CHAPTER I

INTRODUCTION

1.1 Background of the Study

Overall national development of any country depends upon the economic development of that country and economic development largely depends upon the financial infrastructure of the country. Therefore, the primary goal of any nation including Nepal is rapid economic development to promote the welfare of the people and the nation as well. Nepal being one of the least developed countries has been trying to embark upon the path of economic development by economic growth rate and developing all sectors of economy.

The proper mobilization and utilization of domestic resources is one of the key factors in the economic development of a country. Similarly, integrated and speedy development of the country is only possible when competitive and reliable banking services are reached and operated to every corner of the country. It has been well established that the economic activities of any country can hardly be carried without the assistance and support of financial institutions. Financial institutions have catalytic role in the process of economic development. The investment policy of financial institutions, especially banks has long term impact not only on their growth and sustainability but also on the economic development of the country. Successful formulation and effective implementation of investment policy is the prime requisite for the successful performance of banks and other financial institutions. Good investment policy has a positive impact on economic development of the country and vice-versa.

Generally, the organization that transacts money is called bank. Bank and banking has always played a significant role for the financial activities in the business. So, bank is the major need for various developments. Bank collects fund as a saving from the community and invest them into most desirable and highly yielding sector as a full to a process of economic development. It develops saving habits of people. "The importance of the banking as the nerve center of economic development can not be over emphasized and it is said that bank which are the need of and great wealth of country have got to be kept very scared. Just as water for irrigation, good banks are for the country's industry and trade."*(Desai, 1967:120)*

The main objectives of the bank are collection of amount from public in a form of saving and providing short-term loan (for the development of industry, trade, and business) to the ones in need. The development of country's economy is impossible without expansion of banking function in both rural and urban area of the country. Development of trade and industry is dependent upon the development of banking facilities. Therefore, it is said that the bank is backbone of economic development in modern society. Banking institutions are inevitable for mobilizing resources, for finance and social economic development of a country and which is important to all parties i.e. generally public, business, organization, government and other small financial institutions. The development of a country is always measured by its economic development through economic indices. That's why every country has given emphasis on boost up its economy. At present, the financial institutions are viewed as catalyst in the process of the economic growth. The mobilization of domestic resources is one of the key factors in the economic development of a country.

Bank is resource for economic development that maintains economic confidence of various segments and expands credit to people. Bank means a financial establishment for the deposit, loans exchange or issue of money and for the transmission of funds *(Bhandari; 2002:201).*

The bank draws surplus money from the public, who cannot use the money at the time and lends to those who give attention to use for productive purposes. Bank lends the loan to the customers; gain interest amount, the bank draw the money from institution or individual or people pay the interest amount by certain interest rate. Banking institutions collect scattered financial resources from the mass and invest them among those who are associated with the economic, commercial, and social activities of the country.

Bank assists both the flow of goods and services from the producers to the consumers and the financial activities of the government. Banking provides the country with a monetary system of making payment and is an important part of financial system, which makes loans to maintain and increase the level of consumption and production in the economy *(Bhandari; 2001:211).*

A new organized financial institution companies, commercial banks and other financial intermediaries play an important role for the development of a country.

1.2 Development of Banks

The concept of banking developed from the very beginning of the economic activities. First of all, the effort was made by the ancient gold and valuables. Under such arrangements, the depositors would have their gold for safekeeping and in turn were given a receipt. Whenever receipt was presented, the depositors would return back their gold and valuable after receiving a small payment as fee. *(Paul; 1998:201).*

The word "Bank" is orient in medieval age in 1171 AD from an Italian word "Banko." That means the place where people come together for different transaction. The "Bank of Vanice" was the first bank, which established in Italy in 1157 AD as a first modern bank. Then after in 1401 AD "Bank of Barcelona" is established in Spain, Bank of Geneva established in 1407 AD, Bank of Amsterdam established in 1609 AD. But the credit of the development of modern banks goes to "The Bank of England" which was established in 1694 AD in London. The growth of banking accelerated only after the introduction of the banking Act 1883 in United Kingdom as it allowed opening joint stock company banks.

The growth of banking in Nepal is not so old. In the 14th century, Jayasthiti Malla - a king of Kantipur classified people in 64 groups according to their occupations, "Tanka Dhari" was one among them who used to lend money at a fixed rate of interest. During the period of Ranodip Singh, the Prime minister, a government institution called "Tejarath Adda" was established around 1887 AD for providing easy and cheap credit at 5percent interest to the public on securing of gold and silver.

In the overall development of banking system in Nepal, the "Tejarath Adda" may be regarded as the father of modern banking institution and for quite a long time it tendered a good servants as well as to the general public *(Shrestha; 1995:4).*

The development of modern bank started from the establishment of "Nepal Bank Limited" in 1937 AD with put forth effort of government and public, as a commercial bank with 10 million authorized capital. The authorized capital was contributed by the government 51% and remaining by public 49percent. It started to provide depositing and borrowing facilities to commercial as well as agricultural sectors. The government felt the requirement of a central bank and established “Nepal Rastra Bank” in 2013 BS. It played leading role in development of banking in Nepal and also controlled the monetary culture in the country. NRB was established with the objective of supervising, protecting and directing the functions of commercial banks. Likewise, raising of banking function get popular and more complicated, thus NRB suggested for the establishment of another commercial bank and in 2022 BS(1966 AD) “Rastriya Banijya Bank” was established as a fully government owned commercial bank. Now its branches are diversified all over the country. It made another milestone in the history of growth of banking.

A part from this, NIDC was established in 1959 AD and Agricultural Development Bank established in 1976 AD and other development bank and financial institutions were established and continue to establish and are contributing to the economy and banking tradition in Nepal. In 1990 AD, after reestablished of democracy, the government took the liberal policy in banking sector. As an open policy of government to get permission to invest in banking sector from private and foreign investor under Commercial Bank Act 2031 BS, different private banks are getting permission to establish with the joint venture of other countries.

1.3 Introduction of Commercial Bank

Commercial bank is a financial institution which transfers monetary sources to users. In the process of such intermediation, commercial bank deploys funds raised from different sources into different assets with a prime objective of profit generation and administrative assistance. **According to Commercial Bank Act 2031,** “Commercial banks are those banks which are established under this act to perform commercial function.” The commercial banks pool together the savings of the community and arrange for their productive uses. They supply financial needs of modern business.

The commercial bank has its own role and contribution in the economic development. It is a resource for the economic development; it maintains economic confidence of various segments and extends credit to people *(Ronald; 1991:87).*

Commercial bank is a corporation which accepts demand deposits subject to check and makes short-term loans to business enterprises, regardless of the scope of its other services *(Thapa and Neupane;2008:16).*

The main purpose of establishing RBB was to contribute to the development of banking system, particularly in the remote and hilly regions, providing more banking facilities to the public.

1.3.1 Commercial Banking Scenario in Nepal

Nepal Arab Bank Ltd. (NABIL Bank Ltd.) was the 1st joint venture bank established in 1984 AD, joint ventured with United Arab Emirates Bank. Then two other banks, Nepal Indosuez Bank Ltd. (Nepal Investment Bank Ltd.) with Indosuez Bank of Finance and Nepal Grindlays Bank of London were established in 1986 AD. Himalayan Bank Ltd. joint ventured with Habib Bank of Pakistan and SBI Bank Ltd. with State Bank of India was established in 1993 AD. Everest Bank Ltd. joint ventured with Punjab National Bank, India (early it was joint ventured with United Bank of India, Calcutta) and Nepal Bangladesh Bank Ltd. with IFIC Bank of Bangladesh were established in 1991 AD, Bank of Kathmandu joint ventured with SIAM Commercial Bank Public Co., Thailand was established in 1995 AD. and Nepal Bank of Ceylon joint ventured with Ceylon Bank of Sri-Lanka was established in 1997 AD. Besides this, Lumbini Bank Ltd., and NIC Bank Ltd. are also operating from 1997 AD and Kumari Bank Ltd. and Siddhartha Bank Ltd have been serving as new commercial banks of Nepali financial market.

All of these banks barely follow the directive and policies of Nepal Rastra Bank (NRB). NRB functions as the central Bank of Nepal. NRB formulates financial and monetary policies under which commercial banks and financial institutions are functioning.

Nowadays there are 32 commercial banks operating in Nepali financial market along with 9 joint venture with foreign investors. Lists of licensed commercial banks are presented below:

Table 1.1

The name of commercial banks approved by Nepal Rastra Bank to perform commercial banks functions by the end of April 2012.

S.No	Name	Operation Date	Place
1	Nepal Bank Limited	16/11/1937	Kathmandu
2	Rastriya Banijya Bank Ltd.	24/01/1966	Kathmandu
3	Agriculture Development Bank Ltd	03/01/1968	Kathmandu
4	NABIL Bank Limited	17/07/1984	Kathmandu
5	Nepal Investment Bank Ltd.	28/02/1986	Kathmandu
6	Standard Chartered Bank Nepal Ltd	31/01/1987	Kathmandu
7	Himalyan Bank Ltd.	19/01/1993	Kathmandu
8	Nepal SBI Bank Ltd.	08/07/1993	Kathmandu
9	Nepal Bangaladesh Bank Ltd.	06/06/1994	Kathmandu
10	Everest Bank Ltd.	19/10/1994	Kathmandu
11	Bank of Kathmandu Ltd.	13/03/1995	Kathmandu
12	Nepal Credit and Commerce Bank Ltd. Ltd.	15/10/1996	Rupandehi
13	Lumbini Bank Ltd.	18/07/1998	Chitwan
14	Nepal Industrial and Commercial Bank Ltd.	22/07/1998	Biratnagar
15	Machhapuchhre Bank Ltd.	04/10/2000	Pokhara
16	Kumari Bank Ltd.	04/04/2001	Kathmandu
17	Laxmi Bank Ltd.	04/04/2002	Birgunj
18	Siddhartha Bank Ltd.	25/12/2002	Kathmandu
19	Global Bank Ltd.	03/01/2007	Birgunj
20	Citizens Bank International Ltd.	22/06/2007	Kathmandu
21	Prime Commercial Bank Ltd.	25/09/2007	Kathmandu
22	Sunrise Bank Ltd.	13/10/2007	Kathmandu
23	Bank of Asia Nepal Ltd.	13/10/2007	Kathmandu
24	DCBL Bank Ltd.	26/05/2008	Kathmandu
25	NMB Bank Ltd.	06/06/2008	Kathmandu
26	Kist Bank Ltd.	08/05/2009	Kathmandu
27	Janata Bank Ltd.	06/04/2010	Kathmandu
28	Megha Bank Nepal Ltd.	24/07/2010	Kathmandu

29	Commerge and Trust Bank Nepal Ltd.	21/09/2010	Kathmandu
30	Civil Bank Ltd.	27/11/2010	Kathmandu
31	Century Commercial Bank Ltd.	11/03/2011	Kathmandu
32	Sanima Bank Limited	2062	Kathmandu

Sources: NRB Report 2012

1.4 Role of Joint Venture Bank in Nepal

In global prospective, joint venture bank is the mode of trading through partnership among the nations and also a form of negotiations between two or more enterprise for the purpose of carrying out a specific operation. So, the main purpose of joint venture is to join economic forces in order to achieve desired end. Under joint venture basis, to operate a business organization, there should be at least two partners from the different countries. The primary objective of joint venture bank is to earn profit by investing or granting the loan and advances to the people associate with trade, business, industry etc. that means they are required to mobilize their resources properly to acquire profit.

A joint venture is forming of two forces between two or more enterprises for the purpose of carrying out a specific operation (industrial or commercial investment, production trade) *(Gupta, 1984:25).*

At present, the financial institutions of the country have been effortful to mobilize resources. On one hand, the major part of few individual where as the small traders and entrepreneurs are facing difficulties to receive loans on the other. The only solution to this problem is to encourage competition in the banking sector. Therefore, a policy of allowing new commercial banks under joint venture with foreign collaboration has been adopted; this will promote competition among banks whereby the clients will get improved facility. Addition, the share of these new banks will also be sold to the general public and while distributing the shares, it will be ensured that the ownership is spread out to the maximum extent possible.

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

a. Introducing Advanced Banking Techniques

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

b. Introducing Foreign Investment in Nepal

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

c. Bringing in Healthy Competition

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

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

1.5 Profile of the Sample Companies

As there has been number of commercial banks established, the research has been taken into consideration of EBL, NIBL and HBL. Therefore, short glimpse of these commercial banks are given as:

1.5.1 Himalayan Bank Limited

Himalayan bank limited is a joint venture bank with Habib Bank of Pakistan established in 1992 under the company act 1964 as a fourth joint venture bank of Nepal. This is the first joint venture bank managed by Nepali Chief Executive. The operation of the bank started from 1993 February. HBL does not include government ownership. It has been established to maintain the economic welfare of the general people to facilitate loan for agriculture, industry and commerce to provide the banking services to the country and people.

It is the first commercial bank of Nepal with maximum share holding by the Nepalese private sector. Besides commercial activities, the Bank also offers industrial and merchant banking. Its ownership is composed of founder shareholders 51percent, Habib bank of Pakistan 20 percent, Karmachari Sanchaya Kosh 14percent and public 15percent. It is the first bank having domestic ownership more than 50percent.HBL has been operating in high profit from the establishment's period till now. It accepts deposit through current deposit, saving deposit, fixed deposit and call deposit.

At present HBL have twenty nine branches in Nepal. The bank is also operating a counter in the premise of the Royal Palace. The Bank has a very aggressive plan of establishing more branches in different parts of the nation in near future.

HBL was access to the worldwide correspondent network of Habib bank for fund transfer, letter of credit or any other banking business any where in the world. Himalayan Bank has adopting innovative and latest banking technology. The bank provides various facilities such as:

- Tele- Banking
- 24 hours banking
- Credit card facilities
- Automatic Teller Machine(ATM)
- Visa card
- L.C. service
- Safe deposit locker
- Himalayan SMS(Short Message Service)
- Foreign currency transaction etc.

Table: 1.2

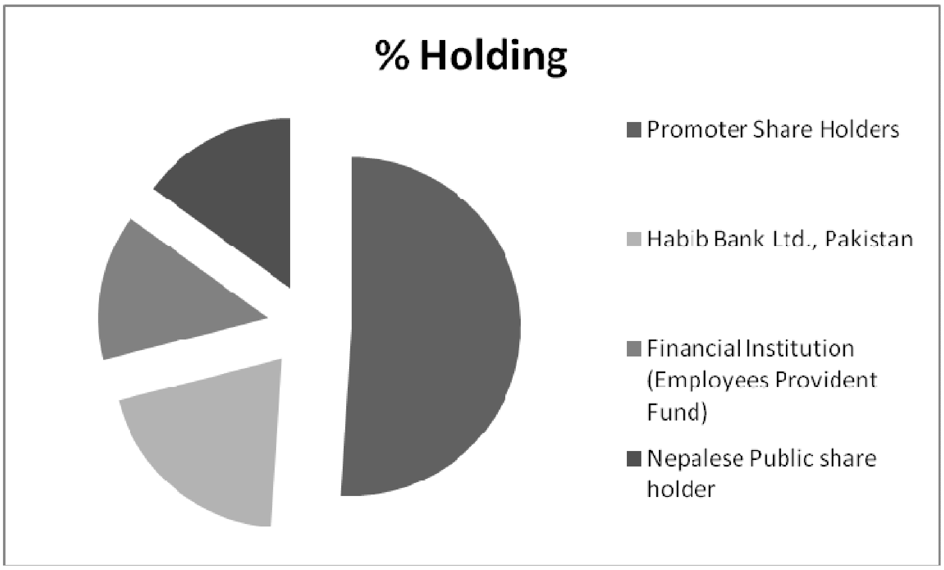
The Ownership Pattern of HBL

Subscription	Holding %
Promoter Share Holders	51%
Habib Bank Ltd., Pakistan	20%
Financial Institution (Employees Provident Fund)	14%
Nepalese Public share holder	15%
Total	**100%**

Source: Report of HBL

Figure 1.1

The Ownership Pattern of HBL



The present capital structure of HBL is shown below:

Share Structure	Amount (Rs.)
Authorized Capital	2,000,000,000
Issued Capital	1600,000,000
Paid- Up Capital	536,300,000

Source: Report of HBL

1.5.2 Everest Bank Limited

Everest Bank Ltd. was registered under the Company Act 1964 in 19th November 1993 (2049/09/03) and started banking transaction in 16th October 1994 (2051/07/01). The promoter of the bank decided to join hands with an Indian bank and entered into joint venture agreement in January 1997 AD with Punjab National Bank (PNB), which is one of the leading commercial bank of India, having over 100 years of successful banking experience and known for its strong system and procedure. A team of professionals deputed by PNB under this arrangement. Now, the bank has 35 branches including main branch (i.e. head office) in Nepal.

On equity holding PNB has 20percent equity participation in its total shareholding and also has undertaken management responsibility under a technical service agreement and other balance is maintain by Nepali investor. Nepalese promoter holding 50 percent and rest 30 percent held by General Public. The main purpose of EBL is to extend professional banking services to various sectors of the society in Nepal and thereby contributing in the economic development of the country. It provides following facilities and services to its customers:

- Cumulative Deposit Scheme
- Unfix Fixed Deposit
- Remittance
- ATM Facilities
- FC Deposit/ Lending
- Facilities of NRN
- Required Deposit Plan
- Telegraphy transfer (T.T)
- Letter of Credit
- Drawing Arrangement
- SWIFT Transfer
- Foreign Exchange
- International Trade and Bank Guarantees
- Merchant Banking

Table 1.3

The Ownership Pattern of EBL

Subscription	Holding %
Promoter Share Holders	50%
Punjab National Bank	20%
General Public	30%
Total	**100%**

Source: Report of EBL

Figure 1.2

The Ownership Pattern of EBL

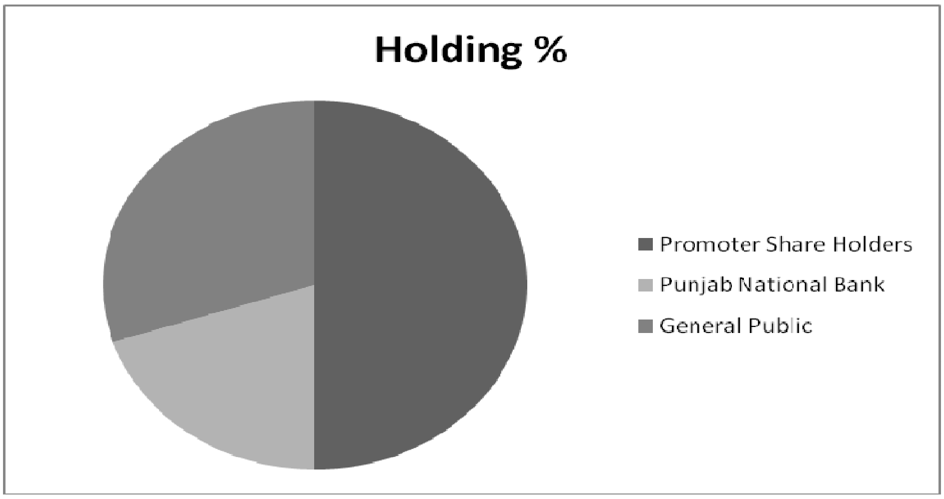


Table 1.4

The Ownership Pattern of EBL

Share Structure	Amount (Rs.)
Authorized Capital	2,00,00,00,000
Issued Capital	45,50,00,000
Paid- Up Capital	45,50,00,000

Source: Report of EBL

1.5.3 Nepal Investment Bank Limited

Nepal Investment Bank Ltd(NIBL), previously Nepal Indosuez Bank Ltd. was established as a third joint venture bank between Nepalese and French partners in 21st January 1986 under the Company Act 1964. The French partner (hold capital of NIBL) was credit Agricole Indosuez, a subsidiary of one of the largest banking world, 50 percent of the shares of Nepal Indosuez Bank Ltd. held by credit Agricole. Indosuez was sold to the Nepalese promoters on April 25, 2002 as per the transaction report of NEPSE. The bank has a forty nine branches in all over Nepal till 2012 November.

Out of total equity shares of NIBL, 15percent shares hold by a group of company, 50 percent shares by commercial banks, another 15 percent by financial institutions and remaining 20 percent hold by general public. It provides following facilities and services to its customers:

- Trade Finance
- Remittance
- Export Credit
- Tele Banking
- ATM with any Branch Banking
- Vehicle Loan
- E-Banking Service
- Locker Facilities
- Any Branch Banking
- Ezee Saving Scheme
- 365 Days Banking

Table 1.5

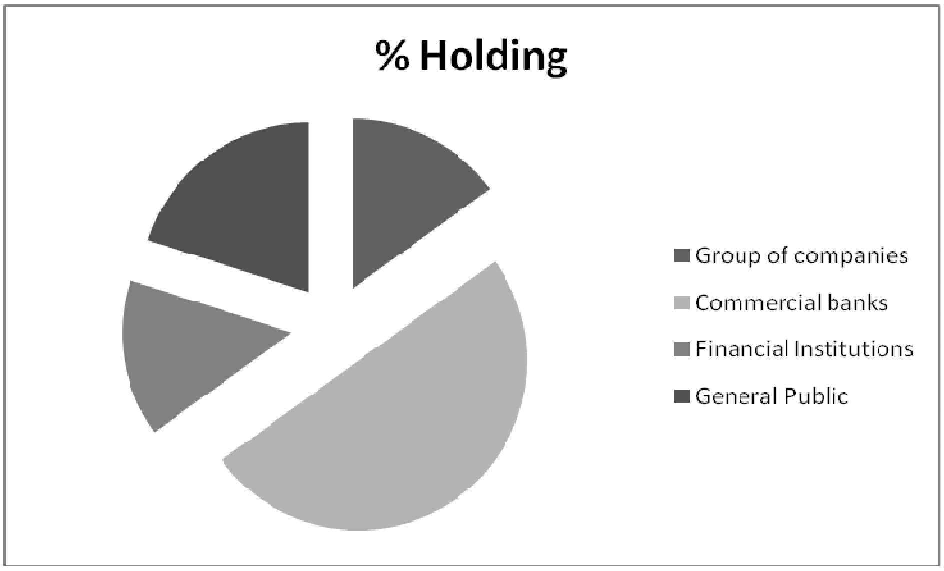
The Ownership Pattern of NIBL

Subscription	Holding %
Group of companies	15%
Commercial banks	50%
Financial Institutions	15%
General Public	20%
Total	**100%**

Source: Report of NIBL

Figure 1.3

The Ownership Pattern of NIBL



The present capital structure of NIBL is presented below:

Share Structure	Amount (Rs.)
Authorized Capital	4,00,00,00,000
Issued Capital	2953,00,000
Paid- Up Capital	2953,00,000

Source: Report of NIBL

1.6 Focus of the Study

Bank is an institution, which helps in collection and mobilization of savings. The role of commercial banks in uplifting the economic growth of the country is very important. The uplifting of the development of a nation largely depends upon the development of its economic growth. The development of the economy is greatly influenced due to the internal management of the bank.

General fund mobilizing means to flow the cash in different sectors at profit motive. Investment in its broadest sense means the sacrifice of certain present value for (possibly uncertain) future value. In pure financial sense, the subsequent use of the term investment will be in the prevalent financial sense of the placing of money in the hands of other for their use, in return for a proper instrument entitling the holders to fixed income payment or the participation in expected profits. It can define the terms of investment at manufacturing and trading forms those long term expenditures that aim at increasing plant capacity of efficiency or at building up goodwill, there by producing an increased return over a period. Experts define the terms of investment from economic view point that investment as a productive process by means of which additional are made to capital equipments. It is finding to clear the terms of investment at different points of view. But it needs to clear the terms of investment in financial point of view as related to this study.

This research focuses on the comparative study of fund mobilization of three joint venture banks; Himalayan Bank Ltd., Nepal Investment Bank Ltd. and Everest Bank Ltd. These three banks are compared as per their fund mobilization procedure by taking 7 years data from the year 2004/05 to 2010/11.

1.7 Statement of the Problems

After introducing the liberalization policy of the government, many banks and institutions are established rapidly. These days many commercial banks, development bank and financial institutions are operating their work to assist in the process of economic development in the country. Due to the high competition between the financial institutions the collected huge amount from public is comparatively lower than fund mobilization and investment practice of collected funds. Therefore, it raised the problems of investment and proper mobilization of collected funds. Strong fund mobilization activities play a vital role in utilization of collected funds and overall development of the economy of the nation.

If the funds are wrongly invested without thinking any financial risk, business risk and other related facts, the bank cannot obtain profitable return as well as it should sometimes lose its principle. Fund mobilization policy may differ from one joint venture bank to another but there is no optimum utilization of shareholders fund to have greater return in any bank. Nepal Rastra Bank has also played significant role to make commercial bank mobilize their fund in good sector. For this purpose, NRB imposed many rules and regulation so that commercial bank can have sufficient liquidity and security. Though most of the joint-venture banks have been successful to earn profit from fund mobilization, none of them seem to be capable to invest their entire fund in more profitable sectors.

To meet the requirement of NRB, joint venture banks must have 6% deposits of total current account and fixed deposit account of local currency with NRB. They should have 3% minimum cash balance in their own vault of total currency of all types of accounts. Except this, they have fund from current, saving and fixed deposits, borrowing from other banks, cash margin for different purpose, amount of bills payable and retained earning, reserves share capital and other liabilities.

Commercial banks are reported to be criticized by customer due to implementation of wrong investment policies. They are said to be investing less risky and highly liquid sector, they keep high liquid position and flow less funds in productive sectors, so these types of function prove less investment opportunity of the fund. Sometimes they seem to be ready to invest the idle fund even in those investment, which have lower risk and comparatively greater profit the another problem is diversification of investment. The bank cannot achieve profitable return from their resources as well as they sometimes may lose their principle resulting in decreasing of national economy.

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

a) Is there any stability in fund mobilization between HBL, EBL and NIBL?
b) What is the relationship between deposit and total capital raised, deposit with total investment and loan and advances with total deposits?
c) Does the investment decision affect the total earning capacity of the bank?
d) Do the three joint ventures succeed to utilize their available fund?
e) Are they maintaining sufficient liquidity position?
f) Which joint ventures have more effective investment policy among HBL, EBL and NIBL?

1.8 Objectives of the Study

For any kind of research work or study, first of all the objectives should be determined. It shows the way to achieve desired goals. Likewise, the main objectives of this research work is to examine, interpret and analyse the fund mobilization procedures adopted by three joint ventures; Himalayan Bank Ltd., Everest Bank Ltd. and Nepal Investment Bank Ltd. This study is concerned with whether HBL, EBL and NIBL are adopting efficient fund mobilizing policy or not. The main objectives related to this study are presented below:

- To evaluate the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of HBL, EBL and NIBL.
- To evaluate comparatively operating, financial and investment efficiency of three joint venture banks.
- To carryout the relationship between deposits and total investment, deposits and loan and advance and net profits of HBL, EBL and NIBL.
- To evaluate and forecast the trend of deposit utilization.
- To analyze the sources and uses of funds and analyse the cash flow of these three joint venture banks.

1.9 Significance of the Study

Fund mobilization activities of joint venture banks greatly effect the growth and earning of banks. Effective, stable, appropriate fund mobilizing policy may cause the earning of sufficient return to the banks. Most of the joint- venture banks have been successful to earn profit from effective fund mobilization. Fund mobilizing policy may differ from one joint-venture bank to another but there is no optimum utilization of shareholders fund to have sufficient return in any bank.

Optimum utilization of fund makes better impact on the economy of the nation. Fund mobilization activities must consider customer, nation and government as well as its shareholders' interest. Significance of the fund mobilization can be written as the following manner:

- The depositor's can make decision to deposit their money in the bank after analyzing the fund mobilization of joint ventures.
- By the help of this study, general public can know the funds mobilizing activities of banks.
- It is also beneficial for the government while formulating policies and rules regarding joint venture banks.
- From the study of fund mobilizing policy about bank, shareholders and companies would get information related to the fund mobilizing scheme of the bank and they may know how banks are mobilizing their fund and resources. It is fruitful to make investment on shares of various joint venture banks as well.
- The study of fund mobilizing policy would provide information to the management of the bank that would be helpful to take corrective action in the bank activities.
- Effective fund mobilization activities are the cause to increase earnings of the banks.
- This study will serve to be a guide to the management of banks, financial institutions, related parties, shareholders, general public (customer, depositors and creditors).

1.10 Limitations of the Study

For the completion of the study, some facts are to be considered as limitation of this research work:

- This study is based on secondary data and accuracy depends upon the data collected and provided by the organization.
- The whole study is based on the data of 7 years period (i.e. from F.Y. 2004/05 to 2010/11).
- This study has been only of three joint venture banks as sample i.e. HBL, EBL and NIBL.
- Non- availability of the various references of sources acts as constraints for the study.
- Only the fund mobilization aspects are analyzed. Other performance of the organizations is fully neglected, while providing suggestions.

1.11 Organization of the Study

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

Chapter I: Introduction

This is the introductory chapter, which has covered background of the study, focus of the study, statement of the problem, objectives of the study, significance of the study etc.

Chapter II: Review of Literature

This chapter has included conceptual framework i.e. theoretical analysis and review of related different studies. In this chapter, it has been attempted to show how this present study is different from previous studies.

Chapter III: Research Methodology

This chapter has dealt with the research design, population and sample, sources of data, data collection techniques and data analysis tools (financial tools and statistical tools) and methods of analysis and presentations.

Chapter IV: Presentation and Analysis of Data

This chapter describes the research methodology employed in the study. It has include secondary data and primary data presentation, data analysis, interpretation, testing of hypothesis and major findings.

Chapter V: Summary, Conclusion and Recommendations

The last chapter states the summary, conclusion of the whole study and recommendations. It also offers several avenues for future research. The exhibits and bibliography are incorporated at the end of the study.

CHAPTER II

REVIEW OF LITERATURE

This chapter deals with the theoretical aspect of the topic on fund mobilization procedures in more detail and descriptive manner. It provides the foundation for developing a comprehensive theoretical framework and knowledge of the status relevant to the field of research in order to explore the relevant and true facts for the reporting purpose. Hence, in this chapter, the focus has been made on the review of literature relevant to the fund mobilization procedures of commercial banks. For this study, different books, journals, articles, annual reports some research paper related with this topic has been reviewed. Therefore, this chapter is arranged in the following order

2.1 Conceptual Framework

Basically, theoretical framework describes the following terms which are closely related to the research work.

Banks are that kind of institutions, which deal with money and substitutions for money. They deal with credit and credit instrument. Effective circulation of credit is more significant for the banks. Unsteady and unevenly flow of credit harms the economic situation of the nation. Because of this, collected fund should be invested and mobilized into the right sector. An investment of fund decides the life and death of the banks.

An investment is a commitment of money that is expected to generate additional money. Every investment entails sacrifice for a future uncertain benefit *(Francis, 1991:212).*

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 received. An investor seeking higher return must be willing to face higher level of risk *(Cheney and Moses; 1991:12).*

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; 1999:2).*

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). In yet both time and risk are important *(Charles; 1999, 220).*

Investment policy fixes responsibilities for the investment disposition of the banks assets in term of allocating funds for investment and loan and establishing responsibility for day to day management of those assets *(Baxley; 1987:511).*

Investment is the employment of funds with the aim of achieving additional income of growth in value *(Singh; 2001:87).*

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).*

"Investment" which beseeches of sound investment policy and covers wider aspects. Baidya (2004) states that a sound investment policy of bank is such that its funds are distributed on different types of assets with good profitability on the one hand and provides maximum safety and security to the depositors and banks on the other hand. Moreover, risk in banking sector tends to be concentrated in the loan portfolio. When a bank gets into serious financial trouble its problem usually springs from significant amount of loans that have become uncollectible due to mismanagement, illegal economic downturn. Therefore, the banks investment policy must be such that it ensures sound and prudent in order to protect public funds.

Further in details he deals with what type of loan do banks make? And, how much of loan is to be invested? The banks make a variety of loans to a wide variety of customers from many different purposes from purchasing automobile to construct the homes and making trade with foreign countries. There, no uniform rules can be laid down to determine the portfolio of bank. The environment in which the bank operates influences its investment policy. The nature and availability of funds and assets also differ widely from region to region within a country or country to country. For example, the scope of operating a bank in Jumla will be different from the scope of a bank operating in Kathmandu. The investment policy to be applied in Kathmandu may not be applicable to the customer of Jumla because the demand for loans is less in rural areas whereas it is higher in urban areas," *(Baidya; 1997:47).*

Bhalla (2007) has derived a three- pointed basic concept of investment. His view on investment covers:

- Economic investment that is an economics definition of investment.
- Investment in a more general or extended sense which is used by the man of street or ordinary people
- The sense in which we are going to be very much interested namely financial investment.

Banks are those institutions which accepts deposits from the public and in return provide credit to trade, business and industry that directly makes a remarkable impact on the economic development of a country. To collect fund and collect as a good investment is a very risky job. Ad-hoc investment decision leads the bank out of the business thereby drawn the economic growth of a country. Hence sound investment policy is another secret of a successful bank.

Shrestha (2004) states that commercial banks fulfill the credit needs of various economic sectors including policy of commercial banks is based on the profit maximization of the institute as well as the economic enhancement of the country.

In the view of Reed, Cotter and Gill (2007) commercial banks still remain the heart of our financial system holding the deposits of millions of persons, governments and business units. They make funds available through their lending and investing activities to borrowers, individuals, business firms and governments. Commercial banks are the most important type of financial institutions in the nation in terms of aggregate assets.

The primary function of commercial banks is the extension of credit to worthy borrowers. In making credit available, commercial banks are rendering a great social service. Through their action, production is increased, capital investments are expanded, and a higher standard of living is realized. Although the investment activities of commercial banks are usually considered separately from lending, the economic effects and social results are the same.

Crosse (1963) states that lending is the essence of commercial banking, and consequently the formulation and implementation of sound policies are among the most important responsibilities of bank directors and management. Well conceived lending policies and careful lending practices are essential if a bank is to perform its credit creating function effectively and minimize the risk inherent in any extension of credit.

2.1.1 Features of Sound Lending and Fund Mobilization Policy

Income and profit of the financial institutions like commercial banks and financial institutions depend upon its lending procedure, lending policy and mobilizing collected fund through investing in different securities. The greater the credit created by the bank the higher will be the profitability. Some required features of sound lending policy and fund mobilization is explained as under:

a) Safety and Security

Financial institutions should inlets their deposit in profitable and secured sectors. They should not invest their fund in securities of those companies whose securities are too much depreciated and fluctuated because of risk of loss factors. They should accept those securities, which are marketable, durable, profitable and high market price as well as stable. In this case MAST should be applied for the investment.

Where,

M = Marketability

A = Ability

S = Stability

T = Transferability

b) **Legality**

Each and every financial institution follow the rules and regulation of the company, government and various directions supplied by Nepal Rastra Bank, Ministry of Finance and on while issuing securities and mobilizing their fund. Illegal securities will bring out any problems to the investors. Lastly, the reputation and goodwill of the firm may be lost.

c) **Liquidity**

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

d) **Profitability**

To maximize the return on investment and lending position, financial institutions must invest their collected fund in proper sectors. Finally they can maximize their volume of wealth. Their return depends upon the interest rate, volume of loan its time period and nature of investment on different securities and sectors.

e) **Tangibility**

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

f) **Purpose of loan**

Banks and other financial institutions must examine why loan is required to the customer. If customers do not use their borrowings, they can never repay and the financial institutions will have heavy bad debts. So, they should collect detailed information about the plan and scheme of the borrowing.

g) **Diversification**

A firm can invest its deposit collection in various securities to minimize the risk. So, all the firms must diversify their fund or make portfolio investment. Diversification helps to earn a good return and minimize the risks and uncertainty. So, the firms are making portfolio investment with different securities of different companies.

2.1.2 Meaning of Some Important Terminologies

The study in this section comprises of some important banking terminology for which efforts have been made to clarify the meaning, which are frequently used in this research work. Their brief summary is presented below:

a) Loan and Advances

Loan, advances and overdrafts have occupied a huge portion for the mobilization of funds of the commercial banks. Bank deposits can be crossed beyond a desired level but the level of loans and advances and overdrafts will never cross it. Commercial Banks and other financial institution may take more preferential collateral while granting loan and advances. Some portion of loan and advances and overdrafts include that amount which is given to staffs of the banks as home loan, vehicle loan, personal loan and others.

b) Investment on Government Securities, Shares and Debentures

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

- It may want to space its' maturating so that the inflow of cash coincides with expected withdrawals by depositors of large loan demands of its customers.
- It may wish to have high-grade marketable securities to liquidate if its primary reserve becomes inadequate.
- It may also be forced to invest because the demand for loans has decreased or it is not sufficient to absorb its excess reserves.

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

c) Investment on other Company's Shares and Debentures

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

d) Off- Balance Sheet Activities

Off-balance sheet activities involve contracts for future purchase and sale of assets and all these activities are contingent obligations. These are not recognized as assets or liabilities on balance sheet. Some good example of these items are letter of credit(L/C), letter of guarantee, bills of collections etc. Nowadays, such activities are stressfully highlighted by some economist and finance specialists to expand the modern transaction of a bank.

e) Other use of Fund

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

f) Deposits

Deposit is the most important source of the liquidity for each and every commercial bank. For financial strength of banks, it is treated as a barometer. A deposit is the lifeblood of the commercial banks. Even though, they constitute the great bulk of bank liabilities, the success of a bank greatly depends upon the extent to which it may attract more and more deposits, for accounting and analyzing purpose, deposits are categorized in three headings. They are:

- Current Deposits
- Saving Deposits
- Fixed Deposits

2.2 Review of Legislative Provisions

Legislative environment has significant impact on the commercial bank's establishment, their mobilization and utilization of resources. All the commercial banks have to confirm to the legislative provisions specified in the Commercial Bank Act 2031 and the rules and regulation formulated to facilitate the smooth running of commercial banks.

Compulsory Cash Reserve Ratio (CRR) and Refinancing

In order to improve the sluggish economy, continuity has been given to flexible monetary policy. NRB has revised the compulsory CRR effective from 22nd July 2002 with a view to reduce the cost of fund of banks which will facilitate the banks to reduce their lending rates without changing in deposit rates. As per this revision, in respect to balance with NRB requirements of commercial banks, the present level of 7 % of the domestic current and saving deposit liabilities and 4.5% of time deposit liability remain unchanged. The requirement of cash reserve in their own vault, however, has been brought down to 2% from 3%. In respect of refinancing rates, the present rate of 2% for export credit in foreign currency; 3% rehabilitation of sick industries, 4.5% for Grameen Bikas Banks(Rural Development Banks) and export credits in Nepalese currency; and 5.5% for all other types of refinancing remains unchanged. An additional amount of Rs. 1500 million has been set aside to provide refinancing facilities for such industries.

Table 2.1

Revised Compulsory Cash Reserve Ratio (in Percentage)

S.N	Description	20 December 2010	22 July 2012	Difference in % points
1	Cash deposit requirement in NRB by the commercial banks:			
	Total domestic current and savings deposit liabilities	7.0	7.0	
	Total domestic time deposit liabilities	4.5	4.5	
2	Cash-in-Vault requirement of the commercial banks(of total deposit liabilities)	3.0	2.0	1.0

Source: Nepal Rastra Bank

Receiving applications for the establishment of commercial banks has been stopped since 1995. Visualizing that such an administrative restriction is not in conformity with the liberal financial policy, the following new policy guidelines have been made public on 16th May 2003.

i) Paid up Capital

To establish a commercial bank of national level having its office in Kathmandu, joint investment with foreign bank and financial institution or a management contract at least for 3 years with such institutions is required. The paid up capital of such bank must be at Rs. 1000 million. To establish the commercial banks in all the places in the country other than in the Kathmandu Valley, the paid up capital must be Rs. 250 million.

ii) Share Capital

In general, the share of commercial banks will be available for the promoters (70 percent) and general public (30 percent). The foreign banks and financial institutions could have a maximum of 67 percent share in investment on the commercial banks of national level. In order to provide adequate opportunity for investment to the Nepali promoters in national level banks, only 20 percent of total share capital will be made available to general public on the condition that the foreign bank and financial institutions are going to acquire 50 percent of the total share. In case of commercial banks to be established outside Kathmandu Valley, share investment of promoters and general public should stand at 70 percent and 30 percent respectively.

iii) Legal Procedure

Banks to be established with foreign promoters, participation have also to be registered fulfilling all the legal processes prescribed by the prevalent Nepal laws.

iv) Banks Already in Operation

Banks that is already in operation and those who have already acquired letter of intent before the enforcement of these provisions have to bring their capital level within seven years, i.e. by 16 July 2009, as per the recently declared provision. Such increase in the capital should be at a rate of 10 percent should be at the minimum.

v) Concerning Up gradation

Banks to be established outside Kathmandu Valley could be allowed to operate throughout the country including Kathmandu Valley only on the condition that they have brought their paid up capital level to Rs. 1000 million and also fulfilled other prescribed conditions. Until and unless such banks do not get license to operate throughout the country, they will not be allowed to open any office in Kathmandu Valley.

vi) Promoters Share Payment Procedure

Of the total committed share capital, the promoters has to deposit in NRB an amount equal to 20percent along with the application and another 30percent at the time of receiving the letter of intent on a interest free basis. The bank should put into operation within one year of receiving the letter of intent. The promoters have to pay fully the remaining balance of committed total share capital before the bank comes into operation. Normally, within 4 months from the date of filling the application, NRB should give its decision for the establishment of the bank whether it is in favor or against it. If it declines to issue license, it has to inform in writing with reasons to the concerned body.

vii) Promoters Qualification and Experience

Action on the application from promoters will not be initiated if it is proved that their collateral has been put on auction by the bank and financial institutions as a result of non-payment of loans in the past, who have not cleared such loans or those in the black list of the Credit Information Bureau and 5 years have not elapsed from the date of the removal of their name from such list. The application will be deemed automatically cancelled irrespective of it being on any stage of process for license issuance if the above events are proved. Of the total promoters, one-third should be its chartered accountant or at least a graduate of Tribhuvan University or recognized institutions with major in economics or accountancy, finance, law, banking or statistics. Likewise, one-fourth promoters should have the work experience of bank or financial institution or similar nature.

viii) Promoters Share

Promoter Group's share can be disposed or transferred only on the condition that the bank has been brought in operation; the share allotted to the general public has been floated in the market and after completion of 3 years from the date it has been registered in the Stock Exchange. But before the disposal of such shares it is mandatory to get approval from NRB. The share allotted to general public has to be issued and sold within 3 years from the date the bank cannot issue bonus shares or declare and distribute dividends, shareholders of the promoters group and their family members cannot have access to loans or facilities from the same institution.

ix) Branch Expansion

The commercial banks established in national level will initially be authorized to open a main branch office in Kathmandu Valley. They will be authorized to open one more branch in Kathmandu Valley only after they have opened two branches outside the Kathmandu Valley.

x) Disqualify from Becoming Director

An individual who is already serving as a director in one of the bank or financial institutions licensed by NRB cannot be considered eligible to become the director in other banks or financial institutions. Also, stock brokers, market makers and an individual and institution involved as an auditor of the bank and institutions carrying on financial transactions cannot be a director, (Economic Survey 2002/03).

2.2.1 Fund Mobilizing Procedure of Joint Venture Banks

All the banks of entire world have 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 mobilizing procedure they are summarized below:

i. Sources of Fund

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

A. Owned Funds/ Equity Capital of Bank

Following are the sources of owned funds:

Ordinary Share

Ordinary shares are the bank's strong and reliable sources of funds. Banks' promoters 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 became shareholders after purchasing the issued share.

Preference Share

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

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. Bank issue shares to shareholders instead of banks amount. From this share, bank collects some share of funds.

Retained Earning

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

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 funds in liquid sector.

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 sector. These types of funds collect borrowing and debt capital.

Following are the sources of the borrowed fund:

a) Selling of Debenture

Debenture means a "Rinpatra" 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.

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 honors the demands of the depositor for withdraw of money from the deposits. Deposits accepted by the bank are of different types. They are:

- **Current Deposit**

It is also known as demand deposit. A customer can open a current account with a bank by making an initial of Rs. 100. Any amount may be deposited in this account. The bank makes a small charge on the customer having current deposit account.

- **Saving Deposit**

In this deposit, there are restriction on the maximum amount that can be deposited and also withdrawals from the account. The bank may not permit more than one or two withdrawals during a week.

- **Fixed Deposit**

A fixed deposit is one where a customer is required to keep a fixed amount with the bank for specific periods. He is not allowed to withdraw amount before expiry of the period. The rate of interest is higher than on other deposit account. During this period the bank is free to make use this money for granting loans and advances.

c) Loan from the Central Bank

NRB is the central 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, it receives money from other commercial bank also in the form of borrowing. Banks fulfill the need of cash by taking loan from other banks. It is also the types of bank capital.

2. Mobilization of Funds

Banks utilize its funds in suitable area and right sector. Banks can not achieve its goals until and unless it mobilizes its funds in right sectors and by performing different activities. Many kind of activities and other thing can origin for the purpose of receiving investment from the bank. But bank should separate the useful and profitable sector for mobilization of its funds. Banker being only a financial intermediary, we will not be able to make any profit unless he has to pay interest on deposits, 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 shareholder.

As commercial bank they are expected to make profit. If there is no profit, there will be adverse criticism against public sector banking, both in and outside the parliament when these banks are asked to open new branches in areas which do not allow profits for years, or asked to grant loan to the priority sectors such as small industries and agriculture with a high incidence of bad debts, there is need for counter 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 loanable resources to different segments in such a manner these banks can ensure adequate profitability while at the same time responding to policies laid down in accordance with national objectives.

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

a. Liquid Funds

A bank has kept a volume of amount in liquid funds. The funds have so many responsibilities in banking activities liquid funds has covered following transactions.

- Cash in hand
- Balance with NRB
- Balance with domestic bank
- Call money

b. Investment

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

- Share and debenture
- Government securities
- NRB bond
- Joint-venture

c. Loan and Advances

Bank mobilize 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 provide enterprises

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

d. Fixed Assets

Land and buildings are essential for the establishment of bank. Bank's funds are used in buying of furniture, vehicle, computer, and other concerned instrument, 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.

e. Administrative and Miscellaneous Expenses

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

- Salary of Employee
- Allowances
- Pension
- Advertisement
- Stationery
- 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. Bank is able to earn sufficient profit by mobilizing its funds in proper way into the different profitable sector. It can utilize its collected fund as well as own funds in all banking activities by performing effective fund mobilization procedure.

2.3 Review of Related Studies

2.3.1 Review of Journals and Articles

In this subject, effort has been made to examine and review some of the related articles published in different economic journals, Bulletin of World Bank, dissertation papers, newspapers, researchers view and findings towards fund mobilization and other related books.

Chopra (1998) in his article concluded that the joint venture banks playing an increasingly dynamic and vital role in the economic development of the country that will undoubtedly increase with time.

Shrestha (2002) concluded the following points:

a. The structural ratio of commercial banks show that banks invest on the average 75percent of their total deposit on the government securities and the shares.
b. The analysis of resources position of commercial banks should quit high percentage of deposit as cash reserve.
c. 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.
d. The debt-equity ratios of commercial banks are more than 100 percent in most of the time period under study period. It led to conclude that the commercial banks are highly leveraged and highly risk.
e. In case of the analysis of the management achievement foreign banks have comparatively higher total management achievement index.

Shrestha (2003) concluded that the credit deposit ratio would be 51.30 percent, other things remaining the 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 to absorb even the total expenses.

Shrestha (2004) stressed in the following issues, in case of investors having lower income, portfolio management may be limited to small saving incomes. But, on the other hank, portfolio management means to invest funds in various schemes of mutual funds like deposits, shares and debentures for the investors with surplus income. Therefore, portfolio management becomes very important both for an individuals as well as institutional investors. Large investors would like to select a best mix of investment assets and subject to the following aspects:

a. Higher return which is comparable with alternative opportunities available according to the risk class of investor.
b. Good liquidity with adequate safety on investment.
c. Certain capital gains
d. Maximum tax concession
e. Flexible investment
f. Economic and efficient investment

In the view of these aspects, investors are expected to develop the following strategy:

a) Do not hold any single security; try to have a portfolio of different securities.
b) Do not pull all the eggs in one basket i.e. to have a diversified investment.
c) Choose such a portfolio of securities, which ensures maximum return with minimum risk or lower return with added objectives wealth maximization.

In order to prepare structure and modus operandi of effective portfolio management, Mr. Shrestha has presented the following approaches to be adopted.

- To find out the investing assets (generally securities) having scope for better returns depending upon individual characteristics like age, health, need deposition, liquidity and tax liquidity etc.

- To find out the risk of securities depending upon the attitude of investor towards risks.
- To develop alternative investment strategies for selecting a better portfolio this will ensure a trade-off between risk and return so as to attain the primary objective of wealth maximization at lowest risk.
- To identify variety of securities for investment to refuse volatility of returns and risk.

Bajracharya (2005) concluded the mobilization of domestic saving is one of the prime objectives of monetary policy in Nepal. For this purpose, commercial banks stood as the active and vital financial intermediary for generating resources in form of deposit of the investors in different aspects of the economy.

He has explained that commercial banks only can play an important role to mobilize the national savings. Now days other financial institutions like finance companies, cooperative societies have been established actively to mobilize deposits in the proper sectors so that return can be ensured from the investment.

Sharma (2006) has found same results that all the commercial banks are establishing and operating in urban areas, in this study.

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

- Commercial banks are charging higher interest rate on lending
- They have maximum tax concession
- They do not properly analyze the system

He further concluded that due to the lack of investment avenues, banks 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. Private commercial banks have mushroomed only in urban areas where large volume of banking transaction and activities are possible.

Pradhan, (2001) has presented the following problems in the context of Nepal:

- People do not have knowledge and proper education for saving in institutional manner. They know financial organizational process, withdrawal 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, by adding various services.
- Nepal Rastra Bank must organize training programmes to develop the skilled human resources
- By spreading a numbers of co-operative societies to develop mini banking services and improves the habits of public on deposit collection to the rural areas.

Pradhan (2001) has done a research for which he carried out a survey of 78 enterprises. Through his research entitled, Financial Management Practices in Nepal, he found some of the major features of the Nepalese financial management. According to him “the most important one appeared to be maintaining good relation with stockholder. The finding reveals that banks and retained earning are most widely used financing sources. Most enterprises do not borrow from one bank only and they do switch between banks to banks whichever offers best interest rates. Most enterprises find that banks are faxable in interest rate. Among the banks loan, bank loan of less than one year are more popular in public sector where as banks loan of 1-5 years are more popular in private sector. In period of light money, the majority of private sector enterprises fell that bank will treat all firms equally while public sector does not feel so. Similarly, he concluded that the majority of enterprises in traded sector find that bank’s interest rate is just right while the majority of non-traded sector find that the some is one higher side.

2.3.2 Review of Theses

Before this study, various studies regarding the various aspects of commercial banks such as fund mobilizing policy, financial performance, and investment policy, lending policy, interest rate structure, resource mobilization and capital structure have been conducted in several thesis works. Some of them, which are relevant for this study, are presented below:

Panta (2005) in his thesis has tried to examine the resources collection and utilization. He has concluded that commercial banks have failed to utilize their resources due to lending for short term only. So, he has suggested that all commercial banks should give preference on long term lending sectors for the better utilization of the deposits and improvement of their existing situation.

He has tried to show the deposit position and utilization. He has not also explained the risk factors. His main focus is deposit collection, which can not show and analyze the financial position and proper investment policy. His study period is up to FY 2003/04 which can not show deposit position and its utilization for succeeding years.

Bohara (2006) in his thesis has studied mainly financial performance of two joint venture banks. His main objective is to examine the comparative financial performance (during FY 2001 to 2005) of NABIL and SCBNL in terms of their liquidity, activity and profitability. He has summarized and concluded that the increasing trend of SCBNL's earning per share, cash dividend per share, tax per share, net profit, total loans, total deposits and advances and market value per share in the last three years of the study period had shown improvement than that of NABIL.

He has also shown the comparative performance appraisal of only two joint venture banks. Although he has tried to analyze and explain the liquidity, activity and profitability position of two JVBs, he has not explained the investment policy and various types of risks. His study can not show the performance of the selected firms for the succeeding years because of time limitation i.e. up to 2004/05.

Sapkota (2007**)** concluded the thesis work having main objectives to examine the fund mobilizing policy adopted by three joint venture banks viz. SCBNL, NBBL and HBL and the way these banks mobilized their funds during five year study period i.e. from 2001 to 2006.

He found that the overall condition of SCBNL seems in satisfactory position in comparison to NBBL and HBL. In other words, he recommends that banks are strongly recommended to provide information about their services, facilities and extension of their services towards rural areas. These three banks are recommended to increase cash and bank balance to meet the need of investment and demand of loan and advances. Banks are to be investing their funds in the purchase of shares and debentures of other financial, non-financial companies, hotels and government companies.

Sapkota has not explained about the risk ratios which have to be faced by these joint venture banks. His study can not show the fund mobilizing policy of the selected banks for the succeeding years because of time limitation i.e. up to 2006.

While reviewing the books and articles and previous studies, it is found that banks are not just the storehouse of the country's wealth but are the reservoirs of resources necessary for economic development and employment generation. There are still different obstacles in the effective operation of the commercial banks in Nepal. Therefore these obstacles should be eradicated for the economic development of Nepal.

Thapa (2008) conducted a thesis work in which she has compared the investment activities of NBBL with only two joint venture banks i.e. Nepal Arab Bank Ltd. and Nepal Grindlays Bank Ltd. by taking five years data. She has recommended in two ways:

a. **Statement Recommendation:** She has suggested about investment in government securities, OBS operation loan recover act, sound credit collection policy, and project oriented approach, effective portfolio management, and innovative approach to bank marketing and banking facilities.

b. **Theoretical Recommendation:** She has suggested about liberal policy and coat management strategy.

Mandala (2009) studied primarily three joint venture banks i.e. NABIL, NGBL and Nepal Indosuez Bank Ltd. He found that both the banks, NGBL and NABIL have mobilized the debt funds in proper way for generating more return but Nepal Indosuez Bank (NIBL) could not mobilize as NABIL and NGBL. He has recommended that all the banks should provide their facilities in rural areas and encourage the small entrepreneur's development programmes, play merchant role, mobilize the deposit funds in productive sectors and grant priority to the local manpower.

He has not attempted to show the investment policy and concentrated only on financial performance of JVBs, therefore it can not represent the performance appraisal of JVBs. His study is comparative study of only three JVBs. His study period is up to FY 2002/03 to 2007/08 and it can not analyze the investment policy after this fiscal year.

Silwal (2010) concluded some findings as:

- Effectiveness of lending policy is directly based upon a sound banking system. But due to geographical variation, transportation and other regional disparities, it is very difficult to expand branches in different rural areas. So, it can be said that commercial banks in Nepal are not playing an active role to utilize their sources collected from different sectors.

- By paying higher interest rate, the banks are increasing deposits, which in turn increase saving habits of the general people. Then the banks will be able to utilize these idle funds in productive channels. This type of business of commercial bank is really a necessary one in an agricultural country like Nepal, where public investment has limited capacity.

Karmacharya (2011) has mentioned that the bank has successfully maintained its liquid asset position but could not mobilize its resources efficiently. He has concluded that Nepal Bank's utilization side is weak as compare to the collection of resources. He suggested for extending its branches, so NBL's deposit collection and also long-term as well as short-term credit may increase. He has recommended not to consider security factor only but to provide loan to genuine projects without securing.

2.4 Research Gap

The job of conducting research and preparing report is difficult in itself especially to the unprofessional person like a student. I have tried to make this thesis as a complete outcome of the research on mentioned topic from the best of my effort and knowledge.

I want to prove that this research is an original one and should be the foundation for the future researchers to know about the problem of Fund Mobilization Procedures of commercial banks.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

Research methodology is a way to systematically solve the research problem. It refers to the various sequential steps that are to be adopted by a researcher during the course of studying the problem with certain objectives. This chapter refers to the overall research method from the theoretical aspects to the collection and analysis of data. This study covers quantitative methodology in a greater extent and also uses the descriptive part based on both technical aspects and logical aspect. This research tries to perform a well-designed quantitative and qualitative research in a very clear and direct way using both financial and statistical tools.

3.2 Sources of Data

The study is mainly based on secondary data. The secondary sources of data collections are those that have been used from published or used by someone previously. The secondary sources of data are Balance Sheet, Profit & Loss account and literature publication of the concerned banks. The NEPSE report of the concerned bank has furnished some important data to this research work. Some supplementary data and information have been collected from the authoritative sources like Nepal Rastra Bank, Central Library of T.U., Shankar Dev Campus library, Nepal Commerce Campus library, Nepal Stock Exchange Limited, Security Exchange Board, Economic Survey, National Planning Commission, different journals, magazines and other published and unpublished reports documented by the authorities.

In order to fulfill the objectives of this research work, all the secondary data are compiled, processed and tabulated in time series. To judge the reliability of data provided by the banks and other sources, they were compiled with the annual reports of auditors. Formal and informal talks to the concerned head of the department of the bank were also helpful to obtain the additional information of the related problem.

3.3 Population and Sample

There are altogether 32 commercial banks functioning all over the country and most of their stocks are traded actively in the stock market. Among them, nine are JVBs and eight are domestic commercial banks. In this study three joint venture banks are to be taken for research work. These banks are compared as sample for the study.

Among all the banks which are presented above only three banks are taken as a sample for comparative study. They are:

- Everest Bank Ltd.
- Himalayan Bank Ltd.
- Nepal Investment Bank Ltd.

These three banks are compared as per fund mobilization procedure, that they are adopting to mobilize their collected funds as well as own funds.

3.4 Data Analysis Tools

Analysis and presentation of the data is the core of each and every research work. This study requires some financial and statistical tools to accomplish the objective of the study. The financial and statistical tools are most reliable. In this study various financial, statistical and accounting tools have been used. These tools make the analysis more effective, convenience, reliable and authentic.

The various results obtained with the help of financial, accounting and statistical tools are tabulated under different headings. Then they are compared with each other to interpret the results. Two kinds of tools have been used to achieve the certain goals.

- Financial Tools
- Statistical Tools

3.4.1 Financial Tools

Financial tools basically help to identify the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and the profit and loss account. Financial tools are categorized into three parts. They are:

- Ratio Analysis
- Sources and Uses of Funds
- Cash flow Analysis

I. Ratio Analysis

Ratio analysis is the powerful tool of financial analysis. A ratio is defined as the indicated quotient of two mathematical expressions the relationship between two or more things. In financial analysis, a ratio is used as a benchmark 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.

A ratio is a mathematical relationship between two variables. It is significant for financial analysis. It also helps us to predict the future performance of a company based on study of ratios of earlier years.

Thus, ratio analysis is the part of whole process of analysis of financial statements of any business or industrial concern especially to take output and credit decision. Ratio indicates a quantitative relationship, which can be, in turn, used to make a qualitative judgment. Even though there are various types of ratios to analyze and interpret the financial statement, only six types of ratios have been taken in this study, which are related to fund mobilization of the banks. They are presented below:

A. Liquidity Ratios

i) Cash and bank balance to total deposit ratio
ii) Cash and bank balance to current assets ratio
iii) Investment on government securities to current assets ratio

B. Assets Management Ratios

i) Loan and advances to total deposit ratio
ii) Total investment to total deposit ratio
iii) Loan and advances to total working fund ratio
iv) Investment on government securities to total working fund ratio

v) Investment on shares and debenture to total working fund ratio

C. Profitability Ratios

i) Return on loan and advances ratio
ii) Return on total working fund ratio
iii) Total interest earned to total working fund ratio

D. Risk Ratios

i) Liquidity risk ratio
ii) Credit risk ratio

E. Growth Ratios

i) Growth ratio of total deposits
ii) Growth ratio of total investment
iii) Growth ratio of loan and advances
iv) Growth ratio of net profit

A. Liquidity Ratios

Liquidity ratios are applied to measure the ability of the firms to meet short term obligations. It measures the speed of firms to convert the firms asset into cash to meet deposit withdraws and other current obligations. This is quick measure of the liquidity and financial strength of the firm.

Liquidity ratios examine the adequacy of funds, the solvency of the firms ability to pay its obligation when due. Various types of liquidity ratios are applied in these studies, which are explained below:

i) Cash and Bank Balance to Total Deposit

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

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

Where, cash and bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balance held abroad. Total deposits consist of deposits on current account, saving account, fixed account, money at call and short notice and other deposits.

ii) Cash and Bank Balance to Current Assets Ratio

This ratio measures the percentage of liquid assets i.e. cash and bank balance among the current assets of a firm. Higher ratio shows the higher capacity of firms to meet the cash demand. This ratio is calculated dividing cash and bank balance by total current assets and can be calculated as,

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

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

iii) Investment on Government Securities to Current Assets Ratio

This ratio is used to find the percentage of current assets invested on government securities, Treasury bills and development bonds. It can be mentioned as:

$$\textbf{Invt. on Govt. Sects. to Current Assets} = \frac{\textbf{Investment on Government Securities}}{\textbf{Current Assets}}$$

Where, Investment on government securities involves Treasury bills and development bonds etc.

B. Assets Management Ratios (Activity Ratio)

The asset management ratios measure how effectively the firm is managing its assets. These ratios are designed to answer this question: Does the total amount of each type of asset as reported on the balance sheet seem reasonable or not? If a firm has excessive investments in assets then its capital costs will be unduly high and its stock price will suffer.

In this study this ratio is used to indicate how efficiently the selected banks have arranged and invested their limited resources. The following financial ratios related to fund mobilization are calculated under asset management ratio and interpretation is made by these calculations.

i) Loan and Advances to Total Deposit Ratio

This ratio is calculated to find out how successfully the selected banks are utilizing their total collections or deposits on loan and advances for the purpose of earning profit. Greater ratio shows the better utilization of total deposits. This ratio can be obtained dividing loan and advances by total deposits, which can be shown as,

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

ii) Total Investment to Total Deposit Ratio

Investment is one of the major sources of earning of profit. This ratio indicates how properly firm's deposits have been invested on government securities and shares and debentures of other companies. This ratio is computed by using following formula:

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

Where, total investment includes investment on government securities, investment on debentures and bonds, share in subsidiary companies, shares in other companies and other investments.

iii) Loan and Advances to Total Working Fund Ratio

The main element of total working fund is loan and advances. This ratio indicates the ability of selected banks in terms of earning high profit from loan and advances. Loan and advances to working fund ratio can be obtained dividing loan and advances amount by total working fund. That is formulized as,

$$\textbf{Loan and Advances to Total Working Fund Ratio} = \frac{\textbf{Total Loan and Advances}}{\textbf{Total Working Fund}}$$

Where, total working fund includes total amount of assets given in balance sheet which refers to current assets, net fixed assets, total loans for development banks and other sundry assets except off balance sheet items i.e. letter of credit, letter of guarantee etc.

iv)Investment on Government Securities to Total Working Fund Ratio

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

$$\textbf{Invt. on Govt. Sect. to Total Working Fund Ratio} = \frac{\textbf{Invt. on Government Securities}}{\textbf{Total Working Fund}}$$

Where, investment on government securities includes investment on debentures, bonds and shares of other companies.

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

Investment on shares and debentures to total working fund ratio shows the investment of banks on the shares and debentures of other companies in terms of total working fund. This ratio can be obtained dividing on shares and debentures by total working fund. It is calculated as:

$$\textbf{Invt. on Shares and Debn. to TWF Ratio} = \frac{\textbf{Invt. on Shares and Debn.}}{\textbf{Total Working Fund}}$$

Where, total investment includes investment on government securities, investment on debenture and bonds, shares of other companies.

C. Profitability Ratios

Profit is only appeared when there is positive difference between total revenues and total cost over a certain period of time. Profitability ratios show the combined effects of liquidity, assets management, and debt on operating results. Profitability ratios are very helpful to measure the overall efficiency of operations of a firm. It is a true indication of the financial performance of each and every business organization. Here profitability ratios are calculated and evaluated in terms of the relationship between net profit and assets. Profitability of the firms can be presented through the following different ways:

i) Return on Loan and Advances Ratio

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

$$\textbf{Return on Loan and Advances Ratio} = \frac{\textbf{Net Profit (Loss)}}{\textbf{Loan and Advances}}$$

ii) Return on Total Working Fund Ratio

Return on total working fund ratio measures the profit earning capacity of the banks by utilizing available resources i.e. total assets. If the bank manages well and utilizes efficiently its working fund, it will get higher return. Maximizing taxes, this in the legal options available will also improve the return. It is computed as:

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

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,

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

iii) Total Interest paid to Total Working Fund Ratio

This ratio measures the percentage of total interest expenses against total working fund. A high ratio indicates higher interest expenses on total working fund and vice-versa. This ratio is calculated as:

$$\textbf{Total Interest paid to Total Working fund Ratio} = \frac{\textbf{Total Interest paid}}{\textbf{Total Working fund}}$$

D. Risk Ratios

Generally, risk means uncertainty which lies in the business transaction of investment management. When a firm wants to bear risk and uncertainty, profitability, and effectiveness of the firm is increased. This ratio checks the degree of risk involved in the various financial operations. For this study, following risk ratios are used to analyze and interpret the financial data and investment policy.

h) Liquidity Risk Ratio

The liquidity risk of the bank defines its liquidity need for deposit. The cash and bank balance are the most liquid assets and they are considered as banks liquidity sources and deposit, as the liquidity needs. The ratio of cash and bank balance to total deposit is an indicator of bank's liquidity of need.

This ratio is low if funds are kept idle as cash and bank balance but this reduces profitability. When the bank makes loan, its profitability increases and also the risk. Thus, higher liquidity ratio indicates less profitable return and vice-versa. This ratio is calculated by dividing cash and bank balance to total deposit.

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

ii) Credit Risk Ratio

Bank utilizes its collected funds in providing credit to different sectors. There is risk of default or non-repayment of loan. While making investment, bank examines the credit risk involved in the project. Generally credit risk ratio shows the proportion of non performing assets in the total investment plus loan and advances of a bank. It is computed as:

$$\textbf{Credit Risk Ratio} = \frac{\textbf{Total Investment + Total Loan and Advances}}{\textbf{Total Assets}}$$

E. Growth Ratios

The growth ratios 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 ratios are calculated. Growth ratios are directly related to the fund mobilization and investment of those firms.

i) Growth ratio of total deposits
ii) Growth ratio of total investment
iii) Growth ratio of loan and advances
iv) Growth ratio of net profit

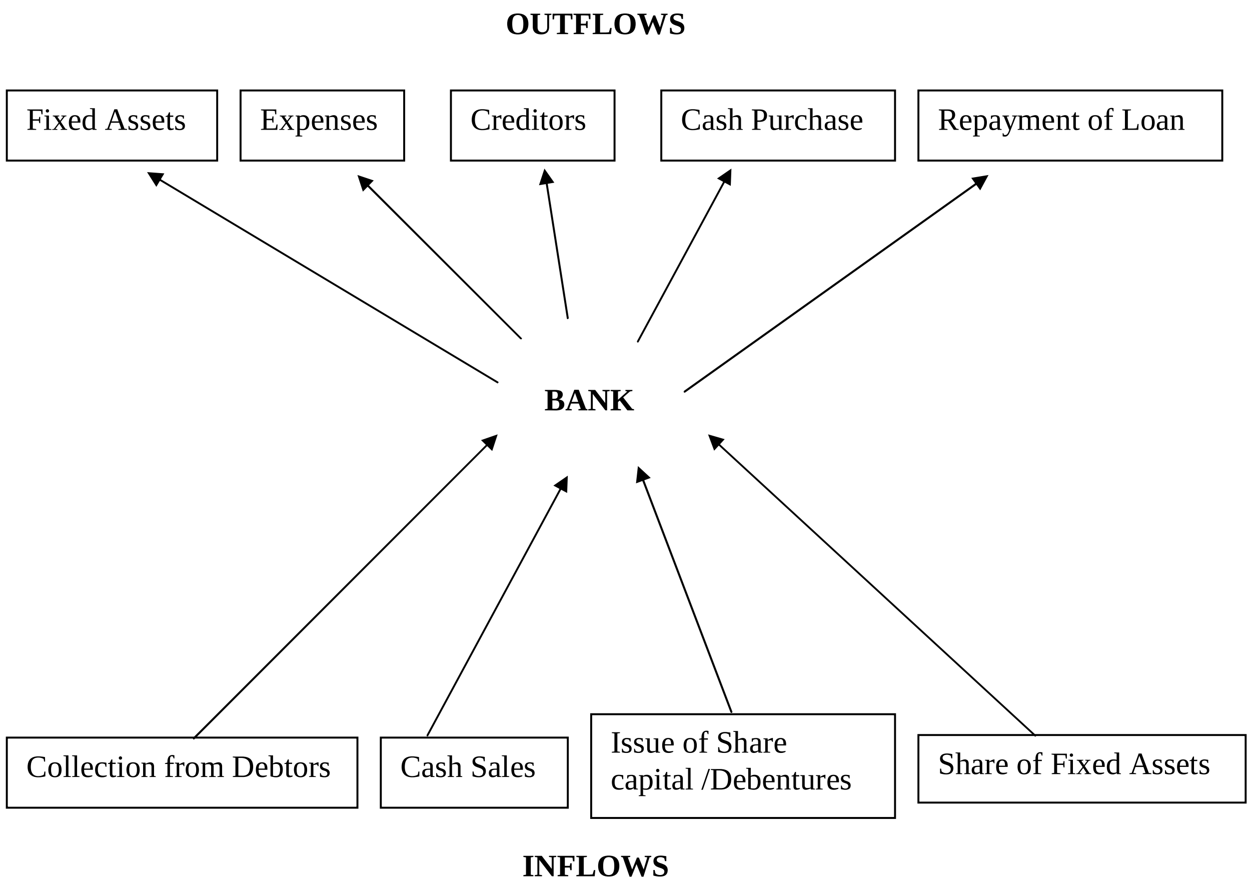
II. Sources and Uses of Funds

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 sources and uses analysis took out proportion of each source and each use to the total funds of the bank and it is expressed in percentage. The percentage is compared with the standard percentage of a typical bank. This analysis also concerns behaviors of the sources of funds. The uses were analyzed in terms of their supporting ability to the sources of funds to which they represent. In order to make study easier, the sources and uses of funds of bank's are categorized and presented below:

II. Cash Flow Analysis

Cash is the lifeblood of an organization. No business can be satisfactorily managed unless careful attention is paid to its requirements of cash. Without it a business will cease to operate. Therefore, an analysis of cash flows is useful for short-run planning. A firm needs sufficient cash to pay debts maturing in the near future, to pay interest and other expenses and to pay dividends to shareholders. The analysis of events and transactions that affects the cash position of company is termed as cash flow analysis. Cash flow analysis is done through statement of cash flows. A cash flow statement is a statement of company's ability to generate cash from various activities such as **operating, investing, and financing** and their need of cash. It is a statement which shows the inflows and outflows of cash and cash equivalents during the year. *(Wagle and Dahal, 2003; 11.2).*

This statement is prepared to know clearly the various items of inflow and outflow of cash. Cash flow analysis is different from funds flow analysis relates to the movement of cash rather than the inflow and outflow of working capital. It summarizes the causes of change in cash position between dates of two balance sheets. While preparing cash flow statement, only cash receipts from debtor against credit dates are recognized as the source of cash. Similarly, cash purchases and cash payment to supply for credit purpose is regarded as the use of cash. The projection of cash flow for near future can be made to determine the availability of cash. This cash balance can be matched with the firm's need for cash during the period and accordingly, arrangements can be made to meet the deficit or invest the surplus cash temporarily. A historical analysis of cash flows provides insight to prepare reliable cash flow projections for the immediate future.



3.6.2 Statistical Tools

In this study, some important statistical tools have been used to present and analyze the data for achieving the objectives. Such as coefficient of correlation between different variables, trend analysis of important variables as well as hypothesis test (t-statistic) has been used, which are presented below:

i) Expected Return ($\overline{X}$)
ii) Coefficient of Variation (C.V)
iii) Standard Deviation (S.D)

iv) Trend Analysis

v) T-test

i) Expected Return ($\bar{X}$)

Expected return is the average of historical returns. It is calculated as:

$$\textbf{Expected Return } (\bar{X}) = \frac{\sum X}{N}$$

ii) Coefficient of Variation (C.V)

The coefficient of variation is the most commonly used measure of relative variation. It is used in such problems where the researcher wants to compare the variability of more than two years. Greater the C.V, greater the variable or conversely less consistent, less uniform lower the c.v , more consistent, more uniform, more stable and homogeneous.

$$\textbf{C.V} = \frac{\textbf{Standard deviation } (\sigma)}{\textbf{Expected Return } (\bar{X})} \times \textbf{100}$$

iii) Standard Deviation (S.D)

The standard deviation is an important and widely used measure of dispersion. The measurement of the scatterness of the mass of figure in a series about an average is known as dispersion. The greater the amount of dispersion, greater the standard deviation. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series; a large standard deviation means just the opposites it is denoted by the letter σ.

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

Where,

N = Number of observations

X = Expected return of the historical data

iv) Trend Analysis

The easiest way to evaluate the performance of a firm is to compare its current ratios with past ratios. When financial ratios over a period of time are compared it is known as the trend analysis. It gives an indication of the direction of change and reflects whether the firm's financial performance has improved, deteriorated or remain constant over time.

This type of statistical analysis interprets the trend of deposits, loan and advances, investments and net profit of EBL, HBL, and NIBL from 2004/2005 to 2010/11

The projections are based on the following assumptions:

i) Other things will remain unchanged.
ii) The bank will run in present position.
iii) The economy will remain in the present stage.
iv) NRB will not change its guidelines to commercial banks.

The trend values used in this study are presented below:

a) Trend Analysis of total investment to total deposits ratio
b) Trend Analysis of loan and advances to deposit ratio

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

This is an analytical chapter, where an attempt has been made to analyze and evaluate major financial items, which have an impact on investment management and fund mobilization of NIBL, HBL and EBL. A number of financial ratios crucial in evaluating the funds mobilization system of commercial banks -- have been calculated and analyzed in this chapter.

4.1 Ratio Analysis

Ratio analysis is the powerful tool of financial analysis. A ratio is defined as the indicated quotient of two mathematical expressions the relationship between two or more things. In financial analysis, a ratio is used as a benchmark 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.

4.1.1 Liquidity Ratios

4.1.1.1 Cash and Bank Balance to Total Deposit

Cash and bank balance to total deposit ratio of three banks and its statistical calculations is given below.

Table 4.1

Comparative Cash and Bank Balance to Total Deposit Ratios

Year	Ratio (%)			Total Deposit		
	HBL	NIBL	EBL	HBL	EBL	NIBL
2004/05	13.34	58.84	22.68	7713.6	1124.90	2582.20
2005/06	7.43	60.40	23.64	9779.72	1948.94	2438.88
2006/07	6.42	51.41	9.11	14043.10	3057.43	2983.28
2007/08	8.19	12.28	18.25	17532.40	4574.51	4256.21
2008/09	6.79	9.32	10.84	18619.37	5466.61	4174.76
2009/10	9.42	11.69	17.02	21007.37	6694.95	7922.75
2010/11	9.09	10.65	7.84	22010.33	8063.90	11524.68
Mean($\overline{X}$)	**8.67**	**30.66**	**15.63**			
S.D. (σ)	**2.17**	**22.87**	**5.96**			
C.V.	**25.02**	**74.59**	**38.13**			

Source: Appendix-I, Table No: 1

Table no 4.1 shows cash and bank balance to total deposit ratio of the three banks followed a fluctuating trend. NIBL has maintained the higher ratio i.e. 60.40% of cash and bank balance to total deposit than other two banks during the study period.
The average ratio of NIBL is higher than HBL and EBL. NIBL has the ratio of 30.66%. The variability of the ratio is lower in HBL. It states that HBL is more consistent among three banks. Similarly, the variability of the ratio is higher in NIBL among three banks.

The cash and bank balance to total deposit ratio of the Himalayan Bank Limited is 13.34, 7.43, 6.42, 8.19, 6.79, 9.42 and 9.09 respectively between fiscal year 2004/05 and 2010/11.

Similarly, the ratio of the Nepal Investment Bank Limited is 58.84, 60.40, 51.41, 12.28, 9.32, 11.69 and 10.65 respectively from fiscal year 2004/05 to 2010/11. Likewise, the ratio of the Everest Bank Limited is 22.68, 23.64, 9.11, 18.25, 10.84, 17.02, and 7.84 respectively from fiscal year 2004/05 to 2010/11.

The table clearly shows the current assets of Nepal Investment Bank Limited is higher than other two banks and every year the deposit of all banks increase.

4.1.1.2 Cash and Bank Balance to Current Assets

This ratio is calculated dividing cash and bank balance by total current assets. The cash and bank balance to current assets of sample banks and their statistical calculations are given as:

Table 4.2
Comparative Cash and Bank Balance to Current Assets Ratios

	Ratio (%)			**Current Assets**		
Year	**HBL**	**EBL**	**NIBL**	**HBL**	**EBL**	**NIBL**
2004/05	11.94	19.90	45.73	8620.84	1282.26	3286.00
2005/06	6.62	22.18	47.43	10988.05	2077.32	3057.24
2006/07	5.78	8.35	40.39	15605.42	3334.59	3744.09
2007/08	8.27	16.53	10.20	17359.33	5049.85	3423.11
2008/09	8.93	9.32	6.81	14165.33	6359.66	3340.25
2009/10	11.72	14.54	10.28	16881.45	7836.89	7517.89
2010/11	10.76	6.72	9.26	186054.75	9399.97	11140.23
Mean($\overline{X}$)	**9.15**	**13.93**	**24.3**			
S.D. (σ)	**2.25**	**5.54**	**17.65**			
C.V.	**24.59**	**39.77**	**72.63**			

Source: Appendix-I, Table No: 2

Table No 4.2 shows that cash and bank balance to current assets ratios of HBL has less fluctuating trend. The highest ratio of HBL is 11.94% in the year 2004/05 and lowest ratio is 5.78 % in the year 2006/07.Where as EBL and NIBL ratios are in more fluctuating trend. EBL has highest ratio of 22.18% and lowest ratio of 6.72%. In the same way NIBL has highest ratio of 47.43% and lowest ratio of 6.81%. Among three banks, NIBL has maintained the highest ratio than other banks i.e. 47.43%.

Similarly, C.V. ratio of HBL is less than that of two banks i.e. 24.59%. It indicates that ratio of HBL is more stable than that of EBL and NIBL.

The cash and bank balance to current assets ratio of the Himalayan Bank Limited is 11.94, 6.62, 5.78, 8.27, 8.93, and 11.72 and10.76 respectively between fiscal year 2004/05 and 2010/11.

Similarly, the ratio of the Nepal Investment Bank Limited is 45.73, 47.43, 40.39, 10.20, 6.81, 10.28 and 9.26respectively from fiscal year 2004/05 to2010/11.

Likewise, the ratio of the Everest Bank Limited is 19.90, 22.18, 8.35, 16.53, 9.32, 14.54 and 6.72 respectively from fiscal year 2004/05 to 2010/11.

The table clearly shows the current assets of Nepal Investment Bank Limited is higher than other two banks and every year the deposit of all banks increase.

Likewise, the ratio of NIBL is three times more than HBL and four times higher than EBL.

4.1.1.3 Investment on Government Securities to Current Assets

This ratio is used to find the percentage of current assets invested on government securities, Treasury bills and development bonds.

Table 4.3
Comparative Investment on Government Securities to Current Assets Ratios

Year	Ratio (%)		
	HBL	EBL	NIBL
2004/05	11.26	8.66	3.04
2005/06	4.18	8.90	2.94
2006/07	13.54	7.73	0.00
2007/08	12.81	16.30	8.76
2008/09	21.52	24.20	6.72
2009/10	23.69	20.41	5.32
2010/11	14.90	26.24	17.96
Mean($\overline{X}$)	**14.56**	**16.06**	**6.39**
S.D. (σ)	**6.03**	**7.21**	**5.41**
C.V.	**41.41**	**44.89**	**84.66**

Source: Appendix-I, Table No: 3

The Table 4.3 shows that HBL and NIBL have invested their fund in government securities in fluctuating trend in comparison to EBL. NIBL has not invested any amount in government securities in the year 2006/07. EBL has invested more portions of current assets in government securities i.e. 26.24% in the year 2010/11 in comparison to HBL and NIBL during the study period.

The ratio of Investment on Government Securities to Current Assets Ratios of Himalayan Bank Limited is 11.26, 4.18, 13.54, 12.81, 21.52, 23.69 and 14.90 respectively between fiscal year 2004/05 and 2010/11.

Similarly, the ratio of Investment on Government Securities to Current Assets Ratios of Nepal Investment Bank Limited is 3.04, 2.94, 0.00, 8.76, 6.72 and 5.32 and 17.96 respectively from fiscal year 2004/05 to2010/11.

Likewise, the ratio of Investment on Government Securities to Current Assets Ratios of Everest Bank Limited is 8.66, 8.90, 7.73, 16.30, 24.20, 20.41 and 26.24 respectively from fiscal year 2004/05 to 2010/11.

The mean ratio of EBL is the highest i.e.16.06% than that of HBL and NIBL. Coefficient of variation of HBL is 41.41%. It seems that HBL is more consistent to make investment in government securities than EBL and NIBL.

4.1.2 Assets Management Ratios

The following financial ratios related to fund mobilization are calculated under asset management ratio and interpretation is made by these calculations:

4.1.2.1 Loan and Advances to Total Deposit

This ratio can be obtained by dividing loan and advances to total deposit, which can be shown as

Table 4.4
Comparative Loan and Advances to Total Deposit Ratios

Year	**Ratio (%)**		
	HBL	**EBL**	**NIBL**
2004/05	54.75	77.48	64.81
2005/06	54.31	70.03	57.86
2006/07	51.45	74.25	69.41
2007/08	51.42	65.71	57.07
2008/09	47.87	72.23	61.43
2009/10	47.61	73.32	72.86
2010/11	54.30	72.97	61.87
Mean($\overline{X}$)	**51.67**	**72.28**	**63.62**
S.D. (σ)	**2.79**	**3.40**	**5.40**
C.V.	**5.40**	**4.70**	**8.49**

Source: Appendix-I, Table No: 4

The above Table no 4.4 shows that these three banks have mobilized their collected deposits in fluctuating trend as loan and advances during the study period. The highest ratio of loan and advances to total deposit of HBL, EBL and NIBL are 54.75%, 77.48% and 69.41% respectively.

The ratio of loan and advances to total deposit of Himalayan Bank Limited is 54.75, 54.31, 51.45, 51.42, 47.87, 47.61 and 54.30 respectively between fiscal year 2004/05 and 2010/11.

Similarly the ratio of loan and advances to total deposit of Nepal Investment Bank Limited is64.81, 57.86, 69.41, 57.07, 61.43, 72.86 and 61.87 respectively from fiscal year 2004/05 to 2010/11.

Likewise the ratio of loan and advances to total deposit of Everest Bank Limited is 877.48, 70.03, 74.25, 65.71, 72.23, 73.32 and 72.97 respectively from fiscal year 2004/05 to 2010/11.

HBL has mobilized 51.67% of its collected deposit in loan and advances which is less than that of EBL and NIBL in average. Coefficient of variation of EBL is 4.70percent, which shows that EBL is more stable than HBL and NIBL in mobilizing collected deposit.

4.1.2.2 Total Investment to Total Deposit

The total investment to total deposit ratios of three sample banks and their statistical calculations are given below:

Table 4.5
Comparative Total Investment to Total Deposit Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2004/05	12.63	9.88	6.78
2005/06	4.80	9.62	4.21
2006/07	15.78	8.51	4.26
2007/08	23.29	18.07	7.35
2008/09	49.18	29.79	6.28
2009/10	48.44	24.15	21.52
2010/11	42.22	30.80	33.51
Mean($\overline{X}$)	**28.05**	**18.69**	**11.99**
S.D. (σ)	**16.96**	**8.97**	**10.39**
C.V.	**60.46**	**47.99**	**86.66**

Source: Appendix-I, Table No: 5

Table no, 4.5 shows that all three banks have the ratios of fluctuating trend during the study period. In average HBL has invested more amount of its total deposit in comparison to EBL and NIBL i.e. 28.05%. The coefficient of variation of EBL is 47.99%. It indicates that EBL is more consistent to make investment of total deposits than HBL and NIBL.

The ratio of total investment to total deposit of Himalayan Bank Limited is 12.63, 4.80, 15.78, 23.29, 49.18, 48.44 and 42.22respectively between fiscal year 2004/05 and 2010/11.

Similarly, the ratio of total investment to total deposit of Nepal Investment Bank Limited 6.78,4.21,4.26,7.35,6.28,21.52 and 33.51respectively from fiscal year 2004/05 to 2010/11.

Likewise the ratio of total investment to total deposit of Everest Bank Limited is 9.88, 9.62, 8.51, 18.07, 29.79, 24.15 and 30.80 respectively from fiscal year 2004/05 to 2010/11.

4.1.2.3 Loan and Advances to Total Working Fund

Loan and advances to working fund ratio can be obtained dividing loan and advances amount by total working fund. The ratios and statistical calculations are given as under:

Table 4.6

Comparative Loan and Advances to Total Working Fund Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2004/05	48.35	61.53	50.37
2005/06	47.56	59.99	45.43
2006/07	45.54	66.54	54.54
2007/08	46.23	57.77	47.37
2008/09	43.12	59.20	51.56
2009/10	42.82	60.96	64.03
2010/11	48.26	61.37	53.81
Mean($\overline{X}$)	**45.98**	**61.05**	**52.44**
S.D. (σ)	**2.13**	**2.56**	**5.61**
C.V.	**4.63**	**4.19**	**10.70**

Source: Appendix-I, Table No: 6

Table no 4.6 shows that the loan and advances to total working fund of Himalayan Bank Limited is 48.35, 47.56, 45.54, 46.23, 43.12, 42.82 and 48.26 respectively between fiscal year 2004/05 and 2010/11.

Similarly, the ratio of loan and advances to total working fund of Nepal Investment Bank Limited is 50.37, 45.43, 54.54, 47.37.51.56. 64.03 and 53.81 respectively from fiscal year 2004/05 to 2010/11.

Likewise the ratio of loan and advances to total working fund of Everest Bank Limited is 61.53, 59.99, 66.54, 57.77, 59.20 and 60.96 and 61.37respectively from fiscal year 2004/05 to 2010/11.

Above table describes the loan and advances to total working fund ratio of HBL, EBL and NIBL in fluctuating trend. During the study period HBL, EBL and NIBL have highest ratio of 48.35%, 66.54% and 64.03% in year 2004/05, 2006/07 and 2009/10 respectively. On average, EBL maintains highest ratio of 61.05% than HBL and NIBL of 45.98% and 52.44% respectively. The coefficient of variation of EBL is more consistent than HBL and NIBL because it has the ratio of lowest variation i.e.4.19%.

4.1.2.4 Investment on Government Securities to Total Working Fund

Investment on government securities to working fund ratio shows how much part of total investment is there on government securities. The ratios and the statistical calculation are given as under:

Table 4.7
Comparative Investment on Government Securities to Total Working Fund Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2004/05	11.12	7.84	3.01
2005/06	4.11	8.13	2.90
2006/07	13.32	7.55	0.00
2007/08	11.41	15.82	5.85
2008/09	14.74	23.07	4.51
2009/10	17.12	19.86	4.44
2010/11	14.02	25.73	15.10
Mean($\overline{X}$)	**12.26**	**15.43**	**5.12**
S.D. (σ)	**3.83**	**7.14**	**4.42**
C.V.	**31.20**	**46.30**	**86.26**

Source: Appendix-I, Table No: 7

Table 4.7 shows that the investment on government securities to total working fund of HBL, EBL and NIBL is in fluctuating trend. NIBL has not invested its fund in government securities in year 2006/07. HBL, EBL and NIBL have the highest ratio of 17.12%, 25.73% and 15.10% in the year 2009/10, 2010/11 and 2010/11 respectively.

The ratio of investment on government securities to total working fund of Himalayan Bank Limited is 11.12, 4.11, 13.32, 11.41, 14.74, 17.12 and 14.02 respectively between fiscal year 2004/05 and 2010/11.

Similarly the ratio of investment on government securities to total working fund of Nepal Investment Bank Limited is 3.01, 2.90, 0.00, 5.85, 4.51, 4.44, 15.10respectively from fiscal year 2004/05 to 2010/11.

Likewise, the ratio of investment on government securities to total working fund of Everest Bank Limited is 7.84, 8.13, 7.55, 15.82, 23.07, 19.86 and 25.73 respectively from fiscal year 2004/05 to 2010/11.

Likewise, they have the lowest ratio of 4.11% in the year 2005/06, 7.55% in the year 2006/07 and 0% in the year 2006/07 respectively. EBL has highest mean ratio among three banks i.e. 15.43%. The coefficient of variation indicates that HBL (i.e. 31.20%) has more stable ratio than that of EBL and NIBL.

4.1.2.5 Investment on Shares and Debentures to Total Working Fund

This ratio can be obtained dividing shares and debentures by total working fund. Ratios and statistical calculations are given as under:

Table 4.8
Comparative Investment on Shares and Debentures to Total Working Fund Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2004/05	3.55	0.00	2.26
2005/06	8.51	1.10	4.09
2006/07	5.98	7.33	3.34
2007/08	5.48	7.11	2.47
2008/09	1.66	2.57	2.79
2009/10	1.47	2.12	1.54
2010/11	1.38	1.78	1.05
Mean($\overline{X}$)	**4.00**	**3.14**	**2.51**
S.D. (σ)	**2.55**	**2.69**	**0.96**
C.V.	**63.66**	**85.60**	**38.16**

Source: Appendix-I, Table No: 8

Table no 4.8 shows that investment on shares and debentures to total working fund ratio of HBL, EBL and NIBL are in fluctuating trend during the seven years study period. EBL has not invested its total working fund in shares and debentures in the year 2004/05. HBL, EBL and NIBL have the highest ratio of 8.51%, 7.33% and 4.09% in year 2005/06, 2006/07 and 2005/06 respectively during the study period. HBL has invested more amounts in shares and debentures i.e. 4% than EBL and NIBL in average. The Coefficient of variation shows more stable ratio of NIBL than HBL and EBL.

The ratio of comparative investment on shares and debentures to total working fund ratios of Himalayan Bank Limited is 3.55, 8.51, 5.98, 5.48, 1.66, 1.47 and 1.38respectively between fiscal year 2004/05 and 2010/11.

Similarly the ratio of comparative investment on shares and debentures to total working fund ratios of Nepal Investment Bank Limited is 2.26 4.09, 3.34, 2.47, 2.79, 1.54 and 1.05respectively from fiscal year 2004/05 to 2010/11.

Likewise, the ratio of comparative investment on shares and debentures to total working fund ratios of the Everest Bank Limited is 0.00, 1.10, 7.33, 7.11, 2.57, 2.12, and 1.78 respectively from fiscal year 2004/05 to 2010/11.

4.1.3 Profitability Ratios

Here profitability ratios are calculated and evaluated in terms of the relationship between net profit and assets. Profitability of the firms can be presented through the following different ways:

4.1.3.1 Return on Loan and Advances

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

Table 4.9
Comparative Return on Loan and Advances Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2004/05	3.22	2.87	5.61
2005/06	3.11	1.85	3.24
2006/07	2.76	1.82	3.51
2007/08	3.11	2.32	2.32
2008/09	2.64	2.16	2.23
2009/10	2.12	1.92	2.02
2010/11	2.20	2.44	2.14
Mean($\overline{X}$)	**2.74**	**2.20**	**3.01**
S.D. (σ)	**0.41**	**0.35**	**1.19**
C.V.	**14.96**	**15.93**	**39.49**

Source: Appendix-I, Table No: 9

The above table 4.9 shows that the return on loan and advances of HBL, EBL and NIBL has the ratio of fluctuating trend. During the study period, NIBL has the highest ratio of 5.61% than that of HBL and EBL i.e. 3.22% and 2.87% respectively. In average NIBL has the highest mean ratio of 3.01% where as HBL and EBL has the mean ratio of 2.74% and 2.20%.Coefficient of variation indicates that EBL has no more variance between seven years study period than HBL and NIBL.

4.1.3.2 Return on Total Working Fund

Computation of return on total working fund ratios and their statistical calculations are given as under.

Table 4.10
Comparative Return on Total Working Fund Ratios

Year	Ratio (%)		
	HBL	EBL	NIBL
2004/05	1.56	1.77	2.82
2005/06	1.48	1.11	1.47
2006/07	1.26	1.21	1.91
2007/08	1.44	1.34	1.10
2008/09	1.14	1.28	1.15
2009/10	0.91	1.17	1.30
2010/11	1.06	1.50	1.15
Mean($\overline{X}$)	**1.26**	**1.34**	**1.56**
S.D. (σ)	**0.22**	**0.21**	**0.58**
C.V.	**17.49**	**15.67**	**37.06**

Source: Appendix-I, Table No: 10

As per the above comparative table no 4.10, the return on total working fund of HBL, EBL and NIBL have the ratio of rising and falling trend. During the study period, NIBL has the highest ratio of 2.82% than that of HBL and EBL, i.e. 1.56% and 1.77%. HBL has the lowest ratio of 0.91% in year 2009/10, EBL and NIBL have the lowest ratio of 1.11% and 1.10% in year 2005/06 and 2007/08 respectively.

The return on total working fund ratios of the Himalayan Bank Limited are 1.56, 1.48, 1.26, 1.44, 1.14, 0.91, and 1.06 respectively between fiscal year 2004/05 and 2010/11.

Similarly, the return on total working fund ratios of Nepal Investment Bank Limited are 2.82, 1.47, 1.91, 1.10, 1.15, 1.30 and1.15 respectively from fiscal year 2004/05 to 2010/11.

Likewise the return on total working fund ratios of Everest Bank Limited are 1.77, 1.11, 1.21, 1.34, 1.28, 1.17 and 1.50 respectively from fiscal year 2004/05 to 2010/11.

NIBL has highest return on total working fund i.e. 1.56% among three banks in average. In case of coefficient of variation, EBL has the lowest C.V. of 15.67% than that of HBL and NIBL i.e. 17.49% and 37.06% respectively.

4.1.3.3 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. The ratios and their statistical calculations are given as below:

Table 4.11

Comparative Total Interest Earned to Total Working Fund Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2004/05	8.63	7.36	9.70
2005/06	7.72	7.73	9.53
2006/07	6.52	7.84	7.37
2007/08	6.80	7.40	6.82
2008/09	5.56	6.65	6.56
2009/10	5.14	6.46	5.10
2010/11	5.03	6.86	5.52
Mean($\overline{X}$)	**6.49**	**7.19**	**7.23**
S.D. (σ)	**1.25**	**0.49**	**1.66**
C.V.	**19.26**	**6.82**	**22.96**

Source: Appendix-I, Table No: 11

Table no 4.11 shows the NIBL has highest interest earned to total working fund ratio of 9.70% in the year 2004/05 and lowest ratio of 5.10% in the year 2009/10. Likewise, HBL and EBL have the highest ratio of 8.63% and 7.84% in year 2004/05 and 2006/07 respectively.

NIBL has 7.23% mean ratio, but HBL and EBL have only 6.49% and 7.19% respectively. The coefficient of variation of EBL is less than HBL and NIBL i.e. 6.82%. It indicates that interest-earning power of EBL is more consistent than HBL and NIBL.

4.1.3.4 Total Interest paid to Total Working Fund

Total interest paid to total working fund ratios and their statistical calculations are given as below:

Table 4.12
Comparative Total Interest paid to Total Working Fund Ratios

Year	Ratio (%)		
	HBL	EBL	NIBL
2004/05	5.42	5.26	4.21
2005/06	4.77	5.19	4.25
2006/07	3.74	5.21	3.05
2007/08	3.76	4.54	3.18
2008/09	6.80	3.85	2.62
2009/10	2.37	3.82	2.10
2010/11	1.98	3.30	2.46
Mean($\overline{X}$)	**4.12**	**4.45**	**3.12**
S.D. (σ)	**1.57**	**0.74**	**0.78**
C.V.	**38.05**	**16.73**	**24.85**

Source: Appendix-I, Table No: 12

Table no 4.12 reveals that NIBL and HBL have interest paid to total working fund ratio in fluctuating trend. Similarly, EBL has the ratio of decreasing trend from the year 2006/07 to 2010/11. HBL has 6.80% highest ratio in the year 2008/09 and lowest ratio of 1.98% in the year 2010/11. And EBL and NIBL have the highest ratio of 5.26% and 4.25% in year 2004/05 and 2005/06 respectively. EBL has 4.45% mean ratio, which is greater than that of HBL and NIBL i.e. 4.12% and 3.12% respectively.

The coefficient of variation of EBL is more stable than HBL and NIBL i.e. 16.73%.

4.1.4 Risk Ratios

For this study, following risk ratios are used to analyze and interpret the financial data and investment policy.

4.1.4.1 Liquidity Risk Ratio

This ratio is calculated by dividing cash and bank balance to total deposit.

Table 4.13
Comparative Liquidity Risk Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2004/05	13.34	22.68	58.84
2005/06	7.43	23.64	60.40
2006/07	6.42	9.11	51.41
2007/08	8.19	18.25	12.28
2008/09	6.79	10.84	9.32
2009/10	9.42	17.02	11.69
2010/11	9.09	7.84	10.65
Mean($\overline{X}$)	**8.67**	**15.63**	**30.66**
S.D. (σ)	**2.17**	**5.96**	**22.87**
C.V.	**25.01**	**38.14**	**74.61**

Source: Appendix-I, Table No: 13

Table no 4.13 shows that HBL has highest cash and bank balance to total deposit ratio of 13.34% in the year 2004/05 and lowest ratio of 6.42% on 2006/07. Whereas EBL and NIBL have highest ratio of 23.64% and 60.40% on 2005/06 and lowest ratio of 7.84% and 9.32% in the year 2010/11 and 2008/09 respectively.

The liquidity ratios of the Himalayan Bank Limited are 13.34 7.43, 6.42, 8.19, 6.79, 9.42 and9.09 respectively between fiscal year 2004/05 and 2010/11.

Similarly the liquidity ratios of Nepal Investment Bank Limited are 58.84, 60.40, 51.41, 12.28, 9.32, 11.69 and 10.65 from fiscal year 2004/05 to 2010/11.

Likewise the liquidity ratios of Everest Bank Limited are 22.68, 23.64, 9.11, 18.25, 10.84, 17.02 and 7.84 respectively from fiscal year 2004/05 to 2010/11.

The mean ratio of HBL is lower than that of EBL and NIBL i.e. 8.67 %< 15.63 %< 30.66%. It means that HBL has maintained the lower liquidity risk ratio which means it operates with higher risk for higher profit. The coefficient of variation of NIBL i.e. 74.61% is highest than that of HBL and EBL where as HBL and EBL have 25.01% and 38.14%. It shows that the ratio of NIBL is more variable than of HBL and EBL.

4.1.4.2 Credit Risk Ratio

In general, credit risk ratio shows the proportion of non-performing assets in the total investment plus loan and advances of a bank. The ratios and their calculations are given as under:

Table 4.14
Comparative Credit Risk Ratios

Year	Ratio (%)		
	HBL	**EBL**	**NIBL**
2004/05	59.50	69.38	50.90
2005/06	51.76	68.23	48.74
2006/07	59.51	74.16	54.87
2007/08	67.69	73.66	53.47
2008/09	87.41	83.61	56.83
2009/10	86.39	81.03	82.95
2010/11	85.78	87.28	82.95
Mean($\overline{X}$)	**71.15**	**76.76**	**61.53**
S.D. (σ)	**13.99**	**6.79**	**13.76**
C.V.	**19.66**	**8.85**	**22.37**

Source: Appendix-I, Table No: 14

Table 14 shows the comparative study of HBL, EBL and NIBL have the credit risk ratio in fluctuating trend. HBL, EBL and NIBL have the highest ratio of 87.41%, 87.28% and 82.95% in the year 2008/09, 2009/10 and 2010/11 respectively whereas they have lowest ratio of 51.76%, 68.23% and 48.74% in year 2005/06.

On the basis of mean ratio, it can be said that the credit risk of NIBL is lowest than that of HBL and EBL i.e. 61.53% <71.15%and 76.76%.

NIBL has the highest coefficient of variation than that of HBL and EBL i.e. 22.37% which shows more variable ratios of NIBL.

4.1.5 Growth Ratios

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

4.1.5.1 Growth Ratio of Total Deposits

Table 4.15
Growth Ratio of Total Deposits

Banks	Total Deposits							Growth Rate (%)
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
HBL	7713.60	9779.72	14043.10	17532.40	18619.37	21007.37	22010.33	**19.09**
EBL	1124.90	1948.94	3057.43	4574.51	5466.61	6694.95	8063.90	**38.86**
NIBL	2582.20	2438.88	2983.28	4256.21	4174.76	7922.75	11524.68	**28.31**

Source: Appendix - II, III, IV and V

Table no 4.15 shows that HBL and EBL are increasing their deposit collection during seven years study period. But the total deposits of NIBL are in fluctuating trend. The growth ratio of HBL, EBL and NIBL are 19.09%, 38.86% and 28.31% respectively. The growth ratio of total deposits of HBL seems lower than EBL and NIBL.

4.1.5.2 Growth Ratio of Total Investment

Table 4.16
Growth Ratio of Total Investment

(Rs. in million)

Banks	Total Investment							Growth Rate (%)
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
HBL	973.98	468.95	2216.41	4083.00	9157.00	10175.44	9292.10	**45.63**
EBL	111.10	187.40	260.10	826.70	1628.50	1616.50	2483.50	**67.84**
NIBL	17.50	102.69	12.69	312.70	262.00	1705.24	3862.48	**145.83**

Source: Appendix - II, III, IV and V

Table no 4.16 shows that EBL has increased its investment from the year 2004/05 to 2010/11 except the total investment of 2009/10. HBL, EBL and NIBL have the growth rate of 45.63%, 67.84% and 145.83% respectively. Among them, NIBL has the highest growth rate than HBL and NIBL.

4.1.5.3 Growth Ratio of Loan and Advances

Table 4.17
Growth Ratio of Loan and Advances

Banks	Year (Loan and Advances)							Growth Rate (%)
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
HBL	4223.06	5311.66	7224.73	9015.35	8913.73	10001.85	11951.87	**18.93**
EBL	871.68	1364.89	2270.18	3005.76	3948.48	4908.46	5884.12	**37.47**
NIBL	1673.47	1411.24	2070.68	2429.03	2564.43	5772.14	7130.13	**27.32**

Source: Appendix - II, III, IV and V

Table no 4.17 describes the growth ratio of loan and advances of HBL, EBL and NIBL during seven years study period. The table shows the high growth ratio of EBL 37.47% and low growth ratio of HBL 18.93%. But NIBL has the medium growth ratio i.e. 27.32%.

4.1.5.4 Growth Ratio of Net Profit

Table 4.18
Growth Ratio of Net Profit

(Rs. in million)

Banks	Year (Net Profit)							Growth Rate (%)
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
HBL	135.98	165.25	199.38	280.69	235.02	212.12	263.05	**11.62**
EBL	25.03	25.24	41.27	69.70	85.33	94.17	143.57	**33.79**
NIBL	93.84	45.68	72.66	56.39	57.09	116.82	152.67	**8.45**

Source: Appendix - II, III, IV and V

Table no 4.18 represents the growth ratio of net profit of HBL, EBL and NIBL during seven years study period. It shows that EBL has the highest ratio of 33.79% and NIBL has the lowest ratio of 8.45%.

4.2 Analysis of Sources and Uses of Funds

The following table presents the list of sources and uses of funds of HBL and it represents the proportionate contribution to the total funds of HBL.

4.2.1 Analysis of Sources and Uses of Funds of HBL

Table 4.19
Percentage of Various Sources of Funds from Total Sources of HBL

	Year							Total	Average
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**		
Capital Fund	2.24	2.5 0	2 .37	2.40	3.05	3.00	5.37	20.93	**2.99**
Deposits	84.21	77.62	83.92	84.15	86.97	84.96	85.08	586.91	**83.84**
Borrowings	0.00	1.85	0.77	0.03	0.23	2.18	0.25	5.31	**0.76**
Others	13.55	18.03	12.94	13.42	9.76	9.87	9.30	86.87	**12.41**
Total	100	100	100	100	100	100	100	700	**100**

Source: Appendix-I and III

Table 4.20
Percentage of Various Uses of Funds from Total Uses of HBL

Particulars	**Year**							**Total**	**Average**
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**		
Liquid Funds	66.83	38.00	32.46	34.37	35.82	33.50	32.20	273.18	**39.03**
Investments	10.63	3.72	13.21	10.68	12.27	16.24	10.76	77.51	**11.07**
Loans & Advances	46.66	42.63	44.24	43.85	45.24	44.80	48.90	316.32	**45.19**
Interest Accrued	0.93	0.93	0.86	0.55	1.47	1.27	2.47	8.48	**1.21**
Others	7.69	14.72	9.24	10.55	5.20	4.20	5.67	57.27	**8.18**
Total	100	100	100	100	100	100	100	700	**100**

Source: Appendix-I and III

Table 4.20 the contribution of capital fund in total sources is 2.29%. Likewise, deposits contribute more funds out of total sources of funds i.e. 83.84%. Considering the contribution of borrowings to total sources, it is approximately 1%, which is lowest among other sources of funds. Other source of funds is 12.41%. Deposit is the only one reliable source of funds of HBL.

These above sources of funds are used for different purposes. It is shown that HBL maintained liquid funds of 39.03 %. It has maintained sufficient liquid funds in the starting period of the study. It makes average investment of 39.03 %. Similarly, it provides loan and advances of 45.19% for its customers to fulfill their daily cash requirements. Similarly, interest accrued and other uses covers 1.21% and 8.18% respectively.

4.2.2 Analysis of Sources and Uses of Funds of EBL

Table 4.21
Percentage of Various Sources of Funds from Total Sources of EBL

Particulars	**Year**							**Total**	**Average**
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**		
Capital Fund	8.80	5.61	3.74	4.76	7.35	7.11	6.68	44.05	**6.29**
Deposits	83.44	85.19	89.62	87.30	80.62	81.05	80.91	588.13	**84.02**
Borrowings	0	0	0	1.53	4.58	0.01	4.35	10.47	**1.50**
Others	7.76	9.20	6.64	6.42	7.45	10.84	8.07	56.38	**8.05**
Total	100	100	100	100	100	100	100	700	**100**

Source: Appendix-I and IV

Table 4.22
Percentage of Various Uses of Funds from Total Uses of EBL

Particulars	**Year**							**Total**	**Average**
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**		
Liquid Funds	13.89	20.14	8.17	15.73	11.95	14.00	8.73	92.61	**13.23**
Investments	8.24	8.19	7.62	15.78	24.04	19.57	24.92	108.36	**15.48**
Loans & Advances	64.36	59.23	66.54	57.38	58.79	61.13	61.51	428.94	**61.28**
Interest Accrued	2.36	2.02	2.23	1.80	1.47	1.79	1.77	13.44	**1.92**
Others	11.15	10.42	15.44	9.32	3.75	3.52	3.07	56.67	**8.10**
Total	100	100	100	100	100	100	100	700	**100**

Source: Appendix-I and IV

Table no 4.21 shows the contribution of capital fund in total sources of funds of EBL is 6.29%. Similarly, deposits contribute more funds in total sources of funds i.e. 84.02 %. Borrowings occupy only 1.50% of the total sources. In addition, remaining funds is contributed by other sources i.e. 8.10%. It can be said that deposit is the main sources of funds.

These above sources of funds are used for different purposes. It is shown in table no 4.22 EBL has maintained liquid funds of 13.23% out of total sources. It makes average investment of 15.48 %. It provides loans and advances of 61.28 % to its customer. Out of total uses, percentage covered by other uses is 8.10 of the total uses of funds.

4.2.3 Analysis of Sources and Uses of Funds of NIBL

Table 4.23
Percentage of Various Sources of Funds from Total Sources of NIBL

Particulars	Year							Total	Average
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**		
Capital Fund	8.88	9.44	8.54	7.36	7.79	6.13	5.46	53.60	**7.66**
Deposits	69.88	66.44	71.35	76.92	77.49	87.04	86.30	535.42	**76.49**
Borrowings	2.71	1.36	3.35	2.17	1.83	0.07	0.45	11.94	**1.71**
Others	18.53	22.76	16.76	13.55	12.89	6.76	7.79	99.04	**14.14**
Total	100	100	100	100	100	100	100	700	**100**

Source: Appendix-I and V

Table 4.24
Percentage of Various Uses of Funds from Total Uses of NIBL

Particulars	Year							Total	Average
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**		
Liquid Funds	41.12	39.85	36.69	8.07	35.25	10.18	8.96	180.12	**25.73**
Investments	0.47	2.80	0.30	5.65	4.86	19.17	30.76	64.01	**9.14**
Loans & Advances	45.41	38.73	49.56	43.94	50.40	65.36	53.74	347.14	**49.59**
Interest Accrued	2.34	1.98	1.97	2.18	1.47	1.22	0.33	11.49	**1.64**
Others	10.65	16.64	11.47	40.16	8.01	4.07	5.72	96.72	**13.82**
Total	100	100	100	100	100	100	100	700	**100**

Source: Appendix-I and V

A source of funds of NIBL is composed of capital fund, deposits, borrowings and other sources. In which contribution of deposits for the total sources of funds is 76.49 %. Out of total sources of funds capital fund contributes 7.66 %, borrowings contribute 1.71% and remaining funds are from the other sources of funds i.e. 14.14 %. It is shown in table no 4.23 in which deposits are considered as a stronger source of funds of NIBL because of greater contribution of total sources of funds.

NIBL used its total funds for different purposes. It is shown in table no 4.24 that maintains liquid funds of 25.73 % for the fulfillment of daily cash requirements of the banks. Similarly, it uses funds to make investment of 9.14% out of total uses of funds. It invests funds in government securities as well as shares, debentures, NRB bonds and joint ventures. NIBL uses its funds of 49.59% in average to provide loans and advances for different public enterprises so as to others. Out of total uses of funds, percentage covered by interest receivable is 1.64 i.e. lowest among all uses. And remaining funds are used for other purposes; which occupies the average percentage of 13.82. NIBL uses more funds for providing loan and advances.

4.2.4 Comparative Analysis of Sources

The following table shows the average sources of funds of the three joint venture banks.

Table 4.25

Comparative average Sources of Funds of HBL, EBL and NIBL

Particulars	Average (%)		
	HBL	**EBL**	**NIBL**
Capital Fund	2.99	6.29	7.66
Deposits	83.84	84.02	76.49
Borrowings	0.76	1.50	1.71
Others	12.41	8.05	14.14
Total	**100**	**100**	**100**

From the above analysis, a capital fund of NIBL is higher in comparison to other two banks i.e. 7.66%. Capital base of HBL is not so good. Since the deposit contribution to total sources of funds is very high, HBL and EBL seem to be high liquidity sensitive bank. The deposit proportion of HBL is almost equal to EBL i.e. 84%. Considering the contribution of borrowings to total sources, NIBL has borrowed proportionately more fund than that of HBL and EBL. Where as EBL has nominal proportion of borrowings among three banks. But deposit proportion of NIBL is lower than that of HBL and EBL. Likewise, involvement of other sources of funds of NIBL is 14.14% which is greater among the three banks. It is shown in table no 4.25.

4.2.5 Comparative Analysis of Uses

The subsequent table shows the average uses of funds of the three joint venture banks.

Table 4.26

Comparative average Uses of Funds of HBL, EBL and NIBL

Particulars	Average (%)		
	HBL	**EBL**	**NIBL**
Liquid Funds	39.03	13.23	25.73
Investments	11.07	15.48	9.14
Loans & Advances	45.19	61.28	49.59
Interest Accrued	1.21	1.92	1.64
Others	8.18	8.10	13.82
Total	**100**	**100**	**100**

HBL has maintained high liquid funds than EBL and NIBL i.e. 39.03%. EBL is successful to make investment in different sectors in comparison to three banks. EBL has proportionately higher investment i.e. 15.48%, which is greater than other two banks. Out of total uses of funds, loan and advances of EBL contributes 61.28% in average, which is higher than HBL and NIBL. HBL has the low proportion of interest receivable i.e. 1.21%. HBL is comparatively able to realize interest as it has maintained low proportion of interest receivable in relation to total available funds. EBL has least allocation of funds under other assets in comparison to HBL and NIBL. It is shown in table no 4.26.

4.3 Cash Flow Analysis

The cash flows of the banks are grouped into three categories according to the nature of business activities, namely cash flows from operating activities, investing activities and financing activities. These activities show the movements of cash in the three banks. They are summarized in the following table.

4.3.1 Cash Flow Analysis of HBL

The cash flow of HBL from different activities is shown in the following table.

Table 4.27

Cash Flow from different Banking Activities of HBL (Rs. in million)

Particulars	Year						
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
A) Cash Flow from Operating Activities (CFOA)		**345.01**	**453.16**	**652.30**	**589.74**	**636.56**	**725.69**
1. Cash Receipts	**906.44**	**1034.67**	**1242.7**	**1575.25**	**1389.79**	**1454.31**	**1519.62**
1.1 Interest Income	753.97	862.05	1033.66	1326.38	1149.00	1201.23	1245.90
1.2 Commission and Discount Income	71.68	101.98	110.33	125.97	101.70	102.56	123.93
1.3 Exchange Gain	75.78	63.96	87.33	114.22	104.60	109.60	112.42
1.4 Non-Operating Income	0.62	1.06	1.69	2.32	2.45	10.76	3.30
1.5 Other Income	4.39	5.62	9.69	6.35	32.04	30.15	34.08
2. Cash Payments	**(519.92)**	**(689.66)**	**(789.54)**	**(922.95)**	**(800.05)**	**(817.74)**	**(793.93)**
2.1 Interest Expenses	473.79	532.55	593.44	732.69	578.13	554.13	491.54
2.2 Staff Expenses	45.25	47.36	59.88	76.90	101.54	120.15	152.51
2.3 Office Overhead Expenses	0.88	109.75	132.55	113.36	120.38	143.47	149.87
2.4 Exchange Loss	-	-	-	-	-	-	-
2.5 Non-operating Expenses	-	-	-	-	-	-	-
2.6 Other Expenses	-	-	-	-	-	-	-
B) Cash Flow from Investing Activities (CFIA)	**(1862.44)**	**(2644.65)**	**(4346.58)**	**(3673.57)**	**(1524.22**	**(3134.27)**	**(1921.65)**
1.Changes in Balance with Banks	27.38	(302.12)	174.92	537.24	(483.32)	780.12	144.93
2.Changes in Money at Call and Short Notice	(1291.82)	(1978.93)	(556.91)	(625.11)	(3705.30	(202.25)	21.88
3.Changes in Investments	(378.20)	(505.03)	(1747.47)	1866.74	5073.95	1018.33	(883.33)
4.Changes in Loans, Advances ar Bills Purchased	901.20	1022.91	1978.75	1790.62	376.06	1088.12	2136.25
5.Changes in Fixed Assets	9.83	60.71	21.74	31.34	140.90	(65.69)	102.30
6.Changes in Other Assets	91.65	178.94	215.08	72.74	121.94	515.64	202.71
(C) Cash Flow from Financing Activities(CFFA)	**1756.09**	**2386.96**	**4100.72**	**3019.16**	**1247.30**	**2432.12**	**1073.00**
1.Changes in Borrowings	(264.77)	232.65	(104.00)	(49.12)	454.49	111.83	50.87
2.Changes in Deposits	1874.56	2066.12	4263.38	3489.31	982.53	2388.00	965.25
3.Changes in Bills Payable	3.01	2.12	54.36	(42.90)	29.66	(8.85)	17.65
4.Changes in Other Liabilities	203.29	86.07	277.86	(378.13)	(219.38)	(58.86)	39.22
5.Dividend Paid	-	-	-	-	-	-	-
(D) Net Cash Flow of the Year (A+B+C)	**(6.58)**	**87.32**	**14.01**	**(3.97)**	**312.82**	**(65.59)**	**(122.95)**
(E) Opening Cash Balance	**87.20**	**80.62**	**167.94**	**153.93**	**149.96**	**462.78**	**397.19**
(F) Closing Balance (D+E)	**80.62**	**167.948**	**153.93**	**149.96**	**462.78**	**397.19**	**274.24**

Source: Appendix VI

Above analysis in table no 4.27 shows the cash inflow and outflow of HBL during seven years study period. Operating activities of HBL is in fluctuating trend. Operating efficiency of this bank is increasing from the year 2008/09 to 2010/11. HBL has the maximum operating activities in year 2010/11.

Investing activities of HBL is increasing from the year 2004/05 to 2006/07. But it fluctuates from the year 2007/08 to 2010/11. HBL has the maximum investment of (Rs4346.58 million) in year 2006/07. By investing more cash in investing activities it can achieve profitable opportunity.

Cash flow from financing activities of HBL is increasing from the year 2004/05 to 2006/07. But the year between 2008/09 and 2010/11, it is fluctuating. HBL has more cash flow from investing activities in year 2006/07 i.e. (Rs.4100.72). It appears cash acquisition efficiency of bank is better in year 2006/07.

4.3.2 Cash Flow Analysis of Everest Bank Limited

The cash flow of EBL from different activities is shown in the following table.

Under analysis table no 4.28 shows the cash inflow and outflow of EBL. The operating efficiency of EBL is in increasing trend. Cash flow from investing activities is increased from the year 2005/06 to 2007/08. Cash flow from investing activities is maximum in the year 2007/08 i.e. (Rs.1733.48). Cash from financing activities is increasing from the year 2004/05 to 2007/08. But it is fluctuating from the year 2008/09 to 2010/11.

Table 4.28
Cash Flow from different Banking Activities of EBL

(Rs. in million)

Particulars	**Year**						
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
A) Cash Flow from Operating Activities (CFOA)	**33.42**	**36.79**	**58.92**	**105.37**	**131.35**	**138.95**	**273.18**
1. Cash Receipts	**139.24**	**219.46**	**327.25**	**465.51**	**540.93**	**635.33**	**785.06**
1.1 Interest Income	104.20	175.94	267.44	385.02	443.82	520.17	657.25
1.2 Commission and Discount Income	14.73	23.56	25.90	30.56	36.77	61.50	74.33
1.3 Exchange Gain	2.39	3.18	3.50	16.50	45.41	32.21	27.79
1.4 Non-Operating Income	2.56	3.96	1.47	1.39	1.14	1.25	1.87
1.5 Other Income	15.36	12.82	28.94	32.04	13.78	20.20	23.82
2. Cash Payments	**(105.82)**	**(182.67)**	**(268.33)**	**(360.14)**	**(409.58)**	**(496.38)**	**(511.88)**
2.1 Interest Expenses	74.45	118.12	177.89	236.14	257.05	307.64	316.37
2.2 Staff Expenses	7.69	13.39	18.63	26.00	32.19	37.37	48.53
2.3 Office Overhead Expenses	17.48	29.15	42.10	50.45	63.73	71.90	78.96
2.4 Exchange Loss	-	-	-	-	-	-	-
2.5 Non-operating Expenses	3.22	4.13	3.45	3.86	-	-	-
2.6 Other Expenses	2.98	17.88	26.26	43.69	56.62	56.14	68.03
B) Cash Flow from Investing Activities (CFIA)	**(839.24)**	**(764.61)**	**(1529.75)**	**(1733.48)**	**(1455.47)**	**(1543.64)**	**(1670.90)**
1.Changes in Balance with Banks	176.24	168.17	(165.93)	488.16	(300.58)	(577.64)	499.86
2.Changes in Money at Call and Short Notice	-	-	314.68	(170.27)	(153.95)	86.13	(187.45)
3.Changes in Investments	85.66	65.12	387.38	641.61	(791.31)	39.06	(881.68)
4.Changes in Loans, Advances and Bills Purchased	569.49	493.21	905.30	735.58	(1040.25)	(1026.17)	(1051.07)
5.Changes in Fixed Assets	7.85	15.68	14.77	28.17	(65.13)	(38.68)	(20.44)
6.Sales of Fixed Assets	-	-	-	-	0.18	1.09	0.12
7.Changes in Other Assets	38.99	22.43	73.55	28.17	(65.13)	(31.63)	(40.64)
8. Sales of Non-banking Assets	-	-	-	1.36	18.90	4.20	10.40
(C) Cash Flow from Financing Activities(CFFA)	**715.47**	**849.87**	**1082.78**	**1676.69**	**1382.47**	**1364.13**	**1389.82**
1.Changes in Borrowings	(20)	-	-	80	1.77	(81.77)	-
2.Changes in Deposits	653.24	824.04	1108.49	1517.08	892.10	1228.35	1368.94
3.Changes in Bills Payable	9.33	(2.82)	(3.93)	7.77	(9.50)	19.97	(0.07)
4.Changes in Other Liabilities	24.67	27.78	(21.77)	33.38	319.64	238.78	90.48
5.Changes in Share Capital	57.56	0.87	(0.01)	38.46	178.46	4.28	-
6.Share Premium	-	-	-	-	-	6.43	-
7.Dividend Paid	-	-	-	-	-	(51.91)	(69.53)
(D) Net Cash Flow of the Year (A+B+C)	**(8.42)**	**37.42**	**(16.18)**	**68.23**	**58.35**	**(40.55)**	**(7.90)**
(E) Opening Cash Balance	**37.84**	**29.42**	**66.81**	**50.63**	**118.86**	**177.21**	**136.66**
(F) Closing Balance (D+E)	**29.42**	**66.81**	**50.63**	**118.86**	**177.21**	**136.66**	**128.76**

Source: Appendix VII

4.3.3 Cash Flow Analysis of NIBL

The cash flow of NIBL from different activities is shown in the following table.

Table 4.29
Cash Flow from different Banking Activities of NIBL

(Rs. in million)

Particulars	Year						
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
A) Cash Flow from Operating Activities (CFOA)	**160.02**	**124.11**	**130.43**	**148.41**	**141.46**	**202.78**	**348.06**
1. Cash Receipts	**397.91**	**353.33**	**350.36**	**423.43**	**392.69**	**563.01**	**905.78**
1.1 Interest Income	322.37	296.17	279.86	349.76	326.22	459.51	731.40
1.2 Commission and Discount Income	18.22	17.39	18.35	16.20	16.20	40.81	55.75
1.3 Exchange Gain	53.21	35.27	44.80	51.67	42.86	50.83	87.98
1.4 Non-Operating Income	0.02	0.00	0.11	-	3.10	1.11	13.81
1.5 Other Income	4.09	4.50	7.24	5.80	4.31	10.74	16.84
2. Cash Payments	**(237.89)**	**(229.22)**	**(219.93)**	**(275.02)**	**(251.23)**	**(360.23)**	**(557.72)**
2.1 Interest Expenses	139.80	132.03	115.73	163.43	130.44	189.21	326.20
2.2 Staff Expenses	18.88	20.95	23.25	29.78	36.06	58.43	85.09
2.3 Office Overhead Expenses	64.32	66.43	69.18	71.36	76.06	93.68	120.71
2.4 Exchange Loss	-	-	-	-	-	-	-
2.5 Non-operating Expenses	-	-	-	0.25	-	-	-
2.6 Other Expenses	14.89	9.81	11.77	10.43	8.68	18.91	25.72
B) Cash Flow from Investing Activities (CFIA)	**(704.44)**	**(568.87)**	**(968.61)**	**(1316.28)**	**(4.92)**	**(3967.05)**	**(4333.18)**
1.Changes in Balance with Banks	77.97	98.76	113.77	(45.07)	97.79	(448.16)	(185.98)
2.Changes in Money at Call and Short Notice	680.25	127.84	(38.72)	-	-	(40.00)	(270.00)
3.Changes in Investments	(101.80)	80	(90)	(786.86)	148.12	116.92	(2157.24)
4.Changes in Loans, Advances and Bills Purchased	(35.95)	(262.23)	659.44	(363.04)	(294.68)	(3222.51)	(1416.78)
5.Changes in Fixed Assets	(2.75)	7.48	3.69	(9.27)	(10.50)	(170.79)	(99.21)
6.Changes in Other Assets	86.72	4.37	102.34	(112.03)	64.20	(202.51)	(203.97)
(C) Cash Flow from Financing Activities(CFFA)	**595.90**	**410.56**	**816.16**	**1206.56**	**(156.36)**	**3903.72**	**4099.53**
1.Changes in Borrowings	41.07	(50.00)	90.00	(20.00)	21.50	(91.67)	354.67
2.Changes in Deposits	477.96	(143.32)	544.40	1272.93	(81.45)	3748.00	3601.91
3.Changes in Bills Payable	20.69	(17.68)	(1.27)	(3.67)	1.64	24.81	26.20
4.Changes in Other Liabilities	11.18	-	25.94	(42.70)	(55.05)	222.58	175.80
5.Dividend Paid	45.00	64.78	43.91	-	-	-	(59.06)
(D) Net Cash Flow of the Year (A+B+C)	**12.81**	**(31.88)**	**(14.55)**	**38.70**	**(9.98)**	**139.45**	**114.41**
(E) Opening Cash Balance	**66.42**	**79.24**	**47.35**	**32.80**	**71.50**	**61.52**	**200.97**
(F) Closing Balance (D+E)	**79.24**	**47.35**	**32.80**	**71.50**	**61.52**	**200.97**	**315.38**

Source: Appendix VIII

Above analysis shows in table no 4.29 reveals that cash flow from operating activities of NIBL is greater in initial year but it is decreasing in year 2004/05 to 2008/09. Cash available for operating activities is maximum in the year 2010/11 i.e. Rs.348.06 million.

Cash flow from investing activities is increasing from the year 2005/06 to 2007/08. But in year 2008/09 cash outflow from investing activities is significantly lower i.e. (Rs.4.92) than other years. In year 2009/10, bank drastically increased its investment activities having an outflow of (Rs.3967.05 million).

NIBL is unable to create cash inflow from financing activities during the year 2008/09. It has outflow of (Rs.156.36 million). Its cash acquisition capacity is maximum in year 2010/11 i.e. Rs.4099.53 million.

4.3.4 Comparative Cash Flow Analysis of HBL, EBL and NIBL

4.3.4.1 Cash Flow Analysis from Operating Activities (CFOA)

Following comparative table shows the cash flow from operating activities and their percentage change.

Table 4.30
Comparative CFOA of HBL, EBL and NIBL

(Rs. in million)

	Banks					
Year	**HBL**	**% Change**	**EBL**	**% Change**	**NIBL**	**% Change**
2004/05	386.52	-	33.42	-	160.02	-
2005/06	345.01	(10.74)	36.79	10.08	124.11	(22.44)
2006/07	453.16	31.35	58.92	60.15	130.43	5.09
2007/08	652.30	43.94	105.37	78.84	148.41	13.79
2008/09	589.74	(9.60)	131.35	24.66	141.46	(4.68)
2009/10	636.56	7.94	138.95	5.79	202.78	30.24
2010/11	725.69	14.00	273.18	96.60	348.06	71.64

Source: Appendix VI, VII and VIII

From the above table no 4.30, analysis the operating activities of HBL and NIBL are in fluctuating trend whereas EBL has the increasing trend during seven years study period. We observed the more fluctuations in cash inflows of HBL, there is the highest cash inflow of Rs.725.69 million in FY 2010/11 and the lowest cash inflow of Rs.345.07million in FY 2005/06.

In the above analysis, we can see the positive as well as negative changes in cash flow from operating activities of HBL and NIBL due to fluctuations in operating activities. Whereas EBL has the positive cash changes due to the increasing trend of cash flow from operating activities. It indicates that EBL operating efficiency is increasing during the study period.

4.3.4.2 Cash Flow Analysis from Investing Activities (CFIA)

Following comparative table shows the cash from investing activities of three banks.

Table 4.31
Comparative CFIA of HBL, EBL and NIBL

(Rs. in million)

Year	Banks					
	HBL	**% Change**	**EBL**	**% Change**	**NIBL**	**% Change**
2004/05	1862.44	-	839.24	-	704.44	-
2005/06	2644.65	42.00	764.61	(8.89)	568.87	(19.25)
2006/07	4346.58	64.35	1529.75	100.07	968.61	70.27
2007/08	3673.57	(15.48)	1733.48	13.32	1316.28	35.89
2008/09	1524.22	(58.51)	1455.47	(16.04)	4.92	(99.63)
2009/10	3134.27	105.63	1543.64	6.06	3967.05	805.31
2010/11	1921.65	(38.69)	1670.9	8.24	4333.18	9.23

Source: Appendix VI, VII and VIII

From the table no 4.31 the investing activities of three banks have incurred cash outflows throughout the study period. In comparison, HBL has the highest cash outflow than EBL and NIBL. They all have the cash outflow of fluctuating trend. Study shows that HBL has the highest cash outflow of (Rs.4346.58) million in FY 2006/07 where as NIBL has the lowest cash outflow of (Rs.4.92) million in FY 2008/09. Cash flow from financing activities of three banks in all FYs verifies the fact that there never occurred cash inflow from investing activities.

Considering percentage changes in investing activities of three banks, we observed the negative and positive cash changes in three banks. It is because of fluctuations in investing activities. We can see the more changes in investing activities of NIBL in the year 2009/10 i.e. 805.31%. It means that NIBL drastically increased its investment in this year in comparison to previous years.

4.3.4.3 Cash Flow Analysis from Financing Activities (CFFA)

Following comparative table shows the cash from financing activities of three banks

Table 4.32
Comparative CFFA of HBL, EBL and NIBL

(Rs. in million)

Year	Banks					
	HBL	% Change	EBL	% Change	NIBL	% Change
2004/05	1756.09	-	715.47	-	595.90	-
2005/06	2386.96	35.92	849.87	18.78	410.56	(31.10)
2006/07	4100.72	71.80	1082.78	27.40	816.16	98.79
2007/08	3019.16	(26.37)	1676.69	54.85	1206.56	47.83
2008/09	1247.3	(58.69)	1382.47	(17.55)	(156.36)	(112.96)
2009/10	2432.12	94.99	1364.13	(1.33)	3903.72	(2596.62)
2010/11	1073.00	(55.88)	1389.82	1.88	4099.53	5.02

Source: Appendix VI, VII and VIII

The above analysis in table no 4.32 shows that cash flow of financing activities of three banks is in fluctuating trend. HBL flow more cash for financing activities than EBL and NIBL. It shows that cash acquisition efficiency of HBL is more than other two banks. Alternatively NIBL is unable to create cash inflow from financing activities i.e. (Rs.156.36) million during the year 2008/09. But in year 2009/10 and 2010/11, it flows more cash in financing activities in comparison to preceding years.

In the analysis of proportionate changes of cash flow from financing activities, we observed that all the banks have the positive and negative changes. During the year 2008/09, NIBL is unable to generate cash inflow. Due to this reason NIBL has more proportion of net cash changes than other years.

4.4 Commercial Banks Structure and Growth in Nepal

There is a tremendous growth in the number of financial institution in Nepal in the last two decades. At the beginning of the 1980s, when financial sector was not liberalized, there were only two commercial banks in Nepal, one is Nepal Bank Limited, and another is Rastriya Banijya Bank. After the economic liberalization of the financial sector, financial sector made a hall-mark progress both in terms of the number of financial institutions and beneficiaries of financial services. By Mid-July 2011, the numbers of commercial banks licensed from NRB are twenty. The movement of the numbers of the commercial bank for the ten- year period can be shown as follows:

Table 4.33
Growth of Commercial Banks in Nepal

Fiscal Year	Number of Commercial Bank	Change in number of Commercial Bank	Growth (%)
1980	2	-	---
1985	3	1	50
1990	5	2	66.67
1995	10	5	100
2000	13	3	30
2005	17	4	30.77
2006	18	1	5.88
2007	20	2	11.11
2008	25	5	25
2009	26	1	4
2010	31	5	19.23
2011	31	-	-
2012	32	1	3.23

Sources: Banking and Financial Statistics, Nepal Rastra Bank,Mid-July 2012

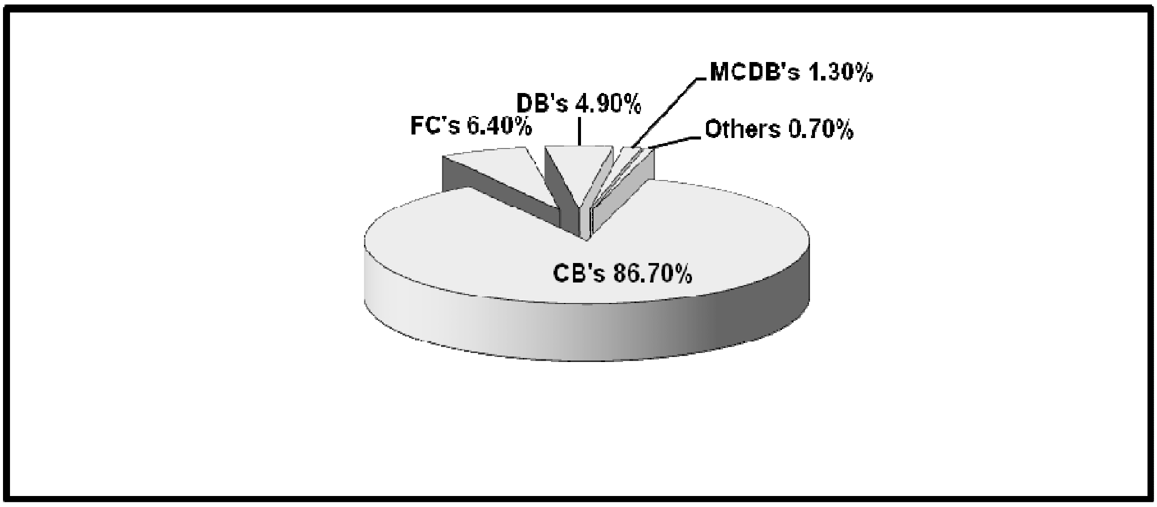
The above figure shows that the development of commercial banking in Nepal is not very old and it takes about 32 years for coming into this situation. This figure shows the continuous growth in the commercial banking sector which gives a good signal in financial sector but not sufficient to cover the financial sector. Commercial banking of our country can not cover all areas; most of them are situated in the urban areas which has also diversified the life style between the people of rural area and urban area. From the present situation of the commercial banking, urban people can take competitive advantages from financial sector whereas rural people can not. This also causes deviations in the income level of people. People who are comparatively rich are becoming richer and vice versa.

4.5 Market Share of Commercial Banks in Total Assets

Nowadays most of the financial indicators show the negative growth, although the size of total assets of the commercial banks has increased significantly. Only commercial banks account for 86.7 present share in total assets /liabilities of the financial system in Mid-July 2011. It can justify that commercial banks alone still holds a dominant position in financial system. It shows that the role of the commercial banks is vital for the development of the total economic sector of our country. Among the total financial assets Nepal Bank Limited and Rastriya Banijya Bank together hold about 50 percent of total commercial banking assets and deposits, although the performance of these financial institutions are very poor comparing with other commercial banks in Nepal . This causes the market share of two old commercial banks and other banking and non-banking sector is present in the following figure.

Figure 4.4

Market Share of Commercial Banks in Total Assets



Sources: Banking and Financial Statistics, Nepal Rastra Bank, Mid-July 2012

The above figure shows that about 87 percents of the financial assets are under the commercial banks.

4.6 Assets and Liabilities of Commercial Banks

The total assets and liabilities of commercial banks are increasing continuously over the study period. The total assets, which were Rs.145860.3 million in Mid-July 2003/04, expanded to Rs.441468.1 million in Mid-July 2010/11. On the assets side, claims on private sector occupy the first position, which increases to Rs. 148073.2million from Rs.75643.9 million over the

10-year period. Similarly, claims on Government, other assets, foreign assets and cash in hand occupy the second, third and fourth position respectively. The other components and amounts of the assets of the commercial banks are shown in the following table.

Table 4.34

Assets Structure of Commercial Banks

Fiscal Year	Cash in Hand	Inter Bank Deposit	Foreign Assets	Claims on Government	Claims on Government Enterprises	Claims on Private Sector	Other Assets	Total Assets
2003/04	13432.8	753.5	17720.9	10280.7	5607.1	75643.9	22421.4	145860.3
2003/04	15168.1	890.9	23472.5	12659.1	7463.1	89433.1	23800.9	172887.7
2003/04	16387.9	1560.6	28208.0	18176.7	8684.3	107343.1	30534.2	210894.8
2004/05	20101.6	1869.6	30047.1	25392.9	10225.4	123417.4	42056.5	253110.5
2005/06	21061.0	1139.3	25201.7	29143.8	12760.5	130088.4	51542.8	270937.5
2006/07	20413.6	1862.5	21263.3	39469.3	13104.4	148073.2	61340.0	305526.3
2007/08	28510.8	3787.9	22289.2	43796.3	14690.6	168692.8	27960.8	309728.4
2008/09	25007.1	2458.7	25472.6	48550.7	17993.9	193270.0	283977.7	341022.5
2009/10	28961.7	4007.9	33065.4	58861.9	5381.5	240361.9	25776.1	398130.8
2010/11	30228.1	4776.1	35499.6	65850.0	6161.4	265360.6	31721.9	441468.1

Source: Quarterly Economic Bulletin, Various Issues, Nepal Rastra Bank, Kathmandu

To understand the above table, the following terms should be known:

Cash in hand =Notes and Coins +Balance with NRB

Foreign Assets =Foreign Notes and Coins +Balance with Foreign Banks+ Foreign Bills Purchased and Discounted

Claims on Government= Treasury Bills + Development Bonds

Claims on Government Enterprises = Financial + Non-Financial

The above table shows that all components of assets of the commercial banks are increasing in every fiscal year. It shows that the performance of commercial banking is increasing in every year in every sector. On the liability side of the commercial banks, deposits occupy the first position and on the deposit side, saving deposits take the first whereas fixed and current take the second and third positions respectively. The total deposit reaches to Rs.336792.7 million from Rs.102543.6million. Similarly, other liabilities increase to Rs.76261.5 million from Rs.39073.3 million. The total liabilities of the commercial banks are shown in the following table.

Table 4.35

Liabilities Structure of Commercial Banks

Fiscal Year	Current Deposit	Saving Deposit	Fixed Deposit	Margin Deposit	Borro-wing from NRB	Paid - up Capital	General Reserve	Other Liabilities	Total Liabilities
2003/04	16547.8	36885.3	47303.2	1807.3	5.5	2966.0	1271.9	39073.3	145860.3
2003/04	17950.9	50140.8	56960.3	2010.9	5.5	3767.1	1256.4	40795.8	172887.7
2003/04	20638.1	65703.6	66596.2	2002.9	45.1	4140.3	1971.5	49797.1	210894.8
2004/05	25100.7	80987.8	73488.8	2097.6	5.5	5047.9	2229.9	64152.3	253110.5
2005/06	24352.2	83817.7	74373.7	1787.5	1043.8	6183.4	2540.1	76839.1	270937.5
2006/07	28862.6	97236.4	75348.4	1849.6	947.5	7726.0	2818.0	90737.8	305526.3
2007/08	33755.2	114106.3	83268.2	2163.1	477.9	8350.6	3384.9	64222.2	309728.4
2008/09	34663.1	130013.6	84137.4	2194.0	1724.0	9723.9	3825.7	74740.8	341022.5
2009/10	36298.1	151710.7	100068.2	2480.9	329.2	17049.7	5149.2	85044.8	398130.8
2010/11	45031.6	174633.9	114032.5	3094.7	1870.8	20017.1	6586.0	76261.5	441468.1

Source: Quarterly Economic Bulletin, Various Issues, Nepal Rastra Bank, Kathmandu

To understand the above table, the following terms should be known:

Current Deposit= private sector + Government + Inter-bank +Foreign Deposits

Saving Deposit = Private Sector + Foreign Deposits

Fixed Deposit ==Private Sector +Foreign Deposits

Other Liabilities = Domestic + Foreign Liabilities

The above table shows that all components of the liabilities are increasing every fiscal year besides margin deposits and borrowing from NRB. Although margin deposit and borrowing from NRB reached to Rs 3094.7 million and Rs 1870.8 million from Rs 1807.3 million and Rs 5.5 million respectively, which shows the increased amount in the whole period.

4.7 Growth of Assets and Liabilities of Commercial Banks

From the above study, we know that the assets (liabilities) of the commercial banks -are increasing every year, but the increasing rate is not the same. In the initial years of the study period i.e. from FY2003/04-2004/05, the growth rate is very higher than those of subsequent fiscal years, except FY 2008/09-2010/11, although the average growth rate is in a downward trend. The following table shows the growth rate of the assets (liabilities) of the commercial banks.

Table 4.36

Growth of Assets and Liabilities of Commercial Banks

Fiscal Year	Total Assets	Total Liabilities	Growth Rate (%)
2003/04	145860.3	145860.3	23.16
2004/05	253110.5	253110.5	20.02
2005/06	270937.5	270937.5	7.04
2006/07	305526.3	305526.3	12.77
2007/08	309728.4	309728.4	1.38
2008/09	341022.5	341022.5	10.10
2009/10	398130.8	398130.8	16.75
2010/11	441468.1	441468.1	10.89

Source: Quarterly Economic Bulletin, Nepal Rastra Banks Various Issues, Kathmandu

In the FY2003/04, the growth rate of assets (liabilities) of the commercial banks is 23.16%, which is very high, whereas the growth rate for the FY 2007/08 is 1.38% only. It shows that the fluctuation on the growth rate is very high. It also shows that the movement of the growth rate is in a downward trend with virtue of pitiable security condition. This problem affects the whole economy of the county.

4.8 Branches of Commercial Banks

The major branches of commercial banks are government commercial banks which have more than 750 branches in all over Nepal (Nepal Bank Limited, Rastriya Banijya Bank and Agriculture Development Bank Limited). In private sector, Global IME Bank Limited, Kist Bank Limited and Nepal Investment Bank Limited has 62, 51 and 49 branches respectively. Until Mid-July 2012 the total number of commercial banks, branches reached 552. The number of branches seems insufficient in consideration of the growing needs of the country and the state of the economy. When we take the period of 10 years from Mid-July 2002-2012 we can see that the initial period with growing i.e. from 1997 to 1998 while the final period seems to be in a downward trend i.e. from 2006 to Mid-July 2011. Among the branches of 778, most of them are established in the urban areas compared to rural areas. The structure of the growth of the commercial banks is shown in the following figure.

Table 4.37
Number of Branches of Commercial Banks

Fiscal Year	Number of Branches	Change in Branches	Growth Rate (%)
1996/97	475	14	3.04
1997/98	481	6	1.26
1998/99	439	-42	-8.73
1999/00	430	-9	-2.05
2000/01	400	-30	-6.98
2001/02	379	-21	-5.25
2003/04	375	-4	-1.055
2004/05	375	0	-
2005/06	390	15	4
2006/07	552	162	41.54
2007/08	603	51	
2008/09	688	85	
2009/10	730	32	
2010/11	778	48	

Source: Quarterly Economic Bulletin, Nepal Rastra Banks Various Issues, Kathmandu

Table 4.37 shows that the growing rate of branches of commercial banks is high in the initial stages of the ten periods and then it starts declining. The growing rate as well as declining rate is more fluctuating and shows the more variable data.

During the study period, the number of the branches of commercial banks' was increased from fiscal year 1996 to 1999 but the increasing number of branch is at a declining ratio. After the FY 1999, the growth of branches of commercial banks is in a negative trend, while the growth rates in initial periods are very high and the growing rate decreases thereafter and negative growth was stated from FY 2000. Similarly, the declining stage of the commercial banks is high from FY 2000 to 2003, and low declining rate from FY 2003 to 2005. From Mid-July2005-07, the growth rate of commercial banks increased sharply. The reasons for the growth of branches of commercial banks from FY 1997 to 1999 are as follows:

Under 5th plan (1970-1981), government of Nepal promulgated a policy for the provision of bank branch for thirty thousand people, loss compensating policy of NRB for ten years (1970-1979) to those branches, which were established under banking development scheme, and establishment of at least one bank branch in every district. Feasibility study of NRB to establish new bank branch in rural areas also had helped for branch increment. In fiscal year (1996-1998) the increment of commercial banks branches seems comparatively high, because NRB launched a policy of establishing at least one bank in rural areas, and a bank branch in urban areas.

The main reasons for the declining trend of the branch of commercial banks from FY 2005 to 2012 are as follows:

NRB discontinued the loss compensation policy to the newly established branches under the banking development scheme and change its existing policy to compel the commercial banks to open new branches in rural areas where there are no financial viability. After the establishment of joint venture banks competitive environment is created then the branches operating at short distance are merged and some of the branches operating at last were closed. Development banks and other financial institutions like Cooperatives, Finance companies, NGO's are allowed to operate the banking business with some restrictions in different part of the of the country.

Besides the problem of the financial sector, other problems like internal insurgency and internal depression also played a main role for closing the branches of commercial banks day by day. The internal insurgency problem such as Maoist problem was played more vital role for this. Due to the Maoist problem, the security condition of the country became very poor and many of the financial institutions were suffered from such stagnation. This caused a merger of the branches of the commercial banks located in rural areas of the country, and the areas where the financial activities are very poor isolated from the banking activities.

The average annual growth rate of the branches of commercial banks is -1.296 percent and the fluctuation risk i.e. standard deviation for the annual growth percentage is 3.27 percent (see in appendix II). It shows that the total average growth rate for the commercial banks' in negative magnitude with the risk of 3.72 percent.

4.9 Number of Branches of Commercial Banks under Regional Basis

Central bank of our country has been performing various activities since its establishment with a view to developing banking system throughout the country. Despite its efforts, the expansion of bank branches are not uniformly distributed, the regional distribution of these bank branches seemed to be much skewed. Commercial banks are centralized in the urban areas mainly in Kathmandu Valley, where they get large volume of transaction and the security condition is better than that of other parts of the country.

The actual number of commercial banks branches rendering the services to the Kathmandu Valley, Tarai and Hilly regions can be shown from the following figure as:

Table 4.38

Number of Branches of Commercial Banks under Regional Basis

Fiscal Year	Number in Ktm. Valley					Tarai		Hill		Total
	Ktm.	Bhaktapur	Lalitpur	Total	%	No.	%	No.	%	
1996/97	52	8	15	75	15.79	205	43.16	195	41.05	475
1997/98	52	8	15	75	15.59	214	44.49	192	39.92	481
1998/99	53	8	14	75	17.08	200	45.56	164	37.36	439
1999/00	61	8	14	83	19.30	202	46.98	145	33.72	430
2000/01	62	7	13	82	20.50	188	47.00	130	32.50	400
2001/02	66	7	14	87	22.96	167	44.06	125	32.98	379
2003/04	67	7	15	89	23.54	169	44.71	120	31.77	378
2004/05	69	7	16	92	24.53	161	42.93	122	32.53	375
2005/06	71	7	16	94	24.10	170	43.59	126	32.31	390
2006/07	*94*	*10*	*24*	*128*	*23.19*	*263*	*47.64*	*161*	*29.17*	*552*
2007/08										603
2008/09										688
2009/10										730
2010/11										778

Sources: Nepal Rastra Bank, Economic Bulletin, Kathmandu

The above table shows that the number of branches in regional basis is vary with respect to time. In the fiscal year 2003/04, the total number of the commercial banks in the country is 475, and the number of the commercial banks is 778 in the fiscal year 2010/11. In Kathmandu Valley the number of the commercial banks is in about a constant or an increasing way, but in Tarai and Hilly regions the growth of branches of commercial banks is positive for 1999 for Tarai and Hills and then in a decreasing way.

Form the evaluation, this can be concluded that the financial activity into the city is in an increasing trend whereas the Tarai and Hilly regions have a decreasing trend. Now NRB has made different restrictions for opening branches in the Kathmandu Valley for the expansion of banking activities outside the Valley.

4.10 Major Findings of the Study

In this research work, all the data have been obtained from secondary sources. Data have been analyzed by using financial as well as statistical tools. This topic focuses on the major findings of the study, which are derived from the analysis of fund mobilization of HBL, EBL and NIBL with comparatively applying seven years data from 2004/05 to 2010/11.

On the basis of the detailed analysis of commercial banks of Nepal, the following findings come to existence:

The number of commercial bank branches operating in the country reached 778 including 32 commercial bank branches. Of the total bank branches more than 46 percent bank branches are concentrated in the central region. By the end of mid July 2012, 778 branches are being operated in this region.

As an increment of number and business of commercial bank contributed to impressive growth in the size of total assets i.e. sources of fund. In the mid July 2012, the total sources of fund of commercial bank increased by higher rate of 14.45 percent compared to 4.84 percent in preceding year.

Loans and advances, the major component of assets, constituted the 46.66 percent of total assets in mid July 2012. Similarly, investment and liquid funds, another component of assets, registered the 19.06 percent and 8.98 percent of total assets in the same year. In the preceding year the respective share of loan and advances, investment and liquid funds were 40.44 percent, 19.15 percent and 9.06 percent.

In the current year the loan and advances increased by higher rate of 32.05 percent compare to 8.61 percent in the last year. By the end of mid July 2012 the total outstanding amount of loan and advances of commercial bank reached to Rs.228951.9 million. It was Rs. 173383.4 million in mid-July 2011.

The share of borrowings to total liabilities accounted to 2.60 percent in mid-July 2011. It was 2.20 percent in the last year. In the mid July 2011 the borrowing of commercial banks grew by slower rate of 33.93 percent compared to 39.12 percent in previous year. By the end of mid July 2011 it reached to Rs. 12750.4 million from Rs. 9519.6 million in the last year.

In the purpose wise credit front, the total outstanding loans and advances reached to Rs.231844.7 million in mid July 2011. Out of them the production sector constituted the highest share of 26.90 percent followed by wholesale & retailers 19.68 percent, construction 8.53 percent, service industries 7.92 percent, finance, insurance & fixed assets 6.0 percent agriculture 5.98 percent transportation, communication & public services 5.66 and consumable loan 3.51 percent.

The major findings of the study derived from the analysis of financial tools of HBL, EBL and NIBL are given below:

A. Findings from Liquidity Ratios

i) The mean ratio of cash and bank balance to total deposits of NIBL is higher than HBL and EBL and HBL has lowest mean ratio. It states that the liquidity position of NIBL is better in this regard. The ratio of NIBL is less consistent and HBL has more consistent ratio. It shows HBL has taken more risk to meet the daily cash requirements.

ii) The average ratio of investment of government securities to current assets of EBL is higher than that of HBL and NIBL. It reveals that investment on government securities of EBL is stronger than HBL and NIBL. Analysis shows that investment on government securities of HBL is more consistent.

The above result shows that the liquidity position of NIBL is comparatively better than HBL and EBL. NIBL has the highest cash and bank balance to total deposit and cash and bank balance to current assets ratio. EBL has made enough investment on government securities. At last, it can be concluded that NIBL has good deposit collection and higher ability to meet the cash requirements. NIBL has not invested any amount in year 2011 and has less consistent mean ratio.

B. Findings from Assets Management Ratios

i) The mean ratio of loan and advances to total deposit of EBL is greater than HBL and NIBL. The variability ratio of EBL is lower than that of other two banks. It seems more consistent than HBL and NIBL.

ii) The average ratio of total investment to total deposit ratio of HBL is higher than that of EBL and NIBL. The variability ratio EBL is lower than that of other two banks. It seems more consistent than HBL and NIBL.

iii) The average ratio of loan and advances to total working fund of EBL is higher than HBL and NIBL. The variability ratio of EBL is lower than that of HBL and EBL. It is the indication of more consistency of loan and advances.

iv) The mean ratio of investment on shares and debentures to total working fund of HBL is greater than EBL and NIBL. Where as NIBL has the lower variability of the ratio. It shows the stable investment on shares and debentures.

From the above analysis, it helps to conclude that EBL is comparatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advances. It seems stronger in case of investing fund. Similarly, HBL has mobilized its collected deposits in investment.

C. Findings from Profitability Ratios

i) The mean ratio of return on total working fund of NIBL is greater than HBL and EBL. Where as the variability ratio of EBL is lower than HBL and NIBL. It indicates that the return on total working fund of EBL is stable.

ii) The mean ratio of return on loan and advances of NIBL is higher than HBL and EBL. The variability ratio of HBL is lower than EBL and NIBL. It seems HBL has stable return.

From the above analysis of profitability ratios, it can be concluded that the NIBL is profitable in comparison to other compared banks.

D. Findings from Risk Ratios

i) In case of credit risk ratio, NIBL has the lower risk than HBL and EBL The variability ratio of EBL is lower than HBL and NIBL. It indicates that the credit risk ratio is consistent. But in case of HBL and EBL, they have comparatively high credit risk ratios.

ii) The mean ratio of liquidity risk of HBL is lower than EBL and NIBL and in case of NIBL it is higher than HBL and EBL. Degree of risk and variability of risk is also lower in HBL in comparison to two banks. It seems liquidity risk ratio more consistent.

From the above analysis, HBL has maintained the lower liquidity risk and NIBL has maintained lower credit risk. And lower liquidity risk means higher risk for higher profit.

E. Findings from Growth Ratios

i) The growth ratio of loan and advances of EBL is in increasing trend whereas HBL and NIBL has highly fluctuating trend. Growth rate of EBL is higher among three banks. Though HBL is providing more funds in loan and advances it appears too weak in growth rate point of view.

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ii) The growth ratio of total deposits of HBL and EBL are increasing every year whereas growth rate of NIBL is in fluctuating trend. Out of three banks growth rate of total deposits of EBL is greater than HBL and NIBL. It shows that EBL has increased its deposit collection capacity.

From the above findings, it can be observed that the EBL has maintained the high growth ratio in total deposits, loan and advances and net profit but it has moderate position in investment. The growth rate of total investment of NIBL is better than HBL and EBL.

F. Findings from Analysis of Sources and Uses of Funds

i) HBL and EBL have been remained very successful in case of mobilizing deposits during the study period. Whereas NIBL deposits condition is lower in comparison to two banks. HBL and EBL are considered as a high liquidity sensitive bank.

ii) Capital base of NIBL has been found significantly higher than EBL and HBL. It can be said that NIBL has been able to generate high volume of profit from operation than that of other two banks. EBL is moderate in the same parameter.

iii) In case of borrowings of funds from different sources, NIBL frequently depends upon borrowings to discharge its obligation. This is an indication that the internal fund management of NIBL is not satisfactory towards meeting liquidity needs. Whereas HBL has been borrowing low proportion in comparison to EBL and NIBL. EBL is moderate in case of borrowings.

G. Findings from Cash Flow Analysis

i) Findings from Operating Activities

Overall operating activities of HBL, EBL and NIBL have been occurred cash inflows throughout the study period. Operating efficiency of EBL is in increasing trend during the study period.

ii) Findings from Investing Activities

The investing activities of three banks have deserved cash outflows throughout the study period. HBL and EBL have fluctuating trend whereas NIBL has highly fluctuating trend of investing activities. By the help of investing activities, these three banks are able to increase long term assets as well as carry out profitable opportunity.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Basically, the entire research work focuses on the comparative study on fund mobilization of three joint venture banks; Himalayan Bank Ltd., Everest Bank Ltd. and Nepal Investment Bank Ltd. These three joint venture banks are composed as per their fund mobilization activities by taking seven years data from the year 2004/05 to 2010/11.

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

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 have also been used.

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

5.2 Conclusion

The above-mentioned major findings led this study to following conclusions:

- From the analysis of liquidity ratio, the liquidity position of NIBL is comparatively better than HBL and EBL. NIBL has the highest cash and bank balance to total deposit and cash and bank balance to current assets ratio. Liquidity position of HBL is comparatively lower than NIBL and EBL. EBL has made enough investment on government securities. NIBL has invested less part of current assets in government securities.

- Considering asset management aspect of three banks, EBL is relatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advances for the purpose of earning profit. HBL has weak condition in mobilizing its collected deposits and total working fund in loan and advances. NIBL is weak in investing its collected deposits in comparison to HBL and EBL. In comparison to HBL and NIBL, EBL seems more successful in mobilizing total fund on different types of government securities to maximize its earning capacity. NIBL has not invested its fund efficiently towards productive activities. HBL has successfully invested more working funds in debentures and shares of other company whereas NIBL is in weak position to make investment on shares and debentures.

- The liquidity risk ratio of NIBL is higher than that of HBL and EBL which appears to be less profitable return of NIBL. On the other hand, liquidity risk ratio of HBL has the lowest among three banks which specified that HBL has kept idle funds in the form of cash and bank balance but this reduces profitability. NIBL has the lowest credit risk ratio among three banks. Credit risk involved in loan and advances and total investment of EBL is more than HBL and NIBL. It may arise due to default risk or non-repayment of loan.

- NIBL appears to be more successful to earn profit on loan and advances than HBL and EBL. Profit earning capacity of EBL is considered too weak. The average ratio of return on total working fund indicates that working fund of NIBL is well managed and efficiently utilized. Alternatively, total asset of HBL has not well managed. EBL was not able to receive high interest on its total working fund in comparison with HBL and NIBL. On the other hand, NIBL has mobilized its working fund properly and its earning capacity is also high. NIBL is in better position from the viewpoint of interest expenses. It seems to be successful to collect its working fund from less expensive sources in comparison to HBL and EBL whereas EBL is in weak position.

- Growth ratio of total deposits, total investment and net profit of NIBL seem too weak in comparison to HBL and EBL. HBL has low growth ratio of loan and advances in comparison to EBL and NIBL. EBL has maintained high growth ratios in total deposit, loan and advances and net profit but it has moderate position in investment. Therefore, we must say that the bank is successful to increasing its sources of funds and its mobilization.

- Deposit is the strongest sources of fund whereas borrowings cover fewer portions of sources of fund. NIBL has kept fewer amounts in deposits in comparison to other two banks. Among the uses of funds, loan and advances cover maximum portion and interest accrued covers less portion. HBL has invested fewer amounts into loan and advances in comparison to EBL and NIBL.

- The operating activities of HBL, EBL and NIBL have been occurred cash inflows throughout the study period. Operating efficiency of EBL is in increasing trend during the study period. The investing activities of three banks have deserved cash outflows throughout the study period. By the help of investing activities, these three banks are able to increase long term assets as well as carry out profitable opportunity. It shows that cash acquisition capacity of HBL is more than other two banks. During the year 2005, NIBL is unable to generate cash inflow from financing activities. The condition may arise due to the unavailability of cash flow from share, insufficient profit, dividend payment.

5.3 Recommendations

On the basis of analysis of findings, following recommendations are made. The banks can make use of these recommendations to overcome their weakness, inefficiency and improve their present fund mobilization and their overall investment policy.

- **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 loan and advances as well as savings, investment situations, central banks directives, the lending policies, capability of management, strategic planning and funds flow situations. The ratio of cash and bank balance to total deposit and current assets of NIBL is higher than that of HBL and EBL. It means NIBL has higher cash and bank balance than HBL and EBL and it indicates NIBL has higher idle cash and bank balance. It may decrease profit of bank. NIBL is recommended to mobilize its idle cash and bank balance in profitable sector as loan and advances.

- **To increase deposit collection**

The main source of 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 deposit 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 finance housing scheme, education loan scheme and many others.

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

From the study, it has been revealed that NIBL has not invested more funds in government securities than that of HBL and EBL. NIBL 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. NIBL'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, NIBL 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 debentures**

  To get success in a competitive 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 government and non-government companies. It is also genuine means of utilization of resource. Thus, these companies may get chances to rise and that help to develop the country. Out of total working fund, investment on shares and debentures of NIBL is lower than other commercial banks. NIBL is suggested to invest more of its fund in share and debentures of different companies.

- **To make profitable return**

  As a private sector, commercial banks can not keep their eyes closed from the profit motive. They should be careful in increasing profit motive. They should be careful in increasing profit in a real sense to maintain the confidence of shareholders, depositors and all its customers. HBL's profitability position is worst than that of other two banks. So, HBL is strongly recommended to utilize risky assets and shareholders fund to gain highest profit margin. Similarly, it should reduce its expenses and should try to collect cheap fund being more profitable.

- **To prefer aggressive-defensive policy**

  Observing the findings of growth analysis and trend of growth, it has noticed that EBL has been adopting an aggressive policy in all the parameters including loan and advances. As the economy has not been able to show the survival growth, the aggressive policy may prove to be harmful in future. EBL should rather prefer an aggressive-defensive policy in mobilizing the resources into loans.

- **To invest deprive and priority sector**

  NRB has directed to commercial banks to invest their certain percentage in deprived and priority sector and it is also responsibility of banks. The study has been found that NIBL has earned high profit because their services are only for profitable sector. It reveals that it has not granted loan on priority and deprives sector. So NIBL is recommended to thoroughly follow the directives issued 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 agricultural etc.

- **To make effective portfolio management**

The total fund of a bank is the aggregation of different portfolios such as deposits, capital fund, borrowings and other deposit liabilities. Needless to state that deposit liability is the major contributing source. Considering the position of HBL and EBL, the contribution of deposit to total sources of funds is high. It is definitely not a good sign. EBL and HBL are therefore, recommended to enhance their capital base and operational resources of funds in order to have an appropriate combination to the total funds of the bank. High contribution of deposits to the total sources of funds demands high level of liquid assets and it is the threat of withdrawals. Portfolio management is very important for every investor. In each investment, risk is involved. Risk is the chance of loss or the variability of the returns of a period. The greater the variability of the returns project will be riskier. So, it is kept in mind while investing in the project which would be lower risk and higher return. Portfolio management plays vital role with dividing total investment in different areas. Portfolio management of the bank assets basically means allocation of funds in different components of banking assets having different degrees of risk and varying rate of return in such a way that the conflicting goal of maximum yield and minimum risk can be achieved. So, portfolio conditions of HBL , EBL and NIBL should be examine carefully from time to time and alteration should be made to maintain equilibrium in the portfolio condition as far as possible. So, it can be said "all eggs should not be kept in the same basket". The bank should make continuous efforts to explore new, competitive and high yielding investment opportunities to optimize their investment portfolio.

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

To get success in competitive banking market, commercial bank must utilize their deposit as loan and advances. Loan and advances are the main source of income and also means 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, increasing on non-performing assets discloses the failure of commercial banks in recovery of loan. Therefore, it is recommended to HBL, EBL and NIBL to follow liberal lending policy when sensations loan and advances 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 as well as legal procedure if require.

- **To adopt innovative 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, any one be along behind in today's competitive environment. Different marketing techniques like advertisement through audio-visual, published web site, documentary etc. are flowed. Similarly, draw attentions of customers through new technologies like, E-banking, increase investment through their wide international banking network should be introduced.

- **To extend branches all over the country**

  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. Government 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 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 in a 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.

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APPENDIX I

Table No.1
Cash and Bank Balance to Total Deposits Ratio

(Rs. in million)

S.N.	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Cash & Bank Balance	1029.11	726.99	901.91	1435.18	1264.67	1979.21	2001.18
	Total Deposits	7713.6	9779.72	14043.10	17532.40	18619.37	21007.37	22010.33
	Ratio (%)	**13.34**	**7.43**	**6.42**	**8.19**	**6.79**	**9.42**	**9.09**
2	**EBL**							
	Cash & Bank Balance	255.15	460.72	278.60	834.99	592.78	1139.57	631.81
	Total Deposits	1124.90	1948.94	3057.43	4574.51	5466.61	6694.95	8063.90
	Ratio (%)	**22.68**	**23.64**	**9.11**	**18.25**	**10.84**	**17.02**	**7.84**
3	**NIBL**							
	Cash & Bank Balance	1519.4	1473.14	1533.64	522.86	338.90	926.53	1226.92
	Total Deposits	2582.20	2438.88	2983.28	4256.21	4174.76	7922.75	11524.68
	Ratio (%)	**58.84**	**60.40**	**51.41**	**12.28**	**9.32**	**11.69**	**10.65**

Sample Calculation of Expected Return ($\bar{X}$), standard deviation (σ) and Coefficient of variation (C.V.) is Presented below:

For HBL,

Here,

Total Return = $\sum X$ = 13.34+7.43+6.42+8.19+6.79+9.42+9.09

= 60.68

Expected Return **(** $\bar{X}$ **) =** $\frac{\sum X}{N}$

Where,

N = Number of observations

$\bar{X}$ = Expected return of the historical data

X = Return of the historical data

$= \frac{60.68}{7}$

= 8.67

Return(X)	Expected Return ($\overline{X}$)	X- $\overline{X}$	(X- $\overline{X}$)^2
13.34	8.67	4.67	21.80
7.43	8.67	-1.24	1.54
6.42	8.67	-2.25	5.06
8.19	8.67	-0.48	0.23
6.79	8.67	-1.88	3.53
9.42	8.67	0.75	0.56
9.09	8.67	0.42	0.18
	$\sum(X-\overline{X})^2$		**32.90**

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

$$= \sqrt{\frac{1}{7}\times 32.90}$$

$$= \sqrt{4.7}$$

$$= 2.17$$

Where,

N = Number of observations

$\overline{X}$ = Expected return of the historical data

$$\text{C.V} = \frac{\text{Standard deviation } (\sigma)}{\text{Expected Return } (\overline{X})} \times 100$$

$$= \frac{2.17}{8.67}$$

= 0.2502 0r 25.02%

Other items can be calculated accordingly.

Table No.2
Cash and Bank Balance to Current Assets Ratio

(Rs. in million)

S.N.	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Cash & Bank Balance	1029.11	726.99	901.91	1435.18	1264.67	1979.21	2001.18
	Current Assets	8620.84	10988.05	15605.42	17359.42	14165.33	16881.45	18605.75
	Ratio (%)	**11.94**	**6.62**	**5.78**	**8.27**	**8.93**	**11.72**	**10.76**
2	**EBL**							
	Cash & Bank Balance	255.15	460.72	278.60	834.99	592.78	1139.57	631.81
	Current Assets	1282.26	2077.32	3334.59	5049.85	6359.66	7836.89	9399.97
	Ratio (%)	**19.90**	**22.18**	**8.35**	**16.53**	**9.32**	**14.54**	**6.72**
3	**NIBL**							
	Cash & Bank Balance	1519.4	1473.14	1533.64	522.86	338.90	926.53	1226.92
	Current Assets	3286.00	3057.24	3744.09	3423.11	3340.25	7517.89	11140.23
	Ratio (%)	**446.24**	**48.19**	**40.96**	**15.27**	**10.15**	**12.32**	**11.01**

Table No. 3
Investment on Government Securities to Current Assets Ratio

(Rs. in million)

	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Investment on govt. Securities	970.88	459.45	2112.88	2224.30	3047.75	3998.87	2771.73
	Current Assets	8620.84	10988.05	15605.42	17359.42	14165.33	16881.45	18605.75
	Ratio (%)	**11.26**	**4.18**	**13.54**	**12.81**	**21.52**	**23.69**	**14.90**
2	**EBL**							
	Investment on govt. Securities	111.10	184.91	257.61	823.00	1538.90	1599.35	2466.43
	Current Assets	1282.26	2077.32	3334.59	5049.85	6359.66	7836.89	9399.97
	Ratio (%)	**8.66**	**8.90**	**7.73**	**16.30**	**24.20**	**20.41**	**26.24**
3	**NIBL**							
	Investment on govt. Securities	10.00	90.00	0.00	300.00	224.40	400.00	2001.10
	Current Assets	3286.00	3057.24	3744.09	3423.11	3340.25	7517.89	11140.23
	Ratio (%)	**3.04**	**2.94**	**0.00**	**8.76**	**6.72**	**5.32**	**17.96**

Table No.4
Loan and Advances to Total Deposit Ratio

(Rs. in million)

	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Loan and Advances	4223.06	5311.66	7224.73	9015.35	8913.73	10001.85	11951.87
	Total Deposits	7713.60	9779.72	14043.10	17532.40	18619.37	21007.37	22010.33
	Ratio (%)	**54.75**	**54.31**	**51.45**	**51.42**	**47.87**	**47.61**	**54.30**
2	**EBL**							
	Loan and Advances	871.68	1364.89	2270.18	3005.76	3948.48	4908.46	5884.12
	Total Deposits	1124.90	1948.94	3057.43	4574.51	5466.61	6694.95	8063.90
	Ratio (%)	**77.48**	**70.03**	**74.25**	**65.71**	**72.23**	**73.32**	**72.97**
3	**NIBL**							
	Loan and Advances	1673.47	1411.24	2070.68	2429.03	2564.43	5772.14	7130.13
	Total Deposits	2582.20	2438.88	2983.28	4256.21	4174.76	7922.75	11524.68
	Ratio (%)	**64.81**	**57.86**	**69.41**	**57.07**	**61.43**	**72.86**	**61.87**

Table No.5
Total Investment to Total Deposit Ratio

(Rs. in million)

	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Total Investment	973.98	468.95	2216.41	4083.00	9157.00	10175.44	9292.10
	Total Deposits	7713.60	9779.72	14043.10	17532.40	18619.37	21007.37	22010.33
	Ratio (%)	**12.63**	**4.80**	**15.78**	**23.29**	**49.18**	**48.44**	**42.22**
2	**EBL**							
	Total Investment	111.10	187.40	260.10	826.70	1628.50	1616.50	2483.50
	Total Deposits	1124.90	1948.94	3057.43	4574.51	5466.61	6694.95	8063.90
	Ratio (%)	**9.88**	**9.62**	**8.51**	**18.07**	**29.79**	**24.15**	**30.80**
3	**NIBL**							
	Total Investment	17.50	102.69	12.69	312.70	262.00	1705.24	3862.48
	Total Deposits	2582.20	2438.88	2983.28	4256.21	4174.76	7922.75	11524.68
	Ratio (%)	**6.78**	**4.21**	**4.26**	**7.35**	**6.28**	**21.52**	**33.51**

Table No.6
Loan and Advances to Total Working Fund Ratio

(Rs. in million)

S.N.	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Loan and Advances	4223.06	5311.66	7224.73	9015.35	8913.73	10001.85	11951.87
	Total Working Fund	8734.54	11168.87	15863.74	19500.58	20672.45	23355.23	24765.77
	Ratio (%)	**48.35**	**47.56**	**45.54**	**46.23**	**43.12**	**42.82**	**48.26**
2	**EBL**							
	Loan and Advances	871.68	1364.89	2270.18	3005.76	3948.48	4908.46	5884.12
	Total Working Fund	1416.59	2275.01	3411.70	5202.58	6670.18	8052.20	9587.57
	Ratio (%)	**61. 53**	**59.99**	**66.54**	**57.77**	**59.20**	**60.96**	**61.37**
3	**NIBL**							
	Loan and Advances	1673.47	1411.24	2070.68	2429.03	2564.43	5772.14	7130.13
	Total Working Fund	3322.25	3106.16	3796.70	5127.36	4973.90	9014.24	13251.40
	Ratio (%)	**50.37**	**45.43**	**54.54**	**47.37**	**51.56**	**64.03**	**53.81**

Table No.7
Investment on Government Securities to Total Working Fund Ratio

(Rs. in million)

S.N.	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Investment on govt. Securities	970.88	459.45	2112.88	2224.30	3047.75	3998.87	3471.73
	Total Working Fund	8734.54	11168.87	15863.74	19500.58	20672.45	23355.23	24765.77
	Ratio (%)	**11.12**	**4.11**	**13.32**	**11.41**	**14.74**	**17.12**	**14.02**
2	**EBL**							
	Investment on govt. Securities	111.10	184.91	257.61	823.00	1538.90	1599.35	2466.43
	Total Working Fund	1416.59	2275.01	3411.70	5202.58	6670.18	8052.20	9587.57
	Ratio (%)	**7.84**	**8.13**	**7.55**	**15.82**	**23.07**	**19.86**	**25.73**
3	**NIBL**							
	Investment on govt. Securities	10.00	90.00	0.00	300.00	224.40	400.00	2001.10
	Total Working Fund	3322.25	3106.16	3796.70	5127.36	4973.90	9014.24	13251.40
	Ratio (%)	**3.01**	**2.90**	**0.00**	**5.85**	**4.51**	**4.44**	**15.10**

Table No. 8
Investment on Shares and Debentures to Total Working Fund Ratio

(Rs. in million)

	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Investment on Shares and Debentures	3.10	9.50	9.49	10.69	34.27	34.27	34.27
	Total Working Fund	8734.54	11168.87	15863.74	19500.58	20672.45	23355.23	24765.77
	Ratio (%)	**3.55**	**8.51**	**5.98**	**5.48**	**1.66**	**1.47**	**1.38**
2	**EBL**							
	Investment on Shares and Debentures	0.00	2.50	2.50	3.70	17.11	17.11	17.11
	Total Working Fund	1416.59	2275.01	3411.70	5202.58	6670.18	8052.20	9587.57
	Ratio (%)	**0.00**	**1.10**	**7.33**	**7.11**	**2.57**	**2.12**	**1.78**
3	**NIBL**							
	Investment on Shares and Debentures	7.50	12.69	12.69	12.69	13.89	13.89	13.89
	Total Working Fund	3322.25	3106.16	3796.70	5127.36	4973.90	9014.24	13251.40
	Ratio (%)	**2.26**	**4.09**	**3.34**	**2.47**	**2.79**	**1.54**	**1.05**

Table No.9
Return on Loan and Advances Ratio

(Rs. in million)

S.N.	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Net Profit	135.98	165.25	199.38	280.69	235.02	212.12	263.05
	Loan and Advances	4223.06	5311.66	7224.73	9015.35	8913.73	10001.85	11951.87
	Ratio (%)	**3.22**	**3.11**	**2.76**	**3.11**	**2.64**	**2.12**	**2.20**
2	**EBL**							
	Net Profit	25.03	25.24	41.27	69.70	85.33	94.17	143.57
	Loan and Advances	871.68	1364.89	2270.18	3005.76	3948.48	4908.46	5884.12
	Ratio (%)	**2.87**	**1.85**	**1.82**	**2.32**	**2.16**	**1.92**	**2.44**
3	**NIBL**							
	Net Profit	93.84	45.68	72.66	56.39	57.09	116.82	152.67
	Loan and Advances	1673.47	1411.24	2070.68	2429.03	2564.43	5772.14	7130.13
	Ratio (%)	**5.61**	**3.24**	**3.51**	**2.32**	**2.23**	**2.02**	**2.14**

Table No.10
Return on Total Working Fund Ratio

(Rs. in million)

S.N.	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Net Profit	135.98	165.25	199.38	280.69	235.02	212.12	263.05
	Total Working Fund	8734.54	11168.87	15863.74	19500.58	20672.45	23355.23	24765.77
	Ratio (%)	**1.56**	**1.48**	**1.26**	**1.44**	**1.14**	**0.91**	**1.06**
2	**EBL**							
	Net Profit	25.03	25.24	41.27	69.70	85.33	94.17	143.57
	Total Working Fund	1416.59	2275.01	3411.70	5202.58	6670.18	8052.20	9587.57
	Ratio (%)	**1.77**	**1.11**	**1.21**	**1.34**	**1.28**	**1.17**	**1.50**
3	**NIBL**							
	Net Profit	93.84	45.68	72.66	56.39	57.09	116.82	152.67
	Total Working Fund	3322.25	3106.16	3796.70	5127.36	4973.90	9014.24	13251.40
	Ratio (%)	**2.82**	**1.47**	**1.91**	**1.10**	**1.15**	**1.30**	**1.15**

Table No.11
Total Interest Earned to Total Working Fund Ratio

(Rs. in million)

S.N.	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Interest Earned	753.97	862.05	1033.66	1326.38	1149.00	1201.23	1245.90
	Total Working Fund	8734.54	11168.87	15863.74	19500.58	20672.45	23355.23	24765.77
	Ratio (%)	**8.63**	**7.72**	**6.52**	**6.80**	**5.56**	**5.14**	**5.03**
2	**EBL**							
	Interest Earned	104.20	175.94	267.44	385.02	443.82	520.17	657.25
	Total Working Fund	1416.59	2275.01	3411.70	5202.58	6670.18	8052.20	9587.57
	Ratio (%)	**7.36**	**7.73**	**7.84**	**7.40**	**6.65**	**6.46**	**6.86**
3	**NIBL**							
	Interest Earned	322.37	296.17	279.86	349.75	326.22	459.51	731.40
	Total Working Fund	3322.25	3106.16	3796.70	5127.36	4973.90	9014.24	13251.40
	Ratio (%)	**9.70**	**9.53**	**7.37**	**6.82**	**6.56**	**5.10**	**5.52**

Table No.12
Total Interest Paid to Total Working Fund Ratio

(Rs. in million)

S.N.	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Interest Paid	473.79	532.55	593.44	732.69	578.13	554.13	491.54
	Total Working Fund	8734.54	11168.87	15863.74	19500.58	20672.45	23355.23	24765.77
	Ratio (%)	**5.42**	**4.77**	**3.74**	**3.76**	**6.80**	**2.37**	**1.98**
2	**EBL**							
	Interest Paid	74.45	118.12	177.89	236.14	257.05	307.64	316.37
	Total Working Fund	1416.59	2275.01	3411.70	5202.58	6670.18	8052.20	9587.57
	Ratio (%)	**5.26**	**5.19**	**5.21**	**4.54**	**3.85**	**3.82**	**3.30**
3	**NIBL**							
	Interest Paid	139.80	132.03	115.73	163.15	130.44	189.21	326.20
	Total Working Fund	3322.25	3106.16	3796.70	5127.36	4973.90	9014.24	13251.40
		4.21	**4.25**	**3.05**	**3.18**	**2.62**	**2.10**	**2.46**

Table No.13
Liquidity Risk Ratio

(Rs. in million)

S.N.	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Cash & Bank Balance	1029.11	726.99	901.91	1435.18	1264.67	1979.21	2001.18
	Total Deposits	7713.60	9779.72	14043.10	17532.40	18619.37	21007.37	22010.33
	Ratio (%)	**13.34**	**7.43**	**6.42**	**8.19**	**6.79**	**9.42**	**9.09**
2	**EBL**							
	Cash & Bank Balance	255.15	460.72	278.60	834.99	592.78	1139.57	631.81
	Total Deposits	1124.90	1948.94	3057.43	4574.51	5466.61	6694.95	8063.90
	Ratio (%)	**22.68**	**23.64**	**9.11**	**18.25**	**10.84**	**17.02**	**7.84**
3	**NIBL**							
	Cash & Bank Balance	1519.4	1473.14	1533.64	522.86	338.90	926.53	1226.92
	Total Deposits	2582.20	2438.88	2983.28	4256.21	4174.76	7922.75	11524.68
	Ratio (%)	**58.84**	**60.40**	**51.41**	**12.28**	**9.32**	**11.69**	**10.65**

Table No.14
Credit Risk Ratio

(Rs. in million)

S.N.	Name of the Banks	Year						
		2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1	**HBL**							
	Total Investment plus Loan and Advances	5197.04	5780.61	9441.14	13098.35	18070.73	20177.29	21243.97
	Total Assets	8734.54	11168.87	15863.74	19500.58	20672.45	23355.23	24765.77
	Ratio (%)	**59.50**	**51.76**	**59.51**	**67.69**	**87.41**	**86.39**	**85.78**
2	**EBL**							
	Total Investment plus Loan and Advances	982.78	1552.29	2530.28	3832.46	5576.98	6524.96	8367.62
	Total Assets	1416.59	2275.01	3411.70	5202.58	6670.18	8052.20	9587.57
	Ratio (%)	**69.38**	**68.23**	**74.16**	**73.66**	**83.61**	**81.03**	**87.28**
3	**NIBL**							
	Total Investment plus Loan and Advances	1690.97	1513.93	2083.37	2741.73	2826.43	7477.38	10992.61
	Total Assets	3322.25	3106.16	3796.70	5127.36	4973.90	9014.24	13251.40
	Ratio (%)	**50.90**	**48.74**	**54.87**	**53.47**	**56.83**	**82.95**	**82.95**

APPENDIX II

Sample Calculation of Growth Ratio of Total Deposits

We have,

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

Where,

D_n = Total Deposits in the n^{th} Year
D_o = Total Deposit in the initial Year
g = Growth Rate
n = Total number of Year

Here,
$D_{2010/11} = 22760.9$
$D_{2004/05} = 7715.6$
n = 7 years

Now,
$D_n = Do\ (1+g)^{\ n-1}$
$22010.33 = 7713.60(1+g)^{\ 7-1}$
Or, $(1+g)^{6} = 22010.33/7713.60$
Or, $(1+g) = (2.8534)^{1/6}$
Or, g = 1.1909-1
$\therefore g = 0.1909$ i.e. 19.09%

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

APPENDIX III

Table No. 15
Sources and uses of Funds of Himalayan Bank Limited

(Rs. in million)

Particulars	Mid-July						
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1. CAPITAL FUND	**205.3**	**314.9**	**397.1**	**501.6**	**651.6**	**740.6**	**1435.9**
a. Paid-up capital	120.0	192.0	240.0	300.0	390.0	429.0	536.3
b. Statutory Reserves	82.5	109.7	142.8	183.6	239.7	288.8	329.2
c. Other Reserves	2.8	13.2	14.4	18.0	21.9	22.8	501.5
d. Retained Earning	0.0	0.0	0.0	0.0	0.0	0.0	68.9
2. DEPOSITS	**7715.6**	**9780.4**	**14082.5**	**17613.6**	**18595.2**	**21002.8**	**22760.9**
a. Current	1175.2	1292.2	1772.3	2313.7	2652.8	3702.2	4353.1
b. Savings	3175.6	5084.4	6844.3	9164.1	9102.8	10840.8	11719.7
c. Fixed	3144.4	3106.8	5109.4	5668.1	6044.9	5880.7	6043.7
d. Call Deposits	0.0	0.0	0.0	0.0	343.8	201.3	219.6
e. Others	220.4	297.0	356.5	467.7	450.9	377.8	424.8
3.BORROWINGS	**0.0**	**232.7**	**128.6**	**5.4**	**48.2**	**538.8**	**66.4**
a. NRB	0.0	0.0	42.5	0.0	47.6	403.7	66.4
b. Inter Bank	0.0	232.7	86.2	5.4	0.6	135.1	0.0
c. Foreign Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d. Financial Institutions					0.0	0.0	0.0
4.OTHERS	**1241.7**	**2272.1**	**2172.2**	**2808.4**	**2085.7**	**2439.0**	**2488.0**
SOURCES OF FUNDS	**9162.6**	**12600.1**	**16780.5**	**20929.0**	**21380.7**	**24721.2**	**26751.2**
1.LIQUID FUNDS	**3123.3**	**4787.5**	**5446.5**	**7192.6**	**7658.8**	**8281.7**	**8613.5**
a. Cash in hand	141.1	121.7	116.3	131.7	450.1	350.0	274.2
b. FC in hand	24.5	21.1	17.7	18.2	12.7	32.7	0.0
c. Balance in hand	742.6	515.6	655.3	1073.2	695.4	1130.0	1623.9
d. Bal. with Dom. Bank	30.6	22.9	12.9	11.0	36.3	40.0	33.0
e. Bal. with other financial Ins.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
f. Bal. held abroad	37.6	-19.6	-38.6	52.7	36.9	600.0	-162.4
g. Call money	2146.9	4125.8	4682.8	5905.8	6427.4	6129.0	6844.8
2. INVESTMENTS	**974.0**	**468.9**	**2216.4**	**2235.0**	**2622.8**	**4014.3**	**2878.3**
a. Govt. Securities	970.9	459.4	2206.9	2224.3	2588.6	3980.0	2781.7
b. Share and Debenture	3.1	9.5	9.5	10.7	34.3	34.3	96.6
c. NRB Bond	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. LOANS & ADVANCES	**4275.5**	**5372.0**	**7432.2**	**9176.9**	**9673.5**	**11074.2**	**13081.7**
a. Govt. Enterprises	60.0	267.7	200.0	536.4	352.5	742.7	766.2
i. Financial	60.0	60.0	200.0	480.0	350.0	290.0	290.0
ii. Non-Financial	0.0	207.7	0.0	56.4	2.5	452.7	476.2
b. Private Sector	4025.0	5005.5	7096.6	8300.2	9321.0	10151.5	12315.5
c. Foreign Bills P. & D.	190.5	98.8	126.6	340.3	0.0	180.0	0.0
d. Foreign A.B.C.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. INTEREST ACCRUED	**85.2**	**117.4**	**144.2**	**115.5**	**313.4**	**313.5**	**661.9**
a. Government Enterprises	0.0	5.6	0.0	0.0	5.5	0.9	2.2
b. Private Sector	85.2	111.8	144.2	115.5	307.9	312.6	659.7
5. OTHERS	**704.6**	**1854.3**	**1550.2**	**2209.0**	**1112.3**	**1037.5**	**1515.8**
USES OF FUNDS	**9162.6**	**12600.1**	**16780.5**	**20929.0**	**21380.7**	**24721.2**	**26751.2**

APPENDIX IV

Table No. 16
Sources and uses of Funds of Everest Bank Limited

(Rs. in million)

Particulars	Mid-July						
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1. CAPITAL FUND	**118.6**	**128.3**	**127.6**	**249.4**	**497.8**	**587.1**	**665.8**
a. Paid-up capital	117.6	118.4	119.2	197.0	399.3	455.0	455.0
b. Statutory Reserves	0.0	0.1	5.1	13.4	27.3	44.9	64.5
c. Other Reserves	1.0	9.8	3.2	39.0	8.7	14.3	83.8
d. Retained Earning	0.0	0.0	0.0	0.0	62.5	72.9	62.5
2. DEPOSITS	**1124.9**	**1948.9**	**3057.4**	**4574.5**	**5461.1**	**6694.9**	**8064.0**
a. Current	127.6	206.1	274.4	399.7	489.6	562.4	719.8
b. Savings	217.4	449.1	891.7	1384.1	1733.3	2758.0	3730.7
c. Fixed	721.8	1180.3	1592.7	2470.2	2694.6	2803.4	2914.1
d. Call Deposits	17.3	47.9	185.4	225.6	439.4	428.0	565.6
e. Others	40.8	65.5	113.2	94.9	104.2	143.1	133.8
3.BORROWINGS	**0.0**	**0.0**	**0.0**	**80.0**	**310.3**	**83.2**	**433.3**
a. NRB	0.0	0.0	0.0	0.0	81.8	0.0	0.0
b. Inter Bank	0.0	0.0	0.0	80.0	0.0	0.0	0.0
c. Foreign Bank	0.0	0.0	0.0	0.0	228.5	83.2	433.3
d. Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.OTHERS	**104.6**	**210.4**	**226.7**	**336.3**	**505.0**	**895.0**	**804.1**
SOURCES OF FUNDS	**1348.1**	**2287.6**	**3411.7**	**5240.2**	**6774.2**	**8260.2**	**9967.2**
1.LIQUID FUNDS	**187.3**	**460.7**	**278.6**	**824.1**	**809.2**	**1156.1**	**869.7**
a. Cash in hand	21.2	62.2	41.9	92.9	146.3	109.8	117.8
b. FC in hand	8.2	4.6	8.8	15.1	23.6	26.8	10.9
c. Balance in hand	121.5	168.1	130.5	385.6	357.7	724.8	441.9
d. Bal. with Dom. Bank	6.70	0.0	4.3	2.3	3.1	5.9	4.2
e. Bal. with other financial Ins.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
f. Bal. held abroad	29.7	225.8	93.1	328.2	141.5	251.3	62.8
g. Call money	0.0	0.0	0.0	0.0	137.0	37.5	232.1
2. INVESTMENTS	**111.1**	**187.4**	**260.1**	**826.7**	**1628.6**	**1616.5**	**2483.5**
a. Govt. Securities	111.1	184.9	257.6	823.0	1538.9	1599.4	2466.4
b. Share and Debenture	0.0	2.5	2.5	3.7	89.7	17.1	17.1
c. NRB Bond	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. LOANS & ADVANCES	**867.6**	**1354.9**	**2270.2**	**3006.6**	**3982.7**	**5049.6**	**6131.1**
a. Govt. Enterprises	0.0	0.0	0.0	0.0	0.0	60.0	69.2
i. Financial	0.0	0.0	0.0	0.0	0.0	60.0	69.2
ii. Non-Financial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b. Private Sector	801.6	1311.9	2230.8	2963.7	3969.6	4970.9	6047.4
c. Foreign Bills P. & D.	66.0	43.0	39.4	42.9	13.1	18.7	14.5
d. Foreign A.B.C.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. INTEREST ACCRUED	**31.8**	**46.2**	**76.2**	**94.3**	**99.8**	**147.6**	**176.6**
a. Government Enterprises	0.0	0.0	0.0	0.0	0.0	0.9	0.2
b. Private Sector	31.8	46.2	76.2	94.3	99.8	146.7	176.4
5. OTHERS	**150.3**	**238.4**	**526.6**	**488.5**	**253.9**	**290.4**	**306.3**
USES OF FUNDS	**1348.1**	**2287.6**	**3411.7**	**5240.2**	**6774.2**	**8260.2**	**9967.2**

APPENDIX V

Table No. 17
Sources and uses of Funds of Nepal Investment Bank Limited

(Rs. in million)

Particulars	Mid-July						
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
1. CAPITAL FUND	328.2	346.6	356.9	407.1	419.9	557.1	740.7
a. Paid-up capital	90.0	135.3	135.4	135.3	170.0	295.3	295.3
b. Statutory Reserves	180.0	198.8	207.9	222.5	233.8	245.2	268.7
c. Other Reserves	58.2	12.5	13.6	49.3	16.1	16.6	126.8
d. Retained Earning	0.0	0.0	0.0	0.0	0.0	0.0	49.9
2. DEPOSITS	**2582.3**	**2438.9**	**2982.4**	**4256.2**	**4174.8**	**7922.8**	**11706.3**
a. Current	559.0	531.5	581.1	769.0	787.5	979.0	1625.1
b. Savings	562.8	751.1	997.5	1259.6	1276.7	2433.9	4922.0
c. Fixed	1276.0	983.6	1093.7	1658.7	945.9	1672.8	2294.70
d. Call Deposits	128.6	83.2	221.7	502.5	1052.0	2610.6	2576.6
e. Others	55.9	89.5	88.6	66.4	112.7	226.5	287.9
3.BORROWINGS	**100.0**	**50.0**	**140.0**	**120.0**	**98.5**	**6.8**	**61.5**
a. NRB	0.0	0.0	0.0	0.0	98.5	6.8	61.5
b. Inter Bank	100.0	50.0	0.0	120.0	0.0	0.0	0.0
c. Foreign Bank	0.0	0.0	140.	0.0	0.0	0.0	0.0
d. Financial Institutions	0.0	0.0	0.0.0	0.0	0.0	0.0	0.0
4.OTHERS	**684.9**	**835.4**	**700.5**	**750.2**	**694.6**	**615.7**	**1056.8**
SOURCES OF FUNDS	**3695.4**	**3670.9**	**4179.7**	**5533.5**	**5387.8**	**9102.4**	**13565.3**
1.LIQUID FUNDS	**1519.5**	**1463.0**	**1533.6**	**446.7**	**1899.1**	**926.4**	**1215.2**
a. Cash in hand	61.4	40.0	28.0	62.9	50.8	178.6	288.0
b. FC in hand	17.8	7.3	4.8	8.6	10.7	22.3	27.4
c. Balance in hand	122.9	98.6	175.3	212.3	166.3	450.4	533.9
d. Bal. with Dom. Bank	7.7	7.5	7.3	3.8	2.8	3.5	85.8
e. Bal. with other financial Ins.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
f. Bal. held abroad	228.1	110.2	147.6	159.1	1668.5	271.6	280.1
g. Call money	1081.6	1199.4	1170.7	0.0	0.0	0.0	0.0
2. INVESTMENTS	**17.5**	**102.7**	**12.7**	**312.7**	**262.0**	**1745.3**	**4172.5**
a. Govt. Securities	10.0	90.0	0.0	300.0	224.4	400.0	2001.1
b. Share and Debenture	7.5	12.7	12.7	12.7	37.6	1345.3	2171.4
c. NRB Bond	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. LOANS & ADVANCES	1678.2	1421.6	2071.3	2431.3	2715.7	5949.2	7290.2
a. Govt. Enterprises	25.0	25.0	25.0	25.0	25.0	115.0	170.0
i. Financial	25.0	25.0	25.0	25.0	25.0	115.0	170.0
ii. Non-Financial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b. Private Sector	1592.9	1329.2	1998.9	2360.5	2668.0	5757.6	7004.4
c. Foreign Bills P. & D.	60.3	67.4	47.4	45.8	22.7	76.6	115.8
d. Foreign A.B.C.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. INTEREST ACCRUED	86.6	72.8	82.7	120.6	79.3	110.6	112.0
a. Government Enterprises	0.0	0.0	0.0	0.0	0.6	0.6	1.0
b. Private Sector	86.6	72.8	82.7	120.6	78.7	110.0	111.0
5. OTHERS	**393.6**	**610.8**	**479.4**	**2222.2**	**431.7**	**370.9**	**775.4**
USES OF FUNDS	**3695.4**	**3670.9**	**4179.7**	**5533.5**	**5387.8**	**9102.4**	**13565.3**

APPENDIX VI

Comparative Cash Flow Analysis (HBL)

(Rs. in million)

Particulars	Year						
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
A) Cash Flow from Operating Activities (CFOA)		**345.01**	**453.16**	**652.30**	**589.74**	**636.56**	**725.69**
1. Cash Receipts	**906.44**	**1034.67**	**1242.7**	**1575.25**	**1389.79**	**1454.31**	**1519.62**
1.1 Interest Income	753.97	862.05	1033.66	1326.38	1149.00	1201.23	1245.90
1.2 Commission and Discount Income	71.68	101.98	110.33	125.97	101.70	102.56	123.93
1.3 Exchange Gain	75.78	63.96	87.33	114.22	104.60	109.60	112.42
1.4 Non-Operating Income	0.62	1.06	1.69	2.32	2.45	10.76	3.30
1.5 Other Income	4.39	5.62	9.69	6.35	32.04	30.15	34.08
2. Cash Payments	**(519.92)**	**(689.66)**	**(789.54)**	**(922.95)**	**(800.05)**	**(817.74)**	**(793.93)**
2.1 Interest Expenses	473.79	532.55	593.44	732.69	578.13	554.13	491.54
2.2 Staff Expenses	45.25	47.36	59.88	76.90	101.54	120.15	152.51
2.3 Office Overhead Expenses	0.88	109.75	132.55	113.36	120.38	143.47	149.87
2.4 Exchange Loss	-	-	-	-	-	-	-
2.5 Non-operating Expenses	-	-	-	-	-	-	-
2.6 Other Expenses	-	-	-	-	-	-	-
B) Cash Flow from Investing Activities (CFIA)	**(1862.44)**	**(2644.65)**	**(4346.58)**	**(3673.57)**	**(1524.22**	**(3134.27)**	**(1921.65)**
1.Changes in Balance with Banks	27.38	(302.12)	174.92	537.24	(483.32)	780.12	144.93
2.Changes in Money at Call and Short Notice	(1291.82)	(1978.93)	(556.91)	(625.11)	(3705.30	(202.25)	21.88
3.Changes in Investments	(378.20)	(505.03)	(1747.47)	1866.74	5073.95	1018.33	(883.33)
4.Changes in Loans, Advances ar Bills Purchased	901.20	1022.91	1978.75	1790.62	376.06	1088.12	2136.25
5.Changes in Fixed Assets	9.83	60.71	21.74	31.34	140.90	(65.69)	102.30
6.Changes in Other Assets	91.65	178.94	215.08	72.74	121.94	515.64	202.71
(C) Cash Flow from Financing ctivities(CFFA)	**1756.09**	**2386.96**	**4100.72**	**3019.16**	**1247.30**	**2432.12**	**1073.00**
1.Changes in Borrowings	(264.77)	232.65	(104.00)	(49.12)	454.49	111.83	50.87
2.Changes in Deposits	1874.56	2066.12	4263.38	3489.31	982.53	2388.00	965.25
3.Changes in Bills Payable	3.01	2.12	54.36	(42.90)	29.66	(8.85)	17.65
4.Changes in Other Liabilities	203.29	86.07	277.86	(378.13)	(219.38)	(58.86)	39.22
5.Dividend Paid	-	-	-	-	-	-	-
(D) Net Cash Flow of the Year (A+B+C)	**(6.58)**	**87.32**	**14.01**	**(3.97)**	**312.82**	**(65.59)**	**(122.95)**
(E) Opening Cash Balance	**87.20**	**80.62**	**167.94**	**153.93**	**149.96**	**462.78**	**397.19**
(F) Closing Balance (D+E)	**80.62**	**167.948**	**153.93**	**149.96**	**462.78**	**397.19**	**274.24**

Source: Annual Report of HBL

APPENDIX VII
Comparative Cash Flow Analysis (EBL)

(Rs. in million)

Particulars	Year						
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
A) Cash Flow from Operating Activities (CFOA)	**33.42**	**36.79**	**58.92**	**105.37**	**131.35**	**138.95**	**273.18**
1. Cash Receipts	**139.24**	**219.46**	**327.25**	**465.51**	**540.93**	**635.33**	**785.06**
1.1 Interest Income	104.20	175.94	267.44	385.02	443.82	520.17	657.25
1.2 Commission and Discount Income	14.73	23.56	25.90	30.56	36.77	61.50	74.33
1.3 Exchange Gain	2.39	3.18	3.50	16.50	45.41	32.21	27.79
1.4 Non-Operating Income	2.56	3.96	1.47	1.39	1.14	1.25	1.87
1.5 Other Income	15.36	12.82	28.94	32.04	13.78	20.20	23.82
2. Cash Payments	**(105.82)**	**(182.67)**	**(268.33)**	**(360.14)**	**(409.58)**	**(496.38)**	**(511.88)**
2.1 Interest Expenses	74.45	118.12	177.89	236.14	257.05	307.64	316.37
2.2 Staff Expenses	7.69	13.39	18.63	26.00	32.19	37.37	48.53
2.3 Office Overhead Expenses	17.48	29.15	42.10	50.45	63.73	71.90	78.96
2.4 Exchange Loss	-	-	-	-	-	-	-
2.5 Non-operating Expenses	3.22	4.13	3.45	3.86	-	-	-
2.6 Other Expenses	2.98	17.88	26.26	43.69	56.62	56.14	68.03
B) Cash Flow from Investing Activities (CFIA)	**(839.24)**	**(764.61)**	**(1529.75)**	**(1733.48)**	**(1455.47)**	**(1543.64)**	**(1670.90)**
1.Changes in Balance with Banks	176.24	168.17	(165.93)	488.16	(300.58)	(577.64)	499.86
2.Changes in Money at Call and Short Notice	-	-	314.68	(170.27)	(153.95)	86.13	(187.45)
3.Changes in Investments	85.66	65.12	387.38	641.61	(791.31)	39.06	(881.68)
4.Changes in Loans, Advances and Bills Purchased	569.49	493.21	905.30	735.58	(1040.25)	(1026.17)	(1051.07)
5.Changes in Fixed Assets	7.85	15.68	14.77	28.17	(65.13)	(38.68)	(20.44)
6.Sales of Fixed Assets	-	-	-	-	0.18	1.09	0.12
7.Changes in Other Assets	38.99	22.43	73.55	28.17	(65.13)	(31.63)	(40.64)
8. Sales of Non-banking Assets	-	-	-	1.36	18.90	4.20	10.40
(C) Cash Flow from Financing Activities(CFFA)	**715.47**	**849.87**	**1082.78**	**1676.69**	**1382.47**	**1364.13**	**1389.82**
1.Changes in Borrowings	(20)	-	-	80	1.77	(81.77)	-
2.Changes in Deposits	653.24	824.04	1108.49	1517.08	892.10	1228.35	1368.94
3.Changes in Bills Payable	9.33	(2.82)	(3.93)	7.77	(9.50)	19.97	(0.07)
4.Changes in Other Liabilities	24.67	27.78	(21.77)	33.38	319.64	238.78	90.48
5.Changes in Share Capital	57.56	0.87	(0.01)	38.46	178.46	4.28	-
6.Share Premium	-	-	-	-	-	6.43	-
7.Dividend Paid	-	-	-	-	-	(51.91)	(69.53)
(D) Net Cash Flow of the Year (A+B+C)	**(8.42)**	**37.42**	**(16.18)**	**68.23**	**58.35**	**(40.55)**	**(7.90)**
(E) Opening Cash Balance	**37.84**	**29.42**	**66.81**	**50.63**	**118.86**	**177.21**	**136.66**
(F) Closing Balance (D+E)	**29.42**	**66.81**	**50.63**	**118.86**	**177.21**	**136.66**	**128.76**

Source: Annual Report of EBL

APPENDIX VIII

Comparative Cash Flow Analysis (NIBL)

(Rs. in million)

Particulars	Year						
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
A) Cash Flow from Operating Activities (CFOA)	**160.02**	**124.11**	**130.43**	**148.41**	**141.46**	**202.78**	**348.06**
1. Cash Receipts	**397.91**	**353.33**	**350.36**	**423.43**	**392.69**	**563.01**	**905.78**
1.1 Interest Income	322.37	296.17	279.86	349.76	326.22	459.51	731.40
1.2 Commission and Discount Income	18.22	17.39	18.35	16.20	16.20	40.81	55.75
1.3 Exchange Gain	53.21	35.27	44.80	51.67	42.86	50.83	87.98
1.4 Non-Operating Income	0.02	0.00	0.11	-	3.10	1.11	13.81
1.5 Other Income	4.09	4.50	7.24	5.80	4.31	10.74	16.84
2. Cash Payments	**(237.89)**	**(229.22)**	**(219.93)**	**(275.02)**	**(251.23)**	**(360.23)**	**(557.72)**
2.1 Interest Expenses	139.80	132.03	115.73	163.43	130.44	189.21	326.20
2.2 Staff Expenses	18.88	20.95	23.25	29.78	36.06	58.43	85.09
2.3 Office Overhead Expenses	64.32	66.43	69.18	71.36	76.06	93.68	120.71
2.4 Exchange Loss	-	-	-	-	-	-	-
2.5 Non-operating Expenses	-	-	-	0.25	-	-	-
2.6 Other Expenses	14.89	9.81	11.77	10.43	8.68	18.91	25.72
B) Cash Flow from Investing Activities (CFIA)	**(704.44)**	**(568.87)**	**(968.61)**	**(1316.28)**	**(4.92)**	**(3967.05)**	**(4333.18)**
1.Changes in Balance with Banks	77.97	98.76	113.77	(45.07)	97.79	(448.16)	(185.98)
2.Changes in Money at Call and Short Notice	680.25	127.84	(38.72)	-	-	(40.00)	(270.00)
3.Changes in Investments	(101.80)	80	(90)	(786.86)	148.12	116.92	(2157.24)
4.Changes in Loans, Advances and Bills Purchased	(35.95)	(262.23)	659.44	(363.04)	(294.68)	(3222.51)	(1416.78)
5.Changes in Fixed Assets	(2.75)	7.48	3.69	(9.27)	(10.50)	(170.79)	(99.21)
6.Changes in Other Assets	86.72	4.37	102.34	(112.03)	64.20	(202.51)	(203.97)
(C) Cash Flow from Financing Activities(CFFA)	**595.90**	**410.56**	**816.16**	**1206.56**	**(156.36)**	**3903.72**	**4099.53**
1.Changes in Borrowings	41.07	(50.00)	90.00	(20.00)	21.50	(91.67)	354.67
2.Changes in Deposits	477.96	(143.32)	544.40	1272.93	(81.45)	3748.00	3601.91
3.Changes in Bills Payable	20.69	(17.68)	(1.27)	(3.67)	1.64	24.81	26.20
4.Changes in Other Liabilities	11.18	-	25.94	(42.70)	(55.05)	222.58	175.80
5.Dividend Paid	45.00	64.78	43.91	-	-	-	(59.06)
(D) Net Cash Flow of the Year (A+B+C)	**12.81**	**(31.88)**	**(14.55)**	**38.70**	**(9.98)**	**139.45**	**114.41**
(E) Opening Cash Balance	**66.42**	**79.24**	**47.35**	**32.80**	**71.50**	**61.52**	**200.97**
(F) Closing Balance (D+E)	**79.24**	**47.35**	**32.80**	**71.50**	**61.52**	**200.97**	**315.38**

Source: Annual Report of NIBL

APPENDIX IX

Himalayan Bank Limited

(Rs. in million)

Particulars	Fiscal Year						
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
ASSETS							
Current Assets	**8620.84**	**10988.05**	**15605.42**	**17359.42**	**14165.33**	**16881.45**	**18605.75**
1. Cash and Bank Balance	1029.11	726.99	901.91	1435.18	1264.67	1979.21	2001.18
2. Money at call and short notice	2146.93	4125.85	4682.76	4057.65	352.35	150.10	368.90
3. Loan & advances	4223.06	5311.66	7224.73	9015.35	8913.73	10001.85	11951.87
4. Invt. on govt. securities	970.88	459.45	2112.88	2224.30	3047.75	3998.87	3471.73
5. Interest Receivable	124.71	173.26	386.56	335.75	330.38	418.46	526.65
6. Miscellaneous Current Assets	126.15	190.84	202.54	291.19	256.45	332.96	285.41
Fixed Assets	110.60	171.32	193.05	201.68	318.85	229.87	299.64
Investment on Shares	3.10	9.50	9.49	10.69	34.27	34.27	34.27
Other investment	0.00	0.00	0.00	1848.17	6075.09	6142.30	5826.11
Total Assets(Working Fund)	**8734.54**	**11168.87**	**15863.74**	**19500.58**	**20672.45**	**23355.23**	**24765.77**
LIABILITIES							
Current Liabilities	**8335.57**	**10698.75**	**15311.04**	**18747.46**	**19978.61**	**22370.12**	**23673.67**
7. Deposits and other A/C’s	7713.60	9779.72	14043.10	17532.40	18619.37	21007.37	22010.33
8. Short term loan	0.00	232.65	128.65	79.53	605.35	608.13	659.01
9. Bills Payable	9.32	11.44	65.80	22.90	55.58	46.73	64.38
10. Tax Provision	81.13	86.35	115.25	154.46	114.02	147.90	157.52
11. Staff Bonus	24.11	27.94	34.86	48.34	38.78	40.00	46.73
12. Dividend Payables	19.37	24.51	9.06	14.72	6.44	7.86	6.32
13. Misc. current liabilities	488.04	536.14	914.32	895.11	539.07	512.13	729.38
Net Worth	**384.06**	**451.18**	**526.05**	**720.59**	**858.11**	**1063.13**	**1324.17**
Share Capital	120.00	192.00	240.00	300.00	390.00	429.00	536.25
Shareholder’s Reserves	264.06	259.18	286.05	420.59	468.11	634.13	787.92
Total Liabilities	**8734.54**	**11168.87**	**15863.74**	**19500.58**	**20672.45**	**23355.23**	**24765.77**

Source: Annual Report of HBL

APPENDIX X

Everest Bank Limited

(Rs. in million)

Particulars	Fiscal Year						
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
ASSETS							
Current Assets	1282.26	2077.32	3334.59	5049.85	6359.66	7836.89	9399.97
1. Cash and Bank Balance	255.15	460.72	278.60	834.99	592.78	1139.57	631.81
2. Money at call and short notice	0.00	0.00	410.35	240.08	86.13	0.00	187.45
3. Loan & advances	871.68	1364.89	2270.18	3005.76	3948.48	4908.46	5884.12
4. Invt. on govt. securities	111.10	184.91	257.61	823.00	1538.90	1599.35	2466.43
5. Interest Receivable	32.66	46.23	76.16	94.28	105.29	122.74	145.26
6. Miscellaneous Current Assets	11.72	20.58	41.69	51.74	88.10	66.77	84.90
Fixed Assets	18.60	34.28	49.05	50.37	93.39	109.59	118.37
Investment on Shares	0.00	2.50	2.50	3.70	17.11	17.11	17.11
Other investment	106.90	95.67	0.00	75.02	101.86	37.51	52.12
Total Assets(Working Fund)	1416.59	2275.01	3411.70	5202.58	6670.18	8052.20	9587.57
LIABILITIES							
Current Liabilities	**1287.61**	**2127.09**	**3190.81**	**4874.79**	**6102.30**	**7461.11**	**8984.55**
7. Deposits and other A/C's	1124.90	1948.94	3057.43	4574.51	5466.61	6694.95	8063.90
8. Short term loan	0.00	0.00	0.00	80.00	81.77	0.00	0.00
9. Bills Payable	10.60	7.78	3.85	11.62	2.13	22.10	22.03
10. Tax Provision	0.18	13.46	19.51	32.35	38.43	41.71	67.55
11. Staff Bonus	2.80	4.42	6.75	11.34	14.15	15.10	23.46
12. Dividend Payables	0.00	0.00	2.02	1.63	1.34	1.29	7.36
13. Misc. current liabilities	149.13	152.49	101.25	163.34	497.87	686.96	800.25
Net Worth	**127.43**	**145.16**	**202.85**	**319.40**	**290.91**	**172.83**	**540.32**
Share Capital	117.56	118.43	118.42	220.86	259.32	315.00	315.00
Shareholder's Reserves	9.87	26.73	84.43	98.54	131.59	157.83	225.32
Total Liabilities	**1416.59**	**2275.01**	**3411.70**	**5202.58**	**6670.18**	**8052.20**	**9587.57**

Source: Annual Report of EBL

APPENDIX XI

Nepal Investment Bank Limited

(Rs. in million)

Particulars	Fiscal Year						
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
ASSETS							
Current Assets	**3286.00**	**3057.24**	**3744.09**	**3423.11**	**3340.25**	**7517.89**	**11140.23**
1. Cash and Bank Balance	1519.4	1473.14	1533.64	522.86	338.90	926.53	1226.92
2. Money at call and short notice	1081.60	1209.44	1170.72	0.00	0.00	40.00	310.00
3. Loan & advances	1673.47	1411.24	2070.68	2429.03	2564.43	5772.14	7130.13
4. Invt. on govt. securities	10.00	90.00	0.00	300.00	224.40	400.00	2001.10
5. Interest Receivable	71.37	73.36	71.25	103.50	55.64	83.47	77.01
6. Miscellaneous Current Assets	11.66	9.50	68.52	67.72	156.86	295.75	395.07
Fixed Assets	28.75	36.23	39.92	33.98	35.89	191.11	249.79
Investment on Shares	7.50	12.69	12.69	12.69	13.89	13.89	13.89
Other investment	0.00	0.00	0.00	1657.58	1583.87	1291.35	1847.49
Total Assets(Working Fund)	**3322.25**	**3106.16**	**3796.70**	**5127.36**	**4973.90**	**9014.24**	**13251.40**
LIABILITIES							
Current Liabilities	**2972.64**	**2753.81**	**3395.67**	**4666.46**	**4431.22**	**8412.79**	**12584.3**
7. Deposits and other A/C's	2582.20	2438.88	2983.28	4256.21	4174.76	7922.75	11524.68
8. Short term loan	100.00	50.00	140.00	120.00	98.50	6.83	361.50
9. Bills Payable	27.80	10.12	8.85	5.18	6.82	31.63	57.84
10. Tax Provision	40.22	42.57	33.23	37.44	21.01	53.33	78.80
11. Staff Bonus	14.89	9.81	11.77	10.43	8.68	18.91	25.72
12. Dividend Payables	4.77	7.66	4.35	5.38	1.81	1.69	5.25
13. Misc. current liabilities	202.76	194.77	214.19	231.82	119.64	377.65	530.51
Net Worth	**368.20**	**370.36**	**410.24**	**469.08**	**523.46**	**638.53**	**729.04**
Share Capital	135.35	135.35	135.35	169.98	169.98	295.29	295.29
Shareholder's Reserves	232.85	235.01	274.89	299.10	253.48	343.24	433.75
Total Liabilities	**3286.00**	**3057.24**	**3744.09**	**3423.11**	**3340.25**	**7517.89**	**11140.23**

Source: Annual Report of NIBL

APPENDIX XII

Himalayan Bank Limited
Comparative Profit and Loss Account

(Rs. in million)

Particulars	Fiscal Year						
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
A. Operating Income	905.82	1033.61	1241.01	1572.01	1387.34	1443.54	1516.33
1.Interest (Earned)	753.97	862.05	1033.66	1326.38	1149.00	1201.23	1245.90
2. Commission & Discount	71.68	101.98	110.33	125.97	101.70	102.56	123.93
3. Exchange Income	75.78	63.96	87.33	114.22	104.60	109.60	112.42
4. Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Other	4.39	5.62	9.69	6.35	32.04	30.15	34.08
B. Cost of Services	519.04	579.91	653.32	809.59	679.67	674.28	644.05
6. Interest Paid	473.79	532.55	593.44	732.69	578.13	554.13	491.54
7. Salaries, Allowances & P.F.	45.25	47.36	59.88	76.90	101.54	120.15	152.51
C. Provision for Bonus	24.11	27.94	34.86	48.34	38.78	40.00	46.73
D. Other General Expenses	134.29	161.97	221.24	259.60	298.56	356.72	257.78
E. GROSS PROFIT	228.38	263.79	331.59	455.39	370.33	372.54	452
F. Depreciation	12.01	13.38	19.58	22.70	23.74	23.28	34.73
G. Operating Profit (E-F)	216.73	250.41	312.01	432.69	346.59	349.26	417.27
H. Income from other sources	0.62	1.06	1.69	2.32	2.45	10.76	3.30
I. Pre- tax Profit(G+H)	216.99	251.47	313.70	435.01	349.04	360.02	420.57
J. Provision for Taxes	81.01	86.22	114.32	154.32	114.02	147.90	157.52
K. Net Profit(I-J)	**135.98**	**165.25**	**199.38**	**280.69**	**235.02**	**212.12**	**263.05**

Source: Annual Report of HBL

APPENDIX XIII

Everest Bank Limited
Comparative Profit and Loss Account

(Rs. in million)

Particulars	**Fiscal Year**						
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
A. Operating Income	136.68	215.50	325.78	464.12	539.78	634.08	783.19
1.Interest (Earned)	104.20	175.94	267.44	385.02	443.82	520.17	657.25
2. Commission	14.73	23.56	25.90	30.56	36.77	61.50	74.33
3. Exchange Income	2.29	3.18	3.50	16.50	45.41	32.21	27.79
4. Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Other	15.36	12.82	28.94	32.04	13.78	20.20	23.82
B. Cost of Services	82.14	131.51	196.52	262.14	289.24	343.78	364.90
6. Interest Paid	74.45	118.12	177.89	236.14	257.05	307.64	316.37
7. Salaries, Allowances & P.F.	7.69	13.39	18.63	26.00	32.19	37.37	48.53
C. Provision for Bonus	2.80	4.42	6.75	11.34	14.15	15.10	23.46
D. Other General Expenses	27.09	40.93	55.90	81.07	100.10	121.07	127.27
E. GROSS PROFIT	24.65	38.64	66.61	109.57	136.29	154.13	228.99
F. Depreciation	2.00	3.90	7.30	8.91	10.06	19.50	19.74
G. Operating Profit (E-F)	22.65	34.74	59.31	100.66	126.23	134.63	209.25
H. Income from Other sources	2.56	3.96	1.47	1.39	1.14	2.25	1.87
I. Pre- tax Profit(G+H)	25.21	38.70	60.78	102.05	127.37	135.88	211.12
J. Provision for Taxes	0.18	13.46	19.51	32.35	42.04	41.71	67.55
K. Net Profit(I-J)	**25.03**	**25.24**	**41.27**	**69.70**	**85.33**	**94.17**	**143.57**

Source: Annual Report of EBL

APPENDIX XIV

Nepal Investment Bank Limited
Comparative Profit and Loss Account

(Rs. in million)

Particulars	Fiscal Year						
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
A. Operating Income	397.89	353.33	350.25	421.58	415.68	577.44	911.95
1.Interest (Earned)	322.37	296.17	279.86	349.75	326.22	459.51	731.40
2. Commission	18.22	17.39	18.35	16.20	16.20	40.81	55.75
3. Exchange Income	53.21	35.27	44.80	49.83	42.86	50.83	87.98
4. Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Other	4.09	4.50	7.24	5.80	30.40	26.29	36.82
B. Cost of Services	158.68	152.98	138.98	194.25	172.16	250.50	415.95
6. Interest Paid	139.80	132.03	115.73	163.15	130.44	189.21	326.20
7. Salaries, Allowances & P.F.	18.88	22.95	23.25	31.10	41.72	61.29	89.75
C. Provision for Bonus	14.89	9.81	11.77	10.43	8.68	18.91	25.72
D. Other General Expenses	83.56	95.14	84.40	114.25	151.25	126.50	175.20
E. GROSS PROFIT	140.76	95.40	115.10	102.65	83.59	181.53	256.64
F. Depreciation	6.72	7.15	9.32	8.82	8.59	11.87	23.40
G. Operating Profit (E-F)	134.04	88.25	105.78	93.83	75.00	169.66	233.24
H. Income from Other sources	0.02	0.00	0.11	0.00	3.10	0.49	1.77
I. Pre- tax Profit(G+H)	134.06	88.25	105.89	93.83	78.10	170.15	231.47
J. Provision for Taxes	40.22	42.57	33.23	37.44	21.01	53.33	78.80
K. Net Profit(I-J)	**93.84**	**45.68**	**72.66**	**56.39**	**57.09**	**116.82**	**152.67**

Source: Annual Report of NIBL