FUND MOBILIZATION OF NEPALESE COMMERCIAL BANKS

(INVESTMENT BANK LTD EVEREST BANK LTD AND HIMALAYAN BANK LTD)

A Thesis Submitted By:

DINESH DEVKOTA

Makawanpur Multiple Campus,

Hetauda, Makawanppur

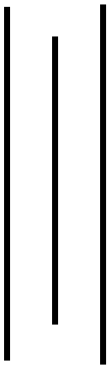
T.U. Regd. No. 7-1-242-20-2000

Submitted to:

Office of the Dean

Faculty of Management

Tribhuwan University



In partial fulfillment of the requirement for the Degree of
Master of Business Studies (M.B.S)

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RECOMMENDATION

This is to certify that the Thesis

Submitted by:

DINESH DEVKOTA

Entitled:

A FUND MOBILIZATION OF NEPALESE COMMERCIAL BANKS

INVESTMENT BANK LTD
EVEREST BANK LTD
AND
HIMALAYAN BANK LTD

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

……	……..…….……
Mr. Bachchu Ram Adhikari	**Mr. Vijay Kumar Sharma**
(Campus Chief)	**(Head of Research Department)**

…….....……

Mr. Uddhab Prasad Sapkota

(Thesis Supervisor)

Date : …….

VIVA-VOCE SHEET

We have conducted the viva –voce examination of the thesis presented

by

DINESH DEVKOTA

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

Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department ……..……

Member (Thesis Supervisor) …..……

Member (External Expert) …..……..…

Date:-

DECLARATION

I hereby declare that the work reported in this thesis entitled "**FUND MOBILIZATION OF NEPALESE COMMERCIAL BANKS (INVESTMENT BANK LTD, EVEREST BANK LTD AND HIMALAYAN BANK LTD)"** submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master's Degree in Business Study (M.B.S.) under the supervision of **Mr. Uddhab Prasad Sapkota** of Makawanpur Multiple Campus, Hetauda.

.....

Dinesh Devkota
Researcher
T.U. Registration No. 7-1-242-20-2000

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Dinesh Devkota
Researcher

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ABBREVIATION

A.D.	=	Anno Domini (in the year of lord, cristian era)
A.G.M.	=	Annual General Meeting
B.S.	=	Bikram Sambat
CRR	=	Cash Reserve Ratio
Debn.	=	Debenture
d.f.	=	Degree of Freedom
EBL	=	Everest Bank Limited
e.g.	=	For example
Etc.	=	et cetera
FC	=	Foreign Currency
FY	=	Fiscal Year
Govt.	=	Government
HBL	=	Himalayan Bank Limited
i.e.	=	That is
Invt.	=	Investment
JVBs.	=	Joint Venture Banks
L.C.	=	Letter of Credit
Ltd.	=	Limited
Misc.	=	Miscellaneous
NBL	=	Nepal Bank Limited
NBBL	=	Nepal Bangladesh Bank Limited
NEPSE	=	Nepal Stock Exchange
NIBL	=	Nepal Investment Bank Limited
NIDC	=	Nepal Industrial Development Corporation
NRB	=	Nepal Rastra Bank
P.F.	=	Provident Fund
PNB	=	Punjab National Bank
SCBNL	=	Standard Chartered Bank Limited
SMS	=	Short Message Service
T.T.	=	Telegraphy transfer
T.U.	=	Tribhuvan University
TWF	=	Total Working Fund
Viz.	=	Such as

CHAPTER-I
INTRODUCTION

1.1Background of the study

A bank is a financial institution licensed by a government. Its primary activities include borrowing and lending money. Many other financial activities were allowed over time. For example banks are important players in financial markets and offer financial services such as investment funds. The name *bank* derives from the Italian word *banco* "desk/bench", used during the Renaissance by Florentine bankers, who used to make their transactions above a desk covered by a green tablecloth. However, there are traces of banking activity even in ancient times. In fact, the word traces its origins back to the Ancient Roman Empire, where moneylenders would set up their stalls in the middle of enclosed courtyards called *macella* on a long bench called a *bancu*, from which the words *banco* and *bank* are derived. As a moneychanger, the merchant at the *bancu* did not so much invest money as merely convert the foreign currency into the only legal tender in Rome—that of the Imperial Mint. Banks act as payment agents by conducting checking or current accounts for customers, paying cheques drawn by customers on the bank, and collecting cheques deposited to customers' current accounts. Banks also enable customer payments via other payment methods such as telegraphic transfer, EFTPOS, and ATM.

Banks borrow money by accepting funds deposited on current accounts, by accepting term deposits, and by issuing debt securities such as banknotes and bonds. Banks lend money by making advances to customers on current accounts, by making installment loans, and by investing in marketable debt securities and other forms of money lending. Banks provide almost all payment services, and a bank account is considered indispensable by most businesses, individuals and governments. Non-banks that provide payment services such as remittance companies are not normally considered an adequate substitute for

having a bank account. Banks borrow most funds from households and non-financial businesses, and lend most funds to households and non-financial businesses, but non-bank lenders provide a significant and in many cases adequate substitute for bank loans, and money market funds, cash management trusts and other non-bank financial institutions in many cases provide an adequate substitute to banks for lending savings to.

In our country, the development of Banking is relatively recent. However, some crude Banking operations were in practice even in the ancient times. In Nepalese chronicle, it was recorded that the new era known as Nepal Sambat was introduced by Sankhadhar, a Sudra merchant of Kantipur in 879 A. D or 880 A. D. after having paid all the outstanding debts in the country. The establishment of the 'Tejarath Adda' during the year 1877 A.D. was fully subscribed by the government of Kathmandu Valley, which played a vital role in the Banking system. Hence, the establishment of 'Tejarath Adda' was running smoothly for the following decades.

"Funds mobilizing means to flow the cash in different sectors at profit motive, Investment in its broadest sense means the sacrifice of certain present value for (possibly uncertain) future value. In pure financial sense, the subsequent use of the term investment will be in the prevalent financial sense of the placing of money in the hands of other for their use, in return for a proper instrument entitling the holders to fixed income payment or the participation in expected profits. It can define the terms of investment at manufacturing and trading forms those long term expenditures that aim at increasing plant capacity of efficiency or at building up goodwill, there by producing an increased return over a period. Experts define the terms of investment from economic view point that investment as a productive process by means of which additional are made to capital equipment's. It is finding to clear the terms of investment at different points of view. But it needs to clear the terms of investment in financial point of view as related to this study" (Radhe swami and Vasudevan; 1979: p 219).

As per above statement Fund mobilization can be regarded as basic function of each bank on which each bank profit depend. But we should be sure that higher efficiency produce high profit & lower low profit.

This research focuses on the comparative study of fund mobilization of three banks; Nepal Investment Bank Ltd., Himalayan Bank Ltd. and Everest Bank Ltd.

1.2 Significance of the study

Banking sector plays a vital role for the country's economic development and considered as a pre-requisite for the country. It is for economic development; it maintains economic confidence of various segments and extends credit to people. The banking sector has to take great responsibilities since the country is undergoing through a recessive economic situation.

Fund mobilization activities of 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 banks have been successful to earn profit from effective fund mobilization. Significances of the fund mobilization are as follows:

- The depositors' 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 may know the funds mobilizing activities of banks.
- It is also beneficial for the government while formulating policies and rules regarding joint venture banks.
- 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 causes 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).

1.3 Statement of the problem

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 5 deposits of total current account and Call 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 earnings, 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. The problems related to fund mobilization procedures of the joint venture banks of Nepal have been presented briefly as under:

a) Bank Supervision Report 2008 from NRB states that the banks have been predominantly investing in the government securities like the treasury bills and government bonds. This investment in government securities is for the liquidity benefit.

b) Which joint ventures have more effective investment practices among HBL, EBL and NIBL?

c) Majority of the banks are found to be avoiding NRB's directives regarding Credit policy, CRR policy, Dividend policy, and etc.

1.4 Objectives of the study

For any kind of research work or study, first of all the objectives should be determined. It shows the way to achieve desired goals. Likewise, the main objectives of this research work is to examine, interpret and analysis the fund mobilization procedures adopted by three joint ventures; Himalayan Bank Ltd., Everest Bank Ltd. and Nepal Investment Bank Ltd. This study is concerned with whether HBL, EBL and NIBL are adopting efficient fund mobilizing policy or not. The main objectives related to this study are presented below:

1. To analyze the portfolios of the commercial banks (HBL, EBL and NIBL) and their impacts on profitability.

2. To make comparative study on banks' fund mobilization practices among HBL, EBL and NIBL.

3. To evaluate the growth and risk ratio of loan and advances and total investment with respective growth rate of total deposit and net profit of HBL, EBL and NIBL.

4. To explore whether banks are obeying NRB directives.

1.5 Limitations of the study

- Among the various Banks, the study is focused only on three banks namely, Nepal Investment Bank Ltd, & Everest Bank Ltd. and Himalayan Bank Ltd.
- This study covers the period of Nine years only.
- The study is based on secondary data and the findings will be based on the information provided by the banks.

- This study is prepared in a limited period of time for the partial fulfillment of MBS and cannot be considered as masterpiece.
- Only the fund mobilization aspects are analyzed. Other performance of the organizations is fully neglected, while providing suggestions.

1.6 Organization of the Study

This study is organized into five chapters:

Chapter - I: The first chapter is introduction chapter. It consists of background, statement of problems, objective of the study, significance of the study, limitation of the study and organization of the study.

Chapter - II: The second chapter deals with the review of literature, which consists of conceptual framework and review of relevant studies.

Chapter - III: This chapter is concerned with the research methodology used in this study. It consists of research design, sources of data, population and sample and method of analysis.

Chapter - IV: This chapter contains presentation and analysis of data.

Chapter - V: The fifth chapter is associated with the summary, conclusion and recommendations.

The bibliography and appendix have in corporate at the end of study.

CHAPTER-II

REVIEW OF LITERATURE

In this part of the study different books, reports, journals and research studies published by various institutions, unpublished dissertations submitted by master level students have been reviewed. It is divided into four parts:

- Conceptual Framework
- Review of NRB Directives
- Review of Journal & Articles
- Review of Thesis

2.1 Conceptual Framework

Banks mobilize their funds into suitable and profitable sector. Bank cannot get its aim of profit earning without mobilizing its fund in right sectors and different activities. Banks play the vital role to economic development by mobilizing the funds in the economy. Economic activities cannot take place without a continue flow of money and credit. The economies of all market-oriented nations depend on banks that make payment and keep financial assets safe. Banks accept and hold deposits from the public and use these funds to provide loan advances and overdraft or make investment on Government Securities, Mutual Fund and other companies' shares.

“Fund mobilizing means cash flow in the different sectors at profit motive. In the broadest sense it means, the sacrifice of certain current value for future value or possibly uncertain value. The fund mobilization policy cannot be sound unless it is based on a clear knowledge of the cost of credit. The cost is determined by the quantity of credit sales, the average collection period and the opportunity cost of capital. Whilst a marginal costing approach should be used which takes only incremental cost into account, the full opportunity cost has to be considered. The overall cost of credit will also be affected by the expected

rate of inflation. Foreign accurate assessment of the cost of capital, a discounting approach should be used. A credit package can be differentiated in various ways; by duration, by interest charge, and by the interaction with the rest of the pricing mix" *(Devkota; 2010:3)*

"The return of any banks basically depends upon its sound lending policy, lending procedure and investing its fund in different securities and different sectors of market. A sound fund mobilizing policy is not only prerequisite for bank profitability but also crucially significant for the promotion of commercial saving of backward country like Nepal" *(Joshi;2004:35)*

"Bank utilizes its funds in suitable area and right sector. Banks cannot achieve its goals until and unless it mobilizes its funds in right sectors and by performing different activities, many kinds of activities and other thing can origin for the purpose of receiving invest from the bank. But bank should separate the useful and profitable sector for mobilization its funds. Bankers being only a financial intermediary, we will not be able to make any profit meet establishment expenses, meet liquidity of cash balance, and yet allow him some balance from out of which he can build reserve and pay dividend to the Shareholders" *(Crosse; 1993:33-34)*

"Bank mobilizes its fund by performing different activities to achieve its desired goals i.e. earning profit. It can utilize its collective fund as well as own funds in all banking activities by performing effective fund mobilization procedure." *(Ferson & Warther; 1996: 41)*

In the Nepalese context capital formation practices has been recently started. Increasing rate of deposits in the commercial banks is the indication of the capital formation. Huge inflow of remittance has been one of the major factors in the high growth of deposit mobilization during last few years. According to

the NRB Economics Report 2007/08 the workers remittance's contribution to the GDP was 17.40 % that was stood up from 13.8 percent in the previous year.

2.1.1 Meaning of Fund

A reserve of money set aside for some purpose is fund. Financial institution collects the fund in many ways available in the economy and invest the collected fund to the profitable sector to achieve the organizational goal. A financial institution that sells shares to individuals and invests in securities issued by other companies, accept the deposits from customer, issue debenture and take loan from other financial institutions. All banks have their own fund mobilizing policy. Effective fund mobilizing policy is the indicator of the better bank.

"The fund seeks long-term growth of capital, a reasonable level of current income and dividends. Total return will consist of both capital appreciation and dividend increase in future income through investment primarily in income producing equity securities which have the prospects for growth of capital and increasing income. The fund cannot guarantee it will achieve its investment objectives. The funds value will fluctuate based on market conditions." *(Kolb; 1992:786)*

2.1.2 Sources of Fund

Bank collects the fund that is essential for it to operate the business from various sources. The sources of fund of banks are listed below;

A. Owned Funds

I. Common Stock Financing

Bank issue ordinary shares to the public and collects the fund by selling it. This is the permanent source of fund for a bank. Ordinary shareholders are entitled to receive dividends if any are available after dividends on preferred shares are paid "Common Stocks are a security issued by a company to raise equity

capital. It is one of the major sources of long-term (permanent) capital. Fund provided by the common equity is used to finance the major portion of the firm's fixed assets such as land and the building, plant and machinery, vehicles etc." *(Gautam and Thapa; 2008:112)*

"Common equity in a corporation or partnership or proprietorship interests in unincorporated firm constitutes the first source of funds to a new business and the base of support for borrowing by existing firms. The nature of equity ownership depends on the form of the business of organization. The central problem of such ownership revolves around an apportionment of certain rights and responsibilities among those who have provided the funds necessary for the operation of the business." *(Ezra; 1996: 51)*

II. Preferred Stock Financing

Preference shares offer their owners preferences over ordinary shareholders. "Preferred stock has claims and rights ahead of common stock but behind of all bond and debt. The preference share may be a prior claim on earning, a prior claim on assets in the event of liquidations and/or a preferential position with regard as both earning and assets. The hybrid nature of preferred stock becomes apparent when we try to classify it in relation to bonds and common stock. The priority features and the fixed dividend indicate that preferred stock is similar to bonds. Payments to preferred stockholders are limited in amount, so that common stockholders receive the advantages (or disadvantages) of leverage. However, if the preferred dividends are not earned, the company can forego paying then without danger if bankrupted. In this characteristic, preferred stock is similar to common stock." *(Desai; 1987: 31)*

III. Bonus Share

Bonus share is the free shares of stock given to current shareholders, based upon the number of shares that a shareholder owns. While this stock action increases the number of shares owned, it does not increase the total value. Bank issue shares to shareholders instead of cash bonus to keep strong liquidity position.

“Many a time, a company is not in a position to pay bonus in cash in spite of sufficient profits because of unsatisfactory cash position or because of its adverse effects on the working capital of the company. In such a position, the company pays a bonus to its shareholders in the form of shares; a free share thus issued is known as a bonus share. ” *(http://en.wikipedia.org/wiki/Bonus_share; July 2010)*

IV. Retained Earning

Retained Earnings is the earnings not paid out as dividends but instead reinvested in the core business or used to pay off debt. It is also known as earned surplus or accumulated earnings or inappropriate profit. The retained earning can be calculated as.

$$\text{Retained Earnings (RE)} = \text{Beginning RE} + \text{Net Income} - \text{Dividends}$$

“The percentage of net earnings not paid out as dividends, but retained by the company to be reinvested in its core business or to pay debt. It is recorded under shareholders' equity on the balance sheet.” *(http://www.investopedia.com/terms/r/retainedearnings.asp; July 2010)*

V. Reserve Fund

Bank separates some share of capital as reserve funds for future investment in liquid sector. The reserve is created as per the size bank and current applicable rules and regulations. A reserve fund is a fund which is established for the purpose of covering expenses which will come up in the future. This includes scheduled expenses, routine expenses which can be relied upon to occur, and unexpected expenses. The goal of a reserve fund is to make sure that monies are set aside to cover expenses so that these expenses do not require spending general funds. For certain types of enterprises and business, the creation of a reserve fund may be required by law.

B. Borrowed Fund

I. Debenture issue

"A debenture is an unsecured bond and as such, providers no lien on specific property as security for the obligation. Debenture holder, therefore, are creditors whose claims is protected by property not otherwise pledged. The advantage of debentures from the issuer's stand point is that the property is left unencumbered for subsequent financing.

However, in practice, the use of debenture depends on the nature of the firm's assets and its general credit strength. A firm whose credit position is exceptionally strong can issue debentures; it simply does not need specific security. However, the credit position of company may be so week that it has no alternative to the use of debentures; all its property may already be encumbered. Companies also issue debentures where it is not practical to provide a lien through a mortgage on fixed assets." *(Wiwattanakantang; 2001: 23)*

II. Deposits

The bank performs two-fold functions, i. e. the receipt of the deposits and granting the loans. Deposit account is considered the main outside fund of banks. The bank borrows money by accepting different types of deposits.

Current Accounts:- "A current account is a running account with amount being paid into and drawn out from the account continuously. These accounts are also called demand deposits or demand liabilities. Since the banker is under an obligation to pay the money in such deposits on demand. The account never becomes time barred, because the limitation does not run until the customer on the bank for the payment of deposit makes a demand. These accounts are generally opened by business houses, public institutions, corporate bodies and other organizations whose banking transactions are numerous and frequent." *(Grywinski; 1991: 72)*

Saving Accounts:- "Saving accounts are mainly meant for non trading customers who have some potential for saving and who do not have numerous transactions entering their account. Salaried class of the lower and middle-income group, small traders and farmers mainly open such accounts." *(Grywinski; 1991: 73)*

Fixed Deposit Account:- "Fixed deposits constitute a very important resource for banks, as banks need not keep greater reserves of such deposits. Reserve bank is regulating the interest rates by giving directives from time to time. Reserve bank is following a differential interest rate policy having regard to size of deposits held by the banks. Slightly, higher rates of interest are permitted in the case of smaller banks. Even before reserve bank felt the need to regulate, lending banks themselves regulated the interest rates on voluntary basis, familiarly referred to as Inter Bank Agreement on Deposit rates." *(Grywinski; 1991: 74)*

III. Loan

commercial banks can collect the funds by taking loan from other financial institutions or issuing bond to fulfill the organizational requirement.

2.1.3 Mobilization of Funds

Banks cannot achieve its goals until and unless it mobilizes its funds in right sectors and by performing different activities. Banks utilizes its funds in suitable area and right sector. Much kind of activities and other thing can origin for the purpose of receiving invest from the bank. But bank should separate the useful and profitable sector for mobilization its funds. Banker being only a financial intermediary, we will not be able to make any profit unless he has to pay interest on deposits, meet establishment expenses, meet liquidity of cash balance, and yet allow him some balance from out of which he can build reserve and pay dividend to the shareholder.

"Commercial banks expect to make a profit. If there is no profit, there will be unfavorable criticism against public sector banking, both in and outside the parliament when these banks are asked to open new branches in areas which do not allow profits for years, or asked to grant loan to the priority sectors such as small industries and agriculture with a high incidence of bad debts, there is need for counter balancing profit from elsewhere. Therefore, these banks will have to show an ascending order of profit in order to ensure growth with stability. For this purpose the bank will have to allocate land able resources to different segments in such a manner these banks can ensure adequate profitability while at the same time responding to the policy laid down in accordance with national purpose. Bank should separate the useful and profitable sector for mobilizing their funds." *(Adhikari; 2002:54)*

Therefore, banks should mobilize its funds in suitable and profitable banking activities and right sector. Generally bank has mobilized its funds in the following activities.

a. Liquid Funds

"A bank keeps a volume of amount in liquid funds. The funds have so many responsibilities in banking activities liquid funds has to cover following transactions." *(Bhalla; 1997: 51)*

- Cash in hand
- Balance with Central Banks
- Balance with domestic bank
- Call money

b. Investment

"Bank invests its fund in different banking activities and different fields. Besides this bank invest other secured and profitable field available in the market. Bank invests its fund in the following titles" *(Bhalla; 1997: 53)*

- Share and debenture
- Government securities

- Central Bank's bond
- Joint-venture

c. Loan and Advances

"Banks mobilize its funds by providing different types of loan and advances to customers, by charging fixed interest. Different types of loan and advances are

- To government enterprises
- To provide enterprises

Bank manages the different types of loans i.e. providing loan, business loan, and traditional loan to priority area." *(Charles; 1999: 81)*

d. Fixed Assets

"Land and buildings are essential for the establishment of bank. Bank's funds are used in buying of furniture, vehicle, computer, and other concerned instrument, which are related to banking activities. Bank cannot take direct gain from these assets, but bank should buy it. A bank has need of fund to purchase fixed assets for the new branches of the bank." *(Charles;1999: 85)*

e. Administrative and Miscellaneous Expenses

"Bank has to manage the fund for administrative and other miscellaneous expenses. The administrative expenses are:

- Salary of Employee
- Allowances
- Pension
- Advertisement
- Stationery
- Provident Fund
- Rent
- Income tax
- Donation
- Insurance
- Tour expenses
- Commission

The miscellaneous expenses are

- To distribute the dividend to shareholders
- To bear the loss on sale and purchase of banking assets
- Maintenance expenses
- To pay the interest on borrowed amount
- Reserve fund

In this way, bank mobilizes its fund by performing different activities to achieve its desired goals i.e. earning profit. It can utilize its collective fund as well as own funds in all banking activities by performing effective fund mobilization procedure." *(Ferson & Warther; 1996: 41)*

2.1.4Features of Sound Lending and Fund Mobilization Policy

Income and profit of the financial institutions depend upon its fund lending & mobilizing policies. The greater the credit created by the bank the higher will be the profitability. Some required features of sound lending policies and fund mobilization is explained as under:

a) Safety and Security

"Financial institutions should inlet their deposit in profitable and secured sectors. They should not invest their fund in unsecure securities because of the risk factors. They should invest the fund to such securities, which are marketable, durable, profitable and having high market price as well as stable In this case MAST should be applied for the investment." *(Ling & Naranjo; 2003: 58)*

Where, M = Marketability
A = Ascertain ability
S = Stability
T = Transferability

b) Legality

All institutions and organizations must follow all the applicable rules & regulations. Financial institutions are liable to obey NRB directives, government rules applicable to them. Company's reputation or goodwill is closely related to the work performed by the companies, therefore to keep the good reputation in the market all financial institutions must follow the government rules.

c) Liquidity

"Liquidity is the position of the firm to meet current or short-term obligations. General public or customers deposit their savings at the banks in different accounts having full confidence of repayment by the banks whenever they required in future. To show a good current position and maintain the confidence, every firm must keep proper cash balance with them while investing in different securities and granting loan for excess fund." *(Ling & Naranjo;2003: 59)*

d) Profitability

"To maximize the return on investment and lending position, financial institutions shall invest their collected fund in such provides better profit in minimum risk. Good profitability on investment helps to maximize the shareholders wealth. Their return depends upon the interest rate, volume of loan its time period and nature of investment on different securities and sectors." *(Ling & Naranjo;2003: 59)*

e) Tangibility

"A commercial bank should prefer tangible security to an intangible one. Though it may be considered that tangible properly doesn't yield an income apart from intangible securities, which have lost their value due to price level inflation." *(Ling & Naranjo;2003: 60)*

f) Purpose of loan

Banks and other financial institutions must examine reasons for loan. All financial institution should collect detail information about the plan and scheme of the

borrowing before issuing loan to the customers. If the receiver uses the loan worthlessly then there will be the high chance of bad debt.

"Banks and other financial institutions must examine why loan is required to the customer. If customers do not use their borrowings, they can never repay and the financial institutions will have heavy bad debts. So, they should collect detailed information about the plan and scheme of the borrowing." *(Ling & Naranjo; 2003:60)*

g) Diversification

A wise investment would be that which is made by making a precise judgment of the market situation, and the probability of its being stable for times to come. Investment in diversified field is less risky than the investment in single areas. A rational investor always seeks to invest fund in a portfolio because that consider the both aspects Risk & Return. A good portfolio offers high return in minimum risk.

"Diversification reduces the risk of recovery. The bank must not invest the funds in specific sector but to the various sectors so that when something goes wrong in one particular sector other will recover." *(Joshi; 2004:37-42)*

2.2 Review of NRB Directives related to Fund Mobilization:(Unified Directives, 2066)

Nepal Rastra Bank's directive has significant impact on the commercial bank's establishment, their mobilization and utilization of resources. In this thesis I have tried to analyze the impact of the NRB directives in terms of fund mobilization policy of the commercial banks.

Directive -1: Provision for Minimum Capital Fund

Licensed institution has to create minimum capital fund ratio according to the risk on assets.

Institutions	Minimum Capital Fund has to keep by an institution according to the risk on assets

	(Percentage)	
	Primary Capital	Capital Fund
A Grade	6.0	10.0
B & C Grade	5.5	11.0
D Grade	4.0	8.0

A Graded licensed financial institution has to submit the capital fund statement to Nepal Rastra Bank as directed by Capital Adequacy Framework 2007 (Updated on July, 2008). B, C & D Graded financial institution has to submit the audited capital fund statement based on monthly financial statement within next month. If financial institution failed to submit the same then it has to clarify reasons to Neapl Rastra Bank.

If A, B & C Graded financial institution failed to obey the directives regarding capital fund, they would be penalized as directed by (Prompt Corrective Action –PCA). If D graded financial institution failed to keep minimum capital fund then board of director has to clarify within 35 days including the reasons as well as corrective action are they planning to implement. Such types of proposal have to be implemented within the period given by the central bank. Financial Institutions are not allowed to provide Dividend and bonus share in such time.

Directive -3: Provision of Loan and Facility Limitations to The Common Customer, Firm or Company by The Companies Licensed by Same Economic Institution.

A, B and C graded financial institution can invest 25% of the primary capital to similar types of customer, firms and related parties on Fund Based Loan & 50% of their primary capital on Non-Fund Based Loan. But in case of hydro electrical project fund, licensed institutions are allowed to invest loan equal to 50% of the primary capital to such projects having Power Purchase Agreement with Nepal Electricity

Authority. If the financial institutions invest more than the limit to similar types of organization then they has to create loan loss provision that must be 100% of the loan beyond the limit in order to minimize concentration risk.

Besides that, the financial institution has to send the list of co-related parties and big borrower semiannually to Nepal Rastra Bank.

Directive -5: Provision of Minimizing Operating Risk

Licensed financial institutions have to classify their operating risk into four types. These are

A) Provision; minimize Liquidity Risk:- Licensed financial institutions have to classify their liabilities and assets on the basis of maturity period into different time intervals in order to minimize liquidity risk.

B) Provision: minimize Interest Risk:- Only interest sensitive assets and liabilities are to be included in assets and liabilities. Generally, cash balance and non-interest bearing account cannot be included while doing GAP Analysis. In case of the assets having non-fixed maturity period, floating rate loan with interest adjusted periodically should be adjusted properly during the given time.

C) Provision: minimize Exechange Rate:- Licensed financial institution has to show the net position of the foreign exchange by classifying on the basis of short-term and long-term payment.

D) Provision: minimize Loan and Investment: - In order to minimize the risk on investment, the licensed financial institutions have to invest only 25% of their primary capital to co-related parties on fund based loan and 50% on non-funded loan.

Directive- 8: Provision of Investment

Licensed financial institutions can invest on government securities, shares and debentures after making work-plan and policies. But those policies are to be approved by the board of directors. If the financial institutions purchase not listed companies then the institution have to create a fund by the 100% of the investment amount in such unlisted shares and debentures within a year. This amount is not allowed to use

until this company listed in capital market. Financial institution can invest total 30% of their primary capital to other companies' shares and debenture.

Not more than 25% of the total primary capital of the financial institutions can be invested to housing and land development projects. Licensed financial institutions can invest 10% of their primary capital to housing and land development project. If the investment to such sector found more than 10% of total primary capital, then excess investment will be deducted from primary capital while calculating the capital fund.
A financial institution can invest on fixed assets (House/Land) in following condition.

i. Completion of first annual general meeting
ii. Pre-operating expenses is write off
iii. Company should on profit
iv. Having sufficient capital fund as directed by NRB

Directive -11: Provision of Consortium Financing

Under consortium financing, several banks (or financial institutions) finance a single borrower with common appraisal, common documentation, joint supervision and follow-up exercises, these banks have a common agreement between them. Licensed financial institutions can involve in consortium financing. Non participant banks or financial institutions are restricted to provide the extra loan upon consortium financing. But in special case such borrower can received extra loan from other banks, if consortium financing group permit. Similarly borrower of the consortium financing is not allowed to open account beyond consortium financing member without permeation.

Consortium financing banks has to declare their final decision on loan request of the borrower within ninety days period. Authority of selecting consortium financing member goes to borrower and requested banks. Consortium financing group has to be formed before providing the loan. Likewise, consortium financing group nominate a more active agent as it having good relation with the borrower as leading institution. All the transactions relating consortium financing has to done through this bank.

Directive -13: Provision of Compulsory Cash Reserve Ratio

A graded financial institution and B and C graded financial institutions that accept call and call accounts have to deposit 5.5% amount of their total deposit to Nepal Rastra Bank. B & C financial institution that doesn't accept current and call deposit accounts has to deposit 2% of their total deposit. B and C graded commercial banks which are far from the branches of Nepal Rastra Bank can deposit the minimum reserve ratio in current account of the A graded banks nearby.

D graded financial institutions have to maintain 0.5% of Minimum Reserve Ratio making deposit to Nepal Rastra bank. In case of absence of NRB locally then such financial institution can deposit their minimum cash reserve in an 'A' graded financial institution by opening current for maintaining compulsory reserve ratio. Similarly D graded financial institutions have to keep 2.5% liquid assets. Liquid assets covers the following

A. Cash in hand
B. Government security
C. Nepal Rastra Bank's Debentures
D. Deposited amount in licensed financial institution

Directive-15: Provision of Interest

A, B and C licensed financial institutions are free to determine the interest rate on deposit and loan provided to customer. But other than D graded financial institutions are not allowed to determine flat rate.

Banks' policy for interest rate on deposit and loan has to be implemented after they decide themselves. Financial institutions can offer the interest rate on deposit adding not more than 0.5% on published rate and not more interest rate can be applied on loan as published. All financial institutions have to send bank rate information to Nepal Rastra Bank quarterly. A, B and C graded financial institutions have to publish the amendments of interest rate in national levels news paper at least half yearly. The income in interest should be shown only after cash collection. The interest amt payable to depositors has to be deposited into his/her account on quarterly basis.

Directive-16: Provision of Financial Resource Collection

Licensed financial institutions can collect the financial resources by issuing shares, debentures and accepting the deposits from customers but they have to follow the Nepal Rastra Bank's directive in this regards as stated below.

a) There are not any limitations for collecting financial resource to 'A' graded licensed financial institutions.
b) 'B' graded financial institutions can collect financial resource up to twenty times of its primary capital.
c) 'C' graded financial institutions can accept financial resource up to fifteen times of its primary capital.
d) 'D" graded financial institutions are allowed to collect financial resource up to thirty times of primary capital, but these types of institution neither provide loans nor collect financial resources other than its members.

"A", "B" and "C" financial institutions can provide the organizational loan up to 20% of the total deposit to single or organized firm. If an institution wants to collect resource by issuing debenture, it has to fulfill the following requirements.

1. Five experience on financial services
2. Shares of the financial institution need to be listed in capital market after issuing public shares
3. Having no accumulated loss

Directive-17: Provision of Loan to Minorities

"A", "B" and "C" graded financial institution has to invest the loan to minorities 3%, 1.5% and 1% respectively of their total loan (including Bills purchase and Discount). In the following cases low cost housing loan can been taken as the loan to poor class.

A. Loan up to Four Lacks taking collateral on personal or group basis.
B. Bank has the clear policy to invest loan to the poor class in the field of housing
C. Such loan should be under the prevailing laws and NRB directives.

Financial institutions have to deposit one-third of the total compulsory investment to poor sector to Youth or Self Employment Fund.

2.3 Review of Journals and Articles

Many researchers have analyzed their fund mobilizing view in their research paper in this subject through investment policy of commercial banks. This study reviewed different journals in order to collect the related articles in the topic of "Fund Mobilization".

Pradhan (2053), in his articles, "*Deposit Mobilization, its Problem and Prospects*" has presented that lack of knowledge and skills manpower is the problems for the deposit mobilization. He added current Nepalese financial institutions are not willing to spread their business in rural area. In order to overcome these problems, he suggested to increase the skilled manpower by providing the training; the government can spread the banking culture in rural area by promoting co-operatives and introducing mini banking services.

Shrestha (1997), has presented a short scenario of investment management on his article "*Portfolio Management in Commercial Bank, Theory and Practice*." He has stressed in the following issues, in case of investors having lower income, portfolio management may be limited to small saving incomes. But, on the other bank, portfolio management means to invest funds in various schemes of mutual funds like deposits, shares and debentures for the investors with surplus income. Therefore, portfolio management becomes very important both for an individual's as well as institutional investors.

Shrestha (1998), in his article, "*A Study on Deposit and Credit of Commercial Banks in Nepal*" concluded that the credit deposit ratio would be 51.30%, other things remaining same in Nepal, which was the lowest under the period of review. Therefore he had strongly recommended that the joint venture banks should try to give more credit entering new field as far as possible, otherwise, they might not be able absorb even the total expenses.

Sharma (2000), in his article "*Banking the future of competitions*" has said, due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal and one personal guarantee, whose negative side effects would show colors only after 4or 5 years. Again he said that "Private commercial banks have mushroomed only in urban areas where banking transactions in large volume is possible. The rural and sub urban area mostly remain unattended to. This is likely to prevail till competition tasks its full reign in the urban areas."

Lu (2008), in his article, *"What is the Wind Behind this Sail?, Can Fund Managers Successfully Time Their Investment Styles?"* stated that over the ten-year period of this study (June 1992 to July 2002), the average mutual fund manager demonstrates little ability to time the market in aggregate. In fact, using empirical factor timing model, only 8.3 percent of my funds had significant positive alphas. There is even some weak evidence that supports the assertion that mutual fund managers attempt to implement market timing strategies at the expense of poor stock selection performance.
Most funds are restricted from taking substantial positions in small-cap stocks and there are relatively higher transaction costs associated with size (big cap/small cap) and momentum (winner/loser) timing strategies when compared to book-tomarket (value/growth) timing strategies. There may also be a behavioral explanation which is related to the trading behavior and preferences of fund managers. Fund managers prefer big-cap stocks to small-cap stocks as safer investments. Also, they tend to sell winners too soon and to hold on to losers too long.

Cumming, Eddine and Schwienbacher (2009)**,** in their article, *"An Empirical Analysis of Fund Regulation and Scope of Distribution of European Investment Funds",* have stated that consistent with limitations to the UCITS III regulations that hampered international distributions as implied by the changes proposed in 2009 with UCITS IV, strong evidence that UCITS III promoted international distributions for larger funds was found. Further, the nontrivial costs of international notification under UCITS III imply that smaller countries would have disproportionately more interest in notification internationally. Promoters that are commercial banks do not seem to set

up funds with a broader scope of distribution. However, non-European promoters have funds with greater scope, irrespective of the measure of scope of distribution used. Non-European promoters included in analysis originate by far from the US. Further there has been an increase in the number of fund promoters that distribute UCITS funds outside the European Union, notably in Asia.

2.4 Review of Theses

Under this section, various masters level thesis are reviewed. Some research papers, which are slightly related to this study, are presented below.

Regmi, (2001), in his study entitled "*A Comparative Study of the Financial Performance of Himalayan Bank Ltd. and Nepal Bangladesh Bank Ltd*". The researcher's objective of the study was to examine the current financial position of these banks and to analyze the comparative financial position of these joint venture banks.

Through his research Mr. Regmi has found that the current assets of HBL are adequate to meet the current liabilities where as it is in sufficient for NBBL. Further as per his study long term debt to net worth ratio is higher in NBBL than in HBL but both banks are following an aggressive strategy of higher risk higher return. And capital adequacy of NBBL is greater than that of HBL during the study period. This shows that NBBL is always more capable to meet any windfall. According to his research both banks are utilizing their deposits fund through loan and advances to generate revenue efficiently, but comparatively NBBL is doing more efficiently than HBL. Mr. Regmi has also stated that HBL has better utilization of resources in short term investment and NBBL has more non-earning idle assets as cash and bank balance and profitability position of HBL is better than that of NBBL. HBL has higher net profit to working fund ratio, net profit to total deposit ratio and return to net worth ratio is also higher than NBBL. But the interest earned to working fund ratio, Profit Earning per share, Dividend per share, Dividend payout ratio is higher in HBL than NBBL. Price earnings ratio of NBBL is higher than HBL. Above studies show that

there are still various obstacles in the efficient operation of the commercial banks in Nepal.

Sapkota,Uddab Prasad (2002), in his thesis paper *"A Study on Fund Mobilizing Policy of Standard Chartered Bank Ltd in comparison to Nepal Bangladesh Bank Ltd and Himalayan Bank Ltd*" has the objectives to examine the fund mobilizing policy adopted by three joint venture banks viz. SCBNL, NBBL and HBL and the way these banks mobilized their funds during five year study period i.e. from 1996/97 to 1999/2000.

He found the overall condition of SCBNL seems in satisfactory position in comparison to NBBL and HBL. In other words, he recommends that banks are strongly recommended to provide information about its services, facilities and extension of their services towards rural areas. These three banks are recommended to increase cash and bank balance to meet the need of investment and demand of loan and advances. And banks are to be investing its funds in the purchase of shares and debentures of other financial, non-financial companies, hotels and government companies.

Mr. Sapkota has not explained about the risk ratios which have to be faced by these joint venture banks. His study cannot show the fund mobilizing policy of the selected banks for the succeeding years because of time limitation i.e. up to 1999/2000.

While reviewing the books and articles and previous studies, it is found that banks are not just the storehouse of the country's wealth but are the reservoirs of resources necessary for economic development and employment generation. There are still different obstacles in the effective operation of the commercial banks in Nepal. Therefore these obstacles should be eradicated for the economic development of Nepal.

Thapa, Samiksha (2004), has conducted a research entitled *"Investment Policy of Commercial banks in Nepal*.

The objectives of the study are:

- To discuss fund mobilization and investment policy of EBL in respect to its fee based off-balance sheet transaction and fund based on balance sheet transaction of NABIL and BOKL.
- To evaluate the liquidity, efficiency, profitability and risk position.
- To evaluate the growth ratios of loans and advances and total investment with other financial variables.

His research's major findings are enumerated below:

- EBL is comparatively better than NABIL and BOKL in terms of liquidity.
- EBL has been less successful than NABIL and BOKL in its on balance sheet operation as well as off balance sheet activities

Tuladhar, Prajwol (2004), in his thesis, *"Fund Mobilization of Commercial Banks",* has the main objective to analyze the fund mobilization technique adopted by the commercial banks. The specific objectives of this study are to find out the ratio of investment to total deposit, ratio of loan and advances to total deposit and relationship between net profit to investment and loans and advances granted. The major findings of the study are;

- The structural ratio of commercial banks show that banks invest on the average 75% of their total deposit on the government securities and the shares.
- Return ratio of all the banks show that most of the time foreign banks have higher return as well as higher risk than Nepalese banks.
- The debt equity ratios of commercial banks are more than 100% in most of the time period under studies period. It led to conclude that the commercial banks are highly leveraged and highly risk. JVBs had higher capital adequacy ratio but has been dealing every day.
- In case of the analysis of the management achievement foreign banks have comparatively higher total management achievement index.

Bhattarai, (2007), in her study "*A Study on Fund Mobilization*", she has taken EBL, HBL and NIBL bank for her thesis work. According to her, NIBL has better position in liquidity position than other two. From Assets management aspect, EBL is

relatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advances for the purposed of earning profit. NIBL has higher liquidity risk ratio and it is also successful to earn net profit in comparison with other two banks. She has recommended to all three banks to maintain effective liquidity position, to increase deposit collection and make more investment in government securities. She has also suggested making more investment on share and debentures as well as in most profitable sector. The main objectives of any commercial banks must be profit motive.

Mali, Pranita (2008), has studied on "*A Comparative Study on Fund mobilization of Himalayan Bank Ltd and Everest Bank Ltd."*

The main objectives of her reports are listed below.

- To evaluate the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of HBL and EBL.
- To evaluate comparatively operating, financial and investment efficiency of two joint venture banks.
- To analyze the relationship between deposits and total investment, deposits and loan and advance and net profits of HBL and EBL.
- To analyze the sources and uses of funds and analysis of cash flow of these two joint venture banks.
- To suggest and recommend some measures for improvement of financial performance of HBL and EBL

Major findings

- Himalayan bank possesses the highest liquidity position among the three banks.
- Everest Bank Limited is comparatively successful in investing in productive sector
- Everest Bank Limited is able to earn more profit than other bank
- Himalayan Bank has maintained the lower liquidity risk and other credit risk.
- Everest Bank Limited has increased its deposit collection rapidly than other two banks
- Everest Bank Limited has the highest degree of correlation coefficient between deposit and loan and advances than Himalayan Bank Limited.

Adhikari, Komal Raj (2008), has conducted a study on "*Fund Collection and Mobilization of Joint Venture Banks*".

Objectives of the study are

- To find out the effectiveness of the selected joint venture banks in fund mobilization.
- To analyze the ability of the selected joint venture banks in mobilizing the total collected funds.
- To identify the factors affecting the fund mobilization.
- To provide suggestions and recommendations on the basis of analysis.

She added her study keeps meaning to shareholders, management bodies of the banks, government bodies, policy makers, financing agencies, stockholders and market planners and etc.

Major findings

- Liquidity positioning on current deposit Everest Bank Limited is better in comparison to Himalayan Bank Ltd. and Standard Chartered Bank.
- During the six year study period EBL is more successful in invest in productive sector
- Return on assets of Nabil is better than Standard Chartered Bank & Himalayan Bank.
- The credit lending of Standard Chartered Bank is more efficient
- The earning to shareholders are more consistent in Standard Chartered Bank
- All banks are considered deposit as a main source of fund. Himalayan bank seems to be successful in the field of deposit collection than others commercial banks.

Adhikari, Krishna (2007), conducted a study on "*A Study on Fund Mobilization*" main objectives of his study are as follows.

- To evaluate the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of HBL, EBL and NIBL.

- To evaluate comparatively operating, financial and investment efficiency of three joint venture banks.
- To carry out the relationship between deposits and total investment, deposits and loan and advance and net profits of HBL, EBL and NIBL.
- To evaluate and forecast the trend of deposit utilization for the next five years.
- To analyze the sources and uses of funds and analysis of cash flow of these three joint venture banks.
- To suggest and recommend some measures for improvement of financial performance of HBL, EBL and NIBL.

He summarized the findings as follows.

- Nepal Investment Bank Limited is profitable in comparison to other compared banks.
- HBL has maintained the lower liquidity risk and NIBL has maintained lower credit risk.
- EBL has maintained the high growth ratio in total deposits and the growth rate of total investment of NIBL is better than HBL and EBL.
- Loan and advances to total deposit ratio of NIBL is proportionately better than HBL and EBL.

Rai, Ashok Kumar (2009), in his thesis, *"A Comparative Study on Fund Mobilization of Himalayan Bank Limited and Everest Bank Limited",* has the main objectives of examining, interpreting and analyzing the fund mobilization procedures adopted by two joint ventures; Himalayan Bank Ltd. and Everest Bank Ltd. The other specific objectives related to this study are presented below:

- To evaluate the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of HBL and EBL.
- To evaluate comparatively operating, financial and investment efficiency of two joint venture banks.
- To analyze the relationship between deposits and total investment, deposits and loan and advance and net profits of HBL and EBL.

- To analyze the sources and uses of funds and analysis of cash flow of these two joint venture banks.

The major findings of the study are;

- The mean ratio of cash and bank balance to total deposit of EBL is higher than HBL. It states that the Liquidity position of EBL is better in this regard. The ratio of EBL is less consistent and HBL has more consistent ratio. It shows HBL has taken more risk to meet the daily cash requirements.
- The mean ratio of loan advances to total deposit of EBL is greater than HBL. The variability ratio of EBL is lower than HBL. It seems more consistent than HBL.
- The average ratio of total investment to total deposit ratio of HBL is higher than that of EBL. The variability ratio of EBL lowers than HBL.
- The mean ratio of return of on total working fund of EBL is greater than HBL. Whereas the variability ratio of EBL is lower than HBL. It indicates that the return on total working fund of EBL is stable.
- In case of mean ratio of total interest earned to total working fund of EBL is higher ratio than HBL. The variability ratio of HBL is lower than EBL. It reveals that EBL is mobilizing its working fund successfully so that is has high earning capacity.
- In case of credit risk ratio. HBL has the lower risk than EBL. The variability ratio of EBL is lower than HBL. It indicates that the credit risk ratio is consistent.
- HBL has maintained the lower Liquidity risk and lower credit risk. And lower Liquidity risk means higher risk for higher profit.

Ghimire, Madav Prasad (2010), conducted a study on "*Fund Mobilization in Commercial Banks of Nepal*", the main objectives of his study are as follows.

- To recognize the main source of fund and main mobilization of collected fund of NABIL and NIBL.
- To evaluate the liquidity position of the banks.
- To analyze the relationship between net profit and total fund and net profit with total deposits and loan and advance of NABIL and NIBL.

- To analyze the efficiency of NABIL and NIBL in mobilizing fund in terms of profit.
- To predict the total fund and net profit in the forthcoming two fiscal years.

He summarized the finding as follows:

- NIBL was more successful to collect higher amount of fund than NABIL.
- The average collection of total fund through shareholders" equity was higher in NABIL than in NIBL.
- The long term debt of NABIL was dominated by long-term borrowing, while that of NIBL was dominated by debenture.
- In current liabilities, deposit was the main source of fund in both the banks.
- Current deposit was the main source of fund in non-interest bearing deposit in both the banks.
- Among all the sources of fund, deposit was the major source of total fund in both the banks.
- Both the banks heavily mobilized their collected fund in current assets. As a result, the average fixed assets to total fund were 1.54% in NABIL and 2.17% in NIBL.
- NABIL maintained 5.22% of the total fund and NIBL maintained 10.55% of the total fund in cash and bank balance to have sufficient liquidity. Similarly, money at short call represented 4.29% in NABIL and 0.50% in NIBL of the total fund.
- NABIL was more successful in fund mobilization in term of net profit.

2.5 Research Gap

Commercial Bank invests its deposit in different profitable sector according to the directives and circulars of the Nepal Rastra Bank and guidelines and policy of their own bank. Financial analysis statement has to prepare according to the direction of NRB. Nepal Rastra Bank's policy and guidelines are changing according time to time. So, the up to dated study over the changes of time frame is major concern for the researcher and concerned organization as well as industry as a whole. This study covers the more recent financial data and analysis is done within the latest guidelines and curriculum of Nepal Rastra Bank.

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make study meaningful and purposive. The objective of research work is different from the studies made by others. The researcher in this study focuses on effectiveness of fund mobilization and investment policy of three leading commercial banks namely Himalayan Bank, Everest Bank & Nepal Investment Bank. Unlike other study, this study has attempted to analyze the data for nine consecutive years. The method of analysis is dissimilar. Financial tools and statistical tools used in this study are Ratio Analysis, Trend Analysis, and Correlation Coefficient.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Introduction

A research methodology defines what the activity of research is, how to proceed, how to measure progress, and what constitutes success. Research methodology refers to the numerous processes adopted by the researchers during the research period. It is the technique to solve the research problem in systematic manner. This includes many techniques and is crucial for every research work. The main objective of this research work is to evaluate the fund mobilizing procedure adopted by the three joint venture banks i.e. HBL, EBL, and NIBL.

"Research methodology refers to the various sequential steps to be adopted by a research in studying a problem with certain objectives in view." *(Kothari; 1989:30)*

This study has tried to seek the conclusion to the point that what kind of position EBL, HBL, and NIBL are having and suggests the precious and meaningful points so that all concerned can fruitful from this research work.

3.2 Research Design

Research Design is an overall plan of action to be followed during an experiment to be sure that the objectives are met. Often the specific procedures to solve problems are included in the research design. A true research design is basically concerned with drawing solid conclusion by analyzing the various data collected from different sources. The research design allows the researchers to take an appropriate measures and directions towards the predetermined goals and objectives.

"A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure." *(Kothari; 1992:25)*

The research examines the facts and postulates in certain frameworks on details and supplies the important information on subject matter, summary of the study, major

findings of the study, recommendations, conclusion etc. are the most significant information among them, they are derived with the help of some financial and statistical tools were adapted to evaluate the fund mobilization of joint venture banks viz. EBL, HBL, and NIBL in consideration not only for research but recommend some measures for improvement of financial performance.

3.3 Sources of Data

The study is mainly based on secondary data. The secondary sources of data are Balance Sheet, Profit & Loss account and literature publication of the concerned banks. The NEPSE report of the concerned bank has furnished some important data to this research work. Some supplementary data and information have been collected from the authoritative sources like Nepal Rastra Bank, Central Library of T.U., Makawanpur Multiple Campus library, Nepal Stock Exchange Limited, Security Exchange Board, Economic Survey, National Planning Commission, different journals, magazines and other published and unpublished reports documented by the authorities.

In order to fulfill the objectives of this research work, all the secondary data are compiled, processed and tabulated in time series. And to judge the reliability of data provided by the banks and other sources, they were compiled with the annual reports of auditors. Formal and informal talks to the concerned head of the department of the bank were also helpful to obtain the additional information of the related problem.

3.4 Nature of Data

In case of primary data, some personal views and ideas of individual's respondent are collected. But in case of entire study secondary data used are basically of the following nature.

- Most of the data taken for the analysis is collected in the form of published by the concerned banks through their annual reports.

- Since all the banks which are taken into account for the study are listed in NEPSE, the figures are all most reliable and suitable too.

3.5 Population and Sample

There are altogether 31 commercial banks functioning all over the kingdom and most of their stocks are traded actively in the stock market. Among them nine are JVBs and eight are domestic commercial banks. In this study three joint venture banks are to be taken for research work. These banks are compared as per fund mobilizing activities. EBL, HBL, and NIBL are selected from population and population is presented below:

1. Nepal Bank Ltd.
2. Rastriya Banijya Bank Ltd.
3. Nabil Bank Ltd.
4. Nepal Investment Bank Ltd.
5. Standard Chartered Bank Ltd.
6. Himalayan Bank Ltd.
7. Nepal SBI Bank Ltd.
8. Nepal Bangladesh Bank Ltd.
9. Everest Bank Ltd.
10. Bank of Kathmandu Ltd.
11. Nepal Credit and Commercial Bank Ltd.
12. Lumbini Bank Ltd.
13. Nepal Industrial and Commercial Bank Ltd.
14. Machhapuchhre Bank Ltd.
15. Kumari Bank Ltd.
16. Laxmi Bank Ltd.
17. Siddhartha Bank Ltd.
18. Agriculture Development Bank Ltd
19. Global Bank Ltd
20. Citizens Bank International Ltd

21. Prime Commercial Bank Ltd
22. Sun rise bank ltd
23. Bank of Asia Ltd
24. Development Credit Bank Ltd
25. NMB Bank Ltd
26. Kist Bank Ltd
27. Janata Bank Nepal Ltd
28. Century Bank Ltd
29. Civil Bank Ltd
30. Mega Bank Ltd
31. Commerce and trust Bank Ltd

Among all the banks which are presented above only three banks are taken as a sample for comparative study. They are:

1. Everest Bank Ltd.
2. Himalayan Bank Ltd.
3. Nepal Investment Bank Ltd.

These three banks are compared as per fund mobilization procedure, that they are adopting to mobilize their collected funds as well as own funds.

commercial banks operating in Nepal. The study of all these banks in this study is almost impossible. So three commercial banks, namely Everest Bank Limited and Himalayan Bank Limited and Nepal Investment Bank Ltd have been selected.

These three banks are compared as per fund mobilization practices that they are adopting to mobilize their funds.

3.6 Data Analysis Tools

Analysis and presentation of the data is the core of each and every research work. This study requires some financial and statistical tools to accomplish the objective of the study. The financial and statistical tools are most reliable. In this study various

financial, statistical and accounting tools have been used. These tools make the analysis more effective, convenience, reliable and authentic.

The various results obtained with the help of financial, accounting and statistical tools are tabulated under different headings. Then they are compared with each other to interpret the results. Two kinds of tools have been used to achieve the certain goals.

1. Financial Tools
2. Statistical Tools

3.6.1. Financial Tools

Financial tools basically help to identify the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and the profit and loss account. Financial tools are categorized into two parts. They are

I. Ratio Analysis
II. Sources and Uses of Funds
III. Cash flow Analysis

I. Ratio Analysis

Ratio analysis is the powerful tool of financial analysis. A ratio is defined as "the indicated quotient of two mathematical expressions "the relationship between two or more things" ***(****Merriam; 1975:958).* In financial analysis, a ratio is used as a benchmark for evaluating the financial position and performance of a firm. The relationship between two accounting figure expressed mathematically, is known as a financial ratio or simply a ratio. An accounting figure conveys meaning when it is related to some relevant information. *(Pandey; 1975:104)*

A ratio is a mathematical relationship between two variables. It is significant for financial analysis. It also helps us to predict the future performance of a company

based on study of ratios of earlier years. Thus, ratio analysis is the part of whole process of analysis of financial statements of any business or industrial concerned especially to take output and credit decision. Ratio indicates a quantitative relationship, which can be, in turn, used to make a qualitative judgment. Even though there are various types of ratios to analyze and interpret the financial statement, only six types of ratios have been taken in this study, which are related to fund mobilization of the banks. They are presented below:

A. Liquidity Ratios

i) Cash and bank balance to total deposit ratio
ii) Cash and bank balance to current assets ratio
iii) Investment on government securities to current assets ratio

B. Assets Management Ratios

i) Loan and advances to total deposit ratio
ii) Total investment to total deposit ratio
iii) Loan and advances total working fund ratio
iv) Investment on government securities to total working fund ratio
v) Investment on shares and debenture to total working fund ratio

C. Profitability Ratios

i) Return on loan and advances ratio
ii) Return on total working fund ratio
iii) Total interest earned to total working fund ratio

D. Risk Ratios

i) Liquidity risk ratio
ii) Credit risk ratio

E. Growth Ratios

i) Growth ratio of total deposits
ii) Growth ratio of total investment
iii) Growth ratio of loan and advances

iv) Growth ratio of net profit

A. Liquidity Ratios

Liquidity ratios are applied to measure the ability of the firms to meet short term obligations. It measures the speed of firms to convert the firms asset into cash to meet deposit withdraws and other current obligations. This is quick measure of the liquidity and financial strength of the firm. Liquidity ratios examine the adequacy of funds, the solvency of the firm's ability to pay its obligation when due. Various types of liquidity ratios are applied in these studies, which are explained below:

I) Cash and Bank Balance to Total Deposit

Cash and bank balance are the most liquid current assets of a firm, cash and bank balance to total deposit ratio measures the percentage of most liquid assets to pay depositors immediately. This ratio is computed by dividing the amount of cash and bank balance by the total deposits. It can be presented as,

$$\text{Cash and Bank Balance to Total Deposit Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposits}}$$

Where, cash and bank balance includes cash on hand, foreign cash on hand, Cheques and other cash items, balance held abroad. Total deposits consist of deposits on current account, saving account, fixed account, money at call and short notice and other deposits.

II) Cash and Bank Balance to Current Assets Ratio

This ratio measures the percentage of liquid assets i.e. cash and bank balance among the current assets of a firm. Higher ratio shows the higher capacity of firms to meet the cash demand. This ratio is calculated dividing cash and bank balance by total current assets and can be calculated as,

$$\text{Cash \& Bank Balance to Current Assets Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Assets}}$$

Hence, cash and bank balance includes cash in hand, foreign cash and foreign banks.

III) Investment on Government Securities to Current Assets Ratio

This ratio is used to find the percentage of current assets invested on government securities, treasury bills and development bonds. It can be mentioned as:

$$\text{Invt. on Govt. Sects. to Current Assets} = \frac{\text{Investment on Government Securities}}{\text{Current Assets}}$$

Where, Investment on government securities involves treasury bills and development bonds etc.

B. Assets Management Ratios (Activity Ratio)

The asset management ratios, measures how effectively the firm is managing its assets. These ratios are designed to answer this question: does the total amount of each type of asset as reported on the balance sheet seem reasonable or not. If a firm has excessive investments in assets then its capital costs will be unduly high and its stock price will suffer.

In this study this ratio is used to indicate how efficiently the selected banks have arranged and invested their limited resources. The following financial ratios related to fund mobilization are calculated under asset management ratio and interpretation is made by these calculations.

I) Loan and Advances to Total Deposit Ratio

This ratio is calculated to find out how successfully the selected banks are utilizing their total collections or deposits on loan and advances for the purpose of earning profit. Greater ratio shows the better utilization of total deposits. This ratio can be obtained dividing loan and advances by total deposits, which can be shown as,

$$\text{Loan and Advances to Total Deposit Ratio} = \frac{\text{Total loan and Advances}}{\text{Total Deposit}}$$

II) Total Investment to Total Deposit Ratio

Investment is one of the major sources of earning of profit. This ratio indicates how properly firm's deposits have been invested on government securities and shares and debentures of other companies. This ratio is computed by using following formula:

$$\text{Total Investment to Total Deposit Ratio} = \frac{\text{Total Investment}}{\text{Total Deposit}}$$

Where, total investment includes investment on government securities, investment on debentures and bonds, share in subsidiary companies, shares in other companies and other investments.

III) Loan and Advances to Total Working Fund Ratio

The main element of total working fund is loan and advances. This ratio indicates the ability of selected banks in terms of earning high profit from loan and advances. Loan and advances to working fund ratio can be obtained dividing loan and advances amount by total working fund. That is formulized as,

$$\text{Loan and Advances to Total Working Fund Ratio} = \frac{\text{Total Loan and Advances}}{\text{Total Working Fund}}$$

Where, total working fund includes total amount of assets given in balance sheet which refers to current assets, net fixed assets, total loans for development banks and other sundry assets except off balance sheet items i.e. letter of credit, letter of guarantee etc.

IV) Investment on Government Securities to Total Working Fund Ratio

Investment on government securities to working fund ratio shows how much part of total investment is there on government securities in percentage. It can be obtained by:

$$\text{Invt. on Govt. Sect. to Total Working Fund Ratio} = \frac{\text{Invt. on Government Securities}}{\text{Total Working Fund}}$$

Where, investment on government securities includes investment on debentures, bonds and shares of other companies.

V) Investment on Shares and Debentures to Total Working Fund Ratio

Investment on shares and debentures to total working fund ratio shows the investment of banks on the shares and debentures of other companies in terms of total working fund. This ratio can be obtained dividing on shares and debentures by total working fund. It is calculated as:

$$\text{Invt. on Shares and Debn. to TWF Ratio} = \frac{\text{Invt. on Shares and Debn.}}{\text{Total Working Fund}}$$

Where, total investment includes investment on government securities, investment on debenture and bonds, shares of other companies.

C. Profitability Ratios

Profit is only appeared when there is positive difference between total revenues and total cost over a certain period of time. Profitability ratios show the combined effects of liquidity, assets management, and debt on operating results. Profitability ratios are very helpful to measure the overall efficiency of operations of a firm. It is a true indication of the financial performance of each and every business organization. Here profitability ratios are calculated and evaluated in terms of the relationship between net profit and assets. Profitability of the firms can be presented through the following different ways:

I) Return on Loan and Advances Ratio

Return on loan and advances ratio shows how efficiently the banks have utilized their resources to earn good return from provided loan and advances. This ratio is computed dividing net profit (loss) by the total amount of loan and advances and can be mentioned as,

$$\text{Return on Loan and Advances Ratio} = \frac{\text{Net Profit (Loss)}}{\text{Loan and Advances}}$$

II) Return on Total Working Fund Ratio

Return on total working fund ratio measures the profit earning capacity of the banks by utilizing available resources i.e. total assets. If the bank's well managed and efficiently utilized its working fund, it will get higher return. Maximizing taxes, this in the legal options available will also improve the return. It is computed as:

$$\text{Return on Total Working Fund Ratio} = \frac{\text{Net Profit}}{\text{Total Working Fund}}$$

III) Total Interest Earned to Total Working Fund Ratio

This ratio reflects the extent to which the banks are successful in mobilizing these total assets to acquire income as interest. This ratio actually reveals the earning capacity of commercial banks by mobilizing its working fund. Higher the ratio higher will be the income as interest. We have,

$$\text{Total Interest Earned to TWF Ratio} = \frac{\text{Total Interest Earned}}{\text{Total Working Fund}}$$

IV) Total Interest paid to Total Working Fund Ratio

This ratio measures the percentage of total interest expenses against total working fund. A high ratio indicates higher interest expenses on total working fund and vice-versa. This ratio is calculated as:

$$\text{Total Interest paid to Total Working fund Ratio} = \frac{\text{Total Interest paid}}{\text{Total Working fund}}$$

D. Risk Ratios

Generally, risk means uncertainty which lies in the business transaction of investment management. When a firm wants to bear risk and uncertainty, profitability and effectiveness of the firm is increased. This ratio checks the degree of risk involved in

the various financial operations. For this study, following risk ratios are used to analyze and interprets the financial data and investment policy.

I) Liquidity Risk Ratio

The liquidity risk of the bank defines its liquidity need for deposit. The cash and bank balance are the most liquid assets and they are considered as banks liquidity sources. The ratio of cash and bank balance to total deposit is an indicator of bank's liquidity. This ratio will be high if funds are kept idle as cash and bank balance but this reduces profitability. When a bank invests its liquid assets then it gives the positive impact to the profitability of the forms but it has the negative impact on risk factor. Thus, higher liquidity ratio indicates less profitable return and vice-versa. This ratio is calculated by dividing cash and bank balance to total deposit.

$$\text{Liquidity Risk Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

II) Credit Risk Ratio

Bank utilizes its collected funds in order to provide the credit to different sectors but there is risk of default on loan. Before making investment, bank examines the credit risk involved in the project. Generally credit risk ratio shows the proportion of nonperforming assets in the total investment plus loan and advances of a bank. It is computed as:

$$\text{Credit Risk Ratio} = \frac{\text{Total Investment + Total Loan and Advances}}{\text{Total Assets}}$$

E. Growth Ratios

The growth ratios represent how well the commercial banks are maintaining their economic and financial position. The higher ratios represent the better performance of the selected firms to calculate, check and analyze the expansion and growths of the

selected banks the following growth ratios are calculated. Growth ratios are directly related to the fund mobilization and investment of those firms.

i) Growth ratio of total deposits
ii) Growth ratio of total investment
iii) Growth ratio of loan and advances
iv) Growth ratio of net profit

II. Sources and Uses of Funds

Fund management is the important aspect of the banking business. The fund's sources and uses analysis shows the proportion of each source and each use to the total funds of the bank. Generally it expressed in percentage. The ratios are compared with the standard percentage of a typical bank. This analysis also concerned to the behaviors of the sources of funds. The uses are analyzed in terms of their supporting ability to the sources of funds to which they represent. In order to make study easier, the sources and uses of funds of bank's were categorized and presented below:

Figure 3.1

Sources and Uses of Fund

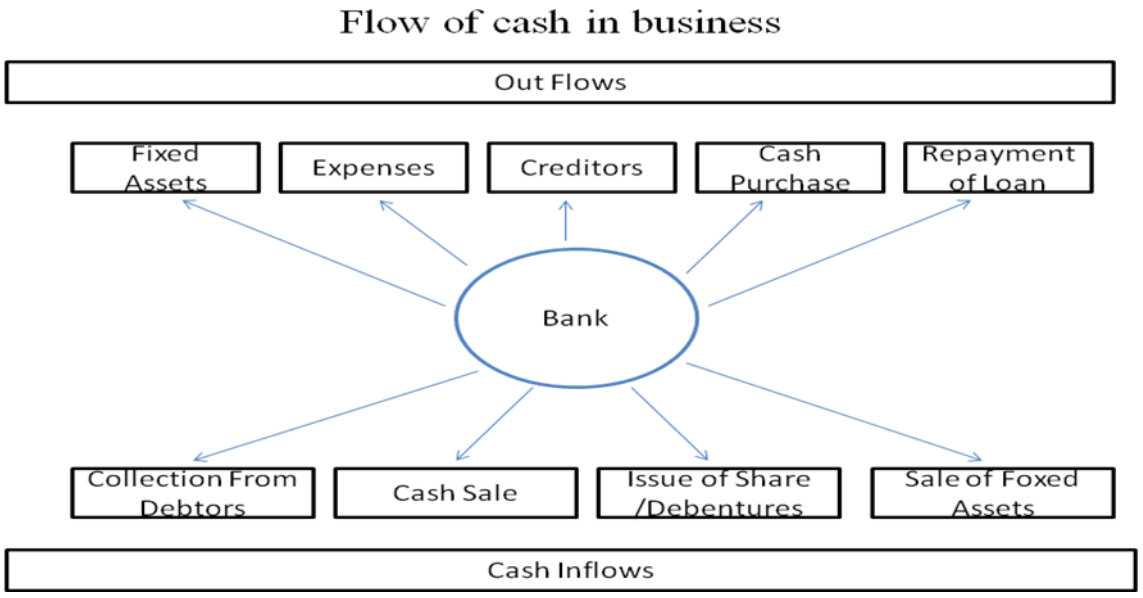
III. Cash Flow Analysis

Cash is the lifeblood of an organization. No business can be satisfactorily managed unless careful attention is paid to its requirements of cash. Without it a business will cease to operate. Therefore, an analysis of cash flows is useful for short-run planning. A firm needs sufficient cash to pay debts maturing in the near future, to pay interest and other expenses and to pay dividends to shareholders.

The analysis of events and transactions that affects the cash position of company is termed as cash flow analysis. Cash flow analysis is done through statement of cash flows. A cash flow statement is a statement of company's ability to generate cash from various activities such as operating, investing, and financing and their need of cash. It is a statement which shows the inflows and outflows of cash and cash equivalents during the year." *(Wagle and Dahal; 2003:11.2)*

This statement is prepared to know clearly the various items of inflow and outflow of cash. Cash flow analysis is different from funds flow analysis relates to the movement of cash rather than the inflow and outflow of working capital. It summarized the causes of change in cash position between dates of two balance sheets. While preparing cash flow statement, only cash receipts from debtor against credit dates are recognized as the source of cash. Similarly, cash purchases and cash payment to supply for credit purpose is regarded as the use of cash. The projection of cash flow for near future can be made to determine the availability of cash. This cash balance can be matched with the firm's need for cash during the period and accordingly, arrangements can be made to meet the deficit or invest the surplus cash temporarily. A historical analysis of cash flows provides insight to prepare reliable cash flow projections for the immediate future.

Figure: 3.2



3.6.2 Statistical Tools

In this study, some important statistical tools have been used to present and analyze the data for achieving the objectives. Such as coefficient of correlation between different variables, trend analysis of important variables as well as hypothesis test (t-statistic) has been used, which are presented below:

I) Standard Deviation (S.D)
II) Coefficient of Variation (C.V)
III) Karl Pearson's of Coefficient of Correlation Analysis
IV) Probable Error (P.E)
V) Trend Analysis
VI) Testing of Hypothesis
VII) F-Test

I) Standard Deviation (S.D)

The standard deviation is an important and widely used measure of dispersion. The measurement of the scatter ness of the mass of figure in a series about an average is known as dispersion. The greater the amount of dispersion greater will be the standard deviation. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series; a large standard deviation means just the opposites it is denoted by the letter σ.

$$\text{S.D } (\sigma) = \sqrt{\frac{1}{N}\sum (X - \overline{X})^2}$$

Where,

N = Number of observations

X = Expected return of the historical data

II) Coefficient of Variation (C.V)

The coefficient of variation is the most commonly used measure of relative variation. It is used in such problems where the researcher wants to compare the variability of more than two years. Greater the C.V, more variable or conversely less consistent, less uniform and less C. V. is more consistent, more uniform, more stable and homogeneous.

$$\text{C.V} = \frac{\text{Standard deviation } (\sigma)}{\text{Expected Return } (\overline{X})} \times 100$$

I) Karl Pearson's Coefficient of Correlation Analysis

This statistical tool has been used to analyze, identify and interpret the relationship between two or more variables. It interprets whether two or more variables are correlated positively or negatively. Statistical tool analyses the relationship between those variables and helps the selected banks to make appropriate investment policy regarding to profit maximization and deposit collection; fund mobilization through providing loan and advances.

For the purpose of decision-making, interpretation is based on following term:

- When r = 1, there is perfect positive correlation.
- When r = -1, there is perfect negative correlation.
- When r = 0, there is no correlation.
- When 'r' lies between 0.7 to 0.999 (-0.7 to 0.999), there is a high degree of positive (or negative) correlation.
- When 'r' lies between 0.5 to 0.699, there is moderate degree of correlation.
- When 'r' is less than 0.5, there is low degree of correlation.

Karl Pearson's correlation coefficient has been used to find out the relationship between the following variables:

a) Coefficient of correlation between deposit and loan and advances

Correlation coefficient between deposits and loan and advances measures the degree of relationship between two variables i.e. X and Y. In this analysis, deposit is independent variables (X) and loan and advances is dependent variables (Y). The main purpose of calculating correlation coefficient is to justify whether the deposits are significantly used in proper way or not and whether there is any relationship between these two variables.

b) Coefficient of correlation between deposit and total investment

Correlation coefficient between deposit and investment is to measure the degree of relationship between deposit and total investment. In this analysis, deposit is independent variables (X) and total investment is dependent variables (Y).

Karl Pearson's Correlation coefficient(r) can be obtained as:

$$r = \frac{n\Sigma XY - \Sigma X.\Sigma Y}{\sqrt{n\Sigma X^2 + (\Sigma X)^2} - \sqrt{n\Sigma Y^2 + (\Sigma Y)^2}}$$

Where,

n = number of observations in series X and Y

$\sum$ X = sum of observations in series X

$\sum$ Y = sum of observations in series Y

$\sum$ X^2 =sum of squared observations in series X

$\sum$ Y^2 = sum of squared observations in series Y

$\sum$ XY = sum of the product of observations in series X and Y

IV) Probable Error (P.E)

Probable error is measured for testing the reliability of an observed value of correlation coefficient. It is computed to find the extent to which it is dependable. If correlation coefficient is greater than 6 times P.E the observed value of r is said to be significant, otherwise nothing can be concluded with certainty. But if the calculated (r)

is less than the P.E correlation is not at all significant. It is calculated by using following formula:

$$P.E = 0.6745 \times \frac{1-r^2}{\sqrt{n}}$$

Where,

P.E. (r) = Probable error of correlation coefficient

r = Correlation coefficient

n = Number of observations

V) Trend Analysis

The easiest way to evaluate the performance of a firm is to compare its current ratios with past ratios. When financial ratios over a period of time are compared it is known as the trend analysis. It gives an indication of the direction of change and reflects whether the firm's financial performance has improved, deteriorated or remain constant over time. This type of statistical analysis interprets the trend of deposits, loan and advances, investments and net profit of EBL, HBL, and NIBL from 2001/2002 to 2009/2010. It is necessary to calculate the forecasting for next four years till 2013/14. It can be calculated using below formula.

$y=a+bx$ where y = dependent variable

a = y-intercept

b = slope of the trend line

x = independent variable

The projections are based on the following assumptions:

i) Other things will remain unchanged.
ii) The bank will run in present position.
iii) The economy will remain in the present stage.
iv) NRB will not change its guidelines to commercial banks.

The trend values used in this study are presented below:

a) Trend Analysis of total investment to total deposits ratio
b) Trend Analysis of loan and advances to deposit ratio

VI) Test of Hypothesis

The following steps have been followed for the test of hypothesis (F-Test):

a) Formulating hypothesis
   I) Null Hypothesis (H_0)
   II) Alternative Hypothesis (H_1)

In the following lines, some of main hypothesis tests are calculated and decision is made according to findings.

Null Hypothesis (H_0): $\overline{X_1} = \overline{X_2} = \overline{X_3}$ i.e. there is no significant difference between mean ratios of loans and advances to total deposit of HBL, EBL and NIBL.

Alternative Hypothesis (H_1): $\overline{X_1} \neq \overline{X_2} \neq \overline{X_3}$ i.e. there is significant difference between mean ratios of loans and advances to total deposit of HBL, EBL and NIBL (Where $\overline{X_1}$, $\overline{X_2}$ and $\overline{X_3}$ are the mean ratio of HBL, EBL and NIBL respectively).

Here, $\overline{X_1} = \frac{\sum X_1}{n_1}$, $\overline{X_2} = \frac{\sum X_2}{n_2}$, $\overline{X_3} = \frac{\sum X_3}{n_3}$

Again, $x_1 = X_1 - \overline{X_1}$ $x_2 = X_2 - \overline{X_2}$ $x_3 = X_3 - \overline{X_3}$

Sum of the square between samples

$$= n_{HBL}(\sum x_1)^2 + n_{EBL}(\sum x_2)^2 + n_{NIBL}(\sum x_3)^2$$

Sum of square within samples

$$= \sum x_1^2 + \sum x_2^2 + \sum x_3^2$$

Test statistics, $F = \frac{\text{Sum of square between samples} / k-1}{\text{Sum of square within samples} / n-k}$

Degree of freedom = (k-1, n-k)

Decision: Since calculated value of F is greater than tabulated value of F. The null hypothesis Ho is rejected and hence the alternative hypothesis h1 is accepted and/or Vice-versa.

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

In this study effort has been made to analyze the collected data by using financial and statistical tools as well as various graphical presentations. Likewise, comparative balance sheet and comparative profit and loss account from the year 2001 to 2010 of HBL, EBL and NIBL are presented in appendices. This chapter is primarily concerned with presentation and analysis of data.

4.1 Ratio Analysis

4.1.1 Liquidity Ratios

4.1.1.1 Cash and Bank Balance to Total Deposit

Cash and bank balance to total deposit ratio is computed by using following formula:

$$\text{Cash and Bank Balance to Total Deposit Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposits}}$$

Table: 4.1

Comparative Cash and Bank Balance to Total Deposit Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	8.14	18.25	10.5
2002/03	6.79	10.84	8.12
2003/04	9.4	17.02	11.69
2004/05	9.09	7.83	10.65
2005/06	8.12	10.4	9.4
2006/07	6.48	11.25	12.34
2007/08	5.85	13.15	9.97
2008/09	4.55	11.13	10.9
2009/10	8.79	18.5	16.96
Mean ($\bar{X}$)	**7.47**	**13.15**	**11.17**

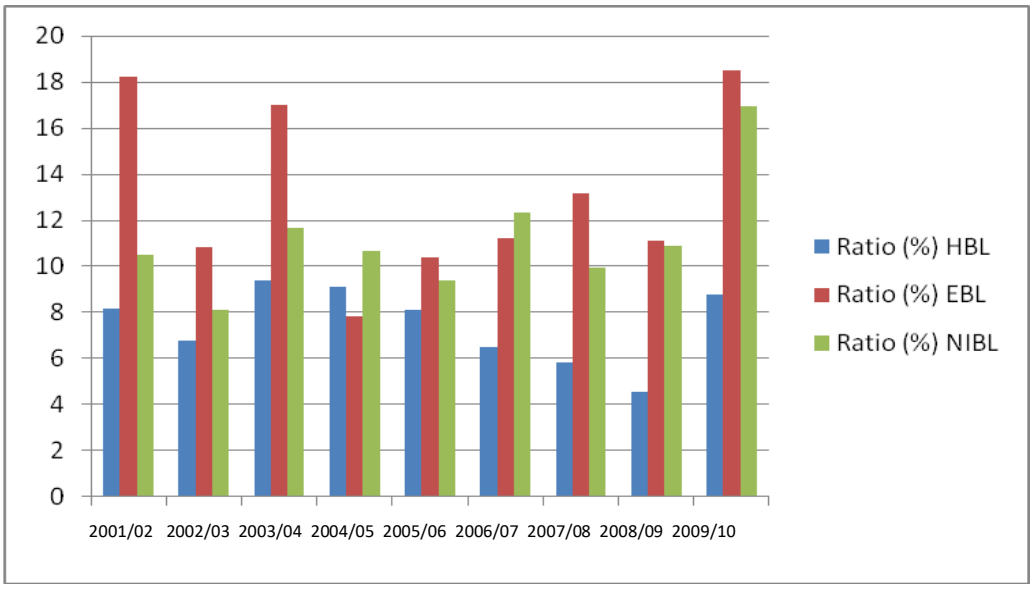
Source: Appendix –I

From the above comparative table, cash and bank balance to total deposit ratio of the three banks followed a fluctuating trend. EBL has maintained the higher average ratio i.e. 13.15% of cash and bank balance to total deposit than HBL and EBL average ratio 7.47% and 11.17% respectively. Average ratio of EBL is higher than HBL and NIBL.

The variability of the ratio is lower in HBL. It states that HBL has more consistent ratio among three banks. Similarly, the variability of the ratio is higher in EBL among three banks. That is presented in below diagram.

Figure: 4.1

Comparative Cash and Bank Balance to Total Deposit Ratios



4.1.1.2 Cash and Bank Balance to Current Assets

This ratio is calculated dividing cash and bank balance by total current assets.

$$\text{Cash and Bank Balance to Current Assets Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Assets}}$$

Table: 4.2

Comparative Cash and Bank Balance to Current Assets Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	8.64	16.53	13.48
2002/03	9.17	9.32	10.15
2003/04	11.73	14.45	12.32
2004/05	10.73	6.71	11.01
2005/06	9.45	9.08	9.6
2006/07	7.41	10.25	13.05
2007/08	6.37	11.4	10.35
2008/09	4.91	10.05	10.98
2009/10	9	17.27	16.82
Mean ($\bar{X}$)	8.60	11.67	11.97
S.D. (σ)	2.11	3.61	2.25
C.V.	24.51	30.92	18.80

From the above comparative table, it reveals that cash and bank balance to current assets ratios of HBL is in less fluctuating trend. Standard deviation of HBL is only 2.11 whereas Standard deviation of EBL and NIBL are 3.61 and 2.25. It refers that cash and bank balance to current assets ratio of HBL is less fluctuating than EBL and NIBL.

Similarly, C.V. ratio of NIBL is less than that of two banks i.e. 18.80%. It indicates that ratio of NIBL is more stable than that of HBL and NIBL.

4.1.1.3 Investment on Government Securities to Current Assets

This ratio has been used to find the percentage of current assets invested on government securities, treasury bills and development bonds. It can be calculated as:

$$\text{Invt. on Govt. Securities on Current Assets} = \frac{\text{Investment on Government Securities}}{\text{Current Assets}}$$

Table: 4.3

Comparative Investment on Government Securities to Current Assets Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001//02	12.19	16.3	9.06
2002/03	18.78	24.2	6.72
2003/04	23.7	20.28	5.32
2004/05	18.39	26.18	17.96
2005/06	25.65	18.15	13.95
2006/07	22.2	23.42	14.09
2007/08	23.41	22.42	13.81
2008/09	25.32	18.16	9.23
2009/10	12.44	14.42	5.38
Mean($\overline{X}$)	**20.23**	**20.39**	**10.61**
S.D. (σ)	**5.15**	**3.93**	**4.50**
C.V.	**25.45**	**19.28**	**42.44**

Source: Appendix –I

The above comparative table shows that HBL and NIBL have invested their fund in government securities in fluctuating trend in comparison to EBL. EBL has invested more portions of current assets in government securities i.e. 26.18% in the year 2004/05 in comparison to HBL and NIBL through the study period. The mean ratio of EBL is the highest i.e.20.39% than that of HBL and NIBL. Coefficient of variation of EBL is 19.28%. It seems that HBL is more consistent to make investment in government securities than EBL and NIBL.

4.1.2 Assets Management Ratios

The following financial ratios related to fund mobilization are calculated under asset management ratio and interpretation is made by these calculations:

4.1.2.1 Loan and Advances to Total Deposit

This ratio can be obtained by dividing loan and advances to total deposit, which can be shown as,

$$\text{Loan and Advances to Total Deposit Ratio} = \frac{\text{Total loan and Advances}}{\text{Total Deposit}}$$

Table: 4.4

Comparative Loan and Advances to Total Deposit Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	48.41	65.71	54.48
2002/03	47.87	72.23	61.43
2003/04	47.53	73.32	72.86
2004/05	54.3	72.97	61.87
2005/06	50.07	75.45	71.04
2006/07	55.27	71.01	67.5
2007/08	56.57	75.13	70.59
2008/09	61.23	76.49	78.36
2009/10	71.49	71.68	77.61
Mean($\overline{X}$)	**54.75**	**72.67**	**68.42**
S.D. (σ)	**7.81**	**3.19**	**7.92**
C.V.	**14.26**	**4.39**	**11.57**

Source: Appendix –I

The above comparative table shows that these three banks have mobilized their collected deposits in fluctuating trend as loan and advances during the study period. The highest ratio of loan and advances to total deposit of HBL, EBL and NIBL are 71.49%, 76.49% and 78.36% respectively.

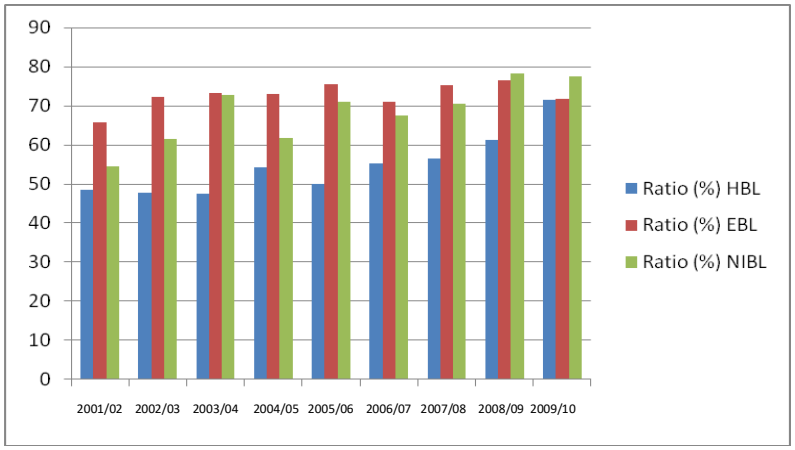
HBL has mobilized 54.75% of its collected deposit in loan and advances which is less than that of EBL and NIBL in average. Coefficient of variation of EBL is 4.39%,

which shows that EBL is more stable than HBL and NIBL in mobilizing collected deposit.

The comparative Loan and Advances to Total Deposit Ratio is presented below in graph:

Figure: 4.2

Loan and Advance to Total Deposit Ratio



4.1.2.2 Total Investment to Total Deposit

This ratio is computed by using following formula:

$$\text{Total Investment to Total Deposit Ratio} = \frac{\text{Total Investment}}{\text{Total Deposit}}$$

Table: 4.5

Comparative Total Investment to Total Deposit Ratios

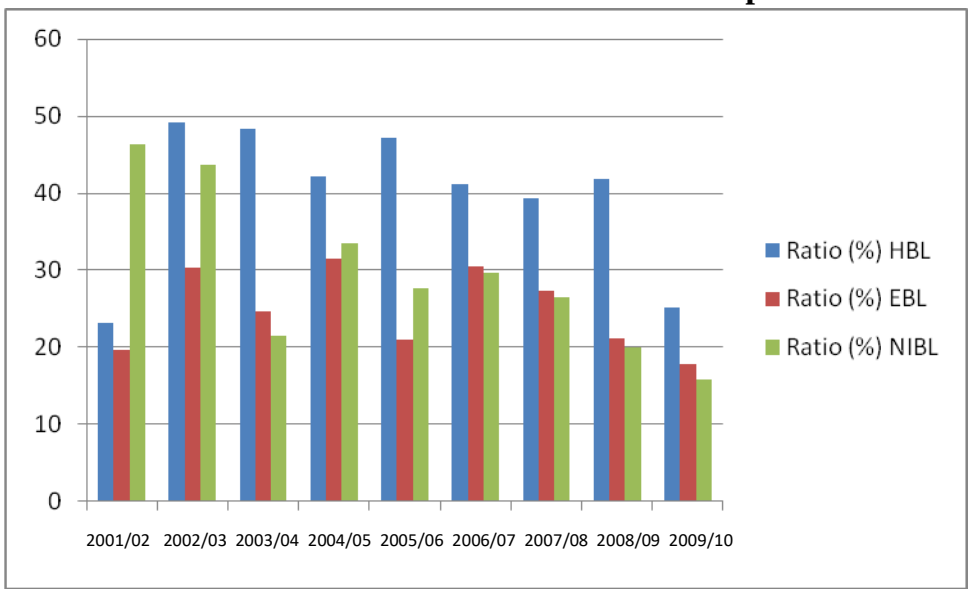
Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	23.15	19.71	46.29
2002/03	49.18	30.33	43.65
2003/04	48.35	24.7	21.52
2004/05	42.22	31.44	33.51
2005/06	47.12	21.08	27.6
2006/07	41.1	30.43	29.6
2007/08	39.35	27.41	26.57
2008/09	41.89	21.1	19.95
2009/10	25.12	17.85	15.85
Mean($\overline{X}$)	**39.72**	**24.89**	**29.39**
S.D. (σ)	**9.48**	**5.18**	**10.32**
C.V.	**23.88**	**20.82**	**35.10**

Source: Appendix -I

From the above comparative table, it can be concluded that all three banks have the ratios of fluctuating trend throughout the study period. In average HBL has invested more amount of its total deposit in comparison to EBL and NIBL i.e. 39.72%. The coefficient of variation of EBL is 20.82%. It indicates that EBL is more consistent to make investment of total deposits than EBL and NIBL.

Figure: 4.3

Total Investment to Total Deposit



4.1.2.3 Loan and Advances to Total Working Fund

Loan and advances to working fund ratio can be obtained dividing loan and advances amount by total working fund. That is formulized as,

$$\text{Loan and Advances to Total Working Fund Ratio} = \frac{\text{Total Loan and Advances}}{\text{Total Working Fund}}$$

Table: 4.6

Comparative Loan and Advances to Total Working Fund Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	45.24	58.04	46.22
2002/03	43.12	60.08	51.56
2003/04	42.96	60.96	64.03
2004/05	48.16	61.24	53.79
2005/06	44.62	64.94	62.22
2006/07	49.7	61.41	59.9
2007/08	50.71	63.75	62.65
2008/09	53.9	67.55	69.45
2009/10	63.05	64.7	68.37
Mean($\overline{X}$)	**49.05**	**62.52**	**59.80**
S.D. (σ)	**6.42**	**2.93**	**7.80**
C.V.	**13.09**	**4.69**	**13.05**

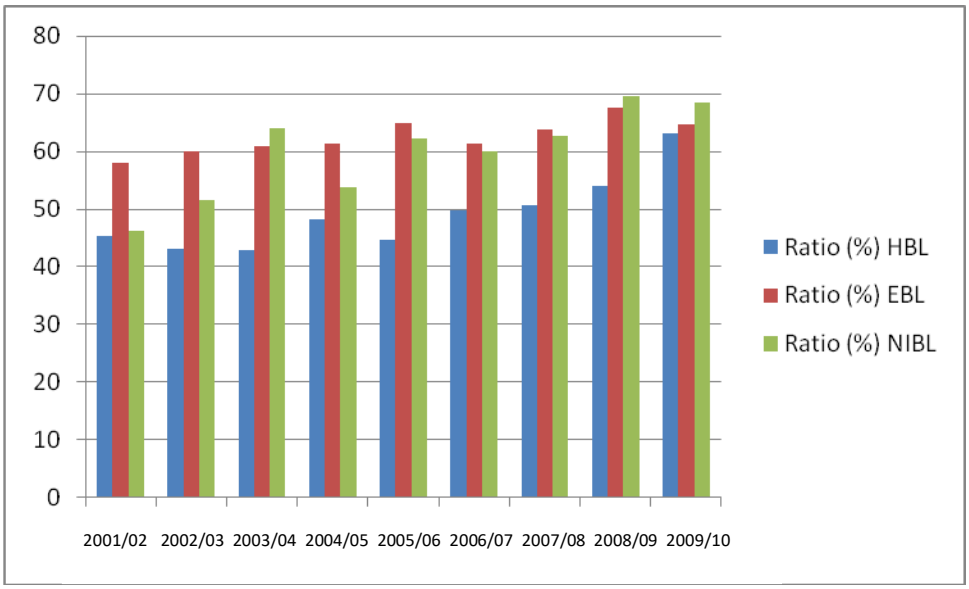
Source: Appendix –I

Above table describes the loan and advances to total working fund ratio of HBL, EBL and NIBL in fluctuating trend. During the study period HBL, EBL and NIBL have highest ratio of 63.05%, 67.55% and 69.45% in year 2009/2010, 2008/2009 and 2008/2009

respectively. On average, EBL maintains highest ratio of 62.52% than HBL and NIBL of 49.05% and 59.80% respectively. The coefficient of variation of EBL is more consistent than HBL and NIBL because it has the ratio of lowest variation i.e.4.69%.

Figure: 4.4

Loan & Advance to Total Working Funds



4.1.2.4 Investment on Government Securities to Total Working Fund

Investment on government securities to working fund ratio shows how much of the total investment is there on government securities. It can be obtained by:

$$\text{Invt. on Govt. Securities to TWF Ratio} = \frac{\text{Invt. on Government Securities}}{\text{Total Working Fund}}$$

Table: 4.7

Comparative Investment on Government Securities to Total Working Fund Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	10.73	15.89	5.98
2002/03	12.52	23.42	4.51
2003/04	17.18	19.86	4.44
2004/05	13.83	25.67	15.1
2005/06	19.64	17.9	11.97
2006/07	17.46	22.24	11.83
2007/08	19.26	21.95	11.8
2008/09	20.65	17.76	8.12
2009/10	10.71	13.94	4.78
Mean($\overline{X}$)	**15.78**	**19.85**	**8.73**
S.D. (σ)	**3.89**	**3.80**	**4.03**
C.V.	**24.67**	**19.15**	**46.17**

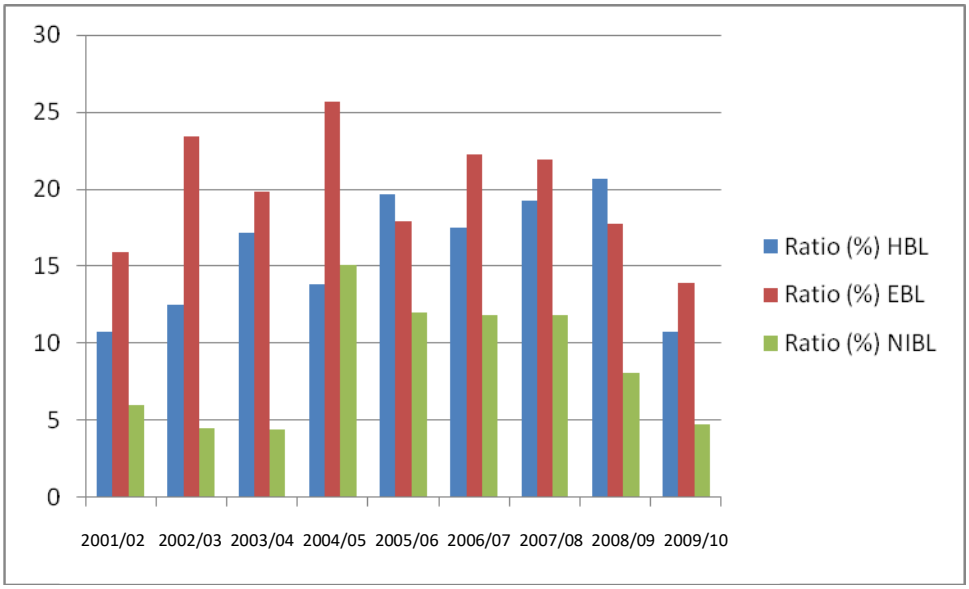
Source: Appendix-I

Above comparative table of Investment on government securities to Total working fund ratio shows the average ratio of EBL is higher than HBL and NIBL i.e. 19.85%. It refers the EBL has invested more in government securities of its Total working fund. EBL has less fluctuation in investment during study period.

Co efficient of variance shows EBL is more constant than other two bank HBL and NIBL.

Figure: 4.5

Government Securities to Total Working Fund Ratio



4.1.2.5 Investment on Shares and Debentures to Total Working Fund

This ratio can be obtained dividing the amounts invested on shares and debentures and by total working fund. It is calculated as:

$$\text{Invt. on Shares and Debn. to TWF Ratio} = \frac{\text{Invt. on Shares and Debn.}}{\text{Total Working Fund}}$$

Table: 4.8

Comparative Investment on Shares and Debentures to Total Working Fund Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	0.06	0.07	2.47
2002/03	0.17	0.26	2.79
2003/04	0.15	0.21	1.54
2004/05	0.14	0.18	1.05
2005/06	0.14	0.17	0.11
2006/07	0.14	0.12	0.08
2007/08	0.22	0.09	0.13
2008/09	0.25	0.06	0.15
2009/10	0.24	0.05	0.12
Mean($\overline{X}$)	**0.17**	**0.13**	**0.94**
S.D. (σ)	**0.06**	**0.07**	**1.09**
C.V.	**35.86**	**55.05**	**116.30**

Source: Appendix -I

From the above analysis, investment on shares and debentures to total working fund ratio of HBL, EBL and NIBL are in fluctuating trend during the nine years study period. The ratio of investment made by EBL and NIBL on Share & Debenture is in decreasing trend The Coefficient of variation shows more stable ratio of HBL than NIBL and EBL.

4.1.3 Profitability Ratios

Here profitability ratios are calculated and evaluated in terms of the relationship between net profit and assets. Profitability of the firms can be presented through the following ways:

4.1.3.1 Return on Loan and Advances

This ratio is computed dividing net profit (loss) by the total amount of loan and advances and it can be mentioned as,

$$\text{Return on Loan and Advances Ratio} = \frac{\text{Net Profit (Loss)}}{\text{Loan and Advances}}$$

Table: 4.9

Comparative Return on Loan and Advances Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	3.24	2.32	2.43
2002/03	2.64	2.16	2.23
2003/04	2.12	1.92	2.02
2004/05	2.2	2.44	2.14
2005/06	2.48	2.21	2.29
2006/07	3.12	2.42	2.74
2007/08	2.89	2.17	2.9
2008/09	3.26	2.46	2.58
2009/10	3.04	2.67	2.49
Mean($\overline{X}$)	**2.78**	**2.31**	**2.42**
S.D. (σ)	**0.44**	**0.22**	**0.29**
C.V.	**15.69**	**9.51**	**11.80**

Source: Appendix-I

According to above analysis the return on the Loan and Advances of the Banks (HBL, EBL and NIBL) are of fluctuating trend. During the study period HBL has the highest ratio of 3.26% than that of EBL and NIBL i.e. 2.67% and 2.74% in 2008/2009, 2009/2010 and 2006/2007 respectively. In average HBL has the highest mean ratio of 2.78% where as EBL and NIBL has the mean ratio of 2.31% and 2.42%. Coefficient of variation indicates that EBL has no more variance than HBL and NIBL.

4.1.3.2 Return on Total Working Fund

Return on total working fund ratio is computed as:

$$\text{Return on Total Working Fund Ratio} = \frac{\text{Net Profit (Loss)}}{\text{Total Working Fund}}$$

Table: 4.10

Comparative Return on Total Working Fund Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	1.47	1.35	1.12
2002/03	1.14	1.3	1.15
2003/04	0.91	1.17	1.3
2004/05	1.06	1.49	1.15
2005/06	1.11	1.43	1.43
2006/07	1.55	1.49	1.64
2007/08	1.47	1.38	1.82
2008/09	1.76	1.66	1.79
2009/10	1.91	1.73	1.7
Mean($\overline{X}$)	**1.38**	**1.44**	**1.46**
S.D. (σ)	**0.34**	**0.17**	**0.29**
C.V.	**24.71**	**12.03**	**19.77**

Source: Appendix-I

During the study period, HBL has the highest ratio of 1.91% in 2009/2010 than that of EBL and NIBL, i.e. 1.73% and 1.82%. HBL has the lowest ratio of 0.91% in year 2003/2004, EBL and NIBL have the lowest ratio of 1.17% and 1.12% in year 2003/2004 and 2001/2002 respectively.

NIBL has highest return on total working fund i.e. 1.46% among three banks in average. In case of coefficient of variation, EBL has the lowest C.V. of 12.03%, than that of HBL and NIBL i.e. 24.71% and 19.77% respectively.

4.1.3.3 Total Interest Earned to Total Working Fund

This ratio reveals the earning capacity of commercial banks by mobilizing its working fund. Higher the ratio higher will be the income as interest. We have,

$$\text{Total Interest Earned to TWF Ratio} = \frac{\text{Total Interest Earned}}{\text{Total Working Fund}}$$

Table: 4.11

Comparative Total Interest Earned to Total Working Fund Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	7.03	7.43	6.97
2002/03	5.56	6.75	6.56
2003/04	5.16	6.46	5.1
2004/05	5.02	6.84	5.52
2005/06	5.19	6.13	5.45
2006/07	5.52	5.66	5.5
2007/08	5.3	5.34	5.74
2008/09	5.43	5.7	5.64
2009/10	5.96	5.92	6.16
Mean($\overline{X}$)	**5.57**	**6.25**	**5.85**
S.D. (σ)	**0.61**	**0.67**	**0.60**
C.V.	**10.97**	**10.79**	**10.23**

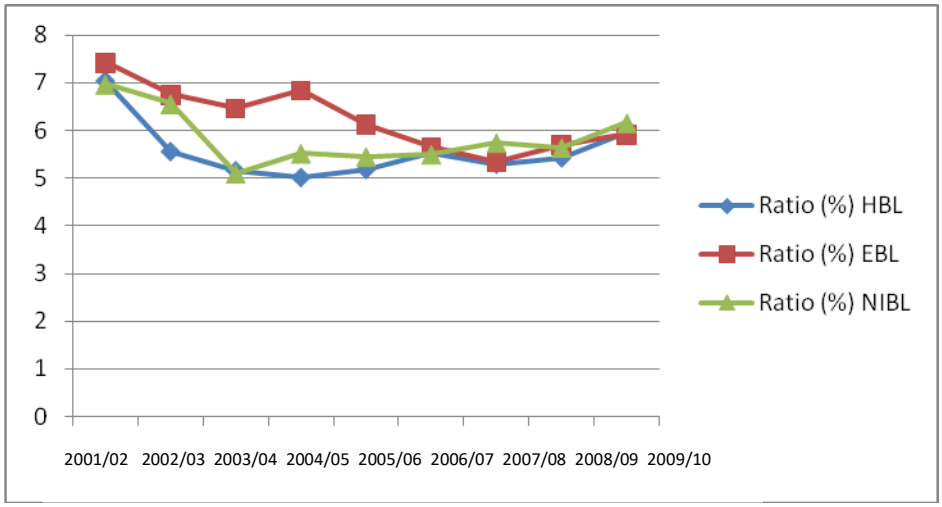
Source: Appendix-I

The above comparison report shows the EBL has highest interest earned to total working fund ratio of 7.43% in the year 2001/2002 and lowest ratio of 5.34% in the year 2007/2008. Likewise HBL and NIBL have the highest ratio of 7.03% and 6.97% in year 2001/2002.

EBL has 6.25% mean ratio, but HBL and NIBL have only 5.57% and 5.85% respectively. The coefficient of variation of NIBL is less than HBL and EBL i.e. 10.23%. It indicates that interest earning power of NIBL is more consistent than HBL and EBL. This ratio can be presented by the help of graph as following:

Figure: 4.6

Total Interest Earned to Total Working Fund Ratio



4.1.3.4 Total Interest paid to Total Working Fund

Total interest paid to total working fund ratio is calculated as:

$$\text{Total Interest paid to Total Working fund Ratio} = \frac{\text{Total Interest paid}}{\text{Total Working fund}}$$

Table: 4.12

Comparative Total Interest paid to Total Working Fund Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	3.89	4.56	3.26
2002/03	2.8	3.91	2.62
2003/04	2.38	3.82	2.1
2004/05	1.98	3.29	2.46
2005/06	2.02	2.55	2.18
2006/07	2.2	2.52	2.3
2007/08	2.29	2.41	2.48
2008/09	2.28	2.33	2.55
2009/10	2.38	2.74	3.18
Mean($\overline{X}$)	**2.47**	**3.13**	**2.57**
S.D. (σ)	**0.58**	**0.80**	**0.41**
C.V.	**23.64**	**25.73**	**15.79**

Source: Appendix –I

NIBL has more consistent ratio in interest paid to total working fund during the study period than other two banks. Standard Deviation of NIBL is only 0.41 whereas HBL and EBL has 0.58 and 0.80 respectively.

Average ratio of HBL is lower than EBL and NIBL. Where, average ratio of HBL, EBL & NIBL is 2.47, 3.13 & 2.57 respectively. The coefficient of variation of NIBL is more stable than HBL and NIBL i.e. 15.79%.

4.1.4 Risk Ratios

For this study, following risk ratios are used to analyze and interpret the financial data and investment policy.

4.1.4.1 Liquidity Risk Ratio

This ratio is calculated by dividing cash and bank balance to total deposit.

$$\text{Liquidity Risk Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

Table: 4.13

Comparative Liquidity Risk Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	8.14	18.25	10.5
2002/03	6.79	10.84	8.12
2003/04	9.42	17.02	11.69
2004/05	9.09	7.83	10.65
2005/06	8.12	10.4	9.4
2006/07	6.48	11.25	12.34
2007/08	5.85	13.15	9.97
2008/09	4.55	11.13	10.9
2009/10	8.79	18.5	16.96
Mean($\overline{X}$)	**7.47**	**13.15**	**11.17**
S.D. (σ)	**1.64**	**3.85**	**2.50**
C.V.	**21.98**	**29.26**	**22.34**

Source: Appendix-I

The above table shows that HBL has highest cash and bank balance to total deposit ratio of 9.42% in the year 2003/2004 and lowest ratio of 4.55% in 2008/2009 that doesn't satisfy the NRB's CRR policy, Similarly EBL and NIBL have highest ratio of 18.25% and 16.96% on 2001/2002 and 2009/2010 respectively. Likewise EBL and NIBL have lowest ratio of 7.84% and 8.12% in the year 2004/2005 and 2002/2003 respectively.

The mean ratio of HBL is lower than that of EBL and NIBL i.e. 7.47 %< 13.15 %< 11.17%. It means that HBL has maintained the lower liquidity risk ratio which means it operates with higher risk for higher profit. The coefficient of variation of EBL i.e. 29.26% is highest than that of HBL and NIBL where as HBL and NIBL have 21.98% and 22.34%. It shows that the ratio of EBL is more variable than of HBL and EBL.

4.1.4.2 Credit Risk Ratio

In general, credit risk ratio shows the proportion of non-performing assets in the total investment plus loan and advances of a bank. It is computed as:

$$\text{Credit Risk Ratio} = \frac{\text{Total Investment + Total Loan and Advances}}{\text{Total Assets}}$$

Table: 4.14

Comparative Credit Risk Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2001/02	66.88	75.45	85.49
2002/03	87.42	85.31	88.19
2003/04	86.67	81.5	82.95
2004/05	85.6	87.63	82.93
2005/06	86.61	83.08	86.4
2006/07	86.66	87.73	86.16
2007/08	85.98	87.01	86.23
2008/09	90.77	86.18	87.13
2009/10	85.21	80.81	82.32
Mean	**84.64**	**83.86**	**85.31**
S.D.	**6.85**	**4.07**	**2.08**
C.V.	**8.10**	**4.86**	**2.44**

Source: Appendix-I

The above comparative table shows that HBL, EBL and NIBL have the credit risk ratio in fluctuating trend. HBL, EBL and NIBL have the highest ratio of 90.77%, 87.73% and 88.19% in the year 2008/2009, 2006/2007 and 2002/2003 respectively whereas they have lowest ratio of 66.88%, 75.45% and 82.32% in year 2001/2002, 2001/2002 and 2009/2010 respectively.

On the basis of mean ratio, it can be said that the credit risk of EBL is lowest than that of HBL and NIBL i.e. 83.86% <84.64% < 85.31%.

HBL has the highest coefficient of variation than that of EBL and NIBL i.e. 8.10% which shows more variable ratios of HBL.

4.1.5 Growth Ratios

The growth ratios represent how well the commercial banks are maintaining their economic and financial position. To calculate, check and analyze the expansion and growth of the selected banks the following growth ratios are calculated.

4.1.5.1 Growth Ratio of Total Deposits

Table: 4.15

Growth Ratio of Total Deposits

(Rs. in million)

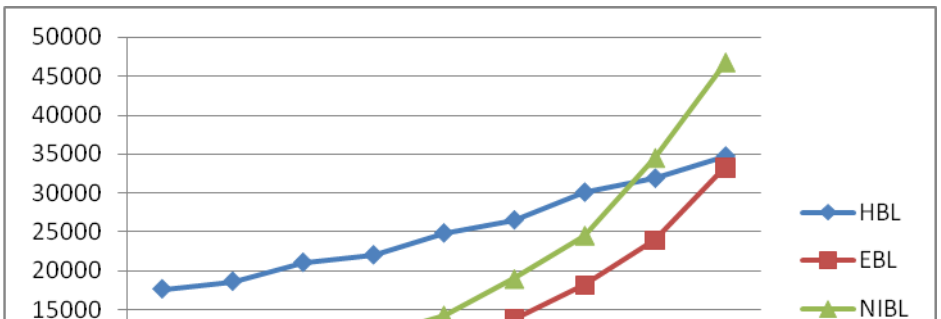
Banks	Total Deposit									Growth Rate (%)
	2001/ 02	2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08	2008/ 09	2009/ 10	
HBL	17636.9	18619.4	21045.1	22010.3	24814	26490.9	30048.4	31842.8	34681.4	8.82
EBL	4574.51	5466.61	6694.96	8063.9	10097.7	13802.4	18186.3	23976.3	33323	28.17
NIBL	4256.21	4174.76	7922.77	11524.7	14254.6	18927.3	24488.9	34451.7	46698.1	34.91

Source: Appendix-II

The table presented above shows that HBL and EBL are increasing their deposit collection during nine years study period. But NIBL total deposits are in fluctuating trend. The growth ratio of HBL, EBL and NIBL are 8.82%, 28.17% and 34.91% respectively. The growth ratio of total deposits of HBL seems lower than EBL and NIBL. Growth ratio of total deposit of HBL, EBL and NIBL are also shown in the following line chart.

Figure: 4.7

Growth Ratio of Total Deposit



4.1.5.2 Growth Ratio of Total Investment

Table: 4.16

Growth Ratio of Total Investment

(Rs. in million)

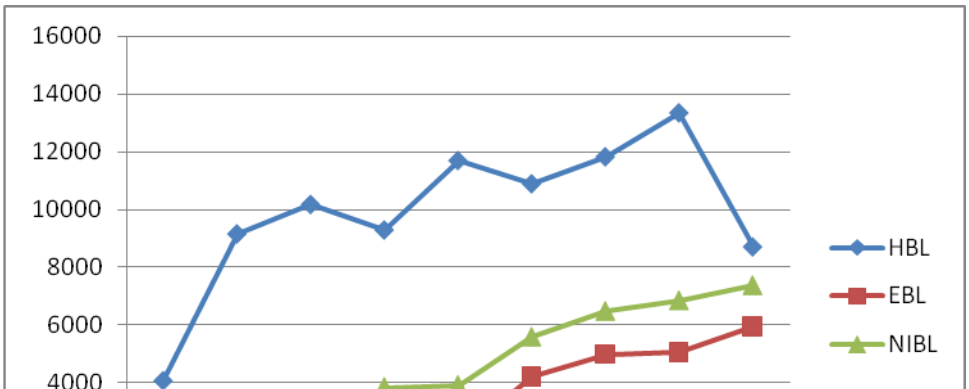
Banks	Year									Growth Rate (%)
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	
HBL	4083.2	9157.1	10175.4	9292.1	11692.3	10889	11823	13340.2	8710.7	9.93
EBL	901.72	1657.9	1653.98	2535.7	2128.93	4200.51	4984.32	5059.57	5948.5	26.6
NIBL	1970.3	1822.2	1705.25	3862.5	3934.19	5602.87	6505.69	6874.04	7399.8	17.99

The above table shows that EBL has increased its investment from the year 2001/2002 to 2009/2010. HBL, EBL and NIBL have the growth rate of 9.93%, 26.60% and 17.99% respectively. Among them NIBL has the highest growth rate than HBL and NIBL.

It can also be presented with the help of line chart as following:

Figure: 4.8

Growth Ratio of Total Investment



4.1.5.3 Growth Ratio of Loan and Advances

Table: 4.17

Growth Ratio of Loan and Advances

(Rs. in million)

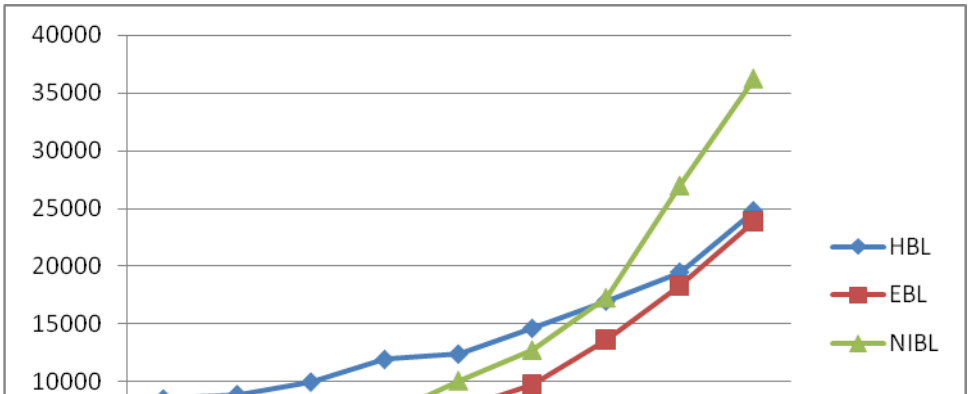
Banks	Year									Growth Rate (%)
	2001/ 02	2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08	2008/ 09	2009/ 10	
HBL	8537.7	8913.7	10001.9	11951.9	12424.5	14642.6	16998	19497.5	24793.2	14.25
EBL	3005.8	3948.5	4908.46	5884.12	7618.67	9801.31	13664.1	18339.1	23884.7	29.57
NIBL	2318.8	2564.4	5772.14	7130.12	10126.1	12776.2	17286.4	26996.7	36241.2	41.01

The above table describes the growth ratio of loan and advances of HBL, EBL and NIBL for nine years period. The table shows the high growth ratio of NIBL 41.01% and low growth ratio of HBL 14.25%. But EBL has the medium growth ratio i.e. 29.57%.

Growth ratio of loan and advances of HBL, EBL and NIBL are also shown in the following line chart.

Figure: 4.9

Growth Ratio of Loan & Advance



4.1.5.4 Growth Ratio of Net Profit

Table: 4.18

Growth Ratio of Net Profit

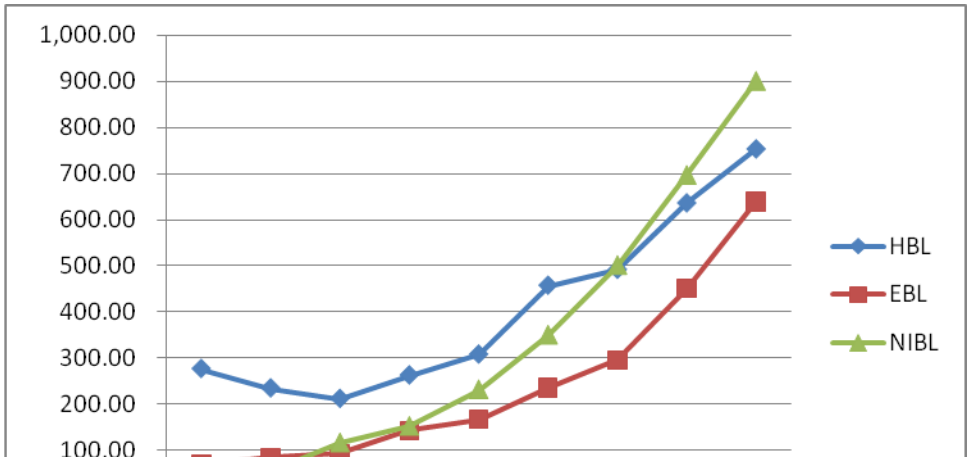
(Rs. in million)

Banks	Year									Growth Rate (%)
	2001/ 02	2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08	2008/ 09	2009/ 10	
HBL	277.04	235.02	212.13	263.05	308.27	457.46	491.82	635.87	752.83	13.31
EBL	69.7	85.33	94.18	143.57	168.21	237.29	296.41	451.22	638.73	31.9
NIBL	56.41	57.1	116.82	152.67	232.15	350.54	501.4	696.73	900.61	41.38

The above table represents the growth ratio of net profit of HBL, EBL and NIBL during nine years period. It shows that NIBL has the highest ratio of 41.38% and HBL has the lowest ratio of 13.31%. The growth ratio of net profit is also shown by the help of line chart, which is shown below:

Figure: 4.10

Growth Ratio of Net Profit



4.2 Correlation Analysis

Correlations between the important variables are analyzed under this heading.

4.2.1 Analysis of Correlation Coefficient between Deposits and Total Investment

The following table describes the relationship between deposits and total investment of HBL, EBL and NIBL for nine years period. In this case, deposit is independent variables (X) and total investment is dependent variable (Y).

Table: 4.19

Correlation Coefficient between Deposits and Total Investment

Banks	Base of Evaluation				Result
	R	r^2	P.E.	6×P.E.	
HBL	0.5612	0.3149	0.1540	0.9242	Not Significant
EBL	0.9357	0.8756	0.0280	0.1678	Significant
NIBL	0.9243	0.8542	0.0328	0.1966	Significant

Source: Appendix –III

From the above table, it is found that coefficient of correlation between deposits and total investment of EBL is 0.9357 i.e. high degree of positive correlation between these two variables. And the value of coefficient of determination (r^2) is also 0.8756 which means 87.56% of investment decision is depend upon deposit and only 12.44% investment is depend upon other variables. Similarly probable error (P.E.) is 0.0280 and 6P.E. is 0.1678 which shows that 'r' is highly greater than 6P.E. Therefore it reveals that relationship between deposit and investment is significant.

Likewise in case of HBL, coefficient of correlation between investment and deposit is 0.5612 i.e. there is positive correlation between two variables. Coefficient of determination (r^2) is 0.3149, which means 31.49% of investment decision is depend upon deposit and 68.51% investment is depend on other variables. And its P.E. is 0.1540 and similarly 6P.E. is 0.9242 which is greater than 'r i.e. 0.5612. It means correlation of coefficient between deposit and Investment of HBL is not significant though there is positive relationship between them.

Similarly, coefficient of correlation of NIBL is 0.9243 i.e. there is high degree of positive correlation between two variables. Coefficient of determination (r^2) is 0.8542, which means 85.42% of investment decision is depend upon deposit and only 14.58% investment is depend on other variables. And P.E. is 0.0328 and 6P.E. is 0.1966 which is lower than 'r' i.e. 0.9243. It means correlation of coefficient between deposit and investment of NIBL is significant.

4.2.2 Analysis of Correlation Coefficient between Deposits and Loan and Advances

The following table describes the relationship between deposit and loan and advances of HBL, EBL and NIBL with comparatively for nine years period. In the following case, deposit is independent variables(X) and loan and advances is dependent variables(Y).

Table: 4.20

Correlation Coefficient between Deposits and Loan and Advances

Banks	Base of Evaluation				Result
	R	r^2	P.E.	6×P.E.	
HBL	0.9743	0.9492	0.0114	0.0685	There is significant relationship between deposits and loan and advances
EBL	0.9984	0.9969	0.0007	0.0041	
NIBL	0.9980	0.9961	0.0009	0.0053	

Source: Appendix –III

From the above table, we can find that the coefficient of correlation between deposit and loan and advances value of 'r' of HBL, EBL and NIBL are 0.9743, 0.9984 and 0.9980 respectively. This shows the positive relationship between these two variables

i.e. loan and advances and deposits. By considering coefficient of determination (r^2), the value of r^2 is 0.9492 in case of HBL, 0.9969 in case of EBL and 0.9980 in case of NIBL.

The value of R^2 of HBL is 0.9492, which means 94.92% of loan and advances decision is depend upon deposit and only 5.08% loan and advances depend upon other variables. The value of r^2 of EBL is 0.9969 which means that 99.69% of loan and advances decision is depend upon deposit and only 0.31% loan and advances depend upon other variables. Similarly, the value of r^2 of NIBL is 0.9961, which means 99.61% of loan and advances decision is depend upon deposit and only 0.39% loan and advances depend upon other variables.

By considering the probable error (P.E.), the value of r^2 is less than the 6 times of P.E., i.e. 0.9492>0.0685, 0.9969>0.0041 and 0.9961>0.0053 which indicates that there is significant relationship between deposits and loan and advances.

4.3 Trend Analysis

4.3.1 Trend Analysis of Total Investment to Total Deposits Ratio

Under this topic, an effort has been made to calculate the trend values of total investment to total deposit ratio of HBL, EBL and NIBL with comparatively for nine years study period and projects the trend for next five years.

The following table describes the trend values of total investment to total deposit ratio of HBL, EBL and NIBL for fourteen years.

Table: 4.21
Trend Values of Total Investment to Total Deposit Ratio of HBL, EBL and NIBL (2001-2014)

Years	Banks (Trend Value)		
	HBL	EBL	NIBL
2001	41.93	26.95	41.84
2002	41.37	26.43	38.73
2003	40.82	25.92	35.62
2004	40.27	25.41	32.50
2005	39.72	24.90	29.39
2006	39.17	24.38	26.28

2007	38.61	23.87	23.17
2008	38.06	23.36	20.06
2009	37.51	22.84	16.95
2010	36.96	22.33	13.84
2011	36.41	21.82	10.73
2012	35.86	21.31	7.62
2013	35.30	20.79	4.50
2014	34.75	20.28	1.39

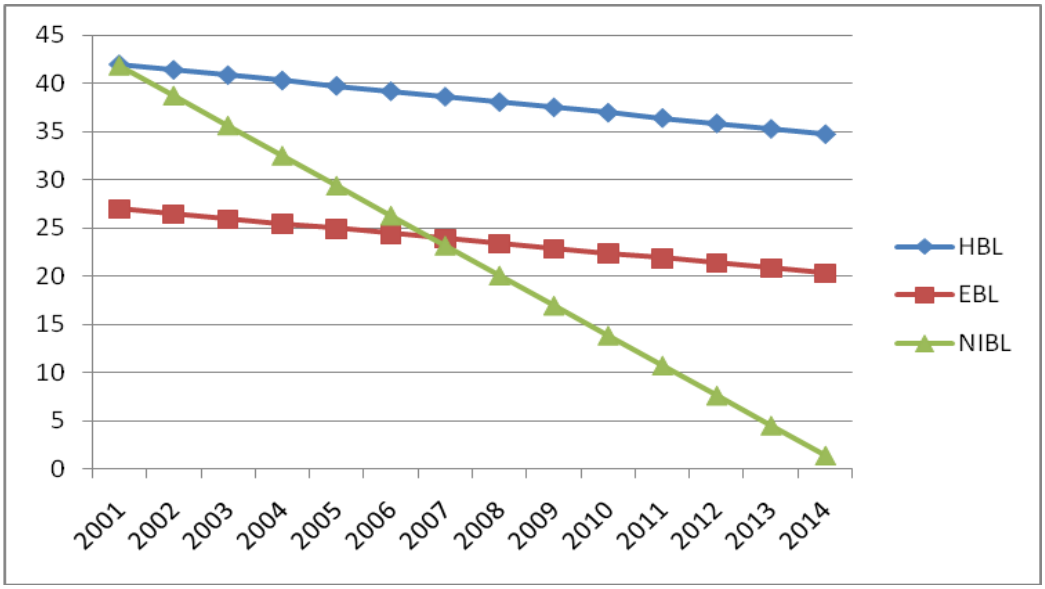
Source: Appendix-IV

From the above comparative table, it has been found that the total investment to total deposit ratios of all banks are in decreasing trend. Other things remaining the same, the ratio of total investment to total deposits of HBL, EBL and NIBL will be 34.75, 20.28 and 1.39 respectively in the year ended 2011.

Trend Line of Total Investment to Total Deposit Ratio of HBL, EBL and NIBL is shown below:

Figure: 4.11

Total Investment to Total Deposit



4.3.2 Trend Analysis of Loan and Advances to Total Deposits Ratio

Under this topic an attempt has been made to analyze the trend of loan and advances to total deposits ratio of HBL, EBL and NIBL with comparatively for nine years study period and projects the trend for next five years. The following table describes the trend values of loan and advances to total deposit ratio of HBL, EBL and NIBL for twelve years.

Table: 4.22

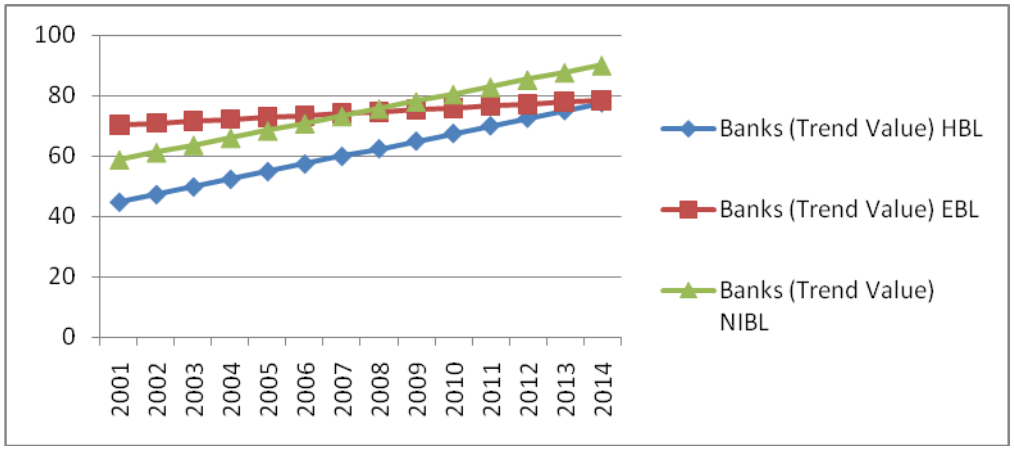
Trend Values of Loan and Advances to Total Deposit Ratio of HBL, EBL and NIBL (2001-14)

Years	Banks (Trend Value)		
	HBL	**EBL**	**NIBL**
2001	44.65	70.11	58.79
2002	47.18	70.75	61.20
2003	49.70	71.39	63.60
2004	52.22	72.03	66.01
2005	54.75	72.67	68.42
2006	57.27	73.30	70.82
2007	59.80	73.94	73.23
2008	62.32	74.58	75.64
2009	64.85	75.22	78.04
2010	67.37	75.86	80.45
2011	69.89	76.50	82.86
2012	72.42	77.14	85.26
2013	74.94	77.78	87.67
2014	77.47	78.41	90.08

From the above comparative table, it has been found that the loan and advances to total deposits ratio of HBL, EBL and NIBL are in increasing trend. Other things remaining the same, the loan and advances to total deposit of HBL will be 32.03 where as EBL and NIBL will be 66.92 and 46.76 respectively in the year 2014. Trend Line of Loan and Advances to Total Deposit Ratio of HBL, EBL and NIBL is shown below:

Figure: 4.12

Loan & Advance to Total Deposit



4.4 Test of Hypothesis

Under this analysis an effort has been made to test the significance level regarding the parameter of the population on the basis of sample drawn from the population.

4.4.1 Test of Hypothesis on Loans and Advances to Total Deposit Ratio

In this analysis ratios of loan and advances to total deposits of HBL, EBL and NIBL are taken and are carried out under F-test of significance difference.

a) Test of Significance of difference between HBL, EBL and NIBL

Null Hypothesis (H_0): $\overline{X_1} = \overline{X_2} = \overline{X_3}$ i.e. there is no significant difference between mean ratios of loans and advances to total deposit of HBL, EBL and NIBL.

Alternative Hypothesis (H_1): $\overline{X_1} \neq \overline{X_2} \neq \overline{X_3}$ i.e. there is significant difference between mean ratios of loans and advances to total deposit of HBL, EBL and NIBL (Where $\overline{X_1}$, $\overline{X_2}$ and $\overline{X_3}$ are the mean ratio of HBL, EBL and NIBL respectively).

Table: 4.23

Test of Hypothesis on Loans and Advances to Total Deposit ratios between HBL, EBL and NIBL

S.N	Fiscal Year	HBL			EBL			NIBL		
		X1	x1	x12	X2	x2	x22	X3	x3	x32
1	2001/02	48.41	-6.34	40.18	65.71	-6.96	48.38	54.48	-13.94	194.20
2	2002/03	47.87	-6.88	47.32	72.23	-0.44	0.19	61.43	-6.99	48.80
3	2003/04	47.53	-7.22	52.11	73.32	0.65	0.43	72.86	4.44	19.75
4	2004/05	54.3	-0.45	0.20	72.97	0.30	0.09	61.87	-6.55	42.84
5	2005/06	50.07	-4.68	21.89	75.45	2.78	7.75	71.04	2.62	6.89
6	2006/07	55.27	0.52	0.27	71.01	-1.66	2.74	67.5	-0.92	0.84
7	2007/08	56.57	1.82	3.32	75.13	2.46	6.07	70.59	2.17	4.73
8	2008/09	61.23	6.48	42.00	76.49	3.82	14.63	78.36	9.94	98.89
9	2009/10	71.49	16.74	280.26	71.68	-0.99	0.97	77.61	9.19	84.54
Total		492.74		487.56	653.99		81.26	615.74		501.48

Here,

$\overline{X_1} = \frac{\sum X_1}{n_1} = \frac{492.74}{9}$ $\overline{X_2} = \frac{\sum X_2}{n_2} = \frac{653.99}{9}$ $\overline{X_3} = \frac{\sum X_3}{n_3} = \frac{615.74}{9}$

$= 54.75$ $= 72.66$ $= 68.41$

Again, $x_1 = X_1 - \overline{X_1}$ $x_2 = X_2 - \overline{X_2}$ $x_3 = X_3 - \overline{X_3}$

Sum of the square between samples (Ratio of Loan and Advance to Total Deposit Ratio)

$$= n_{HBL}(\sum x_1)^2 + n_{EBL}(\sum x_2)^2 + n_{NIBL}(\sum x_3)^2$$

$$= 9 \text{ X } 487.56 + 9 \text{ X } 81.26 + 9 \text{ X } 501.48$$

$$= 9632.7$$

Sum of square within samples

$$= \sum x_1^2 + \sum x_2^2 + \sum x_3^2$$

$$= 487.56+81.26+501.48$$

$$= 1070.30$$

Test statistics, $F = \frac{\text{Sum of square between samples / k} - 1}{\text{Sum of square within samples / n} - \text{k}} = \frac{9632.7/3-1}{1070.3/27-3} = 108$

Degree of freedom = (k-1, n-k) = (3-1, 27-3) = (2, 24)

Critical value: the tabulated value of F at 5% level of significance for 2 and 24 d.f. is 4.26 ie $F_{0.05, (2, 24)} = 4.26$

Decision: Since calculated value of F is greater than tabulated value of F. The null hypothesis Ho is rejected and hence the alternative hypothesis h1 is accepted. Therefore, we conclude that there is significant difference between mean ratios of loans and advances to total deposit of HBL, EBL and NIBL.

4.4.2 Test of Hypothesis Total Investment to Total Deposit Ratio

In this analysis ratio of total investment to total deposits of HBL, EBL and NIBL are taken and are carried out under F-test of significance difference.

b) Test of Significance of difference between HBL, EBL and NIBL

Null Hypothesis (H_0): $\overline{X_1} = \overline{X_2} = \overline{X_3}$ i.e. there is no significant difference between mean ratios of total investment to total deposit of HBL, EBL and NIBL.

Alternative Hypothesis (H_1): $\overline{X_1} \neq \overline{X_2} \neq \overline{X_3}$ i.e. there is significant difference between mean ratios of total investment to total deposit of HBL, EBL and NIBL (Where $\overline{X_1}$, $\overline{X_2}$ and $\overline{X_3}$ are the mean ratio of HBL, EBL and NIBL respectively).

Table: 4.24

Test of Hypothesis on Total Investment to Total Deposit ratios between HBL, EBL and NIBL

S.N	Fiscal Year	HBL			EBL			NIBL		
		X_1	x_1	X_1^2	X_2	x_2	x_2^2	X_3	x_3	x_3^2
1	2001/02	23.15	-16.57	274.56	19.71	-5.18	26.88	46.29	16.90	285.50
2	2002/03	49.18	9.46	89.49	30.33	5.44	29.55	43.65	14.26	203.25
3	2003/04	48.35	8.63	74.48	24.7	-0.19	0.04	21.52	-7.87	61.99
4	2004/05	42.22	2.50	6.25	31.44	6.55	42.84	33.51	4.12	16.95
5	2005/06	47.12	7.40	54.76	21.08	-3.81	14.55	27.6	-1.79	3.22
6	2006/07	41.1	1.38	1.90	30.43	5.54	30.64	29.6	0.21	0.04
7	2007/08	39.35	-0.37	0.14	27.41	2.52	6.33	26.57	-2.82	7.97
8	2008/09	41.89	2.17	4.71	21.1	-3.79	14.40	19.95	-9.44	89.18
9	2009/10	25.12	-14.60	213.16	17.85	-7.04	49.62	15.85	-13.54	183.42
Total		357.48		719.45	224.05		214.85	264.54		851.51

Here,

$$\overline{X_1} = \frac{\sum X_1}{n_1} = \frac{357.48}{9} \qquad \overline{X_2} = \frac{\sum X_2}{n_2} = \frac{224.05}{9} \qquad \overline{X_3} = \frac{\sum X_3}{n_3} = \frac{264.54}{9}$$

$= 39.72$ $=24.89$ $= 29.39$

Again, $x_1 = X_1 - \overline{X_1}$ $x_2 = X_2 - \overline{X_2}$ $x_3 = X_3 - \overline{X_3}$

Sum of the square between samples (Ratio of Total Investment to Total Deposit Ratio)

$$= n_{HBL}(\sum x_1)^2 + n_{EBL}(\sum x_2)^2 + n_{NIBL}(\sum x_3)^2$$

$$= 9 \text{ X } 719.45 + 9 \text{ X } 214.85 + 9 \text{ X } 851.51$$

$$= 16{,}072.29$$

Sum of square within samples

$$= \sum x_1^2 + \sum x_2^2 + \sum x_3^2$$

$$= 719.45 + 214.85 + 851.51$$

$$= 1{,}785.81$$

Test statistics, $F = \frac{\text{Sum of square between samples / k} - 1}{\text{Sum of square within samples / n} - \text{k}} = \frac{16072.29/3-1}{1785.81/27-3} = 108$

Degree of freedom = (k-1, n-k) = (3-1, 27-3) = (2, 24)

Critical value: the tabulated value of F at 5% level of significance for 2 and 24 d.f. is 4.26 ie $F_{0.05, (2, 24)} = 4.26$

Decision: Since calculated value of F is greater than tabulated value of F. The null hypothesis H_o is rejected and hence the alternative hypothesis H_1 is accepted. Therefore, we conclude that there is significant difference between mean ratios of Total Investment to Total Deposit of HBL, EBL and NIBL.

4.5 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 for nine years data from 2001/2002 to 2009/2010.

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

1. Findings from Liquidity Ratios

i) The mean ratio of cash and bank balance to total deposits of EBL is higher than HBL and NIBL. HBL has lowest mean ratio HBL failed to keep minimum CRR ratio in 2008. It states that the liquidity position of EBL is stronger than others two.

ii) The mean ratio of cash and bank balance to current assets of NIBL is higher than HBL and EBL. HBL has lowest mean ratio. It reveals that liquidity position of NIBL is better than others 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 EBL 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 EBL is more consistent. NIBL has lower ratio than other two banks HBL & EBL.

The above result shows that the liquidity position of EBL is comparatively better than HBL and NIBL. EBL has the highest cash and bank balance to total deposit and cash and higher ratio investment in government security. NIBL has slightly higher ratio of cash and bank balance to total deposit ratio than EBL. HBL failed to keep minimum cash balance at 2008. HBL has lowest mean ratio. At last, it can be concluded that EBL has comparatively good deposit collection and higher ability to meet the cash requirements and HBL has lower ability to meet the cash requirements.

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 EBL is 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 NIBL. It is the indication of more consistency better use of loan and advances of EBL.

iv) The average ratio of investment on government securities to total working fund of EBL is higher than that of HBL and NIBL. Similarly the variability ratio of EBL is lower than HBL and NIBL. It seems EBL is more consistent and strong for making investment on government securities.

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

From the above analysis we can conclude that EBL is comparatively successful to invest in productive sector with low variability and has mobilized its collected deposits to loan and advances and government securities more efficiently. It seems EBL is stronger in case of investing fund. Similarly, HBL has mobilized its collected deposits in investment.

3. Findings from Profitability Ratios

i) The mean ratio of return on loan and advances of HBL is higher than EBL and NIBL. The variability ratio of EBL is lower than HBL and NIBL. It seems EBL has more stable return.

ii) The mean ratio of return on total working fund of NIBL is greater than HBL and EBL. Whereas the variability ratio of EBL is lower than HBL and NIBL. It indicates that the return on total working fund of EBL is stable.

iii) In case of mean ratio of total interest earned to total working fund of EBL is highest among three banks. The variability ratio of NIBL is lower than EBL and HBL. It reveals that NIBL has been getting interest income more constantly than others.

iv) The mean ratio of total interest paid to total working fund of HBL is lower than EBL and NIBL. It reveals that NIBL has not paid high interest as EBL and NIBL. The ratio of NIBL is more consistent than that of other two banks.

From the above analysis of profitability ratios, it can be concluded that the HBL is profitable in comparison to other compared banks. Because HBL is getting more interest upon loan and advance and other hand HBL is paying comparatively low interest than EBL and NIBL.

4. Findings from Risk Ratios

i) The mean ratio of liquidity risk of HBL is lower than EBL and NIBL whereas EBL has higher mean ratio. Degree of variability is also lower in HBL in comparison to two banks. It seems HBL is bearing greater liquidity risk than others two banks.

ii) In case of credit risk ratio, EBL has the lower risk than HBL and NIBL The variability ratio of NIBL is lower than HBL and EBL. It indicates that the credit risk ratio is consistent in NIBL.

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 total deposits of all banks i.e. HBL, EBL & NIBL are increasing every year. Out of three banks growth rate of total deposits of NIBL is greater than HBL and NIBL. It shows that NIBL has increased its deposit collection capacity.

ii) The growth rate of total investment of HBL is highly fluctuated than that of EBL and NIBL. EBL is investing more funds with high growth rate (i.e. 26.6%) than others two banks. It shows that EBL had adopted a policy to keep on increasing its investment.

iii) The growth ratio of loan and advances of NIBL is in highly increasing trend. Whereas HBL and EBL has adopted constant increase in the loan and advance. Growth rate of NIBL is higher among three banks. Though HBL is providing more funds in loan and advances it appears weak in growth rate point of view.

iv) The growth ratio of net profit of NIBL is in increasing trend the during study period. HBL has growth rate is not consistent. NIBL has the highest growth ratio of net profit among three banks.

From the above findings it can be observed that the NIBL 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 EBL is better than HBL and NIBL.

6. Findings from Coefficient of Correlation Analysis

i) Correlation coefficient between deposit and total investment of EBL is higher than other compared banks. It indicates that EBL is successfully mobilizing its deposits as investment. There is significant relationship between correlation coefficient of deposit and total investment of NIBL, while HBL doesn't have the significant relationship.

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.

7. Findings from Trend Analysis

i) The total deposit to total investment ratio of HBL, EBL and NIBL are in decreasing trend. The trend value of HBL is higher than two banks. It indicates that HBL is more successful to utilize its deposit in investment.

ii) The trend value of loan and advances to total deposit ratio of HBL, EBL is in increasing trend whereas NIBL has high rate of increasing trend in comparison with HBL and EBL. Hence, we can conclude that Loan and advances to total deposit ratio of NIBL is proportionately better than HBL and EBL.

8. Findings from Test of Hypothesis

i) There is significant difference between mean ratios of loan and advances to total deposit of HBL, EBL and NIBL.
ii) There is significant difference between mean ratios of total investment to total deposit of HBL, EBL and NIBL.

CHAPTER-V
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 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 nine data from the year 2001/2002 to 2009/2010.

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.

5.2 Conclusion

From the analysis of liquidity ratio, the liquidity position of EBL is comparatively better than HBL and NIBL. EBL has the highest cash and bank balance to total deposit and cash and higher ratio investment in government security. NIBL has slightly higher ratio of cash and bank balance to total deposit ratio than EBL. HBL failed to keep minimum cash balance at 2008. HBL has lowest mean ratio. At last, it can be concluded that EBL has comparatively good deposit collection and higher ability to meet the cash requirements and HBL has lower ability to meet the cash requirements.

Considering asset management aspect of three banks, we can conclude that EBL is comparatively successful to invest in productive sector with low variability and has mobilized its collected deposits to loan and advances and government securities more efficiently. It seems EBL is stronger in case of investing fund. Similarly, HBL has mobilized its collected deposits in investment.

The liquidity risk ratio of EBL is higher than that of HBL and NIBL which appears to be less profitable return of EBL. On the other hand liquidity risk ratio of HBL has the lowest among three banks which specified that HBL has not kept idle funds in the form of cash and bank balance. HBL is profitable in comparison to other compared banks. Because HBL is getting more interest upon loan and advance and other hand HBL is paying comparatively low interest than EBL and NIBL. has maintained the lower liquidity risk and NIBL has maintained lower credit risk. Lower liquidity risk means higher risk for higher profit.

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

Growth ratio of total deposits of HBL seems lower than EBL and NIBL. NIBL 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 EBL is better than HBL and NIBL. Similarly, NIBL has maintained high growth ration on loan and advance.

The operating activities of HBL, EBL and NIBL have been occurred cash inflows throughout 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 EBL is more than other two banks. During the year 2002, 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 EBL is higher than other compared banks. It indicates that EBL is successfully mobilizing its deposits as investment. There is significant relationship between correlation coefficient of deposit and total investment of NIBL, while HBL doesn't have the significant relationship. Similarly, 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.

The total deposit to total investment ratio of HBL, EBL and NIBL are in decreasing trend. The trend value of HBL is higher than two banks. It indicates that HBL is more successful to utilize its deposit in investment. In other hand, The trend value of loan and advances to total deposit ratio of HBL, EBL is in increasing trend whereas NIBL has high rate of increasing trend in comparison with HBL and EBL. Hence, we can conclude that Loan and advances to total deposit ratio of NIBL is proportionately better than HBL and EBL.

There is significant difference between mean ratios of loan and advances to total deposit of HBL, EBL and NIBL but there is no significant difference between mean ratios of total investment to total deposit of HBL, EBL and NIBL.

5.3 Recommendations

Suggestion is the output of the whole study. It helps to take corrective action in their activities in future. Different analysis were done till arrive this step. On the basis of above analysis and findings of the study, following suggestions may be referred to overcome weakness, inefficiency and to fund mobilization of HBL, EBL and NIBL.

- **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. The ratio of cash and bank balance to total deposit and current assets of EBL is higher than that of HBL and NIBL. It means EBL has higher cash and bank balance than HBL and NIBL and it indicates EBL has higher idle cash and bank balance. It may decrease profit of bank. EBL is recommended to mobilize its idle cash and bank balance in profitable sector as loan and advances. In other hand, HBL failed to keep the minimum cash and bank balance in 2008. Hence, HBL is recommended to keep minimum cash and bank balance ratio to satify the NRB's directives.

- **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, like cumulative deposit scheme, prize bonds scheme, gift cheques scheme, recurring deposit scheme (life insurance), monthly interest scheme, house building scheme, direct finance housing scheme, education loan scheme and many others.

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

  From the study, it has been revealed that NIBL has invested less funds in government securities than that of HBL and EBL. NIBL has made lower investment amount on government securities. Increasing large amount on assets, as cash and bank balance is not considered good from the profitability point of view

of the bank as it doesn't earn any return. NIBL's investment on government securities is not in satisfactory position. Investment on those securities issued by government i.e. treasury bills, development bonds, saving certificates are free of risk and highly liquid in nature and such securities yield the low interest rates of a particular maturity due to lowest risk in future, it is more better in regard to safety than other means of investment. 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 such as purchase of share and debenture of other financial and non-financial companies and other government and non-government companies. It is also genuine means of utilization of resource. 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 cannot 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 ratio is better than that of other two banks. In other hand EBL's profitability ratio is lower than other two banks. So, EBL is strongly recommended to utilize risky assets and

shareholders fund to gain highest profit margin. Similarly, it should reduce its expenses and should try to collect cheap fund being more profitable.

- **To prefer aggressive-defensive policy**

  Observing the findings of growth analysis and trend of growth, it has noticed that NIBL has been adopting an aggressive policy in most of 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. NIBL should rather prefer an aggressive-defensive policy in mobilizing the resources into loans.

- **To invest deprive and priority sector**

  NRB has directed to commercial banks to invest their certain percentage in deprive and Priority sector and it is also responsibility of banks. The study has been found that HBL 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 HBL is recommended to thoroughly follow the directives issued by NRB and invest in priority and deprive sector and also to invest on other hand small-scale industries like, national self employment fund, public utilities, health, sanitation and drinking water, education and agricultural etc.

- **To make effective portfolio management**

  The total fund of a bank is the aggregation of different portfolios such as deposits, capital fund, borrowings and other deposit liabilities. It is need not to state that deposit liability is the major contributing source. Considering the position of these three banks, the contribution of deposit to total sources of funds is high. It is definitely not a good sign. EBL, HBL and NIBL are therefore, recommended to enhance its capital base and operational resources of funds in order to have an appropriate combination to the total funds of the bank. High contribution of deposits to the total sources of funds demands high level of liquid assets and it is the threat of withdrawals.

  Portfolio management is very important for every investor. In each investment, risk is involved. Risk is the chance of loss or the variability of the returns of a period. The greater the variability of the returns project will be riskier. So it is kept in mind while investing in the project which would be lower risk and higher return. Portfolio management plays vital role with dividing total investment in different areas. Portfolio management of the bank assets basically means allocation of funds in different components of banking assets having different degrees of risk and varying rate of return in such a way that the conflicting goal of maximum yield and minimum risk can be achieved. So, portfolio conditions of HBL , EBL and NIBL should be examine carefully from time to time and alteration should be

made to maintain equilibrium in the portfolio condition as far as possible. So, it can be said "*All eggs should not be kept in the same basket*". The bank should make continuous efforts to explore new, competitive and high yielding investment opportunities to optimize their investment portfolio.

- **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 anyone 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**

  Economic development of the country depends upon the growth of commercial banks. If the service of commercial banks expands all over the country it collects idle money from every corner of the country and can be utilized for income

generation purpose. Government of Nepal 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.

Being a developing country, economic environment of Nepal is not in a good condition. The strong economic structure is needed for the rapid overall development. Commercial banks play vital role in the developing country like Nepal. Commercial banks are facing several problems related to fund mobilization. They have to rush with modern banking technology so that, they would be a professional institutions. If commercial banks follow above- mentioned suggestions, they would be successful in reaching to the modern innovative and competitive banking market.

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APPENDICES

APPENDIX –I

Table No: 1
Cash and Bank Balance to Total Deposit Ratio

(Rs. in Million)

S.N.	Name of the Banks	Fiscal Year								
		2001/02	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
1	**HBL**									
	Cash & Bank Balance	1435.17	1264.67	1979.21	2001.18	2014.47	1717.35	1757.35	1448.14	3048.53
	Total Deposits	17636.9	18619.4	21045.1	22010.3	24814	26490.9	30048.4	31842.8	34681.4
	Ratio (%)	**8.14**	**6.79**	**9.40**	**9.09**	**8.12**	**6.48**	**5.85**	**4.55**	**8.79**
2	**EBL**									
	Cash & Bank Balance	834.99	592.78	1139.57	631.8	1050	1552.97	2391.42	2667.97	6164.37
	Total Deposits	4574.51	5466.61	6694.96	8063.9	10097.7	13802.4	18186.3	23976.3	33323
	Ratio (%)	**18.25**	**10.84**	**17.02**	**7.83**	**10.40**	**11.25**	**13.15**	**11.13**	**18.50**
3	**NIBL**									
	Cash & Bank Balance	446.69	338.93	926.54	1226.92	1340.48	2336.52	2441.51	3754.94	7918
	Total Deposits	4256.21	4174.76	7922.77	11524.7	14254.6	18927.3	24488.9	34451.7	46698.1
	Ratio (%)	**10.50**	**8.12**	**11.69**	**10.65**	**9.40**	**12.34**	**9.97**	**10.90**	**16.96**

Sample Calculation of Expected Return ($\overline{X}$), standard deviation (σ) and Coefficient of variation (C.V.) is Presented below:

For HBL,

Here,

Total Return = $\sum X$ =8.19+6.79+9.42+9.09+8.12+6.48+5.85+4.55+8.79

$$\text{Expected Return } (\overline{X}) = \frac{\sum X}{N}$$

$$= \frac{67.21}{09} = 7.47$$

Where,

N = Number of observations

$\overline{X}$ = Expected return of the historical data

X = Return of the historical data

Return(X)	**Expected Return ($\overline{X}$)**	$X - \overline{X}$	$(X - \overline{X})^2$
8.19	7.47	0.72	0.52
6.79	7.47	-0.68	0.46
9.42	7.47	1.95	3.80
9.09	7.47	1.62	2.62
8.12	7.47	0.65	0.42
6.48	7.47	-0.99	0.98
5.85	7.47	-1.62	2.62
4.55	7.47	-2.92	8.53
8.79	7.47	1.32	1.74
$\sum (X - \overline{X})^2$			**21.70**

$$\text{S.D } (\sigma) = \sqrt{\frac{1}{N}\sum (X - \overline{X})^2}$$

$$= \sqrt{\frac{1}{10} \times 21.70}$$

$$= \sqrt{2.17}$$

$$= 1.47$$

Where,

N = Number of observations

$\overline{X}$ = Expected return of the historical data

$$\text{C.V} = \frac{\text{Standard deviation } (\sigma)}{\text{Expected Return } (\overline{X})} \times 100$$

$$= \frac{1.47}{}$$

7.47

= 0.196787 or 19.68%

Like wise, other item has been calculated according the above analysis.

Table No. 2
Cash and Bank Balance to Current Assets Ratio

(Rs. in Million)

SN	Name of the Banks	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Cash & Bank Balance	1435.17	1264.67	1979.2	2001.18	2014.47	1717.35	1757.35	1448.14	3048.53
	Current Assets	16611.2	13785	16873	18657.4	21326.3	23174.8	27577	29511.7	33869.7
	Ratio (%)	**8.64**	**9.17**	**11.73**	**10.73**	**9.45**	**7.41**	**6.37**	**4.91**	**9.00**
2	**EBL**									
	Cash & Bank Balance	834.99	592.78	1139.6	631.8	1050	1552.97	2391.42	2667.97	6164.37
	Current Assets	5049.85	6359.68	7888	9420.96	11569.8	15155.3	20982.8	26550.9	35687.3
	Ratio (%)	**16.53**	**9.32**	**14.45**	**6.71**	**9.08**	**10.25**	**11.40**	**10.05**	**17.27**
3	**NIBL**									
	Cash & Bank Balance	446.69	338.93	926.54	1226.92	1340.48	2336.52	2441.51	3754.94	7918
	Current Assets	3312.92	3340.24	7517.9	11144.3	13967.8	17906.1	23582.1	34184.2	47081.5
	Ratio (%)	**13.48**	**10.15**	**12.32**	**11.01**	**9.60**	**13.05**	**10.35**	**10.98**	**16.82**

Table No. 3
Investment on Government Securities to Current Assets Ratio

(Rs. in Million)

SN	Name of the Banks	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Inv. on govt. Sec.	2025.25	2588.56	3998.9	3431.73	5469.73	5144.31	6454.87	7471.67	4212.3

	Current Assets	16611.2	13785	16873	18657.4	21326.3	23174.8	27577	29511.7	33869.7
	Ratio (%)	**12.19**	**18.78**	**23.70**	**18.39**	**25.65**	**22.20**	**23.41**	**25.32**	**12.44**
2	**EBL**									
	Inv. on govt. Sec.	823	1538.9	1599.4	2466.43	2100.29	3548.62	4704.63	4821.6	5146.04
	Current Assets	5049.85	6359.68	7888	9420.96	11569.8	15155.3	20982.8	26550.9	35687.3
	Ratio (%)	**16.30**	**24.20**	**20.28**	**26.18**	**18.15**	**23.42**	**22.42**	**18.16**	**14.42**
3	**NIBL**									
	Inv. on govt. Sec.	300	224.4	400	2001.1	1948.5	2522.3	3256.4	3155	2531.3
	Current Assets	3312.92	3340.24	7517.9	11144.3	13967.8	17906.1	23582.1	34184.2	47081.5
	Ratio (%)	**9.06**	**6.72**	**5.32**	**17.96**	**13.95**	**14.09**	**13.81**	**9.23**	**5.38**

Table No.4
Loan and Advances to Total Deposit Ratio

(Rs. in Million)

SN	Name of the Banks	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Loan and Adv.	8537.67	8913.72	10001.9	11951.9	12424.5	14642.6	16998	19497.5	24793.2
	Total Deposits	17636.9	18619.4	21045.1	22010.3	24814	26490.9	30048.4	31842.8	34681.4
	Ratio (%)	**48.41**	**47.87**	**47.53**	**54.30**	**50.07**	**55.27**	**56.57**	**61.23**	**71.49**
2	**EBL**									
	Loan and Adv.	3005.76	3948.48	4908.46	5884.12	7618.67	9801.31	13664.1	18339.1	23884.7
	Total Deposits	4574.51	5466.61	6694.96	8063.9	10097.7	13802.4	18186.3	23976.3	33323
	Ratio (%)	**65.71**	**72.23**	**73.32**	**72.97**	**75.45**	**71.01**	**75.13**	**76.49**	**71.68**
3	**NIBL**									
	Loan and Adv.	2318.83	2564.42	5772.14	7130.12	10126.1	12776.2	17286.4	26996.7	36241.2
	Total Deposits	4256.21	4174.76	7922.77	11524.7	14254.6	18927.3	24488.9	34451.7	46698.1
	Ratio (%)	**54.48**	**61.43**	**72.86**	**61.87**	**71.04**	**67.50**	**70.59**	**78.36**	**77.61**

Table No.5
Total Investment to Total Deposit Ratio

(Rs. in Million)

SN	Name of the Banks	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Total Inv.	4083.16	9157.11	10175.4	9292.11	11692.3	10889	11823	13340.2	8710.69
	Total Deposits	17636.9	18619.4	21045.1	22010.3	24814	26490.9	30048.4	31842.8	34681.4

	Ratio (%)	**23.15**	**49.18**	**48.35**	**42.22**	**47.12**	**41.10**	**39.35**	**41.89**	**25.12**
2	**EBL**									
	Total Inv.	901.72	1657.87	1653.98	2535.67	2128.93	4200.51	4984.32	5059.57	5948.48
	Total Deposits	4574.51	5466.61	6694.96	8063.9	10097.7	13802.4	18186.3	23976.3	33323
	Ratio (%)	**19.71**	**30.33**	**24.70**	**31.44**	**21.08**	**30.43**	**27.41**	**21.10**	**17.85**
3	**NIBL**									
	Total Inv.	1970.28	1822.16	1705.25	3862.48	3934.19	5602.87	6505.69	6874.04	7399.84
	Total Deposits	4256.21	4174.76	7922.77	11524.7	14254.6	18927.3	24488.9	34451.7	46698.1
	Ratio (%)	**46.29**	**43.65**	**21.52**	**33.51**	**27.60**	**29.60**	**26.57**	**19.95**	**15.85**

Table No.6
Loan and Advances to Total Working Fund Ratio

(Rs. in Million)

SN	Name of the Banks	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Loan and Adv.	8537.7	8913.72	10001.9	11951.9	12424.5	14642.6	16998	19497.5	24793.2
	Total Working Fund	18871	20672.4	23279.3	24817.4	27844.7	29460.4	33519.1	36175.5	39320.3
	Ratio (%)	**45.24**	**43.12**	**42.96**	**48.16**	**44.62**	**49.70**	**50.71**	**53.90**	**63.05**
2	**EBL**									
	Loan and Adv.	3005.8	3948.48	4908.46	5884.12	7618.67	9801.31	13664.1	18339.1	23884.7
	Total Working Fund	5178.9	6572.04	8052.21	9608.57	11732.5	15959.3	21432.6	27149.3	36916.9
	Ratio (%)	**58.04**	**60.08**	**60.96**	**61.24**	**64.94**	**61.41**	**63.75**	**67.55**	**64.70**
3	**NIBL**									
	Loan and Adv.	2318.8	2564.42	5772.14	7130.12	10126.1	12776.2	17286.4	26996.7	36241.2
	Total Working Fund	5017.2	4973.88	9014.25	13255.5	16274.1	21330.1	27590.8	38873.3	53010.8
	Ratio (%)	**46.22**	**51.56**	**64.03**	**53.79**	**62.22**	**59.90**	**62.65**	**69.45**	**68.37**

Table No.7
Investment on Government Securities to Total Working Fund Ratio

SN	Name of the Banks	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Inv. on govt Sec.	2025.3	2588.56	3998.86	3431.73	5469.73	5144.31	6454.87	7471.67	4212.3
	To.Working	18871	20672.4	23279.3	24817.4	27844.7	29460.4	33519.1	36175.5	39320.3

	Fund									
	Ratio (%)	**10.73**	**12.52**	**17.18**	**13.83**	**19.64**	**17.46**	**19.26**	**20.65**	**10.71**
2	**EBL**									
	Inv. on govt Sec.	823	1538.9	1599.35	2466.43	2100.29	3548.62	4704.63	4821.6	5146.04
	To.Working Fund	5178.9	6572.04	8052.21	9608.57	11732.5	15959.3	21432.6	27149.3	36916.9
	Ratio (%)	**15.89**	**23.42**	**19.86**	**25.67**	**17.90**	**22.24**	**21.95**	**17.76**	**13.94**
3	**NIBL**									
	Inv. on govt. Sec.	300	224.4	400	2001.1	1948.5	2522.3	3256.4	3155	2531.3
	To.Working Fund	5017.2	4973.88	9014.25	13255.5	16274.1	21330.1	27590.8	38873.3	53010.8
	Ratio (%)	**5.98**	**4.51**	**4.44**	**15.10**	**11.97**	**11.83**	**11.80**	**8.12**	**4.78**

Table No. 8
Investment on Shares and Debentures to Total Working Fund Ratio

(Rs. in Million)

SN	Name of the Banks	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Inv. on Shares	10.69	34.26	34.27	34.26	39.91	39.91	73.42	89.56	93.88
	To.Working Fund	18871	20672.4	23279.3	24817.4	27844.7	29460.4	33519.1	36175.5	39320.3
	Ratio (%)	**0.06**	**0.17**	**0.15**	**0.14**	**0.14**	**0.14**	**0.22**	**0.25**	**0.24**
2	**EBL**									
	Inv. on Shares	3.7	17.11	17.11	17.11	19.39	19.89	19.89	16.22	17.12
	To.Working Fund	5178.9	6572.04	8052.21	9608.57	11732.5	15959.3	21432.6	27149.3	36916.9
	Ratio (%)	**0.07**	**0.26**	**0.21**	**0.18**	**0.17**	**0.12**	**0.09**	**0.06**	**0.05**
3	**NIBL**									
	Inv. on Shares	12.7	13.9	13.9	13.9	17.74	17.74	35.25	59.96	64.27
	To.Working Fund	5017.2	4973.88	9014.25	13255.5	16274.1	21330.1	27590.8	38873.3	53010.8
	Ratio (%)	**2.47**	**2.79**	**1.54**	**1.05**	**0.11**	**0.08**	**0.13**	**0.15**	**0.12**

Table No.9
Return on Loan and Advances Ratio

(Rs. in Million)

SN	Name of the Banks	Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Net Profit	277.04	235.02	212.13	263.05	308.27	457.46	491.82	635.87	752.83
	Loan and Advances	8537.7	8913.7	10001.9	11951.9	12424.5	14642.6	16998	19497.5	24793.2
	Ratio (%)	**3.24**	**2.64**	**2.12**	**2.20**	**2.48**	**3.12**	**2.89**	**3.26**	**3.04**

2	**EBL**									
	Net Profit	69.7	85.33	94.18	143.57	168.21	237.29	296.41	451.22	638.73
	Loan and Advances	3005.8	3948.5	4908.46	5884.12	7618.67	9801.31	13664.1	18339.1	23884.7
	Ratio (%)	**2.32**	**2.16**	**1.92**	**2.44**	**2.21**	**2.42**	**2.17**	**2.46**	**2.67**
3	**NIBL**									
	Net Profit	56.41	57.1	116.82	152.67	232.15	350.54	501.4	696.73	900.61
	Loan and Advances	2318.8	2564.4	5772.14	7130.12	10126.1	12776.2	17286.4	26996.7	36241.2
	Ratio (%)	**2.43**	**2.23**	**2.02**	**2.14**	**2.29**	**2.74**	**2.90**	**2.58**	**2.49**

Table No.10
Return on Total Working Fund Ratio

(Rs. in Million)

SN	Name of the Banks	Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Net Profit	277.04	235.02	212.13	263.05	308.27	457.46	491.82	635.87	752.83
	To.Working Fund	18871	20672.4	23279.3	24817.4	27844.7	29460.4	33519.1	36175.5	39320.3
	Ratio (%)	**1.47**	**1.14**	**0.91**	**1.06**	**1.11**	**1.55**	**1.47**	**1.76**	**1.91**
2	**EBL**									
	Net Profit	69.7	85.33	94.18	143.57	168.21	237.29	296.41	451.22	638.73
	To.Working Fund	5178.9	6572.04	8052.21	9608.57	11732.5	15959.3	21432.6	27149.3	36916.9
	Ratio (%)	**1.35**	**1.30**	**1.17**	**1.49**	**1.43**	**1.49**	**1.38**	**1.66**	**1.73**
3	**NIBL**									
	Net Profit	56.41	57.1	116.82	152.67	232.15	350.54	501.4	696.73	900.61
	To.Working Fund	5017.2	4973.88	9014.25	13255.5	16274.1	21330.1	27590.8	38873.3	53010.8
	Ratio (%)	**1.12**	**1.15**	**1.30**	**1.15**	**1.43**	**1.64**	**1.82**	**1.79**	**1.70**

Table No.11
Total Interest Earned to Total Working Fund Ratio

(Rs. in Million)

SN	Name of the Banks	Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Total Interest Earned	1,326.38	1,149.00	1,201.23	1,245.89	1,446.47	1,626.47	1,775.58	1,963.65	2,342.20
	Total Working Fund	18870.8	20672.43	23279.34	24817.37	27844.69	29460.39	33519.14	36175.53	39320.32
	Ratio (%)	**7.03**	**5.56**	**5.16**	**5.02**	**5.19**	**5.52**	**5.30**	**5.43**	**5.96**

2	**EBL**									
	Total Interest Earned	385.02	443.82	520.17	657.25	719.3	903.41	1144.41	1548.66	2186.81
	Total Working Fund	5178.94	6572.04	8052.21	9608.57	11732.52	15959.28	21432.57	27149.34	36916.85
	Ratio (%)	**7.43**	**6.75**	**6.46**	**6.84**	**6.13**	**5.66**	**5.34**	**5.70**	**5.92**
3	**NIBL**									
	Total Interest Earned	349.75	326.22	459.51	731.4	886.8	1172.74	1584.99	2194.27	3267.94
	Total Working Fund	5017.17	4973.88	9014.25	13255.49	16274.06	21330.14	27590.84	38873.31	53010.83
	Ratio (%)	**6.97**	**6.56**	**5.10**	**5.52**	**5.45**	**5.50**	**5.74**	**5.64**	**6.16**

Table No.12
Total Interest Paid to Total Working Fund Ratio

(Rs. in Million)

SN	Name of the Banks	Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Total Interest Paid	734.52	578.13	554.13	491.54	561.96	648.84	767.41	823.74	934.78
	Total Working Fund	18871	20672.4	23279.3	24817.4	27844.7	29460.4	33519.1	36175.5	39320.3
	Ratio (%)	**3.89**	**2.80**	**2.38**	**1.98**	**2.02**	**2.20**	**2.29**	**2.28**	**2.38**
2	**EBL**									
	Total Interest Paid	236.14	257.05	307.63	316.36	299.57	401.4	517.16	632.61	1012.87
	Total Working Fund	5178.9	6572.04	8052.21	9608.57	11732.5	15959.3	21432.6	27149.3	36916.9
	Ratio (%)	**4.56**	**3.91**	**3.82**	**3.29**	**2.55**	**2.52**	**2.41**	**2.33**	**2.74**
3	**NIBL**									
	Total Interest Paid	163.43	130.44	189.21	326.2	354.55	490.94	685.53	992.16	1686.97
	Total Working Fund	5017.2	4973.88	9014.25	13255.5	16274.1	21330.1	27590.8	38873.3	53010.8
	Ratio (%)	**3.26**	**2.62**	**2.10**	**2.46**	**2.18**	**2.30**	**2.48**	**2.55**	**3.18**

Table No.13
Liquidity Risk Ratio

SN	Name of the Banks	Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Cash & Bank Balance	1,435.17	1,264.67	1,979.21	2,001.18	2,014.47	1,717.35	1,757.35	1,448.14	3,048.53
	Total Deposits	17636.87	18619.37	21045.09	22010.33	24814.01	26490.85	30048.42	31842.79	34681.35

	Ratio (%)	**8.14**	**6.79**	**9.40**	**9.09**	**8.12**	**6.48**	**5.85**	**4.55**	**8.79**
2	**EBL**									
	Cash & Bank Balance	834.99	592.78	1139.57	631.8	1050	1552.97	2391.42	2667.97	6164.37
	Total Deposits	4574.51	5466.61	6694.96	8063.9	10097.69	13802.44	18186.25	23976.3	33322.95
	Ratio (%)	**18.25**	**10.84**	**17.02**	**7.83**	**10.40**	**11.25**	**13.15**	**11.13**	**18.50**
3	**NIBL**									
	Cash & Bank Balance	446.69	338.93	926.54	1226.92	1340.48	2336.52	2441.51	3754.94	7918
	Total Deposits	4256.21	4174.76	7922.77	11524.68	14254.57	18927.3	24488.85	34451.73	46698.1
	Ratio (%)	**10.50**	**8.12**	**11.69**	**10.65**	**9.40**	**12.34**	**9.97**	**10.90**	**16.96**

Table No.14
Credit Risk Ratio

(Rs. in Million)

SN	Name of the Banks	Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
1	**HBL**									
	Total Invt plus Loan and Adv.	12,620.83	18,070.83	20,177.28	21,243.98	24,116.86	25,531.60	28,820.96	32,837.70	33,503.84
	Total Assets	18870.8	20672.43	23279.34	24817.37	27844.69	29460.39	33519.14	36175.53	39320.32
	Ratio (%)	**66.88**	**87.42**	**86.67**	**85.60**	**86.61**	**86.66**	**85.98**	**90.77**	**85.21**
2	**EBL**									
	Total Invt plus Loan and Adv.	3907.48	5606.35	6562.44	8419.79	9747.6	14001.82	18648.4	23398.65	29833.15
	Total Assets	5178.94	6572.04	8052.21	9608.57	11732.52	15959.28	21432.57	27149.34	36916.85
	Ratio (%)	**75.45**	**85.31**	**81.50**	**87.63**	**83.08**	**87.73**	**87.01**	**86.18**	**80.81**
3	**NIBL**									
	Total Invt plus Loan and Adv.	4289.11	4386.58	7477.39	10992.6	14060.24	18379.08	23792.12	33870.69	43641.05
	Total Assets	5017.17	4973.88	9014.25	13255.49	16274.06	21330.14	27590.84	38873.31	53010.83
	Ratio (%)	**85.49**	**88.19**	**82.95**	**82.93**	**86.40**	**86.16**	**86.23**	**87.13**	**82.32**

APPENDIX-II

Sample Calculation of Growth Ratio of Total Deposits

We have,

$D_n = Do\ (1+g)^{n-1}$

Where,

D_n = Total Deposits in the n^{th} Year
D_o = Total Deposit in the initial Year
g = Growth Rate
n = Total number of Year

Here,
D_{2009} = 34,681.35
D_{2001} = 17,636.87
n = 9 years

Now,
$D_n = Do\ (1+g)^{n-1}$

$34,681.35 = 17,636.87\ (1+g)^{9-1}$

Or, $(1+g)^8 = 34,681.35 / 17,636.87$

Or, $(1+g) = (1.9664)^{1/8}$

Or, g = 1.0882-1

$\therefore$ g = 0.0882 i.e. 8.82%

Similarly other growth ratios have been calculated by performing same method as mentioned above.

APPENDIX-III

Sample Calculation of Correlation Co-efficient between deposit and Loan & Advances of HBL

Table No. 15

Year	Deposit(X)	Loan & Advances (Y)	$x = X - \overline{X}$	$y = Y - \overline{Y}$	X^2	Y^2	XY
2001/02	17637	8538	-7606	-5658	57856729	32012725	43036631
2002/03	18619	8914	-6624	-5282	43875536	27898773	34986763
2003/04	21045	10002	-4198	-4194	17624389	17587949	17606160
2004/05	22010	11952	-3233	-2244	10451650	5034544	7253915
2005/06	24814	12425	-429	-1771	184231	3136898	760206
2006/07	26491	14643	1248	447	1556553	199730	557575
2007/08	30048	16998	4805	2802	23089840	7853060	13465730
2008/09	31843	19498	6600	5302	43554178	28109837	34990011
2009/10	34681	24793	9438	10598	89078088	112307030	100020475
Total	**227188** $\overline{X}$ **= 25243.23**	**127763** $\overline{Y}$ **= *14195.65***			$\sum x^2$= **287271194**	$\sum y^2$ = **234140546**	$\sum$ **xy= 252677466**

We have,

$$\text{Correlation Co-efficient(r)} = \frac{\sum xy}{\sqrt{\sum x2 \sum y2}}$$

$$= \frac{252677466}{\sqrt{287271194 \times 234140546}}$$

$$= \frac{252677466}{259348875}$$

= 0.9743

$r^2 = 0.9492$ $1- r^2$

Probable Error (P.E.) = $0.6745 \times$ ————

$\sqrt{n}$

$$= 0.6745 \times \frac{1-0.9492}{\sqrt{9}}$$

= 0.0114

6 × (P.E.) = 6× 0.0114

= 0.0685

Remaining correlation coefficient has been calculated by using same method as in table no.15

APPENDIX-IV

Table No.16

Sample Calculation of Trend Value of Total Investment to Total Deposit Ratio of HBL

Year(t)	**Ratio(y)**	**X = t-2005**	**x^2**	**xy**	**Y_c = a+bx**
2001/02	23.15	-4	16	-92.6	Y_c =39.72 + (- 0.5518) ×-4 = 41.93
2002/03	49.18	-3	9	-147.54	Y_c =39.72 + (- 0.5518) × -3 =41.37
2003/04	48.35	-2	4	-96.70	Y_c =39.72 + (- 0.5518) ×-2 = 40.82
2004/05	42.22	-1	1	-42.22	Y_c =39.72 +(- 0.5518) ×-1 = 40.27
2005/06	47.12	0	0	0	Y_c =39.72 +(- 0.5518)×0 = 39.72
2006/07	41.10	1	1	41.10	Y_c =39.72 + (- 0.5518)×1 = 39.17
2007/08	39.35	2	4	78.70	Y_c =39.72 +(- 0.5518)×2 = 38.61
2008/09	41.89	3	9	125.67	Y_c =39.72 +(- 0.5518)×3 = 38.06
2009/10	25.12	4	16	100.48	Y_c =39.72 +(- 0.5518)×4 = 37.51
Total	**$\sum$ y =357.48**		**$\sum x^2$ = 60**	**$\sum$ xy = -33.11**	

We Have,

The equation of the straight line,

$Y_c = a+bx$

Where, $a = \frac{\sum y}{n} = \frac{357.48}{9} = 39.72$ $\quad b = \frac{\sum xy}{\sum x^2} = \frac{-33.11}{60} = -0.5518$

Trend Value of Total Investment to Total Deposit Ratio for next five years

Year(t)	**x = t-2005**	**Y_c = a+bx**
2010	5	Y_c =39.72 +(- 0.5518) ×5 = 36.96
2011	6	Y_c =39.72 + (- 0.5518) ×6 = 36.41
2012	7	Y_c =39.72 + (- 0.5518) ×7= 35.86
2013	8	Y_c =39.72 + (- 0.5518) ×8 = 35.30
2014	9	Y_c =39.72 + (- 0.5518) ×9 = 34.75

Remaining calculations has been done according to above procedure.

APPENDIX- V

Himalayan Bank Limited

Comparative Balance Sheet for FY (2001/02-2009/10)

(Rs. in Million)

Particulars	Fiscal Year								
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
ASSETS									
Current Assets	**16611.21**	**13785.04**	**16872.9**	**18657.35**	**21326.26**	**23174.84**	**27576.95**	**29511.71**	**33869.73**
1. Cash and Bank Balance	1435.17	1264.67	1979.21	2001.18	2014.47	1717.35	1757.35	1448.14	3048.53
2. Money at call and short notice	4057.65	352.35	150.1	368.9	441.08	1005.28	1710.02	518.53	1170.79
3. Loan & advances	8537.67	8913.72	10001.85	11951.87	12424.52	14642.56	16997.98	19497.52	24793.15
4. Invt. on govt. securities	2025.25	2588.56	3998.86	3431.73	5469.73	5144.31	6454.87	7471.67	4212.3
5. Interest Receivable	0	0	0	0	0	0	0	0	0
6. Miscellaneous Current Assets	555.47	665.74	742.88	903.67	976.46	665.34	656.73	575.85	644.96
Fixed Assets	201.68	318.84	229.87	299.64	295.82	540.82	574.08	795.31	952.2
Investment on Shares	10.69	34.26	34.27	34.26	39.91	39.91	73.42	89.56	93.88
Other investment	2047.22	6534.29	6142.3	5826.12	6182.7	5704.82	5294.69	5778.95	4404.51
Total Assets (Working	**18870.8**	**20672.43**	**23279.34**	**24817.37**	**27844.69**	**29460.39**	**33519.14**	**36175.53**	**39320.32**

Fund)									
LIABILITIES									
Current Liablities	**18150 .21**	**1981 4.32**	**22216. 21**	**23493.2**	**26302. 94**	**27694. 21**	**31372 .64**	**33662. 54**	**36200 .45**
7. Deposits and other A/C's	17636 .87	1861 9.37	21045. 09	22010.3 3	24814. 01	26490. 85	30048 .42	31842. 79	34681 .35
8. Short term loan	0	0	0	0	0	0	0	0	0
9. Bills Payable	25.92	55.58	46.73	64.38	68.4	73.58	91.3	102.67	113.5 1
10. Inc Tax Liab.	0	0	0	0	3.25	0	11.91	19.13	10.16
11. Staff Bonus	48.32	38.78	40	46.73	58.06	67.24	71.74	94.88	106.6 6
12. Dividend Payables	22.5	97.5	5.64	0	74.51	238.41	130.9 4	263.07	162.0 9
13. Misc. current Liabilities	416.6	1003. 09	1078.7 5	1371.76	1284.7 1	824.13	1018. 33	1340	1126. 68
Net Worth	**720.5 9**	**858.1 1**	**1063.1 3**	**1324.17**	**1541.7 5**	**1766.1 8**	**2146. 5**	**2512.9 9**	**3119. 87**
Share Capital	300	390	429	536.25	643.5	772.2	810.8 1	1013.5 1	1216. 21
Shareholder's Reserves	420.5 9	468.1 1	634.13	787.92	898.25	993.98	1335. 69	1499.4 8	1903. 66
Total Liabilities	**18870 .8**	**2067 2.43**	**23279. 34**	**24817.3 7**	**27844. 69**	**29460. 39**	**33519 .14**	**36175. 53**	**39320 .32**

Source: Annual Report of HBL

APPENDIX- VI

Everest Bank Limited

Comparative Balance Sheet for FY (2001/02-2009/10)

(Rs. in million)

Particulars	

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
ASSETS									
Current Assets	**5049.85**	**6359.7**	**7888**	**9421**	**11569.81**	**15155.3**	**20982.8**	**26550.86**	**35687**
1. Cash and Bank Balance	834.99	592.78	1139.57	631.8	1050	1552.97	2391.42	2667.97	6164.37
2. Money at call and short notice	240.08	86.13	0	187.44	570	66.96	0	346	0
3. Loan & advances	3005.76	3948.48	4908.46	5884.12	7618.67	9801.31	13664.08	18339.08	23884.7
4. Invt. on govt. securities	823	1538.9	1599.35	2466.43	2100.29	3548.62	4704.63	4821.6	5146.04
5. Interest Receivable	0	0	0	0	0	0	0	0	0
6. Miscellaneous Current Assets	146.02	193.39	240.61	251.17	230.85	185.44	222.66	376.21	492.17
Fixed Assets	50.37	93.39	109.59	118.37	134.07	152.09	170.09	360.51	427.16
Investment on Shares	3.7	17.11	17.11	17.11	19.39	19.89	19.89	16.22	17.12
Other investment	75.02	101.86	37.52	52.13	9.25	632	259.8	221.75	785.32
Total Assets(Working Fund)	**5178.94**	**6572**	**8052.2**	**9608.6**	**11732.52**	**15959.3**	**21432.6**	**27149.34**	**36917**
LIABILITIES									
Current Liabilities	**4859.54**	**6181.1**	**7439.4**	**8928.3**	**10899.9**	**14996.5**	**20231.1**	**25228.1**	**34713**
7. Deposits and other A/C's	4574.51	5466.61	6694.96	8063.9	10097.69	13802.44	18186.25	23976.3	33323
8. Short term loan	0	0	0	0	0	0	0	0	0
9. Bills Payable	11.62	2.13	22.1	22.03	17.78	15.81	26.77	49.43	148.65

10. Income Tax Liability	32.35	38.43	0.33	11.25	3.31	0	15.28	41.14	20.52
11. Staff Bonus	11.34	14.15	15.1	23.45	28.08	34.56	45.47	65.87	89.13
12. Dividend Payables	1.63	1.34	1.29	7.36	23.53	114.66	68.14	140.79	230.52
13. Misc. current liabilities	228.09	658.47	705.6	800.26	729.51	1029	1889.15	954.57	901.46
Net Worth	**319.4**	**390.91**	**612.83**	**680.32**	**832.62**	**962.81**	**1201.51**	**1921.24**	**2203.6**
Share Capital	220.86	259.32	455	455	518	518	518	831.4	838.82
Shareholder's Reserves	98.54	131.59	157.83	225.32	314.62	444.81	683.51	1089.84	1364.8
Total Liabilities	**5178.94**	**6572**	**8052.2**	**9608.6**	**11732.52**	**15959.3**	**21432.6**	**27149.34**	**36917**

Source: Annual Report of EBL

APPENDIX- VII

Nepal Investment Bank Limited

Comparative Balance Sheet for FY (2001/02-2009/10)

(Rs. in Million)

Particulars	Fiscal Year								
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
ASSETS									
Current Assets	**3312.92**	**3340.24**	**7517.89**	**11144.32**	**13967.78**	**17906.12**	**23582.1**	**34184.18**	**47081.54**
1. Cash and Bank Balance	446.69	338.93	926.54	1226.92	1340.48	2336.52	2441.51	3754.94	7918
2. Money at call and short notice	0	0	40	310	140	70	362.97	0	0
3. Loan & advances	2318.83	2564.42	5772.14	7130.12	10126.05	12776.21	17286.43	26996.65	36241.21
4. Invt. on govt. securities	300	224.4	400	2001.1	1948.5	2522.3	3256.4	3155	2531.3
5. Interest Recble	0	0	0	0	0	0	0	0	0
6. Miscellaneous Current Assets	247.4	212.49	379.21	476.18	412.75	201.09	234.79	277.59	391.03
Fixed Assets	33.97	35.88	191.11	249.79	320.59	343.45	759.45	970.09	1060.75
Investment on Shares	12.7	13.9	13.9	13.9	17.74	17.74	35.25	59.96	64.27
Other investment	1657.58	1583.86	1291.35	1847.48	1967.95	3062.83	3214.04	3659.08	4804.27
Total Assets (Working Fund)	**5017.17**	**4973.88**	**9014.25**	**13255.49**	**16274.06**	**21330.14**	**27590.84**	**38873.31**	**53010.83**
LIABILITIES									

Current Liabilities	**4548.08**	**4450.42**	**8375.07**	**12526.46**	**15093.92**	**19914.75**	**25712.72**	**36186.52**	**49102.99**
7. Deposits and other A/C's	4256.21	4174.76	7922.77	11524.68	14254.57	18927.3	24488.85	34451.73	46698.1
8. Short term loan	0	0	0	0	0	0	0	0	0
9. Bills Payable	5.18	6.82	31.63	57.84	15.01	18.82	32.4	78.84	82.34
10. Income Tax Liability	276.27	260.16	332.67	82.4	185.11	9.32	0.3	24.08	38.3
11. Staff Bonus	10.42	8.68	18.9	25.72	37.07	50.49	72.36	129.86	102
12. Dvd. Payble	0	0	59.06	44.29	73.48	121.63	43.65	93.49	485.45
13. Misc. Current Liab	0	0	10.04	791.53	528.68	787.19	1075.16	1408.52	1696.8
Net Worth	**469.09**	**523.47**	**639.18**	**729.04**	**1180.17**	**1415.43**	**1878.12**	**2686.79**	**3907.84**
Share Capital	169.98	169.98	295.93	295.29	587.74	590.58	801.35	1203.92	2407.07
Shareholder's Reserves	299.11	353.49	343.25	433.75	592.43	824.85	1076.77	1482.87	1500.77
Total Liabilities	**5017.17**	**4973.89**	**9014.25**	**13255.5**	**16274.09**	**21330.18**	**27590.84**	**38873.31**	**53010.83**

Source: Annual Report of NIBL

APPENDIX- VIII

Himalayan Bank Limited

Comparative Profit and Loss for FY (2001/02-2009/10)

(Rs. in Million)

Particulars	Fiscal Year								
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
A. Operating Income	**1572.92**	**1387.33**	**1443.54**	**1516.31**	**1757.88**	**2042.37**	**2160.77**	**2421.24**	**2922.82**
1.Interest (Earned)	1326.38	1149	1201.23	1245.89	1446.47	1626.47	1775.58	1963.65	2342.2
2. Commission & Discount	96.06	101.7	102.56	123.93	132.81	165.45	193.22	187.82	284.3
3. Exchange Income	119.26	104.6	109.6	112.42	137.3	198.13	151.64	207.67	249.98
4. Dividend	0	0	0	0	0	0	0	0	0
5. Other	31.22	32.03	30.15	34.07	41.3	52.32	40.33	62.1	46.34
B. Cost of Services	**820.09**	**679.67**	**674.28**	**644.05**	**740.55**	**883.43**	**1039.63**	**1115.95**	**1295.76**
6. Interest Paid	734.52	578.13	554.13	491.54	561.96	648.84	767.41	823.74	934.78
7. Salaries, Allowances & P.F.	85.57	101.54	120.15	152.51	178.59	234.59	272.22	292.21	360.98
C. Provision for Bonus	**48.33**	**38.78**	**40**	**46.73**	**58.06**	**67.24**	**71.74**	**94.88**	**106.66**
D. Other General Expenses	**252.74**	**298.55**	**356.72**	**373.53**	**402.11**	**429.99**	**380.61**	**256.65**	**359.39**
E. GROSS PROFIT	**451.76**	**370.33**	**372.54**	**452**	**557.16**	**61.71**	**668.79**	**953.76**	**1,161.01**

F. Depreciation	22.7	23.74	23.28	34.73	37.41	44.86	51.64	93.69	107.73
G. Operating Profit (E-F)	**429.06**	**346.59**	**349.26**	**417.27**	**519.75**	**616.85**	**617.15**	**860.07**	**1,053.28**
H. Income from other sources	**2.3**	**2.45**	**10.76**	**3.3**	**2.79**	**55.55**	**100.25**	**88.77**	**13.32**
I. Pre- tax Profit(G+H)	**431.36**	**349.04**	**360.02**	**420.57**	**522.54**	**672.40**	**717.40**	**948.84**	**1,066.60**
J. Provision for Taxes	**154.32**	**114.02**	**147.89**	**157.52**	**214.27**	**214.94**	**225.58**	**312.97**	**313.77**
K. Net Profit(I-J)	**277.04**	**235.02**	**212.13**	**263.05**	**308.27**	**457.46**	**491.82**	**635.87**	**752.83**

Source: Annual Report of HBL

APPENDIX- IX

Everest Bank Limited

Comparative Profit and Loss for FY (2001/02-2009/10)

(Rs. in Million)

Particulars	**Fiscal Year**								
	2001/02	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
A. Operating	**464.12**	**539.7**	**634.08**	**783.1**	**855.99**	**1063.**	**1358.5**	**1842.5**	**2557.8**

Income		**8**		**9**		**55**			**2**
1.Interest (Earned)	385.02	443.82	520.17	657.25	719.3	903.41	1144.41	1548.66	2186.81
2. Commission	30.56	36.77	61.5	74.33	78.13	96.84	117.72	150.26	202.09
3. Exchange Income	16.5	45.41	32.21	27.79	27.08	14.4	28.4	64.45	62.52
4. Dividend	0	0	0	0	0	0			
5. Other	32.04	13.78	20.2	23.82	31.48	48.9	67.97	79.13	106.4
B. Cost of Services	**262.14**	**289.24**	**345.01**	**364.89**	**360.17**	**472.32**	**603.28**	**790.57**	**1199.79**
6. Interest Paid	236.14	257.05	307.63	316.36	299.57	401.4	517.16	632.61	1012.87
7. Salaries, Allowances & P.F.	26	32.19	37.38	48.53	60.6	70.92	86.12	157.96	186.92
C. Provision for Bonus	**11.34**	**14.15**	**15.1**	**23.46**	**28.08**	**34.56**	**45.47**	**65.87**	**89.13**
D. Other General Expenses	**81.07**	**100.1**	**119.84**	**165.85**	**196.87**	**188.79**	**239.77**	**286.37**	**330.24**
E. GROSS PROFIT	**109.57**	**136.29**	**154.13**	**228.99**	**270.87**	**367.88**	**469.98**	**699.69**	**938.66**
F. Depreciation	**8.91**	**10.06**	**19.49**	**19.74**	**21.12**	**25.24**	**27.48**	**46.72**	**54.85**
G. Operating Profit (E-F)	**100.66**	**126.23**	**134.64**	**209.25**	**249.75**	**342.64**	**442.5**	**652.97**	**883.81**
H. Income from Other sources	**1.39**	**1.14**	**1.25**	**1.87**	**2.97**	**2.96**	**12.21**	**5.72**	**7.5**
I. Pre- tax Profit(G+H)	**102.05**	**127.37**	**135.89**	**211.12**	**252.72**	**345.6**	**454.71**	**658.69**	**891.31**
J. Provision for Taxes	**32.35**	**42.04**	**41.71**	**67.55**	**84.51**	**108.31**	**158.3**	**207.47**	**252.58**
K. Net Profit(I-J)	**69.7**	**85.33**	**94.18**	**143.57**	**168.21**	**237.29**	**296.41**	**451.22**	**638.73**

Source: Annual Report of EBL

APPENDIX- X

Nepal Investment Bank Limited

Comparative Profit and Loss for FY (2001/02-2009/10)

(Rs. In Million)

Particulars	Fiscal Year								
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
A. Operating Income	**427.16**	**415.68**	**577.44**	**911.95**	**1139.44**	**1450.33**	**1931.57**	**2641.78**	**3803.63**
1.Interest (Earned)	349.75	326.22	459.51	731.4	886.8	1172.74	1584.99	2194.27	3267.94
2. Commission	16.2	16.2	40.81	55.75	93.55	115.94	163.9	215.29	262.79
3. Exchange Income	49.83	42.86	50.83	87.98	102.52	125.75	135.36	165.84	185.33
4. Dividend	0	0	0	0	0	0	0		
5. Other	11.38	30.4	26.29	36.82	56.57	35.9	47.32	66.38	87.57
B. Cost of Services	**197.42**	**172.16**	**250.5**	**415.95**	**451.55**	**611.6**	**830.9**	**1179.31**	**1912.69**
6. Interest Paid	163.43	130.44	189.21	326.2	354.55	490.94	685.53	992.16	1686.97
7. Salaries, Allowances & P.F.	33.99	41.72	61.29	89.75	97	120.66	145.37	187.15	225.72
C. Provision for Bonus	**10.43**	**8.68**	**18.91**	**25.72**	**37.08**	**50.49**	**72.34**	**101.99**	**129.86**
D. Other General Expenses	**116.64**	**151.24**	**126.5**	**217.18**	**290.53**	**254.84**	**320.51**	**378.84**	**483.5**
E. GROSS PROFIT	**102.67**	**83.6**	**181.53**	**253.1**	**360.28**	**533.4**	**707.82**	**981.64**	**1277.58**
F. Depreciation	**8.82**	**8.59**	**11.87**	**23.4**	**32.79**	**39.58**	**52.64**	**70.3**	**96.58**

G. Operating Profit (E-F)	**93.85**	**75.01**	**169.66**	**229.7**	**327.49**	**493.82**	**655.18**	**911.34**	**1181**
H. Income from Other sources	**0**	**3.1**	**0.49**	**1.77**	**6.19**	**11.09**	**68.2**	**108.62**	**117.59**
I. Pre- tax Profit(G+H)	**93.85**	**78.11**	**170.15**	**231.47**	**333.68**	**504.91**	**723.38**	**1019.96**	**1298.59**
J. Provision for Taxes	**37.44**	**21.01**	**53.33**	**78.8**	**101.53**	**154.37**	**221.98**	**323.23**	**397.98**
K. Net Profit(I-J)	**56.41**	**57.1**	**116.82**	**152.67**	**232.15**	**350.54**	**501.4**	**696.73**	**900.61**