

FUND MOBILIZATION OF NEPALESE COMMERCIAL BANKS

(With Reference to HBL, EBL & NIBL)

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INTRODUCTION

Background of the Study

The proper mobilization and utilization of domestic resources is one of the key factors in the economic development of a country. Similarly, integrated and speedy development of the country is only possible when competitive and reliable banking services are reached and operated to every corner of the country. It has been well established that the economic activities of any country can hardly be carried without the assistance and support of financial institutions. Financial institutions have catalytic role in the process of economic development. The investment policy of financial institutions, especially banks has long term impact not only on their growth and sustainability but also on the economic development of the country. Successful formulation and effective implementation of investment policy is the prime requisite for the successful performance of banks and other financial institutions. Good investment policy has a positive impact on economic development of the country and vice-versa.

Generally the organization that transacts money is called bank. Bank and banking has always played a significant role for the financial activities in the business. So bank is the major need for various developments. Bank collects fund as a saving from the community and invest them into most desirable and highly yielding sector as a full to a process of economic development. It develops saving habits of people. “The importance of the banking as the nerve center of economic development can not be over emphasized and it is said that bank which are the need of and great wealth of country have get to be kept very scared. Just as water for irrigation, good banks are for the country’s industry and trade.” (Bhandari, 2003:119)

Bank assists both the flow of goods and services from the products to the consumers and the financial activities of the government. Banking provides the country with a monetary system of making payment and is an important part of

financial system, which makes loans to maintain and increase the level of consumption and production in the economy.

Bank is resource for economic development that maintains economic confidence of various segments and expands credit to people. Bank means “A financial establishment for the deposit, loans exchange or issue of money and for the transmission of funds.” (Bhandari, 2003: 121)

The bank draws surplus money from the public, who cannot use the money at the time and lends to those who give attention to use for productive purposes. Bank lends the loan to the customers; gain interest amount, the bank draw the money from institution or individual or people pay the interest amount by certain interest rate. Banking institutions collect scattered financial resources from the mass and invest them among those who are associated with the economic, commercial, and social activities of the country.

A new organized financial institution companies, commercial banks and other financial intermediaries play an important role for the development of a country.

Introduction of Commercial Bank

Commercial bank is a financial institution which transfers monetary sources to users. In the process of such intermediation, commercial bank deploys funds raised from different sources into different assets with a prime objective of profit generation an administrative assistance. According to Commercial Bank Act 2031, “Commercial banks are those banks which are established under this act to perform commercial function.” The commercial banks pool together the savings of the community and arrange for their productive uses. They supply financial needs of modern business.

These banks are established to improve people’s economic welfare and facility, to provide loan to the agriculture, industry and commerce and to offer banking services to the people and the country. It provides internal resources for

developing countries economy. It collects diversified capital from different parts of country through its own branches.

Commercial bank is a corporation which accepts demand deposits subject to check and makes short-term loans to business enterprises, regardless of the scope of its other services.

The main purpose of establishing RBB was to contribute to the development of banking system, particularly in the remote and hilly regions, providing more banking facilities to the public.

Profile of the Concerned Banks

As there has been number of commercial banks established, the research has been taken into consideration of EBL, NIBL and HBL. Therefore, short glimpse of these commercial banks are given as:

- **Himalayan Bank Limited**

Himalayan Bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cut-throat competition in the Nepalese Banking sector, Himalayan Bank has been able to maintain a lead in the primary banking activities- Loans and Deposits.

Legacy of Himalayan lives on in an institution that's known throughout Nepal for its innovative approaches to merchandising and customer service. Products such as Premium Savings Account, HBL Proprietary Card and Millionaire Deposit Scheme besides services such as ATMs and Tele-banking were first introduced by HBL. Other financial institutions in the country have been following our lead by introducing similar products and services. Therefore, we stand for the innovations that we bring about in this country to help our Customers besides modernizing the banking sector. With the highest deposit base and loan portfolio amongst private sector banks and extending guarantees to correspondent banks covering exposure of other local banks under our credit standing with foreign correspondent banks, we believe we obviously lead the

banking sector of Nepal. The most recent rating of HBL by Bankers' Almanac as country's number 1 Bank easily confirms our claim.

All Branches of HBL are integrated into Globus (developed by Temenos), the single Banking software where the Bank has made substantial investments. This has helped the Bank provide services like 'Any Branch Banking Facility', Internet Banking and SMS Banking. Living up to the expectations and aspirations of the Customers and other stakeholders of being innovative, HBL very recently introduced several new products and services. Millionaire Deposit Scheme, Small Business Enterprises Loan, Pre-paid Visa Card, International Travel Quota Credit Card, Consumer Finance through Credit Card and online TOEFL, SAT, IELTS, etc. fee payment facility are some of the products and services. HBL also has a dedicated offsite 'Disaster Recovery Management System'. Looking at the number of Nepalese workers abroad and their need for formal money transfer channel; HBL has developed exclusive and proprietary online money transfer software Himal Remit by deputing our own staff with technical tie-ups with local exchange houses and banks, in the Middle East and Gulf region, HBL is the biggest inward remittance handling Bank in Nepal. All this only reflects that HBL has an outside-in rather than inside-out approach where Customers' needs and wants stand first.

The bank provides various facilities such as:

- Tele- Banking
- 24 hours banking
- Credit card facilities
- Automatic Teller Machine (ATM)
- Visa card
- L.C. service
- Safe deposit locker
- Himalayan SMS(Short Message Service)
- Foreign currency transaction etc.

The ownership of HBL is composed as:

Percentage of Ownership Pattern of HBL

Subscription	% Holding
Promoter Share Holders	51%
Habib Bank Ltd., Pakistan	20%
Financial Institution (Employees Provident Fund)	14%
Nepalese Public share holder	15%
Total	100%

Source: Annual Report of HBL

The present capital structure of HBL is shown below:

Authorized Capital Structure of HBL

Share Structure	Amount (Rs.)
Authorized Capital	1,000,000,000
Issued Capital	650,000,000
Paid- Up Capital(5,362,500 equity shares of NRS 100.00 each, fully paid)	536,250,000

Source: www.hbl.com.np

- **Everest Bank Limited**

Everest Bank Ltd. was registered under the Company Act 1964 in 19th November 1993 (2049/09/03) and started banking transaction in 16th October 1994 (2051/07/01). The promoter of the bank decided to join hands with an Indian bank and entered into joint venture agreement in January 1997 AD with Punjab National Bank (PNB), which is one of the leading commercial bank of India, having over 100 years of successful banking experience and known for its strong system and procedure. A team of professionals deputed by PNB under this arrangement. Now, the bank 14 branches including main branch (i.e. head office) in Nepal.

On equity holding PNB has 20% equity participation in its total shareholding and also has undertaken management responsibility under a technical service agreement and other balance is maintain by Nepali investor. Nepalese promoter

holding 50% and rest 30% held by General Public. The main purpose of EBL is to extend professional banking services to various sectors of the society in the kingdom of Nepal and thereby contributing in the economic development of the country. It provides following facilities and services to their customers:

- Cumulative Deposit Scheme
- Unfix Fixed Deposit
- Remittance
- ATM Facilities
- FC Deposit/ Lending
- Facilities of NRN
- Required Deposit Plan
- Telegraphy transfer (T.T)
- Letter of Credit
- Drawing Arrangement
- SWIFT Transfer
- Foreign Exchange
- International Trade and Bank Guarantees
- Merchant Banking

The ownership of EBL is composed as:

Percentage of Ownership Pattern of EBL

Subscription	% Holding
Promoter Share Holders	50%
Punjab National Bank	20%
General Public	30%
Total	100%

Source: Annual Report of EBL

The authorized capital of the bank has been Rs. 240 million, issued Rs. 120 million and paid capital Rs.117.5645 million in the beginning of 2051/052. The present capital structure of EBL is shown below:

Authorized Capital Structure of EBL

Share Structure	Amount (Rs.)
Authorized Capital	75,00,00,000
Issued Capital	46,68,00,000
Paid- Up Capital	45,50,00,000

Source: www.ebl.com.np

• Nepal Investment Bank Limited

Nepal Investment Bank Ltd (NIBL), previously Nepal Indosuez Bank Ltd. was established as a third joint venture bank between Nepalese and French partners in 21st January 1986 under the Company Act 1964. The French partner (hold capital of NIBL) was credit Agricole Indosuez, a subsidiary of one of the largest banking world, 50% of the shares of Nepal Indosuez Bank Ltd. held by credit Agricole. Indosuez was sold to the Nepalese promoters on April 25, 2002 as per the transaction report of NEPSE. After the divestment of shares by Nepalese owners, the name of the company was changed to Nepal Investment Bank Limited its 15th Annual General Meeting (AGM) held on May 31, 2002.

Out of total equity shares of NIBL, 15% shares hold by a group of company, 50% shares by commercial banks, another 15% by financial institutions and remaining 20% hold by general public. It provides following facilities and services to their customers:

- Remittance
- Export Credit
- Tele Banking
- ATM with any Branch Banking
- Vehicle Loan
- E-Banking Service
- Locker Facilities
- Any Branch Banking
- Ezee Saving Scheme
- 365 Days Banking

The ownership of NIBL is composed as:

Percentage of Ownership Pattern of NIBL

Subscription	% Holding
Group of companies	15%
Commercial banks	50%
Financial Institutions	15%
General Public	20%
Total	100%

Source: Annual Report of NIBL

The present capital structure of NIBL is presented below:

Authorized Capital Structure of NIBL

Share Structure	Amount (Rs.)
Authorized Capital	59,00,00,000
Issued Capital	29,52,93,000
Paid- Up Capital	29,52,93,000

Source: www.nibl.com.np

Statement of the Problems

After introducing the liberalization policy of the government, many banks and institutions are established rapidly. These days many commercial banks, developments bank and financial institutions are operating their work to assist in the process of economic development in the country. Due to the high competition between the financial institutions the collected huge amount from public is comparatively lower than fund mobilization and investment practice of collected funds. Therefore, it raised the problems of investment and proper mobilization of collected funds. Strong fund mobilization activities play a vital role in utilization of collected funds and overall development of the economy of the nation.

If the funds are wrongly invested without thinking any financial risk, business risk and other related facts, the bank cannot obtain profitable return as well as it should sometimes lose its principle. Fund mobilization policy may differ from one joint venture banks to another but there is no optimum utilization of

shareholders fund to have greater return in any bank. Nepal Rastra Bank has also played significant role to make commercial bank mobilize their fund in good sector. For this purpose, NRB imposed many rules and regulation so that commercial bank can have sufficient liquidity and security. Though most of the joint-venture banks have been successful to earn profit from fund mobilization, none of them seem to be capable to invest their entire fund in more profitable sectors.

To meet the requirement of NRB, joint venture banks must have 6% deposits of total current account and fixed deposit account of local currency with NRB. They should have 3% minimum cash balance in their own vault of total currency of all types of accounts. Except this, they have fund from current, saving and fixed deposits borrowing, from other banks, cash margin for different purpose, amount of bills payable and retained earning, reserves share capital and other liabilities.

Commercial banks are reported to be criticized by customer due to implementation of wrong investment policies. They are said to be investing less risky and highly liquid sector, they keep high liquid position and flow less funds in productive sectors, so these types of function prove less investment opportunity of the fund. Sometimes they seem to be ready to invest the idle fund even in those investment, which have lower risk and comparatively greater profit the another problem is diversification of investment. The bank cannot achieve profitable return from their resources as well as they sometimes may lose their principle resulting in decreasing of national economy.

Fund mobilization is the most important factor from the shareholder and banks management point of view. This study is a comparative study on fund mobilization of Himalayan Bank Ltd, Everest Bank Ltd and Nepal Investment Bank Ltd.

Objectives of the Study

The main objectives related to this study are presented below:

- i. To examine comparative evaluation on operating, financial and investment efficiency of concern banks.
- ii. To examine the relationship between deposits, total investment, loan and advance and net profits of HBL, EBL and NIBL.
- iii. To evaluate the growth and risk ratio of concern banks.
- iv. To analyze the sources and uses of funds and analysis of cash flow of concern banks.

Research Questions

The problems related to fund mobilization procedures of the concern banks of Nepal have been presented briefly as under:

- i. What are the operating, financial and investment efficiency ratios of concern banks?
- ii. Are they maintaining sufficient liquidity position?
- iii. What is the relationship between deposit and total capital raised, deposit with total investment and loan and advances with total deposits?
- iv. What if the growth of risk & return of the concern banks?
- v. Do the concern banks successful to utilize their available fund?

Significance of the Study

Fund mobilization activities of commercial banks greatly effects the growth and earning of banks. Effective, stable, appropriate fund mobilizing policy may cause the earning of sufficient return to the banks. Most of the commercial banks have been successful to earn profit from effective fund mobilization. Fund mobilizing policy may differ from one banks to another but there is no optimum utilization of shareholders fund to have sufficient return in any bank.

Optimum utilization of fund makes better impact on the economy of the nation. Fund mobilization activities must consider customer, national and government as well as its shareholders interest. Significance of the fund mobilization can be written as the following manner:

- The depositor's general public can make decision to deposit their money in the bank after analyzing the fund mobilization of joint ventures.
- By the help of this study, general public can know the funds mobilizing activities of banks.
- It is also beneficial for the government while formulating policies and rules regarding joint venture bank.
- From the study of fund mobilizing policy about bank, shareholders and companies would get information related to the fund mobilizing scheme of the bank and they may know how banks are mobilizing their fund and resources. And it is fruitful to make investment on shares of various joint venture banks.
- The study of fund mobilizing policy would provide information to the management of the bank that would be helpful to take corrective action in the bank activities.
- Effective fund mobilization activities are the cause to increase earnings of the banks.
- This study will serve to be a guide to the management of banks, financial institutions, related parties, shareholders, general public (customer, depositors and creditors).

Limitation of the Study

For the completion of the study, some facts are to be considered as limitation of this research work:

- This study is based on secondary data and accuracy depends upon the data collected and provided by the organization.

- The whole study is based on the data of 7 years period (i.e. from F.Y. 2004/05 to 2010/11).
- This study has been only of three commercial banks as sample i.e. HBL, EBL and NIBL.
- Non availability of the various references of sources acts as constraints for the study.
- Only the fund mobilization aspects are analyzed. Other performance of the organizations is fully neglected, while providing suggestions.

Organization of the Study

The study organized in the following chapters in order to make the study easy to understand.

The **first chapter** is an introductory chapter which contains background of the study, introduction of commercial banks, focus of the study, statement of the problems, objectives of the study, limitation of the study and organization of the study.

The **second chapter** is concerned with review of literature. This contains conceptual framework, review of legislative provision, review of research paper and published and unpublished master's thesis of T.U.

The **third chapter** is the most important part of the study. It deals with the research methodology, which is applied to collect the data and analyze them in this study. It contains introduction, research design, sources of data, population and sample, financial analysis and statistical analysis.

The **fourth chapter** is analyzing chapter, which deals with presentation and analysis of relevant data through definite courses of research methodology with financial and statistical analysis related to investment and fund mobilization of HBL, EBL and NIBL. Major findings of the study have been presented at the end of this chapter.

The **fifth chapter** is the last part of the study, which provides summary and conclusion, suggestions and recommendations for improving the future

performance of the sample banks. Finally, an extensive, bibliography and appendices are also presented at the end of the thesis work.

Research Gap

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make study meaningful and purposive. There have been lots of articles published related to financial performance, investment policy and loans and advances of commercial banks. There are various researches conducted on financial performance, investment policy, financial analysis, monetary policy & deposit mobilization of commercial banks, impact and implementation of NRB guideline in commercial banks but it has been found that no such research has been made in the fund mobilization of Nepalese commercial banks with using latest data. So, this study can make further research on fund mobilization and their performances. Hence, the research had attempted to fill this research gap by taking reference to Himalayan Bank Ltd., Everest Bank Ltd. and Nepal Industrial Bank Ltd.

Major Findings of the Study

Basically in this research work, all the data has been obtained from secondary sources. Data has been analyzed by using financial as well as statistical tools. This topic focuses on the major findings of the study, which are derived from the analysis of fund mobilization of HBL, EBL and NIBL with comparatively applying seven years data from 1998 to 2004.

The major findings of the study derived from the analysis of financial tools of HBL, EBL and NIBL are given below:

1. Findings from Liquidity Ratios

- i) The mean ratio of cash and bank balance to total deposits of NIBL is higher than HBL and EBL and HBL has lowest mean ratio. It states that the liquidity position of NIBL is better in this regard. The ratio of NIBL is less consistent and HBL has more consistent ratio. It shows HBL has taken more risk to meet the daily cash requirements.

ii) The mean ratio of cash and bank balance to current assets of NIBL is higher than HBL and EBL and HBL has lowest mean ratio. It reveals that liquidity position of NIBL is better than two banks. It also indicates that NIBL has the higher capacity to meet the cash demand of its customer deposit than that of other commercial banks. The ratio of NIBL is less consistent and HBL has more consistent ratio.

iii) The average ratio of investment of government securities to current assets of EBL is higher than that of HBL and NIBL. It reveals that investment on government securities of EBL is stronger than HBL and NIBL. Analysis shows that investment on government securities of HBL is more consistent.

The above result shows that the liquidity position of NIBL is comparatively better than HBL and EBL. NIBL has the highest cash and bank balance to total deposit and cash and bank balance to current assets ratio. EBL has made enough investment on government securities. At last, it can be concluded that NIBL has good deposit collection and higher ability to meet the cash requirements. NIBL has not invested any amount in year 2000 and has less consistent mean ratio.

2. Findings from Assets Management Ratios

i) The mean ratio of loan and advances to total deposit of EBL is greater than HBL and NIBL. The variability ratio of EBL is lower than that of other two banks. It seems more consistent than HBL and NIBL.

ii) The average ratio of total investment to total deposit ratio of HBL is higher than that of EBL and NIBL. The variability ratio EBL is lower than that of other two banks. It seems more consistent than HBL and NIBL.

iii) The average ratio of loan and advances to total working fund of EBL is higher than HBL and NIBL. The variability ratio of EBL is lower than that of HBL and EBL. It is the indication of more consistency of loan and advances.

iv) The average ratio of investment on government securities to total working fund of EBL is higher than that of HBL and NIBL. But the variability ratio

of NIBL is higher than HBL and EBL. It seems less consistent to make investment on government securities.

- v) The mean ratio of investment on shares and debentures to total working fund of HBL is greater than EBL and NIBL. Where as NIBL has the lower variability of the ratio. It shows the stable investment on shares and debentures.

From the above analysis it helps to conclude that EBL is comparatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advances. It seems stronger incase of investing fund. Similarly, HBL has mobilized its collected deposits in investment.

3. Findings from Profitability Ratios

- i) The mean ratio of return on total working fund of NIBL is greater than HBL and EBL. Where as the variability ratio of EBL is lower than HBL and NIBL. It indicates that the return on total working fund of EBL is stable.
- ii) The mean ratio of return on loan and advances of NIBL is higher than HBL and EBL. The variability ratio of HBL is lower than EBL and NIBL. It seems HBL has stable return.
- iii) The mean ratio of total interest paid to total working fund of NIBL is lower than HBL and EBL. It reveals that NIBL has not paid high interest as HBL and EBL. The ratio of EBL is more consistent than that of other two banks.
- iv) In case of mean ratio of total interest earned to total working fund of NIBL is highest among three banks. The variability ratio of EBL is lower than HBL and NIBL. It reveals that NIBL is mobilizing its working fund successfully so that it has high earning capacity.

From the above analysis of profitability ratios, it can be concluded that the NIBL is profitable in comparison to other compared banks.

4. Findings from Risk Ratios

- i) In case of credit risk ratio, NIBL has the lower risk than HBL and EBL. The variability ratio of EBL is lower than HBL and NIBL. It indicates that the credit risk ratio is consistent. But in case of HBL and EBL, they have comparatively high credit risk ratios.

- ii) The mean ratio of liquidity risk of HBL is lower than EBL and NIBL and in case of NIBL it is higher than HBL and EBL. Degree of risk and variability of risk is also lower in HBL in comparison to two banks. It seems liquidity risk ratio is consistent.

From the above analysis, HBL has maintained the lower liquidity risk and NIBL has maintained lower credit risk. And lower liquidity risk means higher risk for higher profit.

5. Findings from Growth Ratios

- i) The growth ratio of loan and advances of EBL is in increasing trend whereas HBL and NIBL has highly fluctuating trend. Growth rate of EBL is higher among three banks. Though HBL is providing more funds in loan and advances it appears too weak in growth rate point of view.
- ii) The growth rate of total investment of NIBL is highly fluctuated (i.e. 145.83%) than that of HBL and EBL. Although HBL is investing more funds but it seems weak in comparison to EBL and NIBL because of lowest growth ratio. It shows that HBL had adopted a policy to keep on increasing its investment.
- iii) The growth ratio of total deposits of HBL and EBL are increasing every year whereas growth rate of NIBL is in fluctuating trend. Out of three banks growth rate of total deposits of EBL is greater than HBL and NIBL. It shows that EBL has increased its deposit collection capacity.
- iv) The growth ratio of net profit of EBL is in increasing trend the during study period. HBL and NIBL has fluctuating trend. EBL has the highest growth ratio of net profit among three banks.

From the above findings it can be observed that the EBL has maintained the high growth ratio in total deposits, loan and advances and net profit but it has moderate position in investment. The growth rate of total investment of NIBL is better than HBL and EBL.

6. Findings from Analysis of Sources and Uses of Funds

- i) HBL and EBL have been remained very successful in case of mobilizing deposits during the study period. Whereas NIBL deposits condition is lower in comparison to two banks. HBL and EBL are considered as a high liquidity sensitive bank.
- ii) Capital base of NIBL has been found significantly higher than EBL and HBL. It can be said that NIBL has been able to generate high volume of profit from operation than that of other two banks. EBL is moderate in the same parameter.
- iii) In case of borrowings of funds from different sources, NIBL frequently depends upon borrowings to discharge its obligation. This is an indication that the internal fund management of NIBL is not satisfactory towards meeting liquidity needs. Whereas HBL has been borrowing low proportion in comparison to EBL and NIBL. EBL is moderate in case of borrowings.
- iv) HBL has maintained high liquid funds than EBL and NIBL. EBL has low liquid funds among three banks. Considering liquidity, it is good for holding necessary liquid in the banks but holding necessary liquid funds is not favorable for income generation.
- v) EBL and HBL, both banks seem to have almost equal proportion of allocation of funds under other assets. Whereas NIBL allocates more proportion of funds to other assets. High allocation of such assets leads a bank to a less liquid position and vice-versa.
- vi) Among three banks NIBL is successful to generate funds from other sources.
- vii) EBL has been successful to make investment in different sectors in comparison to three banks. NIBL makes low investment among three banks.
- vii) EBL provides more funds as a loan and advances than HBL and NIBL. HBL mobilizes low amount in loan and advances among three banks.

viii) HBL is comparatively able to realize interest as it has maintained low proportion of interest receivable in relation to total available funds. Whereas NIBL and EBL are not able to realize interest receivable because of high proportion of interest receivable.

7. Findings from Cash Flow Analysis

i) Findings from Operating Activities

Overall operating activities of HBL, EBL and NIBL have been occurred cash inflows throughout the study period. Operating efficiency of EBL is in increasing trend during the study period.

ii) Findings from Investing Activities

The investing activities of three banks have deserved cash outflows throughout the study period. HBL and EBL has fluctuating trend whereas NIBL has highly fluctuating trend of investing activities. By the help of investing activities, these three banks are able to increased long term assets as well as carry out profitable opportunity.

iii) Findings from Financing Activities

It shows that cash acquisition capacity of HBL is more than other two banks. During the year 2002 NIBL is unable to create cash inflow from financing activities. The condition may arise due to the unavailability of cash flow from share, insufficient profit, dividend payment. Due to these cause NIBL invested less amount which all arise from operating activities.

8. Findings from Coefficient of Correlation Analysis

- i) Correlation coefficient between deposit and total investment of NIBL is higher than other compared banks. It indicates that NIBL is successfully mobilizing its deposits as investment. There is significant relationship between correlation coefficient of deposit and total investment of HBL and NIBL
- ii) EBL has the highest degree of correlation coefficient between deposit and loan and advances than other two banks. It states that the EBL is in better position of mobilization of deposit as loan and advances in comparison to

HBL and NIBL. There is significant relationship between correlation coefficient of deposit and loan and advances of HBL, EBL and NIBL

9. Findings from Test of Hypothesis

- i) There is no significant difference between mean ratios of total investment to total deposit of HBL and EBL.
- ii) There is significant difference between mean ratios of loan and advances to total deposit of HBL and NIBL.
- iii) There is significant difference between mean ratios of loan and advances to total deposit of EBL and NIBL.
- iv) There is significant difference between mean ratios of loan and advances to total deposit of HBL and EBL.
- v) There is no significant difference between mean ratios of total investment to total deposit of HBL and NIBL
- vi) There is no significant difference between mean ratios of total investment to total deposit of EBL and NIBL.

Summary

Basically the entire research work focuses on the comparative study on fund mobilization of three joint venture banks; Himalayan Bank Ltd., Everest Bank Ltd. and Nepal Investment Bank Ltd. These three joint venture banks are composed as per their fund mobilization activities by taking seven years data from the year 2004/05 to 2010/11.

The study is mainly based on secondary sources. All data are taken from concerned banks annual report, literature publication, balance sheet, profit and loss account, previous thesis report, different website, related books and booklets, journals and articles. After collecting data from different sources, it is analyzed by using financial and statistical tools. Findings are drawn by applying various financial tools viz. liquidity ratio, assets management ratio, profitability ratio, growth ratio, risk ratio, sources and uses of funds and cash flow analysis. Similarly, statistical tools have been used viz. mean, standard deviation, coefficient of variation, coefficient of correlation and least square trend.

In an attempt to fulfill the objectives of the research work, all secondary data are compiled, processed and tabulated as per necessity and figures, diagrams, different types of chart are also used.

This study suffers from different limitations; it considers three banks only and time and resource are the constraints of the study. Therefore the study may not be generalized in all cases and accuracy depends upon the data collected and provided by the organization.

Conclusion

The above-mentioned major findings led this study to following conclusions.

From the analysis of liquidity ratio, the liquidity position of NIBL is comparatively better than HBL and EBL. NIBL has the highest cash and bank balance to total deposit and cash and bank balance to current assets ratio. Liquidity position of HBL is comparatively lower than NIBL and EBL. EBL has made enough investment on government securities. NIBL has invested less part of current assets in government securities.

Considering asset management aspect of three banks, EBL is relatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advances for the purpose of earning profit. HBL has weak condition in mobilizing its collected deposits and total working fund in loan and advances. NIBL is weak in investing its collected deposits in comparison to HBL and EBL. In comparison to HBL and NIBL, EBL seems more successful in mobilizing total fund on different types of government securities to maximize its earning capacity. NIBL has not invested its fund efficiently towards productive activities. HBL has successfully invested more working funds in debentures and shares of other company whereas NIBL is in weak position to make investment on shares and debentures.

The liquidity risk ratio of NIBL is higher than that of HBL and EBL which appears to be less profitable return of NIBL. On the other hand liquidity risk ratio of HBL has the lowest among three banks which specified that HBL has kept idle funds in the form of cash and bank balance but this reduces profitability. NIBL has the lowest credit risk ratio among three banks. Credit

risk involved in loan and advances and total investment of EBL is more than HBL and NIBL. It may arise due to default risk or non-repayment of loan.

NIBL appears to be more successful to earn profit on loan and advances than HBL and EBL. Profit earning capacity of EBL is considered too weak. The average ratio of return on total working fund indicates that working fund of NIBL is well managed and efficiently utilized. Alternatively total asset of HBL has not well managed. EBL was not able to receive high interest on its total working fund in comparison with HBL and NIBL. On the other hand, NIBL has mobilized its working fund properly and its earning capacity is also high. NIBL is in better position from the viewpoint of interest expenses. It seems to be successful to collect its working fund from less expensive sources in comparison to HBL and EBL whereas EBL is in weak position.

Growth ratio of total deposits, total investment and net profit of NIBL seem too weak in comparison to HBL and EBL. HBL has low growth ratio of loan and advances in comparison to EBL and NIBL. EBL has maintained high growth ratios in total deposit, loan and advances and net profit but it has moderate position in investment. Therefore, we must say that the bank is successful to increasing its sources of funds and its mobilization.

Deposit is the strongest sources of fund whereas borrowings cover fewer portions of sources of fund. NIBL has kept fewer amounts in deposits in comparison to other two banks. Among the uses of funds, loan and advances covers maximum portion and interest accrued covers less portion. HBL has invested fewer amounts into loan and advances in comparison to EBL and NIBL.

The operating activities of HBL, EBL and NIBL have been occurred cash inflows throughout the study period. Operating efficiency of EBL is in increasing trend during the study period. The investing activities of three banks have deserved cash outflows throughout the study period. By the help of investing activities, these three banks are able to increase long term assets as well as carry out profitable opportunity. It shows that cash acquisition capacity of HBL is more than other two banks. During the year 2005, NIBL is unable to

generate cash inflow from financing activities. The condition may arise due to the unavailability of cash flow from share, insufficient profit, dividend payment.

Correlation coefficient between deposit and total investment of HBL, EBL and NIBL elucidates the positive relationship or there is high degree of positive correlation. Most of the investment decision of these three banks depends upon deposits and only few decisions are depend upon other variables.

Correlation coefficient between deposits and loan and advances indicates the positive relationship between the variables of HBL, EBL and NIBL. In most of the cases it has been found that investment decision depends upon the deposits and only few decisions depend upon other variables. By considering the probable error, the value of coefficient of determination of all banks is greater than that of 6 P.E. so it can be concluded that the value of correlation coefficient is significant i.e. there is significant relationship between total deposits and loan and advances.

In case of testing of hypothesis we can conclude that there is significant difference between mean ratio of loan and advances to total deposits of HBL, EBL and NIBL. Alternatively there is no significant difference between mean ratio of total investment to total deposit of HBL, EBL and NIBL.

Recommendations

On the basis of analysis, findings, following recommendations are made. The banks can make use of these recommendations to overcome their weakness, inefficiency and improve their present fund mobilization and their overall investment policy.

➤ To maintain effective liquidity position

The liquidity position of a bank may be affected by internal as well as external factors. The affecting factors may be interest rates, supply and demand position of loan and advances as well as savings, investment situations, central banks directives, the lending policies, capability of management, strategic planning and funds flow situations.

➤ **To increase deposit collection**

The main source of commercial banks is collecting deposit from public who don't need that fund recently. So, it is recommended to collect more amounts as deposits through large variety of deposits schemes and facilities.

➤ **To make more investment in government securities**

From the study, it has been revealed that NIBL has not invested more funds in government securities than that of HBL and EBL. NIBL has made lower investment amount on government securities. So, NIBL is strongly recommended to give more importance to invest more funds in government securities instead of keeping them idle with this proverb "something is better than nothing"

➤ **To make more investment on share and debentures**

To get success in a competitive market and to raise financial and economic development of the country a commercial bank must mobilize its fund in different sectors. Thus these companies may get chances to rise and that help to development of the country. Out of total working fund, investment on shares and debentures of NIBL is lower than other commercial banks. NIBL is suggested to invest more of its fund in share and debentures of different companies.

➤ **To make profitable return**

As a private sector, commercial banks can not keep their eyes closed from the profit motive. They should be careful in increasing profit motive. They should be careful in increasing profit in a real sense to maintain the confidence of shareholders, depositors and all its customers. HBL's profitability position is worst than that of other two banks. So, HBL is strongly recommended to utilize risky assets and shareholders fund to gain highest profit margin.

➤ **To prefer aggressive-defensive policy**

Observing the findings of growth analysis and trend of growth, it has noticed that EBL has been adopting an aggressive policy in all the parameters including loan and advances. As the economy has not been able to show the survival growth, the aggressive policy may prove to be harmful in future. EBL should

rather prefer an aggressive-defensive policy in mobilizing the resources into loans.

➤ **To invest deprive and priority sector**

The study has been found that NIBL has earned high profit because their services are only for profitable sector. It reveals that it has not granted loan on priority and deprives sector. So NIBL is recommended to thoroughly follow the directives issued by NRB and invest in priority and deprive sector and also to invest on other small-scale industries like, public utilities, health, sanitation and drinking water, education and agricultural etc.

➤ **Liberal lending policy and sound credit collection policy**

To get success in competitive banking market, commercial bank must utilize their deposit as loan and advances. Loan and advances are the main source of income and also means of utilization resources of commercial banks. Negligence in administrating these assets could be the cause of liquidity crisis in bank and one of the main reasons of the bank failure. Collection of loan has been most challenging task of commercial banks these days, increasing on non-performing assets discloses the failure of commercial banks in recovery of loan. Therefore, it is recommended to HBL, EBL and NIBL to follow liberal lending policy when sensations loan and advances with sufficient guaranty and implement a sound collection policy including procedure which rapid identification of bad debtor loans, immediate contact with borrower, continual follow up and as well as legal procedure if require.

➤ **To adopt innovative approach to bank marketing**

In the light of growing competition in the banking sector, the business of the bank should be customer oriented. Marketing is an effective tool to attract and retain the customers. Without effective marketing strategy any one be along behind in today's competitive environment. Different marketing techniques like advertisement through audio-visual, published web site, documentary etc. are flowed. Similarly, draw attentions of customers through new technologies like, E-banking, increase investment through their wide international banking network should be introduced.

➤ **To extend branches all over the country**

HMG/N has also encouraged the joint venture banks to expand banking service in rural areas and communities without making unfavorable impact in their profit. Therefore, all banks are recommended to expand their branch and providing banking service and facilities to the rural areas and communities to accelerate the economic development of the country.