

**A FINANCIAL ANALYSIS ON INVESTMENT
MANAGEMENT
OF
COMMERCIAL BANKS**

BY

Reshma Singh
Shanker Dev Campus

T.U Registration : 7-2-271-424-2001
Exam Roll No: 393822



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

In partial fulfillment of the requirement for the degree of
Master of Business Studies (M.B.S)
Kathmandu , Nepal

DECLARATION

I hereby that the research work entitled “Financial Analysis on investment management of commercial banks.” Submitted of Research department of Shanker Dev Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of the partial fulfillment of the requirement of Mater of Business Studies (MBS) under the supervision of Mr. Prakash Singh Pradhan ,Shanker Dev Campus.

Reshma Singh

Shanker Dev Campus

Exam Roll No:393822

T.U RegistrationNo: 7-2-271-424-2001

ACKNOWLEDGEMENT

This research “Financial Analysis on investment management of commercial bank limited” has been conducted with the view to examine performance of top two private sector commercial banks. This effort is partial fulfillment for the degree of Master of business studies (MBS) under the course designed by the Faculty of Management, T.U. This study is based on the prescribed research format involving the use of deposit fund in productive sector. Hence, deposit mobilization of the selected banks listed in NEPSE has been studied and as possible as of it is presented.

First of all I would like to thank Tribhuvan University for providing such an opportunity to develop conceptual knowledge which helped me in future in framing suitable policies, practical skill and career development.

Also, I would like to take this grad opportunity to thank all the staff and teachers concerned at Shanker Dev Campus for giving necessary guidelines and suggestions in the process of making up this particular fieldwork. I would like to especially thank Mr. Prakash Singh Pradhan for his contribution in preparing this fieldwork.

I am indebted to the respected officer, staff of Nepal stock exchange and all those writers and researchers whose materials and methods have been used wherever necessary during the study period as a reference.

Finally, I would like to offer my profound gratitude to my family and friends for their encouragement and support during the entire period of my study.

Reshma Singh

Faculty of Management

Shankar Dev Campus

TABLE OF CONTENTS

PAGE NO:

Declaration	
Acknowledgement	
Table of Content	
List of Tables	
List of Graphs	
Abbreviations	

CHAPTER – I

INTRODUCTION

1.1 Background of the Study	1
1.2 Banking System Development in Nepal	3
1.3 Profile of the selected Banks	5
1.3.1 Himalayan Bank Ltd.	5
1.3.2 Everest Bank Ltd.	6
1.4 Focus of the study	6
1.5 Statement of the Problem	7
1.6 Objective of the study	8
1.7 Significance of the study	8
1.8 Limitation of the study	9
1.9 Organization of the study	9

CHAPTER – II

Review of Literature

2.1 Conceptual Review	10
2.1.1 Evolution of Modern Banking	10
2.1.2 Concept of commercial bank	11
2.1.3 Types of banks	12
2.1.4 Functions of commercial banks	14
2.1.5 Concepts of Deposit and Deposit Mobilization	15
2.1.6 Deposit Mobilization	18
2.1.7 Requirement for deposit mobilization	20
2.1.8 Advantage of Deposit Mobilization	20
2.1.9 Loan and Advances	21
2.1.10 Investment and Investment Policy	22
2.1.10.1 Investment	22
2.1.10.2 Investment Policy	22
2.1.10.3 Characteristics of sound Investment Policy	23
2.1.11 Deposit Mobilization Institution in Nepal	23
2.2 Review of Related Studies	24
2.2.1 Review of Articles / journals	24
2.2.2 Review of Related Unpublished Thesis	26

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Research Design	30
3.2 Research Hypothesis	30
3.3 Source and Nature of Data	30
3.4 Population and Sample	31
3.5 Methods of Data Analysis	31
3.5.1 Financial Tools	31
3.5.2 Statistical Tools	33

CHAPTER – IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Deposit Collection and mobilization	36
4.2 Financial Ratio Analysis	41
4.2.1 Liquidity Ratio	41
4.2.1.1 NRB Balance to Total investment	41
4.2.1.2 NRB Balance of Current and Saving Deposit	43
4.2.1.3 NRB Balance Fixed Deposit	45
4.2.1.4 Total Liquid Fund to Total Deposit	47
4.2.2 Activity Ratio	49
4.2.2.1 Credit to Total Deposit	49
4.2.2.2 Investment to Total Deposit	51
4.2.2.3 Credit and Investment to total Deposit	53
4.2.3 Capital Adequacy Ratio	59
4.2.3.1 Total Capital to Total Deposit	59
4.2.3.2 Total Capital to Total Credit	61
4.2.3.3. Total Capital to Total Assets Ratio	63
4.2.4 Profitability Ratio	64
4.2.4.1 Return of Total working fund	64
4.2.4.2 Net Profit of Loan and Advance	66
4.2.4.3 Net Profit to total equity capital	68
4.2.5 Risk Ratio	70
4.2.5.1 Capital Risk	70
4.2.5.2 Credit Risk	72
4.2.6 Growth Ratio	74
4.2.6.1 Growth Ratio of Total Deposit	75
4.2.6.2 Growth Ratio of Loan and Advance	75
4.2.6.3 Growth Ratio of Total investment	75
4.2.6.4 Growth Ratio of Net Profit	76

4.3 Statistical Analysis	76
4.3.1 Coefficient of correlation	76
4.3.1.1 Correlation Coefficient between Total Deposits and Loan and Advance	76
4.3.1.2 Correlation Coefficient between Total Deposits and Investment	77
4.3.2 Trend Analysis	78
4.3.2.1 Trend Analysis of Total Deposit	78
4.3.2.2 Trend Analysis of Loan and Advance	78
4.3.2.3 Trend Analysis of Investment	79
4.4 Major findings	80

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary	84
5.2 Conclusions	85
5.3 Recommendation	86

Bibliography

Annex I

Annex II

LIST OF TABLES

TABLE	PAGE NO
Forecast	
4.1 Deposit collection	33-34
4.2 Investment	35
4.3 Loan and Advance	36
4.4 NRB balance to Total Deposit Ratio	39
4.5 NRB balance to Current and Saving Deposit Ratio	41
4.6 NRB balance to fixed deposit ratio	43
4.7 Total Liquid fund to Total Deposit Ratio	45
4.8 Credit to Total Deposit Ratio	47
4.9 Investment to Total Deposit Ratio	49
4.10 Credit and Investment to Total Deposit Ratio	50
4.11 Loan and Advance to Saving Deposit Ratio	52
4.12 Time Deposit to Total Deposit Ratio	54
4.13 Total capital to total deposit ratio	56
4.14 Total Capital to Total Credit Ratio	58
4.15 Capital to Assets Ratio	60
4.16 Return on Total working Fund Ratio	62
4.17 Net Profit (Return) to Loan and Advance Ratio	63
4.18 Net Profit (Return) to Total Equity Capital Ratio	65
4.19 Capital Risk Ratio	67
4.20 Credit Risk Ratio	69
4.21 Growth Ratio of Total Deposit	71
4.22 Growth Ratio of Loan and Advance	71
4.23 Growth Ratio of Total Investment	71
4.24 Growth Ratio of Net Profit	72
4.25 Correlation Coefficient between Total Deposit	72
4.26 Correlation Coefficient between Total Deposit and Investment	73
4.27 Trend Analysis of Deposit	74
4.28 Trend Analysis of loan and Advance	75
4.29 Trend Analysis of Investment	76

LIST OF GRAPHS

4.1. Graphical Presentation of Deposit of collection	34
4.2. Graphical Presentation of Group Investment of EBL and HBL	36
4.3. Graphical presentation of loan and advance	37
4.4. Graphical Presentation of NRB balance of total Deposit Ratio	40
4.5. Graphical presentation of NRB balance to current and saving Deposit ratio	42
4.6 Graphical Presentation of NRB Balance to Fixed Deposit ratio	44
4.7. Graphical presentation of total liquid fund to total Deposit ratio	46
4.8. Graphical presentation of credit and investment of total deposit ratio	48
4.9. Graphical presentation of Investment to Total Deposit Ratio	50
4.10 Graphical Presentation of Credit and Investment to Total Deposit ratio	51
4.11 Graphical Presentation of Loan and Advances to Saving Deposit Ratio	53
4.12 Graphical presentation of Time Deposit to Total Deposit ratio	55
4.13 Graphical presentation of Total Capital to Total Deposit Ratio	57
4.14. Graphical Presentation of Total Capital to Total Deposit.	59
4.15 Graphical presentation of value of credit and investment to total deposit ratio	61
4.16. Graphical Presentation of estimate value of return to total working fund	63
4.17. Graphical presentation of the trend values of net profit to loan and advance ratio	64
4.18 Graphical Presentation of trend value of net profit to total equity capital ratio	66
4.19 Graphical Presentation of Capital Risk Ratio of EBL and HBL	68
4.20 Graphical Presentation of Trend Analysis of credit risk ratio of EBL and HBL	70
4.21 Graphical Projection of trend of loan and advances till 2008/2009	75
4.22 Graphical Projection of the future trend of loan and advances	76
4.23: Graphical Representation of trend of investment till 2013/14	77

ABBREVIATIONS

AD	=	Anno Domini
&	=	and
ATM	=	Automatic Teller Machine
BS	=	Bikram Samat
C.V	=	Coefficient of Variance
CBS	=	Central Bureau of Statistics
CBs	=	Commercial Banks
FY	=	Fiscal Year
GDP	=	Gross Domestic Product
i.e	=	That is
ISC	=	Industrial Service Center
Ltd	=	Limited
NEPSE	=	Nepal Stock Exchange
NGO	=	Non-Government Organization
NRB	=	Nepal Rastra Bank
PE(r)	=	Probable Error of Correlation Coefficient
PNB	=	Punjab National Bank
R	=	correlation
RBB	=	Rastriya Banijya Bank
SBI	=	State Bank of India
SCT	=	Smart Choice Technology
SEBO	=	Security Exchange Board
TU	=	Tribhuvan University
UK	=	United Kingdom
IFIC	=	International Finance Investment and Commercial banks