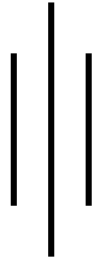


**A STUDY ON IMPLEMENTATION AND IMPACT OF NRB  
DIRECTIVES ON SELECTED COMMERCIAL BANKS IN NEPAL**



**By**

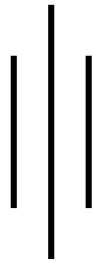
**Naju Ram Maharjan**

**Central Department of Management**

**T.U. Regd. 5-2-358-08-2000**

**Roll No. 54/062**

**Second Year Exam Symbol No. 3077**

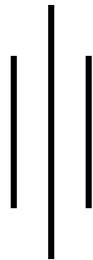


**A Thesis Submitted to:**

**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**

**April, 2012**

## **RECOMMENDATION**

**This is to certify that the thesis:**

**Submitted by**

**NAJU RAM MAHARJAN**

**Entitled**

**"A STUDY ON IMPLEMENTATION AND IMPACT OF NRB  
DIRECTIVES ON SELECTED COMMERCIAL BANKS IN NEPAL"**

has been prepared by this department in the prescribed format of Faculty of Management.

This thesis is forwarded for examination.

.....  
Prof. Dr. Bal Krishna Shrestha

(Thesis Supervisor)

.....  
Prof. Dr. Jay Krishna Pathak

(Chairperson, Research Committee)

.....  
Prof. Dr. Dev Raj Adhikari

(Head of Department)

Date:

# VIVA - VOCE SHEET

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

**NAJU RAM MAHARJAN**

*Entitled*

**"A Study On Implementation And Impact Of NRB Directives On Selected Commercial Banks In Nepal"**

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 the

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

## Viva - voce Committee:

Chairperson, Research Committee	.....
Member (Thesis Supervisor)	.....
Member (External Expert)	.....
Member (Central Department of Management)	.....

Date:

## DECLARATION

I hereby declare that the work reported in this thesis entitled "**A Study On Implementation And Impact Of NRB Directives On Selected Commercial Banks In Nepal**" submitted to Central Department of Management, Tribhuvan University is my original work. It is done in the form of partial fulfillment of the requirement for the Master of Business Studies (M.B.S) under the supervision and guidance of Prof. Dr. Bal Krishna Shrestha. Professor of Finance, Central Department of Management, Kirtipur.

.....

Naju Ram Maharjan

Researcher

Roll. No. 54/062

Central Department of Management

Kirtipur, Kathmandu

Date:

## **Acknowledgement**

My indebtedness and gratitude goes to the many individuals, who have assisted to shape this thesis in the present form. First of all, my gratitude goes to all the teachers and staffs of this Central Department of Management, Tribhuvan University, Kirtipur, whose sound theoretical knowledge provide me the bases of the preparation of the thesis.

I would like to express my great sense of gratitude to my respected research supervisor Prof. Dr. Bal Krishana Shrestha, Professor Of Central Department of Management, Tribhuvan University Campus for his scholarly guidance, gracious inspiration, constant supervision and affectionate behave during his supervision can hardly be exaggerated.

In the same way, I would like to express my sincere gratitude to all my respectable teachers of Central Department of Management, T.U., Kirtipur for worthy co-operation and inspirations, while preparing this thesis. I am also thankful to staffs of Tribhuvan University Central Library for their kind co-operation during my library visit and the staffs of Nepal Stock Exchange and to the staffs of all the sample banks for providing important data, document, suggestions and guidance in preparing this thesis work.

I would also like to express debt of gratitude to my parents for their continuous support in my effort.

Lastly, I would also appreciate to my brother Mr. Raja Maharjan and Mr. Binod Maharjan for printing and designing of this thesis with the help of computer. And also my sincere thanks goes to all friends and well wishers who helped my knowingly and unknowingly during my study life.

Sincerely,

Naju Ram Maharjan

## TABLE OF CONTENTS

*Recommendation*

*Viva-Voce Sheet*

*Acknowledgement*

*Declaration*

*Table of Contents*

*List of Tables*

*List of Figures*

*Abbreviation*

### **CHAPTER - ONE: INTRODUCTION 1-15**

1.1. Background of Study	1
1.1.1. Evaluation of Banking History	5
1.1.2. Defination of Central Bank	7
1.2. Focus of Study	11
1.3. Statement of Problem	11
1.4. Objective of the study	12
1.5. Significance of the Study	13
1.6. Limitation of the Study	14
1.7. Organization of the Study	15

### **CHAPTER - TWO: REVIEW OF LITERATURE 16-45**

2.1 Conceptual Framework	16
2.1.1 Supervision and Regulation of NRB	16
2.1.2 Review of NRB Directives	18
2.1 Review of Related Study	34
2.2.1 Review of Article and Journal	34
2.2.2 Reviews of Previous Study	38
2.3 Research Gap	45

### **CHAPTER - THREE: RESEARCH METHODOLOGY 46-53**

3.1 Research Design	46
3.2 Populations and Sample	47
3.3 Sources of Data	48

3.4 Data Collection Technique	48
3.5 Data Analysis Tools	49
<b>CHAPTER - FOUR: DATA PRESENTATION AND ANALYSIS</b>	<b>54-92</b>
4.1. Capital Fund Analysis	54
4.2. Loan and Loan Loss Provision Analysis	67
4.3. Single Borrow Limits	77
4.4. Correlation Analysis	82
4.5. Primary Data Analysis	83
4.6. Major Findings of the Study	88
<b>CHAPTER – FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION</b>	<b>93-101</b>
5.1 Summary	93
5.2 Conclusion	94
5.3 Recommendations	98
<b>BIBLIOGRAPHY</b>	<b>102-105</b>

## LIST OF TABLES

Table No.	Title	Page No.
2.1	Capital Fund to be Maintained	24
2.2	Risk-Weighted on-Balance Sheet Assets	25
2.3	Risk-Weighted off-Balance Sheets Items	26
2.4	Provision for Loan Loss	29
3.1	List of Licensed Commercial Banks	47
4.1	Capital Fund of Nepal Investment Bank Ltd.	54
4.2	Portion of Dividend on Net Profit	57
4.3	Capital Fund of NABIL Bank Ltd.	59
4.4	Portion of Dividend on Net Profit	62
4.5	Capital Fund of Standard Chartered Bank Nepal Ltd.	63
4.6	Portion of Dividend on Net Profit	66
4.7	Loan and Loan Loss Provision of NIBL	67
4.8	Loan and Loan Loss Provision of NABIL Bank Ltd.	71
4.9	Loan and Loan Loss Provisioning of SCBNL Ltd.	74
4.10	Comparative Chart of the Single Borrower Limit of NIBL	78
4.11	Comparative Chart of the Single Borrower Limit of NABIL Bank Ltd.	78
4.12	Comparative Chart of the Single Borrower Limit of SCBNL	79
4.13	Correlation Analysis between Loan and Advance with Net Profit	82
4.14	No of Respondents	83
4.15	Primary Data Analysis I	84
4.16	Primary Data Analysis II	85
4.17	Primary Data Analysis III	87



## LIST OF FIGURES

<b>Figure No:</b>	<b>Title</b>	<b>Page</b>
4.1	Capital Fund of NIBL	55
4.2	Core Capital to RWA of NIBL	56
4.3	CAR to RWA of NIBL	56
4.4	Capital Fund of NABIL Bank Limited	59
4.5	Core Capital to RWA of NABIL Bank Limited	60
4.6	CAR to RWA of NABIIL Bank Limited	63
4.7	Capital Fund of Standard Chartered Bank Limited	63
4.8	Core Capital RWA of Standard Chartered Bank Limited	64
4.9	CAR to RWA of Standard Chartered Bank	65
4.10	Portfolio of Loan and Advance of NIBL	68
4.11	Loan Loss Provision and Total Loan and Advance	69
4.12	NPL and Provision for NPL	70
4.13	Portfolio of Loan and Advance of NABIL Bank Limited	72
4.14	Loan Loss Provision to Total Loan and Advance	73
4.15	Portfolio of Loan and Advances of SCBL	75
4.16	Loan Loss Provision of SC Bank Limited	76
4.17	Comparative Figure of Single Borrower Limit of NIBL	79
4.18	Comparative Figure of Single Borrower Limit of NABIL Bank Ltd.	80
4.19	Comparative Figure of Single Borrower Limit of SCBNL	80

## ABBREVIATION

ADB	=	Asian Development Bank
ADBN	=	Agriculture Development Bank
BFRID	=	Bank and Financial Institutions Regulation Department
BIS	=	Bank for International Settlement
B.S.	=	Bikram Sambat
CAR	=	Capital Adequacy Ratio
CIB	=	Credit Information Bureau
FY	=	Fiscal Year
IASB	=	International Accounting Standards Board
IFC	=	International Finance Corporation
LLP	=	Loan Loss Provision
Ltd.	=	Limited
NABIL	=	Nepal Arab Bank Ltd
NIBL	=	Nepal Investment Bank Ltd
NIDC	=	Nepal Industrial Development Corporation
NPL	=	Non-Performing Loan
NRB	=	Nepal Rastra Bank
RBB	=	Rastrya Banijya Bank
RWA	=	Risk Weighted Assets
SCBNL	=	Standard Chartered Bank Nepal
WB	=	World Bank
WTO	=	World Trade Organization