

**PORTFOLIO MANAGEMENT OF NEPALESE COMMERCIAL
BANKS**

A Thesis

Submitted

By

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Certification of Authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

.....

Sagar Subedi

February, 2020

RECOMMENDATION LETTER

It is certified that this thesis entitled **PORTFOLIO MANAGEMENT OF NEPALESE COMMERCIAL BANKS** submitted by Sagar Subedi is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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APPROVAL SHEET

We, the undersigned have examined the thesis entitled Portfolio Management of Nepalese Commercial Banks presented by Sagar Subedi, a candidate for the degree of **Master of Business Studies** (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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LIST OF ABBREVIATIONS

A.D.	: Anno Domini
A/C	: Account
AGM	: Annual General Meeting
ATM	: Automatic Teller Machine
B/F	: Banks & Financial Institution
CAPM	: Capital Assets Pricing Model
CBs	: Commercial Banks
CDs	: Certificate of Deposit
Co.	: Company
CRR	: Cash Reserve Ratio
CV	: Coefficient of Variation
EBL	: Everest Bank Limited
FY	: Fiscal Year
GDP	: Gross Domestic Product
Govt.	: Government
i.e.	: That is
IFIC	: International Finance Investment and Commercial Bank
IMF	: International Monetary Fund
JVBs	: Joint Venture Banks
L&A	: Loan & Advances
LC	: Letter of Credit
Ltd.	: Limited
Mkt.	: Market

MSCI	: Morgan Stanley Capital International
NEPSE	: Nepal Stock Exchange
NIBL	: Nepal Investment Bank Limited
NPAT	: Net Profit After Tax
NRB	: Nepal Rastra Bank
NYSE	: New York Stock Exchange
OLS	: Ordinary Least Squares
PV	: Present Value
Pvt.	: Private
R&R	: Risk and Return
RBB	: Rastriya Banijya Bank
RWA	: Risk Weighted Assets
S&D	: Share and Debenture
SCBL	: Standard Chartered Bank Limited
SD	: Standard Deviation
SEBO	: Securities Board
TBs	: Treasury Bills
TOI	: Total Outside Investment
TU	: Tribhuvan University

ABSTRACT

Portfolio is collection of investment securities. Portfolio theory deals with the selection of optimal portfolio; that is, portfolio that provides the highest possible return for any specified degree of risk or the lowest possible risk for any specified rate of return. A portfolio is usually defined as a combination of asset. Hence, in this paper, an attempt is made to evaluate the portfolio management of scheduled Nepalese commercial banks in the period from 2013/14 to 2017/18.

The research design adopted in the study is descriptive and analytical. Analysis is done by taking secondary data to present the position of investment, risk & return and ratios. The data have been collected from Nepal stock exchange (NEPSE), Securities board of Nepal (SEBON), and annual report of the sampled banks. This study attempts to examine the portfolio management of Nepalese commercial banks. Under the portfolio management different sector like investment on securities, loan and advance to customers, placement with banks and financial institutions and loan & advance to banks and financial institutions has been considered.

The study shows that highest proportion of investment of commercial banks is under loan and advance to customers this might be result due to the higher return in this investment. Furthermore the lowest investment is made in loan and advance in banks and financial institutions. The portfolio return and portfolio risk is 6.48%, 1.20% respectively. The study shows higher correlation between placement with banks & financial institutions and loan & advance to customers whereas correlation between investment securities and loan & advance to banks & financial institutions is lowest. Overall ratio analysis indicates Standard chartered bank limited has better performance in every sector then that of Nepal investment bank limited & Everest bank limited. Commercial banks are seems to be focusing on investment on different assets class but they should be diversified their lending portfolio and emphasis should be given to small and medium sized enterprises and productive sector.