IMPLEMENTATION OF MARKETING STRATEGIES FOR LENDING POLICY OF NEPAL INVESTMENT BANK LIMITED

By ROSHA REGMI BHATTA

Exam Roll No: - 857/2061 T.U. Regd. No: - 31687-94 Shanker Dev Campus

Submitted to:

Office of the Dean
Faculty of Management
Tribhuvan University

In Partial Fulfillment of the Requirements for the Degree of
Masters of Business Studies (M. B. S)

Kathmandu, Nepal

March, 2011

VIVA -VOCE SHEET

We have conducted the viva-voce of the thesis

Submitted by:

ROSHA REGMI BHATTA

Entitled:

"IMPLEMENTATION OF MARKETING STRATEGIES FOR LENDING POLICY OF NEPAL INVESTMENT BANK LIMITED"

And found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for

Master's Degree in Business Studies (M.B.S.)

Viva-Voce Committee

| Head, Research Department | |
|----------------------------|--|
| Member (Thesis Supervisor) | |
| Member (External Expert) | |
| | |
| | |
| Date: | |

RECOMMENDATION

This is to certify that the thesis:

Submitted by:

ROSHA REGMI BHATTA

Entitled:

"IMPLEMENTATION OF MARKETING STRATEGIES FOR LENDING POLICY OF NEPAL INVESTMENT BANK LIMITED"

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

Dr. Narayan Krishna Pradhan Prof. Bisheshwor Man Shrestha Prof. Dr. Kamal Deep Dhakal (Thesis Supervisor) (Head of Research Department) (Campus Chief)

DECLARATION

I hereby declare that the work done in thesis entitled "IMPLEMENTATION OF MARKETING

STRATEGIES FOR LENDING POLICY OF NEPAL INVESTMENT BANK LIMITED" has

been submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan University, is my

own created work reported in the form of partial fulfillment of the requirement of Master's of

Business studies (M.B.S.) course under the guidance of respected supervisor Dr. Narayan

Krishna Pradhan of Shanker Dev Campus.

Rosha Regmi Bhatta

Researcher

ACKNOWLEDGEMENT

This entitled thesis "IMPLEMENTATION OF MARKETING STRATEGIES FOR LENDING POLICY OF NEPAL INVESTMENT 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 marketing aspect. Marketing should be an integral part of everything the bank does. The marketing concept is a philosophy and a frame of mind; it is also a basis for decision making and a guide for effectively managing resources. Marketing, then, is not an activity that a business undertakes; instead, it is an organizational philosophy that influences and directs all the operations of a bank or other business.

I extend my deep sense of indebtedness to my respected supervisor Dr. Narayan Krishna Pradhan of Shanker Dev Campus for their precious guidelines, inspiration and suggestion thoroughly during the period of this research. Without their valuable insight, I would not think of accomplishment of this thesis paper. I acknowledge my profound gratitude to Sample Banks for the cooperation shown and providing necessary data.

I want to give thanks for the staff members of T.U. Central Library, Shanker Dev Campus Library who provided the reference and reading materials during the period of research.

Finally, I would like to express my sincere gratitude to all my family members for their assistance, timely encouragement in every steps and financial support. In addition, the special thanks to Mr Ram Limbu and all my family members who provided me crucial support, is also part of my sincere thanks.

Rosha Regmi Bhatta

ABBREVIATION

ADB Agricultural Development Bank

AGM Annual General Meeting

BOK Bank of Kathmandu Limited

BPS Book-value Per Share

BS Bikram Sambat (Abbreviation of Bikram Era)

CEO Chief Executives Officer

CV Coefficient of Variation

DPS Dividend per Share

EBL Everest Bank Limited

EPS Earning Per Share

GDP Gross Domestic Product

HBL Himalayan Bank Limited

G/N Government of Nepal

IMF International Monetary Fund

MBL Machhapuchre Bank Limited

MPS Market Price of Share

NABIL Nabil Bank Limited

NBL Nepal Bank Limited

NEPSE Nepal Stock Exchange

NIB Nepal Investment Bank Limited

NICB Nepal Industrial & Commercial Bank Limited

NPV Net Present Value

NRB Nepal Rastra Bank

PE Price Earnings

RBB Rastra Banijya Bank

SBI Nepal State Bank of India Limited

SCBNL Standard Chartered Bank Nepal Limited

SEBO/N Security Board of Nepal

TABLE OF CONTENTS

| | Page No |
|--|---------|
| Recommendation | |
| Viva-Voce sheet | |
| Declaration | |
| Acknowledgement | |
| Table of Content | |
| List of table | |
| List of figure | |
| Abbreviation | |
| CHAPTER – I | |
| INTRODUCTION | 1 |
| 1.1 Background of the Study | 1 |
| 1.1.1 Nepal Investment Bank Limited. | 4 |
| 1.1.1.1Branch Network | 5 |
| 1.1.1.2 Management | 6 |
| 1.2 Statement of the Problem | 7 |
| 1.3 Objective of the Study | 9 |
| 1.5 Significance of the Study | 10 |
| 1.6 Limitations of the Study | 11 |
| 1.7. Organization of the Study | 12 |
| CHAPTER – II | |
| REVIEW OF LITERATURE | 14 |
| 2.1 Conceptual Reviews | 15 |
| 2.1.1 Definition of Marketing | 15 |
| 2.1.2. Marketing Management: Meaning and Concept | 18 |
| 2.1.3 Evolution of Marketing | 18 |
| 2.1.4 Market: Concept | 20 |

| 2.1.5 Marketing Mix and Strategies | 20 | |
|--|----|----|
| 2.1.5.1. Product Strategies | 21 | |
| 2.1.5.2 Pricing strategies | 21 | |
| 2.1.5.3. Promotion strategies | 22 | |
| 2.1.5.4. Place (Distribution) strategies | 23 | |
| 2.1.6 Marketing in Nepal | 23 | |
| 2.2 Commercial Bank: Meaning and Concept | 25 | |
| 2.2.1 Origin of Bank in Nepal: | | 25 |
| 2.2.3. Nepal Investment Bank Limited (NIB) | 27 | |
| 2.2.4 Resources and fund of NIBL | 28 | |
| 2.2.4 Strategic Objective of NIBL | 29 | |
| 2.3 Concept of Lending | 32 | |
| 2.3.1 Types of Lending | 33 | |
| 2.3.2 Features of Sound Lending Policy | 36 | |
| 2.3.3 Lending Criteria | 38 | |
| 2.4 Review of Related Study | 39 | |
| 2.4.1 Review of Books, Journals and Articles | 39 | |
| 2.4.2 Review of Thesis | 42 | |

CHAPTER - III

| RESEARCH METHODOLOGY | 49 | |
|-----------------------------------|----|----|
| 3.1 Research Design | | 49 |
| 3.2 Population and Sample | | 50 |
| 3.3 Sources of Data | 51 | |
| 3.4 Data Collecting Procedures | 52 | |
| 3.5 Tools and Techniques used | 52 | |
| 3.6 Financial Tools | 53 | |
| 3.7 Statistical Tools | 54 | |
| | | |
| | | |
| | | |
| CHAPTER – IV | | |
| PRESENTATION AND ANALYSIS OF DATA | 57 | |

| 4.1 Primary Data Analysis | 57 | |
|---|----|----|
| 4.1.1 Respondent's profiles: | | 57 |
| 4.2 Customers view about implementation of marketing | | |
| strategies for Lending policy of NIBL (7Ps analysis). | 58 | |
| 4.2.1 Product (Loan products): | 58 | |
| 4.2.1.1 Customers availing different types of loan: | | 59 |
| 4.2.1.2 Customer's view about retail loan product of NIBL | | 60 |
| 4.2.2 Pricing Strategies | 61 | |
| 4.2.3Promotional strategies | 61 | |
| 4.2.4 Place (distribution) strategies | 63 | |
| 4.2.5. People strategy of NIBL | 64 | |
| 4.2.6. Process/Procedure strategy of NIBL | 65 | |
| 4.2.7. Physical evidence | 66 | |
| 4.3 Secondary Data Analysis | 67 | |
| 4.3.1 Loans and Advances to Total Assets Ratio | 67 | |
| 4.3.2. Loans and Advances to Shareholders' Equity Ratio | 68 | |
| 4.3.3 Net income to Loan and Advances Ratio | 69 | |
| 4.3.4 Total Loan Loss Provision to Total Loan and Advances Ratio | 70 | |
| 4.3.5. Growth trend of Loans and Advances | 72 | |
| 4.3.6 Provision for Loan Loss | 73 | |
| 4.3.7 Net Profit | 75 | |
| 4.3.8 Coefficient of Correlation between Loan & advance and Total Asset | | |
| 4.3.9 Co-efficient of Correlation between Loan and advance and Net Profit | 77 | |
| 4.4 Major Findings of the Study | 78 | |

| CHAPTED V | |
|--|----|
| CHAPTER – V | |
| SUMMARY, CONCLUSIONS AND RECOMMENDATIONS | 83 |
| 5.1 Summary | 83 |
| 5.2 Conclusions: | 84 |
| 5.3 Recommendations | 86 |
| | |
| Bibliography | |
| Appendix | |

LIST OF TABLE

| | Page No |
|--|---------|
| Table No. 1.1 Share Holding Pattern of NIBL | 4 |
| Table No. 3.1 The Sampling Population (Commercial Banks in Nepal) | 51 |
| Table No. 4.1 Respondents age group: | 57 |
| Table No. 4.2 Respondent's Profession | 58 |
| Table No. 4.3 Among the respondent Loan and deposit customers of NIBL | 59 |
| Table No. 4.4 Customers availing different types of loan | 59 |
| Table No. 4.5 Customer's view about retail loan product of NIBL | 60 |
| Table No. 4.6 Customer's response in interest rates of NIBL | 61 |
| Table No. 4.7 Promotional tools of NIBL | 62 |
| Table No. 4.8 Sufficiently of Network of NIBL | 63 |
| Table No. 4.9 Availability of NIBL's services | 64 |
| Table No. 4.10 Customers view about staff of NIBL | 65 |
| Table No. 4.11 Customers view about loan process of NIBL | 66 |
| Table No. 4.12 Customers response on physical evidence | 66 |
| Table No. 4.13 Loans and Advances to Total Assets Ratio | 68 |
| Table No 4. 14 Loans Advances to Shareholders' Equity Ratio | 69 |
| Table No 4.15 Return on Loan and Advances Ratio | 70 |
| Table No 4.16 Loan Loss Provision to Total Loan and Advances Ratio | 71 |
| Table No 4.17 Total Loans and Advances and percentage changes | 72 |
| Table No. 4.18 Provision for Loan Loss and Changes for Respective Years | 73 |
| Table No. 4.19 Net Profit and Changes for Respective Years | 75 |
| Table 4.20 Coefficient of Correlation between Total Deposits and Total Asset | 76 |
| Table No. 4.21 Correlation between Loan and advance and Net profit | 77 |

LIST OF FIGURE

| | Page No |
|--|---------|
| | |
| Figure No. 1.1 Branch Network | 5 |
| Figure No. 4.1 Loans and Advances and Relative Changes | 73 |
| Figure No. 4.2 Loan Loss Provision Relative Changes | 74 |
| Figure No. 4.3 Net Profit Relative Changes | 76 |