

**NRB UNIFIED DIRECTIVES ON
CAPITAL ADEQUACY NORMS AND ITS IMPACT
A Case Study of NIC Bank**

A Thesis

Submitted by:

Shiva Prasad Dhamala

Roll. No. 495/062

TU Reg. No. 7-1-260-116-99

Second Year Exam Roll No. 392543

Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirement for the degree of
Masters of Business Studies (MBS)

Kathmandu

2012

DECLARATION

I hereby declare that the work reported in this thesis entitled **NRB Unified Directives on Capital Adequacy Norms and its impact (A Case Study of NIC Bank)** submitted to Shanker Dev campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfilment of the requirements of the Master's Degree in Business Studies (MBS) under the supervision of my thesis supervisor Asso. Prof Ruchila Pandey Lecturer of Shanker Dev Campus, Tribhuvan University.

Date:

.....
Shiva Prasad Dhamala
Researcher
Shanker Dev Campus

ACKNOWLEDGEMENTS

As the partial fulfilment of the MBS degree, I have prepared this report. During the course, I worked with sincerity, honesty and diligently, as far as possible. But beside my continual efforts, I also got unforgettable support from different people and completing my work.

Firstly, I would like to pay homage to my father and mother as well as my sister who headed me towards the light of education and path of truth. Due to their non-stopping effort for guidance, today I come in thesis position. So I would like to share the credit of my success with them. I'm really indebted by them.

After this, I would like to express my cordial gratitude to my all teachers, who taught me up to now. For this dissertation, I would like to pay my sincere thanks to my thesis supervisor Asso. Prof Ruchila Pandey, Lecturer of Shanker Dev Campus. Her incessant suggestion and guidance from the beginning to the end is really an appreciable effort. Her valuable support for the preparation of proposal to thesis is really praise worthy things. I am extremely indebted by her efforts despite of busy schedule.

I would also like to express my gratitude to all other members of Shanker Dev Campus, especially, staffs from MBS department, libraries staffs as well as all known and unknown people who supported as well as inspired me to complete this thesis.

Last but not least, my sincere thanks goes to my friends Roshan Poudel & Regan Timalina for their help in my thesis and valuable suggestion.

Shiva Prasad Dhamala
Researcher

TABLE OF CONTENTS

Page no:

- RECOMMENDATION
- VIVA-VOCE SHEET
- ACKNOWLEDGEMENT
- DECLARATION
- TABLE OF CONTENTS
- LIST OF TABLES
- LIST OF FIGURE
- LIST OF ABBREVIATION

CHAPTER 1

INTRODUCTION

1.1 Background of the study	1
1.2 Introduction to Nepal Rastra Bank (NRB)	3
1.3 Introduction to Nepal Industrial & Commercial Bank Limited (NIC Bank)	4
1.4 Statement of Problem	5
1.5 Objective of the Study	6
1.6 Significance of the Study	6
1.7 Focus of Study	7
1.8 Limitation of the Study	7
1.9 Theoretical Framework	8
1.10 Structure of the Report	8

CHAPTER 2

REVIEW OF LITERATURE

2.1 Conceptual Review	10
2.1.1 Overview: Capital and Capital Adequacy	10
2.1.2 Origin and Development of Bank	13
2.1.3 Meaning of Central Bank	16

2.1.4 Importance and Functions of Central Banks	17
2.1.5 Meaning of Commercial Bank	18
2.2 Review of NRB Capital Adequacy Norms For Commercial Banks	20
2.2.1 Review of Articles and Journal	23
2.2.2 Review of Thesis Works	26
2.3 Research Gap	29

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Research Design	31
3.2 Population and Sample	31
3.3 Data Collection Procedure	31
3.4 Data Analysis Tools	32
3.4.1 Financial Tools	32
3.4.1.1 Ratio Analysis	32
3.4.2 Statistical Tools	33

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.1 Presentation of Data and Ratio Analysis	35
4.1.1 Capital Fund	35
4.1.1.1 Capital Fund of NIC Bank	36
4.1.2 Risk – Weighted Assets	37
4.1.3 Capital Adequacy Ratio of NIC Bank	39
4.1.4 Deposit & Loan & Advances Analysis of NIC Bank	42
4.2 Statistical Analysis	45
4.3 Major Findings	48
4.1.1 Major Findings of Data	49

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary	50
5.2 Conclusion	53
5.3 Recommendation	54

BIBLIOGRAPHY

APPENDICES

LIST OF TABLES

Table No.	Title	Page No.
4.1	Capital Fund of NIC Bank	36
4.2	Risk Weighted Assets of NIC Bank	38
4.3	Capital Fund used by The Bank	40
4.4	Deposit and Loan & Advance of NIC Bank	43
4.5	Changes in Capital Fund of NIC Bank	46
4.6	Changes in Paid up Capital of NIC Bank	47

LIST OF FIGURE

Figure No.	Title	Page No.
4.1	Capital Fund of NIC Bank	37
4.2	Risk Weighted Assets of NIC Bank	39
4.3	Capital Fund Used by the Bank	41
4.4	Deposit and Loan & Advances of NIC Bank	44

ABBREVIATIONS

CV	:	Coefficient of Variance
Fig	:	Figure
NIC	:	Nepal Industrial and Commercial
i.e.	:	That is
JVS	:	Joint Venture Banks
MBS	:	Masters of Business Studies
CAR	:	Capital Adequacy Ratio
NRB	:	Nepal Rastra Bank
P.E	:	Probable Error
TRWA	:	Total Risk Weighted Assets
T.U.	:	Tribhuvan University