

**DEPOSIT COLLECTION AND INVESTMENT PRACTICES NEPAL
INVESTMENT BANK LIMITED COMPARISON WITH HIMALAYAN
BANK LIMITED**

By

SUVASH GHIMIRE

**Shanker Dev Campus
T.U. Regd. No. 7-1-128-131-99
Campus Roll No. : 726/061**

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, 2009

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

SUVASH GHIMIRE

Entitled:

DEPOSIT COLLECTION AND INVESTMENT PRACTICES

NEPAL INVESTMENT BANK LIMITED COMPARISON

WITH HIMALAYAN BANK LIMITED

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

.....

Dr. Kamal Das Manandhar

(Thesis Supervisor)

.....

Dr. Kamal Deep Dhakal

(Campus Chief)

.....

Dhurba Subedi

(Thesis Supervisor)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

By

SUVASH GHIMIRE

Entitled:

DEPOSIT COLLECTION AND INVESTMENT PRACTICES

NEPAL INVESTMENT BANK LIMITED COMPARISON

WITH HIMALAYAN BANK 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 Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (Thesis Supervisor)

Member (External Expert)

TRIBHUVAN UNIVERSITY

Faculty of Management

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled “**DEPOSIT COLLECTION AND INVESTMENT PRACTICES NEPALINVESTMENT BANK LIMITED COMPARISON WITH HIMALAYAN BANK LIMITED**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of **Dr. Kamal Das Manandhar** and **Dhurba Subedi** of Shanker Dev Campus.

.....

SUVASH GHIMIRE

Researcher

T.U. Registration No. 7-1-128-131-99

Campus Roll No. : 726/061

ACKNOWLEDGEMENT

First of all, I like to would like to offer my sincere thanks to Tribhuvan University for providing opportunity of thesis work in the M.B.S. programme. Likewise thanks to NIBL and HBL for letting me to study and providing related materials.

This thesis is prepared in the fulfillment of the requirements for the masters of degree of M.B.S. programme. It is the result of co-operating and support of many people. I would like to express heartfelt thanks to my thesis supervisors Dr. K. D. Manandhar and Dhurba Subedi who suggested and guide me in their precious time and help in giving meaning to my research work. I would express my heart gratefulness to professors and lecturers of Shanker Dev Campus, all my colleagues' staff and library and administration of Shanker Dev Campus and central department of management of T.U. who helped me directly and indirectly for the completing of thesis. Lastly, I would like to express sincere gratitude to all, who helped me in many ways while writing this thesis and made it success.

Suvash Ghimire
Researcher

TABLE OF CONTENTS

Acknowledgement	
Table of Contents	
List of Tables	
List of Graphs	
Abbreviations	

Page No.

CHAPTER – I INTRODUCTION

1.1 Background of the Study	1
1.2 Corporate Profile of NIBL	5
1.3 Corporate Profile of HBL	6
1.4 Focus of the Study	8
1.5 Objectives of the Study	8
1.6 Statement of the Problem	9
1.7 Scope of the Study	10
1.8 Limitations of the Study	10
1.9 Organization of the Study	11

CHAPTER – II REVIEW OF LITERATURE

2.1 Concept of Bank	13
2.2 History of Banking in Nepal	13
2.3 Concept of Commercial Bank	14
2.4 Function of Commercial Banks	15
2.5 Concept of Investment	17
2.6 Concept of Deposit	17
2.7 Review of Articles	18
2.8 Review of Different Thesis	22
2.9 Research Gap	29

CHAPTER – III RESEARCH METHODOLOGY

3.1 Introduction	30
3.2 Research Design	30
3.3 Population and Sample	31
3.4 Sources of Data	33
3.5 Data Analysis and Tools	33
3.5.1 Financial	34
3.5.2 Statistical Tools	38
3.6 Hypothesis	41

CHAPTER – IV DATA PRESENTATION AND ANALYSIS

4.1 Deposit Position of NIBL and HBL	45
4.2 Loan and Advances of NIBL and HBL	47
4.3 Credit Deposit Ratio	48
4.4 Financial Ratio Analysis	49
4.4.1 Liquidity Ratio	50
4.4.1.1 NRB Balance to Total Deposit	50
4.4.2 Activity Ratio	51
4.4.2.1 Loan and Advances to Total Deposit	51
4.4.2.2 Investment to total Deposit	52
4.4.3 Capital Adequacy Ratio	53
4.4.3.1 Total Capital to Total Deposit Ratio	53
4.4.3.2 Total Capital to Total Credit Ratio	54
4.4.3.3 Capital to Total Assets Ratio	54
4.4.4 Profitability Ratio	55
4.4.4.1 Return on Working Fund Ratio	55
4.4.4.2 Net Profit to Loan and Advances Ratio	56
4.4.5 Risk Ratio	57
4.4.5.1 Capital Risk Ratio	57
4.4.5.2 Credit Risk Ratio	58

4.4.6 Growth Ratio	59
4.4.6.1 Growth Ration of Total Deposit	60
4.4.6.2 Growth Ratio of Loan and Advances	60
4.4.6.3 Growth Ratio of Total Investment	61
4.5 Coefficient of Correlation	61
4.5.1 Coefficient of Correlation between Total Deposit and Loan and Advances	61
4.5.2 Trend Analysis	62
4.5.2.1 Trend Analysis of Deposit	63
4.6 General Direcetives of NRB Related with Investment and Loan and Advances	63
4.6.1 Loan Loss Provision	63
4.6.2 Single Obligor Limit	64
4.6.3 Lending Policies Directed by NRB	64
4.6.4 Cash Reserve Ratio	64
4.7 Major Findings	65
4.7.1 Deposit Mobilization	65
4.7.2 Financial Ratio Analysis	65

CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary	68
5.2 Conclusion	70
5.3 Recommendations	71
5.3.1 Recommendations to Nepal Investment Bank Ltd.	71
5.3.2 Recommendations to Himalayan Bank Ltd.	71
5.3.3 General statement Recommendations	71

Bibliography

Annex

LIST OF TABLES

Table No.	Title	Page No.
4.1	Deposit position of NIBL & HBL	46
4.2	Loan and Advances of NIBL and HBL	47
4.3	Credit Deposit Ratio of NIBL and HBL	49
4.4	Calculation of Mean, S.D and C.V of NRB Balance to Total Deposit Ratio	50
4.5	Calculation of Mean, S.D & C.V of Loan and Advances of Total Deposit	51
4.6	Calculation of Mean, S.D and C.V of Investment to Total Deposit Ratio	52
4.7	Calculation of Mean, S.D & C.V of Total Capital to Total Deposit Ratio	53
4.8	Calculation of Mean, S.D, C.V of Total Capital to Total Credit Ratio	54
4.9	Calculation of Mean, S.D and C.V of Capital to Total Assets Ratio	55
4.10	Calculation of Mean, S.D and C.V of Return on Working Fund Ratio	56
4.11	Calculation of Mean, S.D and C.V of Net profit to Loan and Advances Ratio	57
4.12	Calculation of Mean, S.D and C.V of Capital Risk Ratio	58
4.13	Calculation of Mean, S.D and C.V of Credit Risk Ratio	59
4.14	Growth ratio of Total Deposit	60
4.15	Growth ratio of Loan and Advances	60
4.16	Growth Ratio of Total Investment	61
4.17	Co-relation coefficient between total deposits and Loan and Advances	61
4.18	Trend Analysis of Total Deposit	63

LIST OF GRAPHS

Graph No.	Title	Page No.
4.1	Graph of Deposit Collection of NIBL and HBL	46
4.2	Graph of Loan and advances of NIBL and HBL	48

ABBREVIATIONS

AGM	=	Annual General Meeting
BOK	=	Bank of Kathmandu
C.S	=	Common Stock
C.V	=	Coefficient of Variation
CAPM	=	Capital Assets Pricing Model
CPI	=	Consumer Price Index
EBL	=	Everest Bank Limited
EMH	=	Efficient Market Hypothesis
HBL	=	Himalayan Bank Limited
JV	=	Joint Venture
MPS	=	Market Price Per Share
NBL	=	Nepal Bank Limited
NEPSE	=	Nepal Stock Exchange Limited
NIBL	=	Nepal Investment Bank Limited
NRB	=	Nepal Rastra Bank
OTC	=	Over the Counter
S.D.	=	Standard Deviation
SBI	=	State Bank of India
SCBNL	=	Standard Chartered Bank Nepal Limited
SE	=	Stock Exchange
SEBO/N	=	Security Exchange Board of Nepal
SEC	=	Security Exchange Center
SML	=	Security Market Line
SR	=	Systematic Risk
T.U.	=	Tribhuvan University
TR	=	Total Risk
US	=	United States
USR	=	Unsystematic Risk