FINANCIAL AND INVESTMENT PORTFOLIO OF COMMERCIAL BANK IN NEPAL

A Dissertation

Submitted By
Muna Tiwari
Shanker Dev Campus
T.U. Reg. No: 7-2-1080-6-2013
Exam Roll No: 5789/18
Campus Roll No: 906

Submitted To
Office of the Dean
Faculty of Management
Tribhuvan University

In Partial Fulfillment for the Requirements of the Degree of Masters of Business Studies (MBS)

Kathmandu, Nepal
October, 2023

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"FINANCIAL AND INVESTMENT PORTFOLIO OF COMMERCIAL BANK IN NEPAL"**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used has cited in the reference section of the dissertation.

…….

Muna Tiwari
Shanker Dev Campus
T.U. Reg. No: 7-2-1080-6-2013
Exam Roll No: 5789/18
Campus Roll No: 906

Date:- October, 2023

REPORT OF RESEARCH COMMITTEE

Ms. MUNA TIWARI has defended the research proposal entitled **"FINANCIAL AND INVESTMENT PORTFOLIO OF COMMERCIAL BANK IN NEPAL"** successfully. The research committee has registered the dissertation for further progress. It has recommended to carry out the work as per suggestions and guidance of supervisor Dr. Kapil Khanal and submit the thesis for evaluation and viva voce examination.

Dr. Kapil Kumar Khanal
Dissertation Supervisor
Signature: -

Dissertation Proposal Defended
Date:-

……
Dissertation Supervisor
Signature: -

Dissertation Submitted Date:

Asso. Prof. Dr. Sajeeb Kumar Shrestha
Head of Research Committee
Signature: -

Dissertation Viva Voce

APPROVAL SHEET

We have examined the dissertation entitled **"FINANCIAL AND INVESTMENT PORTFOLIO OF COMMERCIAL BANK IN NEPAL"** presented by Ms. MUNA TIWARI for the Degree of Master in Business Studies (MBS). We hereby certify that the dissertation is acceptable for the award of a degree.

Dr. Kapil Kumar Khanal ……
Dissertation Supervisor

Mr. ……. ……
Internal Examiner

……. ……
External Examiner

Asso. Prof. Krishna Prasad Acharya ……
Campus Chief

Asso. Prof. Dr. Sajeeb Kumar Shrestha ……
Chairperson, Research Committee

Date: October, 2023

ACKNOWLEDGEMENTS

This research study on **"FINANCIAL AND INVESTMENT PORTFOLIO OF COMMERCIAL BANK IN NEPAL"** has been prepared as the partial fulfilment of Master of Business Studies (MBS). The interest in the study arose from the group discussing with my colleagues by realizing that not many studies have been conducted in this sector in Nepal.

First of all, I would like to express my heartiest gratitude and sincere thanks to my thesis supervisor Dr. Kapil Kumar Khanal and Chairman of Research Committee Asso. Prof. Dr. Sajeeb Kumar Shrestha, Shanker Dev Campus, who encouraged me from initial to completion of this task with their scholarly guidance and profound comment and suggestions.

I would also like to express my gratitude to Campus Chief Asso. Prof. Krishna Prasad Acharya and all other respected teachers of Shanker Dev Campus and from MBS department, Research department, and library staff that directly and indirectly supported and inspired me to complete this thesis. I am also thankful to my brother Mr. Shyam Kaji Khatri who always helped and motivated to complete this dissertation.

Lastly, my heartiest thank goes to my family members and college staffs along with classmates who have supported me by providing consistent help and encouragement.

Muna Tiwari
October, 2023

ABSTRACTS

This study analyzes the Investments and Financial Performance of commercial banks in Nepal. However, investment decisions are risky and very uncertain on whether the costs incurred to invest have recouped and profits gained within the specified time period fiscal year 2016/17 to 2021/22. To achive research objective, descriptive and causal-comparative research design have used. This research is based on secondary data. The findings of the correlation there was a positive correlation between ROA and Consumer price inflection ratio. There was a negative correlation between ROA and Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Non-performing loan ratio and Consumer price inflections ratio which was statistically insignificant at the 0.05 level (2-tailed). There was a negative correlation between Net Profit and Consumer price inflection rate. The Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Non-performing loan ratio which was statistically significant at the 0.05 level. The R^2 value has 0.208. It means that independent variable explain by dependent variable (ROA) is 20.8%. The ANOVA table indicates that the fitted model or R square is insignificant ($F (5, 45) = 1.264$, $p = 0.312$). It means that the model is not fit. Similarly, the R^2 value has 0.342. It means that the independent variable explain by a dependent variable (ROE) is 34.20%. The ANOVA table indicates that the fitted model or R square is significant ($F (5, 24) = 2.497$, $p = 0.049$). It means that the model is fit. There is a significant relationship between Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Consumer price inflections rate with a 99% confidence interval.

TABLE OF CONTENTS

ABBREVIATIONS

ANOVA	:	Analysis of variance
C.V	:	Coefficient of Variation
CA	:	Current Assets
CR	:	Credit Risk
DPS	:	Dividend Per Share
EPS	:	Earnings Per Share
F.Y	:	Fiscal Year
MPS	:	Market Price per Share
NABIL	:	Nabil Bank Limited
NIBL	:	Nepal Investment Bank Limited
NP	:	Net Profit
NRB	:	Nepal Rastra Bank
RBBL	:	Rastrya Banijya Bank Limited
ROA	:	Return on Assets
ROE	:	Return on Equity
S.D	:	Standard Deviation
SPSS	:	Statistical Package for the Social Sciences
IGS	:	Investment in Government Securities
IGB	:	Investment in Government Bonds
ITB	:	Investment in Treasury Bills
NPLR	:	Non-performing Loan Ratio
CPI	:	Consumer Price Inflections

CHAPTER-I
INTRODUCTION

1.1. Background of the study

Portfolio management is a field of study that is concerned with the effective management of investments in financial assets like company or industry shares, debentures, and bonds. Every investment is associated with a certain level of risk, which requires an individual to make a present sacrifice in anticipation of future gains whose magnitude is unknown (Francis, 1998). Investors diversify their funds into multiple assets, a practice that is represented by a portfolio. According to Jones et al. (2009), investment refers to the commitment of funds to one or more financial assets that will be held for a specified future period. Such assets may include common stocks, certificates of deposit, bonds, or mutual funds. The management of financial institution assets involves the allocation of funds to various components of the institution with different levels of risk and rates of return. This is done to maximize return and minimize risk by selecting a portfolio of securities. A portfolio is a list of securities owned by an investor or institution (Oxford Dictionary, 1997). Portfolio management is the process of selecting the most appropriate investment policy for individuals in order to minimize risk and maximize returns. A portfolio is made up of various investment assets, including securities, bonds, and stocks. The right level of diversification of financial assets is achieved through the construction of a suitable portfolio, which is constituted by the combination of investment assets (Weston and Brigham, 1992).

As a financial institution, commercial banks have the primary function of acquiring money from the public and investing it in the most profitable areas. The funds received from the public are transformed into "creative deposits," which are loans issued for the purpose of earning interest. This process offers a significant advantage to commercial banks, as it increases their income and contributes to the growth of the economy as a whole. However, there are instances where the assets in question may not generate sufficient returns to pay back their debts within the stipulated timeframe, a phenomenon referred to as credit risk (Poudel, 2018). Portfolio management is concerned with the efficient administration of a portfolio's investment in financial

assets such as company/industry shares, debentures, and bonds. Every investment involves some level of risk; it necessitates current sacrifice in exchange for future unknown gains (Francis, 1998).

Profitability is a metric indicating how much more money a company earns from its income compared to its costs. In the context of banks, the primary source of profit stems from the fees collected for services provided and the interest earned from assets. Conversely, a significant expense for banks is the interest paid on their financial obligations. The primary assets of a bank encompass the loans extended to individuals, businesses, and other entities, as well as the securities they possess. On the other side, the main financial responsibilities of a bank include its deposits and the funds it acquires through borrowing, either from other banks or by selling commercial paper in the money market.

Credit serves as a crucial income source for banks and is a fundamental asset. Therefore, it is essential for the growth and prosperity of a bank to provide credit on a solid basis. As commercial banks play an increasingly important role in capital formation, employment creation, and production support, it is vital that their credit operations and management align with the requirements of the economic system. Credit management in the banking sector encompasses a comprehensive lending process, beginning with the assessment of potential borrowers and concluding with the recovery of granted amounts. It involves activities such as receiving credit applications, evaluating loan requests, approving loans, monitoring, and handling the recovery of non-performing loans.

Nepal has adopted a mixed and liberal economic policy, aiming to encourage the equal participation of both the state and the private sector in development initiatives. Especially since the restoration of democracy, the concept of liberalized policies has become a guiding principle of state policies. Consequently, numerous private and public companies, banks, financial institutions, as well as manufacturing and service industries have emerged, contributing significantly to the overall economic development of the country. The sustainable growth and economic development of any nation hinge on the progress of various sectors, including manufacturing enterprises, tourism, transportation, construction, trade, services, public sectors, and the financial sector. Portfolio investors typically pursue a common goal of achieving a

higher risk-adjusted return on their portfolio investments compared to investing in a single asset. Combining multiple assets into a portfolio presents the opportunity to reduce risk while simultaneously aiming for a higher return compared to investing in a single asset.

Investment decisions are pivotal for the management of any organization. These decisions hold significant importance for a company as they are believed to impact its value by influencing both profitability and risk (Alslehat & Altahtamouni, 2014). Investment decisions primarily involve acquiring, modernizing, expanding, or replacing long-term assets. The investment choices a firm makes are crucial for its financial performance, making them an integral part of effective business administration (Virlics, 2013).

As financial markets progress through different phases, they exhibit various states, causing investment portfolios to experience gains and losses if they are not managed in accordance with investors' expectations of future market developments. Long-term investments, like pension funds, aren't greatly concerned about short-term losses because there is ample time to recover them through future positive returns. However, for some investors, practical constraints, such as financial commitments, prevent this strategy. Consequently, these investors may need to liquidate some of their investments to meet their financial obligations. In essence, investors make buy and sell decisions regarding stocks with the belief that they can achieve exceptional investment returns. Nevertheless, the efficient market hypothesis, first introduced by Samuelson (1965) and further developed by Fama (1970), asserts that market prices promptly and rationally incorporate all available information, negating the possibility for investors to attain abnormal returns. Should this hypothesis hold in practice, the only optimal portfolio strategy would involve maintaining a portfolio over a predetermined time horizon.

In the realm of finance, investment refers to allocating funds with the anticipation of receiving a return or participating in expected profits. For manufacturing and trading firms, the term "investment" typically pertains to long-term expenditures directed at enhancing efficiency or building goodwill, ultimately resulting in increased returns over time. Investors also strive to effectively manage their wealth, seeking to maximize returns while safeguarding against inflation, taxes, and other risks. Investment decisions made by individuals, businesses, and governments often

necessitate a current sacrifice of income for the promise of future benefits. This process contributes to the economic prosperity of nations.

Financial performance represents a subjective measure of how well an organization leverages its primary assets to generate revenue during a specified period. This term can also be viewed as a comprehensive assessment of an organization's overall financial well-being over a predetermined timeframe (Murerwa, 2015). Financial performance encompasses the utilization of various financial instruments to gauge an organization's profitability and effectiveness. It serves as an indicator of a firm's financial health within a particular time frame. Financial performance metrics may be employed to draw comparisons between firms with similar characteristics or to assess entire sectors or industries as a whole, enabling entities to make informed decisions about improving their current situations or pursuing desired arrangements (Haque, 2014).

Investment involves efficiently using extra resources to generate benefits for those who provide the funds by entrusting them to a third party. This process should be systematic and follow a specific procedure, starting with the creation of a well-defined investment policy.

1.1.1. Introduction of Sample Banks

A. Rastriya Banijya Bank

Rastriya Banijya Bank (RBB) is the largest commercial bank in Nepal, fully owned by the government. It was established on January 23, 1966 (2022 Magh 10 BS) under the RBB Act. RBB offers various banking services to a wide range of customers, including banks, insurance companies, industrial trading houses, airlines, hotels, and various other sectors. With 236 branches, RBB has the most extensive banking network in Nepal.

RBB is among the pioneering banks in Nepal, with a history spanning nearly half a century. Initially established under the RBB Act 2021 with full government ownership, the bank now operates under the Bank and Financial Institute Act (BAFIA) and Company Act (CA) 2063. It is licensed by the Nepal Rastra Bank (NRB) as an 'A' class commercial bank and plays a crucial role in the Nepalese economy. It was the most profitable bank in the fiscal year 2014/15 and had the second-highest paid-up capital by the end of FY 2015/16, after the agriculture

development bank. In terms of deposits, RBB collected more than Rs 130 billion (FY 2015/16), the highest among all commercial banks in Nepal.

Rastriya Banijya Bank is notable for its involvement in various financial activities such as Note Kosh Fund, Bharu Kosh Fund, NRB's draft transactions, government transactions, and the Nepal government's pension fund. Unlike some other banks that operate at a loss, RBB continues to provide services to the general public because it is a government-owned bank. Profit is not its sole motive, as it also serves remote and underdeveloped areas of Nepal.

Throughout its history, RBB has contributed to the monetization of the economy, eliminating the presence of dual currencies in the market, initiating financial literacy programs, and supporting the growth of the industrial, commercial, and financial sectors in the country. It stands as a modern and robust financial institution in Nepal. With a workforce of 2600 employees, RBB has extended its reach across most of the country through its 236 branches, 17 counters, 93 branchless banking (BLB) outlets, and 165 ATMs. The bank enjoys high public trust, as evidenced by its substantial deposit base and increasing demand for branch expansion in various regions. With 1.7 million satisfied direct customers, ranging from the economically disadvantaged to the elite, and millions of indirect beneficiaries, RBB has made a significant impact on the country's economy by effectively utilizing its resources to enhance production, income, and employment opportunities.

B. Nabil Bank Limited

Nabil Bank Limited, founded in July 1984, is Nepal's first private sector bank. Its primary goal is to offer modern international banking services to various segments of society. Nabil operates through 74 branches and has a network of over 1500 Nabil Remit agents across the country.

Nabil is a pioneer in Nepal's banking history, introducing innovative products and marketing concepts that prioritize customer satisfaction. The bank is managed by a highly qualified and experienced team, and it utilizes modern technology, including international-standard banking software, to support electronic channels and transactions. Nabil's mission is to become the preferred provider of comprehensive financial solutions for all stakeholders, including customers, shareholders, regulators, communities, and staff. The bank's commitment to excellence is encapsulated in its brand promise, "Together Ahead." The entire Nabil team adheres to a set of values

represented by "C.R.I.S.P," emphasizing their dedication to being Customer Focused, Result Oriented, Innovative, Synergistic, and Professional.

C. Nepal Investment Bank Limited

Nepal Investment Bank Ltd. (NIBL), previously known as Nepal Indosuez Bank Ltd., was founded in 1986 through a partnership between Nepalese and French entities. The French partner, Credit Agricole Indosuez, owned 50% of NIBL's capital. Credit Agricole Indosuez is a subsidiary of one of the world's largest banking groups. In 2002, a group of Nepalese organizations composed of bankers, professionals, industrialists, and businessmen purchased the 50% ownership stake held by Credit Agricole Indosuez in Nepal Indosuez Bank Ltd. As a result, the bank's name was changed to Nepal Investment Bank Ltd. Currently, the bank's ownership structure is as follows:

Promoters - 69%
General Public - 31%

1.2. Problem Statement

In the context of Nepal, portfolio management is a relatively new concept. Many institutions in Nepal lack awareness when it comes to investing in productive sectors. They tend to ignore portfolio optimization and instead rely solely on the instructions and guidelines provided by Nepal Rastriya Bank. Consequently, they have a limited understanding of how to properly align their deposited funds with their investment portfolios. This lack of attention to alignment can lead to financial issues, which can force commercial banks to make incorrect decisions. As a result, customers often criticize commercial banks for their misguided investment policies.

Lekwauwa & Akutey (2023) concuded that asset investment has a positive effect on the financial performance of commercial banks in Ghana. Additionally, a positive effect of the loan portfolio on the commercial banks' financial performance was found. It was finally discovered that asset investment affects the banks' financial performance in a significantly positive way.

Bindhani (2023) found that the present decisions of risk full investment will future gainful profit so a bank cannot gain drastic profit without any risk full investment. A sound and well mannered investment policy not only gainful for commercial bank but also it is much required to nation's economy for both economical and financial

growth. The most important fact is that every investment is only possible when there is enough savings by commercial bank. If banks are consumed all of his incomes and savings in an unproductive way they will face hand-to-mouth problem.

In recent times, commercial banks in Nepal appear to be less inclined to invest their funds in more profitable sectors. They show a greater interest in investing in low-risk and highly return in liquid assets such as treasury bills, development bonds, and other similar sectors. This preference for low-risk investments has led to reduced profitability for commercial banks and a lack of contribution to the national economic growth process (Jamshid, 2020). This situation is a primary cause of the crisis in commercial banks and, consequently, negatively impacts the entire national economy. Although investment policies may vary among different commercial banks, they do not effectively utilize shareholder funds to achieve higher returns in any financial institution. Given this backdrop, this study aims to analyze the investment portfolio management of commercial banks, examining returns on various types of investments, portfolio risks, and overall performance. Profitability refers to a commercial firm's ability to generate, sustain, and increase its income. There are various methods to measure profitability, and analyzing income is crucial for shareholders as it directly affects their earnings, often in the form of dividends. Return on assets (ROA) is a key metric that assesses how effectively profits are generated in relation to the capital invested (Neupane, 2014).

In the above discussion investment and finacial portfolio management is new topic in the context of Nepal. This topic that has not received adequate research attention. To address this research gap, the following questions have explored to understand the impact of investment and financial portfolios on commercial banks in Nepal:

1. What is the investment portfolio of commercial banks in Nepal?
2. What is relationship between investment and financial portfolio of commercial banks in Nepal?
3. Does that the impact of investments on financial portfolio of commercial bank in Nepal?

1.3. Objectives of the study

Banking in Nepal is currently undergoing a process to organize foreign aid systematically, which is considered crucial for Nepal's development. This study aims

to evaluate how the size of a bank, its loans and deposits, inflation rates, and capital levels influence the bank's profitability.

The primary goal of this research is to analyze and assess the policies and practices of Government Banks, Private Banks, and Joint Venture Banks in Nepal, specifically focusing on their impact on the financial and investment portfolios of commercial banks in Nepal. The main objective of this study is to understand the relationship between investments and the financial portfolios of commercial banks in Nepal. To achieve these objectives, the study has been conducted accordingly:

1. To analyze the existing position of investment practice of commercial banks in Nepal.
2. To access the relationship between investment and financial portfolio of commercial banks in Nepal.
3. To analyze the impact of investments on financial portfolio of commercial bank in Nepal.

1.4. Rationale of the study

In Nepal's current situation, investment opportunities are on the rise. However, the unstable political environment is causing concerns for investors as they allocate their funds across different sectors. The investors are struggling because they lack adequate knowledge about investments, leading to mismanagement of their portfolios. The importance of portfolio management can be summarized as follows:

The study helps in determining the proportion and the selection of asset held in portfolio. The study of fund portfolio management would provide guide line to the management of the bank that would be helpful to take corrective action in the bank activities. This study helps to gain maximum return in long run at low level of risk. This study will also be helpful to researcher, professors, students who are directly or indirectly engaged in the investment sector of the commercial banks.

This study investigates the connection between the financial and investment portfolios of commercial banks and the broader banking sector. Despite the evident importance of portfolios in the banking and financial markets, there has been insufficient research conducted in this area, particularly within the banking industry. Furthermore, there is a shortage of relevant research materials and textbooks on this subject. Given this context, this research work is anticipated to serve as a valuable resource for individuals directly or indirectly involved with portfolios.

1.5. Research Hypothesis

This study aims to investigate if there is a connection between investments and the financial portfolio and performance of commercial banks in Nepal. In this research, we are examining the association between the variables that depend on each other and the ones that stand independently. The research hypothesis is as follows:

H1: There is significant relationship between investments decision and financial portfolio.

This study has focused on finding out whether portfolio of the commercial banks in Nepal. This study revolves around examining the portfolio ratios of private domestic banks and their connections with specific variables. In this investigation, one variable is considered dependent, while two others are regarded as independent.

The research hypothesis is:

H1: There is a significant positive relationship between GS and NP.

H2: There is a significant positive relationship between GS and ROA.

H3: There is a significant positive relationship between IS and NP.

H4: There is a significant positive relationship between IS and ROA.

H5: There is a significant positive relationship between ITB and NP.

H6: There is a significant positive relationship between ITB and ROA.

H7: There is a significant positive relationship between CPI and NP.

H8: There is a significant positive relationship between CPI and ROA.

H9: There is a significant positive relationship between NPL and NP.

H10: There is a significant positive relationship between NPL and ROA.

1.6 Conceptual Framework

This study aimed to investigate the connection between the financial and investment portfolios of commercial banks in Nepal during the period from 2012/13 to 2021/22. To achieve this, the study relied on the analysis of financial and investment portfolio ratios of specific bank groups.

Dependent Variables

a. Return on Total Asset

Return on Assets (ROA) is a financial ratio that assesses a company's profitability concerning its total assets. It helps corporate management, analysts, and investors

evaluate how efficiently a company utilizes its assets to generate profits. ROA is a metric indicating a company's profitability relative to its Total Assets.

b. Net Profit

Net Profit is the ultimate measure of profitability, calculated by deducting all expenses, including non-operating expenses like debt repayment and restructuring costs, from total revenue. Business sales and net profit together serve as a robust indicator of operational success.

Independent Variables

a. Government Securities

Government Securities are debt instruments issued by governments to fund their daily operations, special infrastructure projects, and military endeavors.

b. Investment Subsidiaries

Investment Subsidiaries are subsidiaries of insurance companies organized exclusively for owning and managing assets authorized for insurance purpose.

c. Investment in Treasury Bills

Treasury Bills are short-term debt instruments issued by the central government when it needs short-term funding.

d. Consumer Price Index (CPI)

The Consumer Price Index (CPI) is an important economic metric that measures the average price change paid by consumers over time for a basket of goods and services.

e. Non-Performing Loan (NPL) Ratio

The Non-Performing Loan (NPL) Ratio, also known as the NPL Ratio, is the ratio of the nonperforming loans within a bank's loan portfolio to the total outstanding loans held by the bank.

1.7. Limitations of the study

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

1. This research has based on the secondary data i.e. the annual report provided on the social website. Hence, the reliability of the study has depend on the secondary source of data.

2. This study is based on the financial data of namely Nepal Rastya Bank, Nabil Bank limited and Nepal Investment Bank limited. So, the result and conclusion have to be analyzed, generalized on that basis.
3. It focuses on investment performance and doesn't cover other aspects and in this study only selected financial and statistical tools and techniques are used Every study has its limitations due to different factors of institutions, time-period taken, reliability of statistical data, tools and variances.

1.8 Report Structure

The research findings and conclusions are organized into five distinct chapters as outlined below:

Chapter-I: Introduction

The first chapter of the report describes background of the study, Problem statement, objective of the study, Rationale of the study, theoretical framework, hypothesis test, limitations of the study and Report Structure.

Chapter–II: Literature Review

The second chapter of this research work is the conceptual review, Empirical review and research gap. The empirical review has review of various books, journals, articles, and unpublished thesis.

Chapter-III: Research Methodology

This chapter has describe about research methodology that have used by the researcher. The research methodology describe the Research design; Population and sample, sources of data, data collection procedures and data analysis tools.

Chapter –IV: Results and Discussion

In the fourth chapter, the data and information have presented results and discussion by the help of financial and statistical tools. This chapter is the major finding of the study.

Chapter –V: Summary and Conclusion

Finally, in the fifth and last chapter, summary, conclusion and Implications have made regarding the entire study. At the end References and appendix have also used.

CHAPTER-II
LITERATURE REVIEW

Investment is the professional management of assets like shares, bonds, and real estate to achieve specific financial goals for investors. It's essentially using resources now to get more resources later. If you put money into something expecting to get more money in return, that's also an investment. Investors usually hope to get more money back when they take on riskier investments. On the flip side, when they choose low-risk investments, the potential return is typically lower. High-risk investments can lead to significant losses. In essence, investment involves committing funds for a period to get more money in the future. This additional money should cover the time the funds are tied up, the expected inflation rate, and the uncertainty about future returns (Frank & Keith, 2004).

This chapter deals with writings by others on topics related to investment and financial portfolio of banks in papers, journals, books and websites in order to consider the critical points of current points of current knowledge including substantive findings as well as theoretical and methodological contributions to this particular topics. It contains review of works, research gap and theoretical framework.

2.1. Theoretical Review

Conceptual reviews play a vital role in research endeavors. Their main aim is to enhance the comprehension of a research topic for both the researcher and the audience. These reviews offer a concise summary of the subject, concentrating on key ideas. The information within this section is sourced from various textbooks related to our study's topic. Our primary sources include academic books authored by national and international experts and published by reputable publishers, which has deepened our grasp of the subject.

2.1.1 Finance

Finance is the field of study and practice that deals with money, currency, and capital assets. While it shares similarities with economics, which focuses on the production, distribution, and consumption of money, assets, goods, and services, finance specifically looks at money-related matters. Financial economics bridges the gap

between these two disciplines. Finance operates within financial systems and can be categorized into personal finance, corporate finance, and public finance (Smith, 2021). The origins of finance trace back to the beginnings of human civilization, with evidence dating as far back as around 3000 BC. The concept of banks emerged in the Babylonian empire, where temples and secure locations were used to safeguard valuable assets (Jones, 2019).

Managerial finance is a branch of management that focuses on applying financial techniques and theories in a managerial context. It emphasizes the financial aspects of decision-making from a managerial perspective, encompassing planning, directing, and controlling.

In summary, finance encompasses three broad areas: personal finance, corporate finance, and public finance. These areas often overlap and involve various activities and sub-disciplines, including investment, risk management, and quantitative finance. Portfolio management, guided by the principle of not putting all resources in one place, helps spread and mitigate credit risks (Bhandari, 2004).

The primary purpose of commercial banks is to maximize shareholders' wealth by accepting deposits and providing loans to society. To achieve this goal, banks typically invest a significant portion of their funds in loans and other potentially risky assets. Therefore, it is crucial for banks to have a clear and sound credit policy to protect depositors' funds and ensure adequate returns for shareholders. A credit policy refers to decisions made in advance regarding how credit will be managed.

Finance plays a vital role in banks, generating the main source of income. This activity must be pursued with professionalism, caution, and careful consideration. Banks should establish and implement policies and procedures to ensure that their financial portfolios are adequately diversified, taking into account their target markets and overall portfolio composition (Smith, 2021).

2.1.2 Investment

Investment is the skilled management of assets such as stocks, bonds, and real estate with the aim of achieving specific financial objectives for individuals. In essence, it entails utilizing current resources to generate additional resources in the future. When

individuals allocate money into something with the anticipation of receiving a greater financial return, this constitutes an investment (Frank & Keith, 2004).

Investors typically aspire to receive a higher financial return when they opt for riskier investment options. Conversely, when they opt for low-risk investments, the potential for return is usually lower. Nevertheless, it's crucial to note that high-risk investments come with the possibility of significant financial losses. To sum it up, investment involves committing financial resources for a specific duration with the intention of accumulating more money in the future. This additional financial gain should account for factors such as the time the funds are locked in, the expected rate of inflation, and the uncertainty associated with future returns (Frank and Keith, 2004).

2.1.3 Portfolio

Investors aim to maximize their returns while minimizing risk. This can't be achieved by investing in just one asset; it requires a portfolio. A portfolio is a mix of different securities, like stocks and bonds, which helps spread out the risk. Think of it like not putting all your eggs in one basket - if something bad happens, you don't lose everything. So, by forming a portfolio, you can diversify risk instead of sticking to a single asset. The main goal of portfolio analysis is to create a portfolio that gives the highest return while maintaining an acceptable level of risk for the investor (Basnet, 2006). In the world of finance, most assets aren't held in isolation. They're part of portfolios. Banks, pension funds, insurance companies, and even individual investors usually have diversified portfolios. When you own a variety of assets, what happens to one specific asset doesn't matter as much as the return and risk of your entire portfolio. Therefore, it makes sense to analyze the risk and return of an individual security in terms of how it affects the overall risk and return of the portfolio it's a part of (Weston and Brigham, 1992). A portfolio is a mix of different assets, and portfolio investment means investing in two or more of these assets.The primary objectives of portfolio are:

- To minimization risk.
- To maximize return

Whereas it is secondary, objectives are as follows:

- Regular income
- Price appreciation/capital gain

- Tax advantages
- Easy marketability
- Safely of investment etc.

Investors often spread their investments across various assets to balance risk and reward. This strategy, known as diversification, involves selecting securities with different risk and return profiles. The extent of diversification depends on an investor's risk tolerance, influencing the overall risk and return of their portfolio. An efficient portfolio aims to maximize returns for a given level of risk or minimize risk for a given return.

According to Markowitz's Modern Portfolio Theory (1952), the efficient frontier represents a set of portfolios that are either not dominated by others or offer the highest expected return for a given level of risk or standard deviation. Portfolio management involves the skillful handling of investments in financial assets like stocks and bonds. It requires regular monitoring of the securities in the portfolio. A portfolio, whether owned by an individual or a corporation, reflects the choices made based on individual preferences, risk tolerance, and return expectations. However, it's important to acknowledge that the correctness of these decisions is not guaranteed in all cases (Markowitz, 1952).

2.1.4 Investment portfolio

In scientific terms, a portfolio is typically described as a combination of financial assets, specifically a collection of securities, which are essentially various types of financial investments. This collection represents the list of securities owned by an investor or institution. For instance, if an individual holds stocks in Nepal Investment Bank Ltd., Bottlers Nepal Co., Radisson Hotel, and Standard Chartered Bank Ltd., their investment portfolio comprises these stocks from these four different companies. When analyzing a portfolio, one considers the determination of future risks and returns, which is essentially a weighted average of the expected returns of the individual securities within the portfolio. Portfolio theory focuses on selecting the optimal portfolio, one that offers the highest potential return for a specified level of risk or the lowest possible risk for a specified rate of return. It's worth noting that portfolio theory primarily applies to financial assets. Therefore, true investment portfolio management involves making investments from the selected optimal

portfolio, aiming to maximize returns while minimizing risk. As per Weston and Brigham (1992), "A portfolio simply represents the practice among the investors of having their funds in more than one asset. The combination of investment assets is called a portfolio."

For an investor who entrusts someone else to manage their portfolio or actively manages it themselves, it's important to demand information about the portfolio's performance. This information can be used to make adjustments, such as changing constraints placed on the manager, revising the investment objectives given to the manager, or altering the allocated amount of money to the manager. More importantly, by assessing performance in specific ways, a client can effectively communicate their interests to the investment manager and likely influence how their portfolio is managed in the future. Additionally, an investment manager, by evaluating their own performance, can identify strengths and weaknesses in their management approach.

2.1.5 Financial portfolio

In the world of finance, a "financial portfolio" is essentially a mix of different financial assets like stocks, bonds, and cash. These portfolios can be owned by regular people or managed by financial experts, hedge funds, or other financial organizations. When creating a portfolio, it's important to consider factors like how much risk an investor can handle, how long they plan to invest, and what their financial goals are. The value of each asset in the portfolio can affect how much risk and reward it carries. In a portfolio system, assets are bought, sold, or traded as financial tools, like currencies, loans, bonds, shares, stock options, and futures. People can also put their assets in banks, invest them, or insure them to try to make the most money while minimizing potential losses.

However, it's crucial to remember that financial activities always come with some level of risk. One critical aspect of managing credit risk is to establish limits on how much money can be lent to a single borrower or a group of related borrowers. Financial institutions need to create their own limits, but they should stay within the limits set by the central bank, like the Nepal Rastra Bank. The size of these limits should depend on factors like the borrower's creditworthiness, how much credit they genuinely need, the economic conditions, and how much risk the institution can

handle. It's also important to set appropriate limits for different types of products and activities. Some institutions might set limits for specific industries, economic sectors, or geographic regions to avoid concentrating too much risk in one place.

2.1.6. Profitability in Banks

Profit in economics refers to the surplus obtained when the income from selling goods or services exceeds the total cost, including the cost of resources used and the risk factor associated with business ownership. These costs also encompass the expense of using the owner's capital. However, traditional accounting methods do not account for risk premiums and the cost of capital, which means that the calculated profit may not align with this economic concept. Profit can be categorized as either normal, which represents the minimum required for a business to remain operational, or supernormal, which is any profit beyond the normal threshold (Khan and Jain, 1992).

Corporate profit planning is a challenging task in financial management due to the numerous uncontrollable variables involved, especially when operating in a highly competitive economic environment. To optimize profit, a business must focus on two key factors: revenue and cost. Profitability is an ongoing concern for a company, and it revolves around achieving a turnover level that covers all costs and generates surplus income. Strategies for improving corporate profitability include ratio analysis, breakeven analysis, marginal analysis, cost control, and financial control (Saunders et al., 2004).

In the banking sector, profitability is of paramount importance. Commercial banks aim to earn profits for their shareholders through investments and lending. Profitability ratios, such as return on assets (ROA), are crucial indicators of how efficiently a bank is managed. Banks must invest their funds wisely to generate higher returns while also ensuring sufficient liquidity for daily operations. Investment choices often involve a trade-off between risk and return. For instance, banks should invest more in tax-free government securities but avoid high-risk investments in new companies (Akter & Mahmud, 2014).

Akter & Mahmud (2014) conducted a study in Bangladesh and Sri Lankan banking sectors to explore the connection between liquidity and profitability. They used the current ratio as an independent variable and ROA as a dependent variable, employing correlation and regression models. Their findings indicated that there was no significant relationship between liquidity and profitability in both the Bangladeshi and

Sri Lankan banking industries. This suggests that while liquidity is essential for banking operations, it may not directly correlate with profitability in these contexts.

2.2. Empirical Review

There have been some prior studies on the financial performance of commercial banks. Numerous more studies have been done to evaluate the financial portfolio analysis, investment analysis, and performance of commercial banks. Despite the fact that there have been numerous worldwide studies in this area, very few have examined the impact of portfolio analysis and its performance on profitability. Numerous empirical studies on the analysis of the liquidity profitability of businesses worldwide have been conducted. Although there are very few research that consider liquidity as a factor in explaining bank profitability or vice versa. The review of significant related literature pertaining to portfolio in various nations is the focus of this section. However, there aren't many studies in Nepal that discuss portfolio analysis of commercial banks' investments. We reviewed a number of books, journals, articles, and previous theses for this study. Both the international and Nepalese contexts are examined.

Kandel (2018) concluded that common stocks of two commercial banks listed on the Nepal Stock Exchange Limited are the main subject of this paper's analysis of the risk and return on common stock investments in the Nepalese stock market. The secondary data was gathered through journals, the internet, the security board of Nepal's website, the NEPSE website, past studies, and publications from a few commercial banks. Scientific methodologies are used to analyse both quantitative and qualitative research.

Agblobi (2020) The best way for a bank to invest is to make money while taking into account the risk involved in such portfolio management. The results also demonstrate that non-performing loans have a sizable favourable impact on banks' earnings. Banks can diversify their risks and increase their earning power by creating an effective portfolio. In Ghana, 435 banks and other businesses that accepted deposits failed between 2017 and 2019.

AI-Tarawneh (2015) This paper attThis essay makes an effort to explain Jordan's banking industry in order to highlight the significance of relevant ideas and data for

decision-makers. They contend that they have sway over the financial sector, which has an impact on the national economy empts to explain the banking performing in Jordan to draw out the implications of related theories and evidence for policy makers. According they can influence the banking industry, which in turn impacts the economy overall.

Verma, (2021) found that bonds, closed-end funds, commodities, equities, cash and cash equivalents, exchange traded funds, as well as closed-end and exchange traded funds, are all examples of financial assets that are included in a portfolio. Stocks, bonds, and cash are frequently considered to be the foundation of a portfolio.

Mobisa (2013) c eoncuded that the conomy's banking sector acts as a stimulant for expansion and improvement. Through their essential roles in financial intermediation, providing a reliable payment system, and supporting the implementation of this study, banks are able to fulfil this role. The goal of this study was to fill the knowledge gap by looking into the factors that affect profitability in commercial banks in Kenya.

Muthui,Wepukhulu(2018) Therefore, the goal of this study was to determine how portfolio diversity affected the financial performance of Kenyan commercial banks that are listed on the NSE. The study, which is focused on commercial banks and the information asymmetry hypothesis, used a descriptive research design. The study suggested that banks invest in government securities, real estate, and loans, but that stock investments, which were found to have a detrimental impact on bank performance, should be reassessed.

Lekwauwa (2022) concluded that as a result of rising competition, banks are being compelled to take on greater risk in order to earn larger profits. By making it simpler to imitate bank services, technological advancements have also increased competition. The evaluation of the relationship between portfolio management and profitability at Ghanaian commercial banks was the main objective of the study. An assortment of securities, such as stocks, bonds, and others, make up a portfolio. A portfolio's investments are diversified in order to lower risk and boost return.

Bindhani (2023) mention that commercial banks are financial institutions that offer their clients banking services as well as other financial products. In this way, banks function as a type of financial mediator, gathering funds from those who have extra cash and lending it to others in need. defines a bank as a type of financial institution that provides credit. It takes contributions from the general public, makes funds available to individuals who need them, and facilitates quick money transfers. The

commercial banks conduct all varieties of banking activities, including commercial, trade, and financial. A developing nation like India is supported by a strong and effective banking system.

Paudel (2012)) used the financial reports of 31 banks for a period of eleven years (2001-2011) to analyse the effect of credit risk management on the financial performance of commercial banks in Nepal. Descriptive, correlational, and multiple regressions were the data analysis techniques used in the study. Return on assets (ROA) was the measure of financial success employed in the study. Default rate, cost per loan asset, and capital adequacy ratio were the determinants of banks' financial performance that were considered in the study. The author claims that all of these factors have a negative effect on the financial performance of banks. While cost per loan asset is a weak predictor of bank performance, among risk management measures, default rate (NPLR) is the single most important predictor of bank financial performance in Nepal. The author draws the conclusion that credit risk management is essential for a bank's success since it has a substantial impact on bank performance.

Zou and Li (2014) studied the effects of credit risk management on the profitability of 47 of Europe's top commercial banks during a five-year period, from 2007 to 2012. The results revealed a favourable correlation between the two factors. Githaiga (2015) carried out a comparable investigation on 43 Kenyan commercial banks. The relationship between adequate capital, effective management, liquidity, and ROA was shown to be very robust. Additionally, a shaky and unfavourable correlation between credit risk and ROA was found.

Munzwembiri (2015) carried out a comparable study in Zimbabwe between 2009 and 2014. Four commercial banks were selected at random for the study, out of a total of sixteen banks that could have participated. As a result, CRM and profitability had a favourable association. NPLR had the biggest impact on earnings out of the three substitutes for CRM. If more international investors who wish to do business in Nepal take use of their loans, Nepal's banks could perform better. Foreign investors are not conversant with local customs, laws, and other circumstances unique to their own country. Therefore, the banks can assist international investors and businesspeople in this area. The profitability and liquidity of Nepal's commercial banks were not clearly defined in the earlier research. The study can be useful to those who were interested in learning more about Nepal's commercial banks' overall liquidity and profitability.

Therefore, although this subject may not be novel, the study efforts may be commendable.

2.3. Summary of Review

S.N.	Author(s)	Data analysis tools	Finding/Conclusion
1.	George & Makari (2013)	Descriptive Statistics, Correlation	This article study founded that in the case of private sector of banks. Finding of the study showed that public sector bank and private sectors banks were not much affected by increased or decreasing of interest margin.
2.	Mothui & Wepukhulu (2019)	Descriptive Statistics, Correlation and Multivariate regression analysis.	The purpose of this study therefore was to establish the effect of portfolio diversification on financial performance of NSE listed commercial bank in Kenya. The study found that there was a strong positive correlation between investment portfolio and financial performance of commercial banks. This study concluded that portfolio diversification enhance bank performance. The study recommended that banks should increase investment security.
3.	Lekwauwa, & Bans-Akutey (2023)	Descriptive Statistics, Correlation and Multivariate regression analysis.	The primary goal of the research was to assess the relationship between Ghanaian commercial banks profitability and portfolio management. Result showed that asset investment has a positive effect on the financial performance of commercial banks in Ghana.
4.	Bindhani (2023)	Descriptive Statistics, Correlation and Multivariate regression analysis	The most important fact is that every investment is only possible when there is enough savings by commercial bank. If banks are consumed all of his incomes and saving in a unproductive way they will face hand-to-mouth problem solve. The main purpose of this study is that recommended the best investment policy to the commercial bank managers or policy makers

5.	Agblobi, et al. (2020)	Descriptive Statistics, Correlation and Multivariate regression analysis	The findings show that holding of government securities and investing in subsidiaries have a significant positive effect on the profitability of banks in Ghana. Ti is conclusion the recommended that banks should develop a balance between holding government securities and investing subsidiaries to improve upon its profitability.
6.	Al-Tarawned, & Khataybeh (2015)	Descriptive Statistics, Correlation and Multivariate regression analysis	The study and finding we investigate the portfolio behavior of Jordanian banks. This paper attempts to explain the banking performance in Jordan to draw out the implications of related theories and evidence for policy makers.
7.	Kumar (2021)	Descriptive Statistics, and Correlation	We found out the research trieand to analyzed the various theory of portfolio management being adopted by Indian banking industry along with its mayor objectives. Conclusion portfolio management is the practice of effectively and intelligently management a bank asset and liabilities mix.
8.	Kandel (2018)	Descriptive Statistics, Correlation and Multivariate regression analysis	This research study found that there is a positive relationship between risk and return. After that analysis of risk and return of sample bank and based on the commercial banks last 5 fiscal years. It is concluded that all the commercial bank are very much risky with fluctuated rate of return.
9.	Hallu & Tassew (2018)	Descriptive Statistics, Correlation and Multivariate regression analysis	The finding of the study shows that investment in financial assets , government securities , insurance , loan portfolio and investment size have positive significant impact on financial performance of banks in Ethiopia. The study concludes that investment diversification positively affects the financial performance of commercial banks in Ethiopio.

10.	Jamshid (2020)	Descriptive Statistics, Correlation and Multivariate regression analysis	Now days, the classical deposit credit strategic is no longer sufficient for commercial banks to survive in the financial markets and achieve a sufficient level of profit. The importance of the investment portfolio as an alternative that provides additional sources of revenue, insurance liquidity ensures diversification of placements and reduces risk exposure. The aim of this paper is to show the importance of the investment portfolio in commercial banks and the basic investment portfolio management strategies that commercial banks can use.

2.4. Research Gap

In the realm of scientific exploration, various studies have been conducted to investigate the intricacies of credit risk and its effects on the profitability of banks. However, it's crucial to acknowledge that these studies possess both significance and limitations. A majority of the literature available on this subject primarily pertains to foreign commercial banks, rather than those in Nepal. This lack of relevant research has posed challenges for researchers seeking to analyze credit risk and profitability within the context of Nepalese commercial banks.

The existing body of research has predominantly concentrated on assessing credit risk using metrics like the Non-Performing Loan (NPL) ratio, Capital Adequacy Ratio (CAR), and Cash Reserve Ratio (CRR). Notably, this research article uncovered a noteworthy correlation between credit risk and profitability. It is noteworthy to highlight that previous studies have diverged in their assessments of how credit risk impacts profitability. Some studies have reported a positive relationship between credit risk and profitability, while others have concluded a negative association. This discrepancy in findings represents a notable research gap within the field.

Therefore, this study aims to fill this research gap by shedding light on the relationship between credit risk and profitability in the development banks of Nepal. This endeavor marks the first attempt to explore these relationships comprehensively across the entire banking industry of Nepal. Prior research has primarily focused on commercial banks, thus necessitating an examination of credit risk management and profitability in this unique context.

CHAPTER–III
RESEARCH METHODOLOGY

The research methodology refers to the overall research process a researcher conducts during their study. Research can be conducted on the basis of primary and secondary data. Without gathering detailed data and applying different analytical tools, confessing anything about the related subject is impossible. The research technique is a methodical approach to resolving a research issue. The general research procedure that a researcher uses to complete their study is referred to as research methodology. On the basis of primary and secondary data, research has been done. All of the collected and observed data were analyses in this study using the proper financial techniques. A thorough research plan is needed to evaluate, analyses, and interpret every topic and field. It is hard to admit anything about the associated subject without obtaining comprehensive data and using various analytical tools.

3.1. Research Design

This research was designed to study in the investment and financial portfolio management of government bank, private bank and joint venture banks are three different banks in Nepal. To achieve the research objective, descriptive and casual comperitavely research designs have been used. For Investment in government securities, Investment in government bond, Investment in Treasury Bills, NPLR ratio and Consumer price inflections rate has considered whereas for portfolio management measure i.e. ROA, and ROE has been considered.

3.2. Population and Sample

Population or universe refers to the industries of the same-nature of its service & product. It is the collection or the aggregate of objects or the set of results of an operation. On the other hand, sample means the representative parts of the population selected from it to investigate its properties. Thus, a sample is just a portion of the population selected with a view to draw conclusions about the population under study. Population of this study is commercial banks of Nepal. In context of Nepal, 20 number of Commercial banks operating in Nepal (August, 2023). Among them 7 joint

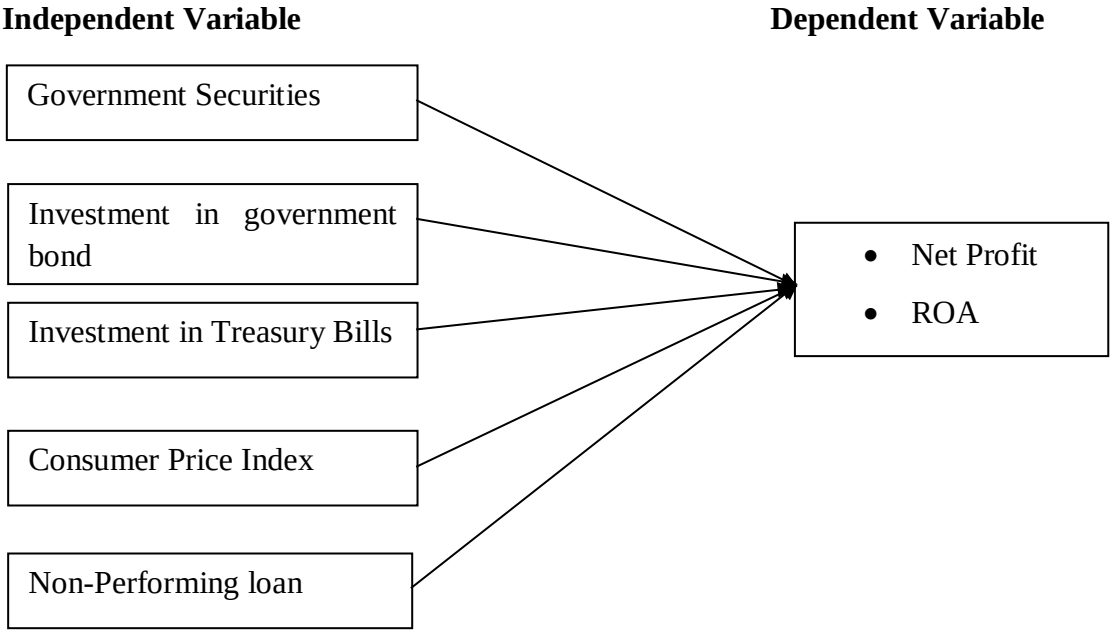
venture banks, 3 government banks and 10 private banks in Nepal. Out of 20, three different types of sample banks, Nepal Rastiya Bank, Nepal Investment Mega Bank and Nabil Bank, have been studied and taken sample from cluster sampling.

3.3. Data Collection Procedures

Data has collected from secondary sources. Likewise, data has emanated from listed banks' financial reports, published and unpublished books, scholarly journals, business and financial newspapers and other magazines and corporate journals. As the study needs historical financial data, which are from corporate reports, accessing publicly available data has assumed as the suitable method for the accuracy of the data. As public data is accessible to everyone, the study made use of the financial performance data, which were of interest to the present research. Financial reports and other relevant information of the listed banks for the period 2012/13 to 2021/22 have retrieved from the internet, by search engines.

3.4. Conceptual Framework

This study aimed to investigate the connection between the financial and investment portfolios of commercial banks in Nepal during the period from 2012/13 to 2021/22. To achieve this, the study relied on the analysis of financial and investment portfolio ratios of specific bank groups.



Dependent Variable

b. Return on Total Asset

Return on Assets (ROA) is a financial ratio that assesses a company's profitability concerning its total assets. It helps corporate management, analysts, and investors evaluate how efficiently a company utilizes its assets to generate profits. ROA is a metric indicating a company's profitability relative to its Total Assets.

b. Net Profit

Net Profit is the ultimate measure of profitability, calculated by deducting all expenses, including non-operating expenses like debt repayment and restructuring costs, from total revenue. Business sales and net profit together serve as a robust indicator of operational success. Nevertheless, business owners, financial analysts, and investors also employ other financial metrics to evaluate the financial health of organizations.

c. Government Securities

Government Securities are debt instruments issued by governments to fund their daily operations, special infrastructure projects, and military endeavors. These securities are considered risk-free because they have the backing of the issuing government. Investors in government securities either hold them until maturity or sell them to other investors in the secondary bond market.

d. Investment Subsidiaries/investment in government bond

Investment Subsidiaries are subsidiaries of insurance companies organized exclusively for owning and managing assets authorized for insurance purposes. Each subsidiary agrees to limit its investments in a way that does not jeopardize the overall investment of the organization.

e. Investment in Treasury Bills

Treasury Bills are short-term debt instruments issued by the central government when it needs short-term funding. These bills are typically issued by the National Reserve Bank on behalf of the central government and have maturity periods of up to 52 weeks (one year).

f. Consumer Price Index (CPI)

The Consumer Price Index (CPI) is an important economic metric that measures the average price change paid by consumers over time for a basket of goods and services.

This index is calculated and published monthly by the Bureau of Labor Statistics and is one of the most common indicators of inflation, providing insights into the overall economic health and direction

3.5. Data Analysis Tools

The collected data has analyzed with the help of different financial and statistical tools. I took the data from secondary sources and prepared it by reading the final report of the every bank from the google website and searching for it.

3.5.1 Financial tools

a. Return on Total Asset

$$\text{Return on Total Assets} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

It measures the efficiency of bank in utilization of the overall assets. High ratio indicates the success of management in overall operation. Lower ratio means insufficient operation of the bank.

b. Return on Equity

Equity shareholders are the real owners of a company and are the risk bearers and are entitled to total profits earned by the company after preference dividend. Return on equity relates the profitability of a company to equity shareholders equity. ROE measures the company's profitability in terms of return to equity shareholders. It has calculated as:

$$\text{Return on Equity} = (\ \text{Net Profit After Tax})/(\text{Shareholders' Equity})$$

c. Return on Investment Ratio (ROI)

Return on investment ratio shows how efficiently the organization is investing it funds in different sector for generating profit. The higher ratio the better the organization profit. The ROI ratio measures how efficiently the organization 24 can earn on its investment. It is a kind of technique that measures the profitability position of the organization.

$$\text{ROI} = (\text{Net profit after tax}) / (\text{Total Investment})$$

d. Return on Government Securities

The return on government securities is calculated by dividing interest earned from government securities by total investment on government securities. This is illustrated as:

Return on Government Securities = (Interest earned from Government securities) / (Total Investment on Government Securities)

The ratio has tested to see the profitability of the owner's investment "reflects the extent to which the objective of business is accomplished". The ratio is of great interest to present as well as prospective shareholders and of great significance to management, which has the responsibility of maximizing the owner's welfare, so higher ratio is desirable.

3.5.2. Statistical Tools

Statistical Tools Statistical tools are the measures or the instruments to analyze the collected data from the different sources. In statistics, there are numerous statistical tools to analyze the data of various natures. In this study, mainly statistical tools such as Mean, SD, C.V, descriptive statistics, Coefficient of correlation (r), Regression analysis, f-test and ANOVA has been used keeping into consideration the key tools required for the study.

a) Average rate of return

Average rate of return is the arithmetic average of the historical returns forecasted for next period. It is obtained by dividing the sum of total of the return by the number of the observation.

$$\sum(Rj) = \sum Rj\ n$$

b) Standard Deviation

Standard deviation (S.D) is defined as the positive square root of the mean of the deviations taken from the arithmetic mean. Standard deviation is an estimate of the likely divergence of an actual return from an expected return. It measures the risk of the return. The higher the standard deviation, more risk will be in the assets.

$$\sigma j = \sqrt{(\sum(Rj - \bar{R}j)\ 2) / (N - 1)}$$

Where,

σj = Standard deviation of return from asset j

Rj = Return of asset j

$\bar{R}j$ = Average rate of return on asset j

N = No. of observation

c) Coefficient of Variation

Co-efficient of variation is the standardization measure of risk per unit of return. It is calculated as the standard deviation divided by the expected rate of return. It provides a more meaningful basis for comparison when two investments of different expected return and standard deviation are to be compared. It is calculated by the following equation:

$$\text{Coefficient of Variation} = \sigma / \bar{R}$$

Where,

σ = Standard deviation

$\bar{R}$ = Average rate of return

d) Correlation of Coefficient

The correlation between the different variables of a bank is compared to measure the performance of these banks. Correlation refers to the degree of relationship between two variables. If between two variables, increase or decrease in one cause increase or decrease in another, then such variables are correlated variables. The reliability of the value of coefficient of correlation is measured by probable error. The correlation coefficient describes the degree of relationship between two variables. This tool analyses the relationship between those variables by which it is helpful to make appropriate investment policy for profit minimization. SPSS application has been used to calculate the correlation between two assets. Correlation coefficient between two assets is also calculated by using following formula:

$$\text{Correlation coefficient } (r) = COVAB / \sigma A \sigma B$$

Where,

COVAB = Covariance between return from assets A and B

A = Standard deviation of return from asset A

B = Standard deviation of return from asset B

The correlation coefficient is a statistical idea that aids in determining a relationship between expected and actual values acquired in a statistical experiment. The correlation coefficient determined value shows why the expected and actual values match up precisely.

The correlation coefficient value always lies between -1 and +1. If the correlation

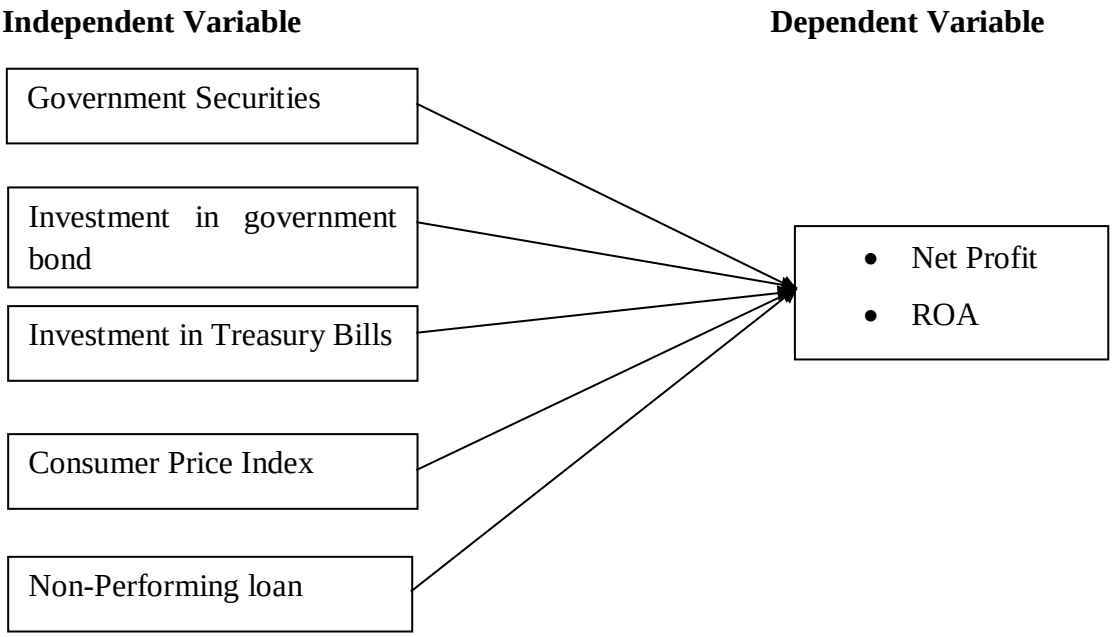
coefficient value is positive, then there is a similar and identical relation between the two variables. Else, it indicates the dissimilarity between the two variables.

Regression is a statistical method used in finance, investing, and other disciplines that attempts to determine the strength and character of the relationship between one dependent variable (usually denoted by Y) and a series of other variables (known as independent variables). Also called simple regression or ordinary least squares (OLS), linear regression is the most common form of this technique. Linear regression establishes the linear relationship between two variables based on a line of best fit. Linear regression is thus graphically depicted using a straight line with the slope defining how the change in one variable impacts a change in the other. The y-intercept of a linear regression relationship represents the value of one variable when the value of the other is zero. Non-linear regression models also exist, but are far more complex.

Regression is a statistical technique used in the fields of finance, investing, and other areas that aims to establish the nature and strength of the relationship between a single dependent variable (often represented by Y) and a number of other factors (referred to as independent variables). Linear regression, which is also known as simple regression or ordinary least squares (OLS), is the most used variation of this method. The linear relationship between two variables is established using linear regression based on a line of best fit. Thus, a straight line is used to graphically represent linear regression, with the slope showing how a change in one variable affects a change in the other.

3.5. Conceptual Framework

This study aimed to investigate the connection between the financial and investment portfolios of commercial banks in Nepal during the period from 2012/13 to 2021/22. To achieve this, the study relied on the analysis of financial and investment portfolio ratios of specific bank groups.



Source: *Lekwauwa1, & Akutey (2023)*

Dependent Variable

c. Return on Total Asset

Return on Assets (ROA) is a financial ratio that assesses a company's profitability concerning its total assets. It helps corporate management, analysts, and investors evaluate how efficiently a company utilizes its assets to generate profits. ROA is a metric indicating a company's profitability relative to its Total Assets.

b. Net Profit

Net Profit is the ultimate measure of profitability, calculated by deducting all expenses, including non-operating expenses like debt repayment and restructuring costs, from total revenue. Business sales and net profit together serve as a robust indicator of operational success. Nevertheless, business owners, financial analysts, and investors also employ other financial metrics to evaluate the financial health of organizations.

c. Government Securities

Government Securities are debt instruments issued by governments to fund their daily operations, special infrastructure projects, and military endeavors. These securities are considered risk-free because they have the backing of the issuing government.

Investors in government securities either hold them until maturity or sell them to other investors in the secondary bond market.

d. Investment Subsidiaries/investment in government bond

Investment Subsidiaries are subsidiaries of insurance companies organized exclusively for owning and managing assets authorized for insurance purposes. Each subsidiary agrees to limit its investments in a way that does not jeopardize the overall investment of the organization.

e. Investment in Treasury Bills

Treasury Bills are short-term debt instruments issued by the central government when it needs short-term funding. These bills are typically issued by the National Reserve Bank on behalf of the central government and have maturity periods of up to 52 weeks (one year).

f. Consumer Price Index (CPI)

The Consumer Price Index (CPI) is an important economic metric that measures the average price change paid by consumers over time for a basket of goods and services. This index is calculated and published monthly by the Bureau of Labor Statistics and is one of the most common indicators of inflation, providing insights into the overall economic health and direction.

CHAPTER-IV
RESULTS AND DISCUSSION

4.1. Results

This chapter provides a mechanism for meeting the basic objectives as stated earlier in the first chapter of the study. In the second chapter, the topic related research journals will be studied, the empirical review will be prepared based on the research that has been done, and now the remaining research will be found and written. The study has followed the methodology as described in third chapters in order to attain the objectives.

Data collected for the analysis have presented in the form of tabular and diagrammatic form and have analyzed with the help of widely accepted tools of financial ratios. But it is to be noticed that all types of financial ratios are not studied under this chapter. The logic behind using only independent variable is to avoid the clash and confusion of results. Only selected ratios are calculated, analyzed and presented which are very significant to pasteurize the study. Moreover, statistical tools such as trend analysis, coefficient of correlation and regression analysis have used to analyze the data.

The basic objective of this study is to observe and analyze the relationship between financial and investment portfolio of the commercial banks in Nepal. The presentation and analysis of data in this study has done through the help of financial statements of the year from FY 2012/13 to FY 2021/22

4.2. Descriptive statistics

Descriptive statistics is the term given to the analysis of data that helps describe, show or summarize data in a meaningful way such that patterns might emerge from the data.

Table 1: *Descriptive statistics*

	Min.	Max.	Mean	SD	CV	N
ROA	1.19	3.25	1.9743	0.58	29.37	30
Net Profit	1035.13	37976	11279.57	12,925.31	114.59	30
Investment in government securities	15318.13	89173.8	40776.51	20,875.94	51.20	30
Investment in Gov. Bonds	2051.1	84819	24600.38	20,749.62	84.35	30
Investment in Treasury Bills	2452.5	19452.3	6830.095	3,620.98	53.02	30
NPLR	0.55	3.77	1.7307	0.82	47.43	30
Consumer Price Inflation	3.6	9.9	6.532	2.29	35.09	30

Descriptive statistics do no however allow us to make conclusions beyond the data the researcher have analyzed or reach conclusion regarding any hypothesis have made. They are simply a way to describe data. The researcher used mean, minimum, maximum, standard deviation and standard error to analyze the data.

Descriptive statistics has used to present quantitative descriptions in a manageable form. It simply help researcher to simplify large amount so data in a sensible way to reduces lots of data into a simple summary.

The table 4.1 shows that the total number of observation is 30 as denoted by the symbol 'N'. The average Return on Assets of Three sample banks is 1.97. The minimum value is 1.19 and maximum value is 3.25. The coefficient of variation is 29.37. The average value of Investment and government securities is 40776.51. The minimum and maximum values are 15318.13 and 89173.8 respectively. The Investment in government bonds of the sample years among the sample banks are average value is 24600.095 minimum value is 2051.1 and maximum is 84819. The variation is 84.35. By doing so the average value of investment in government treasury bill is 6830.98 and minimum value is 2452.5 and maximum value is 19452.3.The average of Non-preforming loan ratio three sample banks government bank, joint venture bank and private bank are in the ten fiscal year is 47.43. The maximum value is 3.77 and minimum value is 0.55. The CV is 53.02.

Similarly, the average value of consumer price inflection is 6.532. The minimum and maximum values are 3.6 and 9.9 respectively. The coefficient of variance of CPI is 35.09.

4.3. Correlation

Here are defined a scale for strength of correlation. Little correlation coefficients are 0.00 to 0.29, low correlation coefficients are 0.30 to 0.49, moderate correlation coefficients are 0.50 to 0.69, high correlation coefficients are 0.70 to 0.89 and very high correlation coefficients are 0.90 to 1.00.

Table 2: *Correlations*

		ROA	Net Profit	Investment in government securities	Investment in Gov. Bonds	Investment in Treasury Bills	NPLR	Consumer Price Inflation
ROA	P.Correlation	1						
	Sig. (2-tailed)							
Net Profit	Pearson Correlation	-0.125	1					
	Sig. (2-tailed)	0.51						
Investment in government securities	Pearson Correlation	-.401*	0.338	1				
	Sig. (2-tailed)	0.028	0.068					
Investment in Gov. Bonds	Pearson Correlation	-0.027	0.322	-0.138	1			
	Sig. (2-tailed)	0.886	0.083	0.468				
Investment in Treasury Bills	Pearson Correlation	-0.268	.369*	0.323	0.015	1		
	Sig. (2-tailed)	0.153	0.045	0.081	0.937			
NPLR	Pearson Correlation	-0.105	0.028	.401*	-0.079	-0.018	1	
	Sig. (2-tailed)	0.582	0.882	0.028	0.679	0.926		
Consumer Price Inflation	Pearson Correlation	0.145	-0.159	-0.012	-0.029	-0.009	-0.084	1
	Sig. (2-tailed)	0.445	0.401	0.95	0.88	0.964	0.661	
	N	30	30	30	30	30	30	30

** Correlation is significant at the 0.05 level (2-tailed).*

A correlation coefficient between ROA and Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Non-performing loan ratio and Consumer price inflections rate are -0.125, -0.401, -0.027, -0.268, -0.105 and 0.145 respectively. There was a positive correlation between ROA and Consumer price inflection ratio. There was a negative correlation between ROA

and Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Non-performing loan ratio and Consumer price inflections ratio which was statistically insignificant at the 0.05 level (2-tailed) (r = -0.125, -0.401, -0.027, -0.268, -0.105 and 0.145, n = 50, p> 0.05).

Similarly, A correlation coefficient between ROE and Net Profit, Investment in government securities, Investment in government bond, Investment in treasury bills, Non-performing loan ratio and Consumer price inflections rate ROE and CAR, CRR, CR, NPL ratio are -0.338, 0.322, 0.369, 0.028 and -0.159 respectively. There was a positive correlation between ROA and CRR & NPL ratio. There was a negative correlation between Net Profit and Consumer price inflection rate. The Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Non-performing loan ratio which was statistically significant at the 0.05 level (2-tailed) (r = -0.338, 0.322, -0.369 & 0..28, -0.159, n = 50, p< 0.05).

Table 3: *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.456a	0.208	0.043	0.56709

a Predictors: (Constant), Consumer Price Inflation , Investment in Treasury Bills, Investment in Gov. Bonds, NPLR, Investment in government securities. a Predictors: (Constant), CAR, CRR, NPL ratio, CR

The table 3 shows the relationship between ROA and Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Consumer price inflections rate of difference kinds in three banks. R^2 value has 0.208. It means that independent variable explain by dependent variable is 20.8%.

Table 4: *ANOVA table*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.032	5	0.406	1.264	.312b
	Residual	7.718	24	0.322		
	Total	9.75	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), Consumer Price Inflation , Investment in Treasury Bills, Investment in Gov. Bonds, NPLR, Investment in government securities

Table 4.4 shows the P-value is 0.450, which is greater than 0.05. There is an insignificant relationship between ROA and NP, IGS, IGB, IGTB, NPLR, CPI. The ANOVA table indicates that the fitted model or R square is insignificant (F (5, 45) = 1.264, p = 0.312). It means that the model is not fit.

Table 5: *Coefficients*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.312	0.482		4.796	0.000
	Investment in government securities	-1.07E-05	0.032	-0.385	-1.793	0.086
	Investment in Gov. Bonds	-1.95E-06	0.034	-0.07	-0.38	0.008
	Investment in Treasury Bills	-2.24E-05	0.021	-0.14	-0.718	0.048
	NPLR	0.038	0.143	0.053	0.265	0.043
	Consumer Price Inflation	0.036	0.046	0.142	0.776	0.045

a Dependent Variable: ROA

From table 5, the estimated equation can be explained by taking the values from the model-1:

$$\hat{Y} = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 3X4 + ei$$

Therefore,

$$\hat{Y} = 2.312 - 1.07E\text{-}05.X1 - 1.95E\text{-}06.X2 - 2.24E\text{-}05.X3 + 0.038 + 0.036 + ei$$

Table 5 shows that ROA and IGS, IGB, ITB, NPLR, CPI ratio have insignificant relation. P value greater that 0.005.

Table 6: *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.585a	0.342	0.205	11523.72027

a. Predictors: (Constant), Consumer Price Inflation, Investment in Treasury Bills, Investment in Gov. Bonds, NPLR, Investment in government securities

Table 6 shows that the R^2 value has 0.342. It means that the independent variable explain by a dependent variable is 34.20%.

Table 7: *ANOVA table*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1657738293	5	331547658.6	2.497	.049b
	Residual	3187107093	24	132796128.9		
	Total	4844845386	29			

a. Dependent Variable: Net Profit

b. Predictors: (Constant), Consumer Price Inflation, Investment in Treasury Bills, Investment in Gov. Bonds, NPLR, Investment in government securities.

Table 7 shows that the P-value is 0.049b, which is less than 0.05. There is a significant relationship between Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Consumer price inflections rate with a 99% confidence interval. The ANOVA table indicates that the fitted model or R square is significant (F (5, 24) = 2.497, p = 0.049). It means that the model is fit.

Table 8: *Coefficients Analysis*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-895.451	9794.766		-0.091	0.928
	Investment in government securities	0.21	0.121	0.339	1.733	0.036
	Investment in Gov. Bonds	0.22	0.104	0.354	2.111	0.045
	Investment in Treasury Bills	0.895	0.635	0.251	1.41	0.031
	NPLR	-1381.95	2899.766	-0.088	-0.477	0.038
	Consumer Price Inflation	-845.297	937.749	-0.15	-0.901	0.046

a Dependent Variable: Net Profit

From table 8, the estimated equation can be explained by taking the values from the model-1:

$$\hat{Y} = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 3X4 + ei$$

Therefore,

$$\hat{Y} = -895.451 - 0.21 + 0.2IGS + 0.22IGB + 0.895ITB - 1381.95\ NPLR - 845.297CPI + ei$$

Table 8 shows that Investment in government securities, Investment in government bond, Investment in Treasury Bills have negative of an inverse relationship between Net Profit and NLPR, CPI and Net Profit is positive relation. The p value is less than 0.05. So, the Net Profit and Investment in government securities, Investment in government bond, Investment in Treasury Bills, NPLR ratio are significant at 99% confidence level.

4.4. Major Findings

1. The average Return on Assets of Three sample banks is 1.97. The minimum value is 1.19 and maximum value is 3.25. The coefficient of variation is 29.37. The average value of Investment and government securities is 40776.51. The minimum and maximum values are 15318.13 and 89173.8 respectively. The Investment in government bonds of the sample years among the sample banks are average value is 24600.095 minimum value is 2051.1 and maximum is 84819. The variation is 84.35. By doing so the average value of investment in government treasury bill is 6830.98 and minimum value is 2452.5 and maximum value is 19452.3.The average of Non-preforming loan ratio three sample banks government bank, joint venture bank and private bank are in the ten fiscal year is 47.43. The maximum value is 3.77 and minimum value is 0.55. The CV is 53.02. Similarly, the average value of consumer price inflection is 6.532. The minimum and maximum values are 3.6 and 9.9 respectively. The coefficient of variance of CPI is 35.09.
2. A correlation coefficient between ROA and Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Non-performing loan ratio and Consumer price inflections rate are -0.125, -0.401, -0.027, -0.268, -0.105 and 0.145 respectively. There was a positive correlation between ROA and Consumer price inflection ratio. There was a negative correlation between ROA and Net Profit and Investment in government securities, Investment in government bond, Investment in treasury

bills, Non-performing loan ratio and Consumer price inflections ratio which was statistically insignificant at the 0.05 level (2-tailed) (r = -0.125, -0.401, -0.027, -0.268, -0.105 and 0.145, n = 50, p> 0.05).

3. A correlation coefficient between ROE and Net Profit, Investment in government securities, Investment in government bond, Investment in treasury bills, Non-performing loan ratio and Consumer price inflections rate ROE and CAR, CRR, CR, NPL ratio are -0.338, 0.322, 0.369, 0.028 and -0.159 respectively. There was a positive correlation between ROA and CRR & NPL ratio. There was a negative correlation between Net Profit and Consumer price inflection rate. The Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Non-performing loan ratio which was statistically significant at the 0.05 level (2-tailed) (r = -0.338, 0.322, -0.369 & 0..28, -0.159, n = 50, p< 0.05).
4. The table 3 shows the relationship between ROA and Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Consumer price inflections rate of difference kinds in three banks. R^2 value has 0.208. It means that independent variable explain by dependent variable is 20.8%.
5. Table 4 shows the P-value is 0.450, which is greater than 0.05. There is an insignificant relationship between ROA and NP, IGS, IGB, IGTB, NPLR, CPI. The ANOVA table indicates that the fitted model or R square is highly significant (F (5, 45) = 1.264, p = 0.312). It means that the model is not fit.
6. Table 5 shows that ROA and IGS, IGB, ITB, NPLR, CPI ratio have insignificant relation. P value greater that 0.005.
7. Table 6 shows that the R^2 value has 0.342. It means that the independent variable explain by a dependent variable is 34.20%.
8. Table 7 shows that the P-value is 0.049b, which is less than 0.05. There is a significant relationship between Net Profit and Investment in government securities, Investment in government bond, Investment in treasury bills, Consumer price inflections rate with a 99% confidence interval. The ANOVA table indicates that the fitted model or R square is highly significant (F (5, 24) = 2.497, p = 0.049). It means that the model is fit.
9. Table 8 shows that Investment in government securities, Investment in government bond, Investment in Treasury Bills have negative of an inverse

relationship between Net Profit and NLPR, CPI and Net Profit is positive relation. The p value is less than 0.05. So, the Net Profit and Investment in government securities, Investment in government bond, Investment in Treasury Bills, NPLR ratio are significant at 99% confidence level.

4.5. Discussion

Empirical evidence seems to be in support of this assertion. Shleifer and Vishny (2011) in a review article, cite the works of Kaplan & Minton (2008) and Kang and Shivdasani (2009), who found higher incidence of management turnover in Japan in response to poor performance in companies that have a principal banking relationship relative to companies that do not.

The findings reveal a positive relationship between investment decision and financial performance. The correlation between ROA and investment in government securities is 0.381. There is positive relationship. Its means, investment in government securities increase or decrease, than ROA is positive relationship. The correlation between investment in Gov. Bonds and ROA is 0.484. The correlation between ROE and investment in government securities is 0.374. There is positive relationship. Its means, investment in government securities increase or decrease, than ROE is positive relationship.

The correlation between investment in Gov. Bonds and ROE is 0.42. There is positive relationship. The scenario can be attributed to new income and/or revenue streams. The relationship is however rather weak, which can be attributed to other underlying factors including the initial investment costs and the length of time over which profitability from the new investments can actually be realized. Taken together, these results suggest that firms with higher growth opportunities accumulate more capital and that the stock market has a key role in channeling funds toward investment projects. Similar findings are reported by Stella (2011) who argued that if successful, there comes a time for all big business and developing SMEs when they need new investments to expand or innovate further.

The finding is further supported by Wurgler (2008) and Bekaert et al. (2007) who assert that as in the most important contributions on finance and growth, investment decisions, particularly business expansion, matters for profitability. The data analysis further shows the statistical results regarding financial leverage and the financial

performance. Most commonly used measure of financial leverage is the calculation of financial ratios, of which in this study, the debt to equity ratio was analyzed.

CHAPTER-V
SUMMARY AND CONCLUSION

The purpose of this chapter to present an overview of the study in the summarized from along with major finding and the conclusion of the study. Accordingly, it is organized in three sections. Summary, conclusions and implications are made on the basis of the analysis relevant data by various tools and technique.

5.1. Summary

This study has been conducted with the objective of to examine the investment and financial portfolio analysis of commercial banks in Nepal. Financial tools and statistical tools have been used to make this study more effective and informative. This study has covered ten years' data from 2012/13 to 2021/22.

In this section, the researcher has summarized the overall study. Commercial banks and financial institutions are the backbone of the Nepalese economy at present. It plays vital role in capital formulation, proper utilization of collected fund, providing various type of banking services. Commercial banks are the banks formed by joining two or more enterprises. Commercial banks collect money from public by providing attractive sound interest and can earn profit by lending it on mainly in business organization, industrial, agricultural sectors etc. So, we can say the main task of commercial bank is to mobilize idle resources in productive areas by collecting it from scattered sources and generating profit.

Banks play the role of intermediaries channeling between saving and investment and fulfill the credit needs of customer as well as investment requirement of savers. It is clear that efficient and stable banking systems are crucial for an orderly economic growth.

Investment portfolio is one such tool that helps for proper utilization of resources. Portfolio theory deals with the selection of optimal portfolios that is portfolio provides the highest possible return for any specific degree of risk or the lowest possible risk for any specified return. Investment decision is one of the major decision functions of financial management. Banks should accept that type of securities which are commercial, durable, marketable, stable, transferrable and high market prices. A bank must diversify its investment on different sectors and in different securities.

Portfolio analysis is the act of analysing and evaluating a portfolio, which is a group of investments, in order to comprehend its performance, risks, and future returns. Investment management entails examining portfolios made up of several investments, including stocks, bonds, and alternative alternatives, in order to evaluate the performance and risks involved. Holding period return, the mathematical mean, the Sharpe ratio, the correlation coefficient, the regression equation, and other methods are utilised in portfolio analysis.

In the first chapter, we can receive the many information of the Thesis. There are include the main topic "Investment and financial portfolio analysis of commercial bank in Nepal" in related definition of topic, fine out the old research study, information of thesis material tools and techniques, guideline of complete thesis planning. And introduce contain of thesis etc. In the second chapter, we learn and find out the literature review. This study aims to analyze the investment portfolio management of commercial bank, examine the return on various types of investment, portfolio risk and overall performance. So research the subject related major finding from old article, journal, books etc. In recent times, commercial banks grate interest in investing in risk and highly return in liquid assets such as Treasury bill, government bond, development bond, and similar sectors. Financial crisis in commercial banks and consequently negatively impact the entire national economy. Commercial firm ability generate sustain and increase its income.

5.2. Conclusion

This study analyzed the investment and financial portfolio analysis of commercial banks in Nepal. Some financial and statistical tools are used to analyze the portfolio behavior. Portfolio situation is analyzed by invest amount of investment assets. Invest analysis major types of investment like this investment in government security, investment in government tresatury bill, investment in government bond etc. Commercial banks cannot utilize whole of its found raised through deposit and borrowing into banks and advance. In order to fulfill the gap between borrowing and lending banks rather goes for investment on such as government securities share and debenture, NRB bank etc. Commercial bank shows that RBB bank, NIMB, Nabil bank have invested large amount of its deposit fund in loan and advance among the bank. Among are three commercial bank have invested its move fund on government

security (i.e. risk free assets) and lesser fund on share and debenture (i.e. risky assets). All of the commercial banks are grating very high amount of its loan and advance to private sectors. Secondary priority to granting a loan and advance of all banks is foreign bill purchase and discount and all of bank have granted vary low loan and advance to government enterprise.

Among the three NIMBL, Nabil has efficiently distributed its resources based on the return on total assets ratio of the selected RBB. NIMBL has the lowest profitability position during the course of the study, despite the reasonable profitability portion of NIMBL. Through the purchase of government securities, RBB has more successfully mobilised its deposits. In terms of utilising its deposits on government securities, Nabil also had success. The use of the depositors' money by NIMBL for government securities is not very successful. In terms of advances and loans, NIMBL has more efficiently used its deposits. The deposits that Nabil has on loan and advance are successfully mobilised. The use of Nabil's depositors' money for loans and advances hasn't been as successful. Less than six times the expected mistake, the correlation coefficient between the entire deposit and the total investment. It shows a negligible positive and negative connection between Nabil and NIMBL as well as a negative correlation between NIMBL and Nabil. The relation the association between total investment and net profit as well as the correlation between total investment and loan and advance are both less than six times the likely error. It shows a negligible level of negative correlation among all sample banks.

5.3. Implications

Some of the valuable implications are drawn and put forwarded on the basis of findings and conclusion.

The formulation and successful implementation of a suitable investment policy by Nepal's commercial banks are not successful. Portfolio optimisation is not something they are thinking about. According to the NRB's and the government's directives, they are operating. Commercial banks therefore need to conduct an analysis of the potential investment areas, design an effective and efficient investment strategy, and then decide which investments to make. Based on the above findings and conclusions, the research may have number of implications to policy makers, practitioners and academic community. They may be reported as implications and areas for future

research. The implications can be made here so that the concerned authorities, future researchers, academicians, bankers can get some insights on the present conditions on above topics. It has considered that this research will be fruitful for them to improve the present condition as well as for further research. The major recommendations of this study are as under. The study concluded that financial performance of commercial bank in Nepal is significantly and positively influenced investment is stocks. The researcher therefore recommends that the management of commercial banks should emphasize on investing in stocks to ensure that they enhance their banks performance in financial terms.

REFERENCES

Agblobi, A., Kuhorfah, O.T., & Asamoah, P.(2020). *Portfolio management and profitability of commercial banks.*

Agblobi, A.D., Kuhorfah, O.T. & Asamorh, P. (2020). Portfolio management and profitability of commercial banks. *Journal of business and economic development*, 5(4), 244-248.doi 10.11688/J.J beb.20200504.17

AI-Tarawneh, A. & Khataybeh, K. (2015). *Portfolio Behaviour of commercial banks:* The Expected utility Approach: Evidence from jorden.

Amba, M.S. & Almukharreq, F. (2013). Impact of the financial crisis on profitability of the Islamic banks VS Conventional banks, *International Journal of Financial Research,* Vol(4), Issue(3), pp. 83-93.

Asmare, H.A., Tassew, A.W., Asmare, H.A. (2018). *The impact of investment diversification on financial performance of commercial banks in Ethiopia*.

Bhandari, R.K.(2023). *Investment policy of commercial banks and its sources of revenue.*

Bhujel, I. (2021). *Portfolio management of commercial banks in Nepal*. Master degree MBS thesis, Central department of management.

George, E.G., Miroga, J.B., Ngaruiya, N.W., Mindila, R., Nayakwara, S., Mobise, M.J., Joseph, O., & Moronge, M. (2013). *An analysis of loan portfolio management on organization profitability: case of commercial banks in Kenya*.

Hovaguimian, A. (2018). *Therole of financial Institutions in facilitating investment and capital flows.*

Jamshid, B. (2020). *Commercial banks investment strategic in the financial markets.*

Jhan, S. And Hui, X. A. (2012). Comparison of financial performance of commercial banks: A case study of Nepal, *African Journal of Business Management,* Vol.6 (25), pp. 7601-7611.

Kandel, L.R.(2018). *Risk and return analysis of commercial banks of Nepal* (with reference to NABIL and NIBL).

Lekwauwa, N., Akutey, A.(2022). *Commercial banks profitability and portfolio management in Ghana.*

Muthui, J.K., Wepukhulu, M. (2018). *Effect of portfolio diver signification on financial performance of commercial banks listed at NSE, Kenya.*

Nabil Bank Limited (2022). *Annual report of Nabil Bank Limited*, the fiscal year 2012/013 to 2021/022.

Neupane, S.S. (2014). *A Study on Non-Performing Loan and Loan Loss Provision of Commercial Banks; A case study of NABIL, SCB and NBL.* Kathmandu: An unpublished Master Degree Thesis, Submitted to Faculty of Management, T.U.

NIMB Limited (2022). *Annual report of NIMB Bank Limited*, the fiscal year2012/013 to 2021/022.

Nnenne, L. & Akutey, A.B. (2023). Commercial banks' profitability and portfolio management in Ghana. Annals of Management and Organization Research (AMOR). ISSN 2685-7715, Vol 3, No 4, 2022, 245-257.

Poudel, R.B., Baral, K.J., Gautam, R.R., Rana, S.B.(2019). *Corporate Finance*.

RBB (2022). *Annual report of Rastiya Banijys Bank Limited*, the fiscal year 2012/013 to 2021/022.

Shrestha, S. (1996). *Portfolio Behavior of Commercial Banks in Nepal.* Kathamndu: Mandala Book point.

Sinjapati, S.(2021). *Investment portfolio analysis of commercial banks in Nepal.* A Master degree thesis, MBS, Central department of management.

Verma, A. K.(2021). *Portfolio management approaches of commercial bank in india.*

Websites

https://www.rbb.com.np/

https://www.nimb.com.np/

https://www.nabilbank.com/

https://www.nrb.org.np/

https://www.nabilbank.com/individual

https://en.wikipedia.org/wiki/

https://www.nrb.org.np/

https://scholar.google.com

APPENDIX

Banks	Fiscal Year	ROA	ROE	CAR	CRR	CR	NPL Ratio
NABIL	2012/13	3.25	32.78	11.59	9.32	74.9	2.13
	2013/14	2.89	27.97	11.24	11.32	74.55	2.23
	2014/15	2.06	22.73	11.57	14.15	64.43	1.82
	2015/16	2.32	25.61	11.73	6.77	70.49	1.14
	2016/17	2.69	22.41	12.42	10.02	65.38	0.8
	2017/18	2.61	20.94	13	10.05	82.66	0.55
	2018/19	2.11	17.76	12.5	4.78	81.96	0.74
	2019/20	1.58	13.61	13.07	11.2	79.72	0.98
	2020/21	1.71	15.19	12.77	3.66	89.84	0.84
	2021/22	1.2	9.78	13.09	4.13	92.49	1.62
EBL	2012/13	2.39	17.69	11.59	15.91	76.57	0.62
	2013/14	2.25	26.63	11.31	16.91	78.01	0.97
	2014/15	1.85	27.2	13.33	24.27	66.63	0.66
	2015/16	1.61	28.88	12.66	16.61	73.52	0.38
	2016/17	1.72	25.82	14.69	16.52	82.32	0.25
	2017/18	1.83	26.75	14.54	16.52	84.05	0.25
	2018/19	1.97	22.86	14.2	17.75	81.86	0.2
	2019/20	1.94	21.13	13.74	18.56	87.01	0.16
	2020/21	1.42	16.25	13.38	14.43	83.52	0.22
	2021/22	0.89	13.54	12.48	18.15	85.3	0.12
HBL	2012/13	1.54	25.19	11.55	32.49	77.36	2.89
	2013/14	1.3	26.25	11.23	37.52	71.82	1.96
	2014/15	1.34	23.08	11.14	30.32	75.37	3.22
	2015/16	1.94	42.89	10.84	28.74	79.12	1.23

	2016/17	2.03	36.48	12.55	26.64	83.59	0.85
	2017/18	1.67	14.17	12.46	23.05	88.31	1.4
	2018/19	2.21	18.34	12.6	26.25	87.37	1.12
	2019/20	1.79	15.4	14.89	31.39	82.31	1.01
	2020/21	1.68	14.89	13.89	26.51	89.87	0.48
	2021/22	1.09	10.76	11.75	23.48	92.14	1.59
NSBI	2012/13	1.19	20.31	12.39	9.58	49.55	0.37
	2013/14	1.5	22.85	13.28	9.32	65.54	0.26
	2014/15	1.7	21.51	14.03	10.92	78.39	0.19
	2015/16	2	22.16	13.49	8.33	72.9	0.14
	2016/17	1.68	20.41	15.71	10.04	78.07	0.1
	2017/18	1.97	15.81	15.15	7.18	89.6	0.2
	2018/19	1.94	16.2	14.12	6.65	90.52	0.2
	2019/20	1.17	10.44	15.55	8.89	85.5	0.23
	2020/21	0.7	6.26	13.86	3.22	95.58	0.23
	2021/22	1.07	9.57	13.25	3.05	92.37	0.15
NMB	2012/13	1.43	17.4	11.74	23.35	76.2	1.8
	2013/14	1.36	16.34	10.75	13.72	76.73	0.55
	2014/15	1.21	18.42	11.13	13.32	75.32	0.42
	2015/16	1.49	20.9	10.98	10.81	84.07	1.81
	2016/17	1.69	20.52	13.61	7.72	85.5	1.68
	2017/18	1.8	13.54	15.75	6.68	88.3	0.88
	2018/19	1.83	13.32	15.45	4.19	87.71	0.82
	2019/20	1.09	8.94	15.08	5.93	86.39	2.68
	2020/21	1.32	12.08	15.08	5.66	86.51	2.27
	2021/22	1.35	12.95	13.59	5.33	85.55	1.45