INVESTMENT POLICIES OF NEPALESE COMMERCIAL BANKS

(With Special Reference to SCBNL, NABIL, HBL & EBL)

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Devi Prasad Banjara

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INVESTMENT POLICIES OF NEPALESE COMMERCIAL BANKS
(With Special Reference to SCBNL, NABIL, HBL & EBL)

has been prepared as approved by this department in the prescribed format of faculty of management. This thesis is forwarded for evaluation.

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(With Special Reference to SCBNL, NABIL, HBL & EBL)

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

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DECLARATION

I hereby declare that the work done in this thesis entitled "Investment Policies of Nepalese Commercial Banks (With Special Reference to SCBNL, NABIL, HBL & EBL)" submitted to Birendra Multiple Campus, Faculty of Management, Tribhuvan University is my original work. It is done in the form of partial fulfillments of the requirement of the degree of Master of Business studies (M.B.S.) under the supervision and guidance of Baikuntha Pd. Bhusal, Lecturer of Birendra Multiple Campus.

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ABBREVIATIONS

CRR	:	Cash Reserve Ratio
CV	:	Coefficient of Variation
DPS	:	Dividend Per Share
EBL	:	Everest Bank Limited
F/Y	:	Fiscal Year
HBL	:	Himalayan Bank Limited
i.e.	:	that is
Ltd.	:	Limited
Nabil	:	Nabil Bank Limited
NBL	:	Nepal Bank Limited
NEPSE	:	Nepal Stock Exchange
No.	:	Number
NRB	:	Nepal Rastra Bank
Pvt.	:	Private
RBB	:	Rastriya Banijya Bank
S.D.	:	Standard Deviation
SCBNL	:	Standard Chartered Bank Nepal
T.U.	:	Tribhuvan University

CHAPTER ONE

INTRODUCTION

1.1 General Background

Investment is concerned with management of an investor's wealth, which are the sum of current income and the present value of all future income fund to be invested come from assets already owned borrowed money and saving or forgone consumption. By forgoing today and investing the saving, investors expect to enhance their future consumption possibilities i.e. they are invested to increase wealth. Investors also seek to manage their wealth effectively obtaining the most from it while protecting it from inflation, taxes and factors.

As financial institution, commercial bank is one of the major media in the framework of every economic activities because they collect saving as a deposit and invest for industry. Thus they contribute to the economic growth of the nation as a whole. Banks actively participate in credit expansion and contraction, which immensely influence the economy of a country. Banks transfer fund within and outside the country without any risks. It provides Letter of credit and Guarantee facilities, which contribute in boosting international trade to a great extent. Money lenders (Sahu, Mahajan, Shroffs etc.) and Usurers charge heavy interest rates and cheat people, but bank being a legal entity, can be considered free from such exploitations. The mobilization of domestic resources and the investment for production use to various sectors are important factors. Commercial banks formulate sound investment policy which eventually contributes to the economic growth of the country. The banking sectors need to play an important role to boost up the economy by adopting the growth oriented investment policy and building up the financial structure for the future economic development. Therefore, integrated and speedy development of any country is only possible when competitive, reliable and sound banking services are reached and carried to every nook and corner of the country. The sole objective of establishing the commercial banks is to earn

optimal profit by mobilization their resources properly. But now days, there is tough competition in banking sectors but less opportunity to make investment. In this situation, commercial banks can take initiation in search of new opportunities so that they can survive in the competitive market and earn profit. Investment is concerned with management of an investor wealth, which are the sum of current income and the present value of all future income fund to be invested come from assets already owned borrowed money and saving or forgone consumption. By forgoing today and investing the saving, investors expect to enhance their future consumption possibilities i.e. they are invested to increase wealth. Investors also seek to manage their wealth effectively obtaining the most form it while protecting it from inflation, taxes and factors.

The main business of a bank is to pool the scattered idle deposits in the public and channel it for productive use. It collects deposits and invests of lends to those who stand in need of money. As per Kent “A bank is an organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to others for expenditure.” (Gitman, 2004:66) Hence, its responsibility towards the general public is pretty different than those who are involved in other types of trades and service. Nepalese financial sectors can be divided in two parts: the banking financial institutions and the non-banking financial institutions. The banking institutions comprise of Central bank, Commercial banks, financial institutions, Development banks and Gramin Bikash Banks. The non-banking institutions comprise of Employees Provident Fund, Nepal Stock Exchange Ltd., Cooperatives, Insurance Companies, Postal Savings Offices, Mutual Saving Banks, Savings and Loan Associations, Pension Trusts, Investment Trusts and some NGOs conducting limited financial activities. The basic difference between banking system and non-banking system is that unlike banking system, the non-banking system is not involved in credit creation. Now a day, the financial institutions are viewed as catalyst in the process of the economic growth. The mobilization of domestic resources is one of the key factors in economic development of the country. They collect scattered

financial resources from the mass and invest them among those which are social activities of the country. This will provide fuel to the development process. In fact, the unorganized financial institutions are indispensable part of the development process. The unorganized financial system leads the country nowhere. Therefore, the central bank (Nepal Rastra Bank) continues to play major role in development and advancement of the financial sector of the country.

1.2 Focus of the Study

This study is mainly focus of investment, risk, speculation and wealth for the uninformed investing may result in disaster for the knowledgeable, the investment process for the investment can be financially rewarding and exciting. The main focuses are:

i) Economic investment that is an economist definition of investment.

ii) Investment in a more general or extended sense which is used by "the man of the street"

iii) The sense in which we are going to be very much interested normal financial investment.

“There is always a return if there is investment. This return may be favorable as well as unfavorable to the investor's standpoint.” (Valla, 2005: 28). But in the study, the word investment conceptualized the investment of income saving or the collected fund. The term investment covers a wide range of activities, it is commonly known fact that an investment is only possible where there is adequate saving. If all the incomes and savings are consumed to solve the problem of hand to mouth and to the other our basic needs, then there is no existence of investment. That is why both saving and investment are interrelated each other. The term, investment means the sacrifice of money today for the prospective money tomorrow. But investment in its broadest sense means the sacrifice of current dollars for further dollar. Two different attributes are generally involved time and risk. The sacrifice takes place in the

present and certain the reward comes later. If at all and the magnitude is generally uncertain, in some cases, the element of time predominates e.g. government bond. In other cases, risk and the dominant attribute e. g. call option on common stock. Yet both time & risk are important. The problem of investment of investors is to select the funds whose objectives and degree of risk taking must closely match is own situated the one that will accomplish for him what he would wish to do for himself if he could diversify and manage his own holdings. Investment is a very well known and prestigious word in financial term. It is always true that all people want to invest their money in the best firm for good return but the return may be both favorable and unfavorable. It is conceptually the investment of the collected fund or wealth like income.

1.3 Statement of the Problems

The present study tries to analyze investment policies of commercial banks and the situation of Nepal which is economically unstable and unsteady. There is no security, peace and harmony in our country. Therefore the investors are discouraged to invest. In context of Nepal, banking sector is facing many problems such as political legal, economical as well as social. The unstable politics is the main cause to hamper for the development of banking sectors. Not only these, there is throat cut competition among mushrooming commercial banks. Most of the Nepalese people are illiterate and they are not aware about banking systems. So the lack of sound knowledge about the financial risk, business risk and other risk may lead the banks towards the liquidation and bankrupt. Due to the lack of effective human resources and trained manpower, growing brain chain is the serious problem for the existing healthy complication. The lending policies have become a major problem for developing economic condition of the country. Commercial banks give much loan and advances, overdraft and many other kinds of facilities to encourage deposit in bank. But the bank has utilized insufficient deposit to their customers and spent large amount of deposit as office operation expression and staff's welfare. They only depend upon the directions and guidelines of Nepal Rastra

Bank (NRB) but they do not have clear view and have provided loan only on short term basis but they do not invest on long term project because of safety and not considering the profit potentiality of the project. Due to this, they may have sufficient return and most of joint venture banks may have to be collapsed due to poor and wrong investment policy. In this study investment policy is analyzed and compared with each other commercial bank i.e. Standard Charted Bank, Nabil Bank Ltd, Himalayan Bank and Everest Bank. Therefore, the study especially surrounds and leads with the following aspects of commercial banks. This study tries to solve the following research questions.

1. What are the liquidity position, assets management, risk and profitability position of the concern banks?
2. What are the trends of deposits, loan and advances, total investment and net profit?
3. What are the relation of deposits with investment, loan and advances?
4. What is the effect of investment decision on profitability position of the bank?
5. Is there a proper utilization of available fund?

1.4 Objectives of the Study

Investment decision is one of the major decision functions of financial management. The main objective of the study is to evaluate and assess the investment policy and strategies followed by the bank. The specific objectives of this study are as follow:

1. To analyze the performance in terms of liquidity, asset management, profitability and risk.
2. To evaluate the trends of total deposits, total investments, loans and advances and to compare their position in the companies.
3. To study the relationship of deposit with investment & loans and advances

4. To assess the effects of investment decision on profitability position of the banks
5. To evaluate the position of nonperforming loan.

1.5 Significance of Study

The need of this study lines mainly infilling a research gap on the study of investment policy of concerned banks. The study will be basically confined to reviewing the investment policy of banks in five years periods. It is being well-known fact that the commercial banks can affect the economic condition of the whole country. The effort is made to highlight the investment policy of these banks expecting that the study can be sound bridge to the deposits and investments. This study expected to definitely provide a useful feedback to the policy makers of these banks. The need of this study lines mainly infilling a research gap on the study of investment policy of concerned banks. The study is basically confined to reviewing the investment policy of banks in five years periods. It is being well-known fact that the commercial banks can affect the economic condition of the whole country. The effort is made to highlight the investment policy of these banks expecting that the study can be sound bridge to the deposits and investments. This study is expected to definitely provide a useful feedback to the policy makers of these banks.

1.6 Limitation of the Study

This study attempts to evaluate the investment policy of Standard Chartered Bank Ltd. (SCBNL), Nabil Bank Ltd (Nabil), Himalayan Bank Ltd. (HBL) and Everest Bank Ltd. (EBL). In this changing world, it is so difficult to cope with the space of the change. Due to these difficulties, every study or research is always accompanied by some limitations.

The following facts are the basic limitation of the study:

1. The study is based on the period of five FY 2006/07 to 2010/11 trend of commercial banks.

2. Out of the numerous affecting factors, only those factors related with investment policy to financial aspect will be considered.
3. The study deals with only four commercial banks to compare each other.
4. This study deals with limited financial and statistical tools.

1.7 Organization of the Study

The study has been organized into five chapters in order to make the study easy to understand. Each chapter covers some facets pertaining to the investment policy of commercial banks. The following are the titles of the chapters:

Chapter One : Introduction
Chapter Two : Review of Literature
Chapter Three : Research Methodology
Chapter Four : Presentation and Analysis of Data
Chapter Five : Summary, Conclusions and Recommendation

Chapter One contains the introductory part of the study. This chapter gives an focus of the study, statement of problems, objectives of the study, significance of the study, limitation of the study and organization of the study.

Chapter Two is devoted to theoretical framework that bounds the study, and brief review of relevant literatures. It includes the review of previous writings and studies relevant to the problem being explored, and within the framework of the theory structure. It consists of review of available literature which includes conceptual review, review of related studies, review of articles, and review of thesis.

Chapter Three covers the research methodology employed in the study. This chapter further attempts to explain the nature and sources of data, list of the selected companies, the method of data analysis and utilization of statistical tools. It includes the interpret parts research design, population and sample, data analysis tools.

Chapter Four elaborates with the presentation and analysis of relevant data through the related research methodology with financial and statistical analysis of SCBNL and Nabil. Basically, the descriptive analysis is done for this research work.

Chapter Fifth is the last chapter of the study which deals with summary and conclusion then recommendation for improving the future, performance of sample banks.

CHAPTER TWO

REVIEW OF LITERATURE

The investment decision has played an important role in banking sectors as well as other organizations. Effective investment decision encourages to each and every investor to invest their funds on profitable field in order to achieve high return. Actually, this unit of the study tries to describe the conceptual NRB rules regarding funds mobilization of commercial banks. Besides these, this chapter highlights the literature that is available in research work, relevant study on this topic and review of thesis work, which was performed previously.

2.1 Conceptual Review

2.1.1 Investment

A sound investment policy of a bank is such that its funds are distributed on different types of assets with good profitability on the one hand and provide maximum safety and security to the depositors and banks on the other hand. Moreover, risk in banking sectors tends to be concentrated in the loan portfolio. When a bank gets into serious financial trouble its problem usually spring from significant amount of loan that have become un-collectable due to mismanagement, illegal manipulation of loan, misguided lending policy or unexpected economic downturn. Therefore, the bank's investment policy must be such that it ensures that it is sound and prudent in order to protect public funds. (Shakespeare, 2009: 156)

The investment objective is to increase systematically the individual's wealth, defined as assets minus liabilities. The higher the level of desired wealth the higher the return must be received. As investor seeking higher return must be willing to take higher level of risk. (Moses, 2007; 267).

In finance the purchase of a financial product or other item of value with an expectation of favorable future returns. In general terms, investment means the use money in the hope of making more money. In business, the purchase by

a producer of a physical good, such as durable equipment or inventory, in the hope of improving future business .Investment is concerned with the management of an investor's wealth which are the sum of current income and the present value of all future income funds to be invested come from assets already owned borrowed money and saving or foregone consumption by forgoing today and investing the saving, investors expects to enhance their future consumption possibilities i.e. they are invested to increase wealth. Some scholars have given the actual meaning of investment in their words, which are as follows:

Investment policy fixed responsibilities for the investment disposition of the banks assets in terms of allocating fund s for investment and loan and establishing responsibility for day to day management of those assets. (James, Bexely, 2010; 256)

Investment is any vehicle into which funds can be placed with the expectation that will preserve or increase in value and generate positive return. (Gitman, 2004; 124).

An investment is a commitment of money that is expected to generate additional money. Every investment entails some degree of risk, it requires a present certain sacrifice for a future uncertain benefits. (Francis, 2010; 247).

The investment objective is to increase systematically the individual's wealth, defined as assets minus liabilities. The higher the level of desired wealth the higher the return must be received, (Cheney and Moses, 2006; 13).

The above review clearly indicates that investment means use of rupee of amount today by exception more income in future. The value of rupee in future is increased than current value, so the expected change in price during the period and for the uncertainty involved icon cash flow. So, it is cleared that investment is the utilization of funds today with expected additional return in future but the return sometimes may be negative also, if wrongly invested without sound knowledge of investment and their related factor.

2.1.2 Concept of Investment

Investment is concerned with the management of an investors wealth which are the sum of current income and the present value of all future income funds to be invested come from assets already owned, borrowed money and saving or forgone consumption by forgoing today and investing the saving, investors expects to enhance there future consumption possibilities i.e., they are invested to increase wealth. In pure financial sense the subsequent use of the term investment will be in the prevalent financial sense of the placing of money in the hands of others for their use, in return for a proper instrument entitling the holders to fixed income payments or the participation in expected profit. Whereas an economist view, investment as a productive process by means of which additions are made to capital equipment. For our purpose in the study of the financial institutions the investment and investment problem will revolve around the concept of managing the surplus financial assets in such a way which will lead to the wealth maximization &providing a significant further source of income.

Features of sound lending & investment policy:

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

Some necessities for sound lending and investment policies which most of the banks must consider can be explained as under:

a) Safety and Security:

A bank should be very much conscious in investing procedures and sectors. It should never invest its funds on those securities, which are subjected to too much of volatility (Depreciation and Fluctuation) because a little difference

may cause a great loss. It must not invest its fund into Speculative businessman, who may be bankrupt at once and who may earn millions in a minute also. The bank should accept that type of securities, which are commercial, durable, marketable and high market prices. In this case, “MAST” should be applied for the investment.

Where as –

M - Marketable

A -Ascertainable

S -Stability

T -Transferability

b) Profitability:

The profit of commercial bank mainly depends on the interest rate, volume of loan, its time period and nature of investment in different securities. It is a fact that a commercial bank can maximize its volume of wealth through maximization of return on their investment and lending. So, they must invest their funds where they gain maximum profit. A good bank is one who invests most of its fund in different earning assets standing safety from the problem of liquidity i.e. keeping cash reserve to meet day to day requirement of the depositors.

c) Liquidity:

Liquidity is the ability of the firm to satisfy its short term obligations as they come due. Generally people use deposit their earnings at the bank in different accounts with the confidence that the bank will repay their money when they need. To maintain such confidence of the depositors, the bank must keep this point in mind while investing its excess fund in different securities or at the time of lending so that it can meet current or short term obligations when they become due for repayment.

d) Purpose of Loan:

In the viewpoint of security, a banker should always know that why a customer is in need have loan. If a borrower misuses the loan granted by the bank, he can never repay therefore in order to avoid this situation each and every bank should demand all the essential detailed information about the scheme of project or activities.

e) Diversification:

A bank should not lay all its eggs on the same baskets. This saying is very important to the bank and it should be always careful not to grant loan in only one sector. To minimize risk, a bank must diversify its investment on different sectors. Diversification or loan helps to sustain loss according to the law of average, if a security of a company is deprived of; there may be an appreciation in the securities of other companies. In this way, the loss can be recovered.

f) Tangibility:

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

g) Legality:

Illegal securities will bring out many problems for the investor. A commercial bank must follow the rules and regulations as well as different directions issued by NRB, ministry of finance, ministry of law and other while mobilizing its funds.

h) National Interest

In addition to its own profitability the bank should also consider the national interest. Even though the bank cannot get maximum return form such investment, it should carry out its obligation toward the society and the country. The bank is required to invest on such sectors as per the Government and Nepal Rastra Bank's instruction. Investment on government bonds, priority

and deprived sector lending are the examples of such investments. (Gitman, 2004)

2.1.3 Development of Commercial Banks in Nepal

The evolution of banking industry had started a long time back during ancient times. Traditional forms of banking were traced the civilization of Greek, Rome and Mesopotamia. But modern banking originated in banking made its first beginning around the middle of the 12th century in Italy and the Bank of Venice founded in 1157A.D.was the first pubic banking institution following the bank of Barcelona and the Bank of Geneva were established in 1401A.D. and 1407 A.D. respectively. Similarly, Bank of Amsterdam (1609 A. D.), Bank of England (1694A.D.) were other milestones in the development of the banking systems. Northern Europe there sprang up number of private banking houses is all Europe and slowly it spread through-out the world.

In Nepal, modern banking starts from the establishment of Nepal Bank Limited. In the country, the development of banking is relatively recent. The record of banking systems in Nepal given detail account of mixture of slow and steady evolution in financial and global economy of Nepalese life. Involvement of landlord, rice merchant, shopkeeper and other individual money lender has acted as fence to institutional credit in presence of unorganized money market. In the year, 1934 A.D., Nepal Bank Ltd. was established under "Nepal Bank Act, 1937" as the first commercial bank of Nepal. Rastriya Banijiya Bank (RBB) is the second commercial bank of Nepal was established in the year 1965 A.D. RBB being the largest commercial bank has played major role in the economy. On the long run, commercial bank act was felt accordingly it was established in 1974 A.D. According to “Section 2 (a) of Commercial Bank Act 1974”, commercial banks are the heart of the economy systems. They hold the deposit of millions of person, government and business units. It exchanges money, accepts deposits, grant loan and operates commercial transaction. In modern time, commercial banks which are facilitated, regulated and supervised by the central bank (NRB), confined them and concentrated in their activities

of fulfilling the financial needs of their customer. With the opening of Nabil Bank in 1984 A.D., the door of the opening commercial banks was opened to private sector. Then whole lot of commercial banks opened in Nepal. Today, all the banks except Nepal Bank Limited and Rastriya Banijiya Bank are making profit. The inefficiency of these two public sector banks has lead to the success of other private banks. (Shrestha, 2067: 7)

2.1.4 NRB'S Directives Relating to Loan Classification and Loan Loss Provisioning for Default Risk

Effective from FY 2059/60 (2002/03), outstanding loans and advances on the basis of aging of principle amount, loans and advances should be classified into the following four categories:

a. Pass: Loans and advances whose principle amount are not past due and past due for a period up to 3 (three) months will be included in this category. These are classified and defined as Performing Loans.

b. Substandard: All loan and advances that are past due for a period of 3 months to 6 months will be included in this category.

c. Doubtful: All loans and advances, which are past due for a period of 6 months to 1 year, will be included in this category.

d. Loss: All loans and advances which are past due for a period of more than 1 year as well as advances which have least possibility of recovery or considered unrecoverable and those having thin possibility of even partial recovery in future shall be included in this category. (Nepal Rastra Bank Directives)

2.1.5 Loans Loss Provisioning

In 1987, NRB directed the commercial banks that a definite reserve be maintained in relation to the classification of their loans. In 1990, loan loss provision as a percentage of loans no paid in time was made 1 percent in good, 1 percent in acceptable, 5 percent in indicative of sub- standard, 25 percent in sub-standard, 50 percent in doubtful and 100 percent in bad. The loan loss

provisioning, on the basis of the outstanding loans and advances and bills purchased classified as above should be provided as follows:

Classification of loan	Loan loss provision
Pass	1%
Substandard	25%
Doubtful	50%
Loss	100%

Loan loss provision set aside for performing loans is defined as General Loan Loss Provision and loan loss provision set aside for non-performing loan is defined as Specific Loan Loss Provision.

2.2 Review of Articles/Journals

Under this subheading, the effort has been made to review of the related articles and journal which are published in different economic journal, bulletin of the World Bank, magazines, newspapers, dissertation papers as well as other related books.

Chopra (1989) in his article "Role of Foreign Banks in Nepal" had conducted that the joint venture banks playing an increasingly dynamic and vital role in the economic development of the country that will undoubtedly increase with time.

Bajaracharya (1990) in his article, "Monetary Policy and Mobilization in Nepal" concludes that the mobilization of domestic saving is one of the prime objectives of the monetary policy in Nepal. These purpose commercial banks are the active financial intermediary for generating resources in the form of deposit of the private sector and providing credit to the investors in different sectors of the economy.

Pyakurayal (1990) in his article, "Workshop on Banking and National Development". The present changing context of the economy calls for a substantial revitalization of the resources. How much they have gained over the

years depends chiefly on how far they have been able to utilize their resources in an efficient manner. Therefore, the task utilization of resources is as much crucial as the mobilization. The under utilization of resources not only result in loss of income but also goes further to discourage the collection of deposits. The major finding of the study connected with financial management is given as follows:

- The enterprises have a definite performance for bank loans at a lower level of debt.
- Banks and retained earning are the two most widely used financing sources.
- Most of enterprises find that banks are flexible in interest rates and convenience.
- Most of enterprises do not borrow from one bank only and they do switch between banks which ever offer best interest rates.
- In general, there is no definite time to borrow the issues stocks that is majorities of respondents are unable to predict when interest rate will lower or go up or unable to predict when the stock will down or up.

Shrestha (1993) in his articles, "A Study on Deposit and Credit of Commercial Bank Nepal, concluded that the credit deposit ratio would be 31.30% other thing remaining in Nepal, which was the lowest under the period of review; Therefore, he had strongly recommended that the joint venture banks should try to give more credit entering few field as far as possible, otherwise they might not be able to absorb even the total expenses.

Shrestha (1999) has expressed in his article, "Theory and Practice of Portfolio Management in Nepalese Commercial Bank" has given emphasis in the following issues, in case of investors having lower income and portfolio management may be limited to small saving incomes. But on the other hand, portfolio management means to invest funds in various schemes of mutual funds like deposits, shares and debenture for the investors with surplus income.

Therefore, portfolio management becomes very important both for an individuals as well as institutional investors.

2.3 Review of Thesis

During the study, the previous students have carried out several thesis works. Among them some of thesis is found to be relevant for this study which is presented as below:

Khadka (2004) has conducted on "A study on the Investment Policy of Nepal Arab Bank Ltd. in comparison to other joint venture banks of Nepal".

The main objectives of the research were as follows:

a) To evaluate the liquidity and profitability position in related fund mobilization of Nabil in comparison to other JVBs.

b) To evaluate the growth ratios of loan and advances and total investment with respective growth rate of total deposits and net profit of Nabil in comparison to other JVBs.

c) To discuss fund mobilization and investment policy of Nabil in respect to its fee based off-balance sheet transaction and fund based on-balance sheet transactions in comparison to other JVBs.

d) To find out the relationship between deposit and total investment, deposit and loan advances and net profit and outside assets of Nabil in comparison to other JVBs.

e) To evaluate the trends of deposit utilization and its projection for next five years incase of Nabil in comparison to other JVBs.

The major or findings of the research were as follows:

1. The liquidity position of Nabil is comparatively worse than other JVBs; Nabil has utilized more portions of current assets as loan and advances and less portion as investment on government securities.

2. Nabil is comparatively less successful in on-balance sheet utilization as well as off-balance sheet operation than that of JVBs, which predicted that Nabil could not mobilize as efficiently as other JVBs.

3. The profitability position of Nabil is comparatively better than other JVBs.

4. There is significant relationship between deposit and loan and advances as well as outside assets and net profit whereas there is no significant relationship between deposit and total investment increase of Nabil and other JVBs too.

5. The trend values of loan and advances to total deposit of Nabil and other JVBs are in increasing trend whereas, the trend value of total investment to total deposit of both Nabil and other JVBs are in increasing trend.

Shahi (2006) in his thesis work entitled "Investment Policy of Commercial Bank in Nepal, A Comparative Study of Nepal Bank Ltd & Joint Venture Banks"

A research study conducted by Prem Bahadur Shahi on the following main objectives:

a) To evaluate the liquidity, asset management efficiency and profitability and risk position.' of NBL in comparison to the JVBs s

b) To find out the empirical relationship between various important variables. i.e. deposits loan and advances, investment, net profit etc. and compare them with the JBVs.

c) To analyze the deposit utilization trend and its projection for the next five years of NBL and compare it with that of the JVBs

d) To conduct hypothetical test to find whether there is significant difference between the various important ratios of NBL and the JVBs.

e) To provide a package of workable suggestions and possible Guidelines to improve investment policy of NBL and the JVBs based on the

findings of the analysis, for the improvement of financial performance of NTBL in future.

His major findings of the study were as follows:

a) The liquidity position of NBL is comparatively better than that of JBVs highly fluctuating liquidity position shows that the bank has not formulated any stable policy,

b) It can also be conducted that NBL has more positions of current asset has more positions of current asset as loan and advance but less as investment on govt. securities.

c) NBL is comparatively less successful in on.-balance sheet as well as off-balance sheet operation than that of the JVBs. It has not followed policy with regard to the management its assets.

d) Profitability position of NBL is comparatively not better than that of the JVBs. It indicates that NBL must maintain its high profit margin in future.

e) There is comparatively higher risk in NBL than that of the JVB's regarding various aspects of the banking function.

f) Growth ratio of deposit, loan and advances of NBL is lower than that of JVBs.

Thapa (2007) has conducted a thesis work on "A Comparative study on Investment Policy of Nepal Bangladesh Bank Limited and other Joint Venture Banks (Nabil and NGBL)"

The major objectives of the research study were as follows:

a) To evaluate the liquidity, Assets management efficiency, profitability and risk position of NB Bank in comparison to Nabil and NGBL.

b) To analyze the relationship between loan and advances and total investment with other financial variables of NB Bank and compare with Nabil and NGBL

c) To examine the, fund mobilization and investment policy on NB Bank through off-balance sheet and on-balance sheet activities in comparison to the other two banks.

d) To study the various risks in investment of NB Bank in comparison to Nabil and NGBL.

e) To analyze the deposit utilization trend and its projection for ext five years of NB Bank and compare it with Nabil and NGBL.

The major findings of the study were given below:

a) NB Bank has good deposit collections, it has better liquidity position, it has made enough loan and advances but it has made the negligible amount of investment in government securities.

b) The profitability position of NB bank is comparatively worse than that of Nabil and NGBL.

c) The credit risk ratio, interest risk ratio and capital risk ratio are worse than Nabil and NGBL.

d) The growth ratio of total deposit, loan and advances and net profit of NB bank is higher than Nabil and NGBL while growth ratio of total investment of NB bank is comparatively worse than Nabil and NGBL.

e) There is significant relationship between deposit and loan and advance, outside assets and net profit on NB bank but there is no significant relationship between deposit and investment of NB Bank.

f) The position of NB banking regard to utilization of fund to earn profit is not better in comparison to Nabil and NGBL.

g) There is significant difference in mean ratios of loan and advances to total deposit ratio, mean ratio of total off-balance sheet operation to loan and advances, mean ratio of return on loan and advances and mean ratio of total interest earned to total outside of NB Bank.

Joshi (2009) had conducted a thesis research on, "A Comparative Study on Investment Policy of Standard Chartered Bank Nepal Ltd. and Everest Bank Ltd.

The main objectives of the research were as follows:

a) To compare investment policy of concern banks and discusses the find mobilization of the sample bank.

b) To find out empirical relationship between total investment, deposit and loan and advances, the net profit and outside assets and compare them.

c) To analyze the deposit utilization and its projection for next five years of SCBNL and EBL.

d) To evaluate comparatively the profitability and risk position, liquidity asset management efficiency of SCBNL and EBL.

e) To provide a package of possible guidelines to improve investment policy, its problems and way to solve some problems and provide suggestions and recommendation on the basis of the study.

Major or findings of the study were given below:

a) EBL has the highest cash and bank balance to total deposit, cash and bank to current ratio, this make the bank to be in good position to meet the daily cash requirement. EBL has fluctuating liquidity ratios; it shows that the bank has not properly formulated any stable policy. EBL has greater current ratio than SCBNL it means EBL is greater success to meet its current obligation.

b) SCBNL has been successfully maintained and managed its assets towards different income generation activities. SCBNL has made high portion of total working fund in investment on government on share and debentures of other comparatively.

c) The profitability ratio of SCBNL is comparatively better than EBL. It indicates that SCBNL has maintained its high profit margin regarding

profitability lower than EBL does not have a better position in comparison.

d) The risk of SCBNL is comparatively lower than EBL regarding various aspects of banking function.

e) The growth ratio of deposit, loan and advances and total investment is comparatively lower than EBL.

f) Coefficient of correlation between deposit and loan and advances of the both banks has significantly positive value

Dhital (2010) has conducted a thesis research on "A study on Investment Policy of Standard Chartered Bank Nepal Ltd. and Bank of Kathmandu Ltd."

The basic objectives of the study were as follows:

a) To find out relationship between total investment, deposit, loan and advances, net profit and outside asset and compare them.

b) To compare investment policy of concerned banks and discusses the fund mobilization of sample bank.

c) To evaluate the liquidity, asset management efficiency, profitability and risk portion of SCBNL and BOK.

d) To analyze the deposit utilization trend and its projection for five years of SCBNL and BOK.

e) To provide package of a workable suggestion and possible guidelines to improve investment policy, its problem and provide suggestion and recommendation on the basis of the study.

The major findings of the research were as follows:

a) Form the analysis of liquidity ratio, the mean ratios of cash and banks balance of total deposit ratio, mean ratio of cash and bank balance to current asset means ratio of loan and advances to current asset of SCBNL are lower than that of BOK. But ratio of investment on government securities to current asset of SCBNL is higher than BOK.

b) From the analysis of asset management ratio, the mean ratio of loan and advances to total deposit, loan and advances to working fund ratio of SCBNL are lower than BOK. But the mean ratio of total investment to total deposit and investment on Government securities to total working fund of SCBNL are higher than that of BOK.

c) From the analysis of profitability ratio, the mean ratios of return on loan and advances, ratio of return on total working fund ratio of total interest earned to total outside asset of SCBNL are higher than BOK. But the mean ratio of total interest earned to total working fund ratio of total interest paid to total working of und of SCBNL are lower than BOK.

d) The liquidity risk ratio and credit risk ratio of SCBNL are lower than BOK.

e) The mean growth rate of total deposit and growth rate of loan and advances of SCBNL are less than BOK. But the average growth of total investment and growth rate of net profit of SCBNL is rate 0 higher than BOK.

f) The trend values of total deposit, loan and advances, total investment, net profit of both banks is in increasing trend.

g) There is significant difference between mean ratio of loan and advances to total deposit of SCBNL and BOK. But significant relationship is between mean ratio of total investment to total deposit of SCBNL and BOK.

2.4 Research Gap

Previous researchers have done their research in this topic of different commercial banks and joint venture banks. But they have not taken four commercial banks (i.e. Standard Chartered, Nabil, Himalayan and Everest) for comparative study under the topic of 'Investment Policy' in their research. Therefore, researcher has taken these commercial banks (i.e. SCBNL, NABIL, HBL and EBL) in this study the researcher work to analyze the investment

policy which are well established joint venture banks of Nepal. During the recent year they are earning profit rapidly. The research is based on secondary data. The researcher has used current data from F/Y 2006/07 to 2010/11. The research clearly shows the present investment of these banks. The researcher tries to analyze the deposit collection position, position of the fund mobilization etc.

CHAPTER THREE

RESEARCH METHODOLGY

Research Methodology is a way to solve systematically about the research problems, which includes many techniques and tools, if it necessary in every steps of this study.

3.1 Research Design

Research design is an essential part for each research work. It is the plan, structure and strategy investigations conceived so as to obtain answer to research questions and to control variances. Descriptive and analytical research design has been used for this study. This study depends on the Primary and secondary data. It includes all the process of collecting verifying and evaluating of past evidence systematically and objectively to reach final conclusion. Some statistical and accounting tools have been adopted to analyze factors in this research study.

3.2 Population and Sample

In statistics population means whole and sample means the part of the whole. Population refers not only to people but the totality of observation that selected for study. Population is also known as universe. Sample refers to a part of chosen from the population, sampling is a tool which helps us to draw conclusions about characteristics of the population after studying only those observation that are included in the sample. There are altogether 32 commercial banks. In this study all the commercial banks are considered as population and Standard Chartered Bank Limited, Everest Bank Limited. Himalayan Bank Limited and Nabil Bank Limited are taken as a sample.

Brief introduction of the sample banks are presentation below:

A) Standard Chartered Bank Nepal Limited

Standard Chartered Bank Nepal Limited was established on 30th January 1987 A.D. when it was initially registered as a joint-venture operation. The Bank enjoys the status of the largest international bank currently operating in Nepal.

Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest-growing markets with an extensive global network of over 1600 branches (including subsidiaries, associates and joint ventures) in over 70 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas. As one of the world's most international banks, Standard Chartered employs around 70,000 people, representing over 125 nationalities, worldwide. With 17 points of representation, 21 ATMs across the country and with more than 375 local staff, Standard Chartered Bank Nepal Ltd. is in a position to serve its customers through an extensive domestic network. In addition, the global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking services in Nepal. Standard Chartered Bank Nepal Limited offers a full range of banking products and services in Wholesale and Consumer banking, catering to a wide range of customers encompassing individuals, mid-market local corporate, multinationals, large public sector companies and Government. (www.nepalsharemarket.com)

Shareholding Pattern

25% shares owned by standard charted bank. uk

25% shares owned by general public.

50% shares owned by the Standard Charted Grindlays ltd. Sydney, Australia.

B) Himalayan Bank Limited

Himalayan Bank was established in 1992 A.D. in joint venture with Habib Bank Limited of Pakistan. Legacy of Himalayan lives on in an institution that's known throughout Nepal for its innovative approaches to merchandising and customer service. Products such as Premium Savings Account, HBL Proprietary Card and Millionaire Deposit Scheme besides services such as ATMs and Tele-banking were first introduced by HBL. This has helped the Bank provide services like ‘Any Branch Banking Facility’, Internet Banking and SMS Banking. Living up to the expectations and aspirations of the

Customers and other stakeholders of being innovative, HBL very recently introduced several new products and services. Millionaire Deposit Scheme, Small Business Enterprises Loan, Pre-paid Visa Card, International Travel Quota Credit Card, Consumer Finance through Credit Card and online TOEFL, SAT, IELTS, etc. fee payment facility are some of the products and services. HBL also has a dedicated offsite 'Disaster Recovery Management System'. Looking at the number of Nepalese workers abroad and their need for formal money transfer channel; HBL has developed exclusive and proprietary online money transfer software- Himal Remit T.M. HBL is the biggest inward remittance handling Bank in Nepal. The bank has leveraged its technological investments by providing modern banking services such as SMS banking and internet banking for its customer. It has 23 branches around the country. (www.nepalsharemarket.com)

Shareholding Pattern

Habib bank Pakistan's shareholding 20%

Nepalese Promoter's is 80%

C) Nabil Bank Limited

The arrival of Nabil Bank in Nepal on the 12th of July 1984 through a joint venture with Dubai Bank Ltd. under a Technical Service Agreement (TSA), marks a new dawn in the Nepalese banking industry. The bank had initiated its business with authorized capital of Rs. 60 million and paid up capital of mere Rs.30 million. The net worth of the bank by mid July 2005 was Rs. 1658 million. The bank has now 28 branches around the nation. Today Nabil entering the 25th year of operation has proved that it has through its past progressions It is one of the largest bank in terms of the network and number of branches amongst the commercial banks with a wide network of ATMs and offerings including a range of diversified service products. It has diversified it's realms of business in the interests of customers and are also being inspired by the noble cause of adding value to economic development. It has packaged it's service products into well a diversified range consisting of corporate banking,

trade finance, along with consumer and retail banking services specifically, card products, microfinance and the like to reach out to the masses. (www.nepalsharemarket.com)

Shareholding Pattern

NB International (foreign partner) holds 50%

NIDC holds 10%,

Nepal stock Exchange holds 0.33%,

Rastriya Beema Sansthan holds 9.67%

The general public holds 30%.

D) Everest Bank Limited

Everest Bank Limited was registered on November 17, 1992 and come into operation on October 18, 1994 with an objectives of extending professionalized and efficient banking services to various segments of the society. The bank had an initial paid up capital of Rs 3 Crore. PNB joined hands with EBL as a Joint Venture in 1997. To provide excellent professional services & improve. It has extended various customer products such as Home Loan, Education Loan, EBL Flexi Loan, EBL Property Plus etc. (www.nepalsharemarket.com)

Shareholding Pattern of Everest bank

Punjab National Bank (PNB), holds 50% equity

Local promoters owned 30 % of the shares

General Public owned 20% of the shares

3.3 Sources and Method of Data Collection

This study mainly based on secondary data. Concerned banks, Nepal Rastra Bank, SEBON and different library are the providers of the data as well as websites of all concern banks. Various financial and statistical tools were used to analyze the data ratio analysis, correlation coefficient, trend analysis, standard deviation, hypothesis test, etc were used in the study. A brief

explanations of statistical and financial tools employed in this study is given below.

3.3.1 Financial Tools

A financial tool basically helps to examine the financial strength and weakness of the banks. There are various financial tools; some of them are as follows:

Ratio Analysis

Ratio analysis is one of the strongest financial tools, has been used in the study. This tool helps to show the mathematically relationship between two accounting items or figure. It is the only tools that can collect the financial performance and status of the firm. There are various types of ratio to analyze and interpret the financial statement but only main ratios have been taken in this study, they are as follows:

A. Liquidity Ratios

Liquidity ratios help to measure the firm's ability of funds, the solvency of the firm and the firm's ability to pay its obligation when balances are due. Short-term liquidity involves the relationship between current assets and current liabilities. The following ratios are calculated under liquidity ratio.

i) Current Ratio

Current ratio shows the short-term solvency and the relationship between current assets and current liabilities. Generally current assets include cash and bank balance, loan and advances, money at call of short notice, investment on government securities and other interest, overdraft, bill purchase and discount, receivable and miscellaneous current assets. Similarly current liabilities include deposit and other account, bills payable, short terms loan, tax provision, staff bonus, dividend payable and miscellaneous current liabilities. Current ratio can be computed as:

$$Current\ \ Ratio = \frac{Current\ \ Assets}{Current\ \ Liabilitie\ s}$$

There widely accepted standard of current ratio is 2:1.

ii) Cash and Bank Balance to Total Deposit Ratio

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

$$Cash\ and\ Bank\ Balance\ to\ Total\ Deposits\ Ratio = \frac{Cash\ and\ Bank\ Balance}{Total\ Deposits}$$

Cash and bank balance includes cash on hands, foreign cash on hand; cheques and other cash items balance with domestic banks and foreign banks. Similarly, total deposit consists of current deposits, fixed deposits, saving deposits, money at calls and short-term notice and other deposits.

iii) Cash and Bank Balance to Current Assets Ratio

This ratio measures the percentage of liquid assets i.e. cash and bank balance among the current assets of firm. This ratio is computed by dividing cash and bank balance by current assets higher ratio shows the bank's ability to meet its demand for cash mathematically it can be computed as:

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

iv) Investment on Government Securities to Current Assets Ratio

This ratio helps to find out the percentage of current assets invested on the government securities, treasury bills and development bonds. This ratio can be computed by dividing investment on government securities by current assets. Mathematically it can be computed as:

$$Investment\ on\ Govt.Secu.\ to\ Current\ Assets\ Ratio = \frac{Investment\ on\ Govt.Secu.}{Current\ Assets}$$

v) Loan and Advances to Current Assets Ratio

Loan and advances are the current assets, which is the general income to bank. This ratio shows the percentage of loan and advances in the total assets. It is computed by dividing loan and advances by current assets. Mathematically it can be computed as:

$$Loan\ and\ Advance\ to\ Current\ Assets\ Ratio = \frac{Loan\ and\ Advance}{Current\ Assets}$$

Where, the loan and advances include loan and advances, cash credit, loan and foreign bills purchased and discounted.

B. Assets Management Ratios (Activity Ratio)

Assets management activity or turnover ratios are used to measure how effectively the firm in managing its assets. These ratios are designed to answer the questions, such as does the total amount of each type of asset as reported on the balance sheet seem reasonable, too high or too low in view of current and projected operating level? These are used measure the banks ability to utilize their available limited resources. The following ratios are used under this assets management ratio:

i) Loan and Advances to Total Deposit Ratio

This ratio is computed to find out, how successfully the banks are utilizing their total deposit on loan and advances for profit generation purpose. Higher ratio indicates the better utilization of loan and advances out of total deposit. This ratio can be calculated by dividing loan and advances by total deposits. Mathematically, it can be stated as:

$$Loan\ and\ Advance\ to\ Total\ Deposit\ Ratio = \frac{Loan\ and\ Advance}{Total\ Deposits}$$

ii) Loan and advances to total working Fund

Loan and advances are the major component of the total working fund, which indicates the ability of banks and finance companies in terms of high earning

profit from loan and advances: This ratio can be calculated by dividing loan and advances by total working fund. Mathematically, it can be stated as:

$$Loan\ and\ Advance\ to Total\ Working\ Fund = \frac{Loan\ and\ Advance}{Total\ Working\ Fund}$$

Where, total working fund includes all assets of on-balance sheet item, i.e. current assets, net fixed assets, loan for development banks and other miscellaneous assets but excludes off-balance sheet item i.e. Letter of Credit (LC), Latter of Guarantee, etc.

iii) Total Investment to Total Deposit Ratio

This ratio shows how properly firm's deposits have been invested on government securities and share and debenture of other companies and banks. It can be computed by dividing total investment by total deposit. Mathematically, it can be formulated as:

$$Total\ Investment\ to Total\ Deposit\ Ratio = \frac{Total\ Investment}{Total\ Deposits}$$

Where, the total investment includes investment on government securities, investment on debenture, shares in other investment and other companies.

iv) Investment on Government Securities to Total Working Fund Ratio

This ratio shows investment on government securities of the banks in the companies of the total working fund. This ratio can be calculated by dividing investment on government securities by total working fund. Mathematically, it can be formulated as,

$$Investment\ on Govt.Secu.\ to Total\ Working\ Fund = \frac{Investment\ on Govt.Secu.}{Total\ Wroking\ Fund}$$

v) Investment on Shares and Debenture to Total Working Fund Ratio

This ratio indicates the bank investment in share and debenture of the subsidiary and other companies. This can be computed by dividing investment on shares and debenture by total working fund. Mathematically it is stated as,

$$Inv.on\,Share\,and\,Debenture\,to\,Total\,Working\,Fund = \frac{Inv.on\,Share\,and\,Debenture}{Total\,Wroking\,Fund}$$

Where, the numerator includes investment and debenture, bonds and shares of other companies.

C. Profitability Ratios

Profitability ratios are used to measure the overall efficiency of the banks in terms of profit and financial position and Performance of any institutions. For the better financial performance, generally profitability ratios of the firms should be higher. The following ratios can be takes under this heading.

i) Return on Loan and Advances Ratio

This ratio indicates how efficiently the bank has utilized its resources to earn good return from provided loan and advances. It is calculated by dividing net profit (loss) by total loan and advances. Mathematically, it can be stated as:

$$Return\,on\,Loan\,and\,\,Advance\,Ratio = \frac{Net\,Profit}{Loan\,and\,\,Advance}$$

ii) Return on Total Working Fund Ratio

This ratio shows the overall profitability of total working fund. It is also known as return on assets (ROA). Higher ratio indicates the better performance of financial institutions in the form of interest earning on its working fund. This ratio is calculated by dividing net profit (loss) by total working fund. Mathematically it can be stated as:

$$Return\,on\,Total\,Working\,Fund\,Ratio = \frac{Net\,Profit}{Total\,Working\,Fund}$$

iii) Total Interest Earned to Total outside Assets

This ratio measures the capacity of the firm for earning interest through proper utilization of outside assets. Higher ratios show the efficiency of using outside assets to earn interest. This is calculated by dividing total interest earned by total outside assets. Mathematically, it can be expressed as:

$$Total\ Interest\ Earned\ to\ Total\ outside\ Assets = \frac{Total\ Interest\ Earned}{Total\ Outside\ Assets}$$

iv) Total Interest Earned to Total Working Fund Ratio

This ratio reflects the extent to which the banks are successful in mobilizing their total assets to acquire income as interest. This ratio mainly reveals the earning capacity of a commercial bank by mobilizing its working fund. Higher the ratio higher will be the income as interest. It can be calculated by dividing total interest earned by total working fund. Mathematically, it can be, calculated as:

$$Total\ Interest\ Earned\ to\ Total\ Working\ Fund\ Ratio = \frac{Total\ Interest\ Earned}{Total\ Working\ Fund}$$

v) Total Interest Paid to Total Working Fund Ratio

This ratio indicates the percentage of interest paid on liabilities with respect to total working fund. This ratio is calculated by dividing total interest paid by total working fund. Mathematically it can be expressed as:

$$Total\ Interest\ Paid\ to\ Total\ Working\ Fund\ Ratio = \frac{Total\ Interest\ Paid}{Total\ Working\ Fund}$$

Where, total interest paid includes total expenses on deposits liabilities, loan and advances (borrowing), other deposits etc

vi) Total Interest Earned to Operating Income Ratio

This ratio is computed to find out the ratio of interest income to find out the ratio of interest income with operating income of the banks or the financial institutions. Generally it indicates how efficiently is the bank in the mobilization of its resources is bearing assets i.e. loan and investment,, investment etc. it is calculated by dividing the total interest earned by total operating income. Mathematically, it can be stated as:

$$Total\ Interest\ Earned\ to\ Operating\ Income\ Ratio = \frac{Total\ Interest\ Earned}{Operating\ Income}$$

D) Risk Ratios

Risk is uncertainty, which lies in the bank transaction of investment management. It increases effectiveness and profitability of the banks. This ratio indicates the amount of risk associated with the various harming operations, which ultimately influence the banks investment policy. Generally the following two ratios are used in this risk ratio:

i) Liquidity Risk Ratio

This ratio measures the level of risk associated with the liquid assets (i.e. cash, bank balance) that are kept in the bank for the purpose of satisfying the deposits demand for cash. Higher ratio indicates lower liquidity risk. This ratio is computed by dividing total cash and bank balance by total deposits. Mathematically, it can be expressed as:

$$Liquidity\ Risk\ Ratio = \frac{Cash\ and\ Bank\ Balance}{Total\ Deposits}$$

ii) Credit Risk Ratio

This ratio helps to measure the probability of loan non-repayment or the possibility of loan to go into default. According to definition, credit risk ratio is also expressed as the percentage of non-performing loan to total loan and advances. This ratio is computed by dividing total loan and advances by total assets. Mathematically, it can be stated as:

$$Credit\ Risk\ Ratio = \frac{Total\ Loan\ and\ Advance}{Total\ Assets}$$

iii) Non- Performing Loan Ratio

The non-performing loan ratio indicates the relationship between non-performing loan and total loan. It measures the proportion of non-performing loan in total loan and advances. The ratio is used to analyze the asset quality of the bank and determined by using the given model.

$$Non\ Performing\ Loan = \frac{Non\ Performing\ Loan}{Total\ Loan\ and\ Advance}$$

Where, Non-performing Loan, which have been past due either in the form of interest servicing or principal repayment and graded as possible default.

3.3.2 Statistical Tools

Some important statistical tools are used to analyze the data to achieve the objective of this study. The basis statistical tools related to this study are discussed below:

I) Coefficient of Correlation Analysis

This statistical tool has been used to analyze and interpret the relationship between two or more variables. "Correlation is the statistical tool that we use to describe the degree to which one variable is linearly related to another" among the various method of finding at coefficient of correlation, Karl Pearson's method is applied in the study. This study tries to find out relationship between the following variables.

i) Coefficient of correlation between deposit and loan and advances.
ii) Coefficient of correlation between total deposit and total investment.
iii) Coefficient of correlation between total outside assets and net profit.
iv) Coefficient of correlation between total deposit and net profit.
v) Coefficient of correlation between deposit and interest earned.
vi) Coefficient of correlation between loan and advances and interest paid.

Coefficient of Correlation between total working fund and net profit

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

Where r = Karl Pearson's coefficient of correlation.

$\overline{X} = \frac{\sum X}{N}$ (*Median of X Variable*)

$$\bar{Y} = \frac{\sum Y}{N} \quad (Median \ \ of \ Y \ Variable)$$

$$X = X - \bar{X}$$

$$Y = Y - \bar{Y}$$

The result of coefficient of correlation is always between +1 or -1 when r = +1, it means there is significant relationship between two variables and when r = -1, it means there is no significant relationship between two variables.

II) Trend Analysis

These analyses interpret or analyze the trend of deposits, loan and advances, investment, net profit and position of Non performing loan and it's Provisions of Standard Chartered Bank Ltd, Nabil Bank Ltd., Everest Bank Ltd. and Himalayan Bank Ltd from 2006/07 to 2010/11 and it helps to make forecasting for next five years.

The following trend analysis has been used in this study. They are as follows:

(i) Trend analysis of total deposits
(ii) Trend analysis of loan and advances
(iii) Trend analysis of total investment
(iv) Trend analysis of net profit
(v) Trend analysis of Non performing Loan and it's Provision.
The trends of related various variables could be calculated. as,

$Y_c = a + bx$

Where,
Y_c= Dependent Variable
x = Independent Variable
a = y Intercept Variable
b = Slope of the Trend Line.

III) Standard Deviation (S.D.)

The measurement of the scattered of the mass of figure in series about an average is known as dispersion. The standard deviation measures the absolute

dispersion. The greater the amount of dispersion will be greater the standard deviation. A small standard deviation means a high degree of uniformity of the observations as well as homogeneity of a series and vice-versa. The standard deviation of different ratios can be calculated as,

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

IV) Coefficient of Variation (C.V.)

The coefficient of variation (C.V.) is the; relative measure of dispersion. Comparable across distribution, which is defined as the ratio of the standard deviation to the mean expressed in percent. It can be computed as,

$$CV = \frac{\sigma}{\bar{X}} \times 100\%$$

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

The main purpose of this chapter is to analyze and evaluate the major financial and statistical items which are directly related to the investment management and fund mobilization of selected sample banks. There are many kinds of financial ratios but only those ratios are calculated and analyzed which are very important to evaluate the fund mobilization of commercial banks.

4.1 Financial Analysis

Financial analysis is the act of identifying the financial strength and weakness of the organization presenting the relationship between the items of the balance sheet. Under this topic, some financial tools such as liquidity ratio, asset management ratio, profitability ratio, asset management ratio, profitability ratio, risk ratio and growth ratio are used to achieve the objectives of the study. These tools are more important to evaluate fund mobilization of the commercial banks.

4.1.1 Liquidity Ratios

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

i. Current Ratio

Current ratio indicates the ability of the banks to meet to its current obligation. This ratio measures the liquidity position of the financial institutions. It is calculated by dividing current assets by current liabilities. The widely accepted standard of current ratio is 2:1 but accurate standard depends on circumstances

in case to banking and seasonal business ratio such as 1:1 etc. The current ratios of selected banks are given in the following table.

Table 4.1

Current Ratios

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	3.827	1.685	0.856	1.041
2007/08	2.861	2.694	1.154	1.023
2008/09	1.934	1.385	1.226	0.319
2009/10	3.604	2.60	0.602	0.756
2010/11	2.831	1.486	0.775	0.670
Total	**15.057**	**9.85**	**4.613**	**3.809**
Mean	**3.011**	**1.97**	**0.922**	**0.761**
S.D.	**0.668**	**0.561**	**0.234**	**0.264**
C.V.	**22.10%**	**28.50%**	**25.40%**	**34.70%**

Source: Annual Reports of Selected Banks from FY 2006/07 to 2010/11

Above table shows that the mean current ratio of Standard Charted Bank i.e. 3.011 has higher than the mean current ratio of other commercial banks which indicates that the ability to discharge the short-term obligation of Standard Charted Bank Ltd. In general, current ratio is better when the proportion of bank's current assets and current liabilities meets 2:1 standard level.

The current ratio of SCBNL over the study period has range between 2.861 (2007/08) to 3.827 (in 2006/07) and then it again decreased to 1.934 in (2008/09) it was the lowest current ratio found during the study and increased in 2008/09 and again decreased in 2010/11 to 2.831. Similarly the same position of Nabil bank has also where as ratio of Nabil has range between 1.385 (in 2008/09) to 1.685 (in 2006/07). The current ration of Himalayan bank has changed 1.154 (2007/08) to 0.856 (2008/09) and it has again decreased in the year 2009/10 and 2010/11 to 0.602 and 0.775 respectively. Everest Bank, the ratio has decreased in 2009/10 and 2010/11 to 0.602 and 0.775 respectively.

The above table shows that the current ratio of the Standard Charted bank is always high and on the standard level i.e. 2:1. In the case of Nabil in 2007/08 and 2009/10 the ratios are on it's standard level i.e. 2.894 and 2.60 and other years it has below the standard level. But in the case of Himalayan and Everest bank all ratios found below the standard level because it is mainly due to decrease money at call and short notice and increase deposits and other A/C. If the mean ratio is observed it is found that the SCBNL is higher than other banks. The S.D. of Himalayan bank is less than other banks but C.V. of Standard Charted bank is less than other banks i.e. (22.10%) It indicates that the current ratio of SCBNL is more consistence than other banks. And we can say that the SCBNL has sound ability to meet its short term obligation The standard deviation measures the absolute dispersion of distribution, which represents that the current ratio of Himalayan Bank Ltd. i.e. 0.234 is less stable than other selected banks. Similarly, the coefficient of variation that measures the variability of the variable, which indicates that, the current ratio of 0.221 or 22.10% i.e. Standard Charted Bank Ltd., which is more uniform than other selected banks.

ii. Cash and Bank Balance to Total Deposit Ratio

This ratio measures the availability of banks highly liquid or immediate funds to meet its unanticipated calls on all types of deposits, money at calls and short term notice and other deposits. It can be calculated by dividing the amount of cash and balance by the total deposits. Higher ratio indicates the greater ability to meet their deposits and vice-versa. Following table shows the cash and banks balance to total deposit ratios of sample banks.

Table 4.2

Cash and Bank Balance to Total Deposit Ratios

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	1.009	1.003	1.154	1.907
2007/08	1.212	1.229	1.152	1.395
2008/09	1.272	1.158	0.589	1.426
2009/10	1.683	1.602	0.873	3.432
2010/11	1.291	1.805	1.366	2.834
Total	**6.467**	**6.797**	**5.134**	**10.994**
Mean	**1.293**	**1.359**	**1.026**	**2.198**
S.D.	**0.218**	**0.297**	**0.269**	**0.806**
C.V	**16.90%**	**21.80%**	**26.20%**	**36.60%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

Above figure in the table, indicates the percentage of cash and bank balance to total deposits position of selected banks. It also shows that the ratio of SCBNL bank is increasing scale for the period 2006/07 to 2009/10 but in the year of 2010/11 the ratio decreased to 1.291. Nabil has fluctuating trend. It has increasing trend in 2007/08, decreasing trend in 2008/09, then increasing trend from 2009/10 to 2010/11. In Himalayan bank, the ratio has decreased from 2006/07 to 2008/09 and then it began to increase. There is same position of Everest banks, is also fluctuating trend. However, Everest bank has ratio 3.432 in 2009/10. The mean of ratios of HBL is lest than other banks and Everest bank has greatest value. The standard deviation of SCBNL i.e. 0.218 is lest than other banks. Similarly, CV of SCBNL is also lest than other banks. From the above analysis, it can be concluded that SCBNL has better maintenance of its liquidity than other banks and it has more liquid assets and can to pay depositors immediately and Everest bank holding great idle balance of cash which is one of the main factor for less profit.

iii. Cash and Bank Balance to Current Assets Ratio.

This ratio reflects the portion of cash and bank balance in total current assets. Cash and bank balance are highly liquid assets than other in current assets portion. So this ratio visualizes higher liquidity position than current ratio. It is computed by dividing cash and bank balance by current assets. Higher ratio shows the bank's ability to meet its demand for cash.

Table 4.3

Cash and Bank Balance to Current Assets Ratios

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	0.063	0.093	0.156	0.182
2007/08	0.101	0.094	0.230	0.198
2008/09	0.136	0.200	0.070	0.514
2009/10	0.104	0.166	0.194	0.532
2010/11	0.120	0.322	0.208	0.657
Total	**0.524**	**0.875**	**0.858**	**2.083**
Mean	**0.104**	**0.175**	**0.171**	**0.416**
S.D.	**0.024**	**0.084**	**0.056**	**0.191**
C.V	**23.20%**	**48.20%**	**32.70%**	**45.90%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

The above comparative table 3 listed shows that the mean ratio of Everest bank i.e. 0.416 is greater than that of other commercial banks. This supports the conclusion is that, Everest bank has been successful to maintain higher cash and bank balance to current ratio, but it doesn't mean that it has mobilized its more funds in profitable sectors. It actually means that Everest bank can meet its daily requirement to make the payment on customer deposits. In contrast, The SCBNL i.e. 0.104 may have invested their fund in more productive sectors. The standard deviation between the ratios of SCBNL i.e. 0.024 is lower. Moreover, the co-efficient of variation between the ratios of SCBNL is lower than that of other banks i.e. 23.20. This indicates that the variability of the ratios of that bank is more consistent.

iv. Investment on Government Securities to Current Assets Ratio

This ratio examines that the position of commercial banks current assets, which is invested on different government securities, treasury bills and development bonds. This ratio can be calculated by dividing investment on government securities by current assets.

Table 4.4

Investment on Government Securities to Current Assets Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	2.328	1.548	4.391	1.994
2007/08	3.143	0.914	0.741	3.559
2008/09	2.563	3.572	2.550	9.328
2009/10	2.054	1.513	5.219	3.120
2010/11	2.590	1.771	1.858	3.581
Total	**12.678**	**9.318**	**14.759**	**21.582**
Mean	**2.535**	**1.863**	**2.951**	**4.316**
S.D.	**0.359**	**0.900**	**1.640**	**2.571**
CV.	**14.16%**	**48.30%**	**55.50%**	**59.50%**

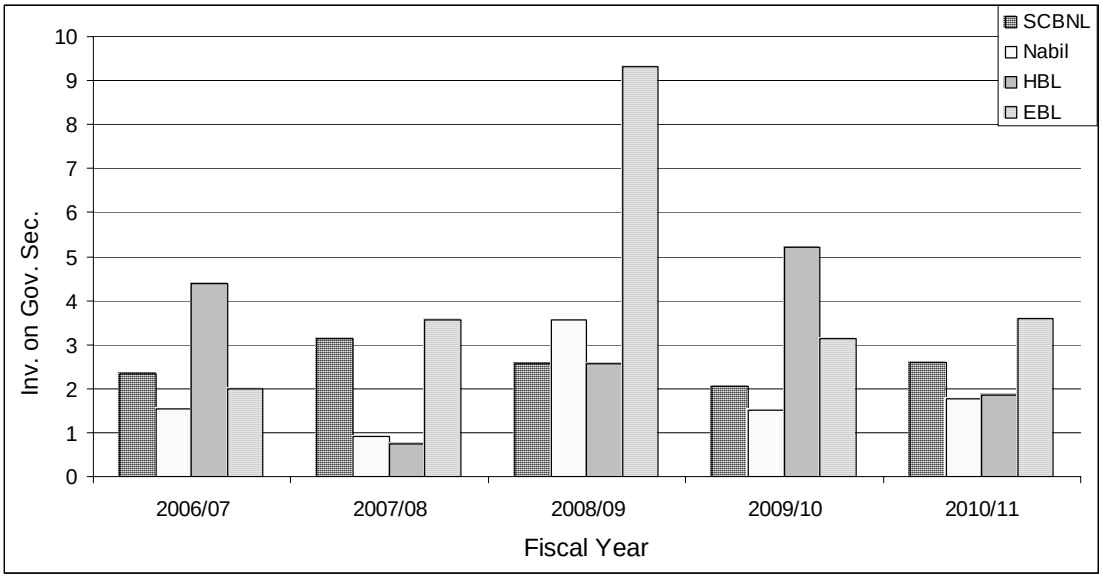
Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

The above table and below figure reveals that the mean ratio of investment on government securities to current assets ratio of Nabil Bank i.e. 1.863 is lower than that of other commercial banks. It means Nabil bank has not invested as much portion of its current assets. Co-efficient of variation of Himalayan and Everest banks is higher than that of other commercial banks i.e. 55.50% and 59.50% respectively which means that the variability of ratios is less homogenous. It is conclusion that the higher ratio of a bank gave the result of increasing deposit collections and unavailability of other secured and profitable investment sector. Lastly, from the point of view of its ratio, SCBNL'S liquidity position is richer than that of other commercial banks.

The above calculated ratio of investment on government securities to Current Assets of FCs during the study period are graphically presented as the following.

Figure 4.1

Investment on Government Securities to Current Assets Ratio



v. Loan and Advances to Current Assets Ratio

A commercial bank invests loan and advances to the customers. Because they should earn high profit by mobilization and investing funds for long life banking, they must pay interest on these deposit funds even they don't generate loan and advances may lose some earning. But high loan and advances may be harmful because they need sufficient liquidity. This ratio can be competed by dividing loan and advanced to current assets.

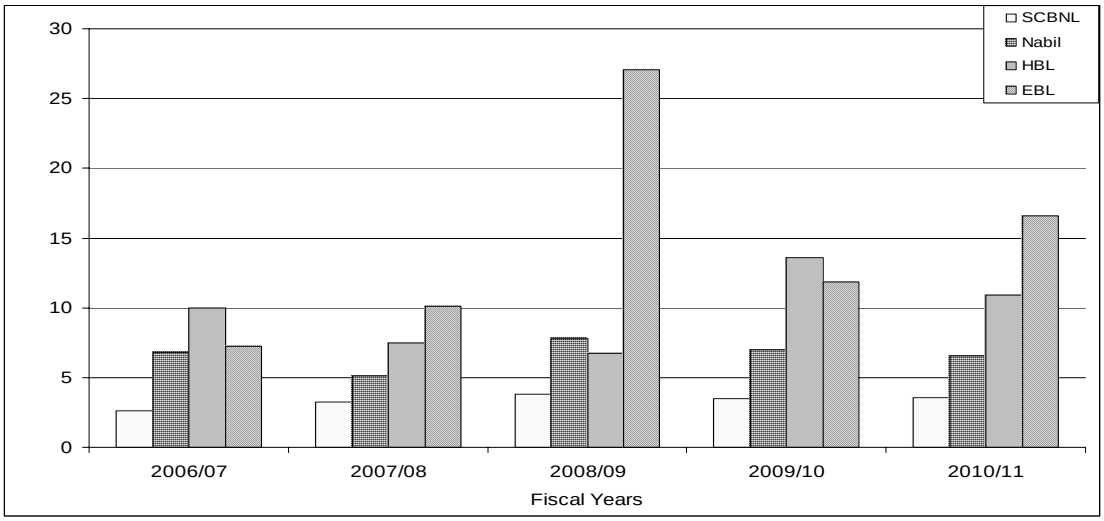
Table 4.5
Loan and Advances to Current Assets Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	2.632	6.791	9.974	7.234
2007/08	3.248	5.133	7.492	10.116
2008/09	3.787	7.802	6.715	27.094
2009/10	3.462	6.958	13.620	11.868
2010/11	3.543	6.539	10.937	16.608
Total	**16.672**	**33.223**	**48.738**	**72.920**
Mean	**3.334**	**6.644**	**9.747**	**14.584**
S.D.	**0.391**	**0.866**	**2.479**	**6.956**
CV.	**11.72%**	**13.03%**	**25.43%**	**47.69%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

Above table and below figure shows that the mean ratio of Everest Bank has maintained slightly higher ratio i.e. 14.584 than that of other commercial banks. It means Everest bank has more loan and advance as current assets but sd. and cv. Of Everest bank are higher and Everest bank has not able to mobilize its fund as loan and advance. While examining the standard deviation, SCBNL i.e. 0.391 and Co-efficient of variation, SCBNL is the lowest percentage i.e.11.73%. So, liquidity position with regard to this ratio of SCBNL is more satisfactory and is able to mobilize its fund as loan and advances.

Figure 4.2
Loan and Advances to Current Assets Ratio



4.1.2 Assets Management Ratios

Assets management or activity ratios are employed to evaluate the efficiently with the firms' managers and utilize its assets. That is why these ratios are used to measure or indicate the banks ability to utilize their available limited resources. The following ratios are used under the assets management ratios:

i. Loan and Advances to Total Deposit Ratio

This ratio used to find out, how successfully the banks are utilizing their total deposit on loan and advances for profit generation purpose. The higher ratio indicates the better utilization of loan and advances out of total deposit. It can be computed by dividing loan and advances by total deposits.

Table 4.6

Loan and Advances to Total Deposit Ratio

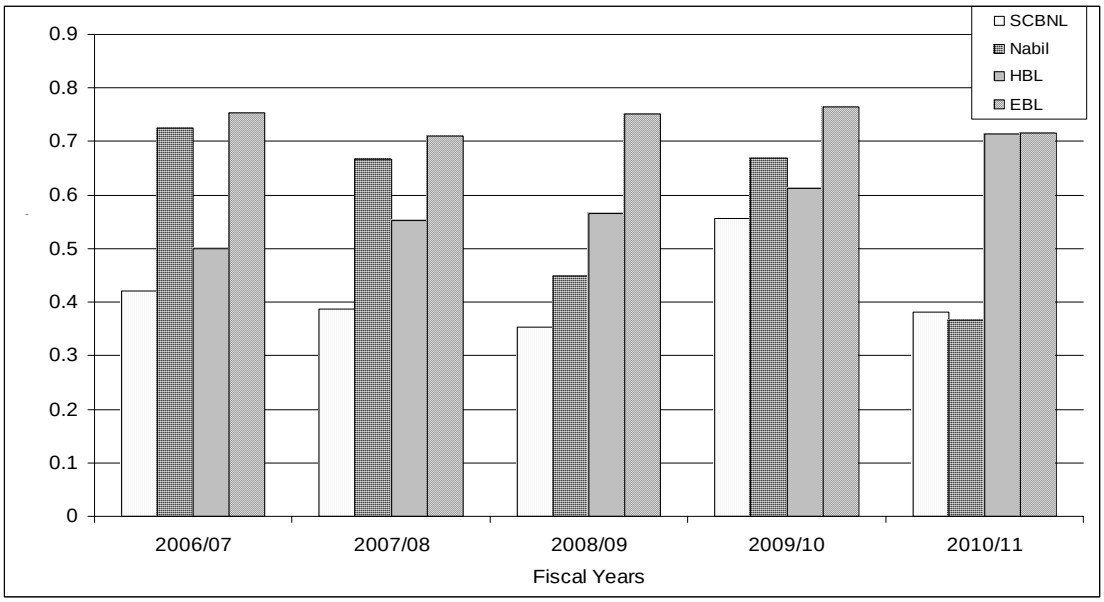
Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	0.420	0.725	0.500	0.754
2007/08	0.387	0.667	0.552	0.710
2008/09	0.353	0.449	0.565	0.751
2009/10	0.556	0.669	0.612	0.764
2010/11	0.381	0.366	0.714	0.716
Total	**2.097**	**2.876**	**2.943**	**3.695**
Mean	**0.419**	**0.575**	**0.588**	**0.739**
S.D.	**0.298**	**0.140**	**0.072**	**0.021**
C.V.	**71.11%**	**24.34%**	**12.24%**	**2.84%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

The above table shows that the mean loan and advances to total deposits ratio is higher than that of other commercial banks i.e. 0.739.Standard deviation and Co-efficient of variation of Everest bank which are lower i.e. 0.021 and 2.84% respectively which indicates that the more uniform between variables In conclusion, it is cleared that Everest Bank has success to mobilize its total deposits on loan and advances in comparison to other banks.

The above calculated ratios of loan and advances to current Assets of FCs during the study period are plotted on diagram as the following.

Figure 4.3
Loan and Advances to Total Deposit Ratio



ii. Loan and Advances to Total Working Fund Ratio

Loan and advances are the main components of the total working fund which reflect the ability of banks and finance companies in terms of high earning profit from loan and advances. Higher ratio indicates better mobilization of fund as loan and advances and vice versa. This ratio can be calculated by dividing loan and advances by total working fund.

Table 4.7
Loan and Advances to Total Working Fund Ratio

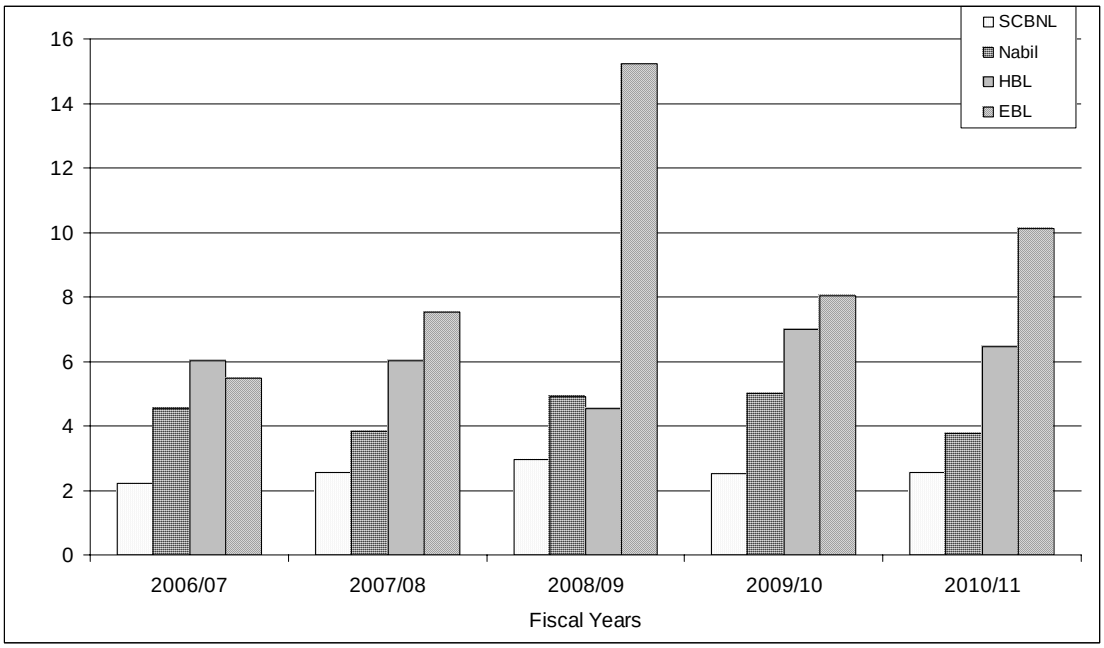
Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	2.225	4.537	6.033	5.467
2007/08	2.560	3.821	6.025	7.545
2008/09	2.974	4.896	4.533	15.231
2009/10	2.527	4.998	6.982	8.036
2010/11	2.562	3.781	6.454	10.128
Total	**12.848**	**22.033**	**30.027**	**46.407**
Mean	**2.569**	**4.406**	**6.054**	**9.281**
S.D.	**0.238**	**0.517**	**0.815**	**3.323**
CV.	**9.26%**	**11.73%**	**13.46%**	**35.80%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

The above listed table has been found that the mean ratio of Everest bank has slightly higher ratio i.e. 9.281 and lowest ratio i.e. 2.569 of SCBNL among all these commercial banks. From which we can draw conclusion that the mean ratio is highest among all banks but Everest bank has not success to mobilize its loan and advances to working fund ratio. Moreover, the standard deviation and Co-efficient of variation of Everest bank is highest among the banks. So, comparatively we can conclude that due to lowest standard deviation and Co-efficient of variation SCBNL is more consistent than that of other commercial banks.

Figure 4.4

Loan and Advances to Total Working Fund Ratios



iii. Total Investment to Total Deposit Ratio

This ratio shows how properly firms deposit has been invested on government securities and shares and debentures of other companies and banks. Generally, it reflects which the banks are successful in mobilizing the total deposit on investment. The higher ratio indicates the higher success to mobilize the banking funds as investment and vice-versa. This ratio can be computed by dividing total investment by total deposit.

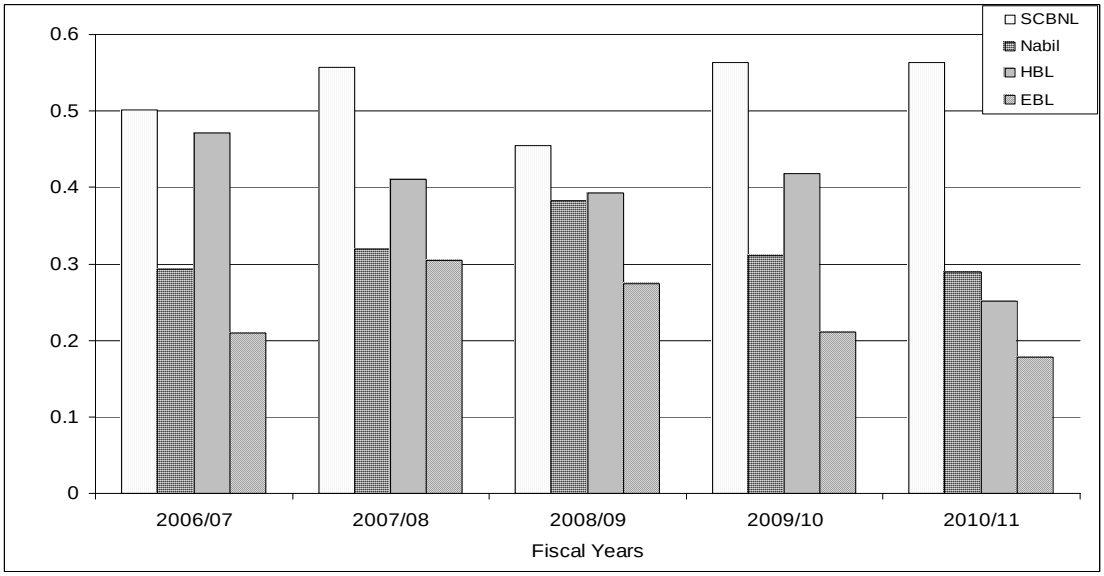
Table 4.8
Total Investment to Total Deposit Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	0.501	0.293	0.471	0.210
2007/08	0.557	0.319	0.411	0.304
2008/09	0.455	0.383	0.393	0.274
2009/10	0.564	0.311	0.418	0.211
2010/11	0.564	0.289	0.251	0.178
Total	**2.641**	**1.595**	**1.944**	**1.177**
Mean	**0.528**	**0.319**	**0.388**	**0.235**
S.D.	**0.043**	**0.033**	**0.073**	**0.073**
C.V.	**8.14%**	**10.34%**	**18.81%**	**31.06%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

The above table shows that total investment to total deposit ratio of SCBNL is highest than other banks. Standard deviation of Nabil bank 0.033 which is the lowest value and Co-efficient of variation 8.14% which is the lowest value among the banks. So, comparatively we can conclude that due to lowest standard deviation and Co-efficient of variation SCBNL is more consistent than that of other commercial banks and SCBNL is successful in mobilizing the total deposit on investment. The higher ratio indicates the higher success to mobilize the banking funds as investment and vice-versa. It can be concluded that SCBNL has become success to better utilization of deposit to investment than other banks.

Figure 4.5
Total Investment to Total Deposit Ratio



iv. Investment on Government Securities to Total Working Fund Ratio

This ratio used to show investment on government securities of the bank in the comparison of the total working fund. This ratio is so important to know the extent to which the banks are successful in mobilizing their total fund on different sectors of government securities to maximize its income. The higher ratio shows that better mobilization of fund as investment on government securities and vice-versa. It can be calculated by dividing investment on government securities by total working fund. This ratio is presented below in table.

Table 4.9

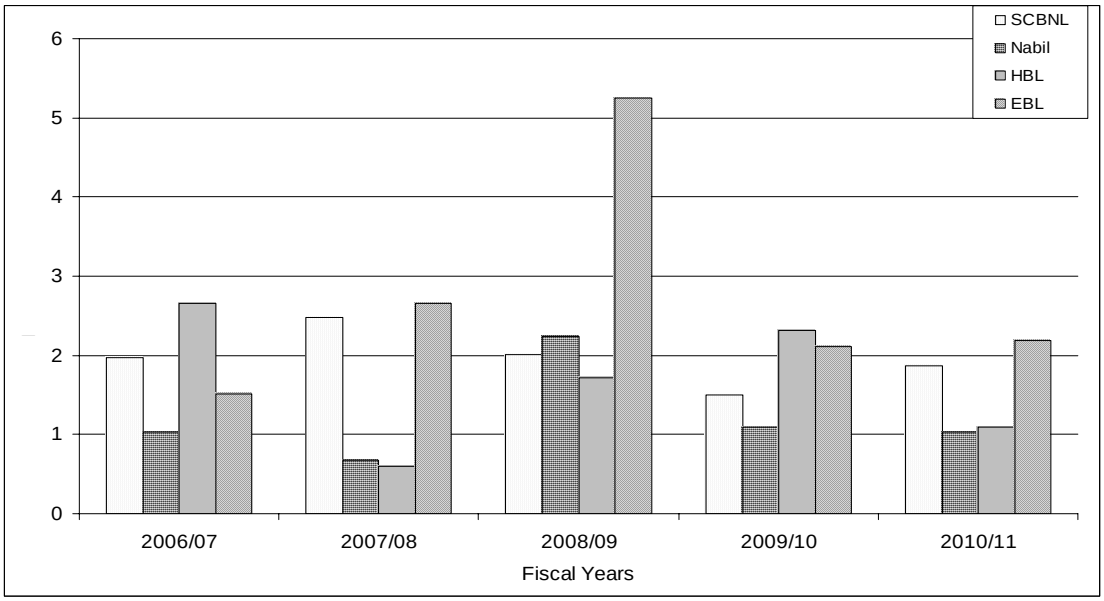
Investment on Gov. Securities to Total Working Fund Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	1.968	1.034	2.655	1.507
2007/08	2.476	0.680	0.596	2.654
2008/09	2.012	2.241	1.721	5.244
2009/10	1.499	1.087	2.317	2.112
2010/11	1.872	1.024	1.096	2.184
Total	**9.827**	**6.066**	**8.385**	**13.701**
Mean	**1.965**	**1.213**	**1.677**	**2.740**
S.D.	**0.312**	**0.533**	**1.434**	**1.303**
C.V.	**15.87%**	**43.94%**	**85.50%**	**47.55%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

Above table reveals that the mean ratio of investment on government securities and total working fund, Everest bank seems to be capable to maintain the attractive ratios performance i.e. 2.740. The standard deviation of SCBNL i.e. 0.312 is lower. Similarly the Co-efficient of variation of SCBNL is less than that of other commercial banks i.e. 15.87% which indicates that the variability between these ratios is more homogeneous during the study period. It shows that SCBNL has succeeded to mobilize the funds as investment on government securities. Its investment policy is also consistent than other commercial banks.

Figure 4.6
Investment on Government Securities to Total Working Fund Ratio



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

Commercial banks are investing into shares and debentures of other companies. Though the investment on government securities is relatively suffer than investment in debentures and shares of other banks, this ratio reflects to what extent the bank has successfully invested its assets on other company's or banks' debentures and shares. It can be computed by dividing investment on shares and debentures by total working fund.

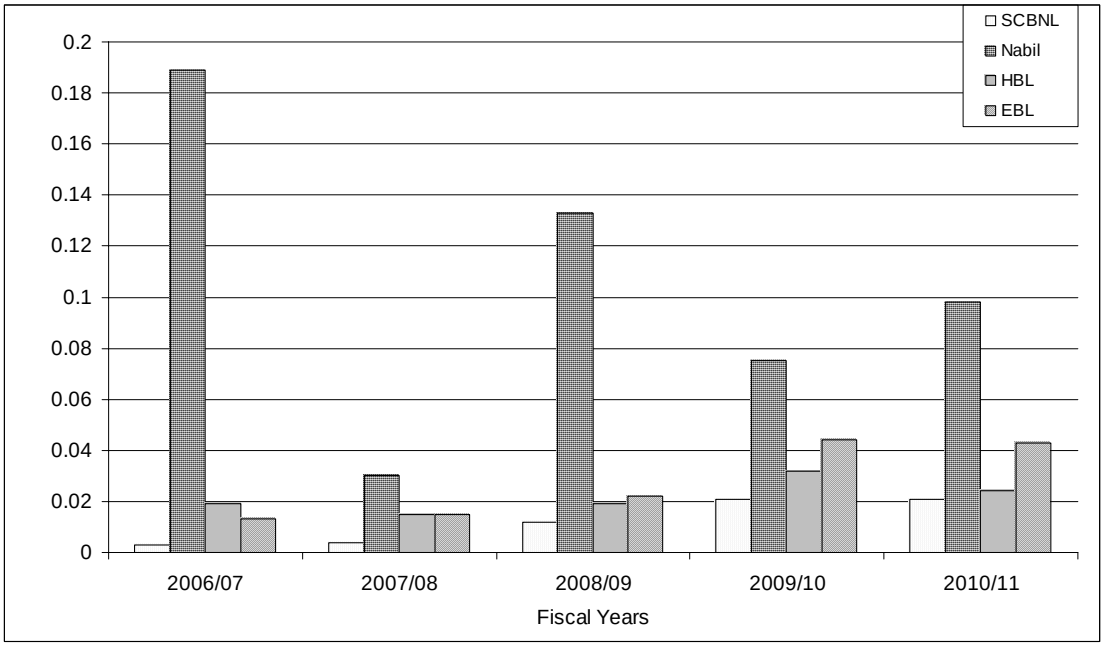
Table 4.10
Inv. on Shares and Debentures to Total Working Fund Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	0.003	0.189	0.019	0.013
2007/08	0.004	0.030	0.015	0.015
2008/09	0.012	0.133	0.019	0.022
2009/10	0.021	0.075	0.032	0.044
2010/11	0.021	0.098	0.024	0.043
Total	**0.061**	**0.525**	**0.109**	**0.137**
Mean	**0.012**	**0.105**	**0.021**	**0.027**
S.D.	**0.007**	**0.053**	**0.005**	**0.013**
C.V.	**58.33%**	**50.47%**	**23.80%**	**48.14%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

The above table clears that investment on shares and debentures to total working fund ratios of SCBNL is increasing trend. It has range from 0.021 (in 2010/11) to 0.003 (in 2006/07). Nabil has fluctuate trend during five years period. The mean ratio of Nabil i.e. 0.105 is the highest value among the banks which indicates that Nabil has succeed to invest on share and debenture on the proportion of total working fund than other banks. The standard deviation and Co-efficient of variation of Himalayan bank i.e. 0.005 and 23.80% respectively which are lower than that of other banks. From above analysis, it is cleared that Himalayan bank's ratios are more consistent than that of other commercial banks and able to mobilize it's total working fund on share and debenture.

Figure 4.7
Investment on Shares and Debentures to Total Working Fund Ratio



4.1.3 Profitability Ratios

Profitability ratios play vital role to measure the overall efficiency of operation of firms or banks. It is actually a true indicator of the financial position and performance of each and every business organizations and institutions. Generally, profitability ratios are calculated and evaluated in terms of the relationship between net profit and assets. For the better financial performance,

profitability ratios should be higher. The following ratios can be taken to clear this heading.

i. Return on Loan and Advances Ratio

This ratio is used to measure the earning capacity of the commercial banks through its fund mobilization as loan and advances. Higher ratio indicates greater success to mobilize fund as loan and advances and vice versa. This ratio can be calculated by dividing net profit by total loan and advances.

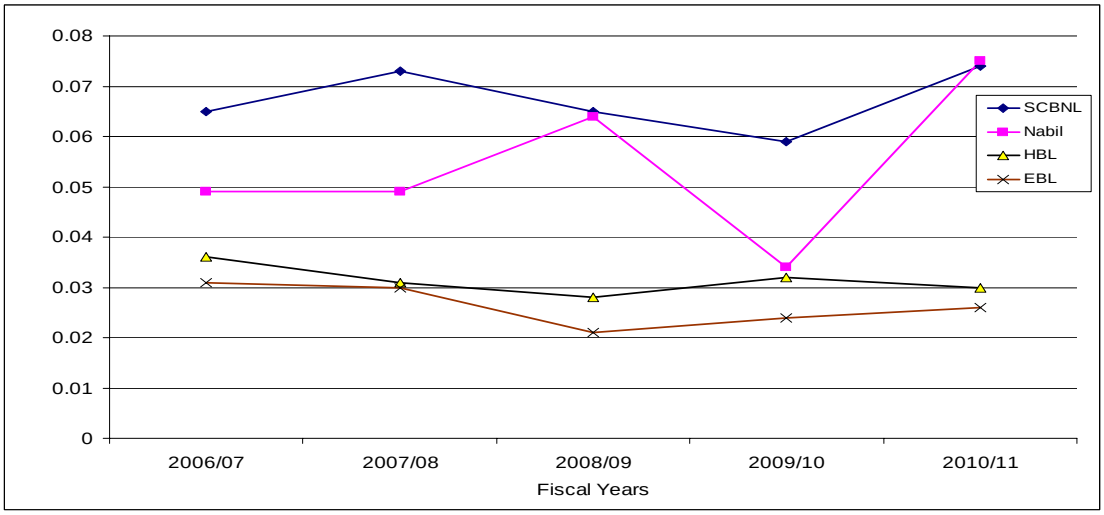
Table 4.11
Return on Loan and Advances Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	0.065	0.049	0.036	0.031
2007/08	0.073	0.049	0.031	0.030
2008/09	0.065	0.064	0.028	0.021
2009/10	0.059	0.034	0.032	0.024
2010/11	0.074	0.075	0.030	0.026
Total	**0.336**	**0.271**	**0.157**	**0.132**
Mean	**0.067**	**0.054**	**0.031**	**0.026**
S.D.	**0.005**	**0.014**	**0.002**	**0.003**
C.V.	**7.46%**	**25.92%**	**6.45%**	**11.53%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

The above table clears that Return on Loan and Advances Ratio of SCBNL is higher than other commercial banks. SCBNL has fluctuated trend during five years period. The mean ratio of SCBNL i.e. 0.067 is the highest value among the banks. SCBNL has greater earning than other commercial banks and able to mobilize its fund as loan and advance. The standard deviation of Himalayan bank i.e. 0.002 is lower which means the variation of the ratios during five year period are less fluctuate. Similarly, Co-efficient of variation of Himalayan bank i.e. 6.45% which is lower than that of other banks. From above analysis, it can be concluded that SCBNL is more consistent than that of other commercial banks and has greater earning and mobilize it's fund as loan and advance because it has second highest value of CV and greater value of mean. This ratio is presented here in line.

Figure 4.8
Return on Loan and Advances Ratio



ii. Return on Total Working Fund Ratio

This ratio is used to measure as profitability indicator with respect to each financial resources investment of banks assets. It shows the overall profitability of total working fund. It is also known as Return on Assets (ROA). The higher ratio indicates the better performance of banks. To make higher ratio, the banks' total working found should be managed and utilized effectively. This ratio can be calculated by dividing net profit by total working fund.

Table 4.12
Return on Total Working Fund Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	0.146	0.222	0.149	0.120
2007/08	0.188	0.187	0.188	0.182
2008/09	0.195	0.314	0.131	0.330
2009/10	0.150	0.174	0.227	0.197
2010/11	0.191	0.285	0.195	0.271
Total	**0.870**	**1.182**	**0.890**	**1.100**
Mean	**0.174**	**0.236**	**0.178**	**0.220**
S.D.	**0.021**	**0.054**	**0.034**	**0.073**
C.V.	**12.06%**	**22.88%**	**19.10%**	**33.18%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

From the above comparative table, it reflects that the ratios of all banks are seen to be in fluctuating trend. Nabil has 0.236 highest mean ratio among these banks. Standard Deviation and Co-efficient of Variation of SCBNL are low than that of other commercial banks. In conclusion, it can be said that Nabil has higher mean ratio than other banks but standard deviation and Co-efficient of variation are high so it means Nabil bank is not performing well. It indicates SCBNL is able to earn high profit on total working fund assets in comparison to other commercial banks. SCBNL has more consistent than that of other commercial banks. Therefore, it is clear that other commercial banks seems to be weak to earn high return on its working fund and have to make efforts to earn high profit by mobilizing its working assets more efficiently.

iii. Total Interest Earned to Total Working Fund Ratio

This ratio reflects the extent to which the banks are successful in mobilizing their total assets to acquire income as interest. This ratio reveals the earning capacity of commercial banks by mobilizing its working funds. Higher ratio indicates higher earning power of the bank on its total working fund and vice-versa. It can be calculated by dividing total interest earned by total working fund.

Table 4.13
Total Interest Earned to Total Working Fund Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	0.289	0.561	0.702	0.516
2007/08	0.340	0.316	0.669	0.695
2008/09	0.399	0.740	0.473	1.275
2009/10	0.293	0.462	0.703	0.678
2010/11	0.353	0.773	0.609	0.928
Total	**1.674**	**2.852**	**3.156**	**4.092**
Mean	**0.334**	**0.570**	**0.631**	**0.818**
S.D.	**0.040**	**0.171**	**0.086**	**0.263**
C.V.	**11.97%**	**30.00%**	**13.62%**	**32.15%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

The above table listed shows that the mean ratios of Everest bank and Nabil bank i.e. 0.818 and 0.570 respectively, is the highest value among these banks but the value of standard deviation i.e. 0.263 and 0.171 respectively, is high similarly, Co-efficient of variation is also high i.e. 32.15% and 30% respectively than other banks. It indicates that Everest bank and Nabil bank has more interest earning but they could not able to earn high interest on its total working fund in comparison to other commercial banks during the study period. However, SCBNL and Himalayan have low value of S.D. and C.V. even they have low mean ratio than Nabil and Everest bank but we can conclude that SCBNL and Himalayan bank performing well than Nabil and Everest bank.

iv. Total Interest Paid to Total Working Fund Ratio

This ratio measures the percentage of interest paid on liabilities with respect to total working fund. Higher ratio indicates higher -interest expenses on total working fund and vice-versa. This ratio can be calculated by dividing total interest paid by total working fund.

Table 4.14

Total Interest Paid to Total Working Fund Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	0.069	0.104	0.272	0.214
2007/08	0.086	0.105	0.267	0.309
2008/09	0.116	0.259	0.204	0.576
2009/10	0.086	0.177	0.295	0.277
2010/11	0.101	0.318	0.243	0.429
Total	**0.458**	**0.963**	**1.281**	**1.805**
Mean	**0.091**	**0.192**	**0.256**	**0.361**
S.D.	**0.015**	**0.084**	**0.030**	**0.128**
C.V.	**16.48%**	**43.75%**	**11.71%**	**35.45%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

The above table shows that the mean ratios of SCBNL seems lower ratio i.e. 0.091. It means SCBNL has not paid high interest in comparisons to other commercial banks during the study period. The standard deviation of Everest bank is higher i.e. 0.128 than that of other selected banks. On the other hand, Himalayan bank has lower Co-efficient of variation i.e. 11.71%, which indicates that slightly, more stable ratios of interest paid to total working fund than that of other commercial banks. From above description, a conclusion can be drawn that Himalayan bank is in better position from interest expenses payment point of view. It seems to be successful to collect its working fund from less expensive sources in comparison to other commercial banks.

4.1.4 Risk Ratios

This ratio is used to measure the amount of risk associated with the various harming operations which ultimately influence the banks' investment policy. Generally risk is uncertainty which lies in the bank transaction of investment management. It increases effectiveness and profitability of the banks. Two ratios are used in this risk ratio which is as follows:

i) Liquidity Risk Ratio

The level of liquidity influences the ability of a banking system to withstand shocks. Liquidity risk arises when an FI's liability holders like depositors demand immediate cash for the financial claims they hold with an FI. The most liquid asset is cash, which FIs can use directly to meet liability holders' demands to withdraw funds. Day to day withdrawals by liability holders are generally predictable and large FIs can expect to borrow additional funds on the money and financial markets to meet any sudden shortfalls of cash. At times FIs face a liquidity crisis due to either a lack of confidence on the FIs problem or some unexpected need for cash, the liability holders may demand larger withdrawals than usual. This turns the FIs' liquidity problem into a solvency problem and cause it to fail (Saunders and Cornett, 2006). Liquidity risk ratio is used to measure the level of risk associated with the liquid assets (i.e. cash, bank balance) that are kept in the bank for the purpose of satisfying,

the deposits demand for cash. The higher ratio indicates lower liquidity risk and vice-versa. This ratio can be calculated by dividing cash at vault and bank balance by total deposits.

Table 4.15

Liquidity Risk Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	1.009	1.003	1.154	1.907
2007/08	1.212	1.229	1.152	1.395
2008/09	1.272	1.158	0.589	1.426
2009/10	1.683	1.602	0.873	3.432
2010/11	1.291	1.805	1.366	2.834
Total	**6.467**	**6.797**	**5.134**	**10.994**
Mean	**1.293**	**1.359**	**1.026**	**2.198**
S.D.	**0.218**	**0.297**	**0.269**	**0.806**
C.V.	**16.90%**	**21.80%**	**26.20%**	**36.60%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

Above table indicates the percentage of Liquidity Ratio of selected banks. It also shows that the ratio of SCBNL bank is increasing scale for the period 2006/07 to 2009/10 but in the year of 2010/11 the ratio decreased to 1.291. Nabil has fluctuating trend. It has increasing trend in 2007/08, decreasing trend in 2008/09, then increasing trend from 2009/10 to 2010/11. In Himalayan bank, the ratio has decreased from 2006/07 to 2008/09 and then it began to increase. There is same position of Everest banks, is also fluctuating trend. However, Everest bank has ratio 3.432 in 2009/10.The mean of ratios of HBL is lest than other banks and Everest bank has greatest value. The standard deviation of SCBNL i.e. 0.218 is lest than other banks.

Similarly, CV of SCBNL is also lest than other banks. From the above analysis, it can be concluded that SCBNL has better maintenance of its liquidity than other banks and it has more liquid assets and can to pay depositors immediately and Everest bank holding great idle balance of cash which is one of the main

factor for less profit. Here, it can be said that SCBNL has maintained lower liquidity, which means it is operating with higher risk, which increases profitability. But, and Everest bank has maintained higher liquidity which operates lower risk and decreases profitability.

ii. Credit Risk Ratio

Credit risk ratio is used to measure the probability of loan non-repayment or the possibility of loan to go into default. This ratio is also expressed as the percentage of non-performing loan to total loan advances. It can be calculated by dividing total loan and advances by total assets.

Table 4.16

Credit Risk Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	0.373	0.620	0.453	0.649
2007/08	0.346	0.578	0.497	0.614
2008/09	0.367	0.385	0.507	0.637
2009/10	0.411	0.575	0.538	0.675
2010/11	0.337	0.311	0.630	0.646
Total	**1.834**	**2.469**	**2.625**	**3.221**
Mean	**0.366**	**0.493**	**0.525**	**0.644**
S.D.	**0.288**	**0.430**	**0.488**	**0.575**
C.V.	**78.93%**	**87.22%**	**92.95%**	**89.28%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

The above comparative table show that the mean ratio of all banks are in fluctuating trend. The mean ratio of Everest bank is higher than other banks. Similarly, in the case of Himalayan bank also the mean ratio is good. Similarly the Co-efficient of variation of SCBNL is the lowest value among these banks.

From the above analysis, it can be reflected that the mean ratio of SCBNL is lower than other banks. It indicates that SCBNL has not bear more risk on its total assets of loan and advances in comparison with other banks. Standard

Deviation of SCBNL i.e. 0.288 which is the lowest value among these banks. Similarly, the C.V. of SCBNL is lowest than other banks which indicates that SCBNL's risk ratio is less variable than other banks. Lastly, it can be concluded that SCBNL has comparatively lower degree of credit risk than other banks.

iii) Non Performing Loan Ratio

The default in repayment of interest or principal within the stipulated time frame, the performing loan turns into non-performing loan. As per NRB directives, all Loans and Advances must be classified in order of Principal default aging into Pass (past due upto 3 months), Sub-standard (past due between 3-6 months), Doubtful (past due between 6-12 months) and Loss (past due over 1 year). NPL forms an aggregate of Substandard, Doubtful and Loss loans. The lower the ratio the better is the proportion of performing loans and risk of default. The ratio can be computed dividing to Non Performing Loan by Total loan.

Table 4.17

Non Performing Loan Ratio

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	0.027	0.018	0.014	0.017
2007/08	0.021	0.020	0.011	0.013
2008/09	0.018	0.017	0.038	0.008
2009/10	0.011	0.007	0.024	0.007
2010/11	0.007	0.016	0.022	0.005
Total	**0.084**	**0.078**	**0.109**	**0.05**
Mean	**0.017**	**0.016**	**0.022**	**0.010**
S.D.	**0.007**	**0.014**	**0.017**	**0.008**
C.V.	**41.18%**	**87.50%**	**77.27%**	**84.38%**

Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

The above table shows the NPL Ratio of the banks. The ratios of Nabil and Himalayan are in fluctuating trend and SCBNL and Everest bank are in decreasing trend. The mean ratio of SCBNL and Everest bank is lower than that of Nabil and Himalayan bank it means they have succeed to collect the fund of loan and advance than Nabil and Himalayan bank. Similarly, standard deviation and co-efficient of variation of SCBNL and Everest bank are lower than Nabil and Himalayan bank which means NPL ratio is less variable than other banks. Lastly, it can be concluded that SCBNL and Everest bank have comparatively lower degree of risk than other banks.

4.2 Statistical Analysis

Some important statistical tools are used to analyze the data to achieve the objective of this study. The basic statistical tools related to this study are stated below:

4.2.1 Coefficient of Correlation Analysis

This statistical tool has been used to interpret and analyze the relationship between two or more variables. Under this topic, Karl Pearson's Co-efficient of correlation is used to find out the relationship between deposit and loan and advance, total deposits and total investment total outside assets and net profit, deposit and net profit, deposit and interest earned, loan and advances and interest paid as well as total working fund and net profit.

i. Coefficient of Correlation between Total Deposit and Total Investment

Coefficient of correlation between deposit and total investment measures the degree of relationship between two these variables. Here, deposit is an independent variable (X) and total investment is dependent variable (Y). The main purpose of this correlation is to find out whether the deposit is significantly used in proper way or not.

Table 4.18

Coefficient of Correlation between Total Deposit and Total Investment

Banks	r	r^2	PE(r)	6PE(r)
SCBNL	1	1	0	0
Nabil	0.94	0.8966	0.0311	0.1869
HBL	-0.33	0.11	0.2685	1.611
EBL	0.87	0.76	0.073	0.4352

From the table listed above, it is obvious that the co-efficient of correlation between total deposit (independent variable) and total investment (dependent variable) value of 'r' is 1, 0.94, -0.33, 0.87 in the case of SCBNL, Nabil, Himalayan and Everest bank respectively. It shows positive relationship between these two variables. But in the case of Himalayan bank indicates that there is negative relationship.

The above table shows that the coefficient of correlation between total deposit and total investment of SCBNL, Nabil, Himalayan and Everest bank are 1, 0.94, -0.33, 0.87 respectively. It shows the highly positive relationship between these two variables but in the case of Himalayan bank is negative correlation relation. Considering coefficient of determination, the value of (r^2) is 1, 0.8966, 0.11 and 0.76 which indicates that 100%, 89.66%, 11% and 76% respectively which indicates the variation in the dependent variable has been explained by the independent variable. In the case of SCBNL, the value of 'r' is higher than 6 P.E. (r) i.e. 1 > 0 So, it is significant relationship. In the case of Nabil, it is 6PE (r) i.e. 0.94>0.1869. But in the case of Himalayan bank the value of 'r' is 6 P.E. (r) -.33<1.611 and Everest bank has the value of 'r' is 6 P.E.(r) 0.87>0.4352. From the above analysis, it can be concluded that in the case of SCBNL, Nabil and Everest bank there is significant relationship between deposit and total

investment. But in the case of Himalayan bank there is no significant relationship between deposit and total investment. Now it can be said that SCBNL has variable policy in mobilizing its deposit as investment.

ii. Coefficient of Correlation between Total Deposit and Loan and Advances

The coefficient of correlation between total deposit and loan and advances used to measure the degree of relationship between these two variables. The main purpose of calculating coefficient of correlation between deposit and loan and advances is to justify whether deposits are significantly used as loan and advances or not. In this analysis, deposit is an independent variable (X) and loan and advances are dependent variable (Y).

Table 4.19

Coefficient of Correlation between Total Deposit and Loan and Advances

Banks	r	r^2	PE(r)	6PE(r)
SCBNL	(0.06)	0.0032	0.31	1.80
Nabil	0.575	0.330	0.098	0.589
HBL	0.978	0.957	0.013	0.078
EBL	0.996	0.993	0.0018	0.0109

The above table shows that r, r^2, P. E. (r), 6 P.E. (r) between deposit and loan and advances of SCBNL, Nabil, Himalayan and Everest bank for the period of 2006/07 to 2010/11. From the above table, it is clear that the coefficient of correlation between deposit and loan and advances of SCBNL is (0.06). It means negative relationship between these two variables. In the case of SCBNL, values of coefficient determination (r^2) is 0.0032, it indicates 0.32% of variation of the loan and advances which has been explained by the deposits. Similarly, considering the value of 'r' i.e. 0.981 and comparing it with six times of probable error (P.E. (r) i.e. 1.80, than 6. P.E.(r) (r<1.80) When we observe correlation between total deposit and loan and advances of Nabil, the coefficient of correlation between these two variables is 0.575 which indicates highly positive correlation between them. Whereas, the value of coefficient of

determination (r^2) is 0.330, which means 33% in the dependent variable (Loan and advances) has been explained by the independent variable (Deposit). Moreover, considering the times of probable error (P.E. (r) i.e. 0.098 which means that the value of 'r' is highly significant, comparing it with six times of probable error (P.E. (r) i.e. 0.098, than 6. P.E.(r) ($r<0.589$) When we observe correlation between total deposit and loan and advances of Himalayan bank the coefficient of correlation between these two variables is 0.978 which indicates highly positive correlation between them. Whereas, the value of coefficient of determination (r^2) is 0.957, which means 95.70% in the dependent variable (Loan and advances) has been explained by the independent variable (Deposit). Moreover, considering the times of probable error (P.E. (r) i.e. 0.013 which means that the value of 'r' is highly significant, comparing it with six times of probable error (P.E. (r) i.e. 0.013, than 6. P.E.(r) ($r>0.78$). Similarly the correlation between total deposit and loan and advances of Everest bank the coefficient of correlation between these two variables is 0.996, the coefficient of determination (r^2) is 0.993, which means 99.3% in the dependent variable (Loan and Advance) has been explained by the independent variable (Deposit). The times of probable error P.E.(r) i.e. 0.0018 which means that the value of 'r' is highly significant , comparing it with six times of probable error P.E. (r) i.e. 0.0109 than 6 P.E.(r) ($r>0.0109$). From the above analysis, we can conclude that there is significant relationship between deposit and loan and advances. It means all banks are successful in mobilizing their deposit as loan and advances. Everest has higher value of 'r' which indicates the better position to mobilize the deposit as loan and advances in comparison with other banks.

iii. Coefficient of Correlation between Deposit and Net Profit

The coefficient of correlation between deposit and net profit is used to measure the degree of relationship between these two variables. The purpose of computing 'r' between two variables is to find out whether deposits are significantly used to obtain return in a proper way or not. Here deposit is independent variable (X) and net profit is dependent variable le (Y).

Table 4.20

Correlation between Total Deposit and Net Profit

Banks	r	r^2	PE(r)	6PE(r)
SCBNL	0.86	0.741	0.041	0.25
Nabil	0.94	0.88	0.018	0.11
HBL	0.97	0.94	0.01	0.06
EBL	1.00	0.99	0.00	5.98

From the above table, r, r^2 P.E. (r) and 6P.E.(r) between deposit and net profit of SCBNL, Nabil, Himalayan and Everest banks are mentioned for the period of 2006/07 to 2010/11. The above table reflects that the coefficient of correlation between deposit and net profit of these banks are 0.86, 0.94, 0.97 and 1.00 respectively. It means there is highly positive relationship among these four variables. There is positive relationship among these four variables. In the case of SCBNL, Considering coefficient of determination, the value of r^2 is 0.86, which indicates that 86% of the variation in the dependent variable (net profit) has been explained by the independent variable (deposit). In the case of Nabil, it is 94% whose dependent variable has been explained by the independent variable. Similarly coefficient of correlation of Himalayan bank is 0.97 and Everest bank is 1.The value of 'r' of SCBNL is higher than 6 P.E. (r) i.e. 0.86>0.25. So it is significant relationship. The value of 'r' of Nabil is also higher 6 P.E. (r) i.e. 0.94>0.11. The value of 'r' of Himalayan bank is also higher which is 6 P.E. (r) >0.06. But the value of 'r' of Everest bank less than 6 P.E. (r) i.e. 1.00<5.98. Therefore, there is no significant relationship between these two variables.

iv. Coefficient of Correlation between Deposit and Interest Earned

The correlation of coefficient between deposit and interest earned measures the degree of relationship between these two variables. Here, deposit is independent variable (X) and interest earned is dependent variable (Y). The

objective of calculating Y between two variables is to find out whether deposit is significantly used to earned interest in a proper way or not.

Table 4.21

Coefficient of Correlation between Deposit and Interest Earned

Banks	r	r^2	PE(r)	6PE(r)
SCBNL	0.87	0.77	0.04	0.21
Nabil	0.92	0.85	0.02	0.13
HBL	0.97	0.95	0.02	0.04
EBL	0.99	0.99	0.0005	0.0034

The above table shows the values r, r^2 P.E. (r) and 6 P.E.(r) between deposit and interest earned of SCBNL, Nabil, Himalayan and Everest banks are mentioned for the period of 2006/07 to 2010/11. The above listed table shows that the coefficient of correlation between deposit and interest earned of SCBNL, Nabil, Himalayan and Everest Banks are 0.87, 0.92, 0.97 and 0.99 respectively. These indicate that there is positive relationship and highly relationship between these two variables.. In the case of SCBNL, the coefficient of determination the value of r^2 is 0.77 which indicates that 77%, NABIL has 0.85 which means 85%, Himalayan bank has 0.95 which indicates 95% and Everest bank has 0.99 which indicates 99% of the variation in the dependent variable (interest earned) has been explained the independent variable (deposit). The value of 'r' of SCBNL is higher than 6P.E. (r) i.e. 0.87>0.21. So it is positive relationship between deposit and interest earned. Similarly the values of ‘r’ of Nabil is higher than 6P.E. (r) i.e. 0.92>0.13. There is significant relationship between these two variables. The Value of ‘r’ of Himalayan bank is higher then 6P.E.(r) i.e. 0.97>0.04. And the value of ‘r’ of Everest bank is also higher than 6P.E.(r) i.e. 0.99>0.0034 which means there is positive relationship between deposit and interest earned Form the above

analysis, it can be said that there is better position of SCBNL in comparison among these banks because it has higher value of 'Y'.

v. Coefficient of Correlation between Loan and Advances and Interest Paid

The coefficient of correlation between loan and advances and interest paid is used to measure the degree of relationship between these two variables. Here loan and advances is independent variable (X) and interest paid is dependent variable (Y). The main objective of computing Y between these variables is whether increases in loan and advances or decrease in the interest paid of the banks.

Table 4.22

Coefficient of Correlation between Loan and Advances and Interest Paid

Bank	r	r^2	PE(r)	6PE(r)
SCBNL	0.958	0.918	0.012	0.074
Nabil	0.411	0.169	0.177	1.065
HBL	0.978	0.957	0.006	0.038
EBL	0.977	0.955	0.006	0.041

From the above table, r, r^2 PE(r) and 6 P.E, (r) between loan and advances interest paid of SCBNL, Nabil, Himalayan and Everest banks are mentioned for the period of (2006/07 to 2010/11). The above table shows that the coefficient of correlation between these two variables of banks are 0.958, 0.411, 0.978 and 0.977 respectively. These indicate that there is positive relationship in the case of SCBNL, Nabil, Himalayan and Everest banks. The value of coefficient of determination (r^2) of SCBNL is 0.918. It means 91.80% of variation in dependent variable has been explained the independent variable. In case of Nabil, 16.90% of the dependent variable has been explained by independent variable. The value of coefficient of determination (r^2) of

Himalayan is 95.70 %. Similarly, Everest bank has 95.50% of the dependent variable has been explained the independent variable. The value of 'r;' of SCBNL is greater than 6 P.E.(r) i.e. 0.958> 0.074. So, there is significant relationship between loan and advances and interest paid. The values of r of Nabil is less than 6P.E. (r) i.e. 0.411 <1.065. Therefore, there is no significant relationship between these variables. The value of 'r' of Himalayan bank is greater than 6P.E. (r) i.e. 0.978>0.038. So, there is significant relationship between these variables and the value of 'r' of Everest bank is also greater than 6P.E.(r) i.e. 0.977>0.041. It means it is also significant relationship between these variables.

vi. Coefficient of Correlation between Outside Assets and Net Profit

Coefficient of correlation between outside assets and net profit measures the degree of relationship between these two variables. Its main purpose is to find out whether the net profit is significantly correlated with respective total assets or not. Here outside asset is independent variable (X) and net profit is dependent variable (Y).

Table 4.23

Coefficient of Correlation between Outside Assets and Net Profit

Banks	r	r^2	PE(r)	6PE(r)
SCBNL	0.996	0.992	0.001	0.006
Nabil	0.941	0.886	0.017	0.105
HBL	0.972	0.946	0.008	0.049
EBL	0.992	0.986	0.002	0.012

Form the above table, r, r^2 , P.E. (r) and 6 P.E. (r) between outside assets and net profit of SCBNL, Nabil, Himalayan and Everest banks are calculated respectively for the period of 2006/07 to 2010/11.The above table shows that

the coefficient of correlation between outside asset and net profit (r) of these banks are 0.996, 0.941, 0.972 and 0.992 respectively. It means that there is highly positive relationship between these two variables. In the case of SCBNL, considering coefficient of determination, the value of r^2 is 0.992 which indicates that 99.20% of the variation in the dependent variable (net profit) has been explained by the independent variable (outside asset). In the case of Nabil, is 88.60%, Himalayan bank has 94.60% of the variation in the dependent variable (net profit) has been explained by the independent variable (out side asset). Similarly Everest bank has 98.6%. In the case of SCBNL, the value of 'r' is higher than 6 P.E. (r) i.e. 0.996>0.006. So it is significant relationship. In the case of Nabil, the value of 'r' is higher than 6 P.E. (r) i.e. 0.941 > 0.105. Therefore, there is also significant relationship between these two variables. In the case of Himalayan bank also the value of 'r' is higher than 6 P.E. (r) i.e. 0.972>0.049. Similarly in the case of Everest bank the value of 'r' is higher than 6 P.E.(r) i.e. 0.992>0.012. From the above analysis it can be predicted that Nabil bank is successful in mobilizing of fund and earn return (net profit) from such mobilized funds. SCBNL has higher value of Y which shows that the position of Nabil is better regarding the mobilization of outside asset in profitable way.

vii. Coefficient of Correlation between Total Working Fund and Net Profit

Coefficient of correlation between total working fund and net profit measures the degree of relationship between these two variables. Its main purpose is to find out whether the net profit is significantly correlated with respective total assets or not. Here total working fund is independent variable (X) and net profit is dependent variable (Y).

Table 4.24

Coefficient of Correlation between Total Working Fund and Net Profit

Bank	r	r2	P.E. (r)	6.P.E (r)
SCBNL	0.833	0.694	0.050	0.302
Nabil	0.531	0.282	0.141	0.847
HBL	0.713	0.508	0.086	0.519
EBL	0.814	0.663	0.055	0.335

Form the above table, r, r^2, P.E. (r) and 6.P.E (r) between total working found and net profit of SCBNL, Nabil, Himalayan and Everest banks are mentioned for the period of 2006/07 to 2010/11. The above table shows that the coefficient of correlation between these two variables of SCBNL, Nabil, Himalayan and Everest banks are 0.833, 0.531, 0.713 and 0.816 respectively. These indicate that there is highly positive relationship of these banks. The coefficient of determination the value of r^2 is 0.0.694 which indicates that 69.40% of the variation in the dependent variable (net profit) has been explained the dependent variable (total working fund). In the case of Nabil, 28.20% of the dependent variable has been explained by the independent variable. The value of 'r^2' of Himalayan bank is 50.8% and Everest bank is 66.3%. The value of 'r' of SCBNL is higher than 6 P.E. (r) i.e. 0.833>0.302, so there is significant relationship. The values of 'r' of Nabil is less than 6 P.E. (r) i.e. 0.531<0.847. Therefore there is no significant relationship between these two variables. The value of 'r' of Himalayan bank is higher than 6 P.E.(r) i.e. 0.713>0.519. So there is significant relationship. Similarly, the value of 'r' of Everest bank is also higher than 6 P.E.(r) i.e. 0.814>0.335. So, there is significant relationship between these two variables.

4.2.2 Trend Analysis

The main objective of this analysis is to analyze or interpret the trend of deposits, loan and advances, investment and net profit of SCBNL, Nabil, Himalyan and Everest banks for the period of 2006/07 to 2010/11. And, it also helps to make forecasting for next five years up to 2015/16. The forecasts are based on the following assumption:

- The main assumption is that other thing will remain unchanged.
- The banks will run in present position
- The forecast will be true when the limitation of least square method is carried out.
- The economy will remain in the present condition.
- Central Bank (NRB) will not change its guidelines to commercial banks.

The following trend analyses have been used in this study:

i. Trend Analysis of Total Deposit

This analysis has been made to calculate the trend values of deposit of SCBNL and Nabil for five years form 2006/07 to 2010/11 and forecast for five years till 2015/16.

Table 4.25

Trend Values of Total Deposit of SCBNL, Nabil, HBL and EBL

Rs. in Million

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	12,041.59	262,625.84	35,384.62	33,789.03
2007/08	49,287.21	305,953.31	72,542.11	71,922.47
2008/09	86,532.84	349,280.79	109,699.60	110,055.91
2009/10	123,778.47	392,608.26	146,857.08	148,189.35
2010/11	161,024.10	435,935.73	184,014.57	186,322.79
2011/12	198,269.73	479,263.20	221,172.06	224,456.22
2012/13	235,515.36	522,590.67	258,329.55	262,589.66
2013/14	272,760.99	565,918.15	295,487.04	300,723.10
2014/15	310,006.61	609,245.62	332,644.52	338,856.54
2015/16	347,252.24	652,573.09	369,802.01	376,989.97

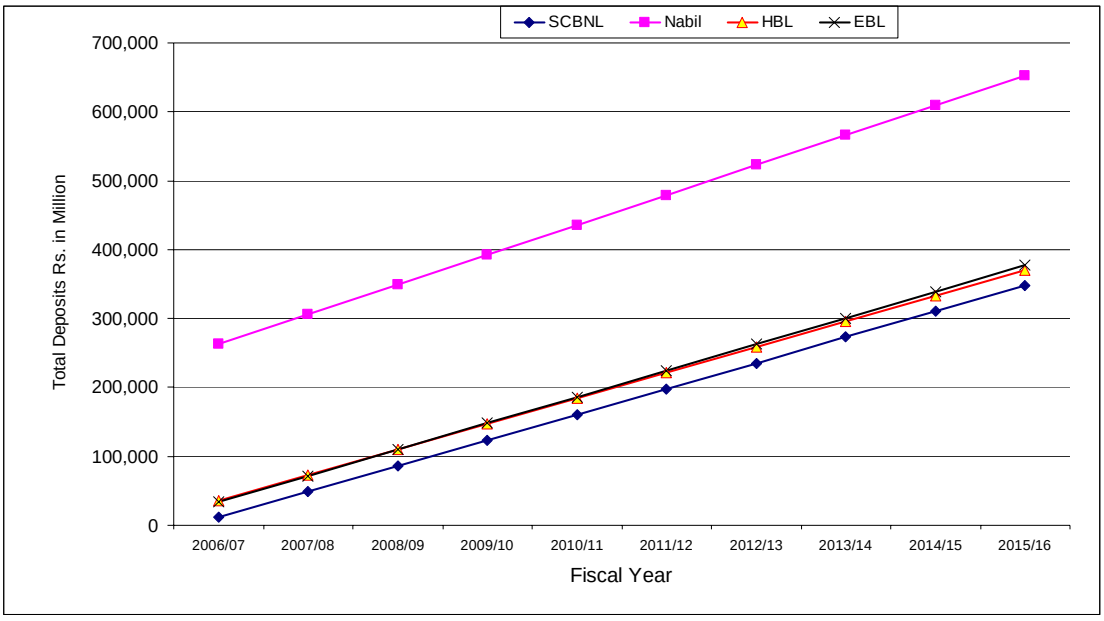
Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

From the above table, the trend values of total deposit of these banks. The above table shows that total deposit of these banks is in increasing trend. Other things remaining the same, the total deposit of SCBNL, Nabil, Himalayan and Everest banks in year 2013/14 will be Rs.347252.24, Rs652,573.09, Rs369,802.01 and Rs376,989.97 million respectively. It means that trend value of Nabil is comparatively higher than other banks.

From the above analysis, it can be said that NABIL's total deposit trend will be satisfactory. The above calculated trends values of total deposit of banks are fitted in the trend lines given as follows:

Figure 4.9

Trend Values of Total Deposit of SCBNL, Nabil, HBL and EBL



ii. Trend Analysis of Loan and Advances

This analysis has been made to calculate the trend values of loan and advances of SCBNL, Nabil, Himalayan and Everest banks for five years from 2006/07 to 2010/11 and forecast for next five years till 2015/16.

Table 4.26

Trend Values of Loan and Advances of SCBNL, Nabil, HBL & EBL

(Rs. in Millions)

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	4,656.08	9,311.56	4,574.40	10253.67
2007/08	20,407.55	26,835.60	31,753.15	24,462.34
2008/09	36,159.03	44,359.63	58,931.90	52,178.65
2009/10	51,910.50	61,883.67	86,110.65	79,894.96
2010/11	67,661.97	79,407.70	113,289.39	107,611.27
2011/12	83,413.44	96,931.74	140,468.14	135,327.58
2012/13	99,164.91	114,455.78	167,646.89	163,043.90
2013/14	114,916.38	131,979.81	194,825.63	190,760.21
2014/15	130,667.85	149,503.85	222,004.38	218,476.52
2015/16	146,419.32	167,027.88	249,183.13	246,192.83

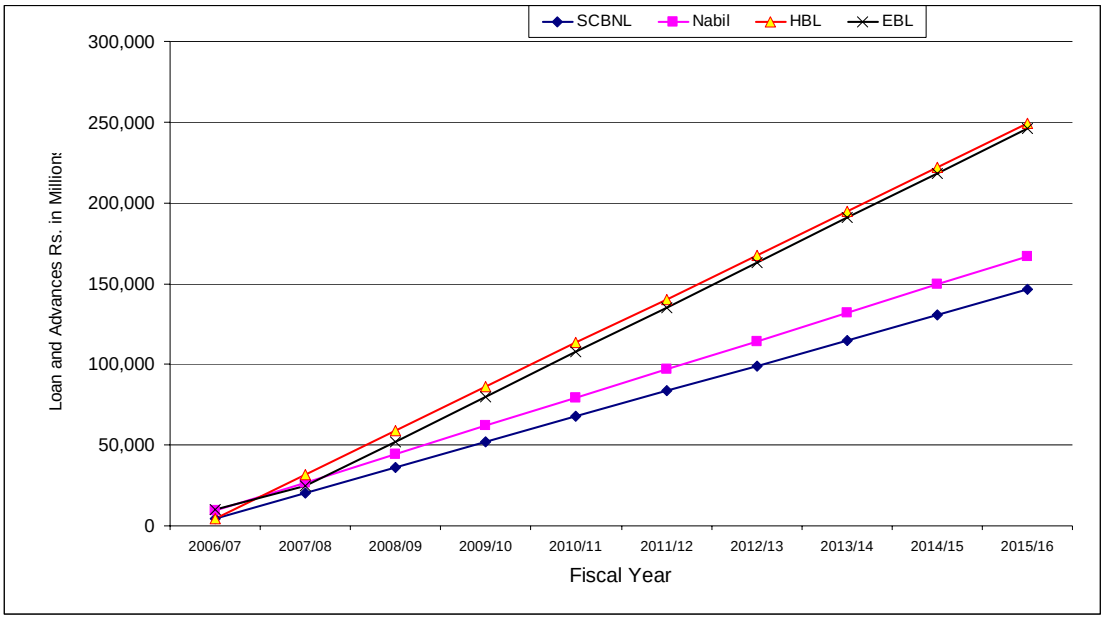
Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

From the above table, the trend values of loan and advances of SCBNL, Nabil, Himalayan and Everest banks are calculated. The above table reflects that the trend values of loan and advances are in increasing trend. If other things remain the same, the loan and advances of SCBNL, Nabil, Himalayan and Everest banks will be Rs.146,419.32, 167,027.88, 249,183.13 and 246,192.83 million respectively.

It shows that the trend value of Himalayan is higher than other banks during this study period. In conclusion, it is cleared that Himalayan and Everest banks utilization of deposit in terms of loan and advances is comparatively higher than SCBNL and Nabil banks. The above calculated trend values of loan and advances of SCBNL, Nabil, Himalayan and Everest banks are fitted in the trend lines given as follows:

Figure 4.10

Trend Values of Loan and Advances of SCBNL, Nabil, HBL & EBL



iii. Trend Analysis of Total Investment

This analysis has been made to calculate the trend values of total investment of SCBNL, Nabil, Himalayan and Everest banks for five years form 2006/07 to 2010/11 and forest for next five years till 2015/16.

Table 4.27

Trend Values of Total Investment of SCBNL, Nabil, HBL & EBL

(Rs in Million)

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	3,995.39	2,048.95	14,109.73	1,679.88
2007/08	25,282.62	14,760.42	23,640.21	8,386.30
2008/09	46,569.84	27,471.90	33,170.70	15,092.72
2009/10	67,857.07	40,183.38	42,701.19	21,799.15
2010/11	89,144.30	52,894.85	52,231.68	28,505.57
2011/12	110,431.53	65,606.33	61,762.17	35,211.99
2012/13	131,718.76	78,317.80	71,292.65	41,918.41
2013/14	153,005.98	91,029.28	80,823.14	48,624.83
2014/15	174,293.21	103,740.76	90,353.63	55,331.26
2015/16	195,580.44	116,452.23	99,884.12	62,037.68

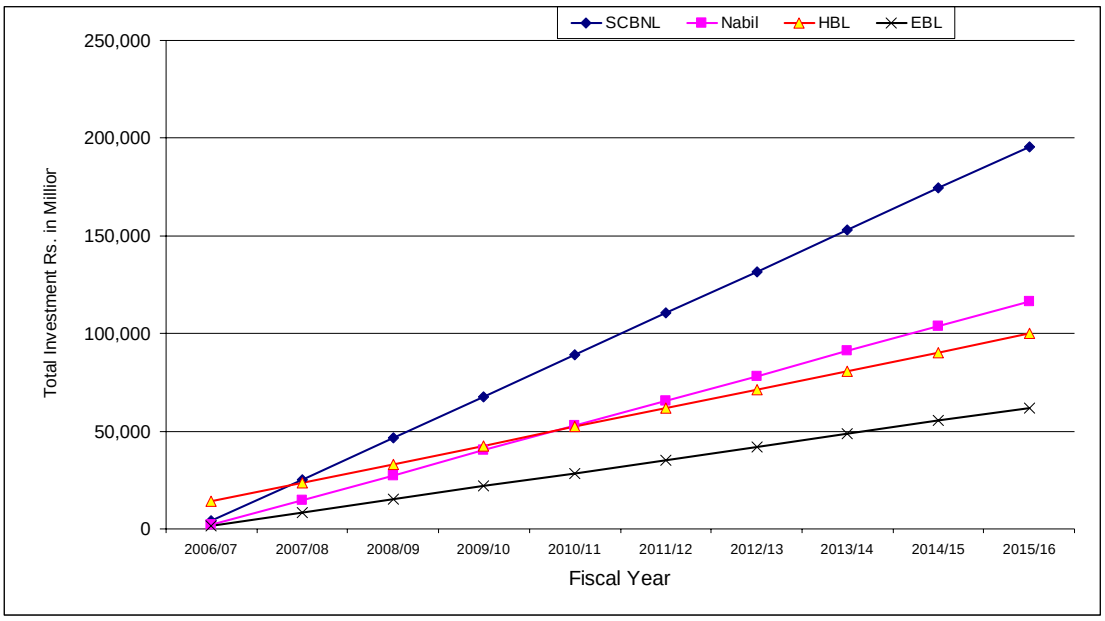
Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

From the above table, the trend values of total investment of SCBNL, Nabil, Himalayan and Everest banks are calculated. The above comparative table shows that the trend values of total investment are in increasing trend. If other things remain same, the total deposit of SCBNL, Nabil, Himalayan and Everest will be Rs195,580.44, 116,452.23, 99884.12 and 62,037.68 million respectively. It reflects that the trend values of SCBNL is higher than other banks during this study period.

In conclusion, it can be concluded that SCBNL's total investment trend is more satisfactory than other banks and it has maintained well investment trend during this study period. The above trend values of total of these banks are fitted in the trend lines given as follows:

Figure 4.11

Trend Values of Total Investment of SCBNL, Nabil, HBL & EBL



iv. Trend Analysis of Net Profit

This analysis has also been made to compute the trend values of net profit of SCBNL, Nabil, Himalayan and Everest for five years form 2006/07 to 2010/11 and forecast for the same for next five fiscal years till 2015/16.

Table 4.28

Trend Values of Net Profit of SCBNL, Nabil, HBL & EBL

(Rs. in Million)

Fiscal Year	SCBNL	Nabil	HBL	EBL
2006/07	238.64	193.60	93.19	85.20
2007/08	1,352.32	1,292.17	947.23	567.99
2008/09	2,466.00	2,390.73	1,801.26	1,306.11
2009/10	3,579.69	3,489.30	2,655.30	2,044.23
2010/11	4,693.37	4,587.86	3,509.33	2,782.35
2011/12	5,807.05	5,686.43	4,363.37	3,520.47
2012/13	6,920.73	6,784.99	5,217.40	4,258.59
2013/14	8,034.42	7,883.56	6,071.44	4,996.71
2014/15	9,148.10	8,982.12	6,925.47	5,734.83
2015/16	10,261.78	10,080.69	7,779.51	6,472.95

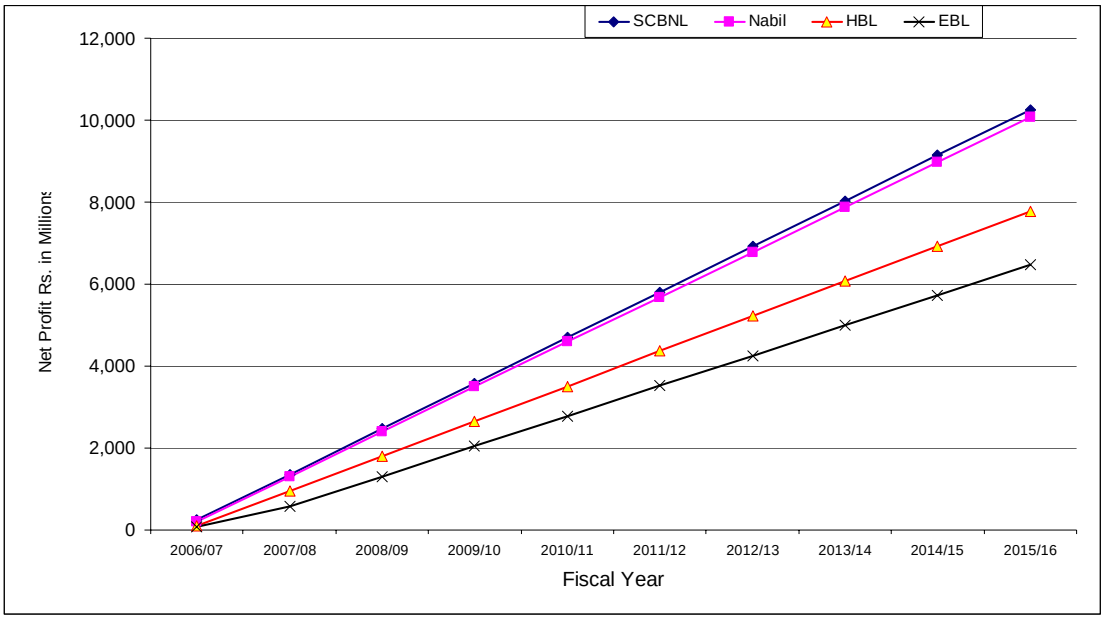
Source: Annual Report of Selected Banks from FY 2006/07 to 2010/11

From the above table, the trend values of net profit of SCBNL, Nabil, Himalayan and Everest banks are calculated. The above table reveals that the trend value of net profit of these banks are in creasing trend. Other things remaining the same, the net profit of SCBNL, Nabil, Himalayan and Everest banks in F/Y 2015/16 will be Rs.10,261.78, 10,080.69, 7,779.51 and 6,472.95 million respectively. Net profit of SCBNL in F/Y 2015/16 will be Rs.10261.78.40 million which is comparatively higher than other banks.

From above analysis, it can be concluded that SCBNL seems to have utilize its funds to earn handsome amount of profit. The above given trend values of table have been fitted in trend lines which are as follows:

Figure 4.12

Trend Values of Net Profit of SCBNL, Nabil, HBL & EBL



4.3 Major Findings

From the data presentation and analysis, some main findings are summarized, which are as follows:

Liquidity Ratio

- The mean current ratio of SCBNL is viewed slightly higher than other banks. In the view point of working capital consistency of maintain liquidity position of SCBNL. SCBNL has better maintenance of its liquidity than other banks.
- The mean ratio of cash and bank balance to total deposit of SCBNL has better maintenance of its liquidity than other banks and it has more liquid assets and can to pay depositors immediately and Everest bank holding great idle balance of cash which is one of the main factor for less profit.
- The mean ratio of cash and banks balance to current assets of Everest bank has been successful to maintain higher cash and bank balance to current ratio, but it doesn't mean that it has mobilized its more funds in profitable sectors. It actually means that Everest bank can meet its daily requirement

to make the payment on customer deposits. In contrast, The SCBNL may have invested their fund in more productive sectors.

- The mean ratio of investment on government securities to current assets ratio of Nabil bank is lower than that of other commercial banks. It means Nabil bank has not invested as much portion of its current assets. The higher ratio of a bank gave the result of increasing deposit collections and unavailability of other secured and profitable investment sector. Lastly, from the point of view of its ratio, SCBNL'S liquidity position is richer than that of other commercial banks.
- The mean ratio of loan and advances to current assets ratio of SCBNL is in good position and is more satisfactory and is able to mobilize its fund as loan and advances.

Assets Management Ratios

- The mean ratio of loan and advances to total deposit of Everest Bank is in good form and has success to mobilize its total deposits on loan and advances in comparison to other banks.
- The mean ratio of loan and advances to total working fund of SCBNL is comparatively good. We can conclude that due to lowest standard deviation and Co-efficient of variation SCBNL is more consistent than that of other commercial banks.
- Investment to total deposit ratio of SCBNL, the higher ratio indicates the higher success to mobilize the banking funds as investment and vice-versa. It can be concluded that SCBNL has become success to better utilization of deposit to investment than other banks.
- The ratio of Investment on Government Securities to Total Working Fund is, SCBNL has succeeded to mobilize the funds as investment on government securities. Its investment policy is also consistent than other commercial banks.

- The ratio of Investment on Shares and Debentures to Total Working Fund of Himalayan bank is more consistent than that of other commercial banks and able to mobilize it's total working fund on share and debenture.

Profitability Ratios

- The ratio of Return on Loan and Advances SCBNL is more consistent than that of other commercial banks and has greater earning and mobilize it's fund as loan and advance
- The ratio of return on Total Working Fund of SCBNL has more consistent than that of other commercial banks. Therefore, it is clear that other commercial banks seems to be weak to earn high return on its working fund and have to make efforts to earn high profit by mobilizing its working assets more efficiently.
- The ratio of total Interest Earned to Total Working Fund of SCBNL and Himalayan bank performing well than Nabil and Everest bank.
- The ratio of Total Interest paid to Total Working Fund Himalayan bank is in good form and more stable ratios of interest paid to total working fund than that of other commercial banks and Himalayan bank is in better position from interest expenses payment point of view. It seems to be successful to collect its working fund from less expensive sources in comparison to other commercial banks.

Risk Ratios

- The ratio of Liquidity Risk of SCBNL, has maintained lower liquidity, which means it is operating with higher risk, which increases profitability.
- The mean ratio of the Credit Risk of SCBNL is lower than other banks. It indicates that SCBNL has not bear more risk on its total assets of loan and advances in comparison with other banks.
- The mean ratio of non performing loan of SCBNL and Everest bank is lower than that of Nabil and Himalayan bank it means they have succeed to collect the fund of loan and advance than Nabil and Himalayan bank.

Coefficient of Correlation Analysis

- Correlation between Total Deposit and Total Investment of SCBNL, Nabil and Everest bank are significant relationship between deposit and total investment. But in the case of Himalayan bank there is no significant relationship between deposit and total investment. Now it can be said that SCBNL has variable policy in mobilizing its deposit as investment.

Correlation between Deposit and Loan and Advances

- EBL has higher value which indicates the better position to mobilize the deposit as loan and advances in comparison with other banks.
- Coefficient of Correlation between Deposit and Net Profit of all these banks are in positive relationship among these four variables.
- Coefficient of Correlation between Deposit and Interest Earned of SCBNL is in good form in comparison among these banks because it has higher value.
- Coefficient of Correlation between Loan and Advances and Interest Paid of all banks show that there is positive relationship in loan and advance and interest of SCBNL, Nabil, Himalayan and Everest banks.
- Coefficient of Correlation between Outside Assets and Net Profit of Nabil bank which is successful in mobilizing of fund and earn return (net profit) from such mobilized funds. SCBNL has higher value which shows that the position of Nabil is better regarding the mobilization of outside asset in profitable way.
- Correlation between Total Working Fund and Net Profit of all banks are highly positive relationship.

Trend Analysis

- Trend values of total deposit of all banks are found to be in increasing trend. The increasing ratio on deposit of Nabil is comparatively higher than other banks.
- The trend values of loan and advances of all banks have been found in increasing trend. Comparing all banks, the trend value of Himalayan is higher than other banks during this study period.

- The trend values of total investment of all banks are in increasing trend and SCBNL is higher than other banks during this study period.
- The trend values of net profit of all banks are in increasing trend. In comparison, the trend values of SCBNL seems to have utilize its funds to earn handsome amount of profit.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

A commercial bank means the bank, which deals with exchange currency, accepting deposit, providing loan or investing in various sectors to do other commercial transactions. Therefore, it is cleared that one of the major function of commercial bank is investment policy. There is not so long history of commercial bank in Nepal. Nepal Bank Ltd. is the first commercial bank of the country which was established in 1994 B.S. Then after, many joint venture banks and commercial banks have been established. In this research work, there has been taken four main commercial banks (i.e. SCBNL, Nabil Bank Ltd. HBL and EBL). The main objectives of this study were:

1. To analyze the performance in terms of liquidity, asset management, profitability and risk.
2. To evaluate the trends of total deposits, total investments, loans and advances and to compare their position in the companies.
3. To study the relationship of deposit with investment, loans and advances
4. To assess the effects of investment decision on profitability position of the banks.
5. To evaluate the position of nonperforming loan

The investment decision has played vital role in the banking sectors as well as other organizations. Effective investment decision encouraged to each and every investor to invest their funds on profitable sectors in order to get high return. The study tries to describe the conceptual reviews, investment, NRB rules regarding fund mobilization of commercial banks, review of unpublished thesis work. Besides these, personal contact with the banks and with respected teachers has also been made. The analysis has been divided into two categories

i.e. financial and statistical tools. Both tools have been made for comparative analysis and their interpretation. Under financial tools, liquidity ratio, assets management ratio, profitability ratio and risk ratio have been analyzed and interpreted comparatively. Under statistical tools, coefficient of correlation analysis, trend analysis, S.D. and C.V. have been used. In this study Coefficient of Correlation between Deposit and Net Profit of all these banks are in positive relationship among these four variables. The mean current ratio of SCBNL is viewed slightly higher than other banks. In the view point of working capital consistency of maintain liquidity position of SCBNL. SCBNL has better maintenance of its liquidity than other banks. SCBNL has high credit risk ratio it means it has invested its deposit in profitable sectors. Nabil bank has comparatively highest trend values of deposit. Similarly, the trend value of loan and advance of HBL is highest than other banks.

5.2 Conclusion

“There is always a return if there is investment. This return may be favorable as well as unfavorable to the investor's standpoint.” (Valla, 2005;25). But in the study, the word investment conceptualized the investment of income saving or the collected fund. The term investment covers a wide range of activities. It is commonly known fact that an investment is only possible where there is adequate saving. If all the incomes and savings are consumed to solve the problem of hand to mouth and to the other our basic needs, then there is no existence of investment. That is why both saving and investment are interrelated each other. The term, investment means the sacrifice of money today for the prospective money tomorrow. In this study four commercial banks (i.e. SCBNL, Nabil, EBL and HBL) have been taken to find out about their investment policies and their positions. SCBNL has succeeded to maintain the better liquidity position than other banks. Higher Assets Management Ratios and Profitability Ratios indicate that the bank is able to maintain a good condition and able to mobilize the deposit in different sectors. Higher risk ratios means the bank has operated in high risk, it increases the profits and the

bank has mobilized its fund in investment sectors i.e. SCBNL has maintained it. If the bank operates in high liquidity position it means that bank has more excess balance of fund for paid its customer immediately. There is significant difference between mean ratio of loan advance to total deposits of SCBNL. There are also advantages of joint venture banks first it provides companies with the opportunity to gain new capacity and expertise. Joint venture allows companies to enter related businesses or new geographic markets or gain new technological knowledge.

5.3 Recommendations

This recommendation is the final output of the whole study. Generally, it helps to convey correct and good information of the improvement of concerned banks in future. Several analyses have been accrued to reach in this topic. The following recommendation and suggestions have been mentioned to overcome the weakness, inefficiency and improvement of present investment policy of SCBNL, Nabil, Himalayan bank and Everest banks.

i. Liberal lending policy

To achieve success in this competitive banking environment, every bank must utilize their loan and advances. The loan and. advances is the main item of the bank in assets side. If it is medicated, it could be the main reason of liquidity crisis and bankrupt. From the analysis, it has been found that loan and advances to total deposit ratio of Everest Bank is in good position and has success to mobilize its total deposits on loan and advances in comparison to other banks. So, Everest bank is strongly recommended to follow liberal landing policy, invest more total deposit in loan and advances and maintain more stability on investment policy.

ii. Expand investment on government securities

From the analysis, it has been found that SCBNL has succeeded to mobilize the funds as investment on government securities. Its investment policy is also consistent than other commercial banks. Investment on those securities issued by government (i.e. treasury bills, development bonds, saving certificates, etc)

are free of risk and highly liquid such as securities yields the low interest rate of particular maturity lowest risk in future and it is more better in regard to safety that other means investment. So SCBNL is strongly recommended to give more emphasis to invest on government securities.

iii. Increase investment on share and debenture

A commercial bank should utilize its fund in different sectors like to purchase share and. debenture of other financial and non financial companies. From analysis, it has been found that Himalayan bank's ratio of investment on share and debenture is more consistent than that of other commercial banks and able to mobilize it's total working fund on share and debenture. So, Himalayan bank is strongly recommended to invest its more funds on share and debentures of different companies.

iv. Services to rural areas and lower level people

As we know that most of commercial banks have provided their services only in Kathmandu valley. They should extend their services towards rural areas and preserve the banking and saving habits of the lower level people of nation. So all four banks are suggested not to be surrounded and limited with the interest and staff of big clients (i.e. multinational cos. large industry, NGOs, INGOs, etc.) but extend their product and services in every nook and corner of the country.

v. Effective portfolio management

Portfolio management is very much important for every investor. The term investment has included many parts of risk. So the effective portfolio management plays important role to divide total investment in different sectors so that risk is also divided into different secretors. It has been found that all banks have been increasing total investment every year. So, all banks are strongly recommended to invest in different sectors and to follow a saying don't keep all the eggs in the same basket.

vi. Innovative marketing system

In these competitive banking sectors, a well marketing system plays tremendous role in development of banks. Every commercial bank should be

customer oriented. Marketing is the one of the best and effective tool to attract the customers. So it has to be sound and effective. Different marketing methods can be applied like advertisement through newspapers, magazine, audio-visual, websites, documentary, etc. Not only these but to draw the attentions of customers through new technology like E- banking , internet banking service, SMS banking, ATM, Debit Card, Visa and Master cards, etc. SCBNL and Nabil have provided such modem and advance service.

vii. Expansion of Branches

Economic growth of a country depends upon the high growth of the commercial banks. If the product and services of commercial banks expands all over the nation, the idle money from different areas can be collected and utilized for income generation purpose. So commercial banks should expand their branches not only in urban area but also rural area of the nation. But here commercial banks are centralized in the capital. Now, all commercial banks are in competitive position to expand more branch office. So, all banks are recommended to expand their branches and provide effective banking product and services.

viii. Suggestions to further Researchers

Here, the researcher has used 5 fiscal years of secondary data only and primary data so, further researcher are suggested to use more than 5 fiscal year and to use not only 3 or 4 banks because it doesn't come clear and exact result which we want to obtain. Here is only used selected commercial banks (i.e. SCBNL, Nabil, Himalayan and Everest), and a few financial and statistical tools in this study. But the further researchers are recommended to study more than four banks and apply more useful financial and statistical tools.

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Appendix- A

Standard Charted Bank Ltd. FY 2006/07 to 2010/11

Current Assets	2006/07	2007/08	2008/09	2009/10	2010/11
Cash balance	195458711	279511285	378422542	414875467	463345996
Money at Calls	2259691000	1977271000	1761151500	2197537600	2055549000
Other Assets	638564463	493697978	633055306	1349319111	1341584862
Total	3093714174	2750480263	2772629348	3961732178	3860479858
Current Liabilities	2006/07	2007/08	2008/09	2009/10	2010/11
Bills Payable	56,297,815	55,750,837	36,168,332	87,397,021	72,941,748
Income Tax Liability	0	0	5,598,588	2,051,550	4,262,601
Proposed and Unpaid Dividend	461,337,681	499,979,726	341,744,048	506,366,940	476,296,048
Other Liabilities	290,607,617	405,430,899	1,049,804,367	503,426,025	809,776,754
Total	808,243,113	961,161,462	1,433,315,335	1,099,241,536	1,363,277,151
Current Ratio	3.827702487	2.861621457	1.934416859	3.604059752	2.831764513

Nabil Bank Ltd. FY 2006/07 to 2010/11

Current Assets	2006/07	2007/08	2008/09	2009/10	2010/11
Cash balance	146352555	237818512	270,406,987	511,426,584	674,395,434
Money at Calls	868428307	1734901943	563,532,632	1,952,360,700	552,888,297
Other Assets	543883323	544668139	512,050,004	606,393,650	864,695,708
Total	1558664185	2517388594	1,345,989,623	3,070,180,934	2,091,979,439
Current Liabilities	2006/07	2007/08	2008/09	2009/10	2010/11
Bills Payable	119753038	92536853	83,514,820	238,421,890	463,138,615
Income Tax Liability	805268083	34604855	0	38,776,869	80,232,454
Proposed and Unpaid Dividend	0	435084062	509,417,925	437,373,004	361,325,024
Other Liabilities	0	372149741	378,552,721	465,940,930	502,899,934
Total	925021121	934375511	971,485,466	1,180,512,693	1,407,596,027
Current Ratio	1.685003888	2.694193677	1.385496407	2.600718275	1.486207263

Himalayan Bank Ltd. FY 2006/07 to 2010/11

Current Assets	2007/08	2006/07	2008/09	2009/10	2010/11
Cash balance	305428144	286529934	177242226	278183489	473759695
Money at Calls	1005280000	441080900	1710023859	518529500	1170793650
Other Assets	643609788	517992113	643967906	634786835	622264633
Total	1954317932	1245602947	2531233991	1431499824	2266817978
Current Liabilities	2006/07	2007/08	2008/09	2009/10	yr 2010/11
Bills Payable	73577730	68399189	91303206	102669796	113509140
Reserve and Funds	993975616	898246461	1335689655	1499479102	1903665537
Income Tax Liability	0	3250506	11913476	19131036	10163140
Proposed and Unpaid Dividend	238409026	80120166	130939748	263076319	162096954
Other Liabilities	386750763	404581281	494099459	491695555	733327144
Total	1692713135	1454597603	2063945544	2376051808	2922761915
Current Ratio	1.154547626	0.856321325	1.226405415	0.602469954	0.775573941

Everest Bank Ltd. FY 2006/07 to 2010/11

Current Assets	2006/07	2007/08	2008/09	2009/10	2010/11
Cash balance	192590000	192590297	259347645	822989425	944695793
Money at Calls	570000000	570000000	66960000	346000000	0
Other Short term Assets	290467000	206285178	178007850	376215468	492166151
Total	1053057000	968875475	504315495	1545204893	1436861944

Current Liabilities	2006/07	2007/08	2008/09	2009/10	2010/11
Bills Payable	17778000	17777860	15805995	49429700	148655592
Reserve and Funds	314617365	444808301	683515266	1089837580	1364804055
Income Tax Liability	607040000	3312244	0	41143107	20522280
Proposed and Unpaid Dividend	25557257	23527388	114666758	140790370	230524766
Other Liabilities	45690580	457590572	763558645	720443592	378574715
Total	1010683202	947016365	1577546664	2041644349	2143081408
Current Ratio	1.041925895	1.023082083	0.319683409	0.756843323	0.670465405

Appendix- B

Ratio Analysis

Cash and Bank Balance to Total Deposit Ratio

Banks/FY		2006/07	2007/08	2008/09	2009/10	2010/11
SCBNL	Cash and Bank Balance	195458711	279511285	378422542	414875467	463345996
	Total Deposit	193715274	230619872	297501998	246509487	358904722
	Ratio	1.009	1.212	1.272	1.683	1.291
NABIL	Cash and Bank Balance	146352555	237818512	270406987	511426584	674395434
	Total Deposit	145914811	193505705	233512079	319242562	373626279
	Ratio	1.003	1.229	1.158	1.602	1.805
HBL	Cash and Bank Balance	305428144	286529934	177242226	278183489	473759695
	Total Deposit	264669102	248723901	300920587	318652336	346822617
	Ratio	1.154	1.152	0.589	0.873	1.366
EBL	Cash and Bank Balance	192590000	192590297	259347645	822989425	944695793
	Total Deposit	100991085	268663464	369829742	2824499707	2677267877
	Ratio	1.907	0.717	0.701	0.291	0.353

Cash and Bank Balance to Current Assets Ratio

Banks/FY		2006/07	2007/08	2008/09	2009/10	2010/11
SCBNL	Cash and Bank Balance	195458711	279511285	378422542	414875467	463345996
	Current Assets	3093714174	2750480263	2772629348	3961732178	3860479858
	Ratio	0.063	0.102	0.136	0.105	0.120
NABIL	Cash and Bank Balance	146352555	237818512	270406987	511426584	674395434
	Current Assets	1558664185	2517388594	1,345,989,623	3,070,180,934	2,091,979,439
	Ratio	0.094	0.094	0.201	0.167	0.322
HBL	Cash and Bank Balance	305428144	286529934	177242226	278183489	473759695
	Current Assets	1954317932	1245602947	2531233991	1431499824	2266817978
	Ratio	0.156	0.230	0.070	0.194	0.209
EBL	Cash and Bank Balance	192590000	192590297	259347645	822989425	944695793
	Current Assets	1053057000	968875475	504315495	1545204893	1436861944
	Ratio	0.183	0.199	0.514	0.533	0.657

Investment on Government Security to Current Assets Ratio

Banks/FY		2006/07	2007/08	2008/09	2009/10	2010/11
SCBNL	Inv. on Gov. Sec.	7202166597	8644759467	7106249019	8137397894	9998642832
	Current Assets	3093714174	2750480263	2772629348	3961732178	3860479858
	Ratio	2.328	3.143	2.563	2.054	2.590
NABIL	Inv. on Gov. Sec.	2412812158	2300893175	4807874933	4645183753	3704895586
	Current Assets	1558664185	2517388594	1,345,989,623	3,070,180,934	2,091,979,439
	Ratio	1.548	0.914	3.572	1.513	1.771
HBL	Inv. on Gov. Sec.	8581410039	922991783.7	6454646677	7470997581	4211747803
	Current Assets	1954317932	1245602947	2531233991	1431499824	2266817978
	Ratio	4.391	0.741	2.550	5.219	1.858
EBL	Inv. on Gov. Sec.	2099795658	3448227816	4704254937	4821039266	5145402621
	Current Assets	1053057000	968875475	504315495	1545204893	1436861944
	Ratio	1.994	3.559	9.328	3.120	3.581

Loan and Advance to Current Assets Ratio

Banks/FY		2006/07	2007/08	2008/09	2009/10	2010/11
SCBNL	Loan and Advance	8142655706	8933559894	10499947341	13715516800	13677680137
	Current Assets	3093714174	2750480263	2772629348	3961732178	3860479858
	Ratio	2.632	3.248	3.787	3.462	3.543
NABIL	Loan and Advance	10584888480	12921755653	10501411039	21362318939	13679453552
	Current Assets	1558664185	2517388594	1,345,989,623	3,070,180,934	2,091,979,439
	Ratio	6.791	5.133	7.802	6.958	6.539
HBL	Loan and Advance	19492367054	9332057279	16997236250	19497027603	24792188225
	Current Assets	1954317932	1245602947	2531233991	1431499824	2266817978
	Ratio	9.974	7.492	6.715	13.620	10.937
EBL	Loan and Advance	7617814338	9801144305	13663924022	18338491670	23863403166
	Current Assets	1053057000	968875475	504315495	1545204893	1436861944
	Ratio	7.234	10.116	27.094	11.868	16.608

Loan and Advance to Total Deposit Ratio

Banks/FY		2006/07	2007/08	2008/09	2009/10	2010/11
SCBNL	Loan and Advance	8142655706	8933559894	10499947341	13715516800	13677680137
	Total Deposit	193715273.5	230619872.1	297501998.4	246509487.2	358904721.9
	Ratio	42.034	38.737	35.294	55.639	38.110
NABIL	Loan and Advance	10584888480	12921755653	10501411039	21362318939	13679453552
	Total Deposit	145914811	193505705	233512079	319242562	373626279
	Ratio	72.542	66.777	44.972	66.916	36.613
HBL	Loan and Advance	19492367054	9332057279	16997236250	19497027603	24792188225
	Total Deposit	264669102	248723901	300920587	318652336	346822617
	Ratio	73.648	37.520	56.484	61.186	71.484
EBL	Loan and Advance	7617814338	9801144305	13663924022	18338491670	23863403166
	Total Deposit	100991085	268663464	369829742	2824499707	2677267877
	Ratio	75.431	36.481	36.947	6.493	8.913

Loan and Advance to Total Working Fund Ratio

Banks/FY		2006/07	2007/08	2008/09	2009/10	2010/11
SCBNL	Loan and Advance	8142655706	8933559894	10499947341	13715516800	13677680137
	Total Working Fund	3659620542	3489671834	3530580814	5427588761	5338672965
	Ratio	2.225	2.560	2.974	2.527	2.562
NABIL	Loan and Advance	10584888480	12921755653	10501411039	21362318939	13679453552
	Total Working Fund	2333014873	3381773267	2144896045	4274173457	3617945927
	Ratio	4.537	3.821	4.896	4.998	3.781
HBL	Loan and Advance	19492367054	9332057279	16997236250	19497027603	24792188225
	Total Working Fund	3230957576	1548889175	3749666060	2792470295	3841367869
	Ratio	6.033	6.025	4.533	6.982	6.454
EBL	Loan and Advance	7617814338	9801144305	13663924022	18338491670	23863403166
	Total Working Fund	1393417658	1299025090	897112732	2282042269	2356181197
	Ratio	5.467	7.545	15.231	8.036	10.128

Investment to Total Deposit Ratio

Banks/FY		2006/07	2007/08	2008/09	2009/10	2010/11
SCBNL	Investment	7202166597	8644759467	7106249019	8137397894	9998642832
	Total Deposit	193715274	230619872	297501998	246509487	358904722
	Ratio	37.179	37.485	23.886	33.010	27.859
NABIL	Investment	2412812158	2300893175	4807874933	4645183753	3704895586
	Total Deposit	145914811	193505705	233512079	319242562	373626279
	Ratio	16.536	11.891	20.589	14.551	9.916
HBL	Investment	8581410039	922991784	6454646677	7470997581	4211747803
	Total Deposit	264669102	248723901	300920587	318652336	346822617
	Ratio	32.423	3.711	21.450	23.446	12.144
EBL	Investment	2099795658	3448227816	4704254937	4821039266	5145402621
	Total Deposit	100991085	268663464	369829742	2824499707	2677267877
	Ratio	20.792	12.835	12.720	1.707	1.922

Return on Loan and Advance Ratio

Banks/FY		2006/07	2007/08	2008/09	2009/10	2010/11
SCBNL	Net Profit	529272621	652149872	682496577	809215491	1012148330
	Loan and Advance	8142655706	8933559894	10499947341	13715516800	13677680137
	Ratio	0.065	0.073	0.065	0.059	0.074
NABIL	Net Profit	518659536	633166027	672090306	726318844	1025959016
	Loan and Advance	10584888480	12921755653	10501411039	21362318939	13679453552
	Ratio	0.049	0.049	0.064	0.034	0.075
HBL	Net Profit	701725214	289293776	475922615	623904883	743765647
	Loan and Advance	19492367054	9332057279	16997236250	19497027603	24792188225
	Ratio	0.036	0.031	0.028	0.032	0.030
EBL	Net Profit	236152244	294034329	286942404	440123800	620448482
	Loan and Advance	7617814338	9801144305	13663924022	18338491670	23863403166
	Ratio	0.031	0.030	0.021	0.024	0.026