

**A STUDY ON FUND COLLECTION AND
MOBILIZATION OF JOINT VENTURE BANKS OF NEPAL**
(With Reference to NSBI, SCBNL, HBL and EBL)



By:

SANTOSH MANI LAMICHHANE
Shanker Dev Campus
Campus Roll No: 620/063
T.U Regd. No: 7-1-298-209-2000
2nd Year Symbol No: 392614

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Tribhuvan University

Faculty of Management

Shanker Dev Campus

4-226490
4-226931
4-266336
4-218016 B.B.A.

Putali Sadak
Kathmandu, Nepal.

Ref. :

Date :

RECOMMENDATION

This is to certify that the thesis

Submitted by:

SANTOSH MANI LAMICHHANE

Entitled:

"A STUDY ON FUND COLLECTION AND MOBILIZATION OF JOINT VENTURE BANKS OF NEPAL."
(With Reference to NSBI, SCBNL, HBL and EBL)

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

.....
Asso.Prof.Ruchile Pandey
Supervisor

.....
Prof Dr. kamal Deep Dhakal
Head. Research Committee

.....
Asso.Prof. Prakash Singh Pradhan
Campus Chief



Tribhuvan University

Faculty of Management

Shanker Dev Campus

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Ref. :

Date :

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

By

SANTOSH MANI LAMICHHANE

Entitled:

"A STUDY ON FUND COLLECTION AND MOBILIZATION OF JOINT VENTURE BANKS OF NEPAL"

And found the thesis to be the original work of the student written according to the prescribed format. We recommended the thesis to be accepted as partial

Fulfillment of the requirements for the degree of

Master's of Business Studies (M.B.S.)

Viva-Voce Committee

Chairperson (Research Committee)

Member (Thesis Supervisor)

Member (External Expert)

Member (Central Department of Management)

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Faculty of Management

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled “**A STUDY ON FUND COLLECTION AND MOBILIZATION OF JOINT VENTURE BANKS OF NEPAL (With Reference to NSBI, SCBNL, HBL and EBL)**” Submitted to Office of the Dean, faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for Master’s Degree in Business Studies (MBS) under the supervision of my thesis supervisors Asso. Prof. Ruchila Pandey of Shanker Dev Campus.

.....
Santosh Mani Lamichhane

Shanker Dev Campus

Campus Roll No: 620/063

T.U Regd. No: 7-1-298-209-2000

2nd Year Symbol No: 392614

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Santosh Mani Lamichhane
Researcher
Shanker Dev Campus

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ABBREVIATIONS

ATM	:	Automatic Teller Machine
B.S	:	Bikram Sambat
CBs	:	Commercial Banks
C.V	:	Coefficient of Variation
EPS	:	Earning Per Share
EBL	:	Everest Bank Limited
FY	:	Fiscal Year
Govt.	:	Government
HBL	:	Himalayan Bank Limited
i.e	:	That is
Invt	:	Investment
JVBs	:	Joint Venture Banks
Ltd	:	Limited
MBS	:	Master in Business Studies
NSBI	:	Nepal SBI Bank Limited
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
P.E	:	Probable Error
Pvt	:	Private
R	:	Coefficient of Correlation
Rs	:	Nepalese Rupees
T.U	:	Tribhuvan University
SCBNL	:	Standard Chartered Bank Nepal Limited
S.D	:	Standard Deviation
NGOs	:	Non-Government Organizations
%	:	Percentage

CHAPTER-ONE

INTRODUCTION

1.1 General Background

Nepal is a least developed and industrialized land locked country. Like all underdeveloped country it has been facing the problem of accelerating economic development. The development of any country largely depends upon the economic health of (i.e. trade, industry, agriculture etc.) and condition of the country. To develop these sectors efficient and continuous supply of resources is required. Financial sector reform is one of the important components for continuous supply of resources and economic reform. The government of Nepal has issued financial sectors reform strategy on Nov 22, 2000 which is aimed at achieving healthy, comparative, effective and professional financial services. Several activities have been initiated to strength overall financial sectors for the access management co-operative, the draft law is ready for the review of the government. Step for establishment a training center for providing training to enhance the efficiency of the staff members of banks and financial company has been initiated.

There is always lack of finance in underdeveloped economics because natural resources are either underutilized or utilized in un productive sectors or even on other purpose i.e. social welfare and so on. Likewise: under developed countries are not deficient in land, water, mineral, forest or power resources, though they may untapped: consisting only potential resources and in the underdeveloped countries like Nepal there is always lack of financial resources not only because of its real absence but not properly mobilized and are not fully utilized for the productive purpose. By the cause of the Nepal is being listing among least developed country, which is trying to embark upon the path of economic development by economic growth (Dwett, 1995:454).

Bank plays a vital role in developing the economy of any country. Before 1792 the goldsmith used to store people's gold and other valuable goods and charge nominal against deposit. That time people deposited their gold and valuable goods for the sake security than earning interest. The term bank emerged in U.S.A in 1792. The bank means an institution which deals with money. A bank performs several financial, Monetary and

economic activities, which are very essential for economic development of any country. Broadly speaking bank draws surplus money from the people who are not using it at present and are holding for future and supplies loan to those who are in a position to use it for productive purposes, Modern banks can be considered as the involved of ancient goldsmiths.

“Bank assists both the flow of goods and services from the product to the customer and the financial activities of the government. Banking provides the country with a monetary system of making payment and is an important part of financial system, which makes loans to maintain an increase the level of consumption and production in the economy” (The American Bankers Association, 1972:162).

Today different types of financial institution are established with different purposes. These banks give different types of services to people. Basically banks performs various types of services i.e. collection deposit from public, grant loan to those Investor who want invest in business, Industry and other sector, overdraft, guarantee against any disable of payment (guarantee services), letter of credit, discounting bills, promissory notes, selling of other institutions share to general public, agency functions task, limit of the storage commodities etc.

Fund collection and mobilization is the major activity of commercial bank. Fund management determines the effectiveness of commercial bank. A bank is essentially an intermediary of short term, middle term and long-term funds. It can carry out extensive lending operations only when he can effectively channelize the saving of community (Weston and Brigham, 11th Edition). A good banker is only who effectively mobilize s the saving of commodity as well as makes such use of saving by making it available to productive and prior sectors of economy, thereby forecasting the growth and development of Nation's economy.

Traditionally, the bankers used to accept three types of deposits, i.e. current, saving and fixed deposit. But because of the intense of the competition for resources, there are a variety of other innovations introduced by the bankers in recent time, which is the major source of fund collection and other source of fund collection is common stock financing, preferred stock financing as well as bond or debenture financing. Similarly, there are

various instruments for fund mobilization, i.e. utilization or investment. Such as government security, share/bond/debenture of other company, gold/silver, credit/overdraft etc. the brief introduction is placed in review of literature.

The investment policy of the bank depends on the nature of its funds. If it can acquire funds of more or less permanent nature, it can acquire assets that are more profitable. If the funds are subject to wide fluctuations, it has to keep a large part of the funds in liquid form. It is said that the soundness of a bank is reflected in the distribution of its funds on different types of assets. A good banker is one who follows a wise investment policy, which brings maximum profits to shareholders and provides maximum security to depositors. A bank is fundamentally governed by three important principles in formulating its investment policy. The guiding principles of the investment policy of a commercial bank are liquidity, profitability and security. These three attributes are inter-related. The bank cannot afford to sacrifice one in favor of the other.

1.2 Statement of the Problem

The main objective of any commercial bank is collection of funds and their proper mobilization in productive areas. Now a day the banking institutions are facing the problems from the external factors, such as political, legal, economic, social, infrastructure, quality of work life etc. The unstable politics is the main cause of collection and its mobilization procedure. The other common problems are the lack of general awareness in the public mass, lack of proper information about share market, limited use of money and capital market, disqualified management team, low activity of NEPSE, day to day increasing security problem etc. In this regard, four joint venture banks (Himalayan Bank Limited, Standard Chartered Bank Nepal Limited, Nepal SBI Bank Limited and Everest Bank Limited) are able to meet their fund requirement from collection and mobilization view is the main research problem of our study.

Fund mobilization is always related with risk and returns. It is appropriate to state that the objective is to make a lot of money by recognizing the possible loss. Banks make profit by making proper investment in the form of loan, advance and mobilize the fund on government securities and bond or other. If funds are wrongly invested without thinking financial risk, business risk, and other related facts, the bank cannot obtain profitable

return as well as it should sometime lose its principle. Fund mobilization policy may differ from one joint venture bank to another but there is no optimal utilization of shareholders fund to have greater return in any bank. Nepal Rastra bank also played significant role to make commercial bank mobilize their fund in good sector. For this purpose NRB imposed many rules and regulation so that commercial bank can have sufficient liability and security. Though most of the joint –venture banks have been successful to earn profit from fund mobilization, none of them seem to be capable to invest their entire fund in more profitable sector. The problem related to fund mobilization procedure of the commercial banks of Nepal has been presented briefly as under:

- a. What is the major source and usages of fund of sample JVB`s?
- b. Which commercial banks have more effectively mobilizing fund in loan and advance?
- c. Are they maintaining sufficient liquidity position?
- d. Do these banks are successful to utilize their available funds in terms of profit?
- e. Is there any stability between fund mobilizations between sample banks?
- f. What is the relationship between net profit and total fund, and net profit with total deposit and total loan and advances?

1.3 Brief profile of Sample Banks

A. Himalayan Bank Limited (HBL)

Himalayan Bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cutthroat competition in the Nepalese Banking sector, Himalayan Bank has been able to maintain a lead in the primary banking activities. Legacy of Himalayan lives on in an institution that is known throughout Nepal for its innovative approaches to merchandising and customer service. Products such as Premium Savings Account, HBL Proprietary Card and Millionaire Deposit Scheme besides services such as ATMs and Tele-banking were first introduced by HBL. Other financial institutions in the country have been following our lead by introducing similar products and services.

All Branches of HBL are integrated into Globus the single Banking software where the Bank has made substantial investments. This has helped the bank to provide services like 'Any Branch Banking Facility', Internet Banking and SMS Banking. Living up to the

expectations and aspirations of the Customers and other stakeholders of being innovative. HBL very recently introduced several new products and services. Millionaire Deposit Scheme, Small Business Enterprises Loan, Pre-paid Visa Card, International Travel Quota Credit Card, Consumer Finance through Credit Card and online TOEFL, SAT, IELTS, etc. fee payment facility are some of the products and services. HBL also has a dedicated offsite 'Disaster Recovery Management System'. Looking at the number of Nepalese workers abroad and their need for formal money transfer channel; HBL has developed exclusive and proprietary online money transfer software- HimalRemit™. HBL is the biggest inward remittance handling Bank in Nepal. All this only reflects that HBL has an outside-in rather than inside-out approach where Customers' needs and wants stand first.

Corporate Social Responsibility (CSR) holds one of the very important aspects of HBL. Being one of the corporate citizens of the country, HBL has always promoted social activities. Many activities that do a common good to the society have been undertaken by HBL. Significant portion of the sponsorship budget of the Bank is committed towards activities that assist the society. Himalayan Bank Limited holds of a vision to become a Leading Bank of the country by providing premium products and services to the customers, thus ensuring attractive and substantial returns to the stakeholders of the Bank. The Bank's mission is to become preferred provider of quality financial services in the country. There are two components in the mission of the Bank: Preferred Provider and Quality Financial Services; therefore, we at HBL believe that the mission will be accomplished only by satisfying these two important components with the customer at focus. The Bank always strives positioning itself in the hearts and minds of the customers.

B. Standard Chartered Bank Nepal Limited (SCBNL)

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group having an ownership of 75% with 25% shares owned by the Nepalese public. The bank enjoys the status of being a subsidiary of Standard Chartered Bank, a leading international bank in the world. Standard Chartered is a leading international banking group. It has operated for over 150 years in some of the world's most dynamic markets and earns more than 90 percent of its profits in Asia, Africa and the Middle East. This geographic focus and commitment to developing deep relationships

with clients and customers has driven the Bank's growth in recent years. Standard Chartered PLC is listed on the London and Hong Kong stock exchanges as well as the Mumbai and National Stock Exchanges in India. With 1,700 offices in 70 markets, the Group offers exciting and challenging international career opportunities for nearly 87,000 staff. It is committed to building a sustainable business over the long term and is trusted worldwide for upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. Standard Chartered's heritage and values are expressed in its brand promise, 'Here for good'. With 19 points of representation, 23 ATMs across the country and more than 425 local staff, Standard Chartered Bank Nepal Ltd. has carved a position to serve its customers through an extensive domestic network. In addition, the global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking services in Nepal. Standard Chartered Bank Nepal Limited offers a full range of banking products and services in Consumer, Wholesale and SME Banking by catering to a wide range of customers encompassing individuals, mid-market local corporates, multinationals, large public sector companies, government corporations, hotels as well as the DO segment comprising of embassies, aid agencies, NGOs and INGOs. The Bank has been the pioneer in introducing 'customer focused' products and services in the country and aspires to continue to be a leader in introducing new products and in delivering superior services. It is one of the first Banks in Nepal to implement the Anti-Money Laundering policy and to apply the 'Know Your Customer' procedures.

Corporate Social Responsibility is an integral part of Standard Chartered's ambition to become the world's best international bank and is the mainstay of the Bank's values. The Bank believes in delivering shareholder value in a socially, ethically and environmentally responsible manner. Standard Chartered throughout its long history has played an active role in supporting those communities in which its customers and staff live. It concentrates on projects that assist children, particularly in the areas of health and education. Environmental projects are also occasionally considered. It supports non-governmental organizations involving charitable community activities.

C. Nepal SBI Bank Limited (NSBI)

Nepal SBI Bank Ltd. is a subsidiary of State Bank of India, which has 55 percent of ownership, and rest is held by a local partner viz. Employee Provident Fund (15%) and public (30%). In terms of the Technical Services agreement between SBI and the NSBI, the former provides management support to the bank through its expatriate officers including Managing Director who is also the CEO of the Bank. Central Management Committee (CENMAC) consisting of the Managing Director, Chief Operating Officer, Chief Financial Officer and Chief Credit Officer oversee the overall banking operations in the Bank. The Bank was established in July 1993 & is now having 538 Nepalese employees working in 50 branches, 6 extension counters, 2 Regional Offices & the Corporate Office. State Bank of India (SBI), with a 200-year history, is the largest commercial bank in India in terms of assets, deposits, profits, branches, customers and employees. The Government of India is the single largest shareholder of this Fortune 500 entity with 61.58% ownership. SBI is ranked 60th in the list of Top 1000 Banks in the world by "The Banker" in July 2012. Nepal SBI Bank Limited is a major national level financial services provider engaged in various retail and commercial banking services. With a team of nearly 580 people, move, lend, invest and protect money for over 350,000 customers nationally and worldwide. Now in its 18th year of operations, Bank is continuously upgrading quality of its service delivery and customer satisfaction with the help of state-of-the-art technology.

The SBI group consists of SBI and five associate banks. The group has an extensive network, with over 20,000 plus branches in India and another 173 offices in 34 countries across the world. As of 31st March 2012, the group had assets worth USD 359 billion, deposits of USD 278 billion and capital & reserves in excess of USD 20.88 billion. The group commands over 22% share of the domestic Indian banking market. SBI's non-banking subsidiaries / Joint ventures are market leaders in their respective areas and provide wide ranging services, which include life insurance, merchant banking, mutual funds, credit cards, factoring services, security trading and primary dealership, making the SBI group a truly large financial supermarket and India's financial icon. SBI has arrangements with over 1500 various international / local banks to exchange financial messages through SWIFT in all business centers of the world to facilitate trade related banking business, reinforced by dedicated and highly skilled teams of professionals.

D. Everest Bank Limited (EBL)

Catering to more than five lacs customers today, Everest Bank Limited (EBL) is a name for professionalized and efficient banking services. Founded in 1994, the bank has been one of the leading banks of the country and has been catering its services to various segments of the society since then. With clients from all walks of life, the bank has helped develop the nation corporately, agriculturally and industrially. So one can say with all earnestly that Everest Bank Limited is truly a Nepalese bank. Punjab National Bank (PNB) is a joint venture partner (holding 20% equity in the bank) is the largest nationalized bank in India. With its presence virtually in all the important centers at India and over 6000 ATM counters, Punjab National Bank offers a wide variety of banking services, which include corporate and personal banking, industrial finance, agricultural finance, financing of trade and international banking. For its excellence in banking services, it was recently awarded the "Best Bank Award 2011" amongst all banks in India by the leading corporate magazine, Business India.

Everest Bank Limited (EBL) provides customer-friendly services through its branch network and all its branches are connected through Anywhere Branch Banking System (ABBS), which enables customers for operational transactions from any branches. The bank has 48 Branches, 63 ATM Counters, 3 extension counter and 20 Revenue Collection across the country making it a very efficient and accessible bank for its customers, anytime, anywhere. The Banker, a publication of financial times, London, has conferred the bank with "Bank of the Year 2006, Nepal". The bank was bestowed with the "NICCI Excellence award" by Nepal India Chamber of Commerce for its spectacular performance under finance sector. To provide excellent professional services and improve its position as a leader in the field of financial related services. To build and maintain a team of motivated and committed workforce with high work ethos. To use the latest technology aimed at customer satisfaction and act as an effective catalyst for socio-economic developments.

Recognizing the value of offerings a complete range of services, EBL has pioneered in extending various customer friendly products such as Home Loan, Education Loan, EBL Flexi Loan, EBL Property Plus (Future Lease Rental), Home Equity Loan, Vehicle Loan, Loan against Share, Loan Against Life insurance Policy and Loan for Professionals. EBL

was one of the first banks to introduce Any Branch Banking System (ABBS) in Nepal. EBL has introduced Mobile Vehicle Banking system to serve the segment deprived of proper banking facilities through its Birtamod Branch, which is the first of its kind. EBL has introduced branchless banking system first time in Nepal to cover unbanked sector of Nepalese society. EBL is first bank that has launched e-ticketing system in Nepal.

1.4 Objectives of the Study

The objective of the study will concentrate on reviewing the fund collection and its mobilization in the joint venture banks, especially in HBL, SCBNL, NSBI and EBL. The study has expected to provide a useful feedback to the commercial banks. The specific objectives of the study are as follows:

- a) To see the ability of the selected joint venture banks in mobilizing the total collected funds.
- b) To find out the effectiveness of the Joint Venture Banks in fund mobilization in terms of Return on Assets, Return on Share Holders Funds, Returns on Equity Share Holder Fund, EPS, etc.
- c) To identify the factors affecting the fund mobilization.

1.5 Significance of the Study

Nepalese commercial banks lacks appropriate and well managed and formulated policies to develop capital structure and assets structure management. They have to rely upon the guidelines of NRB. There is a lack of clear view towards sound financial performance and evaluation of commercial banks. The financial sector has not been enough for them to meet the growing resources need to the economy as expected. Why is so and what is the problem? To answer the question an analysis of their present capital structure is necessary. so focus of the present study is on the Funds Flow of specified commercial banks.

Banking institution plays a major role in accelerating the process of development of a country. For achieving the economic growth, the funds need to be collected and to be utilizing properly in the productive areas. According to NRB research report, banking and financial institution are contributing around 10 percent to its national GDP. It shows that banking and financial institution affect the economic growth of the country. Therefore the

banking and financial institution should collect their fund and accordingly. They should utilize them in the productive area.

The study expected to fill the research gap to input to financial literature setting to the fund collection and mobilization in joint venture banks. The study measure the impact of fund collection and mobilization on total performance, which enabled to the industrialists and traders for making appropriate decision and strategies in the field of investing. From which the researcher believed that the findings of the study would be useful and valuable to the business organization and as well as to the concerned companies. The finding may be valuable related to bank taken as sample. However, it will be helpful for shareholders, banking professionals, customers, financing agencies, government bodies, policy makers, investors, teachers, and competitors. Personals of the company, market planner and students of banking management and for future researchers.

This study adds new ideas and findings about the fund collection and its mobilization procedure of concerned banks. There is no doubt that it is important to various groups. This study helps to identify its hidden weakness regarding financial cum administration portion or sector.

1.6 Limitation of the Study

As every study has its own limitations, so as this study is also not away from these. Beside from the time constrains the following factors are the main limitations of the study.

- a) Though, there has been in operation of 32 commercial banks in Nepal, only 4 joint venture banks are taken for the proposed study (Banking and financial statistics NRB, Mid July 2007).
- b) The study concentrates on fund collection and its mobilization in selected joint venture banks.
- c) The secondary data has been used for presentation and interpretation of the data. Only 5 years trend has been considered

1.7 Organization of the Study

The report has been divided in such a way that the stated objectives can be fulfilled easily. The study report has presented the systematic presentation and findings of the study. The report is organized as follows.

Chapter 1: Background of the study

It includes background of the study, objective of the study and significance of the study. It also includes statement of problem, limitation of the study and brief profile of sample banks.

Chapter 2: Review of literature

This second chapter of the study includes review of literature introduction or conceptual view to capital structure, review of related study and justification for the present study, review of journals, articles and research studies published by various authors and publication, the scope of study and conceptual framework.

Chapter 3: Research Methodology

It include report methodology like the research design. Research methodology studies a problem with certain objectives in view. The data gathering process and various tools technique such as statistical and financial employed for presenting the data and the data processing procedure.

Chapter 4: Presentation and analysis of data

This chapter is the main part of the research. It includes the presentation of data, introduction to data, presentation and analysis and interpretation are given in this chapter. It includes the presentation of the data, introduction to data presentation and analysis. This study used the statistical as well as financial tools in order to fulfill the objective and problems of the study.

Chapter 5: Summary, conclusion and recommendations

It includes the summary, conclusion, recommendation and suggestion. Beside this bibliography on appendices are also included.

CHAPTER - TWO

REVIEW OF LITERATURE

2.1 Conceptual Review

2.1.1 Historical Background of Bank

History shows the requirements of economic development of any country heavily realize upon the banking system of the country (Scott: D., 1992). During its industrial development period, U. K. used bank credit to fulfill its working capital need. In 19th century, during the industrialization process of France and Germany, banks played an important bank are an institution that deals with money. A bank performs several financial, monetary and economic activities, which are vital for economic development of a country. It is a monetary institutional vehicle for domestic resource mobilization of the country that accepts deposits from various sources and invests such accumulated resources in the fields of agriculture, trade, commerce etc. Generally, the term "Bank" refers commercial Banks. Commercial banks are the foundation of the national economy. They transfer monetary sources from savers to users. They involve in various functions like money creation, creation, credit facilitating, foreign trade facilitating safe keeping of the various etc. Commercial banks have its own role and contribution in the economic development. It is a source of economic development and it maintains economic confidence of various segments and extends credits to the people. Thus, activities of commercial banks are to eliminate poverty, reduce unemployment problems and increase economic growth.

Modern commercial banks can be identify by different names, such as business banks, retail banks, clearing banks, joint venture banks and merchant banks etc. Regardless of the name we give to banks, they all perform the same basic function i.e. they provide a link between lenders those who have surplus money and do not wish to spend immediately with borrowers, there who don't have surplus money but wish to borrow for investment in productive purpose. Basically, by charging a rate of interest to borrowers slightly higher than they pay to lenders, the bank makes their profit. This is known as financial intermediaries. Commercial banks provide the following major products and services.

Acceptance of deposits

Granting of advances

Remittance collection and distribution

Cash management

Issuance of letters of credit and guarantee

Merchant banking business

Credit cards

Technology based services-internet

Loan distribution

Automated teller machines (ATM)

Handling government business

Safe keeping services/lockers

The first public bank "The Bank of Venice" was established in Italy in 1157 A.D. Different countries in the world followed the foot-steps of this bank to incorporate banking institutions in their countries. The evolution of "The Bank of England" in the Kingdom of England in 1694 A.D. brought remarkable changes in the process of establishing banking institution in the world. The establishment of this of this bank was a big milestone in the history of banking development. It is believed that the idea of commercial banks rapidly spread all over the world only after the inception of this bank.

In Nepal, development of banking is relatively recent. The history of banking system in Nepal in the form of money lending can traced back in the reigning period of Gunakamdev; "The King of Kathmandu" (NBL, B.S. 2037).

During the Prime Ministerial period of Rannadip Singh one financial institution was established to give loan facilities to the government staff and loan facilities to the public in general in the term of 5 percent interest but 'Tejarath' did not accept money from public (NBL, B.S. 2040).

On the 30th Kartik, B.S. 1994, Nepal Bank Limited was established for the first time to provide modern and organized banking facilities. Up to B.S. 2012, only NBL, provided services to the public as an organized bank. Later, NRB Act 2012 was made to establish NRB as a central bank to manage, control and develop monetary system in Nepal. NRB was formally established on 14th Baisakh, 2013 and its capital at the starting time was 1 Crore. Similarly, Rastriya Banijya Bank was set up in B.S. 2022 to fulfill the growing needs of the country. The birth of this bank brought a new landmark in the history of banking facility in Nepal. Like other developed countries, Nepal also took the policy to open economy and liberal to develop good competition in the banking field. Hence, the joint venture banking policy is taken. Today 32 commercial banks are operating to provide modern banking services and facilities to boost the economic condition of country.

The financial sector reform was initiated in mid-1980 under the liberal economic policy of HMG/N under this policy; HMG/N first opened the banking sectors to foreign investors. In July 1985, commercial banks were allowed, for the first time to accept current and fixed deposits on foreign currency (U.S. dollar and sterling pound). On May 26, 1986, NRB deregulated the commercial banks to fix interest rate at any level above its minimum prescribed levels.

2.1.2 Concept of Commercial Bank

Commercial banks are those banks, which perform all kinds of banking functions as accepting deposits advancing credits, credits creation and agency functions etc. They provide short-term credit, medium-term credit and long term credit for trade and industry. They also operate off balance sheet functions such as issuing guarantee, bonds, letter of credit etc.

In every country, outset of economic development is quite different but there is no debate about the significant role of banking sector for the economic development of the countries

as they are considered as the main source of finance. Without the development of sound commercial banking under development countries cannot hope to join the ranks of advanced countries. If industrial development requires the use of capital, the use of capital equipment will not be possible without the necessary capital industrial development will be impossible without the existence of markets of the goods produced. On the other hand, the services of the commercial banks will help to extend the market. The commercial banks play an important role as follows:

- a) Help in business expansion.
- b) Encouragement for the right types of industries.
- c) Necessary for trade and industry.
- d) Transfer of surplus funds to needy.
- e) Promotion of capital formation.

Commerce is the financial transactions related to selling and buying activities of goods and services. Therefore, commercial banks are those banks, which work from commercial viewpoint. They perform all kinds of banking functions as accepting deposits, agency function. They provide short-term credit, medium term credit and long term credit to trade and industry. They also operate off balance sheet functions such as issuing guarantee bonds, letter of credit etc.

Commercial bank acts as an intermediately; accepting deposits and providing credits to the needy area. The main source of the commercial bank is current deposit, so they give more importance to the liquidity of investment and as such they specialize in satisfying the short-term credit needs of business other than the long-term commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short-term needs of trade and industry such as working capital financing. They cannot finance in fixed assets. They grant credits in the form of cash credits and overdrafts. Apart from financing, they also render services like collection of bills and cheques, safe keeping of valuable, financial advising etc. to their customers.

This chapter highlights the literature that is available in concerned subject: fund collection and mobilization of four joint venture banks (Himalayan Bank Limited, Nepal SBI Bank Limited, Standard Chartered Bank, Everest Bank Limited).

Joint venture banks are the commercial banks formed by joining the two or more enterprises. They are the mode of trading to achieve mutual exchange of good and services for sharing comparative advantages by performing joint investment scheme between Nepalese investors, financial no financial institute as well as private investors their parent banks, which have been experiencing highly mechanized and efficient modern banking management skill and international of banking institutions. Joint venture banks are established by joining two difference forces and with ability to achieve common goal with each of the partners. They are more efficient and effective monetary institution in modern banking fields then other old types of bank in Nepalese context. The primary objective of the joint venture banks is always to earn profit by investing or granting the loans and advances to the people associate with trade, business, industry etc. That means they are required to mobilize their resources properly to acquired profit.

Joint venture is a joining of force between two or more enterprises for the purpose of carrying out a specific operation (Industrial and commercial investment production of trade) (Gupta, 1994)

All the Nepalese JVBs are established and operated under the rules regulation and guidance of Nepal Rastra Bank. Nepal Bank had issued a certain directive to those banks, regarding the mandatory credit accusation to the priority sector, the Nepal Rastra Bank has directed to the government owned banks to invest 3 percent and the JVBs to invest 0.05 percent of the total outstanding credit to the priority sector (Economic Report: 1997/98:4).

"HMG's deliberate policy of allowing foreign JVBs to operate in Nepal in basically targeted to enhance, encourage local traditionally run commercial bank to enhance their bankable through competition efficiency modernization and mechanization via computerization and prompt customer service" (Shrestha, 2047:45).

Now a day there is very much competition in banking market but less opportunity to make investment. In this condition joint venture bank can take initiation in search of new opportunities, so that they can survive in the competitive market and earn profit. But investment is very risking job for a purposeful, safe and profitable investment bank must follow sound investment and fund mobilizing policy.

Currently there are nine joint venture banks functioning their operations in Nepal under Banijya Bank act 2032 B.S. (www.nepalstock.com.np)

2.1.3 Joint Venture Banks in Nepal

Joint venture banking scenario of Nepalese financial sector is not so long. After the establishment of democratically elected government it introduced liberal and marketing oriented economic policy which facilitated the establishment of joint venture banks and pointed a new horizon to the financial sector of Nepal.

"A joint venture is forming of two forces between two or more enterprises for the purpose of carrying out of specific operation (industrial or commercial investment, production trade)". D.P Gupta, banking system its role in export development Delhi: Tata MCgraw Hill. 1984, P - 15 - 25. Joint venture banks are the commercial banks formed by joining a two or more enterprises, for the purpose of carrying out of specific operation such as investment in trade, business and industry as well as in the form of negotiation between various group of industries or traders to achieve mutual exchange of goods and services.

Nepalese JVBs should take initiation in search of new opportunities to survive in the competitive market and earn profit. There is high liquidity in the market but these seem no profitable place to invest. At the same time, the bank and financial institutions are offering very low deposit interest rate. In this situation Nepalese JVBs are required to explore new opportunities to make investment if they want to survive in the competitive market. Since, commercial banks can inspire entrepreneurship; the banks should also consider national interest and government emphasis for the economic growth of the country by the development of industry trade and business and to fulfill the objective of profit making.

Nepal Arab Bank Limited (NABIL Bank Limited) is the first joint venture bank of Nepal. It was established in 1984 A.D. Joint venture which United Arab Emirates Bank, under company act 1964 than other two joint venture banks Nepal Indosuez Bank Limited (Nepal Investment Bank Limited) with Indosuez Bank of Finance and Nepal Gridnlays Bank of London were established in 1986 A.D. Himalayan Bank Limited joint venture 1993 A.D. Everest Bank Limited joint venture with United Bank of India Calcutta) and Nepal Bangladesh Bank Limited with IFIC Bank of Bangladesh are established in 1991

A.D. Bank of Kathmandu joint ventured with SIAM commercial bank public co. Thailand was established in 1995 A.D. and Nepal Bank of Ceylong joint ventured with Ceylon Bank of Shrilanka was established in 1997 A.D. All of the banks briefly follow the policies of Nepal Rastra Bank. But at present these are only joint venture banks in Nepal.

2.1.4 Role of the Joint Venture Banks in Nepal

Joint venture banks pose a serious challenge to the existence of the inefficient native banks. But the same challenge can be taken by the domestic banks as an opportunity to modernize themselves and sharper their competitive zealous. It is undoubtedly true that the JVBS are already paying an increasingly dynamic and vital role in the economic development of the country, (Sharma, 1910:30).

The HMG/N budget for the F/Y 1984/85 provided the following justification for allowing the setting up of joint venture banks in the following words. "At present the financial institution of the country has been effortful to mobilize resources on one hand, the major part of the few individual whereas the small traders and entrepreneurs are facing difficulties to receive loans on the other. The only solution of this problem is to encourage competition in the banking sector.

Therefore, a policy of allowing new commercial banks under joint venture with foreign collaboration has been adopted; this will promote competition among banks where by the clients will get improved facilities addition the share of these new banks will also be sold to the general public and while distributing the share, it will be ensured that the ownership is spread out to the maximum extent possible (Sharma, 1998:37).

In such manner, joint venture banks are successful to bring healthy competition among banks, increase in foreign investment, promoted and expand export-import trade introduce new techniques and technologies. The various roles plays by the joint venture banks in Nepal can be classified into three categories.

a. Introducing Advanced Banking Techniques

The joint venture banks in Nepal have been largely responsible for the introduction of new banking technique such as computerization hypothecation, consortium finance, fee based

activities and syndicating under the foreign exchange transactions by importers and exports, merchant banking, inter banking market for the money and securities, arranging foreign currency loans etc.

b. Bringing Healthy Competition

The introduction of joint venture banks also brings the benefit of health competition of which the main beneficiaries are the bank customers and the economy. The increase in competition also force the existing banks to improve their qualities of services by simplifying procedures providing training and motivation to their own staff to respond to the new challenge.

c. Introduction Foreign Investment in Nepal

When looking at the possibility of investing in Nepal, multinational companies are unfamiliar with the local rules, regulations and practices though there are many systems actually operate during the implementation period. In this context, the joint venture banks help the multinational companies to build up their confidence for investment by providing necessary information and financial support.

Hence, the joint venture banks play the pivotal role for the economic development of country by providing various new financial services to modernize traditional Nepalese banking system.

2.1.5 Fund Collection Techniques

2.1.5.1 Common Stock Financing

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

The rights and responsibilities attached to equity consist of positive considerations (income potential and control of the firm) and negative consideration (loss potential, legal responsibility and person liability), Weston and Brigham, 11th Edition.

Two important positive constitutions are involved in equity ownership; income and control. The right to income carries the risk of loss. Control also involves responsibility and liability. In an individual proprietorship that uses funds supplied only by the owners, the owner has a 100 percent right to income and control and loss and responsibility. As soon as the proprietor incurs debt, however, he or she has entered into contracts that limit the freedom to control the firm and to apportion the firm's income. In the absence of a formal agreement state law makes division.

In a corporation, issues that are more significant arise concerning the rights to the owners. Through the right to vote, holders of common stock have legal control upon the corporation. Another consideration involved in equity ownership is risk. On liquidation, holders of common stock are last in the priority of claims. Therefore, the portion of capital they contribute provides a cushion for creditors; if losses occur on dissolution certain collective rights are usually given to the holders to common stock. (1) the right to amend the charter with the approval of the appropriate officials in the state of incorporation. (2) The right to adopt and amend by laws, (3) The right to elect the directors of the corporation, (4) The right to authorized the sale of fixed assets, (5) The right to enter into merges, (6) The right to change the amount of authorized common stock and (7) The right to issue preferred stock, debenture, bonds and other securities holders of common stock also have specific rights as individual owners: (1) The right to vote in the manner prescribed by the corporate charter, (2) The right to sell their stock certificates (their evidence of ownership) and, in this way, to transfer their ownership interest to other person, (3) The right to inspect the corporate books and (4) The right to share residual assets of the corporation on dissolution. However, the holders of common stock are last among the claimants to the assets of the corporation.

A. Form the View Point of Issuer

The advantages of common stock financing from the view point of issuer include:

- Common stock does not entail fixed charges if the company generates the earnings, it can pay common stock dividends. In contrast to bond interest, there is no legal obligation to pay dividends.
- Common stock carries no fixed maturity data.
- Since common stock provides a cushion against losses of creditors the sale of common stock increases the credit worthiness of the firm.
- Common stock can, at times, be sold more easily than debt. It appeals to certain investor groups because (a) It typically carries a higher expected return than does preferred stock or debt; and (b) Since it represents the ownership of the firm, it provides the investor with a better hedge against inflation than does straight preferred stock or bonds. Ordinarily, common stock increases in value when the value of real assets rises during an inflationary period.
- Return from common stock in the form of capital gains may be subject to a lower personal income tax rate on capital gains. Hence, the effective personal income tax rates on return from common stock may be lower than effective tax rates on the interest on debt. Recent tax law changes have reduced this advantage.

The disadvantages of common stock financing from the view point of issues include the following:

- The sale of common stock may extend voting rights or control to the additional stockowners that are brought into the company. For this reason, among others, small and new firms, whose owner-managers may be unwilling to share control of their companies with outside, often avoid additional equity financing.
- The use of debt may enable the firm to utilize funds at a fixed low cost, whereas common stock gives equal rights to new stockholders to share in the future net profits of the firm.
- The costs of underwriting and distributing common stock are usually higher than those for underwriting and distributing preferred stock or debt. Flotation costs for selling common stock are characteristically higher because (a) Cost of investigation and equity security are higher than those of investigating the feasibility of a comparable debt security and (b) Stocks are more risky which means equity holding must be diversified.

which in turn means that a given amount of new stock must be sold to a greater number of purchasers than the same amount of debt.

- If the firm has more equity or less debt than is called for in the optimum capital structure, the average cost of capital will be higher than necessary.
- Common stock dividends are not deductible as an expense for calculating the corporation's income subject to the federal income tax, but bond interest is deductible. The impact of this fact factor is reflected in the relative cost of equity capital viz, debt capital.

B. From The View point of Social

From a social view point, common stock is a desirable form of financing because it renders firms (a major segment of the company) less vulnerable to the consequences of declines in sales and earnings, common stock financing involves no fixed charges, the payment of which might force a faltering firm into reorganization or bankruptcy.

2.1.5.2 Debt financing

Bonds are not only long duration but also, usually of substantial size before the rise of large aggregation of saving through insurance companies or pension funds. No single buyer was able to buy an issue of such size. Bonds therefore, were issued in denomination of \$ 1000 each and were sold to a large number of purchasers. To facilitate communication between the issuer and the numerous bond holders, a trustee was appointed to represent to bond holders. The trustee is still presumed to act all the times for the protection of the bond holders and on their behalf. Any legal person, including a corporation is considered competent to act as trustee. Typically, however, department of commercial bank handles the duties of trustee. Trustees have their main responsibilities.

- They certify the issues of bonds. This duty involves making certain that all the legal requirements for drawing up the bond contract and the indenture have been carried out.
- They police the behaviours of the corporation in its performance of the responsibilities set forth in the indenture provisions.
- They are responsible for taking appropriate action on behalf of the bondholder if the corporation defaults on payment of interest or principal.

If the interest rates have risen and the price of the bonds has fallen, the firm will choose the open market alternative, If interest rate have fallen and bond prices have risen, it will elect the option of calling bond. There are two types of debt in the market, which are as follows:

Secured Debt

Secured long term debt canthe be classified according to (1) the priority to claims. (2) the right to issue additional securities and (3) the scope of the lien.

1. Priority to claims:

A senior mortgage has period claims on assets and earnings. Senior mortgages, implying that they have the first claim on the land and assets of the corporations. A junior mortgages is a subordanite lien, such as a second or third mortgage. It is a lien or claim junior to others.

2. Right to issue Additional Securities:

Mortgage bonds can also be classified with respect to the right to issue additional obligationspledging already encumbered property. In the case of closed end mortgage, company can to sell additional bond (Beyond those already issued) secured by property specified in the mortgages. If the bond indenture is silent on this point, it is called on open end mortgage.

3. Scop of the Lien:

Bond can also be classify with respect to the scope the lien. A lien is granted on certain specified property. When a specific lien exists, the security for a first or second mortgage is specifically designated property. On the other hand, a blanket mortgage pledges all real property currently owned by the company. Real property includes only land, thus a blanket mortgage gives more protection to the bondholder than does a specific mortgage because it provides a claim on all real property owned by the company.

Unsecured Debt

Unsecured long term debt can be classified in three types, which are as follows:

1. Debentures:

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

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

2. Subordinate Debentures:

The term subordinate means below or inferior. Thus, subordinate debt has claims on assets after unsubordinated debt in the event of liquidation. Debentures can be subordinated to designate notes payable usually banks loans or to any or all other debt. In the event of liquidation or reorganization, the debentures cannot be paid until debt as named in the indenture has been paid. Senior debt, typically, does not include trade accounts payable.

In comparison to subordinated debt preferred stock suffers from the disadvantage that its dividends are not deductible as an expense for tax purposes. Subordinated debentures have referred to as being like a special kind of preferred stocks dividends of which are deductible as an expense for tax purposes. Subordinated debt has, therefore, become an increasingly important source of corporate capital.

3. Income Bonds:

Income bonds provide that interest must be paid only if the earnings of the firm are sufficient to meet the interest obligations. The principal however, must be paid when due. Thus, the interest itself is not a fixed charge. Income bonds, historically, have been issued because a firm has been in financial difficulties and its history suggests that it may be unable to meet a substantial level of fixed charges in the future. Simply provide flexibility to the firms in the event that earnings do not cover the amount of interest that

- c) In the area of control the bond holder usually does not have the right to vote. However, if the bonds go into default then bondholders in effect take control of the company.

B. From the View Point of Debt Issuer:

From the view point of debt issuer the advantages of debt financing are:

- a) The cash cost of debt is definitely limited. Bond holder do not participate in superior profit (if earned)
- b) Not only is the debt cost limited but typically the required returns is lower than that of common stock.
- c) The owners of the corporation do not share their control when debt financing is used.
- d) The interest payments on debt are deductible as a Tax expenses.
- e) Flexibility in the financial structure of the corporation can be achieved by inserting a call provision in the bond indenture.

From the view point of debt issuer the disadvantages of debt financing are:

- a) Debt has committed charge whose nonpayment is default.
- b) Debts usually have a fixed maturity date and the financial offer must make provision for repayment of the debt.
- c) Since long term debt is commitment for a long period it involves risk. The expectation and plan on which the debt was issued may change and the debt may prove to be a burden.
- d) There is a limit on the extent to which funds can be raised through long term debt generally accepted standards of financial policy indicate that the debt ratio shall not exceed certain limits when debt goes beyond these limits, its cost raise rapidly.

2.1.5.3 Preferred Stock Financing

Preferred stock has claims and rights ahead of common stock but behind of all bond and debt. The preference share may be prior claim on earning: a prior claim on assets in the event of liquidation and/or a preferential position with regard a both earning and assets. The hybrid nature of preferred stock becomes apparent when we try to classify it in

relation to bonds and common stock. The priority features and the fixed dividend indicate that preferred stock is similar to bonds. Payments of preferred stock holders are limited in amount, so that common stock holder receive the advantages (or disadvantages) of leverage. However, if the preferred dividends are not earned, the company can forgo paying them without danger if bankrupted. In these characteristics, preferred Stock is similar to common stock. Moreover failure to pay the stipulated dividends does not cause default of the obligation, as done failure to pay bond interest. In some case of analysis, it is treated as debt.

A. From the Viewpoint of Issuer:

From the viewpoint of issuer, the advantages of preferred stock financing are:

- a) In contrast to bonds, the obligation to make committed interest payments is avoided.
- b) A firm wishing to expand because its earning power is high can obtain higher earnings for the original owners by selling preferred stock with limited retain rather than by selling common stock.
- c) Preferred stock also permits a company to avoid sharing control through participating in voting.
- d) Since preferred stock typically has no maturity and no sinking fund it is more flexible than bonds.

From the view point of issuer, the disadvantages of preferred stock financing are:

- a) Preferred stock dividends are not deductible as Tax expenses a characteristic that makes their cost differential very grate in comparison with that of bonds.
- b) The after tax cost of debt is approximately half that state coupon rate for profitable firms. The after tax cost of preferred however, is frequently the fall percentage amount of the preferred dividend.
- c) Characteristically preferred stock must be sold on a higher yield basis than that for bonds.

B. From the View point of investor:

It is asserted that preferred stocks have so many disadvantages to both the issuer and the investor that they should never be issued nevertheless preferred stock is issued in substantial amounts preferred stock financing provides the following advantages to the investor:

- a) It provides reasonably steady income.
- b) Preferred stockholder have a preference than common stockholder in liquidation numerous examples can be cited where the preference position of holders of preferred stock saved them from losses incurred by holder of common stock.
- c) Preferred stock financing provides the following disadvantages to the investors:
- d) Price fluctuation in preferred stock may be greater than those in bonds. Yields on bonds are sometime higher than those on preferred stocks.
- e) Although the holder of preferred stock bear a substantial portion of ownership risk. their return is limited.
- f) Accrued dividends arrearages are seldom settled in cash comparable to the amount of obligation that has been incurred.

2.1.5.4 Current Accounts

A current account is a running account with among being paid into and drawn out from the account continuously. These accounts are also called demand deposits or demand liabilities. Since the banker is under an obligation to pay the money in such deposits or demand. The account never becomes time barred, because the limitation does not run until the customer on the bank for the payment of deposits makes a demand. These accounts are generally opened by business houses. Public Institutions, Corporate bodies and other organizations whose banking transactions are numerous and frequent.

2.1.5.5 Saving Accounts

Saving accounts are mainly meant for non-trading customers who have some potential for saving and who do not have numerous transactions entering their account. Low salaried class of middle-income groups. Small traders mainly open such accounts.

The features of saving accounts are below:

- a) Account could be open with a minimum of zero rupees. The smallest amount that may be deposit or withdraw anytime.
- b) A minimum balance maintained in the accounts and the accounts may be dormant if for a continuous period of six month.
- c) On the death of the depositor, the amount standing to his/her credit will be paid to such person as are legally entitled there to upon satisfactory proof or mentioned on account opening form.
- d) Every depositor is permitted minimum withdrawals by cheque or otherwise. If the number of withdrawals exceeds.

2.1.5.6 Fixed Deposit Account

Fixed deposits constitute as important resources for banks, as banks need not keep greater reserves of such deposits. Reserve bank is regulating the interest rate by giving directives from time to time. Reserve bank is following a differential interest rate policy having regard to size of deposits held by the banks. Slightly rates of interest are permitted in the case of smaller banks. Even before reserve bank felt the need to regulate, lending banks themselves regulated the interest rates on voluntary basis, familiarly referred to as "interbank agreement in interest rates".

2.1.5.7 Miscellaneous Accounts

There is a vigorous drive for mobilization of deposits and different banks have introduced novel type of account. Punjab national bank has created a new deposits division to address itself exclusively technique. Some of the scheme are like 1) Non-resident (External Account). 2) Foreign currency (Non Resident) Account etc.

2.1.6 Mobilization of Funds

Bank utilizes its funds in suitable area and right sector. Banks cannot achieves its goals until and unless it mobilizes its fund in right sectors and by performing different activities, many kinds of activities and other thing can origin for the purpose of receiving invest from the bank. But bank should separate the useful and profitable sector for mobilization its fund.

As commercial bank they are expected to make profit. If there is no profit, there will be adverse criticism against public sector banking both in and outside the parliament when these banks are asked to open new branches in areas which do not allow profit for years or asked to grant loan to priority sector. Such as small industries and agriculture with a high incidence of bad debts, there is need for customer balancing profit from elsewhere. Therefore, these banks will have to show an ascending order of profits in order to ensure growth with stability for this purpose the bank will have to allocate land able resources to

Different segments in such a manner these banks can ensure adequate profitability while at the same time responding to policies laid down in accordance with national objectives. Generally Nepalese bank has mobilized its funds in the following activities.

I. Liquid Funds:

A bank has kept a volume of amount in liquid funds. The funds have so many responsibilities in banking activities. Liquid funds have covered following transactions:

- i) Cash in hand
- ii) Balance with NRB
- iii) Balance with domestic bank
- iv) Call money

II. Investment:

Bank invests its fund in different banking activities and different fields. Many types of fields are shown in markets for investment. But banks invest its fund in profitable and safety activities. Banks invest its funds in the following title.

- i) Share and debenture
- ii) Government securities
- iii) NRB bond
- iv) Joint venture

III. Loan and Advances:

Bank mobilizes its funds by providing different types of loan and advances to customers by charging fixed interest. Different types of loan and advances are:

- i) To government enterprises
- ii) To private enterprises

IV. Fixed Assets:

Land and buildings are essential for the establishment of bank. Bank funds are used in buying of furniture. Vehicle. Computer and other commercial instruments which are related to banking activities. Bank cannot take direct gain from these assets, but bank should buy it. A bank has a need of fund to purchase fixed assets for the new branches of the bank.

V. Administrative and Miscellaneous Expenses:

Bank Should Manage Funds for administrative and other miscellaneous expenses. The administrative expenses are:

- i) Salary to employee
- ii) Pension
- iii) Allowances
- iv) Advertisement
- v) Stationary
- vi) Provident fund
- vii) Rent
- viii) Income tax
- ix) Donation
- x) Insurance
- xi) Tour expenses
- xii) Commission

The miscellaneous expenses are:

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

In this way, bank mobilizes its fund by performing different activities to achieve its desired goals i.e earning profit. Banks are sufficient profit mobilizing its funds in proper way into the different profitable sector. It can utilize its collective fund as well as own funds in all banking activities by performing effective fund mobilization procedure.

2.1.6.1 Factors Affecting Fund Mobilization

Several factors should be considered before mobilizing funds available. The success of the firms depends upon how effectively it mobilizes its fund. The major factors that affect fund mobilization are as follows:

a) Liquidity of fund

The cash or liquidity position of the firms influences its ability to mobilize fund. A firm may have sufficient retained earnings, but if they are invested in fixed assets. Cash may not be available to mobilize fund. Thus the company must have adequate cash available as well as retained earnings to effectively mobilize its fund.

b) Market interest Rate

Market interest rate is the preliminary factor affecting fund mobilization. If market interest rate is high, high fund is mobilized in loan and if it is low higher fund amount is flowed in investment sector.

c) Demand of Fund (Loan)

Since the majority of fund is utilized in providing loan, especially in banking sector, the fund mobilization highly depends on demand of loan. Higher demand indicates higher flow of funds and vice versa.

d) Risk taking and Abortion

Fund mobilization is also affected by risk taking nature, if the firm's nature is risk taking higher amount of fund is mobilized in the market in the form of loan and investment. while if it has risk abortion, the higher amount of fund remains within the firms.

e) Political Condition

Fund mobilization directly depends upon the political stability of the nation. The state of conflict makes fund freeze within the firm while good government and security of investment open the door of investment and high circulation of funds.

f) **Government Policy**

Each firm has to perform within the rules and policy of the government. The aggressive economic policy set out by the government is highly favorable for fund mobilization. In addition, the nature of economy, centralized, privately and mixed economy, affects the flow of funds.

g) **Nepal Rastra Bank's Rule**

The financial institutions have to do activities within the rules and regulation of Nepal Rastra Bank. The benchmark of cash reserve ratio set out by NRB and the priority sector for loan highlighted can also affect fund mobilization. Besides these, the policy set out at regular time intervals should also be considered before mobilizing funds.

2.2 **Review of Related Studies:**

2.2.1 **Review of Articles and Journals:**

At the time of this thesis writing following articles, newspaper and previous study are studied for fulfillment of prescribed objectives.

Many researches have analyzed their fund mobilizing view and findings in their research paper in the subject through investment policy of commercial banks. Under this, related articles published in different economic journals, bulletin of World Bank, dissertation papers, newspaper, and researchers view findings toward fund examined and reviewed.

Sharma (2009) in his article *Monetary policy and Deposit Mobilization in Nepal* has mentioned the mobilization of domestic saving is one of the prime objective of the monetary policy in Nepal. For this purpose, Commercial Banks stood as the active and vital financial intermediary for generating resources in form of deposit of the private sector. So far providing credit to the investor's in different aspects of the economy.

He has explained that commercial banks only can play an important role to mobilize the national savings. Nowadays other financial institutions like finance companies; cooperative societies have been established actively to mobilization deposits in the proper sectors so that return can be ensured from the investment.

Madhav lal Pradhan (2009) in his articles, *The importance of loan information center and its activities* published in NRB annual publication says that the loan information center was established to fulfill the necessity of a company working in relation to information related to loan. He further adds that the negative trends like delaying the payments of principle and interest, deficient loan approval procedures, lack of constant companies have aided in the increase of non-performing loans ultimately affecting the national economy negatively. The author recommends the banks and finance companies to help the loan information center by following the directive of Nepal Rastra Bank and utilizing the information obtained from the center so that positive changes can be witnessed.

Gautam (2010) has analyzed in her article, *Financial Performance of Commercial banks using both descriptive and diagnostic approach* in her study, she has concluded the following points:

- The structural ratio of commercial banks shows that banks invest on the average of 75% of their total deposits on the government securities and the shares.
- The analysis of resource position of commercial banks should quit high percentage of deposit as cash reserve.
- Return ratio of all banks shows that most of the time foreign banks have higher return as well as higher risk than Nepalese banks.
- The debt- equity ratios of commercial banks are more than 100% in most of the period under studies period. It led to conclude that the commercial banks are highly leveraged and highly risky. JVBs had higher capital adequacy ratio but has been dealing every day.

Shrestha (2011) in his article, *Deposit Mobilization, Its problems and Prospects* has presented that following problems in the context of Nepal:-

- People do not have knowledge and proper education for institutional manner. They so do not know financial organization process, withdraw system, depositing system etc.
- Financial institution does not want to operate and provide their services in rural areas.
- He has also recommended about mobilize the deposit collection by the financial institution by rendering their services in rural area and by adding various services.

- Nepal Rastra Bank most organized training programs to develop the skill of human resource.
- By spreading a numbers of co-operatives societies to develop, mini banking services and improves the habits of public in deposit collection to rural areas.

2.2.1 Review of Previous Thesis:

Under this sector, various masters level dissertation were reviewed. Though the same research topic wasn't available in TU library, some research paper, which is slightly related to study, have been reviewed. These are as follows.

Panta (2009) had research entitled to *A study of investment policy of commercial Banks*. He takes 5 years data of two banks that is BOK and NIBL. The specific objectives of his study are:

- To evaluate the liquidity, assets management, profitability, risk position and growth ratio of the banks under study.
- To find out the relationship between total deposit and investment. loan and advance. interest earned and net profit to outside assets and total working form. loan and advance to interest paid and compare them.
- To analyze the trend of deposit investment net profit, loan, and advance for next five years of BOK and NIBL.
- To provide suggestions and recommendation based on the study.

Devkota (2010), in this topic *Fund mobilization of commercial banks* states that consolidation and liberalization of interest rate reform measures are initiated with a view to provide more option to commercial banks in the mobilization of saving and portfolio management through market determined and lending rates. There is much computation in banking market but less opportunity to make investment. In this condition, joint venture bank can take imitation in search of new opportunities, so they can survive in the competitive market and earn profit. (Devkota, 2012 A.D)

Adhikari (2010), conducted a study on *A comparative Study of Fund Mobilization of Commercial Banks* with the objective of:

- a) To explore the effectiveness of the selected joint venture banks in fund mobilization.
- b) To analyze the sources and uses of funds of the selected joint venture banks.
- c) To study the factors affecting the fund mobilization.
- d) To provide suggestions and recommendation based on analysis.

The major findings of the study are as follows:

- Average ratios of cash and banks balance to total deposits reveal that EBL has higher ratio and NABIL had lower. which shows that the liquidity position of EBL is quite well than NABIL but CV of NABIL is lower than EBL which means NABIL has more consistent ratio.
- The average ratio of credit and advance to total deposit of EBL is higher than NABIL deposit in credit and advance more than NABIL.
- The average debt equity ratio shows that NABIL has the higher average ratio than EBL that means the financial risk of this bank is also high both JVBS have used excessive amount of debt.

Basnet (2011) has conducted a study on *Investment policies of Joint Venture Banks with reference to Nabil Bank Ltd. and Everest Bank Ltd.* He has taken five years financial data.

The major findings of the study are:

- The cash and bank balance to total deposit ratio of both bank fluctuating trend.
- Current ratio of NIBL and Everest have fluctuating trend.
- The ratio of investment on government securities to current assets of Everest Bank is higher than in compare to Nabil. Which states that its investment on government securities is highly rich than that of Nabil.
- The loan and advance to total deposit ratio of Nabil has increasing trend. The mean ratio of NABIL is lower than Everest bank. Which shows that the ratios are no satisfactory consistent over the study period.
- Investment to total deposit of banks has in fluctuating trend during the study period the main ratio of total investment to total deposit of NABIL is higher than Everest bank.

Bajracharaya (2011) has conducted a study on *A study on Fund Mobilization of Joint Ventures Banks (with reference to Himalayan Bank Ltd, Nabil Bank Ltd and Everest Bank Ltd)* The objectives of the study have been concentrating on reviewing the fund collection collection and its mobilization in the joint venture banks especially in Nabil, HBL and EBL. Her study has expected to prove a useful feedback to the commercial banks. Some of the specific objectives of the study are as follows.

- To analyze the ability of the selected joint venture banks in fund mobilization.
- To identify the factors affecting the fund mobilization.
- To provide suggestions and recommendation based on analysis.

SusmitaPandit (2012) has studied on *A study on Fund collection mobilization of commercial Banks*. The main objectives of his report are to examine the performance of the selected commercial banks in terms of fund collection and mobilization, to access determinants of sampled banks fund collection and mobilization in commercial banks. Toevaluate the growth ratio of credit and advances and total investment with respective to growth rate of total deposit and net profit on samples banks.banks has been providing more and more banking facility to the general people of the country. Therefore, the bank with more branches is able to mobilize more financial resources. She further concluded that the bank should not only consider the security against which the loans are be granted, it should much more alternative pay due concern to the genuineness of the party so that the resources could be properly utilized. (Pandit, 2012 A.D)

2.3 Research Gap

The purpose of this study is to develop some expertise in one's area, to see what new contribution can be made and to receive some ideas, knowledge and suggestions in relation to fund collection and mobilization process of sample joint venture banks. Thus the previous studies can't be ignored because they provide the foundation to present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies. Hence it is clear that the new research cannot be found on that exact topic i.e fund collection and its mobilization, A study on joint venture banks. Therefore, to fulfill this gap, this research is selected. To complete this research study, many books, journals, articles and various

published and unpublished dissertations are followed as guideline to make the research easier and smooth.

Our main research problem is to analyze weather the joint venture banks are able to collect and mobilize its fund effectively or not. To achieve the main objective, various financial and statistical tools are used.

Similarly trend analysis of common stock financing, debt financing, preferred stock financing, current account, saving account, fixed deposit account and miscellaneous accounts are reviewed to make this research complete. Therefore this study is useful to concern bank as well as different persons, such as shareholders, Investor, policy makers, stockholders, state of government etc.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction:

Research methodology is composed of two words: 'Research' and 'methodology' research is the systematic and organized effort to investigate a specific problem that needs a salutation. This process of investigation involves a series of well thought out activities of gathering, recording, analyzing and interpreting the data with the process of finding answer to problem. Thus, the entire process by which we attempt to solve problem is called research, while 'methodology' is the research method used to test different statistical tools in order to make conclusion. A sound and systematic methodology is required to carry out any study, if it is to be worthwhile.

A research methodology helps to find out accuracy, validity and suitability. The justification on the present study cannot be obtained without the help of proper research methodology. For the purpose of achieving the objective of study, the applied methodology will be used. The research methodology used in the present study is briefly mentioned below.

This topic present the short outline of the methods applied in the process of analyzing the fund collection and its mobilizing the joint venture banks. Research is a systematic method of finding out the solution to problem whereas research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objective in view. This research work draws the conclusion to the point that what kinds of position joint ventures have got and suggested the precious and meaningful point so that all concerned can achieve something g from this study.

3.2 Data Collection Procedures

The researcher used two types of data collection techniques. One is primary data collection and other is secondary data collection.

3.2.1 Primary Data

Primary data are those collected by the researcher on the concerned topic, which are original in nature. While studying about the fund collection and mobilization, we can access primary data from different sources: direct in-depth interviews with staffs of credit department unit of EBL, SCBNL, HBL and NSBI as well as concerned customer of banks.

3.2.2 Secondary Data

The study is mainly based on secondary data. So, the major sources of secondary data for this are as follows:

- a) Annual reports of the bank.
- b) Published and unpublished bulletins, reports of bank.
- c) Published and unpublished bulletins, reports of Nepal stock exchange.
- d) Previous studies and report.
- e) Unpublished official records.
- f) Journals and other published and unpublished related documents and reports from center library of T.U, library of ShankerDev campus and other.
- g) "Banking and financial statistics" report of NRB magazines.
- h) Various internet websites.
- i) Other published materials.

3.3 Population and Samples

Population covers the whole or total of observation that have selected for the study sample is the part of population which represents population with regards to the study.

There are 32 commercial banks functioning all over the country and most of their stocks are actively traded in stock market. Among them four are included in study. These banks are compared as per fund collecting and mobilizing activities. It is not possible to research all the data related with concerned joint ventures. Thus, data from fiscal year 2007/08 to 2011/12 are analyzed for the fulfillment of the objective.

3.4 Method of Data Analysis

Analysis and presentation of the data is the main part of every research work. Mainly financial methods are applied for the purpose of this study. Appropriate statistical tools are used. Among them, correlation analysis is regarded as major tools used for the research.

To make the study more specific and reliable, the researcher uses two types of tools for analysis.

- a) Financial tools
- b) Statistical tools

3.4.1 Financial Tools

Financial tools measures, the financial strengths and weakness of the firm by establishing relationship between the items of the balance sheet and the profit and loss account. The basic tools used are ratio analysis. Beside it, total deposit, total investment and total income analysis have been used.

3.4.1.1 Ratio Analysis

Ratio analysis is a powerful and the most widely used tools of financial management. A ratio defined as "The indicated quotient of two mathematical management expression" and as the relationship between two or more things (Webster, 1975). A ratio is a figure or a percentage representing the comparison of one-dollar amount with some other dollar amount as a base (Roy, A.F, 1974). Ratio analysis is widely used tools of financial analysis. it is defined as the systematic use of ratio to interpret the financial statements so that the strength and weakness of firm as well as its historical performance and current financial condition can be determined . In the financial analysis, a ratio is used as an index or yard sticks for evaluating the financial position and performance of firm. Ratio helps to summarize the large quantities of financial data and to make qualitative judgments about the firm's financial performance (pandey, I.M, 1979).AZx

A large number of ratios can generated from the components of profit and loss account and balance sheet. They are sound reasons for selecting different kinds of ratio for

different types of situations. For this study, ratios are categorized into the following major headings.

A) Liquidity Ratio

Liquidity refers to the ability of a firm to meet its short-term or current obligations. So liquidity ratios are used to measure the ability of a firm to meet its short-term obligations and from them the present cash solvency as well as ability to remain solvent in the event of adversities of the same can be examined (Van Horne, J.C, 1999).

Inadequate liquidity can lead to unexpected cash shortfall that must cover at inordinate costs, thus reducing profitability. In the worst case, inadequate liquidity can lead to the liquidity insolvency of the institution. On the other hand, excessive liquidity can lead to low assets yield and contribute to poor earnings performance (Scott, D. 1992).

To find out the ability of bank to meet their short-term obligations, which are likely to mature in the short period, these ratios are calculated. The following ratios are developed under the liquidity ratios to identify the liquidity position.

I. Cash and Bank Balance to Total Deposit Ratio:

This ratio shows the ability of banks immediate funds to cover their deposit. Higher the ratio shows higher liquidity position and ability to cover the deposits and vice versa. It can calculate by dividing cash and bank balance by total deposits. This ratio can calculate by using following formula.

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

II. Cash And Bank Balance to Current Deposit Ratio:

This Ratio is computed to disclose the soundness of the company to pay total calls made of current deposits. It can be expressed as:

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

B) Activity/ Efficiency Ratio

It is known as turnover or efficiency ratio or assets management ratio; measures how efficiently the firm employs the assets. Turnover means: how many numbers of times the assets flow through a firm's operations and into sales (Kulkarni, P.V, 1994). Greater rate of turnover or conversion indicates more efficiency of a firm in managing and utilizing its assets, being other things remain same. Various ratios are examined under these headings.

I. Credits and Advances to Total Deposit Ratio:

Commercial banks mobilize the outsider's fund for profit generation purpose. Credits and advances to total deposit ratio shows whether the banks are successful to mobilize the outsider's funds (i.e total deposits) for the profit generating purpose on the credit and advances or not. Generally, a high ratio reflects higher efficiency to mobilize outside's fund and vice versa. The ratio can calculate by using following formula.

$$\text{Credit and Advances ratio} = \frac{\text{loan and Advances}}{\text{Total deposit}}$$

II. Credits and Advances to Fixed Deposit Ratio:

Fixed deposits are the long-term interest bearing obligation and credits and advances is the major source of investment to generating purpose. The ratio is slightly differ with the former one, because it only includes the fixed deposits, where as the former includes all the deposits. The following formula is used to obtain the ratio.

$$\text{Credit and Advances to fixed Deposit ratio} = \frac{\text{loan and Advances}}{\text{Fixed deposit}}$$

III. Credit and Advances to Total Assets Ratio:

It measures the ability in mobilizing total assets into credits and advances for profit generating income. A higher ratio is considered as adequate symbols for effective mobilization of total assets to bank into credits and advances, which creates opportunity to earn more and more. It is calculated as:

$$\text{Credit and Advances to Total Assets ratio} = \frac{\text{Loan and Advances}}{\text{Total Assets}}$$

C) Leverage Ratio

The use of finance is referred to by financial leverage. When a firm borrows money, it promises to make a series of payments, which creates financial leverage (Brealy, R. Myers, 1919). These ratios are also called solvency ratio or capital structure ratio. These ratios indicate the mix of funds provided by owners and lenders. As a rule, there should be an appropriate mix of debt and owner's equity in financing the firm's assets. To judge the long-term financial position of the firm, leverage ratios are calculated. This ratio highlights the long-term financial health, debt servicing capacity and strength and weakness of the firm. Following ratios are included under leverage ratios.

1. Total debt to Net Worth Ratio:

The ratio is calculated to find out the proportion of outsider's fund and owner's fund to finance for the total assets. It is also called the proportion of outsider's claim and insider's claim on total assets of the bank. Generally, a very high ratio is unfavorable to the business because the debt gives third parties legal claims on the company. These claims are for interest payments at regular intervals plus repayment of the principals by the agreed time. On the other hand, a very low ratio is also unfavorable from the shareholders' point of view. They want this ratio to be high so that they can have better returns with smaller capital. It is calculated as follows:

$$\text{Total debt to Net worth Ratio} = \frac{\text{Total Debt}}{\text{Net Worth}}$$

2. Total Debt to Total Assets Ratio:

It examines the relationship between borrowed fund (i.e. total debts) and total assets. It shows the relative extent to which the firm is using borrowed money. A lower ratio is preferable since it reduces the distress of the creditors by using more amount of equity on total assets. It is computed as:

$$\text{Total Debt to Total Assets ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

D) Profitability Ratio

Profit is the difference between revenues and expenses over a period. A company should earn profit to survive and to grow over a long period. Therefore, profits are essential, but profit earning is not the ultimate aim of company and it should never earn at the cost of employees, customers and society. "Profitability ratios are the indicators of degree of managerial success in achieving firm's overall goals". (Pradhan, S 1996). It shows the overall efficiency of the business concern. The following ratios are calculated under the profitability ratios.

I. Net Profit/ Loss to Total Assets Ratio:

The ratio is useful to measure how well management uses all the assets in the business to generate an operating surplus higher the ratio indicates the higher efficiency in the mobilization of total assets and vice-versa. the ratio is low due to low profit . In other words, it is low utilization of bank assets and over use of higher interest bearing amount of debt and vice-versa.

ii. Interest Income to Total Credit and Advances:

It tells the income as interest from total credit and advances. It is useful to know the fact that whether the credit has given or not. We can increase interest income by taking good issuing and recovery credit policy. High return shows the soundness of credit policy. It is calculated by using the following formula.

$$\text{Interest Income to Total Credit and Advances Ratio} = \frac{\text{Interest Income}}{\text{Total Loans and Advance}}$$

E) Other Ratios

1. Earnings Per Share (EPS):

EPS is one of the most widely quoted statistics when there is a discussion of a company's performance or share value. It is the profit after Tax figure that is divided by the number of common shares to calculate the value of earning per share. This figure tells us what profit the common shareholder for every share held have earned.

A company can decide whether to increase or reduce the numbers of shares on issues. This decision will automatically affect the earnings per share. The profits available to the ordinary shareholders are represented by net profit after taxes and performance dividend. Symbolic expression of EPS is given below:

$$\text{Earnings per Share} = \frac{\text{Earning Available for Common Shareholders}}{\text{Total No of Equity Shares}}$$

2. Market value Per Share (MVPS):

Market value per share is the trading price of each share of common stock in the market higher market price reflects better image of the organization in public mind and vice-versa.

$$\text{Market value Per Share} = \frac{\text{Market Value of Share}}{\text{No of Equity Share}}$$

3. Price Earning Ratio (P/E Ratio):

The P/E ratio is widely used by the security analysis to evaluate the firm's performance as expected by investors. It shows the price currently paid by the market for each rupee of currently reported earnings per share. It is also called multiplier.

$$\text{Price Earning Ratio} = \frac{\text{market Value Per Share}}{\text{Earning Per Share}}$$

3.4.1.2 Sources and Uses of Fund

Management of funds is the important part of the banking business. The problem of managing funds is great for banks than it is for almost any other enterprises. The source and usages of analysis took out proportion of each source and each use to total funds of bank and it is expressed in percentage. And the percentage was compared with the standard percentage of a typical bank. This analysis also concerned behaviors of the sources of fund. The usages were analyzed in terms of their supporting ability to the sources of funds make study easier, the sources and uses of funds of banks are categorized and presented below.

Figure: 3.1

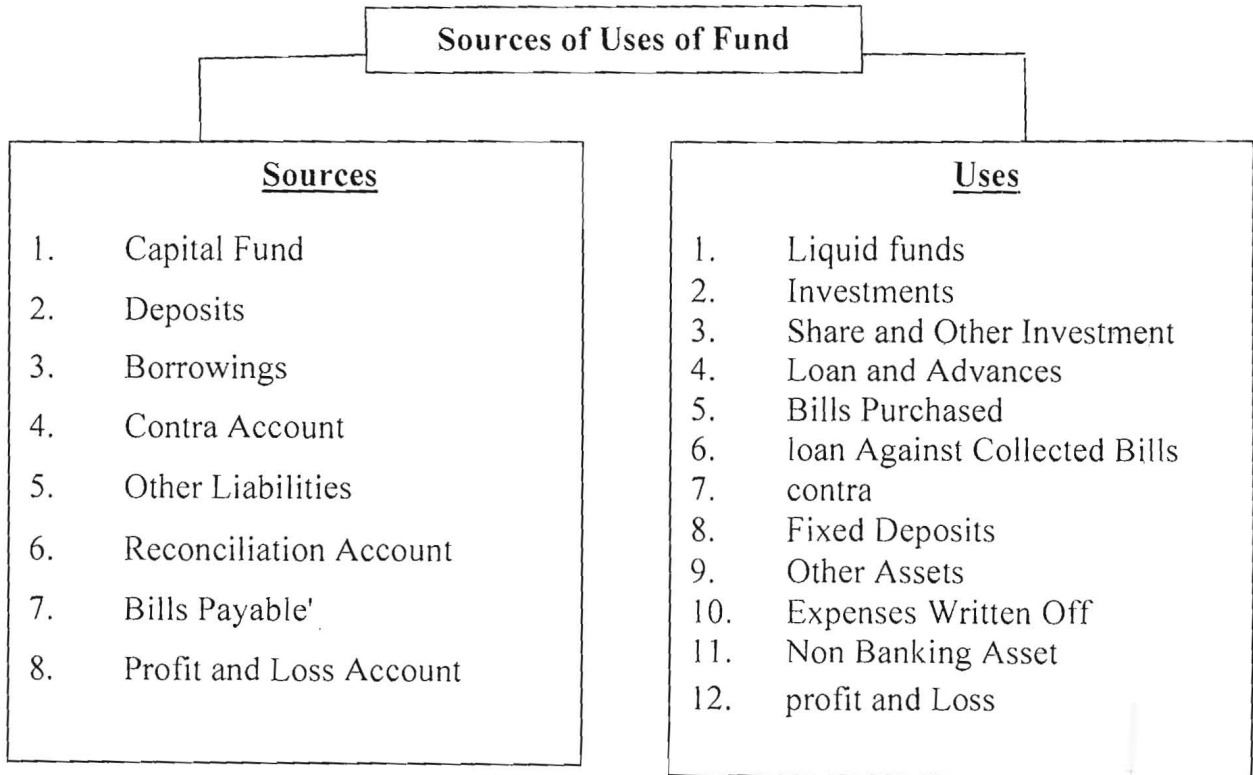
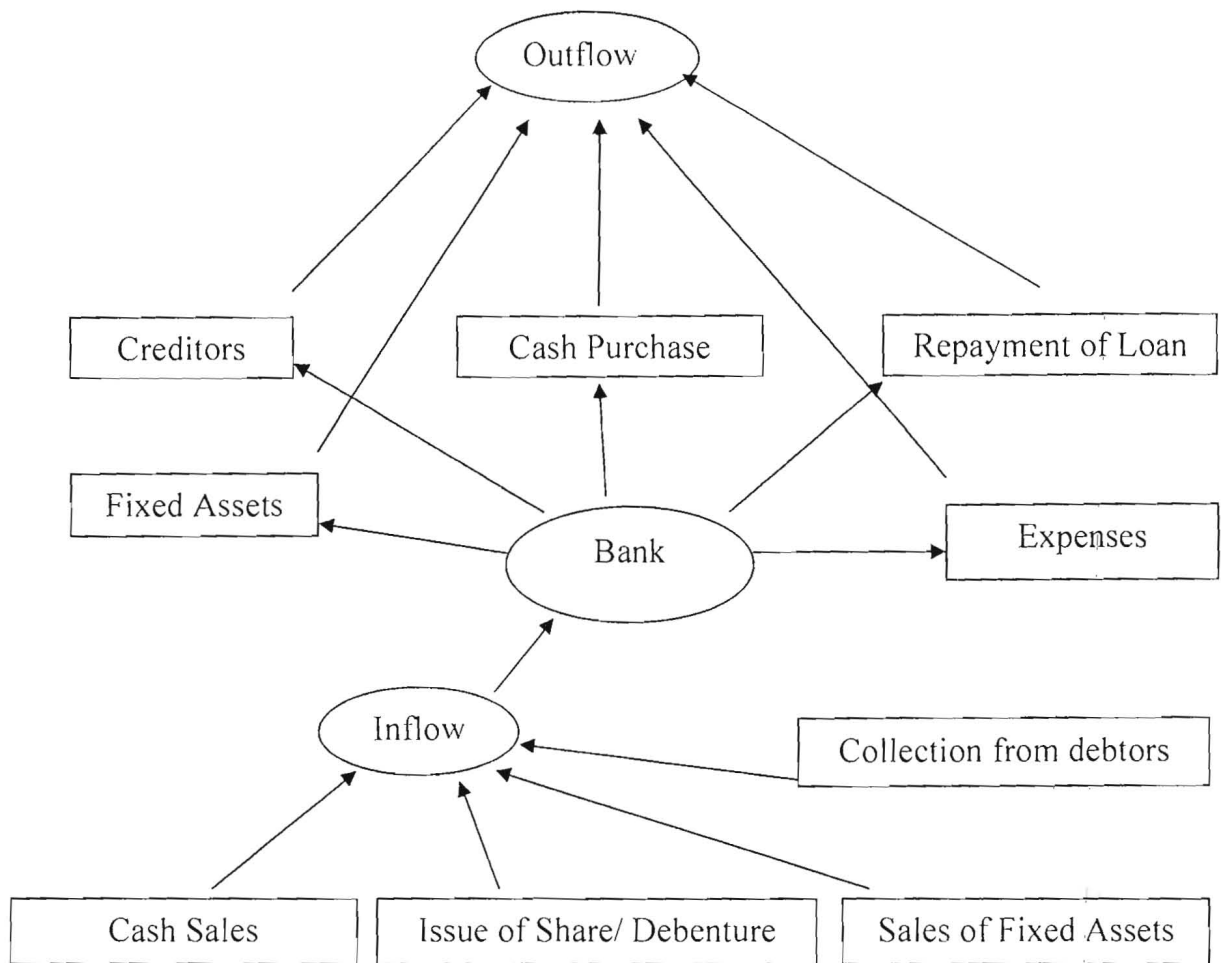


Figure: 3.2

Flow of Cash in Business



3.4.2 Statistical Tools

for supporting the study, statistical tools such as Mean, Standard Deviation, Coefficient of Variation, Correlation, trend Analysis and diagrammatic cum pictorial tools have been used under it.

I. Arithmetic Mean (Average):

"Average are statistical constraints which enables us to comprehend in a single effort of the whole" (gupta, S.C, 2000). It provides the gist and gives the bird's eye view of the huge mass of unwisely numerical data. It can be calculated as:

$$\text{Average} = \frac{\sum X}{N}$$

II. Standard Deviation (S.D):

"The Standard Deviation is the square root of mean square deviation from the arithmetic means and is denoted by S.D or σ , (Shrestha, K.N. 1991). It is used as absolute measure of dispersion or variability. It is calculated as:

$$\sigma = \sqrt{\frac{\sum (X - \bar{X})^2}{n}}$$

Where,

σ_x = Standard Deviation

III. Coefficient of Variation (C.V):

"The Co-efficient of variation (C.V) is the relative measure based on the standard deviation and is defined as the ratio of the standard deviation to the mean expressed in percentage" (Shrestha, K.N, 1991). It is independent of units. Hence, it is a suitable measure for comparing variability of two series with same or different units. A series with smaller C.V is said to be less variable or more consistent or more homogeneous or uniform or more stable than the others and vice versa. It is calculated as.

$$C.V = \frac{\sigma_x \times 100}{X}$$

IV. Correlation Coefficient (r) :

Correlation may be defined as the degree of linear relationship existing between two or more variables. These variables are said to be correlated when the change in the value of one results change in another variable. Correlation is of three types. They are simple, partial and multiple correlations. Correlation may be positive, negative or zero. Correlation can be classified as linear or non-linear. Here, we study simple correlation only" In simple correlation the effect of others is not included rather these are taken as constant considering them to have no serious effect on the dependent variables (Shrestha, K.N, 1994).

The popular method of statistical tool, karlpearon's co- efficient of correlation has been adopted to measures the significance of the relation between the deposit and the

investment, loan and advances of the four joint venture banks. The formula for computing the correlation coefficient (r) is as follows.

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

V. probable Error (P.E):

The probable error of the coefficient of correlation helps in interpreting its value. With the help of probable error, it is possible to determine the reliability of the value of correlation coefficient. The probable error of the coefficient of correlation is obtained as follows

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

Where,

r = correlation of coefficient.

n = number of observation

If $r < P.E$, then the correlation coefficient is not significant and

If $r > P.E$, then the correlation coefficient is significant.

VI. Coefficient of Determination (r)² :

It explains the variation derived in dependent variable due to the unit change in any one specified variables; it denotes the fact that the independent variable is good predictor of the behavior of dependent variable. It is square of correlation coefficient.

CHAPTER – FOUR

DATA PRESENTATION AND ANALYSIS

The previous chapter was mainly emphasized on research methodology that is about to be adopted to carry out the study. Under this part, the collected data through primary as well as secondary sources have been represented in the suitable format (i.e. on tables and charts), analyzed using various statistical and financial tools.

4.1 Liquidity Ratios

4.1.1 Cash and Bank Balance to Total Deposit

This is the most important ratio for measuring the extent of the liquidity of the commercial banks. The sound ratio indicated the strong liquid position of the banks to meet its customer's demand of immediate cash. This ratio is obtained by dividing the total cash with the bank itself and the cash reserve (CRR) maintained in the NRB.

Table: 4.1

Comparative Cash and Bank Balance to Total Deposit

Fiscal year	Ratio (%)			
	NSBI	SCBNL	HBL	EBL
2007/08	9.79	6.89	4.50	11.13
2008/09	4.21	8.87	8.79	18.50
2009/10	9.86	5.48	10.28	21.17
2010/11	11.50	7.83	7.24	14.89
2011/12	10.33	17.70	13.33	20.72
Mean	9.14	9.35	8.83	17.28
S.D.	2.53	4.31	2.95	3.79
C.V.	27.69	46.08	33.42	21.93

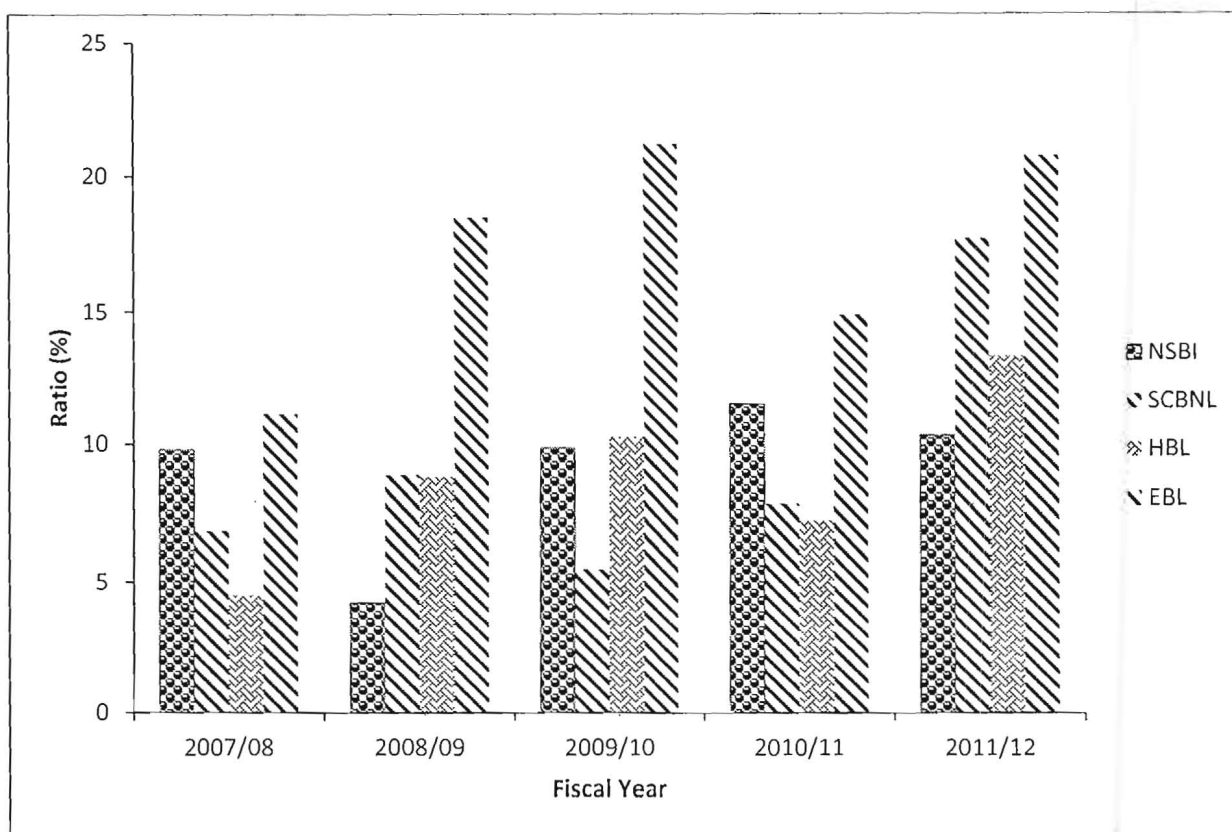
Source: Appendix I

Above table no 4.1 states that the cash and bank balance to total deposit ratio for joint venture banks are in fluctuating trend EBL has highest average ratio than other banks i.e

17.28 percent which indicates that EBL has high capacity to meet the unanticipated called on all types of deposit. On the other hand EBL has lower C.V. it states that cash and bank balance to total ratio of EBL is more uniform than that of other three banks.

Figure: 4.1

Comparative Cash and Bank Balance to Total Deposit



Source: Table: 4.1

4.1.2 Cash and Bank Balance to current Deposit Ratio

Another best indicator of the liquidity of the commercial banks is cash and bank balance to current deposit. Current deposit is that type of immediate non-interest bearing liability that needs to be assigned to the bearer of it all the times of demand. So, provision of enough cash should be made to provide to the account holders instantly.

Table: 4.2**Comparative Cash and Bank Balance to Current Deposit Ratio**

Fiscal year	Ratio (%)			
	NSBI	SCBNL	HBL	EBL
2007/08	77.27	25.58	30.27	107.05
2008/09	41.07	54.54	94.73	126.84
2009/10	120.24	19.76	103.23	187.35
2010/11	114.52	25.77	80.25	127.79
2011/12	145.81	56.25	138.79	169.94
Mean	99.78	36.38	89.45	143.79
S.D.	36.63	15.68	35.32	29.91
C.V.	36.71	43.10	39.48	20.80

Source: Appendix II

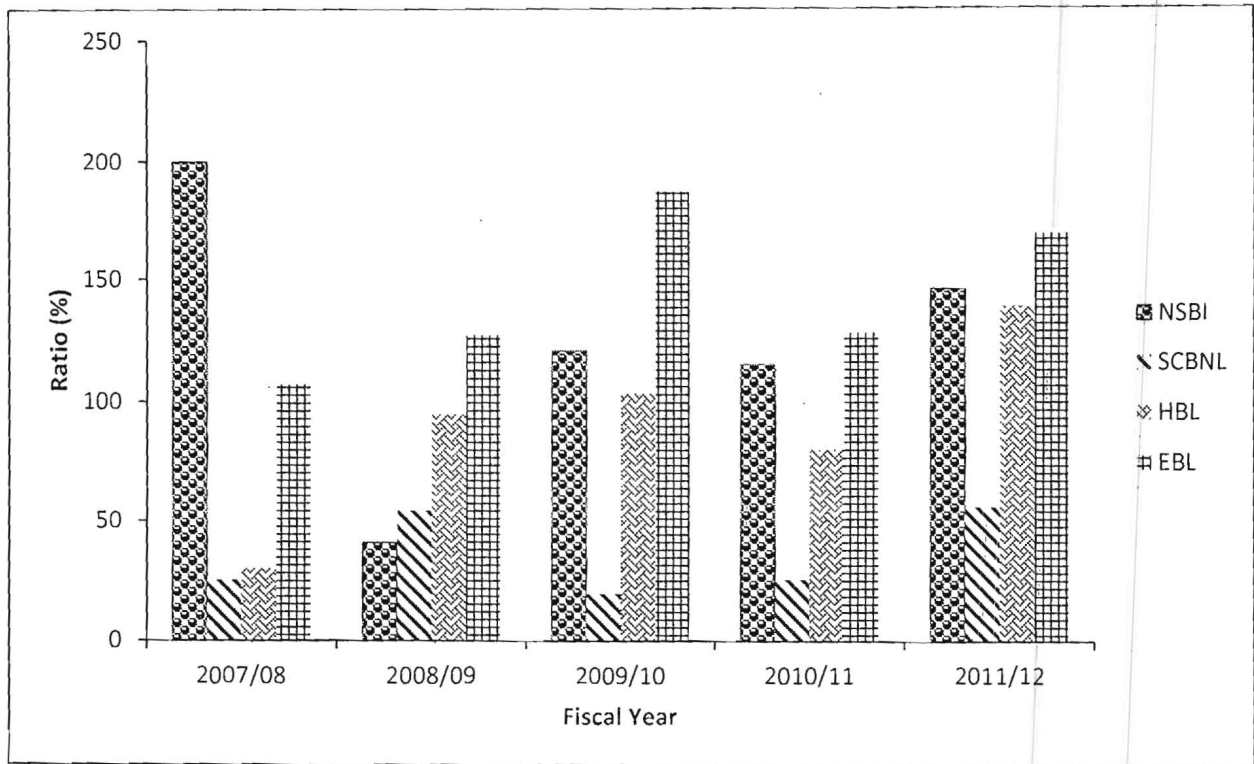
The table no 4.2 depicted above portrays the ratio of cash to current deposit for NSBI, SCBNL, NIBL and EBL. The average ratio of NSBI, SCBNL, NIBL and EBL are 99.78 percent, 36.38 percent, 89.45 percent and 143.79 percent over five years, NSBI has the highest ratio of 145.81 percent in year 2011/12 and lowest ratio of 41.07 in year 2008/09. Similarly, SCBNL has the higher ratio of 56.25 in year 2011/12 and lowest ratio of 19.76 in year 2009/10.

Likewise, HBL has the highest ratio 138.79 in year 2011/12 and lowest ratio is 30.27 percent in year 2007/08. EBL has highest ratio of 187.35 in year 2009/10 and lowest ratio is 107.05 percent in year 2007/08 among four banks.

The average ratio of EBL is higher than other banks as well as coefficient of variation is also lower than other banks i.e.20.80 percent which means that EBL is more consistent than that of other three banks.

Figure: 4.2

Comparative Cash and Bank Balance to Current Deposits Ratio



Source: Table: 4.2

4.2 Turnover Ratio

The turnover ratio indicates the efficiency in utilizing the funds or assets of the company. In terms of bank, deposit is the prime source of funds. So, the fraction of ratio of money distributed in the form of loans and advances (Credit and advances) is a major determining factor over the total funds collected in the banks in the form of deposit.

4.2.1 Credit and Advances to Total Deposit Ratio

Deposits are the main sources of funds for commercial bank. More than 50 percent of total assets have been found to be financed through deposits. Total deposit includes saving, fixed, call, current and fixed deposits. On the contrary, credit and advances also called as loans and advances are the sales figures of banks. So utilized in CBs higher ratio is desirable.

Table: 4.3

Comparative Credit and Advance to Total Deposit Ratio

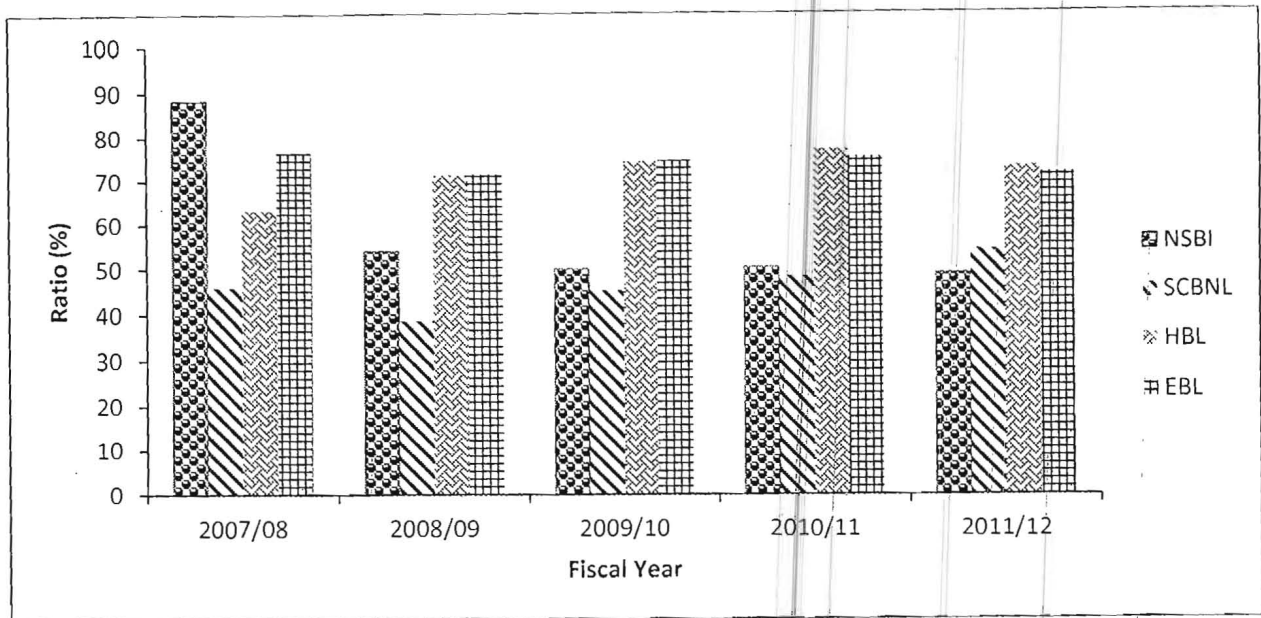
Fiscal year	Ratio (%)			
	NSBI	SCBNL	HBL	EBL
2007/08	88.32	46.12	63.37	76.49
2008/09	54.12	38.70	71.49	71.68
2009/10	50.09	45.35	74.39	74.61
2010/11	50.37	48.49	77.14	75.51
2011/12	49.01	54.43	73.26	71.81
Mean	58.38	46.62	71.93	74.02
S.D.	16.64	5.08	4.65	1.96
C.V.	28.50	10.90	6.46	2.65

Source: Appendix III

Above table no 4.3 shows that the fluctuation in the ratio of credit and advances to total deposit of our JVBs through the review period. The average ratio of credit and advances to total deposit ratio of NSBI, SCBNL, HBL, and EBL were 58.38, 46.62, 71.93 and 74.02 percent respectively. This indicates that EBL has successfully mobilized of total deposit on this study period i.e. 74.02 percent and SCBNL had mobilized only 46.62 percent on the average, it is unable to mobilize the entire available fund on this study period. But the coefficient of variation of EBL is lower than other bank i.e. 2.65 percent which means EBL is more consistent than that of other banks.

Figure: 4.3

Comparative Credit and Advance to Total Deposit Ratio



Source: Table: 4.3

4.2.2 Credit and Advance to Fixed Deposit ratio

As fixed deposit is an interest bearing deposit, the extent of the utilization of it determines the efficiency of the bank. It should not be remained idle. Otherwise, the performance of the bank will get decline. Therefore, the study of the ratio of fixed deposit turnover ratio is quite rationale.

Table: 4.4

Credit and Advances to Fixed Deposit Ratio

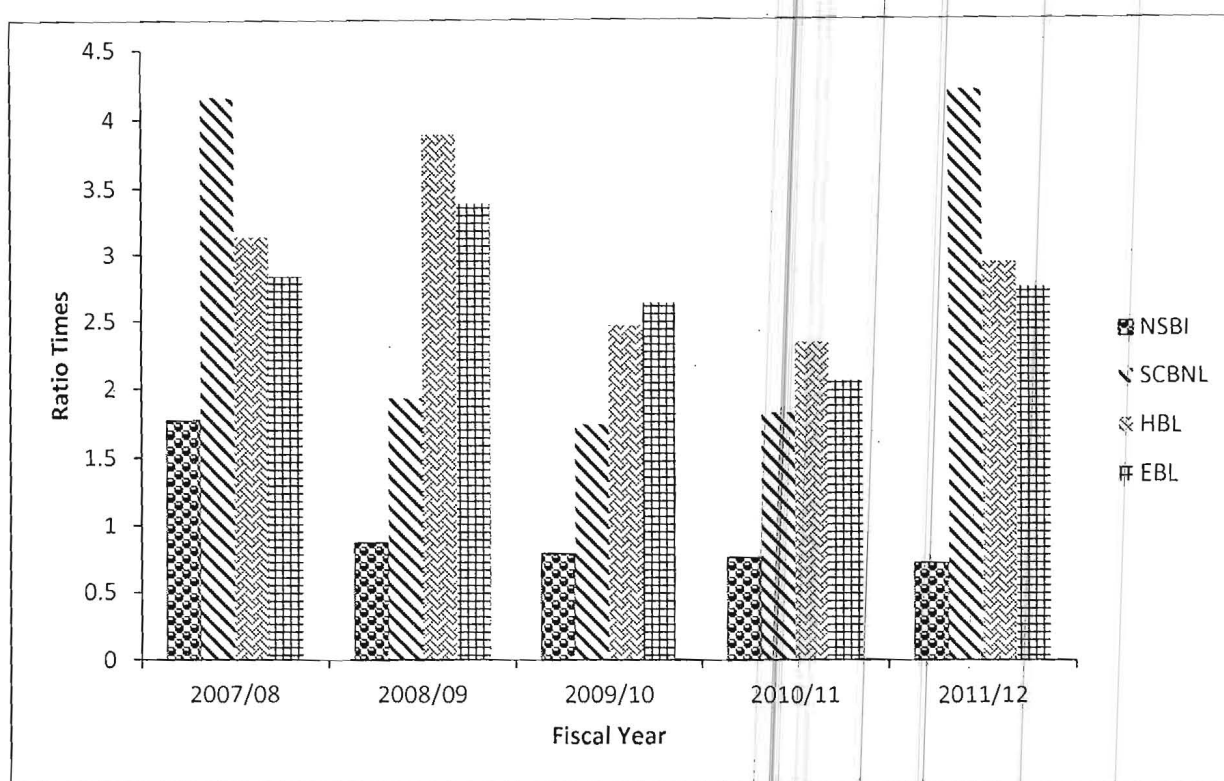
Fiscal year	Ratio (Times)			
	NSBI	SCBNL	HBL	EBL
2007/08	1.77	4.16	3.14	2.84
2008/09	0.87	1.93	3.89	3.39
2009/10	0.79	1.74	2.47	2.64
2010/11	0.76	1.82	2.34	2.06
2011/12	0.72	4.20	2.95	2.76
Mean	0.98	2.64	2.96	2.74

Source: Appendix IV

The table no 4.4 plotted above shows the fixed deposit turnover ratios of four joint venture banks over the five-year period. The average fixed deposit turnover ratios of NSBI, SCBNL, HBL and EBL were 0.98, 2.64, 2.96, 2.74 times respectively. The highest ratio is 2.96 of HBL, it can be regarded that HBL had mobilized the funds obtained from fixed deposits in a better way than other banks. HBL is more efficient in lending than other banks. The lowest ratio is 0.98 of NSBI. However, the fixed deposit turnover of all banks is good on an average.

Figure: 4.4

Credit and Advances to Fixed Deposit Ratio



Source: Table: 4.4

4.2.3 Credit and Advances to Total Assets Ratio

The entire of the funds are invested in the bank in the form of various assets. In other words, these are the sectors where the funds collected using various sources are employed or mobilized so as to get respective returns. The ratio desirable for this sector is cent percent. However, a ratio of over 50 percent is considered average.

Table: 4.5

Comparative Credit and Advance to Total Assets Ratio

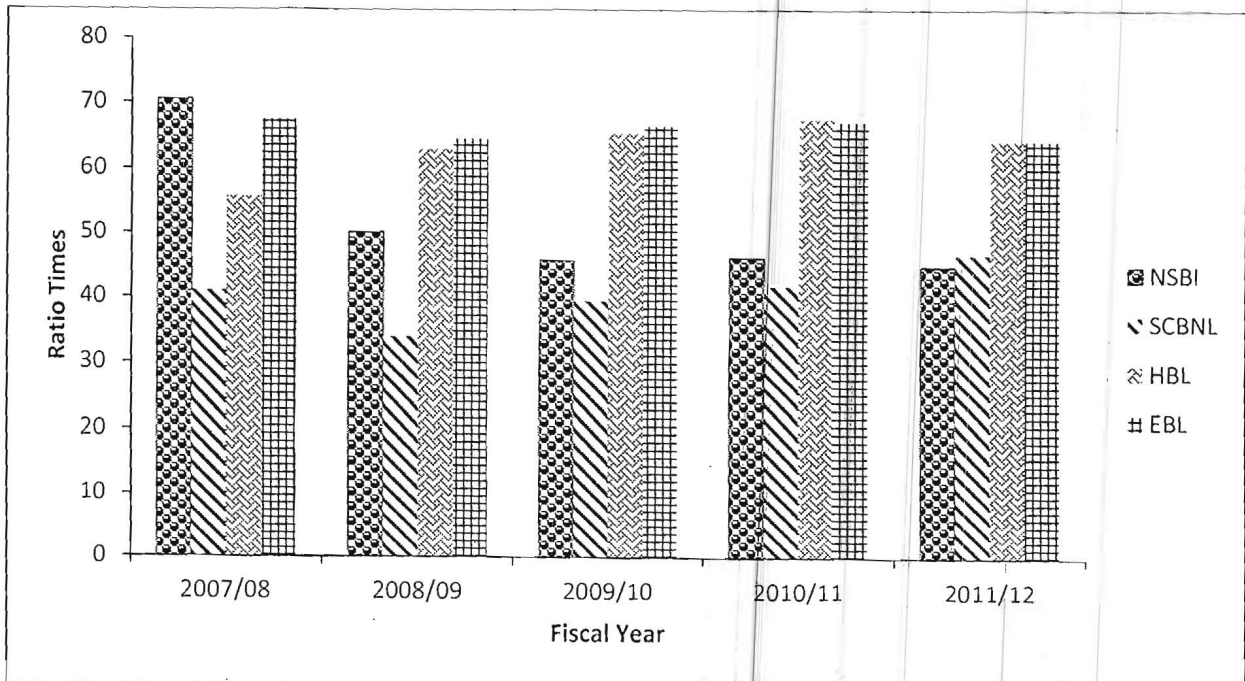
Fiscal year	Ratio (Times)			
	NSBI	SCBNL	HBL	EBL
2007/08	70.48	41.15	55.78	67.55
2008/09	50.16	34.14	63.04	64.70
2009/10	45.94	39.68	65.50	66.59
2010/11	46.36	42.05	67.54	67.17
2011/12	45.03	46.97	64.32	64.43
Mean	51.59	40.80	63.24	66.07

Source: Appendix V

From the above table no 4.5, it can be conclude that all the four banks have the ratio of fluctuation trend during the study period. In an average ratio EBL maintains the highest ratio of 66.07 percent. This indicated that EBL had more mobilized in total working fund than that of other banks.

Figure: 4.5

Comparative Credit and Advances to Total Assets



Source: Table: 4.5

4.3 leverage Ratio

The leverage ratio of the commercial banks is measured by the extent that they have maintained ownership capital, borrowed capital or both in relation to build capital structure position of their firm. Therefore, this ratio measures the risk and long term return of the firm. Those can be measured as:

4.3.1 Debt to Equity Ratio:

It is measurement of the financial risk. The more debt to equity ratio, more will be levered the firm and hence degree of financial risk will be high. It can be calculated by dividing debt by shareholder's equity.

Table: 4.6

Comparative Total Debt to Net worth Ratio

Fiscal year	Ratio (%)			
	NSBI	SCBNL	HBL	EBL
2007/08	1123.21	1237.42	1339.53	1595.50
2008/09	1671.23	1212.60	1206.80	1574.01
2009/10	1458.38	1093.38	1082.44	1400.88
2010/11	1505.75	1091.22	1069.75	1460.05
2011/12	1716.21	911.05	1073.67	1286.08
Mean	1494.95	1109.13	1154.44	1463.31

Source: Appendix VI

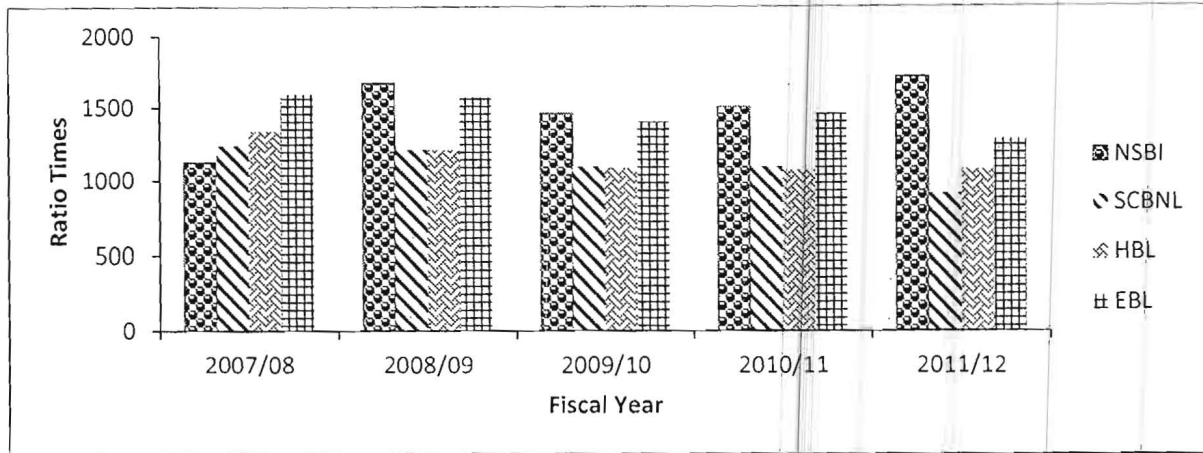
This table 4.6 indicates that above table shows that debt equity ratio for the four joint venture banks over the five year. The highest ratio of NSBI, SCBNL, HBL and EBL is 1716.21 of NSBI in 2012. The average ratio of NSBI, SCBNL, HBL and EBL is 1494.95 percent, 1109.13 percent, 1154.44 percent and 1463.31 percent respectively. The highest average ratio is 1494.95percent of NSBI, and the lowest average ratio is 1109.13 of SCBNL.

On the basis of above table all the joint venture banks have used excessive amount of debt. However it was clear from the above other analysis that there was no use of long term debt

accepted. Therefore these banks use excessive amount of short term debts to finance various current assets. We can conclude that NSBI is riskier than that of other banks on it's average ratio was higher than other banks over the study period. The ownership capital of these banks is too far than the debt capital.

Figure: 4.6

Comparative Total Debt to Net Worth



Source: Table: 4.6

4.3.2 Total Debt to Total Assets Ratio

This ratio is wider known as debt ratio. And it indicates how much proportion of total assets has been financed with the debt capital and how much with the equity part. Total debt includes both short term and long term debt.

Table: 4.7

Comparative Total Debt to Total Assets Ratio

Fiscal year	Ratio (%)			
	NSBI	SCBNL	HBL	EBL
2007/08	91.77	92.52	93.05	92.92
2008/09	94.32	92.38	95.73	94.03
2009/10	93.56	91.62	91.95	93.33
2010/11	93.75	91.59	91.45	93.27
2011/12	94.49	90.11	91.48	92.57
Mean	93.58	91.64	92.73	93.24

Sources: Appendix VII

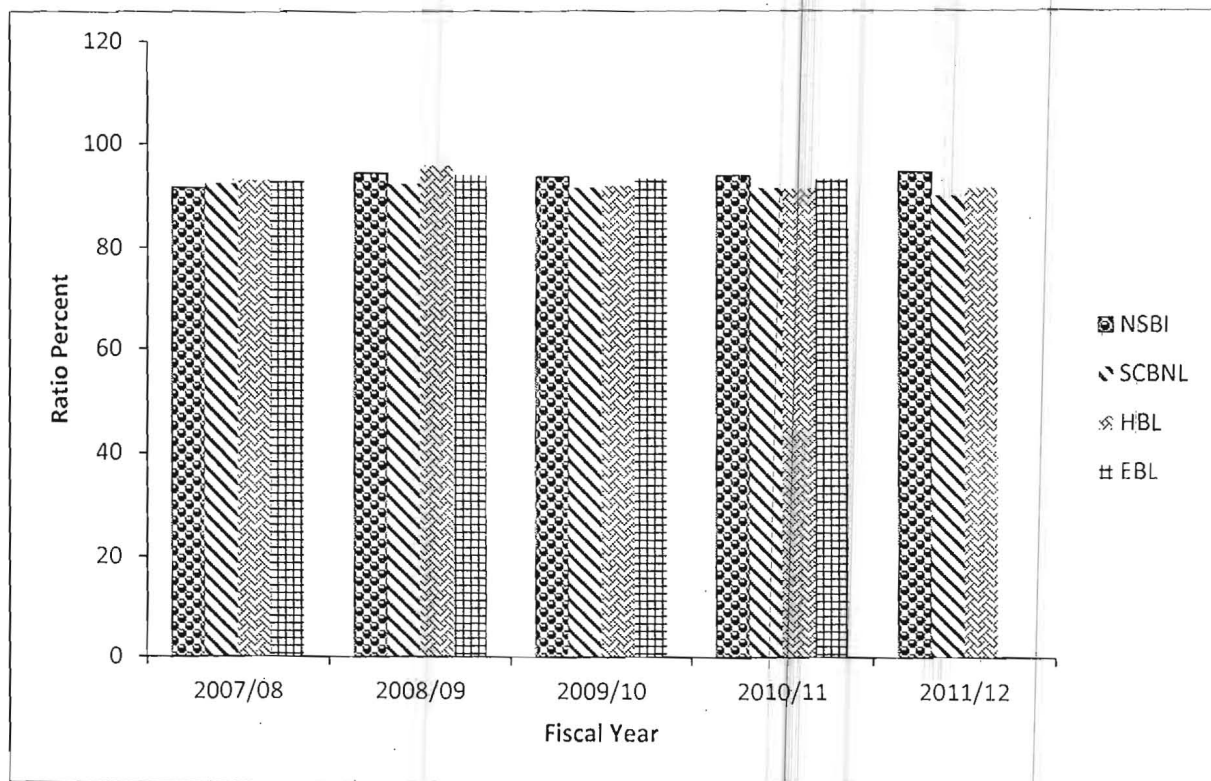
The table no 4.7 portrayed above shows the total debt to total assets ratio for the joint venture banks over five years. The average ratio of NSBI, SCBNL, HBL and EBL are 93.58, 91.64, 92.73 and 93.24 respectively.

NSBI, SCBNL, HBL and EBL have a highest ratio in year 2007/08 i.e 93.09 percent, in year 2008/09 i.e 94.32 percent, in year 2009/10 i.e 93.56 percent, in year 2010/11 i.e 93.75 percent, and in year 2011/12 i.e 94.49 percent respectively. The highest average ratio is 93.58 of NSBI and lowest average ratio is 91.64 of SCBNL.

The ratio implies that the banks are highly levered. In addition, they were found to be adopting the aggressive working capital policy.

Figure: 4.7

Comparative Total Debt to Total Assets Ratio



Source: Table: 4.7

4.4 Profitability Ratio

We also need the indicators of profitability position in order to identify the overall utilization of the funds collected and used in the banks. The major ratios that we considered under this sector are:

4.4.1 Return on Assets Ratio

The total assets of the banks are the sectors where the total funds collected through various sources are invested to earn sufficient profits. The return on the assets is calculated by dividing net profit after tax by total assets.

Table: 4.8

Comparative Net Profit to Total Assets Ratio

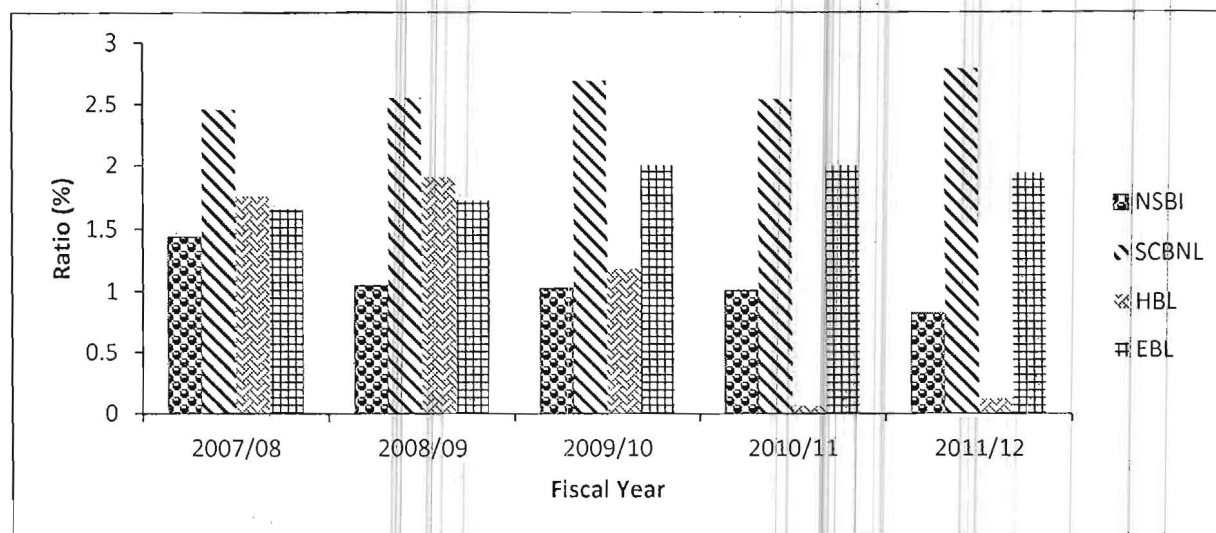
Fiscal year	Ratio (%)			
	NSBI	SCBNL	HBL	EBL
2007/08	1.44	2.46	1.76	1.66
2008/09	1.05	2.56	1.91	1.73
2009/10	1.03	2.70	1.19	2.01
2010/11	1.01	2.55	0.07	2.01
2011/12	0.83	2.80	0.13	1.95
Mean	1.07	2.61	1.01	1.87

Sources: Appendix VIII

From the above table 4.8 it is found that the total assets ratio of NSBI, SCBNL, HBL and EBL have the ratio in fluctuating trend. Mean ratio of SCBNL is highest than that of other banks i.e 2.61 percent and HBI has a lowest ratio in the study period, which indicates that SCBNL has more utilization of total assets and more stable than other banks. SCBNL consider better and efficient than other banks as regards to uses of fund collected from various sources.

Figure: 4.8

Comparative Net Profit to Total Assets Ratio



Source: Table: 4.8

4.4.2 Interest Income to Total Credit and Advances

One of the major sources of the operating funds and the profit is the income received from the total credit and lending. The more the lending more will be the income from interest unless there is occurrence of any sort of bad debts. The ratio acts as the major indicator of the mobilization of the funds in JVBs is interest income to loans and advances. Thus, higher ratio is desirable for commercial banks.

Table: 4.9

Comparative Interest Income to Total Credit and Advances

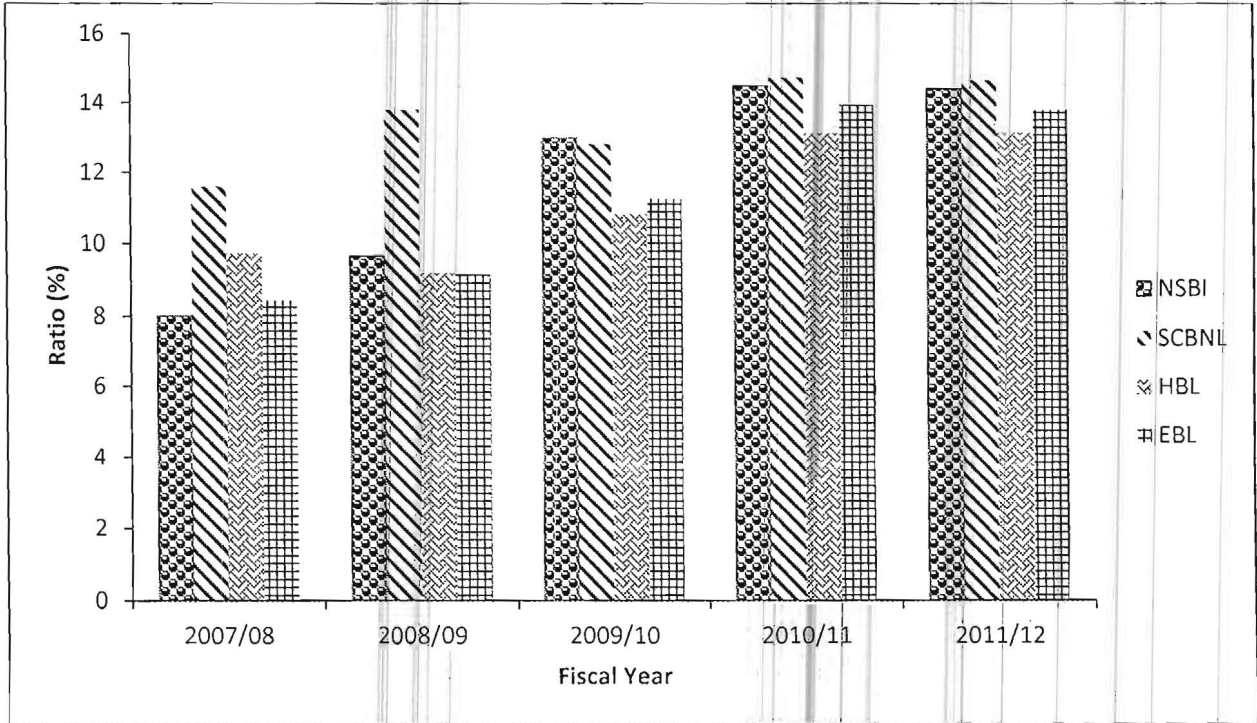
Fiscal year	Ratio (%)			
	NSBI	SCBNL	HBL	EBL
2007/08	8.01	11.60	9.73	8.44
2008/09	9.65	13.80	9.18	9.16
2009/10	12.98	12.80	10.81	11.26
2010/11	14.51	14.75	13.12	13.95
2011/12	14.42	14.67	13.14	13.81
Mean	11.92	13.52	11.20	11.32

Sources: Appendix IX

Based on above table 4.9, the lowest ratios of NSBI, SCBNL, HBL and EBL are 8.01, 11.60, 9.18 and 8.44 percent in year 2007/08 respectively. The average ratio of NSBI, SCBNL, HBL and EBL is 11.92, 13.52, 11.20 and 11.32 respectively. The highest average ratio is 13.52 percent of SCBNL and lowest ratio is 11.20 percent of HBL. This means that credit lending of SCBNL can be regarded on more efficient than of other banks. However, the ratios of all banks as a whole can be regarded as satisfactory as we cannot put the standard limit to ratios, and higher ratio is desirable.

Figure: 4.9

Comparative Interest Income to Total Credit and Advances



Source: Table: 4.9

The second objective of the study is factors affecting the funds, are as follows:

4.5 Other Ratios

4.5.1 Earning Per Share (EPS)

The ratio of EPS shows the earning earned by each common share of banks at the end of the year. There is no limit for it. Higher and higher EPS is desirable for every firm. It shows how efficiency the firm has managed and utilizes the funds collected from

shareholders. It shows the true picture of the company growth or death. It is calculated by dividing the profit left over to the common shareholders by number of common stocks.

Table: 4.10
Comparative Earning Per Share (EPS)

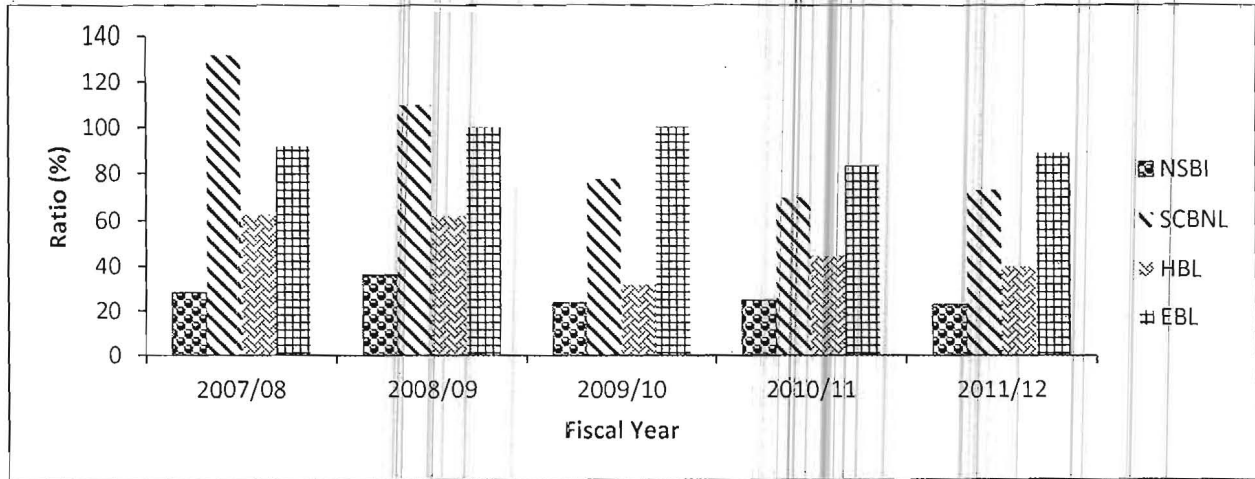
Fiscal year	Ratio (%)			
	NSBI	SCBNL	HBL	EBL
2007/08	28.33	131.92	62.74	91.82
2008/09	36.18	109.99	61.90	99.99
2009/10	23.69	77.65	31.80	100.16
2010/11	24.85	69.51	44.66	83.18
2011/12	22.93	72.6	39.94	88.55
Mean	27.20	92.33	48.21	92.74
S.D	4.86	24.51	12.23	6.59
C.V	17.87	26.54	25.37	7.11

Source: Annual Reports of Respective Bank

The table 4.10 shows that earning per share (EPS) of four joint venture banks over the five years starting from 2007/08 to 2011/12. The highest ratio of NSBI, SCBNL, HBL and EBL were 36.18, 131.92, 62.74 and 100.16 percent in year 2009, 2008, 2008 and 2010 respectively. And lowest ratio of these banks was 22.93, 69.51, 31.80 and 83.18 percent in year 2012, 2011, 2012 and 2011 respectively. The average ratio of NSBI, SCBNL, HBL and EBL are 27.20, 92.33, 48.21 and 92.74 respectively. The highest average ratio is 92.74 of EBL. The CV of EBL is lesser than that of other banks. It can be regarded that shareholder funds of EBL were mobilized very well.

Figure: 4.10

Comparative Earning Per Share (EPS)



Source: Table: 4.10

4.5.2 Market Value Per Share (MPS)

Market value per share is the trading price of each share of common stock in the market. The entire of the performance, management, efficiency, funds mobilization and all other environmental factors (both inside and outside the organization) are reflected in the market price per share. Higher market price reflects better image of organization in public mind and vice versa. It determines the survival of death of the organization. It is also known as shareholders wealth.

Table: 4.11

Comparative Market Value Per Share (MPS)

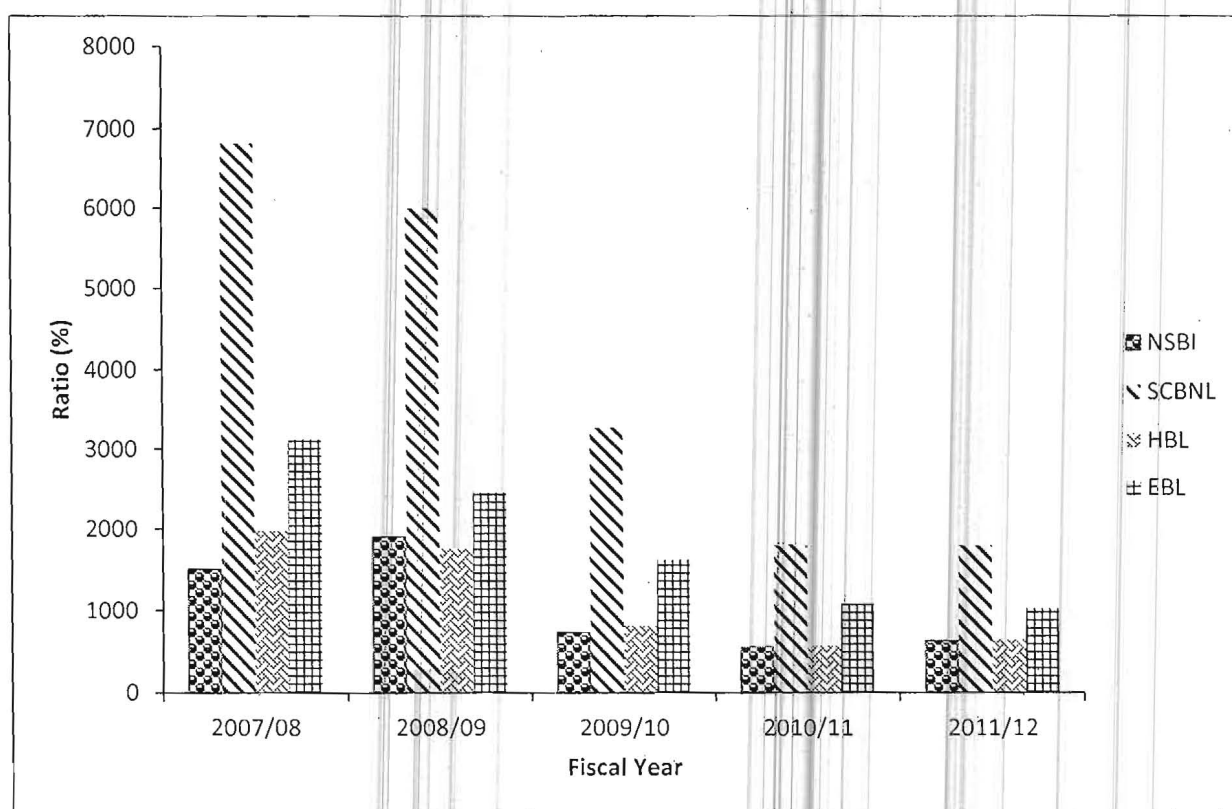
Fiscal year	Ratio (%)			
	NSBI	SCBNL	HBL	EBL
2007/08	1511	6830	1980	3132
2008/09	1900	6010	1760	2455
2009/10	741	3279	816	1630
2010/11	565	1800	575	1094
2011/12	635	1799	653	1033
Mean	1070	3943.6	1156.8	1868.8

Source: Annual reports of Respective Bank

The table no 4.11 depicted just above types the value per share (Trading Price) of four joint venture banks for five years. The average market value per share of NSBI, SCBNL, HBL and EBL are Rs 1070, 3943.6, 1156.8 and 1868.8 respectively for five years period. The highest MVPS is Rs 3943.6 of SCBNL. The MVPS of JVs are in fluctuating trend. We can thus regard that the perception of SCBNL is performance and management is better in the public mind than that of other banks.

Figure: 4.11

Comparative Market Value Per Share (MPS)



Source: Table: 4.11

4.5.3 Price Earning Ratio (P/E ratio)

It is also one of the good indicators of performance (Efficient mobilization of funds collected) of the joint venture banks. It indicates the number of times the earning are turnover with respect to price in the market. Higher ratio is desirable since increase in earnings is associated with the increase (growth) in stock price.

Table: 4.12

Comparative Price Earning Ratio

Fiscal year	Ratio (%)			
	NSBI	SCBNL	HBL	EBL
2007/08	53.34	51.77	31.56	34.11
2008/09	52.52	54.64	28.43	24.55
2009/10	31.28	42.23	25.66	16.27
2010/11	22.73	25.90	12.88	13.15
2011/12	27.69	24.78	16.35	11.67
Mean	37.51	39.86	22.97	19.95

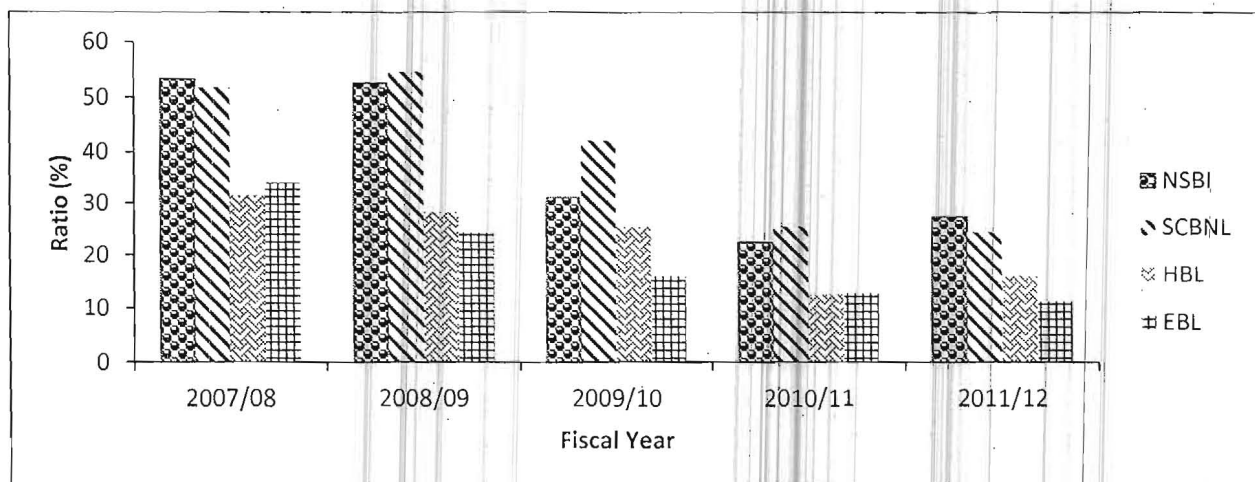
Source: Annual Reports of Bank

The table No 4.12 shows that the price-earning ratio of four joint venture banks over the five years period. The highest price earning ratio of NSBI, SCBNL, HBL and EBL were 53.34, 54.64, 31.56 and 34.11 percent respectively. The average price earning ratios are 37.51, 39.86, 22.97 and 19.95 percent respectively. The highest average ratio is 39.86 percent of SCBNL and lowest ratio is 19.95 of EBL.

Though the average ratio of SCBNL is higher than other banks, it cannot said that performance of SCBNL is stronger than other banks because the growth rate of price and stock of other banks are higher than that of SCBNL. In general we can conclude that the performance of these banks are however good over the years.

Figure: 4.12

Comparative Price Earning Ratio (P/E Ratio)



Source: Table: 4.12

4.6 Analysis of Sources and use of Fund

This method enlightens on the source of the bank gives priority for its funding requirement and penetrate where that funds collected are being used.

4.6.1 Analysis of Sources and Uses of Funds of NSBI

Table: 4.13

Source and Uses of Funds of NSBI

Particulars	Fiscal Year					Mean (%)
	2007/08	2008/09	2009/10	2010/11	2011/12	
Sources of Fund						
Capital	5.82	6.58	7.11	6.80	6.66	6.59
Deposit	46.31	91.47	90.78	91.13	91.12	82.16
Borrowing	46.31	-	-	-	-	9.26
Bills Payable	0.24	0.21	0.19	0.17	0.13	0.19
Other	0.48	0.70	0.90	0.90	1.26	0.85
P/L Account	0.84	1.04	1.02	1.00	0.28	0.94
Total	100	100	100	100	100	100
Use of Fund						
Liquid fund	7.37	3.63	8.46	10.07	9.09	7.73
Investment	16.94	40.96	40.06	39.04	40.39	35.49
Share & Others	4.80	3.77	4.57	4.34	3.89	4.28
Loan & Advance	66.45	46.65	42.95	44.11	43.16	48.66
Bills Purchase	2.43	2.59	1.81	0.15	0.40	1.48
Fixed Assets	0.66	0.78	1.05	0.86	1.18	1.03
Other Assets	1.19	0.98	0.99	1.07	1.74	1.19
Return Off	0.16	0.61	0.14	0.37	0.15	0.13
Non-Banking Assets		0.01				0.01
Total	100	100	100	100	100	100

Source: Banking and Financial Statistic See in Appendix: X

From above analysis table no 4..13 total source of fund of NSBI composed of capital fund, deposit, borrowing, bills payable, other liabilities and P/L account. Average percentage covered by these components is 6.59, 82.16, 9.26, 0.19, 0.85 and 0.94 respectively. Out of total sources of funds, deposits contributed more fund i.e. 82.16 percent. These above sources of funds are used for different purpose. NSBI has maintained liquid fund 7.73 percent out of total source. It makes average investment advance of 35.49 percent. Similarly, it provides loans and advances of 48.66 percent for its customer to fulfill their daily requirements. A remarkable increase in used of funds of share and other investment. Likewise other assets, fixed assets, share and other investment, bills purchased. non-banking assets and return off covers 4.28, 48.66, 1.48, 1.03, 1.19, 0.13 and 0.01 respectively.

4.6.2 Analysis of Sources and Uses of Funds of SCBNL

Table: 4.14

Source and Uses of Funds of SCBNL

Particulars	Fiscal Year					Mean (%)
	2007/08	2008/09	2009/10	2010/11	2011/12	
Sources of Fund						
Capital	4.18	7.83	8.68	8.66	10.16	7.90
Deposit	46.87	86.73	86.46	85.81	85.04	78.18
Borrowing	46.87	0.74	0	0.79	0	9.68
Bills Payable	0	0.18	0.22	0.15	0.20	0.15
Other	0.79	2.01	1.97	2.06	1.84	1.74
P/L Account	1.29	2.52	2.67	2.53	2.76	2.35
Total	100	100	100	100	100	100
Use of Fund						
Liquid fund	6.29	7.88	4.77	7.01	15.06	8.20
Investment	42.63	50.83	49.04	40.66	30.61	42.75
Share & Others	1.90	3.51	3.97	3.79	4.38	3.51
Loan & Advance	42.07	34.36	39.43	43.41	46.31	41.11
Bills Purchase	2.34	0.76	0.65	2.92	1.61	1.66
Fixed Assets	0.36	0.34	0.29	0.25	0.21	0.29
Other Assets	4.14	2.06	1.71	1.79	1.37	2.22
Return Off	0.28	0.25	0.14	0.16	0.45	0.26
Non Banking Assets	0	0	0	0	0	0
Total	100	100	100	100	100	100

Source: Banking and Financial Statistic See in Appendix: X

From above analysis table no 4.14 contribution of capital fund in total source is 7.90 percent. Likewise deposit contribution more funds out of total sources of funds i.e. 78.18 percent. Similarly, borrowing, bills payable, other liabilities and P/L account are 9.68, 0.15, 1.74 and 2.35 respectively. Out of total sources bills payable and other liabilities contribute less than 2 percent deposit it is the only one reliable source of fund of SCBNL.

The above funds are used for different purpose. SCBNL maintained liquid fund of 8.20 percent. It makes average investment of 42.75 percent. Similarly it makes average investment on share and other is 3.5 percent. Likewise it provides loan and advances of 41.11 percent for its customer to fulfill their daily cash requirements. Bills purchase, fixed assets, other assets and return off covers 1.66, 0.29, 2.22 and 0.26 percent respectively. It uses more funds for investment.

4.6.3 Analysis of Sources and Uses of Funds of HBL

Table: 4.15

Source and Uses of Funds of HBL

Particulars	Fiscal Year					Mean (%)
	2007/08	2008/09	2009/10	2010/11	2011/12	
Sources of Fund						
Capital	8.94	9.58	9.74	9.92	9.53	9.55
Deposit	87.46	86.41	86.83	86.13	86.07	86.57
Borrowing	0.23	0	0	0.02	0	0.05
Bills Payable	0.28	0.08	0.5	0.07	0.58	0.30
Other	1.35	2.05	1.76	1.98	2.09	1.85
P/L Account	1.75	1.88	1.17	1.88	1.73	1.68
Total	100	100	100	100	100	100
Use of Fund						
Liquid fund	3.84	7.67	8.28	5.82	10.63	7.25
Investment	35.34	21.92	18.09	17.22	16.76	21.87
Share & Others	2.68	0.40	4.82	4.71	4.61	3.34
Loan & Advance	53.45	64.21	62.38	64.75	60.09	60.98
Bills Purchase	0.81	1.38	1.86	1.77	1.92	1.55
Fixed Assets	1.92	2.40	2.27	2.33	2.18	2.22
Other Assets	1.68	1.59	2.26	2.97	2.40	2.18
Return Off	0.25	0.38	0.57	0.42	1.41	0.61
Non Banking Assets	0.03	0.06	0	0	0	0.02
Total	100	100	100	100	100	100

Sources: Banking and Financial Statistic See in Appendix: XI

From above comparative table 4.15, a source of fund of HBL is composed of capital fund, Deposit, borrowing, bills payable, other liabilities and P/L account. In which average contribution of capital is 9.55 percent of total Source of fund. Deposits contribute 86.57 percent. Similarly, borrowing, bills payable, other liabilities and P/L account contributes 0.05, 0.30, 1.85 and 1.68 percent respectively. These sources cover very low percentage. HBL uses its total funds for different purpose. It maintains liquid fund of 7.25 percent in average for the fulfillment of daily cash requirement of the banks. Similarly, it uses fund to make average investment of 21.87 percent out of total use of fund. It provides loan and advances for public and other enterprises in average of 60.98 percent. Likewise, average percentage covered by share and other investment, bills purchase, fixed assets, other assets and return off are 21.87, 1.55, 2.22, 2.18 and 0.61 respectively.

4.6.4 Analysis of Sources and Uses of Funds of EBL

Table: 4.16
Source and Uses of Funds of EBL

Particulars	Fiscal Year					Mean (%)
	2007/08	2008/09	2009/10	2010/11	2011/12	
Sources of Fund						
Capital	8.53	7.21	7.73	7.71	7.99	7.83
Deposit	87.04	88.85	87.65	87.96	87.33	87.77
Borrowing	0	0.83	0.96	1.03	0	0.56
Bills Payable	0.18	0.40	0.35	0.11	1.21	0.45
Other	2.62	1.01	1.34	1.20	1.57	1.55
P/L Account	1.64	1.70	1.97	1.99	1.90	1.84
Total	100	100	100	100	100	100
Use of Fund						
Liquid fund	9.48	15.96	18.07	12.58	17.85	14.79
Investment	17.97	15.40	11.58	15.92	13.54	14.88
Share & Others	2.95	2.67	2.96	3.62	2.40	2.92
Loan & Advance	66.91	63.37	65.08	65.07	63.07	64.70
Bills Purchase	0	0	0	0	0	0
Fixed Assets	1.28	1.11	1.07	0.95	0.94	1.07
Other Assets	1.34	1.27	1.24	1.75	1.94	1.51
Return Off	0.07	0.22		0.12	0.26	0.13
Non Banking Assets						
Total	100	100	100	100	100	100

Source: banking and Financial Statistic See in Appendix: XI

From above table no 4.16 analysis, average contribution of capital fund in total sources of funds of EBL is 7.83 percent. Similarly, deposit occupies 87.77, borrowing occupies 0.56 and remaining funds occupies by bills payable, other liabilities and P/L account. It can be said that deposit is the main source of funds. These collected sources of fund are used for different purpose. EBL has maintained average liquid fund of 14.79 percent, out of total uses of fund it makes average investment of 14.88 percent average 64.70 percent funds as loan and advances to its customer. Similarly, it uses its fund to invest in share, fixed assets, other assets and return off out of total use of funds. EBL uses more funds for providing loan and advances.

4.7 Comparative Analysis of Sources of Fund

Based on percentage of different sources of funds that the bank depends to finance, the average sources of funds of four joint venture banks are compared in the table 4.17.

Table: 4.17

Comparative Average Sources of Funds of NSBI, SCBNL, HBL, EBL

Particulars	Average (%)			
	NSBI	SCBNL	HBL	EBL
Capital fund	6.59	7.90	9.55	7.83
Deposits	82.16	78.18	86.57	87.77
Borrowing	9.26	9.68	0.05	0.56
Bills Payable	0.19	0.15	0.30	0.45
Other Liabilities	0.85	1.74	1.85	1.55
P/L Account	0.94	2.35	1.68	1.84

Source: Table 4.13, 4.14, 4.15 and 4.16

Above comparative table no 4.17 shows that, the average capital fund of HBL is higher than other banks i.e. 9.55 percent during the study period. NSBI has lowest contribution of capital fund for total source among four banks. Contribution of borrowing to total sources of funds of SCBNL is higher than other banks i.e. 9.68 percent and NSBI has 9.26 where as HBL and EBL have similar proportion of borrowing. Deposit proportion of EBL seems to be higher than other banks. Average contribution of Bills payable to total sources of

fund of all banks is similar. Average contribution of other liabilities to total sources of fund of HBL has highest one among four banks. Similarly, average proportion made by profit and loss account of SCBNL is highest.

4.8 Comparative Analysis of Uses of Fund

Banking uses funds on various sectors to yield return. The average uses of funds of concerned banks on various sectors are shown in the following comparative table.

Table: 4.18

Comparative Average Uses of Funds of NSBI, SCBNL, HBL and EBL

Particulars	Average (%)			
	NSBI	SCBNL	HBL	EBL
Liquid fund	7.73	8.20	7.25	14.79
Investment	35.49	42.75	21.87	14.88
Share & Others	4.28	3.51	3.34	2.92
Loan & Advance	48.66	41.11	60.98	64.70
Bills Purchase	1.48	1.66	1.55	0
Fixed Assets	1.03	0.29	2.22	1.07
Other Assets	1.19	2.22	2.18	1.51
Return Off	0.13	0.26	0.61	0.13
Non Banking Assets	0.01	0	0.02	0

Source: Table 4.13; 4.14, 4.15 and 4.16

From the above table no 4.18 analysis; it can say that EBL has maintained high liquid funds than other banks i.e 14.79. Among four other banks, SCBNL has good investment in different sectors. Similarly, investment on share and other sector of NSBI seems to be higher than other banks. Average loan and advance provided by EBL is higher than other banks. i.e 64.70 percent which has a higher risk of insolvency. An average use of fund for bills purchase of SCBNL is higher than other banks. SCBNL uses lowest sources of fund under fixed assets i.e 0.29 percent NSBI has lowest allocation of fund under other assets i.e 1.19 percent. All banks have nominal percent of expenses written off.

4.9 Correlation Analysis

4.9.1 Analysis of Correlation Coefficient between total deposit and loan and Advances

The relationship between deposit, loan and advances of four joint venture banks are presented in the following table no 4.19. Here deposit is independent variables (X), loan and advance is dependentvariable (Y).

Table: 4.19
Correlation Coefficient between Deposits, Loan and Advance

Banks	Evaluation Criteria			
	R	R ²	P.E.	6p.e.
NSBI	0.9922	0.9845	0.0046	0.0280
SCBNL	0.9939	0.9878	0.0036	0.0220
HBL	0.9976	0.9953	0.0014	0.0084
EBL	0.9996	0.9993	0.0001	0.0011

Source: Appendix: XII

Above analysis shows that the coefficient of correlation between deposit, loan and advances of NSBI, SCBNL, HBL and EBL are 0.9922, 0.9939, 0.9976 and 0.9996 respectively. That means in case of NSBI 99.22 percent of loan and advances decision is dependent upon deposit and 0.78 loan and advance upon other variables. Similarly, 99.39 percent, 99.76 percent and 99.96 percent of SCBNL, HBL and EBL loan and advances decision are depend upon deposit and 0.61 percent, 0.24 percent and 0.04 percent decision are explained by other variables. In case of NSBI, SCBNL, HBL and EBL 'r' is greater than 6 times P.E which means there is significant relationship between deposits and loans and advances.

4.10 Analysis of the Primary Data

Analysis of credit practices provides the knowledge about the financial condition in terms of credit and credit efficiency of selected banks. In this section, researcher tries to focus on

the importance areas of credit policy. The researcher design structured questionnaire to analyze the meaning and importance of credit components.

In order to find out various opinion of existing employee of the sample banks regarding their fund mobilization, twenty percent employee (5 employee from each bank) were approached randomly and asked to fill up the questionnaire as mentioned in the annex out of them, all employee are convinced to fill up and provide response.

Likewise, to find out various problems of credit customers in the sample banks 40 credit customers (10 from each banks) were approached randomly and asked to fill up structured questionnaire as mentioned annex. All of them were convinced to fill up and provide response. The study related on fund flow analysis for the detail and effective analysis of the topic the primary data are searched and analyzed below.

4.10.1 Interpretation of questionnaire's Response given by employee of banks.

Table: 4.20

Analysis of Responses given by Employee of NSBI, SCBNL, HBL and EBL

Particulars	Yes (%)	No (%)	Total (%)
Is there credit related problems in your banks	55	45	100
Does the service charges taken by banks is satisfactory?	90	10	100
Have you granted the entire credit to same sector as specified at the time of policy formulation?	85	15	100
Does any bank officer visit the project site at the time of granting credit?	70	30	100
Do the borrowers need to submit the detail proposal in the bank?	100	-	100
The relation to the authority sometimes influences in loan decision rather than credit appraisal.	65	35	100
The installment payment ability and regular income mechanism of the borrower is ensured while granting credit.	100	-	100
This bank provides the loan to large parties without much	30	70	100

analysis.			
Taking sufficient collateral is the basis for granting loan here.	100	-	100
This bank has the system of periodic valuation of the collateral.	20	80	100
Does your bank make provision for loan loss as per NRB directive?	100	-	100
Are you satisfied with the bank's credit policy and practices?	80	20	100
Is all the collected funds are mobilized?	80	20	100
The banks can provide loan to all customers who want to take loan.	60	40	100
Interest rate on deposit is satisfactory.	40	60	100
Main factor of fund mobilization is interest rate on loan.	75	25	100
Is fund mobilization is affected by political condition?	50	50	100

Source: Survey of Sample banks. 2013

Table No 4.21 shows the response given by employee of four banks over structured questionnaire. According to the primary survey, following was attained.

- a. 55 percent survey employee of all bank agreed on that there are present credit related problems during the working time and 45 percent survey employee of banks did not agree on that there are present credit related problems during the working time.
- b. 90 percent survey employee agreed that services charge taken by the bank is satisfactory and 10 percent replied that it is not satisfactory.
- c. Similarly, 85 percent sample employees replied that both banks grant the entire credit to same sectors as specified at the time of policy formulation but 15 percent replies that entire credit is not granted in same sector as specified in the time of policy formulation.
- d. Only 70 percent respondents agreed with the bank officer used to visit the project site at the time of granting credit but 30 percent replies not.
- e. 100 percent sample employees agreed with the entire borrower need to submit detail proposal in the bank for credit taking.

- f. 65 percent respondents replies that the relation with top authority sometimes influences the loan decision rather than the credit appraisal but 35 percent said does not influence in loan decision according to the relation with top authority.
- g. 100 percent employee agreed on that the past record of borrower is analyzed before granting loan as well as installment payments ability and regular income mechanism of the borrower is ensured while granting loan.
- h. 30 sample employees agreed with that the banks provide the loans to large parties without much analysis but 70 percent did not agrees.
- i. 100 percent respondents agreed that sufficient collateral is the basis of granting loan.
- j. 20 percent employees of banks said that banks have the system of periodic valuation of collateral but 80 percent did not agree.
- k. 100 percent employees of all banks said that bank makes provision for loan loss as per NRB directives to survive for future loss.
- l. Although all the above response are satisfactory, only 80 sampled employee are satisfied with the banks credit policy and the rest i.e 20 percent are not satisfied because of availability of loan to large parties without much analysis influence in loan decision by the relation to top authority, sufficient collateral to the base of floating loan, higher service charge etc.
- m. 80 percent of employees said that all the collected funds are mobilized but remaining 20 percent said not.
- n. Only 60 percent employee agreed the bank is provided the loan to all customers who want to take the loan from their banks but remaining are not agree.
- o. 40 percent employee is satisfied with their interest rate on deposit and remaining 60 percent are not satisfied.
- p. 75 percent employee are agreed the main factor of fund mobilization in interest rate but 25 percent employees said that interest rate is not only the factor of fund mobilization.
- q. 50 percent of employees are agreed the political condition also affected the fund mobilization and remaining 50 percent employees are not agreed, only the political condition are affected the fund mobilization.

4.10.2 Interpretation of Questionnaire's Response given by Credit Customers of banks.

Table No. 4.21
Responses given by Credit Customers

Particulars	Yes (%)	No (%)	Not Clear (%)	Total (%)
Do you have all knowledge about bank's credit policy?	43.75	56.25	-	100
Are you satisfied with the rate of interest on credit charged by bank?	30	70	-	100
Have you received any notice before expiration date?	73.75	26.25	-	100
Does any bank officer visit your project site at the time of granting credit?	61.25	23.75	15	100
Do you want to take further credit from this bank?	17.25	26.25	56.25	100
Have you utilize the entire credit to the same sector as specified at the time of taking credit?	73.75	16.25	10	100
Are you satisfied with the bank service	62.5	37.5	-	100

Source: Survey of Sample Banks, 2013

- a) Only 43.75 percent of total sample customer said that they are up to date with the bank's credit policies and remaining said 'No'.
- b) 70 percent customers, out of 80 are dissatisfied with the bank's interest rate. Only 30 percent customers said, "we are more or less satisfied".
- c) 73.75 percent of the total sample customers of bank received information of repaying credit from the bank and remaining 26.25 percent said 'No'.
- d) 61.25 percent of the sample customers said that the bank officer visited their project site at the time of granting credit. 23.75 percent said no because there was representative of the credit taking group.
- e) 17.25 percent customer out of 80 respondents said that they would take credit from the same bank in the near future, 26.25 percent said no and the remaining 56.25 percent did not respond clearly.

- f) 73.75 percent of sample customers said that they utilize the credit for the same sector as specified at the time of taking loan. 16.25 percent customers said no and remaining 10 percent did not respond clearly.
- g) 62.5 percent of sample customers of the bank said that they are satisfied with the bank's services and the remaining percentage said "No".

4.11 Major Findings of the Study

This topic focuses on the major findings of the study, which we derived from the analysis of fund collection and mobilization of NSBI, SCBNL, HBL and EBL with comparatively applying the five year data from 2007/08 to 2011/12. Findings from above analysis are presented below:

a) Major Findings from Liquidity Ratios.

- (i) Average ratio of cash and bank balance to total deposit reveals that EBL had higher ratio and HBL had lower the ratio in comparison to other banks. Which shows that the liquidity position of EBL is quit well than other banks C.V of EBL is also lower than other banks which means that it has more consistent ratio compare to other banks.
- (ii) Average ratio of cash and bank balance to current deposit ratio revels that EBL has higher ratio and SCBNL had lower ratio than other banks. It shows that the liquidity position on current deposit of EBL is better in comparison to other banks. On the other hand C.V of EBL is lower than other banks which mean EBL's liquidity position on current deposit is more consistent to other banks.

b) Findings from Assets Management Ratios.

- (i) The average ratio of credit and advances to total deposit of EBL is higher than other three joint venture commercial banks and SCBNL has the lower ratio which means EBL has mobilized its collected deposit in credit and advances more than other banks but SCBNL seems weak to mobilize its collected deposit in credit and advances. But EBL seems more stable in providing credit and advances.
- (ii) The average ratio of credit and advances to fixed deposit ratio of HBL is higher than other three JVBS. NSBI has lower ratio than other banks. It can be

regarded that HBL has utilized the funds collected from fixed deposits in better way than other three banks.

- (iii) Average credit and advances to total assets ratio shows that EBL seems successful to mobilize its working fund as credit and advance in comparison to other banks.

c) Findings from Leverage Ratios.

- (i) The average debt to equity ratio shows that NSBI has the highest average ratio than other banks that means the financial risk of this bank is also high. All the JVBs have used excessive amount of debt.
- (ii) The average ratio of total debt to total assets ratio of NSBI is higher than other banks. The ratio shows that the banks are highly levered. We found that they are adopting the aggressive working capital policy.

d) Findings from Profitability Ratios.

- (i) The average ratio of return on assets of SCBNL is higher than other banks that mean SCBNL is more successful to earn profit on total working fund than other banks. On the other hand, SCBNL seems more stable in earning profit.
- (ii) The average ratio of total interest income to total credit and advances of SCBNL is higher than other banks. SCBNL is more successful to earn interest than other banks.

e) Findings from other Ratios.

- (i) The average ratio of EPS of EBL is greater than other banks. It reveals that shareholder funds are mobilized very well. NSBI has lowest ratio as compared to other banks. The C.V of EBL is lower than other banks. This seems more uniform in earning per share.
- (ii) The average MVPS of SCBNL is greater than other banks. NSBI has lower MVPS with compared with other banks. It reveals that SCBNL performance is better in the public mind than other banks.
- (iii) The average PE ratio of SCBNL is greater than other banks and EBL has lowest average ratio as compared to other banks. Higher ratio is desirable.

f) Finding from Analysis of Sources and Uses of Funds.

- (i) Among four banks HBL has highest capital and NSBI has lowest capital fund. From this, it can be said that NSBI has low volume of profit from operation than that other banks.
- (ii) The average borrowing of HBL is lower in comparison to other banks and SCBNL has higher funds from borrowing. It can be said that the internal fund management of HBL is better than other banks.
- (iii) During the study period, it has been found that EBL's deposit collection and mobilization is better than that of other three banks. EBL is considered on high liquidity sensitive bank. Whereas SCBNL deposit collection is lower in comparison to other banks.
- (iv) From the viewpoint of bills payable all banks are successful to generate funds from bills payable but in low portion.
- (v) The average fund from other liabilities of HBL is higher than other banks during the study period and NSBI has the lowest fund from other liabilities. It can be said that HBL is successful to generate funds from other sources in comparison to other banks.
- (vi) In case of profit and loss A/C SCBNL has the highest average contribution more than two percentage. But other remaining banks have the average contribution less than two percentage.
- (vii) Among four banks EBL has maintained high liquid funds. And HBL has low liquid fund. Considering liquidity, high liquidity is not favorable for income generation.
- (viii) By seeing the average investment, it can be said that SCBNL investment policy is better than other banks. But EBL has the lowest average investment during the study period.
- (ix) EBL has mobilized more funds as a loan and advances than other banks. And SCBNL mobilization low amount in loan and advances.
- (x) Among four banks only EBL has not mobilized its fund against collected bills.
- (xi) SCBNL allocates more proportion of funds to other assets where as NSBI has the lower allocation of funds under other assets
- (xii) HBL allocates more proportion of funds to fixed assets where as SCBNL has the lowest allocation of funds under fixed assets.

(xiii) Among four banks only NSBI and HBL have allocated for the non banking assets.

(xiv) Among four banks HBL has the highest allocation for expenses written off.

g) Finding from coefficient of correlation Analysis

Correlation of coefficient between deposit, loan and advance of all four banks are found positive. Among them EBL has better mobilization of deposit as loan and advance in comparison to other three banks. There is highly significant relationship between deposit and loan and advance of NSBI.

h) Findings from Analysis of Primary Data.

- a) Analysis of questionnaire's responses given by 64 employees off four banks shows that even there is credit related problems, which hurdles there credit related works, there practices are satisfactory. Most of them said that entire credit is granted to the same sector ass specified at the time of policy formulation. They used to visit the project side at the time of granting loan and borrower's past track records are analyzed. Some of them think top authority influences during taking credit related decision. 73.13 percent of them are satisfied with bank's credit policy and practices and remaining are not.
- b) Analysis of responses of questionnaire given by 20 credit customers of four banks shows that even they are not satisfied with interested charge by the banks, they are quite satisfied with their services. 17.5 percent of them want to further credit from the bank and 26.25 percent is not and remaining is not cleared. 62.5 percent of them are satisfied with the bank's services and remaining is not.

CHAPTER – FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Nepal is one of the least developed and poorest countries in the world. The contribution of agricultural sector in GDP is still higher than of any other sector. It is because almost 80 percent of the people still derived their earning from agriculture for their substance. The development of a nation can only be imagined with the development sector. Commercial banks play a vital role in development of business activities of a nation both within and outside of the nation. Thus, development of commercial banks plays a major role in development of a nation. They are the prime source of capital and trusteeship for business concerns.

Banks, especially commercial banks, stand for collection and mobilization of funds. The success in operation of CBs lies in the extent to which the funds are mobilized banks act as the intermediary of short term, medium term and long term funds. The CBs have to face in several problems from fund collection process to its effective mobilization. As far as possible, wider range of data and information were tried to include in analysis sector. However, there were certain limitations regarding occupying of information and analysis as stated in the objective. We took only four joint venture banks.

In this study of joint venture banks namely Himalayan Bank Ltd, Everest Bank Ltd, Nepal SBI Bank Ltd and Standard chartered Bank Ltd. Are chosen for their fund collection and mobilization activities by taking five year date from 2008-2012.

The term fund refers to finance or money. In general, these are two kinds of funds viz. working capital (operating) funds and capital (long-term) funds. The funds collected through various sources such as capital, long-term debt capital, income and other short-term sources. The funds collected through various sources are used in the banks for further income generating process in the form of loans and advances.

The data obtained through primary and secondary sources were represented in suitable table and graphs, analyzed through using financing as well as stabilized tools, interpreted

and finally to conclusions. Moreover, certain recommendations were also put forwarded on behalf of the studied organizations as regard to inferences drawn from analysis.

This study also bounded by many limitations, such as secondary data, unreliability of time and resources are the constraints of the study. In this study, the focus is given to the quantities aspect of four JVBs. Qualitative factors are not studies. Therefore the study may not be generated in all cases and accuracy depends upon the data collected and provided by the concerned organization.

On the basis data presentation and analysis the findings have been presented on the calculated ratio basis. From the liquidity ratio, liquidity position of EBL is quite well than other banks. From the credit and advance to total deposit ratio EBL has mobilized its collected deposit in credit and advance more than other banks. But SCBNL seems weak. From the credit and advance to fixed deposit ratio, HBL has utilized the collected funds from fixed deposit than other banks. From debt equity ratio all the JVBs have used excessive amount of debt. From the total debt total assets ratio banks are highly levered. From the return of assets, SCBNL has higher ratio than other banks so, SCBNL is more successful to earn total working fund than other banks. And also successful banks and MVPs also greater than other banks and the P/E ratio are also greater than other banks.

5.2 Conclusion

On the basis of data presentation and analysis the conclusions drawn have been presented on the calculated ratio basis. First of all the liquidity ratios are calculated to identify the situation of immediate cash and equipment to repay the customers and to meet other immediate liabilities at the time of demand. So the foremost liquidity ratios calculated for four JVBs are cash and bank balance to current deposit ratio and cash and bank balance to total deposit ratio. From the liquidity point of view EBL is comparatively better than NSBI, HBL and SCBNL has the highest cash and bank balance to total deposit ratio. Liquidity position of NSBI is comparatively lower than the other banks.

During the five year study period EBL is more successful in invest in productive sector and has mobilized its collected deposits to provide loan and advances for the purpose of earning profit. SCBNL has weak condition in mobilizing collected deposit. In comparison to other banks SCBNL is more string in investing. The average fixed deposit turnover

ratio of HBL is higher than that of other banks. The average total assets turnover ratio of EBL is greater than other banks. It means EBL had been able to mobilize more than half its total working funds (represented by total assets) in various lending sectors. It means that EBL utilized its assets more efficiently in lending than other banks.

The total debt to net worth ratio of NSBI is 1494.95 percent on an average over the study period. NSBI used more amount of debt (i.e. short term debt only) than other banks. It seems that the net worth of other banks is far below to cover the total debt. All the banks used short-term debt. The average total debt to total assets ratio of NSBI is greater than that of other banks. The average debt ratio of SCBNL is 91.64 percent over the five year period. It seems that 91.64 percent of the total assets ratio of SCBNL is financed with total debt capital comprising of total deposits, short term loans, payable etc on an average.

Considering the profitability aspect of four banks SCBNL is relatively more successful to earn profit on total assets than other three banks. It has a highest average return on total assets ratio than other banks. It can be regarded that the return, on assets of SCBNL is better than other banks. It indicates that SCBNL's assets are utilized in a better way than of other three banks. All the banks are generating profits. The ratio of profit over the total assets employed could be regarded as satisfactory.

The average interest income to credit and advances ratios of SCBNL is greater than other three banks. The ratios of these banks are at increasing trend. The credit lending of SCBNL can be regarded as more efficient than other three banks. The average earning per share of EBL is greater than other three banks over five year period. The coefficient of variation of EBL is less than other banks. The highest coefficient of variation is 26.54 percent of SCBNL. It can be studied that shareholders' funds are mobilized and managed efficiently in SCBNL than other banks. The earning to shareholders is more consistent in SCBNL than other banks. The market value per share of SCBNL is greater than other three banks over five year. It can be clearly stated that the people's perception of SCBNL's management and performance is quite better than of other three banks.

All banks have considered deposit as a main source of fund. From the view point of deposit collection EBL seems successful in compared to other banks. Capital fund and other liabilities also have the good contribution in sources of funds. But other sources

cover fewer portions in total sources of funds, loan, and advances cover maximum portion of uses of fund. EBL has invested higher amount of loan and advances in comparison to other banks. Similarly, liquid fund investment and other liabilities are given second priority for uses of funds.

Correlation coefficients of all four JVBs are positive between total deposit and loan and advances. Among them EBL has the highest correlation coefficient between total deposit and loan and advances. Most of the loan and advances providing decision of HBL, EBL, NSBI and SCBNL are depended upon deposit and only few decisions are explained by other variables.

By evaluating the trend analysis EBL is more successful to mobilize its total deposit as loan and advances than other compared banks.

5.3 Recommendations

On the basis of fact finding in above analysis, following suggestion are recommended to joint venture banks which help to overcome weakness inefficiency and take corrective action in future.

A. Deposit Schemes and Facilities

Deposit is the main sources of fund of commercial joint venture banks. During the study period, it has been found that all four banks have the satisfactory deposit collection. However, SCBNL and NSBI have the poor deposit collection in comparison of other banks. So it is recommended to collect more as deposit through large variety of deposit schemes and facilities.

B. Mobilized in profitable Sectors

The banks should try to maintain only the adequate liquidity. Excess liquidity or idle funds should be tried to mobile in profitable sectors.

C. Lending Schemes

The lending schemes should modernize as per the needs of business society and expectation of people.

D. Credit Collection Policy

All JVBs are suggested to implement suitable credit collection policy. The policy should ensure rapid identification of delinquent loans immediate contact with borrower and continual flow up until loan is recovered. The recovery of loan is most challenging job to a bank. Therefore the bank must be very careful in formulating credit policy. The policy is also associated with some legal procedure.

E. Increased in Investment and Lending

All JVBS are suggested to increase their investment and lending. They should try to mobilize their funds efficiently and optimally than that of existing, which is just satisfactory. All the JVBS most try to help the down going business and manufacturing sector of the nation. Subsequent decision of NRB to phase out the priority sector credit, under the micro credit program the commercial banks has to provide minimum of 3 percent of their outstanding credit to the deprived sectors from fiscal year 2008/09. Therefore, they should provide funds to the needy parties without hassle, safely and at moderate of interest in order to overcome the nation from going towards more difficult position.

F. Expand their Branch in Rural Areas

JVBS have not sufficient branches to cover the banking business. Coverage of limited areas by bank will not boost up its campaign of deposit mobilization and credit disbursement as desired. NRB and government have also encouraged the JVBS to expand their banking services in rural areas and communities without making unfavorable in their profit. Therefore, all JVBs are recommended to expand their branch in rural areas and communities.

G. Formulating Strategies

In the context of globalization and liberalization, a bank must be careful on formulating marketing strategy to service its customers. Effective marketing strategy would attract the customer. So all the JVBs are suggested to develop and inactive to bank marketing for its well-being as sustainability in the market.

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Annex : I

Sample Calculation of Correlation Coefficient between Credit and Advance to Total Deposit of NSBI.

Year	Total Deposit (X)	Credit and Advance (Y)	XY	X ²	Y ²
2008	13,715,394,960	12,113,698,428	166,144,158,366,351	188,112,058,908,793	146,741,689,604,530
2009	27,957,220,794	15,131,747,944	423,041,618,269,564	781,606,194,524,466	228,969,795,840,748
2010	34,896,424,201	17,480,548,194	610,008,625,043,848	1,217,760,422,016,140	305,569,565,162,757
2011	42,415,443,294	21,365,771,129	906,238,653,754,682	1,799,069,829,826,530	456,496,175,936,810
2012	53,337,264,193	26,142,094,172	1,394,347,783,410,250	2,844,863,751,593,880	683,409,087,697,716
Total			3,499,780,838,844,690	6,831,412,256,869,810	1,821,186,314,242,560

We have,

$$\text{Correlation of Co-Efficient (r)} = \frac{\sum XY}{\sqrt{\sum X^2 \sum Y^2}} = \frac{3,499,780,838,844,690}{3,527,219,090,042,436} = 0.99222$$

$$\text{Coefficient of Determinate (r}^2\text{)} = r^2 = 0.99222 \times 0.99222 = 0.9845$$

$$6 \times \text{P.E} = \frac{0.6745 \times 1 - r^2}{\sqrt{6}} = 0.0280$$

Remaining Correlation Coefficient can be Calculated by following Similar.

Annex : I

Sample Calculation of Correlation Coefficient between Credit and Advance to Total Deposit of NSBI.

Year	Total Deposit (X)	Credit and Advance (Y)	XY	X ²	Y ²
2008	13,715,394,960	12,113,698,428	166,144,158,366,351	188,112,058,908,793	146,741,689,604,530
2009	27,957,220,794	15,131,747,944	423,041,618,269,564	781,606,194,524,466	228,969,795,840,748
2010	34,896,424,201	17,480,548,194	610,008,625,043,848	1,217,760,422,016,140	305,569,565,162,757
2011	42,415,443,294	21,365,771,129	906,238,653,754,682	1,799,069,829,826,530	456,496,175,936,810
2012	53,337,264,193	26,142,094,172	1,394,347,783,410,250	2,844,863,751,593,880	683,409,087,697,716
Total			3,499,780,838,844,690	6,831,412,256,869,810	1,821,186,314,242,560

We have,

$$\text{Correlation of Co-Efficient (r)} = \frac{\sum XY}{\sqrt{\sum X^2 \sum Y^2}} = \frac{3,499,780,838,844,690}{3,527,219,090,042,436} = 0.99222$$

$$\text{Coefficient of Determinate (r}^2\text{)} = r^2 = 0.99222 \times 0.99222 = 0.9845$$

$$6 \times \text{P.E} = \frac{0.6745 \times 1 - r^2}{\sqrt{6}} = 0.0280$$

Remaining Correlation Coefficient can be Calculated by following Similar.

Appendix: I

A . Comparative Cash and Bank Balance to Total Deposit

NSBI (Rs. In Million)

	2008	2009	2010	2011	2012
Cash & Bank Balance	1,342,960,326	1,176,439,838	3,441,261,477	4,877,825,858	5,508,382,496
Total deposit	13,715,394,960	27,957,220,794	34,896,424,201	42,415,443,294	53,337,264,193
Ratio %	9.79%	4.21%	9.86%	11.50%	10.33%

HBL

	2008	2009	2010	2011	2012
Cash & Bank Balance	1,448,142,890	3,048,526,788	3,866,490,684	2,964,651,321	6,362,296,158
Total deposit	31,842,789,356	34,682,306,863	37,611,202,274	40,920,627,030	47,730,993,909
Ratio %	4.55%	8.79%	10.28%	7.24%	13.33%

EBL

	2008	2009	2010	2011	2012
Cash & Bank Balance	2,667,971,830	6,164,371,163	7,818,815,003	6,122,862,952	10,363,306,307
Total deposit	23,976,298,535	33,322,946,246	36,932,310,008	41,127,914,339	50,006,100,272
Ratio %	11.13%	18.50%	21.17%	14.89%	20.72%

SCBNL

	2008	2009	2010	2011	2012
Cash & Bank Balance	2,050,243,214	3,137,163,535	1,929,306,520	2,975,795,278	6,366,233,069
Total deposit	29,743,998,794	35,350,823,711	35,182,721,454	37,999,242,310	35,965,630,744
Ratio %	6.89%	8.87%	5.48%	7.83%	17.70%

Source: Annual Reports of Banks

Appendix: II

B . Comparative Cash and Bank Balance to Current Deposit Ratio

NSBI (Rs. In Million)

	2008	2009	2010	2011	2012
Cash and Bank Balance	1,342,960,326	1,176,439,838	3,441,261,477	4,877,825,858	5,508,382,496
Current Deposit	1,738,101,358	2,864,733,204	2,861,877,958	4,259,415,722	3,777,858,754
Ratio %	77.27%	41.07%	120.24%	114.52%	145.81%

HBL

	2008	2009	2010	2011	2012
Cash and Bank Balance	1,448,142,890	3,048,526,788	3,866,490,684	2,964,651,321	6,362,296,158
Current Deposit	4,784,216,160	3,218,224,894	3,745,624,493	3,694,249,426	4,584,233,497
Ratio %	30.27%	94.73%	103.23%	80.25%	138.79%

EBL

	2008	2009	2010	2011	2012
Cash and Bank Balance	2,667,971,830	6,164,371,163	7,818,815,003	6,122,862,952	10,363,306,307
Current Deposit	2,492,346,111	4,859,946,758	4,173,319,653	4,791,202,774	6,098,254,263
Ratio %	107.05%	126.84%	187.35%	127.79%	169.94%

SCBNL

	2008	2009	2010	2011	2012
Cash and Bank Balance	2,050,243,214	3,137,163,535	1,929,306,520	2,975,795,278	6,366,233,069
Current Deposit	7,174,560,842	5,752,096,762	9,763,154,975	11,545,604,070	11,317,217,357
Ratio %	28.58%	54.54%	19.76%	25.77%	56.25%

Source: Annual Reports of Banks

Appendix: III

C . Comparative Credit and Advances to Total Deposit Ratio

NSBI (Rs. In Million)

	2008	2009	2010	2011	2012
Cash & Advances	12,113,698,428	15,131,747,944	17,480,548,194	21,365,771,129	26,142,094,172
Total Deposit	13,715,394,960	27,957,220,794	34,896,424,201	42,415,443,294	53,337,264,193
Ratio %	88.32%	54.12%	50.09%	50.37%	49.01%

HBL

	2008	2009	2010	2011	2012
Cash & Advances	20,179,613,169	24,793,155,269	27,980,628,760	31,566,976,755	34,965,433,862
Total Deposit	31,842,789,356	34,682,306,863	37,611,202,274	40,920,627,030	47,730,993,909
Ratio %	63.37%	71.49%	74.39%	77.14%	73.26%

EBL

	2008	2009	2010	2011	2012
Cash & Advances	18,339,085,562	23,884,673,616	27,556,356,032	31,057,691,462	35,910,974,673
Total Deposit	23,976,298,535	33,322,946,246	36,932,310,008	41,127,914,339	50,006,100,272
Ratio %	76.49%	71.68%	74.61%	75.51%	71.81%

SCBNL

	2008	2009	2010	2011	2012
Cash & Advances	13,718,597,132	13,679,756,990	15,956,955,268	18,427,270,491	19,575,968,330
Total Deposit	29,743,998,794	35,350,823,711	35,182,721,454	37,999,242,310	35,965,630,744
Ratio %	46.12%	38.70%	45.35%	48.49%	54.43%

Source: Annual Reports of Banks

Appendix : IV

D. Credit and Advance to Fixed Deposit Ratio

NSBI (Rs. In Million)

	2008	2009	2010	2011	2012
Cash & Advance	12,113,698,428	15,131,747,944	17,480,548,194	21,365,771,129	26,142,094,172
Fixed Deposit	6,854,884,456	17,434,404,928	22,148,948,329	28,013,550,392	36,208,650,059
Ratio %	1.77	0.87	0.79	0.76	0.72

4.91
0.98

HBL

	2008	2009	2010	2011	2012
Cash & Advance	20,179,613,169	24,793,155,269	27,980,628,760	31,566,976,755	34,965,433,862
Fixed Deposit	6,423,874,106	6,377,132,497	11,328,635,821	13,507,370,421	11,866,679,120
Ratio %	3.14	3.89	2.47	2.34	2.95

14.78
2.96

SCBNL

	2008	2009	2010	2011	2012
Cash & Advance	13,718,597,132	13,679,756,990	15,956,955,268	18,427,270,491	19,575,968,330
Fixed Deposit	3,301,013,939	7,101,697,629	9,175,070,477	10,136,244,465	4,661,260,883
Ratio %	4.16	1.93	1.74	1.82	4.20

13.84
2.77

EBL

	2008	2009	2010	2011	2012
Cash & Advance	18,339,085,562	23,884,673,616	27,556,356,032	31,057,691,462	35,910,974,673
Fixed Deposit	6,446,181,289	7,049,978,230	10,440,278,594	15,061,938,201	13,007,478,505
Ratio %	2.84	3.39	2.64	2.06	2.76

13.70
2.74

Source: Annual Reports of Banks

Appendix : VII

G . Comparative Total Debt to total Assets

NSBI

(Rs. In Million)

	2008	2009	2010	2011	2012		
Total Debt	15,772,801,362	28,453,832,354	35,597,125,395	43,208,940,825	54,862,248,857		
Total Assets	17,187,446,174	30,166,439,549	38,047,679,465	46,088,233,975	58,059,707,720		
Ratio (%)	91.77%	94.32%	93.56%	93.75%	94.49%	467.90%	467.9 93.58

HBL

	2008	2009	2010	2011	2012		
Total Debt	33,662,540,035	37,650,251,286	39,277,919,483	42,740,725,611	49,732,417,749		
Total Assets	36,175,531,637	39,330,131,823	42,717,124,613	46,736,203,884	54,364,427,882		
Ratio (%)	93.05%	95.73%	91.95%	91.45%	91.48%	463.66%	463.66 92.732

EBL

	2008	2009	2010	2011	2012		
Total Debt	25,228,100,000	34,713,223,599	38,623,622,856	43,122,666,206	51,665,826,170		
Total Assets	27,149,342,884	36,916,848,654	41,382,760,711	46,236,212,262	55,813,129,057		
Ratio (%)	92.92%	94.03%	93.33%	93.27%	92.57%	466.12%	466.12 93.224

SCBNL

	2008	2009	2010	2011	2012		
Total Debt	30,843,240,320	37,014,100,860	36,843,610,480	40,132,742,600	37,554,883,400		
Total Assets	33,335,788,326	40,066,570,593	40,213,319,926	43,819,519,664	41,677,052,360		
Ratio (%)	92.52%	92.38%	91.62%	91.59%	90.11%	458.22%	458.22 91.644

Source: Annual Reports of Banks

Appendix : V

E. Comparative Credit and Advance to Total Assets Ratio

NSBI

(Rs. In Million)

	2008	2009	2010	2011	2012
Cash & Advance	12,113,698,428	15,131,747,944	17,480,548,194	21,365,771,129	26,142,094,172
Total Assets	17,187,446,174	30,166,439,549	38,047,679,465	46,088,233,975	58,059,707,720
Ratio %	70.48%	50.16%	45.94%	46.36%	45.03%

257.97% 257.97
51.594

HBL

	2008	2009	2010	2011	2012
Cash & Advance	20,179,613,169	24,793,155,269	27,980,628,760	31,566,976,755	34,965,433,862
Total Assets	36,175,531,637	39,330,131,823	42,717,124,613	46,736,203,884	54,364,427,882
Ratio %	55.78%	63.04%	65.50%	67.54%	64.32%

316.18% 316.18
63.236

EBL

	2008	2009	2010	2011	2012
Cash & Advance	18,339,085,562	23,884,673,616	27,556,356,032	31,057,691,462	35,910,974,673
Total Assets	27,149,342,884	36,916,848,654	41,382,760,711	46,236,212,262	55,813,129,057
Ratio %	67.55%	64.70%	66.59%	67.17%	64.34%

330.35% 330.35
66.07

SCBNL

	2008	2009	2010	2011	2012
Cash & Advance	13,718,597,132	13,679,756,990	15,956,955,268	18,427,270,491	19,575,968,330
Total Assets	33,335,788,326	40,066,570,593	40,213,319,926	43,819,519,664	41,677,052,360
Ratio %	41.15%	34.14%	39.68%	42.05%	46.97%

204.00% 204
40.8

Source: Annual Reports of Banks

Appendix : VI

F . Comparative Total Debt to Net Worth Ratio

NSBI

(Rs. In Million)

	2008	2009	2010	2011	2012
Total Debt	15,772,801,362	28,453,832,354	35,597,125,395	43,208,940,825	54,862,248,857
Net Worth	1,404,264,131	1,702,571,354	2,440,863,070	2,869,602,150	3,196,710,863
Ratio (%)	1123.21%	1671.23%	1458.38%	1505.75%	1716.21%

7474.77% 7474.77
1494.954

HBL

	2008	2009	2010	2011	2012
Total Debt	33,662,540,035	37,650,251,286	39,277,919,483	42,740,725,611	49,732,417,749
Net Worth	2,513,004,244	3,119,834,718	3,628,640,000	3,995,400,000	4,632,000,000
Ratio (%)	1339.53%	1206.80%	1082.44%	1069.75%	1073.67%

5772.20% 5772.2
1154.44

EBL

	2008	2009	2010	2011	2012
Total Debt	25,228,100,000	34,713,223,599	38,623,622,856	43,122,666,206	51,665,826,170
Net Worth	1,581,200,000	2,205,400,000	2,757,100,000	2,953,500,000	4,017,300,000
Ratio (%)	1595.50%	1574.01%	1400.88%	1460.05%	1286.08%

7316.53% 7316.53
1463.306

SCBNL

	2008	2009	2010	2011	2012
Total Debt	30,843,240,320	37,014,100,860	36,843,610,480	40,132,742,600	37,554,883,400
Net Worth	2,492,548,000	3,052,470,000	3,369,709,000	3,677,777,000	4,122,169,000
Ratio (%)	1237.42%	1212.60%	1093.38%	1091.22%	911.05%

5545.66% 5545.66
1109.132

Source: Annual Reports of Banks

Appendix : VII

G . Comparative Total Debt to total Assets

NSBI

(Rs. In Million)

	2008	2009	2010	2011	2012
Total Debt	15,772,801,362	28,453,832,354	35,597,125,395	43,208,940,825	54,862,248,857
Total Assets	17,187,446,174	30,166,439,549	38,047,679,465	46,088,233,975	58,059,707,720
Ratio (%)	91.77%	94.32%	93.56%	93.75%	94.49%

467.90% 467.9
93.58

HBL

	2008	2009	2010	2011	2012
Total Debt	33,662,540,035	37,650,251,286	39,277,919,483	42,740,725,611	49,732,417,749
Total Assets	36,175,531,637	39,330,131,823	42,717,124,613	46,736,203,884	54,364,427,882
Ratio (%)	93.05%	95.73%	91.95%	91.45%	91.48%

463.66% 463.66
92.732

EBL

	2008	2009	2010	2011	2012
Total Debt	25,228,100,000	34,713,223,599	38,623,622,856	43,122,666,206	51,665,826,170
Total Assets	27,149,342,884	36,916,848,654	41,382,760,711	46,236,212,262	55,813,129,057
Ratio (%)	92.92%	94.03%	93.33%	93.27%	92.57%

466.12% 466.12
93.224

SCBNL

	2008	2009	2010	2011	2012
Total Debt	30,843,240,320	37,014,100,860	36,843,610,480	40,132,742,600	37,554,883,400
Total Assets	33,335,788,326	40,066,570,593	40,213,319,926	43,819,519,664	41,677,052,360
Ratio (%)	92.52%	92.38%	91.62%	91.59%	90.11%

458.22% 458.22
91.644

Source: Annual Reports of Banks

Appendix : VIII

H . Comparative Net profit to Total Assets Ratio (Return On Assets)

NSBI						(Rs. In Million)	
	2008	2009	2010	2011	2012		
Net Profit	247,770.758	316,373.495	391,742,119	464,564,999	480,105,493		
Total Assets	17,187,446,174	30,166,439,549	38,047,679,465	46,088,233,975	58,059,707,720		
Ratio (%)	1.44%	1.05%	1.03%	1.01%	0.83%	5.35%	5.35
							1.07
HBL							
	2008	2009	2010	2011	2012		
Net Profit	635,868,519	752,834,735	508,798,193	32,931,797	72,898,928		
Total Assets	36,175,531,637	39,330,131,823	42,717,124,613	46,736,203,884	54,364,427,882		
Ratio (%)	1.76%	1.91%	1.19%	0.07%	0.13%	5.07%	5.07
							1.014
EBL							
	2008	2009	2010	2011	2012		
Net Profit	451,220,000	638,732,757	831,765,632	931,303,628	1,090,564,222		
Total Assets	27,149,342,884	36,916,848,654	41,382,760,711	46,236,212,262	55,813,129,057		
Ratio (%)	1.66%	1.73%	2.01%	2.01%	1.95%	9.37%	9.37
							1.87
SCBNL							
	2008	2009	2010	2011	2012		
Net Profit	818,921,008	1,025,114,536	1,085,871,694	1,119,171,286	1,168,967,497		
Total Assets	33,335,788,326	40,066,570,593	40,213,319,926	43,819,519,664	41,677,052,360		
Ratio (%)	2.46%	2.56%	2.70%	2.55%	2.80%	13.07%	13.07
							2.61

Source: Annual Reports of Banks

Appendix : IX

I . Comparative Interest Income to Total Credit and Advance

NSBI

(Rs. In Million)

	2008	2009	2010	2011	2012
Interest Income	970,512,681	1,460,445,686	2,269,704,291	3,099,907,735	3,769,483,069
Loan and Advance	12,113,698,428	15,131,747,944	17,480,548,194	21,365,771,129	26,142,094,172
Ratio (%)	8.01%	9.65%	12.98%	14.51%	14.42%

59.58% 59.58
11.92

HBL

	2008	2009	2010	2011	2012
Interest Income	1,963,647,472	2,342,198,179	3,148,605,196	4,326,140,588	4,724,887,323
Loan and Advance	20,179,613,169	25,519,519,081	29,123,754,889	32,968,270,298	35,968,472,801
Ratio (%)	9.73%	9.18%	10.81%	13.12%	13.14%

55.98% 55.98
11.20

EBL

	2008	2009	2010	2011	2012
Interest Income	1,548,660,000	2,186,814,992	3,102,451,484	4,331,026,087	4,959,998,415
Loan and Advance	18,339,085,562	23,884,673,616	27,556,356,032	31,057,691,462	35,910,974,673
Ratio (%)	8.44%	9.16%	11.26%	13.95%	13.81%

56.62% 56.62
11.32

SCBNL

	2008	2009	2010	2011	2012
Interest Income	1,591,195,526	1,887,221,257	2,042,109,322	2,718,698,856	2,870,970,682
Loan and Advance	13,718,597,132	13,679,756,990	15,956,955,268	18,427,270,491	19,575,968,330
Ratio (%)	11.60%	13.80%	12.80%	14.75%	14.67%

67.61% 67.61
13.52

Source: Annual Reports of Banks

Appendix : X

NSBI

	2008		2009		2010		2011		2012				Mean
Capital	1,722,186,798	5.82%	2,012,037,895	6.58%	2,734,446,607	7.11%	3,163,395,582	6.80%	3,899,143,363	6.66%	32.97%	32.97	6.59
Deposit	13,715,395,000	46.31%	27,957,221,000	91.47%	34,896,424,000	90.78%	42,415,443,294	91.13%	53,337,264,193	91.12%	410.82%	410.82	82.16
Borrowing	13,715,394,960	46.31%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	46.31%	46.31	9.26
Bills Payable	71,515,000	0.24%	62,947,000	0.21%	72,368,000	0.19%	80,685,337	0.17%	78,616,237	0.13%	0.94%	0.94	0.19
Other	142,581,889	0.48%	215,253,123	0.70%	345,252,820	0.90%	419,347,031	0.90%	738,200,038	1.26%	4.25%	4.25	0.85
P/L Account	247,771,000	0.84%	316,373,000	1.04%	391,742,000	1.02%	464,564,999	1.00%	480,105,493	0.82%	4.71%	4.71	0.94
Total	29,614,844,647	100.00%	30,563,832,018	100.00%	38,440,233,427	100.00%	46,543,436,243	100.00%	58,533,329,324	100.00%	500.00%		100.00
													Mean
Liquid fund	1,342,960,326	7.37%	1,176,439,838	3.63%	3,441,261,477	8.46%	4,877,825,858	10.07%	5,508,382,496	9.09%	38.61%	38.61	7.72
Investment	3,088,887,000	16.94%	13,286,182,000	40.96%	16,305,633,000	40.06%	18,911,021,520	39.04%	24,463,451,958	40.39%	177.40%	177.4	35.48
Share & Others	874,528,000	4.80%	1,224,339,000	3.77%	1,861,324,000	4.57%	2,102,966,165	4.34%	2,355,738,504	3.89%	21.38%	21.38	4.28
Loan & Advance	12,113,698,000	66.45%	15,131,748,000	46.65%	17,480,545,000	42.95%	21,365,771,000	44.11%	26,142,094,000	43.16%	243.31%	243.31	48.66
Bills Purchase	442,932,011	2.43%	840,016,006	2.59%	735,003,224	1.81%	71,725,854	0.15%	243,788,723	0.40%	7.38%	7.38	1.48
Fixed Assets	120,222,000	0.66%	253,581,000	0.78%	418,245,000	1.03%	417,003,000	0.86%	715,921,000	1.18%	4.51%	4.51	0.90
Other Assets	217,665,000	1.19%	318,489,000	0.98%	401,995,000	0.99%	516,611,000	1.07%	1,051,608,539	1.74%	5.97%	5.97	1.19
Return Off	29,782,580	0.16%	198,672,788	0.61%	56,621,276	0.14%	179,122,158	0.37%	91,695,108	0.15%	1.44%	1.44	0.29
Non Banking Assets	-	-	3,847,024	0.01%	-	0.00%	-	-	-	-	0.01%	0.01	0.00
Total	18,230,674,917	100.00%	32,433,314,656	100.00%	40,700,627,977	100.00%	48,442,046,555	100.00%	60,572,680,328	100.00%	500.00%		100.00

SCBNL

	2008		2009		2010		2011		2012				Mean
Capital	2,655,277,512	4.18%	3,190,367,000	7.83%	3,530,493,815	8.68%	3,835,592,151	8.66%	4,295,167,000	10.16%	39.50%	39.5	7.90
Deposit	29,743,998,794	46.87%	35,350,823,711	86.73%	35,182,721,454	86.46%	37,999,242,310	85.81%	35,965,630,744	85.04%	390.91%	390.91	78.18
Borrowing	29,743,998,794	46.87%	300,000,000	0.74%	-	0.00%	350,000,000	0.79%	-	0.00%	48.39%	48.39	9.68
Bills Payable	-	0.00%	72,941,748	0.18%	89,319,655	0.22%	65,966,151	0.15%	86,378,524	0.20%	0.75%	0.75	0.15
Other	503,426,025	0.79%	820,089,602	2.01%	812,503,393	1.97%	912,450,141	2.06%	778,298,533	1.84%	8.68%	8.68	1.74
P/L Account	818,921,008	1.29%	1,025,114,536	2.52%	1,085,871,694	2.67%	1,119,171,286	2.53%	1,168,967,497	2.76%	11.77%	11.77	2.35
Total	63,465,622,133	100.00%	40,759,336,597	100.00%	40,690,910,011	100.00%	44,282,422,039	100.00%	42,294,442,298	100.00%	500.00%		100.00
													Mean
Liquid fund	2,050,243,214	6.29%	3,137,163,535	7.88%	1,929,306,520	4.77%	2,975,795,278	7.01%	6,366,233,069	15.06%	41.00%	41	8.20
Investment	13,902,819,011	42.63%	20,236,121,082	50.83%	19,847,511,025	49.04%	17,258,682,472	40.66%	12,938,215,774	30.61%	213.76%	213.76	42.75
Share & Others	620,784,000	1.90%	1,397,949,600	3.51%	1,608,256,140	3.97%	1,610,168,000	3.79%	1,851,693,200	4.38%	17.56%	17.56	3.51
Loan & Advance	13,718,597,132	42.07%	13,679,756,990	34.36%	15,956,955,268	39.43%	18,427,270,491	43.41%	19,575,968,330	46.31%	205.57%	205.57	41.11
Bills Purchase	762,719,465	2.34%	301,314,808	0.76%	263,466,765	0.65%	1,240,675,522	2.92%	679,257,213	1.61%	8.28%	8.28	1.66
Fixed Assets	117,272,258	0.36%	137,292,540	0.34%	118,539,974	0.29%	106,071,182	0.25%	89,633,207	0.21%	1.46%	1.46	0.29
Other Assets	1,349,319,111	4.14%	820,687,446	2.06%	691,547,139	1.71%	761,812,241	1.79%	580,966,980	1.37%	11.08%	11.08	2.22
Return Off	90,634,940	0.28%	101,075,167	0.25%	58,292,849	0.14%	67,159,308	0.16%	190,917,635	0.45%	1.29%	1.29	0.26
Non Banking Assets	-	-	-	0.00%	-	0.00%	-	-	-	-	0.00%	0.00	0.00
Total	32,612,389,131	100.00%	39,811,361,168	100.00%	40,473,875,680	100.00%	42,447,634,494	100.00%	42,272,885,408	100.00%	500.00%		100.00

Source: Annual Reports of Banks

Appendix : X1

HBL

	2008		2009		2010		2011		2012			Mean	
Capital	3,253,515,981	8.94%	3,845,211,300	9.58%	4,218,361,500	9.74%	4,711,243,495	9.92%	5,283,900,074	9.53%	47.70%	47.7	9.54
Deposit	31,842,789,356	87.46%	34,682,306,863	86.41%	37,611,202,274	86.83%	40,920,627,030	86.13%	47,730,993,909	86.07%	432.90%	432.9	86.58
Borrowing	83,177,973	0.23%	-	0.00%	-	0.00%	10,000,000	0.02%	-	0.00%	0.25%	0.25	0.05
Bills Payable	102,669,796	0.28%	31,847,391	0.08%	216,158,879	0.50%	31,655,586	0.07%	322,106,400	0.58%	1.51%	1.51	0.30
Other	491,695,555	1.35%	823,836,963	2.05%	761,084,730	1.76%	941,600,995	1.98%	1,160,314,068	2.09%	9.23%	9.23	1.85
P/L Account	635,868,519	1.75%	752,834,735	1.88%	508,798,193	1.17%	893,115,143	1.88%	958,638,260	1.73%	8.38%	8.38	1.68
Total	36,409,717,180	100.00%	40,136,037,252	100.00%	43,315,605,576	100.00%	47,508,242,249	100.00%	55,455,952,711	100.00%	500.00%		99.99
													Mean
Liquid fund	1,448,142,890	3.84%	3,048,526,788	7.67%	3,866,490,684	8.28%	2,964,651,321	5.82%	6,362,296,158	10.63%	36.24%	36.24	7.25
Investment	13,340,176,785	35.34%	8,710,690,646	21.92%	8,444,910,165	18.09%	8,769,938,671	17.22%	10,031,580,497	16.76%	109.33%	109.33	21.87
Share & Others	1,013,512,500	2.68%	160,000,000	0.40%	2,000,000,000	4.28%	2,400,000,000	4.71%	2,760,000,000	4.61%	16.70%	16.7	3.34
Loan & Advance	20,179,613,169	53.45%	25,519,519,081	64.21%	29,123,754,889	62.38%	32,968,270,298	64.75%	35,968,472,801	60.09%	304.89%	304.89	60.98
Bills Purchase	305,133,566	0.81%	548,747,432	1.38%	867,350,325	1.86%	900,111,798	1.77%	1,148,574,308	1.92%	7.73%	7.73	1.55
Fixed Assets	726,068,462	1.92%	952,196,395	2.40%	1,061,870,757	2.27%	1,187,493,049	2.33%	1,305,364,357	2.18%	11.11%	11.11	2.22
Other Assets	634,786,835	1.68%	632,074,387	1.59%	1,054,384,247	2.26%	1,513,144,088	2.97%	1,435,153,008	2.40%	10.90%	10.9	2.18
Return Off	94,994,975	0.25%	149,894,111	0.38%	265,542,038	0.57%	211,970,590	0.42%	846,245,771	1.41%	3.03%	3.03	0.61
Non Banking Assets	10,306,683	0.03%	22,694,688	0.06%	-	0.00%	-	-	-	0.08%	0.08	0.08	0.02
Total	37,752,735,865	100.00%	39,744,343,528	100.00%	46,684,303,105	100.00%	50,915,579,815	100.00%	59,857,686,900	100.00%	500.00%	500	100.00

EBL

	2008		2009		2010		2011		2012			Mean	
Capital	2,348,390,000	8.53%	2,703,870,000	7.21%	3,257,141,000	7.73%	3,605,841,000	7.71%	4,574,751,000	7.99%	39.17%	39.17	7.83
Deposit	23,976,300,000	87.04%	33,322,900,000	88.85%	36,932,300,000	87.65%	41,127,900,000	87.96%	50,006,100,272	87.33%	438.83%	438.83	87.77
Borrowing	-	0.00%	312,000,000	0.83%	404,600,000	0.96%	482,000,000	1.03%	-	0.00%	2.82%	2.82	0.56
Bills Payable	49,429,700	0.18%	148,655,592	0.40%	145,514,679	0.35%	49,716,572	0.11%	692,398,816	1.21%	2.24%	2.24	0.45
Other	720,443,592	2.62%	378,574,715	1.01%	566,081,795	1.34%	559,237,454	1.20%	897,383,129	1.57%	7.73%	7.73	1.55
Reconciliation	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.00%	0	0.00
P/L Account	451,218,613	1.64%	638,732,757	1.70%	831,765,632	1.97%	931,303,628	1.99%	1,090,564,222	1.90%	9.21%	9.21	1.84
Total	27,545,781,905	100.00%	37,504,733,064	100.00%	42,137,403,106	100.00%	46,755,998,654	100.00%	57,261,197,439	100.00%	500.00%		100.00
													Mean
Liquid fund	2,667,971,830	9.48%	6,164,371,163	15.96%	7,818,815,003	18.07%	6,122,862,952	12.58%	10,363,306,307	17.85%	73.95%	73.95	14.79
Investment	5,059,557,544	17.97%	5,948,480,273	15.40%	5,008,307,589	11.58%	7,743,928,321	15.92%	7,863,627,165	13.54%	74.41%	74.41	14.88
Share & Others	811,400,000	2.95%	1,030,467,300	2.67%	1,279,607,490	2.96%	1,761,126,410	3.62%	1,391,570,339	2.40%	14.60%	14.6	2.92
Loan & Advance	18,836,400,000	66.91%	24,469,600,000	63.37%	28,156,400,000	65.08%	31,661,800,000	65.07%	36,616,800,000	63.07%	323.50%	323.5	64.70
Bills Purchase	-	-	-	-	-	-	-	-	-	-	-	-	0.00
Fixed Assets	360,512,480	1.28%	427,157,451	1.11%	463,094,391	1.07%	460,258,735	0.95%	547,925,679	0.94%	5.35%	5.35	1.07
Other Assets	376,215,468	1.34%	492,166,151	1.27%	536,187,696	1.24%	851,470,792	1.75%	1,127,295,233	1.94%	7.54%	7.54	1.51
Return Off	20,201,067	0.07%	83,553,461	0.22%	-	-	56,337,478	0.12%	150,348,539	0.26%	0.66%	0.66	0.13
Non Banking Assets	-	-	-	-	-	-	-	-	-	-	-	-	0.00
Total	28,152,258,389	100.00%	38,615,795,799	100.00%	43,262,412,169	100.00%	48,657,784,688	100.00%	58,060,873,362	100.00%	500.00%	500	100.00

Source: Annual Reports of Banks

Appendix : XII

NSBI

Year	X(Total Deposit)	y (Loan and Advance)	xy	x2	y2
2008	13,715,394,960	12,113,698,428	166,144,158,366,351,000,000	188,112,058,908,793,000,000	146,741,689,604,530,000,000
2009	27,957,220,794	15,131,747,944	423,041,618,269,564,000,000	781,606,194,524,466,000,000	228,969,795,840,748,000,000
2010	34,896,424,201	17,480,548,194	610,008,625,043,848,000,000	1,217,760,422,016,140,000,000	305,569,565,162,757,000,000
2011	42,415,443,294	21,365,771,129	906,238,653,754,682,000,000	1,799,069,829,826,530,000,000	456,496,175,936,810,000,000
2012	53,337,264,193	26,142,094,172	1,394,347,783,410,250,000,000	2,844,863,751,593,880,000,000	683,409,087,697,716,000,000
Total			3,499,780,838,844,690,000,000	6,831,412,256,869,810,000,000	1,821,186,314,242,560,000,000

8265235.784

4267535.957

34997808388446.00
35272190900424.00

SCBNL

Year	X(Total Deposit)	y (Loan and Advance)	xy	x2	y2
2008	29,743,998,794	13,718,597,132	408,045,936,549,580,000,000	884,705,464,257,473,000,000	188,199,907,270,119,000,000
2009	35,350,823,711	13,679,756,990	483,590,677,762,810,000,000	1,249,680,737,046,200,000,000	187,135,751,305,454,000,000
2010	35,182,721,454	15,956,955,268	561,409,112,447,982,000,000	1,237,823,888,909,750,000,000	254,624,421,424,953,000,000
2011	37,999,242,310	18,427,270,491	700,222,316,499,422,000,000	1,443,942,416,134,090,000,000	339,564,297,748,479,000,000
2012	35,965,630,744	19,575,968,330	704,062,048,413,018,000,000	1,293,526,594,813,760,000,000	383,218,536,057,163,000,000
Total			2,857,330,091,672,810,000,000	6,109,679,101,161,280,000,000	1,352,742,913,806,170,000,000

7816443.629

3677965.353

28573300916728.00
28748608852814.80

0.992220996

0.984502505

0.015497495

0.004674751

0.028

HBL

Year	X(Total Deposit)	y (Loan and Advance)	xy	x2	y2
2008	31,842,789,356	20,179,613,169	642,575,171,426,031,000,000	1,013,963,233,970,590,000,000	407,216,787,650,478,000,000
2009	34,682,306,863	25,519,519,081	885,075,791,763,426,000,000	1,202,862,409,339,300,000,000	651,245,854,125,523,000,000
2010	37,611,202,274	29,123,754,889	1,095,379,436,108,580,000,000	1,414,602,536,495,740,000,000	848,193,098,834,551,000,000
2011	40,920,627,030	32,968,270,298	1,349,082,292,688,680,000,000	1,674,497,716,528,370,000,000	1,086,906,846,441,990,000,000
2012	47,730,993,909	35,968,472,801	1,716,810,956,180,560,000,000	2,278,247,779,541,000,000,000	1,293,731,035,636,280,000,000
Total			5,688,923,648,167,280,000,000	7,584,173,675,874,990,000,000	4,287,293,622,688,820,000,000

8708716.137

6547742.835

56889236481672.00
57022433685203.60

0.98784126

0.01215874

0.00366763

0.022

2.236067977

FBI

Year	X(Total Deposit)	y (Loan and Advance)	xy	x2	y2
2008	23,976,298,535	18,339,085,562	439,703,390,293,420,000,000	574,862,891,439,443,000,000	336,322,059,250,357,000,000
2009	33,322,946,246	23,884,673,616	795,907,695,009,222,000,000	1,110,418,746,513,810,000,000	570,477,633,742,846,000,000
2010	36,932,310,008	27,556,356,032	1,017,719,883,664,640,000,000	1,363,995,522,527,020,000,000	759,352,757,762,343,000,000
2011	41,127,914,339	31,057,691,462	1,277,338,074,016,230,000,000	1,691,505,337,876,120,000,000	964,580,198,948,788,000,000
2012	50,006,100,272	35,910,974,673	1,795,767,800,363,290,000,000	2,500,610,064,413,320,000,000	1,289,598,101,964,850,000,000
Total			5,326,436,843,346,810,000,000	7,241,392,562,769,710,000,000	3,920,330,751,669,180,000,000

8509637.221

6261254.468

53264368433468.00
53281004071557.50

0.995333709

0.004666291

0.001407566

0.008

Source: Annual reports of banks

0.999687775

0.999375648

0.000624352

0.000188333

0.001

4E-04

Cash and Bank Balance to total deposit

	x	x-x-	(x-x)^2	x	x-x-	(x-x)^2	x	x-x-	(x-x)^2	x	x-x-	(x-x)^2
Name of Bank	NSBI			SCBNL			HBL			EBL		
	77.27	-22.51	506.79	25.58	-10.80	116.64	30.27	-59.18	3502.75	107.05	-36.74	1350.12
	41.07	-58.71	3447.10	54.54	18.16	329.79	94.73	5.28	27.84	126.84	-16.95	287.44
	120.24	20.46	418.53	19.76	-16.62	276.22	103.23	13.78	189.78	187.35	43.56	1897.13
	114.52	14.74	217.21	25.77	-10.61	112.57	80.25	-9.20	84.71	127.79	-16.00	256.13
	145.81	46.03	2118.58	56.25	19.87	394.82	138.79	49.34	2434.04	169.94	26.15	683.61
Total	498.91		6708.20	181.9		1230.04	447.27		6239.11	718.97		4474.43
Mean	89.78		1341.64	36.38		246.01	89.45		1247.82	143.79		894.89
s.d			36.63			15.68			35.32			29.91
c.v			36.71			43.10			39.48			20.80