CREDIT MANAGEMENT OF NEPALESE JOINT VENTURE COMMERCIAL BANKS

(With Reference to SCBNL, NIBL, HBL, EBL and NBBL Banks)

A THESIS

Submitted by:

Nirmal Bista NEPAL COMMERCE CAMPUS

Exam Roll No: 2051/064 T.U. Regd No: 7-2-25-334-2002 Campus Roll No: 819/062

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.)

New Baneshwor, Kathmandu August, 2009

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Nirmal Bista

Entitled:

A STUDY ON CREDIT MANAGEMENT OF NEPALESE JOIN VENTURE COMMRECIAL BANKS

(With Reference to SCBNL, NIBL, HBL, EBL & NBBL Banks)

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

Dr. Bihari Binod Pokharel) Head of the Department And Thesis Supervisor	(Mr. Diwakar Pokhrel) Campus Chief	(Prof.
Date:		

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:

Nirmal Bista

Entitled

A STUDY ON CREDIT MANAGEMENT OF NEPALESE JOIN VENTURE COMMRECIAL BANKS

(With Reference to SCBNL, NIBL, HBL, EBL & NBBL Banks)

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

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

Viva-Voce Committee

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

DECLARATION

I hereby declare that the work reported in this thesis entitled A Study on Credit Management of Nepalese Joint Venture Commercial Banks (With Reference to SCBNL, NIBL, HBL, EBL and NBBL Banks), submitted to the Research Department of Nepal Commerce Campus, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirements for the Master's Degree of Business Studies (MBS), under the supervision of **Prof. Dr. Bihari Binod Pokharel,** Nepal Commerce Campus.

D (
Date:								
Date.		 	 	 	 •	 	•	

.....

Nirmal Bista T.U. Regd. No. 7-2-25-334-2002 Exam Roll No. 2051/064 Campus Roll No: 819/062

TABLE OF CONTENTS

Contents	Page No
Recommendation	
Viva- Voce Sheet	
Declaration	
Acknowledgements	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
CHAPTER- ONE	
INTRODUCTION	1-7
1.1 Background	1
1.2 History of Bank	3
1.3 Statement of Problem	4
1.4 Objectives of Study	6
1.5 Scope of Study	6
1.6 Limitations of the Study	7
1.7 Organization of the Study	7
CHAPTER- TWO	
REVIEW OF LITERATURE	8-35
2.1 Conceptual Review	9
2.2 Review of Rules, Regulation and Directives of NRB	21
2.3 Review of Previous Studies	27
2.4 Important Terminology	34
CHAPTER- THREE	
RESEARCH METHODOLOGY	36-51
3.1 Introduction	36
3.2 Research Design	36
3.3 Population and Sample	36
3.4 Nature and Sources of Data	37
3.5 Data Collection and Processing Techniques	37
3.6 Data Period Covered	37
3.7 Methods of Data Analysis	37

CHAPTER- FOUR	
PRESENTATION AND ANALYSIS OF DATA	52-126
4.1 Introduction	52
4.2 Financial Condition of Selected Nepalese Joint Commercial Banks	52
4.3 Statistical Tools	86
4.5 Major Findings of the Study	101
CHAPTER- FIVE	
SUMMARY, CONCLUSION AND RECOMMENDATIONS	106-112
5.1 Summary	107
5.2 Conclusion	109
5.3 Recommendations	110
Bibliography Appendices	

LIST OF TABLES

	Page No.
2.1 Guidelines of Assessing Risk	15
2.2 Fund Required on the Basis of WRA(%)	22
2.3 Classification of Loan	24
2.4 Public Corporation and their Specified Merchadise	25
3.1 Hypothesis F-Test	51
4.1 Current Ratio	53
4.2 Liquid Fund to Current Liabilities Ratio	54
4.3 Cash and Bank Balance to Total Deposit Ratio	55
4.4 Cash and Bank Balance to Interest Sensitive Deposit Ratio	56
4.5 Cash and Bank Balance to Current Assets Ratio	57
4.6 Loan and Advances to Current Ratio	58
4.7 Total Assets to Total Liabilities Ratio	59
4.8 Loan and Advances to Total Assets Ratio	60
4.9 Total Investment to Total Deposit Ratio	61
4.10 Loan and Advances to Total Deposit Ratio	62
4.11 Investment to Total Loan and Advances and Investment Ratio	63
4.12 Loan Loss Provision to Total Loan and Advances Ratio	64
4.13 Non Performing Loan to Total Loan and Advances Ratio	65
4.14 Interest Expenses to Total Deposit Ratio	66
4.15 Interest Expenses to Total Expenses Ratio	67
4.16 Interest Expenses to Total Working Fund Ratio	68
4.17 Deposit Mobilization per Branch	69
4.18 Credit Mobilization per Branch	69
4.19 Priority Sector Credit to Total Credit Ratio	70
4.20 Deprived Sector Credit to Total Credit Ratio	71
4.21 Private Sector Credit to Total Credit Ratio	72
4.22 Credits to Government Enterprises	74
4.23 Sectors Classification of Credit (SCBNL)	75
4.24 Sectors Classification of Credit (EBL)	75
4.25 Sectors Classification of Credit (NIBL)	76
4.26 Interest Income to Total Income Ratio	78
4.27 Interest Income to Interest Expenses Ratio	79
4.28 Operating Profit to Loan and Advances Ratio	80
4.29 Return on Loan and Advances Ratio	81
4.30 Return on Total Working Fund Ratio	82
4.31 Total Interest Earned to Total Working Fund Ratio	83
4.32 Return on Equity Ratio	84

4.33 Growth Ratio of Total Deposit	85
4.34 Growth Ratio of Loan and Advances	85
4.35 Growth Ratio of Net Profit	85
4.36 Coefficient of Correlation between Total Deposit and Loan and Advances	87
4.37 Coefficient of Correlation between Investment and Loan and Advances	88
4.38 Coefficient of Correlation between Total Incomes	
and Loan and Advances	89
4.39 Coefficient of Correlation between Loan Loss	
Provision and Loan and Advances	90
4.40 Coefficient of Correlation between Interest and Net Profit	91
4.41 Trend Value of Total Deposit	92
4.42 Trend Value of Loan and Advances	94
4.43 Trend Value of Net Profit	95
4.44 Test of Hypothesis in Loan and Advances to Total Assets Ratio	97
4.45 Test of Hypothesis in Loan and Advances to Total Deposit Ratio	98
4.46 Test of Hypothesis in Interest Income and Interest Expenses Ratio	99
4.47 F-Test of Hypothesis in Loan and Advances to Total Assets Ratio	100
4.48 F- Test of Hypothesis in Loan and Advances to Total Deposit Ratio	100
4.49 F- Test of Hypothesis in Interest Income and Interest Expenses Ratio	101

LIST OF FIGURES

	Page No.
4.1 Priority Sector Credit to Total Credit	71
4.2 Deprived Sector Credit to Total Credit	72
4.3 Private Sector Credit to Total Credit	73
4.4 Credits to Government Enterprises	74
4.5 Mean Ratios of Credit Disbursement to Different	76
Sectors of EBL	
4.6 Mean Ratios of Credit Disbursement to Different	77
Sectors of NIBL	
4.7 Trend Value of Total Deposit	93
4.8 Trend Value of Loan and Advances	95
4.9 Trend Value of Net Profit	96

ABBREVIATIONS

Betⁿ: Between

CB_s: Commercial Banks

ed.: Edition Ltd.: Limited i.e.: That is No.: Number Pvt: Private

NBBL: Nepal Bangladesh Bank Limited

SCBNL: Standard Chartered Bank Nepal Limited

HBL: Himalayan Bank Limited

NIBL: Nepal Investment Bank Limited

EBL: Everest Bank Limited

Mgmt: Management

NRB: Nepal Rastra Bank

SEBO/N: Security Board Nepal CV: Coefficient of Variation

F/Y: Fiscal Year Co.: Company Vol.: Volume Kath: Kathmandu

P.: Page

T.U.: Tribhuvan University