

**AN ANALYSIS ON INVESTMENT POLICY OF
HIMALAYAN BANK LTD.**

A Thesis

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in

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LETTER OF RECOMMENDATION

This thesis entitled “*An Analysis on Investment Policy of Himalayan Bank Ltd.*” is prepared by Bimala Giri under my supervision. I hereby recommend this thesis for approval by the thesis committee.

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APPROVAL SHEET

We certify that the thesis entitled “*An Analysis on Investment Policy of Himalayan Bank Ltd.*” submitted by Bimala Giri to Department of Economics, Prithvi Narayan Campus Pokhara, Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfillment of the requirements for the degree of MASTER OF ARTS in ECONOMICS has been found satisfactory in scope and quality. Therefore, we accept this thesis as a part of the said Degree.

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ABSTRACT

The main focus of the study is to highlight the investment policy of HBL Bank Ltd. which will also give slight overview on general trend of investment portfolio analysis of commercial banks. The study will attempt to analysis the different aspect of investment of HBL like equity, treasury bills, government bonds and placements over the period of time. On the other hand, the study would provides information to management of the bank that would help get insight into the investment portfolio over the series of time and their relationship with different hypothesis analyzed. In the context of Nepal, there is less availability of research works, journal and articles in investment analysis of commercial banks as well as other financial institutions. The success and prosperity of the bank heavily relies upon the successful investment policy adopted that takes into account the resulting variables which has direct or indirect impact besides, the government fiscal policy/budget and NRB monetary policy reviewed each year will also be crucial factor in determining the investment portfolio of bank. Successful formulation and effective implementation of investment policy and investment analysis is the prime requisite for the successful performance of commercial banks. There are various problems in effective investment of commercial banks of Nepal, which affect their performance to the great extent. Hence, the main significance of this study is investment portfolio analysis of Himalayan Bank Ltd. Similarly, the study will also further attempt to understand the relationship of investment of HBL with other covenants like reserves, borrowing, deposits and equity.

Main aim of this study is to analyze the impact deposits, borrowing, capital and reserves on investment of HBL Bank Ltd. over the series of ten years. This study covers the period of 10 years. The analysis is carried on using simple regression model, log transformation model, growth model in E-views software to confirm the quantitative relationship between the used variables in the system of equations.

At last we can conclude that the investment decision of the HBL Bank Ltd. over the series of time period of ten years shows that the deposits, borrowing, reserves and capital has positive impact on investment decision. The deposits has high positive impact and borrowing has least impact on the investment of the HBL Bank Ltd. The investment of the bank is also determined by the pricing factors like interest rate, inflation of the economy and government spending.

The higher the interest rate of deposits, borrowings the higher will be the cost of investment. The major investment tool for bank is treasury bills, government bonds and debenture. The return on investment is also crucial in making investment decision for the bank. The investment of the bank also relies on the rate of inflation in the economy which ultimately have impact on the interest rate and thus the investment decision of the bank. Likewise, the government spending on timely led to liquidity in the market which then result in making investment decision. Hence, in overall there are other macro economic variables besides the micro economic variable which has impact on the decision making regarding investment of the bank. The banks adopt its own investment policy while making investment. The investment decision is also based on the risk appetite of the bank with higher return on high risk and low return on low risk. The return is high on long term investment and low short term investment. The findings of this article are consistent with the findings of this study. Here in this study the variables deposits, borrowings, capital and reserves has positive impact on investment decision of the HBL Bank Ltd.

The decision of investment need to be focused on banks own investment policy which focuses on the investment based on the time period of investment, rate of return on investment and pricing associated. Hence, HBL Bank Ltd. need to focus on the investment based on the available liquidity i.e. deposit and investment based on the return. The bank need to also concentrate over the risk factor, monetary policy, rate of return over the period of time to assess the investment of the bank.

Regularly reviewing the investment portfolio and policy of the bank as per macroeconomic variables will led to better investment decision of the bank. The bank needs to continuously strive for new investment opportunity based on analyzing the variables having positive and negative impact. Besides, the policy need to be mould as per the micro and macro economic variables having impact towards investment of the bank.

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LIST OF ACRONYMS

HBL =Himalayan Bank Ltd.

CBS = Central Bureau of Statistics

DAO = District Administration Office

GDP = Gross Domestic Product

WB = World Bank

MOF = Ministry of Finance

IMF = International Monetary Fund

NRB = Nepal Rastra Bank

OLS = Ordinary Least Square

PCI = Per Capita Income

ATM= Automatic Teller Machine

ALCO= Assets Liability Committee.

ADF=Augmented Dickey-Fuller Test.