

**COMPARATIVE STUDY OF INVESTMENT PRACTICES
OF COMMERCIAL BANKS IN NEPAL**

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of Master of Business of Studies**

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RECOMMENDATION

This is certified that the thesis:

Entitled

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Submitted by

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has been prepared as approved by this department in the prescribed format of Faculty of management, Tribhuvan University. This thesis is forwarded for examination.

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DECLARATION

I hereby declare that this thesis entitled **COMPARATIVE STUDY OF INVESTMENT PRACTICES OF COMMERCIAL BANKS IN NEPAL** submitted to the Office of the Dean, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement for the Degree of Master of Business Studies (MBS) under the supervision of Dr. Dhruva Kumar Gautam, Associate Professor, Saraswoti Multiple Campus, Tribhuvan University.

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ACRONYMS

A.D.	Anno Domini
BOKL	Bank of Kathmandu Limited
B.S.	Bikram Sambat
CB	Commercial Bank
C/D	Credit/Deposit
C.V.	Coefficient of Variance
EBL	Everest Bank Ltd.
FY	Fiscal Year
HBL	Himalayan Bank Limited
L & A	Loan and Advances
NABIL	NABIL Bank Ltd.
NBBL	Nepal Bangladesh Bank Limited
NBL	Nepal Bank Limited
NIBL	Nepal Investment Bank Limited
NICBL	Nepal Industrial and Commercial Bank Limited
NRB	Nepal Rastra Bank
SCBNL	Standard Chartered Bank Nepal Limited
S & D	Security and Deposit
S.D.	Standard Deviation

CHAPTER – 1

INTRODUCTION

1.1 Rationale of the Study

In this age of modern civilization, bank is playing its splendid role to keep the economic development wheel moving. The co-operation of bank is needed in every economic activity. In fact there is hardly any aspect of development activity, whether state inspired or otherwise, where banks do not have a major role to play.

Bank provide means and mechanism of transferring command over resources from those who have an excess of income over expenditure to those who can make use of the same for adding to the volume of productive capital. There are large numbers of small saver with small amount of savings who are generally reluctant to invest their surplus income because of their lack of adequate knowledge about complicated investment affairs. The bank provide them with the safety, liquidity, and profitability by means of different savings media offering varying degrees of a mix of liquidity, return and safety of savings. Banks use these savings as their key of business. They invest the savings in higher degrees of return and maximize their profit in business. (Saleheen, 2007)

There are various ways through which banking is considered very important for business sectors. The major reason is that banks provide loans for businesses. Loans are given to both the start ups and the existing companies. In fact, there is uneven distribution of the wealth in the world. Those people who have money may not have business skills and those

who have entrepreneurial skills may not have money. Therefore, people who possess money keep it in banks and make it safe. The banks with some interest offer the same money as loans to those who want to start their business. In this way, banks act as intermediaries, between creditors and debtors. Banking sector plays an important role in money circulation in the economy. That's why banking is considered very important in business. (Raya, 2003)

Nepal is one of the poorest developing countries in the world despite years of endeavor in developing the country through planned efforts and donor-funded projects. The banking industry is growing by leaps and bounds but the real sector of the country is still undeveloped and impoverished. Even the widely alarmed global recession of 2007 did not affect the profitability and performance of Nepalese banks. With more than Rs. 434 billion coming into the country from remittances, people have nowhere to invest but in unproductive sectors, such as land and building. There are 31 commercial banks in operation as of Feb 2014. The banking industry has been growing continuously in our country. However, most of these banks are concentrating in the urban areas- mostly in the Kathmandu valley and surrounding cities. A majority of people in the rural areas lack banking facilities. (http://www.indexmundi.com/nepal/economy_profile.html) (<http://www.karobardaily.com/news/2013/10/nepal-third-in-receiving-remittance-in-terms-of-gdp>)

Usually speaking, a bank is an organization that first and foremost bridges the gap between the surplus and deficit sector of the economy. They play a crucial role in bringing the savers and users of funds together. The concept of banking had emerged in an ancient period with the best efforts of goldsmiths who practiced storing peoples' gold and valuable goods for

nominal charges against the deposit. At that time people deposited their gold and valuable goods for the sake of security rather than interest earning; nowadays people deposit their money at banks not only for the sake of security but also to earn interest. Mostly at that time goldsmiths performed this task, but in modern times various types of financial institutions have been acting in this field. Accepting deposits and providing loans are traditional functions of commercial banks. However, in the passage of time, they are able to cope with technological challenges; for example, by introducing credit cards and cash machines. (Khadka, 2012)

The word Bank was originated from the French word 'Banque'. The origin of traditional banking is traced back to the Babylonian and Athenian periods. But the first modern bank was the Bank of Venice (1171 A.D.). Afterwards, the Bank of Geneva (1320 A.D.) and Bank of Amsterdam (1609 A.D.) came into existence.

(http://en.wikipedia.org/wiki/History_of_banking)

Commercial banks deserve special recognition because of their capacity to create money in the form of demand deposits. Commercial banks are mainly established to facilitate the development of trade and commercial sectors of the country. The first commercial bank was Bank of England (1694 A.D.), then as now, the central bank of Britain.

(http://en.wikipedia.org/wiki/Commercial_banks)

The development history of financial institutions in Nepal is not very long. While talking about banking developments in Nepal, Tejarath Adda could be regarded as the premier foundation of modern banking. It was established during the premiership of Ranoddip Singh around 1877 A.D.

Its activities were confined to distributing salaries and providing loans to civil servants and other government officials. The formal banking system in Nepal was introduced only in November 1937 A.D. (1994 B.S.), with the establishment of Nepal Bank Limited (NBL), which is regarded as the first commercial bank in Nepal, and served as a sole financial institution of the country for decades. The second commercial bank in Nepal was Rastriya Banijya Bank, fully owned by the government.

(<http://nepalibankingsector.blogspot.com/2011/04/history-of-banking-in-nepal.html>)

As this study is primarily concerned with analyzing investment made by commercial banks, it would be appropriate to talk about what is investment. Simply stated, investment is the utilization of funds, which may be surplus over expenses and or borrowing, in a way that results in profits. It is guided by the concept of 'a rupee in hand is worth more than a rupee to be received tomorrow'. In other words, investments are made with the hope of increasing wealth position of an individual and institution.

Commercial banks in Nepal mainly invests in government securities, including foreign government securities, and they also invest in shares, bonds, and debenture issued by commercial organizations. The banks invest the funds collected through accepting deposits from the general public and organizations and/ or borrowings from external parties, be it other commercial banks or foreign investors. As a bank works with others' money, it should make its investment decision very cautiously. With the introduction of information technology and ever-growing global competition, more investment opportunities are emerging. In such conditions, commercial banks are more capable and best suited for

investments, both at home and global market, as they have adequate funds for the same, as well as more advanced technologies, convenient global networks, state-of-the art working environments, and efficient human resources. (Khadka, 2012)

The best-projected result is attained only through near-the-best investment policies, and execution of which can turn an investment as a total success or a complete failure. Investment policies are affected by numerous factors- government policies, monetary policies, and taxation rules, political stability, competition etc. Thus investment policies are formulated subjects to the constraints such that there is more return and considerably less risk. (Nakarmi, 2007).

1.2 Statement of the Problem

In response to liberal economic policies adopted by the Nepal government, many private owned commercial banks, development banks, finance companies, co-operatives and insurance companies have been established. Unfortunately, the banking industry is concentrated in urban areas, with a majority of people in the rural areas still out of reach of banking products. Most of the commercial banks in urban areas offer world class products- ranging from a home line of credits to credit cards. They are also equipped with resources to cater to the ever-changing needs of customers. Due to the lack of environment that is conducive to businesses, banks are now blamed for investing much in non-productive sectors like real-estate. (Khand, 2010)

Investment policy making and the implementation of the same are not easy tasks. The investment policy of commercial banks is influenced by a number of factors present in the environment in which it operates. The

bank should invest collected funds by duly considering financial risk, business risk, and other related factual information in order to obtain its targets. Fund mobilization policy differs from one bank to another but there is no optimum utilization of shareholders' fund to have greater return in any bank. Nepal Rastra Bank has been playing an active role to make commercial banks mobilize their funds in good sector; NRB imposes several rules and bylaws to ensure that commercial banks have sufficient liquidity and security. Even if most of the commercial banks have been successful to earn profit from fund mobilization, none of them seem to be capable of investing their entire funds in more profitable sectors. (Khadka, 2012)

The investment practices of a bank affect not only their own profitability, but also the economic well-being of the country. And it would definitely not be a just exaggeration when we say commercial banks play very catalytically role in the least developed countries like Nepal.

In a country like Nepal which has the mixed economic policy, commercial banks are required to follow various rules and regulations regarding loans and advances and investment imposed by the government and the central banks time and again. On the other hand, the instability in almost all sectors has made investments even more complex for all the banks. The bank utilizes its funds in different sectors- from private and corporate lending to investments in shares, bonds, and even securities issued by the governments. And, since the return from these investments are what the bank basically relies on meeting up with its operating expenses as well as to grow in the market, a very optimal investment policy is a must for the bank for its very survival. But, these banks are also

facing problems in constructing an efficient investment portfolio. (Khadka, 2012)

The current problems concerning investments and lending of commercial banks are as follows:

- a) What is the status of investments of sample banks?
- b) What is the proportion of investments on total deposits and or assets?
- c) Are they able to make efficient investment portfolios out of the total funds they possess?
- d) How do the respondents in Nepal view the present banking environment, investment opportunities, and investment priorities?

1.3. Objective of the study

A research work or study is guided toward objective. In fact, research objective clears the way for smoothly conducting the research work. The main objective of this study is to examine, interpret and analyze the investing activities followed by the five commercial banks namely NABIL Bank Ltd. (NABIL), Everest Bank Ltd. (EBL), Nepal Industrial and Commercial Bank Limited (NICBL - Currently known as NIC Asia Bank after the merger of NIC Bank and Bank of Asia Nepal on 30th June 2013), Nepal Investment Bank Limited (NIBL) and Standard Chartered Bank Nepal Limited (SCBNL). All these banks have been awarded bank of the year (Nepal) by The Banker-Financial Times, London in different years. The study also focuses on exploring the prospects and problems of investing practices of Nepalese commercial banks.

1. To study the current scenario of investing activities of commercial banks in Nepal.
2. To analyze the trend of investment made by sample banks comparatively.
3. To see the portfolio management of investment by commercial banks.
4. To provide suggestion for the improvement of investing programs on the basis of findings.

1.4 Significance of the study

As an institutional investor, bank invests a fairly large chunk of its fund in different kinds of investments. In fact, commercial banks are the major buyers of Treasury Bills issued by the Nepal Rastra bank. Investing in short term to as well as long term securities, banks can time its obligations quite accurately. In this context, the significance of investment practices of commercial banks in Nepal can be presented as below:

- a) This study will give fresh information regarding investment activities of commercial banks.
- b) The study also provides information to the concerned banks regarding investments, i.e., the management of concerned banks can see a comparative study on investing activities.
- c) This study also intends to provide valuable information regarding investments to all stakeholders of the banks.

d) Academicians, research scholars, students, and policy makers shall find this study quite useful, as it gives some insights into the investing activities of banking industry in Nepal.

1.5 Limitation of the study

This study incorporates both primary and secondary data. Some of the unavoidable constraints that come in this study are as follows:

a) The correctness of the study depends on primary as well as secondary data. For primary data, 50 respondents (bank employees) were asked to fill a questionnaire out of large population.

b) There are a number of factors to be considered in investment decisions of commercial banks, but this study considers only a few aspects of investment practices of commercial banks.

c) This study tries to show the present investment environment of commercial banks in Nepal. It does not make any projections or scenario analysis of the future.

d) Only selected statistical tools are used in this study.

e) The study covers the data of five years (2064 – 2069 BS) period only.

1.6 Organization of the Study

The whole study has been divided into five chapters

Chapter – 1: Introduction

This chapter includes rationale and objective of the study, statement of the problem, significance and limitations of the study and the chapter plan.

Chapter – 2: Review of Literature

This chapter deals with the review of available literatures in the field of study being conducted. This includes review of previous books and review of previous studies.

Chapter – 3: Research Methodology

This chapter explains the research methodology employed to conduct the study and tools and techniques used in analysis of the data as well. This chapter includes research design, sources of data, population and samples, methods of data analysis, various statistical tools.

Chapter – 4: Data Presentation and Analysis

This chapter is devoted to the presentation and analysis of data through definite course of research methodology. This chapter includes analyses of different financial ratios related to the investment of five different banks. Major findings of the study are also included in this chapter.

Chapter – 5: Summary, Conclusions & Recommendations

Fifth chapter is the last chapter of the study which provides summary, conclusion and recommendations for improving the future performance of the sample banks.

Besides these chapters, bibliography and annexes will also be included at the end of this study. Similarly acknowledgement, table of contents, list of tables, list of figures, acronyms are included in the front part of the thesis.

CHAPTER – 2

REVIEW OF LITERATURE

Review of Literature refers to the reviewing of the past studies in the concerned field. It is an advancement of existing knowledge and in-depth study of subject matter. This chapter is divided into two as follows:

- i. Review of Books**
- ii. Review of Previous Studies**

2.1 Review of Books

2.1.1 Investment

Investment is a present sacrifice for the sake of future benefits. Therefore, investment always involves risk. Present decision about selecting the best alternatives should always take the future risk into consideration. The few alternatives of investment in the past have now expanded into hundreds. Hence, the complexity of investment has also been increasing day by day. To select the best alternative and to construct an efficient portfolio, a wise analysis and decision is required. Before making any decision on investment we must be well informed about the factors which affect investment. Investment decision is related with saving, capital formation, capital market; risk involved with it, return, inflation etc (Raya, 2003).

Investment in its broadest sense means the sacrifice of current dollar for future dollars (Sharpe, Alexander & Bailey, 1999). They further states that there is a positive relationship between risk and return for sensible

investment strategies, it is not appropriate for an investor to say that his or her objective is 'to make a lot of money'. What is appropriate for an investors in this situation is to state that the objective to attempt to make a lot of money while recognizing that there is some chance that large losses may be incurred. Hence, he emphasized on viewing investment both in terms of risk and time.

"Investment is the employment of funds with the aim of achieving additional income or growth in value. The essential quality of an investment is that it involves 'waiting' for a reward". (Cheney, 1995) It focuses on the waiting for which a reward or return is expected out of the commitment on the investment. Further he adds, "Investment is the allocation of monetary resources to assets that are expected to yield some gain or positive return over a period of time. These investments may range from safe investments to risky investments. Financial investments mean the allocation of funds in securities.

From entrepreneurial perspective, investment is just a profit-making tool. In this regards, it is what the entrepreneur's self-employment of fund for his or her business. Financial institutions take investment as the mobilization of collected savings through credits and loans to those who need them for various purposes.

Putting it another way, investment is the process of channeling investor's disposable funds in various securities issued by the government, commercial corporations, industries, and any other undertaking through intermediary network. Many corporations in Nepal have been able to collect required funds from the capital markets. (Nakarmi, 2007)

2.1.2 Principle of Sound Investment Policy

It is universally known fact that the most important problem in banking administration is that of investing its deposits and paid up capital in various forms of earning assets. This is also known as portfolio policy. The bank's portfolio is nothing but an arranged and digested scheme of its assets.

The funds of banks are generally invested either in those assets which are non-profitable or those which are profitable. Non-profitable assets include cash reserve and the dead stock and profitable assets includes call money, investment, advances and loan, cash credits, overdrafts discounting of bills and acceptances etc (Khadka, 2012).

The guiding principle of sound Investment is as follows:

1. Safety

Safety would be the first guiding principal of a bank, so far as its advances and investment are concerned, because the very existence of a bank depends on the safety of its outstanding, which should never therefore be sacrifice to the profit earning capacity of its advances. This has led people to believe that a bank will never advance any loan, unless it is fully secured. Such is no doubt the ideal conception of banking, but as a result of its competition from other banks, every bank has to grant a certain number of loans to its customers against their personal security. In such cases, the bank uses direction and never lends a sum obviously beyond its customer's resources. Consequently, to maintain a banking concern in sound condition should be above suspicion. Scrupulous care should be taken that the funds lent out are not subject to any risk of being lost.

2. Liquidity

While making advances and Investments, the bank must see that the money it is lending is not going to be locked up for a long time, which would make its loans and advances less liquid and more difficult to realize in cases of emergency. A bank can afford to lend funds only for a short period, as its liabilities are either payable on demand or at short notice. If it makes advances for long term there is no likelihood of it being able to recall such loans in time to meet the demands of its depositors.

3. Diversification of Risk

It is also necessary to remember that a prudent bank must avoid investing all its funds in meeting the needs of any one industry or any one group of industries for considerations of self-interest as well as the larger public good. The imprudence on putting one's own eggs into one basket cannot be too often reiterated. Therefore bank should invest their funds in different field than investing in same field or sector.

4. Return

Another important factor that will determine the decision of the bank whether or not to grant loan or to make an Investment will depend upon the answer to the question whether or not it will get a fair return on its Investment. A bank always aims at securing maximum profits for its shareholders. The different between borrowings and lending rate constitutes the gross profit and no bank ordinarily will think of an advance without a satisfaction margin of profit.

5. Marketability

The investments of the bank should be such as can be easily sold and realized in cash readily. Loans given against commercial paper representing goods in transit or against stocks and shares of well-known companies are easily realizable while loans given against immovable property cannot be easily realized. The bank must make sure that the securities, in which he invests his funds, are easily saleable without appreciable loss.

6. Stability of Price

The primary object of a bank in buying securities is not to gain by a possible rise in their prices, which is the aim of a speculating dabbler. Therefore the price of the securities should be liable to wide fluctuations.

7. Stock Exchange Securities

This consists of government securities as well as securities of the joint stock companies. These securities are easily and quickly realizable. As they are quoted on the stock exchanges so their value can be easily ascertained. In case of need, a bank can either sell them or pledge them without any hesitation. But before accepting them, the bankers should see that the shares of the companies are not partly paid, that sufficient margin has been kept and they are negotiable. Speculative shares should not be accepted. (Cheney, 1995)

2.1.3 Some Important Terms

The study in this section comprises of some important banking terms for which efforts have been made to clarify the meaning, which are frequently used in this study, which are given below.

A. Loan and Advances

Loan, advances and overdraft are the main source of income for a bank. Bank deposits can cross beyond a desired level but the level of loans, advances and overdraft will never cross it. The facilities of granting loan, advances and overdrafts are the main service in which customers of the bank can enjoy.

Funds borrowed from the banks are much cheaper than those borrowed from unorganized money lenders. The demand for loan has excessively increased due to cheaper interest rate. Furthermore, an increase in an economic and business activity always increases the demand for funds. Due to limited resources and increasing loans, there is some fear that commercial banks and other financial institutions too may take more preferential collateral while granting loans causing unnecessary botheration to the general customers. Such loans from their institutions would be available on special request only and there is a chance of utilization of resources in economically less productive fields. There lies the undesirable effect, of low interest rate.

In additional to this, some portion of loan, advances and overdraft includes that amount which is given to staff of the bank for house loan, vehicle loan, personal loan and others, in mobilization of commercial banks fund, loan, advances and overdrafts have occupied a large portion. (Baidhya, 1997)

B. Investment on Government Securities, Share and Debenture

Though a commercial bank can earn some interest and dividend from the investment on government securities, share and debentures, it is not the major portion of income, but it is treated as a second source of banking

business. A commercial bank may extend credit by purchasing government securities bond and share for several reasons.

Some of them are given as:

- It may want to space it's maturing so that the inflow of cash coincides with expected withdrawals by depositors or large loan demands of its customers.
- It may wish to have high-grade marketable securities to liquidate if its primary reserve becomes inadequate.
- It may also be forced to invest because the demand for loans has decreased or is not sufficient to absorb its excess reserves.

However, investment portfolio of commercial bank is established and maintained primarily with a view of nature of banks liabilities that is since depositors' may demand funds in great volume without previous notice to banks. The investment must be of a type that can be marketed quickly with little or no shrinkage in volume. (Bhattarai, 2005)

C. Investment on Other Company's Share and Debenture

Due to excess funds and least opportunity to invest there funds in much more profitable sector and to meet the requirement of Nepal Rastra Bank's directives many commercial banks have to utilize their funds to purchase shares and debentures of many other financial and non-financial companies. Nowadays most of the commercial banks have purchased regional development and other development bank's shares. (Bhattarai, 2005)

D. Deposits

For a commercial bank, deposit is the most important source of the liquidity. For bank's financial strength, it is treated as a barometer. In the word of Eugene, "a bank's deposits are the amount that it owes to its

customers.” Deposit is the lifeblood of the commercial bank. Though, they constitute the great bulk liabilities, the success of a bank greatly depends upon the extent to which it may attract more and more deposits, for accounting and analyzing purpose, deposits are categorized in three headings. (Baidhya, 1997) They are:

Current Deposits

Saving Deposits

Fixed Deposits

2.2 Review of Previous Studies

A lot of researches have been performed on Investment policy of Commercial banks. The findings of some of the studies are presented below.

Ojha (2002) conducted a study on *Lending Practices: A Study on NABIL Bank Ltd., SCBNL, and Himalayan Bank Ltd.* The objectives were set as follows:

-) To determine the liquidity position, the impact of liquidity in deposit mobilization and its effects on lending practices.
-) To measure the bank’s lending strength.
-) To analyze the portfolio behavior of lending and measuring the ratio and volume of loans and advances made in agriculture, productive and priority sectors.
-) To measure the lending performance in quality, efficiency and its contribution on total income.

The research was conducted solely on the basis of secondary data.

The findings of the study are:

-) The measurement of liquidity has revealed that the mean current ratios of all the three banks are not widely varied. All of them are capable of discharging their current obligation by current assets.
-) The measurement of lending strength in relative terms has revealed that the total liability to total assets SCBNL has the highest ratio. This high ratio is the result of high volume of shareholder equity in the liability mix. Himalayan Bank Ltd. has high volume of saving and fixed deposits as compared to current deposit resulting into low ratio non-interest bearing deposits to total deposits ratio compared to the combined mean.
-) The loans, advances and investments to deposit ratio has shown that NABIL BANK Ltd. has developed the highest proportion of its total deposits in earning activities. This is an indication that in fund mobilizing activities NABIL Bank Ltd. is significantly better.
-) Lending in commercial purposes is highest in the case of NABIL Bank Ltd., least in the case of SCBNL. SCBNL has highest contribution in service sector lending. It has contributed 25.47 of its total credit in general use and social purpose.
-) The ratio of investment to investment and loan and advance has measured the total portion of investment in total of investment and loans and advances. The mean ratio among the banks does not have deviated significantly.

Raya (2003) in his thesis, "*Investment Policy and analysis of commercial Banks in Nepal*" made a comparative study of SCBNL, NIBL and NBBL. His objectives were as follows:

- To discuss fund mobilization and investment policies of SCBNL in respect to its fee based off-balance sheet transactions and fund based on-balance sheet transaction.
- To evaluate the quality, efficiency, and profitability and risk position.
- To evaluate trends of deposit, Investment, loan and advances, and projection for the next five years.

His major findings were as follows:

-) Mean current ratio of NBBL is slightly higher than that of SCBNL and Nepal Investment Bank.
-) Mean ratio of cash and bank balance to total Deposit ratio of SCBNL is lower than NIBL and NBBL.
-) Liquidity position of SCBNL is comparatively better than NIBL and NBBL. SCBNL has made enough investment on government securities but has maintained low investment policy on loan and advances.
-) SCBNL is comparatively averagely successful in it's on-balance sheet operation. But off-balance sheet operation activities in compared to NIBL and NBBL have maintained the strong position.
-) There is a significant relationship between deposits of loan and advances and between assets and net profit of SCBNL.

Nakarmi (2007) did research on *Investment Practices of Commercial Banks in Nepal*, with objectives as follows:

- to examine the fund mobilization of the banks under study.
- to analyze the investment activities of the banks under study

- to evaluate the liquidity, efficiency, profitability, and risk positions of the banks.

His research was based on three joint venture banks, viz. Bank of Kathmandu Limited, Nepal Bangladesh Bank, and Everest Bank Limited.

And his major findings were:

-) The current ratios of the banks in the study period of 6 years revealed that both EBL and BOKL have the mean current ratios at 1.05; the mean current ratio of NBBL is a little lower at 1.01.
-) Studying the mean of the cash and bank balance to total deposit, BOKL shows the highest mean ratio; followed by EBL; and then NBBL. All the three banks show fluctuation in the ratios throughout the study period.
-) BOKL has the highest cash and bank balance to current assets ratios; followed by NBBL, and then EBL. The ratios of all the three banks have shown a fluctuating trend.
-) All three banks have substantial rise in their investment in government securities to current assets ratios in the latest years of study as compared to the first. EBL has the highest mean of the ratios; followed by BOKL; and then NBBL.
-) In the latest year of the study, all three banks have a slight decrease in their loan and advances to current assets ratios from the first year of the study. NBBL has the highest mean of the ratios; followed by BOKL and then EBL.
-) All the banks have a somewhat similar mean of the loan and advances to total deposit ratios. That of BOKL is the highest among the three banks, which means that BOKL has more of its deposits invested in the form of loans and advances. BOKL is then followed

by NBBL. EBL has the lowest of the mean of the ratios. The ratios show highest consistency in EBL, followed by BOKL. NBBL proves to have lowest degree of consistency in the ratios.

) EBL has the highest mean of the total investment to total deposit ratios (at 22.63), followed by BOKL, and then NBBL. EBL has the highest consistency of in the ratios. The coefficient of variation of BOKL is the highest at 67.55.

) NBBL has the highest mean of the loans and advances to total working funds ratios, followed by BOKL which has the mean of the ratios only slightly lower than NBBL. However, EBL has the highest degree of consistency in the ratios among all, followed by BOKL, and then NBBL.

) EBL has the highest mean of the investment in government securities to total working funds ratios and also proves to have the highest degree of consistency in the same. BOKL has the mean of the ratios more than that of NBBL, but it also proves to have the highest inconsistency in the ratios among the three.

) BOKL has the highest mean of investment in shares and debentures to total working fund ratios as well as the highest degree of inconsistency in the ratios, and is followed by NBBL. EBL has the lowest mean of the ratios as well as the lowest degree of inconsistency.

) In the case of return on equity, EBL has the highest mean of the ratios; followed by BOKL. As in above, NBBL has a negative mean ratio. EBL also proves to have a very low degree of inconsistency of the ratios.

) In terms of risk ratios: all three banks maintain inconsistent liquidity ratios with them. BOKL has the highest mean of the liquidity risk

ratios, followed by EBL, and then NBBL. NBBL however shows the most consistency in the ratios.

-) NBBL has the highest mean of the credit risk ratio, followed by BOKL, and then EBL. EBL however has the most consistent ratio among the three.
-) The correlation analysis of the loans & advances and total deposits of all three banks show significant positive relationships. The coefficient of correlation however is the highest (near to 1) in the case of EBL. NBBL shows the lowest coefficient of correlation between loans & advances and total deposits. EBL also shows the highest coefficient of determination among the three.
-) All three banks show significant and positive relationships between their deposits and total investments. NBBL has the highest coefficient of correlation as well as the highest coefficient of determination.
-) With regards to trend analysis, the trend analysis of the banks shows that NBBL will have the maximum total deposit in the year 2010, followed by EBL, and then BOKL.
-) According to the trend analysis done on the net profits of the three banks, if the present trend persisted, NBBL is likely to have a huge loss in the year 2010. EBL is likely to have the greatest net profits. BOKL is also likely to have progressive net profits.
-) On the basis of testing of hypothesis, the study shows that there is no significant difference between the mean ratios of the loan and advances to total deposit ratio of NBBL and EBL. Similarly, there is no significant difference between the mean ratios of total investment to total deposit ratio of NBBL and EBL.

-) The study shows that there is no significant difference between the mean of loan and advances to current assets ratios of NBBL and EBL. In the same way, no significant difference is found between the mean of loan and advances to current assets ratio of NBBL and BOKL.
-) There is no significant difference between the mean of return on loan and advances ratios of NBBL and EBL.
-) There is no significant difference between the mean of return on loans and advances of NBBL and BOKL. From the study, we also see that there is no significant difference between the mean of total interest earned to total outside assets ratios of NBBL and EBL. Similarly, there is no significant difference between the mean of total interest earned to total outside assets ratios of NBBL and BOKL.

Maharjan (2008) did a research on *Investment Analysis of Commercial Banks in Nepal* with the following research objectives.

- To study and analyze the percentage of Investments made by selected commercial banks in total investment made by commercial banks.
- To analyze investment trends and their projection for the next five years of selected commercial banks.
- To identify investment sectors of selected commercial banks.
- To study the relationship between investment and deposit of the banks.

His major findings were as follows:

-) Mean ratio of HBL investment to total commercial banks investment is 9.66, which is extremely higher than other banks to

total commercial banks. The portion of HBL investment is increasing every year in the total investment of commercial banks.

-) NIBL had invested more of their funds in government securities than other banks. All the banks had invested fewer funds on share and debenture of other companies.
-) There is significant difference between two means i.e., investment plus loan & advance to total deposit of HBL and NIBL.
-) There is significant difference between two means i.e., investment plus loan & advances to total deposit of EBL and NIBL.
-) There is significant difference between two means i.e., investment plus loan & advances to total deposit of EBL and BOKL.
-) Total investment and total deposit of all five banks has a positive relation. And correlation of coefficient between deposit and investment of all five banks is significant, and the value of coefficient of determination of EBL is 0.9979. It means 99.79 of investment decisions are dependent upon deposit and only 0.21 investment decisions are dependent upon other variables.

Shrestha (2009) conducted a research on *Investment Policy of Commercial Bank* to reach the following objectives:

- a) To analyze the deposit mobilization for five years of NABIL and NIBL.
- b) To find out relationships between total investment, deposit, loan and advances and net profit.
- c) To evaluate the liquidity, efficiency, risk position and profitability of the selected banks.

d) To analyze the financial position of NABIL and NIBL in terms of deposit collection and investment procedures.

His major findings were as

- The overall analysis of liquidity ratios has found that Investment Bank is more consistent in maintaining liquidity positions than that of Nabil Bank. Nabil Bank and NIBL both have given more priority to increased investment than in maintaining liquidity.
- Investment to total deposit ratio of both banks is in increasing trend. An average mean ratio of Nabil Bank is higher than that of NIBL.
- Investment in deprived sector to total deposit ratio of the selected banks is in a fluctuating trend. The average mean ratio of Nabil Bank is a little higher than NIBL and Nabil Bank seems more consistent in making investments in deprived sector than that of NIBL.
- Investment in financial instruments to total deposit ratio of the selected bank is fluctuating drastically. An average mean ratio of NIBL is higher than that of Nabil Bank.
- The loan loss ratio shows that NIBL has managed loans and advances more soundly than that of Nabil Bank.
- Return on equity of Nabil Bank is more than that of NIBL. Hence, Nabil Bank is earning more profit from the equity capital.

In overall, we can conclude that Nabil Bank has a higher earning capacity than that of NIBL. Hence, Nabil Bank is performing well in achieving a higher percentage of profit.

- Correlation of coefficient between deposits and loans and advances found that there is positive relationship between deposits and loans and advances of the banks. It indicates that the increase in deposits tends to increase loans and advances. The study also suggests that the dependent variable, i.e., loans and advances of both banks is highly dependent upon total deposits.
- Correlation of coefficient of deposit and investment of both banks is positive. It is found in the study that the dependent variable (i.e., investment) if NIBL is highly dependent upon an independent variable (i.e., deposit) whereas in the case of Nabil Bank it is dependent not only on deposits but also on other variables as well.
- Correlation of coefficient between outside assets and net profit of Nabil Bank is negative whereas that of NIBL is positive. It indicates that increase in net profit of Nabil Bank is not caused by the increase in outside assets of the bank. But in the case of NIBL, it shows that the increase in net profit is dependent upon increases in outside assets and vice-versa.
- The trend analysis of total deposits of both banks is that the deposit of Nabil Bank in the next five year will be Rs. 34153.6M and that of NIBL will be Rs. 43798 M. Deposit collection of NIBL will be higher than that of Nabil Bank.
- It is forecasted that both banks will have an increasing trend of loan and advances. The possible capacity of granting loans and advances of NIBL seems higher than that of Nabil Bank. Total loans and advances of Nabil Bank

in next 5-year is forecasted to be Rs. 25429.1 M and that of NIBL is Rs. 59,377.9 M.

- The total investment of Nabil Bank in FY 2013 is forecasted to be Rs. 18,276.7 M and that of NIBL is Rs. 12,261.4 M. Nabil Bank will be more capable of increasing investment in the future than that of NIBL. It is forecasted that net profit of Nabil Bank will be decreased but same of NIBL will be increased. The trend of net profit Nabil is in decreasing trend and the same of NIBL is in increasing trend. The net profit of Nabil Bank in FY 2013 is expected to be Rs. 738. 4 M and that of NIBL is expected to be Rs. 1554.4 M.

Rijal (2009) did research on *Investment Analysis of Investment Pattern of Commercial Bank in Nepal*, with the following objectives.

- a) To highlight the concept of investment, loan and advances portfolio
- b) To highlight the relationship of investment with total deposit, loan and advances, net income etc.
- c) To highlight the financial performance of commercial banks in terms of investment strategies.
- c) To analyze the risk and return ratio of commercial banks in Nepal
- d) To analyze how commercial banks manage their risk and return on investment using portfolio concept.

His major findings are as follows:

- In investment portfolio, the industry average investment on government securities is 73.75, among the CBs EBL has invested the highest amount of funds in government securities, i.e. 96.28 and

NIBL has invested lowest 49.55, other banks SCBNL, NABIL, and HBL have been investing higher amounts of funds in government securities among CBs i.e. 73.83, 78.82 and 80.27 and EBL has invested lowest amount of funds in S & D i.e. 3.72. NABIL and HBL have invested lower than industry average, and industry average in this case is 24.25. In case of NRB bonds, no bank is investing. There is zero amount of investment.

- In loan and advances portfolio, the industry average investment on government enterprises is 2.44 , among the CBs HBL has invested highest amount of funds on government enterprises, i.e. 4.07, and NIBL has invested lowest with 1.15 , EBL and NABIL are below the industry average of 3.29. NIBL is investing highest amount of funds in private sector among CBs, i.e., 97.28 and EBL and NABIL have invested above the industry average on private sector i.e. 94.40 and 94.42 respectively. SCBNL is investing the highest amount of funds on Bills purchase and discount as compared to other CBs i.e. 18.51. The industry average in this case is 4.97.
- There is a positive correlation coefficient between return on investment made by CBs on government securities and loans and advances, i.e. 0.733. And there is a negative correlation coefficient between return on investment made by CBs in government securities and S & D and loan and advances and S & D, i.e.-0.143 and-0.476 respectively. This shows the low degree of negative relationship between assets. Such assets are very useful to make portfolio combinations, so that the risk of the portfolio will be significantly reduced.
- The total investment to total deposits ratio of selected CBs shows that SCBNL is the most successful in utilizing its resources on

investment than the other CBs. The mean ratio also shows that NABIL and HBL is moderate in utilizing their resources on investment.

- The loan and advances to total deposit ratio of selected CBs shows that EBL is the most successful in utilizing its resources on L & A than other CBs. The mean ratio and CV reveals that NIBL and NABIL are moderate in utilizing their resources on L and A.
- The return on total assets ratio of selected CBs shows that SCBNL has utilized its overall resources more efficiently than other banks.
- The average return on government securities is 4.11 and its coefficient of variation is 11.
- In broad hypothesis, there is less risk on investment in government securities but there is high risk due to the consideration of difference of year to year return on government securities as risk factors.
- The total investment, total deposit and investment on S & D, L & A and government securities of CBs are increasing per year.

2.3 Research Gap

Investment by banks is primarily involved in granting loans to customers who approach the bank. Besides lending, banks also invest in short-term marketable securities such as shares, debentures, government securities, foreign bonds etc. Banking investment environment is quite closely related to the overall economic health of the country. As such, the investment priority of banks changes with the change of economic environment. Previous studies and researches are more focused on investment policies and activities of banks. They have failed to include perhaps the other significant part of investment, i.e., investment perspective from bankers. Thus, this study covers a more comprehensive aspect of banking investment in Nepal. This study explores the trend of investment by commercial banks in Nepal. More specifically, it tries to present current investment scenarios and attitudes of banks towards different investment options. In this regards, this study contributes something new toward the investment activities of commercial banks in Nepal and provides fresh findings and recommendations. Studies related to investment trends, priorities, opportunities and challenges are required to open up new and fruitful research works.

CHAPTER – 3

RESEARCH METHODOLOGY

This chapter focuses on the roadmap to be followed throughout this research work in order to achieve the objective of the study. This chapter gives an outline of the nature and sources of data, sample selection and classification of variables, techniques and steps to be adopted in interpreting and analyzing the data. It also focuses on how to collect required data.

3.1 Research Design

This research applies descriptive and analytical techniques to evaluate and to analyze the investment practices of commercial banks in Nepal. The data used in this study is both primary and secondary data. Various statistical and financial tools have been used to analyze, process, and synthesize data so as to satisfy the need of research objective(s).

3.2 Sources of Data

Both primary and secondary data have been used for the purpose of analysis. Primary data was collected through a questionnaire filled by 50 respondents. The respondents were non officer level employees of the banks out of which 20 were female. The required secondary data have been collected from the annual reports of the concerned banks, financial data from various Internet sites, and etc. All the secondary data have been compiled, processed, and tabulated in the time series as per the needs and objectives. Formal and informal conversations held with the concerned officials of the banks have also been helpful in obtaining some additional related information.

Similarly, required data and information have been collected from the economic journals, bulletins, magazines and documents available from various sources.

3.2.1 Population and Sample

The population for this study comprises 31 commercial banks that are currently operating in the country. Among 31 commercial banks in Nepal, this study concerns only five banks, which are as follows:

- 1) NABIL Bank Ltd.
- 2) Everest Bank Ltd.
- 3) Nepal Industrial and Commercial Bank Limited
- 4) Nepal Investment Bank Limited
- 5) Standard Chartered Bank Nepal Limited

3.3 Methods of Data Analysis

In the study, various financial, accounting and statistical tools have been used to achieve the objective of the study. The analysis of data will be done according to the pattern of data available. Due to limited resources, simple analytical tools such as mean, median, standard deviation, percentage, graph etc., have been used.

Similarly some financial tools such as ratio analysis and trend analysis have also been utilized for financial analysis. The various tools used in this study are briefly described below.

3.3.1 Ratio of Commercial Banks Investment to Sample Bank Investment

Total commercial banks investment to sample banks investment ratio is used to analyze how much investment is covered by the sample banks investment. It is derived by the following equation.

Total commercial banks investment to sample banks investment ratio

$$= \frac{\text{Total investment of sample bank investment}}{\text{Total commercial banks investment}}$$

3.3.2 Assets Management Ratios

This study has applied assets management ratios for the analysis of total investment proportion and structure of sample banks. Assets management ratios help to measure how efficiently the bank manages investable resources at its command.

3.3.2.1 Credit to Total Deposit Ratio

Loans and advances constitute a large portion of the investment of a bank. Investments and loans and advances are done with the view of generating profit for the bank. It shows how successfully the bank is utilizing its deposits in profit-generating activities. This ratio is obtained by dividing total loans & advances (Credit) by total deposits of the bank, which is as follows:

$$\text{Loan \& advances to Total Deposit Ratio} = \frac{\text{Credit}}{\text{Total deposit}}$$

3.3.2.2 Investment to Total Deposit ratio

Investment is one of the major forms of credit created to earn profit. This implies the utilization of the bank's deposits in investment in government securities, and other marketable securities, including foreign government bonds. This can be calculated simply by dividing total investment by total deposit of the bank. This is expressed as follows:

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

3.4 Statistical Tools

I) Trend Analysis

Trend analysis is based on the idea that what has happened in the past gives forecasters an idea of what will happen in the future.

Methods of least squares

A widely and most commonly used method to describe the trend is the method of least squares. Under this method, a trend line is fitted to the data satisfying the following two conditions.

The method of least squares is quite frequently used to describe the trend. Under this method, a trend line is fitted to data satisfying the following two conditions:

- i) $(y - y_c) = 0$
- ii) $(y - y_c) \cdot B$ least where y is the actual value and y_c the computed value of y .

let the trend line between the dependent variable y and independent variable (item) represented by

$$Y = a + bx \dots\dots\dots i$$

then for any given value of independent variable x, the estimate value of y denoted by y_c given by the above equation is

$$Y_c = a + bx$$

in the effort of determining the values of a and b , let us solve the following two equations :

$$Y = na + b \sum x \dots\dots\dots ii$$

$$\sum xy = a \sum x + b \sum x^2 \dots\dots\dots iii$$

The equation ii is derived by taking the sum on both sides of equation I and the equation iii is derived by multiplying equation i by x and taking sum on both sides. And n = No. of periods for which the data are given. We need to solve the equation ii and iii in order to find the values of a and b, which are substituted in equation I to give the equation of the trend line.

As we take the deviation of the independent variable (i.e. time) from the middle of time period, the result is $\sum x = 0$, then the above two equations change to

$$Y = na \quad : \quad a = \frac{\sum y}{n} \qquad \sum XY = b \sum x^2 \quad : \quad b = \frac{\sum XY}{\sum x^2}$$

II) Mean Value

The mean value is the central value around which most of the data tend to concentrate. Arithmetic mean has been used in this study. It is simply calculated by dividing the sum of total observation by the total number of observation.

III) Median Values

The median is the central value dividing the total number of observations into two equal parts. In other words, the median divides the total number of observations into two halves such that one half comprising all values greater than the median value, and the second value comprising all the value less than the median. It is used to show the importance of respondents towards the investments. If respondents opine their response from one extreme to another extreme (i.e. “satisfied very much’ to ‘dissatisfied very much’), the median can be used to identify their importance. (Wolf & Pantha, 2003)

IV) Standard Deviation

The standard deviation measures the deviation in the calculation of average. It is the absolute measure of dispersion, said to be the best measure of dispersion as it satisfies most of the requisite of a good measure of dispersion. A small measure of S.D. means a high degree of uniformity of the observations as well as homogeneity in the series, and vice-versa. Determination of standard deviation depends upon the series given.

V) Coefficient of Variance (C.V.)

The coefficient of variance is calculated to find out the consistency in the observation in a series of data. Higher the C. V., higher is the degree of inconsistency, lower the C.V. lower is the degree of consistency. Thus, a relatively lower degree of C.V. is sought.

Coefficient of variation is calculated as follows:

$$\text{C. V.} = \frac{\text{Standard Deviation}}{\bar{X}}$$

Where, = standard deviation

\bar{X} = mean of the data in an observation

CHAPTER – 4

DATA PRESENTATION AND ANALYSIS

This chapter is concerned with financial analysis and statistical analysis that is concerned about comparative analysis and interpretation of available data. This chapter is also related to a number of closely related operations, which are performed with the purpose of summarizing the collected data and organizing these in such manner that they answer the research questions. Various financial and statistic tools have been used in this part. Necessary figures and tables are also presented in this part to describe about the Investment mechanism of the banks.

4.1 Presentation and analysis of secondary data

This section of the study deals with secondary data. The main purpose of this chapter is to study, evaluate and analyze those financial performances which are mainly related to investment and fund mobilization of sample banks. A set of ratios related with investment and lending of banks have been analyzed below.

4.1.1 Ratio of commercial banks investment to sample banks investment

This ratio shows the portion of investment made by each sample bank out of total investments of all commercial banks. It gives an indication of portfolio of investment of sample banks. This ratio is calculated by dividing total investment made by one commercial bank by total investments of all commercial banks.

The following table presents the total investment made by NABIL, and the ratio shows the proportion of NABIL out of total investment of all commercial banks.

Table 4.1.a

Total commercial banks' investment to NABIL Bank's investment ratio

(Rs. In million)

Fiscal Year	Total investment of commercial banks	NABIL investment	Ratio ()
2064/65	108,954.80	9,966.60	9.15
2065/66	130,856.90	10,875.00	8.31
2066/67	134,041.10	13,612.10	10.16
2067/68	149,557.30	13,082.80	8.75
2068/69	181,272.70	14,074.90	7.76
Mean			8.83
S. D.			0.81
C. V.			9.00

Source: Banking and Financial Institutions Statistics

The above table shows the total investment made by commercial banks in the last five years. The total investment of Nabil was just Rs. 9,966.6 million in the fiscal year 2064/65, which increased to 14,074.9 million in the fiscal year 2068/69. The average investment portfolio of Nabil bank remained at 8.83 during the study period. The ratio of investments of Nabil Bank is highest in the year 2066/67 at 10.16. The mean ratio is 8.83 with standard deviation of 0.81. The above table reveals that Nabil is fairly consistent in its investment portfolio.

Table 4.1.b

Total commercial banks investment to total EBL investment ratio

(Rs. In million)

Fiscal Year	Total investment of commercial banks	EBL investment	Ratio (%)
2064/65	108,954.80	5,061.10	4.65
2065/66	130,856.90	5,950.00	4.55
2066/67	134,041.10	5,010.00	3.74
2067/68	149,557.30	7,745.50	5.18
2068/69	181,272.70	7,865.30	4.34
Mean			4.49
S. D.			0.47
C. V.			10.00

Source: Banking and Financial Institutions Statistics

The total investment of EBL was just Rs. 5,061.10 million in the fiscal year 2064/65, which increased to 7,865.30 million by the year 2068/69. The ratio of investment of EBL is highest in the year 2067/68 at 5.18 %, and the lowest in the fiscal year 2066/67 with 3.74 % share in total commercial banks' investment. The above analysis also shows that EBL's total share of investments is fairly consistent. The average investment portfolio of EBL remained at 4.49 during the study period.

Table 4.1.c

Total commercial banks investment to NICBL investment ratio

(Rs. In million)

Fiscal Year	Total investment of commercial banks	NICBL investment	Ratio (%)
2064/65	108,954.80	2,311.50	2.12
2065/66	130,856.90	3,026.50	2.31
2066/67	134,041.10	4,946.70	3.70
2067/68	149,557.30	4,869.40	3.26
2068/69	181,272.70	4,073.00	2.25
Mean			2.73
S. D.			0.63
C. V.			23.00

Source: Banking and Financial Institutions Statistics

(Appendix – 2.1)

A glimpse at the above table reveals that NICBL had made highest investment in the fiscal year 2066/67 in comparison to total shares of investment. The average investment portfolio of NICBL has remained at 2.73% during the study period. The ratio of investment of NICBL is highest in the year 2066/67 at 3.70 %, and the lowest in the fiscal year 2064/65 with 2.12 % share in total commercial banks' investment. Mean, S.D. and C.V. of NICBL are 2.73, 0.63 and 0.23 respectively during the study period.

Table 4.1.d**Total commercial banks investment to total NIBL investment ratio**

(Rs. In million)

Fiscal Year	Total investment of commercial banks	NIBL investment	Ratio ()
2064/65	108,954.80	6,879.40	6.31
2065/66	130,856.90	7,403.10	5.66
2066/67	134,041.10	7,896.40	5.89
2067/68	149,557.30	7,425.10	4.96
2068/69	181,272.70	10,441.10	5.76
Mean			5.72
S. D.			0.44
C. V.			7.00

Source: Banking and Financial Institutions Statistics

As per the above table, the investment of NIBL is highest in the fiscal year 2068/69. Its share of investments was 6.31 % in the fiscal year 2064/65 which reached to 5.76 in the fiscal year 2068/69. The above table shows that NIBL's investment has increased in terms of amount but remained fairly consistent in share of total investment of commercial banks over the period. The average investment portfolio of NIBL bank remained at 5.72 during the study period while the SD and CV remained at 0.44 and 0.07 respectively.

Table 4.1.e

Total commercial banks' investment to SCBNL Bank's investment ratio

(Rs. In million)

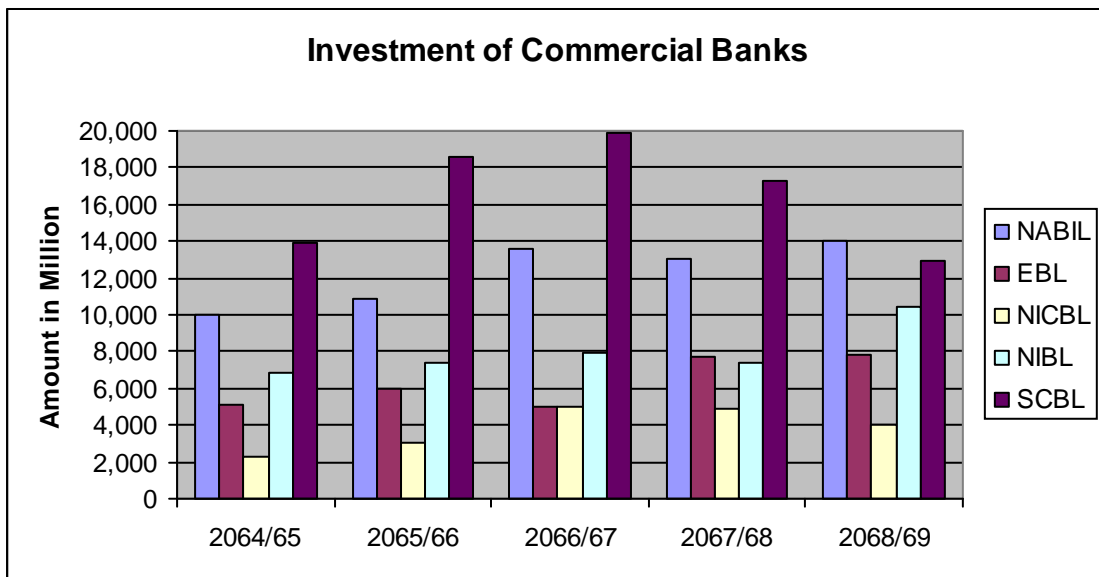
Fiscal Year	Total investment of commercial banks	SCBNL investment	Ratio (%)
2064/65	108,954.80	13,902.8	12.76
2065/66	130,856.90	18,640.50	14.24
2066/67	134,041.10	19,847.50	14.81
2067/68	149,557.30	17,258.70	11.54
2068/69	181,272.70	12,962.60	7.15
Mean			12.10
S. D.			2.73
C. V.			22.00

Source: Banking and Financial Institutions Statistics

The above table shows that SCBNL's total share of investment is in fluctuating trend in terms of amount and proportion of investments made by commercial banks. Its share of investments was increasing until the FY 2066/67 since the FY 2064/65. It started decreasing since the FY 2066/67 until FY 2068/69. It was 12.76 % in the fiscal year 2064/65 which increased to 14.81 % in the FY 2066/67 and decreased to 7.15% in FY 2068/69. The average investment portfolio of SCBNL remained at 12.10 % during the study period. The standard deviation and C.V. of SCBNL was 2.73 and 0.22 respectively during the study period.

Figure: 4.0

Investment of sample banks in the study period



4.1.2 Asset Management Ratios

This is the measure of how efficiently assets are deployed in the organization. Banks bear a lot of cost accepting public deposits, in which they are obliged to pay interest. Hence it is very important that they utilize their deposits in the form of lending or investing in securities.

4.1.2.1 Ratio of total credit to total deposit (C/D ratio)

The primary job of a bank is to utilize deposits in the form of credit. Obviously lending is the most challenging task of the bank, as this is the source of greatest risk to a bank. This ratio is also known as C/D ratio (Credit/Deposit) ratio. This is the percentage of loans and advances over deposits. It shows how much a bank has been able to invest in the form of credit. A higher ratio is an indication of greater mobilization of resources. However, a too high ratio is not desirable from the liquidity point of view, and may be restricted to a point by regulating bodies.

A commercial bank may finance its deposit funds to small industries. Building up of bank credit depends upon mutual connections and relationships between the banks and customers. Banks need to satisfy themselves regarding the technical knowledge and capacity for hard and sustained work on the part of borrowers and the quality and marketability of the goods produced by them. Therefore commercial banks may mobilize its bank deposits by investing its funds in different sectors.

Table 4.2

The credit to deposit ratio of all the five banks under study period of five years is shown in the following table:

Fiscal Year	Banks				
	NABIL	EBL	NICBL	NIBL	SCBNL
2064/65	68.21	78.56	87.66	79.91	46.95
2065/66	74.96	73.43	89.32	78.86	38.69
2066/67	71.29	76.23	80.96	81.74	45.98
2067/68	78.33	76.72	82.45	83.54	49.11
2068/69	77.91	73.22	79.25	75.27	55.13
Mean	74.14	75.63	83.93	79.86	47.17
S.D.	3.89	2.04	3.89	2.80	5.30
C.V.	5.00	3.00	5.00	3.00	11.00

Source: Appendix 2.2 (I, II, III, IV, V)

Table 4.2 reveals the credit to deposit ratio (C/D) ratios of the five commercial banks during the study period. From the table, it can be seen that NICBL has the highest ratio at 89.32 in the FY 2065/66, whereas it is

just 38.69 that of SCBNL in the same year. In terms of CD ratio, it can be seen that NICBL is the most vulnerable to liquidity risk as it has relatively higher CDs as compared to other banks. However, SCBNL has been maintaining a lower as well as more consistent C/D. The C/D ratio of EBL, NICBL & NIBL decreased in the FY 2068/69 than that of fiscal year 2064/65. This is partly due to the NRB policy that requires commercial banks not to cross the specified C/D ratio. This shows SCBNL is the least conservative among the five banks in terms of lending. The CD ratio of SCBNL was at 38.69 in the FY 2065/66, which sharply jumped to 55.13 in the FY 2068/69. The mean of the CD ratio has remained at 74.14, 75.63, 83.93, 79.86 and 47.17 respectively for NABIL, EBL, NICBL, NIBL and SCBNL.

4.1.2.2 Ratio of investment to deposit

This ratio shows the utilization of a bank's deposits after granting loans and advances. To avoid idle cash-holding they invest their excess funds in other sectors in the form of investments. Commercial banks usually buy huge amounts of government securities such as treasury bills and bonds. They also invest in shares and debentures of other companies, including foreign companies' securities. Total investments to total deposits ratio measures the portion of deposits with banks that are invested in the form investment in government securities and shares & debentures of other companies. The higher ratio of investments to deposits means that the bank is following conservative credit policies; and the lower ratio is an indication that the bank is more focused on investment in loans and advances. The following tables show the ratio of deposit to investment of the sample banks under study.

Table 4.3.a
Investment to Deposit ratio of Nabil Bank Ltd.
(Rs. In million)

Fiscal Year	Deposit	Investment	Ratio (%)
2064/65	31,915.00	9,966.60	31.23
2065/66	37,348.30	10,875.00	29.12
2066/67	46,334.80	13,612.10	29.38
2067/68	49,691.40	13,082.80	26.33
2068/69	55,023.70	14,074.90	25.58
Mean			28.33
S. D.			2.08
C. V.			7.00

Source: Banking and Financial Institutions Statistics

Table 4.3.b
Investment to Deposit ratio of EBL
(Rs. In million)

Fiscal Year	Deposit	Investment	Ratio (%)
2064/65	23,976.3	5,061.1	21.11
2065/66	33,322.9	5,950.0	17.86
2066/67	36,932.3	5,010.0	13.57
2067/68	41,127.9	7,745.5	18.83
2068/69	50,006.1	7,865.3	15.73
Mean			17.42
S. D.			2.59
C. V.			15.00

Source: Banking and Financial Institutions Statistics

Table 4.3.c
Investment to Deposit ratio of NICBL

(Rs. In million)

Fiscal Year	Total Deposit	Total Investment	Ratio (%)
2064/65	13,078.50	2,311.50	17.67
2065/66	15,579.90	3,026.50	19.42
2066/67	15,968.90	4,946.70	30.98
2067/68	18,394.40	4,869.40	26.47
2068/69	22,111.80	4,073.00	18.42
Mean			22.59
S. D.			5.24
C. V.			23.00

Source: Banking and Financial Institutions Statistics

Table 4.3.d
Investment to Deposit ratio of NIBL

(Rs. In million)

Fiscal Year	Total Deposit	Total Investment	Ratio (%)
2064/65	34,451.8	6,879.4	19.97
2065/66	46,697.9	7,403.1	15.85
2066/67	50,094.7	7,896.4	15.76
2067/68	50,138.1	7,425.1	14.81
2068/69	57,010.6	10,441.1	18.31
Mean			16.94
S. D.			1.91
C. V.			11.00

Source: Banking and Financial Institutions Statistics

Table 4.3.e
Investment to Deposit ratio of SCBNL

(Rs. In million)

Fiscal Year	Total Deposit	Total Investment	Ratio (%)
2064/65	29,743.9	13,902.8	46.74
2065/66	35,871.8	18,640.5	51.96
2066/67	35,182.7	19,847.5	56.41
2067/68	37,999.2	17,258.7	45.42
2068/69	35,965.6	12,962.6	36.04
Mean			47.31
S. D.			6.86
C. V.			15.00

Source: Banking and Financial Institutions Statistics

The above tables 4.3.a to 4.3e shows the ratio of investments to total deposits of the five banks under study period. The mean ratio of deposits to investments of SCBNL is the highest, i.e. 47.31 %. It's investment in the FY 2066/67 was highest, i.e. 56.41% and lowest, i.e. 36.04 % in the FY 2068/69. Its investment was in increasing trend till FY 2066/67 but started decreasing thereafter.

Similarly, Nabil saw its investments decreasing from 31.23 % in the FY 2064/65 to 25.58 % in the FY 2068/69.

NICBL had made investments over 30.98 % in the fiscal year 2066/67, but its investment decreased to 18.42 % in the FY 2068/69. The mean ratio of investment to deposit remained at 22.59 %. The above data has revealed that NICBL investments are fluctuating.

EBL and NIBL have investment to deposit ratios of 17.42 % and 16.94 % respectively. Apparently, these two banks are investing more on credit and less on investments. As a result these banks have higher CD ratios, which might create liquidity problems for the banks.

4.1.3 Trend Analysis and Projection for Next 5 Years

The objective of this is to analyze trends of investment of NABIL, EBL, NICBL, NIBL, and SCBNL. To utilize investments of a commercial bank, the bank may grant loans and advances and invest in government securities and shares and debentures of other companies. Under this topic, an attempt is made to analyze the trend of investments of of NABIL, EBL, NICBL, NIBL, and SCBNL, and also forecast their trends for the next five years. The projections are based on the following assumptions:

- 1) The main parameter of banking will remain unchanged.
- 2) The bank runs its operation in the present position
- 3) Regulating bodies, such as, Nepal Rastra Bank does not change its policies towards commercial banks.

4.1.3.1 Trend analysis of Total investment

Under this topic, an attempt is made to analyze the trend of investments made by banks under this study. The forecasting of investments for the next five years is also performed from the latest years of study.

Table 4.4
Trend values of total investment

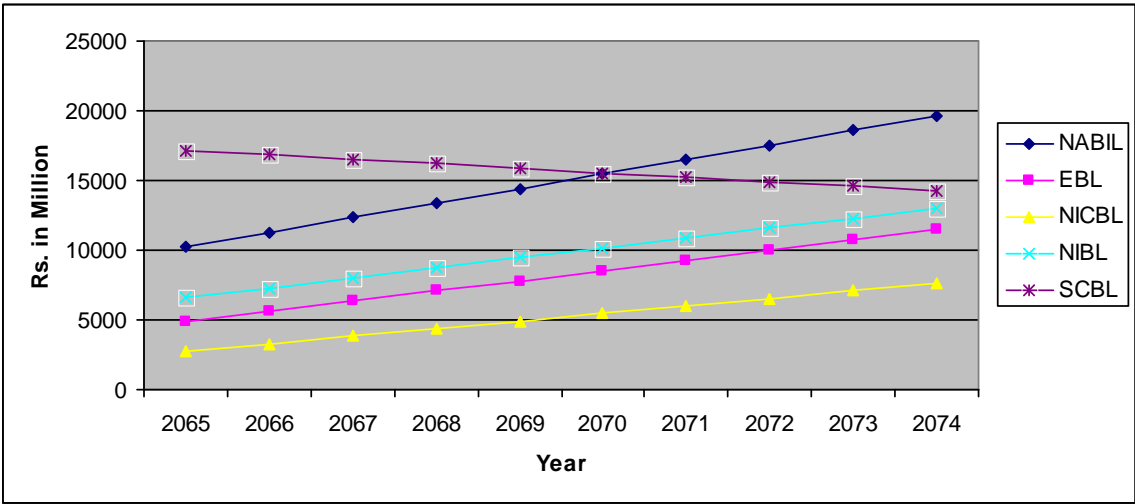
Year	Total Investment (Rs.In Million)				
	NABIL	EBL	NICBL	NIBL	SCBNL
2065	10237.20	4845.20	2773.20	6579.80	17175.20
2066	11279.60	5585.60	3309.60	7294.40	16849.00
2067	12322.00	6326.00	3846.00	8009.00	16522.80
2068	13364.40	7066.40	4382.40	8723.60	16196.60
2069	14406.80	7806.8	4918.80	9438.20	15870.40
2070	15449.20	8547.20	5455.20	10152.80	15544.20
2071	16491.60	9287.6	5991.60	10867.40	15218.00
2072	17534.00	10028.00	6528.00	11582.00	14891.80
2073	18576.40	10768.40	7064.40	12296.60	14565.60
2074	19618.80	11508.8	7600.80	13011.20	14239.40

Source: Appendix 3 (I, II, III, IV, V)

The above table shows the trend values of investments of five commercial banks. The table depicts that the investments of NABIL would be 15,449.20 million in the FY 2070/71 and 19,618.80 million in the FY 2074/75. The table depicts that the investments of NABIL is in increasing trend. The total investments of EBL would reach to 8,547.20 million in the FY 2070/71 and increase to 11,508.80 million in the FY 2074/75. It shows that the investments of EBL would also increase in the next five years. In the same way, the investments of NICBL would be 5,455.20 million in the

FY 2070/71 and increase to 7,600.80 million in the FY 2074/75. Similarly, the investments of NIBL would be 10,152.80 million in the FY 2070/71 and increased to 13,011.20 million by the FY 2074/75. Likewise, the investment of SCBNL would be 15544.20 in the FY 2070/71 and 14,239.40 million in the FY 2074/75. Unlike other banks, the investments of SCBNL would decrease in the next five years.

Figure 4.1
Trend Line of Investment



The above figure shows the investment trend of five commercial banks in the coming five years. The trend line depicts that the investments of four commercial banks will be in a increasing trend except SCBNL that is in decreasing trend.

Table 4.5
Trend values of total loan and advances

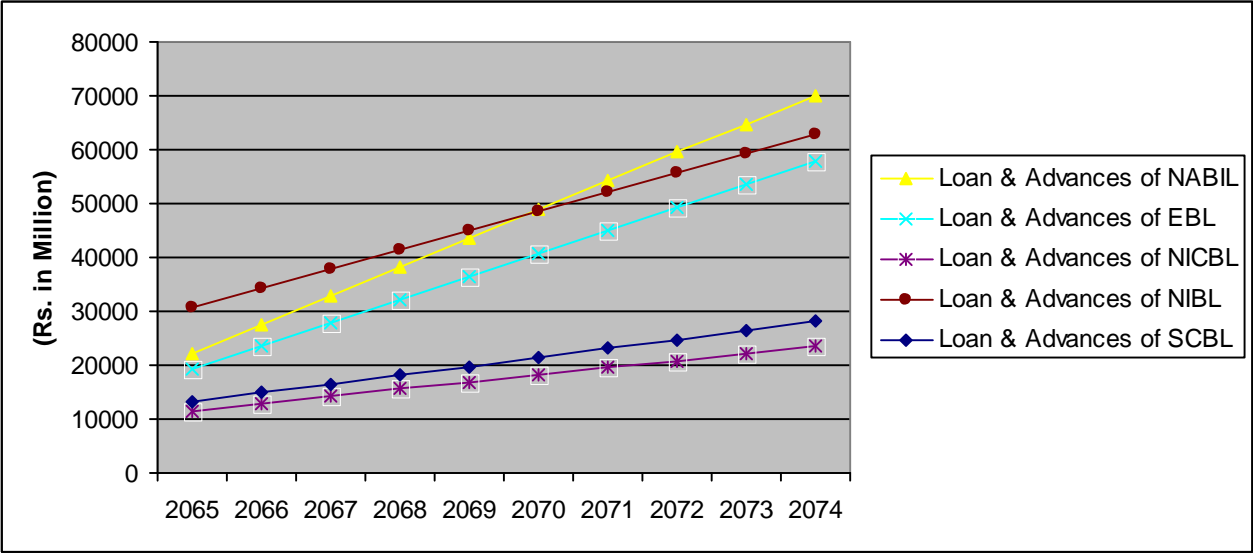
Year	Total Investment (Rs.In Million)				
	NABIL	EBL	NICBL	NIBL	SCBNL
2065	22293.32	19397.58	11526.72	30855.79	13200.56
2066	27605.48	23672.90	12863.27	34418.51	14851.55
2067	32917.64	27948.22	14199.82	37981.23	16502.54
2068	38229.80	32223.45	15536.37	41543.95	18153.53
2069	43541.96	36498.86	16872.92	45106.67	19804.52
2070	48854.12	40774.18	18209.47	48669.39	21455.51
2071	54166.28	45049.50	19546.02	52232.11	23106.50
2072	59478.44	49324.82	20882.57	55794.83	24757.49
2073	64790.60	53600.14	22219.12	59357.55	26408.48
2074	70102.76	57875.46	23555.67	62920.27	28059.47

Sources: Appendix 3(VI, VII, VIII, IX, X)

The above table shows the trend values of loans and advances of five commercial banks. It has revealed that the loan and advances of NABIL in the fiscal year 2069/70 will be 48854.12 million and will reach to 70102.76 million in the fiscal year 2073/74. Thus the loans and advances of NABIL will increase sharply. Similarly, the total loans and advances of EBL would reach to 40774.18 in the FY 2069/70 and increase to 57,875.46 million in the FY 2073/74.. In the same way, the loans & advances of NICBL would be 18209.47 million in the fiscal year 2069/70, and 23555.67 million in the fiscal year 2073/74. Likewise, the loans and advances of NIBL would be 48669.39 million in the FY 2069/70 and 62920.27 million in the FY 2073/74. The total loans and advances of SCBNL would increase to

28059.47 million in the FY 2073/74 from 21455.51 in the fiscal year 2069/70.

Figure 4.2
Trend Line of loans & advances



The above figure shows the loans and advances trends of five commercial banks. The trend line depicts that the investment all commercial banks will be in an increasing trend. The loans and advances of NABIL and EBL would increase more rapidly than the other three banks.

4.2 Presentation and analysis of Primary data

This section provides interpretation and analyses of primary data. In this study only secondary data analysis is not sufficient to cover objectives. So, primary data analysis has been conducted for this interview and structured questionnaire methods have been used with 8 questions of the questionnaire put by means of 50 copies to the related banks. The main issues discussed and analyzed here are banker’s opinions about the present investment environment, preference of securities in lending,

factors in consideration of lending. The questions raised here are mainly of ordinal ranking.

4.2.1 Assessment of present banking environment in Nepal

Banks are the major players of the financial market. The reason is that banks invest in different sectors of the economy, thereby influencing each sector. In this regard, it is necessary to know how respondents view the business environment of the country. The table below shows how Nepalese respondents view the current banking business.

Table 4.6

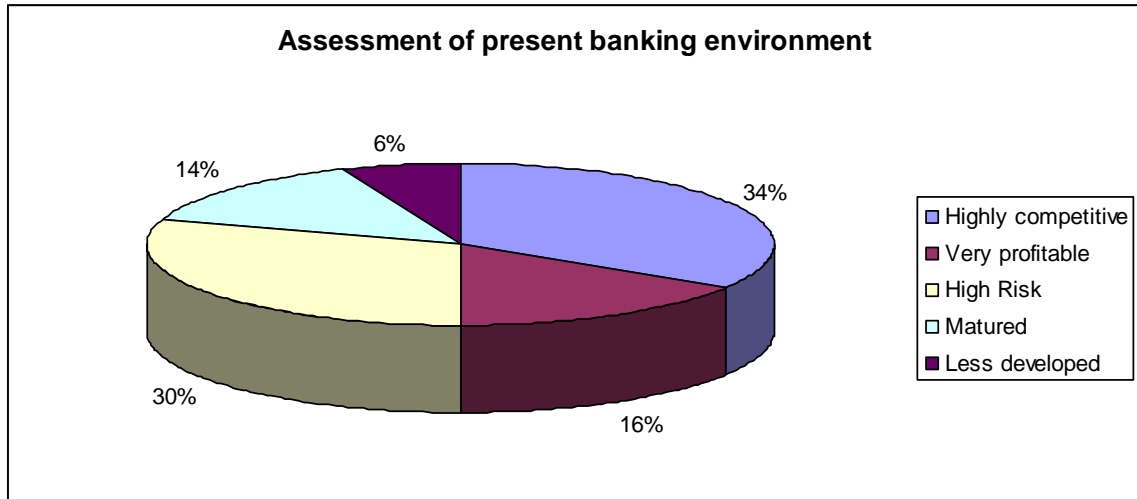
Assessment of present Banking Environment

S.N.	Factors	No. of Respondents	Percentage
1	Highly competitive	17	34%
2	Very profitable	8	16%
3	High Risk	15	30%
4	Matured	7	14%
5	Less developed	3	6%
Total		50	100%

Source: Field Survey, 2013, Kathmandu

Table 4.6 shows the opinion provided by the respondents on current banking environment. It is seen that most of the respondents are not satisfied with the present banking environment. The majority of respondents opined that the environment is highly competitive or high risk.

Figure 4.3
Assessment of present banking environment in Nepal



Out of the total respondents 34 % percent are of the view that the present banking environment is highly competitive; and 30 % of the respondents believe that it is of high risk.

4.2.2 Priority of investment in securities

As a major financial player of the market, commercial banks heavily invest in marketable securities, ranging from government securities to shares and debentures of other companies. Banks must invest funds in excess of liquidity needs to make profits. To efficiently manage investment portfolios, they invest in different types of marketable securities with a view to make good returns and maintain liquidity.

Table 4.7 shows how the respondents rate these securities in a scale of 1(Most preferred) to 5 (Least preferred).

Table 4.7
Priority of investment in securities

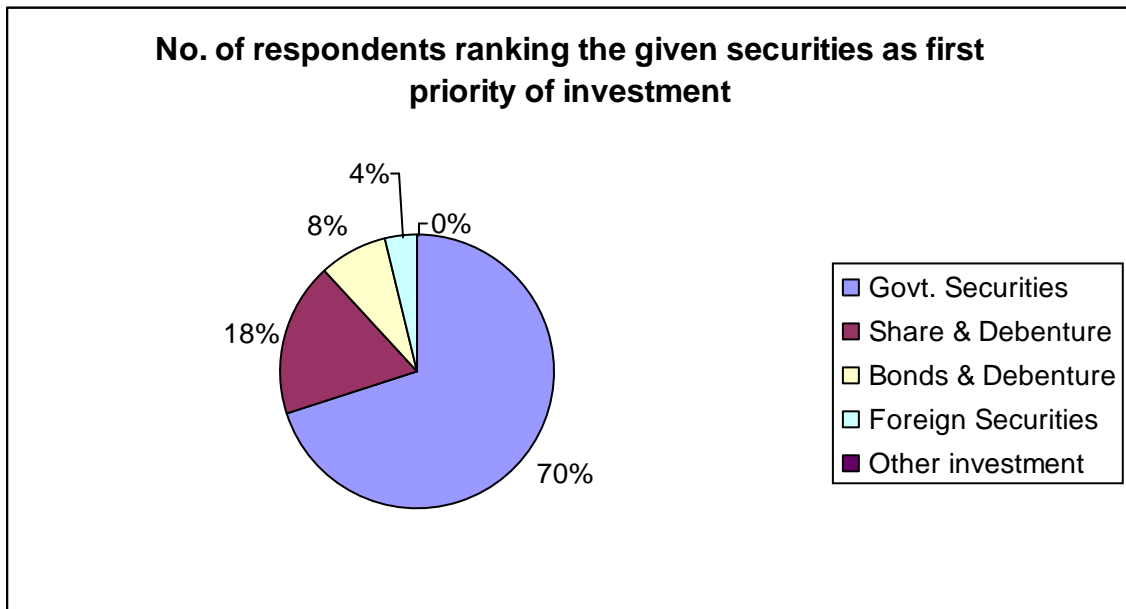
Types of securities	Ranking					Mean Value	Median
	1	2	3	4	5		
Govt. Securities	35	3	12	0	0	1.54	1
Share & Debenture	9	10	19	5	7	2.8	3
Bonds & Debenture	4	23	11	10	2	2.66	2
Foreign Securities	2	12	7	25	4	3.34	4
Other investment	0	2	1	10	37	4.64	5

Source: Field Survey, 2013, Kathmandu

Table 4.7 shows the ranking made by respondents on priority of investment in different types of securities. The mean and median value of 1.54 and 1 revealed that most of the respondents choose Govt. Securities as their priority sector followed by Share & Debenture, Bonds & Debenture, Foreign Securities and Other Investment.

Figure 4.4

Priority of investment in securities as first



4.2.3 Reason behind concentration of banks in Kathmandu and urban areas

Nepalese banks and financial institutions are blamed for the concentration around the Kathmandu valley and city areas. A large portion of Nepalese people are too far away to reap the benefits of banking services. It should be understood why banks are not ready to go outside the city areas. The NRB has also some provision regarding branch expansion of the bank. As per the NRB directives, commercial banks must open two branches outside of the Kathmandu valley to open one branch in the Kathmandu valley.

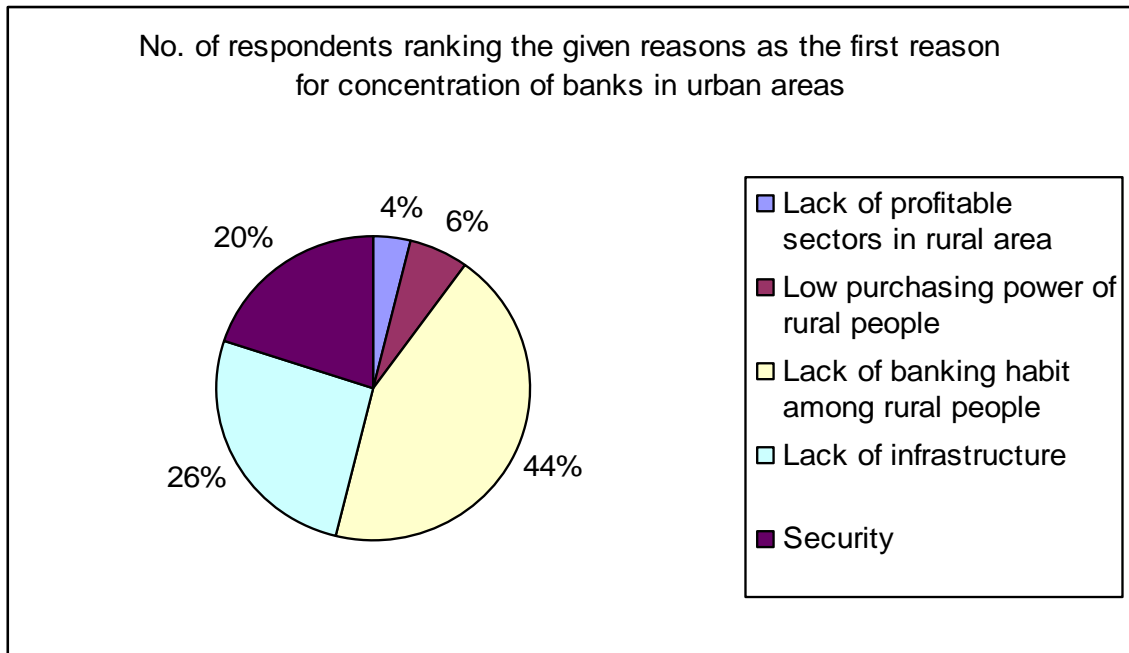
Table 4.8

Reason behind concentration of banks in Kathmandu and urban areas

Reasons	Ranking					Mean Value	Median
	1	2	3	4	5		
Lack of profitable sectors in rural area	2	7	2	5	34	4.24	5
Low purchasing power of rural people	3	5	15	25	2	3.36	4
Lack of banking habit among rural people	22	6	15	3	4	2.22	1
Lack of infrastructure	13	21	6	6	4	2.34	2
Security	10	11	12	11	6	2.84	3

Source: Field Survey, 2010, Kathmandu

Figure 4.5



The above table shows the reason behind the concentration of banks in Kathmandu and urban areas. The mean and median value of 2.22 and 2 reflected that most of the respondents argued that the reason was lack of banking habits among rural people, followed by lack of infrastructure, security, low purchasing power of rural people and lack of profitable sectors in rural areas.

4.2.4 Preferences of banking

Banking is generally classified as retail banking, business banking and corporate banking. Retail banking is concerned with individual customers, whereas business banking and corporate banking are concerned with business houses.

Table No. 4.9
Preferences of banking

Preferences	Ranking			Mean	Median Value
	1	2	3		
Retail Banking	14	6	30	2.32	3
Business Banking	18	16	16	1.96	2
Corporate Banking	18	28	4	1.72	2

Source: Field Survey, 2010, Kathmandu

The above table shows the preferences of banking by the respondents. The Mean and Median value of 1.72 and 2 shows that most of the respondents preferred corporate banking followed by business and retail banking.

4.2.5 Factors in consideration of business lending

Business houses receive a large amount of funds from commercial banks. Generally, businesses receive several types of loans from banks such as trading loans, business loans, working capital loans etc. The lending bank has to take these things into consideration before granting a business loan. As business in itself involves risk, the bank should be extra cautious in lending to businesses. Dissertation:

Table 4.10
Factors in consideration of business lending

Factors	Ranking							Mean Value	Median Value
	1	2	3	4	5	6	7		
Nature of Business	4	26	7	10	3	0	0	2	2.64
Risk of Business	32	4	5	4	2	1	2	1	2.02
Management team of Business	0	3	16	11	6	6	8	4	4.4
Maturity period of loans	2	0	2	3	9	19	15	6	5.68
Reputation of business	8	11	10	9	3	4	5	3	3.4
Relationship with customer	0	0	0	5	24	14	7	5	5.46
Loan amount	4	6	10	8	3	6	13	4	4.4

Source: Field Survey, 2010, Kathmandu

The above table shows the responses provided by the respondents on the factors in consideration of business lending. The ranks range from 1 to 7; best factor is rank 1 and worst factor is rank 7. The median and mean value of 1 and 2.02 revealed that most of the respondents choose that risk of business must be considered most while lending. The mean and median value of 5.68 and 6 revealed that least important factor is maturity period of loans followed by relationships with customers, management team of business, loan amount, reputation of business, and nature of business.

4.2.6 Factors in consideration of venture capital

Venture capital involves a high amount of risk as the rate of return is quite uncertain. As such, banks should lay out clear cut policies about investing in venture capital.

Table 4.11
Factors in consideration of venture capital

Factors	Ranking					Mean value	Median Value
	1	2	3	4	5		
Risk & return of project	15	0	13	12	10	3.04	3
Timing of cash-flow of project	7	8	11	15	9	3.22	3
Amount of loan	12	16	7	3	12	2.74	2
The people involved in project	3	14	4	12	17	3.52	4
The length of project	13	12	15	8	2	2.48	2.5

Source: Field Survey, 2010, Kathmandu

The table shows the responses given by respondents on factors in consideration of venture capital. The mean and median value of 2.74 and 2 reflected that the main factor is amount of loan that must be considered while making venture capital followed by the length of project, timing of cash flow of project, and risk & return of project.

4.2.7 Priority of retail lending

Retail lending is made to individual customers. It is sometimes customized to meet customer needs. Banks invest different sectors of retail banking taking into consideration the opportunity and challenges of each sector. In Nepal, major retail lending involves residential mortgages, auto loans, education loans, travel loans and consumer product financing. Respondents were asked to rate the following major retail lending sectors in order of importance to them.

Table 4.12
Priority of retail lending

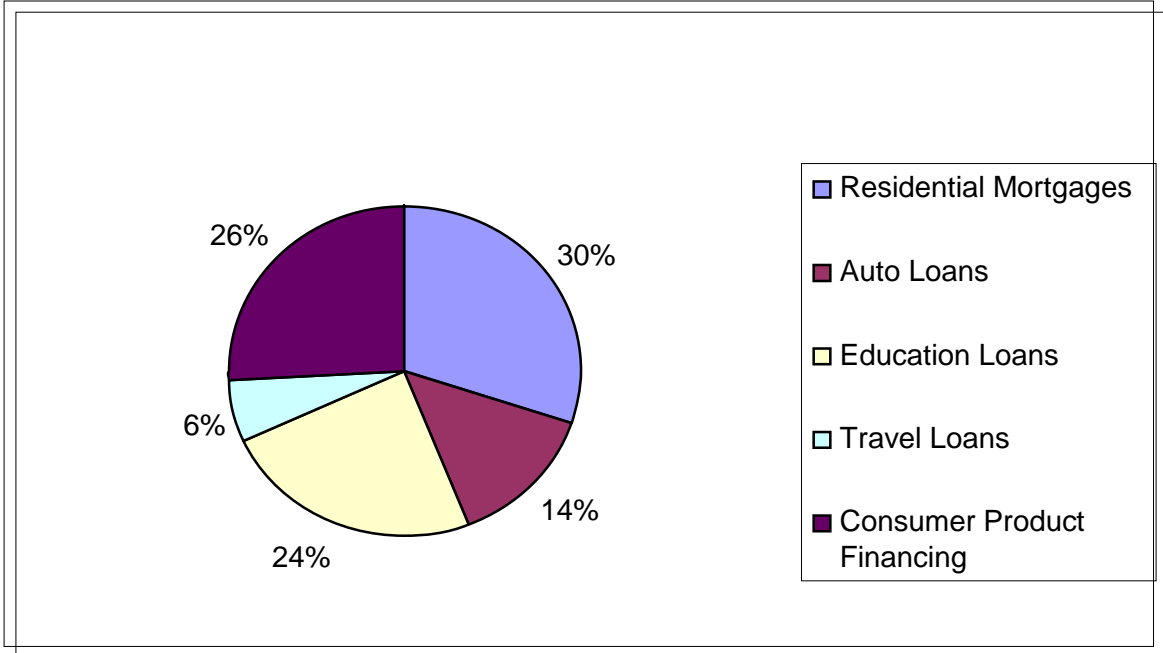
Factors	Ranking					Mean value	Median Value
	1	2	3	4	5		
Residential Mortgages	15	0	13	12	10	3.04	3
Auto Loans	7	8	11	15	9	3.22	3
Education Loans	12	16	7	3	12	2.74	2
Travel Loans	3	14	4	12	17	3.52	4
Consumer Product Financing	13	12	15	8	2	2.48	2.5

Source: Field Survey, 2010, Kathmandu

The above table shows the responses by the respondents on the priority of retail lending. Most of the respondents agreed that the priority retail lending is best on education loans as reflected by the mean and median value of 2.74 and 2 followed by consumer product financing, Auto loans, Residential mortgages, and Travel loans.

Figure 4.6

No. of respondents ranking the given retail lending as first priority



4.2.8 Factors in consideration of retail lending

Banks have to take into consideration a number of factors before granting any retail lending. The five Cs of credit are obviously the important factors to be considered while making any advance or loan when a customer approaches the bank for a loan.

Table 4.13

Factors in consideration of retail lending

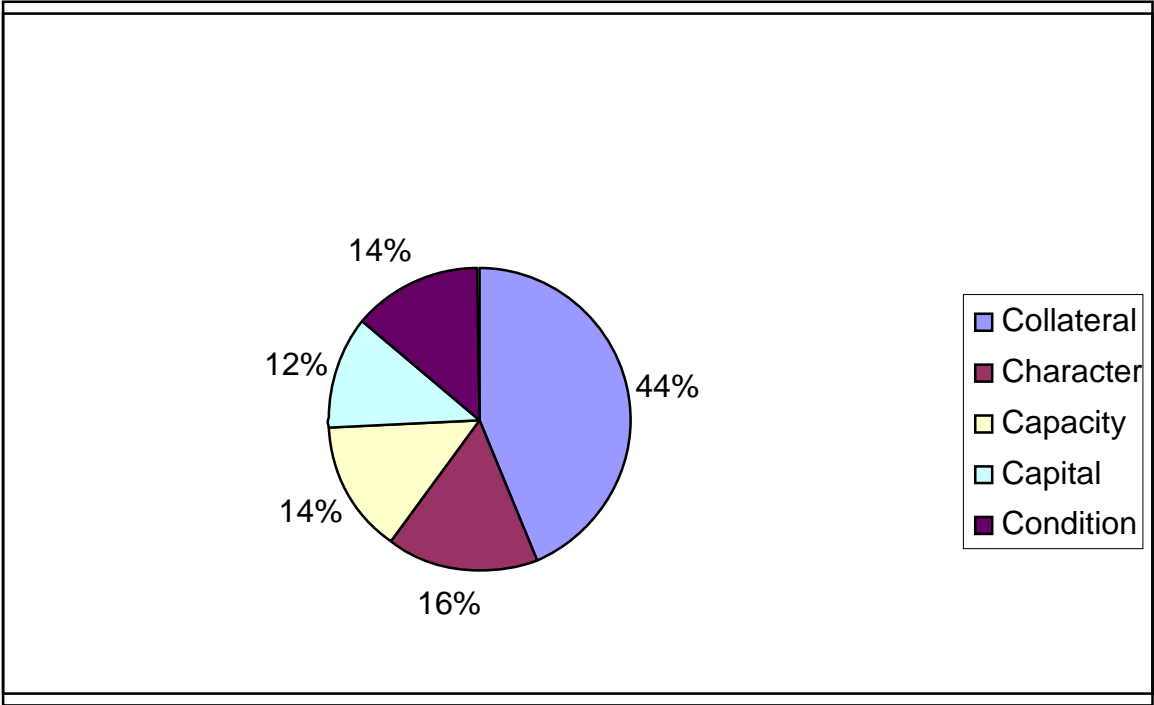
Factors	Ranking					Mean value	Median Value
	1	2	3	4	5		
Collateral	22	3	14	11	0	2.28	2.5
Character	8	13	8	18	3	2.9	3
Capacity	7	14	17	12	0	2.68	3
Capital	6	12	4	4	24	3.56	4
Condition	7	8	7	5	23	3.58	4

Source: Field Survey, 2010, Kathmandu

The above table shows the responses made by respondents on the factors in consideration of retail lending. The mean and median value of 2.29 and 2.5 revealed that most of the respondents suggested that Collateral must be considered first while making retail lending followed by Character, Capacity, Capital, and Condition. Out of the total respondents, 44 percent respondents rank collateral as the most important factor as is shown in the following table.

Figure 4.7

No. of respondents rating the given Credit factors as first ranking



The mean value of 2.28 suggests that there is more concentration of respondents towards this factor. Character and capacity are viewed as the most next two most important factors after collateral, as character and capacity both have a median value of 3.

Major Findings:

1. Ratio of commercial banks investment to sample banks investment

- a. The average investment portfolio of NABIL remained at 8.83 out of total commercial banks' investments during the study period. The share of total investments of NABIL was highest in the FY 2066/67 at 10.16. This shows that NABIL is consistently maintaining its investment portfolio, despite the entry of a number of banks in the Nepalese banking industry. The Mean, S.D. and C.V. of NABIL were 8.83, 0.81 and 0.09 respectively during the study period.
- b. The average investment portfolio of EBL remained at 4.49 during the study period. The ratio of EBL is highest in the 2067/68 at 5.18%. However in terms of amount it was highest in the FY 2068/69 with Rs. 7,865.30 million total investments. It has shown that EBL's total share of investments is fairly consistent. Mean, S.D. and C.V. of EBL was 4.49, 0.47 and 0.10 respectively during the study period.
- c. The average investment portfolio of NICBL bank remained at 2.73 during the study period. This ratio of NICBL is highest in the year 2066/67 at 3.70%. But its total investment decreased to Rs. 4,073 million in the FY 2068/69. The Mean, S.D. and C.V. of NICBL were 2.73, 0.63 and 0.23 respectively during the study period.
- d. The average investment portfolio of NIBL bank remained at 5.72 during the study period. The ratio of NIBL is highest in the year 2064/65 at 6.31. However in terms of amount it was highest in the FY 2068/69 with Rs. 10,441.10 million total

investments. The Mean, S.D. and C.V. of NIBL were 5.72, 0.44 and 0.07 respectively during the study period.

- e. The average investment portfolio of SCBNL remained at 12.10 out of total commercial banks' investments during the study period. The share of total investments of SCBNL was highest in the FY 2066/67 at 14.81. Its share of investments was increasing until the FY 2066/67 since the FY 2064/65 but started decreasing since then. The Mean, S.D. and C.V. of SCBNL were 12.10, 2.73 and 0.22 respectively during the study period.

2. Asset Management Ratios:

- a. The Mean of the CD ratio remained at 74.14, 75.63, 83.93, 79.86 and 47.17 respectively for NABIL, EBL, NICBL, NIBL, and SCBNL. NICBL and NIBL have higher C/D ratios; as such they are more vulnerable to liquidity risk. The CD ratios of NABIL and SCBNL have gone up in the study period. NABIL's C/D ratio went up from 68.21 % in the fiscal year 2064/65 to 77.91 % in the fiscal year 2068/69. Similarly SCBNL's C/D ratio was 46.95 % in the FY 2064/65 and reached 55.13 in the fiscal year 2068/69. The C.V. of SCBNL is highest at 0.11 in comparison with 0.05 for NABIL and NICBL. It should also be observed that the C/D ratio of NABIL and SCBNL is in an increasing trend, whereas it is in a decreasing trend for EBL and NICBL & NIBL.
- b. The mean, S.D. and C.V. of the total deposit to investment ratio of NABIL is 28.33 %, 2.08% and 0.07 respectively during the study period. The ratio of deposits to investments

- was 31.23 % in the fiscal year 2064/65 and decreased to 25.58 % in the fiscal year 2068/69. Thus, the share of investments to deposits ratio of NABIL went down slightly.
- c. The investment to deposit ratio of EBL has remained fairly consistent over the last five years. It was 21.11 % in the fiscal year 2064/65, and 15.73 % in the fiscal year 2068/69. However, it was decreased in the fiscal year 2066/67 with 13.57 %. And the mean ratio is 17.42 %, and S.D. and C. V are 2.59 and 0.15 respectively.
 - d. The investment to total deposit ratio of NICBL was 17.67 % in the fiscal year 2064/65 & 18.42 % in the fiscal year 2068/69. It even reached to 30.98 % in the FY 2066/67. Thus the investment to deposit ratio of NICBL is fluctuating. The mean ratio of investment to deposit of NICBL has remained at 22.59 %, with S.D. and C.V. of 5.24 % 0.23 respectively.
 - e. The Mean, S.D. and C.V. of the total deposits of NIBL were 16.94 %, 1.91 %, and 0.11 respectively during the study period. It was 19.97 % in the fiscal year 2064/65 which decreased to 14.81 % in the FY 2067/68, but it again increased to 18.31 % in the fiscal year 2068/69. The deposits to investments ratio of NIBL has remained somewhat fluctuating.
 - f. The investment to total deposit ratio of SCBNL has been an average of 47.31 %. SCBNL has the highest investment portfolio. It was 46.74 % in the FY 2064/65, and was decreased to 36.04 % in the FY 2068/69.

3. Trend Analysis

- a. The investment of NABIL would be Rs. 15449.20 million in the FY 2070/71 and Rs. 19618.80 million in the FY 2074/75. As such, the investments of NABIL would increase in the coming five years. Likewise, the total investment of EBL would reach to Rs. 8547.20 million in the FY 2070/71 and increase to Rs. 11508.8 million in the FY 2074/75. In the same way, the investment of NICBL would be Rs. 5455.20 million in the FY 2070/71 and Rs. 7600.80 million in the FY 2074/75. Similarly, the investment of NIBL would be Rs. 10152.80 million in the FY 2070/71 and Rs. 13011.20 million in the FY 2074/75. The investments of SCBNL would be Rs. 15544.20 million in the FY 2070/71 and 14239.40 in the FY 2074/75. As such the investments of SCBNL would slightly decrease as compared to the other four commercial banks.

- b. The forecasted value of loans & advances of NABIL is Rs. 48854.12 million in the fiscal year 2070/71 and would jump to Rs. 70102.76 in the fiscal year 2074/75. Similarly the loans and advances of EBL would be Rs. 40774.18 in the fiscal year 2070/71, which would reach Rs. 57875.46 million in the FY 2074/75. The loans and advances of NICBL would reach to Rs. 23555.67 million in the FY 2074/75 from Rs. 18209.47 million in the FY 2070/71. NIBL has present loan portfolio of Rs. 48669.39 million, which is projected to be Rs. 62920.27 million in the FY 2074/75. Likewise, the loans & advances of SCBNL would be 21455.51 million in the FY 2070/71 and 28059.47 million in the FY 2074/75.

4. Presentation and analysis of Primary data

- a. It is seen that no one is satisfied with the present banking environment. The majority of respondents opined that the banking environment is highly competitive. And 30 % of respondents believe that the environment is of high risk.
- b. The mean and median value of 1.54 and 1 respectively revealed that most of the respondents choose Govt. Securities as their first priority sector followed by Share & Debenture, Bonds & Debenture, Foreign Securities and Other investment. More than two-thirds of the respondents selected the government securities as their first priority.
- c. The mean and median value of 2.22 and 2 respectively reflected that most of the respondent argued that the reason was lack of banking habits among rural people, followed by lack of infrastructure, security, low purchasing power of rural people and lack of profitable sectors in rural area.
- d. The Mean and Median value of 1.72 and 2 showed that most of the respondents preferred corporate Banking followed by Business and Retail Banking.
- e. The median and mean value of 1 and 2.02 shows that most of the respondents think the risk factor of the business must be considered while lending. The mean and median value of 5.68 and 6 revealed that the worst factor is maturity period of loans followed by relationship with customers, management team of business, loan amount, reputation of business, and nature of business.

- f. The mean and median value of 2.74 and 2 reflected that the main factor that must be considered is the amount of loan while making venture capital followed by the length of project, timing of cash flow of project, and risk & return of project.
- g. Most of the respondents agreed that priority retail lending is best on Education loans as is reflected by the mean and median value of 2.74 and 2 followed by consumer product financing, Auto loans, Residential mortgages, and Travel loans.
- h. The mean and median value of 2.29 and 2.5 revealed that most of the respondents suggested that Collateral must be consider while making retail lending followed by Character, Capacity, Capital, and Conditions.

CHAPTER – 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The last chapter of this study is summary, conclusion and recommendation which highlight actionable conclusions and recommendations on the basis of the main findings, which are derived from the analysis of five commercial banks. In order to carry out this study, data has been obtained both by secondary and primary sources. The analysis is performed with the help of financial and statistical tools.

5.1 Summary

This study is carried out to find out the investment practices of commercial banks. In this study, the financial tools - ratio analysis viz. asset management ratios, and statistical tools like percentage, mean, standard deviation, co-efficient of variation, and trend analysis have been used for the analysis and interpretation of the data. The data, which are employed in this research, are secondary and primary in nature. They are obtained from annual reports of the concerned banks and Financial Statistics of NRB. Likewise, the financial statements of five years (from 2064/65 to 2068/69) were selected for the purpose of evaluation.

The average investment portfolio of NABIL remained at 8.83 during the study period. The ratio of Nabil Bank was highest in the year 2066/67 at 10.16. The average investment portfolio of Everest bank remained at 4.49 during the study period. The ratio of Everest Bank was highest in the year 2067/68 at 5.18. The average investment portfolio of NICBL remained at 2.73 during the study period. The ratio of NICBL was highest in the year

2066/67 at 3.70. The average investment portfolio of NIBL bank remained at 5.72 during the study period. The average investment portfolio of SCBNL bank remained at 12.10 during the study period.

Similarly, The Mean of the ratio of Credit to Deposit remained at 74.14, 75.63, 83.93, 79.86 and 47.17 respectively for NABIL, EBL, NICBL, NIBL, and SCBNL. Likewise, the investment of NABIL would be Rs. 15449.20 million in the FY 2070 and Rs. 19618.80 million in the FY 2074. Similarly, the total investment of EBL would reach to Rs. 8547.20 million in the FY 2069/70 and increase to Rs. 11508.8 million in the FY 2073/74. In the same way, the investment of NICBL would be Rs. 5455.20 million in the FY 2069/70 and would reach to Rs. 7600.80 million in the FY 2073/74. Similarly, the investment of NIBL would be Rs. 10152.80 in the FY 2069/70 and 13011.20 million in the FY 2073/74. Likewise, the investment of SCBNL would be Rs. 15544.20 million in the FY 2069/70 and Rs. 14239.40 million in the FY 2073/74.

On analyzing the present banking environment, it is seen that the majority of respondents opined that the environment is highly competitive. After that, 30 % of respondents are of the view that the present banking environment is of a high risk. The first priority of investment for most respondents is government securities followed by Share & Debenture, Bonds & Debenture, Foreign Securities and Other Investments.

The study of concentration of commercial banks in Kathmandu and urban areas reveals that lack of banking habits among rural people is the main reason for this. Other reasons in order of priority are lack of infrastructure, security, low purchasing power of people, and lack of profitable sectors in

the rural areas. Similarly, most respondents preferred corporate Banking, followed by Business and Retail Banking.

In business lending, most respondents consider the risk of a business is the first factor to be considered followed by the nature of business, reputation of the business, loan amount, management team, loan amount and relationship with customers. Analyses of factors in consideration of venture capital show that the loan amount is of most concern followed by length of project.

In an attempt to find out the priority of retail lending, it has been found that most respondents want to invest in education loans followed by consumer product financing, auto loans, and residential mortgages. Thus, the second most attractive sector in retail lending is consumer product financing. However, 30 % of the respondents believe residential mortgages are the first priority, while 26 % and 24 % respondents respectively viewed consumer product financing and education loans as their first choice in investments.

Analysis of identifying factors in consideration of retail lending shows that collateral must be considered foremost before advancing retail loans. Out of total respondents 44% of respondents believe it is the most first factor. Next to this, character is the second most important factor in consideration of retail lending for Nepalese respondents. After collateral and character, capacity, capital and conditions are viewed thoroughly before advancing retail loans.

5.2 Conclusion

Economic liberalization policies of the government have encouraged the establishment and growth of commercial banks in the country within a short span of time. In a situation where the existing financial institutions, especially government commercial banks, were unable to supply timely credit and carry on capital market activities; private commercial banks have contributed much. At present, there are 31 commercial banks in the country. On the basis of the whole study, the following conclusive remarks can be stated.

Well established banks like NABIL have a lower share in investment due to the entry of new entrants in the market. NABIL and SCBNL banks alone hold more than 20 % of total commercial bank investment in Nepal. However, the share of investment of NABIL in the total investment of commercial banks has been decreasing since 2066/67. The investment of SCBNL significantly decreased in FY 2068/69 to 7.15% from 14.81 % in the FY 2066/67.

The C/D ratios of all the banks have fluctuated in the past five years. NABIL and SCBNL increased its C/D ratios in FY 2068/2069 compared to that of FY 2064/65; on the other hand EBL, NICBL & NIBL have decreased the C/D ratio to meet the NRB directives. The rising C/D ratios of NABIL and SCBNL can be attributed to rising competition in the market. They are forced to capture more deposits and lend them. However, SCBNL has been maintaining a lower as well as more consistent C/D. The investment to deposit ratio of NABIL has decreased due to the increase in C/D ratio. The portfolio of NIBL shows that it is more consistent to maintain total investments. The total investment of all four banks, except SCBNL will increase in the next five year. In terms of loans and advances, all banks will have increased lending portfolio five years down the road.

An Analysis of the present banking environment highlights a widespread frustration, by respondents, with the banking environment. Most of respondents view the present banking environment is highly competitive. This result is consistent with the present deteriorating business environment of the country.

Respondents prefer government securities to other securities for investing. The high concentration of respondents holding government securities supports the risk-averse nature of respondents. There are also a significant number of respondents whose priority of investment is bonds & debentures, shares and debentures etc.

The main factor responsible for the concentration of banks in the urban areas is lack of banking habits among rural people. The other important factors are a weak rural infrastructure and lack of security.

The analysis of respondents' preferences on banking has led to the conclusion that most Nepalese respondents are more interested in corporate banking. This is due to the convenience of dealing in the corporate environment.

Respondents consider the risk factor as the primary factor in consideration before lending to businesses. This supports the conservative nature of banks. After this, the nature of business is the other most important factor in consideration. Respondents are least interested in the maturity period of loans.

Venture capital lending considers the amount of the loan as the foremost factor in consideration. Next to this, the length of projects and timing of

cash flows are the major factors to be taken into consideration. For respondents, education loans are the first priority of retail lending of bankers. Next to this, consumer product financing, auto loans, residential mortgages, and travel loans are in order of priority of retail lending. Nepali respondents are collateral oriented, as most respondents viewed collateral as the most important factor. Character occupies the second position in credit factors.

5.3 Recommendations

On the basis of analysis and findings of the study, the following recommendations can be advanced to overcome weakness, inefficiency and to improve present fund mobilization and investment activities of commercial banks.

- The investment position of a bank may be affected by external as well as internal factors. The affecting factors may be interest rates, the supply and demand position of loans and advances as well as savings, investment situations, central bank's directives, lending policies, capability of management, strategic planning and funds flow situations. It is recommended to increase investments in short and liquid assets to increase profits as well as to meet liquidity needs.

- To succeed in this competitive banking environment, depositors' money must be utilized as loans and advances. Negligence in administering this asset could be the main cause of a liquidity crisis in the bank and one of the main reasons of a bank failure. It has been found from the study that NICBL and NIBL have greater ratios of credit to total deposits at all times. Their large funds are being administered as loans and advances, and there has been

negligence in investing in other sectors. Hence, NICBL and NIBL should reduce the portion of loans and advances and increase the portion of investments. On the other hand, NABIL and EBL are advised to increase and SCBNL to maintain the present level of investments.

- The trend analyses of total investments show that all four banks except SCBNL have an increasing trend of investment. Hence, it is advised that SCBNL should increase the portion of investments. And NICBL and NIBL should decrease the loans and advances proportion and increase investments in order to meet statutory requirements as well as liquidity needs. NABIL bank is recommended to be more consistent and EBL should increase in terms of total investments.
- The banking environment in the country is viewed very poorly. Hence, the overall business environment needs improvement. The regulating body and the government should address this.
- Most respondents prefer to invest in government securities. So it is necessary to strengthen the private sector to motivate the bankers to invest in private securities like stocks, bonds and debentures issued by private corporations.
- Banking access in Nepal is limited to Kathmandu and the surrounding urban areas. Most of the banks have focused their banking services especially on big clients such as multinational companies, large scale industries, manufacturers and exporters of garments and carpets Hence the commercial banks are required to cover rural areas. Commercial banks also need to customize their

products and services to match the needs of rural people. On the other hand, security and infrastructure should be assured by the government.

- Nepalese bankers are more focused on transactions in the corporate sectors. In this regard, they need to give more priority to retail banking and cater to individual customer needs.
- Lending practices in Nepal are still collateral-based. Bankers heavily rely on physical collateral pledged by the borrower. But this poses a great threat in times of price decrease of the pledged collateral. Hence, banks need to consider other factors like character and capacity of the borrower to cope with adverse condition.
- The project oriented approach should be to encourage the lending business of the banks, in which, security is not necessary, risk is high but the project is important from the point of view of the national economy. The project should be self supporting so that it would generate sufficient cash flow to enable timely loan payments. So, it is recommended that all the five banks to follow a project oriented approach to enable more efficient operations. Loan loss could be minimized by this project-oriented approach.

The big banks with branches across the country take deposits from small communities and loan them out in big cities and areas where the return is more favorable and more certain. Thus, the small community stagnates. In this regard, the regulating bodies, such as NRB, should introduce a policy of investing some portion of deposit money locally; say 10 % of deposit money must be invested in the community a bank does business with.

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Appendix – 1

Research Questionnaire

Dear Sir or Madam,

With the objective of exploring investment patterns of commercial banks in Nepal, this study, entitled "Investment practices of commercial banks of Nepal" is being undertaken. Your opinions and thoughts are very important to complete this study. The researcher will assure you that the ideas you share here shall be used for research purposes only and kept strictly confidential.

Personal details of respondents:

Name (Optional) :
Department :
Designation :
Experience :

Q. 1. How do you see the banking scenario in Nepal? Please give a tick mark.

- a) Highly competitive
- b) Very profitable
- c) High Risk
- d) Matured
- e) Less developed

Q. 2. Please rank the following securities in terms of your priority in investment. Place a number that best describes your preference on a scale of 1 to 5 in the bracket.

Most Preferred				Least
preferred				
1	2	3	4	
5				

- a) Govt. securities()
- b) Investment in shares and debentures.....()
- c) Investment in debentures and bonds()
- d) Foreign securities()
- e) Other Investments()

Q. 3. In Nepal, banks are concentrated in Kathmandu and urban areas; in your opinion, what could be the factors behind this? Please rank the following factors.

- a) Lack of profitable sectors in rural areas()
- b) Low purchasing power of rural areas ()
- c) Lack of banking habit in rural areas()
- d) Lack of infrastructure()
- e) Security()

Q. 4. which types of banking do you have interest in? Please rank the following sectors according to your priority.

- a) Retail Banking.....()
- b) Business Banking.....()
- c) Corporate Banking.....()

Q. 5. While granting corporate and business lending, what factors do you consider? Please rank them in order of your priority.

- a) Nature of business.....()

- b) Risk involved in business.....(
)
- c) Management team of the business.....(
)
- d) Maturity period of loan.....(
)
- e) Reputation of business in the market.....(
)
- f) Relationship with customers.....(
)
- g) Amount of loan.....(
)

Q. 6. While investing in venture capital, what factors would you consider while investing in such venture capital? Please rank the following factors in order of their importance.

- a) Risk and return of projects.....(
)
- b) Timing of cash flow of projects.....(
)
- c) Amount of loan.....(
)
- d) The people involved in projects(
)

Q. 7. Please rank the following retail lending sectors in terms of their priority for your bank?

- a) Residential loans.....(
)
- b) Auto loans.....(
)
- c) Education loans.....(
)
- d) Travel loans.....(
)
- e) Consumer product financing.....(
)

Q. 8. Which factors do you consider in retail lending. Please rank the following factors according to your priority.

- a) Collateral(
)
- b) Character of the borrower(
)
- c) Capacity of the borrower(
)
- d) Capital(
)
- e) Condition of the borrowers(
)

“THANK YOU FOR YOUR KIND COOPERATION”

Appendix – 2

2.1. Calculation of NABIL Bank’s investment ratio

Fiscal Year	Total investment of commercial banks	NABIL investment	Ratio (Nabil / Total Investment)
2064/65	108,954.80	9,966.60	9.15
2065/66	130,856.90	10,875.00	8.31
2066/67	134,041.10	13,612.10	10.16
2067/68	149,557.30	13,082.80	8.75
2068/69	181,272.70	14,074.90	7.76
Mean			8.83
S. D.			0.81
C. V.			0.09

Calculation of Mean, Standard Deviation and Coefficient of Variation (C.V.) is presented below:

For NABIL,

Ratio (X)	Mean(\bar{X})	$X - \bar{X}$	$(X - \bar{X})^2$
9.15	8.83	0.32	0.1024
8.31	8.83	-0.52	0.2704
10.16	8.83	1.33	1.7689
8.75	8.83	-0.08	0.0064
7.76	8.83	-1.07	1.1449
$(X - \frac{\sum X}{N})^2$			3.293

$$\text{Mean} = \frac{\sum X}{N} = 44.13 / 5 = 8.83$$

Standard Deviation, $SD = \sqrt{\frac{\sum(x-\bar{x})^2}{n}}$

= (3.293/5)

= 0.81

Coefficient of Variation $\varepsilon = \frac{\sigma}{\bar{x}}$ (C.V.)

= 0.81

8.83

= 0.09

Calculation of mean, standard deviation and coefficient of variation (C.V.) is done for other banks likewise.

2.2 i. Calculation of CD ratios of NABIL

Year	Deposit	Credit	Ratio (Credit/Deposit)
2064/65	31,915.00	21,769.70	68.21%
2065/66	37,348.30	27,997.10	74.96%
2066/67	46,334.80	33,031.00	71.29%
2067/68	49,691.40	38,922.70	78.33%
2068/69	55,023.70	42,867.70	77.91%

ii. Calculation of CD ratios of EBL

Year	Deposit	Credit	Ratio (Credit/Deposit)
2064/65	23,976.30	18,836.40	78.56%
2065/66	33,322.90	24,469.60	73.43%
2066/67	36,932.30	28,156.40	76.23%
2067/68	41,127.90	31,551.80	76.72%
2068/69	50,006.10	36,616.90	73.22%

iii. Calculation of CD ratios of NICBL

Year	Deposit	Credit	Ratio (Credit/Deposit)
2064/65	13,078.50	11,465.30	87.66%
2065/66	15,579.90	13,915.80	89.32%
2066/67	15,968.90	12,929.30	80.96%
2067/68	18,394.40	15,165.50	82.45%
2068/69	22,111.80	17,523.20	79.25%

iv. Calculation of CD ratios of NIBL

Year	Deposit	Credit	Ratio (Credit/Deposit)
2064/65	34,451.80	27,529.30	79.91%
2065/66	46,697.90	36,827.20	78.86%
2066/67	50,094.70	40,948.8	81.74%
2067/68	50,138.10	41,887.70	83.54%

2068/69	57,010.60	42,912.10	75.27%
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v. **Calculation of CD ratios of SCBL**

Year	Deposit	Credit	Ratio (Credit/Deposit)
2064/65	29,743.90	13,964.40	46.95%
2065/66	35,871.80	13,880.70	38.69%
2066/67	35,182.70	16,176.70	45.98%
2067/68	37,999.20	18,662.40	49.11%
2068/69	35,965.60	19,828.50	55.13%

Calculation of Mean, Standard Deviation and Coefficient of Variation (C.V.) is presented below:

For NABIL,

Ratio (X)	Mean(\bar{X}	$X - \bar{X}$	$(X - \bar{X})^2$
68.21	74.14	-5.93	35.1649
74.96	74.14	0.82	0.6724
71.29	74.14	-2.85	8.1225
78.33	74.14	4.19	17.5561
77.91	74.14	3.77	14.2129
$\Sigma (X - \bar{X})$			75.7288

Standard Deviation,
 $= \sqrt{(75.7288/5)}$
 $= 3.89$

$$SD = \sqrt{\frac{\sum(x-\bar{x})^2}{n}}$$

Coefficient of Variation
 $= \frac{3.89}{74.14}$
 $= 0.05$

$$\varepsilon = \frac{\sigma}{\bar{x}} \text{ (C.V.)}$$

Calculation of mean, standard deviation and coefficient of variation (C.V.) is done for other banks likewise.

Appendix 3

i. Calculation of trend values total investment of NABIL

F/Y (X)	Total Investment (y)	X=X-2067	xy	x ²
2065	9,967	-2	-19934	4
2066	10,875	-1	-10875	1
2067	13,612	0	0	0
2068	13,083	1	13083	1
2069	14,075	2	28150	4
N=5	$\phi y = 61,612$	$\phi x=0$	$\phi xy = 10,424$	$\phi x^2= 10$

The equation of straight lines trend, $Y = a + bx$

Since, $\phi x = 0$,

so, $a = \phi y/n = 61,612/5 = 12322$

$b = \phi xy/\phi x^2 = 10424/10 = 1042.4$

Hence, $Y_c = 12322 + 1042.4x$

The trend values

Year	x=X-2067	Trend Values ($Y_c = 12322 + 1042.4x$)
2065	-2	10237.20
2066	-1	11279.60
2067	0	12322.00
2068	1	13364.40
2069	2	14406.80
2070	3	15449.20
2071	4	16491.60
2072	5	17534.00
2073	6	18576.40

2074	7	19618.80
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ii. **Calculation of trend values total investment of EBL**

F/Y (X)	Total Investment (y)	X=X-2067	xy	x ²
2065	5,061	-2	-10122	4
2066	5,950	-1	-5950	1
2067	5,010	0	0	0
2068	7,746	1	7746	1
2069	7,865	2	15730	4
N=5	$\phi y = 31632$	$\phi x=0$	$\phi xy = 7404$	$\phi x^2= 10$

The equation of straight lines trend, $Y = a + bx$

Since, $\phi x = 0$,

so, $a = \phi y/n = 31,632/5 = 6326$

$b = \phi xy/\phi x^2 = 7404/10 = 740.4$

Hence, $Y_c = 6326 + 740.4x$

The trend values

Year	x=X-2067	Trend Values ($Y_c = 6326 + 740.4x$)
2065	-2	4845.20
2066	-1	5585.60
2067	0	6326.00
2068	1	7066.40
2069	2	7806.8
2070	3	8547.20
2071	4	9287.6
2072	5	10028.00

2073	6	10768.40
2074	7	11508.8

iii. **Calculation of trend values total investment of NICBL**

F/Y (X)	Total Investment (y)	X=X-2067	xy	x ²
2065	2,312	-2	-4624	4
2066	3,027	-1	-3027	1
2067	4,947	0	0	0
2068	4,869	1	4869	1
2069	4,073	2	8146	4
N=5	$\phi y = 19228$	$\phi x=0$	$\phi xy = 5364$	$\phi x^2= 10$

The equation of straight lines trend, $Y = a + bx$

Since, $\phi x = 0$,

so, $a = \phi y/n = 19,228/5 = 3846$

$b = \phi xy/\phi x^2 = 5364/10 = 536.4$

Hence, $Y_c = 3846 + 536.4x$

The trend values

Year	x=X-2067	Trend Values ($Y_c = 3846 - 536.4x$)
2065	-2	2773.20
2066	-1	3309.60
2067	0	3846.00
2068	1	4382.40
2069	2	4918.80
2070	3	5455.20
2071	4	5991.60
2072	5	6528.00

2073	6	7064.40
2074	7	7600.80

iv. Calculation of trend values total investment of NIBL

F/Y (X)	Total Investment (y)	X=X-2067	xy	x ²
2065	6,879	-2	-13758	4
2066	7,403	-1	-7403	1
2067	7,897	0	0	0
2068	7,425	1	7425	1
2069	10,441	2	20882	4
N=5	$\phi y = 40045$	$\phi x=0$	$\phi xy = 7146$	$\phi x^2= 10$

The equation of straight lines trend, $Y = a + bx$

Since, $\phi x = 0$,

so, $a = \phi y/n = 40,045/5 = 8009$

$b = \phi xy/\phi x^2 = 7146/10 = 714.6$

Hence, $Y_c = 8009 + 714.6x$

The trend values

Year	x=X-2067	Trend Values ($Y_c = 8009 - 714.6x$)
2065	-2	6579.80
2066	-1	7294.40
2067	0	8009.00
2068	1	8723.60
2069	2	9438.20
2070	3	10152.80
2071	4	10867.40
2072	5	11582.00
2073	6	12296.60
2074	7	13011.20

v. Calculation of trend values total investment of SCBL

F/Y (X)	Total Investment (y)	X=X-2067	xy	x ²
2065	13,903	-2	-27806	4
2066	18,641	-1	-18641	1
2067	19,848	0	0	0
2068	17,259	1	17259	1
2069	12,963	2	25926	4
N=5	$\phi y = 82614$	$\phi x=0$	$\phi xy = -3262$	$\phi x^2= 10$

The equation of straight lines trend, $Y = a + bx$

Since, $\phi x = 0$,

so, $a = \phi y/n = 82,614/5 = 16522.8$

$b = \phi xy/\phi x^2 = -3262/10 = -326.2$

Hence, $Y_c = 16522.8 - 326.2x$

The trend values

Year	x=X-2067	Trend Values $\{Y_c = 16522.8 - 326.2x$
2065	-2	17175.20
2066	-1	16849.00
2067	0	16522.80
2068	1	16196.60
2069	2	15870.40
2070	3	15544.20
2071	4	15218.00
2072	5	14891.80
2073	6	14565.60
2074	7	14239.40

vi. Calculation of trend value of loan & advances of NABIL

F/Y (X)	Total Investment (y)	X=X-2065	xy	x ²
2065	21769.70	-2	-43539.40	4
2066	27997.10	-1	-27997.10	1
2067	33031.00	0	0.00	0
2068	38922.70	1	38922.70	1
2069	42867.70	2	85735.40	4
N=5	$\phi y = 164,588.20$	$\phi x=0$	$\phi xy = 53,121.60$	$\phi x^2= 10$

The equation of straight lines trend, $Y = a + bx$

Since, $\phi x = 0$,

so, $a = \phi y/n = 164,588.20/5 = 32917.64$

$b = \phi xy/\phi x^2 = 53,121.60/10 = 5312.16$

Hence, $Y_c = 32917.64 + 5312.16x$

The trend values

Year	x=X-2065	Trend Values ($Y_c = 32917.64 + 5312.16x$)
2063	-2	22293.32
2064	-1	27605.48
2065	0	32917.64
2066	1	38229.80
2067	2	43541.96
2068	3	48854.12
2069	4	54166.28
2070	5	59478.44
2071	6	64790.60

2072	7	70102.76
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vii. Calculation of trend value of loan & advances of EBL

F/Y (X)	Total Investment (y)	X=X-2065	xy	x ²
2065	18836.40	-2	-37672.80	4
2066	24469.60	-1	-24469.60	1
2067	28156.40	0	0.00	0
2068	31661.80	1	31661.80	1
2069	36616.90	2	73233.80	4
N=5	$\phi y = 139,741.10$	$\phi x=0$	$\phi xy = 42,753.20$	$\phi x^2= 10$

The equation of straight lines trend, $Y = a + bx$

Since, $\phi x = 0$,

so, $a = \phi y/n = 139,741.10/5 = 27948.22$

$b = \phi xy/\phi x^2 = 42,753.20/10 = 4275.32$

Hence, $Y_c = 27948.22 + 4275.32x$

The trend values

Year	x=X-2065	Trend Values ($Y_c = 27948.22 + 4275.32x$)
2063	-2	19397.58
2064	-1	23672.90
2065	0	27948.22
2066	1	32223.45
2067	2	36498.86
2068	3	40774.18
2069	4	45049.50
2070	5	49324.82
2071	6	53600.14
2072	7	57875.46

viii. Calculation of trend value of loan & advances of NICBL

F/Y (X)	Total Investment (y)	X=X-2065	xy	x ²
2065	11465.30	-2	-22930.60	4
2066	13915.80	-1	-13915.80	1
2067	12929.30	0	0.00	0
2068	15165.50	1	15165.50	1
2069	17523.20	2	35046.40	4
N=5	$\phi y = 70,999.10$	$\phi x=0$	$\phi xy = 13,365.50$	$\phi x^2= 10$

The equation of straight lines trend, $Y = a + bx$

Since, $\phi x = 0$,

so, $a = \phi y/n = 70,999.10/5 = 14199.82$

$b = \phi xy/\phi x^2 = 13,365.50/10 = 1336.55$

Hence, $Y_c = 14199.82 + 1336.55x$

The trend values

Year	x=X-2065	Trend Values ($Y_c = 14199.82 + 1336.55x$)
2063	-2	11526.72
2064	-1	12863.27
2065	0	14199.82
2066	1	15536.37
2067	2	16872.92
2068	3	18209.47
2069	4	19546.02
2070	5	20882.57
2071	6	22219.12
2072	7	23555.67

ix. Calculation of trend value of loan & advances of NIBL

F/Y (X)	Total Investment (y)	X=X-2065	xy	x ²
2065	27529.30	-2	-55058.60	4
2066	36827.20	-1	-36827.20	1
2067	40948.80	0	0.00	0
2068	41688.77	1	41688.77	1
2069	42912.10	2	85824.20	4
N=5	$\phi y = 189,906.17$	$\phi x=0$	$\phi xy = 35627.17$	$\phi x^2= 10$

The equation of straight lines trend, $Y = a + bx$

Since, $\phi x = 0$,

so, $a = \phi y/n = 189,906.17/5 = 37981.23$

$b = \phi xy/\phi x^2 = 35627.17/10 = 3562.72$

Hence, $Y_c = 37981.23 + 3562.72x$

The trend values

Year	x=X-2065	Trend Values ($Y_c = 37981.23 + 3562.72x$)
2063	-2	30855.79
2064	-1	34418.51
2065	0	37981.23
2066	1	41543.95
2067	2	45106.67
2068	3	48669.39
2069	4	52232.11
2070	5	55794.83
2071	6	59357.55
2072	7	62920.27

x. Calculation of trend value of loan & advances of SCBL

F/Y (X)	Total Investment (y)	X=X-2065	xy	x ²
2065	13964.40	-2	-27928.80	4
2066	13880.70	-1	-13880.70	1
2067	16176.70	0	0.00	0
2068	18662.40	1	18662.40	1
2069	19828.50	2	39657.00	4
N=5	$\phi y = 82,512.70$	$\phi x=0$	$\phi xy = 16509.90$	$\phi x^2= 10$

The equation of straight lines trend, $Y = a + bx$

Since, $\phi x = 0$,

so, $a = \phi y/n = 82,512.70/5 = 16502.54$

$b = \phi xy/\phi x^2 = 16509.90/10 = 1650.99$

Hence, $Y_c = 16502.54 + 1650.99x$

The trend values

Year	x=X-2065	Trend Values ($Y_c = 16502.54 + 1650.99x$)
2063	-2	13200.56
2064	-1	14851.55
2065	0	16502.54
2066	1	18153.53
2067	2	19804.52
2068	3	21455.51
2069	4	23106.50
2070	5	24757.49
2071	6	26408.48
2072	7	28059.47

