

**A COMPARATIVE STUDY ON INVESTMENT POLICY  
BETWEEN COMMERCIAL BANK AND FINANCE COMPANY**

**(Special Reference to Himalayan Bank Limited and Lumbini Finance  
and Leasing Company Limited)**

**By:**  
**Bishnu Maya Thapa**  
**Prithvi Narayan Campus**  
**T.U. Regd. No.: 7-2-298-58-2003**  
**Roll No.: 74/2063**

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

***In partial fulfillment of the requirements of the degree of  
Masters of Business Studies (M.B.S.)***

**Pokhara**  
**August, 2012**

## RECOMMENDATION

This is to certify that the thesis:

*Submitted by*

**Bishnu Maya Thapa**

*Entitled*

**A COMPARATIVE STUDY ON INVESTMENT POLICY  
BETWEEN COMMERCIAL BANK AND FINANCE COMPANY  
(Special Reference to Himalayan Bank Limited and Lumbini Finance  
and Leasing Company Limited)**

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

.....

**Supervisor**

Associate Prof. Dr. Puspa Raj Sharma

Signature:

Date:.....

.....

**Head of Research Department**

Signature:

.....

**Campus Chief**

Signature:

## VIVA- VOCE SHEET

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

**Bishnu Maya Thapa**

*Entitled*

**A COMPARATIVE STUDY ON INVESTMENT POLICY  
BETWEEN COMMERCIAL BANK AND FINANCE COMPANY  
(Special Reference to Himalayan Bank Limited and Lumbini Finance  
and Leasing Company 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 in Business Studies (M.B.S.)*

### **Viva-Voce Committee**

Chairman, Research Committee.....

Member (Thesis Supervisor).....

Member (External Expert).....

Member (External Expert).....

Date : .....

## **ACKNOWLEDGEMENT**

The thesis reflects the efforts of many people. It would not have been possible to take present shape without their proper guidance and support. Thus, they deserve my special thanks.

Firstly, I wish to express my deep gratitude to my respectable supervisor Associate Prof. Dr. Puspa Raj Sharma for his cordial co-operation, invaluable guidance, inspiration, valuable supervision and precious time for my entire work. His constant inspiration and support has resulted in the completion of this work. I am equally grateful to all the faculty members for their valuable advice which was immense inspiration for me.

I would like to thank the staffs' of Himalayan Bank Limited, Lumbini Finance and Leasing Company Limited, Nepal Rastra Bank and other related commercial bank and finance companies in this study. And I would like to thank Sakuntala Kunwar Kanchan Computer Sewa for her help in typing and binding this dissertation.

I also owe deep gratitude to all my friends who continuously supported and encouraged me. Finally, I would like to express my gratitude to all my families and other relatives who inspired me to complete this dissertation. I would like to share the credit of my success with them.

**Bishnu Maya Thapa**

# TABLE OF CONTENTS

	<i>Page</i>
<i>Recommendation</i>	
<i>Viva-Voce</i>	
<i>Acknowledgement</i>	
<i>List of Tables</i>	
<i>List of Figures</i>	
<i>List of Abbreviations</i>	
<b>CHAPTER I: INTRODUCTION</b>	<b>1-12</b>
1.1 Background of the Study	1
1.2 Focus of the Study	8
1.3 Statement of the Problem	9
1.4 Objectives of the Study	11
1.5 Significance of the Study	11
1.6 Delimitation of the Study	12
1.7 Organization of the Study	12
<b>CHAPTER II: REVIEW OF LITERATURE</b>	<b>13-35</b>
2.1 Conceptual Review	13
2.2 Review of Related Studies	23
2.3 Review of Relevant NRB Directives	31
2.4 Justification of the Study/ Research Gap	34
<b>CHAPTER III: RESEARCH METHODOLOGY</b>	<b>36-50</b>
3.1 Introduction	36
3.2 Research Design	36
3.3 Population and Sample Size	37
3.4 Nature and Sources of Data	37
3.5 Data Collection Technique	38
3.6 Data Processing and Analyzing	39
3.7 Data Analysis Tools	39
3.8 Limitations of the Methodology	50
<b>CHAPTER IV: PRESENTATION AND ANALYSIS OF DATA</b>	<b>51-93</b>
4.1 Analysis of Financial Ratios	51
4.2 Statistical Analysis	74
4.3 Major Finding of the Study	87
<b>CHAPTER V: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS</b>	<b>94-102</b>
5.1 Summary	94
5.2 Conclusions	96
5.3 Recommendations	100
<b>BIBLIOGRAPHY</b>	
<b>APPENDICES</b>	

## LIST OF TABLES

<i>Tables</i>	<i>Page</i>
1.1 Capital Structure of HBL	6
1.2 Shareholders Structured of HBL	6
1.3 Capital Structure of LFLC	8
1.4 Shareholders Structured of LFLC	8
2.1 Loan Loss Provision	32
2.2 Provisions Relating to Capital Adequacy Ratio	32
4.1 Current Ratio	52
4.2 Cash and Bank Balance to Total Deposit Ratio	53
4.3 Cash and Bank Balance to Current Assets	54
4.4 Investments on Government Securities to Total Current Assets Ratio	55
4.5 Loan and Advances to Total Deposit Ratio	56
4.6 Total Investments to Total Deposit Ratio	57
4.7 Loan and Advances to Total Working Fund Ratio	60
4.8 Investments on Government Securities to Total Working Fund Ratio	61
4.9 Investments on Shares and Debentures to Total Working Fund Ratio	62
4.10 Loan Loss Ratio	64
4.11 Return on Total Working Fund Ratio	65
4.12 Earning Per Share	66
4.13 Return on Loan and Advances Ratio	67
4.14 Total Interests Earned to Total Working Fund Ratio	68
4.15 Total Interest Paid to Total Working Fund Ratio	70
4.16 Total Employees Expenses to Total Expenses Ratio	71
4.17 Non- Performing Loan to Total Loans and Advances Ratio	73
4.18 Correlations between Deposits and Loans and Advances	75
4.19 Correlations between Total Deposit and Investment	77
4.20 Correlations between Loans and Advances and Net Profit	79
4.21 Correlations between Total Investment and Net Profit	80
4.22 Trend Values of Total Deposit of HBL and LFLC	82
4.23 Trend values of Total Loan and Advances of HBL and LFLC	83
4.24 Trend Values of Total Investment of HBL and LFLC	85
4.25 Trend Values of Net Profit of HBL and LFLC	86

## LIST OF FIGURES

<i>Figures</i>	<i>Page</i>
4.1 A Glance of Total Deposits, Total Loan and Advances and Total Investment of HBL	58
4.2 A Glance of Total Deposits, Total Loan and Advances and Total Investment of LFLC	59
4.3 Investments of Government Securities to Total Working Fund Ratio of HBL and LFLC	62
4.4 Investments on Shares and Debentures to Total Working Fund Ratio of HBL and LF LC	63
4.5 Total Interests Earned to Total Working Fund Ratio of HBL and LFLC	69
4.6 Total Interests Paid to Total Working Fund Ratio of HBL and LFLC	71
4.7 Comparison of Net Profit of HBL and LFLC	74
4.8 Trend Values of Total Deposit of HBL and LFLC	83
4.9 Trend Values of Total Loan and Advances of HBL and LFLC	84
4.10 Trend Values of Total Investments of HBL and LFLC	85
4.11 Trend Values of Net Profit of HBL and LFLC	87

## ABBREVIATION/ACRONYMS

A.D.	=	After Dead
ATM	=	Automated Teller Machine
Amt	=	Amount
CSR	=	Corporate Social Responsibility
C.V.	=	Coefficient of Variation
FY	=	Fiscal Year
HBL	=	Himalayan Bank Limited
LFLC	=	Lumbini Finance and Leasing Company Limited
Ltd.	=	Limited
MBL	=	Machhapuchhre Bank Limited
&	=	And
NB	=	Nabil Bank
NBL	=	Nepal Bank Limited
NEPSE	=	Nepal Stock Exchange
NPL	=	Non-Performing Loan
NRB	=	Nepal Rastra Bank
NPR	=	Nepalese Rupees
OFL	=	Om Finance Limited
PNC	=	Prithvi Narayan Campus
R&D	=	Research and Development
ROA	=	Return on Assets
SCBNL	=	Standard Chartered Bank Nepal Limited
S.D.	=	Standard Deviation
SEBON	=	Securities Board, Nepal
T.U.	=	Tribhuvan University