# INVESTMENT PRACTICES OF NABIL BANK LIMITED

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# RECOMMENDATION

This is to certify that the thesis

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**INVESTMENT PRACTICES OF NABIL BANK LIMITED**

has been prepared as approved by this department in the prescribed format of faculty of management. This thesis is forwarded for evaluation.

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# VIVA-VOCE SHEET

We have conducted the Viva-Voce examination of the

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and found the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for

**Master Degree in Business Studies (MBS)**

## VIVA-VOCE COMMITTEE

Chairperson, Research Committee: ……………………….

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# DECLARATION

I hereby declare that the work done in this thesis entitled "Investment Practices of NABIL Bank Limited" submitted to Birendra Multiple Campus, Faculty of Management, Tribhuvan University is my original work. It is done in the form of partial fulfillments of the requirement of the degree of Master of Business Studies (M.B.S.) under the supervision and guidance of Baikuntha Pd. Bhusal, Lecturer of Birendra Multiple Campus.

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# TABLE OF CONTENTS

# LIST OF TABLES

# LIST OF FIGURES

# ABBREVIATIONS

| | | |
|---|---|---|
| BOK | : | Bank of Kathmandu |
| CRR | : | Cash Reserve Ratio |
| CV | : | Coefficient of Variation |
| DPS | : | Dividend Per Share |
| EBL | : | Everest Bank Limited |
| F/Y | : | Fiscal Year |
| HBL | : | Himalayan Bank Limited |
| i.e. | : | that is |
| Ltd. | : | Limited |
| Nabil | : | Nabil Bank Limited |
| NBL | : | Nepal Bank Limited |
| NEPSE | : | Nepal Stock Exchange |
| No. | : | Number |
| NRB | : | Nepal Rastra Bank |
| Pvt. | : | Private |
| RBB | : | Rastriya Banijya Bank |
| S.D. | : | Standard Deviation |
| SCBNL | : | Standard Chartered Bank Nepal |
| T.U. | : | Tribhuvan University |

# CHAPTER ONE

# INTRODUCTION

## 1.1 General Background

Investment practices is distributed on different types of assets with good profitability on the one hand and provide maximum safety and security to the depositors and banks on the other hand. Moreover, risk in banking sectors tends to be concentrated in the loan portfolio. When a bank gets into serious financial trouble its problem usually spring from significant amount of loan that have become un-collectable due to mismanagement, illegal manipulation of loan, misguided lending policy or unexpected economic downturn. Therefore, the bank's investment policy must be such that it ensures that it is sound and prudent in order to protect public funds. (Shakespeare, 2009: 156)

Investment is concerned with management of an investor's wealth, which are the sum of current income and the present value of all future income fund to be invested come from assets already owned borrowed money and saving or forgone consumption. By forgoing today and investing the saving, investors expect to enhance their future consumption possibilities i.e. they are invested to increase wealth. Investors also seek to manage their wealth effectively obtaining the most from it while protecting it from inflation, taxes and factors.

Investment practices is to increase systematically the individual's wealth, defined as assets minus liabilities. The higher the level of desired wealth the higher the return must be received. As investor seeking higher return must be willing to take higher level of risk. (Moses, 2010; 267).

Commercial bank is one of the major media in the framework of every economic because they collect saving as a deposit and invest for industry. Thus they contribute to the economic growth of the nation as a whole. Banks actively participate in credit expansion and contraction, which immensely influence the economy of a country. Banks transfer fund within and outside the country without any risks. It provides Letter of credit and Guarantee facilities, which contribute in boosting international trade to a great extent. Money lenders (Sahu, Mahajan, Shroffs etc.) and Usurers charge heavy interest rates and cheat people, but bank being a legal entity, can be considered free from such exploitations. The mobilization of domestic resources and the investment for production use to various sectors are important factors. Commercial banks formulate sound investment policy which eventually contributes to the economic growth of the country. The banking sectors need to play an important role to boost up the economy by adopting the growth oriented investment policy and building up the financial structure for the future economic development. Therefore, integrated and speedy development of any country is only possible when competitive, reliable and sound banking services are reached and carried to every nook and corner of the country.

**1.2. Focus of the Study**

The main focus of this research study is on investment practices of NABIL bank. Investment is concerned with management of an investor’s wealth, which are the sum of current income and the present value of all future income fund to be invested come from assets already owned borrowed money and saving or forgone consumption. By forgoing today and investing the saving, investors expect to enhance their future consumption possibilities i.e. they are invested to increase wealth. Investors also seek to manage their wealth effectively obtaining the most form it while protecting it from inflation, taxes and factors.

The word investment brings fourth vision of profit, risk, speculation and wealth for the uninformed investing may result in disaster for the knowledgeable, the investment process for the knowledgeable; the investment process can be financially rewarding and exciting" Valla has given the basic concept of investment in three points they are as follows.

i) Economic investment that is an economist definition of investment.

ii) Investment in a more general or extended sense which is used by "the man of the street"

iii) The sense in which we are going to be very much interested normal financial investment.

There is always a return if there is investment. This return may be favorable as well as unfavorable to the investor's standpoint. (Valla, 2005;25). But in the study, the word investment conceptualized the investment of income saving or the collected fund. The term investment covers a wide range of activities, it is commonly known fact that an investment is only possible where there is adequate saving. If all the incomes and savings are consumed to solve the problem of hand to mouth and to the other our basic needs, then there is no existence of investment. That is why both saving and investment are interrelated each other. The term, investment means the sacrifice of money today for the prospective money tomorrow. But investment in its broadest sense means the sacrifice of current dollars for further dollar. Two different attributes are generally involved time and risk. The sacrifice takes place in the present and certain the reward comes later. If at all and the magnitude is generally uncertain, in some cases, the element of time predominates e.g. government bond. In other cases, risk and the dominant attribute e. g. call option on common stock. Yet both time & risk are important. The problem of investment of investors is to select the funds whose objectives and degree of risk taking must closely match is own situated the one that will accomplish for him what he would wish to do for himself if he could diversify and manage his own holdings. Investment is a very well known and prestigious word in financial term. It is always true that all people want to invest their money in the best firm for good return but the return may be both favorable and unfavorable. It is conceptually the investment of the collected fund or wealth like income.

### 1.3 Statement of the Problem

The present situation of Nepal is economically unstable and unsteady. There is no security, peace and harmony in our country. Therefore the investors are discouraged to invest. In context of Nepal, banking sector is facing many problems such as political legal, economical as well as social. The unstable politics is the main cause to hamper for the development of banking sectors. Not only these, there is throat cut competition among mushrooming commercial banks. Most of the Nepalese people are illiterate and they are not aware about banking systems. So the lack of sound knowledge about the financial risk, business risk and other risk may lead the banks towards the liquidation and bankrupt. Due to the lack of effective human resources and trained manpower, growing brain chain is the serious problem for the existing healthy complication. The lending policies have become a major problem for developing economic condition of the country. Commercial banks give much loan and advances, overdraft and many other kinds of facilities to encourage deposit in bank. But the bank has utilized insufficient deposit to their customers and spent large amount of deposit as office operation expression and staff's welfare. They only depend upon the directions and guidelines of Nepal Rastra Bank (NRB) but they do not have clear view and have provided loan only on short term basis but they do not invest on long term project because of safety and not considering the profit potentiality of the project. Due to this, they may have sufficient return and most of joint venture banks may have to be collapsed due to poor and wrong investment policy. In this study the main research problem is investment practices of Nabil Bank Limited. Therefore, this study especially surrounds and leads with the following aspects of commercial banks:

i. What is the performance in terms of liquidity, asset management, profitability and risk?

ii. What are the trends of total deposits, total investments, loans and advances?

iii. What is the relationship of deposit with investment & loans and advances?

iv. What is the effect of investment decision on profitability position of the bank?

v. What’s the position of Non-performing loan?

### 1.4 Objective of the Study

Investment decision is one of the major decision functions of financial management. The main objective of the study is to evaluate and assess the investment practices of Nabil Bank Limited. The specific objectives of this study are as follow:

1. To analyze the performance in terms of liquidity, asset management, profitability and risk.
2. To evaluate the trends of total deposits, total investments, loans and advances and to compare their position in the companies.
3. To study the relationship of deposit with investment & loans and advances
4. To assess the effects of investment decision on profitability position of the banks
5. To evaluate the position of nonperforming loan.

### 1.5 Significance of Study

The need of this study lines mainly infilling a research gap on the study of investment practices of Nabil Bank Limited. The study will be basically confined to reviewing the investment practices of banks in five years periods. It is being well-known fact that the commercial banks can affect the economic condition of the whole country. The effort is made to highlight the investment practices of these banks expecting that the study can be sound bridge to the deposits and investments. This study expected to definitely provide a useful feedback to the policy makers of these banks. The need of this study lines mainly infilling a research gap on the study of investment policy of concerned banks. The study is basically confined to reviewing the investment practices of banks in five years periods. It is being well-known fact that the commercial banks can affect the economic condition of the whole country. This study is expected to definitely provide a useful feedback to the policy makers of these banks.

## 1.6 Limitation of the Study

This study will be attempted to evaluate the investment practices of Nabil Bank Ltd (NABIL). In this changing world, it is so difficult to cope with the space of the change. Due to these difficulties, every study or research is always accompanied by some limitations.

The following facts are the basic limitation of the study:

1. The study will be based on the period of five years period FY 2008/09 to 2012/13 of NABIL.
2. Out of the numerous affecting factors, only those factors related with investment practices to financial aspect will be considered.
3. This study will be deal with limited financial and statistical tools.

## 1.7 Organization of the Study

The study will be organized into five chapters in order to make the study easy to understand. Each chapter covers some facets pertaining to the investment practices of NABIL. The following are the titles of the chapters:

Chapter One : Introduction

Chapter Two : Review of Literature

Chapter Three: Research Methodology

Chapter Four : Data Presentation and Analysis

Chapter Five : Summary, Conclusions and Recommendation

**Chapter One** contains the introductory part of the study. This chapter gives an account of focus of the study, statement of the problems, objectives of the study, significance of the study, limitation of the study and organization of the study.

**Chapter Two** is devoted to theoretical framework that bounds the study, and brief review of relevant literatures. It includes the review of previous writings and studies relevant to the problem being explored, and within the framework of the theory structure. It consists of review of available literature which includes conceptual review, review of related studies, review of articles, and review of thesis.

**Chapter Three** covers the research methodology employed in the study. This chapter further attempts to explain the nature and sources of data, list of the selected companies, the method of data analysis and utilization of statistical tools. It includes the interpret parts research design, population and sample, data analysis tools.

**Chapter Four** elaborates with the presentation and analysis of relevant data through the definite coerces of research methodology with financial and statistical analysis of Nabil. Basically, the descriptive analysis is done for this research work.

**Chapter Fifth** is the last chapter of the study which deals with summary and conclusion then recommendation for improving the future, performance of sample banks.

# CHAPTER TWO

# REVIEW OF LITERATURE

This unit of the study tries to describe the conceptual NRB rules regarding funds mobilization of commercial banks. Besides these, this chapter highlights the literature that is available in research work, relevant study on this topic and review of thesis work, books, article, journal etc. which was performed previously.

## 2.1 Conceptual Review

### 2.1.1 Investment

The investment objective is to increase systematically the individual's wealth, defined as assets minus liabilities. The higher the level of desired wealth the higher the return must be received. As investor seeking higher return must be willing to take higher level of risk. (Moses, 2010; 267).

In finance the purchase of a financial product or other item of value with an expectation of favorable future returns. In general terms, investment means the use money in the hope of making more money. In business, the purchase by a producer of a physical good, such as durable equipment or inventory, in the hope of improving future business .Investment is concerned with the management of an investor's wealth which are the sum of current income and the present value of all future income funds to be invested come from assets already owned borrowed money and saving or foregone consumption by forgoing today and investing the saving, investors expects to enhance their future consumption possibilities i.e. they are invested to increase wealth. Some scholars have given the actual meaning of investment in their words, which are as follows:

Investment policy fixed responsibilities for the investment disposition of the banks assets in terms of allocating fund s for investment and loan and establishing responsibility for day to day management of those assets. (James, Bexely, 2010; 256)

Investment is any vehicle into which funds can be placed with the expectation that will preserve or increase in value and generate positive return. (Gitman, 2004; 124).

An investment is a commitment of money that is expected to generate additional money. Every investment entails some degree of risk, it requires a present certain sacrifice for a future uncertain benefits. (Francis, 2010; 247).

The investment objective is to increase systematically the individual's wealth, defined as assets minus liabilities. The higher the level of desired wealth the higher the return must be received, (Cheney and Moses, 2010; 13).

The above review clearly indicates that investment means use of rupee of amount today by exception more income in future. The value of rupee in future is increased than current value, so the expected change in price during the period and for the uncertainty involved icon cash flow. So, it is cleared that investment is the utilization of funds today with expected additional return in future but the return sometimes may be negative also, if wrongly invested without sound knowledge of investment and their related factor.

### 2.1.2 Concept of Investment

Investment is concerned with the management of an investors wealth which are the sum of current income and the present value of all future income funds to be invested come from assets already owned, borrowed money and saving or forgone consumption by forgoing today and investing the saving, investors expects to enhance there future consumption possibilities i.e., they are invested to increase wealth. 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 others for their use, in return for a proper instrument entitling the holders to fixed income payments or the participation in expected profit. Whereas an economist view, investment as a productive process by means of which additions are made to capital equipment. For our purpose in the study of the financial institutions the investment and investment problem will revolve around the concept of managing the surplus financial assets in such a way which will lead to the wealth maximization &providing a significant further source of income.

**Features of sound lending & investment policy:**

The income & profit of the bank depends upon its lending procedure lending policy& investment of its fund in different securities. The greater the credit created by the bank the higher will be the profitability. A sound lending and investment policy is not only prerequisite for bank's profitability, but also crucially significant for the promotion of commercial savings of a backward country like Nepal.

Some necessities for sound lending and investment policies which most of the banks must consider can be explained as under:

**a) Safety and Security:**

A bank should be very much conscious in investing procedures and sectors. It should never invest its funds on those securities, which are subjected to too much of volatility (Depreciation and Fluctuation) because a little difference may cause a great loss. It must not invest its fund into Speculative businessman, who may be bankrupt at once and who may earn millions in a minute also. The bank should accept that type of securities, which are commercial, durable, marketable and high market prices. In this case, "MAST" should be applied for the investment.

Where as –

M - Marketable

A -Ascertainable

S -Stability

T -Transferability

**b) Profitability:**

The profit of commercial bank mainly depends on the interest rate, volume of loan, its time period and nature of investment in different securities. It is a fact that a commercial bank can maximize its volume of wealth through maximization of return on their investment and lending. So, they must invest their funds where they gain maximum profit. A good bank is one who invests most of its fund in different earning assets standing safety from the problem of liquidity i.e. keeping cash reserve to meet day to day requirement of the depositors.

**c) Liquidity:**

Liquidity is the ability of the firm to satisfy its short term obligations as they come due. Generally people use deposit their earnings at the bank in different accounts with the confidence that the bank will repay their money when they need. To maintain such confidence of the depositors, the bank must keep this point in mind while investing its excess fund in different securities or at the time of lending so that it can meet current or short term obligations when they become due for repayment.

**d) Purpose of Loan:**

In the viewpoint of security, a banker should always know that why a customer is in need have loan. If a borrower misuses the loan granted by the bank, he can never repay therefore in order to avoid this situation each and every bank should demand all the essential detailed information about the scheme of project or activities.

**e) Diversification:**

A bank should not lay all its eggs on the same baskets. This saying is very important to the bank and it should be always careful not to grant loan in only one sector. To minimize risk, a bank must diversify its investment on different sectors. Diversification or loan helps to sustain loss according to the law of average, if a security of a company is deprived of; there may be an appreciation in the securities of other companies. In this way, the loss can be recovered.

**f) 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 apart from intangible securities, which have lost their value due to price level inflation.

**g) Legality:**

Illegal securities will bring out many problems for the investor. A commercial bank must follow the rules and regulations as well as different directions issued by NRB, ministry of finance, ministry of law and other while mobilizing its funds.

**h) National Interest**

In addition to its own profitability the bank should also consider the national interest. Even though the bank cannot get maximum return form such investment, it should carry out its obligation toward the society and the country. The bank is required to invest on such sectors as per the Government and Nepal Rastra Bank's instruction. Investment on government bonds, priority and deprived sector lending are the examples of such investments. (Gitman, 2004)

### 2.1.3 Meaning of Commercial Bank

Commercial bank deals with other people’s money. They have to ways of keeping their assets liquid so that they could meet the demands of their customers. In their anxiety to make profit, the banks can’t afford to lock to up their funds in assets, which are not easily realizable. The depositor confidence could be secured only if the bank is able to meet the demand for cash is an idle asset and hence the banker cannot afford to keep a large portion of his assets in the form of cash. Therefore the banker has to distribute his assets in such a way that he can have adequate profits without sacrificing liquidity.

A commercial bank is business organization that receives and holds deposits of fund form others, makes loans or extends credits and transfer funds by written order of deposits.

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. *(American institute of Banking, 1972, P-345)*

Commercial banks, as financial institutions, perform a number of internal functions. Among them, providing credit is considered as most important one is the words of, Commercial Banks bring into being the most important ingredient of the money supply, demand deposits through the creation of credit in the form of loan and investments." *(Crosse, 1963, P-452)*

### 2.1.4 A Glimpse on NRB Act

There is various acts of the study, which those basically involved in this section; the review of acts framework (environment) under which those basically involved in this section; the review act, environment has significant impact on the commercial banks establishment, their mobilization and utilization of resources. All the commercial banks have to perform to the act, provisions specified in the commercial banks have to conform to the act, previous specified in the commercial Bank Act 2031 (1964 A.D.) and the rules and regulation to facilitated the smooth running of commercial banks. The preamble of Nepal Bank Act 2031 clearly states the need of commercial banks in Nepal "In the absence of any bank in Nepal the therefore, with the objective of fulfilling that need by providing services to the people and for the betterment of the country, this law is hereby promulgated for the establishment of the bank its operation."

Central Bank NRB has established a legal framework by formulating various rules and regulation to mobilize or invest the deposit of the bank in different sectors of the different parts of the nation, to prevent them from the financial problems. This directive mush has direct or indirect impact while making decisions. Those rules and regulation are discuss which are formulated by NRB in terms of investment and credit to priority sector, deprived sector, other institution, single borrower limit, CCR. Loan loss provision, capital adequacy ratio, interest spread and productive sector investment. Commercial bank is directly related to the fact that how much find must be collected as paid up capital while establishing the bank at certain place of the nation, how much fund is needed to expand the branch and counters, but we discuss only those which are related to investment function of the commercial bank. The provisions established by the NRB in the form of prudential norms are as follows:

**i. Provision for investment in productive sector:**

Being a developing country, Nepal needs to develop its infrastructure and other primary productive sectors likes' agricultural, industrial, etc. NRB has directed commercial banks to extent at least 40% of its credit to productive sector.

**ii. Provision for investment in priority sector:**

NRB has directed commercial banks to extent least 12% of its total outstanding credit to priority sector. Commercial bank' credit to deprived sector is also a part of priority sector. Credit to agriculture, cottage and small industries, services business (Computer, Tourism) and other business.

**iii. Provision for investment in deprive sector:**

The deprived sector credit limit is determined by NRB from 0.25% to 3% of the total outstanding credit from bank to bank. Investment in share capital of rural Development banks, advances of Rural Development Banks and other development banks engaged in poverty alleviation programs advances to co-operative, non-government organizations and small farmer co- operative approved by NRB for carrying out banking transaction are included under deprived sector credit program. Commercial banks are required to disburse credit to the deprived sector.

**iv. Directive Regarding interest spread rate:**

NRB has directed the commercial banks to limit its interest rates spread with the maximum of 5% interest rates spread is the difference between the interests charged on loan advances and the interest paid to the depositors.

**v. Directives regarding Capital Adequacy Funds (CAR)**

All commercial banks are directed to maintain the minimum capital fund on the basis of risk weighted assets.

Where, Core capital includes paid up Capital, Share premium, Non-Redeemable preference share, General reserve fund and accumulated loss/profit. Supplementary Capital includes General loans provision, exchange equalization reserve, hybrid Capital Instruments, Subordinated term debt and free reserves.

As per the directives, there are two types of the total Risk Weighted Asset. They are:

a. Risk weighted on Balance Sheet Assets

b. Risk Weighted Off Balance Sheet Assets

For the purpose of calculation of Capital Fund, on the Balance Sheet Assets are divided as follows with assignment of separate risk weight age. Accordingly, for determining the Total Risk Weighted Assets, the amount as exhibited in the balance sheet shall be multiplied by their respective risk weight and then added together.

**2.2 Review of Articles/Journals**

Under this subheading, the effort has been made to review of the related articles and journal which are published in different economic journal, bulletin of the World Bank, magazines, newspapers, dissertation papers as well as other related books.

**Pyakurayal (1990)** in his article, "Workshop on Banking and National Development". The present changing context of the economy calls for a substantial revitalization of the resources. How much they have gained over the years depends chiefly on how far they have been able to utilize their resources in an efficient manner. Therefore, the task utilization of resources is as much crucial as the mobilization. The under utilization of resources not only result in loss of income but also goes further to discourage the collection of deposits. The major finding of the study connected with financial management is given as follows:

i. The enterprises have a definite performance for bank loans at a lower level of debt.

ii. Banks and retained earning are the two most widely used financing sources.

iii. Most of enterprises find that banks are flexible in interest rates and convenience.

iv. Most of enterprises do not borrow from one bank only and they do switch between banks which ever offer best interest rates.

v. In general, there is no definite time to borrow the issues stocks that is majorities of respondents are unable to predict when interest rate will lower or go up or unable to predict when the stock will down or up.

**Shrestha (1993)** in his articles, "A Study on Deposit and Credit of Commercial Bank Nepal, concluded that the credit deposit ratio would be 31.30% other thing remaining 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 few field as far as possible, otherwise they might not be able to absorb even the total expenses.

**Shrestha (1999)** has expressed in his article, "Theory and Practice of Portfolio Management in Nepalese Commercial Bank" has given emphasis in the following issues, in case of investors having lower income and portfolio management may be limited to small saving incomes. But on the other hand, portfolio management means to invest funds in various schemes of mutual funds like deposits, shares and debenture for the investors with surplus income. Therefore, portfolio management becomes very important both for an individuals as well as institutional investors.

## 2.3 Review of Thesis

During the study, the previous students have carried out several thesis works. Among them some of thesis is found to be relevant for this study which is presented as below:

**Khadka (2009)** has conducted on "A study on the Investment Policy of Nepal Arab Bank Ltd. in comparison to other joint venture banks of Nepal".

The main objectives of the research were as follows:

a) To evaluate the liquidity and profitability position in related fund mobilization of Nabil in comparison to other JVBs.

b) To evaluate the growth ratios of loan and advances and total investment with respective growth rate of total deposits and net profit of Nabil in comparison to other JVBs.

c) To discuss fund mobilization and investment policy of Nabil in respect to its fee based off-balance sheet transaction and fund based on-balance sheet transactions in comparison to other JVBs.

d) To find out the relationship between deposit and total investment, deposit and loan advances and net profit and outside assets of Nabil in comparison to other JVBs.

e) To evaluate the trends of deposit utilization and its projection for next five years incase of Nabil in comparison to other JVBs.

The major or findings of the research were as follows:

1. The liquidity position of Nabil is comparatively worse than other JVBs; Nabil has utilized more portions of current assets as loan and advances and less portion as investment on government securities.

2. Nabil is comparatively less successful in on-balance sheet utilization as well as off-balance sheet operation than that of JVBs, which predicted that Nabil could not mobilize as efficiently as other JVBs.

3. The profitability position of Nabil is comparatively better than other JVBs.

4. There is significant relationship between deposit and loan and advances as well as outside assets and net profit whereas there is no significant relationship between deposit and total investment increase of Nabil and other JVBs too.

5. The trend values of loan and advances to total deposit of Nabil and other JVBs are in increasing trend whereas, the trend value of total investment to total deposit of both Nabil and other JVBs are in increasing trend.

**Shahi (2010)** in his thesis work entitled "Investment Policy of Commercial Bank in Nepal, A Comparative Study of Nepal Bank Ltd & Joint Venture Banks"

A research study conducted by Prem Bahadur Shahi on the following main objectives:

a) To evaluate the liquidity, asset management efficiency and profitability and risk position.' of NBL in comparison to the JVBs s

b) To find out the empirical relationship between various important variables. i.e. deposits loan and advances, investment, net profit etc. and compare them with the JBVs.

c) To analyze the deposit utilization trend and its projection for the next five years of NBL and compare it with that of the JVBs

d) To conduct hypothetical test to find whether there is significant difference between the various important ratios of NBL and the JVBs.

e) To provide a package of workable suggestions and possible Guidelines to improve investment policy of NBL and the JVBs based on the findings of the analysis, for the improvement of financial performance of NTBL in future.

His major findings of the study were as follows:

a) The liquidity position of NBL is comparatively better than that of JBVs highly fluctuating liquidity position shows that the bank has not formulated any stable policy,

b) It can also be conducted that NBL has more positions of current asset has more positions of current asset as loan and advance but less as investment on govt. securities.

c) NBL is comparatively less successful in on.-balance sheet as well as off-balance sheet operation than that of the JVBs. It has not followed policy with regard to the management its assets.

d) Profitability position of NBL is comparatively not better than that of the JVBs. It indicates that NBL must maintain its high profit margin in future.

e) There is comparatively higher risk in NBL than that of the JVB's regarding various aspects of the banking function.

f) Growth ratio of deposit, loan and advances of NBL is lower than that of JVBs.

**Thapa (2010)** has conducted a thesis work on "A Comparative study on Investment Policy of Nepal Bangladesh Bank Limited and other Joint Venture Banks (Nabil and NGBL)"

The major objectives of the research study were as follows:

a) To evaluate the liquidity, Assets management efficiency, profitability and risk position of NB Bank in comparison to Nabil and NGBL.

b) To analyze the relationship between loan and advances and total investment with other financial variables of NB Bank and compare with Nabil and NGBL

c) To examine the, fund mobilization and investment policy on NB Bank through off-balance sheet and on-balance sheet activities in comparison to the other two banks.

d) To study the various risks in investment of NB Bank in comparison to Nabil and NGBL.

e) To analyze the deposit utilization trend and its projection for ext five years of NB Bank and compare it with Nabil and NGBL.

The major findings of the study were given below:

a) NB Bank has good deposit collections, it has better liquidity position, it has made enough loan and advances but it has made the negligible amount of investment in government securities.

b) The profitability position of NB bank is comparatively worse than that of Nabil and NGBL.

c) The credit risk ratio, interest risk ratio and capital risk ratio are worse than Nabil and NGBL.

d) The growth ratio of total deposit, loan and advances and net profit of NB bank is higher than Nabil and NGBL while growth ratio of total investment of NB bank is comparatively worse than Nabil and NGBL.

e) There is significant relationship between deposit and loan and advance, outside assets and net profit on NB bank but there is no significant relationship between deposit and investment of NB Bank.

f) The position of NB banking regard to utilization of fund to earn profit is not better in comparison to Nabil and NGBL.

g) There is significant difference in mean ratios of loan and advances to total deposit ratio, mean ratio of total off-balance sheet operation to loan and advances, mean ratio of return on loan and advances and mean ratio of total interest earned to total outside of NB Bank.

**Joshi (2011)** had conducted a thesis research on, "A Comparative Study on Investment Policy of Standard Chartered Bank Nepal Ltd. and Everest Bank Ltd.

The main objectives of the research were as follows:

a) To compare investment policy of concern banks and discusses the find mobilization of the sample bank.

b) To find out empirical relationship between total investment, deposit and loan and advances, the net profit and outside assets and compare them.

c) To analyze the deposit utilization and its projection for next five years of SCBNL and EBL.

d) To evaluate comparatively the profitability and risk position, liquidity asset management efficiency of SCBNL and EBL.

e) To provide a package of possible guidelines to improve investment policy, its problems and way to solve some problems and provide suggestions and recommendation on the basis of the study.

Major or findings of the study were given below:

a) EBL has the highest cash and bank balance to total deposit, cash and bank to current ratio, this make the bank to be in good position to meet the daily cash requirement. EBL has fluctuating liquidity ratios; it shows that the bank has not properly formulated any stable policy. EBL has greater current ratio than SCBNL it means EBL is greater success to meet its current obligation.

b) SCBNL has been successfully maintained and managed its assets towards different income generation activities. SCBNL has made high portion of total working fund in investment on government on share and debentures of other comparatively.

c) The profitability ratio of SCBNL is comparatively better than EBL. It indicates that SCBNL has maintained its high profit margin regarding profitability lower than EBL does not have a better position in comparison.

d) The risk of SCBNL is comparatively lower than EBL regarding various aspects of banking function.

e) The growth ratio of deposit, loan and advances and total investment is comparatively lower than EBL.

f) Coefficient of correlation between deposit and loan and advances of the both banks has significantly positive value

**Dhital (2012)** has conducted a thesis research on "A study on Investment Policy of Standard Chartered Bank Nepal Ltd. and Bank of Kathmandu Ltd."

The basic objectives of the study were as follows:

a) To find out relationship between total investment, deposit, loan and advances, net profit and outside asset and compare them.

b) To compare investment policy of concerned banks and discusses the fund mobilization of sample bank.

c) To evaluate the liquidity, asset management efficiency, profitability and risk portion of SCBNL and BOK.

d) To analyze the deposit utilization trend and its projection for five years of SCBNL and BOK.

e) To provide package of a workable suggestion and possible guidelines to improve investment policy, its problem and provide suggestion and recommendation on the basis of the study.

The major findings of the research were as follows:

a) Form the analysis of liquidity ratio, the mean ratios of cash and banks balance of total deposit ratio, mean ratio of cash and bank balance to current asset means ratio of loan and advances to current asset of SCBNL are lower than that of BOK. But ratio of investment on government securities to current asset of SCBNL is higher than BOK.

b) From the analysis of asset management ratio, the mean ratio of loan and advances to total deposit, loan and advances to working fund ratio of SCBNL are lower than BOK. But the mean ratio of total investment to total deposit and investment on Government securities to total working fund of SCBNL are higher than that of BOK.

c) From the analysis of profitability ratio, the mean ratios of return on loan and advances, ratio of return on total working fund ratio of total interest earned to total outside asset of SCBNL are higher than BOK. But the mean ratio of total interest earned to total working fund ratio of total interest paid to total working of und of SCBNL are lower than BOK.

d) The liquidity risk ratio and credit risk ratio of SCBNL are lower than BOK.

e) The mean growth rate of total deposit and growth rate of loan and advances of SCBNL are less than BOK. But the average growth of total investment and growth rate of net profit of SCBNL is rate 0 higher than BOK.

f) The trend values of total deposit, loan and advances, total investment, net profit of both banks is in increasing trend.

g) There is significant difference between mean ratio of loan and advances to total deposit of SCBNL and BOK. But significant relationship is between mean ratio of total investment to total deposit of SCBNL and BOK.

**2.4 Research Gap**

Previous researchers have done their research in this topic of different commercial banks and joint venture banks. But they have not taken Nabil Bank Limited for this study under the topic of 'Investment practices in their research. Therefore, researcher has taken NABIL in this study the researcher work to analyze the investment policy which is well established joint venture banks of Nepal. During the recent year they are earning profit rapidly. The research is based on secondary data. The researcher has used current data from FY 2008/09 to 2012/13. The research clearly shows the present investment practices of this bank.

# CHAPTER THREE

# RESEARCH METHODOLGY

Research Methodology is a way to solve systematically about the research problems, which includes many techniques and tools, if it necessary in every steps of this study.

## 3.1 Research Design

Research design is an essential part for each research work. It is the plan, structure and strategy investigations conceived so as to obtain answer to research questions and to control variances. Descriptive research design has been used for this study. This study depends on the secondary data. It includes all the process of collecting verifying and evaluating of past evidence systematically and objectively to reach final conclusion. Some statistical and accounting tools have been adopted to analyze factors in this research study.

## 3.2 Population and Sample

In statistics population means whole and sample means the part of the whole. Population refers not only to people but the totality of observation that selected for study. Population is also known as universe. Sample refers to a part of chosen from the population, sampling is a tool which helps us to draw conclusions about characteristics of the population after studying only those observation that are included in the sample. There are altogether 30 commercial banks till April 2014. In this study the commercial banks in Nepal are considered as population Nabil Bank Limited has been taken as a sample by using convenience sampling method.

### 3.2.1 Brief Introduction of Nabil Bank Limited

The arrival of Nabil Bank in Nepal on the 12th of July 1984 through a joint venture with Dubai Bank Ltd. under a Technical Service Agreement (TSA), marks a new dawn in the Nepalese banking industry. The bank had initiated its business with authorized capital of Rs. 60 million and paid up capital of mere Rs.30 million. The net worth of the bank by mid July 2005 was Rs. 1658 million. The bank has now 28 branches around the nation. Today Nabil entering the 25th year of operation has proved that it has through its past progressions. It is one of the largest bank in terms of the network and number of branches amongst the commercial banks with a wide network of ATMs and offerings including a range of diversified service products. It has diversified it's realms of business in the interests of customers and are also being inspired by the noble cause of adding value to economic development. It has packaged it's service products into well a diversified range consisting of corporate banking, trade finance, along with consumer and retail banking services specifically, card products, microfinance and the like to reach out to the masses. (www.nepalsharemarket.com)

**Shareholding Pattern**

NB International (foreign partner) holds 50%

NIDC holds 10%,

Nepal stock Exchange holds 0.33%,

Rastriya Beema Sansthan holds 9.67%

The general public holds 30%.

### 3.3 Sources and Method of Data Collection

This study mainly based on secondary data. Concerned banks, Nepal Rastra Bank, SEBON and different library are the providers of the data as well as websites of all concern banks. Various financial and statistical tools were used to analyze the data ratio analysis, correlation coefficient, trend analysis, standard deviation etc were used in the study. A brief explanations of statistical and financial tools employed in this study is given below.

### 3.3.1 Financial Tools

A financial tool basically helps to examine the financial strength and weakness of the banks. There are various financial tools; some of them are as follows:

**Ratio Analysis**

Ratio analysis is one of the strongest financial tools, has been used in the study. This tool helps to show the mathematically relationship between two accounting items or figure. It is the only tools that can collect the financial performance and status of the firm. There are various types of ratio to analyze and interpret the financial statement but only main ratios have been taken in this study, they are as follows:

**A. Liquidity Ratios**

Liquidity ratios help to measure the firm's ability of funds, the solvency of the firm and the firm's ability to pay its obligation when balances are due. Short-term liquidity involves the relationship between current assets and current liabilities. The following ratios are calculated under liquidity ratio.

**i) Current Ratio**

Current ratio shows the short-term solvency and the relationship between current assets and current liabilities. Generally current assets include cash and bank balance, loan and advances, money at call of short notice, investment on government securities and other interest, overdraft, bill purchase and discount, receivable and miscellaneous current assets. Similarly current liabilities include deposit and other account, bills payable, short terms loan, tax provision, staff bonus, dividend payable and miscellaneous current liabilities. Current ratio can be computed as:

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

There widely accepted standard of current ratio is 2:1.

### ii) Cash and Bank Balance to Total Deposit Ratio

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

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

Cash and bank balance includes cash on hands, foreign cash on hand; cheques and other cash items balance with domestic banks and foreign banks. Similarly, total deposit consists of current deposits, fixed deposits, saving deposits, money at calls and short-term notice and other deposits.

### iii) 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 firm. This ratio is computed by dividing cash and bank balance by current assets higher ratio shows the bank's ability to meet its demand for cash mathematically it can be computed as:

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

### iv) Investment on Government Securities to Current Assets Ratio

This ratio helps to find out the percentage of current assets invested on the government securities, treasury bills and development bonds. This ratio can be computed by dividing investment on government securities by current assets. Mathematically it can be computed as:

$$Investment\ on\ Govt.Secu.\ to\ Current\ Assets\ Ratio = \frac{Investment\ on\ Govt.Secu.}{Current\ Assets}$$

### v) Loan and Advances to Current Assets Ratio

Loan and advances are the current assets, which is the general income to bank. This ratio shows the percentage of loan and advances in the total assets. It is computed by dividing loan and advances by current assets. Mathematically it can be computed as:

$$Loan\ and\ Advance\ to\ Current\ Assets\ Ratio = \frac{Loan\ and\ Advance}{Current\ Assets}$$

Where, the loan and advances include loan and advances, cash credit, loan and foreign bills purchased and discounted.

### B. Assets Management Ratios (Activity Ratio)

Assets management activity or turnover ratios are used to measure how effectively the firm in managing its assets. These ratios are designed to answer the questions, such as does the total amount of each type of asset as reported on the balance sheet seem reasonable, too high or too low in view of current and projected operating level? These are used measure the banks ability to utilize their available limited resources. The following ratios are used under this assets management ratio:

### i) Loan and Advances to Total Deposit Ratio

This ratio is computed to find out, how successfully the banks are utilizing their total deposit on loan and advances for profit generation purpose. Higher ratio indicates the better utilization of loan and advances out of total deposit. This ratio can be calculated by dividing loan and advances by total deposits. Mathematically, it can be stated as:

$$Loan\ and\ Advance\ to\ Total\ Deposit\ Ratio = \frac{Loan\ and\ Advance}{Total\ Deposits}$$

### ii) Loan and advances to total working Fund

Loan and advances are the major component of the total working fund, which indicates the ability of banks and finance companies in terms of high earning profit from loan and advances: This ratio can be calculated by dividing loan and advances by total working fund. Mathematically, it can be stated as:

$$Loan\,and\ Advance\ to\,Total\,Working\ Fund = \frac{Loan\,and\ Advance}{Total\,Working\ Fund}$$

Where, total working fund includes all assets of on-balance sheet item, i.e. current assets, net fixed assets, loan for development banks and other miscellaneous assets but excludes off-balance sheet item i.e. Letter of Credit (LC), Latter of Guarantee, etc.

**iii) Total Investment to Total Deposit Ratio**

This ratio shows how properly firm's deposits have been invested on government securities and share and debenture of other companies and banks. It can be computed by dividing total investment by total deposit. Mathematically, it can be formulated as:

$$Total\ Investment\,to\,Total\ Deposit\ Ratio = \frac{Total\ Investment}{Total\ Deposits}$$

Where, the total investment includes investment on government securities, investment on debenture, shares in other investment and other companies.

**iv) Investment on Government Securities to Total Working Fund Ratio**

This ratio shows investment on government securities of the banks in the companies of the total working fund. This ratio can be calculated by dividing investment on government securities by total working fund. Mathematically, it can be formulated as,

$$Investment\,on\,Govt.Secu.\ to\,Total\,Working\ Fund = \frac{Investment\,on\,Govt.Secu.}{Total\,Wroking\ Fund}$$

**v) Investment on Shares and Debenture to Total Working Fund Ratio**

This ratio indicates the bank investment in share and debenture of the subsidiary and other companies. This can be computed by dividing investment on shares and debenture by total working fund. Mathematically it is stated as,

$$Inv.on\,Share\,and\ Debenture\,to\,Total\,Working\ Fund = \frac{Inv.on\,Share\,and\ Debenture}{Total\,Wroking\ Fund}$$

Where, the numerator includes investment and debenture, bonds and shares of other companies.

### C. Profitability Ratios

Profitability ratios are used to measure the overall efficiency of the banks in terms of profit and financial position and Performance of any institutions. For the better financial performance, generally profitability ratios of the firms should be higher. The following ratios can be takes under this heading.

#### i) Return on Loan and Advances Ratio

This ratio indicates how efficiently the bank has utilized its resources to earn good return from provided loan and advances. It is calculated by dividing net profit (loss) by total loan and advances. Mathematically, it can be stated as:

$$Return\,on\,Loan\,and\ Advance\,Ratio = \frac{Net\,Profit}{Loan\,and\ Advance}$$

#### ii) Return on Total Working Fund Ratio

This ratio shows the overall profitability of total working fund. It is also known as return on assets (ROA). Higher ratio indicates the better performance of financial institutions in the form of interest earning on its working fund. This ratio is calculated by dividing net profit (loss) by total working fund. Mathematically it can be stated as:

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

#### iii) Total Interest Earned to Total outside Assets

This ratio measures the capacity of the firm for earning interest through proper utilization of outside assets. Higher ratios show the efficiency of using outside assets to earn interest. This is calculated by dividing total interest earned by total outside assets. Mathematically, it can be expressed as:

$$Total\ Interest\ Earned\ to\ Total\ outside\ Assets = \frac{Total\ Interest\ Earned}{Total\ Outside\ Assets}$$

**iv) Total Interest Earned to Total Working Fund Ratio**

This ratio reflects the extent to which the banks are successful in mobilizing their total assets to acquire income as interest. This ratio mainly reveals the earning capacity of a commercial bank by mobilizing its working fund. Higher the ratio higher will be the income as interest. It can be calculated by dividing total interest earned by total working fund. Mathematically, it can be, calculated as:

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

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

This ratio indicates the percentage of interest paid on liabilities with respect to total working fund. This ratio is calculated by dividing total interest paid by total working fund. Mathematically it can be expressed as:

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

Where, total interest paid includes total expenses on deposits liabilities, loan and advances (borrowing), other deposits etc

**vi) Total Interest Earned to Operating Income Ratio**

This ratio is computed to find out the ratio of interest income to find out the ratio of interest income with operating income of the banks or the financial institutions. Generally it indicates how efficiently is the bank in the mobilization of its resources is bearing assets i.e. loan and investment,, investment etc. it is calculated by dividing the total interest earned by total operating income. Mathematically, it can be stated as:

$$Total\ Interest\ Earned\ to\ Operating\ Income\ Ratio = \frac{Total\ Interest\ Earned}{Operating\ Income}$$

**D) Risk Ratios**

Risk is uncertainty, which lies in the bank transaction of investment management. It increases effectiveness and profitability of the banks. This ratio indicates the amount of risk associated with the various harming operations, which ultimately influence the banks investment policy. Generally the following two ratios are used in this risk ratio:

**i) Liquidity Risk Ratio**

This ratio measures the level of risk associated with the liquid assets (i.e. cash, bank balance) that are kept in the bank for the purpose of satisfying the deposits demand for cash. Higher ratio indicates lower liquidity risk. This ratio is computed by dividing total cash and bank balance by total deposits. Mathematically, it can be expressed as:

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

**ii) Credit Risk Ratio**

This ratio helps to measure the probability of loan non-repayment or the possibility of loan to go into default. According to definition, credit risk ratio is also expressed as the percentage of non-performing loan to total loan and advances. This ratio is computed by dividing total loan and advances by total assets. Mathematically, it can be stated as:

$$Credit\ Risk\ Ratio = \frac{Total\ Loan\ and\ Advance}{Total\ Assets}$$

**iii) Non- Performing Loan Ratio**

The non-performing loan ratio indicates the relationship between non-performing loan and total loan. It measures the proportion of non-performing loan in total loan and advances. The ratio is used to analyze the asset quality of the bank and determined by using the given model.

$$Non\,Performing\,Loan = \frac{Non\,Performing\,Loan}{Total\,Loan\,and\,\,Advance}$$

Where, Non-performing Loan, which have been past due either in the form of interest servicing or principal repayment and graded as possible default.

### 3.3.2 Statistical Tools

Some important statistical tools are used to analyze the data to achieve the objective of this study. The basis statistical tools related to this study are discussed below:

**I) Coefficient of Correlation Analysis**

This statistical tool has been used to analyze and interpret the relationship between two or more variables. "Correlation is the statistical tool that we use to describe the degree to which one variable is linearly related to another" among the various method of finding at coefficient of correlation, Karl Pearson’s method is applied in the study. This study tries to find out relationship between the following variables.

i) Coefficient of correlation between deposit and loan and advances.

ii) Coefficient of correlation between total deposit and total investment.

iii) Coefficient of correlation between total outside assets and net profit.

iv) Coefficient of correlation between total deposit and net profit.

v) Coefficient of correlation between deposit and interest earned.

vi) Coefficient of correlation between loan and advances and interest paid.

**Coefficient of Correlation between total working fund and net profit**

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

Where r = Karl Pearson's coefficient of correlation.

$$\overline{X} = \frac{\sum X}{N} \quad (Median\ \ of\ \ X\ \ Variable)$$

$$\overline{Y} = \frac{\sum Y}{N} \quad (Median \;\; of \; Y \; Variable)$$

$$X = X - \overline{X}$$

$$Y = Y - \overline{Y}$$

The result of coefficient of correlation is always between +1 or -1 when r = +1, it means there is significant relationship between two variables and when r = -1, it means there is no significant relationship between two variables.

**II) Trend Analysis**

These analyses interpret or analyze the trend of deposits, loan and advances, investment, net profit and it's Provisions of Nabil Bank Ltd. from 2008/09 to 2012/13 and it helps to make forecasting for next five years.

The following trend analysis has been used in this study. They are as follows:

(i) Trend analysis of total deposits
(ii) Trend analysis of loan and advances
(iii) Trend analysis of total investment
(iv) Trend analysis of net profit
The trends of related various variables could be calculated. as,

$Y_c = a + bx$

Where,
$Y_c$= Dependent Variable
x = Independent Variable
a = y Intercept Variable
b = Slope of the Trend Line.

**III) Standard Deviation (S.D.)**

The measurement of the scattered of the mass of figure in series about an average is known as dispersion. The standard deviation measures the absolute dispersion. The greater the amount of dispersion will be greater the standard deviation. A small standard deviation means a high degree of uniformity of the observations as well as homogeneity of a series and vice-versa. The standard deviation of different ratios can be calculated as,

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

**IV) Coefficient of Variation (C.V.)**

The coefficient of variation (C.V.) is the; relative measure of dispersion. Comparable across distribution, which is defined as the ratio of the standard deviation to the mean expressed in percent. It can be computed as,

$$CV = \frac{\sigma}{\bar{X}} \times 100\%$$

# CHAPTER FOUR

# PRESENTATION AND ANALYSIS OF DATA

The main purpose of this chapter is to analyze and evaluate the major financial and statistical items which are directly related to the investment management of selected sample bank. There are many kinds of financial ratios but only those ratios are calculated and analyzed which are very important to evaluate the investment management of NABIL bank.

## 4.1 Financial Analysis

Financial analysis is the act of identifying the financial strength and weakness of the organization presenting the relationship between the items of the balance sheet. Under this topic, some financial tools such as liquidity ratio, asset management ratio, profitability ratio, asset management ratio, profitability ratio, risk ratio and growth ratio are used to achieve the objectives of the study. These tools are more important to evaluate investment management of the NABIL bank.

### 4.1.1 Liquidity Ratios

Commercial bank should maintain its satisfactory liquidity position to satisfy the credit needs of the community, to meet demands for deposits, withdraws, pay maturity obligation on time and non-cash to satisfy immediate needs without loss to bank and consequent impact in long run profit. The liquidity position of the NABIL bank studied through the following ratios:

#### i. Current Ratio

Current ratio indicates the ability of the banks to meet to its current obligation. This ratio measures the liquidity position of the financial institutions. It is calculated by dividing current assets by current liabilities. The widely accepted standard of current ratio is 2:1 but accurate standard depends on circumstances in case to banking and seasonal business ratio such as 1:1 etc. The current ratios of selected bank is given in the following table.

**Table 4.1**

**Current Ratios**

*(Rs. in Million & Ratio in Times)*

| Fiscal Year | CA | CL | Ratio |
|---|---|---|---|
| 2008/09 | 4789.98 | 2670.64 | 1.79 |
| 2009/10 | 5430.88 | 1145.13 | 4.74 |
| 2010/11 | 6091.03 | 2925.75 | 2.08 |
| 2011/12 | 6651.21 | 1562.7 | 4.26 |
| 2012/13 | 9667.04 | 1600.59 | 6.04 |
| **Mean** | **6526.03** | **1980.96** | **3.78** |
| **SD** | **1889.71** | **772.42** | **1.81** |
| **CV** | **28.96** | **38.99** | **47.82** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

Above table shows that the mean current ratio of NABIL i.e. 3.78 which is above the standard. In general, current ratio is better when the proportion of bank's current assets and current liabilities meets 2:1 standard level.

The current ratio over the study period it is 1.79 in Fiscal year 2008/09 which is below the standard and then it is in increasing trend which are above the standard next for four years. It is clearly shows that the bank hold large amount of current assets in comparison of the current liabilities therefore the bank unable to meet it's obligation during the study period.

**ii. Cash and Bank Balance to Total Deposit Ratio**

This ratio measures the availability of bank highly liquid or immediate funds to meet its unanticipated calls on all types of deposits, money at calls and short term notice and other deposits. It can be calculated by dividing the amount of cash and balance by the total deposits. Higher ratio indicates the greater ability to meet their deposits and vice-versa. Following table shows the cash and banks balance to total deposit ratios of sample bank.

**Table 4.2**

**Cash and Bank Balance to Total Deposit Ratios**

*(Rs. in Million & Ratio in percent)*

| Fiscal Year | CBB | TD | Ratio |
|---|---|---|---|
| 2008/09 | 3372.5 | 37348.25 | 9.03 |
| 2009/10 | 1400.08 | 46410.7 | 3.02 |
| 2010/11 | 2436.54 | 49696.11 | 4.90 |
| 2011/12 | 4275.81 | 55023.69 | 7.77 |
| 2012/13 | 5460.12 | 63609.8 | 8.58 |
| **Mean** | **3389.01** | **50417.71** | **6.66** |
| **SD** | **1576.33** | **9780.52** | **2.59** |
| **CV** | **46.51** | **19.40** | **38.94** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

Above figure in the table, indicates the percentage of cash and bank balance to total deposits position of selected bank. It also shows that the ratio NABIL bank is fluctuating trend for the period 2008/09 to 2012/13 but in the year of 2009/10 the ratio decreased to 3.02 and after then it is in increasing trend. It is because bank increase in it's CBB. From the above analysis, it can be concluded that NABIL has poor maintenance of its liquidity.

### iii. Cash and Bank Balance to Current Assets Ratio

This ratio reflects the portion of cash and bank balance in total current assets. Cash and bank balance are highly liquid assets than other in current assets portion. So this ratio visualizes higher liquidity position than current ratio. It is computed by dividing cash and bank balance by current assets. Higher ratio shows the bank's ability to meet its demand for cash.

**Table 4.3**

**Cash and Bank Balance to Current Assets Ratios**

*(Rs. in Million & Ratio in percent)*

| Fiscal Year | CBB | CA | Ratio |
|---|---|---|---|
| 2008/09 | 3372.5 | 4789.98 | 70.41 |
| 2009/10 | 1400.08 | 5430.88 | 25.78 |
| 2010/11 | 2436.54 | 6091.03 | 40.00 |
| 2011/12 | 4275.81 | 6651.21 | 64.29 |
| 2012/13 | 5460.12 | 9667.04 | 56.48 |
| **Mean** | **3389.01** | **6526.03** | **51.39** |
| **SD** | **1576.33** | **1889.71** | **18.30** |
| **CV** | **46.51** | **28.96** | **35.61** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

The above table shows ratios of this bank are in fluctuating trend. The lowest ratio is 25.78 percent in the fiscal year 2009/10 and the highest ratio is 70.41 percent in the fiscal year in 2008/09. From the analyzed table the bank met it's demand for cash in few years.

**iv. Investment on Government Securities to Current Assets Ratio**

This ratio examines that the position of commercial banks current assets, which is invested on different government securities, treasury bills and development bonds. This ratio can be calculated by dividing investment on government securities by current assets.

**Table 4.4**

**Investment on Government Securities to Current Assets Ratio**

*(Rs. in Million & Ratio in Times)*

| Fiscal Year | Inv. on Gov. Securities | CA | Ratio |
|---|---|---|---|
| 2008/09 | 10826.37 | 4789.98 | 2.26 |
| 2009/10 | 13670.92 | 5430.88 | 2.52 |
| 2010/11 | 13081.2 | 6091.03 | 2.15 |
| 2011/12 | 14055.85 | 6651.21 | 2.11 |
| 2012/13 | 16332.04 | 9667.04 | 1.69 |
| **Mean** | **13593.28** | **6526.03** | **2.08** |
| **SD** | **1977.30** | **1889.71** | **1.05** |
| **CV** | **14.55** | **28.96** | **0.50** |

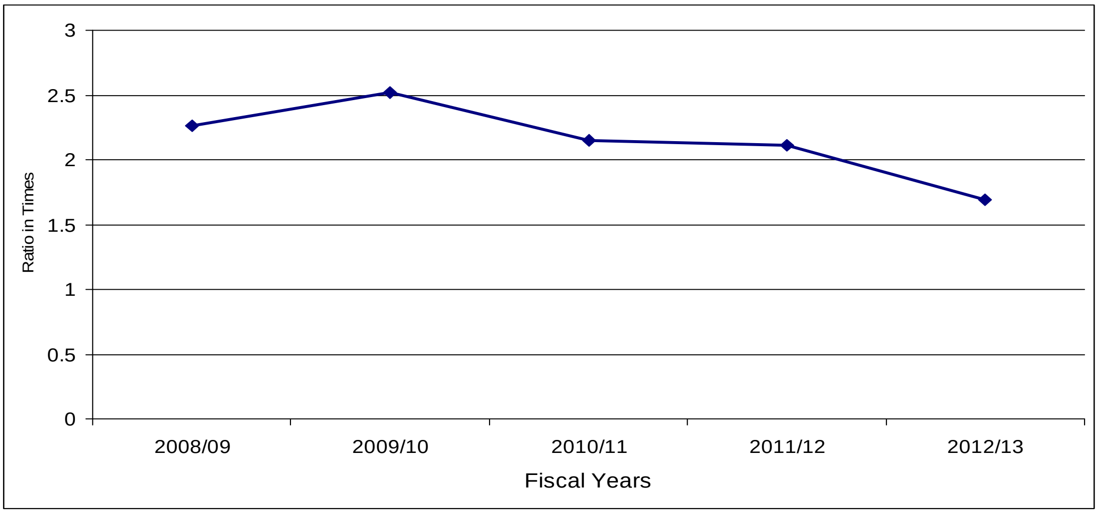
*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

The above table and below figure reveals that the mean ratio of investment on government securities to current assets ratio of Nabil Bank i.e. 2.08. The ratios of the bank are fluctuating trend from the fiscal year 2008/09 up to the fiscal year 2012/13. The highest ratio is 2.52 in the year 2009/10 and the lowest ratio is 1.69 in the year 2012/13. It is concluded that the higher ratio of a bank gave the result of increasing deposit collections and unavailability of other secured and profitable investment sector.

The above calculated ratio of investment on government securities to current assets of fluctuating trend during the study period are graphically presented as the following.

**Figure 4.1**

**Investment on Government Securities to Current Assets Ratio**




### v. Loan and Advances to Current Assets Ratio

A commercial bank invests loan and advances to the customers. Because they should earn high profit by mobilization and investing funds for long life banking, they must pay interest on these deposit funds even they don't generate loan and advances may lose some earning. But high loan and advances may be harmful because they need sufficient liquidity. This ratio can be competed by dividing loan and advanced to current assets.

**Table 4.5**

**Loan and Advances to Current Assets Ratio**

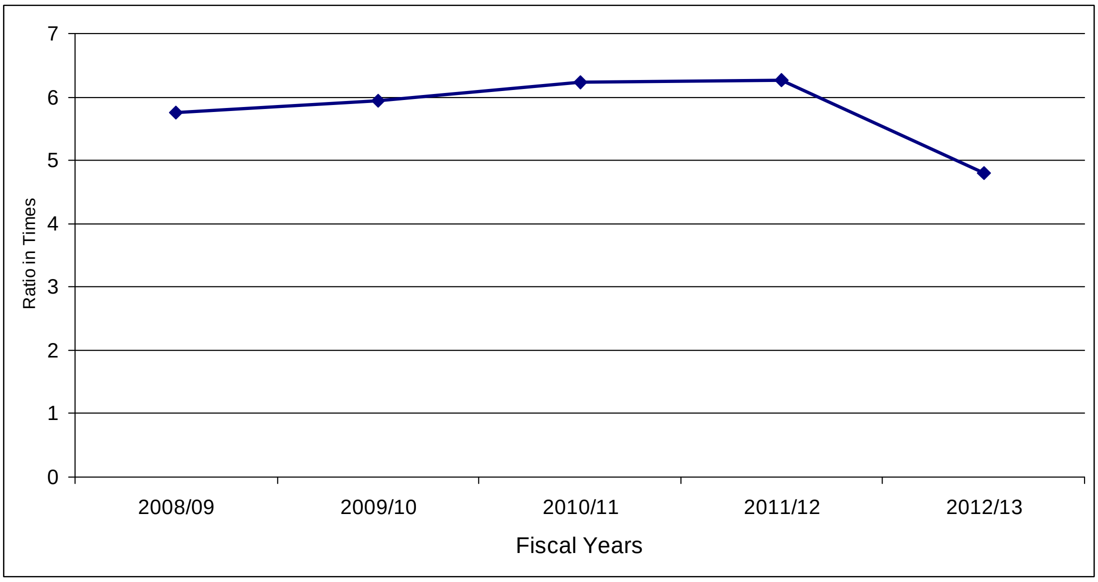
*(Rs. in Million & Ratio in times)*

| Fiscal Year | Loan & advance | CA | Ratio |
|---|---|---|---|
| 2008/09 | 27589.93 | 4789.98 | 5.76 |
| 2009/10 | 32268.87 | 5430.88 | 5.94 |
| 2010/11 | 38034.09 | 6091.03 | 6.24 |
| 2011/12 | 41605.68 | 6651.21 | 6.26 |
| 2012/13 | 46369.83 | 9667.04 | 4.80 |
| **Mean** | **37173.68** | **6526.03** | **5.80** |
| **SD** | **7430.64** | **1889.71** | **0.60** |
| **CV** | **19.99** | **28.96** | **10.32** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

From the above table it is found that the mean ratio of loan and advance to current assets is 5.80. The highest ratio is 6.24 in the fiscal year 2010/11 and the lowest ratio is 4.80 in the fiscal year 2012/13. From the analyzed table ratios of study period are fluctuating trend so, the bank should keep it's liquidity position in satisfactory level either increasing in current assets or decreasing loan and advances.

**Figure 4.2**
**Loan and Advances to Current Assets Ratio**




### 4.1.2 Assets Management Ratios

Assets management or activity ratios are employed to evaluate the efficiently with the firms' managers and utilize its assets. That is why these ratios are used to measure or indicate the banks ability to utilize their available limited resources. The following ratios are used under the assets management ratios:

#### i. Loan and Advances to Total Deposit Ratio

This ratio used to find out, how successfully the banks are utilizing their total deposit on loan and advances for profit generation purpose. The higher ratio indicates the better utilization of loan and advances out of total deposit. It can be computed by dividing loan and advances by total deposits.

**Table 4.6**

**Loan and Advances to Total Deposit Ratio**

*(Rs. in Million & Ratio in Percent)*

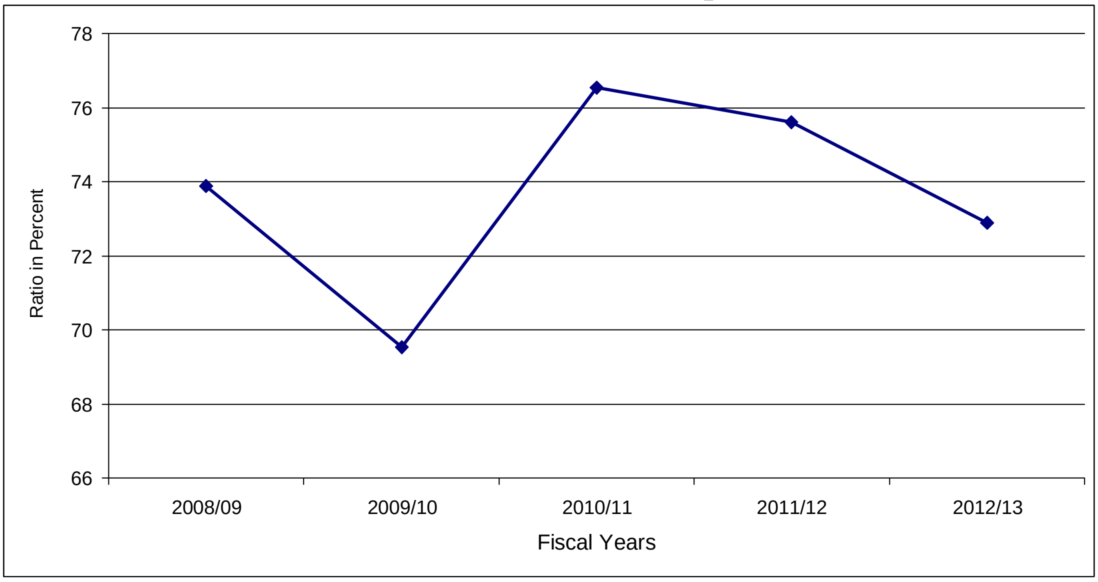
| Fiscal Year | Loan and Advance | Total Deposit | Ratio |
|---|---|---|---|
| 2008/09 | 27589.93 | 37348.25 | 73.87 |
| 2009/10 | 32268.87 | 46410.7 | 69.53 |
| 2010/11 | 38034.09 | 49696.11 | 76.53 |
| 2011/12 | 41605.68 | 55023.69 | 75.61 |
| 2012/13 | 46369.83 | 63609.8 | 72.90 |
| **Mean** | **37173.68** | **50417.71** | **73.69** |
| **S.D.** | **7430.64** | **9780.52** | **2.73** |
| **CV** | **19.99** | **19.40** | **3.70** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

From the analyzed table ratios of the study period are fluctuating trend but there is no vast difference between among five years. The highest ratio is 76.53 percent which is appeared in the fiscal year 2010/11. It means the bank was able to generate the high profit by utilizing it's total deposit on loan and advance. Another side the ratios of this bank slightly up and down in comparison of the fiscal year 2010/11 which shows that the bank tried to generate high profit in all year. The SD and CV are also lowest therefore it is less risky for investment purpose.

The above calculated ratios of loan and advances to total deposit during the study period are plotted on diagram as the following.

**Figure 4.3**
**Loan and Advances to Total Deposit Ratio**




### ii. Loan and Advances to Total Working Fund Ratio

Loan and advances are the main components of the total working fund which reflect the ability of banks and finance companies in terms of high earning profit from loan and advances. Higher ratio indicates better mobilization of fund as loan and advances and vice versa. This ratio can be calculated by dividing loan and advances by total working fund.

**Table 4.7**

**Loan and Advances to Total Working Fund Ratio**

*(Rs. in Million & Ratio in Percent)*

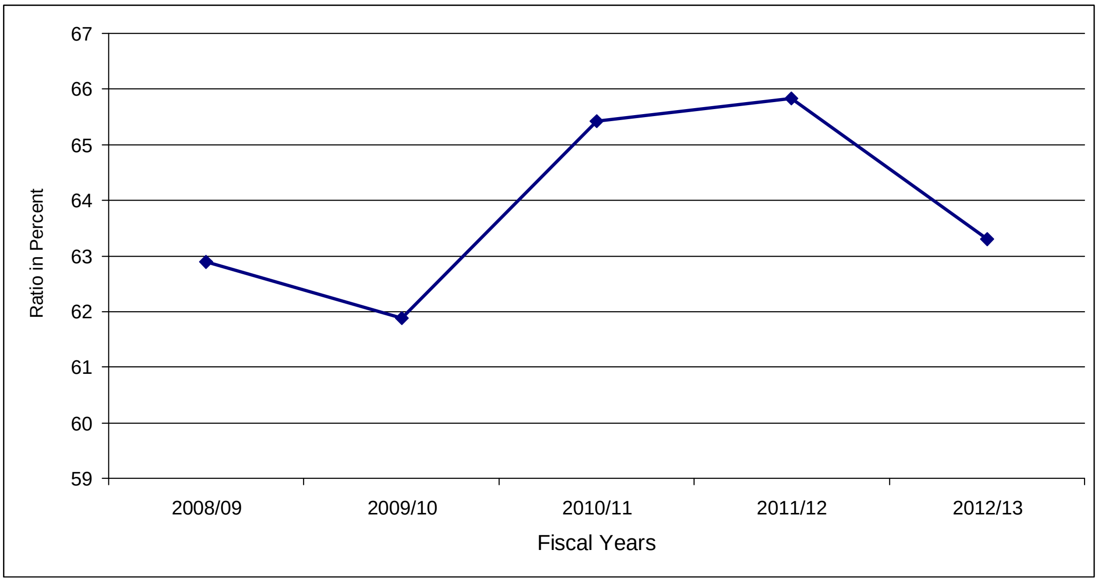
| Fiscal Year | Loan and Advance | Total Working Fund | Ratio |
|---|---|---|---|
| 2008/09 | 27589.93 | 43867.39 | 62.89 |
| 2009/10 | 32268.87 | 52150.23 | 61.88 |
| 2010/11 | 38034.09 | 58141.43 | 65.42 |
| 2011/12 | 41605.68 | 63200.29 | 65.83 |
| 2012/13 | 46369.83 | 73241.26 | 63.31 |
| **Mean** | **37173.68** | **58120.12** | **63.87** |
| **S.D.** | **7430.64** | **11104.47** | **1.69** |
| **CV** | **19.99** | **19.11** | **2.65** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

The above listed table has been found that the mean ratio is 63.87 percent. From the analysis of the table the ratios are in fluctuating trend. The lowest ratio is 61.88 percent in the year 2009/10 and highest ratio is 65.83 percent in the year 2011/12. SD and CV is also lowest i.e.1.69 percent and 2.65 percent which indicates that it has more consistency.

**Figure 4.4**

**Loan and Advances to Total Working Fund Ratios**




### iii. Total Investment to Total Deposit Ratio

This ratio shows how properly firms deposit has been invested on government securities and shares and debentures of other companies and banks. Generally, it reflects which the banks are successful in mobilizing the total deposit on investment. The higher ratio indicates the higher success to mobilize the banking funds as investment and vice-versa. This ratio can be computed by dividing total investment by total deposit.

**Table 4.8**
**Total Investment to Total Deposit Ratio**

*(Rs. in Million & Ratio in Percent)*

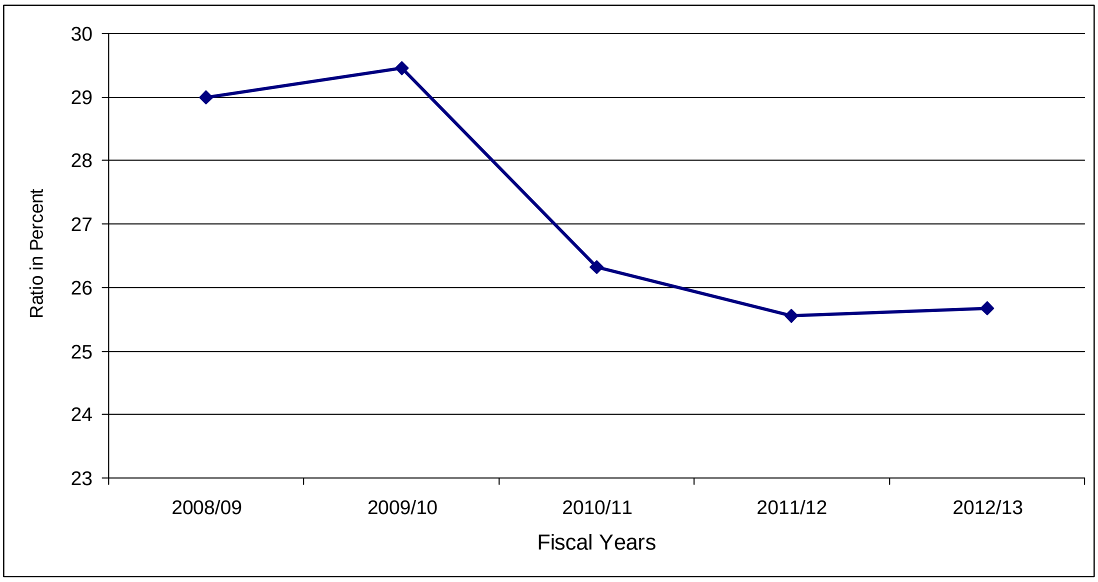
| Fiscal Year | Total Investment | Total Deposit | Ratio |
|---|---|---|---|
| 2008/09 | 10826.37 | 37348.25 | 28.99 |
| 2009/10 | 13670.92 | 46410.7 | 29.46 |
| 2010/11 | 13081.2 | 49696.11 | 26.32 |
| 2011/12 | 14055.85 | 55023.69 | 25.55 |
| 2012/13 | 16332.04 | 63609.8 | 25.68 |
| **Mean** | **13593.28** | **50417.71** | **27.20** |
| **S.D.** | **1977.30** | **9780.52** | **1.88** |
| **CV** | **14.55** | **19.40** | **6.91** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

The above table shows that total investment to total deposit ratio of the bank during five years. The highest ratio is 29.46 percent in year 2009/10 and the lowest ratio is 25.55 percent in the year 2011/12. The higher ratio indicates that higher success to mobilize the banking funds as investment and vice-versa. It can be concluded that it has become success to better utilization of deposit to investment in the year 2009/10 than the other years.

**Figure 4.5**

**Total Investment to Total Deposit Ratio**




### iv. Investment on Government Securities to Total Working Fund Ratio

This ratio used to show investment on government securities of the bank in the comparison of the total working fund. This ratio is so important to know the extent to which the banks are successful in mobilizing their total fund on different sectors of government securities to maximize its income. The higher ratio shows that better mobilization of fund as investment on government securities and vice-versa. It can be calculated by dividing investment on government securities by total working fund. This ratio is presented below in table.

**Table 4.9**

**Investment on Gov. Securities to Total Working Fund Ratio**

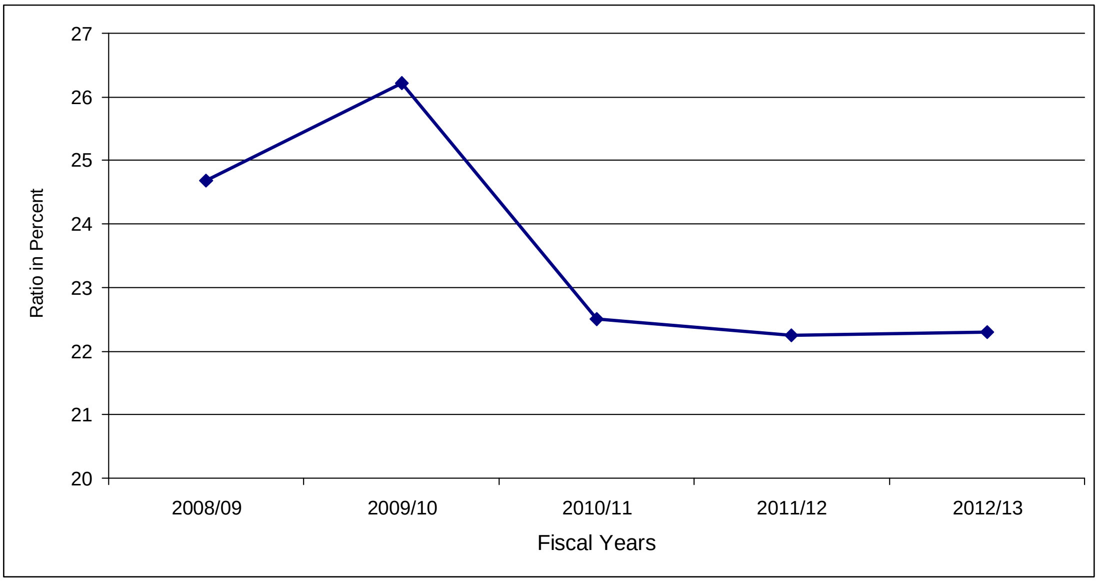
*(Rs. in Million & Ratio in Percent)*

| Fiscal Year | Investment on Gov. Securities | Total Working Fund | Ratio |
|---|---|---|---|
| 2008/09 | 10826.37 | 43867.39 | 24.68 |
| 2009/10 | 13670.92 | 52150.23 | 26.21 |
| 2010/11 | 13081.2 | 58141.43 | 22.50 |
| 2011/12 | 14055.85 | 63200.29 | 22.24 |
| 2012/13 | 16332.04 | 73241.26 | 22.30 |
| **Mean** | **13593.28** | **58120.12** | **23.59** |
| **S.D.** | **1977.30** | **11104.47** | **1.79** |
| **CV** | **14.55** | **19.11** | **7.57** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

Above table reveals that the mean ratio of investment on government securities and total working fund is 23.59 percent which is not satisfactory because it is lowest. Lowest ratio indicates that the bank couldn't utilize it's fund properly.

**Figure 4.6**
**Investment on Government Securities to Total Working Fund Ratio**



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

Commercial banks are investing into shares and debentures of other companies. Though the investment on government securities is relatively suffer than investment in debentures and shares of other banks, this ratio reflects to what extent the bank has successfully invested its assets on other company’s or banks' debentures and shares. It can be computed by dividing investment on shares and debentures by total working fund.

**Table 4.10**

**Inv. on Shares and Debentures to Total Working Fund Ratio**

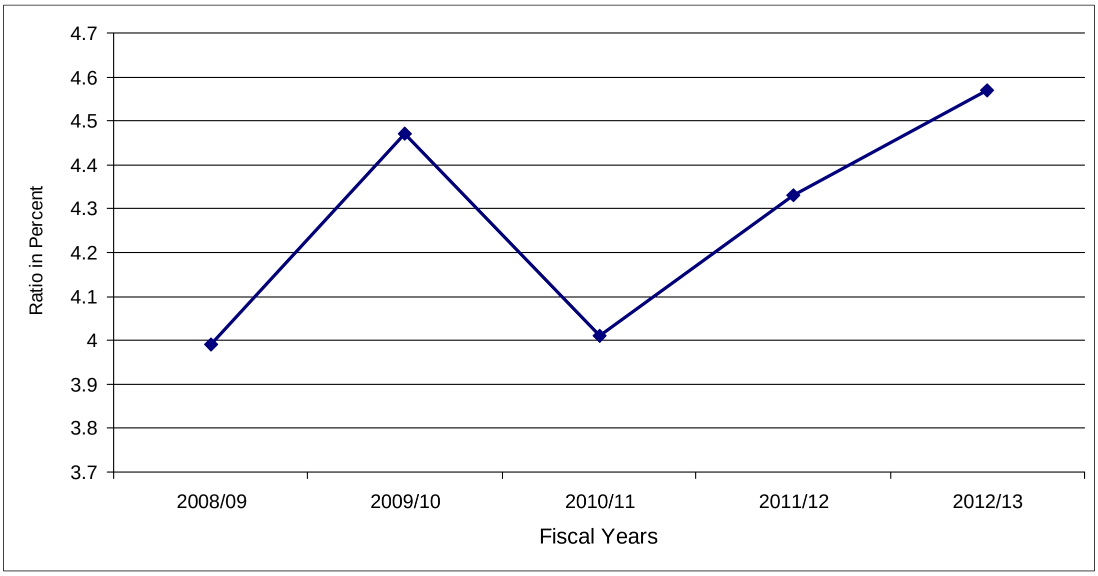
*(Rs. in Million & Ratio in Percent)*

| Fiscal Year | Investment on Shares & Debentures | Total Working Fund | Ratio |
|---|---|---|---|
| 2008/09 | 1748.62 | 43867.39 | 3.99 |
| 2009/10 | 2328.77 | 52150.23 | 4.47 |
| 2010/11 | 2329.76 | 58141.43 | 4.01 |
| 2011/12 | 2735.72 | 63200.29 | 4.33 |
| 2012/13 | 3346.05 | 73241.26 | 4.57 |
| **Mean** | **2497.78** | **58120.12** | **4.27** |
| **S.D.** | **590.38** | **11104.47** | **0.26** |
| **CV** | **23.64** | **19.11** | **6.20** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

The above table clearly shows that investment on shares and debentures to total working fund ratios of NABIL is fluctuating trend. It has low ratio 3.99 percent in FY 2008/09 and the highest ratio is 4.57 percent in FY 2012/13. The mean ratio of NABIL  i.e. 4.27 percent, which indicates that NABIL has succeeded to invest on share and debenture on the proportion of total working fund.

**Figure 4.7**
**Investment on Shares and Debentures to Total Working Fund Ratio**




### 4.1.3 Profitability Ratios

Profitability ratios play vital role to measure the overall efficiency of operation of firms or banks. It is actually a true indicator of the financial position and performance of each and every business organizations and institutions. Generally, profitability ratios are calculated and evaluated in terms of the relationship between net profit and assets. For the better financial performance, profitability ratios should be higher. The following ratios can be taken to clear this heading.

#### i. Return on Loan and Advances Ratio

This ratio is used to measure the earning capacity of the commercial banks through its fund mobilization as loan and advances. Higher ratio indicates greater success to mobilize fund as loan and advances and vice versa. This ratio can be calculated by dividing net profit by total loan and advances.

**Table 4.11**
**Return on Loan and Advances Ratio**

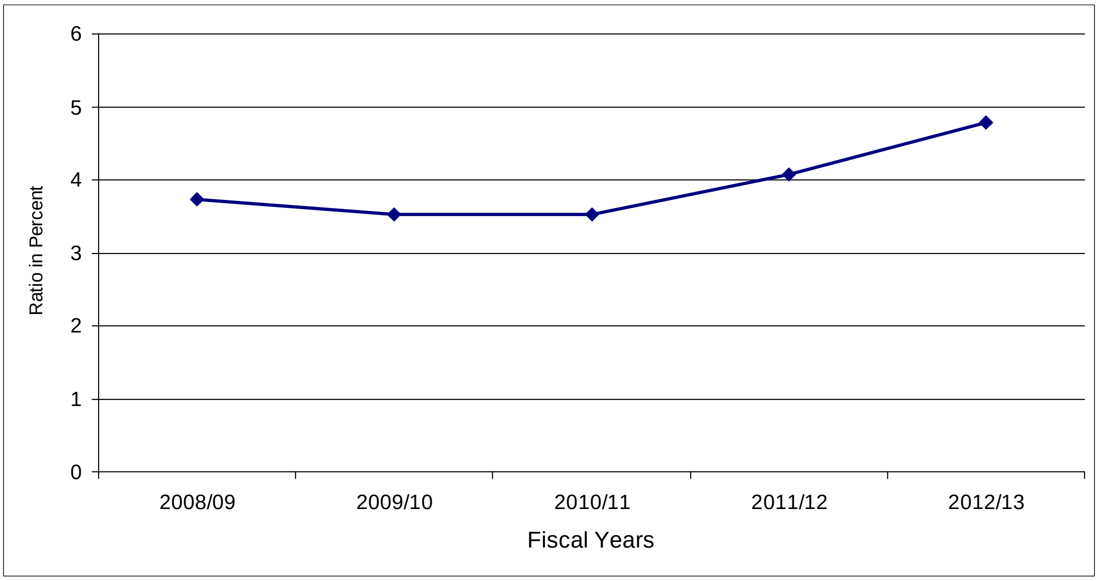
*(Rs. in Million & Ratio in Percent)*

| Fiscal Year | Loan and Advances | Net Profit | Ratio |
|---|---|---|---|
| 2008/09 | 27589.93 | 1031.1 | 3.74 |
| 2009/10 | 32268.87 | 1139.1 | 3.53 |
| 2010/11 | 38034.09 | 1337.7 | 3.52 |
| 2011/12 | 41605.68 | 1696.27 | 4.08 |
| 2012/13 | 46369.83 | 2218.76 | 4.78 |
| **Mean** | **37173.68** | **1484.59** | **3.99** |
| **S.D.** | **7430.64** | **482.29** | **6.49** |
| **CV** | **19.99** | **32.49** | **16.25** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

The above table clears that return on loan and advances ratio is fluctuating trend. From above analysis, it can be measured that the bank's earning capacity is very low. The highest ratio is 4.78% in the fiscal year 2012/13 and the lowest ratio is 3.52% in the year 2010/11. CV and SD is high in comparison of it's returns which clearly shows there is more challenges to create high profit by mobilizing loan and advances. This ratio is presented here in figure.

**Figure 4.8**
**Return on Loan and Advances Ratio**



**ii. Return on Total Working Fund Ratio**

This ratio is used to measure as profitability indicator with respect to each financial resources investment of banks assets. It shows the overall profitability of total working fund. It is also known as Return on Assets (ROA). The higher ratio indicates the better performance of banks. To make higher ratio, the banks' total working found should be managed and utilized effectively. This ratio can be calculated by dividing net profit by total working fund.

**Table 4.12**
**Return on Total Working Fund Ratio**

*(Ratio in percent & Rs. in Million)*

| Fiscal Year | Total working fund | Net Profit | Ratio |
|---|---|---|---|
| 2008/09 | 43867.39 | 1031.1 | 2.35 |
| 2009/10 | 52150.23 | 1139.1 | 2.18 |
| 2010/11 | 58141.43 | 1337.7 | 2.30 |
| 2011/12 | 63200.29 | 1696.27 | 2.68 |
| 2012/13 | 73241.26 | 2218.76 | 3.03 |
| **Mean** | **58120.12** | **1484.59** | **2.55** |
| **S.D.** | **11104.47** | **482.29** | **4.34** |
| **CV** | **19.11** | **32.49** | **17.00** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

From the above ratios are fluctuating trend. The highest ratio is 3.03% in the year 2012/13 and lowest ratio is 2.18% in the year 2009/10. It means in the year 2012/13 bank better utilized it's assets to generate profit than reaming four years. As a whole utilization of it's assets is not satisfactory. Therefore, it should mobilized it's working assets more efficiently to earn high profit.

**iii. Total Interest Earned to Total Working Fund Ratio**

This ratio reflects the extent to which the banks are successful in mobilizing their total assets to acquire income as interest. This ratio reveals the earning capacity of commercial banks by mobilizing its working funds. Higher ratio indicates higher earning power of the bank on its total working fund and vice-versa. It can be calculated by dividing total interest earned by total working fund.

**Table 4.13**
**Total Interest Earned to Total Working Fund Ratio**

*(Rs. in Million & Ratio in Percent)*

| Fiscal Year | Interest Earned | Total Working Fund | Ratio |
|---|---|---|---|
| 2008/09 | 2798.5 | 43867.39 | 6.38 |
| 2009/10 | 4047.7 | 52150.23 | 7.76 |
| 2010/11 | 5254.03 | 58141.43 | 9.04 |
| 2011/12 | 6133.73 | 63200.29 | 9.71 |
| 2012/13 | 5702.12 | 73241.26 | 7.79 |
| **Mean** | **4787.22** | **58120.12** | **8.24** |
| **S.D.** | **1357.38** | **11104.47** | **12.22** |
| **CV** | **28.35** | **19.11** | **148.40** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

The above table shows that the mean ratio of NABIL is 8.24percent. The highest ratio is 9.71 percent in 2011/12 and lowest ratio is 6.38 percent in 2008/09. During the study period ratios are fluctuating trend which shows NABIL didn't mobilize in same range of it's total assets to acquire interest as income in each year.

**iv. Total Interest Paid to Total Working Fund Ratio**

This ratio measures the percentage of interest paid on liabilities with respect to total working fund. Higher ratio indicates higher -interest expenses on total working fund and vice-versa. This ratio can be calculated by dividing total interest paid by total working fund.

**Table 4.14**

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

*(Rs. in Million & Ratio in Percent)*

| Fiscal Year | Interest Paid | Total Working Fund | Ratio |
|---|---|---|---|
| 2008/09 | 1153.3 | 43867.39 | 2.63 |
| 2009/10 | 1960.1 | 52150.23 | 3.76 |
| 2010/11 | 2955.43 | 58141.43 | 5.08 |
| 2011/12 | 3155.49 | 63200.29 | 4.99 |
| 2012/13 | 2186.18 | 73241.26 | 2.98 |
| **Mean** | **2282.10** | **58120.12** | **3.93** |
| **S.D.** | **806.73** | **11104.47** | **7.26** |
| **CV** | **35.35** | **19.11** | **185.02** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

The above table shows that the mean ratio of NABIL seems lower ratio 3.93 percent. It means NABIL has not paid high interest in comparisons to it's interest earned. The standard deviation of NABIL is 7.26 percent and coefficient of variation is 185.02 percent which indicates that more unstable ratio of interest paid to total working fund. From above description, a conclusion can be drawn that NABIL is not in better position from interest expenses payment point of view. It seems to be successful to collect its working fund from less expensive sources.

### 4.1.4 Risk Ratios

This ratio is used to measure the amount of risk associated with the various harming operations which ultimately influence the banks' investment policy. Generally risk is uncertainty which lies in the bank transaction of investment management. It increases effectiveness and profitability of the banks. Two ratios are used in this risk ratio which is as follows:

### i) Credit Risk Ratio

Credit risk ratio is used to measure the probability of loan non-repayment or the possibility of loan to go into default. This ratio is also expressed as the percentage of non-performing loan to total loan advances. It can be calculated by dividing total loan and advances by total assets.

**Table 4.15**

**Credit Risk Ratio**

*(Rs. in Million & Ratio in Percent)*

| Fiscal Year | Total Loan & Advance | Total Assets | Ratio |
|---|---|---|---|
| 2008/09 | 27589.93 | 43867.39 | 62.89 |
| 2009/10 | 32268.87 | 52150.23 | 61.88 |
| 2010/11 | 38034.09 | 58141.43 | 65.42 |
| 2011/12 | 41605.68 | 63200.29 | 65.83 |
| 2012/13 | 46369.83 | 73241.26 | 63.31 |
| **Mean** | **37173.68** | **58120.12** | **63.96** |
| **S.D.** | **7430.64** | **11104.47** | **66.92** |
| **CV** | **19.99** | **19.11** | **104.62** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

The above comparative table show that the ratios are in fluctuating trend. The highest ratio is 65.83 percent in 2011/12 and lowest ratio is 61.88 percent in 2009/10.

From the above analysis, it can be reflected that the CV of NABIL is high i.e. 104.62 percent which has bear more risk on its total assets of loan and advances it can be concluded that NABIL has high degree of credit risk.

### ii) Non Performing Loan Ratio

The default in repayment of interest or principal within the stipulated time frame, the performing loan turns into non-performing loan. As per NRB directives, all Loans and Advances must be classified in order of Principal default aging into Pass (past due upto 3 months), Sub-standard (past due between 3-6 months), Doubtful (past due between 6-12 months) and Loss (past due over 1 year). NPL forms an aggregate of Substandard, Doubtful and Loss loans. The lower the ratio the better is the proportion of performing loans and risk of default. The ratio can be computed dividing to Non Performing Loan by Total loan.

**Table 4.16**

**Non Performing Loan Ratio**

*(Rs. in Million & Ratio in Percent)*

| Fiscal Year | Non- Performing Loan | Total Loan | Ratio |
|---|---|---|---|
| 2008/09 | 224.82 | 27589.93 | 0.81 |
| 2009/10 | 486.28 | 32268.87 | 1.51 |
| 2010/11 | 689.85 | 38034.09 | 1.81 |
| 2011/12 | 1000.06 | 41605.68 | 2.40 |
| 2012/13 | 1015.18 | 46369.83 | 2.19 |
| **Mean** | **683.24** | **37173.68** | **1.84** |
| **S.D.** | **338.95** | **7430.64** | **4.56** |
| **CV** | **49.61** | **19.99** | **248.18** |

*Source: Annual Reports of NABIL bank from FY 2008/09 to 2012/13*

The above table shows the NPL ratio of the bank. The ratios of 2008/09, 2009/10, 2010/11 and 2011/12 are in increasing but decreased in 2012/13. The highest ratio is 2.40 percent in 2011/12 and lowest ratio is 0.81 percent in 208/09 it means NABIL has succeeded to collect the fund of loan and advance in 2008/09 than the 2011/12.

### 4.2 Statistical Analysis

Statistical tool is one of the important tools to analyze the data. There are various tools for the analysis of tabulated data such as, mean, standard deviation, co-relation analysis, trend analysis etc. There is used following convenient statistical tools are used in this thesis study.

#### 4.2.1 Coefficient of Correlation Analysis

Co-efficient of co-relation shows the relationship between two or more than two variables. It measures that the two variables are positively or negatively co-related. For this purpose, Karl Pearson’s co-efficient of correlation has been taken and applied to find out and analyze the relationship between deposit and loan & advances, deposit and total investment, total assets and net profit, total investment and net profit of NABIL using Karl Persons coefficient of correlation, value of coefficient of determination ($r^2$), probable error (P.E.) and (6 P.E.) are also calculated and value of them are analyzed.

**A) Correlation Coefficient between Deposit & Loan & Advances**

Deposit have played vary important role in performance of a commercial banks and similarly loan & advances are very important to mobilize the collected deposits. Co-efficient of correlation between deposit and loan & advances measures the degree of relationship between these two variables.

In this analysis, deposit is independent variable (X) and loan & advances are dependent variable (Y). The main objectives of computing “r” between these two variables is to justify whether deposit are significantly used as loan & advances in proper way or not.

**Table 4.17**

**Correlation between Deposit and Loan & Advances**

| Name of Banks | Evaluation Criterions | | | |
|---|---|---|---|---|
| | r | $r^2$ | PE | 6 PE |
| NABIL | 0.98 | 0.97 | 0.0096 | 0.0579 |

From the above table, it is found that coefficient of correlation between deposits and loan & advances of NABIL is 0.98. It is shows that NABIL has the highly positive relationship between these two variables. Similarly, value of coefficient of determination of NABIL is 0.97. It refers that 97 percent variance in loan & advances are affected by total deposit. The correlation coefficient of NABIL is significant because the correlation coefficient is greater than the relative value of 6PE.

**B) Coefficient of Correlation between Total Deposits and Total Investment**

The coefficient of correlation between deposit and investment measures the degree of relationship between these two variables or deposit is significantly utilized or not. In correlation analysis, deposit is independent variable (X) and total investment is dependent variable (Y). The following table shows the coefficient correlation between deposits and total investment i.e. r, P. E., 6 P.E. and coefficient of determination ($r^2$) of NABIL during the study period.

**Table 4.18**

**Correlation between Deposit and Total Investment**

| Name of Banks | Evaluation Criterions | | | |
|---|---|---|---|---|
| | r | $r^2$ | P.E. | 6 P.E. |
| NABIL | 0.96 | 0.93 | 0.022 | 0.132 |

From the above table, it is found that coefficient of correlation between deposits and investment of NABIL is 0.96. It shows that NABIL has the highly positive relationship between these two variables. Similarly, value of coefficient of determination of NABIL is 0.93. It refers that 93 percent variance in investment are affected by total deposit. The correlation coefficient of NABIL is significant because the correlation coefficient is greater than the relative value of 6PE.

### C) Co-efficient of Correlation between Loan and advance and Net Profit

Co-efficient of correlation between loan & advance and net profit is used to measure the degree of relationship between two variable i.e. Loan and advance and net profit of NABIL during the study period. Where loan & advance is independent variable (X) and net profit is dependent variable (Y). The main objective of calculating this ratio is to determine the degree of relationship whether there the net profit is significantly correlated or not and the variation of net profit to loan and advance through the coefficient of determination. The following table shows the r, $r^2$, P.E. and 6 P. E. between those variables of NABIL for the study period.

**Table 4.19**

**Correlation between Loan and advance and Net profit**

| Name of Banks | Evaluation Criterions | | | |
|---|---|---|---|---|
| | r | $r^2$ | P.E. | 6 P.E. |
| NABIL | 0.95 | 0.90 | 0.0300 | 0.1798 |

From the above table, it is found that coefficient of correlation between loan & advances and net profit of NABIL is 0.95. It shows that NABIL has the highly positive relationship between these two variables. Similarly, value of coefficient of determination of NABIL is 0.90. It refers that 90 percent variance in loan & advances are affected by net profit. The correlation coefficient of NABIL is significant because the correlation coefficient is greater than the relative value of 6PE.

### D) Coefficient of Correlation between Total Investment and Net Profit

Coefficient of correlation between total investment and net profit measures the degree of their relationship. In the, correlation analysis, investment is independent variable and net profit is dependent variable. The following table shows the coefficient of correlation coefficient of determination, probable error and six times of P.E. during the fiscal year 2008/09 to 2012/13.

**Table 4.20**

**Correlation between Total Investment and Net Profit**

| Name of Banks | Evaluation Criterions | | | |
|---|---|---|---|---|
| | r | $r^2$ | P.E. | 6 P.E. |
| **NABIL** | 0.89 | 0.80 | 0.0603 | 0.3620 |

From the above table, it is found that coefficient of correlation between total investment and net profit of NABIL is 0.89. It shows that NABIL has the highly positive relationship between these two variables. Similarly, value of coefficient of determination of NABIL is 0.80. It refers that 80 percent variance in total investment are affected by net profit. The correlation coefficient of NABIL is significant because the correlation coefficient is greater than the relative value of 6PE.

### 4.2.2 Trend Analysis

Trend analysis plays an important role in the analysis and interpretation of financial statement. Trend in general terms, signifies a tendency. It helps in forecasting and planning future operation. Trend analysis is a statistical tool, which shows the previous trend of the financial performance and forecasts the future financial results of the firms.

### A) Trend Analysis of Total Deposit

Deposits are the important part in banking sector hence its trend for next five years will be forecasted for future analysis. This is calculated by the least square method. Here the effort has been made to calculate the trend values of total deposit of NABIL for further five year.

Y= a + bx

Where as,

Yc = 50417.71 + 6113.61 X of NABIL

**Table 4.21**

**Trend Line of Total Deposit** *(Rs. in Millions)*

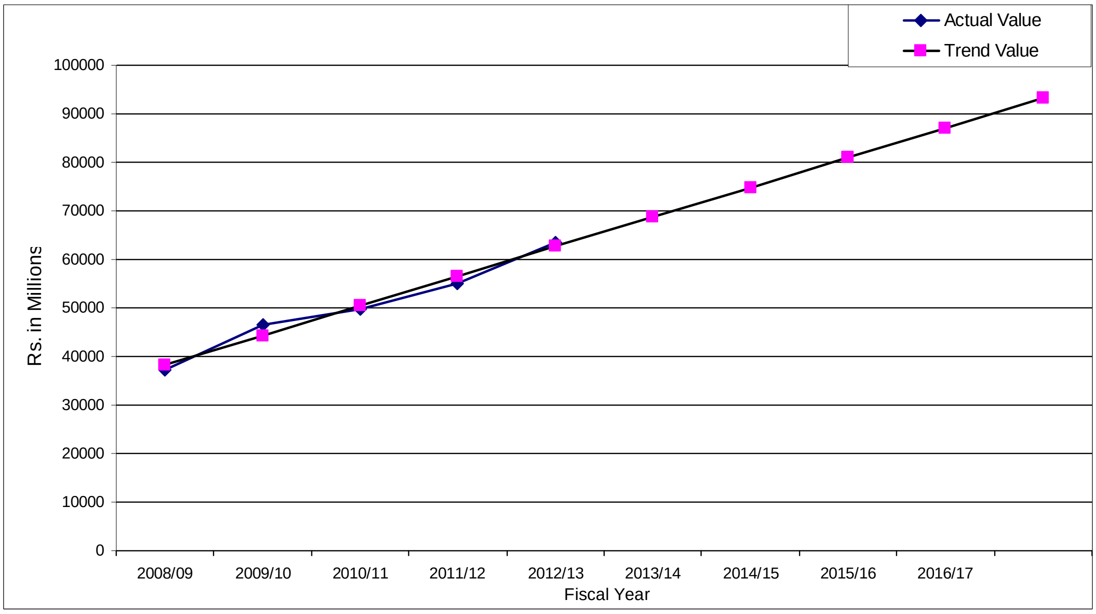
| Year (x) | NABIL | |
|---|---|---|
| | Actual Value | Trend Value |
| 2008/09 | 37348.25 | 38190.49 |
| 2009/10 | 46410.7 | 44304.10 |
| 2010/11 | 49696.11 | 50417.71 |
| 2011/12 | 55023.69 | 56531.32 |
| 2012/13 | 63609.8 | 62644.93 |
| 2013/14 | | 68758.54 |
| 2014/15 | | 74872.15 |
| 2015/16 | | 80985.76 |
| 2016/17 | | 87099.36 |
| 2017/18 | | 93212.97 |

*Source: Appendix I*

Above table and below figure shows that total deposit of NABIL. It is in increasing trend. The increasing trend of total deposit of NABIL is aggressive so it has more prospect of collecting total deposit. The trend analysis has projected deposit amount in fiscal year FY 2013/14 to FY 2017/18. From the above trend analysis it is clear that NABI.L has highly collecting the deposit.

**Figure 4.9**

**Trend Line of Total Deposit of NABIL**




## B) Trend Analysis of Loan & advances

Here, the trend values of loan & advances of NABIL has been calculated for further five year. The following table shows the actual and trend values of NABIL.

Y= a + bx

Where as

Yc = 37173.68 + 4689.66X of NABIL

**Table 4.22**

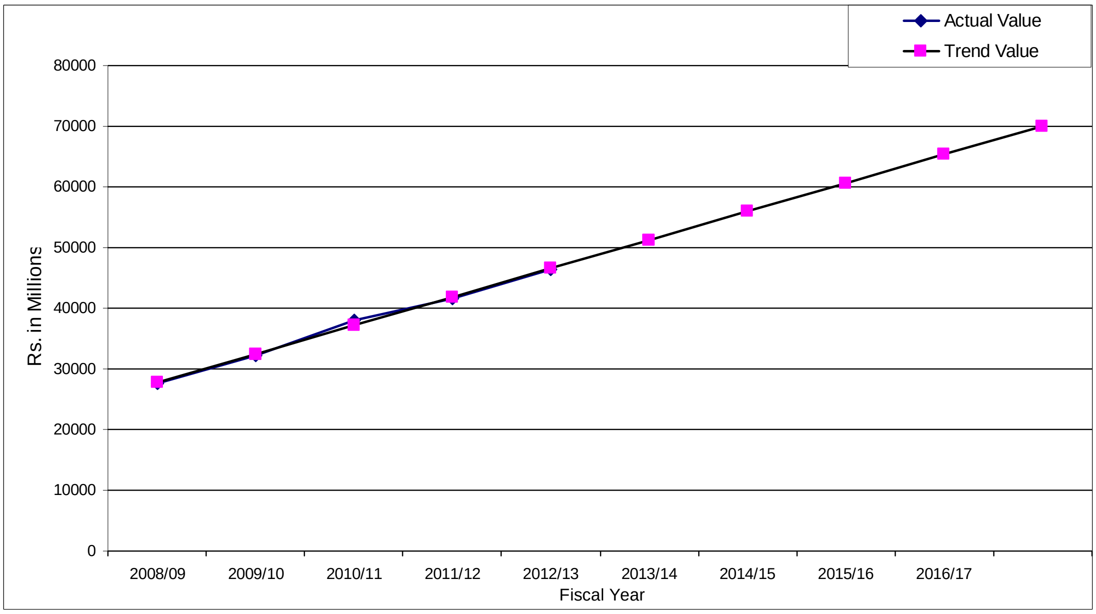
**Trend Line of Total Loan and Advance** *(Rs. in Millions)*

| Year (x) | NABIL | |
|---|---|---|
| | Actual Value | Trend Value |
| 2008/09 | 27589.93 | 27794.36 |
| 2009/10 | 32268.87 | 32484.02 |
| 2010/11 | 38034.09 | 37173.68 |
| 2011/12 | 41605.68 | 41863.34 |
| 2012/13 | 46369.83 | 46553.00 |
| 2013/14 | | 51242.66 |
| 2014/15 | | 55932.32 |
| 2015/16 | | 60621.99 |
| 2016/17 | | 65311.65 |
| 2017/18 | | 70001.31 |

*Source: Appendix II*

**Figure 4.10**

**Trend Line of Total Loan and Advance of NABIL**



Above table and figure shows that loan and advance of NABIL. It is in increasing trend. The increasing trend of loan and advance of NABIL is aggressive so it has get more profit of loan & advance. The trend analysis has projected loan & advance in fiscal year FY 2013/14 to FY 2017/18. From the above trend analysis it is clear that NABIL has highly profit by loan & advance.

**C) Trend Analysis of Investment**

Under this topic, an attempt has been made to analyze trend analysis investment of NABIL for further five years.

Y= a + bx

Where as

Yc = 13593.28 + 1139.63 X of NABIL

**Table 4.23**

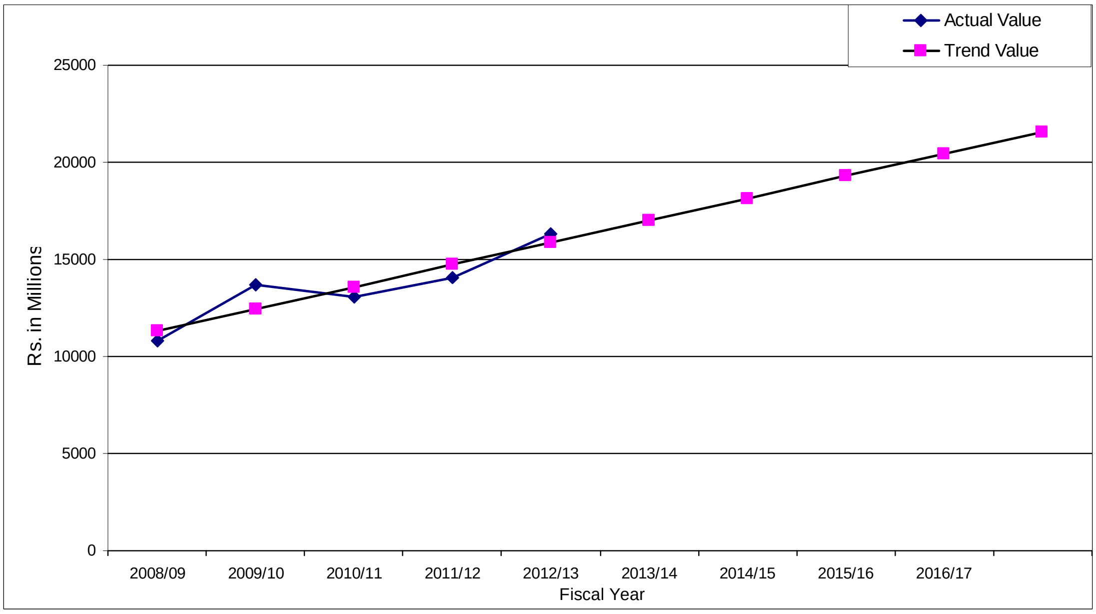
**Trend Line of Investment** *(Rs. in Millions)*

| Year(x) | NABIL | |
|---|---|---|
| | **Actual Value** | **Trend Value** |
| 2008/09 | 10826.37 | 11314.02 |
| 2009/10 | 13670.92 | 12453.65 |
| 2010/11 | 13081.2 | 13593.28 |
| 2011/12 | 14055.85 | 14732.90 |
| 2012/13 | 16332.04 | 15872.53 |
| 2013/14 | | 17012.16 |
| 2014/15 | | 18151.78 |
| 2015/16 | | 19291.41 |
| 2016/17 | | 20431.04 |
| 2017/18 | | 21570.67 |

*Source: Appendix III*

**Figure 4.11**

**Trend Line of Investment of NABIL**




Above table and figure shows that investment of NABIL. It is in increasing trend. The increasing trend of investment of NABIL is moderate. The trend analysis has projected investment in fiscal year FY 2013/14 to FY 2017/18. From the above trend analysis it is clear that NABIL has lower invest in government security, share and debenture etc.

**D) Trend Analysis of Net Profit**

Here, the trend values of net profit of NABIL have been calculated for five years FY 2008/09 to FY 2012/13 and forecasting for the next five year till FY 2017/18.

Y= a + bx

Where as

Yc = 1484.59 + 293.25X NABIL

**Table 4.24**

**Trend Analysis of Net Profit** *(Rs. in Millions)*

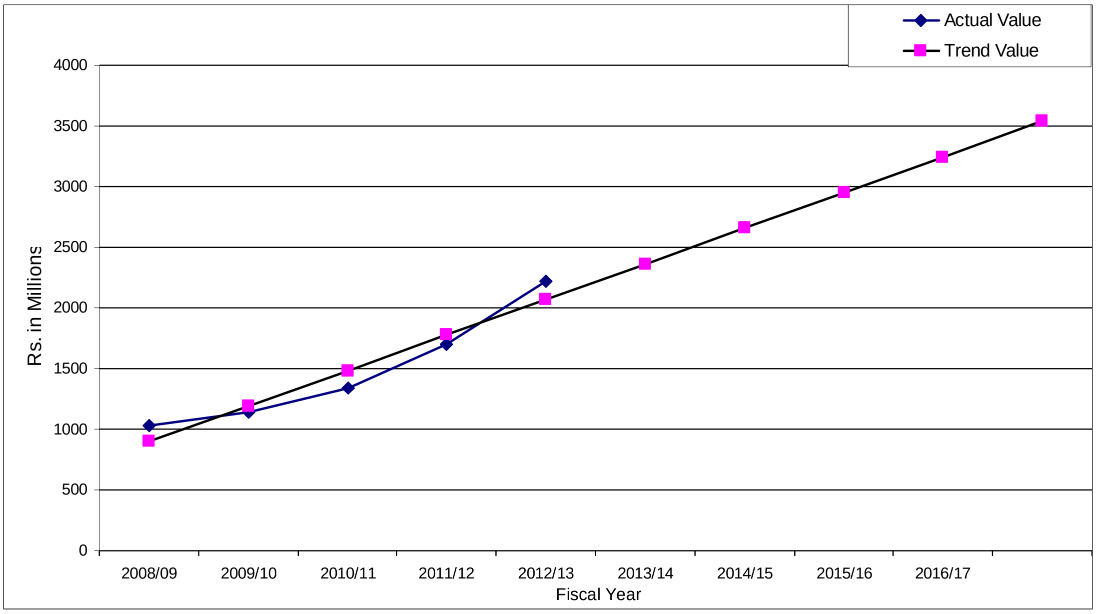
| Year(x) | NABIL | |
|---|---|---|
| | **Actual Value** | **Trend Value** |
| 2008/09 | 1031.1 | 898.09 |
| 2009/10 | 1139.1 | 1191.34 |
| 2010/11 | 1337.7 | 1484.59 |
| 2011/12 | 1696.27 | 1777.84 |
| 2012/13 | 2218.76 | 2071.08 |
| 2013/14 | | 2364.33 |
| 2014/15 | | 2657.58 |
| 2015/16 | | 2950.83 |
| 2016/17 | | 3244.08 |
| 2017/18 | | 3537.33 |

*Source: Appendix IV*

The above table reveals the trend of net profit of NABIL. The trend of increasing value of net profit. The net profit of NABIL has been increasing every year by Rs. 293.25 million. The trend of Net profit projected to FY 2017/18 i.e. further five year. Above statistics shows that the bank have inconsistent net profit throughout the study period.

**Figure 4.12**

**Trend Analysis of Net Profit of NABIL**




## 4.3 Major Findings

From the data presentation and analysis, some main findings are summarized, which are as follows:

i. It is clearly shows that the bank hold large amount of current assets in comparison of the current liabilities therefore the bank unable to meet it's obligation during the study period.

ii. Cash and bank balance to total deposits position of NABIL bank is fluctuating trend for the period 2008/09 to 2012/13 but in the year of 2009/10 the ratio decreased to 3.02 and after then it is in increasing trend.

iii. The mean ratio of investment on government securities to current assets ratio of Nabil Bank i.e. 2.08. The ratios of the bank are fluctuating trend from the fiscal year 2008/09 up to the fiscal year 2012/13.

iv. It is found that the mean ratio of loan and advance to current assets is 5.80. The highest ratio is 6.24 in the fiscal year 2010/11 and the lowest ratio is 4.80 in the fiscal year 2012/13.

v. Total deposit and loan & advance the highest ratio is 76.53 percent which is appeared in the fiscal year 2010/11. It means the bank was able to generate the high profit by utilizing it's total deposit on loan and advance.

vi. Investment to total deposit ratio of the bank during five years. The highest ratio is 29.46 percent in year 2009/10 and the lowest ratio is 25.55 percent in the year 2011/12. The higher ratio indicates that higher success to mobilize the banking funds as investment and vice-versa.

vii. The mean ratio of investment on government securities and total working fund is 23.59 percent which is not satisfactory because it is lowest. Lowest ratio indicates that the bank couldn't utilize it's fund properly.

viii. Investment on shares and debentures to total working fund ratios of NABIL is fluctuating trend. It has low ratio 3.99 percent in FY 2008/09 and the highest ratio is 4.57 percent in FY 2012/13. The mean ratio of NABIL i.e. 4.27 percent, which indicates that NABIL has succeeded to invest on share and debenture on the proportion of total working fund.

ix. Return on loan and advances ratio is fluctuating trend. It can be measured that the bank's earning capacity is very low. The highest ratio is 4.78% in the fiscal year 2012/13 and the lowest ratio is 3.52% in the year 2010/11. CV and SD is high in comparison of it's returns which clearly shows there is more challenges to create high profit by mobilizing loan and advances.

x. The NPL highest ratio is 2.40 percent in 2011/12 and lowest ratio is 0.81 percent in 2008/09 it means NABIL has succeeded to collect the fund of loan and advance in 2008/09 than the 2011/12.

xi. The coefficient of correlation between deposits and loan & advances of NABIL is 0.98. It is shows that NABIL has the highly positive relationship between these two variables. The correlation coefficient of

NABIL is significant because the correlation coefficient is greater than the relative value of 6PE.

xii. Coefficient of correlation between deposits and investment of NABIL is 0.96. It refers that 93 percent variance in investment are affected by total deposit. The correlation coefficient of NABIL is significant because the correlation coefficient is greater than the relative value of 6PE.

xiii. It is found that coefficient of correlation between loan & advances and net profit of NABIL is 0.95. It is shows that NABIL has the highly positive relationship between these two variables. The correlation coefficient of NABIL is significant because the correlation coefficient is greater than the relative value of 6PE.

xiv. It is found that coefficient of correlation between total investment and net profit of NABIL is 0.89. The correlation coefficient of NABIL is significant because the correlation coefficient is greater than the relative value of 6PE.

xv. Total deposit of NABIL is in increasing trend. The increasing trend of total deposit of NABIL is aggressive so it has more prospect of collecting total deposit and loan and advance of NABIL is also increasing trend. The trend analysis has projected loan & advance in fiscal year FY 2013/14 to FY 2017/18. From the above trend analysis it is clear that NABIL has highly profit by loan & advance.

xvi. Investment of NABIL is in increasing trend. The increasing trend of investment of NABIL is moderate. The trend analysis has projected investment in fiscal year FY 2013/14 to FY 2017/18.

xvii. The net profit of NABIL is increasing trend it has been increasing every year by Rs. 293.25 million. The trend of Net profit projected to FY 2017/18 i.e. further five year.

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Summary

A commercial bank means the bank, which deals with exchange currency, accepting deposit, providing loan or investing in various sectors to do other commercial transactions. Therefore, it is cleared that one of the major function of commercial bank is investment policy. In this research work, there has been taken only one commercial bank i.e. Nabil Bank Ltd. The main objective of this study was to analyze the investment practices of NABIL and other objectives are as: to analyze the performance in terms of liquidity, asset management, profitability and risk. To evaluate the trends of total deposits, total investments, loans and advances and to compare their position in the companies. To study the relationship of deposit with investment & loans and advances. To assess the effects of investment decision on profitability position of the banks and to evaluate the position of nonperforming loan.

The investment decision has played vital role in the banking sectors as well as other organizations. Effective investment decision encouraged to each and every investor to invest their funds on profitable sectors in order to get high return. The study tries to describe the conceptual reviews, investment, NRB rules regarding fund mobilization of commercial banks, review of unpublished thesis work. Besides these, personal contact with the banks and with respected teachers has also been made. The analysis has been divided into two categories i.e. financial and statistical tools. Both tools have been made for comparative analysis and their interpretation. Under financial tools, liquidity ratio, assets management ratio, profitability ratio and risk ratio have been analyzed and interpreted comparatively. Under statistical tools, coefficient of correlation analysis, trend analysis, S.D. and C.V. have been used. In this study

Coefficient of Correlation between Deposit and Net Profit of NABIL is in positive relationship.

## 5.2 Conclusion

The term investment covers a wide range of activities. It is commonly known fact that an investment is only possible where there is adequate saving. If all the incomes and savings are consumed to solve the problem of hand to mouth and to the other our basic needs, then there is no existence of investment. That is why both saving and investment are interrelated each other. The term, investment means the sacrifice of money today for the prospective money tomorrow. In this study the NABIL bank has been selected and necessary data have been present and interpretation with financial and statistical tools. Following conclusion can be drawn: It is clearly shows that the bank hold large amount of current assets in comparison of the current liabilities therefore the bank unable to meet it's obligation during the study period. Cash and bank balance to total deposits position of NABIL bank is fluctuating trend for the period. It is found that the mean ratio of loan and advance to current assets is satisfactory level and the total deposit and loan & advance the highest it means the bank was able to generate the high profit by utilizing it's total deposit on loan and advance.

The investment on government securities and total working fund is is not satisfactory because it is lowest. Lowest ratio indicates that the bank couldn't utilize it's fund properly. Return on loan and advances ratio is fluctuating trend. It can be measured that the bank's earning capacity is very low. The NPL highest ratio is lowest, it means NABIL has succeeded to collect the fund of loan and advance in every year.

The coefficient of correlation between deposits and loan & advances, deposits and investment, loan & advances and net profit and total investment and net profit of NABIL is significant because the correlation coefficient is greater than the relative value of 6PE. Total deposit, investment and net profit of NABIL is in increasing and aggressive trend.

### 5.3 Recommendations

This recommendation is the final output of the whole study. Generally, it helps to convey correct and good information of the improvement of concerned banks in future. Several analyses have been accrued to reach in this topic. The following recommendation and suggestions have been mentioned to overcome the weakness, inefficiency and improvement of present investment policy of Nabil bank.

**i. Liberal lending policy**

To achieve success in this competitive banking environment, every bank must utilize their loan and advances. The loan and. advances is the main item of the bank in assets side. If it is medicated, it could be the main reason of liquidity crisis and bankrupt.

**ii. Expand investment on government securities**

Its investment policy is also consistent than other commercial banks. Investment on those securities issued by government (i.e. treasury bills, development bonds, saving certificates, etc) are free of risk and highly liquid such as securities yields the low interest rate of particular maturity lowest risk in future and it is more better in regard to safety that other means investment. So NABIL is strongly recommended to give more emphasis to invest on government securities.

**iii. Increase investment on share and debenture**

A commercial bank should utilize its fund in different sectors like to purchase share and. debenture of other financial and non financial companies. From analysis, it has been found that NABIL ratio of investment on share and debenture is more consistent. So, NABIL is strongly recommended to invest its more funds on share and debentures of different companies.

**iv. Services to rural areas and lower level people**

As we know that most of commercial banks have provided their services only in Kathmandu valley. They should extend their services towards rural areas and preserve the banking and saving habits of the lower level people of nation.

So NABIL bank suggested not to be surrounded and limited with the interest and staff of big clients (i.e. multinational cos. large industry, NGOs, INGOs, etc.) but extend their product and services in every nook and corner of the country.

**v. Effective portfolio management**

Portfolio management is very much important for every investor. The term investment has included many parts of risk. So the effective portfolio management plays important role to divide total investment in different sectors so that risk is also divided into different secretors. It has been found that NABIL have been increasing total investment every year. So, it is strongly recommended to invest in different sectors and to follow a saying don't keep all the eggs in the same basket.

**vii. Expansion of Branches**

Economic growth of a country depends upon the high growth of the commercial banks. If the product and services of commercial banks expands all over the nation, the idle money from different areas can be collected and utilized for income generation purpose. So commercial banks should expand their branches not only in urban area but also rural area of the nation.

**viii. Suggestions to further Researchers**

Here, the researcher has used 5 fiscal years of secondary data only so, further researcher are suggested to use more than 5 fiscal year and to use not only one banks because it doesn’t come clear and exact result which we want to obtain. Here is only used selected NABIL and a few financial and statistical tools in this study. But the further researchers are recommended to study more than four banks and apply more useful financial and statistical tools.

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www.nepalsharemarket.com

www.nepalstockexchange.com

www.nrb.gov.np

www.sebonp.com

## Appendix-I

## Trend analysis of Total Deposit of NABIL

*(Rs. in Millions)*

| Year (X) | Total Deposit (Y) | $X^2$ | XY |
|---|---|---|---|
| 1 | 37348.25 | 4 | -74696.50 |
| 2 | 46410.7 | 1 | -46410.70 |
| 3 | 49696.11 | 0 | 0.00 |
| 4 | 55023.69 | 1 | 55023.69 |
| 5 | 63609.8 | 4 | 127219.60 |
| $\sum X = 15$ | $\sum Y$ = 252088.55 | $\sum X^2 = 10$ | $\sum XY$ = 61136.09 |

Let trend line be

Y = a + b x…………………….. (I)

Where x = X - 2010/11 (3)

Here,

$$a = \frac{\sum Y}{N} \qquad b = \frac{\sum XY}{\sum X^2}$$

**NABIL**

a =50417.71 b = 6113.61

Where as

Yc = 50417.71 + 6113.61 X of NABIL

## Appendix-II

## Trend analysis of Loan & Advance of NABIL

*(Rs. in Millions)*

| **Year (X)** | **Loan & Advance(Y)** | **$X^2$** | **XY** |
|---|---|---|---|
| 1 | 27589.93 | 4 | -55179.86 |
| 2 | 32268.87 | 1 | -32268.87 |
| 3 | 38034.09 | 0 | 0.00 |
| 4 | 41605.68 | 1 | 41605.68 |
| 5 | 46369.83 | 4 | 92739.66 |
| $\sum X = 15$ | $\sum Y$ = 185868.40 | $\sum X^2 = 10$ | $\sum XY$ = 46896.61 |

Let trend line be

Y = a + b x……………………. (I)

Where x = X - 2010/11 (3)

Here,

$$a = \frac{\sum Y}{N} \qquad b = \frac{\sum XY}{\sum X^2}$$

**NABIL**

a = 37173.68 b = 4689.66

Where as

Yc = 37173.68 + 4689.66 X of NABIL

## Appendix-III

## Trend analysis of Investment of NABIL

*(Rs. in Millions)*

| **Year (X)** | **Investment (Y)** | **$X^2$** | **XY** |
|---|---|---|---|
| 1 | 10826.37 | 4 | -21652.74 |
| 2 | 13670.92 | 1 | -13670.92 |
| 3 | 13081.2 | 0 | 0.00 |
| 4 | 14055.85 | 1 | 14055.85 |
| 5 | 16332.04 | 4 | 32664.08 |
| $\sum X = 15$ | $\sum Y$ = 67966.38 | $\sum X^2 = 10$ | $\sum XY$ = 11396.27 |

Let trend line be

Y = a + b x……………………. (I)

Where x = X - 2010/11 (3)

Here,

$$a = \frac{\sum Y}{N} \qquad b = \frac{\sum XY}{\sum X^2}$$

**NABIL**

a = 13593.28 b = 1139.63

Where as

Yc = 13593.28 + 1139.63 X of NABIL

## Appendix-IV

## Trend analysis of Net Profit of NABIL

*(Rs. in Millions)*

| Year (X) | Net Profit (Y) | $X^2$ | XY |
|---|---|---|---|
| 1 | 1031.1 | 4 | -2062.20 |
| 2 | 1139.1 | 1 | -1139.10 |
| 3 | 1337.7 | 0 | 0.00 |
| 4 | 1696.27 | 1 | 1696.27 |
| 5 | 2218.76 | 4 | 4437.52 |
| $\sum X = 15$ | $\sum Y = 7422.93$ | $\sum X^2 = 10$ | $\sum XY = 2932.49$ |

Let trend line be

Y = a + b x…………………….. (I)

Where x = X - 2010/11 (3)

Here,

$$a = \frac{\sum Y}{N} \qquad b = \frac{\sum XY}{\sum X^2}$$

**NABIL**

a = 1484.59 b = 293.25

Where as

Yc = 1484.59 + 293.25 X of NABIL