

CHAPTER I

INTRODUCTION

1.1 General Background of the Study

Nepal, a small but a beautiful land locked country, lying between two big countries China and India, is one of the least developed countries in the world. More than 80% Nepalese people are rely on agriculture sector. In Nepal, here has been a decrease in productivity of agriculture and on the other hand the population of the country is on rise the emergency and expansion of productivity industries are necessary for the all rounds 10% and limited portion of labor force is involved In industry consequently more than 80% of the population of the total population depends on agriculture for their live hood. Agriculture is still not sufficient to feed the growing population is Nepal. Therefore, the manpower from agriculture sector must be transferred to other sector fro economic development. Industrial sectors have contributed to the national economy than 56.1% of total GDP. It has more than 32 percent people living below poverty line and it's per capital income is just \$311, placing among the lowest per capita income countries.

The economic growth of underdeveloped countries is widely depends upon the utilization of available resources. The cause of Nepal's economic condition is not because of lack of resources but instead it is because of improper utilization of available resources. The rapid pace of economic development and self economic reliance are the must in today's world. These can only be achieved through the accelerate rate of investment and capital formation in the country. The primary objective of any developing country, like Nepal, is rapid economic development to promote the welfare of the people and the nation as well. Nepal being a developing country is trying to embark upon the path of economic development by economic growth rate and developing all sectors of economy.

It is impossible to handle and develop all the sectors by the government alone. On the other hand it is again not possible to undertake large businesses by the private sector because of very low per capita income and high propensity to consume. Low income of the people results low capital formation. For the development of any sector, a regular supply of financial resources is the primary base and in developing countries. There is always shortage of capital for the development activities. Capital formation is one of the important factors in economic development. The capital formation leads to increase in the size of nation output, income and employment,

solving the problem of inflation and balance of payment and making the economy free from the burden of foreign debt. Domestic capital formation helps in making a country self sustainable. Profit made by business community constituted the major part of the saving of the community and the savings is assumed to be invested.

It has been known that the economic activities of any country can hardly be carried forward without the assistance and support of financial institutions. Financial institutions have catalytic role in the process of economic development. It collects scattered financial resources from the masses and invests them among those engaged in commercial and economic activities of the country and in this way, the financial institutions provide savers highly liquid divisible assets at a lower risk while the investors receive a large pool of resources, thus the financial institution collects scattered savings of the community and invests them into most desirable and high yielding sectors of the economy to fuel the process of economic development.

Banking plays a significant role to development of economy; it provides an effective payment and credit system, which facilitates the channeling and funds from the surplus spending units to the deficit spending units in the economy. The basic task of the financial institution is to mobilize the saving to high yielding investment projects to offer attractive and secured returns to the different sectors of the economy according to the plan priorities of the country. This process of financial institution give rise to money and other financial assets, which therefore have a central place in the development process of the economy. The crated provides vital links between saving, investment and income.

The balanced and speedy development of country is not impossible but for such developments, there should be proper banking activities in every part of the country. Commercial banks have played a vital role among different banking activities and having an important place in the framework of every economy as these banks provide capital, raised from different sources for different investments with a primary objective of profit generation. Besides, commercial banks render a numerous services to their customers in view of facilitating their economic and social life. This trend leads not only to the economic development but also to the poverty alleviation.

Thus, commercial banks are major financial institutions and the role of commercial banks in economy is obviously a prime requisite in the formulation of bank's policy. A key factor in the development of the country is the mobilization of domestic resources and their investment for the productive use o to the various sectors. To make it more effective commercial banks formulate sound investment policies which eventually contribute to the economic growth of a country. The sound

policies help commercial banks maximize quality and quantity of investment and thereby, achieve the own objective of profit maximization and social welfare. The banking sector has to play developmental role to boost the economy by adopting the growth oriented investment policy and building up the financial structure for future economic development. Formulation of investment policies and coordinated and planed efforts pushes forward the forces of economic growth.

Investment simply means sacrificing the current funds for the future returns. The sacrifice of current consumption takes place at present with certainty and the investor expects desired level of wealth at the end of the investment horizon. In other word, investment is the employment of funds with the aim of achieving additional income or growth in value. It involves the commitment of resources that have been saved or put away from current consumption in the hope that some benefits will occur in future. Investment is basically of two types; investment on real assets and financial assets. Real assets are tangible while financial assets involve contracts written on pieces of papers representing an indirect claim to real assets held by someone else.

For effective management of investment portfolio, every bank must have a written investment policy; the board of directors formulates such a policy and it may differ from bank to bank in terms of complexity and comprehensiveness. Investment policy is one fact of the overall economic development because it ensures efficient allocation of funds to achieve the material and economic well being of the society as a whole. In this regard, commercial banks' investment policy is also a push drive to achieve priority of industries in the context of Nepal's economic development.

A healthy development of any banks depends heavily upon its investment policy. Any investment decision is very tough one for any business mole. For this, they have to pay a lot of considerations before taking any action. A good investment policy attracts both borrowers and lenders, which helps to increase the volume and quality of deposits, loan and investments. The loan provided by commercial banks is guided by several principles such as length of time, their purpose, profitability, security etc. These fundamental principles of commercial banks' investment are fully considered while making investment policy.

For the poor and least developed countries like Nepal having low per capita income and GDP face many economic problems, such as inflation and deflation of monetary, trade, trade defeat, budget deficit etc. commercial banks have a vital role in removing such problems by capital formulation for deficit spending units (trade and

industry as well as general public) they also finance in small and cottage industries and agricultural sector under priority sector investment scheme to serve the marginal people.

Nepalese commercial banks lag for behind fulfilling the responsibility to invest in the crucial sectors of the economy for the upliftment of the national economy. Thus the problem has become very serious one in developing countries like Nepal, which can be solved through formulation of sound investment policy. Sound investment policy can minimize the interest rate spread and NPA's, which cause the bank failure. It ensures maximum amount of investment to all sector with proper utilization.

1.2. Concept of Commercial Banks

According to the commercial Bank Act. 2031 B. S "A commercial bank means a bank which deals in exchanging, currency, accepting deposits, giving loans and doing commercial transaction." Commercial banks are those banks that pool together the saving of the community and manage the gathered deposit into productive use. They supply the financial needs of modern business by various means. They deposit from the public on the condition that they are repayable on demand or on short notice. Commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short-term needs of trade and industry such as working capital financing. They cannot finance in the fixed assets. They grant loans in the form of the cash credits and overdrafts. Apart from financing them also provides services like collection of bills and cheques, safeguarding of valuable, financing advising etc. to their customer

A healthy and tidy commercial banking system in European countries is one of the causes of their rapid economic development and this is a lesson to the nations of third world. The concept of joint Venture bank is a new innovation in finance and it is on grown stage mostly in developing countries. Commercial bank means "a business contract of management effort between two persons companies or organization involving risk and benefit sharing"

The primary objective of this joint venture is always to earn profit by investing or granting loan and advance to people associated with trade, business and industry etc. that means they are required to mobilize their resources properly to acquire profit. How well a bank manages its investment has a great deal to do with the economic health of the country because the bank loans support the growth of new business and trade empowering the economic activities of the nation.

In developing countries, foreign investment plays a significant role for the economic development by flowing the capital, technology, skill, managerial efficiency and others. So local foreign joint investments have been considered more important- joint venture banks in Nepal are of this type of investment.

In other word, the commercial banks are those banks who pool together the savings of the community and arrange for their productive use. They supply the financial needs of modern business by various means. They accept deposit from the public on the condition that they are repayable on demand or on short notice commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short term needs of trade and industry such as working capital financing. They can't finance in fixed assets. They grant loans in the form of cash credits and overdrafts. Apart from financing, they also render services like collection of bills and cheques safe keeping on valuable, financial advising. etc to their customers. The commercial bank has maintain minimum 200 million paid up capital in our country in recent situation according to rule of Nepal Rastra Bank (Central Bank of Nepal)

1.2.1. Objective of Commercial Bank

Development of commercial bank and banking system is one of the reasons of economic development in most of the European countries after the Second World War. Commercial banks grew in number in Asian Nations to assist the development of commercial and financial sector of the country. Commercial banks are expected to boost up the development pace of communities as well as the economy as a whole. Commercial banks are operated under the rules, regulations, guidance and directives of the central bank.

Commercial banks in Nepal are expected to be the median of economic development and uplifting, the community under the guidance, supervision controlling and directives of Nepal Rastra Bank. Concretely as the commercial Banks they are expected to mobilize the passive fund toward trade and commerce, to provide economic assistance entrepreneurs, to create habits in public, to invest compulsorily in poverty stricken community and inte-alia.

Nepal has adopted free liberal economic policy in order to establish and develop other joint venture banks. Commercial Banks and other financial institution Nepal has allowed different commercial banks under collaboration with foreign banks.

1.2.2. Major Functions of Commercial Banks

-) Accepting Deposits
 - Savings
 - Current
 - Fixed.
-) Advance Loans
 - Overdrafts.
 - Cash Credit
 - Direct Loans
-) Discounting Bills of Exchange
-) Agency Services
-) Credit Creation
-) General utility Services
 - Safe keeping of Valuables
 - Assist in foreign Trade
 - Making venture capital loans
 - Financial Advising.
 - Offers Security brokerage Services
 - Offers investment banking and merchant banking service

1.2.3. Commercial Bank in Nepal

There are all together 25 commercial banks functioning in Nepal and most of their stocks are traded actively in the stock market.

S.N.	Commercial Banks	Head Office	Established Date (B.S.)
1	Nepal Bank limited	Kathmandu	1937-11-15
2	Rastriya Banijya Bank	Kathmandu	1966-01-23
3	NABIL Bank Limited	Kathmandu	1984-07-06
4	Nepal Investment Bank Limited	Kathmandu	1986-02-27
5	Standard Chartered Bank Limited	Kathmandu	1987-01-30
6	Himalayan Bank Limited	Kathmandu	1993-01-18
7	Nepal SBI Bank Limited	Kathmandu	1993-07-07
8	Nepal Bangladesh Bank Limited	Kathmandu	1993-06-05
9	Everest Bank Limited	Kathmandu	1994-10-18
10	Bank of Kathmandu Limited	Kathmandu	1995-03-12
11	Nepal Credit & Commerce Bank Ltd.	Siddharthanagar	1996-10-14

12	Lumbini Bank Limited	Narayangadh	1998-07-17
13	Nepal Industrial & commercial Bank Ltd.	Biratnagar	1998-07-21
14	Machhapuchhre Bank Limited	Pokhara	2000-10-13
15	Kumari Bank Limited	Kathmandu	2001-10-03
16	Laxmi Bank Limited	Birjung	2002-04-03
17	Siddhartha Bank Limited	Kathmandu	2002-12-24
18	Nepal Agriculture Bank	Kathmandu	2006-03-16
19	Global bank Limited	Birgunj	2007-01-02
20	Citizen bank international	Kathmandu	2007-2-20
21	Bank Of Asia Limited	Kathmandu	2007-10-12
22	Sunrise Bank Limited	kathmandu	2007-10-12
23	Prime Commercial Bank	Kathmandu	2007-09-06
24	NMB Bank	Kathmandu	1996-11-26
25	DCBL Bank Limited	Kathmandu	2001-01-23

(Source: www.nrb.org.com)

Kist merchant banking and Finance company is going to process commercial bank by upgrading from finance company.

1.3 An introduction of NABIL Bank Limited

NABIL Bank Limited, the first foreign joint venture bank of Nepal, started operations in July, 1984 with authorized capital of Rs.100 million and paid up capital of Rs.30 million. Dubai Bank Ltd.(DBL) was the initial foreign joint venture partner with 50 percent equity investment. The shares owned by DBL were transferred to Emirates Bank International Limited, Dubai by virtue of its annexation with later. Later on, Emirates Bank International Ltd. Dubai sold it's entire 50 percent equity holding to N.B.(International), Ireland. NABIL Bank Limited had the official name Nepal Arab Bank Limited. Its head office is situated in Kathmandu. NABIL Bank Limited is the pioneer in introducing many products and marketing concept in banking sector , represents a milestone in the banking history of Nepal as it started an ere of modern banking with customer satisfaction measured as a crucial objective while doing business. NABIL was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objectives, NABIL provides a full range of commercial banking services through its 19 points of representation across the kingdom and over 170 reputed correspondent banks across the globe.

Establishment Objectives of NABIL Bank Limited

-) To continuously expand Bank's operation in systematic manner
-) To become a major innovative Bank and provide top of the line services
-) To build an HR team that continuously supplements the growth of the organization
-) To be vigilant to the evolving economy and align our operations accordingly

Services Offer by NABIL Bank Limited

-) Loans
 - Working Capital
 - Fixed Capital
 - Import bills Discounted Facility of the under
-) Supplier credit
 - Export Loan
 - Hire Purchase
 - Project Finance
 - Consortium/ syndication Loan
 - Mortgage Loan
 - Loan against Deposit Govt. Securities
 - Housing Finance
 - Auto Finance
 - Nabil Property
 - Personnel Finance
-) Trade Finance
 - Import LC
 - Export LC
 - Forward Contract
 - Bid Band
 - Performance Bond Counter G'tee
 - Advance Payment G'tee
 - Shipping Indemnity
-) Deposits
 - Current
 - Call Time
 - Normal Saving
 - Provident Fund
 - Retirement Fund

-) Remittance
 - Swift transfer
 - Western Union Money Transfer
 - Remittance (Quarter, Doha)
 - Travels Cheque
 - Mail transfer
 - Bank Draft

-) Cards and ATMs
 - Master Card Local
 - Master Card International
 - Visa Local
 - Dinars Card for travel (against Passport Facility)
 - Visa Electron / ATM Card
 - Nabil Pre-paid Card
 - ACQUIRING Business

-) E- Banking
 - Nabil Net
 - Nabil Tele

-) Clean Bills
 - Clearing
 - Bills Purchase
 - Bills Collection

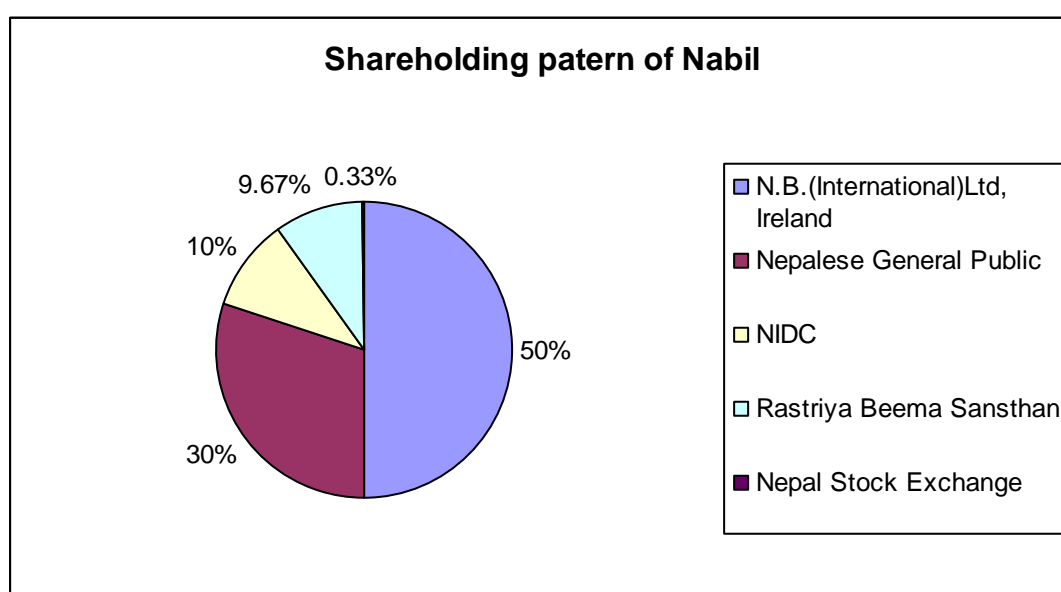
-) Others
 - U.S. Visa fee
 - Safe Deposit Locker
 - Balance certificate
 - Advance Payment Certificate

Shareholding Pattern of the NABIL Bank Limited

Shareholding Pattern of NABIL Bank Ltd.

Shareholder	Percentage of Share
N.B.(International)Ltd, Ireland	50%
Nepalese General Public	30%
NIDC	10%
Rastriya Beema Sansthan	9.67%
Nepal Stock Exchange	0.33%

(Source: annual Report of NABIL bank limited)



(Source: Annual Report of NABIL bank limited)

Branch Network

The bank has managed every direction regarding administration and other support from Corporate Banking (NABIL House) Kathmandu and established its branches in all the developmental regions of the kingdom. At present, the bank is providing services to its client through 28 branches situated at Kamaladi, New Road, Kantipath, Lalitpur, Jorpati, Birgunj, Alau Birgunj, Biratnagar, Itahari, Butwal, Pokhara, Bhalwadi Butwal, Bhairahawa, Nepalgunj, Maharajjung, Birtamode, Tripureshor, Damak, Dharan, hetauda, Lakeside, Tulsipur, Mahendra nagarand, Dhangadi, Airport counters, Thamel Counter and Card division branches in Kathmandu.

Present Capital Structure

Share Capital	Rs. in millions
Authorized Capital	500
Issued Capital	491.6544
paid-up Capital	689.216

1.4 An Introduction of Bank of Bank of Katmandu (BOK) Limited

Bank of Kathmandu is a culmination of a comprehensive vision of the promoters to take the Nepalese economy to newer realm in the global market. The promoters' comprehensive vision and the government's overwhelming support gave birth to BOK as one of the private sectors banks of the country in 1993 which commenced its commercial business in March 1995. BOK was established by a group of distinguished civil servants and renowned businessman in collaboration with the SIAM commercial public co. ltd (SCB) a leading bank of Thailand. The collaboration with SCB supported BOK to bring in the technical and managerial expertise in the Nepalese banking sector. Upon establishing BOK as one of the reported bank in a short period, the Nepalese promoters decided to conclude the technical service agreement with SCB and BOK to be arranged by the Nepalese professionals as it could further enhance its business performance years a head under the Nepalese management with the well-acclaimed capabilities of the Nepalese management team, BOK has successfully enhanced its capital structure, profitability, reach to the customer and image in the market. It has created a position in the industry in a shortest possible span of time. BOK is proud the banks of the leading business houses, INGOs diplomatic agencies and foreign projects and to be the lead bank in several consortiums financing in the country.

Establishment Objectives of BOK

-) To continuously expand Bank's operation in systematic manner
-) To become a major innovative bank and provide top of the line services.
-) To build an HR team that continuously supplements the growth of the organization.
-) To be vigilant to the involving economy and align our operations accordingly.

Services offered by BOK

-) Corporate Banking
 - Project Financing

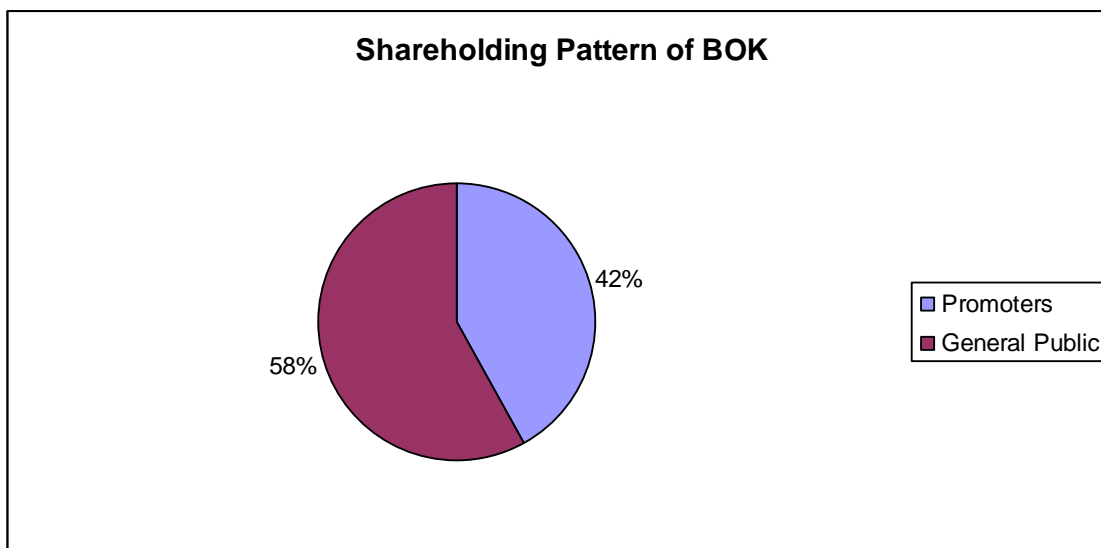
- Trade Finance
- Working Capital Finance
- Syndicated Loan Arrangement]
- Consortium Lending
-) Business Banking
 - Small scale project finance
 - Trade Finance
 - Other business Credit
-) Retail Banking
 - Housing Loans
 - Vehicles Loans
 - Education Loan
 - Foreign Employment loan
 - Festivity Loan
-) Deposits
 - Current Account
 - Saving Account
 - Call Account
 - Fixed Deposit
 - Recurring Deposit
 - Jest Lagani Kosh

Shareholding Pattern of the Bank

Shareholding Pattern of BOK

shareholders	percentage of shares
Promoters	42%
General Public	58%

(Source: Annual report of BOK Limited)



(Source: Annual Report of BOK Limited)

Branch Network

At present, the bank is providing services to its client through 25 branches situated at Kamal Pokhari, Thamel, New Road, Nepalgunj, Butwal, Hetauda, Dhangadi, Pokhara, Biratnagar, Itahari, Gongabu, Tulsipur, Kohalpur, Jumla, Lalitpur, Tatopani, Balaju, Dhangadi, Janakpur, Surkhet, Attariya and Birgunj, "Baneshor, Gyaneshor and Koteshor" (new 3 branches opening from 20th Feb 2009)

Present Capital Structure

Share Capital	Rs. in millions
Authorized Capital	1000
Issued Capital	500
paid-up Capital	463.58

Source: Annual report of BOK Limited

1.5 Statement of Problem

The economic condition of the country is mainly based on the different financial sectors established in the country. Commercial banks and financial institutions are the backbone of the Nepalese economy at present, so they are playing a vital role in economic growth. The establishment of joint venture banks in this sector has added more bricks in construction of Nepalese economy. Its investment range is from small scale cottage industries to large industries. In making investment

in loans and government securities one may always wonder which investment is better. The researchers Paul S. Anderson, William Silber, Tim S. Campbell and many other have compared the contribution of loans and advances and the investment on securities on the national income.

It can be therefore hypothesized that bank portfolio like loans, investment, cash, deposit and borrowing affects the national income. And also how the government policy affects these variables, such as the effect of an interest rate on the bank portfolio variables is of great concern. Therefore the central bank has to keep an eye on the portfolio behaviors when monitoring money and credit conditions. Credit extended by commercial banks is directly related to the national interest of country. So the investment policy of the commercial banks should be very sound and farsighted. "A policy is statement or general understanding which provides guidance in making decision to members of an organization in respect to any course of action."

Because of the lack of farsightedness in policy formulation and absence of strong commitment towards its proper implementation has caused many problems to commercial banks. They don't have clear view towards investment policy and mainly rely upon the instruction and guidelines of NRB. Furthermore, the implementation of policy is not practiced in an effective way. Thus, the present study will make a simple attempt to analyze investment policy of NABIL bank in comparison to Bank of Kathmandu.

The problem especially rotates around investment functions of sample banks and addresses the following questions:-

- Are they maintaining sufficient liquidity position?
- Are the both banks' fund mobilization and investment policy more effective?
- What is the relationship of investment and loan and advances with total Deposits and total net profits?
- Does the degree of success in investment strategy successful to utilize its available fund?

1.6 Objective of the Study

The basic objective of the study is to analyze, examine and interpret the investment policies adopted by NABIL and compare the same with Bank of Kathmandu. The specific objectives are as follows:-

- a) To examine the fund mobilization of NABIL and BOK
- b) To find out the empirical relationship between various important variables to make the comparative study of NABIL and BOK i.e. investment, deposits, loans and advances and net profits.
- c) To evaluate the trends of deposit utilization and its projection of NABIL and BOK
- d) To suggest and recommend appropriate investment policy to the concerned banks on the basis of findings of analysis.

1.7 Significant of Study

The financial sector plays an important role of every country. The economic development of the country highly depends upon the financial institutions, the success and prosperity of the bank relies heavily up in the successful investment of collected resources to the important sector of economy. Successful formation and effective implementation of the investment policy is the prime requisite for the successful performance of commercial banks. Good investment policy has a positive impact on economic development of the country and vice versa. So the investment policy of commercial banks should be in accordance with the spirit of the economic expectation of the people.

Thus, the researchers have undertaken the study to analyze the existing investment policy of the commercial banks and point out the defects inherent in it and provide package of suggestions for its improvement.

In context of Nepal, there is less availability of research work, journal and articles in investment policy of commercial bank as well as other financial institutions. The study mainly fills a research gap on the study of investment policy of NABIL in comparison to Bank of Kathmandu. The study will provide useful feedback to the policy makers of the bank and also becomes an useful reference for other commercial banks of Nepal and the central bank also for the formulation of appropriate strategy. The effort is made to highlight the investment policy of commercial banks expecting that the study can be bridge and fulfills the gap between deposit and investment. On the other hand, the study would provide information to management of the bank that would help them to take corrective action and last but not the least the study evaluates the investment pattern and policy of commercial bank and find loopholes and significantly contributes to make the policy sound.

1.8 Limitation of the Study

Basically, the study is done only for the partial fulfillment for Master's of Business Studies. Time constraints, lack of research experience, information asymmetry and financial problem are the main limitations. Some other limitations are:-

-) The Study is based on secondary Data.
-) The sample banks are BOK and NABIL Bank among the commercial banks
-) The study concentrates only on those factors that are related with investment.
-) The whole study is based on data of 5 years period from 2003/04 to 2007/08 and hence the conclusion drawn confines only to the above period.
-) The truth of research result is based upon the available data from the bank.

1.9 Organization of the Study

This study has been divided into five chapters. They are introduction, review of literature, research methodology, data presentation and analysis and summary suggestion and recommendations.

The first chapter deals with the introduction that includes background, profile of NABIL and BOK, statement of problem, objective, rational, limitation of study,

The chapter deals with review of literature. It includes a discussion on the conceptual framework and major relevant studies.

The Third Chapter explains the research methodology used in the study which includes research design, sources of data, population and sampling, tools and method of analysis.

The Fourth Chapter deals with presentation and analysis of data through a definite financial ratios and statistical analysis related to the study.

The Fifth Chapter discusses summary of the study and suggestions as well as recommendations. Besides these, bibliography and appendixes are also included.

CHAPTER II

REVIEW OF LITERATURE

In this chapter, the focus has been made on the review of literature relevant to the investment policy of commercial banks. Every possible effort has been made to grasp knowledge and information that is available from libraries, document collection centers, information managing bureaus and concerned commercial banks. This chapter helps to take adequate feedback to broaden the information base and inputs to my study. Therefore this chapter has its own importance on this study. This chapter is divided into different parts, which are arranged into the following order:

2.1 Conceptual Framework

Commercial bank act 1974 has defined that, " A commercial bank is one which exchange money, deposits money, accepts deposits, grant loans and performs commercial banking functions and which is not a bank meant for cooperative, agriculture, industries or for such specific purpose."

Banks play an important role in the economic growth of a country. Banking, when properly organized, aids and facilitates the growth of trade and industry and hence of national economy. In the modern economy, banks are to be considered not as dealers but as the leaders of development. Banks are not just the storehouses of the country's wealth but are the reservoirs of resources necessary for economic development.

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

2.2 Features of a Sound Lending & Investment Policy

The income and profit of the bank depend upon its lending procedure, lending policy and investment of its fund in different securities. The greater the credit created by the banks, the higher the profitability. A sound lending and investment policy is not only pre requisite for bank's profitability, but also crucially significant for the promotion of commercial savings of a backward country like Nepal.

Some necessities for sound lending and investment policies most of the banks must consider can be explained as under:

) Safety and Security

The bank should never invest its funds in those securities, which are subject to too much depreciation and fluctuations because a little difference may cause a great loss. It must not invest funds into speculative businessman who may be bankrupt at once and who may earn millions in a minute also. The bank should accept that type of securities, which are commercial, durable, marketable and high market prices. In this case, "MAST" should be applied for the investment.

MAST stands for

M = Marketability

A = Ascertainability

S = Stability

T = Transferability

) Profitability

A commercial bank can maximize its volume of wealth through maximization of return on their investments and lending. So, they must invest their fund where they gain maximum profit. The profit of commercial banks mainly depends on the interest rate, volume of loan, its time period and nature of investment in different securities. Ambition of profit to commercial bank seem reasonable as the bank has to cover all the expenses and make payment in the form of dividend to the shareholder who contributes to build up the bank's capital and interest to the depositors.

) Liquidity

People deposit money at the bank in different accounts with the confidence that the bank will repay their money when they need. To maintain such

confidence of the depositors, the bank must keep this point in mind while investing its excess fund in different securities or at the time of lending so that it can meet current or short- term obligations when they become due for payment.

) **Purpose of Loan**

Why a customer needs a loan? This is very important question for any banker. If borrower misuses the loan granted by the bank, they can never repay and bank will possess heavy bad debts. Detailed information about the scheme of project or activities should be examined before lending.

) **Diversification**

"One should not lay all its eggs on the same basket." This saying is very much important to that bank and it should be always careful not to grant loan in only one sector. 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.

) **Tangibility**

Though it may be considered that tangible property doesn't yield an income apart from direct satisfaction of possession of property, many times, intangible securities have lost their value due to price level inflation. A commercial bank should prefer tangible security to intangible one.

) **Legality**

Illegal securities will bring out many problems for the investor. A commercial bank must follow the rules and regulations as well as different directions issued by NRB, Ministry of Finance and others while mobilizing its funds.

2.3 Meaning of Some Important Terms

Since the study is based on financial and managerial accounting subjects, efforts have been made to clarify the meaning of some important terms, which are frequently used in this study.

) Deposits

Deposit means the amounts deposited in different accounts such as fixed account, saving account, current accounts of a bank or financial institution. Deposit is the most important sources of liquidity for commercial bank. It is also the main source of fund that a bank usually uses for the generation of profits. Therefore, the efficiency of the bank depends upon its availability to attract deposits. Deposits being the borrowed amount from the depositors or from general public and institutions it constitutes the liability of a bank. The management of a bank is always influencing it through deliberate policy action. The deposits of a bank are affected by various factors such as; types of customers, physical facilities of bank, management accessibility of customers, types and range of services offered by the bank, interest rate paid on deposits etc.

) Loan and Advances

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

Fund borrowed from bank 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 the fund. 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 customer. Such loan from these institutions would be available on special request only and there is chance of utilization of resources in economically less productive fields. There lies the undesirable effect, of low interest rate.

In addition 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."(Khadka, Rajaram, Thesis,1998)

) **Investment on Government securities**

Though a commercial bank can earn some interest and dividend from the investment of 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 treating it as a second source of banking business. A commercial bank may extend credit by purchasing government securities; bonds and shares for several reasons.

Some of them are given as:

- It may want to space its maturates so that the inflow of cash coincide with expect 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 fund 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 value.

) **Investment on Other Company's Securities**

Most of commercial banks invest their excess fund to the securities such as share and debentures of the other financial and non-financial companies. Due to excess funds but least opportunity to invest those funds in much more profitable sector and to meet the requirement of NRB directives. Now a days the commercial banks have purchased share and debenture of regional development bank, NIDC's and other development banks.

) **Other Use of Fund**

A commercial bank must maintain the minimum bank balance with NRB i.e. 6% for fixed deposits and 8% for each of current and saving deposit account in local currency. Similarly 3% cash balance of local cash balance, in local currency, accounts must be maintained in the vault of the bank. Again a part of the fund should be used for bank balance in foreign bank and to purchase fixed assets like land, building, furniture, computers, stationery etc.

) Off-balance Sheet Activities

Off balance sheet activities involve contracts for future purchase or sale of assets and all these activities are contingent obligations. These are not recognized as assets or liabilities on balance sheet. Some examples of these items are letter of credit, letter of guarantee, bills of collection etc. These activities are very important, as they are the good source of profit of bank though they have risk. Nowadays, some economists and finance specialists to expand the modern transactions of a bank stressfully highlight such activities.

2.4 Review of Books

The banks are such types of institutions, which deal in money and substitute for money. They deal with credit and credit instruments. Good circulation of credit is very much important for the banks. Unsteady and unevenly flow of credit harms the economy. Thus, to collect fund and utilize it in a good investment is not a joke for such organization. An investment of fund may be the question of life and death of bank.

In the words of **Gitman and Jochnk**, "Investment is any vehicle into which funds can be placed with expectation that will preserve or increase in value and generate positive returns."(Gitman and Jochnk, 1990:288)

According to **Willian F. Sharpe, Gorden T. Alexander and Jeffery V. Baily**, "Investment in its broader sense, means the sacrifice of current dollars for future dollars. Two different attributes are generally involved: time and risk. The sacrifice takes places in the present and its magnitude as generally uncertain." (Sharpe, Alexander and Baily; 1998:17)

According to **I.M. Pandey**, "Investment decision expenditure and benefits should be measured in cash. In investment analysis, cash flow is more important than accounting profit. It may also be pointed out of that investment decision affects the firm's value. The firm's value will increase if investments are profitable and add to the shareholders wealth. Thus, investment should be evaluated on the basis of criterion, which is compatible with the objectives of the shareholder's fund maximization. An investment will all to the shareholder's wealth if it yields benefit in excess to the minimum benefits as per the opportunity cost of capital. (Pandey., 1999:408)

Mr. Shakespeare Vaidhya , on sound investment policy. has said," A sound investment policy of a bank is such that its funds are distributed in different types of assets with good profitability on the one hand and provide maximum safety and security to the depositors and banks on the other hand; moreover, risk in banking sectors tends to be concentrated in the loan portfolio. When a bank get into serious financial trouble, its problem usually spring from significant amounts of loan that have become uncollectible due to mismanagement illegal manipulation of loan, misguided leading policy or unexpected economic downturn. Therefore, the bank investment policy must be such that it ensures that it is sound and prudent in order to protect public funds." (Baidhya,, 1997:63)

Frank K. Reilly defines investment in this words," An investment may be defined the current commitment of funds for a period of time to derive a further flow of funds that will compensate the investing unit for the time. The funds are committed, for the expected rate of inflation and also for the uncertainty involved in the future flow of the funds." (Frank and Reilly, 1986:5)

Default risk arises because firms may eventually go bankrupt. Some default risk is undiversifiable because it is systematically related to the business cycle, which affects almost all investments. However, some default risk may be diversified away in a portfolio of independent investment." (**Jack Clark Francis**, 1983:482)

From the above definitions, it is clear that an investment means to trade a known rupee amount today for some expected future stream of payments or benefits that will exceed the current outlay by an amount that will compensate the investor for the time the funds are committed, for the expected changes in prices during the period and for the uncertainty involved in expected future cash flows.

2.5 Review of Thesis

Prior to this thesis, various thesis work has been conducted by some student. Some of them, as are supposed to be relevant for this study, are presented below.

Ms. Sheela Chetri (2001) performed study on "Profitability position of NABIL Bank limited". The study was conducted from fiscal year 1996/97 to 2000/01. Main objectives were to find the profitability position of NABIL Bank. For this purpose the writer compared it with standard chartered bank. Main toots used were ratio analysis and Karl per arson's correlation coefficient. It was concluded the SCBN was better in liquidity position, NABIL was comparatively more successful in

assets utilization, NABIL has less risky position but SCBN's profitability position was better than NABIL. The writer recommended that NABIL should follow liberal lending position follow constant financing strategy after their present investment portfolios and reduce their expenses to become more profitable.

Moreover, **Mr. N.M. Pradhan**, (1980) in his thesis, "A Study on Investment policy of Nepal Bank Ltd." The main objectives of the study are to analysis liquidity position and identifying problems of investing sector. He draws problems in financial management, ownership ratio and operation of commercial banks. He finds a greater relationship between deposits, loans and advances. His recommendation was to grant the loans and advances without its lengthy process. He has suggested enhancing banking transactions upto rural sector of the nation. He has also recommended not to consider security factor only but to provide loan to genuine projects without security.

Thesis performed by **Shanker Kumar Singh** (1997.) entitled, " A Comparative Evaluation of Financial Performance of Nepal Arab Bank Ltd. and Nepal Grindlays Bank Ltd.", has amazed the profitability ratio of the two banks. i.e. Nepal Arab bank and Grindlays bank. The researcher has found the liquidity position of both banks were below normal than the standard 2:1. Grindlays was better on average both the banks were efficient in utilization total assets.. The researcher's main objective was to analysis the income and expenditure of both banks. Its objective was also to analyze how these banks use their sources. According to the analysis of turnover or activity ratios, NABIL invests 57% of deposits whereas NGBL invests 41% on the loans and advances. In this portfolio, NABIL is performing better and has better liquidity position. Profitability ratios of both the banks reveal positive perform during the study period, but the progress is higher in NGBL whereas NABIL seems more efficient in utilizing its capital employed in generating interest in come. As NABIL has acquired more funds, it has also raised more capital by issuing shares, bonus shares and retaining earnings."

Mr. Amogh Siddhi Shakya (2000) performed his study on "evaluation of Financial per formation of Himalayan bank Limited . the period study was from fiscal year 1995/96 to 1999/2000. It tried to examine the overall performance of HBL for five years. The main tools used analysis purpose was ratio analysis. The report concluded that the liquidity position of bank was good. The bank had sufficient liquidity to meet unanticipated calls on all deposits. The deposits should be utilized more on productive sectors like government securities and shares of other institutions because idle assets would do not good. The analysis of the report showed that the bank had good rate of return though it was not able to keep up generating to

have quite stable mixture of debt and equity financing. He recommended that the bank should try to increase the utilization of assets by providing loans and advances and should mobilize the total deposits to generate income and thus earning more profit.

M/S Samiksha Thapa, (Thapa, Samiksha, 2001, T.U.) on her thesis, "A Comparative Study on Investment Policy of Nepal Bangladesh Bank Ltd. and Other Joint Venture Bank" has found that the liquidity position of NB bank is comparatively better than of NABIL and NGBL. It has the highest cash and bank balance to total deposit, cash and bank balance to current assets ratio. It has good deposit collection, it has made enough loan and advance but it has made the negligible amount of investment in government securities. The NB bank is not in better position regarding its on balance as well as off balance activities in compare to NABIL and NGBL. It does not deem to follow any definite policy regarding the management of its assets. She further found that the profitability position of NB bank is comparatively worse than that of NABIL and NGBL. The bank must maintain its high profit margin for the well being in future. NB bank has maintained high growth rate in comparison to other banks though it is not successful to make enough investment. And can say that the bank is successful in increasing its sources of funds and its mobilization. Finally, she concluded that there is significant relationship between 'deposit and loan and advances' and 'outside assets and net profit' of NB bank, NABIL and NGBL. But there is no significant relationship between deposit and investment of NB bank only. The position of NB bank in regard to utilization of the fund to earn profit is not better in compare to NABIL and NGBL.

2.6 Review of Articles

Under this heading, effort has been made to examine and review some of the related articles published in different economic journals, bulletin of World Bank, dissertation papers, magazines, newspapers and other related books.

The article entitled "capital adequacy of Bank" by R.L Shrestha-the Nepalese context (Shrestha 990:24) has suggest to the banks that deal in high risky transactions to maintain strong capital base. He concludes that the capital base should neither be too much leading to inefficient allocation of scare resources nor so weak so as to expose to extreme risk. The study accepts that the operations of banks and the degree of risk associated with them are subject to changes country wise, bank wise and time period wise.

Henceforth the study suggested preparing standard capital adequacy ratios for each individual bank keeping in mind the various reason factors.

Dr. Manohar Krishna Shrestha on "Financial management theory practice" (Shrestha 1980:35) has concluded that the banks has sufficient liquidity to meet the claim of depositors (excluding fixed deposit). The banks has a highly geared capital structure and is more depending on Borrower funds. The bank has been able to meet the interest on deposit out of its profit. The rate of return on ownership capital is favorable. He further suggested that operational efficiency should be enhanced to achieve its higher profit goal for better performance.

Another study conducted by **Sunity Shrestha, (1998)** on "portfolio Behavior of commercial banks in Nepal" has analyzed the financial performance of the commercial banks using both description and diagnostic approach. In her study she has concluded the points as below.

- a) Per Capita deposits as well as per capita-credit in commercial banks have increased tremendously. The contribution of deposit in GDP has also been seen increasing. The assets holding of commercial banks are growing with 42.12% rate that is supposed to be higher for a development country. It can be concluded that the commercial banks in Nepal are performing their function of collecting the domestic property.
- b) The structural ration of commercial banks shows that banks invest on the average 75% of their total deposit on the government securities and the shares.
- c) The analysis of reserve position of commercial banks showed quite high percentage of deposit as cash reserve.
- d) The debt equity ratio of commercial banks is more than 100% in most of the time period under study period. It leads to conclude that the commercial banks are highly leverage and highly risky. Joint venture banks had higher capital adequacy ratio but has been declining every year.
- e) Return ratios of all the banks show that most of the time foreign banks have higher return as well as higher risk that the Nepalese banks.
- f) In case of the analysis of management achievement foreign banks were found to have comparatively higher risk that the Nepalese banks.

Thus, comparing all the banks through out the time period, financial condition and performance are better in joint venture banks than local banks

F. Mourios, (1990) in his discussion paper, "Latin America's Banking System in the 1980s" has concluded that most of the banks concentrated on compliance with central banks rules on reserve requirements, credit allocation and

interest rates. While analyzing loan portfolio quality, operating efficiency and soundness of bank, investment management has largely been over looked. The huge losses now find in the bank's portfolio in many developing countries and testimony to the poor quality of this oversight investment function.

He further adds that management in financial institutions has involved inadequate and over optimistic loan appraisal, tax loan recovery, high risk diversification of lending and investment, high risk concentration, connected and insider lending loan mismatching. This has led many banks of developing countries to the failure in 1180's.

In the same way, **Mr. Dev Lal Kish** (1996) in his article, "The Changing Face of the Banking Sector and the HMG/N recent budgetary policy." concludes that following an introduction of the reform in the banking sectors as an integrated 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 government controlled banks, Nepal Bank Ltd. and RBB have also shown an improvement of non-performing loans and are taking steps to adopt improved technology. However, higher economic growth with social justice bringing a significant benefit to the poor, are yet to the activated as envisaged by the government.

Likewise, **Mr. Bhisowbhar Pyakuryal** ((1987) in his article "Workshop on Banking and National Development" writes", The present changing context of the economy calls for a sustained revitalization of the resources. How much they have gained over the years depends chiefly on how far they have been able to utilize their resources in an efficient manner. Therefore, the task of utilization of resources is as much crucial as the mobilization. The under utilization of resources not only results in loss of income but also goes further to discourage the collection of deposits. Thus in his pare he has emphasized on proper utilization of mobilized resources and profitability increment.

Similarly, **Mr. Ramesh Lal Shrestha** (1988) in his article, "A Study on Deposit and Credits of Commercial Bank in Nepal" concludes, "The credit ratio would be 51.30%, other things remaining the same, in 2004, which was the lowest under the period of review. So he had strongly recommended that the commercial

banks should try to give more credit earning new filed as far as possible. Otherwise, they might not be able to absorb even its total expense,"

Besides this, **Mr. Bodhi B. Bajracharya** (1990) in his article, "Monetary Policy and Deposit Mobilization in Nepal.", has concluded that mobilization of domestic savings is one of the prime objective of the monetary policy in Nepal and commercial banks and the more active financial intermediary for generating resources in the form of deposit of private sector and providing credit to the investor in different sectors of the economy.

All the above studies clarify that financing ratio analysis can be used as predictors of various events.

There are number of studies conducted in order to analyses the financial performance of the joint venture commercial banks financial institution and trading companies. This study on investment policy of Nabil bank ltd and BOK covers the data of 5 years including latest data to analyses identify the sound investment policy of the banks. Therefore, this study is quite can be regarded a s one of the distinct and useful study. This study will definitely contribute to the existing literature on investment policy of commercial banks (BOK and Nabil).

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

In the last two chapters, background of the commercial JVB's has already been streamlined and reviews of literature with possible reviews of relevant ideas, theories and finding have also discussed. As a result, I have felt very comfortable to come to the choice of research methodology. "Research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view." (C.R. Kothari, 1989) In other words research methodology describes the method and proves applied in the entire aspect of the study.

Research methodology is the way to solve systematically the research problem, which includes many technical and is a must for every research study. Research methodology may define as a systematic process that is adapted by the researcher in studying a problem with certain objective in view. In other words, research methodology describes the methods and process applied in the entire aspect of the study.

The study will draw the conclusion to the point that what position NABIL and BOK and recommend the useful and meaningful points so that all concerned can achieve something from the study. To accomplish this goal, the study follows the research methodology described in this chapter.

3.2 Research Design

Research design is the plan structure and strategy of investigation conceived so as to obtain answers to research question and control variance. It is the arrangement of conditions for collection and analysis of data to achieve the objective of this study, descriptive and analytical research design has been used.

Some financial and statistical tools have been applied to examine facts and descriptive techniques have been adopted to evaluated investment of NABIL and BOK.

3.3 Sources of data

This study conducted on the basis of the secondary data. The data relating to the investment, deposit, loan and advances and profit are directly obtained from the balance sheet and profit and loss account of concerned bank's annual reports. Supplementary data and information are collected from number of institutions and regulating authorities like NRB, Security Exchange Board. Nepal Stock Exchange Ltd., Ministry of Finance, Budget Speech of different fiscal years, economic survey and National Planning Commission etc.

According to the need and objectives, all the secondary data are complied, processed and tabulated in time series. In order to judge the reliability of data provided by the banks and other sources, they were complied with the annual reports' of auditor. Formal and informal talks to the concerned head of the departments of the banks were also helpful to obtain the additional information of the related problem.

Similarly, various data and information are collected from the periodicals, economic journals, managerial magazines and other published and unpublished reports and documents from various sources.

3.4 Population and Sample

There are all together 25 commercial banks functioning in Nepal and most of their stocks are traded actively in the stock market.

In this study, NABIL investment policies have been compared with that average of BOK, covering 5 years period form fiscal year 2003/04 to 2007/08 so that it could provide a detail picture of the investment policy position between the concerned banks.

3.5 Method of Analysis

To achieve the objectives of the study, various financial, statistical and accounting tools have been used in this study. The analysis of data will be done according to the pattern of data available. Because of limited time and resources, simple analytical statistical tools such as graph, percentage, Karl Pearson's coefficient of correlation and the method of least square are adopted in this study. Similarly, some strong accounting tools such as ratio analysis and trend analysis have also been used for financial analysis.

The various calculated results obtained through financial, accounting and statistic tools are tabulated under different headings. Then they are compared with each other to interpret the results.

3.5.1 Financial Tools/Financial Analysis

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.

Ratio Analysis

The relationship between two accounting figures expressed mathematically is known as a financial ratio. Ratio analysis is a part of the whole process of analysis of financial statement of any business or industrial concern especially to take out put and credit decision.

Thus, ratio analysis is used to compare a firm's financial performance and status to that of other firms or to itself over time. From the help of ratio analysis, the qualitative judgment can be done regarding financial performance of a firm.

Even though there are many ratios, only those ratios have been covered in this study, which are related to investment operation of the bank. The ratios contained in this study are briefly shown below:

A. Liquidity Ratio

Liquidity ratios are used to judge the ability of banks to meet its short-terms liabilities that are likely to mature in the short period. From them, such insights can be obtained into present cash solvency of the bank and its ability remain solvent in the event adversities it is the measurement of speed with which a bank's assets can be converted into cash to meet deposit withdrawal and other current obligations.

The following ratios are evaluated under liquidity ratio:

A. (i) Current Ratio

Ability for payment of current debt from current assets is current ratio. This shows the relationship between current assets and current liabilities. Current assets includes cash and bank balance, money at call or short notice loans and

advances, investment in government securities and other interest receivable and miscellaneous current assets. Similarly, current liabilities include deposit and other accounts short-term loan, bills payable, tax provision, staff bonus, dividend payables and miscellaneous current liabilities.

Current ratio is calculated by dividing current assets by current liabilities which is presented as:

$$\frac{\text{Current Asset}}{\text{Current Liabilities}}$$

The widely accepted standard of current ratio is 2:1 but accurate standard depends on circumstances in case of seasonal business.

A. (ii) Cash and bank balance to total deposit ratio

This ratio is computed by dividing cash and bank balance by total deposit. This can be stated as:

$$\frac{\text{Cash and bank balance}}{\text{Total deposit}}$$

Cash and bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balance with domestic bank and balance held abroad. The total deposit consists of current deposits, saving deposits, fixed deposits, money at call and short notice and other deposits.

A. (iii) Cash and bank balance to current assets ratio

This ratio is computed by dividing cash and bank balance by current assets we can calculate it as:

$$\frac{\text{Cash and bank balance}}{\text{Current assets}}$$

A. (iv) Investment on government securities to current assets

Investment on government securities includes treasury bills, development bonds, saving bonds etc. This ratio can be computed by dividing investment on government securities by current assets. This can be stated as:

$$\frac{\text{Investment on government securities}}{\text{Current assets}}$$

A. (v) Loan and Advance to current assets ratio

This ratio can be computed by dividing loan and advances by current assets. This can be mentioned as:

$$\frac{\text{Loan and advance}}{\text{Current assets}}$$

The Loan and Advance consists of loans, advances, cash credit, loan and foreign bills purchased and discounted.

B. Assets Management Ratio/Activity Ratio

Assets management ratio measures how efficiently the bank manages the resources at its command. The following ratios are used under this ratio:

B. (i) Loan and advance to total deposit ratio

This ratio is calculated to find out how successfully the banks are utilizing their total deposits on loans and advances for profit generating purpose. Greater ratio implies the better utilization of total deposits. This can be obtained by dividing loan and advances by total deposits which can be stated as:

$$\frac{\text{Loan and advance}}{\text{Total Deposit}}$$

B. (ii) Total Investment to Total deposit Ratio

Investment is one of the major credits created to earn income. This implies the utilization of firm's deposit on investment in government securities and share and debentures of other companies and banks. This ratio can be obtained by dividing total investment by total deposit. This can be mentioned as:

$$\frac{\text{Total investment}}{\text{Total deposit}}$$

B. (iii) Loan and Advance to Working Fund Ratio

Loan and advance is the major component in the total working fund (total assets) which indicated the ability of bank to channels its deposits in the form of loan and advances to earn high return. This ratio is computed by dividing loan and advances by total working funds. This is stated as:

$$\frac{\text{Loan and advances}}{\text{Total working fund}}$$

Here, the denominator includes all assets as of on balance sheet items. In other words this includes current assets, net fixed assets, loans for development banks and other miscellaneous assets but excludes off balance sheets items like letter of credit letter of guarantee etc.

B. (iv) Investment on Government Securities to Total Working Fund Ratio

This ratio shows the banks investment on government securities in comparison to total working funds. This ratio is calculated by dividing investment on government securities by total working fund. This is presented as;

$$\frac{\text{Investment on government securities}}{\text{Total working funds}}$$

B. (v) Investment on Shares and Debenture to Total Working Fund Ratio

This ratio shows the banks investment in share and debenture of subsidiary and other companies. It can be derived by dividing investment on share and debenture by total working fund which can be mentioned as:

$$\frac{\text{Investment on share and debentures}}{\text{Total working funds}}$$

The numerator includes investment on debentures, bonds and shares of other companies.

C. Profitability Ratio

Profitability ratios are very much helpful to measure the overall efficiency of operations of a firm. It is a true indicator of the financial performance of

any institution. It is notable that higher the profitability ratio is better the financial performance and vice versa. Profitability positions can be viewed in different ways.

C. (i) Return on Total Working Fund Ratio

This ratio is calculated by dividing net profit by total working fund. This ratio can be stated as:

$$\frac{\text{Net Profit}}{\text{Total working funds}}$$

This numerator indicates with portion of income is left to the internal equities after all costs, charges have been deducted.

C. (ii) Return on Investment Ratio

This ratio measures the company's return from investment or the capacity to generate profit from its investment. This ratio is calculated by dividing net profit by total investment. This can be stated as:

C. (iii) Return on loan and Advances Ratio

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

$$\frac{\text{Net Profit}}{\text{Loan and advances}}$$

C. (iv) Earning Per Share Ratio

This ratio is calculated by dividing the profit available after tax to the shareholders by the number of outstanding shares. This ratio measures the profit available to the common shareholders as per share basis i.e. the amount they get from every share. This ratio can be stated as:

$$\frac{\text{Net Profit}}{\text{No. of shares}}$$

C. (V) Total Interest earned to Total Outside Assets Ratio

This ratio is calculated by dividing total interest earned by total outstanding assets, can be stated as:

$$\frac{\text{Total interest earned}}{\text{Total outside assets}}$$

The denominator includes loan and advances and all types of investment. The numerator comprises total interest income from loans, advances, cash credit and overdrafts, government securities, inter-bank and other investment.

C. (vi) Total Interest Earned to Total Working Fund Ratio

This ratio is calculated to find out the percentage of interests earned to total assets (working funds). Higher ratio implies better performance of the bank its term of interest, earning on its total working funds. This ratio is calculated by dividing total interest earned by total working funds. This is stated as:

$$\frac{\text{Total interest earned}}{\text{Total Working Fund}}$$

C. (vii) Total Interest Paid to Total Working Fund Ratio

This ratio can be calculated by dividing total interest paid by total working fund and can be stated as:

$$\frac{\text{Total interest paid}}{\text{Total working fund}}$$

The numerator consists of total interest expenses on deposit liabilities, loans and advances (borrowings) and others deposits.

D. Risk Ratios

Risk taking is the prime business of bank's investment management. It increases effectiveness and profitability of the bank. These ratio indicate the amount

of risk associated with the various banking operation, which ultimately influences the bank investment policy.

The following ratios are evaluated under this:

D. (i) Credit Risk Ratio

Credit risk ratio measure the possibility that loan will not be repaid or that investment will deteriorate in quality or go into default with consequent loss to the bank. By definition, credit risk ratio is expressed as the percentage of non-performing loan to total loan and advances. Here, dividing total loan and advances by total assets derives this ratio. This can be stated as:

$$\frac{\text{Total loan and advances}}{\text{Total assets}}$$

D. (ii) Capital Risk Ratio

The capital risk ratio of a bank indicates how much assets values may decline before the position of depositors and other creditors risk. The capital risk is directly related to the return to the equity (ROE). Higher the ratio, lower is the capital risk. This ratio is computed by dividing capital (paid up capital + reserve) by risk-weighted assets as computed under BASLE committee's formula this can be mentioned as:

$$\frac{\text{Capital (paid up + reserve)}}{\text{Risk weighted assets (RWA)}}$$

3.5.2 Statistical Tools/Statistical Analysis

Some important statistical tools are used to achieve the objective of this study. In this study, statistical tools such as correlation coefficient analysis, standard deviation, coefficient of variance, least square, liner trend and hypothesis testing have been used. The basic analyses are written in points below;

1. Coefficient of correlation between different variables
2. Trend analysis of important variables
3. Test of hypothesis of important variables

1. Coefficient of correlation Analysis

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

- a) Total deposit and total investment
- b) Total deposit and loan and advance
- c) Total investment and net profit
- d) Loan and advances and net profit

This tool analyzes the relationship between these variables and helps the bank to make appropriate policy regarding deposit collection, fund utilization (loan and advances and investments).

2. Trend Analysis

This tool analyzes the trend of deposits, loans and advances, investment and net profit of NABIL and BOK from 2003/04 to 2007/08 and makes the forecast for the next five years. Under this, following tools have been presented:

- a) Trend analysis of total deposits
- b) Trend analysis of total investment
- c) Trend analysis of loan and advance
- d) Trend analysis of net profit

3. Test of Hypothesis

The objective of this test is to test the significance regarding the parameters of the population on the basis of sample drawn from the population. This test has been conducted on the various ratios related to the banking business.

- a) Is there significant relationship between mean ratio of loan and advances to total deposit of NABIL and BOK. Either H_0 is accepted or not.
- b) Is there significant relationship between mean ratio on total investment to total deposit ratio of NABIL and BOK. Either H_0 is accepted or not.

- c) Is there significant relationship between mean ratio on return on loan and advances ratio of NABIL and BOK. Either H_0 is accepted or not.
- d) Is there significant relationship between mean ratio of on return on investment ratio of NABIL and BOK
- e) Is there significant relationship between mean ratio of on total interest earned to total working fund ratio of NABIL and BOK. Either H_0 is accepted or not.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

The purpose of this chapter is to study, evaluate and analyze the major financial performances, which are mainly related to the investment management and fund mobilization of NABIL bank in comparison to BOK. To make the analysis easier, the calculated financial ratios and statistical figures are evaluated, analyzed and interpreted from the results outcome. For this purpose, analysis and interpretations are categorized into two headings.

- ❖ Financial Analysis
- ❖ Statistical Analysis

4.1 Financial Analysis

Under this heading, financial ratios are evaluated and analyzed and then interpretations are made. It is notable that all types of financial ratios are not studied here. Only those ratios are calculated and analyzed which are very much important in the point of view of fund mobilization of a commercial bank. The important ratios that are studied for this purpose are listed below:

1. Liquidity Ratio
2. Assets Management Ratio
3. Profitability Ratio
4. Risk Ratio

4.1.1 Liquidity Ratio

Liquidity ratio measures the ability of the firm to meet its maturity short-term obligations. A commercial bank must maintain its satisfactory liquidity position to satisfy the credit needs of the community to meet the demands for deposits, withdrawals, pay maturity in time and convert non-cash assets into cash to satisfy immediate need without loss to bank and consequent impact on long run profit.

The following ratios are evaluated under liquidity ratios, which compare the liquidity positions of NABIL and BOK.

4.1.1.1 Current Ratio

Current ratio indicated the ability of the bank to meet its current obligation. Standard of current ratio is 2:1 for banking and seasonal business current ratio of 1:1 is considered the standard norms.

We have,

$$\text{Current ratio} = \frac{\text{Total current Asset}}{\text{Total current Liabilities}}$$

Current assets includes cash and bank balance, money at call or short notice loans and advances, investment in government securities and other interest receivable and miscellaneous current assets. Similarly, current liabilities include deposit and other accounts short-term loan, bills payable, tax provision, staff bonus, dividend payables and miscellaneous current liabilities.

The current ratio, mean, standard deviation (S.D.) and coefficient of variation (C.V.) of NABIL and BOK are given in the Table No 1. Here, mean, S.D and C.V. are calculated in the excel program of computer by using the functions AVERAGE, STDEVP and MEAN/S.D. respectively.

Table No. 1

Current ratio (times)

Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	0.940	0.971	1.09	1.08	1.07	0.98	0.1376	14.04
BOK	1.059	1.057	1.034	1.063	1.076	1.06	0.02	1.89

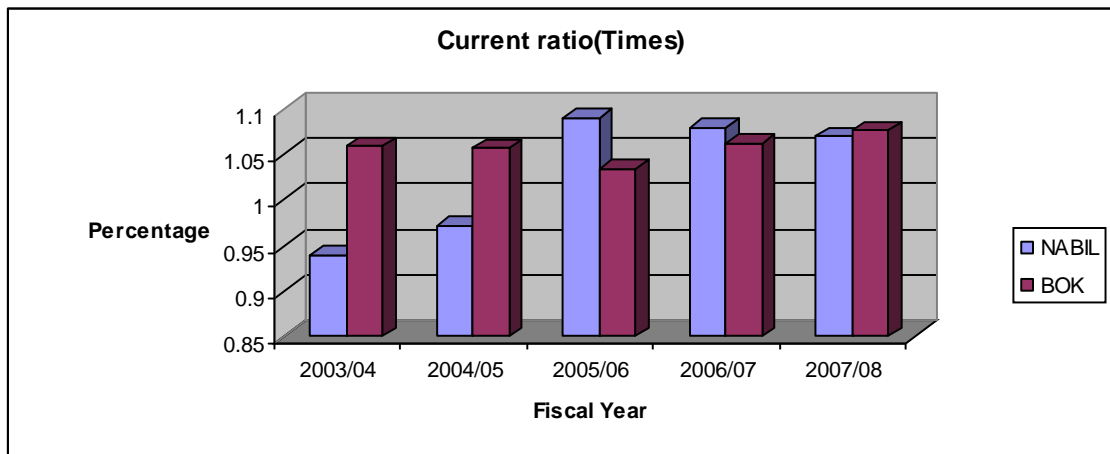
(Source: Appendix 1)

From the table 1, it is clear that NABIL has more current liabilities than current assets. The current ratio of NABIL bank is in increasing trend during the study period. Its highest ratio is 1.09 and lowest ratio is 0.940. BOK has more current assets than current liabilities. Its current ratio is in fluctuating trend

under the study period and its highest ratio is 1.076 and lowest ratio is 1.034 in the F/Y 2007/08 and 2005/06 respectively.

In average, liquidity position of NABIL bank is lower than BOK i.e. $0.98 < 1.06$ due to low mean ratio. Likewise, the C.V. of NABIL is more than BOK $14.04 > 1.89$. It means NABIL bank is less consistent than BOK.

Figure: 1



(Source: Table No 1)

From the figure no 1, it can be said that NABIL doesn't seem to have sound liquidity position and consistent in comparison to BOK .

4.1.1.2 Cash and bank balance to total deposit ratio

This ratio measures the ability of the bank to meet the unanticipated cash and all types of deposits, cash and bank balance is said to be the first defense of every cash transaction. Higher the ratio, the greater will be the ability to meet sudden demand of deposit. But it is notable here that every high ratio is not desirable since bank has to pay interest on deposits as it maximizes the cost of fund to the bank.

We have,

Cash and bank balance to total deposit ratio

$$\frac{\text{Cash and bank balance}}{\text{Total deposit}} =$$

Cash and bank balance to total deposit ratio of NABIL and BOK from the fiscal year 2003/04 to 2007/08 are given below in the table no. 2

Table No. 2

Cash and bank balance to total deposit ratio (%)

Bank	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	6.87	3.83	6.26	5.90	8.37	5.65	1.896	33.56
BOK	10.11	8.28	6.95	10.62	9.097	9.01	1.3104	14.54

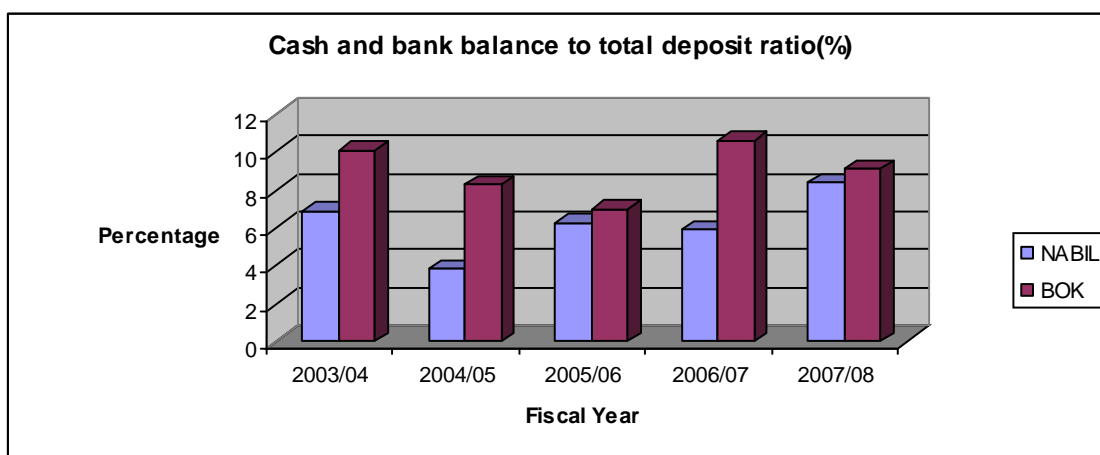
(Source: Appendix- 2)

The table no 2 shows the fluctuating trend of cash and bank balance to total deposit ratio of NABIL. It has maximum ratio of 8.37% in the F/Y 2007/08 and minimum of F/Y 2004/05 is 3.83%. The table shows the decreasing trend of BOK for 1st three year and increasing in year 4th and again decreasing in 5th year.. It has maximum ratio 10.62% and minimum ratio 6.95%.

In average, NABIL has maintained lower cash and bank balance with respect to total deposit than BOK i.e. $5.65 < 9.01$ It states that the cash and bank balance in liquidity position of NABIL is lower than BOK. Similarly, the C.V. of NABIL is lower than BOK i.e. $33.56 > 14.54$. So BOK has High consistency.

From the table no 2 analysis, the cash and bank balance position of NABIL with respect to deposit is not better against the readiness to serve it's customers' deposit than BOK. In contrast, a high ratio of cash and bank balance may be unfit which indicates the bank's inability. This NABIL may invest in more productive sectors like short term marketable securities, treasury bills etc ensuring enough liquidity which will help the bank to improve it's profitability. It is graphically presented in figure no 2.

Figure: 2



(Source: Table No 2)

4.1.1.3 Cash and bank balance to current assets ratio

This ratio examines the bank's liquidity capacity on the basis of its most liquid assets; cash and bank balance. This ratio reveals the ability of the banks to make the payment of its customer deposits. A high ratio indicates the sound ability to meet their daily requirements of their customer deposits and vice-versa. But both higher or lower ratios are not desirable because if a bank maintains higher ratio, it has to pay interest on deposit and some earnings may be lost. In contrast, if a bank maintains low ratio of cash, it may fail to make the payment for presented cheques by its customers. Thus, an appropriate level of cash and bank balance should be maintained properly.

We have,

Cash and bank balance to current assets ratio

$$= \frac{\text{Cash and bank balance}}{\text{Total deposit}}$$

The following table no. 3 shows the cash and bank balance to current assets ratio of NABIL and BOK

Table No. 3

Cash and bank balance to Current assets ratio (%)

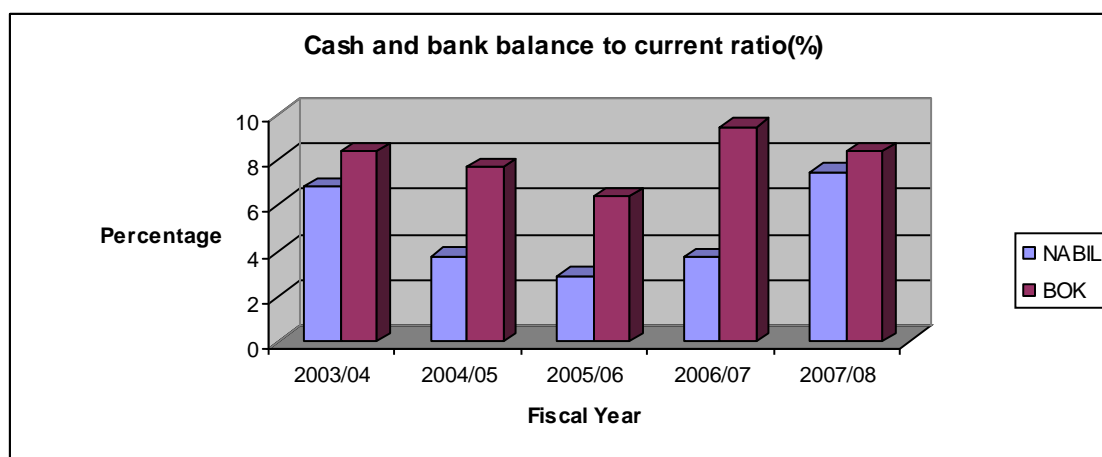
Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	6.81	3.74	2.91	3.70	7.43	4.924	1.3671	27.76
BOK	8.36	7.68	6.38	9.42	8.36	8.04	0.999	12.42

(Source: Appendix- 3)

From the table no 3, NABIL has fluctuating trend on cash and bank balance to current assets ratio. It has maximum ratio 7.43% in the F/Y 2007/2008 and minimum of F/Y 2005/2006 is 2.91%. BOK's cash and bank balance to current assets ratio is also fluctuating trend. It has 9.42% in the F/Y 2006/07 and 6.38% in 2005/06. It's rapidly decreasing.

In overall, the mean ratio of NABIL is lower than BOK i.e. $4.924 < 8.04$. As a result, it can be said that in spite of fluctuating trend in the ratios, it has been successful to maintain its higher cash and bank balance to current assets ratio than BOK. Likewise, the C.V. of NABIL is less consistent than BOK as it has lower C.V. than BOK i.e. $27.76 > 12.42$

Figure: 3



(Source: Table No 3)

In the figure no 3, it represented NABIL is not in better position to maintain it's cash and bank balance in comparison to BOK and the table no 3 also shows but it doesn't mean that BOK has mobilized it's more funds in profitable sector. It actually means that BOK can meet it's daily requirements to make the payments on customer deposits. In contrast, NABIL may invest their fund in more productive sectors.

4.1.1.4 Investment on government securities to current

Assets Ratio.

This ratio is used to examine the portion of a commercial bank's current assets, which is invested on various government securities issued by government. More or less, each commercial bank wants to diversify their investment in the lower risk items such as government securities. But more fund investment on government securities by the bank is not preferable to achieve the bank's goal of profit maximization as it doesn't give more return in compare to other investments. Though the government securities are not so much liquid as cash and bank balance of commercial banks, they can be easily sold in the market or they can be converted into cash in other ways.

We have,

Investment on government securities to current Assets Ratio

$$= \frac{\text{Investment on Gov. securities}}{\text{Current assets}}$$

Investment on government securities to current assets ratio of NABIL and BOK are presented in the following table:

Table No. 4

Investment on Gov. securities to current assets ratio (%)

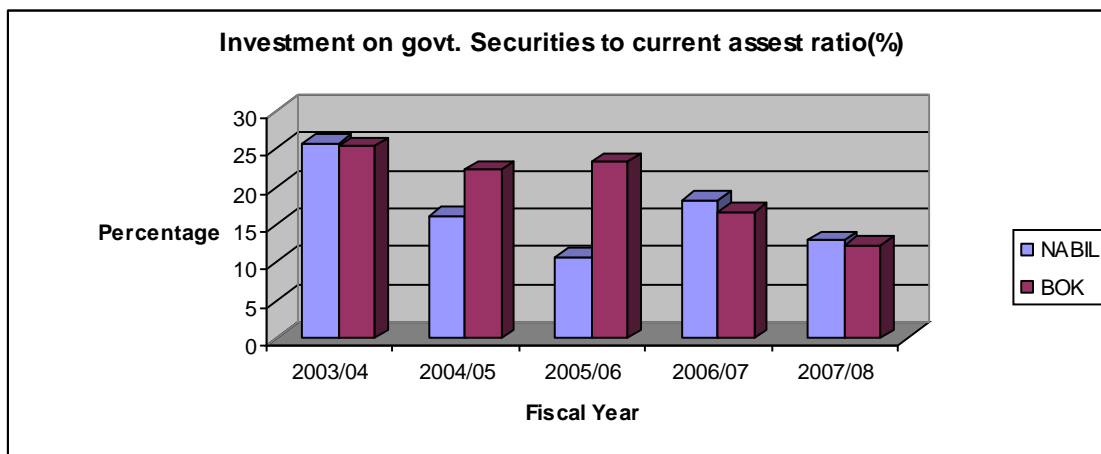
Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	25.78	16.12	10.72	18.18	12.93	16.746	5.04	30.09
BOK	25.33	22.26	23.27	16.69	12.30	19.97	4.55	22.78

(Source: Appendix- 4)

The table no. 4 shows the fluctuating trend of investment on government securities to current assets ratio of both banks; NABIL and BOK. In case of NABIL, it maintained high ratio in the F/Y 2003/04 i.e. 25.78% and lowest ratio 10.72% in the F/Y 2005/06. Similarly, BOK's highest ratio is 25.33% in the F/Y 2003/04 and lowest ratio of 2007/08 is 12.30%.

Comparatively, BOK has invested more portion of current assets to government securities as it has high mean ratio than NABIL i.e. $16.746 > 19.97$. On the other hand, C.V. of BOK is less than NABIL i.e. $22.78 < 30.09$, which means the variability of ratios of BOK is more homogenous than that of NABIL.

Figure: 4



(Source: Table No 4)

From the above figure no 4 clearly shows, BOK has good liquidity position from the point of view of investment on government securities in comparison to NABIL.

4.1.1.5 Loan and advances to current assets ratio

A commercial bank should not keep it's all collected funds as cash and bank balance but they should be invested as loan and advances to the customers to make more profit by mobilizing it's fund in the best way. It should pay interest on those unutilized deposit funds and may lose some earnings if sufficient loan and advances can't be granted. But at he same time, high loan and advances may also be harmful to keep the bank in liquid position. Thus a bank must maintain it's loan and advances in appropriate level.

We have,

Loan and advances to current Assets Ratio

$$= \frac{\text{Loan and advances}}{\text{Current assets}}$$

The following table no. 5 shows the loan and advances to current assets ratio of NABIL and BOK

Table No. 5

Loan and advance to current assets ratio (%)

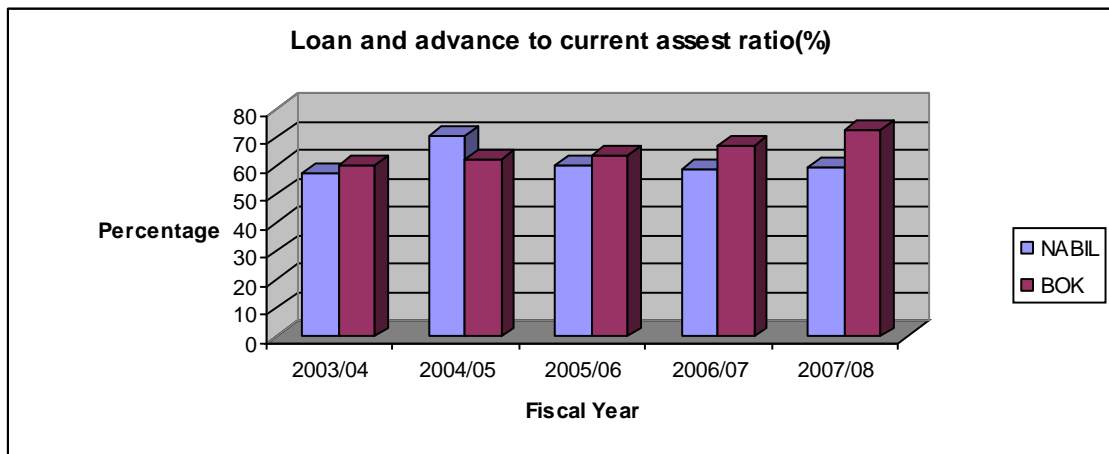
Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	57.50	70.71	60.20	58.76	59.46	61.326	7.51	12.25
BOK	60.30	62.29	63.55	67.29	72.56	65.25	4.36	6.68

(Source: Appendix- 5)

The table no 5 shows that the NABIL has fluctuating trend of loan and advance to current assets ratio. And BOK has Decreasing Trend of Loan and advance to current assests.NABIL has maximum ratio of 70.71% in the F/Y 2004/05 and minimum ratio of 57.50% in the F/Y 2003/04. Similarly, BOK has maintained maximum ratio 72.56% in the F/Y 2007/08 and minimum 60.30% in 2003/04.

While examining the mean ratio, NABIL has maintained 61.326% which is less than BOK i.e. 65.25%. It means NABIL has used its fewer portions of current assets to loan and advance. On the other hand C.V. of NABIL is higher than BOK i.e. 12.25>6.68 which shows inconsistency of NABIL in comparison to BOK.

Figure 5



(Source: Table No 5)

From the above present figure no 5, it can be said that NABIL is not in good condition to mobilize its fund as loan and advances with respect to current assets in comparison to BOK.

4.1.2 Assets Management Ratio

A commercial bank must be able to manage its assets properly to earn high profit, to satisfy its customers and for it's own existence. Assets management ratio (Activity Ratio) measures how efficiently the bank manages the resources at it's command.

The following ratios are evaluated and interpreted under this asset management ratio to compare the asset management ability of NABIL and BOK.

4.1.2.1 Loan and advances to total deposit ratio

This ratio measures the extent to which the banks are successful to mobilize their total deposit on loan and advances for profit generating purpose. A high ratio of loan and advances indicates better mobilization of collected deposits and vice versa. But it should be noted that too high ratio may not be better from its liquidity point of view.

We have

Loan and advances to total deposit ratio

$$= \frac{\text{Loan and advances}}{\text{Total deposit}}$$

The following table no. 6 exhibits the loan and advance to total deposit ratio of NABIL and BOK

Table No. 6

Loan and advance to total deposit ratio (%)

Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	58.01	72.57	66.79	66.59	66.94	66.18	4.66	7.04
BOK	72.94	66.12	69.23	75.87	78.71	72.574	4.50	6.20

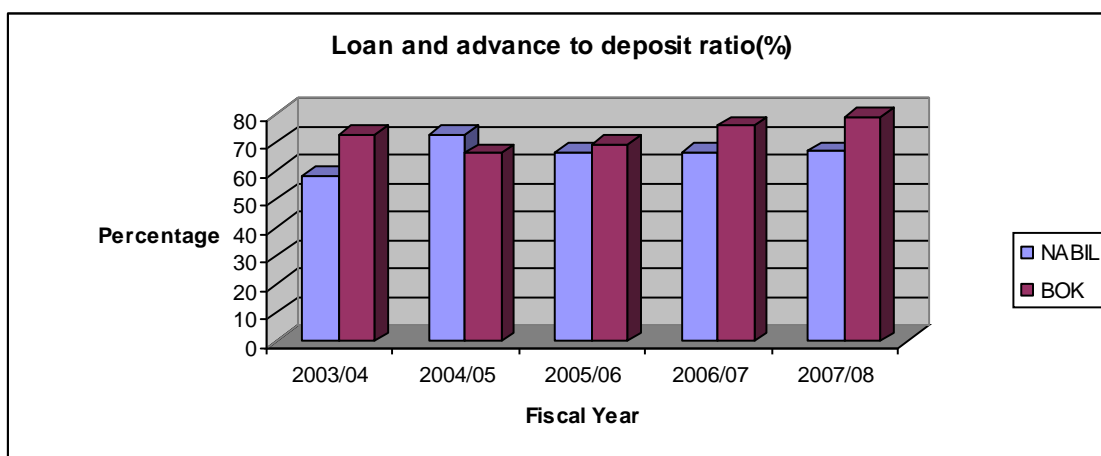
(Source: Appendix- 6)

The table no 6. Shows that loan and advances to total deposit ratio of both NABIL and BOK is in fluctuating trend. NABIL has maximum ratio 72.57% and minimum 58.01% in the F/Y 2004/05 and F/Y 2003/04 respectively. And BOK's maximum ratio is 78.71% in the F/Y 2007/08 and minimum 66.12% in 2004/2005.

In average, NABIL has maintained lower loan and advance to total deposit ratio in comparison to BOK i.e. 66.18<72.574. The C.V. of BOK is higher than NABIL i.e. 6.20<70.4 which indicates less consistency of BOK.

From the above description, it can be concluded that BOK is in lower position in mobilizing its total deposit as loan and advance in comparison to NABIL. But it should be noted that in process of loan management of bank assets, so many factors are to be considered such as risk analysis, diversification, social responsibility, bank's credit policy, compensation policy, limit of lending power etc. It is graphically presented in figure no 6.

Figure: 6



(Source: Table No 6)

4.1.2.2 Total investment to total deposit ratio

This ratio measures the extent to which the banks are successful in mobilizing the total deposits on investment in different sectors. A high ratio indicates the success in mobilizing the deposits and vice-versa.

We have,

Total investment to total deposit ratio

$$= \frac{\text{Total investment}}{\text{Total deposit}}$$

The following table no. 7 shows the investment to total deposit ratio of NABIL and BOK

Table No. 7

Total investment to total deposit ratio (%)

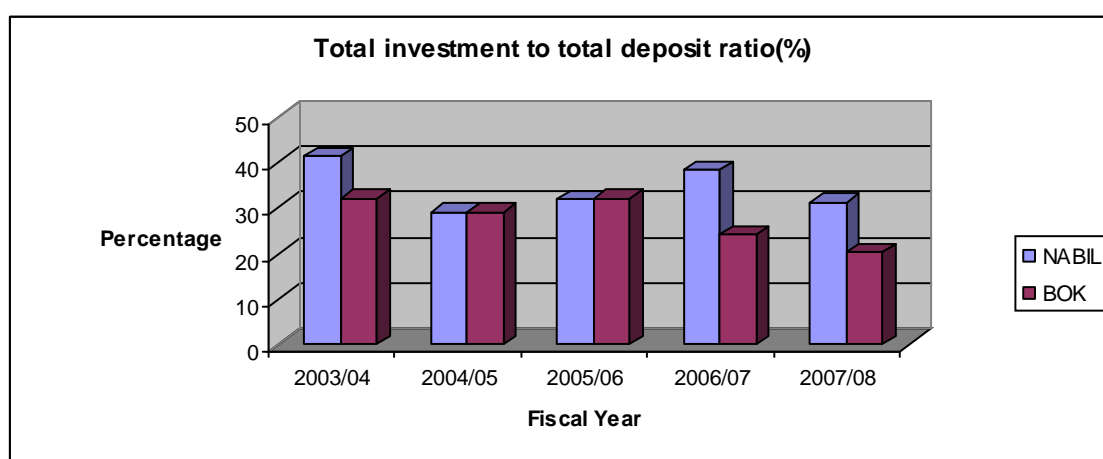
Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	41.33	29.25	31.93	38.32	31.14	34.39	4.62	13.43
BOK	32.00	29.05	32.19	24.15	20.24	27.53	4.86	17.65

(Source: Appendix- 7)

From the table no. 7, it is found that the total investment to total deposit of NABIL is fluctuating trend in the study period. The highest ratio is 41.33% and the lowest 29.25% in the F/Y 2003/04 and 2004/05 respectively. Similarly, BOK, in this case, has fluctuating trend. It has maintained highest ratio 32.19% in the F/Y 2005/06 and lowest ratio 20.24% in the F/Y 2007/08.

As the mean ratio to NABIL is greater than BOK i.e. $43.39 > 21.86$, NABIL seems to be strong to mobilize its total deposits on total investment in comparison to BOK. On the other hand, observing the C.V., NABIL have been more consistent than BOK as it has less C.V. than BOK i.e. $13.43 < 17.65$

Figure: 7



(Source: Table No 7)

The figure no 6 clearly shows that NABIL is successful in utilizing its resources on investment than BOK.

4.1.2.3 Loan and advances to total working fund ratio

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

We have,

Loan and advances to total working ratio

$$= \frac{\text{Loan and advances}}{\text{Total working fund}}$$

The following table no. 8 exhibits the loan and advance to total working fund ratio of NABIL and BOK.

Table No. 8

Loan and advance to total working fund ratio (%)

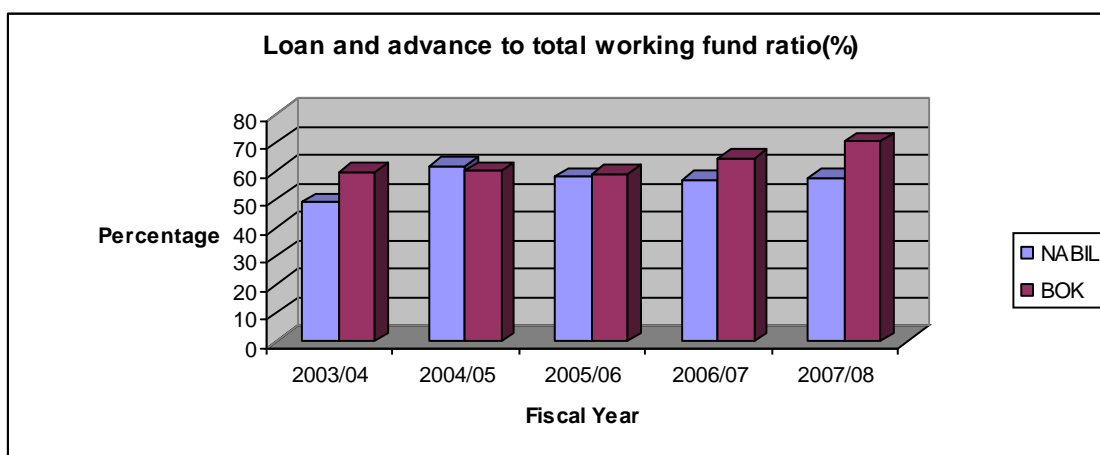
Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	48.91	61.5	57.87	57.04	57.54	56.59	4.16	7.35
BOK	59.46	59.98	59.12	64.46	70.32	62.66	4.40	7.05

(Source: Appendix-8)

The table no 8. Shows the loan and advance to the total working fund ratio of NABIL is in Fluctuating trend. Its highest ratio is 61.50% and lowest ratio is 48.91%. Similarly, BOK, in this regard, is in fluctuating trend. It has maximum ratio 70.32% in the F/Y 2007/08 and minimum ratio 59.12% in the F/Y 2005/06.

On the basis of mean ratio, NABIL is in weak condition to mobilize it's total working fund as loan and advances in comparison to BOK as NABIL has less mean ratio than BOK i.e. $56.59 < 62.66$. C.V. of NABIL is higher than BOK i.e. $7.35 > 7.05$ which means NABIL is less consistent than BOK.

Figure: 8



(Source: Table No 7)

From the figure no 8. , it can be concluded that fund mobilization of NABIL in terms of loan and advance with respect to total working fund is not satisfactory in comparison to BOK.

4.1.2.4 Investment on govt. Securities to total working fund ratio

Although the investment on government securities doesn't help the commercial bank to achieve the objective of profit maximization, commercial banks seem to be interested to utilize their deposits by purchasing government securities. It is because of security and liquidity and investment diversification. The ratio of investment on government securities to total working fund is very helpful to know the extent on which the banks are mobilizing their total working fund on different types of government securities.

We have,

Investment on Gov. Securities to total working fund ratio

$$= \frac{\text{Investment on Gov. securities}}{\text{Total working fund}}$$

The following table no. 9 shows the investment on government securities to total working fund ratio of NABIL and BOK.

Table No. 9

Investment on government securities to total working fund ratio (%)

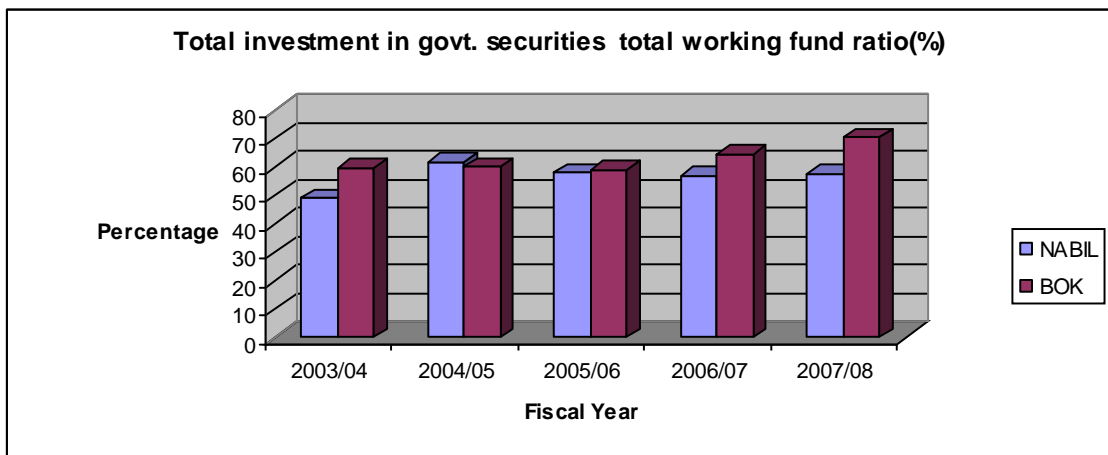
Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	21.93	14.05	10.31	17.64	12.51	15.29	4.09	26.76
BOK	24.98	21.78	21.65	15.9	11.92	19.264	4.68	24.29

(Source: Appendix-9)

The table no. 9 shows the fluctuating trend of investment on government securities to total working fund ratio of NABIL. It has highest ratio 21.93% in the F/Y 2003/04 and lowest ratio 10.31% in the F/Y 2005/06. Similarly, But BOK has decreasing trend. Its highest ratio is 24.98% in the F/Y 2003/04 and lowest ratio is 11.92% in the F/Y 2007/08.

In average , BOK has maintained higher mean ratio than NABIL i.e. $19.26 > 15.29$, which means BOK is in good position to mobilize it's total working fund as investment on government securities in comparison to BOK. On the other hand, C.V. of NABIL is more than BOK i.e. $22.29 < 26.76$, which shows more inconsistency of NABIL than BOK. It is graphically presented in figure no 9.

Figure: 9



(Source: Table No 9)

From the figure no 9 presented that BOK has invested more portion of working fund to government securities and less consistent in comparison to BOK.

4.1.2.5 Investment on share and debenture to total working fund ratio

Though the investment on government securities is relatively safer than investment on shares and debentures of other company, commercial banks are investing on shares and debentures of other companies for the purpose of income generation. This ratio shows to what extent the bank has successfully invested its assets on other company's share and debenture to generate income. A high ratio indicates more portion of investment on shares and debentures.

We have,

Investment on share and deb. to total working fund ratio

$$= \frac{\text{Investment on share and deb.}}{\text{Total working fund}}$$

The table no. 10 shows the ratios of investment on share and debentures to total working fund of NABIL and BOK.

Table No. 10

Investment on share and debenture to total working fund ratio (%)

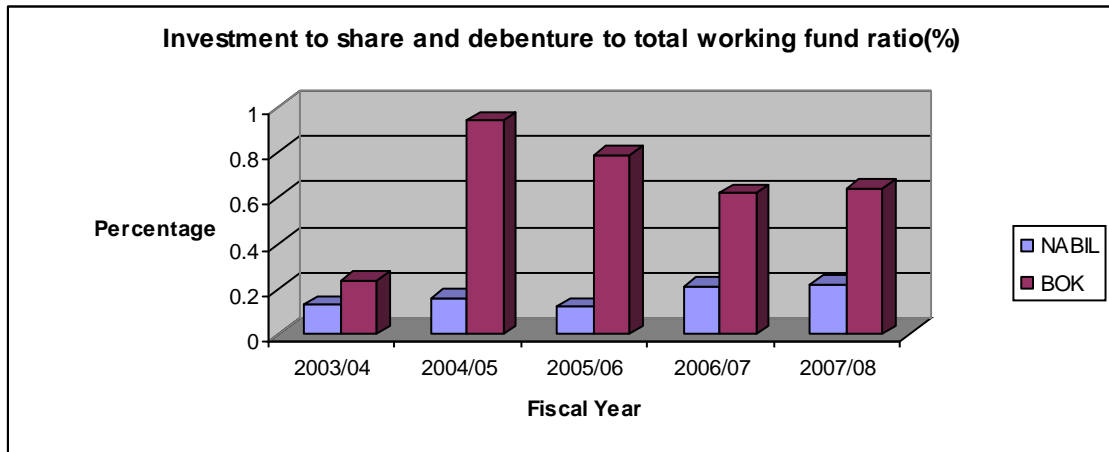
Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	0.13	0.16	0.12	0.21	0.22	0.168	0.04	23.80
BOK	0.24	0.94	0.79	0.62	0.64	0.646	0.23	35.60

(Sources: Appendix-10)

The table no 10 shows that NABIL has fluctuating ratio in study period. Its maximum ratio is 0.22% and minimum ratio is 0.12%. On the other hand, BOK has also fluctuating trend. It's maximum ratio 0.94% in the F/Y 2004/05 and minimum ratio 0.24% in the F/Y 2003/04.

In average, NABIL has not invested in share and debenture as BOK as it has less mean ratio than BOK i.e. $0.168 < 0.646$. On the other hand, lower C.V. of NABIL i.e. $23.80 < 35.60$ show the consistency of NABIL in comparison to BOK.

Figure: 10



(Sources: Table No 10)

From the figure no 10, it is concluded that NABIL has less percent of investment on shares and debentures with respect to total working fund in comparison to BOK.

4.1.3 Profitability Ratio

Profitability ratio measures the efficiency of operation of a firm in terms of profit. Sufficient profit is must to have good liquidity, grab investment opportunities, expand banking transaction, finance government in need of development fund, overcome the future contingencies and meet fixed internal obligation for a bank. A bank acquires profit by providing different services to it's customer or by making different kinds of investment. Profitability ratios measure the efficiency of a bank. Higher the ratio, greater will be the efficiency.

The following ratios are evaluated and interpreted under profitability ratio, which compare the efficiency of NABIL and BOK.

4.1.3.1 Return on total working fund ratio

Return on working fund ratio is a measuring rod of the profitability with respect to each financial resources investment of the bank assets. If the bank's working fund is well managed and efficiently utilized, return on such assets will be higher and vice-versa. The banks have to earn satisfactory return on assets for its survival.

We have,

Return on total working fund ratio

$$= \frac{\text{Net profit}}{\text{Total working fund}}$$

The following table no. 11 shows the return on total working fund ratio of NABIL and BOK.

Table No. 11

Return on total working fund ratio (%)

Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	2.72	3.02	2.84	2.47	2.01	2.61	0.35	13.41
BOK	1.34	1.42	1.65	1.80	2.04	1.65	0.41	24.85

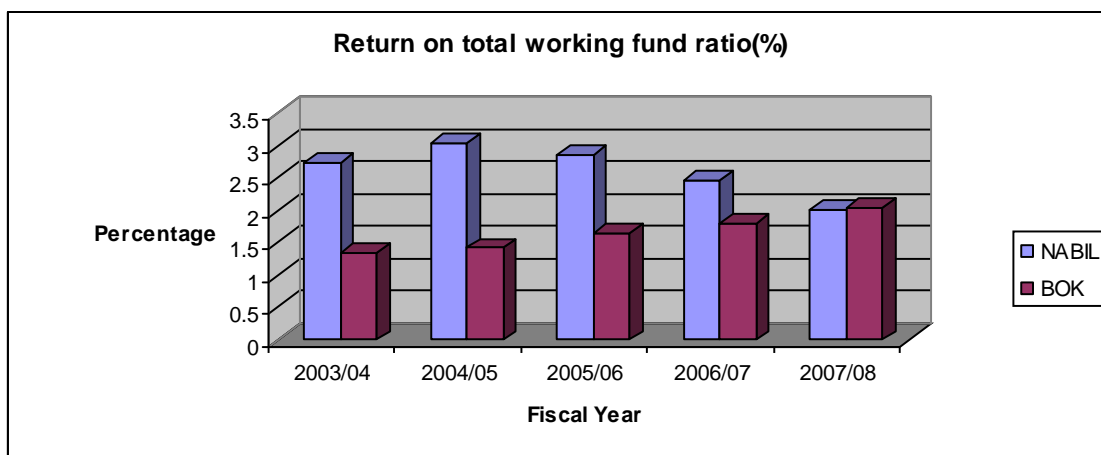
(Source: Appendix-11)

The table no 11 shows that the ratio of return on total working fund of NABIL is in fluctuating trends and BOK is in increasing trends of the study period. In the case of NABIL, the highest ratio it has secured is 3.02 and the lowest is 2.01 in the F/Y 2004/05 and 2007/08 respectively. Similarly, BOK's highest ratio is 2.04 and lowest ratio is 1.34 in the F/Y 2007/08 and 2003/04 respectively.

BY observing mean ratios, NABIL seems to be successful to earn higher return on its working fund in comparison to BOK as it has more mean ratio than BOK i.e 2.61>1.65. On the other hand, C.V of NABIL is low than BOK i.e. 13.41 < 24.85, which shows it is more consistent than BOK.

From the table no 11, it can be said that NABIL is in strong position in earning capacity by utilizing available resources and consisting more stable to earn capacity maintained and net profit generated in comparison to BOK. It is graphically presented in the figure no 11.

Figure: 11



(Source: Table No 11)

4.1.3.2 Return on Investment ratio

Return on investment ratio measures the capacity of the bank to generate profit from its investment in different sectors. Return will be higher if the investment diversification and portfolio has been good managed.

We have,

$$\text{Return on Investment} = \frac{\text{Net Profit}}{\text{Total investment}}$$

The following table no. 12 shows the return on investment ratios of NABIL and BOK.

Table No. 12

Return on investment ratio (%)

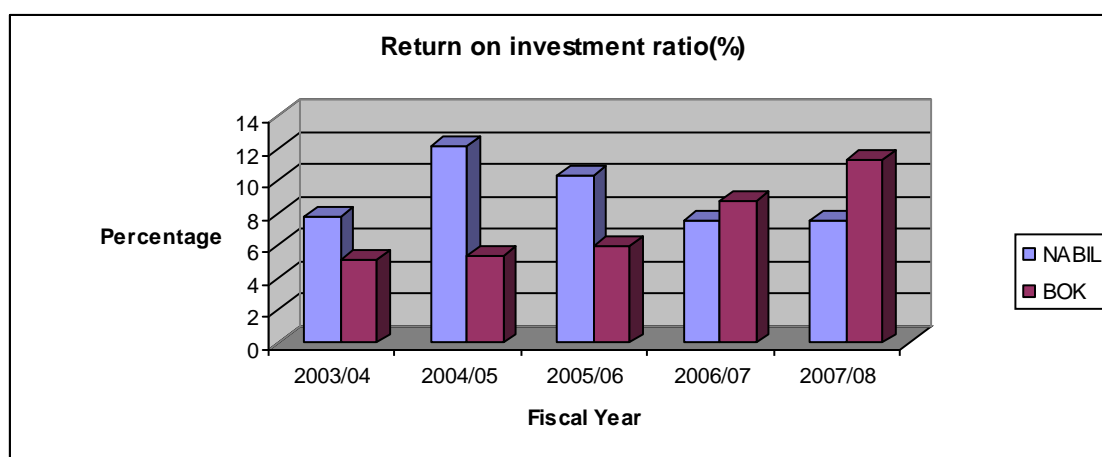
Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	7.80	12.15	10.28	7.53	7.51	9.054	1.86	20.54
BOK	5.15	5.37	5.99	8.77	11.28	7.312	2.37	32.41

(Sources: Appendix-12)

The table no. 12 shows return on investment ratio of NABIL is in fluctuation trend till. Its maximum ratio is 12.15 % in the F/Y 2004/05 and minimum is 7.51% in the F/Y 2007/08. Similarly, BOK has increasing trend. Its maximum ratio is 11.28% in the fiscal year 2007/08 and minimum ratio is 5.15% in the F/Y 2003/04.

In average, NABIL has high return on investment than BOK as it's mean ratio is greater than BOK i.e. $9.054 > 7.312$. On the other hand, C.V. of NABIL is lower than BOK i.e. $20.54 < 32.41$ which states that NABIL is more consistent than BOK.

Figure: 12



(Source: Table No 12)

From the figure no 12. presents it is can be said that NABIL is successful in earning high return on investment and more stable in Comparison to BOK.

4.1.3.4 Return on loan and advances ratio

This ratio measures the earning capacity of commercial banks on its deposits mobilized on loan advances. A high ratio indicates a high success to mobilize fund as loan and advances and vice-versa.

We have

$$\text{Return On loan and advances} = \frac{\text{Net Profit}}{\text{Loan and advances}}$$

The following table no. 13 shows the return on loan and advances of NABIL and BOK

Table No. 13

Return on loan and advance ratio (%)

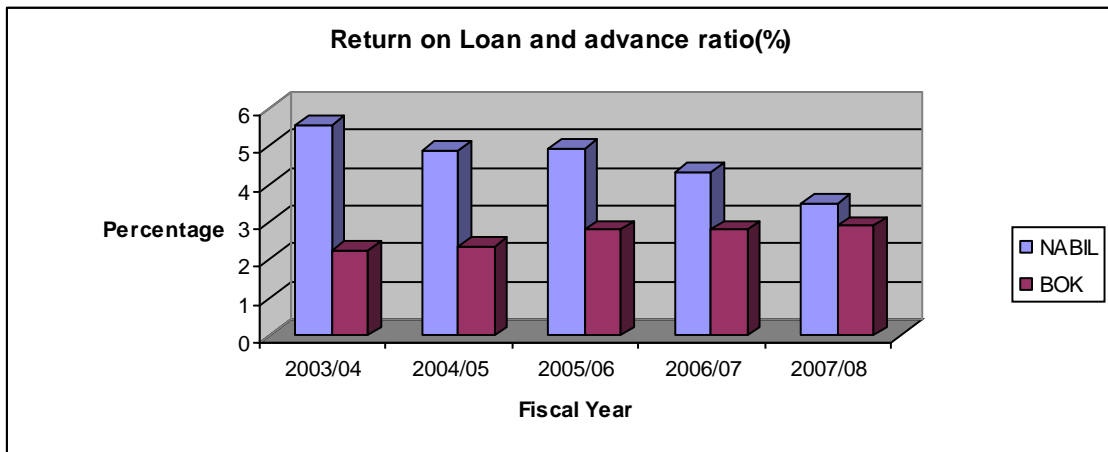
Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	5.56	4.90	4.92	4.33	3.49	4.64	0.69	14.87
BOK	2.26	2.36	2.79	2.79	2.90	2.62	0.25	9.54

(Source: Appendix-13)

The table 13 shows the fluctuating trend of return on loan and advance ratio of NABIL. It has maximum ratio 5.56% in the F/Y 2003/04 and minimum ratio 3.49% in the F/Y 2007/08. Similarly, BOK has decreasing trend in study period. Its maximum ratio is 2.90% in the F/Y 2007/08 and minimum ratio is 2.26% in the F/Y 2003/04.

The mean ratio of NABIL is higher than BOK i.e. 4.64>2.62, which shows NABIL is successful to earn high return than BOK. The C.V. of NABIL is lower than BOK i.e. 14.87<9.54, which means NABIL is more consistent than BOK.

Figure: 13



(Source: Table No 13)

From the figure no 13, it is clear that NABIL is strong to mobilize the fund based on loan and advances to occur return in comparison to BOK.

4.1.3.5 Earning Per Share (EPS)

It measures the overall operational efficiency of the bank. The profitability of a firm especially from the point of view of the ordinary shareholders is EPS; measures the profit available to the each equity holders on per share basis. Higher the EPS, higher the satisfaction to the equity shareholders and shows the operational efficiency.

We have,

$$\text{Earning Per Share} = \frac{\text{Net profit available to equity shareholders}}{\text{No. of outstanding shares}}$$

The following table no. 14 shows the EPS of NABIL and BOK

Table No. 14

Earning per share ratio (%)

Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	92.55	105.41	129.20	137.08	108.31	114.51	16.33	14.31
BOK	27.47	30.07	43.63	43.50	59.93	40.92	8.14	19.89

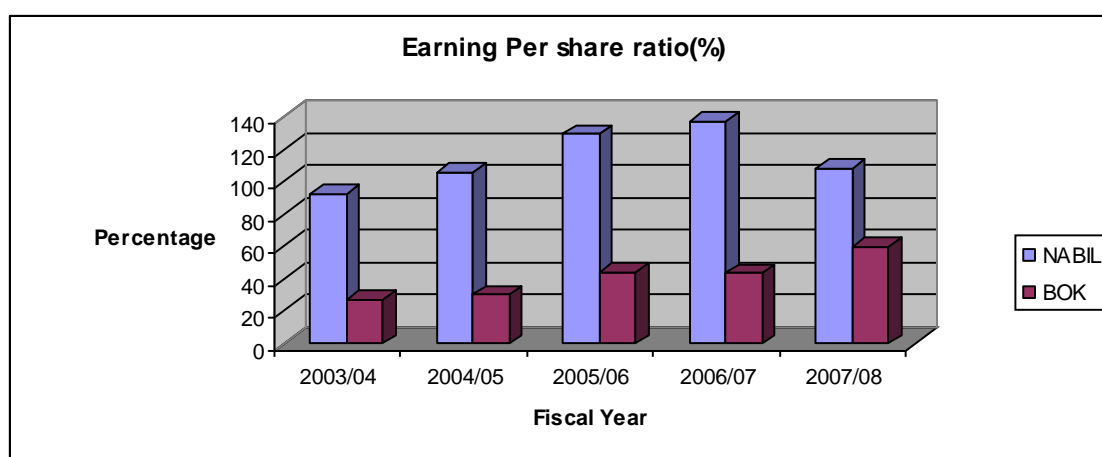
(Source: Appendix-14)

The table 14. Shows that the EPS of both banks; NABIL in increasing trend first 4 year and decreasing in year 5th (2007/08) and BOK is continuously in increasing trend thereafter during the study period. In case of NABIL, it has maximum ratio 137.08% and minimum ratio 92.55%. Similarly, BOK has maximum ratio 59.93% in the year 2007/2008 and minimum ratio 27.47% in the F/Y 2003/04.

The mean ratio of NABIL is 114.51% which is highly greater than BOK i.e. 40.92% which means NABIL is giving more EPS than BOK. On the other hand, C.V. of NABIL is less than BOK i.e. $19.89 > 14.31$ which means NABIL is more consistent than BOK.

From the figure no 14 representing that NABIL seems to be successful to give high return to its shareholders in comparison to BOK.

Figure: 14



(Source: Table No 14)

4.1.3.6 Total interest earned to total working fund ratio

This ratio depicts the extent on which the banks are successful in mobilizing their total assets to generate high income as interest. This ratio actually reveals the earning capacity of a commercial bank by mobilizing its working fund. Higher ratio implies better performance of the bank in terms of interest earning on its total working fund.

We have,

Total interest earned to total working fund ratio

$$= \frac{\text{Total interest earned}}{\text{Total working fund}}$$

The following table no. 15 shows the interest earned to total working fund ratio of NABIL and BOK

Table No. 15

Total interest earned to total working fund ratio (%)

Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	5.98	6.22	5.87	5.83	5.33	5.846	0.29	4.96
BOK	5.97	6.16	5.85	5.62	5.83	5.886	0.18	3.23

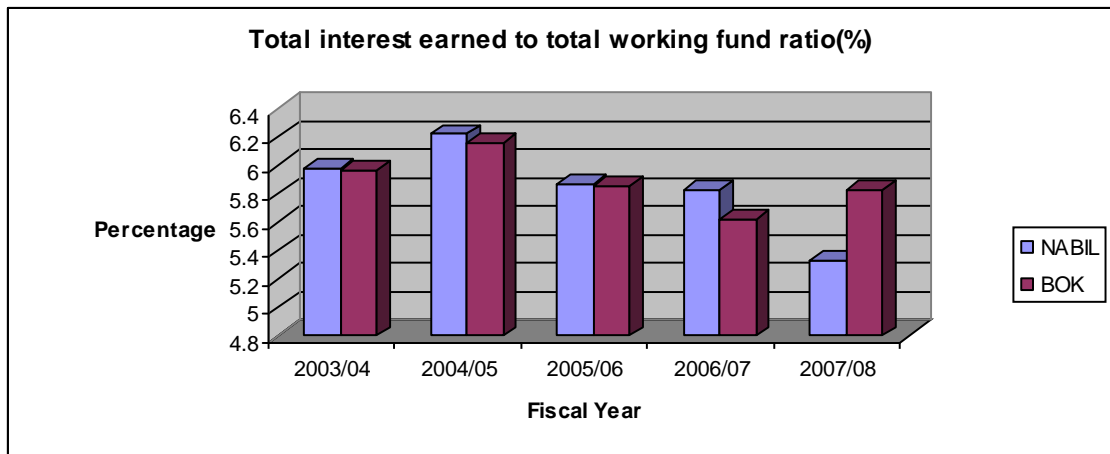
(Source: Appendix-15)

The Table 15. Shows the total interest earned to total working fund ratio of both NABIL and BOK is in fluctuation trend. NABIL has maximum ratio 6.22% in the F/Y 2004/05 and minimum ratio 5.33% in the F/Y 2007/08. And BOK has maximum ratio 6.16% in the F/Y 2004/05 and minimum ratio 5.97% in the F/Y 2003/04.

On the basis of mean ratio, NABIL's total interest earning in respect to its total working fund is slightly lower than that of BOK as NABIL has lower mean ratio than BOK i.e. 5.846<5.886. On the other hand, C.V. of NABIL is more than BOK i.e. 3.23<4.96, which shows that NABIL is less consistent than BOK.

From the above analysis, it is clear that NABIL seems to be failure to earn high interest from its total working fund but in contrast, it has maintained more stable ratios in comparison to BOK during the study period. It is graphically presented in figure no 15.

Figure: 15



(Source: Table No 15)

4.1.3.7 Total interest paid to total working fund ratio

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

We have,

$$\text{Total interest paid to total working fund ratio} = \frac{\text{Total interest paid}}{\text{Total working fund}}$$

The following table no. 16 shows the total interest paid to total working fund ratio of NABIL and BOK

Table No. 16

Total interest paid to total working fund ratio (%)

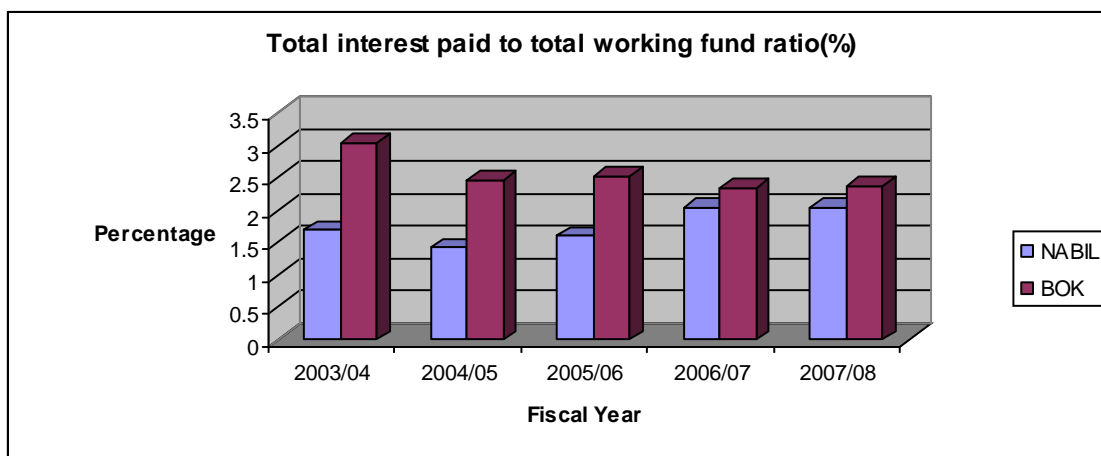
Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	1.69	1.42	1.60	2.04	2.04	1.758	0.25	14.22
BOK	3.02	2.45	2.51	2.33	2.36	2.534	0.25	9.87

(Source: Appendix- 16)

The table 16 shows that the total interest paid to total working fund ratio of both banks; NABIL and BOK is in fluctuating trend in the study period. NABIL's maximum ratio is 2.04% and minimum ratio is 1.42% whereas BOK's maximum ratio is 3.02% and minimum ratio is 2.33%.

The mean ratio of NABIL is lower than BOK i.e. $1.758 < 2.534$, which means NABIL has not paid high interest as BOK. On the other hand, C.V. of NABIL is greater than BOK i.e. $14.22 > 9.87$, which shows that NABIL is less consistent than BOK.

Figure: 16



(Source: Table No 16)

The figure no 16 shows that NABIL is in better position from the point of view of interest expenses. It seems to be successful to collect it's working fund from less expensive sources in comparison to BOK.

4.1.4 Risk Ratio

Risk is always sticks with return. If there is return, risk will definitely be there. Higher the risk, higher will be the return. Risk is very closely associated with investment. A bank has to make high risk if it expects high return on it's investment. Therefore bank has to accept and manage high risk to get high profit. Risk has made the job of investment a very challenging one.

4.1.4.1 Credit risk ratio

This ratio is very much important to bank to scrutinize the project i.e. the risk involved in it to avoid default or non-payment of loan before making investment on them. This ratio measures the risk behind making investment or granting loan. Because of unavailability of data of performing assets; ratio is calculated with the help of loan and advance and total assets.

We have

$$\text{Credit risk ratio} = \frac{\text{Loan and advances}}{\text{Total assets}}$$

The following table no. 17 shows the credit risk ratio of NABIL and BOK

Table No. 17

Credit risk ratio (%)

Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	48.91	61.60	57.87	57.04	57.54	56.59	3.587	6.34
BOK	59.46	59.98	59.12	64.46	70.32	62.67	4.286	6.84

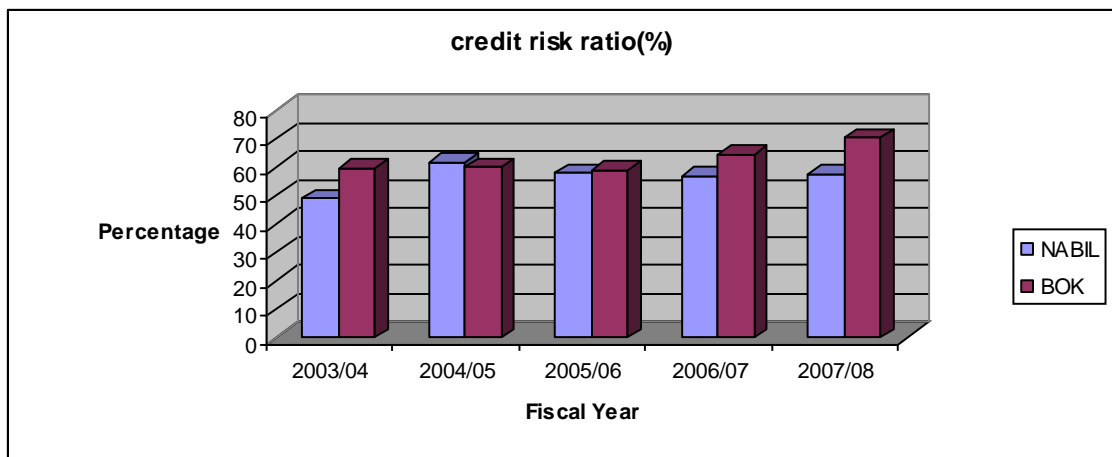
(Source: Appendix-17)

The table 17. Shows that the credit risk ratio of NABIL is increasing from the F/Y 2003/2004 to 2004/05 but it is in decreasing trend in year 2005/06 and 2006/07 and increasing in Year 2007/08. It has highest ratio 61.60% and lowest ratio 48.91% in the F/Y 2004/05 and 2003/04 respectively. Similarly, BOK has fluctuating

trend in the study period. Its highest ratio is 70.32% in the F/Y 2007/08 and lowest ratio is 59.12% in the F/Y 2005/06.

In average, NABIL has less credit in comparison to BOK as the mean ratio of NABIL is lower than BOK i.e. 56.587<62.67. The C.V. of NABIL is less than BOK i.e. 8.84>6.34, which shows NABIL is more consistent than BOK.

Figure: 17



(Source: Table No 17)

From the figure no 17 clearly shows that credit risk of NABIL is more in comparison to BOK.

4.1.4.2 Capital Risk Ratio

A bank must maintain adequate capital in relation to the nature and condition of its assets, its deposit liabilities and other corporate responsibilities. Capital risk ratio measures bank's ability to attract deposits and inter bank fund. It also determines the level of profit a bank can earn. If a bank choose to make high capital risk, it's ROE (Return on Equity) will be higher and vice- versa.

We have,

$$\text{Capital Risk Ratio} = \frac{\text{Capital}}{\text{Risk weighted assets}}$$

The following table no. 18 shows the capital risk ratio of NABIL and BOK

Table No. 18

Capital risk ratio (%)

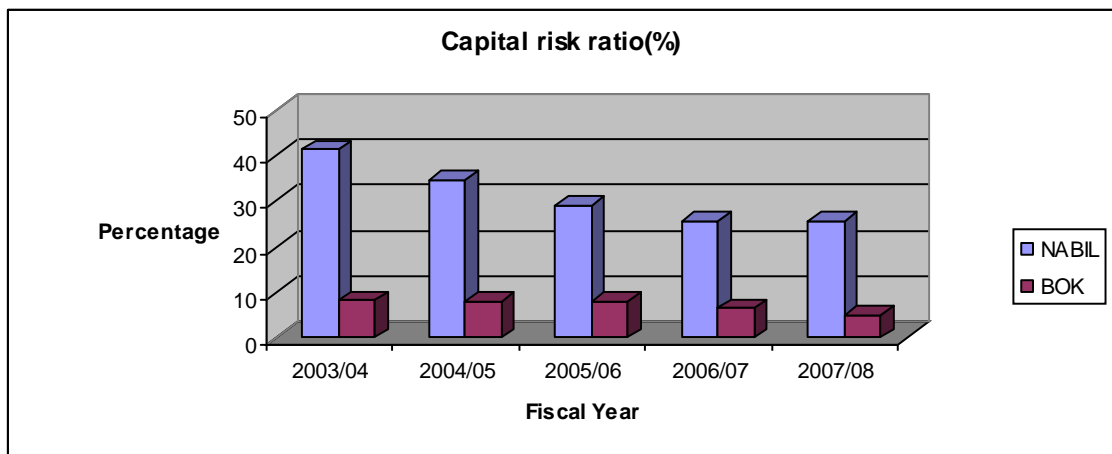
Banks	Fiscal Year					Mean	S.D.	C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NABIL	41.41	34.64	28.96	25.65	25.52	31.235	6.07	19.43
BOK	8.21	7.84	7.85	6.47	4.94	7.062	1.22	17.28

(Source: Appendix-18)

The table no 18 shows that the capital risk ratio of NABIL is in decreasing trend in the study period. It has maximum ratio 41.41% in the F/Y 2003/04 and minimum ratio 25.52% in the F/Y 2007/08. BOK has fluctuation trend in the study period. It has maximum ratio 8.21% and minimum ratio 4.94% in the F/Y 2003/04 and 2007/08 respectively.

On the basis of mean ratio, NABIL has more risk weighted assets with respect to capital in comparison to BOK as NABIL has more mean ratio than BOK i.e. $7.062 < 31.235$. On the other hand, C.V. of NABIL more than BOK i.e. $17.28 < 1.43$. It means NABIL is less consistent than BOK.

Figure: 18



(Source: Table No 18)

From the figure no 18, it can be concluded that the degree of capital risk in NABIL is more in comparison to BOK.

4.2 Statistical Analysis

Under this chapter, some statistical tools are used to achieve the objective of the study. Following statistical tools are used for this purpose.

1. Coefficient of correlation Analysis
2. Test of hypothesis
3. Trend analysis

4.2.1 Coefficient of correlation Analysis

Karl Pearson's coefficient of correlation has been used to find out the relationship between deposit and investment, deposit and loan and advances, investment and net profit, loan and advances and net profit.

4.2.1.1 Coefficient of correlation between deposits and total investment

The coefficient of correlation between deposits and total investment is to measure the degree of relationship between two variables; deposits and total investment. In correlation analysis, deposits are independent variable(X) and total investment is dependent variable(Y). The purpose of computing coefficient correlation is to justify whether the deposits are significantly used in proper way or not and whether there is any relationship between these two variables.

The following table no. 19 shows the coefficient of correlation between deposits and total investment i.e. correlation(r), coefficient of determination(r^2), probable error (P.Er) and six times probable error (6P.Er) of NABIL and BOK during the study period

Table No. 19

Correlation between total deposit and total investment

Banks	Evaluation Criteria			
	r	r^2	P.Er.	6P.Er.
NABIL	0.89	0.792	0.0627	0.3764
BOK	0.68	0.4624	.0162	0.972

(Source: Appendix-19)

From the above table no. 19, it is found that coefficient of correlation between deposit (independent variable) and total investment (dependent variable) value of r is 0.89 in case of NABIL. It shows positive relationship between these two variables. However, by application of coefficient of determination, the value of r^2 is 0.792, which indicates that 7.92% of the variation in the dependent variable (total investment) has been explained by the independent variable (deposits). Moreover, by considering the probable error, since the value of r i.e. 0.89 is More than 6P.Er i.e. 0.3764, it can be said that the value of ' r ' is significant i.e. there is significant relationship between deposits and total investment. It seems that the bank has been investing their deposits without using sound investment policy.

In case of BOK, the coefficient of correlation between deposits and total investment is 0.68. It shows the positive relationship between these variables. Considering the value of r^2 i.e. 0.4624, we can conclude that 46.24% in the dependent variable (total investment) has been explained by the independent variable (deposits). Further, on the basis of P.Er, the value of ' r ' is greater less 6P.Er i.e. $0.972 > 0.68$. Therefore, the value of ' r ' is insignificant. It means there is no significant relationship between deposits and total investment and bank has taken the policy of maximizing the use of their deposits as investments.

From the above analysis, it is clear that even the both banks have positive relationship between deposits and total investments; NABIL has more correlation than BOK. Similarly, coefficient of determination of NABIL is higher in comparison to BOK i.e. $7.92\% < 46.24\%$. Similarly, the value of r is significant for NABIL whereas it is insignificant for BOK. Thus, it can be concluded that BOK is not strong as NABIL in mobilizing their deposits as investment and seems to have no certain investment policy to invest their deposits.

4.2.1.2 Coefficient of correlation between deposit and loan and advances

Coefficient of correlation between deposit and loan and advances measure the degree of relationship between these two variables. In this analysis, deposit is independent variable(X) and loan and advances(Y) is dependent variable(Y). The main objective of this computation is to justify whether deposits are significantly used as loan and advances in proper way or not.

The table no. 20 exhibits the value of r , r^2 , P.Er and 6P.Er between deposits and loan and advances of NABIL and BOK for the study period.

Table No. 20

Correlation between total deposit and loan and advances

Banks	Evaluation Criteria			
	'r'	'r ² '	P.Er.	6P.Er.
NABIL	0.989	0.978	0.066	0.0396
BOK	0.9926	0.985	0.27	1.62

(Source: Appendix-20)

From the table no 20, it is found that coefficient of correlation between deposits and loan and advances of NABIL is -0.989. The value of r^2 is only 0.978 which indicates that 97.8% of variation in the dependent variable (loan and advances) has been explained by the independent variable (deposits). Further, the value of r is more than 6P.Er i.e. $0.0392 < 0.89$, which shows that the value of r is significant and there is significant relationship between deposits and loan and advances. The bank seems to be successful to mobilize its deposits on loan and advances.

Likewise, in case of BOK, the coefficient of correlation between deposit and loan and advances is 0.9926, which shows the positive relationship between these two variables. Similarly, the value of r^2 is 0.985, which means 98.5% of variation in the dependent variable (loan and advances) has been explained by the independent variable (deposits). Moreover, by considering the value of P.Er, the value of r is less than the value of 6P.Er i.e $0.9926 < 1.62$. This means the value of r is insignificant and there is no significant relationship between deposits and loan and advances and the bank is unsuccessful to mobilize their deposits in loan and advances in proper way.

From the above description, NABIL has significant relationship between deposits and loan and advances whereas BOK has no significant relationship. Thus, it can be said that BOK is failure to grant loan and advances for mobilizing the collected deposits in comparison to NABIL.

4.2.1.3 Coefficient of correlation between total investment and net profit

The degree of relationship between total investment and net profit is measured by coefficient of correlation between these two variables. In this analysis, the total investment is independent variable(X) and net profit is dependent variable(Y). The purpose of this computation is to justify whether the net profit is significantly correlated with total investment or not.

The following table no. 21 shows the value of 'r', 'r²', P.Er and 6P.Er between total investment and net profit of NABIL and BOK for the study period.

Table No. 21

Correlation between total investment and net profit

Banks	Evaluation Criteria			
	'r'	'r ² '	P.Er.	6P.Er.
NABIL	0.847	0.717	0.085	0.51
BOK	0.689	0.475	0.1795	1.077

(Source: Appendix-21)

From the listed table no. 21, it has been found that the coefficient of correlation between total investment and net profit of NABIL is 0.847, However, by considering coefficient of determination, the value of r² is 0.717, which indicates that 7.17% of the variation in the dependent variable(net profit) has been explained by the independent variable(total investment). On the other hand, the value of 'r' is significant i.e. there is significant relationship between total investment and net profit. The bank has been successful in earning profit by investment and seem to have good investment policy.

In case of BOK, coefficient of correlation between total investment and net profit is 0.689, which shows a positive relationship between these variables. The value of coefficient of determination is 0.475, which indicates that 47.50% of the variation in the dependent variable (net profit) has been explained by the independent variable (total investment). By considering the value of P.Er , it is found that the value of r is less than 6 P.Er i.e. 1.077>0.689. This means the value of r is insignificant i.e. there is no significant relationship between total investment and net profit. The bank is not capable to earn net profit by the investment and does not seems to have good investment policy.

From the analysis, it is found that NABIL has positive correlation between total investment and net profit whereas BOK has also positive correlation. However, the coefficient of variation of NABIL is greater in comparison to BOK. Similarly, NABIL has significant relationship between total investment and net profit whereas BOK has no significant relationship. In conclusion, it can be said that BOK is weak to earn profit through investment and seems having unsound investment policies in comparison to NABIL.

4.2.1.4 Coefficient of correlation between loan and advances and net profit

Coefficient of correlation between loan and advances and net profit measures the degree of relationship between loan and advances and net profit. In this analysis, loan and advances is independent variable(X) and net profit is dependent variable(Y). The purpose of computing 'r' between these two variables is to justify whether net profit is significantly correlated with respect to loan and advances or not.

The following table no. 22 shows the value of 'r', r^2 , P.Er and 6P.Er between loan and advances and net profit of NABIL and BOK for the study period.

Table No. 22

Correlation between loan & advance and net profit

Banks	Evaluation Criteria			
	'r'	' r^2 '	P.Er.	6P.Er.
NABIL	0.0955	0.91	0.3388	0.9112
BOK	0.9965	0.993	0.021	0.126

(Source: Appendix-22)

From the listed table no 22, it is found that coefficient of correlation between loan and advances to net profit of NABIL is 0.0955, which shows positive correlation between these two variables. Considering the value of coefficient of determination r^2 i.e. 0.91 indicates that 91% of the variation in the dependent variable (net profit) has been explained by the independent variable (loan and advances). Further, considering the value of P.Er, it is found that the value of r is less than 6P.Er, which shows the value of r is insignificant i.e. there is no significant relationship

between loan and advances and net profit. The bank is not successful in earning profit by mobilizing its loan and advances.

In case of BOK, the coefficient between loan and advance and net profit is 0.9965, which indicates that these two variables are positively correlated. On the other hand, the coefficient of determination is 0.993, which shows that 99.3% of the variation in the dependent variable (net profit) has been explained by the independent variable (loan and advance). Moreover, considering the value of P.Er, the value of r is more than the value of $6P.Er$, which means the value of r is significant i.e. there is significant relationship between loan and advances and net profit. BOK seems to be successful in earning profit by mobilizing loan and advance.

From the above analysis, it is found that NABIL has lower correlation between loan and advances and net profit in comparison to BOK. Similarly, the coefficient of determination of NABIL is lower than BOK. Likewise, NABIL has no significant correlation between loan and advances and net profit whereas BOK has significant correlation between these variables. Thus, a conclusion can be drawn that NABIL is weak to generate profit through granting loan and advances in comparison to BOK.

4.2.2 Test of Hypothesis

Under this topic, an effort has been made to test of significance regarding the parameter of the population on the basis of sample drawn from the population. Generally, following steps are followed for the test of hypothesis.

- a. Formulating hypothesis
 - Null hypothesis and
 - Alternative hypothesis
 - i. computing the test statistic
- b. Fixing the level of significance
- c. Finding criteria region
- d. Deciding two tailed or one tailed test
- e. Making decision

Some of the main hypothesis test is calculated and decisions are made are as follows:

4.2.2.1 Test of hypothesis on loan and advances to total deposit ratio of NABIL and BOK

Let,

Loan and advances to total deposit ratios of NABIL and BOK are x and y respectively.

Table 23

NABIL			BOK		
x	d=x-66	d ²	y	D=y-72	D ²
58.01	-7.99	63.84	72.94	0.94	0.88
72.57	6.57	43.16	66.12	-5.88	34.57
66.79	-2.30.792	0.62	69.23	-2.77	7.67
66.59	-1.990.59	0.35	75.87	3.87	14.98
66.94	12.580.94	0.88	78.71	6.71	45.02
x=330.9	d=-0.90	d ² =108.85	y=385.64	D=2.87	D ² =103.12

$$\sum_{i=1}^n x = \frac{303.9}{5} = 66.18 \quad \sum_{i=1}^n y = \frac{362.87}{5} = 72.57$$

$$s^2 = \frac{1}{n_1} \sum d^2 - \left(\frac{\sum d}{n_1} \right)^2 \quad D^2 = \frac{1}{n_2} \sum D^2 - \left(\frac{\sum D}{n_2} \right)^2$$

$$= \frac{1}{5} \left(108.85 - \frac{(0.90)^2}{5} \right) - \left(\frac{2.87}{5} \right)^2$$

$$= \frac{1}{5} (108.688 - 101.47) = 1.4216$$

Hence,

Null Hypothesis (H₀) : $\mu_x = \mu_y$

i.e. there is no significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK .

Alternative Hypothesis (H₁) : $\mu_1 \neq \mu_2$ (two tailed)

i.e. there is significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK

Under H₀ , the test statistic is :

$$t = \frac{\bar{x} - \bar{y}}{\sqrt{s^2 \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}} \text{ with } d.f. = n_1 + n_2 - 2$$

$$= \frac{66.18 - 72}{\sqrt{210.16 \left(\frac{1}{5} + \frac{1}{5} \right)}}$$

$$= \frac{-5.82}{9.168}$$

$$\therefore |t| = 0.635$$

Tabulated value of 't' (two tailed test) for (n₁+n₂-2) d.f. i.e 8 d.f. at 5% level of significance is 2.306.

Decision:

Since the calculated value of |t| i.e. 0.635 is less than tabulated value of t i.e. 2.306, H₀ is accepted. In other words, there is no significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK.

4.2.2.2 Test of Hypothesis on total investment to total deposit ratio of NABIL and BOK.

Let,

Total investment to total deposit ratio of NABIL and BOK be x and y respectively.

Table No. 24

NABIL			BOK		
x	d=x-34	d ²	y	D=y-21	D ²
41.33	7.33	53.73	32.00	5.00	25
29.225	-4.75	22.56	29.05	2.05	4.20
31.93	-1.07	1.15	32.19	5.19	26.94
38.32	4.32	18.66	24.15	-2.85	8.12
31.14	-2.84	2.84	20.24	-6.76	45.69
x=171.97	d=2.99	d ² =128.94	y=137.63	D= 2.63	D ² = 109.95

$$\bar{x} = \frac{\sum x}{n_1} = \frac{171.97}{5} = 34.394$$

$$\bar{y} = \frac{\sum y}{n_2} = \frac{137.63}{5} = 27.526$$

$$s^2 = \frac{1}{n_1} \sum d^2 - \left(\frac{\sum d}{n_1} \right)^2 \quad \Gamma \quad D^2 = \frac{1}{n_2} \sum D^2 - \left(\frac{\sum D}{n_2} \right)^2$$

$$= \frac{1}{5} \sum 128.94 - \left(\frac{2.99}{5} \right)^2 \quad \Gamma \quad 109.95 - \left(\frac{2.63}{5} \right)^2$$

$$= \frac{1}{5} (127.15 - 108.57) = 3.651$$

Hence,

Null Hypothesis (H₀) : $\bar{x} \sim \bar{y}$

i.e. there is no significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK .

Alternative Hypothesis (H₁) : $\bar{x}_1 \neq \bar{x}_2$ (two toiled)

i.e. there is significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK

Under H_0 the test statistic is :

$$t = \frac{\bar{x} - \bar{y}}{\sqrt{s^2 \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

$$= \frac{34.39 - 27.53}{\sqrt{36.51 \left(\frac{1}{5} + \frac{1}{5} \right)}}$$

$$= \frac{6.86}{3.82}$$

$$t / = 1.796$$

Tabulated value of 't' (two tailed test) for (n_1+n_2-2) d.f. i.e 8 d.f. at 5% level of significance is 2.306.

Decision :

Since calculated value of $t /$ i.e. 1.796 is less than tabulated value of t i.e. 2.306, H_0 is accepted. In other words, there is no significant difference between mean ratios of total investment to total deposit of NABIL and BOK .

4.2.2.3 Test of hypothesis on return on loan and advances ratio of NABIL and BOK

let ,

Return on loan and advances ratio of NABIL and BOK be x any y respectively.

Table No. 25

NABIL			BOK		
x	d=x-5	d ²	y	D=y-2	D ²
5.56	0.56	.31	2.26	0.26	0.07
4.90	-0.1	.01	2.36	0.36	0.13
4.92	-0.08	0.0064	2.79	0.79	0.62
4.33	-0.67	0.45	2.79	0.79	0.62
3.49	-1.51	2.28	2.90	0.90	0.81
x=23.2	d=1.44	d ² =3.06	y=13.1	D=3.1	D ² = 2.25

$$\sum_x \frac{x}{n_1} = \frac{23.2}{5} = 4.64 \quad \sum_y \frac{y}{n_2} = \frac{13.1}{5} = 2.62$$

$$s^2 = \frac{1}{n_1} \sum d^2 = \frac{3.06}{5} = 0.612 \quad D^2 = \frac{1}{n_2} \sum D^2 = \frac{2.25}{5} = 0.45$$

$$Z = \frac{\frac{1}{n_1} \sum d^2 - \left(\frac{\sum x}{n_1}\right)^2}{\frac{1}{n_2} \sum D^2 - \left(\frac{\sum y}{n_2}\right)^2} = \frac{0.612 - (4.64)^2}{0.45 - (2.62)^2}$$

$$= \frac{1}{8} \left| (22.645 - 20.328) \right|$$

$$= 2.973$$

Hence,

Null Hypothesis (H₀) : $\bar{x} \sim \bar{y}$

i.e. there is no significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK .

Alternative Hypothesis (H₁) : $\bar{x}_1 \neq \bar{x}_2$ (two tailed)

i.e. there is significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK

Under H₀ the test statistic is ;

$$t = \frac{\bar{x} - \bar{y}}{\sqrt{s^2 \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}} \text{ with } (n_1 + n_2 - 2) \text{ d.f.}$$

$$= \frac{4.64 - 2.62}{\sqrt{2.973 \left(\frac{1}{5} + \frac{1}{5} \right)}} = \frac{2.02}{1.09} = 1.85$$

Tabulated value of 't' (two tailed test) for (n_1+n_2-2) d.f. i.e 8 d.f. at 5% level of significance is 2.306.

Decision:

Since calculated value of t i.e. 1.85 is less than tabulated value of t i.e. 2.306, H_0 is accepted. It means there is no significant difference between mean ratios of return on loan and advances ratio of NABIL and BOK .

4.2.2.4 Test of Hypothesis on return on Investment Ratio of NABIL and BOK.

Let ,

Return on Investment ratio of NABIL and BOK be x and y respectively.

Table No. 26

NABIL			BOK		
x	d=x-6	d ²	y	D= y - 5	D ²
7.80	-1.2	1.44	5.15	-1.85	3.42
12.15	3.15	9.9225	5.37	-1.63	2.66
10.28	1.28	1.6384	5.99	-1.01	1.02
7.53	-1.47	2.1609	8.77	1.77	3.13
7.51	-1.49	2.2201	11.28	4.28	1.64
$\bar{x}=45.27$	$\bar{d}= 0.27$	$\bar{d}^2=17.38$	$\bar{y}=36.56$	$\bar{D}= 1.56$	$\bar{D}^2 = 11.87$

$$\bar{x} = \frac{\sum x}{n_1} = \frac{45.27}{5} = 9.054 \quad \bar{y} = \frac{\sum y}{n_2} = \frac{36.56}{5} = 7.32$$

Here,

$$s^2 = \frac{1}{n_1 - 1} \sum (x - \bar{x})^2 = \frac{1}{5 - 1} (17.38 + 11.38) = 28.74$$

Hence,

Null Hypothesis (H_0) : $\mu_x = \mu_y$

i.e. there is no significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK .

Alternative Hypothesis (H_1) : $\mu_x \neq \mu_y$ (two tailed)

i.e. there is significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK

Under H_0 , the test statistic is ;

$$t = \frac{\bar{x} - \bar{y}}{\sqrt{s^2 \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}} = \frac{9.054 - 7.32}{\sqrt{28.74 \left(\frac{1}{5} + \frac{1}{5} \right)}} = \frac{1.734}{3.39} = 0.5115$$

Tabulated value of 't' (two tailed test) for (n_1+n_2-2) d.f. i.e 8 d.f. at 5% level of significance is 2.306.

Decision:

Since the Calculated value of t i.e. 0.165 is less the tabulated value of t i.e. 2.306, H_0 is accepted, which means there is no significant difference between mean ratios of return on investment ratio of NABIL and BOK.

4.2.2.5 Test of Hypothesis on return on Total interest earned to Total working fund Ratio of NABIL and BOK.

Let ,

Total interest earned to Total working fund ratio of NABIL and BOK be x and y respectively.

Table No: 27

NABIL			BOK		
x	d=x-6	d ²	y	D= y - 6	D ²
5.98	0.98	0.9604	5.97	0.97	0.9409
6.22	1.22	1.4884	6.16	1.16	1.3456
5.87	0.87	0.7569	5.85	0.85	0.7225
5.83	0.83	0.6889	5.62	0.62	0.3844
5.33	0.33	0.1089	5.83	0.83	0.6889
$\Sigma x=29.23$	$\Sigma d= 4.23$	$\Sigma d^2=4.003$	$\Sigma y=26.43$	$\Sigma D= 4.43$	$\Sigma D^2 = 1.08$

$$\bar{x} = \frac{\sum x}{n_1} = \frac{29.23}{5} = 5.846 \quad \bar{y} = \frac{\sum y}{n_2} = \frac{26.43}{5} = 5.28$$

$$s^2 = \frac{1}{n_1} \sum d^2 = \frac{4.003}{5} = 0.8006 \quad \Gamma \quad D^2 = \frac{1}{n_2} \sum D^2 = \frac{1.08}{5} = 0.216$$

$$s = \sqrt{0.8006} = 0.8948 \quad \Gamma \quad D = \sqrt{0.216} = 0.4648$$

$$t = \frac{\bar{x} - \bar{y}}{s \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}} = \frac{5.846 - 5.28}{0.8948 \sqrt{\frac{1}{5} + \frac{1}{5}}} = \frac{0.566}{0.8948 \sqrt{0.4}} = \frac{0.566}{0.5789} = 0.9777$$

$$t = 0.9777$$

Hence,

Null Hypothesis (H_0) : $\bar{x} = \bar{y}$

i.e. there is no significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK .

Alternative Hypothesis (H_1) : $\bar{x} \neq \bar{y}$ (two tailed)

i.e. there is significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK

Under H_0 , the test statistic is ;

$$t = \frac{\bar{x} - \bar{y}}{\sqrt{s^2 \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}} \text{ with } (n_1 + n_2 - 2) \text{ d.f.}$$

$$= \frac{5.846 - 5.286}{\sqrt{0.2957 \left(\frac{1}{5} + \frac{1}{5} \right)}}$$

$$= \frac{0.56}{0.3439}$$

$$\dots / t / = 1.63$$

Tabulated value of 't' (two tailed test) for (n_1+n_2-2) d.f. i.e 8 d.f. at 5% level of significance is 2.306.

Decision:

Since the calculated value of t i.e. 1.63 is less than the tabulated value of t i.e. 2.036, H_0 is accepted. In other words, there is no significance difference between mean ratios of total interest earned to total working fund ratio of NABIL and BOK .

4.2.3 Trend Analysis and Projection of Next Five Years

The purpose of this topic is to analyze trend of deposit utilization of NABIL and BOK. To utilize deposits, a commercial bank may grant loan and advances and investment in government securities and share and debentures of other companies. Under this topic, trend of deposit, loan and advances, total investment and net profit are analyzed for five years (study period) and forecasted for next years. The projections are based on the following assumptions:

- I. The main assumption is that other things will remain unchanged
- II. The forecast will be true only when the limitations of least square method is carried out.
- III. The bank will run in present position.
- IV. The economy will remain in the present stage.
- V. Nepal Rastra Bank will not change it's guidelines to commercial banks.

4.2.3.1 Trend analysis of total deposits

Under this topic, an effort has been made to analyze the trend value of deposit of NABIL and BOK for five years from 2003/04 to 2009/10 and forecast for the same for next five years from the year 2008/09 to 2012/13.

The following table no. 32 shows the trend value of deposit for ten years from 2003/04 to 2012/13 of NABIL and BOK

Table No. 28

Trend Value of total deposit of NABIL and BOK

Rs. In million

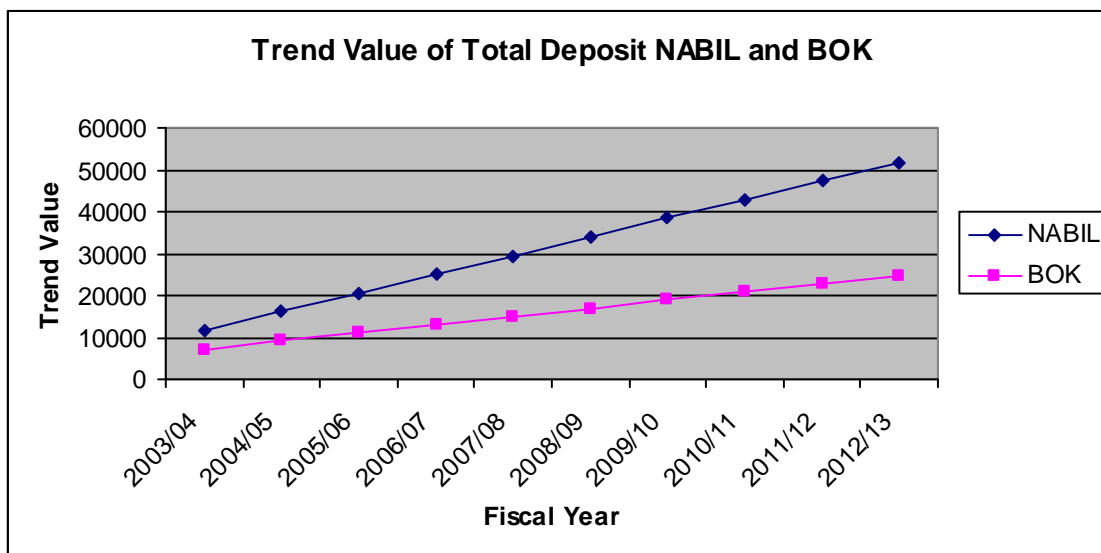
Fiscal year	Trend values of NABIL	Trend values of BOK
2003/04	11792.458	7153.41
2004/05	16227.306	9115.45
2005/06	20662.154	11078.48
2006/07	25097.00	13041.52
2007/08	29531.85	15004.55
2008/09	33966.698	16967.59
2009/10	38401.55	18930.62
2010/11	42836.39	20893.66
2011/12	47271.24	22856.69
2012/13	51706.09	24819.725

(Source: Appendix-23)

The table no 28 shows that the deposits of NABIL is in increasing trend. If other things remain the same, the total deposit of NABIL will be only 11792.458 in the F/Y 2003/04 which is the lowest under the review period. On the

other hand, the deposits of BOK is also in increasing trend. Its deposit will be 24819.725 in the F/Y 2012/13 if other things remain the same.

Figure: 19



(Source: Table No. 28)

From above figure no 19 , it is found that NABIL and BOK's deposit collection position is good.

4.2.3.2 Trend analysis of loan and advances

Under this topic, an analysis of the trend values of loan and advances of NABIL and BOK for five years from 2003/04 to 2007/08 and forecast for the same for next five years from the year 2008/09 to 2012/13 is done.

The following table no. 33 shows the trend value of deposit for ten years from 2003/04 to 2012/13 of NABIL and BOK

Table No. 29

Trend value of loan and advances of NABIL and BOK

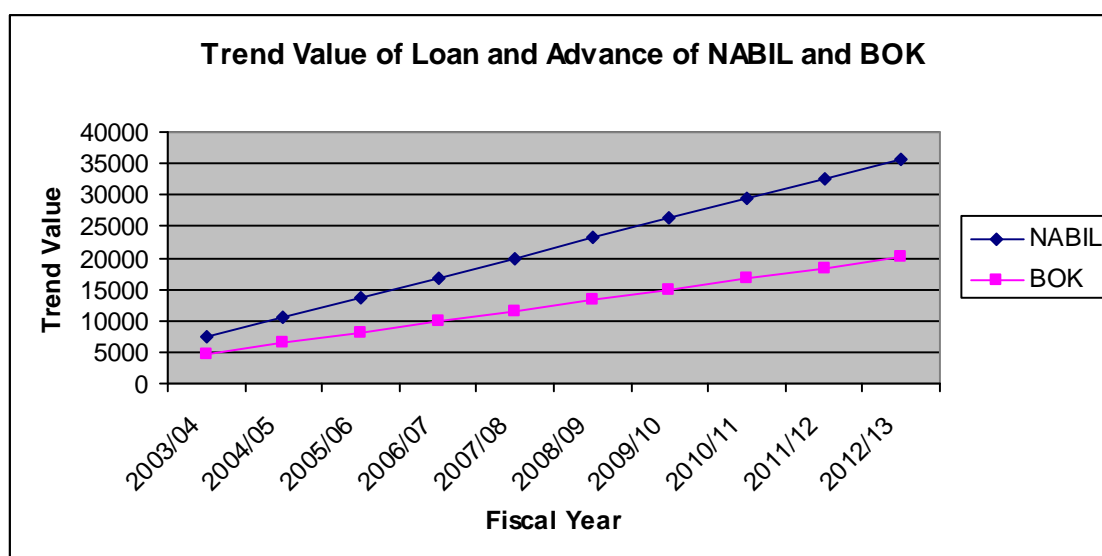
Rs. In million

Fiscal year	Trend values of NABIL	Trend values of BOK
2003/04	7459.97	4712.94
2004/05	10590.94	6424.50
2005/06	13721.91	8136.06
2006/07	16851.97	9836.62
2007/08	19983.85	11559.18
2008/09	23114.82	13270.73
2009/10	26245.79	14982.29
2010/11	29375.76	16693.82
2011/12	32506.72	18405.41
2012/13	35638.69	20116.70

(Source: Appendix-24)

The table 29 shows the increasing trend of loan and advances of both banks; NABIL and BOK. If other things remain the same, the loan and advances of NABIL will be 35638.69 in the F/Y 2012/13, which is the highest deposit during the study period. Similarly, the loan and advances of BOK will be 11559.18 in the F/Y 2012/13.

Figure: 20



(Source: Table No. 29)

The figure no 20 presented that NABIL is in better position in mobilizing the deposits as loan and advances in comparison to BOK.

4.2.3.3 Trend analysis of total investment

Under this topic an analysis of the trend values of total investment of NABIL and BOK for five years from 2003/04 to 2007/08 and forecast for the same for next five years from the year 2008/09 to 2012/13 is done.

The following table no. 34 shows the trend value of deposit for ten years from 2003/04 to 2012/13 of NABIL and BOK

Table No. 30

Trend Value of total investment of NABIL and BOK

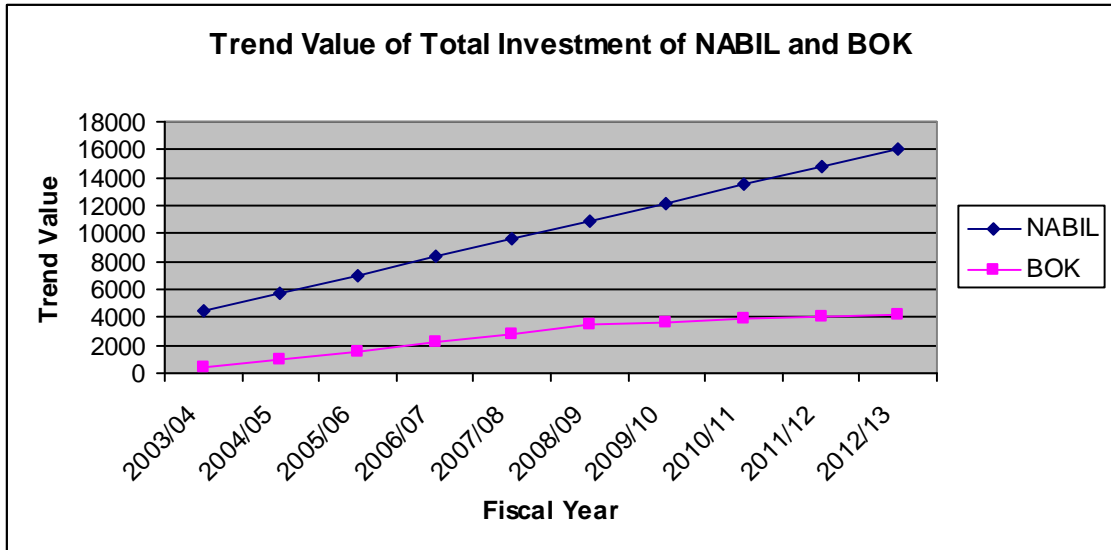
Rs. In million

Fiscal year	Trend values of NABIL	Trend values of BOK
2003/04	4456.22	358.46
2004/05	5744.79	976.14
2005/06	7033.358	1593.82
2006/07	8321.93	2211.51
2007/08	9610.498	2829.19
2008/09	10899.07	3483.61
2009/10	12187.64	3668.36
2010/11	13476.21	3853.11
2011/12	14764.78	4037.86
2012/13	16053.35	4222.61

(Source: Appendix-25)

From the table no 30, it is clear that NABIL and BOK both investments are in increasing trend. BOK's Total investment will be 16053.35 and NABIL's total investment will be 4222.61 in the F/Y 2012/13.

Figure: 21



(Source: Table No. 30)

Trend value of Total investment of NABIL and BOK is graphically presented in figure no 21. And figure no 21 clearly shows, the NABIL and BOK have to have sound investment policies.

4.2.3.4 Trend analysis of net profit

Under this topic, the trend values of total investment of NABIL and BOK for five years from 2003/04 to 2007/08 have been calculated and forecast for the same for next five years from the year 2008/09 to 2012/13.

The following table no. 31 shows the trend value of deposit for ten years from 2003/04 to 2012/13 of NABIL and BOK

Table No. 31

Trend value of net profit of NABIL and BOK

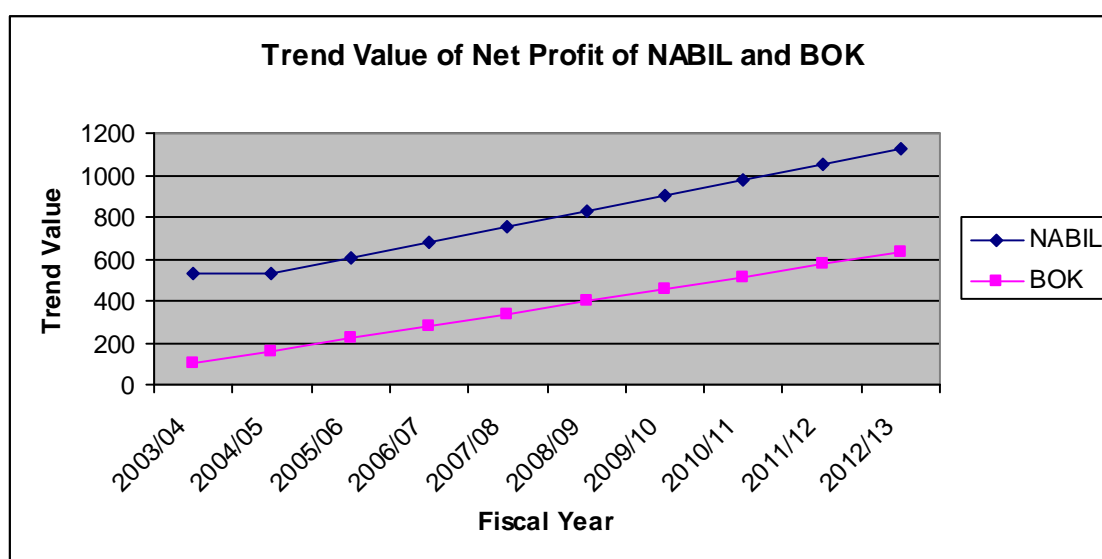
Rs. In million

Fiscal year	Trend values of NABIL	Trend values of BOK
2003/04	530.17	100.48
2004/05	532.17	159.57
2005/06	605.93	218.66
2006/07	679.60	277.75
2007/08	753.54	336.83
2008/09	827.21	395.92
2009/10	900.97	455.01
2010/11	974.73	514.09
2011/12	1048.49	573.18
2012/13	1122.25	632.27

(Source: Appendix- 26)

The table no 31 shows that the trend of net profit of both banks; NABIL and BOK is in increasing trend. If other things remain the same, the net profit of NABIL will be 1122.25 in the F/Y 2012/13, which is the highest value under the review period. Similarly, the net profit of BOK will be 632.26 in the F/Y 2012/13.

Figure: 22



(Source: Table No. 31)

From the figure no 31, it is clear that even the both banks is in increasing trend, net profit earning position of NABIL is better in comparison to BOK.

4.3 Major Findings of the Study

The main findings of the study are derived on the analysis of financial data of NABIL and BOK, which are given below:

4.3.1 Liquidity ratio

-) The liquidity position of NABIL and BOK reveals that: The mean current ratio of NABIL is lower than BOK. It means NABIL has maintained the lower liquidity in compare to BOK. Likewise, the current ratio of NABIL is less consistent than that of BOK.
-) The mean cash and bank balance to total deposit ratio of NABIL is lower than BOK. It states that the cash and bank balance in liquidity position of NABIL is not good in compare to BOK. NABIL's cash and bank balance to total deposit ratio is high consistent than BOK.
-) The mean ratio of cash and bank balance to current assets of NABIL is lower in comparison to BOK. It exhibits that the liquidity position of NABIL is not good in this regard. The cash and bank balance to current assets ratio of NABIL is more stable than BOK.
-) The mean ratio of investment on government securities to current assets of NABIL has been found higher than BOK. Moreover, NABIL seems to have more variable ratios than that of BOK.
-) The mean ratio of loan and advances to current assets ratio of NABIL is lower than that of BOK. The loan and advances to current assets ratio of NABIL is less consistent than BOK.

The above result shows that the liquidity position of NABIL can't be said well in comparison to BOK. NABIL should improve it's liquidity position to meet the current obligation.

4.3.2 Assets management ratio

-) The assets management ratio of NABIL and BOK reveals that: The mean ratio of loan and advances to total deposit of NABIL is lower than that of BOK. NABIL's ratio seems to be less stable and consistent than that of BOK.
-) The mean ratio of total investment to total deposit of NABIL is greater than BOK and the total investment to total deposit ratio of NABIL is more consistent than that of BOK.
-) The mean ratio of loan and advances to total working fund of NABIL is lower than BOK. Moreover, NABIL's ratio is less consistent than that of BOK.
-) The mean ratio of investment on government securities to total working fund of NABIL is greater than BOK. NABIL's investment on government securities to total working fund ratio is found more consistent than that of BOK.
-) The mean ratio of investment on share and debenture to total working fund of NABIL is lower than BOK. The investment on share and debenture to total working fund ratio of NABIL is more consistent than BOK.

From the above findings, it can be concluded that NABIL is not in satisfied position regarding its on-balance activities. It doesn't seem to follow any definite policy regarding the management of its assets. If the bank doesn't take any initiative steps immediately in managing its asset may remain for behind in this competitive banking business in future and it's investment as assets will be worthless.

4.3.3 Profitability ratios

The profitability ratios of NABIL and BOK reveals that:

-) The mean ratio of return on total working fund of NABIL is greater than BOK. Moreover, NABIL's return on working fund ratio has been found more consistent than that of BOK.
-) The mean ratio of return on investment of NABIL is slightly greater than BOK. NABIL's return on investment ratio has been found more consistent than that of BOK.
-) The mean ratio of return of loan and advances of NABIL has been found greater than BOK. Moreover, NABIL's ratio is more consistent than BOK.

-) The mean ratio of earning per share of NABIL is highly greater than that of NABIL. The earning per share ratio of NABIL is less consistent than BOK.
-) The mean ratio of total interest earned to total working fund of NABIL is slightly lower than that of BOK. However, NABIL is found more consistent than that of BOK.
-) The mean ratio of total interest paid to total working fund of NABIL is lower than that of BOK. Similarly, NABIL's ratio is less consistent than that of BOK.

From the above findings, it can be concluded that the profitability position of NABIL is satisfactory than BOK. NABIL should maintain at least the current profit margin in future as well.

4.3.4 Risk ratios

The risk ratios of NABIL and BOK shows that:

-) The mean credit risk ratio of NABIL is lower than that of BOK. The credit risk ratio of NABIL is less consistent than that of BOK
-) The mean capital risk ratio of NABIL is higher than that of BOK. But the capital risk ratio of NABIL is less consistent than that of BOK.

From the above results, it is found that credit risk ratios of NABIL is lower than BOK and capital risk of NABL bank is higher than BOK. But NABIL should not be careless about the risk to come in the future days.

4.3.5 Coefficient of correlation analysis

Coefficient of correlation analysis between different variables of NABIL and BOK reveals that:

-) It is found that there is significant relationship between deposit and total investment in case of NABIL and significant in case of BOK. Moreover, the value of coefficient of correlation between deposits and total investment of NABIL has found higher than that of BOK. It indicates that the good position of NABIL in mobilizing deposits as total investment in compare to BOK.

-) It is found that there is no significant relationship between deposit and loan and advances in case of NABIL whereas it is significant in case of BOK. NABIL has negative value of coefficient of correlation between deposit and loan and advances. It indicates the unsatisfied position of NABIL in mobilizing deposits as loan and advances in compare to BOK.
-) The value of coefficient of correlation between total investment and net profit of NABIL is greater than BOK. It is found that there is no significant relationship between total investment and net profit of NABIL and significant in case of BOK. NABIL is found to be poor in this regard too.
-) It is found that there is no significant relationship between loan and advances and net profit in case of NABIL and significant relationship in case of BOK. NABIL has lower value of coefficient of correlation between loan and advances and net profit than BOK. It indicates the weak position of NABIL in earning net profit as loan and advances in compare to BOK.

From the above analysis, it can be concluded that there is insignificant relationship between different variables of NABIL.

4.3.7 Test of hypothesis

By analyzing the test of significant difference of regarding the parameter of the population, it is found that:

-) There is significant difference between mean ratios of loan and advances to total deposit of NABIL and BOK.
-) However, there is no significant difference between mean ratios of total investment to total deposit of NABIL and BOK.
-) There is significant difference between mean ratios of return on loan and advances of NABIL and BOK.
-) There is no significant difference between mean ratios of return on investment of NABIL and BOK.
-) Similarly, there is no significant difference between mean ratios of total interest earned to total working fund ratio of NABIL and BOK.

From the above findings, it is known that there is significant relationship between mean ratios of loan and advances to total deposit and return on loan and advances ratio whereas there is no significant relationship between mean ratios of total investment to total deposit, return on investment and total interest earned to total working fund ratio of NABIL and BOK.

4.3.8 Trend Analysis

Trend analysis of total deposit, loan and advances, total investment and net profit and projection for next 5 years of NABIL and BOK reveals that:

-) Trend value of total deposit of NABIL and BOK both has found increasing trends. In case of NABIL, the trend value in F/Y 2003/04 is 11792.458 where as the same of BOK is 7153.41
-) Trend value of loan and advances of NABIL and BOK has found increasing trend. In case of NABIL, the highest trend value is 35638.69 whereas the same of BOK is 20116.7 in the F/Y 2012/13.
-) Trend value of total investment is in increasing trend of both NABIL and BOK. In case of NABIL, the trend value in the F/Y 20012/13 is i.e 16053.35 whereas the same of BOK in the same year is the highest i.e. 4222.61
-) Trend value of net profit of both banks; NABIL and BOK has found increasing. In case of NABIL, the highest value on the F/Y 2012/13 is 1122.25 whereas the same of BOK is 632.269.

From the above findings, it can be concluded that the NABIL and BOK both has increasing trend values in loan and advances, net profit, total deposit and total investment.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter highlights some selected actionable conclusions and recommendations on the basis of the main findings, which are derived from the analysis of NABIL and BOK. In other to carry out this study, data have been basically obtained by the secondary sources. The analysis is performed with the help of financial and statistical tools. The analysis is associated with comparison and interpretation. Under financial analysis, various financial ratios related to the investment function of commercial banks; liquidity ratio, assets management ratio, profitability ratio and risk ratio and under statistical analysis, some relevant statistical tools; coefficient of correlation, trend analysis and test of hypothesis are used.

5.1 Summary

In this study, the financial tools ratio analysis viz. liquidity ratio, asset management ratio, profitability ratio, risk ratios and statistical tools like mean, standard deviation, coefficient of variation, coefficient of correlation, test of hypothesis and trend analysis have been used for the analysis and interpretation of the data. The data which were employed in this research are secondary in nature. They are obtained from the annual reports of the concerned banks. Likewise, the financial statement of five years (from 2003/04 to 2007/08) were selected for the purpose of evaluation.

Since the liquidity position of NABIL have not found satisfactory. It is therefore, suggested them to improve cash and bank balance to meet current obligations. NABIL's loan and advance to total deposit ratio is lower than BOK, it is recommended to follow liberal lending policy for enhancement of fund mobilization. Although the profitability position of NABIL is satisfactory than BOK, it should find some more profitable sector to invest their fund. The risk ratio of NABIL is lower. But they must not leave their care towards risk either credit risk or capital risk. There is significant relationship between deposits and total investment of BOK. But there is no significant relationship between deposits and total investment of NABIL. It is recommended to NABIL, it has to increase to invest its fund on share and debenture of other companies, government securities or on some good investment sector.

5.1 Conclusion

Economic liberalization policy of the government has encouraged the establishment and growth of commercial bank in the country within short span of time. In a situation when the existing financial institutions, especially government's commercial banks were unable to supply credit timely and carry capital market activities, private joint venture banks have contributed a lot.

The overall performance to joint venture commercial banks is satisfactory and Nepal Rastra Bank to play more active role to enhance the operation. The analysis of liquidity position of sample joint venture commercial banks (NABIL and BOK) have satisfactory. NABIL has lower liquidity position that BOK. The lending and investment activities of NABIL has lower position than that of BOK. The profitability position of NABIL is higher than that of BOK. The coefficient of correlation of deposit and loan and advances of BOK has better position and NABIL has not better than BOK. In case of trend analysis, the trend value of total deposit and total investment of NABIL is in lower position than that of BOK. On the other hand, NABIL has better position in loan and advances and net profit. Strengthening and the institutionalization of the commercial banks is very important to have meaningful relationship between commercial banks and national development through shift of credit to the productive industrial sector. At the same time the series of reforms such as consolidation of commercial banks, directing attention to venture capital financing, appropriate risk return trade of by linking credit to timely repayment schedules, avoiding imperfections, allowing flexibility in lending, one window service from NRB, need of strong supervision and monitoring from NRB, and diversify scope of activities for commercial banks, professional culture within commercial banks etc. All are necessary to ensure better future performance of commercial banks that have already been established and growing in Nepal.

The commercial banks have to prove that they can really contribute to the national economy, are efficient and viable agencies for mobilization of saving and its channelisation into productive sectors, are professionally managed and competent enough to ensure adequate rate of return on investment and are strategically well planned to be competitive with other agencies and are trust worthy.

5.3 Recommendations

On the basis of analysis and findings of the study, following recommendations can be advised to overcome weakness, inefficiency and to improve present fund mobilization and investment of NABIL and BOK.

-) The liquidity position of a bank may be affected by external as well as internal factors. The affecting factors may be interest rates. Supply and demand position of loan and advances as well as savings, investment situations, central bank's directive, the lending policies, capability of management, strategic planning and funds flow situations. As NABIL has maintained the ratios of cash and bank balance to total deposit and current assets considerably lower than that of BOK, NABIL is recommended to increase cash and bank balance to meet current obligations and loan demand.
-) To get the success in competitive banking environment, depositors money must be utilized as loan and advances. It has been found from the study that BOK has greater ratio than NABIL, because its large portions of fund invested as loan and advances and negligence to invest on other sectors. NABIL has not properly used their existing fund as loan and advances. To overcome this situation, NABIL is strongly recommended to follow liberal lending policy.
-) As a bank of private sector, commercial banks can not keep their eyes closed from the profit motive. They should be careful in increasing profit in real sense to maintain the confidence of shareholder, depositors and its all customers. NABIL's profitability position is better than that of BOK. It is recommended to BOK 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.
-) Through the government securities issued by the government are considered to be free of risk of default, such securities yield the lowest interest rate of particular maturity due to low risk feature. BOK has maintained lower position in this regard than NABIL. It is recommended to BOK that "something is better than nothing". So if it has idle funds, it should invest them in government securities.

- J Out of working fund, NABIL has not invested its more fund as total investment in comparison to BOK. So it is recommended to NABIL to invest their more funds in different types of companies in different areas.

- J Portfolio condition of the banks should be examined carefully from time to time and attention 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.

- J In the light of growing competition in the banking sector, the business of the bank should be customer oriented. It should strengthen and activate its marketing function, as it is an effective tool of attracting and retaining customers. For this purpose, the banks should develop an "Innovative approach to Bank Marketing" and formulate new strategies of serving customers in a more convenient and satisfactory way.

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Curriculum vitae

Name : MAHARJAN JIBAN

Father's name : Maharjan Mohal Lal

Date of birth : 2036-8-10 (26th Nov. 1979)

Marital status : Married

Religion : Hindu

Nationality : Nepali

Permanent address : Thaiba-7, Lalitpur, Nepal

Contact number : Phone No.5560912, 9841328382

Academic qualification :

Degree	%	Passed year	Name of Campus and school
S.L.C	64.71	1995	Phulchoki Ma. Vi. Lalitpur
Intermediate	47.20	1998	Namuma Machhindra Campus
B.B.S	46.14	2001	Public Youth Campus
M. B. S	58.67 (Thesis on going)	2008	Shanker Dev Campus

Trainings

- :3 month typing training in English from Lokeshor Typing institute.
- :5 month training in computer application from New Compute Home
- :4 month training in Japanese Language from Patan Japanese Language
- :6 month training in Food and Beverage service as a Waiter from National institute of Hotel and Tourism Technology.

Professional Experience:

: 4 Years working in the Raman Manpower Training Centre as a
Manager-Sales & Marketing

Language : **Nepali** - written and Spoken

Hindi – Written and Spoken

English – Written and Spoken

Japanese – General Knowledge in written and Spoken

Appendixes

Appendix: 1

Current ratio

NABIL

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
current assets	14244.04	14971.80	21465.38	26454.42	35928.31
current liabilities	15153.10	15420.81	19633.40	24308.36	33513.01
Ratio (%)	0.940	0.971	1.09	1.08	1.07

BOK

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
current assets	9364.43	9645.14	11421.86	13966.91	17178.81
current liabilities	8845.59	9136.39	11050.00	13144.69	15958.30
Ratio (%)	1.059	1.057	1.034	1.063	1.076

Appendix: 2

Cash and bank balance to total deposit ratio

NABIL

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Cash & bank balance	970.49	559.38	630.22	1399.81	2671.13
Total deposit	14119.00	14586.60	19347.49	23342.28	31915.40
Ratio (%)	6.87	3.83	3.26	5.9	8.37

BOK

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Cash & bank balance	782.88	740.52	728.68	1315.89	1440.45
Total deposit	7741.64	8942.75	10485.35	12388.92	15833.73
Ratio (%)	10.11	8.28	6.95	10.62	9.097

Appendix: 3

Cash and bank balance to current assets ratio

NABIL

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Cash & bank balance	970.49	559.38	630.22	1399.81	2671.13
Current assets	14244.04	14971.80	21465.38	26454.42	35928.31
Ratio (%)	6.81	3.74	2.94	3.70	7.43

BOK

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Cash & bank balance	782.88	740.52	728068	1315.89	1440.45
Current assets	9364.43	9645.14	11421.86	13966.91	17178.81
Ratio (%)	8.36	7.68	6.38	9.42	8.36

Appendix: 4

Investment on government securities to current assets

NABIL

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Invest on gov. secur.	3672.63	2413.94	2301.45	4808.34	4646.87
Current assets	14244.04	14971.80	21465.38	26454.42	35928.31
Ratio (%)	25.78	16.12	10.72	18.18	12.93

BOK

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Invest on gov. secur.	2371.77	2146.62	2658.36	2332.03	2113.21
Current assets	9364.43	9645.14	11421.86	13966.91	17178.81
Ratio (%)	25.33	22.26	23.27	16.69	12.30

Appendix: 5

Loan and advance to current assets ratio

NABIL

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
loan and advance	8189.99	10586.20	12922.54	15545.77	21365.05
Current assets	14244.04	14971.80	21465.38	26454.42	35928.31
Ratio (%)	57.50	70.71	60.20	58.76	59.46

BOK

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
loan and advance	5646.70	6008.31	7259.08	9399.32	12462.37
Current assets	9364.43	9645.14	11421.86	13966.91	17178.81
Ratio (%)	60.30	62.29	63.55	67.29	72.56

Appendix: 6

Loan and advance to total deposit ratio

NABIL

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
loan and advance	8189.99	10586.20	12922.54	15545.77	21365.05
Total deposit	14119.00	14586.60	19347.49	23342.28	31915.40
Ratio (%)	58.01	72.57	66.79	66.59	66.94

BOK

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
loan and advance	5646.70	6008.31	7259.08	9399.32	12462.37
Total deposit	7741.64	8942.75	10485.35	12388.92	15833.73
Ratio (%)	72.94	66.12	69.23	75.87	78.71

Appendix: 7

Total investment to total deposit ratio

NABIL

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Total Investment	5835.95	4267.23	6178.533	8945.31	9939.77
Total deposit	14119.00	14586.60	19347.49	23342.28	31915.40
Ratio (%)	41.33	29.25	31.93	38.32	31.14

BOK

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Total Investment	2477.41	2598.25	3374.71	2992.43	3204.06
Total deposit	7741.64	8942.75	10485.35	12388.92	15833.73
Ratio (%)	32.00	29.05	32.19	24.15	20.24

Appendix: 8

Loan and advance to total working fund ratio

NABIL

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
loan and advance	8189.99	10586.20	12922.54	15545.77	21365.05
Total working fund	16745.61	17186.33	22329.97	27253.39	37132.75
Ratio (%)	48.91	61.59	57.87	57.04	57.54

BOK

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
loan and advance	5646.70	5912.58	7259.08	9399.32	12462.62
Total working fund	9496.35	9857.13	12278.33	14581.39	17721.92
Ratio (%)	59.46	59.98	59.12	64.46	70.32

Appendix: 9

Investment on government securities to total working fund ratio

NABIL

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Invest on gov. secur.	3672.63	2413.94	2301.45	4808.34	4646.87
Total working fund	16745.61	17186.33	22329.97	27253.39	37132.75
Ratio (%)	21.93	14.05	10.31	17.64	12.51

BOK

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Invest on gov. secur.	2371.77	2146.62	2658.36	2332.03	2113.21
Total working fund	9496.35	9857.13	1227.83	14581.39	17721.92
Ratio (%)	24.98	21.78	21.65	15.99	11.92

Appendix: 10

Investment on share and debenture to total working fund ratio

NABIL

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Invest on share & deb.	22.22	27.36	27.56	57.85	80.55
Total working fund	16745.61	17186.33	22329.97	27253.39	37132.75
Ratio (%)	0.13	0.16	0.12	0.21	0.22

BOK

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Invest. on share & deb.	22.81	93.02	96.86	90.16	114.09
Total working fund	9496.35	9857.13	1227.83	14581.39	17721.92
Ratio (%)	0.24	0.94	0.79	0.62	0.64

Appendix: 11

Return on total working fund ratio

NABIL

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Net profit	455.32	518.64	635.26	673.96	746.46
Total working fund	16745.61	17186.33	22329.97	27253.39	37132.75
Ratio (%)	2.72	3.02	2.84	2.47	2.01

BOK

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Net profit	127.48	139.53	202.44	262.38	361.49
Total working fund	9496.35	9857.13	1227.83	14581.39	17721.92
Ratio (%)	1.34	1.42	1.65	1.80	2.04

Appendix: 12

Return on investment ratio

NABIL

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Net profit	455.32	518.64	635.26	673.96	746.46
Total investment	5835.95	4267.23	6178.533	8945.31	9939.77
Ratio (%)	7.80	12.15	10.28	7.53	7.51

BOK

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Net profit	127.48	139.53	202.44	262.38	361.49
Total investment	2477.41	2598.25	3374.71	2992.43	3204.06
Ratio (%)	5.15	5.37	5.99	8.77	11.28

Appendix: 13

Return on loan and advance ratio

NABIL

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Net profit	455.32	518.64	635.26	673.96	746.46
loan and advance	8189.99	10586.20	12922.54	15545.77	21365.05
Ratio (%)	5.56	4.90	4.92	4.33	3.49

BOK

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Net profit	127.48	139.53	202.44	262.38	361.49
loan and advance	5646.70	5912.60	7259.08	9399.32	12462.37
Ratio (%)	2.26	2.36	2.79	2.79	2.90

Appendix: 14

Earning per share ratio

NABIL

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Net profit	455.32	518.64	635.26	673.96	746.46
No. of shares	491.65	491.65	491.65	491.65	689.21
Ratio (%)	92.55	105.41	129.20	137.08	108.31

BOK

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Net profit	127.48	139.53	202.44	262.38	361.49
No. of shares	464.00	464.00	464.00	603.14	603.14
Ratio (%)	27.47	30.07	43.63	43.50	59.93

Appendix: 15

Total interest earned to total working fund ratio

NABIL

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Total interest earned	1001.62	1068.75	1309.99	1587.75	1978.69
Total working fund	16745.61	17186.33	22329.97	27253.39	37132.75
Ratio (%)	5.98	6.22	5.87	5.83	5.33

BOK

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Total interest earned	567.10	607.10	718.12	819.03	1034.16
Total working fund	9496.35	9857.13	12278.33	14581.39	17721.92
Ratio (%)	5.7	6.16	5.85	5.62	5.83

Appendix: 16

Total interest paid to total working fund ratio

NABIL

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Total interest paid	282.94	243.54	357.16	555.71	758.43
Total working fund	16745.61	17186.33	22329.97	27253.39	37132.75
Ratio (%)	1.69	1.42	1.60	2.04	2.04

BOK

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Total interest paid	286.30	241.64	308.15	339.18	417.54
Total working fund	9496.35	9857.13	12278.33	14581.39	17721.92
Ratio (%)	3.02	2.45	2.51	2.33	2.36

Appendix: 17

Credit risk ratio

NABIL

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
loan and advance	8189.99	10586.20	12922.54	15545.77	21365.05
Total assets	16745.61	17186.33	22329.97	27253.39	37132.75
Ratio (%)	48.91	61.60	57.87	57.04	57.54

BOK

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
loan and advance	5646.70	6008.31	7259.08	9399.32	12462.37
Total assets	9496.35	9857.13	12278.33	14581.39	17721.92
Ratio (%)	59.46	59.98	59.12	64.46	70.32

Appendix: 18

Capital risk ratio

NABIL

In million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Share capital	491.65	491.65	491.65	491.65	689.21
Risk weighted assets	1187.20	1419.31	1697.63	1916.67	2701.05
Ratio (%)	41.41	34.64	28.96	25.65	25.52

BOK

In

million

Fiscal Year	2003/04	2004/05	2005/6	2006/7	2007/8
Share capital	464.00	464.00	464.00	603.14	603.14
Risk weighted assets	5454.64	5861.47	6938.77	9324.39	12219.96
Ratio (%)	8.51	7.2	7.58	6.47	4.94

Appendix - 19

Calculation of Correlation between deposit and total investment of NABIL

F/Y	Deposit (X)	Investment (Y)	XY	X ²	Y ²
2003/04	7741.64	5835.95	45179823.96	59932989.9	34058312
2004/05	8942.75	4267.23	38160771.08	79972777.6	18209252
2005/06	10485.35	6178.533	64784080.99	109942565	38174270
2006/07	12388.92	8945.31	110822730	153485339	80018571
2007/08	15833.73	9939.77	157383634.4	250707006	98799028
Total	55392.39	35166.793	416331040.4	654040677	269259433

Here,

$$N = 5 \qquad X = 73498.74 \qquad Y = 32038.17$$

$$XY = 474921295.90 \quad X^2 = 1084279298.00 \quad Y^2 = 215230932.70$$

Coefficient of correlation (r) can be calculated by using following formula

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

$$= \frac{5 | 474921295.90 - 73498.74 | 32038.17}{\sqrt{5 | 1084279298 - (73498.74)^2} \sqrt{5 | 215230932.70 - (32038.17)^2}}$$

$$= \frac{19841352.59}{4396.78 | 7050.55}$$

$$= 0.6400$$

$$r^2 = 0.4097$$

Calculation of probable error:

$$P.Er. = \sum X 0.6745 \frac{1 Z r^2}{\sqrt{N}} \sum X 0.6745 \frac{1 Z 0.4097}{\sqrt{5}} = 0.1781$$

$$6 P.Er = 6 | 0.1781 \sum X 1.0685$$

Calculation of Correlation between deposit and total investment of BOK

F/Y	Deposit (X)	Investment (Y)	XY	X ²	Y ²
2003/04	7741.64	2477.41	19179216.35	59932989.9	6137560.31
2004/05	8942.75	2598.25	23235500.19	79972777.6	6750903.06
2005/06	10485.35	3374.71	35385015.5	109942565	11388667.6
2006/07	12388.92	2992.43	37072975.88	153485339	8954637.3
2007/08	15833.73	3204.06	50732220.94	250707006	10266000.5
	55392.39	14646.86	165604928.9	654040677	43497768.7

Here,

$$N = 5 \quad X = 34302.50 \quad Y = 7969.11$$

$$XY = 59787693.15 \quad X^2 = 243504904.20 \quad Y^2 = 16795467.25$$

Coefficient of correlation (r) can be calculated by using following formula

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

$$= \frac{5 | 59787693 - 34302.50 | 7969.11}{\sqrt{5 | 243504904.20 - (34302.50)^2} \sqrt{5 | 16795467.25 - (7969.11)^2}}$$

$$= \frac{25578069.24}{6392.42 | 4524.45}$$

$$= 0.8844$$

$$r^2 = 0.7821$$

Calculation of probable error:

$$P.Er. = \pm 0.6745 \frac{1 - r^2}{\sqrt{N}} = \pm 0.6745 \frac{1 - 0.8844}{\sqrt{5}} = 0.0657$$

$$6 P.Er = 6 | 0.0657 = 0.3943$$

Appendix 20

Calculation of Correlation between deposit and loan and advance of NABIL

F/Y	Deposit (x)	Loan & Advance (Y)	XY	X ²	Y ²
2003/04	14119	8190	115634610	199346161	67076100
2004/05	14587	10586	154417982	212780569	112063396
2005/06	19347.49	12922.54	250018713.4	374325369	166992040
2006/07	23342.28	15545.77	362873716.2	544862036	241670965
2007/08	31915.4	21365.05	681874116.8	1018592757	456465362
Total	103311.17	68609.36	1564819138	2349906892	1044267862

Here,

$$N = 5 \qquad X = 73498.74 \qquad Y = 42294.48$$

$$XY = 621536977.80 \quad X^2 = 1084279298 \quad Y^2 = 363916984.80$$

Coefficient of correlation (r) can be calculated by using following formula

$$\begin{aligned}
 r &= \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} \\
 &= \frac{5 | 621536977.80 - 73498.74 | 42294.48}{\sqrt{5 | 1084279298 - (73498.74)^2} \sqrt{5 | 363916984.8 - (42294.48)^2}} \\
 &= \frac{-906099.96}{4396.78 | 5546.339832} \\
 &= -0.0372
 \end{aligned}$$

$$r^2 = 0.0014$$

Calculation of probable error:

$$P.Er. = 0.6745 \frac{1}{\sqrt{N}} \frac{Z r^2}{\sqrt{5}} = 0.3012$$

$$6 P.Er = 6 | 0.3012 \times 1.8074$$

Calculation of Correlation between deposit and loan and advance of BOK

F/Y	Deposit (x)	Loan & Advance (Y)	XY	X ²	Y ²
2003/04	7741.6	5646.7	43714492.72	59932370.6	31885220.9
2004/05	8942.8	5912.6	52875199.28	79973671.8	34958838.8
2005/06	10485.35	7259.08	76113994.48	109942565	52694242.4
2006/07	12388.92	9399.32	116447423.5	153485339	88347216.5
2007/08	15833.73	12462.62	197329760.2	250707006	155316897
Total	55392.4	40680.32	486480870.2	654040952	363202416

Here,

$$N = 5 \qquad X = 34302.50 \qquad Y = 24971.96$$

$$XY = 175390079.20 \quad X^2 = 243504904.20 \quad Y^2 = 126882093.60$$

Coefficient of correlation (r) can be calculated by using following formula

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

$$= \frac{5 | 175390079.20 - 34302.50 | 24971.96}{\sqrt{5 | 243504904.20 - (34302.50)^2} \sqrt{5 | 126882093.60 - (24971.96)^2}}$$

$$= \frac{20349738.1}{6392.42 | 3288.11}$$

$$= 0.9682$$

$$r^2 = 0.9373$$

Calculation of probable error:

$$P.Er = 0.6745 \frac{1 - r^2}{\sqrt{N}} = 0.6745 \frac{1 - 0.9682}{\sqrt{5}} = 0.0189$$

$$6 P.Er = 6 | 0.0189 = 0.1134$$

Appendix 21

Calculation of Correlation between total investment and net profit of NABIL

F/Y	Total Investment (x)	Net profit (Y)	XY	X ²	Y ²
2003/04	5836	455.32	2657247.52	34058896	207316.30 2
2004/05	4267.2	518.64	2213140.608	18208995.8	268987.45
2005/06	6178.53	635.26	3924972.968	38174233	403555.26 8
2006/07	8945.31	673.96	6028781.128	80018571	454222.08 2
2007/08	9939.71	746.46	7419595.927	98797834.9	557202.53 2
Total	35166.75	3029.64	22243738.15	269258531	1891283.6 3

Here,

$$N = 5 \quad X = 32038.17 \quad Y = 1953.21$$

$$XY = 11852893.14 \quad X^2 = 215230932.70 \quad Y^2 = 808247.15$$

Coefficient of correlation (r) can be calculated by using following formula

$$\begin{aligned}
 r &= \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} \\
 &= \frac{5 | 11852893.14 - 32038.17 | 1953.21}{\sqrt{5 | 215230932.70 - (32038.17)^2} \sqrt{5 | 808247.15 - (1953.21)^2}} \\
 &= \frac{-3312808.30}{7050.56 | 475.62} \\
 &= -0.9879
 \end{aligned}$$

$$r^2 = 0.9759$$

Calculation of probable error:

$$P.Er. X 0.6745 \frac{1 Z r^2}{\sqrt{N}} X 0.6745 \frac{1 Z (-0.9879)}{\sqrt{5}} = 0.0072$$

$$6 P.Er = 6 | 0.0072 X 1.0685$$

Calculation of Correlation between total investment and net profit of BOK

F/Y	Investment (X)	Net profit (Y)	XY	X ²	Y ²
2003/04	2477.4	127.48	315818.952	6137510.76	16251.1504
2004/05	2598.3	139.53	362540.799	6751162.89	19468.6209
2005/06	3374.71	202.44	683176.2924	11388667.6	40981.9536
2006/07	2992.43	262.38	785153.7834	8954637.3	68843.2644
2007/08	3204.06	361.49	1158235.649	10266000.5	130675.02
Total	14646.9	1093.32	3304925.476	43497979	276220.009

Here,

$$N = 5 \quad X = 7969.11 \quad Y = 423.78$$

$$XY = 861056.92 \quad X^2 = 16795467.25 \quad Y^2 = 46823.16$$

Coefficient of correlation (r) can be calculated by using following formula

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

$$= \frac{5 | 861056.92 - 7969.11 | 423.78}{\sqrt{5 | 16795467.25 - (7969.11)^2} \sqrt{5 | 46823.16 - (423.78)^2}}$$

$$= \frac{928135.164}{4524.45 | 233.51}$$

$$= 0.8785$$

$$r^2 = 0.7718$$

Calculation of probable error:

$$P.Er. X 0.6745 \frac{1 Z r^2}{\sqrt{N}} X 0.6745 \frac{1 Z 0.8785}{\sqrt{5}} = 0.0688$$

$$6 P.Er = 6 | 0.0688 X 0.4131$$

Appendix 22

Calculation of Correlation between loan & advance and net profit of NABIL

F/Y	Loan & Advance (X)	Net profit (Y)	XY	X ²	Y ²
2003/04	8190	455.32	3729070.8	67076100	207316.302
2004/05	10586	518.64	5490323.04	112063396	268987.45
2005/06	12922.54	635.26	8209172.76	166992040	403555.268
2006/07	15545.77	673.96	10477227.15	241670965	454222.082
2007/08	21365.05	746.46	15948155.22	456465362	557202.532
Total	68609.36	3029.64	43853948.97	1044267862	1891283.63

Here,

$$N = 5 \quad X = 42294.30 \quad Y = 1953.21$$

$$XY = 16893666.05 \quad X^2 = 363913023.80 \quad Y^2 = 808247.15$$

Coefficient of correlation (r) can be calculated by using following formula

$$\begin{aligned}
 r &= \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} \\
 &= \frac{5 | 16893666.05 - 42294.30 | 1953.21}{\sqrt{5 | 363913023.80 - (42294.30)^2} \sqrt{5 | 808247.15 - (1953.21)^2}} \\
 &= \frac{1858680.55}{5545.93 | 475.62} \\
 &= 0.7046
 \end{aligned}$$

$$r^2 = 0.4965$$

Calculation of probable error:

$$P.Er. = 0.6745 \frac{1 - r^2}{\sqrt{N}} = 0.6745 \frac{1 - 0.4965}{\sqrt{5}} = 0.1519$$

$$6 P.Er = 6 | 0.1519 = 0.9112$$

Calculation of Correlation between loan & advance and net profit of BOK

F/Y	Loan & Advance (X)	Net profit (Y)	XY	X ²	Y ²
2003/04	5646.7	127.48	719841.316	31885220.9	16251.1504
2004/05	5912.6	139.53	824985.078	34958838.8	19468.6209
2005/06	7259.08	202.44	1469528.155	52694242.4	40981.9536
2006/07	9399.32	262.38	2466193.582	88347216.5	68843.2644
2007/08	12462.62	361.49	4505112.504	155316897	130675.02
Total	40680.32	1093.32	9985660.635	363202416	276220.009

Here,

$$N = 5 \quad X = 24972.00 \quad Y = 423.78$$

$$XY = 2238925.25 \quad X^2 = 126882500.30 \quad Y^2 = 46823.16$$

Coefficient of correlation (r) can be calculated by using following formula

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

$$= \frac{5 | 2238925.25 - 24972.00 | 423.78}{\sqrt{5 | 126882500.30 - (24972.00)^2} \sqrt{5 | 46823.16 - (423.78)^2}}$$

$$= \frac{928135.164}{4524.45 | 233.51}$$

$$= 0.7971$$

$$r^2 = 0.6353$$

Calculation of probable error:

$$P.Er. = 0.6745 \frac{1 - r^2}{\sqrt{N}} = 0.6745 \frac{1 - 0.6353}{\sqrt{5}} = 0.1100$$

$$6 P.Er = 6 | 0.1100 = 0.6600$$

Appendix 23

Calculation of trend value of total deposit of NABIL

F/Y(X)	Total deposit(y)	x (X-2006)	x ²	xy	y _c = a + bx
2003/04	14119	-2	4	-28238	11792.458
2004/05	14586.60	-1	1	-14586.60	16227.306
2005/06	19347.49	0	0	0	20662.154
2006/07	23342.28	1	1	23342.28	25097
2007/08	31915.40	2	4	63830.80	29531.85
Total	103310.77	0	10	44348.48	

Here,

$$N=5 \qquad x = 0 \qquad xy = 44348.48$$

$$y = 103310.77 \qquad x^2 = 10$$

$$a = y/N = 103310.77/5 = 20662.154$$

$$b = xy / x^2 = 44348.48/10 = 4434.848$$

The equation of the straight line trend is $y_c = a + bx$

$$y_c = 20662.154 + (4434.848)x$$

Trend value of total deposit of NABIL(2003/04 to 2007/08)

F/Y	x(X-2006)	y _c = a + bx
2008/09	3	33966.698
2009/10	4	38401.55
2010/11	5	42836.39
2011/12	6	47271.24
2012/13	7	51706.09

Calculation of trend value of total deposit of BOK

F/Y(X)	Total deposit(y)	x (X-2003)	x ²	xy	y _c = a + bx
2003/4	7741.64	-2	4	-15483.28	7153.41
2004/5	8942.75	-1	1	-8942.75	9115.45
2005/6	10485.35	0	0	0	11078.48
2006/7	12388.92	1	1	12388.92	13041.52
2007/8	15833.73	2	4	31667.46	15004.55
Total	55392.39	0	10	19630.35	

Here,

$$N=5 \qquad x = 0 \qquad xy = 1630.35$$

$$y = 55392.39 \qquad x^2 = 10$$

$$a = y/N = 55392.39 / 5 = 11078.478$$

$$b = xy / x^2 = 19630.35/10 = 1963.035$$

The equation of the straight line trend is $y_c = a + bx$

$$y_c = 11078.48 + 1963.035x$$

Trend value of total deposit of BOK (2007/08 to 2012/13)

F/Y	x(X-2003)	y _c = a + bx
2008/09	3	16967.59
2009/10	4	18930.62
2010/11	5	20893.66
2011/12	6	22856.69
2012/13	7	24819.725

Appendix 24

Calculation of trend value of loan and advances of NABIL

F/Y(X)	Loan and advance(y)	x (X-2003)	x ²	xy	y _c = a+ bx
2003/4	8189.9	-2	4	-16379.98	7459097
2004/5	10586.20	-1	1	-10586.20	10590.94
2005/6	12922.54	0	0	0	13721.91
2006/7	15545.77	1	1	15545.77	16851.97
2007/8	21365	2	4	42730.10	19983.85
Total	68609.55	0	10	31309.69	

Here,

$$N=5 \qquad x = 0 \qquad xy = 31309.69$$

$$y = 68609.55 \qquad x^2 = 10$$

$$a = y/N = 6860.55/5 = 13721.91$$

$$b = xy/ x^2 = 3130.6/10 = 3130.96$$

The equation of the straight line trend is $y_c = a + bx$

$$y_c = 13721.91 + 3130.96x$$

Trend value of loan and advances of NABIL(2008/09 to 2012/13)

F/Y	x(X-2003)	y _c = a + bx
2008/09	3	23114.817
2009/10	4	26245.79
2010/11	5	29375.76
2011/12	6	32506.72
2012/13	7	35638.69

Calculation of trend value of loan and advances of BOK

F/Y(X)	Loan and advance(y)	x (X-2003)	x ²	xy	y _c = a + bx
2003/4	5646.70	-2	4	-11293.4	4712.94
2004/5	5912.58	-1	1	-5912.58	6424.50
2005/6	7259.08	0	0	0	8136.06
2006/7	9399.32	1	1	9399.32	9836.62
2007/8	12462.62	2	4	24925.24	11559.18
Total	40680.3	0	10	17118.58	

Here,

$$N=5 \qquad \qquad \qquad x = 0 \qquad \qquad \qquad xy = 17118.58$$

$$y = \qquad \qquad \qquad x^2 = 10$$

$$a = y/N = 24971.96 / 5 = 4994.39$$

$$b = xy / x^2 = 4345.60 / 10 = 434.56$$

The equation of the straight line trend is $y_c = a + bx$

$$y_c = 4994.39 + 434.56x$$

Trend value of loan and advances of BOK (2008/09 to 2012/13)

F/Y	x(X-2003)	y _c = a + bx
2008/09	3	4712.94
2009/10	4	6424.50
2010/11	5	8136.06
2011/12	6	9836.62
2012/13	7	11559.18

Appendix 25

Calculation of trend value of total investment of NABIL

F/Y(X)	Total investment(y)	x (X-2003)	x ²	xy	y _c = a+ bx
2003/4	5835.95	-2	4	-11671.9	4456.22
2004/5	4267.23	-1	1	-4267.23	5744.79
2005/6	6178.53	0	0	0	7033.358
2006/7	8945.31	1	1	8945.31	831.928
2007/8	9939.77	2	4	19879.54	9610.498
Total	35166.79	0	10	12885.72	

Here,

$$N=5 \qquad x = 0 \qquad xy = -9237.72$$

$$y = 32038.17 \qquad x^2 = 10$$

$$a = y/N = 32038.17/5 = 6407.63$$

$$b = xy/ x^2 = -9237.72/10 = -923.77$$

The equation of the straight line trend is $y_c = a + bx$

$$y_c = 6407.63 + (-923.77)x$$

Trend value of total investment of NABIL(2008/09 to 2012/13)

F/Y	x(X-2003)	y _c = a + bx
2008/09	3	10899.07
2009/10	4	12187.64
2010/11	5	13476.21
2011/12	6	14764.78
2012/13	7	16053.35

Calculation of trend value of total investment of BOK

F/Y(X)	Total investment(y)	x (X-2003)	x ²	xy	y _c = a + bx
2003/4	419.81	-2	4	-839.62	358.46
2004/5	657.46	-1	1	-657.46	976.14
2005/6	1816.18	0	0	0	1593.82
2006/7	2477.41	1	1	2477.41	2211.51
2007/8	2598.25	2	4	5196.50	2829.19
Total	7969.11	0	10	6176.83	

Here,

$$N=5 \qquad x = 0 \qquad xy = 6176.83$$

$$y = 7969.11 \qquad x^2 = 10$$

$$a = y/N = 7969.11/5 = 1593.82$$

$$b = xy/x^2 = 6176.83/10 = 617.68$$

The equation of the straight line trend is $y_c = a + bx$

$$y_c = 1593.82 + 617.68x$$

Trend value of total investment of BOK (2008/09 to 2012/13)

F/Y	x(X-2003)	y _c = a + bx
2008/09	3	3483.612
2009/10	4	3668.36
2010/11	5	3853.11
2011/12	6	4037.86
2012/13	7	4222.61

Appendix 26

Calculation of trend value of net profit of NABIL

F/Y(X)	Net profit (y)	x (X-2003)	x ²	xy	y _c = a+ bx
2003/4	291.37	-2	4	-910.64	262.10
2004/5	271.63	-1	1	-518.64	326.82
2005/6	416.25	0	0	0	390.64
2006/7	455.32	1	1	673.96	454.47
2007/8	518.64	2	4	1492.92	518.29
Total	1953.21	0	10	737.6	

Here,

$$N=5 \qquad \qquad \qquad x = 0 \qquad \qquad \qquad xy = 638.23$$

$$y = 1953.21 \qquad \qquad \qquad x^2 = 10$$

$$a = y/N = 1953.21/5 = 390.64$$

$$b = xy / x^2 = 638.23/10 = 63.82$$

The equation of the straight line trend is $y_c = a + bx$

$$y_c = 390.64 + 63.82x$$

Trend value of net profit of NABIL(2008/09 to 2012/13)

F/Y	x(X-2003)	y _c = a + bx
2008/09	3	827.21
2009/10	4	900.97
2010/11	5	368.80
2011/12	6	1048.49
2012/13	7	1122.25

Calculation of trend value of net profit of BOK

F/Y(X)	Net profit (y)	x (X-2003)	x ²	xy	y _c = a + bx
2003/4	127.48	-2	4	-254.96	100.48
2004/5	139.53	-1	1	-139.53	159.573
2005/6	202.44	0	0	0	218.66
2006/7	262.38	1	1	262.38	277.75
2007/8	361.49	2	4	722.98	336.83
Total	1093.32	0	10	590.87	

Here,

$$N=5 \quad x = 0 \quad xy = 266.54$$

$$y = 423.78 \quad x^2 = 10$$

$$a = y/N = 423.48/5 = 84.76$$

$$b = xy/x^2 = 266.57/10 = 26.65$$

The equation of the straight line trend is $y_c = a + bx$

$$y_c = 84.76 + 26.65x$$

Trend value of net profit of BOK(2008/09 to 2012/13)

F/Y	x(X-2003)	y _c = a + bx
2008/09	3	395.92
2009/10	4	455.008
2010/11	5	514.095
2011/12	6	573.18
2012/13	7	632.269

NABIL Bank Limited
Kantipath, Kathmandu, Nepal

Comparative Profit & Loss A/c
As at Mid-July

In million

Particular	2004	2005	2006	2007	2008
1. Interest Income	1001.64	1068.75	1309.99	1587.76	1978.69
2. Interest Expense	282.94	243.54	357.16	555.71	758.43
Net Interest Income	718.67	825.21	952.83	1032.05	1220.26
3. Commission & Discount	135.96	128.88	138.29	150.61	156.23
4. Other Operating Income	38.75	56.44	82.89	87.57	97.44
5. Exchange Income	157.32	184.88	185.48	209.93	196.48
Total Operating Income	1050.70	1194.89	1359.51	1480.16	1670.43
6. Staff Expense	180.84	199.51	219.78	240.16	262.91
7. Other Operating Expense	0	190.29	182.69	188.18	220.75
8. Exchange Loss	0	0	0	0	0
Operating Profit Before Provision for Possible Losses	0	805.08	957.04	1051.81	1186.77
9. Provision for Possible Losses	1.05	8.66	3.77	14.20	64.05
Operating Profit		796.42	958.27	1037.61	1122.71
10. Non Operating Income/Exp	0	(0.48)	0.74	5.28	24.08
11. Provision for Possible Losses	4.20	4.45	7.73	10.93	11.10
12. Income /Expense) from Extra-ordinary Activities		41.16	26.07	26.07	40.74
Profit From All Activities		841.98	987.80	1094.55	1197.89
13. Provision for Staff Bonus	84.20	84.20	89.80	99.50	108.90
14. Provision for Income Tax	239.15	237.67	262.74	321.07	342.52
Net Profit / Loss	455.32	518.64	635.26	673.96	746.47

NABIL Bank Limited
Kantipath, Kathmandu, Nepal

Comparative Balance Sheet
As at Mid-July

In million

Liabilities	2004	2005	2006	2007	2008
1. Share Capital	491.65	491.65	491.65	491.65	689.22
2. Reserve & Surplus	990.03	1165.98	1383.34	1565.40	1747.98
3. Debenture & Bond	0	0	0	0	240.00
4. Borrowings	229.66	17.06	173.20	882.57	1368.00
5. Deposits	1411.90	1486.61	19347.49	23342.28	31915.40
6. Bills Payable	173.50	119.75	92.54	83.51	238.42
7. Proposed and Undistributed Dividend	0	361.22	435.08	509.42	437.37
8. Income Tax Liabilities	0	15.35	34.60	0	38.78
9. Other Liabilities	323.96	340.79	372.15	378.55	465.94
Total Liabilities	16745.61	17186.33	22329.97	27253.39	37132.75
Assets					
1. Cash Balance	286.87	146.35	237.82	270.41	155.43
2. Balance with Rastra Bank	606.69	389.35	237.82	270.41	155.43
3. Balance with banks	26.20	23.32	74.06	60.00	330.24
4. Money at call and Shorts notice	918.73	868.43	1734.90	563.53	1952.36
5. Investments	5835.95	4267.23	6178.53	8945.31	9939.77
6. Loan advance and Bills purchase	8189.99	10586.20	12922.54	15545.78	21365.05
7. fixed Assets	338.26	361.23	319.0	286.89	598.04
8. Non Banking Assets	0	0	0	0	0
9. Other Assets	492.19	543.88	544.67	512.05	606.3
Total Assets	16745.61	17186.33	22329.97	27253.39	37132.75

Bank of Kathmandu Limited
Kamalpokhari, Kathmandu

Comparative Profit and Loss account
As at Mid- July

In million

Particular	2004	2005	2006	2007	2008
1. Interest Income	567.09	607.09	718.12	819.00	1034.16
2. Interest Expense	286.29	241.64	308.16	339.18	417.54
Net Interest Income	280.80	365.45	409.97	479.82	616.61
3. Commission & Discount	77.71	72.35	70.77	7.43	129.41
4. Other Operating Income	1.97	4.47	16.7	19.00	23.17
5. Exchange Income	64.05	72.11	78.95	80.83	93.76
Total Operating Income	424.53	514.38	576.66	677.08	862.96
6. Staff Expense	47.73	53.82	59.12	6.74	90.60
7. Other Operating Expense	85.83	99.1	117.59	138.43	170.48
8. Exchange Loss	0	0	0	0	00
Operating Profit Before Provision for Possible Losses	290.97	361.37	39.95	468.91	601.88
9. Provision for Possible Losses	101.26	133.2	78.38	81.8	38.43
Operating Profit	189.71	227.45	321.57	387.02	563.44
10. Non Operating Income/Exp	0	0.52	1.09	(2.78)	0.81
11. Provision for Possible Losses write back	0	0	103.87	37.10	61.83
12. Income /Expense) from Extra-ordinary Activities	189.71	226.93	236.13	425.45	580.74
Profit From All Activities	189.71	226.93	236.13	425.45	580.74
13. Provision for Staff Bonus	20.51	22.70	30.12	38.34	52.78
14. Provision for Income Tax	57.17	64.76	98.77	121.02	166.40
Net Profit / Loss	127.48	139.53	202.44	262.38	361.49

Bank of Kathmandu Limited
Kamalpokhari, Kathmandu

Comparative Profit and Loss account
As at Mid- July

In million

Liabilities	2004	2005	2006	2007	2008
1. Share Capital	464	464	464	603.14	603.14
2. Reserve & Surplus	187.16	257.15	376.15	376.15	738.93
3. Debenture & Bond	0	0	200.00	200.00	200.00
4. Borrowings	912.15	6.00	553.18	730.00	100.00
5. Deposits	7741.64	8942.75	10485.35	12388.92	15833.75
6. Bills Payable	38.71	19.87	11.62	25.78	51.57
7. Proposed and Undistributed Dividend	0	0	98.71	135.57	32.80
8. Income Tax Liabilities	0	0	0	0	0
9. Other Liabilities	153.0	167.77	89.72	107.84	161.73
Total Liabilities	9496.35	9857.13	12278.33	14581.39	17721.92
Assets					
1. Cash Balance	139.22	161.47	184.02	219.04	536.74
2. Balance with Rastra Bank	449.86	417.78	349.29	883.49	606.05
3. Balance with banks	193.80	161.27	195.38	213.36	297.67
4. Money at call and Shorts notice	272.32	328.87	594.05	259.28	72.70
5. Investments	2477.41	258.25	3374.71	2992.43	3204.06
6. Loan advance and Bills purchase	5646.69	5912.58	7259.08	9399.32	12464.62
7. fixed Assets	83.62	95.23	110.74	320.85	387.27
8. Non Banking Assets	0	0	7.35	3.62	0.45
9. Other Assets	233.41	181.67	203.6	278.68	154.35
Total Assets	9496.35	9857.13	12278.33	14581.39	17721.92