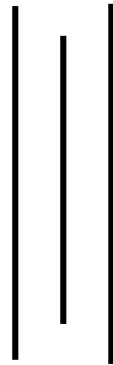


# **A CASE STUDY ON THE INVESTMENT POLICY OF EVEREST BANK LIMITED**

*By*

**SHARMILA MAHARJAN  
UNITED COLLEGE  
TU Regd. No. : 7-2-421-47-2003  
Symbol No: 4270**

*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)*

**15 March, 2010**

## **DECLARATION**

I hereby declare that the work reported in the thesis entitled, "A Case study on the Investment Policy of Everest Bank Limited", submitted to Central Department of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements of Masters Degree in Business Studies (M.B.S.) under the supervision of Prof. Dr. Bal Krishna Shrestha.

Date:

Sharmila Maharjan

Researcher

T.U. Regd. No: 7-2-421-41-2003

United college

Kumaripati, Lalitpur

## **ACKNOWLEDGEMENT**

This thesis entitles “A Case Study on the Investment Policy of Everest Bank Limited” has been prepared in partial fulfillment for the Masters of Business Studies (MBS). For this I gained lots of guidelines and suggestions from my teachers, friends, company official and my relatives. Firstly I would like to express my profound gratitude to my supervisor Prof. Dr. Bal Krishna Shrestha for his valuable guidance throughout the work and my teachers who inspired me to do this study.

I acknowledge staff of Everest Bank Limited who provided sources of data and other information for this study. Similarly I would like to thank my friends Mr. Prasant Maharjan whose help was remarkable too.

Finally, I would like to express my sincere gratitude to the staffs of united college library for their cordial cooperation by providing me with related books and thesis and all the teachers involved there who made me capable of writing this thesis.

Sharmila Maharjan

United college

Kumaripati, Lalitpur

# TABLE OF CONTENTS

Viva- voce sheet  
Recommendation  
Declaration  
Acknowledgements  
List of tables  
List of figures  
List of abbreviations

**Page**

## **CHAPTER-I INTRODUCTION**

**1-5**

### **1. INTRODUCTION**

1 1.1. General Background

1

1.2. Profile of Concerned Bank

2 1.3. Statement of Problem

3

1.4. Objective of the Study

4

1.5. Significance/ Importance of the Study

4

1.6. Limitation of the Study

5

## **CHAPTER- II REVIEW OF LITERATURE**

**6-20**

2.1. Introduction

6

2.2. Conceptual Review

6

2.2.1. Concept of Commercial Bank

6

2.2.2. Concept of Investment and Investment Policy of Bank

7

2.2.3. Principal of Good Investment Policy

9

2.2.4. Profitability of Bank

10

2.2.5. Liquidity Management

10

2.2.6. Liquidity Measurement

11

2.2.7. Assets Management

11

2.2.8. Assets and Liabilities of Commercial Banks

12 2.3. Review of Related Studies

15

2.3.1. Review of Articles	15
2.3.2. Review of Master's Degree Thesis	17
2.3.3. NRB Rules Regarding Fund Mobilization of Commercial Bank	20

### **CHAPTER-III RESEARCH METHODOLOGY**

#### **21-31**

3.1. Introduction	21
3.2. Research Design	21
3.3. Source of Data	21
3.4. Methods of Analysis	22
3.4.1. Financial Tools	22
3.4.2. Statistical Tools	31

### **CHAPTER-IV DATA PRESENTATION AND ANALYSIS**

#### **35-75**

4.1. Introduction	35
4.2. Liquidity Ratio	35
4.2.1. Current Ratio	35
4.2.2. Cash & Bank Balance to Current Assets Ratio	36
4.2.3. Cash & Bank Balance to Total Deposit Ratio	38
4.2.4. Investment on Government Securities to Current Assets Ratio	39
4.2.5. Loan and Advances to Current Assets Ratio	40
4.3. Assets Management Ratio	42
4.3.1. Loan & Advances to Total Deposits Ratio	42
4.3.2. Loan & Advances to Total Working Fund Ratio	43
4.3.3. Total Investment to Total Deposit Ratio	45
4.3.4. Investment on Government Securities to Total Working Fund Ratio	46
4.3.5. Investment on Shares & Debentures to Total Working Fund	48

4.4. Profitability Ratio	49
4.4.1. Net Profit to Total Assets Ratio	49
4.4.2. Net profit to Loan and Advances Ratio	51
4.4.3. Total Interest Income from Total Investment Ratio	52
4.4.4. Total Interest Income from Loan and Advances and Bill Collection Ratio	53
4.4.5. Detail Description of Interest Income	55
4.5. Risk Ratios	55
4.5.1. Credit Risk Ratio	56
4.5.2. Capital Risk Ratio	57
4.6. Activity or Performing Ratio	58
4.6.1. Non- Performing Loan to Total Loans and Advances Ratio	58
4.6.2. Loan Loss Provision to Total Loan and Advances Ratio	60
4.7. Loan Disbursement to Priority and Deprive Sector	61
4.8. Growth Ratios	61
4.9. Trend Analysis	62
4.9.1. Trends Analysis of Total Deposits of EBL	62
4.9.2. Trends Analysis of Loan and Advances of EBL	63
4.9.3. Trends Analysis of Investment of EBL	64
4.9.4. Trends Analysis of Net Profit of EBL	66
4.9.5. Trends analysis of Current Assets of EBL	67
4.9.6. Trends Analysis of Fixed Assets of EBL	68
4.10. Coefficient Correlation Analysis	69
4.10.1. Coefficient of Correlation between Total Deposits and Loan and Advances	70
4.10.2. Coefficient of Correlation between Total Deposits and Total Investment	70
4.10.3. Coefficient of Correlation between Loan and Advances and Net Profit	71
4.10.4. Coefficient of Correlation between Investment and Net Profit	72

72	4.10.5. Correlation Matrix among the Variables under Liquidity Ratio
73	4.10.6. Correlation Matrix among the Variables under Assets Management Ratio
73	4.10.7. Correlation Matrix among the Variables under Profitability Ratio
74	4.10.8. Correlation Matrix among the Variables under Risk Ratio
74	4.10.9. Correlation Matrix among the Variables under Activity/ Performing Ratio
75	4.11. Major Findings of the Study

## **CHAPTER-V SUMMARY, CONCLUSION AND RECOMMENDATION 81-85**

81	5.1. Introduction
81	5.2. Summary
81	5.3. Conclusion
82	5.4. Recommendation
85	

## **BIPLIOGRAPHY APPENDICES**

## List of Table

Table	Page
Table 4.1 Current Ratio (times)	35
Table 4.2 Cash & Bank Balance to Current Assets Ratio	37
Table 4.3 Cash & Bank Balance to Total Deposit Ratio	38
Table 4.4 Investment on Govt. Securities to Current Assets Ratio	39
Table 4.5 Loan and Advances to Current Assets Ratio	41
Table 4.6 Loan and Advances to Total Deposit Ratio	42
Table 4.7 Loan and Advances to Total Working Fund Ratio	44
Table 4.8 Total Investment to Total Deposit Ratio	45
Table 4.9 Investment on Government Securities to Total Working Ratio	47
Table 4.10 Investment on Shares and Debentures to Total Working Fund Ratio	48
Table 4.11 Net Profit to Total Assets Ratio	50
Table 4.12 Net Profit to Loan and Advances Ratio	51
Table 4.13 Total Interest Income form total Investment Ratio	52
Table 4.14 Total Interest Income from Loan and Advances and Bill Collection	54
Table 4.15 Total Net Interest Income	55
Table 4.16 Credit Risk Ratio	56
Table 4.17 Capital Risk Ratio	57
Table 4.18 Non- Performing Loan to Total Loans and Advances Ratio	59
Table 4.19 Loan Loss Provision to Loan and Advances Ratio	60
Table 4.20 Deprived Sectors Lending to Loan and Advances Ratio	61
Table 4.21 Growth Ratios	61
Table 4.22 Trend Value of Total Deposits of EBL	62
Table 4.23 Trend Value of Total Loan and Advances of EBL	63
Table 4.24 Trend Values of Investment of EBL	65
Table 4.25 Trend Value of Net Profit of EBL	66
Table 4.26 Trend Values of Total Current Assets of EBL	67
Table 4.27 Trend Value of Total Fixed Assets of EBL	68



Table 4.28 Coefficient of Correlation between Total Deposits and and Advances	Loan 70
Table 4.29 Coefficient of Correlation between Total Deposits and Investment	Total 71
Table 4.30 Coefficient of Correlation between Total Loan and Net Profit	Advances and 71
Table 4.31 Coefficient of Correlation between Investment and Net Profit	72
Table 4.32 Correlation Matrix under Liquidity Ratio	72
Table 4.33 Correlation Matrix under the Assets Management Ratio	73
Table 4.34 Correlation Matrix under Profitability Ratio	73
Table 4.35 Correlation Matrix under Risk Ratio	74
Table 4.36 Correlation Matrix under Activity Ratio	74

## List of Chart

<b>Chart</b>	<b>Page</b>
Chart 4.1 Current Ratio Pattern of EBL	36
Cash & Bank Balance to Current Asset Ratio	37
Bank Balance to Total Deposit Ratio	39
Govt. Securities to Current Asset Ratio	40
Current Assets Ratio	41
Deposit Ratio	43
Ratio	44
	46
Working Ratio	47
Fund Ratio	49
Chart 4.11 Net Profit to Total Assets Ratio	50
Chart 4.12 Net Profit to Loan and Advances Ratio	52
Chart 4.13 Total Interest Income from Investment Ratio	53
4.14 Interest Income from Loan and Advance and Bill Collection	54
Interest Income	55
Ratio	57
Ratio	58
Performing Loan to Total Loans and Advances Ratio	59
Provision to Loan and Advances Ratio	60
Chart 4.20 Total Deposit Trend of EBL	63
Chart 4.21 Total Loan and Advances Trend of EBL	64
Chart 4.22 Investment Trend of EBL	65
Chart 4.23 Net Profit Trend of EBL	66
Chart 4.24 Trend of Current Asset of EBL	68
Chart 4.25 Total Fixed Asset Trend of EBL	69

## **List of Abbreviation**

&	And
6.P.Er	Six times of Probable Error
B.S.	Bikram Sambat ( Nepalese Year)
CA	Current Assets
CBB	Cash and Bank Balance
CL	Current Assets
C.V.	Coefficient of Variation
EBL	Everest Bank Limited
HMG	His Majesty's Government
IGS	Investment in Government Securities
Int.	Interest
i.e.	That is
ISD	Investment in Share and Debenture
JVBs	Joint Venture Banks
L/A	Loan and Advances
LL	Loan loss
LLP	Loan loss Provision
Ltd	Limited
NPA	Non -Performing Assets
NPL	Non- Performing Loan
NRB	Nepal Rastrya Bank
P.E.	Probable Error
R	Correlation Coefficient
$R^2$	Coefficient of Determinant
RS.	Rupees
S.D.	Standard Deviation
TD	Total Deposit
TI	Total Investment
TA	Total Assets
TWF	Total Working Fund