INVESTMENT ANALYSIS OF NEPALESE COMMERCIAL BANKS

A Thesis

Submitted

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Investment Analysis of Nepalese Commercial Banks'**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledge. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

It is certified that, thesis entitled **Investment Analysis of Nepalese Commercial Banks** submitted by Suraksha Shah is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for the critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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CHAPTER I

INTRODUCTION

1.1 Background of the Study

Investment analysis is defined as the process of evaluating an investment for profitability and risk. It ultimately has the purpose of measuring how the given investment is a good fit for a portfolio. All the commercial banks have been playing vital role in the economic development of any nation. Without banking facilities, the development of nations far beyond imagination. It is regarded as the heart of financial system. People invest their earnings with a hope to get good return. Despite all these, due to certain circumstances they lose their hard earnings. Therefore, in order to make the right decision and expected returns, we have to have a sound investment policy that help to flourish the investment environment which ensures good return. The study focus on evaluating the deposit utilization of the banks in terms of loans and advances, investment and its contribution in the profitability of the banks.

However, main focus of the study is to make a comparative study of Nepal Investment Bank Ltd., Himalayan Bank Ltd., Nabil Bank Ltd., and Kumari Bank Ltd. regarding their financial performance in terms of liquidity asset management, profitability and risk. It will also focus on fund mobilization and investment policy (**Upreti, 2021).**The main focus of this study is towards the investment portfolio of the scheduled commercial bank **(Somewhwar 2015).**The study suggests the way to be the policy makers to improve the management of investment policy and recommends suggestions to raise the profit **(Utheyachandar2014).** Efforts to examine the investment planning of commercial banks **(Shrestha 2017) .** Commercial banks in nepal are not playing active role to utilize the collected resources from different sources due to geographical variation,transportation and other regional disparities **(Selwall 2007)**

In Nepal, Commercial banks formulated sensible investment policies to make it more effective which ultimately contribute for the economic development of the country. The investment of commercial banks include the investment on government securities, eg; treasury bills, development bonds, national saving bonds, foreign government securities, shares of government owned companies and non-government companies and investment of debenture, and similar banks use their deposits as loan and advances too.

Brief Introduction of Sample Banks

A. Nepal Investment Banks Ltd.

Nepal Investment Bank Limited is one of the leading commercial bank of Nepal. Previously it were known as Nepal Indoxuez Bank Ltd, was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one of the largest banking group in the world. Laterin 2002, a group of Nepalese companies comprising of bankers, professionals industrialists and business acquired the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd. and accordingly the name of the Bank also changed to Nepal Investment Bank Ltd.

At present, the Bank’s shareholding patterns is; Promoters-69% and General Public -31% . And now this bank is raised as one of the most trusted bank in Nepal. Till now it has 86 branches, 131 ATMs, 36 extension/revenue collection counters and 59 branchless banking outlets are in operation. (www.nibl.com)

B. Nepal Bank Limited (NBL)

Nepal Bank Limited, the first bank of Nepal was established in November 15, 1937 A.D (Kartik 30, 1994). It was formed under the principle of joint venture (Joint venture between government ad general public). The shareholding composition is 51 percent of government of Nepal and 49 percent of general public. NBL's authorized capital was Rs. 10 million and issued capital Rs 2.5 million of which paid-up capital Rs. 842 thousands with 10 shareholders. The bank has been providing banking through its branch offices in the different geographical locations of the country.

C. Nabil Bank Limited

Nabil Bank Limited is the first private sector commercial bank of Nepal, commencing its business since 1984. It has incorporated with the objective of international standard modern banking service in various societies of Nepal. Pursuing its objective, Nabil provides a full range of commercial banking services through its 118 points of representation. In addition, Nabil has presence through over 1500 Nabil remit agents throughout the nation.

Nabil as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in banking history of Nepal. It has started an era of modern banking with customer satisfaction measured as main objective while doing business operation and risk management by managed team. Nabil is fully equipped with modern technology includes international standard banking software that supports e-channel and E-transitions through its 119 branches all over Nepal. It provided ATM services by 184 ATMs booths throughout the Nepal. (www.nabilbank.com)

D. Nepal SBI Bank Limited (NSBI)

NSBI is a subsidiary bank of state bank of India having 55% ownership was established in July 1993 and has emerged as one of the leading banks of Nepal, with 977 skilled and dedicated Nepalese employees working in total of 116 outlets that include full-fledged branches, 19 extensions counters, 7 province offices, 1 InTouch outlet and Corporate Office. With presence in 50 districts in Nepal, it has been providing services to its customers through its wide network of 118 ATMs (including 2 mobile ATMs and 4 CRMs), internet banking, mobile wallet, SMS banking, IRCTC Ticket online Booking facility, etc. It is one of the fast growing commercial Banks of Nepal with more than 1 million satisfied deposit customer and over 6.50 lakhs ATMS/Debit cardholders. The Bank is moving ahead in the Nepalese Banking Industry with significant growth in Net Profit with very nominal NPA. As of 31st Ashad 2077, th Bank has deposits of Rs. 110.45 billion and advances (including staffs loan) of Rs. 94.43 billion. Besides investment portfolio of RS. 1.48 billion.

1.2 Problem Statement

Nepal is listed among one of the least developed country in the world in many aspects. Whereas, commercial banks are recognized as the backbone of the Nepalese economy at present, so establishment of commercial banks in the country could add more bricks in the flourishemnt of Nepalese economy. Its investment range from small scale cottage industries to large scale industries in making investment in loans and government securities in a better manner. It is true that bank portfolio variables like loans, investment, cash reserve, deposit and borrowing affects the national income. And also, how the government policy affects these variables, such as the effect of an interest rate on the banks portfolio variables is of great concern. That is why, when monitoring money and credit conditions, the central bank has to keep an eye on bank portfolio behavior. The investment planning of the commercial banks in Nepal heavily depend upon the rules and regulation provided by the central bank. The composition of asset portfolio of the banks is influenced by the policy of the central bank.

Now days, seemingly, Nepalese commercial banks are not capable to invest their funds in more profitable sector where there is risk. They found to be investing more in less risky sector eg: treasury bills, development bonds, national savings, share and debenture etc according to short and long term investment policy. Because, they have to follow all the instruction and guideline endorsed by NRB. They have to pay attention towards proper matching of deposit and investment portfolio, which decreases financial problem enforcing commercial banks.

Due to prevailing economic recession in the country, there has been lower investment in agriculture, manufacturing, industrial and financial sectors. Lower volume of investment causing lower growth of gross domestic product. Hence, foreign trade deficit has been increasing day by day, and commercial banks are also directly affected by this turmoil and are facing difficulties in furnishing their loans and advances towards profitable sectors. There are various obstacles in resource mobilization by commercial banks in Nepal. The foremost problem is poor investment environment prevailing in Nepal due to heavy regulatory procedure, uncertain government policy portfolio analysis between various types of investment made by commercial banks. As a result commercial banks has to face competition with each other instead to get enabling environment. Under such situation, the present study will try to analyze investment of commercial bank, portfolio analysis, return on various types of investment, portfolio risk and return. Primarily, it will include;

i. What is the investment analysis of commercial banks?

ii. What is the ratio of various commercial banks?
iii. What is the relationship of investment with other veriables like Liqudity ratio, assets management ratio, Risk Ratio and profitability ratio.

1.3 Objectives of the Study

The main objective of the present study is to assess the investment policy of Nepal Investment Bank Limited, Nepal Bank Limited, SBI Bank Limited and Nabil Bank Limited. The specific objectives are as follow:

i. To analyze the investment analysis of commercial banks.
ii. To examine the ratio of Nepalese commercial banks.
iii. To analyze the relationship of investment with other variables like liquidity ratio, assets management ratio, risk ratio and profitability ratio.

1.4 Significance of the Study

Banks have been playing vital role for the economic development of the country. They reach every corner of the country to collect money from masses and invest in development activities. Without banking facilities, the growth and economic development becomes slow. The main objective of commercial bank is to earn profit by proper mobilization of collected resources. If studied the investment pattern of Nepalese commercial banks, there look no clear vision towards effective and durable investment instead it has found that, investment has been making mostly in short term basis. However, few banks are investing in long run investment sectors. They have been hesitating to invest in long term projects due to various insecurity factors that has been chasing their mind. Which caused to negate investment in wider profitable sectors. They are focusing their investment in less risky and high liquidity sectors. There are many ways to minimize the risk but the commercial banks are not aware of this and do not pay attention toward long run productive areas.

So the main significance of this study is investment policy of Nepalese Commercial Banks is to help how to minimize risk in investment and maximize return through portfolio analysis. The researcher will undertake this study to analyze the existing portfolio investment of Nepalese commercial banks and point out the various weakness and defects inherent in it. It provides a useful feedback to the policy maker of banks and also to the government and central bank to formulate the appropriate strategies for the improvement in the performances of the banks. This study is equally significant to the shareholders, depositors and other creditors to identify the productivity of their fund.

1.5 Limitation of the Study

As this study is a partial study for the fulfilment of MBS degree, which has to be finished within the limited time period. Hence, this study is not away from several limitations of its own, which weaken the crux of the study. It has limitations as;

i. This study has employed secondary data published by and collected from selected banks;
ii. Four commercial banks will be taken under the study out of 27 banks
iii. The study covers a period of five years period (eg; comparative study).
iv. The accuracy of the research work will be dependent on data provided by concerned banks/organization
v. Time factor is major limitation of this study
vi. This study concentrates only on investment aspects of banking performances only.
vii. The scope of the study is limited within the frame work of investment policy only.

1.6 Chapter Plan

Considering the objectives, this study is organized into five chapters.

Chapter 1: Introduction

This chapter incudes background of the study, focus of the study, problem statement, purpose of the study, rationale of the study, limitation of the study and organization of the study.

Chapter 2: Review of Literature

This chapter incudes the relevant previous writings, studies and researches to find the existing gaps so to provide the expected feedback. Under this chapter review of books, dissertation, journals and relevant articles will be included.

Chapter 3: Methodology

This chapter contains research design, population and sample size, data collection procedure and the tools used for analysis.

Chapter 4: Results

This chapter consists of systematic presentation and analysis of financial statement by employing financial and statistical tools along with major findings and discussion.

Chapter 5: Conclusion

This chapter includes the summary, conclusion and implication of the study based on the data analysis findings.

CHAPTER II

LITERATURE REVIEW

Review of literature is the study of past research studied and relevant materials. It is an advancement of existing knowledge and in-depth study of subject matter. It starts with a suitable topic and continue throughout the related subjects. It is very rare to find completely new problems. In literature review, researcher takes supplement hints from past dissertations but he/she should take aware on its replication. It is a means to review past studies and other pertinent prepositions in the related areas of study so that all the past studies, their conclusions, deficiencies and further study take place so this is vital and mandatory process in research works. Which help to provide the foundation for developing a comprehensive recital framework and knowledge of the status of relevant research in order to explore true facts for the purpose.

During the review of this research, in depth study and theoretical investigation regarding investment policy of commercial banks and their present application and potentialities will be explored. Investment "Range of investment held by an investor, company etc. "(Oxford Dictionary; 1994:272). In this chapter the focus has been made on the review of literature relevant to the investment policy analysis of commercial banks in Nepal. For this study different journals, Articles, Books, Annual Reports, respective bank's websites, and some other research paper related with this topic has been reviewed. So literature review will be studied into following order;

2.1 Theoretical Review

Review of the relevant texts provides the fundamental theoretical framework and foundation to the present study. From the various books, research paper, articles, journals etc dealing with theoretical aspect of investment policy analysis are taken into consideration.

Definition of Investment

The term investment covers a wide range of activities .It is commonly known fact that an investment is only possible when there is adequate saving. If all the income and saving are consumed to solve the problem of hand to mouth and to other basis needs, then there is no existence of investment. Therefore, both investment and saving are interrelated. Different author have tried to explain the meaning of investment in their own, some of them defines it as ‘investment is the allocation of capital to investment proposal whose benefit are to be received in the future’. Because the future benefit are not know with certainly, investment proposal necessarily involve risk. Similarly, they should be evaluated in relation to their expected return and risk. These are the factors that affect the firm’s or any company’s valuation in marketplace. Moreover investment in capital project should profit expected return in the excess of what financial market require (**Van Horne, 2002).**

Investment as the commitment of future one or more assets that are held over some future time period. Investment is concerned with the management of an investor’s wealth which is the sum of current income and present value of all income. The investment objectives are to increase systematically the individual wealth defined as assets minutes liabilities. Higher the level of desired wealth the higher must be received. An investor seeking higher return must be willing to face the higher level of risk **(Cheney & Moses, 1998).**

From these definition, it is clear that, investment is simply the conversion of money into claims on money and use of fund for productive and income earning assets. It is the employment or investment of funds with the target of achieving additional income or value in the future. It involves saving of resources from current consumption in the hope that some benefits will accrue in the future.

2.1.1 Investment Policy

Investment policy can be defined as the action plan by which its funds are distribute on different type of assets with good profitability on the one hand and provide maximum safety and security on other. Investment policy is the cornerstone of the investment process. Without it, investors have no appropriate context in which to make decision. Investment policy fixes responsibilities for the investment disposition of the bank assets in terms of allocating funds for investment and loan and establishing responsibility for day to day management of those assets.

Commercial bank should consider the nation interest followed by barrow's interest and the interest of the bank itself before investing to the borrowers. To further pursue his view, bank lending must be for such purposes of the borrowers that they are keeping with the national policy and bank's overall investment policy. Any bank's overall investment should be basically of short term characters, well spread, repayable on demand profitable and well inadequate security.

2.1.2 Investment Environment

The investment environment refers to all internal and external factors, which are bearing on the functioning of investment decisions. It encompasses the kinds of marketable securities that exist and where and how they are bought and sold through the broker's network and financial intermediaries. Thus, the investment environment is a combination of securities, market and intermediaries. Any securities transaction conducted without using broker is directly illegal in accordance with rules and regulation.

Security markets are mechanisms created to facilitate the exchange of financial assets. It brings the buyers and sellers together. On the basis of securities traded, security market can be classified into primary and secondary market. On the basis of life-span of securities, it can be divided into money market and capital market. Financial intermediaries are organization that issue financial claims against themselves and use the proceeds to purchase primarily the financial assets of others. They actively participate as both suppliers and demanders of funds. They include savings and loan associations, saving banks, credit unions, life insurances companies, mutual funds; pension funds (**Charles, 1990).**

2.1.3 Loans and Advances Policy

The policy of also known as credit policy of the bank. Credit policy guides the bank's overall credit operation. The credit policy is the primary means by which senior management and the board guide lending activities. Although the policy primarily imposes standards, it also is a statement of the bank's basic credit philosophy. It provides a framework for achieving assets quality and earning objectives, set risk tolerance levels and guides the bank's lending activities in a manner consistent with the bank's strategic direction. Credit policy sets standards for portfolio composition, individual credit decision, fair lending and compliance management (Pandey, 1992).

Credit policy should provide a realistic description of where the bank wants to position itself on the risk/reward spectrum. It needs to provide sufficient latitude for a bank to respond to good business opportunities while concurrently controlling credit risk. In normal circumstances, a bank should be able to achieve portfolio objectives and respond to changing market conditions without triggering a limit. Limits should not be so conservative that significant changes breach them, nor should they be so liberal that they have no practical effect. For the policy to be an effective risk management tool, it must clearly establish the responsibilities of those involved in the lending process.

Since the largest proportion of a bank's assets portfolio is taken by loans and advances, healthy development of any bank depends heavily upon its credit policy. A sound the viable investment policy can attract both borrowers and lenders, which helps to increase the volume and quality of deposits, loans and investment. The loan provided by commercial banks is guided by several principles such as length of time, their purpose, profitability, safety, etc. These fundamental principles of commercial bank's investment are fully considered while making investment policy, investment through loans and advances to borrowers is risk inherent. For this, commercial banks have to pay due consideration for risk management while formulating investment policy. ''The investment policy should be carefully analyzed'' .Commercial bank should be careful while performing the credit creation function. Investment policy should ensure minimum risk and maximum profit from lending. Modern portfolio management of bank assets has fundamentally changed the requirements for individuals using this technique :their background with knowledge of early-warning systems, alternative structures to better set risk/ return parameters, and more (**Corrado & Jordan, 2002).**

Traditional training focuses on the individual loan. Traditional credit training focused on the analysis of a firm's management, operations and financial structure as the basis for determining a borrower's creditworthiness; now training programs incorporate not only these techniques, but also that elusive element called a bank's credit culture. Protection measures against portfolio losses focused on loan loss reserves based on moving- average formulas. Concentration risk was to be avoided, but there were always special customers for whom expectations could be made. If the formulas were correct, then overall expected losses in the portfolio would be covered by reserves. But those formulas and expectations were not always so extraordinary, or unexpected, losses that were charged to income in the year of their incurrence.

Portfolio management looks at the impact of loans individually collectively and comparatively modern portfolio management techniques have supplemented those unwritten rules with portfolio analysis and policies that establish limits on exposure by country, by obligor, by industry and so on. These limits are derive from a specific focus on the technical aspects of these assets class – a segmentation of the credit portfolio can now be evaluated on the basic fundamental as well as quantities portfolio analysis **(Pandey, 1992).**

2.1.4 Principles of Sound Investment

The commercial banks are inspired with the goal of earning profit. There are many reasons for having profit as their goal. A bank is like a legal person where shareholders are the owners of the bank, the board of director is the agent of the bank who operates the bank. There are many employees who were appointed to run the banks, it needs a great amount of expenses, whether it is direct or indirect, there is continuous expenses in the bank. The main aim of any person or institution to invest the money in the bank is to earn more profit only. There is only one bank i.e. central bank which is established without the aim of gaining profits. Other banks are motivatee with the objectives of earning profit and helping the economic development and finally to take the social responsibility. They should have the ability to use the policy of banking investment and to implement it much more carefully otherwise a bank may be unsuccessful in its goal (**Bhandary, 2003).**

Without investment, a bank cannot gain profit. The bank cannot be successful until it gains profit. Therefore, after the establishments of bank it collects much deposit; get the deposit from the current saving and fixed deposit account. In this way, the bank apart from the amount deposited from such accounts, collects the capital by selling its shares. The bank can take loans thus a great capital fund is formed in the bank from different sources. It becomes unfruitful if such capital fund inactive. The bank should be clear on policy of its investment by making a deep study on the subject that which sector would be the more trustworthy and dependable to invest the amount collected in the bank. The guiding principles of sound investment are as follows:

i. Liquidity Ratio

Liquidity is the ability of the firm to satisfy its short term obligations as they come due. Generally people use deposit their earning 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 short term obligations when they become due for repayment.

ii. Profitability Ratio

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. Most of them 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 resource to meet day to say requirement of the depositors.

2.2 Safety and Security

Safety would be the major guiding principal of a bank , so far as its advances and investment are concerned, because the very existence of a bank depends on the safety of its outstanding , which should never therefore be sacrifice to the profit earning capacity of its advances. A bank should pay special emphasis on safety. Why people are encouraging to deposit their valuable ornaments, jewelry, important document and money in the bank for the sake of safety. So the bank should pay much emphasis on the principles of safety, to follow the investment policy. There will be no doubt of loss whether it is great or little if the bank has not invested in a safe sector. The bank should think it with much sensibility. To invest in an unsafe sector with the hope of gaining much profit is to accept the security of low quality. To invest large loan against less security by receiving commission, to invest in new places without care, observation and to flow the loan, term including these all various reasons will make unsafe of the bank investment.(Atal,2010)

i. Diversification

"A bank should not lay all its eggs on the same baskets''. This studying 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 on different sectors. Diversification of 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 (wolf, 2002).

ii. Marketability

A bank should adopt the principle of marketability in investment policy. In certain way, the bank moves its investment of flows loan against security. To invest the money, the bank should follow the policy of taking the security of high quality as far as possible, the market if Nepal is small, in such market in order to livingness to its banking transaction, a bank should flow its loan by taking first class securities. The bank should keep in mind, the main principle of marketability while doing investment. (Dhakal, 2010)

iii. Suitability

A banker should always know why a customer is in need of loan. If a borrower misuses the loan granted by the bank, he will never be able to repay the loan and bank will possess heavy bad debts. Therefore, in order to avoid such circumstances, advances should be allowed to select suitable borrowers and it should demand all the essential detailed information about the scheme of the project. Bank should also keep in mind the overall development plans of the nation and the credit policy guidelines of the central bank.(Thapa,2012)

iv. National Interest

In addition to its own profitability objectives, the bank should also consider the national interest. Even though, the bank cannot get maximum return from 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 (NRB) instruction. Investment on government bonds, priority and derived sector lending are the example of such investments. (Pandey, 1992)

2.3 Review of Related Journal and Articles

In this section, review of different articles, economic and financial journals has made including, world Bank Bulletins, dissertation papers, magazines, newspapers, websites and other related literature.

Bhattrai (2003), conducted a study a loan is very easy term for a borrower which has already taken and for a lender not availed. It is equally difficult for a borrower to avail and for lender to recover. From a banker's view, it is just like a stone to roll down from the top of the hill while sanctioning, but too difficult to roll back the same stone to the top of the hill while recovering. A loan not recovered within the given time frame either in the form of interest servicing or principal repayment is called non-performing loan (NPL). There are other parameters as well to quantify an NPL. Security not to extent of loan amount with specified safety margin, value of security not realizable, possession not as per the requirement of bank, conflict of charges are the other reason which causes difficulties while recovering the loan. The loan for a bank is most important to generate revenue for operational expenses as well as to provide return to the shareholder.

Jha & Hul (2012), conducted a study entitled "financial performance of commercial banks in Nepal". The study finds that through financial ratio analysis compares the financial performance among commercial banks; the same bank had different ranks under the different financial ratios. The ratio of public sector banks were higher than those of joint venture and domestic public sector banks was not observed sound because other financial ratio including ROE, CDR, and CAR of most of the joint venture and domestic public banks were found superior. This study shows, high overhead costs, political intervention, poor management and low quality of collateral created continued deterioration in the financial health of the public sector banks. The values determined for the financial ratios reveal that joint venture and domestic. Public banks are also not so strong in Nepal to manage the possible large scale shock to their balance sheet. Furthermore, it can be concluded from the multiple regression analysis that the capital adequacy ratio, interest expenses to total loan and net interest margin were significant but had a negative effect on ROA while non- performing loan and credit to total deposit did not have any considerable effect on ROA. The capital adequacy ratio positively influenced the return on equity but the non-performing loan, credit to deposit ratio, interest expense to total loan and net interest margin had no significant effect on ROE.

Rimal (2013), "Nepal's Overall Banking Sector is not good". This article examines Nepal's banking sector has been passing through ups and down in the last few year. Nepalese bank face the liquidity crunch a few years ago and now the banking sector has problems of excessive liquidity. Nepal's overall banking sector is not good owing to the problems related to liquidity despite certain progress. For instance, 27 commercial banks have excessive liquidity and there is also less than 8% interest rate in inter banking transaction.

Mahat (2014), conducted a study entitled "Efficient banking" efficiency of banks can be measured by using different parameters. The concept of productivity and profitability can be applied while evaluating efficiency of banks. The term productivity refers to the relationship between the quality of input employed and the quality of outputs produced. Interest expenses to interest income ratio shows the efficiency of banks in mobilizing resources at lower cost and investing in high yielding assets. In other word, it reflects the efficiency in use of funds. According to Mahat, the analysis of operational efficiency of banks help one in understanding the extent of vulnerability of banks under the changed scenario and deciding whom to bank upon. This also helps the inefficient banks to upgrade their efficiency and be winners in the situation developing due to slowdown in economy. The regulators should also be concerned on the fact that the banks with unfavorable ratio bring catastrophe in the banking industry.

Uthayachandar (2014), In the study Financial institutions, the investment and investment problems are revolve around the concept of managing the surplus financial assets in such a way, that leads to the wealth maximization and providing a significant further of income. Thus the investment is the management of the surplus resources in such a way that it works for providing benefits to the supplier to the funds that is the banks. However investment needs to be a procedural task. It must follow a definite process, to ensure the formulation of proper investment policy. Banks are disbursing their money as investment in business and industry. Therefore, banks should have been following the principle of investment for profit. An investment policy should ensure maximum profit and minimum risk. A huge collection and investment policy plays vital role for the economic development of whole economy. The main focus of this study is towards the investment practices of the banks. The study suggests the way to be the policy makers to improve the management of investment policy and recommends suggestions to raise the profit.

Somewhwar (2015) had studied entitled “An investment pattern of scheduled commercial banks in India". The study focused on investment portfolio of scheduled commercial banks. The investment and investment problems are revolve around the concept of managing the surplus financial assets in such a way, that leads to the wealth maximization and providing significant further source of income to the banks. Thus the investment is the management of the surplus resources in such a way that it provides benefits to the supplier of the funds that is the banks. However, the investment is a procedural task. It must follow a defied process, to ensure the formulation of paper investment policy. Banks are disbursing their money as investment in trade business and industry. Therefore, banks should be following the principle of investment for profit. An investment policy should ensure maximum profit and minimum risk. A huge collection and investment policy plays vital role for the economic development of whole economy. The main focus of this study is towards the investment portfolio of the scheduled commercial banks.

Wehrle & Pohl (2016) reviews commonalities and differences of policies implements in 17 economies that have explicit policies in this area. It offers a comparative analysis of countries' investment policy approaches to address national security concerns stemming from foreign investment; classifies the different forms of restrictions to address these concerns; identifies differences between restriction on ownership and acquisition; and present now countries define the scope of application of their policies.

Jamshid (2020), had studied the investment strategy of commercial banks in the financial markets. The aim of his study is to show the importance of the investment portfolio in commercial banks and the basic investment portfolio management strategies that commercial banks can use. With increasing competition from banks and other non-banking institutions, the importance of the investment portfolio as an alternative that provides additional sources of revenue, ensures liquidity, ensures diversification of placements and reduces risk exposure. The investment pattern and quality of the investment portfolio of commercial banks is also influenced by the state, through monetary policy measure and fiscal policy measure. The author in his studies concludes that investment pattern on loan and advances brings higher incomes than investment in securities, therefore commercial banks are focusing their investment on credit.

2.4 Review of Previous Thesis Studies

This section is the study analysis of previous studies carried out by different scholars.

Maharjan (2006), conducted a study entitled "A comparative study of financial performance of commercial Banks with reference to HBL, NIBL and EBL". The study concludes that all the banks are not strong in all fields. Some of them are stronger in profit making but failed to maintain the consistency, some are weaker in mobilizing their deposits; few of them have concentrated in to very limit diversified investment etc. Today is the competition and banks should bring different attractive programs, facilities, technological uses. The success rate of banking mainly depends upon the banking awareness by the general public. Regular conducted awareness programs in term of seminars or workshops from well experienced personnel such as top level executives and concerned regulating authorities should be done. On the basis of this feedback, regular changes or implementation of new rules and regulations can be easily carried out.

Joshi (2007), conducted a study entitled "Investment Policy of Commercial Banks in Nepal (A comparative study of Everest Bank Ltd. With NABIL bank Ltd. and Bank of Katmandu)*"* with the objectives of: to discuss fund mobilization and investment policy of EBL, NABIL and BOK Ltd., to evaluate the liquidity, efficiency and profitability and risk position, to evaluate the growth ratios of loan & advance, total Investment with other financial variable, to analyze the trend of deposit utilization towards total investment and loan & advances and to conduct hypothetical test to find whether is significant difference between the various important ratios of EBL, NABIL and BOKL. In this study, major findings are: the liquidity position of the EBL is comparatively better than NABIL and BOKL. EBL has the highest cash and bank balance to total deposits, cash and bank balance to total current assets ratios. NABIL has the lowest liquidity position than out of other two banks. EBL has good deposit collection and has made enough investment on government securities but it has maintained moderate investment policy on loan and advances. From the analysis of assets management ratio on activity ratio, it can be concluded that EBL has comparatively or in between successful in compared to NABIL and BOKL.

Selwall (2007), conducted a study entitled "Lending policy of commercial banks in Nepal" Effectiveness of lending policy is directly based upon a sound banking system. But due to geographical variation, transportation and other regional disparities, it is very difficult to expand branches in different rural areas. So, it can be said that commercial banks in Nepal are not playing an active role to utilize their sources collected from different sectors. By paying higher interest rate, the banks are increasing deposits, which in turn increase saving habits of the general people. Then the banks are able to utilize these idle funds in productive channels. This type of business of commercial bank is really a necessary one in an agricultural country like Nepal, where public investment has limited capacity.

Tamang (2009), conducted a study entitled "Investment policy analysis of Nabil bank". The bank has been collecting the deposit funds in increasing trend and it has been increasing its loan and advances with similar rate. So, both the source and use of fund are in an increasing trend. The investment has also growth rate of 14.32% with increasing trend which shows that it doing the investment in increasing trend. And it is been achieving its profit through the investments. So, profit is also in increasing trends.

Basnet (2011), conducted a study entitled "liquidity position of NABIL Bank ltd". It is comparatively worse than that of other JVBS. It has more portions of current assets as loan and advances but less portion as investment on government securities. NABIL Bank ltd. is comparatively less successful in on-balance sheet operation as well as off- balance sheet operations than that of other JVBS. The mean ratio of return on loan and advances of NABIL Bank ltd. has found slightly lower than that of other JVBS. Similarly the mean ratio of total interest earned to total outside assets of NABIL Bank ltd. has been found slightly lower than of other JVBS. Through NABIL Bank ltd. seems to be more successful to increase its sources of funds as well as mobilization of it by increasing loan and advances and total investment, it seems to be failure to maintain its high growth rate of profit in comparison to that of other JVBS. There is significant relationship between deposit and loan and advances as well as outside assets and net profit but not between deposit and total investment in case of both NABIL Bank ltd. and other JVBS.

Upreti (2012), conducted a study on "Investment Policy of Joint Venture Banks in Nepal" (A Comparative Study of Nepal SBI Bank Ltd and NABIL Bank Ltd), main objective of the study is to evaluate the investment policy of NABIL and SBI. The specific objectives of the study are: to study the leading policies and deposit and investment trends of the sample bank (NABIL and SBI)**,** to study the impact of loan and advances and deposit mobilization in total investment of NABIL and SBI and to study the investment decisions of NABIL and SBI in the context of existing regulation. This concluded that economic liberalization policy of the government has encouraged the establishment of growth of the banks in the country with in short period of time. However, the overall performance of JVBs is not satisfactory Strengthening and the institutionalization of commercial bank are very important to have a meaningful relationship between commercial banks and national development through shift of credit to the productive industrial sectors. The commercial banks have to prove that they can really contribute to the national economy, are efficient and visible agencies for mobilization of saving and are professionally managed and competent enough to ensure adequate rate **of** return on investment and are strategically well planned.

Bhandary (2015), conducted a study entitled "Investment policy of joint venture bank of Nepal". The JVB of Nepal are more ethical than others in making and implementing the investment policies, they have also good investments, loans and advances with compare to total deposits and good liquidity position too. joint venture poses some advantages such as –provide company with the opportunity to gain new capacity and expertise , allow companies to enter related business or new geographic market or gain new technological knowledge, access to greater resources, institute including specialized staff and technology, sharing risk with venture partner . In the era of divestiture and consolidation, JV's offer a creative way for companies to exist from non-core business. However, JV may have some demerits like, it takes time and effort to build the right relationship and partnering with another business can be challenging. Problems are likely to arise if: The objectives of the joint venture are not 100% clear and communicated to everyone involved, there is an imbalance in level of expertise investment or assets brought into venture by the different partners.

Shrestha (2017), conducted a study entitled "Investment planning of commercial banks in Nepal" made remarkable efforts to examine the investment planning of commercial banks in Nepal on the basis of the study. It concludes that the bank's portfolio (loan and Investment) of commercial banks has been influenced by the variable security rates. Investment planning of commercial banks in Nepal is directly traced to fiscal policy of government and heavy regulatory procedure of the central bank so, the investment are not made in professional manners. Investment planning and operation of commercial bank of Nepal has not been found satisfactory in term of profitability. To overcome this problem she suggested, '' Commercial bank should take their investment operation efficiently with the proper analysis of the project.''

Karki (2017), conducted a study entitled "An analysis of investment policy of commercial banks in Nepal" .The liquidity position of NIBL was highly fluctuating which showed that NIBL has higher risk than other two banks. From the analysis of assets management ratio of NIBL in comparison to Nabil and NBL was more successful regarding assets management and deposit mobilization. NIBL's investment on shares and debentures was high in comparison to the other two banks but its performance regarding total investment has been very poor.

2.4.1 Summary of Articles and Thesis

Studies	**Major Variables**	**Major Findings**
Shrestha (2017)	Efforts to examine the investment planning of commercial banks.	The bank's portfolio (loan and Investment) of commercial banks has been influenced by the variable security rates. Investment planning of commercial banks in Nepal is directly traced to fiscal policy of government and heavy regulatory procedure of the central bank so, the investment are not made in professional manners.
Karki (2017)	liquidity position	NIBL's investment on shares and debentures was high in comparison to the other two banks but its performance regarding total investment has been very poor.
Selwall (2007)	Effectiveness of lending policy is directly based upon a sound banking system	Commercial banks in Nepal are not playing active role to utilize the collected resources from different sources due to geographical variation, transportation and other regional disparities.
Bhandari (2015)	Investment policies.	In the era of divestiture and consolidation, JV's offer a creative way for companies to exist from non-core business. However, JV may have some demerits like, it takes time and effort to build the right relationship and partnering with another business can be challenging.

		Problems are likely to arise if: The objectives of the joint venture are not 100% clear
Upreti (2012)	Leading policies, deposits and investment trends**,** loan and advances & deposits mobilization	The economic liberalization policy of the government has encouraged the establishment of growth of the banks in the country with in short period of time. However, the overall performance of JVBs is not satisfactory because Strengthening and the institutionalization of commercial bank is very important to have a meaningful relationship between commercial banks and national development through shift of credit to the productive industrial sectors.
Somewhwar (2015)	Investment portfolio	The main focus of this study is towards the investment portfolio of the scheduled commercial banks.
Uthayachandar (2014)	Wealth maximization	The study suggests the way to be the policy makers to improve the management of investment policy and recommends suggestions to raise the profit.
Jamshid (2020)	Investment strategy	His studies concludes that investment pattern on loan and advances brings higher incomes than investment in securities, therefore commercial banks are focusing their investment on credit.

2.4.2 Research Gap

After reviewing some of the past articles and thesis, investment policy of commercial banks in Nepal, Where most of the researchers have focused their study different than investment analysis of Nepalese commercial banks. Here are few examples; Somewhwar (2015), has focused his study towards the investment portfolio". Similarly, Uthayachandar (2014) has concentrated his study on "the policy markets to improve the management of investment policy and recommends suggestions to raise the profit". Jamshid (2020), has focused his study on "investment strategy and investment on credit". In a similar manner, Upreti(2012), "has main focus on leading polices, Deposits and investment trends, loan and advances and deposits mobilization". Shrestha (2017), has main focus on efforts to examine the investment planning of commercial banks". Karki (2017), "has focused his study in liquidity position of NIBL". Selwall (2007) has focused his study on effectiveness of lending policy is directly based upon a sound banking system" but none of them has focused their study on investment analysis of Nepalese Commercial banks. Hence, this research study is mainly different than the previous research study as this research study is mainly focus on both measuring financial performance and investment policy of banks. The ratios used liquidity ratios, Assets management ratios, Profitability ratios and Risk ratios to measures the financial performances are different than the past researcher. The sample used in research study are NBL, NIBL, NABIL and SBI Bank Ltd, which are different than the past research articles and thesis.

CHAPTER III

RESEARCH METHODOLODY

3.1 Introduction

Research methodology is the process of arriving at the solution of the problem through planned and systematic dealing with the collection, analysis and interpretation of facts and figures. It is a systematic method of finding right solution for the problem whereas research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives. In other word, research methodology refers to the various methods of practices applied by the researcher in the entire aspect of the study. It is the plan, structure and strategy of investigating to answer the research questions or hypothesis. Research design used to control variance **(Wolff and Pant; 2002:51).** It includes different dependent and independent variable, types of research design, research questions and hypothesis, data collection activities, technique of analysis.

Present study is mainly based on descriptive research design. Descriptive research design helps to describe the general pattern of the Nepalese investors, business structure, investment policy and problems of portfolio management etc.

3.2 Research Design

Proper planning is always vital in every battlefield to reach at the expected conclusion. Similarly, research design is a strategic approach proactively maintain possible cause and effect. “Research design is the plan, structure and strategy of investigations conceived so as to obtain answers to research questions and to control variances.” (Kerlinger, 1984).

Present research study is mainly based descriptive research design only. Descriptive research design helps to describe the Nepalese investors, business structure, problems of portfolio management.

3.3 Population and Sample

For the investment portfolio analysis of Nepalese commercial banks, the total number of commercial banks, including domestic and joint venture banks operating in Nepal is the population. At present there are 27 licensed commercial banks are operating their service in Nepal, according to monetary policy 2076/077. All these 27 commercial banks will be considered as the total population and, out of which, this study will concern with four commercial banks as a sample. In this sample, banks are taken according to their rapid growth rate and gradual growth rate, whose head office is located in Kathmandu. This study covers the data five year from fiscal year 2014\15 to 2018/19 The selected banks are;

i. Nepal Investment Bank Ltd.
ii. SBI Banks ltd
iii. Nepal Bank Ltd
iv. Nabil Bank Ltd.

Population size = 27
Sample percentage = 14.81%
Sampling Method: Probability Sampling

3.4 Source of Data

Data are mathematical expression of variables which develop understanding in quantitative phenomena. Primary data will be collected from field, from the primary sources. Whereas secondary data will be collected from the other sources which someone has already used.

This study mainly based on the secondary data, concerned banks, Nepal Rastra Bank, SEBON, and different library source are the provider of the data. And the review of the literature of the proposed study will be based on the text books, official publications, journals, unpublished thesis, web sites, etc. the needful data and information at macro level will be collected from relevant institutions and authorities eg: NRB, ministry of Finance, NEPSE, SEBON and their respective publications. In a similar manner, required micro level data will be collected from annual reports of selected banks, SEBON and NEPSE. Additionally, supplementary data and information will be collected from different library sources eg: Library of Shanker Dev Campus, Central Library of T.U., SEBO etc. The major source of data will be;

i. Annual Report of NBL
ii. Annual Report of NIBL
iii. Annual Report of SBI
iv. Annual Report of NABIL
v. Previous Research Studies, Dissertation and Articles on the Subject
vi. Various Text Books
vii. Different Library
viii. Different Website Related to Investment Policy

3.5 Data Collection and Processing Technique

High level of effort will be paid to collect data from secondary sources from official sources, publications, Annual reports, banking and economics bulletins etc. from the respective offices. In some extent, informal interview will be scheduled and conducted to obtain more information and reality about the various published data, investment policies of the banks, and portfolio concept in the investment field.

Due to insufficient and poor data management system, collected data couldn’t be used directly in their original form so they need to be further verified and simplified for analysis purpose. Hence, in this study the available data, information, facts and figures will be checked, rechecked, edited and tabulated for the computation. In a similar manner, these will be compiled, processed, tabulated and graphed according to the objective and needs.

3.6 Data Analysis Tools

Various financial and statistical tools will be used to analyze the data ratio analysis, correlation coefficient, trend analysis, risk and return and deviation. Below mentioned statistical l and financial tools will be used:

3.6.1 Financial Tools

Financial tools basically help to analyze the strength and weakness of the firm/company. Uses of financial tools in this study are Liquidity Ratio, Assets Management Ratio, Profitability Ratio and Risk Ratio, which are further explained below;

a. Liquidity Ratio

Liquidity ratio measures the ability of the forms to meets its current obligations. In fact, analysis of liquidity needs the preparation of cash budgets, cash and fund but liquidity ratio, by establishing a relationship between cash and other current assets to current obligation, provide guide measures of liquidity. Liquidity is measured by the speed with which a bank's assets can be converted into cash to meet deposit withdrawal and other current obligation.

i. Current Ratio

The current ratio is the ratio of total current assets and current liabilities. It shows the relationship between current assets and current liabilities.

Mathematically, it is represented as:

Current ratio = Currents assets/Currents liabilities

Widely accepted current standard current ratio is 2:1 but accurate standard depends on circumstance is case of seasonal business ratio.

ii. Investment on Government securities to current ratio

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

I.O.G.S to C.A Ratio= I.O.G.S/Current assets

b. Assets Management Ratio

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

i. Total Investment to Total Deposit Ratio

Investment is one of the major sources of possible earning income. This ratio indicates how properly firm's deposits have been invested on government securities and shares and debenture of other banks. This ratio can be calculated by dividing total amount of investment by total deposit collection, which can be shown as:

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

ii. Investment on Government securities to Total Assets Ratio

Investment on government securities to total assets ratio shows how much percentage of total assets of the banks are utilized in different types of government securities. High ratio is the indicator of the high investments in government securities and vice-versa. This ratio is expressed as,

I.O.G.S to total assets ratio = I.O.G.S/Total Assets

c. Profitability Ratio

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

i. Return on total Assets

Return on total assets ratio measures the profitability position of the selected banks and finance companies in comparison with total assets of those selected banks .This ratio is calculated by dividing net profit by total assets. This can be stated as:

Return on total assets ratio= Net Profit or loss / Total Assets

The numerical indicates with portion of income left to the internal equities after all costs, charges have been deducted.

ii. Return on total investment Ratio

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

Return on total investment ratio = Net profit or Loss/ Total investment

iii. Return on Loan & Advances Ratio

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

Return on loan and advance ratio= Net Profit/Loan and Advances

d. Risk Ratios

Risk taking is the prime business of bank's investment managements. It increases effectiveness and profitability of the bank. These ratios indicate the amount of risk associated with the various banking operations, which ultimately influences the bank investment policy.

The following ratios are evaluated under this topic:

i. Credit Risk Ratio

Credit risk ratio helps to check the profitability of loan non-repayment or the possibility of loan to go into default. Credit risk ratio is calculated in percentage dividing total loan and advances by total assets is expressed as, Credit risk ratio = Loan and Advances/Total assets

ii. Capital Risk Ratio

The capital risk ratio of a bank indicates how much assets values may decline before the position of depositors and other creditors jeopardize. The capital risk is directly related to the return on equity (ROE). Higher the ratio, Lower is the capital risk.

Mathematically, it is represented as:

Capital risk ratio = Capital (paid up + Reserved)/ Risk weighted Assets

3.6.2 Statistical Tools

a. Karl Pearson's correlation co-efficient analysis

We examine the relation between the various variables. The Correlation co-efficient is a relative measure of co- movements between variables. It is the measurement of linear relationship between two or more variables. Its values lie between -1 and =1. Mathematically,

$$\text{Correlation coefficient (} r = \frac{n\sum xy - \sum x \sum y}{\sqrt{\left(n\sum x^2 - \left(\sum x\right)^2\right)}\sqrt{\left(n\sum y^2 - \left(\sum y\right)^2\right)}}$$

b. Standard Deviation

Standard deviation is a statistical measure of the variability of a distribution of return around its mean .It is the square root of the variance and measure the unsystematic risk. A small standard deviation means a high degree of uniformity of the observation. It is denoted by Greek letter called sigma (□).

Mathematically,

$$\text{Standard deviation (□) = } \sqrt{\frac{\sum (x - \bar{x})^2}{N}}$$

c. Co-efficient of variance

The co-efficient of variance is the ratio of standard deviation to the mean for a given sample used to measure of relative's risk. The larger the CV, the grater is the risk relatives to the average.

$$\text{Mathematically, C.V} = \frac{\text{S.D.}}{\text{Mean}} \times 100$$

d. Least square linear trend

Among the various methods of determining trend of time series, the most popular and mathematical method is the least square method. Using this least square method. It has been estimated the future trend values of different variables. For the estimated of linear trend line following formula can be used:

$$Y = a + bx$$

Where, a = Constant

b = Beta co-efficient

x = Independent variable

3.7 Research framework and Definition of Variables

The theoretical framework is the structure that can hold or support a theory of a research study. The theoretical framework introduces and describes the theory that explains why the research problem under study exists. A theoretical framework consists of concepts and together with their definitions and reference to relevant scholarly literature, existing theory that is used for particular study. The theoretical framework must demonstrate an understanding of theories and concepts that are relevant to the topic of research paper and that relate to the broader areas of knowledge being considered.

Regression model is involve the following variables.

- The unknown parameters, denoted as $\beta,$ which may represent a scalar or a vector.
- The independent variable X

- The dependent variable Y

In various field of application, different terminologies are used in place of dependent and independent variable. For the study of investment analysis also research has formulated a regression model. The model helps to how the relationship between the dependent variable and independent.

Investment = a+ $\beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + ei$

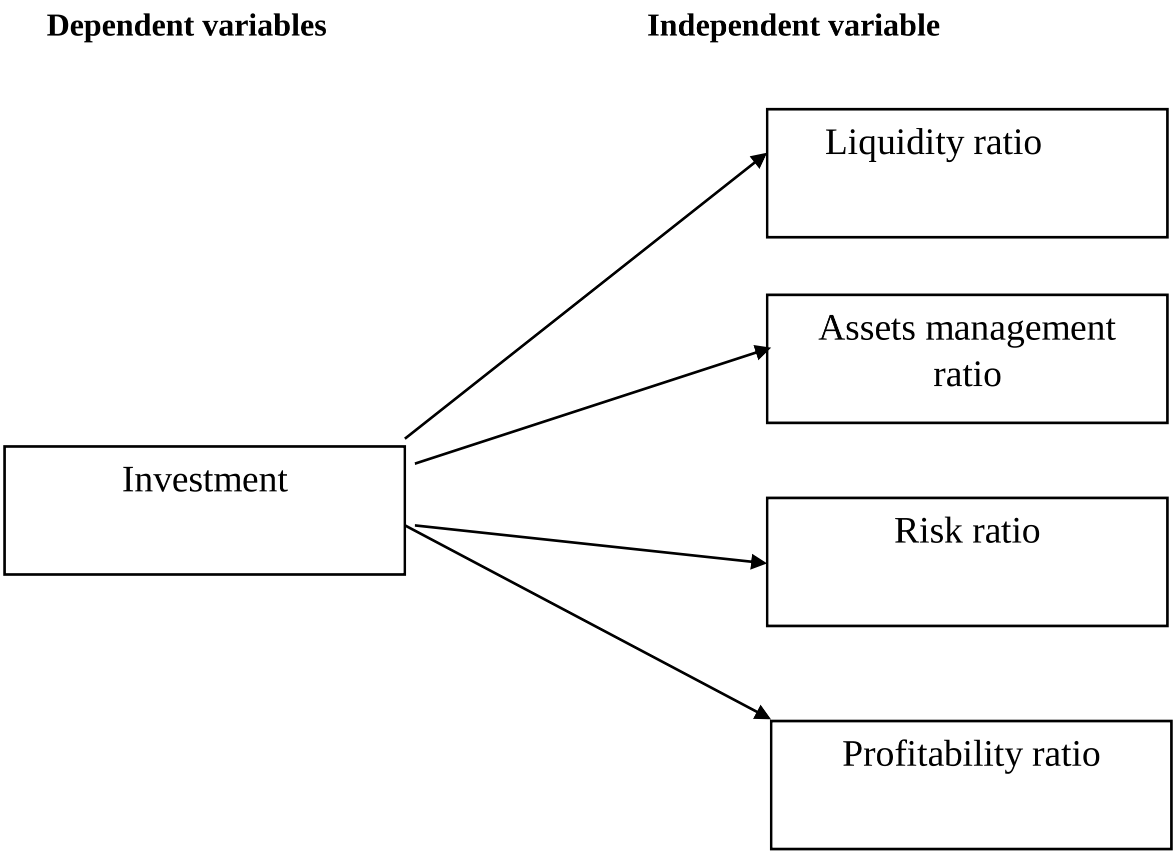
Whereas,

a = Constant variable

Investment = log to investment amount

X1, X2, X3 and X4 = log to Liquidity ratio, log to assets management ratio, log to Risk ratio, log to Profitability ratio respectively.

Figure 3.1: Conceptual Framework



CHAPTER IV

RESULT AND DISCUSSION

4.1 Data Presentation and Analysis

This chapter makes systematic presentation and analysis of data. Analysis is based on the data obtained from secondary sources. Appropriate statistical as well as financial tools described in the research methodology chapter have been used to derive actual result from the analysis of data. The chapter has been divided into main section. The first section of the chapter includes presentation and analysis of data while the second section includes major finding of the study.

4.1.1 Financial Analysis

Financial analysis is process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of balance sheet. Here, relevant ratio is calculated and appropriate interpretations are made.

i. Liquidity Ratio

Liquidity ratio measures the ability of the firms to meet its current obligations. In fact, analysis of liquidity needs the preparation of cash budgets, cash and fund liquidity ratio by establishing a relationship between cash and other current assets to current obligation, provide guide measures of liquidity. Liquidity is measured by the speed with which a bank's assets can be converted into cash to meet deposit withdrawal and other current obligation.

ii. Current Ratio

Current assets indicates the ability of bank to meet its current obligation. This is the broad measure of liquidity position of financial institution. The widely accepted standard of current ratio is 2.1 but accurate standard depends on circumstances in case of banking and seasonal business ratio such as 1.1 etc.

We have,

Current ratio = Current Assets/Current Liabilities

Table 4.1

Current Ratio (times)

S.N	**Fiscal year**	**NBL**	**Nabil**	**NIBL**	**SBI**
1	2014/15	0.88	0.79	0.86	1.04
2	2015/16	0.89	0.78	1	1.02
3	2016/17	0.94	0.84	1.02	1.03
4	2017/18	0.97	0.94	1.03	1.04
5	2018/19	0.94	0.98	1.04	1.06
	Total	4.62	4.33	4.95	5.19
	Mean	0.92	0.87	0.99	1.04
	S.D	0.04	0.09	0.07	0.01
	C.V(%)	4.09	10.38	7.49	1.43

Sources: Annual Report of NBL, Nabil, NIBL and SBI from 2014/15 to 2018/19.

Table 4.1 shows the current ratio of NBL, Nabil, NIBL and SBI Bank Ltd. Total mean; Standard deviation and coefficient of variation have also calculated. Although the current ratio of Nabil, NBL, NIBL and SBI have been fluctuating, it always less other current ratio of NBL, NIBL and SBI. In fact, the current ratio of sample bank seems to be appropriate. But, the lower ratio of Nabil indicates that it may often not be in proper liquidity position. SBI liquidity position is better than that NIBL, NBL and Nabil ie.1.04>0.99>0.92>0.87. The coefficient of variation between the current ratio of HBL, Nabil, NIBL and SBI is 4.09%, 10.38%, 7.49% and 1.43% respectively. It shows that current ratio of SBI is highly consistent than other sample banks, because higher the ratio more the inconsistency and lower the ratio more the consistency.

iii. Investment of Government Securities to Current Assets Ratio

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

I.O.G.S to C.A Ratio= I.O.G.S/Current assets

Table 4.2

Investment on Government Securities to Current Assets

S.N.	Fiscal year	NBL	Nabil	NIBL	SBI
1	2014/15	14.46	10.66	11.36	4.66
2	2015/16	11.77	16.81	8.72	8.14
3	2016/17	10.83	10.76	9.22	8.37
4	2017/18	11.8	11.25	10.4	13.36
5	2018/19	15.07	14.49	9.9	9.27
	Total	63.93	63.97	49.6	43.8
	Mean	12.79	12.79	9.92	8.76
	S.D	1.86	2.74	1.03	3.11
	C.V(%)	14.55	21.43	10.37	35.54

Sources: Annual Report of NBL, Nabil, NIBL and SBI from 2014/15 to 2018/19.

Table 4.2 shows that total mean standard deviation and coefficient of variation of investment of government securities to current assets ratio of these four sample banks. Above the table shows that investment on government securities to current assets ratio of HBL bank has decreasing trend in first 3rd year but then after it follows increasing trend, Nabil bank has increasing trend in 2nd year and decreasing in 3rd year after then it follows increasing trend in 4th and 5th year, NIBL has decreasing trend in first 2nd year and increasing trend in 3rd and 4th year after then decreasing trend. But SBI bank has increasing trend in first 4th year after then decreasing in 5th year. Mean of NBL and Nabil bank is equal which is higher than SBI bank i.e. 12.79%>8.76%, Coefficient of variation of SBI is higher than NIBL bank ie.35.54%>10.37%. It can be concluded that NBL, NIBL, Nabil bank have invested its current assets in government securities more than SBI bank but Investment in Government securities out of total assets is more consistent comparing with other sample banks.

iv. Assets management Ratio (Activity Ratio)

Assets management ratio measures the efficiency of the bank to manage its assets in profitable sector. This indicates the ability of the bank to utilize their available resources. Following ratios are discussed under this topic.

v. Total Investment to Total Deposit Ratio

Commercial bank mobilizes their deposit by investing its fund in different securities issued by government and other non- financial companies. This ratio measures the extent to which the banks are able to mobilize their deposit on investment in various securities.

We have,

Total Investment to total deposit ratio= Total Investment /Total Deposit

Whereas, Total Investment includes investment on government securities, investment on debenture and bonds, shares in subsidiary companies, shares in other companies and other investment.

Table 4.3

Total Investment to Total Deposit Ratio

S.N	Fiscal year	NBL	Nabil	NIBL	SBI
1	2014/15	22.65	29.71	23.68	7.46
2	2015/16	22.11	35.53	15.29	9.58
3	2016/17	19.46	29.48	13.06	9.82
4	2017/18	17.48	21.08	12.76	10.59
5	2018/19	20.72	15.63	11.65	9.66
	Total	102.42	131.43	76.44	47.11
	Mean	20.48	26.29	15.29	9.42
	S.D	2.09	7.87	4.87	1.17
	C.V(%)	10.20	29.96	31.88	12.39

Sources: Annual Report of NBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.3 shows total mean, Standard deviation and coefficient of variation of total investment to total deposit ratio of four sample banks. The above table reveals that Nabil has fluctuating trend i.e. highly in fiscal year 2015/16 i.e. 35.53% and lowest in fiscal year i.e. 2018/19 i.e. 15.63%, NBL has decreasing trend fiscal year 2014/15 to 2017/18 and after then increasing trend, NIBL has decreasing trend fiscal year 2014/15 to 2018/19. But SBI bank has increasing trend in fiscal year 2014/15 to 2017/18 and after then decreasing trend in fiscal year 2018/19.The mean and standard deviation of Nabil is higher than SBI bank i.e. 26.29%>9.42 and 7.87%>1.17%. But C.V of NBL is less than NIBL bank i.e. 10.20 %< 31.88%. From the above analysis, it is clear that Nabil has more successful to utilize its deposit than NBL, NIBL, and SBI but HBL has higher consistency to investment than sample banks.

vi. Investment on Government Securities to Total Assets Ratio

Investment on government securities to total assets ratio shows how much percentage of total assets of the banks are utilizing in different types of government securities. High ratio is the indicator of the high investments in government securities and vice-versa. This ratio is expressed as,

I.O.G.S to total assets ratio = I.O.G.S/Total Assets

Table 4.4

I.O.G.S to Total Assets Ratio (%)

S.N	Fiscal year	NBL	Nabil	NIBL	SBI
1	2014/15	11.32	7.74	8.73	4.31
2	2015/16	9.3	11.61	7.54	7.43
3	2016/17	8.83	8.01	8.15	7.64
4	2017/18	9.84	9.18	9.11	12.08
5	2018/19	12.18	12.58	8.75	8.46
	Total	51.47	49.12	42.28	39.92
	Mean	10.29	9.82	8.46	7.98
	S.D	1.41	2.17	0.62	2.78
	C.V(%)	13.69	22.09	7.29	34.83

Sources: Annual Report of NBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.4 shows total mean, standard deviation and coefficient of variation of investment of government securities to total assets ratio of these four banks. The table shows that investment of government securities to total assets ratio of NBL has decreasing trend in fiscal year 2014/15 to 2016/17 after then it has increasing in fiscal year 2017/18 to 2018/19, Nabil bank has increasing trend in fiscal year 2014/15 to 2015/16 and decreasing trend in fiscal year 2016/17 after then also increasing trend fiscal year 2017/18 to 2018/19 , NIBL has decreasing trend in FY 2014/15 to 2015/16 and increasing trend in FY 2016/17 to 2017/18 after then decreasing trend. But SBI bank has increasing trend in FY 2014/15 to 2017/18 after then decreasing trend. Mean value of NBL bank is higher than SBI bank i.e. 10.29 % > 7.98%. Coefficient of variation (CV) of SBI is higher than NIBL i.e. 34.8% > 7.29%. It can be concluded that NIBL has more consistent investment in government securities comparing with other sample banks.

4.1.2 Profitability Ratio

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

i. Return on total Assets Ratio

This ratio is calculated by dividing net profit by total assets. This can be stated as;

Return on total assets ratio = Net Profit / Total Assets

Table 4.5

Return on Total Assets (%)

S.N	Fiscal year	NBL	Nabil	NIBL	SBI
1	2014/15	1.31	1.81	1.88	1.64
2	2015/16	1.91	2.15	1.96	1.59
3	2016/17	2.13	2.57	2.06	1.57
4	2017/18	1.58	2.47	2.13	1.97
5	2018/19	2.04	2.11	1.79	1.94
	Total	8.97	11.11	9.82	8.71
	Mean	1.79	2.22	1.96	1.74
	S.D	0.34	0.30	0.14	0.20
	C.V(%)	19.04	13.69	6.39	11.27

Sources: Annual Report of NBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.5 shows the total mean, SD and CV of return on total assets ratio of NBL, Nabil, NIBL and SBI banks. The above table shows that the return on total assets ratio of NBL has increasing in FY 2014/15 to 2016/17 and decreasing in FY 2017/18 then after, it is in increasing trend, Nabil bank has increasing trend in FY 2014/15 to 2016/17 after then it is in decreasing trend in FY 2017/18 to 2018/19, NIBL has increasing rapidly in FY 2015/16 to 2017/18 then after decreasing in FY 2018/219. Similarly, SBI has decreasing trend in FY 2014/15 to 2016/17 and increasing trend in 2017/18 then after decreasing in 2018/219. Mean value of return on total assets ratio of Nabil is higher than SBI bank ie.2.22%>1.74%, which indicates that the position of bank is good to some extent in this regard. Considering the CV, NBL is higher than NIBL i.e. 19.04% > 6.39%. This stated that consistent return on total asset in comparison to NBL, Nabil and SBI.

ii. Return on Total Investment Ratio

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

Return on total investment ratio = Net profit / Total investment

Table 4.6

Return on Total Investment Ratio

S.N	Fiscal year	NBL	Nabil	NIBL	SBI
1	2014/15	6.49	6.76	9.14	25.29
2	2015/16	10.02	7.07	15.46	20.04
3	2016/17	12.04	10.04	19.06	19.72
4	2017/18	10.76	13.89	20.99	22.67
5	2018/19	11.79	16.64	19.09	24.24
	Total	51.1	54.4	83.74	111.96
	Mean	10.22	10.88	16.75	22.39
	S.D	2.24	4.31	4.7	2.48
	C.V(%)	21.89	39.65	28.06	11.07

Sources: Annual Report of NBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.6 shows the total mean, standard deviation and coefficient of variation of return on investment ratio of NBL, Nabil bank and SBI banks. In the above table, return on total investment ratio of HBL has increasing trend in fiscal year 2014/15 to

2016/17 and decreasing in fiscal year 2017/18, then after increasing in FY 2018/19. Nabil bank has increasing in fiscal year 2014/15 to 2018/19, NIBL has increasing trend in fiscal year 2014/15 to 2017/18 and decreasing trend in fiscal year 2018/19. Similarly, SBI has decreasing trend in fiscal year 2014/15 to2016/17 and increasing trend in fiscal year 2017/18 to 2018/19. Mean value of SBI is higher than that of NBL ie.22.39% > 10.22%, Nabil and NIBL Whereas, C.V of SBI is lower than of Nabil bank i.e. 11.07% < 39.65%. From this analysis it found SBI is successful to maintain the higher ratio in return on investment ratio. It also shows that investment policy of SBI is consistence.

iii. Return on Loan and Advance Ratio

When net profit is divided by loan advances, the ratio is called return on loan and advances. Mathematically,

Return on loan and advance ratio = Net Profit/Loan and Advances

Table 4.7

Return on Loan and Advances Ratio (%)

S.N	Fiscal year	NBL	Nabil	NIBL	SBI
1	2014/15	2.08	3.20	2.96	2.44
2	2015/16	2.86	3.70	2.98	2.67
3	2016/17	2.85	4.02	2.98	2.44
4	2017/18	2.13	3.50	3.03	2.69
5	2018/19	2.78	3.17	2.61	2.59
	Total	12.70	17.59	14.56	12.83
	Mean	2.54	3.52	2.91	2.57
	S.D	0.40	0.36	0.17	0.12
	C.V(%)	15.70	10.13	5.87	4.68

Sources: Annual Report of NBL, Nabil, NIB Land SBI from 2014/15 to 2018/19.

Table 4.7 shows the total mean, SD and C.V of return on loan and advances ratio of NBL, Nabil, NIBL and SBI. The ratio of sample banks is fluctuating while Nabil has higher return on loan and advance ratio than NBL, NIBL and SBI. HBL has increasing trend in fiscal year 2014/15 to 2015/16, and decreasing trend in FY 2016/17 to 2017/18 then after increasing in FY 2018/19 to 2018/19, Nabil bank has increasing in fiscal year 2014/15 to 2016/17 and decreasing trend in fiscal policy

2017/18 to 2018/19. The ratio of NIBL has increasing trend in fiscal year 2014/15 to 2018/19. Similarly, SBI bank has fluctuating in every fiscal year. Mean value of Nabil bank is greater than NBL i.e. 3.52% > 2.54%. Nabil bank has maintained higher ratio than other sample banks, which indicates that it is successful to earn higher return on its loan and advances. But coefficient of variation of SBI bank is lowest comparing with other sample bank i.e. 4.68% < 5.87% < 10.13% < 15.70% which shows investment policy return of SBI bank is consistence than sample banks.

4.1.3 Risk Ratio

Risk taking is the prime business of bank's investment managements. It increases effectiveness and profitability of the bank. These ratios indicate the amount of risk associated with the various banking operations, when ultimately influences the bank investment policy.

The following ratios are evaluated under this topic:

i. Credit Risk Ratio

Credit risk ratio helps to check the profitability of loan non-repayment or the possibility of loan to go into default. Credit risk ratio is calculated in percentage dividing total loan and advances by total assets is expressed as,

Credit risk ratio = Loan and Advances/Total assets

Table 4.8

Credit Risk Ratio (%)

S.N	**Fiscal year**	**NBL**	**Nabil**	**NIBL**	**SBI**
1	2014/15	63.09	56.47	51.02	67.25
2	2015/16	66.93	57.94	81.9	59.69
3	2016/17	70.69	62.4	56.3	64.15
4	2017/18	75.63	70.58	70.29	73.37
5	2018/19	74.75	66.4	81.83	74.92
	Total	351.09	313.79	341.34	339.38
	Mean	70.22	62.76	68.27	67.88
	S.D	5.28	5.86	14.27	6.35
	C.V(%)	7.52	9.34	20.9	9.35

Sources: Annual Report of NBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.8 shows total mean, SD and C.V of credit risk ratio of NBL, Nabil, NIBL and SBI bank. The above table shows that the credits risk of these four banks are fluctuating trend. NBL and Nabil bank have mentioned highest ratio in FY 2017/18 i.e. 75.63% and 70.58% and lowest in FY 2014/15 ie 63.09% and 56.47% respectively. But NIBL and SBI banks have also mentioned highest ratio in FY 2015/16(i.e. 81.90%), 2018/19 (i.e. 74.92%) and Lowest ratio in FY 2014/15 ie 51.02%, 2015/16 i.e. 59.69% respectively. Mean value of Nabil bank is lower than that of sample banks. Mean value of HBL is more than Nabil bank i.e. 70.22%>62.76%. Coefficient of variation of NIBL is more than HBL i.e. 20.90%>7.52%, which shows NBL risk ratio is consistence than that of other sample banks.

ii. Capital Risk Ratio

The capital risk ratio of a bank indicates that how much assets values may decline before the position of depositors and other creditors jeopardize. The capital risk is directly related to the return on equity (ROE). Higher the ratio, Lower is the capital risk.

Mathematically, it is represented as:

Capital risk ratio = Capital (paid up + Reserved)/ Risk weighted Assets

Table 4.9

Capital Risk Ratio (%)

S.N	**Fiscal year**	**NBL**	**Nabil**	**NIBL**	**SBI**
1	2014/15	9.64	10.85	12.93	13.51
2	2015/16	9.78	13.89	13.87	14.12
3	2016/17	11.88	14.05	11.96	14.13
4	2017/18	12.27	14.31	13.36	11.43
5	2018/19	12.69	13.64	9.93	11.2
	Total	56.26	66.74	62.05	64.39
	Mean	11.25	13.35	12.41	12.88
	S.D	1.44	1.42	1.55	1.45
	C.V(%)	12.77	10.62	12.52	11.27

Sources: Annual Report of NBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.1.9 shows the total mean, SD and C.V of capital risk ratio of these sample banks. In the above table, capital risk ratio of NBL and Nabil bank are increasing trend in FY 2014/15 to 2018/19. The ratio of NIBL and SBI bank are fluctuating trend in highest FY 2015/16 i.e. 13.87%, 2016/17 i.e. 14.13% and Lowest FY 2018/19 i.e. 9.93%, 11.2% respectively. Mean value of NBL is lower than Nabil bank i.e. 13.35%>11.25%. Coefficient of variance of Nabil bank is lower than NBL i.e. 10.62 %< 12.77%, which indicates that Nabil risk ratio consistence that the other sample banks.

4.2 Statistical Tools

Some important statistical tools are used to achieve the objective of this study. In this study, Statistical tools such as correlation co-efficient analysis, standard deviation, coefficient of variance, least square linear trend are used. Statistical analysis related to this study is given below:

4.2.1 Correlation Analysis

Correlation analysis means the relationship between two variables where the changes in known as coordination. The degree of relationship between the variables under consideration is measured through the correlation analysis. It is the technique used in measuring the closeness of the relationship between the variables. To measure the correlation between the total deposits and total investments, co-efficient of determination is calculated in the study.

i. Correlation between Total Deposit and total Investment

The coefficient between total deposit and total investment measures the degree of relations between the respective variables. In the correlation analysis total deposit is independent variable while the total investment is dependent variables.

Table 4.10

Correlation between Total Deposit and Total investment of NBL, Nabil, SBI and NIBL

Banks	**Correlation(r)**	**r^2**	**P.E(.r)**	**6 P.E**	**Relationship**
Nepal Bank Limited	0.76	0.58	0.13	0.78	Significant
Nabil Bank Limited	-0.713	0.51	0.15	0.90	Insignificant
NIBL	-0.602	0.36	0.19	1.14	Insignificant
SBI	0.977	0.954	0.014	0.084	Significant

Source: SPSS

Correlation between total deposits and total investment of NBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between total deposits and total investment of NBI, Nabil, NIBL and SBI are 0.76, -0.713, -0.602 and 0.977 respectively. So, there is positive correlation between total deposit and total investment of NBL and Highly negative correlation for Nabil, NIBL and SBI banks. In order to measure the degree of change on dependent variable (investment) due to a change on independent variable (deposit), value of co-efficient of determination is calculated. The value of co-efficient of determination of NBL is 0.58 which means 58% Investment is depend on deposit and 42% investment decision depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.51, 0.36, 0.954, which means 51%, 36%, and 95.40% respectively investment is depend on deposit and rest investment decision depends on other variables.

Similarly, probable error (P.E.) is 0.13, 0.15, 0.19 and 0.014 of NBL, Nabil bank, NIBL and SBI respectively and 6 P.E. is 0.78, 0.90, 1.14 and 0.084 of NBL, Nabil bank, NIBL and SBI respectively. Since correlation (r) of NBL, Nabil, and NIBL are less than 6 P.E, while correlation (r) of SBI bank is less than 6P.E. So the relationship between these two variables is insignificant for NBL, Nabil and NIBL banks and significant for SBI bank.

ii. Correlation between Loan and Advances and Net Profit

The coefficient of correlation between loan and advances and net profit measures the degree of relationship between these two variables. In this analysis, loan and advances is independent variable. (x) And Net profit is dependent variables (Y)

Table 4.11

Correlation between Loan and Advances and Net Profit Nabil, NBL, SBI, NIBL

Banks	Correlation (r)	r^2	P.E(.r)	6 .P.E	Relationship
Nepal Bank Limited	0.877	0.769	0.069	0.418	Significant
Nabil Banks Limited	0.936	0.876	0.037	0.222	Significant
Nepal investment bank limited	0.96	0.922	0.024	0.144	Significant
SBI Bank	0.992	0.984	0.005	0.03	Significant

Sources: SPSS

Correlation between total deposits and total investment of NBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between loan and advances and net profit of NBI, Nabil, NIBL and SBI are 0.877, 0.936, 0.96 and 0.992 respectively. So, there is highly positive correlation between loan and advances and net profit of all sample banks. In order to measure the degree of change on dependent variable (net profit) due to the change on independent variable (loan and advances), value of co-efficient of determination (r2) is calculated. The value of co-efficient of determination of NBL is 0.769 which means 76.90% net profit is depend on loan and advances and 23.10% depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.876, 0.922, and 0.984 which means 87.6%, 92.20%, 98.40% respectively net profit is depends on loan and advances and rest on other variables.

Similarly, probable error (P.E.) is 0.069, 0.037, 0.024 and 0.005 of NBL, Nabil bank, NIBL and SBI respectively and 6 P.E. is 0.418, 0.222, 0.144 and 0.03 of NBL, Nabil bank, NIBL and SBI respectively. Since ‘r’ of NBL, Nabil bank, and NIBL are greater than 6 P.E, the relationship between these two variables is significant.

iii. Correlation between total Deposit and Net Profit

The coefficient of correlation between total deposits and net profit measures the degree of relationship between these two variables. In this analysis, a total deposit is independent variables(x) and net profit is dependent variable(Y).

Table 4.12

Correlation between Total Deposit and Net Profit of NBL, Nabil, NIBL and SBI

Banks	**Correlation(r)**	**r^2**	**P.E(r)**	**6 .P.E**	**Relationship**
Nepal Bank Limited	0.913	0.834	0.05	0.3	Significant
Nabil Banks Limited	0.892	0.796	0.062	0.372	Significant
Nepal Investment Bank Limited	0.926	0.857	0.043	0.258	Significant
Nepal SBI Bank Limited	0.968	0.937	0.019	0.114	Significant

Sources: SPSS

Correlation between total deposits and net profit of NBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between total deposit and net profit of NBI, Nabil, NIBL and SBI are 0.913, 0.892, 0.926 and 0.968 respectively. So, there is highly positive correlation between total deposit and net profit of all sample bank. In order to measure the degree of change on dependent variable (net profit) due to a change on independent variable (total deposit), value of co-efficient of determination (r2) is calculated. The value of co-efficient of determination of NBL is 0.834 which means 83.40% of net profit is depends on total deposit and 16.60% of net profit depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.796, 0.857, 0.937 which means 79.60%, 85.70%, 93.70% respectively net profit is depends on total deposit and rest on other variables.

Similarly, probable error (P.E.) is 0.05, 0.062, 0.043 and 0.019 of NBL, Nabil , NIBL and SBI respectively and 6 P.E. is 0.3, 0.372, 0.258 and 0.114 of NBL, Nabil bank, NIBL and SBI respectively. Since correlation(r) of NBL, Nabil bank, NIBL and SBI are greater than 6 P.E, the relationship between these two variables is significant.

iv. Correlation between Total Investment and Loan Advances

The coefficient of correlation between total investment and loan and advances measures the degree of relationship between these two variables. In this analysis, total investment is independent variable(x) and loan and advance is dependent variable (Y).

Table 4.13

Correlation between Total Investment and Loan and Advances of NBL, Nabil, NIBL and SBI

Banks	Correlation (r)	r^2	P.E(.r)	6. P.E	Relationship
Nepal Bank Limited	0.679	0.461	0.163	0.978	Significant
Nabil Banks Limited	-0.710	0.504	0.150	0.90	Insignificant
Nepal Investment Bank Limited	-0.617	0.381	0.187	1.122	Insignificant
Nepal SBI Bank Limited	0.948	0.899	0.030	0.180	Significant

Sources: SPSS

Correlation between total investment and loan and advances of NBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between total investment and loan and advances of NBI, Nabil, NIBL and SBI are 0.679, -0.710, -0.617 and 0.948 respectively. So, there is positive correlation between total investment and loan and advances for NBL and SBI banks but there is negative correlation between total investment and loan and advances for Nabil bank and NIBL bank. In order to measure the degree of change on dependent variable (loan and advances) due to the change on independent variable (total investment), value of co-efficient of determination (r2) is calculated. The value of co-efficient of determination of NBL is 0.461 which means 46.10% loan and advances is depends on total investment and 53.90% depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.504, 0.381, and 0.899 which means 50.40%, 38.10%, 89.90% respectively loan and advances is depends on total investment and rest depends on other variables.

Similarly, probable error (P.E.) is 0.163, 0.150, 0.187 and 0.030 of NBL, Nabil bank, NIBL and SBI respectively and 6 P.E. is 0.978, 0.90, 1.122 and 0.180 of NBL, Nabil bank, NIBL and SBI respectively. Since correlation (r) of NBL, Nabil bank, NIBL are less than 6 P.E. while correlation (r) of SBI is greater than 6P.E. so the relationship between these two variables is Insignificant for NBL , Nabil and NIBL and significant for SBI bank.

v. Correlation between Total Deposit and Loan and Advances

The coefficient of correlation between total deposit and loan and advance measures the degree of relationship between these two variables. In this analysis, a total deposit is independent variable (x) and loan and advance is dependent variables(Y).

Table 4.14

Correlation between Total Deposits and Loan and Advances of NBL, Nabil, SBI, NIBL

Banks	Correlation (r)	r^2	P.E.(r)	6 P.E	Relationship
Nepal Bank Limited	0.993	0.986	0.004	0.036	Significant
Nabil Banks Limited	0.985	0.970	0.009	0.072	Significant
Nepal Investment Bank Limited	0.994	0.988	0.004	0.036	Significant
SBI Bank Limited	0.981	0.962	0.011	0.069	Significant

Sources: SPSS

Correlation between total deposit and loan and advances of NBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between total deposit and loan and advances of NBI, Nabil, NIBL and SBI are 0.993, 0.985, 0.994 and 0.981 respectively. So, there highly positive correlation between total deposit and loan and advances of all sample bank. In order to measure the degree of change on dependent variable (loan and advances) due to a change on independent variable (total deposit), value of co-efficient of determination (r2) is calculated. The value of co-efficient of determination of NBL is 0.986 which means 98.60% loan and advances is depends on total investment and 1.40% depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.970, 0.988, 0.962 which means 97%, 98.80%, 96.20% respectively loan and advances is depends on total deposits and rest on other variables.

Similarly, probable error (P.E.) is 0.004, 0.009, 0.004 and 0.011 of NBL, Nabil bank, NIBL and SBI respectively and 6 P.E. is 0.036, 0.072, 0.036 and 0.069 of NBL, Nabil bank, NIBL and SBI respectively. Since correlation(r) of NBL, Nabil bank, NIBL and SBI are greater than 6 P.E, the relationship between these two variables is significant.

vi. Correlation between Total Investment and Net Profit

The coefficient of correlation between total investments and net profit measures the degree of relationship between these two variables. In this analysis, total investment is independent variable (X) and net profit is dependent variable(Y).

Table 4.15

Correlation between Total Investment and Net Profit of NBL, Nabil, NIBL and SBI

Banks	Correlation (r)	r2	P.E.(r)	6 P.E	Relationship
Nepal Bank Limited	0.827	0.684	0.095	0.570	Significant
Nabil Bank Limited	-0.481	0.231	0.232	1.392	Insignificant
Nepal Investment Bank Limited	-0.677	0.458	0.163	0.978	Insignificant
Nepal SBI Bank Limited	0.952	0.906	0.028	0.168	Significant

Sources: SPSS

Correlation between total investment and net profit of NBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between total investment and net profit of NBI, Nabil, NIBL and SBI are 0.827, -0.481,-0.677 and 0.952 respectively. So, correlation between total investment and net profit of all sample bank. In order to measure the degree of change on dependent variable (net profit) due to a change on independent variable (total investment), value of co-efficient of determination (r2) is calculated. The value of co-efficient of determination of NBL is 0.684 which means 68.40% net profit is depends on total investment and 31.60% depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.231, 0.458, 0.906 which means 23.10%, 45.80%, 90.60% respectively net profit is depends on total investment and rest on other variables.

Similarly, probable error (P.E.) is 0.095, 0.232, 0.163 and 0.028 of NBL, Nabil bank, NIBL and SBI respectively and 6 P.E. is 0.570, 1.392, 0.978 and 0.168 of NBL, Nabil bank, NIBL and SBI respectively. Since correlation(r) of NBL, Nabil bank, NIBL and SBI are less than 6 P.E, the relationship between these two variables is insignificant.

4.2.2 Trend Analysis

In this section, an attempt has been made to analyze and interpret the trend of deposits, loans and advances, investments and net profits of HBL, Nabil bank, NIBL and SBI to forecast them for next five years period. The following trend value analysis has been used in the study.

i. Trend Analysis of Total Deposits

Under this topic an attempt is made to analyze the trend of deposits of NBL, Nabil bank, NIBL and SBI and forecast the trend for next 5 years. The following table shows the trend values of total deposits of NBL, Nabil bank NIBL and SBI for five years from FY 2014/15to 2018/19 and forecasted the same till FY 2023/24.

Table 4.16

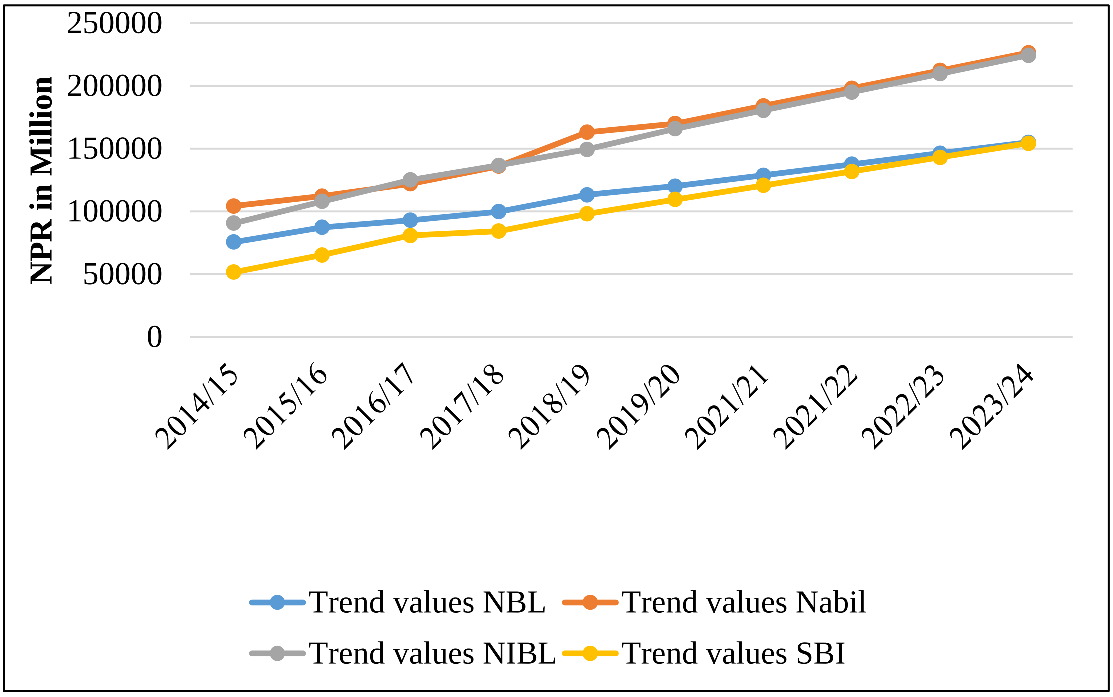
Trend Value of Total Deposit of NBL, Nabil, NIBL and SBI Banks

(Rs. In Million)

Fiscal year	**Trend values NBL**	**Trend values Nabil**	**Trend values NIBL**	**Trend values SBI**
2014/15	75538	104238	90631	51628
2015/16	87336	112168	107867	65214
2016/17	92881	121941	124972	80818
2017/18	99743	135979	136585	84269
2018/19	113089	162953	149392	97924
2019/20	119970	169828	165761	109464
2021/21	128721	183952	180385	120629
2021/22	137472	198076	195009	131794
2022/23	146223	212200	209633	142959
2023/24	154974	226324	224257	154123

Figure 4.1

Trend Value of Total Deposit of NBL, Nabil, NIBL and SBI Banks



Trend value of total deposit of NBL, Nabil, NIBL and SBI, When analyzing the above table, it is clear that the total deposits of NBL, Nabil bank, NIBL and SBI are in increasing trend. Other things remaining constant, the total deposits of NBL, Nabil bank, and SBI in FY 2023/24, which will be Rs.154974, Rs. 226324, Rs. 224257and Rs.154123 respectively. From the above trend analysis, it is found that the deposits collection position of Nabil bank is better than NBL, NIBL and SBI bank.

ii. Trend Analysis of Total Investment

Under this topic an attempt is made to analyze the trend of investments of NBL, Nabil, NIBL and SBI bank and forecast the trend for next 5 years. The following table shows the trend values of total investments of NBL, Nabil bank, NIBL and SBI for five years from FY 2014/15 to 2018/19 and forecasted the same till FY 2023/24.

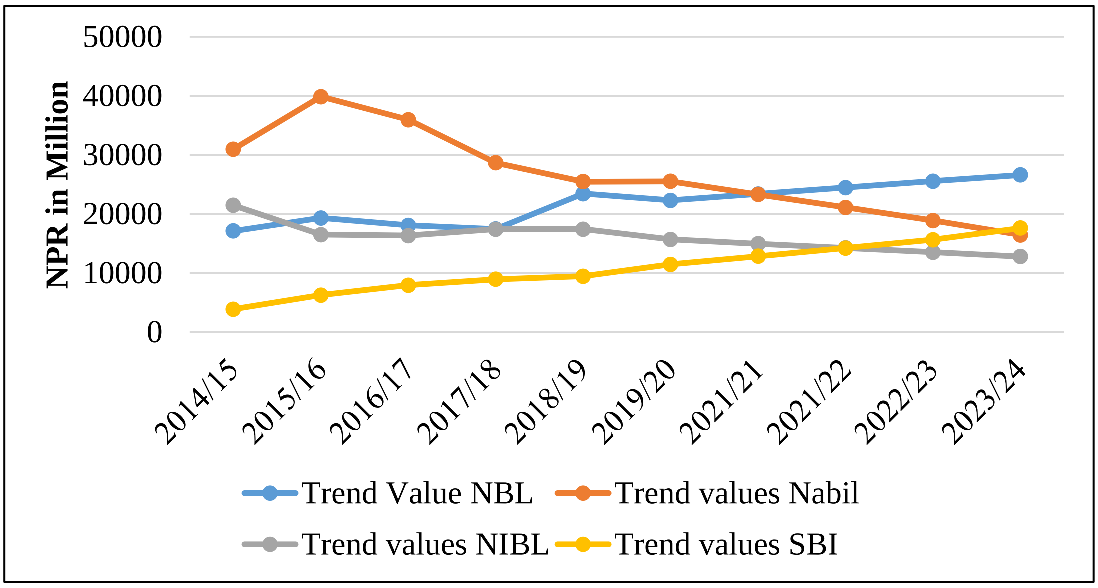
Table 4.17

Trend Values of Total Investments of NBL, Nabil bank, and NIBL and SBI

Fiscal year	Trend Value NBL	Trend values Nabil	Trend values NIBL	Trend values SBI
2014/15	17113	30972	21461	3852
2015/16	19306	39850	16500	6251
2016/17	18076	35951	16331	7937
2017/18	17439	28666	17426	8924
2018/19	23433	25469	17404	9458
2019/20	22305	25526	15668	11450
2021/21	23383	23306	14949	12838
2021/22	24460	21087	14230	14227
2022/23	25537	18868	13512	15615
2023/24	26614	16449	12793	17604

Figure 4.2

Trend Values of Total Investments of NBL, Nabil bank, and NIBL and SBI



When analyzing the above table, it is clear that the total investments of NBL, Nabil, NIBL and SBI are in fluctuating trend. Other things remaining constant, the total investments of NBL, Nabil, NIBL and SBI in FY 2023/24will be Rs. 26614, Rs.16449, Rs. 12793 and Rs. 17604 .respectively. From the above trend analysis, it is found that the total investments position of NBL is better than sample banks.

iii. Trend Analysis of Loan and Advances

Under this topic an attempt is made to analyze the trend of loan and advances of NBL and SBI and forecast the trend for next 5 years. The following table shows the trend values of loan and advances of NBL, Nabil, NIBL and SBI for five years from FY 2014/15 to 2018/19 and forecasted the same till FY 2023/2024.

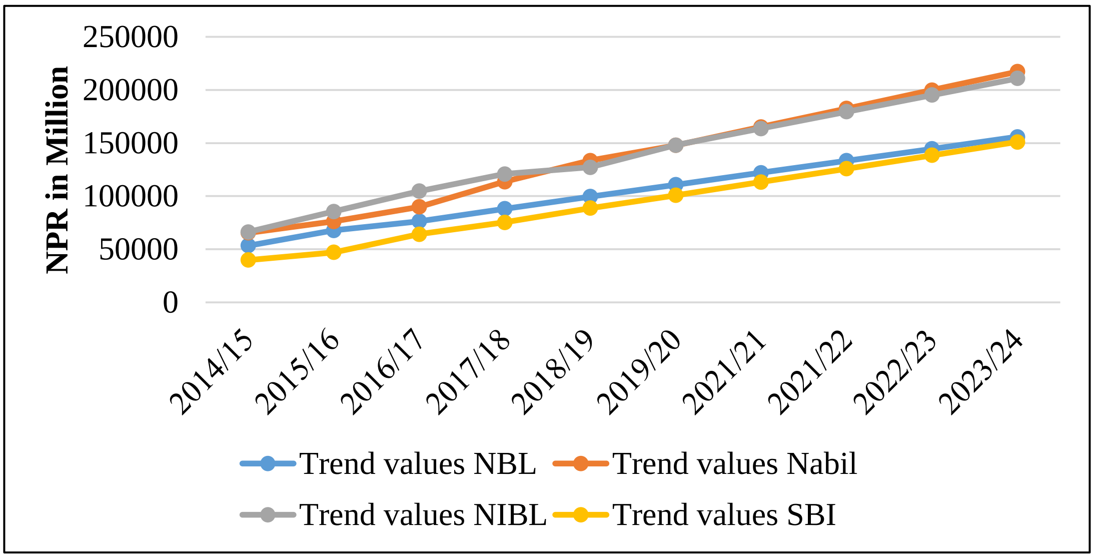
Table 4.18

Trend Values of Loan and Advances of HBL, Nabil bank, and NIBL and SBI

Fiscal year	Trend values NBL	Trend values Nabil	Trend values NIBL	Trend values SBI
2014/15	53476	65502	66219	39880
2015/16	67746	76106	85461	46999
2016/17	76395	89877	104625	64120
2017/18	88086	113625	120826	75236
2018/19	99530	133558	127140	88645
2019/20	110781	147823	148016	100706
2020/21	122026	165186	163737	113283
2021/22	133271	182549	179457	125859
2022/23	144515	199912	195178	138436
2023/24	155760	217253	210899	151013

Figure 4.3

Trend Values of Loan and Advances of NBL, Nabil bank, and NIBL and SBI



When analyzing the above table, it is clear that the loan and advances of both HBL, Nabil, NIBL and SBI are in increasing trend. Other things remaining constant, the loan and advances of NBL, Nabil, NIBL and SBI in FY 2023/24 will be Rs. 155760, Rs. 217253, Rs.210899 and Rs. 151013 respectively. From the above trend analysis, it is found of Nabil bank has mobilized loan and advances well than NBL, NIBL and SBI.

iv. Trend Analysis of Net Profit

Under this topic an attempt is made to analyze the trend of net profit of NBL, Nabil, NIBL and SBI and forecast the trend for next 5 years. The following table shows the trend values of net profit of NBL, Nabil, NIBL and SBI for five years from FY 2014/15 to 2018/19 and forecasted the same till FY 2023/24.

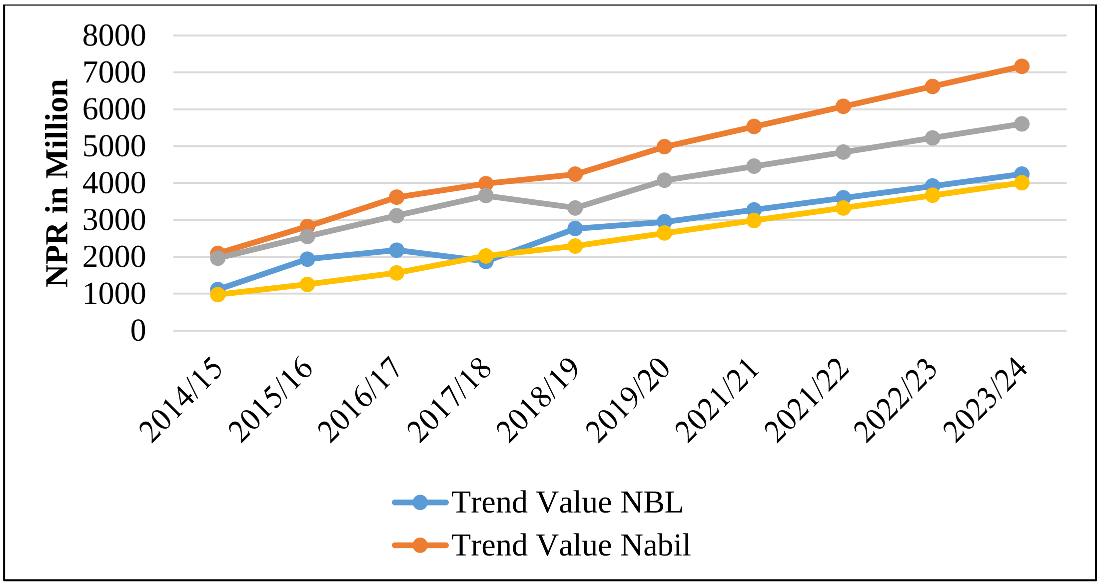
Table 4.19

Trend Values of Net Profit of NBL, Nabil bank, and NIBL and SBI

Fiscal year	**Trend Value NBL**	**Trend Value Nabil**	**Trend Value NIBL**	**Trend Value SBI**
2014/15	1112	2094	1962	974
2015/16	1935	2819	2551	1253
2016/17	2178	3613	3114	1565
2017/18	1876	3982	3659	2023
2018/19	2764	4239	3324	2293
2019/20	2946	4985	4072	2644
2021/21	3271	5531	4455	2985
2021/22	3595	6076	4838	3326
2022/23	3920	6621	5221	3666
2023/24	4244	7166	5604	4007

Figure 4.4

Trend Value of Net profit of NBL, Nabil, NIBL and SBI Banks



When analyzing the above table, it is clear that the net profits of both NBL, Nabil, NIBL and SBI are in increasing trend. Other things remaining constant, the net profit of NBL, Nabil, NIBL and SBI in FY 2023/2024 will be Rs. 5432 and Rs. 8345, Rs. 6123 and Rs.5654 respectively. From the above trend analysis, it is found of Nabil is in better position in terms of net profit than NBL, NIBL and SBI.

4.3 Major Findings of the Study

This study has used secondary data from different sources. And after analyzing the data following findings has noticed;

SBI Bank:

i. The mean currents ratio of SBI bank is higher than NBL, Nabil and NIBL. It means that SBI bank has maintained higher liquidity whereas, Sample banks have maintained lower liquidity and higher risks in comparison to SBI bank.

ii. The mean ratio of investment on government securities to current assets of SBI is lower than sample banks and the CV of SBI bank is higher than NBL, Nabil and NIBL. It states the poor position of SBI bank in investment on government securities and more inconsistent in its investment comparing with other sample banks.

iii. The return on total investment ratio of SBI bank is higher than that of NBL, NIBL and Nabil bank, this shows that SBI bank has invested higher amount of the total investment in securities and shares than other sample banks.

iv. Coefficient of correlation analysis between total deposits and total investments of NBL, Nabil bank, NIBL and SBI shows that there is positively perfect correlation between total deposit and total investment of all sample bank. When there is a change in total deposit, it brings 58% change in total investment of NBL. Similarly, 51%, 36% and 95.40% change in total investment of Nabil bank, NIBL and SBI. The relationship between these two variables of NBL, Nabil bank and NIBL are insignificant while the relationship between two variables of SBI is significant.

v. The ratio of total investment to total deposit of Nabil bank is higher than that of NBL, NIBL and SBI bank, whereas the ratios of SBI bank are more variable than Nabil bank. This shows that Nabil bank has invested higher amount of the total deposits in securities and shares than NBL, NIBL and SBI bank.

vi. The return on total assets ratio of Nabil bank is higher than NBL, NIBL and SBI on an average, which indicates that the position of bank is better than NBL, NIBL and SBI; however, NBL, NIBL and SBI have been able to maintain a stable and consistent return on total assets in comparison to Nabil bank.

vii. The mean ratio of return on loan and advances ratio of Nabil is higher than NBL, NIBI and SBI bank but the consistency in the ratio is lower than that of SBI bank. It concludes that Nabil bank has strong position regarding the mobilization of return on loan and advance than other sample banks.

viii. The average capital risk ratio of Nabil bank is slightly higher than that of NBL, NIBL and SBI. Which indicates that Nabil bank has slightly higher capital risks than NBL, NIBL, and SBI. The degree of capital risk in NBL bank is also slightly riskier than Nabil bank NIBL and SBI bank.

ix. The mean credit risk ratio of NBL bank is higher than Nabil, NIBL and SBI. The CV and S.D ratio of NIBL is higher than Sample banks. Which means that NIBL bank has higher credit risk in comparison to other sample banks as well as unstable credit policy.

x. Coefficient of correlation analysis between NBL, Nabil bank, NIBL and SBI shows that there is highly positive correlation between loan and advances and net profit of sample bank. When there is a change in loan and advances, it brings 76.90% change in net profit of NBL and 87.60%, 92.20% and 98.40% change in net profit of Nabil bank, NIBL and SBI respectively. In this analysis also, r is greater than 6 P.E which shows that the relationship between these two variables is significant.

xi. Coefficient of correlation analysis between NBL, Nabil, NIBL and SBI shows that there is positive correlation between total deposits and net profit of all the sample bank. When there is a change in total deposits, it brings 83.40% change in net profit of NBL and 79.60%, 85.70% and 93.70% change in net profit of Nabil bank, NIBL and SBI. The relationship between these two variables is insignificant.

xii. Coefficient of correlation analysis between NBL, Nabil bank, NIBL and SBI shows that there is positive correlation between total investment and loan and advances of all sample bank. On the basis of co-efficient of determination, it is found that when there is a change in total investment, it brings 46.10% change in loan and advances of NBL and 50.40%, 38.10%, and 89.90% change Nabil bank , NIBL, SBI. The relationship between these two variables is insignificant.

xiii. Coefficient of correlation analysis between NBL, Nabil bank, NIBL and SBI shows that there is positive correlation between total deposits and loan and advance of all sample banks. On the basis of co-efficient of determination, it is found that when there is a change in total deposits, it brings 98.60% change in loan and advance of NBL and 97% , 98.80% and 96.20% change in loan and advance of Nabil bank, NIBL and SBI. The relationship between these two variables is significant.

xiv. Coefficient of correlation analysis between NBL and SBI shows that there is positive correlation between total investment and net profit of all sample banks. On the basis of co-efficient of determination, it is found that when there is a change in total investment, it brings 68.40% change in net profit of NBL and 23.10%, 45.80%,and 90.60% change in net profit of Nabil bank, NIBL and SBI. The relationship between these two variables is insignificant.

xv. From the trend analysis, it is clear that the total deposits of NBL, Nabil, NIBL and SBI bank are in increasing trend, however, it is found that the deposits collection position of Nabil bank is better than other sample banks.

4.4 Discussion

A sound investment policy is very essential in a nation's economy for economical as well as financial growth. Commercial banks play an important role for the economic development of the country as they provide finance for the development of industry, trade and business by investing the saving collected as deposits from public. They render their various services to the customers facilitating their economic and their social life. They are the most important ingredients for integrated and speedy development of any country. So, nowadays, financial institutions are viewed as catalyst in the process of the economic growth and effective mobilization of domestic resources. Investment operation of commercial banks is a risky affair. It is the most important factor for the shareholders and bank management. For this, commercial banks have to pay due consideration while formulating their investment policy. A healthy development of any commercial bank depends upon its investment policy and its proper execution.

The word investment conceptualized the investment of income, saving or other collected fund. It is a well-known fact that an investment is only possible where there is adequate saving. If all the incomes and saving are consumed to the problem of hand and mouth and to other basic needs, then there is no existence of investment. So both saving and investment are interrelated. It is concerned with the management of an investor's wealth, which is the sum of current income and present values of all future incomes to be invested come from assets already owned borrowed money and saving or foregoes Consumption by the investors. The main objective of their investment is to secure financial benefit in future. In this way the goal of investment is the maximization of owners' economic welfare.

Even though several banks have been established in the country within short period of time, stable, strong and appropriate investment policy has not been followed by the commercial banks to sufficient return. They have not been able to utilize their funds more effectively and productively. Thus, proper utilization of the resources has become more relevant and this is the current issue for the banks. The most remarkable diversification of banking function is increasing participation in medium and-long term financial industries and other sector. Therefore, they are not only financial institutions of finance agriculture and industry and other economic activities, but are more than financial institution in the sense that they help saving create deposits and make the subsequent distribution of such accumulated funds. The primary objective of commercial banks is always to earn profit by investing or granting loan and advances to people associated with trade, business and industry, etc. that means they are required to mobilize their sources properly to acquire profit. How well a bank manages its investment has a great deal to do with the economic health of the country because the bank loans support the growth of new business and trade empowering the economic activities of the country. The income and profit of the bank depends upon its lending procedure, lending policy and 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 significant for the promotion of commercial savings of a backward country like Nepal.

The main concentration of this study is to diagnose the investment policy of NBL, Nabil bank, NIBL and SBI bank to suggest measures to improve the investment policy of the banks. An effort has been made to analyze investment trend, deposit trend, loan and advances and net profit and their projection of ten years of Nepal Bank, Nabil bank, Nepal investment bank and Nepal SBI Bank and also to identify investment sector of Nepal Bank, Nabil bank, Nepal investment bank and Nepal SBI Bank .Similarly, an attempt has also been made to evaluate the liquidity, assets management efficiency, profitability and risk position of Nepal Bank, Nabil bank, Nepal investment bank and Nepal SBI bank in comparison to that of Nepal SBI Bank as well as to study the relationship between investments, deposits, loan and advances and net profit of the banks.

Financial as well as statistical tools have been deployed in order to analyze and interpret the data and information. Under financial analysis, various financial ratios related to the investment function of commercial banks i.e. liquidity ratio, assets management ratio, profitability ratio and risk ratio have been analyzed and interpreted. Under statistical analysis, some relevant tools i.e. mean, standard deviation, coefficient of correlation, coefficient of determination, trend analysis have been used for the analysis and interpretation of data. This analysis gives clear picture of the performance of the bank with regard to its investment operation.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter presents the summary of the study conclusion derived from the analysis of data and their interpretation and recommendations offered for the improvement of the investment policies of the banks under this study. Thus, the chapter is divided into three sections. The first section of this chapter focuses on summarizing the whole study; the second section draws conclusions from the analysis of data and interpretation of the results and the third section offers recommendations for improvement of the investment policy of the concerned bank.

5.1 Summary

Current research study on Investment Analysis of Nepalese Commercial Banks has primarily concentrated on analysis of investment policy, its trend, loan and advances and risk ratio management applying descriptive research method by taking sample of four commercial banks named NBL, NIBL, SBI and NABIL. Before reaching at the conclusion numerous study process and steps has followed with review and study of various books, library, past dissertation and articles from different researchers. From the research study, it has found that instable government and its policy has causing some sort fear in sampled commercial banks in regards of their investment, which has been working as a discouraging factor to invest more in other sector than mega productive area like industry, and business instead they prefer to purchase government bonds, debenture, shares, real estate investment, etc. The banking policy developed and endorsed by NRB directly affect the investment strategy and possible gain of commercial banks.

Hence, the possible in depth research study has carried out about the investment strategy and policy of Nepalese commercial banks based on the sampled banks, which stands for all. None of any government has ruled for whole period they have elected. Our government has been keep changing frequently. Immediately after change in government, banking, taxation and many more financial policy also changed. The frequent change in financial policy create a fear amid the banks from investing in long run returning projects, because banks invest to multiply their capital. So nonproductive, let's say, the areas from where they get profit with less risk became their preferred area for investment of Nepalese commercial banks.

Despite all these above, there is the huge scope for the growth of commercial banks. Their nationwide provided services is really praiseworthy and there is a big scope to further familiarize their service and profit by adopting technological inventions and practices in safe, easy and quicker banking services, especially of these four sample banks.

5.2 Conclusion

Study findings after analyzing the given data, it is concluded that SBI has invested maximum percentage in HMG securities while Nabil bank has invested its major portion in other investments such as foreign banks, local banks, etc. SBI started to invest in other sectors since fiscal year 2015//16. Investment of SBI is lower than NBL, Nabil and NIBL in shares, debentures and bonds. All sample banks have not invested in Nepal Rastra Bank Bonds over the study period. Considering liquidity ratios, the mean currents ratio of SBI bank is higher than NBL, NIBL and Nabil bank. Similarly, investment on government securities to current assets of NBL is in a better position to maintain its cash and bank balance and investing in government securities while the position of SBI is more consistent in maintaining the ratios than NBL bank.

While analyzing the assets management ratios, it was found that NBL has strong position regarding the mobilization of total investment to total deposit ratio than Nabil, NIBL and SBI bank. Investment on government securities to total current assets of NBL is in a better position to maintain its total current assets and investing in government securities while the position of SBI bank is more consistent in maintaining the ratios than NBL, Nabil and NIBL. It was also found that NBL has invested higher amount of the total deposits in securities and shares than Nabil bank while the performance of NBL in terms of recovery of loan is weaker in comparison to NIBL. The mean ratio of return on loan and advance of SBI bank is higher than that of other sample banks. The position of SBI bank is better than NBL, Nabil and NIBL in earning good return on total assets; however, Nabil bank has been able to maintain a stable and consistent return on total assets in comparison to other sample banks.

When any firm wants to bear risk, the profitability and effectiveness of the firm increases in most of the cases. As per the analysis of risk ratio, NIBL has higher credit risk as well as unstable credit policy in comparison to NBL, Nabil and SBI bank. The degree of capital risk in NBL is also slightly riskier than Nabil NIBL and SBI. From the trend analysis, it is concluded that the trend of total deposits, loan and advances and net profit of NBL are increasing whereas the trend of total investments have been fluctuating .Similarly, the trend of total investments of SBI bank has also been fluctuating while the trend of total deposits, loan and advances and net profit are following an increasing trend. It is also found that the deposits collection position, total investments position and net profit position of NBL is better than Nabil, NIBL and SBI. NBL has also mobilized the loan and advances better than Nabil, NIBL and SBI bank.

From the statistical analysis of financial data of NBL, Nabil, NIBL and SBI bank, it is found that there is positive correlation between the total deposits and total investments for NBL and SBI but negative correlation for Nabil and NIBL .The relationship between total deposit and total investment is insignificant for NBL, Nabil and NIBL but significant for SBI bank. The correlation between loan and advances and net profit is positive for NBL, Nabil, NIBL and SBI bank. The relationship between loan and advances and net profit is significant for all sample bank. The correlation between total deposits and net profit is positive for NBL, Nabil, NIBL and SBI bank. The relationship between total deposit and net profit is significant for all sample bank. The correlation between total investment and loan and advances for NBL and SBI is positive but negative for Nabil and NIBL bank. The relationship between total investment and loan and advances is insignificant in NBL, Nabil and NIBL but significant in SBI bank. The correlation between total deposit and loan and advance is highly positive and relationship between these two variables is significant for all sample banks. Similarly the correlation between total investment and net profit of NBL and SBI is positive but negative for Nabil and NIBL bank. The relationship between total investment and net profit for NBL and SBI is significant while insignificant in Nabil and NIBL.

5.3 Implication

Based on the analysis, findings and conclusion, following implications has drawn;

i. Liquidity position of Nabil, NIBL and NBL are not good as compared to SBI. Hence, the bank is advised to increase its liquidity position as liquidity position is used to judge the ability of bank to meet its short-term liabilities that are likely to mature in the short period.

ii. SBI bank is not investing much in government securities as compared to NBL, Nabil and NIBL. Government securities are the safest medium of investment and are free of risk as well as liquid which can be easily sold in the market. SBI bank is recommended to draw attention to increase investment in government securities which helps to utilize funds into income generating assets as well as minimizes risk and also helps to maintain optimal level of liquidity.

iii. It is recommended to Nabil bank to improve the efficiency in utilizing the deposits in loan and advances for generating the profit. SBI should try to maintain the current position.

iv. Negligence in administering the assets could be the cause of liquidity crisis in the bank and one of the major reasons for failure. Since the performance of SBI in terms of recovery of loan is weaker in comparison to NBL, Nabil and NIBL, it is suggested that the bank should pay more attention while granting loan and advance.

v. Return on total assets ratio of NBL is in fluctuating trend over the study period which is not a good financial indicator. It indicates that the bank is not properly managed and hence it should find out the reasons behind it.

vi. All sample banks should try to improve the total investments in an increasing trend in order to increase the net profit.

vii. All sample banks are recommended to formulate and implement sound and effective financial and non-financial strategies to minimize their operational expenses to meet the required level of profitability.

viii. The banks should fulfill some social obligations by extending their resources to rural areas and promoting the development of poor and disadvantaged group. They should open their branches in the remote areas with the objective of providing cheaper banking services. The minimum amount to open an account and interest rate for credits should be reduced.

ix. All sample banks should maintain a sound portfolio management to attain maximum yield with minimum risk.

5.4 Recommendation

Despite concentrating on the investment analysis of Nepalese commercial banks, this research study has only explicitly studied about the investment policy, its trend, loan and advances and risk ratio management of sampled commercial banks. But, banking sector has been exploring various new means of investment areas by their own from where they not only can drag the attention of mass rather multiplying profit with minimal risk. Where adoption and wider practice of technological invention in banking sector is one key area that most of commercial banks has been competing to introduce them earlier than else so they could familiarize them in wider coverage.

Now a days, world is rapidly moving towards digitized mode, so invention and wider practices of digital banking system like e-banking, mobile banking, wider reach of Debit and Credit card and e-pay etc are some hot digitized services rapidly growing in commercial banking sectors. Hence, I found the wider scope for research study in this areas in coming days and would like to recommend for the interested researcher. Certainly, it will be more interesting and value adding study to help the growth of banking service and sector in current market.

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