

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The word “banking” has been derived from French word “Benque” and Italian word “Banca” which means accumulation of money. In Italian business house, banking was called benchi and the word was received from the German word banch which means bank in English. Thus the first meaning of bank is derived from Italian and then from German.

A bank is an establishment of the custody of money, which it pays out on customers’ orders. In other words, bank is an organization that collects the various types of deposit from people. Bank is a mediator between people because it takes deposits in one side and provides the loan to them in other side.

Nowadays, the term bank is generally understood as an institution that holds a banking license. Banking license are granted by bank regulatory authorities and provide rights to conduct the most fundamental banking services such as accepting deposits and providing loans. There are also financial institutions that provide certain banking services without meeting the legal definition of a bank, called non-banking financial company. Banks have a long history, and have influenced economics and politics for centuries. The word bank is derived from the Italian banca, which is derived from German language and means bench. The terms bankrupt and “broke” are similarly derived from banca rotta, which refers to an out of business bank, having its bench physically broken. Money lenders in Northern Italy originally did business in open areas, or big open rooms, with each lender working from his bench or table.

Financial development is one of the key indicators of economic growth for any country and financial institution grant regular energy for investments, which is needed for economic development. Capital formation is one of the important factors for economic development. The capital formation leads to increase in the size of national output, income and employment, solving the problem of inflation, balance of payment and

making the economy free from the burden of foreign debts. Domestic capital formation helps in making a country self-sustainable. According to classical economists, one of the main factors which helped capital formation was the accumulation of capital, profit made by the business community constituted the major part of savings of the community and that saved was assumed to be invested. They thought capital formation indeed plays a decisive role in determining the level and growth of national income and economic development. It seems unquestionable that the insufficient capital accumulation is the most serious limiting factor in underdeveloped countries. In the views of many economists, capital occupies the central and strategies position in the process of economics development in an underdeveloped economy lies in a rapid expansion of the rate of its capital investment so that it attains a rate of growth of output which exceeds the rate of growth of population by the significant margin. Only with such a rate of capital investment, the living standard in a developing country begins to improve. In developing countries, the rate of saving is quite low and existing institutions are half successful in mobilizing such saving as most people have incomes so low that vertically all current income must be spent in maintaining a subsistence level of consumptions. (Higgins; 1968:804)

Deposit mobilization is one of the essential tools for the economic development of an underdeveloped and developing countries rather than the developed countries. It is because the developed countries deposit collection for capital formation due to developed capital market in every sector. Low national income, low per capital income, lack of technical knowledge, vicious cycle of poverty, lack of irrigation and fertilizer, pressure of population increase, geographical conditions etc. are the main problems of developing countries like Nepal. Banking thus increases the supply of funds by collecting lodgments from public and then combining them with its capital and reserve fund. Their lodgments are accepted as current, saving and fixed accounts. Overall, however they fall into demand and time deposits. The former payable as and when demand is made and later after the expiry of stated period. (Nigam; 1987:25)

Enough capital is required for the development of any country. It is the backbone for the development of the nation. Nepal lacks the adequate capital for its development planning.

Due to this reason many development planning are pending. If there is enough capital available, it can be invested into profitable projects and contribute to the National GDP. Investment promotes economic growth and contributes to a nation's wealth. When people deposit money in a saving account in a bank for example, the bank must invest by lending the funds for various business companies. These firms in return, may invest the money in new factories and equipments to increase their production. In addition to this borrowing from the banks, it must issue stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issue bonds to obtain funds to invest in capital incentive project, as the construction of dams, roads and schools. All such investments by individuals, business and government involve a presto sacrifice of income to get and expected future benefits. As a result, investment raises a nation's standard of living. (The World Bank; 1966:232)

Banks today have gained paramount trust of the public. They hold the deposit of millions of persons, government and business units. They make funds available through their lending and investing activities to borrowers, individuals, business firms and government. Thus, their task is to provide a collecting point for saving of relatively small average amount from a large number of individual sources and invest them into a productive and needed sector of the country, so as to develop the nation. The importance of commercial banks may be measured in a number of ways. Banks are still the principal means of making payments, through the checking accounts, credit cards and electronic transfer services they offer. In the same way commercial banks are important because of their ability to create money from excess reserves made available from the public's deposits.

There are currently 32 commercial banks, 87 development banks, 79 finance companies, 21 micro credit development bank, 28 insurance companies, employees provident and one citizen investment trust in Nepal. The stock market is in infancy stage in terms of number of the companies listed and the ratios of market capitalization and turnover to GDP.

1.2 Development of Banking System in Nepal

History of Finance industry in Nepal is not that matured. Comparison can not be made between ancient and modern banks, yet it is necessary to know how the banking system gradually developed to the present state. In comparison to other developing or developed countries, the institutional development of banking system in Nepal is lagging far behind. Nepal had to wait for a long time to come to this present banking system.

As the specific date of the beginning of money and banking deal in Nepal is not obvious, it is speculated that during the reign of the King Mandev, the coin 'Manank' was in use. Historical example as to the pre-modern banking system was found in 723 A.D. when Gun Kam Dev, the king of Kathmandu had brought money to rebuild and rule Kathmandu (NRB- Nepal Bank Patrika; 1980:37). During the reign of Gun Kam Dev, the coin 'Gunank' was in use. Historically, we find the evidence of minted coin of Amshuverma in 7th Century. At the end of 8th century, Shankhadhar, a merchant of Nepal, paid all the outstanding loans of the Nepali people and started a new era (Nepal Sambat). Sadashiva Dev in 12th century introduced silver coins. Jayasthiti Malla, ruler of Kathmandu classified people into 64 different casts on the basis of their occupation towards the end of the 14th century. At that time, king Malla had given the responsibility to a caste of society called 'Tankadhari' whose occupation is to collect and lend money. So, they can be called as traditional bankers. In the same century, copper coins were used by King Ratna Malla of Kathmandu, silver coins by Mahendra Malla and the gold coins by the last Malla King of Kathmandu Jaya Prakash Malla.

Coin Mohar had been used by the great king Prithivi Narayan shah in his name, after the unification of Nepal. During the reign of Ranodip Singh, an office named 'Tejarath' was established in Kathmandu in 1877 A.D. It is used to provide loans to the government officials and the people against deposit of gold and silver. It was the first institutional financial intermediaries at the time. Although it played a vital role in the banking system, it provided credit facility to only the government officials.

Though all the banking activities were not performed by Tejarath Adda, during the tenure of the Prime Minister Ranodip Singh, modern banking practices began with the establishment of the first banking institution, Nepal Bank Limited. The Nepal Bank Limited was established in 30th June 1948 A.D. as a joint venture of the government and private individuals. Before the inception of this bank, the traditional ways of banking seem to be in existence even today.

The central bank helps the government to control, direct and formulate other monetary policies. Nepal Rastra Bank was set up in 1964 A.D. As central bank and since then it has contributed to the growth of financial sector. Speedy development of the country is possible only when comparative banking service reaches each and every corners of the country. Government has set up Rastriya Banijya Bank in 1966 A.D. as a fully government owned commercial bank and agriculture development bank was established in 1968 A.D.

1.3 Introduction of the Himalayan Bank

Himalayan Bank Limited was incorporated in 1992 A.D. by distinguished business personalities of Nepal in partnership with employee provident fund and Habib Bank Limited, one of the largest commercial bank of Pakistan. Banking operation was commenced from January 1993 A.D. It is the first joint venture bank managed by Nepali chief executive. Besides, commercial activities, bank also offers industrial and merchant banking facilities.

At present, the bank has fifteen branches in Kathmandu valley namely Thamel, Newroad, Maharajgung, Patan, sorakhutte , Suryabinayak, Dillibazar, Battisputali, Teku, Swayambhu, Kalanki, New Baneshwor, Satdobato, Chabahil, Kausaltar. Besides these, it has twenty four branches outside the Kathmandu valley namely Banepa, Tandi, Bharatpur, Birgunj, Hetauda, Bhairahawa, Pokhara, Biratnagar , Dharan, Nepalgunj, Barabise, Dhangadi, Butwal, Parsa, Damak, Itahari, Trishuli, Ghorahi, Gorkha, Baglung, Palpa, Kawosati, Dhading, Rambazar. The bank has a very aggressive plan of establishing more branches in different parts of the country in near future.

Table 1- Share Capital (NRs In million)

Particulars	F.Y. 2011/12
1. Share Capital	
1.1 Authorized Capital	3000.00
a. 30,000,000 ordinary shares of Rs. 100 each	3000.00
1.2 Issued Capital	2400.00
b. 2,40,00,000 ordinary shares of Rs. 100 each paid up	2400.00
1.3 Paid Up Capital	2400.00
c. 2,40,00,000 ordinary shares of Rs. 100 each paid up	2400.00
1.4 Bonus Share	360.00
d. Proposed Bonus Shares	360.00
Total	2760.00

(Source: - Annual Report of HBL 2011/12)

Himalayan Bank has always been committed to provide a quality service to its valued customers, with a personal touch. All customers are treated with utmost courtesy as valued clients. The Bank, wherever possible, offers tailor made facilities to its clients, based on the unique needs and requirements of different clients. To further extend the reliable and efficient services to its valued customers. HBL has adopted the latest banking technology. This has not only helped the bank to constantly improve its service level but has also prepared the bank for future adaptations to new technology. The bank already offers unique services such as short message sent (SMS) banking and internet banking to customers and will be introducing more services in the near future. (www.himalayanbank.com)

1.4 Focus of the Study

The development of a nation depends upon its domestic resources. Banking sector plays vital role in allocation and utilization of such resources. Integrated and speedy development of a country is possible when competitive banking services reaches every corners of the country. It provides capital for the development of industries trade and business. Without banking sectors the development of the country is not possible.

The commercial banks can play a vital role in mobilizing the resources in developing as well as developed countries. These institutions can induce the public to save their valuable fund. They can help to monetize the society. In this way the savings can enter into the banking channel from the informal sector. Banks are the financial intermediaries; they collect the surplus money in the form of deposit and provide loans to deficit sectors. In between, they follow credit creation process. In this way they bridge gap between surplus sector and deficit sector.

Thus this study deals with the liquidity, efficiency, profitability and risk position of commercial banks as an aid to economic development of the country by making survey of deposits and credits of commercial banks and their utilizations to fulfill the financial needs of the different sectors of the economy.

1.5 Statement of Problem

Nepal is underdeveloped country and rapid economic development is the basic need of the country. Development by its means is not problem within a short period and it takes a long time. For the proper development of a country, it has to build up infrastructure. In Nepal, the process of development started only after 1957 A.D. when the first five year plan came into practice.

Capital plays an important role in the banking sector. It is a requisite from the promotional stage up to the end of a banking sector. No banking transactions can be operated without capital. So, capital is labeled as 'life blood' of banking sector. The capital can be collected from the various sources such as shares, debentures, public deposits, bank loan etc. Generally, there are various sources of accumulating capital internal and external. Aid, grants and loans are the main external sources whereas taxes, public enterprises, and public debts are the popular internal sources in our country. But due to under-development, poverty, lack of banking knowledge etc. the desired capital for the development of the country can't be accumulated form those internal sources.

The negligence and corruption made by management level, over-staffing, lack of social obligation, lack of proper control and directions are the reasons that are facing by the

Nepalese commercial banks. New entry of banks and financial companies has made the tough competitions between them. Most of the people of Nepal are illiterate and people are unaware about the banking system. These commercial banks are active only in urban sector because they can grab great opportunity for the maximization of profit. Rural areas are being neglected. There are only five rural development banks active in Nepal and the banking transactions are also minimal in comparison to the operating expenses of the bank. The problems specially related to deposit mobilization of commercial banks in Nepal have been presented below: -

- i. How to utilize the deposits of commercial banks?
- ii. What is the management attitude towards risk?
- iii. How to build the image of the bank through liquidity management?
- iv. Is the composition of liquid assets appropriate?
- v. How to build deposit mix?

1.6 Objective of the Study

The main objectives of this thesis are to analysis the trend of deposit mobilization of Himalayan Bank Limited. The objective of the study are as follows:

- i. To find out the relationship between deposit collection & utilization.
- ii. To analyze the deposit mobilization policy of HBL.
- iii. To analyze the trend of deposit mobilization of HBL.
- iv. To find out the deposit mix and liquidity position.
- v. To provide necessary recommendations to the concern person.

1.7 Significance of the Study

Development of banking system plays an important role in the growth of any economy. Banking industry is an important institution for accelerating the process of development through deposit mobilization. In Nepal, banking industry is also playing vital role for the

development of the nation. According to the NRB research report banking and financial institution are contributing around 10% to its national GDP. Due to the lack of proper infrastructure, commercial banks are handicapped to reach rural areas. Banking services are provided only on the urban areas. Thus, NRB need to amend its certain rules to motivate commercial banking to incorporate their branches even in the rural areas.

Mainly, this study covers the deposits and credit portion of HBL. So it helps to reveal the financial position of the bank and study occupies an important role in the series of the studies of HBL. The Significances of the study are: -

- i. This study is important to banks to make policies based on recommendations and suggestions for doing project work.
- ii. This study encourage the researcher to research further.
- iii. It is important for investors, customers and personnel of bank to take various decision regarding deposit and loan & advances.
- iv. This study is important to know how well the bank is utilizing deposit.

1.8 Limitation of the Study

Every research has its own limitations. The main focus of this study is to point out the financial position and its analysis of banking sectors. Preparations of multiple financial statements are common practices in private sector. So, the conclusion is based on the available financial statement which might not be perfectly correct in reality. However, following are the limitations of the study:

- i. The study has been confined to only one bank i.e. HBL
- ii. Study is based on secondary data. It is done mostly on the basis of published financial documents like balance sheet, profit & loss a/c, other related journals and magazines.
- iii. This report has taken only 5 years data for the study from the year 2006/07 to 2010/11.
- iv. The study follows the tools like ratio analysis, mean, correlation coefficient, coefficient of variation etc.

1.9 Organization of the Study

The first chapter includes general background of the study, historical perspective of banking industry, overview of sample banks, statements of the problem, objectives of the study, significance of the study and limitation of the study.

The second chapter, Review of Literature contains the review of related books, journals, and past research works.

Similarly the third chapter expresses the way and the technique of the studying applied in the research process. It includes research design, population and sample, data collection procedure and processing, tools and methods of analysis and findings of the study.

The fourth chapter is the important chapter in which collected and processed data are presented, analyzed and interpreted with using financial tools as well as statistical tools.

Finally, the fifth and the last chapter provide the summary of the study, conclusion and recommendations which are forwarded to the related banking industry for utilization and mobilization of their deposits.

CHAPTER II

REVIEW OF LITERATURE

In this chapter, a relevant study has been made to know the opinion of other researchers and authors related to deposit mobilization of commercial banks in Nepal. Only the relevant literatures have been reviewed. Every possible effort has been made to grasp knowledge and information that is available from the concerned commercial banks. This chapter helps to take adequate feedback to broaden the information base and inputs to my study. In this chapter inputs are reviewed as follows.

2.1 Conceptual Review

Under this heading the concept of the bank and banking transactions are described after reading thoroughly the available books.

2.1.1 Modern Banking in Nepal

Nepal Bank Ltd. is the first modern bank of Nepal. It is taken as the milestone of modern banking of the country and was established in 1937 A.D. From the beginning, it has rendered the following services to the customers: -

- a. Accept deposit.
- b. Extend loan.
- c. Render customer-related service i.e. issue of bill of exchange, hundies.
- d. Invest in government bonds and securities.
- e. Perform agency function.
- f. Act as banker to the government.

Until mid 1940s, only metallic coins were used as medium of exchange. So the Government of Nepal felt the need of separate institution or body to issue national currencies and promote financial organization in the country. Hence, the NRB Act 1955

was formulated. Accordingly, Nepal Rastra Bank was established in 1957 A.D. as a central bank of Nepal.

A sound banking system is important for smooth development of banking system. It can play a key role in the economy. It gathers saving from all over the country and provides liquidity for industry and trade (Singh, 2006:13). In 1958 A.D., Industrial Development Bank was established to promote the industrialization in Nepal, which was later converted into Nepal Industrial Development Corporation (NIDC) in 1960 A.D.

Rastriya Banijya Bank was established in 1966 A.D., as the second commercial bank of Nepal. The financial shapes of these two commercial banks have a tremendous impact on the economy. That is the reason why these banks still exist in spite of their bad position.

As the agriculture is the basic occupation of major Nepalese, the development of this sector plays the prime role in the economy. So, separate Agricultural Development Bank was established in 1960 B.S. This is the first institution in agricultural financing.

After that for more than two decades, no more banks have been established in the country. Only after declaring free economy and privatization policy, Government of Nepal encouraged the foreign banks for joint venture in Nepal. As a result, Nepal Arab Bank Ltd. (NABIL) was established in 1985 A.D. This is the first modern bank with latest banking technology.

Then lots of commercial banks have been opened in the country. Nepal Indosuez Bank was established in 1986 A.D. as a private joint venture Bank. Nepal Grindlays Bank was established as a joint venture between Grindlays and Nepal Bank Ltd. This bank is now known as Standard Chartered Bank since July 2001. The growth of modern banking has started only after the opening of Nepal Indosuez Bank and Nepal Grindlays Bank. In 1993 A.D., Himalayan Bank Ltd. was established with a joint venture with Habib Bank of Pakistan. It started its operation with paid-up capital of Rs. 60 millions. Nepal SBI Bank Ltd. is a joint venture between Employees Provident Fund and State Bank of India which was established in 1994A.D. The State Bank of India holds 50% of the equity. Nepal Bangladesh Bank was established in 1995 A.D. in technical collaboration with

IFIC Bank Ltd. of Bangladesh. After that Everest Bank Ltd. started its operation in 1995 A.D. It entered into joint venture with Punjab National Bank of India (PNB). PNB holds 20% equity stakes in the banks. Bank of Kathmandu was established with a joint venture with Siam Commercial Bank of Thailand. Nepal Bank of Ceylon is a Joint venture with a leading bank of Sri Lanka. Lumbini Bank was established in the year 2000 A.D. in Narayangadh. This is the first regional Bank of Nepal. Nepal Industrial and Commercial Bank was established in 2000 A.D. It does not have any joint venture yet. But it has employed senior managers from India to handle its operation. Machhapuchre Bank started its operation from 2001 A.D. with its head office in Kathmandu. This bank has introduced internet banking which is a Hi-Tech Banking system of the world. Lately, Laxmi Bank was established in 2002 A.D. Its head office is situated in Kathmandu.

Now there are 32 commercial banks in Nepal. Among them, some banks have been opened by private sector in joint venture with foreign banks. Other commercial banks later established in the country. These commercial banks have played a very significant role in creating banking habit among the people, widening area and serving business communities and the government in various ways.

2.1.2 Concepts of Commercial Bank

A bank is a business organization that receives and holds deposits of funds from others make loan or extents credits and transfer funds by written order of deposits (The Encyclopedia America; 1985:302)

A commercial banker is a dealer in money and substitutes for money and substitutions for money, such as cheque or bill of exchange. It also provides a variety of financial service (The New Encyclopedia Britannica; 1985:14.60)

In the Nepalese context, commercial bank act, 1974 A.D. defines “A commercial bank is one which exchanges money, deposits money, accepts deposits, grants loans and performs commercial banking functions (Commercial Bank Act; 1974 A.D.)

Commercial banks are those banks which perform all kinds of banking functions such as accepting deposits, advancing loans, credit creation and agency functions. They provide short term loan, medium-term loans and long-term loans to different business house and trading companies. NRB act 1975A.D. has defined the meaning of commercial bank as the bank which performs the commercial functions.

Commercial banks are those banks that pool together the savings of the community and arrange for their productive use. They supply the financial needs of modern business by various means. They accept deposits from the public on the condition that they are repayable on demand of short notice. Commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short term needs of trade and industry such as working capital financing. They can not finance in fixed assets. They grant loans in the form of cash credits and overdrafts. Apart from financing they also render services like collection of bills and cheque, safe keeping of valuables, financial advertising etc. to their customers (Vaidya, S.; 2001:38)

A commercial bank can be defined as an institution which deals in money in the words of the Crowther “Banks collect money from those who have it to spare or who are saving it out of their income and lend this money out against goods security to those who requires it” (Crowther, S.R.; 1985:58)

Hence, we can conclude from the above that the commercial banks are established under the rules and legislation of the central bank of the country. It has to move as per the directives given by the central banks. Though banks are established for the mobilization of the saved fund, central bank makes certain rules so that the public or the customer of the bank may not undergo on loss of their hard earned money by the disinvestment procedure of the bank.

2.1.3 Types of Banks

There are several different types of banks which are formed due to their nature and objectives, which are as follows: -

2.1.3.1 Central Bank

It is the guardian of the entire banking system. All other banks are required to comply with instructions of the central bank. It is the regulating and controlling authority. Usually, central bank control monetary policy and may be the lender of the last resort in the event of the crisis. They are often charged with controlling the money supply, including printing paper money. Bank of England (1694 A.D.) is the first central bank. Now, almost all the countries have their own central banks. The central bank of the Nepal is Nepal Rastra Bank. (1957-6-29 A.D.)

2.1.3.2 Commercial Bank

Commercial bank collects deposits, issue short-term credit, provides necessary facilities for trade, payments and renders various kinds of common commercial services. Nepal Bank Limited was established on 30th January 1957 A.D. and is the first commercial bank in Nepal.

2.1.3.3 Agriculture Bank

Agriculture banks are specialized banks that are specialized in providing financial facilities for agriculture sector. Farmers need short term loans for input procurement, medium term loans for major agricultural equipment and long term loans for land improvement and major facilities. It is also called cooperative banks.

2.1.3.4 Development Bank

Development Banks are established for development of certain sector. They normally give long-term loan and provide technical and other advice as well as Origin of development banks dates back to industrial revolution in U.K.

2.1.3.5 Savings Bank

Small savings of numerous households are collected by savings banks and are made available for useful investments. Households deposit their small savings in boxes given to

them. Their objective is to encourage thrift and make small savings available for useful investment.

2.1.3.6 Merchant Bank

Merchant banks were traditional banks which engaged in trade financing. The modern definitions, however, refers to a financial institution that specializes in providing various financial services such as hire purchase or installment buying, international trade financing, acceptance of exchange bills, long term loans and so on. It provides advice on portfolio management. Unlike venture capital firms, they tend not to invest in new companies. In Nepal, finance companies involve in merchant banking activities.

2.1.3.7 Postal Savings Bank

Postal savings banks are savings associated with national postal systems. Japan and Germany are examples of countries with prominent postal savings banks.

2.1.3.8 Retail Bank

In the retail banks, primary customers are individuals. An example of a retail bank is Washington mutual fund of the U.S.A.

2.1.3.9 Land Development Bank

Land development banks were known as land mortgage banks in the earlier time. They provide long term loans against security and mortgage of land and property.

2.1.3.10 Universal Bank

Universal bank is a joint bank. It serves purposes of commercial banking and investment banking. It collects deposits and provides loans as commercial banks. Almost all large financial institutions are diversified and engaged in multiple activities. For example, Citigroup, a very large American bank, is involved in commercial and retail lending. It owns a merchant bank (Citicorp Merchant Bank Limited) and an investment bank

(Salomon Smith Barney). It operates a private bank (Citigroup private bank). Finally, its subsidiaries in tax have offer offshore banking services to customers in other countries.

2.1.4 Functions of the Commercial Banks

Banks collect unused money from public by providing attractive sound interest and can earn profit by lending it on mainly in business organization, industrial and agriculture sectors and investing in government bonds. So, the main function of commercial banks is to mobilize idle resources in productive areas by collecting it from scattered sources and generating profit. There are many functions performed by commercial banks which may be summarized as follows: -

a) Accepting Deposit: - The main objective of the commercial banks is to collect the deposit. Commercial Bank accept the deposit from the public who has surplus fund.

-) Saving Account
-) Current Account
-) Fixed Account

b) Advancing loans and advances:- Commercial bank collects funds by taking all kinds of deposits and then, mobilizes by providing loans and advances. Direct loans and advances are given to all types of person against the personal security of the borrowers or against the security of movable and immovable properties. There is various methods of advancing loans.

-) Overdraft
-) Cash credit
-) Direct loans
-) Discounting bill of exchange, etc.

c) Credit Creations: - Commercial banks create credit on the basis of deposits. They hold a certain amount of cash reserve to meet obligations. The rest of the deposit amount is invested in loan finance that yields higher rates of interest as compared to

those payable on deposits. When the bank advances loans, it opens an account to draw the money by cheque according to borrower's needs.

d) Other functions: - Other functions of the commercial banks are as follows :-

-) Assist foreign trade
-) Offers security brokerage services
-) Financial advising
-) Security brokerage service.

2.1.5 Concept of Deposit and Deposit Mobilization

The excess of income over consumption requirement is saved. Such savings are deposited in commercial banks, even amounts to be spent for consumption purposes are deposited in commercial banks. Payment for goods and services is made in cheques drawn on banks. Banking habit is growing faster. People deposit their earnings in commercial banks because banks vaults are safer than home coffers and they pay interest according to the kind of deposits.

It is important that the commercial bank's deposit policy is the most essential policy for its existence. The growth of banks depends primarily upon the growth of its deposits. The volume of funds that management will use for creating income through loans and investment is determined largely by the bank's policy governing deposits. In other words, when the policy is restrictive, the growth of bank is restated or accelerated with the liberalization in the deposit policy. In banking business, the volume of credit extension much depends upon the deposit base of a bank. The deposit creating powers of commercial banks forces to raise the assets along with the liabilities side of the balance sheet. In other words, assets give rise to liabilities. Traditionally, the deposit structure of a commercial bank was thought to be determined by the depositors and not by bank management. There are regular changes in this view in the modern banking industry. Thus banks have evolved from relatively passive acceptors of depositors to achieve bidders for funds. Depositors are one of the aspects of the bank liabilities that management has been influencing through deliberate action. (Vaidya, S.E.; 1999:68)

Thus, bank deposit is subject to various form of classification. The deposits are generally classified based on ownership, security and the availability of funds. There are two types of deposit which are as follows.

a) Interest Bearing Deposit: - Deposit in which banks are required to pay interest is known as interests bearing deposit. Saving, Term (Fixed), Call and Recurring deposit.

(i) **Saving Deposit:** - A saving deposit is one in which middle class people and general server open a limited amount of money that can be withdrawn and low level of interest will be provided by bank. This is a very common and general deposit account, which is suitable for those classes of people who want to save some portion of their earnings or the money left after the consumption. Initial deposit as decided by the bank must be made to open the Saving Accounts. There are some restrictions in withdrawing money at the same time the limitation depends as per nature of the economy and from one country to the other country or every one bank to the other.

(ii) **Fixed Deposit of Time Deposit:** - This is a kind of deposit in which banks offers fixed interest rate on the deposit and repays principal together with interest at fixed maturity or pays interest on regular interval. So the money deposited in this account can be utilized by banks for medium or long term credit freely being confident that the depositors will not come to claim until the time lapses. Normally higher interest rate is offered for long term deposit and lower interest rate for short term deposit. The time deposit is the main source of commercial banks for their credit operation. Investment in medium term and long purposes is possible only through this type of deposit. However, the depositor can take loan under security. In this context of Nepal, fixed deposit has been classified according to the following durations: -

Ñ Quarterly

Ñ Semi-annually

Ñ Annually

Ñ Annually and above

(iii) **Call Deposit:** - Call deposit incorporates the characteristics of current and saving deposit in the sense deposit is withdrawn able at 'call' and savings in as dense the deposit earns 'interest'. The companies not entitled to open savings account can open the call accounts. Interest rate on call deposit is negotiable between the bank and the depositors and hence, is normally not published in public.

Interest rate is applied on daily average balance. Withdrawal restriction is not imposed on call deposit but the balance should not go below an agreed level (Dahal, Sarita and Dahal, Bhuban; 1999:30)

(iv) **Recurring Deposit:** - Concept of recurring deposit was developed to encourage the thrift among people of fixed regular earning. In recurring deposit scheme, the depositor is required to deposit the fixed amount in each installment and is repaid fixed amount at maturity.

b) **Non-Interest Bearing Deposit:** - It is the deposit in which the banks need to pay interest for the customer of their savings. It is because in this types of deposit customers can withdraw the money at any time or can withdraw daily and the bank could not employ the amount in profitable projects that's why it does not pay any interest in this type of account. Current and margin deposit are non interest bearing deposit.

(i) **Current Deposit:** - The current deposit account generally opened by the business persons. They are allowed to withdraw and deposit the money according to their needs. There is no limitation of withdrawing the money. Therefore, these types of deposits are for those people who may need money at uncertain times.

(ii) **Margin Deposit:** - Banks issue letter of credit, guarantee and indemnity etc. on behalf of the customer for a specified sum of money. These amounts have to be paid to the **beneficiaries** of aforesaid instruments provided they claim as per the terms and conditions agreed upon. Thus, banks are exposed to contingent liability. To reduce the liability banks ask customer to deposit a certain amount as the margin deposit.

Banks open the fictitious margin account in the name of the borrower to put such amount and interest is not paid in such deposit. Margin deposit is required to the customer if the claim is not lodged by the beneficiary. In the case of claim, the amount is utilized to honor the claim. The customer is asked to cover the shortfall if any (Dahal, Sarita and Dahal Bhuban; 1999:32)

Mobilization of resources also could be understood as the task of transferring the saving from those who save to those who are prepared to invest.

Therefore, the main objective of deposit mobilization is to convert idle savings into active saving. When discussing about resource mobilization we are mainly concerned with increasing the income of low-income group and to make them able to save more and to invest against the collected amount in the development activities.

It is quiet understandable that comprehensive and highly objective credit polices are to be prepared and implemented effectively by the commercial banks. However, when the banks are to lend more and more credit as necessity, the sources of such loans and advances become a matter of serious consideration. Primarily, the deposit of the banking system would increase, if the structural change in one banking habits and practices and other institutional improvements are in progress. Secondly, increase in bank deposits should emanate from increase in advances. It is known fact that every loan creates deposits through of course in different proportion. The range of propensity to deposit out of loans received is between zero and one. Greater the degree of propensity to deposit out of new loans larger will be the deposits with banks. High propensity to deposit out of loans reflects low desire of people to hold cash with themselves in relation to bank deposits. In other words, this indicates increased banking habit and practices among the public at least of those who benefit through bank loans (Joshi, V.R.; 1990:57)

Thus it is cleared that commercial banks are set up with a view to mobilize national resources. The first condition for national economic development is to be able to collect more and more deposits. In this context, the yearly increasing rate of commercial bank's deposits clearly shows the satisfactory progress of deposit mobilization.

Therefore, there is need of a huge amount of capital and the objective of deposit mobilization is to collect the scattered capital in different forms within the country. It is much more important to analyze the collected deposit in the priority sector of country. In the context of developing country like Nepal we have to promote our business and other sectors by investing the accumulated capital towards productive sectors. The need of deposit mobilization is felt to control unnecessary expenditure. If there is no saving, the extra amount that the people have, can flow towards buying unnecessary and luxury goods. Thus, the commercial banks are playing vital role for national development. Deposit mobilization is necessary to increase their activities. To increase saving is to mobilize deposit, it is because if the product of agriculture and industrial product increase it gives additional income which help to save more and ultimately it plays a good role in deposit mobilization.

2.1.6 Deposit Mobilization

Collecting small scattered amount of capital through different media and investing the deposited fund in productive sector with a view to increase the income of the depositors is meant deposit mobilization. In other words, investing the collecting fund in the productive sectors and increasing the income of the depositors, also supports increase in the saving through the investment of increased extra amount (NRB, Bankers Prakashan; 1984:24.12)

When we discuss about deposit mobilization, we are concerned with increasing the income of the low income group of people and to make them able to save more and invest the collected amount in the development activities (NRB, Bankers Prakashan; 1984:24.10)

Saving refers to that part of the total income which is more than the expenditure of the individual. In other words, $\text{saving} = \text{total income} - \text{total expenditure}$. Basically, saving can be divided into two parts voluntary saving and compulsory savings. Among deposited in different accounts of commercial bank, investment in government securities

are some examples of voluntary saving. A commercial bank collects deposit through different accounts like fixed, saving and current.

In developing countries there is always a shortage of the capital for developmental activities. There is need of development in all sectors. It is not possible to handle and develop all the sectors by the government alone at a time, private people also can not under take large business because the per capita income of the people is very low while their propensity to consume is very high. Due to the low income, their saving is very low and capital formation is also very low. So their saving is not sufficient for carrying on developmental works.

To achieve the higher rate of growth and per capita income, economic development should be accelerated. "Economic development may be defined in a broad sense as a process of rising income per head through the accumulation of capital"(Johnson; 1965:11). But how capital can be accumulated in the developing countries, there are two ways of capital accumulation in the developing country, one from external sources and other from the internal sources. In the first group foreign aid, loans and grants are the main. While in the later financial institutions operating within the country play a dominant role. In the context of Nepal, commercial banks are the main financial institutions which can play very important role in the resource mobilization for the economic development in the country. Trade, industry, agriculture and commerce should be developed for the economic development.

Capital formation is possible through collecting scattered unproductive and small savings from the people. This collected fund can be utilized in productive sector to increase employment and national productivity. Deposit mobilization is the most dependable and important source of capital formation (RBB, Upahar; 2000:4.14)

Deposits, such as current, saving and fixed deposits are the main part of the working capital. It is due to this reason that banks keep their deposit mobilization campaign always in full swing taking resort to every possible means lying at their deposit (NRB, Nepal Bank Partika; 1984:13.2)

Commercial banks are set up with a view to mobilize national resources. The first condition of National Economic Development is to be able to collect more and more deposit. In these contexts, the yearly increasing rate of commercial banks deposit clearly shows the satisfactory progress of deposit mobilization. (RBB, Upahar; 1998:3.20)

Huge inflow of remittance has been one of the major factors in the high growth of deposit mobilization during last couple of years. According to the NRB statistics, the total formal remittance volume during last fiscal year was almost Rs. 60 billion, which was almost 13 percent of GDP.

As a result of this growing remittance inflow last year, the deposits of commercial bank has grown by almost 14% and had touched almost Rs. 105 billion from Rs. 92 billion recorded a year earlier. Similarly, the deposit mobilization of the finance companies had also witnessed a growth of over 17 percent during the same period.

Commencing over the slow growth of deposits, Kishor Maharjan, deputy general manager of Himalayan Bank Limited said that the low growth in deposit mobilization could largely be attributed to the decline in remittance collection. “The major reason for the modest growth in deposit mobilization, is largely due to high decline in remittance income,” said Maharjan, “however, I believe, it is a temporary phenomenon and the remittance collection will bounce back in coming days” (www.kantipuronline.com)

2.1.7 Requirement for Deposit Mobilization

The following are some reasons why deposit mobilization is needed in the developing country like Nepal: -

-) Capital is needed for the development of any sector of the country. The objective of deposit mobilization is to collect the scattered capital in different forms within the country.
-) The need of deposit mobilization is felt to control unnecessary expenditure, if there is no saving, the extra money that the people have, can flow forwards buying unnecessary and luxury goods. So, the government also should help to

collect more deposit, steeping legal procedures to control unnecessary expenditures.

- J Commercial banks are playing a vital role for National Development. They are granting loan not only in productive sectors but also in other sectors like food grains, gold, silver etc.
- J It is much more important to analyze the collected deposit in one priority sectors of a country. In our developing country's we have to promote our business and other sectors by investing the accumulated capital towards productive sectors.

2.1.8 Advantage of Deposit Mobilization

The advantage of deposit mobilizations are as follows: -

- (i) **Circulation of Idle Money:** - Deposit mobilization helps to circulate idle money. The meaning of deposit mobilization is to convert idle saving into active saving. Deposit mobilization helps the depositor's habit of saving and it also help to circulate the idle saving in productive sector. This helps to create incentives to the depositors.
- (ii) **To support Fiscal and Monetary Policy:** - Fiscal policy of the government and monetary policy of the central bank for economic development of a country can be supported by deposit mobilization. Deposit mobilization helps to canalize idle money in productive sector. Again, it helps in money supply, which saves the country from deflation and helps central banks objective in monetary policy.
- (iii) **Capital Formation:** - Capital plays a vital role for the development of industries. But in an under developed country, there is always lack of capital to support such industries. Capital formation and industrialization is possible through deposit mobilization.
- (iv) **Development of Banking Habit:** - One important side of economic development of a country is to increase banking habit in the people. Deposit mobilization helps in these aspects. If there is proper deposit mobilization, people believe on the bank and banking habit will develop among the people.

- (v) To support Government Development Projects: - Every underdeveloped country's government needs a huge amount of money for development projects. The deposit collected by the commercial banks can fulfill to some extent the need of money to the government.
- (vi) To promote Cottage Industries: - Deposit mobilization is needed to facilitate cottage industries located in rural and urban areas. If the bank utilizes the collected deposit in the same rural or urban sector for the development of cottage industries, it is helpful not only to promote cottage industries in the area, but also support in the development of the locality as a whole increasing employment and income of the local people.
- (vii) To Check up Misuse of Money: - Mostly our customs and habits are supported by social and religious believe. There is also tendency of copying others and to show their superiority buying unnecessary and luxury items in our society. In such society, deposit mobilization proves a tool to check up the misuse of money.
- (viii) Others: -Deposit mobilization supports small savers by earning interest. It also helps for the development of rural economy, protects villagers from being exploitation of indigenous bankers, increase investment incentives, provides facilities to the small farmers to purchase tools and fertilizers etc. So commercial banks play an important role for the economic development not only in a development country but also in a developing country.

2.1.9 Loans and Advances

The core function of commercial bank is the granting of credit. Although banks offer wide range of financial services, lending has traditionally been their main function. Banks profess experience, expertise and flexibility in lending which gave them clear competitive advantage over all other financial institution. Bank credit has been responsible for the development and growth of many small and moderate size business that otherwise would have withered and died by providing credit, banks have contributed to the growth of their respective communities and advances of local well being. (Vaidya, S; 1999:74)

Commercial bank provides loan to the public through which it creates the credit for the community. Commercial banks mobilize their funds mainly in loan and advances. Loan and advances is the risky assets. There is high ratio of risk on granting loan. Since, loan and advances is risky there is the possibility of high rate of return. Banks loans and advances contribute high ratio in the profit of the banks. It is the instrumental in creating and maintaining good deposit relationship which are essential for the furthering of bank's lending. Making loan is the principle economic functions of banks. Therefore, how well a bank performs its lending function has a great deal to do with the economic health of the country because bank loans support the growth of the new business and jobs within the bank's trade territory and promote its economic activity.

Through banks loan and advances are the important factor for getting profit to the bank it should not grant loan haphazardly. It should analyze the creditor before the approval of the loan. A manager must consider character, capacity and capital of the borrower. Another thing in lending is always influenced by the safety, recovery and return. The four conditional principles determine the spread of loans and advances. They are: -

-) How to be safe?
-) How to meet demand?
-) How to meet the cost?
-) How to bring about the development in terms of achieving social objectives?

Generally a bank grants two types of loan i.e. short-term loan and long-term loan against the security. Security is necessary in case of the default of the payment. Banks can sell the property if due balance are not repaid in time with the interest.

2.1.10 Investment and Investment Policy

2.1.10.1 Investment

Investment is simply defined to be the sacrifice of current consumption for future consumption whose objective is to increase future wealth. The sacrifice of current consumption takes place at present with certainty and the investors expect desired level

of wealth at the end of his investment horizon. The general principle is that the investment can be retired when cash is needed. The decision of investment is now the most crucial decision as the future level of wealth is not concern. Time and risk are the two conflicting attributes involved in the investment decision. Broadly, investment alternative fall into two categories: real assets and financial assets. Real assets are tangible while financial assets involve contracts written on pieces of papers such as common stocks, bonds and debentures. Financial assets are brought and sold in organized security markets.

2.1.10.2 Investment Policy

The initial step, setting investment policy, involves determining the investment objective and the amount of his or her investable wealth because there is a position relationship between risk and return for sensible investment strategies. It is not appropriate for an investor to say that his or her objective is to ‘make a lot of money’. What is appropriate for an investor in this situation is to state that the objective is attempt to make a lot of money while regarding that there is same chance that large loss may be incurred. Investment objective should be stated in terms of both risk and return (Jack Clark Francis; 2003, sixth edition)

2.1.10.3 Characteristics of Sound Investment Policy

Some of the main characteristics of sound lending and investment policies are given below:-

Liquidity: - People deposit money at bank in different account with confidence that the bank repay there money when they are in need. To maintain such confidence of the deposits the bank must keep this point in mind while investing its excess fund in different securities or at the same time of lending so that it can meet current or short term obligation when they become due for payment.

Safety and Security: -The bank should invest its funds in those securities, which are subject to too much depreciation and fluctuation because little difference may cause a

great loss. It must not invest its funds into speculative businessman who may be bankrupt at once and who may earn million in a minute also. The bank should accept the type of securities which are commercial, durable and marketability and have high market price.

Profitability: - Commercial banks can maximize its volume of wealth through maximization of return on their investment and lending. So, they must invest their fund where they gain maximum profit. The profit of commercial banks mainly depends on the interest rate, volume of loan, its time period and nature of investment in different securities.

Legality: -Illegal securities will bring many problems for the investors. Commercial banks must follow a rules and regulations as well as different direction issued by NRB, ministry of finance and others while mobilizing its deposits.

Purpose of Loan: - The loan should be utilized in purposed plan. Every thing related with the customer should be examined before lending. If borrower misuses the loan granted by the bank they can never repay and bank will posses heavy bad debts. Detailed information about the scheme of the project activities should be examined before lending.

2.1.11 Deposit Mobilization Institution in Nepal

There are mainly seven types of deposit mobilization institutions in Nepal.

Commercial Banks: - There are 32 Commercial banks in the country as June 2012 A.D. The number of commercial banks branches as June 2012 A.D. is more than 1100.

Finance Companies: - At July 2010 A.D. there are 79 finance companies in operations throughout the country. Out of these 85 finance companies are operating in central development region and other 19 are rendering their services outside central development region.

Development Banks: - There are altogether 87 development banks including Agriculture Development Bank as July 2010 A.D. Out of these, 54 banks are operating in central development region.

Rural Development Banks: - There are 5 rural development banks, one in each five development region as December 2010 A.D.

Saving and Credit Co-operatives: - There are 9187 saving and credit co-operatives which are depositing small amount of large deposits.

Insurance Companies: - There are 28 insurance companies which are depositing money by insuring human to non- human bodies such as goods, vehicles houses etc.

Non-governmental Organization: - Non governmental organization such NGO's and INGO's which are operating in the country collects deposits by other countries in form of donations, collecting money etc.

2.2 Review of Related Studies

In this segment it has tried to write the major findings of the various related articles issued by various magazines on different time period and the major findings and analysis of the various thesis that are found to be related to the study.

2.2.1 Review of Articles/Journals

In this section effort has been made to examine and review of some related articles in different economic journals. World Bank discussion papers, magazines, newspapers and other related books.

Pyakural Bishowambhar (1987) in the article writes, "The present changing context calls for a substantial revitalization of the resource. How much they have gained over the years depends chiefly on how far they have been able to utilize their resources in an efficient manner. Therefore, the task of utilization of resources is as much crucial as the mobilization. The under utilization of resources not only results in loss of income but also goes further to discourage the collection of deposit," Thus in his paper he has emphasized on proper utilization of mobilized resources and profitability increment.

Kafle Ramesh (1990) in the topic, “Monetary and Financial reports in Nepal” states that consideration and liberalization of interest rate reform measure are initiated with a view to provide more option to commercial banks in the mobilization of savings and portfolio management through market determined interest and lending rates.

Shrestha Sunity (1997) in the article has presented the objective to make an analysis of contribution of CBs leading to the gross domestic product of Nepal. The writer has set hypothesis that there has been positive impact of lending of CBs to the GDP. In research methodology, the writer has considered GDP as the dependent variable and various sectors of lending viz. agriculture, industrial, commercial, service and general and social sectors as independent variables. A multiple regression techniques have been applied to analyze the contribution.

The multiple analyses show that the entire variable except service sector lending has positive impact on GDP. Thus in conclusion the writer has accepted the hypothesis i.e. there has been positive impact on GDP by the lending of CBs in various sectors of economy, except service sector investment

Bajracharya Bodi B. (1999) has mentioned in the article “Monetary policy and deposit mobilization in Nepal” The mobilization of domestic savings is one of the prime objectives of the monetary policy in Nepal. For this purpose CBs stood as the active and vital financial intermediary for generating resource in form of deposit of the private sector. So far providing credit to the investors is a different aspect of the money.

Sharma Bhasker (2004) in the article “Banking the further of competition” has said, due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal and one personal guarantee, whose negative side effects would show colors only after 4 or 5 years. Again the writer said that “Private CBs have mushroomed only in urban areas where banking transactions in large volume is possible. The rural and sub urban areas mostly remain unattended.

F. Morris in the discussion paper “Latin America’s banking system in 1980’s A.D.” has concluded that most of the banks concentrated on compliance with central bank rules on

resources requirement, credit collection and interest rates. While analyzing loan portfolio quality, operating efficiency and soundness of bank investment management has largely been overlooked. The huge losses now found in the bank's portfolio in many developing countries are testimony to the poor quality of this ever sight investment function.

The writer adds that mismanagement in financial institution has involved inadequate and over optimistic loan appraisal, tax recovery, high risk diversification of lending and investments, high risk concentration, connected and insider lending, loan mismatching. This has led many banks of developing countries to the failure of 1980s A.D. (Morris; 1990:81)

2.2.2 Review of Thesis

Under this segment, it has tried to find out the major conclusion and recommendations of the previous study made by the T.U. student. The unpublished thesis which is found relevant to the study is as follows: -

Karmacharya, Majendra Nath (2004) in the thesis work "A study on deposit mobilization by the NBL" has concluded that commercial banks play a crucial role in accelerating growth of a country. The bank mobilizes the savings of the people and diverts them into productive channels. The expansion of branches as more as possible to encourage the savings i.e. to increase the savings habits of people and thereby to mobilize the available financial resources efficiently and effectively in a productive way and concluded that the branch expansion helps to collect more deposits and utilize the available resources. The conclusion is derived from the analysis of seven days data from 1970 A.D. to 1977 A.D. using Karl's Pearson's formula, percentage and ratio to meet the objective; the writer has analyzed how far the bank is able to utilize the collected deposits.

Joshi, K.R. (2008) in the thesis work, "A study of financial performance of CBs" concluded that liquidity position of CBs is satisfactory, local CBs have higher deposit equity ratio than joint venture banks. Loan and advances has been the main form of the investment. Assets utilization for earning purpose is two third of total assets. The main

sources of these banks are interest from loan and advances, the fund that the profitability position of NABIL is stronger than that of other CBs.

The writer compares all CBs i.e. local CBs with joint venture banks. Local CBs are operating under government regulation and limitation, so they cannot operate freely and are not able to provide different facilities and services like other joint venture banks which are operating independently with help of foreign investors who provide them good management as well as technical and business support.

Rajamajhi Kishor Kumar (2008) has conducted on the thesis work. “A study on deposit mobilization of six commercial banks” has concluded that commercial banks play a crucial accelerating the growth in the country. The bank mobilizes the savings of the people and diverts them into productive channels. The expansion of branches as more as possible to encourage the savings i.e. to increase the savings habits of people and thereby to mobilize the available financial resources efficiently and effectively in a productive way and concluded that the branch expansion helps to collect more deposits and utilize the available resources. The conclusion is derived from this analysis.

The review of above relevant thesis has no doubt enhanced the fundamental understanding and foundation knowledge base which is prerequisite to make this study meaningful and positive. Although numbers of article have not been published and various research work have not been conducted in commercial bank deposit mobilization so far, so here effort is made to do.

Udas, Shyam Kumar (2010), conducted research on “A Comparative appraisal on Financial Performance of Nepal Bangladesh Bank Limited and Bank of Kathmandu Limited”, found that both banks are maintaining sufficient amount of cash to meet the demand by their depositors. BOK has higher portion of cash and bank balance out f its current assets than NB bank. Similarly, profitability position of NB bank is quite better than BOK. Both banks are highly leveraged even though BOK is higher than NB bank. The earnings per share of NB bank is higher than BOK.

Subedi, Narayan Prasad (2010), “A Comparative Study of Financial Performance between HBL and EBL” concluded that the current ratio of EBL is greater than that of HBL. The variability of the ratios of HBL is more uniform than that of EBL. The liquidity of bank may be affected by external and external factors such as interest rates, supply and demand position of loans and saving to total deposit considerably lower than that of EBL. Comparatively HBL’s profitability position is better than that of EBL. Profitability ratios like return on total assets, return on total deposits are not satisfactory in both banks. HBL has lower capital adequacy ratio I comparison to directive issued by NRB. HBL’s loan and advances to total deposit ratio are significantly lower than that of EBL.

Joshi, Jitendra Man (2010), has conducted study on “Financial Analysis of Nepalese Commercial Banks” with the objectives of finding the comparative financial strengths and weakness of various commercial banks, return rate and expected return to the shareholders, systematic and unsystematic risk of the banks and providing recommendation on the basis if research findings, by using financial ratios, it is calculated that lending condition of banks are in decreasing trend. Banks in strong condition are holding good customers and discouraging low rated and less amounted loans. Instead of that, they are initiated towards remittance, bank guarantees and other commission generating activities, while other banks are showing aggressive and are spontaneously increasing loan loss provision. Deposits in the banks are also decreasing while some banks are holding enough funds. Its recommended for SCBNL was utilizing the maximum of the outsider’s funds towards the credit sector because return on credit sector is higher than on investment sector. Loan loss provision of SCBNL is comparatively higher. It is recommended to control while sanctioning loan outflows. So, the bank should improve its credit management.

Shakya, R.L. (2010) study on “Evaluation of Financial Performance of Himalayan Bank Limited”. The researcher has set the following objectives: -

-) To examine the overall performance of the HBL for five years i.e. from fiscal year 2005/06 to 2010/11.

) To calculate the various ratios through using financial and statistical tools.

The major findings of the study were: -

The report concluded that the liquidity position of the bank was good. The bank had sufficient liquidity to meet unanticipated calls on all deposits. The deposits should be utilized more on productive sectors like government securities and shares of other institutions because idle asset is not good. The analysis of the report showed that the bank had good rate of return though it was not able to keep up generating to have quite stable mixture of debt and equity financing.

It is recommended that the bank should try to increase the utilization of assets by provision loans and should mobilize the deposits in order to generate income and thus, earning more profit.

Shrestha, Navin Regmi (2010) conducted a study on, “A Comparative Analysis of Financial Performance of the Selected Joint Venture Banks” has set the following objectives: -

-) To examine the comparative financial strengths and weakness of the selected JVBs.
-) To highlight various aspects relating to financial performance of the JVBs. for last five years.

CHAPTER III

RESEARCH METHODOLOGY

In the previous chapter, the role of commercial banks and its functions for the economic development of a nation has been discussed and the review of literature with possible review of relevant books, articles and thesis and research findings has been done along with the function of commercial banks and types of deposits. This has equipped the researcher to make choice of research methodology to support the study in realistic terms with sound empirical analysis. “Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view”. In other word research methodology describes the method and process applied in the entire subject of the study. This topic deals with the research design, nature of data collection, processing of data and statistical tools used.

3.1 Research Design

Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to research question and control variance. To achieve the objectives of the study, descriptive as well as analytical research design have been used. This study is based on secondary data. Some samples such as statistical tools such as Mean, C.V., P.E., Trend line and Correlation analysis has been applied to examine the facts of data. Not only data but also recommendations and suggestions are also derived from the study by taking the HBL, as a sample. So that all concerned can be achieved something from the study.

3.2 Research Hypothesis

Research will mostly be based on secondary data. The research will be analytical as well as descriptive in nature. Appropriate financial and statistical tools will be used. All the commercial banks are taken as the population whereas one bank will be the sample which is Himalayan Bank Limited.

The various financial and statistical tools will be used in the research. The financial tools are liquidity ratio, activity ratio, capital adequacy ratio, risk ratio, profitability ratio, growth ratio etc. and the various statistical tools used are mean, standard deviation, coefficient of variation, correlation coefficient, trend analysis etc.

3.3 Source and Nature of Data

The study is conducted on the basis of secondary data. The data relating to the investment, deposit, loan and advances, assets and profits are directly obtained from the Balance Sheet and Profit and Loss account of the concerned bank's annual reports.

Supplementary data and information are collected from number of institution and authoritative sources like NRB, NEPSE, SEBO, web sites etc. For the additional information, informal-formal talks to the concerned head of the department of the bank were also done.

3.4 Population and Sample

There are six joint venture banks out of 32 commercial banks all over Nepal. In this study the deposit mobilization procedures of Himalayan Bank Limited is studied.

32 commercial banks are taken as the population and HBL bank is chosen as the sample to find out the condition of deposit mobilizations.

3.5 Method of Data Analysis

To achieve the objectives of the study various financial and statistical tools have been used. The analysis of the study had been done according to the pattern of data available and to make the analysis more effective, convenience, reliable and authentic.

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

3.5.1 Financial Tools

Analysis and interpretation of various ratio should give experienced, skilled and analysis of a better understanding of the financial condition and performance of the form than they would obtain from analysis of the financial data alone. The type of analysis varies according to the specific interest of the party involved.

1. Liquidity Ratio: - The ability of a bank to meet its short term obligation is known as liquidity. It reflects the short term financial strength of the bank. These ratios are used to know the capacity of the concern to repay its short term liability. Under this the following ratios are computed.

- (i) NRB balance to total deposit.
- (ii) NRB balance to current and saving deposit
- (iii) NRB balance to fixed deposit
- (iv) NRB liquid fund to total deposit

2. Activity Ratio: - Activity ratio reflects the firm's efficiency in utilizing its assets. Activity ratios measure the effectiveness of the employment of the resources in a business concern. Under this ratio, the following ratios are computed.

- (i) Credit to total deposit
- (ii) Investment to total deposit
- (iii) Credit and investment to total deposit
- (iv) Time deposit to total deposit
- (v) Loans and advances to saving deposits ratios
- (vi) Credit to government enterprises to total credit.
- (vii) Credit to private sector to total credit.

3. Capital Adequacy Ratio: - This ratio has been one of the most controversial issues. Excess capital than required capital reduce the profitability where as less than capital is a symbol of a weak capital structure. So banks have to maintain the adequate capital as well as per the directives given by NRB.

- (i) Capital to total deposit
- (ii) Capital to total credit
- (iii) Capital to total asset

4. Risk Ratio: - Risk Ratio is an important ratio. It measures the risk associated with the banking variable. A bank raise capital accepts deposit and finally grant loan. A bank must consider the risk associated with it. Higher the ratio higher will be the profit and vice versa. Following ratios are considered under these ratios: -

- (i) Capital risk ratio
- (ii) Interest risk ratio
- (iii) Credit risk ratio

5. Profitability Ratio: - Maximization of profit is the main objective of each and every bank. It is very necessary to earn maximum profit for the successful running of a bank concern. According to Lord Keynes, profit is the engine that drives the business enterprises. The profit is also important to preserve the existence of bank as well as strengthen and expand it.

- (i) Net profit to total working fund ratio
- (ii) Net profit to loan and advances
- (iii) Net profit to total equity capital

6. Percentage Change Ratio: - Percentage is used to measure the changing position of different amount. The following formula is used to find out the annual change.

$$\text{Annual percentage change} = \frac{\text{Amount of this year} - \text{Amount of last year}}{\text{Amount of last year}}$$

7. Growth Ratio: - Growth ratio is directly related to the fund mobilization and investment management of a commercial bank. It represents how well the

commercial bank maintaining the economic and financial position. Following ratios are considered under this ratio: -

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

3.5.2 Statistical Tools

Statistical methods are the mathematical techniques used to facilitate the analysis and interpretation of numerical data secured from groups of individuals or groups of observation from a single individual. The figures provide detail descriptions and tabulate as well as analyze data without subjectivity but only objectivity (Joshi; 2002:159)

a. Arithmetic Mean

Arithmetic Mean is the ratio of the sum of all the observations to the number of the observations.

It is denoted by \bar{X} .

We have, —

$$\text{Mean } (\bar{X}) = \frac{X}{n}$$

Where,

X = Sum of all values of the observations

n = Number of observation

X = Values of variables

The arithmetic mean is a single value of selected series which represents them in average. Out of the various central tendencies, a mean is a one of the useful tools to find out the average value of the given data (Gupta. S.C.; 2004:414)

a) Standard Deviation (S.D.)

The measurement of the scatterness of the mass of figure in a series about an average is known as dispersion. The standard deviation measures the absolute dispersion. The greater the amount of dispersion, greater will be the standard deviation. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series. In this study, standard deviation of different ratio is calculated. It is denoted by,

$$\text{Standard deviation (s)} = \frac{\sqrt{\sum (X - \bar{X})^2}}{n - 1}$$

Where,

X = Expected return of the historical data.

n = Number of observations.

b) Coefficient of Variation (C.V.)

The coefficient of variance measures the ratio of the standard deviation to the mean expressed in percent. It is calculated as under: -

$$\text{C.V.} = \frac{\dagger}{\bar{X}} \times 100$$

Where,

† = Standard deviation

\bar{X} = Mean value of variances

Coefficient of variance is also useful in comparing the amount of variation in data groups with different mean. It is the relative measure of dispersion. A distribution with smaller coefficient is said to be more homogeneous than the other. On other hand, a series with greater coefficient of variance is said to be more variable of heterogeneous than the other (Gupta, S.C.; 2000:416)

c) Correlation of Coefficient

The coefficient of correlation measure the degree of relationship between two sets of sigma. There is various method of finding out coefficient of correlation but Karl Pearson’s method is applied in the study. The result of correlation coefficient is always between -1 and +1. It is indicated by r. When r is +1, it means there is perfect relationship between two variables and vice-versa. When r = 0, it means there is no relationship between two variables. The compute formula is mentioned below: -

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

Where,

n = No. of observation

X = Sum of observation in series X

Y = Sum of observation in series Y

d) Probable Error

Probable error of the correlation coefficient is denoted by P.E. It is used for the testing the reliability of the calculated value of r. P.E. is defined by: -

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

Where,

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

r = Correlation coefficient

n = Number of observation

e) Trend Analysis

Trend analysis has been a very useful and commonly applied statistical tool to forecast the future events in quantitative terms. On the basis of tendencies in the dependent variables in the past periods, the future trend is predicted. This analysis takes the historical data as the basis of forecasting. This method of forecasting the future trend is based on the assumptions that the past tendencies of the variables are repeated in the future or the past events affect the future events significantly. The future trend is forecasted by using the following formula: -

$$Y = a + b x$$

Where,

Y = The dependent variable

a = The region i.e. arithmetic mean (intercept)

b = The slope coefficient i.e. ratio of change

X = The independent variable

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

This chapter deals with the presentation, analysis and interpretation of statistics, evidence and facts to clarify the research works. Hence the study presents the collected data for various purposes of analysis. The data are analyzed using financial and statistical tools to get values of different variables. The analyzed data and results are presented clearly and simultaneously using tables and graphs. Lastly, each of the results is interpreted in each topics and sub topics.

4.1 Deposit Collection and Mobilization

The main objectives of a commercial bank are to safe guard the money of depositors and deposit mobilizations. The following table shows the situations of HBL with relation to deposit collection

Table 2 - Change based Index of deposit collection of HBL (Rs. in million)

Years	Deposit	
	HBL	Percentage Change
2007/08	31842.79	100
2008/09	34681.34	108.91
2009/10	37611.20	108.45
2010/11	40920.63	108.80
2011/12	47730.99	116.64

Source: - Annual Report 2007/08 – 2011/12

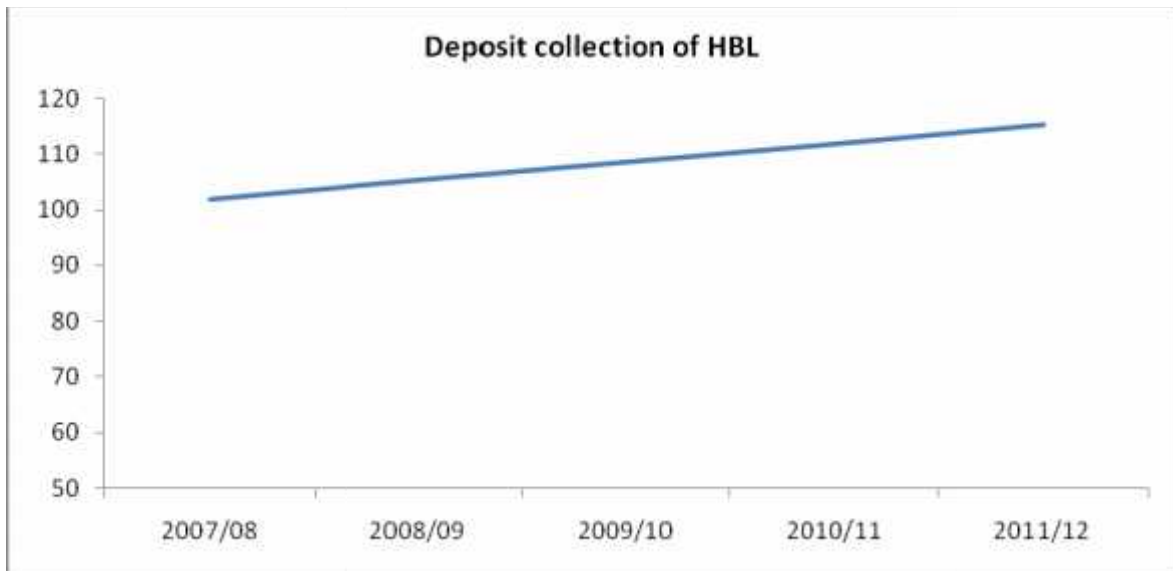
The deposit collection of HBL is not consistently increasing during the study period. The minimum increasing percentage is 8.45% where as the maximum increase percentage is 16.64%. HBL is ahead in collecting high amount of deposit in every successive year. The trend value of deposit collection is shown by the following table and graph of HBL.

Table 3 - Estimate of trend value of deposit collection of HBL by fixed index based

Years	Trend Value (In Millions)
	HBL
2007/08	101.926
2008/09	105.243
2009/10	108.56
2010/11	111.877
2011/12	115.194
B	3.317

Source: - Annex A1

Figure 1 - Graph of Deposit Collection of HBL



(Source: - Table 2)

The table 2 and graph 1 shows the estimated trend values of deposit collection of HBL. The calculated values compare the growth ratio of HBL. Since the calculated value of 'b' is positive, it is found that banks' deposit is in increasing trend. Therefore, growth ratio of deposit is in increasing trend.

Table 4 - Change based index of investment of HBL (Rs. in Million)

Years	Investment	
	HBL	Percentage Change
2007/08	13340.18	100
2008/09	8710.69	65.30
2009/10	8444.91	96.95
2010/11	8769.94	103.85
2011/12	10031.58	114.39

Source: - Annual Report 2007/08– 2011/12

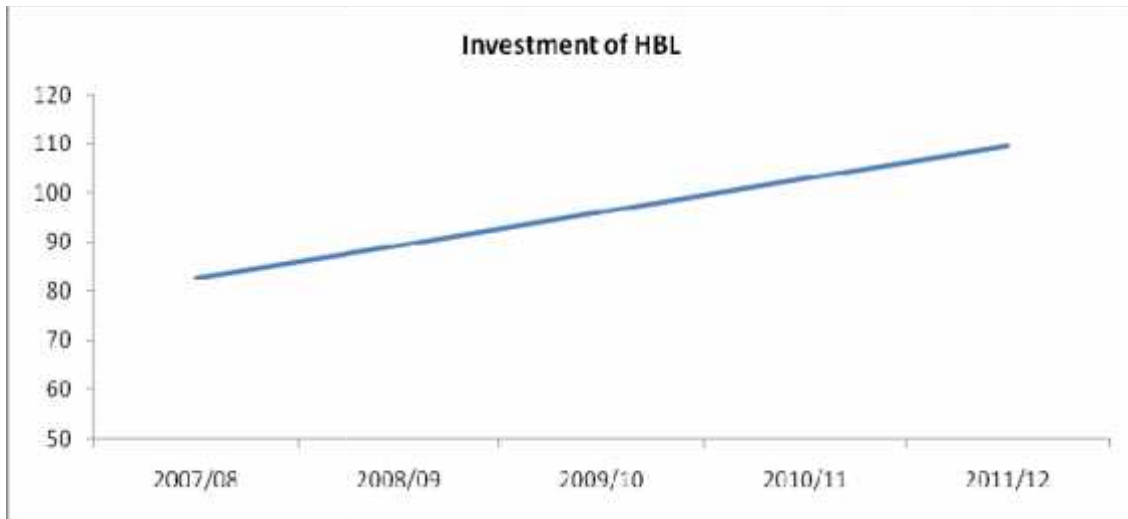
The change based index of investment of HBL is not in increasing trend as compared from the beginning to the final year of the study period. It is increased in the fiscal year 2007/08 & after 2009/10. The minimum decrease percentage of HBL is 65.30. Where as the maximum increase percentage is 114.39% during study period. The investment is also measured by the trend values as following table and graph of HBL.

Table 5 - Estimate of trend value of investment of HBL by fixed index based

Years	Trend Value (In Millions)
	HBL
2007/08	82.632
2008/09	89.365
2009/10	96.098
2010/11	102.831
2011/12	109.564
B	6.733

Source: - Annex A2

Figure 2 - Graph of Investment of HBL



(Source: - Table 4)

The table 5 and graph 2 shows the estimated trend values of investment of HBL. The trend value on investment of HBL is in increasing trend constantly since the calculated value of 'b' is positive. Therefore, the growth ratio is constant basis for investment

Table 6 - Change based index of loan and advance of HBL (Rs. in Million)

Years	Loan and Advances	
	HBL	Percentage Change
2007/08	19497.52	100
2008/09	24793.15	127.16
2009/10	27980.63	111.47
2010/11	31566.98	112.82
2011/12	34965.44	110.76

Source: - Annual Report 2007/08 – 2011/12

The loan and advance of HBL is not consistently increased during the study period. The minimum increasing percentage of HBL is 10.76% where as the maximum increase percentage is 27.16%. Since loan and advances is the major source of income to the banks, banks are increasing their loans but the increase percentage on loan and advance is

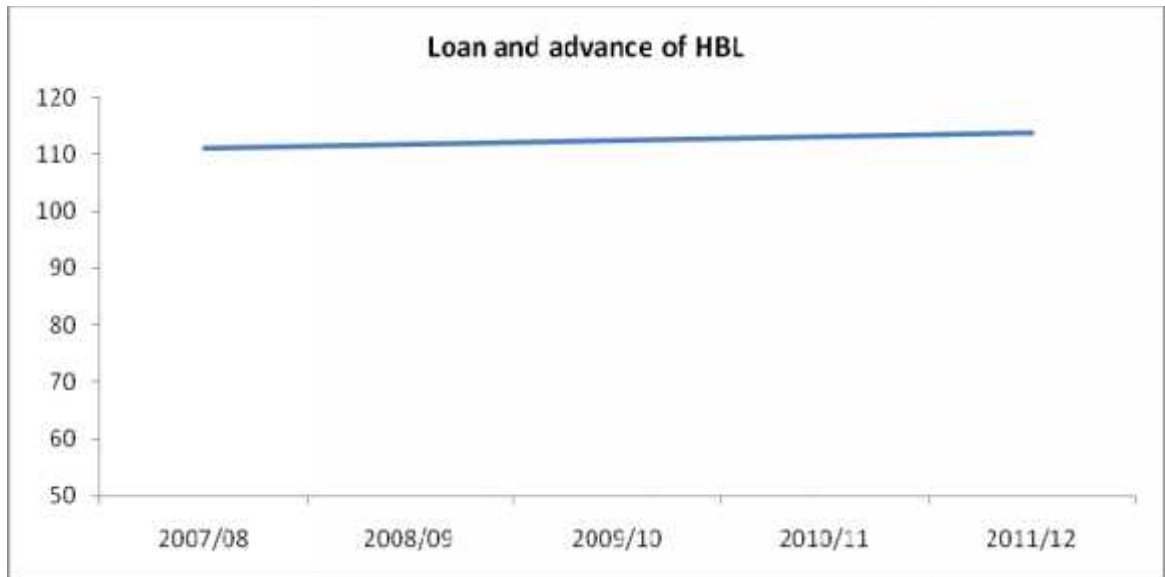
not consistent over the period. The loan and advance is also measured by the trend values as following table and graph of HBL.

Table 7 - Estimate of trend value of loan and advance of HBL by fixed index based

Years	Trend Value (In Millions)
	HBL
2007/08	111.006
2008/09	111.724
2009/10	112.442
2010/11	113.16
2011/12	113.878
B	0.718

Source: - Annex A3

Figure 3 - Graph of loan and advance of HBL



(Source: - Table 6)

The table 7 and graph 3 shows the estimated trend values of loan and advances of HBL. The trend values on loan and an advance of bank is in increasing trend. The positive value of 'b' shows the increasing trend of loan and advances of HBL over the study period.

4.2 Financial Ratio Analysis

Ratio analysis is the process of knowing the financial strengths and weaknesses of the banks by establishing relationship between various variables of Balance Sheet, Profit and Loss account and other financial statements. It is a technique and interpretation of financial statement through mathematical expression. It may be defined as the mathematical expression of the relationship between two accounting figures. To evaluate the different performances of figures of different accounts is termed as ratio analysis. In short, ratio analysis can be defined as analysis of financial statements with the help of ratios.

Ratio analysis is an important technique of financial analysis. The data given in financial statements are meaningless and they are unable to communicate anything from the analytic viewpoint. One has to work very hard in digging out the required information. (Dangol, R.M.: Accounting for financial analysis and planning).

“In Financial analysis, a ratio is used as index or yardstick for evaluating the financial position of a firm” (Pandey, 1993)

“Ratio analysis is such a powerful tool of financial analysis that through it economic and financial position of a business unit can be fully x-rayed” (Kothari, 1989)

4.2.1 Liquidity Ratio Analysis

Liquidity ratios measure the ability to meet short term and maturing obligations. This is also called solvency ratio or working capital ratio. It is the relative proportion of current assets to current liabilities. Under liquidity ratios, the following ratios are examined.

4.2.1.1 NRB Balance to Total Deposit

NRB has the commercial banks to deposit certain fund of the commercial bank in the central bank which change time to time as the demand of the time. The ratio is calculated as under: -

$$\text{NRB balance to total deposit} = \frac{\text{NRB Balance}}{\text{Total Deposit}}$$

$$\text{Total Deposit} = \text{Current} + \text{Saving} + \text{Fixed} + \text{Others}$$

Table 8 - Calculation of Mean, S.D. and C.V. of NRB balance to total deposit ratio (In Percentage)

Years	Ratio (HBL)
2007/08	2.94
2008/09	6.71
2009/10	6.92
2010/11	3.40
2011/12	8.33
Mean (\bar{X})	5.66
S.D. (s)	0.944
C.V.	16.67

Source: - Annex 1

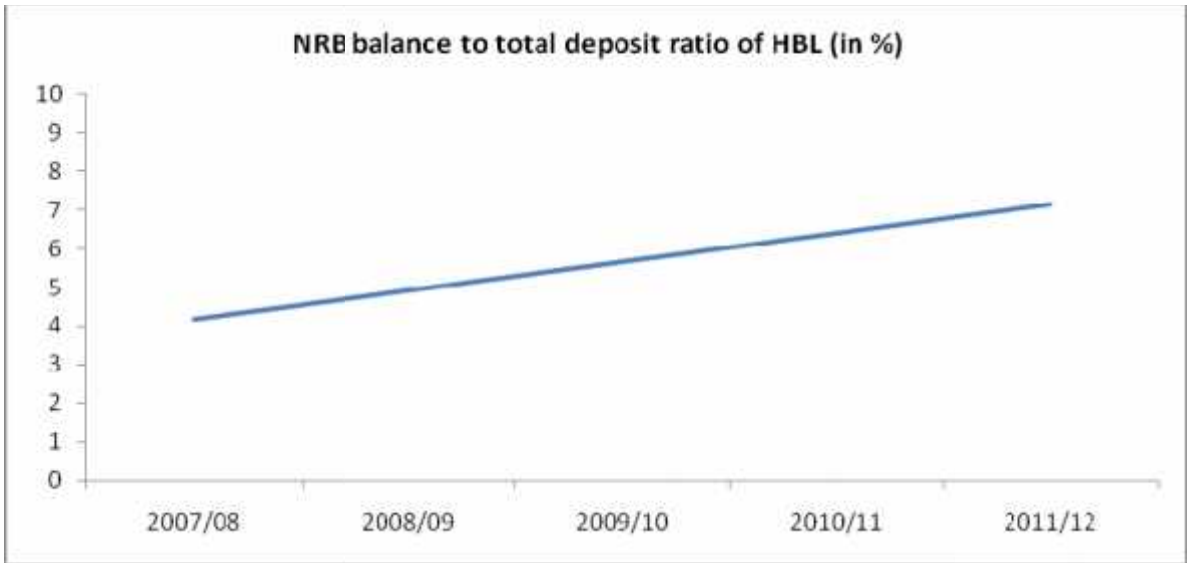
The ratio of NRB to total deposit is obtained from Annex 1. The table 4.4 helps us to analyze the short term obligation capacity of the firm. It reveals that the average ratio of the balance with NRB to total deposit of HBL is 5.66% respectively. The maximum NRB balance of HBL is 8.33% in the year 2011/12 and the minimum NRB balance of HBL is 2.94% in the year 2007/08. The CV of HBL is 16.67%. It indicates that the ratio with NRB to total deposits of HBL is not consistent.

Table 9 - Estimate value of NRB balance to total deposit ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	4.166
2008/09	4.913
2009/10	5.66
2010/11	6.407
2011/12	7.154

Source: - Annex A4

Figure 4 - Graph of NRB balance to total deposit ratio



(Source: - Table 8)

The above table 9 and graph 4 shows the NRB balance to total deposit ratio of HBL. The ratios of NRB balance of HBL is in increasing trend. The maximum ratio of NRB balance to total deposit is 7.154% in 2011/12 and minimum is 4.166% in 2007/08

4.2.1.2 NRB Balance to Current and Saving Deposit Ratio

The NRB of Nepal has directed to the commercial bank to keep minimum 5.5% of the total saving and current deposit amount in NRB balance. It is for the purpose of the liquidity to meet the demand of the customer.

$$\text{NRB balance to current and saving deposit ratio} = \frac{\text{NRB balance}}{\text{Current and saving deposit}}$$

Table 10 - Calculation of Means, S.D. and C.V. of NRB balance to current and saving ratio

Years	HBL
2007/08	4.11
2008/09	8.98
2009/10	12.99
2010/11	7.06
2011/12	15.02
Mean (X)	9.632
S.D. (s)	1.76
C.V.	18.31

Source: - Annex 2

The table 4.5 shows the ratio of HBL which are obtained from Annex 2.

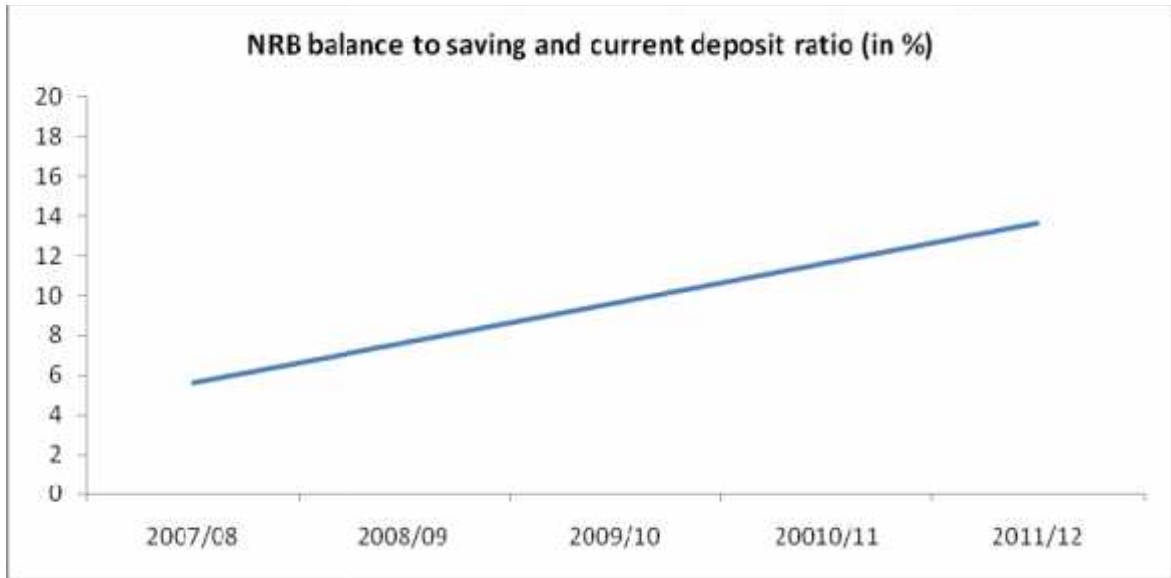
The short term obligation capacity of the firm is analyzed through this table. It reveals that the average ratio of the balance with NRB to current and saving deposits of HBL is 9.632%. The maximum NRB balance of HBL is 15.02% in the year 2011/12 and the minimum NRB balance of HBL is 4.11% in the year 2007/08. The CV of HBL is 18.31%. It indicates that HBL had higher fluctuation in NRB balance. The above data shows that bank is good enough in maintaining minimum of 6.5% of total saving and current deposit as directed by NRB.

Table 11 - Estimate value of NRB balance to saving and current deposit ratio

Years	Trend Value (In Percentage)
	HBL
2007/08	5.652
2008/09	7.642
2009/10	9.632
2010/11	11.622
2011/12	13.612

Source: - Annex A5

Figure 5 - Graph of NRB balance to saving and current deposit ratio



(Source: - Table 10)

The table 11 shows the trend percentage values of NRB balance to current and saving deposit ratio of HBL. The percentage of NRB balance to current and saving deposit ratio of HBL it is in increasing trend. But the banks have maintained the minimum NRB balance of 6.5%.

4.2.1.3 NRB Balance to Fixed Deposit Ratio

Fixed deposit refers to the deposit of fixed amount, earning fixed interest rate and for fixed term. It is an account of amounts deposited in a bank for certain period of time. The customers can renew the fixed deposit period after the expiry of the fixed time. The rate of interest in the fixed deposit is higher than that of other deposit. For this deposit NRB has directed to the commercial banks to keep 5.5% of fixed deposit in the NRB balance for the purpose of the liquidity

$$\text{NRB balance to fixed deposit} = \frac{\text{NRB balance}}{\text{Total Fixed Deposit}}$$

Table 12 - Calculation of mean, S.D. and C.V. of NRB balance to fixed deposit ratio

Years	HBL
2007/08	14.57
2008/09	36.51
2009/10	22.99
2010/11	10.30
2011/12	33.53
Mean (\bar{X})	23.58
S.D. (s)	4.57
C.V.	19.38

Source: - Annex 3

The table 4.6 shows the ratio of NRB balance to fixed deposits is in fluctuating trend. Even if they had fluctuating trend, bank is able to maintain 6.5% of their fixed deposit as directed by NRB. This shows that bank had tied up their fund in excess deposit in NRB which ultimately affects the probability of negativity. The average ratio of HBL is 23.58%, which indicates the stronger liquidity position of HBL. The maximum NRB balance of HBL is 36.51% in the year 2008/09 and the minimum NRB balance of HBL is

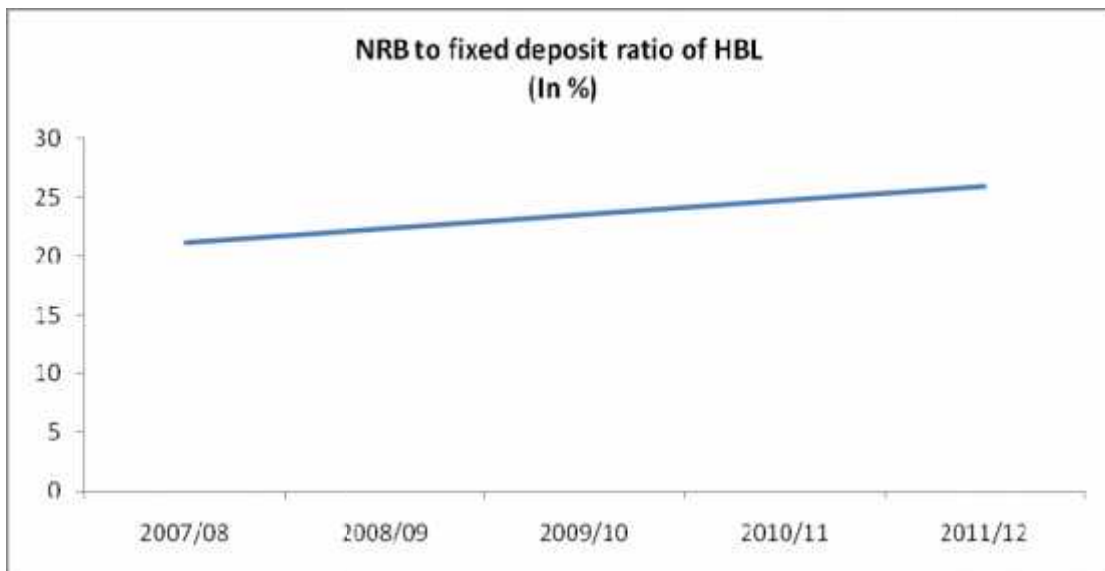
10.30% in the year 2010/11. The CV of HBL in NRB balance to fixed deposit ratio is 19.38. It means that there is greater variation in the ratio.

Table 13 - Estimate of NRB to fixed deposit ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	21.238
2008/09	22.409
2009/10	23.58
2010/11	24.751
2011/12	25.922

Source: - Annex A6

Figure 6 - Graph of NRB balance to fixed deposit ratio



(Source: - Table 12)

The table 13 and graph 6, shows the NRB balance to fixed deposit ratio of HBL. The percentage of NRB balance to fixed deposit ratio of bank HBL are in fluctuating trend. It indicates that the percentage of NRB balance is fluctuating and trend value of fixed deposit is increasing over the period.

4.2.1.4 Total Liquid Fund to Total Deposit Ratio

Total liquid fund to total deposit ratio indicates the short term obligation capacity of the demand of the depositor money. Higher ratio shows the higher capacity of payment on demand of the money and vice-versa.

$$\text{Liquid fund to total deposit} = \frac{\text{Total Liquid fund}}{\text{Total deposit}}$$

Total Liquid fund = Cash in hand + cash at bank + balance with NRB + Balance with their financial institution + call money + balance held abroad – balance with domestic bank

Table 14 - Calculation of mean, S.D. and C.V. of total liquidity fund to total deposit ratio

Years	HBL
2007/08	32.17
2008/09	36.86
2009/10	36.68
2010/11	24.70
2011/12	13.88
Mean (X)	28.85
S.D. (s)	3.88
C.V.	13.74

Source: - Annex 4

The table 4.7 shows the ratios of liquid fund to total deposits are fluctuating during the study period. A high ratio of loan and advances indicates better mobilization of collected deposits and vice-versa. But it should be noted that too high ratio might not be better from the liquidity point of view. The above table shows that HBL has mobilized their collected deposits in variable trend. An average ratio of HBL is 28.85%. The maximum liquidity fund ratio of HBL is 36.86% in the year 2008/09 and the minimum is in the year

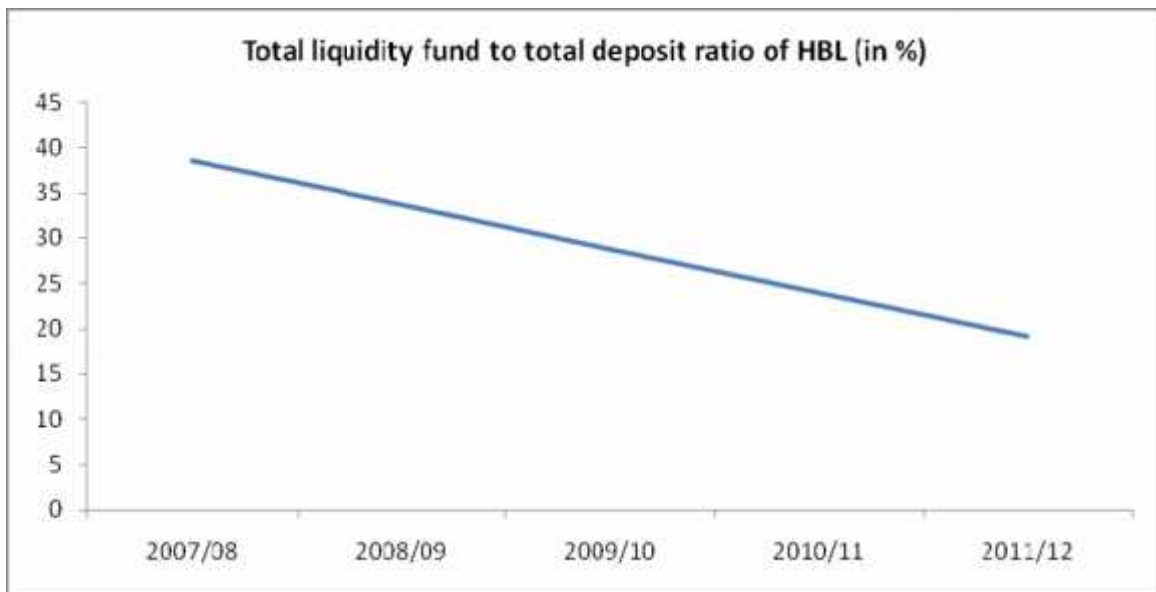
2011/12 of 13.88%. The CV of HBL is 13.74% which implies that an average ratio of liquid assets to total deposits of HBL is not consistent.

Table 15 - Estimate of total liquidity fund to total deposit ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	38.59
2008/09	33.72
2009/10	28.85
2010/11	23.98
2011/12	19.11

Source: Annex A7

Figure 7 - Graph of total liquidity fund to total deposit ratio



(Source: - Table 14)

The table 15 and graph 7 shows the trend values of total liquidity fund to total deposit ratio HBL. The trend value of bank HBL is in decreasing trend. It indicates that there is decreasing of liquidity fund as compared to the total deposit collected by bank.

4.2.2 Activity Ratio

Activity ratio is also called assets management ratio. It measures the efficiency of the bank to manage its assets in profitable and satisfactory manner. A commercial bank must manage its assets in proper way to earn high profit. Under this chapter following ratio has been studied.

4.2.2.1 Credit to Total Deposit

This ratio reflects extend to which the commercial banks are success in mobilizing their assets on loan and advances for the purpose of income generation. A high ratio indicates better mobilization of deposit on loan and advances and vice-versa.

$$\text{Credit to total deposit} = \frac{\text{Loan and advances}}{\text{Total Deposit}}$$

Table 16 - Calculation of Mean, S.D. and C.V. of credit to total deposit (In percentage)

Years	HBL
2007/08	61.23
2008/09	71.48
2009/10	74.39
2010/11	77.14
2011/12	73.25
Mean (X)	71.50
S.D. (s)	2.43
C.V.	3.41

Source: - Annex 5

The table 4.8 shows the fluctuation in the ratios of credit to total deposits of HBL. The average ratio of credit to total deposit ratio of HBL is 68.16%. The highest credit ratio of HBL is 77.14% in the year 2010/11 and the lowest of 61.23% in the year 2007/08. HBL

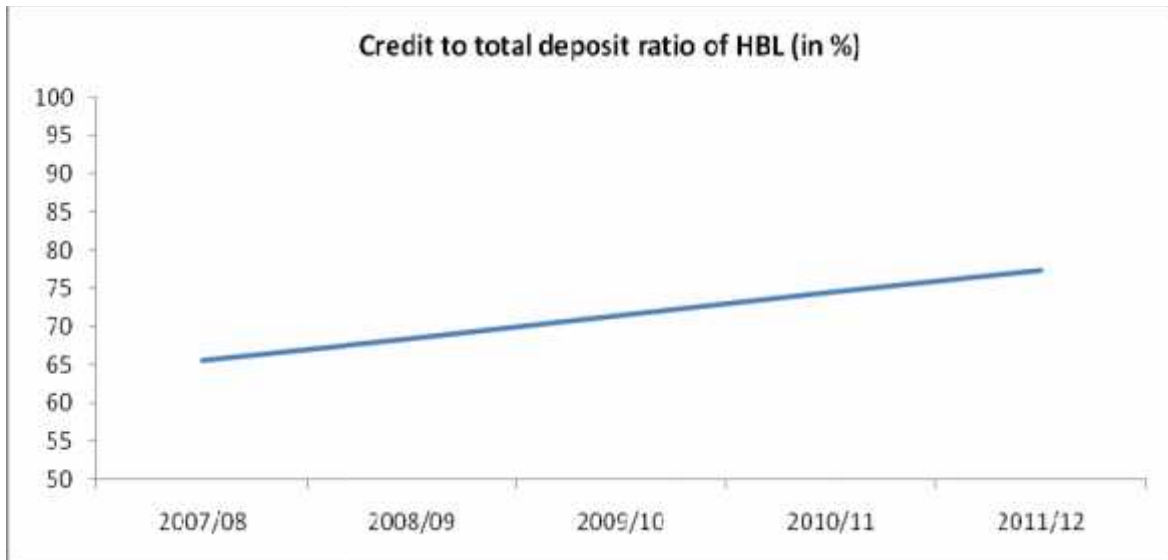
has mobilized only 71.50% on the average. It is clear that HBL is unable to mobilize the entire available deposit on this period. The CV of bank is near about 3.41%.

Table 17 - Estimate value of credit to total deposit ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	65.558
2008/09	68.528
2009/10	71.498
2010/11	74.468
2011/12	77.438

Source: Annex A8

Figure 8 - Graph of credit to total deposit ratio



(Source: - Table 16)

The table 17 and graph 8 shows the trend value of credit to total deposit ratio of HBL. Percentage of trend values of credit to total deposit ratio is in increasing trend. Increasing credit to total deposit ratio indicate the riskier part of the business due to decreasing the total deposit as compared to lending.

4.2.2.2 Investment to Total Deposit

This ratio measures whether the banks are able to mobilize their deposit on investment in various securities. A high ratio indicates the success in mobilizing deposit in securities and vice-versa.

$$\text{Investment to total deposit ratio} = \frac{\text{Total Investment}}{\text{Total deposit}}$$

Table 18 - Calculation of Mean, S.D. and C.V. of Investment to total deposit ratio

Years	HBL
2007/08	41.89
2008/09	25.11
2009/10	22.44
2010/11	21.43
2011/12	21.02
Mean (\bar{X})	26.37
S.D. (s)	3.52
C.V.	13.37

Source: - Annex 6

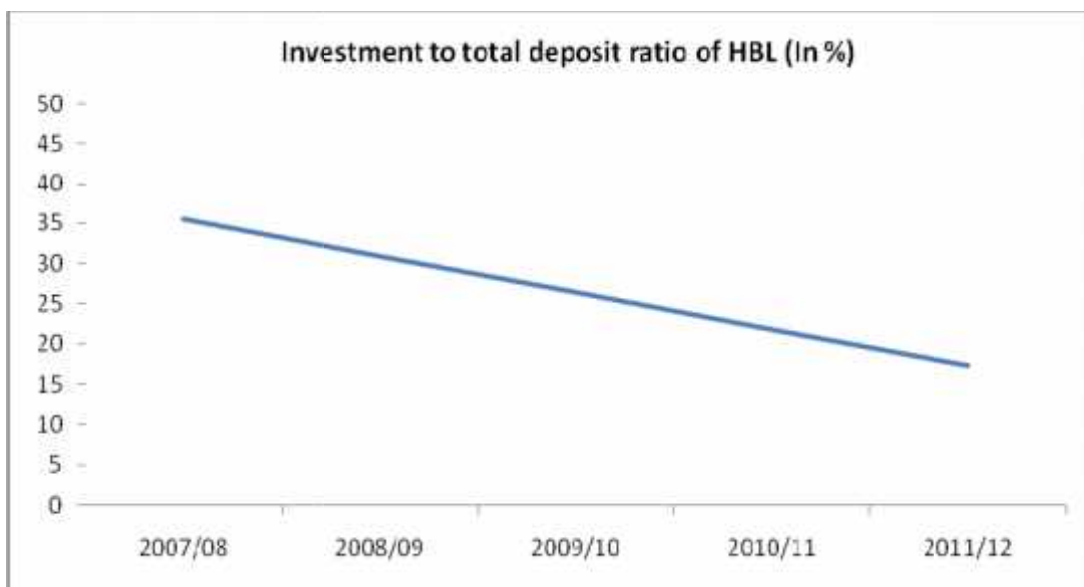
The table 4.9 concludes that HBL has mobilized its collected deposits on investment in fluctuating nature. The average percentage of Total Investment HBL has 30.04. HBL has lowest ratio of 21.02% in the year 2011/12 and highest ratio of 41.89% in the year 2007/08. The coefficient of HBL is lower which indicate the inconsistency in the ratio of investment to total deposit.

Table 19 Estimate value of investment to total deposit ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	35.462
2008/09	30.92
2009/10	26.378
2010/11	21.836
2011/12	17.294

Source: Annex A9

Figure 9 - Graph of investment to total deposit ratio



(Source: - Table 18)

The table 19 and graph 9 shows the trend value of credit to total deposit ratio of HBL. The percentage of trend values of credit to total deposit ratio is in decreasing trend. HBL is riskier because it has more ratio of credit to total deposit ratio.

4.2.2.3 Credit and Investment to Total Deposit

This ratio shows the relationship between credit and investment to total deposit. This ratio is calculated to know how the banks are mobilizing their deposit in the credit and investment sector.

$$\text{Credit investment to total deposit ratio} = \frac{\text{Total credit and investment}}{\text{Total deposit}}$$

Table 20 - Calculation of mean, S.D. and C.V. of credit and investment to total deposit ratio (In Percentage)

Years	HBL
2007/08	103.12
2008/09	96.60
2009/10	96.85
2010/11	98.57
2011/12	94.27
Mean (\bar{X})	97.87
S.D. (s)	0.85
C.V.	0.86

Source: - Annex 7

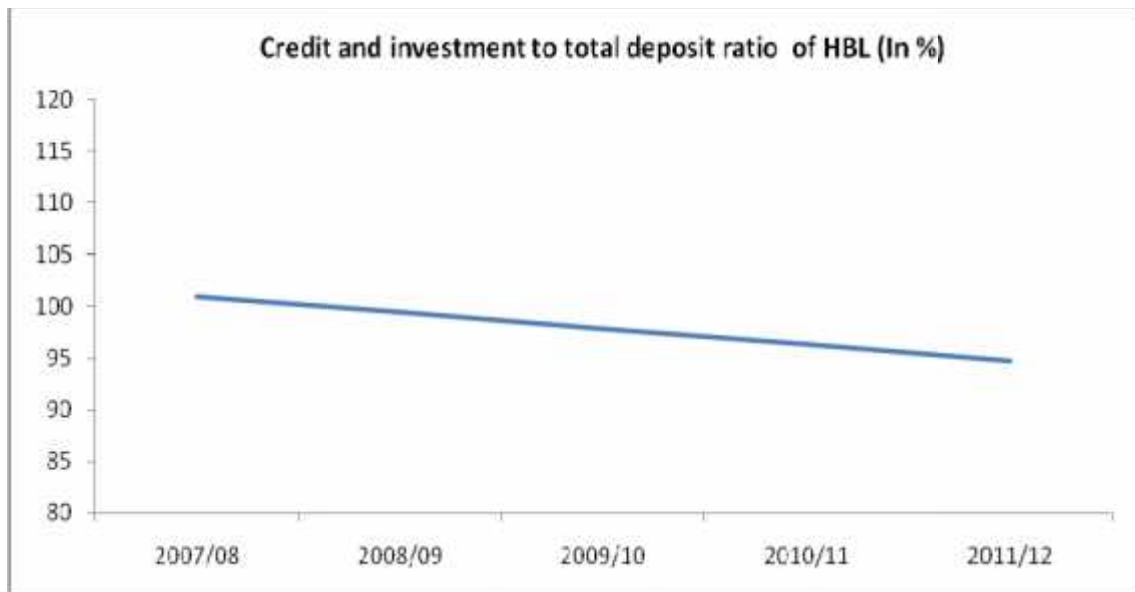
The table 4.10 shows HBL has more volume of credit and investment. The average ratio of HBL is 97.87. The maximum credit and investment ratio of HBL is 103.12% in the year 2007/08 and lowest in the year 2011/12 of 94.27%. The credit and investment volume of HBL is more consistent due to its lower coefficient of variation i.e. 0.86%.

Table 21- Estimate value of credit and investment to total deposit ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	101.028
2008/09	99.455
2009/10	97.882
2010/11	96.309
2011/12	94.736

Source: Annex A10

Figure 10 - Graph of credit and investment to total deposit ratio



(Source: - Table 20)

The table 21 and graph 10 shows the trend values of credit and investment to total deposit ratio of HBL. The trend value of HBL is in decreasing trend. The percentage of decreasing credit and investment to total deposit ratio shows that deposit is increasing more and credit and investment is gradually decreasing over the study period.

4.2.2.4 Loan and Advance to Saving Deposit Ratio

Loan and advance to saving deposit ratio shows the relationship between the loan and advance or creditors and total saving account. It is calculated as under: -

$$\text{Loan and advance to saving deposit} = \frac{\text{Loan and advance}}{\text{Total Saving deposit}}$$

Table 22 - Calculation of mean, S.D. and C.V. of loan and advance to saving deposit (In times)

Years	HBL
2007/08	1.08
2008/09	1.23
2009/10	1.72
2010/11	1.97
2011/12	1.60
Mean (\bar{X})	1.52
S.D. (s)	0.145
C.V.	9.53

Source: - Annex 8

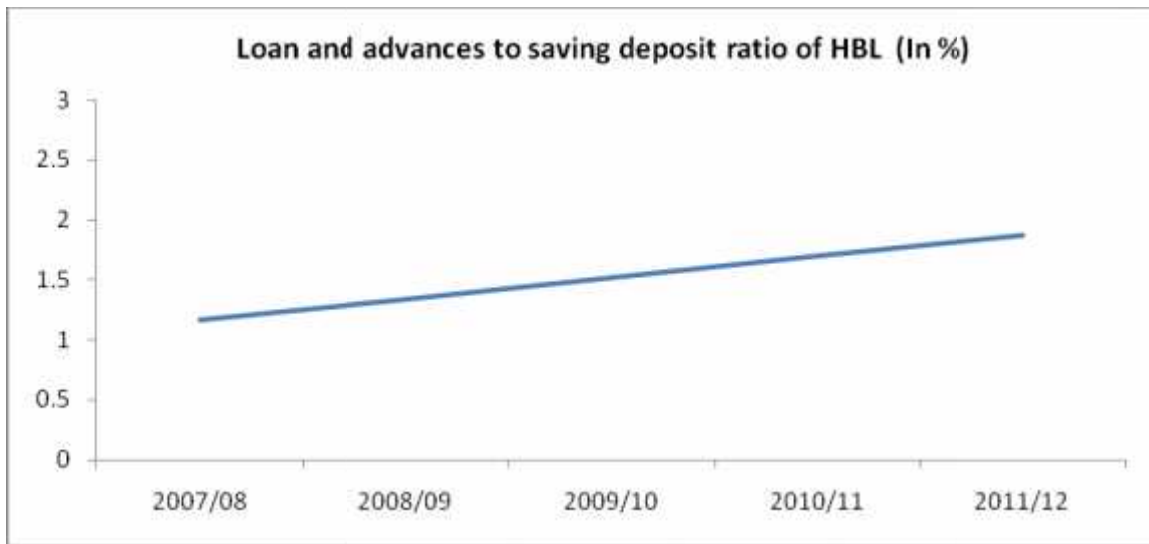
The table 4.11 shows that the ratio of loan and advance to saving deposits of HBL are in increasing trend. The average ratio of loans and advances to saving deposits ratios of HBL is 1.52%. HBL has the highest loan and advance ratio 1.97% in 2010/11 and lowest 1.08 in 2007/08. The ratio indicates that saving deposits were better utilized in loan and advances. The C.V. of HBL is 9.53% which indicates small fluctuation in ratios.

Table 23 - Estimate value of loan and advances to saving deposit ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	1.164
2008/09	1.342
2009/10	1.52
2010/11	1.698
2011/12	1.876

Source: Annex A11

Figure 11 - Graph of loan and advance to saving deposit ratio



(Source: - Table 22)

The table 23 and graph 11 shows the loan and advance to saving deposit ratio of HBL. The trend percentage of loan and advance to saving deposit of bank is in increasing trend. It indicates that trend percentage of loan and advance to saving deposit ratio of bank is better utilized.

4.2.2.5 Time Deposit to Total Deposit Ratio

The ratio shows the relationship between time deposit and total deposit. Time deposit is also called fixed deposit. As time deposit is for fixed term, bank can invest these funds

without any anxiety of liquidity. The higher the ratio higher will be the change of mobilizing the fund with certainly.

$$\text{Time deposit to total deposit} = \frac{\text{Fixed deposit}}{\text{Total deposit}}$$

Table 24 - Calculation of mean, S.D. and C.V. of time deposit to total deposit

Years	HBL
2007/08	20.17
2008/09	18.38
2009/10	30.12
2010/11	33.00
2011/12	24.86
Mean (\bar{X})	25.30
S.D. (s)	2.50
C.V.	24.47

Source: - Annex 9

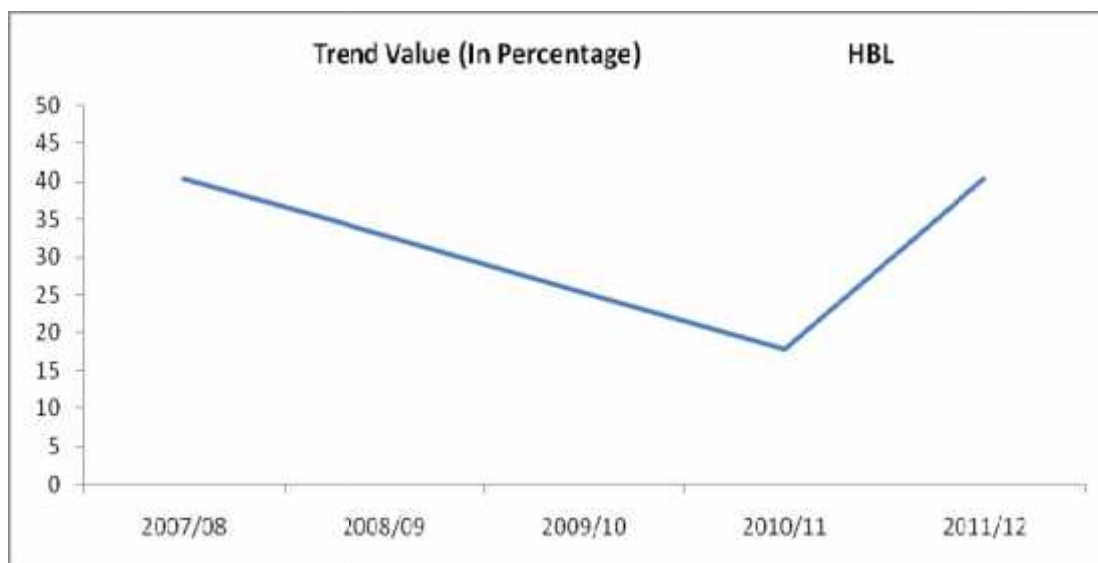
The table 4.12 shows the capacity of mobilizing the funds collected as deposit in the bank. The average ratio of bank is 25.30%. The maximum time deposit ratio of HBL is 33.00% in the year 2010/11 and the lowest ratio is 18.38% in the year 2008/09. The CV is 9.90% and the ratio is in fluctuating trend.

Table 25 - Estimate value of time deposit to total deposit ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	40.394
2008/09	32.85
2009/10	25.306
2010/11	17.762
2011/12	40.394

Source: Annex A12

Figure 12 - Graph of time deposit to total deposit ratio



(Source: - Table 24)

The table 25 and graph 12 shows the trend values of time deposit to total deposit ratio. The time deposit of HBL is in fluctuating trend.

4.2.3 Capital Adequacy Ratio

It is used to protect depositors and promote the stability and efficiency of financial systems. Excess capital decreases the profitable where as the less capital is the symbol of a weak capital structure. So banks have to maintain the adequate capital as per the directives given by NRB. Following ratios are calculated as under: -

4.2.3.1 Total Capital to Total Deposit Ratio

Capital to total deposit ratio shows the relationship between capital and total deposit. This ratio measures how much capital has been rowed by the bank in respect to the deposit.

$$\text{Capital to Total deposit ratio} = \frac{\text{Total Capital}}{\text{Total Deposit}}$$

Total deposit

Table 26 - Calculation of mean, S.D. and C.V. of total deposit to total capital ratio

Years	HBL
2007/08	3.18
2008/09	3.64
2009/10	5.32
2010/11	5.86
2011/12	5.78
Mean (\bar{X})	4.756
S.D. (s)	0.50
C.V.	10.56

Source: - Annex 10

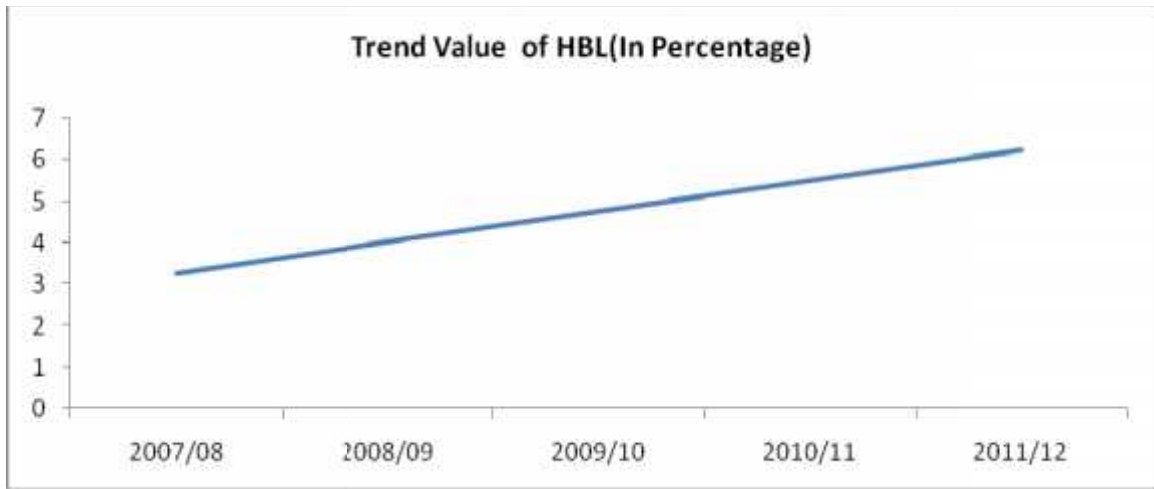
The table 4.13 shows the fluctuation in the ratios of total capital to total deposit during the study period. The average ratio of total capital to total deposit ratio of HBL is 4.756% which shows that HBL had higher the ratio and it had highly fluctuating in total capital. HBL had highest total capital ratio of 5.86% in the year 2010/11 and lowest in the year 2007/08 of 3.18%. On the other hand, the CV of the bank is 10.56% which shows that the ratio is consistent and it is in fluctuating trends.

Table 27 - Estimate value of total capital to total deposit ratio of EBL and HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	3.272
2008/09	4.014
2009/10	4.756
2010/11	5.498
2011/12	6.24

Source: Annex A13

Figure 13 - Graph of total capital to total deposit ratio of HBL



(Source: - Table 26)

The table 27 and graph 13 shows the trend value of capital to total deposit ratio of HBL. The trend value of capital to total deposit ratio of HBL is in increasing trend. It indicates that the capital is increasing more than the deposit during the study period.

4.2.3.2 Total Capital to Total Credit Ratio

Capital to total credit ratio shows the relationship between total capital and total credit. It indicates how much capital is raised by the banks in respect to the credit

$$\text{Capital to total credit ratio} = \frac{\text{Total capital fund}}{\text{Total credit}}$$

Table 28 - Calculation of mean, S.D. and C.V. of total capital to total credit ratio

Years	HBL
2007/08	5.20
2008/09	4.90
2009/10	7.15
2010/11	7.60
2011/12	7.90
Mean (\bar{X})	3.69
S.D. (s)	1.39
C.V.	37.83

Source: - Annex 11

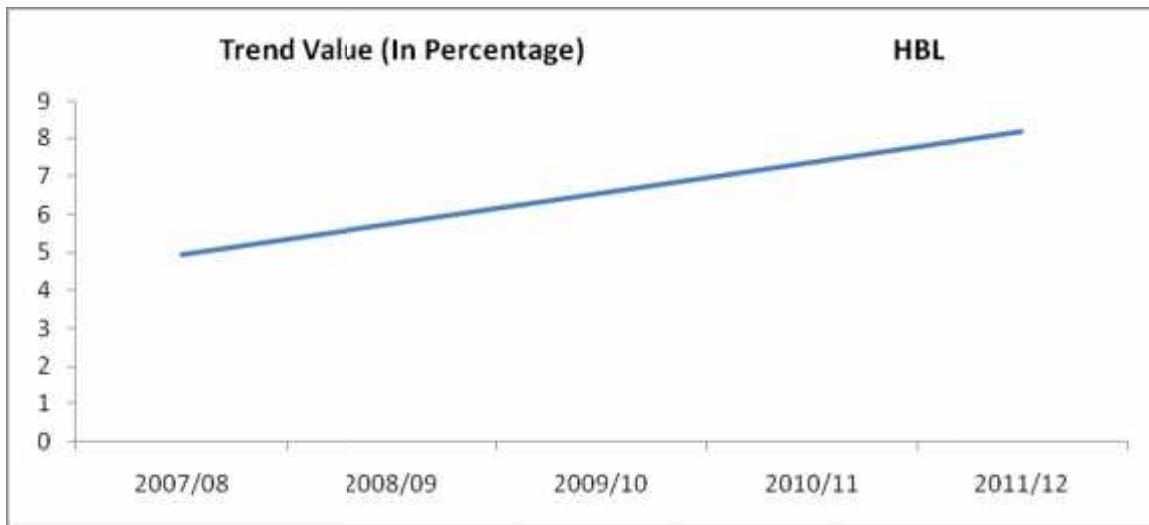
The table 4.14 shows the fluctuation in the ratios of total capital to total credit of HBL. The average ratio of total capital to total credit ratio of HBL is 3.69%. The maximum total capital ratio of HBL is 7.90% in the year 2011/12 and the lowest 4.90% in the year 2008/09. The CV of the HBL is 37.83% which shows that the capital maintained by bank is not more consistent during study period.

Table 29 - Estimate value of total capital to total credit ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	4.93
2008/09	5.74
2009/10	6.55
2010/11	7.36
2011/12	8.17

Source: Annex A14

Figure 14 - Graph of total capital to total credit ratio



(Source: - Table 28)

From the table 29 and graph 14 shows the trend value of total capital to total credit ratio of HBL. The trend value of total capital to total credit ratio of bank is in increasing trend. The increasing trend shows that capital is increasing more than deposit.

4.2.3.3 Capital to Total Assets Ratio

Capital to total assets ratio measure the relationship between capital and assets. It is calculated as follows: -

$$\text{Capital to total assets ratio} = \frac{\text{Total capital}}{\text{Total Assets}}$$

Table 30 - Calculation of mean, S.D. and C.V. of capital to total assets ratio

Years	HBL
2007/08	2.80
2008/09	3.09
2009/10	4.68
2010/11	5.12
2011/12	5.07
Mean (\bar{X})	4.15
S.D. (s)	0.45
C.V.	10.79

Source: - Annex 12

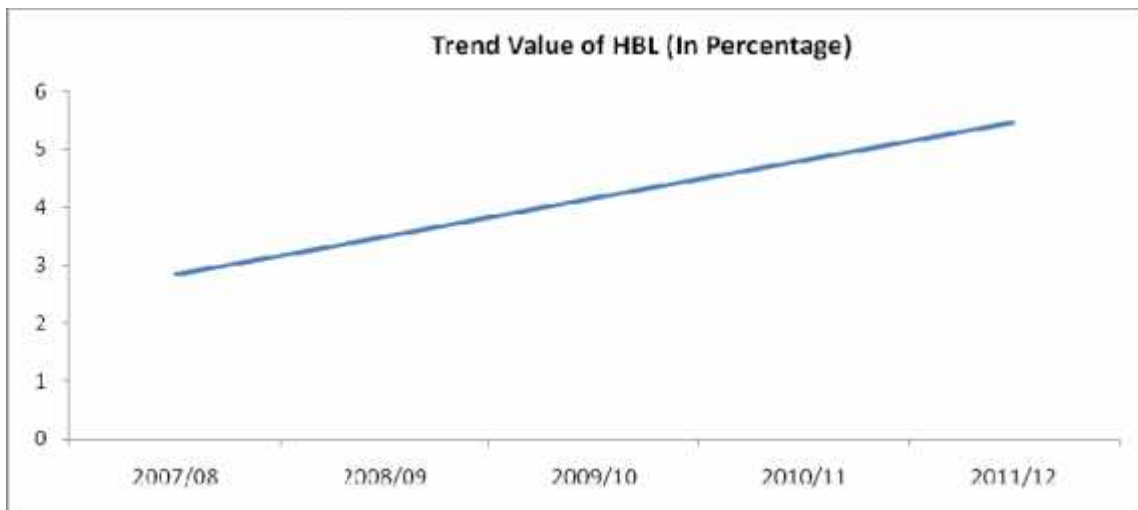
The table 4.15 shows the fluctuation in the ratios of total capital to total assets of HBL. The average ratio of total capital to total assets ratio of HBL is 4.15%. The HBL has the highest capital ratio of 5.12% in the year 2010/11 and lowest of 2.80% in the year 2007/08. The CV of the HBL is 10.79%. It shows that the capital maintained by bank is more consistent.

Table 31 - Estimate value of capital to total assets ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	2.838
2008/09	3.495
2009/10	4.152
2010/11	4.809
2011/12	5.466

Source: Annex A15

Figure 15 - Graph of capital to total assets ratio



(Source: - Table 30)

The table 31 and graph 15 shows the trend values of capital to total assets ratio of HBL. The percentage of capital to total assets ratio of bank is in increasing trend which indicate the total capital is more increasing than total assets.

4.2.4 Profitability Ratio

Profitability ratio is related into profit. It measures the overall banking operations of the company in regards to the profit. Profitability ratio is determined by the financial institution to find out their profit earning capacity on various kinds of deposits. Profit indicates the efficiency of the bank. A bank can make the profit through sound lending policy and the quality of services it provides. If the profit ratio is high, the efficiency of bank will be high. Following profitability ratios are calculated: -

4.2.4.1 Return on Total Working Fund Ratio

Return on total working fund measures the relationship between the working fund and profit of the bank. Hence working fund includes those entire funds which are used for mobilizing to earn profit.

$$\text{Return on total working capital} = \frac{\text{Net profit}}{\text{Total working fund}}$$

Total working fund = Total deposit + borrowings.

Table 32 - Calculation of mean, S.D. and C.V. of return to total working fund

Years	HBL
2007/08	1.28
2008/09	1.42
2009/10	0.94
2010/11	1.45
2011/12	2.00
Mean (\bar{X})	1.42
S.D. (s)	0.15
C.V.	10.80

Source: - Annex 13

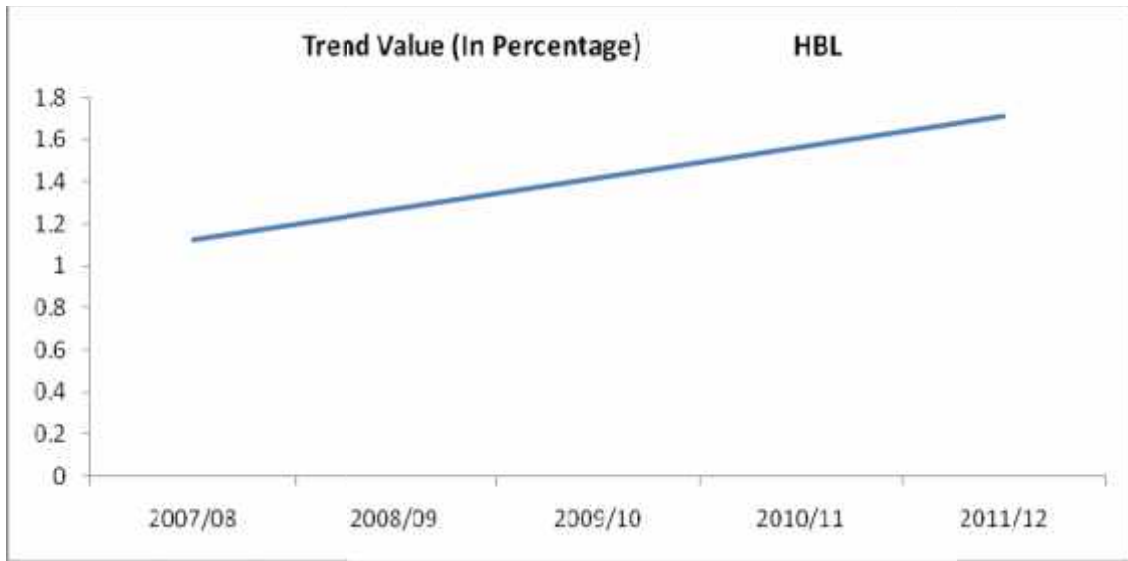
The table 4.16 shows the ratios of return to working fund ratio of HBL. The average ratio of return of working fund ratio of HBL is 1.42%. The maximum return of HBL is 2.00% in the year 2011/12 and lowest in the year 2009/10 which is of 0.94%. The CV of the bank over the study period is 10.80% which shows that the earning net profit levels of bank is more consistent.

Table 33- Estimate value of return to total working fund ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	1.124
2008/09	1.271
2009/10	1.418
2010/11	1.565
2011/12	1.712

Source: Annex A16

Figure 16 - Graph of return to total working fund ratio



(Source: - Table 32)

The table 33 and graph 16 shows the trend values of return to total working fund ratio of HBL. The trend of return to total working fund ratio of bank is in fluctuating trend. i.e. some part of working fund is ideal which reduce the return of the bank.

4.2.4.2 Net Profit to Loan and Advance Ratio

Net profit to loan and advances ratio measures the earning capacity of commercial bank as its deposit mobilized on loan and advances higher the ratio greater will be the return and vice-versa.

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

Table 34 - Calculation of mean, S.D. and C.V. of return on loan and advance (In Percentage)

Years	HBL
2007/08	3.26
2008/09	3.04
2009/10	1.82
2010/11	2.83
2011/12	2.74

Mean (\bar{X})	2.73
S.D. (s)	0.22
C.V.	8.07

Source: - Annex 14

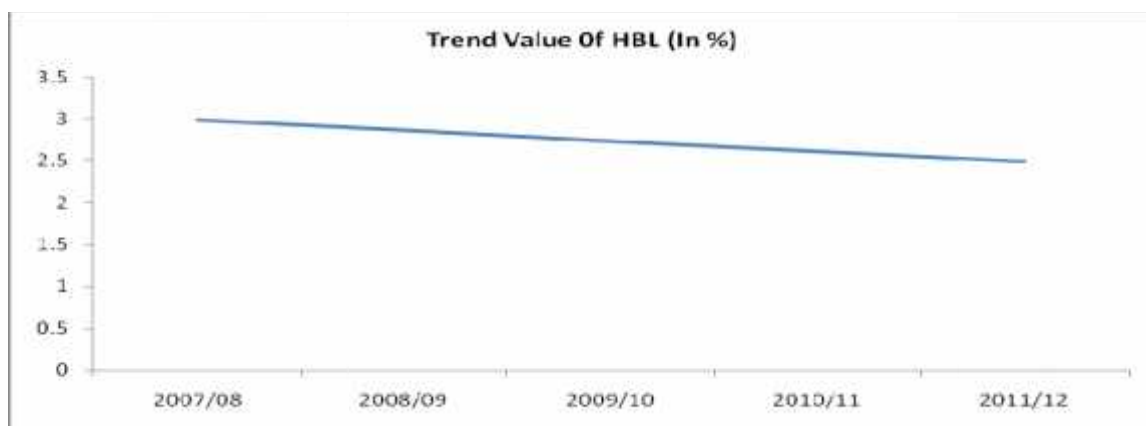
The table 4.17 shows the ratio of return on loan and advances ratio of HBL. It has highest ratio is 3.26% in the year 2007/08 and lowest ratio is 1.82% in the year 2009/10. The average ratio of HBL is 2.73%. The CV of the bank is 8.07% which shows that the earning capacity of the bank is more consistent.

Table 35 - Estimate value of return on loan and advances ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	2.988
2008/09	2.863
2009/10	2.738
2010/11	2.613
2011/12	2.488

Source: Annex A17

Figure 17 - Graph of return on loan and advance ratio



(Source: - Table 34)

The table 35 and graph 17 shows the trend values of net profit to loan and advance ratio of HBL. The trend is in decreasing year by year. It indicates that the net profit level of HBL is less as compared to loan and advances of the bank.

4.2.4.3 Net Profit to Total Equity Capital Ratio

Return to total equity capital ratio shows the relationship between net profit and equity capital. Shareholders are the member of the banks. Equity capital comes from the equity shareholders side. If the bank can mobilize its equity capital properly, they earn high profit and faith of the shareholders too. Equity capital is the ownership capital of the banks. The returns on equity measures the extent to which a bank is successful to mobilize its capital.

$$\text{Return on Equity} = \frac{\text{Net Profit}}{\text{Total equity capital}}$$

Table 36 - Calculation of Mean, S.D. and C.V. of return on equity

Years	HBL
2007/08	19.54
2008/09	20.96
2009/10	13.55
2010/11	22.35
2011/12	20.70
Mean (\bar{X})	19.42
S.D. (s)	1.37
C.V.	7.06

Source: - Annex 15

The table 4.18 shows that the ratios of return to equity capital ratio of HBL. The average ratio of return on equity ratio of HBL is 19.42%. HBL has the highest net profit ratio 20.96% in the year 2008/09 and lowest ratio 13.55% in the year 2009/10. The CV of the

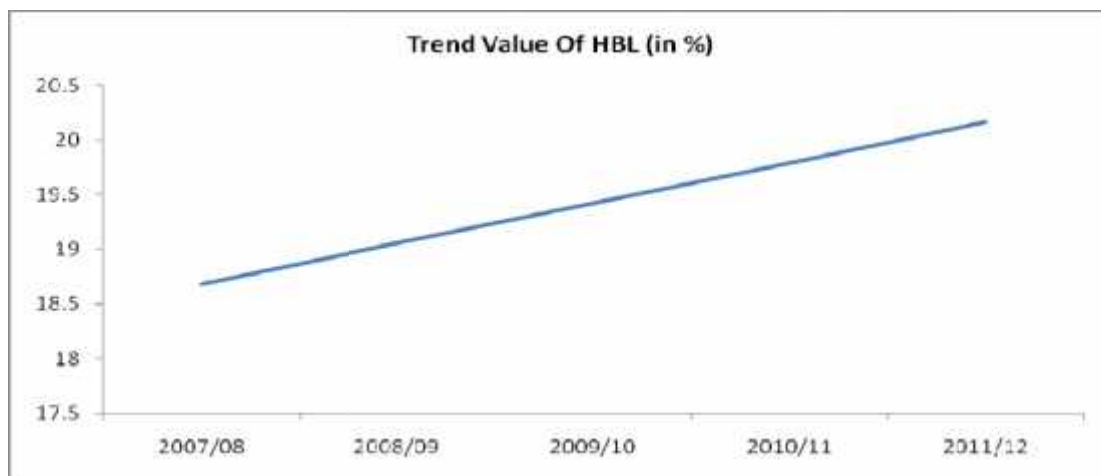
bank is 7.06% which shows that the earning net profit level of HBL is more consistent comparing the total equity capital.

Table 37- Estimate value of net profit to total equity capital ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	18.678
2008/09	19.049
2009/10	19.42
2010/11	19.791
2011/12	20.162

Source: Annex A18

Figure 18 - Graph of net profit to total equity capital ratio



(Source: - Table 36)

The table 37 and graph 18 shows the trend value of net profit to total equity capital ratio of HBL. The trend value of net profit to total equity capital ratio of HBL is in increasing trend. Trend value is maximum at 2011/12 is 20.162% indicating the maximum return on the equity capital.

4.2.5 Risk Ratio

Risk ratio is very essential element. Risk ratio measures the risk associated with the banking variables. A bank raises capital by accepting deposit and finally grant loan. These entire things come along with the risk. A bank must consider the risk associated with it. Higher the ratio higher will be the profit and vice-versa. Under this ratio following ratios are analyzed.

4.2.5.1 Capital Risk Ratio

Capital risk ratios are related between share capital and loan and advances or total credit is called capital risk ratio. Therefore, a bank must maintain adequate capital in relation to the nature and condition of its assets, its deposit liabilities and other corporate responsibilities.

$$\text{Capital Risk ratio} = \frac{\text{Share Capital}}{\text{Risk Weightage assets}}$$

Table 38 - Calculation of mean, S.D. and C.V. of Capital risk ratio

Years	HBL
2007/08	5.20
2008/09	4.90
2009/10	7.15
2010/11	7.60
2011/12	7.90
Mean (\bar{X})	6.55
S.D. (s)	0.55
C.V.	8.54

Source: - Annex 16

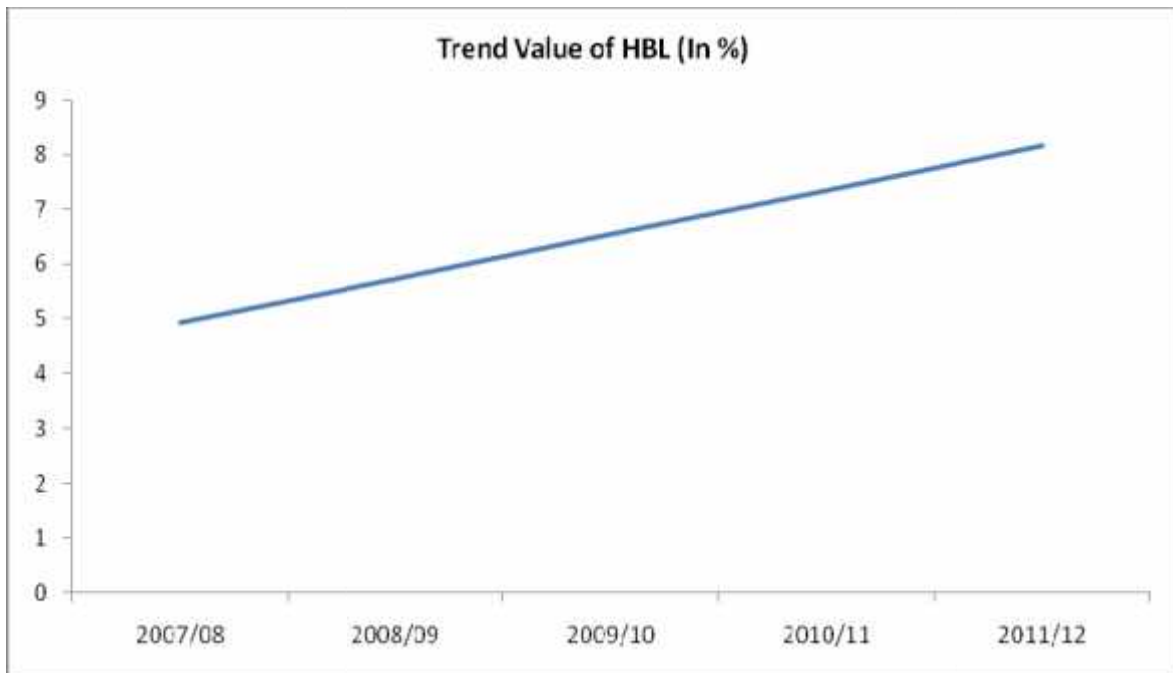
The table 4.19 shows the fluctuation ratios of capital risk ratio of HBL throughout the review period. The average ratio of capital risk ratio of HBL is 6.55% which shows the bank has higher the ratio and it is able to attract deposit and inter bank funds. HBL has the highest risk ratio 7.90% in 2011/12 and lowest risk ratio 4.90% in 2008/09. The CV of the HBL is 8.54% which shows that the ratio is more consistent.

Table 39 - Estimate value of capital risk ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	4.93
2008/09	5.74
2009/10	6.55
2010/11	7.36
2011/12	8.17

Source: Annex A19

Figure 19 - Estimated value of capital risk ratio of HBL



(Source: - Table 38)

The table 39 and graph 19 shows the trend values of capital risk ratio of HBL. The trend percentage value of capital risk ratio of HBL is in increasing trend. In other words, bank has low risk weighted assets over the study period.

4.2.5.2 Credit Risk Ratio

Credit risk ratio is related into total loan and advances and total assets. It is very essential for a bank to inspect the project i.e. the risk involves in it to avoid default of non payment of loan before making investment on them. The main factor while the bank makes the decision on investment to utilize its collected fund is the risk.

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

Table 40 - Calculation of mean, S.D. and C.V. of credit risk ratio

Years	HBL
2007/08	53.90
2008/09	63.05
2009/10	65.50
2010/11	67.54
2011/12	64.32
Mean (\bar{X})	62.86
S.D. (s)	2.11
C.V.	3.35

Source: - Annex 17

The table 4.20 shows the fluctuation in the ratios of credit risk ratio of HBL. The average ratio of credit risk ratio of HBL is 62.86% which shows that total loan and advances is increasing with the risk of default. HBL has the highest credit risk ratio of 67.54% in the year 2010/11 and lowest of 53.90% in the year 2007/08. The CV of HBL is 3.35 which

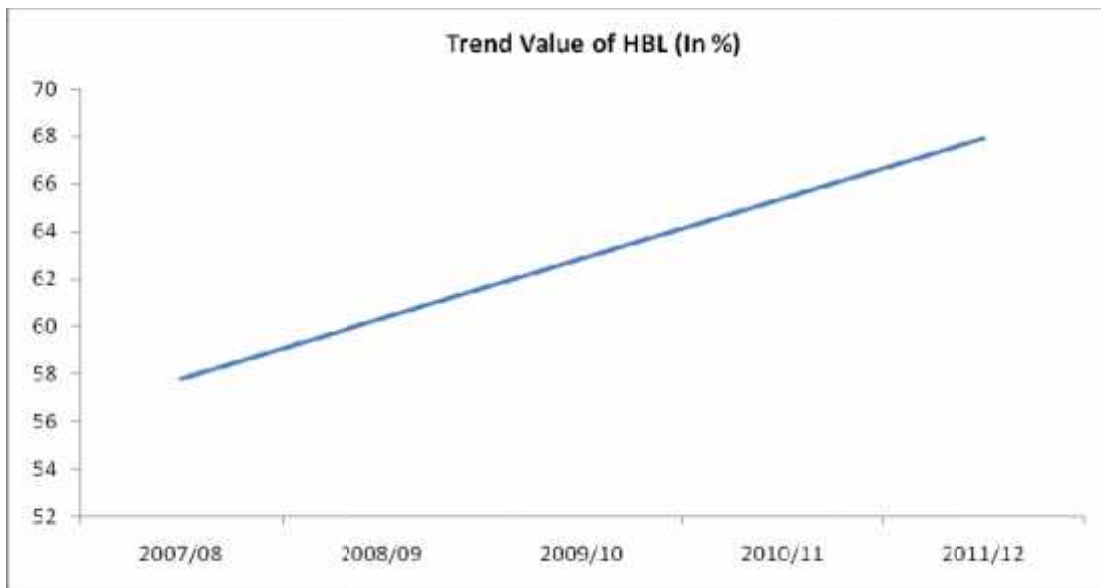
shows that the non performing asset in total loan and advance levels of HBL is consistent and in increasing trend.

Table 41 - Trend analysis of credit risk ratio of HBL

Years	Trend Value (In Percentage)
	HBL
2007/08	57.794
2008/09	60.327
2009/10	62.86
2010/11	65.393
2011/12	67.926

Source: Annex A20

Figure 20 - Graph of credit risk ratio of HBL



(Source: - Table 40)

The table 41 and graph 20 shows the trend value of credit risk ratio of HBL. The trend value of bank is in increasing trend. It indicates that the investment in loan and advance is increasing with increasing risk.

4.2.6 Growth Ratio

Growth ratio is directly related to the deposit mobilization of commercial bank. It denotes that how well the banks are preserving their economic or financial position Growth ratio is calculated as follows: -

$$D_n = D_0(1 + g)^{n-1}$$

Where,

D_n = Deposit amount for n periods.

D_0 = Current deposit amount

n = Number of years observed

g = growth rate during the period

4.2.6.1 Growth Ratio of Total Deposit

Table 42 - Growth ratio of total deposit

Bank	Fiscal Year					Growth %
	2007/08	2008/09	2009/10	2010/11	2011/12	
HBL	31842.79	34681.34	37611.20	40920.63	47730.99	10.5

Source: -Annex 18

From the table 42 shows that the growth ratio of total deposit of HBL is 10.5% which shows that the growth of deposit collection activities of the bank is increasing year by year resulting the more opportunity in investing and earning more profit.

4.2.6.2 Growth Ratio of Loan and Advances

Table 43 - Growth ratio of loan and advances

Bank	Fiscal Year					Growth %
	2007/08	2008/09	2009/10	2010/11	2011/12	
HBL	19497.52	24793.15	27980.36	31566.98	34965.43	15.7

Source: - Annex 19

The table 43 shows that the growth ratio of loan and advances of HBL is 15.7% and which shows that the bank has higher the growth ratio in loan and advance than in deposit growth. The trend of advancing loans of HBL is in increasing trend which increase the default risk in future.

4.2.6.3 Growth Ratio of Total Investment

Table 44 - Growth ratio of total investment

Bank	Fiscal Year					Growth %
	2007/08	2008/09	2009/10	2010/11	2011/12	
HBL	13340.18	8710.69	8444.31	8769.94	10031.58	-6.8

Source: - Annex 20

The table 44 shows that the growth ratio of total investment of HBL is -6.8% which shows that the investment of bank is decreasing in 2010/11 as compared to the investment in 2007/08 due to lack of investment opportunity in Nepalese market. Growth of deposit is in increasing trend and investment is decreasing trend which affect the profitability of the bank.

4.2.6.4 Growth Ratio of Net Profit

Table 45 - Growth Ratio of net profit

Bank	Fiscal Year					Growth %
	2007/08	2008/09	2009/10	2010/11	2011/12	
HBL	635.87	752.83	508.80	893.12	958.64	10.6

Source: - Annex 21

The table 45 shows that the growth ratio of net profit of HBL is 10.6%. It shows that the performance of HBL is better in comparison to other banks.HBL earned maximum profit in 2011/12 of NPR 958.64million.

4.3 Statistical Analysis

Under this topic some statistical tools are used to achieve the objectives of the study which are as follows: -

- Ñ Correlation coefficient (r)
- Ñ Coefficient of determination (r^2)
- Ñ Probable Error
- Ñ Trend Analysis

4.3.1 Coefficient of Correlation

Under this chapter, Karl Pearson's coefficient of correlation is used to find out the relationship between total deposit and loan and advances and total deposit and investment.

4.3.1.1 Coefficient of Correlation between Total Deposit and Loan and Advance

Total deposit and loan and advances are very important liabilities and assets of the bank. Deposits are mobilized as the loan and advances. Proper mobilizations of deposits are very crucial function of the commercial banks. The relationship between deposit and loan and advance must be optimum to gain profit. In this analysis, total deposit is independent variable (X) and loan and advance is dependent variable (Y).

Table 46 - Correlation coefficient between total deposits and loan and advance

Name	R	r^2	PE	6 X PE	Sig. / Insig.
HBL	0.9649	0.9311	0.0105	0.0635	Sig.

Source: -Annex 22

The table 46 we can find that the correlation coefficient between deposits and loan and advances of HBL are 0.9649. This shows the positive relationship between these two variables i.e. deposits and loan and advances of bank.

By considering coefficient of determination (r^2), the value of r^2 is 0.9311. which means 93.11% of loan and advances decision is determined by deposit and 6.89% of loan and advances depend upon other variables. Above figure indicate that there are significant relationship between deposit and loan and advances.

4.3.1.2 Correlation Coefficient between Total Deposit and Investment

Correlation coefficient between deposit and investment measures the degree of relationship between these two variables. Total deposit is independent variable (Y). The objective behind the calculation of this correlation is to find out whether deposit is significantly mobilized as the investment.

Table 47 - Correlation coefficient between total deposit and investment

Name	R	r^2	PE	6 X PE	Sig. / Insig.
HBL	0.726	0.5276	0.1424	0.8548	sig.

Source: -Annex 23

From above table shows that correlation coefficient between deposit and investment of HBL

is 0.726 that means there is a positive correlation between two variables. The value of coefficient of determination (r^2) is also 0.5276 which means 52.76% of the investment decision depends upon deposit and 47.24% of investment decision depends upon other variables. Similarly, probable error is 0.1424 and 6 x PE is 0.8548. Therefore, it reveals that relationship between deposit and investment is significant.

4.3.2 Trend Analysis

Trend Analysis has been a very useful and commonly applied statistical tool to forecast the future events in quantitative terms. On the basis of tendencies in the dependent variables in the past periods, the future trend is forecasted. This analysis takes the historical data as the basis of forecasting. This method of forecasting the future trend is

based on the assumptions that the past tendencies of the variables are repeated in the future of the past events affects the future events significantly.

The future trend is forecasted by using the following formula: -

$$Y = a + bx$$

Where,

Y = The dependent variable

a = The origin i.e. arithmetic mean.

b = The slope coefficient i.e. rate of change

X = The independent variable

4.3.2.1 Trend Analysis of Deposit

Deposit includes current, saving, fixed and other deposit (call deposit + others)

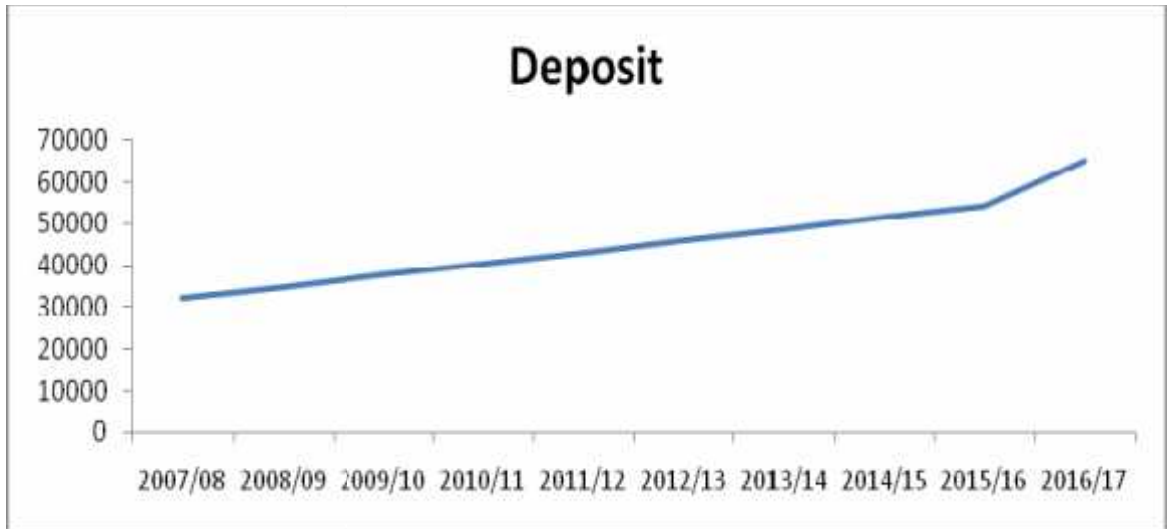
Under this topic an effort has been made to calculate the trend values to total deposits of HBL for 5 years and forecast for next 5 years till 2015/16.

Table 48 - Trend analysis of total deposit

Year	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Deposit	32269.60	35020.88	37772.16	40523.44	43274.72	46026.00	48777.28	51528.56	54279.84	65167.9

Source: - Annex A21

Figure 21 - Graph of total deposit



(Source: - Table 48)

The table has given the trend values of HBL. The trend of deposit of HBL is in increasing trend till 2015/16. The other things remaining the same, bank will be accumulating a total deposit amount of Rs. 54279.84 million in 2015/16. The increasing trend of deposit from market positively affects the profitability of the bank.

4.3.2.2 Trend Analysis of Loan and Advances

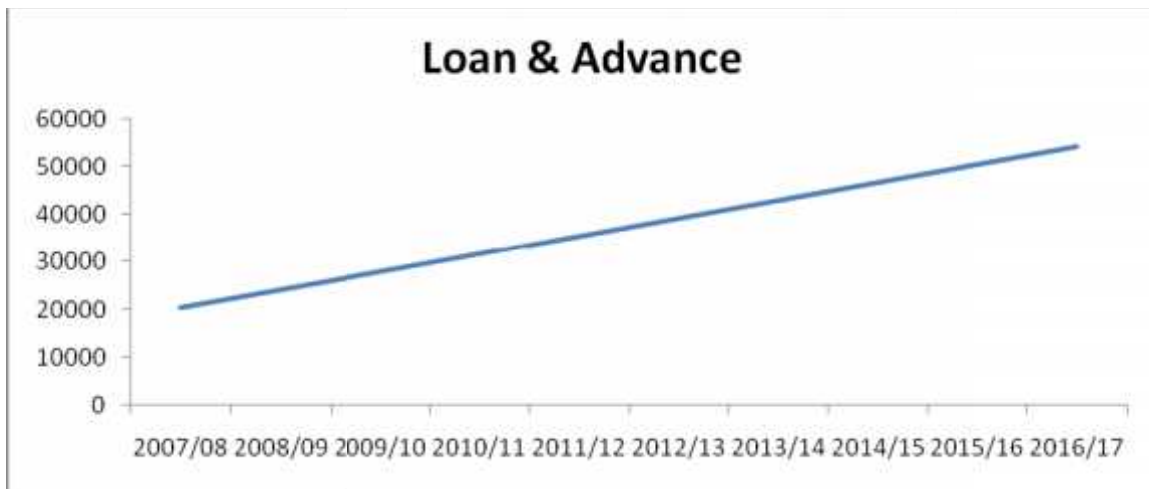
Loan and advances includes, loan and advance disburse to government enterprises and private sector. Under this topic, an effort has been made to calculate the trend values of loan and advances of HBL for 5 Years and forecast for next 5 years till 2015/16.

Table 49 - Trend analysis of loan and advance

Name	2007/08	2008/09	2009/10	2010/11	2011/12
HBL	20405.15	24167.26	27929.37	31691.48	35453.59
	2012/13	2013/14	2014/15	2015/16	2016/17
HBL	39215.70	42977.81	46739.92	50502.03	54157.46

Source: -Annex A22

Figure 22 - Graph of loan and advance



(Source: - Table 49)

The comparative graph clearly shows that the loan and advances of bank is increasing regularly. Other things remain constant, HBL will extent total loans worth Rs. 50502.03 million in 2015/16 which is the highest amount during period of the study.

4.3.2.3 Trend Analysis of Investment

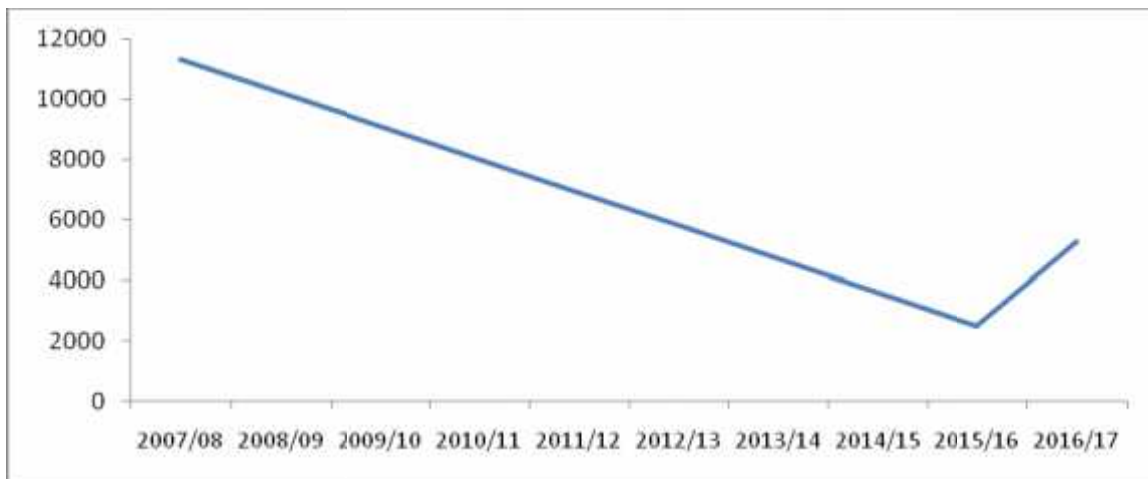
Investment includes investment in government securities, share, debentures and bonds. Under this topic, an effort has been made to calculate the trend values of investment of HBL for 5 years till 2015/16.

Table 50 - Trend analysis of investment

Name	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
HBL	11317.88	10217.74	9117.60	8017.46	6917.32	5817.18	4717.04	3616.90	2516.76	14450.03

Source: -Annex A23

Figure 23 - Graph of Investment



(Source: - Table 50)

The chart, give the trend values of HBL. It is clear from the graph total investment of HBL is in decreasing trend. Both banks will be accumulated total investment of Rs. 2516.76 million at the end of the year 2015/16. The decreasing trend of investment over the study period affects its deposit mobilization and the profitability of the bank.

4.4 Deposit mix

Deposit mix is the combination of saving, current, margin, and fixed deposit amount. It is the essential part of every commercial banks. It shows the efficiency of commercial bank. This study analyzes financial and liquidity position of commercial bank by evaluating ratio analysis with total deposit. We can see the deposit mix of HBL from the below table:

Table 51 - Deposit mix of HBL

Year	Saving dep.	Current dep.	Margin dep.	Fixed dep.
2007/08	60.25618107	16.04003605	2.163114437	21.5406684
2008/09	66.16096406	10.61364357	2.193728321	21.0316641
2009/10	50.42324485	11.5906858	2.930054979	35.0560144
2010/11	46.47481849	10.73424461	3.543064418	39.2478725
2011/12	55.71103481	11.65357088	2.469129902	30.1662644

From the above table, we can find that the saving deposit is more fluctuating trend, current deposit ratio, is highest in 2007/08 than remaining 4 fiscal years.

Margin deposit ratio is increasing till 2010/11 but in 2011/12 the margin ratio has decrease due to the policy of NRB. Regarding fixed deposit ratio, it is increasing trend for the first four fiscal years and decreased for fiscal year 2011/12. because the depositor have more investment opportunity in the market as well NRB is ruling for less interest in fixed deposit than the previous years.

4.5 Major Findings

4.4.1 Deposit Mobilization

Deposit collection amount is increasing every year, the amount of deposit collection of HBL is higher. From the deposit collecting, loan and advances and investment of the banks, it is clear that the deposit collection of HBL is satisfactory. Percentage change of deposit of HBL is smoothly increasing. The HBL is more attracted to utilizing its resources on investment and also it can be said that HBL is taking more interest towards less risky investment.

4.4.2 Financial Ratio Analysis

4.4.2.1 Liquidity Ratio

From the study of NRB balance with total deposit ratio, it is found that the average ratio (mean ratio) of HBL is in increasing trend. It indicates the strong liquidity position of HBL due to proper availability of balance at NRB to meet their short term obligation.

-) Balance with NRB to current and saving deposits of HBL banks were satisfactory. HBL Bank has maintained the ratio prescribed by NRB.
-) NRB balance to total fixed deposit of HBL is higher in 2008/09 i.e. 36.51% and then after 2008/09 the ratio has been decreasing gradually. Even, NRB balance to total fixed deposit of HBL found that it exceed the minimum requirement laid down by the NRB rules.

-) The average ratio of liquid fund to total deposit ratio of HBL is in increasing trend up to 2009/10 and then in decreasing trend .The maximum ratio in 2008/09 is 36.86% which indicate the higher liquid fund of HBL to meet its short term obligations.
-) Overall analysis of this ratio has found that HBL is following the directions given by NRB in respect to the liquidity position. It is strong enough from the liquidity element.

4.4.2.2 Activity Ratio

-) Credit to total deposit ratios of HBL is in increasing upto 2010/11 and increasing in 2011/12.
-) Investment to total deposit ratio of HBL is decreasing over the study period. The decreasing ratio indicating the more idle deposit with the bank whose increase the cost of fund due to fund.
-) Credit and investment to total deposit ratio of HBL is in fluctuating trend.
-) Loan and advances to saving deposit ratio of HBL is in also fluctuating trend.
-) Time deposit to total deposit ratio of HBL is fluctuating trend. This shows that the deposit collection of HBL is satisfactory as compared to other banks.

4.4.2.3 Capital Adequacy Ratio

-) Capital to total deposit ratio reveals that HBL is increasing upto 2010/11 and decreasing in 2011/12.Its total deposit more effective than total capital.
-) Total capital to total credit ratio reveals that HBL is in fluctuating trend over the study period i.e the ratio is not consistent.
-) Capital to total assets ratio of HBL is in increasing upto 2010/11 and decreasing in 2011/12.
-) In overall study of the ratio shows that HBL is in better position as compared to other banks and financial institutions.

4.4.2.4 Profitability Ratio

-) Return on working fund reveals that the net profit is in increasing trend over the study period but the increment of total working fund is more than increment in net profit.
-) Return (Net Profit) on loan and advance reveals that HBL is satisfactory till 2008/09 and after that net profit is decreasing as compared to loan & Advances.
-) Return on equity reveals that returns from the owner's capital and is in satisfactory position in 2008/09 after that net profit is decreasing and then owner's fund is increasing which indicate the less utilization of owner's capital.

4.4.2.5 Growth Ratio

-) Growth ratio of total deposit of HBL is in increasing trend and growth ratio of HBL is 10.5% indicating the total deposit of the bank is in upward position.
-) The growth ratio of loan & advance of HBL is 15.7%. It is found that loan & advances has been increasing over the period.
-) Growth ratio of total investment of HBL is -6.8% which indicate that investment is decreasing over the period due to the lack of investment sector in Nepalese market.
-) Growth ratio of net profit of HBL is increasing in 2008/09 and then decreasing in 2009/10 and increasing trend. In 2011/12 the net profit growth ratio is 10.6%.

4.4.2.6 Risk Ratio

-) Capital risk ratio of HBL is in fluctuating trend i.e. sometimes increasing and decreasing.
-) Credit risk ratio reveals that HBL is in increasing upto 2010/11 decreasing thereafter. Credit risk ratio is maximum in 2010/11 by 67.54%.
-) Overall study of the risk ratios shows that capital risk ratio of HBL is increasing that mean it is giving due considerations in increasing of profit through the increment of deposit.

4.4.2.7 Correlation Coefficient

-) Correlation coefficient between total deposit and loan and advances found that there is highly positive correlation of HBL because of increment in deposit which will increase in loan & advances.
-) Correlation Coefficient between deposit and investment of HBL is found positive and it is directly related to the deposit. It indicates that there is significant relationship between total deposit and investment.

4.4.2.8 Trend Analysis

-) The deposits of HBL is in increasing trend. The total deposit collection of HBL is higher by Rs.40920.63 million in 2010/11.
-) Loan and advance of both banks are also increasing trend. HBL remained the higher volume of credit outflow till year 2010/11 by Rs. 31566.98 million.
-) HBL has decreasing trend in terms of total investment.
-) The overall trend analysis of HBL shows that HBL has good deposit, loan and advance and investment.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter summarizes the whole study, draws the major conclusions and forwards the recommendations on the basis of major findings.

5.1 Summary

Just only increment of deposit does not give any return to the bank. A bank must have sound investment policy for the mobilization of the available funds. A deposit is that liabilities of the commercial banks which is returnable in demand at any time. So, sound investment policy has appeared to be very necessary to the commercial bank. A commercial bank mainly focuses on its two functions i.e. collection of deposit through various schemes and granting those amounts as loan to the clients by providing various facilities.

In the year 2011/12, HBL was able to collect Rs. 47730.99 million deposits and extended as loan and advance of Rs. 34965.43 million and was able to made net profit of Rs. 958.64 million.

According to liquidity ratio, the overall liquidity ratio of HBL is stronger than other bank. It can conclude that HBL could discharge its depositor's obligation more comfortably. These ratios are used to know the capacity of the concern to repay its short term liability.

According to activity ratio, HBL has mobilized its collected deposits on investment bitterly in different sector. These ratios reflect how efficiently the bank is managing its resources.

According to capital adequacy ratio, HBL is good enough to row its capital.

The earning capacity of bank is measured by profitability ratio. HBL is consistencies at earning net profit but the ratio of profit to total equity capital is fluctuating every year.

In the case of risk ratio, the study reveals that capital risk ratio of HBL is higher than mean. It is giving due considerations in increasing of profit through the increment of deposit.

A growth ratio, the growth ratio of HBL is satisfactory. Karl Pearson's correlation analysis helped to conclude the fact that HBL is capable of exploiting its resources by utilizing them in more effectively and efficiently in productive sectors.

Trend analysis of all ratios and trend value forecast of total deposits, loan and advance and investment shows the percentage change in several successive years.

5.2 Conclusion

As deposits are the major organ of commercial bank to sustain in the industry, CBs should have optimum policy to collect the deposit in various accounts. Higher the deposit higher will be chance of the mobilization of working fund and profit. Banks should not invest their fund haphazardly. It should be careful while advancing loan because loan is the blood of the CBs for survival. If commercial bank doesn't apply sound investment policy it will be in great trouble in future to collect it in time. Hence the possibility of bankruptcy may arise there. Banks should invest their fund in various portfolios after the deep study of the project to be safe from being bankruptcy. If banks concentrate the investment in few organizations there is a high chance of default risk.

Banks are important for economic development of the country. Diversification is indeed need to all the business houses but it has seen immense important to commercial banks than other business house because banks use the money of other people for the benefit of its own. It helps in the capital formation to the country which is the most important element for the economic growth of the country. In overall, it can be concluded that CBs life is totally dependent upon the deposit collection policy and the optimum deposit mobilization procedure.

5.3 Recommendations

5.3.1 Recommendation to Himalayan Bank

-) The basis of credit to total deposit ratio shows that the bank can not mobilize their total deposit properly. The HBL should increase the ratio of credit to total deposit by increasing investment on loan and advances.
-) HBL is interested only in investing private sector. It is better for the bank to increase its profit by lending in highly profitable projects but there is high risk too. So HBL should diversify its investment in various securities.
-) Growth ratio of total deposit and loan and advance of HBL is lower. Hence, it is recommended to HBL. The bank should increase the ratio of deposit and loan and advances.
-) NRB balance to current and saving deposit of HBL is quite low. It should increase NRB balance so that it would have more liquid funds whenever needed.

5.3.2 General Statement Recommendations

-) Commercial banks must be providing their services in the remote area and deprived people. It should not only concentrate its activities in urban areas.
-) Most of the resources are in the hand of CBs that some positions of it should be provided to micro finance sector.
-) Through NRB liberal policy it has left the banking institutions with a limited scope of options for the rescheduling of the bad loans. Considering this, the banks have to formulate the future strategies by identifying these problems.
-) The portfolio conditions of bank should be regularly revised from time to time. The banks should be able to maintain the optimum condition of it.
-) CBs are closely rural branches. Therefore it is essential to provide resources to rural people and same form of linkage needs to be set-up.
-) CB's are not willing to deal in small loans so that there is gap, which needs to be fulfilled.

-) “Fund from urban areas and credit to rural poor’s”. Could be the motto of CBs if they foresee the market potential.
-) Lastly, banks are suggested to support the social welfare event to promote the business.

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ANNEXES

Annex 1 : NRB balance to total deposit ratio of HBL (In Percentage)

Year	NRB Deposit	Total Deposit	Ratio
2007/08	2328.40	34681.34	6.71
2008/09	935.84	31842.79	2.94
2009/10	2604.79	37611.20	6.92
2010/11	1390.63	40920.63	3.40
2011/12	3979.16	47730.99	8.33

Annex 2:NRB balance to current and saving deposit of HBL (In Percentage)

Year	NRB Deposit	Current + Saving Deposit	Ratio
2007/08	935.84	22756.66	4.11
2008/09	2328.40	28751.93	8.98
2009/10	2604.79	20040.30	12.99
2010/11	1390.63	19688.81	7.06
2011/12	3979.16	26499.63	15.02

Annex – 3: NRB balance to fixed deposit of HBL (In Percentage)

Year	NRB Deposit	Fixed Deposit	Ratio
2007/08	935.84	6423.87	14.57
2008/09	2328.40	6377.13	36.51
2009/10	2604.79	11328.63	22.99
2010/11	1390.63	13507.37	10.30
2011/12	3979.16	11866.68	33.53

Annex -4: Total liquid fund to total deposit ratio of HBL (In Percentage)

Year	Total Liquid Fund	Total Deposit	Ratio
2007/08	10245.32	31842.79	32.17
2008/09	12786.38	34681.34	36.86
2009/10	13795.35	37611.20	36.68
2010/11	10106.01	40920.63	24.70
2011/12	6626.89	47730.99	13.88

Annex – 5: Total credit to total deposit ratio of HBL (In Percentage)

Year	Total Credit	Total Deposit	Ratio
2007/08	19497.52	31842.79	61.23
2008/09	24793.15	34681.34	71.48
2009/10	27980.63	37611.20	74.39
2010/11	31566.98	40920.63	77.14
2011/12	34965.43	47730.99	73.25

Annex -6: Investment to total deposit ratio of HBL (In Percentage)

Year	Investment Amount	Total Deposit	Ratio
2007/08	13340.18	31842.79	41.89
2008/09	8710.69	34681.34	25.11
2009/10	8444.91	37611.20	22.44
2010/11	8769.94	40920.63	21.43
2011/12	10031.58	47730.99	21.02

Annex – 7: Total credit and investment to total deposit ratio of HBL (In Percentage)

Year	Credit and Investment	Total Deposit	Ratio
2007/08	32837.70	31842.79	103.12
2008/09	33503.84	34681.34	96.60
2009/10	36425.54	37611.20	96.85
2010/11	40336.92	40920.63	98.57
2011/12	44997.02	47730.99	94.27

Annex -8: Loan and advance to saving deposit ratio of HBL (In Percentage)

Year	Loan and Advance	Saving Deposit	Ratio
2007/08	19497.52	17972.44	1.08
2008/09	24793.15	20061.04	1.23
2009/10	27980.63	16294.68	1.72
2010/11	31566.98	15994.56	1.97
2011/12	34965.43	21915.37	1.60

Annex – 9: Time deposit to Total deposit ratio of HBL (In Percentage)

Year	Fixed Deposit	Total Deposit	Ratio
2007/08	6423.87	31842.79	20.17
2008/09	6377.13	34681.34	18.38
2009/10	11328.63	37611.20	30.12
2010/11	13507.37	40920.63	33.00
2011/12	11866.67	47730.99	24.86

Annex -10: Total capital to total deposit ratio of HBL (In Percentage)

Year	Total Capital	Total Deposit	Ratio
2007/08	1013.51	31842.79	3.18
2008/09	1216.21	34681.34	3.64
2009/10	2000.00	37611.20	5.32
2010/11	2400.00	40920.63	5.86
2011/12	2760.00	47730.99	5.78

Annex – 11: Total capital to total credit ratio of HBL (In Percentage)

Year	Total Capital	Total Credit	Ratio
2007/08	1013.51	19497.52	5.20
2008/09	1216.21	24793.15	4.90
2009/10	2000.00	27980.63	7.15
2010/11	2400.00	31566.98	7.60
2011/12	2760.00	34965.43	7.90

Annex -12: Total capital to total assets ratio of HBL (In Percentage)

Year	Total Capital	Total Assets	Ratio
2007/08	1013.51	36175.53	2.80
2008/09	1216.21	39320.32	3.09
2009/10	2000.00	42717.12	4.68
2010/11	2400.00	46736.20	5.12
2011/12	2760.00	54364.42	5.07

Annex – 13: Net profit to total working fund ratio of HBL (In Percentage)

Year	Net Profit	Total Working Fund	Ratio
2007/08	635.87	49429.70	1.28
2008/09	752.83	52931.74	1.42
2009/10	508.80	54295.27	0.94
2010/11	893.12	61534.84	1.45
2011/12	958.64	47730.99	2.00

Annex -14: Net profit to loan and advance ratio of HBL (In Percentage)

Year	Net Profit	Loan and Advances	Ratio
2007/08	635.87	19497.52	3.26
2008/09	752.83	24793.15	3.04
2009/10	508.80	27980.63	1.82
2010/11	893.12	31566.98	2.83
2011/12	958.64	34965.43	2.74

Annex – 15: Return on total equity capital ratio of HBL (In Percentage)

Year	Net Profit	Total Equity Capital	Ratio
2007/08	635.87	3253.51	19.54
2008/09	752.83	3591.24	20.96
2009/10	508.80	3754.94	13.55
2010/11	893.12	3995.48	22.35
2011/12	958.64	4632.01	20.70

Annex -16: Capital Risk ratio of HBL (In Percentage)

Year	Share Capital	Loan and Advance	Ratio
2007/08	1013.51	19497.52	5.20
2008/09	1216.21	24793.15	4.90
2009/10	2000.00	27980.63	7.15
2010/11	2400.00	31566.98	7.60
2011/12	2760.00	34965.43	7.90

Annex -17: Credit Risk ratio of HBL

(In Percentage)

Year	Loan and Advance	Total Assets	Ratio
2007/08	19497.52	36175.53	53.90
2008/09	24793.15	39320.32	63.05
2009/10	27980.63	42717.12	65.50
2010/11	31566.98	46736.20	67.54
2011/12	34965.43	54364.43	64.32

Annex- 18: Calculation of growth ratio of Total deposit

$$D_n = D_0 (1 + g)^{n-1}$$

$$\text{Or } 47730.99 = 31842.79(1 + g)^{5-1}$$

$$\text{or } 47730.99$$

$$\frac{\quad}{31842.79} = (1+g)^4$$

$$31842.79$$

$$\text{or } (1 + g)^4 = 1.49$$

$$\text{or } (1 + g) = (1.49)^{1/4}$$

$$1+g = 1.1048$$

$$\text{or } g = 10.5\%$$

Annex- 19: Calculation of growth ratio of loan and advances

$$D_n = D_0 (1 + g)^{n-1}$$

$$\text{Or } 34965.43 = 19497.52 (1 + g)^{5-1}$$

$$\text{or } 34965.43$$

$$\frac{\quad}{19497.52} = (1+g)^4$$

$$19497.52$$

$$\text{or } (1 + g)^4 = 1.793$$

$$\text{or } (1 + g) = (1.793)^{1/4}$$

$$1+g = 1.157$$

$$\text{or } g = 15.7\%$$

Annex- 20: Calculation of growth ratio of total investment

$$D_n = D_0(1 + g)^{n-1}$$

Or $10031.58 = 13340.18(1 + g)^{5-1}$
 or $\frac{10031.58}{13340.18} = (1+g)^4$
 or $(1 + g)^4 = 0.7519$
 or $(1 + g) = (0.7519)^{1/4}$
 $1+g = 0.9311$
 or $g = -6.8\%$

Annex- 21: Calculation of growth ratio of Net profit

Or $958.64 = 635.87(1 + g)^{5-1}$
 or $\frac{958.64}{635.87} = (1+g)^4$
 or $(1 + g)^4 = 1.50$
 or $(1 + g) = (1.50)^{1/4}$
 $1+g = 1.106$
 or $g = 10.6\%$

Annex- 22: Calculation of correlation coefficient and coefficient of determination (r^2) of total deposit to loan and advances of HBL

Total Deposit (X)	Loan and Advance (Y)	X ²	Y ²	XY
318.427	194.975	101395.754	38015.2506	62085.3043
346.813	247.931	120279.257	61469.7808	85985.6939
376.112	279.806	141460.237	78291.3976	105238.394
409.206	315.669	167449.55	99646.9176	129173.649
477.309	349.654	227823.881	122257.92	166893.001
1927.9	1388	758408.7	399681.3	549376

Here,

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

$$= \frac{5 \times 549376 - 1927.9 \times 1388}{[5 \times 758408.7 - (1927.9)^2] \cdot [5 \times 399681.3 - (1388)^2]}$$

$$= \frac{70954.8}{\frac{75245.09}{71862.5}}$$

$$= \frac{70954.8}{73531.60} = 0.9649$$

Coefficient of Determination

$$r^2 = (0.9649)^2$$

$$= 0.9311$$

$$PE(r) = \frac{0.6745 \times (1-r^2)}{n}$$

$$= \frac{0.6745 \times 1 - 0.9649}{5}$$

$$= \frac{0.02367}{2.2361} = 0.0105$$

Annex- 23: Calculation of correlation coefficient and coefficient of determination (r^2) of total deposit and investment of HBL

Total Deposit (X)	Investment (Y)	X ²	Y ²	XY
318.427	133.401	101395.754	17795.827	42478.4802
346.813	871.069	120279.257	758761.2	302098.053
376.112	844.491	141460.237	713165.05	317623.199
409.206	876.94	167449.55	769023.76	358849.11
477.309	1003.158	227823.881	1006326	478816.342
1927.867	3729.059	758408.68	3265072	1499865.2

Here,

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

$$= \frac{5 \times 1499865.2 - 1927.867 \times 3729.059}{\sqrt{[5 \times 758408.68 - (1927.867)^2] \cdot [5 \times 3265072 - (3729.059)^2]}}$$

$$= \frac{310196.21}{\frac{75372.23}{2419478.97}}$$

$$= \frac{310196.21}{427038.03} = 0.726$$

Coefficient of Determination

$$r^2 = (0.726)^2$$

$$= 0.5276$$

$$PE(r) = \frac{0.6745 \times (1-r^2)}{n}$$

$$= \frac{0.6745 \times 1 - 0.5276}{5}$$

$$= \frac{0.3186}{2.2361} = 0.1424$$

Annex A 1: Estimate of trend value of deposit collection of HBL by fixed index based

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	100	-2	4	-200	101.926
2008/09	108.91	-1	1	-108.91	105.243
2009/10	108.45	0	0	0	108.56
2010/11	108.8	1	1	108.8	111.877
2011/12	116.64	2	4	233.28	115.194
	542.8		10	33.17	

Here, X = 0

$$a = \frac{Y}{n} = \frac{542.8}{5} = 108.56 \quad b = \frac{XY}{X^2} = \frac{33.17}{10} = 3.317$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 108.56 + 3.317X$$

$$\text{For 2007/078, } Y = 108.56 + 3.317x -2 = 101.93$$

Similarly, it is calculated for other years.

Annex A 2: Estimate of trend value of investment of HBL by fixed index based

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	100	-2	4	-200	82.632
2008/09	65.3	-1	1	-65.3	89.365
2009/10	96.95	0	0	0	96.098
2010/11	103.85	1	1	103.85	102.831
2011/12	114.39	2	4	228.78	109.564
	480.49		10	67.33	

Here, X = 0

$$a = \frac{Y}{n} = \frac{480.49}{5} = 96.098 \quad b = \frac{XY}{X^2} = \frac{67.33}{10} = 6.733$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 96.098 + 6.733 X$$

$$\text{For } 2007/08, Y = 96.098 + 6.733 \times -2 = 82.63$$

Similarly, it is calculated for other years.

Annex A 3: Estimate of trend value of loan and advances of HBL by fixed index based

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	100	-2	4	-200	111.006
2008/09	127.16	-1	1	-127.16	111.724
2009/10	111.47	0	0	0	112.442
2010/11	112.82	1	1	112.82	113.16
2012/11	110.76	2	4	221.52	113.878
	562.21		10	7.18	

Here, X = 0

$$a = \frac{Y}{n} = \frac{562.21}{5} = 112.442 \quad b = \frac{XY}{X^2} = \frac{7.18}{10} = 0.718$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 112.442 + 0.718X$$

For 2007/08, $Y = 112.442 + 0.718 \times -2 = 111.006$

Similarly, it is calculated for other years.

Annex A 4: Trend analysis of NRB balance to total deposit ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	2.94	-2	4	-5.88	4.166
2008/09	6.71	-1	1	-6.71	4.913
2009/10	6.92	0	0	0	5.66
2010/11	3.4	1	1	3.4	6.407
2011/12	8.33	2	4	16.66	7.154
Total	28.3		10	7.47	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{28.3}{5} = 5.66 \quad b = \frac{XY}{X^2} = \frac{7.47}{10} = 0.747$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 5.66 + 0.747X$$

For 2007/08, $Y = 5.66 + 0.747 \times -2 = 4.166$

Similarly, it is calculated for other years.

Annex A 5: Trend analysis of NRB balance to current and saving ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	4.11	-2	4	-8.22	5.652
2008/09	8.98	-1	1	-8.98	7.642
2009/10	12.99	0	0	0	9.632
2010/11	7.06	1	1	7.06	11.622
2011/12	15.02	2	4	30.04	13.612
Total	48.16		10	19.9	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{48.16}{5} = 9.632 \quad b = \frac{XY}{X^2} = \frac{19.9}{10} = 1.99$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 9.632 + 1.99X$$

$$\text{For } 2007/08, Y = 9.632 + 1.99 \times -2 = 5.652$$

Similarly, it is calculated for other years.

Annex A 6:Trend analysis of NRB balance to fixed deposit ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	14.57	-2	4	-29.14	21.238
2008/09	36.51	-1	1	-36.51	22.409
2009/10	22.99	0	0	0	23.58
2010/11	10.3	1	1	10.3	24.751
2011/12	33.53	2	4	67.06	25.922
Total	117.9		10	11.71	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{117.9}{5} = 23.58 \quad b = \frac{XY}{X^2} = \frac{11.71}{10} = 1.171$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 23.58 + 1.171X$$

$$\text{For } 2007/08, Y = 23.58 + 1.171 \times -2 = 21.238$$

Similarly, it is calculated for other years.

Annex A7:Trend analysis of total liquidity fund to total deposit ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	32.17	-2	4	-64.34	38.59
2008/09	36.86	-1	1	-36.86	33.72
2009/10	36.68	0	0	0	28.85
2010/11	24.7	1	1	24.7	23.98
2011/12	13.88	2	4	27.76	19.11
Total	144.29		10	-48.74	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{144.29}{5} = 28.85 \quad b = \frac{XY}{X^2} = \frac{-48.74}{10} = -4.87$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 28.85 - 4.87 X$$

$$\text{For 2007/08, } Y = 28.85 - 4.87 \times -2 = 38.59$$

Similarly, it is calculated for other years.

Annex A 8: Trend analysis of credit to total deposit ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	61.23	-2	1	-122.46	65.558
2008/09	71.48	-1	0	-71.48	68.528
2009/10	74.39	0	1	0	71.498
2010/11	77.14	1	4	77.14	74.468
2011/12	73.25	2		146.5	77.438
Total	357.49		10	29.7	

Here, X = 0

$$a = \frac{Y}{n} = \frac{357.49}{5} = 71.49 \quad b = \frac{XY}{X^2} = \frac{29.7}{10} = 2.97$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 71.49 + 2.97 X$$

$$\text{For 2007/08, } Y = 71.49 + 2.97 \times -2 = 65.55$$

Similarly, it is calculated for other years.

Annex A 9: Trend analysis of investment to total deposit ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	41.89	-2	4	-83.78	35.462
2008/09	25.11	-1	1	-25.11	30.92
2009/10	22.44	0	0	0	26.378
2010/11	21.43	1	1	21.43	21.836
2011/12	21.02	2	4	42.04	17.294
Total	131.89		10	-45.42	

Here, X = 0

$$a = \frac{Y}{n} = \frac{131.89}{5} = 26.37 \quad b = \frac{XY}{X^2} = \frac{-45.42}{10} = -4.54$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 26.37 + -4.54 X$$

$$\text{For 2007/08, } Y = 26.37 + -4.54 \times -2 = 35.46$$

Similarly, it is calculated for other years.

Annex A 10: Trend analysis of credit and investment to total deposit ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	103.12	-2	4	-206.24	101.028
2008/09	96.6	-1	1	-96.6	99.455
2009/10	96.85	0	0	0	97.882
2010/11	98.57	1	1	98.57	96.309
2011/12	94.27	2	4	188.54	94.736
Total	489.41		10	-15.73	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{489.41}{5} = 97.88 \qquad b = \frac{XY}{X^2} = \frac{-15.73}{10} = -1.573$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 97.88 + -1.573 X$$

$$\text{For 2007/08, } Y = 97.88 + -1.573 \times -2 = 101.026$$

Similarly, it is calculated for other years.

Annex A 11: Trend analysis of loan and advances to saving deposit ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	1.08	-2	4	-2.16	1.164
2008/09	1.23	-1	2	-1.23	1.342
2009/10	1.72	0	0	0	1.52
2010/11	1.97	1	1	1.97	1.698
2011/12	1.6	2	4	3.2	1.876
Total	7.6		10	1.78	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{7.6}{5} = 1.52 \quad b = \frac{XY}{X^2} = \frac{1.78}{10} = 0.178$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 1.52 + 0.178 X$$

For 2006/07, $Y = 1.52 + 0.178 \times -2 = 1.164$

Similarly, it is calculated for other years.

Annex A 12: Trend analysis of time deposit to total deposit ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	20.17	-2	4	-40.34	40.394
2008/09	18.38	-1	1	-18.38	32.85
2009/10	30.12	0	0	0	25.306
2010/11	33	1	1	33	17.762
2011/12	24.86	-2	4	-49.72	40.394
Total	126.53		10	-75.44	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{126.53}{5} = 25.306 \quad b = \frac{XY}{X^2} = \frac{-75.44}{10} = -7.544$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 25.30 + -7.544 X$$

For 2007/08, $Y = 25.30 + -7.544 \times -2 = 40.39$

Similarly, it is calculated for other years.

Annex A 13: Trend analysis of total capital to total deposit ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	3.18	-2	4	-6.36	3.272
2008/09	3.64	-1	1	-3.64	4.014
2009/10	5.32	0	0	0	4.756
2010/11	5.86	1	1	5.86	5.498
2011/12	5.78	2	4	11.56	6.24
Total	23.78		10	7.42	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{23.78}{5} = 4.75 \quad b = \frac{XY}{X^2} = \frac{7.42}{10} = 0.742$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 4.75 + 0.742 X$$

For 2007/08, $Y = 4.75 + 0.742x -2 = 3.27$

Similarly, it is calculated for other years.

Annex A 14: Trend analysis of total capital to total credit ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	5.2	-2	4	-10.4	4.93
2008/09	4.9	-1	1	-4.9	5.74
2009/10	7.15	0	0	0	6.55
2010/11	7.6	1	1	7.6	7.36
2011/12	7.9	2	4	15.8	8.17
Total	32.75		10	8.1	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{32.75}{5} = 6.55 \quad b = \frac{XY}{X^2} = \frac{8.1}{10} = 0.81$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 6.55 + 0.81X$$

For 2007/08, $Y = 6.55 + 0.81 x -2 = 4.93$

Similarly, it is calculated for other year.

Annex A 15: Trend analysis of total capital to total assets ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	2.8	-2	4	-5.6	2.838
2008/09	3.09	-1	1	-3.09	3.495
2009/10	4.68	0	0	0	4.152
2010/11	5.12	1	1	5.12	4.809
2011/12	5.07	2	4	10.14	5.466
Total	20.76		10	6.57	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{20.76}{5} = 4.15 \qquad b = \frac{XY}{X^2} = \frac{6.57}{10} = 0.65$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 4.15 + 0.65 X$$

$$\text{For 2007/08, } Y = 4.15 + 0.65 \times -2 = 2.838$$

Similarly, it is calculated for other years.

Annex A 16: Trend analysis of return to total working fund ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	1.28	-2	4	-2.56	1.124
2008/09	1.42	-1	1	-1.42	1.271
2009/10	0.94	0	0	0	1.418
2010/11	1.45	1	1	1.45	1.565
2011/12	2	2	4	4	1.712
Total	7.09		10	1.47	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{7.09}{5} = 1.418 \qquad b = \frac{XY}{X^2} = \frac{1.47}{10} = 0.14$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 1.418 + 0.14 X$$

$$\text{For 2007/08, } Y = 1.418 + 0.14 \times -2 = 1.124$$

Similarly, it is calculated for other years.

Annex A 17: Trend analysis of net profit to loan and advance ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	3.26	-2	4	-6.52	2.988
2008/09	3.04	-1	1	-3.04	2.863
2009/10	1.82	0	0	0	2.738
2010/11	2.83	1	1	2.83	2.613
2011/12	2.74	2	4	5.48	2.488
Total	13.69		10	-1.25	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{13.69}{5} = 2.73 \quad b = \frac{XY}{X^2} = \frac{-1.25}{10} = -0.125$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 2.73 + -0.125 X$$

$$\text{For 2007/08, } Y = 2.73 + -0.125 \times -2 = 2.98$$

Similarly, it is calculated for other years.

Annex A 18: Trend analysis of net profit to total equity capital ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	19.54	-2	4	-39.08	18.678
2008/09	20.96	-1	1	-20.96	19.049
2009/10	13.55	0	0	0	19.42
2010/11	22.35	1	1	22.35	19.791
2011/12	20.7	2	4	41.4	20.162
Total	97.1		10	3.71	

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{97.1}{5} = 19.42 \quad b = \frac{XY}{X^2} = \frac{3.71}{10} = 0.371$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 19.42 + 0.371 X$$

$$\text{For 2007/08, } Y = 19.42 + 0.371 \times -2 = 18.67$$

Similarly, it is calculated for other years.

Annex A 19: Trend analysis of capital risk of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	5.2	-2	4	-10.4	4.93
2008/09	4.9	-1	1	-4.9	5.74
2009/10	7.15	0	0	0	6.55
2010/11	7.6	1	1	7.6	7.36
2011/12	7.9	2	4	15.8	8.17
Total	32.75		10	8.1	

Here, X = 0

$$a = \frac{Y}{n} = \frac{32.75}{5} = 6.55 \quad b = \frac{XY}{X^2} = \frac{8.1}{10} = 0.81$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 6.55 + 0.81 X$$

$$\text{For 2007/08, } Y = 6.55 + 0.81 \times -2 = 4.93$$

Similarly, it is calculated for other years.

Annex A 20: Trend analysis of credit risk ratio of HBL

Year	Index (Y)	X	X ²	XY	Y = a + bX
2007/08	53.9	-2	4	-107.8	57.794
2008/09	63.05	-1	1	-63.05	60.327
2009/10	65.5	0	0	0	62.86
2010/11	67.54	1	1	67.54	65.393
2011/12	64.32	2	4	128.64	67.926
Total	314.31		10	25.33	

Here, X = 0

$$a = \frac{Y}{n} = \frac{314.31}{5} = 62.86 \quad b = \frac{XY}{X^2} = \frac{25.33}{10} = 2.53$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 62.86 + 2.53X$$

$$\text{For 2007/08, } Y = 62.86 + 2.53 \times -2 = 57.79$$

Similarly, it is calculated for other years.

Annex A 21: Trend analysis of total deposit of HBL

Year	Deposit (Y)	X	X ²	XY
2007/08	31842.79	-2	4	-63685.6
2008/09	34681.34	-1	1	-34681.3
2009/10	37611.2	0	0	0
2010/11	40920.63	1	1	40920.63
2011/12	47730.99	2	4	95461.98
Total	192787		10	38015.69

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{192787}{5} = 38557.4$$

$$b = \frac{XY}{X^2} = \frac{38015.69}{10} = 3801.5$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 35020.88 + 2751.28 X$$

$$\text{For 2007/08, } Y = 38557.4 + 3801.5 \times -2 = 30954.4$$

$$\text{For 2008/09, } Y = 38557.4 + 3801.5 \times -1 = 34755.9$$

$$\text{For 2009/10, } Y = 38557.4 + 3801.5 \times 0 = 38557.4$$

$$\text{For 2010/11, } Y = 38557.4 + 3801.5 \times 1 = 42358.9$$

$$\text{For 2011/12, } Y = 38557.4 + 3801.5 \times 2 = 46160.4$$

$$\text{For 2012/13, } Y = 38557.4 + 3801.5 \times 3 = 49961.9$$

$$\text{For 2013/14, } Y = 38557.4 + 3801.5 \times 4 = 53763.4$$

$$\text{For 2014/15, } Y = 38557.4 + 3801.5 \times 5 = 57564.9$$

$$\text{For 2015/16, } Y = 38557.4 + 3801.5 \times 6 = 61366.4$$

For 2016/17, $Y = 38557.4 + 3801.5 \times 7 = 65167.9$

Annex A 22: Trend analysis of loan and advances of HBL for 5 year

Year	Loan and Advances (Y)	X	X ²	XY
2007/08	19497.52	-2	4	-38995
2008/09	24793.15	-1	1	-24793.2
2009/10	27980.63	0	0	0
2010/11	31566.98	1	1	31566.98
2011/12	34965.43	2	4	69930.86
Total	138803.7		10	37709.65

Here, $X = 0$

$$a = \frac{\sum Y}{n} = \frac{138803.7}{5} = 27760.74$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{37709.65}{10} = 3770.96$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 27760.74 + 3770.96X$$

$$\text{For 2007/08, } Y = 27760.74 + 3770.96 \times -2 = 20218.82$$

$$\text{For 2008/09, } Y = 27760.74 + 3770.96 \times -1 = 23989.78$$

$$\text{For 2009/10, } Y = 27760.74 + 3770.96 \times 0 = 27760.74$$

$$\text{For 2010/11, } Y = 27760.74 + 3770.96 \times 1 = 31531.64$$

$$\text{For 2011/12, } Y = 27760.74 + 3770.96 \times 2 = 35302.66$$

$$\text{For 2012/13, } Y = 27760.74 + 3770.96 \times 3 = 39073.63$$

$$\text{For 2013/14, } Y = 27760.74 + 3770.96 \times 4 = 42844.58$$

$$\text{For 2014/15, } Y = 27760.74 + 3770.96 \times 5 = 46615.54$$

$$\text{For 2015/16, } Y = 27760.74 + 3770.96 \times 6 = 50386.50$$

$$\text{For 2016/17, } Y = 27760.74 + 3770.96 \times 7 = 54157.46$$

Annex A 23: Trend analysis of investment of HBL for 5 years

Year	Investment (Y)	X	X ²	XY
2007/08	13340.18	-2	4	-26680.4
2008/09	8710.69	-1	1	-8710.69
2009/10	8444.91	0	0	0
2010/11	8769.94	1	1	8769.94
2011/12	10031.58	2	4	20063.16
Total	49297.3		10	-6557.95

Here, $X = 0$

$$a = \frac{Y}{n} = \frac{49297.3}{5} = 9859.46$$

$$b = \frac{XY}{X^2} = \frac{-6557.95}{10} = -655.795$$

Hence, trend line equation

$$Y = a + bX$$

$$Y = 9859.46 + -1100.14X$$

$$\text{For 2007/08, } Y = 9859.46 + -655.795x -2 = 11317.88$$

$$\text{For 2008/09, } Y = 9859.46 + -655.795x -1 = 10217.74$$

$$\text{For 2009/10, } Y = 9859.46 + -655.795x 0 = 9117.60$$

$$\text{For 2010/11, } Y = 9859.46 + -655.795x 1 = 8017.46$$

$$\text{For 2011/12, } Y = 9859.46 + -655.795x 2 = 6917.32$$

$$\text{For 2012/13, } Y = 9859.46 + -655.795x 3 = 5817.18$$

$$\text{For 2013/14, } Y = 9859.46 + -655.795x 4 = 4717.04$$

$$\text{For 2014/15, } Y = 9859.46 + -655.795x 5 = 3616.90$$

$$\text{For 2015/16, } Y = 9859.46 + -655.795x 6 = 2516.76$$

$$\text{For 2016/17, } Y = 9859.46 + -655.795x 7 = 5268.9$$

List of Licensed Commercial Banks

Commercial Banks	Established Date	Operation Date	Head Office
1. Nepal Bank Limited	1994/07/30	1994/07/30	Kathmandu
2. Rastriya Banijya Bank	2022/10/10	2022/10/10	Kathmandu
3. NABIL Bank Ltd.	2041/03/29	2041/03/29	Kathmandu
4. Nepal Investment Bank Ltd.	2042/11/16	2042/11/16	Kathmandu
5. Standard Chartered Bank Ltd.	2043/10/16	2043/10/16	Kathmandu
6. Himalayan Bank Ltd.	2049/10/05	2049/10/05	Kathmandu
7. Nepal SBI Bank Ltd.	2050/03/23	2050/03/23	Kathmandu
8. Nepal Bangladesh Bank Ltd.	2050/02/23	2050/02/23	Kathmandu
9. Everest Bank Ltd.	2051/07/01	2051/07/01	Kathmandu
10. Bank Of Kathmandu Ltd.	2051/11/28	2051/11/28	Kathmandu
11. Nepal Credit & Comm. Bank Ltd.	2053/06/28	2053/06/28	Siddharthanagar
12. Lumbini Bank Ltd.	2055/04/01	2055/04/01	Narayangadh
13. Nepal Ind. & Commerce Bank Ltd.	2055/04/05	2055/04/05	Biratnagar
14. Machhapuchre Bank Ltd.	2057/06/17	2057/06/17	Pokhara
15. Kumari Bank Ltd.	2056/08/24	2057/12/21	Kathmandu
16. Laxmi Bank Ltd.	2058/06/11	2058/12/21	Birgunj
17. Siddhartha Bank Ltd.	2058/06/12	2059/09/09	Kathmandu
18. Agricultural Dev. Bank Limited	2024/11/7	2024/11/7	Kathmandu
19. Global Bank Ltd.	2063/09/12	2063/09/12	Birgunj
20. Bank of Asia Nepal	2064/06/25	2064/06/25	Kathmandu
21. Citizens Bank Limited	2064/01/7	2064/01/7	Kathmandu
22. Prime Bank Limited	2064/06/7	2064/06/7	Kathmandu
23. Sunrise Bank Limited	2064/06/25	2064/06/25	Kathmandu
24. Development Credit Bank Ltd.	2057/9/12	2057/9/12	Kathmandu
25. NMB Bank Ltd.	2053/8/11	2053/8/11	Kathmandu
26. Janta Bank Ltd.	2067/01/12	2067/01/12	Kathmandu
27. KIST Bank Limited	2066/05/07	2066/05/07	Kathmandu
28. Mega Bank Limited	2067/04/12	2067/04/12	Kathmandu
29. Civil Bank Limited	2067/06/23	2067/06/23	Kathmandu
30. Commerce and Trust Bank	2067/07/12	2067/07/12	Kathmandu
31. Century Commercial Bank Ltd.			Kathmandu
32. Sanima Bank Ltd.			Kathmandu

(Source: - *Mirmire – 2011/12, NRB*)