

# **DEPOSIT MOBILIZATION OF COMMERCIAL BANKS IN NEPAL**

(With reference to EBL, HBL, LBL & NBL)

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## DECLARATION

I hereby declare that this thesis entitled **Deposit Mobilization of Commercial Banks in Nepal** submitted to Research Department of Khwopa College, Faculty of Management, Tribhuvan University, is my original work as partial fulfillment of the requirement of the degree of Masters in Business Studies (M.B.S), this is prepared under the supervision of Prof. Dr. Shalik Ram Koirala, Head of Research Department, Khwopa College.

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## ABBREVIATIONS

A.D.	Anno Domini
A.M	Arithmetic Mean
B.S.	Bikram Sambat
C.V	Coefficient of Variation
CA	Current Assets
CR	Current Ratio
CRR	Cash Reserve Ratio
EBL	Everest Bank Limited
Etc.	Etcetera
FDI	Foreign Domestic Investment
FY	Fiscal Year
HBL	Himalayan Bank Limited
i.e.,	That is
INGOs	International Non-Governmental Organizations
JVBs	Joint Venture Banks
LBL	Laxmi Bank Limited
L/C	Letter of credit
Ltd.	Limited
M.B.S	Master of Business Studies
NBBL	Nepal Bangladesh Bank Limited
NBL	Nabil Bank Limited
NEPSE	Nepal Stock Exchange
NGBL	Nepal Grindlays Bank Limited
NGO	Nepal Government Organization
NIBL	Nepal Investment Bank Limited
NIDC	Nepal Industrial Development Corporation
NRB	Nepal Rastra Bank
P.E	Probable Error
PNB	Punjab National Bank
RBB	Rastriya Banijya Bank
Rs	Rupees

S.D	Standard Deviation
SCBNL	Standard Chartered Bank Nepal Limited
SEBON	Securities Board of Nepal
TD	Total Deposit
TWF	Total Working Fund

# **Chapter-I**

## **INTRODUCTION**

### **1.1 General Background**

Capital formation is one of the important factors in economic development. The capital formation leads to increase in the size of national output, income and employment, solving the problem of inflation and balance of payments and making the economy free from the burden of foreign debts. Domestic capital formation helps in making a country self-sustainable. According to classical economist, 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. In the view of many economists, capital occupies the central and strategies position in the process of economic development in an under developed 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 will the living standard begin to improve in a developing country. In developing countries, the rate of savings as most people have incomes so low that vertically all current income must be spent in maintaining a subsistence level of consumption.

For the development of any country first, it is required to have enough capital. It is the background for the development of the nation. Nepal lacks the adequate capital for its developing planning. Due to this reason so many development planning are in pending. If there is enough capital available, it can invert into the profitable project and contribute little bit in 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 of various business companies. These firms in return, may invest the money in new factories and equipment's to increase their production. In addition borrowing from the banks, most issue stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issues bonds to obtain funds to invest in such project, as the construction of dams, roads and schools. All such investments by individuals,

business and government involves a presto sacrifice of income to get an expected future benefits. As a result, investment raises a nation's standard of living.

Nepal is one of the least developed countries in the world. One of the causes of pervasive poverty is the lack of economic resources for the growing population and slow rate of national economic growth. For proper and efficient utilization of resources, it needs proper plan and strategy development and for plan, huge amount of capital investment is required. About 42 percent of total population of Nepal is steeped in absolute poverty line. The lack of effective and trained human resources, lack of advance technology and based on traditional agriculture are the main causes of poverty. Due to low per capita income, there is lack of saving and capital formation.

For the development of any country, the financial sector of that country is responsible and must be strong. The financial sector is a vast field, which comprises of banks, co-operative, insurance companies, financial companies, stock exchange, foreign exchanges markets, mutual funds etc. These institutions collect idle and scattered money from the general public and finally invest in different enterprises of the national economy that consequently help in reducing poverty, increase in life style of people, increase employment opportunities and thereby developing the society and the country as a whole. Thus today's concept, the financial institutions and commercial banks has become one of the bases measuring the level of economic development of nation.

For the smooth development of a country, it is very important to have an adequate saving, which can be invested in productive sector. Due to the low income, there is fewer saving people spend all the money in consumption of necessary item. Some rich people who save money also consume the precise metal and some also hoards it. People have no idea about the investment in productive line. Commercial banks are the main source, which motivate people to save their earnings. Banks collect the saving of people in the form of deposit collection and invest it in the productive area. They give the loan to the people commercial banks mobilize their deposit collected from people.

Recognizing the true fact of developing the country, Nepal cannot ignore the importance of commercial banks. Due to liberalization policy made by government, the number of banks has been increased and there has emerged the tough competition between them. At present there are 32 commercial banks, 86 development banks, 79

finance companies, 21 microcredit development banks, 16 saving and cooperatives and 38 NGO'S.

### **1.1.1 General Background of Banks in Nepal**

Commercial banks are the suppliers of finance for trade and industry, which plays vital role in the economic and financial life of the country. They help in the formation of capital by investing the savings in productive areas. Rural people of under developed countries like Nepal need various banking facilities to enhance its economy. In most of the countries, the banks are generally concentrated in urban and semi-urban sectors. They neglect rural sector due to heavy risk and low return, which is in fact, the main key to economic development without it other sectors of economy cannot be flourished.

### **1.1.2 History of Banking Development**

History tells us that it was the merchant who first evolved the system of banking by trading in commodities than money. Reviewing the history we can find that present day banker has three ancestor of particular note. These are merchant, lender, and the goldsmith. Lending and borrowing are almost as old as money itself but modern banking showed its seed in medieval Italy.

The history of banking development, we can't forget the Bank of Casa De San Giorgio in Genoa, which was established in 1148; Bank of Venice was established in 1157 and the Bank of Genoa was established in 1148. In 1401, the Bank of Barcelona was established in Barcelona. In fact modern bank started to take rapid speed in forming & functioning from 17<sup>th</sup> century. In 1609, the Bank of Amsterdam was established in Holland, like wise in 1610, Bank of Hamburg was established in Germany and the Bank of England was established in England (Bhandari, 2003, p 5).

The evolution of the organized financial system in Nepal has a more recent history than in other countries of the world. Banking history of Nepal is about decade. The concept of banking system was introduced in Nepal with the establishment of Nepal Bank Ltd. in 1937 A.D. It was established to help government's policy to develop economic and business activities in the country. After realizing the need of another bank, later in 1956, the central bank named as the Nepal Rastra Bank was set up with an objective of supervising, protecting and directing the functions of commercial banking activities and to carry out central banking activities. After realizing the need

of another bank, Rastriya Banijya Bank was set up in 1966 A.D. to spread banking services to both rural and urban areas. As the country moved towards economic liberalization in 1980 A.D. foreign banks were invited to operate in Nepal. The financial scenario has changed with the introduction of joint venture banks in 1984. The number of commercial banks has been increasing. Since then, various financial institutions like JVBs, Domestic Commercial Banks, Development Banks, Finance Companies, Co-operative Banks, Credit Guarantee Corporation, Employee Provident Fund, National Insurance Corporation, and Nepal Stock Exchange have come into existence to cater the financial needs of the country thereby assisting financial development of the country.

After restoration of democracy in the country in 1990, government highlighted the agenda of economic liberalization. Liberalization policies were announced and emphasized to invite FDI in banking sector of Nepal. At present there are altogether there are 32 commercial banks.

**Table 1.1**  
**List of Commercial Banks in Nepal**

S.N.	Commercial Banks
1	Nepal Bank Limited
2	Rastriya Banijya Bank
3	Nabil Bank Limited (Nepal Arab Bank Limited)
4	Nepal Investment Bank Limited (Nepal Indosuez Bank)
5	Standard Chartered Bank Nepal Limited (Nepal Gridlays Bank)
6	Himalayan Bank Limited
7	Nepal SBI Bank Limited
8	Nepal Bangladesh Bank Limited
9	Everest Bank Limited
10	Bank of Kathmandu Limited
11	Nepal Credit and Commerce Bank Limited
12	Lumbini Bank Limited
13	Nepal Industrial and Commercial Bank Limited
14	Machhapuchhre Bank Limited
15	Kumari Bank Limited
16	Laxmi Bank Limited

17	Siddhartha Bank Limited
18	Agricultural Development Bank Limited
19	Global Bank Limited
20	Citizens Bank International Limited
21	Prime Commercial Bank Limited
22	Sunrise Bank Limited
23	Bank of Asia Limited
24	DCBL Bank Limited
25	NMB Bank Limited
26	Kist Bank Limited
27	Janata Bank Nepal
28	Mega Bank Nepal Limited
29	Century Commercial Bank Limited
30	Civil Bank
31	Commerz and Trust Bank Nepal
32	Sanima Bank

(Source: Nepal Rastra Bank Publication, 2012)

## 1.2 Brief Introduction of Sample Banks

**Nabil Bank Limited** commenced its operation on 12 July 1984 as the first Joint Venture Bank in Nepal. Dubai Bank Limited, Dubai, which was later, acquired by Emirates Bank International Limited, Dubai was the first Joint Venture Partner of Nabil Bank. Currently, NB (International) Limited, Ireland is the foreign partner of Nabil Bank. Nabil Bank Limited had the official name Nepal Arab Bank Limited till 31 December 2001. It was listed in the Nepal stock exchange in the year 1986 A.D. Nabil is the pioneer in introducing many innovative products and marketing concept in banking sector of Nepal with 48 branches. Also, the number of outlets, in country is the highest. Nabil is a milestone in the banking history of Nepal as it paved the way for the establishment of many commercial banks and financial institutions. The equity composition of Nepal Arab Bank Ltd. is as follows:

NB (NB International, Ireland) - 50%

Nepal Industrial Development Corporation (NIDC) -	10%
Rastriya Beema Sasthan-	9.67%
Nepal Stock Exchange-	0.33%
General Public-	30%

The share capital of NBL as at Asar 2068 is mentioned below:

**Table 1.2.1**  
**Share Capital of NBL (as at Asar 2068)**

Share Capital	Amount (NRs)
Authorized Capital 21,000,000@100	2,100,000,000
Issued Capital 2,029,769,4@100	2,029,769,400
Paid up Capital 2,029,769,4@100	2,029,769,400

**Himalayan Bank Limited** was incorporated in 1992 by a few distinguished business personalities of Nepal in partnership with Employees Provident Fund and Habib Bank Limited, one of the largest commercial bank of Pakistan. Banking operation commenced from January 1993. It is the first commercial bank of Nepal whose maximum shares are held by the Nepalese private sector. Besides commercial banking services, the Bank also offers industrial and merchant banking services. The equity composition of Himalayan Bank Ltd. is as follows.

Nepal Promoters -	50%
Habib Bank Ltd. Pakistan -	20%
Employees' Public -	15%
General Public -	15%

The share capital of HBL as at Asar 2068 is mentioned below:

**Table 1.2.2**  
**Share Capital of HBL (as at Asar 2068)**

Share Capital	Amount (NRs)
Authorized Capital 3,00,00,000@100	3,00,00,00,000
Issued Capital 2,00,00,000@100	2,00,00,00,000
Paid up Capital 2,00,00,000@100	2,00,00,00,000

**Laxmi Bank Limited** was incorporate in April 2002 as the 16<sup>th</sup> Commercial Bank in Nepal. In 2004, Laxmi Bank was a first generation financial company which was the first and ever merger in the Nepali Corporate History. Laxmi Bank is a category “A” Financial institution and re-registered in 2006 under the Banks and Financial Institutions Act of Nepal. The Bank’s shares are listed and actively traded in the Nepal Stock Exchange. The Bank is primarily recognized for its stringent credit policies, conservative approach to banking and pioneers in technological innovations in the banking services. The Bank currently has a paid up capital of Nepalese Rupees 1.61 billion. In 2009 the bank distributed dividends for the first time through 20% bonus shares.

Ownership Structure:

Promoter Group-	55.42%
Citizen Investment Trust-	9.02%
General public-	35.56%

**Table 1.2.3**

**Share Capital of LBL (as at Asar 2068)**

Share Capital	Amount (NRs)
Authorized Capital 20,000,000@100	2,000,000,000
Issued Capital 16,135,205@100	1,613,520,500
Paid up Capital 16,135,205@100	1,613,520,500

**Everest Bank Limited** started its operations in 1994 with a view and objective of extending professionalized and efficient banking services to various segments of the society. EBL joined hands with Punjab National Bank (PNB) India as its joint venture partner in 1997. The bank is providing its services through a wide network of 25 branches across the nation and 250 correspondents across the globe. All the major branches of the bank are connected through anywhere branch banking system, a facility which enables a customer to do banking transactions from any of the branches irrespective of their having account of their having accounts in other branch. Everest Bank Ltd. was established in 1992 A.D. (2051 B.S.) it is second Nepal-Indo joint venture bank in our country. It is joint venture commercial bank with foreign partner Punjab National Bank. The equity composition of Everest Bank Ltd. as follows:

Nepalese Promoters-	50%
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Punjab National Bank- 20%

General Public- 30%

EBL is playing a pivotal role in facilitating remittance to and from across globe being the first Nepalese bank to open a representative office in Delhi, India. The Nepalese in India can open account in India and Indian can open account in Nepal from the designated branches of Punjab National bank and remit their savings economically through banking channels to Nepal.

The share capital of EBL as at Asar 2068 is mentioned below;

**Table 1.2.4**  
**Share Capital of EBL (as at Asar 2068)**

Share Capital	Amount (NRs)
Authorized Capital 1,80,00,000@100	1,80,00,00,000
Issued Capital 1,12,14,065@100	1,28,14,06,500
Paid up Capital 1,11,96,095@100	1,27,96,09,490

### **1.3 Focus of the Study**

Major focus of the study is about commercial banks and their deposit mobilization. This study concentrates about the meaning of commercial banks and their functions, mainly consists the study of deposits, the characteristics of bank loan reflects on the position of bank deposits and aggregate allocation of credit on different sectors of the economy.

Commercial banks are those institutions, which deals in accepting deposit of individual and giving loans. These banks provide working capital needs of trade, industry and even to agricultural sector. Moreover commercial banks also provide technical and administrative assistance to industries, trade and business enterprises. They transfer monetary sources form savers to users. Commercial bank is a corporation which accepts demand deposits subject to check and makes short terms loans to business enterprises, regardless of the scope of its other services.

The commercial banks play an important role in the modern economy. Commercial banks are the heart of financial system. They make fund available through their lending and investing activities to borrowers, individuals, business firms and services. A commercial bank must mobilize its deposits and other funds in profitable, secured and marketable sector.

So, this study deals with the efficiency of commercial banks and economic development of the country by making a survey of deposits and credit of commercial banks and how can we utilize it to fulfill the financial needs of the different sectors of the economy. It has generally been observed that the deposits of commercial banks have not been fully utilized.

#### **1.4 Statement of Problem**

Nepal is underdeveloped country and rapid economic development is the basic need of the country. Development by its means is not possible 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 1956 A. D. when the first five year plan came into practice.

Capital in fact, plays the leading role for the economic development of a country. But in Nepal, there is shortage of capital. There are various sources of accumulating capital internal and external sources. Under external sources: aid, grants and loans are the main sources. In internal sources: accumulating capital, taxes, public enterprises, public debt are the popular in our country. But due to underdevelopment, poverty, lack of banking knowledge the desired capital for the development of the country cannot be accumulated from those internal sources. So, it can be said that in Nepal's present situation bank deposit is dependable and permanent sources of capital accumulation.

The need of deposit mobilization for economic development of a country is no more to question. But we are facing an acute problem of deposit mobilization. We have 32 commercial banks in Nepal which are very much considered to be vital financial institution to mobilize domestic resources. Under the prevalence of these situations the study has try to deal with following problems.

This study will try to deal with following problems.

- ) Is there any policy regarding deposit mobilization of commercial banks?
- ) Whether the commercial banks follow the NRB directives or not?
- ) Is there any relationship between deposit and loans & advances?

### **1.5 Objectives of the Study**

The objective of the study will be to examine relationship between the amount of total deposit and amount of total credit granted by the commercial banks.

The main objectives of the study are:

- ) To examine the relationship of total deposit and loan & advances.
- ) To analyze the trend of deposit and loan & advances of sample banks for the future.
- ) To evaluate the performance of selected banks on the basis of liquidity, profitability and risk.
- ) To provide suggestions on the basis of study.

### **1.6 Significance of the Study**

Banks and other financial institutions play important role to increase economic standard for the development of the country. Economic development becomes slow if there are incomplete and unfair banking facilities. Especially commercial banks provide different economic and technical facilities to the people who involve in business activities. Commercial banks plays major role in collection of scared small savings form depositors and transfer these funds into productive sectors for the economic development.

As the research done in any field there are several key factors that cannot be avoided, in which significance of study also occurs. Mainly this study covers the deposit and credit position of commercial banks, so it helps to reveal the financial position of banks and study occupies an important role in the series of the studies on commercial banks.

The significances of the study are:

- ) Important to know how well the bank is mobilizing its deposits collected from public.
- ) Important to policy formulator and also be useful for academic professionals, students particularly those involves in commerce.
- ) Important to the management party of selected banks for the evaluation of the performance of their bank and comparison with other banks.
- ) Important for the investors, customers (depositors, loan takers) and personnel of bank to take various decisions regarding deposits and loan advances.

- ) This study will be equally important to the others who are interested to know about the area. It may encourage to researcher to research further.

### **1.7 Limitations of Study**

This study is conducted for the partial fulfillment of Master Degree in M.B.S. and prepared within time constraints which will weaken adequacy of the study. Whereas, researcher will try to keep the report more feasible, accurate and fulfill even there are some limitations. These limitations can be point out in the following points:

- ) The accuracy of the finding depends on the reliability of available information.
- ) This study concentrates on deposit collection and its utilization by commercial banks.
- ) This study will be done for the partial fulfillment of Masters in Business Studies program of Tribhuvan University.
- ) Due to time and resource constraints this research has covered the period of last 5 years data.

### **1.8 Organization of Study**

The study has been classified into five chapters. The titles of each of these parts are follows:

**Chapter I; Introduction:** The first chapter presents brief introduction of the study; it includes background of the study, focus of the study, statement of problem, objectives of the study, significance of the study and limitations of the study.

**Chapter II; Review of Literature:** The Second chapter presents is review of literature; it includes conceptual framework, review of books and reviews of previous study, reports, thesis and journal articles related to the topic of the study.

**Chapter III; Research Methodology:** The Third chapter is about research methodology; it includes the whole procedure of this research work. It focuses on research design population & sample, sources of data, data collection procedure and tools for analysis.

**Chapter IV; Presentation and Analysis of Data:** The fourth chapter introduces the main aspect of the study. It deals with data collection procedure and presentation of data with different statistical and financial tools, and findings of the study.

**Chapter V; Summary, Conclusion and Recommendations:** The fifth chapter presents a brief summary of whole research report and its conclusion. It also includes some useful suggestions to the concerned parties as recommendation.

## **CHAPTER II**

### **REVIEW OF LITERATURE**

This chapter is focused on brief discussion about the abstract regarding the theories of deposit mobilization. In order to accomplish the objective of the study, the chapter includes reviews literature on deposit mobilization, its theoretical framework etc. including different views of expertise, assumptions, book and journals, as well as major findings of previous studies of the relevant field is included in precise manner.

#### **2.1 Commercial Bank Concept**

##### **2.1.1 Meaning of Commercial Bank**

Commercial banks are those financial institutions, which deals in accepting deposits from persons and institutions and giving loans against securities. They provide working capital needs or trade, industry and even to agriculture sectors. Moreover, commercial banks also provide technical and administrative assistance to industries trades and business enterprises.

“Commercial Bank” means a bank which operates currency exchanges transactions, accepts deposits, provides loan; performs, dealing, relating to commerce except the banks which have been specified for the co-operative, agricultural, industry of similar other specific objective (Bhandari, 2003, p25).

A commercial bank is one which exchange money, deposits money accepts deposit, grants loan and performs commercial banking functions and which is not a bank meant for co-operative, agriculture, industry of for such specific purpose.

According to the Black’s Law Dictionary “Commercial Bank” means a bank authorized to receive both demand and time deposits, to engage in trust services, to issue letter of credit, to rent time deposit boxes, and to provide similar services. Likewise section 2(a) of the Commercial Bank Act 2031(1974) has defined that “Commercial Bank” means a bank to which operates currency exchanges transactions, accepts deposits, provides loan; performs, dealing, relating to commerce

except the banks which have been specified for the co-operative, agricultural, industry of similar other specific objective.

Hence, the banks that collect deposits and advances loans are called commercial banks. The profit maximization is the main objective of this bank.

In the present context, the term commercial bank does not separate banks from other financial institutions. This name was appropriate at the time when the banks used to grant the 'commercial loans' to the traders for production, transport and storage of commodities. They did not provide loans. The reasons for the inappropriateness of the word 'commercial bank' are:-

1. In present time, the commercial banks alone do not provide short- term credit to the business. Hence, this word does not clearly separate the bank from other financial institutions.
2. In present time, the commercial bank also provides long-term credit to business. This makes the word commercial bank inappropriate.
3. In present time, other financial institutions also collect deposits.

Due to these facts, it has become difficult to give the working definition of commercial bank. Nevertheless, the word 'commercial bank' is still widely used to separate a bank from other financial institutions. The commercial bank is a great institution that conducts the payments mechanism of a country. The individuals and institutions make payments to each other through the mechanism of commercial bank. The commercial bank plays a leading role in the smooth operation of an economy. It makes available all financial services to individuals and institutions.

## **2.2 Conceptual Framework**

Basically, theoretical framework describes the following terms which are closely related to the research work.

Commercial Bank Act 2031 (1974) defines "Deposits" as the amount deposited in a current, savings or fixed accounts of a bank or financial institution (Bhandari,2003,p73). The deposits are subject to withdrawals by means of cheques on a short notice by customers. The bank attracts deposits from customers by offering different rates of interest and different kinds of facilities. Bank deposits arise in two ways. When the banker receives cash, it credits the customer's account, it is known as a primary or a simple deposit. People deposit cash in the banking system and thereby convert one form of money, cash, into another form, bank money.

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. Thus, bank deposit is subject to various form of classification. 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 are interest bearing 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.

**(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. In this context of Nepal, fixed deposit has been classified quarterly, semi-annually, annually and based on duration of deposit

**(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 a sense the deposit earns 'interest'. The companies not entitled to open savings account can open the call accounts.

Interest rate on call deposit is very negotiable 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.

#### **(iv) Recurring Deposit**

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 case of claim, the amount is utilized to honor the claim. The customer is asked to cover the shortfall if any.

### **2.2.1 Lending and Fund Mobilization**

Income and profit of the financial institutions like commercial banks and financial institutions depend upon its lending procedure, lending policy and mobilizing collected fund through investing in different securities. The greater the credit created by the bank the higher will be the profitability. Some required features of sound lending policy and fund mobilization is explained as under:

#### **a) Safety and Security**

Financial institutions should inlets their deposit in profitable and secured sectors. They should not invest their fund in securities of those companies whose securities are too much depreciated and fluctuated because of risk of loss factors. They should accept those securities, which are marketable, durable, profitable and high market price as well as stable. In this case MAST should be applied for the investment.

Where,

M = Marketability

A = Ascertain ability

S = Stability

T = Transferability

#### **b) Legality**

Each and every financial institution follow the rules and regulation of the company, government and various directions supplied by Nepal Rastra Bank, Ministry of Finance and on while issuing securities and mobilizing their fund. Illegal securities will bring out any problems to the investors. Lastly, the reputation and goodwill of the firm may be lost.

#### **c) Liquidity**

Liquidity is the position of the firm to meet current or short-term obligations. General public or customers deposit their savings at the banks in different accounts having full confidence of repayment by the banks whenever they require. To show a good current position and maintain the confidence, every firm must keep proper cash balance with them while investing in different securities and granting loan for excess fund.

**d) Profitability**

To maximize the return on investment and lending position, financial institutions must invest their collected fund in proper sectors. Finally they can maximize their volume of wealth. Their return depends upon the interest rate, volume of loan its time period and nature of investment on different securities and sectors.

**e) Tangibility**

A commercial bank should prefer tangible security to an intangible one. Though it may be considered that tangible properly doesn't yield an income apart from intangible securities, which have lost their value due to price level inflation.

**f) Diversification**

A firm can invest its deposit collection in various securities to minimize the risk. So, all the firms must diversify their fund or make portfolio investment. Diversification helps to earn a good return and minimize the risks and uncertainty. So, the firms are making portfolio investment with different securities of different companies.

**2.2.2 Meaning of Some Important Terminologies:**

The study in this section comprises of some important banking terminology for which efforts have been made to clarify the meaning, which are frequently used in this research work. Their brief summary is presented below:

**a) Loan and Advances**

Loan, advances and overdrafts have occupied a huge portion for the mobilization of funds of the commercial banks. Bank deposits can be crossed beyond a desired level but the level of loans and advances and overdrafts will never cross it. Commercial Banks and other financial institution may take more preferential collateral while granting loan and advances. Some portion of loan and advances and overdrafts includes that amount which is given to staffs of the banks as home loan, vehicle loan, personal loan and others.

**b) Investment on Government Securities, Shares and Debentures**

Commercial bank can earn some interest and dividend from the investment on government securities, shares and debentures. It is not the major portion of income

but it is treated as a second source of banking business. A commercial bank may extend credit by purchasing government securities, bond and shares for several reasons. Some of them are given as:

- ) It may want to space its maturing so that the inflow of cash coincides with expected withdrawals by depositors of large loan demands of its customers.
- ) It may wish to have high-grade marketable securities to liquidate if its primary reserve becomes inadequate.
- ) It may also be forced to invest because the demand for loans has decreased or it is not sufficient to absorb its excess reserves.

However, investment portfolio of commercial bank is established and maintained primarily with a view of nature of banks liabilities since depositors may demand funds in great volume without previous notice to banks. The investment must be of a type that can be marketed quickly with little or no shrinkage in value.

#### **c) Investment on other Company's Shares and Debentures**

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

#### **d) Off- Balance Sheet Activities**

Off-balance sheet activities involve contracts for future purchase and sale of assets and all these activities are contingent obligations. These are not recognized as assets or liabilities on balance sheet. Some good example of these items are letter of credit (L/C), letter of guarantee, bills of collections etc. Nowadays, such activities are stressfully highlighted by some economist and finance specialists to expand the modern transaction of a bank.

#### **e) Other use of Fund**

A commercial bank must maintain the minimum bank balance with NRB i.e.6% for fixed deposits and 8% for each of current and saving deposit account in local

currency. Likewise, 3% cash balance of local cash balance, in local currency, accounts must be maintained in the vault of the bank. Again a part of the fund should be used for bank balance in foreign bank and to purchase fixed assets like land, building, furniture, computers, stationery etc.

### **2.2.3 Mobilization of Deposit**

Banks utilize its funds in suitable area and right sector. Banks cannot achieve its goals until and unless it mobilizes its deposits in right sectors and by performing different activities. Much kind of activities and other thing can origin for the purpose of receiving invest from the bank. But bank should separate the useful and profitable sector for mobilization its deposits. Banker being only a financial intermediary, we will not be able to make any profit unless he has to pay interest on deposits, meet establishment expenses, meet liquidity of cash balance, and yet allow him some balance from out of which he can build reserve and pay dividend to the shareholder.

As commercial bank they are expected to make profit. If there is no profit, there will be adverse criticism against public sector banking, both in and outside the parliament when these banks are asked to open new branches in areas which do not allow profits for years, or asked to grant loan to the priority sectors such as small industries and agriculture with a high incidence of bad debts, there is need for counter balancing profit from elsewhere. Therefore, these banks will have to show an ascending order of profits in order to ensure growth with stability. For this purpose the bank will have to allocate land able resources to different segments in such a manner these banks can ensure adequate profitability while at the same time responding to policies laid down in accordance with national objectives.

Therefore, banks should mobilize its deposits in suitable and profitable banking activities and right sector. Generally bank has mobilized its deposits in the following activities.

#### **a. Liquid Funds**

A bank has kept a volume of amount in liquid funds. The liquid fund covers cash in hand, balance with NRB, balance with domestic bank and call money.

### **b. Investment**

Bank invests its fund in different banking activities and different fields. Many types of fields are shown in market for investment. But banks invest its funds in profitable and safety activities. Bank invests its fund in share and debenture, government securities and joint-venture etc.

### **c. Loan and Advances**

Banks mobilize its funds or deposits by providing different types of loan and advances to customers, by charging fixed interest.

### **d. Fixed Assets**

Land and buildings are essential for the establishment of bank. Bank's funds are used in buying of furniture, vehicle, computer, and other concerned instrument, which are related to banking activities. Bank cannot take direct gain from these assets, but bank should buy it. A bank has a need of fund to purchase fixed assets for the new branches of the bank.

### **e. Administrative and Miscellaneous Expenses**

Bank should manage funds for administrative and other miscellaneous expenses is called administrative expenses and include salary of employee, allowances, pension, advertisement, stationery, provident fund, rent, income tax, donation, insurance, tour expenses and commission. The miscellaneous expenses include dividend distributed to shareholders, losses on sale and purchase of banking assets, maintenance expenses an interest on borrowed amount etc.

In this way, bank mobilizes its deposits by performing different activities to achieve its desired goals i.e. earning profit. Banks are able to earn sufficient profit by mobilizing its deposits in proper way into the different profitable sector. It can utilize its collected deposits as well as own funds in all banking activities by performing effective deposit mobilization procedure.

#### **2.2.4 An overview on NRB Rules Regulation for Commercial Banks**

NRB established in 2013 B.S. is the central banks of Nepal. Its determine role in economic plans and implementation in the country is major. The main objectives of

NRB are to manage the economic and financial transaction over the country. Systematically allocation and management and implementation economic factor over the state is governed by NRB as a central; bank. All economic plans progress policy, strategies, implementation, evaluation made by government are performed under the direction of NRB. So, NRB is the bank of government works for the welfare of nation. Similarly NRB direct the bank and other financial institution too plans policies, direction, rules, and regulations from NRB as a representative of government. To allocate and mobilized the deposits collected by commercial bank in different sectors' of different policies etc. In fact NRB controls the over the overall activities made by the commercial bank as well as establishment or operation or dissolution of banks. For so NRB has formulated commercial bank act 25031 for the establishment and operation of commercial bank. Here the directions, rules, regulation, directed by NRB in terms of investment made by commercial bank are briefly mentioned below:

#### **Establishment of New Commercial Banks:**

NRB has enhanced liberal policy for establishment of new commercial bank in Nepal. For such objectives of NRB has regulated the direction as a minimum of Rs.200 million of paid up capital is required for opening a new bank inside the Kathmandu Valley, similarly, as per directions by NRB Rs.120 million necessary for starting banking business out of Kathmandu, Rs.50 million paid up capital are necessary for opening central office of bank out of Kathmandu, commonly for establishing the commercial bank in rural areas NRB has directed Rs.30 million as compulsory paid up capital the investor can invest maximum up to 70% of total paid up to capital if the bank is promoted by domestic investor and 30% of paid up to capital should be as liquidity margin for repayment for certain deposits, for joint venture bank, foreign investor can invest minimum 40% of paid up capital and 50% as maximum. Such bank should manage 30% of paid up capital as floatation for general public individually, firm or company or groups of company can invest up to 110% of paid up capital and application for the establishment of new banks are to be adopted within the stipulated times fixed by NRB.

### **Direction for Raising Fund**

Commercial banks are directed to raise the capital fund at minimum level of Rs. 500 million. For This, Commercial bank can include paid up capital and deduction made loss for meeting such requirement.

### **Directives for Single Borrower Limit**

NRB has heard the single borrower limit as 35% in the case of fund based credit and 50% in the case of non-fund based such letter of credit, acceptance latter etc.

### **Regulation for Expansion of Commercial Bank**

For opening of a branch with the area of Kathmandu, Lalitpur, Pokhara, Birjung, Biratnagar, Narayanghat joint venture banks need to open firstly at least two branch in adjoining semi-urban area and secondary at least one branch in rural area not adjoin to any municipalities, to obtain permission for establishment of new branch commercial banks has to present the details about the new branch. They must open a branch in a rural or semi-urban area first before opening the branch in urban area.

### **Direction for Extension Counters of Joint Venture Banks**

Commercial banks can't open extension in metropolitan area except during trade fairs, festive, ceremonies, celebrations etc. as a directed by NRB such extension must be converted and a branch within two years otherwise must be closed, the extension opened can accept deposit and made payment as well as exchange of foreign currencies after the permission from NRB, if the extension is open in the area of royal palace, hospitals, foreign diplomatic offices, those extension are not allowed to operate as a branch.

### **Credit for Shareholders**

The individual or group who holds more than 1% of shares of the commercial banks can't borrow from same bank under the directions from NRB 2061 B.S.

### **Fluctuation in Interest**

The agreement can be made between bank and customer for making change in bank loan interest rate up to 0.5% in now cancelled by NRB to be effective from 2061/062 B.S.

## **2.2.5 Review of Related Studies**

### **2.2.5.1 Review of Journals/Articles, Research Papers**

In this subject, effort has been made to examine and review some of the related articles published in different Economic journals, Bulletin of World Bank, Dissertation papers, Newspapers, researchers view and findings towards deposit mobilization and other related books.

**Sharma (2000)** in his article entitled, “Banking the Future on Competition” has stated that all the commercial banks are establishing and operating in urban areas. He has concluded that all commercial banking are charging higher rate of interest on lending, these banks are establishing and providing their services in urban areas only. They have no interest to open branch in rural areas. RBB and NBL have opened their branches in rural areas. They do not properly screen the customers before granting them credit. The researcher further states that private commercial banks have mushroomed only in urban areas where large volume of banking transaction and activities are possible.

**Bajracharya (1990)** had published an article entitled, “Monetary Policy and Deposit Mobilization in Nepal” where he has concluded that the mobilization of domestic saving is one of the prime objectives of monetary policy in Nepal. For this purpose, commercial banks stood as the active and vital financial intermediary rate for generating resources in the form of deposit of the investors in different aspects of the economy.

He has suggested that commercial banks only can play an important role to mobilize the national savings. Now a day other financial institutions like finance companies, cooperative societies have been established actively to mobilize deposits in the appropriate sectors so that return could be ensured from the investment.

**Kafle (1990)** in his research article, “Monetary and Financial Reports in Nepal” states that consolidation 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 determinate interest and lending rates.

**F. Mouris (1990)** has published an article, “Latin America’s Banking System in the 1990’s” which is focused specially on reserve requirements, credit allocation and interest in American Banking System. While analyzing loan portfolio quality, operating efficiency and soundness of bank investment he has concluded that they are largely been overloaded. The huge losses now observed in the bank’s portfolio in many developing countries are the testimony to the poor quality of this oversight investment function. He has further added that mismanagement in financial institutions has involved inadequate and overoptimistic loan appraisal, tax loan recovery, high risk diversification of handling and investments, high risk concentration, connected and insider lending, loan mismatching. This has led many banks especially in the developing countries towards the failure during 1990’s.

#### **2.2.5.2 Review of Previous Thesis**

**Joshi (2005)** had conducted a study on “Lending Policy on Commercial Banks in Nepal”. The main objectives of this study were:

- ) To examine the role of commercial banks in its function as well as performance.
- ) To show the relationship between deposit and loan advance.
- ) To identify major weaknesses of lending policy of commercial banks.
- ) To suggest lending policy to process the utilization of the resources.

His major findings were that the commercial banks are lazy to play active role to utilize these sources collected from different sectors accordance with the need of the economy. He recommended that Nepal Rastra Bank have significant role in the overall economic policy of the country.

**Shrestha (2004)** has studied on “Fund Collection and Utilization of Nepal Investment Bank Limited and Standard Chartered Bank Nepal Limited”. The main objective of this study was to review the fund collection and its utilization in the commercial banks, especially in NIBL and SCBNL. He applied correlation, ratio analysis, mean, standard deviation, coefficient of variance, trend analysis etc. for this purpose.

The findings of the study were; deposits are the major sources of funds for the banks, they have not employed any kind of long term sources of debt capital, they use excessive amount of short term debt to finance various current assets, they are

adopting the aggressive working capital policy etc. Thus he recommended the banks to try to maintain only the adequate liquidity with them and to mobilize excess or idle funds in profitable sectors, to modernize the lending schemes as per the needs and expectations of the business, society and people, and to help the down- going business and manufacturing sector of the nation by providing funds to the needy partial without hassle, safely and at moderate rates of interest in order to overcome the nations from going towards more difficult position.

**Sapkota (2002)** in his thesis entitled “A Study on Fund Mobilizing Policy of Standard Chartered Bank Ltd. a Comparison of Nepal Bangladesh Bank Ltd. and Himalayan Bank Ltd.”. The study has covered the period from 1996/97 to 1999/ 2000. The specific objectives of this study were:

- ) To examine the fund mobilizing policy adopted by these joint venture banks viz. SCBNL, NBBL and HBL.
- ) To find out how these banks have mobilized their funds during five years study period.

Findings of this research were:

It is found that overall condition of SCBNL is satisfactory position in comparison to NBBL and HBL. These three banks are recommended to increase cash and bank balance to meet the need of investment and demand of loan and advances.

**Thapa (2001)** conducted a study “A Comparative Study on Investment Policy of Nepal Bangladesh Bank Ltd and other Joint Venture Banks”. On her study, the major objectives were:

- ) To evaluate the liquidity, asset management efficiency, profitability and risk position of NBBL in comparison to NABIL and NGBL.
- ) To analyze the relationship between loan and advance and total investment with other financial variables of sample banks.
- ) To examine the fund mobilization and investment policy of NBBL bank through off- balance sheet and on- balance sheet activities in comparison to other two banks.
- ) To study the various risk in investment and to analyze the deposit utilization trend and its projection for next five years of the sample banks.

) To provide the suggestion for improving the investment policy of NBBL bank on the basis of the findings of the analysis.

Her major findings were:

It is found that the liquidity position of NBBL bank is comparatively better than that of NABIL and NGBL. It has the highest cash and bank balance to total deposit, cash and bank balance to current asset ratio. It has good deposit collection, it has made enough loan and advance but it has made the negligible amount of investment in government securities. The NBBL bank is not in better position regarding its on – balance as-well-as off- balance activities in compare to NABIL and NGBL. She further found that the profitability position of NBBL bank is comparatively worse than that of NABIL and NGBL. The Bank must maintain its high profit margin for the wellbeing in future. NBBL bank has maintained high growth rate in comparison to other banks though it is not successful in increasing its source of funds and its mobilization. Finally, she concluded that there is significant relationship between deposit and loan and advances and outside asset and net profit of NBBL, NABIL and NGBL. But there is no significant relationship between deposit and investment of NBBL bank only. NBBL bank has maintained a high growth rate in comparison to other banks through it is not successful to make enough investment. The position of NBBL bank in regard to utilization of the fund to earn profit is not better in comparison to NABIL and NGBL.

**Silwal (1980)** has conducted a study on the topic “Lending Policy of Commercial Banks in Nepal” with following objectives:

- ) To analyze the role of commercial banks in its historical perspectives.
- ) To show the relationship between deposits and loan and advances.
- ) To identify major weakness of lending policy of the commercial banks.

The research was conducted mainly on the basis of secondary data. Findings of this research were:

Effectiveness of lending policy is directly based on the sound banking system. Due to geographical variation, transportation and other regional disparities, it is very difficult to expand branches in different rural areas. So, it can be concluded said that commercial banks in Nepal are not playing an active role to utilize their sources collected from different sectors, by paying higher interest rate; the banks are

increasing deposits, which in turn increase saving habits of the general people. The banks have not utilized these idle funds in productive channels. It is found that banks are providing loan especially in the commercial sector.

**Pant (1979)** conducted a research entitled, “A Study of Deposit Collection and Utilization of Commercial Banks in Nepal” with the following objectives:

- ) To find out whether commercial banks have been able to collect deposit from different sectors.
- ) To find out whether banks are to satisfy financial need of economy.
- ) To find out relationship between deposits and loans.

For the purposes of study, activities of NBL and RBB were taken together for a period of 14 years (from 1965 to 1978). Only secondary data were used in this study to collect the required information to evaluate the existing position of commercial banks. The researcher has found that deposits are collected much from individuals and deposits collection from organization is very low, similarly major percentage of loans are granted to the commercial sector and there is less investment towards agricultural and industrial sectors. The researcher has observed that there is positive relationship between deposits and loans.

He has suggested that commercial banks should not limit their lending activities in the business sector only. It should be diversified in different sectors. Besides short term loan commercial banks also offer long term loans.

### **2.2.6 Research Gap**

The purpose of this study is to develop some expertise in one's area, to see what new contribution can be made and to receive some ideas, knowledge and suggestions in relation to marketing strategy of deposit collection and mobilization of commercial banks. Thus, the previous studies can't be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies. Previous researchers were either on the problems or prospects of commercial banks. But some researchers have covered both problems and prospects of the commercial banks. This study has covered both the problems as well as remedies on deposit mobilization of selected bank. Some research covered all the

commercial banks and some were either in comparison study between two commercial banks or study of a particular bank. This research has been conducted with reference to four commercial banks. The findings of this study are merely based on secondary data only.

## **CHAPTER - III**

### **RESEARCH METHODOLOGY**

Research methodology is a way to solve the research problem systematically. It may be understood as a science of studying how research is done scientifically. In this study, the various steps are generally adopted by a researcher in studying his/her research problem along with the logic behind them. Research methodology is a path from which we can solve research dilemma systematically to accomplish the basic objective of the study. It consists of a brief explanation of research design, nature and sources of data, method of data collection and method of tools used for analyzing data.

#### **3.1 Research Design**

A research design is the logical and systematic planning and direction of a piece of research. Research design is like blue – print to the researcher. There are different views regarding research design but overall it contains whole report contents. It is the overall plan of proposal study to specify the appropriate research method and procedures for obtaining specific finding valid objectively accurate and economically as possible. The research examines the facts and postulates in certain frameworks on details and supplies the important information on subject matter, summary of the study, major findings of the study, recommendations, conclusion etc. are the most significant information among them, they are derived with the help of some financial and statistical tools were adapted to evaluate the deposit mobilization of Commercial Banks viz. HBL, EBL, NBL and LBL in consideration not only to research about them but also to facilitate among them.

#### **3.2 Nature and Sources of Data**

The study deals with secondary data. The sources of secondary data are balance sheet, profit & loss account and literature publication of the concerned banks. The NEPSE report of the concerned bank has furnished some important data to this research work. Some supplementary data and information have been collected from the authoritative sources like Nepal Rastra Bank, Nepal Stock Exchange Limited, Economic Survey, different

journals, magazines and other published and unpublished reports documented by the authorities.

### **3.3 Population and Sample**

The large group about which the generalization is made is called the population under study or the universe and small portion on which the study is made is called the sample of the study.

There are altogether 32 commercial banks functioning in Nepal. Among 32 commercial banks 4 banks are taken as the sample of the study. The sample size represents 10% of the total population. In this study the focus will be on the deposit mobilization procedure adopting by HBL, EBL, LBL and NBL. There are so many commercial banks in the market it is impossible to study all of them, so 4 commercial banks has been selected for the study. Hence, the study is based on sample based not on the population. The following 4 banks are selected for the study on the basis of their homogeneous nature in terms of market coverage, performance and popularity.

1. Everest Bank Limited (EBL)
2. Himalayan Bank Limited (HBL)
3. Laxmi Bank Limited (LBL)
4. Nabil Bank Limited (NBL)

### **3.4 Data Analysis Tools**

Presentation and analysis of the data is the core of each and every research work. This study requires some financial and statistical tools to accomplish the objective of the study. The financial and statistical tools are most reliable. In this study various financial, statistical and tools have been used. These tools make the analysis more effective, convenience, reliable and authentic.

The various results obtained with the help of financial, accounting and statistical tools are tabulated under different headings. Then they are compared with each other to interpret the results. Two kinds of tools have been used to achieve the certain goals.

- ) Financial Tools
- ) Statistical Tools

### **3.4.1 Financial Tools**

Financial tools basically help to identify the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and the profit and loss account.

#### **3.4.1.1 Ratio Analysis**

The relationship between two accounting figures expressed mathematically is known as a financial ratio. Ratio analysis is used to compare a firm's financial performance and status to that of other firms or to itself over time. From the help of ratio analysis, the qualitative judgment can be done regarding financial performance of a firm. Even though there are various types of ratios to analyze and interpret the financial statement, only four types of ratios have been taken in this study. Following ratios are calculated and analyzed in this study:

#### **A. Liquidity Ratios:**

Liquidity ratios are applied to measure the ability of firms to meet short term obligations. It measures the speed of firms to convert the firm's asset into cash to meet deposit withdraws and other current obligations. This is quick measure of the liquidity and financial strength of the firm. Various types of liquidity ratios are applied in these studies, which are explained below:

##### **i) Current Ratio**

The current ratio is the ratio of total current assets to total current liabilities. It is calculated by dividing current assets by current liabilities, which is presented as follows:

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

Current assets are those assets which can be converted into cash and bank balance within analysis accounting period such as cash and bank balance, investment in treasury bill, money at call or placement, loans and advances, bills purchased and discount, inter branch account , other short term loan, receivable and prepaid expenses etc.

## **ii) Cash and Bank Balance to Total Deposit Ratio**

Cash and bank balance are the most liquid current assets. This ratio measures percentage of more liquid funds with the bank to make immediate payment to the depositors. This ratio is computed by dividing cash and bank balances by total deposit. This can be presented as follows:

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

Cash and Bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balance with domestic banks, balance held in foreign banks and other financial institutions. The total deposits encompass current deposits, fixed deposits, investment in other financial institution, money at call and short deposits and other deposits. A high ratio indicates the greater ability to meet their deposits liability and vice versa. Moreover, too high ratio is unfit, as capital will be tied- up and opportunity cost will be higher.

## **iii) Cash and Bank Balances to Current Assets**

Since Cash and bank balances are the most liquid assets, a financial analyst may examine the ratio of cash and balance to current assets. This ratio shows the percentage of reality available fund within the banks. It is calculated by dividing cash and bank balances by current assets, which is as follows:

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

A high ratio indicates the sound ability to meet their daily cash requirements of their customer deposits and vice versa. Both higher and lower ratio is not desirable. The reason is that if a bank maintain higher ratio of cash, it has to pay interest on deposits but couldn't invest its cash or current assets in a profitable are so it may lost opportunity to earn something. In the opposites, if a bank maintain low ratio of cash, it may fail to make the payment for presented cheques by its customer. So, sufficient and appropriate cash reserve should be maintained properly.

#### **iv) Investment on Government Securities to Current Assets Ratio**

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

$$\text{Investment on Government Securities to CA X} \frac{\text{Investment on Government Securities}}{\text{Current Assets}}$$

Where, investment on government securities involves treasury bills and development bonds etc.

#### **A. Assets Management Ratios**

The asset management ratios, measures how effectively the firm is managing its assets. Deposits are created by the collection of shares as debt from the owner, creditors and outside parties. Those deposits are invested in various kinds of assets to generate profits or income. Activity ratios are the creditors of a concern with regarded to its efficiency in assets management, hence they often referred to as efficiency ratio are computed to assess finance companies in utilizing available resources.

#### **i) Loan and Advances to Total Deposit Ratio**

This ratio measures the extent to which the banks are successful to utilize the outsiders' total deposit for profit generating purpose on the loans and advance. Generally, a high ratio reflects higher efficiency to the utilization of deposit and vice versa. It can be calculated by dividing the amount of loan and advances by the amount of total deposits, which is given as below:

$$\text{Loan and Advances to Total Deposit X} \frac{\text{Total Loan and Advance}}{\text{Total Deposit}}$$

Here, loan and advances refers to total of loan, advances and overdraft and total deposits refer to total of all kinds of deposits.

#### **ii) Total Investment to Total Deposit Ratio**

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

$$\text{Total Investment to Total Deposit} \times \frac{\text{Total Investment}}{\text{Total Deposit}}$$

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

### **iii) Loan and Advances to Total Working Fund Ratio**

Loan and advances is the major components in the total working fund, which indicates the ability of banks are successful in mobilizing their loan and advances on the working fund ratio for the purpose of income generation. This ratio is computed by dividing loan and advance by total working fund. This is stated as below:

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

Here Total working fund includes all assets of balance sheet items. In other words, this includes current assets, net fixed assets, loans for development bonds and other investment in share, debenture and other etc. A high ratio indicates a better mobilization of fund as loan and advances and vice-versa.

### **iv) Investment on Government Securities to Total Working Fund Ratio**

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

$$\text{Investment on Government Securities to TWF} \times \frac{\text{Investment on Government Securities}}{\text{Total Working Fund}}$$

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

### **v) Investment on Shares and Debentures to Total Working Fund Ratio**

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

$$\text{Investment on Shares and Debentures to TWF} \times \frac{\text{Investment on Shares and Debentures}}{\text{Total Working Fund}}$$

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

## **B. Profitability Ratios**

Profit is the difference between total revenues and total expenses over a period of time. Profit is the ultimate output of a commercial bank and it will have no future if it fails to make sufficient profits. Therefore, the financial manager continuously evaluates the efficiency of the banks in terms of profits. Profitability shows the overall efficiency of the business concerns. The relation of the return of the firm to either its sales or equity of its assets is known as profitability ratio. Profit is necessary to survive in any business field for its successful operation and further expansion. It measures management's overall effectiveness as shown by the return generated on sales and investment. Higher the profitability ratio better will be the financial performance of the bank and vice versa. Profitability ratio can be calculated by following different ratio:

### **i) Return on Loan and Advances ratio**

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

$$\text{Return on Loan and Advances} \times \frac{\text{Net Profit / Loss}}{\text{Loan and Advances}}$$

### **ii) Return on Total Working Fund Ratio**

Return on total assets ratio measures the profitability position of the selected banks and finance companies in comparison with total assets of those selected firms. It is calculated dividing return or net profit (loss) by total working fund and can expressed as

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

### **iii) Total Interest Earned to Total Working Fund Ratio**

Total interest earned to total working ratio is calculated to find the percentage of interest earned to total working fund. Higher ratio indicates the better performance of financial institutions in the form of interest earning on its working fund. This ratio is calculated by dividing total interest earned from investment by total working fund and is mentioned as below:

$$\text{Total Interest Earned to Total Working Fund X} \frac{\text{Total Interest Earned}}{\text{Total Working Fund}}$$

### **iv) Total Interest paid to Total Working Fund Ratio**

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

$$\text{Total Interest Paid to Total Working Fund X} \frac{\text{Total Interest Paid}}{\text{Total Working Fund}}$$

## **C. Risk Ratio**

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

### **i) Credit Risk Ratio**

Bank utilizes its collected funds in providing credit to different sectors. There is risk of default or non-repayment of loan. While making investment, bank examines the credit risk involved in the project. Generally credit risk ratio shows the proportion of nonperforming assets in the total investment plus loan and advances of a bank. It is computed as:

$$\text{Credit Risk Ratio X} \frac{\text{Total Investment } \Gamma \text{ Total Loan and Advances}}{\text{Total Assets}}$$

### 3.4.2 Statistical Tools

Various statistical tools related to the study will be drawn out to make the conclusion more reliable according to the available financial data. For this following statistical tools are used.

#### i) Arithmetic Mean

The average value is a single value within the range of the data that is used to represent all of the values in the series. The most popular and widely used measure representing entire data by one value is the A.M. The value of the AM is obtained by adding together all the items and by dividing this total by the number of items.

Mathematically:

Arithmetic Mean (AM) is given by,

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

Where,

$\bar{X}$  = Arithmetic mean

$\sum X$  = Sum of all the values of the variable X

n = Number of observation

#### ii) Karl Pearson's Coefficient of Correlation Analysis

This statistical tool has been used to analyze, identify and interpret the relationship between two or more variables. It interprets whether two or more variables are correlated positively or negatively. Statistical tool analyses the relationship between those variables and helps the selected banks to make appropriate investment policy regarding to profit maximization and deposit collection; fund mobilization through providing loan and advances.

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

Assumptions

If  $r = 1$ , there is positively perfect correlation between the two variables.

If  $r = -1$ , there is negatively perfect correlation between the two variables.

If  $r = 0$ , the variables are uncorrelated.

The nearer the value of r to +1, the closer will be the relationship between two variables and the value of r, the lesser will be the relation (Bajracharya, 1990, p256-257).

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

**a) Coefficient of Correlation between Deposit and Loan and Advances**

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

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

$$r = \frac{\sum \frac{dx \cdot dy}{n}}{\sqrt{\sum \frac{dx^2}{n}} \sqrt{\sum \frac{dy^2}{n}}}$$

**iii. Coefficient of Variation (C.V)**

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

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

**iv. Standard Deviation (S.D)**

The standard deviation is an important and widely used measure of dispersion. The measurement of the scatterness of the mass of figure in a series about an average is known as dispersion. The greater the amount of dispersion is the greater the standard deviation. A small standard deviation means a high degree of uniformity of the

observation as well as homogeneity of a series; a large standard deviation means just the opposite it is denoted by the letter  $\sigma$ .

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

Where,

N = Number of observations

X = Expected return of the historical data

#### v. Probable Error (P.E)

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

$$P.E = 0.6745 \left| \frac{r}{\sqrt{n}} \right|$$

Where,

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

r = Correlation coefficient

n = Number of observations

#### vi. Trend Analysis:

Trend analysis describes the average relationship between series where the one series is related to time and other series to the value of the variable. It is generally shown that the line of best-fit or straight line is obtained or not. The line of best fit describes the changes in a given variable accompanying a unit change in time.

For calculation of the "line of the best fit" following equation should be kept in mind.

$$Y_c = a + b x$$

Where,

$Y_c$  = the estimated value of Y for given value of x obtained from the line of regression of Y on X

a = intercept

b = slope of line

x = the variable in time series analysis represent time

Trend analysis will be used to forecast the deposits and Loan & advance of the banks for next five years on the base of past five years. The analysis is done under limited factors which are as follows:

- ) The economy will remain unchanged as of present the stage.
- ) Banks will run as of present position.
- ) The guidelines by NRB for banks will remain unchanged.
- ) The forecast will be true only when the limitations of least square method are carried out.
- ) The mains assumption is that other factors are constant.

## **CHAPTER IV**

### **DATA PRESENTATION AND ANALYSIS**

Presentation and analysis of the data is the core of each and every research work. This study requires some financial and statistical tools to accomplish the objective of the study. The various results obtained with the help of financial, accounting and statistical tools are tabulated under different headings. As the main objective of the study is to analyze the deposit mobilization of selected banks; the necessary financial facts and figures as well as descriptive information are gathered through the financial statement. The major variables for the study are cash and bank balance, total investment, investment on government securities and share and debenture and fixed deposit in commercial banks.

#### **4.1 Statistical Tools**

The statistical analysis includes various methods of measuring relationship between two or more than two variables as well as their significance. In this study, different relationships has been calculated with the help of Karl Pearson's formula of correlation coefficient and calculating P.E for measuring significant correlation to achieve the objective of the study.

##### **4.1.1 Coefficient of Correlation between Deposit and Loan & Advances**

Deposit and loan & advances are the life blood of any commercial banks. The existence of commercial banks depends upon the total deposit collected and the total amount granted as loan and advances. The relationship between deposit and loan & advances should be optimum to gain profit. Co-efficient of correlation between deposit and loan and advances measures the degree of relationship between these two variables. Here, deposit is an independent variable (X) and loan and advances are dependent variable (Y) to justify whether deposits are significantly used as loan and advances in proper way or not, we are computing 'r' between these two variables.

**Table 4.1**  
**Deposit and Loan & Advances** (in millions)

<b>Sample Banks</b>	<b>Fiscal Year</b>	<b>Deposit</b>	<b>Loan &amp; Advances</b>
<b>EBL</b>	<b>2063/64</b>	18186.25	14082.69
	<b>2064/65</b>	23976.29	18339.09
	<b>2065/66</b>	33322.95	23884.67
	<b>2066/67</b>	36932.31	27556.36
	<b>2067/68</b>	41127.91	31057.69
<b>HBL</b>	<b>2063/64</b>	30048.42	16998
	<b>2064/65</b>	31842.79	19497.52
	<b>2065/66</b>	34681.35	24793.16
	<b>2066/67</b>	37611.20	27980.63
	<b>2067/68</b>	40920.63	31566.98
<b>LBL</b>	<b>2063/64</b>	7611.65	6437.45
	<b>2064/65</b>	10917.23	9680.95
	<b>2065/66</b>	16051.30	13315.60
	<b>2066/67</b>	18082.96	14560.11
	<b>2067/68</b>	18299.63	15199.85
<b>NBL</b>	<b>2063/64</b>	23342.29	15545.78
	<b>2064/65</b>	31915.05	21365.05
	<b>2065/66</b>	37348.26	27589.93
	<b>2066/67</b>	46410.70	32268.87
	<b>2067/68</b>	49696.11	38034.09

*(Source: Annex I, II, III, & IV)*

Table 4.1 shows that the deposit and loan & advances of sample banks are increasing year by year. In the above table it is observed that with the increase in deposit, loan & advances are being increased. It shows that there is significant relationship between deposit and loan & advances. This means if deposit increases loan & advances also increases and vice versa. Following statistical tool has been used to support that there is positive relationship between these two variables.

The table below shows the values of  $r$ ,  $r^2$ , P.E and 6 P.E of EBL, HBL, LBL and NBL during the study period.

**Table 4.2****Correlation Coefficient between Deposit and Total Loan & Advances**

<b>Sample Banks</b>	<b>r</b>	<b>r<sup>2</sup></b>	<b>P.E</b>	<b>6*P.E</b>	<b>Significant/ Insignificant</b>
<b>EBL</b>	0.996	0.994	0.0327	0.1962	Significant
<b>HBL</b>	0.993	0.986	0.0068	0.0408	Significant
<b>LBL</b>	0.997	0.994	0.0029	0.0174	Significant
<b>NBL</b>	0.989	0.979	0.0152	0.0912	Significant

*(Source: Annex IX, X, XI & XII)*

The above table shows that coefficient of correlation between deposit and loan and advances of EBL is 0.996, it means there is higher positive relationship between these two variables. The coefficient of determination ( $r^2$ ) is 0.994. Similarly considering the value of r i.e., 0.996 and comparing it with six times of probable error i.e., 0.1962, it could be said that the value of r is more than 6P.E in all the selected banks which shows that there is significant relationship between deposit and loan & advances in case of EBL. Also, correlation between total deposit and loan & advances of HBL, LBL and NBL which is 0.993, 0.997 and 0.989 respectively indicates higher positive correlation between these two variables. The coefficient of determination ( $r^2$ ) of HBL, LBL and NBL is 0.986, 0.994 and 0.979 which depicts that the dependent variable (loan & advances) is explained by independent variable (deposits) about 98.6%, 99.4% and 97.9% respectively. Similarly considering the value of r of HBL, LBL and NBL i.e., 0.993, 0.997 and 0.989, and comparing it with six times of probable error i.e., 0.0408, 0.0174 and 0.0912 respectively we can say that the value of 'r' of all sample banks are more than 6P.E which shows that there is significant relationship between deposit and loan & advances in case of HBL, LBL and NBL. So there is significant relationship between deposit and loan & advances. This means if deposit increases then loan & advances also increases. Lastly, it could be said that the relationship between deposit and loan & advances in EBL, HBL, LBL and NBL are significant. It can be concluded that LBL has the highest correlation between deposit and loan & advances which means it is in better condition to grant loan & advances for mobilizing the collecting deposit. Thus, among sample banks LBL has the highest correlation followed by EBL, HBL, NBL respectively. To maintain its highest correlation which may be attributed to effective lending policies, supply and demand

position of loan & advance as well as savings, good investment situations. Similarly other banks showed a weak correlation which may be attributed to political situation of country, economic factors and environmental factors.

#### 4.1.2 Trend Analysis of total deposit

The part of this analysis will analyze net profit to total deposit of banks for five years from 2063/64 to 2067/68 and projection for next five years i.e., 2067/68 to 2072/73. The following table exhibits the trend values of total deposit of banks for ten years.

**Table 4.3**  
**Trend Analysis of Total Deposit** (in millions)

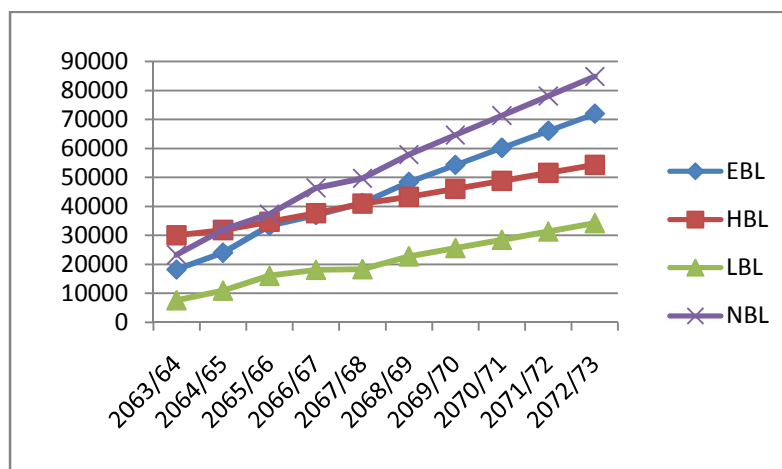
FY	EBL	HBL	LBL	NBL
	Total Deposit		Total Deposit	
2063/64	18186.2	30048.42	7611.653	23342.29
2064/65	23976.3	31842.79	10917.23	31915.05
2065/66	33322.94	34681.35	16051.30	37348.256
2066/67	36932.3	37611.20	18082.96	46410.70
2067/68	41127.9	40920.63	18299.63	49696.11
2068/69	48360.95	43274.73	22755.06	57903.47
2069/70	54244.89	46026.01	25609.22	64623.8
2070/71	60128.83	48777.29	28463.39	71344.14
2071/72	66012.77	51528.57	31317.56	78064.47
2072/73	71896.71	54279.86	34171.73	84784.8

*(Source: Annex XIII, XIV, XV & XVI)*

In table 4.3 it is observed that total deposit of EBL, HBL, LBL and NBL are increasing from FY 2063/64 to 2067/68 so the trend of deposit in sample bank are in increasing trend. Trend analysis of total deposit of NBL is higher than other three sample banks whereas, LBL has lower total deposit forecasted. The sample banks can be ranked as 1.NBL 2.EBL 3.HBL and 4.LBL according to their forecasted deposit collection in 2072/73.

**Figure 4.1**

**Estimation of the deposit for the year 2068/69 to 2072/73**



From the above comparative table, it is clear that total deposit of EBL, HBL, LBL and NBL are in increasing trend. If the other things remain constant the total deposit of EBL will be Rs71896.71 million in the FY 2072/73. Similarly, the deposit of HBL, LBL and NBL will be Rs54279.86 mill, Rs34171.73 mill and Rs84784.8 mill. Among the sample banks, NBL has a higher increasing trend of total deposit in past as well as in future. It is forecasted that NBL will be more successful to collect more deposit from the market. The sample banks can rank as follows according to their highest collection of deposit 1.NBL 2.EBL 3.HBL 4.LBL.

NBL will be successful to collect highest deposit in future the reasons may be goodwill of bank, variety of deposit schemes, supply and demand position of loan & advance as well as savings and good investment situations. Similarly, other bank has less deposit and the reason may be attributed to economic factors, environmental factors and political situation of country.

#### **4.1.3 Trend Analysis of Total Loan & Advances**

The part of this analysis will analyze net profit to total loan & advances of banks for five years from 2063/64 to 2067/68 and projection for next five years from 2067/68 to 2072/73. The following table exhibits the trend values of total loan & advances of banks for ten years period.

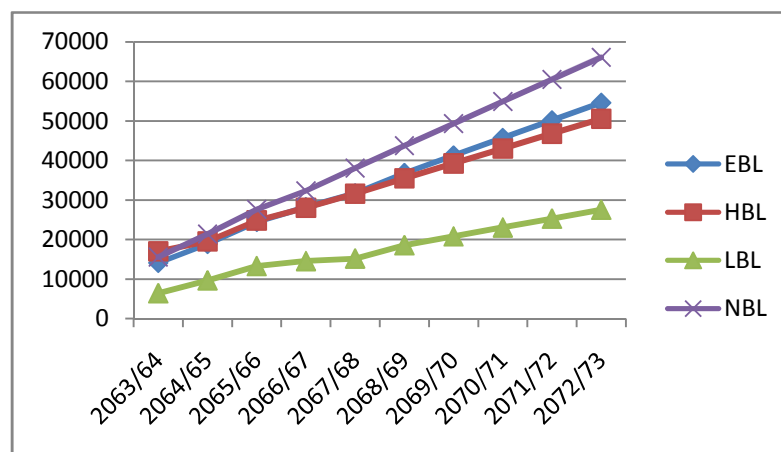
**Table 4.4**  
**Trend Analysis of Loan & Advances** (in millions)

FY	EBL	HBL	LBL	NBL
	Total Loan & Advances		Total Loan & Advances	
2063/64	14082.7	16998	6437.45	15545.78
2064/65	18836.4	19497.52	9680.95	21365.05
2065/66	24469.6	24793.16	13315.604	27589.93
2066/67	28156.4	27980.63	14560.10	32268.87
2067/68	31661.8	31566.98	15199.85	38034.09
2068/69	36784.84	35453.58	18559.98	43724.89
2069/70	41232.66	39215.69	20800.37	49312.93
2070/71	45680.48	42977.79	23040.77	54900.98
2071/72	50128.3	46739.9	25281.16	60489.03
2072/73	54576.12	50502.01	27521.56	66077.07

*(Source: Annex XVII, XVIII, XIX & XX)*

In the Table 4.4 it is observed that the total loan & advances of EBL, HBL, LBL and NBL showed an increasing trend from FY 2063/64 to 2067/68. Trend analysis of loan and advances of NBL is higher than other three sample banks whereas LBL has lower loan and deposit forecasted. The sample banks can be ranked as 1.NBL 2.EBL 3.HBL and 4.LBL according to their forecasted loan and advances in 2072/73.

**Figure 4.2**  
**Estimation of the Loan & Advances for the year 2068/69 to 2072/73**



Other things remain constant the total loan & advances of EBL will tend to reach Rs54576.12 million in the FY 2072/73. Similarly, the loan & advances of HBL, LBL and NBL will go to Rs50502.01 mill, Rs27521.56 mill and Rs66077.07 mill respectively. Among the sample banks, NBL showed a higher increasing trend over other sample banks. The increasing capacity of granting loan and advances of NBL seems more successful to earn more profit in future. Among the sample banks NBL occupies the highest rank followed by EBL, HBL and LBL respectively. The successful of NBL may be attributed to low interest rate, supply and demand position of loan & advance as well as savings and effective lending policies. Similarly the weaknesses of the bank which are the leading causes of failure may be attributed to economic factors, environmental factors and political situation of country.

## 4.2 Liquidity Ratios

Liquidity ratios are applied to measure the ability of the firms to meet short term obligations. It measures the speed how quick the firms to convert the firms asset turn into cash to meet deposit withdraws and other current obligations. It also measures the liquidity and financial strength of the firm.

### 4.2.1 Current Ratio

Current ratio is the ratio between current assets and current liabilities. This ratio measures whether the current assets are sufficient to meet the current obligation or not. This ratio is computed dividing current assets by current liabilities.

**Table 4.5**  
**Current Assets and Current Liabilities**

Sample Banks	FY	Current Assets (in mill)	Current Liabilities (in mill)	Current Ratio (in %)
<b>EBL</b>	2063/64	16278.16	19931.05	81.67
	2064/65	21729.27	24928.09	87.16
	2065/66	30541.21	34101.22	89.59
	2066/67	35911.36	37921.29	94.69
	2067/68	38032.02	42340.66	89.82
<b>HBL</b>	2063/64	21109.33	30776.67	68.58
	2064/65	26765.98	32719.35	81.8

	2065/66	29634.74	35700.44	83
	2066/67	33210.34	38777.92	85.64
	2067/68	36778.77	42230.72	87.09
<b>LBL</b>	2063/64	7004.71	7718.29	90.75
	2064/65	11249.58	11088.64	101.45
	2065/66	15655.52	16243.19	96.38
	2066/67	17482.99	18589.92	94.05
	2067/68	18166.13	19096.51	95.13
<b>NBL</b>	2063/64	18021.19	24313.77	74.12
	2064/65	26594.95	33095.56	80.36
	2065/66	32380.03	38755.85	83.55
	2066/67	37669.12	47940.08	78.58
	2067/68	44125.14	51624.32	80.42

(Source: Annex I, II, III, & IV)

In Table 4.5 the current assets and current liabilities of EBL, HBL, LBL and NBL. Current assets and current liabilities both showed an increasing trend of all sample banks. However, CR of sample banks showed a fluctuating trend. CR in all the sample banks is below the standard of 2:1 as current assets are less than current liabilities. It means all banks are unable to meet their current liabilities from their current assets. From the current ratio point of view their financial condition are poor.

**Table: 4.6**  
**Current Ratio** (in %)

<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
2063/64	81.67	68.58	90.75	74.12	<b>78.78</b>	9.62	12.21
2064/65	87.16	81.8	101.45	80.36	<b>87.69</b>	9.63	10.98
2065/66	89.59	83	96.38	83.55	<b>88.13</b>	6.26	7.10
2066/67	94.69	85.64	94.05	78.58	<b>88.24</b>	7.65	8.67
2067/68	89.82	87.09	95.13	80.42	<b>89.38</b>	4.23	4.74
<b>AVERAGE</b>	<b>88.59</b>	<b>81.22</b>	<b>95.55</b>	<b>80.42</b>	<b>86.45</b>		
<b>S.D</b>	4.73	7.37	3.9	4.43			
<b>C.V</b>	5.34	9.07	4.09	5.5			

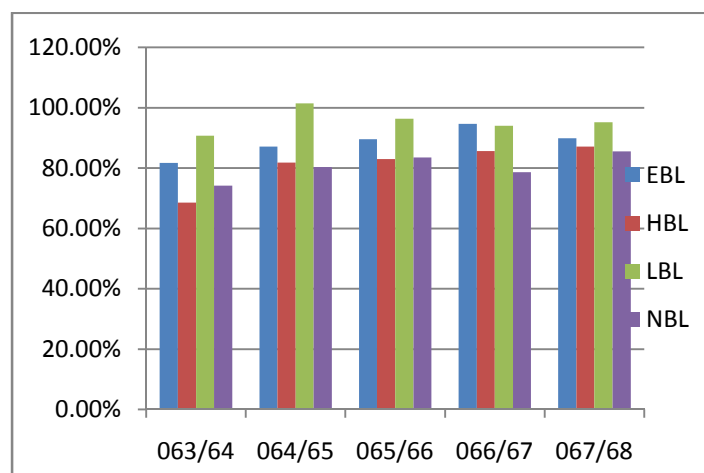
(Source: Annex V, VI, VII & VIII)

From the individual banks point of view in EBL the average CR is 88.59%. Except in 2063/64, 2064/65 the CR is above the average. It means EBL has made some

improvement in recent years. Similarly HBL, the average CR is 81.22%. However, except in the year 2063/64 the CR is above the average. It indicates that the bank is alert to maintain the CR so that the bank could maintain the appropriate liquidity position. The CR position of LBL is different. Its average CR is 95.55%. Except in the years 2064/65 and 2065/66 the CR is below the average as well as below the standard. The average CR of NBL is 80.42%. In this bank the CR is not satisfactory as the CR is below the average. However if the CR is measured of all bank on yearly basis, the average is 86.45%. Except in the year 2063/64, the CR is 78.78%, in all other years, it has met the average. It means CR is in improving trend and bank might have realized the problem and have tried to improve it. It is a positive sign. The sample bank LBL has highest CR followed by EBL, HBL and NBL. LBL has maintained the satisfactory CR and the reasons may be attributed to increase in current assets due to short term loans, conversion of noncurrent assets into current assets and sell off unproductive assets. Similarly other banks has poor CR and the reason may be attributed to decrease in current assets without a corresponding decrease in current liability and increase in current liability without a corresponding increase in a current asset.

As concern with liquidity and consistency HBL seems to be in better position than NBL, EBL and LBL due to its higher S.D and C.V. During the period under study average of current ratio of selected banks are in increasing trend which means the banks are performing well and have sufficient liquidity to provide further short term loan. These facts are shown in the figure 4.3 to make easier to understand.

**Figure: 4.3**  
**Current Ratio**



#### 4.2.2 Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance to total deposit ratio is the ratio between cash and bank balance and total deposit. This ratio measures percentage of most liquid fund with the bank to make immediate payment to the depositors. This ratio is computed dividing the amount of cash and bank balance by the total deposits.

**Table 4.7**  
**Cash & Bank Balance and Total Deposit**

<b>Banks</b>	<b>FY</b>	<b>Cash &amp; Bank Balance (in mill)</b>	<b>Total Deposit (in mill)</b>	<b>Cash &amp; Bank Balance to Total Deposit Ratio (in %)</b>
<b>EBL</b>	2063/64	2391.42	18186.25	13.15
	2064/65	2667.97	23976.29	11.13
	2065/66	6164.37	33322.95	18.49
	2066/67	7818.82	36932.31	21.17
<b>HBL</b>	2067/68	6122.86	41127.91	14.89
	2063/64	1757.34	30048.42	5.84
	2064/65	1448.14	31842.79	4.54
	2065/66	3048.53	34681.35	8.79
<b>LBL</b>	2066/67	3866.49	37611.20	10.28
	2067/68	2964.65	40920.63	7.24
	2063/64	469.72	7611.65	6.17
	2064/65	1238.16	10917.23	11.34
<b>NBL</b>	2065/66	1832.77	16051.30	11.42
	2066/67	1840.70	18082.96	10.18
	2067/68	2774.59	18299.63	15.16
	2063/64	1399.83	23342.29	6
	2064/65	2671.14	31915.05	8.37
	2065/66	3372.51	37348.26	9.03
	2066/67	1400.09	46410.70	3.02
	2067/68	2436.55	49696.11	4.9

*(Source: Annex I, II, III, & IV)*

In Table 4.7 the cash and bank balance to total deposit ratio of sample banks have been presented. It is observed that the cash and bank balance of EBL, HBL and NBL showed a fluctuating order whereas cash and bank balance of LBL showed an

increasing order. It is also observed cash and bank balance to total deposit ratio of EBL, HBL, LBL and NBL showed a fluctuating trend.

**Table: 4.8**  
**Cash and Bank Balance to Total Deposit Ratio** (in %)

<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
<b>2063/64</b>	13.15	5.84	6.17	6	<b>7.79</b>	3.58	45.90
<b>2064/65</b>	11.13	4.54	11.34	8.37	<b>8.85</b>	3.17	35.87
<b>2065/66</b>	18.49	8.79	11.42	9.03	<b>11.93</b>	4.53	37.96
<b>2066/67</b>	21.17	10.28	10.18	3.02	<b>11.16</b>	7.49	67.08
<b>2067/68</b>	14.89	7.24	15.16	4.9	<b>10.55</b>	5.26	49.86
<b>AVERAGE</b>	<b>15.77</b>	<b>7.34</b>	<b>10.85</b>	<b>6.26</b>	<b>10.06</b>		
<b>S.D</b>	4.05	2.28	3.22	2.48			
<b>C.V</b>	25.71	31.11	29.67	39.54			

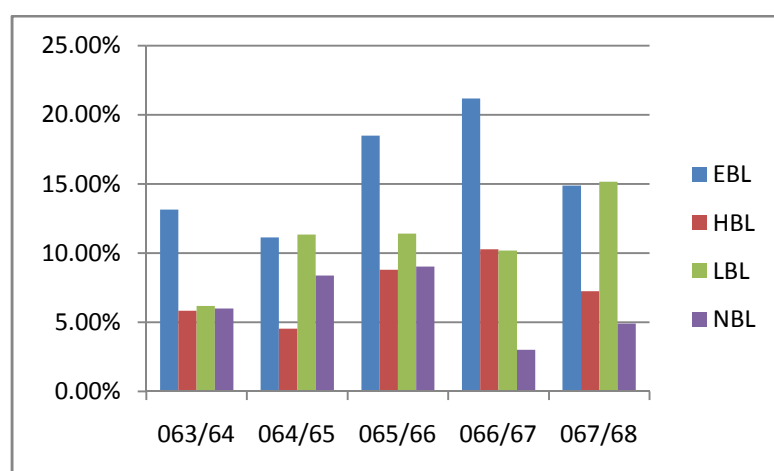
*(Source: Annex V, VI, VII & VIII)*

From the table 4.8 it is observed the average cash and bank balance of EBL, HBL, LBL and NBL are 15.77%, 7.34% 10.85% and 6.26% and average is 10.06%. It is also observed that average ratio of HBL (7.34%) and NBL (6.26%) is below average of average ratio (10.06%). Similarly, average ratio of EBL (15.77%) and LBL (10.85%) are above average of average ratio when the analysis is made from the cash utilization point of view EBL and LBL has maintained the higher cash and bank balance to total deposit ratio and that has increased cash balance and which has provided liquidity but it has reduced company's profitability because both banks maintained idle cash balance and such idle fund earn nothing. From this point of view NBL has utilized the fund properly. NBL is better position followed by HBL, LBL and EBL. Comparatively, among all EBL has maintained the higher cash and bank balance to total deposit ratio the increase cash balance will provide liquidity but lower company's profitability as such cash balance kept idle which earn nothing. So, NBL it is in better position. Among sample banks NBL occupies the first rank followed by HBL, LBL and EBL second, third and fourth respectively. It is found that EBL and LBL have exceeded the higher ratio than HBL and NBL. Thus, HBL and NBL have used their cash and bank balance respectively. Higher rate of investment may be attributed to favorable investment environment, effective lending policies and low

interest rates. Similarly, other banks has high ratio as they fell to invest and utilized less fund may be due to restrictive lending policies, political insurgencies, economic factors and environment factors. EBL has less uniformity as it has higher S.D and NBL has less consistency as it has higher C.V. During the period under study average of cash and bank balance to total deposit ratio of selected banks are in fluctuating trend. These facts are shown in the figure 4.4 to make easier to understand.

**Figure: 4.4**

**Cash and Bank Balance to Total Deposit**



#### 4.2.3 Investment on Government Securities to Current Assets Ratio

Investment on government securities to current assets ratio is the ratio between investment on government securities and current assets. This ratio is used to find the percentage of current assets invested on government securities, treasury bills and development bonds.

**Table: 4.9**

**Investment on Government Securities and Current Assets**

Banks	FY	Investment on Government Securities (in mill)	Current Assets(in mill)	Investment on Government Securities to Current Assets Ratio (in %)
EBL	2063/64	4704.63	16278.16	28.9
	2064/65	4821.60	21729.27	22.19
	2065/66	5146.05	30541.21	16.84
	2066/67	4354.35	35911.36	12.12

	2067/68	7145.02	38032.02	18.78
<b>HBL</b>	2063/64	6454.87	21109.33	30.57
	2064/65	7471.67	26765.98	27.91
	2065/66	4212.30	29634.74	14.21
	2066/67	4465.37	33210.34	13.44
	2067/68	6407.36	36778.77	17.42
<b>LBL</b>	2063/64	977.83	7004.71	13.96
	2064/65	684.71	11249.58	6.09
	2065/66	883.64	15655.52	5.64
	2066/67	1969.67	17482.99	11.27
	2067/68	1470.35	18166.13	8.09
<b>NBL</b>	2063/64	4808.35	18021.19	6.68
	2064/65	4646.88	26594.95	17.47
	2065/66	3706.10	32380.03	11.45
	2066/67	7973.66	37669.12	21.17
	2067/68	8745.23	44125.14	19.82

(Source: Annex I, II, III, & IV)

In Table 4.9 the investment on government securities and current assets of sample banks have been presented. It is observed that investment on government securities of sample banks in fluctuating order whereas current assets of sample banks are in increasing order. It is observed that investment on government securities to current assets ratio of EBL, HBL, LBL and NBL are in fluctuating order. This ratio represents the proportion of CA that has been invested in government securities. Higher the ratio higher will be the return, higher the security higher will be the profitability and vice versa.

**Table: 4.10**

**Investment on Government Securities to Current Assets Ratio (in %)**

<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
<b>2063/64</b>	28.9	30.57	13.96	6.68	<b>20.03</b>	11.62	58.00
<b>2064/65</b>	22.19	27.91	6.09	17.47	<b>18.42</b>	9.26	50.28
<b>2065/66</b>	16.84	14.21	5.64	11.45	<b>12.04</b>	4.80	39.87
<b>2066/67</b>	12.12	13.44	11.27	21.17	<b>14.50</b>	4.54	31.28
<b>2067/68</b>	18.78	17.42	8.09	19.82	<b>16.03</b>	5.38	33.58

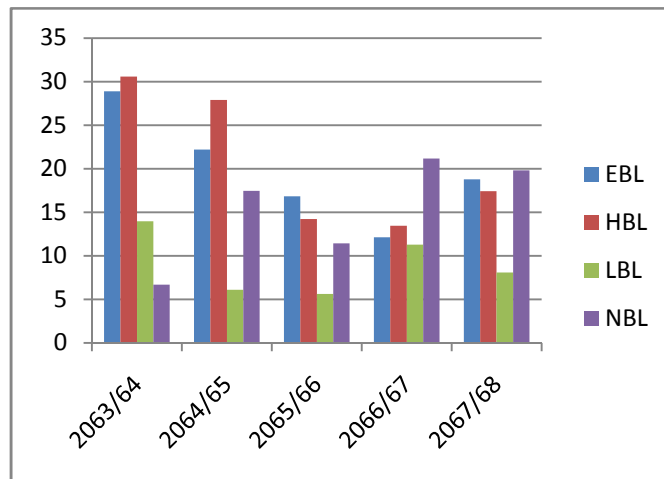
<b>AVERAGE</b>	<b>19.77</b>	<b>20.71</b>	<b>9.01</b>	<b>15.32</b>	<b>16.20</b>
<b>S.D</b>	6.27	7.98	3.55	6.10	
<b>C.V</b>	31.73	38.55	39.37	39.81	

(Source: Annex V, VI, VII & VIII)

The average investment ratio of sample banks during five years period is 16.20%. In initial 2 years the investment ratio was higher than average and the ratio below the average in recent years. It means the bank have reduced investment in government securities and have invested in other profitable opportunities. However from the individual banks point of view, EBL & HBL average investment on government securities have higher ratio than average of 16.20% whereas LBL and NBL have below the average. Among the sample banks HBL is in better position followed by EBL, NBL and LBL. HBL have maintained the satisfactory ratio. The reasons may be attributed to favorable investment environment and interest rates. Similarly other banks has poor ratio and the reason may be attributed to political factors, economical factors and environmental factors. Higher the ratio means better utilization of fund better the utilization fund means higher profitability and higher profitability means better the performance. HBL has less degree of uniformity as it has higher S.D and NBL has less consistency due to its higher C.V. During the period under study of average of investment on government securities to current assets ratio of sample banks are in fluctuating trend. These facts are shown in the figure 4.5 to make easier to understand.

**Figure: 4.5**

**Investment on Government Securities to Current Assets Ratio**



### 4.3 Assets Management Ratios

The asset management ratios, measures how effectively the firm is managing its assets. In this study this ratio is used to indicate how efficiently the selected insurance companies have arranged and invested their limited resources. The following financial ratios related to deposit mobilization are calculated under asset management ratio and interpretation is made by these calculations.

#### 4.3.1 Loan and Advances to Total Deposit Ratio

This ratio is calculated to find out how successfully the selected banks are utilizing their total collections or deposits on loan and advances for the purpose of earning profit. This ratio can be obtained dividing loan and advances by total deposits.

**Table: 4.11**  
**Loan and Advances and Total Deposit**

<b>Banks</b>	<b>FY</b>	<b>Loan &amp; Advances (in mill)</b>	<b>Total Deposit (in mill)</b>	<b>Loan &amp; Advances to Total Deposit Ratio (in %)</b>
<b>EBL</b>	2063/64	14082.69	18186.25	77.44
	2064/65	18339.09	23976.29	76.48
	2065/66	23884.67	33322.95	71.67
	2066/67	27556.36	36932.31	74.61
	2067/68	31057.69	41127.91	75.51
<b>HBL</b>	2063/64	16998	30048.42	56.56
	2064/65	19497.52	31842.79	61.23
	2065/66	24793.16	34681.35	71.48
	2066/67	27980.63	37611.20	74.39
	2067/68	31566.98	40920.63	77.14
<b>LBL</b>	2063/64	6437.45	7611.65	84.57
	2064/65	9680.95	10917.23	88.68
	2065/66	13315.60	16051.30	82.96
	2066/67	14560.11	18082.96	80.52
	2067/68	15199.85	18299.63	83.06
<b>NBL</b>	2063/64	15545.78	23342.29	66.6
	2064/65	21365.05	31915.05	64.91

	2065/66	27589.93	37348.26	73.87
	2066/67	32268.87	46410.70	69.53
	2067/68	38034.09	49696.11	76.53

(Source: Annex I, II, III, & IV)

Table 4.11 depicted the loan & advances and total deposit of sample banks have been presented. It is observed that loan & advances and total deposit of sample banks are in increasing trend. It is also observed loan & advances and total deposit ratio of EBL, HBL, LBL and NBL showed a fluctuating trend.

**Table: 4.12**

**Loan & Advances to Total Deposit Ratio (in %)**

<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
<b>2063/64</b>	77.44	56.56	84.57	66.6	<b>71.29</b>	12.29	17.24
<b>2064/65</b>	76.48	61.23	88.68	64.91	<b>72.83</b>	12.41	17.04
<b>2065/66</b>	71.67	71.48	82.96	73.87	<b>75.00</b>	5.42	7.23
<b>2066/67</b>	74.61	74.39	80.52	69.53	<b>74.76</b>	4.50	6.02
<b>2067/68</b>	75.51	77.14	83.06	76.53	<b>78.06</b>	3.40	4.36
<b>AVERAGE</b>	<b>75.14</b>	<b>68.16</b>	<b>83.96</b>	<b>70.29</b>	<b>74.39</b>		
<b>S.D</b>	2.21	8.85	3.01	4.87			
<b>C.V</b>	2.94	12.98	3.59	6.93			

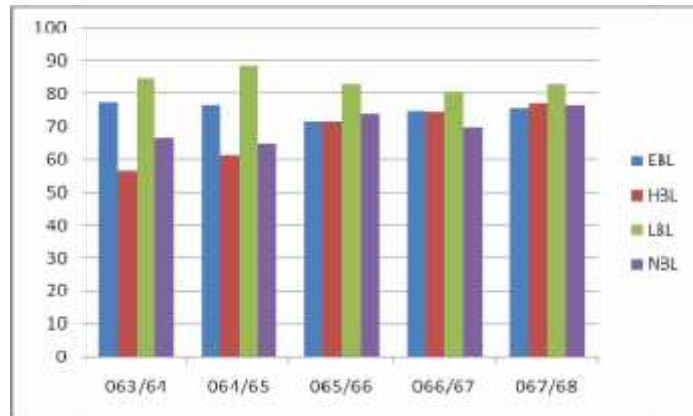
(Source: Annex V, VI, VII & VIII)

From the table 4.12 it is observed the average loan & advances to total deposit ratio of EBL, HBL, LBL and NBL are 75.14%, 68.16%, 83.96% and 70.29% respectively and the average is 74.39%. It is also observed that average ratio of HBL (68.16%) and NBL (70.29%) are below average (74.39%). Similarly, average ratio of EBL (75.14%) and LBL (83.96%) are above average when the analysis is made from the loan & advances mobilization point of view LBL has maintained the higher ratio. LBL is in better position followed by EBL, NBL and HBL respectively. LBL has maintained the satisfactory loan & advances and total deposit ratio and the reasons may be attributed to favorable investment environment, effective lending policies and capability of management. Similarly other banks has poor ratio and the reason may be attributed to political factors, economic factors and environment factors. LBL has less degree of uniformity as it has higher S.D and HBL has less consistency due to its

higher C.V. During the period under study of average of loan and advances to total deposit ratio of sample banks are in fluctuating trend. These facts are shown in the figure 4.6 to make easier to understand.

**Figure: 4.6**

**Loan and Advances to Total Deposit Ratio**



#### 4.3.2 Total Investment to Total Deposit Ratio

Total investment to total deposit ratio is the ratio between total investment and total deposit. Investment is one of the major sources of earning of profit. This ratio indicates how properly firm's total deposits have been invested on different sectors of other companies.

**Table: 4.13**

**Total Investment and Total Deposit**

Banks	FY	Total Investment (in mill)	Total Deposit(in mill)	Total Investment to Total deposit Ratio (in %)
<b>EBL</b>	2063/64	4985.12	18186.25	27.41
	2064/65	5059.55	23976.29	21.1
	2065/66	5948.48	33322.95	17.85
	2066/67	5008.31	36932.31	13.56
	2067/68	7743.93	41127.91	18.83
<b>HBL</b>	2063/64	11822.98	30048.42	39.35
	2064/65	13340.18	31842.79	41.89
	2065/66	8710.69	34681.35	25.12

	2066/67	8444.91	37611.20	22.45
	2067/68	8769.94	40920.63	21.43
<b>LBL</b>	2063/64	1437.17	7611.65	18.88
	2064/65	1241.04	10917.23	11.36
	2065/66	2483.15	16051.30	15.47
	2066/67	3186.91	18082.96	17.63
	2067/68	3041.42	18299.63	16.62
<b>NBL</b>	2063/64	8945.31	23342.29	38.22
	2064/65	9939.77	31915.05	31.14
	2065/66	10826.38	37348.26	28.99
	2066/67	13703.02	46410.70	29.52
	2067/68	13081.21	49696.11	26.32

(Source: Annex I, II, III, & IV)

In Table 4.13 the total investment and total deposit of sample banks have been presented. It is observed that total investments of sample bank are in fluctuating trend whereas total deposits are in increasing trend. It is also observed that total investment and total deposit ratio of EBL, HBL, LBL and NBL are in fluctuating order.

**Table: 4.14**

**Total Investment to Total Deposit Ratio**

**(in %)**

<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
<b>2063/64</b>	27.41	39.35	18.88	38.22	<b>30.97</b>	9.69	31.29
<b>2064/65</b>	21.1	41.89	11.36	31.14	<b>26.37</b>	13.12	49.76
<b>2065/66</b>	17.85	25.12	15.47	28.99	<b>21.86</b>	6.28	28.74
<b>2066/67</b>	13.56	22.45	17.63	29.52	<b>20.79</b>	6.86	33.00
<b>2067/68</b>	18.83	21.43	16.62	26.32	<b>20.80</b>	4.17	20.06
<b>AVERAGE</b>	<b>19.75</b>	<b>30.05</b>	<b>15.99</b>	<b>30.84</b>	<b>24.16</b>		
<b>S.D</b>	5.08	9.79	2.88	4.48			
<b>C.V</b>	25.73	32.57	18.00	14.52			

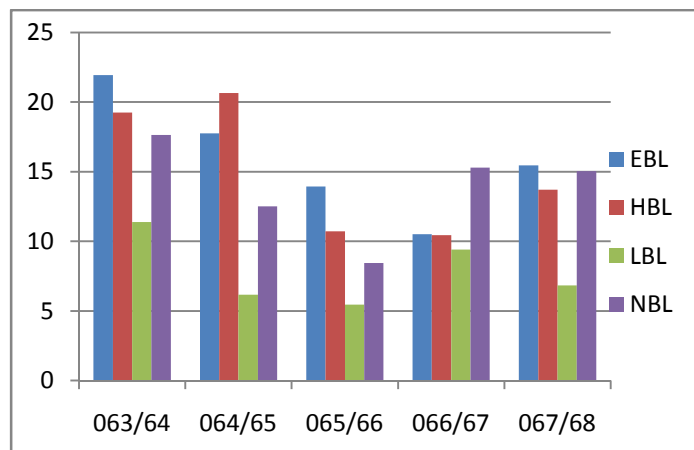
(Source: Annex V, VI, VII & VIII)

From the table 4.14 it is observed the average total investment and total deposit ratio of EBL, HBL, LBL and NBL are 19.75%, 30.05%, 18% and 14.52% respectively and average is 24.16%. Average ratio of EBL (19.75%) and LBL (15.99%) are below average (24.16%). Similarly, average ratio of HBL (30.05%) and NBL (30.84%) are

above average. When the analysis is made from mobilizing the collected deposits on investment NBL and HBL has maintained the higher total investment and total deposit ratio. NBL is in better position followed by HBL, EBL and LBL. NBL has maintained the highest ratio and the reasons may be attributed to favorable investment environment and easy lending policies. Similarly other banks has poor ratio and the reason may be political factors, economic factors and environment factors. HBL has less degree of uniformity and less consistency as it has higher S.D and C.V. During the period under study of average of total investment to total deposit ratio of sample banks are in decreasing trend. These facts are shown in the figure 4.7 to make easier to understand.

**Figure: 4.7**

**Total Investment to Total Deposit Ratio**



#### 4.3.3 Loan and Advances to Total Working Fund Ratio

This ratio indicates the ability of selected banks in terms of earning high profit from loan and advances. Loan and advances to working fund ratio can be obtained dividing loan and advances amount by total working fund.

**Table: 4.15**

**Loan & Advances and Total Working Fund Ratio**

Banks	FY	Loan & Advances (in mill)	Total Working Fund (in mill)	Loan & Advances to Total Working Fund Ratio (in %)
EBL	2063/64	14082.69	21439.3	65.68
	2064/65	18339.09	27149.34	67.55

	2065/66	23884.67	36916.84	64.69
	2066/67	27556.36	41382.76	66.59
	2067/68	31057.69	46236.21	67.17
<b>HBL</b>	2063/64	16998	33519.41	50.71
	2064/65	19497.52	36175.53	53.89
	2065/66	24793.16	39320.32	63.05
	2066/67	27980.63	42717.12	65.5
	2067/68	31566.98	46736.20	67.54
<b>LBL</b>	2063/64	6437.45	8582.69	75
	2064/65	9680.95	11088.64	87.31
	2065/66	13315.60	16243.19	81.98
	2066/67	14560.11	20952.25	69.49
	2067/68	15199.85	21559.89	70.5
<b>NBL</b>	2063/64	15545.78	27253.39	57.04
	2064/65	21365.05	37132.76	57.54
	2065/66	27589.93	43867.39	62.89
	2066/67	32268.87	52151.68	61.87
	2067/68	38034.09	58141.44	65.42

(Source: Annex I, II, III, & IV)

In Table 4.15 loan & advances and total working fund of sample banks have been presented. It is observed that loan & advances and total working fund both are in increasing trend. It is also observed that loan & advances and total working fund of EBL, HBL, LBL and NBL are in fluctuating trend.

**Table: 4.16**

**Loan and Advances to Total Working Fund Ratio (in %)**

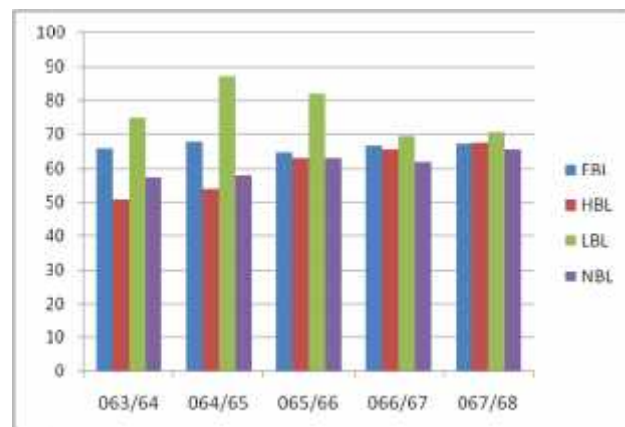
<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
2063/64	65.68	50.71	75	57.04	<b>62.11</b>	10.56	17.00
2064/65	67.55	53.89	87.31	57.54	<b>66.57</b>	14.98	22.51
2065/66	64.69	63.05	81.98	62.89	<b>68.15</b>	9.25	13.58
2066/67	66.59	65.5	69.49	61.87	<b>65.86</b>	3.15	4.78
2067/68	67.17	67.54	70.5	65.42	<b>67.66</b>	2.11	3.12
<b>AVERAGE</b>	<b>66.34</b>	<b>60.14</b>	<b>76.86</b>	<b>60.95</b>	<b>66.07</b>		
<b>S.D</b>	1.16	7.42	7.64	3.59			
<b>C.V</b>	1.75	12.33	9.94	5.89			

(Source: Annex V, VI, VII & VIII)

The average investment ratio of sample banks during 5 years period is 66.07%. In 2063/64 and 2066/67 the loan & advances ratio is below the average. The average of total working fund of EBL (66.34%) and LBL (76.86%) is above the average. And average of HBL (60.14%) and NBL (60.95%) are below average. It means HBL, NBL have not maintained satisfactory condition on loan and advances to total working ratio. LBL is in better position followed by EBL, NBL and HBL. LBL is successful to maintain highest ratio and the reasons may be attributed to favorable investment environment, easy lending policies and interest rates. Similarly, other banks has poor ratio and the reason may be attributed to unhealthy competition, political, economic and environmental factors. LBL has less degree of uniformity as it has higher S.D and HBL has less consistency as it has higher C.V. During the period under study of average of loan & advances to total working fund ratio sample banks are in fluctuating trend. These facts are shown in the figure 4.8 to make easier to understand.

**Figure: 4.8**

**Loan and Advances to Total Working Fund Ratio**



**4.3.4 Investment on Government Securities to Total Working Fund Ratio**

Investment on government securities to working fund ratio is the ratio of investment on government securities and total working fund ratio. This ratio shows how much part of total investment is there on government securities in percentage.

**Table: 4.17****Investment on Government Securities and Total Working Fund Ratio**

<b>Banks</b>	<b>FY</b>	<b>Investment on Government Securities(in mill)</b>	<b>Total Working Fund Ratio(in mill)</b>	<b>Investment on Government Securities to Total Working Fund Ratio (in %)</b>
<b>EBL</b>	2063/64	4704.63	21439.3	21.94
	2064/65	4821.60	27149.34	17.75
	2065/66	5146.05	36916.84	13.94
	2066/67	4354.35	41382.76	10.52
	2067/68	7145.02	46236.21	15.45
<b>HBL</b>	2063/64	6454.87	33519.41	19.25
	2064/65	7471.67	36175.53	20.65
	2065/66	4212.3	39320.32	10.71
	2066/67	4465.37	42717.12	10.45
	2067/68	6407.36	46736.20	13.71
<b>LBL</b>	2063/64	977.83	8582.69	11.39
	2064/65	684.71	11088.64	6.17
	2065/66	883.64	16243.19	5.44
	2066/67	1969.67	20952.25	9.4
	2067/68	1470.35	21559.89	6.82
<b>NBL</b>	2063/64	4808.35	27253.39	17.64
	2064/65	4646.88	37132.76	12.51
	2065/66	3706.10	43867.39	8.44
	2066/67	7973.66	52151.68	15.29
	2067/68	8745.23	58141.44	15.04

*(Source: Annex I, II, III, & IV)*

In Table 4.17 the investment on government securities and total working fund ratio of sample banks have been presented. It is observed that investment on government securities of sample banks are in fluctuating trend whereas total working fund are in increasing trend. It is observed that investment on government securities to total working fund of EBL, HBL, LBL and NBL are in fluctuating trend.

**Table: 4.18****Investment on Government Securities to Total Working Fund Ratio (in %)**

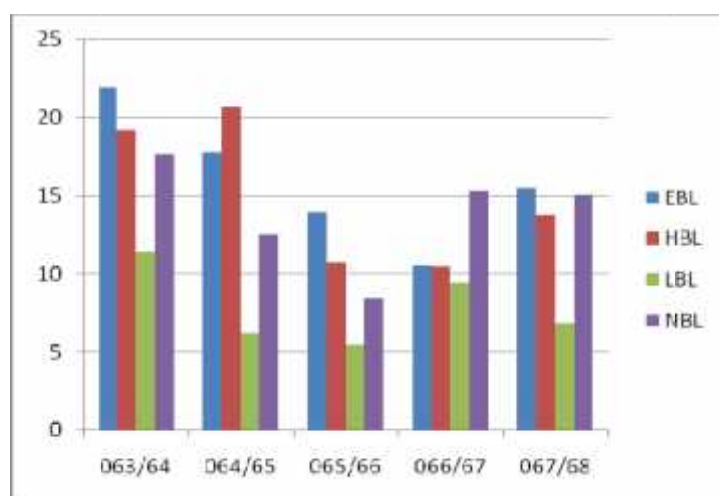
<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
2063/64	21.94	19.25	11.39	17.64	<b>17.56</b>	4.48	25.50
2064/65	17.75	20.65	6.17	12.51	<b>14.27</b>	6.36	44.60
2065/66	13.94	10.71	5.44	8.44	<b>9.63</b>	3.59	37.29
2066/67	10.52	10.45	9.4	15.29	<b>11.42</b>	2.63	23.07
2067/68	15.45	13.71	6.82	15.04	<b>12.76</b>	4.03	31.56
<b>AVERAGE</b>	<b>15.92</b>	<b>14.95</b>	<b>7.84</b>	<b>13.78</b>	<b>13.12</b>		
<b>S.D</b>	4.27	4.76	2.48	3.50			
<b>C.V</b>	26.81	31.85	31.63	25.36			

(Source: Annex V, VI, VII & VIII)

In the Table 4.18 it is observed that average investment on government securities to total working fund ratio of EBL, HBL, LBL and NBL are 15.92%, 14.95%, 7.84% and 13.78% respectively and the average is 13.12%. It is observed that the average ratio of LBL (7.84%) is below average (13.12%). Similarly, average ratio of EBL, HBL and NBL are above average ratio. When the analysis is made from the investment of fund in government securities point of view EBL has maintained the higher ratio among other because it has maintained satisfactory condition by investing its fund in government securities. EBL is in better position followed by HBL, NBL and LBL. EBL has maintained the highest ratio and the reasons may be attributed to favorable investment environment, interest rates. Similarly, other banks has poor ratio and the reason may be political, economic and environment factors. HBL has less degree of uniformity and less consistency as it has higher S.D and C.V. During the period under study of average investment on government securities and total working fund ratio of ratio of sample banks are in fluctuating trend. These facts are shown in the figure 4.9 to make easier to understand.

**Figure: 4.9**

**Investment on Government Securities to Total Working Fund Ratio**



**4.3.5 Investment on Shares and Debentures to Total Working Fund Ratio**

Investment on shares and debentures to total working fund ratio is the ratio of investment on shares and debenture and total working fund. This ratio shows the investment of insurance companies on the shares and debentures of other companies in terms of total working fund. This ratio can be obtained dividing on shares and debentures by total working fund.

**Table: 4.19**

**Investment on Shares Debentures and Total Working Fund Ratio**

Banks	FY	Investment on Shares & Debentures (in mill)	Total Working Fund Ratio (in mill)	Investment on Shares & Debentures to Total Working Ratio (in %)
<b>EBL</b>	2063/64	19.887	21439.3	0.09`
	2064/65	101.152	27149.34	0.37
	2065/66	102.035	36916.84	0.28
	2066/67	102.035	41382.76	0.25
	2067/68	109.576	46236.21	0.23
<b>HBL</b>	2063/64	73.42	33519.41	0.22
	2064/65	89.55	36175.53	0.25
	2065/66	93.88	39320.32	0.24

	2066/67	78.88	42717.12	0.18
	2067/68	88.78	46736.20	0.19
<b>LBL</b>	2063/64	13.362	8582.69	0.16
	2064/65	118.245	11088.64	1.07
	2065/66	118.958	16243.19	0.73
	2066/67	126.033	20952.25	0.6
	2067/68	227.533	21559.89	1.05
<b>NBL</b>	2063/64	286.96	27253.39	1.05
	2064/65	118.25	37132.76	0.32
	2065/66	118.96	43867.39	0.27
	2066/67	946.09	52151.68	1.81
	2067/68	936.39	58141.44	1.61

(Source: Annex I, II, III, & IV)

In Table 4.19 the investment on shares and debentures and total working fund ratio of sample banks have been presented. It is observed that investment on shares and debentures of sample banks are in fluctuating trend whereas total working fund are in increasing trend. It is also observed that investment on shares and debentures to total working fund of EBL, HBL, LBL and NBL are in fluctuating order.

**Table: 4.20**

**Investment on Shares and Debentures to Total Working Fund Ratio (in %)**

<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
2063/64	0.09	0.22	0.16	1.05	<b>0.38</b>	0.45	118.37
2064/65	0.37	0.25	1.07	0.32	<b>0.50</b>	0.38	75.92
2065/66	0.28	0.24	0.73	0.27	<b>0.38</b>	0.23	61.57
2066/67	0.25	0.18	0.6	1.81	<b>0.71</b>	0.76	106.48
2067/68	0.23	0.19	1.05	1.61	<b>0.77</b>	0.69	89.10
<b>AVERAGE</b>	<b>0.24</b>	<b>0.22</b>	<b>0.72</b>	<b>1.01</b>	<b>0.55</b>		
<b>S.D</b>	0.10	0.03	0.37	0.71			
<b>C.V</b>	41.55	14.12	51.80	70.31			

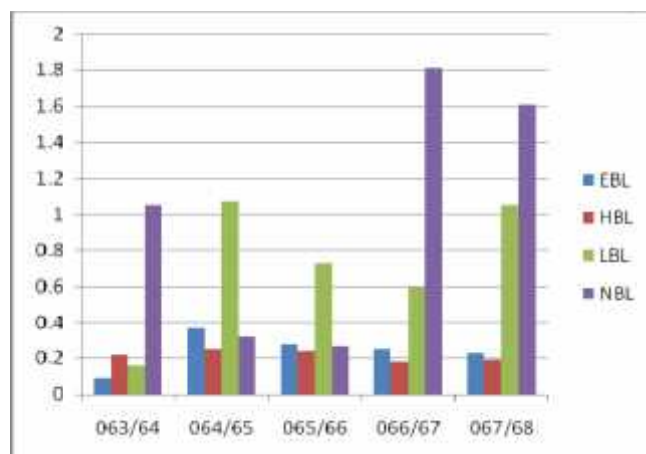
(Source: Annex V, VI, VII & VIII)

In Table 4.20 it is observed the average investment on shares and debentures to total working fund ratio of EBL, HBL, LBL and NBL are 0.24%, 0.22%, 0.72% and 1.01% respectively and average ratio is 0.55%. It is also observed that average ratio of LBL

(0.72%) and NBL (1.01%) are above average ratio (0.55%). Similarly, the average ratio of EBL (0.24%) and HBL (0.22%) are below average ratio. Among all sample banks NBL has higher ratio among other because it has invested its fund in shares and debentures more than EBL, HBL and LBL respectively. NBL is in better position followed by LBL, EBL and HBL. NBL has been successful to maintain the highest ratio and the reasons may be attributed to favorable investment environment, interest rates and higher return. Similarly, other banks has poor ratio and the reason may be attributed to political, economic and environment factors. NBL has less degree of uniformity and less consistency as it has higher S.D and C.V. During the period under study of average investment on shares and debentures to total working fund on ratio of sample banks are in fluctuating trend. These facts are shown in the figure 4.10 to make easier to understand.

**Figure: 4.10**

**Investment on Shares and Debentures to Total Working Fund Ratio**



**4.4 Profitability Ratios**

Profit is only appeared when there is positive difference between total revenues and total cost over a certain period of time. Profitability ratios show the combined effects of liquidity, assets management, and debt on operating results. Profitability ratios are very helpful to measure the overall efficiency of operations of a firm. It is a true indication of the financial performance of each and every business organization. Here profitability ratios are calculated and evaluated in terms of the relationship between net profit and assets. Profitability of the firms can be presented through the following different ways:

#### 4.4.1 Return on Loan and Advances Ratio

Return on loan and advances ratio is the ratio of net profit (loss) and loan & advance. This ratio shows how efficiently the banks have utilized their resources to earn good return from provided loan and advances.

**Table: 4.21**  
**Net Profit (Loss) and Loan & Advances**

<b>Banks</b>	<b>FY</b>	<b>Net Profit(Loss) (in mill)</b>	<b>Loan &amp; Advances( in mill)</b>	<b>Return on Loan &amp; Advances (in %)</b>
<b>EBL</b>	2063/64	296.41	14082.69	2.1
	2064/65	451.218	18339.09	2.46
	2065/66	638.732	23884.67	2.67
	2066/67	831.765	27556.36	3.02
	2067/68	931.303	31057.69	2.99
<b>HBL</b>	2063/64	491.82	16998	2.89
	2064/65	635.87	19497.52	3.26
	2065/66	752.83	24793.16	3.03
	2066/67	508.79	27980.63	1.82
	2067/68	893.12	31566.98	2.83
<b>LBL</b>	2063/64	65.579	6437.45	1.02
	2064/65	120.031	9680.95	1.24
	2065/66	188.998	13315.60	1.42
	2066/67	327.037	14560.11	2.25
	2067/68	375.145	15199.85	2.47
<b>NBL</b>	2063/64	673.96	15545.78	4.34
	2064/65	746.47	21365.05	3.49
	2065/66	1031.05	27589.93	3.73
	2066/67	1141.05	32268.87	3.54
	2067/68	1337.75	38034.09	3.52

*(Source: Annex I, II, III, & IV)*

In Table 4.21 observed the net profit (loss) and loan & advances of sample banks. It is also observed that net profit (loss) and loan & advances of sample banks are in increasing trend. It is observed that net profit (loss) and loan & advances of EBL, HBL, LBL and NBL are in fluctuating trend.

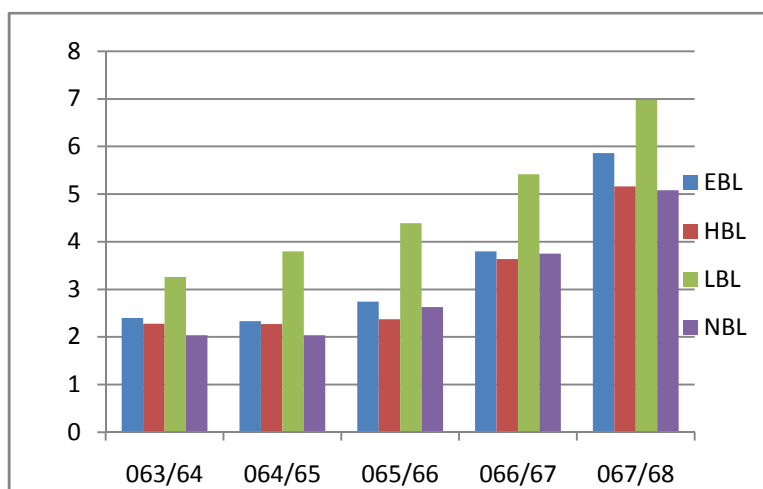
**Table: 4.22****Return on Loan and Advances Ratio****(in %)**

<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
2063/64	2.1	2.89	1.02	4.34	<b>2.59</b>	1.40	54.00
2064/65	2.46	3.26	1.24	3.49	<b>2.61</b>	1.02	38.89
2065/66	2.67	3.03	1.42	3.73	<b>2.71</b>	0.97	35.67
2066/67	3.02	1.82	2.25	3.54	<b>2.66</b>	0.77	28.97
2067/68	2.99	2.83	2.47	3.52	<b>2.95</b>	0.44	14.78
<b>AVERAGE</b>	<b>2.65</b>	<b>2.77</b>	<b>1.68</b>	<b>3.72</b>	<b>2.71</b>		
<b>S.D</b>	0.38	0.55	0.64	0.36			
<b>C.V</b>	14.52	20.03	38.13	9.59			

*(Source: Annex V, VI, VII & VIII)*

In the Table 4.22 it is observed the average return on loan & advances ratio of EBL, HBL, LBL and NBL are 2.65%, 2.77%, 1.68% and 3.72% respectively and average is 2.71 percent. It is also observed that average ratio of EBL (2.65%) and LBL (1.68%) are below average ratio (2.71%). Similarly, average ratio of NBL (3.72%) and HBL (2.77%) are above average ratio. Among all sample banks NBL has higher ratio as it has mobilized its fund as loan and advances so NBL is in better position followed by EBL, HBL and LBL respectively. NBL has maintained highest ratio and the reasons may be attributed to favorable investment environment and high investment. Similarly other banks has poor ratio and the reason may be attributed to political, economic and environmental factors. NBL has less degree of uniformity and less consistency as it has higher S.D and C.V. During the period under study of average return on loan & advances ratio of sample banks are in fluctuating trend. These facts are shown in the figure 4.11 to make easier to understand.

**Figure: 4.11**  
**Return on Loan and Advances Ratio**



#### 4.4.2 Return on Total Working Fund Ratio

Return on total working fund ratio is the ratio of net profit (loss) and total working fund. This ratio measures the profit earning capacity of the banks by utilizing available resources i.e. total assets. If the bank's well managed and efficiently utilized its working fund, it will get higher return.

**Table: 4.23**  
**Net Profit and Total Working Fund**

Bank	FY	Net Profit (in mill)	Total Working Fund (in mill)	Return on Total Working Fund Ratio (in %)
<b>EBL</b>	2063/64	296.41	21439.3	1.38
	2064/65	451.218	27149.34	1.66
	2065/66	638.732	36916.84	1.73
	2066/67	831.765	41382.76	2.00
	2067/68	931.303	46236.21	2.01
<b>HBL</b>	2063/64	491.82	33519.41	1.47
	2064/65	635.87	36175.53	1.75
	2065/66	752.83	39320.32	1.91
	2066/67	508.79	42717.12	1.19
	2067/68	893.12	46736.20	1.91
<b>LBL</b>	2063/64	65.579	8582.69	0.76

	2064/65	120.031	11088.64	1.08
	2065/66	188.998	16243.19	1.16
	2066/67	327.037	20952.25	1.56
	2067/68	375.145	21559.89	1.74
<b>NBL</b>	2063/64	673.96	27253.39	2.47
	2064/65	746.47	37132.76	2.01
	2065/66	1031.05	43867.39	2.35
	2066/67	1141.05	52151.68	2.18
	2067/68	1337.75	58141.44	2.30

(Source: Annex I, II, III, & IV)

In Table 4.23 the net profit (loss) and total working fund of sample banks have been presented. It is observed that Net profit (loss) and total working fund of sample banks both are in increasing trend. It is also observed that return on total working fund ratio of EBL, HBL, LBL and NBL are in fluctuating order.

**Table: 4.24**  
**Return on Total Working Fund Ratio** (in %)

<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
2063/64	1.38	1.47	0.76	2.47	<b>1.52</b>	0.71	46.55
2064/65	1.66	1.75	1.08	2.01	<b>1.63</b>	0.39	24.15
2065/66	1.73	1.91	1.16	2.35	<b>1.79</b>	0.49	27.57
2066/67	2.00	1.19	1.56	2.18	<b>1.73</b>	0.45	25.72
2067/68	2.01	1.91	1.74	2.30	<b>1.99</b>	0.23	11.80
<b>AVERAGE</b>	<b>1.76</b>	<b>1.65</b>	<b>1.26</b>	<b>2.26</b>	<b>1.73</b>		
<b>S.D</b>	0.26	0.31	0.39	0.18			
<b>C.V</b>	14.94	18.95	31.06	7.74			

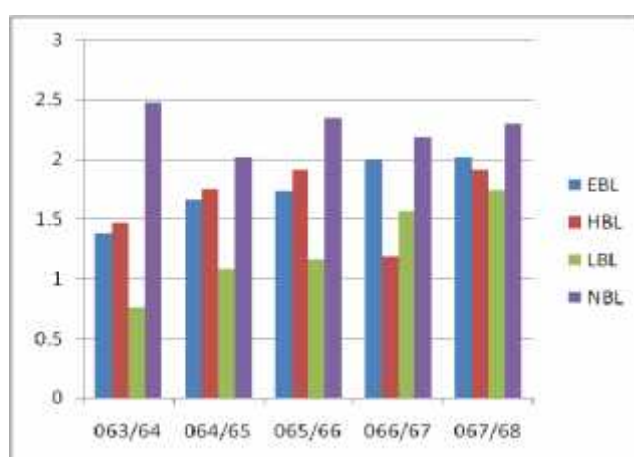
(Source: Annex V, VI, VII & VIII)

In the Table 4.24 it is observed the average return on total working ratio of EBL, HBL, LBL and NBL are 1.76%, 1.65%, 1.26% and 2.26% respectively and average ratio is 1.73%. It is observed that average ratio of NBL (2.23%) and EBL (1.76%) are above average (1.73%). Also, average ratio of LBL (1.26%) and NBL (2.26%) are below average. In initial two years the return on total working fund ratio is below average and in recent years the ratio has been able to meet average ratio. Among all NBL has higher ratio among other which indicates higher return in regard to total

working fund. NBL is in better position followed by EBL, HBL and LBL respectively. NBL has maintained the highest ratio and the reasons may be attributed to control of business expenses, proper investment of debt capital and increase in sales. Similarly other banks has poor ratio and the reason may be attributed to decreasing net income and poor collection of account receivable. LBL has less degree of uniformity and less consistency as it has higher S.D and C.V. During the period under study of average return on total working fund of sample banks are in fluctuating trend. These facts are shown in the figure 4.12 to make easier to understand.

**Figure: 4.12**

**Return on Total Working Fund Ratio**



**4.4.3 Total Interest Earned to Total Working Fund Ratio**

Total interest earned to total working fund ratio is the ratio of total interest earned and total working fund. This ratio reflects the extent to which the banks are successful in mobilizing these total assets to acquire income as interest. This ratio actually reveals the earning capacity of commercial banks by mobilizing its working fund.

**Table: 4.25**

**Total Interest Earned and Total Working Fund**

Bank	FY	Total Interest Earned (in mill)	Total Working Fund (in mill)	Total Interest Earned to Total Working Fund (in %)
EBL	2063/64	1144.41	21439.3	5.34
	2064/65	1548.66	27149.34	5.7
	2065/66	2186.81	36916.84	5.92
	2066/67	3102.45	41382.76	7.49

	2067/68	4331.03	46236.21	9.36
<b>HBL</b>	2063/64	1775.58	33519.41	5.29
	2064/65	1963.65	36175.53	5.43
	2065/66	2342.19	39320.32	5.96
	2066/67	3148.61	42717.12	7.37
	2067/68	4326.14	46736.20	9.26
<b>LBL</b>	2063/64	740.49	8582.69	5.48
	2064/65	711.01	11088.64	6.41
	2065/66	1098.98	16243.19	6.76
	2066/67	1787.69	20952.25	8.53
	2067/68	2233.33	21559.89	10.36
<b>NBL</b>	2063/64	1587.76	27253.39	5.83
	2064/65	1978.69	37132.76	5.32
	2065/66	2798.49	43867.39	6.37
	2066/67	4049.71	52151.68	7.77
	2067/68	5254.03	58141.44	9.04

(Source: Annex I, II, III, & IV)

In Table 4.25 it is observed that the total interest earned and total working fund of sample banks have been presented. It is observed that total interest earned and total working fund of sample banks both are in increasing trend. It is also observed that total interest earned and total working fund of EBL, HBL, LBL and NBL are in increasing trend.

**Table: 4.26**

**Total Interest Earned to Total Working Fund Ratio (in %)**

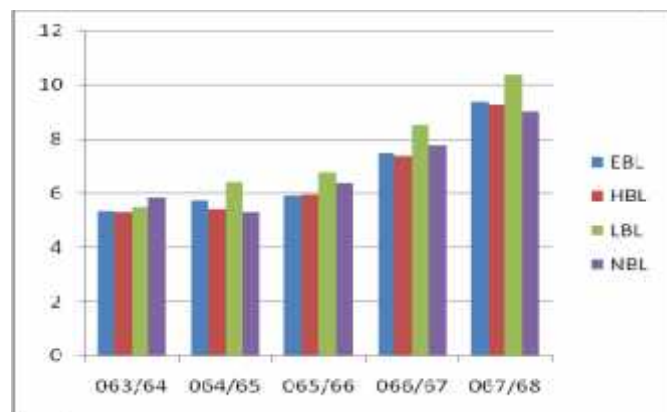
<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
2063/64	5.34	5.29	5.48	5.83	<b>5.49</b>	0.24	4.44
2064/65	5.7	5.43	6.41	5.32	<b>5.72</b>	0.49	8.58
2065/66	5.92	5.96	6.76	6.37	<b>6.25</b>	0.39	6.31
2066/67	7.49	7.37	8.53	7.77	<b>7.79</b>	0.52	6.69
2067/68	9.36	9.26	10.36	9.04	<b>9.51</b>	0.59	6.16
<b>AVERAGE</b>	<b>6.76</b>	<b>6.66</b>	<b>7.51</b>	<b>6.87</b>	<b>6.95</b>		
<b>S.D</b>	1.67	1.67	1.94	1.52			
<b>C.V</b>	24.68	25.05	25.84	22.15			

(Source: Annex V, VI, VII & VIII)

In the Table 4.26 it is observed the average total interest earned to total working fund ratio of EBL, HBL, LBL and NBL are 6.76%, 6.66%, 7.51% and 6.87% respectively and average is 6.95%. It is observed that average ratio of EBL (6.76%), HBL (6.66%) and NBL (6.87%) is below average of average ratio (6.95%). Similarly, average ratio of LBL (7.51%) is above average of average ratio (i.e.6.95%). In initial three years the ratio are below average ratio and in recent years the ratio is above average ratio. Among all LBL has higher ratio among other which indicates LBL has earned more interest. LBL is in better position followed by EBL, NBL and HBL. LBL has maintained the highest ratio and the reasons may be attributed to favorable investment environment and high interest rates. Similarly, other banks has poor ratio and the reason may be political, economic and environmental factors. LBL has less degree of uniformity and less consistency as it has higher S.D and C.V. During the period under study of average total interest earned to total working fund ratio of sample banks are in increasing trend. These facts are shown in the figure 4.13 to make easier to understand.

**Figure: 4.13**

**Total Interest Earned to Total Working Fund Ratio**



#### 4.4.4 Total Interest Paid to Total Working Fund Ratio

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

**Table: 4.27**  
**Total Interest Paid and Total Working Fund**

<b>Bank</b>	<b>FY</b>	<b>Total Interest Paid (in mill)</b>	<b>Total Working Fund (in mill)</b>	<b>Total Interest Paid to Total Working Fund (in %)</b>
<b>EBL</b>	2063/64	517.17	21439.3	2.4
	2064/65	632.61	27149.34	2.33
	2065/66	1012.87	36916.84	2.74
	2066/67	1572.79	41382.76	3.8
	2067/68	7145.02	46236.21	5.86
<b>HBL</b>	2063/64	767.41	33519.41	2.28
	2064/65	823.74	36175.53	2.27
	2065/66	934.78	39320.32	2.37
	2066/67	1553.53	42717.12	3.64
	2067/68	2414.80	46736.20	5.16
<b>LBL</b>	2063/64	280.28	8582.69	3.26
	2064/65	421.87	11088.64	3.8
	2065/66	712.35	16243.19	4.39
	2066/67	1135.61	20952.25	5.42
	2067/68	1503.85	21559.89	6.98
<b>NBL</b>	2063/64	555.71	27253.39	2.04
	2064/65	758.44	37132.76	2.04
	2065/66	1153.28	43867.39	2.63
	2066/67	1960.11	52151.68	3.75
	2067/68	2955.43	58141.44	5.08

*(Source: Annex I, II, III, & IV)*

In Table 4.27 total interest paid and total working fund of sample banks have been presented. It is observed that total interest paid and total working fund sample banks both are in increasing trend. It is also observed that total interest paid and total working fund of EBL, HBL, LBL and NBL are in increasing trend.

**Table: 4.28****Total Interest paid to Total Working Fund Ratio****(in %)**

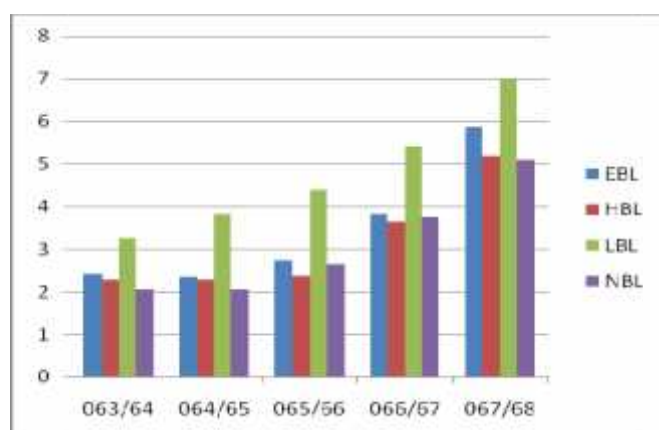
<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
2063/64	2.4	2.28	3.26	2.04	<b>2.50</b>	0.53	21.30
2064/65	2.33	2.27	3.8	2.04	<b>2.61</b>	0.80	30.77
2065/66	2.74	2.37	4.39	2.63	<b>3.03</b>	0.92	30.28
2066/67	3.8	3.64	5.42	3.75	<b>4.15</b>	0.85	20.41
2067/68	5.86	5.16	6.98	5.08	<b>5.77</b>	0.88	15.24
<b>AVERAGE</b>	<b>3.43</b>	<b>3.14</b>	<b>4.77</b>	<b>3.11</b>	<b>3.61</b>		
<b>S.D</b>	1.48	1.27	1.47	1.30			
<b>C.V</b>	43.27	40.29	30.87	41.98			

*(Source: Annex V, VI, VII & VIII)*

In the Table 4.28 it is observed the average total interest paid to total working fund ratio of EBL, HBL, LBL and NBL are 3.43%, 3.14%, 4.77% and 3.11% respectively and average is 3.61 percent. Average ratio of EBL (3.43%), HBL (3.14%) and NBL (3.11%) are below average ratio (3.61%). Similarly, average ratio of LBL (4.77%) is above average ratio. In initial three years the ratio are below average ratio and in recent years the ratio is above average ratio. Among all LBL has higher ratio among other which indicates LBL has earned more interest. LBL is in better position followed by EBL, HBL and NBL respectively. LBL has highest ratio and the reasons may be attributed to favorable investment environment, more collection on deposits and higher interest rates. Similarly, other banks has poor ratio and the reason may be political, economic and environmental factors. EBL has less degree of uniformity and less consistency as it has higher S.D and C.V. During the period under study of average total interest paid to total working fund ratio of sample banks are in increasing trend. These facts are shown in the figure 4.14 to make easier to understand.

**Figure: 4.14**

**Total Interest paid to Total Working Fund Ratio**



#### 4.5 Risk Ratios

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

##### 4.5.1 Credit Risk Ratio

Generally credit risk ratio shows the proportion of non-performing assets in the total investment plus loan and advances of a bank. Credit risk ratio is calculated by dividing the total sum of investment and loan & advances by total assets.

**Table: 4.29**

**Total Investment and Total Loan & Advances**

Banks	FY	Total Investment (in mill)	Total Loan & Advances (in mill)	Total Working Fund (in mill)	Credit Risk Ratio (in %)
<b>EBL</b>	2063/64	4985.12	14082.69	21439.3	88.93
	2064/65	5059.55	18339.09	27149.34	86.13
	2065/66	5948.48	23884.67	36916.84	80.81
	2066/67	5008.31	27556.36	41382.76	78.69
	2067/68	7743.93	31057.69	46236.21	83.92
<b>HBL</b>	2063/64	11822.98	16998	33519.41	86.98
	2064/65	13340.18	19497.52	36175.53	90.78

	2065/66	8710.69	24793.16	39320.32	85.21
	2066/67	8444.91	27980.63	42717.12	85.27
	2067/68	8769.94	31566.98	46736.20	86.31
<b>LBL</b>	2063/64	1437.17	6437.45	8582.69	91.75
	2064/65	1241.04	9680.95	11088.64	86.03
	2065/66	2483.15	13315.60	16243.19	85.93
	2066/67	3186.91	14560.11	20952.25	84.7
	2067/68	3041.42	15199.85	21559.89	84.61
<b>NBL</b>	2063/64	8945.31	15545.78	27253.39	89.86
	2064/65	9939.77	21365.05	37132.76	84.31
	2065/66	10826.38	27589.93	43867.39	87.57
	2066/67	13703.02	32268.87	52151.68	88.15
	2067/68	13081.21	38034.09	58141.44	87.92

(Source: Annex I, II, III, & IV)

Table 4.29 depicted total investment and total loan & advances of sample banks. Total investment and total loan & advances of sample banks both are in increasing trend. Above table shows total investment and total loan & advances of sample banks are in fluctuating order.

**Table: 4.30**  
**Credit Risk Ratio** (in %)

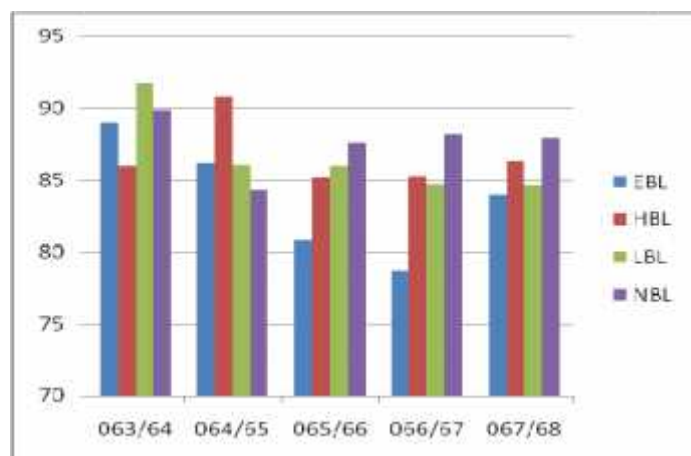
<b>YEARS</b>	<b>EBL</b>	<b>HBL</b>	<b>LBL</b>	<b>NBL</b>	<b>AVERAGE</b>	<b>S.D</b>	<b>C.V</b>
2063/64	88.93	85.98	91.75	89.86	<b>89.13</b>	2.41	2.70
2064/65	86.18	90.78	86.03	84.31	<b>86.83</b>	2.77	3.19
2065/66	80.81	85.21	85.93	87.57	<b>84.88</b>	2.89	3.40
2066/67	78.69	85.27	84.7	88.15	<b>84.20</b>	3.97	4.72
2067/68	83.92	86.31	84.61	87.92	<b>85.69</b>	1.79	2.09
<b>AVERAGE</b>	<b>83.71</b>	<b>86.71</b>	<b>86.60</b>	<b>87.56</b>	<b>86.15</b>		
<b>S.D</b>	4.09	2.32	2.95	2.02			
<b>C.V</b>	4.89	2.68	3.41	2.31			

(Source: Annex V, VI, VII & VIII)

In the Table 4.30 it is observed the average credit risk ratio of EBL, HBL, LBL and NBL are 83.71%, 86.71%, 86.60% and 87.56% respectively. Average ratio of EBL (83.71%) is below average ratio (86.15%). Similarly, average ratio of HBL (86.71%), LBL (86.60%) and NBL (87.56%) are above average ratio. In initial two years the

ratios are above average ratio and in recent years the ratios are below average ratio. Among all NBL has higher ratio among other sample banks which indicates NBL has utilized its collected fund more in providing credit to different sectors. So, NBL is in better position followed by HBL, LBL and EBL respectively. NBL has highest ratio and the reasons may be attributed to borrower's inability to pay on time. Similarly other banks has poor ratio and the reason may be attributed to charging a higher interest rate to borrowers who are more likely to default, reduce credit risk by reducing the amount of credit extended and diversification. EBL has less degree of uniformity and less consistency as it has higher S.D and C.V. During the period under study of average credit risk ratio of sample banks are in fluctuating trend. These facts are shown in the figure 4.15 to make easier to understand.

**Figure: 4.15**  
**Credit Risk Ratio**



#### 4.6 Major Findings

The major findings of the study are as follows:

1. The relationship between deposit and loan & advances are found to be significant. The calculation of correlation coefficient between deposit and loan and advances shows the positive correlation for EBL, HBL, LBL and NBL and has the perfectly positive correlation. The loan and credit department of banks are found to be successful in mobilizing their deposit as loan and advances.

2. The trend analysis of total deposit and loan & advances of EBL, HBL, LBL and NBL has been found in increasing trend. If other things remaining constant the total deposit and loan & advances would be increased.
3. The overall performances of the selected banks are very good. From the liquidity point of view, LBL bank is better than other three banks. Similarly, from the profitability point of view NBL is better than other three banks, and from risky point of view NBL is much riskier than other three banks.

# **CHAPTER V**

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary**

In the last chapter of this study is summary, conclusion and recommendations have discussed and explored the facts and matters required for various parts of the study. Having completed the basic analysis required for the study, the researcher must point out the mistakes and error and also correct them by giving suitable suggestions for further improvement. Therefore, this summarized and recommended tasks of the researcher of the study would be meaningful to the top management of the bank to initiate the action and achieve the desired result.

Basically, the entire research work has focused on the comparative study on deposit mobilization of commercial banks. For the study, four commercial banks i.e. Everest Bank Ltd. (EBL), Himalayan Bank Ltd. (HBL), Laxmi Bank Ltd. (LBL) and Nabil Bank Ltd. (NBL) are taken as sample and analyzed their deposit mobilization. Five fiscal years secondary data, i.e. from the year 2063/64 to 2067/68 are taken for the study.

The major conclusions of this study can be summarized as follows:

1. Correlation coefficient between deposits and loan and advances indicates the positive relationship between the variables of EBL, HBL, LBL and NBL. In most of the cases it has been found that investment decision depends upon the deposits and only few decisions depends upon other variables. By considering the probable error, the value of coefficient of determination of all banks is greater than that of P.E. so it can be concluded that the value of correlation coefficient is significant i.e., there is significant relationship between total deposits and loan and advances for EBL,HBL,LBL and NBL.
2. Trend value of deposits and loan & advances shows that continuously increasing trend. All sample banks has followed policy of maximizing the investment.

3. From the analysis of liquidity ratio, the liquidity position of LBL is comparatively better than other three banks. EBL has the highest cash and balance to total deposit and cash and bank balanced to current assets ratio. Liquidity position of NBL is comparatively lower than other banks.
4. The investment on government securities to current assets ratio of HBL is higher than other banks. Considering asset management aspect of these banks, LBL is relatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advances for the purpose of earning profit. NBL is successful in mobilizing the collected deposits on investment. HBL has weak condition in mobilizing its collected deposits and total working fund in loan and advances. EBL seems successful in mobilizing total fund on different types of government securities to maximize its earning capacity. LBL is in weak position to make investment on government securities. NBL has invested more working funds in debentures and shares of other company whereas EBL and HBL are in weak position to make investment on shares and debentures.
5. NBL appears to be more successful to earn profit on loan and advances than other three banks. Profit earning capacity of LBL is considered weak. The average ratio of return on total working fund indicates that working fund of NBL is well managed and efficiently utilized. HBL was not able to receive high interest on its total working fund in comparison with other banks. On the other hand, LBL has mobilized its working fund properly and its earning capacity is also high. LBL is in better position from the viewpoint of interest expenses. It seems to be successful to collect its working fund from less expensive sources in comparison to other banks; NBL was not able to pay interest with comparison of other banks.

## **5.2 Conclusion**

Bank is the very necessary for the nation. It helps in the formation of capital in the nation, which is the most important factor for the economic growth of the country. The commercial banks in Nepal are doing well but they are not being able to give their best

due to some internal and external factors. The deposits and its investment in sectors by commercial banks are found to be in increasing trend. Deposit is indeed the major organ of a commercial bank. Higher the deposit higher will be the chance of mobilization of funds and profit also. Bank should be careful while advancing loan because loan is the blood of commercial banks for survival. If commercial bank does not apply sound investment policy, it will be a great trouble in future to collect loan amount. Bank should invest its fund in various portfolios after the deep study of the project to be safe from bankruptcy. Diversification of investment is very much important to commercial bank than other business houses as bank uses the money of other people for the benefit of its own.

Every bank has their own deposit policy. Various banks possess various deposit policy to attract customers. After this study it is found that all sample banks has their own deposit policy. Bank offers range of deposit account ranging from saving accounts to current and call accounts for customers. Every bank has deposit products that customers can choose from to suit their individual requirements. Savings products offered by bank nowadays include Normal Saving Account, Premium Savings Account, Savings Account for minors, senior citizens, the physically handicapped and the illiterate and Shareholders' Savings Account (for the convenience of its shareholders). Bank also offers Current Account for daily business transactions. Call Account gives an earning opportunity for businesses in their current account, while Non- Profit Organization Current Call Accounts are designed for NGOs, INGOs and charitable trusts and have attractive interest rates. Fixed Deposit products include Fixed Term Deposit.

All the eggs in a basket may be high Risk. So, NRB directives do not allow investing all the resources in one sector of economy. NRB directive diverts the loan and advances of financial institutions in different portfolios to minimize the concentration risk. According to this directive all the sample banks are found following the directives of NRB. All banks are found implementing the policies and procedures regarding the investment in Government of Nepal securities, Nepal Rastra Bank bonds, and other corporate bodies' share and debentures.

After this study it is also found that there is a relationship between deposit and loan & advances. Deposit is the children of loan & advance and Loan & advances is the children of deposit. Absence of one other does not sustained in banking environment.

### **5.3 Recommendations**

The following recommendation and suggestions were prescribed on the basis of data analysis and major findings of the research.

1. The first objective of this study is to examine the relationship of total deposit and loan & advances. It was found that there is significant or direct relationship between deposit and loan & advances. The sample banks are recommended that to maintain the significant relationship between deposits and loan & advances in future also for that, they should mobilize their deposit properly as loan & advances.
2. The second objective of this study is to analyze the trend of deposit and loan & advances of sample banks for the future. It was found to be in increasing trend which is good sign. The main source of commercial banks is collecting deposit so the sample banks are recommended to collect more amounts deposits through large variety of deposits schemes and facilities, like cumulative deposit scheme, prize bonds scheme, gift cheques scheme, recurring deposit scheme (life insurance), monthly interest scheme, house building scheme, direct finance housing scheme, education loan scheme and many others.
3. The third objective of this study is to evaluate the performance of selected banks on the basis of liquidity, profitability and risk. Liquidity and profitability are like two wheels of the same cart and both are very inter-related and have converse relation; one can be achieved only at the cost of the others. Highly liquid bank may have less profitability as it has to hold more assets in the form of cash. However, the bank has to maintain sufficient fund in the form of cash and liquid assets to meet various commitments like depositors claim, personnel expenses, and interest payments, to exploit unforeseen opportunities etc. since, LBL has held more liquidity than its

profitability ratios are lower than NBL, HBL and EBL. So, LBL is highly recommended to maintain reasonable liquidity so as to increase profitability of the bank as done by NBL. NBL has highest profitability ratio and LBL has lowest profitability ratio than other sample banks. So, LBL is strongly recommended to utilize risky assets and shareholders fund to gain highest profit margin. Similarly, it should reduce its expenses and should try to collect cheap fund being more profitable. EBL and HBL are also recommended to mobilize the deposit to make profitability position in the market. It should reduce its unnecessary expenses and cost to maximize the profit margin. These banks are strongly recommended to give more importance to invest more funds in government securities instead of keeping them idle. NBL has highest credit risk ratio so and to reduce the credit risk ratio bank has to reduce the amount of credit extended and on individual risk.

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**ANNEX I**  
**Everest Bank Limited (EBL)**

(Rs. In Million)

FY	Current Deposit	Fixed Deposit	Saving Deposit	Call Deposit	Total Deposit	Cash & Bank	Investment in Govt. Securities	Investment on Shares & Debentures	Current Assets	Current Liabilities	Total Working Fund	Total Investment	Loan & Advances	Net Profit	Total Interest Earned	Total Interest Paid
2063/064	1673.98	5626.66	9029.26	1573.49	18186.25	2391.42	4704.63	19.887	16278.16	19931.05	21439.3	4985.12	14082.69	296.41	1144.408	517.166
2064/065	2492.35	6446.18	1188.39	2780.65	23976.29	2667.97	4821.60	101.152	21729.27	24928.09	27149.34	5059.55	18339.09	451.218	1548.657	632.609
2065/066	4859.95	7049.98	14782.33	6294.01	33322.95	6164.37	5146.05	102.035	30541.21	34101.22	36916.84	5948.48	23884.67	638.732	2186.814	1012.874
2066/067	4173.32	10440.28	13360	8412.80	36932.31	7818.82	4354.35	102.035	35911.36	37921.29	41382.76	5008.31	27556.36	831.765	3102.45	1572.79
2067/068	4791.20	15061.94	13039.11	7550.05	41127.91	6122.86	7145.02	109.576	38032.02	42340.66	46236.21	7743.93	31057.69	931.303	4331.026	7145.018

**ANNEX II**  
**Himalayan Bank Limited (HBL)**

(Rs. In Million)

FY	Current Deposit	Fixed Deposit	Saving Deposit	Call Deposit	Total Deposit	Cash & Bank	Investment in Govt. Securities	Investment on Shares & Debentures	Current Assets	Current Liabilities	Total Working Fund	Total Investment	Loan & Advances	Net Profit	Total Interest Earned	Total Interest Paid
2063/064	5589.58	8201.13	15874.77	97.91	30048.42	1757.34	6454.87	73.42	21109.33	30776.67	33519.41	11822.98	16998	491.82	1775.58	767.41
2064/065	4784.22	6423.874	17972.44	2017.071	31842.79	1448.14	7471.67	89.55	26765.98	32719.35	36175.53	13340.18	19497.52	635.87	1963.65	823.74
2065/066	3218.22	6377.13	20061.05	4359.766	34681.35	3048.53	4212.3	93.88	29634.74	35700.44	39320.32	8710.69	24793.16	752.83	2342.19	934.78
2066/067	3745.62	11328.64	16294.68	5295.389	37611.20	3866.49	4465.37	78.88	33210.34	38777.92	42717.12	8444.91	27980.63	508.79	3148.61	1553.53
2067/068	3694.25	13507.37	15994.56	6505.078	40920.63	2964.65	6407.36	88.78	36778.77	42230.72	46736.20	8769.94	31566.98	893.12	4326.14	2414.80

**ANNEX III**  
**Laxmi Bank Limited (LBL)**

**(Rs. In Million)**

FY	Current Deposit	Fixed Deposit	Saving Deposit	Call Deposit	Total Deposit	Cash & Bank	Investment in Govt. Securities	Investment on Shares & Debentures	Current Assets	Current Liabilities	Total Investment	Loan & Advance	Total Working Fund	Net Profit	Total Interest Earned	Total Interest Paid
2063/064	378.576	4245.04	1868.38	947.27	7611.65	469.72	977.83	13.362	7004.71	7718.29	1437.17	6437.45	8582.69	65.579	740.49	280.28
2064/065	284.296	5821.96	2590.41	2071.38	10917.23	1238.16	684.71	118.245	11249.58	11088.64	1241.04	9680.95	11088.64	120.031	711.01	421.87
2065/066	1043.83	7183.98	3463.22	4004.94	16051.30	1832.77	883.64	118.958	15655.52	16243.19	2483.15	13315.60	16243.19	188.998	1098.98	712.35
2066/067	819.96	7821.46	3684.92	5455.44	18082.96	1840.70	1969.67	126.033	17482.99	18589.92	3186.91	14560.11	20952.25	327.037	1787.69	1135.61
2067/068	749.55	9453.57	3215.72	4673.82	18299.63	2774.59	1470.35	227.533	18166.13	19096.51	3041.42	15199.85	21559.89	375.145	2233.33	1503.85

**ANNEX IV**  
**Nabil Bank Limited (NBL)**

**(Rs. In Million)**

FY	Current Deposit	Fixed Deposit	Saving Deposit	Call Deposit	Total Deposit	Cash & Bank	Investment in Govt. Securities	Investment on Shares & Debentures	Current Assets	Current Liabilities	Total Investment	Loan & Advance	Total Working Fund	Net Profit	Total Interest Earned	Total Interest Paid
2063/064	3395.24	5435.19	10187.35	3961.63	23342.29	1399.83	4808.35	286.96	18021.19	24313.77	8945.31	15545.78	27253.39	673.96	1587.76	555.71
2064/065	5284.37	8464.09	12159.97	5563.44	31915.05	2671.14	4646.88	118.25	26594.95	33095.56	9939.77	21365.05	37132.76	746.47	1978.69	758.44
2065/066	5480.53	8310.71	14620.41	8438.27	37348.26	3372.51	3706.10	118.96	32380.03	38755.85	10826.38	27589.93	43867.39	1031.05	2798.49	1153.28
2066/067	7904.62	14711.16	13783.59	9295.06	46410.70	1400.09	7973.66	946.09	37669.12	47940.08	13703.02	32268.87	52151.68	1141.05	4049.71	1960.11
2067/068	5456.89	16840.83	14288.52	12110.04	49696.11	2436.55	8745.23	936.39	44125.14	51624.32	13081.21	38034.09	58141.44	1337.75	5254.03	2955.43

**ANNEX V**  
**Everest Bank Limited (EBL)**

**(Ratio in %)**

FY	Current Ratio	Cash & Bank to TD	Cash & Bank to CA	Inv on Gov. Securities to CA	Loan & Advance to TD	Total Investment to TD	Loan & Advance to TWF	Inv on Gov. Securities to TWF	Inv. on Share & Debenture to TWF	Net Profit to Loan & Advance	Net Profit to TWF	Total Interest Earned to TWF	Total Interest Paid to TWF	Credit Risk Ratio
2063/064	81.67	13.15	14.69	28.9	77.44	27.41	65.68	21.94	0.09	2.1	1.38	5.34	2.4	88.93
2064/065	87.16	11.13	12.28	22.19	76.48	21.1	67.55	17.75	0.37	2.46	1.66	5.7	2.33	86.13
2065/066	89.56	18.49	20.18	16.84	71.67	17.85	64.69	13.94	0.28	2.67	1.73	5.92	2.74	80.81
2066/067	94.69	21.17	21.17	12.12	74.61	13.56	66.59	10.52	0.25	3.02	2.00	7.49	3.8	78.69
2067/068	89.82	14.89	16.09	18.78	75.51	18.83	67.17	15.45	0.23	2.99	2.01	9.36	5.86	83.92

**ANNEX VI**  
**Himalayan Bank Limited (HBL)**

**(Ratio in %)**

Y	Current Ratio	Cash & Bank to TD	Cash & Bank to CA	Inv on Gov. Securities to CA	Loan & Advance to TD	Total Investment to TD	Loan & Advance to TWF	Inv on Gov. Securities to TWF	Inv. on Share & Debenture to TWF	Net Profit to Loan & Advance	Net Profit to TWF	Total Interest Earned to TWF	Total Interest Paid to TWF	Credit Risk Ratio
2063/064	68.58	5.84	8.32	30.57	56.56	39.35	50.71	19.25	0.22	2.89	1.47	5.29	2.28	86.98
2064/065	81.8	4.54	5.41	27.91	61.23	41.89	53.89	20.65	0.25	3.26	1.75	5.43	2.27	90.78
2065/066	83	8.79	10.28	14.21	71.48	25.12	63.05	10.71	0.24	3.03	1.91	5.96	2.37	85.21
2066/067	85.64	10.28	11.64	13.44	74.39	22.45	65.5	10.45	0.18	1.82	1.19	7.37	3.64	85.27
2067/068	87.09	7.24	8.06	17.42	77.14	21.43	67.54	13.71	0.19	2.83	1.91	9.26	5.16	86.31

**ANNEX VII**  
**Laxmi Bank Limited (LBL)**

(Ratio in %)

FY	Current Ratio	Cash & Bank to TD	Cash & Bank to CA	Inv on Gov. Securities to CA	Loan & Advance to TD	Total Investment to TD	Loan & Advance to TWF	Inv on Gov. Securities to TWF	Inv. on Share & Debenture to TWF	Net Profit to Loan & Advance	Net Profit to TWF	Total Interest Earned to TWF	Total Interest Paid to TWF	Credit Risk Ratio
2063/064	90.75	6.17	9.71	13.96	84.57	18.88	75	11.39	0.16	1.02	0.76	5.48	3.26	91.75
2064/065	101.45	11.34	11.01	6.09	88.68	11.36	87.31	6.17	1.07	1.24	1.08	6.41	3.8	86.03
2065/066	96.38	11.42	11.71	5.64	82.96	15.47	81.98	5.44	0.73	1.42	1.16	6.76	4.39	85.93
2066/067	94.05	10.18	10.18	11.27	80.52	17.63	69.49	9.4	0.6	2.25	1.56	8.53	5.42	84.7
2067/068	95.13	15.16	15.27	8.09	83.06	16.62	70.5	6.82	1.05	2.47	1.74	10.36	6.98	84.61

**ANNEX VIII**  
**Nabil Bank Limited (NBL)**

(Ratio in %)

FY	Current Ratio	Cash & Bank to TD	Cash & Bank to CA	Inv on Gov. Securities to CA	Loan & Advance to TD	Total Investment to TD	Loan & Advance to TWF	Inv on Gov. Securities to TWF	Inv. on Share & Debenture to TWF	Net Profit to Loan & Advance	Net Profit to TWF	Total Interest Earned to TWF	Total Interest Paid to TWF	Credit Risk Ratio
2063/064	74.12	6	7.77	6.68	66.6	38.22	57.04	17.64	1.05	4.34	2.47	5.83	2.04	89.86
2064/065	80.36	8.37	10.04	17.47	64.91	31.14	57.54	12.51	0.32	3.49	2.01	5.32	2.04	84.31
2065/066	83.55	9.03	10.42	11.45	73.87	28.99	62.89	8.44	0.27	3.73	2.35	6.37	2.63	87.57
2066/067	78.58	3.02	3.02	21.17	69.53	29.52	61.87	15.29	1.81	3.54	2.18	7.77	3.75	88.15
2067/068	80.42	4.9	5.52	19.82	76.53	26.32	65.42	15.04	1.61	3.52	2.30	9.04	5.08	87.92

## ANNEX IX

### Coefficient of Correlation between Deposit and Loan and Advances of EBL

FY	Deposit (x)	Loan and Advance (y)	A=30.70 dx= (x-A)	A= 22.98 dy= (y-A)	dx <sup>2</sup>	dy <sup>2</sup>	dx .dy
2063/064	18.18	14.08	-12.52	-8.9	156.75	79.21	111.43
2064/065	23.97	18.33	-6.73	-4.65	45.29	21.62	31.29
2065/066	33.32	23.88	2.62	0.9	6.86	0.81	2.36
2066/067	36.93	27.55	6.23	4.57	38.81	20.88	28.47
2067/068	41.12	31.05	10.42	8.07	108.58	65.12	84.09
Total	153.52	114.89	0.02	-0.01	356.30	187.65	257.64

Arithmetic Mean (AM) is given by,

$$\bar{X} = \frac{\sum X}{n} = \frac{153.52}{5} = 30.70$$

$$\bar{Y} = \frac{\sum Y}{n} = \frac{114.89}{5} = 22.98$$

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

$$r = \frac{\sum dx .dy - \frac{\sum dx . \sum dy}{n}}{\sqrt{\sum dx^2 - \frac{(\sum dx)^2}{n}} \sqrt{\sum dy^2 - \frac{(\sum dy)^2}{n}}}$$

$$= \frac{257.64 - \frac{0.02 * (-0.01)}{5}}{\sqrt{356.30 - \frac{(0.02)^2}{5}} \times \sqrt{187.65 - \frac{(-0.01)^2}{5}}}$$

$$= 0.99$$

$$\begin{aligned} \text{P.E} &= 0.6745 \times \frac{1-r^2}{\sqrt{n}} \\ &= 0.6745 \times \frac{1-(0.99)^2}{\sqrt{5}} \\ &= 0.006 \end{aligned}$$

## ANNEX X

### Coefficient of Correlation between Deposit and Loan and Advances of HBL

FY	Deposit (x)	Loan and Advance (y)	A=35.02 dx= (x-A)	A= 24.16 dy= (y-A)	dx <sup>2</sup>	dy <sup>2</sup>	dx .dy
2063/064	30.04	16.99	-4.98	-7.17	24.80	51.41	35.71
2064/065	31.84	19.49	-3.18	-4.67	10.11	21.81	14.85
2065/066	34.68	24.79	-0.34	0.63	0.12	0.40	-0.21
2066/067	37.61	27.98	2.59	3.82	6.71	14.59	9.89
2067/068	40.92	31.56	5.9	7.4	34.81	54.76	43.66
Total	175.09	120.81	-0.01	0.01	76.55	142.97	103.90

Arithmetic Mean (AM) is given by,

$$\bar{X} = \frac{\sum X}{n} = \frac{175.09}{5} = 35.02$$

$$\bar{Y} = \frac{\sum Y}{n} = \frac{120.81}{5} = 24.16$$

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

$$r = \frac{\sum dx \cdot dy - \frac{\sum dx \cdot \sum dy}{n}}{\sqrt{\sum dx^2 - \frac{(\sum dx)^2}{n}} \sqrt{\sum dy^2 - \frac{(\sum dy)^2}{n}}}$$

$$= \frac{103.90 - \frac{(-0.01) * 0.01}{5}}{\sqrt{76.55 - \frac{(-0.01)^2}{5}} \times \sqrt{142.97 - \frac{(0.01)^2}{5}}}$$

$$= 0.99$$

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

$$= 0.6745 \times \frac{1-(0.99)^2}{\sqrt{5}}$$

$$= 0.006$$

## ANNEX XI

### Coefficient of Correlation between Deposit and Loan and Advances of LBL

FY	Deposit (x)	Loan and Advance (y)	A=14.19 dx= (x-A)	A= 11.83 dy= (y-A)	dx <sup>2</sup>	dy <sup>2</sup>	dx .dy
2063/064	7.611	6.43	-6.579	-5.4	43.28	29.16	35.53
2064/065	10.91	9.68	-3.28	-2.15	10.76	4.62	7.05
2065/066	16.05	13.31	1.86	1.48	3.46	2.19	2.75
2066/067	18.08	14.56	3.89	2.73	15.13	7.45	10.62
2067/068	18.29	15.19	4.1	3.36	16.81	11.29	13.78
Total	70.94	59.17	-0.009	89.44	0.02	54.72	69.73

Arithmetic Mean (AM) is given by,

$$\bar{X} = \frac{\sum X}{n} = \frac{70.94}{5} = 14.19$$

$$\bar{Y} = \frac{\sum Y}{n} = \frac{59.17}{5} = 11.83$$

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

$$r = \frac{\sum dx \cdot dy - \frac{\sum dx \cdot \sum dy}{n}}{\sqrt{\sum dx^2 - \frac{(\sum dx)^2}{n}} \sqrt{\sum dy^2 - \frac{(\sum dy)^2}{n}}}$$

$$= \frac{69.73 - \frac{(-0.009) * 0.02}{5}}{\sqrt{89.44 - \frac{(-0.009)^2}{5}} \times \sqrt{54.72 - \frac{(0.02)^2}{5}}}$$

$$= 0.99$$

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

$$= 0.6745 \times \frac{1-(0.99)^2}{\sqrt{5}}$$

$$= 0.006$$

## ANNEX XII

### Coefficient of Correlation between Deposit and Loan and Advances of NBL

FY	Deposit (x)	Loan and Advance (y)	A=37.74 dx= (x-A)	A= 26.95 dy= (y-A)	dx <sup>2</sup>	dy <sup>2</sup>	dx .dy
2063/064	23.34	15.54	-14.4	-11.41	207.36	130.19	164.30
2064/065	31.91	21.36	-5.83	-5.59	33.99	31.25	32.59
2065/066	37.35	27.58	-0.39	0.63	0.15	0.4	-0.25
2066/067	46.41	32.26	8.67	5.31	75.17	28.2	46.04
2067/068	49.69	38.03	11.95	11.08	142.80	122.77	132.41
Total	188.7	134.77	0	0.02	459.47	312.80	375.09

Arithmetic Mean (AM) is given by,

$$\bar{X} = \frac{\sum X}{n} = \frac{188.7}{5} = 37.74$$

$$\bar{Y} = \frac{\sum Y}{n} = \frac{134.77}{5} = 26.95$$

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

$$r = \frac{\sum dx \cdot dy - \frac{\sum dx \cdot \sum dy}{n}}{\sqrt{\sum dx^2 - \frac{(\sum dx)^2}{n}} \sqrt{\sum dy^2 - \frac{(\sum dy)^2}{n}}}$$

$$= \frac{375.09 - \frac{(0) \cdot (0.02)}{5}}{\sqrt{459.47 - \frac{(0)^2}{5}} \times \sqrt{312.80 - \frac{(0.02)^2}{5}}}$$

$$= 0.98$$

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

$$= 0.6745 \times \frac{1-(0.98)^2}{\sqrt{5}}$$

$$= 0.0119$$

**Annex XIII**  
**Trend Analysis of Deposit**

We have straight trend line equation

$$Y = a + b T \dots\dots\dots ( I )$$

Where, Y = Deposit (in millions)

T= time

Calculation for trend line considering 2065/66 as assume mean time period as follows:-

**Calculation of Trend Value of Total Deposit of EBL**

(inmillion)

Year (X)	Total Deposit (Y)	T = X – 2065/66	T <sup>2</sup>	TY
2063/64	18186.25	-2	4	-36372.50
2064/65	23976.29	-1	1	-23976.29
2065/66	33322.95	0	0	0
2066/67	36932.31	1	1	36932.31
2067/68	41127.91	2	4	82255.82
Total	Y= 153545.7		X <sup>2</sup> = 10	XY= 58839.34

Since,  $t = 0$ ,

$$a = \frac{\sum Y}{n} = \frac{153545.7}{5} = 30709.14$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{58839.34}{10} = 5883.93$$

Now, the best fit of straight line trend from (I) is

$$Y = a + b T$$

$$Y = 30709.14 + 5883.93 T \dots\dots\dots ( II )$$

Now,

For the year 2068/69,  $T = 2068/69 - 2065/66 = 3$

For the year 2069/70,  $T = 2069/70 - 2065/66 = 4$

For the year 2070/71,  $T = 2070/71 - 2065/66 = 5$

For the year 2071/72,  $T = 2071/72 - 2065/66 = 6$

For the year 2072/73,  $T = 2072/73 - 2065/66 = 7$

Estimation of deposit substituting value of T in equation (II) their respective years, the estimated deposit of EBL will be obtained

$$Y_{2068/69} = 30709.14 + 5883.93 \times 3 = 48360.93$$

$$Y_{2069/70} = 30709.14 + 5883.93 \times 4 = 54244.86$$

$$Y_{2070/71} = 30709.14 + 5883.93 \times 5 = 60128.79$$

$$Y_{2071/72} = 30709.14 + 5883.93 \times 6 = 66012.72$$

$$Y_{2072/73} = 30709.14 + 5883.93 \times 7 = 71896.65$$

**Annex XIV**  
**Trend Analysis of Deposit**

We have straight trend line equation

$$Y = a + b T \dots\dots\dots ( I )$$

Where, Y = Deposit (in millions)

T= time

Calculation for trend line considering 2065/66 as assume mean time period as follows:-

**Calculation of Trend Value of Total Deposit of HBL**

(inmillion)

Year (X)	Total Deposit (Y)	T = X – 2065/66	T <sup>2</sup>	TY
2063/64	30048.42	-2	4	-60096.84
2064/65	31842.79	-1	1	-31842.79
2065/66	34681.35	0	0	0.00
2066/67	37611.20	1	1	37611.20
2067/68	40920.63	2	4	81841.26
Total	Y= 175104.4		X <sup>2</sup> = 10	XY= 27512.83

Since,  $t = 0$ ,

$$a = \frac{\sum Y}{n} = \frac{175104.4}{5} = 35020.88$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{27512.83}{10} = 2751.283$$

Now, the best fit of straight line trend from (I) is

$$Y = a + b T$$

$$Y = 35020.88 + 2751.283 T \dots\dots\dots ( II )$$

Now,

For the year 2068/69,  $T = 2068/69 - 2065/66 = 3$

For the year 2069/70,  $T = 2069/70 - 2065/66 = 4$

For the year 2070/71,  $T = 2070/71 - 2065/66 = 5$

For the year 2071/72,  $T = 2071/72 - 2065/66 = 6$

For the year 2072/73,  $T = 2072/73 - 2065/66 = 7$

Estimation of deposit substituting value of T in equation (II) their respective years, the estimated deposit of EBL will be obtained

$$Y_{2068/69} = 35020.88 + 2751.283 \times 3 = 43274.73$$

$$Y_{2069/70} = 35020.88 + 2751.283 \times 4 = 46026.01$$

$$Y_{2070/71} = 35020.88 + 2751.283 \times 5 = 48777.3$$

$$Y_{2071/72} = 35020.88 + 2751.283 \times 6 = 51528.58$$

$$Y_{2072/73} = 35020.88 + 2751.283 \times 7 = 54279.86$$

**Annex XV**  
**Trend Analysis of Deposit**

We have straight trend line equation

$$Y = a + b T \dots\dots\dots (I)$$

Where, Y = Deposit (in millions)

T = time

Calculation for trend line considering 2065/66 as assume mean time period as follows:-

**Calculation of Trend Value of Total Deposit of LBL**

(in million)

Year (X)	Total Deposit (Y)	T = X – 2065/66	T <sup>2</sup>	TY
2063/64	7611.65	-2	4	-15223.30
2064/65	10917.23	-1	1	-10917.23
2065/66	16051.30	0	0	0.00
2066/67	18082.96	1	1	18082.96
2067/68	18299.63	2	4	36599.26
Total	Y = 70962.77		X <sup>2</sup> = 10	XY = 28541.69

Since, t = 0,

$$a = \frac{\sum Y}{n} = \frac{70962.77}{5} = 14192.55$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{28541.69}{10} = 2854.169$$

Now, the best fit of straight line trend from (I) is

$$Y = a + b T$$

$$Y = 14192.55 + 2854.169 T \dots\dots\dots (II)$$

Now,

For the year 2068/69, T = 2068/69 – 2065/66 = 3

For the year 2069/70, T = 2069/70 – 2065/66 = 4

For the year 2070/71, T = 2070/71 – 2065/66 = 5

For the year 2071/72, T = 2071/72 – 2065/66 = 6

For the year 2072/73, T = 2072/73 – 2065/66 = 7

Estimation of deposit substituting value of T in equation (II) their respective years, the estimated deposit of EBL will be obtained

$$Y_{2068/69} = 14192.55 + 2854.169 \times 3 = 22755.06$$

$$Y_{2069/70} = 14192.55 + 2854.169 \times 4 = 25609.23$$

$$Y_{2070/71} = 14192.55 + 2854.169 \times 5 = 28463.4$$

$$Y_{2071/72} = 14192.55 + 2854.169 \times 6 = 31317.56$$

$$Y_{2072/73} = 14192.55 + 2854.169 \times 7 = 34171.73$$

**Annex XVI**  
**Trend Analysis of Deposit**

We have straight trend line equation

$$Y = a + b T \dots\dots\dots (I)$$

Where, Y = Deposit (in millions)

T = time

Calculation for trend line considering 2065/66 as assume mean time period as follows:-

**Calculation of Trend Value of Total Deposit of NBL**

(in million)

Year (X)	Total Deposit (Y)	T = X – 2065/66	T <sup>2</sup>	TY
2063/64	23342.29	-2	4	-46684.58
2064/65	31915.05	-1	1	-31915.05
2065/66	37348.26	0	0	0.00
2066/67	46410.70	1	1	46410.70
2067/68	49696.11	2	4	99392.22
Total	Y= 188712.4		X <sup>2</sup> = 10	XY= 67203.29

Since, t = 0,

$$a = \frac{\sum Y}{n} = \frac{188712.4}{5} = 37742.48$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{67203.29}{10} = 6720.329$$

Now, the best fit of straight line trend from (I) is

$$Y = a + b T$$

$$Y = 37742.48 + 6720.329 T \dots\dots\dots (II)$$

Now,

For the year 2068/69, T = 2068/69 – 2065/66 = 3

For the year 2069/70, T = 2069/70 – 2065/66 = 4

For the year 2070/71, T = 2070/71 – 2065/66 = 5

For the year 2071/72, T = 2071/72 – 2065/66 = 6

For the year 2072/73, T = 2072/73 – 2065/66 = 7

Estimation of deposit substituting value of T in equation (II) their respective years, the estimated deposit of EBL will be obtained

$$Y_{2068/69} = 37742.48 + 6720.329 \times 3 = 57903.47$$

$$Y_{2069/70} = 37742.48 + 6720.329 \times 4 = 64623.8$$

$$Y_{2070/71} = 37742.48 + 6720.329 \times 5 = 71344.13$$

$$Y_{2071/72} = 37742.48 + 6720.329 \times 6 = 78064.45$$

$$Y_{2072/73} = 37742.48 + 6720.329 \times 7 = 84784.78$$

**Annex XVII**  
**Trend Analysis of Loan & Advances**

We have straight trend line equation

$$Y = a + b T \dots\dots\dots (I)$$

Where, Y = Loan & Advances (in millions)

T = time

Calculation for trend line considering 2065/66 as assume mean time period as follows:-

**Calculation of Trend Value of Loan & Advances of EBL**

(in million)

Year (X)	Loan & Advances (Y)	T = X – 2065/66	T <sup>2</sup>	TY
2063/64	14082.69	-2	4	-28165.38
2064/65	18339.09	-1	1	-18339.09
2065/66	23884.67	0	0	0.00
2066/67	27556.36	1	1	27556.36
2067/68	31057.69	2	4	62115.38
Total	Y= 114920.5		X <sup>2</sup> = 10	XY= 43167.27

Since,  $t = 0$ ,

$$a = \frac{\sum Y}{n} = \frac{114920.5}{5} = 22984.1$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{43167.27}{10} = 4316.73$$

Now, the best fit of straight line trend from (I) is

$$Y = a + b T$$

$$Y = 22984.1 + 4316.73 T \dots\dots\dots (II)$$

Now,

For the year 2068/69,  $T = 2068/69 - 2065/66 = 3$

For the year 2069/70,  $T = 2069/70 - 2065/66 = 4$

For the year 2070/71,  $T = 2070/71 - 2065/66 = 5$

For the year 2071/72,  $T = 2071/72 - 2065/66 = 6$

For the year 2072/73,  $T = 2072/73 - 2065/66 = 7$

Estimation of deposit substituting value of T in equation (II) their respective years, the estimated deposit of EBL will be obtained

$$Y_{2068/69} = 22984.1 + 4316.73 \times 3 = 35934.29$$

$$Y_{2069/70} = 22984.1 + 4316.73 \times 4 = 40251.02$$

$$Y_{2070/71} = 22984.1 + 4316.73 \times 5 = 44567.75$$

$$Y_{2071/72} = 22984.1 + 4316.73 \times 6 = 48884.48$$

$$Y_{2072/73} = 22984.1 + 4316.73 \times 7 = 53201.21$$

**Annex XVIII**  
**Trend Analysis of Loan & Advances**

We have straight trend line equation

$$Y = a + b T \dots\dots\dots (I)$$

Where, Y = Loan & Advances (in millions)

T = time

Calculation for trend line considering 2065/66 as assume mean time period as follows:-

**Calculation of Trend Value of Loan & Advances of HBL**

(in million)

Year (X)	Loan & Advances (Y)	T = X – 2065/66	T <sup>2</sup>	TY
2063/64	16998	-2	4	-33996.00
2064/65	19497.52	-1	1	-19497.52
2065/66	2479.16	0	0	0.00
2066/67	27980.63	1	1	27980.63
2067/68	31566.98	2	4	63133.96
Total	Y= 98522.29		X <sup>2</sup> = 10	XY= 37621.07

Since,  $t = 0$ ,

$$a = \frac{\sum Y}{n} = \frac{98522.29}{5} = 19704.46$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{37621.07}{10} = 3762.107$$

Now, the best fit of straight line trend from (I) is

$$Y = a + b T$$

$$Y = 19704.46 + 3762.107 T \dots\dots\dots (II)$$

Now,

For the year 2068/69,  $T = 2068/69 - 2065/66 = 3$

For the year 2069/70,  $T = 2069/70 - 2065/66 = 4$

For the year 2070/71,  $T = 2070/71 - 2065/66 = 5$

For the year 2071/72,  $T = 2071/72 - 2065/66 = 6$

For the year 2072/73,  $T = 2072/73 - 2065/66 = 7$

Estimation of deposit substituting value of T in equation (II) their respective years, the estimated deposit of EBL will be obtained

$$Y_{2068/69} = 19704.46 + 3762.107 \times 3 = 30990.78$$

$$Y_{2069/70} = 19704.46 + 3762.107 \times 4 = 34752.89$$

$$Y_{2070/71} = 19704.46 + 3762.107 \times 5 = 38515$$

$$Y_{2071/72} = 19704.46 + 3762.107 \times 6 = 42277.1$$

$$Y_{2072/73} = 19704.46 + 3762.107 \times 7 = 46039.21$$

**Annex XIX**  
**Trend Analysis of Loan & Advances**

We have straight trend line equation

$$Y = a + b T \dots\dots\dots (I)$$

Where, Y = Loan & Advances (in millions)

T = time

Calculation for trend line considering 2065/66 as assume mean time period as follows:-

**Calculation of Trend Value of Loan & Advances of LBL**

(in million)

Year (X)	Loan & Advances (Y)	T = X – 2065/66	T <sup>2</sup>	TY
2063/64	6437.45	-2	4	-12874.90
2064/65	9680.95	-1	1	-9680.95
2065/66	13315.60	0	0	0.00
2066/67	14560.11	1	1	14560.11
2067/68	15199.85	2	4	30399.70
Total	Y= 59193.96		X <sup>2</sup> = 10	XY= 22403.96

Since,  $t = 0$ ,

$$a = \frac{\sum Y}{n} = \frac{59193.96}{5} = 11838.78$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{22403.96}{10} = 2240.396$$

Now, the best fit of straight line trend from (I) is

$$Y = a + b T$$

$$Y = 11838.78 + 2240.396T \dots\dots\dots (II)$$

Now,

For the year 2068/69,  $T = 2068/69 - 2065/66 = 3$

For the year 2069/70,  $T = 2069/70 - 2065/66 = 4$

For the year 2070/71,  $T = 2070/71 - 2065/66 = 5$

For the year 2071/72,  $T = 2071/72 - 2065/66 = 6$

For the year 2072/73,  $T = 2072/73 - 2065/66 = 7$

Estimation of deposit substituting value of T in equation (II) their respective years, the estimated deposit of EBL will be obtained

$$Y_{2068/69} = 11838.78 + 2240.396 \times 3 = 18559.97$$

$$Y_{2069/70} = 11838.78 + 2240.396 \times 4 = 20800.36$$

$$Y_{2070/71} = 11838.78 + 2240.396 \times 5 = 23040.76$$

$$Y_{2071/72} = 11838.78 + 2240.396 \times 6 = 25281.16$$

$$Y_{2072/73} = 11838.78 + 2240.396 \times 7 = 27521.55$$

**Annex XX**  
**Trend Analysis of Loan & Advances**

We have straight trend line equation

$$Y = a + b T \dots\dots\dots (I)$$

Where, Y = Loan & Advances (in millions)

T = time

Calculation for trend line considering 2065/66 as assume mean time period as follows:-

**Calculation of Trend Value of Loan & Advances of NBL**

(in million)

Year (X)	Loan & Advances (Y)	T = X – 2065/66	T <sup>2</sup>	TY
2063/64	15545.78	-2	4	-31091.56
2064/65	21365.05	-1	1	-21365.05
2065/66	27589.93	0	0	0.00
2066/67	32268.87	1	1	32268.87
2067/68	38034.09	2	4	76068.18
Total	Y= 134803.7		X <sup>2</sup> = 10	XY= 55880.44

Since,  $t = 0$ ,

$$a = \frac{\sum Y}{n} = \frac{134803.7}{5} = 26960.74$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{55880.44}{10} = 5588.044$$

Now, the best fit of straight line trend from (I) is

$$Y = a + b T$$

$$Y = 26960.74 + 5588.044 T \dots\dots\dots (II)$$

Now,

For the year 2068/69,  $T = 2068/69 - 2065/66 = 3$

For the year 2069/70,  $T = 2069/70 - 2065/66 = 4$

For the year 2070/71,  $T = 2070/71 - 2065/66 = 5$

For the year 2071/72,  $T = 2071/72 - 2065/66 = 6$

For the year 2072/73,  $T = 2072/73 - 2065/66 = 7$

Estimation of deposit substituting value of T in equation (II) their respective years, the estimated deposit of EBL will be obtained

$$Y_{2068/69} = 26960.74 + 5588.044 \times 3 = 43724.87$$

$$Y_{2069/70} = 26960.74 + 5588.044 \times 4 = 49312.92$$

$$Y_{2070/71} = 26960.74 + 5588.044 \times 5 = 54900.96$$

$$Y_{2071/72} = 26960.74 + 5588.044 \times 6 = 60489$$

$$Y_{2072/73} = 26960.74 + 5588.044 \times 7 = 66077.05$$