INVESTMENT POLICY ANALYSIS OF NEPALESE COMMERCIAL BANKS

A Dissertation Submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Masterof Business Studies (MBS)

by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Investment Policy Analysis of Nepalese Commercial Banks**".The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

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Date:

REPORT OF RESEARCH COMMITTEE

Mr. Hari Prasad Kharelhas defended research proposal entitled"**Investment Policy Analysis of Nepalese Commercial Banks**" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisorIndra Bahadur Boharasubmit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Investment Policy Analysis of Nepalese Commercial Banks**"presentedHari Prasad Kharel,a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Hari Prasad Kharel

Researcher

ABSTRACTS

Banking sector plays an important role in the economic development of the country commercial banks one of the vital aspects of this sector which deals in the process of channel sings available resources in the needed sector. A good investment policy attracts both borrowers and lenders which enhances the volumes and quality of the deposit, loan and investment. The purpose of the investment policy is to guide the foundation in effectively supervising, monitoring and managing its investments.

This study is basically related to various aspect of investment policy of commercial banks in Nepal (HBL, RBB and Everest Banks). Investment decision is one of the major decision functions of financial management. The main objective of the study is to evaluate and assess the investment policy and strategies followed by the bank. This study analyzes trends and relationship of investment, deposits, loan and advances of the selected commercial banks.

This study is based on descriptive and casual comparative research design. to fulfill the objectives of the study area. This research is based on secondary data, which include annual reports published by the concerned bank and other publications related to the concerned topicfor fivefiscal year 2014/15 to 2023/24. Somefinancial and statistical tools have been applied to examine facts and descriptive techniques have been adopted to evaluate investment performance of HBL, RBB and Everest Banks. The major ratio analysis consists of the composition of liquidity ratio, assets management ratio, risk ratio, profitability position other related ratios. Under these, main ratios and their trend position are studied in the chapter four. In order to test the relationship between the various components of investment policy, Karl Pearson's correlation coefficient r is calculated and analyzed.

This research helps to gain and share some practical knowledge of banding and management of the commercial banks in the perspective of improving financial performance. The study helps financialintuitions andas well as me.

Keywords:*Deposit, Loan and Advance, Investment policy, profitability*

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ABBREVIATIONS

B.S	:	BikramSambat
C.V	:	Coefficientof Variation
Etc:		Extra
FY.	:	FiscalYear
Govt.:		Government
Ltd.:		Limited
Nabil:		NabilBank Limited
NIBL:		NepalInvestmentBank Limited
NRB:		NepalRastraBank
r.:		Coefficientof Correlation
r2:		Coefficientof Determination
Rs.:		Rupees
S.D.:		Standard Deviation
T.U.:		TribhuvanUniversity

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

The presence of commercial banks in Nepal is very vital to the economic development of the country since the banks collect savings and channel the savings towards investments. One of the elements that facilitate their operations is formulation as well as implementation of robust investment policies. These policies define the strategic allocation of funds with the various financial instruments and with an aim of maximizing returns by working closely with risks in a dynamic financial setting.

A Commercial Bank is a financial mediator which collects credit in depositors and advances the loans to borrowers. The name Commercial Bank was used in a bid to make it distinct as an Investment Bank. The key difference between a Commercial Bank and an Investment Bank is that a Commercial Bank makes money providing primary loans on the basis of its deposits, and an Investment Bank provides debts and equity issues on a commission basis. Besides loans, a Commercial Bank still has a portfolio of other securities to make proprietary revenue.

In most cases, a Bank is an institution put in place by law to control money and credit. The institution that provides the financial services to the consumers as well as other financial institutions is also referred to as a Bank. It also gives loans, takes deposits, carries out exchange of currency, transfers of money, and checks, which serve as cash on payments and purchases and offer different services. Growth of the financial sector is very important to grow the business and in case the business is not developed, no country can grow in any material sense. Therefore, the banks are necessary in the mobilization of resources across the country to promote economic growth. The banking sector therefore is instrumental in the development of a country in terms of its economic growth.

Investment policy framework of the commercial banks in Nepal operates in terms of the regulatory framework of Nepal Rastra Bank (NRB), the central monetary authority in the country. The guidelines and prudential rules of the NRB offer a guideline on which the commercial banks can shape their investment portfolios according to the regulations and best practices. In general, the example is the NRB, which has specified the categories of allowable investments in its Directive on Investment of Banks that stipulates the exposure limits in different classes of assets and risk management guidelines on the commercial

banks (Nepal Rastra Bank, 2022).

Also, the commercial banks formulate their investment policies based on various factors like the market conditions, risk tolerance, liquidity requirements, and internal capacity. These policies tend to entail assets allocation plans, risk management policies, and standards of compliance that are tailored to the objectives of the bank, as well as to its contextual performance.

The banking system in Nepal has undergone tremendous transformations in recent years, most of which have been driven by technological advancement, deregulation of the market, and the changes in the regulations. This has caused commercial banks to reconsider their methods of investing and to use more sophisticated methods of managing portfolios. As an example, Basel III capital adequacy requirements have necessitated the restructuring of risk-weighted asset and capital allocation strategies to enhance the resilience and compliance with regulation (Ghosh, 2020).

In this regard, it becomes important to have a thorough insight into the investment policies embraced by commercial banks in Nepal by different stakeholders including regulators, policymakers, investors, and general population. This study will help to improve the current discussion on banking practices and policy reform in Nepal by clarifying the factors shaping investment decisions, evaluating the effectiveness of risk management practices, and evaluating the impact of such practices of financial performance and systemic stability.

With an extensive examination of regulatory provisions, industry standards and empirical data, this thesis hopes to provide some useful information on investment policies of commercial banks in Nepal. This study will inform the stakeholders and encourage them to make informed choices in the banking industry by highlighting the complexities, challenges, and opportunities of the investment portfolio management in a developing economy.

Altogether, the investment policy of Nepal commercial banks is a complicated and multifaceted topic that offers valuable information about the role of the financial sector in the economy development, risk management, and governmental impact, and strategic decision-making. It is a major field of interest to any individual that deals with banking, finance, and economic policy in Nepal.

1.2 Problem Statement

Commercial banks in Nepal's investment strategies are very important for the country's economy and the country's financial environment. But these strategies often have problems and restrictions that make it hard to use resources in the best way possible. Banks can't effectively support high-growth sectors like small and medium businesses and new startups because they are too careful when lending money and don't do enough market research. This cautious stance means that Nepalese banks are missing out on chances to diversify and grow the economy, which shows that their current investment strategies are lacking.

Regulatory issues make it even harder to come up with and carry out good investment policies. The rules that are always changing to keep the economy stable can sometimes make it very hard for banks to follow them. These rules are important, but they can also make things less clear, which can make people less likely to use proactive and creative investment strategies. Also, the gap between what regulators want and what banks can actually do often leads to less-than-ideal results, which hurts the overall success of investment policies. A lot of banks also need to work on their risk management so they can better deal with credit risk, market risk, and liquidity risk.

The banking industry has grown significantly since the government's liberalization policy was implemented, despite unhealthful competition. But the government hasn't been able to give this sector enough attention because of political unrest. The banking industry's oversight, supervision, and regulation have weakened, just like in other areas. Nepal's commercial banks face many difficulties, especially in the areas of lending and portfolio management.

As Sharpe (2003) says, "an investor is likely to use ineffective strategies that lead to disappointing results if they don't have a clear understanding of the purpose behind investments and the strategies for achieving long-term goals." Creating a final portfolio and coming up with an investment policy are two important steps in the investment process. Portfolio management that doesn't work well can be caused by bad investment policies.

Lack of a solid investment framework is a major reason why a commercial bank might not be able to use its deposit funds to make loans and advances that make money, which

could put the bank in a position where it goes bankrupt. There are many problems that banks have to deal with when they try to turn deposit money into investments that will make money and make their shareholders happy. Consequently, a suitable investment strategy is essential for the core functions of all commercial banks and financial institutions. This study primarily addresses the following issues related to the banks. What is trend of investment pattern, liquidity position and profit position? Is there any relationship between investment and profitability position of N.C.B? Does investment have effect on profit position of Nepalese commercial banks?

1.3 Objectives of the Study

The primary aim of this research is to examine the investment strategies utilized by HBL, RBB, and Everest Bank. The specific objectives of this study include the following:

- To evaluate the investment strategies of HBL, RBB, and Everest Banks.
- To investigate the liquidity status of HBL, RBB, and Everest Banks.

To analyze the correlation between total investments and the loans & advances, as well as total deposits of HBL, RBB, and Everest Banks.

1.4 Rationale of the Study

The impact of commercial banks on a country's economy is a well-known fact. With the hope of closing the gap between deposits and investments, this study attempts to provide insight into the investment strategies of the chosen banks. An investment policy's successful creation and efficient implementation are essential to commercial banks' successful operation. Investment patterns and a nation's economic growth are correlated. Investments can be positively impacted by a sound investment plan. It should, therefore, always be in line with the advancement of the general public.

The analysis of the investment patterns of these three commercial banks holds significant importance in this area. This research will offer valuable insights for academic institutions, bank staff, trainees, investors, and financial professionals, as well as policymakers and others involved with banking. The findings will guide bank management, financial institutions, related stakeholders, shareholders, and the general public, including customers, depositors, and creditors. Additionally, the general public

can gain knowledge about a bank's investment activities through this study, which will be beneficial for bank management.

1.5 Limitations of the Study

The following list of limitations applies to this research:

• Ten years' worth of data, from 2014–15 to 2023–24, are used in the study.

• The primary source of secondary data for the analysis is the annual reports of the chosen banks.

• Of the twenty commercial banks, only threeHBL, RBB, and Everesthave been selected as the study's sample. These three banks were chosen based on joint ventures, government involvement, and Nepalese investors. Only the sample banks' investment patterns are the subject of the study.

• Analysis is conducted using a limited number of statistical and financial tools.

CHAPTER-II
LITERATURE REVIEW

A Literature Review involves examining previous research studies and relevant materials to expand existing knowledge and conduct a thorough investigation of the subject matter. It begins with identifying a suitable topic and continues through the examination of various related subjects. Discovering an entirely new problem is quite uncommon. In a literature review, the researcher gathers insights from prior dissertations, but must be cautious about replication. A literature review entails assessing research studies and other relevant propositions in the related field to understand all past studies, their findings, shortcomings, and directions for further research. This process is essential and obligatory in research endeavors. This investigation includes an in-depth study and theoretical exploration of the aspects of portfolios, their current applications, and potential opportunities. Investment refers to "the variety of assets held by an investor or company" (Oxford Dictionary; 1994:272). A portfolio simply signifies the allocation of funds across multiple assets. Therefore, this chapter concentrates on reviewing literature related to the analysis of investment portfolios of commercial banks in Nepal. For this investigation, various journals, articles, books, annual reports, and research papers pertinent to the topic have been considered.

Paul (2018) defines a bank as a financial organization that deals with credit and money. It takes deposits from the general public, gives money to people who need it, and makes it easy to move money quickly between locations. Paul also talks about the primary and secondary functions of commercial banks, making the case that they play a big part in a country's economic development in addition to offering lending and borrowing services. According to Sarkhel& Salim (2017), commercial banks are vital financial organizations that support economic growth in any country. Regarding commercial banks and economic development, scholars such as Akims (2022), Manish (2020), and Prof. Subbareddy (2020) have similar viewpoints.

The process of economic development is dynamic and continuous and commercial banks play a critical role in this context in the sense that they determine a substantial flow of money in circulation. Prof. The journal study by Khan and Nishat (2019) analyzes and compares the assets and liabilities of commercial banks and balance sheet management

strategies that have been adopted by bank managers. They determined this by analyzing them using redundancy analysis to find out that the private banks are more concerned with the asset management mechanisms, whereas the banks in the public sector are more concerned with the growth of deposits by having the masses deposit their money in the banks. According to Gordon and Natarajan (2013), the most important aim of a commercial bank is to make a profit. The investment policy of a bank will determine whether it will be profitable. Therefore, the profitability of a commercial bank may be increased through an efficient and properly developed investment policy. According to Thirumalai and Chandra (2014), in the description of the investment policies of commercial banks, the authors argue that an effective investment strategy must maximize profits and also manage the risk, but they also mention that commercial banks are the providers of banking services to their branches. The commercial banks are multifunctional organizations which offer a wide range of services such as demand deposits, term deposits, issuance of checks, loans and transactions in the foreign exchange market.

In their article publication on priority receiver sector Sharma and Bhatt (2016) argue that commercial banks must put national interests first and not restrict lending to commercial ventures only. Provided that a part of their finance might go to other sectors that are important in the growth of the economic infrastructure of the country, this would create an atmosphere conducive to further investments. In a society where ignorance and low rates of literacy are high, it is important that the banks should proactively endeavor to identify people who are entrepreneurs and not wait to be approached by them.

2.1 Theoretical Review

2.1.1 Theory of Investment

Both the accelerator theory and the neoclassical investment theory have two major problems. To begin with, they both suggest that within a given time period the process of capital stock adjustment to its optimum level takes place immediately and fully within a given period. One possible solution to this is to add an adjustment cost function to the optimization problem as proposed by Gould (2015), Lucas (2014), and Treadway (2014). The second problem is that there is no consideration of expectations of the neoclassical and accelerator theories. Brainard and Tobin (2015) and Tobin (2015) suggested solutions to this issue: the approach would be to invest until the value of assets in the market is equal to the replacement cost of these assets. Besides, the neoclassical theory can be

rationally combined with the Q-theory by incorporating a marginal adjustment cost functional in the profit function. Q-theory of investment as suggested by Brainard and Tobin (1968) and Tobin (1969) is consistent with the concepts that had been stated by Keynes (1936) before. An example is that Keynes (1936) provided that the stock markets will lead investors and he said: There is no sense in establishing a new enterprise at a price higher than that which a current one can be acquired at as cited in Baddeley (2003).

2.1.2 The Accelerator Theory of Investment.

One of the first empirical models of investment was the acceleration principle or accelerator. The accelerator model in existing economic textbooks still remains as a theory of inventory investment as stated on page 481 in the text by Mankiw. The accelerator is the simplest model which reflects the feedback process between the current output and investment which Keynes realized compelled by the impact of current output on investor expectations. The accelerator model starts with the assumption that desired capitals to output ratio of firms has significantly changed little over time, so the desired capitals in any period is proportionate to the level of output in that period, $Kt^* = \Sigma Yt$, where Σ (lower case Greek sigma) denotes the desired capitals to output ratio. Suppose, that the firms invest in period t in order to achieve the desired level of capital Kt + 1 in period t + 1. Differentiating a simplified model with no depreciation we have $It = Kt + 1^* - \Sigma Kt$. Given that Kt = Kt, this can be simplified to It = 1 2 - 1 Yt + 2 - 1 Yt). Thus, according to the fundamental model of accelerator, investment directly corresponds to the expected growth of output in the following period.

Naturally, firms lack flawless confidence in future output, and Yt + 1 variable should be perceived as a prophesy. The investment and expectations relation is not only in accordance with the reality but also important to the Keynes theories. The difficulty in practicing this part of the accelerator model is however, that the expectation that firms have on future output is difficult to measure. The most common way of conjecturing on this problem was to assume that the changes in the output in the next period would reflect the changes in the present period. Though this shortsighted view can be disapproved of by modern theorists who base their views on the idea of rational expectations, it is not a far-fetched view of the Keynesian viewpoint on the 1970s who argues that firms respond to changes in output and extrapolate those changes into the future in determining their investments. Since the capital to output ratio of most of the economies is usually more

than one (often three or more in developed economies), even some moderate expected shifts in the output may cause much greater changes in investment in the accelerator model. This feature made the theory so popular as an investment model after the Great Depression.

2.1.3 Responsibilities of Principals in Financial Management Theory:

Principals, who are hired by the Ministry of Education (MOE) are required to supervise the day-to-day running of their schools with the aid of school committees. Kenya Education Staff Institute (KESI) improves the management skills of school principals with the help of a number of training programs. These training programs are directed to the management enhancement in terms of performance and efficiency which include educational management, financial management, personnel management as well as legal issues in education. As stated in the MOE manual of headteachers of primary and principals of secondary schools in Kenya; they are the financial controllers and accounting officers and are responsible with all the monetary collections and expenditures (MOE 1991). The headteacher should be conversant with practices of bookkeeping (Alomba 2003). According to the Ministry of Education, the heads should provide efficient and effective management of the school finances to offer and improve on educational services. (Olembo 2005)

2.1.4 Principals in Financial Management Theory

The use of incompetently qualified accounting staffs that maintain poor records and do not adhere to accounting procedures, may also result in inefficiencies in the financial management undertaken by principals (MOE, 2007). The report also revealed that the opposite applies to the private secondary schools which enjoy excellent financial management as a result of an effective accountability framework. According to Ngaba (1990), some areas of financial management were approaching lack of professionalism in schools and he had recommended that qualified people be hired to run school finances. The school administrations need to realize that business management involves more than just cash allocation; it must consider the school as an investment which will eventually pay off to the government (Alomba 2003). Reeder (1998) pointed out that education investments must be managed appropriately to achieve maximum returns and the little funds in the hands of an organization must be spent in a prudent manner to maintain adequate financial planning, control and management. According to Pandey (1999),

investment in current assets must be balanced enough; imbalance may lead to the excess or shortages in the working capital which will be wasted when the imbalance is excess or when there is shortage, respective.

2.2 Empirical Review

The study by Bindhani (2023) was about the Investment Policy of Commercial Banks and Its Sources of Revenue. Minority of the banks are involved in several banking activities such as financing, trade and commerce. Developing countries like India need to have a strong and well-organized banking system. Thus, banks have always been an important part of the economy of a country since they take finances in circulation within various sectors. Borrowing and lending are the major activities of a commercial bank, though, other functions are also described in the paper. The difference between the gross revenue and gross expenses of a bank arises when the bank makes profits in a given financial year with a difference. The decisions at hand on high-risk investments may result into profitable returns implying that a lot of money cannot be earned without taking risks investments. An effective and well-structured investment policy is not only healthy to the business banks, but also critical towards the economic and financial progress of the country. Notably, all investments can only be made possible provided there is enough savings in commercial banks. When banks spend all their incomes and savings in unproductive activities, they can be faced with financial challenges. The main objective of this study is to suggest the best investment policy to managers or policymakers of the commercial banks. The above discussion concludes that commercial banks are important institutions to the developing nation. Effective and well-organized investment policy of commercial banks is a key to both economic and financial development of a country.

Ramanathan (2022) researched on P A Study on Investment Behavior and Level of Satisfaction of Bank Employees. The present paper is an effort to determine the individual behavioral dynamics, and the level of satisfaction of the bank employees in relation to different investment opportunities. The research population consisted of 125 bank employees sampled with the help of a structured questionnaire and statistical techniques were employed in the form of measures of central tendency, regression analysis, and ANOVA. As the multivariate analysis revealed, there is no significant difference in satisfaction with respect to the expected returns and investment evaluation decisions. ANOVA also revealed no significant difference in the expected returns and the

level of satisfaction by the respondents. It is also important that the policymakers and the regulatory authorities understand the perceptions, preferences and the concerns of the investors in relation to the market. Additional studies would involve concentrating on other sectors of employees to assist and enable investors. Also, research could be conducted to help the middle-income population determine the best investments that are more profitable and gratifying to investors. The process of investment should be made easy and transparent in a bid to attract more investors.

Malgit Amos Akims (2021) has analyzed the article The Role of Commercial Banks in Economic Growth and Development. His main objective was to highlight the policies, the objectives, functions, and activities related to inventory management in the company. Finally, Baral found out that the factory has been not following the economic order quantity model of making purchases and not using the ABC analysis during the inventory management. Key conclusions made include the fact that the factory has not adopted the economic order quantity model in its purchases decisions and has not used the ABC model in the management of its inventory, leading to the company not utilizing a good inventory management system.

Berrios (2020) investigated the relationship between bank credit risk and profitability as well as liquidity in his research article bearing the title of The Relationship between Bank Credit Risk and Profitability and Liquidity, which was published in the International Journal of Multidisciplinary Research and Development. The overall objective of the study is to investigate the relationship between bank credit risk and financial performance and the way lending risk reduces the bank profitability and liquidity. The information used in this research was obtained in the Mergent Online database that contains ownership, executive, and financial information regarding both the public and private companies. The approach employed in the analysis was the covariance models, which included net interest margin, the return on assets, the return on equity, and cash flow to assets. The results showed that there is a negative correlation between imprudent lending (which can be interpreted to be a positive impact of a more prudent lending activity) and net interest margin. These findings were however statistically significant when the normality assumption was laxed by the use of robust regression. The insider ownership and the length of tenure of the chief executive officer were observed to correlate negatively with the performance of the bank, which could be a bad result of the agency

problem.

In a research study published in the Pradhan (2019) and the paper is named The Role of Saving, Investment, and Capital Formation in Economic Development: A Case Study of Nepal, the great role of saving, investment and capital formation in the economic development of Nepal is addressed. The research is based only on the secondary data. The crucial data on saving, investment, capital formation and gross domestic product was compiled on the years 2063/064 fiscal year. The studies have examined the role of saving, investment and capital formation to economic development using different regression models. The equations in the study were considered in both current and real prices, where the entire study period was divided into various sub-periods. The results of this study show that GDP in any case is significantly connected to save, investing, and capital formation both at the current and real prices. Fiscal policies of the government and strict regulation of central bank (Nepal Rastra Bank) directly affect the investment strategies of commercial banks in Nepal. This leads to non-professional conduct of investments. Moreover, commercial banks in Nepal have been found to be unsatisfactory in terms of profitability, liquidity, safety, productivity, and even social responsibility in terms of investment planning and activities.

Meenakshi (2018) conducted a research on the perception of investors towards the pattern of investment on various investment avenues. The significant objectives of the study were to evaluate the perception of the investor on their investment behaviors. The avenues to investments are in the form of shares, banks, companies, gold and silver, real estate, life insurance, postal savings, etc. The type of investment has been selected based on the amount of returns that the investors wanted and the risk that the investors are willing to take. Investment options can include; national savings certificates, provident funds, mutual fund schemes, insurance plans, chit funds, fixed deposits in banks and companies, company shares, bonds/debentures, government securities, postal savings schemes, and real estate. Many people favored bank deposits as a considerable number of those that responded wanted to invest in the acquiring of homes and growth in the long run, however a considerable proportion of investors lacked information on investing in mutual funds and shares. There is a lot of controversy and misunderstanding when it comes to investment patterns and channels. Risks that come with retaining additional funds in this fast-changing world can result in higher profits. The general liquidity and stability of

incomes may differ among various forms of investment including shares, bank, companies, silver, and gold, real estate, life insurance, postal savings, etc.

A research article, by Shrestha (2017), was named as Impact of Financial Investment on Profitability of Nepalese Commercial Banks; the aim of the research article was to investigate the role played by the financial investment in relation to profitability of the commercial banks in Nepal. The researcher employed a number of financial and statistic techniques to process the gathered data. The results show that there are negative values of the beta coefficient of the ratio of total equity to total assets and total equity to total liabilities compared to the return on equity.

The study by Parajuli (2016) called Investment Practice of Joint Venture Banks in Nepal is aimed at Nepal Arab Bank Ltd, the focus of which is the comparison of investment policies and the analysis of the fund mobilization strategies of the discussed banks. The purpose of the study was to examine the use of deposits and forecast it in the future and compare the profitability, level of risk, liquidity and asset management efficiency. He wanted to present a series of recommendations and suggestions on how the investment policy should be improved. An overview of thesis has shown that the two banks have good deposit collection practices. They must have a large profit margin so that they can be viable in future. Compared to the growth ratio, SCBNL has been doing poorly in the growth of sources of funds, which include deposits, and mobilization of loans and advances, as well as total investments.

In their article, entitled, Investment Policy By Commercial Banks, Chandar (2015) stated that commercial banks ought to focus on larger national interests and not just lend to the commercial sectors. It was argued that in case part of their loaning was channeled to areas that would help in building the economic infrastructure of the country then they would create a good environment in which their future investments would be made. When ignorance and illiteracy is a major aspect in the society, banks need to find entrepreneurs and not wait them to volunteer. According to them, the priority sector program is a timely opportunity, which may result in increased production and the living standard of the rural poor may be improved. As discussed above, it is evident that commercial banks are very important as financial intermediaries and are critical in forming the infrastructure required in breaking the cycle of poverty and promoting economic growth.

In the study by Chaudhary (2014) on the topic of Effectiveness of Inventory Management

of Dabur Nepal Pvt. Ltd., the author conducted a research. The majority of the data was retrieved as a secondary source such as published and unpublished documents of the company. Also, he made investigations and unofficial interviews with the management head to obtain first hand data. The aims were to learn about the correlation of the sales with inventories and correlation of purchases with inventories. The research was able to conclude that there is no systematic or scientific method of determining ordering and carrying cost based on the responses provided by the individuals in charge. The issues were policy problems and poor demand projections, which led to a fluctuation in the company demand and sales.

The research study confined by Dahal (2013) is entitled to be A Comparative Study on Inventory Management of Dabur Nepal P. Ltd. and Nepal Liver Ltd. Both secondary and primary data were used in the research. The analysis of the collected information was based on various financial and statistical processes. The goal was to assess and conclude the current situation of inventory management in both companies and also to know the current practices in terms of procurement of raw materials, the management of work-in-progress, and the management of finished goods. His findings showed that the companies sampled in the research obtained the raw materials locally, India and other countries. The buying of raw materials in Nepal Liver Ltd. was fluctuating, but Dabur Nepal P. Ltd. had a good demand and supply management.

The research study that was carried out by Rawal (2012) was entitled as A Comparative Study on Inventory Management of Dairy Development Corporation and Sitaram Gokul Milks Pvt. Ltd. He collected the majority of his information both primary and secondary sources, based on observations, informal interviews, and further questionnaires on the side of the management. It was realized that both Dairy Development Corporation and Sitaram Gokul Milk Private Ltd. were victims of a series of both internal and external adversaries in terms of inventory management. The main aims of the analysis were to conduct a comparative evaluation of the existing inventory management of DDC and Sitaram Gokul Milk Private Ltd., to evaluate the said practices, and to examine how the said practices affected the profitability of the sampled companies. He also wanted to assess the position of the companies in the utilization of their inventory resources. He had discovered that both Dairy Development Corporation and Sitaram Gokul Milk Private Ltd were deficient in making proper and timely improvement in inventory management. Both

companies have failed to use economic order quantity model in their purchasing decisions and their inventory turnover ratios have been found to be unsatisfactory.

Pathak (2011) conducted research study on Hetauda Cement Industry Limited Inventory Management. He gathered data and the required information both secondary and primary. The main finding of the research by Pathak indicated that Hetauda Cement Factory Limited had problems with the overstocking of raw materials and work-in-progress inventories, and that the inventory management methods were not being used properly. It can be a result of the ineffective management system on inventory. This made her decide that the production and sales plans of the factory were not realistic and feasible. These were the aims of the research to evaluate the profitability and the implication of the Hetauda Cement Industry Limited on the inventory management issues, to evaluate the degree of efficiency, and to explore various issues related to inventory as material procurement, storage and supply. She discovered that Hetauda Cement Industry Limited was not operating in full capacity because of issues with materials since it could not sustain the correct balance between yearly demand and supply hence the variations in inventory stocks year after year.

In his research article, On Role Of Commercial Banks On Issuing Loans and Advances Selected Areas, Impact on Economic Growth, Upadhyay (2011) found out that JCF experienced a problem connected with overstocking of raw materials and finished products. This over-inventory posed a difficulty in working capital management which he blamed on poor sales planning on the one hand and poor procurement and production strategies on the other hand. The core points were to evaluate the performance of JCF with reference to inventory management patterns in relation to the demand and supply. Also, the research was to determine the existing practice in sourcing of raw materials, maintaining stocks of work in progress and inventory of finished goods. He noted that this factory was dependent on its suppliers of raw materials, which meant that the company finds it difficult to find competitive sources of raw materials. The firm has a constant problem of stockouts, overstocking and understocking which are a culmination of ill inventory management processes.

The research study conducted by Shrestha (2010) is called Inventory Management of Nepal Lube Oil Limited. He used secondary sources as a source of most of his data,

which included published and unpublished material of the company. He also held meetings and informal talks with the management head to obtain primary data. The investigator applied different financial and statistical approaches in the analysis of the gathered data. The points were to analyze the profitability and chart the stock items on behalf of NLOL. To be clear, the objective was to identify the strengths and weaknesses of NLOL in as far as inventory management is concerned. He established that NLOL was not able to make full use of the available capacity it had because of the high competition and the liberalization policy of the government in Nepal. Inventory management efficiency in the form of ratios was unsatisfactory.

Table 1

Meta Table

S. n	Author Name (Year)	Topics	Objective	Methodology	Findings
1.	Bindhani (2023)	Investment Policy of Commercial Banks and It's Sources of Revenue	The main objective of the study is to provide empirical evidence of investment policy by a commercial Bank, To study the primary and secondary function of a commercial bank. And To study the main sources of revenue by commercial bank.	This article is based on the secondary data obtained from annual reports of RBI, annual reports of SBI, Narasimham Committee report on banking sector and from various journals, report, reference books and websites.	Major finding that the commercial banks always an essential institution for a developing country. A well-mannered and sound investment policy by commercial bank is a very powerful condition in developing economy for both economic and financial growth of a country.
2	Ramanathan (2022)	A Study on Investment Behaviour and Level of Satisfaction of Bank Employees	The main objective of study of the bank employee's individual behavior and level of	the statistical tools such as measures of central tendency, regression analysis and ANOVA.	Major finding conducted exclusively for other sector of employees with a perspective to help and

			satisfaction towards various investment alternatives.		promote the investors. Also research may be pursued to help the middle income group in making best investments clubbed with higher return.
3	Malgit Amos Akims (2021)	" Role of Commercial Banks in Economic Growth and Development	The main objective of his study was to highlight the company's policies and objectives, functions and activities regarding inventory management	The researcher used various financial and statistical approaches to analyze the gathered data.	He came to know that the factory is following neither economic order quantity model in its purchasing decision nor ABC analyze in Inventory management. The company could not apply the inventory management system
4	Berrios (2020)	The Relationship between bank Credit Risk and Profitability and Liquidity	The main objective of the study is to analyze the relationship between bank credit risk and financial performance and the contribution of risky lending to lower bank profitability and liquidity	The methodology adopted in this study was covariance models include net interest margin, return on assets, and return on equity and cash flow to assets	The study found that a negative relationship between less prudent lending and net interest margin. However, findings were only statistically significant when the normality assumption was relaxed

					through the robust regression method.
5	Pradhan (2019)	Role of Saving, Investment and Capital formation in Economic Development, A case of Nepal	The main Objectives of the study was the strong role and impact of saving, investment and capital formation on economic development of Nepal.	This study is based on secondary data only. The necessary data on saving, investment, capital formation and gross domestic product has been collected for the same period.	the study found that the investments are not made in professional manner. Investment planning and operation of commercial banks in Nepal has not been found satisfactory in terms of profitability, liquidity, safety, productivity and social responsibility.
6	Meenakshi (2018)	Perception of Investors towards the Investment Pattern on Different Investment Avenues	The main objectives of the study was to find out the perception of investors towards Investment pattern. Investment avenues are available such as shares, bank, companies, gold and silver, real estate, life insurance, postal savings and so on	This study is based on descriptive and casual comparative research design.	most of the investors are to preferred bank deposit because more respondents invested for purchasing home and long-term growth but, most of the investors could not aware of investing their money in mutual funds.
7	Shrestha	Impact of	his study aims	The researcher used	The result

	(2017)	Financial Investment on Profitability of Nepalese Commercial Banks"	atinvestigating the impact of financial investment on profitability of Nepalese commercial banks.	various financial and statistical approaches to analyze the gathered data.	shows that beta coefficient is negative for total equity to total assets and total equity to total liabilities with return on equity.
8	Parajuli (2016)	Investment Practice of Joint Venture Banks in Nepal	to compare the investment policy and discuss the fund mobilization of the concerned banks. Analyze the deposit utilization and its projection, comparatively evaluation the profitability and risk position, liquidity, asset management efficiency was the purpose in his study.	The methodology adopted in this study was covariance models include net interest margin, return on assets, and return on equity and cash flow to assets	It must maintain high profit margin for the wellbeing in future. In terms of growth ratio, the SCBNL has not been more successful to increase in source of funds i.e. deposit and mobilization of loan und advances and total investment.
9	Chandar(2015)	Investment Policy By Commercial Banks	objective of profitability conflicts with those of safety and liquidity, the wise investment policy is to strike a judicious balanceamong them. Therefore, a bank should lay down its	The data and other necessaryinformation's were using secondary as well as primary sources of data	From the above discussion, undoubtedly, we can say that, commercial banks form the most important part of financial intermediaries. Banksform a significant part of the infrastructure

			investment policyin such a manner so as to ensure the safety and liquidity of its fundsand at the same time maximise its profits		essential for breaking vi-cious circle of poverty and promoting economic growth.
10	Chaudhary (2014)	Effectiveness of Inventory Management of Dabur Nepal Pvt	To know the relationship of sales and inventories. To know the relationship of purchase and inventories	The researcher used various financial and statistical approaches to analyze the gathered data.	There is no systematic and scientific system to determine ordering cost and carrying cost based on the question asked by researcher with responsible person.
11	Dahal (2013)	A Compare study on Inventory Management of Dabur Nepal P. Ltd. and Nepal Liver Ltd	To examine and find out the present position of inventory management of both the companies. To identify the present practice of procurement of raw materials, maintenance of work in process stock and finished stock etc.	The methodology adopted in this study was covariance models include net interest margin, return on assets, and return on equity and cash flow to assets	The organizations taken for study use raw material from local sources, India and other countries. Purchasing of raw material in UNL□ is fluctuated whereas DNPL management of demand and supply
12	Rawal (2012)	A Compare study on Inventory Management	To carry out a comparative analysis of the present	This study is based on descriptive and casual comparative research design.	There is not proper and timely improvement

		of Dairy Development Corporation and Sitaram Gokul milks Pvt. Ltd	inventory management position of DDC and Sitaram Gokul Milk Priavte Ltd. To examine the inventory management practice and to analyze its impact in profitability of the sampled two companies. And To assess the status of companies towards utilizing inventory resources.		in inventory management in Dairy Development Corporation and Sitaram Gokul Milk Private Ltd. The economic order quantity model is not followed in the purchasing decision by both of the companies. The inventory turnover ratio of the companies was not satisfactory.
13	Pathak (2011)	Inventory Management of Hetauda Cement Industry Limited".	To examine the profitability and affection HCIL regarding inventory management. To find out the efficiency level, investigate various inventory related factors collection of material, storage and supply.	The data and other necessary information's were using secondary as well as primary sources of data	Major Findings: HCIL is not running in full phase due to the material shortage. The company could not able to keep proper balance between yearly demands and supply so the inventory stock fluctuating every year. The company could not apply the inventory management system.

14	Upadhyay (2011),	On Role Of Commercial Banks On Issuing Loans And Advances Selected Areas, Imfact On Economic Growth	To analyze the performance of JCF on the basis of demand and supply trend regarding inventory management. To identify the present practice of procurement of raw materials, maintenance of work in process stock and finished stock etc.	The researcher used various financial and statistical approaches to analyze the gathered data.	Major finding are the factory highly dependent upon raw material suppliers; it means that the company is unable to find competitive sources of raw materials. The company is always facing stock out, overstock and under stock problems, it is all due to lack of proper management of inventory.
15	Shrestha (2010)	Inventory Management of Nepal Lube Oil Limited	To examine the existing inventory system applied by ULL. To determine optimal inventory level of major raw materials. To analyze the relationship among purchase, sales and inventories. To examine the techniques being employed to the manager to manage the inventory of	The researcher used various financial and statistical approaches to analyze the gathered data.	NLOL could not use its available capacity due to top competition and liberalization policy of government of Nepal. Efficiency of inventory management in term of ratios is not fruitful.

2.3 Research Gap

Numerous scholars have conducted studies on the investment patterns of different banks. Based on an examination of various related studies, it has become evident that the researchers aimed to assess both the investment patterns and liquidity. This analysis seeks to evaluate how the banks have compared their current investment practices with the profitability status of Citizens Bank International Limited, Global IME Bank Limited, and Sanima Bank Limited. Various financial and statistical methodologies have been employed in this research. This study offers comprehensive and up-to-date information regarding the investment approaches of Citizens Bank International Limited, Global IME Bank Limited, and Sanima Bank Limited, which will serve as a reference for future investigations. Additionally, this research utilizes a t-test to determine the significance of the correlation coefficient r.

CHAPTER-III
RESEARCH METHODOLOGY

The outline of this chapter explains different processes through which the researcher will conduct the investigation regarding the study issue and the reasoning behind each step. Broadly speaking, this chapter examines and provides the following topics: Research design, population and geographic description, sample size, frame of reference, sampling techniques, types and sources of data, data collection strategies, data presentation and data analysis.

3.1 Research Design

Research design implies an action plan to be followed in relation to proposed research work. Descriptive and casual comparative research design is used on the basis of this study. It has implemented some financial and statistical tools to analyse facts and descriptive techniques to determine investment performance of HBL, RBB and Everest Bank. Other than extremely simple questions posed to the concerned personnel during the visit to the bank, there is no other primary data in this report. The main source of information used in this report is the secondary data, which are annual reports released by the concerned bank and other materials produced on the concerned topic.

3.2 Population, Sample and Sampling Design.

There are 19 commercial banks operating throughout the country which are currently in operation and a majority of their stocks are traded in the stocks market. Even though there are 19 commercial banks in Nepal operating till fiscal years.

Based on such populations, HBL, RBB and Everest bank Ltd. have been chosen and the data corresponding to the investment policy is compared and contrasted. The sample used in this research was through the convenience sampling method. This is usually done as time and resource limitation is very high. Convenience sampling method can be used to ensure the researcher can collect data at a low cost and within a shorter period of time.

3.3 Nature and Sources of Data

The research is carried out on the premises of the secondary data alone. The data to be analyzed is directly acquired in the balance sheet and the P/L account of the annual reports of the interested bank. Additional data and information is obtained with the help of the number of institutions and regulating authorities such as NRB, SEBON, NEPSE, Ministry of Finance, budget speech of various fiscal years. Economic Survey and national planning commission etc.

The time series has all the secondary data compiled, processed and tabulated according to the need and objectives. Similarly, multiple data and information are gathered out of the economic journals, periodicals, bulletins, magazines and other published and unpublished reports and documents of various sources. Informal and formal discussions with the relevant authorities of the bank will also be a good move towards acquiring the extra knowledge of the corresponding issue.

3.4 Procedure and Instrument of Data Collection.

The research is founded on secondary one; hence, the information is collected via internet, via the chosen banks websites and other interested sources. This is a quantitative-based research. The data published or unpublished sources were to be attained through the Governments reports and publications and computerized database.

The sample bank websites, and other sources which were relevant were chosen as the data collector in the ten-year data collection. The information is already accessible in the sample bank sites, NRB and other interested authorities in terms of the data available on five financial year already.

3.5 Data Processing Procedure

These data are utilized in tabulated and classified way. All the secondary data are processed and tabulated in time series based on the need and objectives. The data represented in various charts also. The data is calculated to used SPSS software and excel.

3.6 Data Analysis Tools and Techniques

3.6.1 Methods of Analysis

n this study, the analysis tool such as financial ratio, growth ratios and coefficient of correlation has been employed to meet the objective of the study. The different results obtained using the financial and statistical tools are tabulated using the different headings and the results are compared to each other to interpret the results.

Ratio Analysis

Ratio analysis is an instrument of examining the financial statement of the firm. Ratio- It is a numerical or quantitative association between two things or variables. It may be in terms of percentage fraction or given comparison between numbers as such, (Panday, 1992). Relationship between two accounting figures which are expressed in a mathematic manner is known as ratio analysis. It is calculated by dividing one of the relationship items with the other. These parameters themselves can be used by the management to

enhance the performance of the organization in future. Due to the fact that, really know-how of the strengths and weakness which should be exploited to maximum benefits and repair the weaknesses to cope up with the challenges. Although the number of ratios is very high, only the financial ratios are computed and evaluated in this research that are relevant. They are as follows:

A.Liquidity Ratios

Liquidity ratios are used to measure the ability of the firm to the current obligations. It indicates the temporary financial power of the business. It is the measure of the rate at which the assets of a bank can be turned to cash to cover its deposit withdrawal and other current liabilities. A bank must make sure that it does not run out of liquidity and also it does not experience surplus liquidity. Both state of liquidity do not auger well with the opinion of banks. Under the liquidity ratios, the ratios assessed include the following.

i. Currentratio

It shows the capacity of a bank to fulfill its current obligation. This represents the wide ratio of liquidity position of the financial institution. The generally held standard of current ratio is 2:1.

We have,

$$\text{Currentratio}=\frac{\text{Current Assetsent}}{\text{Current Libilities}}$$

Where Current assets include cash and bank balance, money at call or short-term notice, investment on government securities and other receivable interests, non-banking assets, loan advances and bills purchase and other miscellaneous current assets but the current liabilities include deposits, borrowings, loan and advances, bills payable, tax provision, Staff bonus, dividend payable and miscellaneous current liabilities.

ii. Cash and bank balance to Total Deposit Ratio (Cash Reserve Ratio)

The most liquid current assets are cash and bank balances. This ratio gives the percentage of most liquid fund of the bank to be paid to the depositor immediately. This ratio is determined by dividing the cash and bank balance with the total deposits. Mathematically it can be written as:

$$\text{CRRratio}=\frac{\text{Cash and Bank Balance}}{\text{Total Deposits}}$$

Hence, Cash and bank balance will therefore involve cash on hand, foreign cash on hand, cheques and other cash items and balance with domestic and abroad banks whereas total

deposits will include current deposits, saving deposits, fixed deposits, money at call and short term notice and other deposits.

iii. Cash and Bank Balance to Current Ratio

This ratio is used to determine the ratio of the majority of liquid assets i.e. cash and balance to the total current assets of the bank. Increased ratio depicts the capacity of the banks to cater to its cash requirement. It is a ratio that is obtained after dividing cash and bank balance by current assets. Mathematically it will be expressed as,

$$\text{Cash and bank balance to current assets ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Assest}}$$

iv. Investment on Government Securities to Current Assets Ratio

This ratio is used to determine the ratio of the majority of liquid assets i.e. cash and balance to the total current assets of the bank. Increased ratio depicts the capacity of the banks to cater to its cash requirement. It is a ratio that is obtained after dividing cash and bank balance by current assets. Mathematically it will be expressed as,

$$\text{Investment on govt. securities to current assets ratio} = \frac{\text{Investment on Govt Securities}}{\text{Current Assets}}$$

B. Assets Management Ratios (Activity Ratios)

Activity ratios are used to study how effectively the firm uses and operates its assets. These ratios are also referred to as turnover ratios since they show the rate at which the assets are being turned over into sales. Asset management ratio gauges the level of efficiency with which the bank utilizes the resources available to it. Under this asset management ratio, the following ratios will be used.

i. Loan and AdvancetoTotal Deposit Ratio

his ratio is computed to determine which banks can use their total deposits on loan and advances to make profits generating purpose. This ratio may be calculated by dividing the loan and advances by total deposits hence it may be expressed as,

$$\text{LoanandAdvancestoTotalDepositRatio} = \frac{\text{Loan and Advances}}{\text{Total Deposit}}$$

ii. Total Investments to Total Deposit Ratio

This ratio suggests that the firm used its deposit on investing in government securities and share debentures of other companies and bank. This ratio can be computed using the total investment over total deposit. Which can be states as,

$$\text{TotalInvestmenttoTotalDepositRatio}=\frac{\text{Total Investment}}{\text{Total Deposits}}$$

Therefore, the investment on government securities, investment on debenture and bonds, share in subsidiary companies, share in other companies and other investment are called total investment.

C. Profitability Ratio

The difference between the revenues and expenses in a period of time is profit. A business must make profit to survive and expand over a long time, and it will not have any future in case of failure to make enough profit. As such, the financial manager must constantly review the performance of its firm with regards to profits. The profitability ratios are computed to evaluate the efficiency of the operations of a firm. It is the measure of the financial performance of any institution. This means that the greater the ratio of profitability the better the financial performance of the bank and vice versa. The ratios that will be considered include the following.

i.Return on Loan andA dvance Ratio

This ratio shows the efficiency with which the bank has utilised its resources, in the form of loan and advances. This ratio is calculated as the net profit/loan and advances. This can be expressed as,

$$\text{Returnon Loan\&AdvancesRatio}=\frac{\text{Net Profit}}{\text{Loan and Advance}}$$

ii Return on Total Assets Ratio

This ratio is determined by the amount of net profit divided by total assets.

Thiscanbestatedas:

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

The numerator indicateswith portion of income left to the internal equities after allcosts, charges have been deducted.

iii. Return on Equity Ratio (ROE)

Thisratiocanbecalculatedbydividingnetprofitbytotalequity. Mathematically:

$$\text{Returnon EquityRatio} = \frac{\text{Net Profit}}{\text{Total Equity}}$$

iv. Total Interest Earned to Total Operating In come Ratio

Thisratioiscalculatedbydividingtotalinterestearnedbytotaloperatingincome. This can be stated as:

$$\text{Total Interest Earned to Total Operating Income Ratio} = \frac{\text{Total Interest Earned}}{\text{Total Operating Income}}$$

D. Risk Ratio

Banks investment managements are involved in risk taking which is the best business. It enhances performance and profitability of the bank. These ratios show how much risk is being taken on the diverse banking operations, when eventually affects the policy of bank investment. The following ratios are assessed in this topic:

i. Credit Risk Ratio

Credit risk ratios gauges the likelihood that loan will not be paid or investment will become poor or enter into default leading to loss to the. Bank: According to definition, credit risk ratio is in the form of percentage of non-performing loans over total loan and advances. In this case, this comes as a ratio of the total loan and advance to total assets. This can be stated as:

$$\text{CreditRiskRatio} = \frac{\text{Total LoanandAdvances}}{\text{Total Assets}}$$

The capital risk is less in the ratio. This ratio is calculated by capital (Paid up capital + reserves)/ risk-weighted assets calculated under Formula of BASLE committee we can say this ratio as:

$$\text{CapitalRiskRatio} = \frac{\text{Capital (Paidup + Reserves)}}{\text{RiskWeightedAssets (RWA)}}$$

E.Growth Ratios

The growth ratios are directly connected to the fund mobilization on investments managements of a commercial bank. Growth ratio shows the performance in terms of the commercial bank sustainability in its economic status. The ratios included in the followings fall under the above as:

Growth ratio of total deposit

Growth ratio of advances and loan

Growth ratio of total deposit

Gross investment growth ratio

Statistical Tools

Statistical tools are useful in determining the trends of financial position of the bank and

in analyzing the relationship between variables which assists banks in making suitable investment policy as far as profit maximization and collecting deposits, utilization of funds through advancing loans and investment in other companies. Statistical methods like the coefficient of correlation between various variables, trend analysis of the key variables have been applied in the analysis and interpretation of the financial data in this study. Statistical analysis in respect to this study is based on the following:

Arithmetic Mean

Mean or average value is a single value, which falls within the range of the data, which is used to represent all the values in the series. As average falls between the range of the data, it is also referred to as a measure of central value. Mean value is calculated by summing up all the terms and dividing the sum by the level of items. The formula is given below

$$:X = \frac{\Sigma x}{N}$$

Where,

X=Arithmeticaverage

ΣX=Sumofvaluesofallitems

and N = Number of terms

Standard Deviation

Standard deviation is the most common measure used in explaining variability in data distributions. It may be conceived as some distant estimate of the mean deviation of the observations on both sides of the mean. Denoted by Greek letter σ Read as sigma, standard deviation comes in extremely handy in making judgements of the representatives of mean. Standard deviation can be presented as:

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

Where,

X=Arithmeticaverage

α = Stander deviation

N = Number of items

Coefficient of Correlation Analysis (r)

Correlation it is the statistical tools that we may apply, that explain the extent to which a single variable is linearly correlated with another. The coefficient of correlation is used to

determine the level of relationship between two sets of sigma's. The study uses Karl 71 Pearson method among the other approaches of determining coefficients of correlation. The outcome of co-efficient of correlation is never more than +1 or less than -1. In case r= +1, then it implies that there is perfect relationship between two variables and vice versa. When r=0. It implies that there exists no relationship between two variables.

Correlation (r) $= \frac{n\Sigma XY - \Sigma X \Sigma Y}{\sqrt{[\{n\Sigma x^2 - (x)^2\}\{n\Sigma y^2 - (\Sigma Y)^2\}]}}$

i) Coefficient of Determination(R^2)

Coefficient of determination is used to measure the level of linear relationship or correlation between two variables one of which is actually independent variable and other variable is a dependent variable. That is, coefficient of determination gives the percentage overall variation which independent variables can explain. The ranging measure of this coefficient of multiple determinations is zero to one. Suppose that the value of R2 is 0.75, that means that the independent variables, which were incorporated into, regression model, explained 75 percent of the total changes in the dependent variable. When the regression line is a perfect estimator, R2 will take the value of +1, whereas there is no correlation between the two the value of R2 will be zero.

V) Regression Analysis

Regression Analysis Regression is a statistical method of analysis that explores the relationship between a dependent variable and one or more independent variables. It tries to identify the most appropriate mathematical model that fits the relationship between variables and may be used to make predictions and inferences. Regression was originally introduced by Francis Galton at the end of the 19 th century and later formalized by Karl Pearson and Ronald Fisher (Hogg and Ledolter, 2021).

$Y = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \ldots\ldots + e$

Where,

a = average

Y = Dependent Variables

β1, β2…. = Slope of Independent variables

e = Error

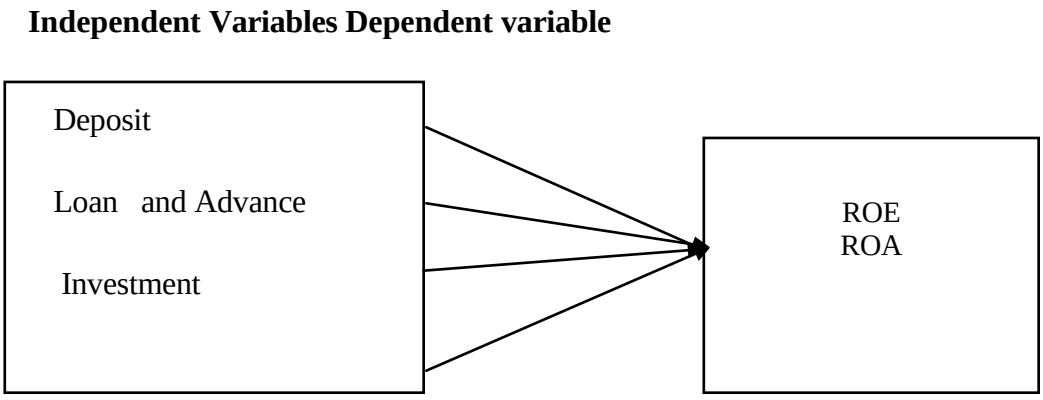
3.5 Research Framework

Conceptual Framework A conceptual framework depicts the interrelationships between

the various factors that have been perceived as being important to the problem. It is written following a literature survey, which establishes the issues. The following is this study of conceptual framework.

Figure 1

Research Framework



(Source:Bindhani, 2023)

In the above figure, ROE and ROA is dependent variables and other deposit, loan and advance and Investment, are independent variable. These independent variables are affected dependent variable.

3.6 Definition of Variables

3.6.1 Independent Variables

Deposit: Deposit refers to the amount of money deposited in a financial institution such as bank, to hold. The deposits can be done in various forms of savings, checking or term deposit. They are a safe way of saving cash as well as they may contain interest. One such thing is term deposit where an investment in terms of a specific time is made whereby money is deposited at higher interest rate as compared to the normal savings account.

Loan and Advance: Loan is the borrowed money by a lender or the bank or any other financial organization with a promise to repay the money with interest within a given period. Loans can be used in different ways and it can be borrowed to purchase houses or finance education or invest in venture. These can be classified as short-term loans that may span not more than a year and long-term loans that may take very long before they

are repaid. An advance is a short-term credit, which is being given to individuals or businesses to cover the short-term requirement. Contrary to the conventional lending, advances are often anticipated to be returned within the shortest time possible and might not be made under the formal contracts. Businesses also utilize them as a means of meeting temporary shortfalls in their cash flow or as a means of employees getting pay advances.

Investment: Investment refers to the act of putting money into property or a business venture with the hope that the funds will provide returns or a profit to one in a certain period of time. The investment can be in the form of stock, bond, real estate or mutual fund. The primary objective is to gain wealth and monetary goals, and this is done based on the fact that there are varying levels of risk and returns on investment.

3.6.2 Dependent Variables

Return on Equity (ROE): ROE is a measure of how a company can make a profit on the equity held by the company. It is estimated by dividing the net income by the average equity of the shareholders. Increased ROE translates to an increased use of equity capital. It is however necessary to put into consideration that a high ROE may be occasioned by a high level of financial leverage which may lead to more risk.

Return on Assets (ROA): ROA is a measure of the efficiency of a company in terms of utilizing its total assets to make profit. It is calculated as net income divided by the total assets. ROA also gives an insight on how well the operations are run and a higher ratio means better performance. In comparison to ROE, ROA takes into consideration both debt and equity, and provides a better picture of asset efficiency, not affected by leverage.

CHAPTER-IV
RESULTS AND DISCUSSION

This chapter entitled "Results" is the crucial chapter as it utilizes. The processed data tools and techniques of working capital analysis, as described in researchmethodology go achieve the objectives of this study. Objectives of this study are to find out the solution of the problems identified.Bank are facing working capital management problems of current assets, fixed assets, long term & short- termsolvency, profitability and value of the firm. This study aims to determining the effect of investment policy on the profitability and value of the firm and they are by generalizing the result.

For this purpose, the collected and organized data should be analyzed through different tools and techniques and interpreted. The data constitute the financial information extracted from the financial statement, i.e. income statement and balance sheet period. The fiscal years of ten years period from 2014/15to 2023/24 are the sample year for this study. These data are presented in the tabular, diagram or the graphical form from the analysis through different statistical and financial tools. As perthetoolsusedinthis study,this chapterhas beendividedintosub-chapterssuch as ratio analysis trend analysis correlations analysis.

4.1 Results

4.1.1 Financial Analysis

This is analytical chapter, where the researcher has analyzed and evaluated those major financial items, which are mainly related to the investment management and fund mobilization of HBL,RBB And Everest Bank limited in comparison to that of other commercial Bank i.e. Investment Bank Limited. From the point of view of the fund mobilization and investment policy only those ratios are calculated and analyzed which are very important. The rations are designed and calculated to highlight the relationship between financial items and figures. It is a kind of mathematical relationship and procedure dividing one item by another. All these calculations are based on financial statements of concerned banks. The important and needed financial ratios, which are to be calculated for the purpose of this study, are as fallows respectively.

4.1.2 Liquidity Ratios

Liquidity ratio measures the ability of the firm to meet its current obligations. A commercial bank must maintain its satisfactory liquidity position to meet the credit need

of the community, to meet demands for deposits, withdraws, pay maturity obligation in time and convert non-cash assets into cash to satisfy immediate needs without loss to bank and consequent impact in long run profit. In fact, analyses of liquidity needs are helpful to the preparation of cash budget and funds flow statement. The following ratios are evaluated and interpreted under liquidity ratio:

4.1.2.1 Current Ratio

Current ratio indicates the ability of a bank to meet its current obligation. This is the broad measure of liquidity position of the financial institution. The widely accepted standard of current ratio is 2:1.

Current assets consist of cash and bank balance, money at call or short-term notice, investment in government securities and other interest receivable, non-banking assets, loan advances and bills purchase and other miscellaneous current assets whereas current liabilities consist of deposits, borrowings, loan and advances, bills payable, tax provision, Staff bonus, dividend payable and miscellaneous current liabilities.

Table 2

Current Ratios (Times)

SN	F.Y	HBL	RBB	Everest
1	2014/15	0.63	0.65	0.59
2	2015/16	0.56	0.53	0.57
3	2016/17	0.64	0.61	0.62
4	2017/18	0.63	0.64	0.58
5	2018/19	0.64	0.64	0.64
6	2019/20	0.66	0.67	0.61
7	2020/21	0.66	0.66	0.66
8	2021/22	0.7	0.71	0.69
9	2022/23	0.61	0.62	0.59
10	2023/24	0.76	0.72	0.73
Total		6.49	6.45	6.28
Mean		0.649	0.645	0.628
S. D		0.053219	0.0536	0.05203
C.V		0.082001	0.0831	0.08284

(Source: Annex: 1)

The Table 2 indicates that the current ratio of three commercial banks. It is determined on per total mean, Standard deviation and coefficient of variation. The table shows performance data of three entities HBL, RBB, and Everest in ten fiscal years, the years 2014/15 to 2023/24. The values vary slightly each year and the general total performance

of HBL is the highest (6.49) as well as that of RBB (6.45) and Everest (6.28). The standard deviation (S.D.) of each of the entities is the change in their performance over the years; HBL, the standard deviation of 0.0532, RBB, the standard deviation of 0.0536 and Everest, the standard deviation of 0.0520. The values reveal that the variability in all the three values is comparatively low implying that all the three performances are relatively constant around the mean.

The coefficient of variation (C.V.) is one of such measures, which helps to contrast the standard deviation with the mean and see how much more or less variable is the performance of each entity. CVs of HBL, RBB and Everest stand at 0.082, 0.083 and 0.0828 respectively. The C.V. values are very similar as they reveal that all three entities have relative variability of similar level. A smaller C.V. means that the performance is more stable, and as the values are relatively low, this means that the results of the entities are predictable and constant over the years. The performance of these entities can be said to be fairly stable, despite the minor swings.

4.1.2.2Cash and Bank balance to total Deposit Ratio

The current assets most liquid are cash and bank balances. This is a percentage ratio of the most liquid fund available in the bank to pay direct money to the depositor. This ratio is determined by dividing cash and bank balance to the total deposit. Mathematically it is given as:

$$\text{CRR ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposits}}$$

Therefore, cash and bank balance contain cash on hand, foreign cash on hand, cheques and other cash items, balance with domestic and abroad banks whilst the total deposits contain current deposits, saving deposits, fixed deposits, money at call and short-term notice and other.

Table 3

CashandBankBalancetoTotalDepositRatio

S. N	F. Y	HBL	RBB	Everest
1	2014/15	0.16	0.31	0.17
2	2015/16	0.20	0.30	0.19
3	2016/17	0.22	0.29	0.18
4	2017/18	0.21	0.25	0.21
5	2018/19	0.22	0.31	0.17
6	2019/20	0.24	0.32	0.18
7	2020/21	0.22	0.27	0.21
8	2021/22	0.21	0.29	0.25
9	2022/23	0.22	0.26	0.29
10	2023/24	0.25	0.29	0.31
Total		2.19	2.89	2.16
Mean		0.219	0.289	0.216
S. D		0.0242	0.02283	0.0506
C.V		0.11038	0.07899	0.2342

Source: Annex: 2

As it is revealed in Table 3, the overall mean and standard deviation and coefficient of variation of the cash and bank balance to total deposit of three commercial banks. As stated in the table, the figure indicates that the data on the Cash and Bank Balance to Total Deposit Ratio indicates the liquidity status of HBL, RBB, and Everest within a period of ten fiscal years (2014/15-2023/24). RBB has the highest ratios and the average value is 0.289, which means that it has better liquidity than HBL (0.219) and Everest (0.216). The ratio values of RBB are not also varied, as indicated by the lowest value of the coefficient of variation (C.V = 7.90%), meaning that the company has a stable policy of managing its liquidity. HBL is moderately consistent (C.V = 11.03%) and has a consistent year-on-year performance. Conversely, the variability of Everest is the greatest (C.V = 23.42%), and the liquidity increases significantly during the latter years, with the peak equal to 0.31 in 2023/24. In general, RBB exhibits the healthiest and the most consistent liquidity position whereas Everest demonstrates the highest changes in its liquidity management in comparison with the total deposits.

4.1.2.3 Cash and Bank Balance to Current Assets Ratio

This ratio demonstrates the liquidity capacity of the banks basing on the cash and bank balance which is the most liquid asset. Thus, greater liquidity position is visualized with this ratio as compared to current ratio. Where, Cash and bank balance means total sum of local currency, foreign currency, cheques in hand and other bank balances in local and

foreign banks as compared to current assets which include cash and bank balance, money at call, short term notice, loan and advances, investment in government securities and other interest due and others miscellaneous current assets.

Table 4

CashandBankBalancetocurrentassetsRatio

SN	F. Y	HBL	RBB	Everest
1	2014/15	0.16	0.19	0.17
2	2015/16	0.17	0.17	0.15
3	2016/17	0.19	0.18	0.11
4	2017/18	0.16	0.15	0.15
5	2018/19	0.19	0.94	0.17
6	2019/20	0.17	0.19	0.18
7	2020/21	0.21	0.20	0.15
8	2021/22	0.33	0.21	0.21
9	2022/23	0.18	0.19	0.19
10	2023/24	0.20	0.20	0.18
Total		1.96	1.92	1.66
Mean		0.196	0.262	0.116
S. D		0.04993	0.02394	0.02757
C.V		0.2548	0.09139	0.23766

Source:Annex 3

Table 4 represents the overall mean, standard deviation and C.V. of the ratio of cash and bank balance to current assets of the commercial banks. The Cash and Bank Balance to Current Assets Ratio data shows the liquidity efficiency of HBL, RBB, and Everest during ten fiscal years (2014/152023/24). RBB has the greatest mean ratio (0.262) meaning that it has a greater dependency on the cash and bank balances as a current asset. But the high mean is that of an outlier in 2018/19 (0.94) that is also reflected in its relatively low standard deviation (0.0239). HBL has an intermediate mean ratio (0.196) and a little bigger standard deviation (0.0499), which means a more balanced yet fluctuating approach. Everest has the lowest mean ratio (0.116) and standard deviation of (0.0276), indicating that it has a consistent but narrow dependence on cash and bank balances in its current assets. On the whole, RBB shows better liquidity management although it is fluctuated whereas Everest shows the most conservative use of cash and bank balances in comparison with current assets.

4.1.2.4. Investment on Government Securities to Current Asset Ratio

Cash and bank balance are not so liquid as the government securities. But they may be sold easily in the market or they may be changed into cash in other forms. Government security investment entails treasury bills and development bonds amongst others.

We have,

Investment on Govt Securities to Current Asset Rati=$\frac{\text{Investment on govt securities}}{\text{Current Assets}}$

Table 5

InvestmentonGovernmentSecurities toCurrentAssetsRatio

SN	F.Y	HBL	RBB	Everest
1	2014/15	0.21	0.15	0.17
2	2015/16	0.13	0.12	0.21
3	2016/17	0.11	0.09	0.19
4	2017/18	0.10	0.11	0.13
5	2018/19	0.94	0.65	0.23
6	2019/20	0.19	0.18	0.17
7	2020/21	0.20	0.15	0.27
8	2021/22	0.26	0.21	0.33
9	2022/23	0.11	0.19	0.18
10	2023/24	0.09	0.11	0.13
Total		2.34	1.96	2.01
Mean		0.23	0.196	0.201
S. D		0.064	0.16	0.062
C.V		0.28	0.84	0.31

Source: Annex 4

The results of Table 5 indicate the overall average, standard deviation and coefficient of variation of investment on government securities to current assets ratio of commercial banks. The data shown in the Investment on Government Securities to Current Assets Ratio determines the nature of investments made by HBL, RBB and Everest in government securities in comparison with their current assets in a period of one decade (2014/15-2023/24). HBL has the largest mean ratio (0.23), as it is more focused on government securities, and relatively small variability (C.V = 28) and a large outlier in 2018/19 (0.94). Everest has a somewhat smaller mean (0.201) and moderate consistency (C.V = 31%), which is a consistent but slightly conservative style. RBB, in its turn, has the lowest mean ratio (0.196) and the highest variability (C.V = 84%), which is caused by such fluctuations as the drastic increase in 2018/19 to 0.65 or the ratios of a lower value in other years. On the whole, HBL has the most stable and steady concentration on government securities, and RBB is highly volatile which is possibly a sign of active investment policies.

4.1.3 Activity Ratios

The asset management ratio measures the effectiveness of the bank to manage its asset in a profitable and satisfactory manner. They show the rate at which assets are converting.

These ratios are therefore applied to gauge the capacity of the banks to use the available resources.

4.1.3.1 Loan and Advance to Total Deposit Ratio

The ratio takes the bank loans and accumulation of loans in comparison with the bank deposits (Keefe, 2013). It indicates the correlation between loans and advances and total deposit. The ratio is used to determine the degree to which the banks are effective to use its total deposit as loan and advances. Where, Loan and advances consist of loans, advances, cash credit, local and foreign bill purchased and discount. Total deposit comprises of saving, fixed current call at short deposit and others.

Table 6

Loan and Advances to Total Deposit Ratio

SN	F.Y	HBL	RBB	Everest
1	2014/15	0.74	0.79	0.67
2	2015/16	0.79	0.75	0.79
3	2016/17	0.83	0.84	0.82
4	2017/18	0.88	0.80	0.78
5	2018/19	0.85	0.77	0.80
6	2019/20	0.78	0.82	0.79
7	2020/21	0.75	0.78	0.78
8	2021/22	0.81	0.87	0.84
9	2022/23	0.79	0.73	0.80
10	2023/24	0.81	0.78	0.77
Total		8.03	7.93	7.84
Mean		0.803	0.793	0.784
S. D		0.043	0.042	0.045
C.V		0.053	0.053	0.057

Source: Annex 5

Table 6 displays the total mean, S.D. and C.V of loan and advances to total deposit ratio of commercial banks. Table contents reflect the ratio of the Loan and advances to total deposit position of HBL, RBB, and Everest in percentages. The Loan and Advances to Total Deposit Ratio information represents the efficiency of the lending of HBL, RBB, and Everest between 2014/15 and 2023/24. HBL has the largest mean ratio (0.803), which means that it is slightly more focused on lending than RBB (0.793) and Everest (0.784). All 3 banks are characterized by low variability, with the coefficients of variation being similar (C.V = 5.3% in the case of HBL and RBB and 5.7% in the case of Everest) showing that the banks have continued to practice the same kind of lending over the years. Although HBL continues to record a steady lead in loan lending activities, all the

banks record a fairly stable and effective deposit utilization on loan progression with minimal changes across the financial years.

4.1.3.2 Total Investment to Total Deposit Ratio

A commercial bank invests the deposit as an investment in various securities that are issued by government and other non-financial or financial firms. This ratio is used to indicate the degree to which the banks can mobilize their deposit on investment in other forms of securities. Where, Total investment is the investment on government securities, investment on debenture and bonds, share in subsidiary company, share in other company and investment.

Table 7

Total Investment to Total Deposit Ratio

SN	F.Y	HBL	RBB	Everest
1	2014/15	0.23	0.27	0.11
2	2015/16	0.15	0.26	0.18
3	2016/17	0.13	0.22	0.17
4	2017/18	0.12	0.24	0.16
5	2018/19	0.11	0.21	0.17
6	2019/20	0.24	0.32	0.19
7	2020/21	0.21	0.26	0.20
8	2021/22	0.28	0.25	0.21
9	2022/23	0.20	0.23	0.21
10	2023/24	0.21	0.31	0.28
Total		1.88	2.57	1.88
Mean		0.188	0.26	0.188
S. D		0.057	0.04	0.044
C.V		0.305	0.14	0.232

Source: Annex 6

The mean, standard deviation and coefficient of variation of total investment to total deposit ratio of commercial banks are illustrated by table 7. The Total Investment to Total Deposit Ratio information demonstrates the ten- year investment plans of HBL, RBB, and Everest within the period of 2014/15-2023/24. The mean ratio of RBB is the highest (0.26) meaning it focuses more on investment as compared to deposits with low variability (C.V = 14%) showing that there are consistent investment practices. Conversely, the mean ratio in both HBL and Everest is low (0.188), though Everest has a higher consistency (C.V = 23.2%), than HBL (C.V = 30.5%). HBL is more fluctuating, with the highest values in 2021/22 (0.28) and the lowest in 2018/19 (0.11). In general,

RBB is rated as the most active in investment, and it balances the higher ratios with stability, HBL and Everest have more conservative strategies and fluctuate more.

4.1.4 Profitability Ratios

Profitability ratios come in handy with regard to the measurement of how effectively the financial institutions are operating in general. Profitability ratios in this case are determined and assessed in relation to net profit and assets. The greater the profit ratio indicates the greater efficiency of a bank is. The following profitability ratios are taken under this.

4.1.4.1 Return on Loan and Advances Ratio

It is an indicator of the earning potential of a commercial bank on its deposits mobilized on loan & advances. The more the ratio, the higher will be the return and vice versa.

We have

$$\text{Return on Loan and Advances Ratio} = \frac{\text{net profit}}{\text{loan \& } advances}$$

Where,

Loan & Advances includes loan cash credit, overdraft bills purchased and discounted.

Table 8

Return on Loan and Advances (percentage)

SN	F.Y	HBL	RBB	Everest
1	2014/15	2.96	1.8	2.0
2	2015/16	2.98	2.6	2.91
3	2016/17	2.9	2.7	2.56
4	2017/18	3.03	2.5	2.71
5	2018/19	2.61	2.7	1.43
6	2019/20	2.72	2.44	1.5
7	2020/21	2.44	1.9	0.99
8	2021/22	1.9	1.34	1.69
9	2022/23	1.48	1.8	2.1
10	2023/24	1.89	1.24	1.9
Total		24.91	21.02	19.79
Mean		2.49	2.102	1.979
S. D		0.55	0.556	0.61
C.V		0.221	0.265	0.308

Source:Annex 7

Table 8 indicates the overall mean, standard deviation and coefficient of variation of the ratio of loan and advances of the commercial banks. The Return on Loan and Advances data depicted that HBL recorded the highest average return (2.49) over the years of operation representing the best use of its loans in the form of profitability in comparison with RBB (2.10) and Everest (1.98). HBL was also the most consistent (lowest variability, C.V = 22.1%), whereas RBB was moderate (C.V = 26.5%). Everest had the

least average and highest variability (C.V = 30.8%), which indicated more changes in its performance. It is worth noting that returns of all three banks declined in the later years, and in 2020/21, the returns of Everest decreased remarkably (0.99%). All in all, HBL had the highest and the most stable returns, and Everest has had low and more volatile returns.

4.1.4.2 Return on Total assets Ratio

This ratio is used to calculate the capacity of earning profits through the use of the available resources of banks. This ratio is computed and evaluated in the current study to determine the profitability of all financial resources that are used in the assets of the bank. The high ratio typically shows efficiency and utilization of the total resources of the company and vice versa. This ratio is calculated by dividing the net profit with the total assets.

Table 9

ReturnonTotalAssets

SN	F.Y	HBL	RBB	Everest
1	2014/15	1.88	2.2	2.25
2	2015/16	1.92	2.0	1.99
3	2016/17	2.06	1.81	2.95
4	2017/18	1.93	1.5	1.95
5	2018/19	1.89	2.24	1.97
6	2019/20	1.87	2.21	1.94
7	2020/21	1.95	1.95	1.41
8	2021/22	2.6	1.98	2.92
9	2022/23	1.98	2.30	1.48
10	2023/24	2.19	2.25	1.36
Total		20.27	20.44	19.22
Mean		2.03	2.04	1.92
S. D		0.224	0.25	0.562
C.V		0.11	0.12	0.293

Source:Annex8

Table 9 displays the return on total assets, mean, and standard deviation and the coefficient of variation of both Everest and Nepal investment banks. According to the Return on Total Assets data, RBB and HBL have almost the same average returns (2.04% and 2.03% respectively) which means that they are equally efficient in using their assets to bring revenue. HBL was the least variating in performance (C.V = 11%), whereas RBB was a little more varied (C.V = 12%). Everest, on the contrary, had the lowest average return (1.92) and the greatest variability (C.V = 29.3) with greater inconsistency in its use of assets. Some years (such as 2016/17 and 2021/22) Everest had a high performance, whereas there were also dramatic declines in the others (2020/21 and 2023/24). On the

whole, HBL and RBB demonstrated rather stable returns, whereas Everest faced challenges concerning the fluctuating performance.

4.1.4.3 Total Interest Earned to Total Operating Income Ratio

This ratio is used to determine the ability of the firms to earn interests on the overall operating income. The difference between operating expenses and operating revenues is the total operating income. Total interest earned is a total of interest on loans, advance, cash credit, overdraft, government securities, interbank and other investments. This ratio is determined as a division of total interest earned with total operating income.

Table 10

TotalInterestEarnedtoTotalOperatingIncomeRatio(percentage)

SN	F.Y	HBL	RBB	Everest
1	2014/15	31.95	22.5	30.5
2	2015/16	34.45	29.3	32.21
3	2016/17	32.57	26.78	31.9
4	2017/18	41.34	31.9	33.45
5	2018/19	43.91	33.45	39.56
6	2019/20	38.92	39.56	41.34
7	2020/21	40.37	41.34	49.94
8	2021/22	41.55	49.94	43.56
9	2022/23	37.39	59.26	46.49
10	2023/24	44.36	56.52	40.07
Total		386.81	390.55	389.02
Mean		38.68	39.05	38.90
S. D		4.472	12.55	6.691
C.V		0.116	0.321	0.172

Source: Annex 9

Table 10 indicates Total interest earned to total earning ratio mean and standard deviation and coefficient of variation of both Everest and Nepal investment bank. The Total Interest Earned to Total Operating Income Ratio reveals that the mean ratio of RBB is the largest standing (39.05%), indicating that a bigger percentage of its operating income is as a result of interest, followed by Everest (38.90%), and HBL (38.68%). HBL has the best performance and the lowest variability (C.V = 11.6%), indicating that the interest income is predictable. RBB is the most volatile in terms of its interest income, despite having the highest average (C.V = 32.1%), which means that the interest income has been fluctuating at a higher rate over the years. Everest is stuck between the two moderately stable (C.V = 17.2%). All in all, RBB depends on interest income more; however, it is more variable whereas HBL is constant with a similar ratio to Everest with lesser fluctuation.

4.1.5 Risk Ratio

Banks investment is not an easy task due to the threat of risk. Bank must risk in order to get returns on investment. It improves the effectiveness and profitability of the bank. A bank must take the risk and handle it effectively in case it is likely to get a high payoff on the investment it has made. By adhering to ratios, it has been endeavored to quantify the amount of risk.

4.1.5.1 Credit Risk Ratio

Credit risk ratio is used to determine the likelihood of loan not being recovered or investment becoming poor in quality or defaults resulting in loss to the bank. In fact, credit risk ratio depicts the percentage of unproductive assets of total loan and advances of a bank.

We have,

$$\text{CreditRiskRatio}=\frac{\text{total loan \& } advance}{\text{total assets}}$$

Table 11

CreditRiskratio (percentage)

SN	F.Y	HBL	RBB	Everest
1	2014/15	56	56	68
2	2015/16	59	66	56
3	2016/17	63	70	59
4	2017/18	73	65	63
5	2018/19	68	68	77
6	2019/20	56	51	20
7	2020/21	59	53	66
8	2021/22	63	61	59
9	2022/23	67	55	72
10	2023/24	74	71	73
Total		638	616	613
Mean		63.8	58	61.3
S. D		6.546	7.4	16.03
C.V		0.103	0.13	0.261

Source:Annex10

According to Table 11, the overall mean, standard deviation and coefficient of variation of The Credit Risk Ratio types of data indicate that HBL has the largest mean ratio (63.8%), which means that it is more exposed to credit risk than RBB (58%), and Everest (61.3%). HBL is also least varied (C.V = 10.3%), a factor that depicts a steady credit risk profile over the years. RBB has a moderate average and variability (C.V = 13%), and its credit risk exposure has a little more fluctuation. The greatest variation is demonstrated by Everest (C.V = 26.1%), where the risk management is noticeably less predictable with a peak in 2019/20 (20%), and a significant rise in other years. Generally, HBL has the most consistent and greater exposure to credit risk and the highest volatility of exposure

to credit risk, especially in the later years, in the case of Everest.

4.1.6 Growth Ratios

The growths ratios are the way the commercial banks will are sustaining their economic and financial status. The more favorable the ratio the greater the performance of the bank and the reverse. Those growth ratios are examined and explained under this section, which are directly connected to found mobilization and investment management of commercial bank.

These ratios are:

i. Growth Ratio of Total Deposit

ii. Growth Ratio of Loan and Advances

iii. Growth Ratio of Total Investment

4.1.6.1 Growth Ratio of Total Deposit (percentage)

Table 12

Growth Ratio of Total Deposit (percentage)

Year	HBL	RBB	Everest
2014/15	38.27	22.75	21.75
2015/16	5.78	19.01	15.01
2016/17	7.63	15.74	4.16
2017/19	13.60	11.61	9.61
2018/19	20.87	9.55	2.55
2019/20	22.66	20.75	6.75
2020/21	19.01	13.01	8.01
2021/22	25.74	21.74	2.74
2022/23	23.61	20.55	1.61
2023/24	29.7	28.5	0.59

Source: Annex 11

In Table number 12 The Growth Ratio of Total Deposit, HBL has had the largest growth on average of 21.12 and 2023/24 represents the highest growth (29.7%). Healthy growth was also observed by RBB, and its average is the second highest, especially in 2023/24 (28.5%). Everest recorded the lowest growth rate, but the growth oscillated as well as maintained a stable growth rate of 20-22 in the past years. The growth rates of HBL have

been fluctuating between 5.78 in 2015/16 and 38.27 in 2014/15, which indicates high and lower growth rates. Though lesser compared to the HBL, RBB experienced more consistent growth, particularly over the recent years with an average growth of about 20 per cent. Everest, in its growth, was less volatile, as it had consistent rates but lower than the other two banks.

4.1.6.2Growth Ratio of Loan and Advances

Loan and Advances growth ratio shows whether the banks are increasing its loan and advances or decreasing.

Table 13

Growth Ratio of Loan and Advances

Year	HBL	RBB	Everest
2014/15	16.09	21.72	16.18
2015/16	16.18	19.90	17.45
2016/17	17.45	22.41	19.5
2017/19	15.5	17.31	29.40
2018/19	21.34	21.67	43.03
2019/20	14.34	19.4	26.5
2020/21	11.45	14.21	11.23
2021/22	15.5	19.84	19.4
2022/23	12.34	8.44	4.21
2023/24	9.34	12.59	9.84

Source: Annex 12

Table 13 indicates that The Growth Ratio of Loan and Advances indicates that during the past years, Everest experienced the most growth in 2018/19 (43.03) and 2017/18 (29.4%), which is a highly positive sign of loans growth. Nonetheless, in 2020/21, its growth began to decline considerably. RBB has had a somewhat stable growth with the highest growth rate of 22.41% in 2016/17 and an average of grew within the range of 19-22% but there was a significant decline in growth in 2022/23 (8.44%). The loan and advance growth has been more stable but lower at HBL as compared to Everest and RBB at 9-21 with a consistent decrease in the past years and especially in 2023/24 (9.34%). On the whole, Everest experienced the biggest growth rates, whereas RBB exhibited the least varied performance, and HBL revealed the least intense growth in loans and advances.

4.1.6.3Growth ratio of Total Investment

This ratio shows whether the sample bank increased the Total Investment or decreased the Investment.

Table 14

Growth ratio of Total Investment

Year	HBL	RBB	EEverest
2014/15	16.09	89.65	6.45
2015/16	16.18	5.12	-22.53
2016/17	17.45	-9.31	-1.03
2017/19	30.10	-43.8	17.16
2018/19	26.54	37.57	-3.02
2019/20	17.68	19.4	26.5
2020/21	30.10	14.21	11 .23
2021/22	15.5	19.84	19.4
2022/23	-12.34	-8.44	-14.21
2023/24	-9.34	-12.59	-9.84

Source:Annex 13

Table 14 depicts The Growth Ratio of Total Investment indicates that the years display large variations among all the three banks. The highest growth in 2014/15 (89.65%), but with the largest variances over the years, RBB recorded great declines in some of the years, particularly in the years 2017/18 (-43.85) and 2022/23 (-8.44). Everest was also quite volatile with negative growth rates in a number of years, with the largest negative growths in 2015/16 (-22.53) and 2022/23 (-14.21), but it was also experiencing some positive growths, including in 2019/20 (26.5) and 2017/18 (17.16). HBL experienced more steady growth without significant fluctuations, where its growth was high such as in 2017/18 (30.10%) and it experienced negative growth in the later years as in 2022/23 (-12.34) and 2023/24 (-9.34). In general, the growth of RBB was the most volatile, the performance of Everest was less regular with increases and decreases, and HBL was more consistent but changing.

4.2 Descriptive Analysis

The statistical tools are used to determine the trend of the position of the bank financially, and analyzing the relationship between the variables which assist the banks to make

correct investment policy in case of maximization of profit and collection of deposits, mobilization of funds by providing a loan and advance or making investment to another company. The statistical instruments like coefficient of correlation between various variable and also hypothesis test have been employed in the analysis and interpretation of financial data in this study.

4.1.7.1Correlation Analysis

The concept of correlation analysis implies the association between two variables where the variations are called coordination. The correlation analysis is used to measure the degree of relationship between the variables under consideration. It can be described as the method of determining the proximity of relationship between the variables. In the research, co-efficient of determination is determined to estimate the strength of relationships between the total deposits and total investments.

4.1.7.1.1. Correlation between Total Deposits and Total Investments

The co-efficient between total deposit and total investment measures the degree of relation between the respective variables. In the correlation analysis, total deposit is independent variable while the total investment is a dependent variable.

Table 15

CorrelationbetweenTotalDepositsandTotalInvestment

Banks	Correlation(r)	Coefficientof Determination(r2)
HBL	-0.30	0.089
RBB	-0.76	0.579
Everest	-0.37	0.133

Source:Annex14

The three banks have the following correlation in terms of Total Deposits and Total Investments:

HBL: The correlation coefficient = -0.30 which points to a weak negative association. This indicates that when total deposits are high, total investments will also be lower to a little extent though not strongly.

RBB: The correlation is -0.76 with a moderate negative relation. It indicates that there is a higher inverse correlation between total deposits and total investments in RBB, in which

the growth in the deposits is likely to be accompanied by a decline in investments.

Everest: The correlation coefficient is -0.37, implying that there is a weak negative relationship existing. Just like HBL, this implies that total deposits and total investments will shift in opposite direction though the relationship is not very strong.

On the whole, RBB has the strongest negative correlation, and HBL and Everest have less significant negative correlations.

HBL: r 2=0.089, i.e., the variance in Total Investments may be attributed to the change in Total Deposits, only by a very low proportion of 8.9%.

RBB r2=0.579 which means that we can explain about 57.9 percent of the variability of total investments by Total Deposits which is moderate relationship between the two variables.

Everest: r2=0.133, i.e. approximately 13.3 percent of the Total Investments can be explained by Total Deposits, which is not a strong relationship.

This indicates that the linear relationship between Total Deposits and Total Investments is the most powerful with RBB as compared to other two banks.

4.1.7.1.2. Correlation between Total Investment and Loan and Advances

The coefficient of correlation between total investments and loan and advance measures the degree of relationship between these two variables. In this analysis, total investment is independent variable (X) and loan and advance is dependent variable(Y).

Table 16

Correlation between total Investment and Loan and Advances

Banks	Correlation (r)	Coefficient of Determination (r2)
HBL	-0.65	0.42
RBB	-0.71	0.50
Everest	-0.69	0.48

Source: Annex 15

It is indicated in the table 16 that the correlation coefficient between total investment and loan and advance of HBL, RBB and Everest are -0.65, -0.71 and -0.69 respectively. Thus, there exists negative correlation between total investment and loan and advance of both

the banks. To determine the level of change on the dependent variable (loan and advance) with a change in the independent variable (investment), value of co-efficient of determination is determined. It is determined on the co-efficient of determination that when total investment changes, it carries 42% change in loan and advance of HBL to total investment and. 50% and 48% to other variables. Likewise, it is observed that in case total investment changes it carries along 50% change in loan and advance of RBB and Everest due to total investment and rest due to other variables.

4.1.7.1.3 Correlation between Total Deposit and Loan and Advances

The coefficient of correlation between total deposits and loan and advance measures the degree of relationship between these two variables. In this analysis, a total deposit is independent variable (X) and loan and advance is dependent variable(Y).

Table 17

CorrelationbetweenTotaldepositandLoanandAdvances

Banks	Correlation(r)	Coefficientof Determination(r2)
HBL	0.83	0.69
RBB	0.99	0.98
Everest	0.92	0.83

Source: Annex 16

The table number 17 indicates that the correlation coefficient of total deposit and loan and advance of HBL, RBB and Everest are 0.83, 0.99 and 0.92 respectively. Thus, there exists positive correlation between the total deposits and loan and advance of the two banks. Value of co-efficient of determination is computed in order to quantify the level of change in dependent variable (loan and advance) as a result of a change in independent variable (total deposits). Based on co-efficient of determination, one will find that, when total deposits change, it changes 69%net profit of the Everest due to total deposit and rest due to other variables. Likewise, when change happens in the total deposits, it introduces change of 98% in net profit of NSBI because of total deposit and consequently when change happens in total deposits, it introduces change of 83% in net profit rest involving other variables.

4.1.8 Regression Analysis

Regression analysis is a powerful statistical method that allows exploring the association between two or more variables of interest. Despite a great number of various regression

analysis types, they are always devoted to the influence of one or more independent variables on the dependent one. Deposit, Loan and Advance and Investment with ROA and ROE.

Table: 18

Model Summery

Model	R	R Square	AdjustedR Square	Std.Errorof the Estimate	Durbin-Watson
1	.815a	0.664617	0.661240324	0.34155	1.804

a.Predictors:(Constant),Deposit, Loan and Advance and Investment

b.DependentVariable:ROA and ROE

Table18 presents summary of model of correlation coefficient(R) and coefficient of determination(R2) between dependent and independent variables. The dependent variable and all the independent variables have a correlation coefficient of 0.815. This value means that, there are positive correlation between dependent and independent variables taken collectively.

Table 19

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.88955	3	22.96318	196.8452	.000[b]
	Residual	34.76351	3	0.116656		
	Total	103.6531	6			

a.Dependent Variable:ROA and ROE

b.Predictors:(Constant),Deposit, Loan and Advance and Investment

Table 19 shows that the important value of 0.000, which is lower than the level of significance of 0.05, is less than the level of significance of 0.05 at F=196.84, p=0. When F is high, it means that the regression equation is wide enough to absorb most of the variation in the dependent variable and the model is useful. The dependent and independent variables do have a significant linear relationship.

Table 20

RegressionCoefficient Table of Dependent and Independent Variable

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	CollinearityStatistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.743	0.152		4.862	0.000		
	Deposit	0.203	0.047	0.207	4.266	0.000	0.477	2.091
	Loan and Advance	0.415	0.047	0.473	8.661	0.000	0.377	2.652
	Investment	0.224	0.060	0.217	3.735	0.000	0.332	3.007

a. Dependent Variable: ROA and ROE

b. Predictors: (Constant), Deposit, Loan and Advance and Investment

Table 20 Coefficient value and significant value (p value) is less than the level of significance of 0.05 and slope is positive. This implies that independent variables have high level of effect on dependent variable. It is observed that p-value of the independent variable i.e., Deposit, Loan and Advance and Investment is not higher than 0.05 which indicates that the impact of Deposit, Loan and Advance and Investment and ROA and ROE is significant.

4.1.8.1. Deposit, Loan and Advance and Investment with ROA and ROE.

Table 21

Model Summary

Model	R	R Square	AdjustedR Square	Std.Errorofthe Estimate	Durbin-Watson
1	.762[a]	0.580	0.576	0.375	1.751

a.Predictors:(Constant),Deposit, Loan and Advance and Investment

b.DependentVariable:ROA and ROE

Table 21 indicates the model summary of correlation coefficient (R) among dependent and independent variables and coefficient of determination (R2). Dependent variable and all independent variables have correlation coefficient of 0.762. It means that, there are positive correlation between dependent and independent variables in totality. Coefficient of determination is also referred to as R2. It is statistical measure that shows the degree to which the data fits into the regression line. It can be referred to as the ratio of the variation in response variables that are accounted by a linear regression model. The value of R- square lies between 0%-100% and greater the higher the percentage the data fits the model.

A summary of the findings of the multiple regression analysis of the H1 research hypothesis is provided in table 21. In this case the variance of the dependent variable that

the independent variables explain in terms of 58.0 percent that represents 0.580 in the R square. The positive outcome of a result of 0 to below 2 in the Durbin Watson test is a positive autocorrelation of 1.751.

4.3 Discussion

Correlation analysis of total deposits and total investments within the three banks namely HBL, RBB as well as Everest Bank depicts the different levels of negative relationships. RBB has the highest inverse correlation with a value of -0.76, meaning that when total deposits are on the increase, a total investment also tends to reduce significantly. On the other hand, the negative correlations between HBL and Everest are weaker of -0.30 and -0.37 respectively. This is further confirmed by the coefficient of determination (r 2) where RBB is explaining 57.9 percentage of the total investment variations whereas HBL and Everest are explaining only 8.9 percentage and 13.3 percentage respectively. The results indicate that RBB is more structured in the approach to investment based on deposits and HBL and Everest show weaker relations. Which consistent is consistent with the research of Bindhani (2023), Baral (2021), Pradhan (2018) and Parajuli (2016) but the outcome of the current research is not consistent with the outcome of the research by Ramanathan (2022), Shrestha (2010) and Rawal (2012).

In the same manner, the correlation between total investments and loans as well as advances are also negative though they have stronger relationships among the banks. The correlation coefficients between HBL, RBB and Everest are found to be -0.65, -0.71 and -0.69 respectively and this implies that increased investments are likely to lead to reduced loan disbursement. The coefficient of determination also supports this trend and investments accounted 42 percent of the variance in loans with HBL, 50 percent with RBB and 48 percent with Everest. This finding can be compared to Ramanathan (2022) Pradhan (2019) and Chandar (2015). and This implies that even though banks use part of their money to invest in financial instruments, they can focus on other financial instruments and put less money in loan disbursement, thus impacting the total lending power.Conversely, correlation of total deposits, loans, and advances shows that there are strong positive relationship between total deposits and advances in all the three banks. The coefficient of RBB is the highest (0.99), which indicates that almost all fluctuations in loans are contained by the change in deposits. Everest and HBL are next in line with correlation of 0.92 and 0.83 respectively. This is also supported by the coefficient of determination where deposits explain 98 per cent of the changes in loans in RBB, 83 per

cent in Everest, and 69 per cent in HBL. These results point to the fact that the growth of deposits has a huge impact on loan disbursement, in which case banks use deposits as their main source of loaning. Which coincides with the research of Bindhani (2023), Baral (2021) ,Pradhan (2018) and Parajuli (2016).

These results are also supported by the regression analysis, which reveals that deposits, loans, investments, and financial performance measures, such as ROA and ROE, have a strong relationship. The regression analysis shows that the correlation between ROA and the independent variables Deposit, Loan and Advance, and Investment are strongly positive with the correlation coefficient of 0.815. The R-squared value is 0.664 which implies that these factors explain 66.4 percent of the variation in the ROA meaning that they play an important role in financial performance. The findings of the ANOVA indicate the validity of the model as the F-value of 196.84 and p-value of 0.000 are statistically significant. On top of that, all the independent variables have a positive and significant effect on ROA with the best standardized coefficient of 0.473 of Loan and Advance. The value of Durbin-Watson (1.751) indicates that there is little autocorrelation, which supports the validity of the regression model, Which is also consistent with the research of Bindhani (2023), Baral (2021) ,Pradhan (2018) and Parajuli (2016) Meenakshi (2018),Chandar(2015), Chaudhary (2014).

Regression analysis indicates that ROE has a positive correlation with the independent variable Deposit, Loan and Advance and Investment with a correlation coefficient of 0.815. The value of R-squared which is 0.6446 suggests that 64.46% of the change in ROE is attributed to these factors and hence shows their strong impact. The results of the ANOVA make the model valid as the F-value is 196.84 and the p-value is 0.000, which shows that the relationship is statistically significant. The regression coefficients also indicate that the impact of all the independent variables is positive and significant to ROE, with the maximum standardized coefficient of 0.473 (Loan and Advance). The value of Durbin-Watson is 1.751 and it indicates that there is weak autocorrelation that confirms the model reliability as used by Bindhani (2023), Baral (2021) Pradhan (2018) and Parajuli (2016). However, the outcome of this research is not in line with the articles of Ramanathan (2022), Shrestha (2010) and Rawal (2012).

On the whole, the results highlight the significance of deposit as a major source of lending practice in addition to investments showing an antagonistic connection between

the deposits and loan disbursement. RBB exhibits highest correlations with these financial variables and this indicates that they are more organized in their financial operations than HBL and Everest. The regression analysis also supports the fact that deposits, loans, and investments have a combined effect on the profitability of the bank, which is why the importance of financial management strategies in the maximization of returns should be emphasized.

The regression equation shows that ROA has a strong positive relationship with the independent variables of Deposit, Loan and Advance and Investment with a correlation of 0.815. The value of R-squared is 0.664, which implies that 66.4 percent of the change in ROA can be attributed to these factors, and hence their great importance in the financial performance. The findings of ANOVA prove the validity of the model wherein F-value is high (196.84) and p-value is 0.000, which is statistically significant. Also, the independent variables have a positive and significant effect on ROA where Loan and Advance have the most significant coefficient of 0.473. The Durbin -Watson value stands at 1.751, which indicates that there is very little autocorrelation, which supports the strength of the regression model.

According to regression analysis, there is a strong positive correlation between ROE and the independent variables Deposit, Loan and Advance, and Investment with the correlation coefficient of 0.815. The value of R-squared is 0.6446 which implies that these factors explain 64.46 percent of variation in ROE thus showing that they have a strong impact. The results of the ANOVA confirm the validity of the model based on the F-value of 196.84 and p-value of 0.000 which shows that the relationship is statistically significant. Similar to the regression coefficients, it is clear that all independent variables make a significant and positive influence on ROE. and with the highest standardized coefficient of 0.473 of Loan and Advance. The value of Durbin-Watson is 1.751 indicating that there is minimum autocorrelation and hence the model can be trusted to explain.

CHAPTER-V

SUMMARY AND CONCLUSION

5.1 Summary

The commerce and industry development is important in the economic growth of a country. No one can disagree that banking encourages the science of trade since the banking industry is the component of the trade. Economic development is a process that is reliant on different factors. Nevertheless, the current thinking of economists is that capital formation and proper exploitation is the most important factor towards the rapid economic growth. But with the introduction of liberal and free market economy-related policy, the Nepalese banks and financial sectors have begun experiencing increased network and access to the national markets. The role that commercial banks play is critical because it touches on the money of other people and causes saving because it mobilizes the idle human resources to those spheres where the objectives opportunities is open. The contemporary banks have a range of services to offer to its customers with the perspective of supporting their economic and social existence. The commercial banks have the aim of perpetually gaining higher profits through investing or issuing loan and advances to the lucrative, secured and marketable sectors. They ought to take care in making the credit creation action; the banks must not in any way invest its money in such securities, of fluctuating nature. And, commercial banks should adhere to the rules and regulations and various directions that are provided by central bank and ministry of finance in the process of raising the funds. To carry out the current research three commercial banks, i.e. HBL, RBB and Everest were sampled. The term investment in this paper encompasses a broad scope of the activities i.e. the investment of income, saving or any other fund that is gathered. Without a savings, there is no existence of investment. Saving is inter-related with investment. Investment policy is an aspect of the general range of policies that determines the investment activities at banks and it provides effective distribution of funds to realize the economic growth of the country. Good and sustainable investment policy is appealing to both the borrowers and lenders and thus the level of deposit, loan and investment is increased. Consequently, the investment policy must be thought-out and researched. Capital, general reserves, accumulated profit, deposits and internal and external borrowings are some of the sources of funds that will be used to invest in bank. On the same note, there are other key banking terminologies, that are so commonly used in the investment in this study and they include: loan and advances, investment on government securities, shares and debentures, deposits, etc. To

conduct analysis and interpretation of the data of this study, various financial and statistical tools are applied. Assets management ratios, profitability ratios, risk ratios as well as growth ratios have been applied in the financial tools' liquidity ratios. The statistical methods include mean, standard deviation, co-efficient of variation, correlation and regression. Primarily; the analysis in this study will involve the secondary data. The information is sourced on an annual report of the interested banks, as well as, the financial statement of Ten years.

5.2 Conclusion

Based on the discussion above, we can definitely conclude that, commercial banks constitute the greatest component of the financial intermediaries. Banks constitute an important component of the infrastructural element that prevents vicious circle of poverty and economic growth. So according to my research, it is known that the banks are not investing in the company that is privately owned. The innovation, my idea, is to permit its deposit to the extent of 10%. to put money in such sector as well. It will bring about the level of production of most industries. And it increases the operating profit as well. It is useful in developing the industries and it raises the standard of living. And this is the investment that is imperative to the developing country such as us of our development. It will also reduce the inflation rate that is being experienced in our country. Thus, the value of money will go up. This will build up the nation in the nearest future. After research and analysis of provided data the following conclusion is made: Everest has spent the greatest percentage on securities, whereas HBL has spent its significant part on other investments of a different sector. HBL has low investment in shares, debentures and bonds compared to Everest. The two banks have failed to invest in Nepal Rastra Bank Bonds within the study period. With regard to liquidity ratios the mean currents ratio of HBL is more than that of Everest. Equally, HBL has registered a greater average in cash reserve, cash and bank balance to current assets and investment on government securities to current assets. HBL stands in a more optimistic position to include its cash and bank balance and investing in government securities as compared to Everest whose position is more consistent to retain the ratios compared to HBL. In the analysis of the asset's management ratios, it emerged that Everest is strong in terms of mobilization of total deposit on loan and advance compared to HBL. It was also observed that Everest has invested more of the total deposits in securities and shares than HBL and the performance of HBL in terms of recovering loans is lower as compared to that of Everest. The average loan on loan and

advance ratio of Everest is greater compared to that of HBL. Everest has better position in earning good return on total assets than HBL but, Everest has been in a position to have a stable and consistent return on total assets compared to that of HBL. Everest is more consistent and efficient in the use of its equity capital than HBL. Everest is more favorable in relation to the income on total outside assets as well as it has good and stable position. In terms of mobilization of interest-bearing assets than that of HBL but it has paid more interest on total deposits. This increases the profitability and effectiveness of a firm when a firm would like to take risk. Based on the evaluation of the risk ratio, Everest has greater credit risk and unstable credit policy in contrast to HBL. Based on the trend analysis, it is concluded that it is clear that the trend of total deposits, loan and advances and net profit of Everest are increasing and the trend of total investments of HBL is fluctuating similarly, the total deposits, loan and advances and net profit trend are following an increasing trend. The deposits collection position, total investments position and net profit position of Everest are also found to be better than HBL. Everest has also been mobilizing the loan and advances compared to HBL. Based on statistical analysis of financial data of both the banks, it is determined that the total deposits have negative correlation with total investments, total investment and net profit, total investment and loan and advance and total deposit and loan and advance of both Everest and HBL. Implications.

5.3 Implications

This research is likely to certainly render a helpful input to the policy makers of the commercial banks of Nepal and even to the government and the NRB in the process of formulation of proper measures towards the improvement of the financial performance.

The study should be useful to the concerned individuals in the investment and institution sector as well. And also assist in determining the reasons of failure and success of the bank through the different financial and statistical tools.

The research reports assist in acquiring and communicating some practical knowledge on banking and management of the commercial banks in the view of enhancing financial performance.

On the same note, decision to deposit can be made on the money by the depositors, which is also applicable to more individuals and organization like trade creditors, investors, academicians, general population, stockbrokers etc. It will become a significant resource

to the whole person dealing with commerce and banking area.

It is anticipated that this research would certainly offer a beneficial input to the policy makers of these banks. The study would inform the management of the bank through the provision of information that would aid them to make concerted decisions.

This research assistance to depositors is able to make a decision to deposit on their funds. Also accessible to more individuals including and excluding the organization like trade creditors, investors, academicians, general populace, stock brokers etc. Implication on Future Research. The study can assist in acquiring and disseminating some practical information on banding and management of the commercial banks in the light of bettering financial performance.

The research contributes to the financial institution, a feedback to another researcher besides to me. It summary the implication of further research is concentrated at the following points:

Implication for Further Studies

The study can assist in acquiring and disseminating some practical information on banding and management of the commercial banks in the light of bettering financial performance. The research contributes to the financial institution, a feedback to another researcher besides to me. It summary the implication of further research is concentrated at the following points:

i. It will come in handy to the concerned financial institution
ii. It will be important asset in decision making.
iii. It will distribute different information and figures to the necessary individuals, economic planners etc.

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