CREDIT MANAGEMENT OF COMMERCIAL BANKS IN NEPAL (WITH REFERENCE TO NEPAL INVESTMENT BANK LIMITED, NABIL BANK LIMITED AND HIMALAYAN BANK LIMITED)

A Thesis

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Viva-Voce Sheet

We have conducted the viva–voce of the thesis presented

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And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for

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Declaration

I hereby declare that the work reported in this thesis entitled "**CREDIT MANAGEMENT OF COMMERCIAL BANKS IN NEPAL (WITH REFERENCE TO NEPAL INVESTMENT BANK LIMITED, NABIL BANK LIMITED AND HIMALAYAN BANK LIMITED)"** submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of Mr. Indramani Pandey lecturer of Siddhartha Campus, T.U.

.....……

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List of Abbreviations

%	:	Percent
+/-	:	Increase or Decrease
ATM	:	Automated Teller Machine
B.S.	:	Bikram Sambat
BOK	:	Bank of Kathmandu
DICGC	:	Deposit and Credit Guarantee Corporation
EBL	:	Everest Bank Limited
HBL	:	Himalayan Bank Limited
i.e.	:	That is
IPO	:	Initial Public Offering
IRR	:	Internal Rate of Return
KBL	:	Kumari Bank Limited
L.U.	:	Lincoln University
LD	:	Loan Disbursement
LLP	:	Loan Loss Provision
Ltd.	:	Limited
MBA	:	Master of Business Administration
NABIL	:	Nabil Bank Limited
NEPSE	:	Nepal Stock Exchange
NIBL	:	Nepal Investment Bank Limited
No.	:	Number
NPL	:	Non Performing Loan
NRB	:	Nepal Rastra Bank
PE	:	Probable Error
PPA	:	Power Purchase Agreement

r	:	Correlation
r^2	:	Coefficient of Determination
Regd.	:	Registration
ROI	:	Return on Investment
Rs.	:	Rupees
SCBNL	:	Standard Charted Bank Nepal Limited
SWOT	:	Strength Weakness Opportunity Threat
t	:	T-test

CHAPTER – I
INTRODUCTION

1.1 Background of the Study

In fact, development of a country is linked with the economic development of that country. Economic development is concerned with banking system. A great amount of capital needs to be utilized for the economic development. It is possible to utilize a great amount of capital only with the medium of banks. Without proper development of banking system, there can be no economic development. The development of the banking system is the backbone of economic development. Bank assists both the flow of goods and services from the products to the consumers and the financial activities of the government. Banking provides the country with a monetary system of making payment which makes loans to maintain and increase the level of consumption and production in the economy (Bexley, 1987).

The word credit management is divided into two parts; credit and management. Credit means providing of overdraft, loans, discount of bills, issuance of letter of credit and guarantee, acceptance, investment on any financial instrument (i.e. preference share, debentures etc.) or any other actions which creates obligations or risk to the Bank's assets whether temporarily or permanently. Similarly, management is the process of efficiently getting activities completed with and through other people. The management process includes the planning, organizing, leading and controlling activities that take place to accomplish objectives. Management must include three common factors: goals, limited resources and people. Thus, credit management can be defined as the process of managing the credit effectively with a goal to achieve through the people. Here goal being the profit and effective use of sources of funds in viable projects where the income is expected to earn smoothly by the bank. The management of credit is approached on three levels for the commercial bank (Allen & Powell, 2011).

The first is on a strategic level. The credit portfolio shall be structured to ensure that no single event can have a significant adverse impact on overall performance. Also, resources within the bank are deployed so as to take maximum advantage of

profitable credit risk opportunities in its target markets. On a second level, the bank establishes credit policies and procedures which provide a minimum standard for credit activities and foster a common approach to credit risk management by individual business units/branches. These are established to provide a prudent framework for individual credit officers to operate within. On a third level, the bank relies on the competence of the staff involved in credit related activities to identity acceptable credit risks and to make sound decisions in the approval and ongoing management of those risks (Mathur, 1990).

Credit means a direct or indirect promise to invest money and the right to recover such amount of investment in return and the interest of such credit or payment of other charges, the refinance given against the security of creditor investment, credit restructuring and renewal of credit, the guarantee made for repayment of credit or any those promise for such repayment, and the word also includes any type of debt. Credit management means the strategy and tools used to manage the timely return the lent fund and good loan portfolio of sector to diverse the possible risk is called credit management.

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one of the largest banking group in the world. Later, in 2002 a group of Nepalese companies comprising of bankers, professionals, industrialists and businessmen acquired the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd., and accordingly the name of the Bank also changed to Nepal Investment Bank Ltd.

Nabil Bank Limited is the nation's first private sector bank, commencing its business since July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 62 points of representation. In addition to this, Nabil has presence through over 1500 Nabil Remit agents throughout the nation.

Himalayan Bank Limited was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the tough competition in the Nepalese Banking sector, Himalayan Bank has been able to maintain a lead in the primary banking activities- Loans and Deposits. Legacy of Himalayan lives on in an institution that's known throughout Nepal for its innovative approaches to merchandising and customer service. Products such as Premium Savings Account, HBL Proprietary Card and Thousandaire Deposit Scheme besides services such as ATMs and Tele-banking were first introduced by HBL.

1.2 Statement of the Problem

Today as we know that banking industry is one of the fast growing businesses in Nepal. After adoption of the liberalization policy government, this banking sector has been growing dramatically. However due to political instability, government couldn't be able to pay sufficient attention in this sector. In context of Nepal, many banks are facing huge loss by lending in a huge project or industry. Still there is the trend of giving consortium loan for a big project so to minimize risk.

Banks and financial institutions are investing in house loan, hire purchase loan for safety purpose. Lack of good lending opportunities, banks is facing problems of over liquidity. Nowadays, banks have increasing number of deposits in fixed and saving account accounts but have decreasing trend in lending behaviors. So, this has caused major problems in commercial banks. Nowadays, due to competition among banks, the interest rate charge for loan is in decreasing trend. Due to unhealthy competition among banks, the recovery of the bank's credit is going towards negative trends. Non-performing credits of the banks are increasing year by year. To control such trend state, the regulatory body of the banks and financial institutions, NRB has renewed its directives of the loan loss provision.

Although most of the commercial banks increase their profit and market share, the NPA of the banks has been increasing and thus it has created problems to the banks. It has become a burden to the banks and as per NRB rules; banks make provisions for such bad loans accordingly. Banks are increasingly facing credit risk (or counter party risk) in various financial instruments other than loans, including acceptances, inter

bank transactions, financial futures, swaps, bonds, equities, options and in the extension of commitments and guarantees, and the settlement of transactions. Most major banks problems have been explicitly or indirectly caused by weakness in credit management. Therefore, the banks should be very careful in making investments decisions and further should be able to cope with the changing economy and business environment. The research problem of the study is highlighted below:

- What are the relationship between deposit collection and loan disbursement of selected banks?
- What are the relationship between loan loss provision and loan disbursement of selected banks?
- What are the relationship between non-performing loan and loan disbursement of selected banks?

1.3 Objectives of the Study

For any kind of research work or study, first of all the objectives should be determined. It shows the way to achieve desired goals. The main objectives related to the study are presented below:

- To examine the relationship between deposit collection and loan disbursement of selected banks.
- To assess the relationship between loan loss provision and loan disbursement of selected banks.
- To examine the relationship between non-performing loan and loan disbursement of selected banks.

1.4 Test of Hypothesis

Hypothesis or significance testing is a mathematical model for testing a claim, idea or hypothesis about a parameter of interest in a given population set, using data measured in a sample set. Calculations are performed on selected samples to gather more decisive information about the characteristics of the entire population, which enables a systematic way to test claims or ideas about the entire dataset. Hypothesis testing is a formal procedure for investigating our ideas about the world using

statistics. It is most often used by scientists to test specific predictions, called hypotheses, that arise from theories. In this study the researcher conclude different five hypothesis test between different variables.

H_1: Test of Hypothesis on deposit collection and loan disbursement of NIBL, NABIL and HBL.

H_2: Test of Hypothesis on loan loss provision and loan disbursement of NIBL, NABIL and HBL.

H_3: Test of Hypothesis on non-performing loan and loan disbursement of NIBL, NABIL and HBL.

1.5 Significance of the Study

The research work done is fruitful for all the followers including the researcher. This research work gives glance about the profile of the bank giving emphasis on the Credit Management of the Concerned Commercial banks. The significance of credit management the study is conducted by deposit collection and loan.

Most of the primary function of commercial bank is to accept deposits and lend money to the needy party. Generally, a bank should be careful at the time of lending. This study will basically focus on the forms of deposits offered by Nabil Bank Limited and analyze how loan and deposits are related to each other. For the development of various sectors, loan is essential. As the basic function of bank is receiving deposits and lend money. Offering the service of deposit allows the public to keep the money safe. Similarly, the nominal interest rate gives by the bank through different a/c. So, this study will elaborate the forms of deposits account offer by the bank and mean while provide information about the deposit mobilized by it.

Loans and advances are known to be the main stay of all commercial banks. They occupy an important part in gross earnings and net profit of the banks. The share advances in the total asset of the banks forms a lion share (almost more than 60 percent) and as such it is the back bone of banking sector. Bank lending is very crucial for it makes possible the financing of agricultural, industrial, construction, and commercial 8 activities of a country. The strength and soundness of the banking

system primarily depends upon health of the advances. Therefore the ability of banks to formulate and adhere to policies and procedures that promote credit quality and curtail nonperforming loans is the means to survive in the stiff competition. In ability to create and build up quality loans and credit worthy customers leads to default risk and bankruptcy as well as hampers economic growth of a country.

However, little work is done to search the ways and means that enable to quality loan creation and growth as well as to determine the relationship between the theories, concepts and credit policies both at country level or regional level. Hence, this study is assumed to be significant in indicating best practice and concepts for prudent lending to enhance the performance of credit management to all managers and policy makers of the bank as well as to all financial institutions and banks. Moreover, it may help as a benchmark for researchers who are interested in the area to extend it further.

1.6 Limitations of the Study

For the completion of the study, some facts are to be considered as limitation of this research work:

- This study is based on credit management of selected commercial bank such as NIBL, NABIL and HBL.
- Descriptive and correlational research designs are only used for the study.
- This study is based on secondary data collection method.
- Simple and statistical tools are used in this study.

1.7 Organization of the Study

The entire study carried out to different stages and procedures, as it needed. The study organized in the following chapters in order to make the study easy to understand.

Chapter – I: The first chapter is an introduction chapter, which contains background of the study, introduction of commercial banks, profile of the concerned banks, statement of problems, objectives of the study, test of hypothesis, significance of the study, limitation of the study and organization of the study.

Chapter – II: The second chapter is concerned with review of literature, which contains conceptual review, review of books, review of previous study, research paper and published articles/journals and unpublished master's thesis.

Chapter – III: The third chapter is the most important part of the study. It deals with the research methodology, which is applied to collect the data and analyze them in this study. It contains research design, sources of data, population & sample, data collection technique and data analysis tools.

Chapter – IV: The fourth chapter deals with data presentation and analysis using statistical tools.

Chapter – V: The fifth chapter is the last part of to study, which provides summary and conclusion, suggestions and recommendations for improving the future performances of the sample banks. Finally, bibliography and appendices are also presented at the end of the thesis work.

CHAPTER – II

REVIEW OF LITERATURE

This chapter is concerned with review of literature relevant to the topic "Credit Management of Commercial banks in Nepal with reference to NIBL, NABIL and HBL". Every study is based on past knowledge. The past knowledge or the previous studies should not be ignored as it provides foundation to the present study. Therefore, this chapter has its own importance in this study.

2.1 Conceptual Review

2.1.1 Concept of Credit

The word "Credit" is derived from Latin word 'credo'. In Latin, language the meaning of 'Credo' is 'I believe'. Generally, credit signifies belief on circumstance or situation. Based on the belief banks provides much more loan on limited resources. Therefore, credit is the loan provided by the bank with its resources based on belief.

"Credit means a direct or indirect promise to invest money and the right to recover such amount of investment in return and the interest of such credit or payment of other charges, the refinance given against the security of creditor investment, credit restructuring and renewal of credit, the guarantee made for repayment of credit or any those promise for such repayment, and the word also includes any type of debt" (Joseph 1998).

2.1.2 Criteria for Providing Loan

To put in simple words when a loan is made the following 5 C's of Credit needs to be evaluated by (Clemens, 1963).

1. Character: Responsibility, truthfulness, serious purpose, and serious intention to repay all money owed make up what a loan officer calls character. First, the loan officer must be convinced that the customer has a well-defined purpose for requesting bank credit and serious intention to repay. The loan officer must determine that the borrower has a responsible attitude towards using borrowed funds and is truthful in answering the banks questions. If the loan officer feels the customer is insincere in

promising to use borrowed fund and in repaying as agreed, the loan should not be made to the applicant.

2. Capacity: Capacity refers to the borrower's ability to generate sufficient cash flow from normal operations to meet future obligations. It needs to be analyzed whether the business has the resources (funds, income and revenue) to repay the debt. The business should be sound enough to generate profit, which is sufficient for not only repayment of bank loans but also provides reasonable return for the promoters.

3. Capital: It represents the funds retained in the borrowing entity to provide a cushion against unexpected losses. A strong equity position will provide financial resiliency to help a firm whether periods of operational adversity. Capital is often looked at as the amount of money that you have invested into your own business. A financial lender or an investor may be curious as to why you are seeking financial assistance using your own assets. Many lenders or investors also want to know if you plan to use your own money to help your business succeed when needed.

4. Collateral: Collateral is the security proposed by the borrower. The loan officer must answer the question: Does the borrower posses adequate net worth or own enough quality assets to provide adequate support for the loan? The loan officer is particularly sensitive to such feature as the age, condition and degree of specialization of the borrower's assets.

5. Condition: The credit analyst must be aware of trends in the borrower's line of work or industry. It must be clear that how the changing economic conditions might offset the loan. A loan can look very good on paper, only to have its value wear down by declining sales or income in a recession or by the high interest rate occasioned by inflation.

2.1.3 Various Types of Credit

Loan portfolio management deals with managing all types of credit. There are many types of credit that commercial banks provide authors by (Beckman, 1995). This lending can be categorized as:

Loan and Advances Based on Their Nature

Loan and advances based on their nature can be categorized as

A. Secured Loan Advances

A secured loan and advances may be called to those loan and advances which are granted upon taking the higher value of security as compare to the loan granted amount. In other words, if the Distress value of security is higher than the loan granted amount, then this loan is called secured loan and advances. Distress value is calculated by considering market rate and government rate.

B. Unsecured loan and Advances

An unsecured loan and advances is the one which is granted by the bank without any collateral, or granted only upon the personal guarantee of any customers or upon corporate guarantee. Again if the bank grant loan and advances by putting in with lower value of the security as compare to loan amount, then this types of loan is also referred as unsecured loan and advances. Loan and advances based on the involvement of the fund. Based on the involvement of the fund, loan and advances can be classified as:

1. Fund Based Loan and Advances

2. Non Funded Based Loan and Advances

1. Fund Based loan and Advances

Fund based loan and advances are the direct lending of funds to the customers. In funded based loan and advances, loan is granted directly to customer either by cash or by manager's cheque. It is called funded since it involves to cash. Funded based loan and advances are as follows:

a. Overdraft

Overdraft is a short term credit given for meeting the working capital of the borrower. Overdraft is given only for one year. If the borrower is genuine and if their interests are not accrued or if it is really doing a good transaction, then upon its request, it can be renewed for further one year period. Over draft is given only to meet the working capital requirement in any business and the business unit should possess a current

account for the purpose. In this facility, certain limit is given to a customer or borrower and interest is charged only on used amount from the limit. Amount can be overdrawn up to the granted limit.

b. Cash Credit

Cash credit is a drawing account against credit granted by the bank. It is also operated in the same way as in overdraft. A borrower is required to open a cash credit account with the bank and bank issued separate cheque for cash credit account. Bank permits customers to borrow fund up to fixed limit. Cash credit is allowed against the security of tangible assets. They may be hypothecation of stock, plant and machinery along with it insurance policy favoring to bank, and other current assets.

c. Demand Loan

Demand loan is also a short term loan granted to meet borrower's fixed working capital Requirement. Installment is required to pay on periodically installment or on lump-sum basis. For this a customer is required to open separate Demand loan account. If demand loan once is repaid in full or in part, then it can't be withdrawn again by the customer.

d. Bridge Loan

Bridge loan is another short term loan granted to meet immediate requirement of fund especially for any project. It is basically a loan meant for bridging the fund. Like in demand loan, if once bridge gap loan is credited, the borrower is not allowed to withdrawn the loan.

e. Pledge loan

Pledge loan is the bailment of the goods as security for payment of a debt or performance of a promise. Bailment is the delivery of the goods by one person to another for some purpose upon a contract. After the purpose is completed those goods are to be return to the delivering person. A pledge may be in form of goods, stocks or any movable property.

f. Hire Purchase Loan

Hire purchase loan means financing on vehicles to the customers by the bank. It is a

credit facility introduced to finance the customer durables like motor vehicles or contractor equipment's. In this facility customers or borrowers are required to pay some portion of amount and the remaining shall be financed by the bank. Generally upon receiving the pro-forma invoice and marking to the cost as per pro forma invoice, bank shall finance up to some cost considering the borrower's repayment capacity and remaining should be borne by a customer. The financed vehicle will be in the name of bank. The financed vehicle should be insured by the customer favoring to the bank.

g. Housing Loan

Housing loan is granted for the construction of house, purchase of house, purchase of land, extension of the house, repair and maintenance of the house for the borrower. A certain cost required for above purposes is sketched by an engineers or an engineering consultancy. Making base to that sketched figure, bank will finance portion of amount seeing the borrower's repayment capacity. Borrowers should insure the proposed house favoring to the bank.

h. Personal Loan

Personal loan is granted to the individuals or borrower to meet their cash requirement for social function and rituals and personal cash management. This loan is borrowed to those borrowers who has good income sources and can repay it timely.

i. Term Loan

Term loan is given for financing capital /fixed expenses on the project, ongoing and upcoming projects. Term loan is provided to purchase or import of plant, machinery, furniture, equipments etc. Term loan are relatively granted for relatively longer period & are repayable on installment basis.

j. Consortium Loan

Consortium loan is participation finance. If one bank will not be able to grant higher amount of loan either due to Single Obligor Limit or due to cash crisis, then participating with other banks, or financing mutually with other bank refer to consortium loan. More than one bank mutually agrees to grant loan to a borrower

involves consortium credit or consortium financing. Under the consortium agreement, the participating banks acquire common interest and share the advances and securities on predetermined proportion.

k. Loan against Fixed Deposit Receipt

If any customer has fixed deposit in bank and that is not matured, then that customer can enjoy loan against Fixed Deposit Receipt when he needed fund urgently. Bank is bound to advance credit against same receipts.

l. Loan Against Share

Some bank may provide loan against lien of share certificate. The share should be in listing in Stock Exchange.

m. Loan Against Gold

Some bank grant loan against gold by taking gold as a security. If the borrower is seeking lesser amount of fund, then some bank grant them loan upon submission of their gold as collateral.

2. Non Funded Based Loan and Advances

There are some such advances which do not involve the fund in their grant. These kinds of advances are called non funded advances. In such advances bank only make commitment that in case of borrowers default, the bank will make well the loss as per the terms made in contract. If the borrower defaults on this advanced, it will convert to fund based advances. None funded loan and advances are as follows:

a. Bank Guarantee

Bank gives guarantee to third part or beneficiary on behalf of their customers. Bank guarantee is a written letter of undertaking issued by a bank, committing to make the losses good to the third party in case of non compliance of the terms of the contract. In bank guarantee, three parties are involved.

- The principal debtors on behalf of whom the guarantee is issued

- Beneficiary on favor of who guarantee is issued

- Guarantor who issue bank guarantee.

Bank Guarantee are following types:

i) Bid Bond Guarantee

Bid bond guarantee is issued by a bank favoring the beneficiary on behalf of it's customer for bidding the tender.

ii) Performance Bond Guarantee

Performance Bond Guarantee is issued by a bank favoring the beneficiary on behalf of it's customer to whom the tender is awarded.

iii) Advance Payment Guarantee

Advance Payment Guarantee is issued by a bank to beneficiary on behalf of it's customer for receiving the mobilization fund from beneficiary as per the contract.

iv) Maintenance Guarantee

Maintenance Guarantee assures the beneficiary of financial compensation to the extent of Maintenance guarantee in case of non maintenance by the debtor.

v) Retention Guarantee

Retention Guarantee assures the creditors of financial compensation to the extent of retained money if some defects are noticed in job accomplished by the debtors till a specific period.

vi) Custom Guarantee

Custom Guarantee assures the customs financial compensation to the amount of guarantee if goods are not taken out of the country by a specified time.

vii) Judicial Guarantee

Through judicial guarantee, the bank assures the court that the money will be available on the first demand of the court if the decision goes against the accused on whose behalf the guarantee is issued.

b. Letter of Credit

Letter of Credit; also know as Documentary Credit is a credit letter issued by a bank. It is a bank’s conditional undertaking of payment. It is an instrument for making payment against documents. It is a document which ensures payment importer or buyer and Export or seller. It is an undertaking by the importer's bank that if the

exporter exports the goods and produces document as stipulated in documentary credit, the bank would make payment to the exporter.

2.1.4 Principle of Good Lending

All loan and Advances extended to the borrower shall be returned back after maturity as per the terms and conditions stipulated at the time of approval. All lending officer must study the ability of the borrower to repay the loan. Borrowers may not be able to repay the loan or they are not willing to repay the loan. So, for this purposes, bank should undertake the borrower's security to safeguard the loan. Banks extends credit facilities based under certain principles such principles are regarded as credit policy authors by (Swani, 1979). The major principles of good lending are:

a. Safety

"Safety First" is most important principle of good lending. When a bank lends, then the bank should confirm on their lending whether they are safe or not. The bank shall ensure that the advances when granted to the right customers and is utilized in such a way that the advances are safe for all time.

b. Liquidity

It is not enough that the loan will come back; it is also important that the advances granted to the customer must come on demand or in accordance with the agreed terms of repayment. The source of repayment must be definite.

c. Profitability

The main goal of bank is to earn profit. For this, the bank is required to increase its investment without letting the fund remain idle. The bank should try to invest only on those projects from which it can ensure goods and timely interest income. But bank never should forget its own liquidity condition while lending huge number of loans. Secured and long term loan can give good income.

d. Security

No matter how attractive the interest or rate is but there is always possibility of loan being default if it is unsecured. Security means adequate collateral having good value which can easily sold if required. Besides security, the bank should also integrate upon the financial position and status of borrower while lending loan.

e. Diversification

The bank should not concentrate on only one sector while extending the loan. It should try to diversiyear its investment. It should mobilize its resources on various collateral, various assets, different business and different individuals and organization. This will help to reduce the banks risk in greater extent.

f. National Interest

Even when an advance satisfies, all the above principles it might not be suitable if it does not take into account the national interest. Banks are required to grant advances on those sectors, which are priorities by the government on time to time in meeting the national requirements. The bank should invest on such sectors as per the government or Nepal Rastra Bank.

2.1.5 Some Important Terminology

The study in this section comprises of some important banking terminology for which efforts have been made to clariyear the meaning, which are frequently used in this research work authors by (Singh, 2063). They are as follows:

a. Deposits

Deposits are the most important source of the liquidity for each commercial bank. For financial strength of banks, it is treated as a barometer. In the word of Eugene, “a banks deposit is the amount that it owes to its customers.” A deposit is the life blood of the commercial banks. Even though, they constitute the great bulk of bank liabilities, the success of a bank greatly depends upon the extent to which it may attract more and more deposits. For accounting and analyzing purpose, deposits are categorized in three heading. They are -

i. Current Deposit/ Demand Deposit

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

ii. Saving Deposit

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

iii. Fixed Deposit

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

b. Loans and Advances

Commercial banks main functions are to create from its borrowed fund. Loans and advances dominate the asset side of the balance sheet of any bank and constitute the primary sources of income to the banks. Loans and advances may take different forms and are allowed against various types of securities. Loans, overdraft, discounting of bills of exchange etc. are some of the forms of bank lending. Granting loans and advances always carries a certain degree of risk.

c. Past Due/Overdue

An amount due under any credit facility is treated as past due or overdue when it has not been paid on the due date fixed by the bank.

d. Loan Classification

Though all the loans are good at the time of disbursement with the passes of time, they show the sign of problem. Based on the health of loan, the loan should be classified and provided accordingly. In the context of Nepal, according to NRB guidelines, loans are classified into four categories. They are Pass, Substandard, Doubtful and Loss.

e. Events-of-Default

When the borrower violates the terms and condition of a loan agreement, after receiving loan, such situation is called the event-of-default. Event-of-default can be divided into two parts: Willful defaulter and Non-willful defaulter. In the part of loan agreement, it should be specified that what actions the bank is legally authorized to take in order to secure the recovery of its funds, incase the borrower violate the terms of loan agreement.

f. Performing Loans

Good loans and advances are called performing loans. Performing loans are those that repay principal and interest to the bank from the cash flow it generates. Only loans falling under 'PASS' category is termed as "Performing loans". Pass category is known as, all loans and advances the principal of which are not past or past due for a period up to 3 months.

g. Non-Performing loans/Non-Performing Assets

Non-Performing loans are those loans that do not repay principal and interest to the bank timely. Loans falling under 'Substandard', 'Doubtful', and 'Loss', categories are termed as "Non-Performing loans". The details and classification standards of non-performing loans vary from country to country as the country put in place norms as per the requirements of their own banking system. The ratio of NPL's is derived through dividing the total amount of non-performing loans by total outstanding of loan and advances.

h. Loan Loss Provision

There is associate risk in every loan. To minimize the risk from possible losses of these loans bank has to allocate some funds as loan loss provision. Loan loss provision is made as cushion against possible losses and to reflect the true picture of banks assets. Hence, there is a practice of showing net loss (total loan – loan loss provision) in the financial statement instead of gross loan. The level of provisioning is depended upon the level of NPL's and their quality. The ratio of provision may differ from nation to nation. In the context of Nepal, NRB has prescribed 1%, 25%, 50% and 100% provision for Pass, substandard, doubtful and loss loans respectively.

2.1.6 Lending and Recovery Management of Commercial Bank

A. Loan Disbursement Process of Commercial Bank

Broadly, commercial banks provide three types of loan – Corporate loan, Business loan and Consumer loan.

Commercial bank follows several steps to disburse loan to the borrowers. The lending policies followed by the banks might be similar to the other banks. In general, the steps may be listed as under authors by (Shrestha, 1993).

a) Application

The banks that consist of all details related to the particular loan provide application forms. The needy are required submitting the form with all the required documents. Generally, the documents required by the banks for further processing the application form could be listed as under the loan application. The bank needs some documents for loan approval they are loan application, citizenship certificate of applicant, salary certificate, renewed firm, company registration certificate, income tax registration certificate, latest audited financial statement, feasibility report. The authenticated "Partnership deed" in case of partnership firm, memorandum and article of association in case of company, citizenship certificate of proprietor/partners/ promoters/guarantors along with share holding percent. The letter of authority authorizing to sign loan deed and other relevant document paper which are deemed necessary while dealing with bank on behalf of firm company and loan deed.

b) Loan Appraisal and Processing

Once the application form and the relevant document are submitted the difficult task of banks starts. The viability of the proposal and the documents are analyzed. Detail enquiry of the individual is done. Commercial bank carries out loan appraisal on the basis of past performance, future forecast and information available from the enquiry. The bank ascertains the following during loan processing:

- Proposal should not deviate from NRB directives.
- Proposal should be in accordance with bank credit policy, credit procedural manual and bank and financial institution (Act 2061) ordinance 2060.

- The cost estimate is examined so that the appropriate estimate can be accepted.
- Working capital projection has to be reasonable as compared to past performance and on the basis of target for future expansion.
- The return on investment (ROI), internal rate of return (IRR) should be adequate.
- SWOT (strength, weakness, opportunity, threat) analysis of the proposed project must give reasonable assurance.
- The borrower should be credit worthy.
- Security should not be disputable. It should be easy to legally and physically take under control by the bank whenever necessary.

Beside above points, the bank makes inspection of the physical existence of the project. The bank also tries to ascertain whether the borrower will be able to pay interest timely and repay the amount of loan on maturity.

c) Loan Approval

After a person, institution and project submit a proposal, bank makes a deep study and analyze from different aspects on the proposal. The bank also evaluates necessary documents. If the bank feels the loan proposal satisfactory, it can approve the loan accordingly.

d) Loan Documentation

After the approval of the loan from the bank, a letter is issued showing all the terms and conditions to be followed by the borrower. After the acceptance of the terms and conditions by the borrower the documentation process is carried out.

As loan documentation, loan deed is signed. Loan deed is an agreement which mention for how long the money is lent, what shall be the repayment schedule and what shall be the cost of money lent, what against money is lent and what action is to be taken in case of default.

Besides the loan deed, the following documents shall be obtained according to the type and natures of credit for loan documentation process are the demand promising note, continuing security letter, letter of lien and set-off, letter of pledge, letter of

guarantee, mortgage deed, letter of installments, partnership letter, letter of acknowledgement of debt, general/Special power of attorney, blue book/ ownership certificate in case of hire purchase.

In case of mortgage of collateral security, documents required are letter of property owner's agreement to mortgage property, letter of approval from the office the company register to mortgage the property of the company, in case of the company, landowner certificate "Laal Purja", property transfer deed "Ownership Deed", "Malpot" receipt, boundary certificate from town/village development committee, survey map of the land (Blue Print), mortgage deed registered original copy, Rokkapatra "Banks lien earmarked letter of Malpot office", authorization of property owner and valuation report of property.

e) Loan Disbursement

After careful appraisal and scrutinizing of the proposal and documentation, loan is disbursed.

f) Loan Audit

A bank ants his debtor to use the loan in proper places, after it provides loan, as far as possible with the intention of this objective, the bank performs audit of the loan. Thus, the audit is done from time to time by the bank, in addition to other function to find out a picture about loan utilization.

The tools used for audit of loan are:

- Performance statements.
- Cash flow statements.
- Stock turnover statements.
- Profitability statements.
- Audited balance sheet.
- Site inspection.

B. Loan Recovery Process of Commercial Bank

The credit management performs depends upon the loan recovery made. Hence we can say the most important activities performed by the credit department is loan

recovery. No such hard and fast rule is performed to recover loan. The recovery process depends upon the time frame i.e. the situation in which the loan is to be recovered.

Practically, both distribution and process of recovery are explained in the loan deed. Loan deed contains all the necessary terms and conditions. If the terms and conditions written in the deed are not fulfilled there will be violation of deed. In such condition certain adjustment is added in the deed so that the terms and conditions are changed as per the demand. Generally, arrangement and adjustment between the bank and the customer are settled but the condition may arise to sell the mortgage to recover the loan amount.

In general arrangement of loan i.e. adjustment of the loan as per the demand of the customer is done. The duration of the loan payment is increased after making certain change in loan deed. It also happens that mortgage assets are also to recover the loan. All the recovery process is systematic and legal. As per the precaution the banks also give through vision to find out whether the loans are utilized in the relevant area or not.

2.1.7 NRB Guidelines Affecting Investment and Fund Mobilizing Policy of Commercial Banks

- As per NRB guidelines, Bank's exposure on "Productive Sector (Agriculture, Power, Tourism and Cottage and Small Scale Industries) is required to reach 20% of total loan total loan & advances within the next three.
- Provision for investment in priority sector NRB has directed to commercial banks to extend at least 12% of its total outstanding credit to priority sector.

Name of the Banks	Required Deprived Sector Lending as % of total outstanding credit
Commercial Banks	5%
Development Banks	4.5%
Finance Companies	4%

(Source*: NRB Unified Directives 2020*)

- Licensed institutions shall implement the interest rates for deposits and lending, procedures for calculation of interest, penal interest, commission and services only after approval. The institutions cannot vary the interest for deposits in excess of 0.5% over the published rates.
- Maintenance of Liquidity in NRB

Group	Total Deposit
A class institutions	6%
B class institutions	5%
C class institutions	4%
B and C class institutions accepting deposits other than current a/c deposit)	2%

(Source*: NRB Unified Directives 2020*)

- Maintenance of Minimum Capital Fund

Group (institutions)	Required capital fund on the basis of weighted risk assets (in %)	
	Core capital	Capital fund
A	As per Capital Adequacy Framework, 2020	
B (National Level)	As per Capital Adequacy Framework, 2020 (Updated 27 July 2020)	
Others B	5.5%	11%

(Source*: NRB Unified Directives 2020*)

- Loan classification and loss provision, NRB has directed to classiyear their outstanding loan and advances, investment and other assets into four categories.

Loan Classification	Loan Loss Provisioning
Pass	1%
Watch List	5%
Substandard	25%
Doubtful	50%
Loss	100%

(Source*: NRB Unified Directives 2020*)

- For the loans that have been insured in Deposit and Credit Guarantee Corporation (DICGC), only 25% of the insured percentage shall be maintained i.e. (0.25 % for pass loan, 6.25% for Sub-standard, 12.5% for doubtful & 25% for the Loss).
- For the loans that have been rescheduled or restructured into pass loan, 12.5% of provisioning shall be done. If the payment of principal and interest for the rescheduled or restructured loan is regular for 2 years, it can be converted in pass loan. The loan granted to the investors investing in Initial Public Offering (IPO) cannot be rescheduled or restructured.
- According to the directive, with effective from Shrawan 13, 2067 (28 July 15, 2020) commercial banks may extend credit to single borrower or group of related borrowers in such a way that the amount of Fund Based Loans and Advances and Non Fund Based Off-Balance Sheet facilities like letters of credit, guarantees, acceptances, commitments up to 25% of its Core Capital Fund.

However, NRB has made special arrangement regarding investment in Hydropower project, Electricity transmission line and construction of cable car project. Commercial banks may lend up to 50% of their core capital as funded as well as non funded facilities. But, in the case of investment of more than 25% of core capital, there shall be compulsorily be Power Purchase Agreement (PPA) signed with the concerned entity.

- Margin Lending

Loan against the pledge of shares of companies listed in Nepal Security Exchange Limited in the nature of margin lending may be extended up to 50% of the average value of the pledged shares as calculated on the basis of closing price of previous 180 working days or 50% of prevailing market price of shares, whichever is lower. Once the loan has been extended either the upward revision on the credit limit or grant of additional credit shall not be allowed by way of revaluing the value of such pledged shares.

The tenor of such loan shall not exceed one year. Where the borrower enjoying margin type lending repays at least 25% of the total loan and there are no dues in

interest, the margin lending against pledge of shares may be renewed up to 75% of the balance principal amount.

2.2 Reviews on Related Studies

2.2.1 Review of Related Journals/Articles

Satyal (2009) has reviewed the present credit policy with main focus of the credit decision being based on the collateral. He argues that only collateral should not be considered as the basis of the credit decision.

Access to finance is vital element for entrepreneurship development in the country. Without it, one cannot think of starting business of any sort. It's mainly due to this reason; most of the students after completing their single-mindedly look for employment opportunity. No other options, no matter how attractive it would be enter into their mind. It has created huge pressure in the labor market. In the absence of entrepreneurial activities in the country, employment opportunity will be very limited and even qualified and competent people do not get job.

Koirala (2016) has concluded that the unorganized moneylenders in Nepal never loose. They used to assess the record of accomplishment of potential borrowers and innocent characters termed as the best borrower. The bank, on the other hand, is an institution established to support and improves development process of a nation. The politicians and the staffs have been responsible for the existence of huge volume of NPA in stated-owned commercial banks. In order to improve the situation, there is a need to evolve a more acceptable working system backed by cooperation and realization by the banks employees as well as the politicians and stakeholders, who can influence in banks operation.

Dhungana (2015) has concluded that poor credit management and deterioration in the quality of loans give birth to non-performing assets. The internal measures play significance role to control the growth of NPL. Best credit practices, culture and policies are required to strengthen the internal factors. The banks should have a proper system and should insure that risk are accurately identified, assessed and

controlled properly. A proper risk management is undoubtedly an important tool for a good banking and NPL management.

Bhandari (2007) in his article concluded that lending agencies should adopt several strategies for achieving their target of credit repayment. However, before enforcing coercive actions against entrepreneur and the enterprise, the banks and the lending agencies should follow a series of liberal strategies for recovering their loans.

Zerith (2016), in her article firmed that to manage the credit portfolio; bankers must understand not only the risk posed by each credit but also how the risks of individual lending and portfolios are interrelated. These interrelationships can multiply risk many times beyond what would be if the risks were not related. Until recently, few banks used modern portfolio management concepts to control credit risk. Now, many banks view the credit portfolio in its segment as well as among loans. These practices provide management with a more complete picture of the bank's credit risk profile and with more tools to analyze and control the risk. She further concluded that effective credit portfolio management begins with oversight of the risk in individual loans.

2.2.2 Review of Related Thesis

Tiwari (2010), conducted a thesis entitled on "Credit Management of Himalayan Bank Limited." The research findings of the study is the loan & advances to total deposit ratio is slightly lower than standard measurement, which is due to unable to mobilize fund, the interest income to total income ratio shows the more consistent and overall predominance is satisfactory and current ratio of banks shows fluctuating trend. It study shows satisfactory liquidity position.

Katuwal (2013), conducted a thesis entitled on "Credit Policy Analysis of Commercial Banks – Kumari Bank Limited and Himalayan Bank Limited." The research findings of the study are mean ratio of credit risk of Kumari Bank is higher than that of Himalayan Bank i.e. Kumari Bank has adopted more risk to Himalayan Bank, Kumari Bank has maintained higher level of growth ratio in total loan and advances, total investment, total deposit and net profit. Trend analysis of net profit of both banks is in increasing trend and mean ratio of total investment to total deposit of

KBL is lower than that of HBL. The variability of the total of KBL is more consistent than HBL.

Shrestha (2014), conducted a thesis entitled on "Comparative Study on Credit Management of Commercial Banks – Nabil Bank Limited and Standard Chartered Bank Limited." The research findings of the study are the measurement of liquidity has revealed those liquid funds to total deposit of both banks are not widely varied, cash and bank balance to interest sensitive deposit has measured the liquidity risk arising from fluctuating of interest rate in the market rate, combined mean of SCBNL is highest among them which shows high volume to interest sensitive liability and measurement of lending strength in relative term has revealed that a total asset to total liability of SCBNL has highest than NABIL.

Subedi (2016), conducted a thesis entitled on "Credit Management in Commercial Banks of Nepal – NABIL Bank, Standard Chartered Bank, Everest Bank and Himalayan Bank." The research findings of the study are the HBL has disbursed highest credit and advances than others, EBL has utilized the total deposit maximally than other banks in granting loan and advances, SCBNL has remained more effective in managing credit to gain highest interest income, the interest income on credit and advance to total assets has indicated that credit and advances is the major source of income in all banks and the credit of HBL is most risky than that of others.

Ghimire (2018), conducted a thesis entitled on "Study of Credit Management of Joint Venture Commercial Banks – Nepal Investment Bank and Bank of Kathmandu." The research findings of the study are the BOK has maintained higher credit and advances to total deposit, fixed deposit is the main sources of granting credit for both banks, credit loss provisioning is in decreasing trend. So, it indicates efficient credit policy and interest rate effects amount of deposit, which in turn affect credit.

2.3 Research Gap

All of the above research, although a good attempt for exploring the credit management, are mainly based on the quantitative analysis and thus ignored the qualitative analysis, which encompasses the difficulties and problems in credit management procedures. Thus, the study has detected this gap and in this study, the

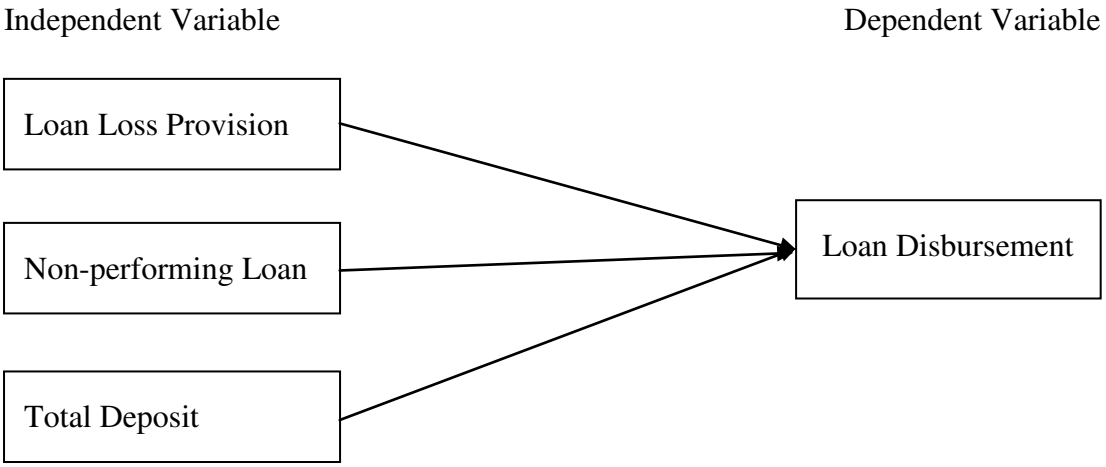
researcher tries to enlighten the qualitative factors, primary data analysis, that are essential for credit managements such as whether the borrowers experience paper harassment, the efficiency of bank in credit management and so on, along with the analysis of secondary data. The previous researcher used the NEPSE index, but this study finds out conclusion using banking index which is a sub index, banking index calculated based on listed commercial banks.

Past researcher's entitled was the credit management, credit policy analysis, comparative study on credit management of commercial banks in Nepal. The previous researcher was concluded that finding are loan and advance to total deposit ratio, fund mobilized, interest income to total income ratio, mean ratio of credit risk of selected banks. Again, the findings of previous researchers was the trend analysis of net profit of both banks is in increasing trend and mean ratio of total investment to total deposit of selected commercial banks, the bank has maintained higher credit and advances to total deposit, fixed deposit is the main sources of granting credit for both banks, credit loss provisioning is in decreasing trend. The previous researcher was collected data and information from primary and secondary sources and simple and statistical tools are used such as table, figure, trend line, bar-diagram, correlation, t-test, percent, ratio, etc.

The current research is about the credit management of commercial banks in Nepal with reference to NIBL, NABIL and HBL. This study fulfills the gap by giving an idea about credit management of selected commercial banks. The objectives for these studies are the relationship between total deposit and loan disbursement, loan loss provision and loan disbursement and non-performing loan and loan disbursement. The test of hypothesis is total deposit to loan disbursement, loan loss provision to loan disbursement and non-performing loan to loan disbursement. Descriptive & correlational research design is used and simple and statistical tools are used such as table, figure, correlation, probable error, t-test, ratio, percentage, etc. At the last for comparison, previous research was during the period for data over the 6 year but current research is done by only five fiscal years data for the study. The sample of observation for previous researchers was more than 50 but the current research is taking sample for bank only 18 observations.

2.4 Theoretical Framework

The theoretical framework aims to update and refine the existing concepts to reflect the changes. In this study the theoretical framework shows the relationship between the independent variable and dependent variable. The conceptual framework shows that the independent variable (Loan Loss Provision, Non Performing Loan and Deposit) has a direct effect on the dependent variable (Credit Management: Loan Disbursement).



(Source: *Researcher, 2021*)

CHAPTER – III

RESEARCH METHODOLOGY

Research methodology is a systematic way to solve the research problem. In other words, research methodology describes the methods and process applied in the entire aspect of the study defines, "Research methodology as the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view" (Joshi, 2003). Thus, the overall approach to the research is presented in this chapter. This chapter consists of research design, population and sample, sources of data collection procedure, data processing and presentation and statistical tools used for data analysis.

3.1 Research Design

A research design is a plan for the collection and analysis of data. This study is designed to the credit management of commercial bank reference to NIBL, NABIL and HBL. A descriptive and correlative research design has been used in this study.

3.2 Populations and Sample

Population refers to the institutions of same nature and their services and product is general. A sample is a collection of items or elements from the population. Till Year 2020, there are 27 licensed commercial banks in Nepal. All the banks conduct the credit culture functions. It is not possible to study the credit management activities of all the commercial banks. So, among the 27 commercial banks three banks namely NIBL, NABIL and HBL have been selected for this study using convenient sampling method for non-performing loan is less in current year than other banks.

3.3 Sources of Data Collection Procedure

This study is mainly based on secondary data. Secondary data are collected from information available through NRB, annual reports of NIBL, NABIL and HBL and journals, articles unpublished data and different websites.

3.4 Data Processing and Presentation

The data obtained from the different sources are in raw form. The raw data is processed and converted into the required form. For this study, required data are taken from the secondary sources and presented in this study. For presentation, different tables and figures are used. Computation has been done with the help of scientific calculator and computer software program.

3.5 Data Presentation Analysis Tools

The statistical data has been tested in the computer by using the Microsoft Word and Microsoft Excel. Both descriptive and empirical methods have been used to analyze the results and data in this study. In this research work, the qualitative method is used for the analysis of time series data.

3.5.1 Simple Tools

Data collected from various sources and method cannot be meaningful without its presentation and analysis. So following tools are used for data presentation and analysis tools such as.

- Table
- Bar-diagram
- Trend line

3.5.2 Statistical Tools

In order to get the concrete results from this research, data are analyzed by using different types of tools. As per topic requirements, emphasis is given on statistical tools rather than financial tools. So for this study following statistical tools are used:

a. Correlation Coefficient

Correlation coefficient is a statistical technique that measures the degree and direction of relation between two variables. It is used to know whether the deposit collected is significantly mobilized in loan disbursement or not. Correlation coefficient may be positive or negative and ranges from -1 to +1. When $r = +1$ there is perfect positive correlation; when $r = -1$, there is perfect negative correlation; when $r = 0$, there is no correlation and when $r < 0.5$ then there is low degree of correlation.

The simple correlation coefficient 'r' is calculated by using following formula:

$$\text{Simple coefficient of correlation } (r) = \frac{n\Sigma XY - \Sigma X \Sigma Y}{\sqrt{n\Sigma X^2 - (\Sigma X)^2}\sqrt{n\Sigma Y^2 - (\Sigma Y)^2}}$$

Where,

n = Total number of observations

X and Y = Two variables

b. Coefficient of Determination (r^2)

Coefficient of determination is the square of correlation coefficient. It denotes the extent of changes in dependent variables that can be explained by the independent variable. In this study, Coefficient of determination is used to analyze the changes in collection by disbursement.

Coefficient of determination = r^2

c. Probable error (PE)

Probable error can judge the degree of reliability of computed correlation. In this study, PE is calculated to find the extent of collection that can be explained by disbursement and to measure the consistency of correlation coefficient.

PE is calculated by using following formula:

$$\text{Probable Error}(\text{P.E}) = 0.6745 \times \frac{1 - r2}{\sqrt{n}}$$

Where,

r = Correlation coefficient

n = Number of observation

If r < P.E, then the correlation coefficient is insignificant.

If r > 6P.E, then the correlation coefficient is significant.

If PE<r<6PE nothing can be concluded.

d. T-test

The T-test is a test of a statistical significant difference between two groups. A "significant difference" means that the results that are seen are most likely not due to chance or sampling error. In any experiment or observation that involves sampling from a population, there is always the possibility that an observed effect would have occurred due to sampling error alone. But if result is "significant," then the investigator may conclude that the observed effect actually reflects the characteristics of the population rather than just sampling error or chance.

$$t = \frac{x_1 - x_2}{\sqrt{\frac{(s_1)^2}{n_1} + \frac{(s_2)^2}{n2}}}$$

Where:

- x_1 is the mean of sample 1
- s_1 is the standard deviation of sample 1
- n_1 is the sample size of sample 1
- x_2 is the mean of sample 2
- s_2 is the standard deviation of sample 2
- n_2 is the sample size in sample 2

CHAPTER – IV
DATA PRESENTATION AND ANALYSIS

This chapter is concerned with the presentation and analysis of data. The main objective of this study is to examine the credit management of commercial banks of Nepal with reference to NIBL, NABIL and HBL. This study is based on secondary data. This chapter contains deposit collection of concern banks, types of deposit collected, lending and recovery management, lending/loan disbursement, loan loss provision and finally non-performing loans to loan disbursement. Statistical tools are used to analyze all the above-mentioned facts.

4.1 Deposit Collection of NIBL, NABIL and HBL

Under this section collected data are presented in the systematic way in order to draw some reasonable conclusion. Banks collects the deposit by attracting individuals to provide a satisfactory interest rate. These collections of scattered deposit are then mobilized in the relevant sectors. The deposit collected by NIBL, NABIL and HBL are during six years period is presented in the table below:

Table 4.1

Deposit Collected by NIBL, NABIL and HBL

(Amount in Rs. '000')

Years	NIBL		NABIL		HBL	
	Amount	(+/-) in %	Amount	(+/-) in %	Amount	(+/-) in %
2015	90631487	-	104237910	-	73538201	-
2016	108626642	16.57	110267272	5.47	87335786	15.80
2017	125669355	13.56	118896157	7.26	92881114	5.97
2018	140071167	10.28	134810670	11.81	98988791	6.17
2019	149392282	6.24	162953999	17.27	109387060	9.51
2020	166362126	10.20	190806470	14.60	125264382	12.68

(Sources: *Annual Reports of NIBL, NABIL & HBL*)

The above table shows the deposit collected by NIBL from Year 2015 to 2020. In year 2016 the deposited amount to Rs. 108626642 thousand which was the increased by 16.57% then that of previous year. In year 2017, the deposit collection amount reached to 125669355 thousand which was the increment by 13.56% than that of previous year. In year 2018, the deposit collection amounted to Rs. 140071167 thousand which was the increment by 10.28%. In year 2019, the deposited collection amounted to 149392282 thousand which was increment by 6.24% then that of previous year. In year 2020 the deposited collected amount to is 166362126 thousand which was increased by 10.20% then that of previous year.

The deposit collected by NABIL during different period. In year 2015, it reached to Rs. 110267272 thousand which increased by 5.47%. In year 2016, the deposit collection amounted to Rs. 118896157 thousand that increased by 7.26% and reached to Rs. 134810670 thousand in the year 2017. The total deposit collection to Rs. 162953999 thousand in year 2018 with the increment of 11.81%. In year 2019, it reached to Rs. 162953999 thousand which increased by 17.27%. In year 2020, the deposit collection amounted to Rs. 190806470 thousand that increased by 14.60%.

The deposit collected by HBL from year 2015 to year 2020. The deposit collection of HBL is in increasing trend during different period. In year 2016, the percentage increased in deposit collection is 15.80% which total deposit is Rs. 87335786 thousand. The percentage increase of deposit collection in year 2017 and 2018 is 5.97% and 6.17% respectively with the deposit of Rs. 92881114 thousand and Rs. 109387060 for the year 2017 and 2018. The percentage increase of deposit collection in year 2019 and 2020 is 9.51% and 12.61% respectively with the total deposit of Rs. 109387060 thousand at the year 2019 & Rs. 125264382 thousand at the year 2020.

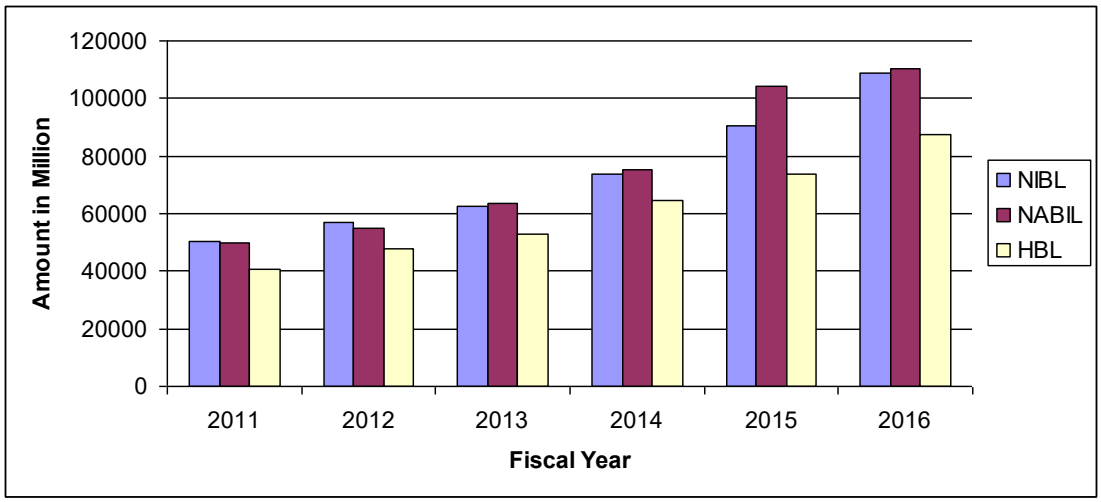


Figure 4.1

Deposit Collected by NIBL, NABIL and HBL

4.2 Types of Deposit Collection

The types of deposit collection has been classified broadly in five types namely Current deposit, Fixed deposit, call deposit and other deposit. The table below shows the types of deposits of NIBL, NABIL and HBL.

4.2.1 Types of Deposit Collected by NIBL

This shows the different amount of deposit collection of NIBL by Current, Saving, Fixed, Call and Other deposits. Other deposits include margin deposits.

Table 4.2

Types of Deposits Collected by NIBL

(Amount in Rs. '000')

Year	Current Deposit	(+/-) in %	Saving deposit	(+/-) in %	Fixed deposit	(+/-) in %	Call deposit	(+/-) in %	Other deposit	(+/-) in %
2015	11742719	-	31733317	-	21229162	-	24708943	-	1217345	-
2016	13871208	15.34	39423304	19.51	26485130	19.84	27259405	9.36	1587594	23.32
2017	14023176	1.08	36419924	-8.25	53692554	50.67	19127541	-42.51	1402317	-13.21
2018	11219811	-24.99	39379302	7.52	66009624	18.66	16086749	-18.9	1496522	6.29
2019	13458036	16.63	41062864	4.1	69075658	4.44	22747306	29.28	2992645	49.99
2020	15412455	12.68	45936190	10.61	81646621	15.4	20086511	-13.25	3256777	8.11

(Sources: *Annual Reports of NIBL*)

The table shows that the larger amount of deposit was collected in the saving account by NIBL. The only fixed deposit of NIBL was in increasing trend from year 2015 to year 2020. In year 2015 the current deposit was Rs. 11742719 thousand which was continuously (except year 2020) increased and reached to Rs. 15412455 thousand in the year 2020 but only in year 2018 was decreases i.e. 24.99%. Likewise, in year 2015 the saving deposit was Rs. 31733317 thousand which was continuously increased and reached to Rs. 45936190 thousand in the year 2020 but it has decreases in year 2017 i.e. 8.25%. However there was highly fluctuating in the call deposit during the period. The other deposit was highly decreases in year 2017 after that continuously increased by 2018 to 2020 respectively. There is also increasing trend of call deposit but decreases in year 2015 to 2016. The other deposit was reached to Rs. 3256777 thousand to year 2020.

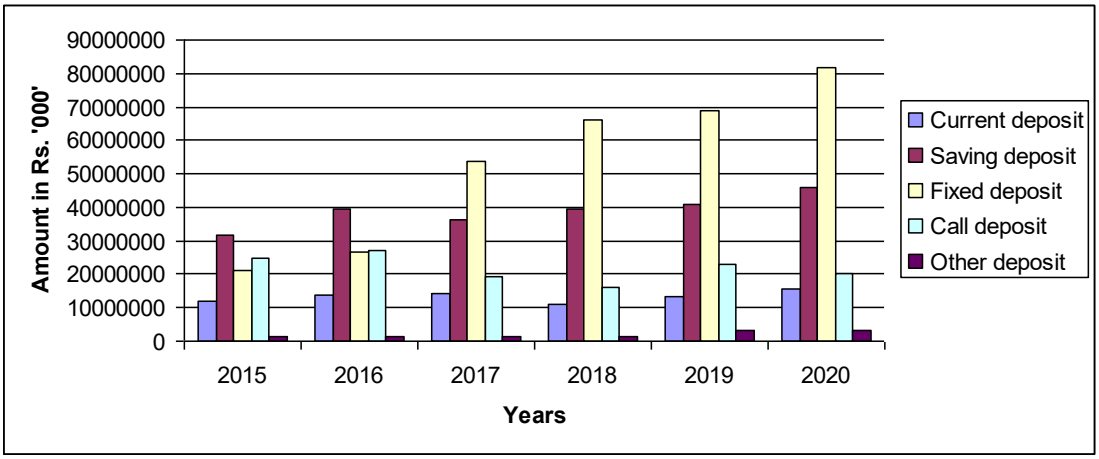


Figure 4.2

Types of Deposit Collected by NIBL

4.2.2 Types of Deposit Collected by NABIL

This shows the different amount of deposit collection of NABIL by Current, Saving, Fixed, Call and Other deposits. Other deposits include margin deposits.

Table 4.3

Types of Deposits Collected by NABIL

(Amount in Rs. '000')

Year	Current Deposit	(+/-) in %	Saving deposit	(+/-) in %	Fixed deposit	(+/-) in %	Call deposit	(+/-) in %	Other deposit	(+/-) in %
2015	12848380	-	42715056	-	15871935	-	30941069	-	1861470	-
2016	16237276	20.87	53437506	20.07	8868608	-78.97	28931405	-6.95	2792477	33.34
2017	16946016	4.18	51398993	-3.97	24044677	63.12	23634431	-22.41	2872039	2.77
2018	17325807	2.19	72654807	29.26	29856762	19.47	25069742	5.73	6364803	54.88
2019	17986691	3.67	49871917	-45.68	41173132	27.48	28402513	11.73	25519747	75.06
2020	18235156	1.36	56885369	12.33	51879359	20.64	35382318	19.73	28424268	10.22

(Sources: *Annual Reports of NABIL*)

The table shows that the larger amount of deposit was collected in the saving account by NABIL. The current deposit and other deposit of NABIL were in increasing trend from year 2015 to year 2020. In year 2015 the current deposit was Rs. 16946016 thousand which was continuously (except year 2020) increased and reached to Rs. 18235156 thousand in the year 2020. Likewise, in year 2015 the other deposit was Rs. 1861470 thousand which was continuously increased and reached to Rs. 28424268 thousand in the year 2020. However there was highly fluctuating in the saving deposit during the period. The fixed deposit was highly decreases in year 2016 after that continuously increased by 2017 to 2020 respectively. There is also increasing trend of call deposit but decreases in year 2015 to 2016. The call deposit was reached to Rs. 32382318 thousand to year 2020.

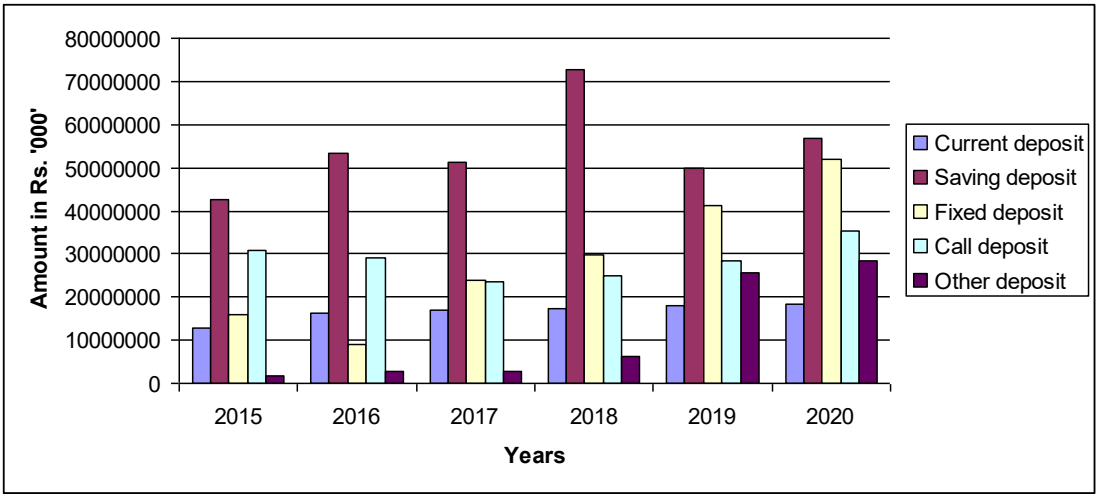


Figure 4.3

Types of Deposit Collected by NABIL

4.2.3 Types of Deposit Collected by HBL

The table below shows the increasing trend in current, saving, fixed deposit but fluctuating trend in call and other deposit.

Table 4.4

Types of Deposit Collected by HBL

(Amount in Rs. '000')

Year	Current Deposit	(+/-) in %	Saving deposit	(+/-) in %	Fixed deposit	(+/-) in %	Call deposit	(+/-) in %	Other deposit	(+/-) in %
2015	8499073	-	38731973	-	10305426	-	1476382	-	1237906	-
2016	9022903	5.81	46429004	16.58	16763515	38.52	1358366	-8.69	1536699	19.44
2017	9032610	0.11	38133809	-21.75	37501074	55.30	6419602	78.84	1794019	14.34
2018	9599836	5.91	38996613	2.21	41659172	9.98	4027838	-59.38	4705333	61.87
2019	9680557	0.83	38494637	-1.30	50428567	17.39	5243925	23.19	5337115	11.84
2020	12605851	23.21	43836268	12.19	56927069	11.42	6086095	13.84	5641672	5.40

(Sources: *Annual Reports of HBL*)

The current deposit, fixed deposit and other deposit of the bank is increasing trend during the period (2015 to 2020) but saving and call deposit has been fluctuated. The

Current deposit of HBL was highly increased by 23.21% i.e. Rs. 12605851 thousand in year 2020 and less increased by 0.11% in year 2017 i.e. Rs. 9032610 thousand. However thereafter, the fixed deposit is in increased trend. The fixed deposit was increased by 38.52% to 11.42% in year 2016 to 2020, it has reached to Rs. 10305426 thousand to Rs. 56927069 thousand. Other deposit of the bank was continuously increased in the following years 2016, 2017, 2018, 2019 and 2020. The other deposit was increased by Rs. 1536699 thousand i.e. 19.44% to reach Rs. 5641672 thousand i.e. 5.40% in year 2016 to 2020. Again, saving and call deposit has been fluctuated trend to every year.

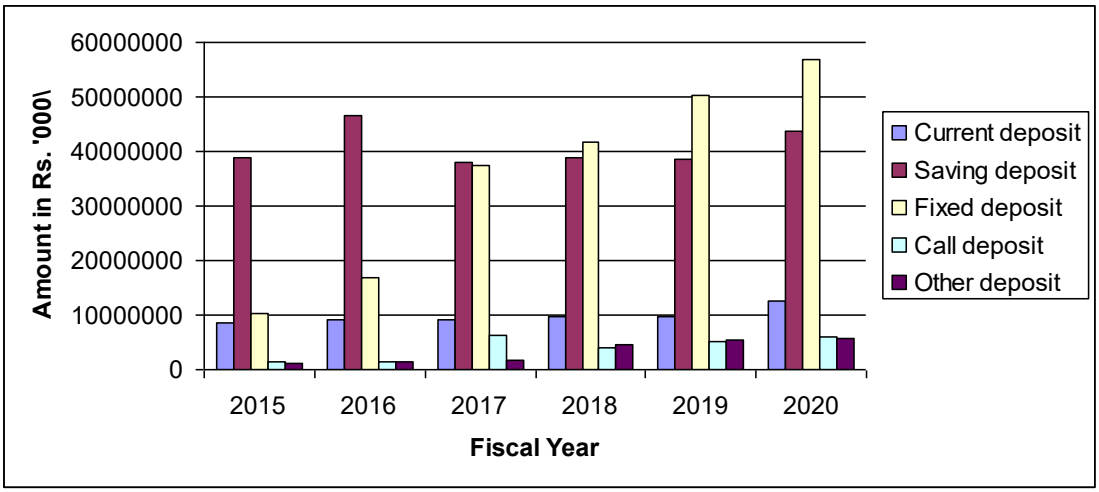


Figure 4.4

Types of Deposit Collected by HBL

4.3 Total Loan Disbursement of NIBL, NABIL and HBL

The amount of deposit collected is disbursed as per the demand-taking loan. Before loan is provided details about, the individual is analyzed. The total lending of NIBL, NABIL and HBL for 6 years are presented below:

Table 4.5

Total Loan Disbursement of NIBL, NABIL and HBL

(Amount in Rs. '000')

Years	NIBL		NABIL		HBL	
	Amount	(+/-) in %	Amount	(+/-) in %	Amount	(+/-) in %
2015	67690199	-	65501925	-	55428007	-
2016	87009792	22.20	76106017	13.93	67745979	18.18
2017	106683877	18.44	89877127	15.32	77640977	12.74
2018	120825496	11.70	113625155	20.90	86160213	9.89
2019	122866554	1.66	127500243	10.88	92697318	7.05
2020	135082099	9.04	148054071	13.88	101728467	8.88

(Sources: *Annual Reports of NIBL, NABIL & HBL*)

The above table shows the trend of total loan disbursement of NIBL, NABIL and HBL from year 2015 to 2020. In each year, the amount of loan disbursed has increased. The amount of NIBL loan disbursed was. Rs. 67690199 thousand in year 2015. The amount increased by 22.20% and reached to Rs. 87009792 thousand in year 2016. In year 2017 and 2018, the loan disbursed amount reached to Rs. 106683877 thousand and Rs. 120825496 thousand respectively. In year 2019 the total loan disbursed was 122866554 thousand which was the increment of 1.66% then that of previous year. In year 2020 the total loan disbursed were 135082099 thousand which was the increment of 9.04% then that of previous year.

It reveals that the pattern of loan disbursement of NABIL from year 2015 to 2020. The loan disbursement of NABIL was in increasing trend during the period. In year 2015, total loan disbursed amounted was Rs. 65501925 thousand. In year 2016, the loan disbursed amounted increased and reached to Rs. 76106017 thousand which was the increment of 13.93% than that of previous year. In year 2017 the loan amount reached to 89877127 thousand. As the trend is in increasing form finally the loan reached to Rs. 113625155 thousand in year 2018. In year 2019, the loan disbursed amounted increased and reached to Rs. 127500243 thousand which was the increment of 10.88% than that of previous year. As the trend is in increasing form finally the

loan reached to Rs. 148054071 thousand in year 2020 which was increasing by 13.88% than previous year.

The trend of total loan disbursement of HBL from year 2015 to 2020 has presented. The loan disbursement of HBL was in increasing trend. In year 2015, total loan disbursed amounted to Rs. 55428007 thousand and reached to Rs. 67745979 thousand in year 2016. The amount increases by 12.74% and 9.89% in year 2017 and 2018 and reached to Rs. 77640977 thousand and Rs. 86160213 thousand respectively. In year 2019, total loan was reached Rs. 92697318 thousand & reached to Rs. 101728467 thousand in year 2020 which was increased by 8.88% then previous years.

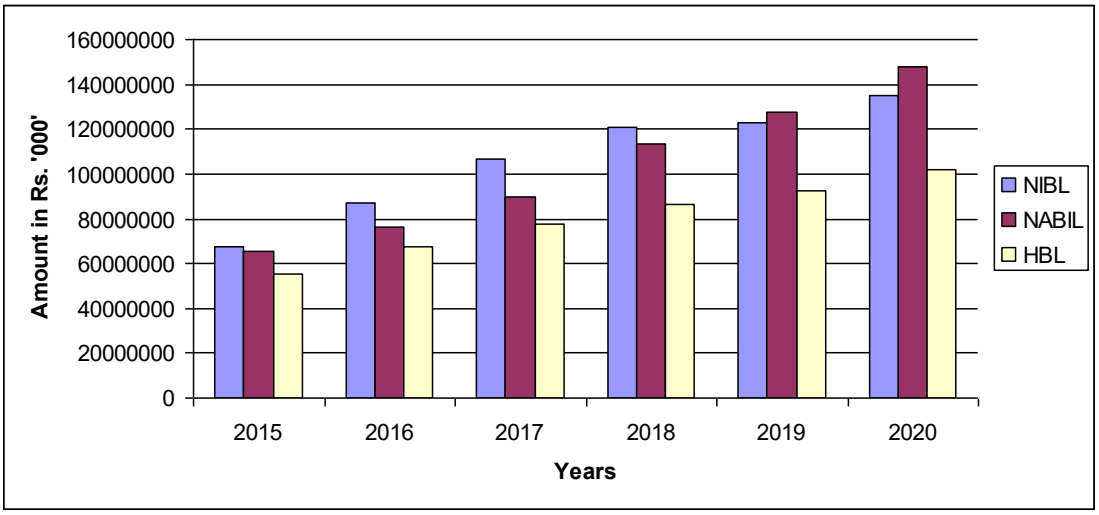


Figure 4.5

Total Loan Disbursement of NIBL, NABIL and HBL

4.4 Loan Disbursement to Deposit Collection

The main task of bank is to supply the surplus amount to the people who are in needing loan disbursed to deposit collected of NIBL, NABIL, and HBL has been presented in the table below:

4.4.1 Loan Disbursement to Deposit Collection of NIBL

The total loan disbursement to deposit collection of NIBL for 6 years is presented below:

Table 4.6

Loan Disbursement to Deposit Collected of NIBL

(Amount in Rs. '000')

Years	Total Loan Disbursement	Deposit Collected	Undisturbed amount	Loan to Deposit Ratio (%)
2015	67690199	90631487	22941288	74.69
2016	87009792	108626642	21616850	80.10
2017	106683877	125669355	18985478	84.89
2018	120825496	145670355	24844859	82.94
2019	122866554	149336508	26469954	82.27
2020	135082099	166338554	31256455	81.21

(Sources: *Annual Reports of NIBL*)

The table displays the amount of loan disbursed in comparison to the deposit collection. The percentage of total lending with respect to deposit collected were 74.69%, 80.10%, 84.89%, 82.94% 82.27% & 81.21% from a year 2015 to 2020 respectively. The maximum amount undisturbed was in year 2020 and the maximum % on lending with respect to deposit collected was in year 2017.

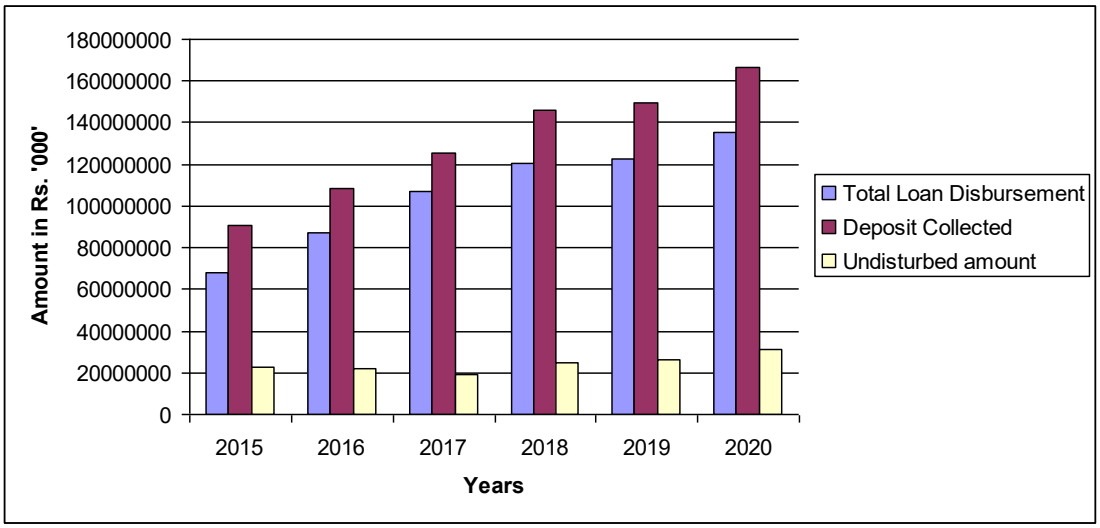


Figure 4.6

Deposit and Loan NIBL

4.4.2 Loan Disbursement to Deposit Collection of NABIL

The total loan disbursement to deposit of NABIL for 6 years is presented below:

Table 4.7

Total Loan Disbursement to Deposit Collected of NABIL

Amount in Thousand

Years	Total Loan Disbursement	Deposit Collected	Undisturbed amount	Loan to Deposit Ratio (%)
2015	65501925	104237910	38735985	62.84
2016	76106017	110267272	34161255	69.02
2017	89877127	118896157	29019030	75.59
2018	113625155	134810670	21185515	84.28
2019	127500243	162953999	35453756	78.24
2020	148054071	190806470	42752399	77.59

(Sources: *Annual Reports of NABIL*)

The table displays the percentage of total lending with respect to deposit collected were 62.84%, 69.02%, 75.59%, 84.28%, 78.24 and 77.59% in year 2015 to 2020 respectively. The maximum amount undisturbed was in year 2020. However, maximum percentage change in loan disbursed with respect to the deposit collected was in year 2018.

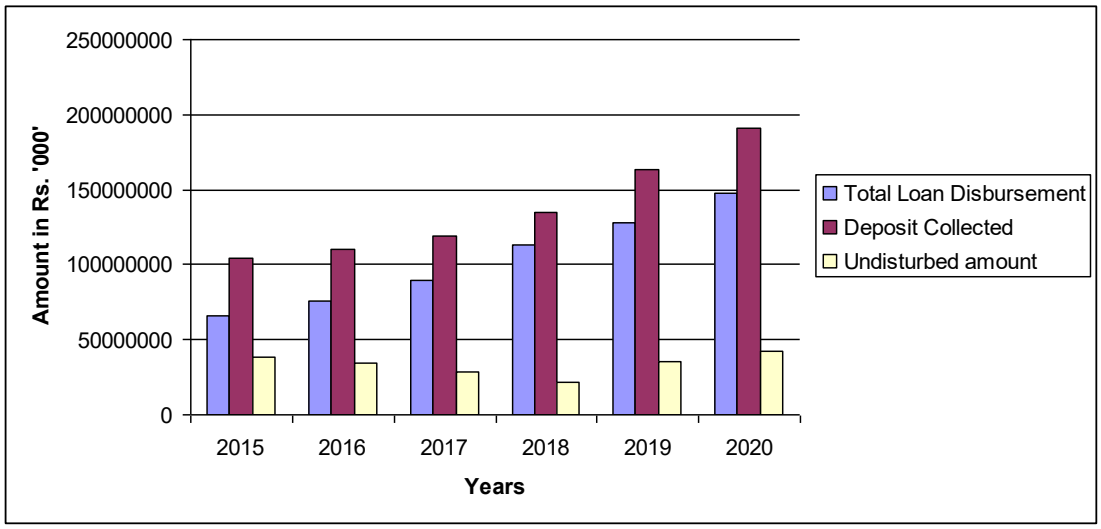


Figure 4.7

Deposit and Loan of NABIL

4.4.3 Loan Disbursement to Deposit Collection of HBL

The total loan disbursement to deposit collection of HBL for 6 years is presented below:

Table 4.8

Loan Disbursement to Deposit Collected of HBL

Amount in Rs. '000'

Years	Total Loan Disbursement	Deposit Collected	Undisturbed amount	Loan to Deposit Ratio (%)
2015	55428007	73538200	18110193	75.37
2016	67745979	87335786	19589807	77.57
2017	77640977	92881114	15240137	83.59
2018	86160213	98988791	12828578	87.04
2019	92697318	109387060	16689742	84.74
2020	101728467	125096954	23368487	81.32

(Sources: Annual Reports of HBL)

The table below reveals the amount and percentage of loan disbursed with respect to deposit collection. Percentage of total loan disbursed with respect to deposit collected were 75.37%, 77.57%, 83.59%, 87.04%, 84.74% and 81.32% in year 2015 to 2020 respectively. The maximum amount undisturbed was in year 2020 and the maximum percentage of loan disbursed to deposit collected was in year 2018.

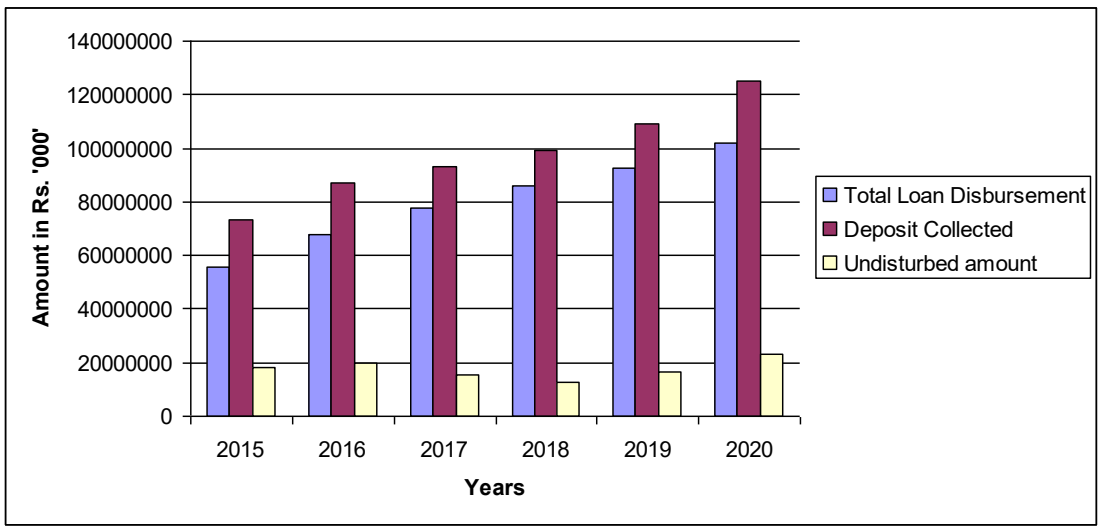


Figure 4.8

Deposit and Loan of HBL

4.5 Loan Loss Provision Made by NIBL, NABIL and HBL

There is associate risk in every loan. Some loan may be good but some convert into bad, if necessary precaution is not taken in due course of time. NRB directive provides the provision for those loans converted into bad loans. In this regard the directive has classified the loan and loan loss provision as per of default and other criteria. The loan loss provision made by NIBL, NABIL and HBL is presented below:

Table 4.9

Loan Loss Provision to Loan Disbursement (%)

(Amount in Rs. '000')

Years	NIBL			NABIL			HBL		
	LLP	Total Lending	Ratio (%)	LLP	Total Lending	Ratio (%)	LLP	Total Lending	Ratio (%)
2015	719630	67690199	1.06	659409	65501925	1.01	566044	55428007	1.02
2016	827081	87009792	0.95	768414	76106017	1.01	761825	67745979	1.12
2017	1060765	106683877	0.99	907688	89877127	1.01	822551	77640977	1.06
2018	1124556	120825496	0.93	1117842	113625155	0.98	943202	86160213	1.09
2019	1135430	122866554	0.92	1114687	127500243	0.87	1061130	92697318	1.14
2020	1247326	135082099	0.92	1528946	148054071	1.03	1703395	101728467	1.67
Mean			0.96			0.99			1.18

(Sources: *Annual Reports of Banks*)

The above table shows the ratio of loan loss provision to loan disbursement of NIBL, NABIL, and HBL for six consecutive years. The figure represents in the table shows that HBL has high loan loss provision ratio than NIBL and NABIL. The average loan loss provision ratio of NIBL, NABIL and HBL are 0.96, 0.99 and 1.18 respectively.

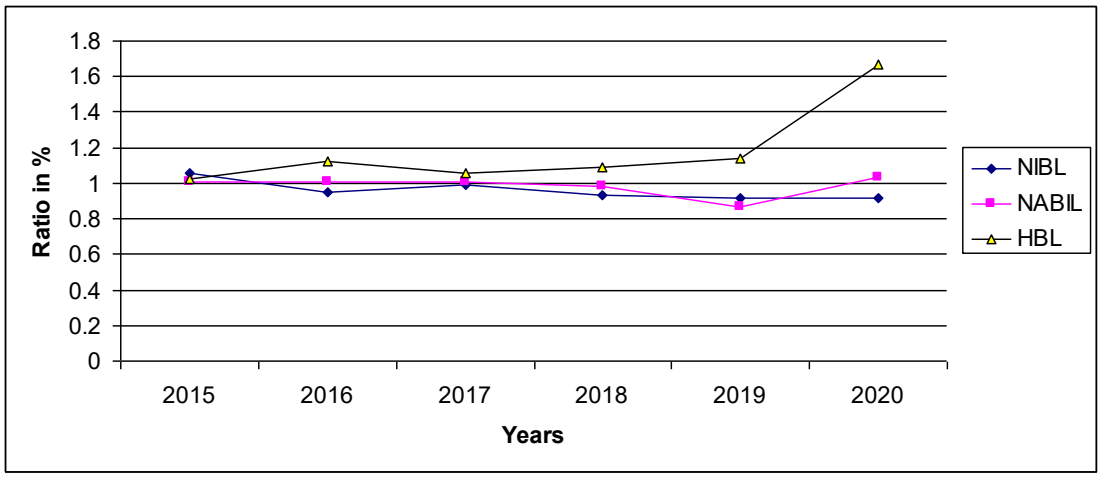


Figure 4.9

Loan Loss Provision to Loan Disbursement (%)

4.6 Non-Performing Loan to Loan Disbursement

To the NRB directives the loans under category of substandard, doubtful and loss loan are regarded as non-performing loan. Higher ratio implies the bad quality of loan in the form credit. As per international standard, 5% NPL is allowed.

Table 4.10

Non- Performing Loan to Loan Disbursement (%)

(Amount in Rs. '000')

Years	NIBL			NABIL			HBL		
	Lending	NPL	%	Lending	NPL	%	Lending	NPL	%
2015	67690199	846127	1.2	65501925	119213	1.8	55428007	681764	1.2
2016	87009792	591667	0.68	76106017	867609	1.14	67745979	575841	0.85
2017	10668387	885476	0.8	89877127	719017	0.8	77640977	659948	0.8
2018	12082549	164322	1.3	11362515	624938	0.5	86160213	120624	1.4
2019	12286655	341569	2.7	12750024	943502	0.7	92697318	103821	1.1
2020	135082099	3930889	2.91	148054071	1450930	0.98	101728467	1027458	1.01
Mean			1.6			1.0			1.0

(Sources: *Annual Reports of Banks*)

The above table reveals the ratio of non- performing loans to total loan disbursement of NIBL, NABIL, and HBL for six consecutive years. The figure represents in the

table shows that NIBL has high non- performing loans than NABIL and HBL. The mean non- performing loan to total loan disbursement of NIBL, NABIL, and HBL are 1.64%, 1.01%, and 1.08% respectively.

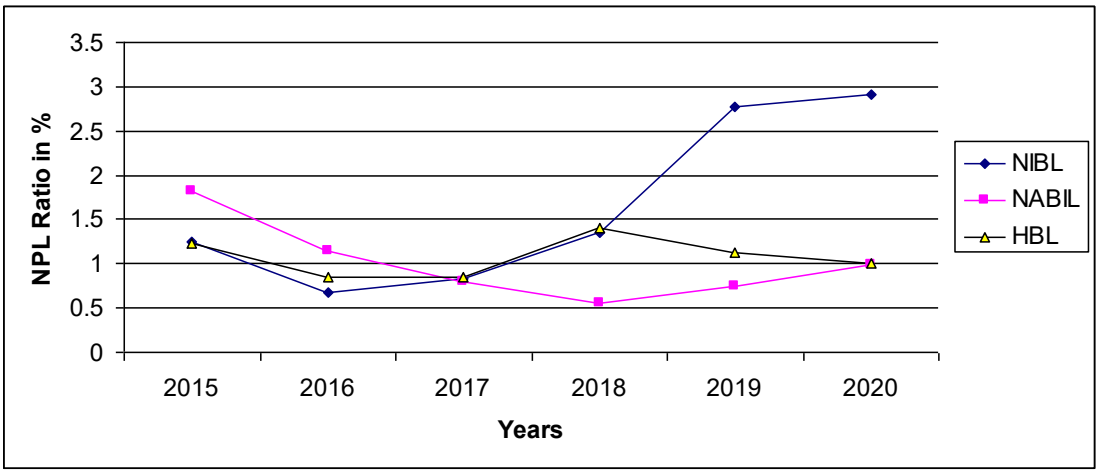


Figure 4.10

Non- Performing Loan to Loan Disbursement (%)

4.7 Correlation Analysis

The correlation analysis of deposit and loan, loan loss provision and loan, loan loss provision and non performing loan of selected commercial banks i.e. NIBL, NABIL and HBL.

4.7.1 Correlation between Deposit Collected and Loan Disbursed

Correlation coefficient is used to define the relationship between loan disbursements (dependent variable) and deposit collection (independent variable). Correlation coefficient always ranges from +1 to –1. Plus figure indicates the positive relation and minus figure indicates the negative relation between the concerned data. In the study, calculated 'r' denotes whether the increase in loan collection makes increase in loan disbursement.

The correlation and coefficient of determination of NIBL, NABIL and HBL is presented in the following table:

Table 4.11

Coefficient of Correlation between Deposit Collected and Loan Disbursed

Banks	Correlation Coefficient (r)	Coefficient of determination (r^2)	Probable Error	6P.E
NIBL	0.9933	0.9866	0.0037	0.0221
NABIL	0.9748	0.9503	0.0137	0.0821
HBL	0.9796	0.9596	0.0111	0.0667

(Sources: *Appendix-I, II, III*)

The table above shows that the coefficient of correlation between deposit collection and loan disbursement of NIBL, NABIL and HBL is 0.9933, 0.9748 and 0.9796 respectively, which shows that there is very high positive correlation between the variables.

Probable error of NIBL is found to be 0.0037 and 6 P.E is 0.0221. Likewise the P.E of NABIL is calculated to be 0.0137 and 6 P.E is 0.0821 and P.E of HBL is calculated to be 0.0111 and 6 P.E is 0.0667. The above value of 'r' is more than 6 times of P.E that reveals that there is very high positive correlation between the deposit and loan disbursed.

4.7.2 Correlation between Loan Loss Provision and Loan Disbursement

The correlation between LLP and loan disbursement shows the degree of relationship, how increment in loans and advances affect the loan loss provision. Here, loan disbursement is dependent variable and LLP is independent variable.

Table 4.12

Correlation between LLP and Loan Disbursement

Banks	Correlation Coefficient (r)	Coefficient of determination (r^2)	Probable Error	6P.E
NIBL	0.9919	0.9838	0.0045	0.0268
NABIL	0.9734	0.9474	0.0145	0.0869
HBL	0.8934	0.7981	0.0556	0.3336

(Sources: *Appendix-IV, V, VI*)

The above table shows relationship between loan loss provision and loan disbursement. The correlation coefficient of NIBL is 0.9919 and it is more than 6 times the value of P.E. which reveals that, there is very highly positive correlation between loan loss provision and loan disbursement. The correlation coefficient of NABIL is 0.9734, P.E is 0.0145 and 6P.E is 0.0869. Since 'r' is more than P.E, which reveals that, there is very highly positive correlation between loan loss provision and loan disbursement. The correlation coefficient of HBL is 0.8934, P.E is 0.0556 and 6P.E is 0.3336. Since 'r' is less than 6P.E, it shows significant positive relationship correlation between loan loss provision and loan disbursement.

4.7.3 Correlation between Non-Performing Loan and Loan Disbursement

The correlation between NPL and LD describe the relationship between NPL and LD. Here LD is dependent variable and NPL is independent variable. AS earlier mentioned LD are the loans falling on the category of substandard, doubtful and loss loan and the respective provisioning requirement is 25%, 50% and 100%. Higher the LD higher will be provision amount.

Table 4.13

Correlation between Non Performing Loan and Loan Disbursement

Banks	Correlation Coefficient (r)	Coefficient of determination (r^2)	Probable Error	6P.E
NIBL	0.8025	0.6440	0.0980	0.5883
NABIL	0.3085	0.0952	0.2492	1.4950
HBL	0.7507	0.5635	0.1202	0.7211

(Sources: *Appendix-VII, VIII, IX*)

The above table explains the relationship between NPL and LD. The correlation coefficient of NIBL, NABIL and HBL is 0.8025, 0.3085 and 0.7507 respectively which is greater than 6.P.E but the NABIL is less there the correlation coefficient of NABIL is less on the other banks which reveals there is positive relationship between NPL and LD.

4.8 Test of Hypothesis

H_1: Test of Hypothesis on deposit collection and loan disbursement of NIBL, NABIL and HBL.

To test the average of independent variable is deposit collection and dependent variable is loan disbursement of NIBL, NABIL and HBL.

t = 1.706 (Source: *Appendix-XIII*)

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

Level of significance, $\infty = 5\%$

Critical Value: The tabulated value of t at 5% level of significance for two tailed test and for 10 degree of freedom is 2.228 i.e. t0.05 (10) = 2.228

Decision: Since the calculated value of t is 1.706 which is less than the tabulated value 2.228, the null hypothesis (H_1) is accepted. This means there is no significant different between average of deposit collection and loan disbursement of NIBL, NABIL and HBL.

H_2: Test of Hypothesis on loan loss provision and loan disbursement of NIBL, NABIL and HBL.

To test the average of independent variable is loan loss provision and dependent variable is loan disbursement of NIBL, NABIL and HBL.

t = -9.617 (Source: *Appendix-XIV*)

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

Level of significance, $\infty = 5\%$

Critical Value: The tabulated value of t at 5% level of significance for two tailed test and for 10 degree of freedom is 2.228 i.e. t0.05 (10) = 2.228

Decision: Since the calculated value of t is (9.617) which is less than the tabulated value 2.228, the null hypothesis (H_2) is accepted. This means there is no significant different between average of loan loss provision and loan disbursement of NIBL, NABIL and HBL.

H_3: Test of Hypothesis on non-performing loan and loan disbursement of NIBL, NABIL and HBL.

To test the average of independent variable is non-performing loan and dependent variable is loan disbursement of NIBL, NABIL and HBL.

t = -9.592 (Source: *Appendix-XV*)

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

Level of significance, ∞ = 5%

Critical Value: The tabulated value of t at 5% level of significance for two tailed test and for 10 degree of freedom is 2.228 i.e. t0.05 (10) = 2.228

Decision: Since the calculated value of t is (9.592) which is less than the tabulated value 2.228, the null hypothesis (H_3) is accepted. This means there is no significant different between average of non-performing loan and loan disbursement of NIBL, NABIL and HBL.

4.9 Major Findings

The major findings of this study are as follows:

- The percentage of total lending with respect to deposit collected of NIBL were 74.69%, 80.10%, 84.89%, 82.94% 82.27% & 81.21% from a year 2015 to 2020 respectively. The maximum amount undisturbed was in year 2020 and the maximum % on lending with respect to deposit collected was in year 2017.
- The percentage of total lending with respect to deposit collected of NABIL were 62.84%, 69.02%, 75.59%, 84.28%, 78.24 and 77.59% in year 2015 to 2020 respectively. The maximum amount undisturbed was in year 2020. However, maximum percentage change in loan disbursed with respect to the deposit collected was in year 2018.
- The percentage of total loan disbursed with respect to deposit collected of HBL were 75.37%, 77.57%, 83.59%, 87.04%, 84.74% and 81.32% in year 2015 to 2020 respectively. The maximum amount undisturbed was in year

2020 and the maximum percentage of loan disbursed to deposit collected was in year 2018.

- HBL has high loan loss provision ratio than NIBL and NABIL. The average of loan loss provision ratio of NIBL, NABIL and HBL are 0.96, 0.99 and 1.18 respectively.
- NIBL has high non- performing loans than NABIL and HBL. The mean of non- performing loan to total loan disbursement of NIBL, NABIL, and HBL are 1.64, 1.01, and 1.08 respectively.
- The coefficient of correlation between deposit collection and loan disbursement of NIBL, NABIL and HBL is 0.9933, 0.9748 and 0.9796 respectively, which shows that there is very high positive correlation between the variables.
- Probable error of NIBL is found to be 0.0037 and 6 P.E is 0.0221. Likewise the P.E of NABIL is calculated to be 0.0137 and 6 P.E is 0.0821 and P.E of HBL is calculated to be 0.0111 and 6 P.E is 0.0667. The above value of 'r' is more than 6 times of P.E that reveals that there is very high positive correlation between the deposit and loan disbursed.
- The correlation coefficient of NIBL is 0.9919 and it is more than 6 times the value of P.E. which reveals that, there is very highly positive correlation between loan loss provision and loan disbursement. The correlation coefficient of NABIL is 0.9734, P.E is 0.0145 and 6P.E is 0.0869. Since 'r' is more than P.E, which reveals that, there is very highly positive correlation between loan loss provision and loan disbursement. The correlation coefficient of HBL is 0.8934, P.E is 0.0556 and 6P.E is 0.3336. Since 'r' is less than 6P.E, it shows significant positive relationship correlation between loan loss provision and loan disbursement.
- The correlation coefficient of NIBL, NABIL and HBL is 0.8025, 0.3085 and 0.7507 respectively which is greater than 6.P.E but the NABIL is less there the correlation coefficient of NABIL is less on the other banks which reveals there is positive relationship between NPL and LD.

- The calculated value of t is 1.706 which is less than the tabulated value 2.228, the null hypothesis (H_1) is accepted. This means there is no significant different between average of deposit collection and loan disbursement of NIBL, NABIL and HBL.
- The calculated value of t is (9.617) which is less than the tabulated value 2.228, the null hypothesis (H_2) is accepted. This means there is no significant different between average of loan loss provision and loan disbursement of NIBL, NABIL and HBL.
- The calculated value of t is (9.592) which is less than the tabulated value 2.228, the null hypothesis (H_3) is accepted. This means there is no significant different between average of non-performing loan and loan disbursement of NIBL, NABIL and HBL.

CHAPTER – V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

After the restoration of democracy in Nepal, there was tremendous development in banking sector. Different types of banking activities are being operated. It has played a positive role in the economy of the country. Today there is no possibility of economic development of a country without the development of banking system. At present banks are facing many challenges. One of the major challenges for Nepalese commercial banks is proper manage of credit. Considering the importance of credit management in commercial banks, this research aimed at studying the credit management of selected commercial banks. For this purpose, descriptive and analytical research design was adopted. Out of 27 commercial banks, three banks (i.e. NIBL, NABIL, and HBL) were taken as sample. The analysis has been conducted with the data collected from various sources. Appropriate statistical tools have been used to analyze the data. The data of six consecutive years of the three banks have been analyzed to meet the objectives of the study.

This research is about the credit management of commercial banks in Nepal with the 6 research period in year. In the first chapter describe the credit management by the authors. The objective analyzes credit management practice and shows the relationship between some research variables, which is based on the secondary data collection. The second chapter includes some review, review on related studies and research gap, which gives the detail of loan management process in commercial banks and also gives the important of different meaning of savings and interest. Similarly, the 3rd chapter shows descriptive and correlation research design and research variables that are used in this research. Lastly the 4th chapter includes various types of deposit collected and loan provided by the selected banks. The collected data presented in table, bar-diagram, trend line. The total deposit and loan disbursed is increasing every year of selected banks. The loan to deposit ratio of NABIL, NIBL and HBL is fluctuated trend but NABIL has first 3 year same ratio as 1.01%.

5.2 Conclusion

From the above analysis and findings of the study, the researchers have been able to draw following certain conclusion:

From the analysis, it is found that The percentage of total lending with respect to deposit collected of NIBL were 74.69%, 80.10%, 84.89%, 82.94% 82.27% & 81.21% from a year 2015 to 2020 respectively. The maximum amount undisturbed was in year 2020 and the maximum % on lending with respect to deposit collected was in year 2017. The percentage of total lending with respect to deposit collected of NABIL were 62.84%, 69.02%, 75.59%, 84.28%, 78.24 and 77.59% in year 2015 to 2020 respectively. The maximum amount undisturbed was in year 2020. However, maximum percentage change in loan disbursed with respect to the deposit collected was in year 2018. The percentage of total loan disbursed with respect to deposit collected of HBL were 75.37%, 77.57%, 83.59%, 87.04%, 84.74% and 81.32% in year 2015 to 2020 respectively. The maximum amount undisturbed was in year 2020 and the maximum percentage of loan disbursed to deposit collected was in year 2018.

HBL has high loan loss provision ratio than NIBL and NABIL. The average loan loss provision ratio of NIBL, NABIL and HBL are 0.96, 0.99 and 1.18 respectively. NIBL has high non- performing loans than NABIL and HBL. The mean non- performing loan to total loan disbursement of NIBL, NABIL, and HBL are 1.64%, 1.01%, and 1.08% respectively.

The coefficient of correlation between deposit collection and loan disbursement of NIBL, NABIL and HBL is 0.9933, 0.9748 and 0.9796 respectively, which shows that there is very high positive correlation between the variables. Probable error of NIBL is found to be 0.0037 and 6 P.E is 0.0221. Likewise the P.E of NABIL is calculated to be 0.0137 and 6 P.E is 0.0821 and P.E of HBL is calculated to be 0.0111 and 6 P.E is 0.0667. The above value of ‘r’ is more than 6 times of P.E that reveals that there is very high positive correlation between the deposit and loan disbursed.

The correlation coefficient of NIBL is 0.9919 and it is more than 6 times the value of P.E. which reveals that, there is very highly positive correlation between loan loss provision and loan disbursement. The correlation coefficient of NABIL is 0.9734, P.E

is 0.0145 and 6P.E is 0.0869. Since 'r' is more than P.E, which reveals that, there is very highly positive correlation between loan loss provision and loan disbursement. The correlation coefficient of HBL is 0.8934, P.E is 0.0556 and 6P.E is 0.3336. Since 'r' is less than 6P.E, it shows significant positive relationship correlation between loan loss provision and loan disbursement.

The correlation coefficient of NIBL, NABIL and HBL is 0.8025, 0.3085 and 0.7507 respectively which is greater than 6.P.E but the NABIL is less there the correlation coefficient of NABIL is less on the other banks which reveals there is positive relationship between NPL and LD.

This means there is all value are no significant different between average of independent variables are deposit collection, loan loss provision and non-performing and dependent variables is loan disbursement of NIBL, NABIL and HBL.

5.3 Recommendations

Based on the analysis and the findings of the study, the following recommendations are suggested to improve present credit management of selected banks as well as to further researchers:

- Bank need to focus/target more on Saving Deposit rather than on Current Deposit & Fixed Deposit. Saving Deposit are usually the fund collected from individual/ retail depositors, deposited for saving habits, so these funds are the one bank can utilize for long term lending. So, keen interest is to be taken on such deposit.
- Cash and Bank balance of commercial banks are high. Unused cash and bank balance do not provide return to the bank. Therefore some percentage of cash and bank balance should be invested somewhere in profitable sectors which gives higher return. There must be good investment decision which increases the cooperative value of the firm.
- Loan Loss Provision is increasing day by day. Higher in ratio indicates higher non-performing loan in total loan disbursement. So, bank should be alert to recover the bad loan for long run profit & steady growth in market.

- It should be maintained every time to ensure the loans provided are good and in healthy condition as well utilized properly.
- Banks are seen following the NRB directives to minimize loan loss provision & non-performing loan but still they are lacking behind to minimize the provision to major extent. This thing has really made a major problem for many commercial banks & financial institutions these days. Hence, banks should set up target to minimize the non-performing loan & increase the profit every year. Healthy recovery efforts should be followed to collect the loans in time.
- Bank should target to mobilize the fund not only in city/urban areas but should focus the same in rural areas too. Basically to meet social responsibilities, it is recommended to these banks to promote and mobilize the funds in rural areas.
- Due to lack of good governance in the Nepalese market, few financial institutions are in process to collapse and many of them are unable to operate smoothly & efficiently. So, good governance should be ensured for long run operation & steady growth in market.
- This research is based on 3 selected commercial banks for the study. It is suggested to increases more banks and selected any other financial institution with more observation.
- The current research is limited only 3 objectives and only 2 statistical tools are used for this study. It is recommend to increases more objective with the related research topic and take other statistical tools like as average, standard deviation, t-test, correlation, etc.
- Show the relationship variables taking from deposit, loan, loan loss provision and non performing loan of the bank. It is suggested to the researcher taking other variables which impact on credit management of the bank such as interest income, interest expenses, debt, net profit, etc.
- It is recommended to taking other data presentation and analysis tools such trend line, time ratio, future forecast trend, pie-chart, etc.

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Appendix-I

Correlation between Total Deposit and Loan Disbursement of NIBL

(Amount in Billion)

Fiscal Year	X	Y	X^2	Y^2	XY
2015	90.63	67.69	8213.80	4581.94	6134.74
2016	108.63	87.01	11800.48	7570.74	9451.90
2017	125.67	106.68	15792.95	11380.62	13406.48
2018	145.67	120.83	21219.75	14599.89	17601.31
2019	149.34	122.87	22302.44	15097.04	18349.41
2020	166.34	135.08	27669.00	18246.61	22469.21
n=6	$\Sigma X=786.28$	$\Sigma Y=640.16$	$\Sigma X^2=106998.40$	$\Sigma Y^2=71476.83$	$\Sigma XY=87413.04$

Calculation coefficient correlation between X and Y.

Where,

X = Stands for Total Deposit

Y = Stands for Loan Disbursement

$$r_{xy} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - \left(\sum X\right)^2}\sqrt{n\sum Y^2 - \left(\sum Y\right)^2}}$$

$$= \frac{6\times 87413.04 - 786.28\times 640.16}{\sqrt{6\times 106998.40 - (786.28)^2}\sqrt{6\times 71476.83 - (640.16)^2}}$$

$$= \frac{524478.24 - 503345.0048}{\sqrt{641990.4 - 618236.2384}\sqrt{428860.98 - 409804.8256}}$$

$$= \frac{21133.2352}{\sqrt{23754.1616}\sqrt{19056.1544}}$$

$$= \frac{21133.2352}{154.1239\times 138.0440}$$

$$= \frac{21133.2352}{21275.8797}$$

$$= +0.9933$$

Appendix-II

Correlation between Total Deposit and Loan Disbursement of NABIL

(Amount in Billion)

Fiscal Year	X	Y	X^2	Y^2	XY
2015	104.24	65.5	10865.98	4290.25	6827.72
2016	110.27	76.11	12159.47	5792.73	8392.65
2017	118.9	89.88	14137.21	8078.41	10686.73
2018	134.81	113.63	18173.74	12911.78	15318.46
2019	162.95	127.5	26552.70	16256.25	20776.13
2020	190.81	148.05	36408.46	21918.80	28249.42
n=6	ΣX=821.98	ΣY=620.67	ΣX^2=118297.56	ΣY^2=69248.23	ΣXY=90251.11

Calculation coefficient correlation between X and Y.

Where,

X = Stands for Total Deposit

Y = Stands for Loan Disbursement

$$r_{xy} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - \left(\sum X\right)^2}\sqrt{n\sum Y^2 - \left(\sum Y\right)^2}}$$

$$= \frac{6 \times 90251.11 - 821.98 \times 620.67}{\sqrt{6 \times 118297.56 - (821.98)^2}\sqrt{6 \times 69248.23 - (620.67)^2}}$$

$$= +0.9748$$

Appendix-III

Correlation between Total Deposit and Loan Disbursement of HBL

(Amount in Billion)

Fiscal Year	X	Y	X^2	Y^2	XY
2015	73.54	55.43	5408.13	3072.48	4076.32
2016	87.34	67.75	7628.28	4590.06	5917.29
2017	92.88	77.64	8626.69	6027.97	7211.20
2018	98.99	86.16	9799.02	7423.55	8528.98
2019	109.39	92.7	11966.17	8593.29	10140.45
2020	125.1	101.73	15650.01	10348.99	12726.42
n=6	ΣX=587.24	ΣY=481.41	ΣX^2=59078.30	ΣY^2=40056.35	ΣXY=48600.66

Calculation coefficient correlation between X and Y.

Where,

X = Stands for Total Deposit

Y = Stands for Loan Disbursement

$$r_{xy} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - \left(\sum X\right)^2}\sqrt{n\sum Y^2 - \left(\sum Y\right)^2}}$$

$$= \frac{6 \times 48600.66 - 587.24 \times 481.41}{\sqrt{6 \times 59078.30 - (587.24)^2}\sqrt{6 \times 40056.35 - (481.41)^2}}$$

$$= +0.9796$$

Appendix-IV

Correlation between Loan Loss Provision and Loan Disbursement of NIBL

(Amount in Billion)

Fiscal Year	X	Y	X^2	Y^2	XY
2015	0.72	67.69	0.52	4581.94	48.74
2016	0.83	87.01	0.69	7570.74	72.22
2017	1.06	106.68	1.12	11380.62	113.08
2018	1.12	120.83	1.25	14599.89	135.33
2019	1.14	122.87	1.30	15097.04	140.07
2020	1.25	135.08	1.56	18246.61	168.85
n=6	ΣX=6.12	ΣY=640.16	ΣX^2=6.45	ΣY^2=71476.83	ΣXY=678.29

Calculation coefficient correlation between X and Y.

Where,

X = Stands for Loan Loss Provision

Y = Stands for Loan Disbursement

$$r_{xy} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - \left(\sum X\right)^2}\sqrt{n\sum Y^2 - \left(\sum Y\right)^2}}$$

$$= \frac{6 \times 678.29 - 6.12 \times 640.16}{\sqrt{6 \times 6.45 - (6.12)^2}\sqrt{6 \times 71476.83 - (640.16)^2}}$$

$$= +0.9919$$

Appendix-V

Correlation between Loan Loss Provision and Loan Disbursement of NABIL

(Amount in Billion)

Fiscal Year	X	Y	X^2	Y^2	XY
2015	0.66	65.50	0.44	4290.25	43.23
2016	0.77	76.11	0.59	5792.73	58.60
2017	0.91	89.88	0.83	8078.41	81.79
2018	1.12	113.63	1.25	12911.78	127.27
2019	1.11	127.5	1.23	16256.25	141.53
2020	1.53	148.05	2.34	21918.80	226.52
n=6	ΣX=6.10	ΣY=620.67	ΣX^2=6.68	ΣY^2=69248.23	ΣXY=678.93

Calculation coefficient correlation between X and Y.

Where,

X = Stands for Loan Loss Provision

Y = Stands for Loan Disbursement

$$r_{xy} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - \left(\sum X\right)^2}\sqrt{n\sum Y^2 - \left(\sum Y\right)^2}}$$

$$= \frac{6 \times 678.93 - 6.10 \times 620.67}{\sqrt{6 \times 6.68 - (6.10)^2}\sqrt{6 \times 69248.23 - (620.67)^2}}$$

$$= +0.9734$$

Appendix-VI

Correlation between Loan Loss Provision and Loan Disbursement of HBL

(Amount in Billion)

Fiscal Year	X	Y	X^2	Y^2	XY
2015	0.57	55.43	0.32	3072.48	31.60
2016	0.76	67.75	0.58	4590.06	51.49
2017	0.82	77.64	0.67	6027.97	63.66
2018	0.94	86.16	0.88	7423.55	80.99
2019	1.06	92.70	1.12	8593.29	98.26
2020	1.70	101.73	2.89	10348.99	172.94
n=6	ΣX=5.85	ΣY=481.14	ΣX^2=6.47	ΣY^2=40056.35	ΣXY=498.94

Calculation coefficient correlation between X and Y.

Where,

X = Stands for Loan Loss Provision

Y = Stands for Loan Disbursement

$$r_{xy} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - \left(\sum X\right)^2}\sqrt{n\sum Y^2 - \left(\sum Y\right)^2}}$$

$$= \frac{6 \times 498.94 - 5.85 \times 481.14}{\sqrt{6 \times 6.47 - (5.85)^2}\sqrt{6 \times 40056.35 - (481.14)^2}}$$

$$= +0.8934$$

Appendix-VII

Correlation between Non-performing Loan and Loan Disbursement of NIBL

(Amount in Billion)

Fiscal Year	X	Y	X^2	Y^2	XY
2015	0.85	67.69	0.72	4581.94	57.54
2016	0.59	87.01	0.35	7570.74	51.34
2017	0.89	106.68	0.79	11380.62	94.95
2018	1.64	120.83	2.69	14599.89	198.16
2019	3.42	122.87	11.70	15097.04	420.22
2020	3.93	135.08	15.44	18246.61	530.86
n=6	ΣX=11.32	ΣY=640.16	ΣX^2=31.69	ΣY^2=71476.83	ΣXY=1353.06

Calculation coefficient correlation between X and Y.

Where,

X = Stands for Non-performing Loan

Y = Stands for Loan Disbursement

$$r_{xy} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - \left(\sum X\right)^2}\sqrt{n\sum Y^2 - \left(\sum Y\right)^2}}$$

$$= \frac{6 \times 1353.06 - 11.32 \times 640.16}{\sqrt{6 \times 31.69 - (11.32)^2}\sqrt{6 \times 71476.83 - (640.16)^2}}$$

$$= +0.8025$$

Appendix-VIII

Correlation between Non-performing Loan and Loan Disbursement of NABIL

(Amount in Billion)

Fiscal Year	X	Y	X^2	Y^2	XY
2015	1.19	65.50	1.42	4290.25	77.95
2016	0.87	76.11	0.76	5792.73	66.22
2017	0.72	89.88	0.52	8078.41	64.71
2018	0.62	113.63	0.38	12911.78	70.45
2019	0.94	127.5	0.88	16256.25	119.85
2020	1.45	148.05	2.10	21918.80	214.67
n=6	ΣX=5.79	ΣY=620.67	ΣX^2=6.06	ΣY^2=69248.23	ΣXY=613.85

Calculation coefficient correlation between X and Y.

Where,

X = Stands for Non-performing Loan

Y = Stands for Loan Disbursement

$$r_{xy} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - \left(\sum X\right)^2}\sqrt{n\sum Y^2 - \left(\sum Y\right)^2}}$$

$$= \frac{6 \times 613.85 - 5.79 \times 620.67}{\sqrt{6 \times 6.68 - (5.79)^2}\sqrt{6 \times 69248.23 - (620.67)^2}}$$

$$= +0.3085$$

Appendix-IX

Correlation between Non-performing Loan and Loan Disbursement of HBL

(Amount in Billion)

Fiscal Year	X	Y	X^2	Y^2	XY
2015	0.68	55.43	0.46	3072.48	37.69
2016	0.58	67.75	0.34	4590.06	39.30
2017	0.66	77.64	0.44	6027.97	51.24
2018	1.21	86.16	1.46	7423.55	104.25
2019	1.04	92.7	1.08	8593.29	96.41
2020	1.03	101.73	1.06	10348.99	104.78
n=6	ΣX=5.20	ΣY=481.14	ΣX^2=4.48	ΣY^2=40056.35	ΣXY=433.67

Calculation coefficient correlation between X and Y.

Where,

X = Stands for Non-performing Loan

Y = Stands for Loan Disbursement

$$r_{xy} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - \left(\sum X\right)^2}\sqrt{n\sum Y^2 - \left(\sum Y\right)^2}}$$

$$= \frac{6 \times 433.67 - 5.20 \times 481.14}{\sqrt{6 \times 4.48 - (5.20)^2}\sqrt{6 \times 40056.35 - (481.14)^2}}$$

$$= +0.7507$$

Appendix-X

Annual Data of Himalayan Bank Limited

	Himalayan Bank Limited						
							Amount in Rs. '000'
	Particulars / Fiscal Year	2071/72	2072/73	2073/74	2074/75	2075/76	2076/77
1	Total Capital and Liabilities	84753328	99863008	108502198	116462301	133151142	15588918
1.1	Paid up Capital	3332700	4499145	6491624	8114529	8520256	9372281
1.2	Reserves and Funds	2459755	2974880	3590667	6024368	5303396	5720210
1.3	Debentures and Bonds	600000	600000	600000	623358	623149	2563661
1.4	Borrowings	600000	1600000	622958	623358	1183961	2719398
1.5	Deposits	73538201	87335786	92881114	98988791	109387060	125264382
1.6	Income Tax Liability						
1.7	Other Liabilities	3656227	2103454	3275887	2711256	2777022	3544577
	Current Liabilities	77194428	89439240	96157001	101700047	113348043	131528357
2	Total Assets	84753328	99863008	108502198	116462301	133151142	15588918
2.1	Cash & Bank Balance	8387412	7874984	8915386	8800528	4658554	7231139
2.2	Money at Call & Short Notice	1063950	1482160		500040		1010109
2.3	Investment	17113389	19306073	17929265	11654172	16466202	18241667
2.4	Loan & Advances	55428007	67745979	77640977	86160213	92697318	101728467
2.7	Other Assets	1439298	1530969	1097159	1339310	1075034	1129984
	Current Assets	83432056	97940165	105582787	108454263	114897108	129341366
	Quick Assets	82110784	96017198	103406894	106231586	112387600	126778472
2.5	Fixed Assets	1321272	1922967	2175893	2222677	2509508	2562894
2.6	Non Banking Assets						
3	Profit & Loss Account						
3.1	Interest Income	4627751	5015844	6938503	9724871	11625415	12178993
3.2	Interest Expenses	1954263	1565896	3173334	5403047	6594074	7357290
A	Net Interest Income	2673488	3449948	3765169	4321824	5031341	4821704
B	Total Operating Income	4057999	4757683	5216756	5853378	6680856	6418810
F	Profit before bonus & Taxes	1600372	3023705	3411879	2765179	3933160	3558386
G	Net Profit (Loss)	1112287	1935907	2178235	1875610	2763848	2586723

(Source: *Annual Report of Himalayan Bank Limited from Fiscal Year 2071/72 to 2076/77*)

Appendix-XI

Annual Data of Nabil Bank Limited

	Nabil Bank Limited						
							Amount in Rs. '000'
	Particulars/Fiscal Year	**2071/72**	**2072/73**	**2073/74**	**2074/75**	**2075/76**	**2076/77**
1	**Total Capital and Liabilities**	115985701	127300195	140332060	160978071	201138821	237680030
1.1	Paid up Capital	4754950	6183540	8041159	8043221	9011845	10097497
1.2	Reserves and Funds	4980902	6123004	7167067	12543136	10441359	12181664
1.3	Debentures and Bonds	300000	300000	300000			
1.4	Borrowings		1900000	3056310	32518		
1.5	Deposits	104237910	110267272	118896157	134810670	162953999	190806470
1.6	Income Tax Liability	964					
1.7	Other Liabilities	1710975	2526379	2871367	5434686	4302083	4496848
	Current Liabilities	105949849	114693651	124823834	140277874	167256082	195303318
2	**Total Assets**	115985701	127300195	140332060	160978071	201138821	237680030
2.1	Cash & Bank Balance	16003740	10262849	13091730	7952350	12479698	4799630
2.2	Money at Call & Short Notice	323541	819418		17532566	11078729	20021031
2.3	Investment	30972487	36098550	32593660	18388083	25303073	33633397
2.4	Loan & Advances	65501925	76106017	89877127	113625155	127500243	148054071
2.7	Other Assets	2371567	3228906	3978577	2325322	2590770	2428477
	Current Assets	115173260	126515740	139541094	159823476	178952513	208936606
	Quick Assets	114360820	125731284	138750129	158837216	177900721	207618492
2.5	Fixed Assets	812440	784456	790965	986260	1051792	1318114
2.6	Non Banking Assets						
3	**Profit & Loss Account**						
3.1	Interest Income	5762345	6155660	8065591	11349867	15243780	16462914
3.2	Interest Expenses	2236064	1829689	2606091	5087808	8084526	9479249
A	Net Interest Income	3526281	4325971	5459501	6262059	7159253	6983665
B	Total Operating income	4759498	5729639	7068677	8242893	9328810	9124139
F	Profit before bonus & Taxes	3279460	4408554	5655589	3254978	6041319	5095007
G	Net Profit (Loss)	2093814	2819334	3613200	3981893	4238853	3463241

(Source: *Annual Report of Nabil Bank Limited from Fiscal Year 2071/72 to 2076/77*)

Appendix-XII

Annual Data of Nepal Investment Bank Limited

S.No.	Nepal Investment Bank Limited						
							Amount in Rs. '000'
	Particulars / Fiscal Year	**2071/72**	**2072/73**	**2073/74**	**2074/75**	**2075/76**	**2076/77**
1	**Total Capital and Liabilities**	105816403	131331446	152877103	171893547	185841988	203023897
1.1	Paid up Capital	6345701	8706612	10626436	10645599	12869749	14248955
1.2	Reserves and Funds	3461252	7581140	8081448	14225423	10539136	10269224
1.3	Debentures and Bonds	1550000	1550000	1550000	1250000	3250000	2654985
1.4	Borrowings	263116	250480	241324	762666	67647	
1.5	Deposits	90631487	108626642	125669355	140071167	149392282	166362126
1.6	Income Tax Liability						
1.7	Other Liabilities	3564847	4616573	6708540	4938692	3024074	2804939
	Current Liabilities	94459450	113493695	132619219	145772525	152484003	169167065
2	**Total Assets**	105816403	131331446	152877103	171893547	185841988	203023897
2.1	Cash & Bank Balance	14315048	13025832	17897590	10610892	13520574	7538029
2.2	Money at Call & Short Notice		149380	40000			
2.3	Investment	21462588	29226762	25615645	17154379	16973475	26078437
2.4	Loan & Advances	67690199	87009792	106683877	120825496	122866554	135082099
2.7	Other Assets	1195704	632912	1005953	1211518	3307966	1613011
	Current Assets	104663539	130044678	151243065	149802285	156668569	170311576
	Quick Assets	103609407	128994232	149938760	149740821	156167389	169595698
2.5	Fixed Assets	1054132	1050446	1304305	61464	501180	715878
2.6	Non Banking Assets						
3	**Profit & Loss Account**						
3.1	Interest Income	5786160	6776755	9248699	13574102	14975215	15201326
3.2	Interest Expenses	-2807361	-2855650	-4464552	-7723924	-8801709	-9423657
A	**Net Interest Income**	2978799	3921105	4784147	5850178	6173506	5777669
B	Total Operating Income	4171987	5363816	6605593	7930785	8347809	8076831
F	Profit before bonus & Taxes	3099144	4078191	4926055	4940221	4486534	3512270
G	Net Profit (Loss)	1961852	2550884	3114131	2740978	3324113	2423186

(Source: *Annual Report of Nepal Investment Bank Limited from Fiscal Year 2071/72 to 2076/77*)

Appendix-XIII

T-test of Average of Total Deposit to Loan Disbursement

Average of Total Deposit	Average of Loan Disbursement
89469199	62873377
102076567	76953929
112482209	91400660
124623543	106870288
140577780	114354705
160810993	128288212

t-Test: Two-Sample Assuming Equal Variances

	Average of Total Deposit	*Average of Loan Disbursement*
Mean	121673381.7	96790195
Variance	6.80691E+14	5.95E+14
Observations	6	6
Pooled Variance	6.37857E+14	
Hypothesized Mean Difference	0	
df	10	
t Stat	1.706494089	
P(T<=t) one-tail	0.059362154	
t Critical one-tail	1.812461102	
P(T<=t) two-tail	0.118724308	
t Critical two-tail	2.228138842	

Appendix-XIV

T-test of Average of Loan Loss Provision to Loan Disbursement

Average of Loan Loss Provision	Average of Loan Disbursement
648361	62873377
785773	76953929
930335	91400660
1061867	106870288
1103749	114354705
1493222	128288212

t-Test: Two-Sample Assuming Equal Variances

	Average of Loan Loss Provision	*Average of Loan Disbursement*
Mean	1003884.5	96790195
Variance	86433076641	5.95E+14
Observations	6	6
Pooled Variance	2.97555E+14	
Hypothesized Mean Difference	0	
df	10	
t Stat	-9.617900007	
P(T<=t) one-tail	1.13453E-06	
t Critical one-tail	1.812461102	
P(T<=t) two-tail	2.26905E-06	
t Critical two-tail	2.228138842	

Appendix-XV

T-test of Average of Non-performing Loan to Loan Disbursement

Average of Non-performing Loan	Average of Loan Disbursement
906675	62873377
678372	76953929
754814	91400660
1158136	106870288
1799134	114354705
2136426	128288212

t-Test: Two-Sample Assuming Equal Variances

	Average of Non-performing Loan	*Average of Loan Disbursement*
Mean	1238926.167	96790195
Variance	3.56968E+11	5.95E+14
Observations	6	6
Pooled Variance	2.97691E+14	
Hypothesized Mean Difference	0	
df	10	
t Stat	-9.592119457	
P(T<=t) one-tail	1.16259E-06	
t Critical one-tail	1.812461102	
P(T<=t) two-tail	2.32517E-06	
t Critical two-tail	2.228138842	