# A STUDY OF INVESTMENT POLICY OF JOINT VENTURE COMMERCIAL BANKS

(with reference to Nabil Bank Limited and Standard Chartered Bank Nepal Limited)

By
Suresh Prasad Das
Thakur Ram Multiple Campus, Birgunj
Campus Roll No. 8/062
T.U. Regd. No. 7-1-15-418-98

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.)

August 2009

#### RECOMMENDATION

This is to certify that the Thesis:

#### Submitted by

#### **Suresh Prasad Das**

T.U. Regd. No.:- 7-1-15-418-98

# Entitled A Study of Investment Policy of Joint Venture Commercial Banks (with reference to Nabil Bank Limited and Standard Chartered Bank Nepal Ltd.)

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

Shambhu Sharan Sah Acharya Supervisor

Research

Lect., T.R.M. Campus Birgunj

Rajeshwar Pd.

Chairman,

Committee

T.R.M.Campu s,Birgunj

Campus Chief

Date: - August 2009

#### **VIVA-VOCE SHEET**

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

#### **Suresh Prasad Das**

T.U. Regd. No.: - 7-1-15-418-98 **Entitled** 

# A Study of Investment Policy of Joint Venture Commercial Banks with reference to ( Nabil Bank Limited and Standard Chartered Bank Ltd.)

and found the thesis to be 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**

Head of Research Committee	:
Member (Thesis Supervisor)	:
Member (External Expert)	:
Date: August, 2009	

#### **DECLARATION**

I hereby declare that the work reported in this thesis entitled "A Study of Investment Policy of Joint Venture Banks" With reference to (Nabil Bank Ltd. and Standard Chartered Bank Nepal Ltd.) submitted to the Faculty of Management, Thakur Ram Multiple Campus, Tribhuvan University is my original work done in the format of T.U. for the partial fulfillment of the requirements of Master's Degree in Business Studies (M.B.S.) under the supervision and guidance of Sambhu Sharan Sah, Thakur Ram Multiple Campus, Birgunj, Parsa.

Suresh Prasad Das
Date: August 2009
Researcher
T.U.Regd.No:-7-1-15-418-98
Thakur Ram Multiple Campus

#### **ACKNOWLEDGEMENTS**

I extend my sincere gratitude to supervisor Mr. Shambhu Sharan Sah for her valuable guidance, suggestions, timely supervision and cooperation in completing this thesis work, without whose efforts this thesis would not have come out in this manner.

This thesis has also been influenced by a number of standard and popular textbooks, journals, articles etc. As far as possible, they have been duly acknowledged at the appropriate places. I am thankful to all of them. I am very grateful to my friend Mr. Dushyant Lal Joshi for her continuous encouragement, and cooperation even in the period of hard times. I am especially indebted to my friends Mr. Arjun Yadav and Rojani Chitarkar for their kind co-operation and support during the research period. I shall be remiss in my duty if I do not thank the courteous staff of NABIL and SCBNL for their help in providing the necessary secondary data.

At last, guarantee of perfection of the research work cannot be given. Errors if any come under my role responsibility. I would very much appreciate and sincerely acknowledge suggestions for further improvement of the research work.

#### **Suresh Prasad Das**

T.U. Regd. No:-7-1-15-418-98 Roll No. 8/062 Thakur Ram Multiple Campus,Birgunj, Nepal

Date: August 2009

### LIST OF TABLES

Table No.	Title of Table	Pages
1	List of Licensed Commercial Banks	4
2	Current Ratio	47
3	Cash and Bank Balance to Total Deposit Ratio	48
4	Cash and Bank Balance to Current Assets Ratio	49
5	Investment on Government Securities to Current Assets Ratio	50
6	Loan and Advances to Current Assets Ratio	51
7	Loan and Advances to Total Deposit Ratio	53
8	Total Investment to Total Deposit Ratio	54
9	Loan and Advances to Total Working Fund Ratio	56
10	Investment on Government Securities to Working Fund Ratio	57
11	Investment on Share and Debentures to Working Fund Ratio	58
12	Return on Loan and Advances Ratio	59
13	Return on Total Working Fund Ratio	60
14	Total Interest Earned to Total Working Fund Ratio.	61
15	Total Interest Earned to Total Operating Income Ratio	62
16	Total Interest Earned to Total Outside Assets.	63
17	Total Interest Paid to Total Working Fund Ratio	64
18	Liquidity Risk Ratio	65
19	Credit Risk Ratio	66
20	Growth Rate of Total Deposit	67
21	Growth Rate of Total Loan and Advances	67
22	Growth Rate of Total Investment	68
23	Growth Rate of Net Profit	68
24	Correlation between Deposit and Loan and Advances	70
25	Correlation between Deposit and Total Investment	71
26	Correlation between Outside Assets and Net Profit.	72
27	Correlation between Deposit and Net Profit.	73
28	Correlation between Deposit and Interest Earned	74
29	Correlation between Loan and Advances and Interest Paid.	75
30	Correlation between Total Assets and Net Profit.	76
31	Trend Values of Total Deposit of NABIL and SCBNL.	77
32	Trend Values of Loan and Advances of NABIL and SCBNL.	79
33	Trend Values of Investment of NABIL and SCBNL.	80
34	Trend Values of Net Profit of NABIL and SCBNL.	81

## LIST OF FIGURES

Figure No.	Title of Figure	Pages
1	Investment on Government Securities to Current Asset Ratio of NABIL and SCBNL.	51
2	Loan and Advances to Current Asset Ratio of NABIL and SCBNL.	52
3	Loan and Advances to Total Deposit Ratio of NABIL and SCBNL.	54
4	Total Investment, Loan and Advances and Total Deposit of NABIL.	55
5	Total Investment, Loan and Advances and Total Deposit of SCBNL.	56
6	A Pie Chart Showing Average percentage of Cash and Bank Balance, Loan and Advances and Total Investment of NABIL.	59
7	A Pie Chart showing Average percentage of Cash and Bank Balance, Loan and Advances and Total Investment of SCBNL.	59
8	Total Interest Earned to Total Outside Assets Ratio.	64
9	Trend Values of Total Deposit of NABIL and SCBNL.	78
10	Trend Values of Loan and Advances of NABIL and SCBNL.	79
11	Trend Values of Investments of NABIL and SCBNL.	81
12	Trend Values of Net Profit of NABIL and SCBNL.	82

# **Table of Cantents**

## Chapter – I

1.	Introduction	1
1.1.	Background	1
1.2.	History of the Banks	2
1.3	Statement of the Problems	5
1.4	Objective of the Study	6
1.5	Significance of the Study	7
1.6	Limitation of the Study	7
1.7	Organization of the Study	7
	Chapter – II	
2.	Review of Literature	9
2.1.	Conceptual Framework	9
2.1.1	Commercial Bank	9
2.1.2	Joint Venture	10
2.13	Features of a Sound Lending and Investment Policy	11
2.1.4	Meaning of Some Important Terminology	12
2.2	Review of Related Studies	16
2.2.1	Review of Journal/Article	16
2.2.2	Review of Research Works	20
2.2.3	Review of Thesis	21

# Chapter - III

3.	Research Methodology	34
3.1	Research Design	34
3.2	Population and Sample	34
3.3	Source of Data	35
3.4	Data Analysis Tools	35
3.4.1	Financial Tools	35
3.4.2	Statistical Tools	43
	Chapter - IV	
4.	Data Analysis and Major Findings	46
4.1	Data Presentation and Analysis	46
4.1.1	Financial Tools	46
4.1.2	Statistical Tools	69
4.2	Major Findings of the Study	87
	Chapter - V	
5. 5.1 5.2	Summary, Conclusion & Recommendation	93 93 94
	ographyndices	98 101

#### LIST OF ABBREVIATION

B.S. : Bikram Sambat

BOKL: Bank of Kathmandu

C.V : Coefficient of Variation

EBL : Everest Bank Limited

EPS : Earning Per Share

F/Y : Fiscal Year

HBL: Himalayan Bank Ltd.

JVB : Joint Venture Bank

NABIL: Nabil Bank Ltd.

NBBL : Nepal Bangladesh Bank Ltd.

NBL : Nepal Bank Limited

NIBL : Nepal Investment Bank Ltd.

NIDC : Nepal Industrial Development Corporation

NRB : Nepal Rastra Bank

NSBL : Nepal State Bank of India Ltd.

PEr. : Probable Error

r : Coefficient of Correlation

RBB : Rastriya Banijya Bank

Rs. : Rupees

S.D : Standard Deviation

SCBNL : Standard Chartered Bank Nepal Ltd.