

CHAPTER – I

Introduction

1.1 Background of the Study

An investment is an asset or item that is purchased with the hope that it will generate income or appreciate in the future. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit.

Investment in financial sense is placing of money in the other for their use expecting a return or the participation in expected profits. But for manufacturing and trading firms the terms investment will be long term expenditures that aim at increasing return of efficiency or at building up goodwill thereby producing and increasing return over as period. Investment also seek to manage their wealth effectively obtaining the most from it, while protecting it from inflation, taxes and other risks.

Investment by individuals, business and government involves a present sacrifice of income to get on expected on future benefit as a result investment raises an economy of nations.

Investment usually involves putting money into a bet, which is not necessarily marketable in order to enjoy a series of return the investment is expected to yield. On the other hand speculation is usually a shorter run phenomenon. Speculators tend to buy assets with the expecting of a profit than can be earned from subsequent price charge and sale. Investment are usually made expecting a certain stream of income, which has existed, will not change in the future.

According to Gitman and Joehnk “Investment is any vehicle into which fund can be placed with the expectation that will preserve or increase in value and generated positive returns.”

According to Weston and Brigham “A portfolio simply represent the practice among the investor of having their funds in more than one assets. The combination of investment assets is called portfolio.”

In the study of the financial institutions the investment and investment problems will revolve around the concept of managing the surplus financial assets in such a way, which will lead to the wealth maximization and providing a significant further source of income. Thus the investment is the management of the surplus recourses in such a way as to make it work for providing benefits to the supplier of the funds by letting it to third party. However, the investment needs to be a procedural task. It must follow a definite investment process, which definitely being the formulation of proper investment policy.

Commercial Banks

Commercial Banks plays very vital role in economic life of the nation. The health of economy is closely related to the soundness of the banking system. Today modern banks are very useful for utilization of resources of the country. The banks are mobilizing saving of the people for investment purpose. If there would be no banks then great portion of capital of the country remain idle. Banks are now major buyers of the debt and other securities.

Commercial banks play dominant role in money and capital markets. Bank in addition to the official reserve and to the assets related to the monetary policy operation hold other investment in financial instrument and in real estate. Investment portfolio includes government bonds and equities. Investment portfolio includes other international bond and equities and equity funds as well. The objective of investment portfolio is income generation and capital preservation, considering the risk stemming from other assets and liabilities and those associate with institutional activities. This study is to assess the proceeds, the scientific principles, and rules in composition of investment portfolio of Nepalese Banks.

Generally speaking a place where money is lent or exchanged, or put for safety and to acquire interest is known as bank. In the modern context, bank has diversified its limitations and working area into the wide range. After the growth of consciousness

about bank among the general public, bank has fragmented its work by giving different names, like Government Bank, Agricultural Bank, Commercial Bank, Co-operatives etc..Here we focus on the study of one branch i.e. Commercial Bank.

A lexicon meaning with reference to the Black's Law Dictionary for Commercial Bank is that; a bank authorized to receive both demand and time deposits, to engage in trust services, to issue letter of credit, to rent time-deposit boxes and to provide similar services.

Likewise Section 2(a) of the Commercial bank Act 2031 (1974) has defined that "Commercial Bank" means a bank which operates currency exchanges transactions, accepts deposits, provides loan; performs dealing relating to commerce except the banks which have been specified for the co-operatives, agricultural, industry of similar other specific objective.

For this reason, commercial banks are the important source of institutional credit in the money market. A commercial bank is a profit-seeking business firm, dealing in money or rather dealing in claims to money. It is a FI (Financial Institution) that creates deposits and liabilities which circulates as money unlike the deposits of other FIs. In fact, the greater part of money supply is the direct consequence of the profit-seeking or money-creating activities of commercial banks.

The investment portfolio should be carefully analyzed so that the investment should ensure minimum risks and maximum profit. So, commercial bank should incorporate several elements such as regularity environment, the availability of funds, the selection of the risks, investment portfolio balance structure of the liabilities etc. Good management of investment portfolio of banks will improve their financial position. Which in turn will make it better able to serve its customers optimally, leading to increased productivity and effectiveness of banking services and more able to keep up with economic development and global development. Bank came into existence mainly with the objective of collecting the idle Fund, mobiles them into productive sector and causing an overall economic development. The bankers have the responsibility of safeguarding the interest and deposited amount of depositor. The word CAMELS can be used to judge the soundness of bank. It stands for;

- C : Capital Adequacy
- A : Asset Quality
- M : Management Quality
- E : Earning
- L : Liquidity
- S : Sensitivity for Risk

Investment Policy

Investment policy is the proper management of any fund or wealth to maximize value or to obtain this high or favorable return with low risk considering the protection of investment from the inflation and other possible harms. Banks are disbursing their money as investment in trade business and industry. Due to the growth in the banking sector in Nepal and huge competition, investment returns are comparatively low. Therefore, Banks should be following the principle of investment for profit. An investment policy should ensure maximum profit and minimum Risk. Investment policy determines the investor's objective and the amount of its investable wealth because there is a possible relation between risk and return for sensible investment strategies.

Banking sector specially commercial banks play a vital role in the process of canalizing the available resources in the needed sectors. Financial system consists of two components i.e. depository financial institution and non-depository financial institution. Commercial banks are depository financial institutions whereas provident fund, development bank insurance companies etc are non-depository financial institutions. All the economic activities are directly or indirectly channeled through banks. Banks accept money as a deposit from the public and invest it in the form of loans and advances. Financial institutions act as an intermediary role between the persons who lend and who borrow. Banks pool the scattered funds and mobilize them in the productive sector.

1.2 Statement of Problem

Investment is made in the present, which is certain, but the reward from investment will be in the future and it is uncertain. Therefore investment is a risky activity. There are various factors that affect the investment decision. A bank has to consider various factors

while making decision about the investment. The main problem is find our best combination of investment portfolio in order to minimize the risk that provides the higher rewards.

Besides above, though several commercial banks have been established in short period, but sufficient return has not been earned. Strong, stable and appropriate investment policy has not been followed. A huge collection and investment policy plays vital role for the economic development of whole country.

A very unhealthy activity is happening in the banking business. After the loan is provided by the bank, regular inspection and monitoring are not made to know whether the debtor has used the loan in productive or not. Due to This reasons, there is great amount of unrecovered bank loan. Banks only depend upon the direction and guidelines of Nepal Rastra Bank but they don't have clear view and have not formulated their own organized investment policy.

Therefore, the study will seek to answer following question;

- a. What are the existing investment position and its predictors of Commercial Banks in Nepal?
- b. What are relationship of investment with total deposit, total assets and total profit?
- c. What is the factors affecting investment of Commercial Banks in Nepal?

1.3 Objectives of the Study

The main objective of this study is to analyze and examine the investment portfolio of commercial banks.

The specific objectives of this study are:

-) To evaluate and analyze existing investment position and its predictors of Commercial Banks in Nepal.
-) To access the relationship of investment with other variables like deposit, net profit and size of the firm.
-) To evaluate the factors affecting investment of Commercial Banks in Nepal.

1.4 Significance of the Study

Commercial banks have pivotal role in collection of dispersed small savings and transforming them into meaningful capital investment. The success and prosperity of the banks relies heavily upon the successful investment of collected resource to the productive sectors of economy. Hence, the main significance of this study is to help how to minimize risk on investment and maximize return through portfolio analysis. Similarly, the study of commercial banks on investment trend, risk and return pattern, portfolio management, credit management, structure change in deposit and in investment, effect on investment decision by earning, the internal weakness of the banks and furnish the ideas of improvement. A few studies have been made on the investment portfolio analysis of commercial banks. Most of the studies made up to present are related to financial performance evaluation, capital structure analysis, dividend policy, risk and return etc. only few students have been able to study on this topic. So the present study will be of substantial importance for investors, planners, researchers, students, and policy makers to meet their personal and organizational objectives by identifying the various weaknesses prevailing in the investment and provide package of suggestions of its improvement, finally it contributes to the national economy by means of institutional development. It is expected that this work will be helpful to decision makers to maximize the values of their organization.

1.5 Limitation of the Study

This study is made only for the partial fulfillment of the Master of Business Studies. This study is based on well known or already estimated analytical methods. So, this study is conclusion oriented. This study has various limitations. It does not concern much with fundamental basic decision oriented research. The other limitations of the study are as follows:

- 1) Only ten commercial banks are selected.
- 2) The whole study is based on secondary data from the respective banks and has collected from their websites.
- 3) The study covers only five years period that is F/Y 2012/13 to 2016/17
- 4) This study is conducted only for suggestion not for directing.

1.6 Organization of the Study

The study has been organized into five chapters. The First Chapter consist of background of the Study, statement of problem, importance of the study, research gap and limitation of the study which is already mentioned. Second Chapter, is devoted to theoretical analysis and brief review of related and pertinent literature available. It includes a discussion on the conceptual framework and review of major studies. Third Chapter describes the research methodology employed in the study. This chapter deals with the nature and sources of data, list of the selected companies, the model of analysis, meaning and definition of statistical tools. Forth Chapter of Study deals with the presentation and analysis of secondary data to indicate quantitative facts on investment portfolio of commercial banks. It consist different models and presentation of result in suitable diagram and also descriptive analysis. Fifth Chapter includes summary, conclusion and recommendation of the study. This chapter presents the major findings and compares them with theory and other empirical evidence to the extent possible.

CHAPTER - II

Review of Literature

Portfolio is the composite set of ownership rights to financial assets in which the investor wishes to invest. Portfolios are thus, composed of securities and their expected return and risk of their component securities. This chapter is considered to the review of major related literature about the investment portfolio in more details and descriptive manner. It provides the foundation for developing a comprehensive theoretical framework to the field of research in order to explore the true facts for the reporting purpose.

2.1 Conceptual Review

Conceptual review of various different literature provided by different authors, research scholars etc. have been presented in the following sections:

2.1.1 Commercial Bank

Commercial bank has main role in the economic development. For economic development, commercial bank should mobilize then collection towards the profitable, secured & marketable sectors.

The income & profit of the bank depend upon the lending procedure applied by the bank as well as lending policy & investment in different securities also affect the income & profit in the investment procedures & policies it is always taken in MMD that “the greater the credit created by the bank-Higher will be the profitability.” Sound policies help commercial banks to maximize quality & quantity of investment and thereby: achieve the own objective of profit maximization & social welfare.

2.1.2 Investment

Investment can be defined as sacrifice of present consumption with expectation of return in future. Investment takes place at present but return can be expected in future but return is uncertain too. Uncertainty is measured by risk that why there is always involvement of risk in investment.

Investment usually involves putting money into abet, which is not necessarily marketable in order to enjoy a series of return the investment is expected to yield. On the other tend speculation is usually a shorter than phenomena. Speculators tend to buy assets with expecting of a profit that can be earned from subsequent price change & sale. Investments are usually made expecting a certain stream of income, which has existed, will not change in the future.

According to Gitman and Joehnk “ Investment is any vehicle into which fund can be placed with the expectation that will preserve or increase in value and generated positive returns.”

J.K. Fancies, “An investment is a commitment of money that is expected to generate additional money. Every investment entails some degree of risk, it requires a present certain sacrifice for a future uncertain benefits.”

“Investment is made in assets. Assets in all are of two types real assets (land, building, factures etc.) and financial assets (stock, bond, t-bills etc.). These two investments are not competitive but complementary. Highly developed institutions for financial greatly facilitate real investment.”

(Bhattarai, 2004)

Investment Portfolio

Investment is putting money into something with the expectation of gain, usually over a longer term. This may or may not be backed by research and analysis. Most or all forms of investment involve some form of risk, such as investment in equities, property, and even fixed interest securities which are subject inflation risk.

According to Weston and Brigham “A portfolio simply represent the practice among the investor of having their funds in more than one assets. The combination of investment assets is called portfolio.”

Features of Sound Investment Policy:

The commercial banks are inspired with the goal of earning profit. There are many reasons after the goals of gaining profit. In order to reach their desired goals, they

profit must invest the resources. It is not better to keep the available resources idle. The bank should be able to clear the policy of its investment by making a deep study on the subjects that which sector would be the trust worthier & dependable to invest the funds collected in the bank, they should have the ability to use the policy of banking investment in its goal. The income and profit of the bank depends upon its investment policy & term Landry procedure of its funds in different securities. The greater the credit created by the bank the Higher will be the profitability. A sound bending & investment policy is not only prerequisite for the bank's profitability but also crucially significant for the promotion of commercial saving of a backward country like Nepal. Therefore, the following principles or features of investment policy must be abided by the commercial banks in order to achieve the goals.

A. Safety and Security

Commercial banks must pay a special attention to the principle safety and security. There will be a loss whether it is small or big, if the bank has not invested in secure and safe sectors; Investment in unsafe and insecure sectors with the hope of getting more return is to accept the security of low quality. The condition of unsafe arise when a bank invest in large loan against less securities by receiving commission, invests in new places without careful observation, landing to long-term borrowers etc. All these unsafe conditions should be avoided as much as possible. A bank should be very much conscious in investing procedures and profitable sectors. It should never invest its fund on those securities, which are subjected to too much for volatility (Depreciation are fluctuation) because a little alternation may cause a great loss. It must not invest its fund into speculative businessman, who may be bankrupt at once and who may earn millions in minute also. Only Commercial durable, marketable and high market valued securities should be accepted. For This purpose "MAST" should be followed, where MAST stands for:

- M - Marketable
- A - Ascertainable
- S - Stability
- T - Transferability

B. Profitability

The profit of commercial bank mainly depends on the interest rate, volume of loan and its time period and nature of investment in different securities. It is a fact that a commercial bank can maximize its volume of wealth through maximization of return on their investment and lending so, they must invest their funds where they gain maximum profit. Ambition of profit to commercial bank seem reasonable as the bank has to cover all the expenses and make payment in the forms dividend to the shareholder who contribute to build up to bank's capital and interest to the depositors. For This the bank calculates the cost of fund and likely return, if the spread is enough irrespective of risk involved and absorbs its liquidity. Obligation, it will go ahead for investment good bank is one who invest more of its fund in different earning assets standing. Safety from the problem of liquidity, i.e. keeping cash resurvey to meet day to day requirements of the depositors.

C. Liquidity

It is the position of the firm to meet current or short-term obligations. General public or customers deposit their saving at the banks in different accounts having full confidence of repayment by the banks whenever they require. To show a good current position and maintain the confidence of the customers, every firm must keep proper cash balance with then while investing in difference securities and granting loan from excess fund.

D. Purpose of Loan

This is very important question for any banker is that, why a customer is in need for loan. If borrower misused the loan granted by the bank, he can never repay. Therefore, in order to avoid This situation each and every bank should demand all the essential detailed information about the scheme of the project or activities would be examined before lending.

E. Diversification

"A bank should not lay all its eggs on the same baskets." This saying is very important to the bank and it should be always careful not to grant loan in only one sector. To minimize risk, a bank must diversify its investment on different sectors. Diversification of loan helps to sustain loss according to the law of average, if a

security of a company is divided of there may be an appreciation in the securities of other companies. In This way, the loss can be recovered.

F. Tangibility

A commercial bank should proper tangible security to an intangible one. Thought it may be considered that tangible property does not yield an income apart from intangible securities, which have lost their value due to price level inflation.

G. Legality

A commercial bank must follow the rules and regulation as well as different directions issued by Nepal Rastra Bank, Ministry of Finance, Ministry of law and other while mobilizing its funds. hiegal secretes will bring out any problems to investors.

2.2 Some Important Terms

The various sections in This study comprise some important banking terms. The efforts have been made to clarify the meaning, which are frequently used in This study are given below.

A. Loan and Advances

Loan, advances and overdraft are the main source of income for a bank. Bank deposit can cross beyond a desired level but the level of loans, advances and overdraft will never cross it.

B. Investment on Government Securities, Shares and Debentures

Though a commercial bank can earn some interest and dividend from the investment on government securities, shares and debentures, it is not the major portion of income, but it is treated as a second source of income of banking business. A commercial bank may extend credit by purchasing government securities bond and shares for several reasons.

Some of them are given as:

It may want to spare, its maturity so that the inflow of cash coincide, with expected withdrawals by depositors or large loan demands of it customers.

- It may also be forced to invest because the demand for loans of it decreased or is not sufficient to absorb its excess reserves.
- It may wish to have grade marketable securities to liquidate if its primary reserve becomes inadequate.

However, investment portfolio of commercial bank is established and maintained primarily with a view of nature of bank liabilities that since depositors may demand fund in great volume without previous notice to banks. The investment must be of a type that can be marketed quickly with little or no shrinkage in value.

C. Deposits

Financial institution collect deposits from the customers in various accounts, like: current account, saving account and fixed account. Therefore, the sums of money collected by the financial institutions from the depositors in various accounts are called deposits. Deposit is the main source of fund of the financial institutions.

D. Investment on Other Company's Share and Debenture

Due to excess funds and least opportunity to invest these funds in much more profitable sector and to meet the requirement of Nepal Rastra bank's directives many commercial banks have to utilize their funds to purchase shares and debentures of other financial and non-financial companies. Now-a- days most of the commercial banks purchase shares and debentures of regional development bank, NIDS and other development bank's Shares.

E. Other Use of Fund

A commercial bank must maintain the minimum bank balance with NRB i.e. 6% for fixed deposits and 8% for each of current and saving deposit account in local currency. Similarly 3% cash balance and local case balance, in local currency accounts must be maintained in the vault of the bank. Again a part of the fund should be used for bank balance in foreign bank and to purchase fixed assets like land, building, furniture, computers and stationary etc.

F. Off-balance Sheet Activities

Off-balance sheet activities involve contracts for future purchase sale of assets and all these activities are contingent obligations. These are not recognized, as assets are liabilities on balance sheet. Some good examples of these items are letter of credit (L/C), letter of guarantee, bins of collection etc. Now days, some economist and finance specialists to expand the modern, transaction of a bank stressfully Highlight sub activities.

2.2.1 NRB Rules and Regulation for Investment of Commercial Banks

NRB established in 2013 BS is the central banks of Nepal. Its determine role in economic plans and implementation in the country is major. The main objective of NRB are to manage the economic and financial transaction over the country. Systematically allocation and management and implementation economic factor over the sate is governed by NRB as a central; bank. All economic plans progress. Policy, strategies, implementation, evaluation made by government are performed under the direction of NRB. So, NRB is the bank of government works for the welfare of nation. Similarly NRB direct the bank and other financial institution too Plans, policies, direction, rules, regulations from NRB as a representative of government. To allocate and mobilized the deposits collected by commercial bank in different sectors' of different policies etc. In fact NRB controls the over the overall activities made by the commercial bank as well as establishment or operation or dissolution of banks. For so NRB has formulated Commercial Bank Act 2031 for the establishment and operation of commercial bank. Here the directions, rules, regulation, directed by NRB in terms of investment made by commercial bank are briefly mentioned below. (NRB Rules 2061)

1. Establishment of New Commercial Banks:

NRB has enhanced liberal policy for establishment of new commercial bank in Nepal. For such objectives of NRB has regulated the following direction.

- A minimum of Rs. 200 million of paid up capital is required for opening a new bank inside the Kathmandu Valley.
- Similarly, as per directions by NRB Rs. 120 million necessary for starting banking business out of Kathmandu.

- Rs. 50 million paid up capital are necessary for opening central office of bank out of Kathmandu.
- Commonly for establishing the commercial bank in rural areas NRB has directed Rs. 30 million as compulsory paid up capital.
- The investor can invest Ins/her its can be invested maximum up to 70% of total paid up to capital if the bank is promoted by domestic investor and 30% of paid up to capital should be as liquidity margin for repayment for certain deposits.
- For joint venture bank, foreign investor can invest minimum 40% of paid up capital and 50% as maximum. Such bank should manage 30% of paid up capital as floatation for general public.
- Individually, firm or company or groups of company can invest up to 110% of paid up capital.
- Application for the establishment of new banks are to be adopted with in the stipulated times fixed by NRB.

Portfolio Management Process:

Process of managing an investment portfolio never stops. Once funds are initially invested according to the plan, work in monitoring and updating the status of the portfolio and investor needs begins. Following are the steps for portfolio management process:

1. Policy statement construction: Usually focuses on investor's short-term and long-term needs, familiarity with capital market history, and expectations.
2. Investment Strategy: To examine current and projected financial, economic, political, and social conditions; it focuses on short-term and intermediate-term expected conditions to use in constructing a specific portfolio
3. Construct the portfolio according to the plan; it focuses on investors needs at minimum risk levels.
4. Feedback and continual monitoring: To monitor and update investor's needs, environmental conditions, and evaluate portfolio performance. (Reilly, K. and Brown, K2003)

2.3 Review of Literature

George (1952) has states that the investment and lending practices and policies of the commercial banking system change relatively slowly. Standards and practices which have proved successful in making loans to finance the production of goods and services or in investing funds in governmental and corporate securities continue to be utilized. Frequent modifications of lending practices are not needed since the financing needs of business and industry change slowly. Some change is, however, discernible. Some successful lending practices have been adapted to meet the new financing needs of industry and commerce. In some cases, new techniques of lending have been devised in order to extend credit to finance new types of business. The terms and conditions under which certain types of loans can be made have been altered by federal or state legislation. Changing tax policy has also influenced trends in investment practices.

Wasson (1966) has concluded that a great many factors may affect the policies which govern investment management of commercial banks. Investment policy would necessarily be a part of total operational policy and would need to contribute to general objective of the bank operation. For these reasons it is most difficult to separate investment from general operating policies for a banking institution. The factor which affects general operating policies of banks and investment policies could be quite numerous. There would be those factors outside the institution which would influence bank policies. For example, exogenous factors such as legislation, competition, economic environment and expectations for future would all affect general operating policy. Besides this study also point out numerous factors within the firm could affect operating policies like endogenous factors as experience of management personnel in bank operation, custom and tradition within the firm, and ultimate aims and objective of the managers would have a direct bearing on general policy and subsequent on investment policy.

Crosse & Hempel (1980) have found that Commercial banks bring into being the most important ingredient of the money supply demand deposits through the creation of credit in the form of loans & investment. Banks are the custodians of the community's money as well as the suppliers of its liquidity, since the study is

concerned with the investment activities of commercial in Nepal, we take in to consideration exclusively the sector that are required for & related to the same.

Shrestha, (1995), has explains Portfolio behavior of commercial banks sector of the economy including agriculture, industry, and commercial & social service sectors. The lending policy of commercial is based on the profit maximizing of the institution as well as the economic enhancement of the country. From above definition, it is clear that an investment means to trade a know rupee amount for some expected future steam of payment or benefits that will exceed currently outlay by an amount that will compensate the investor for the time of uncertainly involved in expected future cash flows. This investment is the most important function of commercial banks. It is very challenging task for commercial banks. So, a bank has to be very cautions while investing their funds in various sectors. The success of a bank heavily depends upon the proper management of its investable funds.

United Nations, New York and Geneva (2003) on its “Investment policy review on Nepal” point out the reasons that why despite the growth in the number of financial institutions over the past decade in Nepal, all is not well in the financial sector. The main constraint in the financial sector is not a shortage of commercial institutions or financial resources but rather institutional weaknesses and low standards of governance (UNIDO, *Vision 2020*, 2002). The two large, State-owned banks are saddled with bad loans, and many small banks are having difficulties with their balance sheets. In addition to corporate governance issues, commercial banks are also adversely affected by the compulsory lending to small borrowers in “priority sectors”. Commercial banks must devote 12 per cent of their lending to these loans, which entail interest rates below the market rate. However, compulsory lending is expected to be phased out within five years. Nepal’s capital market is still in a nascent stage of development, and therefore Nepal does not offer a wide array of options for investors. Joshi (2005) has found that the liquidity position of the EBL is comparatively better than NABIL & BOK. EBL has the highest cash & bank balance to total deposit, cash & bank balance to current assets ratio. Nabil bank has lowest liquidity position than that of other two banks. EBL has good deposit collection & has made enough investment on government securities but it is maintained moderate investment policy on loan & advances. From the analysis of assets management ratio or activity ratio in

this study, it concluded that EBL is comparatively average or in between successful in compared to Nabil & BOK. The total investment of EBL is in between in compared to other two banks. In analysis of profitability study found that, total interest earned to total outside assets of EBL is lowest at all, but overall analysis of profitability ratios. EBL is average profitability ratios; EBL is average profitable in comparison to other compared banks i.e. Nabil bank & BOK and From the view point of risk ratio, EBL has Higher capital risk but average of credit risk ratio in compared to Nabil & BOK.

Shrestha (2004) has stated that Bank is in good position to meet the daily cash requirement as bank has maintained the average cash & bank balance in respect to total deposit. The performance of NIBL regarding deposit collection granting loan & advance & investment is quite satisfactory but doesn't seem to follow definite policy. NIBL has not efficiently utilized its equity capital hence return on equity is not satisfactory because of lack of sound investment policy for mobilization of its equity capital. The analysis of coefficient of correlation in this study define, there is positive & significant relation between total deposit & loan and advances and current assets and current liabilities and loan and advances but there is negative and no significant relationship between outside assets & her profit.

Levisauskait (2010) has concluded that main points of passive portfolio management are holding securities in the portfolio for the relatively long periods with small and infrequent changes; investors act as if the security markets are relatively efficient; passive investors do not try outperforming their designated benchmark. The main points for the active portfolio management: active investors believe that there are mispriced securities or groups of securities in the market; the active investors do not act as if they believe that security markets are efficient; the active investors use deviant predictions – their forecast of risk and return differ from consensus opinions. Strategic asset allocation identifies asset classes and the proportions for those asset classes that would comprise the normal asset allocation. Strategic asset allocation is used to derive long-term asset allocation weights. The fixed-weightings approach in strategic asset allocation is used. Tactical asset allocation produces temporary asset allocation weights that occur in response to temporary changes in capital market conditions. The investor's goals and risk- return preferences are assumed to remain

unchanged as the asset weights are occasionally revised to help attain the investor's constant goals.

Alexander (2013), has stated that the investment portfolio is formed as a result of investment operations, which are the activities of the attachment of funds of the bank on a relatively long period of time in securities, real estate, the statutory funds of enterprises, collections, precious metals and other objects of investments, market value of which has the ability to grow and to bring the owner of interest income, dividends, profits from the resale and other direct and indirect revenues. Portfolio investment includes both financial and real investment. Financial investments - is investing in a variety of financial instruments such as securities, deposit accounts, special bank deposits, shares, shares, investment in the authorized capital of companies. Real investment - is to invest in tangible and intangible assets. By investing material objects belong: at home, buildings, equipment, precious metals, collections, and other commodity-material values. This group includes investment in reproduction and growth of fixed and current assets, which are implemented in the form of capital investment. Thus, the investment activities of a commercial bank is able to significantly strengthen the financial position of the institution through the establishment of a group of assets that the bank will provide at least the preservation of money, subject to the necessary conditions for investment income growth and capital stability.

Thirumalai & Uthaya (2014), have concluded that commercial banks form the most important part of financial intermediaries. Banks form a significant part of the infrastructure essential for breaking vicious circle of poverty and promoting economic growth. So from this study, it is known that the banks are not investing in the private company. This study's innovate idea is that it can be allowed up to 10% of its deposits to be invested in those sector too. It will induce the production level of many industries. And it also boosts up the operating profit. It helps in Industrial development and it increases standard of living. And this investment is must for the developing country like us for our development. It will also bring down the inflation rate prevailing in our country. So the money value will increase. This will enhance the development of our country in the nearby future.

Shakya (2014) has concluded that the banks with stable and predictable cash flows as well as limited investment opportunities should include more debt in their capital structure. Banks that face high uncertainty because of vigorous growth or the cyclical nature of their industries should carry less debt, so that they have enough flexibility to take advantage of investment opportunities or to deal with negative events. Eventually, it can be said that the capital structure has greater impact in profitability. To examine this principle, the present study has been accomplished.

Amatya (2017), has concluded that growth and stability of the banks mainly influences the capital structure of such banks. And the capital structure of the banks has substantial impact on profitability. Further, it is inferred that most investors are aware about the interest cost and risk that debt capital carries, and thus they have desired secured capital structure by financing through more equity capital. Among different choices, it is finally concluded that the management should give prior emphasis to minimize cost of capital for having sound capital structure.

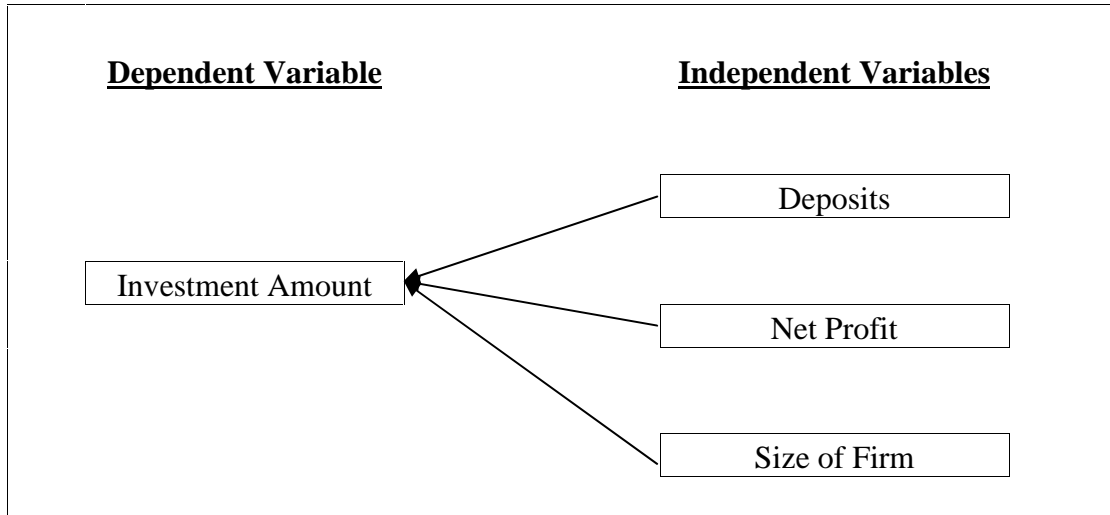
2.4 Concluding Remarks

The purpose of the research work is quite different from the studies made by other scholars (related to commercial bank). This study focuses in effectiveness in investment. Different financial & statistical tools have been used in this study. Among them, Correlation of Matrix of Variables and Regression Analysis are the strong financial tools. This study is a little bit different than previous studies. Markowitz (1959) showed that the variance of the rate of return was a meaningful measure of portfolio risk under a reasonable set of assumptions; this theory indicated the importance of diversifying the investments to reduce the total risk of the portfolio. CAPM which was developed by Sharpe (1964) and Linter (1965), this model will allow investors to determine the required rate of return for any risky assets. Most of the researcher has done research on investment portfolio but they are mainly concern with the rate of return but they don't have measure the relationship between investment and other variables. So this study will find out the real relationship between the investment with deposit, profitability, loan and advance and size of the bank.

2.5 Conceptual Framework

The conceptual framework shows the relationship between dependent variable (Investment) and independent variables. Independent variables are Deposits, Size of firm and Net Profit. The conceptual Framework is developed from the theoretical and literature presented in the following diagram;

Fig 2.1 : Conceptual Framework



Source: *Developed by Researcher (2018)*

CHAPTER - III

Research Methodology

Research methodology is the plan, structure and strategy of investigations conceived to answer the research question or test the research hypothesis and to control variance. Research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objective in view. It describes the methods and process applied in the entire subject of the study. It is the way to study systematically about the research problem.

In order to complete the report various methods has been applied. The data has been collected from secondary sources. Most of the information has been gathered through the use of annual report of selected commercial banks. In the same way other secondary information has been collected from brochures, newspapers, published documents, bank's website and other various websites. It includes research design, sample size and selection process, data collection procedure and data processing techniques and tools.

3.1 Research Design

The research design includes specification of the method of the purposed study and detailed plan for carrying out the study with various empirical data for the analysis of the problem. A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine reference to the research purpose with economy in procedure. The research design is followed to analyze the loan and investment portfolio of commercial banks. It is an integrated system that guides the researcher in formulating, implementing & controlling the study conceived so as to obtain answers to research questions & to control variance. The descriptive correlation and casual comparatives methods have been used to attain the overall objectives.

3.2 Population and Samples

Population refers to all items that have been chosen for the study. Population may be definite or infinite. A small portion chosen from the population for studying its properties is called sample. A sample is the representative of the population. Under the study of investment portfolio analysis of Nepalese commercial banks, the total no.

of commercial banks including domestic and joint venture banks operating in the Nepal is the population. At present there are 28 commercial banks running in Nepal which is the population size. Out of them, the selected sample banks for the analysis in this study are as follows:

Table: 3.1:

Selected sample banks

S. No	Name of Banks	Period Covered	Observation
1.	Nepal Investment Bank Ltd.	2012/13- 2016/17	5
2.	Nabil Bank Ltd.	2012/13- 2016/17	5
3.	Everest Bank Ltd.	2012/13- 2016/17	5
4.	Nepal SBI Ltd.	2012/13- 2016/17	5
5.	Himalayan Bank Ltd.	2012/13- 2016/17	5
6.	Nepal Bangladesh Bank Ltd.	2012/13- 2016/17	5
7.	Sunrise Bank Ltd.	2012/13- 2016/17	5
8.	Global IME Bank Ltd	2012/13- 2016/17	5
9.	Laxmi Bank Ltd.	2012/13- 2016/17	5
10.	Standard Chartered Bank Ltd.	2012/13- 2016/17	5
Total Observation			50

The Study considers only ten commercial banks of Nepal as sample for study purpose out of 28 banks which is 35.71%. The study consist 7 joint venture banks and 3 private domestic owned banks.

3.3 Nature and Sources of Data Collection

After defining the research design, how the work comes to define the sources of relevant data for the research study. Generally, Secondary data are sources of this study. On the other hand secondary data are those data that are collected by someone else or used already & made available to other in the form of published statistics such as annual reports, periodicals, newspapers, magazines etc. once a primary data is used, it loses its originality & becomes secondary. This study is mainly depends on the use of secondary.

This study is mainly depends on the use of secondary data that consists of annual reports of the concerned bank. However besides the annual reports various other sources of data have also been used for the purpose of the study. The main source of

secondary data comprises annual reports of concerned banks, related journals, newspapers, Internet, official publication, related studies and thesis etc.

3.4 Data Collection Procedure

The relevant data has been collected visiting the concerned banks, websites, Nepal Stock Exchange and Security Board of Nepal. The review of related study was based on textbooks, official publications, various journals etc.

3.5 Methods of Analysis and Presentation

The collected data during the Study is classified into different categories as per their nature and the purpose of the study. Later, they are thoroughly analyzed. The category of data was about to be descriptive cum analytical. The relevant data are presented in tabular form and their relationship will be shown in diagram. The data will be analyzed comparing them.

3.6 Model Specification:

For the Study of Investment Portfolio also researcher has formulated a regression model. The model helps to know the relationship between the dependent variable and independent variables.

The model:

$$\text{Log Inv}_{it} = \beta_0 + \beta_1 \text{Log TD}_{it} + \beta_2 \text{Log Size}_{it} + \beta_3 \text{Log NP}_{it} + e_i$$

Where,

$$\beta_0 = \text{Constant variable}$$

Log Inv_{it} = Log of Total Investment amount of the bank 'i' at the time of 't'

Log TD_{it} = Log of Total Deposit of the bank 'i' at the time of 't'

Log NP_{it} = Log of Net Profit of the bank 'i' at the time of 't'

Log Size_{it} = Log of Size of bank (Total Assets) of the bank 'i' at the time of 't'

3.7 Variables and Hypothesis

The dependent variable and independent variables have been used in this study are as follows;

3.7.1 Dependent Variables

Dependent variables are those, which indicate the profit position of the bank. The dependent variables are as follows;

Investment Amount

Investment is one of the major form of credit created to earn income. Investment is the current commitment of the saving that compensates for the time involved, the expected rate of inflation and uncertainty involved. Here, total consists of investment on government securities, loan and advances, investment and bonds and debenture shares in subsidiary companies shares in other companies and other investment. as they are presented on Balance Sheet is called Total Assets.

3.7.2 Independent Variables

The following independent variables have been used in this study;

Deposit Amount

Deposits are sum of the amount collected by banks from its customer in various accounts. Deposits are the main source of fund of the financial institution.

H₁: There is the Positive and significant relationship between the investment and Total deposits of the Banks.

Size of the Firm

Size of the firm is measured by Total Asset of the Bank. Total assets equals to the final amount of all gross investment, cash and equivalents receivables and other assets.

H₂: There is the positive and significant relationship between the investment and Size of the Firm.

Net Profit

Profit is a financial benefit that is realized when the amount of revenue gained from a business activity exceeds the expenses, costs and taxes needed to sustain the activity.

H₃: There is Positive and significant relationship between the investment and Net Profit.

Table 3.2

Summary of Variables

Symbol	Variable	Measurement	Expected Sign
Inv	Investment	Log of Investement	+
TD	Total Deposit	Log of Deposit	+
NP	Net Profit	Log of Net Profit	+
Size	Total Assets	Log of Total Assets	+

3.8 Data Analysis Tools

For achieving the objective of the Study various financial and Statistical tools have been used. The purpose of the Study is to evaluate the factors affecting the Investment of Commercial banks in Nepal. The Study uses a descriptive financial analysis, correlation and regression analysis to describing measure, compute the Investment of Commercial Banks. The calculations of data have been performed in Microsoft Excel 7.0.

CHAPTER - IV

Data Presentation and Analysis

This is the most important section of the research study. In this chapter data and information collected from different sources are classified, tabulated, analyzed and interpreted following the research methodology described in the third chapter. To achieve the objective of the research study collected data and information are presented and analyzed comparatively. The primary purpose of this chapter is to analyze and evaluate the major financial and statistical items which are directly related to the Investment Portfolio.

Under this chapter various statistical tools are used which are related to analyze the investment portfolio of the selected commercial banks.

4.1 Analysis of Data

4.1.1 Analysis of Total Investment of Sample Commercial Banks

Table 4.1 shows the total investment of sample commercial banks. It shows five years total investment. As per Bank wise, in average, Nabil Bank has the highest total investment, which is 26.85 Billion. Likewise, NBB has the lowest total investment among ten commercial banks that is 4.87 Billion. In the same way average total investment of NIBL, EBL, NSBI, HBL, Sunrise Bank, Global IME Bank, Laxmi Bank and SCB are 20.67 Billion, 12.21 Billion, 18.66 Billion, 17.44 Billion, 6.10 Billion, 11.83 Billion, 6.60 Billion and 14.80 Billion respectively.

Table: 4.1: Total Investments of Commercial Banks (Rs. 'In Billions')

F/Y	NIBL	Nabil	EBL	NSBI	HBL	NBB	Sunrise	Global	Laxmi	SCB	Mean
2012/13	11.44	16.33	9.26	25.91	12.99	3.10	2.45	5.55	5.34	12.75	21.03
2013/14	15.38	18.28	6.50	17.72	19.84	3.02	3.05	8.65	4.61	9.39	21.29
2014/15	21.46	30.97	15.10	9.32	17.11	5.75	7.26	10.72	6.39	13.12	27.44
2015/16	29.23	36.10	18.20	19.29	19.31	4.50	8.17	17.99	7.36	23.09	36.65
2016/17	25.62	32.59	11.96	21.04	17.93	7.99	9.55	16.23	9.30	15.63	33.57
Mean	20.62	26.85	12.21	18.66	17.44	4.87	6.10	11.83	6.60	14.80	139.98

Source: Annual Reports from 2012/13 to 2016/17 of the Sample Banks

Whereas year wise, in average, F/Y 2015/16 has been the year in which highest total investment are made by these ten commercial banks among the other years which is

of 36.65 Billion. Likewise, F/Y 2012/13 has been the year which lowest total investment are made by these ten commercial banks that is 21.03 Billion. In the same way average total investment of F/Y 2013/14, F/Y 2014/15 and F/Y 2016/17 are 21.29 Billion, 27.44 Billion and 33.57 Billion.

Figure 4.1

Total Investment of Commercial Banks (Mean)

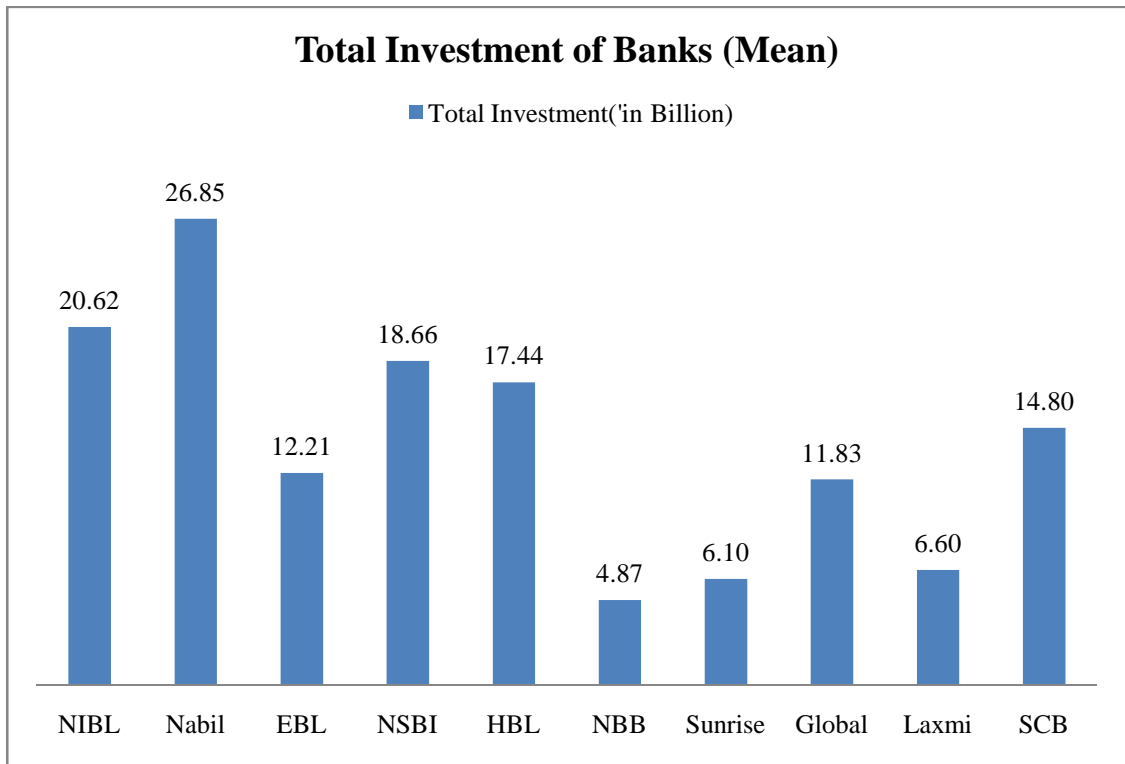


Figure 4.1 shows that in average, Nabil Bank has highest total investment that is 26.85 Billion and NBB has lowest total investment which is 4.87 Billion. In the same way total investment of NIBL, EBL, NSBI, HBL, Sunrise Bank, Global IME Bank, Laxmi Bank and SCB are 20.62 Billion, 12.21 Billion, 18.66 Billion, 17.44 Billion, 6.10 Billion, 11.83 Billion, 6.60 Billion and 14.80 Billion respectively.

Figure 4.2
Total Investment of Commercial Banks -Yearwise (Mean)

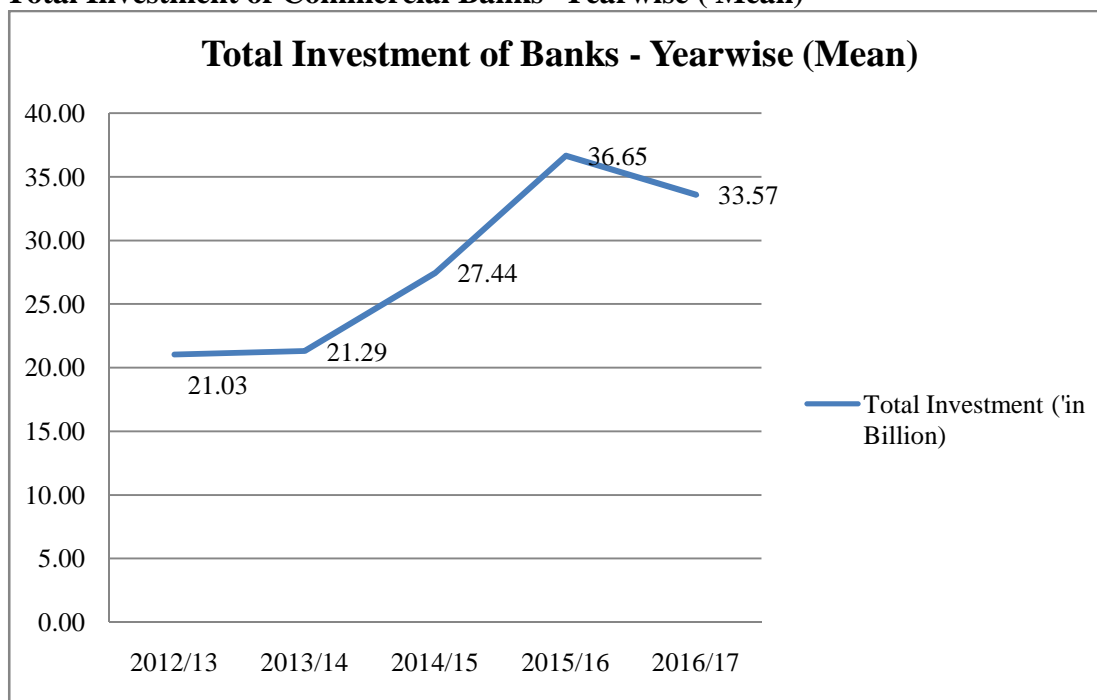


Figure 4.2 shows that in average, F/Y 2015/16 has been the year in which highest total investment was made by these ten commercial banks among the other years which is of 36.65 Billion. Likewise, F/Y 2012/13 has been the year in which lowest total investment was made by these ten commercial banks that is 21.03 Billion. In the same way average total investment of F/Y 2013/14, F/Y 2014/15 and F/Y 2016/17 are 21.29 Billion, 27.44 Billion and 33.57 Billion.

4.1.2 Analysis of Total Deposits of Sample Commercial Banks

Table 4.2 shows the total deposits of sample commercial banks. It shows five years total assets. As per Bank wise, in average, Nabil Bank has the highest total Deposits, which is 94.48 Billion. Likewise, NBB has the lowest total Deposits among ten commercial banks that is 32.18 Billion. In the same way average total deposits of NIBL, EBL, NSBI, HBL, Sunrise Bank, Global IME Bank, Laxmi Bank and SCB are 92.24 Billion, 78.35 Billion, 62.43 Billion, 74.30 Billion, 39.21 Billion, 64.63 Billion, 40.87 Billion and 52.53 Billion respectively.

Table: 4.2 Total Deposits of Commercial Banks (Rs. 'In Billions)

Year	NIBL	Nabil	EBL	SBI	HBL	NBB	Sunrise	Global	Laxmi	SCB	Mean
2012/13	62.43	63.61	57.72	59.13	53.07	17.75	23.27	34.11	25.94	39.47	87.30
2013/14	73.83	75.39	62.11	54.49	64.67	25.71	26.62	52.29	30.53	46.30	102.39
2014/15	90.63	104.24	83.09	51.63	73.54	33.83	33.49	60.18	40.15	57.29	125.61
2015/16	108.63	110.27	93.74	65.21	87.34	39.87	51.65	74.68	48.51	55.73	147.13
2016/17	125.67	118.90	95.09	81.66	92.88	43.71	61.01	101.91	59.19	63.87	168.78
Mean	92.24	94.48	78.35	62.43	74.30	32.18	39.21	64.63	40.87	52.53	631.21

Source: Annual Reports from 2012/13 to 2016/17 of the Sample Banks

Whereas year wise, in average, F/Y 2016/17 has been the year in which highest total Deposits are made by these ten commercial banks among the other years which is of 168.78 Billion. Likewise, F/Y 2012/13 has been the year which lowest total deposits are made by these ten commercial banks that is 87.30 Billion. In the same way average total investment of F/Y 2013/14, F/Y 2014/15 and F/Y 2015/16 are 102.39 Billion, 125.61 Billion and 147.13 Billion.

Figure 4.3:

Total Deposits of Commercial Banks (Mean)

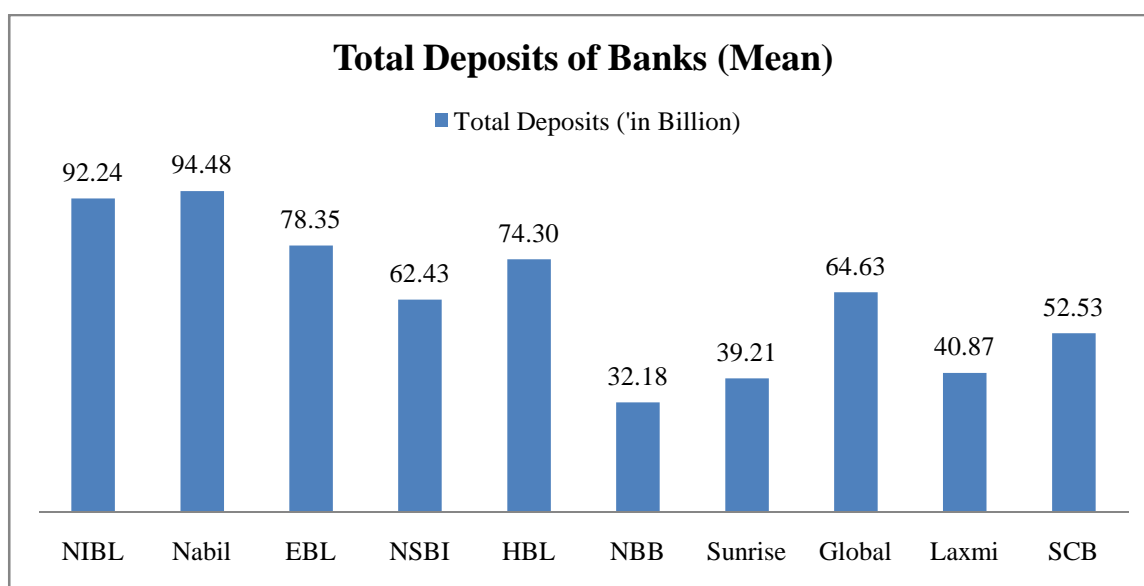


Figure 4.3 shows that in average, Nabil Bank has a highest total deposit that is 94.48 Billion and NBB has a lowest total deposit which is 32.18 Billion. In the same way total deposits of NIBL, EBL, NSBI, HBL, Sunrise Bank, Global IME Bank, Laxmi Bank and SCB are 92.24 Billion, 78.35 Billion, 62.43 Billion, 74.30 Billion, 39.21 Billion, 64.63 Billion, 40.87 Billion and 52.53 Billion respectively.

Figure 4.4:

Total Deposits of Commercial Banks -Yearwise (Mean)

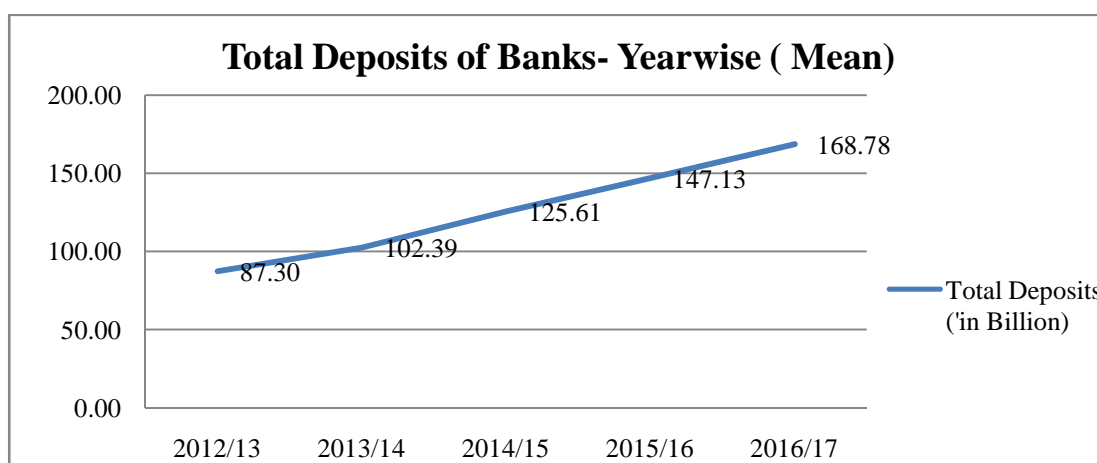


Figure 4.4 shows that in average, F/Y 2016/17 has been the year in which highest total deposits was collected by these ten commercial banks among the other years which is of 168.78 Billion. Likewise, F/Y 2012/13 has been the year in which lowest total deposits was collected by these ten commercial banks that is 87.30 Billion. In the same way average total deposits of F/Y 2013/14, F/Y 2014/15 and F/Y 2015/16 are 102.39 Billion, 125.61 Billion and 147.13 Billion.

4.1.3 Analysis of Total Assets of Sample Commercial Banks

Table 4.3 shows the total assets of sample commercial banks. It shows five years total assets. Bank wise, in average, NIBL has the highest Total Assets, which is 108.85 Billion. Likewise, NBB has the lowest Total Assets among ten commercial banks that is 39.15 Billion. In the same way average Total Assets of Nabil Bank, EBL, NSBI, HBL, Sunrise Bank, Global IME Bank, Laxmi Bank and SCB are 108.83 Billion, 93.15 Billion, 72.70 Billion, 87.92 Billion, 44.64 Billion, 74.61 Billion, 47.39 Billion and 61.32 Billion respectively.

Table: 4.3 Total Assets of Commercial Banks (Rs. 'In Billions)

Year	NIBL	Nabil	EBL	SBI	HBL	NBB	Sunrise	Global	Laxmi	SCB	Mean
2012/13	73.15	73.24	65.74	64.80	61.11	21.80	26.13	39.02	29.81	45.63	100.09
2013/14	86.17	87.27	70.45	61.08	73.59	30.87	29.66	60.54	34.98	53.32	117.59
2014/15	104.35	115.99	99.17	59.28	82.80	39.48	37.39	69.19	45.58	65.06	143.66
2015/16	129.78	127.30	113.89	78.52	99.86	46.68	58.56	87.70	55.19	65.19	172.53
2016/17	150.82	140.33	116.51	99.83	107.26	56.92	71.46	116.59	71.41	77.41	201.71
Mean	108.85	108.83	93.15	72.70	84.92	39.15	44.64	74.61	47.39	61.32	735.57

Source: Annual Reports from 2012/13 to 2016/17 of the Sample Banks

Whereas year wise, in average, F/Y 2016/17 has been the year in which total assets was highest of these ten commercial banks among the other years which is of 201 Billion. Likewise, F/Y 2012/13 has been the year in which total assets lowest of these ten commercial banks that is 87.30 Billion. In the same way average total assets of F/Y 2013/14, F/Y 2014/15 and F/Y 2015/16 are 102.39 Billion, 125.61 Billion and 147.13 Billion.

Figure 4.5:

Total Assets of Commercial Banks (Mean)

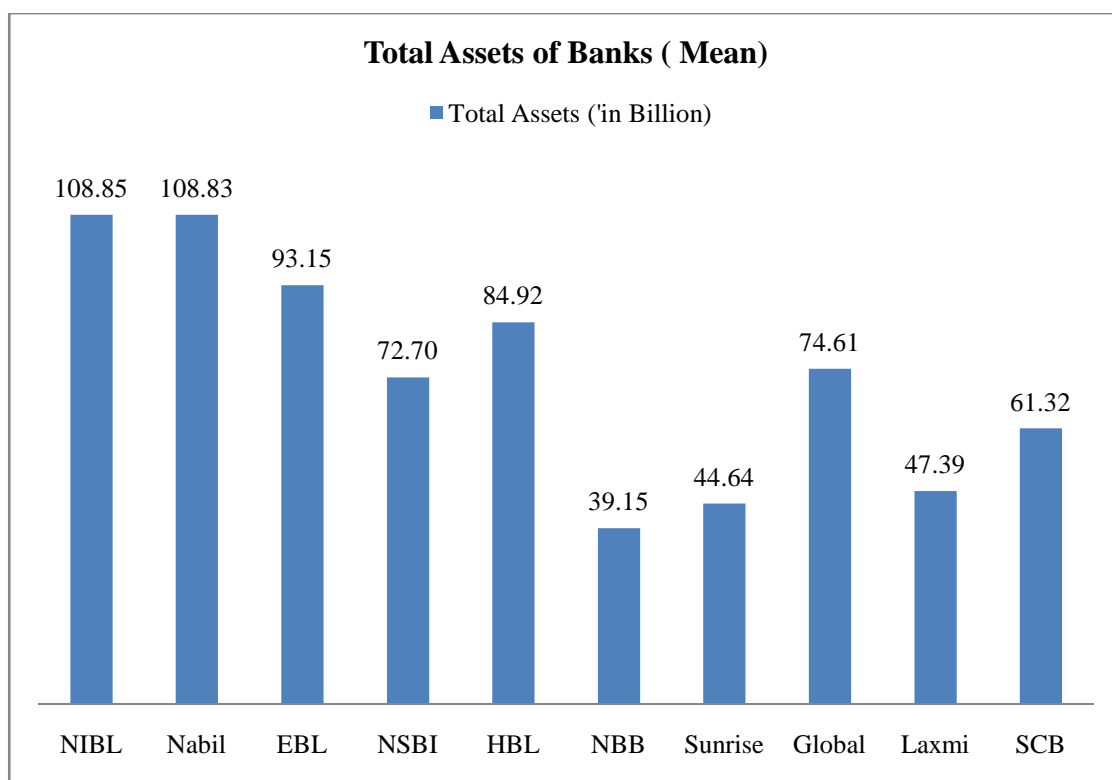


Figure 4.5 shows that in average, NIBL Bank has a highest total asset that is 108.85 Billion and NBB has a lowest total asset which is 39.15 Billion. In the same way total assets of Nabil, EBL, NSBI, HBL, Sunrise Bank, Global IME Bank, Laxmi Bank and SCB are 108.83 Billion, 93.15 Billion, 72.70 Billion, 87.92 Billion, 44.64 Billion, 74.61 Billion, 47.39 Billion and 61.32 Billion respectively.

Figure 4.6
Total Assets of Commercial Banks - Yearwise (Mean)

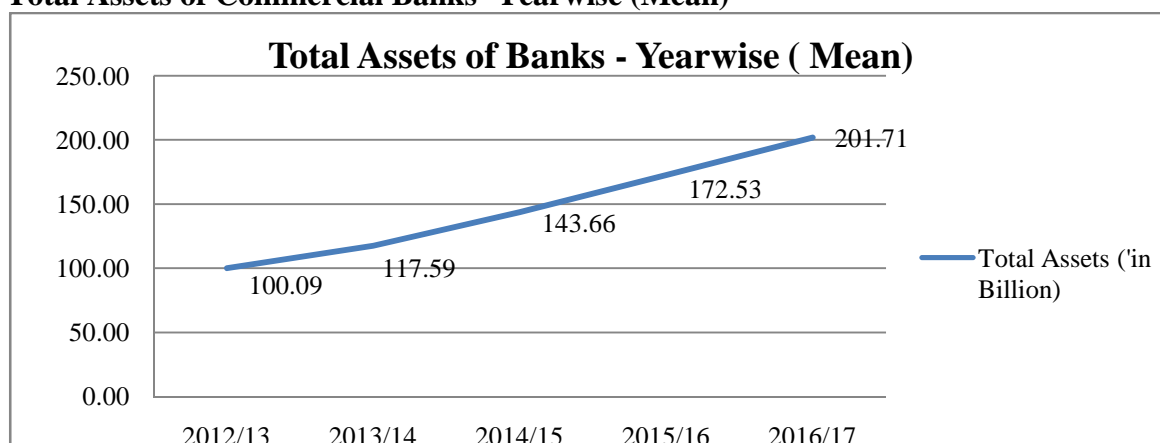


Figure 4.6 shows that in average, F/Y 2016/17 has been the year in which total assets was highest of these ten commercial banks among the other years which is of 201 Billion. Likewise, F/Y 2012/13 has been the year in which total assets lowest of these ten commercial banks that is 87.30 Billion. In the same way average total assets of F/Y 2013/14, F/Y 2014/15 and F/Y 2015/16 are 102.39 Billion, 125.61 Billion and 147.13 Billion.

4.1.4 Analysis of Net Profit of Sample Commercial Banks

Table 4.4 shows the Net profit of commercial banks. It shows five years net profit. Bank wise, in average, Nabil Bank has a highest net profit that is 2.61 Billion and Sunrise and Laxi has a lowest net profit which is 0.63 Billion. In the same way total loan of NIBL, EBL, NSBI, HBL, NBB, Global IME Bank and SCB are 2.30 Billion, 1.67 Billion, 1.12 Billion, 1.43 Billion, 0.95 Billion, 1.16 Billion and 1.32 Billion respectively.

Table 4.4: Net Profit of Commercial Banks (Rs. 'In Billions)

Year	NIBL	Nabil	EBL	SBI	HBL	NBB	Sunrise	Global	Laxmi	SCB	Mean
2012/13	1.92	2.22	1.47	0.77	0.94	0.78	0.31	0.45	0.42	1.22	2.10
2013/14	1.94	2.32	1.55	0.92	0.96	0.74	0.25	0.99	0.48	1.34	2.30
2014/15	1.96	2.09	1.57	1.07	1.11	0.81	0.47	0.96	0.43	1.31	2.36
2015/16	2.55	2.82	1.73	1.33	1.94	1.20	0.95	1.38	0.73	1.29	3.18
2016/17	3.11	3.61	2.01	1.52	2.18	1.20	1.18	2.01	1.08	1.42	3.86
Mean	2.30	2.61	1.67	1.12	1.43	0.95	0.63	1.16	0.63	1.32	13.80

Source: Annual Reports from 2012/13 to 2016/17 of the Sample Banks

Whereas year wise, in average, F/Y 2016/17 has been the year in which highest net profit was obtained by these ten commercial banks among the other years which is of 3.86 Billion. Likewise, F/Y 2012/13 has been the year in which lowest net profit was obtained by these ten commercial banks that is 2.10 Billion. In the same way average net profit of F/Y 2013/14, F/Y 2014/15 and F/Y 2015/16 are 2.30 Billion, 2.36 Billion and 3.18 Billion.

Figure 4.7

Net Profit of Commercial Banks (Mean)

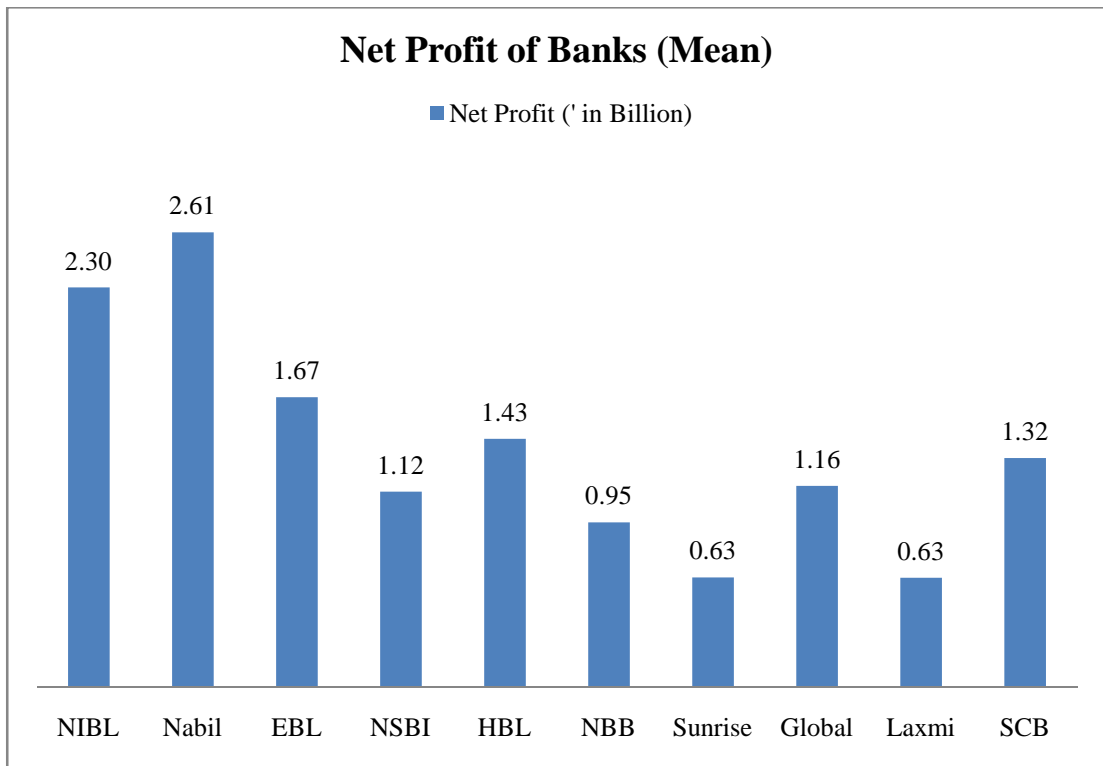


Figure 4.7 shows that in average, Nabil Bank has a highest net profit that is 2.61 Billion and Sunrise and Laxi has a lowest net profit which is 0.63 Billion. In the same way total loan of NIBL, EBL, NSBI, HBL, NBB, Global IME Bank and SCB are 2.30 Billion, 1.67 Billion, 1.12 Billion, 1.43 Billion, 0.95 Billion, 1.16 Billion and 1.32 Billion respectively.

Figure 4.8

Net Profit of Commercial Banks -Yearwise (Mean)

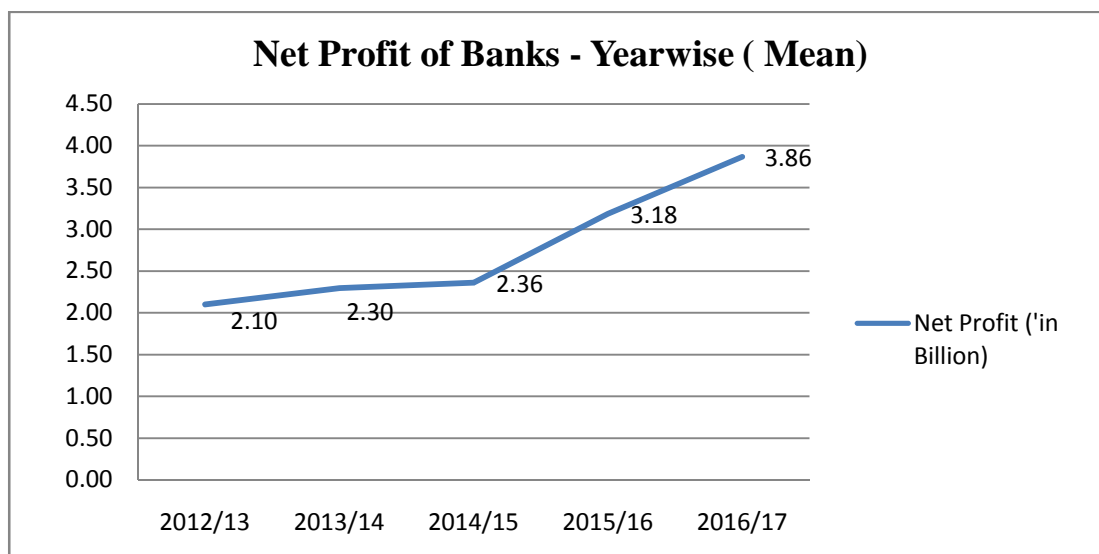


Figure 4.8 shows that in average, F/Y 2016/17 has been the year in which highest net profit was obtained by these ten commercial banks among the other years which is of 3.86 Billion. Likewise, F/Y 2012/13 has been the year in which lowest net profit was obtained by these ten commercial banks that is 2.10 Billion. In the same way average net profit of F/Y 2013/14, F/Y 2014/15 and F/Y 2015/16 are 2.30 Billion, 2.36 Billion and 3.18 Billion.

4.2 Descriptive Statistics

Table 4.5 presents the descriptive statistics of both dependent variable i.e. Total Investment and independent variables which are Deposits, Size of Firm and Net Profit.

Table 4.5

Descriptive Statistics of Variables

Variables	No. of observation	Minimum	Maximum	Mean	Std. Deviation
Investments	50	2.45	36.10	14.00	8.25
Deposits	50	17.75	125.67	63.12	26.57
Size of Firm	50	21.80	150.82	73.56	31.52
Profit	50	0.25	3.61	1.38	0.74

Source: Result are drawn from Microsoft Excel 7.0

Table 4.5 indicates that mean value and standard deviation of Investment are 14 and 8.25 respectively with the maximum value of investment 36.10 which was made by Nabil Bank in Fiscal Year 2015/16 and minimum value of investment 2.45 which was made by Sunrise Bank in Fiscal Year 2012/13. Likewise, Deposits mean value and standard deviation of Investment are 63.12 and 26.57 with the maximum value of Deposits 125.67 which was collected by NIBL in Fiscal Year 2016/17 and minimum value of Deposits is 17.75 which was collected by NBB in Fiscal Year 2012/13.

Similarly, mean value and standard deviation of Size of Firm are 73.56 and 31.52 with the maximum value of Size 150.82 which was of NIBL in Fiscal Year 2016/17 and minimum value of Size of Firm is 21.80 which was of NBB in Fiscal Year 2012/13. Likewise, mean value and standard deviation of Net Profit are 1.38 and 0.74 with the maximum value of Net Profit 3.61 which was of Nabil Bank in Fiscal Year 2016/17 and minimum value of Net Profit is 0.25 which was of Sunrise Bank in Fiscal Year 2013/14.

4.3 Correlation Analysis

Table 4.6 presents the correlation of matrix of dependent variable i.e. Total Investment with independent variables which are Deposits, Size of Firm and Net Profit.

Table 4.6: Correlation Matrix of Variables (n=50)

	Investment	Total Deposit	Size of Firm	Net Profit
Investment	1			
Total Deposit	0.8887	1		
Size of Firm	0.8822	0.9976	1	
Net Profit	0.7727	0.8579	0.8721	1

Source: Result are drawn from Microsoft Excel 7.0

Table 4.6 shows the correlation analysis done by using Pearson's correlation coefficients. In this correlation matrix, Investment is taken as a dependent variable. Pearson's correlation model is used to show the relationship among the variables and 2-tailed test is used to measure the significance. The result shows that Investment is positively correlated with deposits, Size of the firm and Net Profit.

4.4 Regression Analysis

Regression Analysis shows the relation between Total Investment and Predictors (Deposits, Size of Firm and Net Profit). The objective of study is to explore the certain Predictors significantly affects the Total Investment of the banks. Following table shows the result of the Study.

Table 4.7: Regression Results

Model	Standardized coefficient		t-value	P-value
	Coefficients	Standard Error		
Constant	-3.545	1.142	-3.105	0.003
Deposits	3.158	1.526	2.070	0.044
Size	-1.999	1.586	-1.261	0.214
Net Profit	0.139	0.164	0.849	0.400
R Square	0.797			
Adjusted R Square	0.784			
F - Value	60.28			
F - Significance	0.000			

Source: Result are drawn from Microsoft Excel 7.0

In the above table dependent variable is investment amount and independent variables used in the model are deposits, profitability and size of the firm.

The table shows that the adjusted R square is 79.7% which explains that this regression model is good fit i.e. that gives good explanation on its dependent variables through its independent variables. The regression result from adjusted R square indicates that 79.7% of the variation in Investment is determined by this independent variable. This shows that dependent variable (Investment) is 79.7% explained by the independent variables used in the model and rests are explained by other variables.

Also the f-static is significant at the level of 1 percent, which means that the independent variable is able to explain the dependent variable that is in statistically meaning dependent variable (Investment Amount) is perfectly correlated with the independent variables (Deposits, Size and Net profit). Therefore, from the overall

model which is determined by the F-statistic probability zero leading to the rejection of the null and indicates that the overall model is significant at the level of 1% & 5%.

Besides that given table also helps to explain the relationship with depend variable with independent variables which says Deposit has the positive relationship with the investment which indicates that as 1% increase in deposits leads to 3.158% increase in the investment and is statistically significant. Likewise, Size has negative relation with the dependent variable which explains, 1% increase in Size of Firm leads to 1.999% decrease on investment but it is statistically insignificant.

In similar way, Profitability has the positive relation with the Investment and its explains, 1% increase in Profit will leads to 0.139% increase in Investment but it is also statistically insignificant.

4.5 Major Findings

Some major findings of the Study are as follows:

-) Nabil Bank has the high Total Investment than other commercial banks and Nepal Bangladesh Bank has the lower Total Investment in comparison to sample commercial banks. NIBL, Nabil Bank, EBL, Sunrise Bank and Global IME Bank have increasing trend on their Portfolio Investment. Whereas, Nepal SBI Bank, HBL, NBB, Laxmi Bank and SCB has fluctuating trend in case of Portfolio of investment.
-) Fiscal Year 2015/16 been the year in which these commercial banks has maximize its Portfolio of Total Investment and Fiscal Year 2012/13 has been the year in which banks has minimum Portfolio of Total Investment.
-) In average, Nabil Bank has the highest Total Deposits and NBB has the lowest Total Deposits among sample commercial banks. F/Y 2016/17 has been the year in which highest total deposits was collected by these ten commercial banks among the other years and F/Y 2012/13 has been the year in which lowest total deposits was collected by these sample commercial banks.
-) NIBL Bank has a highest Total Asset in average and NBB has a lowest total asset in average. F/Y 2016/17 has been the year in which total assets was highest of these sample commercial banks among the other years which is of

201 Billion. Likewise, F/Y 2012/13 has been the year in which total assets lowest of these sample commercial banks.

) In average, Nabil Bank has a highest net profit and Sunrise and Laxmi has a lowest net profit. In average, F/Y 2016/17 has been the year in which highest net profit was obtained by these sample commercial banks and F/Y 2012/13 has been the year in which lowest net profit was obtained by these sample commercial banks.

) The Descriptive Statistics shows Mean and Standard Deviation of Investment is 14 Billion and 8.25 Billion. Likewise mean of Deposits, Size of Firm and Net Profit are 63.12 Billion, 73.56 Billion and 1.38 Billion.

) The Correlation Analysis shows Investment is positively correlated with deposits, Size of the Firm and Profit.

) The Regression Analysis shows that overall model is significant. There is positive relationship of Investment with Deposit and that is statistically significant. In same way, Size of firm has inverse relationship with Investment but statistically insignificant. Likewise, there is positive relation of investment with Profit but that is statistically insignificant.

CHAPTER - V

Summary, Conclusion and Recommendations

5.1 Summary

Bank is an institution whose main function is to accept deposit and invest it. Bank collects money from public by providing attractive sound interest and can earn profit by lending it on mainly in business organization, industrial, agricultural sectors etc. So, we can say the main task of commercial bank is to mobilize idle resources in productive areas by collecting it from scattered sources and generating profit. Banking plays significant role in the economic development of country. Banks role as intermediaries channeling between saving and investment and fulfill the credit needs of customer as well as investment requirement of savers. It is clear that efficient and stable banking systems are crucial for an orderly economic growth. The pace development of country largely depends on the level of financial development.

In the context of Nepal commercial banks are the only financial institutions, which can play very important role in the resource mobilization for the economic development in the country. Commercial bank occupies greater role in the economic development by generating the saving towards the desired sectors from one place to another, communicating with its branches and agencies in different parts of the country.

A portfolio simply represents practice among investor of having their funds in more than one asset. The combination of investment asset is called a portfolio. The investment portfolio should be carefully analyzed so that the investment should ensure minimum risk and maximum profit. So, commercial banks should incorporate several elements such as regulatory environment, the availability of funds, the selection of risk, investment portfolio balance term structure of the liabilities etc.

The investment operation of commercial bank is risky affair. It is the most important factor for the shareholders and bank management. For this, commercial bank has to pay due consideration while formulating their investing policy. A healthy development of any commercial depends upon its investment policy.

The objective of the study was to examine the existing investment position and its predictors of commercial banks in Nepal. This study assesses the relationship between investment position and its predictors of commercial banks in Nepal. This study evaluates the factors affecting investment of commercial banks in Nepal. To achieve the objective of the study, descriptive and casual comparative research design has been employed. In this study, ten commercial banks are taken as sample out of total population of 28. The study period covered five fiscal years from F/Y 2012/13 to F/Y 2016/17 which was based on secondary data. The data had been obtained from annual reports and financial statement of respective banks websites.

5.2 Conclusion

Commercial Banks play very important role in the economic life of the nation. Commercial Bank has played important role in developing the economy of the nation. The performance of the bank leads to the improvement of the national economy. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. Good management of investment portfolios of the banks will improve their financial position, which in turn will make it better able to serve our customers optimally, leading to increased productivity and effectiveness of banking services and more able to keep up with economic development and global competition. Proper portfolio management helps to improve the financial position of the bank.

Investment is the major essence of every commercial bank. The formulation and implementation of sound investment policies are among the most important responsibilities of the bank management. Therefore, the main objective of this study are to assess and evaluate the investment policy and strategy adopted by the commercial banks of Nepal. This study explores the impact of internal and external determinants on the investment policy of the commercial banks in Nepal for fiscal years 2012/13 to 2016/17. The descriptive and casual comparative research designs have been adopted for the study. From the study, it is concluded that average investment of Nabil bank has highest investment, which indicates the bank is efficient on utilizing its assets properly to generate profit. NIBL, Nabil Bank, EBL, Sunrise Bank and Global IME Bank have increasing trend on their Portfolio Investment.

Fiscal Year 2015/16 has been the year in which these commercial banks have maximized its Portfolio of Total Investment. The investment portfolio of NBB Bank is lowest amongst all commercial banks which seem unsatisfactory and they should focus on this matter.

The dependent variable used in this study is investment and independent variables used are Deposits, Size of the firm and Net Profit. The regression model reveals that there is positive relationship of Investment with Deposit and is statistically significant. Size of the firm have negative relation with the dependent variable and indicates statistically insignificant. In the same way Profitability has the positive relation with the investment but it is also statistically insignificant. It states that when the Profit of Firm increase then the investment will also rises. Deposit has the positive relationship with the investment which indicates that as deposits increases the investment amount get increases and is statistically significant.

5.3 Recommendations

The investment portfolio should be carefully analyzed so that the investment should ensure minimum risk and maximum profit. Commercial banks play a dominant role in the money and capital markets. Thus the importance of commercial banks has emerged as a prime component of the financial system and has a large impact on the economy. Banks in addition to the official reserves and to the assets related to monetary policy operations hold other investments in financial instruments and in real estate. The commercial banks must have clear investment policy on different securities.

Based on the findings of this study, the following suggestions are recommended;

1. Nepal Bangladesh Bank Ltd. has low investment compared to other banks which indicates that the investment of the Nepal Bangladesh Bank is not satisfactory. It is recommended Nepal Bangladesh Bank Ltd. must focus on their Investment Portfolio and must have clear investment policy on different securities.

2. Nepal SBI Bank, HBL, NBB, Laxmi Bank and SCB have high variation on its investment which indicates lack of proper investment planning. Hence, it is recommended that these banks shall focus on maintaining Investment Portfolio.
3. Sunrise Bank Ltd. has lowest credit deposits compared to other commercial banks which shows do not have sufficient deposits so it should provide attractive package to the customers to increase the credit deposits.
4. Sunrise Bank Ltd. has low profit compared to other commercial banks, which indicates that this bank hinders to expand its business and to absorb any unforeseen shock. So, as to increase the profit for the bank, the bank should formulate new strategies for serving customers for their high satisfaction in a more convenient and satisfactory way by utilizing the modern technology.
5. Commercial banks must increase its Deposit and Profit in order to increase its investment. Investment is directly related to the Deposit and Profit of the firm, thus commercial bank must focus to increase these items in order to increase the investment of the bank.

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Appendix – 1
Data of Banks

Bank	F/Y	Investments	Deposits	Size of the Firm	Profit
NIBL	2012/13	11,435,268,171	62,428,845,372	73,152,154,761	1,915,027,932
NIBL	2013/14	15,383,529,110	73,831,375,915	86,173,927,574	1,939,612,344
NIBL	2014/15	21,462,587,744	90,631,486,765	104,345,436,413	1,961,852,380
NIBL	2015/16	29,226,761,943	108,626,641,994	129,782,705,314	2,550,883,563
NIBL	2016/17	25,615,645,263	125,669,354,732	150,818,033,554	3,114,131,140
Nabil	2012/13	16,332,043,012	63,609,808,199	73,241,448,431	2,219,017,709
Nabil	2013/14	18,276,752,741	75,388,790,862	87,274,619,480	2,319,631,032
Nabil	2014/15	30,972,487,414	104,237,910,083	115,986,529,080	2,093,813,607
Nabil	2015/16	36,098,549,503	110,267,271,749	127,300,195,373	2,819,333,752
Nabil	2016/17	32,593,660,420	118,896,156,802	140,332,060,182	3,613,200,322
EBL	2012/13	9,263,858,419	57,720,464,632	65,741,150,457	1,471,117,291
EBL	2013/14	6,504,185,769	62,108,135,754	70,445,082,845	1,549,698,560
EBL	2014/15	15,102,674,197	83,093,789,957	99,167,293,660	1,574,352,443
EBL	2015/16	18,198,739,944	93,735,480,708	113,885,046,402	1,730,207,025
EBL	2016/17	11,964,561,347	95,094,461,030	116,510,445,575	2,006,247,780
SBI	2012/13	25,906,119,814	59,125,729,453	64,796,152,822	771,471,129
SBI	2013/14	17,722,395,654	54,492,993,606	61,082,972,355	922,984,007
SBI	2014/15	9,319,697,947	51,628,221,954	59,277,290,453	1,065,436,141
SBI	2015/16	19,291,309,392	65,213,519,724	78,515,345,284	1,331,881,801
SBI	2016/17	21,043,220,481	81,664,548,665	99,828,627,912	1,523,237,401
HBL	2012/13	12,992,044,772	53,072,319,487	61,113,501,223	943,697,990
HBL	2013/14	19,842,060,285	64,674,848,295	73,589,845,698	959,107,241
HBL	2014/15	17,113,389,432	73,538,200,185	82,801,550,614	1,112,285,716
HBL	2015/16	19,306,073,338	87,335,785,849	99,863,008,080	1,935,907,634
HBL	2016/17	17,929,265,339	92,881,114,255	107,255,479,966	2,178,234,893
NBB	2012/13	3,104,021,310	17,751,824,342	21,801,801,490	778,645,431
NBB	2013/14	3,020,117,579	25,706,915,697	30,873,612,915	742,342,538
NBB	2014/15	5,754,939,170	33,832,696,025	39,483,572,200	813,976,568
NBB	2015/16	4,499,286,240	39,874,233,993	46,684,253,432	1,198,297,230
NBB	2016/17	7,994,961,840	43,713,193,739	56,919,851,776	1,200,381,901
Sunrise	2012/13	2,453,580,695	23,270,603,296	26,128,839,533	311,609,037
Sunrise	2013/14	3,054,741,181	26,616,667,279	29,661,322,460	246,772,655
Sunrise	2014/15	7,259,794,085	33,486,669,059	37,388,814,893	470,857,056
Sunrise	2015/16	8,172,424,320	51,650,280,064	58,559,206,081	951,378,476
Sunrise	2016/17	9,553,575,293	61,013,263,534	71,455,686,094	1,176,088,732

Bank	F/Y	Investments	Deposits	Size of the Firm	Profit
Global	2012/13	5,548,946,217	34,111,465,761	39,018,489,785	449,218,454
Global	2013/14	8,648,745,173	52,292,058,154	60,535,759,012	986,132,083
Global	2014/15	10,717,061,403	60,175,983,690	69,186,488,883	960,608,067
Global	2015/16	17,990,717,999	74,682,917,216	87,701,310,349	1,382,223,998
Global	2016/17	16,234,602,545	101,910,484,607	116,592,269,147	2,006,159,460
Laxmi	2012/13	5,339,692,027	25,943,597,898	29,807,673,526	423,274,548
Laxmi	2013/14	4,611,980,009	30,529,615,973	34,983,500,486	481,460,812
Laxmi	2014/15	6,387,795,062	40,154,205,418	45,580,211,937	430,806,820
Laxmi	2015/16	7,362,343,629	48,513,046,267	55,194,304,207	730,030,401
Laxmi	2016/17	9,302,621,075	59,190,945,998	71,406,157,330	1,081,411,100
SCB	2012/13	12,753,518,240	39,466,453,239	45,631,100,342	1,217,940,754
SCB	2013/14	9,391,378,664	46,298,532,040	53,324,102,172	1,336,589,187
SCB	2014/15	13,120,062,528	57,286,482,037	65,059,044,079	1,310,351,917
SCB	2015/16	23,094,621,556	55,727,178,456	65,185,732,479	1,292,494,632
SCB	2016/17	15,632,025,143	63,872,885,452	77,408,597,693	1,421,596,136

Appendix – 2

Banks Profile

1. Nepal Investment bank ltd (NIBL)

Nepal Investment Bank Ltd (NIBL), previously Nepal Indosuez bank ltd was established in 1986 as a joint venture between Nepalese and French partners. The name of the bank has been changed to Nepal investment Bank ltd. Upon approval of bank's annual General meeting, Nepal Rastra Bank and company Registrar's office with the following shareholding structure.

- Z A group of companies holding 56% of capital.
- Z Rastriya Bima Company holding 12% of capital.
- Z Remaining 31% being held by General public.

NIBL managed by a team of experienced bankers, professional and businessmen. NIBL sures that customer's choice be guided among other things by its reliability and professionalism..A banker, a premier financial journal published by financial times of London has announced NIBL as the whiner of "Bank of the year" 2003, 2005 and 2008.not only it ,NIBL also awarded by ICAN" Best presented accounts awards "2006. It also bagged the prestigious Financial Times', "Bank of the Year Award - 2016". This is the fifth time the Bank has honoured such a prestigious international award.

2. Nabil Bank Limited

Nabil Bank limited is the first joint venture bank of Nepal. It started operations in July 1984, Nabil was incorporated with the objective of extending international standard modern banking services to various sector of the society pursuing its objective, Nabil provides a full range of commercial banking services through its 19 points of representation across Nepal and over 170 reputed correspondent banks across the globe. Nabil is come as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking in story of Nepal. It started an era of modern banking with customer satisfaction, measured as a focal objective while doing business. Operation of the bank including day to day operations and risk management are managed by highly

qualified and experienced management team. Bank is fully equipped by modern technology which includes ATMs, credit Card, state of art, and world renowned software from Infosys technologies system. Bangalore, India, Inter banking system and tele-banking system. Financial times of London have announced Nabil Bank Ltd as the winner of the "Bank of The Year" 2004. And Nabil Bank has been conferred the "Best Managed Commercial Bank Award 2016" at the 3rd Newbiz Business Conclave held on August 19, 2016.

3. Everest Bank Limited

Everest Bank Limited is established on 1994 with joint venture with Nepalese partner and Punjab National Bank. Punjab National Bank (PNB), joint venture partner (holding 20% equity) is the largest nationalized bank in India having presence virtually in all important centers.

Everest Bank Limited (EBL) is a name you can depend on for professionalized & efficient banking services, Catering to more than 8.5 lacs customers. Everest Bank Limited (EBL) provides customer-friendly services through its wide Network connected through ABBS system, which enables customers for operational transactions from any branches. The bank has 64 Branches, 94 ATM Counters, 2 extension counter & 26 Revenue Collection Counters (as on 19th November 2017) across the country making it a very efficient and accessible bank for its customers, anytime, anywhere.

The Bank also bagged "Golden Peacock Business Excellence Award 2013" by Institute of Directors. Similarly, the Bank was recognized as 'Best Public Sector Bank' by CNBC TV 18. The bank has now more than 6,635 branches and 8622 (as on 30th sept 2015) ATMs spread all across the India. As a joint-venture partner, PNB has been providing top management support to EBL under Technical Service Agreement.

4. Nepal SBI Bank Ltd. (NSBL)

Nepal SBI Bank Ltd. (NSBL) is the first Indo-Nepal joint venture in the financial sector sponsored by three institutional promoters, namely State Bank of India, Employees provident Fund and Agricultural Development Bank of Nepal through a Memorandum of Understanding signed on 17th July 1992. NSBL is a subsidiary of State Bank of India (SBI) having 55 percent of ownership. The local partner viz. Employee Provident Fund holds 15% equity and General Public 30%.

NSBL has emerged as one of the leading banks of Nepal, with 679 skilled and dedicated Nepalese employees working in 68 branches, 7 extension counters, 3 Regional Offices and Corporate Office. With presence in 36 districts in Nepal, the Bank is providing value added services to its customers through its wide network of 99 ATMs (including 2 Mobile ATMs and 4 CDMs), internet banking, mobile wallet, SMS banking, IRCTC Ticket Online Booking facility, etc.

Nepal SBI Bank Ltd (NSBL), an Overseas Banking Subsidiary of State Bank of India in Nepal, received the "Industrial Peace Award-2072" (Gregorian year- 2016), being rated as the best amongst all the private sector undertakings in Nepal for institutionalizing best industrial relations practices and industrial relations architecture over the past 3 years.

5. Himalayan Bank Ltd. (HBL)

Himalayan Bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Legacy of Himalayan lives on in an institution that's known throughout Nepal for its innovative approaches to merchandising and customer service. Himalayan Bank has been able to maintain a lead in the primary banking activities- Loans and Deposits.

All Branches of HBL are integrated into Globus (developed by Temenos), the single Banking software where the Bank has made substantial investments. This has helped the Bank provide services like 'Any Branch Banking Facility', Internet Banking and SMS Banking. Living up to the expectations and aspirations of the Customers and other stakeholders of being innovative, HBL introduced several new products and services. Millionaire Deposit Scheme, Small and Medium Enterprises Loan, Pre-paid Visa Card, International Travel Quota Credit Card, Consumer Finance through Credit Card and online TOEFL, SAT, IELTS, etc. fee payment facility are some of the products and services. HBL has developed exclusive and proprietary online money transfer software- HimalRemitTM.

Asian Development Bank (ADB) has awarded the **TFP Award 2016 - Leading Partner Bank in Nepal** to Himalayan Bank Limited. ADB has awarded the TFP award to the Bank for the recognition of its role in promoting trade finance in Asia and the Pacific.

6. Nepal Bangladesh Bank Ltd.

Nepal Bangladesh Bank was registered with Office of Company Registrar (50-050/051, Dated January 14, 1994) as a public company limited by shares. Nepal Bangladesh Bank started its banking operation from 6th June, 1994. Nepal Bangladesh Bank was established as a joint venture bank with IFIC Bank Ltd., Bangladesh. Shares of the bank are listed in Nepal Stock Exchange Ltd. since 1995.

Mission

Nepal Bangladesh bank established with the mission to offer financial services and become the “bank for everyone” by dedicating the progress and growth of the bank to the community, customers, employees and stockholders by fulfilling financial expectation of all level of society, providing excellent customer services by offering personalized quality services and products, giving reasonable returns to all related stakeholders, using the latest technology aimed at customer satisfaction & act as an effective catalyst for socio-economic developments and maintaining high standard corporate governance in all levels.

7. Sunrise Bank Ltd.

Sunrise Bank Ltd. established as the 23rd commercial bank of Nepal on 12th October, 2007 Sunrise Bank Limited is “Rising to Serve” by defining new levels of products and services. As a bank founded by reputed entrepreneurs, the bank has dedicated itself to cater to the needs of all, be it big or small. The bank is continuously striving to deliver value added services to its clientele through its 53 branch network, 67 ATM outlets, 2 Extension Counter and branchless banking services. Apart from this, Sunrise has continuously updated itself with the newest technology to excel in service delivery thereby delighting its customers each time. Innovation in product and service delivery is always a priority here at Sunrise and hence the bank has always come up with new products and services identifying the market needs. The bank complies with its corporate culture and code of ethics. Well administered by corporate governance, bank also inculcates fine human resource policy for its employees. Being a Corporate Citizen, the bank is always accountable to giving back to the society.

8. Global IME Bank Ltd.

Global IME Bank Ltd. emerged after successful merger of Global Bank Ltd (an “A” class commercial bank), IME Financial Institution (a “C” class finance company) and Lord Buddha Finance Ltd. (a “C” class finance company) in year 2012. Two more development banks (Social Development Bank and Gulmi Bikas Bank) merged with Global IME Bank Ltd in year 2013. Later, in the year 2014, Global IME Bank made another merger with Commerz and Trust Bank Nepal Ltd. (an “A” class commercial bank). Global IME Bank Limited acquired Pacific Development Bank Limited (a “B” Class Development Bank). The bank was established with the largest capital base at the time with paid up capital of NPR 1.0 billion. The paid up capital of the bank has since been increased to NPR 8.88 billion. Global IME Bank Ltd. has been conferred with “The Bank of the Year Award 2014” for Nepal by the Bankers Magazine (Publication of the Financial Times, UK) and “Internet Bank Nepal 2016” by International Finance magazine, London. Global IME Bank Ltd has been appointed as handling bank unit of CREF (Central Renewable Energy Fund) under AEPC (Alternative Energy Promotion Center). Global IME Bank Ltd has been the first ever bank selected for such purpose by AEPC.

9. Laxmi Bank Ltd.

Laxmi Bank was incorporated in April 2002 as the 16th commercial bank in Nepal. In 2004 Laxmi Bank merged with HISEF Finance Limited, a first generation financial company which was the first merger in the Nepali corporate history. Laxmi Bank is a Category ‘A’ Financial Institution and re-registered in 2006 under the “Banks and Financial Institutions Act” of Nepal. The Bank’s shares are listed and actively traded on the Nepal Stock Exchange (NEPSE). Laxmi Bank is a technologically driven progressive Bank with strong risk and corporate governance foundations. Laxmi Bank’s award-winning Annual Reports has set the standards for quality, presentation and disclosure for the Nepalese corporate sector to follow since 2005 Laxmi Bank promotes a separate life insurance company – Prime Life Insurance Limited which came into operation in 2009.

10. Standard Chartered Bank Ltd.

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group having an ownership of 70.21% in the company with 29.79% shares owned by the Nepalese public. With 15 points of representation, 23 ATMs across the country and more than 490 local staff, Standard Chartered Bank Nepal Limited is serving its clients and customers through an extensive domestic network. In addition, the global network of Standard Chartered Group enables the Bank to provide truly international banking services in Nepal. Standard Chartered Bank Nepal Limited offers a full range of banking products and services to a wide range of clients and customers representing individuals, mid-market local The Bank has been the pioneer in introducing 'client focused' products and services and aspires to continue leadership in introducing new products. It is the first Bank in Nepal to implement the Anti-Money Laundering policy and to apply the 'Know Your Customer' procedure on all the customer accounts.