Markets	30
2.1.8.3 Financial Intermediaries	30
2.1.9. The Investment Process	30
2.1.9.1 Security Analysis	31
2.1.9.2 Portfolio Construction	31
2.1.9.3 Portfolio Revision	32
2.1.9.4 Portfolio Performance Evaluation	32
2.1.10 Specialization Versus Investment	35
2.1.11 Features of an Investment Programme	35
2.1.12 Investment Policy of Bank	39
2.2 Review of Related Studies	41
2.2.1 Review of Articles	41
2.2.2 Review of Reports	42
2.2.3 Review of Related Thesis	43

### **CHAPTER – III      RESEARCH METHODOLOGY**

3.1 Introduction	49
3.2 Research Design	50
3.3 Population and Sample	50
3.4 Nature and Sources of Data	51
3.5 Data Processing Procedure	51
3.6 Method of Data Analysis	52
3.6.1 Financial Tools	52
3.6.1.1 Ratio Analysis	52
3.6.1.2 Growth Ratio Analysis	54
3.6.2 Statistical Tools	54
3.7 Limitations of the Research Methodology	58

### **CHAPTER – IV      DATA PRESENTATION AND ANALYSIS**

4.1 Financial Ratios	60
4.2 Assets Management Ratio	67
4.3 Profitability Ratio	70
4.4 Growth Ratio	75

4.5 Correlation Analysis	79
4.5.1 Correlation between Total Deposit and Total Investment	79
4.6 Student T-test	81
4.6.1 Relationship between Total Deposit and Total Investment of NABIL	82
4.6.2 Relation between Total Deposit and Total Investment of Nepal SBI Bank	82
4.6.3 Relationship between Total Investment and Loan and Advances of NABIL	83
4.6.4 Relationship between Total Investment and Loan and Advances of Nepal SBI Bank	83
4.7 Major Findings of the Study	84
4.7.1 Financial Ratio	84
4.7.2 Assets Management Ratio	84
4.7.3 Profitability Ratio	85
4.7.4 Growth Ratio	85
4.7.5 Coefficient of Correlation Analysis	86
4.8 Major Findings under Inferential Analysis or Student's T-test Analysis	86

## **CHAPTER – V      SUMMARY, CONCLUSION AND RECOMMENDATIONS**

5.1 Summary	88
5.2 Conclusions	89
5.3 Recommendations	90

### **Bibliography**

### **Appendix**



## LIST OF TABLES

<b>Table No.</b>	<b>Title</b>	<b>Page No.</b>
4.1	Current Ratio of NABIL and SBI	61
4.2	Cash and bank Balance to Current Assets Ratio (%)	62
4.3	Cash and Bank Balance to Total Deposit (%)	63
4.4	Investment on Government Securities Ratios (%)	64
4.5	Loan and Advances to Current Assets Ratio (%)	66
4.6	Loan and Advances to Total Deposit Ratio (%)	68
4.7	Total Investment to Total Deposit Ratio (%)	69
4.8	Return on loan and Advances Ratio (%)	71
4.9	Return on Total Assets Ratio (%)	73
4.10	Return on Equity Ratio (%)	74
4.11	Growth Ratio s of Total Deposit	75
4.12	Growth Ratio (%) of Loan and Advances	76
4.13	Growth Ratio (%) of total Investment	77
4.14	Growth Ratio (%) of Net Profit	78
4.15	Coefficient of Correlation, Coefficient of Determination with their student's t-test of Total Deposit and Total Investment of NABIL	82
4.16	Coefficient of correlation, Correlation of Determination with their student's t-test of Total Deposit and Total Investment of Nepal SBI Bank	82
4.17	Coefficient of Correlation, Coefficient of Determination with their student's t-test of Total Investment and Loan and Advances of NABIL	83
4.18	Coefficient of correlation, coefficient of determination with their student's t-test of Total Investment and Loan and Advances of Nepal SBI Bank	83

## **LIST OF FIGURES**

<b>Figure No.</b>	<b>Title</b>	<b>Page No.</b>
2.1	Portfolio Construction	31
4.1	Current Ratio of NABIL and SBI	61
4.2	Cash and bank Balance to Current Assets Ratio (%)	62
4.3	Cash and Bank Balance to Total Deposit (%)	63
4.4	Investment on Government Securities Ratios (%)	65
4.5	Loan and Advances to Current Assets Ratio (%)	66
4.6	Loan and Advances to Total Deposit Ratio (%)	68
4.7	Total Investment to Total Deposit Ratio (%)	70
4.8	Return on Loan and Advances Ratio (%)	72
4.9	Return on Total Assets Ratio (%)	73
4.10	Return on Equity Ratio (%)	74
4.11	Trend Line of Total Deposit of NABIL & SBI Banks	76
4.12	Trend Line of Loan & Advances of NABIL and SBI Banks	77
4.13	Growth Ratio of Total Investment	78
4.14	Growth Rate Ratio of Net Profit	79

## ABBREVIATIONS

ATM	:	Automated Teller Machine
B.S.	:	Bikram Sambat
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
$H_1$	:	Alternative Hypothesis
$H_0$	:	Null Hypothesis
i.e.	:	that is
Ltd.	:	Limited
NABIL	:	Nepal Arab Bank Limited
NG	:	Nepal Government
No.	:	Number
NPV	:	Net Present Value
NSBL	:	Nepal SBI Bank Limited
P.no.	:	Page Number
P/L	:	Profit and Loss
Pvt.	:	Private
SLR	:	Statutory Liquidity Ratio
T.U.	:	Tribhuvan University
TDR	:	Total Deposit Ratio
USA	:	United States of America
vol.	:	Volume