CREDIT MANAGEMENT OF EVEREST BANK LIMITED.

BY:

ISHWARI PRASAD ADHIKARI LUMBINI BANIJYA CAMPUS

T.U. Reg. No: 7 - 1 - 302-72 - 97

Campus Roll No: 63/060

Exam Roll No. 1111

A Thesis Submitted to:
Office of the Dean

Faculty of Management Tribhuvan University

In partial fulfillment of the requirements for the degree of

Master of Business Studies (MBS)

Butwal, Nepal

November, 2008

VIVA -VOCE SHEET

We have conducted the viva-voce examination of the thesis
Submitted by:
ISHWARI PRASAD ADHIKARI
Entitled:
"CREDIT MANAGEMENT OF EVEREST BANK LIMITED."
and found the thesis to be the original work of the student written according to the prescribed forma
We recommend the thesis to be accepted as partial fulfillment of the requirements for
Master's Degree in Business Studies (MBS)
Viva-Voce Committee
Head, Research Department
Member (Thesis Supervisor)
Member (External Expert)

Date:

RECOMMENDATION This is to certify that the thesis: Submitted by: ISHWARI PRASAD ADHIKARI Entitled:

"CREDIT MANAGEMENT OF EVEREST BANK LTD"

has been prepared as approved by this department in the prescribed format of

Faculty of Management. This thesis is forwarded for examination.

Supervisor	Head of Department/Campus Chief
Name : Mr. Rajendra lamsal	Name : Dr. Ishwor Gautam
Signature	Signature
Date:	Date:

DECLARATION

I here by declare that the work reported in this thesis entitled "CREDIT MANAGEMENT OF EVEREST

BANK LIMITED" submitted to Lumbini Banijya Campus, 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 Mr.Rajendra Lamsal, Lecturer, Lumbini Banijya Campus.

.....

ISHWARI PRASAD ADHIKARI

TU Regd. No: 7-1-302-72-97

Roll No. 63/060

ACKNOWLEDGEMENT

This thesis entitled "Credit Management of Everest Bank Limited" has been prepared for the partial fulfillment of the requirement of Master's Degree of Business Studies (M.B.S) under the Faculty of Management, Tribhuvan University, is based on research models involving the use of quantitative and qualitative model to analyze the credit management of Everest Bank Limited.

First of all, I regard as it my dispensation and providence to get an opportunity to work under the admirable supervision of **Mr. Rajendra Lamsal**, lecture of Lumbini Banijya Campus. He always motivated me and provided guidance all the time. Words fail me in expressing my gratitude to their. I also thank to express my deep admiration to **Dr. Ishwor Gautam**, Head of the Research Department of Lumbini Banijya Campus, Whose Valuable suggestions helped me to complete this research work. I would also like to record my indebtness to all my respected who support me in this thesis writing.

I also express my gratitude to the staff of various corporate bodies, including SEBO/N, Nepal Stock Exchange and Everest Bank Limited. I should furnish my trustworthiness to all of my friends who supporting me during each and every stage of report writing.

Finally, I would like to express my genuine appreciation to the staffs of library of Lumbini Banijya Campus, and Tribhuvan University.

At last but not least, my paramount dedication is goes to my brother (Gyan Prasad Adhikari), my family members and all my friends for their valuable assistance, timely encouragement in every step. Also the special thanks to my wife Mrs. Gita Devi Adhikari who have been uninterrupted source of sustain for me while during the tribulation of this work.

Lumbini Banijya Campus,

Butwal

TABLE OF CONTENTS

Recommendation	i
Viva-Voce Sheer	ii
Declaration	iii
Acknowledgement	iv
Abbreviations	V
Table of Contents	vi
List of Table	х
List of Figure	xi
CHAPTER – I	PAGE NO.
INTRODUCTION	
1.1 Background of the Study	1
1.2 Focus of the Study	4
1.3 Statement of the Problem	5
1.4 Research Question	8
1.5 Objective of the Study	8
1.6 Significant of the Study	9

1.8 Organization of the Study	10
CHAPTER II	
REVIEW OF LITERATURE	
2.1 Conceptual Review	12
2.1.1 Concept of Commercial Bank	13
2.1.2 Functions of Commercial Bank	14
2.1.3 Concept of Credit	15
2.1.4 Types of Credit	16
2.1.5 Objectives of the Sound Credit Policy	19
2.1.6 Lending Criteria	20
2.1.7 Principle of Credit Policy	21
2.1.8 Project Appraisal	22
2.2 Review of Thesis	25
2.3 Research Gap	38
CHAPTER III	
RESEARCH METHODOLOGY	
3.1 Research Design	39

3.2 Population and Sample	39
3.3 Sources of Data	40
3.4 Secondary Sources	40
3.5 Method of Data Analysis technique	40
3.5.1 Financial Method	41
3.5.2 Financial Tool	41
3.5.3 Liquidity Ratio	41
3.5.1.1 Cash reserve Ratio	41
3.5.1.2 Cash and Bank Balance to Interest Sensitive Deposit Ratio	41
3.5.1.3 Cash and Bank Balance to Current Assets Ratio	42
3.5.2.2 Assets Management Ratio	42
3.5.2.1 Loan Advance to Total Deposit Ratio	42
3.5.3 Profitability Ratio	43
3.5.3.1 Net Profit to Gross Income Ratio	44
3.5.3.2 Interest Income to Total Income Ratio	44
3.5.3.3 Operating Profit to Loan and Advances Ratio	44
3.5.3.4 Return to Loan and Advances Ratio	44
3.5.3.5 Net Profit to Total Assets	45
3.5.3.6 Earning Per Share (EPS)	45

3.5.3.7 Price Earning Ratio	45
3.5.4 Lending Efficiency Ratio	45
3.5.4.1 Loan Loss Provision to Total Loan and Advances Ratio	46
3.5.4.2 Non-Performing Loan to Total Loan and Advances	46
3.5.4.3 Interest Expenses to Total Deposit ratio	46
3.5.3 Statistical Method	47
CHAPTER IV	
DATA PRESENTATION AND ANALYSIS	
4.1 Measuring Liquidity Position of the Bank	48
4.1.1 Cash Reserve Ratio	48
4.1.2 Cash and Bank Balance to Interest Sensitive Deposit Ratio	50
4.1.3 Cash and Bank Balance to Current Assets Ratio	52
4.2 Assets Management Ratio	54
4.2.1 Loan and Advances to Total Deposit Ratio	54
4.2.2 Interest Spread Rate	55
4.2.3 Non-Performing Assets to Total Assets ratio	57
4.3 Profitability Ratio	58
4.3.1 Net Profit to Gross Income Ratio	59

4.3.2 Interest Income to Total Income Ratio	60
4.3.3 Operating Profit to Loan and Advances Ratio	60
4.3.4 Total Income to Total Expenses Ratio	61
4.3.5 Return on Loan and Advances Ratio	63
4.3.6 Earning per Share	64
4.3.7 Price Earning Ratio	66
4.4 Lending Efficiency Ratio	67
4.4.1 Loan Loss Provision to Total Loan and Advances Ratio	67
4.4.2 Interest Expenses to Total Deposit Ratio	68
4.4.3 Non- Performing Loan to Total Loan and Advances Ratio	69
4.5 Major Findings of the Study	71
4.5.1 Liquidity Ration	71
4.5.2 Assets Management Ratio	71
4.5.3 Profitability ratios	72
4.5.4 Lending Efficiency ratio	73
CHAPTER – V	
SUMMARY, CONCLUSION AND RECOMMENDATION	
5.1 Summary	74

5.2 Conclusion	75
5.3 Recommendation	76
BIBLIOGRAPHY	
APPENDIX	

LIST OF TABLE

TABLE	PAGE NO.
4.1 Cash Reserve Ratio	49
4.2 Cash and Bank Balance to Total Deposit Ratio	51
4.3 Cash and Bank Balance to Current Assets Ratio	52
4.4. Loan and Advances to Total Deposit Ratio	54
4.5 Interest Spread Rate	56
4.6 Non- Performance Assets to Total Ratio	57
4.7 Net Profit to Gross Income Ratio	59
4.8 Interest Income to Total Income ratio	60
4.9 Operating Profit to Loan and Advances Ratio	61
4.10 Total Income to Total Expenses Ratio	62
4.11 Return on Loan Advances Ratio	63
4.12 Earning Per Share	65
4.13 Price Earning Ratio	66
4.14 Loan Loss Provision to Total Loan and Advances Ratio	68
4.15 Interest Expenses to Total Deposit Ratio	69
4.16 Non-Performing Loan to Total Loan and Advances	70

LIST OF FIGURE

FIGURE	PAGE NO.
4.1 Cash and Balance	49
4.2 Total Deposit	50
4.3 Sensitive Deposit	51
4.4 Cash and Bank Balance	53
4.5 Cash and Bank Balance and Cash Balance	53
4.6 Loan and Advance and total Deposit	55
4.7 Interest Spread Rate	56
4.8 Non- Performing Assets to total Assets Ratio	58
4.9. Total Income and total Expenses	62
4.10 Return on Loan Advances Ratio	64
4.11 Earning Per Share	65
4.13 Price Earning Ratio	66
4.14 Non- Performing Loan to Total Loan and Advances	70

ABBREVIATIONS

BOK = Bank of Kathmandu

EBL = Everest Bank Limited

EBL =Everest Bank Limited

HBL = Himalayan Bank Limited

NABIL = Nepal Arab Bank Limited

NBBL = Nepal Bangladesh Bank Limited

NBL = Nepal Bank Limited

NGBL = Nepal Grind lays Bank Limited

NRB = Nepal Rastra Bank Limited

NSBL = Nepal Siddhartha Bank Limited

SBI =State Bank of India

SCBNL = Standard Chartered Bank Nepal Limited