INVESTMENT ANALYSIS OF EVEREST BANK LIMITED

By:

Rojan Shakya

Patan Multiple Campus T.U. Regd. No.: 7-2-421-34-2003 Campus Roll No. /Batch: 175/063

Exam Roll Number: 4360/066

A Thesis 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.)

Lalitpur, Nepal Chaitra 2068



त्रिभूवन विश्वविद्यालय TRIBHUVAN UNIVERSITY **पाटन संयुक्त क्याम्पस** PATAN MULTIPLE CAMPUS

फोग	Phone
4-454348	5-529911
A-A550PE	5.522078
ล สธชวรถ	5-526304

क्यारपरा प्रगुसको कार्यलय Office of the Campus Chief Ph.: 5-547510

पञ संख्या/Ref. No

पाटनढोका,	ललितपुर.	नेपाल
Patandhoka	, Lalitpur,	Nepa

मिति / Date:	***************************************
--------------	---

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Rojan Shakya

Entitled:

Investment Analysis Of Everest Bank Limited

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

(Mr. Bijaya Gopal Shrestha)	(Mr. Bishnu Gopal Khimbaja)	(Mr. Baburam Singh Thapa)
Thesis Supervisor	M.B.S. Coordinator	Assistant Campus Chief

Date:



त्रिमुवन विश्वविद्यालय TRIBHUVAN UNIVERSITY **पाटन संयुक्त क्याम्पस** PATAN MULTIPLE CAMPUS

पार्गस	Phone
A-A54368	5-529911
ñ ∙ñ5€358 ñ •ñ560 e €	5-522076
8.888368	5-526394

क्याम्पस प्रमुखको कार्यलय Office of the Campus Chief Ph.: 5-547510

पत्र संख्या/Ref. No

Date:

पाटनढोका, ललिवपुर,	नेपाल
Patandhoka, Lalitpur,	Nepal

मिति / Date:	**********	
--------------	------------	--

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:

Rojan Shakya

Entitled:

Investment Analysis Of Everest 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 requirements for the degree of

Master of Business Studies (M.B.S.)

DECLARATION

I hereby declare that the work reported in the thesis entitled, "Investment Analysis of Everest Bank Limited", submitted to Office Of Dean, Central Department of Management, Tribhuvan University, is my original work done is the form of partial fulfillment of the requirements of Masters Degree in Business Studies under the supervision of Associate Prof. Bijaya Gopal Shrestha.

.....

Rojan Shakya

Researcher

T.U. Regd. No:7-2-421-34-2003

Patan Multiple Campus

Patan Dhoka, Lalitpur, Nepal

Chaitra 2068

ACKNOWLEDGEMENT

This thesis entitles "Investment Analysis of Everest Bank Limited" has been prepared in partial

fulfillment for the Master of Business Studies (MBS). For this I gained lots of guidelines and

suggestions from my teachers, friends, company official and my relatives. Firstly I would like to

express my profound gratitude to my supervisor Associate Prof. Bijaya Gopal Shrestha for his

valuable guidance throughout the work and my teachers who inspired me to do this study.

I acknowledge staff of Everest Bank Limited who provided sources of data and other information for

this study. Similarly I would like to thank my friends Mrs. Pratibha Bhusal, Miss Sharmila Maharjan

and Mrs. Anuja Dongol whose help were remarkable too.

Finally, I would like to express my sincere gratitude to the staffs of Patan Multiple Campus library

for their cordial cooperation by providing me with related books and thesis and all the teachers

involved there who made me capable of writing this thesis.

Rojan Shakya

Campus Roll No/ Batch: 175/063

T.U. Regd. No:7-2-421-34-2003

Patan Multiple Campus

Patan Dhoka, Lalitpur, Nepal

Table of Contents

Contents	Page No.
1. Introduction	
1.1 General Background	1
1.2 Profile of Everest Bank limited	2
1.3 Statement of Problem	3
1.4 Objective of the study	4
1.5 Significance/ Importance of the study	4
1.6 Limitation Of the study	5
1.7 Organization of the study	5
2. Review of Literature	
2.1 Introduction	6
2.2 Conceptual View	6
2.2.1 Concept of Commercial Bank	6
2.2.2 Concept of Investment and Investment Policy of Bank	7
2.2.3 Principle of good investment policy Review of Related	8
2.2.4 Profitability of Bank	10
2.2.5 Liquidity Management	10
2.2.6 Liquidity Measurement	11
2.2.7 Asset management	11
2.2.8 Assets and Liabilities of commercial Bank	12
2.3 Review of Related Studies	
2.3.1 Review of Articles	15
2.3.2 Review of master's Degree Thesis	16
2.3.3 NRB rules regarding fund mobilization of Commercial Bank	19

3. Research Methodology

3.1 Introduction	21
3.2 Research Design	21
3.3 Source of Data	21
3.4 Method of Analysis	22
3.4.1 Financial tools	22
A. Liquidity Ratio	22
B. Assets Management Ratio	25
C. Profitability Ratio	27
D. Risk Ratios	29
E. Activity of Performing Ratio	29
F. Growth Ratio	30
3.4.2 Statistical Tools	31
A. Arithmetic Mean	31
B. Standard Deviation	31
C. Coefficient of Variation	32
D. Coefficient of Correlation	32
E. Trend Analysis	33
4. Data Presentation and Analysis	
4.1 Introduction	34
4.2 Liquidity Ratio	34
4.2.1 Current Ratio	34
4.2.2 Cash and Bank Balance to Current Assets Ratio	36
4.2.3 Cash and Bank Balance to Total Deposit Ratio	38
4.2.4 Investment on Government Securities to Current Assets Ratio	39
4.2.5 Loans and Advances to Current Assets Ratio	40

4.3	Assets Management Ratio	42
	4.3.1 Loans and Advances to Total Deposit Ratio	42
	4.3.2 Loans and Advances to Current Total Working Fund Ratio	44
	4.3.3 Total Investment to Total Deposit Ratio	46
	4.3.4 Investment on Government Securities to Total Working Fund Ratio	47
	4.3.5 Investment on Shares and Debentures to Total Working Fund Ratio	49
4.4	Profitability Ratio	51
	4.4.1 Net Profit To Total Asset Ratio	51
	4.4.2 Net Profit To Loan and Advances Ratio	53
	4.4.3 Total Interest Income from Total Investment Ratio	55
	4.4.4 Total Interest Income from Loan &Advances & BillCollection Ratio57	
	4.4.5 Detail Description of Interest Income	59
4.5	Risk Ratios	60
	4.5.1 Credit Risk Ratio	60
	4.5.2 Capital Risk Ratio	62
4.6	Activity of Performing Ratio	64
	4.6.1 Non performing Loan to Total Loans and Advances Ratio	64
	4.6.2 Loan Loss Provision to Total Loans and Advances Ratio	66
4.7	Growth Ratio	68
4.8	rend Analysis	68
	4.8.1 Trend Analysis of Total Deposits	68
	4.8.2 Trend Analysis of Loans and Advances of EBL	70
	4.8.3 Trend Analysis of Investment	71
	4.8.4 Trend Value of Net Profit of EBL	73
4.9	Coefficient Correlation Analysis	74
	4.9.1 Coefficient of Correlation between Total Deposit & Loan & Advance74	
	4.9.2 Coefficient of Correlation between Total Deposit & Total Investment75	

4.9.3 Coefficient of Correlation between Loan & Advances & Net Profit	76
4.9.4 Coefficient of Correlation between Investment and Net Profit	76
4.10 Major Findings of the Study	77
5. Summary, Conclusion and Recommendation	
5.1 Introduction	83
5.2 Summary	83
5.3 Conclusion	84
5.4 Recommendation	86
Bibliography	
Annexure	

List of Table

Table	Page
Table 4.1 Current Ratio (times)	35
Table 4.2 Cash & Bank Balance to Current Assets Ratio	37
Table 4.3 Cash & Bank Balance to Total Deposit Ratio	38
Table 4.4 Investment on Govt. Securities to Current Assets Ratio	40
Table 4.5 Loan and Advances to Current Assets Ratio	41
Table 4.6 Loan and Advances to Total Deposit Ratio	43
Table 4.7 Loan and Advances to Total Working Fund Ratio	45
Table 4.8 Total Investment to Total Deposit Ratio	46
Table 4.9 Investment on Government Securities to Total Working Ratio	48
Table 4.10 Investment on Shares and Debentures to Total Working Fund Ratio	50
Table 4.11 Net Profit to Total Assets Ratio	52
Table 4.12 Net Profit to Loan and Advances Ratio	54
Table 4.13 Total Interest Income form total Investment Ratio	56
Table 4.14 Total Interest Income from Loan and Advances and Bill Collection	58
Table 4.15 Total Net Interest Income	59
Table 4.16 Credit Risk Ratio	61
Table 4.17 Capital Risk Ratio	63
Table 4.18 Non- Performing Loan to Total Loans and Advances Ratio	65
Table 4.19 Loan Loss Provision to Loan and Advances Ratio	67
Table 4.20 Growth Ratios	68
Table 4.21 Trend Value of Total Deposits of EBL	69
Table 4.22 Trend Value of Total Loan and Advances of FBI	70

Table 4.23 Trend Values of Investment of EBL	72	
Table 4.24 Trend Value of Net Profit of EBL	73	
Table 4.25 Coefficient of Correlation between Total Deposits and Loan and Advances75		
Table 4.26 Coefficient of Correlation between Total Deposits and Total Investment	75	
Table 4.27 Coefficient of Correlation between Total Loan and Advances and Net Profit 76		
Table 4.28 Coefficient of Correlation between Investment and Net Profit	77	

List of Chart

Chart		Page
Chart 4.1 Current Ratio Pattern of EBL	36	
Chart 4.2 Cash & Bank Balance to Current Asset Ratio	37	
Chart 4.3 Cash & Bank Balance to Total Deposit Ratio	39	
Chart 4.4 Investments on Govt. Securities to Current Asset Ratio	40	
Chart 4.5 Loan and Advances to Current Assets Ratio	42	
Chart 4.6 Loan and Advances to Total Deposit Ratio	44	
Chart 4.7 Loan and Advances to Working Fund Ratio	45	
Chart 4.8 Total Investments to Total Deposit Ratio	47	
Chart 4.9 Investments on Government Securities to Total Working Ratio	49	
Chart 4.10 Investment on Shares & Debentures to Total Working Fund Ratio	51	
Chart 4.11 Net Profit to Total Assets Ratio	53	
Chart 4.12 Net Profit to Loan and Advances Ratio	55	
Chart 4.13 Total Interest Income from Investment Ratio	57	
Chart 4.14 Interest Income from Loan and Advance and Bill Collection	59	
Chart 4.15 Net Interest Income	60	
Chart 4.16 Credit Risk Ratio	62	
Chart 4.17 Capital Risk Ratio	64	

Chart 4.18 Non- Performing Loan to Total Loans and Advances Ratio	66
Chart 4.19 Loan Loss Provision to Loan and Advances Ratio	67
Chart 4.20 Total Deposit Trend of EBL	70
Chart 4.21 Total Loan and Advances Trend of EBL	71
Chart 4.22 Investment Trend of EBL	72
Chart 4.23 Net Profit Trend of EBL	73

List of Abbreviation

& And

6.P.Er Six times of Probable Error

B.S. Bikram Sambat (Nepalese Year)

C.V. Coefficient of Variation

EBL Everest Bank Limited

i.e. That is

JVBs Joint Venture Banks

LL Loan loss

LLP Loan loss Provision

Ltd Limited

NPA Non -Performing Assets

NPL Non- Performing Loan

NRB Nepal Rastrya Bank

P.E. Probable Error

R Correlation Coefficient

R² Coefficient of Determinant

RS. Rupees

S.D. Standard Deviation

CA Current Assets

CL Current Assets

CBB Cash and Bank Balance

TD Total Deposit

IGS Investment on Government Securities

L/A Loan and Advances

TWF Total Working Fund

TI Total Investment

IGS Investment in Government Securities

ISD Investment in Share and Debenture

Int. Interest

TA Total Assets