# AN ANALYSIS OF INVESTMENT ON PROFITABILITY OF STANDARD CHARTERED BANK NEPAL LIMITED

### **A THESIS**

**Submitted By** 

Srijana Dhakal

Shankar Dev Campus,

Roll No.: 1870/064

2<sup>nd</sup> Symbol No.392758

T.U. Reg. No: 7-2-242-352-2004

Submitted To
Office of the Dean
Faculty of Management
Tribhuvan University

In the Partial Fulfillment of the Requirement for the Degree of Master's of Business Studies (M.B.S.)

Kathmandu, Nepal December, 2013

### RECOMMENDATION

This is to certify that the Thesis

### Submitted By: SRIJANA DHAKAL

### **Entitled:**

# AN ANALYSIS OF INVESTMENT ON PROFITABILITY OF STANDARD CHARTERED BANK NEPAL LIMITED

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

Asso. Prof Prakash Singh Pradhan	Asso. Prof. Kamal Deep Dhakal	Asso. Prof. Prakash Singh Pradhar
(Thesis Supervisor)	(Head of Research Department)	(Campus Chief)

### **VIVA-VOCE SHEET**

We have conducted the viva-voce of the thesis presented

# Submitted By: SRIJANA DHAKAL

### **Entitled:**

# AN ANALYSIS OF INVESTMENT ON PROFITABILITY OF STANDARD CHARTERED BANK NEPAL LIMITED

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 requirement for the

**Degree of Master's in Business studies (M.B.S.)** 

### **Viva-Voce Committee**

Head, Research Department	
Member (Thesis Supervisor)	
Member (External Expert)	

### **DECLARATION**

I, hereby, declare that the work reported in this thesis entitled "An Analysis of Investment on Profitability of Standard Chartered Bank Nepal Limited" submitted to office of the Dean, Faculty of Management, Tribhuvan University, is my original work done for the partial fulfillment of the requirement for the Masters of Business Studies (MBS) under the supervision of Asso. Prof Prakash Singh Pradhan of Shanker Dev Campus, Kathmandu.

.....

Srijana Dhakal Researcher

**Shankar Dev Campus,** 

Roll No.: 1870/064

2<sup>nd</sup> Symbol No.392758

T.U. Regd. No: 7-2-242-352-2004

### **ACKNOWLEDGEMENT**

This is an attempt to present thesis entitled "An Analysis of Investment on Profitability of Standard Chartered Bank Nepal Limited" prepared for partial fulfillment of the requirement for the Degree of Master of Business Studies (MBS) is an outcome of continuous and immeasurable cooperation and support of several hands. I would like to express my heartfelt gratitude to all for their support.

I express my sincere honor and special sense of gratitude to my academic supervision, Asso. Prof. Prakash Singh Pradhan for their generous guidance, thoughtful encouragement and brilliant insight throughout this research work.

I am extremely indebted to my parents and brothers who have contributed their valuable time and resources in making me what I am now.

I owe great intellectual debt for support and immense contribution to Administrative of SCBNL. I am thankful to library staffs of Shanker Dev Campus and T.U. library for their cooperation.

Srijana Dhakal

### **TABLE OF CONTENTS**

	Page No.
Recommendation	r ugo rror
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
CHAPTER – ONE INTRODUCTION	1-7
1.1 Background of the Study	1
1.2 Profile of Standard Chartered Bank Nepal Limited	3
1.3 Focus of the Study	4
1.4 Statement of the Problems	4
1.5 Objectives of the Study	5
1.6 Significance of the Study	5
1.7 Limitations of the Study	6
1.8 Organization of the Study	6
CHAPTER – TWO REVIEW OF LITERATURE	8-39
2.1 Conceptual Framework	8
2.1.1 Concept of Commercials Banks	8
2.1.2 Function of Commercial Banks	9
2.2Concept of Investment	10
2.2.1 Principle of Sound Investment Policy	12
2.2.2 Investment Alternatives	14
2.2.3 Investment Uncertainty (Risk)	15
2.3 Profit & Profitability	17
2.3.1 Meaning of Profit	19
2.3.2 Theories of Profit	21
2.3.3 Need For Profit	22

2.3.4 Profitability of Commercial Banks	22
2.4 Legal Provision	23
2.5 Review of Related Research	31
2.6 Review of Unpublished Thesis	33
2.7 Research Gap	38
CHAPTER – THREE RESEARCH METHODOLOGY	40-46
3.1 Research Design	40
3.2 Population and Sample	40
3.3 Nature and Source of Data	41
3.4 Method of Data Collection	41
3.5 Method of Data Analysis	41
3.5.1 Financial Tools	41
3.5.2Statistical Tools	43
CHAPTER – IV PRESENTATION & ANALYSIS OF DATA	47-67
4.1 Deposit Position Analysis	47
4.1.1 Different Types of Deposit to Total Deposit Ratios	49
4.2 Investment Pattern of SCBNL	51
4.3 Analysis of Credit Position	56
4.4 Credit Deposit Ratio	58
4.5 Profitability Ratio Analysis	59
4.6 Trend Analysis	62
4.6.1 Trend Analysis of Total Investment and Net Profit	62
4.7 Correlation Analysis	63
4.7.1 Correlation Coefficient between Total Deposit & Total Investment:-	63
4.7.2 Correlation Coefficient between Total Investment & Net Profit	64
4.8 Major Findings	65

CHAPTER- V SUMMARY, CONCLUSION & REOCMMENDATION	68-72
5.1 Summary	68
5.2 Conclusion	69
5.3 Recommendation	70
BIBLIOGRAPHY	
APPENDICES	

# LIST OF TABLES

Table No	Page No.
Table: 4.1 Deposit Position of SCBNL	48
Table: 4.2 Different Types of Deposit to Total Deposit Ratios of SCBNL	50
Table: 4.3 Investment Pattern of SCBNL	52
Table: 4.4 Investment Pattern of SCBNL in Percentage	53
Table: 4.5 Credit Position of SCBNL	57
Table: 4.6 Computation of CD Ratio	58
Table: 4.7 Profitability Ratios	60
Table: 4.8 Forecasted Trend Value of Total Investment and Net Profit	62
Table: 4.9 Correlation Coefficient between Total Deposit & Total Investment	64
Table: 4.10 Correlation Coefficient between Total Investment and Net Profit	65

# LIST OF FIGURES

Figure	ge No.
Figure: 4.1 Deposit Position of SCBNL	48
Figure: 4.2 Trend of Total Deposit of SCBNL	49
Figure: 4.3 Trend of Different Types of Deposit to Total Deposit Ratios of SCBNI	L 50
Figure: 4.4 Trend of total Investment of SCBNL	52
Figure: 4.5 Investment Pattern of SCBNL in 2064/065	54
Figure: 4.6 Investment Pattern of SCBNL in 2065/066	54
Figure: 4.7 Investment Pattern of SCBNL in 2066/067	55
Figure: 4.8 Investment Pattern of SCBNL in 2067/068	55
Figure: 4.9 Investment Pattern of SCBNL in 2068/069	56
Figure: 4.10 Trend Loan & Advance, Investment & Total Credit Position of	
SCBNL	57
Figure: 4.11 Trend of CD Ratio	59
Figure: 4.12 Trend of ROLA, ROTD & ROTA Ratios	61
Figure: 4.13 Trend of NPM & ROTE Ratios	61
Figure: 4.14 Forecasted Trend Line of Total Investment and Net Profit	63

### **ABBREVIATIONS**

A.D Anno Domini

ABBS Any Branch Banking System

ATM Automated Teller Machine

C Credit

CD Credit Deposit

D Deposit
Ed. Edition

EPS Earning Per Share

FD Fixed Deposit

FY Fiscal Year

GDP Gross Domestic Product

i.e That is

JVB Joint Venture Bank

LC Letter of Credit

LTD Limited

MBS Masters' of Business Studies

Misc. Miscellaneous

NEPSE Nepal Stock Exchange

No. Number

NPM Net Profit Margin

NRB Nepal Rastra Bank

ROLA Return on Loan and Advance

ROTA Return on Total Assets

ROTD Return on Total Deposit

ROTE Return on Total Equity

S.D Standard Deviation

SCBNL Standard Chartered Bank Nepal Limited

SDC Shankar Dev Campus

SEBON Securities Board of Nepal

T. U. Tribhuwan University

TD Total Deposit