

**AN INVESTMENT ANALYSIS OF COMMERCIAL BANKS
IN NEPAL**

**(A Case Study of Himalayan Bank, Nabil Bank, Nepal SBI Bank,
Everest Bank and Bank of Kathmandu)**

A THESIS

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RECOMMENDATION

This is to certify that the Thesis

Submitted by
Ram Prasad Khatiwada

Entitled:
**AN INVESTMENT ANALYSIS OF COMMERCIAL BANKS
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**(A Case Study of Himalayan Bank, Nabil Bank, Nepal SBI Bank,
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And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of

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DECLARATION

I hereby declare that the work reported in this thesis entitled “ **An Investment Analysis of Commercial Banks in Nepal (A Case Study of Himalayan Bank, Nabil Bank, Nepal SBI Bank, Everest Bank and Bank of Kathmandu)**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of Prof. Dr. Shilu Bajracharya faculty of management, Shanker Dev Campus, Ramshahpath.

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ABBREVIATIONS

A.D.	=	Anno Domini (in the year of lord, cristian era)
A.G.M.	=	Annual General Meeting
ATM	=	Automatic Teller Machine
Avg.	=	Average
BOK	=	Bank of Kathmandu
B.S.	=	Bikram Sambat
CRR	=	Cash Reserve Ratio
Debn.	=	Debenture
d.f.	=	Degree of Freedom
EBL	=	Everest Bank Ltd.
e.g.	=	For example
Etc.	=	et cetera
FC	=	Foreign Currency
FY	=	Fiscal Year
Govt.	=	Government
HBL	=	Himalayan Bank Limited
i.e.	=	That is
Invt.	=	Investment
JVBs.	=	Joint Venture Banks
L.C.	=	Letter of Credit
Misc.	=	Miscellaneous
NABIL	=	Nabil Bank Limited
NBL	=	Nepal Bank Limited
NEPSE	=	Nepal Stock Exchange
NIBL	=	Nepal Investment Bank Limited
NIDC	=	Nepal Industrial Development Corporation
NRB	=	Nepal Rastra Bank
SBI	=	Nepal SBI Bank Limited

P.F. = Provident Fund
SMS = Short Message Service
T.T. = Telegraphy transfer
T.U. = Tribhuvan University
TWF = Total Working Fund
Viz. = Such as

CHAPTER-I

INTRODUCTION

1.1 General Background of the Study

Generally, income and expenditure of individual never equals. When current income exceeds current consumptions desires, people intend to save their surplus. With this surplus they plan to use the saving in another way. In this connection, individual may have various alternatives. Individuals can deposit the money in bank or purchase government or corporate bond or invest in equity (stock) or contribute the fund to a provident fund or purchase the real assets like land, building, plant etc. In this way what people think about the use of saving money that is called investment. (Ghimire, Kandel, Sapkota, 2013)

Therefore, Investment simply means to sacrifice current consumption for future consumption whose main objective is to increase future wealth. The sacrifice of current consumption takes place at present with certainty and the investor expects desired level of wealth at the end of his investment horizon. The general principle is that the investment can be retired when cash is needed. In other words, it is a commitment of money and other resources that are expected to generate additional money and resources in the future. Such a commitment takes place in the present and is certain to occur but the reward comes in the future and always remains uncertain. Therefore, every investment entails some degree of risk. The decision to invest now is a most crucial decision as the future level of wealth is not certain. So we can say that time and risk is the two conflicting attributes involved in the investment decision.

According to Donald E. Fisher and Ronald J. Jordan, (1982) “An investment is a commitment of funds made in the expectation of some positive rate of return. If an investment is properly undertaken, the return will be commensurate with the risk investor assumes”.

According to F. Amling, (1986)“Investment may be defined as the purchase by an individual or institutional investor of financial or real asset that produces a return proportional to the risk assured over future investment”.

Investment, in its broadest sense means, the sacrifice of current currencies and resources for the sake of future currencies and resources. An investment is one of the decisions of finance function that involves the decision of capital to establish commercial or industrial

venture. In other words, it involves commitment of funds into long-term assets that would yield benefits in coming future period. Two aspects of the investment decisions are:

- i. The evaluation of the prospective profitability of the investment.
- ii. The measurement and comparison of cut-off rate against that the Prospective return of the investment could be compared.

Investment is a primary factor for economic development of any country. Investment refers to using present money to get long-term benefit. Two different attributes are generally involved time and risk. The sacrifice takes place in the present and is certain. The reward or result of sacrifice comes later and the magnitude is generally uncertain. Time and risk are predominates for investment. Such as Investment in government bonds time is predominates whereas in common stock time and risk both are important. (Sharpe, Gordon, Alexander and Bailey, 2000)

Investment also refers to the expenditure of funds for capital goods such as factories, farm, equipment, livestock and machinery. Capital goods are used to produce other goods or services.

The main source of investment is saving. A distinction is often made between investments and saving. Saving is defined as forgone consumption; investment is restricted to real investment of the sort that increases national output in the future. This definition classified investment as real and financial investments. Real investments generally involve some kind of tangible assets such as land, machinery or factories. Financial investment involves contract written on pieces of paper, such as common stock and bonds. These two forms of investments are complementary, not competitive.

A bank plays a very important role in Investment by collecting saving from individual and providing loans to individuals and industries for economic activities. Bank itself invests in different securities of the company and industries. It helps to mobilize the idle saving in financial activities. Banking has played a very important role in the economic development of all the nations of the world therefore it is termed as the life blood of modern commerce. The study mainly focuses on the Investment Analysis of the Commercial Banks by comparing five main commercial banks of Nepal.

While talking about investment we cannot forget that saving is primary factor for investment. Without saving no investment is possible. So saving is the backbone of investment. Saving is needed to finance capital investment to increase and maintain the productive capacity of the country. It is commonly known fact that an investment is possible when there is adequate savings. If all the income and saving are consumed for

basic needs; then there is neither saving nor investment. Therefore, saving and investment are interrelated.

Financial institutions play an important role to develop the business activities by collecting money from the public. Financial institutions involve commercial banks, saving and loan associations, credit unions, pension funds, and insurance companies. Especially commercial banks play a significant role for the development of financial activities. They render various services to their customers facilitating their economic and social life. They not only collect idle money from public but also provide loan to investors, who are in need of fund. In addition, they invest money in different securities. However, there are no specific rules regarding investment policy of a bank and thus it has to keep increasing the safety and liquidity of its resources to meet the potential demand of its customers. Since the objective of profitability conflicts with those of safety and liquidity, the wise investment policy is to strike a judicious balance between them. Therefore, a bank has to lay down its investment policy in such a manner to ensure the safety and liquidity of its funds and at the same time maximizing its profits.

1.2 Focus of the Study

The establishment of the Joint Venture (Commercial) banks has given a new horizon to the financial sector of Nepal. The study is mainly focused on the investment analysis of a joint-venture bank namely Himalayan Bank Limited (HBL), Nabil Bank Limited. (NABIL), Nepal SBI Bank Limited (SBI), Everest Bank Limited (EBL), and Bank of Kathmandu Limited (BOK) for next five year period. Here we look at the status of these banks, the volume, and portfolio of their investment and decisive factors they consider while making sound investment.

1.2.1 Introduction of the Banks under study

1.2.1.1 Himalayan Bank Limited:

Himalayan Bank Limited (HBL) is one of the largest and reputed private sector banks of Nepal. The Bank was incorporated in 1992 by a few eminent individuals of Nepal in partnership with the Employees Provident Fund and Habib Bank Ltd. of Pakistan. The bank commenced its operations in January, 1993. Himalayan Bank is also the first commercial bank of Nepal with most of its shares held by the private sector of Nepal.

Besides commercial banking services, the bank also offers industrial and merchant banking service.

With its head and corporate office at Thamel, Kathmandu, the bank has 33 branches. Thirteen of its branches are located inside the Kathmandu Valley while the rest are spread across the nation. Besides, a branch looking exclusively at electronic cards and related products, is based in Patan, Lalitpur.

The bank has authorized capital of Rs. 3000 million. The issued and paid up capital of bank is Rs. 2400 million. (Source: Annual report of HBL, 2011/12)

1.2.1.2 Nabil Bank Ltd.

NABIL Bank Limited (Nepal Arab Bank Limited) was incorporated in the year 1984 A.D. (2041 BS). It commenced its operation on 12th July, 1984 as the first joint venture bank in Nepal. Emirate Bank International Ltd., Dubai was the first Joint venture partner of NABIL. Warranty, NB (International) Ltd., Ireland is the foreign partner. NABIL Bank Limited had the official name Nepal Arab Bank Ltd. till 31st December, 2001.

NABIL Bank is the Pioneer bank in introducing many innovative banking services and marketing concept in banking sector of Nepal. It operates its activities through 48 branches and 2 counters. It is the only bank having presence at the Tribhuvan International Airport.

The bank has authorized capital of Rs. 2100 million. The issued and paid up capital of bank is Rs. 2,029,769,400. (Source: Annual report of NABIL, 2011/12)

1.2.1.3 Nepal SBI Bank Limited:

Nepal SBI Bank Ltd. (SBI) is the first Nepal - Indo joint venture bank in the country. It is sponsored by three institutional promoters, namely, state bank of India, Employees provident fund and agricultural development bank of Nepal. Nepal SBI Bank Limited came into operational in the 8th July 1993. The Bank was registered on 2050/01/16 (28.04.1993) in the department of Industry, HMG/N under the company Act 2021 and commercial Bank Act 2031.

It has been providing services through its 56 Branches. The services provided by Nepal SBI Bank Limited Include deposits, remittances, various types of loan facilities, letter of

credit, bank guarantees, retail financing (house loans, vehicle loans and education loans) etc.

The bank has authorized capital of Rs. 2000 million. The issued and paid up capital of bank is Rs. 1,869,303,258. (Source: Annual report of SBI, 2011/12)

1.2.1.4 Everest Bank Limited:

Everest Bank Limited was established in 1992, under the company Act. It is also the joint venture bank and the foreign partner was United Bank of India and managed from very beginning till November 1996. Later on it handed over the management to the Punjab National Bank Ltd, India that holds 20% equity on the banks share capital. The bank has 50 branches, 68 ATM counters, 5 extension counters and 20 revenue collection across the country.

The bank has authorized capital of Rs. 3000m million. The issued and paid up capital of bank is Rs. 2400 million. (Source: Annual report of HBL, 2011/12)

1.2.1.5 Bank of Kathmandu Limited:

Bank of Kathmandu Limited was established in 2050 B.S. in collaboration with the Siam commercial Bank PLC, Thailand under the company Act. The Siam commercial Bank has diluted and reduced its equity to 25% by selling 25% to Nepalese citizen in 1998 of its initial holding. The bank has 45 branches, seven extension counters 54 ATM counters across the country.

The bank has authorized capital of Rs. 3000m million. The issued and paid up capital of bank is Rs. 2400 million. (Source: Annual report of HBL, 2011/12)

1.3 Statement of the Problem

Commercial banks are the economic engine of the country. They play a vital role in the mobilization of financial resources by accepting deposits from the public and providing loans and advances to industrial and trading organizations, and as such they gear up the development of business in the country. The economic development of the country thus depends on the volume of investments made by the commercial banks.

The main goal of developing countries like Nepal is to accelerate the rate of economic growth. Although most of the developing countries are predominantly agricultural,

industrial development is the crying need of those countries for economic development and investment is the dominant factor for industrial development. But, rate of investment in Nepal is very low. The reasons can be political instability, low investor confidences, lack of knowledge on investment management, lack of improved prospectus to investors, restriction on foreign portfolio investment of Nepal, lack of efficient capital market, slow privatization process etc.

With some 31 commercial banks, 88 development banks and 69 finance companies operating in Nepal, the market seems overcrowded and the banks are now facing a tough competition among themselves and they seem to be unable to enhance their investments *vis-à-vis* the large amount of deposits raised from the public. Since the entry barriers are not so high due to the liberal policy of government, the competition is expected to be more intense in the future. Most of the commercial banks in Nepal are in joint venture with foreign banks. However, some foreign banks have withdrawn their Investment from Nepal. According to some analysts the withdrawal of foreigners are as the result of some anomalies in the Nepalese banking sector. As such the investment policy of bank is the crucial factor to get success in the market. Thus the elementary problem of this research is to scrutinize the investment policy of the joint venture banks of Nepal and attempt to come back with the following research questions:

- i) What is the relationship between deposits with total investment and also deposits with loan and advances?
- ii) Which joint venture bank has a more effective investment policy?
- iii) Does the investment decision affect the total earning of the bank or not?
- iv) What is the investment portfolio behavior of those sample banks?
- v) Are the sample banks maintaining sufficient liquidity?

1.4 Objectives of the Study

Investment is necessary for the economic development of any country. Commercial banks are those who accelerate the pace of economic development through sound investment in different productive sectors. This study attempt to assess the investment policy of commercial banks of Nepal. The main objectives of this study are as follows:

- i) To analyze the fund utilization pattern of related banks.
- ii) To analyze the liquidity position of the related banks.

- iii) To examine the relationship between Deposit and Investment plus Loan & Advances of the banks.
- iv) To provide necessary suggestions and possible guidelines for improvement of investment policy of concern banks.

1.5 Limitation of the Study

This study is done for partial fulfillment for Masters of Business Studies (MBS). Time constraints, financial problems, and lack of research experience are some primary limitations and other limitations are:

- i) This study concentrates only on those factors that are related with investment.
- ii) This study has been only of five joint venture banks as sample i.e. HBL, NABIL, SBI, EBL and BOK.
- iii) The whole study is based on the data of five years and the conclusion drawn confines to these periods only
- iv) This study is mainly based on the secondary data. Data are derived from the published annual reports, web-sites, and newspapers, articles along with NRB directives. Therefore, the calculation and conclusions of the study are fully dependent on the accuracy of those data provided by the concerned parties.
- v) Non-availability of various references or sources and lack of sufficient time is another limitation faced to complete this research work.

1.6 Organization of the Study

This research work has been divided into five chapters each devoted to some aspect of Investment analysis of the before mentioned five commercial banks of Nepal. These are as follows:

Chapter I: Introduction

Introduction chapter is the first chapter which includes background, statement of problem, objectives of the study, limitation of the study, and organization of the study.

Chapter II: Review of the literature

This chapter includes the review of the relevant studies. It deals with the review of available literature. It includes review of books, journals, previous thesis, websites, etc. Beside this it includes various related study of the articles and unpublished thesis.

Chapter III: Research Methodology

Chapter three contains how the study is done or the research methodologies used are described. For this purpose various financial tools and statistical tools are defined which will be used for analysis of the presented data. This includes research design, source of data, population and samples, method of data analysis, etc.

Chapter IV: Data Presentation and Analysis

It deals with presentation and analysis of relevant secondary data and information through a definite course of research methodology. For analysis of the data, appropriate mathematical, financial as well as statistical tools are used.

Chapter V: Summary and Conclusion

The fifth chapter summarizes the main conclusion and flows of the study and offers suggestions for further improvement and conclusion of the study. A bibliography and appendices will be attached at the end of the study.

CHAPTER-II

REVIEW OF LITERATURE

The term review of literature is very important for researcher or investigator in the area of concern problem. It distributes the knowledge and information for the researcher to discover the uncover things by other researcher. So, review of literature means reviewing the research studies or other relevant propositions in the related areas of the study, so that all the past studies, their conclusion and deficiencies may be known and further research can be conducted. It is an integral and mandatory process in research works.

Review of literature helps until the last step of the research process. The information about the earlier studies, if any which are similar to the study in hand should be provided by reviewing of the literature. Academic journals, conference proceedings, government reports, books, etc. must be consulted depending on the nature of the problem. Review of literature gives the framework of the research process.

According to P. V. Young, (1999)"Review of literature is useful in research because it provides the insight and general knowledge about the subject matter of the research."

The main reason for a full review of research in the past is to know the outcomes of those investigators in areas where similar concept and methodologies had been used successfully. Further an extensive or even exhaustive process of such review may offer vital links with the various trends and phases in the researches in one's area of specialization, familiarizing with characteristic percepts, concept and interpretation with special terminology with the rationale for understanding one's proposed investigation.

This chapter shows the background of the work and a review of recent and reticent literature. In this regard, basic academic course books specially related to topic, some of the major research works, major articles published in journals and the related thesis are reviewed.

This chapter of the study is basically concerned with conceptual framework and review of literature relevant to the investment analysis of commercial banks. Every study is much based on past data, knowledge and activities. The study of past knowledge should not be ignored as it provides foundation to the present study. So, the analysis and presentation of following parts define this chapter.

2.1 Concept

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

2.1.1 Features or Principle of Sound Lending & Investment Policy

Sound lending and investment policy is not only prerequisite for banks profitability but also crucially significant for the promotion of commercial savings of an underdeveloped country like Nepal. It is universally known fact that the most important problem in banking administration is that of investing its deposits and paid up capital in various forms of earning assets. This is also known as portfolio policy. The bank's portfolio being nothing but an arranged and digested scheme of its assets. The funds of banks are generally invested either in those assets, which are non-profitable, or those, which are profitable. Non-profitable assets include cash reserve and the dead stock and profitable assets includes call money, investment, advances and loan, cash credits, overdrafts, discounting of bills and acceptances etc.

The guiding principal or features of sound Investment are as follows:

A. Profitability

Commercial banks can maximize its wealth through maximization of return on their investment and lending. Therefore, these types of banks should invest their funds where they can earn maximum profit. Generally the profit of commercial banks depends upon the interest rate of the bank, volume of loan provided, time period of loan and nature of investment on different securities. A good bank is one who invests most of its funds in different earning asset standing safely from the problem of liquidity i.e. keeping cash reserves to meet day to day requirements of the depositors.

B. Safety and Security

The bank must take care while investing funds. It should never invest its funds in those sectors, which are subject to too many fluctuations because a little difference may cause a great loss. Similarly, the businessman who is bankrupt at once or earns million in a minute should not be financed at all. Banks should accept that type of securities, which are commercial, durable, marketable and high market prices. For this purpose “MAST” should be applied for the investment. Where,

M- Marketability

A- Ascertain ability

S-Stability

T- Transferability

Bank must take care of the belonging of public while investing and providing loan received in the form of deposits. The risk and return involved must be analyzed thoroughly so that the depositor’s money is advanced safely where the risk of loss does not exist.

C. Liquidity

Liquidity refers to that state of position of bank that shows its capacity to meet all of its obligations. In other words, it refers to the capacity of bank to pay cash against deposits. In simple sense, liquidity refers to the cash or any assets that can be converted into cash immediately. People deposit their money at the banks in different accounts with confidence that the bank will repay their money when they need. Once the confidence is lost in depositor’s eye, they may withdraw all their money (deposits) within a short period without giving any chance to the bank to manage. To maintain such confidence of the depositors, the bank must keep this point in mind while investing in different securities or at the time of lending. Hence, the liquidity position of a bank is such an important factor that it must be able to meet its cash requirement either by its cash in vault or by the help of converting its assets into cash in case of demand for such from its customers. There is no sense of the banks has adequate assets but not liquid.

D. Diversification of Risk

“A bank should not lay all its egg on the same basket.” This specify is very important to the bank and it should be always careful not to grant loan in only one sector, to minimize

risk, a bank must diversify its investment on different sectors. Diversification of loan helps to sustain loss according to the law of average because, if securities of a company deprived, there may be appreciation in the securities of other companies. In this way the loss can be recovered.

E. Marketability

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

F. Stability of Price

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

G. Stock Exchange Securities

This consists of government securities as well as securities of the joint stock companies. These securities are easily and quickly realizable. As they are quoted on the stock exchanges so their value can be easily ascertained. In case of need, a bank can either sell them or pledge them without any hesitation. But before accepting them, the bankers should see that the shares of the companies are not partly paid, that sufficient margin has been kept and they are negotiable. Speculative shares should not be accepted. (Mali, 1965)

H. National Interest

The objectives of bank should not go against the national interest. The banks should follow the rules and regulations as well as policy, directions given time to time by Nepal Rastra Bank. The bank should make its investment, which is suitable to the national interest and carries benefit to the society.

I. Suitability

Bank should always try to know that why a customer needs loan because if the borrower misuse the loan granted by bank he will never be able to repay loan. In order to avoid such circumstances, advances should be allowed to select the suitable borrowers.

J. Tangibility

Though it may be considered that tangible property does not yield on income apart from direct satisfaction of possession of property, many times intangible securities may lost their value due to price level inflation. A commercial bank should prefer tangible security rather than intangible one.

2.1.2 Some Important Terms

This section comprises of some important banking terms, which are frequently used in this study and thus the efforts have been made to clarify their meaning.

a.) Loan and Advances

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

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

In additional to this, some portion of loan, advances and overdraft includes that amount which is given to staff of the bank for house loan, vehicle loan, personal loan and others,

in mobilization of commercial banks fund, loan, advances and overdrafts have occupied a large portion.

b.) Investment on Government Securities, Share and Debenture

Though a commercial bank can earn some interest and dividend from the investment on government securities, share and debentures, it is not the major portion of income, but it is treated as a second source of banking business. A commercial bank may extend credit by purchasing government securities bond and share for several reasons.

Some of them are given as:

- It may want to space its maturing so that the inflows of cash coincide with expected withdrawals by depositors or large loan demands of its customers.
- It may wish to have high-grade marketable securities to liquidate if its primary reserve becomes inadequate.
- It may also be forced to invest because the demand for loans has decreased or is not sufficient to absorb its excess reserves. However, investment portfolio of commercial bank is established and maintained primarily with a view of nature of banks liabilities that is since depositors' may demand funds in great volume without previous notice to banks. The investment must be of a type that can be marketed quickly with little or no shrinkage in volume.

c.) Investment on Other Company's Share and Debenture

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

d.) Deposits

For a commercial bank, deposit is the most important source of the liquidity. For bank's financial strength, it is treated as a barometer. In the word of Eugene, "a bank's deposits are the amount that it owes to its customers." Deposit is the lifeblood of the commercial bank. Though, they constitute the great bulk liabilities, the success of a bank greatly depends upon the extent to which it may attract more and more deposits, for accounting and analyzing purpose, deposits are categorized in three headings. They are:

- 1) Current Deposits
- 2) Saving Deposits
- 3) Fixed Deposits.

e.) Off Balance Sheet Activities

Off balance sheet activities involve contracts for future purchase or sale of assets and all these activities are contingent obligation. These are not recognized as assets or liabilities on balance sheet. Some examples of this item are letter of credit, Letter of guarantee and bills of collection etc. These activities are very important for bank as they are good source of profit though they have high risk.

2.1.3 History of Banking

In World wide Context:

The word “Bank” was developed in medieval age in 1171 AD from an Italian word “Banko.” which means the place where people come together for different transactions. The “Bank of Vanice” is the first bank, which was established in Italy in 1157 AD as a first modern bank. Then after 1401 AD, “Bank of Barcelona” was established in Spain, Bank of Geneva was established in 1407 AD, the Bank of Amsterdam was established in 1609 AD. But the credit for the development of modern banks goes to “The Bank of England” which was established in 1694 AD in London. The growth of banking accelerated only after the introduction of the banking Act 1883 in the United Kingdom as it allowed to open joint stock company banks.

In Nepalese Context:

In Nepal, the period of the 14th century, Jayasthiti Malla - a king of Kantipur classified people in 64 groups according to their occupations, “Tanka Dhari” was one among them who used to lend money at a fixed rate of interest. During the period of Ranodip Singh, the Prime minister, a government institution called “Tejarath Adda” was established around 1887 AD for providing easy and cheap credit at 5% interest to the public on securing of gold and silver.

“The overall development of the banking system in Nepal, the “Tejarath Adda” may be regarded as the father of the modern banking institution and for quite a long time it tendered a good servant as well as to the general public.”(Shrestha, 1995)

The modern banking business system in Nepal is not much older. The development of modern bank started from the establishment of “Nepal Bank Limited” in 1994 B.S. with putting forth the effort of government and public, as a commercial bank with 10 million authorized capital. The authorized capital was contributed by the government 51% and remaining by public 49%. It is the first step of the modern and the systematic financial system in Nepal.

Thus, the government felt the requirement of a central bank and established “Nepal Rastra Bank” in 2013 BS. It played a leading role in the development of banking in Nepal and also controlled the monetary system in the country. NRB was established with the objective of supervising, protecting and directing the functions of commercial banks. Likewise, raising of the banking function get popular and more complicated, thus NRB suggested for the establishment of another commercial bank and in 2022 BS (1966 AD) “Rastriya Banijya Bank” was established as a fully government owned commercial bank. Now its branches are diversified all over the country. It made another milestone in the history of growth of banking.

Apart from this, NIDC was established in 1959 AD & Agricultural Development Bank was established in 1976 AD from government sector. In 12th July, 1984, Nepal Arab Bank Ltd (NABIL) was established as a first joint venture bank in the history of Nepal. After the restoration of democracy in 1990 AD, the elected government adopted a liberal policy for the development of banking sector. As a result, Nepalese financial sector also become able to attract foreign investors as well as private sectors of the country. At present, Commercial bank has become lucrative sector for investment in Nepal. Although market is small, there are 31 commercial banks operating at present.

2.1.4 Concept of Commercial Banks

Commercial banks are those banks, which pool together the saving of the community and arrange them for the productive use. They accept deposits from the public and provide same deposits to the public as loan and advances. In fact, they circulate the money and create credit. The concept of the commercial banks made the economy strong. And now it's playing important role to make country economically strong. According to the Black's law Dictionary “Commercial Bank” means a bank authorized to receive both demand and time deposits, to engage in trust services, to issue letter of credit, to rent

time-deposit boxes, and to provide similar services. Likewise section 2(a) of the Commercial Bank Act 2031 has defined that “Commercial Bank” means a bank which operates currency exchanges transactions, accepts deposits, provides loan perform, dealings, relating to commerce except the banks which have been specified for the co-operative, agricultural, industry of similar other specific object. (Bhandari Billi Raj, “Principle & practice of Banking & Insurance”, January, 2003 edition.)

Hence, the term commercial bank is used taking meaning of all banking habits. That’s why joint stock banks, member banks, and credit banks are frequently used interchangeably with the term commercial banks. But it is different that central bank. cannot be interchangeable with other banks. In this way, a commercial bank is different from a central bank. While the primary objective of a commercial bank is the maximization of profit and central bank is primarily concerned with the effects of its operations on the functioning of the economy. Moreover, while there may certainly be many competing commercial banks, there exists only one central bank in a country. While the commercial banks compete against each other, the central bank comes out if any; ordinary banking business for the general public, incomplete if confines itself mainly to controlling the operations of the banking system in country.

Regulatory functions of NRB

16 prudential regulations of Nepal Rastra bank are as follows:

- Regulation regarding minimum capital fund.
- Regulation regarding Loan classification and provisioning.
- Regulation regarding single obligor limits and credit concentration.
- Regulation regarding Accounting policies and financial statements
- Regulation regarding Risk Management
- Regulation regarding Good corporate Governance.
- Compliance with supervision reports and reporting
- Regulation regarding Investments
- Financial reporting
- Buy and sale of promoter’s share
- Regulation regarding consortium
- Credit information and blacklisting etc.
- Regulation regarding CRR
- Regulation regarding expansion of Branches
- Regulation regarding Interest rates

- Regulation regarding resource Mobilization

2.1.5 Review of Legislative Provision

Legislative environment has significant impact on the commercial banks established, their mobilization and utilization of resources. All the commercial banks have to conform to the legislative provisions specified in the commercial bank act 2031 and the rules and regulation formulated to facilitate the smooth running of commercial banks. Under the provision in Nepal Rastra Bank, (NRB) Act 2002, the NRB has formulated and implemented monetary policies so far. The focus of monetary policy has been to insure price, external and financial sector stability so as to create the environment supportive for high and sustainable economic growth.

NRB issues new monetary policy on July, 2009 for fiscal year 2010/11. The provision under this policy as follows:

- i. The compulsory cash reserve ratio (CRR) has been kept unchanged at minimum 5.5 Percent on account.
- ii. The capital adequacy ratio (CAR) should have to maintain 11.0 percentages.
- iii. Export credit refinance facility in domestic currency has been kept unchanged at 2.0 percent. Commercial banks are allowed not to charge more than 5.0 percent to the concerned borrower on such facility.
- iv. The penal rate for SLF has been kept unchanged at 3.0 percent along with the existing cap of 90 percent and maturity period of 5 days.
- v. The existing provision of refinance facility of Rs. 2 billion to sick industries and the refinance rate at 1.5 percent will be continued for 2010/11.
- vi. The commercial banks, development banks and finance companies are now required to invest in government securities at a ratio of 6.0 percent, 2.0 percent and 1.0 percent of their total domestic deposit mobilization respectively by second quarter of 2010/11. Such ratio should be maintained at a rate of 8.0 percent, 3.0 percent and 2.0 percent respectively by the end of fourth quarter of 2010/11.

(Source: Monetary Policy for Fiscal Year 2010/11 NRB, Press Release on July2009, Central office, Baluwatar, Kathmandu, Nepal)

2.2 Review of Journal and Articles

In this part an attempt has been made to review some of the related articles published in different economic journals, Bulletin of World Bank, dissertation papers, researchers view and findings towards investment and fund mobilization.

Bajracharya (2005), in his article "*Monetary Policy and Deposit Mobilization in Nepal*" concluded that the mobilization of domestic saving is one of the prime objectives of monetary policy in Nepal. For this purpose, commercial banks stood as the active and vital financial intermediary for generating resources in the form of deposit of the investors in different aspects of the economy. Collecting scattered small amount of capital through different media and investing the deposited fund in the productive sector with a view to increase the income of the depositors is meant deposit mobilization. In other words, investing the collecting funds in the productive sectors and increasing the income of the depositors, it also supports to increase the saving through the investment of increased extra amounts.

Karki (2009), in his article "Introduction of the Reform in the Banking Sector" concluded that following an introduction of the reform in the banking sectors as an integral part of the liberal economic policy more banks and finance companies have come up as a welcome measure of competition. Slowly and steadily, the two governments controlled banks, Nepal Bank Ltd. and Rastriya Banijya Bank has also shown an improvement of non-performing loans and is taking steps to adopt improved technology. However, higher economic growth with social justice bringing a significant benefit to the poor is yet to be activated as envisaged by the NG".

Nepal (2009), in his article "Priority receiver sector" has present the commercial banks should take care of board national interest & they should not confine their lending activities only to commercial area providing quick interest if some proportion could be directed to the area conducive to build economic infrastructures of the country, it would create atmosphere conducive to their investment in future.

In our society where ignorance & illiteracy is in wild scale, it is necessary that the banks should search entrepreneurs instead of entrepreneurs searching bank. So, they have opined that the priority sector program is a timely & opportunities there by increasing

production & the general living standard of rural poor. But the success of the largely depends upon the interpreted operation with other program design for rural development. Further they agree that various programmers: Rural development land reform, back to the village national, champion audit literacy etc. couldn't materials their objectives despite their some theoretically philosophy & food objectives.

Gurung (2011), had studied about the strong role & impact of saving, investment & capital formation on economic development of Nepal. This study is based on secondary data only. The necessary data on saving, investment, capital formation and gross domestic product has been collected. The role & impact of saving, investment and capital formation on economic development were analyzed by using various regression models. The regression equation used in this study have been estimated at current prices as well as in real term with the entire study period divided into different sub-period.

The results presented in this paper suggest that in all cases, GDP is significantly associated with saving. Investment and capital formation both at current prices and in real terms. The result of the empirical analysis led to three important conclusions: first, saving, investment & capital formation have positive impact on economic development. Second, the current values & past values of saving, investment & capital formation have positive impact on economic development but the current values have the largest impact. Third, there is a strong role played by saving & capital formation on economic development while weak role-played by investment.

Chadhaury (2012), in his article "Efficient Banking" concluded that the concept of productivity and profitability should be applied while evaluating efficiency of banks. The term productivity refers to the relationship between the quantity of inputs employed and the quantity of output produced. An increase in productivity means that more output can be produced from the same inputs or the same outputs or the same outputs can be produced from fewer inputs. Interest expenses to interest income ratio shows the efficiency of banks in mobilizing resource at lower cost and interesting in high yielding assets. In other words, it reflects the efficiency in use of funds.

The analysis of operational efficiency of banks will help one in understanding the extent of vulnerability of banks under the changed scenario and deciding whom to bank upon. This may also help the inefficient banks to upgrade their efficiency and be winner in the situations developing due to slowdown in the economy. The regulators should also be

concerned on the fact that the banks with unfavorable ratio may bring catastrophe in the banking industry.

2.3 Review of Thesis

In past, many students had conducted research work in various aspect of commercial bank such as lending policy, financial performance, investment policy, interest rate structure, fund mobilization and capital structure. Some of them as supposed to be relevant to this study are presented as below:

Khadka (1998), conducted a study on "Investment Policy of Nabil Bank Ltd in comparison to other joint venture banks in Nepal." With objectives that follow:

- To find out the relationships between total investment, loan and advances, deposit, net profit and outside assets
- To identify the investment priority sectors of sampled commercial banks
- To assess the impact of investment on profitability
- To analyze and forecast the trend and structure of deposit utilization and its projection for five years of commercial banks
- To provide suggestions and possible guidelines to improve investment policy and its problems
-

The study was conducted based on the primary and secondary data. The research findings of the study were the following:

- The liquidity position of Everest Bank Ltd. (EBL) was comparatively better than that of Nabil Bank Ltd. (NABIL) and Bank of Kathmandu Ltd. (BOK). All the three banks had met the normal standard of current asset ratio to meet the short-term obligations of their customers. EBL had invested the most in Government Securities, followed by BOK and NABIL. BOK had mobilized a huge sum of its funds to earn the profit.
- From the analysis of assets management ratio, EBL was in better position than NABIL and BOK. The loans and advances to total deposit ratio, loan and advances to total working fund ratio of EBL lied in between those of NABIL and BOK. EBL had invested the highest portion of its total working fund on government securities as compared to NABIL and BOK. Investment on shares and debentures to total working fund ratio was higher in BOK.

- Overall analysis of profitability ratios showed that EBL was on an average profitable in comparison to other bank i.e. NABIL and BOK. The return on loan and advances ratio and return on assets of EBL was lowest of all.
- The degree of risk was average on EBL. EBL had shown its good performance by increasing earnings by providing loan to clients.
- The trend of the total investment, total deposit, loan and advances and net profit of EBL showed better position than that of NABIL and BOK.

Regmi (2006) conducted "A Comparative Study on Investment Policy of Everest Bank and Himalayan Bank Limited". Some of the specific objectives of this study are:

- To find out the relationship between total investments, deposits, loans and advances, net profit and assets and compare them.
- To evaluate the liquidity, asset management, efficiency, profitability and risk portion of EBL and HBL.
- To analyze the deposit utilization trend and its projection for five years of HBL and EBL
- To provide package of a workable suggestions and possible guidelines to improve investment policies.

The study was carried out the basis of secondary data. The research findings of the study were:

- The liquidity position of EBL was comparatively better than HBL. EBL had the highest cash and bank balance to total deposit ratio, cash and bank balance to current assets ratio than that of HBL.
- Both EBL and HBL had almost same pattern of investment on government securities, but fluctuating ratios showed the unstable policy of investment.
- EBL has higher loan and advances to current assets ratio and successful in deposit collection as well. The assets management ratios of both banks are satisfactory.
- Both bank EBL and HBL had provided its most portion of deposit as loan and advances. Moreover, EBL had invested its more portions as loan and advances, in case of investment in other sectors, HBL had adopted diversified investment policy. EBL invest its working fund in government securities and other

companies share and debentures than that of HBL, So HBL is less effective in comparison to EBL.

- In profitability analysis, HBL had maintained high profit margin regarding profitability position. HBL was more successful to generate income through loan and advances and operating income and it has earned more from total outside assets and total working fund. From the study, it was concluded that profitability of HBL was better than that of EBL.
- From the risk point of view, HBL had borne lower liquidity risk and credit risk in comparison to EBL regarding various aspects of banking activities. It could be said that HBL had followed a stable liquidity policy justified by lower coefficient of variation.

Sanjel (2008), conducted a study on “*Analysis of Investment Policy of Commercial Banks*”. A Comparative study of Standard Chartered Bank, Nepal Bangladesh Bank and Himalayan Bank Limited with the following objective;

- To evaluate the liquidity, assets management, efficiency and profitability of HBL, NBBL and SCB.
- To analyze the deposit utilization trend of the HBL, NBBL and SCB.
- To analyze the relationship between total investment with other financial variables of HBL, NBBL and SCB and comparison between them.
- To recommend the package of workable suggestions and possible guidelines to improve investment policy of HBL, NBBL and SCB based on the finding of the study.

The study was conducted on the basis of secondary data. The research findings of the study are as follows:

- SCB has satisfactory current ratio and it has been seen that it is being able to serve its customers demand, but liquidity capacity of SCB on the basis of its most liquid assets i.e. cash & bank balance is seen low because it has invested more in government securities. SCB has utilized its current assets in investing in government securities rather than cash balance. NBBL has kept more current assets as cash and bank balance and has good capability to pay short-term obligation of outsiders. HBL stands at moderate level and has medium capability towards current obligation.

- The overall conclusion can be drawn that the assets management ratio of HBL has been better, mostly in mobilizing its total deposit at loans & advances than on investment in Government securities. HBL has been successful in mobilizing their total assets on loans and advances for the purpose of income generation. Also HBL is successful to mobilize its total assets on purchase of shares & debentures of other companies to generate incomes and utilize their excess fund. SCB spent more amount in investment rather than in loans and advances. It shows SCB is operating with lower risk of loan loss.
- From the data analysis of profitability ratios, it can be concluded that SCB is being able to maintain high return on loans and advances, total assets and equity and low interest expenses. NBBL is capable to earn interest but had no effective operation of resources. High amount of operating income of HBL came from interest and others are normally generated.
- In sum it can be concluded that, growth ratio of NBBL is successful in increasing its sources of fund (deposit collection). The lending of loan and advances and total investment is increasing. As a result net profit and risk of the bank is also increasing.
- From the correlation analysis of variables shows that positive relation exist between deposit and loans & advances, deposit and total investment, indicating HBL is in better position at all to grant loans & advances, second position to grant loan & advances for mobilizing the collected deposit and SCB is successful for mobilizing collected deposit as investment in comparison to NBBL.

Bajracharya (2011), conducted a study on “*A Study on Fund Mobilization of Joint Venture Banks (With reference to Himalayan Bank Ltd. and Nabil Bank Ltd. And Everest Bank Ltd.)*”. 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 suggestion and recommendation on the basis of analysis.

The study was conducted on the basis of secondary data. The major Findings of this study are:

- The average ratio of cash and bank balance of total deposit reveals that EBL had higher the ratio and NABIL had lower the ratio in comparison to other banks

which shows that the liquidity position of EBL is quite well than other banks but CV of HBL is lower than other banks which mean HBL has a more consistent ratio compared to other banks.

- The average credit and advance to total assets ratio shows that EBL seems successful to mobilize its total working fund as credit and advance in comparison to other banks. But HBL is a more consistent ratio than other banks.
- The average debt to equity ratio show that HBL 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.
- The average ratio of total interest income to total credit and advances of NABIL is lightly higher than HBL, EBL.
- The average MPS of NABIL is greater than other banks.
- The average P/E ratio of EBL is greater than other banks and NABIL has lowest average ratio as compared to other banks.

Jha (2010), conducted a study on "Investment policy analysis of Nepal Investment Bank Ltd. and Everest Bank Ltd." with the following objectives:

- To examine the fund mobilization fund and investment policy of NIBL and EBL selected for the study.
- To assess the liquidity, profitability, risk positions in asset management of these commercial Banks.
- To evaluate the growth ratios of loan and advances, total investment with respect to growth rates of total deposits and net profit of these banks.
- To find out the relationship between the banks' total deposits and loans and advances, total deposit and total investment and total outside assets and net profit.
- To examine, interpret and forecast the trend of their deposits and loan and advances, investment and net profit.

The study was conducted on the basis of secondary data. The major findings of the study are as follows:

- Liquidity position of NIBL is comparatively better than EBL. According to current ratio, EBL had better position than NIBL. In addition, NIBL had maintained better cash and bank balance ratio to meet the customers demand than EBL.

- Similarly, deposit collection of NIBL is in better position, while EBL had lower deposit collection policy during the study period. EBL is not successful to mobilize its funds as loans and advances with respect to current assets in comparison to NIBL. When analyzing the investment on Government securities in respect to current assets, EBL had less investment on Government securities as it has injected more funds on other productive sectors, which shows the greater portion of current assets of NIBL consist of Government securities.
- Asset management ratio shows that EBL has occupied the highest position in comparison to NIBL. From the above analysis of loans and advances to total work fund ratio was comparatively higher than NIBL, i.e. EBL had taken better position. Regarding total investment to total deposit ratio, NIBL was in better position, which indicated that NIBL was successful to mobilize the funds on various investment..
- The profitability ratio (i.e. return on total assets ratio) shows that EBL was successful in utilizing its overall working fund on profit generating activity than NIBL, but in case of return from loan and advances ratios they both were almost same. Interest earned to total outside assets ratio resulted that EBL was somewhat successful to collect the interest from outside assets than NIBL. Total interest earned to total working fund of EBL was successful to utilize its total asset to earn high interest. Lastly, regarding Interest paid to total working fund ratio, EBL had taken better position in payment of interest to fixed deposit, saving deposit, interest on borrowing with respect to total working fund. This analysis indicated that EBL was comparatively better in profitability ratio with respect to NIBL.
- From the study of capital risk ratio and credit risk ratio of two banks, comparatively EBL was successful to attract the deposit and inter bank fund, and utilize its loan and advances from total assets in safest way by taking high risk, which helped to increase the level of profit and maximizing the value of the firm.
- The trend analysis, shows that the growth position of total deposit of EBL was better than NIBL and forecast growth ratio of total deposits was also increasing trends. Comparatively, growth ratio of loans and advances of NIBL was better than EBL, when studying the trend analysis up to next five years growth position of NIBL had best performance on loans and advances mobilization in comparison to EBL. Growth position of total investment of EBL is better than NIBL. Growth

ratio of net profit revealed that the EBL had maintained higher growth rate of total net profit in comparison to NIBL, and according to trend analysis also it was seen that the net profit position of EBL was better during the study period.

Research Gap

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make this study meaningful and purposeful. There are various researches conducted in lending practice, credit policy, financial performance and credit management of various commercial banks. Some of the researchers have done the financial performance between two or three different commercial banks. In order to perform those analysis researchers have used various ratio analysis. The past researches in measuring financial performance of banks have been focused on the limited ratios, which are incapable of solving the problems. In this research, various ratios are systematically analyzed and generalized. Past Researches have not properly analyzed about investment on the bank and its impact on the profitability. The ratios are not categorized according to nature. Here in this research all ratios are categorized according to their area and nature.

In this research, Investment Analysis of HBL, NABIL, EBL, SBI and BOK have been done by analyzing various ratios, trend analysis and various statistical tools as well and financial tools are used for analyzing survey data. Since the researcher has used data only of five fiscal year but all the data are current and factual. Clearly these are the issue in Nepalese commercial bank the previous scholar could not the present facts. This study tries to show fund investment pattern by applying and analyzing various financial tools like liquidity ratio, activity ratio, profitability ratio and, lending efficiency ratio as well as different statistical tools like average mean, standard deviation coefficient of correlation and trend analysis. Further more, many researchers had made their studies on two samples only which are not adequate, while this study has taken five samples i.e. about 16% of population. Probably this will be the appropriate research in the area of financial performance of the Bank and financial institutions.

CHAPTER-III

RESEARCH METHODOLOGY

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. Research methodology describes the methods and process applied in the entire subject of the study. This chapter attempts to have an insight into the Investment policy adopted by HBL, NABIL, EBL, SBI and BOK.

3.1 Research Design

A research design is the arrangement of conditions for collection and analysis of data that aims to combine relevance to the research purpose. Research design is the plan, structure and strategy of investigations conceived so as to obtain answers to research questions and to control variances. (Kerlinker, F.N., 1996)

To achieve the objectives of this study, descriptive techniques have been adopted to evaluate Investment performance of HBL, NABIL, SBI, EBL and BOK

3.2 Sources of Data

Mainly, the study is conducted on the basis of the secondary data. The data required for the analysis are directly obtained from the balance sheet and the P/L account of the concerned bank's annual reports. Supplementary data and information are collected from the number of institutions and regulating authorities like NRB, SEBON, NEPSE, Economic Survey and National planning commission etc. All the secondary data are compiled, processed and tabulated in the time series as per the need and objectives. Formal and informal talks with the concerned authorities of the banks were also helpful to obtain the additional information of the related problem. Likewise, various data and information are collected from the economic journals, periodicals, bulletins, magazines and other published and unpublished reports and documents from various sources.

3.3 Population and Sample

There are altogether 31 commercial banks operating in Nepal, which is population in this study. Following five banks are selected as sample from 31 population commercial banks for research work.

1. Himalayan Bank Ltd.
2. Nabil Bank Ltd.
3. Nepal State Bank of India Ltd.
4. Everest Bank Ltd.
5. Bank of Kathmandu Ltd.

3.4 Methods of Data Analysis

In this study, various financial, accounting and statistical tools have been used to achieve the objective of the study. The analysis of data has been done according to the pattern of data available. Due to limited time and resources, simple analytical statistical tools such as percentage, graph, Karl Pearson's Coefficient of correlation, trend analysis are used in this study. Likewise, some financial tools such as ratio analysis have also been used for financial analysis. The various tools applied in this study, have been briefly presented as under.

3.4.1 Financial Tools

Financial tools are used to examine the financial strength and weakness of bank. In this study financial tools like ratio analysis and financial statement analysis have been used.

I Ratio Analysis

Ratio analysis refers to the mathematical or quantitative presentation of data in order to find the proper relation between two variables. A ratio is simply in number expressed in the terms of another and such it expresses the quantitative relationship between any two numbers. The ratio can be expressed in terms of percentage, proportions and as a coefficient. "In financial analysis, a ratio is used as a benchmark for evaluating the financial position and performance of a firm. The relationship between two accounting figure expressed mathematically, is known as a financial ratio or simply a ratio. An accounting figure conveys meaning when it is related to some relevant information."(*Pandey, 1975*)

"A ratio is a mathematical relationship between two variables. It is significant for financial analysis. It also helps us to predict the future performance of a company based on a study of ratios of earlier years."(*Benerjee, 2004*)

Ratio analysis is the main tools for analyzing the financial strength and weakness of the any firm, industry and business concern. In the banking sector it helps by providing an actual picture of the bank in investing decision. The ratio indicates a quantitative relationship, which can be, in turn, used to make a qualitative judgment. Even though there are various types of ratios to analyze and interpret the financial statement, only those ratios have been taken in this study, which are related to investment decision of the banks. They are presented below:

A. Liquidity Ratios

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

B. Assets Management Ratios (Activity Ratio)

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

C. Profitability Ratios

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

D. Risk Ratios

- i) Liquidity risk ratio
- ii) Credit risk ratio

E. Growth Ratios

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

A. Liquidity Ratios

The liquidity ratios measure the liquidity position and short-term solvency indicating the company's ability to meet short term obligations. It measures the speed of firms to convert the firm's asset into cash to meet deposit withdraws and other current obligations. This is a quick measure of the liquidity and financial strength of the firm.

“Liquidity ratios examine the adequacy of funds, the solvency of the firm's ability to pay its obligation when due.”(Kothari, 1992)

Various types of liquidity ratios are applied in these studies, which are explained below:

i) Current Ratio

This ratio measures the short-term solvency i.e. its ability to meet short-term obligations. As a measure of creditors versus current assets, it indicates each rupee of current assets available by dividing current assets by current liabilities.

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

ii) Cash and Bank Balance to Total Deposit Ratio

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

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

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

iii) Cash and Bank Balance to Current Assets Ratio

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

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

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

iii) Investment on Government Securities to Current Assets Ratio

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

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

Where, Investment on government securities involves T-Bills and development bonds etc.

B. Assets Management Ratios (Activity Ratio)

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

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

i) Loan and Advances to Total Deposit Ratio

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

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

ii) Loan and Advances to Total Working Fund Ratio

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

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

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

iii) Total Investment to Total Deposit Ratio

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

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

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

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

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

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

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

V) Investment on Government Securities to Total Working Fund Ratio

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

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

Where, investment on government securities includes investment on debentures, bonds and shares issued by government and NRB.

C. Profitability Ratios

The profitability ratio is related to profit. Profitability ratios indicate the degree of success in achieving desired profit. The profitability ratios are calculated to measure the operating efficiency of the business enterprise. Profitability is a measure of efficiency and the search for it provides an incentive to achieve efficiency.

Profitability ratios show the combined effects of liquidity, asset management, and debt on operating results. Profitability ratios are very helpful to measure the overall efficiency of operations of a firm. It is a true indication of the financial performance of each and every business organization. Here profitability ratios are calculated and evaluated in terms of the relationship between net profit and assets. Some of the important profitability ratio used is as follows.

i) Return on Loan and Advances Ratio

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

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

ii) Return on Total Working Fund Ratio

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

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

iii) Total Interest Earned to Total Working Fund Ratio

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

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

iv) Total Interest paid to Total Working Fund Ratio

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

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

D. Risk Ratios

Generally, risk means uncertainty which lies in the business transaction of investment management. When a firm wants to bear risk and uncertainty, profitability and effectiveness of the firm are increased. This ratio checks the degree of risk involved in the various financial operations. For this study, following risk ratios are used to analyze and interprets the financial data and investment policy.

i) Liquidity Risk Ratio

The liquidity risk of the bank defines its liquidity need for a deposit. The cash and bank balance are the most liquid assets and they are considered as banks liquidity sources and deposit, as the liquidity needs. The ratio of cash and bank balance to total deposit is an indicator of the bank’s liquidity of need.

This ratio is low if funds are kept idle as cash and bank balance but this reduces profitability. When the bank makes loans, its profitability increases and risk also increase. Thus, the higher liquidity ratio indicates less profitable return and vice-versa. This ratio is calculated by dividing cash and bank balance to total deposit.

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

ii) Credit Risk Ratio

The bank utilizes its collected funds in providing credit to different sectors. There is risk of default or non-repayment of a loan. While making an investment, bank examines the credit risk involved in the project. Generally credit risk ratio shows the proportion of

nonperforming assets in the total investment plus loan and advances of a bank. It is computed as:

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

E. Growth Ratios

The growth ratios represent how well the commercial banks are maintaining their economic and financial position. The higher ratios represent the best performance of the selected firms to calculate, check and analyze the expansion and growths of the selected banks the following growth ratios are calculated. Growth ratios are directly related to the fund mobilization and investment of those firms.

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

3.4.2 Statistical Tools

Some statistical tools are used for analysis in this study. Such as coefficient of correlation between different variables, trend analysis has been used, which are presented below:

- i) Karl Pearson's of Coefficient of Correlation Analysis
- ii) Coefficient of Variation (C.V)
- iii) Standard Deviation (S.D)
- iv) Probable Error (P.E)
- v) Trend Analysis

i) Karl Pearson's Coefficient of Correlation Analysis

“Correlation is a statistical tool that we can use to describe the degree to which one variable is linearly related to another.” (*Sharma and Chaudhary, 2058 B.S.*)

Simply, if the two (or more) variables are so related that the change in the value (s) or one (or more) independent variable (s) result the change in the value of dependent variable then they are said to have ‘correlation.

This statistical tool has been used to analyze, identify and interpret the relationship between two or more variables. It deals to determine the degree of relationship between two or more variables. It interprets whether two or more variables are correlated positively or negatively. Statistical tool analyses the relationship between those variables and helps the selected banks to make appropriate investment policy regarding to profit maximization and deposit collection; fund mobilization through providing loan and advances. Among the various methods of finding out the coefficient of correlation, in this study Karl's person correlation co- efficient (r) method applied.

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

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

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

a) Coefficient of Correlation Between Deposit and Loan and Advances

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

b) Coefficient of Correlation Between Deposit and Total Investment

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

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

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

Where,

n = number of observations in series X and Y

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

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

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

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

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

ii) Coefficient of Variation (C.V.)

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

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

iii) Standard Deviation (S.D.)

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

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

Where,

N = Number of observations

X = Expected return of the historical data

iv) Probable Error (P.E.)

Probable error is measured for testing the reliability of an observed value of the correlation coefficient. It is computed to find the extent to which it is dependable. If the correlation coefficient is greater than 6 times P.E the observed value of r is said to be significant, otherwise nothing can be concluded with certainty. But if the calculated (r) is less than the P.E correlation is not at all significant.

It is calculated by using the following formula:

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

Where,

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

r = Correlation coefficient

n = Number of observations

v) Trend Analysis

This simple method can be applied in studying the trend (path it moves) of the data. Trend analysis tools are used to show gradual increase or decrease of variables over a period of time is known as trend analysis. With the help of trend analysis the tendency of variables over the period can be presented clearly. This statistical analysis interprets the trend of total investment to total deposits, and loan and advances to total deposit of HBL, NABIL, SBI, EBL and BOK from 2007/08 to 2014/15.

The trend values used in this study are presented below:

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

Trend analysis is computed as follows;

$$Y = a + bx$$

Where,

Y = The value of dependent variable

a = Intercept of trend line

b = Slope of trend line

x = Value of the independent variable

The two parameters a and b in the equation is obtained by solving two normal equations as follows:

$$\Sigma Y = na + b\Sigma X$$

$$\Sigma XY = a\Sigma X + b\Sigma X^2$$

Where,

n = Number of years

Since $\Sigma X = 0$, then the value of a and b can be calculated by,

$$a = \frac{\Sigma Y}{n} \text{ and}$$

$$b = \frac{\Sigma XY}{\Sigma X^2}$$

The constant 'a' is simply equal to the mean Y value and constant 'b' gives the rate of change. This is a mathematical method which is widely used in practice. It is applied for finding out a trend line for those series which changes periodically in absolute amount.

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

This chapter deals with the presentation and analysis of data collected from different sources. In this chapter, effort has been made to analyze the data by using different financial and statistical tools. Necessary figures and tables are also presented in this part to describe about the investment mechanism of the banks.

4.1 Ratio Analysis

4.1.1 Liquidity Ratios

These ratio measure a firm's ability to satisfy its short-term commitments out of current or liquid assets. These ratios focus on current assets and liabilities and are used to ascertain the short-term solvency position of a firm.

4.1.1.1 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 indicates the strong liquidity position of the banks to meet its customers' demand for immediate cash.

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

$$\text{CashandBankBalancetoTotalDepositRatio} = \frac{\text{CashandBankBalance}}{\text{TotalDeposit}}$$

Table No. 4-1
Comparative Cash and Bank Balance to Total Deposit Ratios

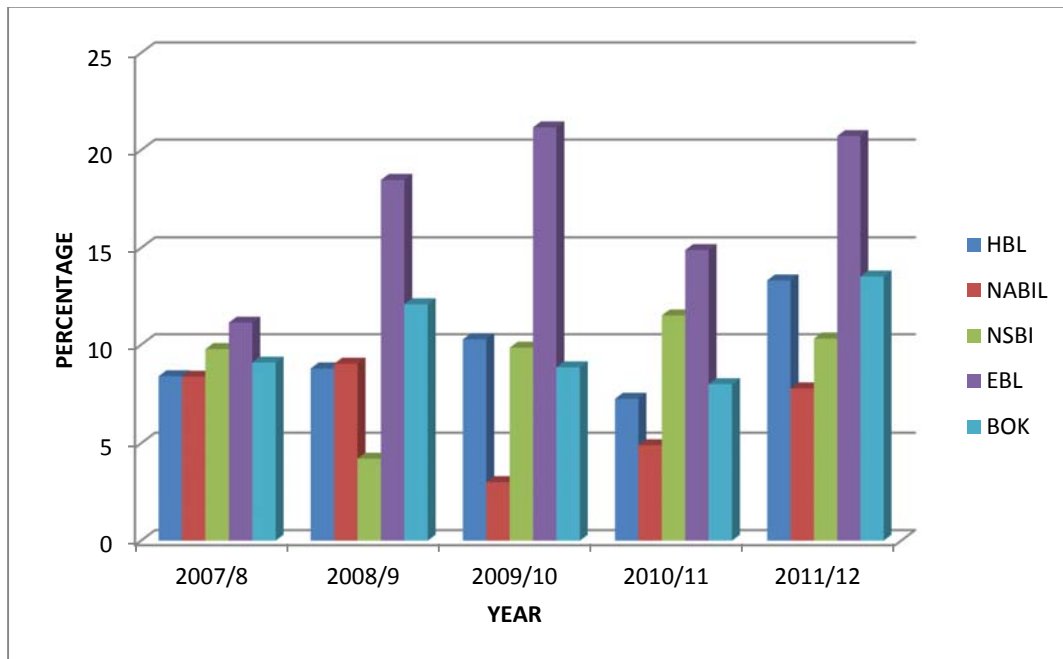
Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	8.39	8.37	9.78	11.13	9.09
2008/9	8.79	9.03	4.21	18.5	12.07
2009/10	10.28	3.01	9.85	21.17	8.85
2010/11	7.24	4.9	11.5	14.89	7.99
2011/12	13.33	7.77	10.32	20.72	13.53
MEAN	9.61	6.62	9.13	17.28	10.31
SD	2.35	2.56	2.84	4.24	2.37
CV	24.45	38.67	31.06	24.55	23.00

Source: Appendix –I(a)

Table no 4.1 shows the cash and bank balance to total deposit ratio of the five banks followed a fluctuating trend. On an average EBL has maintained the higher ratio i.e. 17.28% of cash and bank balance to total deposit than other four banks during the study period. The coefficient of variance of HBL, NABIL, SBI, EBL and BOK are 24.45%, 38.67%, 31.06%, 24.55% and 23% respectively. It states that BOK is more consistent among five banks and NABIL is un-consistent among five banks

Figure No. 4.1
Comparative Cash and Bank Balance to Total Deposit Ratios

This ratio can be presented with the help of diagram, which is shown below:



4.1.1.2 Cash and Bank Balance to Current Assets

This ratio is calculated by dividing cash and bank balance by total current assets and can be calculated as,

$$\text{CashandBankBalancetoCurrentAssetsRatio} = \frac{\text{CashandBankBalance}}{\text{CurrentAssets}}$$

Table No. 4-2
Comparative Cash and Bank Balance to Current Assets Ratios

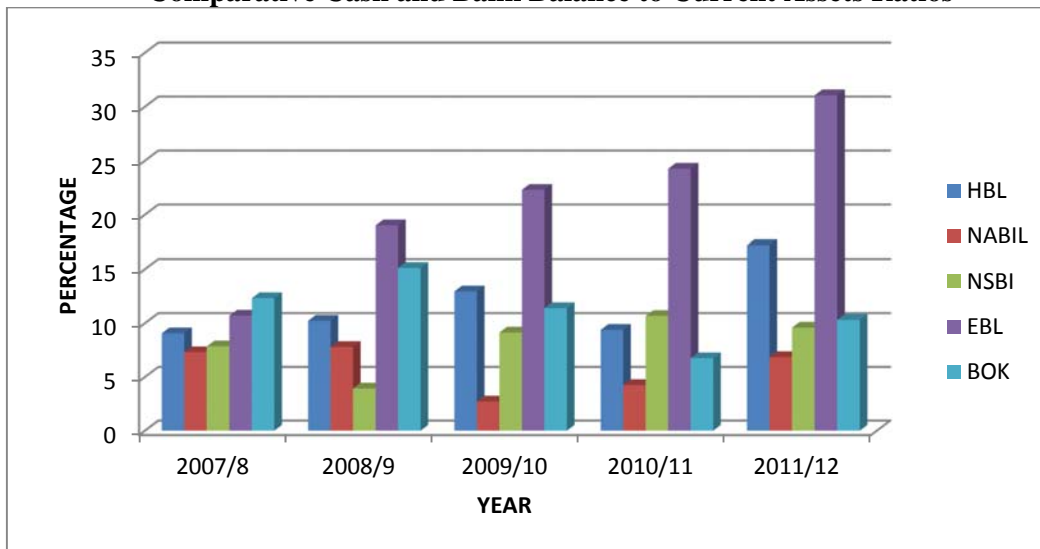
Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	9.07	7.31	7.86	10.7	12.32
2008/9	10.23	7.8	3.93	19.01	15.12
2009/10	12.95	2.72	9.14	22.3	11.4
2010/11	9.39	4.25	10.68	24.26	6.75
2011/12	17.21	6.86	9.6	31.06	10.31
MEAN	11.77	5.79	8.24	21.47	11.18
SD	3.40	2.20	2.61	7.46	3.05
CV	28.91	37.94	31.72	34.74	27.30

Source: Appendix –I(b)

Table no. 4.2 reveals that cash and bank balance to current assets ratios of BOK has less fluctuating trend i.e. CV of BOK is 27.30% which is less than other banks. While NABIL has highest CV i.e. 37.94%, which means that it has high fluctuating trend. Among five banks, EBL has maintained the highest average ratio than other banks, i.e. 21.47%.

This ratio can be presented with the help of diagram, which is shown below:

Figure No. 4.2
Comparative Cash and Bank Balance to Current Assets Ratios



4.1.1.3 Investment on Government Securities to Current Assets

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

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

Table No. 4-3
Comparative Investment on Government Securities to Current Assets Ratios

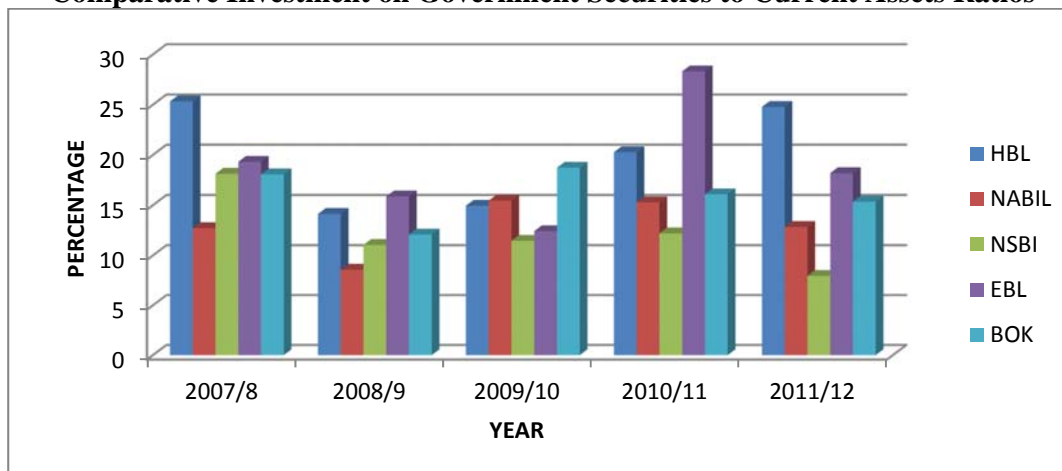
Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	25.33	12.72	18.13	19.32	18.08
2008/9	14.13	8.57	11.05	15.87	12.09
2009/10	14.95	15.46	11.46	12.42	18.73
2010/11	20.28	15.29	12.2	28.32	16.08
2011/12	24.78	12.84	7.95	18.19	15.35
MEAN	19.89	12.98	12.16	18.82	16.07
SD	5.27	2.78	3.71	5.93	2.62
CV	26.51	21.46	30.52	31.49	16.31

Source: Appendix I (c)

Table no. 4.3 shows that BOK has invested their fund in government securities in less fluctuating trend in comparison to other four banks, i.e.CV of BOK is 16.31%. On an average HBL has invested 19.89% of total current assets in government securities followed by EBL of 18.82% investment on government securities. Similarly, BOK has invested 16.07%, NABIL has 12.98% and SBI has 12.16% on government securities to total current assets.

This ratio can be presented with the help of diagram, which is shown below:

Figure No. 4.3
Comparative Investment on Government Securities to Current Assets Ratios



4.1.2 Assets Management Ratios

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

4.1.2.1 Loan and Advances to Total Deposit

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

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

Table No. 4-4
Comparative Loan and Advances to Total Deposit Ratios

Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	61.23	66.94	88.32	76.49	78.71
2008/9	73.58	73.87	54.12	71.68	80.99
2009/10	74.4	69.53	50.09	74.61	82.03
2010/11	77.14	76.53	50.37	75.52	83.11
2011/12	73.26	75.61	49.01	71.81	75.28
MEAN	71.92	72.50	58.38	74.02	80.02
SD	6.17	4.11	16.85	2.18	3.11
CV	8.58	5.67	28.86	2.95	3.89

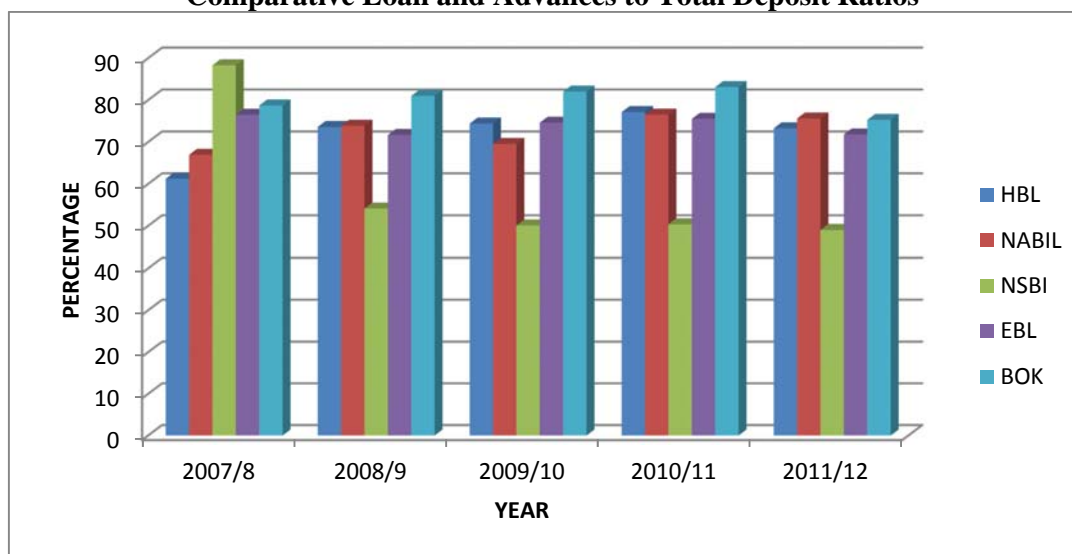
Source: Appendix –I(d)

Table no. 4.4 shows that these five banks have mobilized their collected deposits in fluctuating trend as compare to loan and advances during the study period. The highest ratio of loan and advances to total deposit of HBL, NABIL, SBI, EBL and BOK are 77.14% in year 2010/11, 76.53% in year 2010/11, 88.32% in the year 2007/08, 76.49% in the year 2007/08 and 83.11% in the year 2010/11 respectively.

SBI has mobilized 58.38% of its collected deposit in loan and advances on average which is less than that of other banks on average. Coefficient of variation of EBL is 2.95%, which shows that EBL is more stable than other banks in mobilizing collected deposit.

This ratio can be presented with the help of graph:

Figure No. 4.4
Comparative Loan and Advances to Total Deposit Ratios



4.1.2.2 Total Investment to Total Deposit

This ratio is computed by using the following formula:

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

Table No. 4-5
Comparative Total Investment to Total Deposit Ratios

Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	41.89	31.14	22.52	21.1	20.23
2008/9	25.12	28.99	47.52	17.85	15.39
2009/10	22.45	29.45	46.72	13.56	16.09
2010/11	21.43	26.32	44.59	18.83	20.39
2011/12	21.02	25.54	45.86	15.73	21.00
MEAN	26.38	28.29	41.44	17.41	18.62
SD	8.82	2.31	10.63	2.89	2.66
CV	33.41	8.18	25.66	16.61	14.27

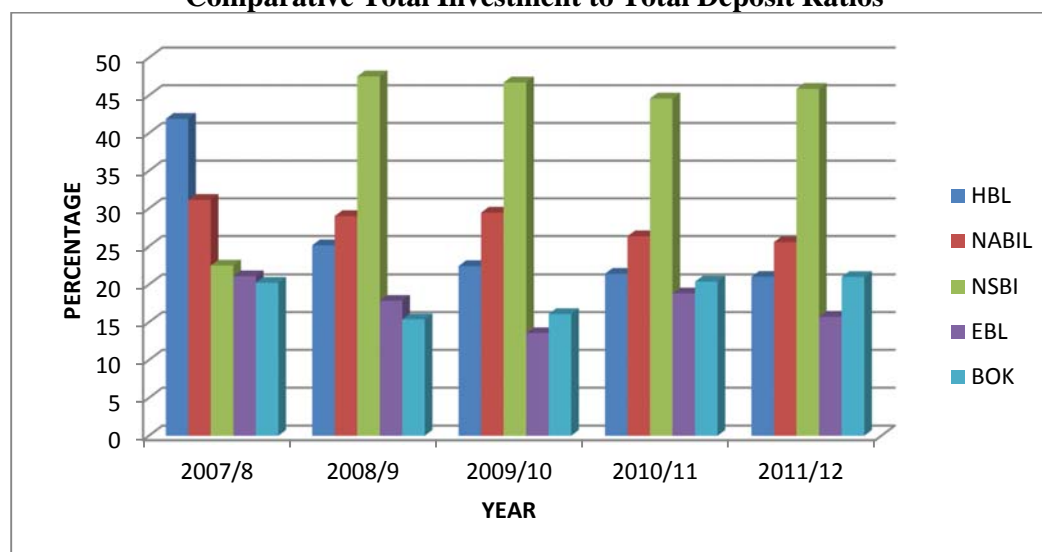
Source: Appendix –I (e)

Table no. 4.5, shows that all five banks have the ratios of a fluctuating trend during the study period. On an average SBI has invested more amount of its total deposit in comparison to other four banks, i.e. 41.44%. The coefficient of variation of NABIL is 8.18%. It indicates that NABIL is more consistent to make investment of total deposits

than other four banks. Coefficient of variation of HBL, SBI, EBL and BOK are 33.41%, 25.66%, 16.61% and 14.27% respectively.

This ratio can be presented with the help of graph as follows:

Figure No. 4.5
Comparative Total Investment to Total Deposit Ratios



4.1.2.3 Loan and Advances to Total Working Fund

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

$$\text{LoanandAdvancetoTotalWorkingFundRatio} = \frac{\text{LoanandAdvance}}{\text{TotalWorkingFund}}$$

Table No. 4-6
Comparative Loan and Advances to Total Working Fund Ratios

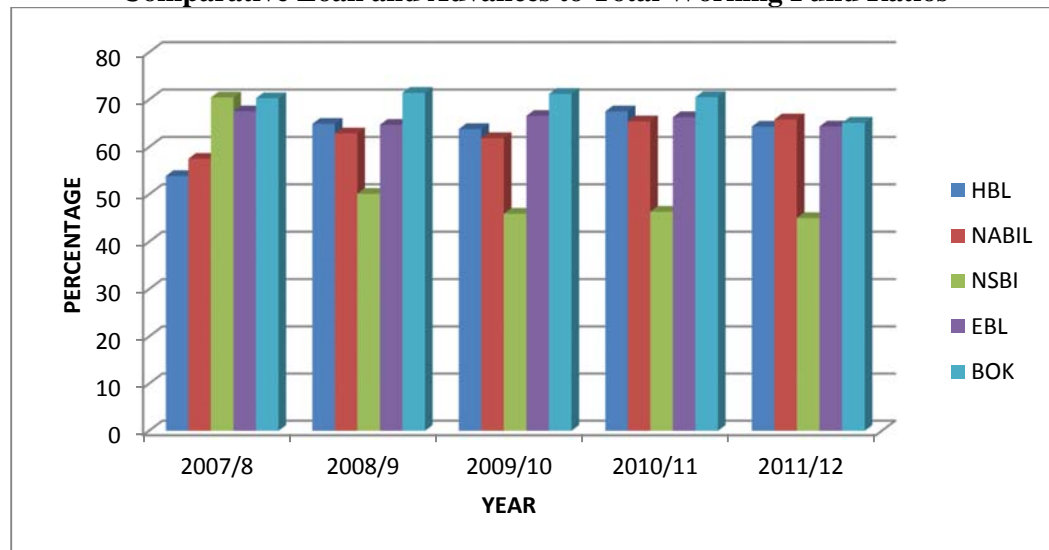
Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	53.9	57.54	70.48	67.55	70.32
2008/9	64.9	62.89	50.16	64.7	71.46
2009/10	63.8	61.88	45.94	66.59	71.23
2010/11	67.54	65.42	46.36	66.31	70.55
2011/12	64.32	65.83	45.03	64.34	65.14
MEAN	62.89	62.71	51.59	65.90	69.74
SD	5.23	3.34	10.74	1.35	2.61
CV	8.31	5.32	20.81	2.04	3.75

Source: Appendix-I (f)

Table no.4.6 describes the loan and advances to total working fund ratio of HBL, NABIL, SBI, EBL and BOK are in fluctuating trend. During the study period HBL, NABIL,SBI, EBL and BOK have a higher ratio of 67.54%, 65.83%, 70.48%, 67.55% and 71.46 in year 2010/11, 2011/12, 2007/8, 2007/8 and 2008/9 respectively. On average, BOK has maintained a higher ratio of 69.74% than other four banks. The coefficient of variation of EBL is more consistent than other four banks because it has the lowest variation i.e.2.04 %.

This ratio can be presented with the help of graph as follows:

Figure No. 4.6
Comparative Loan and Advances to Total Working Fund Ratios



4.1.2.4 Investment on Government Securities to Total Working Fund

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

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

Table No. 4-7
Comparative Investment on Government Securities to Total Working Fund Ratios

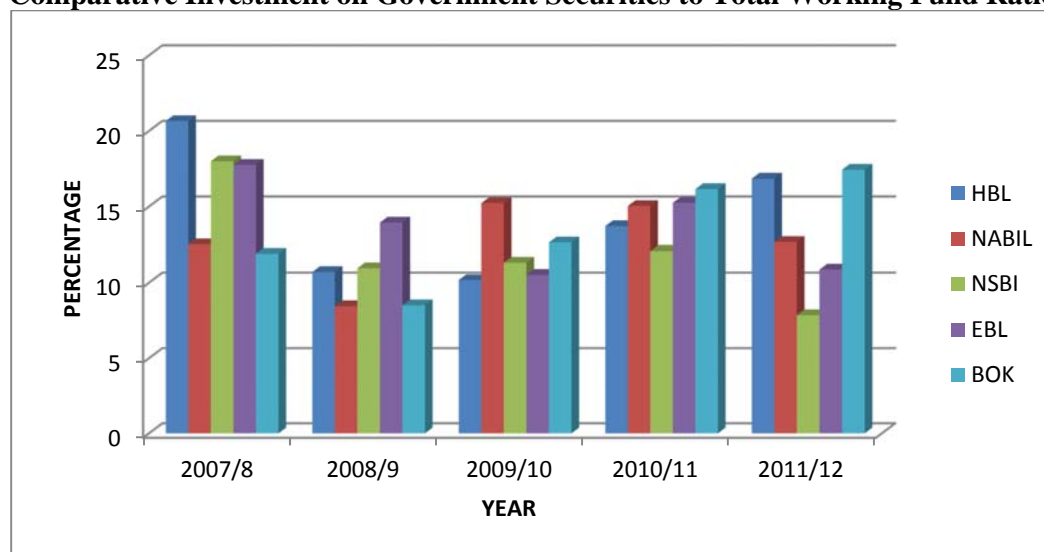
Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	20.66	12.51	18	17.76	11.92
2008/9	10.71	8.45	10.96	13.94	8.51
2009/10	10.18	15.23	11.33	10.52	12.63
2010/11	13.71	15.04	12.09	15.25	16.16
2011/12	16.85	12.66	7.85	10.87	17.44
MEAN	14.42	12.78	12.05	13.67	13.33
SD	4.39	2.74	3.70	3.04	3.56
CV	30.44	21.41	30.71	22.27	26.68

Source: Appendix-I (g)

Table no. 4.7 shows the investment on government securities to total working fund of HBL, NABIL, SBI, EBL and BOK are in fluctuating trend. HBL, NABIL, SBI, EBL and BOK have the highest ratio of 20.66%, 15.23%, 18.00%, 17.76% and 17.44% in the year 2007/8, 2009/10, 2007/8, 2007/8 and 2011/12 respectively. On an average, HBL has highest mean ratio among three banks i.e. 14.42%. The coefficient of variation indicates of NABIL i.e. 21.41% have a more stable ratio than that of other four banks.

This ratio can be presented with the help of graph as follows:

Figure No. 4.7
Comparative Investment on Government Securities to Total Working Fund Ratios



4.1.2.5 Investment on Shares and Debentures to Total Working Fund

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

$$\text{Invnt. onShareandDeben. toTotalWorkingFundRatio} = \frac{\text{Invnt. onShareandDebn.}}{\text{TotalWorkingFund}}$$

Table No. 4-8
Comparative Investment on Shares and Debentures to Total Working Fund Ratios

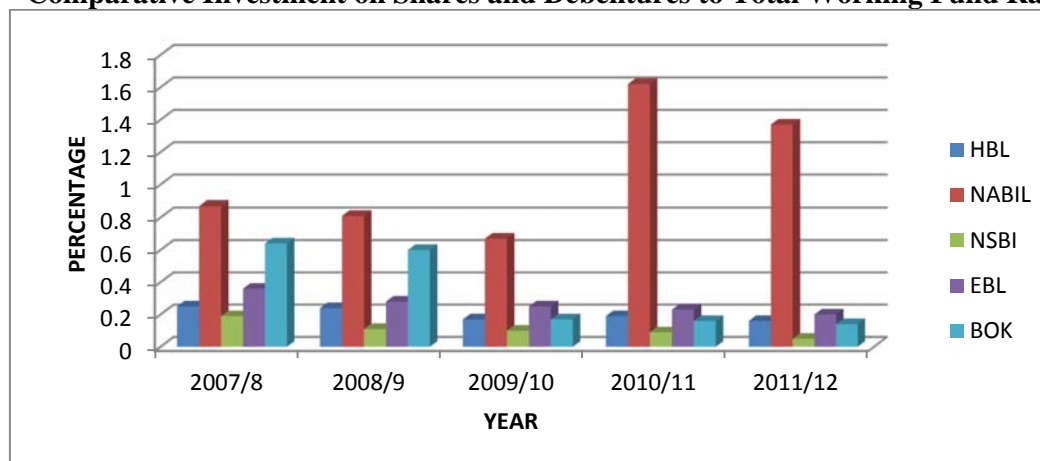
Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	0.25	0.87	0.19	0.36	0.64
2008/9	0.24	0.81	0.11	0.28	0.60
2009/10	0.17	0.67	0.10	0.25	0.17
2010/11	0.19	1.62	0.09	0.23	0.16
2011/12	0.16	1.37	0.05	0.2	0.14
MEAN	0.20	1.07	0.11	0.26	0.34
SD	0.04	0.41	0.05	0.06	0.25
CV	20.23	38.11	47.39	23.13	74.39

Source: Appendix –I (h)

Table no. 4.8 shows the investment in shares and debentures to total working fund ratio of all banks are in fluctuating trend. During the five year study period, all banks except NABIL have invested less than 1% of its total working fund in shares and debentures, which is very low. On an average, NABIL has invested more amounts in shares and debentures i.e. 1.07%. The Coefficient of variation ratio shows that HBL has a more stable investment on shares and debenture to total working fund than other four banks.

This ratio can be presented with the help of graph as follows:

Figure No. 4.8
Comparative Investment on Shares and Debentures to Total Working Fund Ratios



4.1.3 Profitability Ratios

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

4.1.3.1 Return on Loan and Advances

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

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

Table No. 4-9
Comparative Return on Loan and Advances Ratios

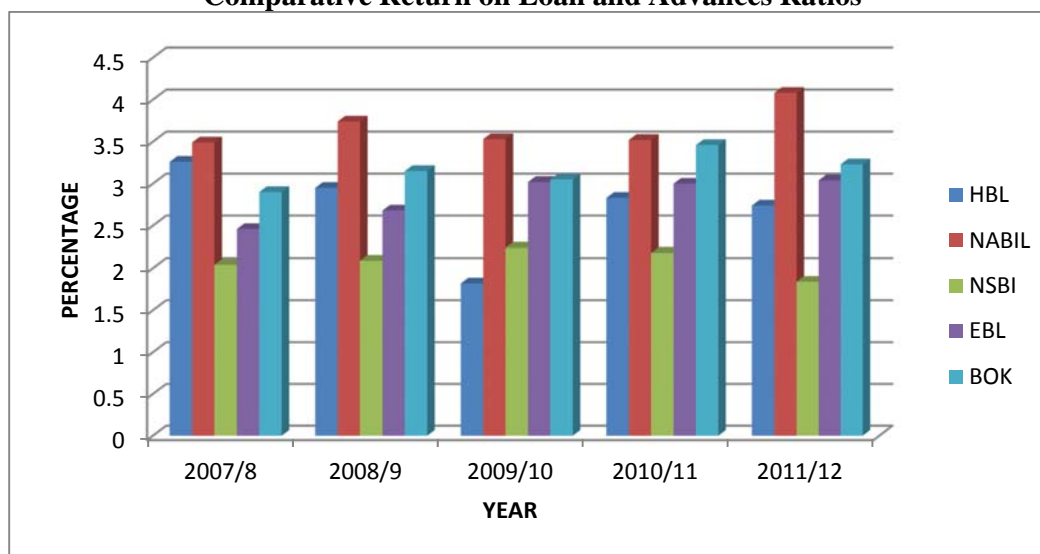
Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	3.26	3.49	2.04	2.46	2.9
2008/9	2.95	3.74	2.09	2.68	3.15
2009/10	1.82	3.53	2.24	3.02	3.05
2010/11	2.83	3.52	2.18	3.00	3.46
2011/12	2.74	4.08	1.84	3.04	3.23
MEAN	2.72	3.67	2.08	2.84	3.16
SD	0.54	0.25	0.15	0.26	0.21
CV	19.86	6.77	7.41	9.11	6.62

Source: Appendix-I (j)

Table no. 4.9 shows that the return on loan and advances ratio of HBL, NABIL, SBI, EBL and BOK are in the fluctuating trend. During the study period HBL, NABIL, SBI, EBL and BOK have the highest ratio of 3.26%, 4.08%, 2.24%, 3.04% and 3.46% in the year 2007/8, 2011/12, 2009/10, 2011/12 and 2010/11 respectively. On average, NABIL has the highest mean ratio of 3.67%. Coefficient of variation indicates that BOK i.e. 6.62% has less variable between five years of study period compare to other four banks.

This ratio can be presented with the help of graph as follows:

Figure No. 4.9
Comparative Return on Loan and Advances Ratios



4.1.3.2 Return on Total Working Fund

Return on total working fund ratio is computed as following formula:

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

Table No. 4-10
Comparative Return on Total Working Fund Ratios

Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	1.76	2.01	1.44	1.66	2.04
2008/9	1.92	2.35	1.05	1.73	2.25
2009/10	1.16	2.18	1.03	2.01	2.18
2010/11	1.91	2.30	1.01	1.99	2.44
2011/12	1.76	2.68	0.83	1.95	2.11
MEAN	1.70	2.30	1.07	1.87	2.20
SD	0.31	0.25	0.22	0.16	0.15
CV	18.38	10.75	20.86	8.64	6.96

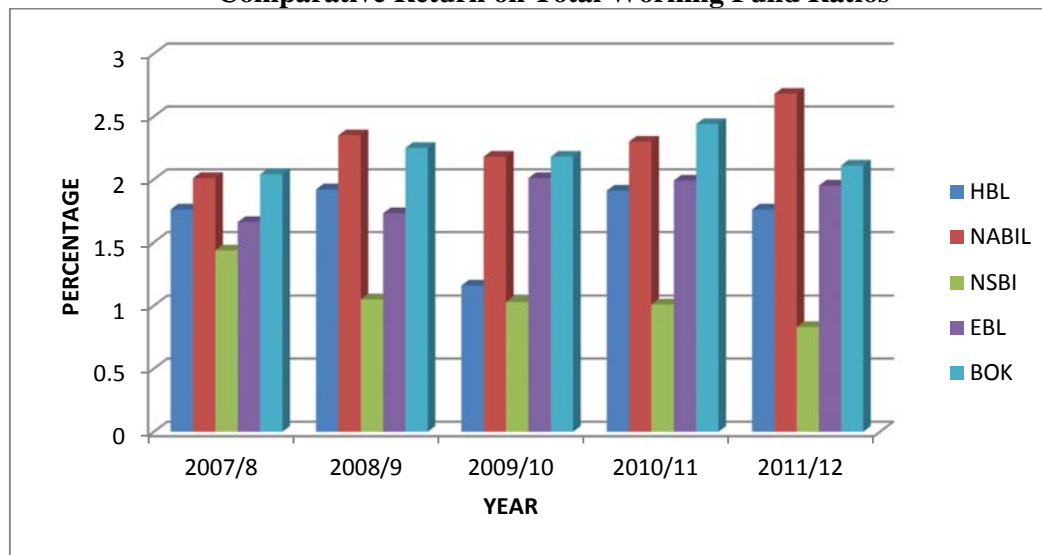
Source: Appendix-I (k)

Table no. 4.10 shows that the return on total working fund ratio of HBL, NABIL, SBI, EBL and BOK are in the rising and falling trend. During the study period, NABIL has the highest ratio of 2.68% in year 2011/12 than that of other four banks in five year study

period. SBI has the lowest ratio of 0.80% in year 2011/12. In case of coefficient of variation, BOK has the lowest C.V. of 6.96% compared to other four banks, which shows more consistency in return of total working fund.

This ratio can be presented with the help of graph as follows:

Figure No. 4.10
Comparative Return on Total Working Fund Ratios



4.1.3.3 Total Interest Earned to Total Working Fund

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

$$\text{TotalInterestEarnedtoTotalWorkingFundRatio} = \frac{\text{TotalInterestEarned}}{\text{TotalWorkingFund}}$$

Table No. 4-11
Comparative Total Interest Earned to Total Working Fund Ratios

Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	5.43	5.33	5.64	5.71	5.83
2008/9	5.96	6.38	4.84	5.92	6.58
2009/10	7.18	7.76	5.97	7.5	8.00
2010/11	9.26	9.04	6.72	9.25	9.64
2011/12	8.69	9.70	6.49	8.89	9.28
MEAN	7.30	7.64	5.93	7.45	7.87
SD	1.66	1.81	0.74	1.63	1.66
CV	22.79	23.72	12.53	21.93	21.05

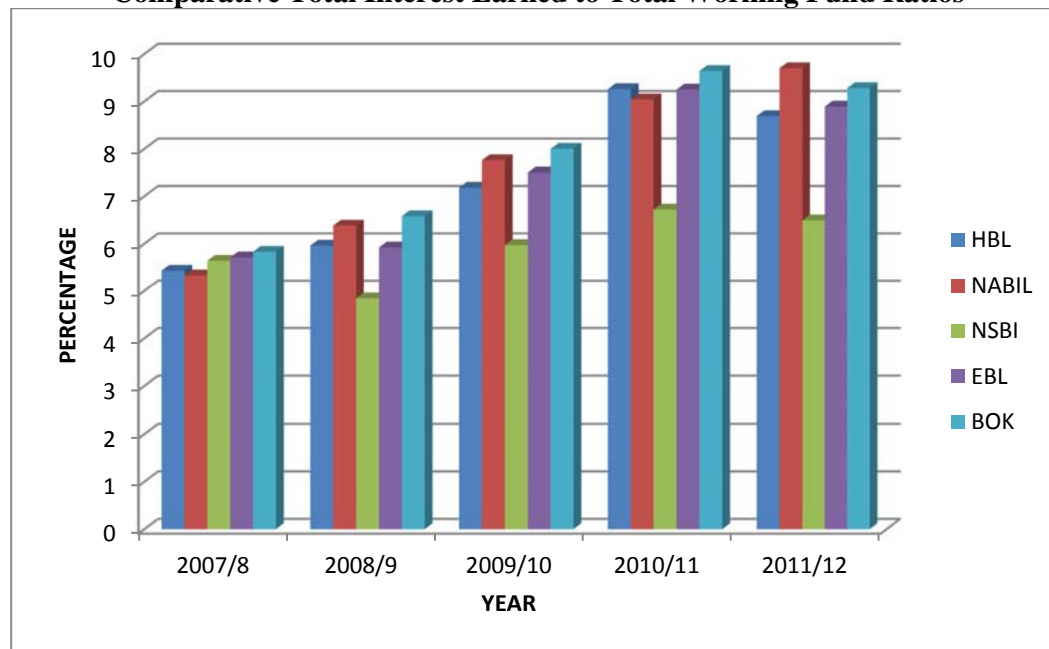
Source: Appendix-I (l)

Table no. 4.11 shows that the HBL, NABIL, SBI, EBL and BOK have the highest interest earned to total working fund ratio of 9.26%, 9.70%, 6.72%, 9.25% and 9.64% in the year 2010/11, 2011/12, 2010/11, 2010/11 and 2010/11 respectively.

BOK has higher mean ratio i.e. 7.87% than other four banks. The coefficient of variation of SBI is less than other four banks i.e. 12.53%. It indicates that the interest earning power of SBI is more consistent than other four banks.

This ratio can be presented with the help of graph as follows:

Figure No. 4.11
Comparative Total Interest Earned to Total Working Fund Ratios



4.1.4 Risk Ratios

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

4.1.4.1 Liquidity Risk Ratio

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

$$LiquidityRiskRatio = \frac{CashandBankBalance}{TotalDeposit}$$

**Table No. 4-12
Comparative Liquidity Risk Ratios**

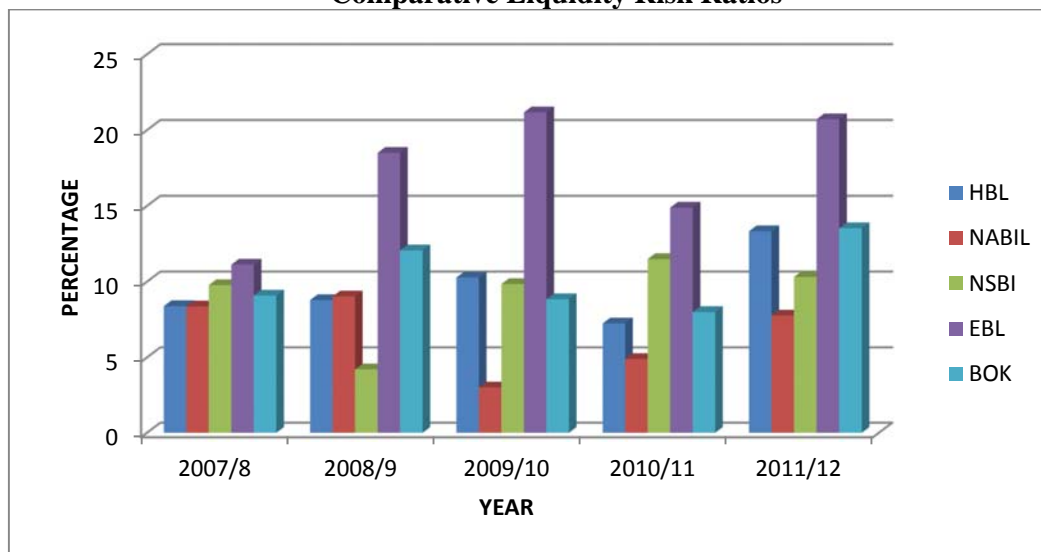
Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	8.39	8.37	9.78	11.13	9.09
2008/9	8.79	9.03	4.21	18.5	12.07
2009/10	10.28	3.01	9.85	21.17	8.85
2010/11	7.25	4.9	11.5	14.89	8.00
2011/12	13.33	7.77	10.32	20.72	13.53
MEAN	9.61	6.62	9.13	17.28	10.31
SD	2.35	2.56	2.84	4.24	2.37
CV	24.42	38.67	31.06	24.55	22.97

Source: Appendix-I(m)

Table no. 4.12 shows that EBL has highest mean ratio i.e. 17.28%, which means that EBL operates with adequate liquidity. The mean ratio of NABIL i.e. 6.62% is lower than that of other four banks. It means that NABIL has maintained the lower liquidity which means it operates with higher risk for higher profit. The coefficient of variation of NABIL i.e. 38.67% is higher than that of the other four banks. It shows that the ratio of NABIL is more variable than of other four banks.

This ratio can be presented with the help of graph as follows:

**Figure No. 4.12
Comparative Liquidity Risk Ratios**



4.1.4.2 Credit Risk Ratio

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

$$\text{CreditRiskRatio} = \frac{\text{TotalInvestment} + \text{TotalLoanandAdvance}}{\text{TotalAssets}}$$

Table No. 4-13
Comparative Credit Risk Ratios

Year	Ratio %				
	HBL	NABIL	SBI	EBL	BOK
2007/8	90.77	84.30	88.44	86.18	88.40
2008/9	87.05	87.57	94.20	80.81	85.04
2009/10	83.05	68.61	94.04	78.69	85.20
2010/11	86.31	87.92	87.39	82.84	87.87
2011/12	82.77	88.07	87.16	78.43	83.31
MEAN	85.99	83.29	90.25	81.39	85.96
SD	3.28	8.35	3.57	3.22	2.12
CV	3.82	10.03	3.96	3.95	2.47

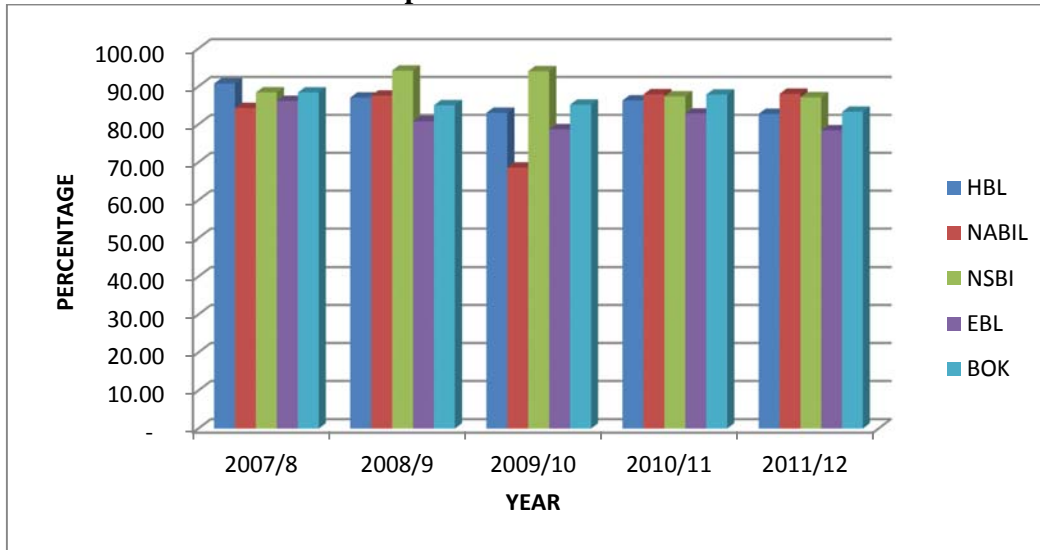
Source: Appendix-I (n)

Table no. 4.13 shows that HBL, NABIL, SBI, EBL and BOK have the credit risk ratio in fluctuating trend. HBL, NABIL, SBI, EBL and BOK have the highest ratio of 90.77%, 88.07%, 94.20%, 86.18% and 88.40 in the year 2009/10, 2011/12, 2008/9, 2007/8, 2007/8 respectively whereas they have the lowest ratio of 82.77%, 68.61%, 88.44%, 78.43% and 83.31% in year 2011/12, 2009/10, 2007/8, 2011/12 and 2011/12 respectively.

On the basis of mean ratio, it can be said that the credit risk of EBL is lower than that of other four banks i.e. 81.39%. NABIL has the highest coefficient of variation than that of other four banks i.e. 10.03%, which means that NABIL is more variable in term credit risk.

This ratio can be presented with the help of graph as follows:

**Figure No. 4.13
Comparative Credit Risk Ratios**



4.1.5 Growth Ratios

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

4.1.5.1 Growth Ratio of Total Investment

Growth ratio of total investment of five banks is shown here under:

**Table No. 4-14
Growth Ratio of Total Investment**

(Rs. In Millions)

BANK	Total Investment					Growth Rate %
	2007/8	2008/9	2009/10	2010/11	2011/12	
HBL	13340	8711	8445	8770	10031	-6.88
NABIL	9939	10826	13670	13081	14055	9.05
SBI	3088	13286	16305	18911	24463	67.77
EBL	5059	5948	5008	7744	7864	11.66
BOK	3204	2783	3269	4286	5247	13.12

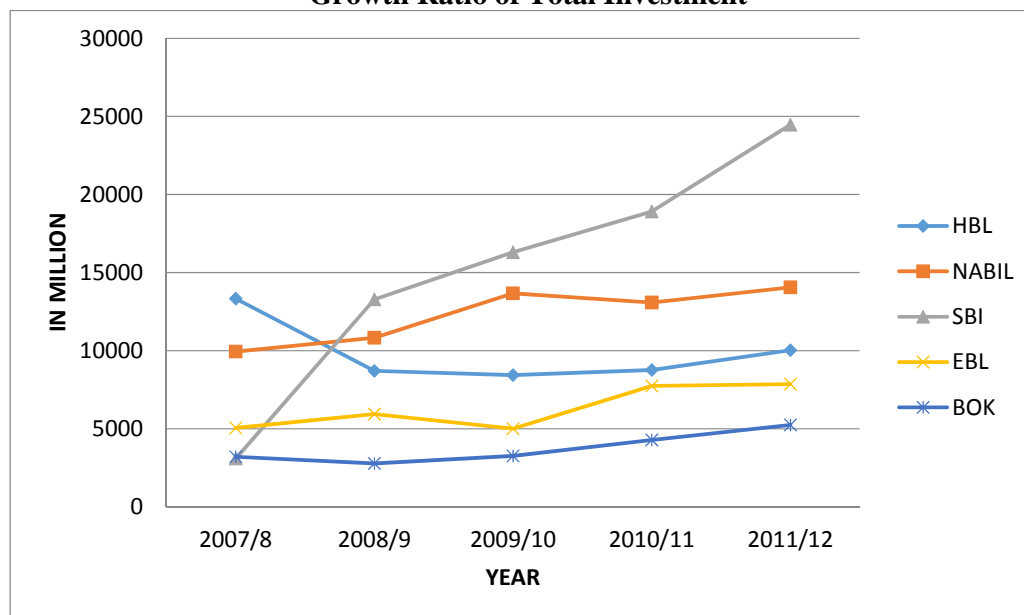
Source: Appendix-II

Table no. 4.14 shows that the Investment of SBI is in rapid increasing trend i.e. 67.77% growth ratio is higher than that of other four banks. Whereas the growth ratio of HBL is negative as investment of HBL has decreased from 2008/9 to 2010/11 and increased in

year 2011/12. The growth ratio of HBL, NABIL, SBI, EBL and BOK are -6.88%, 9.05%, 67.77%, 11.66% and 13.12% respectively.

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

Figure No. 4.14
Growth Ratio of Total Investment



4.1.5.2 Growth Ratio of Loan and Advances

Growth ratios of loan and advance of five banks are shown hereunder.

Table No. 4-15
Growth Ratio of Loan and Advances

(Rs. In Millions)

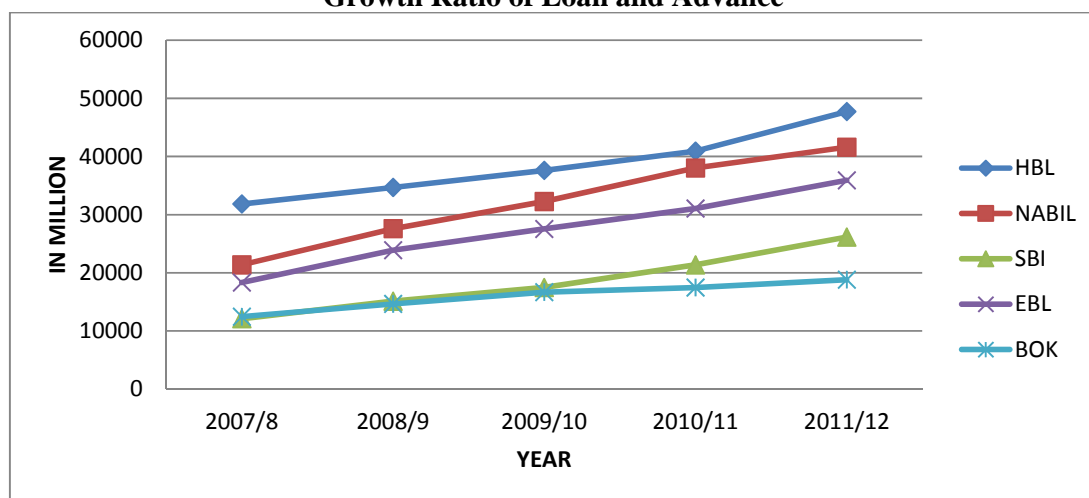
BANK	Loan & Advance					Growth Rate %
	2007/8	2008/9	2009/10	2010/11	2011/12	
HBL	31842	34682	37611	40921	47730	10.65
NABIL	21365	27589	32268	38034	41605	18.13
SBI	12113	15131	17480	21365	26142	21.21
EBL	18339	23885	27556	31058	35911	18.29
BOK	12463	14647	16665	17468	18814	10.84

Source: Appendix-II

Table no. 4.15 describes the growth ratio of loan and advances of HBL, NABIL, SBI, EBL and BOK in five year study period. Loan and advance of all five banks are in increasing trend. The table shows that the SBI has a high growth ratio of Loan and Advance i.e. 21.21 % and HBL has lowest growth ratio i.e. 10.65 %.

Growth ratios of loans and advances of HBL, NABIL, SBI, EBL and BOK are also shown in the following line chart.

Figure No. 4.15
Growth Ratio of Loan and Advance



4.1.5.3 Growth Ratio of Net Profit

Growth ratios of net profit of five banks are shown here under:

Table No. 4-16
Growth Ratio of Net Profit

(Rs. In Millions)

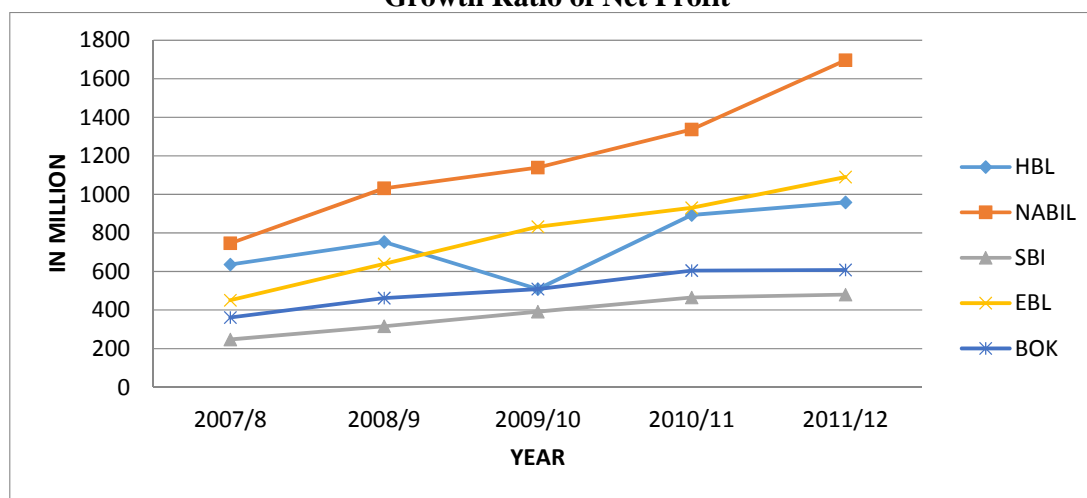
BANK	Net Profit					Growth Rate %
	2007/8	2008/9	2009/10	2010/11	2011/12	
HBL	636	753	509	893	959	10.81
NABIL	746	1031	1139	1337	1696	22.79
SBI	247	316	392	465	480	18.07
EBL	451	639	832	931	1090	24.68
BOK	361	462	509	605	608	13.92

Source: Appendix-II

Table no. 4.16 represents the growth ratio of net profit of HBL, NABIL, SBI, EBL and BOK during five year study period. All five banks net profit is in increasing trend. It shows that EBL has the highest growth ratio of net profit i.e.24.68 % and HBL has the lowest growth ratio of net profit i.e.10.81 %.

The growth ratio of net profit is also shown with the help of line chart which is shown below;

Figure No. 4.16
Growth Ratio of Net Profit



4.2 Analysis of Sources and Uses of Funds

This analysis deals with the sources and uses of funds of HBL, NABIL, SBI, EBL and BOK and also represents the proportionate contribution to the total funds of HBL, NABIL, SBI, EBL and BOK

4.2.1 Analysis of Sources and Uses of Funds of HBL

Table No. 4-17
Percentage of Various Sources of Funds from Total Source of HBL

Particulars	Year					Total	Average(%)
	2007/8	2008/9	2009/10	2010/11	2011/12		
1 Capital	5.72	6.16	6.97	6.97	7.15	32.97	6.59
2 Borrowings	2.32	1.23	1.12	1.03	0.89	6.59	1.32
3 Deposits	84.75	85.02	84.01	82.91	85.39	422.08	84.42
4 Others	7.21	7.59	7.91	9.09	6.57	38.36	7.67
Total	100.00	100.00	100.00	100.00	100.00	500.00	100.00

Source: Appendix-V

Table 4.17 analyses percentage of various sources of funds of HBL. The contribution of capital fund in total source is 6.59%. Deposit contribution more funds in total sources of funds i.e. 84.42%. Considering the contribution of borrowing to total source, it is 1.32% and other source of fund is 7.67%. So, that the Deposit is the only one reliable source of funds of HBL.

The sources of funds of HBL are also shown with the help of following chart.

Figure No. 4.17
Sources of Funds of HBL based on Mean Ratio

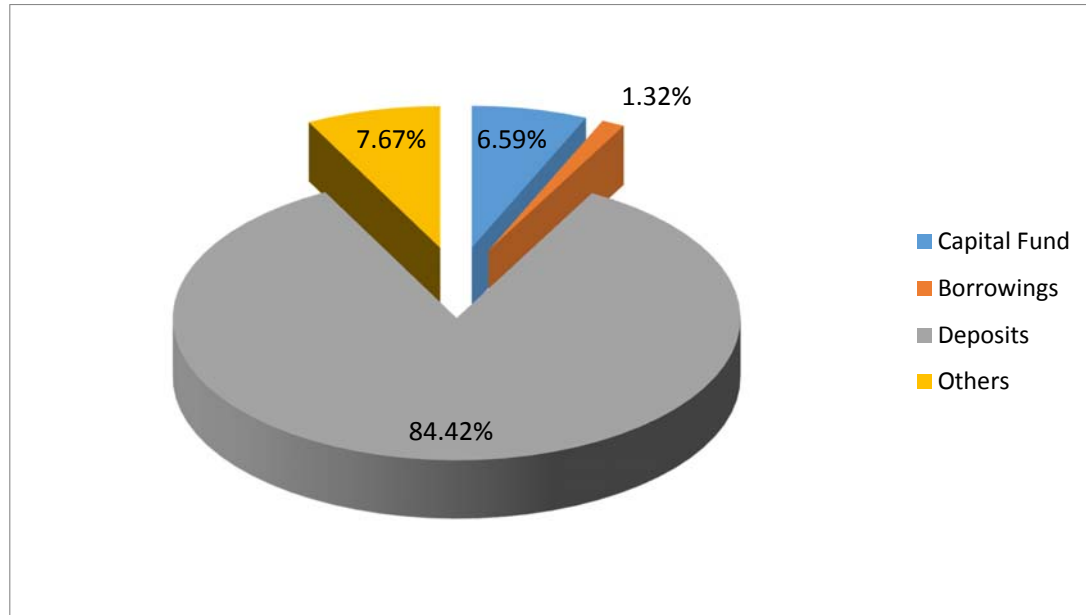


Table No. 4-18
Percentage of Various Uses of Funds from Total Source of HBL

Particulars	Year					Total	Average (%)
	2007/	2008/9	2009/10	2010/11	2011/12		
1 Liquid Funds	6.67	10.78	9.66	7.72	11.86	46.69	9.34
2 Investments	19.91	10.33	9.97	13.00	16.46	69.67	13.93
3 Share & Other Inv	14.07	10.59	8.55	4.58	1.56	39.35	7.87
4 Loans & Adv.	53.26	62.00	64.72	64.21	61.33	305.53	61.11
5 Others	6.09	6.30	7.09	10.49	8.80	38.77	7.75
Total	100.0	100.00	100.00	100.00	100.00	500.00	100.00

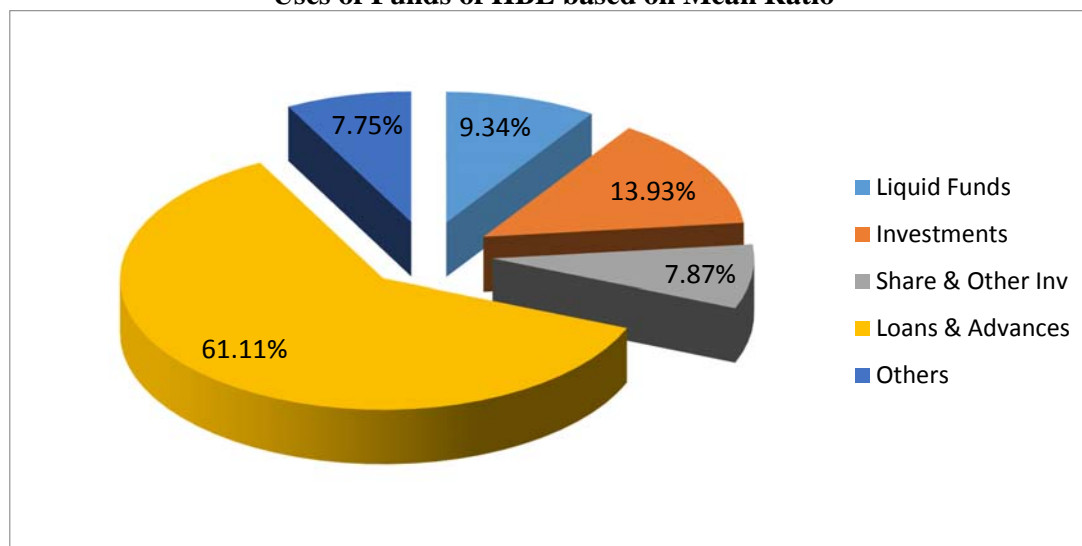
Source: Appendix-V

Table 4.18 shows that source of funds are used for different purposes. HBL maintained liquid funds of 9.34% on an average. It has maintained average liquid funds in the period of the study. It makes average investment of 13.93%. Similarly, it has provided loan and

advances of 61.11% to its customers. Share & investment and other uses cover 7.87% and 7.75% respectively. It means that HBL has used more of its fund in loan and advances.

The uses of funds of HBL are also shown with the help of following chart.

Figure No. 4.18
Uses of Funds of HBL based on Mean Ratio



4.2.2 Analysis of Sources and Uses of Funds of NABIL

The following table and diagram present the list of sources and uses of funds of NABIL and it also represents the proportionate contribution to the total sources funds of NABIL.

Table No. 4-19
Percentage of Various Sources of Funds from Total Sources of NABIL

Particulars	Year					Total	Average (%)
	2007/8	2008/9	2009/10	2010/11	2011/12		
1 Capital Fund	5.35	5.30	5.73	6.26	6.38	29.02	5.80
2 Borrowings	4.16	4.31	0.69	3.18	0.85	13.19	2.64
3 Deposits	82.94	81.30	84.85	81.07	76.91	407.07	81.41
4 Others	7.55	9.09	8.74	9.49	15.86	50.72	10.14
Total	100.00	100.00	100.00	100.00	100.00	500.00	100.00

Source: Appendix-VI

Table no. 4.19 shows that the contribution of Capital Fund in total sources of funds of NABIL is 5.80%. Similarly, deposits contribute more funds in total sources of funds i.e. 81.41%. Borrowings contribute only 2.64% of the total sources. And Other Sources has a

contribution of 10.14%. It can be said that deposits are the main sources of funds of NABIL.

The sources of funds of NABIL are also shown with the help of following chart.

Figure No. 4.19
Sources of Funds of NABIL based on Mean Ratio

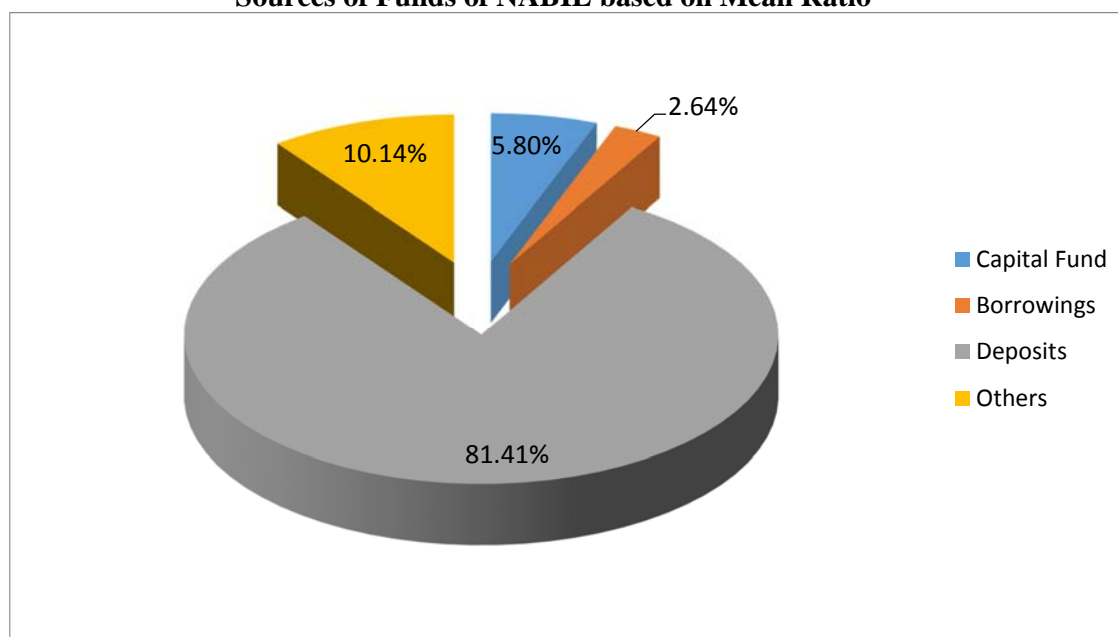


Table No. 4-20
Percentage of Various Uses of Funds from Total Source of NABIL

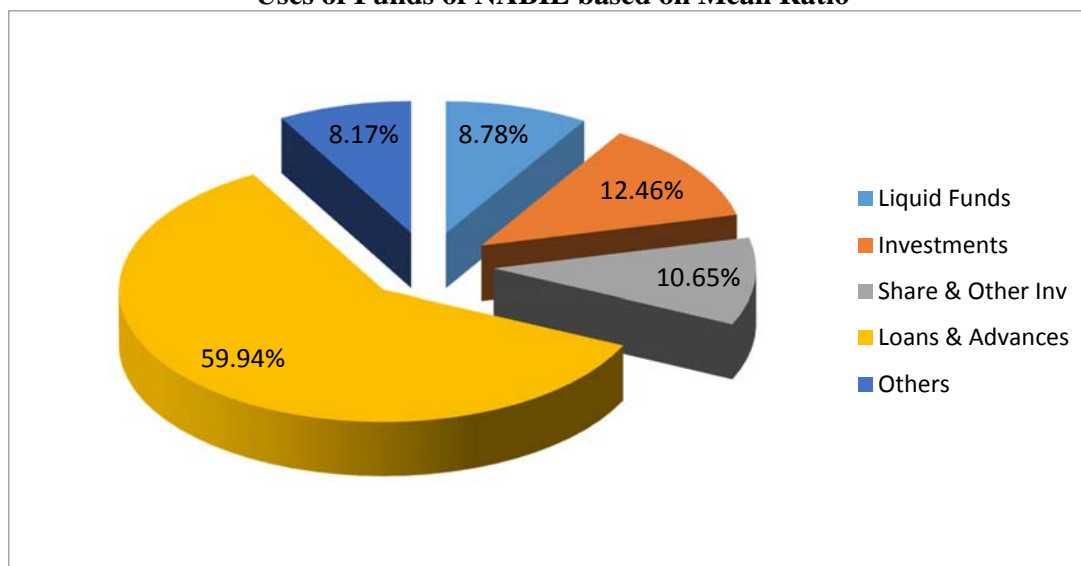
Particulars	Year					Total	Average (%)
	2007/8	2008/9	2009/10	2010/11	2011/12		
1 Liquid Funds	12.02	8.54	8.27	7.97	7.13	43.92	8.78
2 Investments	12.71	8.66	14.88	14.55	11.48	62.28	12.46
3 Share & Other Inv	13.19	15.01	10.04	6.79	8.20	53.23	10.65
4 Loans & Advances	55.91	60.55	60.25	63.25	59.73	299.69	59.94
5 Others	6.17	7.24	6.55	7.44	13.47	40.87	8.17
Total	100.00	100.00	100.00	100.00	100.00	500.00	100.00

Source: Appendix-VI

Table no. 4.20 shows the proportion of uses of funds of NABIL. NABIL has maintained 8.78% of liquid funds out of total sources. NABIL has invested 12.46% funds from total sources. It has provided Loans and Advances of 59.94% to its customer. Percentage covered by Share & Investment is 10.65% and other uses are 8.17% of the total uses of funds.

The uses of funds of NABIL is also shown with the help of following chart.

Figure No. 4.20
Uses of Funds of NABIL based on Mean Ratio



4.2.3 Analysis of Sources and Uses of Funds of SBI

The following table and diagram present the list of sources of funds of SBI. It also represents the proportionate contribution to the total funds of SBI.

Table No. 4-21
Percentage of Various Sources of Funds from Total Sources of SBI

Particulars	Year					Total	Average (%)
	2007/8	2008/9	2009/10	2010/11	2011/12		
1 Capital Fund	6.26	4.42	5.44	5.32	4.77	26.21	5.24
2 Borrowings	9.83	2.90	0.78	0.42	1.01	14.95	2.99
3 Deposits	73.76	87.39	88.61	90.00	90.10	429.87	85.97
4 Others	10.15	5.28	5.17	4.26	4.12	28.98	5.80
Total	100.00	100.00	100.00	100.00	100.00	500.00	100.00

Source: Appendix-VII

The table no. 4.21 analyses percentage of various sources of funds of SBI. The contribution of capital fund in total sources is 5.24%. Contribution of deposit is high in total sources of funds i.e. 85.97%. Considering the contribution of borrowing to total source, it is 2.99% and other source of funds is 5.80%. So, that the Deposit is the only one reliable source of funds of SBI.

The sources of funds of SBI are also shown with the help of following chart.

Figure No. 4.21
Sources of Funds of SBI based on Mean Ratio

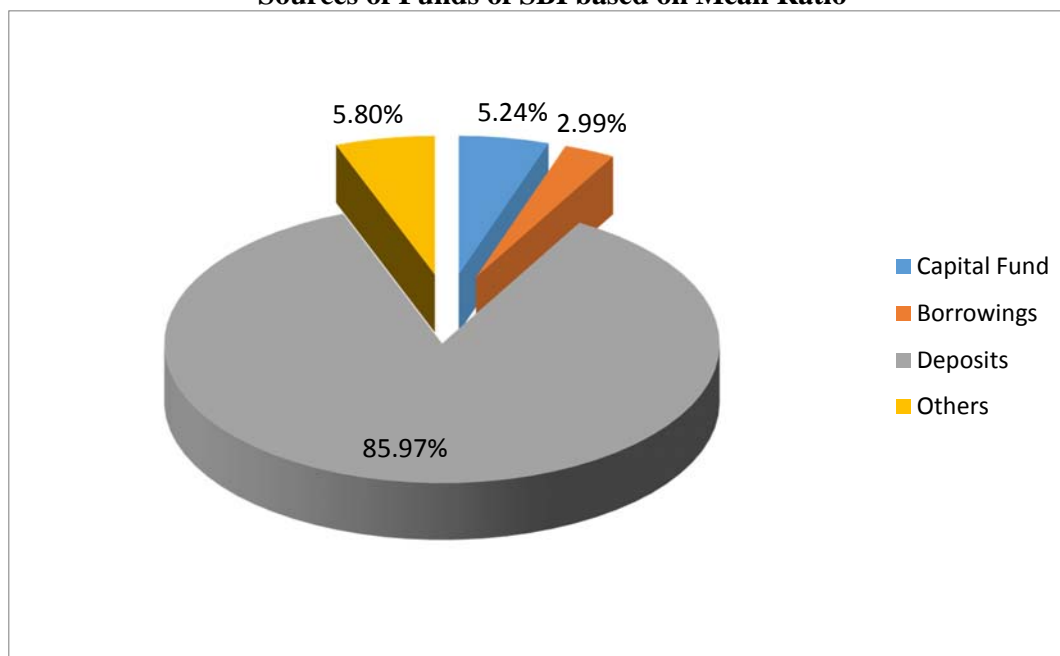


Table No. 4-22
Percentage of Various Uses of Funds from Total Source of SBI

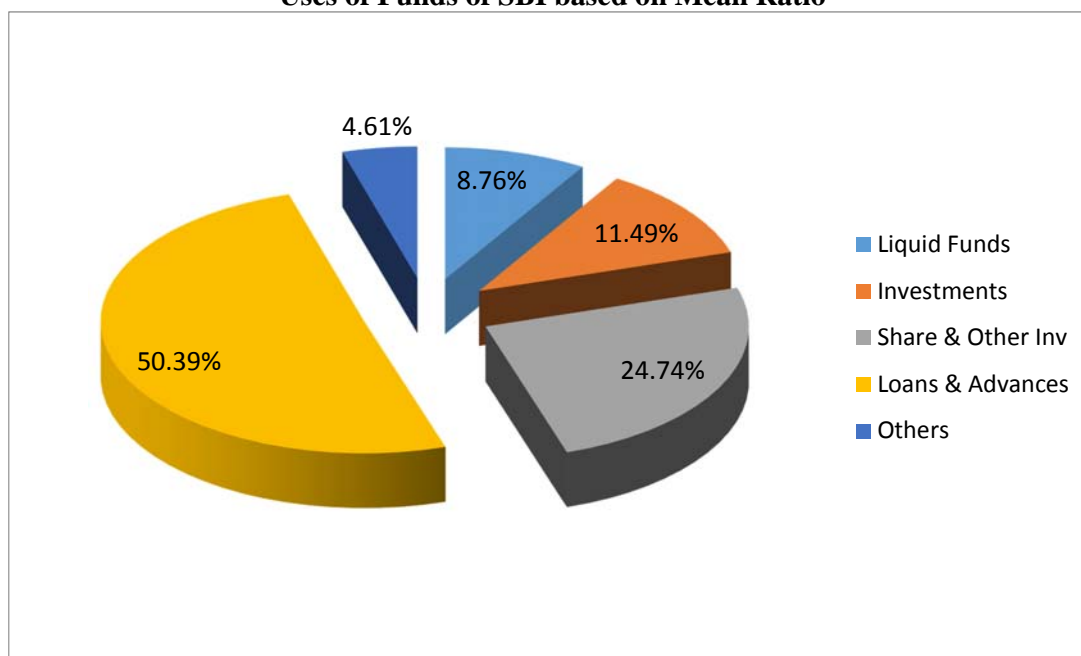
Particulars	Year					Total	Average (%)
	2007/8	2008/9	2009/10	2010/11	2011/12		
1 Liquid Funds	8.88	5.97	9.01	10.35	9.61	43.82	8.76
2 Investments	16.64	10.34	10.95	11.83	7.70	57.46	11.49
3 Share & Other Inv	0.29	31.20	30.32	28.30	33.62	123.72	24.74
4 Loans & Advances	67.63	48.34	45.42	45.95	44.60	251.95	50.39
5 Others	6.56	4.15	4.29	3.57	4.46	23.04	4.61
Total	100.00	100.00	100.00	100.00	100.00	500.00	100.00

Source: Appendix-VII

Table no. 4.22 shows that source of funds are used for different purposes. SBI maintained liquid funds of 8.76% on an average. It has maintained sufficient liquid funds in the period of the study. It makes average investment of 11.49%. Similarly, it has provided loan and advances of 50.39% to its customers. Share & investment and other uses cover 24.74% and 4.61% respectively.

The uses of funds of SBI are also shown with the help of following chart.

Figure No. 4.22
Uses of Funds of SBI based on Mean Ratio



4.2.4 Analysis of Sources and Uses of Funds of EBL

The following table and diagram present the list of sources of funds of EBL. It also represents the proportionate contribution to the total funds of EBL.

Table No. 4-23
Percentage of Various Sources of Funds from Total Sources of EBL

Particulars	Year					Total	Average (%)
	2007/8	2008/9	2009/10	2010/11	2011/12		
1 Capital Fund	5.61	5.44	5.24	5.88	5.50	27.67	5.53
2 Borrowings	1.05	1.61	1.68	1.67	0.00	6.00	1.20
3 Deposits	83.93	87.69	87.82	87.70	88.34	435.48	87.10
4 Others	9.41	5.26	5.26	4.75	6.16	30.84	6.17
Total	100.00	100.00	100.00	100.00	100.00	500.00	100.00

Source: Appendix-VIII

The table no. 4.23 analyses percentage of various sources of funds of EBL. The contribution of capital fund in total source is 5.53%. Deposit contribution more funds in total sources of funds i.e. 87.10%. Considering the contribution of borrowing to total source, it is 1.20% and other source of funds is 6.17%. So, that the Deposit is the only one reliable source of funds of EBL.

The sources of funds of EBL are also shown with the help of following chart.

Figure No. 4.23
Sources of Funds of EBL based on Mean Ratio

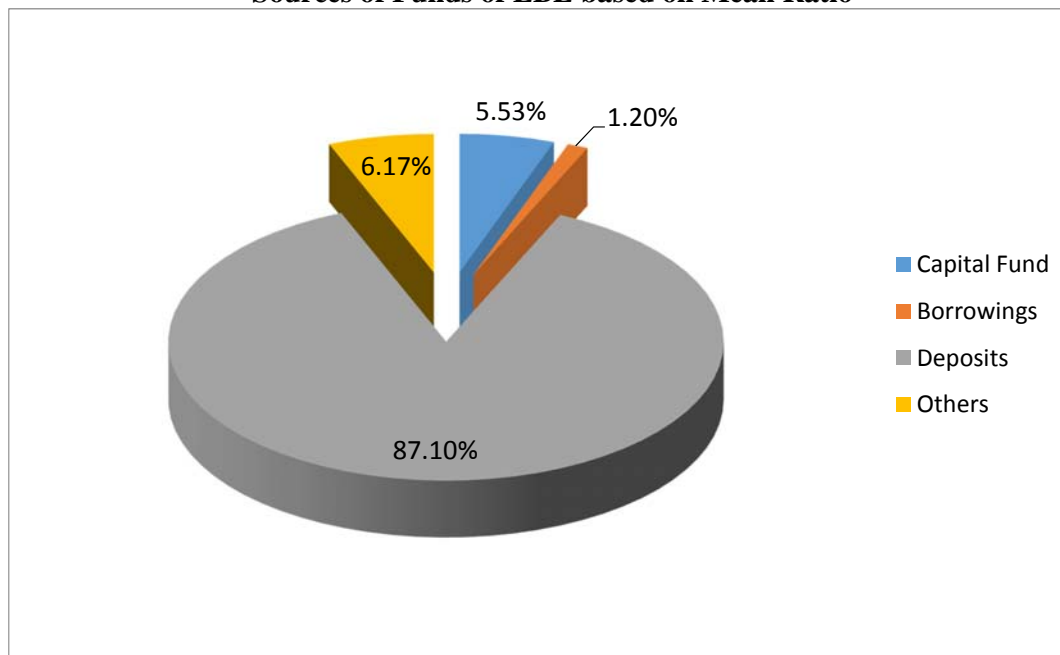


Table No. 4-24
Percentage of Various Uses of Funds from Total Source of EBL

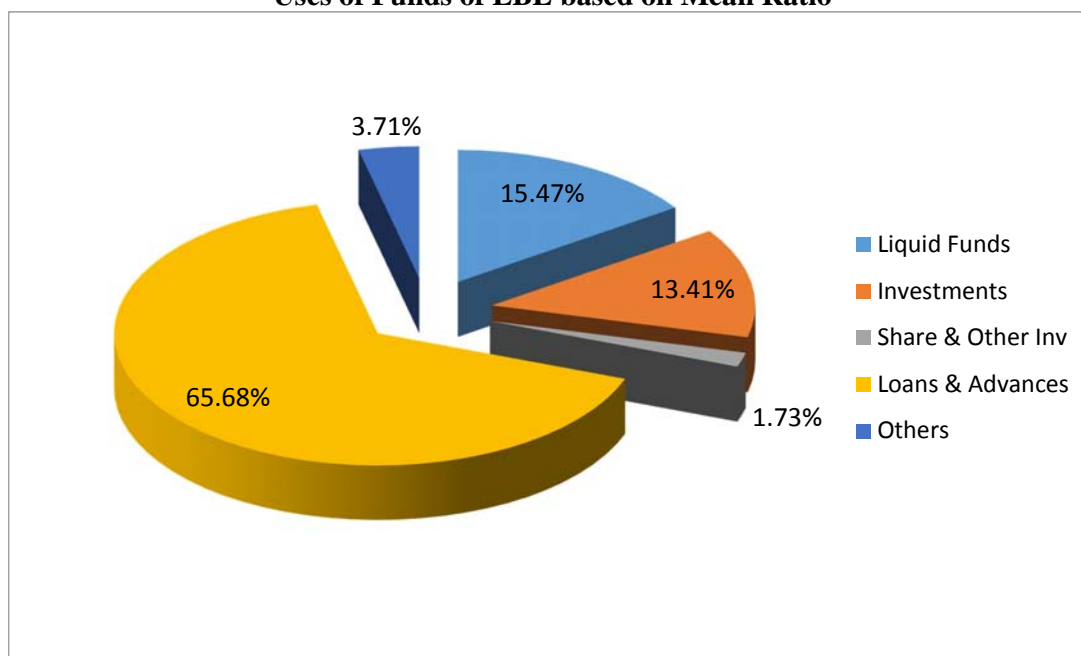
Particulars	Year					Total	Average (%)
	2007/8	2008/9	2009/10	2010/11	2011/12		
1 Liquid Funds	11.20	16.22	18.59	13.06	18.31	77.37	15.47
2 Investments	17.18	13.54	10.35	15.24	10.72	67.03	13.41
3 Share & Other Inv	0.54	2.12	1.56	1.28	3.17	8.67	1.73
4 Loans & Advances	65.86	64.12	66.89	67.24	64.26	328.38	65.68
5 Others	5.22	4.00	2.60	3.18	3.54	18.55	3.71
Total	100.00	100.00	100.00	100.00	100.00	500.00	100.00

Source: Appendix-VIII

Table no. 4.24 shows that source of funds are used for different purposes. EBL maintained liquid funds of 15.47% on an average. It has maintained sufficient liquid funds in the period of the study. It makes average investment of 13.41%. Similarly, it has provided loan and advances of 65.68% to its customers. Share & investment and other uses cover 1.73% and 3.71% respectively.

The uses of funds of EBL are also shown with the help of following chart.

Figure No. 4.24
Uses of Funds of EBL based on Mean Ratio



4.2.5 Analysis of Sources and Uses of Funds of BOK

The following table and diagram present the list of sources of funds of BOK. It also represents the proportionate contribution to the total funds of BOK.

Table No. 4-25
Percentage of Various Sources of Funds from Total Sources of BOK

Particulars	Year					Total	Average (%)
	2007/8	2008/9	2009/10	2010/11	2011/12		
1 Capital Fund	5.41	6.39	7.24	8.10	8.16	35.29	7.06
2 Borrowings	1.65	1.43	2.08	2.60	1.28	9.04	1.81
3 Deposits	87.19	86.08	84.44	82.16	83.77	423.64	84.73
4 Others	5.75	6.11	6.24	7.14	6.79	32.03	6.41
Total	100.00	100.00	100.00	100.00	100.00	500.00	100.00

Source: Appendix-IX

The table no. 4.25 analyzes percentage of various sources of funds of BOK. The contribution of capital fund in total source is 7.06%. Deposit contribution more funds in total sources of funds i.e. 84.73%. Considering the contribution of borrowing to total source, it is 1.81% and other source of funds is 6.41%. So, that the Deposit is the only one reliable source of funds of BOK.

The sources of funds of BOK are also shown with the help of following chart.

Figure No. 4.25
Sources of Funds of BOK based on Mean Ratio

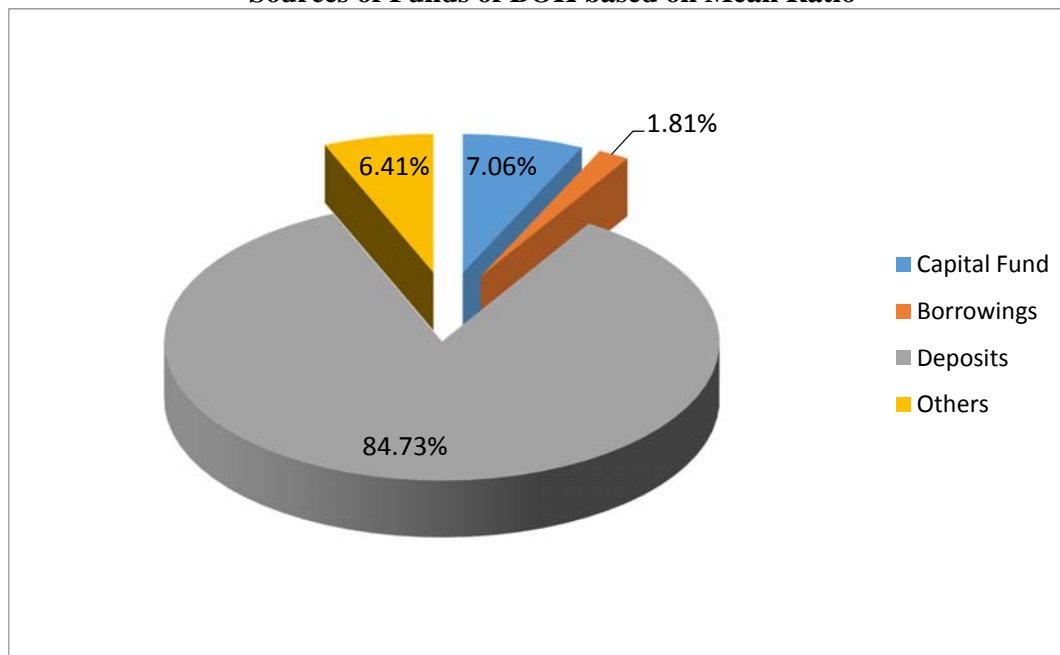


Table No. 4-26
Percentage of Various Uses of Funds from Total Source of BOK

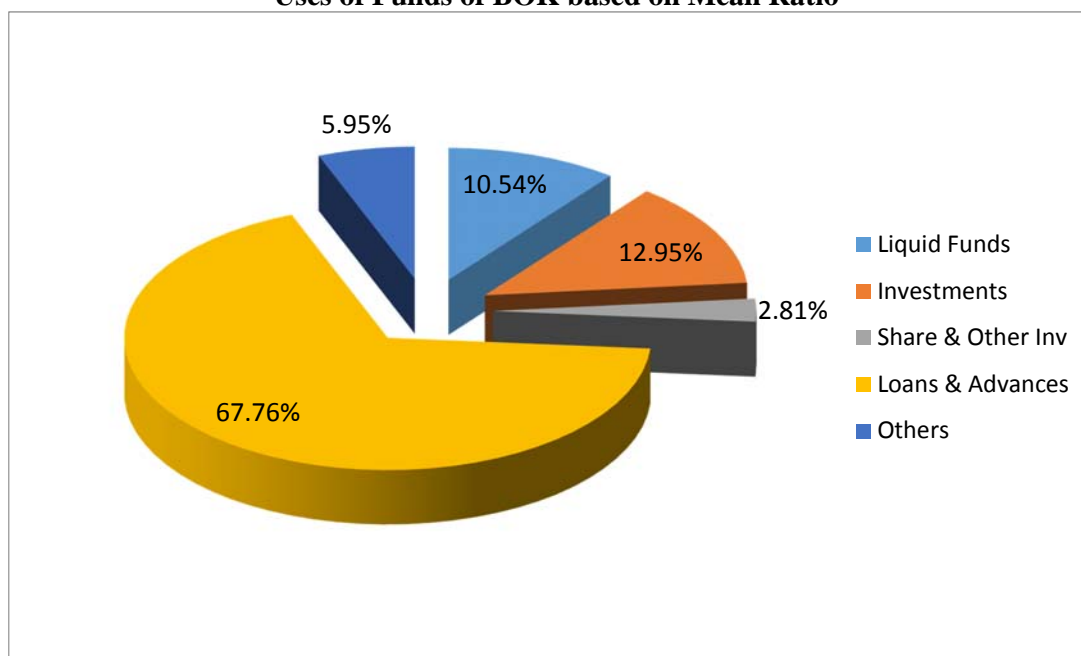
Particulars	Year					Total	Average (%)
	2007/8	2008/9	2009/10	2010/11	2011/12		
1 Liquid Funds	8.33	11.53	11.32	8.44	13.08	52.70	10.54
2 Investments	11.64	8.31	12.28	15.64	16.89	64.75	12.95
3 Share & Other Inv	6.01	4.90	1.31	1.11	0.70	14.03	2.81
4 Loans & Advances	69.90	70.90	70.02	67.42	60.55	338.79	67.76
5 Others	4.13	4.37	5.06	7.38	8.79	29.73	5.95
Total	100.00	100.00	100.00	100.00	100.00	500.00	100.00

Source: Appendix-IX

Table no. 4.26 shows that source of funds are used for different purposes. BOK maintained liquid funds of 10.54% on an average. It has maintained sufficient liquid funds in the period of the study. It makes average investment of 12.95%. Similarly, it has provided loan and advances of 67.76% to its customers. Share & investment and other uses cover 2.81% and 5.95% respectively.

The uses of funds of BOK are also shown with the help of following chart.

Figure No. 4.26
Uses of Funds of BOK based on Mean Ratio



4.2.6 Comparative Analysis of Uses

The subsequent table shows the average uses of funds of the five joint venture banks.

Table No. 4-27
Comparative Average Uses of Funds of HBL, NABIL, SBI, EBL and BOK

Particulars	Average %				
	HBL	NABIL	SBI	EBL	BOK
1 Liquid Funds	9.34	8.78	8.76	15.47	10.54
2 Investments	13.93	12.46	11.49	13.41	12.95
3 Share & Other Inv	7.87	10.65	24.74	1.73	2.81
4 Loans & Advances	61.11	59.94	50.39	65.68	67.76
5 Others	7.75	8.17	4.61	3.71	5.95
Total	100.00	100.00	100.00	100.00	100.00

Source: Appendix-X

Table no. 4.27 shows that EBL has maintained high liquid funds than that of other four banks i.e. 15.47%. HBL is successful to make investment in different sectors in comparison to other four banks i.e. 13.933% which is comparatively greater than the

investment of rest four banks. BOK has a greater portfolio of Loan and Advances i.e. 67.76%. Investment in Shares and Others of SBI is greater than rest banks i.e. 24.74%. Other Investment of NABIL is 8.17% which is comparatively greater than rest of four banks.

4.3 Correlation Analysis

Correlations between the important variables are analyzed under this heading.

4.3.1 Analysis of Correlation Coefficient between Deposits and Total Investment

The following table describes the relationship between deposits and total investment of HBL, NABIL, SBI, EBL and BOK under five year study period. In this case, the deposit is the independent variables (X) and the total investment is dependent variable (Y).

Table No. 4-28
Correlation Coefficient between Deposits and Total Investment

Banks	Base of Evaluation			
	r	r ²	P.E.	6×P.E.
HBL	-0.37	0.14	0.26	1.56
NABIL	0.96	0.92	0.03	0.15
SBI	0.99	0.98	0.01	0.04
EBL	0.81	0.66	0.10	0.60
BOK	0.88	0.77	0.07	0.43

Source: Appendix -III

Table no. 4.28 shows that the coefficient of correlation (r) between deposits and total investment of HBL is a -0.37 and the value of the coefficient of determination (r²) is 0.14 which means 14% of investment decision is depend upon deposit and 86% investment is depending upon other variables. Similarly probable error (P.E.) is 0.26 and 6 P.E. is 1.56 which shows that 6P.E is greater than 'r'. Therefore it reveals that the relationship between deposit and investment is insignificant.

Likewise in case of NABIL, coefficient of correlation (r) between investment and deposit is 0.96. Coefficient of determination (r²) is 0.92, which means 92% of investment decision is depend upon deposit and 8% investment is depending on other variables. And

its P.E. is 0.025 and similarly 6P.E. is 0.15 which is lower than 'r'. It means correlation of coefficient between the deposit and Investment of NABIL is significant.

Similarly, coefficient of correlation (r) of SBI is 0.99. Coefficient of determination (r²) is 0.98, which means 98% of investment decision is depends upon deposit and only 2% investment is depends on other variables. And P.E. is 0.006 and 6P.E. is 0.04 which is lower than 'r'. It means correlation of coefficient between the deposit and investment of SBI is significant.

Similarly, coefficient of correlation (r) of EBL is 0.81. Coefficient of determination (r²) is 0.66, which means 66% of investment decision depends upon deposit and 34% of investment decision is dependent on other variables. And P.E. is 0.10 and 6P.E. is 0.60 which is lower than 'r'. It means correlation of coefficient between the deposit and investment of SBI is significant.

Lastly, coefficient of correlation (r) of SBI is 0.88. Coefficient of determination (r²) is 0.77, which means 77% of investment decision depends upon deposit and 23% of investment is dependent on other variables. And P.E. is 0.07 and 6P.E. is 0.42 which is lower than 'r'. It means correlation of coefficient between the deposit and investment of SBI is significant.

4.3.2 Analysis of Correlation Coefficient between Deposits and Loan and Advances

The following table describes the relationship between deposits and Loan and Advances of SCB, NABIL, SBI, EBL and BOK under five year study period. In this case, the deposit is the independent variables (X) and Loan and Advances is dependent variable (Y).

Table No. 4-29
Correlation Coefficient between Deposits and Loan and Advances

Banks	Base of Evaluation			
	r	r ²	P.E.	6×P. E.
HBL	0.96	0.92	0.025	0.147
NABIL	0.99	0.98	0.007	0.043
SBI	0.98	0.96	0.011	0.065
EBL	1	1	0.003	0.018
BOK	0.97	0.94	0.020	0.117

Source: Appendix -III

Table no. 4.29 shows that the coefficient of correlation (r) between deposits and Loan and Advances of HBL is 0.96. The value of the coefficient of determination (r^2) is 0.92 which means 92% of Loan and Advances decision is dependent upon deposit and only 8% of Loan and Advances is dependent upon other variables. Similarly probable error (P.E.) is 0.025 and 6P.E. is 0.147 which shows that ' r ' is greater than 6P.E. Therefore it reveals that the relationship between deposit and Loan and Advances is significant.

Likewise in case of NABIL, coefficient of correlation (r) between deposit and Loan and Advances is 0.99. Coefficient of determination (r^2) is 0.98 which means 98% of Loan and Advances is depends upon deposit and only 2% Loan and Advances depending on other variables. And its P.E. is 0.01 and similarly 6P.E. is 0.04 which is lower than ' r ' i.e. 0.99. It means correlation of coefficient between the deposit and Loan and Advances of NABIL is significant.

Similarly, coefficient of correlation (r) of SBI is 0.98. Coefficient of determination (r^2) is 0.96, which means 96% of Loan and Advances is depends upon deposit and only 4% of Loan and Advances depending on other variables. And P.E. is 0.01 and 6P.E. is 0.07 which is lower than ' r '. It means correlation of coefficient between the deposit and Loan and Advances of SBI is significant as well.

Similarly in case of EBL, coefficient of correlation (r) between deposit and Loan and Advances is 1. Coefficient of determination (r^2) is 1 which means 100% of Loan and Advances is depends upon deposit. Its P.E. is 0.003 and similarly 6P.E. is 0.018 which is lower than ' r ' i.e. 1. It means correlation of coefficient between the deposit and Loan and Advances of EBL is significant.

Lastly in case of BOK, coefficient of correlation (r) between deposit and Loan and Advances is 0.97. Coefficient of determination (r^2) is 0.94 which means 94% of Loan and Advances is depends upon deposit only 6% of Loan and Advances is dependent upon other variables. Its P.E. is 0.020 and similarly 6P.E. is 0.117 which is lower than ' r ' i.e. .97. It means correlation of coefficient between the deposit and Loan and Advances of EBL is significant.

4.4 Trend Analysis

4.4.1 Trend Analysis of Total Investment to Total Deposits Ratio

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

The following table describes the trend values of total investment to total deposit ratio of HBL, NABIL, SBI, EBL and BOK for eight years.

Table No. 4-30
Trend Values of Total Investment to Total Deposit Ratio of HBL, NABIL, SBI, EBL and BOK (2007/08 – 2014/15)

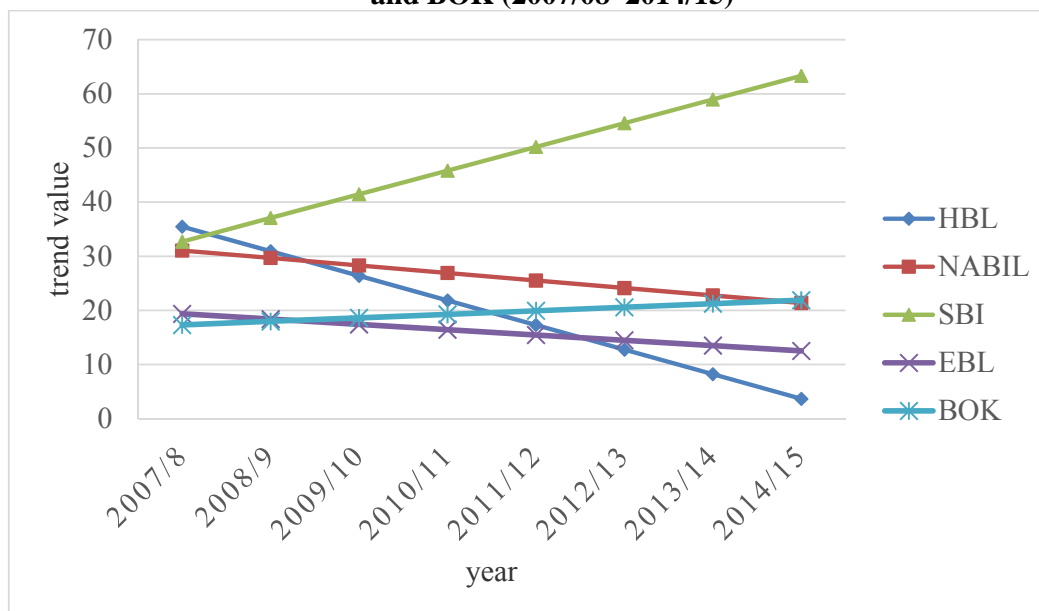
Years	Banks (Trend Value)				
	HBL	NABIL	SBI	EBL	BOK
2007/8	35.47	31.06	32.69	19.37	17.31
2008/9	30.93	29.68	37.07	18.39	17.97
2009/10	26.38	28.29	41.44	17.41	18.62
2010/11	21.84	26.90	45.82	16.44	19.27
2011/12	17.30	25.52	50.20	15.46	19.93
2012/13	12.75	24.13	54.57	14.49	20.58
2013/14	8.21	22.75	58.95	13.51	21.24
2014/15	3.67	21.36	63.32	12.53	21.89

Source: Appendix-IV

Table no. 4.30, shows that the total investment to total deposit ratios of HBL, NABIL and EBL are in decreasing trend. Whereas the total investment to total deposit ratios of SBI and BOK are in increasing trend. Other things remaining the same, the ratio of total investment to total deposits of HBL, NABIL, SBI, EBL and BOK will be 3.67, 21.36, 63.32, 12.53 and 21.89 respectively in the year 2014/15.

Trend Line of Total Investment to Total Deposit Ratio of HBL, NABIL, SBI, EBL and BOK are shown below

Figure No. 4.27
Trend Values of Total Investment to Total Deposit Ratio of HBL, NABIL, SBI, EBL
and BOK (2007/08–2014/15)



4.4.2 Trend Analysis of Loan and Advances to Total Deposits Ratio

Under this topic an attempt has been made to analyze the trend of loan and advances to total deposits ratio of HBL, NABIL, SBI, EBL and BOK with comparatively under five year study period and projects the trend for next three years.

The following table describes the trend values of loan and advances to total deposit ratio of HBL, NABIL, SBI, EBL and BOK for eight years.

Table No. 4-31
Trend Values of Loan and Advances to Total Deposit Ratio of HBL, NABIL, SBI,
EBL and BOK (2007/08-2014/15)

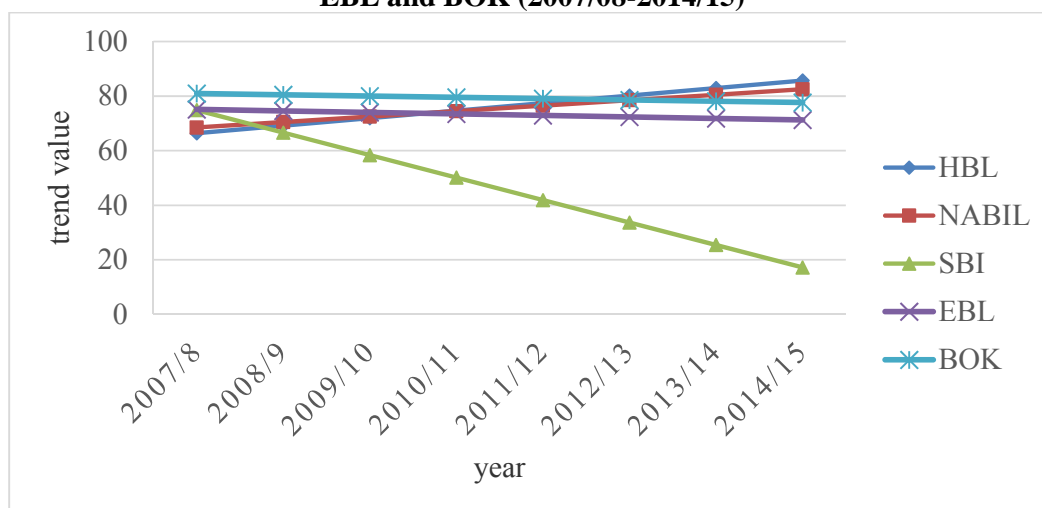
Years	Banks (Trend Value)				
	HBL	NABIL	SBI	EBL	BOK
2007/8	66.40	68.50	74.86	75.13	80.97
2008/9	69.16	70.50	66.62	74.57	80.50
2009/10	71.92	72.50	58.38	74.02	80.02
2010/11	74.68	74.50	50.15	73.47	79.55
2011/12	77.45	76.50	41.91	72.92	79.08
2012/13	80.21	78.50	33.67	72.37	78.60
2013/14	82.97	80.50	25.44	71.81	78.13
2014/15	85.73	82.50	17.20	71.26	77.65

Source: Appendix-IV

Table no, 4.31 shows that the loan and advances to total deposits ratio of HBL and NABIL are in increasing trend. Whereas the loan and advances to total deposits ratio of SBI, EBL and BOK are in decreasing trend. The loan and advances to total deposits ratio SBI is in highly decreasing trend. Other things remaining the same, the loan and advances to total deposit of HBL, NABIL, SBI, EBL and BOK will be 85.73, 82.50, 17.20, 71.26 and 77.65 respectively in the year 2014/15.

Trend Line of Loan and Advances to Total Deposit Ratio of HBL, NABIL, SBI, EBL and BOK are shown below:

Figure No. 4.28
Trend Values of Loan and Advances to Total Deposit Ratio of HBL, NABIL, SBI, EBL and BOK (2007/08-2014/15)



4.5 Major Findings of the Study

Basically in this research work, all the data has been obtained from secondary sources. The data has been analyzed by using financial as well as statistical tools. This topic focuses on the major findings of the study, which are derived from the analysis of Investment of HBL, NABIL, SBI, EBL and BOK comparatively applying five years data from 2007/08 to 2011/12.

The major findings of the study derived from the analysis of financial tools of HBL, NABIL, SBI, EBL and BOK are given below:

1. Findings from Liquidity Ratios

- i) The mean ratio of cash and bank balance to total deposits of EBL is higher than other four banks. NABIL has a lowest mean ratio. It states that the liquidity position of EBL is better in this regard. The ratio of NABIL is less consistent and BOK is more consistent which shows NABIL has taken more risk to meet the daily cash requirements.
- ii) The mean ratio of cash and bank balance to current assets of EBL is higher than other four banks. NABIL has a lowest mean ratio. It reveals that the liquidity position of EBL is better than other four banks. It also indicates that EBL has the highest capacity to meet the cash demand of its customer deposit than that of other commercial banks. The ratio of NABIL is less consistent and BOK is more consistent.
- iii) The average ratio of investment on government securities to current assets of HBL is higher than that of other four banks.. It reveals that investment on government securities of HBL is stronger than that of the other four banks. Analysis shows that investment on government securities of BOK is more consistent.

The above result shows that the liquidity position of EBL is comparatively better than other four banks. EBL has the highest cash and bank balance to total deposit ratio and again EBL has the highest cash and bank balance to current assets ratio. HBL has made enough investment on government securities than other banks. At last, it can be concluded that EBL has higher ability to meet the cash requirements. Comparatively BOK is more consistent bank than other banks in the sample.

2. Findings from Assets Management Ratios

- i) The mean ratio of loan and advances to total deposit of BOK is greater than other four banks. It means BOK has used more of its deposit on loan and advances than other sample banks. The variability ratio of NABIL is lower than that of the other two banks. It seems more consistent than other four banks.

- ii) The average ratio of total investment to the total deposit ratio of SBI is higher than other four banks. It means SBI has invested more of its deposit on investment as compared to other four banks. The variability ratio NABIL is lower than that of the other four banks. It seems more consistent than other four banks.
- iii) The average ratio of loan and advances to total working fund of BOK is higher than other four banks. The variability in the ratio of EBL is also lower than that of other four banks. It is the indication of more consistency of loan and advances.
- iv) The average ratio of investment on government securities to total working fund of HBL is higher than that of other four banks. And variability in the ratio of NABIL is also lower than other four banks. It seems more consistent to make investment on government securities.
- v) The mean ratio of investment on shares and debentures to total working fund of NABIL is greater than other sample banks. Whereas HBL has the lower variation of the ratio. It shows the stable investment on shares and debentures.

From the above analysis it helps to conclude that BOK is comparatively successful to provide loan and advances of its collected deposits and SBI to invest in the productive sector. The average ratio of Investment on government securities of HBL seems stronger than other sample banks and investment on share & debenture of NABIL and SBI seems stronger than other sample banks.

3. Findings from Profitability Ratios

- i) The mean ratio of return on loan and advances of NABIL is higher than other sample banks. The variability in the ratio of BOK is lower than other sample banks. It seems NABIL has stable return.

- ii) The mean ratio of return on total working fund of NABIL is greater than other sample banks. The variability in the ratio of BOK is lower than other sample banks. It indicates that the return on total working fund of NABIL is stable.
- iii) In case of the mean ratio of total interest earned to total working fund of BOK is highest among five banks. The variability in the ratio of SBI is lower than other sample banks. It reveals that BOK is mobilizing its working fund successfully so that it has higher earning capacity.

From the above analysis of profitability ratios, it helps to conclude that NABIL is profitable in comparison to other sample banks.

4. Findings from Risk Ratios

- i) The mean ratio of liquidity risk of NABIL is lower than other sample banks. It means that NABIL has maintained the lower liquidity. As a result it is operating with higher risk for higher profit. The mean ratio of liquidity risk of EBL is higher than other sample banks. Variability of risk is lower in BOK in comparison to other four banks which states liquidity risk ratio of SBI is more consistent.
- ii) In case of the credit risk ratio, EBL has the lower risk than other sample banks. The variability in the ratio of BOK is lower than other sample banks. It indicates that the credit risk ratio of BOK is consistent.

From the above analysis, NABIL has maintained the lower liquidity risk and EBL has maintained lower credit risk.

5. Findings from Growth Ratios

- i) The growth rate of total investment of SBI is higher than that of the other four banks. SBI has maintained a rapid increasing trend of Investment.

- ii) The growth ratio of loan and advances of all banks is in increasing trend. The growth rate of SBI is higher among five banks. Though SBI is providing more funds in loan and advances.
- iii) The growth ratio of net profit of all five sample banks are in increasing trend. EBL has the highest growth ratio of net profit among five banks and HBL has lowest growth ratio of net profit.

From the above findings it can be observed that the SBI has maintained the higher growth ratio in total investment and in loan and advances. EBL has maintained a higher growth ratio in Net Profit. The growth ratios of all banks are better except the total investment growth ratio of HBL.

6. Findings from Analysis of Sources and Uses of Funds

- i) Among all the sources of fund, deposit was the major source of total fund of all five sample banks. Capital fund and other source are also the sources of fund of these five banks.
- ii) Among all the uses of fund, loan and advance was the major uses of total fund of all five sample banks. All five banks have mobilized their funds in loan and advance and also invest in the government securities, share and debenture and bond.
- iii) EBL has maintained high liquid funds than other sample banks. Considering liquidity, it is good for holding necessary liquid in the banks but holding unnecessary liquid funds is not favorable for income generation.
- iv) HBL has been successful to make investment in different sectors in comparison to other four banks. SBI has low investment among five sample banks.

- v) BOK has proportionately provided more funds as a loan and advances than other sample banks. SBI mobilizes low amount in loan and advances among five sample banks.
- vi) NABIL has allocated more proportion of funds under other assets followed by other sample banks. Higher allocation of such assets leads a bank to a less liquid position and vice-versa.
- vii) SBI is comparatively able to invest more on Share and Other Investment than other sample banks. Whereas EBL and BOK are low in terms of investing in Share and Other Investment.

7. Findings from Coefficient of Correlation Analysis

- i) The correlation coefficient between deposit and total investment of HBL is negative, which implies that there exist inverse relationship between deposit and total investment of HBL. The correlation coefficient between deposit and total investment of SBI is higher than other sample banks. It indicates that SBI has successfully mobilized its deposits as an investment. There is a significant relationship between the correlation coefficient of deposit and total investment of SBI, NABIL, EBL and BOK but the HBL relationship is insignificant.
- ii) All sample banks have high degree of correlation coefficient between deposit and loan and advances. However, comparatively NABIL has the highest degree of correlation coefficient than other sample banks. It states that the NABIL is in the best position of mobilization of deposit as loan and advances in comparison to other sample banks. There is a significant relationship between the correlation coefficient of deposit and loan and advances of all sample banks.

8. Findings from Trend Analysis

- i) The total investment to total deposit ratio of HBL, NABIL and EBL are in decreasing trend. The trend value of SBI and BOK are in increasing trend. It indicates that SBI and BOK are more successful to utilize its deposit in investment.
- ii) The trend value of loan and advances to total deposit ratio of HBL and NABIL are in increasing trend, whereas SBI has highly decreased trend value. EBL and BOK have slightly decreased trend value. Loan and advances to total deposit ratio of HBL is proportionately better than other two banks.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter presents the summary of the study, conclusions derived from the analysis of data and their interpretation and recommendations offered for the improvement of the investment policies of the banks under study. Thus, the chapter is divided into three sections. The first section of this chapter focuses on summarizing the whole study, second section draws conclusions from the analysis of data and interpretation of the results thereof; and the third section offers recommendations for improvement of the investment policy of the concerned bank.

5.1 Summary

Nepal is among the least developed countries in the world. It is far behind other developed countries in term of economic development. So for Nepal and Nepalese people, economic development is the burning issue in present scenario. For economic development, huge investment in infrastructure, education and industrial development is essential. It is only possible through the well-organized financial system in the country. As a part of the financial system, financial institutions such as commercial banks, finance companies and financial co-operative are important vehicles for economic growth. So, this research work is mainly focused on the investment analysis of a joint-venture (commercial) bank of Nepal.

Basically, the entire research work focuses on the Investment analysis of five joint venture banks namely Himalayan Bank Ltd, Nabil Bank Ltd., Nepal SBI Bank Ltd, Everest Bank Ltd. and Bank of Kathmandu Ltd. These five joint venture banks are composed as per their investment activities by taking five years data from the year 2007/08 to 2011/12.

The secondary data are the main sources of the study. All data are taken from the NRB official website, the concerned banks annual report, literature publication, balance sheet, profit and loss account, previous thesis report, different website, related books and booklets, journals and articles. After collecting data from different sources, it is analyzed by using financial and statistical tools. The findings are drawn by applying various financial tools, liquidity ratio, asset management ratio, profitability ratio, growth ratio, risk ratio and sources and uses of funds. Similarly, statistical tools mean, standard

deviation, coefficient of variation, coefficient of correlation and trend analysis have been used.

In an attempt to fulfill the objectives of the research work, all secondary data are compiled, processed and tabulated as per necessity and figures, diagrams, different types of chart are also used.

5.2 Conclusion

Economic development is the crying need of least developed country like Nepal. For this, investment policy adopted by commercial banks plays a key role. The formulation and implementation of sound investment policies are among the most important responsibilities of the bank management. Therefore, the main objectives of this study are to assess and evaluate the investment policy and strategies adopted by the concerned banks. After study and analysis of given data, this study has concluded out the major stamina of investment policy adopted by concerned bank, and concluding results are as follows:

From the analysis of liquidity ratio, the liquidity position of EBL is comparatively better than other sample banks. EBL has the highest cash and bank balance to total deposit ratio among five banks and also cash and bank balance to current assets ratio of EBL is higher than other four banks. Liquidity position of NABIL is comparatively lower than other sample banks. HBL has made enough investment on government securities. SBI has invested less part of current assets in government securities in comparison with other four banks.

Considering asset management aspect of five banks, BOK is relatively providing more loan and advances for the purpose of earning profit while SBI is providing less. But SBI is using more of its collected deposit in Investment as compared to other four banks. In comparison to other sample banks, HBL seems more successful in mobilizing total fund on different types of government securities to maximize its earning capacity. NABIL has successfully invested more working funds in debentures and shares of another company whereas HBL, SBI, EBL and BOK are in a weak position to make an investment in shares and debentures.

From profitability point of view, NABIL appears to be more successful to earn profit on loan and advances than other sample banks. Profit earning capacity of SBI is considered weak. The average ratio of return on total working fund indicates that working fund of NABIL is well managed and efficiently utilized Whereas, total working fund of SBI has not well managed. SBI was not able to receive high interest on its total working fund in comparison with other sample banks. On the other hand, BOK has mobilized its working fund properly to earn interest.

The liquidity risk ratio of EBL is higher than that of other sample banks. On the other hand liquidity risk ratio of NABIL has the lowest among the five banks which means that NABIL is operating with higher risk to earn higher profit. EBL has the lowest credit risk ratio among five banks. Credit risk involved in loan and advances and total investment of SBI is more than other sample banks. It may arise due to default risk or non-repayment of a loan.

From growth perspective, Growth ratio of total investment, loan and advance and net profit of HBL seems weak in comparison to other sample banks. SBI has maintained high growth ratios in total investment and loan and advances. All five banks net profit are in increasing trend. Among them NABIL has the highest growth rate in net profit.

The deposit is the strongest sources of fund for sample whereas borrowings cover fewer portions of sources of funding. Among the uses of funds, loan and the advances cover maximum portion. BOK has invested more amounts into a loan and advances in comparison to other sample banks.

The correlation coefficient between deposit and total investment of HBL is negative, which indicate inverse relationship between deposit and total investment of HBL. However NABIL, SBI, EBL and BOK elucidate the positive relationship. Most of the investment decisions of NABIL, SBI, EBL and BOK depend upon deposits and only few decisions are depend upon other variables. Moreover by considering the probable error, the value of the coefficient of determination of NABIL, SBI, EBL and BOK are higher than 6 P.E. so it is significant i.e. There is a significant relationship between deposits and total investment though there is a positive relation between them.

The correlation coefficient between deposits and loan and advances indicates the positive relationship between the variables of all sample banks. In almost all cases it has been found that loan and advance decision depends upon the deposits and only a few decisions depend upon other variables. With considering the probable error, the value of the coefficient of determination of all sample banks are greater than that of 6 P.E. so it can be concluded that the value of correlation coefficient is significant i.e. There is a significant relationship between total deposits and loan and advances.

By considering the trend values, SBI and BOK are more successful to utilize its total collected deposit in investment than HBL, NABIL and EBL. They are only bank among the five which have increasing trend. Trend analysis of loan and advances to total deposits states HBL and NABIL are most successful bank as they are only bank among the five which have increasing trend of loan and advances to total deposit ratio.

5.3 Recommendation

Suggestion is the output of the whole study. It helps to take corrective action in their future activities. Different analysis were done before arriving at this step. On the basis of above analysis, review of literatures and findings of the study, following suggestions may be referred to overcome weakness, inefficiency and to make better policies regarding fund utilization and investment pattern of HBL, NABIL, SBI, EBL and BOK.

➤ To maintain effective liquidity position

The liquidity position of a bank may be affected by internal as well as external factors. The affecting factors may be interest rates, supply and demand position of loan and advances as well as savings, investment situations, central banks directives, the lending policies, capability of management, strategic planning and funds flow situations. The ratio of cash and bank balance to total deposit of EBL is higher than that of other sample banks and also the ratio of cash and bank balance to current assets of EBL is higher than that of other sample banks. It means EBL has higher cash and bank balance ratio than other sample banks and it indicates EBL has higher idle cash and bank balance. It may decrease profit of the bank. EBL is recommended to mobilize its idle cash and bank balance in a profitable sector such as loan and advances.

➤ **To increase deposits collection**

The main source of commercial banks is collecting deposits from the public who don't need that fund recently. So, it is recommended to collect more amounts as deposits through a large variety of deposit schemes and facilities like cumulative deposit scheme, prize bonds scheme, gift cheques scheme, recurring deposit scheme (life insurance), monthly interest scheme, house building scheme, direct finance housing scheme, education loan scheme and many others.

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

From the study, it has been revealed that SBI has not invested more funds in government securities than that of other sample banks. SBI has made a lower amount of investment in government securities. Increasing large amount of assets, as cash and bank balance is not considered good from the profitability point of view of the bank as it doesn't earn any return. SBI's investment on government securities is not in satisfactory position. Investment on those securities issued by government i.e. treasury bills, development bonds, saving certificates are free of risk and highly liquid in nature and such securities yield lower interest rates of a particular maturity due to lowest risk in future, it is more better in regard to safety than other means of investment. So, SBI is strongly recommended to give more importance to invest more funds in government securities instead of keeping them idle.

➤ **To make more investment on share and debentures**

To get success in a competitive market and to raise financial and economic development of the country a commercial bank must mobilize its fund in different sectors such as purchase of share and debenture of other financial and non-financial companies and other government and non-government companies. It is also genuine means of utilization of resource. Thus these companies may get a chance to rise and that help with the development of the country. Out of total working fund, investment on shares and debentures of HBL, SBI, EBL and BOK is lower than 1%. HBL, SBI, EBL and BOK are suggested to invest more of its fund in share and debentures of different companies.

➤ **To prefer aggressive-defensive policy**

Observing the findings of growth analysis and trend of growth, it has noticed that SBI has been adopting an aggressive policy in all the parameters including loan and advances. As the economy has not been able to show the survival growth, the aggressive policy may prove to be harmful in the future. SBI should rather prefer an aggressive-defensive policy in mobilizing the resources into loans.

➤ **To make a profitable return**

As a private sector, commercial banks cannot keep their eyes closed from the profit motive. They should be careful in increasing profit motive. They should be careful in increasing profit in a real sense to maintain the confidence of shareholders, depositors and all its customers. SBI's profitability position is worse than that of other four banks. So, SBI is strongly recommended to utilize risky assets and shareholders fund to gain highest profit margin. Similarly, it should reduce its expenses and should try to collect cheap fund being more profitable.

➤ **To invest in deprived and priority sector**

NRB has directed to commercial banks to invest their certain percentage in deprived and priority sector and it is also under the corporate social responsibility of the banks. Although the collected data did not classify the loan and advances, but the study has found that commercial banks are earning high profit because their services are only for the profitable sector. It reveals that it has not granted enough loans on priority and deprived sector. So it is recommended to thoroughly follow the directives issued by NRB and invest in priority and deprived sector and also to invest in other small-scale industries like, public utilities, health, sanitation and drinking water, education and agricultural etc.

➤ **To make effective portfolio management**

The total fund of a bank is the aggregation of different portfolios such as deposits, capital fund, borrowings and other deposit liabilities. It needs not to state that deposit liability is the major contributing source. Considering the position of all five banks, the contribution of deposit to total sources of funds is very high. It is because the deposits are the prime sources of every bank. It is recommended to enhance its capital

base and operational resources of funds in order to have an appropriate combination of the total funds of the bank. The high contribution of deposits to the total sources of funds demands a high level of liquid assets as there is the threat of withdrawals.

Portfolio management is very important for every investor. In each investment, risk is involved. Risk is the chance of loss or the variability of the returns of a period. The greater the variability of the return, the project will be more risky. So the investment should be made in the project, which has low risk and high return. Portfolio management plays a vital role with dividing total investment in different areas. Portfolio management of the bank assets basically means allocation of funds in different components of banking assets having different degrees of risk and varying rates of return in such a way that the conflicting goal of maximum yield and minimum risk can be achieved. So, portfolio conditions of commercial banks should be examined carefully from time to time and alteration should be made to maintain equilibrium in the portfolio condition as far as possible. So, it can be said “all eggs should not be kept in the same basket”. The bank should make continuous efforts to explore new, competitive and high yielding investment opportunities to optimize their investment portfolio.

➤ **Liberal lending policy and sound credit collection policy**

To get success in competitive banking market, commercial bank must utilize their deposit as loan and advances. Loan and advances are the main source of income and also means of utilizing resources of commercial banks. Negligence in administrating these assets could be the cause of the liquidity crisis in the bank and only the reason of the bank failure. Collection of loan is most challenging tasks of commercial banks these days, increasing on non-performing assets disclose the failure of commercial banks in recovery of loans. Therefore, it is recommended to HBL, NABIL, SBI, EBL and BOK to follow liberal lending policy while lending loan and advances but with sufficient guaranty and to implement a sound collection policy including procedure which help in rapid identification of bad debt or loans, immediate contact with borrower, continual follow up as well as legal procedure if required.

➤ **Customer orientation**

In the light of growing competition in the banking sectors, the business of the banks should be customer oriented. It should focus not only towards big clients but also towards small clients. Commercial banks should provide some social response by expanding their operation in rural areas rather than urban areas, easy account opening facility, providing loan at subsidized rate to rural customers etc. Then only banks can give true service to poor and disadvantage groups.

➤ **To identify new area of investment**

The commercial banks i.e. HBL, NABIL, SBI, EBL and BOK should go for some new areas of investment like hydro electricity, tourism, organic farming and infrastructure development in the country, which helps in the economic development of the country.

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APPENDIX

APPENDIX – I

a) Comparative cash and Bank Balance to Total Deposit Ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Cash & Bank Balance	2670	3049	3866	2965	6362
	Total Deposits	31842	34682	37611	40921	47730
	Ratio (%)	8.39	8.79	10.28	7.24	13.33
NABIL	Cash & Bank Balance	2670	3371	1398	2434	4275
	Total Deposits	31915	37348	46410	49696	55023
	Ratio (%)	8.37	9.03	3.01	4.90	7.77
SBI	Cash & Bank Balance	1342	1176	3439	4876	5507
	Total Deposits	13715	27957	34896	42415	53337
	Ratio (%)	9.78	4.21	9.85	11.50	10.32
EBL	Cash & Bank Balance	2668	6164	7818	6122	10363
	Total Deposits	23976	33323	36932	41128	50006
	Ratio (%)	11.13	18.50	21.17	14.89	20.72
BOK	Cash & Bank Balance	1440	2182	1798	1679	3381
	Total Deposit	15834	18084	20316	21018	24991
	Ratio (%)	9.09	12.07	8.85	7.99	13.53

Source: Annual Reports of CBs

Calculation of Ratio (\bar{X}), Standard Deviation (σ) & Coefficient of Variation (CV) of HBL is presented below:

$$\bar{X} = \frac{\sum X}{N}$$

$$\text{Expected Return} = \frac{\text{Total Return}}{\text{No. of Observation}}$$

$$\begin{aligned} \text{Total Return} &= 8.39 + 8.79 + 10.28 + 7.24 + 13.33 \\ &= 48.03 \end{aligned}$$

$$\text{Now } \bar{X} = \frac{48.03}{5}$$

$$= 9.61$$

Where,

\bar{X} = Expected Return of the Historical Data

ΣX = Total Return of the Historical Data

N = Number of Observation

Return (X)	Expected Return (\bar{X})	(X - \bar{X})	(X - \bar{X}) ²
8.39	9.61	-1.21	1.46
8.79	9.61	-0.81	0.65
10.28	9.61	0.68	0.46
7.24	9.61	-2.36	5.56
13.33	9.61	3.73	13.91
$\Sigma (X - \bar{X})^2$			22.06

$$S.D. (\sigma) = \sqrt{\frac{\Sigma (X - \bar{X})^2}{N - 1}}$$

$$= \sqrt{\frac{22.06}{5 - 1}}$$

$$= \sqrt{5.52}$$

$$= 2.35$$

Now,

$$C.V. = \frac{\text{Standard Deviation}}{\text{Expected Return}(\bar{X})}$$

$$= \frac{2.35}{9.61}$$

$$= 24.42\%$$

Similar process has been applied in case of Calculation of Standard Deviation (S.D.) and Coefficient Variance (C.V.)

b) Comparative Cash and Bank Balance to Current Assets Ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Cash & Bank Balance	2670	3049	3866	2965	6362
	Current Assets	29449	29813	29859	31591	36966
	Ratio (%)	9.07	10.23	12.95	9.39	17.21
NABIL	Cash & Bank Balance	2670	3371	1398	2434	4275
	Current Assets	36534	43207	51371	57206	62313
	Ratio (%)	7.31	7.80	2.72	4.25	6.86
SBI	Cash & Bank Balance	1342	1176	3439	4876	5507
	Current Assets	17067	29913	37629	45671	57344
	Ratio (%)	7.86	3.93	9.14	10.68	9.60
EBL	Cash & Bank Balance	2668	6164	7818	6122	10363
	Current Assets	24946	32425	35052	25229	33366
	Ratio (%)	10.70	19.01	22.30	24.26	31.06
BOK	Cash & Bank Balance	1440	2182	1798	1679	3381
	Current Assets	11685	14435	15768	24883	32806
	Ratio (%)	12.32	15.12	11.40	6.75	10.31

Source: Annual Reports of CBs

c) Investment on Government Securities to Current assets ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Investment on govt. securities	7472	4212	4465	6407	9162
	Current Assets	29499	29813	29859	31591	36966
	Ratio (%)	25.33	14.13	14.95	20.28	24.78
NABIL	Investment on govt. securities	4647	3705	7940	8744	7999
	Current Assets	36534	43207	51371	57206	62313
	Ratio (%)	12.72	8.57	15.46	15.29	12.84
SBI	Investment on govt. securities	3094	3305	4312	5574	4559
	Current Assets	17067	29913	37629	45671	57344
	Ratio (%)	18.13	11.05	11.46	12.20	7.95
EBL	Investment on govt. securities	4821	5146	4354	7145	6069
	Current Assets	24946	32425	35052	25229	33366
	Ratio (%)	19.32	15.87	12.42	28.32	18.19
BOK	Investment on govt. securities	2113	1745	2954	4002	5037
	Current Assets	11685	14435	15768	24883	32806
	Ratio (%)	18.08	12.09	18.73	16.08	15.35

Source: Annual Reports of CBs

d) Loan and Advance to Total Deposit ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Loans and Advances	19497	25519	27981	31567	34965
	Total Deposits	31842	34682	37611	40921	47730
	Ratio (%)	61.23	73.58	74.40	77.14	73.26
NABIL	Loans and Advances	21365	27589	32268	38034	41605
	Total Deposits	31915	37348	46410	49696	55023
	Ratio (%)	66.94	73.87	69.53	76.53	75.61
SBI	Loans and Advances	12113	15131	17480	21365	26142
	Total Deposits	13715	27957	34896	42415	53337
	Ratio (%)	88.32	54.12	50.09	50.37	49.01
EBL	Loans and Advances	18339	23885	27556	31058	35911
	Total Deposits	23976	33323	36932	41128	50006
	Ratio (%)	76.49	71.68	74.61	75.52	71.81
BOK	Loans and Advances	12463	14647	16665	17468	18814
	Total Deposits	15834	18084	20316	21018	24991
	Ratio (%)	78.71	80.99	82.03	83.11	75.28

Source: Annual Reports of CBs

e) Total Investment to Total Deposit ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Total Investment	13340	8711	8445	8770	10031
	Total Deposits	31842	34682	37611	40921	47730
	Ratio (%)	41.89	25.12	22.45	21.43	21.02
NABIL	Total Investment	9939	10826	13670	13081	14055
	Total Deposits	31915	37348	46410	49696	55023
	Ratio (%)	31.14	28.99	29.45	26.32	25.54
SBI	Total Investment	3088	13286	16305	18911	24463
	Total Deposits	13715	27957	34896	42415	53337
	Ratio (%)	22.52	47.52	46.72	44.59	45.86
EBL	Total Investment	5059	5948	5008	7744	7864
	Total Deposits	23976	33323	36932	41128	50006
	Ratio (%)	21.10	17.85	13.56	18.83	15.73
BOK	Total Investment	3204	2783	3269	4286	5247
	Total Deposits	15834	18084	20316	21018	24991
	Ratio (%)	20.23	15.39	16.09	20.39	21.00

Source: Annual Reports of CBs

f) Loan and Advance to Total Working Fund Ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Loan and Advance	19497	25519	27981	31567	34965
	Total Working Fund	36175	39320	43859	46736	54364
	Ratio (%)	53.90	64.90	63.80	67.54	64.32
NABIL	Loan and Advance	21365	27589	32268	38034	41605
	Total Working Fund	37132	43867	52150	58141	63200
	Ratio (%)	57.54	62.89	61.88	65.42	65.83
SBI	Loan and Advance	12113	15131	17480	21365	26142
	Total Working Fund	17187	30166	38047	46088	58059
	Ratio (%)	70.48	50.16	45.94	46.36	45.03
EBL	Loan and Advance	18339	23885	27556	31058	35911
	Total Working Fund	27149	36917	41383	46840	55813
	Ratio (%)	67.55	64.70	66.59	66.31	64.34
BOK	Loan and Advance	12463	14647	16665	17468	18814
	Total Working Fund	17722	20496	23396	24758	28882
	Ratio (%)	70.32	71.46	71.23	70.55	65.14

Source: Annual Reports of CBs

g) Investment on Government Securities to Total Working Fund Ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Investment on govt. securities	7472	4212	4465	6407	9162
	Total Working Fund	36175	39320	43859	46736	54364
	Ratio (%)	20.66	10.71	10.18	13.71	16.85
NABIL	Investment on govt. securities	4647	3705	7940	8744	7999
	Total Working Fund	37132	43867	52150	58141	63200
	Ratio (%)	12.51	8.45	15.23	15.04	12.66
SBI	Investment on govt. securities	3094	3305	4312	5574	4559
	Total Working Fund	17187	30166	38047	46088	58059
	Ratio (%)	18.00	10.96	11.33	12.09	7.85
EBL	Investment on govt. securities	4821	5146	4354	7145	6069
	Total Working Fund	27149	36917	41383	46840	55813
	Ratio (%)	17.76	13.94	10.52	15.25	10.87
BOK	Investment on govt. securities	2113	1745	2954	4002	5037
	Total Working Fund	17722	20496	23396	24758	28882
	Ratio (%)	11.92	8.51	12.63	16.16	17.44

Source: Annual Reports of CBs

h) Investment on Share and Debenture to Total Working Fund Ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Invt. on share & debenture	90	94	79	89	89
	Total Working Fund	36175	39320	43859	46736	54364
	Ratio (%)	0.25	0.24	0.17	0.19	0.16
NABIL	Invt. on share & debenture	323	355	347	941	863
	Total Working Fund	37132	43867	52150	58141	63200
	Ratio (%)	0.87	0.81	0.67	1.62	1.37
SBI	Invt. on share & debenture	33	33	37	40	31
	Total Working Fund	17187	30166	38047	46088	58059
	Ratio (%)	0.19	0.11	0.10	0.09	0.05
EBL	Invt. on share & debenture	99	102	102	109	111
	Total Working Fund	27149	36917	41383	46840	55813
	Ratio (%)	0.36	0.28	0.25	0.23	0.20
BOK	Invt. on share & debenture	114	124	40	40	41
	Total Working Fund	17722	20496	23396	24758	28882
	Ratio (%)	0.64	0.60	0.17	0.16	0.14

Source: Annual Reports of CBs

i) Return on Loan and Advances Ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Net profit	636	753	509	893	959
	Loans and Advances	19497	25519	27981	31567	34965
	Ratio (%)	3.26	2.95	1.82	2.83	2.74
NABIL	Net profit	746	1031	1139	1337	1696
	Loans and Advances	21365	27589	32268	38034	41605
	Ratio (%)	3.49	3.74	3.53	3.52	4.08
SBI	Net profit	247	316	392	465	480
	Loans and Advances	12113	15131	17480	21365	26142
	Ratio (%)	2.04	2.09	2.24	2.18	1.84
EBL	Net profit	451	639	832	931	1090
	Loans and Advances	18339	23885	27556	31058	35911
	Ratio (%)	2.46	2.68	3.02	3.00	3.04
BOK	Net profit	361	462	509	605	608
	Loans and Advances	12463	14647	16665	17468	18814
	Ratio (%)	2.90	3.15	3.05	3.46	3.23

Source: Annual Reports of CBs

j) Return on Total Working Fund Ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Net profit	636	753	509	893	959
	Total Working Fund	36175	39320	43859	46736	54364
	Ratio (%)	1.76	1.92	1.16	1.91	1.76
NABIL	Net profit	746	1031	1139	1337	1696
	Total Working Fund	37132	43867	52150	58141	63200
	Ratio (%)	2.01	2.35	2.18	2.30	2.68
SBI	Net profit	247	316	392	465	480
	Total Working Fund	17187	30166	38047	46088	58059
	Ratio (%)	1.44	1.05	1.03	1.01	0.83
EBL	Net profit	451	639	832	931	1090
	Total Working Fund	27149	36917	41383	46840	55893
	Ratio (%)	1.66	1.73	2.01	1.99	1.95
BOK	Net profit	361	462	509	605	608
	Total Working Fund	17722	20496	23396	24758	28882
	Ratio (%)	2.04	2.25	2.18	2.44	2.11

Source: Annual Reports of CBs

k) Total Interest Earned to Total Working Fund Ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Interest Earned	1964	2342	3149	4326	4725
	Total Working Fund	36175	39320	43859	46736	54364
	Ratio (%)	5.43	5.96	7.18	9.26	8.69
NABIL	Interest Earned	1978	2798	4047	5254	6133
	Total Working Fund	37132	43867	52150	58141	63200
	Ratio (%)	5.33	6.38	7.76	9.04	9.70
SBI	Interest Earned	970	1460	2270	3099	3769
	Total Working Fund	17187	30166	38047	46088	58059
	Ratio (%)	5.64	4.84	5.97	6.72	6.49
EBL	Interest Earned	1549	2187	3102	4331	4960
	Total Working Fund	27149	36917	41383	46840	55813
	Ratio (%)	5.71	5.92	7.50	9.25	8.89
BOK	Interest Earned	1034	1348	1871	2387	2681
	Total Working Fund	17722	20496	23396	24758	28882
	Ratio (%)	5.83	6.58	8.00	9.64	9.28

Source: Annual Reports of CBs

l) Total Interest Paid to Total Working Fund Ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Interest Paid	824	935	1554	2415	2816
	Total Working Fund	36175	39320	43859	46736	54364
	Ratio (%)	2.28	2.38	3.54	5.17	5.18
NABIL	Interest Paid	758	1153	1960	2955	3155
	Total Working Fund	37132	43867	52150	58141	63200
	Ratio (%)	2.04	2.63	3.76	5.08	4.99
SBI	Interest Paid	454	824	1443	2096	2770
	Total Working Fund	17187	30166	38047	46088	58059
	Ratio (%)	2.64	2.73	3.79	4.55	4.77
EBL	Interest Paid	633	1013	1573	2536	2873
	Total Working Fund	27149	36917	41383	46840	55813
	Ratio (%)	2.33	2.74	3.80	5.41	5.15
BOK	Interest Paid	417	563	903	1219	1484
	Total Working Fund	17722	20496	23396	24758	28882
	Ratio (%)	2.35	2.75	3.86	4.92	5.14

Source: Annual Reports of CBs

m) Credit Risk Ratio

(Rs. In Millions)

S.N.	Name of the Banks	Year				
		2007/08	2008/09	2009/10	2010/11	2011/12
HBL	Total Investment plus Loan and Advance	32837	34230	36426	40337	44996
	Total Assets	36175	39320	43859	46736	54364
	Ratio (%)	90.77	87.05	83.05	86.31	82.77
NABIL	Total Investment plus Loan and Advance	31304	38415	35779	51115	55660
	Total Assets	37132	43867	52150	58141	63200
	Ratio (%)	84.30	87.57	68.61	87.92	88.07
SBI	Total Investment plus Loan and Advance	15201	28417	35781	40276	50605
	Total Assets	17187	30166	38047	46088	58059
	Ratio (%)	88.44	94.20	94.04	87.39	87.16
EBL	Total Investment plus Loan and Advance	23398	29833	32564	38802	43775
	Total Assets	27149	36917	41383	46840	55813
	Ratio (%)	86.18	80.81	78.69	82.84	78.43
BOK	Total Investment plus Loan and Advance	15667	17430	19934	21754	24061
	Total Assets	17722	20496	23396	24758	28882
	Ratio (%)	88.40	85.04	85.20	87.87	83.31

Source: Annual Reports of CBs

APPENDIX – II

Sample Calculation of Growth Ratio of Total Deposits

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

Where,

D_n = Total Deposits in the n^{th} Year

D_o = Total Deposit in the initial Year

g = Growth Rate

n = Total number of Year

Here,

For HBL

$$D_{2011/12} = 47730.0$$

$$D_{2007/8} = 31842.0$$

$$n = 5 \text{ years}$$

Now,

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

$$31842.0 = 47730.0(1+g)^{5-1}$$

$$\text{Or, } (1+g)^4 = 47730/31842.0$$

$$\text{Or, } (1+g) = (1.4989)^{1/4}$$

$$\text{Or, } g = 1.-1.1065$$

$$\therefore g = 0.1065 \text{ i.e. } 10.65\%$$

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

APPENDIX – III

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

For HBL

(In Millions)

Year	Deposit (X)	Loan & Advances (Y)	$x=X-\bar{X}$	$y=Y-\bar{Y}$	x^2	y^2	xy
2007/08	31842	19497	-6715.2	-8408.8	45093911.04	70707917.44	56466773.76
2008/09	34682	25519	-3875.2	-2386.8	15017175.04	5696814.24	9249327.36
2009/10	37611	27981	-946.2	75.2	895294.44	5655.04	-71154.24
2010/11	40921	31567	2363.8	3661.2	5587550.44	13404385.44	8654344.56
2011/12	47730	34965	9172.8	7059.2	84140259.84	49832304.64	64752629.76
Total	192786	139529			$\Sigma x^2 =$	$\Sigma y^2 =$	$\Sigma xy =$
Mean X	38557.2	27905.8			150734190.8	139647076.8	139051921.2

We have,

$$\begin{aligned} \text{Correlation Co-efficient}(r) &= \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} \\ &= \frac{139051921.2}{\sqrt{150734190.8 \times 139051921.2}} \\ &= 0.95 \end{aligned}$$

$$r^2 = 0.91$$

$$\begin{aligned} \text{Probable Error (P.E.)} &= 0.6745 \times \frac{1-r^2}{\sqrt{n}} \\ &= 0.6745 \times \frac{1-0.91}{\sqrt{5}} \\ &= 0.025 \end{aligned}$$

$$6 \times (\text{P.E.}) = 6 \times 0.025$$

$$= 0.147$$

Remaining correlation coefficient has been calculated by using same method.

APPENDIX – IV

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

For HBL

(In Millions)

Year (t)	Ratio (y)	x=t-2010	x ²	xy	y _c =a+bx
2008	41.89	-2	4	-83.78	y _c = 26.38+ -4.54 x - 2 = 35.47
2009	25.12	-1	1	-25.12	y _c = 26.38+ -4.54 x - 1 = 30.93
2010	22.45	0	0	0.00	y _c = 26.38+ -4.54 x 0 = 26.38
2011	21.43	1	1	21.43	y _c = 26.38+ -4.54 x 1 = 21.84
2012	21.02	2	4	42.04	y _c = 26.38+ -4.54 x 2 = 17.30
	Σy = 131.91		Σx ² = 10.00	Σxy = -45.43	

We have,

The Equation of the straight line,

$$y_c = a + bx$$

$$\text{Where, } a = \frac{\sum y}{n} = \frac{131.91}{5} = 26.38$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{-45.43}{10} = -4.543$$

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

Year	x=t-2010	y _c =a+bx
2013	3	y_c = 26.38+ -4.54 x 3 = 12.75
2014	4	y_c = 26.38+ -4.54 x 4 = 8.21
2015	5	y_c = 26.38+ -4.54 x 5 = 3.67

APPENDIX – V

HBL

(In Millions)

	Liabilities	2008	2009	2010	2011	2012
1	CAPITAL FUND	2146.5	2513.0	3119.9	3439.2	3995.5
	a. Paid-up Capital	1013.5	1216.2	1600.0	2000.0	2400.0
	b. Calls in Advance			0.0	0.0	0.0
	c. Statutory Reserves	633.3	760.5	911.0	1012.8	1191.4
	d. Share Premium	0.0	0.0	0.0	0.0	0.0
	e. Retained Earning	184.4	96.8	36.5	136.6	32.9
	f. Others Reserves	295.8	418.6	549.2	266.7	341.4
	g. Exchange Fluctuation	19.5	20.9	23.1	23.1	29.8
2	BORROWINGS	870.0	500.0	500.0	510.0	500.0
	a. NRB	0.0	0.0	0.0	10.0	0.0
	b. "A"Class Licensed	10.0	0.0	0.0	0.0	0.0
	c. Foreign Banks and Fin.	0.0	0.0	0.0	0.0	0.0
	d. Other Financial Ins.	0.0	0.0	0.0	0.0	0.0
	e. Bonds and Securities	860.0	500.0	500.0	500.0	500.0
3	DEPOSITS	31805.3	34681.0	37609.4	40920.6	47731.0
	a. Current	6801.3	7566.4	9036.6	3694.3	4584.0
	Domestic	4983.3	5614.3	6718.8	2903.9	3593.4
	Foreign	1818.0	1952.1	2317.8	790.4	990.7
	b. Savings	17935.0	20061.0	16294.7	15994.6	21915.6
	Domestic	16727.3	18477.5	15494.6	15233.4	21195.2
	Foreign	1207.6	1583.5	800.1	761.2	720.4
	c. Fixed	6423.9	6377.1	11328.6	13507.4	11866.5
	Domestic	3101.8	5054.2	10153.6	12501.7	11091.6
	Foreign	3322.0	1322.9	1175.0	1005.6	774.9
	d. Call Deposits	0.0	11.2	4.4	6505.1	8393.4
	e. Others	645.2	665.2	945.0	1219.4	971.5
4	Bills Payable	101.3	114.7	303.9	92.5	19.0
5	Other Liabilities	1516.7	1731.4	2175.1	2981.5	2566.9
	1. Sundry Creditors	25.6	25.4	18.1	72.4	97.5
	2. Loan Loss Provision	679.0	708.4	1093.3	1347.8	940.1
	3. Interest Suspense a/c	350.5	377.6	501.1	614.9	534.4
	4. Others	461.7	620.0	562.5	946.4	995.0
6	Reconciliation A/c	36.1	68.6	188.7	(56.4)	33.6
7	Profit & Loss A/c	1050.8	1182.1	871.8	1411.0	1052.5
	Total	37526.8	40790.7	44768.8	49298.5	55898.4
	Assets					
1	LIQUID FUNDS	2503.4	4398.5	4324.6	3805.2	6626.9
	a. Cash Balance	278.2	473.8	514.2	632.0	951.3
	Nepalese Notes & Coins	260.4	424.0	478.1	595.6	916.3
	Foreign Currency	17.8	49.8	36.2	36.5	35.1
	b. Bank Balance	1118.5	2574.8	3351.9	2332.3	5411.0
	1. In Nepal Rastra Bank	959.3	2328.4	2604.8	1390.6	3979.2
	Domestic Currency	922.2	2180.2	2572.7	1342.0	3885.9
	Foreign Currency	37.0	148.2	32.1	48.6	93.3
	2. "A"Class Licensed	42.3	80.1	383.0	146.5	234.4
	Domestic Currency	42.0	78.6	369.1	143.8	233.4
	Foreign Currency	0.3	1.5	13.8	2.7	1.0
	3. Other Financial Ins.	0.0	0.0	0.0	0.0	0.0

	4. In Foreign banks	117.0	166.2	364.1	795.2	1197.4
	c. Money at Call	1106.7	1350.0	458.6	840.8	264.6
	Domestic Currency	0.0	700.0	200.0	200.0	0.0
	Foreign Currency	1106.7	650.0	258.6	640.8	264.6
2	INVESTMENTS	7471.7	4212.3	4465.4	6407.4	9199.9
	a. Govt. Securities	7471.7	4212.3	4465.4	4725.6	6440.6
	b. NRB Bond	0.0	0.0	0.0	1681.8	2759.3
	c. Govt. Non-Fin. Ins.	0.0	0.0	0.0	0.0	0.0
	d. Other Non-Fin Ins.	0.0	0.0	0.0	0.0	0.0
	e. Non Residents	0.0	0.0	0.0	0.0	0.0
3	SHARE & OTHER	5280.3	4319.2	3829.8	2257.0	870.6
	a. Interbank Lending					0.0
	b. Non Residents	5190.8	4225.3	3750.9	2067.0	0.0
	c. Others	89.6	93.9	78.9	190.0	870.6
4	LOANS & ADVANCES	19985.2	25292.1	28976.6	31656.6	34282.6
	a. Private Sector	19985.2	25292.1	28976.6	31656.6	33422.3
	b. Financial Institutions	0.0	0.0	0.0	0.0	860.3
	c. Government	0.0	0.0	0.0	0.0	0.0
5	BILL PURCHED	248.7	285.3	147.2	1311.6	1685.9
	a. Domestic Bills	44.7	152.8	7.3	1141.1	52.0
	b. Foreign Bills Purchased	204.0	132.6	139.9	170.6	23.8
	c. Import Bills & Imports	0.0	0.0	0.0	0.0	1610.1
6	LOANS AGAINST	0.0	0.0	0.0	0.0	0.0
	a. Against Domestic Bills	0.0	0.0	0.0	0.0	0.0
	b. Against Foreign Bills	0.0	0.0	0.0	0.0	0.0
7	FIXED ASSETS	705.2	863.6	969.7	1096.8	1305.4
8	OTHER ASSETS	1191.8	1238.6	1869.9	2569.8	1833.7
	a. Accrued Interests	407.4	408.8	573.8	755.9	534.4
	Financial institution				137.6	0.0
	Govt. Entp.	0.0	0.0	0.0	0.0	0.0
	Private Sector	407.4	408.8	573.8	618.4	534.4
	b. Staff Loans / Adv.	170.9	231.3	524.5	720.8	824.8
	c. Sundry Debtors	24.1	27.5	60.3	93.1	0.0
	d. Cash In Transit	0.4	0.0	0.0	(0.0)	0.0
	e. Others	589.0	571.0	711.3	999.9	474.5
9	Expenses not Written off	115.7	138.9	155.7	179.9	93.6
10	Non Banking Assets	24.8	42.3	29.9	14.1	0.0
11	Reconciliation Account	0.0	0.0	0.0	0.0	0.0
12	Profit & Loss A/c	0.0	0.0	0.0	0.0	0.0
	Total	37526.8	40790.7	44768.8	49298.5	55898.5

APPENDIX – VI
NABIL
(In Millions)

Particular	2007/08	2008/09	2009/10	2010/11	2011/12
1 CAPITA LFUND	2057	2436.2	3129.4	3835.7	4566.5
a.Paid-up Capital	689.2	965.7	1449.1	2029.8	2029.8
b.Calls in Advance			0	0	0
c.Statutory Reserves	983.5	1133.5	1340.5	1568.5	1836.5
d.Share Premium	0.1	0.1	0.1	0.1	0.1
e.Retained Earning	112.4	160.7	103.6	2.3	493.6
f.Others Reserves	271.8	112.1	160.7	153.6	109.1
g.Exchange Fluctuation Fund	0	64.1	75.4	81.4	97.5
2 BORROWINGS	1600	1981.3	374.9	1950.6	611.1
a.NRB	600	0	0	0	0
b."A"Class Licensed Institution	760	1050	74.9	1650.6	311.1
c.Foreign Banks and Fin.	0	631.3	0	0	0
d.Other FinancialIns.	240	0	0	0	0
e.Bonds and Securities	0	300	300	300	300
3 DEPOSITS	31915	37348.3	46334.8	49691.4	55023.7
a.Current	5365.8	5515.9	7920.7	5818.4	6734.4
Domestic	3210	4063.1	6312.7	4532.7	5297.6
Foreign	2155.8	1452.8	1608	1285.7	1436.8
b.Savings	12160	14620.4	13783.6	14288.5	17994.8
Domestic	10959	12932.8	12739.9	13140.1	16651.9
Foreign	1201	1687.6	1043.7	1148.5	1342.9
c.Fixed	8464.1	8310.7	14711.1	16840.8	14044.9
Domestic	5877.2	5568.3	12694.3	15266.6	12805
Foreign	2586.9	2742.4	2016.8	1574.2	1239.9
d.Call Deposits	5563.4	8438.3	9294	12166.3	15566.7
e.Others	361.8	463	625.5	577.3	682.9
4 Bills Payable	141.9	407.7	101.1	189.6	132.4
5 Other Liabilities	2014.4	2143.3	2870.9	4355.6	9490.7
1 Sundry Creditors	296.7	491	604.2	831.9	4742.4
2 Loan Loss Provision	404.6	409.1	752.2	941	1227.9
3 Interest Suspense a/c	132.4	155.9	220.7	296.7	371.2
4 Others	1180.7	1087.4	1293.8	2286	3149.3
6 Reconciliation A/c	0	0	0	0	0
7 Profit&Loss A/c	750.4	1624.9	1798.7	1269.7	1720.9
Source of Fund	38478.6	45941.6	54609.8	61292.6	71543.3
1 LIQUID FUNDS	4623.5	3925.4	4513.7	4884.5	5098.6
a.Cash Balance	511.4	674.4	636	744.6	1050.7
Nepalese Notes & Coins	485.6	640.9	602.6	701.9	1013.6
Foreign Currency	25.9	33.5	33.4	42.7	37
b.Bank Balance	2159.7	2698.1	759.6	1687.4	3221.5
1InNepal Rastra Bank	1829.5	2648.6	545.1	1469.4	3678.4
Domestic Currency	1827.4	2617.4	597.8	1459.3	3657.1
Foreign Currency	2.1	31.2	-52.7	10.1	21.2
2"A"Class Licensed Institution	23	42	47.4	33.6	53

Domestic Currency	23	42	47.4	33.6	53
Foreign Currency	0	0	0		0
3Other Financial Ins.	0	0	0	0	0
4InForeign banks	307.2	7.5	167.1	184.4	-509.8
c.Moneyat Call	1952.4	552.9	3118.1	2452.5	826.4
Domestic Currency	20	0	1700	725	0
Foreign Currency	1932.4	552.9	1418.1	1727.5	826.4
2 INVESTMENTS	4889.6	3978.7	8128.3	8920.3	8211.5
a.Govt. Securities	4646.9	3706.2	7941.3	8742.3	7991.2
b.NRB Bond	0	0	0	0	0
c.Govt.Non-Fin.Ins.	0	0	0	0	0
d.Other Non-FinIns.	0	0	0	0	0
e. Non Resident	242.7	272.4	187	178.1	220.3
3 SHARE & OTHER INVESTMENT	5077	6896.3	5483.8	4162.5	5863.4
Inter Bank Lending					1080.5
1Non Residents	4995.2	6734.6	5391.1	3663.4	1.8
2.Others	81.8	161.7	92.7	499.1	4781.2
4 LOANS & ADVANCES	21514.6	27816.6	32902.8	38765.6	42731.7
a.Private Sector	20857.5	27036.9	31995.5	37801.2	41713.5
b.Financial Institutions	596.4	779.2	627.3	684.4	1018.2
c.Government Organizations	60.8	0.4	280	280	0
5 BILL PURCHED	255.1	180.5	41.8	71.2	50
a.Domestic Bills Purchased	216.6	83.9	8.5	20	12.8
b.Foreign Bills Purchased	38.6	96.6	33.3	51.2	37.2
c.Import Bills & Imports	0	0	0	0	0
6 LOANS AGAINST COLLECTED BILLS	0	0	86.4	85.9	86
a.Against Domestic Bills	0	0	61.9	71.5	58.4
b.Against Foreign Bills	24.7	0	24.5	14.4	27.6
7 FIXED ASSETS	511.6	636.1	781.2	935.2	890
8 OTHER ASSETS	1607.1	2508.1	2669.8	3467.3	8613.9
a.Accrued Interests	224.2	378.3	440.3	486.9	660.4
Financial institution				19.3	0
Govt.Entp.	0	0	0	0	57.8
Private Sector	224.2	378.3	440.3	467.6	602.6
b.Staff Loans/Adv.	392.2	490.4	526.5	721.2	813.6
c.Sundry Debtors	2.1	273.7	73.3	460.1	4618
d.Cash In Transit	0	0	0	0	0
e.Others	988.6	1365.7	1629.6	1799.1	2521.9
9 Expenses not Written off	0	0	0	0	0
10 Non Banking Assets	0	0	0	0	0
11 Reconciliation Account	0	0	2.1	0	0
12 Profit&Loss A/c	0	0	0	0	0
Uses of Funds	38478.6	45941.6	54609.8	61292	71545.3

APPENDIX – VII
SBI
(In Millions)

Particular	2007/08	2008/09	2009/10	2010/11	2011/12
1 CAPITAL FUND	1163.3	1414.6	2141.9	2508.2	2822.1
a.Paid-up Capital	874.5	874.5	1653.6	1869.3	2094.0
b.Calls in Advance			0.0	0.0	0.0
c.Statutory Reserves	191.7	241.2	304.5	382.9	475.8
d.Share Premium	0.0	0.0	0.0	49.7	0.0
e.Retained Earning	0.7	1.5	3.8	4.2	4.2
f.Others Reserves	88.6	287.1	169.7	191.9	237.8
g.Exchange Fluctuation Fund	7.8	10.2	10.2	10.2	10.3
2 BORROWINGS	1827.5	927.5	308.2	200.0	600.0
a.NRB	0.0	0.0	0.0	0.0	0.0
b."A"Class Licensed Institution	20.0	0.0	0.0	0.0	0.0
c.Foreign Banks and Fin.	1607.5	727.5	108.2	0.0	0.0
d.Other FinancialIns.	0.0	0.0	0.0	0.0	0.0
e.Bonds and Securities	200.0	200.0	200.0	200.0	600.0
3 DEPOSITS	13715.4	27957.2	34896.3	42415.4	53337.1
a.Current	1738.1	2864.7	2861.9	4259.4	3777.9
Domestic	1694.8	2671.9	2520.4	4156.2	3516.2
Foreign	43.3	192.9	341.5	103.2	261.7
b.Savings	4171.2	5822.3	7348.8	8079.2	10344.6
Domestic	4103.7	5751.6	7259.8	7961.3	10278.5
Foreign	67.5	70.7	89.0	117.9	66.1
c.Fixed	6854.9	17438.4	22148.9	28013.6	36208.7
Domestic	6834.8	7473.0	10408.5	14780.5	16251.5
Foreign	20.1	9965.4	11740.5	13233.1	19957.2
d.Call Deposits	828.8	1645.3	2413.5	1917.1	2701.0
e.Others	122.4	186.5	123.1	146.2	305.0
4 Bills Payable	75.1	62.9	172.6	80.7	120.4
5 Other Liabilities	1547.9	1289.9	1461.8	1467.2	1846.1
1 Sundry Creditors	109.0	95.3	199.8	206.2	452.1
2 Loan Loss Provision	616.2	474.9	464.2	353.7	321.6
3 Interest Suspense a/c	513.2	297.9	270.3	140.4	77.0
4 Others	309.4	421.8	527.5	766.9	995.4
6 Reconciliation A/c	9.7	0.0	0.0	0.0	0.0
7 Profit&Loss A/c	255.1	337.6	400.5	458.4	471.1
Sources of Fund	18594.0	31989.8	39381.3	47129.9	59196.8
1 LIQUID FUNDS	1651.6	1910.9	3549.4	4877.5	5686.6
a.Cash Balance	314.7	659.0	815.7	1007.7	1186.8
Nepalese Notes & Coins	301.2	640.5	796.9	978.5	1167.1
Foreign Currency	13.5	18.5	18.8	29.2	19.7
b.Bank Balance	1032.9	1251.9	2733.8	3869.8	4321.6
1InNepal Rastra Bank	403.8	444.1	1842.8	2330.6	3269.6
Domestic Currency	391.8	380.6	1777.3	2318.0	3229.0
Foreign Currency	12.0	63.5	65.5	12.6	40.6
2"A"Class Licensed Institution	19.5	47.0	56.9	59.7	113.5

Domestic Currency	16.8	45.0	52.3	55.3	108.0
Foreign Currency	2.7	2.0	4.7	4.4	5.5
3Other Financial Ins.	0.0	0.0	0.0	0.0	0.0
4InForeign banks	609.6	760.8	834.0	1479.5	938.5
c.Moneyat Call	304.0	0.0	0.0	0.0	178.3
Domestic Currency	0.0	0.0	0.0	0.0	90.0
Foreign Currency	304.0	0.0	0.0	0.0	88.3
2 INVESTMENTS	3093.6	3306.6	4313.3	5574.8	4560.7
a.Govt. Securities	3093.6	3306.6	3720.6	5574.8	4560.7
b.NRB Bond	0.0	0.0	592.7	0.0	0.0
c.Govt.Non-Fin.Ins.	0.0	0.0	0.0	0.0	0.0
d.Other Non-FinIns.	0.0	0.0	0.0	0.0	0.0
3 SHARE & OTHER INVESTMENT	53.3	9979.6	11941.8	13336.2	19902.7
Internal bank Lending					0.0
1Non Residents	0.0	9946.7	11904.8	13296.5	0.0
2.Others	53.3	32.9	37.0	39.6	19902.7
4 LOANS & ADVANCES	12574.9	15465.2	17887.2	21657.1	26403.8
a.Private Sector	12231.0	14871.1	17048.0	21072.8	25296.4
b.Financial Institutions	239.3	383.8	558.0	584.3	1107.4
c.Government Organizations	104.5	210.3	281.2	0.0	0.0
5 BILL PURCHED	167.7	146.8	136.2	61.7	59.9
a.Domestic Bills Purchased	17.8	20.7	17.8	0.0	19.0
b.Foreign Bills Purchased	149.8	126.1	118.4	61.7	40.9
c.Import Bills & Imports	0.0	0.0	0.0	0.0	0.0
6 LOANS AGAINST COLLECTED BILLS	0.0	0.0	0.0	0.0	0.0
a.Against Domestic Bills		0.0	0.0	0.0	0.0
b.Against Foreign Bills		0.0	0.0	0.0	0.0
7 FIXED ASSETS	249.0	405.9	630.3	753.5	1147.4
8 OTHER ASSETS	802.9	774.2	920.1	860.8	1386.7
a.Accrued Interests	475.2	385.0	384.8	248.7	381.7
Financial institution				0.0	0.0
Govt.Entp.	20.0	35.2	62.6	0.0	0.0
Private Sector	455.1	349.8	322.1	248.7	381.7
b.Staff Loans/Adv.	57.8	87.5	123.8	176.2	312.2
c.Sundry Debtors	38.7	66.5	121.0	44.9	326.3
d.Cash In Transit	0.0	0.0	0.0	0.0	0.0
e.Others	231.1	235.1	290.6	391.1	366.4
9 Expenses not Written off	1.0	0.5	0.0	8.4	31.2
10 Non Banking Assets	0.0	0.0	2.9	0.0	17.8

APPENDIX – VIII
EBL
(In Millions)

	Liabilities	2008	2009	2010	2011	2012
1	CAPITAL FUND	1601.5	2066.5	2203.6	2759.1	3113.5
	a. Paid-up Capital	831.4	838.8	1030.5	1279.6	1391.6
	b. Calls in Advance			0.0	0.0	0.0
	c. Statutory Reserves	232.8	447.9	450.8	617.2	803.5
	d. Share Premium	206.4	206.4	14.8	14.8	14.8
	e. Retained Earning	130.5	83.8	82.4	72.6	36.1
	f. Others Reserves	183.3	467.5	603.0	752.9	844.7
	g. Exchange Fluctuation Fund	17.0	22.0	22.0	22.0	22.9
2	BORROWINGS	300.0	612.0	704.6	782.0	0.0
	a. NRB	0.0	0.0	404.6	482.0	0.0
	b. "A"Class Licensed Institution	0.0	0.0	0.0	0.0	0.0
	c. Foreign Banks and Fin. Ins.	0.0	0.0	0.0	0.0	0.0
	d. Other Financial Ins.	0.0	312.0	0.0	0.0	0.0
	e. Bonds and Securities	300.0	300.0	300.0	300.0	0.0
3	DEPOSITS	23976.3	33322.9	36932.3	41127.9	50006.1
	a. Current	2492.3	4859.9	4173.3	4791.2	6098.3
	Domestic	2443.0	4840.1	4074.3	4741.4	6019.9
	Foreign	49.3	19.8	99.1	49.8	78.4
	b. Savings	11883.9	14782.3	13360.0	13039.1	17269.3
	Domestic	11724.2	14623.8	13217.7	12926.5	17184.5
	Foreign	159.7	158.5	142.3	112.6	84.8
	c. Fixed	6598.0	7094.7	10440.3	15061.9	13007.5
	Domestic	6406.0	6630.4	9873.9	14724.0	12914.5
	Foreign	192.0	464.2	566.4	338.0	93.0
	d. Call Deposits	2780.6	6294.0	8412.8	7550.0	12952.2
	e. Others	221.4	292.0	545.9	685.6	678.9
4	Bills Payable	49.4	148.7	145.5	49.7	692.4
5	Other Liabilities	1491.5	1213.6	1222.1	1235.1	1697.1
	1. Sundry Creditors	78.7	93.0	77.6	75.7	235.1
	2. Loan Loss Provision	497.3	584.9	600.0	604.2	705.9
	3. Interest Suspense a/c	92.2	81.1	68.6	55.2	88.6
	4. Others	823.2	454.6	475.9	500.1	667.6
6	Reconciliation A/c	424.4	12.6	13.1	10.4	9.5
7	Profit & Loss A/c	722.8	624.1	831.8	931.3	1090.6
	Total	28565.9	38000.3	42053.0	46895.6	56609.2
	Assets					
1	LIQUID FUNDS	3198.4	6164.4	7818.8	6122.9	10363.3
	a. Cash Balance	823.0	944.7	1091.5	1049.0	1701.0
	Nepalese Notes & Coins	809.2	927.3	1072.6	1036.6	1688.4
	Foreign Currency	13.8	17.4	18.9	12.4	12.6
	b. Bank Balance	2029.4	5219.7	6727.3	5073.9	8662.3
	1. In Nepal Rastra Bank	1080.9	4787.2	5625.1	4706.3	8159.8
	Domestic Currency	1063.2	4342.3	5606.0	4685.1	8132.8
	Foreign Currency	17.7	444.9	19.1	21.2	26.9
	2. "A"Class Licensed Institution	47.8	26.0	118.1	134.1	144.4
	Domestic Currency	38.0	24.0	116.0	134.1	144.4

	Foreign Currency	9.8	2.0	2.1	0.0	0.0
	3. Other Financial Ins.	0.0	0.0	0.0	0.0	0.0
	4. In Foreign banks	900.7	406.5	984.1	233.4	358.2
	c. Money at Call	346.0	0.0	0.0	0.0	0.0
	Domestic Currency	0.0	0.0	0.0	0.0	0.0
	Foreign Currency	346.0	0.0	0.0	0.0	0.0
2	INVESTMENTS	4906.5	5146.0	4354.4	7145.0	6068.9
	a. Govt. Securities	4906.5	5146.0	4354.4	7145.0	6068.9
	b. NRB Bond	0.0	0.0	0.0	0.0	0.0
	c. Govt. Non-Fin. Ins.	0.0	0.0	0.0	0.0	0.0
	d. Other Non-Fin Ins.	0.0	0.0	0.0	0.0	0.0
	e. Non Residents	0.0	0.0	0.0	0.0	0.0
3	SHARE & OTHER INVESTMENT	154.6	804.0	655.6	600.5	1796.4
	a. Interbank Lending					0.0
	b. Non Residents	138.4	702.0	291.7	313.1	0.0
	c. Others	16.2	102.0	363.8	287.5	1796.4
4	LOANS & ADVANCES	18814.3	24366.2	28129.7	31534.7	36376.0
	a. Private Sector	17718.2	22025.8	24002.0	26578.2	29910.3
	b. Financial Institutions	572.9	1632.9	3063.0	2671.6	4581.2
	c. Government Organizations	523.2	707.5	1064.6	2284.9	1884.4
5	BILL PURCHASED	22.1	103.4	26.7	127.1	240.9
	a. Domestic Bills Purchased	16.3	99.9	18.5	23.1	9.8
	b. Foreign Bills Purchased	5.8	3.5	8.2	104.0	231.1
	c. Import Bills & Imports	0.0	0.0	0.0	0.0	0.0
6	LOANS AGAINST COLLECTED BILLS	0.0	0.0	0.0	0.0	0.0
	a. Against Domestic Bills	0.0	0.0	0.0	0.0	0.0
	b. Against Foreign Bills	0.0	0.0	0.0	0.0	0.0
7	FIXED ASSETS	314.9	427.2	463.1	460.3	547.9
8	OTHER ASSETS	1155.0	989.1	604.8	905.1	1215.9
	a. Accrued Interests	127.5	140.5	108.1	146.4	145.4
	Financial institution				76.5	59.1
	Govt. Entp.	35.3	23.6	0.0	0.0	56.8
	Private Sector	92.2	116.9	108.1	69.9	29.5
	b. Staff Loans / Adv.	156.6	306.0	424.8	649.1	806.1
	c. Sundry Debtors	168.7	75.3	17.4	20.1	12.0
	d. Cash In Transit	0.0	0.0	0.0	0.0	0.0
	e. Others	702.1	467.4	54.4	89.5	252.5
9	Expenses not Written off	0.0	0.0	0.0	0.0	0.0
10	Non Banking Assets	0.0	0.0	0.0	0.0	0.0
11	Reconciliation Account	0.0	0.0	0.0	0.0	0.0
12	Profit & Loss A/c	0.0	0.0	0.0	0.0	0.0

Annex-IX

BOK

(In Millions)

	Liabilities	2008	2009	2010	2011	2012
1	CAPITAL FUND	982.0	1342.1	1741.6	2071.4	2435.2
	a. Paid-up Capital	603.1	844.4	1182.2	1359.5	1604.2
	b. Calls in Advance			0.0	0.0	0.0
	c. Statutory Reserves	197.8	270.1	362.4	464.3	585.3
	d. Share Premium	0.0	0.0	0.0	0.0	0.0
	e. Retained Earning	6.7	22.2	34.7	50.6	13.4
	f. Others Reserves	174.4	205.4	136.4	165.0	195.3
	g. Exchange Fluctuation Fund	0.0	0.0	25.9	32.0	37.0
2	BORROWINGS	300.0	300.0	500.0	664.9	382.9
	a. NRB	0.0	0.0	0.0	464.9	5.0
	b. "A"Class Licensed Institution	100.0	100.0	300.0	0.0	177.9
	c. Foreign Banks and Fin. Ins.	0.0	0.0	0.0	0.0	0.0
	d. Other Financial Ins.	0.0	0.0	0.0	0.0	0.0
	e. Bonds and Securities	200.0	200.0	200.0	200.0	200.0
3	DEPOSITS	15832.7	18083.9	20315.8	21018.4	24991.4
	a. Current	2092.3	2294.4	2747.3	2428.2	2789.0
	Domestic	1908.9	2097.9	2217.2	2023.4	2637.0
	Foreign	183.4	196.5	530.1	404.9	152.1
	b. Savings	6595.2	7260.3	6723.2	6607.6	8116.5
	Domestic	6330.3	7032.4	6493.8	6421.0	7950.8
	Foreign	264.9	227.9	229.4	186.5	165.7
	c. Fixed	3703.1	4474.6	6383.6	7850.3	7646.3
	Domestic	3025.2	3587.7	5890.2	6953.6	6295.5
	Foreign	677.9	886.9	493.4	896.6	1350.8
	d. Call Deposits	3198.1	3823.4	4093.9	3907.3	6060.9
	e. Others	244.0	231.2	367.8	225.0	378.7
4	Bills Payable	34.2	34.6	37.9	21.6	29.1
5	Other Liabilities	642.6	522.9	953.9	1194.4	1386.4
	1. Sundry Creditors	43.5	63.9	45.3	72.2	108.3
	2. Loan Loss Provision	279.0	297.5	387.1	488.8	505.2
	3. Interest Suspense a/c	14.8	11.9	12.0	0.5	45.0
	4. Others	305.3	149.6	509.5	632.9	727.9
6	Reconciliation A/c	0.0	0.0	0.0	0.0	0.0
7	Profit & Loss A/c	367.6	725.8	509.6	611.4	609.0
	Total	18159.1	21009.3	24058.8	25582.1	29834.1
	Assets					
1	LIQUID FUNDS	1513.1	2421.5	2724.4	2158.9	3901.3
	a. Cash Balance	536.7	565.1	455.2	542.4	750.9
	Nepalese Notes & Coins	524.3	541.4	449.9	533.0	741.4
	Foreign Currency	12.4	23.7	5.3	9.4	9.5
	b. Bank Balance	903.7	1603.9	1337.2	1136.6	2631.8
	1. In Nepal Rastra Bank	606.1	1323.8	687.6	641.7	1970.8
	Domestic Currency	592.5	1240.6	663.9	604.6	1939.6
	Foreign Currency	13.6	83.2	23.7	37.1	31.2
	2. "A"Class Licensed Institution	85.6	136.0	395.7	98.0	203.1
	Domestic Currency	85.1	135.3	394.9	94.9	201.6
	Foreign Currency	0.5	0.7	0.8	3.1	1.5

	3. Other Financial Ins.	0.0	0.0	0.0	0.0	0.0
	4. In Foreign banks	212.0	144.1	253.9	396.9	457.9
	c. Money at Call	72.7	252.5	932.0	479.9	518.6
	Domestic Currency	6.9	0.0	0.0	0.0	0.0
	Foreign Currency	65.8	252.5	932.0	479.9	518.6
2	INVESTMENTS	2113.2	1745.0	2954.9	4002.1	5037.6
	a. Govt. Securities	2113.2	1745.0	2954.9	4002.1	5037.6
	b. NRB Bond	0.0	0.0	0.0	0.0	0.0
	c. Govt. Non-Fin. Ins.	0.0	0.0	0.0	0.0	0.0
	d. Other Non-Fin Ins.	0.0	0.0	0.0	0.0	0.0
	e. Non Residents	0.0	0.0	0.0	0.0	0.0
3	SHARE & OTHER INVESTMENT	1090.8	1029.4	314.3	284.5	209.1
	a. Interbank Lending					0.0
	b. Non Residents	0.0	0.0	226.2	244.3	0.0
	c. Others	1090.8	1029.4	88.1	40.1	209.1
4	LOANS & ADVANCES	12692.9	14894.7	16847.1	17247.8	18064.1
	a. Private Sector	12692.9	14894.7	16350.3	16653.8	17471.7
	b. Financial Institutions	0.0	0.0	346.9	444.1	592.4
	c. Government Organizations	0.0	0.0	149.9	149.9	0.0
5	BILL PURCHED	46.4	35.0	197.2	706.5	1255.0
	a. Domestic Bills Purchased	14.0	16.1	15.6	2.8	10.4
	b. Foreign Bills Purchased	28.7	13.0	20.9	17.0	28.9
	c. Import Bills & Imports	3.7	5.9	160.7	686.8	1215.7
6	LOANS AGAINST COLLECTED BILLS	8.5	15.9	0.0	2.6	0.0
	a. Against Domestic Bills	8.5	15.9	0.0	2.6	0.0
	b. Against Foreign Bills	0.0	0.0	0.0	0.0	0.0
7	FIXED ASSETS	553.0	697.4	820.8	876.6	971.4
8	OTHER ASSETS	116.3	170.4	200.1	303.1	391.6
	a. Accrued Interests	38.3	35.5	41.2	64.4	100.5
	Financial institution				44.6	0.0
	Govt. Entp.	0.0	0.0	0.0	0.0	55.4
	Private Sector	38.3	35.5	41.2	19.7	45.0
	b. Staff Loans / Adv.	32.3	44.2	56.0	64.4	80.8
	c. Sundry Debtors	7.9	48.3	44.2	47.4	52.1
	d. Cash In Transit	20.5	0.0	3.6	4.9	0.0
	e. Others	17.3	42.4	55.1	122.0	158.2
9	Expenses not Written off	24.4	0.0	0.0	0.0	0.0
10	Non Banking Assets	0.5	0.0	0.0	0.0	3.9
11	Reconciliation Account	0.0	0.0	0.0	0.0	0.0
12	Profit & Loss A/c	0.0	0.0	0.0	0.0	0.0
	Total	18159.1	21009.3	24058.8	25582.1	29834.1

Annex-X

Comparative Average Uses of Funds of SCBL, NABIL and SBI

Particulars		Average %				
		HBL	NABIL	SBI	EBL	BOK
1	Liquid Funds	9.34	8.78	8.76	15.47	10.54
2	Investments	13.93	12.46	11.49	13.41	12.95
3	Share & Other Inv	7.87	10.65	24.74	1.73	2.81
4	Loans & Advances	61.11	59.94	50.39	65.68	67.76
5	Others	7.75	8.17	4.61	3.71	5.95
	Total	100.00	100.00	100.00	100.00	100.00

Annex-XI**List of Commercial Banks Operating in Nepal**

S.N	Commercial Banks	Operation	Head Office
1	Nepal Bank Ltd.	1937/11/15	Kathmandu
2	Rastriya Banijya Bank Ltd.	1966/01/23	Kathmandu
3	NABIL Bank Ltd.	1984/01/07	Kathmandu
4	Nepal Investment Bank Ltd.	1986/02/27	Kathmandu
5	Standard Chartered Bank Nepal Ltd.	1987/01/30	Kathmandu
6	Himalayan Bank Ltd.	1993/01/18	Kathmandu
7	Nepal SBI Bank Ltd.	1993/07/07	Kathmandu
8	Nepal Bangladesh Bank Ltd.	1993/05/06	Kathmandu
9	Everest Bank Ltd.	1994/10/18	Kathmandu
10	Bank of Kathmandu Ltd.	1995/03/12	Kathmandu
11	Nepal Credit & Commerce Bank Ltd.	1996/10/14	Siddharthanagar
12	Lumbini Bank Ltd.	1998/07/17	Narayangadh
13	NIC ASIA Bank Ltd.*	2013/06/30	Biratnagar
14	Machhapuchhre Bank Ltd.	2000/10/03	Pokhara
15	Kumari Bank Ltd.	2001/04/03	Kathmandu
16	Laxmi Bank Ltd.	2002/04/03	Birgunj
17	Siddhartha Bank Ltd.	2002/12/24	Kathmandu
18	Agricultural Development Bank Ltd	2006/03/16	Kathmandu
19	Global Bank Ltd.	2007/01/02	Birgunj
20	Citizen Bank Ltd	2007/06/21	Kathmandu
21	Prime Commercial Bank Ltd	2007/09/24	Kathmandu
22	Sunrise Bank Ltd	2007/10/12	Kathmandu
23	Development and Credit Bank Ltd.	2008/05/25	Kathmandu
24	NMB Bank Ltd.	2008/06/05	Kathmandu
25	Kist Bank Ltd	2009/05/07	Kathmandu
26	Janata Bank Nepal Ltd.	2010/04/05	Kathmandu
27	Mega Bank Nepal Ltd.	2010/07/23	Kathmandu
28	Commerz & Trust Bank Nepal Ltd.	2010/09/20	Kathmandu
29	Civil Bank Ltd.	2011/01/12	Kathmandu
30	Century Commercial Bank Ltd.	2011/01/23	Kathmandu
31	Sanima Bank Ltd.	2011/10/25	Kathmandu

* NIC ASIA Bank Ltd. has recently been formed after the merger of Nepal Industrial & Commerce Bank Ltd. (Established in 1998/07/21) and Bank of Asia Nepal Ltd.(Established in 2007/10/12) on June 30, 2013.