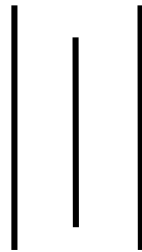


A STUDY ON INVESTMENT AND LOAN PATTERN OF NEPALESE COMMERCIAL BANKS

**(With References To Nepal SBI Bank Limited, Everest Bank Limited And Standard Chartered
Bank Nepal Limited)**



A THESIS

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Submitted to:

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RECOMMENDATION

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(With reference to Nepal SBI Bank Limited, Everest Bank Limited and Standard Chartered
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ABBREVIATION

C.V.	Coefficient of Variation
CAPM	Capital Asset Pricing Model
CBs	Commercial Banks
CD	Certificate of Deposit
CML	Capital Market Securities
CIB	Credit Information Bureau
CPM	Credit Portfolio Management
DPS	Dividend Per Share
EBL	Everest Bank Limited
F.Y.	Fiscal Year
GDP	Gross Domestic Product
Gvt.	Government
i.e.	that is
ICFAI	Institute of Charter Financial Analyst
IPS	Investment Policy Statement
Ltd.	Limited
MBS	Master of Business Studies
MPS	Market Price Per Share
NBL	Nepal Bank Limited
NBLB	National Bank Limited, Bangladesh
NEPSE	Nepal Stock Exchange
NABIL	Nabil Bank Limited
NIBL	Nepal Investment Bank Limited
NPL	Non-performing Loan
NPA	Non-performing Assets
NRB	Nepal Rastra Bank
NSBL	Nepal SBI Bank Limited
Pvt.	Private
RBB	Rastriya Banijya Bank
Rs.	Rupees
S.D.	Standard Deviation

SCBNL:	Standard Chartered Bank Nepal Limited
SEBO/N	Securities Exchange Board of Nepal
SML	Security Market Line
T.bills	Treasury bills
T.U.	Tribhuvan University
VaR	Value at Risk

CHAPTER- I

INTRODUCTION

1.1 Background of the Study

It has been known since a long time that banking sector is the lifeline of a nation and its people. Commercial Banks are an integral part of the economy in all countries. In addition to the commercial Banking realm, there are several financial institutions affecting the financial operations in a country. The role of the commercial Banks in financial system is more significant, it plays increasingly dynamic, and vital role in the economy of the least developed countries like our country Nepal, which provides economic and financial intermediation in the economy. Prior to the establishment of the Nepal Bank Limited, there was no organized financial institution in Nepal. During the prime ministership of Ranodip Singh around 1877 AD a number of economic and financial reforms were introduced. The establishment of the Teejarath Adda was the outcome of that reform. In the overall Development of the Banking system in Nepal the Teejarath Adda may be regarded as the father of modern Banking institution and for quite a long time it tended a good service to government servants as well as to the general public. However the installation of “Kausi Tosha Khana” as a Banking agency during the regime of King Prithivi Narayan Shah could also lay claim to be regarded as the first step towards initiating Banking Development in Nepal.

The inception of Nepal Bank Ltd (NBL) in 1937 AD (1994 BS) was a landmark in the field of Banking and financial sector in Nepal. It was established under special Banking ACT, 1936 having elementary function of Commercial Bank with an authorized capital of 10 million as a semi government organization. Then the government felt the requirement of central bank and established “Nepal Rastra Bank” in 1956 A.D (2013 B.S) as a central bank under NRB act 2012 B.S. It played leading role in development of banking in Nepal and controlled the monetary culture in the country. Likewise, rising of banking function get popular and more complicated. Thus NRB suggested for the establishment of another commercial bank and in 1966 A.D (2022 B.S) “Rastriya Banijya Bank” was established as a fully government owned commercial bank. Now its branches are diversified all over the country.

During the 1970s, the economic Development came to be redefined in terms of reducing the rate of poverty and unemployment. In order to boost up the economy of any country both public and private firm must play a vital role. The concept of public enterprise was first emerged in the USA during regime of Roosevelt through his view deal. Although other countries also followed this concept that public enterprise could not run smoothly while arriving in 70s decades. Their productivity declined and ultimately, they resulted in heavy loss. The oil price hike of 1973 forced even developed countries to flash back into their economic structure. This wave of privatization slowly spread all over the world. During the end of 1980s and beginning of 1990s are characterized by the political change. Germany unified USSR split up and changed its socialist pattern of economy. Centralized economy of china slightly directed towards liberalization. Revolution in information technology, worldwide wave of privatization and liberalization, in 1990s led to global economy. The emergency of economic alliance and powerful blocks has changed the international trading system. About 200 countries of the world at present have divided into more than 170s alliance in the form of economic grouping and trade block such as EU, ASEAN, SAARC etc

Gradually ascending economy in East Asia again encountered crisis in 1997, which affected Russia and Brazil too, leaving some impacts on global. Economy in most of the developing countries, growth remained weak and below pre-crisis trend. However, the negative impacts of crisis did not last long and now, by the beginning of new millennium, those economic affected nation have also regained their reforming pattern. At present, economy of America being have grown continuously since last decade is still in boom condition. China is emerging as economic super power. World trade organization has changed whole world to a single market unit without any bias and hindrances.

Developed countries have opened their market not only scarce raw material from developing countries but also for finished goods with economic quality. Economic development in Nepal really started only after Rana Regime. In the later period of Rana Regime, some positive attempts were made. As a result, dog perished “got its existent in 1935 AD, Biratnagar jute mill in 1936 AD and Raghupati jute mill in 1946 AD. Before the break of Second World War, a twenty–year plan was announced and national planning committee was set up in 1949 AD. However, plan never came to the notice of people and this idea disappeared with the dissolution of national planning committee. Nepal, in early 1950s, began the process of economic and social Development in spit of lack of modern institutions and infrastructure.

Budgetary system was introduced in 1952AD (2008 BS). In the same year, a separate ministry for planning and Development was establishment for uplifting the nation. It is forty four years since the first five years plan was executed up to now nine successive plan have already been implanted and tenth planed is running. A cursory look at those plans show that the major focus has been laid on agro-sector, industrial sector, poverty alleviation and in the field of infrastructure Development.

Economic stabilization programs adopted in 2042 BS with the assistance of IMF can be taken as the beginning of economic liberalization in Nepal. Structural adjustment program brought in 2044 with the structural adjustment facility from IMF can be considered as the continuations of same policy. After the restoration of multiparty system, the first elected government (2047BS) encourages the process of globalization. In order to accelerate the process of economic liberalization and globalization, the government enforced the foreign investment and technology by introducing foreign technology Transfer ACTS 2049” and Foreign Investment and One Window Policy -2049”. Similarly the government enforced industrial enterprises ACT-2049 and commercial policy 2049’. The policies include one window provision for internal and foreign investor, non-nationalization of new industries implementation of full convertibility of Nepalese currency on current account etc. Non-requirement of license for the establishment of the industries other than having social cost was another aspect of the policy.

In the similar way the government enforced the privatization ACT 2050 including its regulation and guidelines. The government developed various criteria for promoting private sector organization. These include management contract, partial privatization lease contract, assets selling and selling of shares. In case, the public enterprises are to be privatized, the government has the policy of selling 5% shares to the employees of enterprise, 25% to the public and management share to the competent party or individuals.

Those policies have certainly contributed in the initial stage of globalization in the county. Their effectiveness can be measured in near future in terms of economy generating wises and enhancing overall GNP and GDP of the country. Since decade, there has been a considerable growth in service sector Activities in Nepal. A rapid growth in the number of NGOs and INGO’S, multinational companies is like that the growth of mushroom in Nepal.

The concept of financial institution in Nepal came into existence before six decades. In 1994 BS, first commercial Bank, Nepal Bank limited was established under the Banking ACT 1993. The government provided 51 % of the Bank and the promoters shared the rest. Nepal Rastra Bank, the central Bank emerged in 2013 BS under 'Rastra Bank ACT 2012' since than, it has been providing policies and guidance to the financial sector in one hand, monitoring, and controlling them in the other. Realizing the need of adequate Banking services for the integrated and speedy Development of industrial sector, Rastriya Banijya Bank came into existence in 2022 BS with 100% government equity.

After establishment of Agricultural Development Bank in 2024 BS, growth of Banking institution remained almost stagnant till 2040 BS. No new Banks came into operation during that period. Some branches of previously established Bank were extended. Liberalization policy of government in 2038 BS allowed private sectors to open joint venture Banks in foreign collaboration. Nepal Arab Bank limited became the first commercial Banks to register under new arrangement. The Bank started its operations since 2041BS. Its foreign partner was Dubai Bank Limited, UAE along with the Nepalese promoters. Nepal Indosuez Bank limited and Grind lays Bank Limited were other joint venture Banks established after Nepal Arab Bank.

After restoration of multiparty democracy in the country, the government formulated new policies along with the amendment of existing policies to accelerate the process of economic liberalization and globalization. Consequently, six Joint Venture Banks came in existence. At present, there have been altogether nineteen Commercial Banks in operations including Joint Venture Banks. Those Banks attempted to introduce foreign management technical know how and foreign capital. Thus, it created an environment of healthy competition among the existing financial institutions.

1.2 Brief Profile of Sample Companies

1.2.1 Nepal SBI Bank Limited

Nepal SBI Bank Ltd was established in 2050 BS. It started its operation from 23rd Ashad 2050 BS. It is an association of state Bank of India and Nepalese entrepreneurs. Regarding the composition of equity capital state State Bank of India, general public, Employees Providend Fund and Agriculture Development Banks share are 50%, 30%, 15%, and 5% respectively. Under the technical services, agreement signed between two Banks state Bank

of India has been providing top management services to the Bank. The Bank operates with the objectives of providing loan to industry, commerce and trade. The Authorized and Issued Capitals have been increased to Rs. 100 Crores and Rs. 87.45 Crores, respectively.

The Bank has twenty-six branches and six extension counters in various parts of the kingdom. Its corporate office is located in Hattisar, Kathmandu and main branch office in Durbar Marg, Kathmandu. It has other branches located in New road, Teku, Boudha, Gongabu, Maharajgunj, New Baneshwore, Embassy of India, Bharatiya Gorkha Sainik Niwas, Kathmandu, Jawalakhel and Bhaktapur within Kathmandu valley and remaining are outside the Kathmandu valley i.e. Biratnager, Birtamode, Bhairahawa, Butwal, Pokhara, Janakpur, Birgunj, Rampur, Sishuwa, Dharan, Pension Paying Office of Embassy of India in Pokhara, Pension Paying Office of Embassy of India in Dharan, Cousulate General Office of Embassy of India in Birgunj, Narayangarh. Nepalgunj, Baglung, Walling, Damauli, Hetauda, Dang, Palpa. The bank have upcoming branches in Ilam, Itahari, Gulmi, Kalanki and Surkhet. The Bank has utilized advance computerized techniques in its operation. The software in use is the latest and most advanced 'Finacle' developed by Infosys Technology, India. All the branches remain opened six days in a week i.e. from Sunday to Friday. This bank has also 365 days Banking facility in New Road Branch and the evening counters in New Road Branch and the Teku Branch. It has eleven ATM machines of its own one in Durbar Marg, New Road, Jawalakhel, Embassy of India Lainchaur, Chipledhunga Pokhara, Buddha Chowk Pokhara, Sunauli, Nepalgunj, Birgunj, BPKIHS Dharan, Fushre Dharan, which remain 24 hours a day. Apart from the conventional facilities, other facilities made available by the Bank listed below.

It provides remittance facility to various part of the world via SWIFT transfer system and the Demand Drafts. It also provides instant remittance credit facility for fund transfer to India to SBI and other core banking branches of other banks too. It is the only the bank who provides such facility known as RTGS (Real Time Gross Settlement) process.

It has widely accepted ATM(Visa Debit) Card by which the could be drawan in India from all ATMs of State Bank of India and other its associate banks. It has also prepaid card (Bharat Yatra Card) which is focused on the pensons visiting India who can receive such card instantly without opening an account from any branch of Nepal SBI Bank Ltd.

1.2.2 Everest Bank Ltd.

Everest Bank Limited (EBL) was established in 1994 and started its operations with a view and objective of extending professional ideas and efficient banking services to various segments of the society. EBL joined hands with Punjab National Bank (PNB), India as its joint venture partner in 1997. PNB is the largest Public Sector Bank of India having more than 100 years of banking history with more than 4400 offices all over India and is known for its strong systems and procedures and a distinct work culture.

Drawing its strength from its joint venture partner, EBL has been steadily growing in its size and operations ever since its inception and today it has established itself as a leading Private Sector Bank of the Nation, reckoned as one of the fastest growing Commercial Bank of the country.

The Bank's Paid-Up Capital has increased to 455 million against the Authorized Capital of 750 million whereas the Core Capital of the Bank is around 700 million. The local Nepalese promoters hold 50% stake in the Bank's equity, while 20 % of equity is contributed by joint venture partner PNB whereas remaining 30% is held by the general public.

The bank provides a wide range of banking facilities through a wide network of 29 branches covering all the five regions of the country and over more than 250 reputed correspondent banks across the globe. All the branches in the valley and as also those at important business centers like Biratnagar, Birgunj, Butwal and Bhairahawa are interconnected through Anywhere Branch Banking Systems (ABBS), a facility which enables its customers to do banking transactions from any of these branches irrespective of their having accounts in the other branch.

Being a pioneer in opening a representative office in New Delhi, India, EBL has successfully taken another historical step in the banking history of the country. Our representative office facilitates the remittance of Nepalese workers residing in India by opening their accounts from the identified branches of our joint venture partner, Punjab National Bank, India and also attracts Indian Investment to Nepal.

EBL is playing a pivotal role in arranging remittance of funds to and from India through instant transfer facility in addition to the Drafts Drawing Arrangement with 170 branches of PNB all over India. The Bank is also offering Cash Management System for managing the

funds of corporate exporting to India by collecting their funds from about 183 locations in India. EBL, in order to help Nepalese citizens working abroad, has entered into arrangements with banks and finance companies in different countries which enables quick remittance of funds by the Nepalese citizens in countries like UAE, Kuwait, Baharain, Qatar, Saudi Arabia, Malaysia, Singapore and UK.

Not to be left behind in technology advancement, a continuous review and upgrading of the technology is undertaken for the convenience of its customers. The Bank has also introduced "EBL Debit Card" and installed ATM's at its main branches at Naya Baneshwor and New Road. It has also installed its ATM in Tribhuvan International Airport for providing convenience to the foreigners and the passengers flying outside and inside Nepal. Besides this, the Bank has tied up with Smart Choice Technology (SCT) for ATM switch shoring that enables the EBL Debit Card holder to have access at other SCT member banks ATMs installed at different locations throughout the nation. The Bank also provides 365 days Banking Services at its branch at New Road along with extended banking facilities at New Road, New Baneshwor and Teku in Kathmandu.

Recognizing the value of offering a complete range of services not only to corporate but also to individuals, EBL has pioneered in the banking sectors in extending various customer friendly products like Home Loan, Education Loan, EBL Flexi Loan, Loan against Future Lease Rentals and Home Equity Loan, Car Loan, loan against shares and loan against insurance policies etc., thus helping people realize their dreams.

1.2.3 Standard Chartered Bank Nepal Ltd.

Standard Chartered Bank Nepal Limited (SCBNL) has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group who has 75% ownership in the company with 25% shares owned by the Nepalese public. The Bank enjoys the status the largest international bank currently operating in Nepal.

Standard Chartered Group employs 30,000 people in over 500 locations in more than 50 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas. It is one of the world's most international banks, with a management team comprising 79 nationalities. The Bank is trusted across its network for its

standard of governance and its commitment to making a difference in the communities in which it operates.

An integral part of the only international banking Group currently operating in Nepal, the Bank enjoys an impeccable reputation of a leading financial institution in the country. It has 16 Branches and 9 ATMs across the Kingdom and with over 300 local staff, Standard Chartered Bank Nepal Ltd. is in a position to service its customers through a large domestic network. In addition to which the global network of Standard Chartered Group gives the Bank the unique opportunity to provide truly international banking in Nepal.

Standard Chartered Bank Nepal Limited offers a full range of banking products and services in Wholesale and Consumer banking, catering to a wide range of customers from individuals, to mid-market local corporate to multinationals and large public sector companies, as well as Embassies, aid agencies, airlines, hotels and government corporations.

The Bank has been the pioneer in introducing 'customer focused' products, services in the country, and aspires to continue to be a leader in introducing new products and highest level of service delivery. It is the first Bank in Nepal that has implemented the Anti-Money Laundering policy and applied the 'Know Your Customer' procedure on all the customer accounts.

1.3 Statement of the Problem

The numbers of joint venture Banks are being increased in response to the economic liberalization policies of the government. Besides joint venture, the Nepalese promoters are also registering other commercial Banks. These institutions have the tendency to centralize in major cities focusing the activities among the industrialists, traders and entrepreneurs. Most of the business organizations along with Banks are facing different problems due to the lack of political stability and unrest. Bank has been facing the considerable pressure to lower the lending rates, which affects the profitability adversely. The problems of the study refer the comparative study of the Nepal SBI Bank Ltd., Everest Bank Ltd. and Standard Chartered Bank Nepal Ltd.

Since the liberalization policy of the government, various banks and financial institutions has been established with a view to reinforce the economic growth of the country. They have played an indispensable role by accepting deposits under various schemes and granting loans.

Investment of the collected funds is the most important factor for both shareholders and the banks as they are the main sources of earning. Credit extended by these banks is directly related to the national interest. Therefore, the banks should have a sound deposit and investment policy.

Similarly, finance companies have been emerging rapidly and the bank has to compete with them as well. Finance companies pay relatively higher interests on deposits and commercial banks on the other hand grants loan at relatively lower interests than the finance companies. So, it has become difficult to both to survive in this competitive age. Joint venture banks are of utmost importance as they are contributing significantly to the overall economic development of the country. Yet, after so long since their establishment and successful operations for the almost two decades, they are not free from problems and hindrance in the avenue. When we are concerned with the three banks under our study viz. Nepal SBI Bank Ltd., Everest Bank Ltd. And Standard Chartered Bank Nepal Ltd., they have been performing pretty well since their inception. They have been awarded prestigious titles on account of their experience in the field of international banking, hi-tech computerized services, professional attitude, qualified and experienced work force, quality and reliable services rendered by them as the key factor for their rapid progress.

Thus, the current study mainly focuses on the following issues:

-) How far Nepal SBI Bank Ltd., Everest Bank Ltd. and Standard Chartered Bank Nepal Ltd. have been able to shift the monetary resources from the savers to users?
-) What is the deposit and investment condition of three JVB?
-) What are the main problems faced by the three firms in their deposits and investment?
-) Is the bank maintaining sufficient liquidity position?

1.4 Objective of the Study

The main objective of this study is to evaluate the situation of deposit and investment pattern of the commercial banks with reference to Nepal SBI Bank Limited, Everest Bank Limited and Standard Chartered Bank Nepal Limited. The specific objectives of the study are as follows:

-) To study deposit, loan and advances and investment position of the sample banks under study.
-) To analyze the liquidity position of the sample bank.
-) To analyze the empirical relationship between deposits, loan and advances, investment, and compare them between the three banks under study.

1.5 Significance of the Study

The study is important to know how the banks are utilizing their deposits. The position of the banks under study about loan and advances and investment can be determined, which makes clear about their performance and helps in making any kind of decisions regarding these banks. The study evaluates the deposits and investment by using of Ratio Analysis, which helps the concerned companies to formulate strategies to face the increasing competition and to achieve the targeted objectives. Similarly, the aim of the study is to identify the deposit and investment pattern. It provides a useful feedback, remedial actions, good planning and takes appropriate decision to the policy makers of the selected organization, governments and the other concerned fields. Likewise the research will provide required information to the persons and parties such as general readers, decision makers, brokers, traders, stock holders, financial agencies, businessmen and general public and is also useful for teacher and students of the particular subjects and the firms and others those having interest on financial management.

1.6. Limitations of the Study

The study being the partial fulfillment of the master's degree in business studies has some limitations of its own kind. They are as follows:

-) The study, lack of the sufficient time resources are the major limitations of the study since the study has been conducted for fulfilling the partial requirement of MBS course of T.U Nepal.
-) The study covers the analysis of only 5 years data.
-) The whole study will be based on the secondary data collected from central office, Nepal SBI Bank Ltd., Everest Bank Ltd. and Standard Chartered Bank Nepal Ltd. Therefore, the limitation of data derived from financial statement exists. It focuses only on the deposit and investment position and does not cover other aspects of activities.

-) This study is limited to the study of only three Joint Venture Banks. It does not cover study of all the existing Banks.
-) Basically, ratio analysis is used to evaluate the deposit and investment of sample Banks. Therefore the limitations of ratio analysis exists i.e. the qualitative aspect of management is not evaluated.
-) Due to the difficulties of availability of the data, only ordinary and simple techniques have been used for the analysis of the data.
-) Having felt the limited time and limited recourses, this study do not examine the factor affecting the deposit and investment in different sectors and also the study might change its contents as per the necessity of thesis writing.

10. Organization of the Study

This study has been divided into five chapters which are as follows:

Chapter I: Introduction

Chapter II: Review of the literature

Chapter III: Research methodology

Chapter IV: Data presentations and analysis

Chapter V: Summary, conclusion and recommendation

First chapter i.e. Introduction deals and includes the background of the study, brief profile of the sample companies, statement of the problem, objectives of the study, significance of the study, limitations of the study, and organizations of the study.

Second chapter deals with the review of available literature. It takes in review of the related books, journals, articles and previous unpublished Masters Degree thesis etc.

Third chapter explains the research methodology wued in the study. It includes research resign, population and sampling, source of data, method of data analysis and research variables etc.

Fourth chapter, the most important chapter of the study, is the presentation and analysis of data as well as the major findings of the study.

The fifth and the last chapter covers the summary of the study, the main conclusions that flows from the study and some recommendations as well as suggestions for further improvement.

CHAPTER- II

REVIEW OF LITERATURE

This Chapter is related to review of literature concern with the study. Review of literature begins with the conceptualizations of persisting theories and search of research studies in this topic. It deals with the existing volumes/situations of selected or similar topics. It eliminates the duplication of the topics. This chapter consists of parts. The first part deals with the conceptual framework while the second part deals with the review of previous study.

2.1 Conceptual Framework

There is an important role of banks in the economic growth and development of a country. To achieve an ideal economic growth and development of the country, banks should have strong and well-managed organization of banking system. When banking is appropriately organized, it aids and facilitates age growth of trade and industry and hence of national economy. Banks are such type of institutions, which deal in money and substitute of money. They deal with credit and credit instruments. The most important thing for the bank is good circulation of credit. Fluctuate flow of credit and decisions harm the whole economy and the bank as well. Thus to collect fund effectively and its well utilization is the very challenging task for the bank. The decision for an investment of fund may be the question of life and death of the bank.

In modern economy, banks are considered not as dealer of money but as the leaders of development. Banks are not only the warehouse of the country's wealth but are also the reservoirs of the resources necessary for the economic growth of the country. Investment is the employment of funds with the aim of achieving addition income or growth in value. It involves the commitment of resources that have been saved or put away from current consumption in the hope that same benefits will accrue in future. Investment involves long-term commitment and waiting for a reward. The sacrifice takes place in the present and is certain while the rewards come later and uncertain.

2.1.1 Overview of the Present Economy

In FY 2003/04, both broad money (M_2) and narrow money (M_1) increased at higher rates compared to their respective growth rate in the preceding year. M_2 went up by 12.8% whereas M_1 grew by 12.2%. Among the expansionary factors of money supply, net foreign assets (after adjusting foreign exchange valuation gain/loss) rose by 17.5% and domestic

credit went up by 9.9% whereas net claims on government witnessed a decline of 0.8%. Of the concretionary factors of money supply, time deposits accelerated by 13.1% whereas net non-monetary liabilities (after adjusting foreign exchange revaluation gain/loss) increased by 9.8%. Total assets/liabilities of commercial banks expanded by 5.9%.

Other banking institutions exhibited improved performance in terms of loan repayments. Total assets and liabilities of finance companies increased. Market capitalization, annual turnover and paid up capital of listed companies in the stock market moved up markedly. The closing index of NEPSE surged by 17.18 basis points to 222.04 as at mid-July 2004 compared to that of a year ago.

2.1.1.1 Legal

The efficient function of the Banking system requires an efficient legal and judicial framework. Banking efficiency requires comprehensive, understandable and well-designed law from a functional perspective. Nepalese laws have mixed origins, some stemming from early western influence in the subcontinent and others adopted in the modern era, before or after the establishment of democracy. Many of the laws and institution relating to financial institution in Nepal are modeled on the laws and institutions decreed by the British East India Company. The British brought their Victorian bureaucratic structures and invented new institutions, as they needed them, making them all answerable to a distant judicial system. The chief emphases were on adequately supporting international commercial relations, ensuring the value of the currency, and spurring collection of tax revenue.

There is no any difference between Nepalese commercial Banks and joint venture foreign commercial Banks with regard to the establishment and operation. Both type of Banks are regarded as Nepalese Banking Company in the eye of law and can find no special treatment of law between them. Different laws and different bodies are there to guide and regulate them. The general laws applies over all Banking companies including Banking and Financial Instruction related Act, 2060 (BS), company ACT,1997, Foreign Exchange(Regulation) ACT, 1962, Income Tax ACT 2002, Loan Recovery ACT 2002, Security Exchange ACT, 1983, Nepal Central Bank ACT 2002 etc. Commercial Bank is generally registered under the company ACT but operated under the Bank and Financial Institution related Act because it has no Provision for the registration of the Bank. The Bank can start banking service as per the Banking and Financial institution Act only after the approval of Nepal Rastra Bank.

Foreign Banks can establish their branch and establish new local Banks under joint venture with the Nepalese investors from both public and private sectors. The Act does not mention separate provision for Nepali commercial Banks and joint venture Banks. Some legal provision which is must essential in regard of JVB is not stipulated in the Act such as terms and condition between Nepalese and foreign investment, ratio of shares, forms of investment. Act does not mention separate provision for Nepali commercial Banks and joint venture Banks. Some legal provision which is must essential in regard of JVB is not stipulated in the Act such as forms of cash or assets, in which currency foreigner can invest, how much amount gained from profit, bonus and amount by selling shares they can transfer in foreign currency etc. It does not provide clear policy and guidelines for the appropriate structure, ownership and share holding for the promoters and the general public. Other relevant provision depends upon the decision of central Bank. Decision of central Bank may be different for different Banks. In the realm of economic liberalization this types of provision does not appropriate to strength the Banking system.

2.1.2 Commercial Banking Activities

In the past, Bank used to just accept deposits from the savers of money (surplus units of the society) and provide loans to the users of money (deficit units of the society). Savers of money are those units whose earning exceeds expenditure on real assets (land, building, cloth, food etc.) and users of money are those units whose expenditure on real assets exceeds their earnings. In such a situation, deficit units sell their securities IOUs (I OWE YOU) to surplus units. These securities are financial assets. If entire income of a unit matches with investment on real assets, no financial assets are created.

The evolution of Banking can be traced back to the era when the use of metallic coins as the media of exchange of goods and services began. Storage of metallic coins was a serious problem for the common people. Because of the danger of theft and robbery, people started leaving gold, silver, and metallic coins in the custody of some reputed person i.e. wealthy merchant or a money changer. The custodian had a strong box and other means of safe keeping. He offered this service as a favor for his friends or made a charge for it. The depositor had to go personally to custodian for the withdrawal of his money. But this practice was found to be inconvenient. How did the use of word Bancus become popular? The origin of “Bank” is traced from a Latin work “Bancus” which means a bench. European money-lender and money-changers used to transact their business at benches or tables. They

followed the practice of receiving gold and other metals as deposits and issuing receipts. The bench or table used by the trader in money was the symbol of the business of Banking or dealing in money. The success or failure in trading was associated with his bench. When a Banker failed, his bench used to be destroyed by the people.

The history of the growth of Banking in Nepal is not so long in comparison with other developing or developed countries. Like other countries goldsmiths, merchants and moneylender were the ancient Bankers of Nepal Teejarath Adda established during the tenure of the Prime Minister Ranodip Singh (1993 BS) was the first step towards the institutional development of Banking in Nepal. Teejarath Adda did not collect deposits from the public but gave loans to employees and public against the bullion. Banking in modern sense started with the inception of Nepal Bank Limited (NBL) on 1994 BS. Nepal Bank Limited had a Herculean responsibility of attracting people toward banking sector from pre-dominant moneylenders' and of expanding banking services. Being a commercial Bank, it was natural that NBL paid more attention to profit generating business and preferred opening branches at urban centres. Government however had onus of stretching Banking services to the nook and corner of the country and managing financial system in a proper way. Thus, Nepal Rastra Bank (NRB) was set up on 2013 BS as a Central Bank of Nepal under Nepal Rastra Bank Act 2012 B.S. It has been functioning as the government's Bank and also the bank of the other banks and has contributed to the growth of financial sector. The major challenge before Nepal Rastra Bank today is to ensure the robust health of financial institution. Accordingly, NRB has been trying to change them and has introduced a host of prudential measures to safeguard the interest to the public. NRB is yet to do a lot to prove itself as an efficient supervisor. NRB really requires strengthening their policymaking, supervision and inspection mechanism. Integrated and speedy development of the country is possible only when competitive Banking service reaches nook and corners of the country. Keeping this in mind, government set up Rastriya Banijya Bank (RBB) in 2022 BS as a fully government owned commercial Bank. As the name suggests, commercial Banks are to carry out commercial transaction only. However, commercial Banks have to carry out the functions of all types of financial institutions. Hence, Industrial Development Centre (IDC) was set up in 2013 BS for industrial development. In 2016 BS, IDC was converted to Nepal Industrial Development Corporation (NIDC). Similarly, Agricultural Development Bank (ADB) was established in 2024 BS to provide finance to the agricultural sectors so that agricultural productivity could be enhanced by introducing modern agricultural techniques. Moreover, Security Exchange

Centre was established in 1976 AD to enhance capital market activities. Securities Exchange Centre was renamed as Nepal Stock Exchange (NEPSE) and its functioning was converted to an organized stock exchange. NEPSE opened its trading floor on 13th January 1994. With the establishment of RBB and ADB, Banking service spread to both the urban and rural areas. NRB also gave incentive to NBL to expand their branches to Rural areas which helped the common people to reduce their burden of paying higher rate of interest to lenders. The inception of Nepal Arab Bank Limited in 2041 BS (renamed as NABIL Bank Limited since 1st January 2002) as a first joint venture Bank proved to be a milestone in the history of Banking.

The process of the Development of Banking system in Nepal was not satisfied up to 2040(BS). Nepal was observing the event that was taking places in the world also. Nepal was deeply studying and searching what sorts of programs, policies, law and regulation should be brought into the practice. The country can't changes it status by using only its own capital in the country without importing the new technology from foreign country Accordingly, law and policy have been enacted by the state to encourage the foreign investment on Banking sector . As a result of it the Development of the Banking system started in Nepal. The competition began to grow. The Banks began to offer their valuable service to the people through new technology. This was the great significant event. Thus, some Banks were opened on the joint investment basis. Brief accounts of such Banks are as follows.

) **Nabil Bank Limited**

) Nepal Investment Bank Limited

) Standard Chartered Bank Nepal Limited

) Himalayan Bank Limited

) Nepal SBI Bank Limited

) Nepal Bangladesh Bank Limited

) Everest Bank Limited

) Nepal Credit & Commerce Bank Limited

In addictives to this there are also other commercial Banks opened in Nepal. Those Banks are as follows.

) Lumbini Bank Limited

) Kumari Bank Limited

) Machapuchhre Bank Limited

) Laxmi Bank Limited

-) Siddhartha Bank Limited
-) Macchapuchhre Bank Limited
-) Global Bank Limited
-) Citizens Bank International Limited
-) Prime Commercial Bank Limited
-) Sunrise Bank Limited
-) Bank of Asia Limited
-) NMB Bank Ltd.
-) DCBL Bank Ltd.

Hence there are so many commercial Banks in operation in Nepal till date operating with their main objectives of carrying out activities under the Banking and Financial Institution related Act 2060 (BS), the Nepal Rastra Bank Act 2058(BS). The Company Act 2053 (BS) and Contract Act 2056.

After the restoration of democracy in Nepal, there is tremendous Development in banking sectors. Different types of banking activities are being operated. It has played positive role in the economy activities. Till now apart from Commercial Bank, many Rural Development Banks are also in operation in Nepal. They are as follows:

-) Eastern Rural Development Bank ltd.
-) Far Western Rural Development Banks in Dhangadi.
-) Western Rural Development Bank Ltd Butwal.
-) Mid Western Rural Development Bank Ltd.
-) Middle Rural Development Bank Ltd.

The main objectives of these Banks is to uplift the living standard of the people by providing them the necessary training and Banking services and providing loan without securities in group basis as well as personal basis to operate in income generating business. These Banks are established according to the Rural Banks Financial System pursued by the government of Bangladesh with the objectives of providing loan to the poor people who are deprived of the institutional loan facilities due to the lack of reasonable security and guarantee. The Rural Development Banks have their own fundamental concepts that every man has his own characteristics and skills. It can bring the poor class of people in the level of respectable living standard providing the opportunity to the talented people and oppressed to increase the income and create the productive poverties.

2.1.2.1 Factors Affecting the Banks Business

1. The directives issued by Nepal Rastra Bank particularly with regard to recognition of interest income, loan loss provisioning and single borrower and group exposure limits are binding guidelines for Banks and hence are bound to have impact on the income of the Banks in the short run.
2. Funds management has become a challenge for the Banks with increasing lack of opportunities for profitable investments.
3. Persistent slackness in economic activities has adversely affected the recovery of investment. Incomes of the Banks have been affected by this.
4. Crisis of confidence witnessed in the business community because of the prevailing environment may limit additional lending opportunities to a greater extent.

2.1.2.2 Functions of Commercial Banks

Banking industry offers a wide range of services encompassing the needs of public of different lifestyles. Hence, different types of Banks emerged in the Banking industry concentrating on a special sector. This is the age of specialization. Based on functions, Banks can be classified as under. The functions of commercial Banks are directly related with the people and institution. The commercial Banks are important Banks. Its functions are very attractive for people. Although there Banks are truly inspired with the objectives of earning profit, there commercial Banks are also established, to accelerated common people's economic welfare and facility, to make available loan to the agriculture, industry and commerce and to provide the Banking services to the public and the state in Nepal, the commercial Banks perform the following functions:

Accept Deposit

Among many functions of the commercial Bank, acceptance of deposit is one of them. The Banks accepts deposits under three types of account. They are Fixed Deposit, Saving Deposit and Current Deposit Accounts. People can deposit their earned money in one of the above-mentioned three accounts. However, the interest is paid only on saving and fixed deposit accounts. No interest is paid to the Current Deposit Accounts. The customers can withdraw their money from their account according to their need. The commercial Banks perform the important function of accepting all sorts of deposit. It earns profits by investing that money in another place.

Provide Loan

Another function of the commercial Bank is to provide loan. A commercial Bank provides loan to the deserving persons, companies and institutions. A Banks is capable to gain benefits in its Banking Developments by receiving the interest as per law and internal policies. It provides loans in different terms and conditions provides loan by accepting collateral securities of debtors. A Bank can flow the loan against a third person guarantee or with the pledge of the third persons property. A Bank provides loan on the basic of agreement or deed of loans.

Agency Functions

The commercial Bank used to provide agency function in following ways:

-) A Bank makes payment after taking commission for the cheques, draft, and bill of exchange presented by the customers.
-) A Bank, on the request of its customers, transfers the money from one place to another place by Demand Drafts, Fax Transfers or Telegraphic Transfers.
-) A Bank, on the request of its customers, buys and sells a company's shares and governmental security bonds.
-) A Bank collects the interest on governmental bond and the profit on share from the company for its customers.
-) A Banks also pays rent of the house, permission of the insurance and income tax etc on behalf of its customers.

General Utility Functions

A commercial Banks discharge the function of general utility also. These functions are as follows:

-) If the central Bank has given the permission to carryout the transaction of foreign currencies, the commercial Bank exchanges the foreign currency earned by his customers.
-) A Banks issue travellers cheques in the customers name and communicate the credit information or notices for his customers.
-) A Banks provides lockers to its customers for keeping valuable metals, ornaments, and documents safely. The customer keeps one of the keys of lockers with him and the Bank is keeping the other. If the customers valuable goods are kept under the Banks custody such safe boxes are called safe deposits valve.
-) A Banks gives economic and professional advice to its customers.
-) A Banks collects important commercial information and data for his customers.

Overseas Trading Services

Another function of commercial Bank is overseas trading services for its customer's. Recognition of overseas trade has led modern commercial Banks to act specialization in the finance of the foreign trade and some Banks in some countries have taken interest in export house and factoring organizations. Assisted by Banks affiliated to them in overseas territories, they are able to provide a compressive network of services for foreign Banking business, and many transactions can be carried out from start to finish by a home Bank or its subsidiary. In the places where Banks do not directly represent, by such affiliated undertakes, they have working arrangement with correspondents, so that the Banks are in a position to undertake foreign Banking business in any part of the world. The Banks provide more than just a means for the settlement of debt between trades both at home and abroad.

Information And Other Services

The commercial Bank provides some information and other services to its customers, which is very useful. Some Banks produce regular bulletin on trade and economic conditions at home and abroad. In this way, it is possible to establish new avenues of business purpose, confidential opinions on the financial standing of companies, firms, industries at home and overseas. Hence these types of function of the commercial Banks are really laudable.

2.1.2.3 Lending process

Commercial bank follows several steps to disburse loan to the borrowers. The lending policies might be different form one bank to another. In general, these steps can be pointed out of follows.

Application: the needy are required to submit an application to the bank along with required documents. The documents required for credit proposal appraisal and processing by banks are as follows:

- Loan application
- Citizenship certificate of applicant
- Firm/ company registration certificate (if self employed)
- Income tax registration certificate (if self employed)
- Authenticated partnership deed in case of partnership firm, and memorandum and article of association in case of company
- Attested copy of board resolution in case of company resolved to avail loan and banking facilities form bank against the pledge, hypothecation, and mortgage of fixed property owned by company or property of third party named.

- Letter of authority authorizing to sign loan deed and other relevant document paper which are deemed necessary while dealing with bank on behalf of firm/company.
- Feasibility report/scheme (for new project)

Lending appraisal and processing

Basically, appraisal of loan proposal is processing for the analysis of the variability of the scheme proposed. It also helps to assess the actual financial assistance needed to operate the scheme.

Commercial bank carries out loan appraisal on the basis of past performance, future forecast and information available from the documents submitted by aspirant borrowers.

The bank tries to ascertain the following during loan processing:

-) The cost of estimate is examined so that the appropriate estimate can be accepted. Under and over estimates are rejected. Similarly, the specification of machinery should be proper.
-) Working capital projection has to be reasonable as compared to past performance and on the basis of target for future expansion.
-) The return rates should be adequate like return on investment (ROI), internal rate of return (IRR) and debt service coverage ratio (DSCR).
-) The Capacity, competency, integrity and commitment of promoters/partners/properties /Directors/personnel should be intact.
-) SWOT (strength, weakness, opportunity and threat) analysis of the proposed project must give reasonable assurance.

2.2 Review of Books

Banks are such type of institutions, which deal in money and substitute of money. They deal with credit and credit instruments. The most important thing for the bank is good circulation of credit. Fluctuate flow of credit and decisions harm the whole economy and the bank as well. Thus to collect fund effectively and its well utilization is the very challenging task for the bank. The decision for an investment of fund may be the question of life and death of the bank.

Investment is the employment of funds with the aim of achieving addition income or growth in value. It involves the commitment of resources that have been saved or put away from current consumption in the hope that same benefits will accrue in future. Investment involves

long-term commitment and waiting for a reward. The sacrifice takes place in the present and is certain while the rewards come later and uncertain.

In the words of Gitman and Joehnk(1990) "Investment is any vehicle into which funds can be placed with the expectation that will preserve or increase in value and generate positive returns"

Frank and Reilly defines "An Investment is the current commitment of funds for a period of time to derive a future flow of funds that will compensate the investing unit for the time. Funds are committed, for the expected rate of inflation and also for the uncertainty in the future flow of the fund."

V.K. Bhalla and S.K. Tutesa define, "There are basically three concepts of investment:

-) Economist investment that is an economist's definition of investment.
-) Investment in a more general or extended sense, which is used by "the man on the street", and
-) The sense in which we are going to be very much interested namely financial investment."

Jerome B. Chone Edward, D Zinbarg and Arthar Zeiped, define the word investment as "Investment has many factors. It may involve putting money into bond, treasury bills, or notes or common stocks or painting of real estates, or mortgages or oil ventures, or selling short in bear markets. It may involve options, straddles, tights, warrants, convertibles, margin, gold-silver, mutual funds, money market funds, index funds and results in accumulation of wealth or dissipation of resources diversity and challenge characterize the field. For the table or lucky, the reward may be substantial. For the uninformed the results may be disastrous."

Frank K. Reilly, defines investment in this words, "An investment may be defined the current commitment of funds for a period of time to derive a future flow of funds that will compensate the investing unit for the time. The funds are committed, for the expected rate of inflation and also for the uncertainty involved in the future flow of funds."

From the above definition, it is clear that an investment means to trade a rupee amount today for some expected future stream of payment of benefits that will exceed the current outlay by an amount that will compensate the investor for the time. The funds are committed for the

expected changes in prices during the period and for the uncertainty involved in expected future cash flows. Thus, investment is the most important function of commercial banks. It is the long-term commitment of the bank in the uncertain and risky environment. It is very challenging task for commercial banks. Therefore, a bank has to be very cautious while investing their funds in various sections. The success of the bank depends heavily upon the proper management of its invisible funds.

H.D. Crosse says in this regard, "Lending is the essence of commercial banking, consequently the formulation and implementation of sound policies are among the most important responsibilities of bank directors and management. Well-conceived lending policies and careful lending practices are essential if a bank is to perform its credit. Creating function effectively and minimize the risk inherent in any extension of credit."

James C Van Horne expresses his view as, "Investment policy fixes responsibilities for the investment disposition of the bank's assets in terms of allocating funds for investment and loan and establishing responsibility for day to day management of those assets.

According to L.V. Chandler, "A banker seeks optimum combination of earning, liquidity and safety while formulating investment policy.

Dr. (Mrs.) Preeti Singh (1992) has defined investment in this way, "Investment is the employment of funds with the aim of achieving additional income of growth in value."

In the words of S.P. Singh and S. Singh, "The investment (Credit) policies of banks are conditioned, to great extent, by the national policy framework, every banker has to apply his own judgment for arriving at a credit decision, keeping of course, his banker's credit policy also in mind."

Mr. Charles P Jhones (1991) says, "Investing covers a wide range of activities and refers to investing money either in securities or mutual funds. More knowledge investors would include other financial assets such as warrants, puts and calls, convertibles securities etc. Investing encompasses very conservative positions and aggressive speculation."

He defines the word investment as, "An investment can be defined as the commitment of funds to one or more assets that will be held over some future time period." Investment is the study of investment process and is concerned with the management of an investor's wealth.

In William F. Sharpe's saying, "Investment is sacrifice of current dollars for future dollars and time and risk are involved in investment." According to him, sacrifice takes place in the present and is certain. The reward comes later, if at all, and the magnitude is generally uncertain. In some cases the element of time pre dominates. In other cases, risk is the dominant attribute etc.

According to I.M. Pandey, "Investment decision expenditure and benefits should be measured in cash. In investment analysis, cash flow is more important than accounting profit. It may also be pointed out of that investment decision affects the firm's value. The firm's value will increase if investments are profitable and add to the shareholders wealth. Thus, the investment should be evaluated on the basis of a criterion, which is compatible with the objective of the shareholder's fund maximization. An Investment will add to all the shareholder's wealth if it yields benefit in excess of the minimum benefit as per the opportunity cost of capital."

The decision of investment is very important because it influences the firm's growth in the long run affects. The risk of the firm requires the large amount of funds, which is difficult to make.

A commercial bank must invest its deposits and other funds to secured, profitable, reliable and marketable sectors, so that it can earn a reasonable profit as well as it should be secured and can be converted into cash whenever needed. Obviously, a firm that is being considered for commercial loans must be analyzed to find out why the firm needs money, how much money the firm needs and when and how it will be able to repay the loan. Investment policy provides the bank several inputs through which they can handle their investment operation efficiency ensuring the maximum return with minimum exposure to risk, which ultimately leads the bank to the path of success.

According to Mr. Shakespeare Baidhya on sound investment policy, "A sound investment policy of a bank is such that its funds are distributed on different types of assets with good profitability on the one hand and provide maximum safety and security to the depositors and banks on the other hand. Moreover, risk in banking sectors tends to be concentrated in the loan portfolio. When a bank gets into serious financial trouble its problem usually spring from significant amount of loan that have become un-collectable due to mismanagement, illegal manipulation of loan, misguided lending policy or unexpected economic downturn.

Therefore, the bank's investment policy must be such that it ensures that it is sound and prudent in order to protect public funds.

Encyclopedia Britannica World Book (I) defines the word 'Investment' as, Investment is the use of money to earn income or profit. The term also refers to the expenditures of funds for capital goods such as factories, firm, equipment, livestock, and machinery. Capital goods are used to produce other goods or services.

Many people invest part of their income for financial gain. Others make investment to protect the purchasing power of their saving against raising prices.

Investment promotes economic growth and contributes to a nation's wealth. When people deposit money in a saving account in a bank, for example, the bank may invest by lending the funds to various business companies. These firms in turn may invest the money in new factories and equipments to increase their production. In addition to borrowing from banks, most companies issue stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issues bond to obtain funds to invest in such projects as the construction of dams, roads, schools etc. All such investments involve a present sacrifice of income to get an expected future benefit. As a result, investments raise a nation's standard of living.

V.K. Bahlla in his study, "Investment management; securities analysis and portfolio management" explains the word 'Investment' as follows:

"The term economic investment has a rather precise meaning in the literature of economic theory. Typically, it includes net addition to the capital stock of society. By capital stock of society means those goods, which are used in the production of other goods. He says it is goods; societal or aggregate point view. The definition implies that in society there are number of goods which are used to produce other goods and that these means have production that are considered part of the capital stock of society. For a number of reasons, economists also include inventories as part of the capital stock. Thus, a net additions to the capital stock-an investment means an increase in building, equipment, or inventories over the amount of equivalent goods that existed, say, one year ago at the same time".

He further explains that the everyday usage of the terms investment can mean a variety of things, but to the man of the street usually refers to money committed of same sort. He gives

an example as, a commitment of buying a new car among a number of new cars is certainly an 'investment'. From an individual's point of view these are in very general and very extended senses of the word since no rate of return is involved nor is a financial return or capital growth expected.

In his saying, financial investment is a form of this general or extended sense of the term. It means an exchange financial claims-stocks and bonds, real estate, mortgage etc. The term financial investment is often used by investors to differentiate between the spend-investment concept of the consumer and the real investment of the businessman. He differentiates an investment between the ticketing and the constructing a new plant, the pawning of watch and the planting a corn.

V.K. Vhalla goes ahead mixing the investment with speculation gambling. In addition, he shows the difference between speculations and gambling as; in gambling artificial and unnecessary risk are created whereas in speculation, the risks already existed and the question is simple who shall bear them.

Gambling is a far cry from the carefully planned research and scientific procedures, which underlines the best speculative practice. Speculation is a reasoned anticipation of future conditions. It does not rely upon here say or labels. It attempts to organize the relevant knowledge as a support for judgment and it is as legitimate and moral as any other form of risk task taking business activity.

Investment usually involves putting money into an asset, which is not necessarily marketable in order to enjoy a series of return the investment that is expected to yield. On the other hand, speculation is usually a short-run phenomenon. Speculators tend to buy assets with the expectation of a profit that can be earned from a subsequent price change and sale. Investments are usually made expecting a certain stream of income, which has existed, will not change in the future. Speculators, on the other hand, are usually based on the expectation that some change will occur.

2.3 Review of National Literature

Many researchers have analyzed their fund mobilizing view and funding in their research paper in this subject through deposits and investments policy of commercial banks.

There is a twenty-five percent decrease in the liquidity position of commercial banks. The liquidity position of commercial bank has decreased by about twenty-five percent. According to the passed governor of NRB Dr. Tilak Rawal, in 2004 the liquidity of the commercial bank was Rs. 480,000.00 million, but it was only Rs. 38,000.00 million in the following year. In this condition, capital drains seem responsible and political condition is responsible. The past president of Nepal bankers association Mr. Narendra Bhattarai has expected that the liquidity position of commercial bank has decreased by twenty five percent in comparison to the last year in the same year. Mr. Bhattarai requested the NRB to implement monetary policy in the current situation of controlling inflation and decreasing liquidity. Dr. Tilak Rawal said that NRB has implemented flexible monetary policy and although continuing the policy, because of the BOP being negative, it should be careful and should implement the monetary policy by balancing. However, economist Dr. Badri Prasad Pokhrel has suggested that if demand is high, it should increase the liquidity.

"Scope of Inter-Bank Business in Nepal" Mr. Sundershan Prasad Adhikari, Deputy Director of NRB has a viewpoint in scope of Inter-Bank business in Nepal". Interbank market is the main stay of banking business. The interbank market serves as a wholesale market for banks. The interbank market serves as a wholesale market for banks. The interbank market has come up to enable banks to fund liquidity by their growing fund requirements. Except during times of tight liquidity situation, fund is always available at a price. Interbank transaction are conducted not only within the domestic money market, but it can be done in all financial cities like Tokyo, London, New York, Hong Kong, Dubai, Paris, Frankfurt etc. Due to time differences in financial center, the markets are open for about 24 hours. The marketers start their business right from Tokyo, followed by Singapore, Hong Kong and Nepal then to Europe, Canada and America and again start from Tokyo the next day.

He has presented two types of inter bank transactions in the article. They are

-) Deposit (Placements)/ Loans (Borrowings)
-) Foreign exchange

He has presented about interbank dealing operation as "The Dealers deal with each other as per the guideline of the NRB and prescribed by their own management. For the smooth operations of inter banks transaction, Foreign Exchange and Money Dealer's Association of Nepal (FEDAN) has set rules and regulation for the member's banks. A few aspects of interbank-dealing operation are presented here under:

-) Position
-) Nostro Accounts
-) Inter-Bank Deposit (Placement)
-) Inter-Bank Sales and Purchases

He has explained about function of inter-bank market and looking ahead the interbank market works as intermediaries in the flow of funds. It enables banks to take speculation and/or Hedging position against interest rate and exchange rate movements. A major function of interbank market is to enable banks to cope up with the lumpiness of wholesale sized deposits and loans and also plug up holes in the balance sheet. Unwanted deposits can be laid down to other needy banks. Funds needed to support lending can be bid for in the inter-bank market. Inter-bank market gives confidence about that fund to meet balance sheet contingency. In addition, the inter-bank enables the risk lending to be spread among other banks.

The size and volume of Nepalese inter-bank transaction is very small. Out of different commercial banks, only three banks are foreign exchange sellers while others banks are purchasers in the inter-banks business. Likewise, only one bank is accepting foreign deposits from other banks. Forward sales contract of foreign exchange for customers are yet to be started by country's larger two old banks. These two banks, which have mobilized more than 50 percent of deposits and extended about 60 percent of loans, have also yet to start, inter-bank placement transactions. A limited number of heading tools like; spot purchases and sale of foreign exchange and forward sales of foreign exchange to customers business are taking place. In ever few case foreign exchange swaps contracts were done between few banks. Recently, in view to take benefit from prevailing higher rate of interest in long term placements, NRB has permitted commercial banks entering in to interest in loan rate swap contracts. It is hoped that after the handover of the management of two larger old banks to the international experts, the inter-bank market will be more efficient and competitive. Without active participation of these two banks in the interbank, the interbank business in the country could not work properly.

Bhatta (1992), in his article "Financial policies to prevent financial crisis" has given more emphasis on Nepalese financial market sector. He has mentioned the financial crisis occurred in China, Mexico, South Asia, Russian Federation Ecuador and Brazil & Argentina. This crisis affected all these economic by posing negative effects in their real output. He had also

focused on Nepalese financial market, which is directly affected by the national and international events. The most effected events were September 11 incident in U.S.A., which had added more to the fragility in the global financial market. In present context in many part of the world, the move towards liberalization is getting its momentum on one hand and the process of economic development is being threatened due to various unanticipated incidents on the other. He has defined a financial crisis as a description to financial markets in which adverse selection and moral hazard problems become much worse, so that financial markets are unable to efficiently channel funds to those who have the most productive investment opportunities.

He has given light on dynamics of financial crisis dividing it into three stages. In addition, he has suggested the policies to prevent financial crisis.

-) Prudential Supervision
-) Accounting Standards & disclosure requirements
-) Legal and judicial system
-) Monetary policy and price stability
-) Exchange rate regimes and foreign exchange reserves
-) Capital controls
-) Restriction on foreign denominated debt
-) Reduction of the role of the state owned financial institution
-) Encouraging market based discipline (Mr. Bhatta, 2001:57)

The article entitled "Role of Foreign Banks in Nepal" of Mr. Chopra concluded that joint venture banks are playing an increasingly dynamic and vital role in the economic development of the country. This will undoubtedly increase with time.

Pradhan (2003), has done a research for which he carried out a survey of 78 enterprises. Through his research entitled, "Financial Management Practices in Nepal", he found some of the major features of Nepalese financial management. According to him, "The most important finance one appeared to be working capital management while, the least important one appeared to be maintaining good relation with stockholders. The finding reveals that banks and retained earnings are two most widely used financing sources. Most enterprises do not borrow from only one bank and they do switch between banks to banks whichever offers best interest rates. Most enterprises find that banks are flexible in interest rates. Among the bank's loan, bank loan of less one year are more popular in public sector where as banks loan

of 1-5 year are more popular in private sector. In period of tight money, the major private sector enterprises felt that bank would treat all firms equally while public sector doesn't feel so. Similarly, he concluded that major enterprises in trade sector finds that banks interest rate is just right while the majority of non-trade sector finds that some is one higher side.

Shrestha (1998), has given a short glimpse on the "portfolio management in commercial banks, theory and practice". Mr. Shrestha has highlighted issues in the article.

The portfolio management becomes very important both to the individual and the institutional investors. Investors would like to select a best mix of investments in assets subject to following aspects:

-) Higher return which is comparable with alternatives opportunities available according to the risk class investors.
-) Good liquidity with adequate safety of investment.
-) Certain capital gain.
-) Maximum tax concession.
-) Flexible investment.
-) Economic efficient and effective investment mix.

In view of above aspects following strategies are adopted:

-) Do not hold any single security; try to have a portfolio of different securities.
-) Do not put all the eggs in the one basket to have diversified investment.
-) Choose such a portfolio of securities, which insures maximum return with minimum risk or lower of return with added objectives of wealth maximization. However, Mr. Shrestha has also presented following approach to be adopted for designing a good portfolio and its management:
 -) To find out the invisible assets (generally securities) having scope for better returns depending upon individual characteristic like age, health, need, deposition, liquidity, tax liability etc.
 -) To find out the risk of securities depending upon the attitude of investor toward risk.
 -) To develop alternative investment strategies for selecting a better portfolio, this will ensure a trade-off between risk and return so as to attach the primary objectives of wealth maximization at lower risk.
 -) To identify the securities for investment to reduce volatility of return and risk.

Shrestha has presented two types of investment analysis technique; i.e. fundamental analysis and technical analysis to consider any securities such as equity, debenture or bond and other money and capital market instruments. He has suggested that the bank having international network can also offer access to global financial markets. He has pointed out the requirements of skilled manpower, research and analysis team and proper management information system [MIS] in any commercial bank to get success in portfolio management and customer's confidence.

According to Shrestha, the portfolio management activities of Nepalese commercial banks at present are in nascent stage. However, on the other hand, most of banks are not doing such activities so far because of following reasons:

-) Unawareness of the clients about the services available.
-) Hesitation of taking risk by the clients for using such facilities.
-) Lack of proper techniques to run such activities in the best and successful manner.
-) Less developed capital market and availability of new financial instruments in the financial markets.

Regarding the joint-venture commercial banks, they are very eager to provide such service but because of above-mentioned problems very limited opportunities are available to the banks for exercising the portfolio management Shrestha has drowned following conclusion:

-) The survival of the banks depends upon its own financial health and various activities.
-) In order to develop and expand the portfolio management activities successfully, the investment management methodology of a portfolio manager should reflect high standard and give their clients the benefits of global strengths, local insights and prudent philosophy.
-) With the disciplined and systematic approval to the selection of appropriate countries, financial assets and the management of various risks, the portfolio manager should enhance the opportunities for each investor (clients) to earn superior return over time.
-) The Nepalese banks having greater network and access to national and international capital markets have to go for portfolio management activities for the increment of their fee based income as well as to enrich the clients and to contribute in national economy. (Shrestha, "Portfolio Management to Commercial Banks)

Thapa (1994) has presented his view that the commercial banks including foreign joint venture banks seem to be doing pretty well in mobilizing deposits. Likewise, loans and

advances of these banks are also increasing but compare to the high credit needs particularly by the newly emerging industries, the banks still seem to lack adequate funds. The banks are increasing their lending to non-traditional sectors along with the traditional sectors.

Nepal Bank Ltd. and Rastriya Banijya Bank Ltd. are operating with a nominal profit, the later turning towards negative from time to time. Because of non-recovery of accrued interest, the margin between interest income and interest expenses is declining. Because of these two local banks, in traditional off-balance sheet operations, these banks have not been able to increase their income from commission and discount. On the contrary, they have heavy burden of personnel and administrative overheads. Similarly, due to huge amount of accumulated overdue and defaulting loans, profit position of these banks has been seriously affected.

On the other hand, the foreign venture banks have been functioning in an extremely efficient way. They are making huge profit year after year and have been distributing large amount of bonus and dividends to its employees and a shareholders respectively. Because of their effective persuasion for loan recovery, overdue and defaulting loans have been limited resulting in high margins between interest income and interest expenses. Similarly, concentration of these banks to modern off-balance sheet operations and efficient personnel management has added to the maximization of their profits.

At the end of this article, he concluded that by its very nature of the public sector, the domestic banks couldn't compete with the private sector banks. Therefore, only remedy to the problem of these banks, as the government decides, is to hand over the ownership as well as the management of these banks to the private hands.

Pradhan (2003), has said that, "It is true that the commercial bank is a business institution. It has to mobilize its fund to economic inevitable sectors to increase income; otherwise, there is no possibility to survive. This is not major subject to increase application of demanding loan, but the major subject is bank's safety investment, which helps to collect its all investment with good return. Further, he said that before distributing loan, bank must ensure investment with good return. Further, he said that before distributing loan, bank must investigate its client's project, experience, economic position, markets etc."

Moris (1990), in his article entitled "Latin America's Banking System in the 1980s" has concluded with most of the banks concentrated on compliance with bank rules on reserve requirements, credit allocation and interest rates. While analyzing loan portfolio quality, sound investment policy, operating efficiency has largely been overlooked. In many developing countries, there are huge losses found in the bank's portfolio due to the poor quality of their oversight investment function.

He further adds that poor management of financial institutions has involved inadequate and overoptimistic loan appraisal, tax loan recovery, high-risk diversification of lending and investments, high-risk concentration, connected and insider lending, loan mismatching. This has lead many banks of developing countries to the failure in 1980s.

Pokharel (2003), in the article entitled "Financial Sector Reform And Challenges", Agricultural credit publication stresses that highest liquidity makes the financial institutions un-bankable by creating unnecessary burden of bearing the cost of capital. Dr. Pokharel expresses that most of the financial institutions are lying on uneconomic situation due to ineffectiveness of portfolio management on the one hand and deficiencies of efficient modern management on the other. As for the betterment of the financial possibility in portfolio projects, like hearth, residential buildings, communications, lea gardening etc.

Pokharel further suggests that commercial banks need to make strong strategy urgently with shifting the money from fixed deposit to saving reducing the interest between deposits and interest spread in both sectors. He highlights that fixed deposit has been increasing in the ratio of 0.44 to 0.95 forms 1990 to 1999.

2.4 Review of International Literature

Barbara and Sotiris (2001) in the article title "Service failures and service Recovery in retail banking the customers' perspective", they focus on an empirical investigation of service failures and service recovery in retail banking. Different types of failures and recovery strategies used by Greek banks to them were identified using the critical incident technique.

The importance and benefits of providing service quality are well documented in the academic literature, and business participations strive to design and implements programs to ensure that the customer is satisfied with his/her encounters with a service firm and, in turn, with various dimensions of service quality. However, quality discrepancies and shortfalls are likely to occur, especially when human input is largely responsible for the "Production" and

delivery of the offering. The problem that arises for organizations are what happens when a service shortfall occurs; how can they recover from service failure?

Lin Peter Wei-Shong, Mei Albert Kuo-Chung (2006) “The internal performance measures of bank lending: a value-added approach” define the lending function is considered by the banking industry as the most important function for the utilization of funds. Since, banks earn their highest gross profits from loans; the administration of loan portfolios seriously affects the profitability of banks. Indeed, the large number of non-performing loans is the main cause of bank failure. Banks are learning to review their risk portfolios using the criteria laid down by Basel II. Greenspan has indicated that Basel’s goal is to induce bankers to improve their risk management capability, including how the institutions price products, reserve for loss, and control their operations (Rehm, 2002). This research is in line with the purpose of Basel II, i.e. to reduce a bank’s operational risk during the lending process through a better monitoring of the employees in the lending department.

According to them, with respect to performance, banks now use various measures to assess bank efficiency and related functions in the bank lending process. Traditionally, banks determined operating efficiency by using measures of bank profitability, such as return on equity, return on assets, and return on investment; also, banks used operational ratios, such as monetary output per staff member, and total operating expenses per unit of output.

In this research, a value-added approach uses a competitive strategy and the concept of the value chain developed by Porter (1985). The research has a specific goal; that is, to determine the appropriate internal performance measure for each activity along the route of the lending process. This production process can be described as a value-added process. The total value added, across the profit production process, can be measured by using the differences between the values of all outputs and inputs. The value-added analysis carefully counts only the incremental profit an activity generates during the production process. The final measure then is referred to as the total value created from this profit production process. The internal measure in this research is referred to as the value created from a specific activity during the process.

Corsby, Nick French and Meilanie Oughton (2003), in the article “Bank lending valuation on commercial property, Does European mortgage lending value add anything to the process?” researchers try to find out mortgage lending value in term in Europe should be based on sustainable values and this recommendation is compared to the current basis used for bank

lending valuations mainly market value. According to them, the mortgage lending value shall mean that the value of the property as determined by a valuer making a product assessment of the future marketability of the property by taking into account long-term sustainable aspects of the property, the normal and local market conditions, the current use and alternative appropriate uses of property. Speculative elements shall not be taken into account in the assessment of the mortgage lending value. The mortgage lending value shall be documented in a transparent and clear manner.

In very simplistic term, bank lending falls into two categories: asset specific and corporate loan. These loans, in turn, can be divided into two further categories of secured and unsecured lending. It is in the case of secured lending that valuations are most directly and commonly used. In unsecured lending valuations are frequently relied on indirectly.

In secured lending, the underlying philosophy has been to determine the value of the assets on which the loan is based and to ensure that the former is greater than the amount borrowed. The degree by which the asset value exceeds the loan provides the margin of assets cover assessed thorough the loan to value ratio. The lender is interested in the position should be the borrower default and have an idea on the amount that the sale of the property asset would realize were the borrower, lender or receiver to sell the asset.

Another principal use of valuations is for assessments of corporate cash flow projections, used in most forms of lending. Here, the valuation figure and liquidity of assets are of equal importance. The valuations are relied on might be directly commissioned by the lender or could have been produced by the borrower other third parties for other reasons for requiring valuation might include calculations of net asset value, justification for granting the second charge; verification of the borrower's veracity decisions on action following the default of the borrower.

However, the changing influence of different types of information does not seem to have reduce lenders' desires for a valuation of the security and a number of initiatives have occurred which attempt to improve the ability of the valuation to underpin the loan decision. According to their view three main aspects of valuation are

- i) Improve the communication between lender and valuer and agree more detailed relevant instructions.
- ii) Develop new concepts and bases of valuation

- iii) Improve the quality of information provision in valuation reporting

They concluded that the problem in valuation is quite straightforward. The banking communities are trying to identify a basis of value to which they can apply a loan value ratio and thus project their loan in the future should the borrower default. A simplistic understanding of value would therefore suggest that the figure provided should be a figure which has a life for the length of the loan. However, this very concept is economically impossible in any market with volatility. Values can only be snapshots in time. They do not have a shelf life. For this reason European mortgage lending valuation is conceptually and particularly redundant in real estate markets. It appears on the surface to be a solution to the banks' requirement for reduced risk property lending. In reality it may indeed transfer that risk by demanding a level of protection to the bank that valuation can not give. But if valuers agree to it, it could be the very to successful negligence claims in the aftermath of poor lending decision. This is because to concept appears to be determination of the virtually certain level of value below which the value will not fall for and indeterminate time into the future.

2.5 Review of Previous Research

Master's degree researches are the important sources of literature review. Master's degree students have accomplished studies on various aspects of commercial banks. Before this study, several thesis works had been carried out by various students regarding the various aspects of commercial banks such as financial performance, lending policy, investment policy, interest rate structure, resources mobilization, capital structure etc. Some of the relevant findings of the research works for the study are presented below:

Khadka (1998), conducted a study on "A Study on the Investment Policy of Nepal Arab Bank Ltd. (NABIL) in comparison to other Joint Venture Banks of Nepal". The major objectives of the study are as follows:

-) To evaluate the liquidity, assets management efficiency and profitability positions related to fund mobilization of NABIL in comparison to other JVBs.
-) To discuss fund mobilization and investment policy of NABIL in respect to its fee-based off-balance sheet transaction and to evaluate the growth ratios of loan and advances and total investment with respective growth rate of the total deposits, and net profit of sample banks.

-) To find out the relationship between deposit and total investment, deposit and loans and advances, and net profit and outside assets of sample banks.
-) To evaluate the trend of deposit utilization and its projection for next five years in case of NABIL comparing it with that of other JVBs and to suggest and recommend some measures on the banks of comparative fund mobilization and investment policy of NABIL and other JVBs for the improvement of financial performance of NABIL in future.

The research findings of the study are as follows:

-) The liquidity position of Nabil Bank Limited is comparatively worse than that of other joint venture banks. Nabil Bank has more portions of current assets as loan and advances but less portion as investment on government securities.
-) It is also comparatively less successful in on-balance sheet utilization as well as off-balance sheet operation than that of other JVBs.
-) In the case of profitability ratio it is found that the profitability position of NABIL is comparatively not better than that of other JVBs. NABIL is more successful in deposit mobilization but failure to maintain high growth rate of profit in compared to other JVBs.
-) There is significant relationship between deposit and loan and advances as well as outside assets and net profit but not between total deposits and total investment in case of both Nabil Bank Limited and other JVBs.

Tuladhar (2000), conducted a study on "A Study on the investment Policy of Standard Chartered Bank Nepal Limited (SCBNL) in comparison to other Joint Venture Banks of Nepal". The main objectives of the study were:

-) To study the fund mobilization and investment policy with respect to fee-based off-balance sheet transaction and fund-based on-balance sheet.
-) To evaluate the liquidity, efficiency of assets management and profitability position.
-) To evaluate the growth ratios of loan and advances and total investment with respect to growth rate of total deposit and net profit of sample banks.
-) To evaluate trends of deposit utilization toward total investment and loan and advances and its projection for five years.
-) To perform empirical study on the customers' view and ideas regarding the existing services and adopted investment policy of the joint venture banks and to provide suggestions and recommendation on the basis of the study.

The research findings of the study are as follows:

-) The measurement of liquidity has revealed that the mean current ratio of all the three banks under study is not widely varied. All of them are capable in discharging their current liability by current assets.
-) The measurement of lending strength in relative terms has revealed that the total liability to total assets of SCBNL has the highest ratio. The high ratio is the result of high volume of shareholder equity in the liability mix. Himalayan Bank Limited (HBL) has high volume of saving and fixed deposits as compared to current deposits resulting into low ratio of non-interest bearing deposits to total deposits ratio compared to the combined mean.
-) SCBNL's tendency to invest in government securities has resulted with the lowest ratio of loan and advances to total assets whereas Nabil Bank Limited has the highest due to steady and high volume of loan and advances throughout the study period.
-) The ratio of investment to the investment on loan and advances has measured the total portion of investment in total of investment and advances. The mean ratio among the banks havenot deviated significantly.
-) The loan and advances and investment to deposits ratio has shown that Nabil Bank Limited has deployed the highest proportion of its total deposits in earning activities. This is the indication of fund mobilizing activities Nabil Bank Limited is significantly better.
-) The lending in commercial purpose is the highest in case of Nabil Bank Limited and least in case of SCBNL. SCBNL has contribution in service sector lending. It has contributed 24.47% of its total credit in general use and social purpose.
-) The total income to total assets ratio measures the earning power of each rupee employed by the bank. Nabil's ratio in this case is the best. The ratio of total income to total expense reflects the earning capacity of a rupee or expense. The productivity of expenses in SCBNL is the best.
-) The performance of SCBNL is significantly better than other two banks under study in case of profitability. EPS is the highest in case of SCBNL.

Thapa (2002), conducted a study on "A Comparative study on investment policy of Nepal Bangladesh Bank Limited and other joint venture banks". The major objectives of the study were as follows:

-) To evaluate the liquidity, assets management efficiency, profitability and risk position of NB Bank in comparison to NABIL and NGBL.
-) To analyze the relationship between loans and advances total investment with other financial variables of sample banks.
-) To examine the fund mobilization and investment policy of NB Bank through off-balance sheet and on-balance sheet activities in comparison to the other two banks.
-) To study the various risk in investment and to analyze the deposit utilization trend and its projection for improving the investment policy of NB bank on the basis of the findings of the analysis.

The major research findings of the study are as follows:

-) The liquidity position of NB Bank is comparatively better than that of NABIL and NGBL.
-) NB Bank has the highest cash and bank balance to total deposit, cash and bank balance to current assets ratios.
-) It has good deposit collections, has made enough loans and advances but it has made the negligible amount of investment in government securities.
-) The NB bank is not in better position regarding its on-balance as well as off-balance sheet activities as compared to NABIL and NGBL. It does not seem to follow any definite policy regarding the management of its assets.
-) The profitability position of NB Bank is comparatively worse than that of NABIL and NGBL. The bank must maintain its high profit margin for the well being in future.
-) NB bank has maintained a high growth rate in comparison to other banks through it is not successful to make enough investment. One can say that the bank is successful in increasing its sources of funds and its mobilization.
-) There is significant relationship between deposit and loans and advances and outside asset and net profit of NB bank, NABIL and NGBL. But there is not significant relationship between deposit and investment of NB bank only.
-) The position of NB bank in regards to utilization of the fund to earn profit is not better in comparison to NABIL and NGBL.
-) NB bank has not provided credit card facility, any branch banking system (ABBS) facilities and web site etc. but these facilities are being provided by the NABIL and NGBL.

-) NB bank is not in better position regarding the proportion of fee-based activities to loans and advances as compared to other two banks during the study period. NB bank in terms of recovery of loan is worse in comparison to NABIL and NGBL.

Pant (1995), conducted a study on, "A study of commercial banks deposits and its utilization". The research findings of the study concluded as:

-) From the study of commercial banks deposits and its utilization, it is observed that the failure in resources utilization is due to their lending confined for short term only.
-) The deposit raised by the bank under study was not properly utilized. This reflects the lack of definite policy of the banks.
-) Commercial banks should give emphasis on long term lending too for better utilization of the deposits.
-) Time to time supervision and control should be taken to make best use of the deposits received.

Joshi (2005), conducted a study on, "Investment policy of Commercial Banks in Nepal: A Comparative Study of Everest Bank Limited , Nabil bank Limited and Bank of Kathmandu Limited has presented research findings of the study as follows:

-) The liquidity position of EBL is comparativey better than Nabil and BOK. EBL has the highest cash and bank balance to total deposits, cash and bank balance to current assets ratio. Nabil has the lowest liquidity position than that of the two other banks. EBL has good deposit collection and has made enough investment on government securities but it has maintained moderate investment policy on loan and advances.
-) Form the analysis of assets management ratio or activity ratio, it can be concluded that EBL is comparatively average or in between successful in compared to Nabil and BOK. The total investment of EBL is in between as compared to other two banks.
-) In the stuy, loan and advances to total deposit is higher in BOK but total investment to total deposit is higher in Nabil. Investment on shares and debentures to total working fund ratio is higher in BOK. But the coefficient of variation is higher in EBL.
-) In analysis of profitability, total interest earned to total outside assets of EBL is lowest between the three banks. But overall analysis of profitability ratios, EBL is average profitable in comparison to other compared banks i.e. Nabil and BOK. From the view point of risk ratio, EBL has higher capital risk but average of credit risk in comparision to Nabil and BOK.

Pokharel (1983), conducted a study on "The Investment Pattern and Policy of Rastriya Banijya Bank". The major research findings of the study are concluded as follows:

-) From the study of the investment pattern of Rastriya Banijya Bank, it is observed that the investment is mainly towards the security of gold and silver.
-) The banking costs have been retained relatively very high.
-) There have been a sharp increase in the banking branches through out the kingdom; however, they have not grown at a desired rate. Moreover, the banks are still mainly concentrated in urban areas rather than in the rural sectors.
-) There has never been any clear and specific investment policy. In fact, the bank is running its business without having any definite direction, expect to follow the directions issued by the Nepal Rastra Bank from time to time.
-) The deposits, which are raised by the bank, are not properly utilized.
-) Rastriya Banijya Bank has not invested in priority sector as per the directives of Nepal Rastra Bank.

Adhikari (1998), conducted a study on "Investment Policy of Nepal Industrial Development Corporation". The major research findings of the study are as follows:

-) There is a fluctuation in the approved and disbursed loan.
-) Sometimes, the approval amount has gone up but the disbursement has been lowered and vice versa, as well as there is increasing and decreasing trends in the investment pattern year by year.
-) In view of the liberal economic policy adopted by HMG and open market competition, the corporation has made its investment policy more flexible and expanded into resources mobilizing sector.
-) The corporation has given priority to the project based on indigenous raw materials and man power as well as sought the policy of investing in small hydro-electricity projects.
-) In conclusion, it is said that in order to play a more dynamic role in the industrial development of the country the corporation has made plans to increase its paid-up capital, reserve fund and slowly move toward privatization.

Dhungana (1993), in a study entitled, "A study of the joint venture bank's profitability" has presented following major findings:

-) Interest income of NIBL is the highest.

-) Nabil's commission and discount earning and foreign exchange income is higher than both NGBL and NIBL.
-) Nabil's other operating income is appeared higher than other banks.
-) NGBL has the highest EPS and cash dividend per share in average.

Jha (1998), a study entitled, "Comparative Analysis of Financial Performance of the Selected Joint Venture Banks" has concluded the following findings:

-) General loan loss provision to total loan in case of Nabil has the highest among NIBL, NGBL and HBL.
-) Credit deposit ratio stood the highest at the end of FY 1996/97 of the selected banks.
-) NGBL has been investing most of its deposits in foreign investments.

Shakya (2003), conducted a study on "Financial analysis of joint venture banks in Nepal with reference of NABIL & NGBL." The major findings of the study are as follows:

-) The cash and bank balance to total deposit ratio of NABIL Bank Limited is in fluctuating trend whereas the same ratio of NGBL is in decreasing trend.
-) NGBL's liquidity position is comparatively better than that of NABIL Bank Limited.
-) Loans and advances to total deposits ratio is in fluctuating trend in case of Nabil bank and the same for NGBL is firstly in increasing trend then following the declining trend.

2.6 Research Gap

Investment in different sectors and collecting deposits from various sectors are made on the basis of the directives and circulars of Nepal Rastra Bank as well as the investment guidelines and policy of the concerned commercial banks. Commercial banks have to follow these directives and circulars as their own guidelines and policies. Furthermore, their own deposit collection and investment guidelines and policies should be in line with NRB directives and Circulars. So the up to date study over the change of time frame is major concern for the researcher and concerned organization as well as industry as a whole. This study covers the recent financial data, NRB circulars and guidelines than that of previously conducted.

The Optimum diversification of investment reduced the default risk. It guides to optimum collection of deposits from various sectors. It is the major concern of the stakeholders to know the portfolio of the bank. This study puts its effort to find out the proportion of

investment and deposit collection of bank to different sectors of economy and analyse the diversification of investment as well as collection of deposits.

No case has yet been shown about deposits and investment pattern in recent data. Here I have tried my best to define the data in a simple way using simple regression, correlation and hypothesis test (H_0) test. It is used to describe the nature of a relationship and to make a prediction. Simple regression has one prediction variable one criterion variable, alongside T- test has been used only (H_0) format.

So this study will help and be fruitful to those interested persons, parties, scholars, teachers, businesspersons, new comers, civil society, commercial banks and government academically as well as policy perspectives.

CHAPTER-III

RESEARCH METHODOLOGY

This chapter is related to the research methodology applied in the entire aspect of the study. Research methodology is a research tool which is used to test the hypothesis and to come to a factual conclusion. It refers to the logical sequence of various steps to be adopted by a researcher in studying problems with certain objectives. In other words, research methodology describes the method and process applied in the entire subject of the study. This chapter includes research design, population and sampling, nature and sources of data, analysis of data and tools for analysis.

3.1 Research Design

Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and control variance. Research design specifies an outline of plan to be carried out concerning with the proposed research world. The design is in simple form but it covers the main comprehension of the study. The research design show the investment situation of the banks in derived from using seven years data from internally generated accounting records maintained by Nepal SBI Bank Limited, Everest Bank Limited and Standard Chartered Bank Nepal Limited. To accomplish this study, the applied design is descriptive and core perspective because the secondary data have been mainly applied for analysis. This research has been done to analyze the patterns of deposit and investment of commercial banks based on historical data and information. So most of the data and information of the study are related with past phenomena of the performance. So it can be regarded as historical research. According to Kothari "Research design is a plan, structure and strategy of investigation conceived so as to obtain answer to research question and to control variances."

This research is the arrangement of conceived so as to obtain the answers to research question and to control variances. It is the arrangement of condition for collection and analysis of data. To achieve the objective of the study, quantitative or analytical based as well as descriptive research design has been used.

Some financial and statistical tools have been applied to examine facts and descriptive techniques have been adopted to evaluate deposits and investment of SCBNL, EBL and NSBL.

3.2 Population and Sample

There are altogether 26 commercial banks operating all over the kingdom and all most all's stock are traded actively in the stock market. Therefore the total number of commercial banks is taken as population and the three banks under study i.e. Nepal SBI Bank Limited, Everest Bank Limited and Standard Chartered Bank Nepal Limited are taken as sample.

3.3 Nature and Source of Data Collection

The present study is mainly based on secondary data related with the three banks under study viz. Nepal SBI Bank Limited, Everest Bank Limited and Standard Chartered Bank Nepal Limited. The data related to the investment i.e. loans and advances, deposits and profit/loss are directly obtained from banks annual reports and financial statements of the banks. Likewise, journals, newspapers, periodicals, magazines, reports and unpublished thesis have been taken as other sources of data during the study.

Based on the requirements and objectives, all the secondary data were compiled, processed and tabulated in time series. In order to judge the reliability of data provided by the banks and other sources, they were complemented with the annual report of the auditor. Formal and informal talks to the concerned head of departments of the banks were also helpful to obtain the additional information of the related problems.

3.4 Analysis of Data

Several financial and statistical tools are used to analyze the collected data and to achieve the results of the study. The analysis of data will be done according to the pattern of data available because of limited time and resources. Simple analytical and statistical tools such as percentage, Karl Pearson's coefficient of correlation, method do least square and test of hypothesis are used in this study. Similarly, some accounting tools such as ratio analysis and trend analysis have also been used for financial analysis. The selective techniques of data analysis have been used according to pattern of available data. Various statistical and financial data have also been taken in this heading.

3.5 Financial Tools (Ratio Analysis)

Ratio analysis is the calculation and interpretation of financial ratio to assets and the firm's performance and status. It is the relationship between two accounting figures expressed mathematically.

"Ratio analysis is the main tool of financial statement analysis. Ratio means the numerical quantities relationship between two items or variables. It can be expressed as percentage, fraction or stated comparison between numbers."

Financial ratio is the mathematical relationship between two accounting figures. "Ratio analysis is used to compare a firm's financial performance and status to that of other firms or to itself overtime." From the help of ratio analysis, the quantities judgment can be done regarding financial performance of a firm.

3.5.1 Liquidity Ratio

Liquidity ratios measure the ability of the firm to meet its current obligation. Liquidity ratios, by establishing a relationship between cash and other current assets to current obligations, provide a quick measure of liquidity. A firm should ensure that it doesn't suffer from lack of liquidity, and also that it doesn't have excess liquidity. The failure of a company to meet its obligation due to lack of sufficient liquidity, will result in a poor credit worthiness, loss of credit or confidence, or even in legal angles resulting in a closure of the company. Very high degree of liquidity is also harmful. Idle assets earn nothing. The firm's funds will be the necessarily tied in current assets. Therefore, it is necessary to strike a proper balance between profitability and liquidity. It is because high liquidity reduces the profitability. Depending on the special nature of current assets and current liabilities of the Bank, the used ratios are given below:

3.5.1.1 Cash and Bank Balance to Total Deposit Ratio

Total deposit consists of current deposits, saving deposits, fixed deposits, money at call and short notice and other deposits. This ratio shows the proportion of total deposits held as most liquid assets. High ratios show the strong liquidity position of the Bank. But too high ratio is not favorable for the Bank because it produces adverse effect on profitability due to idleness of high interest bearing funds. This ratio is calculated by dividing cash and Bank balances by total deposit. Cash and Bank balance include cash in hand, foreign currency cash in hand,

cheques and other cash items, balances with domestic Bank and balance held abroad. The total deposits consist of current deposit, saving deposit, fixed deposit, and money at call, short notice and other deposits.

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

3.5.2 Activity Ratio

Funds of creditors and owners are invested in various assets to generate revenue and profits. The better the management of assets, the larger will be the amount of revenue. Activity ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets. These ratios are also called turnover ratios because they indicate the speed with which assets are being converted or turned over into revenue. Activity ratios, thus, involve a relationship between sales and assets. A proper balance between sales and assets generally reflects that assets are managed well. Various activity ratios can be calculated to evaluate the effectiveness of the assets utilization which is as follows:

3.5.2.1 Total Investment to Total Deposit Ratio

Total investment consists of investment on government securities, investment on debenture and bonds, shares in subsidiary companies, shares in other companies and other investment. This ratio can be calculated by dividing total investment by total deposit, it can be mentioned as:

$$\text{Total investment to total deposit ratio} = \frac{\text{Total Investment}}{\text{Total Deposit}}$$

3.5.2.2 Loans and Advances to Total Deposit Ratio

This ratio is computed by dividing total loans and advances by total deposit. Loans and advances consist of loans, advances, cash credit, overdrafts, and foreign bills purchased and discounted. The ratio presents the proportion of total deposit invested in loans and advances. High rate means the greater use of deposits for investing in loans and advances but very high ratios may indicate poor liquidity positions and risk in loans. On the contrary, too low ratios may be the cause of idle cash which do not generate any earning.

$$\text{Loans and advances to total deposit ratio} = \frac{\text{Loan and Advances}}{\text{Total Deposit}}$$

3.5.2.3 Loans and Advances to Total Working Fund Ratio

This ratio is calculated by dividing loans and advances by total working fund. This can be calculated as:

$$\text{Loans and advances to total Working fund ratio} = \frac{\text{Loans and Advances}}{\text{Total Working Funds}}$$

The denominator includes all assets of On-balance sheet items. In other words, this includes current assets, net fixed assets, loans for development banks and other miscellaneous assets but excludes Off-balance sheet items like letter of credit, letter of guarantee etc.

3.5.3 Profitability Ratio

A company should earn profits to survive and grow over a long period. A profit is the difference between revenues and expense over a period of time (usually one year). Profit is the ultimate output of a company in operation, and it will have no future if it fails to make sufficient profits. Therefore, the financial managers should continuously evaluate the efficiency of the company in terms of profits. The profitability ratios are calculated to measure the operating efficiency of the company. Besides management of the company, creditors and owners are also interested in the profitability of the firm. Creditors want to get interest and repayment of principle regularly in time. Owners want to get a required rate of return on their investment. This is possible only when the company earns enough profits. Following major types of profitability ratios are used for evaluating the investment and deposit patterns of sample Banks:

3.5.3.1 Return On Total Deposit Ratio:

This ratio is computed by dividing net profit after tax by total deposit. This ratio is used to indicate and make clear about the relation of net profit after tax by the Bank with the total deposit accumulated. Higher ratio is the index of strong profitability position. This can be stated as:

$$= \frac{\text{Net profit}}{\text{Total deposit}}$$

3.5.3.2 Return on Loans and Advances Ratio

The ratio is calculated by dividing net profit by loans and advances. This can be stated as:

$$= \frac{\text{Net profit}}{\text{Loan and advances}}$$

3.6 Statistical Tools

The science of statistics is the methods judging coactive, natural social phenomenon from the results, obtained from the analysis or enumeration or collection of estimates. Statistics is the

science which deals with classification and tabulation of numerical facts on the basis of explanation, description and comparison of phenomenon.

Various statistical tools can be used for the analysis the data available to the researcher. These tools are used in research in order to draw the reliable conclusion from the analysis of financial data. Following statistical tools are used for our study purpose:

3.6.1 Co-efficient of Correlation between different variables

This analysis identifies and interprets the relationship between two or more variables. In case of highly correlated variables, the effect on one variable may have effect on other correlation variable. Under this topic, Karl Person's Co-efficient of Correlation has been used to find out the relationship the following variables:

- (i) Co-efficient of correlation between deposit and loan and advances.
- (ii) Co-efficient of correlation between deposit and total investment.

This tool analyzes the relationship between these variables and helps the banks to made appropriate policy regarding deposit collection, fund utilization (loans & advances and investment) and maximization of profit. The correlation coefficient (r) between two variables X and Y can be obtained by using following formula:

$$\text{Correlation (r)} = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Following general points may be borne in mind, while interpreting an observed value of correlation coefficient.

1. If r=+1 implies that there is perfect positive correlation between the variables.
2. If r=-1, there is perfect negative correlation between the variables.
3. If r=0, the variables are uncorrelated. However r=0 does not imply that the variable are independent.

If r lying between +1 and -1, there are no set guidelines for its interpretation, the maximum, we can conclude that closer the value of r to 0, the less closed is the relationship between them. One should be very careful in interpreting the value of r as it is often misinterpreted.

$$\text{Probable Error (P.E)} = 0.6745 \sqrt{\frac{1 - r^2}{n}}$$

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

This chapter is related to the presentation and analysis of data collected from various secondary sources. This chapter has been divided into two main sections. The first section of the chapter deals with the analysis of secondary data and second section deals with major findings of the study.

This is an analytical chapter, where the researcher has analyzed and evaluated those major financial items and statistical items, which are mainly related comparison of the investment, deposits, total assets and loans and advances of Nepal SBI Bank Limited, Everest Bank Limited and Standard Chartered Bank Nepal Limited. From the view point of the deposit and investment policies only those ratios are calculated and analyzed which are relevant and important for the study. The ratios are designed and calculated to highlight the relationship between financial items and figures.

4.1 Deposits, Loans and Investment Structure of Nepalese Commercial Banks:

There are 25 registered commercial banks in Nepal. The collection of data from all these banks would have been much more difficult due to the time constraints and unavailability of data. Therefore, the evaluation analysis is done for Nepal SBI Bank Limited, Everest Bank Limited and Standard Chartered Bank Nepal Limited in detail.

4.1.1 Deposits of Nepal SBI Bank Limited

Table: 4.1
Deposits of Nepal SBI Bank Limited

Rs. In Million

S. No.	Purpose	2004	2005	2006	2007	2008
1	Current	1712.6	1774.1	1375.4	1930.4	1738.1
2	Savings	2024.2	2684.7	2832.7	3274.7	4171.2
3	Fixed	3371.4	4086.4	6116.2	5517.3	6854.9
4	Call Deposits	-	-	449.0	624.7	828.8
5	Others	123.9	100.6	79.4	98.1	122.4
	Total	7232.1	8645.8	10852.7	11445.2	13725.4
	% Growth		19.55	25.53	5.46	19.92

Source: Banking and financial statistics and Annual Report of NSBL

From the data given in table no. 4.1 above, it is found that the total deposits grew up hugely by 25.53% in fiscal year (FY) 2005/06 but in the fiscal year 2006/07, the total deposits increased by only 5.46% to reach Rs. 11445.2 Million from Rs. 10852.7Million. Later in the following years the deposit level continuously increased reaching to Rs. 13725.4 Million in the last fiscal year of 2007/08. The above table shows the deposit of SBI bank is increasing but in fluctuating trend.

4.1.2 Deposits, Loans and Investments of Nepal SBI Bank Limited

The table below shows the relationship between deposits, loans and investment of NSBL during the study period.

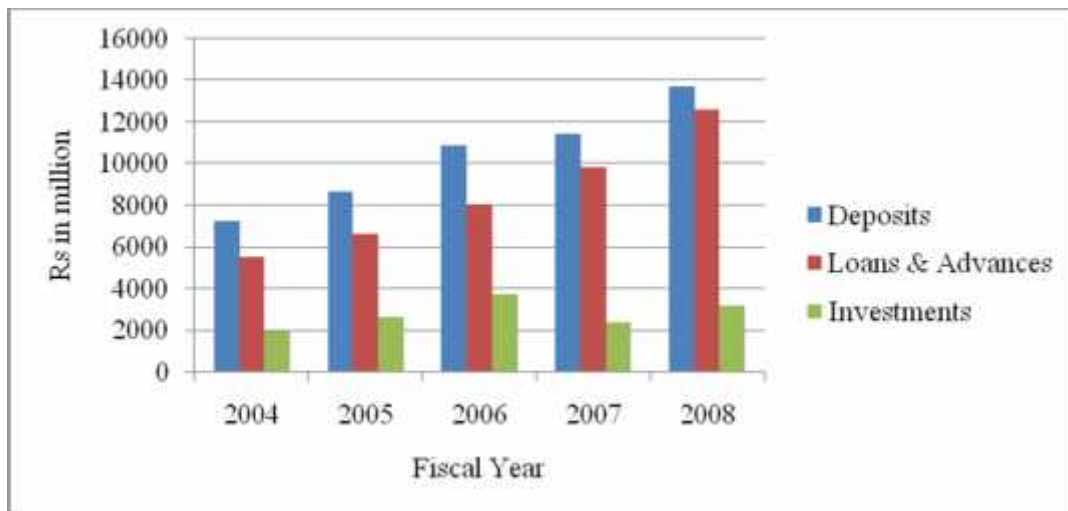
Table 4.2
Deposits, Loans and Investments of NSBL

Rs. In Million

S.No.		2004	2005	2006	2007	2008
1	Deposits	7232.1	8645.8	10852.7	11445.2	13725.4
3	Loans & Advances	5490.9	6619.1	8059.6	9846.7	12574.9
2	Investments	1889.4	2607.7	3699.9	2377.5	5524.4
	Loan to Deposits %	75.92	76.56	74.26	86.03	91.62
	Investment to Deposit %	26.13	30.16	34.09	20.77	22.93
	Growth of Investment%	0	38.02	41.88	-35.74	32.36

Source: Banking and financial statistics and Annual Report of NSBL

Fig. 4.1
Deposits, Loans and Investment of NSBL



From the above table and figure it is found out that the investment growth rate of NSBL in FY 2006/07 was highly negative i.e. -35.74% but there was a remarkably rise in growth rate in investment of 41.88% in the FY 2005/06. The investment growth rate is in increasing trend in the FY 2005/06 and then it is decreased in the FY 2006/07. This shows the high fluctuation in the investments of the bank during the study period.

Total loan to deposit in 2003/04 noted as 75.92 %, which declined to 74.26% in the year 2005/06. The improvement in the banks policies and reductions in CRR policies by the government enabled the bank to increase its loans and advances. In the year 2006/07 the growth rate was 86.03% and it was 91.62% in the FY2007/08. That shows the SBI mobilized its fund by high percentage. The higher will be the lending higher is the profitability. That means the profitability of the bank also is increased.

The surplus idle money of the bank is invested in other sectors i.e. treasury bills etc. Here, it is clear that when the loan percentages decrease the investments at that particular period increases. The investment was in increasing with increasing in loan and advances. The bank makes it clear in their annual reports that the investing opportunities are reducing, which force them to avoid excess amount of interest bearing deposits.

4.1.3 Deposits of Everest Bank Limited

Table: 4.5
Deposits of Everest Bank Limited

Rs. In Million

Sources	2004	2005	2006	2007	2008
Current	719.8	1025.2	1155.2	2620.0	2492.3
Savings	3730.7	4806.9	6929.2	9018.0	11883.9
Fixed	2914.1	3444.5	4298.2	5658.7	6406.0
Call Deposits	565.6	704.4	1293.3	1578.9	2780.6
Others	133.8	116.8	126.6	222.1	221.4
Total	8064	10097.8	13802.5	19097.7	23976.3
% Growth	0	25.22	36.69	38.36	25.55

Source: Banking and financial statistics and Annual Report of EBL

From the table given above it is found that in FY 2004/05 the deposits growth rate was 25.22%. The deposit growth rose to 36.69% in FY 2005/06 and to 38.36% in FY 2006/07. The growth rate slightly decreased to 25.55% in the next fiscal year 2007/08. The deposit of the bank was in increasing and fluctuating trend. The increasing trend of saving deposit was higher than the other deposits. The above table shows the saving deposit dominant other kind of deposits.

Bank was able to collect the deposit significantly increased year by year on the study period. The cause of more deposit collection be the new deposit collection programmed lunched by the bank.

4.1.4 Deposits, Loans and Investments of Everest Bank Limited

Table: 4.6

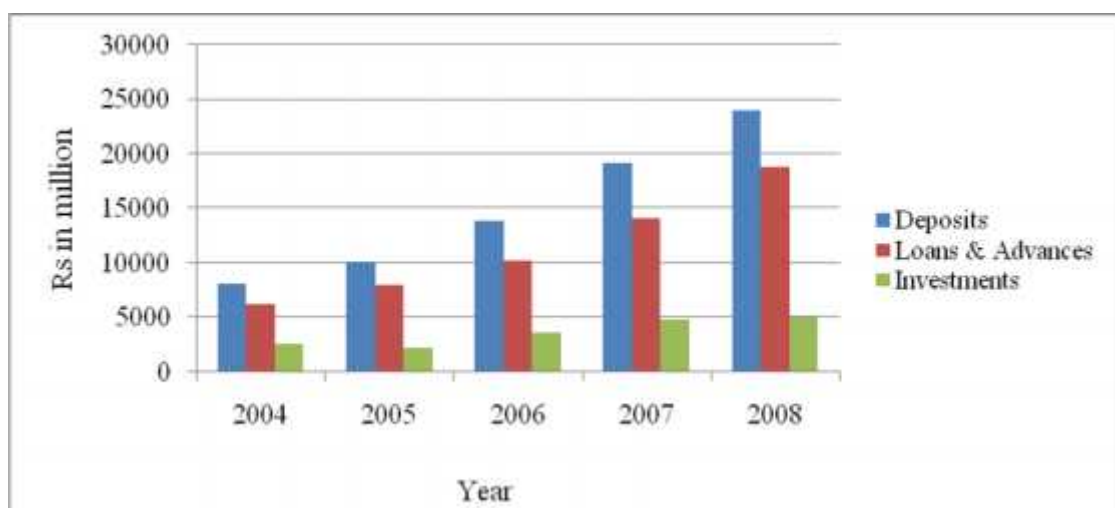
Deposits, Loans and Investments of EBL

Rs. In Million						
S.No.	Purpose	2004	2005	2006	2007	2008
1	Deposits	8064.0	10097.8	13802.5	19097.7	23976.3
3	Loans & Advances	6116.6	7914.4	10124.2	14059.2	18814.3
2	Investments	2466.4	2100.3	3548.6	4704.6	4906.5
	Loan to deposits%	75.85	78.38	73.35	73.61	78.47
	Investment to deposit %	30.58	20.80	25.71	24.63	20.46
	%Growth of Investment	0	-14.84	68.96	32.58	4.29

Source: Banking and financial statistics and Annual Report of EBL

Fig: 4.2

Deposits, loans and investments of EBL



The above table shows that in FY 2003/04, 75.85% of the deposit of the EBL has been disbursed as loan and advances, but it rose to 78.38% in the year 2004/05 and it reduced to 73.35% in FY 2005/06. In FY 2006/07 the loans and advances are recorded as 73.61% and

was 78.4% in the next FY 2007/08. The above figure and table shows that the EBL disbursed the high percentage of deposit as loan and advances.

Investments of EBL to the total deposits are noted as 30.58%, 20.8%, 25.71%, 24.63% and 20.46% in the fiscal years 2003/04, 2004/05, 2005/06, 2006/07 and 2007/08 respectively. The trend of the investment to deposit was in the decreasing and fluctuating trend on the study period.

The table clearly depicts that increasing investment and reducing loans and advances from total deposits are the great problem for the banks to manage. The fluctuation in total deposits, loan and investments makes clear about the adjustments problem of the bank.

4.1.5 Deposits of Standard Chartered Bank Nepal Limited

Table: 4.8
Deposits of Standard Chartered Bank Nepal Limited
Rs. In Million

S.No	Purpose	2004	2005	2006	2007	2008
1	Current	5816.9	4356.3	4681.8	4794.5	6174.6
2	Savings	12771.8	13027.7	14597.5	15244.2	17856.0
3	Fixed	1428.5	1416.4	2136.3	3196.5	3301.1
4	Call Deposits	941.0	294.9	1125.5	919.0	1938.2
5	Others	203.2	248.7	509.4	486.1	474.0
	Total	21161.4	19344	23050.5	24640.3	29743.9
	% Growth	0	-8.59	19.16	6.9	20.71

Source: Banking and financial Statistics and Annual Report of SCBNL

From the data given in table no. 4.12 above, the highest growth on deposit is 20.71% in the fiscal year 2007/08. The increase in deposits and reducing investing opportunities lead the bank in canvassing of interest bearing deposits, which resulted in the negative growth rate of deposit i.e. 8.59% in FY 2004/05 but the deposits again increased by 19.13% reaching Rs.23050.5 million in the fiscal year 2005/06. Among the total deposits of the bank, the high interest bearing deposit i.e. the amount of fixed deposits is the least which is a very good sign for the bank as the interest expenses of the bank is very low as compared to other commercial banks of the study which in turn produces huge amount of profit and also allows to grant loans and advances at lower rate being minimum interest expenses.

4.1.6 Deposits, Loans and Investments of Standard Chartered Bank Nepal Limited

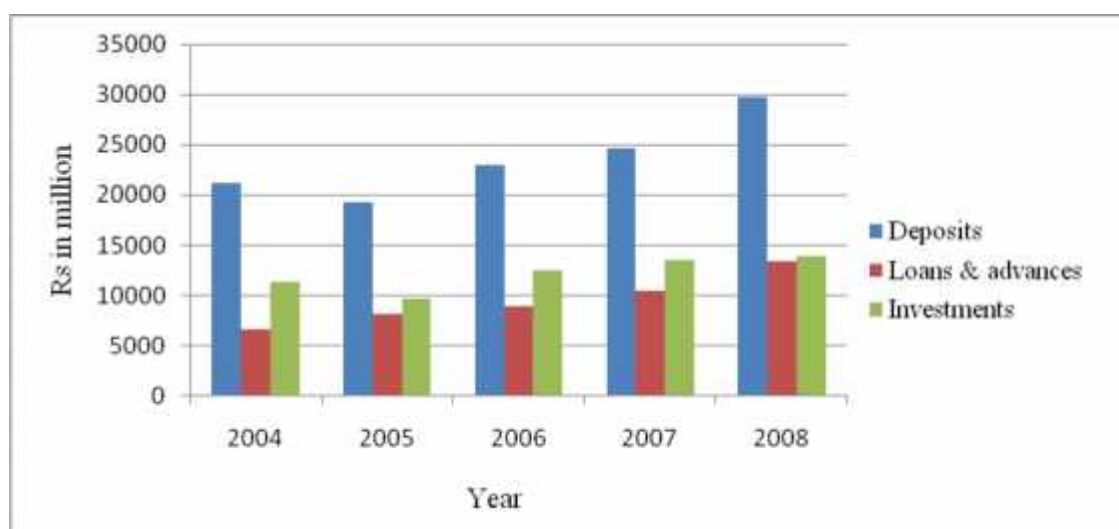
The table below shows the relationship between deposits, loans and investment of SCBNL during the study period.

Table 4.9
Deposits, Loans and Investments of SCBNL

S.No	Purpose	2004	2005	2006	2007	2008
1	Deposits	21161.4	19344	23050.5	24640.3	29743.9
3	Loans & advances	6662	8213.5	8905.1	10538.1	13355
2	Investments	11360.3	9704.1	12560.6	13564	13902.8
	Loan to deposits%	31.48	42.46	38.63	42.77	44.9
	Investment to deposit %	53.68	50.17	54.49	55.05	46.74
	% Growth of Investment	0	-14.58	29.44	7.99	2.5

Source: Banking and financial statistics and Annual Report of SCBNL

Fig. 4.3
Deposits, Loans & Investment of SCBNL



From the above table and figure, it is found that the investment growth rate of SCBNL in the FY 2005/06 is the highest among the increase during the study period. In FY 2004/05, the investment ratio is decreased. The ratio of investment was in 2007/08 that mean bank made more lending. Above table shows SCBNL mobilize its deposit in the form of investment more than 50% in all fiscal year rather than the 2007/08. This also indicates the SCBNL did not take more risk disbursing fund as loan and advances. This shows the high fluctuation in the investments of the bank during the study period.

The loan and advances ratio of SCBNL were 38.48%, 42.46%, 38.63%, 42.77% and 44.9% in the fiscal year 2003/04, 2004/05, 2005/06, 2006/07 and 2007/08 respectively. The lowest ratio indicates the bank did not take more risk by investing fund as the loan and advances. In FY 2003/04 and 2005/06 bank disbursed less than its total deposit as loan and advances. In this study period bank invested less than the 50% in loan and advances.

The surplus idle money of the bank is invested in other sectors i.e. treasury bills etc. Here, it is clear that when the loan percentages decrease the investments at that particular period increases. The bank makes it clear in their annual reports that the investing opportunities are reducing, which force them to avoid excess amount of interest bearing deposits.

The figure shows how the loans and investments go graphically as the percentages of total deposits. It shows the ups and downs of total loan to deposit rate and total investment to deposits in seven years period.

In the growth of investment percentage, there is high fluctuation in the whole study period. The loans to deposit percentages, it is almost constant in the study period.

4.2 Financial Analysis of Commercial Banks

Financial analysis is done by calculating some different types of financial ratios, which are important from the point of view to analyze deposits and loans of NSBL, EBL and SCBNL. Here relevant ratios are calculated and appropriate interpretations are made. The performance of the concern banks are seen by analysis of financial ratios and all the calculations are done in Microsoft Excel.

4.2.1 Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance to total deposit ratio measures the availability of a bank's highly liquid or immediate funds to meet its unanticipated calls on all types of deposits. Cash and bank balance are assets that constitute the bank's first line of defense and consist of cash in hand, foreign currency cash in hand, cheques and other cash items, balance with domestic banks and balance held abroad.

Higher the ratio, the greater will the ability of the bank to meet sudden demand of deposit. But every high ratio is not desirable since bank has to pay interest on deposits. This will also maximize the cost of fund to the bank.

We have,

$$\text{Cash and bank balance to total deposit ratio} = \frac{\text{Cash and bank balance}}{\text{Total Deposit}}$$

Cash and bank balance to total deposit ratio of NSBL, EBL and SCBNL from FY 2003/04 to FY 2007/08 are given below in Table no. 4.14

Table no. 4.10
Cash and Bank Balance to Total Deposit

Rs. in million

Fiscal Year	Nepal SBI Bank Limited			Everest Bank Limited			Standard Chartered Bank Nepal Ltd.		
	Cash & Bank Bal.	Total Deposit	Ratios %	Cash & Bank Bal.	Total Deposit	Ratios %	Cash & Bank Bal.	Total Deposit	Ratios %
2003/04	775.0	7232.1	10.71	637.6	8064.0	7.91	2023.2	21161.4	9.50
2004/05	459.6	8645.1	5.31	1054.2	10097.8	10.43	1111.1	19344	5.74
2005/06	531.3	10852.7	4.89	1619.6	13802.5	11.73	1276.2	23050.5	5.54
2006/07	1122.6	11445.2	9.81	3329.7	19097.7	17.43	2234.9	24640.3	9.07
2007/08	1347.6	13725.4	9.82	2852.4	23976.3	11.90	2050.2	29743.9	6.89

Source: Annual Report of Banks

From the above table, reveals that cash and bank balance to total deposit ratios of all the banks are fluctuating. NSBL has highest ratio in . The ratio increases from 22.23% to 35.48% in FY 2001/02. The ratio decreases to 25.18% in FY 2002/03 and to 20.41% in FY 2003/04. This decreasing trend remained till FY 2004/05 reaching only 9.79% in the FY 2004/05 but it slightly increased to 13.46% in the final year i.e. 2005/06.

In case of EBL, it is found that cash and bank balance to total deposit ratio is almost same but in comparison, SCBNL has maintained higher ratio. The mean ratio of SCBNL is 29.05%, mean ratio of NSBL is 19.8% and mean ratio of EBL is 13.1%. The C.V. % of NSBL is 45.29%, which is higher than 30.4% of EBL and lower than 70.03% of SCBNL. It shows that the cash and bank balance ratio of SCBNL is more heterogeneous than others.

Comparatively, SCBNL has maintained highest ratio, it shows that the improvement or execute modification on the better position regarding the meeting of the demand of its customers on their deposit at any time. That means it operates in higher risks. Through high ratio indicates its high ability but high ratio shows inefficiency, as it has to pay more interest on deposit. Thus, SCBNL may invest in more productive sectors like short-term marketable security, treasury bills etc. to build up strong and efficient liquidity position.

4.2.2 Loan and Advances to Working Fund Ratio

Loan and advances is an important part of total asset (total working fund). Commercial bank must be very careful in mobilizing in total assets. As loan & advances in appropriate level to generate profit. This ratio reflects the extent to which the commercial banks are success in mobilizing their assets loan and advances for the purpose of income generation. A high ratio indicates better in mobilizing of funds as loan and advances and vice versa.

We have,

$$\text{Loan \& Advances to total Working Fund Ratio} = \frac{\text{Loan and Advances}}{\text{Total working fund}}$$

The table below shows the loan and advances to total working fund ratio of NSBL, EBL and SCBNL.

Table: 4.13
Loan and Advances to Working Fund Ratio Rs. In Million

Fiscal Year	Nepal SBI Bank Limited			Everest Bank Limited			Standard Chartered Bank Nepal Ltd.		
	Loan & Advance	Total Working Fund	Ratios %	Loan & Advance	Total Working Fund	Ratios %	Loan & Advance	Total Working Fund	Ratios %
2003/04	5490.9	8440.41	65.05	6116.6	9608.57	63.66	6662	23642.06	28.18
2004/05	6619.1	10345.37	63.98	7914.4	11732.52	67.46	8213.5	21781.68	37.71
2005/06	8059.6	13035.84	61.83	10124.2	15959.28	63.44	8905.1	25776.33	34.55
2006/07	9846.7	13901.2	70.83	14059.2	21432.57	65.60	10538.1	28596.69	36.85
2007/08	12574.9	17187.45	73.16	18814.3	27149.34	69.30	13355	33335.79	40.06

Source: Annual Report of Banks

Referring to the above table, the loan & advances to total working fund ratios of all banks are exhibits fluctuating trend. The ratio of NSBL and EBL are higher than SCBNL. NSBL has

highest ratio of 73.16% in FY 2007/08 and lowest of 61.83% in FY 2006/07 during the study period. Similarly, the highest ratio for EBL is 69.30% in FY 2007/08 and lowest is 63.44% in FY 2005/06. SCBNL has the comparatively lower rate than NSBL and EBL. It has highest ratio of 40.06% in FY 2007/08 and lowest ratio in of 28.18% in 2003/04. The entire bank's ratio is continuously fluctuating. In 2007/08 all banks have higher ratio. NSBL has the highest ratio of loan and advances to total working fund ratio.

From the above analysis, it is concluded that all the banks have mobilizing working fund, as loan and advances is satisfactory.

4.2.3 Profit to Loan and Advances Ratio

It measures the earning capacity of a commercial banks on its deposits mobilized on loans and advances. Mostly loan and advances includes loan cash credit, overdraft, demand loans, and term loans, bills purchased and discounted.

We have,

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

The table below shows the return on loans and advances of NSBL, EBL and SCBNL.

Table 4.16

Profit to Loan & Advances Ratio

Rs. In Million

Fiscal Year	Nepal SBI Bank Limited			Everest Bank Limited			Standard Chartered Bank Nepal Ltd.		
	Profit	Loan and Advances	Ratio %	Profit	Loan and Advances	Ratio %	Profit	Loan and Advances	Ratio %
2003/04	60.85	5490.9	1.11	143.57	6116.6	2.35	537.8	6662	8.07
2004/05	57.39	6619.1	0.87	168.21	7914.4	2.13	536.24	8213.5	6.53
2005/06	117.0	8059.6	1.45	237.29	10124.2	2.34	658.76	8905.1	7.40
2006/07	254.91	9846.7	2.59	296.41	14059.2	2.11	691.67	10538.1	6.56
2007/08	247.77	12574.9	1.97	451.23	18814.3	2.40	818.92	13355	6.13

Source: Annual Report of Banks

The above table clearly shows that the return on loans and advances ratio of NSBL and SCBNL is highly fluctuating. There is no consistency during the study period. The return on

loan and advances in FY 2003/04 is 1.11% and 8.07% but it sluggishly reduced to 0.87% and 6.53% in fiscal year 2004/05. In 2005/06 the ratio increased to 1.45% and 7.4% respectively for the NSBL and SCBNL. This analysis depicts that NSBL is really facing the problems in investing their excess funds in profitable loans and advances. After that the return of NSBL increased to 2.59% but SCBNL decreased to 6.56% in same year. In the year 2007/08 both banks return is decreased to 1.97% and 6.13% respectively.

Similarly, for EBL the return on loans and advances is highest in the FY 2007/08 i.e. 2.40%. In the year 2003/04 the return is 2.35%. It decreased to 2.13% in the following year i.e. 2004/05 and then grows up to 2.34% in the next year and then it is 2.11%. This concludes that EBL is also not uniform in maintaining its return from loans and advances. From that calculation the SCBNL is good performer in earning total profit.

4.2.4 Profit to Total Deposit Ratio

This ratio measures the percentage of total income against deposit. The high ratio indicates the more earnings. The following table represents ratio of total profit over total loan and advance.

We have

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

The table below shows the return on total deposit of NSBL, EBL and SCBNL.

Table
Profit to Total Deposit Ratio

Rs in million

Fiscal Year	Nepal SBI Bank Limited			Everest Bank Limited			Standard Chartered Bank Nepal Ltd.		
	Profit	Deposit	Ratio %	Profit	Deposit	Ratio %	Profit	Deposit	Ratio %
2003/04	60.85	7232.1	0.84	143.57	8064	1.78	537.8	21161.4	2.54
2004/05	57.39	8645.1	0.66	168.21	10097.8	1.67	536.24	19344	2.77
2005/06	117.0	10852.7	1.08	237.29	13802.5	1.72	658.76	23050.5	2.86
2006/07	254.91	11445.2	2.23	296.41	19097.7	1.55	691.67	24640.3	2.81
2007/08	247.77	13725.4	1.81	451.23	23976.3	1.88	818.92	29743.9	2.75

Source: Annual Report of Banks

The above table shows the profit to deposit ratio of NSBL, EBL and SCBNL from the year 2003/04 to 2007/08. The highest ratio of NSBL saw 2.23% in the year 2006/07 and lowest of 0.66% in the fiscal year 2004/05. The ratio of NSBL is highly fluctuating than other two banks. The highest ratio of EBL and SCBNL is 1.8% and 2.81% in the year 2006/07 and 2007/08 respectively. Above calculation shows that the SCBNL is dominant bank in mobilizing its deposit to generate more profit.

Mobilization of deposit in terms of loan and advances is the main income generating sources of all financial institutions. The profitability of the bank is highly depending upon the interest incomes. From above calculation, SCBNL is the leader among them.

4.3 Correlation Analysis

To find out the relationship between deposit and total investment, deposit and loan and advances, this analysis have been used of Karl Pearson's coefficient of correlation.

4.3.1 Co-efficient of Correlation Between Deposits and Total Investment

The co-efficient of correlation between deposit and investment is to measure the degree of relationship between two variables. The following table no. 4.22 shows the partial co-efficient of correlation between deposits and total investment for NSBL, EBL and SCBNL.

Table 4.18
Co-efficient of Correlation between deposit and total investment

Banks	Evaluation Criteria		
	Corelation (r)	Probable Error	6 P. E.
NSBL	0.8404	0.0886	0.5316
EBL	0.9497	0.04386	0.2631
SCBNL	0.8910	0.06217	0.3731

Source: Annex 1

From the above table, it is found that the coefficient of correlation between deposit and total investment variables 'r' is 0.951 which shows positive correlation for NSBL. The value of r is much higher than the value of 6 P.E. i.e. 0.5316, this shows that the relationship between the deposit and total investment of NSBL is significant.

In case of EBL, coefficient of correlation between deposits and total investment value of 'r' is 0.9497. It shows positive relationship between two variables. By considering the probable

error since the value of 'r' i.e., 0.941 is more than six times of P.E. i.e.0.2631 so; we can say that there is significant relationship between total deposits and total investment.

Likewise, SCBNL has also high positive relationship between two variables, the correlation 'r' 0.8910. The value of 'r' is more than the value of 6 P.E. i.e. 0.3731. This shows that the relationship between the deposit and total investment of SCBNL is significant.

4.3.2 Co-efficient of Correlation between Deposit and Loan and Advances

Deposits play a very crucial role in performance of commercial banks and similarly loan and advances are important to mobilize the collected deposits. Coefficient of correlation between deposit and loan & advances measures the degree of relationship between these two variables. In this analysis, deposit is independent variable (x) and loan & advances are dependent variable (y).

The following table shows the correlation between deposit and loan and advances of NSBL, EBL and SCBNL.

Table 4.19
Correlation between deposit and Loan and advances

Banks	Evaluation Criteria		
	Corelation	Probable Error	6 P. E.
NSBL	0.9788	0.0095	0.0569
EBL	0.9966	0.00205	0.01229
SCBNL	0.9250	0.04355	0.2613

Source: Annex 2

From the table, it is found that the coefficient of correlation between deposits and loan and advances of NSBL is 0.9788. It shows positive relationship between two variables. Further, the value of P.E is 0.0095 and 6P.E. is 0.0569; it shows that the value of 'r' is greater than the value of 6P.E which reveals that there is significant relationship between deposit and Loan & Advances in case of NSBL.

In case of EBL, it is found that coefficient of correlation between deposit and loan & advances is 0.9966. It shows positive relationship between two variables. The value of 'r' is greater than the value of 6 P.E i.e. 0.01229, which shows the significant relationship between deposit and loan & advances of EBL.

Likewise, it is found that the coefficient of correlation between deposit and loan and advances of SCBNL is 0.9250. It also shows the positive relationship between two variables. The value of 'r' is greater than the value of 6 P.E i.e. 0.2613, which reveal that there is significant relationship between deposit and Loan & Advances in case of SCBNL.

4.4 Regression Analysis

Regression is statistical tool which is used to determine the statistical relationship between two or more variables and so make estimate of one variable on the basis of the other variable. Regression is the line which gives the best estimate of one variable for any given

4.7 Major Findings of the Study

-) In case of NSBL, From the average deposit of seven-year study period, there is a increase of 24.09% in 1999/00 & in 2000/01 it slightly declined to 23.98%. The declination in the percentage growth rate in average deposits remained till FY 2003/04 in which the growth rate is very nominal i.e. only 1.86%. The growth rate in the FY 2001/02 was 21.84% and in 2002/03 was 17.31%. After reaching to the minimum point the growth rate increased in the following year i.e. FY 2004/05 to 10.12% but still in the last year of the study period the growth rate declined to 5.52%. Aggregate deposits are highly fluctuating during the study period i.e. FY 1999/00 to FY 2005/06..
-) The deposit structure of NSBL shows the fluctuating trend during the study period. The growth rate reduced in 1999/00 to 4.1% from 12.35% in 1998/99. But it increased to its highest level of 45.7% in FY 2000/01. The bank takes measures against it, which results to negative growth of deposit in FY 2001/02 of 15.8%. Then after the total deposits of NSBL has increased continuously but the growth rate is fluctuating. The growth rate is 17.1%, 10.4%, 20.2% and 27.1% in the fiscal years 2002/03, 2003/04, 2004/05 and 2005/06 respectively.
-) Loans and advances of NSBL shows continuous decline during the initial period of the study period. It is recorded as 17.31%, 10.00%, -2.73% in FY 2000/01, 2001/02 and 2002/03 respectively. Then after the growth rate is in the increasing trend. The growth rate is 15.11%, 20.081% and 22.74% in the fiscal years 2003/04, 2004/05 and 2005/06 respectively. The C.V% shows high fluctuation in loan and advances during the study period.

-) The investment of NSBL is also fluctuating highly during the study period. The various ups and downs are seen in investment portfolio of NSBL.
-) The deposits of EBL show high fluctuation in its growth rate. The amount of deposit is continuously increasing during the study period even though there is a ups and downs in the growth rate. The deposits growth rate of EBL ranges from 10.99% to 56.88%. Thus we can conclude that there is a high fluctuation in the growth rate in deposits of EBL.
-) The growth rate in the loans and advances of EBL is also fluctuating but there is a continuous growth in the level of loans and advances of EBL. It increased by 32.4% in the FY 2000/01 and the growth rate still increased to 34.55% in the following year i.e. 2001/02. The growth rate declined to 24.86% and further to 20.72% in the following two years i.e. 2002/03 and 2003/04 respectively. But the growth rate increased from 20.72% to 24.98% in FY 2004/05 and further to 28.65% in the ending year of the study period i.e. FY 2005/06.
-) There is a very high fluctuation in the growth rate in the investments of EBL. The growth rate ranges from 246.7% to a negative rate of -16.0%. In the FY 2001/02, the growth rate of investments is the maximum i.e. 246.7% but it decreased very steeply to 87.8% in the following year and to negative growth rate of -2.3% in the FY 2002/03. Then, the rate increased to 53.3% in the FY 2003/04 but it then again declined and shows a negative growth rate of -16.0% in the year 2004/05 but it increased to 97.3% in the last year of the study period i.e. FY 2005/06.
-) The deposit structure of SCBNL shows the fluctuating trend during the study period. The growth rate increased in FY 2000/01 from 11.3% in FY 1999/00. It still reduced to 2.6% in the FY 2001/02 but the deposit growth rate increased to 18.4% in the year 2002/03. It again reduced to 12.8% from 18.4% in 2003/04. In the next year, there is a negative growth rate of -8.6% in the year 2004/05 but the deposit level increased in the last year of the study period resulting a positive growth rate of 19.3%.
-) The growth rate in loans and advances of SCBNL shows continuous fluctuation during the study period. It is recorded as 19.5% in FY 2000/01. In the next year i.e. 2001/02, there in a decrease in the loans and advances level which resulted a negative growth rate of -2.3%? Then after the advances level continuously increased during the study period but the growth rate is fluctuating. In the FY 2002/03, 2003/04, 2004/05 and 2005/06 the growth rates are 5.06%, 5.42%, 27.04% and 9.73% respectively. The

C.V% shows high fluctuation in loan and advances of SCBNL during the study period.

-) The investment of SCBNL is also fluctuating highly during the study period. The various ups and downs are seen in investment portfolio of SCBNL. The growth rate in investments is maximum in FY 2001/02 i.e. 92.4% and the minimum i.e. -14.6% in FY 2004/05. In other years of the study period the growth rate are 44.0%, 11.7%, 9.7% and 32.4% in the fiscal years 2000/01, 2002/03, 2003/04 and 2005/06 respectively.
-) The mean ratio of cash and bank balance to deposit ratio of SCBNL slightly higher than NSBL and EBL. It states that the liquidity position of SCBNL is better in this regard. Similarly the ratio of SCBNL is more variable and less consistent than that of others.
-) The mean ratio of investment on government securities to current asset ratio of SCBNL has been found higher than that of EBL and NSBL. However, NSBL seems to have more variable ratios than that of SCBNL and EBL.
-) The mean ratio of loan and advances to current asset of EBL is higher than that of SCBNL and NSBL. But ratios of SCBNL are more variable.
-) The loan and advances to working fund ratio of EBL & NSBL are almost similar and SCBNL is lowest. But ratios of SCBNL are more variable than that of NSBL and EBL.
-) The mean ratio of investment on government securities to working fund ratio of SCBNL is greatest among the three banks. On the other hand ratio of SCBNL is less variable than that of NSBL and EBL. The ratio of NSBL is lowest but most variable.
-) EBL has maintained slightly higher mean ratio of investment on shares and debentures to working fund ratio than EBL, but this ratio of SCBNL is very high then others. The ratio of EBL is highly variable than NSBL and SCBNL.
-) The mean ratio of return on loan and advances of NSBL is lower than that of EBL and SCBNL. SCBNL has the highest ratio among three banks. But there is high level of inconsistency in the ratio of NSBL.
-) The average credit ratio of NSBL and EBL are similar, but fluctuation in ratio of NSBL is higher than EBL. In the case of SCBNL, the ratio is lowest and the fluctuation in ratio is highest.

-) Co-efficient of correlation between deposit and investment of SCBNL is higher than EBL and NSBL. Regression analysis shows positive rate of change for both the banks. NSBL has the lowest correlation.
-) SCBNL and EBL have almost same value of co-efficient of correlation between deposit and loan & advances. The co-efficient to correlation of NSBL is less than others.
-) The calculated value of t 1.8139 is greater than that if the tabulated value 1.782 so there is significant differences mean ratios of net profit to total deposit of NSBL and EBL. But there is no significant difference between mean ratio of net profit to total deposit of NSBL and SCBNL indicates that it isn't to mobilize the total deposit to generate more profit.
-) There is No significant difference between mean ratio investment on government securities to current assets of NSBL, EBL and SCBNL.
-) There is no significant difference between mean ratios of Total investment and total deposit of NSBL, EBL and SCBNL.
-) There is no significant difference between mean ratios of investment on government securities to total working fund of NSBL, EBL and SCBNL.
-) The Net profit on total deposit is positive in simple regression equation of in the case of SCBNL and negative in NSBL and EBL. It indicates that one million one million increase in total deposits leads to average 0.0226260 increase in Net Profit of SCBNL. Likewise if in case of NSBL and EBL, The constant (b) is zero then they should bear loss due to constant (a) is negative.
-) The Regression of Net Profit on total investment is positive. It indicates one million increases in total investment leads to average 0.0209158, 0.0512403 and 0.0227019 million increases in net profit of NSBL, EBL and SCBNL.
-) Simple regression of total investment on total deposits is negative. It reveals that banks are not utilizing all deposits to investments. They diversify deposits in various sector not only investments. The constant (a) is negative in all equation so banks consider it more sensitively. The constant (b) is positive in all equation so increase in one million in total deposit leads to average 0.57377, 0.326476 and 0.885656 million increase in total investment of NSBL, EBL, and SCBNL.

CHAPTER –V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The deposits and its investment in productive sectors by commercial banks are not stable. They are not earning more profit for commercial banks. The increasing deposit are idle in the banks and in turn they are investing these funds in other sectors as government securities as maximum of 4% interest rate while the cost of fund they are bearing is around 5-6%, but it is better than nothing for the commercial banks. A decline in overall business market, sluggish performance of industry and slowdown in tourism sector accounted for such a deceleration in the commercial bank activities. Nepal SBI Bank's deposits increased highly in FY 2000/01 and the deposit level had increased during the study period except in the FY 2001/02 at which the deposit had a negative growth rate of 15.8% which leads to improve banks' policy. In 2001/02 NSBL was successful in decreasing its high deposit, but still loans and advances are not growing to its point and banks are investing their excess fund in other sectors. In case of EBL and SCBNL, the percentage growth in loan and advances is lower than investment. The increasing investment and reducing loans and advances from total deposit are great problem for the banks to manage. The fluctuation in deposit, loan and advances & investment makes clear about adjustment problem for the banks. The liquidity position of EBL and SCBNL are better than NSBL. It may be in a good position to meet the daily cash requirement but it has to bear high cost of fund. Since SCBNL's investment on government securities is better than NSBL and EBL but higher ratio indicates unstable position of investment. At last, it can be concluded that SCBNL has good deposit collection, it has made enough investment on government securities but it has maintained moderate investment policy on loan and advances. SCBNL is comparatively successful in its on-balance sheet as well as off-balance sheet activities. However, in average all of three banks are working equally in this regard. Risk and profitability analysis shows that SCBNL is in better position and NSBL is in worse position and correlation analysis shows there is significant relationship between deposit, investment and loan & advances of both the banks. There is no significance difference between deposit and loan and advances and between deposit and investment of both the banks.

The commercial banks in Nepal are facing the problem in investing in loan and advances. Due to various internal and external factors the banks are not making open investments. Deposits are being excess and idle in these banks.

Therefore, these banks should formulate new investment strategies. They should launch the intensive programs to encourage borrowers. The commercial banks should talk to NRB to make clear and new policies keeping in view the problems that these banks are facing. These banks should take these problems seriously.

5.2 Conclusions

Liberal economic policy of government has encouraged the establishment and growth of commercial banks in the country with in short span of time. In Nepal there are 19 registered commercial banks and branches all over the country. This number has further increased during my period of collection of necessary data and information for this study. Most of the commercial banks are widening their networks by opening new branches at various places of the country due to the re-establishment of peace in the nation.

The commercial banks in Nepal are doing well but they are not giving satisfactory results due to some internal and external factors. The deposits and its reinvestment in productive sectors by commercial banks are not stable. They are not earning more profit for commercial banks. The increasing deposits are idle in the banks and in turn, they are investing these funds in other sectors as government securities at maximum of 4% interest rate while the cost of fund they are bearing is 5-6%, but it is better than nothing for the commercial banks. A decline in overall business market, sluggish performance of industry and slowdown in tourism sector accounted for such a deceleration in the commercial bank activities. Nepal SBI bank's deposits increased highly till 2000/01, which leads to improve banks' policy. In 2001/02 NSBL was successful in decreasing its high deposit, but still loans and advances are not growing to its point and banks are investing their excess fund in other sectors. In case of EBL and SCBNL, the percentage growth in loan and advances is lower than investment. The increasing investment and reducing loans and advances from total deposit are great problem for the banks to manage. The fluctuation in deposit, loans and advances & investment makes clear about adjustment problem for the banks. The liquidity position of SCBNL is higher then others. The liquidity position of EBL it is slightly better than NSBL. It may be in a good position to meet the daily cash requirement but it has to bear high cost of fund. Since investment on government securities is better but higher ratio indicates unstable position of

investment. At last, it can be concluded that SCBNL has good deposit collection, it has made enough investment on government securities but it has maintained moderate investment policy on loan and advances. SCBNL is comparatively successful in its on-balance sheet as well off-balance sheet activities. But in average other two banks are working equally in this regard. Risk and profitability analysis shows there is significant relationship between deposit, investment and loan & advances of all the banks. There is no significant difference between deposit and loan and advances and between deposit and investment of the banks. The commercial banks in Nepal are facing the problem in investing in loan and advances. Due to various internal and external factors the banks are not making open investments. Deposits are being excess and idle in these banks.

Strengthening and the institutionalization of the commercial banks are very important to have a meaningful relationship between commercial banks and national development through shift of credit to the productive industrial sectors. At the same time the series of reforms such as consolidation of commercial banks, directing attention to venture capital financing, appropriate risk return trade off by linking credit to timely repayment schedules, avoiding imperfection, allowing flexibility in lending, one window service from NRB, need of strong supervision and monitoring from NRB, diversity scope of activities for commercial banks, professional culture within commercial banks, etc. All these are necessary to ensure better future performance of commercial banks that have already been established and growing in Nepal.

The commercial banks in Nepal must work hard to prove that they are really efficient and viable agencies for mobilization of saving and its canalization into productive sectors, are professionally managed and competent enough to ensure adequate rate of return on investment and are strategically well planned to be competitive.

5.3 Recommendations

On the basis of analysis and findings of the study, following recommendation can be advanced to overcome weakness, inefficiency and improve present fund mobilization and investment strategies of Nepalese commercial banks with regards to NSBL, EBL and SCBNL.

-) The liquidity position of the bank may be affected by external as well as internal factors. The affecting factors may be interest rates, supply as a demand position of

loan and advances as well as savings, investment situations, central banks' directives, the lending policies etc. As NSBL has maintained the ratio of cash and bank balance to total deposit lower than that of EBL and SCBNL, it is recommended to increased cash and bank balance to meet current obligations and loan demand.

- J Commercial banks are the profit motive banks; they cannot keep their eyes closed from profit. They should be careful in increasing profit in a real sense to maintain the confidence of shareholders, depositors and its customers. NSBL return on loan and advances is lower than EBL and SCBNL, so it is strongly recommended to utilize its risky assets and shareholders' fund to gain highest profit margin.
- J Though the government securities issued by government are free of risk of default; such securities yield the lowest interest rates of a particular maturity due to low risk feature. SCBNL has invested more than EBL and NSBL in government securities so, it is recommended to invest in some profitable sectors like providing loan to developing industries as tourism industry etc.
- J The off-balance sheet operation yield high return in terms of commission, discount, fees etc. So, these are very important to the commercial banks. In case of NSBL have been found failure in utilizing the modern fee-based off balance sheet activities to the maximum possible extent in comparison to the other banks. So, NSBL is recommended to enhance off-balance sheet transactions in the day to come.
- J Portfolio condition of all the banks should be examined from time to time and attention should be made to maintain equilibrium in the portfolio condition as far as possible. The investment opportunities should be grabbed to optimize their investment portfolio. Nepal commercial banks should invest in different projects, finance developing industries like tourism with the help government, which provides security to them.
- J The commercial banks should go for some new avenues of investment in consortium like hydro-electricity and infrastructure development of the country etc. This will help in the development of economy as well as banks' operation.
- J For smooth operation of the bank there must be proportional increase or decrease on credit according to deposit, this can be achieved either by discouraging certain deposit or aggressively marketing its loan able funds to existing or potential customers.

-) The commercial banks are supposed to boost foreign investments in the country. However, these banks' do not seem to be successful in this aspect. Therefore, all these banks are recommended to activate for increasing foreign investment in Nepal by means of their wide international banking network.
-) Looking at current trend of banking business, a bank must be careful while formulating marketing strategies to serve customers. The marketing strategies should be innovative so that it would attract and retain the customers. It is recommended that EBL and NSBL should develop innovative approach to banks marketing for its well being and sustainability in the market upgrade the banking facilities as per the changing need of the customers.
-) In the context of commercial banks in Nepal, for speedy development of the kingdom, HMG/N and NRB as well as all the commercial banks are suggested to follow decentralization policy and formulate new plans and policies to develop banks' credit operation like formulating policies regarding investments in small scale industries, tourism industry, hydro-electricity projects etc. The Nepalese Government should makes policies regarding salaries, various types of incentives for the commercial banks to avoid internal corruptions in the banks.
-) The government before issuing license for the commercial banks should make a market study for the background and reputation of the people establishing a bank, this will help in avoiding the corrupt banking in the country and existing commercial banks will also get benefit from this policies because they do not have to face false competition policies launched by the corrupt banks.
-) The study based on secondary data and information mostly. Hence, the primary data should be followed for the future to calculate management efficiency ratio to make it more practical.

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ANNEX

Correlation Analysis Between Deposits And Investment Of SBI

Year	Deposit (X)	Investment (Y)	X ²	Y ²	XY
2003/04	7232.1	1889.4	52303270.41	3569832.36	13664329.74
2004/05	8645.1	2607.7	74737754.01	6800099.29	22543827.27
2005/06	10852.7	3699.9	117781097.3	13689260.01	40153904.73
2006/07	11445.2	2377.5	130992603	5652506.25	27210963
2007/08	13725.4	5524.4	188386605.2	30518995.36	75824599.76
	51900.5	16098.9	564201329.9	60230693.27	179397624.5

$$\text{Correlation} = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$= \frac{5 \times 179397624.5 - 51900.5 \times 16098.9}{\sqrt{5 \times 4181624204 - (51900.5)^2} \sqrt{6 \times 1454870648 - (16098.9)^2}}$$

$$= 0.840419005$$

$$\text{Probable Error (P.E)} = 0.6745 \times \frac{1 - r^2}{\sqrt{n}}$$

$$= 0.0886$$

$$6 \text{ P.E} = 0.5316$$

Correlation Analysis Between Deposits And Loan And Advances Of SBI

Year	Deposit (X)	Loan And Advances (Y)	X ²	Y ²	XY
2003/04	7232.1	5490.9	52303270.41	30149982.81	39710737.89
2004/05	8645.1	6619.1	74737754.01	43812484.81	57222781.41
2005/06	10852.7	8059.6	117781097.3	64957152.16	87468420.92
2006/07	11445.2	9846.7	130992603	96957500.89	112697450.8
2007/08	13725.4	12574.9	188386605.2	158128110	172595532.5
	51900.5	42591.2	564201329.9	394005230.7	469694923.5

$$\text{Correlation} = 0.978836001$$

$$\text{Probable Error (P.E)} = 0.0126$$

$$6 \text{ P.E} = 0.0759$$

Correlation Analysis Between Deposits And Investment Of EBL

Year	Deposit (X)	Investment(Y)	X ²	Y ²	XY
2003/04	8064	2466.4	65028096	6083128.96	19889049.6
2004/05	10097.8	2100.3	101965564.8	4411260.09	21208409.34
2005/06	13802.5	3548.6	190509006.3	12592561.96	48979551.5
2006/07	19097.7	4704.6	364722145.3	22133261.16	89847039.42
2007/08	23976.3	4906.5	574862961.7	24073742.25	117639716
	75038.3	17726.4	1297087774	69293954.42	297563765.8

Correlation = 0.949704337

Probable Error (P.E) = 0.04386

6 P.E = 0.2631

Correlation Analysis between Deposits and Loan and Advances of EBL

Year	Deposit (X)	Loan and Advances (Y)	X ²	Y ²	XY
2003/04	8064	6116.6	65028096	37412795.56	49324262.4
2004/05	10097.8	7914.4	101965564.8	62637727.36	79918028.32
2005/06	13802.5	10124.2	190509006.3	102499425.6	139739270.5
2006/07	19097.7	14059.2	364722145.3	197661104.6	268498383.8
2007/08	23976.3	18814.3	574862961.7	353977884.5	451097301.1
	75038.3	57028.7	1297087774	754188937.7	988577246.2

Correlation = 0.996602554

Probable Error (P.E) = 0.00205

6 P.E = 0.01229

Correlation Analysis between Deposits and Investment of SCBNL

Year	Deposit (X)	Investment(Y)	X ²	Y ²	XY
2003/04	21161.4	11360.3	447804850	129056416.1	240399852.4
2004/05	19344	9704.1	374190336	94169556.81	187716110.4
2005/06	23050.5	12560.6	531325550.3	157768672.4	289528110.3
2006/07	24640.3	13564	607144384.1	183982096	334221029.2
2007/08	29743.9	13902.8	884699587.2	193287847.8	413523492.9
	117940.1	61091.8	2845164708	758264589.1	1465388595

Correlation = 0.891000867

Probable Error (P.E) = 0.06217

6 P.E = 0.3731

Correlation Analysis between Deposits and Loan and Advances of SCBNL

Year	Deposit (X)	Loan and adv (Y)	X ²	Y ²	XY
2003/04	21161.4	6662	447804850	44382244	140977246.8
2004/05	19344	8213.5	374190336	67461582.25	158881944
2005/06	23050.5	8905.1	531325550.3	79300806.01	205267007.6
2006/07	24640.3	10538.1	607144384.1	111051551.6	259661945.4
2007/08	29743.9	13355	884699587.2	178356025	397229784.5
	117940.1	47673.7	2845164708	480552208.9	1162017928

Correlation = 0.92497855

Probable Error (P.E) = 0.04355

6 P.E = 0.2613

Interview Questions

1. What factors you considered while making investment decisions?
2. Are you maintaining the target deposit as per NRB rules?
3. Are you using your deposits properly in profitable sectors?
4. The gapping between deposit and credit is increasing rather than decreasing, why?
5. Major portion of deposit are invested in loans and advances. What is main reason?
6. What are the margin rates you keep while placing the collaterals for credit?
7. What are the major problem Nepalese commercial banks are facing while investing in loans and advances?
8. What kind of measures Nepalese government is taking against this problem?
9. Do you think the commercial banks' management is also responsible for this problem?

Sources and Uses of Fund of Commercial Banks

S.N.	Purpose	Mid July						Mid March
		1998	1999	2000	2001	2002	2003	2004
1	CAPITAL FUND	4955.7	6077.1	6729.2	8230.2	10202.5	11814.6	12229.3
	a. Paid-up Capital	2965.9	3767	4067.4	5504.1	6431	7726	7953.8
	b. Statutory Reserves	1272	1593.6	1976.7	1787.1	2540	2820	3011.9
	c. Other Reserves	717.8	716.5	685.2	939	970.6	1192.9	1200.7
	d. Retained Earning					260.9	75.7	62.9
2	DEPOSITS	102598	127201.8	154943	181767	185145	203879	215136.6
	a. Current	16310.2	17709.8	20319.5	25100.7	24327	28862.5	27386.3
	b. Savings	36885.3	50154.1	65703.6	80988.4	83855.6	97238.9	105780.9
	c. Fixed	45593.8	54846.7	62204.2	65322.3	64171.4	63287.6	64657.6
	d. Call Deposits	1766.9	2165.9	3715.8	7691.8	10531.9	12027.9	14557.9
	e. Others	2042	2325.3	2999.9	2663.8	2258.8	2462.4	2753.9
3	BORROWINGS	887	1179.1	3346.6	2308.7	2349.5	3170.4	4324.2
	a. NRB	381.4	429.6	428.1	411.8	1167.7	1437	974.1
	b. Inter Bank	505.6	749.5	2918.5	1896.9	953.4	1599.2	1288.8
	c. Foreign Bank	0	0	0	0	228.5	134.2	2061.3
	d. Financial Ins.							
4	OTHERS	36987.1	38000.2	44452.6	59221.3	77221.2	86697.4	87343.7
	SOURCES OF FUND	145428	172458.2	209471.5	251527	274918	305562	319033.8

S.N.	Purpose	Mid July						Mid March
		1998	1999	2000	2001	2002	2003	2004
1	LIQUID FUNDS	33184.1	39093.1	48240	55583.3	49937.2	38163.6	30762.8
	a. Cash in hand	2889.6	3310.4	3507	4116.9	4881.1	4735.9	3710.4
	b. FC in Hannd	750.6	634.5	632.1	658.2	613.8	704.5	567.1
	c. Bal. with NRB	14103.2	13912.7	16945.1	21440.9	23170.3	16867.6	12331.5
	d. Bal. with Dom. Bank	409	402.1	676.9	796.1	928.2	683.7	807.3
	e. Bal. with other Financial Ins					0	0	-1.1
	f. Bal. held abroad	9179.7	9451.7	14613.9	14993.9	7016.7	3783.1	2053.4
	g. Call Money	5852	11381.7	11864.9	13577.3	13327.3	11388.8	11294.2
2	INVESTMENTS	10857.5	14252.4	17967.3	25446.5	34209.8	45386.3	53682.4
	a. Govt. Securities	10591.7	13222	17608.8	25100.9	28573.8	39045.5	46265.6
	b.Share, Deb. & Other Inv	265.8	1030.4	358.5	345.6	5636	6340.8	7416.8
	c. NRB Bond							
3	LOANS & ADVANCES	68618	81758.8	96324.9	109121	113175	124522	133437.4
	a. Govt. Entp.	1214	1749.4	2114.3	2909.6	2651.1	2867.7	2787.7
	i. Financial	397	490.2	695	1209.1	991.2	965.1	1139.4
	ii. Non-Finan.	817	1259.2	1419.3	1700.5	1659.9	1902.6	1648.3
	b. Pvt. Sector	64989	77501.1	92241.8	104209	109043	120343	129620.8
	c. For. Bills P & D.	2266	2348.2	1820.4	1887.2	1322.2	1143.8	969.2
	d. Foreign A.B.C.	149	160.1	148.4	115	158	167.5	59.7
4	INTEREST ACCRUED	10618.6	12932.7	16125.8	19888.5	23742.8	27722.2	32805.3
	a. Govt. Entp.	221.5	299.4	372	334.3	308.2	297.8	265.6
	b. Private Sector	10397.1	12633.3	15753.8	19554.2	23434.6	27424.4	32539.7
5	OTHERS	22149.8	24421.2	30813.5	41487.7	53853.6	69767.2	68345.9

	USES OF FUNDS	145428	172458.2	209471.5	251527	274918	305562	319033.8
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Appendices 3

Sources and Uses of Funds of Nepal SBI Bank Limited

S.N.	Purpose	Mid July						Mid March
		1998	1999	2000	2001	2002	2003	2004
1	CAPITAL FUND	139.3	222.6	208.8	243.5	541.5	582.9	592.3
	a. Paid-up Capital	119.9	119.9	119.9	143.9	424.9	425.2	425.2
	b. Statutory Reserves	18.1	29.9	63.2	73.2	75.7	83.9	136.2
	c. Other Reserves	1.3	72.8	25.7	26.4	28.7	32.9	27.5
	d. Retained Earning					12.2	40.9	3.4
	Reserves	19.4	102.7	88.9	99.6	116.6	157.7	167.1
2	DEPOSITS	3749.1	4362.2	4543.2	6618.4	5572.2	6522.8	5876.8
	a. Current	761.7	1404.2	951	2359.9	1086.7	1300	827.8
	b. Savings	527.2	786.7	1094.9	1259.5	1274.7	1820.7	1808.3
	c. Fixed	2383.6	2100.2	2420.3	2929.4	3132.7	3337.6	3170.9
	d. Call Deposits	0	0	0	0	26.3	0	0
	e. Others	76.6	71.1	77	69.6	51.9	64.5	69.8
3	BORROWINGS	0	0	0	0	264.2	65.8	0
	a. NRB	0	0	0	0	264.2	65.8	0
	b. Inter Bank	0	0	0	0	0	0	0
	c. Foreign Bank	0	0	0	0	0	0	0
	d. Financial Ins.							
4	OTHERS	267.7	336.8	439	538.5	574.3	829.1	932.1
	SOURCES OF FUND	4156.1	4921.6	5191	7400.4	6952.2	8000.6	7401.2

S.N.	Purpose	Mid July						Mid March
		1998	1999	2000	2001	2002	2003	2004
1	LIQUID FUNDS	761.5	1357.8	1010	2348.2	1403.2	1331.6	462.3
	a. Cash in hand	40.9	106.6	123	133.2	147.8	243.1	183.3
	b. FC in Hannd	15.5	7.8	15.6	15.3	18.8	26.5	21.5
	c. Bal. with NRB	572.3	689.9	364.3	294.2	1177.5	892.3	371.2
	d. Bal. with Dom. Bank	3.3	0.6	1	4.7	12.9	12.2	9.4
	e. Bal. with Other Financial Ins.					0	0	0
	f. Bal. held abroad	79.5	532.9	386.2	1510.8	46.2	157.5	-123.1
	g. Call Money	50	20	120	390	0	0	0
2	INVESTMENTS	681.6	202.6	201.8	373.6	521.1	1207.3	1146.5
	a. Govt. Securities	678.6	194	192.9	364.7	503.2	1189.4	1128.6
	b. Share, Deben & Other Inv.	3	8.6	8.9	8.9	17.9	17.9	17.9
	c. NRB Bond	0	0	0	0	0	0	0
3	LOANS & ADVANCES	2414.9	2930.4	3560.1	4176.3	4593.9	4766.1	4964.5
	a. Govt. Entp.	74.3	88.3	88.3	88.3	87.4	50	50.4
	i. Financial	0	0	0	0	0	0	0
	ii. Non-Finan.	74.3	88.3	88.3	88.3	87.4	50	50.4
	b. Pvt. Sector	2297.3	2801.9	3428.8	4002.7	4441.2	4711.1	4909.1
	c. For. Bills P & D.	43.3	40.2	43	85.3	65.3	5	5
	d. Foreign A.B.C.	0	0	0	0	0	0	0
4	INTEREST ACCRUED	132	147.8	172.8	164.6	198.5	389.7	399.6
	a. Govt. Entp.	0	0	0	0	2.3	0.5	0
	b. Private Sector	132	147.8	172.8	164.6	196.2	389.2	399.6
5	OTHERS	166.1	283	246.3	337.7	235.5	305.9	428.3
	USES OF FUNDS	4156.1	4921.6	5191	7400.4	6952.1	8000.6	7401.2

Sources and Uses of Funds of Everest Bank Limited

S.N.	Purpose	Mid July						Mid March
		1998	1999	2000	2001	2002	2003	2004
1	CAPITAL FUND	118.6	128.3	127.6	249.4	497.8	587.1	612.9
	a. Paid-up Capital	117.6	118.4	119.2	197	399.3	455	461.4
	b. Statutory Reserves	0	0.1	5.1	13.4	27.3	44.9	64.5
	c. Other Reserves	1	9.8	3.2	39	8.7	14.3	46.1
	d. Retained Earning					62.5	72.9	40.9
2	DEPOSITS	1124.9	1948.9	3057.4	4574.5	5461.1	6694.9	7430.8
	a. Current	127.6	206.1	274.4	399.7	489.6	562.4	564.8
	b. Savings	217.4	449.1	891.7	1384.1	1733.3	2758	3184.7
	c. Fixed	721.8	1180.3	1592.7	2470.2	2694.6	2803.4	2994.7
	d. Call Deposits	17.3	47.9	185.4	225.6	439.4	428	535
	e. Others	40.8	65.5	113.2	94.9	104.2	143.1	151.6
3	BORROWINGS	0	0	0	80	310.3	83.2	504.2
	a. NRB	0	0	0	0	81.8	0	0
	b. Inter Bank	0	0	0	80	0	0	0
	c. Foreign Bank	0	0	0	0	228.5	83.2	504.2
	d. Financial Ins.					0	0	0
4	OTHER LIABILITIES	104.6	210.4	226.7	336.3	505	895	894.1
	SOURCES OF FUND	1348.1	2287.6	3411.7	5240.2	6774.2	8260.2	9442

S.N.	Purpose	Mid July						Mid March
		1998	1999	2000	2001	2002	2003	2004
1	LIQUID FUNDS	187.3	460.7	278.6	824.1	809.2	1156.1	720.1
	a. Cash in hand	21.2	62.2	41.9	92.9	146.3	109.8	132.4
	b. FC in Hannd	8.2	4.6	8.8	15.1	23.6	26.8	11.8
	c. Bal. with NRB	121.5	168.1	130.5	385.6	357.7	724.8	433.3
	d. Bal. with Dom. Bank	6.7	0	4.3	2.3	3.1	5.9	3.4
	e. Bal. with Other Financial Ins.					0	0	0
	f. Bal. held abroad	29.7	225.8	93.1	328.2	141.5	251.3	139.2
	g. Call Money	0	0	0	0	137	37.5	0
2	INVESTMENTS	111.1	187.4	260.1	826.7	1628.6	1616.5	2427.8
	a. Govt. Securities	111.1	184.9	257.6	823	1538.9	1559.4	2410.7
	b. Share, Deben & Other Inv.	0	2.5	2.5	3.7	89.7	17.1	17.1
	c. NRB Bond	0	0	0	0	0	0	0
3	LOANS & ADVANCES	867.6	1354.9	2270.2	3006.6	3982.7	5049.6	5800
	a. Govt. Entp.	0	0	0	0	0	60	70
	i. Financial	0	0	0	0	0	60	70
	ii. Non-Finan.	0	0	0	0	0	0	0
	b. Pvt. Sector	801.6	1311.9	2230.8	2963.7	3969.6	4970.9	5700.3
	c. For. Bills P & D.	66	43	39.4	42.9	13.1	18.7	29.7
	d. Foreign A.B.C.	0	0	0	0	0	0	0
4	INTEREST ACCRUED	31.8	46.2	76.2	94.3	99.8	147.6	159.3
	a. Govt. Entp.	0	0	0	0	0	0.9	8.3
	b. Private Sector	31.8	46.2	76.2	94.3	99.8	146.7	151
5	OTHERS	150.3	238.4	526.6	488.5	253.9	290.4	334.8

USES OF FUNDS	1348.1	2287.6	3411.7	5240.2	6774.2	8260.2	9442
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Appendices 5

Sources and Uses of Funds Of Standard Chartered Bank Nepal Limited

S.N.	Purpose	Mid July						Mid March
		1998	1999	2000	2001	2002	2003	2004
1	CAPITAL FUND	494.2	756.0	834.7	920.3	1012.3	1119.0	1152.9
	a. Paid-up Capital	150.0	339.5	339.5	339.5	339.5	339.5	339.5
	b. Statutory Reserves	300.0	358.5	430.4	508.9	595.0	679.1	679.1
	c. Other Reserves	44.2	58.0	64.8	71.9	77.8	100.4	134.3
	d. Retained Earning					0.0	0.0	0.0
2	DEPOSITS	8535.2	11160.8	12566.4	15430.1	15835.7	18755.5	18326.6
	a. Current	1969.6	2334.3	2417.1	3279.4	3808.4	5768.6	4280.3
	b. Savings	4079.5	5467.6	6632.7	8404.6	9441.8	10633.1	11972.0
	c. Fixed	2148.9	3104.7	2926.2	3471.7	2264.9	1948.5	1468.2
	d. Call Deposits	0.0	0.0	0.0	0.0	101.1	185.2	349.7
	e. Others	337.2	254.2	590.4	274.4	219.5	220.1	256.4
3	BORROWINGS	278.5	99.5	2380.8	1590.0	671.5	79.1	1575.9
	a. NRB	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	b. Inter Bank	278.5	99.5	2380.8	1590.0	671.5	28.1	18.8
	c. Foreign Bank	0.0	0.0	0.0	0.0	0.0	51.0	1557.1
	d. Financial Ins.							
4	OTHER LIABILITIES	1980.1	2364.8	2574.1	3477.7	2156.1	2355.5	2766.6
	SOURCES OF FUND	11288.0	14381.1	18356.0	21418.1	19675.6	22309.1	23822.0

S.N.	Purpose	Mid July						Mid March
		1998	1999	2000	2001	2002	2003	2004
1	LIQUID FUNDS	3929.3	5239.5	8063.4	8086.5	2890.6	3170.0	3274.8
	a. Cash in hand	109.2	125.5	109.4	169.9	224.0	153.2	167.4
	b. FC in Hannd	18.8	10.0	16.8	17.7	33.8	45.5	41.5
	c. Bal. with NRB	282.4	486.4	649.9	659.5	369.8	1141.1	1755.8
	d. Bal. with Dom. Bank	7.6	-7.3	-4.0	1.4	16.7	112.3	8.6
	e. Bal. with Other Financial Ins.					0.0	0.0	0.0
	f. Bal. held abroad	3511.3	4624.9	7291.3	7238.0	184.3	60.0	223.7
	g. Call Money	0.0	0.0	0.0	0.0	2062.0	1657.9	1077.8
2	INVESTMENTS	1047.6	2689.9	3349.9	4822.2	9276.0	10357.7	12868.2
	a. Govt. Securities	1041.6	2678.7	3338.7	4811.0	5784.8	6722.8	9073.7
	b. Share, Deben & Other Inv.	6.0	11.2	11.2	11.2	3491.2	3634.9	3794.5
	c. NRB Bond	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	LOANS & ADVANCES	4170.6	4693.1	4957.5	5924.1	5787.9	6080.7	6121.0
	a. Govt. Entp.	171.7	150.6	365.5	359.9	286.2	51.5	252.0
	i. Financial	97.5	150.6	169.3	239.7	90.0	6.2	90.0
	ii. Non-Finan.	74.2	0.0	196.2	120.2	196.2	45.3	162.0
	b. Pvt. Sector	3763.3	4422.8	4394.3	5478.8	5389.4	5977.0	5833.6
	c. For. Bills P & D.	235.6	119.7	197.7	85.4	112.3	52.2	35.4
	d. Foreign A.B.C.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	INTEREST ACCRUED	80.1	87.4	137.4	186.6	216.0	167.6	313.5
	a. Govt. Entp.	0.0	0.0	0.0	0.0	0.0	2.5	0.0
	b. Private Sector	80.1	87.4	137.4	186.6	216.0	165.1	313.5
5	OTHERS	2060.4	1671.2	1847.8	2398.7	1505.1	2533.1	1244.5
	USES OF FUNDS	11288.0	14381.1	18356.0	21418.1	19675.6	22309.1	23822.0