CHAPTER 1
INTRODUCTION

1. General Background

1.1 Human Resource

Human resource (HR) is defined as the sum total of the knowledge, skills and aptitudes of people inhabiting the country or organization at a particular time. In a broader sense, it includes Initiative, resourcefulness, capacity for sustained work, right values, interests and attitudes, and other human qualities conducive to higher output and accelerated economic growth. Human resources are the most precious resources of the organization, which creates, and mobilize the other factor of production i.e. financial resources, physical resources, information resources etc. By considering its importance HR is treated as business partner of the organization. It is increasingly recognized that economic development not only depends upon the growth of physical capital, but also upon the growth of human capital (Rao 1990). In the past, emphasis was given to natural resources endowment and it was a key indicator of a country's wealth and prosperity. The role and importance of HR was realized in the early 1960s in the developed countries for the organization development (Sharma 2000)

1.1.1 Human Resource Development

The Human Resources Management (HRM) function includes a variety of activities, i.e. acquisition, development, utilization & maintenance, and key among them is deciding what staffing needs we have and whether to use independent contractor or hire employees to fulfill these needs. Strategic Human Resource Management (SHRM) is an emerging concept on the field of human resource management that emphasize human resource management should be an integral part of strategic management of the organization, top level management should make human resource management planning that match with the strategy of the organization.

Human Resource Development (HRD) in an organization is a planned effort to facilitate employee's learning of job-related behavior, skills, knowledge, and attitude in order to improve employee performance. It is a continuous process basically designed to enhance employee's performance and satisfaction thereby improving organizational efficiency and effectiveness. In the present context of competitive and dynamic business environment, the role of human resource in overall management of an organization has become increasingly important than ever before.

An organization's success depends on knowledge skill and ability of employees particularly as they helps establish a set of core competency that distinguish an organization from its competitors .When employees talents are valuable Rare and difficult to imitate organization can achieve sustainable competitive advantage through people(O'Brien 2005)Recruiting and selecting high-potential employees' doesn't guarantee that they will perform effectively (Dessler 2009). In most cases, there may be gap between employee knowledge and skill and what the job demands. The gap must be filled through training and development programs.

Hence, personnel training retraining are one of the major ways that work organizations attempt to maintain the competency levels of their human resources and increase their adaptability to changing organizational demands (Scarpello and Ledvinka 1988). Over the last decade rapid globalization of organizations has presented countless challenges to training and human resource development professionals. For example the organizational structure of global business has been flattened in ways that demand higher levels of leadership and managerial skills from more employees. The cross-national nature of works has meant that individuals must be more technologically better prepared to work in varied business environments with increasingly diverse colleagues, have the required cross-cultural skills and understanding, be able to work in teams, and develop the cognitive skills demanded of today's knowledge workers.

Against this background of complexity and change in the nature of work, organizations have recognized that the key to a sustainable competitive two advantage is a knowledgeable, highly skilled work force. As a result the provision of training has become a critically important means of continuous learning and adoptions (Bate and Chen 2005). From the broadest perspective, the goals of training and development are to contribute to the organizations overall goals. Training programs should be developed with this in mind. Managers should keep a close eye on the organizational goals and strategies and orient training accordingly. Unfortunately, many organizations never make the connection between their strategic objectives and their training programs. As a result, much of an organization's investment can be wasted. Training programs are often misdirected, poorly designed, inadequately evaluated and these programs directly affect organizational performance (Bohlander, Snell and Sherman 2001)the actual contribution made by training and development to organization's results must be ascertained. Evaluation is a key tool for this purpose(Pineda 2010). It is evident that success in economic and social development of the country is highly dependent on the development of infrastructure, human resources and framework condition. Commercial Bank of Nepal has been playing a noticeable role in the country's economic development.

Retaining employees is important for firms to generate organizational success. Firms invest in employees to increase the knowledge and productivity in the firm, but also to keep the employee satisfied and decrease their mobility. Retaining important employees (i.e. decreasing turnover intentions) can be a critical success factor for receiving competitive advantage. Theories confirm the link between investing in human resources and the effects on employees' turnover intentions, wherein training is an often used investment of firms.

Training is defined by (Mincer 1962)as 'and investment in acquisition of skill or in improvement of worker productivity' (p. 51). Investing in human resources is called in Becker's theory (1975) as 'investing in human capital', which is an often used theory in training researches. Firms can invest in employees by offering training programs but this can also be a pitfall, because better skilled employees are also more employable in other firms (Becker 1975)

The training – turnover intention link is explored in earlier studies. Different conclusions were found. On the one hand training leads to less turnover intentions because employees act reciprocally towards the firm's investment and therefore show increased commitment to the firm

((Gouldner 1960); (Leuven, et al. 2002)). Second, training also leads to better skilled employees, who are more employable in other firms (Becker 1975)this means that training can affect employees' turnover intentions while the current firm pays all the training costs.

The banking institutions are one of the growing and working with monetary transaction organization which is directly or indirectly relate with today's each business as well as economy. Bank should be developed to sustain in today's competitive market. The banks also are driven through human resource though there are various modern machines, to operate these machines in effective way there must be competent and committed HR. Human resource should be updated to compete with market. That's why HRD and its investment analysis are very essential in the banking institutions as well as other organizations.

The Banks are one of the major financial sectors which perform the financial activities. The major function of the banks is saving and Investment management, which helps in the development of the country. So we could say that bank is the pivotal part of financing, since it involves a process of collecting scattered money and to help its mobilization in different sectors according to the need of customers. Banks helps to develop saving habit of the peoples through offering attractive interest rates and various attractive schemes associated with it, which in-turns help to make other people to invest for their business.

A bank is a commercial or state institution that provides financial services , including Issuing money in various forms, receiving deposits of money, lending money and processing transactions and the creating of credit. A commercial bank accepts deposits from customers and in turn makes loans, even in excess of the deposits; a process known as fractional-reserve banking. Some banks (called Banks of issue) issue banknotes as legal tender. Many banks offer ancillary financial services to make additional profit; for example, most banks also rent safe deposit boxes in their branches.

A bank generates a profit from the differential between the level of interest it pays for deposits and other sources of funds, and the level of interest it charges in its lending activities. This difference is referred to as the spread between the cost of funds and the loan interest rate. Historically, profitability from lending activities has been cyclic and dependent on the needs and strengths of loan customers. In recent history, investors have demanded a more stable revenue stream and banks have therefore placed more emphasis on transaction fees, primarily loan fees but also including service charges on array of deposit activities and ancillary services (international banking, foreign exchange, insurance, investments, wire transfers, etc.). However, lending activities still provide the bulk of a commercial bank's income. While we use term banknormally we should understand commercial bank. The main objective of any commercial bank is to maximize its wealth. To maximize bank's wealth a bank should mobilize its deposit effectively. Bank should lend its deposit money after ensuring the protection of depositor's right. To mobilize bank's fund effectively there must be committed and competent HR. to make organization's HR committed and competent organization should updating their HR by training and development.

1.1.2 Introduction of Sample Commercial Banks

Rastriya Banijya Bank Ltd. (RBBL)

Rastriya banijya bank (RBBL) is the fully government owned only one commercial bank of Nepal. It is established under the rastriya banijya bank act 2021in 2022 magh 10. Now it is operated under the bank and financial institutional act (BAFIA) 2073. RBBL is the largest bank of Nepal. It has over 200 branches and more than 2200 employees (www.RBBL.com.np). The HRM practice of the RBBL is different than other sample commercial bank. The acquisition should undertake by following the constitution of Nepal.

Nepal Investment Bank Ltd. (NIBL)

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.

Everest Bank Limited (EBL)

Everest Bank Ltd. was registered under the company act 1964 in 19th November 1993 and started commenced banking transaction in 16th October 1994, the promoter of the bank decided to join hands with an Indian bank and entered into joint venture agreement in January 1997 AD with Punjab National Bank (PNB), which is one of the leading commercial bank of India, having over 100 years of successful banking experience and known for its strong system and procedure. A team of professionals are deputed by PNB under this arrangement. Now the bank has 61 branches including main branch in Nepal. Nepalese promoter holds 50% and rest held by General public.

1.2 Statement of the Problems

The success and failure of every modern organization largely depends upon the facts that how they developed, trained and use human resources. Human resources are integral part of every organization. Thus without proper human resource management, organization cannot run smoothly. So every modern organization should have policy and practices to develop its human resources systematically and in a planned way.

It is said that the process of learning never ends and training, being a part of it, does neither. One after another new technology, effective methods keep creeping in to the business practice and hence, to be very effective, the employees in the institutions must be very aware of such developments and human resource is one of the important resources of any institution. By human resources, it is not just the physical body but is the knowledge, capacity and skill of the staffs that contributes to achieve the goals of the institution. Investment on HRD is a valuable investment and investment analysis on the human resource is one of the major factors which help in making decisions on proper investment of Banking institution and measuring the risk, return and output from such investments.

Firms offer training to employees to receive better company results. But training can alsolead to more turnover intentions because better skilled employees are more employable in other firms. This is stated by the human capital theory of Becker (1962). Regarding the reciprocity theory, training can lead to more commitment and subsequently can reduce the turnover intentions of employees. The Banking institutions are unwilling to investing on HRD. Many believe that only costly machinery, new building structure, decorations and new technology provides the high productivity. They are unaware of increment in productivity of the institution by the investment and its analysis on HRD. To assess the position of HRD in Banking Institutions. Therefore the following questions arise:

1. What is the investment trend on HRD in sample commercial banks?
2. Is there any relationship between investment on HRD and profitabilityin selected commercial banks?
3. What is the impact of the investment on HRD on job performance?

1.3 Purpose of the Study

Human Resource and its development is the main factor of the banking institutions. So the analysis of the investment on HRD by measuring risk, return and productivity of investment is the main goal of this study. To achieve this goal, the study has following specific objectives:

1. To analyze investment trend on HRD of sample commercial banks.
2. To examine the relationship between investment on HRD and profitabilityin sample commercial banks.
3. To evaluate the impact of investment on HRD on performance of employee.

1.4 Significance of the Study

Technology is developing at an accelerating rate. New and advanced technologies have made work easier and can solve problems within a few seconds in all sectors, including banking institutions. However, these technologies are operated by HR. Therefore skill and other facilities for HR are required in any organization and for the progress with time. To fulfill this requirement, proper investment is necessary and only investment analysis can provide the guideline for strategy for the proper investment for HR.

Therefore, analysis of investment on HRD has great significance.

This study is focused on the investment (risk and returns) analysis on HRD of the banking institutions and conducted to provide basic and necessary information about investment process. This current study will help in decision making processes about how to set investment policies and how to analyze and evaluate the value of investments worthwhile over different time periods. The result from this study has provided answers to invest cost, the forecasted return of investing on the HRD and the relation between investment on HRD and efficiency output. It will be also beneficial to those who are looking after career development on sample commercial bank.

The purpose of this study is to examine the relationship between HRD and employee performance and discover whether there is any relationship between HRD and employee performance? The finding will be beneficial to the lecturer to share knowledge to students.

This study has been guided to manage the investment on the HR and to get output by reward investing the HRD. This research work will be valuable assets for the further research work.

1.5 Limitations of the Study

The major limitations of the study are follows:

1. Most of the data used in this study are secondary data published by the bank under study.
2. The study is based on the data of 2010/11 to 2016/17.
3. The study is limited to three sample banks viz. RastriyaBanijya Bank Limited (RBBL), Everest Bank Limited (EBL) & Nepal Investment Bank Limited (NIBL).
4. The dependability of the outcome of research is based on the accuracy of the data that are provided by sample banks and Nepal Rastra Bank (NRB).
5. Mainly the study has been concentrated on analysis of impact of investment on training and development on organizations profitability and employee performance of banking institutions in Nepal.

1.6 Organization of the Study

Chapter I entitled introduction deals the subject matters of study with general background, the research problem for studying, objective of study along with limitations and chapter plan.

Chapter II this chapter is devoted for the brief review of the related studies and findings are presented and various related literatures are quoted. Previous research on the same field books, journals, and unpublished thesis are reviewed.
The chapter consist conceptual review for banking institutions and their human resource development efforts and empirical review for Investment analysis on
HRD of banking institutes in Nepal.

Chapter III this chapter discussed the methodology use in the study. It comprises research design, nature and source of the data, data gathering method and analytical tools uses.

Chapter IV deals with the presentation and analysis of data and scoring the empirical finding out study through definite course of research methodology.

Chapter V this chapter presents the conclusion implication and summary of study. Reference and appendix also have been incorporated.

CHAPTER-II

LITERATURE REVIEW

The review of literature is a crucial aspect of planning of the study. The main purpose of literature review is to find out what works has been done in the area of the research problem under study and what has not been done in the field of the research study being undertaken. For the review study the researcher uses different books, reports, journals, and research studies published by various institutions, unpublished dissertations submitted by master level students has been review.

2.1 Conceptual Reviews

Term that is replacing personnel management and implying that personnel managers should not merely handle recruitment, pay, and discharging, but should maximize the use of an organization's human resources. Humans are an organization's greatest assets; without them, everyday business functions such as managing cash flow, making business transactions, communicating through all forms of media, and dealing with customers could not be completed. Humans and the potential they possess drive an organization. Today's organizations are continuously changing. Organizational change impacts not only the business but also its employees. In order to maximize organizational effectiveness, human potential individuals' capabilities, time, and talents must be managed. Human resource management works to ensure that employees are able to meet the organization's goals. Human Resource Management is responsible for how people are treated in organizations. It is responsible for bringing people into the organization, helping them perform their work, compensating them for their labors, and solving problems that arise(Cherrington 1995)There are seven management functions of a human resources (HR) department that will be specifically addressed: staffing, performance appraisals, compensation and benefits, training and development, employee and labor relations, safety and health, and human resource research.

Generally, in small organizations those with fewer than a hundred employees there may not be an HR department, and so a line manager will be responsible for the functions of HRM. In large organizations those with a hundred employees or more a human resource manager will coordinate the HRM duties and report directly to the chief executive officer (CEO). HRM staff in larger organizations may include human resource generalists and human resource specialists. As the name implies, an HR generalist is routinely involved with all seven HRM functions, while the HR specialist focuses attention on only one of the seven responsibilities.

Prior to discussing the seven functions, it is necessary to understand the job analysis. An essential component of any HR unit, no matter the size, is the job analysis, which is completed to determine activities, skills, and knowledge required of an employee for a specific job. Job analyses are performed on three occasions: (1) when the organization is first started, (2) when a new job is created, and (3) when a job is changed as a result of new methods, new procedures, or new technology(Cherrington 1995).

Jobs can be analyzed through the use of questionnaires, observations, interviews, employee recordings, or a combination of any of these methods. Two important tools used in defining the job are (1) a job description, which identifies the job, provides a listing of responsibilities and duties unique to the job, gives performance standards, and specifies necessary machines and equipment; and (2) the job specification, which states the minimum amount of education and experience needed for performing the job (Mondy and Neo 2005).

2.1.1 Staffing

Both the job description and the job specification are useful tools for the staffing process, the first of the seven HR functions to be discussed. Someone (e.g., a department manager) or some event (e.g., an employee's leaving) within the organization usually determines a need to hire a new employee. In large organizations, an employeerequisitionmust be submitted to the HR department that specifies the job title, the department, and the date the employee is needed. From there, the job description can be referenced for specific job related qualifications to provide more detail when advertising the position either internally, externally, or both (Mondy and Neo 2005).

Not only must the HR department attract qualified applicants through job postings or other forms of advertising, but it also assists in screening candidates' resumes and bringing those with the proper qualifications in for an interview. The final say in selecting the candidate will probably be the line manager's, assuming all Public Service Commission (PSC) and other legal and regulatory requirements are met. Other ongoing staffing responsibilities involve planning for new or changing positions and reviewing current job analyses and job descriptions to make sure they accurately reflect the current position.

2.1.2 Performance Appraisals

Once a talented individual is brought into an organization, another function of HRM comes into play—creating an environment that will motivate and reward exemplary performance. One way to assess performance is through a formal review on a periodic basis, generally annually, known as a performance appraisal or performance evaluation. Because line managers are in daily contact with the employees and can best measure performance, they are usually the ones who conduct the appraisals. Other evaluators of the employee's performance can include subordinates, peers, group, and self, or a combination of one or more (Mondy and Neo 2005).

Just as there can be different performance evaluators, depending on the job, several appraisal systems can be used. Some of the popular appraisal methods include (1) ranking of all employees in a group; (2) using rating scales to define above-average, average, and below-average performance; (3) recording favorable and unfavorable performance, known as critical incidents; and (4) managing by objectives, or MBO (Mondy and Neo 2005).

(Cherrington 1995) illustrates how performance appraisals serve several purposes, including:(1) guiding human resource actions such as hiring, firing, and promoting; (2) rewarding employees through bonuses, promotions, and so on;(3) providing feedback and noting areas of improvement; (4) identifying training and development needs in order to improve the individual's performance on the job; and (5) providing job related data useful in human resource planning.

2.1.3 Compensation and Benefits

Compensation (payment in the form of hourly wages or annual salaries) and benefits (insurance, pensions, vacation, modified workweek, sick days, stock options, etc.) can be a catch-22 because an employee's performance can be influenced by compensation and benefits, and vice versa. In the ideal situation, employees feel they are paid what they are worth, are rewarded with sufficient benefits, and receive some intrinsic satisfaction (good work environment, interesting work, etc.). Compensation should be legal and ethical, adequate, motivating, fair and equitable, cost-effective, and able to provide employment security (Cherrington 1995).

2.1.4 Training and Development

Performance appraisals not only assist in determining compensation and benefits, but they are also instrumental in identifying ways to help individuals improve their current positions and prepare for future opportunities. As the structure of organizations continues to change through downsizing or expansion the need for training and development programs continues to grow. Improving or obtaining new skills is part of another area of HRM, known as training and development.

Training focuses on learning the skills, knowledge, and attitudes required to initially perform a job or task or to improve upon the performance of a current job or task, while development activities are not job related, but concentrate on broadening the employee's horizons(Nadler and Wiggs 1986)Education, which focuses on learning new skills, knowledge, and attitudes to be used in future work, also deserves mention (Nadler and Wiggs 1986)

Because the focus is on the current job, only training and development will be discussed. Training can be used in a variety of ways, including (1) orienting and informing employees, (2) developing desired skills, (3) preventing accidents through safety training, (4) supplying professional and technical education, and (5) providing supervisory training and executive education (Cherrington 1995).

Each of the training methods mentioned has benefits to the individual as well as to the organization. Some of the benefits are reducing the learning time for new hires, teaching employees how to use new or updated technology, decreasing the number and cost of accidents because employees know how to operate a machine properly, providing better customer service, improving quality and quantity of productivity, and obtaining management involvement in the training process (Cherrington 1995)When managers go through the training, they are showing others that they are taking the goals of training seriously and are committed to the importance of human resource development. The type of training depends on the material to be learned, the length of time learners have, and the financial resources available. One type is instructor-led training, which generally allows participants to see a demonstration and to work with the product first-hand. On-the-job training and apprenticeships let participants acquire new skills as they continue to perform various aspects of the job. Computer-based training (CBT) provides learners at various geographic locations access to material to be learned at convenient times and locations. Simulation exercises give participants a chance to learn outcomes of choices in a non-threatening environment before applying the concept to real situations.

Training focuses on the current job, while development concentrates on providing activities to help employees expand their current knowledge and to allow for growth. Types of development opportunities include mentoring, career counseling, management and supervisory development, and job training (Cherrington 1995).

2.1.5 Philosophical Reviews

HRD philosophy represents those basic beliefs, ideas, principles and views which are held by the management with respect to the development and growth of its employees (Tripathi 1990). (Zemke 1985)Surveyed the philosophies of HRD practitioners and found out the narrow view that the most appropriate philosophy for HRD was to prepare employees to develop specific skills necessary to perform effectively in their current jobs. (Silveira 1990)Observes HRD philosophy considering more on humanitarian ground. According to him the HRD philosophy emphasizes that management owe it (humanization) to themselves to value human beings, independent of their contribution to corporate productivity or profit. Trust in the basic integrity of people, belief in their potential, respect for their dignity-these underlying attitudes lead to creation of a climate in companies where individuals feel a sense of involvement and belonging, where people find fulfillment in work and seek newer horizons for themselves and the enterprise through self and subordinate development. In attitudinal terms, HRD involves a shift from the old approach of control and vigilance to the new paradigm of involvement and self-development.(Panigrahy 1995)Believes that individuals in an organization have unlimited potential for growth and development and that their potential can be developed and multiplied through appropriate and systematic efforts. Given the opportunities and by providing the right type of climate in organizations, individuals give their full potentials, contributing to achieve the goals of the organization. Investment in human beings is another underlying concept of the human resources system. The organization accepts that at the development of human resources involves investment of time and concern of growth. Everyone in the organization needs to take self-responsibility for growth and optimization of performance.

HRD philosophy according to (Tripathi 1990)is essential for the success of any HRD program which encompasses that human beings are the most important assets in the organization, and they can be developed to an unlimited extent; employees feel committed to their work and feel belonging to the organization if the organization develops a feeling of belonging in them and adequately cares for the satisfaction of their basic and high order needs; employees' commitment to their work increases when they get opportunity to discover and use full potential; although, the higher level manager should pay more attention to HRD functions for its effectiveness. (Singh and Dalal 1989)Observe HRD philosophy in organization and general context and proposes that physical, mental and social well-being of people should be ensured. When people are healthy, developed and properly mobilized, they will do their best. Further, two parties are involved in HRD process. First party which promotes HRD activities and second which receives it. HRD agencies always expect from the concerned people to demonstrate their improved ability at work. They further observe that the implicit assumption in HRM philosophy is that people can be and should be controlled whereas the HRD philosophy emphasizes the freedom of choice and treats people as proactive human beings.

Hence, the potential of employees should be developed instead of being controlled. The basic assumption is that organization invests in its employees who, in turn, contribute their maximum to achieve objectives of the organization. In contrast, the HRD philosophy, assumes that organization belongs to them and they belong to it (Nath 1987)(Harrison 1993)and (Rothwell and Kazanas 1991)outline a range of values and assumptions which underpin strategic HRD. Strategic HRD assumes that: there is a twenty overall mission statement for the organization and that the HRD effort should be related to it; every major plan of the organization is weighted in terms of human skills available to implement it and alternative ways of obtaining those skills; training and development is not the only way to obtain needed skills. There are alternative ways of finding these skills; people at all levels in the organization share responsibility and accountability for training and development; planned learning is an essential component of every employee's job; strategic HRD advocates that managers, supervisors and employees should be evaluated on how well they develop themselves and contribute to the development of others; and, there is a formal systematic and holistic planning process within the organization.

2.2 Theoretical Review

2.2.1 Human Capital Theory

As a famous economist, Gary Becker is an important representative of “Chicago School” and has done great contributions to the labor capital theory together with Milton·Riedman、Theodor·Schultz、Ronald·Kos and Jacob·Mincer. The historical contribution of Gary Becker lies in the creative empirical study on economy, enriching the contents of economy and enlarging its study domain. “Human capital theories” (1964) is Gary Becker’s first book on labor capital theory, and is regarded as one of the classics in economy. It was republished in 1975 and 1993. Gary Becker once said, “The concept of labor capital theory was commonly used in such communist countries as Russia, China and countries in Eastern Europe. My theory, as well as that of Schultz and other people’s works were widely quoted in these countries. Economists and plan-makers have fully agreed with the concept of investing on human beings.” “Human capital theories” elaborated the relationship between labor capital and the development of family and society and the influence of capital labor theory on income and the repaying rate of labor capital theory. It also discussed the problems of the repaying rate of college education and middle school education, the relationship among age, profits, wealth and labor capital. At the end of the book, the writer creatively illustrated the relationship between labor capital and family situation caused by the changes of economy

2.3 Empirical Reviews

2.3.1 Review of International Journals

In a survey of human resource development practices conducted by (T. V. Rao 1988)covering fifty three different industries in India, following facts were observed. Seventeen organizations (32 percent) had a formally stated policy emphasizes on human resource development. The thirty one organizations (59 percent) did not have any formally stated policy on human resource development but claimed to emphasize it. In five organizations, there appeared to be no such emphasis on human resource development. Secondly, Twenty-sixorganizations (49 percent) stated that their personnel policies give high importance to the continuous development of their employees. Another twenty one organizations (40 percent) stated that there is some emphasis on human resource development in their personnel policies. Four of the organizations surveyed didn‘t seem to lay any emphasis on human resource development in their personnel policies. Two did not respond. Thirdly and the most importantly, there was a separate human resource development department in the organizations studied. This survey indicated a positive trend of using open appraisal system, improving the training function, making up organizational development activities and using employees counseling by an increasingly large number of companies.

Investment in human resource directly contributes to economic development and growth by promoting the knowledge and application of science and technology to production process (J. Rao 1990)According to him this investment also help in developing innovations and research, training workers in technical skills needed for modern production and building up of the right type of attitudes, values and interests conducive to higher output (J. Rao 1990)

(J. Rao 1990)Evaluated the importance of investment on human capital in various developed countries. For example he discussed how economy of US is boosted due to investment in human capital such as expenditures on information, labor mobility, health, education, and training. All these factors are responsible in enhancing the productive capacity of a worker and how loss of human capital.

He also explained the degradation of the economy of UK due to loss of human capital. He analyses the economic losses from the London plagues with the examples of estimated value of an English man’s production, the extra probability of his death if he remained in London, and the cost of transportation from the city. He concluded that expenditure to move people and thereby to save lives, would indeed be a financially wise investment.

(Hendry and Pettigrew 1990)Proposed that a number of internal factors such as the organizational culture, structure (positioning of HR), leadership, level of technology employed and business output directly contribute to forming the contents of HRM.
(Barney 1991)Pointed out that firms could develop strategic capability and for attaining this, the strategic goal will be to create firms, which are more intelligent and flexible than their competitors. The human resource management function has emerged as one which act as differentiator among various firms.

(Snell and Dean 1992)Agreed that Human Resource Practices were the primary means by which firms invested in their employees. Human Resource Management has moved its concern from domestic focus to multi-national focus, more escalating concern for issues like ecological, health care, and illiteracy. They also demonstrated that Human Resource Practices to be employee centric and need to be business centric as well.
(Walker 1993)Suggested that a firm should aim at developing various HR practices as complementary to one another. (Mondy and Neo 2005)Suggested that activities and practices of HRM can be classified into six domains:

i. Planning and recruitment.
ii. Development and appraisal.
iii. Compensation and reward.
iv. Safety and health.
v. Labor relations.
vi. Human resource research.

(Amba-Rao 1994)Carried on a study to explore the HRM policies and practices in a small group of firms and industries in the Indian context. Semi-structured interviews were conducted with HRM executives and general managers in ten firms in the Hyderabad metropolitan area in India, to examine their HRM practices. The specific HRM functions considered under this study were: staffing, performance appraisal, compensation, training, and motivation and employee relations. In examining the strategies, several contingency factors were also identified. These included the firm's internal and external contextual factors. The internal factors were: (1) management style; (2) degree of centralization of HRM strategies and their linkage with local subsidiary practices in the case of MNCs; and, (3) extent of professionalization and formalization of the HRM department. The external contextual factors were: (1) Government role; (2) labor market conditions; (3) organizational information network (4) market and technology; (5) unions (6) socio-political factors; (7) industry, location or other firm specific factors. The study found that the HRM departments had a visible role in policy and implementation. Further, all the managers had reported involving line managers in implementing the HRM function.

(Loveday 1994)in his doctoral thesis titled ―A Study of HRM with special reference to recruitment, selection and training of managerial and non-managerial staff in the Nigerian Banks‖ stated that, ―The most important of all factors of production in business is the human factor unlike the component part of a machine, the people who comprise a human organism, are something more than just parts of that organization. Flesh men and women with sentiments, ambitions and needs of their own ranging are beyond the confines of the organization. The extent, to which these people serve the needs of the organization willingly, enthusiastically depends upon the extent to which the organization serves their needs as aspiring human beings.‖ He also added that, the HRM strategies include job analysis, human resource planning and forecasting. Efficient HRM ensures that systematic steps are used to recruit, select, train employees so as to show them the ladder by which they can attain their desired goals.

(Huseild 1995)Mentioned in one of his studies that the personnel selection, performance appraisal incentive attitude assessment compensation, job design, grievance procedures, information sharing, labor management participation recruitment efforts, employee training, and promotion criteria are the major HRM practices which prevail in an organization.

(Pfeffer 1998)in his study, mentioned about employment of the various HR practices such as security, selective hiring of new personnel, self-managed teams, decentralization of decision making as the basic principles of organizational design, extensive training, comparatively high compensation contingent on organizational performance, reduced status distinctions and barriers, including dress language, office arrangements, and wage differences across levels, and extensive sharing of financial and performance information, compensation practices throughout the organization n, placement practices, training practices, employee grievance procedure, performance evaluation practices, promotion practices. All such practices are needed for growth of the organizations. He concluded that having good HRM is likely to generate much loyalty, commitment or willingness to expend extra effort for the organization‗s objectives.

(Stone 1998)Remarked that HRM is either part of the problem or part of the solution in gaining the productive contribution of people. The above quotes suggest that organizations need to effectively manage their human resources if they are to get the maximum contribution from their employees.

(Wright and Snell 1998)made an important observation that most of the Human Resource Management Models consisted of ―fit‖ components, which included Human Resource Management Practices, employee‗s skills and behavior and flexibility. The ―fit‖ components focused towards responding to a variety of competitive needs required for strategic and nonstrategic considerations and it supported this by adding that the Human Resource Strategy must be an integral to organization‗s strategic processes contributing towards organization‗s overall performance. It was analyzed that the organizations relationship with environment could be handled with the help of suitable strategies.

(Anantharaman and Abdul 1999)Conducted a study on ‗Human Resource Management Practices: Perceived Organizational and Market Performance', in the Malaysian furniture industry. The study found that managerial and non-managerial employees did not differ in perceived organizational performance; the managers perceived higher market performance unlike the non-managerial staff. The rresult of the t-test indicated that the two groups didn't differ in perception of human resource management practices except in information sharing, employee participation empowerment and symbolic egalitarianism.

(Guest 2002)suggested the best Human Resource Practices that included: job design in such a manner that employees have the responsibility and autonomy to use their knowledge and skills; selection process framed to carefully identify best potential; training as an on-going activity; two-way communication process to keep everyone informed; and employee participation to increase employee's awareness about the implications of their actions, for the financial performance of the firm. Guest proposed a simple model (Figure 2.1) of Human Resource Management and performance which suggested that Human Resource Practices influence directly to an employee's level of commitment towards his performance, which in turn has an impact on the organization's financial performance as an outcome.

(Verhees 2012)) Firms offer training to employees to receive better company results. But training can also lead to more turnover intentions because better skilled employees are more employable in other firms. This is stated by the human capital theory of (Becker 1975). Regarding the reciprocity theory, training can lead to more commitment and subsequently can reduce the turnover intentions of employees. This thesis describes the direct and indirect effects between training hours and employees' turnover intentions, and also the role of organizational commitment.

(Sung and Choi 2014)Investigates the effects of various human resource development (HRD) dimensions on organizational performance. They identify four distinct dimensions of HRD that reflect either quantitative or qualitative approaches from either managerial or employee perspectives. Furthermore, they propose that HRD affects organizational performance by shaping employee outcomes, a prevailing but rarely tested assumption. Multi-source data collected from 207 manufacturing companies at three time points over a 5-year period largely support our theoretical propositions. A series of structural path analyses confirm that HRD improves employee commitment and competence, which in turn determine the financial performance of the organization. The quantitative dimensions of HRD (resource investment in HRD) predict only employee commitment. By contrast, the qualitative dimensions of HRD (management support for, and perceived benefits of, HRD) enhance both employee commitment and competence. Our analysis also demonstrates synergistic interactions between the quantitative and qualitative dimensions of HRD in predicting employee outcomes. This study elaborates the distinct values of different dimensions of HRD and highlights the significance of employee outcomes as the mediating mechanism between HRD and firm performance.

2.3.2 Review of Nepalese Journals

(Baniya 2004)Explored thattoday's modern management regards human resource as the precious asset of an organization. How this important asset is treated and developed in the Nepalese business organizations is the main concern of his study. The study reveals that there is a lack of systematic approach towards human resource development in Nepalese business organizations. Most of the organizations neither have a personnel manager to look after human affairs nor allocate budget in their annual program for human resource development. This is a manifestation of low priority assigned to human resource in organizations. However, it is a good indication that some of the organizations have started to provide their employee the training though they lack clear policy framework.

(Gautam and Davis, Integration and development of human resource practices in Nepal 2007)Explored the nature of human resource management in publicly listed finance sector companies in Nepal. In particular, it explores the extent to which HR practice is integrated into organizational strategy and devolved to line management. A structured interview was conducted with the senior executive responsible for human resource management in 26 commercial banks and insurance companies in Nepal.

Concluded, the degree of integration of HR practice appears to be increasing within this sector, but this is dependent on the maturity of the organizations. The devolvement of responsibility to line managers is at best partial, and in the case of the insurance companies, it is more out of necessity due to the absence of a strong central HR function.

(Adhikari and Gautam 2010)Reviewed how far Nepalese firms are complying quality of work life (QWL) provisions of the Labor laws and to assess expectations of union leaders on different dimensions of QWL. This paper is mainly based on a literature survey. To answer the research, three different labor laws are reviewed. In order to understand expectation of union leaders, a questionnaire survey is administered. Concluded that, In Nepalese workplaces, the QWL situation is deteriorating and thus commitment of the part of government, employers, and union leaders is required to work on QWL initiatives and to create a sound and harmonious industrial relations environment

(Adhikari and Gautam, Employees commitment and organization performance in Nepal: A typological framework 2011)Analyzed typological framework showing compliance-commitment matrix. Based on this framework a number of new HR mandates recommended for the improvement in the situation of low degree of commitment and compliance affecting level of performance in Nepalese workplaces. Hard and soft HRM perspectives are incorporated to analyze the issues and develop theories.

(Paudel2014) identifiedthe important asset is treated and developed in Nepal Telecom is main concern of this study. The studyreveals that there is a lack of systematic approach towards human resource development. Nepal Telecomhas a personnel manager to look after human affairs and allocate budget in its annual program for humanresource development. This is a manifestation of low priority assigned to human resource in organizations.
However it is a good indication that Nepal Telecom has started to provide training to their employee though it lacks clear policy framework.

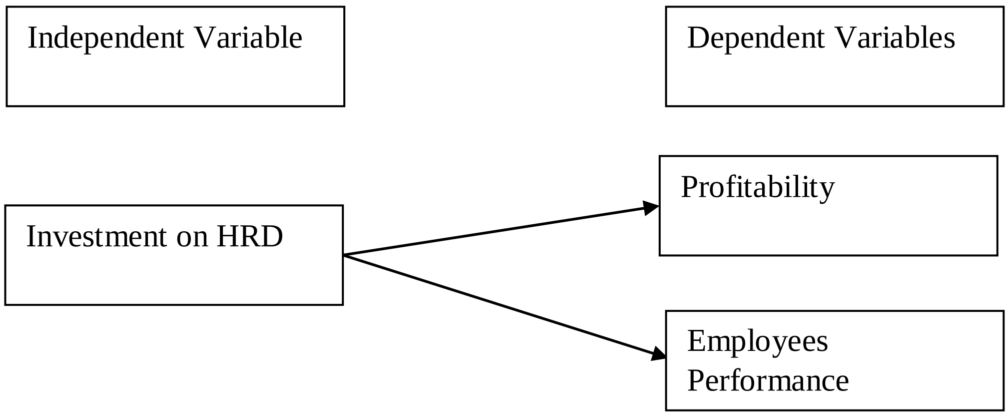
(Pandey 2014)Studied about human resource practices and organizational performance in the context of Nepalese joint venture and other financial institutions. The study has covered primary and secondary data and analyzed the data by employing descriptive statistics, correlation and multiple regression models T test and F test. They concluded, there is a positive relationship between investment in HRD and performance of banking institution.

(Gautam 2015)Explored the level of Human Resource Development (HRD), involvement of Human Resource (HR) managers in strategic decisions, sharing HR responsibility and changes of line management roles for HRD programs in publicly traded business corporation of Nepal. Data was collected using structured questionnaire from line management and HR managers of 105 organizations based on unit of analysis that have at least five years of establishment of age, and analyzed. It is observed that the mission statements crafted by most of the organizations at the corporate level do not follow any common trend while formulating HRD strategies. The selection rate of HR managers from internal sources of organizations is fairly larger while appointing HRD managers and the trend of involving HR manager for strategy formulation is increasing. This study contributes to the existing theory of HRD and helps to execute the policies and programs by Nepalese business managers, to accelerate the overall business performance.

(Pokhrel 2016) Examined the impact and importance of human resource practices on employee satisfaction. Employee empowerment, employee commitment and employee retention are selected as employee satisfaction variables for this study and these three are the dependent variables. Human resource planning, recruitment and selection, training and development, performance appraisal, compensation and promotion practices are the independent human resource practices variables. The primary source of data is used to assess the opinion of respondents with respect to human resource practices on employee satisfaction in Nepalese Commercial banks. The survey is based on 173 respondents from 20 commercial banks in Nepal. To achieve the purpose of the study, structured questionnaires is prepared. The multiple regression models are estimated to test the significance and importance of human resource practices on employee satisfaction in Nepalese commercial banks. The result shows that there is a significant impact of human resource practices on employee empowerment, employee commitment as well as employee retention in the commercial banks. The impact of recruitment and selection, training and development, performance appraisal, compensation, and promotion practices are positively significant with employee empowerment whereas human resource planning has insignificant effect on employee empowerment. The impact of recruitment and selection, training and development, performance appraisal, compensation, and promotion practices are positively significant with employee commitment whereas human resource planning has insignificant effect on employee commitment. The impact of human resource planning, recruitment and selection, training and development, performance appraisal and compensation are positively significant with employee retention whereas promotion practice has insignificant effect on employee retention.

(Shrestha 2016) Examined the human resource management and employee organization commitment of the Nepalese commercial banks. The employee organization commitment and employee job satisfaction are selected as the dependent variables. Training and development, recruitment and selection, performance appraisal, employee participation in decision making and compensation practices are the human resource management and these variables are the independent variables. The survey was conducted from the 190 respondents of 30 commercial banks of Nepal. The result shows that there is positive and significant impact of training and development, performance appraisal, employee participation in decision making on the employee organization commitment. But a recruitment and selection and compensation practice has positive and insignificant impact on the employee organization commitment. The results also shows that there is positive and significant impact of training and development, recruitment and selection, employee participation in decision making and compensation practices on the employee job satisfaction. But performance appraisal has positive and insignificant impact on employee job satisfaction.

2.4 Conceptual Framework



From above literature review we can perceive that there is a positive relationship between investments on HRD and performance of employee. That an organization can improve their efficiency and effectiveness through developing their human capital that may be competitive advantages to the organization. Another aspect of research is to identify the relationship between HRD and profitability. After reviewing literature we can say that there is significant relationship between HRD and profitability.

2.5 Research Gap

The literature on investment on HRD produced a large body of theoretical and empirical research. They also contributed to enhance the fundamental understanding and knowledge about HRD, investment on HRD of various commercial banks and other listed companies. In all the foregoing studies, there can be identified research gaps. First, the studies fail to establish it strongly whether or not there is a relation between HRD and employee performance in sample commercial banks of Nepal? Other micro environmental factors such as monetary and nonmonetary incentives, work life balance, career development, job security etc. were identified as having more significant effect on employee performance other than investment on HRD. Second prior research fail to address the question that is there any relationship between investment on HRD and employee turnover or not in sample commercial bank of Nepal? This research study attempts to fulfill this gap.

CHAPTER III
METHODOLOGY

This chapter presents the research methodology used to study investment pattern on HRD of the commercial banks and its impact on performance of Nepalese commercial banks. It tries to find out the relationship between investment on HRD and other profitability indicators net profit margin, return on assets and return on shareholders' equity. It covers research design, population and sampling procedure, data source and data collection methods, the unit of analysis and data analysis techniques.

3.1 Research Design

Research design is an overall plan or framework for the collection and analysis of data. It is provides the framework for the study, guidelines for the collection and analysis of data. This research study attempts to analyze the investment pattern on HRD of commercial bank & its effects on profitability. In order to achieve the objective of the study, comparative and descriptive research design has been employed. These both methods are scientific methods to classification, tabulation, analysis and comparison of data and also help to estimate the relationship and the trends of variables. This study is based on descriptive research design.

For this, at first, required information and data (the annual reports and the financial statements published by the related banks) are collected for the F/Y 2010/11 to F/Y 2016/17, for the analytical purpose. Then the important information and data are selected for the study. Then data are arranged in useful manner. After that, data are analyzed by using appropriate financial and descriptive and analytical tools. In analysis part, interpretation and comments are also made wherever necessary.

3.2 Population and Sample

The population refers to the organizing of the same nature on its services and product in general and for this study all twenty-eight commercial banks (until June, 2018) including three governments owned commercial banks operating in the Nepal is the total population. Due to the limited time and resources factors too, it is not possible to study all of them, so sampling has been done. To fulfill objective of the study, Among the 28 commercial banks, only 3 commercial banks (that represents 10.71%) has been selected for the purpose of the study. Similarly the judgmental sampling method has been used for selection of sample banks. Sample of this study are chosen one from governmental banks, one from joint venture banks and one from domestic private sectors banks. From governmental banks RastriyaBanijya Bank Limited (2022 BS) was chosen because it is the fully government owned bank and it must follow the rule & regulation of PSC and NRB while incorporating HRD function and that is distinctive from other joint venture and domestic private sector bank. From joint venture banks and domestic private sector banks, Everest Bank Limited (2050 BS) and Nepal Investment Bank Limited (2042 BS) are chosen because these two banks are leading bank in respective sectors and they possess unique and modern scientific HRD. Reason for selecting public bank and privet sector bank is they possess different HRM and HRD practice. Public sector banks should follow governmental rules strictly where private sector banks can make their own HRM policy. These three banks will uses as sample for the study.

Table 3.1: Number of commercial banks selected for the study

S. No.	Name of Commercial Banks	Study Period
1.	RastriyaBanijya Bank Limited (RBBL)	2010/11- 2016/17
2.	Everest Bank Limited (EBL)	2010/11 - 2016/17
3.	Nepal Investment Bank Limited (NIBL)	2010/11 - 2016/17

3.3 Nature and Sources of Data

The study is based on the secondary data which are gathered from 3 sampling commercial banks in Nepal for the period 2010/11 to 2016/17. These data are collected from annual report and website of respective commercial banks which are selected for the study, Nepal Rastra Bank and other official and unofficial publications.

3.4 Period of the Study

The study is based on seven years financial data of sample banks (i.e., Rastriya Banijya Bank Limited, Everest Bank Limited, and Nepal Investment Bank Limited) from fiscal year 2010/11 to 2016/17.

3.5 Data Collection Procedure

The study is mainly based on secondary data. For this, the published materials, books of different authors, unpublished thesis reports, journals, magazines, Internet web sites, AGM reports of commercial banks, bulletins published by NRB etc. are the major sources of the secondary data. To collect these secondary data, the researcher visits different campus library including online library, TU central library and website of NRB. Different web sites are also searched to collect necessary information for the study.

3.6 Data Analysis Tools

The data collected from different sources are recorded systematically as necessary. Only useful and related data are grouped as per need of the research work. Data are presented in appropriate forms of tables, graphs and charts. For analysis appropriate mathematical, financial as well as statistical tools are used. Some of them are:

3.6.1 Financial Tools

For the proper financial analysis of data ratio analysis is the best tool. It is very simple analyzing tools under which ratios are taken to express the relation between two or more data. Through ratio analysis we can establish the relationship among the data and research into conclusion. Under ratio analysis following ratio related to bank are analyzed.

3.6.1.1 Net Profit Margin(NPM)

Net profit margin is calculated with selling price (or revenue) taken as base times 100. It is the percentage of selling price that is turned into profit, whereas "profit percentage" or "markup" is the percentage of cost price that one gets as profit on top of cost price. While selling something one should know what percentage of profit one will get on a particular investment, so companies calculate profit percentage to find the ratio of profit to cost.

The profit margin is used mostly for internal comparison. It is difficult to accurately compare the net profit ratio for different entities. Individual businesses' operating and financing arrangements vary so much that different entities are bound to have

different levels of expenditure, so that comparison of one with another can have little meaning. A low profit margin indicates a low margin of safety: higher risk that a decline in sales will erase profits and result in a net loss, or a negative margin.
Profit margin is an indicator of a company's pricing strategies and how well it controls costs. Differences in competitive strategy and product mix cause the profit margin to vary among different companies.

$$\text{NPM}=\frac{\text{Net Profit}}{\text{Total Revenue}}$$

3.6.1.2 Return on Assets (ROA)

The return on assets (ROA) shows the percentage of how profitable a company's assets are in generating revenue.
ROA can be computed as below:

$$\text{ROA}=\frac{\text{Net Income}}{\text{Total Assets}}$$

This number tells us what the company can do with what it has, *i.e.* how many dollars of earnings they derive from each dollar of assets they control. It's a useful number for comparing competing companies in the same industry.

3.6.1.3 Return on Equity (ROE)

In corporate finance, the return on equity (ROE) is a measure of the profitability of a business in relation to the book value of shareholder equity, also known as net assets or assets minus liabilities. ROE is a measure of how well a company uses investments to generate earnings growth.ROE is equal to a fiscal yearnet income (after preferred stock dividends, before common stock dividends), divided by total equity (excluding preferred shares), expressed as a percentage.

$$\text{ROE}=\frac{\text{Net Income}}{\text{Total Shareholders Equity}}$$

3.6.2 Statistical Tools

3.6.2.1 Arithmetic Mean ($\overline{X}$)

Arithmetic Mean or Simply a 'mean' of a set of observation is the sum of the entire observation dividend by the number of observation. It is also known as the arithmetic average. It is the sum of total value of dividend by number of value .It is calculated as;

Mean ($\overline{X}$) = $\frac{\sum Xi}{N}$

Where,

Xi = Value of Variable i

N = Number of Items

3.6.2.2. Standard Deviation (σ)

Standard Deviation is defined as the positive square root of the mean of the square of the deviations taken from the arithmetic mean. The standard Deviation is the absolute in other measure of dispersion are removed. it is said to be the best measure of dispersion as it satisfies most of the requisites of a good measure of dispersion .it is calculated as;

Standard Deviation (σ) = $\sqrt{\frac{\sum (X-\overline{X})^2}{N-1}}$

$\sum\left(X-\overline{X}\right)^2$ = Sum of the mean deviation squared

N = Total number of observation

3.6.2.3 Coefficient of Variation (CV)

The coefficient of dispersion based on standard deviation multiply by 100 is known as the coefficient of variation (CV). It is independent of unit. So, two distributions can bitterly be compared with the help of C.V for their variability .Less the C.V more will be the uniformity, consistency and more than C.V less will be the uniformity, consistency. It is calculated as;

C.V = $\frac{\sigma}{\overline{X}}\times 100$

3.6.2.4 Correlation Coefficient (r)

Correlation analysis is the statistical tools that can be used to describe the degree to which one variable is linearly related to another. The correlation coefficient measures the degree of relationship between two sets of figures. In this study, correlation coefficient is used to determine the relationship between different factors, as like as, net profit margin, return on assets and return on shareholders' equity. Correlation coefficient is most widely used in practice correlation can either be positive or it can be negative. It is denoted by r. symbolically,

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

<u>Where,</u>

r = Correlation Coefficient

n = Number of Observation

The value of the correlation coefficient obtained by the above formula shall always lie between –1 and +1. When r = -1, it means, there is perfect negative relationship between the variables and when r = +1, it means, there is perfect positive relationship between the variables. However, in practice such values of r is +1, -1 and 0 are rare.

Simple correlation co-efficient between the following financial variable have been calculated and interpreted.

1. Between the net profit margin and the investment on HRD.
2. Between the return on assets and investment on HRD.
3. Between the return on shareholders' equity and investment on HRD.
4. Between the per employees investment on HRD and per employees profit.

3.6.2.5 Regression Analysis

Correlation coefficient tells the relationship and direction of movement but it does not tell the relative movement in the variables under study. Regression analysis helps us to know the relative movement in the variables. Regression analysis of the following variables have been calculated and interpreted.

3.6.2.5.1 Simple regression analysis

1. Simple regression analysis of NPM on investment on HRD

$Y = a+bX_1$

Where,

Y = NPM

a = Regression constant

b = Regression coefficient

X_1 = Investment on HRD

This model has been applied to examine the relationship between NPM and Investment on HRD of the banks over the study period.

2. Simple regression analysis of ROA on Investment on HRD

$Y = a+bX_2$

Where,

Y = ROA

a = Regression constant

b = Regression coefficient

X_2 = Investment on HRD

This model has been applied to examine the relationship between the ROA and Investment on HRD of the banks over the study period.

3. Simple regression analysis of ROE on Investment on HRD

$Y = a+bX_3$

Where,

Y = ROE

a = Regression constant

b = Regression coefficient

X_3 = Investment on HRD

This model has been applied to examine the relationship between the ROE and Investment on HRD of the banks over the study period.

4. Simple regression analysis of per employees profit on per employees Investment on HRD

$Y = a+bX_3$

Where,

Y = per employees profit

a = Regression constant

b = Regression coefficient

X_3 = per employees Investment on HRD

This model has been applied to examine the relationship between the per employees profit and per employees Investment on HRD of the banks over the study period.

3.6.2.6 R-Squared and overall significance of the regression

The R-squared of the regression is measure the fraction of the variation in dependent variable that is accounted for (or predicted by your independent variables. (In regression with a single independent variable, it is same as the square of the correlation between the dependent and independent variable.). R-Squared measured the dependency of dependent variable on independent variable. So the R-squared is generally of secondary importance, unless researchers concern is using the regression equation to accurate predictions. The P value tells that how confident researchers can be that each individual variable has some correlation with the dependent variable, which is the important thing.

3.6.2.7 P-value and overall significance of the regression

The P-value for each term tests the null hypothesis that the coefficient is equal to zero (no effect). A low P-value (< 0.005) indicates that the researchers can reject the null hypothesis. In other words, a predictor that has a low p-value is likely to be a meaningful additional to the model because changes in the predictor's value are related to changes in the response variable. Similarly, a larger (insignificant) P-value suggests that changes in the predictor are not associate with change in response.

CHAPTER IV
RESULTS

This is an analytical chapter, where an attempt has been made to analyze and evaluatethe data collected. To analyze the data collected various presentation and interpretation is done in order to fulfill the objective of this study.

In this chapter, the relevant data and information on investment on HRD of the selectedbanks presented and analyzed comparatively keeping the objective of the study in mind. To being with analysis of investment on HRD practices of the banks is done at first. In the second part of the chapter, analysis of impact of investment on HRD on profitability of sample banks and relationship of investment on HRD with other key variables aredone with the help of the statistical tools mentioned in the chapter. In the third part,hypothetical analysis is done. This is the main central nervous system, which helps toconclude the study through major findings. Thischapter makes the proper linkage with other chapter.

4.1 General Analysis of Financial Indicators

This analysis is highly supported by the practice of investment on HRD by the bank. Under this heading the financial variables have been presented and analyzed using different tools with some graphs and diagrams.

4.1.1 Analysis of Net Profit Margin (NPM)

Net profit margin is calculated with selling price (or revenue) taken as base times 100. It is the percentage of selling price that is turned into profit, whereas "profit percentage" or "markup" is the percentage of cost price that one gets as profit on top of cost price. While selling something one should know what percentage of profit one will get on a particular investment, so companies calculate profit percentage to find the ratio of profit to cost.

The profit margin is used mostly for internal comparison. It is difficult to accurately compare the net profit ratio for different entities. Individual businesses' operating and financing arrangements vary so much that different entities are bound to have different levels of expenditure, so that comparison of one with another can have little meaning. A low profit margin indicates a low margin of safety: higher risk that a decline in sales will erase profits and result in a net loss, or a negative margin.

Profit margin is an indicator of a company's pricing strategies and how well it controls costs. Differences in competitive strategy and product mix cause the profit margin to vary among different companies.

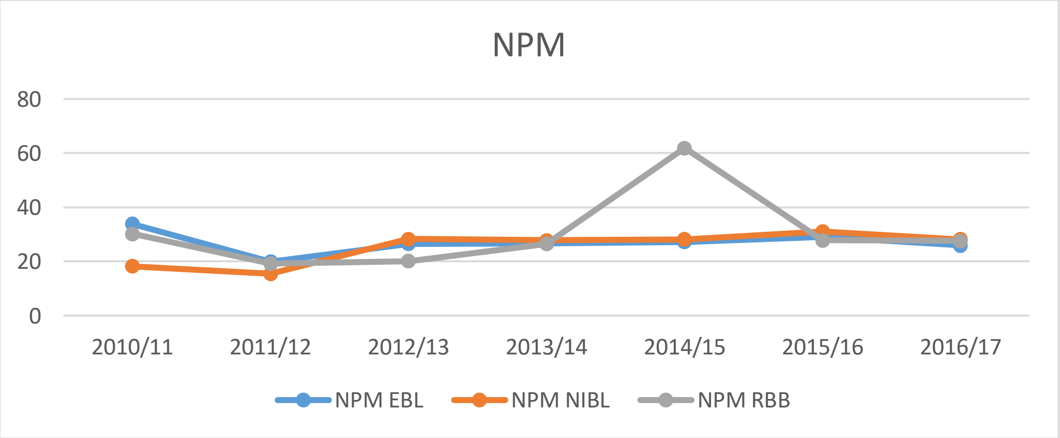
Table no. 4.1 Net Profit Margin of Sample Commercial Banks

In Percentage (%)

	NPM		
	EBL	NIBL	RBBL
2010/11	33.80	18.23	30.21
2011/12	19.89	15.46	19.213
2012/13	26.49	28.27	20.15
2013/14	26.68	27.84	26.54
2014/15	27.26	28.11	61.88
2015/16	29.00	31.03	27.86
2016/17	25.88	28.13	27.52
Mean	27.00	25.29	30.48
S.D.	4.13	5.93	14.44
C.V.%	15.30%	23.44%	47.36%

Source: Annual report of Everest Bank Limited (www.ebl.com.np), Nepal Investment Bank Limited (www.nibl.com.np) &RastriyaBanijya Bank Limited (www.rb.com.np) from the F.Y. 2010/11 to 2016/17

Figure no. 4.1 Analysis of NPM



Based on Table no 4.1 the average Net Profit Margin (NPM) of EBL is 27, NIBL is 25.29 and RBBL is 30.48 based on NPM RBBL is generating the highest profit on total revenue and NIBL is the lowest one, which is shareholders of RBBL is getting RS.30.38 per 100 rupees it earn and NIBL has 25.29.

The S.D. of EBL, NIBL and RBBL is 4.14, 5.93 and 14.43 respectively. So, EBL has lower S.D. of 4.14 which indicates we can easily predict the upcoming year's profit. But RBBL has highest S.D of 14.43, which indicates RBBL's NPM is volatize and less predictable.The C.V. of EBL, NIBL &RBBL are 15.3, 23.44, 47.36 respectively based on this we can conclude that there may be 15.3 % vary in the NPM of EBL which is 47.36% for RBBL. RBBL is less consistent and less dependable.

4.1.2 Analysis of Return on Assets (ROA)

The return on assets (ROA) shows the percentage of how profitable a company's assets are in generating revenue. This number tells us what the company can do with what it has, *i.e.* how many rupees of earnings they derive from each rupees of assets they control. It's a useful number for comparing competing companies in the same industry.

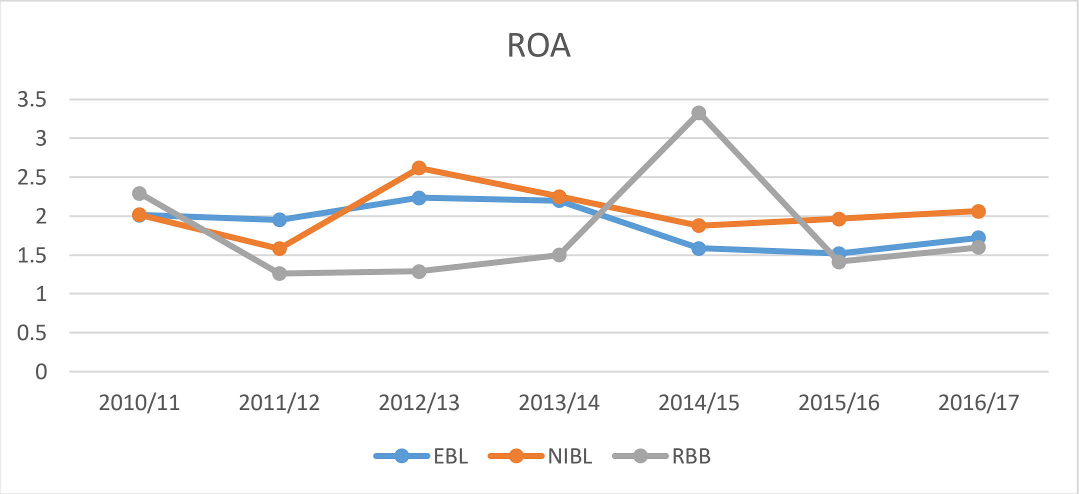
Table no. 4.2 Return on Assets of Sample Commercial Banks

In Percentage (%)

Year	ROA		
	EBL	NIBL	RBBL
2010/11	2.01	2.02	2.29
2011/12	1.95	1.58	1.26
2012/13	2.24	2.62	1.29
2013/14	2.20	2.25	1.50
2014/15	1.59	1.88	3.33
2015/16	1.52	1.96	1.42
2016/17	1.72	2.06	1.60
Mean	1.89	2.05	1.81
S.D.	0.29	0.32	0.75
C.V.%	15.17	15.66	41.56

Source: Annual report of Everest Bank Limited (www.ebl.com.np), Nepal Investment Bank Limited (www.nibl.com.np) &RastriyaBanijya Bank Limited (www.rb.com.np) from the F.Y. 2010/11 to 2016/17

Figure no. 4.2 Analysis of ROA



The Table no 4.2 indicates that the average rate of return on assets of EBL is 1.89% which indicates that the EBL earn Rs. 1.89 per hundred rupees it hold as an assets similarly the average rate of ROA of NIBL 2.05% indicate NIBL earn 2.05 rupees of profit per 100 rupees of assets it has. RBBL has 1.81 average rate of ROA. That is it earn 1.81 rupees for every 100 rupees of assets it has.

The S.D. of EBL, NIBL and RBBLhas 0.29,0.32 and 0.75 standard deviation respectively, EIBL has higher consistency and RBBL has lower. We can assume that the ROA of EBL may consist as it was last year but ROA of RBBL may be very. C.V. measures the variation among variables. There is 15.16 % probability that The ROA of EBL and 15.65% of NIBL may varies that was last year. And the Probability of changes in ROA of RBBL is 41.55%.

4.1.3 Analysis of Return on Equity (ROE)

In corporate finance, the return on equity (ROE) is a measure of the profitability of a business in relation to the book value of shareholder equity, also known as net assets orassets minus liabilities. ROE is a measure of how well a company uses investments to generate earnings growth.

ROE is equal to a fiscal yearnet income (after preferred stock dividends, before common stock dividends), divided by total equity (excluding preferred shares), expressed as a percentage.

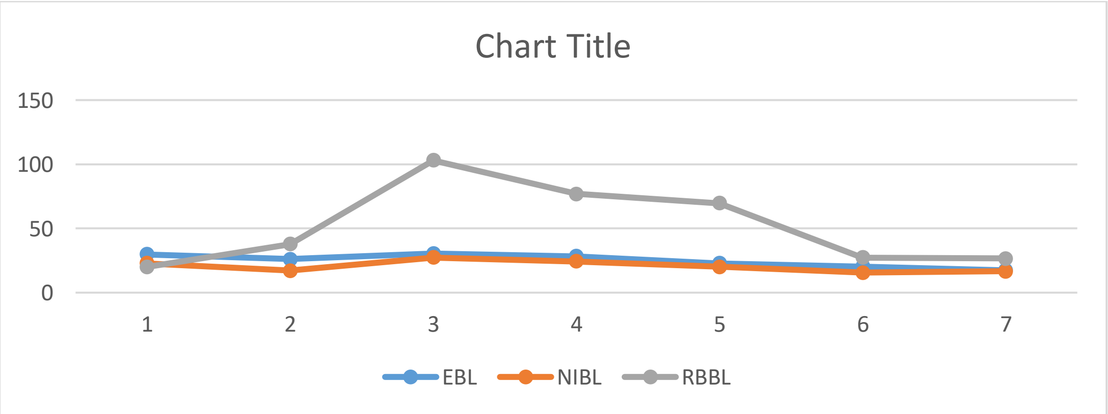
Table no. 4.3 Return on Equity of Sample Commercial Banks

In Percentage (%)

	ROE		
year	EBL	NIBL	RBBL
2010/11	29.91	22.81	20.05
2011/12	26.11	17.18	37.88
2012/13	30.47	27.28	102.96
2013/14	28.39	24.47	76.96
2014/15	22.85	20.01	69.56
2015/16	20.32	15.66	27.37
2016/17	17.38	16.65	26.48
Mean	25.06	20.58	51.61
S.D.	5.02	4.41	31.64
C.V.%	20.04	21.42	61.30

Source: Annual report of Everest Bank Limited (www.ebl.com.np), Nepal Investment Bank Limited (www.nibl.com.np) & Rastriya Banijya Bank Limited (www.rb.com.np) from the F.Y. 2010/11 to 2016/17

Figure no. 4.3 Analysis of ROE



The Table no 4.3 indicates that the average rate of return on equity of EBL is 25.06% which indicates that the EBL earn Rs. 25.06 per hundred rupees it hold as an equity similarly the average rate of ROA of NIBL 20.58% indicate NIBL earn 20.58 rupees of profit per 100 rupees of equity it has. RBBL has 51.61% average rate of ROE. That is it earn 51.61 rupees for every 100 rupees of equity it has.

The S.D. of EBL, NIBL and RBBLhave 5.02, 4.41 and 31.64 standard deviation respectively, NIBL has higher consistency and RBBL has lower. We can assume that the ROE of NIBL may consist as it was last year but ROA of RBBL may be very. C.V. measures the variation among variables. There is 20.04% probability that The ROE of EBL may vary that was last year, 21.42% of NIBL and the Probability of changes in ROE of RBBL is 61.30%.

4.1.4 Analysis of Investment on HRD (IHRD)

Investment on HRD is the amount which is spend by banks on training and development. IHRD is one of most important aspect of employee’s satisfaction. Bank should invest on its human resource to get competitive advantages. Here is the analysis of investment on human resource development by selected commercial bank.

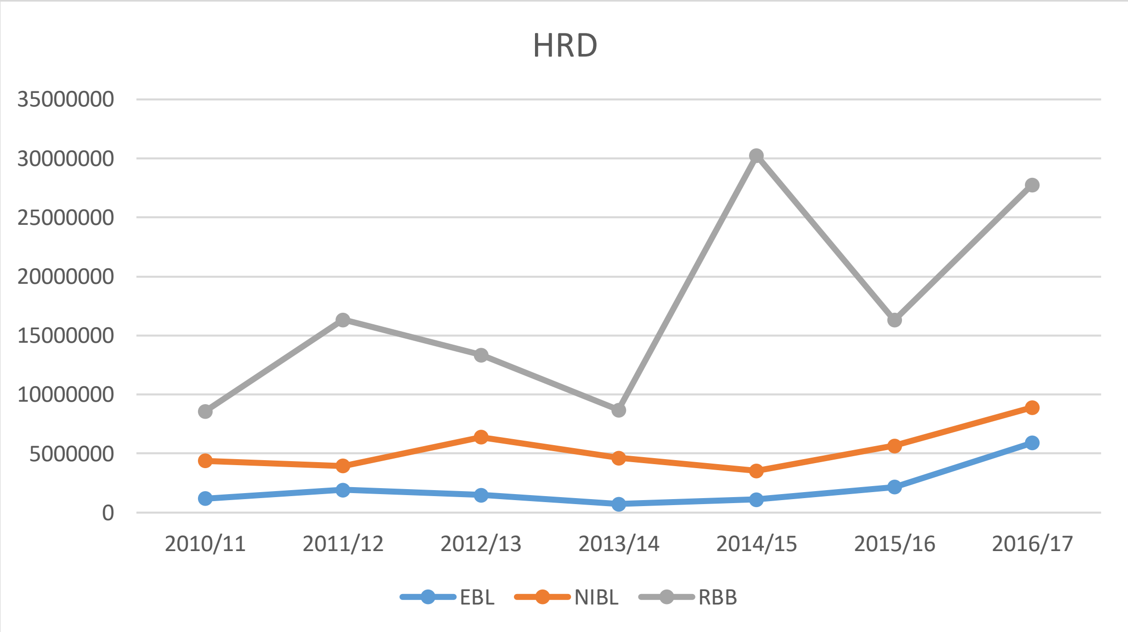
Table no. 4.4Investment on HRD of Sample Commercial Banks

In Rs. (Log Value)

Year	IHRD		
	EBL	NIBL	RBBL
2010/11	6.08	6.64	6.93
2011/12	6.29	6.59	7.21
2012/13	6.17	6.81	7.13
2013/14	5.87	6.66	6.94
2014/15	6.05	6.55	7.48
2015/16	6.34	6.75	7.21
2016/17	6.77	6.95	7.44
Mean	6.22	6.71	7.19
S.D.	0.29	0.14	0.22
C.V.%	4.64%	2.53%	3.01%

Source: Annual report of Everest Bank Limited (www.ebl.com.np), Nepal Investment Bank Limited (www.nibl.com.np) & Rastriya Banijya Bank Limited (www.rb.com.np) from the F.Y. 2010/11 to 2016/17.

Figure no. 4.4 Analysis of IHRD



Investment on HRD is mandatory some extent NRB's policy is bank and financial institution should spend at least 5% of total profit on training and development. The Table no 4.4 shows EBL has spending less amount on T&D that is 6.22, NIBL is spending 6.71 and RBBL is spending higher amount 7.19. NIBL is spending consistently on HRD which implies by S.D. 0.13. Investing on HRD of EBL is less inconsistent it has 4.65% C.V. which implies EBL may spent 4.65% more or less than its average spending.

4.1.5 Analysis of Per Employees Investment on HRD (PIHRD)

Per employees investment on human resource development is the amount that is invested by bank on its single employee. It is calculated by dividing training and development cost by no. employee. It is useful to measure banks investment on HRD when there are vary in no of employee.

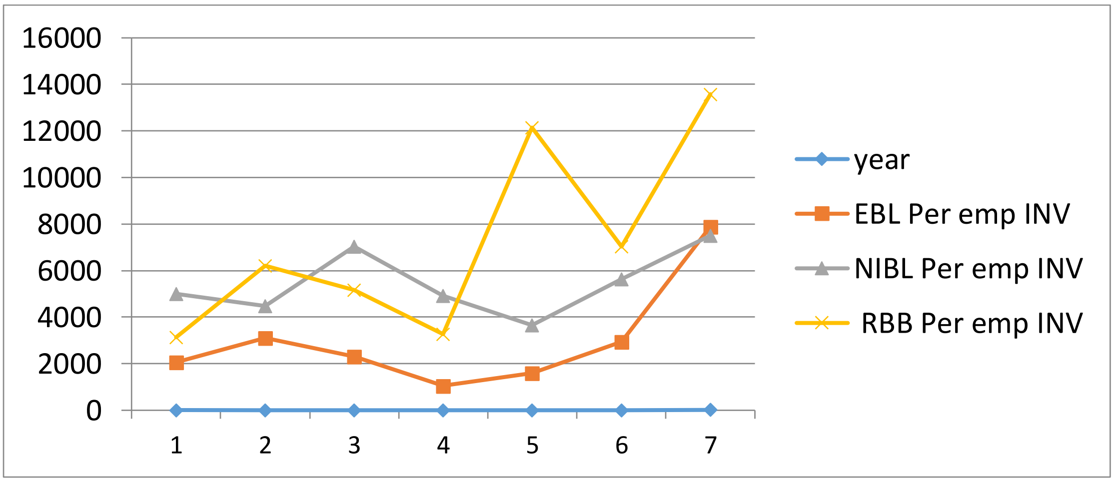
Table no. 4.5per employees Investment on HRD of Sample Commercial Banks

In Rs.

year	EBL Per emp INV.	NIBL Per emp INV.	RBBL Per emp INV.
2010/11	2056.23	4995.09	3136.63
2011/12	3101.03	4477.059	6209.02
2012/13	2314.93	7033.38	5176.57
2013/14	1056.20	4918.98	3285.03
2014/15	1597.89	3656.73	12153.47
2015/16	2935.55	5639.58	7046.45
2016/17	7891.83	7506.44	13580.09
Mean	2993.38	5461.04	7226.75
SD	2274.80	1379.76	4126.65
C.V	75.99%	25.27%	57.10

Source: Annual report of Everest Bank Limited (www.ebl.com.np), Nepal Investment Bank Limited (www.nibl.com.np) & Rastriya Banijya Bank Limited (www.rb.com.np) from the F.Y. 2010/11 to 2016/17.

Figure no. 4.5 Analysis of PIHRD



The Table no 4.5 shows EBL has less per employee investment on human resource development among three sample commercial banks. It has only rs.2993 average investment on its employee. NIBL has been invested average rs.5461 on its employee. RBBL is investing much amount on HRD. It has average investment of rs.7226 per employee.

NIBL has high consistency on PIHRD it has 1379 S.D. and 25.25 C.V. value which is lesser among sample commercial banks. EBL has higher S.D. and C.V. which indicates EBL's PIHRD is less predictable.

4.1.6 Analysis of Per Employees Profit (PEP)

If we divide the total profit of organization by its total employee we can get per employee profit (PEP). It is the very important tool to measure financial performance of the organization. While there is vary in no. of employee PEP is the tool to measure performance of the employee.

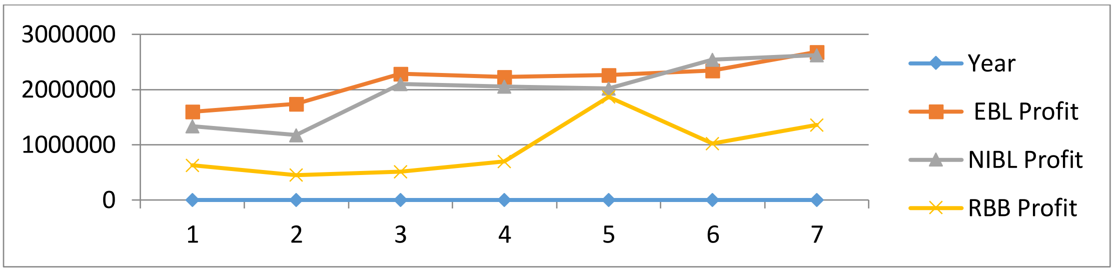
Table no. 4.6 Per Employees Profit of Sample Commercial Banks

In Rs.

Year	**EBL Profit**	**NIBL Profit**	**RBBL Profit**
10	1597433.32	1341665.94	626406.33
11	1744902.76	1176982.57	449861.56
12	2287896.25	2104426.30	507599.37
13	2226578.39	2059036.46	693878.17
14	2262000.64	2024615.46	1866506.44
15	2341281.50	2538192.60	1018282.57
16	2682149.44	2623530.87	1358272.41
Mean	2163177.47	1981207.17	931543.84
SD	370902.86	547985.30	520435.16
C.V.	17.15	27.66	55.87

Source: Annual report of Everest Bank Limited (www.ebl.com.np), Nepal Investment Bank Limited (www.nibl.com.np) & Rastriya Banijya Bank Limited (www.rb.com.np) from the F.Y. 2010/11 to 2016/17.

Figure no. 4.6 Analysis of PEP



The Table no 4.6 shows that average PEP of EBL, NIBL and RBBL is 2163177.47, 1981207.17 and 931543.84 respectively. So, RBBL has lesser PEP among sample banks. It has only rs.931543 average PEP. We can say that employee of RBBL are less productive than other selected banks. EBL has higher average PEP of rs.2163177. Employee of EBL are much more productive than other commercial bank.

The S.D. of EBL, NIBL and RBBL is 370902.86, 547985.30 and 520535.16 respectively. So, EBL has lower S.D. of 370902.86 which indicates we can easily predict the upcoming year's per employee's profit. But NIBL has highest S.D of 547985.30, which indicates NIBL's PEP is volatize and less predictable.The C.V. of EBL, NIBL &RBBL are 17.15, 27.66, 55.87 respectively based on this we can conclude that there may be 17.15 % vary in the PEP of EBL which is 55.87% for RBBL. RBBL is less consistent and less dependable.

4.2 Analysis of Statistical indicators

In this section, we analyze the statistical indicators which are relevant to the investment on HRD of the banks. This helps to understand the impact of HRD on profitability and performance of employees of the commercial banks of Nepal. This analysis includes as Correlation co-efficient and the Regression coefficient between the following financial variable have been calculated and interpreted. Simple correlation and regression coefficient:

4.2.1 Simple Correlation Analysis

1) **Simple Correlation between the Investment on HRD (IHRD) and Return on Assets (ROA)**

The correlation coefficient may be defined as the degree of linear relationship existing between two or many variables.

Table no. 4.7Simple Correlation between ROA and IHRD

Bank	Coefficient of Correlation (r)	P- Value	Result
EBL	0.448	0.313	Not Significant
NIBL	0.483	0.272	Not Significant
RBBL	0.361	0.426	Not Significant

Note: Correlation is significant at the 0.05 level (2-tailed).

The Pearson Correlation coefficient has been computed and results are presented in table no. 4.7. This indicates that the investment on HRD (IHRD) and the return on assets (ROA) have positive correlation on EBL, NIBL and RBBL banks. Since, there is average degree of positive correlation between the IHRD and ROA of EBL and NIBL with correlation coefficients are0.448 and 0.483 respectively. There is below average degree of positive correlation between the IHRD and ROA of RBBL with coefficient correlation value 0.361. This means, when IHRD increases in one percent then the ROA also increases for all three sample banks with nearly 50% of increment on IHRD.

In table 4.7, the P - value also calculated. Since P-value of IHRD and ROA of each sample banks are calculated by using SPSS software, which indicates the significant or not significant of the study in 0.05 level of significance (95% of confidence level). Since, above table 4.7, there is not significant of ROA on IHRD in sample banks EBL, NIBL andRBBL. This implies that there is positive correlation between ROA and IHRD but there are so many other factor which influence the ROA of the firm.

2) **Simple Correlation between the Investment on HRD (IHRD) and Return on Equity (ROE)**

The Pearson correlation coefficient have been computed between the investment on HRD (IHRD) and the return on equity (ROE) of sample banks and resulted are presented in following table:

Table no. 4.8 Simple Correlation between ROE and IHRD

Bank	Coefficient of Correlation (r)	P- Value	Result
EBL	0.742	0.56	Not Significant
NIBL	0.99	0.833	Not Significant
RBBL	0.087	0.853	Not Significant

Note: Correlation is significant at the 0.05 level (2-tailed).

Analyzing the result, the investment on HRD (IHRD) is positively correlated with the return on equity (ROE) of EBL, NIBL and RBBL banks. It indicates that increase in IHRD of bank leads to increase in ROE of sample bank and vice -versa. The correlation coefficients between IHRD and ROE of EBL, NIBL and RBBL are 0.742, 0.99 and 0.087 respectively. Which shows EBL has above average degree of positive correlation, NIBL has strongly high degree of positive correlation and RBBL has low degree of positive correlation with IHRD and ROE?

In table 4.8, P-value also computed for finding the significant or not significant of the study at 0.05 level of significance. In table 4.8. There is not significant of EPS on MPS of all sample banks i.e. EBL, NIBL and RBBL which have greater P-value than 5% level of significance, there are other factor that influence more significantly than IHRD.

3) **Simple Correlation between the Investment on HRD (IHRD) and Return on Equity (ROE)**

The Pearson correlation coefficient have been computed between the investment on HRD (IHRD) and the net profit margin (NPM) of sample banks and resulted are presented in following table:

Table no. 4.9Simple Correlation between NPM and IHRD

Bank	Coefficient of Correlation (r)	P- Value	Result
EBL	0.242	0.601	Not Significant
NIBL	0.459	0.394	Not Significant
RBBL	0.520	0.231	Not Significant

Note: Correlation is significant at the 0.05 level (2-tailed).

According the result, the investment on HRD (IHRD) is positively correlated with the net profit margin (NPM) of EBL, NIBL and RBBL banks. It indicates that increase in IHRD of bank leads to increase in NPM of sample bank and vice -versa. The correlation coefficients between IHRD and NPM of EBL, NIBL and RBBL are 0.242, 0.459 and 0.52 respectively. Which shows EBL has low degree of positive correlation; NIBL and RBBL have average degree of positive with IHRD and NPM?
In table 4.9, P-value also computed for finding the significant or not significant of the study at 0.05 level of significance. In table 4.9,there is not significant of EPS on MPS of all sample banks i.e. EBL, NIBL and RBBL which have greater P-value than 5% level of significance.

4) **Simple Correlation between the Per employees Investment on HRD (PIHRD) and Per Employees Profit (PEP)**

The Pearson correlation coefficient have been computed between the per employee's investment on HRD (IHRD) and the per employee profit (PEP) of sample banks and resulted are presented in following table:

Table no. 4.10 Simple Correlation between PIHRD and PEP

Bank	Coefficient of Correlation (r)	P- Value	Result
EBL	0.501	0.252	Not Significant
NIBL	0.327	0.474	Not Significant
RBBL	0.743	0.056	Not Significant

Note: Correlation is significant at the 0.05 level (2-tailed).

The Pearson Correlation coefficient has been computed and results are presented in table no. 4.10 this indicates that the per employees investment on HRD (PIHRD) and the per employees profit (PEP) have positive correlation on EBL, NIBL and RBBL banks. Since, there is average degree of positive correlation between the PIHRD and PEP of EBL with correlation coefficient is 0.501. There is below average degree of positive correlation between the PIHRD and PEP of NIBL with coefficient correlation value 0.327. Similarly, RBBL has high degree positive correlation between PIHRD and PEP with coefficient 0.743. This means, when PIHRD increases then the PEP also increases for all three sample banks.

In table 4.10, the P - value also calculated. Since P-value of PIHRD and PEP of each sample banks are calculated by using SPSS software, which indicates the significant or not significant of the study in 0.05 level of significance (95% of confidence level). Since, above table 4.10, there is not significant of PEP on PIHRD in sample banks EBL, NIBL and RBBL.

4.2.2 Simple Regression Analysis

1) Simple Regression Analysis of Return on Assets (ROA) on Investment on HRD (IHRD)

The linear regression coefficient of return on assets (ROA) on investment on HRD (IHRD) can be computed as follow:

Regression Model (Y) = a + b. X

ROA = a + b. IHRD

Table no. 4.11Simple Regression ROA on IHRD

Bank	Coefficient of Determination (r^2)	Constant (a)	Regression Coefficient (b)	P-Value	Result
EBL	0.201	4.664	-0.446	0.313	Not significant
NIBL	0.233	-5.508	1.127	0.272	Not Significant
RBBL	0.131	-7.218	1.255	0.426	Not Significant

Note: Correlation is significant at the 0.05 level (2-tailed).

Table no. 4.11 present the major output of simple regression analysis of return on assets (ROA) on investment on HRD (IHRD) of commercial banks.

As far as regression of ROA and IHRD in concerned, the regression coefficient of EBL is -0.446. It indicates that ROA of EBL is not affected by the IHRD because regression coefficient of this bank is negative i.e. -0.446. The regression coefficient of NIBL is 1.127. It indicates that one rupee increased in IHRD leads to an average of Rs. 1.127 increases in ROA of NIBL. Likewise, the regression coefficient of RBBL is 1.255, which state that one rupee increased in IHRD leads to an average of Rs. 1.255 increases in ROA of RBBL.

The Test of P-value adds to include that the relationship between IHRD and ROA of EBL, NIBL and RBBL areinsignificant. Since calculated P-values are 0.313, 0.272 and 0.426 of EBL, NIBL and RBBL respectively.These are greater than P-value of 0.05 at 5% level of significance.

The coefficients of determination of EBL, NIBL and RBBL have 0.201, 0.233 and 0.131 respectively. That means the variable IHRD is responsible on ROA only 20.1%, 23.3%and 13.1% respectively of EBL, NIBL and RBBL respectively and the rest are covered by other factors on determining the ROA of sample banks.

2) Simple Regression Analysis of Return on Equity (ROE) on Investment on HRD (IHRD)

The linear regression coefficient of return on equity (ROE) on investment on HRD (IHRD) can be computed as follow:

Regression Model (Y) = a + b. X

ROE = a + b. IHRD

Table no. 4.12 Simple Regression ROE on IHRD

Bank	Coefficient of Determination (r^2)	Constant (a)	Regression Coefficient (b)	P-Value	Result
EBL	0.551	105.476	-12.923	0.56	Not significant
NIBL	0.010	41.779	-3.160	0.833	Not Significant
RBBL	0.008	143.112	-12.722	0.853	Not Significant

Note: Correlation is significant at the 0.05 level (2-tailed).

Table 4.12 shows the major output of simple regression analysis of average return on equity (ROE) on investment on HRD (HRD) of commercial banks. As far as regression of ROE and IHRD in concerned. The regression coefficient of EBL, NIBL and RBBL are -12.923, -3.160 and -12.722 respectively. It indicates that ROE of EBL, NIBL and RBBL is not affected by the IHRD because regression coefficients of these banks have negative i.e. -12.923, -3.160 and -12.722 respectively.

The Test of P-value adds to include that the relationship between ROE and IHRD of EBL, NIBL and RBBL is not significant. Since calculated P-value is 0.56, 0.833 and 0.853 of EBL, NIBL and RBBL respectively which are greater than P-value of 0.05 at 5% level of significance.

The coefficient of determination of EBL, NIBL and RBBL is 0.551, 0.010 and 0.008 respectively. That means the variable IHRD is responsible on ROE only 55.1%, 1% and 0.8% respectively of EBL, NIBL and RBBL respectively and the rest are covered by other factors on determining the ROE of banks.

3) Simple Regression Analysis of Return on Equity (ROE) on Investment on HRD (IHRD)

The linear regression coefficient of net profit margin (NPM) on investment on HRD (IHRD) can be computed as follow:

Regression Model (Y) = a + b. X

NPM = a + b. IHRD

Table no. 4.13 Simple Regression NPM on IHRD

Bank	Coefficient of Determination (r^2)	Constant (a)	Regression Coefficient (b)	P-Value	Result
EBL	0.059	48.593	-3.470	0.601	Not significant
NIBL	0.210	-107.11	19.735	0.301	Not Significant
RBBL	0.271	-218.71	34.646	0.231	Not Significant

Note: Correlation is significant at the 0.05 level (2-tailed).

Table 4.13 shows the major output of simple regression analysis of average net profit margin (NPM) on investment on HRD (HRD) of commercial banks. As far as regression of NPM and IHRD in concerned. The regression coefficient of EBL, NIBL and RBBL are -3.470, 19.735and 34.646respectively. It indicates that NPM of EBL is not affected by the IHRD because regression coefficients of this bank has negative i.e. -3.470. However, for NIBL and RBBL has positive coefficients so, It indicates that one rupee increased in IHRD leads to an average of Rs. 19.735 and 34.646increases in NPM of NIBL and RBBL respectively.

The Test of P-value adds to include that the relationship between NPM and IHRD of EBL, NIBL and RBBL is not significant. Since calculated P-value is 0.601, 0.301 and 0.231 of EBL, NIBL and RBBL respectively which are greater than P-value of 0.05 at 5% level of significance.

The coefficient of determination of EBL, NIBL and RBBL is 0.059, 0.210 and 0.271 respectively. That means the variable IHRD is responsible on NPM only 5.9%, 21% and 27.1% respectively of EBL, NIBL and RBBL respectively and the rest are covered by other factors on determining the NPM of banks.

4) Simple Regression Analysis of Return on Equity (ROE) on Investment on HRD (IHRD)

The linear regression coefficient of per employees profit (NPM) on per employee's investment on HRD (IHRD) can be computed as follow:

Regression Model (Y) = a + b. X

PEP = a + b. PIHRD

Table no. 4.14 Simple Regression of PEP on PIHRD

Bank	Coefficient of Determination (r^2)	Constant (a)	Regression Coefficient (b)	P-Value	Result
EBL	0.251	4.018	0.607	0.252	Not significant
NIBL	0.107	6.011	0.094	0.474	Not Significant
RBBL	0.552	3.327	0.682	0.056	Not Significant

Note: Correlation is significant at the 0.05 level (2-tailed).

Table 4.14 shows the major output of simple regression analysis of per employees profit (PEP) on per employee's investment on HRD (PIHRD) of commercial banks. As far as regression of PEP and PIHRD in concerned. The regression coefficient of EBL, NIBL and RBBL are 0.607, 0.094 and 0.682 respectively. All three banks i.e. EBL, NIBL and RBBL has positive coefficients so, It indicates that one rupee increased in PIHRD leads to an average of Rs. 0.607, 0.094 and 0.682 increases in PEP of EBL, NIBL and RBBL respectively.

The Test of P-value adds to include that the relationship between PEP and PIHRD of EBL, NIBL and RBBL is not significant. Since calculated P-value is 0.252, 0.474 and 0.056 of EBL, NIBL and RBBL respectively which are greater than P-value of 0.05 at 5% level of significance.

The coefficient of determination of EBL, NIBL and RBBL is 0.552, 0.251 and 0.107 respectively. That means the variable PIHRD is responsible on PEP only 55.2%, 25.1% and 10.7% respectively of EBL, NIBL and RBBL respectively and the rest are covered by other factors on determining the PEP of banks.

4.3 Major Finding of the Study

1. The investment on HRD of sample banks is in increasing trends on period of study. So sample banks i.e. EBL, NIBL and RBBL are increase their investment on training and development of employees year by year.
2. The investment on HRD (IHRD) and the return on assets (ROA) have positive correlation on EBL, NIBL and RBBL. The correlation coefficients are 0.448, 0.483 and 0.361 respectively.
3. The investment on HRD (IHRD) and the return on equity (ROE) have positive correlation on EBL, NIBL and RBBL. The correlation coefficients are 0.742, 0.99 and 0.087 respectively.
4. The investment on HRD (IHRD) and the net profit margin (NPM) have positive correlation on EBL, NIBL and RBBL. The correlation coefficients are 0.242, 0.459 and 0.520 respectively.

5. The per employees investment on HRD (PIHRD) and per employees profit (PEP) have positive correlation on EBL, NIBL and RBBL. The correlation coefficient are 0.501, 0.327 and 0.743 respectively.
6. The simple regression of return on assets (ROA) on investment on HRD (IHRD), shows that regression coefficients of ROA on IHRD for EBL, NIBL and RBBLhave -0.446, 1.127 and 0.225 respectively. In other hands coefficients of determination for ROA on IHRD OF EBL, NIBL and RBBL are 20.1%, 23.3% and 13.1% respectively.
7. The simple regression of return on equity (ROE) on investment on HRD (IHRD), shows that regression coefficients of ROE on IHRD for EBL, NIBL and RBBL have -12.923, -3.160 and -12.722 respectively. In other hands coefficients of determination for ROE on IHRD OF EBL, NIBL and RBBL are 55.1%, 1% and 0.8% respectively.
8. The simple regression of net profit margin (NPM) on investment on HRD (IHRD), shows that regression coefficients of NPM on IHRD for EBL, NIBL and RBBL are -3.470, 19.735 and 34.646 respectively. In other hands coefficients of determination for NPM on IHRD of EBL, NIBL and RBBL are 5.9%, 21% and 27.1% respectively.
9. The simple regression of per employees profit (PEP) on per employees investment on HRD (PIHRD), shows that regression coefficients of PEP on PIHRD for EBL, NIBL and RBBL are 0.607, 0.094 and 0.682 respectively. In other side coefficient of determination for PEP on PIHRD of EBL, NIBL and RBBL are 25.1%, 10.7% and 55.2% respectively.

CHAPTER V
CONCLUSION

5.1 Summary

Banking industry is one of the prominent and most benefited industry of Nepal in service sector delivery. Banking sector is completely customer based service industry. Banks are looking forward to develop their employees to cope the challenges of changing environments as much as possible. The main objective of the study is to evaluate the impact of HRD on performance of employee on commercial banks of Nepal.

HRD is one of the key factors of every organization. Particularly, the training and development system is one of key factors of HRD. Training enhances skills, job performance and ultimately career development of employees. Banks have needs highly competent, efficient and result oriented employees. It can be achieved only by initiating sound HRD policies and practices.The basic objective of this study is to examine the relationship between investment on HRD and its effect on performance of employees in the context of Nepalese commercial Banks. The specific objectives of this study are 1) To analyze investment trend on HRD of sample commercial banks, 2) To examine the relationship between investment on HRD and profitability in sample commercial banks and 3) To evaluate the impact of HRD on performance of employee.

In this study, researchers examine with some sample of Commercial banks that whether the investment on HRD has any effect on the employee's performance determinants. For this, the researchers has taken some of the sample Commercial bank they are Everest Bank Ltd. (EBL), Nepal Investment Bank Ltd.(NIBL) and RastriyaBanijya bank ltd (RBBL). According to achieve the objective of the study co-relational and descriptive research design has been employed. To fulfill the objective of the study, secondary data are used. For this, at first, required information and data (the annual reports and the financial statements published by the related banks are collected for the F/Y 2010/11 to F/Y 2016/17, for the study. After that, data are analyzed by using appropriate financial and descriptive and analytical tools. In analysis part, interpretation and comments are also made wherever necessary.

The introduction parts about human resource development of this study have been stated in first chapter and literature review is mentioned in second chapter. Research methodology is mentioned in third chapter. All available useful secondary data are present and analyze in fourth chapter. At last fifth chapter summary, conclusion and recommendation is mentioned.

The finding of the study revealed that, there is positive correlation with investment on HRD and employee’s performance and profitability. But this relation is insignificant at 5% of significance level.

5.2 Conclusions

Banks are main financial service providers of country. It has so many economic responsibilities for the nation. So it has been making or developing many economic policies and practices in banks.

HRD is one of the important factors of banks to run smoothly as well as effectively. Banks have developed HRD policies and practices. Employees are assets of every organization. Without developing their career, organization cannot run smoothly and cannot get organizational objectives effectively. To achieve its objectives, bankshave HRD department. All banks are provides training and development programs to their employees.

Results from this study concur with other studies as revealed in chapter 4 and though issues of employee’s performance are vital in the prospects and development of banks, the investment on HRD play a major role in boosting the profitability hence more attention should be channeled towards its increases. The results from the study also concur with existing theories discussed earlier as revealed by various studies results. The findings above reveals huge prospective that the HRD play in employees development thus the banks should encourage a tradition of investing on HRD among its employees and as a result improving profitability of the banks. Despite, that the other variables have superior impact among the variables, the results from this research highlight the role of investment on HRD towards profitability and employees performance in the banks.

5.3 Implications

The implications are presented in the last part of this chapter considering the major findings and gaps fund. The implications presented have been certainly milestone to improve existing condition in this field. These implications may also have some repercussions, but there is no doubt of these measures to improve the existing conditions. The following suggestions are recommended:

1. There is positive correlation between investment on human resource development (IHRD) and banks performance so that banks should decrease other un-productive investment and increase investment on HRD which help to increase employee's performance as well as employee's satisfaction.
2. The selections criteria of training should be clear and transparent. There should not be any interference by Department Chief or Personal Administrative Department Chief or any other committee. It should be based on employees' current job performance, academic and specialized qualification and interest of employees. Which, helps to increase effectiveness of development program and overall performance of the banks?
3. There is not high degree positive correlation between IHRD and organization's performance, so that banks should also focus on other employees motivational tools.
4. It seems investment on HRD is low productive, there are other several factor which influence the result but bank and financial institutions should investment on its HRD to get competitive advantage by updating its employee.
5. The person who wants to a banker, s/he should choose to make banking career on those bank which invest more amount on HRD. By training and development they can make them self-competitive.

5.4 Recommendation for further researchers

1. Researcher who want to research on this subject matter should take care about following aspects to make their research better
    (1) It's better to use more sample size.
    (2) It's better to use primary data.
    (3) Multiple regression can be use.

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APPENDEX-I

Regression

Descriptive Statistics

	Mean	Std. Deviation	N	cv
ROA	1.890686	.2867861	7	15.16835749
IHRD	6.222685	.2884402	7	4.635301828

Correlations

		ROA	IHRD
Pearson Correlation	ROA	1.000	-.448
	IHRD	-.448	1.000
Sig. (1-tailed)	ROA		.157
	IHRD	.157	
N	ROA	7	7
	IHRD	7	7

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	IHRD[b]		Enter

a. Dependent Variable: ROA

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.448[a]	.201	.041	.2808304

a. Predictors: (Constant), IHRD

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.099	1	.099	1.257	.313[b]
	Residual	.394	5	.079		
	Total	.493	6			

a. Dependent Variable: ROA

b. Predictors: (Constant), IHRD

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.664	2.476		1.884	.118
	IHRD	-.446	.397	-.448	-1.121	.313

a. Dependent Variable: ROA

APPENDEX-II

Descriptive Statistics				
	Mean	Std. Deviation	N	cv
ROE	25.062269	5.0233877	7	20.04362747
IHRD	6.222685	.2884402	7	4.635301828

Correlations

		ROE	IHRD
Pearson Correlation	ROE	1.000	-.742
	IHRD	-.742	1.000
Sig. (1-tailed)	ROE		.028
	IHRD	.028	
N	ROE	7	7
	IHRD	7	7

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	IHRD[b]		Enter

a. Dependent Variable: ROE

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.742[a]	.551	.461	3.6890115

a. Predictors: (Constant), IHRD

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	83.363	1	83.363	6.126	.056[b]
	Residual	68.044	5	13.609		
	Total	151.407	6			

a. Dependent Variable: ROE

b. Predictors: (Constant), IHRD

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	105.476	32.520		3.243	.023
	IHRD	-12.923	5.221	-.742	-2.475	.056

a. Dependent Variable: ROE

APPENDEX-III

Correlations

		NPM	IHRD
Pearson Correlation	NPM	1.000	-.242
	IHRD	-.242	1.000
Sig. (1-tailed)	NPM		.300
	IHRD	.300	
N	NPM	7	7
	IHRD	7	7

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	IHRD[b]		Enter

a. Dependent Variable: NPM

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.242[a]	.059	-.130	4.3932682

a. Predictors: (Constant), IHRD

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.011	1	6.011	.311	.601[b]
	Residual	96.504	5	19.301		
	Total	102.515	6			

a. Dependent Variable: NPM

b. Predictors: (Constant), IHRD

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	48.593	38.729		1.255	.265
	IHRD	-3.470	6.218	-.242	-.558	.601

a. Dependent Variable: NPM

APPENDEX-IV

Descriptive Statistics				
	Mean	Std. Deviation	N	cv
ROA	2.053707	.3215796	7	15.6585
IHRD	6.709049	.1377643	7	2.05341

Correlations

		ROA	IHRD
Pearson Correlation	ROA	1.000	.483
	IHRD	.483	1.000
Sig. (1-tailed)	ROA		.136
	IHRD	.136	
N	ROA	7	7
	IHRD	7	7

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	IHRD[b]		Enter

a. Dependent Variable: ROA

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.483[a]	.233	.080	.3084826

a. Predictors: (Constant), IHRD

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.145	1	.145	1.520	.272[b]
	Residual	.476	5	.095		
	Total	.620	6			

a. Dependent Variable: ROA

b. Predictors: (Constant), IHRD

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.508	6.134		-.898	.410
	IHRD	1.127	.914	.483	1.233	.272

a. Dependent Variable: ROA

APPENDEX-V

Descriptive Statistics

	Mean	Std. Deviation	N	CV
ROE	20.577836	4.4069241	7	21.41588
IHRD	6.709049	.1377643	7	2.05341

Correlations

		ROE	IHRD
Pearson Correlation	ROE	1.000	-.099
	IHRD	-.099	1.000
Sig. (1-tailed)	ROE		.417
	IHRD	.417	
N	ROE	7	7
	IHRD	7	7

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	IHRD[b]		Enter

a. Dependent Variable: ROE

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.099[a]	.010	-.188	4.8039309

a. Predictors: (Constant), IHRD

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.137	1	1.137	.049	.833[b]
	Residual	115.389	5	23.078		
	Total	116.526	6			

a. Dependent Variable: ROE

b. Predictors: (Constant), IHRD

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	41.779	95.527		.437	.680
	IHRD	-3.160	14.236	-.099	-.222	.833

a. Dependent Variable: ROE

APPENDEX-VI

Descriptive Statistics

	Mean	Std. Deviation	N
NPM	25.296220	5.9294427	7
IHRD	6.709049	.1377643	7

Correlations

		NPM	IHRD
Pearson Correlation	NPM	1.000	.459
	IHRD	.459	1.000
Sig. (1-tailed)	NPM		.150
	IHRD	.150	
N	NPM	7	7
	IHRD	7	7

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	IHRD[b]		Enter

a. Dependent Variable: NPM

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.459[a]	.210	.052	5.7723507	.210	1.331	1	5	.301

a. Predictors: (Constant), IHRD

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	44.350	1	44.350	1.331	.301[b]
	Residual	166.600	5	33.320		
	Total	210.950	6			

a. Dependent Variable: NPM

b. Predictors: (Constant), IHRD

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-107.105	114.784		-.933	.394
	IHRD	19.735	17.106	.459	1.154	.301

a. Dependent Variable: NPM

APPENDEX-VII

Descriptive Statistics

	Mean	Std. Deviation	N	cv
ROA	1.812137	.7531240	7	41.55999
IHRD	7.192699	.2167993	7	3.014158

Correlations

		ROA	IHRD
Pearson Correlation	ROA	1.000	.361
	IHRD	.361	1.000
Sig. (1-tailed)	ROA		.213
	IHRD	.213	
N	ROA	7	7
	IHRD	7	7

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	IHRD[b]		Enter

a. Dependent Variable: ROA

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.361[a]	.131	-.043	.7692405

a. Predictors: (Constant), IHRD

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.445	1	.445	.751	.426[b]
	Residual	2.959	5	.592		
	Total	3.403	6			

a. Dependent Variable: ROA

b. Predictors: (Constant), IHRD

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-7.218	10.423		-.693	.519
	IHRD	1.255	1.449	.361	.867	.426

a. Dependent Variable: ROA

APPENDEX-VIII

Descriptive Statistics

	Mean	Std. Deviation	N	CV
ROE	51.608831	31.6360046	7	61.29959495
IHRD	7.192699	.2167993	7	3.014157888

Correlations

		ROE	IHRD
Pearson Correlation	ROE	1.000	-.087
	IHRD	-.087	1.000
Sig. (1-tailed)	ROE		.426
	IHRD	.426	
N	ROE	7	7
	IHRD	7	7

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	IHRD[b]		Enter

a. Dependent Variable: ROE

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.087[a]	.008	-.191	34.5235561

a. Predictors: (Constant), IHRD

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.641	1	45.641	.038	.853[b]
	Residual	5959.380	5	1191.876		
	Total	6005.021	6			

a. Dependent Variable: ROE

b. Predictors: (Constant), IHRD

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	143.112	467.781		.306	.772
	IHRD	-12.722	65.010	-.087	-.196	.853

a. Dependent Variable: ROE

APPENDEX-IX

Descriptive Statistics

	Mean	Std. Deviation	N	CV
NPM	30.484276	14.4388337	7	47.36485717
IHRD	7.192699	.2167993	7	3.014157888

Correlations

		NPM	IHRD
Pearson Correlation	NPM	1.000	.520
	IHRD	.520	1.000
Sig. (1-tailed)	NPM		.116
	IHRD	.116	
N	NPM	7	7
	IHRD	7	7

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	IHRD[b]		Enter

a. Dependent Variable: NPM

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.520[a]	.271	.125	13.5083301

a. Predictors: (Constant), IHRD

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	338.505	1	338.505	1.855	.231[b]
	Residual	912.375	5	182.475		
	Total	1250.880	6			

a. Dependent Variable: NPM

b. Predictors: (Constant), IHRD

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-218.711	183.033		-1.195	.286
	IHRD	34.646	25.437	.520	1.362	.231

a. Dependent Variable: NPM

APPENDEX-X

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	EBL Per emp INV[b]		Enter

a. Dependent Variable: EBL Profit

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.327[a]	.107	-.072	.081114

a. Predictors: (Constant), EBL Per emp INV

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.004	1	.004	.598	.474[b]
	Residual	.033	5	.007		
	Total	.037	6			

a. Dependent Variable: EBL Profit

b. Predictors: (Constant), EBL Per emp INV

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	6.011	.412		14.587	.000			
	EBL Per emp INV	.094	.121	.327	.774	.474	.327	.327	.327

a. Dependent Variable: EBL Profit

APPENDEX-XI

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	NIBL Per emp INV[b]		Enter

a. Dependent Variable: NIBL Profit

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.501[a]	.251	.101	.125707

a. Predictors: (Constant), NIBL Per emp INV

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.026	1	.026	1.674	.252[b]
	Residual	.079	5	.016		
	Total	.105	6			

a. Dependent Variable: NIBL Profit

b. Predictors: (Constant), NIBL Per emp INV

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	4.018	1.749		2.297	.070			
	NIBL Per emp INV	.607	.469	.501	1.294	.252	.501	.501	.501

a. Dependent Variable: NIBL Profit

APPENDEX-XII

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	RBB Per emp INV[b]		Enter

a. Dependent Variable: RBB Profit

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.743[a]	.552	.463	.167909

a. Predictors: (Constant), RBB Per emp INV

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.174	1	.174	6.165	.056[b]
	Residual	.141	5	.028		
	Total	.315	6			

a. Dependent Variable: RBB Profit

b. Predictors: (Constant), RBB Per emp INV

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	3.327	1.045		3.185	.024			
	RBB Per emp INV	.682	.275	.743	2.483	.056	.743	.743	.743

a. Dependent Variable: RBB Profit