Chapter I

INTRODUCTION

1.1 General Background

Nepal is small beautiful Himalayan country with various altitude and climate. Geographically Nepal is landlocked country situated between India and China. It is divided administratively into five development regions, fourteen zones and seventy-five districts. "The total area of Nepal is 147181 square km. shaping 845 km. in length and 144 to 255 km. in its breadth .The per capita income is US $220".[1] Most of the people are in poverty line. Today most of the developing countries are struggling with poor economy i.e. lack of finance and technology. The pace development of any country in this modern era largely depends on the level of financial development. The financial sector of any country comprises of bank, co-operative societies, insurance companies, finance companies, stock market, foreign exchange markets, mutual funds, provident funds etc. necessity of the financial institutes was felt which could execute multi-activities. The source of finance is the most essential element for the establishment and operation of any profit and not profit institutions. Profit oriented institutions usually obtain these sources through ownership capital, public capital through the issues of shares and through financial institutions such as banks.

The history of banking system in Nepal in the form of money lending can be traced back in the reigning period of Gunkamadev, the King of Kathmandu'[2] Accordingly Nepal Bank Limited was established under the banking act 1993. The government provided 51% equity of the bank and the

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1 *Nepal Pharmaceutical guide*, 2nd edition, 2000:02

2 Nepal Bank Limited, *Nepal Bank Patrika*, NBL, Vol -4, 2037, p- 31

promoters shared the rest. Nepal Rasta Bank the central bank emerged in 2013 B.S under Rasta Bank act 2012. Rastriya Banijya Bank comes into existence in 2022 B.S with 100% government equity. Liberalization policy of the government formulated in 2038 B.S. allowed private sector to open Joint Venture Bank. Again the participation of private sector begin for consolidate in this field .As the result of this, many joint venture banks from private sector evolved. Nepal Arab Bank Ltd. is the first joint venture bank from the private sector. Accordingly, Nepal Bangladesh Bank Ltd (NB Bank) came as the joint venture bank from private sector in 2051B.S. Although we can find similarity in objectives and purposes of these entire joint venture Banks. The birth of bank brought a new landmark in the history of banking facility in Nepal. Like other developed countries, Nepal also took the policy of open economy to economy and as a bank like any firm is in business to make profit for its shareholders. Joint venture banks financial system as they hold the deposits of millions of people, government and business units, and make fund available through their lending and investing activities to individuals, business firms and government. So, the commercial banks are the most important institution for capital formation. The major problem in almost all undeveloped countries like Nepal is lack of capital formation and their proper mobilization. The importance of bank in economic life is greater .The banks accumulate scattered savings in term of deposit grant long term as well as short term loan in the several sectors. Because of these industries can be run better way and reduces import of foreign goods and increase exports. It helps to increase the foreign currency. Thus, bank can be rightly interpreted as the king of business world and promoter of economic development.

1.1. a) Meaning and Nature of Bank

A bank is an institution, which deals with money and credit. It accepts deposits from the public and mobilizes the fund to productive sectors.

Generally, bank accepts deposits from business institutions and individuals which are mobilized into productive sectors mainly business and consumer lending. Therefore, Bank is known as a dealer of money .A bank may be engaged in different types of functions such as remittance, exchange currency, joint venture guarantee, discounting bills etc. Banks are essential financial Institution in an economy. They are the principle source of credit that provide most important source of short term working capital for business and is increasing active in recent years in making long-term business loans for new plants and equipment.

The banks generate their income in a different way. They collect money from savers and lend it to borrower's .Banks also generate in come by providing other services for which they charge fees and commissions. Such services include trust administration, safety deposit, account services and others. Therefore, banks play a vital role in developing the economy of any country. The level of overall development of a country is the level of economic growth characterizes it social, cultural, political or economical and the crux of the economic growth lies in the development of well-managed banking system. Hence, Banks can be considered as extremely necessary aspect for the healthy and perennial progress of our country. By creating and mobilizing the capital and rendering various financial service banks are contributing to the establishment and development so many small and large-scale industries and domestic as well as international trade and commerce. Through bank refers to the transaction of money. Modern banks are established with facilities the channeling of fund from the surplus units (savers) to the deficit spending units (investor) in the economy.

Generally the term bank refers commercial banks. Commercial banks are the dominant institutions in the financial sector and are the foundation of the national economy. They transfer monetary sources from savers to users.

The main object of joint venture bank is to mobilize ideal resources for productive use after collecting those scattered resources. Its role in economic development is so immense; it brings about grater mobility of resources to meet

the emerging necessity of the economy. The essence of the commercial bank is the financial intermediate between the ultimate saver and borrowers. In other words, a bank's main function is to act as middle-man between the surplus and deficit units in the economy and as a bank like any firm is in business to make profit for its shareholders. Joint venture banks have become the heart of financial system as they hold the deposits of millions of people, government and business units, and make fund available through their lending and investing activities to individuals, business firms and government. So, the commercial banks are the most important institution for capital formation. The major problem in almost all undeveloped countries like Nepal is lack of capital formation and their proper mobilization. The importance of bank in economic life is greater. The banks accumulate scattered savings in term of deposit grant long term as well as short term loan in the several sectors. Because of these industries can be run better way and reduces import of foreign goods and increase exports. This helps the increase of foreign currency reserve. Thus, bank can be rightly interpreted as the king of business world and promoter of economic development.

1.1. b) Definition of Bank:

Bank is a financial intermediary accepting deposits and granting loans but a modern bank performs such a variety of functions that it is difficult to give a precise and general definition of a bank. Some definitions are as follows:
"A bank collects money from those who have it to spare or who are saving it out of their incomes and it lends this money to those who require it."[3]
"A banker or bank is a person or company carrying on the business of receiving money and collecting drafts, for customers subject to the obligation of

[3] Singh H.B., *Banking and Insurance*, 2nd edition, Vikash Publishing House, New Delhi, 1998, p-4

honoring cheques drawn upon them from time to time to time by the customers to the extent of the amount available on their customer"[4]

Bank is a financial institution, which plays a significant role in the development of the country. It facilitates the growth of trade and industry and other sector of the national economy. It is a resource for economic development, which maintains the self-confidence of segments of society and extends to the people.

"A bank is a business organization that services and holds deposits of funds from orders makes loans as extends credits and transfers funds by written orders of deposits." [5]

"The business in banking is one of the collecting funds from the community and extending credit to people for useful purpose. Banks have played a pivotal role in moving money from lenders to borrowers. Banking is a profit seeking business not a community charity. As a profit seeker, it is expected to pay dividends and other wise add to the wealth it's of shareholders".[6]

In this way we can say that bank is an institution which accepts deposits from the public and in turn advance loan to business and personal customers. Therefore, a bank may be called the financial supermarket providing all kinds of monitory service which is necessary for the industrialization and economic development of the country. In this present situation, banks play a vital role in developing the economy of any country. The level of overall development of a country is the level of economic growth characterizes it social, cultural, political or economical and the crux of the economic growth lies in the development of well- managed banking system. Hence banks can be considered are extremely necessary for the healthy and perennial – progress of our country.

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[4] Shekher & Shekher, *Banking theory and Practice*, Vikash Publishing House, New Delhi, 1999, p-4

[5] *Encyclopedia*, The World Book America, Grolier Incorporated, vol-3,1984.

[6] Rebort, O. Edmister, *Financial Institution*, New York McGraw- Hill book Company, 1980, p-42

By crating and mobilizing the capital and rendering various financial service banks are contributing to the establishment and development of so many small and large- scale industries and domestic as well as international trade and commerce. Through bank refers to transaction of money, modern banks are established with which facilitates the channeling of fund from the surplus units (savers) to the deficit spending units (investor) in the economy. Moreover banks also encourage industrial innovations and business expansion through the funds provided by them to the entrepreneur. Beside this they discharge, various function on behalf of their customer and in turn they are paid for their services. Commercial banks undertake the payment of subscriptions, insurance premium, rent etc, in addition they purchase and discount bill of exchange, promissory note and exchange foreign currency. Furthermore commercial banks also arrange to remit money from. One place to another at very low price by means of cheques, draft, swift etc. They buy and sell share and securities on behalf of customer. Banks are very important to individually business and for country. In fact the economic development of a country is not possible without a sound banking system although commercial banks are the dominant institutions in the financial sectors and are the foundation of the national economy. They transfer monitory sources from savers to users.

Commercial Bank Act, 2031 has defined commercial bank as "An organization which exchanges money, accepts deposits, grants loans and performs commercial banking functions and which is not a bank meant for co-operative ,agriculture,industries or for such specific purpose." [7]

1.1. c) Principles of Good Investment

Needless to say, investment is the major income generating activity of any joint venture bank and it is also one of the main functionalities of the joint venture banks. Even though, joint venture banks just goes on giving out loan to just anyone and any institution. Income generating it is but if loans are not distributed properly and cautiously then it may be the main cause of the failure

[7] *Commercial Bank Ac*t, 2031B.S.

of the banks. In case loans were advanced carelessly and the borrowers fail to pay out their debts, banks and these like of bad loans interrupt the flow. Thus, it should be well analyzed before hand to give out any loans. Below given are the factors whereupon any prospect loan should be analyzed.

The joint venture bank should insure that the money lent by them foes to the right type of borrower and is utilized in such a way that it will not only be safe at the time of lending but will remain so throughout, and after serving a useful purpose in the trade of industry where it is employed, is repaid with interest.

Besides safety factor it is also necessary that the money lent out must be repaid in accordance with agreed terms of repayment. In order to achieve this borrower must have reliable sources of sufficient income.

Joint venture banks should generate sufficient income to cover the expenses. Such expenses are interest expenses on deposits, staff expenses, office operating expenses, provision for depreciation on their fixed assets, provision of bad or doubtful debts, to pay bonus for staff, income tax to government and of course ,dividend to its shareholders and plough back return to expand its business volume. Considering these costs, joint venture should decide upon lending rates.

The purpose of lending should be productive so that money not only remains safe but also provides a definite source of repayment.

The primary objective of joint venture bank is not to lend against security. It should lend on the basis of character, capacity and capital of the borrowers. However, security is considered as insurance or a cushion to ball upon in case of failure to repay the loan and interest dues.

Diversification of lending is another important principle of good lending. An element of risk is always present in every advance however secure it might appear to be. In fact, the entire lending business is one of the taking calculated risks and a successful financer is an expert in assessing such risk.

Thus, company should diversify ties lending program in various sectors of economy, business and industry and geographical areas.

Even if an advance satisfies all the foreside principles, it may still not be suitable. The lending program may run counter to national interest. Central bank may have issued a directive prohibiting finance companies to allow particular types of advance.

Mobilization of funds collected from deposits is very important. Inability of doing so is a total loss to the banks. Giving out loans and advances is one of the main and very crucial segments, where the collected funds are invested. Being more practical, the position and status of joint venture are read via Loans and Advances it has mobilized. But a profound thought highlight that only giving out Loans and Advances to the maximum extent is not only important thing. The more crucial part is the recovery of such invested funds.

All the invested time and foes is in vain, if joint venture fail to recover what they had invested in Loans and Advances. The money mobilized in Loans and Advances is borrowed from public via deposits, which are liability of the company. Besides, interest from Loans and Advances is one of the main sources of income of joint venture banks. If the failure of the bank is not able to recover its Loans and Advances, it's a failure of the bank. Thus, joint venture banks pay special attention in the recovery part.

The joint venture bank should regularly watch the repayment of each and every loan it has mobilized. It should be best tried that none of the borrowers miss their single scheduled repayment. Reminding each borrowers prior about the upcoming due date should be made the regular function continues as sending reminder letter at different time inversely as the requirement, as according to the regulation of the bank. This is very crucial section and thus, it should be well observed and inspected. The bank should try all possible legal technique to collect the repayment.

In case the borrowers, defying the company's schedules, do not pay due installment, the bank can use the least weapons of recovering its investment via liquidity of the security against which, the loan was mobilized. Thus, bank should collect quality security while giving out Loans and Advances to be in safe side. Loan to be supplied only against security. The bank must not supply

loans without taking any collateral or other necessary securities and guarantees acceptable to it.

1.2 A Brief Introduction of Joint Venture Banks

"A joint venture is the joining of forces between two or more enterprise for the purpose of carrying out specific operations (industrial or commercial investment, production and trade)."[8]

"The joint venture banks are in a better position than local commercial banks in profit making. In an average, no fright banks have suffered loss till now, but local banks owned negative profits."[9]

A joint venture is an association of two or more persons or partner having exceptional advantage in specific operations is under taken to make the operations highly remunerative with their collective efforts. The established commercial banks were not only providing poor service and facilities to their customers but also lack of proper investment policies in different sectors and unnecessary rules and regulation harassed the customer. As a result in fiscal year 2039/40 new banking policy introduced for the establishment of new banks by the joint investment of foreign nations, which gave a new horizon to the Nepalese banking sectors. Result of which, several joint venture banks involved in the last decade. These joint venture banks were established to invite foreign investment and modern technology to provide financial services to the target market. In this short span of time these joint venture banks have merge to perform in a significant way by going their position as a leading banks. Its objectives were to create healthy competitive banking system and sound banking system and to provide sound banking facilities to the people. They have been able to perform satisfactory through service excellence and customer satisfaction and they can earn stable consistent return to their share holders

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8 Gupta, D.P., *The Banking System & Its role in export development*, International Trade Center UNCTAD\GATT, Geneva, 1984.

9 Pradhan, K., *Nepal Ma Banjaya Banking Upalabdhi Tatha Chunnauti*, Kathmandu, 1991, p-13

considering the two private banks which had opened as joint venture banks but converted into privates. The main objective of joint venture bank is to mobilize ideal resources for productive use after collecting them from different sources. Its role in economic development is so immense it brings about greater mobility of resources to meet the emerging necessity of the economy. The essence of joint venture bank is the financial intermediate between the ultimate savers and borrowers. In other words, we can say that the main aim of banks is to act as middle man between the surplus and deficit units in the shareholders. There are altogether six joint venture banks named as:

a. Nabil Bank Ltd.
b. Himalayan Bank Ltd.
c. Everest Bank Ltd.
d. Nepal Bangladesh Bank Ltd.
e. Nepal SBI Bank Ltd.
f. Standard Chartered Bank Ltd.

"In Nepal, to encourage joint venture in banking sector three major reforms were carried out in 1980 AD. The reforms include allowing the foreign banks to operate as joint venture, lifting of control on interest rate and introduction of the auctioning of government securities. The government policy of allowing foreign JVB to operate in Nepal is basically targeted to encourage local traditionally run commercial banks to enhance their banking capacity through competition, efficiency, modernization mechanization, computerization and prompt customer services."[10]

Joint venture banks are registered in Nepal under the Company Act 2021BS.and operated under the Commercial Bank Act 2031. They have joint venture between Nepalese investors and their parent banks .The domestic

[10] Mainali,Deepak Babu, *An unpublished Masters Degree Dissertation*, T.U, 2002.

portion of investment has been shared by financial and non- financial institutions as well as private investors.

All the Nepalese joint venture banks established and operated under the rules, regulation and guidance of Nepal Rastra Bank.

Table 1: *List of Joint Venture Banks under Study*

Joint Venture Banks	**Operation Date(A.D)**	**Head Office**	**Telephone No.**	**Fax No.**
Nabil Bank Ltd.	1984/07/16	Kantipath, Kathmandu	4429546	4429548
Standard Chartered Bank Ltd	1987/01/30	Naya Baneshwar, Kathmandu	4781469	4780762
Himalayan Bank Ltd.	1993/01/18	Thamel, Kathmandu		
Nepal Bangladesh Bank Ltd.	1993/06/05	Naya Baneshwar, Kathmandu	4738972, 4783975	4780106, 4490824
Nepal SBI Bank Ltd.	1993/07/07	Hattisar, Kathmandu	4435516	4435612
Everest Bank Ltd..	1994/10/18	Lazimpat, Kathmandu	4443377	4443160

Source: www.nrb.org.np.

a) Nabil Bank Limited

Nabil Bank Limited, originally named as Nepal Arab Bank Limited. But it has changed its name from Nepal Arab Bank Limited to Nabil Bank Limited from 1st January 2005.

Nabil Bank Ltd was established in 2041 B.S .This is the first modern bank with latest banking technology. Under a technical services agreement with Dubai Bank Ltd., Dubai, which was later, merged with Emirates Bank Limited, Dubai.

It provides a full of commercial banking services through its outlets spread across the nation and reputed correspondent banks across the globe. Nabil has continued to extend its network and had given emphasis for its own office premise. It has also laid its commitment for the managerial and technical skill development programs, in house training and training at different institutes

in India and the entrepreneurial development program for graduates. Moreover, Nabil has a good name in the market.

Table 2 : *The ownership of NABIL*

Subscription	**%holding**
N.B.international limited, Bandladesh	50.00%
Nepal Industrial Development corporation	10.00%
Nepal Stock Exchange Limited	0.33%
Rastriya Beema Sansthan	9.67%
Nepalese Public	30.00%
Total	**100%**

Source: Annual Report of NBL 2007/08

Table 3: *Capital structure of NABIL*

Share structure	**Amount(RS)**
Authorized capital(50,00,000 shares@100)	50,00,00,000
Issued capital(4916544 shares@100)	49,16,54,400
Paid up capital(4916544 shares @100)	49,16,54,400

Source: Annual Report of NBL, 2007/08

b) Himalayan Bank Limited (HBL)

Himalayan Bank is a joint venture with Habib bank of Pakistan. It started its operation in 2049B.s with paid up capital of Rs.60million. This is the first joint venture bank managed by Nepali chief executive. The operation of the bank started from 1993 Feb. Himalayan Bank Ltd does not include government ownership. It has been established to maintain the economic welfare of the general people to facilitate loan for agriculture, industry and commerce to provide the banking services to the country and people. It is the first commercial bank of Nepal with maximum share holding by the Nepalese

private sector. Besides commercial activities, the bank also offers industrial and merchant banking. HBL has been operating in high profit for the establishment's period till now. The bank has aimed install more Automated Teller Machines (ATM) and improve its credit card business. HBL is providing any branch banking services from some of its branches. The Himalayan Bank is the only bank in Nepal which issuing Master cards.

The bank is also operating a counter in the premise of the Royal Palace. The bank has a very aggressive plan of establishing more branches in different parts of the nation in near future. HBL was access to the world wide correspondent net work of Habib bank for fund transfer, letter of credit or any other banking business any where in the world .Himalayan Bank has adopting innovative and latest banking technology. The bank provides various services and facilities such as:

- Tele-Banking
- 24 hours banking
- Credit card facilities
- Automated Teller Machine(ATM)
- Visa card
- Letter of credit services
- Safe deposit locker
- Short Message Service(Himalayan SMS)
- Foreign currency transaction etc.

Table 4: *Ownership of HBL*

Subscription	%holding
Promoter Share Holders	51%
Habib Bank Ltd Pakistan	20%
Employee's Provident Fund	14%
Nepalese Public Shareholder	15%
Total	**100%**

Source: Annual Report of HBL, 2007/08

Table 5: *Capital structure of HBL*

Share structure	Amount(RS)
Authorized capital(10000000 shares@100)	1,000,000,000
Issued capital(6500000 shares@100)	650,000,000
Paid up capital(6500000 shares@ 100)	650,000,000

Source: Annual Report of HBL, 2007/08

c) Everest Bank Limited (EBL)

Everest Bank Ltd was established in 2051 B.S It entered into joint venture with Punjab National bank of India (PNB). PNB holds 20% equity stake in the bank. Like the same Nepalese promoters and general pubic holds 50% and 30% respectively. The bank operates with the objective of extending professionalized banking services to various section of the society of the country and thereby contributes to the economic development of the society in the country. The bank provides various services and facilities such as:

- Loans and Advances
- Deposits
- Credit finance
- Bank guarantees

- Remittances
- Hire purchase loan
- Education loan
- Housing loan
- Foreign exchange facility
- Automated Taller Machine (ATM) facility.

Table 6: *Ownership of EBL*

Subscription	**%holding**
Nepalese Promoters	50%
Punjab National Bank	20%
General Public	30%
Total	**100%**

Source: Annual Report of EBL, 2007/08

Table 7: *Capital structure of EBL*

Share structure	**Amount(RS)**
Authorized capital(7500000shares@100)	75,00,00,000
Issued capital(4650000shares (@100)	46,50,00,000
Paid up capital(4550000 shares@ 100)	45,50,00,000

Source: Annual Report of EBL. 2007/08

d) Nepal Bangladesh Bank Limited (NBL)

Nepal Bangladesh Bank Ltd was established in 2051 B.S in technical collaboration with International Finance Investment and Commercial Bank (IFIC) Ltd of Bangladesh under the company act 1964(2021 B.S).The main objective of the bank is to carryout commercial banking activities under the company act 1974. The bank is managed by IFIC Bank Ltd Bangladesh in accordance with the joint venture and technical service agreement between it

and Nepali promoters. NB Bank has been tendering modern banking services to the different sectors of the economy like manufacturing and service industries, hydropower projects, traders, small entrepreneurs' weaker sections of the society.

The bank is only bank entrusted by the World Bank and his Majesty's government of Nepal to be the Power Development Fund (PDF) administrator for the development of the small and middle level hydropower projects in the country. The bank provides various services and facilities such as:

- Credit and advances
- Consortium finance
- Working capital credit
- Term loan
- Demand loan
- Trade finance
- Hire purchase loan
- Letter of credit
- Bank guarantee
- ATM card facility
- Locker facility
- Tele banking
- Bearer certificate of deposit
- Underwriting of shares
- Remittance service all over the world.

Table 8: *Ownership of NBL*

Subscription	**%holding**
Nepalese Promoter	**20%**
General Public	**30%**
IFIC	**50%**
Total	**100%**

Source : Annual Report of NB Bank, 2007/08

e) Nepal SBI Bank

Nepal SBI Bank is a joint venture between employee provident fund and state bank of India. The main objective of the bank is to carryout modern banking business in Nepal under the commercial bank act 1974. The bank provides loan to agriculture, commerce and industrial sector. The bank started its banking operation on 8th July 1993.This Bank is controlled and managed by the state bank of India Nepal SBI Bank has been providing full-fledged commercial banking services to its clients' facilities provided by the bank are as follows:

- Loan and Advances
- Deposits
- Trade finance
- Bank guarantees
- Remittances
- Hire purchase loan
- Housing loan
- Education loan
- Automated Taller Machine (ATM) facility
- SWIFT facility for remittances and letter of credit.

Table 9: *Ownership of Nepal SBI Bank*

Subscription	**%holding**
State Bank of India	50.80%
Karmachari Sanchaya Kosh	15.24%
ADBN	5.08%
General Public of Nepal	28.88%
Total	**100%**

Source: Annual Report of SBI, 2007/08

Table 10: *Capital structure of Nepal SBI Bank*

Share structure	**Amount(RS)**
Authorized capital(10,00,00,000 shares@100)	100,00,000,000
Issued capital(50,00,000 shares@100)	50,00,00,000
Paid up capital(42,51,573 shares @100)	42,51,57,300

Source: Annual Report of SBI, 2007/08

f) Standard Chartered Bank Limited (SCBL)

Standard Chartered Bank Ltd was established as a joint venture between ANZ Grindlays and Nepal Bank Ltd. This bank is known as standard chartered Bank since July 2004.Standard Chartered Bank Ltd was renamed from Nepal Grindlays Bank Ltd which was established in 1987 A.D. as one of the commercial bank of Nepal among many joint venture bank to contribute in commercial sectors of Nepalese economy. The bank is providing many of the banking services to its customers through the branches national wide. The bank places a great emphasis on being equipped with the best human resources so as to continue to be the leader of the industry. To improve the skills and knowledge of the staff, the bank continues to provide development programs, including on the job training and job rotation. . The bank provides various services and facilities such as:

- Loan and Advances
- Deposits
- Trade finance
- Bank guarantees
- Remittances
- Hire purchase loan
- Housing loan
- Education loan
- Automated Taller Machine (ATM) facility.

Table 11: *Ownership of SCBL*

Subscription	%holding
SCBL Standard Chartered Grind lay's Ltd. Australia 50% Standard Chartered, United Nation 25% Nepalese Public Shareholders	75% 25%
Total	**100%**

Source: Annual Report of SCBL, 2007/08

Table 12: *Capital structure of SCBL*

Share structure	Amount(RS)
Authorized capital(100,00,000 shares@100)	100,00,00,000
Issued capital(500,00,000 shares@100)	500,00,00,000
Paid up capital(3746404shares @100)	37,46,40,400

Source: Annual Report of SCBL, 2007/08

1.2.1 Banking Techniques of Joint Venture Banks

The Joint venture Banks in Nepal have been largely responsible for the introduction of new banking techniques such as computerization, hypothecation, consortium finance, fee-based activities and syndicating under the foreign exchange transactions by importers and exporters, merchant banking, inter-bank market for the money and securities arranging foreign currency, loans, etc. These modern banking services are being provided to Nepalese financial system through the window of the new joint venture banks.

1.2.2 Foreign Investment

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

1.2.3 Healthy Competition

Joint venture banks also bring the benefit of healthy competition of which the main beneficiaries are the bank customers and the economy. Customers earn a higher rate of interest on their deposits on one hand and pay a lower interest rate on their loans on the other. Hence the dynamic and significance role of the joint venture banks contribute the economic development of the country by providing various new financial services to modernize traditional Nepalese banking system.

1.2.4 Meaning of Some Banking Terminology

1.2. 4. a) Deposits

Commercial Bank Act 2031 (1974) defines "deposit" as the amounts deposited in a current, saving of fixed accounts of a bank or financial institution; A bank takes various types of deposits from individuals, business organization, general people and other different type of institutions. These deposits are the main source of capital for the commercial banks. Banks flow such amount as loan and invests in different sectors to earn profit .In Nepal,

banks grant permission to their customers to open three type of accounts under various terms and condition, which are as follows:

i) Current Deposit / Demand Deposit
ii) Saving Deposit
iii) Fixed Period Deposit/Fixed Deposit

1.2.4. a. i) Current Deposit / Demand Deposit

The deposit in which an amount is immediately paid at the time of any account holder's demand is called demand deposit or current deposit. The bank does not provide interest in this deposit.

1.2.4. a. ii) Saving Deposit

The bank can collect capital through the saving deposit. According to Commercial Bank Act 2031(1974), Saving Account means "an account of amounts deposited in a bank for saving purposes". Generally in saving accounts there are certain restrictions like maximum amount that can be deposited and on withdrawal of the account also. In this type of deposit, customers get some interest on the deposit.

1.2.4. a. iii) Fixed Period Deposit/Fixed Deposit

According to the Commercial Bank Act 2031(1947), “Fixed Account” means an account of amounts deposited in a bank for certain period of time. The customers opening account deposit their money in this account, for a fixed period. It is also called time deposit because this amount is deposited for a certain period of time. The rate of interest is higher than the saving or other account as the banks use this amount for making investments and granting loan and advances.

1.2.4. b) Loans and Advances

Earning from loans and advance are of the major of income for bank. Bank manages the fund by granting loans out the deposit and loans. The joint venture bank's interest rates that exacts between deposits and improve its banking foundation. They must pay more attention to the flow of loan. Most of the bank failures in the world are due to the shrinkage in the vale of loans and advance. Loans are a risky of non repayment of loan is known as credit risk or default risk. A loan management is necessary to gain profit. Various factors like policy of loan flow, Loan administration, audit of loan, renewal of loan, the conditions of loan flow, documents of the loan flow, provision of the security, provision of the payment of the capital, its interest etc should be properly managed.

A commercial bank must maintain the minimum bank balance as per NRB Directives i.e. 4.5% of fixed deposit and 7% for current and saving deposit account in local currency. Similarly 2% cash balance of all local currency accounts must be maintained by it according to the rules of NRB to have a good liquidity position. A part of the fund should be used for bank balance in foreign bank and to purchase fixed assets.

1.2. 5 Development of Joint Venture Banks in Nepal

Joint venture occupies the vital role in development of the Nation. These banks not only mobilize saving but also promote investment in different ways of the national economy that spontaneously assist in all aviating poverty, uplifting of employment opportunities and there by developing the society and country as a whole.

Capital occupies a position of strategic vitality in any economic development. Sufficient capital formation ensures the economic development of sizeable magnitude. Capital stock as well as current rate of capital formation is very low in under development economy." Before 1848 B.S,. The goldsmith

used to store. people's goods and charge nominal charge against the deposits .At that time, people deposited their gold and valuable goods for the security rather than earnings"[11]. Similarly Samuelson has also mentioned the bank's traditional functions as "The depositor would leave their gold and valuables for safekeeping and are given a receipt by the goldsmith. Whenever the receipt was presented, the depositors would get back their gold and valuables after paying a small fee for safekeeping services".[12]

In reality, the concept of modern banking was introduced when "Nepal Bank limited (1st commercial Bank) was established in 1937A.D (1994B.S)

After the arrival of democracy in 2007B.S the government began to perform several reforms. AS an outcome "Nepal Rastra Bank" came in2013 Baishak 14 as central Bank in the arena of Nepal under Nepal Bank Act, 2012(B.S) afterward ADB was established in 2024(B.S) and "commercial bank Act" was amended in 2031B.S. Nepal Arab Bank Limited "Nabil Bank" came as first joint venture in 2041B.S. Nepal Rastra Bank is the central supervisory authority that has every control over the running all the new banks.

1.3 Statement of the Problem

The present situation of Nepal is economically unstable. There is no peace and security in the country, so the investors are discouraged to invest. Banking industries are facing the problem from the component of external environment such as political, legal, economics and social. The unstable politics is the main cause, which is hampering for the growth of banking sector. The corruptions make by the top- level management negligence, over staffing are the some reasons that are facing by the banks. The other common problems of both joint venture banks and state owned commercial bank is the cut through completion. Most people of Nepal are illiterate and people are unaware about the banking system. Due to the

[11] Prof. JC Ojha, *Banking and Modern Currency in Nepal*, TM; Nepal Press, 1965, p-12
[12] Paul A. Samuelson, *Economics*, McGraw Hill Book Co., New York, 1980, p-17

lack of effective human resources and trained manpower, growing brain is the serious problem for the existing healthy complication.

The joint venture banks are not interested in granting loan to primary and deprived sector of the economy. Banks are active only in urban sector because they see great opportunities for the minimization of profit. Rural areas are being neglected. There are only few rural development banks active in Nepal while Nepal is full of rural areas.

The research work intends to explore the following questions:

- ✓ What is the relationship of loan and advances, investment to total deposit and with loan loss provisioning?
- ✓ Does commercial banks follow NRB (Nepal Rastra Bank) Directive in terms of lending?
- ✓ What is the proportion of non- performing loan in total lending?

1.4 Objectives of the Study

The primary objective of this study is to make comparative analysis of the financial performance of the joint venture banks of Nepal. Hence, some specific objectives are presented as follows:

The specific objectives of this study are:

1. To analyze the financial strength and weakness of the joint venture banks.
2. To measure the banks lending strength and lending efficiency.
3. To analyze the lending contribution in total profitability.
4. To evaluate the liquidity, earnings, activity, credit and capital adequacy position of joint venture banks.
5. To recommend the appropriate suggestions to the concerned joint venture banks.

1.5 Significance of the Study

This study has multidimensional importance in the particular areas of the concern banks. Financial executives as well as those other policy making bodies which are concern with banking would also find this study as a useful reference. This study will provide to benefits to the different segments of joint venture banks like the management, shareholders, policymaking and public Shareholders are true owner of the company. This study will be useful to them for acquiring the answer to the following questions:

- How funds are utilized as loans and advances?
- To what extent they are gaining?
- Is the productivity of their limited satisfactory?

1.6 Limitations of the Study

This study is conducted for the partial fulfillment of the requirement for the degree of masters in business studies (MBS).The lack of sufficient resources and the time is a major limitation of the study. Even though to make the research more specific the study has been conducted with certain limitations:

- The study is based on primary as well as secondary data.
- The study covers a judgmentally selected small sample.
- Simple technique has been used in the analysis to achieve the set of goals. Hence the study has a limited significance from the practical view point.

1.7 Organization of the Study

This study has been divided into five chapters and is organized as follows:

Chapter I: Introduction

The first chapter is the introduction chapter, which consists of general background of the study, a brief introduction of joint venture bank, statement of the problem, objectives of the study, significance of the study, limitation of the study and organization of the study.

Chapter II: Review of Literature

The second chapter deals the review of literature with the concept of principles of good lending. The second part of this chapter consists of review of books, journals, previous study, research papers and review of unpublished of various research studies.

Chapter III: Research Methodology

The third chapter deals with the research methodology used in this study. It consists of introduction, research design, and sources of data, population and sample, data gathering procedure and analysis of data.

Chapter IV: Presentation and Analysis of Data

Fourth chapter is the analytical presentation of the study. This chapter consists of analysis, interpretation and major findings of the study. This is a most important part of the study.

Chapter V: Summary, Conclusions and Recommendations

Fifth chapter deals with the summary, conclusion and recommendations of the study. The bibliography and appendix is also included in this chapter.

CHAPTER – II

REVIEW OF LITERATURE

The review of literature is the important part of the study. The main purpose of literature review is to find out what works have done in the area of the research problem under study and what has not been done in the field of the research study. Some of the relevant studies, literatures on lending and investment are reviewed below. This chapter is categorized into three different headings

2.1 Review of Relevant Studies

Reviews of different relevant section are made in the chapter. For this study, previous thesis report subject matter, related books and published articles were made. Some of the relevant studies and other literature to the topic have been reviewed below.

M. Radhaswami and S.V. Vasudevan in his book "A Textbook of Banking" (Law Practice and Theory of Banking) has deserve various aspects of leading. He has outline principle of leading, what constitutes good advance? And a credit appraisal. Banks follows a cautious policy in the matter of leasing and is generally governed by the well know general principle of sound leading of below:

2.1. a) Safety

The man business of banking consists of borrowing various type of depot such as current, saving and fixed and discount of bills. The softy of such found should be ensured. If the bankers have to ensure safe leading then the

three Cs the browner namely are character, capacity and capital. Character of the borrower is important because that determines his willingness to repay the loan and his capital and capacity to run the loan depends on both his capacity to repay and willingness to repay.

2.1. b) Liquidity

As the bankers deposits are subject to the large obligation of begin repayable on demand at short notice, he must ensure liquidity also while loading , so in times in need , he will be able to convert the assets into cash quickly and can sold it without any lost .

2.1. c) Profitability

Commercial banks have obtained funds from shareholder and naturally if divided is to paid on such share earning profits can only pay it. However, the banker will not give undue importance to his accepts because a particular customer may offer a higher rate of interest but and advance made to him result in a bad debt. Therefore, for the sake of profitability, the other two principles, liquidity and safety cannot be scarified.

2.1. d) The Purpose of Loan

Banker should enquire the purpose for which the loans are taken if advance given for productive purpose, in all profitability, it will be repaid. Thus, safety is ensured. If an advance is made for speculative purpose, the banker may come to grief.

2.1. e) Diversification of Loans

The popular saying is “Do not all the eggs in the same basket.” Banker should try to diversify loans as far as possible, so that he may minimize the risk in lending. If the banker lends only industry or only too few big firms or concentrates in a certain geographical area, the risk is greater. He should diversify lending, so that the failure of one industry or the few big borrowers may not affect him. Where lending is done only in one area, it may be affected by political upheaval or natural calamities.

2.2 Review of Thesis

2.2. a) Lila Prasad Ojha

Investment Practices” study on Nabil Bank Limited, Standard Chartered and Himalayan Bank Limited” has found out that the measurement of lending strength in relative term has revealed that the total liability to total assets of Nabil has the highest ratio. However, the performance of other two banks has not deviated far from the mean ratio of Nabil and the combined average. Nabil tendency to invest in government securities have resulted with the lowest ratio loans and advances to total assets ratio. The steady and high volume of loans and advances throughout the year. The ratio of loans and advances and investment to deposits ratio has measured the portion of total deposits that is used to increase the income of the banks irrespective of the portfolios of its application. Nabil has deployed the highest proportion of its total deposits in earning activities and this ratio is significantly above the ratio of other two banks. The combined ration is highly deviated from the mean ratio of Nabil and Himalayan. This is the indicative of that in fund mobilizing activities Nabil is significantly better than Himalayan.

Similarly the absolute measures of lending strength have revealed that the mean volume of net assets and deposit is highest in SCBL with moderate

variation. The volume of net assets of HBL is the least due to the low share capital, reserves and surplus in its capital mix. But the volume contributed by HBL in case of loans and advances is highly appreciable as compared to its net assets. The volume of loans and advances contributed by Nabil is the greatest in the study period. Nabil has the best contribution in productive as well as industrial sector of economy.

He has further concluded that the overall liquidity strength of Nabil can be considered the best among the banks. However the liquidity risk arising from interest rate in Nabil is the most likely. Since the market is highly sensitive towards the interest rate and Nabil has generally been offering low interest rate as compare to other banks. The analysis of lending strength of HBL in loans and advances is the best. However loans and advances, investments to deposits ratio have upgraded the performance of Nabil. If HBL succeeded in collecting the less cheaper sources of fund in future, the lending strength of HBL would push the performance of Nabil and SCBL far behind in the coming future. Also the contribution made by HBL in the productive sector of economy is highly appreciable and the best among these three commercial banks.

He has used different statistical tools like standard deviation, correlation, trend analysis and financial tools for the data analysis and presentation. Only secondary data has been used for the study, the overview of the theoretical aspect of the lending practice of the banks has not been analyzed. He has taken five years data from 1997 to 2004 for study of lending practices of NBL, SCBL and HBL

2.2. b) Vikram Chandra Gurung

A study on "A financial study of Joint Venture Banks in Nepal with reference to Nepal Grindlays Bank Limited and Nepal Indosuez Bank Limited", by Vikram Chand Gurung concludes that the liquidity of NGBL is unsatisfactory which is below the standard position i.e. 2:1 which cannot meet the liabilities obligation. It necessary to efficiently utilized of its total assets.

Profitability trend is increasing but yet to be satisfactory. The bank has maintain sound capital adequacy ratio as directed by central bank i.e. NRB.

2.2. c) Rajendra Lamshal

"A Comparative Financial Statement Analysis of Himalayan Bank Limited and Nepal Grindlays Bank Limited" by Rajendra Lamshal, has concluded that liquidity ratios of both the banks are fluctuating and are not satisfactory. So, the banks are suggested to keep the reasonable amount of liquidity. The banks maintain their short-term solvency position. HBL is not able to maintaining proper capital adequacy position. HBL is suggested to involve social activities. NGB has been involved for social activities.

2.2. d) Heeralal Prashad

"A Comparative Study in the Financial Performance of Nepal Indo-Suez Bank Ltd and Nepal Grindlays Bank Ltd", NGBL conducted by Heerala Prashad has been able to gain a higher market share in case of deposits or compare to NISBL. NISBL has better utilization of resources. NISBL has maintained the ratio of cash and bank balance to total deposit considerably higher than that of NGBL. NISBL and NGBL are not seen to be successful in aspect of foreign investment in Nepal, by means of their wide international banking networks. NGBL is maintaining more amount as money at call or at short notice than of NISBL. Supplementary capital of NISBL and NGBL seems insufficient and comparatively NGBL profitability position is better then that of NISBL. So, NISBL should utilize its risks assets and share holders found to gain highest profit margin and reduce its expenses for being more profitable.

2.3 Review of Relevant NRB Directives

Funds used by Joint Venture Banks for the purpose of advancing loans and leased assets are that of public. Joint Venture Banks collets deposits from public and it is very same fund the joint venture banks use to make profit and give back to the public. Thus, to prevent this public fund being misutilized and to protect the savings of public, NRB has given directives to perform all other jobs of joint venture banks. Since loan, advances and leased assets are the first and the main sector of investment, to minimize the risk, NRB has specially given guide lines relevant to loan and advances and leased assets in NRB directives for joint venture banks.

2.3. a) Directive Relating to Single Borrower

Nepal Rastra Bank has issued the directive regarding the single borrower limit. The main purpose of the directive is to diversify the joint venture bank's lending rather than focusing to the particular borrowers. The directive regarding single borrower limit is as follows:

Limit on credit and facilities

Funded based credit	up to 25%of core capital**.**
Non-funded based facilities	up to 50% of core capital.

2.3. b) Directive Relating to Loan Loss Provision

A bank should identify and recognize impairment in a loan or a collective assets group of loans when it is probable that the bank will not be able to collect, or there is no longer reasonable assurance that the bank will collect all amounts due according to the contractual term of the loan agreement. The impairment should be recognized by reducing the carrying amount of loans

through allowance or charge-off and charging the income statement in the period in which the impairment occurs. A bank should measure an impaired loan at its estimated revocable. Bank should maintain reserve of fund as loan loss provision against the loan disbursed. Nepal Rastra Bank issued has issued the directive relating to the loan loss provision. We have much example that most of the banks are taken into liquidation due to bad debt or not repayment of the loan by the borrowers. Hence, to relief from this situation NRB has issued the directives by which joint venture or commercial bank should make some provision against the loan disbursed by them. For this purpose loan categorized and required the certain percentage of reserve in accordance with the classification. The classification of loan and percentage required to maintain the provision as directive issued by the Nepal Rastra Bank are as follows:

(a) **Pass (performing loan)**

No recovery problem principal and interest past due for a period of three months.

(b) **Substandard:**

Past due during the period of three months to six months.

(c) **Doubtful debt:**

Past period for six months to one year.

(d) **Loss:**

Past due for a period of more than one year as well as advances which have least possible of recovery. In the directive given by the NRB, loan and advances are initially categorized as performing loan and non-performing loan. Pass loan and advances are defined as performing loan whereas Substandard, doubtful and bad loan are defined as non-performing loan. Loan cases like loan granted to the project which is not presently working or misutilization of loan or whose loan has run away are also treated as bad loan and classified as non- performing loan even if they are within the due dates. For the general out look on loan policy of joint venture banks are listed below:

1. If any installment is due for more than one year, than the whole amount of loan is categorized as bad loan and 100% loan loss provision is to be made.

2. Regarding long term project financing; only the principle dues are categorized but if 25% or more of the total loan amount of these long term project are due the whole balance amount categorized under loan categorization and loan loss provision is made.

3. Banks can categorized its loans against its own fixed deposit receipts as pass loan or good loan and loss provision is made.

4. No loan loss provision is to be made for the loan against HMG treasury bills and NRB securities.

2.3. c) Review of Journals Related to Joint Venture Banks

"When government decided to establish banks with joint ventures, two benefits were expected. First that competition would force domestic banks, such as Nepal Bank Limited and Rastriya Banijya Bank to improve their services and efficiency, second that introduction of new banking procedure methods and technology would occur."[13]

"There has been substantial growth in the number of Joint Venture Banks in Nepal since 1990s. The basic reason behind this is the government's deliberate policy of allowing foreign joint venture banks to operate in Nepal .Government's liberalization policy also encourages the traditionally run domestic commercial banks to enhance their efficiency and competitiveness through modernization, mechanization, and computerization and prompt

[13] Madlin, C and Snock H, *Evaluation of Banking Supervision in Nepal Rastra Bank. IMF*, Jan 31, 1998, p-4

customers' services by setting them to the exposure of the joint venture banks."[14]

"The existence of foreign joint venture banks has presented an environment of healthy competition among the existing commercial banks. The main beneficiary of this is the bank client. The increased competition forces the existing banks to improve their quality and extend services by simplifying procedures and by training, motivation own staff to respond to the new challenges."[15]

"The joint venture banks are in a better position than local commercial banks in profit making. In an average, no freight banks have suffered loss till now, but local banks owned negative profits."[16]

Despite the increase in number, the joint venture banks are concentrated in urban centers, especially in major cities, which all their headquarters in Kathmandu alone accept that of Nepal Sri-Lanka bank, which is based in Rupandehi. The trend has result in two-way effects on the operation of the government owned commercial banks in Nepal. First the comparatively attractive interest rated and devices promptness of these private banks have drowned the public deposit to their side thereby reducing financial liabilities of the former. Second, as a result of reduction in the financial liabilities the government-corporate commercial banks have been force to shut down some of their branches in the remote areas of the country. Never the less a look at activities of these joint venture banks provide a fill up in to the tremendous aid they provide to the national economy. They have been instrumental in mobilizing capital more effectively an to a large extend. Especially they have been more helpful in founding the private sector.

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14 Shrestha, M.K., *Commercial Banks, Comparative Performance Evaluation,* Karmachari Sanchaya Kosh Publication, 1990, p-31.

15 Chopra, S., *Role of Foreign Banks in Nepal, NRB Samachar, 34th Anniversary,* April 1990.

16 Pradhan, K., op. cit.p-3

2.4 Research Gap

Research gap is the difference between previous work done and the present work. Earlier works conducted by the previous researchers are very useful and appreciated by personnel in various related fields. Although there is a long gap in the continuation of the same topic, that help us to know the very recent situation.

My aim in this thesis is centralized to highlight the lending policy of joint venture banks. I have presented up-to-date datas as for as possible to make good comparisons among six joint venture banks i.e NBL, HBL, EBL, NB, SBI and SCBL. But mostly previous researchers have given detail information about three banks and title of my thesis itself is more significant and specific.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

"Research may be defined as the systematic and objective analysis and recording of controlled observations that may lead to the developments of generalization principles or theories, resulting in prediction and possibly ultimate control of events"[17]

Research is essentially a systematic inquiry seeking facts through objectives verifiable methods in order to discover the relationship among them and to deduce from them broad principles or laws. It is really a method of critical thinking by defining and redefining problems, formulating hypothesis.

Research is common parlance refers to a search for knowledge .The Webster International Dictionary gives a very inclusive definition of research as" a careful critical inquiry or examination in seeking facts and principles; diligent investigation in order to ascertain something".

Research Methodology depends on the various aspects of the research project. The size of the project, the objective of the project, importance of the project, time frame of the project, impact of the project in various aspects of the human life etc. are the variables that determine the research methodology of the particular project. In order to accomplish the targeted objective of the study, a definite course of research methodology has been followed. A systematic methodology is considered as inevitable for true, better, fair and superior consequences. In fact, Research is a scientific inquiry about certain phenomenon or object.

A research methodology helps us to find out accuracy, validity and suitability .The justification of present study cannot be obtain with out help of

[17] John, W. Best , *Research Methodology in social science,* USA, 1992, p-149

proper research methodology. For the purpose of achieving the objectives of the study the applied methodology are used.

"Research Methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with a certain objective in view. It is way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. It includes the various steps that are generally adopted by a researcher in studying his/her research problem along with logic behind them."[18]

However, the following steps provide a useful procedural guidance so far as research methodology is concerned:

1. Tentative selection of the problem [i.e. topic of research]
2. Initial survey of literature
3. Defining or selecting the research problem
4. Extensive literature survey
5. Specification of the information required formulating hypothesis
6. Design of the research project
7. Sample design
8. Collection of data| construction of questionnaires
9. Analysis of data
10. Testing of hypothesis
10. Arriving at generalizations and
11. Preparation of report[i.e. starting or writing down the result]"[19]

The topic of the project has been selected as "Lending Policies of the Joint Venture Banks of Nepal'' with a tentative objective of highlighting and analyzing the lending policies of joint venture banks. The survey of literature has been conducted from various library and references and these have been mentioned in chapter -2. The problem of the study has been specified in the topic "statement of the problem" in chapter-1. The data has been collected in sources of data. The data have been mentioned in chapter-4. The major findings

[18] C.R., Kothari, *Research Methodology*, McGraw Hill Co., New Delhi, 2001, p 39.
[19] C. R., Kothari, *Quantitative Techniques*, 3rd Edition, Vikash Publishing House Pvt. Ltd, p-4.

of the analysis have been mentioned in chapter-4. The summary, conclusion and recommendations have had been put in chapter-5.

Research methodology describes the methods and process applied in the entire studies. A research study can produce the fruitful results if an appropriate methodology is taken under consideration to highlight and evaluate the different aspects of the study. To achieve the purpose of the research the following methodology has been adopted.

3.2 Research Design

The main objective of this research study is to examine and evaluate the financial performance of the Joint Venture Banks. It is a framework or plan for study that guides the connection and analysis of data. It is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

Research design is the task of defining the research problem. In other words, A research design is the arrangement of conditions and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure"[20]

Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research objectives through analysis of data. The first step of the study is to collect necessary information and data concerning the, study. Therefore, research design means the definite procedure and techniques, which guides the study and the ways to do the study. Infect, it is the specific presentation of the various steps in research process. These steps include the selection of a research problem, presentation of the problem, formulation of hypothesis, interpretation, presentation, report writing and bibliography.

To achieve the stated objective of the study, the study of books, booklets, financial act and other related acts, rules, directives, regulations have

[20] Claire, Selltizetal, *Research Methods in Social Science,* 1967, p-50.

been carried out. For an empirical research opinions from the various officers have been conducted. For this study analytical and descriptive research design has been followed.

3.3 Source and Use of Data

Both primary and secondary sources of data have been collected in order to achieve the real factual data as far as available.

Primary data

The primary data is it self collected data from the records of relevant joint venture banks. The primary data is collected from the field visit, questionnaire, and interview method. In some particular cases response from the employees of related joint venture banks and responses from credit department of six joint venture banks has been conducted.

Secondary data

Secondary data are the information received from books, journals, news papers, published reports, various articles and publications dealing in the subject method of the study. The major sources of secondary data are as follows:

1. NRB Directives
2. Academic Books
3. NRB Reports
4. World Wide Web; the internet.

3.3. a) Population and sample

The population refers to the organization of the same nature on its services and product in general. The population of the study is all commercial banks in Nepal i.e. nineteen commercial banks. Due to the time and resource factor, it is not possible to study all of them regarding the study topic therefore sampling will be done from the population. For this study more than seven joint venture banks are taken as sample.

Table 13: Population of Bank Under Study

S.N	Commercial Banks	Joint-Venture with
1.	Nepal Bank Ltd	-
2.	Rastriya Banijya Bank	-
3.	Nabil Bank Ltd	United Arab Emirates Bank
4.	Nepal Investment Bank	-
5.	Standard Chartered Bank	Grind lays Bank Of London
6.	Himalaya Bank Ltd	Habib Bank Of Pakistan
7.	Nepal SBI Bank Ltd	State Bank Of India
8.	Nepal Bangladesh Bank Ltd.	IFIC Bank Of Bangladesh
9.	Everest Bank Ltd	Punjab National Bank Of India
10.	Bank Of Kathmandu	-
11.	Nepal Credit and Commerce Bank Ltd	-
12.	Lumbini Bank Ltd	-
13.	Nepal Industrial and Commercial Bank Ltd	-
14.	Machhapuchhre Bank Ltd	-
15.	Kumar Bank Ltd	-
16.	Laxmi Bank Ltd	-
17.	Siddhartha Bank Ltd	-
18.	Sunrise Bank Ltd.	
19.	Citizens Bank Nepal Ltd.	
Tn.19		**6**

3.3. b) Data Collection Procedure

The annual reports of respective joint venture banks were collected from their respective officers and by post on request. NRB reports were collected from Research Department of NRB. The numerical data collected from different sources. Data also collected from interview method.

Like the same the internet also proved to be very good sources of data. The sites used are listed in the bibliography.

3.3. c) Analysis of Data

The data presented in the study are analyzed by the following tools.

3.3. c. i) Financial Tools

"Financial analysis is the starting point for making plans before using any sophisticated and budgeting procedures"[21]

Analysis and interpretation of financial statements is an attempt to determine the financial performance of any organization so that a forecast may be made of the prospects for future earnings, ability to pay interest, debt maturity and probability of a sound dividend policy." Financial statement analysis is largely a study of relationship between among the various financial factors in a business as disclosed by a single set of statement and study of trends of these factors as shown in series of statement."[22]

"Through the application of analytical tools, profitability and financial health of a concern is evaluated in a proper, legal and scientific manner"[23]

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[21] Pandey, I.M., *Financial Management,* Vikash Publishing House Pvt. Ltd., New Delhi,1999, p-108.

[22] Moer , J.C., *Financial Statement Analysis,* Anglewood Cliffs Prentice Hall Of India Pvt. Ltd., 1961, p-4

[23] Jain, P., *financial Management,* Pointers Publishers, 1999, p-36

3.3. c. ii) Ratio Analysis

"A ratio is a quotient of two mathematical expressions. Establishment of quantitative relation of data furnished by the financial statement is called ratio analysis. In other words, a financial ratio is the mathematical expression of relationship of two accounting figures. It helps in taking decision since it helps to establish relationship among various ratios and interpretation thereon. Analysis and interpretation of various ratios should give experienced, skilled analysis better understanding of financial condition and performance of the firm than they would obtain from analysis of the financial data alone."[24]

"Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratio to interpret the financial statements so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined. In financial analysis, a ratio is used as an index or yardstick for evaluating the financial position and performance of the firm. Ratio helps to summarize the large quantities of financial data and to make qualitative about the firm's financial performance''[25]

"A ratio is simply one number expressed in terms of another and as such it expressed the quantitative relationship between any two numbers. Ratio can be expressed in terms of percentage, proportion and as a coefficient In other words, a financial ratio is the mathematically expression of relationship of two accounting figures." A single ratio in itself does not indicate favorable or unfavorable conditions. It should be compared with some standard" in other words, a financial ratio is the mathematical expression of relationship of two accounting figures. It helps in taking decision since it helps to establish relationship among various ratios and interpretation thereon." The technique of ratio analysis is a part of the whole process or analysis of financial statements of any business of Industrial concern specially to take varied facts of a business unit. Just as the blood pressure, pulse and temperatures are the measures of the health of an individual, so that ratio

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[24] Vanhorne, James C., *Financial Management and Policy*, Printice Hall of India Pvt. Ltd., New Delhi, 1997, p-759

analysis measures the economic of financial health of business concern. Thus the technique of ratio analysis is of a considerable significance in studying the financial stability, liquidity, profitability and the quality of the management of the business and industrial concerns".[26]

As for we concerned about the financial ratio, a ratio between two relevant figures which provide a certain relation, and have negative or positive correlation between them will only be studied. This section has been divided into the following sub- sections.

3.3. c. iii) Assets/Liability Management Ratio

Assets/Liability Management Ratio measures the proportion of various assets and liabilities in balance sheet. The proper management of assets and liability ensure its effective utilization. The banking business converts the liability into assets by way of is lending and investment function .Assets and liability management ratio measures its efficiency in multiplying various liabilities in performing assets. The following are the various ratios relating to assets liability management used to determine the lending policy of the subjected joint venture banks.

- Loans and Advances and Investment to Total Deposit Ratio
- Loans and Advances to Total assets Ratio
- Investment to Loans and Advances and Investment Ratio
- Loans and Advances to Shareholders Equity Ratio

25. Kothari C. R., *Quantitative Techniques*, 3rd Revised Edition, Vikash Publishing House Pvt. Ltd. New Delhi, 1994
26. Roy A.F., *Financial Statement Analysis,* Tata McGraw Hill Publishing Co. Ltd., New Delhi, 1979 p-97

3.3. c. iv) Activity Ratio

Activity ratio measures the performance efficiency of an organization from various angles of its operation. Activity ratio indicates the efficiency of activity of an enterprise to utilize available funds, particularly short –term funds. The following ratios are used in this study to determine the efficiency, quality and contribution of loans and advances in the total profitability

- Loan Loss provision to Total Loan and Advances Ratio
- Non-Performing Loans to Total Loans and Advances Ratio
- Interest Income from Loans and Advances to Total Income Ratio
- Interest Suspense to Total Interest Income from Loans and Advances Ratio
- Loans and Advances to Total Deposit Ratio
- Interest Income to Interest Expenses Ratio.

3.3. c. v) Profitability Ratio

Profit is the difference between the revenues and the expenditures over a period. Profit is the main element that makes an organization to survive. With out profit, a firm could not attract outside capital. Profitability includes the present and future earnings capacity. In other hand, the profit measures the management ability regarding how well they have utilized their funds to generate surplus. The given ratios are used to determine the efficiency of the lending its quality and contribution on total profitability.

- Net profit to Shareholders Equity Ratio.
- Equity Per Share [EPS].

3.3. c. vi) Statistical Tools

Statistical methods are the mathematical techniques used to facilitate the analysis and interpretation of numerical data secured form groups of individual

or group of observation from a single individual. The figure provides detailed description and tabulate as well as analyze data without subjectivity, but only objectivity. The result can be presented in brief and precise languages and complex and complicated problems can be studies in very simple way. It becomes possible to convert abstract problem into figures and complex data on the form of tables.

The various statistical tools used in this study to analyze the collected data are as follows:

3.3. c. vi. a) Standard Deviation

Standard deviation is the most popular and most useful measure of dispersion and gives uniform correct and stable results. The chief characteristic of standard deviation is always a positive number and is superior to the mean deviation quartile deviation and the range because it is used for further mathematical treatment." The standard deviation is the square root of mean squared deviations from the arithmetic mean and is denoted by S.D."[27]

Karl Person introduces the concept of standard deviation in 1823 and this is denoted by the small Greek letter (read as sigma). The formula to calculate the standard deviation is given below:-

The formula to calculate the standard deviation is given below:-

$$\pm = \sqrt{\frac{x^2}{N}}$$

Where X X$\int\overline{X}$ Z X I

$$\pm = \sqrt{\frac{x^2}{N}}$$

Where X X$\int\overline{X}$ Z X I and f = frequency

[27] Shrestha, K.N., *Mathematics and Statistics For Management*, Kathmandu Valley Publishers, 2048, p-112

$$\pm = \sqrt{\frac{dx^2}{N} Z \frac{d}{N}}^2$$

Where d= $\int \overline{X} Z A \lfloor$ and A= assumed mean.

3.3. c. vi. b) Coefficient of Variation

"The Co-efficient of variation (C.V.) is the relative measure based on the standard deviation and is defined as the ratio of the standard deviation ratio to the mean expressed in percent" [28]

The percentage measure of coefficient of standard deviation is called coefficient of variation (C.V). The standard deviation calculated in the above formula given an absolute measure of dispersion .Hence where the mean value if the variable is not equal, it is not appropriate to compare two pairs of variables based on standard deviation only. The coefficient of variation measure the relative of dispersion hence capable to Compare two variables independently in term of their variability.

The coefficient of variation (C.V) is given by the following

Coefficient of variation [C.V.] = $\frac{\pm}{\overline{x}} \mid 100$

3.3. c. vi. c) Correlation

Correlation is the measure of relationship between two or more characteristics of a population or a sample. It simply measures the change between the phenomenons. The correlation coefficient between two variables describes the degree of relationship between those two variables. It measures the increase or decrease in one variable due to increase or decrease in other

[28] Ibid., p-119.

variables .Simply stated, correlation is a statistical tool with the help of which we can determine whether or not two or more variables are correlated and if they are correlated, that is the degree and direction of correlation.

Karl Pearson's method, popularly known as Pearsonian coefficient of correlation is most widely used in practice. The Pearsonian coefficient of correlation is denoted by the symbol of 'r' and is calculated as follows:

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

Where,

N = No. of observation of X and Y

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

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

$\sum X^2$ = Sum of the observations in series X

$\sum Y^2$ = Sum of the observations in series Y

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

The Karl Pearson coefficient of correlation 'r' always falls between -1 to +1. The value of correlation in minus denotes the negative correlation and in plus denotes the position correlation. As the value of correlation coefficient reaches near to the value of zero, it is said that there is no significant relationship between the variables.

3.3. c. vi. d) Probable Error

The probable error of the coefficient of correlation helps in interpreting its value. With the help of probable error it is possible to determine the reliability of the value of coefficient in so far it depends on the conditions of random sampling.

The probable error of the coefficient of correlation is obtained as follows:

Probable error **(P.E)**= $\frac{0.6745(1-r^2)}{\sqrt{N}}$

Where 'r' is the coefficient of correlation and N is the number of pairs of observation.

If the value of r is less than the Probable error there is no evidence of correlation, i.e. the value of r is not at all significant.

If the value of r is more than six times the Probable error the coefficient of correlation is practically certain, i.e. the value of r is significant.

If the value of correlated coefficient is greater then 6 times the value of Probable Error, the correlation of coefficient is as significant and reliable. If the value of correlation coefficient is less then the Probable Error, the correlation coefficient is said to be insignificant and there is evidence of correlation.

The statistical tool – correlation analysis is used in the study to measure the relationship between variables in determining whether the relationship is significant or not. For the purpose of decision making interpretation are based on the following terms:

When, r = 1, there is perfect positive correlation.

When, r = -1, there is perfect negative correlation.

When, r = 0, there is no correlation.

When, 'r' lies between 0.7 to 0.999 (-0.7 to -0.999), there is high degree of positive (or negative) correlation.

When, 'r' lies between 0.5 to 0.6999 there is moderate degree of correlation.

When, 'r' is less than 0.5 there is low degree of correlation.

3.3. c. vi. e) Coefficient of Determination

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

3.3. c. vi. f) Regression

The meaning of the word “regression” is stepping or returning back to the average value. The term was first developed by Sir Francis Galton in 1877.These days there is growing tendency of the modern writers to use the term estimating line instead of regression line because the expression estimating line is more clarificatory in character. We can explain the few definitions of the term regression:

Regression is the measure of the average relationship between two or more variables in terms of the original units of the data.

The term regression analysis refers to the methods by which estimates are made of the values of variables from a knowledge of the values of one or more other variables and to the measurement of the errors involved in the estimation process.

Regression analysis is used as a tool of determining the strength of relationship between two variables. Thus, it is a statistical device, with the help of which we can predict the value of one variable when the value of other variable is known the unknown variable, which we have to predict, is called dependent variable and the variable which value is known is called independent variable.

The regression equation of y on x is expressed as:

$$Yc= a+bx$$

Where,

Yc=value of y computed from the relationship for a given x.

"a" and "b" are constants and also known as the parameters of the line. The value of "a" determines the distance of the line directly above or below the origin, while the value of the line i.e. the change in x. X is an independent variable.

3.3. c. vi. g) Time Series

"Economist and business experts have often to deal with variety (quantities) which changes in value with time. Variation of such quantities with time can be systematically studied and analyzed by presenting on the graph. For obtaining knowledge about the nature of variation of a quantity along with time, time series can be used"[29] time series analyses a series of data keeping in mind the various short time and long term fluctuations.

The least square method of trend analysis has been adopted to measure the trend behaviors of the subjected joint venture banks in this study.

"Method of least square is mathematical method of obtaining trend that uses the concept of least square method simply the technique of fitting regression equation"[30]

3.4 Qualitative Analysis

Qualitative analysis is done on the segment. This analysis has been built under the grounds of data collected from the informal interview meeting with Mr. Ishwor Katuwal, officer of Nepal Rastriya Bank and Mr. Vijay Lal Shrestha, Loan Department, NIDC Capital Markets Ltd.

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[29] Joshi, Puspa Raj, *Research Methodology*, 1st Edition, Buddha Academic Publishers and Distributors Pvt. Ltd., Kathmandu, 2001

[30] Shrestha, Suniti and Amatya Sunil, *Statistics and Quantitative Techniques for Business Studies*,1st Edition, Ratna Pustak Bhandar, Kathmandu, 2002

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

This chapter deals with the presentation and analysis of data collected from various sources. The main objective of this chapter is to evaluates and analyze the main financial performance which are mainly related to lending performance of the related joint venture banks.

4.1 Analysis of Primary Data

A structure interview was taken with the credit department personal of the six joint venture banks on the basis of structured questionnaire regarding the lending policy and its related aspects of the banks. On the basis of the interview the following information's are received and analyzed and presented according to subject as below:

4.1. a) Loan Application

From the interview it has been found out that all the banks have generally the same procedure for Loan application. The initial process of lending starts off with marketing department. Since these banks are commercial banks they at first identify the customers, does preliminary screening. Preliminary screening of the loan application is essential and important step for further processing of the loan. Each and every loan application is not a possible loan so careful screening of the application is necessary to screen the application only. Then the loan application along with the proposal is received for further processing. While considering for the loan application NRB directives is considered while granting loans and the individual bank also has its own internal policy of lending.

In case of NBL and SBI the channel of loan process goes through marketing to credit department to manager and manager to general manager. The channel of processing of loan depends upon the amount of loan as there would be delegation of authority for credit limits and approval.

EBL follows the process from marketing to credit department to manager and then all the loan proposals is forwarded to Senior Manager credit of head office who finalizes the loan with the authority of its international office at London and the delegation of authority is centralized to head office and international office. Similarly, rest of other banks also follows the same process from marketing to credit department to manager and then all the lone proposals is forwarded.

4.1. b) Credit Appraisal

NBL and EBL bank uses the information from preliminary screening to monitor the quality of loans in terms of checking the financial soundness, managerial competencies, technical feasibility and commercial viability of the loan proposal and all these terms are given equal importance while considering loan application. On Loan application consideration process SBI gives high importance to the managerial competence of the organization, and then commercial viability of the project, financial soundness and technical feasibility is considered to monitor the quality of loans.

The criteria for granting loans are character of a borrower, nature of proposition security, capacity of a borrower to utilize the credit, the amount, source of repayment etc are given equal importance while doing credit appraisal all these factors contribute equally in a good loan in NBL, EBL and SBI.

Similarly ratio analysis, cash flow analysis, pay back period, internal rate of return, break even analysis etc are calculated to check the financial position of the proposals are used by NBL and SBI.

4.1. c) Interest Rate

There are different interest rates on different types of loans and these published rates are slightly negotiable then the published rates also and discrimination is based on the prime client and ordinary client in NBL, EVEREST and SBI. However, Nabil bank official expressed the view that if there is slightly difference in interest rates among the banks the clients does not approach bank for loan only on the basis of interest rates other factors like services, payback period etc comes on priority list.

All the banks have same process regarding the after loan approval; procedures which includes periods field visit to the officer or the site, will inspect the books of account quarterly and yearly audited financial statement should be submitted to the bank. The main reason for the follow up of loan is to confirm that the loan amount is being used to the actual purpose of the loan and not otherwise and to check the physical status of the collateral in case of land and building. Further to this EVEREST follow up with their client on regular interval, have follow up meetings and site visit and do not necessarily wait up for a quarter.

4.1. d) Credit policy

The banks have formalizes credit policy for identification of target marker. The main sectors are agriculture, manufacturing, transport, communication and public utilities, construction, finance, insurance, wholesalers and service sectors.

EBL and NBL follow NRB guidelines of single borrower limit. There are formalized credit policy for single company limited, single industry limit, single group limit, single product, term loan limit and identification of target markets, however due to confidentiality the details were not given.

4.1. e) Bad Debts

Bad debts are measure concerned for the development of Bank.

For recovering bad debts/ loans the banks start the recovery procedure with the reminder calls through telephone and letters, emails and follow up it. They inform about the deadlines and get the information and justification for delay of the payments. After accessing the situation and conditions they try to reschedule the loans and terms and conditions. Nabil bank has separate unit called cell recovery unit which deals with the NPAs. SBI loan department works on all aspects of recovery.

Once there is fraud case or default of borrower the information is sent to NRB, which then allocates the name of the borrower under black list and send the information to credit information bureau. All the banks follow loan loss provisioning of NRB directives and has provisioning loan loss slightly higher than prescribed by NRB to be on safe side. NRB directives are followed in case of interest suspense account which is three months after. The interest is transferred to interest suspense account.

4.1. f) Collateral

NBL and EBL, consider the present situation of financial sector development of the country. Collateral is given importance for granting loan as it serves as cushion in case of default. EBL also accepts fixed assets, government bonds etc as collateral.

However NBL, in exceptional case considers if the loan then it might be considered for loan. After satisfying from the site visit, the processes for valuation of property of the securities are made by the banks consultants-Engineering firm. In the process of valuation of property distress value is calculated. The distress value will be higher than government price and lower than the market price; the value normally lies between these two values.

In case of SBI collateral is not main criterion for loan sanctioning the major factors which they consider is management, commercial viability, cash flows, profitability ratio? However collateral is also the required factor.

All the banks generally prefer to consider urban area property is considered as acceptable collateral. Even in urban area property the property near to the banks location whether, its near head office or branch office is given priority as it can monitor the property easily. In case of trade business the collateral property must be in urban area. In case of industry the property of district centers and rural area is considered due to the nature of the business, location of the industry.

4.1. g) Challenges and Strength of Bank

Banks are facing the main challenges as the market is small and concentrated and there is intense competition. The services have become limited due to the unfavorable economic condition of the country particularly due to the present political situation of the country and the stable condition and frequently lock outs of the industries. The business risk of different industry affects the banking business. The different type of risk involved in industries makes the lending business risky. For example at present the Tourism sector has been adversely so the risk of this industry is affecting on the performance and profitability of the banks. Bank being a lending business there is always risk of some default on the loans.

Nabil has strength of good management team, financial soundness, latest technologies; it also has the best taking software in Nepal all these leads to excellent customer service and satisfaction to the clients and thus good performance of the bank.

SBI has a very good Nepali management team, it provides timely and quality service to its customers and has Any Bank Banking Services (ABBS), it has good portfolio of loans, and it has good policies and systems for lending and control mechanism. EBL has good management, credit analysis, continuous monitoring of the loans, customer follow up and good customer service and technologies.

All the banks felt that the most pressing development that is needed by bank in the risk area of credit is that there should be bank to bank transparency to control over funding of customers and customers misleads.

Some questions were taken from the employees of related joint venture banks. On the basis of the interview the following information's are received and analyzed and presented according to questionwise serially.

1. On asking the question regarding satisfied with the bank, the answer gartered out of ten respondents 70% of the respondents had positive answer and 30% of the respondents had negative answer. Therefore, we conclude that the employees of the banks are really satisfied.
2. From the question put forward to the respondents about the incentive offered by the bank is satisfied or not, 50% respondents gave positive answer and 50% respondents gave negative answer. Thus we can conclude that the incentive offered by the bank is not satisfactory.
3. From the question put forward to the respondents about the any changes needed in the process of recovering the loan, 90% respondents gave positive answer and 10% respondents gave negative answer. Thus we can conclude that the bank need not change in the process of recovering the loan.
4. On asking the question regarding the interest rate on credit, out of the total respondents,40% respondents gave affirmative answer and remaining 60% gave negative answer. It means the employees of the banks' are not certain about the interest rate on credit.
5. From the question put forward to the respondents about the problem in credit policy in the bank, we could infer that there is problem in credit policy because 80% of respondents answered it to be yes and only 20%of respondent answered it to be no.
6. From the question put forward to the respondents about the NRB related problem in policy in the bank, the answered gathered out of total respondents are as such that 50%,50% of the respondents gave their view

about the above question. So, we conclude that there is NRB related problem in the bank.

7. On asking upon the question to the respondents there is customer related problem in the bank, we could find there is not customer related problem in the bank when only 40% of the respondents gave positive answer and remaining gave the negative answer.
8. On asking upon the question to the respondents about obeying NRB directives sincerely,90% of the respondents confidently gave positive answer and only 10% of the respondents gave negative answer. Thus, we can conclude that the organization is obeying NRB directives sincerely.
9. From the question put forward to the respondents are you satisfied with the promotion policy of the bank, we could infer that the employees of the bank are not satisfied with the promotion policy of the bank because 50%of respondents had positive answer and 50% of the respondents had negative answer
10. On asking the question regarding to the respondents whether you like to switch the bank for the same post ,the answer gathered out of the total respondents are as such that 70%of the respondents had affirmative answer and 30% of the respondents had negative answer. Thus we conclude that the employees' of the bank are not satisfied in the same post. This is not the positive aspect of the bank.

4.2 Measuring the Investment Strength

Investment strength is the important aspect of any joint venture banks which if not kept in track while performing the functions can lead to very critical situation. This shows the situation of joint venture banks in term of investments in loans and advances .Whether the company is lending in accordance with the deposits it is collecting and the investments made by the shareholders or not should be analyzed regularly. Any idle deposit is loss to the company so proper utilization of the funds in investment and lending aspects are extremely necessary for a bank to survive and grow. Under this topic an attempt has been made to analyze the lending strength of joint venture banks under study in relative terms as well as absolute terms.

4.2. a) Measuring the Investment Strength in Relative Terms

The lending strength of joint venture banks under this study is measured in relative terms in this section. The relationship between various assets and liabilities of the balance sheet has been established to measure the lending strength in relative term.

4.2. a. i) Loans and Advances and Investment to Total Deposit ratio

Loans and advances and investments are the major area of fund mobilization. This is the major area where the funds collected as deposits are channeled. The first part loans and advances is more crucial and also bears more risk than investments but also gives the higher return where as the second half investment has lesser risk and gives the lower return in compared to loans and advances . Loans and advances and investments to total deposits ratio indicates the firm's funds mobilizing power in gross. Any idle deposit means loss to the company. Thus, this ratio measures how well the deposits have been

mobilized. In other words, we can say that this ratio measures what part of deposits are generating in come for the company to give out interest to the deposits and also make profit.

Table 14: *Loan, Advances and Investments to Total deposits ratio*

Joint Venture Banks	**2004**	**2005**	**2006**	**2007**	**2008**	**Mean**
Nabil Bank Ltd	0.71	0.74	0.9	0.9	0.95	0.84
Himalayan Bank Ltd	0.65	0.66	0.72	0.7	0.75	0.7
Everest Bank Ltd	0.79	1.01	1.14	1.06	0.99	0.99
Nepal Bangladesh Bank Ltd	0.88	0.95	0.99	1.01	0.9	0.95
Nepal SBI Bank Ltd	0.69	0.78	0.9	1.18	1.06	0.92
Standard Chartered Bank Ltd	0.71	0.75	0.79	0.7	0.8	0.75
Combined Mean						**1.03**

Table 14 shows the ratio of Loans and Advances and investments to total deposits. This means the portion of deposit being mobilized to generate income. Himalayan Bank Ltd has the lowest ratio throughout the study period. The combined mean ratio of all six joint venture banks is 1.03. The mean ratios of Nabil bank Ltd, Himalayan Bank Ltd, Everest bank Ltd, Nepal Bangladesh Bank Ltd, Nepal SBI bank ltd and Standard Chartered bank Ltd are 0.84, 0.70, 0.99, 0.95, 0.92 and 0.75 respectively. Nepal SBI Bank has the highest mean ratio except for Nepal Bangladesh Bank Ltd; all the joint venture banks have their ratios higher than the combined mean. This shows Nepal SBI Bank Ltd has been doing best in mobilizing the funds collected in income generating way. And since the ratio is above 1, it refers that none of the deposit is idle. There is maximum utilization of the collected funds.

4.2. a. ii) Loans and Advances to Total Assets Ratio

Loans and advances consists a major part of total assets. This indicates the volume of loans and advances out of the total assets. A high degree of the ratio indicates that it has been able to mobilize its funds through lending function.

Lending always Loans carries a certain risk of default therefore a high ratio represents low liquidity and low ratio represents low productivity with high degree for safety in terms of liquidity.

Table 15 : *Loans and Advances to Total Assets Ratio*

Joint Venture Banks	2004	2005	2006	2007	2008	Mean
Nabil Bank Ltd	0.4317	0.3723	0.4524	0.457	0.5907	0.4608
Himalayan Bank Ltd	0.4386	0.406	0.448	0.489	0.4551	0.2959
Everest Bank Ltd	0.5742	0.5879	0.6098	0.8158	0.5233	0.6222
Nepal Bangladesh Bank Ltd	0.7138	0.6852	0.6568	0.6457	0.5624	0.6528
Nepal SBI Bank Ltd	0.5643	0.5243	0.5982	0.634	0.8118	0.6265
Standard Chartered Bank Ltd	0.2766	0.2942	0.2726	0.2751	0.3609	0.2959
Combined Mean						**0.6211**

The above table 15 shows the loans and advances to total assets of NB is highest than other five joint venture banks. That means NB Bank has good lending performance .Like the same, the second highest ratio is of Nepal SBI Bank with 0.6265 which is higher than the combined mean. The lower ratio of Himalayan Bank and Standard Chartered Bank need diverting its lending function for more fee- based activities. All the other four joint venture banks have maintained only satisfactory level of ratio.

4.2. a. iii) Investment to Loans, Advances and Investment Ratio

This ratio measure the contribution made by investment in total amount of loan and advances and investments. The proportion between investment and loans and advances depicts the management attitude towards risk assets and safety assets. This also measures the risk to the certain banks. The high ratio indicates the mobilization of funds in safe area and vice versa. However, safety does not provide with satisfactory return, or we can say that “no risk no gain”. Thus, a compromising ratio between risk and profit should be maintained.

Table 16: *Investment to Loans, Advances and Investment Ratio*

Joint Venture Banks	2004	2005	2006	2007	2008	Mean
Nabil Bank Ltd	0.24	0.36	0.32	0.31	0.20	0.29
Himalayan Bank Ltd	0.20	0.21	0.26	0.18	0.30	0.23
Everest Bank Ltd	0.17	0.28	0.21	0.29	0.21	0.23
Nepal Bangladesh Bank Ltd	0.03	0.10	0.19	0.20	0.20	0.14
Nepal SBI Bank Ltd	0.08	0.10	0.20	0.22	0.28	0.18
Standard Chartered Bank Ltd	0.41	0.46	0.45	0.54	0.47	0.47
Combined Mean						**0.21**

Table 16 shows the ratios of investment to loan and advances and investments. The ratios are ranged from 0.03 of NB Bank to 0.08 of Nepal SBI Bank in the year 2004. The ratios of SCBL are the highest throughout the study period.

The combined mean ratio of all six joint venture banks is 0.21. The mean ratios of all six joint venture banks are 0.29, 0.23, 0.23, 0.14, 0.18 and 0.47 respectively. SCBL has registered the higher ratio than the combined mean. This indicates it has lowest degree of investment in risk assets. Similarly, NB has the lowest ratio meaning it has high degree of investment in risky assets,

4.2. a. iv) Loans and Advances to Shareholder's Equity Ratio

Shareholder's equity consists of share capital, share premium, reserves and retained earnings. The ratio between loans and advances to shareholders equity shows how for the shareholder's equity has been able to generate assets to multiply its wealth. This also measures the success of converting liability into assets and measures size of the business.

Table 17: *Loans and Advances to shareholder's Equity Ratio*

Joint Venture Banks	2004	2005	2006	2007	2008	Mean
Nabil Bank Ltd.	8.0444	6.8952	701994	4.8717	7.4733	6.8968
Himalayan Bank Ltd	10.1762	11.3570	14.9490	9.1105	15.1561	12.1498
Everest Bank Ltd	12.0553	8.0001	9.9580	13.4398	8.7885	10.4483
Nepal Bangladesh Bank Ltd	24.5160	13.8047	13.6394	9.8812	8.3845	14.0452
Nepal SBI Bank Ltd	16.7387	8.6683	8.1892	9.0659	7.4404	10.0205
Standard Chartered Bank Ltd	7.5237	6.7138	5.4340	4.4046	6.4262	6.1005
Combined Mean						**11.9322**

Table 17 shows the ratios of loans and advances to shareholder's equity of six joint venture banks is not consistency entire period of study. All the six joint venture banks, NB's ratio is highest as compared to the rest banks. The combined mean of six joint venture banks are 11.9322.The ratios are decreasing trend in all the banks. HBL and NB have higher ratio than the combined mean. They have been able to generate high volume of loan and advances than other banks If the ratios are below the combined mean, it can be concluded that they have not succeeded in increasing loans and advances in proportion to the size of their capital.

4.2. b) Measuring the Investment Strength in Absolute Term

In this section, various variables are measured. Unlike ratio analysis, different variables are measured individually. The value of individual variables enables to measure the gross contribution of respective joint venture banks in those aspects. The ratio analysis merely describes the ratio between two variables but does not tell about the absolute value of those variables. Therefore, some of the important individual variables in their absolute value of Mean and Standard Deviation are examined. At the same time Coefficient of Variation (C.V.) is also measured.

4.2. b. i) Loans and Advances

The main function of a joint venture bank is to create credit from its collected funds. The high volume of loans and advances indicates good performance of lending for a bank. The survival of bank depends upon its credit and the percentage of good performing loans measures the banks profitability and survival

Table 18: *Loans and Advances (in millions)*

Joint venture banks	Mean	S.D.	C.V.
Nabil Bank Ltd	**8780.30**	**1252.40**	**14.26**
Himalayan Bank Ltd	**11255.08**	**1677.71**	**14.91**
Everesit Bank Ltd	**5417.24**	**1732.15**	**32.00**
Nepal Bangladesh Bank Ltd	**8613.04**	**950.02**	**11.03**
Standard Chartered Bank Ltd	**7347.30**	**657.63**	**8.95**

Table 18 shows the mean, standard deviation and coefficient of variation of all six joint venture banks under study. The mean loans and advances of HBL is highest of all, i. e. 11255.08 and SBI has the least of 5387.58. Similarly, C.V. of EBL is highest i.e 32, which indicates high fluctuation of Loan and Advances which shows EBL is not controlling its Loan and Advances. At the same time C.V. of SCBL is lowest i.e 8.95, which indicates low fluctuation of Loan and Advances.

Chart -1

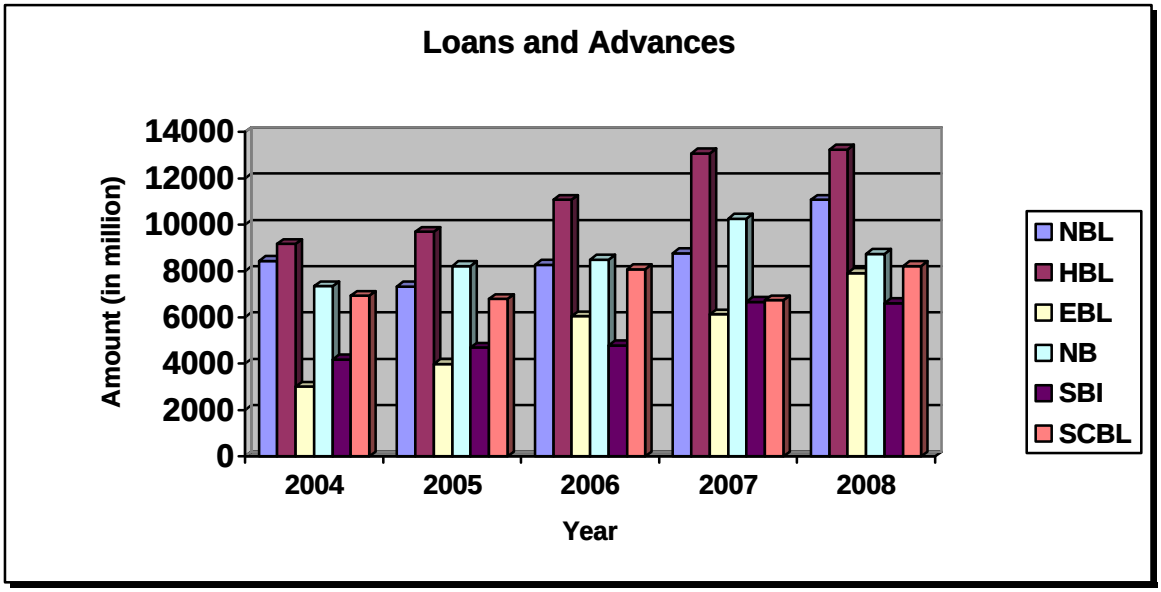


Chart 1 graphically presents the Loans and Advances of six joint venture banks throughout the study period. In this chart we can see HBL has the highest amount registered in 2008 which is Rs 13245 million. However, EBL and NB have increasing trend in Loans and Advances during the five years of period. NBL, SBI and SCBL have fluctuating Loans and Advances.

4.2. b. ii) Non –Performing Loan

Non –performing loan consists of loans and advances except for good loans .It that part of loans and advances that should be checked upon carefully for the timely recollection of the repayments .According to NRB directive no.4, sub-standard, doubtful and bad loans are categorized under non – performing loans .Non- performing loans are, in fact very crucial problem to joint venture banks .According to the NRB directions for loan loss provision ,they also create large amount of loan loss provision cutting down the profits and making the amount idle.

Table 19: *Non –Performing Loan (in million)*

Joint venture banks	Mean	S.D.	C.V.
Nabil Bank Ltd	27.00	12.54	46.43
Himalayan Bank Ltd	63.92	32.25	50.45
Everest Bank Ltd	25.74	10.12	39.3
Nepal Bangladesh Bank Ltd	5.74	1.71	29.77
Nepal SBI Bank Ltd	25.23	19.17	75.98
Standard Chartered Bank Ltd	50.21	43.29	86.21

The above table 19 shows the non-performing loan of all six joint venture banks. Mean, standard deviation and coefficient of variation of all six joint venture banks are shown in table 4.6. The mean non-performing loan of HBL is highest of all and the lowest of that is NB. Similarly, the C.V of NB is lowest i.e 29.77, which indicates low Fluctuation of Non-Performing Loan which is a good indication for Non-Performing Loan. At the same time, C.V. of SCBL is highest i.e. 86.21, which indicates high fluctuation of Non-Performing Loan. Which shows SCBL is not controlling its Non-Performing Loan. It might cause problems to SCBL in its upcoming days

Chart-2

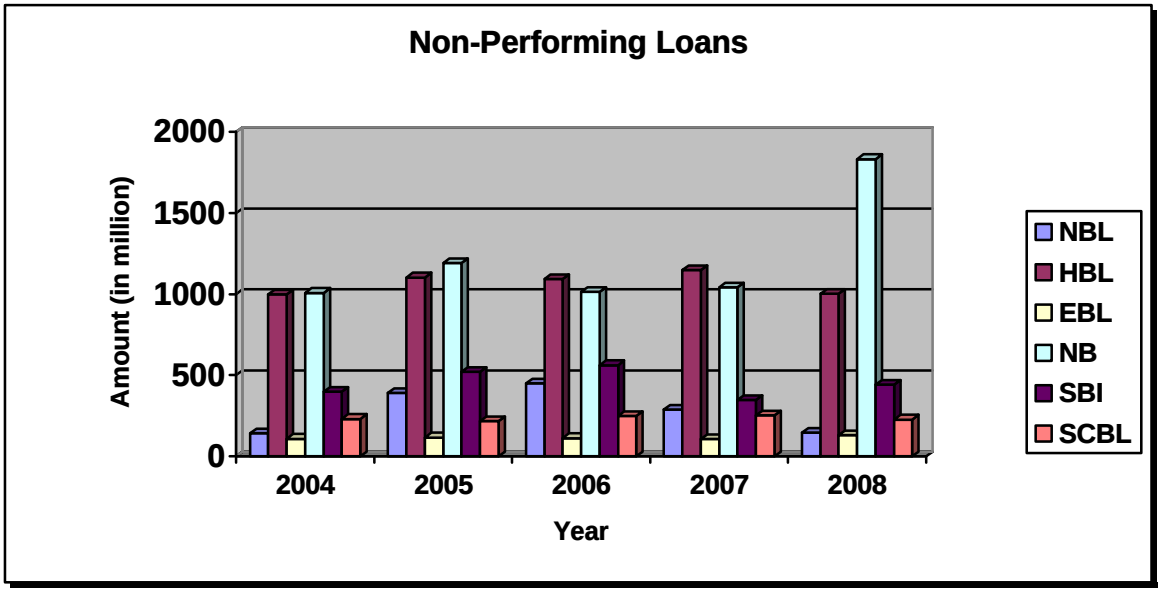


Chart 2 presents the Non- Performing Loans of all six joint venture banks graphically. The maximum value registered is 1832.94million of NBL in 2008 .The second highest is that of HBL in 2007 is 1147.46.The values of NBL and SCBL and SBI are fluctuating during the study period. But the value of EBL is increasing trend.

4.2. b. iii) Interest Income from Loans and Advances

Interest income from loans and advances is one of the major sources of income for a joint venture bank. The high volume of interest income is indicator of good performance of lending activities. This presents the pure income from the funds mobilized for loans and advances only.

Table 20 : *Interest Income from Loans and Advances (Rs. in Million)*

Joint venture banks	**Mean**	**S.D.**	**C.V.**
Nabil Bank Ltd	44.62	7.66	17.17
Himalayan Bank Ltd	45.85	15.86	34.59
Everest Bank Ltd	107.92	164.86	152.58
Nepal Bangladesh Bank Ltd	15.22	6.12	40.19
Nepal SBI Bank Ltd	52.45	21.22	40.45
Standard Chartered Bank Ltd	29.78	9.16	30.76

Table 20 shows the mean, standard deviation and coefficient of variation of interest income from Loan and Advances of all six joint venture banks under the study period. It shows that the highest interest income from loan and advances was earned by EBL i.e. 107.92. Similarly, the C.V. of EBL is highest i.e. 152.58, which indicates high fluctuation of Interest Income from Loan and Advances. That is good indication of EBL over Interest Income from Loan and Advances. At the same time C.V. of Nabil is lowest i.e. 17.17 which indicates low fluctuation of Interest Income from Loan and Advances.

Chart-3

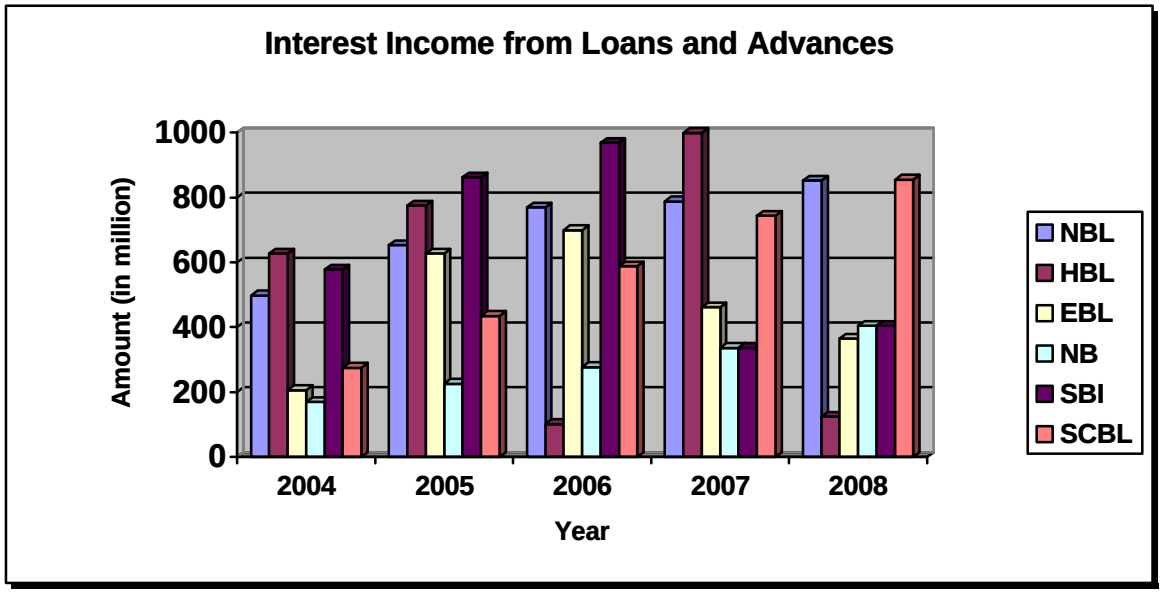


Chart 3 has the graphical presentation of Interest Income from Loans and Advances. This very distinctively shows the high Income of HBL in the year 2007 which amounts Rs. 999.76 million.

The second highest Interest Income from Loans and Advances is SBI in the year 2006 which amounts Rs.968.88.The values of other banks are fluctuating in different year.

4.2. b. iv) Loan Loss Provision

Loan loss provision indicates the figure that is the summation of provision made against all types of loans as per the NRB directives. According to the NRB directives, it directs to make the provision of 1%, 25%, 50% and 100% for good loans, sub- loans, doubtful loans and bad loans respectively. Loan loss provision occupies the large share in the total provision

Presented in the profit &loss account and definitely decrease the profit of the company. Since according to the NRB directives 1% provision is to be provided for all good loans, it does get a large portion of the total Loan **loss** provision.

Table 21 : *Loan loss Provision (Rs. in Million)*

Joint venture banks	**Mean**	**S.D.**	**C.V.**
Nabil Bank Ltd	279.78	179.66	64.20%
Himalayan Bank Ltd	916.22	13.05	1.42%
Everest Bank Ltd	307.70	8.66	2.81%
Nepal Bangladesh Bank Ltd	1117.52	33.67	3.03%
Nepal SBI Bank Ltd	334.76	44.5 7	13.31%
Standard Chartered Bank Ltd	243.38	35.35	14.61%

Table 21 shows the Loan loss provision of the joint venture banks entire the study period. The above table shows that the NB Bank has the highest mean

of 1117.52 it means it had collected the highest amount in provision for loan loss in comparison to other joint venture. Like the same SCBL has the least of mean i.e. 243.38. Similarly, the C.V. of HBL is lowest i.e. 1.42 which indicates low fluctuation of Loan Loss Provision. It is a good indication of bank regarding its Loan Loss Provision. At the Same time, C.V. of NB Bank is highest i.e. 64.2 which indicates highest fluctuation of Loan Loss Provision. It Shows NB doesn't have control over its Loan Loss Provision.

Chart 4

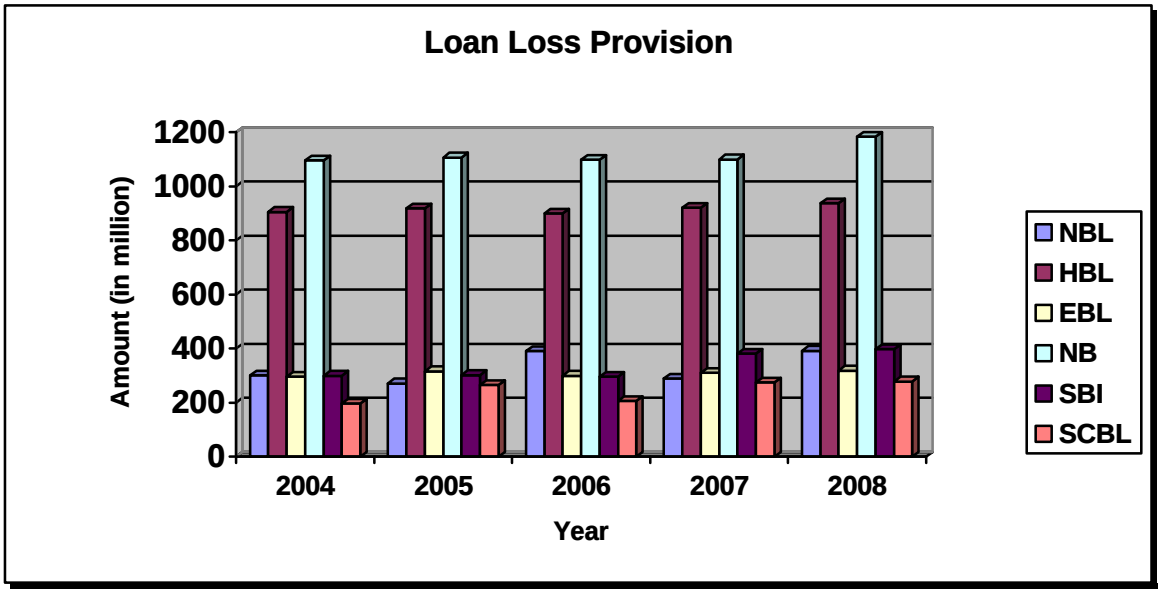


Chart 4 shows the graphical presentation of Loan Loss Provision of the six joint venture banks under the study.NBL has the least Loan Loss Provision in the year 2005 of Rs. 270.6million. The highest Loan Loss Provision is NB in 2008 which amounts Rs.1184.5million.Whereas other joint venture banks' Loan Loss Provision are fluctuating in the different year.

4.2. b. v) Net Profit

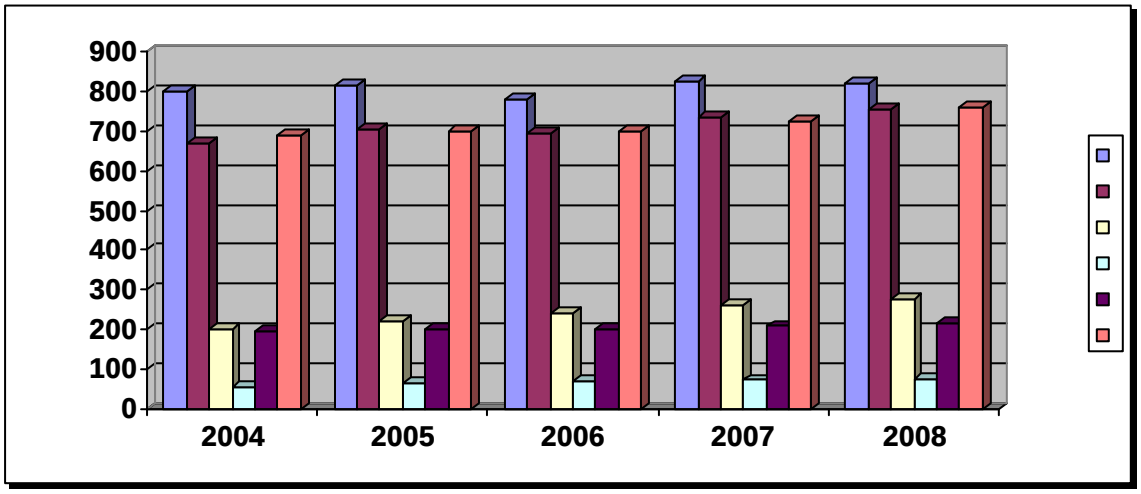
Net profit, the net earning of the firm after all deductions like taxes, bonuses and provisions are used in this analysis. The volume of net profit measures the firm's success and is the most important aspect.

Table 22: *Net Profit (Rs. in Million)*

Joint venture Banks	**Mean**	**S.D.**	**C.V.**
Nabil Bank Ltd	10.71	3.31	30.88
Himalayan Bank Ltd	15.15	4.64	30.60
Everest Bank Ltd	10.85	3.80	73.23
Nepal Bangladesh Bank Ltd	3.85	2.82	48.22
Nepal SBI Bank Ltd	8.48	4.02	47.41
Standard Chartered Bank Ltd	5.74	2.35	40.88

The table 22 shows that NB Very low mean i.e. 3.85 which shows that NB has very low level of net profit during the study period. HBL has highest mean of 15.15 with the variability of 30.60%. Similarly, C.V. of EBL is highest i.e. 73.23 which indicates high fluctuation of Net Profit. It shows EBL has good indication for net profit. At the same time, C.V. of HBL is lowest i.e. 30.60 .

Chart-5



The graphical presentation of Net Profits of all six joint venture banks is shown in the chart 5.This chart shows that the Net Profit of Nabil is highest

than other banks. NB has the least Net Profits which amounts Rs. 54.3 million. Himalayan has the second highest Net Profits which amounts Rs. 752.4 million. Net Profit of Everest, SBI and Standard Chartered are increasing from the year 2004 to 2008.

4.3 Analyzing the Investment Efficiency and it's Contribution in Total Profitability

In this section lending efficiency is measured in terms of quality and its turnover. A relationship between different variables related to lending efficiency is taken from balance sheet and profit and loss account.

4.3. a) Loan Loss Provision to Total Loans and Advances Ratio

The ratio of loan loss provision to total loans and advances describes the quality of asset in form of loan is bank holding. NRB has directed all the joint venture banks to classify its loans and advances into category and make provision according to these loans classified. The loans are classified into good substandard, doubtful and bad loans to make the provision of 1%, 25%, 50% and 100% respectively. Loan loss provision, in fact is the cushion against future contingency created by the default of the borrowers.

Table 23 : *Loan Loss Provision to Total Loans and Advances Ratio*

Joint venture Banks	**2004**	**2005**	**2006**	**2007**	**2008**	**Mean**
Nabil Bank Ltd	0.036	0.034	0.047	0.033	0.035	0.037
Himalayan Bank Ltd	0.099	0.050	0.081	0.07	0.071	0.074
Everest Bank Ltd	0.098	0.079	0.049	0.051	0.032	0.062
Nepal Bangladesh Bank Ltd	0.149	0.135	0.129	0.107	0.136	0.131
Nepal SBI Bank Ltd	0.072	0.064	0.062	0.057	0.06	0.063
Standard Chartered Bank Ltd	0.028	0.039	0.025	0.041	0.034	0.033
Combined Mean						**0.08**

The table 23 shows that NB has the highest mean ratio of loan loss provision to total loan and advances in entire period of study which is higher than the combined mean also. SCBL has the lowest mean ratio of loan loss provision to total loan i.e. 0.033.All the joint venture banks have not consistency in their mean ratio in different years. The low ratio indicates the good quality of assets (loans) in the total volume of loans and advances whereas high ratio indicates more risky assets (loans having chances of default) in the total volume of loans and advances.

4.3. b) Non–Performing Loans to Total Loans and Advances Ratio

As the NRB directives given to the joint venture banks, sub-standard, doubtful and bad loans are categorized under non- performing loans. Increase in non- performing loans Increase loan loss provision and interest suspense too, which ultimately results in profit deduction. "The banking sector is severely affected by the non- performing loans problems. It is estimated that the non-performing loans of the Nepalese banking system is around 16%. Therefore, there is no doubt that it has a serious implication on economic performance of the country."[31]

[31] Dhungana, Bhisma Raj, *Why Asset Management Company is considered the best option to resolve the non-performing loan problem? Banking Promotion-13*, A Journal of Banking Promotion Committee, NRB, Poush 2058B.S.

Table 24 : *Non-Performing Loans to Total Loans and Advances Ratio*

Join venture Banks	**2004**	**2005**	**2006**	**2007**	**2008**	**Mean**
Nabil Bank Ltd	0.017	0.053	0.054	0.033	0.013	0.034
Himalayan Bank Ltd	0.109	0.114	0.099	0.088	0.076	0.096
Everest Bank Ltd	0.036	0.030	0.018	0.017	0.013	0.023
Nepal Bangladesh Bank Ltd	0.137	0.145	0.119	0.102	0.209	0.142
Nepal SBI Bank Ltd	0.095	0.111	0.117	0.052	0.067	0.088
Standard Chartered Bank Ltd	0.033	0.32	0.031	0.037	0.028	0.032
Combined Mean						**0.083**

Table 24 exhibits that the non performing loan to total loans and advances ratio of the six banks under the study is 0.083 it means that there is 0.083 of non performing loans out of the total loans and advances. The mean ratio of Nepal Bangladesh Bank is very high i.e. 0.142 it is higher than the combined mean and highest among the other five banks. Everest has maintained a low ratio of 0.023 and. Everest has reduced its non performing loans by large percentages during the five years of period.

4. 3. c) Interest Income to Total Income Ratio

Income is one of the most important parts of any business organization. Interest income occupies a greater portion of the total income in a banking business. This ratio measures the volume of interest income in total income. It helps to measure the banks performance on other fee-based activities also. The high ratio indicates the high contribution made by lending and investment and high contribution by other fee based activities in total income.

Table 25 : *Interest Income to Total Income Ratio*

Join venture Banks	**2004**	**2005**	**2006**	**2007**	**2008**	**Mean**
Nabil Bank Ltd	0.897	0.944	0.931	0.838	0.935	0.909
Himalayan Bank Ltd	0.959	0.949	0.899	0.913	0.972	0.938
Everest Bank Ltd	0.883	0.964	0.952	0.934	0.908	0.928
Nepal Bangladesh Bank Ltd	0.178	0.199	0.255	0.302	0.277	0.242
Nepal SBI Bank Ltd	0.872	0.887	0.887	0.910	0.937	0.899
Standard Chartered Bank Ltd	0.839	0.847	0.769	0.851	0.867	0.835
Combined Mean						**0.950**

The table 25 shows that HBL has highest mean ratio in interest income to total income ratio and NB has the lowest mean ratio. The combined mean ratio is 0.950 of the six banks. The overall trend of the ratio is fluctuating. The highest ratio recorded is 0.972 in 2005by HBL and the lowest ratio is 0.178 in 2004 by NB. The high ratio indicates that it is largely depended on lending activities and low ratio indicates that it has low dependency on lending activities and high dependency on other fee based activities.

4. 3. d) Interest Expenses to Total Deposit Ratio

This ratio measures the cost of total deposits in relative term. The banks performance depends upon its ability to generate cheaper funds. Cheaper fund more will be the profitability in generating loan advances and vice versa. The high ratio indicates of costly fund this aversely affects its lending performance.

Table 26: *Interest Expenses to Total Deposit Ratio*

Join Venture Banks	**2004**	**2005**	**2006**	**2007**	**2008**	**Mean**
Nabil Bank Ltd	0.102	0.113	0.143	0.116	0.061	0.107
Himalayan Bank Ltd	0.125	0.059	0.049	0.067	0.011	0.062
Everest Bank Ltd	0.107	0.046	0.043	0.038	0.024	0.052
Nepal Bangladesh Bank Ltd	0.093	0.083	0.105	0.097	0.093	0.094
Nepal SBI Bank Ltd	0.051	0.035	0.046	0.041	0.016	0.038
Standard Chartered Bank Ltd	0.146	0.089	0.135	0.087	0.020	0.095
Combined Mean						**0.09**

Table 26 shows that the cost of deposits of SBI is the least in all five years of the study .It also has the least mean ration among the banks. SBI is successful in collecting cheaper fund by its modern and personalized services to the customer. The ratio of EBL is the greatest in all the five years study, SBI is in moderate position. The combined mean ratio of 0.09. Due to the lack of lending opportunities, the supply of the fund is exceeding the demand of the fund. The overall decreasing trend of this ratio measures the over liquidity of the banks.

4.3. e) Interest Suspense to Interest Income from Loans and Advances Ratio

Interest suspense means the interest due but not collected. NRB directive do not allow the commercial banks to book due but unpaid interest into income. The increase in the interest suspense decreases the profit of the company. Such interest is shown in liability side of Balance sheet under the heading “other liability’’. This ratio of interest suspense to total interest income from loans and advances measures the composition of due but uncollected interest in the total interest income from loans and advances. The high degree

of this ratio indicates to low interest turnover and low degree of this ratio indicates high interest

Table 27: *Interest Suspense to Interest Income from Loans and Advances*

Join venture Banks	**2004**	**2005**	**2006**	**2007**	**2008**	**Mean**
Nabil Bank Ltd	0.31	0.24	0.18	0.19	0.19	0.22
Himalayan Bank Ltd	0.82	0.60	4.99	0.49	4.16	2.21
Everest Bank Ltd	0.23	0.09	0.08	0.11	0.15	0.13
Nepal Bangladesh Bank Ltd	4.11	3.10	2.52	2.04	1.73	2.7
Nepal SBI Bank Ltd	0.80	0.46	0.41	1.18	1.17	0.80
Standard Chartered Bank Ltd	0.47	0.27	0.19	0.17	0.15	0.25
Combined Mean						**1.05**

Table 27 shows the ratio of interest suspense to the interest income from loans and advances .The combined mean ratio is 1.05.The mean ratio of NB is 2.7,that is to say NB has highest mean ratio through out the study period. Like the same the second highest ratio is HBL which has mean ratio of 2.21.The lowest mean ratio is EBL through out the entire period .Similarly NBL,SBI and SCBL have mean ratio of 0.22,0.80 and0.25 respectively.

4.3. f) Interest Income to Interest Expenses Ratio

The ratio of interest income to interest expenses ratio measures the difference between interest rates offered and interest rate charged. The spread between the interest income and interest expenses if the main foundation for the profit of the bank. NRB had restrictions on the interest rate spread of the joint venture banks. The interest offered and the interest charged should not be more than 5 percent. The joint venture banks are free to fix interest rate on deposits

and loans. Interest rates on all types of deposits and loans should be published in the local newspapers and communicated to Nepal Rastra Bank on quarterly basis and immediately when revised. Deviation of 0.50 percent from the published rate is allowed on all types of loans and deposit. However in rate fixation but it does not specify the conditions that would oblige NRB to do so.

Table 28*: Interest Income to Interest Expenses Ratio*

Join venture Banks	**2004**	**2005**	**2006**	**2007**	**2008**	**Mean**
Nabil Bank Ltd	0.031	0.038	0.040	0.048	0.096	0.0506
Himalayan Bank Ltd	0.028	0.070	0.097	0.066	0.045	0.0612
Everest Bank Ltd	0.054	0.247	0.241	0.151	0.928	0.2684
Nepal Bangladesh Bank Ltd	0.021	0.029	0.025	0.027	0.242	0.0284
Nepal SBI Bank Ltd	0.102	0.246	0.282	0.330	0.937	0.2108
Standard Chartered Bank Ltd	0.011	0.290	0.023	0.040	0.867	0.1163
Combined Mean						**0.12714**

Table 28 shows that the ratios of interest income interest expenses ratio. The combined mean ratio of the six banks is 0.12714 which means that a rupee of expenses in deposits generates 0.12714 of interest income in an average. EBL has the highest mean ratio i.e.0.2684, which mean that one rupee of interest expenses has been able to earn 0.2684.NBL has the least degree that is 0.0506 and HBL has 0.0612 mean ratio. SBI and EBL are charging high rate of interest.

4.4 Earning Per Share (EPS)

EPS refers to net profit divided by the total number of shares outstanding .The amount of EPS measures the efficiency of a firm in relative terms . This figure is the indicative of the overall good or bad performance of an organization. How far an organization if able to use its recourses to generate

profit is determined by the profit it has earned. Thus, EPS determines the market value of a share, determines the attitude of outsiders.

Table 29: *Earning Per Share (EPS)*

Join venture Banks	**2004**	**2005**	**2006**	**2007**	**2008**	**Mean**
Nabil Bank Ltd	1451.81	1132.77	1083.61	915.33	727.02	1062.10
Himalayan Bank Ltd	620.64	650.46	773.11	408.5	418	574.14
Everest Bank Ltd	332.66	372.33	343.85	260.8	172.37	296.40
Nepal Bangladesh Bank Ltd	7.54	9.27	54.92	57.85	35.76	33.06
Nepal SBI Bank Ltd	325.5	221.22	166.91	174	155.07	208.54
Standard Chartered Bank Ltd	982.14	874.87	876	723.5	505.26	792.35
Combined Mean						**593.31**

Table 29 shows that EPS of NBL is highest through out the years and has the highest mean of 1062.10, while the combined mean is 593.31.The lowest EPS is that of NB i.e. 33.06. SCBL has the second highest EPS mean with 792.35.Mean EPS of HBL, EBL and SBI are 574.14, 296.40 and 208.54 respectively.

4.5 Measuring Correlation between different variables

4.5. a) Coefficient of Correlation between Deposits, Loans and Advances

The coefficient of correlation between deposit and loan and advances is to measure the degree of relationship between these two variables. Deposit is independent variable and Loan and Advances is depended variable. The main objectives of computing between two variables are to find out whether deposits are significantly used as loan and advances in a proper manner or not.

Table 30: *Correlation between Deposit, Loans and Advances*

	Evaluation Criterions			
Joint Venture Banks	**r**	**r^2**	**PE. (r)**	**6PE**
Nabil Bank (Ltd)	-0.0153	0.0002	0.3016	1.8095
Himalayan Bank (Ltd)	0.9740	0.9486	0.0155	0.0930
Everest Bank (Ltd)	0.9667	0.9345	0.0198	0.1186
Nepal Bangladesh Bank (Ltd)	0.9073	0.8231	0.0534	0.3201
Nepal SBI Bank (LTD)	0.8653	0.7487	0.0758	0.4549
Standard Chartered Bank (Ltd)	0.0940	0.0088	0.2990	1.7939

The table 30 shows the co- efficient of correlation between deposits and loan and advances of NBL is -0.0153.We consider the value of the co-efficient of determination (r^2) is 0.0002 which means 0.02% of the variation in the dependent variable (loan and advances) has been explained by the independent variable (deposited). Further, value of PE.(r) is 0.3016 and 6PE is 1.8095.The value of co-efficient of correlation 'r' is lesser than the value of 6PE, which shows that the value of 'r' is insignificant .It doesn't have any rigid policy to maintain these fixed consistence ratio between these assets and the volume of these assets in NBL is highly of seasonal character.

In case of HBL also the co-efficient of correlation between deposit and loan and advances is 0.9740, which indicates positive correlation between these two variables. Similarly, the value of co-efficient of determination (r^2) is 0.9486 which means that 94.86% in the dependent variable (loan and advances) has been explained by the independent variable (deposit).Further, value of PE.(r) is 0.0155and 6PE is 0.0930.It shows that the value of co-efficient of correlation is greater than 6 times probable error. Therefore, value of 'r' is significant. There is significant relationship between deposit and loan and advances and the bank is mobilizing its deposited as loan and advances successfully.

Likewise, when we observe the correlation between deposits and loan and advances of EBL, it is also positive. The value of 'r' is 0.9667 and 'r^2' is 0.9345.It has PE.(r) is 0.0198 and 6PE is 0.1186.There will be the variation of 93.45% in the loan and advances. The value of 'r' is greater than value of 6PE. The relationship between the deposit and loan and advances of EBL is significant.

In case of NB, also the coefficient of correlation between deposit and loan and advances is 0.9073, which indicates positive correlation between these two variables. Similarly, the value of co-efficient of determination 'r^2' is 0.8231 which means that 82.31% in the dependent variable (loan and advances) has been explained by the independent variable (deposit). Further, value PE(r) is 0.0534 and 6PE is 0.3201 It shows that the value of co-efficient of correlation is greater than 6PE. Therefore, value of 'r' is significant. There is significant relationship between deposit and loan and advances and the bank is mobilizing its deposit as loan and advances successfully.

Likewise, when we observe the correlation between deposits and loan and advances and advances of SBI bank it is also positive. The value of 'r' is 0.8653 and 'r^2' is 0.7487. It has PE(r) of 0.0758 and 6PE is 0.4549. There will be the variation of 74.87% in the loan and advances. The value of 'r' is greater than value of 6PE. The relationship between the deposit and loan and advances of SBI is significant.

Incase of SCBL the coefficient of correlation between deposit and loan and advances is 0.0940, which indicates positive correlation between these two variables. The value of 'r' is 0.0088. Similarly, it has PE(r) of 0.2990 and 6PE is 1.7939. The value of co-efficient of correlation 'r' is lesser than the value of 6PE, which shows that the value of 'r' is insignificant.

From the above analysis, we can be conclude that the five banks are successful in mobilizing there deposit as loan and advances .Value of 'r' and 'r^2'of the five banks are positive and Himalayan and Everest has greater than the value of 6PE, but Standard Chartered is less than there probable error. Himalayan has the highest value of 'r' which indicates that it is in better

position on mobilizing deposits as loan and advances in comparison to other joint venture banks. EBL, NB and SBI are also in satisfactory position.

4.5. b) Coefficient of Correlation between Investments, Loans and Advances

This coefficient of correlation between investment and loan and advances measures the degree of relationship between these two variables. This measure of correlation explains whether the banks have a rigid policy to maintain a consistent relationship between two assets or other factor such as seasonal opportunity, economic demand, NRB directives etc has impact on loans and advances as every bank has first priority on loan and advances to investment. Theoretically, increase or decrease in the volume of loans and advances directly reduces or increase the level of idle fund and this idleness of fund increases the Investments.

Table 31: *Correlation between Investment, Loan and Advances*

	Evaluation Criterions			
Joint Venture Banks	**r**	**r^2**	**PE. (r)**	**6PE**
Nabil Bank (Ltd)	0.4975	0.2476	0.2270	1.3618
Himalayan Bank (Ltd)	0.6621	0.4383	0.1694	1.0166
Everest Bank (Ltd)	0.7990	0.6384	0.1091	0.6545
Nepal Bangladesh Bank (Ltd)	0.8699	0.7567	0.0734	0.4403
Nepal SBI Bank (LTD)	0.9709	0.9427	0.0173	0.1037
Standard chartered Bank (Ltd)	0.1390	0.0193	0.2958	1.7749

Table 31 shows the co- efficient of correlation between investment and loan and advances of NBL is 0.4975.We consider the value of the co-efficient of determination (r^2) is 0.2476 which means 24.76% of the variation in the

dependent variable (loan and advances) has been explained by the independent variable (investment). Further, value of PE is 0.2270 and 6PE is 1.3618.The value of co-efficient of correlation 'r' is lesser than the value of 6PE, which shows that the value of 'r' is insignificant.

There is positive relationship between investment and loan and advances of HBL. The value of r is 0.6621 and we consider the value of (r^2) is 0.4383 which means 43.83% of the variation in the dependent variable (loan and advances) has been explained by the independent variable (investment). Further, value of PE.(r) is 0.1694 and 6PE is 1.0166.The value of co-efficient of correlation 'r' is lesser than the value of 6PE, which shows that the value of 'r' is insignificant.

When we observe the correlation between investment and loan and advances of EBL, it is also positive. The value of 'r' is 0.7990 and 'r^2' is 0.6384. It has PE(r) is 0.1091 and 6PE is 0.6545. There will be the variation of 63.84%.. The value of 'r' is greater than value of 6PE. The relationship between the investment and loan and advances of Everest is significant.

In case of NB, also the coefficient of correlation between investment and loan and advances is 0.8699, which indicates positive correlation between these two variables. Similarly, the value of co-efficient of determination 'r^2' is 0.7567 which means that 75.67% in the dependent variable (loan and advances) has been explained by the independent variable (investment). Further, value of PE(r) is 0.0734 and 6PE is 0.4403 It shows that the value of co-efficient of correlation is greater than 6PE. Therefore, value of 'r' is significant. There is significant relationship between investment and loan and advances and the bank is mobilizing its investment as loan and advances successfully.

Likewise, when we observe the correlation between investment and loan and advances of SBI bank it is also positive. The value of 'r' is 0.9709 and 'r^2' is 0.9427. It has PE(r) of 0.0173 and 6PE is 0.1037. There will be the variation of 94.27% in the loan and advances. The value of 'r' is greater than value of 6PE. The relationship between the investment and loan and advances of SBI is significant.

Incase of SCBL ,the coefficient of correlation between investment and loan and advances is 0.1390, which indicates positive correlation between these two variables. Similarly, the value of co-efficient of determination 'r^2' is 0.0193. It has PE(r) of 0. 2958 and 6PE is 1.7749. The value of co-efficient of correlation 'r' is lesser than the value of 6PE, which shows that the value of 'r' is insignificant.

4.5. c) Co-efficient of Correlation between Shareholders Equity, Loans and Advances

The correlation between shareholders equity and loan and advances shows the degree of impact of increase in loans and advances by change in shareholder's equity. Coefficient of correlation between shareholders equity and loan and advances measures the degree of relationship between these two variables. Here loan and advances are the independent variable and shareholders equity is dependent variable.

Table 32: *Correlation between Shareholders Equity, Loans and Advances*

	Evaluation Criterions			
Joint Venture Banks	**r**	**r^2**	**PE. (r)**	**6PE**
Nabil Bank (Ltd)	-0.1893	0.0358	0.2908	1.7450
Himalayan Bank (Ltd)	-0.7947	0.6316	0.1111	0.6668
Everest Bank (Ltd)	0.9662	0.9335	0.0201	0.1204
Nepal Bangladesh Bank (Ltd)	-0.4647	0.2159	0.2365	1.4190
Nepal SBI Bank (LTD)	0.9283	0.8617	0.0417	0.2504
Standard chartered Bank (Ltd)	-0.0051	0.0000	0.3016	1.8098

Table 32 shows that there is high degree of positive correlation between shareholders equity and loan and advances in EBL and SBI banks. It shows good fund mobilization. The value of 'r' is significant of both EBLand SBI but

other four joint venture banks have negative correlation. We consider the value of the co-efficient of determination (r^2) is 0.9335 of Everest and 0.8617 of SBI respectively which means 93.35% and 86.17% of the variation in the dependent variable (loan and advances) has been explained by the independent variable (shareholder's equity). Further, value of PE(r) is 0.0201 and 6PE is 0.1204 of Everest .The value of r is the greater than the value of 6PE, which shows that the value of 'r' is significant. Similarly the value of PE(r) is 0.0417 and 6PE is 0.2504 of SBI. The value of r is the greater than the value of 6PE, which shows that the value of 'r' is significant. Here, HBL has high degree of negative correlation. The analysis of 6PE says that the correlation of HBL can't be taken relied on confidently.

4.5. d) Correlation between Total Income, Loans and Advances

The correlation between total income and loan and advances measures the degree of relationship between these two variables. The value of 'r; explains whether a percentages change in loan and advances contribute to increase the same percentage of income or not. Loan and advances is independent variable and total income is dependent variable.

Table 33: *Correlation between Total Income, Loan and Advances*

	Evaluation Criterions			
Joint Venture Banks	**r**	**r^2**	**PE. (r)**	**6PE**
Nabil Bank (Ltd)	-0.3759	0.1413	0.2590	1.5542
Himalayan Bank (Ltd)	-0.8517	0.7254	0.0828	0.4971
Everest Bank (Ltd)	0.1171	0.0137	0.2975	1.7851
Nepal Bangladesh Bank (Ltd)	-0.6703	0.4494	0.1661	0.9966
Nepal SBI Bank (Ltd)	-0.6149	0.3780	0.1876	1.1257
Standard chartered Bank (Ltd)	0.3649	0.1331	0.2615	1.5689

Table 33 shows that the coefficient and correlation between total income and loan and advances of NBL, HBL, EBL, NB, SBI and SCBL are -3759,-0.8517,0.1171, -0.6703, -0.6149and 0.3649 respectively. It shows positive relationship between these two variables of EBL and SCBL only. Moreover, when we consider the value of co-efficient of determination 'r^2' is 0.0137 for EBL, which means that 1.37% of the variation in the dependent variable (total income) has been explained by independent variable (loan and advances). Further the value of PE(r) is 0.2975 and 6PE is 1.7851, which shows that the co-efficient of correlation 'r' is lesser than the value of 6PE. Therefore, the value of 'r' is insignificant.

In case of SBI also the value of coefficient of determination 'r^2' is 0.1331 and the value of PE(r) is 0.2615 and 6PE is 1.5689 respectively. It means that the 13.31% of the variation in the dependent variable (total income) has been explained by independent variable (loan and advances). The co-efficient of correlation 'r' is lesser than the value of 6PE. Therefore value of 'r' is insignificant. Besides four joint venture banks have negative correlation. Among four, HBL has high degree of negative correlation.

4.5. e) Coefficient of Correlation between Interest Suspense and Interest Income

This correlation measures the relationship between interest suspense and interest income. Interest suspense is earned but uncollected interest is the outcome of the interest income in this analysis. Interest suspense is the dependent variable and interest income is the independent variable. Interest income which is due and uncollected for three months are transferred to interest suspense and thus interest income is reduced

Table 34: *Correlation between Interest Suspense and Interest Income*

	Evaluation Criterions			
Joint Venture Banks	**r**	**r^2**	**PE. (r)**	**6PE**
Nabil Bank (Ltd)	-0.0658	0.0043	0.3003	1.8020
Himalayan Bank (Ltd)	-0.5164	0.2666	0.2212	1.3273
Everest Bank (Ltd)	0.7474	0.5586	0.1331	0.7988
Nepal Bangladesh Bank (Ltd)	0.0433	0.0019	0.3011	1.8065
Nepal SBI Bank (LTD)	-0.4172	0.1741	0.2491	1.4948
Standard chartered Bank (Ltd)	0.2602	0.0677	0.2812	1.6873

The table 34 exhibits that EBL has highest degree of correlation between interest suspense and interest income. NBL, HBL and SBI have negative correlation. The value of 'r' in EBL is 0.7474 and the value of coefficient of determination 'r^2' is 0.5586 which means that the value of co-efficient of determination 'r2' is 55.86%for EBL. Further, value of PE(r) is 0.1331and 6PE is 0.7988 of EBL. The value of r is lesser than the value of 6PE(r), which shows that the value of 'r' is insignificant. Besides three joint venture banks have

negative correlation. Among three, HBL has high degree of negative correlation.

4.5. f) Coefficient of Correlation between Provision for Loan Loss, Loans and Advances

The correlation between provision for loan loss and loan and advances measures the degree of relationship between these two variables. Provision for loan loss is dependent variable and loan and advances is independent variable. Loan loss provision is the product of loan and advances and these two variables are correlated. The main objective of computing 'r' between these two variables is to justify whether loan loss provision increase in the same proportion of increase in loan and advances.

Table 35: *Coefficient of Correlation between Provision for Loan Loss, Loans and Advances*

	Evaluation Criterions			
Joint Venture Banks	**r**	**r^2**	**PE. (r)**	**6PE**
Nabil Bank (Ltd)	-0.5673	0.3218	0.2046	1.2274
Himalayan Bank (Ltd)	0.6611	0.4370	0.1698	1.0189
Everest Bank (Ltd)	0.5006	0.2506	0.2261	1.3564
Nepal Bangladesh Bank (Ltd)	0.0801	0.0064	0.2997	1.7983
Nepal SBI Bank (LTD)	0.9356	0.8754	0.0376	0.2256
Standard chartered Bank (Ltd)	0.5480	0.3003	0.2111	1.2664

The table 35 explains that the value of 'r' in HBL, EBL, NB. & SBI is not significant and the relationship between these two variables is not certain as the value of 'r' is less than 6PE. NBL has negative relation with -0.5673 as the value

of ‘r’. The value of coefficient of determination ‘r^2’ is 0.3216 which means that the value of co-efficient of determination ‘r^2’ is 32.16% for Nabil. Further, value of PE(r) is 0.2046 and 6PE is 1.2274 of NBL. The value of r is lesser than the value of 6PE, which shows that the value of ‘r’ is insignificant. Here, SBI has the highest positive correlation between loan loss and loans and advances .The value of r is 0.9356 which is greater than the value of 6PE. So, the value of r is significant. The value of coefficient of determination ‘r^2’ is 0.8754 which means that the value of co-efficient of determination ‘r^2’ is 87.54%.Accordingly; SBI has the moderate degree of positive correlation. The value of coefficient of determination ‘r^2’ is 0.3003 which means that the value of co-efficient of determination ‘r^2’ is 30.03% for SBI. Further, value of PE(r) is 0.2111 and 6PE is 1.2664. The value of r is lesser than the value of 6PE. So, the value of r is insignificant.

4.5. g) Coefficient of Correlation between Interest Income and Net Profit

The correlation between interest income and net profit measures the degree of relationship between these two variables. The interest income contributions a major portion of total volume of commercial banks income. In this analysis, interest income is independent variable and net profit is dependent variable.

Table 36: *Correlation between Interest Income and Net Profit*

	Evaluation Criterions			
Joint Venture Banks	**r**	**r^2**	**PE. (r)**	**6PE**
Nabil Bank (Ltd)	0.2595	0.0673	0.2813	1.6880
Himalayan Bank (Ltd)	-0.2998	0.0899	0.2745	1.6472
Everest Bank (Ltd)	0.1782	0.0318	0.2921	1.7524
Nepal Bangladesh Bank (Ltd)	0.9170	0.8410	0.0480	0.2878
Nepal SBI Bank (LTD)	-0.6470	0.4186	0.7154	1.0522
Standard chartered Bank (Ltd)	0.9138	0.8350	0.0498	0.2985

Above table 36 shows the correlation of interest income and net profit. The highest degree of positive correlation is recorded is that of NB with 0.9170.The second highest positive correlation is that of SCBL with 0.9138.HBL and SBI have negative correlation and other two joint venture banks namely NBL and EBL have less degree of correlation. Here, NB and SCBL have significant correlation because the value of 6PE is lesser than the value of 'r'. The value of coefficient of determination 'r^2' is 0.8410 which means that the value of co-efficient of determination 'r^2' is 84.10% of NB. Accordingly the value of coefficient of determination 'r^2' is 0.8350 of SCBL which means that the value of co-efficient of determination 'r^2' is 83.50%.

4.6 Measuring the Regression of one variable on the other

In this section, regression analysis is used to describe the average relationship between two variables. The regression line of one variable on other estimates the most probable value of first variable for the given value of the second variable. Under this section we shall calculate the regression line of

Loans and Advances on Deposit and Loan Loss Provision on Loans and Advances of six joint venture banks separately.

4.6. a) Regression Analysis of Loans and Advances on Deposit

Loans and Advances and Deposits are very important items of balance sheet of any joint venture banks .The Deposit collected so as to mobilize in Loans and Advances. This is how from the fund circulation joint venture banks make profits.

Table 37: Regression Equation of Loans and Advances on Deposit of NABIL

Year	**Deposit (X)**	**Loan and Adv. (Y)**	**XY**	**X^2**
2004	15838.90	8437.80	133645470.40	250870753.20
2005	15370.60	7328.20	112638830.90	2362255344.40
2006	13437.70	8267.80	111100216.10	180571781.30
2007	140980	8789.70	123917190.60	198753604.00
2008	14588.80	11078.00	16161426.40	212833085.40
	∑(X) =73334	**∑(Y)=43901.5**	**∑(XY)=642916434.4**	**∑ X^2 =1079284568**

Table 37 shows the figures of Deposits and Loans and Advances of NABIL from the year 2004 to 2008. The regression equation obtained from the calculation is “y= 12593.66-0.26x”. The slope of this line is 0.26. This Explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 0.26 unit.

Table 38: *Regression Equation of Loans and Advances on Deposit of HBL*

Year	Deposit (X)	Loan and Adv. (Y)	XY	X^2
2004	17613.60	9176.90	161638245.80	310238905.00
2005	18595.20	9697.60	180328811.50	345781463.00
2006	21002.80	11074.20	232589207.80	441117607.80
2007	22760.90	13081.70	297751265.50	518058568.80
2008	24831.10	13245.00	328887919.50	616583527.20
	∑(X) =104803.6	**∑(Y)= 56275.4**	**∑(XY)= 1201195450**	**∑ X^2 =2231780072**

The above table 38 shows the figures of Deposits and Loans and Advances of HBL from the year 2004 to 2008. The regression equation obtained from the calculation's y="11464.68-0.01x".The slope of this line is 0.01. This explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 0.01 unit which is small magnitude.

Table 39: *Regression Equation of Loans and Advances on Deposit of EBL*

Year	Deposit (X)	Loan and Adv.(Y)	XY	X^2
2004	4574.50	3008.80	13763755.60	20926050.25
2005	5461.10	3982.70	21749922.97	29823613.21
2006	6694.90	6049.60	40501467.04	44821686.01
2007	8064.00	6131.10	49441190.40	65028096.00
2008	10097.80	7914.50	79919038.10	101965564.80
	∑(X) =34892.3	**∑(Y)=27086.7**	**∑(XY)=205375374.1**	**∑ X^2=262565010.3**

The above table 39 shows the figures of Deposits and Loans and Advances of EBL from the year 2004 to 2008. The regression equation obtained from the calculation is "y=-514.35+0.85x".The slope of this line is 0.85. This Explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 0.85 unit.

Table 40: *Regression Equation of Loans and Advances on Deposit of NB*

Year	**Deposit(X)**	**Loan and Adv.(Y)**	**XY**	**X^2**
2004	8678.80	7347.40	63766615.12	75321569.44
2005	9514.00	8222.10	78225059.40	90516196.00
2006	10548.00	8491.90	89572561.20	111260304.00
2007	12747.30	10263.80	130835737.70	162493657.30
2008	12125.50	8740.00	105976870.00	147027750.30
	∑(X) = 53613.6	**∑(Y) = 43065.2**	**∑(XY)= 468376843.5**	**∑ X^2=309521407.6**

The above table 40 shows the figures of Deposits and Loans and Advances of NB from the year 2004 to 2008. The regression equation obtained from the calculation is "y= 8634.48-0.002x".The slope of this line is 0.002. This Explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 0.002 unit.

Table 41: *Regression Equation of Loans and Advances on Deposit of SBI*

Year	**Deposit(X)**	**Loan and Adv.(Y)**	**XY**	**X^2**
2004	6618.40	4176.30	27640423.92	43803218.56
2005	6672.20	4693.90	31318639.58	44518252.84
2006	6622.80	4786.10	31697383.08	43861479.84
2007	7232.10	6662.50	48183866.25	52303270.41
2008	8645.80	6619.00	57226550.20	74749857.64
	∑(X) =35791.3	**∑(Y)= 26937.8**	**∑(XY)=196066863**	**∑ (X^2)=259236079.29**

The above table 41 shows the figures of Deposits and Loans and Advances of SBI from the year 2004 to 2008. The regression equation obtained from the calculation is "y= -2200.19 +1.06x". The slope of this line is 1.06. This Explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 1.06 unit.

Table 42: *Regression Equation of Loans and Advances on Deposit of SCBL*

Year	**Deposit (X)**	**Loan and Adv. (Y)**	**XY**	**X^2**
2004	16430.10	6924.10	113763655.40	269948186.00
2005	16836.70	6787.90	114285835.90	283474466.90
2006	18755.50	8080.70	151557568.90	351768780.30
2007	21161.40	6729.80	142411989.70	447804850.00
2008	19344.00	8214.00	158891616.00	374190336.00
	∑(X)=92527.7	**∑(Y)=36736.5**	**∑(XY)=680910665.9**	**∑(X^2)=1727186619**

The above table 42 shows the figures of Deposits and Loans and Advances of SCBL from the year 2004 to 2008. The regression equation obtained from the calculation is "y=6051.91+0.07x".The slope of this line is 0.07. This Explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 0.07 unit.

4.6. b) Regression Analysis of Loan Loss Provision on Loans and Advances

Loan Loss Provision is a kind of by –product of Loans and Advances. Every Non–Performing Loan increases Loan Loss Provision. Loan Loss Provision decreases the profits of the banks. Thus, bank should try to control over the Loan Loss Provision.

Table 43: *Regression Equation of Loan Loss Provision on Loans and Advances of NABIL*

Year	**Loan and Adv. (X)**	**Loan Loss Provision (Y)**	**XY**	**X^2**
2004	8437.80	300.00	2531340.00	71196468.84
2005	7328.20	270.60	1983010.92	53702515.24
2006	8267.80	390.50	3228575.90	68356516.84
2007	8789.70	288.80	2538465.36	77258826.09
2008	11078.00	392.00	4342576.00	122722084.00
	∑(X)=43901.5	**∑(Y)=1614.9**	**∑(XY)=14623968.18**	**∑ (X^2)=393236411**

The above table 43 shows the figures of Loan Loss Provision and Loans and Advances of NBL from the year 2004 to 2008. The regression equation obtained from the calculation is "y=-116.03+0.05x". The slope of this line is 0.05. This Explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 0.05 unit with small magnitude.

Table 44: *Regression Equation of Loan Loss Provision on Loans and Advances of HBL*

Year	**Loan and Adv. (X)**	**Loan Loss Provision (Y)**	**XY**	**X^2**
2004	9176.90	905.20	8324852.84	84215493.61
2005	9697.60	918.30	8905306.08	94043445.76
2006	11074.20	899.80	9964565.16	122637905.6
2007	13081.70	920.70	12044321.19	171130874.90
2008	13245.00	937.10	12411889.50	175430025.00
	∑(X)=56275.4	**∑(Y)= 4581.1**	**∑(XY)=51650934.77**	**∑(X^2) = 647457744.9**

The above table 44 shows the figures of Loan Loss Provision and Loans and Advances of HBL from the year 2004 to 2008. The regression equation obtained from the calculation is "y=844.01+0.006415x".The slope of this line is

0.006415. This Explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 0.006415.

Table 45: *Regression Equation of Loan Loss Provision on Loans and Advances of EBL*

Year	Loan and Adv. (X)	Loan Loss Provision (Y)	XY	X^2
2004	3008.80	296.10	890905.68	9052877.44
2005	3982.70	315.70	1257338.39	15861899.29
2006	6049.60	299.20	1810040.32	36597660.16
2007	6131.10	309.80	1899414.78	37590387.21
2008	7914.50	317.70	2514436.65	62639310.25
	∑(X)=27086.7	**∑(Y)=1538.5**	**∑(XY)=8372135.82**	**∑ (X^2) =161742134.4**

The above table 45 shows the figures of Loan Loss Provision and Loans and Advances of EBL from the year 2004 to 2008. The regression equation obtained from the calculation is "y= 294.14+0.002503x". The slope of this line is 0.002503. This Explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 0.002503 unit.

Table 46: *Regression Equation of Loan Loss Provision on Loans and Advances of NB*

Year	Loan and Adv.(X)	Loan Loss Provision(Y)	XY	X^2
2004	7347.40	1096.50	8056424.10	53984286.76
2005	8222.10	1107.10	9102686.91	67602928.41
2006	8491.90	1099.30	9335145.67	72112365.61
2007	10263.80	1100.20	11292232.76	105345590.40
2008	8740.00	1184.50	10352530.00	76387600.00
	∑(X) = 43065.2	**∑(Y)= 5587.6**	**∑(XY)=48139019.44**	**∑(X^2)=375432771.2**

The above table 46 shows the figures of Loan Loss Provision and Loans and Advances of NB from the year 2004 to 2008. The regression equation obtained from the calculation is "y=1093.08+0.002837x" .The slope of this line is 0.002837. This Explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 0.002837 unit.

Table 47: *Regression Equation of Loan Loss Provision on Loans and Advances of SBI*

Year	**Loan and Adv.(X)**	**Loan Loss Provision(Y)**	**XY**	**X^2**
2004	4176.30	299.30	1249966.59	17441481.69
2005	4693.90	301.50	1415210.85	22032697.21
2006	4786.10	295.20	1412856.72	22906753.21
2004	6662.50	380.50	2535081.25	44388906.25
2005	6619.00	397.30	2629728.70	43811161.00
	∑(X)=26937.8	**∑(Y)=1673.8**	**∑(XY)=9242844.11**	**∑(X^2)=150580999.36**

The above table 47 shows the figures of Loan Loss Provision and Loans and Advances of SBI from the year 2004 to 2008. The regression equation obtained from the calculation is "y=119.25+0.04x". The slope of this line is 0.04. This Explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 0.04 unit.

Table 48: *Regression Equation of Loan Loss Provision on Loans and Advances of SCBL*

Year	**Loan and Adv.(X)**	**Loan Loss Provision(Y)**	**XY**	**X^2**
2004	6924.10	195.50	1353661.55	47943160.81
2005	6787.90	264.20	1793363.18	46075586.41
2006	8080.70	205.20	1658159.64	65297712.49
2007	6729.80	274.30	1845984.14	45290208.04
2008	8214.00	277.70	2281027.80	67469796.00
	∑(X)=36736.5	**∑(Y)= 216.9**	**∑(XY)=8932196.31**	**∑(X^2)=272076463.8**

The above table 48 shows the figures of Loan Loss Provision and Loans and Advances of SBI from the year 2004 to 2008. The regression equation obtained from the calculation is "y=272.76-0.004x". The slope of this line is 0.004. This Explains that with a unit change in Deposit, Loan and Advances also change in the same direction by 0.004 unit with small magnitude.

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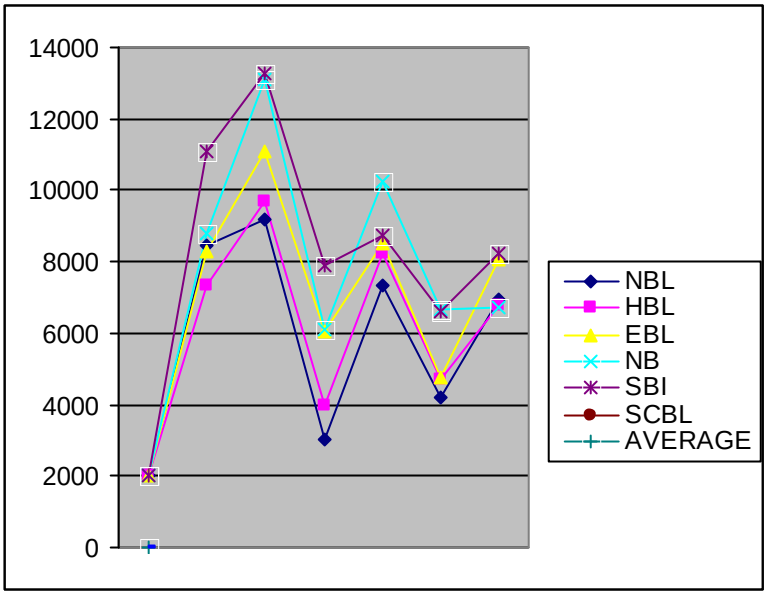
Table 49: *Trend Value of Loans and Advances*

Year	**NBL**	**HBL**	**EBL**	**NB**	**SBI**	**SCBL**
2004	8437.8	9176.9	3008.8	7347.4	4176.3	6924.1
2005	7328.2	9697.6	3982.7	8222.1	4693.9	6787.8
2006	8267.8	11074.2	6049.6	8491.9	4786.1	8080.7
2004	8789.7	13081.7	6131.1	10263.8	6662.5	6729.8
2005	11078	13245	7914.5	8740.1	6619	8214.1

Table 49 shows the value of Loans and Advances of six joint venture banks from the year 2004 to 2008. We can present the given value in figure also.

Chart 6: Trend Behavior of Loans and Advances



The above chart shows the trend lines representing lending behaviors of six joint venture banks. The trend line of HBL and NBL has always been above the average line. Similarly EBL, NB and SCBL are also above the average line. The trend line of SBI is coincides with average.

4.7 Major Findings of the Study:

The major findings of the study are summarized below:

- Nepal SBI Bank has highest Loans and Advances and Investment to Total Deposits referring that it has the maximum mobilization of deposits than other joint venture banks. It seems that SBI is making investments high extend than any other joint venture banks. This ratio also tells about the success of joint venture banks to convert their liabilities into assets.
- Loans and Advances to Shareholder's Equity ratio has gained the significant importance in measuring the capital fund. The highest Loans and Advances to Shareholders Equity ratio is that of NB being 14.0452 followed by HBL with the ratio 12.1498 while the

combined mean ratio is 11.9322. The ratio of NBL is least being 6.8968.

- The Loans and Advances to Total Assets of NB is highest then other five joint venture banks. It means NB has good lending performance. Like the same, the second highest ratio is of SBI with 0.6265 which is higher than the combined near. The lower ratio of HBL and SCBL need diverting its lending function for more fee-based activities. All the other four joint venture banks have maintained only satisfactory level of ratio.
- The absolute measure of lending strength reveals that the mean Loans and Advances of HBL is highest of all, i.e. 11255.08 million and SBI has the least of 5387.58 million. Similarly, standard deviation of EBL is the highest with 1732.15 and SCBL is lowest with 657.63. Thus the performance of SCBL is more consistence regarding giving out Loans and Advances in comparison of other joint venture banks.
- The measurement of efficiency in lending has revealed that Loan Loss Provision to Total Loans and Advances ratio is pretty satisfactory since according to NRB Directives. Loan Loss Provision indicates provision against both Performing and Non-Performing Loans. Thus, even the increase in Loan increases the Loan Loss Provision. But generally, increase in this ratio suggests the increase in the Non-Performing Loans.
- The ratio of Interest Suspense to Interest Income from Loans and Advances among these joint venture banks are of varying nature. EBL has the least ratio of 0.13. Whereas NB has the maximum of 2.7. Similarly, HBL has the second highest ratios amongst all. Besides these two joint venture banks have their ratios way to higher than the combined mean. If not alerted now, can bring hazard situation to the banks in future

- The trend analysis of Loans and Advances has revealed that, HBL has the highest trend line and thus is the best amongst six joint venture banks in accordance to giving out Loans and Advances.
- EPS, that checks the financial position of an organization shows that NBL, is the only one joint venture bank with a decreasing trend. HBL and NB have increasing trend in 2004 to 2006 but other joint venture banks have fluctuating nature of EPS.
- The correlation analysis has shown high degree of correlation between Deposits and Loans and Advances in all joint venture banks besides NBL. This means mobilization of Loans and Advances is in high degree in respect to the deposits collected. This is indicative of availability of goods lending opportunities.
- There is no uniformity in correlation of two variables in different joint venture banks. EBL and SBI have high degree of positive correlation which indicates good performance. Other four joint venture banks have negative correlation because of unavailability of good lending opportunities.

CHAPTER - IV

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter highlights the result of the study derived from the analysis of six joint venture banks in order to carry out this study mainly primary as well as secondary data .The analysis of the data is carried out with the help of varies financial and statistical tools. It is divided into summary, conclusion and recommendations.

5.1 Summary

Joint Venture Banks play a vital role in this up growing economy. Regardless the various services they provide today. A joint venture is an association of two or more persons or partners having exceptional advantage in specific operation is undertaken to make the operations highly remunerative with their collective efforts.

Investment is one of the most important functions of joint venture bank and the composition of loan and advances directly affect the performance and profitability of the bank. There is more competition in banking business with limited market and less investment opportunities available. Every bank is facing the problem of default loan and there is always possibility of a certain portion of the loan and advances turning in non -performing loan. A study of loan and advances, profitability, deposits position of the joint venture banks are analyzed and the banks lending strength, lending efficiency and its contribution in total profitability has been measured.

In this study, the financial tools –ratio analysis and profitability ratios are calculated to find out the lending strength of the commercial banks. Also statistical tools like mean, standard deviation, c.v, co-efficient of correlation, regression analysis and trend analysis are calculated. The data used in this

research is primary as well as secondary nature and extracted from the annual reports of the concerned banks and website of Nepal stock exchange. The financial statements of five years (2004-2005) were selected for the study purpose.

5.2 Conclusion

The measurement of Investment strength in relative terms has reveled that SCBL has the highest investment to Loans and Advance and Investment ratio. This ratio gives the portion of risk free Investment out of total Loans and Advances and Investment. However, other joint venture banks seem to till over to risky investment. The combined mean ratio is 0.21.

The ratio of Loans and Advances and Investments to Total Deposits, HBL has the lowest ratio throughout the study period. The combined mean ratio of all six joint venture banks is 1.03. The mean ratios of NBL, HBL, EBL, NBB, SBI and SCBL are 0.84, 0.70, 0.99, 0.95, 0.92 and 0.75 respectively. SBI has the highest mean ratio except for NB. All the joint venture banks have their ratios higher than the combined mean. This shows SBI has been doing best in mobilizing the funds collected in income generating way. And since the ratio is above 1, it refers that none of the deposit is idle. There is maximum utilization of the collected funds.

The Loans and Advances to Total Assets of NB is highest than other five joint venture banks. That means NB has good lending performance .Like the same, the second highest ratio is of SBI with 0.6265 which is higher than the combined mean. The lower ratio of HBL and SCBL need diverting its lending function for more fee- based activities. All the other four joint venture banks have maintained only satisfactory level of ratio.

The ratios of Loans and Advances to Shareholder's Equity of six joint venture banks are not consistency entire period of study. All the six joint venture banks, NB Bank's ratio is highest as compared to the rest banks. The combined mean of six joint venture banks are 11.9322.The ratios are decreasing

trend in all the banks. HBL and NB have higher ratio than the combined mean. They have been able to generate high volume of loan and advances than other banks. If the ratios are below the combined mean, it can be concluded that they have not succeeded in increasing Loans and Advances in proportion to the size of their capital. Loans and Advance to Equity ratio has gained the significant important in highest Loan and Advances to Shareholder's to Equity ratio.

The absolute measure of lending strength reveals that the mean Loans and Advances of HBL is highest of all, i.e.11255.08 and SBI has the least of 5387.58. Similarly, standard deviation of EBL is the highest with 1732.15 and SCBL is lowest with 657.63. Thus, the performance of SCBL is more consistence regarding giving out Loans and Advances in comparison of other joint venture banks. Whereas coefficient of variation is highest of EBL i.e. 32% and the lowest is of SCBL 8.95%.

The mean Non-performing Loan of HBL is highest of all and the lowest of that is NB .The highest standard deviation of Non-performing Loan is that of SCBL i.e. 43.29 and lowest is that NB i.e. 1.71.It means NB is performing well regarding the management of Non-performing loans. Deviation of SCBL is very high; it might call for problems in future if not control in time. Similarly the highest coefficient of variation is of SCBL with 86.21% and the lowest is that of NB with 29.7.HBL has the highest Loan Loss Provision of 18.35; it means it had collected the highest amount in Provision for Loan Loss in comparison to other joint venture banks .Like the same NB has the least of mean i.e. 4.72 and at the same time it also has the least standard deviation of 2.7. SBI has the highest standard deviation of 10.75.

In the context of Net Profit, EBL had loss during the study period. It has the mean of -2.85 with negative variability. Similarly, HBLhas the highest mean of 15.15 with the variability of 30.60%. The mean Net Profit of other four joint venture banks are 10.71, 3.85, 8.48 and 5.74 respectively besides the negative mean. Under this analysis it can be said that HBL has the best performance .But it can be seen that NBLis catching up with HBLwith its next close mean value and almost the same variability.

It is shows that the highest Interest Income from Loans and Advances was earned by EBL i.e. 107.92 and lowest Interest Income from Loans and Advances was15.22 of NB bank. Similarly C.V. and S.D. is also high of EBL than others.

NB Bank has the highest mean of 1117.52 it means it had collected the highest amount in Provision for Loan Loss in comparison to other joint venture banks. Like the same SCBL has the least of mean i.e. 243.38and at the same time EBL has the least standard deviation of 8.66. NBL has the highest standard deviation of 179.66 and has highest C.V.of 64.2%.

NB has the highest mean ratio of Loan Loss Provision to Total Loan and Advances in entire period of study which is higher than the combined mean also. SCBL has the lowest mean ratio of Loan Loss Provision to Total Loan i.e. 0.033.All the joint venture have not consistency in their mean ratio in different years. The low ratio indicates the good quality of assets (loans) in the total volume of Loans and Advances whereas high ratio indicates more risky assets (loans having chances of default) in the total volume of Loans and Advances.

HBL has highest mean ratio in Interest Income to Total Income ratio and NB has the lowest mean ratio. The combined mean ratio is .950 of the six banks. The overall trend of the ratio is fluctuating. The highest ratio recorded is 0.972 in 2005 by HBL and the lowest ratio is 0.178in 2004 by NB . The high ratio indicates that it is largely depended on lending activities and low ratio indicates that it has low dependency on lending activities and high dependency on other fee based activities.

In the context of Interest Suspense to the Interest Income from Loans and Advances, the combined mean ratio is 1.05.The mean ratio of NB is 2.7, that is to say NB has highest mean ratio through out the study period. Like the same the second highest ratio is HBL which has mean ratio of 2.21.The lowest mean ratio is EBL through out the entire period .Similarly NBLand SCBL have mean ratio of 0.22,0.80 and0.25 respectively.

In case of HBL also the co-efficient of correlation between Deposit and Loans and Advances is 0.9740, which indicates positive correlation between these two variables. Similarly, the value of co-efficient of determination r2 is 0.9486 which means that 94.86% in the dependent variable (Loan and Advances) has been explained by the independent variable (Deposit).Further, value of PE(r) is 0.0155and 6PE is 0.0930. It shows that the value of co-efficient of correlation is greater than 6PE. Therefore, value of 'r' is significant. There is significant relationship between Deposit and Loans and Advances and the bank is mobilizing its Deposited as Loans and Advances successfully. This is indicative of good lending opportunities.

In case of NB, also the coefficient of correlation between deposit and loan and advances is 0.9073, which indicates positive correlation between these two variables. Similarly, the value of co-efficient of determination 'r^2' is 0.8231 which means that 82.31% in the dependent variable (loan and advances) has been explained by the independent variable (deposit). Further, value. PE(r) is 0.0534 and 6PE is 0.3201. It shows that the value of co-efficient of correlation is greater than 6PE. Therefore, value of 'r' is significant. There is significant relationship between deposit and loan and advances and the bank is mobilizing its deposit as loan and advances successfully.

Likewise, when we observe the correlation between Deposits and Loans and Advances of SBI, it is also positive. The value of 'r' is 0.8653 and 'r^2' is 0.7487. It has PE(r) of 0.0758 and 6PE is 0.4549. There will be the variation of 74.87% in the Loans and Advances. The value of 'r' is greater than value of 6PE. The relationship between the Deposits and Loans and Advances of SBI is significant.

Incase of SCBL the coefficient of correlation between Deposits and Loans and Advances is, 0.0940, which indicates positive correlation between these two variables. The value of 'r' is 0.0088. Similarly, it has PE(r) of 0.2990 and 6PE is 1.7939. The value of co-efficient of correlation 'r' is lesser than the value of 6PE, which shows that the value of 'r' is insignificant. From the above analysis, we can be conclude that the five banks are successful in mobilizing

there deposit as Loans and Advances .Value of 'r' and 'r^2'of the five banks are positive and HBL and EBL has greater than the value of 6PE. But SCBL is less than 6PE. HBL has the highest value of 'r' which indicates that it is in better position on mobilizing Deposits as Loans and Advances in comparison to other joint venture banks.EBL, NB and SBI are also satisfactory position.

There is high degree of positive correlation between Shareholders Equity and Loans and Advances in EBL and SBI .It shows good fund mobilization. The value of 'r' is significant of both EBL and SBI but other four joint venture banks have negative correlation.

5.3 Recommendations

The following recommendation and suggestions have been made to improve the related joint venture banks on the basis of present situation.

5.3. a) Need to Expand the Branches

As the people who live in the rural area are not benefited with these banks, banks should create new branches. All the banks are concentrated in the urban area. Most of the desirable level of networks so that people of all sectors and area could be benefited with banking services and for the development of the country and to fulfill the government's objectives of people in the economic development.

5.3. b) Need to Diversify its Investement

Banks should take the steps to diversify its lending so that risk can be minimized and small borrowers are promoted. Also bank should develop the concept of micro financing. In addition bank is recommended to the group financing thereby diversifying its lending by identifying new avenues rather than focusing merely in one sector.

5.3. c) Need to Invest in Small Entrepreneur Development Programme.

Loan should provide to those who are economically backward and uplifting the condition of those people so bank should come to forward to increase the number of clients, develop entrepreneurs, diversify its business with large number of small investors according with investing to small entrepreneur development programmed.

5.3. d) Need to Invest in Productive Area that Utilize the Natural Resources

Nepal is full of natural resources but these are not used properly due to lack of financial support as well as technical assistant. So, bank should grant the loan to this area for fruitful development of the country. Mainly, Nepalese Economy bases on agriculture and major proportion of population depends upon this sector. Therefore, bank should promote these areas focusing its lending.

5.3. e) Need to Reduce the Interest Rate on Loan

The interest rate can be minimized with appropriate management of the operating expenses and thereby spread rate (i.e. difference between rate of deposit and lending).It does mean that the bank should make lower the interest rate by bearing loss. The rate should be minimized with the scientific management of the fund and operating expenses.

5.3. f) Need to Adopt the Conservative Lending Policies

Banks should adopt the conservative lending policies to minimize the risk hereby ensuring its term sustainability .On the other hand, bank should

modernize itself by providing the quality of service and satisfying the consumers. So, the bank should maintain the balance in its loan.

5.3. g) Preference to the Short Term Lending

It is justified that the risk can be minimized through short term lending than long term. Therefore, preference to be given for short term trade financing and discoursing long term loan and also focusing multiple returnable loan.

5.3. h) Preference should be given to the satisfaction of consumers

Consumers always help to the bank on its organizational goal. So in its service motive consumers should get primary position, by giving them quick and easy service.

Appendix: I

Loans and Advances

(Rs.in million)

Joint venture banks	2004	2005	2006	2007	2008
Nabill Bank	8437.8	7328.2	8267.8	8769.7	11078
Himalayan Bank	9176.9	9697.6	11074.2	13081.7	13245
Everest Bank	3008.8	3982.7	6049.6	6131.1	7914.5
Nepal Bangladesh Bank	7347.4	8222.1	8491.9	10263.8	8740.1
Nepal SBI Bank	4176.3	4693.9	4786.1	6662.5	6619
Standard Chartered Bank	6924.1	6787.8	8080.7	6729.8	8214.10

Total Deposits

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	15838.9	15370.6	13437.7	14098	14588.8
Himalayan Bank	17613.6	18595.2	21002.8	22760.9	24831.1
Everest Bank	4574.5	5461.1	6694.9	8064	10097.8
Nepal Bangladesh Bank	8678.8	9514	10548	12747.3	12125.5
Nepal SBI Bank	6618.4	6672.2	6622.8	7232.1	8645.8
Standard Chartered Bank	16430.1	16836.7	18755.5	21161.4	19344

Interest expenses

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	1609.7	1738.9	1917	1638	883.3
Himalayan Bank	2009	1112.3	1037.5	1515.8	275.6
Everest Bank	488.5	253.9	290.4	306.3	245.1
Nepal Bangladesh Bank	803.8	786.7	1108	1236	1123.4
Nepal SBI Bank	337.7	235.5	305.9	294	137.1
Standard Chartered Bank	2398.7	1505.1	2533.1	1836.7	393.4

Appendix :II

Loan Loss Provision

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	300	270.6	390.5	288.8	392
Himalayan Bank	905.2	918.3	899.8	920.7	937.1
Everest Bank	296.1	315.7	299.2	309.8	317.7
Nepal Bangladesh Bank	1096.5	1107.1	1099.3	1100.2	1184.5
Nepal SBI Bank	299.3	301.5	295.2	380.5	397.3
Standard Chartered Bank	195.5	264.2	205.2	274.3	277.7

Shareholder's Equity

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	105	108	115	180	148
Himalayan Bank	502	852	740	143	133
Everest Bank	249	498	587	665	881
Nepal Bangladesh Bank	299	598	623	104	104
Nepal SBI Bank	243	542	583	823	889
Standard Chartered Bank	820	101	112	153	128

Investment

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	2732.9	4120.3	3863.5	3872.6	2826.9
Himalayan Bank	2224.3	2588.6	3980	2781.7	5469.7
Everest Bank	623.0	1538.9	1599.4	2466.4	2100.3
Nepal Bangladesh Bank	262.5	891.0	2040.4	2578.9	2212.5
Nepal SBI Bank	364.7	503.2	1189.4	1871.5	2588.2
Standard Chartered Bank	4811.0	5784.8	6722.8	7948.2	7204.6

Appendix :III

Total Expenses

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	2414.55	2608.35	2875.50	2457.00	1324.95
Himalayan Bank	3313.50	1668.45	1556.25	2273.70	413.40
Everest Bank	732.75	380.85	435.60	459.45	367.65
Nepal Bangladesh Bank	1205.70	1180.05	1662.00	1854.00	1685.10
Nepal SBI Bank	506.55	353.25	458.85	442.35	205.65
Standard Chartered Bank	3597.00	2257.65	3799.65	2755.05	590.10

Interest Suspense

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	159.3	162.5	145.6	154.8	166.6
Himalayan Bank	515.5	467.8	505.4	498.7	518.2
Everest Bank	49.2	56.5	59.5	52.10	57.8
Nepal Bangladesh Bank	695.8	700.3	699.5	687.2	702.6
Nepal SBI Bank	467.8	399.2	405.9	397.8	475.5
Standard Chartered Bank	131.1	121.8	116.6	130.2	133.5

Total Income

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	554.80	691.64	826.57	940.58	911.41
Himalayan Bank	653.97	816.52	112.44	109.45	127.93
Everest Bank	301.09	650.74	735.22	494.11	401.35
Nepal Bangladesh Bank	949.98	113.35	108.85	111.02	145.78
Nepal SBI Bank	393.26	651.94	971.30	106.44	137.15
Standard Chartered Bank	327.34	514.13	764.30	873.75	986.42

Appendix :IV

Non-performing Loan

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	140.98	390.65	449.63	286.68	144.51
Himalayan Bank	998.50	1103.50	1092.84	1147.46	1001.35
Everest Bank	108.20	115.60	111.90	104.76	128.81
Nepal Bangladesh Bank	1008.20	1192.20	1013.28	1042.18	1832.94
Nepal SBI Bank	397.10	519.20	561.67	345.82	441.02
Standard Chartered Bank	230.90	215.85	247.95	252.20	226.31

Loan and Advances and Investment

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	11170.7	11448.5	12131.3	12662.3	13904.9
Himalayan Bank	11401.2	12286.2	15054.2	15863.4	18714.7
Everest Bank	3631.8	5521.6	7649.0	8597.4	10014.3
Nepal Bangladesh Bank	7709.9	9113.1	10532.3	12842.7	10952.5
Nepal SBI Bank	4541.0	5197.1	5975.5	8534.1	9207.2
Standard Chartered Bank	11735.1	12572.7	14803.35	17678	15418.6

Net Profit

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	798.5	815.6	780.2	823.8	817.9
Himalayan Bank	670.3	702.5	695.8	735.3	752.4
Everest Bank	199.6	223.4	240.7	260.8	275.8
Nepal Bangladesh Bank	54.3	66.8	69.2	72.9	75.1
Nepal SBI Bank	195.3	199.1	200.3	208.8	217.1
Standard Chartered Bank	687.5	699.9	700.8	723.5	757.9

Appendix :V

Interest Income

(Rs. in million)

Joint Venture Banks	2004	2005	2006	2007	2008
Nabill Bank	497.84	653.01	769.64	788.41	852.30
Himalayan Bank	627.60	775.53	101.12	999.76	124.36
Everest Bank	205.68	627.28	699.56	461.33	364.51
Nepal Bangladesh Bank	169.13	225.68	277.37	335.77	404.38
Nepal SBI Bank	578.41	861.89	968.88	335.76	404.38
Standard Chartered Bank	274.68	435.25	587.85	743.80	854.96

Number of shares

(Rs. in million)

Joint Venture	2004	2005	2006	2007	2008
Nabill Bank	550000	720000	720000	900000	1125000
Himalayan Bank	1080000	1080000	900000	1800000	1800000
Everest Bank	600000	600000	700000	1000000	1600000
Nepal Bangladesh Bank	7200000	7200000	1260000	1260000	2100000
Nepal SBI Bank	600000	900000	1200000	1200000	1400000
Standard Chartered Bank	700000	800000	800000	1000000	1500000

Appendix :VI

Questionnaire used for Responses from Employees of Joint Venture Banks:

S.N.	Particular	Yes	No
1	Are you satisfied with the bank?		
2	Are you satisfied with the incentive offered by the bank to employees?		
3	Do you see any changes needed in the process of recovering loan?		
4	Do you know about interest rate on credit?		
5	Is there problem in credit policy related in the bank?		
6	Is there NRB related problem in the bank?		
7	Is there customer related problem in the bank?		
8	Is your organization obeying 'NRB Directives' sincerely?		
9	Are you satisfied with the promotion policy of the bank?		
10	If you get the opportunity, would you like to switch the bank for the same post?		

Correlation between deposit & loan and advance of NBL

(Rs. in million)

Year	Deposit(X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	15838.9	8437.8	250870753.2	71196468.84	133645470.4
2005	15370.6	7328.2	2362255344.4	53702515.24	112638830.9
2006	13437.7	8267.8	180571781.3	68356516.84	111100216.1
2007	14098.0	8789.7	198753604.0	77258826.09	123917190.6
2008	14588.8	11078.0	212833085.4	122722084.00	16161426.4
	$\sum(X_1)$ = 73334	$\sum(X_2)$ = 43901.5	$\sum X_1^2$ = 1079284568	$\sum X2^2$= 393236411	$\sum(X_1 X_2)$= 642916434.4

Appendix :VII

Correlation between deposit & loan and advance of HBL

Year	Deposit(X_1)	Loan &advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	17613.6	9176.9	310238905.0	84215493.61	161638245.8
2005	18595.2	9697.6	345781463.0	94043445.76	180328811.5
2006	21002.8	11074.2	441117607.8	122637905.60	232589207.8
2007	22760.9	13081.7	518058568.8	171130874.90	297751265.5
2008	24831.1	13245.0	616583527.2	175430025.00	328887919.5
	∑(X_1) =104803.6	**∑(X_2) =56275.4**	**∑ X_1^2 =2231780072**	**∑ $X2^2$ =647457744.9**	**∑(X_1 X_2) =1201195450**

Correlation between deposit & loan and advance of EBL

Year	Deposit (X_1)	Loan &advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	4574.5	3008.8	20926050.25	9052877.44	13763755.60
2005	5461.1	3982.7	29823613.21	15861899.29	21749922.97
2006	6694.9	6049.6	44821686.01	36597660.16	40501467.04
2007	8064.0	6131.1	65028096.00	37590387.21	49441190.40
2008	10097.8	7914.5	101965564.80	62639310.25	79919038.10
	∑(X_1) =34892.3	**∑(X_2) =27086.7**	**∑ X_1^2 =262565010.3**	**∑ $X2^2$ =161742134.4**	**∑ (X_1 X_2) =205375374.1**

Appendix : VIII

Correlation between deposit & loan and advance of NB

Year	Deposit (X_1)	Loan & advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	8678.8	7347.4	75321569.44	53984286.76	63766615.12
2005	9514.0	8222.1	90516196.00	67602928.41	78225059.40
2006	10548.0	8491.9	111260304.00	72112365.61	89572561.20
2007	12747.3	10263.8	162493657.30	105345590.40	130835737.70
2008	12125.5	8740.0	147027750.30	76387600.00	105976870.00
	$\sum(X_1)$ =53613.6	**$\sum(X_2)$ =43065.2**	**$\sum X_1^2$ =309521407.6**	**$\sum X2^2$ =375432771.2**	**$\sum(X_1X_2)$ =468376843.5**

Correlation between deposit & loan and advance of SBI

Year	Deposit (X_1)	Loan & advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	6618.4	4176.3	43803218.56	17441481.69	27640423.92
2005	6672.2	4693.9	44518252.84	22032697.21	31318639.58
2006	6622.8	4786.1	43861479.84	22906753.21	31697383.08
2007	7232.1	6662.5	52303270.41	44388906.25	48183866.25
2008	8645.8	6619.0	74749857.64	43811161.00	57226550.20
	$\sum(X_1)$ =35791.3	**$\sum(X_2)$ =26937.8**	**$\sum X_1^2$ =259236079.29**	**$\sum X2^2$ =150580999.36**	**$\sum(X_1X_2)$ =196066863**

Correlation between deposit & loan and advance of SCBL

Year	Deposit (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	16430.1	6924.1	269948186.0	47943160.81	113763655.4
2005	16836.7	6787.9	283474466.9	46075586.41	114285835.9
2006	18755.5	8080.7	351768780.3	65297712.49	151557568.9
2007	21161.4	6729.8	447804850.0	45290208.04	142411989.7
2008	19344.0	8214.0	374190336.0	67469796.00	158891616.0
	$\sum(X_1)$ =92527.7	**$\sum(X_2)$ =36736.5**	**$\sum X_1^2$ =1727186619**	**$\sum X2^2$ =272076463.8**	**$\sum(X_1X_2)$ =680910665.9**

Appendix : IX

Correlation between Investment and loan and advance of NBL

Year	Investment (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	2732.9	8437.8	7468742.41	71196468.84	23059663.62
2005	4120.3	7328.2	16976872.09	53702515.24	30194382.46
2006	3863.5	8267.8	14926632.25	68356516.84	31942645.30
2007	3872.6	8789.7	14997030.76	77258826.09	34038992.22
2008	2826.9	11078.0	7991363.61	122722084.00	3131639.82
	$\sum(X_1)$ = 17416.2	**$\sum(X_2)$ = 43901.5**	**$\sum X_1^2$ =623660641.12**	**$\sum X2^2$ =393236411**	**$\sum(X_1 X_2)$ =122367323.4**

Correlation between Investment and loan and advance of HBL

Year	Investment (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	2224.3	9176.9	4947510.49	84215493.61	20412178.67
2005	2588.6	9697.6	6700849.96	94043445.76	25103207.36
2006	3980.0	11074.2	15840400.00	122637905.60	44075316.00
2007	2781.7	13081.7	7737854.89	171130874.90	36389364.89
2008	5469.7	13245.0	29917618.09	175430025.00	72446176.50
	$\sum(X_1)$ =17044.3	**$\sum(X_2)$ = 56275.4**	**$\sum X_1^2$ =65144233.43**	**$\sum X2^2$ =647457744.9**	**$\sum(X_1 X_2)$ =198426243.4**

Appendix : X

Correlation between Investment and loan and advance of EBL

Year	Investment (X_1)	Loan & advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	623.0	3008.8	388129.00	9052877.44	1874482.40
2005	1538.9	3982.7	2368213.21	15861899.29	6128977.03
2006	1599.4	6049.6	2558080.36	36597660.16	9675730.24
2007	2466.4	6131.1	6083128.96	37590387.21	15121745.04
2008	2100.3	7914.5	4411260.09	62639310.25	166228224.35
	$\sum(X_1)$ =8328	**$\sum(X_2)$ = 27086.7**	**$\sum X_1^2$ =15808811.62**	**$\sum X2^2$ =161742134.4**	**$\sum (X_1 X_2)$ =49423759.06**

.

Correlation between Investment and loan and advance of NB

Year	Investment (X_1)	Loan & advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	262.5	7347.4	68906.25	53984286.76	1928692.5
2005	891.0	8222.1	7325891.00	67602928.41	7325891.0
2006	2040.4	8491.9	4163232.16	72112365.61	17326873.0
2007	2578.9	10263.8	6650725.21	105345590.40	26469314.0
2008	2212.5	8740.0	4895156.25	76387600.00	19337250.0
	$\sum(X_1)$ =7985.3	**$\sum(X_2)$ =43065.2**	**$\sum X_1^2$ =23103911**	**$\sum X2^2$ =375432771.2**	**$\sum (X_1 X_2)$ =65794620**

Appendix : XI

Correlation between Investment and loan and advance of SBI

Year	Investment (X_1)	Loan & advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	364.7	4176.3	133006.09	17441481.69	1523096.61
2005	503.2	4693.9	253210.24	22032697.21	2361970.48
2006	1189.4	4786.1	1414672.36	22906753.21	5692587.34
2007	1871.5	6662.5	3502512.25	44388906.25	12468868.75
2008	2588.2	6619.0	6698779.24	43811161.00	17131295.80
	∑(X) = 6517	**∑(X_2) = 26937.8**	**∑ X_1^2 =12008180.18**	**∑ $X2^2$ =150580999.36**	**∑ (X_1 X_2) =39177818.98**

Correlation between Investment and loan and advance of SCBL

Year	Deposit (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	4811.0	6924.1	23145721.00	47943160.81	33311845.1
2005	5784.8	6787.9	33463911.04	46075586.41	39266643.92
2006	6722.8	8080.7	45196039.84	65297712.49	54324929.96
2007	7948.2	6729.8	63173883.24	45290208.04	53489796.36
2008	7204.6	8214.0	51906261.16	67469796.00	59178584.40
	∑(X_1) = 32471.4	**∑(X_2) = 36736.5**	**∑ X_1^2 =216885816.3**	**∑ $X2^2$ =272076463.8**	**∑ (X_1 X_2) =239571799.7**

Appendix : XII

Correlation between shareholder's equity and loan advances of NBL

Year	Shareholder's equity (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	105	8437.8	11025	71196468.84	885969.0
2005	108	7328.2	11664	53702515.24	791445.6
2006	115	8267.8	13225	68356516.84	950797.0
2007	180	8789.7	32400	77258826.09	1582146.0
2008	148	11078.0	21904	122722084.00	1639544.0
	$\sum(X_1)$ = 656	**$\sum(X_2)$ = 43901.5**	**$\sum X_1^2$ =90218**	**$\sum X2^2$ =393236411**	**$\sum (X_1 X_2)$ =5849901.6**

Correlation between shareholder's equity and loan advances of HBL

Year	Shareholder's equity (X_1)	Loan & advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	502	9176.9	252007	84215493.61	4606803.8
2005	852	9697.6	725904	94043445.76	8262355.2
2006	740	11074.2	547600	122637905.60	8194908.0
2007	143	13081.7	20449	171130874.90	1870683.1
2008	133	13245.0	17689	175430025.00	1761585.0
	$\sum(X_1)$ = 2370	**$\sum(X_2)$ = 56275.4**	**$\sum X_1^2$ =1563646**	**$\sum X2^2$ =647457744.9**	**$\sum (X_1 X_2)$ =24696335.1**

Appendix: XIII

Correlation between shareholder's equity and loan advances of EBL

Year	Shareholder's equity (X_1)	Loan & advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	249	3008.8	62007	9052877.44	749191.2
2005	498	3982.7	248004	15861899.29	1983385.0
2006	587	6049.6	344569	36597660.16	3551115.0
2007	665	6131.1	442225	37590387.21	4077182.0
2008	881	7914.5	776161	62639310.25	6972675.0
	$\sum(X_1)$ = 2880	**$\sum(X_2)$ = 27086.7**	**$\sum X_1^2$ =1872960**	**$\sum X2^2$ =161742134.4**	**$\sum (X_1 X_2)$ =17333547.2**

Correlation between shareholder's equity and loan advances of NB

Year	Shareholder's equity (X_1)	Loan & advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	299	7347.4	89401	53984286.76	2196873.0
2005	598	8222.1	357604	67602928.41	4916816.0
2006	623	8491.9	388129	72112365.61	5290454.0
2007	104	10263.8	10816	105345590.40	1067435.0
2008	104	8740.0	10816	76387600.00	908970.4
	$\sum(X_1)$ =1728	**$\sum(X_2)$ =43065.2**	**$\sum X_1^2$ =856766**	**$\sum X2^2$ =375432771.2**	**$\sum (X_1 X_2)$ =14380548.4**

Appendix: XIV

Correlation between shareholder's equity and loan advances of SBI

Year	Shareholder's equity (X_1)	Loan & advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	243	4176.3	59049	17441481.69	1014841
2005	542	4693.9	293764	22032697.21	2544094
2006	583	4786.1	339889	22906753.21	2790296
2007	823	6662.5	677329	44388906.25	4660238
2008	889	6619.0	790321	43811161.00	5884291
	$\sum(X)$ =3080	**$\sum(X_2)$ = 26937.8**	**$\sum X_1^2$ =2160352**	**$\sum X2^2$ =150580999.36**	**$\sum (X_1 X_2)$ =16893760**

Correlation between shareholder's equity and loan advances of SCBL

Year	Shareholder's equity (X_1)	Loan & advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	820	6924.1	672400	47943160.81	5677762.0
2005	101	6787.9	10201	46075586.41	686577.8
2006	112	6080.7	12544	65297712.49	681038.4
2007	153	6729.8	23409	45290208.04	1029659.0
2008	128	8214.0	16384	67469796.00	1051405.0
	$\sum(X_1)$ = 1314	**$\sum(X_2)$ =36736.5**	**$\sum X_1^2$ =734938**	**$\sum X2^2$ =272076463.8**	**$\sum (X_1 X_2)$ =9126442**

Appendix: XV

Correlation between total income and loan advances of NBL

Year	Total income (X_1)	Loan & advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	554.80	8437.8	307803.0	71196468.84	4681291
2005	691.64	7328.2	478365.9	53702515.24	5068476
2006	826.57	8267.8	683218.0	68356516.84	6833915
2007	940.58	8789.7	884690.7	77258826.09	8267416
2008	911.41	11078.0	830668.2	122722084.00	10096600
	$\sum(X_1)$ =3925	**$\sum(X_2)$ =43901.5**	**$\sum X_1^2$ = 3184746**	**$\sum X2^2$ =393236411**	**$\sum(X_1 X_2)$ =34947699**

Correlation between total income and loan advances of HBL

Year	Total income (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	653.97	9176.9	427676.80	84215493.61	6001417
2005	816.52	9697.6	666704.90	94043445.76	7918284
2006	112.44	11074.2	12642.75	122637905.60	1245183
2007	109.45	13081.7	11979.30	171130874.90	1431792
2008	127.93	13245.0	16366.08	175430025.00	1694433
	$\sum(X_1)$ = 1820.31	**$\sum(X_2)$ = 56275.4**	**$\sum X_1^2$ =1135370**	**$\sum X2^2$ =647457744.9**	**$\sum (X_1 X_2)$ =18291110**

Appendix: XVI

Correlation between total income and loan advances of EBL

Year	Total income (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	301.09	3008.8	90655	9052877.44	905919.6
2005	650.74	3982.7	423463	15861899.29	2591702.0
2006	735.22	6049.6	540548	36597660.16	4447787.0
2007	494.11	6131.1	244145	37590387.21	3029438.0
2008	401.35	7914.5	161082	62639310.25	3176485.0
	$\sum(X_1)$ =2582.51	**$\sum(X_2)$ = 27086.7**	**$\sum X_1^2$ =1459893**	**$\sum X2^2$ =161742134.4**	**$\sum(X_1 X_2)$ =14151331.6**

Correlation between total income and loan advances of NB

Year	Total income (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	949.98	7347.4	902462.00	53984286.76	6979883.0
2005	113.35	8222.1	12848.22	67602928.41	931975.0
2006	108.85	8491.9	11848.32	72112365.61	924343.3
2007	111.02	10263.8	12325.44	105345590.40	1139487.0
2008	145.78	8740.0	21251.81	76387600.00	1274132.0
	$\sum(X_1)$ =1428.98	**$\sum(X_2)$ =43065.2**	**$\sum X_1^2$ =960735.8**	**$\sum X2^2$ =375432771.2**	**$\sum(X_1 X_2)$ =11249820.3**

Appendix:XVII

Correlation between total income and loan advances of SBI

Year	Total income (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	393.26	4176.3	154653.40	17441481.69	1642371.738
2005	651.94	4693.9	425025.80	22032697.21	3060141.166
2006	971.30	4786.1	973423.70	22906753.21	4648738.930
2007	106.44	6662.5	11329.47	44388906.25	602716.500
2008	137.15	6619.0	18810.12	43811161.00	907795.850
	$\sum(X)$ = 2260.09	**$\sum(X_2)$ = 26937.8**	**$\sum X_1^2$ =1553241.67**	**$\sum X2^2$ =150580999.36**	**$\sum (X_1 X_2)$ =10861764**

Correlation between total income and loan advances of SCBL

Year	Total income (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	327.34	6924.1	107151.4756	47943160.81	2266534.894
2005	514.13	6787.9	264329.6569	46075586.41	3494952.914
2006	764.30	8080.7	584154.4900	65297712.49	4647479.010
2007	873.75	6729.8	763439.0625	45290208.04	5880162.750
2008	986.42	8214.0	973024.4164	67469796.00	8102552.522
	$\sum(X_1)$ = 3465.94	**$\sum(X_2)$ = 36736.5**	**$\sum X_1^2$ =2692099.101**	**$\sum X2^2$ =272076463.8**	**$\sum (X_1 X_2)$ =24391682.09**

Appendix: XVIII

Correlation between interest suspense and interest income of NBL

Year	Interest suspense (X_1)	Interest Income (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2005	159.3	497.84	25376.49	247844.6656	79305.912
2005	162.5	653.01	26406.25	426422.0601	106114.125
2006	145.6	769.64	21199.36	592345.7296	112059.584
2007	154.8	788.41	23963.04	621590.3281	122045.868
2008	166.8	852.30	27822.24	726415.2900	142163.640
	$\sum(X_1)$ =789	**$\sum(X_2)$ =3561.20**	**$\sum X_1^2$ =124767.38**	**$\sum X2^2$ =2614618.073**	**$\sum (X_1 X_2)$ =561689.129**

Correlation between interest suspense and interest income of HBL

Year	Interest suspense (X_1)	Interest Income (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	515.5	627.60	265740.25	393881.7600	323527.800
2005	467.8	775.53	218836.84	601446.7809	362792.934
2006	505.4	101.12	255429.16	10225.2544	51106.048
2007	498.7	999.76	248701.69	999520.0576	498580.312
2008	518.2	124.36	268531.24	15465.4096	64443.352
	$\sum(X_1)$ =2505.6	**$\sum(X_2)$ =2628.37**	**$\sum X_1^2$ =1257239.18**	**$\sum X2^2$ =2020539.263**	**$\sum (X_1 X_2)$ =1300450.446**

Appendix: XIX

Correlation between interest suspense and interest income of

Year	Interest suspense (X_1)	Interest Income (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	49.20	205.68	2420.64	42304.2624	10119.456
2005	56.50	627.28	3192.25	393480.1984	35441.320
2006	59.50	699.56	3540.25	489384.1936	41623.820
2007	52.10	461.33	2714.41	212825.3689	24035.293
2008	57.80	364.51	3340.84	132867.5401	21068.678
	$\sum(X_1)$ =275.10	**$\sum(X_2)$ = 358.36**	**$\sum X_1^2$ =15208.39**	**$\sum X2^2$ =1270861.563**	**$\sum (X_1 X_2)$ =132288.567**

EBL

Correlation between interest suspense and Interest Income of NB

Year	Interest suspense (X_1)	Interest Income (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	695.8	169.13	484137.64	28604.9569	117680.654
2005	700.3	225.68	490420.09	50931.4624	158043.704
2006	699.5	277.37	489300.25	76934.1169	194020.315
2007	687.2	335.77	472243.84	112741.4929	230741.144
2008	702.6	404.38	493646.76	163523.1844	284117.388
	$\sum(X_1)$ =3485.4	**$\sum(X_2)$ = 1412.33**	**$\sum X_1^2$ =2429748.58**	**$\sum X2^2$ =432735.2135**	**$\sum (X_1 X_2)$ =984603.205**

Appendix: XX
Correlation between interest suspense and Interest Income of SBI

Year	Interest suspense (X_1)	Interest Income (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	467.8	578.41	218836.84	334558.1281	270580.198
2005	399.2	861.89	159360.64	742854.3721	344066.488
2006	405.9	968.88	164754.81	938728.4544	393268.392
2007	397.8	335.76	158244.84	112734.7776	133565.328
2008	475.5	404.38	226100.25	163523.1844	192282.69
	$\sum(X_1)$ =2146.20	**$\sum(X_2)$ = 3149.32**	**$\sum X_1^2$ =927297.38**	**$\sum X2^2$ =2292398.917**	**$\sum (X_1 X_2)$ =1333763.096**

Correlation between interest suspense and Interest Income of SCBL

Year	Interest suspense (X_1)	Interest Income (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	131.1	274.68	17187.21	75449.1024	36010.548
2005	121.8	435.25	14835.24	189442.5625	53013.45
2006	116.6	587.85	13585.56	345567.6225	68543.31
2007	130.2	743.8	16952.04	553238.44	96842.76
2008	133.5	854.96	17822.25	730956.6016	114137.16
	$\sum(X_1)$ =633.2	**$\sum(X_2)$ = 2896.54**	**$\sum X_1^2$ =80392.30**	**$\sum X2^2$ =1894654.329**	**$\sum (X_1 X_2)$ =368547.228**

Appendix: XXI

Correlation between Interest income and Net profit of NBL

Year	Interest income(X_1)	Net profit(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	497.84	798.5	247844.6656	637602.25	397525.24
2005	653.01	815.6	426422.0601	665203.36	532594.956
2006	769.64	780.2	592345.7296	608712.04	600473.128
2007	788.41	823.8	621590.3281	678646.44	649492.158
2008	852.30	817.9	726415.29	668960.41	697096.17
	∑(X_2) =3561.20	**∑(X_2) =4036**	**∑ $X2^2$ =2614618.073**	∑ $X2^2$ =3259124.5	**∑(X_1 X_2) =2877181.652**

Correlation between Interest income and Net profit of HBL

Year	Interest income(X_1)	Net profit (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	627.60	670.3	393881.76	449302.09	420680.28
2005	775.53	702.5	601446.7809	493506.25	544809.825
2006	101.12	695.8	10225.2544	484137.64	70359.296
2007	999.76	735.3	999520.0576	540666.09	735123.528
2008	124.36	752.4	15465.4096	566105.76	93568.464
	∑(X_2) =2628.37	**∑(X_2) =3556.3**	**∑ $X2^2$ =2020539.263**	**∑ $X2^2$ = 533717.83**	**∑(X_1 X_2) =1864541.393**

Appendix: XXII
Correlation between Interest income and Net profit of EBL

Year	Interest income(X_1)	Net profit (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2006	205.68	199.6	42304.2624	39840.16	41053.728
2005	627.28	223.4	393480.1984	49907.56	140134.352
2006	699.56	240.7	489384.1936	57936.49	168384.092
2007	461.33	260.8	212825.3689	68016.64	120314.864
2008	364.51	275.8	132867.5401	76065.64	100531.858
	$\sum(X_1)$ =2358.36	**$\sum(X_2)$ =1200.3**	**$\sum X_1^2$ =1270861.563**	**$\sum X2^2$ =291766.49**	**$\sum(X_1 X_2)$ =570418.894**

Correlation between Interest income and Net profit of NB

Year	Interest income(X_1)	Net profit (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	169.13	54.3	28604.9569	2948.49	9183.789
2005	225.68	66.8	50931.4624	4462.24	15075.424
2006	277.37	69.2	76934.1169	4788.64	19194.004
2007	335.77	72.9	112741.4929	5314.41	24477.633
2008	404.38	75.1	163523.1844	5640.01	30368.938
	$\sum(X_2)$ = 1412.33	**$\sum(X_2)$ =338.3**	**$\sum X2^2$ =432735.2135**	**$\sum X2^2$ =23153.79**	**$\sum(X_1 X_2)$ =98299.758205**

Appendix: XXIII
Correlation between Interest income and Net profit of SBI

Year	Interest income(X_1)	Net profit (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	578.41	195.3	334558.1281	38142.09	112963.473
2005	861.89	199.1	742854.3721	39640.81	171602.299
2006	968.88	200.3	938728.4544	40120.09	194066.664
2007	335.76	208.8	112734.7776	43597.44	70106.688
2008	404.38	217.1	163523.1844	47132.41	87790.898
	$\sum(X_1)$ =4149.32	**$\sum(X_2)$ =1020.6**	**$\sum X_1^2$ =2292398.917**	**$\sum X2^2$ =208632.84**	**$\sum(X_1 X_2)$ =636530.022**

Correlation between Interest income and Net profit of SCBL

Year	Interest income(X_1)	Net profit (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	274.68	687.5	75449.1024	472656.25	188842.500
2005	435.25	699.9	189442.5625	489860.01	304631.475
2006	587.85	700.8	345567.6225	491120.64	411965.28
2007	743.80	723.5	553238.44	523452.25	538139.300
2008	854.96	757.9	730956.6016	574412.41	647974.184
	$\sum(X_1)$ =2896.54	**$\sum(X_2)$ =3569.6**	**$\sum X_1^2$ =1894654.329**	**$\sum X2^2$ =2551501.56**	**$\sum(X_1 X_2)$ =2091552.739**

Appendix: XXIV
Correlation between Loan loss and loan and advance of NBL

(Rs. in million)

Year	Loan loss (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	300.0	8437.8	90000.00	71196468.84	2531340.00
2005	270.6	7328.2	73224.36	53702515.24	1983010.92
2006	390.5	8267.8	152490.30	68356516.84	3228575.90
2007	288.8	8789.7	83405.44	77258826.09	2538465.36
2008	392.0	11078.0	153664.00	122722084.00	4342576.00
	$\sum(X_1)$ =1614.9	**$\sum(X_2)$** =43901.5	**$\sum X_1^2$ = 552784.1**	**$\sum X2^2$** =393236411	**$\sum(X_1 X_2)$ =14623968.18**

Correlation between Loan loss & loan and advance of HBL

Year	Loan loss (X_1)	Loan &advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	905.2	9176.9	819387.04	84215493.61	8324852.84
2005	918.3	9697.6	843274.89	94043445.76	8905306.08
2006	899.8	11074.2	809640.04	122637905.60	9964565.16
2007	920.7	13081.7	847688.49	171130874.90	12044321.19
2008	937.1	13245.0	878156.41	175430025.00	12411889.50
	$\sum(X_1)$ =4581.1	**$\sum(X_2)$ =56275.4**	**$\sum X_1^2$ =4198146.87**	**$\sum X2^2$ =647457744.9**	**$\sum(X_1 X_2)$ =51650934.77**

Appendix : XXV
Correlation between Loan loss & loan and advance of EBL

Year	Loan loss (X_1)	Loan &advance (X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	296.1	3008.8	87675.21	9052877.44	890905.68
2005	315.7	3982.7	99666.49	15861899.29	1257338.39
2006	299.2	6049.6	89520.64	36597660.16	1810040.32
2007	309.8	6131.1	95976.04	37590387.21	1899414.78
2008	317.7	7914.5	100933.29	62639310.25	2514436.65
	$\sum(X_1)$ =1538.5	**$\sum(X_2)$ =27086.7**	**$\sum X_1^2$ =473771.67**	**$\sum X2^2$ =161742134.4**	**$\sum (X_1 X_2)$ =8372135.82**

Correlation between Loan loss & loan and advance of NB

Year	Loan loss (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	1096.5	7347.4	1202312.25	53984286.76	8056424.10
2005	1107.1	8222.1	1225670.41	67602928.41	9102686.91
2006	1099.3	8491.9	1208460.49	72112365.61	9335145.67
2007	1100.2	10263.8	1210440.04	105345590.40	11292232.76
2008	1184.5	8740.0	1403040.25	76387600.00	10352530.00
	$\sum(X_1)$ =5587.6	**$\sum(X_2)$ =43065.2**	**$\sum X_1^2$ =6249923.44**	**$\sum X2^2$ =375432771.2**	**$\sum (X_1 X_2)$ =48139019.44**

Appendix: XXVI
Correlation between Loan loss & loan and advance of SBI

Year	Loan loss (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	299.3	4176.3	89580.49	17441481.69	1249966.59
2005	301.5	4693.9	90902.25	22032697.21	1415210.85
2006	295.2	4786.1	87143.04	22906753.21	1412856.72
2007	380.5	6662.5	144780.25	44388906.25	2535081.25
2008	397.3	6619.0	157847.29	43811161.00	2629728.70
	$\sum(X_1)$ =1673.8	**$\sum(X_2)$ = 26937.8**	**$\sum X_1^2$ =570253.32**	**$\sum X2^2$ =150580999.36**	**$\sum(X_1 X_2)$ =9242844.11**

Correlation between Loan loss & loan and advance of SCBL

Year	Loan loss (X_1)	Loan & advance(X_2)	X_1^2	$X2^2$	(X_1 X_2)
2004	195.5	6924.1	38220.25	47943160.81	1353661.55
2005	264.2	6787.9	69801.64	46075586.41	1793363.18
2006	205.2	8080.7	42107.04	65297712.49	1658159.64
2007	274.3	6729.8	75240.49	45290208.04	1845984.14
2008	277.7	8214.0	77117.29	67469796.00	2281027.80
	$\sum(X_1)$ =1216.9	**$\sum(X_2)$ = 36736.5**	**$\sum X_1^2$ =302486.72**	**$\sum X2^2$ =272076463.8**	**$\sum(X_1 X_2)$ =8932196.31**

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