

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Investment policy is the proper management of any fund or wealth to maximize value or to obtain the high or favorable returns with low risk considering the protection of the investment from the inflation and, other possible harms. The real talent of an investor thus primarily lies in selecting the proper or suitable area where there is low of risk with high return insufficient financial knowledge and inadequate investment policy analysis usually creates dilemma for the investors for selection of an optimal investment area the functional inefficiency of statistical tools for analyzing neither available data nor the whole investment policy. "Investment policy involves determining the investor's objectives and the amount of his inevitable wealth. There is a positive relationship between risk and return so, it not appropriate for a sensible investor to say that his objective is to make a lot of money. Investment policy concludes with the identification of the potential categories of financial assets for consideration in the ultimate portfolio."(Shrestha, Manohar -2006)

The commercial banks of corporate bodies i.e. joining of two or more enterprises with the purpose of carrying out specific operation such as investment in trade, business and industry in the form of negotiation between various groups of industries on trades to achieve mutual exchange of goods and services. They are the modes of trading to achieve mutual exchange of goods and services for sharing competitive advantage by performing joint investment scheme between investors, financial and non- financial institutions.

Due to the growth on banking sector in Nepal and huge competition, opportunity for investment are comparatively losses. In this critical situation joint ventures banks are most appropriate or best suited because of their abundant resources, new technologies, sufficient capital and above all high integrity. Joint ventures banks can easily redress the problem faces by others and avoids many risks in investment by formulating and implementing policy for proper utilization of funds. The fundamental principles of investment must be followed thoroughly for profitable investment. An investment policy should ensure maximum profit and minimum risk.

1.2 History of the Banks

The word "Bank" is orient in medieval age in 1171 AD. The "Bank of Vanish" was the 1st bank, which established in Italy. Then after in 1401 AD "Bank of Barsilona" is established in Spain, but the credit of the development modern banks goes to "The Bank of England" which was established in 1694 AD in London.

In Nepalese context, the history of development of modern bank started from the establishment of "Nepal Bank Limited" in 1937 AD Which put effort of government and public, as a commercial bank with 10 million authorized capital. Then the government felt the requirement of a Central bank and established "Nepal Rastra Bank" in 1956 AD as central Bank under NRB Act 1956 AD (2012BS). It played leading role in development of banking in Nepal and also controlled the commentary culture in the country. Likewise, raising of banking function get popular and more complicated, thus NRB suggested for the establishment of another commercial bank and in 1966 AD "NRB suggested for the establishment of another commercial bank and in 1966 AD " Rastriya Banijya Bank" was established as a fully government owned commercial bank, now it's branches are diversified all over the country.

Apart from this, NIDC was established in 1959 AD & Agricultural Development Bank established in 1976 AD and other development bank and financial institutions were established & continue to establish and are contributing to the economy and banking tradition in Nepal.

Only in 1990 AD after reestablished of democracy, the government took the liberal policy in banking sector. As an open policy of HMG's to get permission to invest in banking sector from private and foreign investor under commercial bank act 1975 AD (2031 BS,) different private banks are getting permission to established with the joint venture of other countries. Nowadays there are 23 commercial banks operating in Nepal financial market along with 9 joint venture with foreign investors.

Nepal Arab Bank Ltd. (NABIL) was the 1st joint venture bank established in 1984 AD, joint ventured with United Arab Emirates Bank. The two other banks, Nepal Indosuez Bank Ltd. (recently named Investment Bank) with Indosuez Bank of France and Nepal Grindlays Bank Ltd. (recently named SCBNL) with Grindlays Bank of London were established in 1986 AD. Himalayan Bank Ltd. Joint ventured with

Habib Bank of Pakistan and ABI Bank Ltd. With State Bank of India were established in 1993 AD. Everest Bank Ltd. joint ventured with Punjab National Bank, India (early it was joint ventured with United Bank of India, Calcutta) and Nepal Bangladesh Bank Ltd. With IFIC Bank of Bangladesh were established in 1994 AD., Bank of Kathmandu joint ventured with SLAM Commercial Bank public Co., Thailand was established in 1995 AD. and NCC Bank of Sri-Lanka was established in 1997AD.

Besides this, Lumbini Bank Ltd. And NIC Bank Ltd. Are also operating from 1997 AD and Kumari Bank Ltd.,Laxmi Bank Ltd. & Siddhartha Bank Ltd. Service as a new commercial bank of Nepali financial market. Beside that Paschimanchal Bikas Bank is also working in Butwal since last 7 years.

1.3 Present Status of Banking Industry

Now a days there are 23 Commercial bank working and 9 of them are joint ventured with foreign banks, on the other hand a lot of financial co-operatives are also operating. besides Commercial bank, Development banks are investing their performance in Nepali banking industry and they also have an important role for the growth of country's economic position. Agriculture development bank and Nepal Industrial Development banks are government owned bank. Other development banks like Nepal Development Bank Ltd, Udyam Bikash Bank Ltd., Nirdhan Utthan Bank Ltd., Malika Bikas Bank Ltd., Rural Micro finance Development Center & Cottage and Small Industries development Bank Ltd. and other 5 rural development banks operating in Nepali Banking industry. Now credit Development Bank and Paschimanchal development bank are also established and has commenced its service.

In global prospective, joint venture bank is the mode of trading through partnership among the nations and also a form of negotiations between two or more enterprise for the purpose of carrying out a specific operation. A joint venture bank is the joining of forces between two of more enterprise for the purpose of carrying out a specific operation (Industrial or Commercial) investment, production of trades.

So, the main purpose of the Join Venture is to join economic forces in order to achieve desired end. To operate a business organization under joint venture basis, there should be at least two partners from the different countries.

With the increase in numbers of commercial joint venture banks, competition among them have also become more complex. Doing business with traditional banks used to be so cumbersome that customers had to spend a lot of effort and time in trying to understand the functioning of the bank rather than receiving prompt service. Now joint venture banks are trying to introduce and establish themselves differently by providing special services and attractive schemes. In 1995 AD Himalayan Bank Ltd. introduced Tele-banking service. It gives new life for banking sector by provoking a niche in the competitive financial market.

Similarly, most of other JVB are providing new schemes like Insurance to depositor, which is an extra bonus to encourage them to deposit their surplus in such banks. Credit card system is another attractive feature of joint venture bank's i.e. NABIL credit card (master card, dinner card) Visa of NGB, Credit card of HBL have launched in market for their clients. EBL introduced cumulative deposit scheme (CDS) and facilities for the Nepalese living in foreign countries for transfer of their savings to their home in Nepal by entering into drawing arrangements with exchange houses in UAE, Bahrain & Kuwait.

i. Standard Chartered Bank Nepal Limited

In 1987 AD, Nepal Grindlays Bank Limited (named Standard Chartered Bank Nepal limited later) was established as another commercial bank on Nepal among other JVBs to contribute in commercial sector of Nepalese economy. The bank has made a significant contribution from its establishment in the Nepalese banking sector. The 50% of the equity share capital was originally owned by ANZ Grindlays Bank, UK, which managed & controlled the overall activities of the bank.

In August 2000, the ownership of ANZ bank Grindlays, U.K. was transferred to SCB, Australia. The bank, at present is managed & controlled by SCBL, Australia with a new name SCBNL in 2001. SCBL holds 50% of total equity capital investment. 35% of total equity share capital is held by Nepal Bank Limited & remaining 15% share capital is held by general public investors. The bank is being managed under Joint Venture & Technical Services Agreement that was signed between SCB & Nepalese promoters. The bank has been providing various banking services to its customers through branches national wide. Among which four of the main branches are regulating their services in Katmandu valley alone. The bank is launching some new programmes from this year to attract new customers to boost up

its banking activities such as long term. Home Loan at minimum interest rate of 10%. It provides Rs. 5 lakhs to 75 lakhs as housing loan.

Standard Chartered Bank Nepal Limited has provided various modern facilities for its customers. They are well-equipped with latest technologies as well some of them have been listed below.

- Tele-banking
- International services
- International service
- Foreign currency Transactions etc.
- credit card facilities
- Automated teller machine
- Personal and corporate financial services
- SWIFT

ii. Everest Bank Ltd

This is another joint venture bank taken for the study. EBL was set up in private sector and commenced its operation in October 1994 AD, India being the major trade partner of Nepal. The promoter of the bank decided to join hands with an Indian bank and entered into joint venture agreement in January 1997 AD with Punjab National Bank (PNB). Which is one of the leading Commercial bank of India, having over 100 years of successful banking experience and known for its strong system and procedure. EBL was earlier to be joint venture with United Bank of India, Calcutta, but the foreign partner didn't undertake the joint venture agreement.

On equity holding PNB has 20% equity participation in its total shareholding and also has undertaken management responsibility under a technical service agreement and other balance is maintain by Nepali investor. Nepalese promoter holding 50% and rest 30% held by General Public.

PNB	20%
Nepalese Promoters	50%
General Public	30%

Everest Bank Ltd. is one of the leading commercial bank of Nepal. EBL has got an authorized capital of NC 240 million and paid up capital of NC 120 million. Presently the bank is operating through its 18 branches all over the country at New Baneshwor (Head Office), New Road.

The main aim of EBL is to extend professional banking services to various sectors of the society in the kingdom of Nepal and there by contributing in the

economic development of the country. In addition to the usual facilities offered by all banks, some new banking procedures have also been introduced. Like, Cumulative Deposit Scheme, Unfix fixed Deposit, Requiring Deposit Plan and recently also introduced facilities for the Nepalese living in gulf countries for transfer of their service to their home Nepal.

1.4 Statement of Problems

Investment is the major tool of financial institutions to achieve their goal . Financial institutions should prepare proper investment policy so that they can reach into their target. Investment is an important aspects for the financial institutions but they are unable to estimate the future, prepare the investment policies and evaluate them properly. They are unable to collect the funds and utilize them properly. Joint venture banks become a role model in the improvement of fund mobilization activity. The problem, however, is to find a proper project or investment opportunities getting profits seems persistence.

There are about two dozens of commercial banks operating their activities in Nepal but a few of them are getting regular profits. Most of them are unable to satisfy their shareholders and clients in ascertaining profitability and ensuring their safe deposition. Some banks are incurring losses in early establishment years. It is not that they do not have potential clients or adequate deposits but they can not find profitable sector or opportunities to invest the deposit collections. They always have feared high degree of risk and uncertainty due to lack of profitable sectors for their investment or utilization of their deposit collection.

There are many finance companies and commercial banks operating in Nepal. According to NEPSE record, there are twenty three banks operating there business transactions in Nepal. The fast growth of such organizations has made pro-rata increment in collecting deposits and their investment. They collected adequate amount from the mass, however they could not find or locate new investment sectors required to mobilize their funds on the changing context of Nepal. Many banks or companies succumbed to liquidation although they had sustainable investment capacity. The increasing rate of liquidity has caused a downward trend in investment sectors. It has ensured bad impact on interest rate to the depositors, lower market value of shares etc. for the assessment of such adverbs impact, this study has shown

the contrast and analyses the investment policy of joint venture banks. The joint venture banks viz. Standard Chartered Bank Nepal Ltd. & Everest Bank Limited. This study basically deals with the following issues of joint venture banks.

a. Proper utilization of available fund:

Are the joint venture banks utilizing their available fund properly? What is their position in comparison with each other?

b. Appropriation in fund mobilization and investment policy:

Is the fund mobilization and investment policy of joint venture banks effective?

c. What is the relationship of investment and loan and advances with total deposits and total net profit of joint venture banks?

d. Does the investment decision affect the total earnings of joint venture banks under the study?

1.5 Objective of the Study

Investment decision is one of the major decision functions of financial management. The main objectives of the study is to assess the investment policy and strategies followed by the bank with reference to SCBNL & EBL. The specific objectives of this study are given below.

- i. To analyse the priority sectors of investment of sample banks.
- ii. To out empirical relationship between total investment, deposit & loan & advance, and net profit & outside assets and compare them.
- iii. To analyze the deposit utilization & its projection for next five years of SCBNL and EBL.
- iv. To evaluate comparatively the profitability & risk position, liquidity asset management efficiency of SCBNL& EBL.
- v. To provide package of possible guidelines to improve investment policy, it's problems and way to solve some problems and provide suggestions and recommendation on the basis of the findings.

1.6. Significance of the Study

This study "comparative study of investment policy" of two joint venture banks deserve some importance in this field will provide a useful feed back for academic institutions, bank employees, trainees and investor and also for financial

person, policy- making bodies and other person concerned with banks. This study will serve to be a guide to the management of banks financial institutions, related parties, shareholders, general public (customer, depositors, and creditors etc).

1.7 Test of hypothesis

In testing hypothesis an assumption is made about the twenty two commercial banks operating in Nepal till this date as population. To test whether the assumption is right or not a sample of EBL and SCBNL is obtained. sample is obtained and observe the difference between sample and the population through the following hypothesis.

1. H_0 : There is no significant difference in between loan and advances to total deposit ratio of EBL and SCBNL.
 H_1 : There is significant difference in between loan and advances to total deposit ratio of EBL and SCBNL.
2. H_0 : There is no significant different between total investment to total deposit ratio of EBL and SCBNL .
 H_1 : There is significant difference in between investment to total deposit ratio of EBL and SCBNL.
3. H_0 : There is no significant different between total investment and net profit of EBL and SCBNL .
 H_1 : There is significant difference in between investment and net profit ratio of EBL and SCBNL.

1.8 Limitation of the Study

For the completion of this study, the following facts are the basic limitation.

1. This study is based on primary as well as secondary data accuracy depends upon the data collected and provided by the institutions.
2. Non availability of the various reference or sources acts as constraints for the study.
3. This study has taken only two JVBs as sample i.e. SCBNL & EBL.
4. The whole study is based on the data of 6 years period (i.e. from F.Y. 2002/2003 to 2007/2008)
5. This study focuses on investment aspects of banking performance only.

1.9 Organization of the Study

This study includes five chapters such as introduction, Review of Literature, Research Methodology, Data Presentation and Analysis and Summary, Conclusion and Recommendation. The first chapter is introductory chapter, which contains the following topics.

- i. General Background of the study.
- ii. History of banks.
- iii. Present status of Banking Industry
- iv. Statement of Problems
- v. Objectives of the study
- vi. Signification of the Study.
- vii. Limitation of the Study.
- viii. Organization of the study.

The second chapter is Review of Literature, which deals the study of past thesis writing, Journals, reports etc. this chapter includes two topics.

- i. Conceptual framework
- ii. Review of previous thesis studies related to investment decision and policy.

The third chapter is concerned with the research methodology, which is applied to collect the data and analyze them in this study. It consists of the following topics.

- i. Introduction
- ii. Research design.
- iii. Sources of data
- iv. Population and sample.
- v. Presentation of data
- vi. Method of analysis.

The fourth chapter is presentation and Analysis of data, which consists of two topics to analyze the data i.e. financial tools and statistical tools. Financial tool mainly consistory of ratio analysis, which involves- liquidity ratio, asset management ratio, profitability ratio, risk ratio and growth ratio. Statistical tool involves test of hypothesis, co- relation analysis and trend analysis have been used to present the data and analyze them which are related to the investment policy and fund mobilization of

selected two joint venture banks in comparison with each other. This chapter also consists of major findings of the study.

The final chapter i.e. fifth chapter provides summary, conclusion and Recommendation, which will explain the major findings, supply some valuable suggestions to those selected joint venture banks.

Chapter II

Review of literature

The field of investment is enormously great. Proper utilization of collected fund played a prominent role in development of country. Effective investment decisions rejoice to every investors giving precious return. This unit of study tries to describe the conceptual framework, concept of commercial bank, joint venture bank and investment. Besides these this chapter highlights the literature that is available in concerned subject as to the researchers knowledge, review of reports related to concerned banks, Review of research works, review of books, review of articles and related to concerned banks, Review of works performed previously .

2.1 Conceptual Frame Work :

2.1.1. Commercial Bank :

"The commercial bank has its own role and contribution in the economic development . It is a resource for the economic development , it maintains economic confidence of various segments & extends credit to people ." (Ronald,Grywin- 1998)

"Commercial Bank is a corporation which accepts demand deposits subject to check and makes short – term loans to business enterprises, regardless of the scope of its other services. (Shrestha, Dr. Manohar- 2006)

Commercial Bank Act 1975 AD (2031 BS) Defined "A commercial banks one which exchanges money, deposits money, accepts deposits, grant loans and performs. Commercial banking functions and which is not a bank meant for co-operative, agriculture, industries of for such specific purpose.

The main function of commercial bank is the accumulation to the temporarily idle money of the general public for the purpose of providing short term loan necessary for trade and commerce. It accepts deposits and grants loan exchange, purchase & discount bill for promissory notes, exchange foreign currency . Commercial bank earns profit by proper mobilization of their resources.

2.1.2 Joint Venture

"A joint venture is the joining forces between two or more enterprises for the purpose of carrying out a specific operation (Industrial or commercial) investment, production or trade." (Gupta, D.P. -1999)

The main purpose of the joint ventures is to join economic forces in order to achieve desired end. In order to operate a business organization under joint venture basis, there should be at least two partners from two different countries.

"Joint venture banks are such types of institutions that with money and substitute of money. They collect fund from corner part of the country in the forms of narrow types deposits for the purpose of advancing to others for expenditure and investment as loan. Joint venture banks play important role to search new field of investment so that they can mobilize their funds as much as possible. The objective of establishment of joint. Venture banks are to help needy people and industrialist who seek for loan. It always looks for profit." (Shrestha, Monohar 2006)

The history of banking has been started after the establishment of Nepal Bank Ltd. by special act on 1937 AD with 10 millions rupees of authorized capital and then opened its branches all over the country one after other. Nepal Rastra Bank was established under the NRB act 1954 (2012 BS) in 1956 AD as a leader of banking in Nepal, then Rastriya Banijya Bank was established in 1966 AD. Apart from this NIDC, ADB & other co-operative societies have also been established now.

2.1.3 Investment

"The investment objective is to increase systematically the individuals wealth, defined as asset minus liabilities. The higher the level of desired wealth the higher the return must be received. As investor seeking higher return must be willing to take higher level of risk." (Cheney & Mases -2001)

"An investment is a commitment of money that is expected to generate additional money. Every investment entails some degree of risk, it requires a present certain sacrifice for a future uncertain benefits." (Francic, J.K.- 2003)

"Investment policy fixes responsibilities for the investment disposition of the banks assets in terms of allocating funds for investment and loan and establishing responsibility for day to day management of those assets." (Bosley, Jams- 2004)

V.K. Bhalla (2005) has given the basic concept of investment in three points they are as follows:

1. Economics investment that is an economist definition of investment.
2. Investment in a more general or extended sense, which is uses by "the man of the street."
3. The sense in which we are going to be very much interested normal financial Investment.

From the above definitions we can conclude that investment means use of rupees of amount today by expecting more income in future. If some one invests his fund today, he will get financial benefits in future from mobilization of their fund. The value of rupee in future is increased than current value. So the expected change in price during the period and for the uncertainty involved in cash flow. So, it is clear that investment is the mobilization of funds today with expected additional return in future but the return sometimes may be negative also, if wrongly invested without sound knowledge of investment and their related factors.

"Investment by individuals, business and government involves a present sacrifice of income to get an expected future benefit. As result investment raises a nation's standard of living. " (Shrestha, Dr. Manohar- 2006)

2.1.4 Features of Sound Lending Policy

The succession of the bank measure by its income and profit, which depends upon its lending procedure, lending policy and investment of its fund indifferent securities. The profitability will be higher, the greater the credit created by the bank. A sound lending and investment policy is not only prerequisite for bank profitability, but also crucially significant for the promotion of commercial savings of a backward country like Nepal.

Different authors as under have pointed some necessities for sound lending and investment policies, which most of the banks must consider.

i) Diversification:-

"A bank should not lay all its eggs on the same basket." This saying is very important to the bank and it should be always careful not to grant loan only in one sector , to minimize risk , a bank must diversify its investment on different sectors.

Diversification of loan help to sustain loss according to the law of average because, if securities of a company deprived, there may be appreciation in the securities of other companies. In this way, the loss can be recovered " (Singh, Preeti 2002).

ii) Liquidity :

"Liquidity refers to that state of position of a bank that pronounces its capacity to meet all of its obligations. In other words, it refers to the capacity of bank to pay cash against deposits. Liquidity generally refers to the cash or any assets that can be converted into cash immediately. People deposit money at the bank in different accounts with confidence that the bank will repay their money when they needed. To maintain such confidence of the depositors, the bank must keep this point in mind while investing its excess funds in different securities or at the same time of lending. So that it can meet current or short-term obligations when they become due for payment. Hence, the liquidity position of a bank is such an important factor that it must be able to meet its cash requirement either by its cash in value or by the help of converting its assets into cash in case of demand for such from its customers. There is no sense if the bank has adequate assets but not liquid i.e. they can't serve the purpose of liquidity when required" (Singh, Preeti 2002) .

iii) Profitability

"The profit of commercial bank mainly depends on the interest rate, volume of loan, its time period and nature of investment in different securities. It is a fact that a commercial bank can maximize its volume of wealth through maximization of return on their investment and lending . So, they must invest their funds where they gain maximum profit. Ambition of profit to commercial bank seem reasonable as the bank has to cover all the expenses and payment in the form of dividend to the shareholders who contributed to build up the bank's capital and interest to the depositors. For this the bank calculates the cost of fund and likely return, if the spread is enough irrespective of risk involved and absorbs its liquidity obligation , it will go ahead for investment. A good bank is one who invests most of its fund in different earnings assets standing safety from the problem of liquidity, i.e. keeping cash reserve to meet day –to-day requirements of the depositors" (Singh, Preeti 2002).

iv) Safety and Security

"Every bank must take care while investing its fund. It should never invest its funds in those securities, which are subject to too much depreciation and fluctuation because a small change causes a great loss. So, it must not invest funds into speculative businessman who may be bankrupt at once and who may earn million in a minute also. Bank should accept these types of securities, which are durable, marketable and high market prices. In this case, 'MAST' should be applied for the investment, where.

M= Marketable

A= Ascertainability

S = Stability

T = Transferability

Bank should never forget that its funds basically consists of money borrowed from customers on various accounts such as fixed accounts , saving accounts and current accounts etc bank deals with customer's money . Hence, it must take care the belonging of public while investing and providing loan received in the form of deposits. The risk and return involved must be analyzed thoroughly, so that depositor's money is advanced safety where the risk of loss does not exist. The three 'C' should be followed in arriving the decision regarding the advances of fund the three 'C' stand for Character, Capacity & Capital" (Shrestha Shiva Raj 2007).

v) Purpose of loan

The important question for any banker is that, why is a customer in need of loan ? If the borrower misuses the loan granted by the bank than it suffers from heavy bad debts. Detailed information about the scheme of the project or activities should be examined before lending (Loan policy Act 2007) .

vi) Legality

Illegal securities will bring out many problems for the investor. A commercial bank must follow the rules and regulations as well as different directions issued by Nepal Rastra Bank, Ministry of finance, Ministry of Law and other while mobilizing its funds (Loan policy Act. 2007).

2.1.5 Meaning of some important terminologies

Many writers have defined the following terminologies in this way.

a) Deposit

Deposit means the amounts deposited in different accounts such as fixed Account, saving account, current account etc. of a bank or financial institution. Deposit is the most important source of liquidity for a commercial bank. It is also the main source of fund that a bank usually uses for the generation of profit. Therefore, the efficiency of the bank depends on its ability to attract deposits. Deposit being the borrowed amount from the depositors or from general public and institutions, it constitutes the liability of a bank. The management of the bank is always influencing it through deliberate policy action. The deposits of a bank are affected by various factors. They are as follows.

- Types of customers.
- Physical facilities of bank.
- Management accessibility of customers.
- Types and ranges of services offered by the bank.
- Interest rate paid on deposits.

In addition to above, the prevailing economic conditions exert a decisive influence on the amount of deposit the bank receive.

Basically deposits are categorized in three headings for accounting and analyzing purpose.

- i) Current deposit
- ii) Saving deposit and
- iii) Fixed deposit

b) Loan and Advances

Loan, advances and overdrafts are the main source of income and most profitable asset to a bank. Bank deposits can be crossed beyond a desired level but the level of loans, advance and overdrafts will never cross it. Every bank is always willing to lend as more as possible since they constitute the larger part of revenue. But bank must careful while providing loans and advances, since they may not be realized at short period of time. And sometimes they may turn into bad debt.

Therefore it is wise not to rely on them at the time of emergency for all banks. A commercial bank is less interested to lend its funds for a long period of time. If lends money for a short period of time that can be collected at a short period of time. The commercial banks are never bounded to provide long-term loan because it has to synchronize the loans and advances with the nature of deposits they receive.

Funds borrowed from banks are much cheaper than those borrowed from unorganized moneylenders. The demand for loan has excessively increased due to cheaper interest rate. Further, an increase in economic and business activities always increase the demand for funds. Loan and advances are provided against the personal security of the borrower or against the security of the immovable and movable properties. Banks provide the loans in the various forms i.e. direct loans, cash credit, overdraft and discounting bills of exchange. In mobilization of commercial banks' fund, loan, advances and overdraft have occupied a large portion.

c) Investment on Government Securities, Shares and Debentures

Though a commercial bank can earn some interest and dividend from the investment on government securities share and debentures, it is not the major source of income. It is treated as a secondary source of banking business. A commercial bank may extend credit by purchasing government securities, bond and shares for several reasons:

- These are the highly marketable securities. If a bank needs liquidity immediately, it can convert into cash.
- Bank can fulfill its burden of expected withdrawals by depositors or large loan demands of its customers.
- It may also be forced to invest because the demands for loans has decreased or it not sufficient to absorb its excess reserves.

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

d) Investment on other company's shares and debentures

Most of commercial banks invest their excess funds to the shares and debenture of the other financial and non-financial companies. Due to excess funds but least opportunity to invest those funds in much more profitable sector and to meet the requirement of Nepal Rastra Bank's directives. Now –a – days the commercial banks have purchased shares and debenture of regional development bank, NIDC's and other development banks.

e) Other Use of Funds

Commercial bank must maintain the bank balance with Nepal Rastra Bank and prescribed by the bank in Nepal. Similarly, they have to maintain the cash balance in local currency in the vault of the bank. Again some part of the fund has to be used for the bank balance in foreign bank and to purchase fixed assets.

f) Off –balance Sheet Activities

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

h) Income statement

It is a statement, which summarizes and provides the information about revenues and expenditure of the organization during the accounting period. It contains real income and expenditures during the fiscal year. Income statement contains all the items of revenue, gains , loses and operating expenses incurred in carrying out the business and selling and distribution of the goods for the particular accounting period which gives the amount of net profit .

2.2 Review of Relevant Studies

2.2.1 Review of Book

Banks are such types of institutions, which deal in money and substitute for money. They deal with credit and credit instruments. The most important thing for the bank is good circulation of credit. Fluctuation in the flow of credit and weak decision harms the whole economy and the bank as well. Thus, to collect funds effectively and its well utilization is the very challenging task for the bank. The decision of an investment of funds may be the question of life and death for the bank.

"Investment has many factors. It may involve putting money into bonds, treasury bills, or notes or common stocks, or investments of real estate, or mortgages or oil ventures, or cattle or the theater. It may involve specially in bull markets or selling short in bear markets. It may involve options, straddles, puts, warrants, convertibles, margin, gold-silver, mutual funds, money market funds, index funds and result in accumulation of wealth or dissipation of resources. Diversity and challenge characterize the field. For the able or lucky, the rewards may be substantial. For the uninformed results can be disastrous." (Edward, Jerome- 2001)

"The word investments brings forth visions of profits, risk, speculation and wealth" (Cherney & Edward – 2001) Most of the people invest their excess funds to different sectors for future financial gain and to protect the purchasing power of their savings against rising price of goods, due to inflation.

"Investment promotes the contribution of nation's wealth and economic growth. Bank should invest its funds by lending to various business institutions. And all the business institutions in turn may invest the money in modern factories and equipment to develop their production. Beyond this, most of companies 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 projects as the constructions involve a present sacrifice of income to get on expected future benefit. As a result, investments raise a nation's standard of living." (Singh, Dr. Preeti - 2002)

"An investment can be defined as the commitment of funds to one or more assets that will be held over some future time period. Investment is the study of the investment process and is concerned with the management of an investor's wealth." (Charles & Jones- 2002)

"Investment policy fixes responsibility for the investment disposition of the banks assets in terms of allocating funds for investment and loan & establishing responsibility for day to day management of those assets ." (Bexley & Jeames- 2004)
"A banker seeks optimum combination of earning, liquidity and safety, while formulating investment policy ." (Chandler- 2002)

"An investment may be defined the current commitment of funds for a period of time to derive a future flow of funds that will compensate the investing unit for the time . The funds are committed, for the expected rate of inflation and also for the uncertainty involved in the future flow of the funds ." (K. Reilly- 2003)

From the above definition, it is clear that an investment means to trade a known rupee amount today for some expected future stream of payments of benefits, that will exceed the current outlay by an amount that will compensate the investor for the time . The funds are committed for the expected changes in prices during the period and for the uncertainty involved in expected future cash flows . Thus investment is the most important function of commercial banks it is the long-term commitment of bank in the uncertain and risky environment. It is very challenging their funds in various sectors . The success of a bank heavily depends upon the proper management of its invisible funds. Investment management of a bank is guided by the investment policy adopted by the bank . The investment policy of the bank helps the investment operation of the bank to be efficient and profitable by minimizing the inherent risk .

"Investment in its broaden sense, means the sacrifice of current dollars for future dollars. Two different attributes are generally involved: time and risk. The sacrifice takes places in the present and its magnitude as generally uncertain." (Sharpe & Gorden- 2004)

According to Mr. Shakespeare Baidhya (2004) in his book "Banking Management" he has said "A sound investment policy of a bank is such that its funds are distributed on different types of asset with good profitability on the one hand and provide maximum safety and security to the depositors and banks on the other hand. Moreover, risk in banking sectors tends to be concentrated in the loan portfolio. When a bank gets into serious financial trouble its problem usually spring from significant amounts of loan that have become un –collectable due to mismanagement, illegal manipulation of loan, misguided lending policy or unexpected economic downturn.

Therefore, the bank investment policy must be such that it ensures that it is sound and prudent in order to protect public funds."

Further in details he deals with what type of loan do bank make and how much loans in each loan is to be invested ? The banks make a variety of loans to a wide variety of customers from many different purposes from purchasing automobile to construction of homes and making trade with foreign countries . There, no uniform rules can be laid down to determine the portfolio of the bank . The environment in which the bank operates influence its investment policy. The nature and availability of funds are also assets differ widely from country to country and also from region to region within a country . For example, scope of a bank operating in Jumla because the demand for loan is less in rural areas whereas it is higher in city in urban areas .

Dr. Sunity Shrestha (2005), in her book "Investment Planning of Commercial Banks in Nepal" has said, the commercial banks fulfill the credit needs of various sector of the economy including agriculture, industry, commercial and social service sectors. The lending policy of commercial banks is based on the profit maximizing of the institution as well as the economic enhancement of the country.

"In investment decision expenditures and benefits should be measured in cash . In investment analysis , cash flow is more important than accounting profit. It may also be pointed out of that investment decision affects the firm's value. The firm's value will increase if investments are profitable and add to the shareholder's wealth. Thus, investment should be evaluated on the basis of a criterion, which is compatible with the objective of the shareholder's fund maximization. An investment will all to the shareholder's wealth if it yields benefit in excess of the minimum benefits as per the opportunity cost of capital. " (Pandey, I. M.-2005)

"Investment is any vehicle into which funds can be placed with the expectation that will preserve or increase in value and generate positive returns. (Gitman & Joehjk – 2006)

"The decision of investment is very important because it influences the firm's growth in the long run affects. The risk of the firm requires the large amount of funds, which is difficult to make. A commercial bank must invest its deposits and other funds to secured, profitable, reliable and marketable sector, so that it can earn a reasonable profit as well as it should be secured and can be converted into cash whenever needed . Obviously, a firm that is being considered for commercial loans

must be analyzed to find out why the firm needs money, how much money the firm needs and when and how it will be able to repay the loan. Investment policy provides the bank several inputs through which they can handle their investment operation efficiently ensuring the maximum return with minimum exposure to risk, which ultimately leads the bank to the path of success . " (Shreshtha, Manohar-2006)

"Lending is the essence of commercial banking, consequently the formulation and implementation of sound policies are among the most important responsibilities of bank directors and management . Well conceived lending policies and careful lending practices are essential if a bank is to perform its credit creating function effectively and minimize the risk inherent in any extension of credit . " (Crosse, H.D.-2007)

2.2.2 Review of Thesis

Mr. Raja Ram Khadka (2004), on his study "A Study on the Investment Policy of Nepal . Arab Bank Ltd. (NABIL) in Comparison to other Joint Venture Banks of Nepal . " compared NABIL with that of Nepal Grindlays Bank Ltd. (NGBL) and Nepal Indosweze Bank Ltd. (NIBL) . The main objectives of the study were to evaluate the liquidity, assets management efficiency and profitability positions in related to fund mobilization of NABIL in comparison to other JVBs. To discuss fund mobilization and investment policy of NABIL in respect to its fee-based off-balance sheet transaction and fund –based on-balance sheet transaction . To evaluate the growth ratios of loan and advances and total investment with respective growth rate of the total deposits and net profit of sample banks . To find out the relationship between deposit and total investment, deposit and loan & advances, and net profit and outside assets of sample banks. To evaluate the trends of deposit utilization and its projection for next five years in case of NABIL comparing it with that of other JVBs. And to suggest and recommend some measures on the banks of comparative fund mobilization and investment policy of NABIL and other JVBs for the improvement of financial performance of NABIL in future .

Mr. Khadka has found that is "The liquidity position of NABIL is comparatively worse than that of Nepal Grindlays Bank Ltd. (NGBL) and Nepal Indosuez Bakn Ltd. (NIBL) . It is also comparatively less successful in On-balance sheet utilization as well as off-balance sheet operation that of NGBL and NIBL . In

the case of profitability ratio he has concluded that the profitability position of NABIL is more successful in deposit mobilization but failure to maintain high growth rate of profit in compare to NGBL and NIBL.

Mr. Khadka has not explained his idea of liberal lending policy though he has recommended to NABIL to adopt liberal lending policy . He hasn't explained how to reduce cost as well.

Mr. Bachchu Kailash Kaini (2005), in his study entitled "A Comparative Study of Financial Performance of Nepal Arab Bank Ltd. and Nepal Grindlays Bank Ltd. has compare two joint venture commercial banks in terms of different issues . The major objectives of the study are to analyze the banks deposit mobilization and has compare two joint venture commercial banks in terms of different issues . The major objectives of the study are to analyze the banks deposit mobilization and investment. To examine the financial strengths and weakness and evaluate financial strengths and weakness and evaluate financial policies of the sample banks. And to suggest necessary reform for their effective and efficient performance.

On the study Mr. Kailash has found that the average current ratio and cash and bank balance to deposit ratio of NABIL is higher than NGBL. But the current ratios of both banks are below the normal standard or satisfactory level . Activity ratios of NABIL are always higher than NGBL. Among the various profitability ratios like return on total assets ratio, net profit to total deposit ratio and return on net worth ratio are higher in NGBL than NABIL , while return on capital employed and interest earned to total assets ratio are better in NABIL than NGBL. Both banks have been able to maintain profitability and both banks have managed to maintain positive return during the study period . NGBL has more investment of owners' equity in the fixed assets. It has also to maintain satisfactory capital adequacy. Total debt to equity ratios of both banks in fluctuating in nature and both banks are highly leveraged . NABIL is a little better in terms of marginal efficiency ratio than NGBL . Both banks have low and unsatisfactory interest coverage ratio . Comparison in average, interest coverage ratio, NABIL has greater average interest coverage ratio than NGBL. EPS of NGBL is better than NABIL but DPS of NABIL is higher than NGBL. However, both banks have paid dividend in each year. Income from interest is higher in NABIL than NGBL. Though, income from commission and discount is higher in NGBL then NABIL . NABIL is paying higher percentage of operationg expenses on interest and

commission, staff expenses and bonus whereas NGBL on the general expenses. Average percentage payment of bonus whereas NGBL on the general expenses. Average percentage payment of bonus paid by NABIL is slightly higher than NGBL as per the total operating expenses .

Mr. Upendra Tuladhar (2005), in his studies "A Study on the Investment Policy of Nepal Grindlays Bank Ltd. in Comparison to other Joint Venture Banks of Nepal." His studies main objectives were, to study the fund mobilization and investment policy with respect to fee-based off-balance sheet transaction and fund based On-balance sheet. To evaluate the liquidity, efficiency of assets management and profitability position . To evaluate the growth ratios of loan & advances and total investment with respective growth rate of total deposit and net profit of sample banks. To evaluate trends of deposit utilization towards total investment and loan and advances and projection for five years. To perform an empirical study of the customer's views and recommendations on the basis of study .

Mr. Tuladhar on his study found that On the basis of primary data concludes that well known fact that most of part of nation is surrounded by the rural areas, it is quite hard to think about the development of the country without spreading banking facilities among these areas. Further, on the basis of secondary data, the liquidity ratio of NGBL has maintained successful in its On-balance sheet operation. But in the case of Off-balance sheet operation, NGBL is advanced that NABIL and HBL . It predicts that NGBL had successfully maintained and managed its assets towards different income generating activities . He further explain, in the case of profitability ratio NGBL is higher profitability position than NABIL and HBL as well as it use to provide interest to the customers for different activities is highly consistent whatever may be the volume . The growth ratio of net profit of NGBL seemed to be more satisfactory than NABIL but in the case of HBL it seemed to be very high. Mr. Tuladhar further found that in the case of significance difference on loan & advances to total deposit ratio, total investment to total deposit ratio, mean ratio, mean of investment on government securities to current ratios, mean of loan& advances to total deposits ratio in between NGBL with NABIL and HBL respectively. But there is no significant difference of mean of total interest earned to total outside assets was found in between NGBL with NABIL and HBL respectively . In the case of

coefficient of correlation , there is negative correlation between . NGBL and NABIL but positive correlation between NGBL and HBL in respect to deposit and total investments . In the case of loan & advances to total deposit ratios increasing trends are found for NGBL and NABIL. But in the case of HBL, it is in decreasing trend. And in the case of total investment to total deposit ratios both NGBL and NABIL used to ignore investment, as trend seemed to be decreasing .

M/S. Samiksha Thapa (2006), on her study "A comparative study on investment policy of Nepal Bangladesh Bank Limited and other joint venture banks," On her study, the major objectives were to evaluate the liquidity, asset management efficiency, profitability and risk position of NB bank in comparison to NABIL and NGBL . To analyze the relationship between loan& advances and total investment with other financial variables of sample banks. To examine the fund mobilization and investment policy of NB bank through Off-balance sheet and On-balance sheet activities in comparison to the 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. And to provide the suggestion for improving the investment policy of NB bank on the basis of the findings of the analysis .

M/s. Thapa has found that the liquidity position of NB 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 assets ratio . It has good deposit collection , it has made enough loan and advance but it has made the negligible amount of investment in government securities. The NB bank is not in better position regarding its On-balance as-well-as Off-balance activities in compare to NABIL and NGBL. It does not seem to follow any definite policy regarding the management of its assets. She further found that the profitability position of NB bank is comparatively worse than that of NABIL and NGBL. The Bank must maintain its high profit margin for the well being in future. NB bank has maintained higher growth rate in comparison to other banks through it is not successful to make enough investment. And can say that the bank is successful in increasing its sources of funds and its mobilization. Finally, she concluded that there is significant relationship between deposit and loan & advances' and 'outside asset and net profit' of NB bank, NABIL and NGBL. But there is no significant relationship between deposit and investment

of NB bank only. NB bank has maintained high growth rate in comparison to other banks through it is not successful to make enough investment. The position of NB bank in regard to utilization of the fund to earn profit is not better in compare to NABIL and NGBL. NB bank has not provided ATM facility , credit card facility, any branch bank (ABB) facilities and web site etc. But these facilities are provided by the NABIL and NGBL.

Samiksha Thapa also found that NB bank is not better position regarding the proportion of fee-base activities to loan and advances in compare with other two banks during the study period. NB bank in terms of recovery of loan is worse in comparison to NABIL and NGBL,

Mr. Bindeshwor Mahato (2006), in his thesis report entitled "A Comparative Study of the Financial Performance of Nepal Arab Bank Ltd. and Nepal Indosuze Bank Ltd". The primary objective of this study is to assess and analyze the financial performance of two joint venture banks . The specific objectives are to evaluate and compare both banks in terms of their liquidity, activity, leverage ratio, profitability ratio and others . Such as earning per share (EPS), market price per share (MPS), dividend per share (DPS) , book value per share (BVPS), divided payout ratio (DPR), return on equity (ROE), profit-earning (PE) ratio etc.

Mr. Mohato has found that the current assets of these banks are adequate to meet the current obligations . The primary and secondary reserve position with respect to short term deposit is better in NABIL than NIBL . Both of these two banks are utilizing their deposits funds through loan & advances to generate revenue, efficiency. But comparatively NIBL is doing more efficiency than NABIL . Where, loan & advances to total deposit ratio and loan & advances to saving deposit ratio are higher in NIBL than NABIL . But loan & advances to fixed deposit ratio of NABIL is higher than NIBL. In term of coverage ratio, provision for a possible loss on loan & advances in NABIL are higher than NIBL. The capital adequacy ratio of both banks is adequate in meeting the NRB's directives. Profitability of NABIL is better than in NIBL , although the position of NIBL is not an unsatisfactory. Earning per share (EPS) and dividend per share (DPS) are higher in NABIL than NIBL . But dividend pay out ratio (DPR) and profit earning (PE) ratio are higher in NIBL than NABIL.

Market price per share (MPS) and book value per share (BVPS) are also better position in NABIL than NIBL. NIBL is earning more income by lending more of the deposit on income generating assets and foreign exchange fluctuation gain whereas NABIL is earning by providing services to the customers, commissions & discounts and others. The average percentage operating expenses of NIBL is higher than NABIL . But, the decreasing operating expenses of NIBL are that last three years indicates its effective performance in terms of operating efficiency and effectiveness. NABIL is an increasing trend in each and every aspect whereas NIBL has a mixed trends i.e. increasing in some cases and decreasing in other cases.

Mr. Sarad Kumar Adhhikari (2006), in his MBA thesis "A Research Report on Investment policy of Nepal Industrial Development Corporation." In that research has some major issues, which are to asses the financial performance of the NIDC in terms of liquidity, profitability, asset management, debt management and sources from which the NIDC has been acquiring funds and where it has put into use. To analyze the nature of operating income of the NIDC and to provide suggested course of action, which will strengthen its financial position so that it can take concrete steps in achieving its objectives.

Mr. Adhikari in his research he found that the NIDC has higher liquidity, higher leverage position, lower profitability, insufficient management of assets and very low market price of the shares in the market with fluctuation pattern over the period of eight years. It has raised its requirement through national and international loaning agency as a long-term loan. The percentage of loaning relation to the issuance of owners' funds is negligible in each fiscal year. Similarly the acquirement to these funds has not followed the same pattern over the years. It has used capital marker of the country normally, which showed that the corporation is not able to relax the neo the country normally, which showed that the corporation is not able to relax the liberal economic environment of the world. Most of the fund raise by the corporation has been used as long-term loan with variable amount in different years to the development banks and not been utilized with higher coefficient of return . From the predetermined null hypothesis, there is similar financial performance for the corporation over eight year periods in terms of liquidity, profitability, assets management, debt management and sources and uses of the funds.

Mr. Prem Bahadur Shahi (2007), on his study " Investment Policy of Commercial Banks in Nepal : A Comparative Study of Nepal Bank Limited (NBL) and Joint Venture Banks (JVBs) . The main objectives of his study were to evaluate the liquidity, asset management efficiency and profitability and risk position of NBL in comparison to the JVBs. To discuss fund mobilization and investment policy of NBL in respect to its fee-based Off-balance sheet transaction and fund –based On-balance sheet transaction in comparison to the JVBs. To find out the empirical relationship between various important variables i.e. deposits, loan & advances, investment, net profit etc. To analyze the deposit utilization trend and its projection for next five years and to conduct hypothetical test to find whether there is significant difference between the various important ratios of NBL and the JVBs. And to provide a package of workable suggestions and possible guidelines to improve investment policy of NBL and the JVBs based on the finding of the analysis for improvement of financial performance of NBL, in future.

Mr. Shahi has found that the liquidity position of NBL is comparatively better than that of the JVBs. It has more portions of current asset as loan and advance but less portion as investment on government securities. NBL is comparatively less successful in On-balance sheet as well as Off-balance sheet operation than that of the JVBs. it has not followed any definite policy with regard to the management of its assets. It predicts that in the coming days NBL can not mobilize and utilize its resources as efficiency as the JVBs to maximize the returns and may lag behind in the competitive market of banking. He further found that profitability position of NBL is comparatively not better than that of the JVBs. So, NBL must maintain its high profit margin in future. He has further found that there is comparatively higher risk in NBL than that of the JVBs regarding various aspects of the banking function. NBL has not been more successful to increase its sources of funds i.e. deposits and mobilization. Similarly, it seems to have failed to maintain high growth rate of profit. It has not made any effective strategy to win the confidence of shareholders, depositors and its all customers. There is significant relationship between deposits and loan & advances as well as deposit and total investment (which is negative of NBL), but not between profit and outside assets in case of NBL and the JVBs. NBL has higher trend values of loan & advance and deposits assets in case of NBL and the JVBs. NBL has higher

trend values of loan & advance and deposit but lower trend value of net profit and total investment in comparison to the JVBs.

Mr. Shyam Kumar Udas (2008), on his study "A Comparative study of investment policy of Nepal Bangladesh Bank Ltd. and Bank of Kathmandu Ltd. His objectives of the study were to examine the financial performance of Nepal Bangladesh Bank and Bank of Kathmandu for a period of 2051/52 to 2055/56 . To show the causes of changes in cash position of the two banks at two balance date. And to suggest and recommend the banks to improve their financial performance.

Mr. Udas had found on his study that the current ratio of both banks were below conventional rule. But, the ratio was high in NB bank as compared to BOK. The cash and bank balance of NB bank was found to be in decreasing trend while that of BOK was quite fluctuating over the study periods. Bok had a higher portion of cash and bank balance out of its current assets compared to NB bank. It was also found with the help of standard deviation and coefficient of variation that BOK had greater variability in overall liquidity ratios. NB bank is in better position in terms of utilizing customers' deposits in the form of loans and advances. However, both of these two banks are utilizing their deposit funds through loans and an advance, but comparatively NB bank is doing more efficiency than Bok. All the profitability ratios were found to be higher in case of NB bank than Bok. Since Bok is suffering losses in three fiscal years, thus showing its operational deficiencies in mobilizing the resources in productive sectors. Thus, it can conclude that the profitability position of NB bank is far better than that of Bok. He has further found that Bok failure to earn a reasonable rate of return on its investment in most of the time. EPS was found to be always higher in case of NB bank than Bok. It shows that NB bank was utilizing its owners capital more effectively than Bok . NB bank was consistently paying dividend to its shareholders compare to Bok. NB bank was generating more cash from operating activities than BOK .Thus NB bank is operationally more effective and efficient to generate cash from operation than BOK. The investment made by NB bank was higher than that of BOK in most of the study periods. NB bank does not hesitate to invest in any sectors regardless of risk involved in it . Both banks were not quite able to generate cash through financing activities .NB bank has issued only 25 percent of its authorizes capital while BOK has collected just 50 percent of its issued capital.

MR Shiva Raj Laudhari (2008), in his study entitled . "A study on investment policy of Nepal Indosuez Bank Ltd.(NIBL) in comparison to Nepal SBI Bank Ltd." concluded that NIBL has maintained both current ratio and cash reserve ratio better than SBI's But its cash and bank balance, investment on government securities and loan and advance in comparison to current assets are lower than that of SBI. He also found that deposit utilization of NIBL is less effective than SBI's. Further , NIBL has invested lesser amount on government securities and shares and debentures than that of SBI,

Mr. Laudhari recommended to NIBL to pay proper insight towards cash reserve ratio to make it stronger and to mobilize the excessive fund in a profitable sector. It has to put out hand investing on government securities because they have low return and search for more profitable sectors. NIBL is highly recommended to synchronize between deposit collection and investment even though they are different activates. NIBL is to be more liberal in providing the loan and advance and get the better result. Further the larger the covered area the stronger the portfolio and the bigger the amount of advance become .

2.2.3 Review of Research Papers

There are not sufficient articles published related to field of investment management in Nepal .

Dr. Radhe S. Pradhan (2003) in his research "Financial Management Practices in Nepal. Has studied about the major feature of financial management practices in Nepal . To address his issue, distributing a multiple questionnaire, which contained questions on various aspects of financial management practices in Nepal, carried out a survey of 78 enterprises.

He found that among the several finance functions, the most important finance function appeared to be working capital management , While, the least important one appeared to be maintaining good relations with stockholders . The finding reveals that banks and retained earning are the two most widely used financing sources. Most enterprises do not borrow from one bank only and they do switch between banks to whichever offers best interest rates. Most enterprises find that banks are flexible in interest rates and convenience. He further found that among the bank loans, bank loans of less than one year are more popular in public sector where as bank loans of 1-5 years are more popular in private sector. In periods of tight money, the majority of

private sector enterprises felt that bank will treat all firms equally while public sector does not feel so. Similarly, he concluded that the majority of enterprises in traded sector find that banks, interest rate is just right while the majority in non-traded sector find that the same is one higher side.

Dr. Sunity Shrestha (2005) in her research, "Investment planning of commercial banks in Nepal" has made remarkable efforts to examine the investment planning of commercial banks in Nepal. On the basis of the study she concludes that bank portfolio (loans and investments) of commercial banks has been influenced by the variable securities rates. Investment planning of commercial banks in Nepal is directly related to fiscal policy of government and heavy regulatory procedure of the central bank (NRB). So the investments are not made in professional manner. Investment planning and operation of commercial banks in Nepal has not been found satisfactory in terms of profitability, safety, liquidity, productivity and social responsibility. To overcome this problem, she has suggested, "commercial banks should take their investment function with proper business attitude and should perform lending and investment operation efficiently with proper analysis of the projects."

Mr. Shiba Raj Shrestha (2007) Deputy Chief Officer of Nepal Rastra Bank, Banking Operation Department, has given a short glimpse on the "Portfolio management in commercial bank, theory and practice."

Mr. Shrestha has highlighted the following issues in the article. The portfolio management is a most important thing for both individuals and as well as institutional investors. All the investors would like to select a best mix of investment assets subject to following aspects:

- Higher return than other alternative opportunities, which is available according to the same risk class to the investors.
- High liquidity with adequate safety & profitability of investment.
- Maximum concession of tax.
- Certain capital gain.
- Flexibility of investment.
- Economic, efficient and effective investment mix, etc.

According to above aspects, some following strategies are adopted:

- Do not put all the eggs in the same basket, i.e. don't hold any single securities, try to have a portfolio of different securities.

- Diversify the investment for adequate safety, liquidity and profitability.
- Decide such a portfolio of securities, which ensures maximum returns with minimum risk or lower of return but added objective of wealth maximization .

However, Mr. Shrestha has also presented following approach to be adopted for designing a good portfolio and its management .

- To find out the assets to investment (generally known as securities) having scope for better returns depending upon individual characteristics like age, health, need disposition, liquidity , tax liability etc.
- To develop alternative investment strategies for selecting a better portfolio. Which will ensure a trade-off between risk a return so as to attach the primary objective of wealth maximization at lower risk .
- To find out the risk of the securities depending upon attitude of investor towards risk .
- To identify securities for investment to refuse volatility of return and risk.

Mr. Shrestha has also presented two types of investment analysis techniques i.e. fundamental analysis and technical analysis and technical analysis to consider any securities such as equity, debenture and bond and other money and capital market instruments. He has suggested that the banks having international network can also offer access to global financial markets. He has pointed out the requirements of skilled manpower, research and analysis team and proper management information system (MIS) in any commercial bank to get success in portfolio management and customers' confidence.

At last, Mr. Shrestha has put out following concluding remarks.

- The survival of every bank depends upon its own financial health and various activities.
- In order to develop and expand the portfolio management activities successfully the investment management methodology of a portfolio manager should reflect high standards and their clients the benefits of global strengths, local insights and prudent philosophy.
- The Nepalese banks having greater network and access to national and international capital markets have to go for portfolio management activities for the increment of their fee based income as well as to enrich the client base and to contribute in national economy .

CHAPTER III

RESEARCH METHODOLOGY

Research Methodology is the way to solve systematically about the research problem, which includes many techniques and tools, as it is necessary for every study.

3.1 Research design

This study is analytical in nature. A true research design is basically concerned with various steps to collect the data for analysis and draw a relevant conclusion. recommendation is another important aspect of design strategy. The research design allows the researchers to take an appropriate measure and direction towards the predetermined goals and objectives. "A research design is the arrangement of condition for the collection and analysis of data in a manner to combine relevance of the research purpose with economy in procedure. Research study design is the plan, structure and strategy of investigation conceived so as to obtain answer to research question and control various things.

The research study examines the facts and postulates in certain frame works on details and supplies the important information on subject matter, summary of the study, major findings, Recommendations, conclusions 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 investment policies of JVB's. They are Standard Chartered Bank Nepal Limited and Everest Bank Limited in consideration not only to research about them but also to facilitate among them.

3.2 Population and Sample

Even though there are twenty three banks, only two joint venture banks viz SCBNL, EBL have been taken into account for research purpose as conventional sampling in this project study to compare their investment policy. Standard Chartered Bank Nepal Limited is second joint venture Bank of Nepal, established in 1985 A.D. In 1992 A.D., Everest Bank Nepal Limited was established.

These two banks are taken in account for comparative study. Their investment policy may be different, depending upon the basis of risk taking behavior.

3.3 Data Collection Techniques

Data are collected from two sources. They are primary and secondary sources in this study.

i. Primary sources:

These primary sources of data have been used to collect from concerned bank under this study asking direct questions to the Bank managers.

ii. Secondary Sources:

The study is mainly based on secondary data. The secondary sources of data collections are those that have been used from published on used by someone previously. The secondary sources of data are Balance Sheet, P & L Account of concerned Banks, annual Report and literature publication of the concerned banks. The NEPSE and Nepal Security Board report of the concerned bank has furnished some important data to this project study. Some supplementary data and information have been collected from the authoritative sources like Nepal Rastra Bank, Central Library T.U. Shanker Dev Campus, Library, Security Exchange Board, Economic survey, Different journals, magazines and other published and unpublished reports documented by the authorities.

The data for the study are collected from record available, Security Board and Annual Reports of Concerned Banks. The various stock exchange publications formed and important supplementary source of the data for this project study, particularly on investment policy. The data is collection of raw information taken in stateside manner. The data are prerequisites of any project study. The data collection details the labours and time and it is the most necessary step in project study without the study cannot be done.

3.4 Data Analysis Tools.

Analysis and presentation of the data is the core of project study. This study needs some financial and statistical tools to accomplish the objectives of this study. The financial and statistical tools are most reliable. To achieve the objective of the study. various financial, statistical and accounting tools have been used to achieve the purpose:

3.4.1 Financial analysis:

Financial analysis basically helps to analyze the strength and weakness of a firm. Ratio analysis is one of the important financial tools has been used in the study. It helps to show the mathematical relationship between two accounting items or figure. Ratio analysis is the only tools that can collect the financial performance and status of a firm with the other firms. Ratio analysis is the part of whole process of analysis of financial statements of any business or industrial concerned especially to take output and credit decision. Although there are various types of ratios to analyze and interpret the financial statement, only four ratios have been taken in this study, which are mainly related to investment policy of banks. They are as follows.

3.4.1.1 Current Ratio

It refers to the relationship between current assets and current liabilities of a firm that also measures the short- term solvency of the firm. Current assets involve cash and bank balance, money at call or short notice, loans and advances, overdrafts, bill purchased and discounted, investment on government securities and other interest receivables and miscellaneous current assets. Similarly, current liabilities involve deposit and other short term loans, tax provision, dividend payable, bills payable, staffs bonus, and sundry liabilities. 2:1 standard of current ratio is widely acceptable but accurate standard depends on circumstances and nature of business. Current ratio can be measured as,

$$\text{Current Ratio} = \text{Current Assets/Current liabilities}$$

3.4.1.2 Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance are the most liquid current assets of a firm, cash and bank balance to total deposit ratio measures the percentage of most liquid assets to pay depositors immediately. This ratio is computed dividing the amount of cash and bank balance by the total deposits. It can be presented as,

$$\text{Cash and bank balance to total deposit ratio} = \text{Cash and bank balance/total deposits}$$

Where, total deposits consist of deposits on current account; saving account; fixed account, money at call and other deposits.

3.4.1.3. Cash and Bank Balance to Current Asset Ratio

This ratio measures the percentage of liquid assets i.e. cash and Bank balance among the current assets of a firm. Higher ratio shows the higher capacity of firms to meet the cash demand. This ratio is calculated dividing cash and bank balance by total current assets and can be presented as,

Cash & Bank Balance to current assets ratio = cash & Bank Balance/Current Assets.

Hence, cash and banks balance includes cash in hand, foreign cash and foreign banks.

3.4.1.4 Investment on Government Securities to Current Asset Ratio

This ratio is used to find the percentage of current assets invested on government securities, treasury bills and development bonds. This ratio can be calculated dividing the amount of investment on government securities by the total amount of current assets and can be stated as follows,

Investment of Government Securities to C.A. Ratio = Investment on Government securities/Current asset.

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

3.4.1.5 Asset Management Ratio

Asset management ratio is here used to indicate how efficiently the selected banks have arranged and invested their limited resources. The following financial ratios related to investment policy are calculated under asset management ratio and interpretations are made by these calculations.

3.4.1.6 Loan and advances to total Deposit Ratio

This ratio is calculated to find out how successfully the selected banks and finance companies are utilizing their total collections/deposits on loan and advances for the purpose of earning profit. Greater ratio shows the better utilization of total deposits this ratio can be obtained dividing loan and advances by total deposit, which can be shown as,

Loan and advances To total deposits ratio = total loan and advances/ total deposits

3.4.1.7 Loan and advances to total working fund ratio

The main element of total working fund is loan and advances. This ratio indicates the ability of selected banks and finance companies 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. That is stated as follows;

Loan & advances to total working fund = total loan & advances/ total working fund

Where, total working fund includes total amount of assets given in balance sheet which refers to current assets, net fixed assets , total loans for development banks and other sundry assets except off balance sheet items i.e. , letter of credit, letter of guarantee etc.

3.4.1.8 Total Investment to Total Deposit Ratio

Investment is one of the major sources of earning income. This ratio indicates how properly firms' deposits have been invested on government securities and shares and debentures of other companies. This ratio can be computed dividing total amount of investment by total amount deposit collection, which can be shown as,

Total Investment to total deposit ratio = total investment /total deposits

3.4.1.9 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,

Investment on Government Securities to total working fund ratio = Investment on government securities / total working funds

3.4.1.10 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 and finance companies on the shares and debentures of others companies in terms of total working fund. That can be calculated as,

Investment on shares and debentures to total working fund ratio = debenture and shares / total working fund

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

3.4.1.11 Profitability Ratios

Profitability Ratios are used to indicate and measure the overall efficiency of a firm in term of profit and financial position and performance of any institution. For better financial performance, profitability ratios of firms should be higher. Profitability position of the firms can be presented through the following different ways:

3.4.1.12 Return on Loan and Advances Ratio

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

Return on loan and advances ratio = Net profit (loss)/ Total loan & Advance

3.4.1.13 Return on total assets (Total working Fund) :

Return on 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,

Return on total assets (total working fund) = Net profit (loss)/total asset

3.4.1.14 Total interest earned to total working fund ratio:

Total interest earned to total working ratio is calculated to find the percentage of find the percentage of interest earned to total assets. Higher ratio indicates the better performance of financial institutions in the form of interest earning on its working fund. This ratio is calculated as follows:

Total interest earned to total working fund ratio = total interest earned/total assets

3.4.2 . Statistical Analysis

Some important statistical tools have been used, to present and analyze the data for achieving the objective of this study. Mean, co-efficient of variance, co-efficient correlation analysis, standard deviation, least square, linear trend analysis etc. have been used for the purpose. The basic statistical analysis related to this study are discussed below.

3.4.2.1 Mean (Average)

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. Since an average is somewhere within the range of the data, it is also called a measure of central value, since an average represents the entire data, its value lies somewhere in between the two extremes i.e. the largest and the smallest items.

There are various types of average in statistics. Among them, the researcher takes arithmetic mean; it is so popular as mean or average. Its value is obtained by adding together all the items and by dividing this total by the number of items. The formula is given below.

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

Where,

X = Arithmetic mean

$\sum X$ = Summation of all the items

n = Number of items

3.4.2.2 Standard Deviation

The standard deviation is the most important and widely used measure of studying dispersion. It is known as root mean square deviation for the reason that the square root of the mean of the squared relation form the arithmetic mean. The lower 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. Hence standard deviation is extremely useful in judging the representatives of to mean.

$$\sigma^2 = \frac{\sum d^2}{n}$$

Where,

σ = Standard Deviation

d^2 = Sum of the square deviation

n = number of items

3.4.2.3 Co-efficient of Variation

Co-efficient of variation is the corresponding relative measure of dispersion, comparable across tabulation, which is defined as the ratio of the standard variation to the mean expressed in resulting stage (Kothari, 1990) . It is used in such problems where we want to compare the variability of two or more than two series. That series for which the co-efficient of variation is greater is said to be more variable, less consistent, less uniform, less stable or less homogeneous. On the other hand, the series for which co-efficient of variation is less is said to be less variable or more consistent, more uniform, more stable or more homogeneous.

$$C.V. = \frac{\sigma}{X}$$

Where ,

C.V. = Co-efficient of variation

σ = Standard Deviation

X = Mean

In the study, CV is calculated for liquidity, activity, profitability, and return to investor and growth ratio .

3.4.2.4 Coefficient of Correlation

Sunity (2057 BS) says in her Book, Statistical Method in Management, Correlation is defined as the relationship between (among) the one dependent variable and one (or more than one) independent variable. In the other word, correlation is the relationship between (or among) two or more variables.

Karl Pearson's co-efficient of correlation is calculated to study the extent or degree of correlation between two variables. It can be either perfect positive or negative. The coefficient of correlation always varies between the two limits of -1 and +1 . The formula for the calculation of co-efficient of correlation is given below .

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

Where,

r	= Coefficient of correlation
$\sum XY$	= the total of the product of item in the two series
$\sum X \& \sum Y$	= the total sum of x & y items
N	= total number of times

In this research correlation between total deposit and loan & advances, deposit & total investment, total assets & net profit and total investment & net profit are studies. Similarly co-efficient of correlation of total deposit, total investment, loan & advances and net profit of NABIL and HBL are also done.

3.4.2.5 Co-efficient of Determination

The co-efficient of determination is a measure of the degree of linear association or correlation between two variables, one of which happens to be independent and other being dependent variable. In other words, co-efficient of determination measures the percentage of total variation in dependent variable explained by independent variables.

Symbolically;

$$R^2 = (r)^2$$

Where,

R^2	= Co-efficient of determination
r	= Co-efficient of correlation

3.4.2.6 Probable Error

The probable error if the correlation coefficient is applicable for the measurement of reliability of reliability of the computed value of the correlation coefficient. The probable error (P.E) is defined by

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

Where,

r	= Correlation coefficient
N	= Number of pairs of observations
$1-r^2 / N$	= Standard error of correlation coefficient (SE)
P.E.	= 0.6745 X S. E.

Conclusion

If $r < P.E.$ the value of r is not significant

If $r > 6 P.E.$ the value of r is significant.

3.4.2.7 Time Series / Trend Analysis

Trend analysis is also one of the most useful statistical tools. Trend analysis of different variables indicates the change over a period of time. Trend analysis informs about the expected future return, future achievement of the bank and future credit worthiness of the bank. Trend analysis is very effective, inform various personnel directly or indirectly related bank. Here the method of least square is selected as statistical tools for the analysis of bank. Straight-line trend is given by the following formula.

$$Y = a + bx$$

Where,

Y = The estimated value of y for given value of x obtained from the line of regression of y on x .

a = 'Y- intercept' / or mean of Y value.

b = 'Slope' of trend line/ or Rate of change.

X = the variable in time series analysis represents time.

$$a = \frac{\sum XY}{N}$$

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

Where,

a = regression constant

b = regression coefficient/ rate of change

y = the total value of dependent variable

xy = the total value of the product of items in the two series.

x^2 = the total of the sum of items in x series .

The equation is used to compute the overall performance of different selected commercial banks during the period plus projection for next five year. Under this topic following have been presented.

1. Trend analysis Total Deposit .
2. Trend analysis of Loan & Advances.
3. Trend analysis of Total Investment.
4. Trend analysis of Net Profit.
5. Trend analysis of Loan Loss Provision .

3.4.3 Test of Hypothesis

The test of hypotheses is a process of testing of signification regarding the parameter of the population on the basis of the sample drawn from the population. The computed value of the statistic may differ from the hypothetical value of the parameter due to sampling fluctuations. Hence the difference is considered to be insignificant and the hypothesis is accepted.

If the difference is large, it has not arisen due the hypothesis but is due to some other reasons. Hence, the difference is considered to be signification and the hypothesis is rejected. Thus, the rest of hypothesis discloses the fact weather the difference between the computed static and hypothetical parameter is significant.

The test of hypothesis has different methods for going to decision making. Here t-distribution is taken for this research purpose. The t-distribution states that if the sample size is less than or equal to 30 (i.e. $n < 30$), then the sampling distribution of the sample mean follows t-distribution. This t-distribution is also known as 'student distribution' or 'student's t-distribution' .

The statistical hypothesis may be dividend may be dividend into two types, null hypothesis and alternative hypothesis.

Null Hypothesis (H_0)

A statistical hypothesis, which is stated for the purpose of possible acceptance, is called a null hypothesis, is called an alternative hpothesis and is denoted by H_1 , for the study concerned, there is significantly difference in variables of NABIL and HBL.

Test of hypothesis has been conducted most of the variables which are already explained in the analysis.

CHAPTER- IV

DATA PRESENTATION AND ANALYSIS

This is analytical chapter where the researcher has analyzed and evaluated all the major financial terms with the some financial and statistical tools, which directly affect the investment management and fund mobilization of SCBNL and EBL in comparison.

4.1 Analysis of Sectorwise investment of sample banks

4.1.1 Analysis of investment in different sectors by SCBNL

The researcher has collected some financial data of sample Banks to know the amount invested in Different sectors out of total deposit. The following table reveals the proportion of total deposit interested in different secors for the last six years,

Table No. 4.1

Percentage of total deposit invested in different sectors by SCBNL

Fiscal year	%	% of investment in private sectors				% Foreign currency
		Industrial Sector	Commercial Sector	Agricultural Sector	Shares and deb.	
	invested in Gov. Sec.					
2002/03	36.53	14.22	12.93	6.64	0.07	0.13
2003/04	35.84	12.53	11.94	6.07	0.06	0.18
2004/05	37.56	10.11	12.00	6.33	0.05	0.21
2005/06	37.19	14.38	15.29	7.64	0.07	0.31
2006/07	37.48	11.49	17.30	7.37	0.07	0.21
2007/08	36.05	12.08	18.43	8.13	0.06	0.26
Average	36.78	12.46	14.65	7.03	0.063	0.22

Source: Appendix C 1

Above table shows application of deposit in different sector over the last six years. The bank has given importance to government security and investment significant amount on that over the last six years. It has invested around 36.78% of its total deposit in government security like bond & treasury bills. Beside that the Bank

has also invested in private sector like commerce, industries, agriculture & shares and debenture. The study reveals that the bank has used more fund in commercial sector than other private sector.

The bank has also invested small portion of deposit in foreign currency and in shares and debentures of private company. Above table shows that the bank has invested comparatively lower amount in agricultural sectors. It has used less 1% of total deposit in shares and debentures of private company. It means the bank does not want to take risk in its investment.

The above financial data can be shown through sub divided bar diagram also, which is as follows:

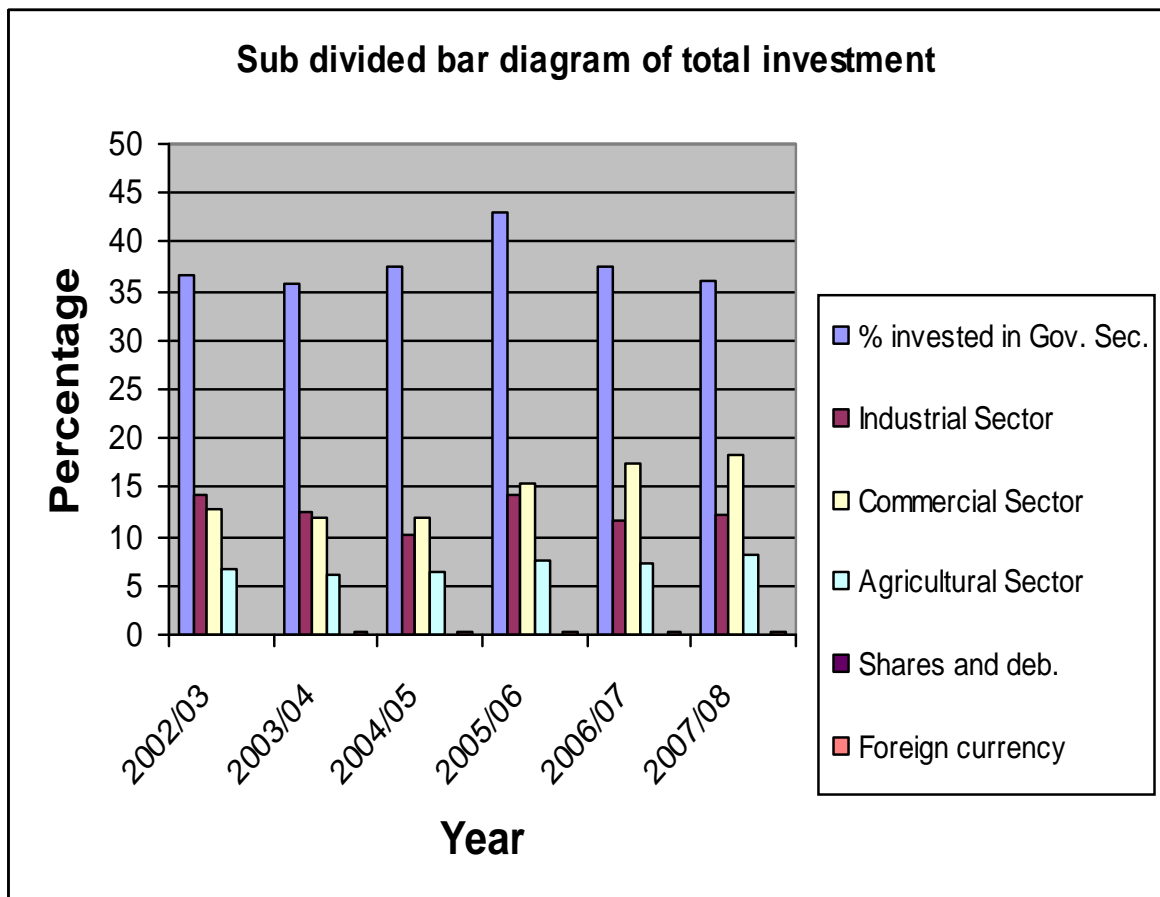


Fig. no. 4.1

4.1.2 Analysis of investment in different sectors by EBL

The researcher has also collected some financial data from EBL to know the total investment in different sectors the following table reveals the proportion of total deposit invested in different sectors.

Table No. 4.2

Percent of total deposit Invested in different sectors by EBL

Fiscal year	% invested in Gov. Sec.	% of investment in private sectors			Shares and deb.	% Foreign currency
		Industrial Sector	Commercial Sector	Agricultural Sector		
2002/03	28.15	15.43	22.96	15.43	0.31	0.19
2003/04	23.89	18.59	30.18	12.75	0.28	0.16
2004/05	30.59	19.01	29.61	14.33	0.21	0.18
2005/06	20.79	20.28	30.19	18.34	0.19	0.17
2006/07	25.71	22.09	27.11	14.06	0.17	0.13
2007/08	23.31	21.67	27.84	15.51	0.14	0.15
Average	25.38	19.51	27.98	15.07	0.22	0.16

Source: Appendix C 2

The above table shows the application of total deposit in different sectors. As like SCBNL, EBL is also investing much portion of its investment in government securities like bond and treasury bills. It might be because of less risk. Beside that it has used comparatively more portion of its total deposit in commercial sectors in comparison to SCBNL . EBL has invested more proportion in agricultural sector than SCBNL. But few portion of its amount is invested in shares and debenturs of private companies. It has also used little amount on foreign currency . After the study of the table, it is clear that the Bank has given top priority for government sectors and than to commercial sectors.

The table can be shown with the help of subdivided bar diagram which is as follows

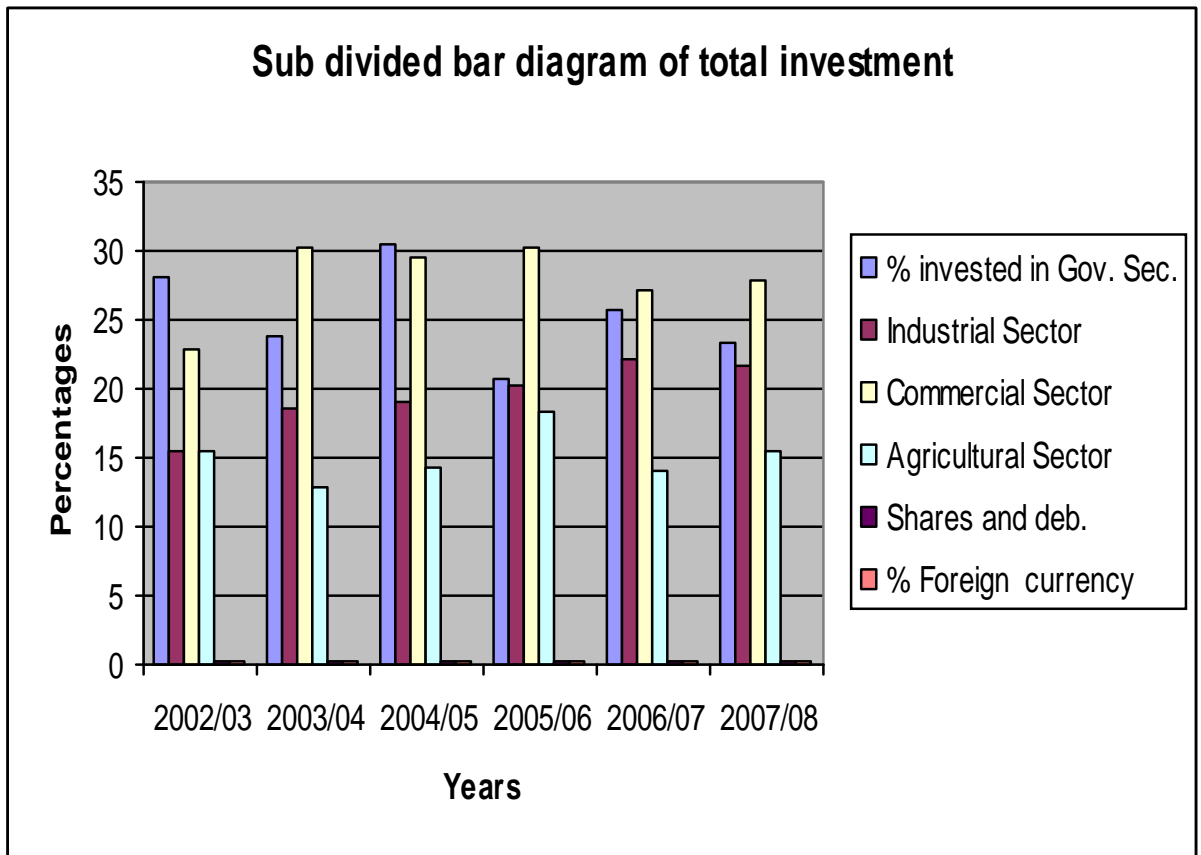


Fig. 4.2

In conclusion, it can be said that both the banks have invested in similar way in similar like securities. Both the banks have invested more portion of their deposit in government sector and remaining amount in private sector. Both are not taking to much risk.

4.1 Relationship between total deposit, investment, loan advance and net profit

Statistical tolls are mostly used to calculate and analyze the various data. Here the researcher has used correlation for analyzing the data.

4.2.1 Correlation coefficient between Deposit and Loan & Advances.

It is deposit which are supplied by the banks to outsider's as loan and advance to get return therefore, deposit plays a significant role for the banks. Co-efficient of correlation between deposit and Loan & Advances helps to measure the degree of relationship between these two variables. For this calculation deposits are independent variable (X) and Loan & Advances are dependent variable (Y). The main objectives of computing correlation (r) between these two variables is to justify whether deposit are significantly used as Loan & Advances in proper way or not: The following table provides the calculated values:

Table no. 4.3
Correlation between Deposit and Loan & Advances

Name of Banks	Evaluation Criterions			
	r	R ²	P.Er.	6 P. Er.
SCBNL	0.85	0.72	0.077	.46
EBL	.94	0.89	0.030	.18

Sources: Appendix D

From the above table, it is found that coefficient of correlation between deposits and Loan & Advances of SCBNL 0.85. It shows the positive relationship between These two variables. It suggests that deposit and Loan & Advances of NABIL move together to the same direction very closely but not perfectly. The coefficient of determination of SCBNL 0.72. It means 72 Percent of variation in Loan Advances is explained by deposit. Similarly, the correlation coefficient is found significant because the correlation coefficient is greater than the relative value of 6 P.Er.

In the same way, the correlation coefficient between deposit and Loan & Advances of EBL 0.94, which indicates that there is high positive correlation between these two variables. The value of coefficient of determination is 0.89. It concludes that there is 89 percent variance in Loan & Advances are affected by total deposit. The calculated value of 6 per is less than correlation so it can be said that there is high significant relationship between loan and advance and deposits of EBL.

Finally, it can be said that both SCBNAL and EBL have positive relationship between deposit and loan and advances. The relationship is also highly significant in the case of both the banks. This indicates that SCBNL and EBL are successfully mobilizing there deposits as loan and advance.

4.2.2 Coefficient of Correlation between Total Deposits and Total Investment.

The coefficient of correlation between deposit and investment measures the degree of relationship between these two variables. Here, while calculating correlation deposit is independent variable (X) and total investment is dependent variable (Y). The purpose of computing coefficient of correlation is to justify whether the deposits are used in proper way or not and is there any relationship between them or not.

The following table shows the coefficient correlation between deposits and total investments i.e. r, P.Er., 6 P. Er. and coefficient of determination (R^2) of SCBNL and EBL for the last six years.

Table no. 4.4
Correlation between Deposit and Total Investment

Name of Banks	Evaluation Criterions			
	r	R^2	P.Er.	6 P.Er
SCBNL	0.96	0.92	0.022	0.13
EBL	0.85	0.72	0.077	0.46

Sources: Appendix D

From the above table, it is found that the coefficient of correlation between total deposit and total investment of SCBNL is 0.96. It explains that there is highly positive correlation between the variables., coefficient of determination of SCBNL is 0.92. It means 92 percent of total investment is explained by total deposit. The correlation coefficient is also highly significant because the correlation coefficient is much more greater than 6 P . Er. i.e. $0.96 > 0.13$

In the same way, when coefficient of correlation between total deposit and total investment of EBL is observed 0.85. It means there is positive relation between the variables. The coefficient of determination is found 0.72 this refers 72 percent of

the variation in total investment is explained by total deposit. Looking over the value of 6 P.Er., it can be concluded that correlation value calculated is highly significant. Form the above analysis it can be said that both the banks are able to utilize their deposits as investment in proper way. But SCBNL looks more sound from the view point of correlation co- efficient than EBL.

4.2.3 Coefficient of Correlation between Total Assets and Net Profit.

Co- efficient of correlation between total assets and net profit is used to measure the degree of relationship between two variable i.e. total assets and net profit of SCBNL and EBL during the last six years.

Here, The total Assets is supposed as independent variable i.e. X and net profit as dependent variable i.e Y. This analysis help to know whether there is significant relation is between total assets and net profit or not.

The following table shows the 'r' , R^2 , P.Er. and 6 p. Er. between those variables of SCBNL and EBL for the last six years i.e(2001/02 to 2006/07).

Table no. 4.5
Correlation between Total Assets and Net Profit

Name of Banks	Evaluation Criteria			
	r	R^2	P.Er.	6 P. Er.
SCBNL	0.93	0.86	0.038	0.23
EBL	0.99	0.97	0.008	0.05

Sources: Appendix D

From the above enlisted table, it has been found that the coefficient of correlation between total assets and net profit of SCBNL is 0.93., which suggests there is highly positive correlation between the variables. Here, 86 percent of net profit is explained by total assets as its co efficient of determination is 0.86.

In the same way, EBL has near about perfectly positive correlation between total assets and net profit. The coefficient of determination of 0.97 indicates that 97 percent variability in net profit is explained by total assets. The correlation co efficient

calculated is highly significant because the value of 6P.Er. is very less than the value of correlation.

In conclusion, EBL net profit looks more sound than SCBNL because its net profit and total assets are near about perfectly co- related.

4.2.4 Coefficient of Correlation between Total Investment and Net Profit

Coefficient of correlation between total investment and net profit measures the relationship between total investment and net profit. While calculating correlation, it is supposed that The investment is independent variable X and net profit is dependent variable Y. The following Table shows the coefficient of correlation, coefficient of determination, probable error and 6 P.Er. for the study period.

Table no. 4.6
Correlation between Total Investment and Net Profit

Name of Banks	Evaluation Criteria			
	r	R ²	P. Er.	6P. Er.
SCBNL	0.90	0.81	0.052	0.312
EBL	0.96	0.92	0.022	0.132

Sources: Appendix D

In the above table, correlation coefficient between total investment and net profit of SCBNL is 0.90 which indicates there is highly positive correlation between total investment and net profit. The co- efficient of determination is 0.81, which indicates that 81 Percent variation in net profit is explained by total investment. The value of co- rrelation calculated is highly significant because it 6 P. Er. is lesser correlation.

In the same way EBL has also highly positive correlation between total investment and net profit. This relationship is also significant as its correlation coefficient is greater than 6 P. Er. Coefficient of determination is 0.92, which shows that 92-percentage variance in the net profit is explained by total investment.

Now, finally it can be concluded the degree of relationship between total investment and net profit of SCBNL and EBL is good and looks healthy. But comparatively EBL looks healthier than SCBNL as it has higher correlation.

4.2.5 Coefficient of Correlation between Total Deposit of SCBNL and EBL.

Coefficient of correlation of total deposit between SCBNL and EBL are given in the table. It helps to understand is there any relationship between total deposit of the two sample banks or not.

Table no. 4.7
Correlation between Total Deposit of SCBNL and EBL

Evaluation Criteria			
r	R²	P. Er.	6 P. Er.
0.94	0.88	0.033	0.20

Sources: Appendix D

The table shows that the deposit of SCBNL and EBL are highly positively correlated . Both the sample banks have positive correlation and tend to move in the same direction . As the matter of that both the banks have increasing trend of total deposit over the study period .

The coefficient of determination is 0.88 which indicates high relationship between the total deposits . The coefficient of correlation calculated above is highly significant as its 6 P.Er. is lower than correlation value .

4.2.6 Coefficient of correlation between total Investment of EBL and SCBNL

The following table shows the correlation between total investment of EBL and SCBNL

Table no. 4.8

Coefficient of correlation between total Investment of EBL and SCBNL

Evaluation criteria			
r	R²	P.Er.	6 P.Er.
0.96	0.92	0.022	0.132

Sources: Appendix D

The above table shows highly positive correlation in between the total Investment of the sample banks. Both the banks have increasing trend of investment in the same magnitude. Both SCBNL and EBL have mobilize there fund in same manner over the study period. This correlation coefficient is highly significant as its 6 P.Er. is lesser than correlation coefficient.

4.2.7 Coefficient of Correlation between Net profit of SCBNL and EBL

The coefficient of correlation of Net profit between SCBNL and EBL has been given below.

Table no.9

Correlation between Net profit of SCBNL and EBL

Evaluation Criteria			
r	R²	P.Er.	6 P. Er.
0.96	0.92	0.022	0.132

Sources: Appendix B

Above table shows that there is high degree positive correlation between profit of SCBNL and EBL, because it is 0.96. This relationship is also highly significant because its correlation coefficient is much more greater than 6 P. Er. The coefficient of determination is 0.92 which shows 92 percent of the degree of relationship.

Finally it can be said that the net profit of both the sample banks is moving in the same direction together.

4.3 The deposit utilization and its projection for next five years

Forecasting is essential in any decision making. A time series analysis is used to analyse deposit collection and its projection for the next five years. Here in this research the researcher has used it to find the trend value of following types.

4.3.1 Trend value of total deposit

Here the trend value of total deposits is calculated for EBL and SCBNL for the last six years.

Table no. 4.10

Trend value of total deposit of EBL and SCBNL

Fiscal Year	EBL		Fiscal Year	SCBNL	
	Actual value	Trend value		Actual Value	Tren Value
2002/03	54666.09	48749.65	2002/03	158357.47	164837.95
2003/04	66947.63	68333.61	2003/04	187556.34	180886.39
2004/05	80639.02	87927.65	2004/05	211614.42	196934.81
2005/06	100976.91	102516.65	2005/06	193034.69	212983.23
2006/07	138024.44	121105.65	2006/07	230610.32	229031.65
2007/08	145076.43	146694.65	2007/08	248580.37	245080.07

Trend value of total deposit of EBL and SCBNL for the next five years.

F/Y	EBL		F/Y	SCBNL	
	Trend value			Trend value	
2008/09	162283.85		2008/09	261128.49	
2009/10	181872.65		2009/10	277176.91	
2010/11	201461.65		2010/11	293225.31	
2011/12	221050.65		2011/12	309273.75	
2012/13	240639.65		2012/13	325322.07	

Sources: Appendix E

The following figure shows the trend and actual values of EBL and SCBNL from 2002/03 to 2012/13

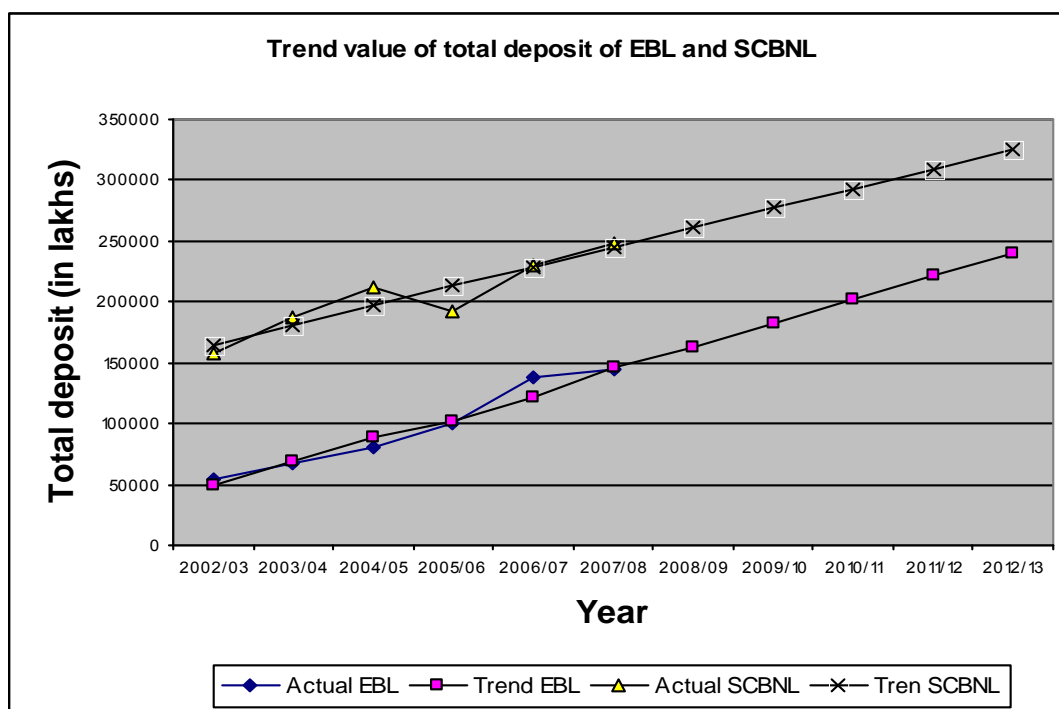


Fig. no. 4.3

The above figure shows trend value of total deposit SCBNL and EBL. It depicts that the trend value of deposit is in increasing trend. Annual growth rate for EBL is RS 19589 and SCBNL is Rs 16048.42 which looks quite significant. But the growth rate of EBL is more than SCBNL.

However, looking over the actual trend line, it suggests deposit collection of SCBNL is fluctuating in comparison to EBL, the deposit collection of SCBNL has decrease in the year 2004/005 where as EBL has constant growth rate with no decrement in any year, throughout the study period.

second table depicts the projection of total deposit of the sample banks for the next five years i.e. up to 2012/13 According to the trend value analysis the deposit collection of SCBNL will be 325322.07 laks and EBL will be Rs 240639.65 lacs. However it is been calculated with the present data, so in real it may differ.

In conclusion, it can be said that EBL has grown quite significantly over the last five years in terms of deposit collection. Eventhough the amount of deposit collection of SCBNL is very high.

4.3.2 Trend value of net profit

Here the trend value of net profit is calculated for EBL and SCBNL for the last six years

Table no. 4.11

Trend value of Net profit of EBL and SCBNL

F/Y	EBL		F/Y	SCBNL	
	Actual value	Trend value		Actual value	Trend value
2002/03	853.47	658.09	2002/03	4792.06	4684.53
2003/04	941.80	1068.47	2003/04	5069.32	5055.45
2004/05	1435.66	1478.85	2004/05	5378.00	5426.37
2005/06	1682.14	1889.23	2005/06	5362.44	5797.29
2006/07	2372.90	2299.61	2006/07	6587.55	6168.21
2007/08	2818.27	2710.02	2007/08	6481.42	6539.13

Trend value of Net profit for next five years.

Fiscal Year	Trend value	Fiscal Year	Trend Value
2008/09	3120.37	2008/09	6910.05
2009/10	3530.75	2009/10	7280.27
2010/11	3941.13	2010/11	7651.89
2011/12	4351.51	2011/12	8022.81
2012/13	4761.89	2012/13	8393.73

Sources: Appendix E

The following figure shows the trend and actual values of EBL and SCBNL from 2002/03 to 2012/13

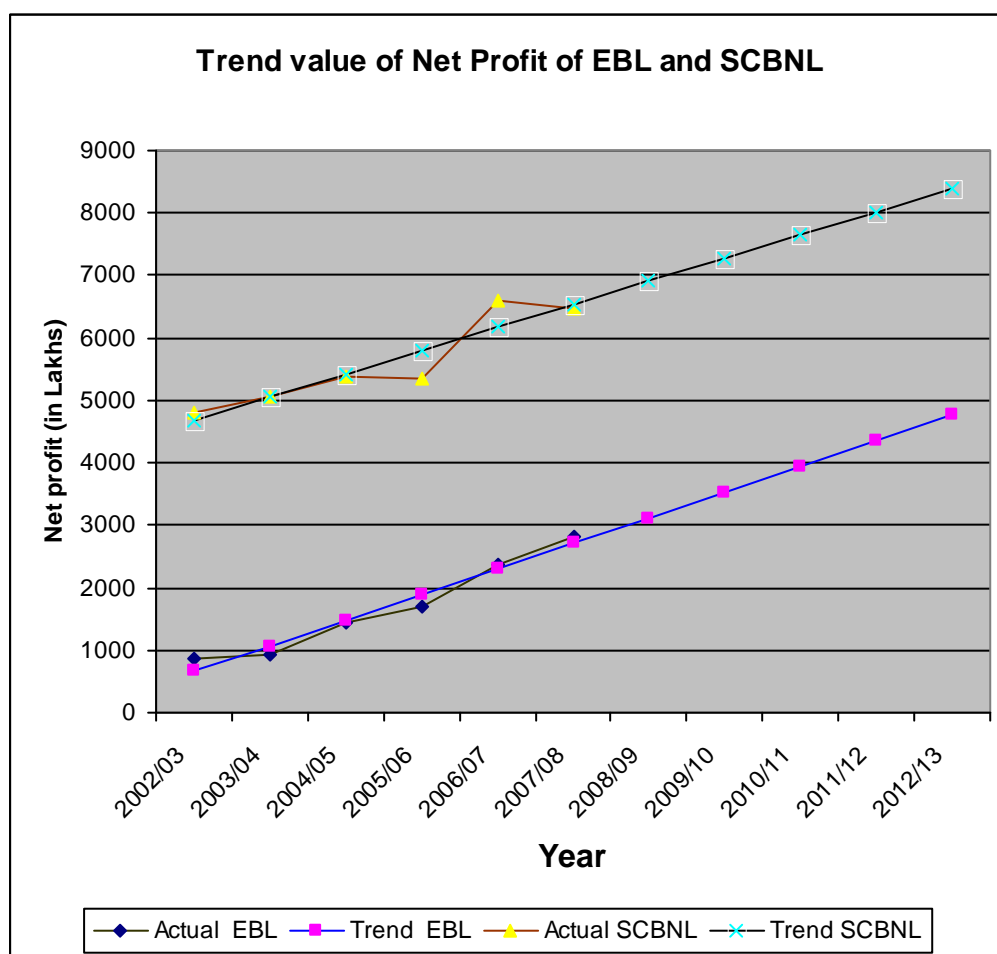


Fig. no. 4.4

The above figure shows, the net profit of EBL and SCBNL of the last six years and the projection for the next five years. It shows that the net profit of both the banks have been in increasing trend over the study period. Comparatively, net profit of SCBNL is very high than EBL. But by this it can be said that EBL isn't performing well because the level of Capital investment of SCBNL is higher than EBL, so its justifiable. By comparison it is understood that the annual growth rate of net profit for EBL is Rs. 410.38 lakhs and for SCBNL is Rs. 370.92 lakhs. It suggests that despite using less capital EBL earning and growth rate is quite higher and significant.

The projected figure of net profit shows that the estimated profit of SCBNL and EBL will be Rs. 4761.89 lakhs and Rs. 8393.73 lakhs respectively in the year

2012/13. In conclusion, it can be said that EBL is performing and utilizing its deposit very effectively to earn maximum return. SCBNL looks very weak in comparison to EBL in terms of generating profit from investment.

4.3.3 Trend value of loan and advance

The following table shows the total loan and advance of EBL and SCBNL and their trend values.

Table no. 4.12
Trend value of loan and advance of EBL and SCBNL

Fiscal	EBL		Fiscal Year	SCBNL	
Year	Actual Value	Trend Value	Year	Actual Value	Trend value
2002/03	39484.78	35317.01	2002/003	53640.05	50403.60
2003/04	49084.60	49867.41	2003/004	56958.23	59628.96
2004/05	58871.22	64417.81	2004/005	64102.42	68854.32
2005/06	76186.71	78968.20	2005/006	81432.07	78079.68
2006/07	98013.07	93518.61	2006/007	89354.17	87305.04
2007/08	102517.05	108069.01	2007/08	95314.31	96530.40

Trend value of loan and advance for the next five years.

Fiscal Year	Trend value of EBL	Trend Value of SCBNL
2008/09	122619.41	105755.76
2009/10	137169.81	114981.12
2010/11	151720.21	124206.48
2011/12	166270.61	133431.84
2012/13	180821.01	142657.20

Sources: Appendix E

The following figure shows the trend and actual values of loan and advance of EBL and SCBNL from 2002/03 to 2012/13

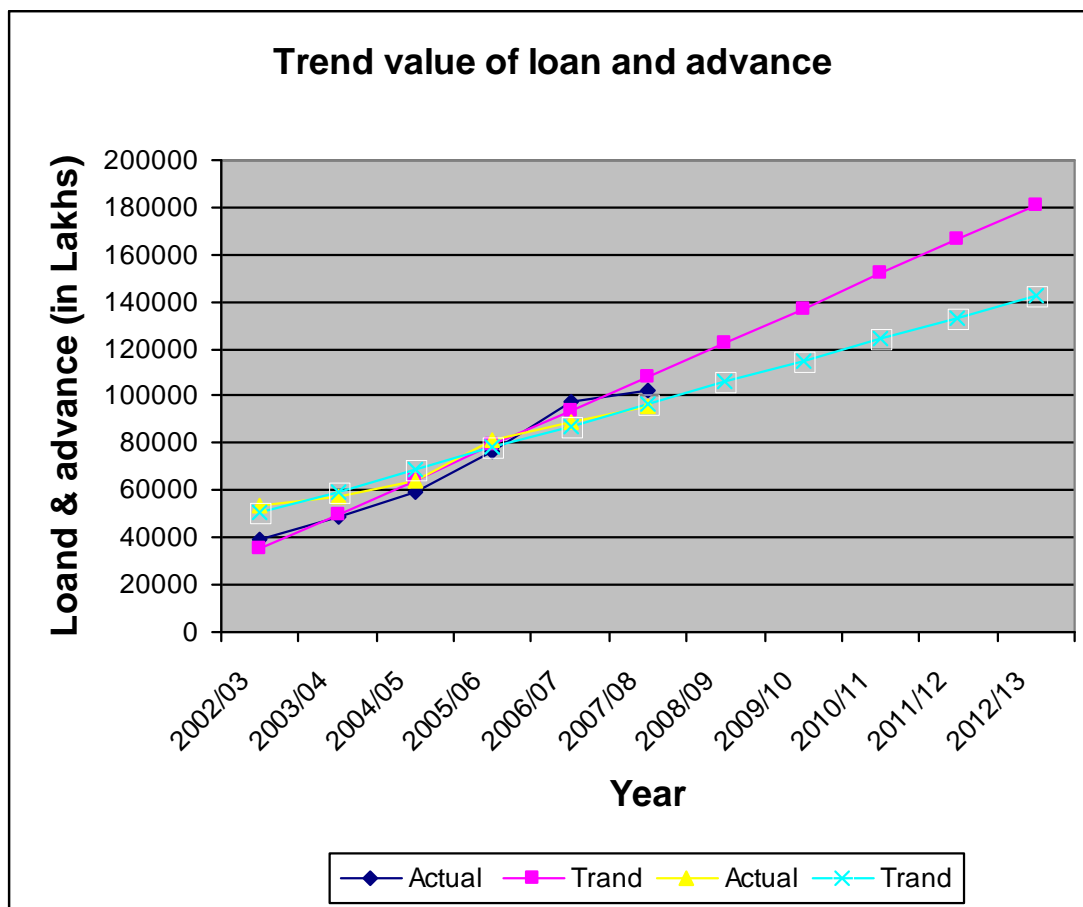


Fig. 4.5

The figure suggests that the loan and advances of both the banks are in increasing trend. The annual growth rate of loan and advance for EBL is Rs. 14550.4 lakhs where is for SCBNL is Rs. 9225.30 lakhs only. It suggests EBL is increasing the rate of investment rapidly than SCBNL. EBL has lower investment but it is using it very efficiently, so the impact is seen on profit .(i.e. growth rate of EBL of profit for EBL is quite higher than EBL). SCBNL has little more fluctuation incomparision to EBL.

The second table shows the projected figure of loan and Advance of EBL and SCBNL . According to which the projected Loan and advance of EBL will be Rs 180821.01 lakhs and for SEBNL will be Rs 142657.20 lakhs in the year 2012/13 .

In conculusion, It can be said that SCBNL is not utilizing its capital and deposits as loan and advance. It is loan and advance which yield more return than other else. The effect of less investment in Loan and advance is seen on profit. When

the growth rate of profit is very low in comparison to EBL. On the other hand EBL is using its capital and deposits very nicely to earn more return .

4.3.4 Trend value of total investment

The following table shows the total value of investment of EBL and SCBNL over the last six years .

Table no. 4.13
Trend value of total Investment of EBC and SCBNL

F/X	EBL		F/Y	SCBNL	
	Actual value	Trend value		Actual value	Trend value
2002/03	16930.36	12122	2002/03	92758.84	91852.23
2003/04	16539.77	18553.76	2003/04	102159.99	99751.71
2004/05	25356.57	24985.56	2004/05	113603.28	107651.71
2005/06	21289.31	24985.56	2005/06	97025.53	115550.73
2006/07	42005.15	37847.04	2006/07	128475.35	123450.23
2007/08	47087.14	44280.80	2007/08	135583.54	131350.13

Trend value of total investment for the next five years .

F/Y	Trend Value of SBL	Trend value of SCBNL
2008/09	50712.50	139249.64
2009/10	57150.32	147149.15
2010/11	63582.08	155048.65
2011/12	70013.84	162947.16
2012/13	76445.60	170847.67

Sources: Appendix E

The following figure shows the trend and actual values Total investment of EBL and SCBNL from 2002/03 to 2012/13

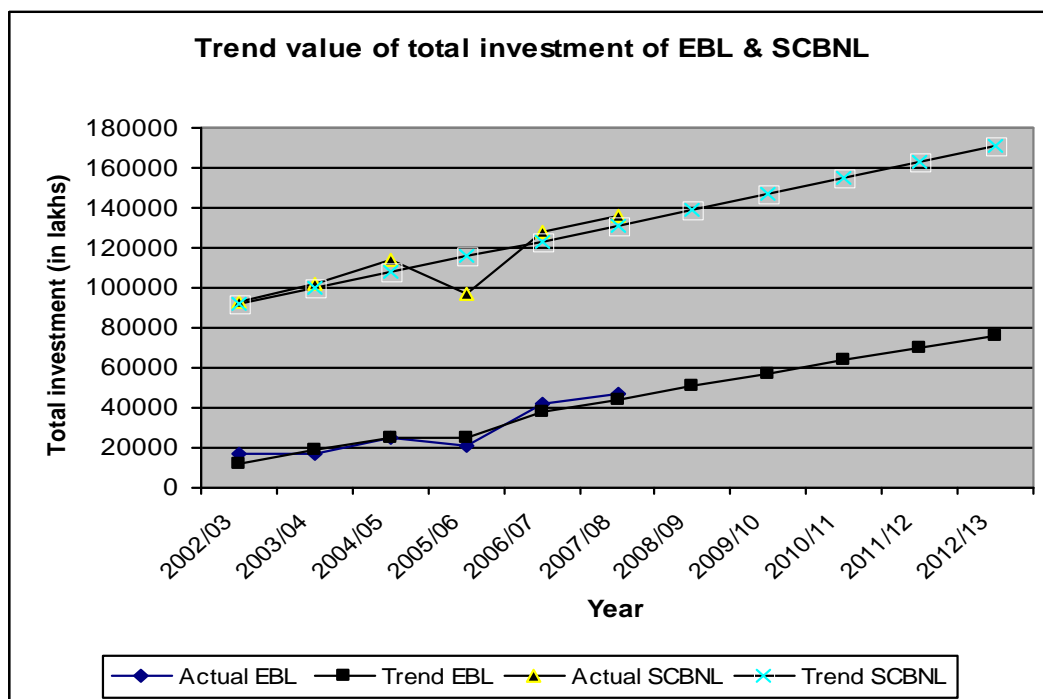


Fig. no.4.6

The above figures and the table both shows the total investment made by the sample banks. It is seen through the figure that the investment rate is in increasing trend over the last five years. Total investment of both the banks have dropped down in the fiscal year 2005/06 . In other years it is been in increasing trend. The annual growth rate of total investment of EBL is Rs 6431.76 and for SCBNL is Rs 7899.52 lakhs respectively .

The table below shows the projected investment of the sample banks for the next five years. According to the table , the projected total investment for EBL will be Rs 76445.60 Lakhs and SCBNL will be Rs 170847. 67 lakhs in the fiscal year 2012/13.

In conclusion, the growth rate looks healthy for both the banks but looking over the total deposit to total investment rates EBL again looks more healthier than SCBNL, because it has used more of its deposits on investment. SCBNL should try to investment as a part of investment because uninvestment amount earns nothing.

4.4 Test of Hypothesis

The following table shows the F-ratio of calculated value and tabulated value of related banks at 5% level of significance during the study period 2002/03 to 2007/08

Table No. 4.14

Particulars	Test of Hypothesis of EBL & SCBNL		Remarks
	Calculated value t_{cal} distribution	Tabulated value $t_{0.05, (E=8)}$	
Loan and advances to total deposit	1.634	2.306	No. Significant difference
Total Investment to total deposit	0.945	2.306	No. Significant difference
Total investment to net profit	1.865	2.306	No. Significant difference

Sources: Appendix F

The above table shows the calculated and tabulated value of t-distribution of given variables of EBL and SCBNL during the study period FY 2002/03 to 2007/08 . The tabulated value is based on 5 percent level of significance. If tabulated value is greater than calculated value of t-distribution, nul hypotheseis is accepted which refers that there is no significant difference between the variables of two banks .

The calculated value of t-distribution on total investment to net profit is less than the respective tabulated values . It indicates that there is no significant different between total investment and net profit of the sample banks .

The calculated value of t-distributions on Loan & Advances to total deposit is less than the respective tabulated value. It indicates that there is no significant different between EBL & SCBNL for this ratio . So the relationship of Loan & Advances to total deposit is significant .

In the same way t-distributions of total investment to total deposit for sample banks is less than the tabulated value of t-distribution. It implies there is no significant difference between the total investment and total deposit of EBL and SCBNL .

The above calculation of hypothesis suggest there is no significant difference in between the various calculated variables. EBL and SCBNL both have significant relationship in all aspects with the population.

4.5 Analysis of Liquidity, Management Efficiency, Profitability and Growth of Sample Banks

Under this topic the following financial ratios of the sample banks are used to find them.

4.5.1 Liquidity Ratios

Commercial bank should maintain its satisfactory liquidity position to satisfy the demand of customers, to meet demands for deposits, withdraws, pay maturity obligation in time and convert non- cash to satisfy immediate needs without loss to bank and consequent impact in long run profit. The liquidity position of the commercial banks are comparatively studied through the following ratios.

4.5.1.1 Current ratio

Current ratio indicates the ability of the bank to meet its current obligation. The current ratio of SCBNL and EBL also is given in the following table:

Table No. 4.15
Current Ratio (Times)

F/Y	SCBNL	EBL
2002/03	1.02	1.04
2003/04	0.98	1.07
2004/05	0.99	1.03
2005/06	1.04	1.20
2006/07	1.04	1.00
2007/08	1.04	1.02
Mean	1.02	1.06
S.D.	0.02	0.07
C.V.	1.96	6.23

Sources: Appendix G 1

From the above table it is clear that the current assets of SCBNL and EBL are more than current liabilities in most of the year. It indicates that both banks are capable to pay their current obligations. The comparative table shows that the current ratio of SCBNL and EBL have little fluctuating trend during the study period. SCBNL has little high current ratio in the last three fiscal years (i.e. 1.02) and lower in F/Y 2003/2004 (i.e. 0.98). Similarly, EBL has highest current ratio in F/Y 2005/2006 (i.e. 1.20) and lower in F/Y 2006/2007 (i.e. 1.00). In average, EBL has maintained higher current ratio than SCBNL i.e. $1.06 > 1.02$. It shows that the liquidity position of EBL is better than SCBNL. The standard deviation of EBL is higher than SCBNL (i.e. $0.07 > 0.02$). The coefficient of variation between current ratio is 1.96% in terms of SCBNL and 6.23 in terms of EBL. These figure shows little fluctuations in current ratio but overall it looks consistent. Though the optimum standard of current ratio should be 2:1, But for the Banks 1:1 can be considered optimum. In this preoperative SCBNL is not able to maintain optimum condition of current assets and liabilities in 2002/03 and 2003/04.

4.5.1.2 Cash and bank balance to total deposit ratio

This ratio measures the availability of bank's highly liquid or immediate funds to meet its unanticipated calls on all types of deposits. A high ratio indicates the greater ability to meet their deposits and vice- versa. The following table shows the cash and bank balance to total deposit ratios of SCBNL and EBL.

Table No. -4.16
Cash and bank balance to total deposit ratio (%)

F/Y	SCBNL	EBL
2002/03	5.21	10.84
2003/04	8.06	17.02
2004/05	9.56	7.83
2005/06	5.75	9.62
2006/07	4.46	10.13
2007/08	4.42	9.85
Mean	6.24	10.88
S.D.	1.92	2.89
C.V.	30.74	26.59

Sources: Appendix G 2

The above table shows that the comparative cash and bank balance to total deposit of both SCBNL and EBL are in fluctuating trend. SCBNL's higher ratio is 9.56% in F/Y 2004/05 and lower ratio is 4.42% in F/Y 2007/08. Similarly, in the case of EBL, the higher ratio is 17.02% in F/Y 2003/04 and lower ratio is 9.62% in F/Y 2005/06. The mean ratio of SCBNL is lower than that of EBL (i.e. 6.24% < 10.88%). The coefficient of variation of SCBNL is higher than that of EBL (i.e. 30.74% > 26.59%). On the basis of coefficient of variation it can be concluded that SCBNL's ratios have less consistency than that of EBL.

The above analysis helps to conclude that the cash and bank balance of EBL with respect to deposit is better against the readiness to serve its customers deposit than SCBNL. It implies the better liquidity position of EBL. In contrast, a high ratio of non-earning cash and bank balances may be unfit which indicates the bank's unavailability to invest its fund in income generation areas. Thus EBL should try to invest in more productive sectors like short-term marketable securities, treasury bills etc. insuring enough liquidity which will help the bank to improve its profitability.

4.5.1.3 Cash and bank balance to current assets ratio

The ratio examines the banks liquidity capacity on the basis of its most liquid assets i.e. cash and bank balance. The comparative ratios are presented in the following table:

Table No. – 4.17
Cash and bank balance to current assets ratio (%)

F/Y	SCBNL	EBL
2002/03	4.71	9.38
2003/04	7.87	14.35
2004/05	9.19	6.84
2005/06	5.23	7.31
2006/07	4.03	8.85
2007/08	5.82	7.86
Mean	6.14	9.10
S.D.	1.81	2.50
C.V.	29.53	27.49

Sources: Appendix G 3

From the above table it is clear that cash & bank balance to current asset ratio of SCBNL and EBL are little fluctuating trend. In the case of SCBNL, it has maintained little higher ratio in F/Y 2004/05 i.e. 9.19% and lower ratio in F/Y 2006/07 i.e. 4.03%. Similarly, EBL has higher ratio i.e. 14.35% in F/Y 2003/04 and lower ratio i.e. 6.84% in F/Y 2004/05.

The comparative table listed above shows that the mean ratio of SCBNL is lower than that of EBL i.e. 6.14% > 9.10%. It supports the conclusion that comparatively SCBNL has not been successful in maintaining its higher cash and bank balance to current asset ratio. The, co-efficient of variation of ratio of SCBNL is higher than that of EBL i.e. 29.53% > 27.49%. It shows that SCBNL's variability of ratio is greater than EBL. In conclusion, it can be said that SCBNL is not in a better position to maintain its cash and bank balance in comparison to EBL but it does not mean it can not meet its daily requirement to make the payment on customer's deposit. EBL has kept more cash and Ban balance, which leads to decrease in the profit due to less investment.

4.5.1.4 Investment on government securities to current asset ratio

This ratio examines the portion of commercial bank's current assets, which is invested on different government securities. This ratio shows that out of total current assets, how much percentage of it has been occupied by the investment on government securities. This ratio is computed by dividing investment on government securities by total current assets. The ratios are presented in the following table.

Table No. – 4.18

Investment in govt. securities to current assets ratio (%)

F/Y	SCBNL	EBL
2002/03	33.00	24.35
2003/04	34.23	20.18
2004/05	36.11	26.70
2005/06	33.95	15.78
2006/07	34.53	22.45
2007/08	33.78	25.13
Mean	34.27	22.10
S.D.	0.94	3.45
C.V.	2.76	15.63

Sources: Appendix G 4

The above table reveals that SCBNL's investment in government securities to current assets ratios is consistent through out the study period. During the study period, it has highest ratio in F/Y 2004/05 i.e. 36.11% and lowest in F/Y 2002/03 i.e. 33.00% whereas EBL ratios are in fluctuating trend, the highest ratio is 26.70 in the F/Y 2004/05 and lowest ratio is 15.78% in the F/Y 2005/06.

In overall, the mean ratio of investment on government securities to current assets of SCBNL is higher than the mean ratio of EBL i.e $34.27 > 22.10$. It means EBL is investing little fund in government securities in comparison to SCBNL. Coefficient of variation of SCBNL is less than EBL i.e. $2.76 < 15.76$. It indicates consistency of ratio of SCBNL in comparison to EBL.

From the analysis, we can say that, EBL has invested less portion of its current assets in government securities than SCBNL. It has made negligible amount of investment on government securities this is because of more investment on other productive sectors. Whereas, the higher ratio of SCBNL may be the reason of more deposit collection and unavailability of other secured and profitable investment sectors.

4.5.1.5 Loan and advances to current assets ratio

This ratio is calculated by dividing loan and advances with current assets. The ratios are presented in the following table.

Table No. -19
Loan and advances to current assets ratio (%)

F/Y	SCBNL	EBL
2002/2003	30.60	62.47
2003/04	29.63	61.80
2004/05	29.12	63.69
2005/06	38.38	57.25
2006/07	35.69	62.03
2007/08	35.95	62.23
Mean	33.23	61.58
S.D	3.54	2.06
C.V	10.64	3.35

Sources: Appendix G 5

The above comparative table shows that SCBNL has a fluctuating trend of loan and advances to current assets ratio during the study period. In F/Y 2005/06 it has the higher ratio (i.e. 38.38%) and lowest ratio in F/Y 2004/05 i.e. 29.12. In case of EBL, it has shown an consistent trend of ratio. It has higher ratio in F/Y 2004/05 (i.e. 63.69%) and lowest ratio in F/Y 2005/06 (i.e. 57.25%).

In case of the mean ratio, EBL has maintained high ratio in comparison to SCBNL(i.e. 61.58%>33.23%). The co-efficient of variation SCBNL is higher than EBL (i.e. 10.64% > 3.35%). This also denotes that loan and advances to current assets ratio of EBL is more consistent than SCBNL.

Finally, it can be said that the high mean ratio of loan and advances to current ratio of EBL reveals that its liquidity position with regard to its current asset is more satisfactory than SCBNL.

4.5.2 Asset Management Ratio

Asset management ratio measure the efficiency of the bank to manage its asset in profitable sectors in satisfactory manner. A commercial bank must manage its assets properly to earn high profit. Under this chapters following ratios are studied.

4.5.2.1 Loan and advances to total deposit ratio

This ratio actually measures the bank success to mobilize its deposit as loan and advances for the purpose of profit generation.

A high ratio indicates better mobilization of collected deposit and vice versa. But it should be noted that too high ratio might not be better from liquidity point of view. This ratio is calculated dividing loan and advance by total deposits.

The following table shows the loan and advance to total deposit ;ratio of SCBNL and EBL through out the study period.

Table No. 4.20
Loan and advance to total deposit ratio (%)

F/Y	SCBNL	EBL
2002/2003	33.87	72.23
2003/04	30.36	73.31
2004/05	30.29	72.97
2005/06	42.05	75.45
2006/07	38.75	71.01
Mean	34.98	73.30
S.D.	4.25	1.49
C.V.(%)	12.15%	2.03%

Sources: Appendix H 1

The comparative table listed above shows, SCBNL has more fluctuation than EBL. During the study period, SCBNL has highest ratio in F/Y 2005/2006 (i.e. 42.05%) and lowest in F/Y 2003/04 (i.e. 30.36%) where as EBL has the highest ratio in F/Y 2005/2006 (i.e. 75.45%) and lowest in 2006/07 (i.e. 71.01%)

On other hand, when mean ratio of loan and advances of SCBNL and EBL are compared, EBL seems to be strong to mobilize its total deposits as loan and advances in comparison to SCBNL because of its highest mean ratio (i.e. 73.30%) where EBL has 34.98% only. On the basis of co-efficient of variance we can say that EBL loan and advances ratio is more consistent then SCBNL because of the lower C.V. (i.e, 2.03%<12.15%)

From above description it can be concluded that EBL is success to mobilize its total deposit as loan and advances to get high profit in comparison to SCBNL Whereas, high ratio is not better from the point of view of liquidity as the loan advances is not as liquid as cash and bank balance. When granting loan and advances of bank, so many factors are to be considered, such as risk analysis and diversification social responsibility, bank credit policy and limits of lending policy etc.

4.5.2.2 Total investment to total deposit ratio

It helps to know which banks are successful in mobilizing the total deposit on investment. A high ratio is the indicator of high success to mobilize the banking fund as investment and vice- versa.

This ratio is calculated by dividing total investment by total deposit and the ratio SCBNL & EBL is presented in the following table.

Table No. 4.21
Total Investment to total deposit ratio (%)

F/Y	SCBNL	EBL
2002/03	58.57	30.97
2003/04	55.22	24.70
2004/05	53.68	31.45
2005/06	48.91	21.08
2006/07	55.71	30.43
2007/08	49.14	33.84
Mean	53.54	28.75
S.D.	3.50	4.41
C.V (%)	6.54	15.32

Sources: Appendix H 2

The above table reveals that EBL and SCBNL total investment to total deposit ratio for the different study period. SCBNL has the highest ratio In F/Y 2002/03 .57 and in F/Y 2005/06 the lowest ratio (i.e. 48.9%). In case of EBL, it has fluctuating trend during the study period. In F/Y 2004/05ratio is highest (i.e. 31.45%) & lowest 21.08% in F/Y 2005/06

On the basis of mean ratio it can be said that SCBNL capacity to mobilize its deposit on total investment is more than EBL because it has higher mean ratio (i.e. 53.54%) but SCBNL has lower mean ratio (i.e. 28.75%). On the other hand observing the co-efficient of variance of ratios, it can be concluded that SCBNL ratio during the study period, has been seen more consistent then that of EBL because of its lower C.V (i.e. 6.54%<15.32%). So it can be said SCBNL is successful in utilizing its resources as investment point of view than EBL.

4.5.2.3 Loan and advances to total working fund ratio

This ratio reflects the extent to which the banks are successful in mobilizing their total assets on loan and advances for the purpose of income generation. A high ratio indicates a better mobilization of fund as loan and advances and vice-versa.

This ratio is computed by dividing loan and advances by total working fund (total assets). The following table exhibits the ratio of loan and advances to total working fund of SCBNL and EBL during the study period.

Total No. 4.22

Loan & Advances to Total working fund ratio (%)

F/Y	SCBNL	EBL
2002/03	29.08	59.76
2003/04	27.24	60.95
2004/05	27.11	61.24
2005/06	37.38	64.95
2006/07	34.67	61.41
2007/08	33.56	64.39
Mean	31.51	62.01
S.D.	3.91	1.91
C.V.(%)	12.40	3.08

Sources: Appendix H 3

The comparative table listed above shows that EBL ratio is slightly increasing trend during the study period. It has maintained highest ratio of 64.95% in F/Y 2005/06 and lowest ratio of 59.76% in F/Y 2002/03. Whereas, SCBNL has this ratio in fluctuating trend, the highest ratio is 37.38% in F/Y 2005/06 and lowest ratio is 27.11% in F/Y 2004/05.

When observing the average ratio of loan and advances to total working fund, it can be said that EBL has maintained higher ratio than SCBNL (i.e. 62.01% > 31.51%). It reveals that EBL is in strong position to mobilize its total working fund as loan and advances. The coefficient of variation of EBL is less than SCBNL which suggest – greater consistency in loan and advances.

From the above analysis, it can be concluded that EBL fund mobilization in term of loan and advances is better than SCBNL.

4.5.2.4 Investment on government securities to total working fund ratio

This ratio reveals that how successful the banks are in mobilizing their total working fund on different types of government securities to maximize the income with minimum risk. The high ratio shows that better mobilization of fund as investment on government securities and vice-versa. But comparatively this investment provide return in comparison to loan and advance.

This ratio is calculated by dividing investment on government securities by total working fund and this ratio of SCBNL and EBL is presented in the following table.

Table No. 4.23

Investment on govt. securities to total working fund (%)

F/Y	SCBNL	EBL
2002/03	31.37	23.29
2003/04	32.15	19.86
2004/05	33.61	25.67
2005/06	33.06	17.90
2006/07	33.54	22.23
2007/08	30.48	23.00
Mean	32.43	22.00
S.D.	1.16	2.25
C.V.	3.58%	10.23%

Sources: Appendix H 4

The above comparative table reveals that the ratio of SCBNL is consistent trend, where the highest ratio is 33.61 in F/Y 2004/05 and the lowest ratio is 30.48% in F/Y 2007/08. In case of EBL, the ratios are in fluctuating trend. The highest ratio is 25.67% in F/Y 2004/05 and lowest ratio is 17.90% in F/Y 2005/06.

Comparing the mean ratio of investment on government securities to total working fund, EBL seems weaker to mobilize its working fund as investment on government securities than SCBNL i.e. (22.00% < 32.43%). The coefficient of variation of SCBNL is lower than that of EBL during the study period

(i.e.3.58%<10.23%). It indicates that SCBNL's investment policy is more consistent than that of EBL.

From the above analysis, it can be concluded that SCBNL has invested its more portion of working fund on government securities than EBL.

4.5.2.5 Investment on share and debentures to total working fund ratio

Investment on share and debentures to total working fund ratio reflects the extent to which banks are successful to mobilize their working fund in purchasing shares and debentures of other companies to generate income and utilize extra fund. The high ratio indicates the more portion of working fund investment on share and debenture and vice versa. This ratios of both the banks have been shown in the following table.

Table No. – 4.24

Investment on share and debentures to total working fund (%)

F/Y	SCBNL	EBL
2002/03	0.060	0.26
2003/04	0.054	0.21
2004/05	0.047	0.18
2005/06	0.061	0.17
2006/07	0.059	0.12
2007/08	0.054	0.11
Mean	0.056	0.18
S.D.	0.005	0.051
C.V.	8.59%	28.60%

Sources: Appendix H 5

From the above table it is clear that very few amount of total assets has been invested to purchase the shares and debentures of other companies . It is seen that the both banks SCBNL and EBL have invested nominal percentage of total working fund into share and debentures of other companies, in all the cases the ratio percentage is less than 1%. In case of SCBNL, it has slightly same and lower ratio during the study period, EBL has also lower ratio. Even though both the companies have increased.

Their investment in shares and debentures but due to more increment in working fund it seems to be decreasing each and every year.

On the basis of mean ratio, it can be mentioned that SCBNL has invested lower amount in share and debentures in comparison to EBL(i.e. $0.056 < 0.18$). From the above analysis, it is clear that EBL has invested higher percentage of total assets on shares and debentures of other companies in comparison to SCBNL.

4.5.3 Profitability Ratios

The profitability ratios are the best indicators of overall efficiency. Here, mainly those major ratios are presented and analyzed and effort has been made to measure the profit earning capacity of SCBNL and EBL comparatively .

4.5.3.1 Return on loan and advances ratio

Return on loan and advances ratio measures the earning capacity of a commercial bank through its mobilized fund as loan advances. A high ratio indicates greater success to mobilized fund as loan and advances and vice-versa.

This ratio is calculated by dividing net profit by loan and advances . The following table shows that return on loan and advances ratio of SCBNL and EBL of the study period .

Table No. 4.25
Return on loan & advances (%)

F/Y	SCBNL	EBL
2002/03	9.45	2.16
2003/04	8.41	1.92
2004/05	8.38	2.43
2005/06	6.62	2.21
2006/07	7.34	2.42
2007/08	7.32	2.60
Mean	7.92	2.21
S.D.	0.93	9.361
C.V.	11.73	9.36

Sources: Appendix I I

The above comparative table proves that the ratio of return on loan and advances of SCBNL bank is better in all fiscal years. SCBNL is successful to record highest ratio of 9.45% in F/Y 2002/03 and lowest ratio of 7.32 in F/Y 2007/08 . Whereas EBL has lower of ratios. The highest ratio is 2.60 in F/Y 2007/08. Comparing the mean ratio, SCBNL seems to have higher ratio than EBL(i.e. 7.92> 2.29). It means SCBNL seems to be successful maintaining its higher return on loan and advances in comparison to EBL. Similarly, coefficient of variation both the banks are similar and less. .

Thus in conclusion it can be said that SCBNL has been getting higher return on its loan and advances in comparison to EBL.

4.5.3.2 Return on Total working fund ratio

Return on working fund ratio helps to get the decision about how well the sample banks have utilized their assets in productive sectors. if the total working fund is well managed and efficiency utilized, return on such assets will be higher and vice- versa. The ratio of return on total working fund is calculated by dividing net profit by total working fund. (i.e. total Assets)

The following table shows that profitability position with respect to total assets.

Table No. – 4.26
Return on Total working fund

F/Y	SCBNL	EBL
2002/03	2.75	1.29
2003/04	2.29	1.16
2004/05	2.27	1.49
2005/06	2.48	1.43
2006/07	2.56	1.49
2007/08	2.46	1.67
Mean	2.47	1.42
S.D.	0.03	0.03
C.V	1.07%	1.84%

Sources: Appendix I 2

The above listed table reveals that both the sample banks are providing more or less similar rate of return but the return of SCBNL is higher than EBL . The average return of SCBNL is higher i.e. 2.4% in comparison to EBL average return of 1.42% .

Coefficient of variation of SCBNL and EBL is similar and very low, so they are consistent. Consequently, EBL seems to be failure to earn high return on its working fund than SCBNL. EBL must have to make effort to earn more profit by mobilizing its working assets more efficiently.

4.5.3.3 Total interest earned to total working fund ratio

This ratio reflects the extent to which the banks are successful in mobilizing their assets to generate high income. A high ratio is an indicator of high earning power of the bank on its total working fund and vice-versa.

This ratio is computed by dividing total interest earned by total working fund i.e. total assets. The following table shows total interest earned to total working fund ratio of SCBNL and EBL through out the reviewing period.

Table No. – 4.27

Total interest earned to total Asset

F/Y	SCBNL	EBL
2002/03	5.50	6.72
2003/04	4.79	6.50
2004/05	4.41	6.84
2005/06	4.86	6.01
2006/07	4.62	5.66
2007/08	4.21	5.86
Mean	4.73	6.23
S.D.	0.41	0.20
C.V	8.62%	3.20%

Sources: Appendix I 3

The comparative table shows that SCBNL's interest earning ratio in respect to total working fund is in decreasing trend. Whereas, EBL's ratios are fluctuating.

SCBNL has maintained higher ratio in the F/Y 2002/03 i.e. 5.50% and lower in 2007/08 i.e. 4.21%. As like that SCBNL ratio is higher in F/Y 2002/03 i.e. 6.72% and lower in F/Y 2006/07 i.e 5.66%. On the other hand, mean ratio of SCBNL is 4.73% whereas the ratio of EBL is 6.23% . It indicates that EBL's interest earning power in respect to total working fund seems to be effective than SCBNL. The coefficient of variation between ratios of different six years under the study period, in case SCBNL is found to be 8.62% whereas EBL's has 3.20%. It suggests earning ratio with respect to total working fund of EBL is more stable than that of SCBNL.

From the above analysis, the conclusion can be drawn that EBL is able to earn high interest on its total working fund in comparison to SCBNL. Likewise, it has more consistency this ratio during the study period. .

4.5.4 Growth Ratio:

Those growth ratios are analyzed and interpreted which are directly related to the fund mobilization and investment of a commercial banks. Growth ratios represent how well the commercial banks are maintaining their economic and financial growth position. Generally higher ratio indicates better performance of the banks.

4.5.4.1 Growth ratio of total deposit

Every banks try to increase the total deposits of their customers. It is deposit, which they invest in profitable sectors and earn profit. The growth rate of total deposit will help to analyze, how well the banks have implemented their policies to collect deposits.

Table No. 4.29
Growth Rate of Total Deposit

(in lakhs)

F/Y	SCBNL		EBL	
	Total deposit	Growth Rate (%)	Total Deposit	Growth rate (%)
2002/03	158357.47	-	54666.69	-
2003/04	187556.34	18.43	66949.63	22.47
2004/05	211614.42	12.83	80639.02	20.44
2005/06	193634.69	-8.50	100976.91	25.22
2006/07	230610.32	19.09	138024.44	36.69

2007/08	248580.37	7.79	145076.43	5.11
Mean		9.93		21.93
S.D.		10.08		11.05
C.V.		101.52		50.38

The above table shows the total deposit collection and their growth rate over the last six years. The table exhibits that SCBNL growth rate of total deposit is lower than EBL. SCBNL has negative growth rate in the F/Y 2005/06. Whereas on EBL deposit collection growth rate is in increasing trend every year with positive growth rate. There is greater consistency in deposit collection of EBL than SCBNL. The Average growth rate of deposit collection of EBL is far better than SCBNL (i.e. 21.93% > 9.93%).

In conclusion, the deposit collection policy of EBL looks more comfortable than SCBNL. EBL has increased its branch office in rural area also to collect the scattered excess account of customers. But the SCBNL is focused only in city area. Therefore, it should try to open its branch offices in rural area also to collect the deposit. It should adopt new policy to motivate the customers to increase the deposits.

4.5.4.2 Growth rate of loan and advance

Growth rate of Loan and advances is useful to evaluate the efficiency of the banks, while granting loan and advances on their deposit collection. The higher growth rate indicates efficiency and success in providing loan and advance.

Table no. 4.30
Growth Ratio of Loan and Advance

F/Y	SCBNL		EBL	
	Loan and Adv.	Growth rate(%)	Loan and advance	Growth rate (%)
2002/03	53640.05	-	39484.78	-
2003/04	56958.23	6.18	49084.60	24.31
2004/05	64102.42	12.54	58871.22	19.94
2005/06	81432.07	27.04	76186.71	29.41
2006/07	89354.17	9.73	98013.07	28.65

2007/08	95314.31	6.67	108517.05	10.71
Mean		12.43		22.60
S.D.		7.65		6.86
C.V		61.58		30.36

The above table shows the Loan and Advance amount and their growth rate over the last six years. By observation, it is found that both the banks have significant growth rate but EBL growth rate is higher than SCBNL. The growth rate of EBL is more consistent than SCBNL.

In conclusion EBL is performing better in terms of loan and advance than SCBNL because it has high average growth rate (i.e 22.60%>12.43%).

4.5.4.3 Growth rate of total investment

The most reliable source of income for banks is investment. The more they invest their funds, in investment, the more interest they earned. Therefore, it is significant to know the growth rate of total investment. The following table shows the comparative growth rate of total investment.

Table no 4.31
Growth rate of total investment (%)

(in Lakhs)

F/Y	SCBNL		EBL	
	T. Investment (Rs)	Growth(%)	T. Investment (Rs)	Growth(%)
2002/03	52758.84		16930.36	
2003/04	102161.99	10.14	16539.77	-2.31
2004/05	113603.28	11.20	25356.57	53.31
2005/06	97025.53	-14.59	21289.31	-16.04
2006/07	128475.35	32.41	42005.15	97.31
2007/08	135583.54	5.53	47087.14	12.09
Mean		8.94		28.87
S.D.		14.98		41.36
C.V.		167.61		143.27

The above table shows the growth rate of total investment of the sample banks. It shows the total investment growth rate of SCBNL is lower than EBL. Both the banks have high variability in growth rate. The investment growth rate is negative for SCBNL in F/Y 2005/06. Which suggests decrement in investment than previous year. As like that EBL has negative growth rate in the 2003/04 and 2005/06. In Average EBL investment growth rat is better that SCBNL.

In conclusion, SCBNL should try to investment amount of deposit in profitable sector. Using fund idle in organization earns nothing and put negative impact on profit.

4.5.4.4 Growth rate of net Profit

Profit is the main motto of running any business. There fore, its obvious the sample banks would like to earn and increase the profit. The growth rate of net profit, helps to know, whether the sample banks are able to increase their profit or not. The following table shows the growth rate of net profit of the sample banks.

Table no. 4.32
Growth rate of Net Profit (%).

(in lakhs)

F/Y	SCBNL		EBL	
	Net Profit (Rs.)	Growth(%)	Net Profit (Rs.)	Growth(%)
2002/03	4792.06	-	853.47	-
2003/04	5069.63	5.78	941.80	10.35
2004/05	5378.00	6.09	1435.66	52.43
2005/06	5362.44	-0.29	1682.14	17.17
2006/07	6787.55	26.58	2372.50	41.14
2007/08	6481.42	-4.51	2818.27	18.76
Mean		6.73		27.27
S.D.		1069		16.05
C.V		158.78		57.40

Above table shows the growth rate of net profit of sample banks. During the examination period of six years, growth rate is fluctuating for SCBNL. It has negative growth rate 2005/06 and 2007/08. Where as EBL has positive growth rate each year and more consistent. Average growth rate of not profit of EBL is far better than SCBNL (i.e 27.97%>6.73%).

In conclusion, it can be said that SCBNL is not able to Increase its profit over the years, EBL has been increasing its profit. Therefore, SCBNL should look for good investment sector and should use idle cash in those sectors to increase the profit.

4.5.4.5 Growth rate of interest

Interest is the main sources of income for banking sectors. The following table shows, the interest collection of the sample banks over the last six years and their growth rates.

Table no. 4.33
Growth rate of Interest Earned

(in lakhs)

F/Y	SCBNL		EBL	
	Investment earned	Growth rate (%)	Interest earned	Growth (%)
2002/03	10136.35		4438.20	
2003/04	10013.59	-1.21	5201.73	17.20
2004/05	10421.75	4.17	6572.49	26.35
2005/06	10586.77	1.58	7192.97	9.44
2006/07	11896.02	12.37	9034.11	25.60
2007/08	11965.42	0.58	9875.74	9.31
Mean		3.52		17.58
S.D.		4.77		7.43
C.V.		135.51		42.27

The above table shows that both the banks have no consistency on interest earned over the last six years. Earning power of interest of EBL is very high in

comparison to SCBNL. The average interest earned by EBL is significant and has more consistency in growth rate than SCBNL.

In conclusion, it can be said that interest earned ratio of EBL is better than SCBNL. Therefore, SCBNL should try to invest in such investment where it can earn maximum interest with less risk to increase interest earned rate.

4.5.4.6 Growth rate of investment in government securities

Generally investment in Government securities refers less risk, therefore, both the banks are found equally interested to invest their excess amount in government securities. The following table shows the comparative investment of the sample banks in government securities and their growth rates.

Table no. 4.34
Growth rate of investment in Government Securities

(in lakhs)

F/Y	SCBNL		EBL	
	Inv. in Govt. Securities	Growth rate (%)	Investment in G. Sector	Growth rate (%)
2002/03	57847.24	-	15388.97	-
2003/04	67228.28	16.22	15993.50	3.93
2004/05	79482.17	18.22	24664.28	54.21
2005/06	72030.66	-9.37	21002.89	-14.85
2006/07	86448.55	20.01	35486.16	68.96
2007/08	89576.47	3.62	38754.13	9.21
Mean		9.76		24.29
S.D.		11.13		31.83
C.V.		114.12		131.29

The above table explains both the banks have invested much amount in Government securities. EBL has comparatively high average growth rate i.e. 24.29% than SCBNL i.e. 9.76%. Even though, both banks growth rates are fluctuating and does not look consistent. In the fiscal year 2005/06 both have negative growth rate. In general EBL is efficient to utilize its excess amount in government securities.

4.6 Major Findings of the study

Having completed the basis analysis required for the study the final and the most important task of the researcher is to enlist the findings, issues and gaps of the study. This would be meaningful to the desired result. The followings, issues and presented is a comprehensive summary of the major finding the study .

Main Findings of the Study

The main findings of the study are derived on the basis of analysis of financial data of SCBNL and EBL, which are given below .

Liquidity ratio

4.6.1 Findings form investment in different sectors:

- From the study of investment of sample banks, it is found that both the banks has invested around 35% of the total deposit in government securities. Comparatively EBL has invested more portion of its total deposit in private sector than SCBNL.Both the banks have given more priority in commercial and industrial sectors than agricultural sector.

4.6.2 Co-efficient of correlation analysis

Coefficient of correlation analysis between different variables of SCBNL and EBL reveals that:

- The correlation between deposit and loan and advances of EBL is 0.94 and SCBNL is 0.85 significantly positive . They have high degree of positive correlation.
- Similarly, the relationship between deposit and total investment of SCBNL and EBL has found to be positive. EBL has correlation of 0.85 and SCBNL has 0.95 .
- The correlatin between total assets and net profit for EBL is 0.99 and for SCBNL is 0.93
- The correlation between total investment and net profit of EBL is 0.96 and SCBNL is 0.90 .
- When the relationship of deposit of sample banks is observed. It is found 0.94.

4.6.3 Time series analysis

From the time series analysis of two banks, the following facts are found .

- Trend value of total deposit of EBL and SCBNL shows an increasing trend over the last six years, where the total deposit for 2012/13 is expected to Rs. 240639.6 lakhs for EBL and 325322.07 lakhs for SCBNL .
- Trend value of net profit of the sample Banks are also in increasing trend and estimated net profit will be 4761.89 lakhs and 8393.73 lakhs for EBL and SCBNL respectively in 2012/13 .
- Trend value of loan and advance of EBL and SCBNL is also in increasing trend. Which estimates total value of loan and advance for the year 2012/13 Rs. 18821.01 lakhs for EBL and 142657.20 lakhs for SCBNL.
- Trend value of total investment for the sample Banks are also in increasing trend . The trend suggests the total investment of Rs. 76445.60 lakhs for EBL and 17847.67 lakhs for SCBNL in the fiscal year 2012/13 .

4.6.4 Liquidity Ratio

- The current ratio of EBL is slightly higher than that of the SCBNL (ie.1.06>1.02) and the variability of ratio of EBL is more consistent than SCBNL in comparison.
- The mean ratio of cash and bank balance to total deposit of SCBNL is lower in comparison to EBL(ie. 6.24%<10.88%).
- The mean ratio of cash and bank balance to current assets of SCBNL is lower in comparison to EBL(ie 6.14%<9.10%) similarly, SCBNL's ratio of the study period are more consistent than EBL.
- The mean ratio of investment on government securities to current asset of EBL has been found to be lower than that of the SCBNL (i.e. 22.20% < 34.27%). Similarly, SCBNL seems to have less variable then EBL.
- The mean ratio of loan and advance to current assets ratio of EBL is very high than SCBNL (ie. 61.58%>33.23%)

4.6.5 Test of Hypothesis

The test of hypothesis of loan and advance to total deposit, total investment to total deposit and total investment to total net profit, the researcher has not found

any significance different in between these two variables of sample banks with the population.

4.6.6 Asset management ratio

The asset management ratios of SCBNL and EBL reveals that:

- The mean ratio of loan and advances to total deposit of EBL is higher than SCBNL (i.e. 73.3% > 34.98%). Likewise, SCBNL's ratio seems to be variable then EBL because of CV of SCBNL is higher than EBL (i.e. 12.51% > 2.03%).
- Likewise, the mean ratio of total investment to total deposit of SCBNL higher than EBL (i.e. 53.54% > 28.75%). The ratio of SCBNL are more consistent than EBL.
- The mean ratio of loan and advances to total working fund of SCBNL is lower than EBL (i.e. 31.51% < 62.01%) and EBL's ratios are more homogenous than that of SCBNL in comparison because of less CV (i.e. 3.08% < 12.8%) .
- The mean ratio of investment on government securities to total working fund of SCBNL is higher than EBL (i.e. 32.43% > 22%).
- During the study period of five years, it was found that investment on share and debentures to total working fund ratio of SCBNL is found to be higher than EBL (i.e. 0.18% > 0.056%). Similarly, SCBNL's ratios are found to be less homogenous than that of EBL due to high CV (i.e. 28.60% > 8.59%).

4.6.7 Profitability ratios

The profitability ratios SCBNL and EBL reveals that ;

- The mean ratio of return on loan and advances of SCBNL (i.e. 7.92%) has found to be significantly greater than EBL (i.e. 2.21%) with more consistency than that of EBL.
- The mean ratio of return on working fund of SCBNL (i.e. 2.47%) is greater than EBL (i.e. 1.42%). Moreover, SCBNL's return on working fund has been found more consistent than that of EBL.
- The mean ratio of total interest earned to total working fund of EBL (i.e. 6.23%) is slightly greater than SCBNL (i.e. 4.73%). Similarly, EBL's ratios

are found more uniform than that of SCBNL because CV of EBL is less than SCBNL (i.e. $3.20\% < 8.60\%$).

- The average ratio of interest paid to total working fund of SCBNL (i.e. 1.33%) is also found to be lower than EBL (i.e. 3.13%). However SCBNL's ratios are more variable than that of EBL.

4.6.8 Growth ratios

From the analysis of growth ratios of SCBNL and EBL, it is clear that:

- Average growth ratio of deposit of SCBNL is lower than EBL (i.e. $9.93\% < 21.93\%$). It means average total deposit collection of EBL is more effective.
- Likewise average growth ratio of loan and advances of SCBNL is significantly lower than EBL (i.e. $12.43\% < 22.60\%$).
- The average growth ratio of total investment of SCBNL is very much lower than EBL. (i.e. $6.73\% < 27.27\%$)
- The average growth ratio of net profit in case SCBNL has been found 3.52% whereas, the same of the EBL has 17.58% only during the study period. It means net profit growth rate of EBL is higher than SCBNL.

Chapter V

Summary, Conclusion and Recommendations

5.1 Summary

In the initial stage, the researcher has identified the problems for research and set objectives to solve the problems about investment policy of selected commercial banks as described in introduction chapter. Research can't go forward without the study of some literatures. Therefore to make the study more effective, related literatures have been reviewed. The review of literature provides the foundation of knowledge in order to under take this research more precisely . The second chapter includes concept of banking, commercial banks, joint venture banks, investment and investment policy along with some terminologies.

Various methods and statistical tools are used to find the objectives of the study. The research methodology has been described in third chapter, which is a way to solve the research problems with the help of various statistical tools and techniques. This chapter includes the various financial as well as statistical tools which are used to analyze the data in order to get the conclusion . This chapter includes the research design, population and sample data collection procedure, and methods of data analysis. This study is mainly conducted on the basis of secondary data collected from annual reports, official report, economic journal, financial statement etc. and authorize website of Nepal stock exchange, WWW.nepalstock.com. The six years financial statements (ie. from 2002/03 to 2007/08) has been examined for the purpose of the study .

Fourth chapter is important one, in which the researcher has tried to analyse the data on the basis of informations received The presentation and analysis of data has been made comparative analytical and their interpretation has been done in this chapter by applying the wide varieties of methodology and tools as stated in chapter three. It includes the various financial and statistical tools. In case of financial tools ratio analysis is done which consists liquidity ratio, assets management ratio, profitability ratio, risk ratio, growth ratio and other ratios. Various statistical tools such as arithmetic mean, standard deviation, coefficient of correlation, trend analysis , test of hypothesis (t-test) have been applied to fulfill the objective of this study . The major findings of the study are also included in the final section of the presentation and analysis chapter.

5.2 Conclusion

The researcher has recover some finding after studing the investment policy of the sample Banks. All those finding are shown at the end of forth chapter. Based on those findings, the researcher has drawn the following conclusions:

I. On investment sectors:

The findings made clear that the sample banks have invsted around 33% of their total deposit in government securities. Beside that they have also invested significant portion of their deposit in private sectors while investing in private sectors they have invested more amount in industrial sectors and commercial sectors then agricultural sectors. Both the banks have invested nominal amount to purchase the shares and debentures of private company. It suggests that they don't want to take more risk.

II. On the relationship between total deposit, investment, loan and advance and net profit.

The relation between total deposit and loan and advance, total deposit and total investment, total assets and net profit and total investment and net profit have highly positive correlation. It suggests that both the banks have been utilizing their deposits in different sectors in similar pattern. More over highly positive correlation between net profit and total investment suggeststhat they are investing the amount in profitable sectors.

III. On deposit utilization and its projection

The researcher has drawn trend line of lat six years deposit collection and its utilization to know the impact on profit. The trend line shows upward moving, which indicates both the banks are growing in every aspect over the last six years. But trend line of loan and advance of EBL exceeds SCBNL in the fiscal year 2006/07. It suggests EBL's growth rate is higher than SCBNL in terms of loan and advance.

IV. On Liquidity, management efficiency, profitability and growth rate

The liquidity ratio of EBL is found better than SCBNL. Higher liquid ratio helps the bank to pay shortterm obligations but more liquid assets decreases the return.

The return on loan and advance and total working fund of SCBNL is higher than EBL. Even though interest earned ratio of EBL is higher than SCBNL. It suggests EBL has spent more amount in administrative expenses and to pay interest.

The growth ratios favours EBL. EBL is growing rapidly than SCBNL.

5.3 Recommendations

On the basis of the research study the following recommendations are made to the EBL and SCBNL . This will help the above said banks to reform their strategy and get better result in the future.

I. Common Recommendations

After the study, the researcher has found some problems in deposit collection, utilization of collected deposit and policy to collect loan and advance for the sake of better result . The following common recommendations are made.

II. Increase more deposit :

Even though, the trend line of deposit collection is upward moving in the last six years. But the deposit is the main source of funds for commercial Banks. Therefore the banks should make more effort to increase their deposit collection. They can provide various schemes and facilities to their customers such as cumulative deposit schemes, Life Insurance facility to the depositors, evening counter, 365 days services etc. to make deposit beside that they can also provide the facility of ATM card, visa card, credit card and transfer facility, which encourage the customers to open their accounts in these banks .

The study has shown that SCBNL and EBL both are focused mainly in city areas. So, they are adviced to open their branches in different rural areas so that they can collect more deposit from various sectors . This will help to increase deposit collection , which can used for various investment proposals.

III. Economic depression

Now entire world is running from depression . Many people lost their jobs and many multi-national company like sony, samsung etc are suffering from huge loss. Even some American Banks are in the phase of Liquidation . So, in this moment the

banks should be more careful, while investing their amount in private sectors. They should develop special policy and evaluate all investment proposals very well before investing. They can use some statistical tools to analyse the risk and return of the investment proposals. Beside that they should also analysis the borrowers income and future planning to repay the debt. If the banks do not invest their amount, this problem will increase in the future. Therefore they have prime responsibility to solve the problem of depression by providing loan and investing in some productive and employment generating sectors.

IV. Effective Portfolio Management

Portfolio Management is very important for every investors. In each investment, risk is involved. Risk is the chance of loss or the variability of the returns of a period . The greater the variability of the returns the riskier project. So it is kept in mind while investing in the project. Portfolio management plays vital role with dividing total investment in different areas. Portfolio management means allocation of funds in different components of banking assets having different degrees of risk and varying rate of return in such a way that the conflicting goal of maximum yield and minimum risk can be achieved. So, portfolio conditions of EBL as well SCBNL should be examine carefully from time to time and alternation should be made to maintain equilibrium in the portfolio condition as far as possible. The sample banks are not investing in different security in a proper way. They have invested fewer amount in share and debentures of private companies. For this sake, the banks are suggesed to diversify their investment invarious sectors like debentures, bonds government securities, loan and advance etc.

V. Invest in deprive and priority sectors

NRB has directed the commercial Banks to invest their certain percentage of deposit in deprive and priority sectors. Therefore, it also become the responsibility of the banks . The study has found that the sample banks have not invested in deprive sectors .They are only concern to grant the loan and advance to the secured sectors keeping mortgage. As they play significant role for the economic development of the country ,they are adviced to invest small portion to the deprive and privite sectors like public utilities, health, sanitation, employment generation activities, drinking water

etc. It is necessary to develop the economic condition of deprive people to make overall economic development.

VI. Implementation of Loan Recovery Act

The history of banks show many difficulties in recovering loan and advance and their large amount of loan is blocked as non performing assets and some time reduce income. There fore it is needed to make home work to developed suitable mechanism through which the over due loan can be recovered in time. To fulfil this purpose both banks are suggested to implement " Loan recovery act " to collect loan and advance and to increase efficiency. A policy should be formulated reduce its loan approval cost and to control its administrative costs.

Recommendations to EBL

- The rescarcher has found sound liquidity position of the bank . In the last six years it has current ratio slightly above one, which is good. It suggests the Bank can repay its short term obligations efficiently, The bank is marshalling its liquid assets very well. The liquidity position affects internal and external factors like new investment decision, central Bank requirement etc. It is adviced to maintain this liquility position in the future also .
- EBL has invested about 22% of it total working fund in government securities, Which is lower in comparision with SCBNL 32.43% . There fore, the bank should increase its deposit collection and should invest more in government securities like treasury bills, development bonds, saving certificates etc. Investing in these assets reduce risk because they are default free and highly liquid. It will help to increase interest income.
- EBL has invested little amount (ie. less than one percentage of working fund) in shares and debetures of private company. These investment yield higher return than other investment. Therefore , it is adviced to use more working fund in these assets evaluating the risk and return of particular security .
- Trend line of EBL for total deposit loan and advance, total investment and net profit all shows upward moving, which means it is growing efficiently. Even though growth rate of investment in highly fluctuating and it is negative in the

year 2005/06 . There fore, it is recommended to invest in uniform rate to make the total earning stable.

- The correlation between total deposit and loan and advance, total assets and Net Profit and total investment to net profit is highly significant, But correlation between total deposit and total investment is lower than SCBNL. Therefore EBL should look investment opportunity and should invest it's deposit evaluating risk and return of the project.
- By the study it is found that EBL has weaker loan collection policy than SCBNL to collect its loan there fore it has large amount of doubtful loan and advances. It is better to have one strict collection policy to get the principle amount back . Therefore EBL is advised to adopt good policy when sensatons loan and advance with sufficient guranty and implement a sound collection policy including quickly identification of bad borrowers, immidiate contact with borrowers, contineous follow up as well as legal procedure in failure .

Recommendation to SCBNL

Overall financial position of SCBNL during the study period observes satisfactory. The following recommendations are made for more improvement in the future.

- The liquidity position of the Bank is satisfactory but current ratio in some fiscal years is lower than one . Which can create problem to pay short term obligations . There fore it is advised to keep current ratio around one every year.
- The ratio of loan and advance the current assets, loan and advance to total deposit, is below in caparition to EBL. Therefore it is aadvised to increase loan and advance to increase the ratio and return. However, the risk and return of the project should be analysed well before the investment.
- As like EBL this bank has also used minimum portion of its deposit in the shares and debentures of private company. It might be because of risk associated with such investment. But it is advised to invest more fund in such security evaluating risk and return of the security . If the amount is kept idle that earns nothing.

- Government securities are regarded risk free investment, therefore, it is advised to collect more fund from public and invest in such security . This will increase return with little risk , So far this bank has invested only around 32% of its total working fund on them .
- Study of trend line of total deposit, loan and advance, total investment and net profit shows up ward moving . Which is good but in comparision to EBL it has lower growth rate, So that growth rate is necessary to increase. For this the deposit collection should be increased. EBL has more branches than SCBNL its deposit collection's growth rate is more than SCBNL. It is advised to open branches in various places and collect more deposit to increase its present growth rate.
- Correlation between total deposit and loan and advances, total assets to net profit is lower than EBL , which indicates lack of correct and uniform policy in investment . It is advised to make uniform policy to get positive correlation between them .
- Non performing assets are higher in SCBNL than EBL. Investing in non performing assets earn nothing therefore it should be reduced to increase earning .
- Loan collection policy of SCBNL is found stronger than EBL so it is advised to maintain this policy in future.

Recommendation to further Researcher

The researcher has found thesis writing as a challenging task. It is difficult to complete the thesis with out a good plan. The researcher took almost one and half year to complete the thesis due to poor planning and poor time management. After completion of this thesis, the researcher has felt necessary to provide some suggestions to the people who perform the thesis in this topic. The following are some tips to the further researcher.

- Select the topic and manage the time in which you are thinking to complete the thesis. The optimum time is around 5 months. If the time is long it decreases intrest of researcher and adviser also .

- Select only such objectives which can be measured in quantity. Qualitative objectives are difficult to study in this topic.
- The researcher has found difficulty to get complete data of the banks. The bank do not provide data for various years. So you have to go either in NRB or in Nepal security Board, Kathmandu. While going Kathmandu once you have to move central library for literature review. There are so many books, research papers and thesis to help you. Furtherly recent data can be collected from website of Nepal stock exchange i.e. www.nepalstock.com.
- Questionnaire method is impressive for this study. One can make different questions to know the policy of the banks and can ask to the branch manager of concern Banks.
- You can't get every thesis good for review. Eventhough many researchers have prepared many thesis most of them are copy of other. There fore, you are advised to see the thesis of MR. Shiva Raj Chaudhari (2008), Shankar Dev Campus, and Mr. Prem Bahadur Shahi (2007), Kiritipur T.U. These thesis are available in the library.

Concluding remarks

Nepal is a developing country and its economic environment is also not in a good condition. The strong economic structure is needed for the rapid overall development. Commercial banks play significant role in the economic growth of the developing country like Nepal. Nepal's commercial banks are facing several problems related to fund mobilization and investment. They have to rush with modern banking technology so that, they would be a professional business institutions. Policy making is challenging task for the management of the bank. If above stated points are considered while formulating policies they will be successful in reaching to the modern innovative and competitive banking market. These suggestions will be helpful to the commercial banks to develop new system in the banking business.

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APPENDICES

APPENDIX A

Questionnaires

During the study period several questions are asked to the branch managers of EBL Mr. Bishnu Prasad Gyawali and branch manager of SCBNL Mr. Dhan Bahadur Thapa of Butwal branch. The researcher introduced himself with them and after the formal introduction. The following questions are asked to the managers separately.

1. When were the banks established and from when they are operating in Nepal ?
2. What are the basic objectives of the bank ?
3. What is the central policy of the banks regarding investment?
4. Which are the preferable sectors for investment to the bank ?
5. How many branches are there in Nepal for the bank.
6. What procedure the bank follow while granting loan?
7. Do the banks have any policy to collect loan and advance?
8. Why the banks are not operating in various parts of Nepal?
9. Now the entire world is suffering from economic depression and to come over it, what strategy the banks have been formulating?
10. Do the banks prepare the portfolio for the investment in different sectors?
11. In round figure, what portion of total deposit the banks normally invest in government, commerce, industry and agriculture sector?
12. What is the future plan of the banks for investment deprived and priority sectors?
13. What are the different types of facilities provided by the bank to increase the deposit collection?

These are the formal questions, but beside these many informal questions are asked to draw certain conclusion of investment policy.

APPENDIX B 1

Extracted Financial Data of EBL from 2002/03 to 2007/08

(Rs. In lakhs)

Items	Fiscal Years					
	2002/2003	2003/04	2004/05	2005/06	2006/07	2007/08
Current Assets	63204.02	79422.18	92390.30	133072.77	157227.58	167518.84
Current liabilities	60762.60	74393.84	89282.52	110225.08	157284.76	164323.50
Cash and Bank Balance	59275.70	11395.68	6318.05	9722.59	13988.62	14883.45
Total investment	16930.36	16539.77	25356.57	21289.31	42005.15	47087.14
Total deposit	5466.09	66949.63	80639.02	100976.91	138024.44	145076.43
Loan and Advance	39484.78	49084.60	58871. 22	76186.71	98013.07	108517.05
Investment on govern. sector	15388.97	15993.50	24664.28	21002.89	35486.16	38754.23
Inves. in shares and debentures	171.14	171.14	171.14	193.87	198.87	198.87
Total working fund	66071.70	80522.09	96085.71	117325.16	159592.85	168524.23
Total interest earned	4438.20	5201.73	6572.49	7192.97	9034.11	9875.74
Total interest paid	2570.51	3076.38	3163.66	2995.65	4013.97	4551.05
Net profit	853.47	941.80	1435.66	1682.14	2372.90	2818.27
Operating income	2838.80	3280.23	4686.92	5564.19	6621.53	7215.47

APPENDIX B 2

Extracted Financial Data of SCBNL from 2002/03 to 2007/08

(Rs. In lakhs)

Items	Fiscal Years					
	2002/2003	2003/04	2004/05	2005/06	2006/07	2007/08
Current Assets	175271.18	192237.16	220123.33	212165.68	250364.65	265143.08
Current liabilities	172076.26	196315.96	221463.20	203111.62	240221.94	254054.99
Cash and Bank Balance	8252.65	15123.05	20231.63	11111.17	10292.52	10986.42
Total investment	92758.84	102161.99	113603.28	97025.53	128475.35	135583.54
Total deposit	158357.47	187556.34	21161442	193634.69	230610.32	248580.37
Loan and Advance	53640.05	56958.23	64102.42	81432.07	89354.17	95314.31
Investment on govern. sector	57847.24	67228.28	79482.17	72030.66	86448.55	89576.47
Inves. in shares and debentures	111.95	111.95	111.95	133.48	153.43	153.43
Total working fund	184431.05	209109.70	236420.59	217816.79	257763.32	284052.57
Total interest earned	10136.35	10013.59	10421.75	10586.77	11896.02	11965.42
Total interest paid	2998.59	2551.53	2758.09	2541.26	3031.98	3125.42
Net profit	4792.06	5069.32	5378.00	5362.44	6587.55	6481.42
Operating income	11469.55	12484.48	12781.99	12855.39	14182.47	14987.52

APPENDIX D

Correlation between total deposit and loan and advance of SCBNL

F/Y	Deposit (x)	Loan & adv. (y)	X (x-x)	Y (y-y)	X ²	Y ²	XY
2002/03	158357.47	53640.05	-46701.47	-19826.82	2181027300	393102791	925941639
2003/04	187556.34	56958.23	-17502.60	-16508.64	306341006	272535194	288944122
2004/05	211614.42	64102.42	6555.48	-9364.45	42974318	87692923	-61388464
2005/06	193634.69	81432.07	-11424.25	7965.20	130513488	63444411	-90996436
2006/07	230610.32	89354.17	25551.38	15887.30	652873019	252406301	405942439
2007/08	248580.37	95314.31	43521.43	21847.44	1894114869	477310634	950831830

Now we have

No of years (N) = 6

$$X^2 = 5207844002$$

$$Y^2 = 1546492257$$

$$XY = 2419275131$$

Now, Coefficient of correlation (r) can be calculated by :

$$r = \frac{\sum XY}{\sqrt{\sum X^2} \cdot \sqrt{\sum Y^2}}$$

$$\frac{2419275131}{\sqrt{5207844002} \cdot \sqrt{1546492257}}$$

$$r = 0.8524$$

Now , Coefficient of determination (r^2) = $0.8524^2 = 0.72$

$$\text{Calculation of P.Er} = 0.6745 \times \left(\frac{1-r^2}{\sqrt{N}} \right)$$

$$= 0.0770$$

Other correlations are calculated accordingly.

APPENDIX E

Calculation of total deposit trend of EBL

F/Y	Total Deposit (Y)	Mid Year (t)	X = (t- 2005)	X ²	XY	Y= a+bx
2002/03	54660.90	2005	-5	25	-273304.50	48749.65
2003/04	66949.63	2005	-3	9	-200848.89	68333.61
2004/05	80639.02	2005	-1	1	-80639.02	87897.65
2005/06	100976.91	2005	1	1	100976.91	102516.65
2006/07	138024.44	2005	3	9	414073.12	121105.65
2007/08	145076.43	2005	5	25	725382.15	146694.65
	Y=586327.34		X= 0	y= 70	xy= 685639.67	

The Equation of Trend Line is;

$$Y = a + bx \dots\dots\dots(i)$$

Where,

Y = Trend Line of Total Deposit

a = Y intercept or mean value of Y

b= Growth rate

x = t – 2005

t = mid year

We have,

$$a = \frac{\sum Y}{N}$$

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

$$\frac{586327.34}{6}$$

$$\frac{685639.67}{70}$$

$$a = 97721.22$$

$$b = 9794.85 \text{ (Lakhs)}$$

Putting the value of a and b in equation (i), we get;

$$Y = 97721.22 + 9794.85 x$$

Now, the trend value can be calculated putting required year in place of (x) in equation.

For Example, to calculate the deposit for 2008/09

Here t = 2008.5 (taking mid year)

Now x = 2 (2008.5 – 2005)

$$= 7$$

Total Deposit for 2008/09 (Y) = $97721.22 + 9794.85 \times 7 = \text{Rs } 162283.85$

APPENDIX F

Calculation of Hypothesis

Name of Bank	Mean Ratio of Loan and Advance to Total Deposit	Standard deviation (σ)	Sample size
EBL	73.30 %	1.49 %	6
SCBNL	34.94 %	4.25%	6

$H_0 : \mu_1 = \mu_2$: There is no Significant difference between loan and advance to total deposit of EBL and SCBNL

$H_1 : \mu_1 \neq \mu_2$: There is Significant difference between loan and advance to total deposit of EBL and SCBNL

Here, level of significance (α) = 0.05

Degree of freedom (df) = $n_1 + n_2 - 2 = 6 + 6 - 2 = 10$

Tabulated value of t ($t_{0.05}$) = 3.64 (Two tailed test)

Now, Mean of EBL (\bar{X}_1) = 73.30%

Mean of SCBNL (\bar{X}_2) = 34.98%

Standard deviation of EBL (σ_1) = 1.49%

Standard deviation of SCBNL (σ_2) = 4.25%

Sample size (n_1, n_2) = 6

We know,

$$S^2 = \frac{n_1 \sigma_1^2 + n_2 \sigma_2^2}{n_1 + n_2 - 2}$$

$$S = \sqrt{\frac{6 \times 1.49^2 + 6 \times 4.25^2}{6 + 6 - 2}}$$

$$= 1.86$$

$$t_{cal} = \frac{\bar{X}_1 - \bar{X}_2}{S \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}}$$

$$= 2.56$$

Since $t_{tab} > t_{cal}$ (i.e. $3.64 > 2.56$) the null hypothesis is accepted. That is There is no Significant difference between loan and advance to total deposit of EBL and SCBNL

(Other) hypothesis are calculated accordingly.

APPENDIX G 1

Current Ratio

Standard Chartered Bank Ltd.

(Rs. In Lakhs)

F/Y	Current assets (Rs)	Current liabilities (Rs)	Ratios (%)
2002/03	175271.18	172076.27	1.02
2003/04	192237.20	196315.97	0.98
2004/05	220123.34	221463.21	0.99
2005/06	2121650.70	203111.63	1.04
2006/07	250364.66	240221.94	1.04
2007/08	265143.08	254054.90	1.04

Everest Bank Ltd.

(Rs. In Lakhs)

F/Y	Current assets (Rs)	Current liabilities (Rs)	Ratios (%)
2002/03	63204.02	60762.09	1.04
2003/04	79422.18	74393.84	1.07
2004/05	92390.30	89282.52	1.03
2005/06	133072.77	110225.08	1.20
2006/07	157997.58	157284.76	1.00
2007/08	167518.84	164323.50	1.02

APPENDIX G 2

Cash and bank balance to total Deposit Ratio Standard Chartered Bank Ltd.

(Rs. In lakhs)

F/Y	Cash and bank balance (Rs)	Total Deposit (Rs)	Ratios (%)
2002/03	8252.65	158357.47	5.21
2003/04	15123.05	187556.24	8.06
2004/05	20231.64	211614.42	9.56
2005/06	11111.17	193350.94	5.75
2006/07	10292.52	230610.32	4.46
2007/08	10986.42	248580.37	4.42

Everest Bank Ltd.

(Rs. In lakhs)

F/Y	Cash and bank balance (Rs)	Total Deposit (Rs)	Ratios (%)
2002/03	59275.7	54666.09	10.84
2003/04	11395.69	66949.63	17.02
2004/05	6318.05	80639.02	7.83
2005/06	9722.59	100976.91	9.62
2006/07	13988.62	138024.45	10.13
2007/08	14883.45	151034.50	9.85

APPENDIX G 3

Cash and bank balance to Current Assets Ratio Standard Chartered Bank Ltd.

(Rs. In lakhs)

F/Y	Cash and bank balance (Rs)	Current Asset (Rs)	Ratios (%)
2002/03	8252.65	175271.11	4.71
2003/04	15123.05	192237.17	7.87
2004/05	20231.63	220123.34	9.19
2005/06	11111.17	212165.67	5.23
2006/07	10292.52	250364.66	4.03
2007/08	15732.01	270108.08	5.82

Everest Bank Ltd.

(Rs. In lakhs)

F/Y	Cash and bank balance (Rs)	Current Asset (Rs)	Ratios (%)
2002/03	5927.57	63204.02	9.38
2003/04	11395.69	79422.18	14.35
2004/05	6318.05	92390.30	6.84
2005/06	9722.59	133072.78	7.31
2006/07	13988.62	157997.58	8.85
2007/08	14156.23	180108.23	7.86

APPENDIX G 4

Investment on government securities to current assets Ratio Standard Chartered Bank Ltd.

(Rs. In lakhs)

F/Y	Investment on government securities (Rs)	Current Asset (Rs)	Ratios (%)
2002/03	57847.24	175271.18	33.00
2003/04	65813.48	192237.17	34.23
2004/05	79482.17	220123.34	36.11
2005/06	72030.66	212165.68	33.95
2006/07	86448.55	250364.66	34.53
2007/08	89576.47	265143.08	33.78

Everest Bank Ltd.

(Rs. In lakhs)

F/Y	Investment on government securities (Rs)	Current Asset (Rs)	Ratios (%)
2002/03	15388.98	63204.02	24.3
2003/04	15993.50	79422.18	20.18
2004/05	24664.28	92390.30	26.11
2005/06	21002.89	133072.77	15.78
2006/07	35485.19	157997.58	22.45
2007/08	38754.23	167518.84	23.13

APPENDIX G 5

Loan & advance to total deposit ratio

Everest Bank Ltd.

(Rs. In lakhs)

F/Y	Loan & advance (Rs)	Total Deposit (Rs)	Ratios (%)
2002/03	39484.78	54666.09	72.23
2003/04	49084.61	66949.63	73.31
2004/05	58841.22	80639.02	72.97
2005/06	76186.71	100976.91	75.45
2006/07	98013.07	138024.45	75.45
2007/08	108517.05	145076.43	74.80

Standard Chartered Bank Ltd.

(Rs. In lakhs)

F/Y	Loan and advance (Rs)	Total Deposit (Rs)	Ratios (%)
2002/03	53640.05	158354.47	33.87
2003/04	56958.23	187556.34	30.36
2004/05	64102.42	211614.42	30.29
2005/06	81432.07	193634.50	42.05
2006/07	89354.17	230610.32	38.75
2007/08	95314.31	275871.54	34.55

APPENDIX H 1

Total investment to total deposit ratio Standard Chartered Bank Ltd.

(Rs. In lakhs)

F/Y	Total investment (Rs)	Total Deposit (Rs)	Ratios (%)
2002/03	92758.84	158354.47	58.57
2003/04	103576.78	187556.34	55.22
2004/05	113603.28	211614.42	53.68
2005/06	97025.53	198350.95	48.91
2006/07	28475.36	230610.32	55.71
2007/08	135583.54	275871.54	49.14

Everest Bank Ltd

(Rs. In lakhs)

F/Y	Total Investment (Rs)	Total Deposit (Rs)	Ratios (%)
2002/03	16930.36	54666.09	30.97
2003/04	16539.77	66949.61	24.70
2004/05	25356.57	80639.02	31.45
2005/06	21289.32	100976.91	21.08
2006/07	42005.15	138024.45	30.43
2007/08	49087.14	145076.43	33.84

APPENDIX H 3

**Loan & advance to total working fund ratio
Standard Chartered Bank Ltd.**

(Rs. In Lakhs)

F/Y	Loan & advance (Rs)	Total working fund (Rs)	Ratios (%)
2002/03	53640.05	184431.05	29.08
2003/04	56958.23	209109.70	27.24
2004/05	64102.42	236420.79	27.11
2005/06	81432.08	217816.79	37.38
2006/07	89354.17	257763.32	34.67
2007/08	95314.31	284052.57	33.56

Everest Bank Ltd.

Rs. In Lakhs)

F/Y	Loan & advance (Rs)	Total Working fund (Rs)	Ratios (%)
2002/03	39484.78	66071.70	59.76
2003/04	49084.61	80522.09	60.95
2004/05	58841.23	96085.71	61.24
2005/06	76186.71	117325.16	64.95
2006/07	9801308	159592.85	61.41
2007/08	108517.05	168524.23	64.39

APPENDIX H 4

Investment on government securities to total working fund ratio

Standard Chartered Bank Ltd.

Rs. In Lakhs)

F/Y	Investment on government Securities (Rs)	Total Working fund (Rs)	Ratios (%)
2002/03	57847.24	184431.05	31.37
2003/04	67228.28	209109.70	32.15
2004/05	79482.17	236420.79	33.61
2005/06	72030.66	217816.79	33.06
2006/07	86448.56	257763.32	33.54
2007/08	89576.47	284052.57	30.48

Everest Bank Ltd.

Rs. In Lakhs)

F/Y	Investment on government Securities (Rs)	Total Working fund (Rs)	Ratios (%)
2002/03	15388.97	66.71.70	23.29
2003/04	15993.51	80522.09	19.86
2004/05	24664.28	26085.71	25.67
2005/06	21002.89	117325.16	17.90
2006/07	35486.17	159592.85	22.23
2007/08	38754.23	168524.23	23.00