

CREDIT MANAGEMENT OF KUMARI BANK LIMITED

||
||
||

By :

||
||
||

Mukesh Prasad Gupta
Thakur Ram Multiple Campus
T.U. Registration No. :-7-2-439-109-2006
Campus Roll No. 95/066
M.B.S. 2nd year Symbol No. 150152

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

**In partial fulfillment of the requirements of the Master's Degree of
Business Studies (M.B.S.)**

Birgunj

December - 2013

RECOMMENDATION

This is to certify that the Thesis

Submitted by :
MUKESH PRASAD GUPTA

Entitled:
CREDIT MANAGEMENT OF KUMARI BANK LIMITED

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

.....
Lalan Dwibedi
(Thesis Supervisor)

.....
Dr. Deepak Shakya
(Head of Research Department)

.....
Lalan Dwibedi
(Campus Chief)

Date :-

VIVA - VOCE SHEET

We have conducted the viva - voce of the thesis presented by

MUKESH PRASAD GUPTA

Entitled :

CREDIT MANAGEMENT OF KUMARI BANK 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

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

Viva- Voice Committee

Chairperson, Research Committee

Member (Thesis Supervisor)

Member (External Expert)

Date :

DECLARATION

I hereby declare that the work reported in this thesis entitled "**Credit Management of Kumari Bank Limited**" Submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master's Degree in Business Studies (M.B.S.) under the supervision of **Lalan Dwibedi** of Thakur Ram Multiple Campus.

.....

Mukesh Prasad Gupta

T.U. Registration No. :-7-2-439-109-2006

Campus Roll No. 95/066

M.B.S. 2nd year symbol No. 150152

ACKNOWLEDGEMENTS

Many individuals have generally contributed on shaping and bringing this thesis to this point. I am indebted to all of them for their tremendous help, encouragement insightful as well as constructive comments.

I am primarily indebted to my supervisor, **Lalan Dwibedi** his invaluable guidance, support and encouragement throughout this study. This study would not have been completed in time without this intellectual and personal support. My feelings of sincere gratitude goes to Head of Research Committee **Dr. Deepak Shakya, K.K. Shah, Mr. Sanjay Shrestha** and all the staff members of **Kumari Bank Limited** and **Thakur Ram Multiple Campus** who have been very cordial, friendly and helpful to provide me with the necessary information and guidelines every time I paid a visit to them during the making of this work.

I am also very much thankful to the personal at my own office for their various support, valuable suggestions and active Co-operation to complete my work.

Finally, I am very grateful to my family Mom, Dad, Brother and Bhabi for their encouragement and moral & Physical support during the preparation of this thesis. I express debt of gratitude my teachers, my friend **Priyanka Gupta** , **Suresh Chaudhary** and other friends for their continuous support, help and inspiration in my study. Lastly, I apologize for my errors committed in his work.

Mukesh Prasad Gupta

Researcher

TABLE OF CONTENTS

Recommendation	I	
Viva-Voce Sheet	II	
Declaration	III	
Acknowledgements	IV	
Abbreviations	V	
Table of contents	VI	
List of tables	VII	
List of figures	VIII	
	Page No.	
CHAPTER-1	INTROUDUCTION	1-18
1.1	Background of the study	1
1.2	Origin of the Bank in Nepal	3
1.3	Focus of the Study	4
1.4.	Introduction of Bank	6
1.4.1	Introduction of Kumari Bank Limited	6
1.4.2	General Function of KBL.	7
1.4.3	The Organization and Management of KBL.	8
1.4.4	Personnel and Branches offices of KBL	9
1.5	Statement of the Problem	14
1.6	Objectives of the Study	16
1.7	Significance of the Study	17
1.8	Limitation of the Study	17
1.9	Organization of the Study	18
Chapter- II	REVIEW OF LITERATURE	20-40
2.1	Introduction	20
2.2	Conceptual Framework	20
2.2.1	Meaning of Commercial Banks	20
2.2.2	Functions of Commercial Banks	22
2.2.3	Primary Functions.	22
2.2.4	Role of Commercial Banks in Changing Context	24

2.2.5	Credit Management	25
2.2.6	Credit Risk Appraisal	27
2.2.7	Credit Policy of Bank	28
2.2.8	Factors Affecting Credit Policy of Banks	30
2.3	Review of Nepal Rastra Bank Directives	31
2.4	Review of Previous Thesis (Dissertations)	33
2.5	Review of Journals & Articles	38
2.6	Research Gap	40
 CHAPTER - III RESEARCH METHODOLOGY		41-52
3.1	Introduction	41
3.2	Research Design	41
3.3	Population and Sampling	42
3.4	Nature and Sources of Data	42
3.5	Reliability of Data	43
3.6	Data Analysis Tools	43
3.6.1	Financial Tools	44
3.6.2	Statistical Tools	52
 CHAPTE - IV ANALYSIS AND PRESENTATION OF DATA		54-79
4.1	Introduction	54
4.2	Analysis of Financial Tools	54
4.2.1	Ratio Analysis	54
4.3	Statistical Analysis	76
4.3.1	Coefficient of Correlation Analysis	76
4.4	Major Findings of the study	79
 CHAPTER - V SUMMARY, CONCLUSION AND RECOMMEDATIONS		82-84
5.1	Summary	82
5.2	Conclusions	83
5.3	Recommendations	84
 BIBLIOGRAPHY		
APPENDICES:		
Appendix - I		
Appendix - II		
Appendix - III		
Appendix -IV		

LIST OF TABLES

Table No.	Name of Title	Page No.
1.	Branches of KBL (Inside Kathmandu Valley)	11
2.	Branches of KBL (Out side of Kathmandu Valley)	11
4.1	Current Ratio	55
4.2	Cash and Bank Balance to Total Deposit Ratio	57
4.3	Credit and Advance to Total Deposit Ratio	58
4.4	Loan, Advances and Investment to Total Deposit Ratio	59
4.5	Performing Assets (Long) to Non - performing Assets Ratio	60
4.6	No -Performing Assets to total Assets Ratio	62
4.7	Loan Loss Provision to Total Loan and Advances Ratio	63
4.8	Non Performing Loan to Total Loan and Advances Ratio	65
4.9	Provision for pass Loan to Total Pass Loan Ratio	66
4.10	Interest Income to Loan and Advances and Investment Ratio	67
4.11	Interest Expenses to Total Expenses Ratio	69
4.12	Interest Expenses to Interest Income Ratio	71
4.13	Return of Equity Ratio	72
4.14	Return on Total Assets Ratio	73
4.15	Return on Net Loan and Advance	74
4.16	Earning per share	75
4.17	Correlation Co-efficient of Non- performing Loan and Total Loan	77
4.18	Correlation Co-efficient of Total Loan and Total Assets	78

LIST OF FIGURES

Fig. No.	Name of Title	page No.
4.1	Current Ratio	56
4.2	Cash and Bank Balance to Total Deposit Ratio	57
4.3	Credit and Advance to Total Deposit Ratio	59
4.4	Loan, Advances and Investment to Total Deposit Ratio	60
4.5	Performing Assets (Long) to Non - performing Assets Ratio	61
4.6	No -Performing Assets to total Assets Ratio	62
4.7	Loan Loss Provision to Total Loan and Advances Ratio	64
4.8	Non Performing Loan to Total Loan and Advances Ratio	65
4.9	Provision for pass Loan to Total Pass Loan Ratio	66
4.10	Interest Income to Loan and Advances and Investment Ratio	68
4.11	Interest Expenses to Total Expenses Ratio	69
4.12	Interest Expenses to Interest Income Ratio	71
4.13	Return of Equity Ratio	72
4.14	Return on Total Assets Ratio	73
4.15	Return on Net Loan and Advance	74
4.16	Earning per share	76

ABBREVIATIONS

KBL	Kumari Bank Limited
NBL	Nepal Bank Limited
%	Percentage
&	And
+	Plus
A.D.	Anno Domini
A.M.	Arithmetic Mean
B.S.	Bikram Sambat
C.V.	Coefficient of Variance
Co.	Company
EPS	Earning Per Share
F/Y	Fiscal year
G.M.	General Manager
i.e.	That is
Ktm.	Kathmandu
Ltd.	Limited
M.	Million
MBS	Master of Business Studies
No.	Number
NPA	Non Performing Assets
NRB	Nepal Rastra Bank
P.E	Probable Error
Pvt.	private
r	Coefficient of Correlation
ROE	Return on Equity
Rs.	Rupees
S.E	Standard Error
T.U.	Tribhuvan University
Viz.	That is to say
Fig.	Figure