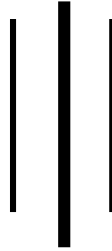


Investment Policy Analysis of Commercial Banks

(Comparative Study of Himalayan Bank Limited, Standard Chartered Bank Limited & Nepal Bangladesh Bank Limited)



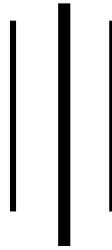
By

Ashish Shrestha

St. Xaviers College

T.U. Regd. No: 7-2-347-46-2002

Roll.No: 6541



A

Thesis

Submitted to

Office of the Dean

Faculty of Management

Tribhuvan University

In the partial fulfillment of the requirement for the

Degree of Master of Business Studies (MBS)

Central Department of Management

Tribhuvan University, Kritipur

Kathmandu, Nepal

August, 2009

RECOMMENDATION

This is to certify that the thesis

Submitted by

Mr. Ashish Shrestha

Entitled

Investment Policy Analysis of Commercial Banks

(Comparative Study of Himalayan Bank Limited, Standard Chartered Bank Limited & Nepal Bangladesh Bank Limited)

has been prepared, as approved by this Department

in the prescribed format of Faculty of Management.

This thesis is forwarded for examination.

Mr. Shankar Thapa
(Supervisor)

Prop. Dr. Shalik Ram Koirala
(Head of Research Committee)

Prof. Dr. Santosh Raj Poudyal
(Head of Department)

Date:.....

VIVA-VOCE SHEET

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

Mr. ASHISH SHRESTHA

Entitled

Analysis of Investment Policy of Commercial Banks

(Comparative Study of Standard Chartered Bank Limited and Himalayan Bank Limited)

*and found the thesis to be original work of the student written according to the prescribed format.
We recommend this thesis to be accepted as partial fulfillment of the requirement for Master's
Degree in Business Studies (M.B.S)*

Viva-Voce Committee

Chairman (Research Committee)

Member (Thesis Supervisor)

Member (External Expert)

Member (Head of Department)

Date:.....

DECLARATION

I hereby declare that the work submitted in the thesis entitled, "**Investment Policy Analysis of Commercial Banks (Comparative Study of Himalayan Bank Limited, Standard Chartered Bank Limited & Nepal Bangladesh Bank Limited)**" submitted to St. Xavier's College, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement of Masters Degree in Business Studies (M.B.S) under the supervision of Mr. Shankar Thapa.

Date:

.....

Ashish Shrestha

Researcher

St. Xavier's College

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I am very thankful to the librarians of St. Xavier's College, Central Library, TU Kirtipur for their kind co-operation. I am alone responsible for whatever weakness it may still contain.

Ashish Shrestha
St. Xaviers College

Executive Summary

The commercial bank plays a vital role in accelerating the tempo of growth in developing countries like Nepal. It mobilizes the savings of the people and then diversifies them into productive channels. It is through this function that it seems as an index of commercial, industrial and financial stability and growth of the nation. The investment policy of the bank has to be considered in this respect. But the investment policy of the commercial bank is affected by central bank. So the investment policy should be laid down and made more liberal for mobilize the idle money to the productive sector. To accelerate the Nepalese public enterprises financial facilities need joint venture bank plays a vital role to develop the industry in the country. The study has been undertaken to analyze as well as to compare the investment policy of three joint venture commercial banks.

The comparative analysis of liquidity ratio of SCBNL, NBBL and HBL reveals that the mean ratio & CV of current ratio SCBNL is satisfactory. Only the SCBNL seems capable of paying current obligations. The ratio of HBL seems improving but the NBBL trend is deteriorating. The mean ratio & CV of cash and bank balance to total deposit ratio of HBL is higher. Higher ratio of HBL shows that it is able to serve the demand of its customers i.e. it is operating at the lower risk. The mean ratio of SCBNL and NBBL are lower than HBL but seems satisfactory. On the basis of CV it can be concluded that the ratio of SCBNL and NBBL are more consistent than that of HBL. The comparative analysis of assets management ratio reveals that the mean ratio of loan & advances to total deposit of NBBL is higher. HBL seems to be more stable than others. Large proportion of total deposit of NBBL has been utilized on loans & advances than HBL & SCBNL. The mean ratio & CV of total investment to total deposit of SCBNL is higher and stable i.e. SCBNL mobilizes its more deposits on investment. HBL stands in average with greater volatility and NBBL made low investment. The comparative analysis of profitability ratio reveals that the average ratio & CV of return on loans and advances of SCBNL has been found to be better with greater stability. NBBL and HBL have been failure to maintain high return on its loans and advances. The mean ratio & CV of return on assets (ROA) of SCBNL is better than that of NBBL and HBL.

The coefficient of correlation analysis between different variables reveals that the value of coefficient of correlation between deposit and loans & advances HBL is higher than SCBNL and NBBL, which indicates that HBL is in better position to grant loan and & advances for mobilizing the collected deposits in comparison to SCBNL and NBBL. NBBL takes second place on the same. The value of coefficient of correlation between deposit and total investment of HBL is higher than that of SCBNL and NBBL, so HBL is in better position and NBBL on same SCBNL takes better place after HBL.

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ABBREVIATION

C.V.	-	Coefficient of Variation
CA	-	Current Assets
CL	-	Current Liabilities
EPS	-	Earning Per Share
HBL	-	Himalayan Bank Limited
MPS	-	Market Price Per Share
NRB	-	Nepal Rastra Bank
P/E Ratio		Price Earning Ration
ROA	-	Return on Assets
S.D.	-	Standard Deviation
SCBNL		Standard Chartered Bank Nepal Limited
SEBO	-	Security Board
TU	-	Tribhuvan University