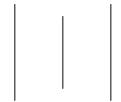
### A Study Of

### Investment policy of Commercial Banks in Nepal

( A Comparative Study on Investment Policy of Standard Chartered Bank Nepal Ltd. And Nabil Bank Ltd.)



### **Submitted By:**

Subin kumar Yadav T.U. Regd No.:-7-1-15-0452-96 Thakur Ram multiple Campus Campus Roll No. 23/064 First Year S.N. :- 1975 Second Year S.N. :- 150082



A Thesis
Submitted to:
Office of the Dean
Faculty of Management
Tribhuwan University

In Partial Fulfillment of the Requirement of the Degree of Master of Business Studies (MBS)

January 2011

### RECOMMENDATION

This is to certify that the thesis

Submitted by:
Subun kumar yadav
T.U. Regd. No. 7-1-15-0452-96
Thakur Ram Mulitple Campus
Campus Roll No. 23/064

## Entitled A Study of Investment policy of Co0mmercial Bank in Nepal

( A Comparative Study on Investment policy of Standard Chartered Bank Nepal Ltd. and Nabil Bank Ltd.)

I has been prepared as approved this department in the prescribed format of the Faculty of management. This thesis is forwarded for examination.

K. K. Shah	Mr.Rajeshwar Prasad Acharya
(Thesis Supervisor)	Chairman
Faculty of Management	Research Committee
Thakur Ram Multiple Campus	Thakur Ram Multiple Campus
Birgunj	Birgunj

Date:-....

### **VIVA – VOCE SHEET**

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

### **Submitted By**

Mr. Subin kuamar Yadav T.U. Regd. No. :- 7-1-15-0452-96 Thakur Ram Multiple Campus Campus Roll No. :- 23/064

#### **Entitled**

### **Investment policy of Commercial Banks in Nepal**

(A Comparative Study on Investment policy of Standard Chartered Bank Nepal Ltd and Nabil Bank Ltd)

And found the thesis to be the original work of the students of written according to the prescribed format we recommend the thesis to thesis to be Accepted as fulfillment of the requirement for the Master Degree in Business studies (MBS)

### <u>Viva – Voce Committee</u>

Chairperson, Research Committee:
Member ( Thesis Supervisor ):
Member ( External Expert ):
Date:

# TRIBHUVAN UNIVESITY FACULTYOF MANAGEMENT (M.B.S. PROGRAMME) T.R.M. CAMPUS, BIRGUNJ, NEPAL

### **DECLARATION**

I hereby declare that the work reported in the entitled A Study of Investment policy of Commercial banks in Nepal (A Comparative Study on Investment policy of Standard Chartered Bank Nepal Ltd. And Nabil Bank Ltd.) Submitted to the Faculty of Management, Thakur Ram Multiple Campus, Tribhuwan University is my original word done in the format of T.U. for the partial fulfillment of the Master's Degree in Business Studies (MBS) under the supervision and guidance of Mr. Krishna kumar shah, Reader, Thakur Ram Multiple Campus, Birgunj, Parsa.

Mr. Subin kuamr yadav Researcher T.U. Regd. No. :- 7-1-15-0452-96 Campus Roll No.:- 23/064 Thakur Ram Multiple Campus Birgunj

### **ACKNOWLEDGEMENTS**

At First, my heartfelt gratitude goes to my respected supervisor Reader Mr. Krishna kumar shah, Thakur Ram Multiple Campus, Birgunj, T.U. for his valuable advice and perpetual inspiration throughout the study period. I never imagine the completion of this thesis without the help and idea of my very much respected Sir Mr. R. Achraya.

I would like to express my sincere thanks to the Campus Chief, TRM Campus and Lecture Mr, Kripa Sindhu Prasad Birgunj, T.U. For providing me essential facilities and who insisted me fro9jm time to time to undertake this thesis writing. It's my pleasure to acknowledge with my sincere thanks to Mr. Shambhu Saran Sah, Mr. Lalan dwibedi, Dr. Dipad Shakya, Mr. Indushekhar Mishra, and all the lecturers of Thakur Ram Multiple Campus for their academic support.

Finally, my sincere thank also goes to the officers of T.U. Library who helped me in providing the valuable information and necessary document and data for this study.

At last thank to help typing and Printing of Standad Desinging Center Mr. Binod Chaudhary.

Subin kumar yadav Campus Roll No :-23/064 T.U. Regd. No.:- 7-1-15-0452-96

### **TABLE OF CONTENTS**

Recommendation
<u>Viva-Voce Sheet</u>
<u>Declaration</u>
<u>Acknowledgement</u>
Table of Contents
<u>List of Tables</u>
List of Figures
Abbreviation

### **CHAPTER I**

1.	INTRODUCTION	1
1.	1 General Background of the Study	1
1.2	2 Focus of the study	10
1.3	B Development of commercial banks in	11
1.4	Statement of the problem	13
1.5	Purpose of The Study	14
1.6	Need/Importance of the Study	14
1.7	Limitation of the study	15
1.8	Research design	15
1.9	Population and sample	15
1.10	Nabil Bank Limited	17
1.11	Standard Charted Bank Nepal Limited	17
1.12	Organization of the study	18

### **CHAPTER-II**

2. R	EVIEW OF LITERATURE		20
2.1	Conceptual Review		20
2.1.1	Investment		20
2.1.2	NRB Rules Regarding Fund Mobilization of Commercial	Banks	22
2.2	Review of Related Studies		25
2.2.1	Feature of Sound Lending and Investment Policy		25
2.2.2	Some Important Terms		27
2.2.3	Review of Articles/Journals		28
2.2.4	Review of Thesis		30
	CHAPTER-III		
3. R	ESEARCH METHODOLOGY		
3.	.1 Research Design		41
3.	2 Population and sample		41
3.	3 Data Analysis Tools		42
3.	3.1 Financial Tools		43
3.	.3.2 Statistical Tools		49
	CHAPTER-IV		
4. D	ATA PRESENTATION AND ANALYSIS		
4.	1 Financial Analysis		53
4.	1.1 Liquidity Ratio		53
4.	1.2 Assets Management Ratios		61
4.	1.3 Profitability Ratios		68
4.	.1.4 Risk Ratios		75
4.2 S	tatistical Analysis		79
4.	2.1 Coefficient of Correlation Analysis		79
4.	2.2 Trend Analysis		87
	2.3 Test of Hypothesis		94
	* *		

### **CHAPTER- V**

5.	SUMMARY, FINDINGS AND RECOMMENDATIONS	104
	5.1 Summary and Conclusions	101
	5.2 Major Finding	103
	5.2.2 Asset Management Ratio	104
	5.2.3 Profitability Ratio	104
	5.2.4 Risk Ratio	105
	5.2.5 Coefficient of Correlation Analysis	105
	5.2.6 Trend Analysis	105
	5.2.7 Test of Hypothesis	106
	5.3 Recommendations	106
	BIBLIOGRAPHY	

### **List of Table**

S.	No. Page	No
1.	Current ratio	54
2.	Cash and Bank Balance to Total Deposit Ratios	55
3.	Cash and Bank Balance to Current Assets Ratio.	56
4.	Investment on Government Securities to Current Assets Ratio	58
5.	Loan and Advances to Current Ratio	60
6.	Loan and Advances to Total Deposit Ratio	62
7.	Loan and Advances to Total Working Fund Ratios	63
8.	Total Investment to Total Deposit Ratio	65
9.	Investment on Government Securities to Total Working Fund Ratio	67
10	. Return on Loan and Advances Ratio	69
11	. Return on Total Working Fund Ratio	71
12	. Total Interest Earned to Total Outside Assets Ratio	72
13	. Total Interest Earned to Total Working Fund Ratio	73
14	. Total Interest paid to Total Working Fund Ratio	74
15	Liquidity Risk Ratio	76
16	. Credit Risk Ratio	78
17	. Coefficient of Correlation between Deposit, Loan and Advance	80
18	. Coefficient of Correlation between Total Deposit and Total Investment	81
19	. Coefficient of Correlation between outside Assets and Net Profit	82
20	. Coefficient of Correlation between outside Assets and Net Profit	83
21	. Coefficient of Correlation between outside Assets and Net Profit	84
22	. Coefficient of Correlation between Loan and Advances and	85
23	. Coefficient of Correlation between Total Working Fund and Net Profit	86
24	. Trend Values of Total Deposit of SCBNL and Nabil	88

25. Trend Analysis of Loan and Advances	89
26. Trend Analysis of Total Investment of SCBNL and Nabil	91
27. Trend Analysis of Total Investment of SCBNL and Nabil	93

### **List of Figure**

S.	No. Page	No.
1.	Investment on Government Securities to Current Assets Ratio of	59
2.	Loan and Advances to Current Assets Ratio of SCBNL and Nabil	61
3.	Loan and Advance to Total Deposit Ratio	64
4.	Loan and Advances to Total Working Fund Ratios	64
5.	Total Investment to Total Deposit Ratio	66
6.	Investment on Government Securities to Total Working Fund Ratio of	
	SCBNL and Nabil	68
7.	Return on Loan and Advances Ratio	70
8.	Liquidity Risk Ratio	77
9.	Credit Risk Ratio	79
10	Trend Values of Total Deposit of SCBNL and Nabil	89
11.	. Trend Analysis of Loan and Advances	90
12.	. Trend Values of Total Investment of SCBNL and Nabil	92
13.	. Trend Analysis of Total Investment of SCBNL and Nabil	94

### **ABBREVIATIONS**

NABIL = NEPAL ARAB BANK LIMITED

NIBL = Nepal Investment Bank Limited

SCBNL = Standard Charted Bank Limited

HBL = Himalayan Bank Limited

SBI = Nepal SBI Bank Limited [i.e.SB = State Bank of India]

NBBL = Nepal Bangladesh Bank Limited

NEPSE = Nepal Stock Exchange Limited

C.S. = Common Stock

SEBO = Security Board

C.V. = CO-efficient of Variation

S.D. = Standard Deviation

MPS = Market Price Per Share

DPS = Dividend per share

F.Y.[F/Y] = Fiscal Year

Mfg. & Proc. = Manufacturing and processing

Fin. & Ins. = Finance and Insurance

NI = NEPSE Index

SML = Security Market line

CAMP = Capital Assets Pricing model

NRB = Nepal Rastra Bank

US = United State

ADR = American Depositary Receipts

MR = Market Return