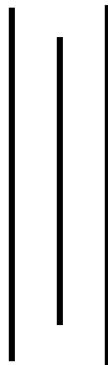


INVESTMENT ANALYSIS OF COMMERCIAL BANKS
(A Comparative Study of Himalayan Bank Ltd. & Nepal SBI Bank Ltd.)

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

By:
Drona Bahadur K.C.
Central Department of Management
T.U. Registration No: 7-1-54-874-98
Campus Roll No: 335/063



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

Kathmandu, Nepal
December, 2012

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

Drona Bahadur K.C.

Entitled:

INVESTMENT ANALYSIS OF COMMERCIAL BANKS
(A Comparative Study of Himalayan Bank Ltd. and 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.*

.....
Mr. Achyut Gyawali
(Thesis Supervisor)

.....
Prof. Dr. Bal Krishna Shrestha
(Chairperson Research Committee)

.....
Prof. Dr. Bal Krishna Shrestha
(Head of Department)

Date: 2069/ /

DECLARATION

I hereby declare that the work reported in this thesis entitled **INVESTMENT ANALYSIS OF COMMERCIAL BANKS (A Comparative Study of Himalayan Bank Ltd. and Nepal SBI Bank Ltd.)**, submitted to Central Department, Faculty of Management, Tribhuvan University, is my original work. It is done in the form of partial fulfillment of the requirement for the Degree of Master of Business Studies (M.B.S.) under the supervision and guidance of Mr. Achyut Gyawali and Prof. Dr. Bal Krishna Shrestha of Central Department of Management.

.....

(Researcher)

Drona Bahadur K.C.

Central Department of Management

ACKNOWLEDGEMENT

I express my profound gratitude to my respected teacher and thesis supervisors Mr. Achyut Gyawali and Prof. Dr. Bal Krishna Shrestha of Central Department of Kirtipur, T.U., for their invaluable comments with continuous guidance and kind support to me all the way in this thesis.

I would like to express my gratitude to teachers, administrative staff and all the staff of Central Department Library who were very supportive and helpful to me.

I also owe an indebtedness to all authors whose writings have provided me the necessary guidance and invaluable materials for enriching my research paper in all possible ways. I am also gratefully indebted to all the staff of Himalayan Bank Ltd. and Nepal SBI Bank Ltd. for providing required data and information. Likewise, all the respondents are thankful for their suggestions and responding my questionnaire.

Needless to say, “to err is human”, I cannot be the exception for any remaining errors in the calculation, and the descriptions reported in this thesis are of course, entirely my responsibilities.

Finally, let me offer my profound gratitude to my father Mr. Parshutam K.C. and family members who inspired and helped me to uplift every step of my life. This study is an outcome of their heartily blessings.

Drona Bahadur K.C.

TABLE OF CONTENTS

Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	Page No.
CHAPTER – I	INTRODUCTION
1.1 General Background of the Study	1
1.2 Brief Profile of Sample Companies	4
1.3 Statement of the Problem	5
1.4 Objectives of the Study	7
1.5 Significance of the Study	8
1.6 Limitations of the Study	9
1.7 Organization of the Study	10
CHAPTER – II	REVIEW OF LITERATURE
2.1 Conceptual Framework	11
2.1.1 Concept of Investment	11
2.1.2 Principles of Sound Investment Policy of Banks	17
2.2 Review of Journals and Articles	20
2.3 Review of Thesis	28
2.4 Research Gap	41
CHAPTER – III	RESEARCH METHODOLOGY
3.1 Introduction	42
3.2 Research Design	42
3.3 Population and Sample	43

3.4 Nature and Sources of Data	43
3.5 Data Presentation and Analysis Techniques	43
3.6 Tools for Analysis	44
3.6.1 Financial Tools	44
3.6.2 Statistical Tools	51

CHAPTER – IV DATA PRESENTATION AND ANALYSIS

4.1 Analysis of Investment Sectors	56
4.2 Financial Analysis	59
4.2.1 Analysis of Liquidity Position	59
4.2.2 Analysis of Assets Management	67
4.2.3 Analysis of Profitability Position	74
4.2.4 Analysis of Risk	84
4.2.5 Growth Analysis	87
4.3 Statistical Analysis	93
4.3.1 Correlation Analysis	94
4.3.2 Trend Analysis	100
4.4 Major Findings	105

CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary	111
5.2 Conclusion	114
5.3 Recommendations	117

Bibliography

Appendix

LIST OF TABLES

Table No.	Title	Page No.
4.1	Investments Pattern of Himalayan Bank Ltd	56
4.2	Investments Pattern of Nepal SBI Bank Ltd	57
4.3	Current Ratio of HBL and NSBI	60
4.4	Cash and Bank Balance to Total Deposit Ratio of HBL and NSBI	62
4.5	Cash and Bank Balance to Current Assets Ratio of HBL and NSBI	64
4.6	Investments on Government Securities to Current Assets Ratio of HBL and NSBI	66
4.7	Loan and Advance to Total Deposit Ratio of HBL and NSBI	68
4.8	Total Investments to Total Deposit Ratio of HBL and NSBI	69
4.9	Total OBS Operation to Loan and Advances Ratio of HBL and NSBI	71
4.10	Loan Loss Ratio of HBL and NSBI	72
4.11	Return on Loan and Advance Ratio of HBL and NSBI	74
4.12	Return on Total Assets Ratio of HBL and NSBI	76
4.13	Return on Equity Ratio of HBL and NSBI	77
4.14	Total Interest Earned to Total Outside Assets Ratio of HBL and NSBI	79
4.15	Total Interest Earned to Total Operating Income Ratio of HBL and NSBI	81
4.16	Total Interest Paid to Total Deposit Ratio of HBL and NSBI	82
4.17	Credit Risk Ratio of HBL and NSBI	84
4.18	Capital Risk Ratio of HBL and NSBI	86
4.19	Growth Ratio of Total Deposit of HBL and NSBI in Rupees	88
4.20	Growth Ratio of Total Deposit of HBL and NSBI in Percentage	88
4.21	Growth Ratio of Loan and Advance of HBL and NSBI in Rupees	89
4.22	Growth Ratio of Loan and Advance of HBL and NSBI in Percentage	89
4.23	Growth Ratio of Total Investments of HBL and NSBI in Rupees	91
4.24	Growth Ratio of Total Investments of HBL and NSBI in Percentage	91
4.25	Growth Ratio of Net Profit of HBL and NSBI in Rupees	92
4.26	Growth Ratio of Net Profit of HBL and NSBI in Percentage	92

4.27	Correlation between Total deposit and Total Investment of HBL and NSBI	94
4.28	Correlation between Loan and Advances and Net Profit of HBL and NSBI	95
4.29	Correlation between Total Deposits and Net Profit of HBL and NSBI	96
4.30	Correlation between Total Investments and Net Profit of HBL and NSBI	97
4.31	Correlation between Total Investments and Loan and Advance of HBL and NSBI	98
4.32	Correlation between Total Deposits and Loan and Advance of HBL and NSBI	99
4.33	Trend Values of Total Deposits of HBL and NSBI	100
4.34	Trend Values of Total Investments of HBL and NSBI	102
4.35	Trend Values of Total Investments of HBL and NSBI	103
4.36	Trend Values of Net Profit of HBL and NSBI	104

LIST OF FIGURES

Figure No.	Title	Page No.
4.1	Investments Pattern of Himalayan Bank Ltd	57
4.2	Investments Pattern of Nepal SBI Bank Ltd	58
4.3	Current Ratio of HBL and NSBI	61
4.4	Cash and Bank Balance to Total Deposit Ratio of HBL and NSBI	62
4.5	Cash and Bank Balance to Current Assets Ratio of HBL and NSBI	64
4.6	Investments on Government Securities to Current Assets Ratio of HBL and NSBI	66
4.7	Loan and Advance to Total Deposit Ratio of HBL and NSBI	68
4.8	Total Investments to Total Deposit Ratio of HBL and NSBI	70
4.9	Total OBS Operation to Loan and Advances Ratio of HBL and NSBI	71
4.10	Loan Loss Ratio of HBL and NSBI	73
4.11	Return on Loan and Advance Ratio of HBL and NSBI	74
4.12	Return on Total Assets Ratio of HBL and NSBI	76
4.13	Return on Equity Ratio of HBL and NSBI	78
4.14	Total Interest Earned to Total Outside Assets Ratio of HBL and NSBI	79
4.15	Total Interest Earned to Total Operating Income Ratio of HBL and NSBI	81
4.16	Total Interest Paid to Total Deposit Ratio of HBL and NSBI	83
4.17	Credit Risk Ratio of HBL and NSBI	85
4.18	Capital Risk Ratio of HBL and NSBI	86
4.19	Total Deposits	88
4.20	Loan and Advance	90
4.21	Total Investments	91
4.22	Net Profit	93
4.23	Trend values of Total Deposits of HBL and NSBI	101
4.24	Trend values of Total Investments of HBL and NSBI	102
4.25	Trend values of Loan and Advances of HBL and NSBI	104
4.26	Trend values of Net Profit of HBL and NSBI	105

ABBREVIATIONS

B.S.	:	Bikram Sambat
C.V.	:	Coefficient of Variation
DCBL.	:	Development Credit Bank Ltd.
e.g.	:	Example
Estd.	:	Establishment
Etc.	:	Extra
FY	:	Fiscal Year
Govt.	:	Government
HBL	:	Himalayan Bank Limited
i.e.	:	That is
JVB's	:	Joint Venture Banks
Ltd.	:	Limited
Nabil	:	Nabil Bank Limited
No.	:	Number
NRB	:	Nepal Rastra Bank
NSBI	:	Nepal SBI Bank Limited
P.Er.	:	Probable Error
r.	:	Coefficient of Correlation
Rs.	:	Rupees
S.D.	:	Standard Deviation
T.U.	:	Tribhuvan University
viz.	:	Namely