Investment Policies of Commercial Banks

(A Case study of Standard Chartered Bank Nepal Ltd)

Submitted By KOPILA RAI UNITED COLLEGE

Symbol No: 4268 T.U. Reg. No: 7-2-421-14-2003

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

In partial fulfillment of the requirement for the degree Master of Business Studies (MBS)

April 2013, Kathmandu.

DECLARATION

I hereby declare that the work reported in the thesis entitled," A Case study on

Investment Policy of Standard Chartered Bank Nepal Limited", submitted to

Central Department of Management, Tribhuvan University, is my original work

done is the form of partial fulfillment of the requirements of Masters Degree in

Business Studies (M.B.S.) under the supervision of Prof. Dr. Bal Krishna Shrestha.

Date: 16/12/2069

Kopila Rai

Researcher

T.U. Regd. No:7-2-421-14-2003

United college

Kumaripati, Lalitpur

ACKNOWLEDGEMENT

This thesis entitles "A Case Study on Investment Policy of Standard Chartered Bank

Nepal Limited" has been prepared in partial fulfillment for the Masters of Business

Studies (MBS). For this I gained lots of guidelines and suggestions from my teachers,

friends, company official and my relatives. Firstly I would like to express my profound

gratitude to my supervisor Prof. Dr. Bal Krishna Shrestha for his valuable guidance

throughout the work and my teachers who inspired me to do this study.

I acknowledge staff of Standard Chartered Bank Nepal Limited who provided sources of

data and other information for this study. Similarly I would like to thank my friends Ms

Anuja Dongol whose help was remarkable too.

Finally, I would like to express my sincere gratitude to the staffs of united college library

for their cordial cooperation by providing me with related books and thesis and all the

teachers involved there who made me capable of writing this thesis.

Kopila Rai United college

Kumaripati, Lalitpur

Table of Contents

Viva Voce Sheet Recommendation Declaration Acknowledgements List of Tables List of Figures List of Abbreviation

CHAPTER- I INTRODUCTION	Page 1-5	
1 INTRODUCTION		
1.1 General Background	1	
1.2 Profile of Concerned Bank	2	
1.3 Statement of the Problem	3	
1.4 Objective of the Study	4	
1.5 Significance/Importance of the Study	5	
1.6 Limitation of the Study	5	
CHAPTER- II REVIEW OF LITERATURE	6-21	
2.1 Introduction	6	
2.2 Conceptual Review	6	
2.2.1 Concept of Commercial Bank	6	
2.2.2 Concept of Investment and Investment Policy of Banks	7	
2.2.3 Principle of Good Investment Policy	9	
2.2.4 Profitability of Bank	10	
2.2.5 Liquidity Management	11	
2.2.6 Liquidity Measurement	11	
2.2.7 Asset Management	11	
2.2.8 Assets and Liabilities of a Commercial Bank	12	
2.3 Review of Related Studies	15	
2.3.1 Review of Articles	15	
2.3.2 Review of Master's Degree Thesis	17	
2.3.3 NRB rules regarding fund mobilization of Commercial Bank	21	
2.3.4 Research Gap	21	
CHAPTER- III RESEARCH METHODOLOGY	23-35	
3.1 Introduction	23	
3.2 Research Design	23	
3.3 Source of data	23	
3.4 Method of Analysis	24	
3.4.1 Financial Tools	24	
A) Liquidity Ratio	24	
B) Assets Management Ratio	27	

C) Profitability Ratio	30
D) Risk Ratios	31
E) Activity Performing Ratio	32
F) Growth Ratio	32
3.4.2 Statistical Tools	33
A) Arithmetic Mean (Average)	33
B) Standard Deviation	33
C) Coefficient of Variation	34
D) Coefficient of Correlation	34
E) Trend Analysis	35
CHAPTER – IV PRESENTATION AND ANALYSIS OF DATA	36-57
Introduction	36
Table 4.1 Share Capital Pattern of SCBNL	37
Table 4.2 Reserve and funds Pattern of SCBNL	38
Table 4.3 Loans and Borrowings Pattern of SCBNL	39
Table 4.4 Deposit Liability Pattern of SCBNL	40
Table 4.5 Money at Call and Short Notice	41
Table 4.6 Investment Pattern of SCBNL	42
Table 4.7 Loans, Advances and Bills Purchased Pattern of SCBNL	43
Table 4.8 Fixed Assets Pattern of SCBNL	44
Table 4.9 Others Assets Pattern of SCBNL	45
Table 4.10 Share Ownership Composition	46
Table 4.11 General Reserve Compost ion	48
Table 4.12 Deposit Account	50
Table 4.13 Non-Interest Bearing Accounts	51
Table 4.14 Interest Bearing Accounts	52
Table 4.15 Investment Structure Composition	54
Table 4.16 Loans and Advances	56
Table 4.17 Non-performing Loans	57
CHAPTER- V SUMMARY, CONCLUSION AND RECOMMENDATIONS	59-64
5.1 Introduction	59
5.2 Summary	59
5.3 Conclusion	60
5.4 Recommendation	64

BIBLIOGRAPHY

List of Table

Table	Page
Table 4.1 Share Capital Pattern of SCBNL	37
Table 4.2 Reserve and funds Pattern of SCBNL	38
Table 4.3 Loans and Borrowings Pattern of SCBNL	39
Table 4.4 Deposit Liability Pattern of SCBNL	40
Table 4.5 Money at Call and Short Notice	41
Table 4.6 Investment Pattern of SCBNL	42
Table 4.7 Loans, Advances and Bills Purchased Pattern of SCBNL	43
Table 4.8 Fixed Assets Pattern of SCBNL	44
Table 4.9 Others Assets Pattern of SCBNL	45
Table 4.10 Share Ownership Composition	46
Table 4.11 General Reserve Compost ion	48
Table 4.12 Deposit Account	50
Table 4.13 Non-Interest Bearing Accounts	51
Table 4.14 Interest Bearing Accounts	52
Table 4.15 Investment Structure Composition	54
Table 4.16 Loans and Advances	56
Table 4.17 Non-performing Loans	57

List of Chart

Chart	Figure no.	Page
Chart 4.10 Share Ownership Composition	1	47
Chart 4.11 General Reserve Composition	2	49
Chart 4.12 Deposit Account	3	50
Chart 4.13 Non-Interest Bearing Accounts	4	52
Chart 4.14 Interest Bearing Accounts	5	53
Chart 4.15 Investment Structure Composition	6	55
Chart 4.16 Loans and Advances	7	56
Chart 4.17 Non-Performing Loans	8	58

List of Abbreviation

SCBNL : Standard Chartered Bank Nepal Limited

& : And

B.S. : Bikram Sambat (Nepalese Year)

C.V. : Coefficient of Variation

S.D. : Standard Deviation

i.e. : That is

JVBs : Joint Venture Banks

LL : Loan loss

LLP : Loan loss Provision

Ltd : Limited

NPA : Non -Performing Assets

NPL : Non- Performing Loan

NRB : Nepal Rastrya Bank

R : Correlation Coefficient

RS. : Rupees

CA : Current Assets

CL : Current Assets

CBB : Cash and Bank Balance

TD : Total Deposit

IGS : Investment on Government Securities

L/A : Loan and Advances

TWF : Total Working Fund

TI : Total Investment

IGS : Investment in Government Securities

ISD : Investment in Share and Debenture

Int. : Interest

TA : Total Assets