CHAPTER – I
INTRODUCTION

1.1 Background of the Study

The word "banking" has been derived from French word "Benque" and Italian word "Banca" which means accumulation of money. In Italian business house, banking was called benchi and the word was received from the German word banch which means bank in English. Thus the first meaning of bank is derived from Italian and then from German.

A bank is an establishment of the custody of money, which it pays out on customers' orders. In other words, bank is an organization that collects the various types of deposit from people. Bank is a mediator between people because it takes deposits in one side and provides the loan to them in other side.

Nowadays, the term bank is generally understood as an institution that holds a banking license. Banking license are granted by bank regulatory authorities and provide rights to conduct the most fundamental banking services such as accepting deposits and providing loans. There are also financial institutions that provide certain banking services without meeting the legal definition of a bank, called non-banking financial company. Banks have a long history, and have influenced economics and politics for centuries. The word bank is derived form the Italian banca, which is derived from German language and means bench. The terms bankrupt and "broke" are similarly derived from banca rotta, which refers to an out of business bank, having its bench physically broken. Money lenders in Northern Italy originally did business in open areas, or big open rooms, with each lender working form his bench or table.

“Bank assists both the flow of goods and services from the products to the consumers and the financial activities of the government. Banking provides the country with a monetary system of making payment and is an important part of financial system, which makes loans to maintain and increase the level of consumption and production in the economy” (The American Bankers Association, 1972: 162).

Financial development is one of the key indicators of economic growth for any country and financial institution grant regular energy for investments, which is needed for economic development. Capital formation is one of the important factors for economic development. The capital formation leads to increase in the size of national output, income and employment, solving the problem of inflation, balance of payment and making the economy free from the burden of foreign debts. Domestic capital formation helps in making a country self-sustainable. According to classical economists, one of the main factors which helped capital formation was the accumulation of capital, profit made by the business community constituted the major part of savings of the community and that saved was assumed to be invested. They thought capital formation indeed plays a decisive role in determining the level and growth of national income and economic development. It seems unquestionable that the insufficient capital accumulation is the most serious limiting factor in underdeveloped countries. In the views of many economists, capital occupies the central and strategies position in the process of economics development in an underdeveloped economy lies in a rapid expansion of the rate of its capital investment so that it attains a rate of growth of output which exceeds the rate of growth of population by the significant margin. Only with such a rate of capital investment, the living standard in a developing country begins to improve. In developing countries, the rate of saving is quite low and existing institutions are half successful in mobilizing such saving as most people have incomes so low that vertically all current income must be spent in maintaining a subsistence level of consumptions. (Higgins; 1968:804)

Enough capital is required for the development of any country. It is the backbone for the development of the nation. Nepal lacks the adequate capital for its development planning. Due to this reason many development planning are pending. If there is enough capital available, it can be invested into profitable projects and contribute to the National GDP. Investment promotes economic growth and contributes to a nation's wealth. When people deposit money in a saving account in a bank for example, the bank must invest by lending the funds for various business companies. These firms in return, may invest the money in new factories and equipments to increase their production. In addition to this borrowing from the banks, it must issue stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issue bonds to obtain funds to invest in capital incentive project, as the construction of dams, roads and schools. All such investments by individuals, business and government involve a presto sacrifice of income to get and expected future benefits. As a result, investment raises a nation's standard of living. (The World Bank; 1966:232)

Deposit mobilization is one of the essential tools for the economic development of an underdeveloped and developing countries rather than the developed countries. It is because the developed countries deposit collection for capital formation due to developed capital market in every sector. Low national income, low per capital income, lack of technical knowledge, vicious cycle of poverty, lack of irrigation and fertilizer, pressure of population increase, geographical conditions etc. are the main problems of developing countries like Nepal. Banking thus increases the supply of funds by collecting lodgments from public an then combining them with its capital and reserve fund. Their lodgments are accepted as current, saving and fixed accounts. Overall, however they fall into demand and time deposits. The former payable as and when demand is made and later after the expiry of stated period. (Nigam; 1987:25)

Banks today have gained paramount trust of the public. They hold the deposit of millions of persons, government and business units. They make funds available through their lending and investing activities to borrowers, individuals, business firms and government. Thus, their task is to provide a collecting point for saving of relatively small average amount from a large number of individual sources and invest them into a productive and needed sector of the country, so as to develop the nation. The importance of commercial banks may be measured in a number of ways. Banks are still the principal means of making payments, through the checking accounts, credit cards and electronic transfer services they offer. In the same way commercial banks are important because of their ability to create money from excess reserves made available from the public's deposits.

1.2 Banking History in Nepal

History of Finance industry in Nepal is not that matured. Comparison can not be made between ancient and modern banks, yet it is necessary to know how the banking system gradually developed to the present state. In comparison to other developing or developed countries, the institutional development of banking system in Nepal is lagging far behind. Nepal had to wait for a long time to come to this present banking system.

As the specific date of the beginning of money and banking deal in Nepal is not obvious, it is speculated that during the region of the King Mandev, the coin 'Manank' was in use. Historical example as to the pre modern banking system was found in 723 A.D. when Gun Kam Dev, the king of Kathmandu had brought money to rebuild and rule Kathmandu (NRB- Nepal Bank Patrika; 2037:37). During the reign of Gun Kam Dev, the coin ‘Gunank’ was in use. Historically, we find the evidence of minted coin of Amshuverma in 7th Century. At the end of 8th century, Shankhadhar, a merchant of Nepal, paid all the outstanding loans of the Nepali people and started a new era (Nepal Sambat). Sadashiva Dev in 12th century introduced silver coins. Jayasthiti Malla, ruler of Kathmandu classified people into 64 different casts on the basis of their occupation towards the end of the 14th century. At that time, king Malla had given the responsibility to a caste of society called ‘Tankadhari’ whose occupation is to collect and lend money. So, they can be called as traditional bankers. In the same century, copper coins were used by King Ratna Malla of Kathmandu, silver coins by Mahendra Malla and the gold coins by the last Malla King of Kathmandu Jaya Prakash Malla.

Coin Mohar had been used by the great king Prithivi Narayan shah in his name, after the unification of Nepal. During the reign of Ranodip Singh, an office named ‘Tejarath’ was established in Kathmandu in 1933 B.S. It is used to provide loans to the government officials and the people against deposit of gold and silver. It was the first institutional financial intermediaries at the time. Although it played a vital role in the banking system, it provided credit facility to only the government officials.

Though all the banking activities were not performed by Tejarath Adda, during the tenure of the Prime Minister Ranodip Singh, modern banking practices began with the establishment of the First banking institution, Nepal Bank Limited which was established in 30th Kartik, 1994 B.S. The bank was established to render services to the people and for the economic development of the country. Prior to the establishment of Nepal Rastra Bank, it has played the vital role as a central bank also. With establishment of NRB in 2013, the development of the financial system took a momentum realizing the importance of industrial development. Then HMG/N and NRB established the Nepal Industrial Development Corporation (NIDC) in 2013. The move towards the financial liberalization encouraged the entry of joint venture commercial banks. The Nepal Arab Bank Limited (recent name NABIL Bank Ltd), the first joint venture commercial bank of Nepal was established in 2041 under the Commercial Bank Act of 2031. At present the number of commercial banks in the country has reached to 27.

Table - 1

List of Licensed Commercial Banks

S.No.	Names	Operation Date (A.D.)	Head Office
1	Nepal Bank Limited	1937/11/15	Kathmandu
2	Rastriya Banijya Bank	1966/01/23	Kathmandu
3	Agriculture Development Bank Ltd.	1968/01/02	Kathmandu
4	NABIL Bank Limited	1984/07/16	Kathmandu
5	Nepal Investment Bank Limited	1986/02/27	Kathmandu
6	Standard Chartered Bank Nepal Limited.	1987/01/30	Kathmandu
7	Himalayan Bank Limited	1993/01/18	Kathmandu
8	Nepal SBI Bank Limited	1993/07/07	Kathmandu
9	Nepal Bangladesh Bank Limited	05/06/1994	Kathmandu
10	Everest Bank Limited	1994/10/18	Kathmandu

11	Bank of Kathmandu Limited	1995/03/12	Kathmandu
12	Nepal Credit and Commerce Bank Limited	1996/10/14	Siddharthanagar, Rupandehi
13	Lumbini Bank Limited	1998/07/17	Narayangadh, Chitawan
14	Nepal Industrial & Commercial Bank Limited	1998/07/21	Biratnagar, Morang
15	Machhapuchhre Bank Limited	2000/10/03	Pokhara, Kaski
16	Kumari Bank Limited	2001/04/03	Kathmandu
17	Laxmi Bank Limited	2002/04/03	Birgunj, Parsa
18	Siddhartha Bank Limited	2002/12/24	Kathmandu
19	Global Bank Ltd.	2007/01/02	Birgunj, Parsa
20	Citizens Bank International Ltd.	2007/6/21	Kathmandu
21	Prime Commercial Bank Ltd	2007/9/24	Kathmandu
22	Sunrise Bank Ltd.	2007/10/12	Kathmandu
23	Bank of Asia Nepal Ltd.	2007/10/12	Kathmandu
24	Development Credit Bank Ltd.	2001/01/23	Kamaladi, Kathmandu
25	NMB Bank Ltd.	1996/11/26	Babarmahal, Kathmandu
26	Kist Merchant Banking & Finance Ltd.	2003/02/21	Kamalpokhari, Kathmandu
27	Janta Bank Ltd.	2010/04/12	Baneshwor, Kathmandu

Source: www.nrb.org.np

Megha Bank, Commerce & Trust Bank, Civil Bank, Century Bank, State Bank of Nepal, Commercial Bank Ltd. are in pipeline. After Opening of these banks, number of commercial banks are upgrade to 33.

1.3 Role of Joint Venture Bank in Nepal

The concerned bank Nabil Bank Limited and Himalayan Bank Limited both are joint venture bank. In this matter role of joint venture bank cannot be ignored in this study. In global prospective, joint venture bank is the mode of trading through partnership among the nations and also a form of negotiations between two or more enterprise for the purpose of carrying out a specific operation. So, the main purpose of joint venture is to join economic forces in order to achieve desired end. Under joint venture basis, to operate a business organization, there should be at least two partners from the different countries. The primary objective of joint venture bank is to earn profit by investing or granting the loan and advances to the people associate with trade, business, industry etc. that means they are required to mobilize their resources properly to acquire profit "A joint venture is forming of two forces between two or more enterprises for the purpose of carrying out a specific operation (industrial or commercial investment, production trade)" (Gupta, 1984: 25).

The Nepal Government budget for the FY 1984/85 provided the following justification for allowing the setting up of joint venture banks in the following words: "At present, the financial institutions of the country have been effortful to mobilize resources. On one hand, the major part of the few individual where as the small traders and entrepreneurs are facing difficulties to receive loans on the other. The only solution to this problem is to encourage competition in the banking sector. Therefore, a policy of allowing new commercial banks under joint venture with foreign collaboration has been adopted; this will promote competition among banks whereby the clients will get improved facility. Addition, the share of these new banks will also be sold to the general public and while distributing the shares, it will be ensured that the ownership is spread out to the maximum extent possible". In such manner, joint venture banks are successful to bring healthy competition among banks, increase in foreign investment, promoted and expand export-import trade, introduce new techniques and technologies. The various roles plays by the joint venture banks in Nepal can be classified into three categories:

a. Introducing Advanced Banking Techniques

The joint venture banks in Nepal have been largely responsible for the introduction of new banking techniques such as computerization, hypothecation, consortium finance, fee-based activities and syndicating under the foreign exchange transactions by importers and exporters, merchant banking, inter-bank market for the money and securities, arranging foreign currency loans, etc.

b. Introducing Foreign Investment in Nepal

When looking at the possibility of investing in Nepal, multinational companies are unfamiliar with the local rules, regulations and practices. Though there are many system actually operates during the implementation period. In this context, the joint venture banks help the multinational companies to build up their confidence for investment by providing necessary information and financial support.

c. Bringing in Healthy Competition

The induction of joint venture banks also brings the benefit of healthy competition of which the main beneficiaries are the bank customers and the economy. The increase in competition also force the existing banks to improve their qualities of services by simplifying procedures providing training and motivation to their own staff to respond to the new challenge.

Hence, the entrepreneurial dynamic and pivotal role of the joint venture banks contributes the economic development of the country by providing various new financial services to modernize traditional Nepalese banking system.

1.4 Profile of the Concerned Banks

1.4.1 Nabil Bank Limited : An overview

Nepal Arab Bank Ltd. (Nabil) was incorporated in 2041 B.S.(1984 A.D.) as a first foreign joint venture bank by the joint investment of Dubai Bank and Nepalese promoters. Nepalese investors include government organization and general public owing 20% and 30% of the total capital respectively and other half portion of capital is borne by Dubai Bank Ltd. Later on the share owned by Dubai Bank Ltd. were transferred to Emirates Bank International Ltd. After this National Bank of Bangladesh required 50% of shares and has become the promoter. Nepal Arab Bank Ltd. (Nabil) was registered in May 1984 A.D. in Department of Commerce, His Majesty's Government of Nepal. Nabil commenced its banking operation on 1984/07/16. Now it has the highest level of deposits and advances among all joint venture banks of Nepal.

The Head Office of Nabil is situated at Kamaladi, Kathmandu. It has altogether 32 branches and counters in present. They are spread over in fifteen districts of Nepal, including urban and rural areas. The branches located at Kathmandu, Lalitpur, Bhaktapur, Birgunj, Biratnagar, Butwal, Pokhara, Nepalgunj, Dharan, Jhapa, Makawanpur, Chitwan, Baglung, Dang, Dhangadi, Mahendranagar.

The Share Capital of Nabil is shown as:

Particulars	Amount
1) Authorized Capital 16,000,000 Ordinary shares of Rs. 100 each	1,600,000,000
2) Issued Capital 6,892,160 Ordinary shares of Rs. 100 each	689,216,000

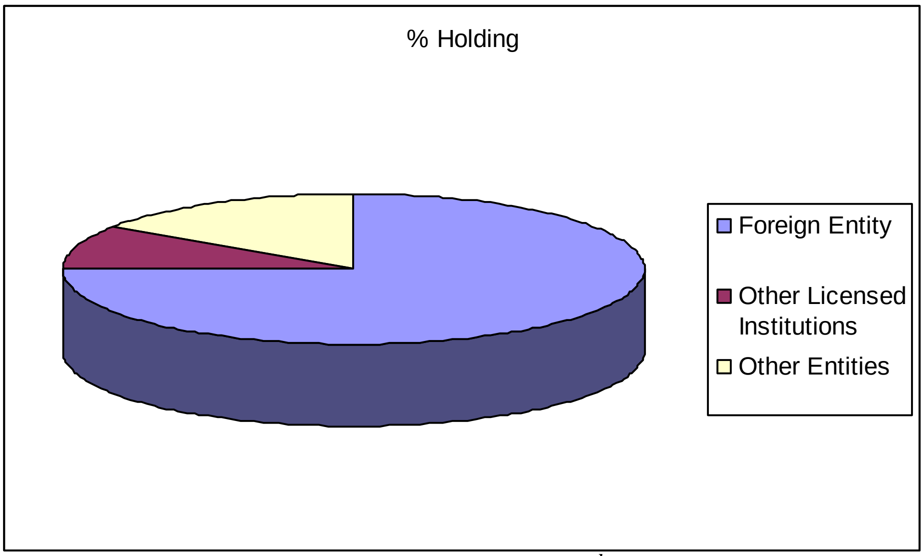
3) Paid up Capital 6,892,160 Ordinary shares of Rs. 100 each	689,216,000

Source: Nabil's Annual Report as on 15th July, 2008

The Share ownership of Nabil is shown as:

Subscription	**% Holding**
Foreign Entity	50%
Other Licensed Institutions	6.15%
Other Entities	10.42%
Individual	3.44%
General Public	30%
Total	100%

The Share ownership of Nabil is shown as: Promoter 70% (which includes Foreign Entity 50%, other licensed institutions 6.15%, Other Entities 10.42%, Individual 3.44%) and General public 30%.



Source: Nabil's Annual Report as on 15th July, 2008

1.4.2 Everest Bank Limited (EBL) An Overview

1. Everest Bank Limited (EBL) started its operations in 1994 with a view and objective of extending professionalized and efficient banking services to various segments of the society. The bank is proficing customer-friendly services through its branch Network. All the branches of the bank are connected trough Anywhere Branch Banking System (ABBS), which enables customers for operational transactions from any branches. With an aim to help Nepalese citizens working abroad, the bank has entered into arrangements with banks and finance companies in different countries, which enable quick remittance of Funds by the Nepalese citizens in countries like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore and UK. Bank has set up its representative offices at New Delhi (India) to support Nepalese citizen remitting money and advising banking related services.

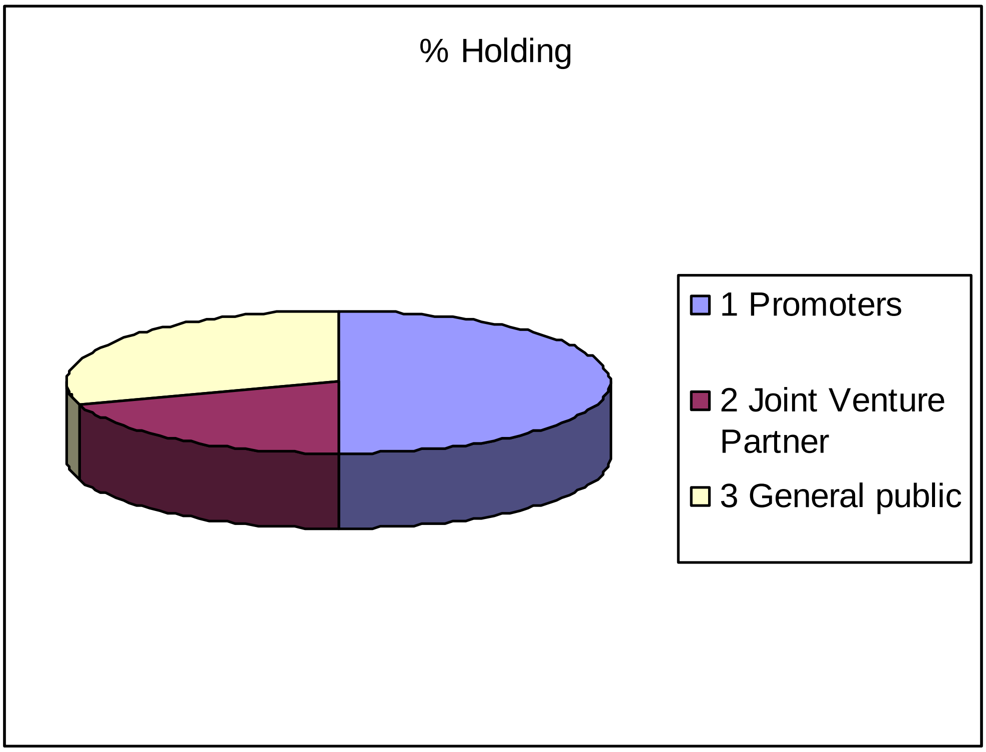
   The branches of EBL are located at Baneshwor, New Road, Teku, Lazimpat, Chabahil, Satungal, Biratnagar, Duhabi, Janakpur, Birgunj, Simara, Pokhara, Pulchwok, Butwal, Bhairawa, Dhangadhi, Itahari, Nepalgunj, Naya Bazar Ktm, Birtamod, Baglung & Damauli. The share Capital of EBL is shown as:

S.No.	Particulars	Amount
1	Authorized Capital 10000000 ordinary shares of Rs. 100 each	1000000000
2	Issued Capital 8432000 ordinary shares of Rs. 100 each	843200000
3	Paid up Capital 8314000 ordinary Share of Rs. 100 each	831400000

Sources: EBL's Annual Report

The share ownership of EBL is shown as:

S.No.	Subscription	% Holding
1	Promoters	50%
2	Joint Venture Partner	20%
3	General public	30%



The share ownership of HBL is shown as: promoters 50%, joint venture partner 20%, & General public 30%

1.4.3 Himalayan Bank Limited (HBL): An Overview

Himalayan bank limited is a Joint Venture Bank with Habib Bank of Pakistan, was established in 1992 under the company act 1964 as a fourth joint venture bank of Nepal. This is the first Joint Venture Bank managed by Nepali Chief Executive. The operation of the bank started from 1993 February. HBL does not include government ownership. It has been established to maintain the economic welfare of the general people to facilitate loan for agriculture, industry and commerce to provide the banking services to the country and people. It is the first commercial bank of Nepal with maximum share holding by the Nepalese private sector. Besides commercial activities, the Bank also offers industrial and merchant banking. Its ownership is composed of founder shareholders 51%, Habib bank of Pakistan 20%, Karmachari Sanchaya Kosh 14% and general public 15%. It is the first bank having domestic ownership more than 50%.

At present, the bank has nine branches in Kathmandu valley namely Thamel, Newroad, Maharajgung, Pulchowk, Suryabinayak, Teku, Swoyambhu, Chabahil and New Baneshwor. Besides these, it has sixteen branches outside the Kathmandu valley namely Tandi, Bharatpur, Birgunj, Hetauda, Bhairahawa, Biratnagar, Banepa, Dharan, Pokhara, Butwal, Nepalgunj, Itahari, Palpa, Ghorahi, Trishuli and Damak. The bank is also operating a counter in the Royal Palace. The head office of HBL is situated at Thamel. The bank has a very aggressive plan of establishing more branches in different parts of the country in near future.

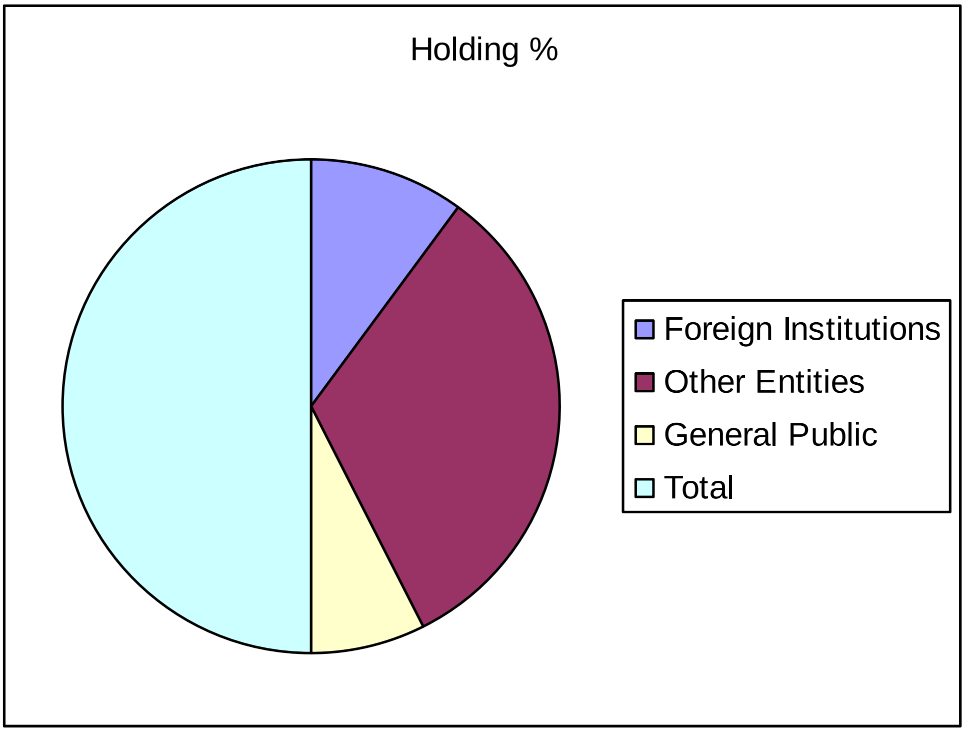
The Share Capital of HBL is shown as:

Particulars	Amount
1) Authorized Capital 20,000,000 Ordinary shares of Rs. 100 each	2,000,000,000
2) Issued Capital 10,135,125 Ordinary shares of Rs. 100 each	1,013,512,500
3) Paid up Capital 10,135,125 Ordinary shares of Rs. 100 each	1,013,512,500

Source: HBL's Annual Report as on 15th July, 2008

The Share ownership of HBL is shown as:

Subscription	**Holding %**
Foreign Institutions	20%
Other Entities	65%
General Public	15%
Total	100%



The Share ownership of HBL is shown as: Foreign Institutions 20%, Other Entities 65% and General public 30%.

Source: HBL's Annual Report as on 15th July, 2008

1.5 Statement of the Problem

Nepal's development efforts enhanced only after 2046 B.S. when the people's movement reinstated the democracy. After the reinstatement of democracy, the government took the free market economy policy, which induced the joint venture banks in the country.

The establishment of commercial bank (including joint venture banks), the enforcement of priority sector and productive sectors lending policy of NRB to financial institutions don't seem to have an appropriate impact. Nepal being listed among least developed countries, In this situation the commercial banks have plays a catalytic role in the economic growth of country. It's investment range from small-scale cottage industries to large industries in making investment in loans and government securities. One may always wonder which investment is better. It can be hypothesis that bank portfolio variables like loan, investment, cash receive, 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 bank portfolio variable is a great concern. Therefore, when monitoring money and credit condition, the central bank has to keep an eye on the bank portfolio behaviors.

Fund mobilization is the most important factor from the shareholder and banks management point of view. This study focused on comparative study on deposit mobilization of Nabil Bank Ltd. and Himalayan Bank Ltd. The problems related to deposit mobilization procedures of the joint venture banks of Nepal have been presented briefly as under:

a) Is there any stability in fund mobilization between Nabil and HBL?
b) State the relationship of investment, loan and advances with total deposits?
c) What is the effect of the investment decision to the total earning of the bank?
d) Is there appropriate utilization of available funds?
e) Are Nabil and HBL maintaining sufficient liquidity position?

f) Which joint ventures (Nabil or HBL) have more effective and investment policy?

1.6 Objectives of the Study

The main objective of this study is comparative analysis of deposit mobilization policy adopted by Nabil Bank Ltd. and Himalayan Bank Ltd. The specific objectives of the study are as follows:

1. To evaluate the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of Nabil and HBL.
2. To evaluate comparatively operating, financial and investment efficiency of these two joint venture banks.
3. To analyze the relationship between total investment, loan and advance with deposit and net profits of Nabil and HBL.
4. To analyze the sources and uses of funds and analysis of cash flow of these two joint venture banks.
5. To suggest and recommend some measures for improvement of financial performance of Nabil and HBL.

1.7 Significance of the Study

Optimum fund mobilizing policy of a bank depicts the sound health of the bank as well as economy of the nation and successfully formulation of fund mobilizing policy and its effective implementation is a most in banking business. Fund mobilization activities must consider customer, national and government as well as its shareholders interest.

The Significances of the study are: -

1. This study is important to banks to make policies based on recommendations and suggestions in this thesis.

2. It is also beneficial for the government while formulating policies and rules regarding joint venture bank.
3. This study may encourage the researchers to research further.
4. It is important for investors, customers and personnel of bank to take various decisions regarding deposits.
5. By the help of this study, general public can know the deposit mobilizing activities of banks.

1.8 Limitation of the Study

Every research has its own limitations. This study has also its own limitation. Following are the limitations of the study: -

1. This research design and analysis followed for this study are based on secondary data, which covers the five years of period. (i.e.from F.Y. 2004 to 2008).
2. Time and resources constraints may limit the area covered by the study.
3. The accuracy of the research work will be dependent on the data provided by concerned banks.
4. The major sources of the secondary data are the financial statements of concerned banks that are extracted from the progress report of related banks, Nepal Stock Exchange, Central Bureau of Statistics and other published and unpublished articles and thesis.

1.9 Organization of the Study

The study has been organized into five chapters. They are:

Chapter 1: Introduction

Chapter 2: Review of literature

Chapter 3: Research Methodology

Chapter 4: Data Presentation and Analysis

Chapter 5: Summary, Conclusion and Recommendations

CHAPTER – 1. INTRODUCTION

It includes the introduction and background of the study. It contains the introduction, background of the study, Banking history of Nepal, Role of joint venture bank in Nepal, Introduction of Nabil Bank Ltd, Introduction of Himalayan Bank Ltd, statement of the problem, objective of the study, significance of the study, limitation of the study, organization of the study are depicts.

CHAPTER – 2. REVIEW OF LITERATURE

It includes review of literature of the relevant studies. It contains the conceptual frameworks, review of related book, research papers and published and unpublished thesis studies and related articles.

CHAPTER – 3. RESEARCH METHODOLOGY

This chapter is the most important part of the study. It deals with the research methodology, which is applied to collect the data and analyze them in this study. It contains introduction, research design, sources of data, population and sample, financial analysis and statistical analysis.

CHAPTER – 4. DATA PRESENTATION AND ANALYSIS

This is an analyzing chapter, which deals with presentation and analysis of relevant data through definite courses of research methodology with financial and statistical analysis related to investment and deposit mobilization of Nabil and HBL. Major findings of the study have been presented at the end of this chapter.

CHAPTER–5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter is the last part of the study, which contains the summary, conclusion and recommendation of the study. This chapter provides recommendations for improving the future performance of the concern banks.

CHAPTER – II
REVIEW OF LITERATURE

The review of literature is a crucial aspect for planning of the study. The main objective of the review of literature is to find out what works have been done in the area on the subject under study and what has not been done in the research study being undertaken. The study is based on past knowledge. The previous studies can not be ignored because they provide the foundation to the present study. In this context, conceptual review and different books, reports journals, research studies published by various institutions and some dissertations reports submitted by Master level students, have been reviewed in this chapter. In this chapter inputs are reviewed as follows.

2.1 Conceptual Framework

Banks are the heart of the financial system and play a very important role in the economy of the country. Economic activity cannot take place without a continue flow of money and credit. The economies of all market-oriented nations depend on banks that make payment and keep financial assets safe. Banks accept and hold deposits from the public, use these funds to provide loan advances and overdraft or make investment on HMG Securities, NCM Mutual Fund and other companies' shares.

A bank is business establishment that safeguards people's money and uses it to provide loans and investments (The world encyclopedia, 1996: 91).

“A banker or bank is a person or company carrying on the business of receiving and collecting grafts for customers subject to the obligation of honoring cheques drawn upon them from time to time by the customers to the extent of the amount available in the current accounts" (Radhaswamy, 1979:50).

2.2 Types of Banks

There are several different types of banks which are as follows.

- **Central Bank**

  It is the guardian of the entire banking system. All other banks are required to comply with instructions of the central bank. It is the regulating and controlling authority. Usually central bank control monetary policy and may be the lender of last resort in the even of crisis. They are often charged with controlling the money supply, including printing paper money. Bank of England (1964 AD) is the first central bank. Now; almost all the countries have their own central banks. The central bank of the Nepal is Nepal Rastra Bank (2013- 01-14 B.S.).

- **Commercial Bank**

  Commercial Bank collects deposits, issue short term credit, provide necessary facilities for trade, payments and render various kinds of common commercial services. Nepal Bank Ltd. established on 30th Kartik 1994 B.S. is the first commercial bank in Nepal.

- **Agriculture Bank**

  Agriculture banks are a specialized bank which is specialized in providing financial for agriculture sector. Farmers need short term loans for input procurement, medium term loans for major agricultural equipment and long term loans for land improvement and major facilities. It is also called cooperative banks.

- **Industrial Bank /Development Bank**

  Development banks are established for development of certain sector. They normally give long-term loan and provide technical and other advice as well. Origin of development banks dates back to industrial revolution in U.K.

- **Savings Bank**

  Small savings of numerous households are savings banks and are made available for useful investment. Households deposit their small savings in boxes given to them. Their objective is to encourage thrift and make small savings available for useful investment.

- **Merchant Bank**

  Merchant banks are traditionally banks which engaged in trade financing. The modern definitions, however, refers to bank which provides capital to firm in the form of shares rather than loans. Unlike venture capital firms, they tend not to invest in new company. In Nepal finance companies involve in merchant banking activities.

- **Postal Savings Bank**

  Postal savings banks are savings associated with national portal systems. Japan and Germany are examples of countries with prominent postal savings banks.

- **Retail Bank**

  In the retail banks, primary customers are individuals. An example of a retail bank is Washington mutual fund of the USA.

- **Land Development Bank**

  Land Development banks were known as land mortgage banks in the earlier time. They provide long term loans against security and mortgage of land and property.

- **Universal Bank**

  Universal bank is joint bank. It serves purpose of commercial banking and investment banking. It collects deposits and provides loans as commercial banks. Almost all large financial institutions are diversified and engage in multiple activities. For example, Citigroup, a very large American bank, is involved in commercial and retail lending. It owns a merchant bank (Citigroup Merchant Bank Limited) and an investment bank (Salomon Smith Barney); it operates a private bank (Citigroup private bank); finally, its subsidies in tax havens offer offshore banking services to customers in other countries.

2.3 Concept of Commercial Bank

Commercial institutions are those financial institutions, which deals in accepting the deposits of people and institutions and giving loan against securities. They provide working capital needs of trade, industry and even to agricultural sectors. Moreover commercial banks also provide technical and administrative assistance to trade, industries and business enterprise. "Commercial banks are a corporation which accepts demand deposits, subject to check and make short term loans to business enterprises, regardless of the scope of its other services." Commercial banks are the heart of financial system. They hold the deposits of many persons, government establishment and business units. They make fund available through their lending and investing activities to borrowers, individual, business firms and government establishment units. Therefore commercial banks are those banks that pool together the saving of community and arrange for their productive use. They supply the financial needs of modern business by various means. Commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short terms needs of trade and industry. They cannot finance in fixed assets. A part from financing, they also lender services like collection of bills and cheque, safe keeping of valuables, financial advising etc to their customers (Vaidya, 2001: 38).

Commercial Bank Act 2031 B.S. of Nepal has defines that “ A commercial bank is one which exchange money, deposits money, accepts deposits, grants loan and performs commercial banking function and which is not a bank meant for cooperative, agriculture, industries or for such specific purpose.” (Commercial Bank Act 2031 B.S.)

“Commercial banks deal with other people’s money. They have to find ways of keeping their assets liquid so that they could meet the demands of their customers. In this anxiety to make profit the bank can’t afford to lock up their funds in assets, which are not easily releasable. The depositors must be made to understand that the bank is fully solvent. The depositor’s confidence could be secured only have the bank is able to meet the demand for cash promptly and fully. The banker has to keep adequate cash for this purpose. Cash is an idle asset and the bankers can’t afford to keep a large possession of his assets in the form of cash. Cash brings in no income to the bank. Therefore the bankers have to distribute his assets in such a way that he can have adequate profits without sacrificing liquidity’’ (Radhaswamy, 1979: 27)

The American institute of Banking has laid down the four major function of Commercial bank such as receiving and handing of deposits, handing payments of its clients making loans and investments and creating money by extension of credit. (Principle of Bank Operation, USA: 609).

According to John Holland, "Commercial banks are financial intermediaries that borrow money from savers in the form of deposit and re-lend them to ultimate borrowers by making loans on buying securities"(Holland, 1997: 67).

In the Nepalese context, commercial banks act, 2031 defines “commercial bank as one which exchange money, deposits money, accepts deposits, gratt loans and performs commercial banking functions” (Commercial Bank Act 2031).

A commercial banks can be define as an institution which deals in money in words of the Crowther “ Banks collect money from those who have it to spar or who are saving it out of their income and lend this money out against goods security to those who requires it” (Crowther, 1985:58).

However, central bank is the main bank of the any nation that directs and controls all the banks whose existence is in the country. In Nepal, Nepal Rastra Bank is the central bank of the country. All the commercial banks perform their functions under rules, regulations and the directives provided by Nepal Rastra Bank. Under the free enterprise system like U.S.A. the interest of nation as well as those of individuals and stockholders are supposed to be best served by vigorously seeking profit. But the profit cannot be the sole objective of the any enterprise. It should not be evaluated just on the ground of profit earned. Neither the bank nor the community will be best serve if the banker unreasonably scarifies the safety of theirs fund or the liquidity of their bank in an effort to increase income (Vaidya, 1947: 24 and Nepal Commercial Bank Act).

Hence we can conclude from the above that the commercial banks including joint venture banks, they are mainly receiving the money from depositor and invest in different sectors. So that banks are the main source of development of a nation. In the context of Nepal, it is a poor and least developed county having low per capita income and GDP. As a result, many economic problems such as inflation, depression of money trade, trade deficit, budget deficit etc arises. For the sake of removing these problems, many joint ventures are being incorporated in our country by sharing Nepal's and foreign investment towards making more profit by using the funds in profitable sectors. Therefore bank should be invested in different sector which helps in the growth of national economy.

2.4 Function of Commercial Banks

Banks collects unused money from public by providing attractive sound interest and can earn profit by lending it on mainly in business organization, industrial and agriculture sectors and investing in government bonds. So, the main function of commercial banks is to mobilize idle resources in productive areas by collecting it from scattered sources and generating profit. There are many functions performed by commercial banks which may be summarized follows:

A) Accepting Deposit

The main objective of the commercial banks is to collect the deposit. Commercial banks accept the deposit from the public who has surplus funds under three main heading namely current, saving and fixed deposits.

a) Current Deposits

b) Saving Deposits

c) Fixed Deposits

B) Advancing Loan

Commercial bank collects funds by taking all kinds of deposits and then it mobilizes by providing loans and advances. Direct loans and advances are given to all types of persons against the personal security of the borrowers or against the security of movable and immovable properties. There is various method of advancing loans e.g.

- Overdraft
- Cash Credit
- Direct loans
- Discounting bill of exchange etc.

C) Agency Services

A commercial bank provides a range of investment services. It undertakes to buy and dell securities on behalf of its clients. The banks undertake the payment of subscriptions premium rents etc. It collects checks, bills, promissory notes, dividends, interest etc. on behalf of the customers. The bank charges a small amount of commission for those services. It also acts as correspondent or representative of its customers, other banks and financial institutions.

D) Credit Creations

Commercial banks create credit on the basis of deposits. They hold a certain amount of cash reserve to meet obligations. The rest of the deposit amount is invested in loan finance that yields higher rates of interest as compared to those payable on deposits. When the bank advances loans, it opens an account to draw the money by cheque according to borrower's needs.

E) Other functions

Other functions of the commercial banks are as follows:

- Borrowing raising and taking up of money
- Provide guarantee of services
- Provide facility of discounting bills and promissory notes

- Provide Tele banking services
- Provide safe deposit vault
- Provide transit facility of foreign currency
- Provide remittance service
- Provide service of letter of credit (L/C), travelers'cheque
- Provide facilities on bill clearing, purchase and collection services
- Provide locker facilities and other commercial services

2.5 Role of Commercial Banks

The role of commercial bank in the economy is obviously a prime prerequisite for the formulation of the bank policy as the role shape, the nature and character of the bank. The deposit minded banker may under emphasize safety. Often commercial bank performs a number of interrelated functions. There are not only the custodians of the community's money but the suppliers of its liquidity. For these banks customer who seldom borrow from the bank an impartment function may be the acceptance and safe keeping of deposits. But those customers who often take loans from the bank, the credit creation function may be the most important. The commercial bank is different from the other banks especially from central bank. In appearance the main distinction between central bank and a commercial bank is that nowadays the central bank does not do much banking, but the more fundamental difference is one of aim. The main objective of the commercial bank is to make profit where as the central bank thinks of the effects of its operations on the working of the economic system. The commercial bank has the shareholders and is expected to do the best it can for them but the government by contrast usually owns the central bank. The commercial bank may be few or many and they are to be found business with the general public all over the country. But, there is only one central bank in each country. Its market operations are mainly impersonal and are confined to what is necessary for influencing the country's financial business in the directions citrated by economic policy (Sayers, 1972:17- 18).

For all countries of the world and more so far the developing countries like Nepal, fast economic development is one of the most important aspects of the developmental activities. However, it is obvious that unless the development of the most important sector like agriculture, industry, and commerce are achieved, envenomed development is impossible. For all the development, the regular supply of financial resources is a prerequisite. Finance is thus like fuel for providing energy to move the tempo of economic development and financial institution naturally, serve as reservoir for supplying and controlling the stream of that fuel i.e. finance. The commercial banks which are the financial institutions dealing with activities of agriculture industry, trade and commerce play the most important role for the business activities of the world. The objectives of the commercial banks are to mobilize the idle resources in productive uses collection then from scattered and various sources. Its role in economic development is thus immense in order to bring out greater mobility of resources to meet the ever increasing needs of financing or the various economic activities. Presently, the contribution of commercial banks and joint venture banks in agriculture sectors has been expanding. It provides the credit facilities for the development of agriculture on cases where Agricultural Development Banks and Cooperative Societies don't enter into the field. The agriculture sector needs more and more capital for the improved methods of farming viz. the fertilizers, equipment, irrigation facilities etc. require obliviously more investment. Thus, role of commercial bank in promoting agriculture sector is increasing in many of other countries, especially in developing countries like

Nepal. The economy of our country is dominated by agricultural sector. This could be exemplified from the figures that about 80 percent of the total population is engaged on agriculture and about 40 percent of the national income comes from the agriculture. Similarly 51 percent of the export trade is in agricultural product. Also if we take into account of the major industries of Nepal, they are mainly based on agriculture. This is very clear that in such a country the financial help to the agriculture sector is most urgent and indispensable for strengthening the base of national economic structure.

The role of commercial bank is indispensable for industrial development of Nepal. Due to insufficiency of capital, industries are depending more and more upon the supply of capital by the banks. It wouldn't be exaggeration to state that commercial banks are mainly responsible for whatever the industrial development has been achieved by Nepal. However many other financial institutions like ADB/N, NIDC have already been established for the development of agriculture and industrial sector of the country. The commercial banks are also continuously participating in these activities. Being a mountainous country, many places are very remote and sometimes it requires many weeks to approach some of the places. Due to lack of transport and communication facilities and other geographical causes, the country has been still facing the problem of imbalances economic growth. The scattered capital of the country is unable to solve the problem of imbalance of the economy growth. Commercial banks have their appropriate role to play here by expanding their branches in the different Hilly and Tarai regions available loan to the local people. In industrial sector, commercial banks are providing the necessary financial help for the industrial establishment in the country. They provide short and medium term loan to industries to purchase machineries, tools, raw materials etc. and to introduce new and developed techniques of production. So the role of commercial banks is extremely important for the development of industries, trade commerce, agriculture, hotel, transport etc. of the country. In fact, no nation can develop itself without the development of these banks. It is not only true in the capitalist countries but also true in the socialist countries and mixed economic countries like Nepal as well.

2.6 Deposit Mobilization

In developing countries there is always shortage of the capital for the developmental activities. There is need of development in all sectors. It is not possible to handle and develop all the sectors by the government alone at a time; people also can not undertake large business because the per capita income of the people is very low while their propensity to consume is very high. Due to the low income their saving is very low and capital formation is also very low. So their saving is not sufficient for carrying on developmental works. To achieve the higher rate of growth and per capita income, economic development should be accelerated.

Collecting small scattered amount of capital through different media and investing the deposited fund in productive sector with a view to increase the income of the depositors is meant deposit mobilization. In other words, investing the collecting fund in the productive sectors and increasing the income of the depositors, also supports increase in the saving through the investment of increased extra amount (NRB, Bankers rakashan; 1984:24.12)

“Economic development may be defined in a very broad sense as a process of rising income per head through the accumulation of capital” (Johnson, 1965:11).

But how capital can be accumulation in the developing countries, there are two ways of capital accumulation in the developing country, one from the external sources and other from the internal sources. From external Foreign Aid, Loan and Grants are main. While in the later financial institutions operating within the country play a dominant role. In the context of Nepal, commercial banks are the main financial institutions, which can play very important role in the resource mobilization for the economic development in the country. Trade, industry, agriculture and commerce should be developed for the economic development.

Deposits, such as current, saving and fixed deposits are the main part of the working capital. It is due to this reason that banks keep their deposit mobilization campaign always in full swing taking resort to every possible means lying at their deposit (NRB, Nepal Bank Partika; 2040:13.2)

Commercial banks are set up with a view to mobilize national resources. The first condition of National Economic Development is to be able to collect more and more deposit. In these contexts, the yearly increasing rate of commercial banks deposit clearly shows the satisfactory progress of deposit mobilization. (RBB, Upahar; 2054:3.20)

When we discuss about deposit mobilization, we are concerned with increasing the income of the low-income group of people and to make them able to save more and to invest again the collected amount in the development activities. Collecting scattered small amount of capital through different Medias and investing the deposited fund in productive sector with a view to increase the income of the depositors is meant deposit mobilization. In other words, investing the collecting fund in the productive sectors and increasing the income of the depositors, it also supports to increase the saving through the investment of increased extra amount (NRB, Bankers Prakashan, 1984: 10- 12).

Banking transaction refers to the acceptance of deposits from the people for granting loan and advances, and returning the accepted deposit at demand or after the expiry of a certain period according to banking rules and regulations. This definition clearly states that Deposit Mobilization is the starting point of banking transactions. Banking activities can be increased as much as we can mobilize the accumulated deposit effectively (NRB, Nepal Bank Patrika, 2037:4-7). Increasing the income of the low-income group of people and making them able to save more deposit mobilization helps to the collected deposit in desired sectors. Deposit depends among others, on the level of country's per capita income and its growth rate, population growth rate, interest rate on deposits or on the bank accounts, banking and financial facilities and net factor income etc. The national income is the measure of the nation from the economic activities. Saving is the excess if income over consumption. Investment is the expander made for the formulation of the fixed capital. Mobilization of saving implies transfer of resources from surplus spending units to deficit units. In these connections, financial intermediaries play an important role in mobilization of voluntary saving. The amount of saving of a typical household in Nepal is small because the people have limited opportunities for investment. They prefer to spend savings on commodities rather than on financial assets. These restricts the process of financial intermediation, which might otherwise bring such as reduction of investment risk and increase in liquidity when capital is highly mobile internally, saving from abroad can also finance the investment need at home. When capital is not mobile internally, saving from abroad will limit investment at home.

2.7 Need for Deposit Mobilization

The following are some reasons for why Deposit Mobilization is needed in a developing country like Nepal. Workshop report, “Deposit Mobilization why and how” (NRB Bankers Prakashan, 1984 No. 24) Group “A” states the following points as the need for deposit mobilization.

- The need of deposit mobilization is felt to control unnecessary expenditure. if there is no saving, the extra money that the people have, can flow forwards buying unnecessary and luxury goods. So, the government also should help to collect more deposit, steeping legal procedures to control unnecessary expenditures.
- Capital is needed for the development of any sector of the country. The objective of deposit mobilization is to collect the scattered capital in different forms within the country.
- To increase saving is to mobilize deposit. It is because if the production of agricultural and industrial products increases, it gives additional income, which helps to save more, and ultimately it plays a good role in deposit mobilization.
- It is much more important to canalize the collected deposit in the priority sectors of a country. In our developing country, we have to promote our business and other sectors by investing the accumulated capital towards productive sectors.
- Commercial banks are playing a vital role for National Development. Deposit mobilization is necessary to increase their activities. Commercial banks are granting loan not only in productive sectors but also in other sector like food grains, gold and silver etc. Though these loans are traditional in nature and are not helpful to increase productively, but it helps to some extent, to mobilize the bank deposit.

2.8 Advantage of Deposit Mobilization

In that report, Group B states following points as the advantages of Deposit Mobilization.

1. **To Support Fiscal and Monetary Policy**

   Fiscal policy of the government and monetary policy of the central bank for economic development of a country can be supported by Deposit Mobilization. Deposit Mobilization helps to canalize idle monety in productive sectors. Again, it helps in money supply, which saves the country from deflation and helps central banks objective of monetary policy.

2. **Capital Formation**

   Capital plays a vital role for the development of the industries. But in an under developed country, there is always lack of capital to support such industries. Capital formation and industrialization is possible through Deposit Mobilization.

3. **Circulation of Idle Money**

   Deposit Mobilization helps to circulate idle money. The meaning of deposit mobilization is to convert idle saving into active saving. Deposit Mobilization helps the depositor's habit of saving on one side and helps to circulate the ideal saving in productive sector and other. This helps to create incentives to the depositors. Again, investments in productive sector helps directly in country's economic development and also increases in investor income.

4. **Co-ordination between Different Sectors**

   Deposit Mobilization helps to collect capital from surplus and capital hoarding sectors. The fund can be invested for the needy sectors. Thus, it helps to fulfill the gap between these two different sectors. Earning interest in their deposit and the needy sectors by receiving loans and advances benefits the surplus and hoarding sectors, thus deposit mobilization helps to keep good co-ordination between different sectors.

5. Development of Banking Habit

One important side of economic development of a country is to increase banking habit in the people. Deposit Mobilization helps in these aspects. If there is proper deposit mobilization, people behave on the bank and banking habit develops on the people.

6. To Promote Cottage Industries

Deposit Mobilization is needed to facilitate cottage industries located in rural and urban areas. If the bank utilizes the collected deposit in the same rural or urban sector for the development of cottage industries. It is helpful not only to promote cottage industries in the area, but also support in the development of the locality as a whole increasing employment and income of the local people.

7. To Support Government Development Projects

Every underdeveloped country's government needs a huge amount of money for development projects. The deposit collected by the commercial banks can fulfil to some extent the need of money to the government.

8. To check up Miss Utilization of Money

Mostly our customs and habits are supported by social and religious believes. There is also tendency of copying others and to show their superiority buying unnecessary and luxury items in our society. In such society, deposit mobilization proves a tool to check up miss utilization of money.

9. Others

Deposit Mobilization supports small savers by earning interests, helps to the development of rural economy, protects villagers from being exploitation of indigenous bankers, increases investment incentives, provides facilities to the small farmers to purchase tools and fertilizers etc.

Economic progress is the function among other things of the rate of new capital formation. Capital is needed for the economic development for a country. External sources are not dependable sources of capital. So, mobilizations of internal sources have a great significance. This is the only way of receiving capital continuously for a long time. Capital formation is the low process, which involves putting to production use that part of the current incomes, which is not use for current consumption. The process of capital formation may be divided into three stages. Firstly the creation of savings by individuals, business houses or public authorities, secondly mobilization and canalization of saving, i.e. conversion of savings into funds. Which are available for investment in Agriculture, Industry and Trade, finally reacquisition of capital goods out of such funds. The essence of the process of the diversion of a part of society's current available resources for increasing the stock of capital goods to make possible an expansion of consumable output in the future. Therefore, the drive for capital formation requires actions to increase, mobilize and appropriately channel the domestic resources available for economic development. It is complex problem with wide dimensions, but the present survey is contained to banking sector alone, which is perhaps the most important agency for this purpose (Ghosal and Sharma, 1965:63).

Banking has acquired a new significance and the banking activities a new dimension. Social responsibilities have been enjoyed by the banks by bringing about economic development in the country in a big way. They are assigned priority sectors of the economy for special attention in extending credit. All the activities of the banks now are geared to accelerate the growth of economy at all levels to iron out the regional imbalances. It is also hoped now that the banks can do a lot in solving the unemployment problem in the country, which has assured large dimension.

Thus commercial banks provide opportunities for gainful employment to citizen who has limited economic capacity. Therefore, on one hand it solves the problem of unemployment in the country and on the other it utilizes the fund in the best possible manner for the economic development.

2.9 Review of Related Studies

In this segment it has tried to write the major findings of the various related articles issued by various magazines on different time period and the major findings and analysis of the various thesis that are found to be related to the study.

2.9.1 Review of Journals and Books

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

Surendra Pradhan (2000) entitled “Financial analysis is to analyze the achieved statements to see if the result meet the objectives of the firm, to identify the problems, if any, in the past or present and/ or likely to be in the future and to provide recommendation to solve the problems".

According to I.M Pandey, “Investment decision expenditure benefits should be measured in cash. In investment analysis, cash flow is more important than accounting profit. It may also be pointed out of that investment decision affects the firm’s value will increase in investments are profitable and add to the shareholders wealth. Thus, investment should be evaluated on the basis of a criterion, which is compatible with the objectives of the shareholder’s fund maximization. Investments will add to the shareholder’s wealth if it yields benefits in excess of the minimum benefits as per the opportunity cost of capital". (Pandey, I.M, 1999: 407).

Investment is the commitment of funds to one or more assets that will be 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 future income (Charles, 1993: 97).

An investment may be defined as the current commitment of funds for a period of time to derive a future follow of funds that will compensate the investing unit for the time the funds are committed for the expected rate of inflation and also for the uncertainty involved in the future follow of funds (Reilly, 1991: 3.)

The fulfillment of credit needs of various sectors, which insures investment. The investment lending policy of commercial bank is based on the profit maximization as well as the economic enhancement of the country (Shrestha, 2058: 31-32).

The investment objective is to increase systematically the individual’s wealth defined as assets minus liabilities. The higher the level of desired wealth the higher the return must be received (Cheney and Moses, 1991: 23).

Investors seeking higher return must be willing to face higher level of risk. Finance company being only a financial inter me diary, we will not be able to make any profit unless we mobilize funds suitably. It is from out of the interest, finance company earns on loan and advance, further he has to pay interest on deposit meet liquidity of cash balance. Meet establishment expenses keep some balance for reserve and pay dividend to the shareholders.

2.9.2 Review of Articles

Many researchers have analyzed their fund mobilizing view and finding in their research paper in this subject through deposits and investments policy of commercial banks.

Dr. Govinda Bahadur Thapa (1994), has presented his view that the commercial banks including foreign joint venture banks seem to be doing pretty well in mobilizing deposits. Likewise, loan advance of these banks are also increasing but compared to the high credit needs particularly by the newly emerging industries, the banks still seem to lack adequate funds. The banks are increasing their lending to non-traditional sectors along with the traditional sectors. Nepal Bank Ltd. and Rastriya Banijya Bank Ltd. are operating with a nominal profit, the later turning to wards negative from time to time. Because of no recovery of accrued interest, the margin between interest income and interest expanses are declining. Because of these two local banks, in traditional off balance sheet operations, these banks have not been able to increase their income from commission and discount. On the contrary, they have got heavy burden of personal and administrative overheads. Similarly, due to accumulated overdue and defaulting loans, profit position of these banks has been seriously affected.

On the other hand, the foreign venture banks have been functioning in an extremely efficient way. They are making huge profit year after year and have been distributing large amount of bonus and dividends to its employees and shareholders. Because of their effective persuasion for loan recovery overdue and defaulting loans have been limited resulting tin high margins between interest income and interest expenses. Similarly, concentration of these banks to modern off balance sheet operations and efficient personnel management has added to maximization of their profits.

At the end of this article, he concludes that by it's varying nature of the public sector. The domestic banks couldn't compete with the private sector banks, so only remedy to the problem of these banks. As the government decided, is to hand over the ownership as well as the management of these banks to the private hands.

According to Mandira Dali in 2057 her article entitled "Lending practices of

Commercial banking" has included that economic growth has been made for reaching the ambition of our country. This calls for an increasing volume of productive investment. But low saving and low investment being the basic problems of our economy, it is necessary to channels the limited resources in socially productive investment. Our banks seem to every effortful in this case. So, they have succeeded to mobilize deposits accounts.

Shekhar Bahadur Pradhan (1996) has presented a short glimpse on investment in different sectors, its problem and prospects, through his article “Deposit mobilization, its problem and prospects”. On his article he has expressed that deposit is the life blood of any financial institution, be it commercial bank, finance company, co-operative or non-government organization. He also added, in consideration of 10commercial banks and nearly three dozens finance companies, the latest figure does produce a strong feeling that a serious review must be made of problems and prospects of deposit sector. Except few joint venture banks, other organizations rely heavily on the business receiving and credit disbursement.

In the light of this, Mr. Pradhan has pointed out following problems of deposit mobilization in Nepalese perspective:

- Due to the lesser office hours of banking system people prefers for holding the cash in the personal possession.
- Unavailability of the institutional services in the rural areas.
- No more mobilization and improvement of the employment of deposits in the loan sectors.
- Due to lack of education most of Nepalese people do not go for saving in institutional manner. However, they are much used of saving, be it in the form of cash, ornaments of kind. Their reluctance to deal with institutional system are governed by their lower level of understanding about financial organizations, process requirements, office hours withdrawal system, availability of depositing facilities and so on.

Mr. Pradhan mentioned that deposit mobilization carried out effectively is in the interest of depositors, society, financial sector and the nation. Lower level of deposit rising allows squeezed level of loan delivery leaving more room to informal sector. That is why higher priority to deposit mobilization has all the relevance.

In Harvard Business Review (HBR) vol. 69, page 144 it was depict that the banking organization have been unable to adopt efficiently to financial innovation and improvements in IT because of artificial restrictions on banks have tried to maintain their market share by releasing their underwriting standards and increasing their deposit rate. This process has eroded spreads between deposit and loan rate and made it more difficult for all banks to remain profitable.

(Harvard Business Review)

On Nov. 2002, vol.2 no. 6 it has depict that the adoption of market economy has give the birth of the number of commercial banks in the country.

These banks are performing well in the sector of the bonuses. With the slow down of the economy the interest rate are falling down. All the banks are flushed with the funds and looking for the safe and profitable investment. The strength of the commercial banks can be judged by the number of parameters they are total equity employed, total asset hold, total deposits mobilized etc. whereas performance can be measured with the operating profit ratio, deposit to advance ratio, growth in advances, deposits and operating profits, P/E ration shows the confidence of the investors in the stock of an individual bank, and so on. The performance of individual bank against this parameter has been ascertained to know their bank ability (Business Manager).

According to Anil Shah 2004, Past GM of NABIL Bank Ltd., current trend in banking is retail banking. Consumer financing sector is growing too rapidly, but every thing depends on the security situation. He said that with 17 commercial banks and dozens of other financial institution we are over-banked. Especially given the size of economy is not stagnant but shrinking. He thinks that over the next three or four years is a lot of mergers and acquisitions. Anil Shah said that the problem of excess liquidity is a reality. One of the reasons is that there are a lot of people putting money into banks for safely reasons. Secondly, the avenues of investment for individuals are limited. Nepalese people are not playing in the stock market, investing in mutual funds etc. because they can't trust on them and

so they come to banks, even at low interest rates. On the other side of the coin, the banks have nowhere to invest because there are no large projects coming up. This is due to the security situation. So there is created huge liquidity and it is true that there is very large liquidity in the market (Business age, 2004).

Sharma, Bhasker (2000) on the entitled “Banking the Future on Competition” found that all the commercial banks are establishing and operation in urban areas, his achievements are:

- Commercial banks are charging higher rate of interest on lending.
- Commercial banks are establishing and providing their services in urban areas only. They do not have interested to establish in rural areas. Only the RBB and NBL have branches in rural areas.
- They do not properly analyze the credit system. The researcher further states that private commercial banks have mushroomed only in urban areas where large volume of banking transaction and activities are possible.

Kafle (1990), conducted researching the topic of “Monetary and financial reports in Nepal” states that consolidation and liberalization of interest rate measure is initiated with a view to provide more option to commercial banks in the mobilization of saving and portfolio management through market determined interest and lending rates.

Bhagat Bista (1971), in his research paper, *“Nepalma Adhunik Banking Byabastha”* has made an attempt to highlight some of the important indicators, which have contributed to the efficiency and performance of joint venture banks a decade ago marks beginning of modern banking era in Nepal. The joint venture banks have brought in many new banking techniques such as computerization, hypothecation, consortium finance and modern fee based activities into the economy. These are indeed significant milestones in the financial development process to the economy.

2.9.3 Review from Thesis

Phuyal, Dilli Prasad (2035 B.S.), Conducted research on the topic of "A Study on the Deposits and Loans and Advances of NBL'' has tried to examine relationship between deposits and interest rates and to find out the causes of decrease in the loans and advances of the bank. Data ware used for five years from the year 2028 B.S to 2033 B.S only secondary data are used. Coefficient of correlation has been applied in order to calculate the loans and advances and deposits.

In the thesis, the writer has found that to increase the loan and advances, the bank should not only consider the security of its borrowers. When bank provides loan without security then the person can utilize in one sense and borrowing is benefited in other way. Bank also should invest its resources to the technicians to import their technical tools. Loan and advances has been decreased due to high rate of interest. So, interest rate is decreased to increase investment of the bank.

Khadka, Raja Ram (1995), on his study, "*A Study on the Investment Policy of Nepal Arab Bank Ltd.(NABIL) in Comparison to the Other Joint Venture Banks of Nepal*" compared NABIL with that of Grindlays Bank Ltd. (NGBL) and Nepal Indosweze Bank Ltd. (NIBL). The main objectives of the study were to evaluate the liquidity, assets management efficiency and profitability positions related to fund mobilization of NABIL in comparison to the other joint venture banks. To discuss fund mobilization and investment policy of NABIL in respect of its feebased off-balance sheet transaction and to evaluate the growth ratios of loan and advances and total investment with respective growth rate of the total deposits, and net profit of sample banks. To find out the relationship between deposit and investment, deposit and loan and advances and net profit and outside assets of sample banks. To evaluate the trends of deposit utilization and its projection for next five years of in case of NABIL comparing it with that of other JV Banks. And to suggest and recommend some measures on the banks of comparative fund mobilization and investment policy of NABIL and other JV Banks for the improvement of financial performance of NABIL in future.

Regmi, Jay Prasad (2001) in his study entitled “A comparative study of the Financial Performance of Himalayan Bank Ltd. and Nepal Bangladesh Bank Ltd”. The researcher’s objective of the study was to examine the current financial position of these banks and to analyze the comparative financial position of these joint venture banks. Through his research Mr. Regmi has found that the current assets of HBL are adequate to meet the current liabilities where as it is in sufficient for NBBL. Further as per his study long term debt to net worth ratio is higher in NBBL than in HBL but both banks are following an aggressive strategy of higher risk higher return. And capital adequacy of NBBL is greater than that of HBL during the study period. This shows that NBBL is always more capable to meet any windfall. According to his research both banks are utilizing their deposits fund through loan and advances to generate revenue efficiently, but comparatively NBBL is doing more efficiently than HBL.

Mr. Regmi has also stated that HBL has better utilization of resources in short-term investment and NBBL has more non-earning idle assets as cash and bank balance and profitability position of HBL is better than that of NBBL. HBL has higher net profit to working fund ratio, net profit to total deposit ratio and return to net worth ratio is also higher than NBBL. But the interest earned to working fund ratio, Earning per share, Dividend per share, Dividend pay out ratio is higher in HBL than NBBL. Price earning ratio of NBBL is higher than

HBL. He has found that average operating income from interest and commission and discount are higher in HBL, where as foreign exchange fluctuation gain and other income are higher in NBBL. Above studies show that there are still various obstacles in the efficient operation of the commercial banks in Nepal.

Agrawal, Sameer (2002), in the thesis entitled, “A study on deposit and investment position of Yeti finance Company Ltd.” has tried to examine the trend of the deposit position and investment position of the Yeti Finance Company. That study was conducted on the basis of secondary data and used various financial tools to analyze the data. Study just covered only period of 5 years i.e. 1996/97 to 2000/2001. The researcher has found that the deposit policy is not stable but has highly fluctuating trend and investment is gradually in increasing trend. The researcher found there is highly positively correlation between total deposit and total investment. The researcher concluded that finance companies have been found profit oriented, ignoring the social responsibility, which is not a fair strategy to sustain in long run. Therefore, it is suggested the company should involve in social program which helps the deprive people who are depended helps in agriculture. Agriculture is the paramount of Nepalese economy so that any finance company should not forget to invest in this sector. In order to do so, they must open their branches in remote area with an objective of providing cheaper financing services. The minimum amount to open accounts and interest rate in credit should be reduced which ultimately intensify the profit and goodwill of the company in future. But in his research there is not clearly mentioned the effect of interest in deposit collection as in investment.

Adhikari, Ashok (2002) in his study entitled “Inter Bank Business in Nepal”. According to him inter bank market is the mainstay of the banking business. The inter-bank market serves as a wholesale market for banks. The inter-bank market has come up to enable banks to fund liquidity for their growing fund requirements. Except during times of tight liquidity situation, funds are always available at price. Inter-bank transaction are conducted not only with in the domestic money market, but it can be done in all financial cities Tokyo, London, New York, Hong Kong, Dubai Paris, Frankfurt and others. Due to time difference in this financial center, the marketers are open for about 24 hours. The marketers start its business right from Tokyo, followed to Singapore, Hong Kong and Nepal then to Europe, Canada and America and again start from Tokyo from next day.

Types of Inter-bank transaction,

He has presented two types of transaction in the article.

1. Deposits (Placement)/Loans (Borrowings)
2. Foreign Exchange

He has presented about inter bank dealing operation-"the dealers deal with each other as per the guideline of the NRB and prescribed by their own management. For the smooth operation of inter bank transaction, Foreign Exchange and Money Dealer's Association of Nepal (FEDAN) has also sets rules and regulation for the members banks. A few aspects of inter bank dealing operation are presented here under.

- Position
- Nostro Accounts
- Inter-Banks deposits (Placement)
- Inter-banks sales and purchases

He has explain about function of inter banks market and looking ahead, “the inter banks market works as intermediaries function in the flow of funds. It enables banks to take speculation and or hedging position against interest rate and exchange rate movements. A major function of inter-banks market is to enable banks to cope up with the lumpiness of wholesale, sized deposits and loans and also plug up holes in the balance sheet. Unwanted deposits can be laid down of to other needy banks. Funds, needed to support lending can be bid in the inter-bank market. Inter banks market gives confidence that funds to meet balance-sheet contingency. In addition, the inter banks enable the risk lending to be spread among other banks. The size and the volume of Nepalese inter bank transaction is very small. Out of different commercial banks, only three banks are foreign exchange sellers while other banks are purchasers in the inter banks business. Likewise, only one bank is accepting foreign exchange deposit from other banks. Forward sale contract of foreign exchange for customers are yet to be started by country's larger two old banks. These two banks, which have mobilized their more than 50% of deposits and extended about 60% of loans have also yet started, inter bank placement transaction. A limited number of hedging tools like; spot purchases and sale of foreign exchange and forward sale of foreign exchange swaps contracts were done between few banks. Recently, in view to take benefit from prevailing higher rate of interest in loan term placements. NRB has permitted commercial banks entering into interest swap contracts. It is hoped that after the hand over of the management of two larger old banks to the international experts, the inter bank market will be more efficient and comparative. Without active participation of these two banks in the inter bank, the inter bank business in the country could not work properly.

Laudari (2003) in his study entitled, “Lending policy of commercial banks in Nepal.” The researcher’s main objective of study was to examine the liquidity, assets management and profitability position and investment policy of NIBL in comparison to Nepal SBI Bank Ltd. to study the growth ratios of loan and advances and investment to total deposits and net profit of NIBL in comparison to Nepal SBI Bank Ltd. Through his research Mr. Laudari has found that the both banks current assets have exceeded the current liabilities therefore the ratio is considered satisfactory. But there cash reserve ratios have fluctuated in high degree. However NIBL has maintained both current ratio and cash reserve ratio better than that of NSBI. As per Mr. Laudari the assets management ratios show that deposit utilization of NIBL is less effective than NSBI. He has stated that NIBL has invested lesser amount on government securities and share and debenture than that of NSBI, not only did NIBL a better performance in (i) return on total assets and loan and advances, (ii) interest earning but it paid lower interest amount to working fund. The growth ratio of total deposit, loan and advances, total investment and net profit of NIBL are less than that of Nepal SBI.

Tandukar, Sharmila (2003) in the thesis entitled, *“Role of NRB in Deposit Mobilization of Commercial Bank”* has tried to examine role of NRB in deposit collection by the commercial banks and to analyze the trends of deposit mobilization towards total investment and loan and advances. Projection is for five years i. e. 2098/99 to 2002/2003. The data used in that study is both secondary and primary nature. The researcher used different financial tools such as liquidity ratio, activity ratio, profitability ratio, and risk ratio and coefficient of correlation and trend analysis as statistical tools. The researcher took 17 commercial banks as population and two banks i.e. Nepal Bangladesh Bank Ltd. (NBBL) and Everest Bank Ltd.(EBL) as sample banks. The researcher found that, it can said that all new directives of NRB of commercial banks are effective and it is good for both nation and the future of the banks but the loan classification and provisioning seems to be little bit uncomfortable to the commercial banks. And deposit and loan and advances of NBBL are higher than EBL but in code of the investment of EBL is able to mobilize more funds than NBBL in this sector.

In the study, only concentrate on two banks. The researcher has recommended to NBBL that diversification of loan and investment is highly suggested to the bank. As NBBL has given priority in investment in treasury bills which is risk free but it yields very low return to the bank. And recommended to EBL to collect the deposit by initiating various new programs to attract the customer for this it can pay a higher interest rate than other banks recently providing.

Manandhar, Shaseela (2006), conducted research on the topic of "A Study on the Deposit Mobilization of RBB" has tried to examine the role of RBL in the deposits accumulation and to see how far the bank is able to utilize the collected deposits. This study covers 10 years data from the year 2052 to 2061 and based on secondary data. Correlation, percentage and ratio analytical tools of statistics are used for the analysis and interpretation of data.

This study tries to analyze relationship between the amount of the total deposit and amount of total credit granted by RBB.

The specific objectives of the study are as follows:

- To examine and analyze the various deposit services offered by RBB.
- To evaluate the effectiveness of current RBB deposit Policy.
- To study the strength and flows for the existing deposit policy and relationship of deposit and loans and advances of RBB.

- Identification of RBB interest rates of deposits has positive relationship with the deposit collection of RBB.
- To analyze and examine the deposited fund position of RBB.

The Researcher found that the deposit credit ratio is only 76.55% on average, which is satisfactory. The position of deposit collection is increasing. But the utilization of these deposits is not in favorable condition. This average credit deposit ratio shows that the RBB has to be improve to mobilize its collected fund better and better in future. It is also observed the total credit including Loan and advances and bill discount.

Trend values of total deposit & total credits are in increasing trend in two expected year 2062 & 2063. Researcher tries to recommend that bank have to focus on promoting short-term loans and trade finance products. Interest rate cuts are envisaged in light of severe competition and reduction in deposit interest rates. Banking with poor (BWP) is an important and development oriented program to eliminate the absolute poverty of the country. The program should launch under the priority sector credit program.

RBB can't be an exception to the growing need to embrace the latest information technology. The bank has been lagging behind in terms of automation of its operations and access to the latest banking technology.

Computerizing the branches is the biggest challenge faced by the bank. More than half the accounts maintained at RBB belong to uneducated people who use their fingerprints rather than signature. They are uncomfortable with modern banking system due to their reluctance to change. RBB has a lack of computer literate employees.

To attract new customer the bank have to come up with new and innovative products matching international standards like new products debit card, mobile banking, internet banking, home banking, any branch banking etc.

Once the political situation of the country stabilized and peace is restored the demand for deposits will increase with the increase in demand for investment by the industries and thus the competition for deposit will intensity. Bank should make transparent in service charge and interest rate. Should be minimum charge acceptable by customers.

Panday, Pramita (2007), Conducted research on the topic of "A Study on the Liquidity Mobilization of Joint Venture of NABIL, SCBNL, and HBL" has tried to examine the liquidity positions of all the banks, which were strong, and enough to meet this immediate needs of cash and short-term obligations. Data is used for five years from the year 2001 to 2005. Only secondary data are used. Coefficient of correlation has been applied in order to calculate the Loans and advance and deposits.

In this thesis, the researcher has fund the ways of utilizing the surplus deposit and the right reinvestment for the economic development of a country. The specific objectives of the study are as follows:

- To analyze the deposit position of the banks under study.
- To analyze the reinvestment position of the banks.
- To analyze the gap between deposits and loan and advances.
- To provide suggestions for the improvement on the basis of findings.

Following suggestions can be made to the sampled banks:

- NABIL, SCBNL and HBL should minimize their existing level of excess liquidity by investing in more profitable sectors. Idle assets of theirs in form of excess cash or equivalents should be diverted in various investment opportunities available in the market. Those less risky investment sectors should be identified.

- NABIL, SCBNL and HBL need to bring in newer schemes to mobilize their higher amount of deposits in extending credit.
- All the banks should have to make effort in order to minimize their nonperforming credits. HBL especially, must be more conscious on this part. Making credit policy more transparent, standard and less risky should increase the quality of the credit.
- All the banks should try to increase their profitability by investing in more profitable sectors, and by increasing the quality of their extended credits. They should have to investigate thoroughly the wide rage of investment opportunities in the market in order to improve their profitability situation. Especially, HBL should immediately be more conscious on this part as it is having continuous less profit over the years.
- As formation of price is a very complex process, some extremely outstanding sectors such as management efficiency, profitability status, future perspective, bank's investment strategy, etc should be improved. HBL must have to follow this scheme immediately.

Ojha, Bijaya Kumar (2008), Conducted research on the topic of "Deposit Mobilization of Commercial Banks" . This study is mainly focused on a comparative study of Nepal SBI Bank Ltd & Nepal Bangladesh Bank Ltd. This study is based on secondary data and covers seven years period (2001 to 2007).

<u>The specific objective of the study are as follows :</u>

- To study the financial position of Nepal SBI Bank Ltd and Nepal Bangladesh Bank Ltd.
- To examine the trend of deposit of Nepal SBI Bank Ltd and Nepal Bangladesh Bank Ltd.

- To examine the trend of loan and investment position of the Nepal SBI Bank Ltd and Nepal Bangladesh Bank Ltd.
- To suggest applicable and appropriate suggestions for the improvement of the selected commercial banks on the basis of findings.

Following recommendations can be suggest to the sample banks :

- SBI Bank Limited and NB Bank Limited both should target their business segment on the middle class family. For this they have to keep the affordable minimum balance to open the account, which will help to expand customer and deposit amount.
- The commercial banks i.e. NSBI Bank Limited and NB Bank Limited should go for some new areas of investment like hydro electricity and infrastructure development of the economy as well as banks' operation.
- Commercial banks i.e. NSBI Bank Limited and NB Bank Limited are suggested to follow decentralization policy and formulate new plans and policies to develop banks' credit operation.
- Commercial banks i.e. NSBI Bank Limited and NB Bank Limited are recommended to activate for increasing foreign investment in Nepal by means of their wide international banking network.
- It is recommended that NSBI Bank Limited and NB Bank Limited should develop innovative approach to banks marketing for its well being and sustainability in the market, upgrade the banking facilities as per the changing need of the customers.
- Lastly, SBI Bank Limited and NB Bank Limited are suggested to support the social welfare event to promote the business.

Shakya, Ajaya (2008), conducted research on the topic of “Fund Mobilization and Investment Policy of Everest Bank Limited” has tried to examine the role of Everest Bank Ltd. in the fund accumulation and to see how far the bank is able to utilize the collected funds. This study covers five years data from the year 2060 (B.S) to 2064 (B.S) and based on secondary data. Correlation, percentage and ratio analytical tools of statistics are used for the analysis and interpretation of data.

This study tries to analyze relationship between the amount of the total deposit and amount of total credit granted by Everest Bank Ltd.

The specific objectives of the study are as follows:

- To analyze the trends of deposit utilization towards total investment and loan and advances.
- To evaluate the growth ratio of loans and advances, total investments with total deposit.
- To evaluate the liquidity, efficiency and trends of variable.
- To discuss deposit mobilization and investment policy of Everest Bank Ltd.

On the basis of analysis and findings of the study, following recommendations can be made to overcome weakness, inefficiency and to improve present fund mobilization and investment of EBL.

- To get success in competitive banking environment, depositor's money must be utilized as loan and advances. If it is neglected, then it could be the main cause of liquidity crisis in the bank and one of the main reasons for a bank's failure. In this situation EBL is strongly recommended to follow liberal lending policy and invest more and more percentage of total deposit in loan & advances and similarly, maintain more stability on the investment policy.
- EBL has to make way for small depositors and entrepreneurs for the promotion and mobilization of small investor's fund. So it is

recommended that the bank should fix minimum level of bank balance and the amount needed to open an account should also be affordable for such small depositors.

- EBL has invested a lot of money in Govt. Treasury Bills. Through it is risk free it yields very few to the bank. So, it will be beneficial to EBL to mobilize the fund in risky but high profitable projects rather than giving importance to the Govt. Treasury Bills.
- In the context of commercial banks in Nepal, for the speedy development of the kingdom, Nepal Government as well as the commercial banks is suggested to follow decentralization policy in order to extend the modern and computerized banking facilities to the remote areas and the lower level people of the kingdom.

Ahikari, Namita (2008), conducted research on the topic of “Fund Collection and Mobilization of Joint Venture Banks” has tried to examine the role of JVBs in the fund collection and its utilization. In this study four joint venture banks namely Himalayan Bank Ltd. Everest Bank Ltd, NABIL Bank Ltd, standard Chartered Bank Ltd. are chosen for their fund collection and mobilization activities by taking six year date from 2002-2007. Correlation coefficient tools of statistics are used for the analysis and interpretation of data.

- Some of the main objectives of the study are as follows:
- To find out the effectiveness of the selected joint venture banks in fund mobilization.
- To analyze the ability of the selected joint venture banks in mobilizing the total collected funds.
- To identify the factors affecting the fund mobilization.
- To provide suggestions and recommendations on the basis of analysis.

Following conclusion have been drawn from this research work:

- During the six year study period EBL is more successful in invest in productive sector and has mobilized its collected deposits to provide loan and advances for the purpose of earning profit. SCBNL has weak condition in mobilizing collected deposit. HBL and NABIL are comparable in this sector. In comparison to another banks SCBNL is more string in investing.
- Considering the profitability aspect of six JVBs, NABIL in relatively more successful to earn profit on total assets than other three banks. It has a highest average return on total assets ratio and also the coefficient of variation of return on assets is also less than other three banks. It can be regarded that the return on assets of NABIL is better than other banks. It indicates that NABIL's assets are utilized in a better way than of other three banks. All the banks are generating profits. The ratio of profit over the total assets employed could only be regarded as satisfactory.
- The average interest income to credit and advances ratios of SCBNL is greater than other five banks. The ratios of these banks are at increasing trend. The credit lending of SCBNL can be regarded as more efficient than other three banks.

2.10 Research Gap

The present thesis work reflects the following research gap.

This thesis work has covered the period of study only 2004-2008 A.D. This research is mainly focuses on concerned bank Nabil and HBL's deposit mobilization and compared between these banks The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make study meaningful and purposive. There has been lots of article published related to financial performance and fund mobilization of commercial banks. There are various researches conducted on financial performance and fund mobilization of commercial banks. Many research has been already done on the topic of ‘'Fund mobilization of Himalayan Bank Ltd." and some research has been done on the topic of "Fund mobilization of Nabil bank Ltd."and "Fund mobilization of Everest Bank Ltd." But this study is based on the topic of "A study on Deposit Mobilization of Nabil Bank Ltd, Everest Bank Ltd. and Himalayan Bank Ltd." Therefore, the researcher attempts to study in this area. So, this study will be fruitful to those interested person, parties, scholars, professor, students, banks, businessman and government for academically as well as policy perspective.

CHAPTER III
RESEARCH METHODOLY

Research methodology is necessary for each research work. Research methodology is the way to solve the research problems systematically. The research methodology considers the logic behind the methods used in the context of research study and explains why particular method or technique is used. It also highlights about how the research problem has been defined, what data have been collected what particular method has been adopted.

1. Research Design

"A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. " Research design is a plan structure and strategy of investigation conceived so as to obtain answer to research questions and to control variances. To achieve the objective of the study, descriptive and analytical research designs will be used. Some statistical and accounting tools will be applied to evaluate financial performance of the Banks.

2. Natures and Sources of Data

Generally this study is based on secondary data. The data relating to investment, deposit, loan and advances and profit are directly obtained form the balance sheet and profit and loss account of the concerned bank's annual reports published in their respective annual general meetings and website www.nepalstockechange.com and relevant bank's website. In addition to that some of the relevant data will also collect from the non bank financial statistics published by the non bank regulation department of Nepal Rastra Bank.

3. Population and Sampling Design

It is not possible to study all the data related with all bank of Nepal. There are altogether 27 listed Commercial banks in our country and their stocks are traded actively in stock market. So the financial analysis of listed three banks is being compared with that average of the same, which are selected from population. From the above listed commercial banks are considered as population

The selected samples are as follows:

a) Nabil Bank Limited (NBL)

b) Everest Bank Ltd. (EBL)

c) Himalayan Bank Limited (HBL)

4. Data Collection Procedure

As explain before, the main sources of secondary data are the annual reports of the banks published in their respective annual general meetings and website www.nepalstockexchange.com and relevant bank's website. In addition to that some of the relevant data will also collect from the non bank financial statistics published by the non bank regulation department of Nepal Rastra Bank.

5. Data Analysis Procedure

To achieve the objectives of the study, various accounting, statistical and financial tools have been used in this study. The analysis of data is done according to pattern of data available. With the available tools and resources statistical tools such as Karl person's coefficient of correlation, simple and multiple regressions analysis as well as corresponding hypothesis etc is use in the study. Similarly some strong accounting and financial tools such as ratio analysis and trend line analysis are also apply in this study.

The various calculated results obtained through financial and statistics tools are tabulated under different headings. Then they are compared with each other to interpret the results.

I. Financial Tools

There are various financial tools and technique each of which is used according to their purpose carried out. Among them ratio analysis is used by most companies. Therefore in this study we discuss about ratio analysis

A. Ratio Analysis

An arithmetical relationship between two figures is known as ratio. It is computed by dividing one item of relationship with the other. Ratio simply means one number express in terms of another.

Ratio Analysis is technique of analysis and interpretation of financial statement through mathematical expression. It may be defined as mathematical expression of relationship between two accounting figures. To evaluate the different performances of an organization by creating the ratios from the figures of different account is terms as ratio analysis. In short, Ratio Analysis can be defined as an analysis of financial statement with the help of ratio.

Ratio analysis is an important technique of financial analysis. The data given in financial statement are meaningless and they are unable to communicate anything from the analytic view point. One has to work very hard in digging out the required information. Ratio analysis thus helps different interested parties in studying the heaps of figure give in the financial statement.

B. Classification of Ratios

The ratios used for financial analysis of business can be classified into four categories. They are:

a) Liquidity Ratios
b) Leverage Ratios
c) Activity Ratios
d) Profitability Ratios

a) Liquidity Ratios

The ability of the firm to meet its short term obligation is known as Liquidity. It reflects the short term financial strength of the business. These ratios are used to know capacity of the concerned to repay its short term liabilities. Usually the following two ratios are calculated for this proposes.

1. Current Ratio
2. Quick Ratio

1. Current Ratio

This ratio shows the relation between current assets and current liabilities. The current ratio is calculated by dividing current assets by current assets by current liabilities. The objective of this ratio is to measure the ability of the firm to meet its short term obligation. The following formula can be used to ascertain this ratio:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

There are two components in current ratio. The first component 'current assets' are those assets which can be converted into cash within a short period of time, normally not exceeding one year. The second component 'current liabilities' are those liabilities which mean the obligation which are payable within a short period. Those liabilities which are expected to be matured within the year is known as current liabilities.

2. Quick Ratio or Liquid Ratio

A relation between quick asset and current liabilities is termed as quick ratio. Quick assets include all the current assets other than stock and Prepaid. This ratio measures the ability of firm to pay current liabilities immediately. This ratio is calculated as below:

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

Where, Quick Assets = Current Assets – Stock – Prepaid

b) Leverage Ratio

The second classification of financial ratio is the leverage ratio. It is also termed as solvency ratio or capital structure ratio. The leverage ratios are calculated to judge the long term financial position of a firm. These ratios measure the enterprise's ability to pay the interest regularity and repay the principal on maturity. The following ratios are included in leverage ratio:

1. Debt Equity Ratio
2. Debt to total capital ratio
3. Interest Coverage Ratio
4. Fixed Coverage Ratio

1. Debt Equity Ratio:

The relationship between long term debt and ow3ner's equity is known as Debt Equity ratio. It is a popular measure of the long term financial solvency of the firm. It is calculated are as follows:

$$\text{Debt Equity Ratio} = \frac{\text{Long Term Debt}}{\text{Shareholder's equity}} = \frac{\text{Total Debt}}{\text{Shareholder's Equity}}$$

2. Debt to total capital ratio:

This ratio shows the relationship between the long term debt and total capital includes shareholders equity as well as long term debt. This ratio is variation of the debt ratio and gives the similar indication as the debt equity ratio.

The ratio is calculated as:

$$\text{Debt to Total Capital Ratio} = \frac{\text{Long Term Debt}}{\text{Capital Employed}}$$

Or

$$= \frac{\text{Total Debt}}{\text{Capital Employed + Current Liabilities}}$$

3. Interest Coverage Ratio:

This ratio indicates the ability of a firm to pay interest charge on its borrowed capital. It is also called "Debt Service Ratio" or "Time Interest Earned Ratio". It is calculated by dividing Net profit before interest and taxes (NPBIAT) by the amount of fired interest charges. Its formula:

$$\text{Interest Coverage Ratio} = \frac{\text{Net Profit Before Interest and Tax}}{\text{Interest}}$$

4. Fixed coverage ratio:

This is the ratio of the net profit before interest and tax of fixed charges. It indicates the number of times the fixed charges covered by NPBIAT. The fixed charge includes interest preference dividend and debt payment. Its formula:

$$\text{Fixed Coverage Ratio} = \frac{\text{Net Profit Before Interest And Tax}}{\text{Fixed Charge}}$$

Where,

Fixed Charge = Interest + Preference Dividend + Debt Payment

c. Activity Ratio /Turnover / Efficiency

The relationship between sells and resources is indicated by turnover ratio. These ratios reflect how efficiently the company is managing its resources. Thus these ratios measured the degree of effectiveness in use of resources or funds by a firm. The common ratios of turnover are as follows:

1. Inventory Turnover Ratio
2. Debtors turnover Ratios
3. Average Collection Period
4. Fixed assets Turnover Ratio
5. total Assets Turnover Ratio
6. Capital Employed Turnover Ratio

1. Inventory Turnover Ratio

The relationship between cost of goods sold and average inventory is shown by this ratio. It is computed by dividing the cost of goods sold by average inventory. It indicates as to how fast the goods are sold. It shows the speed with which stock is rotated in to sales. It is known as stock Turnover Ratio. It is calculated as follows:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of goods Sold}}{\text{Average Inventory}}$$

Where, Cost of goods sold = Opening Inventory + Net Purchases + Direct Expenses – Closing Inventory

Or

Cost of goods sold = Sales – Gross Profit

$$\text{Average inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

2. Debtor Turnover Ratio:

It shows the relationship between credit sales average debtors. It is computed by dividing the credit sales by average debtors.

$$\text{Thus, Debtors Turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Average Debtors}}$$

Where,

Net Credit Sales = Total sales – Cash sales – Sales return

$$\text{Average Debtor} = \frac{\text{Opening Debtor} + \text{Closing Debtor}}{2}$$

While calculating opening debtors and closing debtors, both the debtors and bills receivable must be included. In the absence of creditor sales an opening debtors the following formula is used:

$$\text{Debtors turnover Ratio} = \frac{\text{Sales}}{\text{Closing Debtors}}$$

3. Average Collection ratio:

It represents the average number of days for collecting the cash from debtor. It measures the efficiency of the concerned for collecting from debtors. It indicates the rapidity or slowness with which the money is collected from the debtors. It can be calculated as follows:

$$\text{Average Collection Periods} = \frac{\text{Debt} * 365 \text{ days}}{\text{Credit Sales}}$$

$$\text{Or} \quad \frac{365 \text{ days}}{\text{Debtor Turnover}}$$

4. Fixed assets Turnover Ratio:

It is relationship between sales and fixed assets which shows the efficiency of a concern on utilizing its fixed assets. This ratio is calculated by dividing net sales by net fixed assets. Symbolically:

$$\text{Fixed Assets Turnover Ratio} = \frac{\text{Net Sales}}{\text{Net Fixed Assets}}$$

5. Total assets Turnover Ratio:

This ratio is employed to take information on total assets for generating sales in operation of business by the firm. It shows the relationship between total assets and sales. Total assets includes current assets, fixed assets and investment. In ascertaining, the total assets fictitious assets and differed expenditure must be excluded. Its formula:

$$\text{Total assets turnover Ratio} = \frac{\text{Net sales}}{\text{Total assets}}$$

6. Capital employed Turnover Ratio:

It is the relationship between sales and total capital. It is measured of efficiency of the capital employed in the business. It is calculated as:

$$\text{Capital Employed turnover Ratio} = \frac{\text{Net, Sales}}{\text{Capital Employed}}$$

d. Profitability Ratios

The profitability ratio is related to profit. It shows the overall efficiency of the business concerned. The earning capacity of the business is measured by profitably ratio. It can be measured in two ways.

i. Profitability in Relation to Sales

ii. Profitability in Relation to Investment

i. Profitability in Relation to Sales

A firm should be able to earn the profit sufficiently from each unit sold. If sales do not generate sufficient profit, it would be very difficult for the firm to cover operating expenses and interest charge and as a result, will fail to earn any profit for owners. Therefore, the following ratio can be ascertained considering the sales as basic.

a. Gross Profit Ratio

b. Net Profit Ratio

c. Operating Ratio

a. Gross Profit Ratio

This ratio expresses the relationship between grow profit and sales. The calculation of this ratio is done on the basis of total profit and sales. Generally, it is express in percentage. The formula of this ratio is as follows:

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Sales}}$$

b. Net Profit Ratio:

From this ratio, the relationship between sales and net profit become clear. Amount after subtracting the whole operating expenses, income tax, interest etc. from the gross profit is known as net profit. To ascertain this ratio the net profit is divided by sales.

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}}$$

c. Operating Ratio

This ratio shows the relation between operating expenses and sales value. The information about the cost structure and be obtained from this ratio. This ratio is computed by dividing operating expenses by sales.

$$\text{Operating Ratio} = \frac{\text{Operating Expenses}}{\text{Sales}}$$

ii. Return on investment or profitability in relation to investment

The profitability of the firm can also be measured with investment respectively. The term investment refers to total assets, capital employed or shareholder’s fund. The different types of ratios are as follows:

a. Return on assets
b. Return on shareholder’s equity
c. Return on capital employed
d. Return on common shareholder’s equity

a. Return on Assets:

It is the relationship between Net profit and total assets. The formula is as follows:

$$\text{Return on assets} = \frac{\text{Net profit after tax}}{\text{Total assets}}$$

b. Return on shareholder's equity:

It shows the relation between the net profit after tax and shareholder's fund. Shareholder's fund include equity share capital, preference share capital, reserve and surplus, re serve fund, general reserve, capital reserve and share premium. The formula for finding out this ratio is as follows:

$$\text{Return on shareholder's equity} = \frac{\text{Net profit after tax}}{\text{Shareholder's equity}}$$

c. Return on capital employed:

It is a relation between net profit and capital employed which shows whether the amount of capital employed has been properly used or not.

The formula is as follows:

$$\text{Return on Capital employed} = \frac{\text{Net profit after tax}}{\text{Capital employed}}$$

d. Return on common shareholder's equity:

This is the ratio of net profit to common shareholder's equity. The ratio is calculate as follows:

Return on Common shareholder's equity

$$= \frac{\text{Net profit after t ax – Preferences Divi}}{\text{Common Shareholder's equity}}$$

Other Ratios:

The other ratios related to profitably are as follows:

a. Divided payout ratio:

The purpose of calculating this ratio is to know the portion of dividend distributed out of total earning. This ratio shows the relation between the returns belonging to equity shareholders and the dividend paid to them. Formula for calculating this ratio is as follows:

$$\text{Dividend payout ratio} = \frac{\text{Dividend per share}}{\text{Earning per share}}$$

b. Dividend yield ratio:

It defines the relationship between dividend per share and market value per share.

It is very useful for investor. Formula for calculating this ratio is as follows:

$$\text{Dividend yield ratio} = \frac{\text{Dividend per share}}{\text{Market value per share}}$$

c. Earning yield ratio:

It is shows the relationship between the market value per share and earnings per share. Formula for calculating this ratio is as follows:

$$\text{Earning yield ratio} = \frac{\text{Earning per share}}{\text{Market value per share}}$$

d. Price earnings ratio:

This ratio is closely related to the earning yield. The reciprocal of the earning yield is called the price earnings ratio. Formula for calculating this ratio is as follows:

$$\text{Price earning ratio} = \frac{\text{Market value per share}}{\text{Earning per share}}$$

e. Earning power ratio:

The profitability of a firm can be measured either in relation to investment or operating efficiency. The overall profitability can be measured on the basis of combination of these two ratios, which is known as earning power ratio. Formula for calculating this ratio is as follows:

$$\text{Earning power ratio} = \frac{\text{Net profit after tax}}{\text{Investment or total assets}}$$

f. Earnings per share:

It is calculated by dividing the net profit after tax less preference dividend by the total no. of common shares. The formula for calculating this ratio is as follows:

$$\text{Earnings per share} = \frac{\text{Net profit after tax} - \text{Preference dividend}}{\text{No of common shares}}$$

g. Dividend per share:

The whole amount of earning may or may not be distributed to shareholders by a company. How much per share dividend is a distributed to common shareholder can be known from this ratio. The dividend distributed among the common shareholders earn a per share basis can be determined by this ratio. Formula for calculating this ratio is as follows:

$$\text{Dividend per share} = \frac{\text{Earning paid to equity shareholders}}{\text{No of equity shares}}$$

h. Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance are the most liquid current assets. This ratio measures the percentage of liquid fund with the bank to make immediate payment to the depositors. This ratio is computed by dividing cash and bank balances by total deposit. This can be presented as follows:

Cash and Bank Balance to Total Deposit Ratio

$$= \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

Where,

Total deposits consist of deposits o n current account, saving account, fixed account, money at call and other deposits.

i. Cash and Bank Balance to Current Assets Ratio

This ratio shows the percentage of liquid assets i.e cash and bank balance among the current assets of the firm. Higher ratio shows the higher capacity of firms to meet the cash demand. The formula is as follows:

Cash and Bank Balance to Current Assets Ratio

$$= \frac{\text{Cash and Bank Balance}}{\text{Current assets}}$$

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

j. Investment on Government Securities to current assets ratio

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

Investment of Government Securities to Current Assets Ratio

$$= \frac{\text{Investment on government securities}}{\text{Current Assets}}$$

k. Loan and Advances to current assets ratio

Banks measured earning source is loan. Loan are also taken as currents assets as most of them are maturing within the periods of one year and represents short term disbursement. A bank should not allocate all funds in loan and advance so, it must maintain in an appropriate level. In other to calculate the proportion of loan and advance to total current assets, the ratio is obtained by dividing loan and advance by current assets.

$$\text{Loan and Advance to Current assets ratio} = \frac{\text{Total loan \& Advance}}{\text{Current assets}}$$

l. Assets Management Ratios [Activity Ratios]

Assets management ratio is used to measure how effectively the firm utilized the investments and the economic resources at its command. Investments are made in order to produce profitable sales. Achieving profitable sales, therefore involves making sound investments. At the practical level, this involves comparisons between the sales and the investment in various assets accounts. The methodology postulates an optimal relationship between sales and the various types of asset investment.

The following financial ratios related to investment policy are calculated under asset management ratio and interpretations are made by these calculations.

m. Loan and Advances to Total Deposit Ratio

This ratio is calculated to find out how successfully the selected banks and finance companies are utilizing their total collections/deposits on loan and advances for the purpose of earning profit. It can be calculated by dividing the amount of loans and advances by the amount of total deposits, which is given below:

Loan and Advances to Total Deposit Ratio= $\frac{\text{Loan and Advances}}{\text{Total Deposit}}$

Where, Loan and advances refers to total of loan, advances and overdraft and total deposits refer to total of all kinds of deposits.

n. Loan and Advances to Fixed Deposit Ratio

This ratio indicates how many times the amount is used in loans and advances in comparison to fixed deposits. Fixed deposits are the main sources of deposit of bank and are high interest bearing obligation whereas loans and advances are the major sources of investment to generate income for the commercial banks. This ratio is calculated by dividing the amount of loans and advances by fixed deposits that is given bellows:

Loan and Advances to Fixed Deposit Ratio = $\frac{\text{Loan and advances}}{\text{Fixed Deposit}}$

o. Loan and Advances to Total Working Fund Ratio

Loan and advances is the major components in the total working fund, which indicates the ability of bank are successful in mobilizing their loan and advances on the working fund ratio for the purpose of the income generation. This ratio is computed by dividing loans and advances by total working fund. This are stated as below:

Loan and Advances to Total Working Fund Ratio

$$= \frac{\text{Loan and Advances}}{\text{Total Working Fund}}$$

Here total working fund includes all assets of on balance sheet items. In other words, this includes current assets, net fixed assets, loans for development bonds and other investment in share, debenture and other etc. a high ratio indicates a better mobilization of fund as loan and advances and vice-versa.

p. Investment on Government securities to Total Deposit Ratio

Investment is one of the major forms of credit created to earn income. This implies the utilization of firm's deposit on investment in government securities and share, debenture of the other companies and banks. This ratio measure the extent to which the bank are successful in mobilizing total investment on the total deposits, the amount of deposits should be soundly investment in the bank has to put only provide interest on its deposits but also has to declared a handsome dividend to its owners and share holders. This ratio can be calculated by dividing total investment by total deposit. This ratio is mention as below:

Investment on Government Securities to Total Deposit Ratio

$$= \frac{\text{Investment on Government Securities}}{\text{Total}}$$

Investment consists of investment of government securities, investment on debenture and bonds, share in subsidiary companies, share in other companies and other investment. A high ratio that the banks' efficiency is more investing on its deposit and low indicates in ability to put its deposits for the lending activities.

q. Investment on Government Securities to Total Working Fund Ratio

Investment on government securities to working fund ratio shows how much part of investment is there on government securities in percentage. It can be obtained by:

Investment on Govt. Securities to Total Working Fund Ratio

$$= \frac{\text{Investment on Government securities}}{\text{Total Working Fund}}$$

r. Investment on Shares and debentures to Total Working Fund Ratio

Investment on Shares and debentures to total working fund ratio shows the investment of banks and finance companies on the shares and debentures of obtained dividing on shares and debentures by total working fund. It can be obtained by:

Investment on Shares and debentures to Total Working Fund Ratio

$$= \frac{\text{Investment on share \& debenture}}{\text{Total Working Fund}}$$

II. Statistical Tools

Various statistical tools related to this study will draw out to make the conclusion more reliable according to the available financial data. For this study following statistical tools are used.

1. Arithmetic Means or Average

The average value is a single value within the range of the data that is used to represent all of the values in the series. Since an average is somewhere within the range of that data, it is also called a measure of central value. Since average represents the entire data, its value lies somewhere in between the two average. Among them is use the arithmetic mean which is more popular to denote particular type of average. It is obtaining dividing sum of obtain observations by the number of items which is presented as follows:

$$\bar{x} = \frac{x}{N}$$

Where,

$\bar{x}$ = Arithmetic Mean

_x = Summation for Total Values of the Variable / Observation

N = Number of Items

2. **Standard Deviation**

The standard deviation is the most important and widely used measure of studying dispersion. It is also known as root mean square deviation for the reason that the square root of the mean of the standard deviation from the arithmetic mean. It is also denoted by the small Greek letter (sigma). The standard deviation measures the absolute dispersion or variability of a distribution. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a serious, a large standard deviation means just the opposite. Hence, standard deviation is extremely useful in judging the representative of the mean.

Symbolically,

$$\text{¢ X}\sqrt{\frac{d^{2}}{n}}$$

Where,

Ω	=	Standard Deviation
d^2	=	Sum of Squares of the Deviation Measured from the Arithmetic Average
N	=	Numbers of Item

3. **Co-efficient of Variation (C. V)**

The co-efficient of variation is the corresponding relative measure of dispersion, comparable across distribution, which is defines as the ratio of the standard deviation to the mean expressed in percentage. It is used in such problems where we want to compare the variability of two or more than two series. The series for which the co-efficient of variation is greater is s aid to be more variable or conversely less consistent, less uniform, less stable or less homogeneous. On the other hand, the series for which co-efficient of variation is less said to be less variable or more consistent, more uniform, more stable or more homogenous.

We can denotes this by following formula,

$$CV = \frac{\sigma}{\bar{x}} \times 100$$

Where,

CV = Co-efficient of Variation

Ω = Standard Deviation

$\bar{X}$ = Mean / Average

4. Co-efficient of correlation (r)

Correlation is the statistical tool that we can use to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the degree of relationship between two sets of figures. Among the various methods of finding out coefficient of correlation, Karl Pearson’s method is applied in the study. The result of coefficient of correlation is always between + 1. When r = +1, it means there is perfect relationship between two variables and vice-versa. When r = 0, it means there is no relationship between two variables. The Pearson’s 1 formula is:

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

Where,

r = Co-efficient of Correlation

x = Independent Variable

y = Dependent Variable

N = Number of periods

5. Probable Error of the Co-efficient of Correlation

After the calculation of co-efficient of correlation the next thing is to find out extent to which it is dependable. For this purpose the probable error is added to and subtracted form the co-efficient of correlation it would give two such limits with in which we can reasonably accept the value of co-efficient of correlation to vary. The formula for finding out the probable of error of the Karl Pearson's co-efficient of correlation is:

$$P.Er \; X 0.6745 \, | \, \frac{1Zr}{\sqrt{N}}$$

Where,

P.Er.	=	Probable Error of coefficient of Correlation
r	=	Co-efficient of Correlation
n	=	Number of Paris of Observations

In other to conclude whether co-efficient of correlation is significant or not. The following points should be kept in mind.

- If the co-efficient of correlations is less than its probable error, it is not at all significant.
- If the co-efficient of correlations is more than six times of probable error, it is definitely significant.
- If the probable error is not much and if the coefficient of correlation is 0.5 or more it is generally to be significant.

6. Co-efficient of Determination (R^2)

The Co-efficient of determination is the measure of the degree of linear association or correlation between two variables, one of which happens to be independent and other being dependent variable. In other words, co-efficient of determination measures the percentage of total variation in dependent variable explained by independent variable. The co-efficient of determination can have value ranging from zero which simply means that all the data points in the scatter diagram fall exactly o the regression line. Co-efficient of determination is the square of the co-efficient of correlation.

Symbolically,

$R^2 = (r^2)$

Where,

R^2 = Co-efficient of Determination

R = Co-efficient of Correlation

7. Simple Regression Analyses

Regression is one of statistical tool, which is used to determine the statistical relationship between two or more variables and to make estimation (or prediction) of one variable on the basis of the other variable. In other word, it is that tools with the help of which unknown value of one variable can be estimated on the basis of known value of the variable.

Sometimes, the correlation between two variables may be insufficient to determine a reliable estimation equation. Yet, if we add the data from more independent variables, we may be able to determine an estimating equation that describes the relationship with greater accuracy. In regression analysis, we use independent variables utilizing more of the information available to us to estimate the dependent variable. In this study the researcher uses simple regression equation.

8. Test of Hypothesis

The method of statistics which help in arriving at the criterion for such decision is called test of hypothesis or statistical decision making. A hypothesis is analysis assumption that make about the population parameter. Alternatively, a hypothesis is a conjectural statement of the relationship between two or more variables. Hypothesis statement should be able to show the relationship between variables.

The Test of hypothesis is a process of testing of significance regarding the parameter of the population on the basis of the sample drown from the population. The computed value of the statistics may differ from the hypothetical value of parameter due to sampling fluctuation. If the difference is small, it has arisen due to sampling fluctuations. Hence the difference is considered to be insignificant and the hypothesis is accepted. If the difference is large, it has not arisen due to sampling fluctuations but it is due to some other reasons. Hence the difference is considered to be significant and the hypothesis is rejected. Thus the test of hypothesis discloses whether the difference between the computed statistic and hypothetical parameter is significant or not.

There are different types of hypothesis, among them t-test is to test the validity of our assumption, if sample size is less than 30, t-test is used. For applying t-test in the context of small sample, the 't' value is calculated first and compared with the table value of 't' at a certain level of significance for value of 't' exceeds the table value (say 0.05) we infer that the difference is significant at 55 level. But if 't' is less than the concerning table value of the 't' the difference is not treated as significant.

The t – statistic id calculated by following formula under Ho:

$$T \, \mathrm{X} \frac{r}{\sqrt{1 \mathrm{Z} r^2}} \mid \sqrt{n \, \mathrm{Z} 2}$$

9. Trend Line Analyses

Trend line analysis describes the average relationship between series where the one series related to time and other series to the value of the variable. It is generally shows that the line of the best fit or straight line is obtained or not. The line of the best fit describes the changes in a given series accompanying a unit change in time. Another word, it gives the best possible mean values of dependent variable for a given value of independent variable.

For calculation of the "Line of the best fit", following equation should be kept in mind.

Yc = a + bx

Where,

Yc = the estimated value of Y for given value of x obtained from the line of regression of Y on X

a = "Y – intercept "/mean of Y value

b = "slope of line"/rate of change

x = the variable in time series analysis represent time

In order to determine the value of the constants a and b the following two normal equations are to be solved.

$Y = Na + b \quad x$ and $XY = a \quad X + b \quad X^2$

Where:

N = Number of Years for with the date are given

Where X stands for the time variations and Y for the variables related to time. Naturally, if we take the middle year or the mid-point of the two years as the starting point, X will be equal to 0 and the two equations will then be

$Y = Na$ and $XY = b \quad X^2$

By transformation, we; can write

$a \, \mathrm{X} \frac{Y}{N}$ and $b \, \mathrm{X} \frac{XY}{X^2}$

The term best fit is interpreted in accordance with the principle of least squares which consists in minimizing the sum of squares of the residual of the errors of estimates i.e. the deviation between the given observed value of the variable and their corresponding estimated values as given by the line of best fit.

This topic will be used to forecast the ratios of Total deposit, Total Loan and Advances, Total Investment and Net Profit of the banks for next five years on the base of past five years. The analysis is done under limited factors which are as follows:

- The economy will remain unchanged as of present the stage.
- Banks will run as of present position.
- The guidelines by NRB for Banks will remain unchanged.
- The forecast will be true only when the limitations of least square method are carried out.
- The main assumption is that other actors are constant.

CHAPTER IV
PRESENTATION AND ANALYSIS OF DATA

In this chapter data of sample banks are presented and analyzed according to the objectives set in the introduction chapter.. To make a data more realistic and complete qualitative and quantitative analysis is done through different financial ratio and statistical analysis. However there are many ratios but due to some sort coming and constraints, only selected ratios have been taken for analyzing the strength and weakness of the sample banks.

This chapter also helps for presenting major findings, proper recommendation for researcher which needs to define in next chapter. In this way analysis effort is made to make proper linkage of ever chapter.

In other to find out the strength and weakness and financial performance of the sample banks various ratios and variable have been calculated that are as follows:

4.1 Presentation and Analysis of Data

a. Ratios Analysis

Ratio analysis is a powerful tool of financial analysis, which helps in identifying strength and weakness of business concerns. Ratio analysis is the expression of the relationship between the mutually independent figures. It is an important way to state meaningful relationships between components of financial statements. It shows the quantitative relation between two variables .The primary purpose of ration is to point out area for further investigation. Ratio analysis has been a major tools used in the interpretation and evaluation of financial statements.

There are of financial ratios which are used by different field for different purpose, such as creditors, investors, financial institutions and management of the firm. In this analysis following ration are analysis and interpret for the past five year 2005 AD to 2009 AD for different banks.

3. Liquidity Ratios

As name denotes the liquidity refers to the between liquid assets and liability. Liquidity ratio measures the ability of firm to meet its current obligations Bank should maintain its satisfactory liquidity position to satisfy the short-term credit needs of the community, to meet demands for deposits, withdraws, pay maturity obligation in time an convert non cash assets into satisfy immediate needs without loss to bank consequent impact in long rung profit, Liquidity ration measures the short-run solvency of the firm.

The liquidity positions of the died banks are comparatively studied through following ratios:

4. Current Ratio

Current ratio indicates the ability of the company to meet its current obligation. This is the board measure of liquidity position of the banks. On another words, it is measures the availability for current assets for meeting current liabilities. This ratio is also known as working capital. Following table shows the comparative current ratio for five years.

Table 1: Current Ratio

(Rs. in millons)

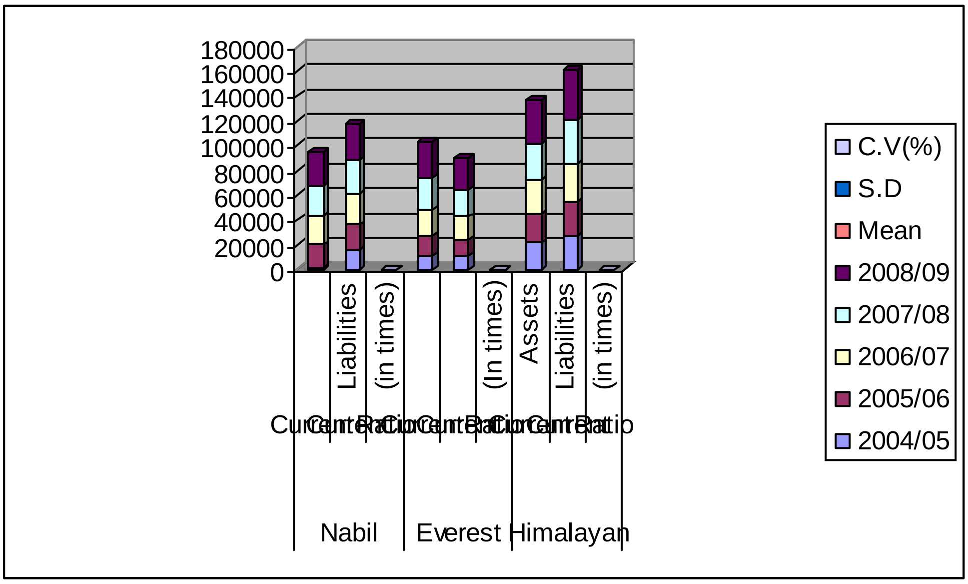
Banks									
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank		
Fiscal year	Current Assets	Current Liabilities	Ratio (in times)	Current Assets	Current Liabilities	Ratio (In times)	Current Assets	Current Liabilities	Ratio (in times)
2004/05	1497.80	15420.82	0.9709	11367.59	10142.31	1.1208	21228.89	26302.94	0.8071

2005/06	**18133.82**	**20352.56**	**0.8910**	**15621.75**	**13932.92**	**1.1212**	**23153.11**	**27694.21**	**0.8360**
2006/07	**22829.54**	**25095.29**	**0.9097**	**21039.82**	**18296.45**	**1.1499**	**27446.52**	**31372.64**	**0.8749**
2007/08	**25340.23**	**27215.33**	**0.9311**	**25256.32**	**22326.50**	**1.1312**	**30125.76**	**35726.77**	**0.8432**
2008/09	**27256.29**	**29565.55**	**0.9219**	**29278.44**	**25656.32**	**1.1412**	**34256.32**	**39789.66**	**0.8609**
Mean			**0.929**			**1.1329**			**0.8444**
S.D			**0.0265**			**0.0100**			**0.0806**
C.V(%)			**2.8606**			**0.8827**			**9.5452**

(Sources: Annual Report of concerned Bank)

Table 1 indicates the current ratios of the three sampled banks. The ratio of NBL is fluctuation order throughout the study period. The highest ratio of NBL is 0.9709 is fiscal year 2004/05 and lowest ratio is registered in 2005/06 which is 0.8910. Similarly, the ratio of EBL is in fluctuating order. From fiscal year 2004/05 to 2006/07 it is in increasing order thereafter ratio is decreasing in fiscal year 2007/08 and increasing in 2008/2009. The highest ratio is registered in 2006/07 which is 1.1499 and lowest ratio is registered in 2004/05 which is 1.1208. Similarly in the same way HBL's ratio is in increasing order. In 2004/05 it has lowest ratio 0.8071 and 2006/07 it has highest ratio is in increasing order. In 2004/05 it has lowest ratio 0.8.71 and 2006/07 it has highest ratio 0.8759. Since mean ratios of EBL found to be highest than NBL and HBL form which we can conclude that RBL is successful to meet their current obligation.

As concern with liquidity and consistency EBL seems to be in better position than NBL & HBL which shows by the lowest C.V (0.8827%) among the sample banks NBL and HBL are failed to maintain the consistency in the liquidity.



5. Cash and Bank Balance to Total Deposit Ratio.

This ratio measures the percentage of liquid fund with the bank to make immediate payment to the depositors. The main purpose of this ratio is to examine the bank's liquidity capacity on the basis if cash and bank balance. The following table shows the cash and bank balance to total deposit ratio of selected sample banks.

Banks									
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank Limited		
Fiscal year	**Cash & Bank Bal.**	**Total Deposit**	**Ratio (in times)**	**Cash & Bank Bal.**	**Total Deposit**	**Ratio (in times)**	**Cash & Bank Bal.**	**Total Deposit**	**Ratio (in times)**
2004/05	**559.38**	**14586.61**	**0.0383**	**1049.99**	**10097.69**	**0.1040**	**2014.47**	**24814.01**	**0.0811**
2005/06	**630.23**	**19347.40**	**0.0326**	**1552.96**	**13802.44**	**0.1125**	**1717.35**	**26490.85**	**0.0648**
2006/07	**1399.83**	**23342.29**	**0.0600**	**2391.42**	**19097.7**	**0.1252**	**1757.34**	**29905.8**	**0.0587**
2007/08	**2671.10**	**31915.0**	**0.0837**	**2852.40**	**23976.3**	**0.1189**	**1396.70**	**31805.3**	**0.0439**
2008/09	**3372.5**	**37348.3**	**0.09.2**	**6164.40**	**33322.9**	**0.1850**	**3048.60**	**34681.0**	**0.0879**
Mean			**0.0609**			**0.1291**			**0.0673**
S.D			**0.0224**			**0.0283**			**0.0141**
C.V (%)			**36.7170**			**21.910**			**21.0136**

Table 2: Cash and Bank Balance to total deposit Ratio

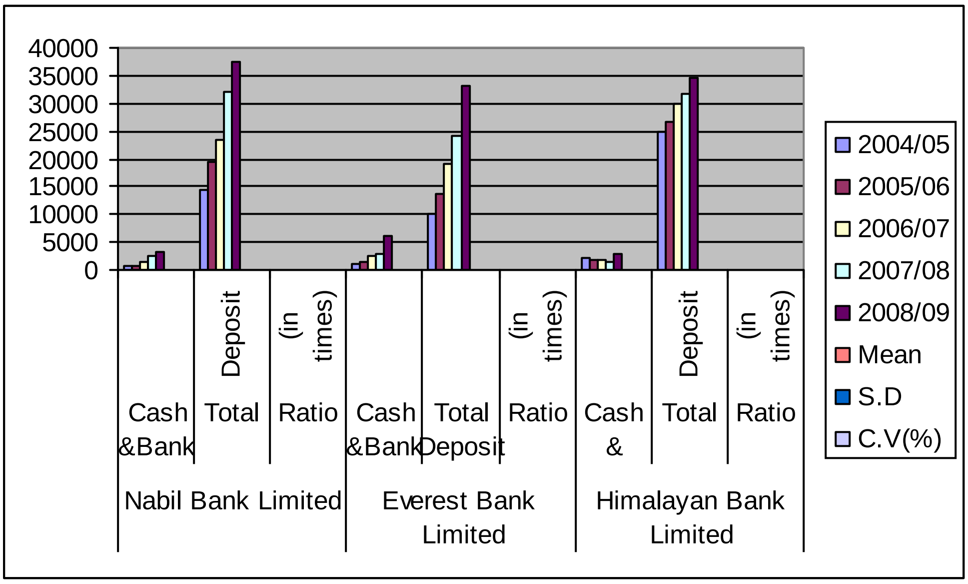
(Sources: Annual Report of concerned Bank)

Table 2 shows the fluctuation on cash and bank balance to total deposit ratio of three sample Banks. During study of five years period, the ratio of NBL is highest in 2008/09

Which is 0.0902 and lowest in 2005/06 which is 0.0326. Similarly EBL has highest ratio

In 2008/09 and lowest is 2004/05 which is 0.1850 and 0.1040 receptively. HBL. Which shows that EBL has successful in maintains the higher cash and bank balance to total deposit ratio. But it does not mean that it has invested in profitable sector. It actually means that EBL are successful in meeting the daily cash requirement.

From the table it is clear that HBL has better position in consistency which is shown by lowest C.V. (21.0136%), they have a consistency in utilizing the cash balance among the other two NBL and EBL banks.



6. Cash and Bank Balance to current Assets Ratio.

Cash and bank balance to total deposit ratio shows the percents of readily available fund within the banks. A high ratio indicates the sound ability to meet their daily cash requirements of their customer deposits and vice versa.

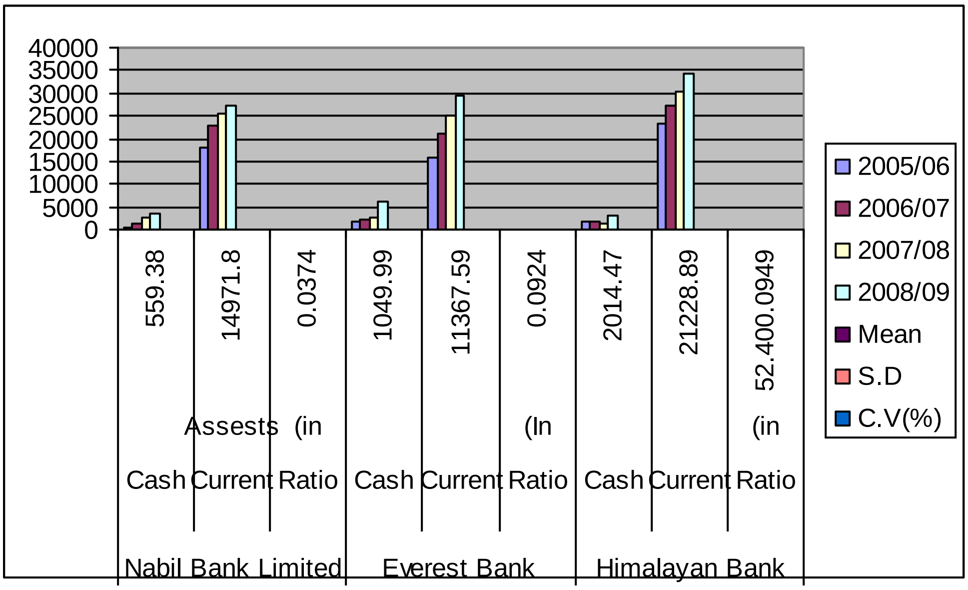
Table 3: Cash and Bank Balance to Current Assets Raito

Banks									
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank Limited		
Fiscal year	Cash &Bank Bal	Current Assests	Ratio (in times)	Cash &Bank Bal.	Current Assests	Ratio (In times)	Cash &Bank Bal.	Current Assests	Ratio (in times)
2004/05	559.38	14971.80	0.0374	1049.99	11367.59	0.0924	2014.47	21228.89	52.400.0949
2005/06	630.23	18133.82	0.0348	1552.96	15621.75	0.0994	1717.35	23153.11	0.0742
2006/07	1399.83	22829.54	0.0613	2391.42	21039.82	0.1137	1757.34	27446.52	0.0640
2007/08	2671.10	25340.23	0.1054	2852.40	25256.32	0.1129	1396.70	30125.76	0.0463
2008/09	3372.5	27256.29	0.1237	6164.40	29278.44	0.2102	3048.60	34256.32	0.0889
Mean			0.0725			0.1257			0.0727
S.D			0.0361			0.0424			0.0173
C.V(%)			49.73			33.7521			23.47

Table 3 shows that the cash and bank balance to current ratio of NBL is ranged between the 0.0348 in 2005/06 and 0.1237 in 2008/09 with mean of 0.0.0725, EBL is in increasing order from 2004/05 to 2008/2009 which is between 0.0924 to 0.2102 with mean ratio of 0.1257, and HBL is ranged between 0.04630 in 2006/07 and 0.0949 in 2004/05 with mean ratio of 0.0737. Since, the mean ratio of EBL is higher than the average of all sample banks. It supports the conclusion is that, EBL has been successful in maintaining its higher cash and bank balance to current assets ratio, but it doesn't mean that it has its more funds in profitable sectors. It actually means that EBL can meet its daily cash requirement. In contrast NBL has a lowest mean ratio because it may have invested their fund in more productive sectors.

An concern with liquidity and consistency HBL has successful in maintaining a stability of cash and bank balance in comparison to other sample banks with lowest C.V (23.470%)

Figure-3



Activity Ratio/Assets Management Ratios

Activity Ratio / Assets Management Ratio indicate the speed with which assets are being converted or turned over. Thus these ratios are used to measure the banks ability to utilize their available resources. Asset management ratio predicts how efficiently banks manage the resources at its command. The following asset management ratios are used in this study for comparison of the banks.

7. Loan and Advance to Total Deposit Ratio

This ratio measures the extent to which the Banks are successful to mobilize the total deposits on loans and advances for the purpose of income generation. The following table exhibits the ratio of loans and advances to total deposits of the Banks throughout the study period.

Table 4: Loan and Advance to Total Deposit Ratio

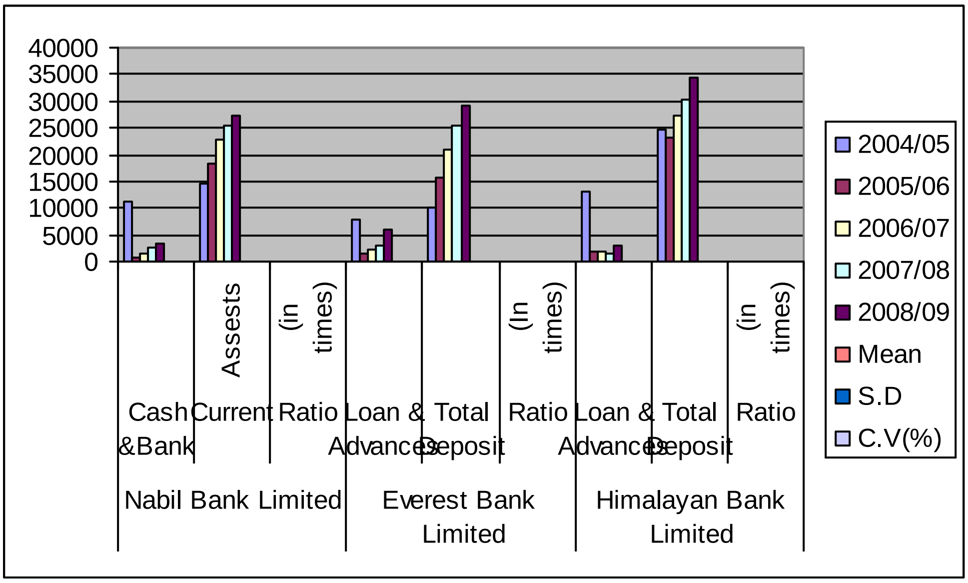
Banks									
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank Limited		
Fiscal year	Cash &Bank Bal	Current Assets	Ratio (in times)	Loan & Advances	Total Deposit	Ratio (In times)	Loan & Advances	Total Deposit	Ratio (in times)
2004/05	11078.0	14586.61	0.7595	7914.4	10097.691	0.7839	13245	24814.01	0.5338
2005/06	630.23	18133.82	0.0348	1552.96	15621.75	0.0994	1717.35	23153.11	0.0742
2006/07	1399.83	22829.54	0.0613	2391.42	21039.82	0.1137	1757.34	27446.52	0.0640
2007/08	2671.10	25340.23	0.1054	2852.40	25256.32	0.1129	1396.70	30125.76	0.0463
2008/09	3372.5	27256.29	0.1237	6164.40	29278.44	0.2102	3048.60	34256.32	0.0889
Mean			0.0725			0.1257			0.0727
S.D			0.0361			0.0424			0.0173
C.V(%)			49.73			33.7521			23.47

(Sources: Annual Report of concerned Bank)

Table 4 shows the ratio during the study period of five years of three banks. NBL has registered the highest ratio (0.7595) in year (2004/05) and lowest ratio (0.6708) in year (2006/07) with mean ratio of 0.7044. Similarly, In fiscal year 2008/09 and 2007/08 EBL has registered the lowest ratio (0.7312) and highest ratio (0.7847) respectively with mean ratio of 0.7539 which is the highest mean ratio among other two banks. Also, HBL has registered the lowest (0.5338) and highest (0.7293) ratio in fiscal year 2004/05 and 2008/09 respectively with lowest mean ratio 0.6136, among the other two banks.

As concerned with the consistency of EBL is successful to maintain the consistency in comparison to NBL and HBL because they have a lower C.V. of 3.2491%. HBL has a highest C.V. OF 10.6868%, thus 5they are not able to maintain the consistency. In case of NBL they have a C.V. of 5.483% which shows that they are able to maintain stability in investing through loan and advance to some extent.

Figure -4



- **Investment on Government Securities to Total Deposit Ratio**

  The main purpose of this ratio is to measure successfulness in mobilizing the deposit in investment on government securities. The investment on government securities to total deposit ratio of different banks in the study period are mentioned in the following table:

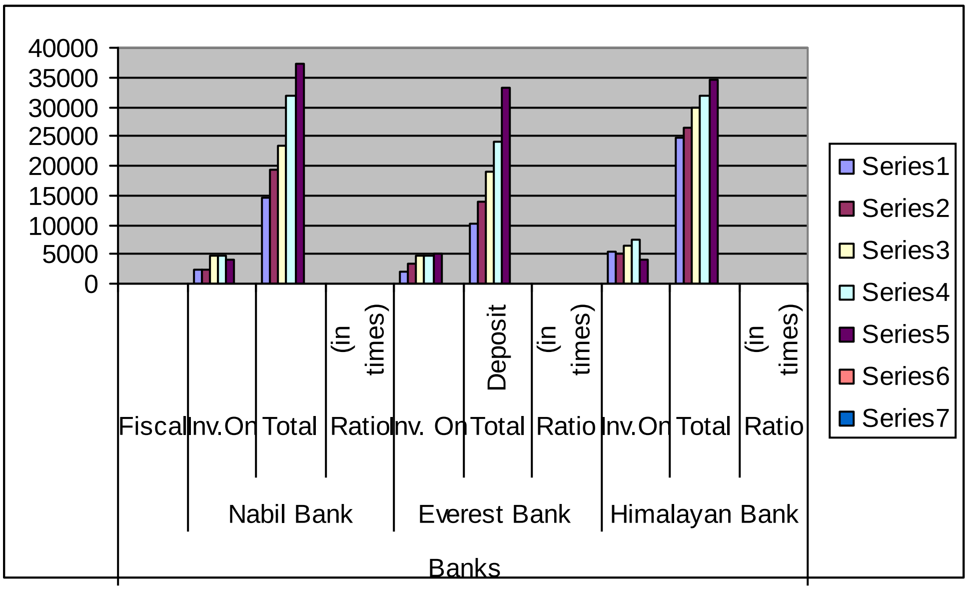
Table 5: Investment on Govt. Securities to Total Deposit Ratio

	Banks								
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank Limited		
Fiscal year	Inv.On Govt.Sec.	Total Deposit	Ratio (in times)	Inv. On Govt. Sec.	Total Deposit	Ratio (in times)	Inv. On Govt. Sec.	Total Deposit	Ratio (in times)
2004/05	2413.94	14586.61	0.1655	2100.29	10097.691	0.2079	5469.73	24814.01	0.2204
2005/06	2301.46	19347.40	0.1190	3548.62	13802.445	0.2571	5144.31	26490.85	0.1942
2006/07	4808.35	23342.29	0.2059	4704.63	19097.7	0.2463	6454.87	29905.8	0.2158
2007/08	4646.9	31915.0	0.1459	4906.5	23976.3	0.2046	7471.7	31805.3	0.2349
2008/09	3978.7	37348.3	0.1065	5146.0	33322.9	0.1544	4212.3	34681.0	0.1214
Mean			0.1628			0.2141			0.1973

(Sources: Annual Report of concerned Bank)

Table 7 reflects that NBL's ratio is fluctuating from year 2005/06 to 2008/09. The ratio of investment on Government securities to Total Deposit is high(0.2059) at the year of 2006/07 and the ratio is low at the year of

2008/09 which is 0.1065. Similarly IN EBL the ratio is ups and down from 2005/06 to 2008/09. The ratio is high at 2005/06 which is 0.2571 and low at 2008/09 which is 0.1544. In HBL The ratio is high 2007/08 which is 0.2349 and low at 2008/09 which is 0.1214. Among sample banks EBL is successful in mobilizing the deposit, since it has a higher mean ratio. But EBL has lower mean ratio; they are less successful to utilize the deposit in investment on government securities in compare with sample banks.



C. Profitability Ratio

The main objective of a bank is to make profit providing different of services to its customers. Profit is different between total revenue and total expenses over a period of time. Profit is necessary to survive in any business field for its successful operation and further expansion. Profit is the ultimate out of commercial bank and it will have continuously evaluates the efficiency of the banks in terms of profits. Profitability shows the overall efficiency of the business concerns. To meet those objectives likes is a good liquidity position meet fixed interest obligation, overcome the future contingencies, grab the investment opportunities business expansions etc. , they must earn sufficient profit. It is an obvious that profitability ratios are the best indicators of overall efficiency. In this study, mainly those ratios are presented which are related with profit as well as fund mobilization.

Profit measures management's overall effectiveness as shown by the return generated on sales and investment. The relation of the return of the firm to either its sales or equity of its assets is known as profitability ratio. Higher the profitability ratio betters the financial performance of the banks and vice-versa. The following are profitability ratios those ate relevant in this study.

- **Net Profit to Total Assts Ratio**

This ratio is also known as return on total asset (ROA). This ratio is a measuring tool of profitability with respect to each financial resources investment of the assets. If Bank's working fund (total assets) is well managed and utilized efficiently return on such assets will be higher and vice versa. The following comparative table shows the return on total assets ratio of different Banks recorded over the study period.

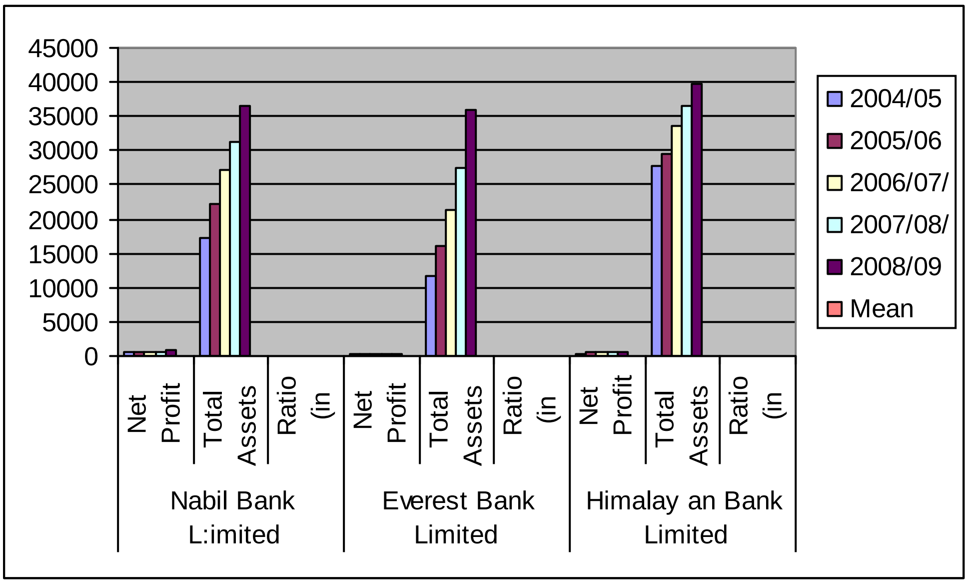
Table 6: Net profit to Total Assets Ratio

(Rs. In million)

Banks									
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank Limited		
Fiscal Year	Net Profit	Total Assets	Ratio (in time_	Net Profit	Total Assets	Ratio (in times)	Net Profit	Total Assets	Ratio (in times)
2004/05	518.63	17186.33	0.03	170.8	11792.126	0.14	308.28	27844.69	0.0111
2005/06	635.26	22329.97	0.028	237.3	15959.285	0.015	457.46	29460.39	0.0155
2006/07/	673.96	27253.39	0.025	296.4	21432.574	0.014	491.82	33519.14	0.0147
2007/08/	714.23	31222.63	0.023	311.4	27325.65	0.011	512.23	36526.8	0.0140
2008/09	765.45	36587.23	0.021	367.2	36002.663	0.0102	537.95	39790.23	0.0135
Mean			0.0254			0.0128			0.0138

[Sources: Annual Report of Concerned Bank]

In Above table all banks have fluctuating ratio. The ratio of NBL is decreasing from 2004/05 to 2008/09.(0.03 to 0.021). EBL has fluctuating their ratios from the year of 2004/05 to 2008/09. The highest ratio is 0.015 in 2005/06 and the lowest ratio is 0.0102 in the year 2008/09. Similarly in HBL, The ratio is fluctuating from the year 2005/06 to 2008/09. The highest ratio is 0.0155 in the year 2005/06 to 2008/09. The highest ratio is 0.0155 in the year 2005/06 and the lowest ratio is 0.0111 in the year 2004/05. NBL has a highest mean ratio with 0.0254 with determined that NBL are successful in earning the net profit with efficient utilization of total assets with compare to EBL and HBL. EBL is less successful in utilizing the total assets for earning the net profit in compare to sample banks.



8. Net profit to Total Deposit Ratio.

This ratio is the mirror for banks overall financial performance as well as its success in profit generating, the reason being the deposits made by its customer's is the major sources of earning of the joint venture banks as the earning is made by the efficiency and effective utilization of these deposit. The following table reveals the percentage of net profit to total deposit of sample banks.

Table 7: Net profit to Total Deposit Ratio

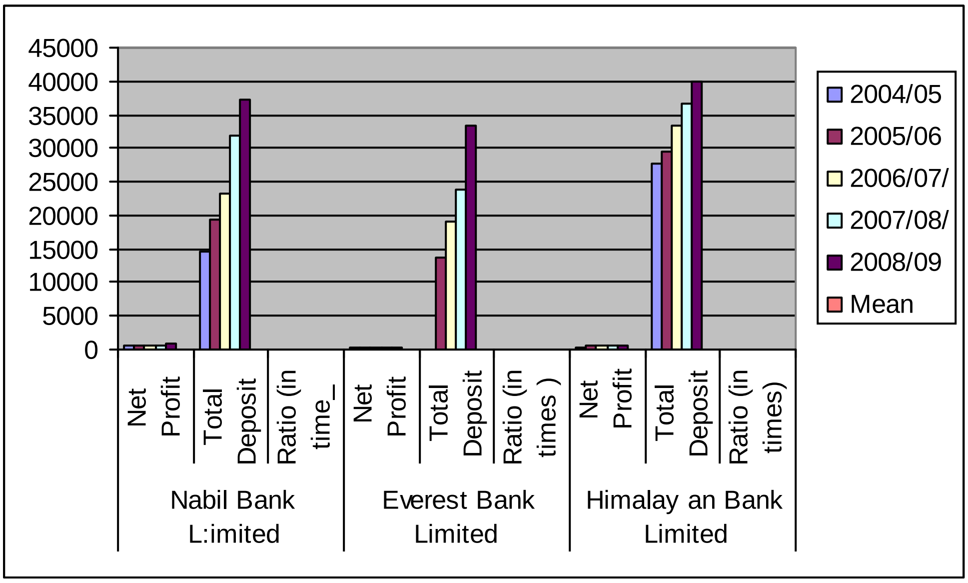
(Rs. In million)

Banks									
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank Limited		
Fiscal Year	Net Profit	Total Deposit	Ratio (in time)	Net Profit	Total Deposit	Ratio (in times)	Net Profit	Total Deposit	Ratio (in times)
2004/05	518.63	14586.61	0.035	170.8	0.0097.691	0.0169	308.28	27844.69	0.0124
2005/06	635.26	19347.40	0.0328	237.3	13802.445	0.017	457.46	29460.39	0.0173
2006/07/	673.96	23342.29	0.029	296.4	19097.7	0.0155	491.82	33519.14	0.0164
2007/08/	714.23	31915.0	0.022	311.4	23976.3	0.0129	512.23	36526.8	0.0140
2008/09	765.45	37348.3	0.020	367.2	33322.9	0.0110	537.95	39790.23	0.0135
Mean			0.0278			0.0733			0.0147

[Sources: Annual Report of Concerned Bank]

In above table, NBL has decreasing their ratios from the year 2004/05 to 2008/09 (0.035 to 0.020). S EBL has fluctuating their ratios from the year 2004/05 to 2008/09. The highest ratio is 0.017 in the year 2005/06 and lowest ratio is 0.0110 in the year 2008/09. Similarly HBL has fluctuating their ratios from the year 2004/05 to 2008/09. The highest ratio is 0.0173 in the year 2005/06 and the lowest ratio is 0.0124 in the year 2004/05 . EBL has better performance in utilizing of total deposit to earn a higher profit than other sample banks. Similarly, HBL has not better performance in comparison to NBL and EBL sine they has low mean ratio i.e. 0.0147.

Figure-7



) **Total Interest Paid to Total Working Fund Ratio**

Interest earning is the major source of a commercial bank. The ratio is used to measure the percentage of total interest expenses against the total assets. The following are the comparative ratio figures of Banks recorded in different periods.

Table 8 : Total Interest Paid to Total working Fund ratio

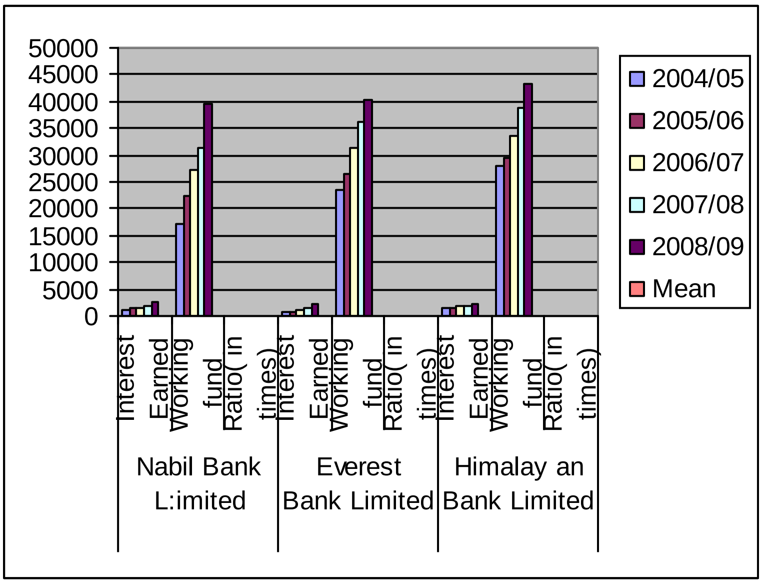
(Rs. In Million)

	Banks								
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank Limited		
Fiscal Year	Interest Earned	Working fund	Ratio (in times)	Interest Earned	Working fund	Ratio (in times)	Interest Earned	Working fund	Ratio (in times)
2004/05	1068.75	17186.33	0.0622	720.7	23586.63	0.0306	1446.47	27844.69	0.0519
2005/06	1310.00	22329.97	0.0587	907.3	26582.32	0.0341	1626.47	29460.39	0.0552
2006/07	1587.76	27253.39	0.0583	1158.0	31256.23	0.0370	1775.58	33519.14	0.0530
2007/08	1978.7	31256.23	0.063	1548.7	36352.56	0.0426	1970.9	38652.12	0.0509
2008/09	2794.8	39562.25	0.070	2186.8	40256.30	0.0543	2330.5	43256.33	0.0538
Mean			0.0624			0.0404			0.0304

(Sources : Annual Report of Concerned Bank)

In above table, the ratio is fluctuating from the year 2004/05 to 2008/09. The highest ratio is 0.070 in the year 2008/09 and the lowest ratio is 0.0583 in the year 2006/07. In EBL, The ratio of total interest earned to working fund in increasing trend from 2004/05 to 2008/09 (0.0306 to 0.0543) similarly in HBL, the ratio is fluctuating from the year 2994/05 to 2007/08. The mean ratio shows that all sample banks are successful in earning the interest on total working fund.

Figure-8



9. Total Interest paid to total Working Fund Ratio

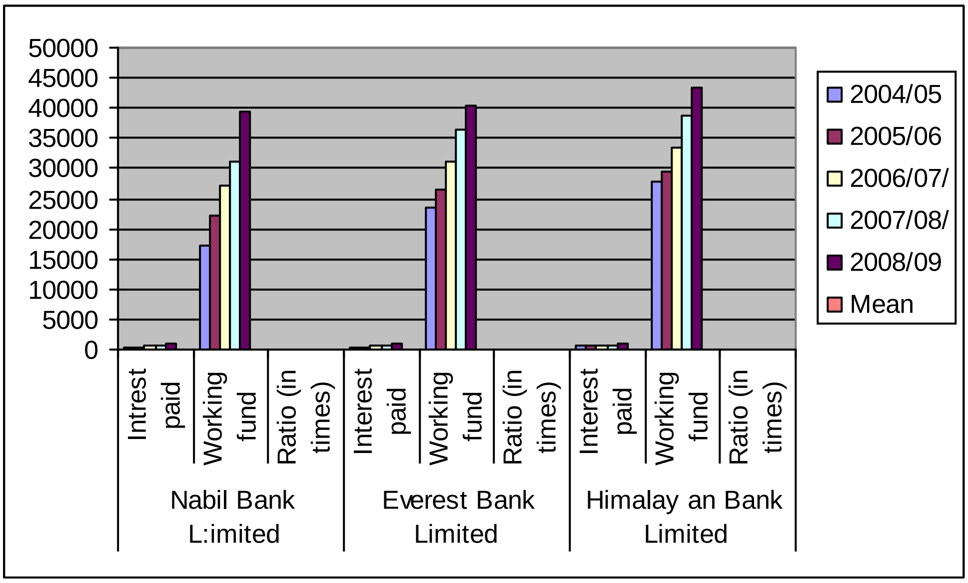
Interest earning is the major source of a commercial bank. The ratio is used to measure the percentage of total interest expenses against the total assets. The following are the comparative ratio figures of Banks recorded in different periods.

TABLE 9: TOTAL INTEREST PAID TO TOTAL WORKING FUND RATO

Banks									
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank Limited		
Fiscal Year	Intrest paid	Working fund	Ratio (in times)	Interest paid	Workin g fund	Ratio (in times)	Interest paid	Working fund	Ratio (in times)
2004/05	243.54	17186.33	0.0142	299.5	23586.63	0.0127	561.96	27844.69	0.0202
2005/06	357.16	22329.97	0.0160	401.4	26582.32	0.0151	648.84	29460.39	0.0186
2006/07/	502.7	27253.39	0.0184	517.2	31256.23	0.0069	766.5	33519.14	0.0229
2007/08/	758.4	31256.23	0.0243	632.6	36352.56	0.0174	824.0	38652.12	0.0213
2008/09	1152.1	39562.25	0.0291	1012.9	40256.30	0.0252	934.8	43256.33	0.0216
Mean			0.0204			0.0155			0.0209

In the above table, NBL's ratio is in increasing trend from 2004/05 to 2008/09(0.0142 to 0.0297).EBL has fluctuating their ratios from the year 2004/05 to 2008/09.The highest ratio is 0.0250 in the year 2008/09 and the lowest ratio is 0.0069 in the year 2006/07. Similarly in HBL the ratio is fluctuating. The highest ratio is 0.0229 in the year 2006/07 and the lowest ratio is 0.0186 in the year 2005/06. The above definition determined that HBL has paid a higher interest on working fund in compare to NBL and EBL which is shown by highest mean ratio.

Figure - 9



A firm should have strong shot-term as well as long –term financial position. Like other ratios leverage ratio is also very necessarily important tool in measuring financial performance of any institution.

d. Leverage Ratios

A firm should have strong short-term as well as long-term financial position. Like other ratios, leverage ratio is also very necessarily important tool in measuring financial performance of any institution. This ratio reveals the proportion of funds used by the institution either form the creditor's side or form owner side. In order to maintain healthy financial position any institutions need to maintain proper proportion of debt & equity. These ratios indicate the situation of the capital structure, which is calculated to measure the company's ability of using debt for benefit of shareholders. Long-term creditors like debenture holders, financial institutions etc. are more interested to the firm's long term financial health, debt serving capacity and strength and weakness of the concerns this ratio may be calculated from the balance sheet items to determine the proportion of debt in total financing. In summary debt ratio tell us the relative proportions of capital of contribution by creditors and by owners.

Leverage ratio is also called solvency ratio or capital structure ratio. There are various tools in order to measure leverage of the institution among them. Debt Asset ratio & Debt Equity ratio has been used.

10. Debt-Asset Ratio

It measures proportion of the creditor's funds used by the institution to acquire the assets. The increased proportion of debt indicated the risky ness or burden to the institution. The debt is considering more risky and cheap soured of financing. Risky in the sense that the debt financing needs regular payment of interest in any condition of economic. The debt asset ratios of sample banks are as below:

Table 10: Debt – Asset Ratio

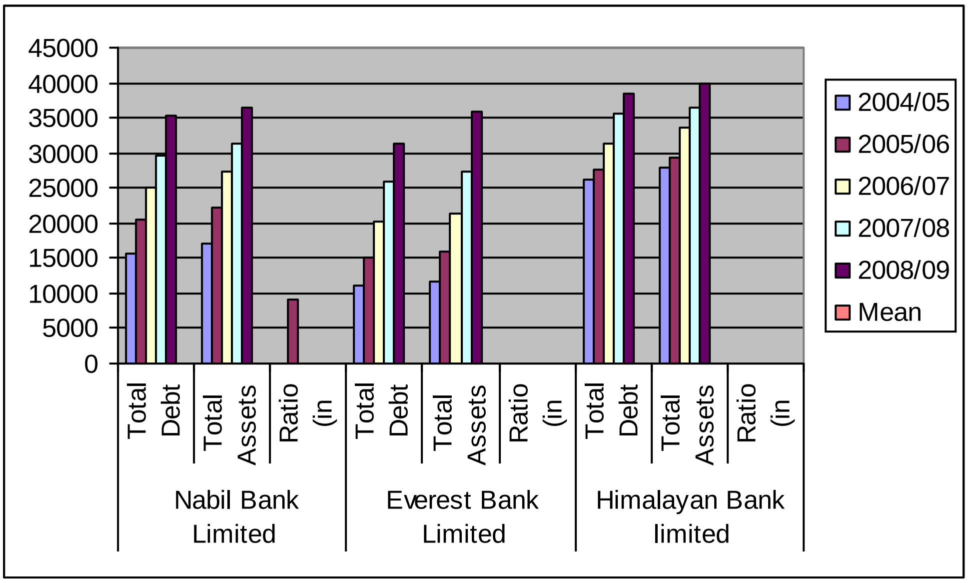
(Rs. In million)

Banks									
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank Limited		
Fiscal Year	Total Debt	Total Assets	Ratio (in times)	Total Debt	Total Assets	Ratio (in times)	Total Debt	Total Assets	Ratio (in times)
2004/05	15528.7	17186.33	0.9035	11022.51	11792.126	0.9347	26302.94	27844.69	0.9446
2005/06	20454.98	22329.97	09160	14996.477	15959.285	0.9397	27694.21	29460.39	0.9400
2006/07	25196.34	27253.39	0.9245	20231.059	21432.574	0.9439	31372.64	33519.14	0.9360
2007/08	29756.23	31222.63	0.9512	25856.25	27325.65	0.9462	35623.06	36526.8	0.9753
2008/09	35265.55	36587.23	0.9639	31256.36	36002.63	0.8682	38523.45	39790.23	0.9764
Mean			0.9317			0.9265			0.9545

[Sources: Annual Report of Concerned Bank]

In above table, The debt assets ratio of NABIL Bank is in increasing trend from year 2004/05 to 2008 /09(0.9035) to 0.9639). In EBL, the ratio is fluctuating form the year 2004/05 to 2008/09. The highest ratio is 0.9462 in the year 2007/08 and the lowest ratio is 0.8682 in the year 2008/09. Similarly the debt assets ratio of HBL is fluctuating from the year 2004/05 to 2008/09. The highest ratio is 0.9764 in the year 2008/09 and the lowest ratio is 0.9360 in the year 2006/07. HBL has highest mean ratio 0.9545 among other sample banks.

<u>Table - 10</u>



11. Debt – Equity Ratio

The Debt Equity ratio implies the debt equity proportion used by the institution. High Debt Equity ratio indicated more used of money form creditor's side and vice versa. High Debt Equity ratio considered good if the institution is able have higher return than the cost paid on debt.

Table 11: Debt – Equity Ratio

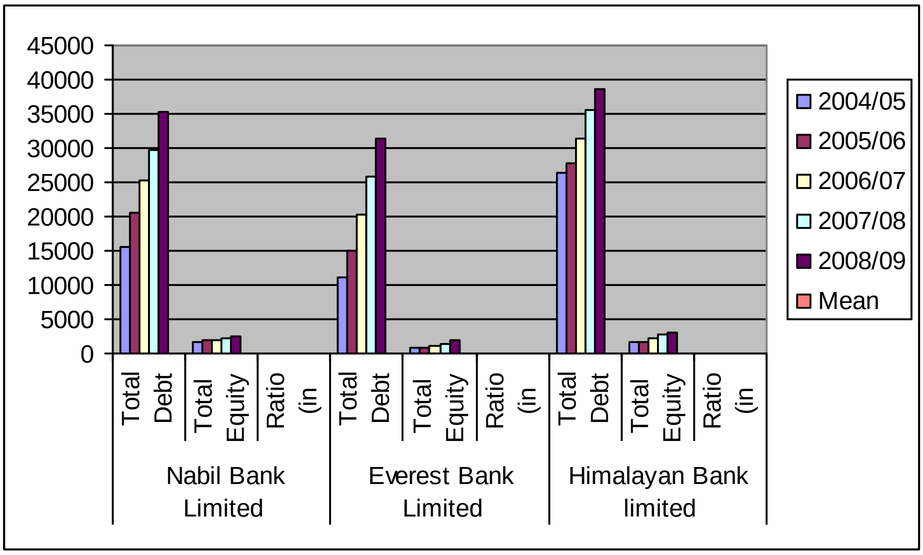
(Rs. In million)

Banks									
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank limited		
Fiscal Year	Total Debt	Total Equity	Ratio (in times)	Total Debt	Total Equity	Ratio (in times)	Total Debt	Total Equity	Ratio (in times)
2004/05	15528.7	1657.63	9.3680	11022.51	769.617	14.32	26302.94	1541.75	17.0604
2005/06	20454.98	1874.99	10.9094	14996.477	962.808	15.58	27694.21	1766.18	15.6803
2006/07	25196.34	2057.05	12.2488	20231.059	1201.515	16.84	31372.64	2146.5	14.6157
2007/08	29756.23	2256.65	13.1860	25856.25	1501.23	17.22	35623.06	2655.98	13.4124
2008/09	35265.55	2536.23	13.9047	31256.36	1951.88	16.01	38523.45	2922.98	13.1795
Mean						15.99			14.73

[Sources: Annual Report of Concerned Bank]

N above table, the debt equity ratio of NBL is in increasing trend from the year 2004/05 to 2008/09 (9.3680 to 13.9047). EBL has fluctuating their Debt equity ratio from the year2004/05 to 2008/09. The highest ratio is 17.22 in the year 2007/08 and the lowest ratio is 14.32 in the year 2004/05. Similarly HBL has decreasing their Debt Equity ratio from 2004/05 to 2008/09 (17.0604 to 13.1795). The mean ratio of EBL is high among other sample banks. Since highest mean ratio is recorded by EBL, they have more investment from debt than equity find which cost a higher than equity. Higher debt investment brings a higher cost to the banks.

Table - 11



) **Growth Ratio of Net Profit, Earning Per Share and Dividend Per Share**

Table 12: Growth Ratio of Net Profit, Earning Per Share and Dividend Per Share Ratio

	Banks								
	Nabil Bank Limited			Everest Bank Limited			Himalayan Bank limited		
	Fiscal Year 2004/05	Fiscal Year 2008/09	Growth Rate (in %)	Fiscal Year 2004/05	Fiscal Year 2008/09	Growth Rate (in %)	Fiscal Year 2004/05	Fiscal Year 2008/09	Growth Rate (in %)
Net Profit	518.63	765.45	67.75	170.8	367.2	46.51	308.28	537.95	57.31
EPS	105	156.21	67.21	54.22	97.14	55.81	47.91	66.41	72.14
DPS	70	95	73.68	0	25	0	11.58	18.52	62.52

[Sources: Annual Report of Concerned Bank]

In above table, growth rate of Net Profit, EPS and DPS in Nabil Bank are 67.75%, 67.21% and 73.68% respectively. Similarly growth rate of Net Profit, EPS and DPS of Everest Bank are 46.51%, 55.81% , 0 respectively and in Himalayan Bank Ltd, the growth rate of Net Profit EP S and DPS are 57.31%, 72.14% and 62.52% respectively. The above results shows that NBL is found to be best from point of view of net profit, since they has highest growth rate among sample banks. EBL is less successful than NBL and HBL in increasing a net profit. HBL also has satisfied growth rate of net profit. In the same way NBL has a highest growth rate in EPS among sample banks. This defined t hat their EPS are higher than HBL and EBL. Since NBL's growth rate of EPS is in positive it has increasing trend of EPS. Similarly, EBL and HBL also have a positive growth rate which makes a conclusion of increment in EPS of banks. NBL has highest positive growth rate of DPS among sample banks. This defined that NBL has distribute the much dividend than EBL and HBL.

B. Statistical Analysis

This chapter includes some statistical analysis such as Karl Pearson's coefficient of correlation, simple regression analysis and trend line analysis, which are used to analyze the data to achieve the objective of the study.

1. **Coefficient of Correlation Analysis (r)**

   This tool is used to predict the relationship between deposits and loan & advances, net profit and outside assets and deposits and total investment. Under this study, Karl Pearson's coefficient of correlation is being used.

2. **Coefficient of Correlation between deposits and loans & advances**

   Deposit is the main tool for developing the banking performance of the banks. Likewise loans and advances are the key part to mobilize the collected deposits. The coefficient of correlation between deposits and loans & advances measures the degree of relationship between these two variables. For this study, deposit is taken as independent variable (x) and loans & advances are dependent variables (y). The purpose of computing 'r' between these two variables is to justify whether deposits are significantly used as loans and advances in proper way or not.

Table 13: Coefficient of Correlation between Deposits and Loan & Advance

(Rs. in million)

Banks						
	Nabil Bank Limited		Everest Bank Limited		Himalayan Bank Limited	
Fiscal year	Total Deposit (x)	Loan & Advances (y)	Total Deposit (x)	Loan & Advances (y)	Total Deposit (x)	Loan & Advances (y)
2004/05	14586.61	11078.0	10097.691	7914.4	27844.69	13245
2005/06	19347.40	13021.3	13802.445	10124.2	29460.39	15515.7
2006/07	23342.29	15657.1	19097.7	14059.2	33519.14	17672.0
2007/08	31915.0	21514.6	23976.3	18814.3	36526.8	19985.2

2008/09	**37348.3**	**27816.6**	**33322.9**	**14366.2**	**.9790.23**	**25292.1**
r	**0.8896**		**0.9256**		**0.8255**	
r^2	**0.7914**		**0.8567**		**0.6815**	
PE=0.6745*$\frac{1-r^2}{\sqrt{n}}$	**0.0625**		**0.0431**		**0.0961**	
6PE	**0.3775**		**0.2586**		**0.5766**	
Level of Significant	**Significant**		**Significant**		**Significant**	

[Sources: Annual report of Concerned Bank]

The coefficient of correlation (r) for all the sampled banks found to be almost '1' which indicates there is proportion relationship between the deposits & loan & advance for all the banks. While testing 6P.E. for all sample banks found to be significant as the r value for all the banks are greater than 6P.E. which implies that there found to be perfect correlation between the deposits and loan & advances. It shows that the loan and advances is depends upon the deposit and all sample banks are successful in mobilizing the deposit to loan and advances efficiently.

3. Coefficient of correlation between deposits and Investment

Investment is also a measures part of banks to mobilize the collected deposit. By investing in different profitable area like shares and debenture, government securities banks maximize the profit. Therefore it is important to study the relation between the deposit and investment. For this analysis deposit is taken as independent variable (x) and investment (y) is taken as dependent variable. This analysis measures the degree of relationship between these two variables. Besides this, it will justify whether the deposits are significantly used in proper way or not and whether there is any relationship in between these two components. The following table exhibits the coefficient of correlation (r) between deposits and total investment, coefficient of determination (r^2), probable error P.E.r.

Table 14: Coefficient of Correlation between Deposits and Investment

(Rs. in million)

Banks						
	Nabil Bank Limited		Everest Bank Limited		Himalayan Bank Limited	
Fiscal year	Total Deposit (x)	Investment (y)	Total Deposit (x)	Investment (y)	Total Deposit (x)	Investment (y)
2004/05	14586.61	2413.94	10097.691	2100.3	27844.69	5946.7
2005/06	19347.40	2372.3	13802.445	3548.6	29460.39	5144.4
2006/07	23342.29	5359.2	19097.7	4704.6	33519.14	6454.8
2007/08	31915.0	4889.6	23976.3	4906.5	36526.8	7471.7
2008/09	37348.3	3978.7	33322.9	5146.0	39790.23	4212.3
r	0.9856		0.8525		0.8622	
r^2	0.9714		0.7268		0.7434	
$PE=0.6745*\frac{1-r^2}{\sqrt{n}}$	0.0086		0.0824		0.0774	
6PE	0.0518		0.4945		0.4644	
Level of Significant	Significant		Significant		Significant	

[Sources: Annual report of Concerned Bank]

The coefficient of correlation for all the sampled banks are found to be positive which indicates that there is positive and perfect relationship between the deposits & investments for all the sample banks. These bank's investment is depends upon the deposit. While testing 6P.E. for all sample banks found to be significant as the r value for all the banks are greater than 6P.E. which implies that there found to be perfect correlation between Deposits and Investment.

4. Coefficient of Correlation between Investment & Net profit

Following table shows the relation between the investment and net profit. As we say in above investment is done in different profitable area to maximize the profit. Net profit is the key to survive the banks. Without profit banks cannot sustain in the market. Therefore it is necessary to measures the degree of relationship between these two variable. For this study, Investment (x) is taken as independent variable and net profit (y) is taken as dependent variable. The following table shows the coefficient of correlation between (r), coefficient of determinants (r^2) and probable error P.E.r on investment and net profit of banks.

Table 15: Coefficient of Correlation between Investment and Net Profit

(Rs. in million)

	Banks					
	Nabil Bank Limited		**Everest Bank Limited**		**Himalayan Bank Limited**	
Fiscal year	**Investment (x)**	**Net Profit (y)**	**Investment (x)**	**Net Profit (y)**	**Investment (x)**	**Net Profit (y)**
2004/05	**2413.94**	**518.63**	**2100.3**	**170.8**	**5946.7**	**308.28**
2005/06	**2372.3**	**635.26**	**3548.6**	**237.3**	**5144.4**	**457.46**
2006/07	**5359.2**	**673.96**	**4704.6**	**296.3**	**6454.8**	**491.82**
2007/08	**4889.6**	**714.23**	**4906.5**	**311.4**	**7471.7**	**512.23**
2008/09	**3978.7**	**765.45**	**5146.0**	**367.2**	**4212.3**	**537.95**
r	**0.1270**		**0.8777**		**0.8077**	
r^2	**0.0161**		**0.7704**		**0.6524**	
PE=0.6745*1-r^2 ==================Ĕn	**0.2968**		**0.0693**		**0.1049**	
6PE	**1.7808**		**0.4158**		**0.6294**	
Level of Significant	**Significant**		**Significant**		**Significant**	

[Sources: Annual report of Concerned Bank]

The coefficient of correlation for all the sampled banks found to be almost '1' which indicates that t here is proportion relationship between the investment & net profit for all the sample banks. While testing 6P.E. for EBL and HBL found to be significant as the r value of these banks are greater than 6P.E. which implies there is perfect correlation between the Investment and net profit. While testing 6P.E. for NBL found to be insignificant as the r value of the bank is smaller than 6P.E which implies that NBL is weak in earning the net profit through the investment whereas EBL and HBL are successful to earn net profit by mobilizing the deposit to the investment.

5. Coefficient of Correlation between Loan and advances & Net profit

Loan and advances also plays a vital role in earning the profit. By mobilizing the deposit in loan & advances banks earns the profit. So, it is necessary to study the relation between these two variable loan & advances and net profit. Following table shows the coefficient of correlation (r), coefficient of determinations (r^2) and probable error PE.r of loan & advances and net profit of sample banks. For this study loan and advances (x) is taken as independent variable and net profit (y) is taken as dependent variable.

Table 16: Coefficient of Correlation between Loan and Advances and Net Profit

(Rs. in million)

Banks						
	Nabil Bank Limited		Everest Bank Limited		Himalayan Bank Limited	
Fiscal year	**Loan & Advances (x)**	**Net Profit (y)**	**Loan & Advances (x)**	**Net Profit (y)**	**Loan & Advances (x)**	**Net Profit (y)**
2004/05	**11078.0**	**518.63**	**7914.4**	**170.8**	**13245.0**	**308.28**
2005/06	**13021.3**	**635.26**	**10124.2**	**237.3**	**15515.7**	**457.46**
2006/07	**15657.1**	**673.96**	**14059.2**	**296.4**	**17672.0**	**491.82**
2007/08	**21514.6**	**714.23**	**1814.3**	**311.4**	**19985.2**	**512.23**
2008/09	**27816.6**	**765.45**	**24366.2**	**.67.2**	**25292.1**	**537.95**
r	**0.9832**		**0.8567**		**0.9695**	
r^2	**0.9668**		**0.0432**		**0.9399**	
PE=0.6745*$\underline{1-r^2}$ ================Ěn	**0.0100**		**0.22595**		**0.0181**	
6PE	**0.0602**				**0.1088**	
Level of Significant	**Significant**		**Significant**		**Significant**	

[Sources: Annual report of Concerned Bank]

The coefficient of correlation for all the sampled banks found to be almost ‘1’ which indicates there is proportion relationship between the loan & advance and net profit for all the banks. While testing 6P.E. for all sample banks found to be significant as the r value for all the banks are greater than 6P.E. which implies that there found to be perfect correlation between the Loan & advance and net profit. It shows that all sample banks are successful in earning the net profit by mobilizing the loan and advances.

C. Trend Line Analysis

Among the various methods of determining trend of time series, the most popular and mathematical method is the least square method. Using this method of least square in the study, it has been tried to analyze the trend of prospective net profit in future by analyzing the trend of past net profit of the banks. Banks utilized the deposit by releasing investment in loan and advances in different profitable area for maximizing the profit. A bank can invest in shares & debenture, government securities and provide the loan and advances under different scheme.

This topic will be used to forecast the ratios of total deposit, Total Loan and Advances, Total Investment and Net Profit of the banks for next five years on the base of past five years. The analysis is done under limited factors which are as follows:

- The economy will remain unchanged as of present the stage.
- Banks will run as of present position.
- The guidelines by NRB for Banks will remain unchanged.
- The forecast will be true only when the limitations of least square method are carried out.
- The main assumption is that other actors are constant.

1. Trend Line Analysis of Total Deposit

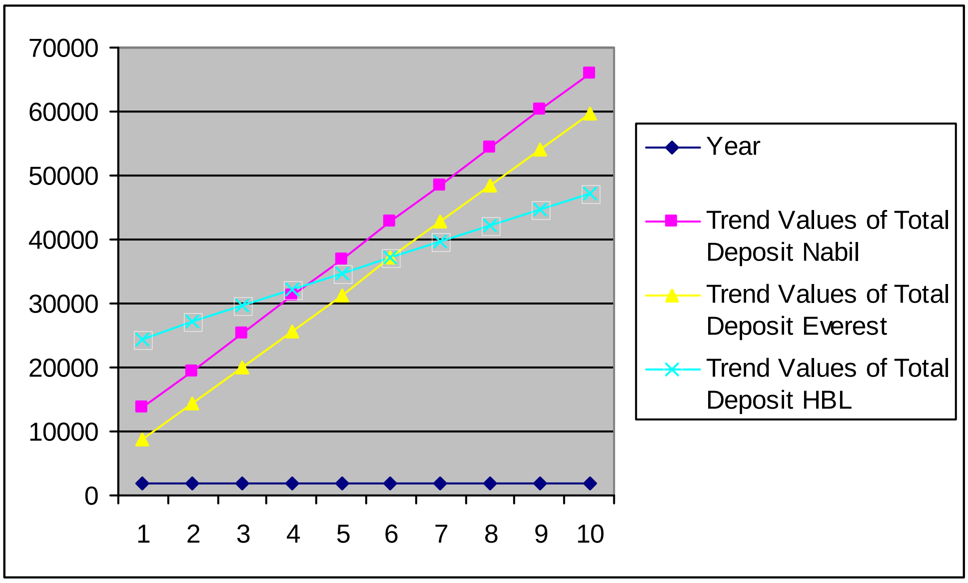
The part of this analysis will analyze Total deposit of banks for five years from 2003 to 2007 and projection for next five years i.e. 2008 to 2012. The following table exhibits the trend values of total deposit of sample banks for 10 years.

Table 17: Trend Line Analysis of total Deposit

Year	Trend Values of Total Deposit		
	Nabil	Everest	HBL
2005	13689.72	8734.54	24529.74
2006	19498.82	14396.97	27034.56
2007	25307.92	20059.4	29539.4
2008	31117.02	25721.83	32044.24
2009	36926.12	31384.26	34549.08
2010	42735.22	37046.69	37053.92
2011	48544.32	42709.12	39558.76
2012	54353.42	48371.55	42063.6
2013	60162.52	54033.98	44568.44
2014	65971.62	59696.41	47073.28

[Sources: Annual Report of Concerned Bank-Refer to Appendix 1]

<u>Table-12</u>



In above table, the t rend values of all the sample banks are in increasing trend, which means futures of total deposit of all the sample banks are good. Among the sample banks NBL has a highest trend of total deposit. It means NBL is successful in mobilizing the deposit. In fiscal year 2005 the trend values of NBL, EBL and HBL are 13689.72, 8734.54 & 24529.74 respectively. It is increase to 65971.62, 59696.41 & 47073.28 for the forecast year 2014.

2. Trend Line Analysis of Loan and Advances

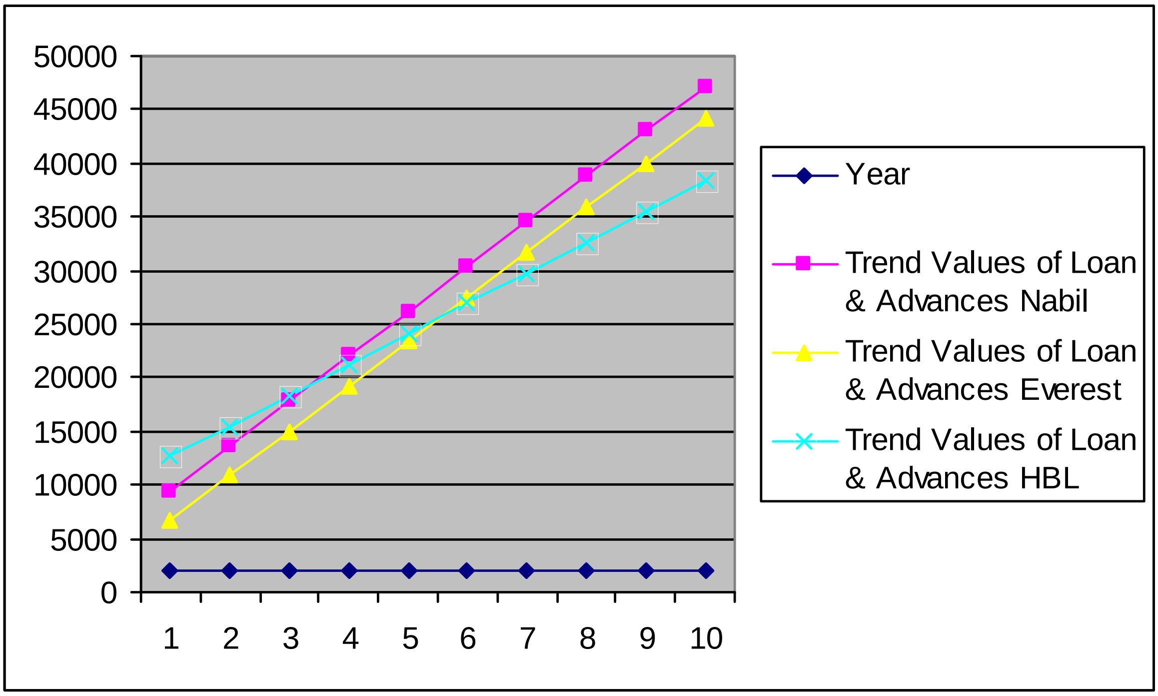
The analysis will analyze Loan and Advances of banks for five years from 2003 to 2007 and forecast for following five years i.e. 2008 to 2012. The following table exhibits the trend values of Total deposit of sample banks for 10 years.

Table 18: Trend Line Analysis of Loan & Advances

Year	Trend Values of Loan & Advances		
	Nabil	Everest	HBL
2005	9423.42	6736.92	12629.26
2006	13620.47	10896.29	15485.63
2007	17817.52	15055.66	18342
2008	22014.57	19215.03	21198.37
2009	26211.62	23374.4	24054.74
2010	30408.67	27533.77	26911.11
2011	34605.72	31693.14	29767.48
2012	38802.77	35852.51	32623.85
2013	42999.82	40011.88	35480.22
2014	47196.87	44171.25	38336.59

[Sources: Annual Report of Concerned Bank-Refer to Appendix 2]

Table-13



In above table, the trend values of all the sample banks are in increasing trend, which means futures of total Loan and Advances of all the sample banks are good. All the sample banks are successful in mobilizing the Loan and Advances to different productive and profitable sector. In fiscal year 2005 the trend values of NBL, EBL and HBL are 9423.42 ,6736.92 & 12629.26 respectively. It is increase to 47196.87, 44171.25 & 38336.59 for the forecast year 2014.

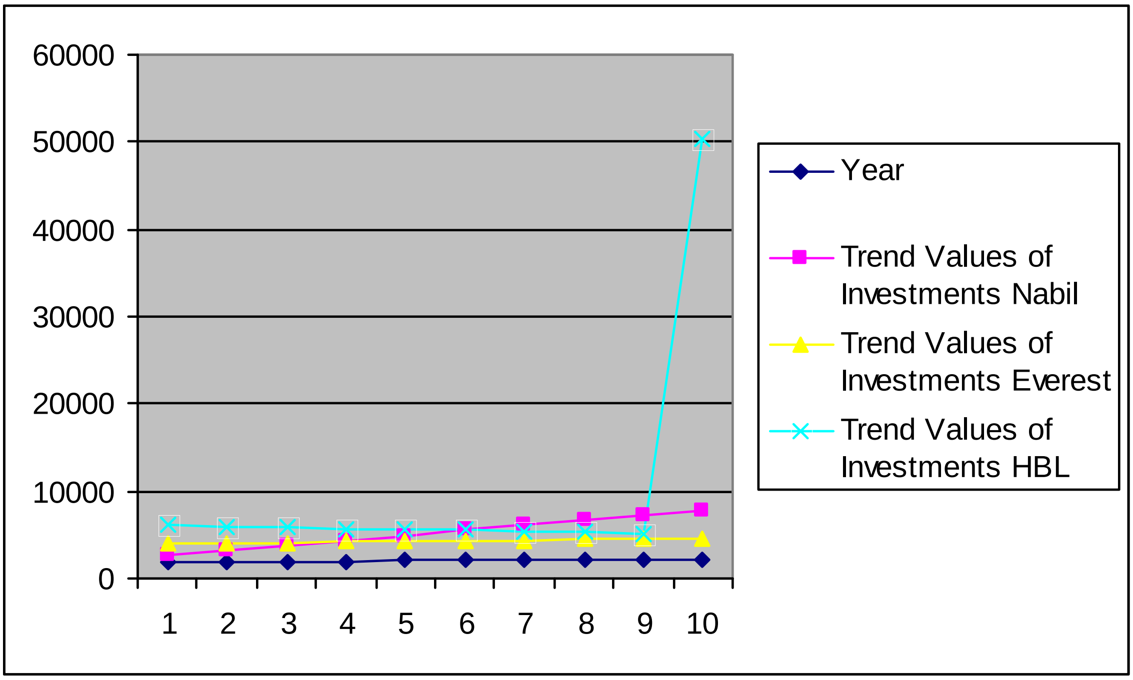
3. Trend Line Analysis of Investment

The following table analyzes the trend values of Investment of sample banks for five years and prediction for next five years.

Table 19: Trend Line Analysis of Investment

Year	Trend Values of Investments		
	Nabil	Everest	HBL
2005	2673.38	3932.2	6074.4
2006	3238.06	4006.7	5960.25
2007	3802.74	4081.2	5846.1
2008	4367.42	4155.7	5732.95
2009	4932.1	4230.2	5617.8
2010	5496.78	4304.7	5503.65
2011	6061.46	4379.2	5389.5
2012	6626.14	4453.7	5275.35
2013	7190.82	4528.2	5161.2
2014	7755.5	4602.7	50470.5

Table-14



[Sources: Annual Report of Concerned Bank-Refer to Appendix 3]

In above table, the trend values of NBL and EBL is in increasing trend, which means futures of total deposit of these sample banks are good. Among the sample banks HBL has a decreasing trend of Investment. In fiscal year 2005, the trend values of NBL, EBL and HBL are 2673/38, 3932.2 & 6074.4 respectively. It is increase to 7755.5, 4602.7 & 5047.05 for the forecast year 2014.

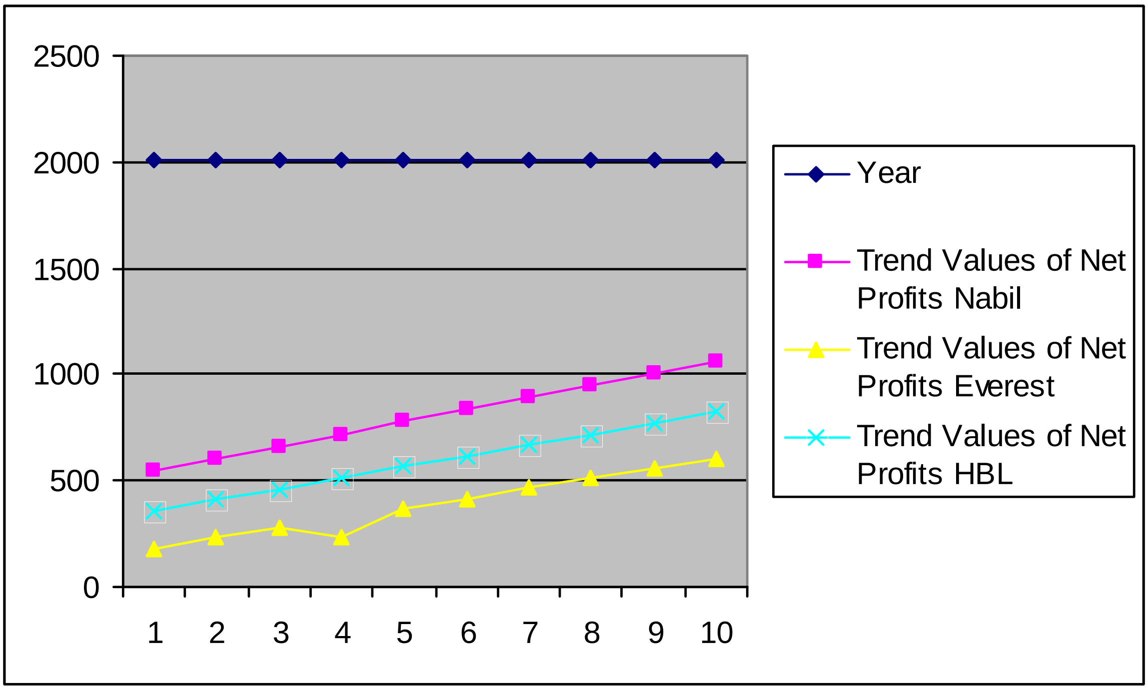
4. Trend Line Analysis of Net Profit

The following table analyzes the trend values of Net Profit of sample banks for five years and prediction for next five years.

Table 20: Trend Line Analysis of Net Profit

Year	Trend Values of Net Profits		
	Nabil	Everest	HBL
2005	546.98	183.22	358.73
2006	604.24	229.92	410.14
2007	661.5	276.62	461.55
2008	718.76	232.32	512.96
2009	776.02	370.02	564.37
2010	833.28	416.72	615.78
2011	890.28	463.42	667.19
2012	947.8	510.12	718.6
2013	1005.06	556.82	770.01
2014	1062.32	603.52	821.42

[Sources: Annual Report of Concerned Bank-Refer to Appendix 4]



In above table, the trend values of all the sample banks are in increasing trend, which means futures of Net Profit of all the sample banks are good. Among the sample banks NBL has a highest trend of Net Profit. In fiscal year 2005 the trend values of NBL, EBL and HBL are 546.98, 183.22 and 358.73 respectively. It is increase to 1062.32, 603.52 & 821.42 for the forecast year 2014.

4.2 Major Finding of the Study

The main findings of the study are carried out on the basis of the analysis of financial data of banks which are as follows:

- **Liquidity Ratio**

- During the five years study period of three banks the current ratio found to be highly fluctuate. It is well known that the standard current ratio is 2:1. Among sample bank the current ratios of EBL dominate the respective current liabilities which indicate that EBL is capable in paying the current obligation. Therefore NBL has a highest liquidity ratio among sample banks. NBL and HBL have low current ratio, but it does not mean that they are failed to maintain the liquidity position. From point of view of working policy they are very much aggressive. However average of all banks shows the satisfactory level of current ratio.

- EBL found to be in better position to maintain the cash and bank balance ratio among the sample banks. But it does not mean that it has mobilized its more funds in profitable sector. It actually means that it can meet the daily cash requirement to make payments of the customer. NBL has lowest mean ratio which mean it may invest the more fund in the productive sector. HBL has an average men ratio. All the banks have a fluctuation ratio during study period.

From above results it can said that the liquidity position of EBL found to be comparatively better than other sample banks. But NBL and HBL also has a satisfactory level of liquidity position due to their aggressive working policy.

- **Assets Management Ratio**
  - The loan and advances to total deposit ratio of all banks found to be at satisfactory level and maintain the good consistency in ratio. However NIBL has a highest mean ratio it shows that NIBL's liquidity position with respect to this ratio is more satisfactory than other sample banks. Apart from that it has a more consistency in ratio than other.

- The mean ratio of loan and advances to total deposits ratio all the banks are found to be at satisfactory level. Since EBL has a higher mean ratio, EBL is able to proper utilization of loan and advance with respects to fixed deposit. NBL and HBL have seemed to less effective in utilizing the loan and advances in compare to EBL.
- All the sample banks are successful to mobilize their funds as loan and advance with respects to fixed deposit. NBL and HBL have seemed to less effective in utilizing the loan and advances in compare to EBL.
- All the sample banks are successful to mobilize their funds as loan and advances with respect to current assets. But in comparative study for five years for three sample banks EBL has a higher mean ratio, so they are found to be best investor among sample banks. As concern to consistency, almost all banks are failed to maintain the consistent. Among them NBL has maintain the consistency in loan and advances up to some extent.
- Among sample banks EBL is successful in mobilizing the deposit in invest on government securities, since it has a higher mean ratio. But NBL has a lower mean ratio; they are less successful to utilize the deposit I n investment on government securities in compare with sample banks. Similarly, HBL is also successful in mobilizing the deposit in investment on Government securities. Among sample banks HBL are able to maintain the consistency in mobilization of investment on government securities.

- **Profitability Ratio**

  The following findings are derived from the profitable ratios of sample banks.

  - All the sample banks are able to earn the profit on total assets. Among them, NBL found to be best, since it has a higher mean ratio than average mean ratio. But as concern to consistency HBL also shows the consistency on earning the profit. In case of another two banks EBL has lowest earning on total assets and also have lowest consistency in earning the profit.
  - Net profit to total deposit ratio of EBL is highest among the sample banks whereas HBL have low mean ratios. Similarly EBL have more consistencies in ratio.
  - Even though all sample banks seem to earn the interest on total working fund, NBL has successful in earning the higher interest as well as maintain the consistency in earning. EBL and HBL are failed to maintain the consistency in earning the interest than NBL.
  - NBL and HBL seem to be successful to collect its working fund from less expensive sources in comparison to EBL. Even though HBL has a higher interest expense they are successful in maintain the stability on expenses of interest

- **Leverage Ratio**

  - Debt-assets ratio of the HBL is highest among the sample banks. Whereas EBL have more consistence in maintaining the ratio. Similarly, NBL has maintained the debt-assets ratio to some extent.

- Even though EBL is able to maintain the debt-equity ratio than other sample banks but failed to maintain the variability. In part of HBL they are able to maintain the consistency but they also failed to use the equity fund to creditors. In case of NBL is unable to maintain the debt equity ratio but successes in maintain the variability.

➢ **Growth Ratio**

- The growth rate of net profit of all sample banks is positive. Among sample banks NBL has highest growth rate and EBL has lowest growth rate.
- HBL found to be strongest in comparison to other sample banks in case to growth of earning per share. Whereas EBL found to be lowest growth in earning per share.
- The growth rate of dividend per share of all sample banks is positive. EBL has lowest growth rate and NBL has highest growth rate. BHL is in average position.

➢ **Coefficient of Correlation**

The correlation analysis has pull out the following results.

- The Positive correlation between the deposit and loan and advances are found in all sample banks. The correlation between the deposit and loan and advances are perfect as there is significant between them. It means that the all banks provided the loans and advances from its deposit; banks are successful in mobilizing the deposit as loans and advances.

- There is the perfect positive correlation between the deposit and investment in all sample banks. The correlation between the deposit and Investment are perfect as there is significant between them. It can be said that Investment is depends upon the deposit.
- EBL and HBL are successful in earn the net profit from its investment which means that there is a positive correlation between the Investment and net profit. NBL are failed to earn the profit form its deposit since the correlation between the investment and net profit is not significant. It is failed in mobilizing the investment to earn the profit.
- All the sample banks are successful in earning the net profit by mobilizing the loan and advances. The correlation between the loan and advances and net profit are found to be positive.

➢ **Trend Line Analysis**

Trend analysis is for past five years for projecting future results. The future trend analysis is done on some basic assumption that will continue in the future. The trend analysis results are as follows:

- The trend line of total deposit for all sample banks is in increasing trend. The trend values of all the sample banks are in increasing trend, which means futures of total deposit of all the sample banks are good. Among the sample banks NBL has a highest trend of total deposit. It means NBL is successful in mobilizing the deposit. In fiscal year 2005 the trend values of NBL, EBL and HBL are 1368972, 8734.54 & 245293.74 respectively. It is increase to 65971.62, 59696.41 & 47073.28 for the forecast year 2014.

- All the sample banks have increasing trend of the loan and advances. Among them NBL has Highest increasing trend and HBl has lowest increasing trend. The trend values of all the sample banks are in increasing trend, which means futures of total Loan and Advances of all the sample banks are good. All the sample banks are successful in mobilizing the Loan and Advances to different productive and profitable sector. In fiscal year 2005 the trend values of NBl, EBL and HBL are 9423.42, 6736.92 & 12629.26 respectively. It is increase to 47196.87, 44171.25 & 38336.59 for the forecast year 2014.
- Although all sample banks has increasing trend of the investment BNL has highest increasing trend and EBL has lowest increasing trend. This shows that NBL is successful in mobilizing the investment than other sample banks.
- Although all sample banks has increasing trend of Net Profit NBL has highest increasing trend. The trend values of all the sample banks are in increasing trend, which means futures of Net Profit of all the sample banks are good. Among the sample banks NBL has a highest trend of Net Profit. In fiscal year 2005 the trend values of NBL, EBL and HBL are 546.98, 183.22 and 358.73 respectively. It is increase to 1062.32, 603.52 & 821.42 for the forecast year 2014.

CHAPTER – V
SUMMARY, CONCLUSION &RECOMMENDATION

This chapter is a complete suggestive package, which contains summary, conclusion and recommendation. This chapter also highlighted some selected actionable conclusions and recommendation on the basis of the major findings, which are derived from the analysis of NABIL, EBL and HBL. Summary covers the brief explanation to all the chapters of the study and shows the actual facts that have been taken from the analytical section. And the analysis is performed with the help of financial and statistical tools. Conclusions are based on the principal findings of the study representing the strengths and weakness of the performance of the commercial banks. Recommendations are presented in the form of suggestions, which are prepared on the basis of findings.

5.1 Summary

Basically the entire research work focus on the comparative study on deposit mobilization of three Joint Venture Banks, Nabil Bank Ltd. and Himalayan Bank Ltd. These two joint venture banks are composed as per their deposit mobilization activities by taking five years data from the 2004/05 to 2008/09.

The study is based on secondary sources. All data are taken from concerned banks annual report, literature publication, balance sheet, profit and loss account, previous thesis report, different website, related books and booklets, journals and articles, after collecting data from different sources, it is analyzed by using financial and statistical tools. Findings are drawn by applying various financial tools viz. Ratio analysis (including liquidity ratio, assets management ratio, profitability ratio, and leverage ratio), sources and uses of fund.

Similarly, statistical tools have been used viz. mean coefficient of correlation, simple regression & Trend line analysis.

In an attempt to fulfill the objectives of the research work, all secondary data are complied, processed and tabulated as per necessity and figures, diagram and different types of chart are also used.

This study suffers from different Limitation, it considers three banks only and time and resource are the constraints of the study. Therefore the study may not be generalized in all cases and accuracy depends upon the data collected and provided by the organization and previous thesis studies.

5.2 Conclusions

The overall performance of sample banks found to be satisfactory. All sample banks are not strong in all performance. Some are strong in liquidity position and some are strong in profit making. The analysis of liquidity position of these commercial banks shows different positions. The current ratio measures only total rupees worth of current assets and total rupees of current liabilities, i.e. it indicates the availability of current assets in rupees for everyone rupee of current liability since mean ratios of EBL found to be highest than NBL and HBL from which we can conclude that EBL is successful to meet their current obligation. Even though NBL and HBL have failed to maintain the current obligation they are not failed in earning the profit. From point of view of working policy they have taken the aggressive policy.

The turnover of the commercial banks is the main indication of income generating activity. These ratios are used to judge how efficiently the firm has been using its resources. From the analysis of turnover of banks all the sample banks are comparatively successful in assets management. Among sample banks EBL found to be comparatively best in mobilizing its assets and deposits in profitable sectors in form of loan and advances and Investment in Government securities.

The main objective of a bank is to make profit providing different types of services to its customers. Profit is necessary to survive in any business field for its successful operation and further expansion. Profitability shows the overall efficiency of the business concerns. From profitability point of view, NBL found to be better among sample banks because they pay lower interest rate for debt fund and earn higher interest by mobilizing its deposit and assets to different productive and profitable sectors.

Leverage ratio is calculated to measure the long-term financial position of a firm. The analysis of leverage ratio shows that all the sample banks use a high equity fund rather than debt fund. Debt fund need to pay an interest until debt is hold by bank. Therefore debt fund is burden for the bank and it should decrease according to the necessity.

BBL have highest positive growth rate of net profit and EPS among sample banks. EBL is less successful than NBL and HBL in increasing a net profit. HBL also has satisfied growth rate of net profit. All the sample banks have positive growth rate in EPS and DPS.

Deposits are the main tool for developing banking performance of the banks. And investment and loan and advances are keys to mobilize the deposit. All sample banks have a positive relation between the Deposit and Loan & Advances, Deposit and Investment, Investment and Net Profit and also Loan and Advances and Net Profit, which shows by the correlation between these variables. All the sample banks use their deposit use in proper way as Loan and Advances and Investment. Among them NBL and EBL is best. NBL is weak in earning the net profit through the investment whereas EBL anthill is successful to earn net profit by mobilizing the deposit to the investment. Coefficient of correlation between Loan and Advances and Net profit shows that all sample banks are successful in earning the net profit by mobilizing the loan and advances.

The Trend Line Analysis of Deposit, Loan and Advance and Net Profit shows increasing trend which indicates futures of those variables are bright but the trend Line Analysis of Investment of HBL shows decreasing trend. Among them NBL has highest increasing trend in all analysis. That indicates NBL is successful in mobilizing the deposit, Loan and Advance and Net Profit.

The overall sample banks is satisfactory however inflation in the current situation came as a major factor in narrowing the scope of operation of these banks. Therefore Nepal Rastra Bank has to play more active role to enhance the operation. The analysis of financial performance shows that all the banks have aggressive polices in investment and lending. Deposits are main tool of investing and almost all banks' deposit and net profit are in increasing trend.

Strengthening and the institutionalization of the banks are very important to have a meaningful relationship between financial institution and national development through shift of credit to the productive industrial sectors. At the same time the series of reforms such as consolidation of banks, good relationship between financial institution and commercial banks, directing attention to venture capital financing, appropriate risk return trade of by linking credit to timely repayment schedules, avoiding imperfections, allowing flexibility in lending, one window service from NRB, need of a strong supervision and monitoring form NRB, diversity scope of activities to fee based services, allow funds transfer, refinancing facilities for banks, professional culture within banks, etc. all these are necessary to ensure better future performance of banks that have already been established and growing in Nepal.

Banks have to prove that they are the potential contributors to the national economy ensuring adequate rate of return on investment, efficient and viable agencies for mobilization of savings and its channels into productive sectors and strategically well planned to be competitive with competitors and other agencies and are trust worthy.

5.3 Recommendation

From above finding and analysis it is clear that all 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 into very limited diversified investments etc. therefore the following recommendations should be brought into highlight to overcome inefficiency, weakness and to develop present fund mobilization and investment policy of the banks:

- Bank should maintain the liquidity ratio for daily cash transaction. Bank should not invest all the deposit as loan and advances. According to the policy of NRB some percentage should kept in the banks for fulfilling require demand of the customer. The standard liquidity ratio is 2:1. The depositor may demand the money at time so; bank should be ready at any time. In this research none of sample bank has the standard ratio due to their aggressive working capital policy. Therefore all sample banks should modify their working capital policy to maintain the standard ratio. If sample banks cannot maintain the ratio they may failed to maintain the daily cash transaction.
- The company must apply different development scheme such as deposit, insurance scheme, workers saving scheme and women

development scheme through which banks can attract more customers.

- HBL have less mobilization of total deposit to loan and advances among sample banks. The purpose of loan and advances is to generate an income for the banks. So, HBL should increase a loan and advances to different productive or profitable sectors. HBL should maintain the consistency.
- The overall investment of the Bank should be concentrated on productive sector such as business and industrial loan rather than consumer product such as hire purchase and housing loan. Because industrial and business sector will create the employment opportunity which is necessary for capital formation and economic growth.
- NBL also should increase its investment toward government securities. And decrease a variation of investment on government securities. Even though Government Securities have low interest rate, they are risk free assets because government securities have marketability and can sell any time when needed.
- Profit is a key of success of any business. The bank also cannot survive without the profit. So, they should keep in the mind for profit maximization. But in long term business bank also should be concern with the shareholder's wealth maximization as they are investor of the bank.
- HBL is not successful as NBL and EBL to earn a net profit by utilizing its assets and deposits. So, HBL should invest its deposits and utilize its assets indifferent productive and profitable sectors on the basis of portfolio management. The portfolio management of assets basically means allocation of funds into different components of banking assets having different degrees

of risk and varying rate of return in such a way that the conflicting goal of maximum yield and minimum risk. So, portfolio condition of each bank should carefully be examined from time to time and attention should be made to maintain equilibrium in the portfolio condition as far as possible keeping the statement in mind that all eggs should not be kept in the same basket. Even though NBL has higher net profit with respect to total assets and deposit, they are failed to maintain stability. Therefore they should decrease a variation level.

- NBL should maintain stability in earning an interest since they have greater variation in earning an interest. Since HBL have low interest earning among the sample banks they should increase an interest earning because it will directly effect to the net profit.
- The economic liberalization has made the entire bank to determine the own interest rate. But nowadays dew to unhealthy competition the spread between the deposit and lending interest has being higher than Nepal Rastra's Banks policy. If the depositor interest rate is very low then depositor may not interest to deposit their saving. Therefore the spread should be fixed according to the NRB.
- HBL paid a higher interest among sample bank which mean that they used more creditors funds or paid higher interest rate in investment. So, they need to use equity fund rather than debt or should pay a less interest rate. EBL should maintain stability in paying the interest because their variation in interest rate is high.
- The discrimination in lending interest should not be done by the bank because it will bring the un satisfaction to the general public. This may lead to discourage toward deposit in the bank in long term business. The rate of interest should be fixed

accordance to the situation of the country. There should not be unhealthy competition regarding the interest rate to attract customer.

- All the sample banks have more creditors fund to acquire an assets & investment. This means they all have more debt financing in assets. Since debt financing need to pay an interest regularly, higher debt are burden to bank. Among sample banks highest debt is used by HBL. Therefore they should decrease a debt financing and increase an equity financing, which may help in increasing profit to some extent. Equity fund is invest by shareholder and banks should pay dividend which may be very low than interest. So, more financing should do from equity fund rather than debt fund.
- The Growth rate of net profit of EBL is very low in compare to other sample banks. Since, profit is a key of success of business they should increase a net profit by launching different new product or investing in profitable sectors. HBL have lower rate in net profit even though they have satisfactory growth rate of DPS and EPS. This may occur due to highest retain of profit for future prospect. EBL and NBL should increase a DPS to bring a strong impact toward shareholder because they are the investor of bank.
- Banks should evaluate its investment portfolio ever year. Investment portfolio must be balanced in each sector according to the NRB rules and company's self policy. It should calculate co-efficient of correlation and regression among deposit, investment and return of the company.
- Nepal Rastra Bank should clearly define its role and strict monitoring for the efficient operations of Banks so that they can use the facilities as much as possible. Besides that, NRB should

show open to all, flexible and strong supervision rather than imposing rules and regulations only.

- The success rate of banking mainly depends upon the banking awareness by the general public unless they find a convincing reason about their savings as well as new approach of investment, it is almost impossible to make live for a bank. Therefore there should be the awareness program, regularly conducted in terms of seminars or workshops from well experienced personnel such as top executives from Banks and concerned regulating authorities. This will exchange the ideas and share the grass root problems. On the basis of this feedback information, regular changes of implementation of new rules and regulations can be easily carried out. Nepal Rastra Bank should also encourage frequent trainings to new entrants to provide orientations on the conceptual dimensions and practical aspects of operation of the Banks.
- Today is an age of competition. Bank should be survived within these competitions. Therefore for attraction of the deposit, they should brought different attractive programmed, facilities, technology etc. like ATM, credit cards, 365 days banking service, prompt service etc.
- In the present situation, it is the utmost important to provide security and the reliability. So the bank should focus on the security concern in order to make the customer feel that they more secured in investing in the bank whether it may be NBL, EBL or HBL.
- It is suggested to all the sample banks that they should use well-trained manpower. Well trained manpower will provide better services to the bank and customer. They will try to increase the

operating efficiency of the bank, so the banks have to conduct "Training School" for their persona.

Banks play a vital role in development of economy of the country. However all the banks have satisfactory performance, there is situation of inflating which is a cause of narrow scope operation. Therefore NRB has to come with strong supervision and monitoring with one window service in lending and investment activities. Banks have to prove that they are the potential contributors to the national economy ensuring adequate rate of return on investment, efficient and viable agencies for mobilization of savings and its channels into productive sectors and strategically well planned to be competitive with banks and other agencies and are trust worthy.

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APPENDIX – 1

Trend Line Analysis of Deposits y = a + bx

Everest Bank Limited

Calculation of Trend Values of Deposit Future Projection of Next Five Year

year (t)	Deposit (y)	x = t – 2007	xy	x^2	yc=20059.4+ 5662.43x
2005	10097.69	-2	-20195.4	4	8734.54
2006	13802.44	-1	-13802.4	1	14396.97
2007	19097.7	0	0	0	20059.4
2008	23976.3	1	23976.3	1	25721.83
2009	33322.9	2	66645.8	4	31384.26
	100297	**0**	**56624.28**	**10**	

year	x = t - 2007	yc=20059.4+ 5662.43x
2010	3	37046.69
2011	4	42709.12
2012	5	48371.55
2013	6	54033.98
2014	7	59696.41

Where, $a = \frac{Y}{N}$ $b = \frac{XY}{X2}$

Himalayan Bank Limited

Calculation of Trend Values of Deposit Future Projection of Next Five Year

year (t)	Deposit (y)	x = t – 2007	xy	x^2	yc=29539.4+ 2504.84x
2005	24814.01	-2	-49628.0	4	24529.74
2006	26490.85	-1	-26490.9	1	27034.56
2007	29905.8	0	0	0	29539.4
2008	31805.8	1	31805.3	1	32044.24
2009	34681.0	2	69362.0	4	34549.08
		0	**25048.43**	**10**	

year	x = t - 2007	yc=29539.4+ 2504.84x
2010	3	37053.92
2011	4	39558.76
2012	5	42063.6
2013	6	44568.44
2014	7	47073.28

Nabil Bank Limited

Calculation of Trend Values of Deposit Future Projection of Next Five Year

year (t)	Deposit (y)	x = t – 2007	xy	X^2	yc=25307.92+ 5809.1x
2005	14586.61	-2	-29173.2	4	13689.72
2006	19347.4	-1	-19347.4	1	19498.82
2007	23342.29	0	0	0	25307.92
2008	31915	1	31915	1	31117.02
2009	37348.3	2	74696.6	4	36926.12

year	x = t - 2007	yc=25307.92+ 5809.1x
2010	3	42735.22
2011	4	48544.32
2012	5	54353.42
2013	6	60162.52
2014	7	65971.62

	126539.6	**0**	**58090.98**	**10**	

APPENDIX – 2

Trend Line Analysis of Loan and Advances

y = a + bx

Everest Bank Limited

Calculation of Trend Values of Loan and Advances Future Projection of Next Five Year

year (t)	Loan & Advances (y)	x = t – 2007	xy	x^2	yc=15055.66+ 4159.37x
2005	7914.4	-2	-15828.8	4	6736.92
2006	10124.2	-1	-10124.2	1	10896.29
2007	14059.2	0	0	0	15055.66
2008	18814.3	1	18814.3	1	19215.03
2009	24366.2	2	48732.4	4	23374.4
	75278.3	**0**	**41593.7**	**10**	

year	x = t - 2007	yc=15055.66+ 4159.37x
2010	3	27533.77
2011	4	31693.14
2012	5	35852.51
2013	6	40011.88
2014	7	44171.25

Himalayan Bank Limited

Calculation of Trend Values of Loan and Advances Future Projection of Next Five Year

year (t)	Loan & Advances (y)	x = t – 2007	xy	x^2	yc=18342+ 2856.37x
2005	13245	-2	-26490	4	12629.26
2006	15515.7	-1	-15515.7	1	15485.63
2007	17672	0	0	0	18342
2008	19985.2	1	19985.2	1	21198.37
2009	25292.1	2	50584.2	4	24054.74
	91710	**0**	**28563.7**	**10**	

year	x = t - 2007	yc=18342+ 2856.37x
2010	3	26911.11
2011	4	29767.48
2012	5	32623.85
2013	6	35480.85
2014	7	38336.59

Nabil Bank Limited

Calculation of Trend Values of Loan and Advances Future Projection of Next Five Year

year (t)	Loan & Advances (y)	x = t – 2007	xy	x^2	yc=17817.52+ 4197.05x
2005	11078.0	-2	-22156.0	4	9423.42
2006	13021.3	-1	-13021.3	1	13620.47
2007	15657.1	0	0	0	17817.52

year	x = t - 2007	yc=17817.52+ 4197.05x
2010	3	20408.67
2011	4	34605.72
2012	5	38802.77

2008	21514.6	1	21514.6	1	22014.57
2009	27816.6	2	55633.2	4	26211.62
	89087.6	**0**	**41970.5**	**10**	

2013	6	42999.82
2014	7	47196.87

APPENDIX – 3

Trend Line Analysis of Investments

y = a + bx

<u>Everest Bank Limited</u>

Calculation of Trend Values of Investment Future Projection of Next Five Year

year (t)	Loan & Advances (y)	x = t – 2007	xy	x^2	yc=4081.2+ 74.5x
2005	2100.3	-2	-4200.6	4	3932.2
2006	3548.6	-1	-3548.6	1	4006.7
2007	4704.6	0	0	0	4081.2
2008	4906.5	1	4906.5	1	4155.7
2009	5146	2	10292	4	4230.2
	20406	**0**	**7449.3**	**10**	

year	x = t - 2007	yc=4081.2+ 74.5x
2010	3	4304.7
2011	4	4379.2
2012	5	4453.7
2013	6	4528.2
2014	7	4602.7

Himalayan Bank Limited

Calculation of Trend Values of Investments Future Projection of Next Five Year

year (t)	Loan & Advances (y)	x = t – 2007	xy	x^2	yc=15846.1+ (-114.15)x
2005	5946.7	-2	11893.4	4	6074.4
2006	5144.4	-1	-5144.4	1	5960.25
2007	6454.8	0	0	0	5846.1
2008	7471.7	1	7471.7	1	5731.95
2009	4212.3	2	8424.6	4	5617.8
	29229.9	**0**	**-1141.5**	**10**	

year	x = t - 2007	yc=15846.1 + (-114.15)x
2010	3	5503.65
2011	4	5389.5
2012	5	5275.35
2013	6	5161.2
2014	7	5047.05

Nabil Bank Limited

Calculation of Trend Values of Investment Future Projection of Next Five Year

year	Loan &	x =	xy	x^2	yc=3802.74+

year	x =	yc=3802.74+

(t)	Advances (y)	t – 2007			564.68x
2005	2413.94	-2	-4827.88	4	2673.38
2006	2372.3	-1	-2372.3	1	3238.06
2007	5359.2	0	0	0	3802.74
2008	4889.6	1	4889.6	1	4367.42
2009	3978.7	2	7957.4	4	4932.1
	19013.74	**0**	**5646.82**	**10**	

	t - 2007	564.68x
2010	3	5496.78
2011	4	6061.46
2012	5	6626.14
2013	6	7190.82
2014	7	7755.5

APPENDIX – 4

Trend Line Analysis of Net Profit

y = a + bx

Everest Bank Limited

Calculation of Trend Values of Net Profit Future Projection of Next Five Year

year (t)	Loan & Advances (y)	x = t – 2007	xy	x^2	yc=276.62+ 46.69x
2005	170.8	-2	-341.6	4	183.22
2006	237.3	-1	-237.3	1	229.92
2007	296.4	0	0	0	276.62

year	x = t - 2007	yc=276.62+ 46.69x
2010	3	416.72
2011	4	463.42
2012	5	510.12

2008	311.4	1	311.4	1	323.32
2009	367.2	2	734.4	4	370.02
	1383.1	**0**	**466.9**	**10**	

2013	6	556.82
2014	7	603.52

Himalayan Bank Limited

Calculation of Trend Values of Net Profit Future Projection of Next Five Year

year (t)	Loan & Advances (y)	x = t – 2007	xy	X^2	yc=461.54+ 51.41x
2005	308.28	-2	-616.56	4	358.73
2006	457.46	-1	-457.46	1	410.14
2007	491.82	0	0	0	461.55
2008	512.23	1	512.12	1	512.96
2009	537.95	2	1075.9	4	564.37
	2307.74	**0**	**514.11**	**10**	

year	x = t - 2007	yc=461.54+ 51.41x
2010	3	615.78
2011	4	667.19
2012	5	718.6
2013	6	770.01
2014	7	821.42

Nabil Bank Limited

Calculation of Trend Values of Net Profit Future Projection of Next Five Year

year (t)	Loan & Advances (y)	x = t – 2007	xy	x^2	yc=661.5+ 57.26x
2005	518.63	-2	-1037.26	4	546.98
2006	635.26	-1	-635.26	1	604.24
2007	673.96	0	0	0	661.5
2008	714.23	1	714.23	1	718.76
2009	765.45	2	1530.9	4	776.02
	3307.53	**0**	**572.61**	**10**	

year	x = t - 2007	yc=661.5+ 57.26x
2010	3	833.28
2011	4	890.54
2012	5	947.8
2013	6	1005.06
2014	7	1062.32