

# CHAPTER: I

## INTRODUCTION

### 1.1 General Background of the Study

Nepal is a developing country. It has always had a lack of finance for development. Except that, the cause of underdevelopment is attributed to centuries of political and economical isolation, a landlocked mountainous terrain and a late start in development process. Nepal started economic development very late, only from early fifties of the nineteenth century. The agricultural geography, political instabilities, landlocked situation and poor resource mobilization have slowed down the pace of development.

There is always lack of finance in underdeveloped economies because natural resources are either underutilized or utilized in unproductive sectors or even other purposes i.e. social welfare and so on. Likewise, underdeveloped countries are not deficient in land, water, mineral, forest or power resources, though they may be untapped; constituting only potential resources and in the underdeveloped countries like Nepal, there is always a lack of financial resources not only because of its real absence but not properly mobilization and are not fully utilized for the productive purpose. The reason behind Nepal's underdeveloped economy is not due to lack of resource but due to absence of proper utilization of the available resources.

Banks play a vital role in developing the economy of any country. Before 1792, the goldsmiths used to store people's gold and other valuable goods and charge nominal charges against the deposit. During that time, people deposited their gold and valuable goods for the sake of security rather than earning interest. The term 'Bank' emerged in U.S.A in 1792.

The 'bank' means an institution which deals with money. A bank performs several financial, monetary and economic activities, which are very essential for economic development of any country. Broadly speaking, a bank draws surplus money from the people who are not using it at present and are holding for future use and supplies loan to those who are in a position to use it for productive purposes. Modern banks can be considered as the evolved form of ancient goldsmiths.

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

Ordinary banking business consists of changing cash for bank deposits and bank deposits for cash; transferring bank deposits from one person or corporation to another; giving bank exchange, government bonds, the secured or unsecured promises of businessman to repay etc.

Hence, a bank is an institution which accepts deposits from public and in turn advances loans by creating credits. Bank should be differentiated from other financial institutions as they cannot create credit though they accept deposits. Therefore, a bank must be identified by its function, services and its roles towards public, industrialists and other sectors in the economy.

Today different types of financial institution are established with different purposes. These banks provide different types of services to people. Basically, banks perform various types of services, i.e. collection of deposits from the public, granting loans to those investors who want to invest in business, industries and other sectors, overdraft, guarantee against any disability of payment (guarantee services), letter of credit, discounting bills, promissory notes, selling of other share to general public, agency function task, limit of the storage commodities etc.

Nepal's banking history had begun with the establishment of Nepal Bank Ltd in 1937 A.D. At that time, this bank had authorized capital of Rs 2.5 million of which paid up capital of 842 thousand. Rastriya Banijya Bank came into existence in 1966 A.D. fully government ownership with the authorized capital of Rs 10 million and paid up capital of Rs 25 million.

There are 31 commercial banks and 6 joint venture banks operating in Nepal. The list of banks as follows:

**Table No. 1.1**  
**List of Commercial bank in Nepal**

<b>S.N.</b>	<b>Name of Bank</b>	<b>Established Date (A.D.)</b>	<b>Head office</b>
1.	Nepal Bank Ltd.	1937/11/15	Kathmandu
2.	Rastriya Banijya Bank Ltd.	1966/01/23	Kathmandu
3.	Agriculture Development Bank Ltd.	1968/01/02	Kathmandu
4.	NABIL Bank Ltd.	1984/07/16	Kathmandu
5.	Nepal Investment Bank Ltd.	1986/02/27	Kathmandu
6.	Standard Chartered Bank Nepal Ltd.	1987/01/30	Kathmandu
7.	Himalayan Bank Ltd.	1993/01/18	Kathmandu
8.	Nepal SBI Bank Ltd.	1993/07/07	Kathmandu
9.	Nepal Bangladesh Bank Ltd.	1994/06/05	Kathmandu
10.	Everest Bank Ltd.	1994/10/18	Kathmandu
11.	Bank of Kathmandu Ltd.	1995/03/12	Kathmandu
12.	Nepal Credit & Commerce Bank Ltd	1996/10/14	Siddharthanagar
13.	Lumbini Bank Ltd.	1998/07/17	Narayangadh
14.	Nepal Industrial &commercial Bank Ltd.	1998/07/21	Biratnagar
15.	Machhapuchhre Bank Ltd	2000/10/03	Pokhara
16.	Kumari Bank Ltd.	2001/04/03	Kathmandu
17.	Laxmi Bank Ltd.	2002/04/03	Birgunj
18.	Siddhartha Bank Ltd.	2002/12/24	Kathmandu
19.	Global Bank Ltd.	2007/01/02	Birgunj
20.	Citizens Bank International Ltd.	2007/06/21	Kathmandu
21.	Prime Commercial Bank Ltd.	2007/09/24	Kathmandu
22.	Bank of Asia Nepal Ltd.	2007/10/12	Kathmandu
23.	Sunrise Bank Ltd.	2007/10/12	Kathmandu
24.	Development Credit Bank Ltd.	2008/05/25	Kathmandu
25.	Nepal Merchant Bank Ltd.	2008/06/05	Kathmandu
26.	Kist Bank Ltd.	2009/05/07	Kathmandu
27.	Janata Bank Nepal Ltd.	2010/04/05	Kathmandu
28.	Mega Bank Nepal Ltd.	2010/07/23	Kathmandu
29.	Commerz & Trust Bank Nepal Ltd.	2010/09/20	Kathmandu
30.	Civil Bank Ltd	2010/10/26	Kathmandu
31.	Century Commercial Bank Ltd.	2011/01/23	Kathmandu

(Source:www.nrb.org.np )

Fund collection and mobilization is the major activity of a commercial bank. Fund management determines the effectiveness of a commercial bank. A bank is essentially an intermediary of short term, middle term and long term funds. It can carry out extensive lending operations only when it can effectively channelize the savings of community (Weston and Brigham, 1997). A good banker is only who effectively mobilizes the savings of the commodity as well as makes such use of saving by making it available to productive and prior sectors of economy, thereby fostering the growth and development of nation's economy.

Traditionally, the banker used to accept three types of deposits. I.e. current, saving and fixed deposit. But because of the intense competition for resources, there is a variety of other innovations introduced by the bankers in recent times, which is the major source of fund collection. The other sources of fund collection are common stock financing, preferred stock financing as well as bond or debenture financing. Similarly, there are various instruments for fund mobilization, i.e. utilization or investment. Such as government security, share/bond/debenture of other company, gold/silver, credit/overdraft etc. The brief introduction is placed in review of literature.

The investment policy of the bank depends on the nature of its funds. If it can acquire funds of more or less permanent nature, it can acquire more profitable assets. If the funds are subject to wide fluctuations, it has to keep a large part of the funds in liquid form. It is said that the soundness of a bank is reflected in the distribution of its funds on different types of assets. A good banker is the one who follows a wise investment policy which brings maximum profit to shareholders and provides maximum security to the depositors. A bank is fundamentally governed by three important principles in formulating its investment policy. The guiding principles of the investment policy of a commercial bank are liquidity, profitability and security. These three attributes are interrelated. The bank cannot afford to sacrifice one in favor of the others.

## **1.2 Profile of Sample Banks:**

Two joint venture banks were taken into account for the study. A short profile for both the banks is given below.

### **1.2.1. Profile of Standard Chartered Bank Nepal Ltd.**

Nepal Grind lays Bank was established in 1985 as a second foreign joint venture bank under the company act 1964. Grind lays Bank Limited is the foreign joint venture partner with 50% equity investment. Grind lays Bank is managing the bank under the joint venture and technical service signed between Grind lays Bank Limited and Nepal promoters. Now the ownership of 50% share of ANZ has been transferred from August 2001 to Standard Chartered Bank. Remaining 35% share capital belongs to Nepal Bank Limited and the general public holds 15% share capital.

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 who has 75% ownership in the company with 25% shares owned by the Nepalese public. The Bank enjoys the status the largest international bank currently operating in Nepal. An integral part of the only international banking Group currently operating in Nepal, the Bank enjoys an impeccable reputation of a leading financial institution in the country. With 11 points of representation (7 Branches) and 9 ATMs across the Kingdom and with over 300 local staff, Standard Chartered Bank Nepal Ltd. is in a position to service its customers through a large domestic network. In addition to which the global network of Standard Chartered Group gives the Bank the unique opportunity to provide truly international banking in Nepal. Standard Chartered Bank Nepal Limited, offers a full range of banking products and services in Wholesale and Consumer banking, catering to a wide range of customers from individuals, to mid-market local corporate to multinationals and large public sector companies, as well as embassies, aid agencies, airlines, hotels and government corporations. The Bank has been the pioneer in introducing customer focused products and services in the country and aspires to continue to be a leader in introducing new products and highest level of service delivery. It is the first

Bank in Nepal that has implemented the Anti-Money Laundering policy and applied the "Know Your Customer" procedure on all the customer accounts.

**Table No. 1.2**  
**Share Holding Patterns of SCBNL**

<b>Subscription</b>	<b>% Holding</b>
Standard chartered Group	75%
Nepalese Public Shareholders	25%
<b>Total</b>	<b>100%</b>

Source: Annual Report of SCBNL 2010/11

**Table No. 1.3**  
**Present Capital Structure of SCBNL**

<b>Share Structure</b>	<b>Amount (Rs.)</b>
Authorized capital ( 20,000,000 share @ 100)	2000,000,000
Issued capital (13984836 share @ 100)	1,398,483,600
Paid up capital ((13984836 share @ 100)	1,398,483,600

Source: Annual Report of SCBNL 2010/11

### **1.2.2. Profile of NABIL Bank Limited:**

NABIL Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984.. under the company act 1964. The initial foreign partner handed its share to Emirates Bank Limited and now its shares are transferred to National Bank Limited in January 1, 2002. The bank was renamed as NABIL Bank Limited; previously it was named Nepal Arab Bank Limited. Out of total share, National Bank Limited (Bangladesh) holds 50% share and remaining 30% by general public and 20% by financial institution.

NABIL was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, NABIL provides a full range of commercial banking services through its 19 points of representation across the kingdom and over 170 reputed

correspondent banks across the globe. NABIL, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business. Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes ATMs, credit cards, state-of-art, world-renowned software from Infosys Technologies System, Bangalore, India, Internet banking system and Tele banking system.

**Table No. 1.4**  
**Share Holding Patterns of NABIL**

<b>Subscription</b>	<b>% Holding</b>
Foreign Ownership	50.00 %
Other Licensed Institutions	6.15 %
Other Entities	10.00%
General Public	30.00%
Others ( Including NIDC)	3.85%
Total	100%

Source: Annual Report of NABIL 2010/11

**Table No.1.5**  
**Present Capital Structure of NABIL**

<b>Share Structure</b>	<b>Amount (Rs.)</b>
Authorized capital ( 16,000,000share @ 100)	1,600,000,000
Issued capital (14491240 share @ 100)	1,449,124,000
Paid up capital (14491240 share@ 100)	1,449,124,000
Proposed Bonus Share	579649600

Source: Annual Report of NABIL 2010/11

### 1.3 Statement of the Problem

The main objective of any commercial bank is collection of fund and its proper mobilization in productive areas. Now days, the banking institutions are facing the problems from the external factors, such as political, legal, economic, social, infrastructure, quality of work life etc. The unstable politics is the main cause for the collection and its mobilization procedure. The other common problems are the lack of general awareness in the public mass, lack of proper information about share market, limited user of money and capital market, disqualified management team, low activity of NEPSE, day to day increasing security problem etc. In this regard, two joint venture banks NABIL Bank Limited and Standard Chartered Bank Nepal Limited are able to meet their fund requirement from collection and mobilization point of view is the main research problem of our study. Among them NABIL & SCBNL are taken in our research.

In this research paper, whether the commercial banks collect and utilize their fund effectively or not will be enquired in these joint venture banks. The other research problems related to fund collection and its mobilization in the commercial banks are:

- ❖ Whether the joint venture banks (NABIL& SCBNL) have collected and mobilized their funds efficiently or not
- ❖ What are the performance indicators of the joint venture banks (NABIL & SCBNL) in relation to fund collection and its mobilization?
- ❖ Is there any correlation between the fund collection and fund mobilization of the two joint venture banks (NABIL& SCBNL)?
- ❖ Communication Gap among the Banks and the concerned government organs:



#### **1.4 Objectives of the study**

The objectives of the study are concentrated on reviewing the fund collection and its mobilization in the joint venture banks, especially in NABIL & SCBNL. The research study has expected to provide a useful feedback to the commercial banks. Some of the main objectives of the study are as follows:

- a) To study and analyze the efficiency of the selected sampled banks in fund collection and mobilization.
- b) To analyze the performance of the selected joint venture banks in mobilizing the total collected funds.
- c) To identify determinants of Sampled banks fund collection and mobilization in joint venture banks
- d) To evaluate the growth ratio of credit and advance and total investment with respect to growth rate of total deposit and net profit on sampled banks.

#### **1.5 Significance of the Study**

Banking institution plays a major role in accelerating the process of development of a country. For achieving the economic growth, the funds need to be collected and to be utilized properly in the productive areas. According to NRB research report, banking and financial institution are contributing around 10% to the national GDP. It shows that banking and financial institution affect the economic growth of the country. Therefore, the banking and financial institution should collect their fund and accordingly, they should utilize them in the productive area.

The key success of any commercial bank lies in the proper collection and mobilization of deposit and other source of fund. Because over and under collection and mobilization of fund have negative impact on the performance of the banks and it may vanish the bottom line of the banks which is the sole criterion for the long-term sustainability. Therefore, the study attempts to find out whether the commercial banks have collected the funds and mobilized their fund properly or not.

This study measures the impact of fund collection and mobilization on total performance which will enable the industrialists and traders for making appropriate decisions and strategies in the field of investment. The researcher believed that the findings of the study will be useful and valuable to the business organizations and as well as to the concerned companies, debtors, creditors, customers, management students, share brokers and finally all people and organizations associated with banking, directly and/or indirectly, will be benefited from this study.

This study adds new themes and findings about the fund collection and its mobilization procedure to the concerned banks. There is no doubt that it is important to various groups, but in particular, it is directed to a certain group of people/organizations, which are:

- ❖ Importance to shareholders
- ❖ Importance to management
- ❖ Importance to outsiders
- ❖ Importance to the government bodies
- ❖ Interested outside parties

So this study helps to identify its hidden weakness regarding finance and administration.

### **1.6 Limitations of the Study**

The research study has some limitations. The main limitation of the study is the time limits. The other limitations are:

- ❖ Though, there are of 31 commercial banks operating in Nepal and there are 6 joint venture banks but only 2 joint venture banks are taken for the proposed study.
- ❖ The study concentrates only on fund collection and its mobilization in selected joint venture banks.
- ❖ This study bears the assumption that all the data provided to researcher are true and reliable
- ❖ The secondary data were used for presentation and interpretation of the data.
- ❖ Only 6 years trend was considered.

## **1.7 Organization of the study**

The present study has been divided into five chapters as follows:

- 1 Introduction
- 2 Review of Literature
- 3 Research Methodology
- 4 Data Presentation and Analysis
- 5 Summary, Conclusion and Recommendations

The first chapter deals with various aspects of the present study, like background of the study which includes brief introduction of fund collection and its mobilization techniques adopted by NABIL and SCBNL. It also deals with the statement of the problems, objectives of the study, reliability of the limitations and scheme of the study.

The second chapter deals with the review of literature. In the chapter, the conceptual review from books, journals, thesis and independent studies are taken into account.

The third chapter deals with research methodology, which includes introduction, research design, nature and sources of data, data processing procedures and tools used for analysis.

The fourth chapter, which is the main aspect of the study deals with the data presentation and analysis on the basis of the document received from the related organization. This study used the statistical as well as financial tools in order to fulfill the objectives and problems of the study.

The fifth chapter presents the major summary on the findings, issues and conclusions followed by the recommendations.

## **CHAPTER: II**

### **LITERATURE REVIEW**

Literature review is a “stock taking” of available literature in one’s field of research. Review of literature is an important part of any research work. It provides the boundary line for any research. Previous studies provide the foundation for present study. So, previous studies cannot be ignored. There must be continuity in research. This continuity in research is insured by linking the present study with past research studies. From this, it is clear that the purpose of literature review is to find out what research studies have been conducted in one’s chosen field of study and what remains to be done.

The review of literature is a crucial aspect because it denotes planning of the study. The main purpose of literature review is to find out what works have been done in the area of the research problem under study and what has been done in the field of the research study being undertaken. For review study, the researcher uses different books, reports, journals and research studies published by various institutions, unpublished dissertations submitted by master level students have been reviewed. It is divided into three headlines:

#### **2.1 Conceptual Review**

##### **2.1.1 Historical Background of Bank**

History shows the requirements of economic development of any country heavily dependent upon the banking system of the country (Scott; D., 1992:22). During its industrial development period, U.K. used bank credits to fulfill its working capital need. In 19<sup>th</sup> century, during the industrialization process of France and Germany, banks played an important role in industrial finance and growth of the nation. In general meaning, bank is an institution that deals with money. A bank performs several financial, monetary and economic activities, which are vital for economic development of a country. It is a monetary institutional vehicle for domestic resource mobilization of the country that accepts deposits from various sources and invests such accumulated resources in the fields of agriculture, trade, commerce etc.

Generally, the term “Bank” refers to commercial banks. Commercial banks are the foundation of the national economy. They transfer monetary sources from savers to users. They involve in various functions like money creation, credit facilitating, foreign trade facilitating, safe keeping etc. Commercial banks have their own roles and contributions in the economic development. They are sources of economic development and they maintain economic confidence of various segments and extends credits to the people. Thus, activities of commercial banks are to eliminate poverty, reduce unemployment problems and increase economic growth.

Modern commercial banks can be identified by different names, such as business banks, retail banks, clearing banks, joint venture banks and merchant banks etc. Regardless of the name we give to banks, they all perform the same basic function i.e. they provide a link between lenders those who have surplus money and do not wish to spend immediately with borrowers, there who do not have surplus money but wish to borrow for investment in productive purpose. Basically, by charging a rate of interest to borrowers slightly higher than they pay to lenders, banks make their profit. This is known as financial intermediary. Commercial banks provide the following major products and services:

- Acceptance of deposits
- Granting of advances
- Remittance collection and distribution
- Cash management
- Issue of letters of credit and guarantee
- Merchant banking business
- Credit cards
- Technology based services-internet banking services
- Loan distribution
- Authorized teller machines (ATM)
- Handling government business
- Safe keeping services/lockers

The first public bank “The Bank of Venice” was established in Italy in 1157 A.D. Different countries in the world followed the footsteps of this bank to

incorporate banking institutions in their countries. The evolution of “The Bank of England” in the Kingdom of England in 1694 A.D. brought remarkable changes in the process of establishing banking institution in the world. The establishment of this bank was a big milestone in the history of banking development. It is believed that the idea of commercial bank rapidly spread all over the world only after the inception of this bank.

On 30<sup>th</sup> Kartik, 1994, Nepal Bank Limited was established for the first time to provide modern and organized banking facilities. Up to B.S. 2012, only NBL provided services to the public as an organized bank. Later, NRB act 2012 was made to establish NRB as a central bank to manage, control and develop monetary system in Nepal. NRB was formally established on 14<sup>th</sup> Baisakh, 2013 and its capital at the starting time was 1 Core. Similarly, Rastriya Banijya Bank was set up in B.S. 2022 to fulfill the growing needs of the country. The birth of this bank brought a new landmark in the history of banking facility in Nepal. Like other developed countries, Nepal also took the policy to open and liberal economy to develop a good competition in the banking field. Hence, the joint venture banking policy was taken. Today 31 commercial banks are operating to provide modern banking services and facilities to boost the economic condition of the country.

The financial sector reform was initiated in mid-1980 under the liberal economic policy of government of Nepal. Under this policy; government first opened the banking sectors to foreign investors. In July 1985, commercial banks were allowed, for the first time to accept current and fixed deposits on foreign currency (U.S dollar and sterling pound). On May 26, 1986, NRB deregulated the commercial banks to fix interest rate at any level above its minimum prescribed levels.

### **2.1.2 Concept of Commercial Bank**

Commercial banks are those banks, which perform all kinds of banking functions as accepting deposits, advancing credits, credit creation and agency functions etc. They provide short-term credit, medium-term credit and long term credit for trade and industry. They also operate off-balance sheet functions such as issuing guarantee, bonds, letter of credit etc.

In every country, outset of economic development is quite different but there is no debate about the significant role of banking sector for the economic development of the countries as they are considered as the main source of finance.

Without the development of sound commercial banking, underdeveloped countries cannot hope to join the rank of advanced countries. If industrial development requires the use of capital, the use of capital equipment will not be possible without the necessary capital. Industrial development will be impossible without the existence of market for the goods produced. On the other hand, the services of the commercial banks will help to extend the market. The commercial banks play important roles as follows:

- ❖ Help in business expansion
- ❖ Encourage to industries.
- ❖ Necessary for trade and industry.
- ❖ Transfer of surplus funds to needy
- ❖ Promotion of capital formation.

Commercial banks are those banks, which work to commercial viewpoint and perform all kinds of banking functions as accepting deposits, agency function. They provide short-term credit, medium term credit and long term credit to trade and industry. They also operate off-balance sheet functions such as issuing guarantee bonds, letter of credit etc.

According to section 2 (a) of commercial bank Act 2031 (1974) has defined the “commercial bank” means a bank which operates currency exchanges transaction, accepts deposits, provide Loans, performs, dealing relating to commerce except the banks, which has been specified for the co-operative.,agricultural,industry of similar other specific objective.(Nepal commercial Bank Act 2031 B.S)

A financial institution authorized to provide a variety of financial services, including consumer and business loan (generally short term), credit cards, and saving accounts. ([www.definition of commercial bank.](http://www.definitionofcommercialbank.com))

According to Vaidya," The commercial banks are those banks that pool together the savings of the community and arrange for their productive use. They supply the financial needs of modern business by various means." (Vaidya Shakespeare, 2001:38)

Commercial bank acts as an intermediary accepting deposits and providing credits to the needy area. The main source of the commercial bank is current deposit, so they give more importance to the liquidity of investment and as such they specialize in satisfying the short-term credit needs of business other than the long-term commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short-term needs of trade and industry such as working capital financing. They cannot finance in fixed assets. They grant credits in the form of cash credits and overdrafts. Apart from financing, they also render services like collection of bills and Cheque safe keeping of valuables, financial advising etc to their customers.

Joint venture banks are the commercial banks formed by joining the two or more enterprises. They are the mode of trading to achieve mutual exchange of goods and services for sharing comparative advantage by performing joint investment scheme between Nepalese investors, financial, non-financial institutes as well as private investors, their parent banks, which have been experienced highly mechanized and efficient modern banking management skill and international of banking institutions. Joint venture banks are established by joining two different forces and with ability to achieve common goal with each of the partners. They are more efficient and effective monetary institution in modern banking fields than other old types of bank in Nepalese context. The primary objective of the joint venture banks is always to earn profit by investing or granting the loans and advances to the people associated with trade, business, industry etc. That means they are required to mobilize their resources properly to acquire profit.

Joint venture is a joining of force between two or more enterprises for the purpose of carrying out a specific operation. (Industrial and commercial investment production or trade (Gupta, 1984:15).



All the Nepalese JVBs are established and operated under the rules regulation and guidance of Nepal Rastra Bank. Nepal Bank had issued a certain directive to those banks, regarding the mandatory credit allocation to the priority sector, the Nepal Rastra Bank has directed to the government owned banks to invest 3% and the JVBs to invest 0.05% of the total outstanding credit to the priority sector (Economic Report: 1997/98:4).

“Nepal government’s deliberate policy of allowing foreign JVBs to operate in Nepal is basically targeted to enhance and encourage local, traditionally run commercial bank to enhance their bankable capacity through competition efficiency modernization and mechanization via computerization and prompt customer service” (Shrestha, 2047:44).

Now days, there is much competition in banking market but less opportunity to make investment. In this condition, joint venture bank can take initiation in search of new opportunities, so that they can survive in the competitive market and earn profit. But investment is very risky job. For a purposeful, safe and profitable outcome, investment bank must follow sound investment and fund mobilizing policy.

### **2.1.3 Joint Venture Banks in Nepal**

In generally, When two commercial banks, from different countries joint together to form an independent enterprise, it is called as joint venture bank. It can be said as the force between two or more enterprise for the purpose of carrying out specific operation such as industrial or commercial investment, production or trade.

In Nepal, the foreign commercial banks have been formed under the company act 1964 and operated under the commercial bank act 1974. All Nepalese Joint Venture banks are operated under the rules, regulations and guidance of Nepal Rastra Bank.

Joint Venture banks pose a serious challenge to the existence of inefficient any very traditional banks. But the same challenge can be taken by domestic banks as an opportunity to modernize themselves and sharper their competitive zeal. (Sharma, 1998:37)

Joint venture banking scenario of Nepalese financial sector is not so long. After the establishment of democratically elected government, it introduced liberal and market oriented economic policy which facilitated the establishment of joint venture banks and introduced a new horizon to the financial sector of Nepal.

Joint venture banks are the commercial banks formed by joining a two or more enterprises, for the purpose of carrying out of specific operation such as investment in trade, business and industry as well as in the form of negotiation between various groups of industries or traders to achieve mutual exchange of goods and services.

Nepalese JVBs should take initiation in search of new opportunities to survive in the competitive market and earn profit. There is high liquidity in the market but there seems no profitable place to invest. At the same time, the bank and financial institutions are offering very low deposit interest rate. In this situation Nepalese JVBs are required to explore new opportunities to make investment if they want to survive in the competitive market. Since commercial banks can inspire entrepreneurship, the banks should also consider national interest and government emphasis for the economic growth of the country by the development of industry trade and business and to fulfill the objective of profit making.

#### **2.1.4 Role of the Joint Venture Banks in Nepal**

Joint venture banks pose a serious challenge to the existence of the inefficient native banks. But the same challenge can be taken by the domestic banks as an opportunity to modernize themselves and sharpen their competitive zealous. At present the financial institution of the country has been effortful to mobilize resources on one hand whereas small traders and entrepreneurs are facing difficulties to receive loans on the other. The only solution of this problem is to encourage competition in the banking sector. Therefore, the policy of allowing new commercial banks under joint venture with foreign collaboration has been adopted. This will promote competition among banks whereby the clients will get improved facilities. In addition, the share of these new banks will also be sold to the general public and while distributing the

share, it will be ensured that the ownership is spread out to the maximum extent possible

In such manner, joint venture banks are successful to bring healthy competition among banks, increase in foreign investment, promote and expand export-import trade and introduce new techniques and technologies. The various roles played by the joint venture banks in Nepal can be classified into three categories

### **I. Introducing advanced Banking Techniques**

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

### **II. Bringing healthy competition**

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

### **III. Introducing foreign investment in Nepal**

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

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

## **2.1.5 Fund Collection Techniques**

### **2.1.5.1 Common Stock Financing**

Common equity in a corporation or partnership or proprietorship interests in unincorporated firm constitutes the first source of funds to a new business and the base of support for borrowing by existing firms. The nature of equity ownership depends on the form of the business of organization. The central problem of such ownership revolves around an apportionment of certain rights and responsibilities among those who have provided the funds necessary for the operation of the business.

The rights and responsibilities attached to equity consist of positive considerations (income potential and control of the firm) and negative consideration (loss potential, legal responsibility and person liability),

Two important positive constitutions are involved in equity ownership; income and control. The right to income carries the risk of loss. Control also involves responsibility and liability. In an individual proprietorship that uses funds supplied only by the owner, the owner has a 100% right to income and control and loss and responsibility. As soon as the proprietor incurs debt, however, he or she has entered into contracts that limit the freedom to control the firm and to apportion the firm's income. In a partnership, these rights are apportioned among the partners in on agreed-upon manner. In the absence of a formal agreement, state law makes division. In a corporation, more significant issues arise concerning the rights to the owners.

Through the right to vote, holders of common stock have legal control upon the corporation. Another consideration involved in equity ownership is risk. On liquidation, holders of common stock are last in the priority of claims. Therefore, the portion of capital they contribute provides a cushion for creditors; if losses occur on dissolution certain collective rights are usually given to the holders of common stock. (1) The right to amend the charter with

the approval of the appropriate officials in the state of incorporation, (2) The right to adopt and amend by laws, (3) The right to elect the directors of the corporation, (4) The right to authorize the sale of fixed assets, (5) the right to enter into merges, (6) The right to change the amount of authorized common stock and (7) the right to issue preferred stock, debentures, bonds and other securities holders of common stock also have specific rights as individual owners:

(1) The right to vote in the manner prescribed by the corporate charter, (2) The right to sell their stock certificates (their evidence of ownership) and, in this way, to transfer their ownership interest to other person, (3) the right to inspect the corporate books and (4) the right to share residual assets of the corporation on dissolution. However, the holders of common stock are last among the claimants to the assets of the corporation.

#### **The advantages of common stock financing:**

Common stock does not entail fixed charges if the company generates the earnings; it can pay common stock dividends. In contrast to bond interest, there is no legal obligation to pay dividends.

- ❖ Common stock carries no fixed maturity date.
- ❖ Since common stock provides a cushion against losses of creditors, the sale of common stock increases the credit worthiness of the firm.
- ❖ Common stock can, at times, be sold more easily than debt. It appeals to certain investor group because (a) it typically carries a higher expected return than preferred stock or debt and (b) since it represents the ownership of the firm, it provides the investor with a better hedge against inflection than does straight preferred stock or bonds. Ordinarily, common stock increases in value when the value of real assets rises during an inflationary period.
- ❖ Return from common stock in the form of capital gains may be subject to a lower personal income tax rates on capital gains. Hence, the effective personal income tax rates on returns from common stock may be lower than affective tax rates on the interest on debt. Recent tax law changes have reduced this advantage.

### **The disadvantages of common stock financing:**

- ❖ The sale of common stock may extend voting rights or control to the additional stockowners that are brought into the company. For this reason, among others, small and new firms, whose owner-managers may be unwilling to share control of their companies with outsiders, often avoid additional equity financing.
- ❖ The use of debt may enable the firm to utilize funds at a fixed low cost, whereas common stock gives equal rights to new stockholders to share in the future net profits of the firm.
- ❖ The costs of underwriting and distributing common stock are usually higher than those for underwriting and distributing preferred stock or debt. Flotation costs for selling common stock are characteristically higher because (a) cost of investigating an equity security are higher than those of investigating the feasibility of a comparable debt security and (b) stocks are more risky which means equity holdings must be diversified, which in turn means that a given amount of new stock must be sold to a greater number of purchasers than the same amount of debt.
- ❖ If the firm has more equity or less debt than is called for in the optimum capital structure, the average cost of capital will be higher than necessary.
- ❖ Common stock dividends are not deductible as an expense for calculating the corporations income subjects to the federal income tax, but bond interest is deductible. The impact of this factor is reflected in the relative cost of equity capital viz. debt capital.

#### **2.1.5.2 Debt Financing**

Bonds are not only long duration but also, usually, of substantial size before the rise of large aggregation of saving through insurance companies or pension funds, no single buyer was able to buy an issue of such size. Bonds, therefore, were issued in denomination of \$1000 each and were sold to a large number of purchasers. To facilitate communication between the issuer and the numerous bond holders, a trustee was appointed to represent to bold holders. The trustee is still presumed to act at all times for the protection of the bond holders and on their behalf. Any legal person, including a corporation, is considered competent to act as trustee. Typically, a

department of commercial bank handles the duties of trustee. Trustees have three main responsibilities.

- ❖ They certify the issue of bonds. This duty involves making certain that all the legal requirements for drawing up the bond control and the indenture have been carried out.
- ❖ They police the behaviors of the corporation in its performance of the responsibilities set forth in the indenture provisions.
- ❖ They are responsible for taking appropriate action on behalf of the bondholders if the corporation defaults on payment of interest of principal.

If interest rates have risen and the price of the bonds has fallen, the firm will choose the open market alternative. If interest rates have fallen and bond prices have risen, it will elect the option of calling bond. There are two types of debt in the market, which are as follows:

#### **I. Secured Debt:**

Secured long term debt can be classified according to (1) the priority to claims. (2) The right to issue additional securities and (3) the scope of the lien.

##### **a) Priority to claims:**

A senior mortgage has period claims on assets and earnings. Senior mortgages, implying that they have the first claim on the land and assets of the corporations. A junior mortgage is a subordinate lien, such as a second or third mortgage. It is a lien or claim junior to others.

##### **b) Right to issue additional securities:-**

Mortgage bonds can also be classified with respect to the right to issue additional obligations pledging already encumbered property. In the case of closed end mortgage, a company cannot sell additional bond (beyond those already issued) secured by property specified in the mortgage. If the bond indenture is silent on this point, it is called on open end mortgage.

##### **c) Scope of the lien:-**

Bonds can also classify with respect to the scope the lien. A lien is granted on certain specified property. When a specific lien exists, the security for a first or second mortgage is specifically designated property. On the other hand, a blanket mortgage pledges all real property currently owned by the company. Real property includes only land, thus a blanket mortgage gives more

protection to the bondholder than a specific mortgage because it provides a claim on all real property owned by the company.

## **II. Unsecured Debt:**

Unsecured long term debt can be classified into three types, which are as follows:

### **a) Debentures:-**

A debenture is an unsecured bond and as such, provides no lien on specific property as security for the obligation. Debenture holder, therefore, are creditors whose claims are protected by property not otherwise pledged. The advantage of debentures from the issuer's stand point is that the property is left unencumbered for subsequent financing.

However, in practice, the use of debenture depends on the nature of the firm's assets and its general credit strength. A firm whose credit position is exceptionally strong can issue debentures; it simply does not need specific security. However, the credit position of company may be so weak that it has no alternative to the use of debentures; all its property may already be encumbered. Companies also issue debentures where it is not practical to provide a lien through a mortgage on fixed assets.

### **b) Subordinate Debentures**

The term subordinate means below or inferior. Thus, subordinated debt has claims on assets after unsubordinated debt in the event of liquidation. Debentures can be subordinated to designate notes payable usually bank loans or to any or all other debt. In the event of liquidation or reorganization, the debentures cannot be paid until debt as named in the indenture has been paid. Senior debt, typically, does not include trade accounts payable.

In comparison to subordinated debt, preferred stock suffers from the disadvantage that its dividends are not deductible as an expense for tax purpose. Subordinated debentures have referred to as being like a special kind of preferred stocks dividends of which are deductible as an expense for tax purposes. Subordinated debt has, therefore, become an increasingly important source of corporate capital.



### **c) Income Bond**

Income bonds provide that interest must be paid only if the earnings of the firm are sufficient to meet the interest obligations. The principal, however, must be paid with due. Thus, the interest itself is not a fixed charge. Income bonds, historically, have been issued because a firm has been in financial difficulties and its history suggests that it may be unable to meet a substantial level of fixed charges in the future. More generally, however, income bond simply provide flexibility to the firm in the event that earnings do not cover the amount of interest that would otherwise have to be paid. Income bonds are like preferred stock in that the firm will not be in default of current payments on the obligations that are not made. They have an additional advantage over preferred stock in that the interest is a deductible expense for corporate income tax computations, while the dividends on preferred stock are not. The main characteristics and distinct advantage of the income bond is that the interest is payable only if the company achieves earnings. Since earnings calculation is subject to differing interpretations, the indenture of the income of the income bond carefully defines income and expenses. If it did not, litigation might result. Some income bonds are cumulative indefinitely (if interest is not paid, it accumulates and it must be paid at some future date); others are cumulative for the three to five years, after which they become non-cumulative. Income bonds usually contain sinking fund provision to provide for their retirement. The sinking fund payment requirements are typically contingent on earnings; a fixed cash drain on the company is avoided. Typically, income bond holders do not have voting rights when the bonds are issued. Sometimes, bondholders are given the right to elect some specified numbers of directors if interest is not paid for a certain number of years. Sometimes, income bonds are convertible; there are sound reasons for convertibility if the bonds arise out of reorganization. Creditors who receive income bonds in exchange for defaulted obligations have a less desirable position than they had previously.

#### **The advantages are:**

- ❖ In the area of risk, debt is favorable (creative to preferred or common stock) because it gives the holder priority both in earnings and in liquidation. Debt also has a definite maturity and is protected by the covenants of the indenture.

- ❖ In the area of income, the bondholder has a fixed return except in the case of income bonds or floating rate notes. Interest payments are not contingent on the company's level of earnings or current market rates of interest. However, debt does not participate in any superior earnings of the company and gains are limited in magnitude. Bond holders actually suffer during inflationary periods. If bonds are called, the investor receives funds that must be reinvested to be kept active.
- ❖ In the area of control, the bondholder usually does not have the right to vote. However, if the bonds go into default then bondholders in effect take control of the company.
- ❖ The interest payment on debt is deductible as a tax expense.
- ❖ Flexibility in the financial structure of the corporation can be achieved by inserting a call provision in the bond.

#### **The disadvantages of debt financing:**

- ❖ Debt has committed charge whose nonpayment is a default.
- ❖ Higher financial leverage brings higher required rates of return on equity earning. Thus even though leverage may be favorable and may raise earnings per share the higher required rates attributable to leverage may drive the common stock value down. An indirect cost of using more debt is possibly a higher cost of equity.
- ❖ Debts usually have a fixed maturity date and the financial officer must make provision for repayment of the debt.
- ❖ Since long term debt is commitment for a long period it involves risk. The expectations and plan on which the debt was issued may change and the debt may prove to be a burden. For example: in income employment, the price level and interest rates all fall greatly, the prior assumption of a large amount of long term debt may have been an unwise financial policy.
- ❖ In a long term contractual relationship, the indenture provisions are likely to be much more stringent than they are in a short credit agreement. Hence the firm may be subject to much more disturbing and crippling restrictions than if it had borrowed on a short term basis or had issued common stock.
- ❖ There is a limit on the extent to which funds can be raised through long term debt generally accepted standards of financial policy indicate that

the debt ratio shall not exceed certain limits when debt goes beyond these limits, its cost rises rapidly.

### **2.1.5.3 Preferred Stock Financing**

Preferred stock has claims and rights ahead of common stock but behind of all bond and debt. The preference share may be a prior claim on earning, a prior claim on assets in the event of liquidations and/or a preferential position with regard to both earning and assets. The hybrid nature of preferred stock becomes apparent when we try to classify it in relation to bonds and common stock. The priority features and the fixed dividend indicate that preferred stock is similar to bonds. Payments to preferred stockholders are limited in amount, so that common stockholders receive the advantages (or disadvantages) of leverage. However, if the preferred dividends are not earned, the company can forego paying them without danger if bankrupted. In this characteristic, preferred stock is similar to common stock. Moreover, failure to pay the stipulated dividend does not cause default of the obligation, as does failure to pay bond interest. In some types of analysis, preferred stock is treated as debt. Preferred stock therefore, can be treated as either debt or equity, depending on the nature of the problem under consideration. The dividend stream on preferred stock, which is not convertible into common stock or callable, represents perpetuity. Preferred stock with maturity would be valued as a bond to maturity but its cost would not be a tax deduction.

#### **The advantages of preferred stock financing are:**

- ❖ In contrast to bonds, the obligation to make committed interest payment is avoided.
- ❖ A firm wishing to expand because its earning power is high can obtain higher earnings for the original owners by selling preferred stock with a limited retain rather than by selling common stock.
- ❖ By selling preferred stock, the financial manager avoids the provision of equal participation in earnings that the sale of additional common stock would require.
- ❖ Preferred stock also permits a company to avoid sharing control through participation in voting.

- ❖ In contrast to bonds, it enables the firm to conserve mortgage able assets.
- ❖ Since preferred stock typically has no maturity and no sinking fund, it is more flexible than bonds.

**The disadvantages of preferred stock financing are:**

- ❖ Characteristically preferred stock must be sold on a higher yield basis than that for bonds.
- ❖ Preferred stock dividends are not deductible as a tax expense, a characteristic that makes their cost differential very great in comparison with that of bonds.
- ❖ The after tax cost of debt is approximately half the stated coupon rate for profitable firms. The after tax cost of preferred however, is frequently the full percentage amount of the preferred dividend.

It is asserted that preferred stocks have so many disadvantages to both the issuer and the investor that they should never be issued. Nevertheless, preferred stock is issued in substantial amounts. Preferred stock financing provides the following advantages to the investor:

- ❖ It provides reasonably steady income.
- ❖ Preferred stockholders have a preference than common stockholders in liquidation. Numerous examples can be cited where the preference position of holders of preferred stock saved them from losses incurred by holder of common stock.
- ❖ Many corporations like to hold preferred stock as investments because to be so percent of the dividends received on these shares are not taxable.

Preferred stock financing provides the following disadvantages to the investors:

- ❖ Although the holders of preferred stock bear a substantial portion of ownership risk, their returns are limited.
- ❖ Price fluctuations in preferred stock may be greater than those in bonds. Yields on bonds are sometimes higher than those on preferred stocks.
- ❖ The stock holders have no legally enforceable right to dividends.
- ❖ Accrued dividends are seldom settled in cash comparable to the amount of the obligation that has been incurred.

#### **2.1.5.4. Current Accounts**

A current account is a running account with amount being paid into and drawn out from the account continuously. These accounts are also called demand deposits or demand liabilities, since the banker is under an obligation to pay the money in such deposits on demand. The account never becomes time barred, because the limitation does not run until the customer on the bank for the payment of deposit makes a demand. These accounts are generally opened by business houses, public institutions, corporate bodies and other organizations whose banking transactions are numerous and frequent.

#### **2.1.5.5 Saving Accounts**

Saving accounts are mainly meant for non trading customers who have some potential for saving and who do not have numerous transactions entering their account. Salaried class of the lower and middle-income group, small traders and farmers mainly open such accounts.

Some of the features of saving accounts are as below:

- ❖ Interest is allowed at 4% per annum on minimum monthly balance. Interest is compounded at quarterly or longer rests.
- ❖ Account could be opened with a minimum of five thousand rupees. The smallest amount that may be deposited or with drawn at any time. A minimum balance maintained in the accounts and the account may be closed if for a continuous period of six months or over, if the account shows a balance below the minimum.
- ❖ Every depositor is permitted a minimum withdrawals by cheques or otherwise. If the number of withdrawals exceeds, banks will be heavy suitable incidental or service charge.
- ❖ On the death of a depositor, the amount standing to his/her credit will be paid to such people as are legally entitled there to upon satisfactorily proof such as succession certificates, probable will or letters of administration granted by a competent court.

### **2.1.5.6 Fixed Deposit Account**

Fixed deposits constitute a very important resource for banks, as banks need not keep greater reserves of such deposits. Reserve bank is regulating the interest rates by giving directives from time to time. Reserve bank is following a differential interest rate policy having regard to size of deposits held by the banks. Slightly, higher rates of interest are permitted in the case of smaller banks. Even before reserve bank felt the need to regulate, lending banks themselves regulated the interest rates on voluntary basis, familiarly referred to as "Inter Bank Agreement on Deposit rates."

### **2.1.5.7 Miscellaneous Accounts**

They are name to be reckoned in the field of Miscellaneous Accounting Services. Their team of experienced and dedicated chartered accountants and auditing professionals assist their clients in account related matters. They give proper advice to clients and negotiate for them in takeover of companies. Moreover, their professionals carefully set up new units and activities, diversification and dissolutions.

### **2.1.6 Mobilization of Funds**

Bank utilizes its funds in suitable areas and right sectors. Bank cannot achieve its goals until and unless it mobilizes its funds in right sectors and by performing different activities. Many kinds of activities can origin for the purpose of receiving invest from the bank. But bank should separate the useful and profitable sector for mobilization of its funds. Bankers being only a financial intermediary, we will not be able to make any profit, meet establishment expenses, meet liquidity of cash balance, and yet allow him some balance from out of which he can build reserve and pay dividend to the shareholders.

As commercial bank they are expected to make profit. If there is not profit, there will be adverse criticism against public sector banking both inside and outside the parliament when these banks are asked to open new branches in areas which do not allow profit for years or asked to grant loan to priority

sector. Such as small industries and agriculture with a high incidence of bad debts, there is need for customer balancing profit from elsewhere. Therefore, these banks will have to show an ascending order of profits in order to ensure growth with stability for this purpose the bank will have to allocate land able resource to different segments in such a manor these banks can ensure adequate profitability while at the same time responding to policies laid down in accordance with national objectives.

Therefore, banks should mobilize its funds in suitable and profitable banking activities and right sectors. Generally, bank has mobilized its funds in the following activities.

### **I. Liquid Funds**

A bank keeps a volume of amount in liquid funds. The funds have so many responsibilities in banking activities. Liquid funds have covered following transaction:

Cash in hand

Balance with NRB

Balance with domestic bank

Call money

### **II. Investment**

Bank invests its funds in different banking activities and different fields. Many types of fields are shown in market for investment. But bank invest its funds in profitable and safety activities. Bank invests its fund in the following title:

Share and debenture

Government securities

NRB bond

Joint venture

### **III. Loan and Advances**

Bank mobilizes its funds by providing different types of loan and advances to customers by charging fixed interest. Different types of loan and advances are:

To government enterprises

To private enterprises

Bank manages the different types of loans; i.e. providing loan, business loan and traditional loan to priority area

#### **IV. Fixed assets:**

Land and buildings are essential for the establishment of bank. Bank funds are used in buying of furniture, vehicle, computer and other commercial instruments which are related to banking activities. Bank cannot take direct gain from these assets, but bank should buy it. A bank has a need of fund to purchase fixed assets for the new branches of the bank.

#### **V. Administrative and Miscellaneous Expenses**

Bank should manage funds for administrative and other miscellaneous expenses. The administrative expenses are:

- ❖ Salary to employee
- ❖ Pensions
- ❖ Allowances
- ❖ Advertisement
- ❖ Stationary
- ❖ Provident fund
- ❖ Rent
- ❖ Income tax
- ❖ Donation
- ❖ Insurance
- ❖ Tour expenses
- ❖ Commission

The miscellaneous expenses are:

- ❖ To distribute the dividend to shareholders
- ❖ To bear the loss on sale and purchase of banking assets
- ❖ Maintenance expenses
- ❖ To pay the interest on borrowed amount
- ❖ Reserve fund

In this way, bank mobilizes its fund by performing different activities to achieve its desired goals i.e. earning profit. Banks gain sufficient profit



mobilizing its funds in proper way into the different profitable sector. It can utilize its collective fund as well as own funds in all banking activities by performing effective fund mobilization procedure.

### **Fund mobilization Procedure of Joint Venture Banks**

All the banks of entire world were applied their own fund mobilizing procedure. In practice, straightforward and effective fund mobilization procedure has adopted by the bank. Effective fund mobilization is the indicator of banks prosperity and its growth. Banks have some fund mobilization they are summarized below:

#### **1. Sources of Fund**

In the economic activities, there are so many sources of fund. In these sources, issuing share and borrowing loan from different sectors. The sources of funds can be categorized in two ways.

##### **A. Owned Funds/ Equity Capital of Bank**

Following are the sources of owned funds:

###### **a) Ordinary Share**

Ordinary sources are the bank's strong and reliable sources of funds. Bank promotes issue ordinary shares to the public in fixed number. Banks collect the fund by selling fixed ordinary shares to the public by adopting fixed rules and regulation. These public make shareholders after purchasing the issued share.

###### **b) Preference Share**

It is that kind of share which receive dividend and after liquidation money before ordinary share. But in Nepal, bank cannot issue preference share. But some situation it can issue preference share by taking permission from Nepal Rastra Bank.

###### **c) Bonus Share**

Company issue the extra share to the shareholder from the saving from profit and reserve fund by capitalizing these funds is known as bonus share.

**d) Retained Earning**

Banks earn profit by investing the funds in different sectors through the principle of profit earning; Banks invest their funds in productive or profitable industries and business. Bank earns some amount from these investments.

**e) Reserve Fund**

Bank separates some share of capital in reserve funds in the time of banking activities. The reserve funds size based on banks earning and rules and regulation. Banks must separate some share of amount from profit in reserve fund. Banks have been earning by investing the reserve fund in liquid sector.

**f) Undistributed Dividend**

Bank does not distribute all profit to the shareholders. Banks invest some amount from profit by not distributing to shareholders. By this, the invested profit makes sources of funds to the banks.

**B. Borrowed Fund of Bank**

Bank collects the funds from another source except owned funds. Another source is borrowing from different sectors. These types of funds collect, borrow and debt capital. Following are the sources of borrowed fund:

**a) Selling of Debenture**

Debenture means a "Rinapatra" which is issued by company by keeping or not keeping assets securities for collection of funds. If bank needs a fund, it can collect capital by issuing debenture. The money also collects bank capital, which is collected by issuing debenture.

**b) Deposits**

The bank performs two-fold functions, i.e. the receipt of the deposits and granting the loans. The bank borrows money by accepting different types of deposits. The bank attracts the

deposits from the public. The bank not only undertakes to take care of the deposits but also agrees to honor the demand of the depositor for withdrawal of money from the deposits. Deposits accepted by the bank are of different types, namely-Saving, Fixed, Current and Call.

**c) Loans from the Central Bank**

NRB is the capital bank of Nepal. All banks should operate their banking activities by maintaining the rules and regulations directed by the NRB. In the time of necessity, NRB provides the loans for the banks. The loan granted by the central bank is a bank capital.

**d) Loan from the Financial Institutions**

Financial institutions also provide loan for the banks. Bank can receive loans from financial institutions in the form of borrowing. The loan granted by the financial institutions is also a bank capital.

**e) Loan from Commercial Banks**

If banks need money, they receive it from other commercial banks also in the form of borrowing which is called Inter banking Lending. Banks fulfill the need of short term cash by taking loan from other banks. It is also the types of bank capital.

**2.2. Reviews of concerned studies (Journals /Articles/Thesis)**

At the time of this thesis writing following articles, book, newspaper and previous thesis are studied for fulfillment of prescribed objective:

Many researchers have analyzed their fund mobilizing views and findings in their research papers in this subject through investment policy of commercial banks.

Under this, related articles published in different economic journals, bulletin of World Bank, dissertation papers, newspapers, researchers' views and findings towards fund were examined and reviewed.

The banks are those institutions which directly deal with money and substitute for money. They deal with credit and credit instruments. So credit is very important to bank, especially good circulation of credit always takes importance in sound banking. Steady and smooth systematic flow of credit with consistent decision always enhances the economy and the bank as well. Because of this, collected fund should be invested and mobilized into the right sector. An investment of fund may be the question of long term survivability of the bank.

According to F. J. Clark, "An investment is a commitment of money that is expected to generate additional money. Every investment entails sacrifice for a future uncertain benefit." (Francis, 1991:15)

Likewise, Dr. Preeti Singh has defined investment in the way, "investment is the employment of funds with the aim of achieving additional income or growth in value," (Singh, 1992:87)

According to Gittman and Jochnk, "Investment is any vehicle into which funds can be placed with the expectation that will preserve or increase in value and generate positive returns." (Gittman and Jochnk; 1990:18)

According to William J Sharpe and Alexander J. Gordon, "investment is the sacrifice of money today for the prospective money tomorrow." They write, "Investment in its broadest sense means the sacrifice of current dollars for future dollars. Two different attributes are generally involved, time and risk. The sacrifice takes place in the present and is certain. The reward comes later, if at all and the magnitude is uncertain. In some cases the element of time predominates (e.g. government bond). In other cases, risk is the dominant attribute (e.g. call option on common stock). Yet both time and risk are important." (Sharpe and Gordon, 1996:1)

Cheney and Moses are concerned with the objective of investment and indicate that the risk is in proportion with the degree of returns. They write, "the investment objective is to increase systematically the individual's wealth, defined as assets minus liabilities. The higher the level of the desired wealth, the higher must be the risk. An investor seeking higher return must be willing to face higher level of risk." (Cheney and Moses, (1983) P-12)

James B. Baxley expresses his opinion as “Investment policy fixed responsibilities for the investment disposition of the bank’s assets in term of allocating funds for investment and loan and establishing responsibility for day to day management of those assets.” (Baxley, 1987:9)

Charles P. Jones, emphasizing on the proper management of an investor’s wealth says, “Investment is the commitment of funds to one or more assets that will be held over some future time period. Investment is concerned with the management of an investor’s wealth, which is the sum of current income and present value of all future income.” (Charles, 1992:2)

V.K. Bhalla has derived a three pointed basic concept of investment. His view on investment cover:

- Economic investment that is an economic definition of investment.
- Investment in a more general of extended sense which is used by the man of street or ordinary people.
- The sense in which era are doing to be very much interested namely financial investment (Bhalla, 1997:15)

Shakespear Baidya “sound investment policy of a bank such that its funds are distributed in different types of assets with good profitability on the other hand and provides maximum safety and security to the depositors and banks on the other hand. And ultimately, it protects public fund in the sound and prudent way.” (Baidya, 1997:47)

He further adds “the formulation of sound lending policies for all banks should have adequate and careful consideration over community needs, size of loan portfolio, loan character, credit worthiness of borrows and asset pledged to security borrowing, interest rate policy, etc. Investment policy provides the bank several inputs through which they can handle their investment operation efficiently ensuring the maximum return with minimum exposure to risk, which ultimately leads the bank to the path of success. (Crosse, 1963:3)

### **2.2.1 Review of Journals / Articles, Research Papers and Previous Studies**

(World Bank Report; 1996:232) for the development of any country first, it is required to have enough capital, It is the backbone for the development of any country of the nation. Nepal lacks the adequate capital for its development planning. Due to this reason so many development planning are in pending. If there is enough capital available, it can invest into the profitable project and contributes to a nation's wealth. When people deposit money in a saving account in a bank for e.g.: the banks must invest by lending the fund for carious business companies. This firm in return may invest the money in new factories and equipment to increase their production. In addition borrowing from the bank, bank must issue stock and bonds that they sell to investor to raise capital needed for business expansion. Government also issues bonds to obtain fund to invest in capital incentive project, as the construction of dams, road and schools. All such investment by individuals business and govt. involves a presto sacrifice of income to get an expected future benefits. As a result, investment raise's standard of living.

According to **Mr. Bodi Bahadur Bajracharya (2047:93-97)** in his Article "**Monetary policy and Deposit Mobilization in Nepal** that "the mobilization of domestic saving in one of the Prime Objectives of monetary Policy in Nepal. For this Purpose, Commercial bank stood as the active and vital financial intermediary for generating resource to form of deposit of the investors in different aspects of the economy.

Colleting scatters small amount of capital through different medias and investing the deposited fund in productive sector with a view increase the income of the depositor is meant deposit mobilization, In other words, investing the colleting fund in the Productive sectors and increasing the income of the depositors, it also supports to increase the saving through the investment of increased extra amount. (NRB, Bankers Prakashan, 1984:24)

Similarly, **Mr. Bhaskar Sharma** has found same result that all the commercial banks are establishing and operating in urban areas, in this study," banking the future on competition." (Sharma, 2000:13) his achievement is:

Commercial banks are establishing and providing their service in urban areas only. They do not have interest to establishing in rural areas. Only the branch of Nepal bank Ltd and Rastriya Banijya bank Ltd. Are running in those sectors.

- Commercial bank are charging higher interest rate on lending
- They have maximum tax concession
- They did not Properly analyze the system

“Due to the lack of investment avenues bank are tempted to invest without proper credit appraisal and on personal guarantee, whose negative side effects would show colors only after four or five years.” (Ibid: 13) He has further included that private commercial band have mushroomed only in urban areas where large volume of banking transaction and activities are possible.

**Chopra, Sunil, (1989 :1-2 )**, in his article, “**Role of foreign banks in Nepal**” had concluded that the joint venture banks are playing an increasingly dynamic and vital role in the economic development of the country that will undoubtedly increase with time.

**Fry, M.J.,(1974:15)**, in his article, “**Resource mobilization and financial development in Nepal**” says that the interest rate fixing authorities causes adverse effect on income distribution. Interest rate affects the saving and its mobilization. A high interest rate diverts the resources from unproductive tangible assets into financial claim. For Nepalese people and Nepalese underdeveloped money and capital market, interest can be taken as an important weapon in mobilizing the internal resources. Higher interest rate pushed people to some money and it allows people to invest into best opportunities.

**Pradhan, Shekher Bahadur, (2053 B.S )** in his article, “**Deposit mobilization, its problems and prospects**” has presented that following problems in the context of Nepal:-

- ❖ People do not have knowledge and proper education for institutional manner. They so do not know financial organizational process, withdraw system, depositing system etc.

- ❖ Financial institutions do not want to operate and provide their services in rural areas.
- ❖ He has also recommended about how to mobilize the deposit collection by the financial institutions by rendering their services in rural areas and by adding various services.
- ❖ By operating rural banking programs and unit, mobilize the deposit collection by the financial institutions by rendering their service in rural areas, by adding various services.
- ❖ Nepal Rastra Bank must organize training programs to develop the skill human resources.
- ❖ By spreading a numbers of co-operative societies to develop mini banking services and improve the habits of public in deposit collection to the rural areas.

**Shrestha, Ramesh Lal, (NRB -1998 )**, in his article, **“A study on deposit and credit of commercial banks in Nepal”** concluded that the credit deposit ratio would be 51.30%, other things remaining same in Nepal, which was the lowest under the period of review. Therefore he had strongly recommended that the joint venture banks should try to give more credit entering new field as far as possible, otherwise, they might not be able absorb even the total expenses.

**Sunity Shrestha (T.U 1998: 23-27)**, has analyzed in her article, **" Financial performance of commercial banks using both descriptive and diagnostic approach."**

In her study she has concluded the following points:

- ❖ The structural ratio of commercial banks shows that banks invest on the average of 75% of their total deposit on the government securities and the shares.
- ❖ The analysis of resource position of commercial banks should quit high percentage of deposit as cash reserve.
- ❖ Return ratio of all the banks show that most of the time foreign banks have higher return as well as higher risk than Nepalese banks.
- ❖ The debt – equity ratios of commercial banks are more than 100% in most of the time period under studies period. It led to conclude that the



commercial banks are highly leveraged and highly risky. JVBs had higher capital adequacy ratio but has been dealing every day.

- ❖ In case of the analysis of the management achievement, foreign banks have comparatively higher total management achievement index.

### **2.2.2 Review of Thesis**

Under this section, various masters level dissertation were reviewed. Though the same research topic wasn't available in TU library, some research papers, which are slightly related to this study, have been reviewed. These are as follows:

**Pokhrel,Utshab (2008)**, researcher conducted a study on “ Fund Mobilization of commercial Banks “ ( A comparative study of Himalayan Bank Limited and NABIL bank Limited ) with the main objective of the study is to analyze the fund mobilizing policy adopted by NABIL And HBL Limited. The specific objective of the study is as follows:

- ❖ To measure the relationship of total deposits with total investment, loan and advance and net profit.
- ❖ To evaluate the comparative growth ration on total investment, loan and advance, total deposits and net profit of HBL and NABIL bank limited.
- ❖ To evaluate financial and investment efficiency profitability and liquidity position of HBL and NABIL Bank Limited.
- ❖ To analyze the source e and uses of fund of HBL and Nabil Bank Limited.

### **Major Finding of the study**

- The mean ratio of cash and bank balance to total deposits of NABIL is lower than HBL. It means liquidity position of NABIL is lower than HBL. It shows the lower position regarding the meeting of demand of its customer and that of Nabil is less consistent
- The average study of cash and bank valance to current assets ratio HBL is higher than NABIL. It shows that NABIL has taken more risk to

meet the daily requirement of its customer's deposit than HBL. The ratio of HBL is more consistent NABIL has less consistent ratio.

- NABIL has invested more portions of current assets on government securities than HBL according to average study. It means Nabil is more sensitive in investment in productive sector than HBL. Analysis show that investment the investment on government securities of HBL is more consistent and Nabil has less consistent ration
- The main ratio of loan and advance to total deposits of HBL is lower than that of Nabil. The ratio of HBL is more consistent and Nabil has less consistent ratio.
- NABIL has mobilized its collected deposits on investment better than that of HBL the is less consistent Nabil has more consistent ratio.
- The loan and advance to total working fund ratio describe that NABIL position is better than HBL. the variability in ratio of HBL is slightly higher than that of NABIL

**Khadka, Nimesh (2008)**, Research entitled "**A study on the investment policy of NABIL Bank limited in comparison to other Joint Venture Banks of Nepal**". He has taken 5- years financial data of six joint venture banks.

The Main objectives of his study are as follows:

- ❖ To evaluate the liquidity, asset management efficiency and profitability position in relation to fund mobilization of NABIL Bank limited in comparison to other JVBs.
- ❖ To discuss fund mobilization and investment policy of NABIL Bank limited in respect to its fee-based off-balance sheet transaction in comparison to other JVBs.
- ❖ To evaluate the growth ratio of loans and advances and total investment with respective growth rate of total deposits and net profit of NABIL Bank limited in comparison to other JVBs.

- ❖ To find out the relationship between deposits and other investment deposit and loan and advances, and net profit and outside assets of NABIL Bank limited in comparison to other JVBs.

Researcher used various financial tools to analyze the data to support the conclusion the financial tools like holding period returns, mean, standard deviation, variation, correlation coefficient are used, to process the financial data.

**Findings of this study are:**

- ❖ The liquidity position of NABIL Bank Ltd is comparatively worse than that of other JVBs. NABIL Bank has more portions of current assets as loans and advances but less portion as investment on government securities.
- ❖ NABIL Bank Limited is comparatively less successful in on–balance sheet operations as well as off-balance sheet operations than that of other JVBs.
- ❖ Profitability of position of NABIL Bank is comparatively not better than that of other JVBs. The main ratio of return on loan and advances of NABIL bank has been found slightly lower than that of other JVBs and the return has been found less homogeneous than that of other JVBs. Similarly, the main ratio of total interest earned to total outside assets of NABIL Bank limited has been found slightly lower than that of other JVBs.
- ❖ Though NABIL Bank seems to be more successful to increase its sources of funds as well as mobilization of it by increasing loan and advances and total investment. It seems to fail to maintain its high growth rate of profit in comparison to that of other JVBs.
- ❖ There is a significant relationship between deposit and loan and advances as well as outside assets and net profit but not between deposit and total investment in case of both NABIL Bank limited and other JVBs.

**Shrestha, Prakash (2008):** in this study “ Marketing Strategy of Fund Collection and Mobilization of Joint Venture Commercial Banks “ The objective of the study concentrates on reviewing the fund collection and its

mobilization in joint venture banks, especially in HBL and NABIL. The research study has expected to provide a useful feedback to the commercial banks. Some of the main Objective of the study are as follow:

- ❖ To find out the effectiveness in fund collection procedure of the selected joint venture banks i.e. NABIL and HBL.
- ❖ To analyze the ability in mobilizing the total collected the total collected funds of the selected joint venture banks.
- ❖ To identify the factor that affected the fund collection and its mobilization procedure of selected joint venture banks
- ❖ To provide suggestion and recommendation on the basis is of analysis.

### **Major Finding the study**

Some major point has been drawn as major finding:

- ❖ Average ratio of cash and bank balance to total balance to total deposit reveals that HBL had higher the ratio and Nabil had lower the ratio, which shows that the liquidity position of HBL is quite well than Nabil . Similarly C.V. of HBL is lower than NABIL which mean HBL has more consistent ratio compare to NABIL.
- ❖ The average ratio of credit and advance to total deposit of NABIL is higher than HBL, Which means NABIL had mobilized its collected deposit in credit and advance more than HBL. However C.V. of HBL is lower than NABIL.
- ❖ Since the average debt to equity ratio of HBL is higher than NABIL. The financial risk of this bank is higher than NABIL.
- ❖ NABIL is more successful to earn profit on total Working fund than HBL since it's has higher average ratio of return on assets.
- ❖ The average ratio of EPs of NABIL is greater than HBL. It reveals that shareholder fund is mobilized very well in NABIL.
- ❖ Correlation of coefficient between deposit, loan and advance of both the banks are found positive. Among them HBL has better mobilization of deposit as loan and advance in comparison to NABIL. There is

highly significant relationship between deposit and loan advance of HBL.

**Panta ,Manoj Prasad ( 2009)**, had research entitled to “ A study of investment policy of joint venture commercial Banks . He takes 5 years data of two joint venture bank that is NABIL and standard chartered bank Nepal Limited. He said that his study is more analytical with the main objective of his study are:

- ❖ To evaluate the liquidity, assets management, profitability, risk position and growth ratio of the banks under study.
- ❖ To find out relationship between total deposit and investment, loan & advance, interest earned and net profit to outside assets and total working fund, loan and advance to interest paid & compare them.
- ❖ To analyze the trend of deposit investment net profit and loan and advances for next five years of BOKL and NIBL.
- ❖ To provide suggestions and recommendation on the basis of the study.

**Major Findings of the study are:**

- The analysis of current ratio it is found that mean ratio of NIBL is slightly higher than BOKL. The ratio of both the bank is highly consistent. The mean current ration of both the banks is greater than 1.
- The main ratio of loan and advance to total deposit ratio so NIBL is higher than BOKL in terms of consistency both have been stable in their ratios
- The main ratio of return of total loan and advance of BOKL has been found to be significantly greater than NIBL. the ratio of BOKL is less variable and more consistent than NIBL.
- The main liquidity risk ratio of BOKL is lower than NIBL. On the contrary NIBL 's ratios are more uniform than BOKL
- The main growth rate of deposits of BOKL significantly greater than NIBL.

**Karmacharya, Sabina (2009)**, has studied on “**A Study on Deposit Mobilization of Nepal Bank Limited.**”. The main objectives of his thesis are:

- ❖ To examine the role of the NBL in the deposit mobilization.
- ❖ To see how far the bank is able to utilize the collected deposits.
- ❖ To recommend the bank to make plans for deposit mobilization.

**Findings of this study were:**

- ❖ He found that the more attention was been given to the expansion of bank branches for more collection of scattered savings. With the expansion of bank branches, NBL has been providing more and more banking facility to the general people of the country. So the bank with more branches is able to mobilize more financial resources.
- ❖ He further concluded that the bank should not only consider the security against which the loans are to be granted. It should much more alternatively pay due concern to the genuineness of the party so that the resources could be properly utilized.

**Adhikari , Chandrakala ( 2010)**, in her thesis paper “ A Comparative Study of Fund Mobilization of Commercial Banks.” had attempt to analyze Fund mobilization of commercial banks with special two reference commercial bank NABIL bank limited and Everest bank limited with the help of different financial and statistical tools. The main objectives of her study are as follows:

- ❖ To explore the effectiveness of the selected joint venture banks in fund mobilization.
- ❖ To analyze the sources and uses of funds of the selected joint venture banks.
- ❖ To study the factors affecting the fund mobilization.
- ❖ To provide suggestions and recommendation on the basis of analysis.

### **Major Finding of the study is as follows:**

- Average ratio of cash and bank balance to total deposit reveals that EBL has higher the ratio and NABIL had lower the ratio which shows that the liquidity position of EBL is quite well than NABIL but C.V of NABIL is lower than EBL which mean NABIL has more consistent ratio compare to EBL.
- Average ratio of cash and bank balance to current deposit reveals that EBL has higher the ratio and NABIL had lower the ratio the liquidity position on current deposit EBL is better in comparison to NABIL. On the other hand C..V of NABIL is lower than other bank which means NABIL's Liquidity position on current deposit is more consistent compare to EBL.
- The average ratio of credit and advance to total deposit of EBL is higher than NABIL deposit in credit and advance more than NABIL
- NABIL is higher than EBL but c.v ratio of EBL is lower than NABIL. It can be regarded that EBL has utilized the funds from fixed deposits in better way than NABIL.
- The average debt to equity ratio shows that NABIL has the higher average ratio than EBL that means the financial risk of this bank is also high both JVBs have used excessive amount of debt.
- The Average ratio of return on assets of EBL is higher than? NABIL and C.V of HBL is lower in comparison to EBL that means NABIL is more successful to earn profit on total.
- Overall operating activities of NABIL and EBL have been occurred cash inflows throughout the study period. Operating efficiency of both banks is in fluctuating trend during the study period.

**Lama, Prabin Kumar (2010)**, researcher conducted a study on "A comparative study of lending efficiency of NABIL and Nepal Investment Bank Limited". With the main objective of the study is to analyze the leading performance commercial banks. The specific objective is as follows:

- ❖ To measure the bank's lending strength and lending efficiency.

- ❖ To analyze the lending contribution of interest from loan in total profitability.
- ❖ To compare the loan and advance profitability, deposits portion of the commercial banks under study.
- ❖ To study the relationship among different financial indicators relating to loan and advance, total investment, profitability, deposit and non performing loan in commercial bank under the study.
- ❖ To recommend some measures on the basis of findings of the study to concerned bank to improve on lending efficiency.

### **Major Finding of this study:**

The major finding of the financial and statistical analysis is presented below with serially.

- The total asset to total liability of NABIL has the highest ratio. The mean ratio is not highly deviated in comparison between the bank NIBL has the least ration however it is closer to the combined mean ratio of the banks. The high ratio is due to high volume of shareholder equity in the liability mix.
- NIBL has highest volume of loan and advance, high variability and highest mean ratio in all the years of period of study.
- The SCBNL is the superior the view of risk but NIBL has maximum interest income mean with highest degree of variability .NABIL Stand in seconds position in degree of variability.
- NIBL has the highest loan loss provision and SCBNL and NIBL have ratios below the combined mean.
- The ratio of interest income from loan and advances to total income shows that there is a large contribution of interest income in the total income. NIBL has highest mean ratio and SCBNL has the lowest, NABIL's ratio is higher than the combined mean.
- The low cost deposit as shown by interest expenses to total deposit ratio has resulted this ratio of SCBNL to be the lowest.

**Bajracharya, Sabnam (2010)**, in her thesis study "A study on Fund Mobilization of Joint Venture Banks (With reference to Himalayan Bank Ltd. And Nabil Bank Ltd.)



The objective of the study has been concentrate on reviewing the fund collection and its mobilization in the joint venture banks especially in Nabil HBL and EBL. The research study has expected to prove a useful feedback to the commercial banks. Some of the main objective of the study is as follows:

- ❖ To analyze the ability of the selected joint venture banks in fund mobilization.
- ❖ To identify the factors affecting the fund mobilization.
- ❖ To provide suggestion and recommendation on the basis of analysis.

#### **Major Finding of this study:**

This topic focuses on the major finding of the study derived from the analysis of fund collection and mobilization of HBL, EBL and Nabil with comparatively applying the six years date from 2003 to 2008. Finding from above analysis are presented serially in below:

- Average ratio of cash and bank balance to total deposit reveals that EBL had higher the ratio and NABIL had lower the ratio in comparison to other banks which show s that the liquidity position of EBL is quite well than other banks but C.V of HBL is lower than other banks which mean HBL has mare consistent ratio compare to other banks.
- The average credit and advance to total assets ratio shows that EBL seems successful to mobilize its total working fund as credit and advance in comparison to other banks. But HBL is more consistent ratio than other banks.
- The average debt to equity ratio show that HBL has the highest average ratio than other banks that means the financial risk of this bank is also high. All the JVBs have used excessive amount of debt.
- The average ratio of total interest income to total credit and advances of Nabil is lightly higher than HBL, NABIL.
- The average MPVS of NANIL is greater than other banks.
- The average P/ E ratio of EBL id\s greater than other banks and Nabil has lowest average ratio as compared to other banks

**Basnet, Subash (2011)**, Research entitled "Investment policies of Joint Venture Banks (With Special Reference to Nabil Bank Limited and Everest Bank Limited)". He has taken 5- years' financial data of six joint venture banks.

The Main objectives of his study are as follows:

- ❖ To analyze the investment policy of the sampled objectives are as
- ❖ To evaluate the liquidity, asset management efficiency and profitability position in relation to fund mobilization of NABIL Bank limited and Everest Bank.
- ❖ To find out the relationship between deposits and other investment condition of commercial bank.
- ❖ To analyzes the utilization of available fund of NABIL and Everest Bank.

### **Findings of this study were:**

Major Finding the study

Some major point has been drawn as major finding:

- ❖ The cash and bank balance to total deposit ratio of both bank fluctuating trend. Mean ratio of Nabil is lower than Everest bank i.e.  $5.58 < 14.29$  which indicates threat liquidity position of Nabil is bad to serve its customers deposits, withdraw demand but Everest bank position is strong to serve its unanticipated call on all types of deposits.
- ❖ The mean ratio of cash and bank balance to current assets Nabil is lower than Everest bank i.e.  $43.08 < 84.61$ . it state that liquidity position of Nabil is not better in this regarding, Everest bank is better position in maintaining its own customers deposit withdrawal in comparison to Nabil
- ❖ Current ratio of Nabil and Everest bank have fluctuating trend. The highest ratio is 3.03 and 4.58 and lowest ratio is 1.33 and 1.50 of Nabil and Everest bank respectively.
- ❖ The ratio of investment on government. Securities to current asset of Everest bank in higher than in compared to Nabil. Which states that its investment on government t securities is highly rich than that of Nabil.
- ❖ The loan and advance to total deposit ratio of Nabil has increasing trend. The mean ratio of Nabil is lower than Everest bank i.e.  $69.39, 74.05$ . Which shows that the ratio are not satisfactory consistent over the study period.

- ❖ The loan and advance to total working fund of ratio Nabil is slightly lower than Everest bank its C. V. is 4.18 % which is more than as of Everest bank shoes the ratio is inconsistent over the study shows two third of the assets taken optimum risk towards the mobilization of its fund to risky assets
- ❖ Investment to total deposit of bank has in fluctuating trend during the study period the main ratio of total investment to total deposit of Nabil is higher than Everest bank.

### **2.3. Research Gap**

The purpose of this research is to develop some expertise in one's area, to see what new contributions can be made and to receive some ideas, knowledge and suggestions in relation to fund collection and mobilization process of sample joint venture banks. Thus, the previous studies can't be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies. Hence, it is clear that the new research cannot be found on that exact topic i.e. fund collection and its mobilization- a study on joint venture banks. Therefore, to fulfill this gap, this research is selected. To complete this research work, many books, journals, articles and various published and unpublished dissertations are followed as guideline to make the research easier and smooth. In this regard, here we are going to analyze the different procedures of fund collection and its mobilization techniques of joint venture banks.

Our main research problem is to analyze whether the joint venture banks are able to collect and mobilize its fund effectively or not. To achieve this main objective, various financial and statistical tools are used.

Similarly, trend analysis of common stock financing, debt financing, preferred stock financing, current account, saving account, fixed deposit account and miscellaneous account are reviewed to make this research complete. Therefore this study is useful to concerned bank as well as different people, such as shareholders, investors, policy makers, stockholders, state of government etc.

## **CHAPTER: III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Research methodology is composed of two words: 'Research' and 'methodology'. Research is the systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought out activities of gathering, recording, analyzing, and interpreting the data with the propose of finding answer to problem. Thus, the entire process by which we attempt to solve problem is called research, while 'methodology' is the research method used to test different statistical tools in order to make a conclusion. A sound and systematic methodology is required to carry out any study, if it is to be worthwhile.

“ Research Methodology refers to the various sequential step to be adopted by a research in studying a problems with certain objective in view”

(Kothari,1989 :30).

This study is more analytical and empirical. It covers quantitative methodology using financial and statistical tools. The study is mainly based on secondary data gathering from respective annual reports of concerned banks especially from profit and loss account balance sheet and other publication.

#### **3.2 Research Design**

The study is based on analytical and descriptive research design.A research design is purely and simply the framework or plan for a study that guides the collection and analysis of data. A true research design is basically concerned with various steps to collect the data for analysis and draw a relevant conclusion. The research design allows the researchers to take an appropriate measure and direction towards the predetermined goals and objectives.

“ A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.”(kothari,1992.25)

The research examines the facts and postulates in certain frameworks on details and supplies the important information on subject matter, summary of the study major finding of the study, recommendation, conclusion etc are the most significant information among them, they are derived with the help of some financial and statistical tools were adapted to evaluates the fund collection and mobilization of joint venture banks viz.SCBNL and NABIL in consideration not only to research about them but also to facilitate among them.

### 3.3 Population and Sample

Population covers the whole or total of observation that have been selected for the study. Sample is the part of population which represents population with regards to the study.

There are 31 commercial banks functioning all over the country and most of their stocks are actively traded in stock market And 6 joint venture banks are operating in Nepal. The list of Joint venture banks as follows:

**Table No. 3.1**  
**List of Joint venture banks in Nepal**

<b>S.N.</b>	<b>Name of Bank</b>	<b>Established Date (A.D.)</b>	<b>Head office</b>
1.	Nabil Bank Ltd.	1984/07/16	Kathmandu
2.	Standard Chartered Bank Nepal Ltd.	1987/01/30	Kathmandu
3.	Himalayan Bank Ltd.	1993/01/18	Kathmandu
4.	Nepal SBI Bank Ltd.	1993/07/07	Kathmandu
5.	Nepal Bangladesh Bank Ltd.	1994/06/05	Kathmandu
6.	Everest Bank Ltd.	1994/10/18	Kathmandu

(Source:www.nrb.org.np )

In this study, two joint venture banks (NABIL and SCBNL) are taken for research work. These banks are compared as per fund collecting joint venture because data from fiscal year 2005/06 to 2010/11 are analyzed for the fulfillment of the objective.

### **3.4 Data Collection Procedures**

The study is mainly based on secondary data. So, the major sources of secondary data for this study are as follows:

- ❖ Annual reports of the sample banks
- ❖ Published and unpublished bulletins, reports of sampled bank
- ❖ Published and unpublished bulletins, reports of Nepal Stock Exchange
- ❖ Previous studies and reports of related study
- ❖ Unpublished official records of related study
- ❖ Journals and other published and unpublished related documents and reports for Central Library of T.U., Library of Shankar Dev Campus, Library of Nepal Commerce Campus and Library of Nepal Rastra Bank.
- ❖ “Banking and Financial Statistics” report of Nepal Rastra Bank Magazines
- ❖ Various internet websites
- ❖ Other published materials

### **3.5 Methods of Data Analysis**

Analysis and presentation of the data is the main part of every research work. Mainly, financial methods are applied for the purpose of this study. Appropriate statistical tools are also used. Among them, regression and correlation analysis is regarded as major tool used for the research.

To make the study more specific and reliable, the researcher uses two types of tools for analysis.

- ❖ Financial tools
- ❖ Statistical tools

#### **3.5.1 Financial Tools**

Financial tools measure the financial strengths and weakness of the firm by establishing relationship between the items of the balance sheet and the profit and loss account. The basic tools used are ratio analysis. Besides it, total deposit, total investment and total income analysis have been used as the financial tools.

## **I) Ratio Analysis**

Ratio analysis is a powerful and the most widely used tool of financial management. A ratio is defined as “the indicated quotient of two mathematical expression” and as the “relationship between two or more things” (Webster, 1975:49). A ratio is a figure or a percentage representing the comparison of one-dollar amount with some other dollar amount as a base (Roy, 1974:12). Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratio to interpret the financial statements so that the strength and weakness of firm as well as its historical performance and current financial condition can be determined.” In financial analysis a ratio is used as an index or yardstick for evaluating the financial position and performance of a firm. The relationship between two accounting figure expressed mathematically, is known as a financial ratio or simply a ratio. An accounting figure conveys meaning when it is related to some relevant information. “ (Pandey, 1975:104).

A large number of ratios can be generated from the components of profit and loss account and balance sheet. They are sound reasons for selecting different kinds of ratio for different types of situations. For this study, ratios are categorized into the following major headings:

### **(A) Liquidity Ratio**

Liquidity refers to the ability of a firm to meet its short-term or current obligations. So liquidity ratios are used to measure the ability of a firm to meet its short-term obligations and from them the present cash solvency as well as ability to remain solvent in the event of adversities of the same can be examined.

To find out the ability of a bank to meet their short-term obligations, which are likely to mature in the short period, these ratios are calculated. The following ratios are developed under the liquidity ratios to identify the liquidity position.

***i) Cash and Bank Balance to Total Deposit Ratio:***

This ratio shows the ability of banks' immediate funds to cover their deposit. Higher ratio shows higher liquidity position and ability to cover the deposits and vice versa. It can be calculated by dividing 'cash and bank balance' by total deposits. This ratio can be calculated using the following formula:

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

***ii) Cash and Bank Balance to Current Deposit Ratio:***

This ratio is computed to disclose the soundness of the company to pay total calls made of current deposits. It can be expressed as:

$$\text{Cash and Bank Balance to Current Deposit Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Deposits}}$$

**(B) Activity/Efficiency Ratio:**

It is known as turnover or efficiency ratio or assets management ratio which measures how efficiently the firm employs the assets. Turnover means how many numbers of times the assets flow through a firm's operations and into sales. Greater rate of turnover or conversion indicates more efficiency of a firm in managing and utilizing its assets, being other things equals. Various ratios are examined under this heading.

***i) Credits and Advances to total deposit Ratio:***

Commercial banks mobilize the outsider's fund for profit generation purpose. Credits and advances to total deposit ratio shows whether the banks are successful to mobilize the outsider's funds (i.e. total deposits) for the profit generating purpose on the credit and advances or not. Generally, a high ratio reflects higher efficiency to mobilize outsider's fund and vice-versa. The ratio can be calculated by using following formula.

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



**ii) Credits and Advances to Fixed Deposit Ratio:**

Fixed deposits are the long-term interest bearing obligations and credits and advances are the major sources of investment to generating purpose. The ratio slightly differs with the former one because it only includes the fixed deposits, where as the former includes all the deposits. The following formula is used to obtain this ratio.

$$\text{Credits and Advances to Fixed Deposit Ratio} = \frac{\text{Credits and Advances}}{\text{Fixed Deposits}}$$

**iii) Credit and Advances to Total Assets Ratio:**

It measures the ability in mobilizing total assets into credits and advances for profit generating income. A higher ratio is considered as an adequate symbol for effective mobilization of total assets to bank into credits and advances which create opportunity to earn more and more. It is calculated as:

$$\text{Credit and Advance to Total Assets Ratio} = \frac{\text{Credits and Advances}}{\text{Total Assets}}$$

**(C) Leverage Ratio:**

The use of finance is referred by financial leverage. When a firm borrows money, it promises to make series of fixed payments, which creates financial leverage. These ratios are also called solvency ratio or capital structure ratio. These ratios indicate mix of funds provided by owners and lenders. As a general rule, there should be an appropriate mix of debt and owner's equity in financing the firm's assets. To judge the long term financial position of the firm, leverage ratios are calculated. This ratio highlights the long-term financial health, debt servicing capacity and strength and weakness of the firm. Following ratios are included under leverage ratios.

**i) Total Investment to Total Deposit Ratio :**

Investment is one of the major sources of earning of Profit. This ratio indicates how properly firm deposit have is invested on government securities and shares and debenture of other companies. This ratio is computed by using following formula.

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

Where, total investment includes investment on government securities, investment on debenture and bond, share in subsidiary companies, shares in other companies and other investment

**ii) Investment on Share and Debenture to Total Working Fund Ratio:**

Investment on share and Debenture to Total Working Fund Ratio shows the investment of bank on the share and debenture of other companies in terms of total working fund. This ratio can be obtained dividing on share and debenture by total working fund it is calculated as :

$$\text{Inv. on Share and Debn. to TWF Ratio} = \frac{\text{Inv. On Share and Debn.}}{\text{Total Working Fund}}$$

Where total investment includes investment on government securities, investment on debenture and bond, share of other companies.

**iii) Investment on Government Securities to total Working Fund Ratio**

Investment on Government Securities to total Working Fund Ratio shows how much parts of total investment are there on government securities in percentage. It can be obtained by :

$$\text{Inv. On Govt. Sect. to TWF Ratio} = \frac{\text{Inv. on Government Securities}}{\text{Total Working Fund}}$$

Where, Investment on Government Securities includes investment on Debenture, bonds and Share of other Companies.

**(D) Profitability Ratio:**

The Profitability ratio is related to profit. Profit is the difference between revenues and expenses over a period of time. A company should earn profit to survive and to grow over a long period of time. So profits are essential. But profit earning is not the ultimate aim of a company and it should never be earned at the cost of employees', customers' and society's loss.

“Profitability ratios are the indicators of degree of managerial success in achieving firm's overall goals,” (Pradhan, S., 1996:15). It shows the overall efficiency of the business concern. The following ratios are calculated under the profitability ratios:

**i) Return on Credit and Advance Ratio**

Return on Credit and advance ratio shows how efficiently the banks have utilized their resource to earn good return from provided loan and advance. This ratio is computed dividing net profit (loss) by the total amount of credit and advance and can be mentioned as:

$$\text{Return on Credit and Advance Ratio} = \frac{\text{Net Profit/Loss}}{\text{Credit and Advance}}$$

**ii) Return on Total Working Fund Ratio:**

Return on Total Working Fund Ratio measure the profit earning capacity of the banks by utilizing available resource i.e. total assets. If the bank's well managed and efficiently utilized its working fun, it will get higher return. Maximizing taxes this in the legal options available will get higher return. It is computed as:

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

**iii) Total Interest Earned to Total Working Fund Ratio:**

This ratio reflects the extent to which the banks are successful in mobilizing these total assets to acquire income as interest. This ratio actually reveals the earning capacity of commercial banks by mobilizing its working fund. Higher the ratio higher will be the income as interest. We have,

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

**iv) Total Interest paid to Total working Fund Ratio:**

This ratio measure the Percentage of total interest expense against total working fund. A high ratio indicates higher interest expenses on total working fund and vice – versa. This ratio is calculated as :

$$\text{Total Interest paid to T W F Ratio} = \frac{\text{Total interest Paid}}{\text{Total working fund}}$$

### **(E) Growth Ratios:**

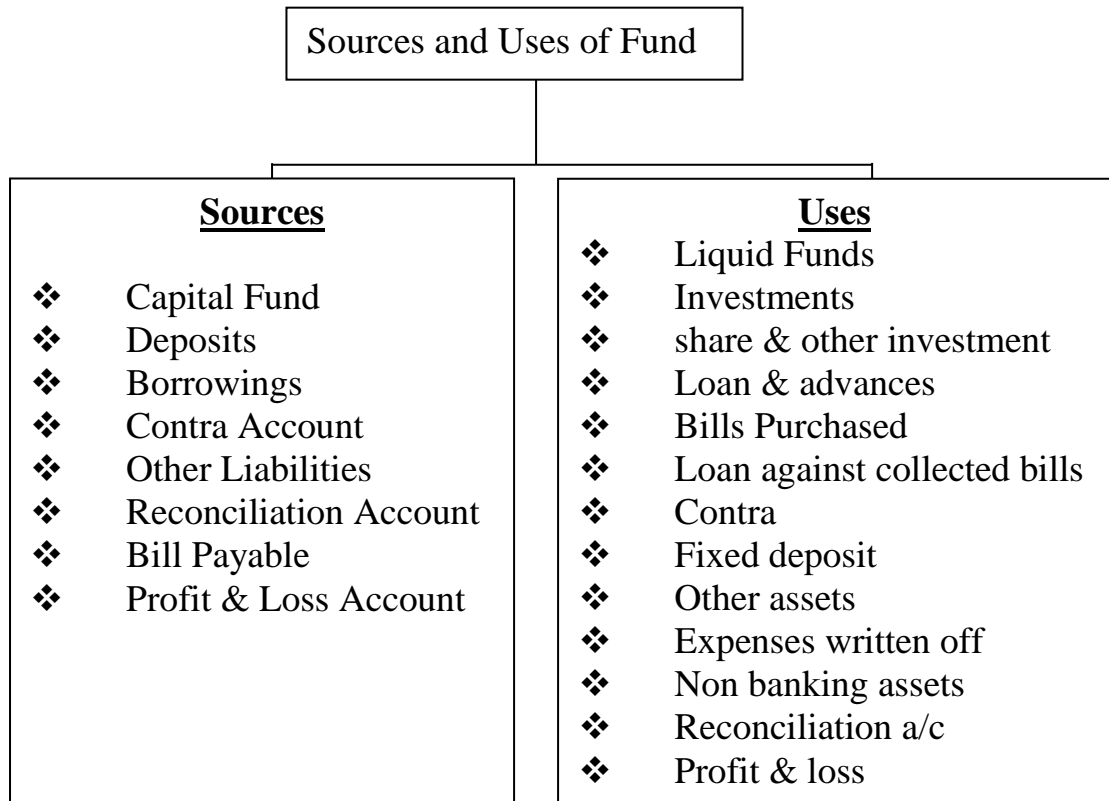
The growth ratio represent how well the commercial banks are maintaining their economic and financial position. The higher ratios represent the better performance of the selected firms to calculate, check and analyze the expansion and growths of the selected banks the following growth ratio are calculated. Growth ratio are directly related to the fund mobilization and investment of those firms.

- a) Growth ratio of total deposits
- b) Growth ratio of credit and advances
- c) Growth ratio of total investment
- d) Growth ratio of net profit

### **II) Source and Uses of Funds**

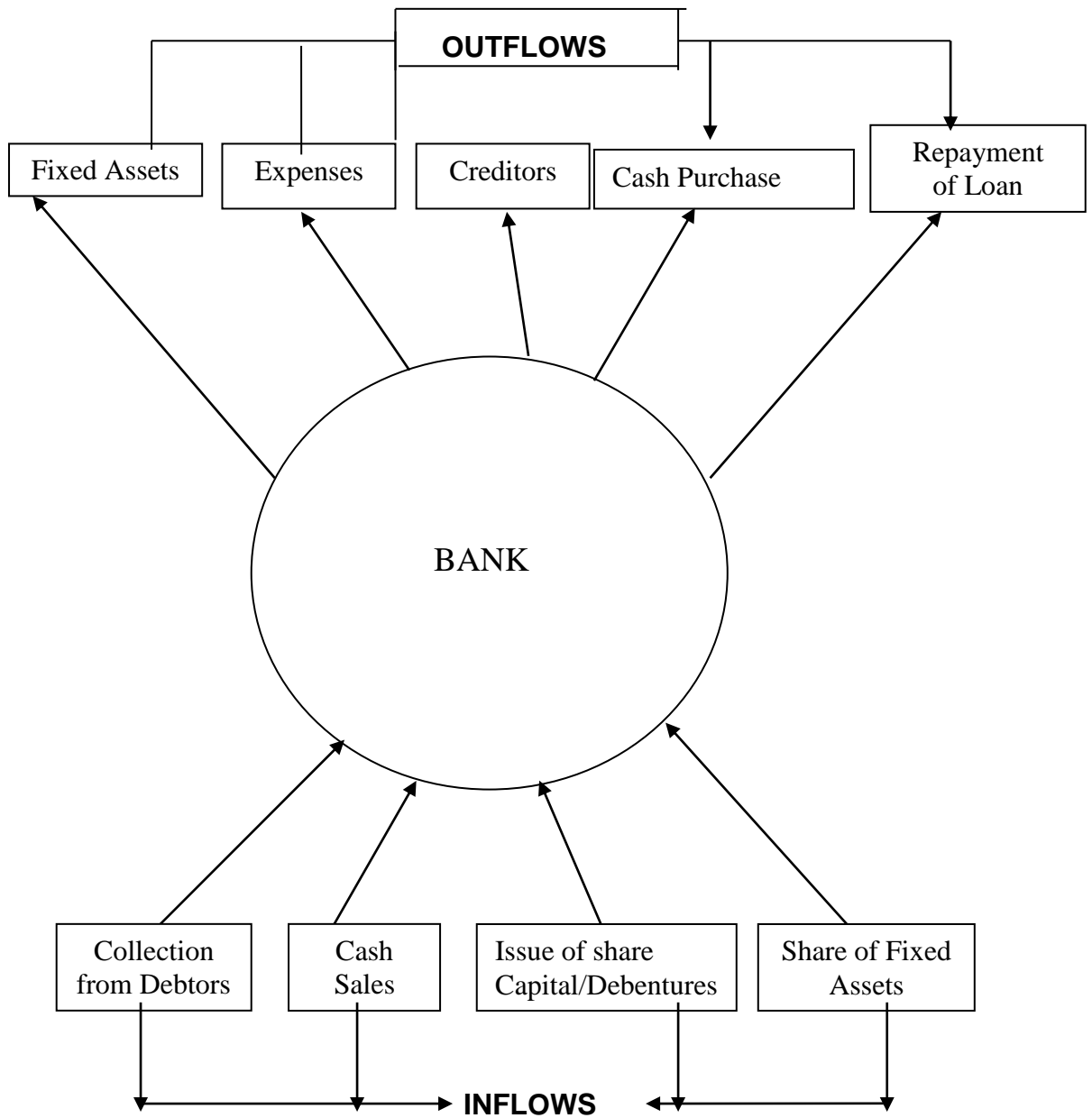
Management of funds is the important part of the banking business. The problem of managing funds is great for banks than it is for almost any other enterprise. The source and uses of analysis took out proportion of each source and each use to the total funds of bank and it was expressed in percentage. And the percentage was compared with the standard percentage of a typical bank. This analysis also concerns behaviors of the source of fund. The uses were analyzed in terms of their supporting ability to the sources of funds to make the study easier. The sources and uses of funds of banks are categorized and presented below:

i) **Chart of Sources and Uses of Fund**



ii) Diagram of Flow of cash in Business

Flow of Cash in Business



### 3.5.2 Statistical Tools

For supporting the study, statistical tools such as regression, dependent and variable Mean, Standard Deviation, Coefficient of Variation, Correlation, Trend Analysis and diagrammatic cum pictorial tools have been used under it.

#### ***I. Arithmetic Mean (Average):***

“Averages are statistical constraints which enable us to comprehend in a single effort of the whole” (Gupta, S.C., 2000). It represents the entire data by a single value. It provides the gist and gives the bird’s eye view of the huge mass of widely numerical data. It is calculated as:

$$\bar{X} = \frac{\sum X}{N}$$

Where,

$\bar{X}$  = Arithmetic Mean (Average)

N = Number of observations

$\sum X$  = Sum of Observations

#### ***II. Standard Deviation (S.D.):***

“The Standard Deviation is the square root of mean square deviations from the arithmetic mean and is denoted by S.D. or  $\sigma$ .” (Sheathe, K.N. 1991)

\* It is used as absolute measure of dispersion or variability. It is calculated as:

$$S.D.(\sigma) = \sqrt{\frac{1}{N} \sum (X - \bar{X})^2}$$

Where,

$\sigma$  = Standard Deviation

N = Number of Observations

X = Expected Return of the Historical Data

### **III . Coefficient of Variation (C.V):**

“The C.V. is the relative measure based on the standard deviation and is defined as the ratio of the standard deviation to the mean expressed in percentage. It is independent of units. Hence, it is a suitable measure for comparing variability of two series with same or different units. A series with smaller C.V is said to be less variable or more consistent or more homogeneous or more uniform or more stable than the others and vice versa. It is calculated as:

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

Where,

$\bar{X}$  = Mean

$\sigma$  = Standard Deviation

C.V = Coefficient of Variation

### **IV. Correlation coefficient (r) :**

Correlation may be defined as the degree of linear relationship existing between two or more variables. These variables are said to be correlated when the change in the value of one results in a change in another variable. Correlation is of three types. They are simple, partial and multiple correlations. Correlation may be positive, negative or zero. Correlation can be classified as linear or non-linear. Here, we study simple correlation only. In simple correlation, the effect of others is not included; rather these are taken as constant considering them to have no serious effect on the dependent variables.

The popular method of statistical tool, Karl Pearson's co-efficient of correlation has been adopted to measure the significance of the relation between the deposit and the investment, loan and advance of the four Joint Venture Banks. The formula for computing the correlation coefficient (r) using the direct method is as follows:

Karl Pearson's Co-efficient of correlation (r) =

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

Here,

N = Number of pairs of X and Y observed



X = Values of Investment, Loan and Advance

Y = Values of Total Deposit

r = Karl Pearson's co-efficient of correlation

#### **V. Probable Error:**

The probable Error of the coefficient of correlation helps in interpreting its value. With the help of probable error, it is possible to determine the reliability of the value of correlation coefficient. The probable error of the coefficient of correlation is obtained as follows:

$$\text{P.E.} = 0.6745 \times \frac{1 - r^2}{\sqrt{N}}$$

Where,

r = Correlation Coefficient

N = Number of pairs of observations

If the value of 'r' is less than the probable error, there is no evidence of correlation. i.e., the value of 'r' is not at all significant. Then, if the value of 'r' is more than six times of the probable error, the relationship between the variable is practically certain, i.e. the value of 'r' is significant.

#### **VI. Coefficient of Determination( $r^2$ ) :**

It explains the variation percent derived in dependent variable due to the unit change in any one specified variables. It denotes the fact that the independent variable is good predictor of the behavior of dependent variable. It is square of correlation coefficient.

#### **VII. Trend Analysis:**

Trend analysis is the tool that is used to show grandly increase and decrease of variable in a period of time, is known as trend analysis. With the help of trend analysis, the tendency of variables over the period can be seen clearly. Here, trend analysis of deposit and credit and advance has been in the same way. Following tools are also used as supporting tools to analyze the data

## CHAPTER: IV PRESENTATION AND ANALYSIS OF DATA

The previous chapter was mainly emphasized on research methodology that is about to be adopted to carry out the study. Under this part, the collected data through primary as well as secondary sources have been represented in the suitable formats (i.e. on tables and charts), analyzed using various statistical and financial tools. Certain inferences and interpretation have also been made finally.

### Ratio Analysis:

#### 4.1 Liquidity Ratios

##### 4.1.1 Cash and Bank balance to total deposit:

This is the most important ratio for measuring the extent of the liquidity of the commercial banks. The sound ratio indicates the strong liquid position of the banks to meet its customers' demand of immediate cash. This ratio is obtained by dividing the total cash with the bank itself and the cash reserve (CRR) maintained in the NRB as:

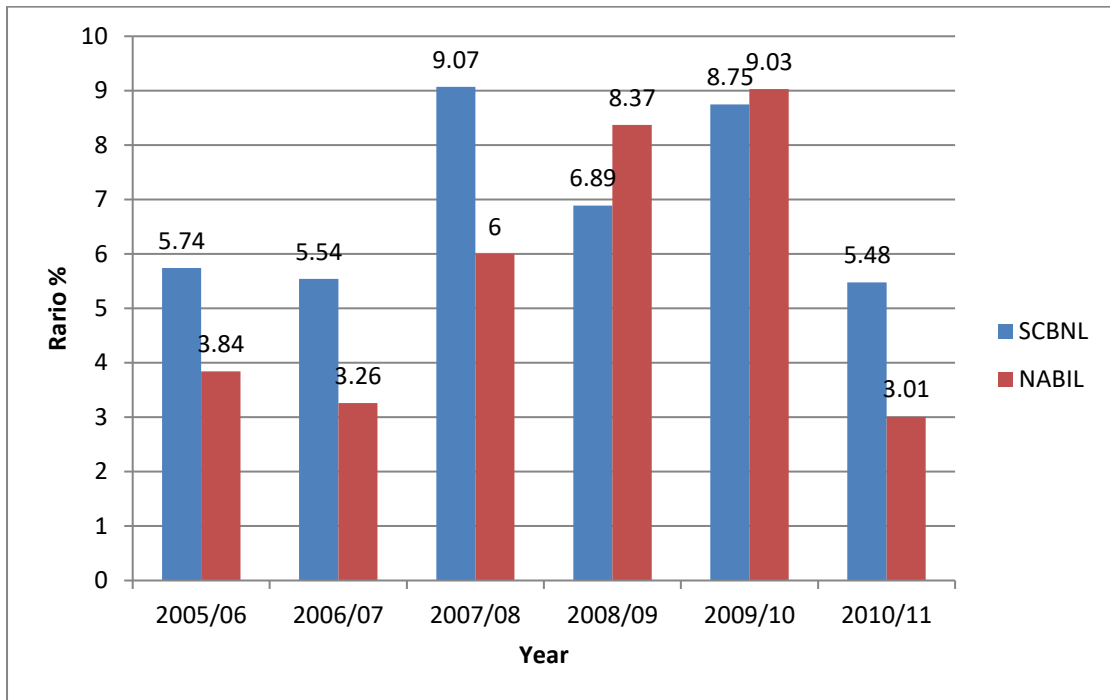
$$\text{Cash and Bank balance to total deposit} = \frac{\text{Cash and Bank balance}}{\text{Total deposit}}$$

**Table No. 4.1**  
**Comparative cash and bank balance to Total deposit**

Year	Ratio %	
	SCBNL	NABIL
2005/06	5.74	3.84
2006/07	5.54	3.26
2007/08	9.07	6.00
2008/09	6.89	8.37
2009/10	8.75	9.03
2010/11	5.48	3.01
<b>Mean <math>\bar{X}</math></b>	<b>6.91</b>	<b>5.58</b>
<b>S.D.</b>	<b>1.49</b>	<b>2.41</b>
<b>C.V.</b>	<b>21.55</b>	<b>43.19</b>

Source: Appendix-I (A)

**Figure No. 4.1**  
**Comparative cash and bank balance to Total deposit Ratio**



From the above comparative table and Figure states that cash and bank balance to total deposit ratio of two joint venture banks are in fluctuating trend. Data shows the comparative status of NABIL and SCBNL. According to the data, mean is 6.91 of SCBNL 5.58 of NABIL. It shows that mean of SCBNL is higher than NABIL. The data of standard Deviation is 1.49 and 2.41 of SCBNL & NABIL .It shows that NABIL is more risky than SCBNL. NABIL's C.V is 21.55 and SCBNL is 43.19.

#### **4.1.2 Cash and Bank Balance to current Deposit Ratio**

Another good indicator of the liquidity of the commercial banks is cash and bank balance to current deposit. Current deposit is that type of immediate non-interest bearing liability that needs to be assigned to the bearer of it all the time of demand. So provision of enough cash should be made so as to provide to the account holders instantly. It is measured by the following ratio.

$$\text{Cash and bank balance to current deposit} = \frac{\text{Cash and Bank Balance}}{\text{Current deposit}}$$

**Table No. 4.2**

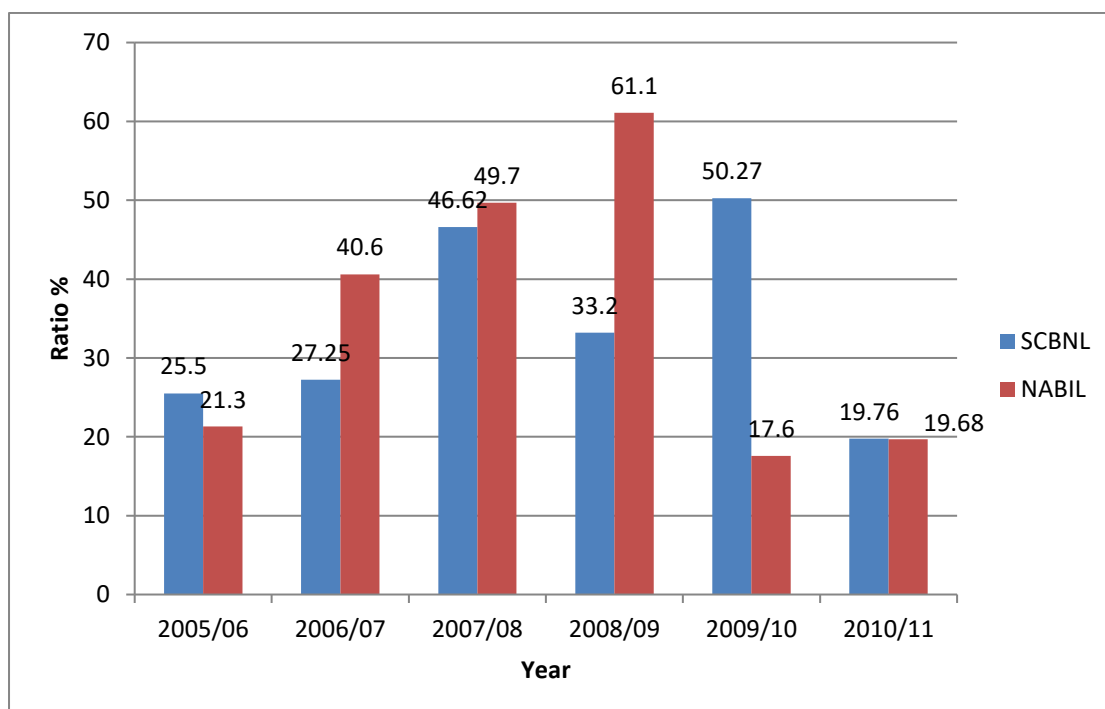
**Comparative cash and bank balance to current deposit ratio**

Year	Ratio %	
	SCBNL	NABIL
2005/06	25.50	21.30
2006/07	27.25	40.6
2007/08	46.62	49.7
2008/09	33.20	61.1
2009/10	50.57	17.6
2010/11	19.76	19.68
<b>Mean <math>\bar{X}</math></b>	<b>33.81</b>	<b>34.99</b>

Source: Appendix-I (B)

**Figure No. 4.2**

**Comparative cash and bank balance to current deposit ratio**



The table & figure depicted above portrays the ratio of cash to current deposit for, SCBNL & NABIL. The average ratios of, SCBNL and NABIL are, 33.81 And 34.99 over six years. NABIL have the highest ratio in year 2008/09 i.e. 61.1% and SCBNL have highest ratio in year 2009/10 i.e. 50.57% respectively and lowest ratio are SCBLN and NABIL is 19.76 % in year 2010/11 and 17.6 % in year 2009/10 respectively.

## 4.2 Turnover Ratio:

The turnover ratio indicates the efficiency in utilizing the funds or assets of the company. In terms of bank, deposit is the prime source of funds. So the fraction of ratio of money distributed in the form of loans and advances (credit and advances) is a major determining factor over the total funds collected in the banks in the form of deposit.

### 4.2.1 Credit and Advances to Total Deposit Ratio

Deposits are the main sources of funds for commercial banks. More than 50% of total assets have been found to be financed through deposits. Total deposit includes saving, fixed, call, current and fixed deposits. On the contrary, credit and advances (also called as loans and advances) are the sales figures of banks. So utilized in CBs higher ratio is desirable.

$$\text{Credit and advances to total deposit} = \frac{\text{Credit and advances}}{\text{Total deposit}}$$

**Table No. 4.3**  
**Comparative credit and advance to total deposit ratio**

Year	Ratio %	
	SCBNL	NABIL
2005/06	42.46	75.95
2006/07	38.63	67.30
2007/08	42.77	67.08
2008/09	44.90	67.41
2009/10	36.57	74.48
2010/11	45.28	71.01
<b>Mean <math>\bar{x}</math></b>	<b>41.77</b>	<b>70.54</b>
<b>S.D</b>	<b>3.18</b>	<b>3.59</b>
<b>C.V</b>	<b>7.60</b>	<b>5.09</b>

Source: Appendix-I (c)

**Figure No. 4.3**

**Comparative credit and advance to total deposit ratio**

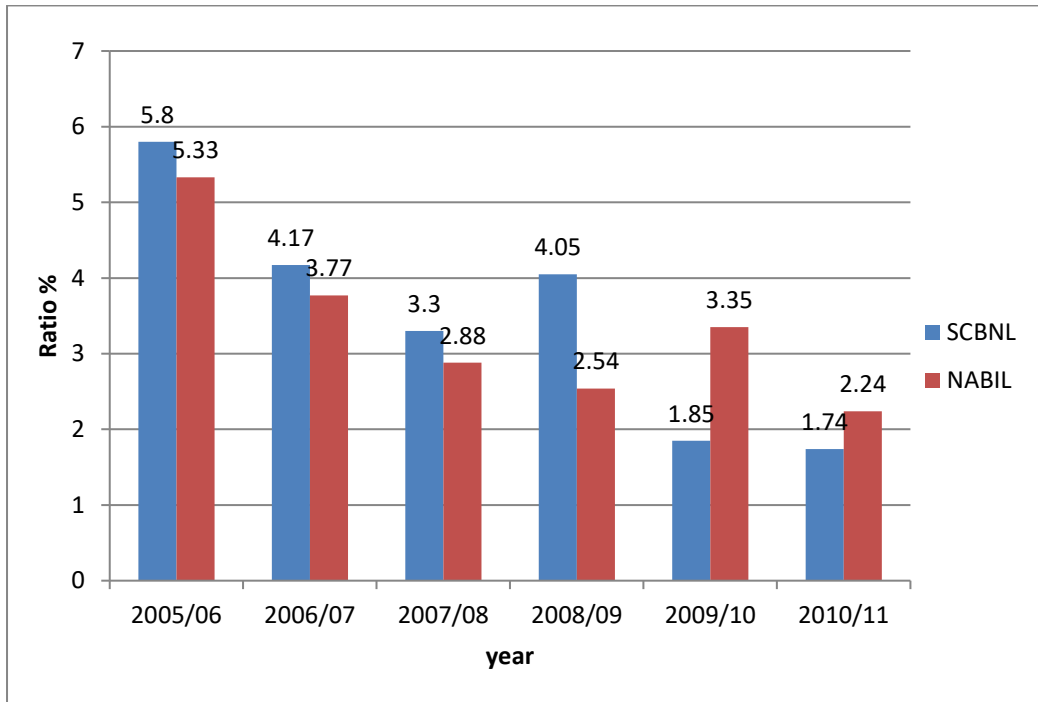


Table & figure shows the Comparative credit and advance to total deposit ratio of two selected banks. Mean ration of SCBNL is 41.77 during the study year. In the same way mean ratio of NABIL is 70.54. Mean ratio NABIL is greater than SCBNL Above shows the fluctuation in the ratios of credit and advances to total deposit of our JVBs through the review period. The Standard deviation ratio of credit and advance to total deposit ratio of SCBNL& NABIL were 3.18% and 3.59% respectively and CV of both SCBNL & NABIL JVBs are 7.60 and 5.09 respectively. This indicates that the NABIL bank has successfully mobilized to total deposit.

**4.2.2 Credit and Advances to fixed Deposit Ratio**

As fixed deposit is an interest bearing deposit, the extent of the utilization of it determines the efficiency of the bank. It should not remain idle. Otherwise, the performance of the bank will decline. Therefore, the study of the ratio of fixed deposit turnover ratio is quit rational.

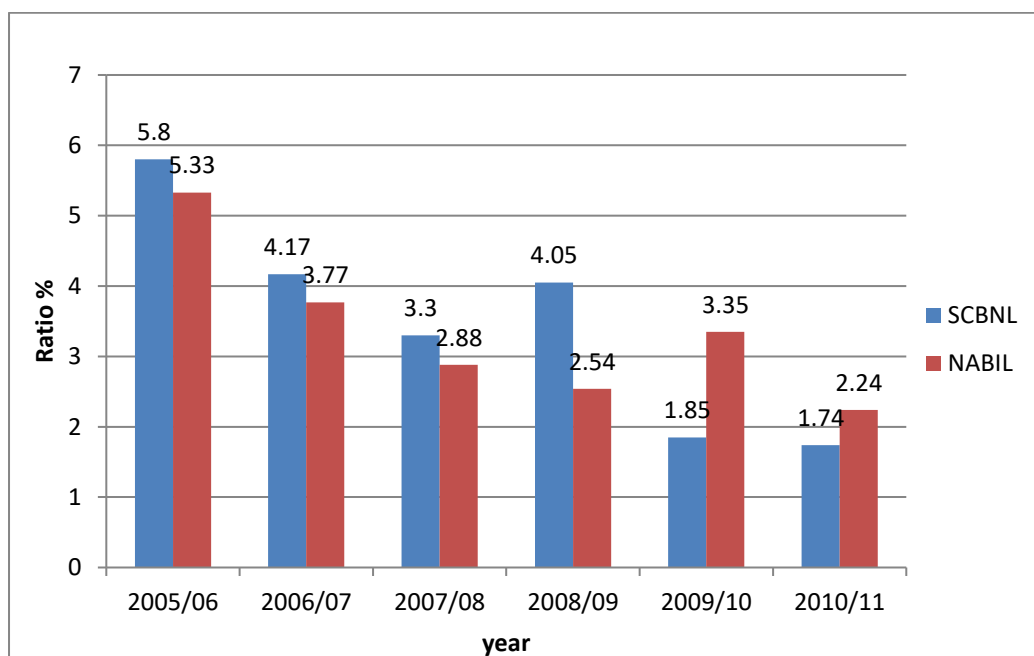
$$\text{Credit and advance to Fixed Deposit ratio} = \frac{\text{Credit and advance}}{\text{Fixed Deposit}}$$

**Table No. 4.4**  
**Credit and Advances Fixed deposit Ratio**

Year	Ratio %	
	SCBNL	NABIL
2005/06	5.80	5.33
2006/07	4.17	3.77
2007/08	3.30	2.88
2008/09	4.05	2.54
2009/10	1.85	3.35
2010/11	1.74	2.24
<b>Mean <math>\bar{X}</math></b>	<b>3.48</b>	<b>3.35</b>

Source: Appendix-I (D)

**Figure No. 4.4**  
**Credit and Advances to Fixed deposit**



Above the table shows Credit and Advances to Fixed deposit ratio. According to the data, mean ratio of SCBNL is 3.48 whereas NABIL is 3.35. It shows that SCBNL is higher than NABIL. It shows the fixed deposit turnover ratios of two Joint Venture banks over the six year period. The average fixed deposit turnover ratios of SCBNL & NABIL were 3.48 & 3.35 respectively. The highest ratio is 3.48 of SCBNL. It can be regarded as that SCBNL had mobilized the funds obtained from fixed deposit in a better way than NABIL banks. SCBNL is more efficient in lending than NABIL banks.

### 4.2.3 Credit and Advances to Total Assets Ratio

The entire of the funds are invested in the bank in the form of various assets. In other words, these are the sectors where the funds collected using various sources are employed or mobilized so as to get respective returns. The ratio desirable for this sector is cent percent. However, a ratio of over 50% is considered average.

$$\text{Credit and Advances to total assets} = \frac{\text{Credit and Advance}}{\text{Total Assets}}$$

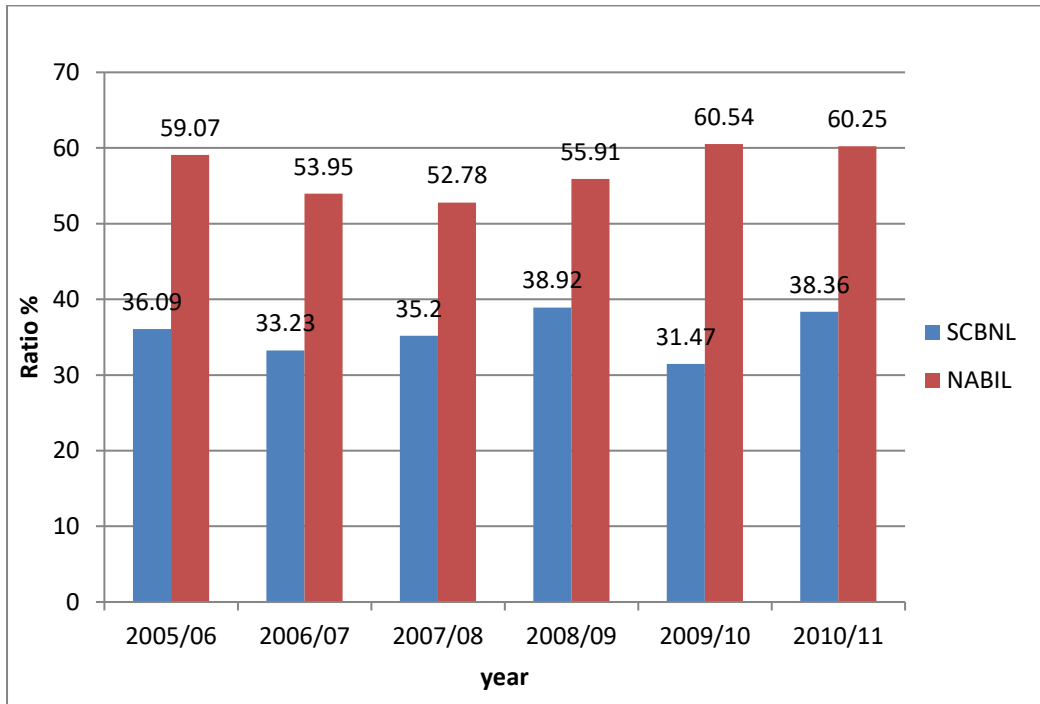
**Table No. 4.5**  
**Comparative credit and Advance to total assets ratio**

Year	Ratio %	
	SCBNL	NABIL
2005/06	36.09	59.07
2006/07	33.23	53.95
2007/08	35.20	52.78
2008/09	38.92	55.91
2009/10	31.47	60.54
2010/11	38.36	60.25
<b>Mean <math>\bar{X}</math></b>	<b>35.54</b>	<b>57.08</b>

Source: Appendix-I (E)



**Figure No. 4.5**  
**Comparative credit and Advance to total assets ratio**



From the above table & figure, it can be concluded that both banks have the ratio of fluctuating trend during the study period. In an average ratio, the bank maintains highest ratio of NABIL is 57.08% and ratio of SCBNL is 34.54%. This indicated that they had more mobilized in total working fund than that of SCBNL banks.

### 4.3 Leverage Ratio

The leverage ratio of the commercial banks is measured by the extent that they have maintained ownership capital, borrowed capital or both in relation to build capital structure position of their firm. Therefore, this ratio measures the risk and long term return of the firm. Those can be measured as:

#### 4.3.1 Investment on Shares and Debentures to Total Working Fund Ratio

This ratio can be obtained dividing share and debenture by total working Fund. It can be calculated as:

$$\text{Invnt. on shares and Debn. To TWF} = \frac{\text{Invnt. on shares and debn.}}{\text{Total Working Fund}}$$

**Table No.4.6**

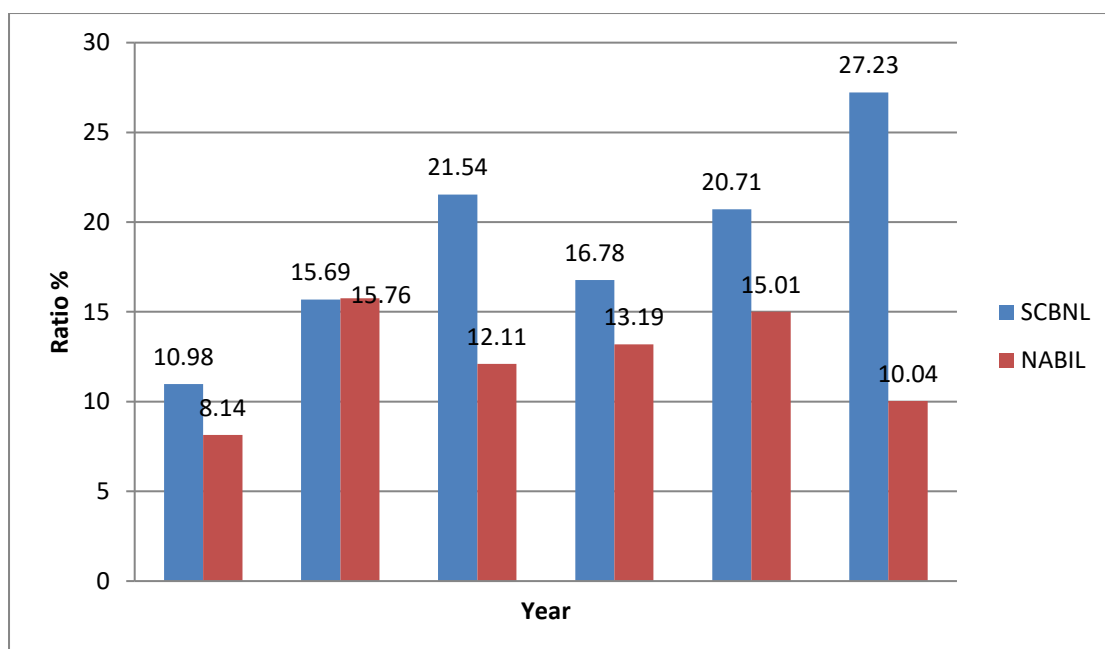
**Comparative Invt. on Shares and Debn. to Total Working Fund Ratio**

Year	Ratio %	
	SCBNL	NABIL
2005/06	10.98	8.14
2006/07	15.69	15.76
2007/08	21.54	12.11
2008/09	16.78	13.19
2009/10	20.71	15.01
2010/11	27.23	10.04
<b>Mean <math>\bar{X}</math></b>	<b>18.82</b>	<b>12.38</b>
<b>SD</b>	<b>5.12</b>	<b>2.66</b>
<b>CV</b>	<b>27.18</b>	<b>21.50</b>

Source: Appendix-I (F)

**Figure No.4.6**

**Comparative Invt. on Shares and Debn. to Total Working Fund Ratio**



From the above table & figure Invt. on Shares and Debn. to Total Working Fund Ratio The average ratios of NABIL& SCBNL are, 18.82 & 12.38 respectively. The highest average ratio is 18.82 of SCBNL. The lowest average ratio is 12.38 of NABIL. The standard deviation is 5.12 of SCBNL it is

higher than NABIL so SCBNL banks is more risky. The coefficient of variation shows than NABIL has more stable ratio than SCBNL.

#### 4.3.2. Total Investment to Total Deposit

This ratio is computed by using following formula:

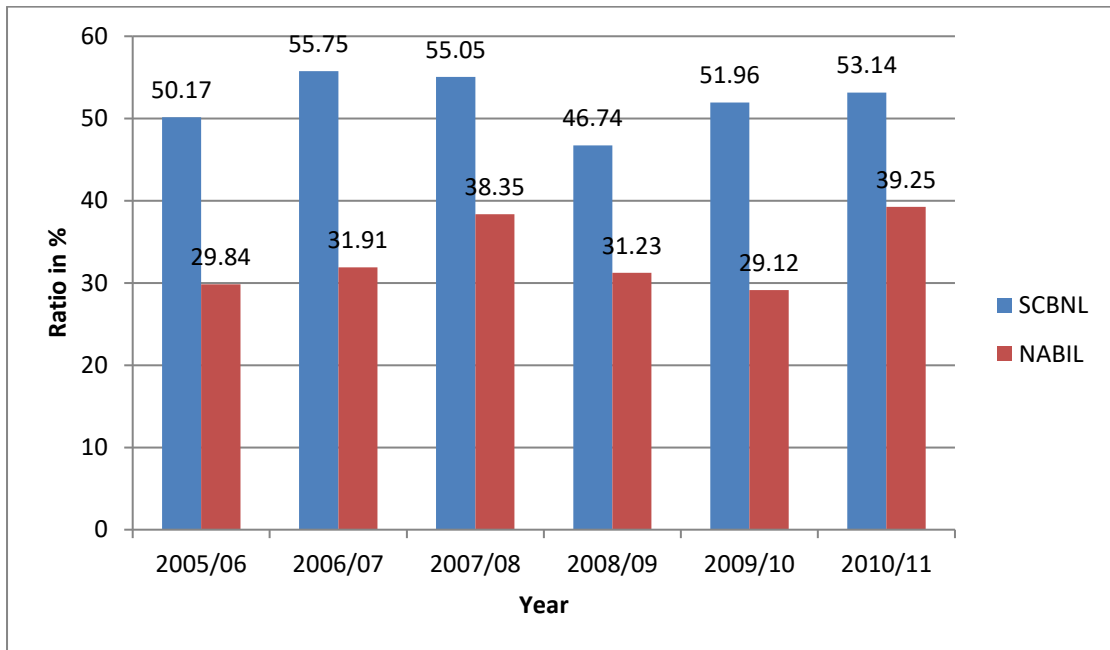
$$\text{Total Investment to Total Deposit Ratio} = \frac{\text{Total Investment}}{\text{Total Deposit}}$$

**Table no. 4.7**  
**Comparative Total Investment to Total Deposit**

Year	Ratio %	
	SCBNL	NABIL
2005/06	50.17	29.84
2006/07	55.75	31.91
2007/08	55.05	38.35
2008/09	46.74	31.23
2009/10	51.96	29.12
2010/11	53.14	39.25
<b>Mean <math>\bar{x}</math></b>	<b>52.14</b>	<b>33.28</b>
<b>SD</b>	<b>3.04</b>	<b>4.01</b>
<b>CV</b>	<b>5.84</b>	<b>12.05</b>

Source: Appendix-I (G)

**Figure No 4.7**  
**Comparative Total Investment to Total Deposit**



From the above comparative table, it can be concluded that both banks have the ratios of fluctuating trend during the study period. In average SCBNL has invested more amount of its total deposit in comparative to NABIL bank, i.e.52.14 the coefficient of variation SCBNL is 5.84%. It indicates that SCBNL is more consistent to make investment of total deposits than NABIL.

**4.3.3. Investment on Government Securities to total Working Fund Ratio**

Investment on Government Securities to total Working Fund Ratio shows how much parts of total investment are there on government securities in percentage. It can be obtained by :

$$\text{Inv. on Govt. Sect. to TWF Ratio} = \frac{\text{Inv. on Government Securities.}}{\text{Total Working Fund}}$$

**Table no. 4.8**

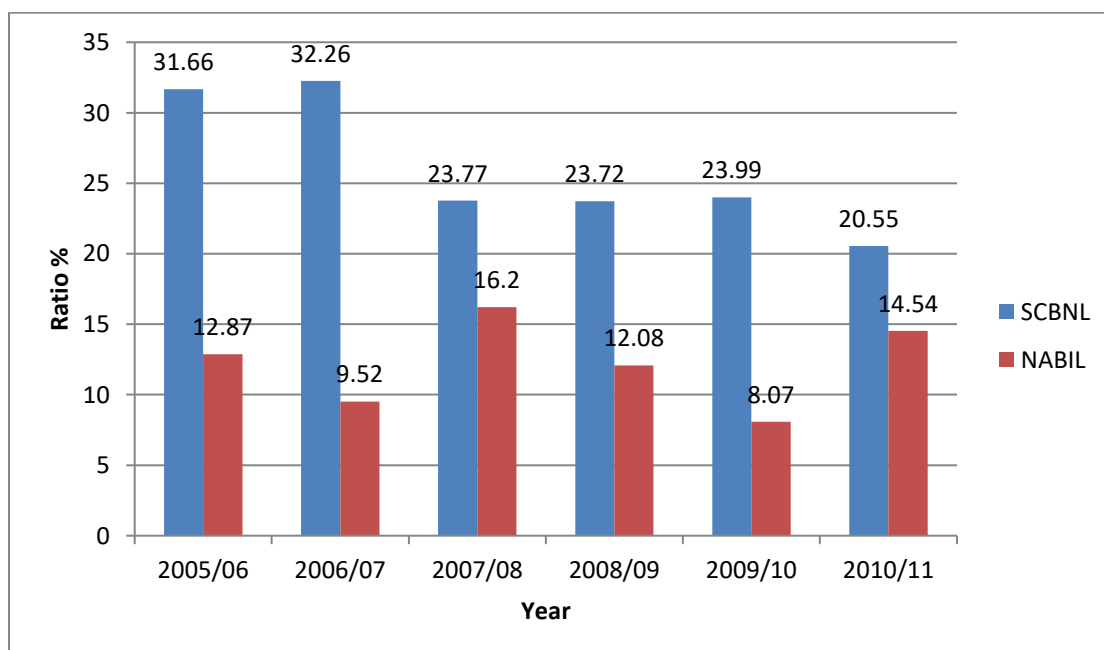
**Comparative Investment on Government Securities to total Working Fund**

Year	Ratio %	
	SCBNL	NABIL
2005/06	31.66	12.87
2006/07	32.26	9.52
2007/08	23.77	16.20
2008/09	23.72	12.08
2009/10	23.99	8.07
2010/11	20.55	14.54
<b>Mean <math>\bar{X}</math></b>	<b>25.99</b>	<b>12.21</b>
<b>SD</b>	<b>4.38</b>	<b>2.78</b>
<b>CV</b>	<b>16.86</b>	<b>22.73</b>

Source: Appendix-I (H)

**Figure No. 4.8**

**Comparative Investment on Government Securities to Total Working Fund**



Above the table and figure shows the investment on government securities to total working fund of SCBNL & NABIL is in fluctuating trend SCBNL & NABIL have the highest ratio of 31.66% & 16.20 % in the year 2005/06 & 2007/08 respectively, Likewise, they have the lowest ratio of 20.55% in the year

2010/11 and 8.07% in the year 2009/10. On the average SCBNL has highest mean ratio i.e. 25.99%. The coefficient of variation indicated of SCBNL (i.e.16.86%) has more stable ratio than of NABIL bank.

#### 4.4 Profitability Ratio

We also need the indicators of profitability position in order to identify the overall utilization of the funds collected and used in the banks. The major ratios that we consider under this sector are:

##### 4.4.1 Return on Credit and Advance

This ratio is computed dividing net profit ( Loss) by the total amount of loan and advances and can be mentioned as,

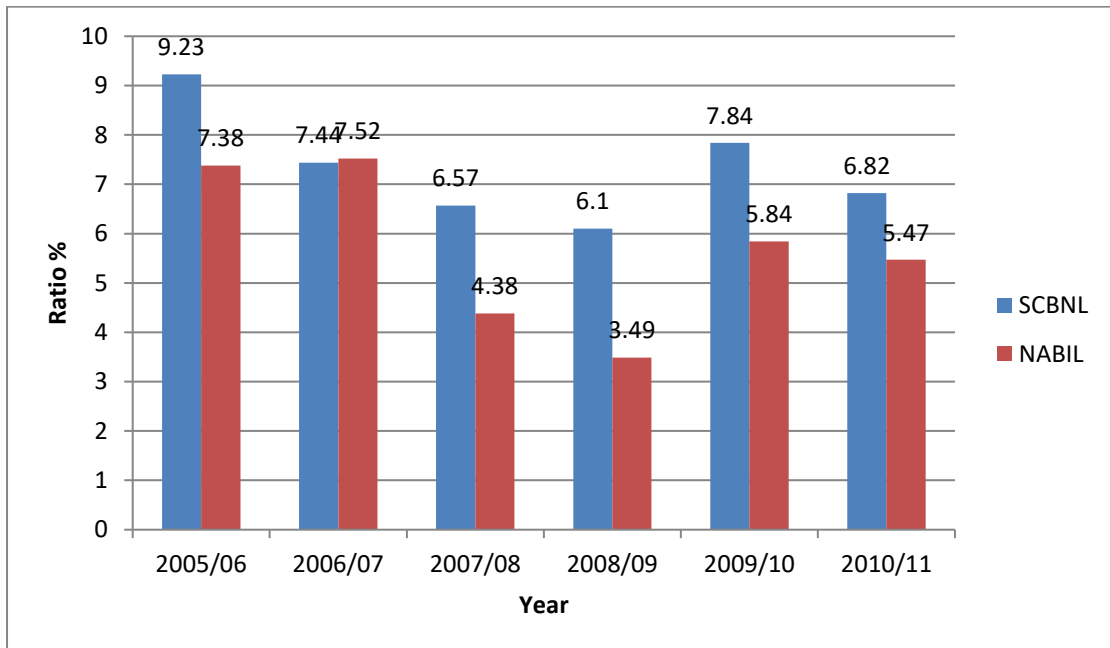
$$\text{Return on Credit and Advance Ratio} = \frac{\text{Net Profit (loss)}}{\text{Credit and Advance}}$$

**Table No. 4.9**  
**Comparative Return on Credit and Advance Ratio**

Year	Ratio %	
	SCBNL	NABIL
2005/06	9.23	7.38
2006/07	7.44	7.52
2007/08	6.57	4.38
2008/09	6.10	3.49
2009/10	7.84	5.84
2010/11	6.82	5.47
<b>Mean <math>\bar{X}</math></b>	<b>7.33</b>	<b>5.68</b>
<b>SD</b>	<b>1.02</b>	<b>1.46</b>
<b>CV</b>	<b>13.90</b>	<b>25.77</b>

Source: Annex –I (I)

**Figure No. 4.9**  
**Comparative Return on Credit and Advance Ratio**



In the above analysis the return on credit and advance of SCBNL & NABIL have the ratio of fluctuating trend. During the study period SCBNL has the highest ratio of 9.23% than that of NABIL. In average, SCBNL has the highest mean ratio of 7.33% where as NABIL has 5.68%. Coefficient of variation indicates that SCBNL has less variance between six years study period than NABIL.

#### 4.4.2 Return on Total Working Fund

Return on total working Fund Ratio is computed as:

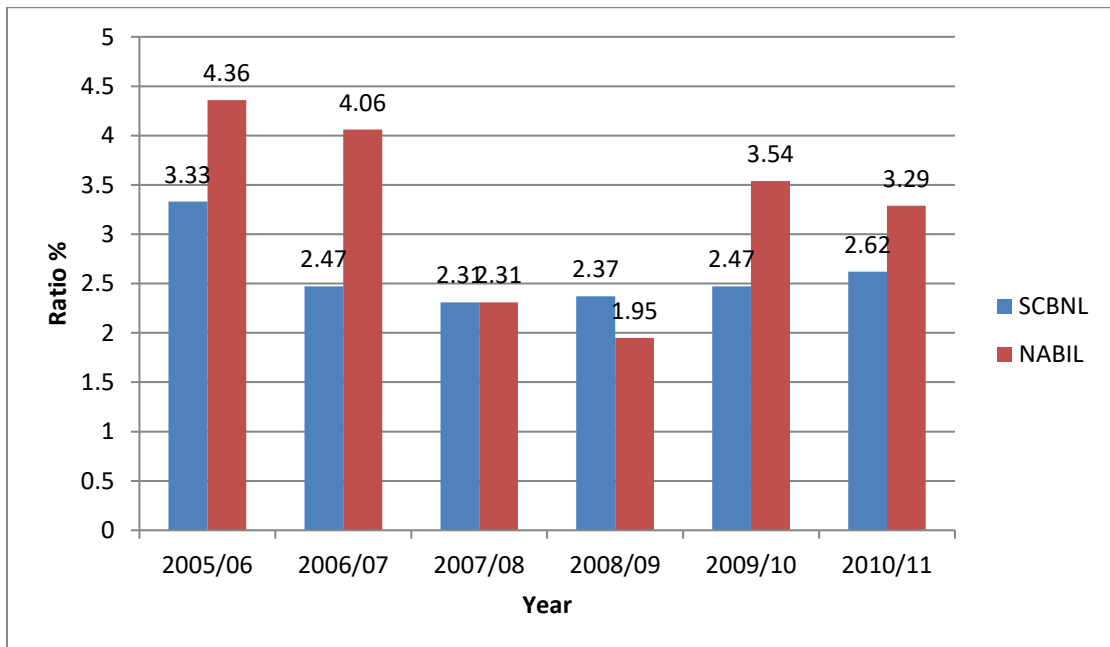
$$\text{Return on Total Working Fund Ratio} = \frac{\text{Net Profit (Loss)}}{\text{Total Working Fund}}$$

**Table No. 4.10**  
**Comparative Return on Total Working Fund Ratio**

Year	Ratio %	
	SCBNL	NABIL
2005/06	3.33	4.36
2006/07	2.47	4.06
2007/08	2.31	2.31
2008/09	2.37	1.95
2009/10	2.47	3.54
2010/11	2.62	3.29
<b>Mean <math>\bar{X}</math></b>	<b>2.60</b>	<b>3.25</b>
<b>SD</b>	<b>0.34</b>	<b>0.87</b>
<b>CV</b>	<b>13.18</b>	<b>26.75</b>

Source: Annex I (J)

**Figure No. 4.10**  
**Comparative Return on Total Working Fund Ratio**



As per the above comparative table and figure the return on total working fund of SCBNL & NABIL have the ratio of rising and falling trend. During the study period, NABIL has the highest ratio of 4.36 % than SCBNL. In case of coefficient of variation, SCBNL has the lowest C.V. of 13.18 % that of NABIL.



#### 4.4.3 Total Interest Earned to Total Working Fund

This ratio actually reveals the earning capacity of commercial banks by mobilizing its working fund. Higher the ratio higher will be the income as interest. We have,

$$\text{Total Interest Earned to Total Working Fund} = \frac{\text{Total Interest (income)}}{\text{Total Working Fund}}$$

**Table No. 4.11**

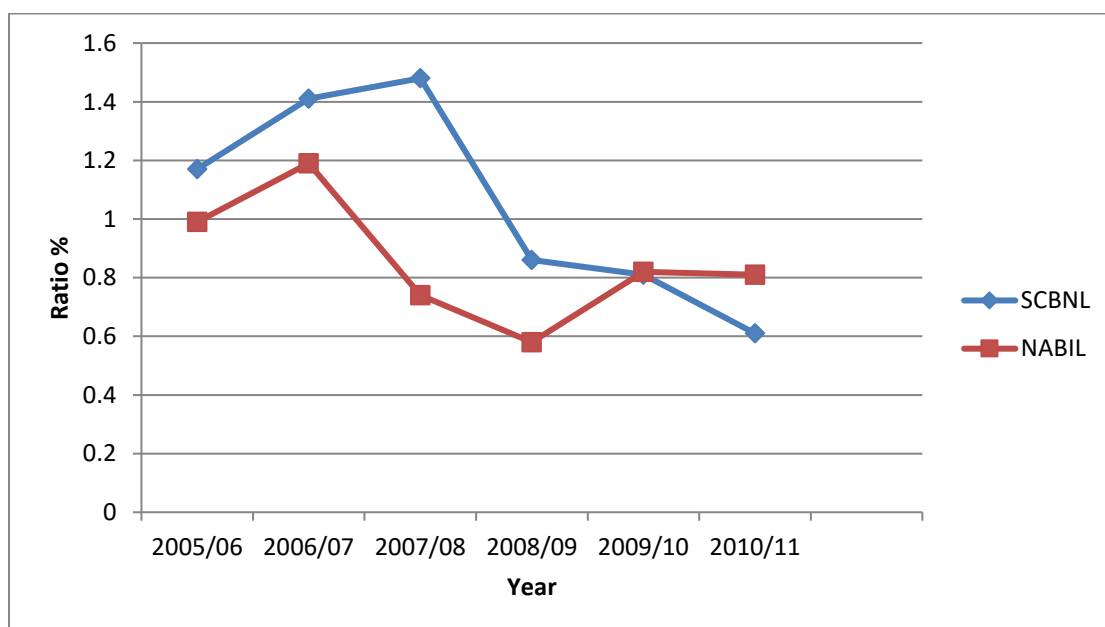
**Comparative Total Interest Earned to Total Working Fund Ratio**

Year	Ratio %	
	SCBNL	NABIL
2005/06	1.17	0.99
2006/07	1.41	1.19
2007/08	1.48	0.74
2008/09	0.86	0.58
2009/10	0.81	0.82
2010/11	0.61	0.81
<b>Mean <math>\bar{x}</math></b>	<b>1.06</b>	<b>0.86</b>
<b>SD</b>	<b>0.32</b>	<b>0.19</b>
<b>CV</b>	<b>30.48</b>	<b>22.49</b>

Source: Annex- I (K)

**Figure No. 4. 11**

**Comparative Total Interest Earned to Total Working Fund Ratio**



Above the analysis shows the SCBNL had highest interest earned to total working fund ratio of 1.48% in the year 2005/06 and lowest ratio of 0.81% in the year 2009/10 Likewise, NABIL, have the highest ratio of 1.19% and in the year 2006/07 and lowest ratio of NABIL has 0.58%. SCBNL has mean ratio of 1.06 and NABIL has mean ratio of 0.86% . The coefficient of variation of NABIL is less than SCBNL .It indicates that interest earning power of NABIL is more consistent SCBNL.

#### 4.4.4 Total Interest Paid to Total Working Fund Ratio

Total interest paid to total working fund ratio is calculated as:

$$\text{Total interest paid to total working fund ratio} = \frac{\text{Total Interest paid}}{\text{Total Working Fund}}$$

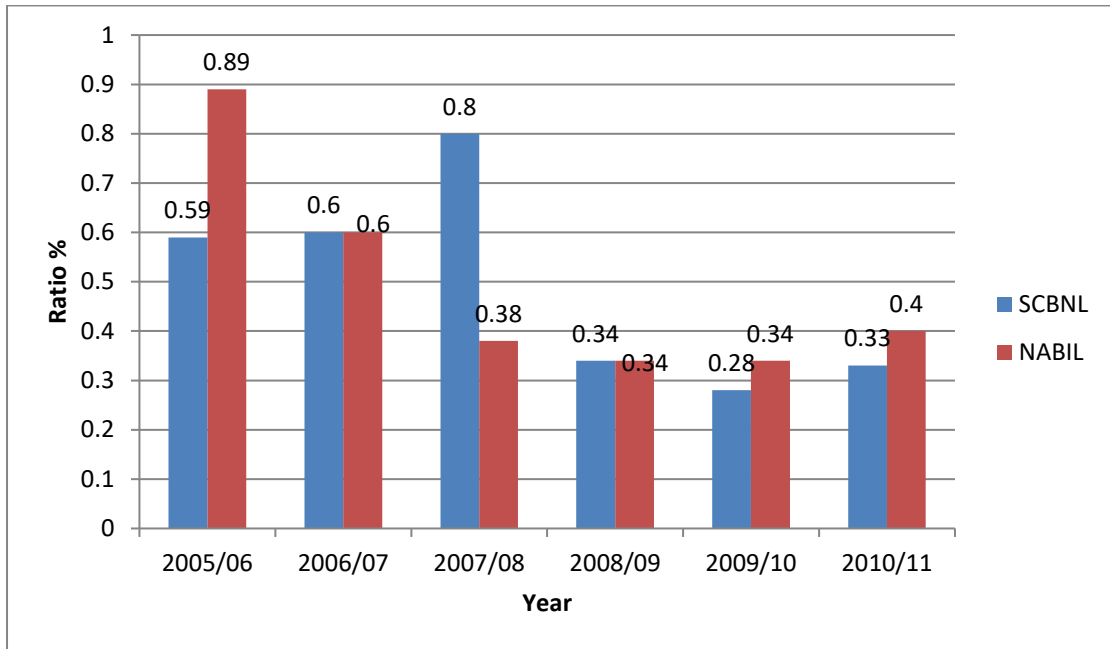
**Table 4.12**  
**Comparative Total Interest Paid to Total Working Fund**

Year	Ratio %	
	SCBNL	NABIL
2005/06	0.59	0.89
2006/07	0.60	0.60
2007/08	0.80	0.38
2008/09	0.34	0.34
2009/10	0.28	0.34
2010/11	0.33	0.40
<b>Mean <math>\bar{X}</math></b>	<b>0.49</b>	<b>0.50</b>
<b>SD</b>	<b>0.19</b>	<b>0.20</b>
<b>CV</b>	<b>38.46</b>	<b>40.16</b>

Source: Annex- I (L)

**Figure No. 4.12**

**Comparative Total Interest Paid to Total Working Fund**



From the above comparative table & figure, NABIL has highest has interest paid to total working fund ratio in fluctuating trend. SCBNL has 0.80% highest ratio in the year 2007/08 and lowest ratio of 0.28% in the year 2009/10. And NABIL have the highest ratio of 0.89% in the year 2005/06. The coefficient of variation of NABIL is more than stable than SCBNL i.e. 40.16 %.

**4.5 Growth Ratio**

The growth ratio represent how well the commercial banks are maintaining their economic and financial and financial position. To calculate, check and analyze the expansion and growth of the selected bank the following growth ratio are calculated.

#### 4.5.1 Growth Ratio of Total Deposits

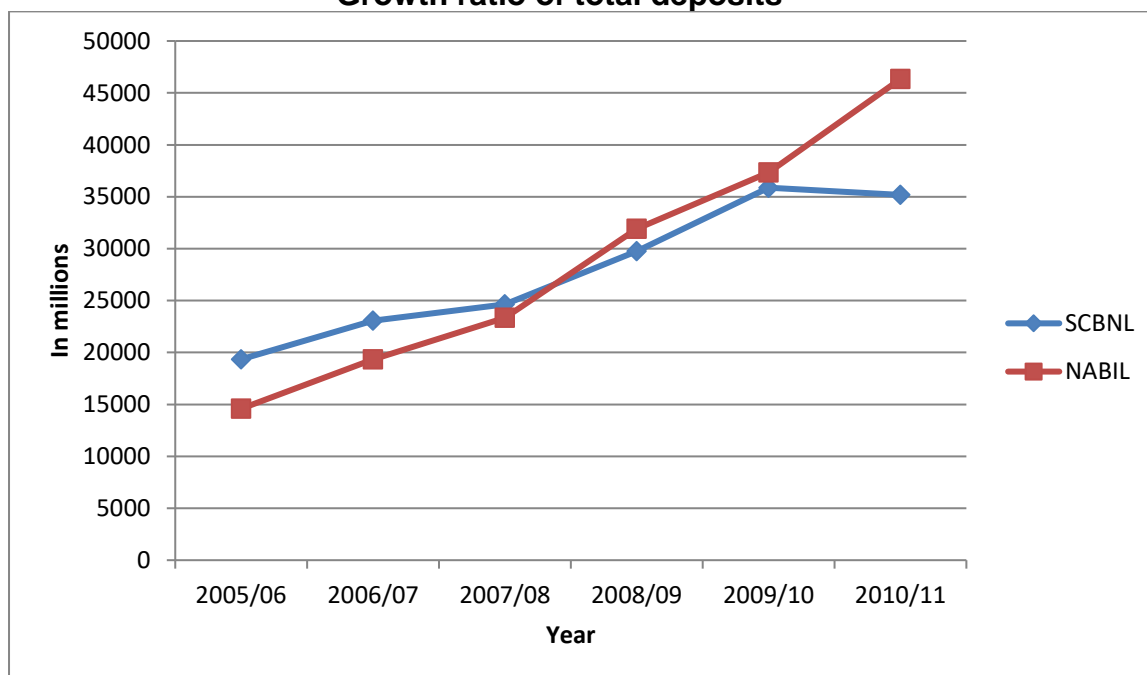
**Table No 4.13**  
**Growth Ratio of Total Deposits**

S. N	Banks	Total Deposit						Growth rate(%)
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
1	SCBNL	19344	23050.5	24640.3	29743.9	35871.8	35182.7	12.71
2	NABIL	14586.63	19348.41	23342.28	31915.05	37348.26	46334.82	26.01

Source: Appendix-II

Growth ratio of total deposit of SCBNL & NABIL are also Shown in the following line Chart:

**Figure No. 4.13**  
**Growth ratio of total deposits**



The table presented above shows that the deposits of all the banks are in increasing trend except SCBNL, where the deposit decreased in the year 2010/11, during six years of study period. The growth ratio of SCBNL & NABIL is 12.71% & 26.01% respectively. The growth ratio of total deposit of NABIL is higher than that of SCBNL.

## 4.5.2 Growth Ratio of Total Investment

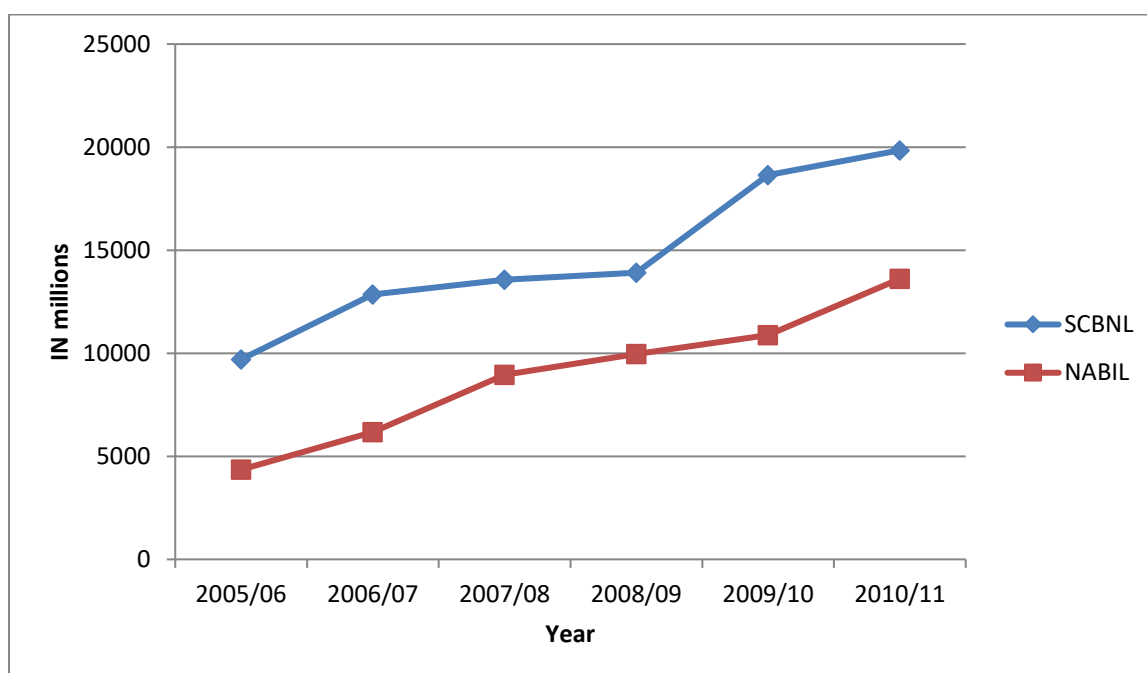
**Table No 4.14**  
**Growth Ratio of Total Investment**

S.N	Banks	Total Investment						Growth rate(%)
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
1	SCBNL	9704.1	12850.6	13564.0	13902.8	18640.5	19847.5	15.39
2	NABIL	4353.35	6174.86	8952.33	9966.56	10874.94	13612.07	25.61

Source: Appendix-II

It can also be presented with the help of line chart as following:

**Figure No.4.14**  
**Growth Ratio of Total Investment**



The above table & Figure shows that SCBNL and NABIL have increasing trend in its investment from the year 2005/06 to 2010/11. Whereas, SCBNL & NABIL have the growth rate of 15.39 & 25.61 respectively. Among them NABIL has the highest growth rate than SCBNL.

#### 4.5.3 Growth Ratio of Loan and Advances

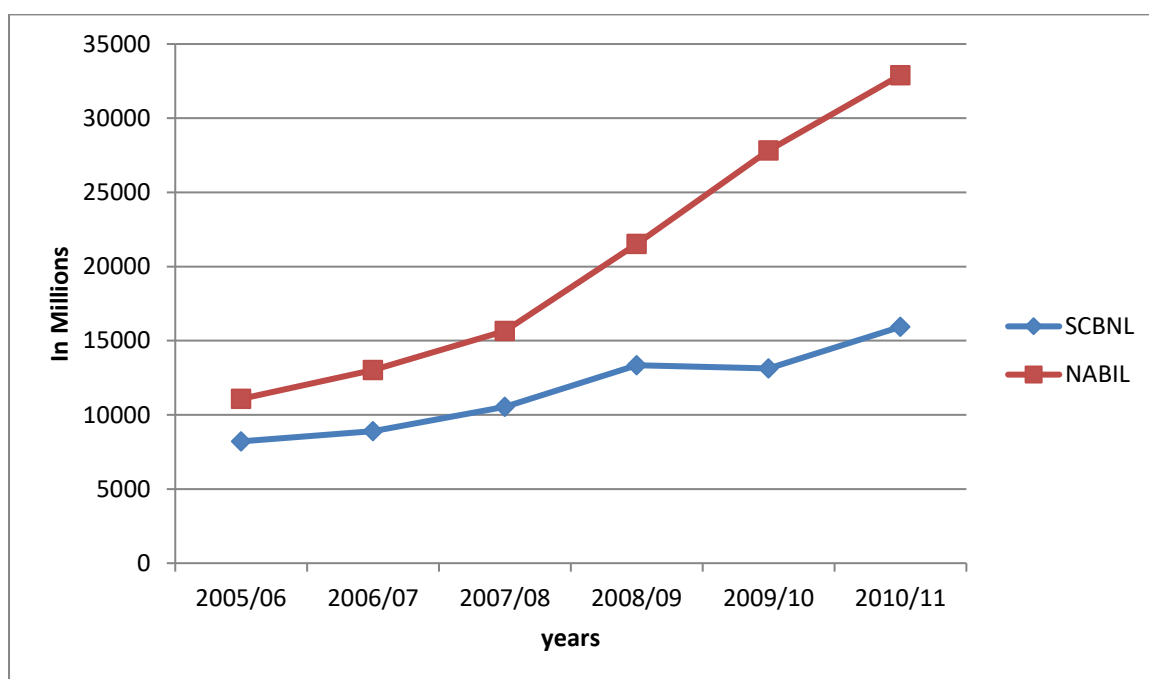
**Table No. 4.15**  
**Growth Ratio of Credit and Advances**

S.N	Banks	Credit and Advances						Growth rate(%)
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
1	SCBNL	8213.5	8905.1	10538.1	13355	13118.6	15932.2	18.01
2	NABIL	11078.02	13021.28	15657.04	21514.63	27816.56	32902.83	31.28

Source: Appendix-II

The above table describes the growth ratio of credit and advance of SCBNL & NABIL are also shown in the following line chart.

**Figure No. 4.15**  
**Growth Ratio of Credit and Advances**



The above table describes the growth ratio of credit and advance of SCBNL & NABIL less than six years study period. The table shows the high growth ratio of NABIL is 31.28%. and lowest growth ratio so SCBNL is 18.01%.

#### 4.5.4 Growth Ratio of Net Profit

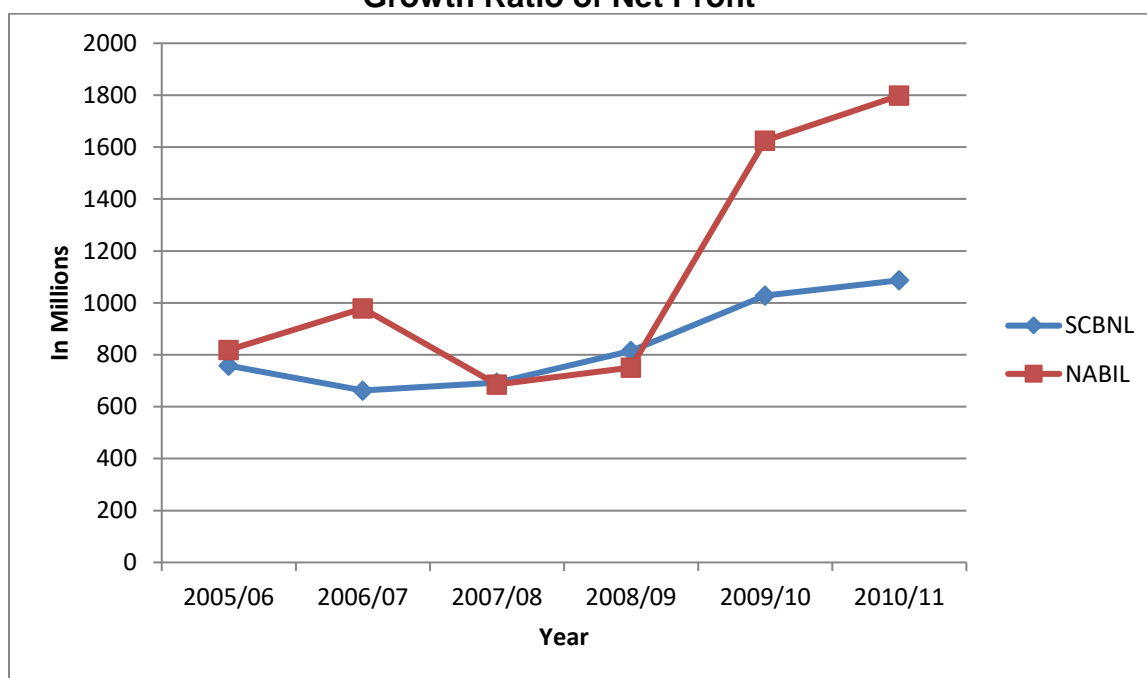
**Table No.4.17**  
**Growth Ratio of Net Profit**

S.N	Banks	Net Profit						Growth rate(%)
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
1	SCBNL	757.9	662.5	692.1	814.4	1028.3	1086.8	9.43
2	NABIL	817.88	979.05	685.58	750.35	1624.86	1798.70	21.78

Source: Appendix-II

The above table describes the growth ratio of Net Profit of SCBNL & NABIL are also shown in the following line chart.

**Figure No. 4.17**  
**Growth Ratio of Net Profit**



The above table describes the growth ratio of Net Profit of SCBNL & NABIL under six years study period. The table shows the high growth ratio of NABIL is 21.78%. and lowest growth ratio of SCBNL is 9.43.

#### 4.6 Analysis of Source and Uses of Funds

The following table presented the list of sources and uses of SCBNL. And it represents the proportionate contribution to the total funds of SCBNL

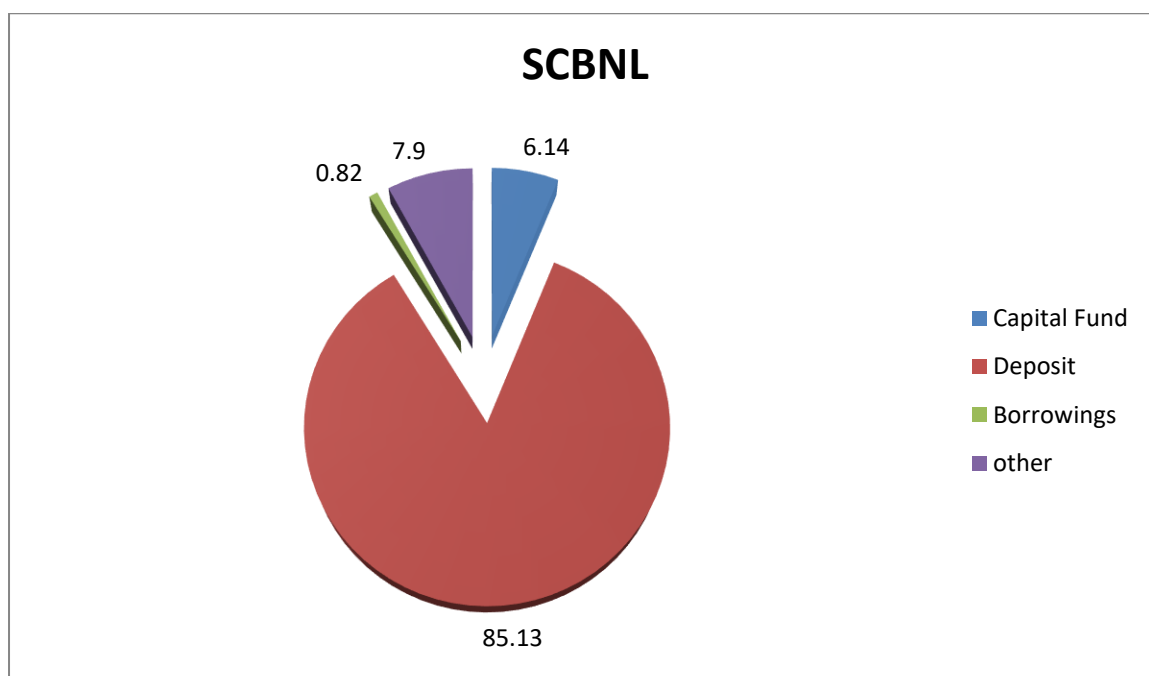
#### 4.6.1 Analysis of source and Uses of Fund of SCBNL

**Table No. 4.18**  
**Percentage of Various Sources of Funds From Total Source of SCBNL**

SN	Particulars	Years						Total	Average
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
1	Capital Fund	5.62	5.88	5.86	6.17	5.98	7.35	36.87	6.14
2	Deposits	85.00	86.02	82.31	86.68	86.07	84.73	510.8	85.13
3	Borrowing	0.19	0.04	3.98	0.00	0.72	0.00	4.93	0.82
4	Others	9.20	8.06	7.85	7.15	7.23	7.92	47.41	7.90
	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>600</b>	<b>100</b>

Source: Appendix-V

**Figure No. 4.18**  
**Sources of Funds of SCBNL**



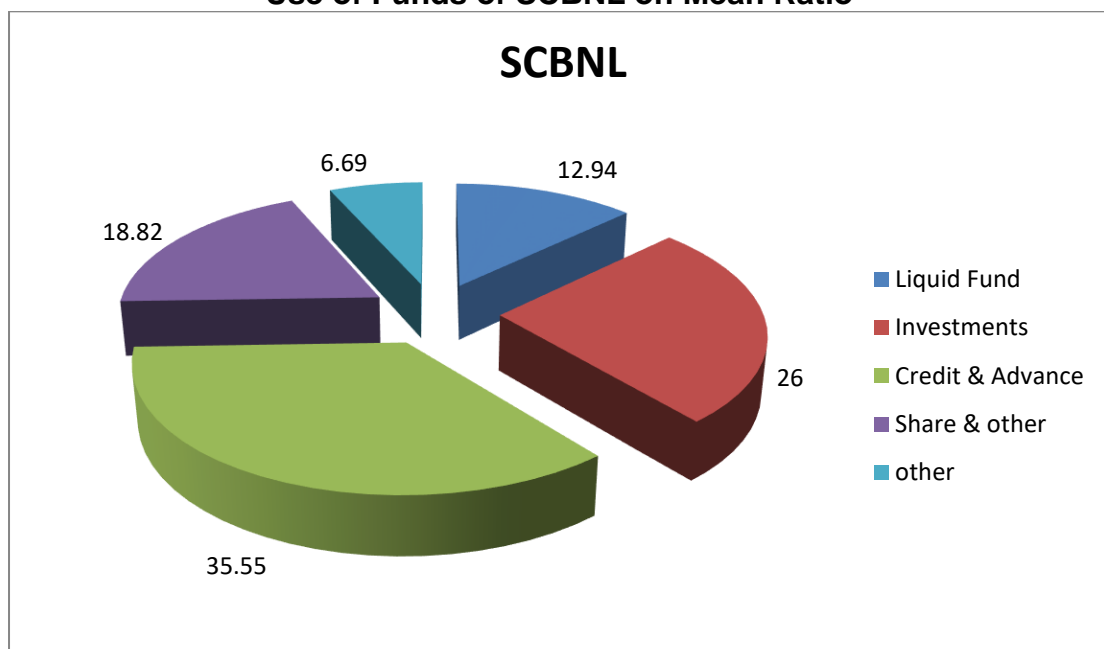


**Table No. 4.19**  
**Percentage of Various Uses of Funds from Total Source of SCBNL**

S.N	Particulars	Years						Total	Average
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
1	Liquid Fund	14.81	12.14	13.35	12.38	16.29	8.67	77.63	12.94
2	Investments	31.66	32.26	23.77	23.74	24.01	20.57	156.00	26.00
3	Loan & Advance	36.09	33.23	35.20	38.92	31.48	38.37	213.28	35.55
4	Share & other	10.98	15.69	21.54	16.78	20.71	27.23	112.94	18.82
5	Others	6.46	6.67	6.14	8.18	7.51	5.17	40.14	6.69
	Total	100	100	100	100	100	100	600	100

Source: Appendix-V

**Figure No.4.19**  
**Use of Funds of SCBNL on Mean Ratio**



From the above analysis, contribution of capital fund in total source is 6.14% likewise, Deposit contribution more funds out total sources of funds i.e. 85.13%. Considering the contribution of borrowing to total source, it is approximately 1% which is lowest as compare to other source of fund is 7.90%. deposit is the only one reliable source of funds of SCBNL.

Theses above source of funds are used for different purposes. SCBNL maintained liquid funds of 12.94% on an average. It has maintained sufficient liquid funds in the starting period of the study. It makes average investment of

26.00%. similarly, it has provided its customer. Share & investment and loan and advances of 35.55% for its customers. Share & investment and other uses cover 18.82% and 6.89% respectively.

#### 4.6.2 Analysis of source and Uses of Fund of NABIL

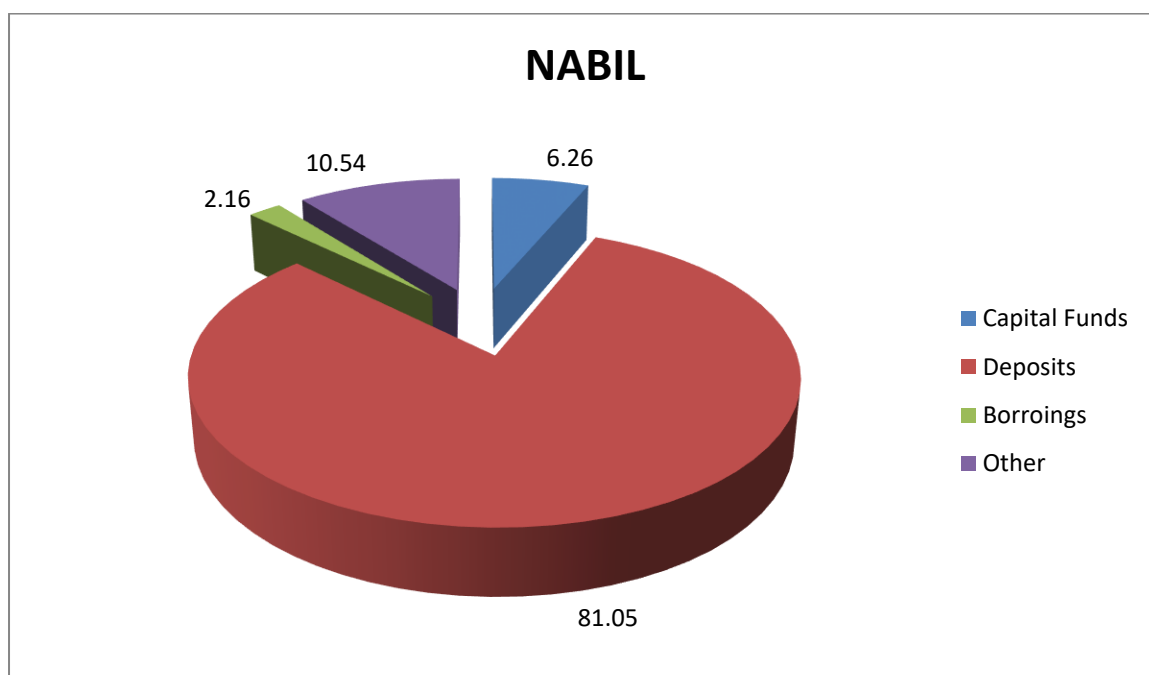
The following table presents the list of sources and funds of NABIL. And it represent the proportionate to the total funds of NABIL.

**Table No. 4.20**  
**Percentage of Various Source of Funds From Total Source of NABIL**

S.N	Particulars	Years						Total	Average
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
1	Capital Fund	7.96	6.87	6.32	5.35	5.30	5.73	37.53	6.26
2	Deposits	78.36	80.17	78.70	82.94	81.29	84.85	485.31	81.05
3	Borrowing	0.09	0.72	2.98	4.16	4.31	0.69	12.94	2.16
4	Others	13.58	12.25	12.00	7.55	9.09	8.74	63.21	10.54
	Total	100	100	100	100	100	100	600	100

Source: Appendix-VI

**Figure No. 4.20**  
**Sources of Funds of NABIL**

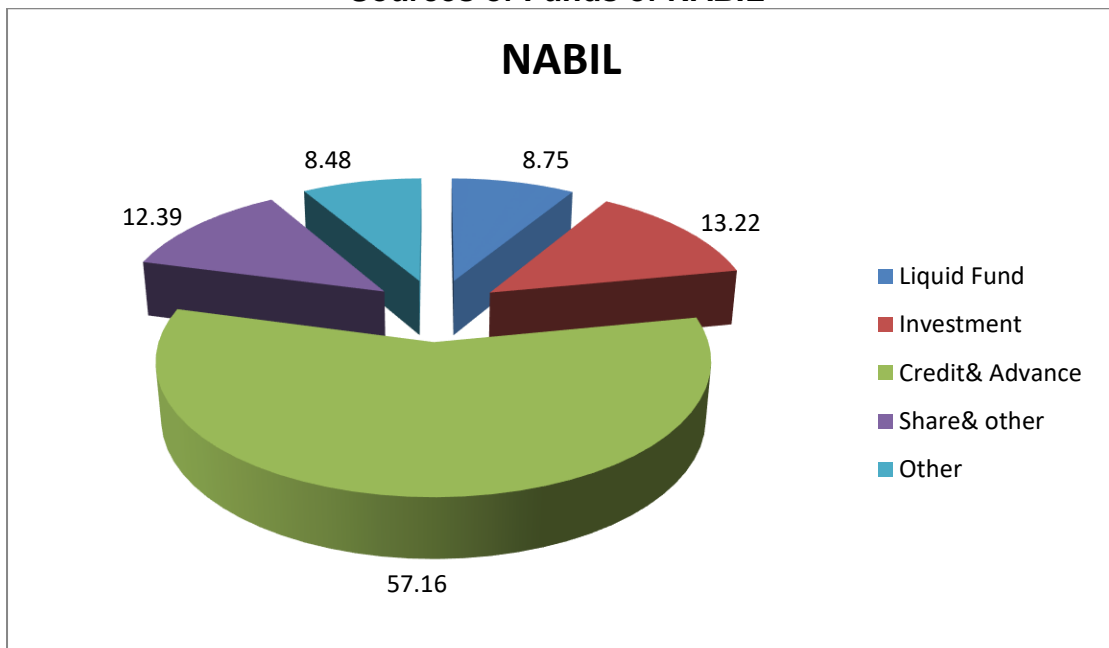


**Table No. 4.21**  
**Percentage of Various Uses of Funds from Total Source of NABIL**

S.N	Particulars	Years						Total	Aver age
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11		
1	Liquid Fund	7.23	9.80	6.62	12.02	8.54	8.27	52.47	8.75
2	Investments	15.19	9.83	18.07	12.71	8.66	14.88	79.34	13.22
3	Loan & Advance	59.51	53.95	52.79	55.91	60.55	60.25	342.97	57.16
4	Share & other	8.20	15.76	12.11	13.19	15.01	10.04	74.32	12.39
5	Others	9.88	10.66	10.41	6.17	7.24	6.55	50.91	8.48
	Total	100	100	100	100	100	100	600	100

Source: Appendix-VI

**Figure No. 4.21**  
**Sources of Funds of NABIL**



From the above analysis, contribution of capital fund in total source of funds of NABIL is 6.26%. Similarly, Deposits contribute more fund in total source of funds i.e. 81.05% borrowings occupied only 2.16% of the total source .And

other sources has contribution of 10.54%. It can be said that deposits is the main source of funds.

Theses above source of funds are used for different purposes. NABIL maintained liquid funds of 8.75% out of total sources funds. It made average investment of 13.22%. Similarly, it has provided Credit and advance of 57.16 % to its customer. Percentage covered by Share & investment of 12.39 % and other uses cover 8.48 % respectively.

#### 4.6.3 Comparative Analysis of Source

The following tables show the average source of fund of the two joint venture banks.

**Table No. 4.22**  
**Comparative Analysis of Source**

S.N	Particular	Average%	
		SCBNL	NABIL
1	Capital Funds	6.14	6.26
2	Deposits	85.13	81.05
3	Borrowing	0.82	2.16
4	Other	7.90	10.54
	Total	100	100

Source: Appendix - V

From the above analysis, a capital fund of NABIL is higher in comparison to SCBNL i.e. 6.26 %. Capital fund of SCBNL banks are 6.14% since the deposit contribution to total source of funds of SCBNL is very high. Considering the contribution of borrowing to total sources, NABIL has borrowed proportionately more fund than that of SCBNL. Lastly, other source of fund proportion of SCBNL lowers than NABIL.

#### 4.6.4 Comparative Analysis of uses

The subsequent table shows the average uses of funds of two banks.

**Table No. 4.23**  
**Comparative Analysis of Source**

S.N	Particular	Average %	
		SCBNL	NABIL
1	Liquid Funds	12.94	8.75
2	Investments	26.00	13.22
3	Credit & Advances	35.55	57.16
4	Share & other Invt.	18.82	12.39
5	Others	6.69	8.48
	Total	100	100

Source : Appendix – V

SCBNL has maintain high liquid funds than NABIL i.e. 12.94 % than 8.75 %.SCBNL is successful to make investment in different sectors in comparison to NABIL i.e. 26% which is comparatively greater than NABIL. NABIL has greater portfolio of credit and advance i.e. 57.16% Investment in shares and others of SCBNL is greater than NABIL bank. i.e. 18.82%. others investment of NABIL is greater i.e. 8.48 % thus, SCBNL has better portfolio in dividing total fund of bank.

#### 4.7 Correlations Analysis

Correlation between the important variables is analyzed under this heading.

##### 4.3.1 Analysis of correlation coefficient between deposit and Total Investment

The following table describes the relationship between deposit and total investment of SCBNL & NABIL under six years study period. In this case, deposit is independent variables (X) and total investment is dependent variable (Y).

**Total No. 4.24**  
**Correlation Coefficient between Deposit and Total Investment**

Banks	Base of Evaluation			
	r	r <sup>2</sup>	P.E.	6×P.E.
SCBNL	0.74	0.55	0.19	1.11
NABIL	0.82	0.67	0.14	0.81

Source: Appendix – III

From the above table, It is found that coefficient of correlation between deposit and Total Investment of SCBNL is 0.74. And the value of coefficient of determination ( $r^2$ ) is 0.55 which means 55% of Investment decision is depends upon deposit and only 45% of Investment is depend upon other variables. Similarly probable error (P.E.) is 0.19 and 6P.E is 1.11 which shows that 'r' is lower than 6P.E. therefore it reveals that relationship between deposit and investment is not significant.

Likewise in case of NABIL, coefficient of correlation between deposit and Total Investment is 0.82. Coefficient of determination ( $r^2$ ) is 0.67 which means 67% of Investment decision is depends upon deposit and 33 % of Investment is depend upon other variables. And its P.E is 0.14 and Similarly 6P.E is 0.81 which is lower than 'r'. it means correlation of coefficient between deposit and Investment of NABIL is Significant.

#### **Total No. 4.25**

#### **Correlation Coefficient between Deposits and Credit and Advance**

<b>Banks</b>	<b>Base of Evaluation</b>			
	<b>r</b>	<b><math>r^2</math></b>	<b>P.E.</b>	<b>6×P.E.</b>
<b>SCBNL</b>	<b>0.92</b>	<b>0.85</b>	<b>0.06</b>	<b>0.36</b>
<b>NABIL</b>	<b>0.99</b>	<b>0.99</b>	<b>0.01</b>	<b>0.03</b>

Source : Appendix – III

From the above table, It is found that coefficient of correlation between deposit and credit and Advances of SCBNL is 0.92. And the value of coefficient of determination ( $r^2$ ) is 0.85 which means 85% of credit and advance decision is depends upon deposit and only 15% of credit and advance is depend upon other variables. Similarly probable error (P.E.) is 0.06 and 0.36 which shows that 'r' is highly greater than 6P.E. therefore it reveals that relationship between and advance is significant.

Likewise in case of NABIL, coefficient of correlation between deposit and credit and Advances is 0.99. Coefficient of determination ( $r^2$ ) is 0.99 which means 99% of credit and advance decision is depends upon deposit and only

1 % of credit and advance is depend upon other variables. Similarly probable error (P.E.) is 0.01 and Similarly 6P.E is 0.03 which is lower than 'r' i.e. 0.99. It means correlation of coefficient between deposit and credit and Advance of NABIL is Significant.

#### 4.8 Trend Analysis

##### 4.8.1 Trend Analysis of Total Investment to Total Deposits Ratio

Under this topic an effort has been made to calculate the trend value of total investment to total deposit ratio of SCBNL & NABIL with comparatively less than six years study period and project the trend for next four years. The following table describes the trend value of total investment to total ratio of SCBNL & NABIL For ten years

**Table No 4.26**  
**Trend Analysis of Total Investment to Total Deposits Ratio of SCBNL & NABIL (2005 to 2014)**

Years	Banks (Trend Value)	
	SCBNL	NABIL
2005/06	52.48	31.03
2006/07	52.34	31.93
2007/08	52.20	32.83
2008/09	52.07	33.73
2009/10	51.93	34.64
2010/11	51.79	35.54
2011/12	51.66	36.44
2012/13	51.52	37.34
2013/14	51.38	38.24
2014/15	51.25	39.14

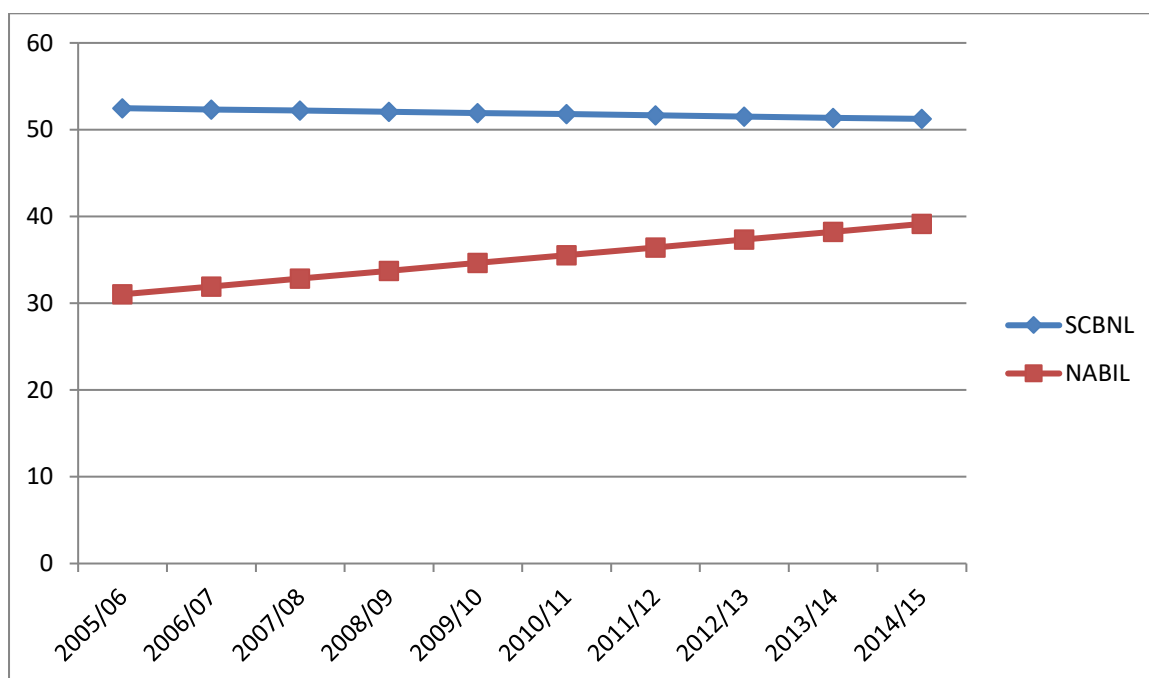
Source : Appendix – IV

From the above comparative table, it has been found that the of Total Investment to Total Deposits Ratios of SCBNL & NABIL are in decreasing

trend expect NABIL. Other thing remaining the same, the ratio of total investment to total deposits of SCBNL & NABIL will be 51.25, 39.14 respectively in the year ended 2014/15.

Trend line of total investment to total deposit ratio of SCBNL & NABIL is shown below:

**Figure No. 4.22**  
**Trend Values of Total Investment to Total Deposit Ratio of SCBNL & NABIL (2005/06 to 2014/15)**



#### 4.8.2 Trend Analysis of Credit and Advance to Total Deposits Ratio of SCBNL & NABIL

Under this topic an attempt has made to analyze the trend of credit and advance to total deposits ratio of SCBNL & NABIL with comparatively under six years study period and project the trend for next four years. The following table describes the trend value of Credit and Advance to total deposit ratio of SCBNL & NABIL For ten years.



**Table No. 4.27**

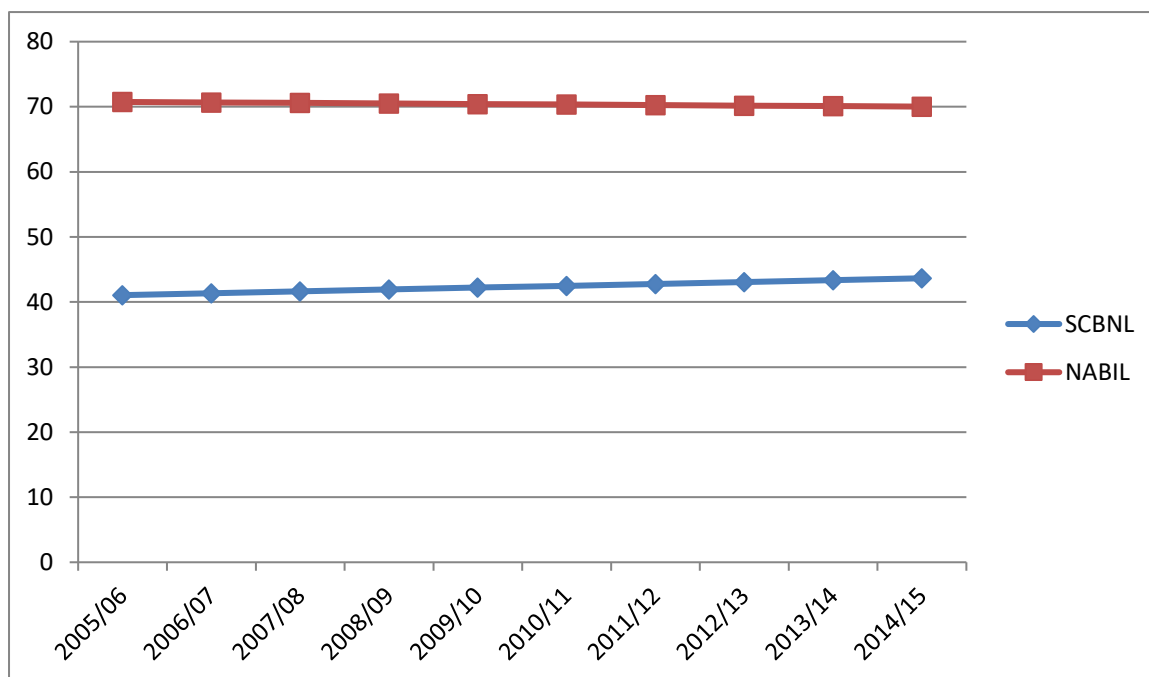
**Trend Values of Total Credit and Advance to Total Deposit Ratio of  
SCBNL & NABIL (2005/06 to 2014/15)**

Years	Banks (Trend Value)	
	SCBNL	NABIL
2005/06	41.05	70.74
2006/07	41.34	70.66
2007/08	41.63	70.58
2008/09	41.91	70.50
2009/10	42.20	70.42
2010/11	42.49	70.34
2011/12	42.78	70.26
2012/13	43.06	70.18
2013/14	43.35	70.10
2014/15	43.64	70.02

From the table comparative table, it has been found that the of Total Credit & Advance to Total Deposits Ratios of SCBNL & NABIL are is in highly increasing trend. Other thing remaining the same, the ratio of total Credit & Advance to total deposits of SCBNL & NABIL will be 43.64 & 70.02 respectively in the year ended 2014/15.

Trend line of total Credit & Advance to total deposit ratio of SCBNL & NABIL is shown below:

**Figure No. 4.23**  
**Trend Values of Total Credit & Advance to Total Deposit Ratio of SCBNL**  
**& NABIL**  
**(2005/06 to 2014/15)**



#### 4.9 Major Finding from Liquidity Ratios

##### a) Finding from liquidity ratio:

- ❖ Average ratio of cash and bank balance to total deposit reveals that higher the ratio SCBNL had, lower the ratio in comparison to NABIL banks which shows that the liquidity position of it is quite well than NABIL banks.
- ❖ Average ratio of cash and bank balance to current deposit ratio reveals that the bank has the higher ratio and NABIL had the lower ratio than SCBNL banks. It shows that the liquidity position on current deposit is better in comparison to NABIL banks. On the other hand C.V. of SCBNL is lower than NABIL banks which mean liquidity position on current deposit is more consistent compare to NABIL banks.

**b) Findings from assets management ratio**

Following are the major finding from assets management ratio:

- ❖ SCBNL has the lower ratio which means it has mobilized its collected deposit in credit and advances more than NABIL banks but SCBNL seems weak to mobilize its collected deposit in credit and advances.
- ❖ The average ratio of credit and advances to fixed deposit ratio of SCBNL is higher than NABIL bank. It can be regarded that SCBNL has utilized the funds collected from fixed deposits in better way than NABIL bank.
- ❖ Average credit and advance to total assets ratio shows that NABIL bank seems successful to mobilize its total working fund as credit and advance in comparison to SCBNL banks.

**c) Finding from leverage ratio**

Following are the major findings from leverage ratio:

- ❖ The average ratio of total investment to total deposit ratio of SCBNL is higher than NABIL. The variability ratio SCBNL is lower than NABIL. It seems more consistent than NABIL.
- ❖ The average ratio of investment on government securities to current assets of SCBNL is higher than that of NABIL bank. It reveals that investment on government securities of SCBNL is stronger than that of NABIL banks. Analysis shows that investment on government securities of SCBNL is more consistent.
- ❖ The mean ratio of investment on share and debenture to total working fund of SCBNL is greater than NABIL. Whereas NABIL has the lower variability of the ratio. It shows the stable investment on share and debenture.

**d) Finding from Profitability Ratio**

Following are the major finding from profitability ratio:

- ❖ The average ratio of return on loan and advances of SCBNL is higher than NABIL. The variability ratio of SCBNL is lower than NABIL. It seems SCBNL has stable return.

- ❖ The average ratio of return on total working fund of NABIL is greater than SCBNL. Whereas the variability ratio of SCBNL is lower than NABIL. It indicates that the return on total working fund so SCBNL is stable.
- ❖ The average ratio of total interest earned to total working fund of SCBNL is higher than NABIL banks. SCBNL is more successful to earn interest than NABIL banks. It reveals that SCBNL is mobilizing its working fund successfully so that it has high earning capacity.
- ❖ The average ratio of total interest paid to total working fund of SCBNL is lower than NABIL. It reveals that SCBNL has not paid high interest as NABIL bank.

**f) Finding from Analysis of Sources and Uses of Funds**

Following are finding from the analysis of sources and uses of funds.

- ❖ Capital base of NABIL has been found significantly higher than SCBNL. NABIL bank has been able to generate high volume of profit from operation. that why, it can be said that SCBNL has low volume of profit from operation than that of NABIL banks.
- ❖ SCBNL have been very successful in case of mobilizing deposits during the study period. Whereas deposits condition of NABIL is lower in comparison to NABIL bank. So SCBNL is considered as a high liquidity sensitive bank.
- ❖ In case of borrowing of fund from different sources, NABIL frequently depends upon borrowing to discharge its obligation. This is an indication that the internal fund management of NABIL is not satisfactory towards meeting liquidity needs.
- ❖ SCBNL has maintained high liquid fund than NABIL bank. Considering liquidity, it is good for holding necessary liquid in the bank but holding necessary liquid fund is not favorable for income generation.
- ❖ SCBNL has been successful to make investment in different sector in comparison to NABIL.
- ❖ SCBNL mobilizes low amount in loan and advance among NABIL bank.
- ❖ SCBNL is comparatively able to invest more on share and other investment than NABIL

- ❖ NABIL more proportion of allocation of funds under other assets followed by SCBNL. High allocation of such assets leads a bank to a less liquid position and vice – versa.

**g) Finding from coefficient of correlation analysis:**

- ❖ Correlation of coefficient between deposit and total investment of SCBNL higher than NABIL it indicates that SCBNL is successfully mobilizing its deposits as investment.
- ❖ NABIL have the highest degree of correlation coefficient between deposit and loan and advance than SCBNL. It states that the both NABIL is better position of mobilization of deposit as loan and advances in comparison to SCBNL.

**h) Finding from Trend analysis:**

- ❖ The total investment to total deposit ratio of SCBNL is in decreasing trend. NABIL bank's trend value of NABIL is in increasing trend. It indicates that NABIL is more successful to utilize its deposit in investment.
- ❖ The trend value of Credit and advance to total deposit ratio of SCBNL is in increasing trend whereas NABIL is in constant trend

## **CHAPTER: V**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary**

In this study, two joint venture banks namely, NABIL Bank Ltd, Standard Chartered Bank Ltd. are chosen for their fund collection and mobilization activities by taking six years' data from 2005/06 -2010/11.

The study is mainly based on secondary sources. All the data are taken from NRB official website, concerned banks annual report , literature publication, balance sheet, profit and loss account, previous thesis report, different website, related books and booklets, journals and articles. After collecting data from different sources, it is analyzed by using financial and statistical tools. Finding are drawn by applying various financial tools viz. liquidity ratio, assets management ratio, profitability ratio, growth ratio, and sources and used of funds. Similarly, statistical tools have been used viz. mean, standard deviation, coefficient of variation, coefficient of correlation and trend analysis.

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

This study suffer from different limitation: it considers two banks only and time and resource are the constraints of the study. Therefore the study may not be generalized in all cases and accuracy depends upon the data collected and provided by the organization.

#### **5.2 Conclusion**

Following conclusions have been drawn from this research work:

From the analysis liquidity ratios are calculated to identify the situation of immediate cash and equipments to repay the customers and to meet other immediate liabilities at the time of demand. So the foremost liquidity ratios calculated for two JVBs are cash and bank balance to current deposit ratio and cash and bank balance to total deposit of SCBNL has the highest cash

and bank balance to total deposit ratio. Liquidity position of NABIL is comparatively lower than the SCBNL banks.

Considering assets management aspect of two banks, NABIL is relatively providing more credit and advance for the purpose of earning profit while SCBNL is providing less. But SCBNL is investing more of its collected deposits in comparison to NABIL bank. In comparison to NABIL bank. SCBNL seems more successful in mobilizing total fund on different types of govt. securities to maximize its earning capacity while NABIL has not investment its fund efficiently. Again, SCBNL has successfully invested more working fund in debenture and share of other company.

The average fixed deposit turnover ratio of SCBNL is higher than that of NABIL banks. The average total assets turnover ratio of SCBNL bank is greater. It means the bank had been able to mobilize more than half its total working funds (represented by total assets) in various lending sectors. .

Considering the profitability SCBNL is relatively more successful to earn profit on Credit & Advance than NABIL banks. It has a highest average return on Credit & Advance ratio and also the coefficient of variation of return on Credit and Advance is also less than NABIL banks. It can be regarded that the return on assets of SCBNL is better than NABIL banks. The average ratio of return on total working fund indicates that working fund of NABIL is well managed. on other hand, SCBNL has mobilized its working fund properly to earn interest and its earning capacity is also high.

Growth ratio of total deposits, total investment, Credit and net profit of NABIL seems strong in comparison to SCBNL. Therefore, we must say that the NABIL bank is successful to increasing its source of funds and its mobilization.

Both banks consider deposit as a main source of fund. From the view point of SCBNL, deposit collection seems successful in compared to NABIL bank. NABIL bank's Capital fund and other liabilities also have the good contribution in sources of funds. But other sources cover fewer portions in total sources of

funds, loan and advances cover maximum portion of uses of funds. It has invested higher amount of loan and advances in comparison to SCBNL bank. Similarly, liquid fund investment and other liabilities are given second priority for uses of funds.

Correlation coefficients of both JVBS are positive relationship or there is high degree of positive correlation between total deposit, loan and advances. Most of the loan and advances providing decision of NABIL and SCBNL are depended upon deposit and only 15 % decisions are explained by others variables. Moreover by considering the probable error, the value of confiscation of determination of both banks is greater than that of 6 P.E. so it can be concluded that the value of correlation coefficient is significant i.e. there is significant relationship between total deposit and advances.

By evaluating the trend analysis NABIL is more successful to mobilize its total deposit in investment than SCBNL banks. Trend analysis of loan and advance to total deposit states NABIL more successful bank.

### **5.3 Recommendations**

Suggestion is the output of the whole study. It helps to take corrective action in their activities in future. Different analysis were done till arrive this step. On the basis of above analysis and finding of the study, following suggestion may be referred to overcome weakness, inefficiency and to fund mobilization of SCBNL & NABIL.

#### **❖ To increase deposit collection**

the main sources of fund of joint venture banks or commercial banks is collecting deposit from public who don't need that fund recently, So, it is recommended to collect more amounts as deposits through large variety of deposits schemes and facilities like cumulative deposit scheme, prize bonds scheme , gift cheques scheme, recurring deposit scheme ( life insurance), monthly interest scheme, house building scheme, direct fine housing scheme, education loan scheme and many others.



❖ **To maintain effective liquidity position**

The liquidity position of a bank may be affected by internal as well as external factors. The affecting factors may be interest rates, supply and demand position of Credit and advance as well as saving, investment situation, central banks directives the lending policies, capability of management, strategies, planning and funds flow situations. The ratio of cash and bank balance to total deposit and current assets of NABIL is higher than that of SCBNL. It means NABIL has higher cash and bank balance than SCBNL and it indicates NABIL has higher idle cash and bank balance. It may decrease profit of bank SCBNL recommended to mobilize its idle cash and bank balance in profitable sector as loan and advances.

❖ **To make more investment in government securities**

From the study, it has been revealed that NABIL has not invested more funds in government securities than that of SCBNL has made lower investment amount on government securities. Increasing large amount on assets, as cash and bank balance is not considered good from the profitability point of view of the bank as it doesn't earn any return. NABIL's investment on government securities is not in satisfactory position. investment on those securities issued by government i.e. treasury bills, development bonds, saving certificates are free of risk and highly liquid in nature and such securities yield the low interest rates of a particular maturity due to lowest risk in future, it is more better in regard to safety than other means of investment . So, NABIL is strongly recommended to give more importance to invest more funds in government securities instead of keeping them idle with this proverb "something is better than nothing"

❖ **To make more investment on share and debenture**

To get success in a complete market and to raise financial and economic development of the country a commercial bank must mobilize its fund in different sectors such as purchase of share and debenture of other financial and non – financial companies and other govt. And non – govt. companies. It is also genuine means of

utilization of resource. Thus these companies may chances to rise and that help to development of the country. Out of total working fund, investment on share and debenture of NABIL is lower than SCBNL. NABIL is suggested to invest more of its fund in share and debenture of different companies.

❖ **To make profitable return.**

As a private sector, commercial banks cannot keep their eyes closed from the profit motive. They should be careful in increasing profit in a real sense to maintain the confidence of shareholder, depositors and all its customers. NABIL,s profitability position than that so SCBNL bank so NABIL is recommended to utilize risky assets and shareholder funds to gain highest profit margin. Similarly, it should reduce its expenses and should try to collect cheap fund being more profitable.

❖ **To invest deprive and priority sector**

NRB has directed to commercial bank to invest their certain % in deprives and priority sector and it is also responsibility of banks. Although the collected data did not classified the loan and advances, but the study has found that commercial bank are earning high profit because their services are only for profitable sector. It reveals that it has not granted enough loans on priority and deprive sector. So it is recommended to thoroughly follow the directives issues by NRB and invest in priority and deprive sector and also to invest on other small – scale industries like, public utilities, health, sanitation and drinking water education and agriculture etc.

❖ **Liberal lending policy and sound credit collection policy**

To get success in competitive banking market, commercial bank must utilize their deposit as loan and advance. Loan and advance are the main source of income and also mean of utilization resources of commercial banks Negligence in administrating these assets could be the cause of liquidity crisis in bank and one of the main reasons of the bank failure .Collection of loan has been most challenging task of commercial banks these days. therefore, it is recommended to SCBNL

& NABIL to follow liberal lending policy when sanctions loan and advance with sufficient guaranty and implement a sound collection policy including procedure which rapid identification of bad debtor loans, immediate contact with borrower, continual follow up and as well as legal procedure if require.

❖ **To adopt innovation approach to bank marketing**

In the light of growing competition in the banking sector, the business of the bank should be customer oriented. Marketing is an effective tool to attract and retain the customers. Without effective marketing strategy anyone be along behind in today's competitive environment. Different marketing technique like advertisement through audio – visual, published web site, documentary etc. Are flowed. Similarly, draw attentions of customer through new technology like, E – banking, mobile banking, increase investment through their wide international banking network should be introduced by those who have not.

- ❖ Economic development of the country depends upon the growth of commercial banks. If the service of commercial banks expands all over the country it collects idle money from every corner of the country and can be utilized for income generation purpose. HMG has also encouraged the joint venture banks to expand banking service in rural areas and communities without making unfavorable impact in their profit. Therefore, all the banks are recommended to expand their branch and providing banking service and facilities to the rural areas and communities to accelerate the economic development of the country.

Being a developing country, economic environment of Nepal is not good condition. The strong economic structure is needed for the rapid overall development. Commercial banks play vital role in the developing country like Nepal. Commercial banks are facing several problems related to fund mobilization. They have it rush with modern banking technology so that would be professional institutions. If commercial banks follow above – mentioned suggestions, they would be successful in reaching it the modern innovative and competitive banking market.

# BIBLIOGRAPHY

## Reviews of Books

Abrol, P.N. and Gupta, O.P., (1987), "*Dictionary of Commerce*", New Delhi, Anmol Publication,

Baidya, S., (1997), "*Banking Management Monitor Nepal*", Kathmandu, Khanal Publications.

Baxley, J.B., (1987), "*Banking Management*", New Delhi, Subject Publication.

Benejee, S. K., "*Financial Management*", New Delhi, S. Chand & Company Ltd.

Bhalla, V.K., (1997), "*Investment Management*", New Delhi, S. Chand and Company Ltd.

Brigham, E.F., "*Financial Management*", Orlando, Harcourt Publishers International Company.

Charles, J.P., (1999), "*Investment analysis and Management*", Bombay, Himalayan Publishing House.

Cheney, J.M. and Moses, E.A., (1983), "*Fundamental of Investment*" America, West Publishing Company.

Crosse, H.K., (1963), "*Management Policies for Commercial Banks*", New Jersey, Englewood Cliffs, Prentice Hall, Inc.

Desai, V.R., (1967), "*Banking Development in India*", Bombay, Pc Mansktol and Son's Pvt. Ltd.

Francis, J.C., (1986), "*Investment Analysis and Management*", New York, Mc Graw Hill.

Gittman, and Jochnk, L.J., (1990), "*Fundamental of Investment*", New York, Harper & Row publishers.

Grywinski, R., (1991), "*The New Fashioned Banking*". New York, Howard Business Review.

Gupa, G.P., (1984), “**Banking System, its Role in Export Development**”, New Delhi , Vikash Publishing House Pvt. Ltd.

Gupta, S.P.,(2009), “**Accounting and financial analysis: for MBA and other examinations**”, Agra, Sahitya Bhawan Publication.

Kothari,C.R., (1989), “**Research Methodology: Methods and Techniques**”. New Delhi,Willey Eastery Limited.

Kothari,C.R., (1992), “**Quantitative Techniques**”, New Delhi,Vikash Publishing House Pvt. Ltd.

Merriam, G.C., (1975), “**Webster’s New Collegiate Dictionary**”, Chicago, Springfield University of Chicago Press.

Mithani, D.M., (1987), “**Money, Banking and International Trade**”, Bombay, Himalayan publishing House.

Pandey, I.M., (1975), “**Financial Management**”, New Delhi,Vikash Publishing House, Pvt. Ltd.

Pant, P.R. and Wolff, H.K.,( 2000), “**A Handbook for Social Science Research and Thesis**”, Kathmandu, Buddha Academic Enterprise Pvt. Ltd.

Pradhan, R.S., (1991), “**Financial Management Practice in Nepal**”, New Delhi, India, Vikash Publishing House.

Pradhan,S.,(2000.), “ **Basis of Financial Management** ” , Kathmandu, Educational Enterprise,

Reed, E.W., Gill, E.K. Cotter, R.V. & Smith, R.K., (1980) “**Commercial Banking**”, New Jersey, Prentice Hall, Inc Englewood Cliffs.

Sharpe, J.W.,and Gorden, J.A.,(1996), “**Investment**”, New Delhi, Prentice Hall of India.

Swami, R. and Basudevan, S.V., (1979), “**A textbook of Banking: Law, Practice and Theory of Banking**”, India, S. Chanda and Co. Ltd.

The American Bankers Association,(1972), "*Principle of Bank Operation*", America, American Institute of Banking.

Weston, J.F. and Brigham, E.F., ( 1997), "*Fundamental of Managerial Finance*", New York, The Dryden Press.

Wagle, K.N. & Dahal, R.K., (2003), "*Management Accounting*", Kathmandu, Khanal Publications.

### **Reviews of Thesis**

Pokhrel, utshab (2008), "*Fund Mobilization of commercial Banks* "(*A comparative study of Himalayan Bank Limited and NABIL bank Limited*), An unpublished MBS Thesis submitted to Sankar Dev Campus, Faculty of Management, T.U.

Khadaka, Nibesh (2008), "*A study on the investment policy of NABIL Bank limited in comparison to other Joint Venture Banks of Nepal*", An unpublished MBS Thesis submitted to Sankar Dev Campus, Faculty of Management, T.U.

Shrestha, Prakash (2008), "*Marketing Strategy of Fund Collection and Mobilization of Joint Venture Commercial Banks* "An unpublished MBS Thesis submitted to Nepal Commerce Campus, Faculty of Management, T.U.

Panta , Manoj Prasad ( 2009), "*A Study of Investment Policy of Joint Venture Commercial Banks*", An unpublished MBS Thesis submitted to Sankar Dev Campus, Faculty of Management, T.U.

Karmacharya, Sabina (2009), "*A Study on Deposit Mobilization of Nepal Bank Limited.*" An unpublished MBS Thesis submitted to Sankar Dev Campus, Faculty of Management, T.U.

Adhikari , Chandrakala ( 2010), “ **A Comparative Study of Fund Mobilization of Commercial Banks.**” An unpublished MBS Thesis submitted to Sankar Dev Campus, Faculty of Management,T.U.

Lama, Prabin Kumar (2010), “**A Comparative Study of Lending Efficiency of NABIL and Nepal Investment Bank Limited**” An unpublished MBS thesis submitted to Nepal Commerce Campus, Faculty of Management,T.U.

Bajracharya, Sabnam (2010), “**A study on Fund Mobilization of Joint Venture Banks ( With refernce to Himalayan Bank Ltd. And Nabil Bank Ltd. )**” An unpublished MBS thesis submitted to Nepal Commerce Campus, Faculty of Management,T.U

Basnet, Subash (2011),“**Investment Policies of Joint Venture Banks (With Special Refrence to Nabil Bank Limited and Everest Bank Limited)**”. An unpublished MBS thesis submitted to Nepal Commerce Campus , Faculty of Management,T.U

### **Reviews of Reports / Journal / Articles / other References**

Bajracharya, Bodhi Bahadur (2047), “**Monetary Policy and deposit mobilization in Nepal**” Kathmandu, Rajat Jayanti Smarika , Rastriya Banijya Bank,

Fry, M.J. (1974), “**Resource mobilization and financial development in Nepal**” Kathmandu Nepal Rastra Bank

Chopra, Sunil (1989), “**Role of Foreign Banks in Nepal**” Kathmandu,Nepal Rastra Bank Samachar , NRB.

Pradhan, Shekher Bahadur (2053 B.S.), “**Deposit mobilization, its problems and prospects**” Kathmandu, Nepal Bank Patrika, Baishakha Masanta,Nepal Bank Ltd.

Shrestha Sunity (1998), “**Financial Performance of Commercial Banks using both Descriptive and Diagnostic Approach**”, Kathmandu,The Business Voice of Nepal (Special issue of Banijya Sansar)

Sharma, Bhaskar(2000),” *Banking the Future on Competition*”, Kathmandu, Business Age,

Shrestha, Ramesh (1998), “*A study on deposit and credit of commercial banks in Nepal*” Kathmandu, Nepal Rastra Bank Samachar, NRB.

Annual Report of SCBNL from 2005/06 to 2010/11

Annual Report of NABIL from 2005/06 to 2010/11

Banking and Financial Statistics NRB, Mid July 2010/11

Ministry of Law, Commercial Bank Act, 1974

Ministry of Law, Nepal Rastra Bank Act, 1955

Nepal Stock Exchange Share Samachar. 2003

World Bank Report; 1996

### **Websites:**

[www.nrb.org.com.np](http://www.nrb.org.com.np)

[www.standardchartered.com.np](http://www.standardchartered.com.np)

[www.nabilbank.com](http://www.nabilbank.com)

[www.google.com](http://www.google.com) (web page search engine)

[www.nepalstock.com.np](http://www.nepalstock.com.np)



# APPENDIX

## Appendix-I (A)

### Calculation of Cash and Bank Balance to total deposit ratio

Rs. (In Million)

S.N.	Name of Banks	Years					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1.	<b><u>NABIL</u></b>						
	Cash & Bank Balance	556.7	630.4	1399.19	2671.42	3373.12	1395.55
	Total deposit	14587.30	19348.10	23342.75	31915.48	37348.55	46335.23
	Ratio %	3.84	3.26	6.00	8.37	9.03	3.01
1.	<b><u>SCBNL</u></b>						
	Cash & Bank Balance	1111	1276	2235	2050	3137	1929
	Total deposit	19344	23051	24640	29744	35872	35183
	Ratio %	5.74	5.54	9.07	6.89	8.75	5.48

*Sources: Annual Report of NABIL & SCBNL Banks(2005/06 to 2010/11)*

## Appendix-I (B)

### Calculation of Cash and Bank Balance to current deposit

Rs. (In  
million)

S.N	Name of the Bank	Particular	Year					
			2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1	SCBNL	Cash & Bank Balance	1111	1276	2235	2050	3137	1929
		Current deposit	4356.3	4681.8	4794.5	6174.6	6202.8	9763.2
		Ratio (%)	25.50	27.25	46.62	33.20	50.57	19.76
2	NABIL	Cash & Bank Balance	559.7	630.4	1399.19	2671.42	3373.12	1395.55
		Current deposit	2843.5	2953.3	3446.1	5365.8	5515.9	7920.66
		Ratio (%)	19.68	21.35	40.60	49.79	61.15	17.62

*Sources: Annual Report of NABIL & SCBNL Banks(2005/06 to 2010/11)*

Calculation of Expected Return ( $\bar{X}$ ), Standard Deviation ( $\sigma$ ) & Coefficient of Variation (CV) of SCBNL is presented below:

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

$$\text{Expected Return} = \frac{\text{Total Return}}{\text{No. of Observation}}$$

$$\text{Total Return} = \frac{5.74+5.54+9.07+6.89+8.75+5.48}{6}$$

$$\begin{aligned} \text{Now, } (\bar{X}) &= \frac{41.47}{6} \\ &= 6.91 \end{aligned}$$

Where

$(\bar{X})$  = Expected Return of the historical data

$\sum x$  = Total Return of the historical data

N = Number of observation

Return (X)	Expected Return ( $\bar{X}$ )	(X- $\bar{X}$ )	(X- $\bar{X}$ ) <sup>2</sup>
5.74	6.91	-1.17	1.37
5.54	6.91	-1.37	1.87
9.07	6.91	2.16	4.66
6.89	6.91	.02	0.04
8.75	6.91	1.85	3.42
5.48	6.91	-1.43	2.04
<b><math>\Sigma(X-\bar{X})^2 = 13.4</math></b>			

$$\begin{aligned} S.D.(\sigma) &= \sqrt{\frac{1}{N} \sum (X - \bar{X})^2} \\ &= \sqrt{\frac{1}{6} \times 13.4} \\ &= 0.61 \end{aligned}$$

Now,

$$\begin{aligned} \text{C.V.} &= \frac{\text{Standard Deviation}}{\text{Expected Return}(\bar{X})} \\ &= \frac{0.61}{6.91} \\ &= 0.09 (9\%) \end{aligned}$$

Similar process has been applied in case of NABIL banks.

**Appendix-I (C)**  
**Calculation of Credit and Advances to total deposit ratio**

**Rs. (In  
Million)**

S.N.	Name of Banks	Years					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1.	<b><u>SCBNL</u></b>						
	Credit & Advance	8214	8905	10538	13355	13119	15932
	Total deposit	19344	23051	24640	29744	35872	35183
	Ratio %	42.46	38.63	42.77	44.90	36.57	45.28
2.	<b><u>NABIL</u></b>						
	Credit & Advance	11078.20	13021.80	15657.44	21515.32	27816.61	32903.33
	Total deposit	14587.30	19348.10	23342.75	31915.48	37348.55	46335.23
	Ratio %	75.95	67.30	67.08	67.41	74.48	71.01

*Sources: Annual Report of NABIL & SCBNL Banks(2005/06 to 2010/11)*

**Appendix-I (D)**  
**Calculation of Credit and Advance to Fixed deposit ratio**

**(Rs. In Million)**

S.N	Name of the Bank	Particular	Year					
			2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1	SCBNL	credit & advance	8214	8905	10538	13355	13119	15932
		Fixed Deposit	1416.4	2136.3	3196.5	3301.1	7101.7	9175.1
		Ratio	5.80	4.17	3.30	4.05	1.85	1.74
2	NABIL	credit & advance	11078.2	13021.8	15657.4	21515.3	27816.6	32903.33
		Fixed Deposit	2078.6	3450.2	5435.2	8464.1	8310.7	14711
		Ratio	5.33	3.77	2.88	2.54	3.35	2.24

*Sources: Annual Report of NABIL & SCBNL Banks(2005/06 to 2010/11)*

**Appendix-I (E)**  
**Credit and Advance to total Assets Ratio.**

**Rs. (In Million)**

S.N.	Name of Banks	Years					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1.	<b>SCBNL</b>						
	Credit & Advance	8214.00	8905.00	10538.00	13355.00	13119.00	15932.00
	Total assets	22759.50	26798.00	29937.00	34313.00	41679.00	41525.00
	Ratio %	36.09	33.23	35.20	38.92	31.47	38.36
2.	<b>NABIL</b>						
	Credit & Advance	11078.20	13021.80	15657.44	21515.32	27817.61	32903.33
	Total assets	18752.90	24135.38	29660.10	38479.20	45942.53	54609.27
	Ratio %	59.07	53.95	52.78	55.91	60.54	60.25

*Sources: Annual Report of NABIL & SCBNL Banks(2005/06 to 2010/11)*

**Appendix-I (F)**  
**Calculation of Invt. on Shares and Debn. to Total Working Fund Ratio**

**Rs. (In Million)**

S.N	Name of the Bank	Particular	Year					
			2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1	SCBNL	Investment on share & debenture	2499	4206	6448	5757	8633	11308
		Total Working fund	22759.50	26798	29937	34313	41679	41525
		Ratio(%)	10.98	15.69	21.54	16.78	20.71	27.23
2	NABIL	Investment on share & debenture	1526.90	3803.70	3593.34	5077.95	6896.74	5484.11
		Total Working fund	18752.90	24135.38	29660.10	38479.20	45942.53	54609.27
		Ratio(%)	8.14	15.76	12.11	13.19	15.01	10.04

*Sources: Annual Report of NABIL & SCBNL Banks (2005/06 to 2010/11)*

**Appendix-I (G)**  
**Calculation of Investment of Total Deposit Ratio**

S.N	Name of the Bank	Particular	Year					
			2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1	SCBNL	Total Investment	9704.00	12851.00	13564.00	13903.00	18641.00	19846.00
		Total Deposit	19344.00	23051.00	24640.00	29744.00	35872.00	37348.55
		Ratio%	50.17	55.75	55.05	46.74	51.96	53.14
2	NABIL	Total Investment	4353.50	6175.60	8952.28	9967.62	10875.38	13612.70
		Total Deposit	14587.30	19348.10	23342.75	31915.48	37348.55	34681.64
		Ratio%	29.84	31.91	38.35	31.23	29.12	39.25

*Sources: Annual Report of NABIL & SCBNL Banks(2005/06 to 2010/11)*

**Appendix-I (H)**  
**Calculation of Invt. on Government Securities to Total Working Fund Ratio**

**Rs. (In Million)**

S.N	Name of the Bank	Particular	Year					
			2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1	SCBNL	Investment on government securities	7205.00	8645.00	7116.00	8138.00	9999.00	8530.00
		Total Working fund	22779.50	26798.00	29937.00	34313.00	41679.00	41520.00
		Ratio(%)	31.66	32.26	23.77	23.72	23.99	20.54
2	NABIL	Investment on government securities	2414.40	2298.90	4806.80	4647.83	3706.35	7940.00
		Total Working fund	18752.90	24135.38	29660.10	38479.20	45942.53	54600.00
		Ratio(%)	12.87	9.52	16.20	12.08	8.07	14.54

*Sources: Annual Report of NABIL & SCBNL Banks(2005/06 to 2010/11)*

**Appendix-I (I)**  
**Calculation of Return on credit and Advance Ratio**

**Rs. (In Million)**

S.N	Name of the Bank	Particular	Year					
			2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1	SCBNL	Net Profit	758.00	663.00	692.00	814.00	1028.00	1087.00
		Credit & Advance	8214.00	8905.00	10538.00	13355.00	13119.00	15932.00
		Ratio %	9.23	7.44	6.57	6.10	7.84	6.82
2	NABIL	Net Profit	818.80	979.50	686.80	750.54	1625.62	1799.02
		Credit & Advance	11078.20	13021.80	15657.44	21515.32	27817.61	32903.33
		Ratio %	7.38	7.52	4.38	3.49	5.84	5.47

*Sources: Annual Report of NABIL & SCBNL Banks(2005/06 to 2010/11)*

**Appendix-I (J)**  
**Calculation of Return on Total Working Fund Ratio**

S.N	Name of the Bank	Particular	Year					
			2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1	SCBNL	Net Profit	758.00	663.00	692.00	814.00	1028.00	1087.00
		Total Working Fund	22779.50	26798.00	29937.00	34313.00	41679.00	41525.00
		Ratio %	3.33	2.47	2.31	2.37	2.47	2.62
2	NABIL	Net Profit	818.80	979.50	686.80	750.54	1625.62	1799.02
		Total Working Fund	18752.90	24135.38	29660.10	38479.20	45942.53	54609.27
		Ratio %	4.36	4.06	2.31	1.95	3.54	3.29

**Rs. (In Million)**

*Sources: Annual Report of NABIL & SCBNL Banks(2005/06 to 2010/11)*

**Appendix-I (K)**  
**Calculation of Interest Earned to Total Working Fund Ratio**

**Rs. (In Million)**

S.N	Name of the Bank	Particular	Year					
			2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1	SCBNL	Interest Earned	267.00	378.00	442.00	294.00	338.00	251.00
		Total Working Fund	22779.50	26798.00	29937.00	34313.00	41679.00	41525.00
		Ratio %	1.17	1.41	1.48	0.86	0.81	0.61
2	NABIL	Interest Earned	185.70	288.58	220.47	224.69	378.20	440.41
		Total Working Fund	18752.90	24135.38	29660.10	38479.20	45942.53	54609.27
		Ratio %	0.99	1.19	0.74	0.58	0.82	0.81

*Sources: Annual Report of NABIL & SCBNL Banks (2005/06 to 2010/11)*

**Appendix-I (L)**  
**Calculation of Interest Paid to Total Working Fund Ratio**

**Rs. (In Million)**

S.N	Name of the Bank	Particular	Year					
			2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1	SCBNL	Interest Paid	132.00	160.00	241.00	116.00	118.00	136.00
		Total Working Fund	22779.50	26798.00	29937.00	34313.00	41679.00	41525.00
		Ratio %	0.59	0.60	0.80	0.34	0.28	0.33
2	NABIL	Interest Paid	167.50	145.40	112.84	132.87	156.53	221.08
		Total Working Fund	18752.90	24135.38	29660.10	38479.20	45942.53	54609.27
		Ratio %	0.89	0.60	0.38	0.34	0.34	0.40

*Sources: Annual Report of NABIL & SCBNL Banks (2005/06 to 2010/11)*

## APPENDIX - II

### Sample calculation of growth ratio of total deposits

$$D_n = D_0 (1+g)^{n-1}$$

Where,

$D_n$  = Total Deposits in the  $n^{\text{th}}$  year

$D_0$  = Total Deposits in the initial year

$g$  = growth Rate

$n$  = Total number of year

Here,

For SCBNL,

$$D_{2010} = 35183.7$$

$$D_{2005} = 19344.0$$

$$n = 6 \text{ year}$$

Now,

$$D_n = D_0 (1+g)^{n-1}$$

$$35183.7 = 19344 (1+g)^{6-1}$$

$$\text{Or, } (1+g)^5 = 35183.7/19344$$

$$\text{Or, } (1+g) = (1.8187)^{1/5}$$

$$\text{Or, } g = 1.1271 - 1$$

$$\text{Therefore, } g = 0.1271 \text{ i.e. } 12.71 \%$$

Similarly other growth ratios have been calculated by performing same method which is mentioned above.

## APPENDIX-III

- a) Table Showing Calculation of Correlation coefficient between Deposits and credit & Advances of SCBNL

Rs. (In  
Million)

Year	Deposits(X)	Credit & Advance(Y)	XY	$X^2$	$Y^2$
2005/06	19344.00	8213.50	29884489.72	74445835.24	11996409.51
2006/07	23050.50	8905.10	13642870.37	24223130.89	768391.60
2007/08	24640.30	10538.10	3794978.57	11101557.61	1297283.03
2008/09	29743.90	13355.00	2972764.96	3138920.89	2815404.34
2009/10	35871.80	13118.60	11387405.06	62403680.16	2077970.30
2010/11	35182.70	15932.20	30681518.73	51991310.25	18106017.85
<b>N=6</b>	<b><math>\Sigma X =</math> 167833.2</b>	<b><math>\Sigma Y =</math> 70062.50</b>	<b><math>\Sigma XY =</math> 92364027.40</b>	<b><math>\Sigma X^2 =</math> 227304435.04</b>	<b><math>\Sigma Y^2 =</math> 43976976.63</b>

We have, Correlation of co-efficient ( $r_{XY}$ ) =  $r_{XY} =$

$$\frac{N\Sigma XY - (\Sigma X)(\Sigma Y)}{\sqrt{[N\Sigma X^2 - (\Sigma X)^2]} \sqrt{[N\Sigma Y^2 - (\Sigma Y)^2]}}$$

$$= \frac{6*92364027.40 - 167833.2*70062.50}{\sqrt{[6*227304435.04 - (167833.2)^2]} \sqrt{[6*43976976.63 - (70062.50)^2]}}$$

$$= 0.9248$$

$$\text{Again Probable error of NABIL, P.E.} = \frac{1-r^2}{\sqrt{N}} = \frac{1-0.9248^2}{\sqrt{6}} = 0.0591$$

$$\text{Co-efficient of Determinate } (r^2) = r \times r = 0.85$$



## APPENDIX-V

### Sources & Uses of Fund of STANDARD CHARTERED BANK NEPAL LTD.

(Rs. In  
million)

Particulars						Mid July
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>1 CAPITAL FUND</b>	<b>1278.2</b>	<b>1576.3</b>	<b>1755.3</b>	<b>2117.2</b>	<b>2493.4</b>	<b>3053</b>
a. Paid-up Capital	374.6	374.6	413.3	620.8	932	1398.5
b. Statutory Reserves	749.3	749.3	749.3	826.5	990.3	1195.3
c. Share Premium		0	0	0	0	0
d. Retained Earning		245.2	370.6	504.7	383.3	239.5
e. Others Reserves	37.5	75	74.9	165.2	0	0
f. Exchange Fluctuation Fund	116.8	132.2	147.2	0	187.8	219.7
<b>2 BORROWINGS</b>	<b>43.8</b>	<b>10.2</b>	<b>1190.9</b>	<b>0</b>	<b>300</b>	<b>0</b>
a. NRB		0	400	0	0	0
b. "A"Class Licensed Institution	16.2	10.2	6.5	0	300	0
c. Foreign Banks and Fin. Ins.	27.6	0	784.4	0	0	0
d. Other Financial Ins.	0	0		0	0	0
e. Bonds and Securities						
<b>3 DEPOSITS</b>	<b>19344</b>	<b>23050.5</b>	<b>24640.3</b>	<b>29743.9</b>	<b>35871.8</b>	<b>35182.7</b>
a. Current	4356.3	4681.8	4794.5	6174.6	6202.8	9763.2
Domestic	2360.6	3071.6	2806.9	3855.5	3582.9	4942.5
Foreign	1995.7	1610.2	1987.6	2319.1	2619.9	4820.7
b. Savings	13027.7	14597.5	15244.2	17856	19187.7	12430
Domestic	10733.3	12078.9	12685.8	14580.4	15389.2	10561.3
Foreign	2294.4	2518.6	2558.4	3275.6	3798.5	2019.1
c. Fixed	1416.4	2136.3	3196.5	3301.1	7101.7	9175.1
Domestic	631.9	386.5	413.2	478.5	791.9	3603.1
Foreign	784.5	1749.8	2783.3	2822.6	6309.8	5572
d. Call Deposits	294.9	1125.5	919	1938.2	3001.6	3562.2
e. Others	248.7	509.4	486.1	474	378	251.2
<b>4 Bills Payable</b>	<b>55</b>	<b>55.8</b>	<b>36.2</b>	<b>87.4</b>	<b>72.9</b>	<b>89.2</b>
<b>5 Other Liabilities</b>	<b>1279.9</b>	<b>1442.5</b>	<b>1622.6</b>	<b>1550</b>	<b>1912.4</b>	<b>2113.5</b>
1. Sundry Creditors	116.8	192.6	259.3	253.9	358.4	476.7
2. Loan Loss Provision	277.7	270.4	287.5	245.4	200.9	217.9
3. Interest Suspense a/c	133.5	160.1	240.6	115.5	117.6	136.2
4. Others	751.9	819.4	835.2	935.2	1235.5	1282.7
<b>6 Reconciliation A/c</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>7 Profit &amp; Loss A/c</b>	<b>757.9</b>	<b>662.5</b>	<b>692.1</b>	<b>814.4</b>	<b>1028.3</b>	<b>1086.8</b>
<b>SOURCES OF FUNDS</b>	<b>22758.8</b>	<b>26797.8</b>	<b>29937.4</b>	<b>34312.9</b>	<b>41678.8</b>	<b>41525.2</b>
<b>1 LIQUID FUNDS</b>	<b>3370.8</b>	<b>3253.5</b>	<b>3996.1</b>	<b>4247.7</b>	<b>6788.5</b>	<b>3598.8</b>
a. Cash Balance	195.4	279.4	378.4	414.9	463.4	509.1
Nepalese Notes & Coins	162.1	243.3	336.4	382.8	416.8	471.6
Foreign Currency	33.3	36.1	42	32.1	46.6	37.5
b. Bank Balance	915.7	996.8	1856.5	1635.3	2673.9	1420.2

1. In Nepal Rastra Bank	692.2	749.8	1613.7	1266.2	1851.2	819.5
Domestic Currency	681	731.8	1592.3	1232.6	1832.8	669.4
Foreign Currency	11.2	18	21.4	33.6	18.4	150.1
2. "A"Class Licensed Institution	15.5	18.6	28.8	49.6	51.3	28.6
Domestic Currency	15.5	18.6	28.8	49.6	51.3	28.6
Foreign Currency	0	0		0	0	0
3. Other Financial Ins.	0	0	0	0	0	0
4. In Foreign banks	208	228.4	214	319.5	771.4	572.1
c.Money at Call	2259.7	1977.3	1761.2	2197.5	3651.2	1669.5
Domestic Currency				0	0	0
Foreign Currency	2259.7	1977.3	1761.2	2197.5	3651.2	1669.5
<b>2 INVESTMENTS</b>	<b>7204.6</b>	<b>8644.9</b>	<b>7115.7</b>	<b>8146.1</b>	<b>10007.3</b>	<b>8540</b>
a. Govt.Securities	7204.6	8644.9	7115.7	8137.6	9998.8	8531.5
b. NRB Bond				0	0	0
c. Govt.Non-Fin. Ins.				8.5	8.5	8.5
d. Other Non-Fin Ins.				0	0	0
e Non Residents				0	0	0
<b>3 SHARE &amp; OTHER INVESTMENT</b>	<b>2499.5</b>	<b>4205.7</b>	<b>6448.3</b>	<b>5756.7</b>	<b>8633.2</b>	<b>11307.5</b>
1. Non Residents	2486.1	4190.3	6403.4	5756.7	8300.1	10844.9
2.Others	13.4	15.4	44.9		333.1	462.6
<b>4 LOANS &amp; ADVANCES</b>	<b>8213.5</b>	<b>8905.1</b>	<b>10538.1</b>	<b>13355</b>	<b>13118.6</b>	<b>15932.2</b>
a. Private Sector	7898.3	8821.9	9596.3	12599	12722.4	15593.5
b. Financial Institutions			566.6	357.3	252.1	244.5
c. Government Organizations	315.2	83.2	375.2	398.7	144.1	94.1
<b>5 BILL PURCHED</b>	<b>313.6</b>	<b>301.2</b>	<b>251.9</b>	<b>609.4</b>	<b>762.1</b>	<b>244.5</b>
a. Domestic Bills Purchased	3	4.5	2.6	1.8	4.9	59
b. Foreign Bills Purchased	235.9	296.7	249.3	607.6	757.2	185.5
c. Import Bills & Imports	74.7	0	0	0	0	0
<b>6 LOANS AGAINST COLLECTED BILLS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
a. Against Domestic Bills				0	0	0
b. Against Foreign Bills				0	0	0
<b>7 FIXED ASSETS</b>	<b>394.4</b>	<b>390.7</b>	<b>427.4</b>	<b>440.5</b>	<b>471.5</b>	<b>480.4</b>
<b>8 OTHER ASSETS</b>	<b>754.1</b>	<b>1095.4</b>	<b>1158.3</b>	<b>1755.9</b>	<b>1861.2</b>	<b>1390.3</b>
a. Accrued Interests	266.6	378.4	441.9	293.5	337.6	251.3
Govt. Entp.		14.2	0.6	0	12.7	9.4
Private Sector	266.6	364.2	441.3	293.5	324.9	241.9
b. Staff Loans / Adv.		122.9	146.1	161.8	182.5	185.3
c. Sundry Debtors	94.1	59.5	109	87.6	143.8	310.5
d. Cash In Transit	0	0	0	0	0	0
e. Others	393.4	534.6	461.3	1213	1197.3	643.2
<b>9 Expenses not Written off</b>	<b>8.3</b>	<b>1.3</b>	<b>1.6</b>	<b>1.6</b>	<b>36.4</b>	<b>31.5</b>
<b>10 Non Banking Assets</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>11 Reconciliation Account</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>12 Profit &amp; Loss A/c</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>USES OF FUNDS</b>	<b>22758.8</b>	<b>26797.8</b>	<b>29937.4</b>	<b>34312.9</b>	<b>41678.8</b>	<b>41525.2</b>

Again Probable error of SCBNL,

$$\begin{aligned} \text{Probable Error (P.E.)} &= 0.6745 * \frac{1-r^2}{\sqrt{N}} \\ &= 0.6745 * \frac{1-0.85}{\sqrt{6}} \\ &= 0.06 \end{aligned}$$

$$6 \times (\text{P.E.}) = 6 \times 0.06 = 0.36$$

**Remaining correlation coefficient has been calculated by using same method**

#### APPENDIX-IV

#### Sample Calculation of Trend Value of Total Investment to Total Deposit Ratio of SCBNL

(In Million)

Year(t)	X= t-3.5	Ratio (Y)	XY	X <sup>2</sup>	Y <sub>c</sub> = a + bx
2005/06 (1)	-2.5	78.38	-195.94	6.25	Y <sub>c</sub> = 75.52+ - 0.20 x- 2.5
2006/07(2)	-1.5	73.35	-110.03	2.25	Y <sub>c</sub> =75.52 + - 0.20 x - 1.5
2007/08(3)	-0.5	73.62	-36.81	0.25	Y <sub>c</sub> = 75.52+ - 0.20 x -0.5
2008/09(4)	0.5	78.47	39.24	0.25	Y <sub>c</sub> = 75.52+ - 0.20x 0.5
2009/10(5)	1.5	73.12	109.68	2.25	Y <sub>c</sub> = 75.52+ - 0.20x 1.5
2010/11(6)	2.5	76.17	190.41	6.25	Y <sub>c</sub> = 75.52+ - 0.20x 2.5
<b>N=6</b>		<b>ΣY=453.10</b>	<b>ΣXY= -3.45</b>	<b>Σ X=17.5</b>	

We have,

The Equation of the straight line,

$$Y_c = a + bx$$

$$\text{Where, } a = \frac{\sum Y}{n} = \frac{453.10}{6} = 75.52 \quad b = \frac{\sum XY}{\sum X^2} = \frac{-3.45}{17.5} = - 0.20$$

Trend Value of Total Investment to total Deposit Ratio for next four years

Year(t)	X= t-3.5	Y <sub>c</sub> = a + bx	
2011/12	3.5	Y <sub>c</sub> = 75.52+ - 0.20x 3.5	74.83
2012/13	4.5	Y <sub>c</sub> = 75.52+ - 0.20x 4.5	74.63
2013/14	5.5	Y <sub>c</sub> = 75.52+ - 0.20x 5.5	74.43
2014/15	6.5	Y <sub>c</sub> = 75.52+ - 0.20x 6.5	74.24

**APPENDIX-VI**  
**Sources & Uses of Fund of NABIL BANK LTD.**

(Rs. In million)

<b>Particulars</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
<b>1 CAPITAL FUND</b>	<b>1482.4</b>	<b>1657.7</b>	<b>1874.8</b>	<b>2057</b>	<b>2436.2</b>	<b>3129.4</b>
a. Paid-up Capital	491.7	491.7	491.7	689.2	965.7	1449.1
b. Statutory Reserves	743.2	847	975	983.5	1133.5	1340.5
c. Share Premium	0.7	0.1	0.1	0.1	0.1	0.1
d. Retained Earning	29.8	30	33.4	112.4	160.7	103.6
e. Others Reserves	183.1	251.1	330.4	271.8	112.1	160.7
f. Exchange Fluctuation Fund	33.9	37.8	44.2	0	64.1	75.4
<b>2 BORROWINGS</b>	<b>17.1</b>	<b>173.2</b>	<b>882.6</b>	<b>1600</b>	<b>1981.3</b>	<b>374.9</b>
a. NRB	0	0	600	600	0	
b. "A"Class Licensed Inst. Banks	17.1	173.2	282.6	760	1050	74.9
c. Foreign Fin. Ins.	0	0	0	0	631.3	
d. Other Financial Ins.	0	0	0	240	0	
e. Bonds and Securities		0	0	0	300	<b>300</b>
<b>3 DEPOSITS</b>	<b>14586.8</b>	<b>19348.4</b>	<b>23342.4</b>	<b>31915</b>	<b>37348.3</b>	<b>46334.82</b>
a. Current	2843.5	2953.3	3446.1	5365.8	5515.9	7920.66
Domestic	2046.1	2326.5	2603.3	3210	4063.1	6312.7
Foreign	797.4	626.8	842.8	2155.8	1452.8	1608
b. Savings	7026.4	8770.8	10187.4	12160	14620.4	13783.6
Domestic	6114.6	7757	9103.6	10959	12932.8	12739.9
Foreign	911.8	1013.8	1083.8	1201	1687.6	1043.7
c. Fixed	2078.6	3450.2	5435.2	8464.1	8310.7	14711.06
Domestic	1012.9	1105.1	2892.4	5877.2	5568.3	12694.3
Foreign	1065.7	2345.1	2542.8	2586.9	2742.4	2016.8
d. Call Deposits	2341.3	3851.2	3961.6	5563.4	8438.3	9294
e. Others	297	322.9	312.1	361.8	463	625.5
<b>4 Bills Payable</b>	<b>71.3</b>	<b>113.8</b>	<b>94.2</b>	<b>141.9</b>	<b>407.7</b>	<b>101.1</b>
<b>5 Other Liabilities</b>	<b>1639.4</b>	<b>1862.4</b>	<b>2780.8</b>	<b>2014.4</b>	<b>2143.3</b>	<b>2870.92</b>
1. Sundry Creditors	176.9	216.9	478	296.7	491	604.2
2. Loan Loss Provision	392	352.9	356.3	404.6	409.1	752.2
3. Interest Suspense a/c	166.6	145	112.2	132.4	155.9	220.7
4. Others	903.9	1147.6	1834.3	1180.7	1087.4	1293.8
<b>6 Reconciliation A/c</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>7 Profit &amp; Loss A/c</b>	<b>817.9</b>	<b>979.1</b>	<b>685.6</b>	<b>750.4</b>	<b>1624.9</b>	<b>1798.7</b>
<b>SOURCES OF FUNDS</b>	<b>18614.9</b>	<b>24134.6</b>	<b>29660.4</b>	<b>38478.6</b>	<b>45941.6</b>	<b>54609.83</b>
<b>1 LIQUID FUNDS</b>	<b>1345.2</b>	<b>2365.2</b>	<b>1963.1</b>	<b>4623.5</b>	<b>3925.4</b>	<b>4513.69</b>
a. Cash Balance	146.3	237.8	270.4	511.4	674.4	635.98
Nepalese Notes & Coins	132.4	220.1	243.1	485.6	640.9	602.6
Foreign Currency	13.9	17.7	27.3	25.9	33.5	33.4

b. Bank Balance	413.2	392.5	1129.2	2159.7	2698.1	759.6
1. In Nepal Rastra Bank	107.3	318.4	1113.2	1829.5	2648.6	545.06
Domestic Currency	85.7	299.1	1100.8	1827.4	2617.4	597.8
Foreign Currency	21.6	19.3	12.4	2.1	31.2	-52.7
2. "A"Class Licensed Institution	26.2	26.9	31.5	23	42	47.4
Domestic Currency	26.2	26.9	31.5	23	42	47.4
Foreign Currency	0	0	-15.5	0	0	0
3. Other Financial Ins.	0	0	563.5	0	0	0
4. In Foreign banks	279.7	47.2	100	307.2	7.5	167.1
c. Money at Call	785.7	1734.9	463.5	1952.4	552.9	3118.14
Domestic Currency	102.5	670		20	0	1700
Foreign Currency	683.2	1064.9		1932.4	552.9	1418.1
<b>2 INVESTMENTS</b>	<b>2826.8</b>	<b>2372.3</b>	<b>5359.2</b>	<b>4889.6</b>	<b>3978.7</b>	<b>4480</b>
a. Govt. Securities	2413.9	2297.9	4805.7	4646.9	3706.2	7941.3
b. NRB Bond	0	0	0	0	0	0
c. Govt. Non-Fin. Ins.	0	0	0	0	0	0
d. Other Non-Fin Ins.	0	0	0	0	0	0
e. Non Residents	412.9	74.4	553.5	242.7	272.4	187
<b>3 SHARE &amp; OTHER INVESTMENT</b>	<b>1526.5</b>	<b>3802.5</b>	<b>3593.1</b>	<b>5077</b>	<b>6896.3</b>	<b>5483.8</b>
1. Non Residents	1497.9	3711.2	3521.5	4995.2	6734.6	5391.1
2. Others	28.6	91.3	71.6	81.8	161.7	92.7
<b>4 LOANS &amp; ADVANCES</b>	<b>11078</b>	<b>13021.3</b>	<b>15657.1</b>	<b>21514.6</b>	<b>27816.6</b>	<b>32902.83</b>
a. Private Sector	11018	12661.3	15199.6	20857.5	27036.9	31995.5
b. Financial Institutions			397.5	596.4	779.2	62.7.3
c. Government Organizations	60	360	60	60.8	0.4	280
<b>5 BILL PURCHASED</b>	<b>144.7</b>	<b>218.1</b>	<b>221.2</b>	<b>255.1</b>	<b>180.5</b>	<b>118.05</b>
a. Domestic Bills Purchased	77.2	66.7	63	216.6	83.9	84.8
b. Foreign Bills Purchased	67.5	151.4	158.2	38.6	96.6	33.3
c. Import Bills & Imports	0	0	0	0	0	
<b>6 LOANS AGAINST COLLECTED BILLS</b>	<b>137.6</b>	<b>39.4</b>	<b>24.7</b>	<b>0</b>		<b>8.6</b>
a. Against Domestic Bills	20.4	21	0	0		6.2
b. Against Foreign Bills	117.2	18.4	24.7			2.4
<b>7 FIXED ASSETS</b>	<b>361.2</b>	<b>319.1</b>	<b>289</b>	<b>511.6</b>	<b>636.1</b>	<b>781.2</b>
<b>8 OTHER ASSETS</b>	<b>1194.9</b>	<b>1996.7</b>	<b>2553</b>	<b>1607.1</b>	<b>2508.1</b>	<b>2669.78</b>
a. Accrued Interests	185	288.1	220	224.2	378.3	440.34
Private Sector	185	287.5	220	224.2	378.3	440.34
Govt. Entp.		0.6				
b. Staff Loans / Adv.		286.7	335.2	392.2	490.4	526.5
c. Sundry Debtors	126.6	148.7	374.6	2.1	273.7	73.3
d. Cash In Transit						
e. Others	883.3	1273.2	1623.2	988.6	1365.7	1629.6
<b>9 Expenses not Written off</b>						

<b>10 Non Banking Assets</b>						
<b>11 Reconciliation Account</b>						2.1
<b>12 Profit &amp; Loss A/c</b>						
<b>USES OF FUNDS</b>	<b>18614.9</b>	<b>24134.6</b>	<b>29660.4</b>	<b>38478.6</b>	<b>45941.6</b>	<b>54608.39</b>