CHAPTER- ONE
INTRODUCTION

1.1 Background of the Study:

Nepal has adopted mixed and liberal economic policy with the implicit objective to help the state and private sector. Especially after restoration of the democracy, the concept of liberalization policies has been incorporated as directive principle and state policies. This liberalization has helped in establishing many companies, banks, finance companies and manufacturing industries. Thus these establishing help the country for the development.

The history of commercial bank in Nepal starts from the establishment of the Nepal Bank Limited in 1994 BS. It is the first bank in Nepal and before this, there was no such organized banking system in country. Today can take legitimate pride in the remarkable growth and progress in banking industry. Altogether 32 commercial banks are operating all over the country. Credit is regarded as the heart of the commercial banks in the sense that; it occupies large volume of transactions; it covers the main part of investment; the most of the investment activities based on the credit; it is the main factor for creating profitability; it is the main sources of creating profitability; it affect the overall economy of the country.

Therefore, it stated that investment is concerned with the management of the investor's wealth. Funds to be invested come from trade assets already owned, borrowed money, and saving or foregone consumption. By foregoing consumption today and investing the saving, investors expect to enhance their future consumption possibilities, i.e. they are invested to increase wealth. Investors also want to manage their wealth efficiently by obtaining the most profit while protecting it from taxes, inflation and other factors. Thus investment policies are the strategies of finding out the answers of where to

invest? How much to invest? Where to invest? And when to invest? However, there are no specific rules and regulation regarding investment policy of a bank and thus it has to keep increasing the safety and liquidity of its resources to meet the potential demand of its customers. Since the objective of profitability conflicts with those of safety and liquidity, the wise investment policy is to strike a judicious balance between them.

Therefore, a bank has to lay down its investment policy in such a manner to conform the safety and liquidity of its funds and at the same time maximizing the profits.

An investment simply means commitment of saving into any alternative that is expected to generate positive income. In other word is an exchange of financial claim stock and bonds etc. Investment is the employment of funds with the aim of achieving additional income or growth in values. It involves the commitment of resources that have been saved or put away from current consumption in the hope that some benefits will accumulate in future. Investment involves long-term commitment and waiting for a reward.

According to Sharpe, Alexander and bailey, "Investment, in its broadest sense, means that sacrifice of current dollars for future dollars. Two different attributes are generally involved; time and risk. The sacrifice takes place in the present and is certain. The reward comes later, if at all, and the magnitude is generally uncertain."

Most of the investors are least familiar with the financial activities. They don't have the idea of risk and return and financial performance of commercial banks. Awareness regarding the financial activities, investment policy, making portfolio etc. is very little. Lacking financial knowledge, most of the investors are making investment on stock and debentures in commercial bank, is not so favorable.

Certainly, commercial banks have occupied important place so far as in Nepalese capital market. Due to lake of productive lending, nobody can tell the future of commercial banks. Secondary capital market operates regularly and investors use to buy and sale the securities. That's why investors should be aware of analyzing risk and return; portfolio and ratio.

1.2 Focus of the Study:

We define invest is the commitment of a given present sum of money to an alternative with the expectation of receiving additional sum in the future. This definition underscores two important points. First, the process of investment involves the trading of present income for future income. Second, the objective of investment is to receive a future flow of funds larger than that originally invested. The main purpose of this study is to analyze of the risk and return and ratio analysis associated with the shares of commercial banks listed in NEPSE index. Among the 32 commercial banks two are selected as sample. It is tries to analyze regarding risk and return of selected banks, comparative ratio Analysis on behalf of prospective investors.

Finance mainly consists of three functions they are; Investment, financing and dividend. Return is the main aim of investment and certain degree of risk is associated with it. Therefore, an investor must consider about the risk factor before taking an Investment decision.

Brief explain of selected two banks are given below;

Everest Bank Limited:

Catering to more than 4 lacks customers today, Everest Bank Limited (EBL) is a name you can depend on for professionalized and efficient banking services. Founded in 1994 October, 10, the bank has been one of the leading banks of the country and has been catering its services to various segments of the society since then. With clients from all walks of life, the bank has helped develop the nation corporately, agriculturally and industrially. EBL is joint venture with Punjab National Bank, one of the largest commercial bank in India.

With an aim to help Nepalese citizens working abroad, the bank has entered into arrangements with banks and finance companies in different countries which enable quick remittance of fund by the Nepalese citizens in countries like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore and UK. The bank has been focusing on expanding its operations outside Nepal and has identified some of the emerging economies which offer large business potential.

NABIL Bank Limited:

NABIL Bank Ltd. (Nepal Arab Bank Ltd.) Was established on July 12th 1984 under a technical service agreement with Dubai Bank Ltd., Dubai which was later merged with Emirate Bank Ltd., Dubai. NABIL is the first and major joint venture bank in the country with key points of representation all over Nepal. A team of qualified and highly experienced professionals manages the bank.

NABIL Bank Limited, the first foreign joint venture bank of Nepal, started operations in 1984. NABIL was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, NABIL provides a full range of commercial banking services through its 47 points of representation across the kingdom and over 170 reputed correspondent banks across the globe. Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes ATMs, credit cards, state-of-art, world-renowned software from Infosys Technologies System, Bangalore, India, Internet banking system and Tele banking system.

1.3 Statement of the Problem:

In Nepalese context very few people like university graduates, financial professionals and intellectuals can analyze the risk and return, financial performances and portfolio management associated with the stock. So the lack of sound knowledge about the financial risk, business risk and other risk may lead the banks towards the bankrupt and liquidation. Due to the lack of effective and efficient human resources and trained manpower, growing brain chain is the serious problem for the existing healthy complication.

Investors must be able to analyze risk and return of individual stock, financial performances of investable institutions and portfolio management well. They do not have the idea of risk and return and ratio analysis. Awareness regarding the financial activities, investment policy, making portfolio etc. is very little. In the absence of risk associated with investment most of the investors are making investment on stock, which is very wrong and bad trend.

The investors do not have various alternatives for an investment and most of them are making investment on security market. Therefore, the entire responsible sector has to contribute to increase the alternatives of investment, to make the investors aware of investment and to provide the proper information about the market.

This study arises some issues to be examined which are stated below;

- What is the liquidity position of the related banks?
- What is the assets management condition of the related banks?
- What is the profitability position of selected banks?
- What are the relation between selected variables i.e. deposits, investment, loan and advances etc.?
- What is the effect of investment decision on profitability position of the bank and is there a proper utilization of available fund?

1.4 Objective of the Study

The main objective of the study is to interpret the investment policy and strategy by the banks selected for the study, point out their barriers, and give suggestions adopted for the improvement in their investment policy. Along with, the following objectives seek to pursue the basic objective of the study, which have given bellows:

- To analyze the performance in terms of liquidity, asset management, profitability and risk.
- To examine the fund mobilization of EBL and NABIL Bank ltd. Selected for the study.
- To study the relationship of variables and ratios of EBL and NABIL.

1.5 Significance of the Study:

In the context of Nepal, the capital market is growing very slowly. The market is no efficient; there are very few magazines and articles related to capital market.

The study will give information about Nepalese Capital market and performance of commercial banks with the help of analyzing risk and return and ratio analysis, which will definitely contribute to increase the analytical power of the possible investors in the case of commercial banks as well as in capital market. That's why this study will be beneficial for the entire person who is directly or indirectly related to commercial banks as well as Nepalese capital market.

1.6 Limitation of the Study:

Following are the limitation of the study made;

- This study will be limited to the study of only two commercial banks.
- The study is covers the 5 years period only.
- Securities consist of common stock only.
- This study is basically depends up on secondary data.

1.7 Chapter Scheme:

This research will be divided in to five parts. The titles of these parts are summarized and content of each of these parts of this study are briefly mentioned here;

   Chapter-1 : Introduction

   Chapter-2 : Review of literature

   Chapter-3 : Research methodology

   Chapter-4 : Presentation and analysis of data

   Chapter-5 : Summary, conclusion and recommendation

The first chapter deals with the subject matter consisting introduction, focus of the study, Identification of the problem, significance of the study, objectives limitations and chapter scheme of the study.

The second chapter is literature review that includes a discussion on the conceptual framework of investment, review from journals, review from thesis and review from independent studies in Nepal.

The third chapter describes the research methodology adopted in carrying out the present research .it deals with research design, source of data, data processing procedures, population and sample, nature and sources of data, method of data collection and method of data analysis.

The forth chapter is concerned with analytical framework .it includes the analysis of risk and return of selected banks ,comparative ratio analysis on behalf of prospective investors and analysis of correlation.

The fifth chapter is the final chapter which is concerned with the suggestive framework that consists of summary, conclusion and recommendation of the study.

The bibliography and appendices are presented at the end of the study.

CHAPTER- 2
RIVIEW OF LITERATURE

Review of literature is foundation of any kinds of research work. This chapter highlights available literature related to this research, which makes base of knowledge for the study.

This chapter Review of Literature is basically concerned with review of literature relevant to the topic 'Investment policy of Commercial Banks in Nepal'. An investment decision plays an important role in banking sector. Effective investment decision encourages to every investor to invest their funds to achieve high return. Every present study is based on past research studies. This chapter highlights the literature that is available in concerned subject as to my knowledge, research work and relevant study on this topic, review of journals and articles and review of thesis work, which was performed previously.

2.1 Conceptual Framework
2.1.1 Concept of Investment

An Investment simply means commitment of saving into any alternative that is expected to generate positive income. For example, if you advance money to other, you may consider it as an investment, because you except to get back the money along with interest in some future date. Similarly, a person may have purchased one ounce gold for the purpose of price appreciation and it may be considered as an investment. All these examples constitute investments and have one common element that they are made at present with the expectation of some rewards in future. The rewards or return from investing are received in either of two basic form; current income or increased value.

Generally investment is concerned with purchasing something of value that will appreciate at a fair rate of return commensurate with the risk assumed over a long period of time. Investment decision is affected by different elements i.e. time, return and risk. Investment has been defined in many ways. Therefore, it is relevant to cite some of those popular definitions. They are as follows;

"An investment as a commitment of funds made in expectation of some positive rate of return, if the investment is properly undertaken, the return will be commensurate with the rick the investor assumes." **(Donald.E.Ficher and Ronal J. Jordon)**

"Investment, in its broadest sense means the sacrifice of current dollars. Two different attributes are generally involved: time and risk. The sacrifice takes place in the present and is certain. The reward comes later, if at all, and the magnitude is generally uncertain." **(Sharpe, Alexander and Bailey).**

"Investment is defined simple to be sacrifice of current consumption for future consumption whose main objective is to maximization of wealth. Investment decision is affected by different elements i.e. time, return and risk. The sacrifice of consumption means investors willingness to earn more money and ready for taking risk, but how much long taking risk and time respectively depended upon the investor's nature. Investment generally involves real assets or financial assets. Real assets are tangible, material things and financial assets involve contract written on pieces of paper such as common stock, bonds and debenture. Financial assets are bought and sold in organized security market." **(Francis, 1983)**

"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. An investor seeking higher return must be willing to take higher level of risk." **(John M. Cheney and Moses)**

"Investment is the employment of funds with the aim of achieving additional income or growth in value. The essential quality of an investment is that it involves waiting for a reward. It involves the commitment of resources which have been saved or put away from current consumption in the hope that some benefits will accrue in the future." **(Sign Preeti ' Investment management' Bombai: Himalayan publishing Japan.n.d.)**

"Investment by individual, business and government involves a present sacrifice of income to get on expected future benefit: as a result investment raises a nation standard of living." **(The world Book Encyclopedia: New York, Encyclopedia American Corporation International World Book – 1976) P-2'32**

Thus, the above review clearly indicates that investment means the commitment of a given present sum of money to an alternative with the expectation of receiving additional sum in the future. So, it is cleared that investment is the utilization of funds with expected additional return in future but sometimes, the return may be negative also, if wrongly invested without sound knowledge of investment and their related factor.

2.1.2 Investment Process

The investment process describes how an investor should go about making investment decision. There are five interrelated steps in investment decision process. They are stated below;

1.   Determining Investment Policy

The first step of the investment process is to set the investment policy. This step involves the identification of the potential categories of financial assets for consideration in the ultimate portfolio.

2.   Performing Security Analysis

The second step of the investment process is to perform security analysis. The purpose of conducting such analysis is to identify those securities that currently appear to be mispriced.

3.   Constructing a Portfolio

The third step in the investment process is the construction of portfolio. Construction of a portfolio involves identification of specific securities in which to invest, along with the proportion of investable wealth to be put into each security.

4.   Revising The Portfolio

The 4th step in the investment process is portfolio revision. Portfolio revision involves both realizing that the currently held portfolio is not optimal and specifying another portfolio to hold with superior risk-return characteristics.

5.   Evaluating The Portfolio Performance

The ultimate step in the investment process is portfolio performance evaluation. It involves determination of the actual performance of a portfolio in term of risk and return.

2.1.3 Investment Policy

The investment is concerned with the management of the investor's wealth. Investors also want to manage their wealth efficiently by obtaining the most profit while protecting it from taxes, inflation and other factors. Thus investment policies are the strategies of finding out the answers of where to invest? How much to invest? And when to invest?

"Investment policy fixes responsibilities for the investment disposition of the bank assets in term of allocation funds for investment and loan and establishing responsibility for day to day management of those assets." (**Basely 1987 : 124)**

2.1.4 Features of a Sound Lending and Investment Policy

The profit and income of the bank depends upon its lending policy, lending procedure and investment of its funds in various securities. A sound lending and investment policy is prerequisite for the bank's profitability.

Some of the main necessities for sound lending and Investment Policies are stated below;

- **Profitability:** A good bank is one who invests maximum funds in different earning assets stoning safely from day to day requirement of the depositors. A commercial bank can maximize the wealth through maximization of return on their lending and investment. The profit of commercial bank is determined by various factors like as; interest rate, volume of loan, its time period and nature of investment in different securities.

- **Safety and Security:** The bank should accept the securities, which are marketable, commercial, durable and high market prices. Every financial institutions mainly bank must be aware while taking the investment decision. In this case "MAST" should be applied.

  M = Marketability

  A = Ascertain ability

  S = Stability

  T = Transferability

- **Liquidity**: people deposit money in different account of the bank with the confidence that bank will repay their amount when they want. So, liquidity means the position of the bank to meet short-term or current obligation.

- **Purpose of loan**: Why customer need loan? This is very important to the all financial institutions and banks. Borrowers can never repay and banks will posses heavy bad debt, if they misuses the loan granted by the bank. So, financial institution must examine it.

- **Diversification**: "Don't put the eggs on the same basket" this statement is very important to the bank. To maximize the return and minimize the risk a bank must diversify its investment on different sectors. So, the bank should be careful not to grant loan in only one sector.

- **Legality:** Every commercial bank must follow the rules and regulation as well as different kinds of direction issued by Nepal Rastra Bank, Ministry of finance and Ministry of laws and other while mobilizing its funds.

- **Tangibility:** A commercial bank should prefer tangible security to tangible one. Tangible properly doesn't yield an income apart from intangible securities which have lost their value due to price level of inflation.

2.1.5 Some Important Terms

- **Assets:** Assets are the properties of the organization. There may be intangible and tangible assets as well as fixed and current assets. Such as; debtors, bills receivable, marketable securities, goodwill and patents etc.

- **Liabilities:** Liabilities represent the obligation to make payments through cash or services in future. Liabilities are the amount of debt payable in future. For example; bills payable, loan outstanding expenses, creditors etc.

- **Deposit:** Deposit is the amount in a current, saving and fixed account of a bank or financial institution which is collected from the customer.

- **Balance Sheet**: Balance Sheet is a financial statement which shows the actual financial position of the organization. It is prepared at the end of each accounting year. Balance sheet mainly contains assets, liabilities, share capital etc.

- **Off –Balance-sheet transaction:** Off balance sheet transaction are those transactions which are not recognized at assets and liabilities in balance sheet. They are letter of credit, bills purchase, guarantee, bills for collection, commission etc.

2.2 Scenario of Commercial Bank

2.2.1 Concept of Commercial Bank

Banks are necessary for the development of country. They are important because they are replication to alternative poverty and improve standard of living of poor people and make sound economic environment. Banks are that kind of financial institution which deals with money and substitution for money.

Commercial Banks are financial institution which deals in accepting deposit of customer's institution and in giving loan against securities. Commercial Banks provide working capital which needs of trade, industry and even to agricultural sector.

The history of commercial bank in Nepal starts from the establishment of the Nepal Bank Limited in 1994 BS. It is the first bank in Nepal and before this, there was no such organized banking system in country. Today can take legitimate pride in the remarkable growth and progress in banking industry. Altogether 32 commercial banks are operating all over the country. Credit is regarded as the heart of the commercial banks in the sense that; it occupies large volume of transactions; it covers the main part of investment; the most of the investment activities based on the credit; it is the main factor for creating profitability; it is the main sources of creating profitability; it affect the overall economy of the country.

A bank is business organizations that receives and holds deposit of funds from others make loan or extents credits and transfer funds by written order of deposit. (**The Encyclopedia America; 1984:302**)

"Commercial bank means a bank authorized to receive both demand and time deposits, to engage in trust services, to issue letter of credit, to rent time-deposit boxes and to provide similar services." **Black's Law Dictionary**

"Commercial bank is a corporation which accepts demand deposits subject to check and makes short term loan to business enterprises, regardless of the scope of its other services. (**American Institute of Banking, 1972: 345**)

"A commercial institution licensed as a taker of deposit. Banks are concerned mainly with making and receiving payment on behalf of their customer, accepting deposits and making short term loans to private, individuals companies and other organization." (**Oxford Dictionary of Business, second Edition**)

Hence, we can conclude that commercial banks are established under the rules and regulation of the central bank of the country. Banks are established for the mobilization of the saved fund, central bank makes certain rules so that the customer of the bank may not under go on loss of their hardly collected money by the disinvestment procedure of the bank.

2.2.2 Function of Commercial Banks

Commercial Banks are the major components in the financial system. The major functions of commercial banks are as follows;

- Agency function
- General utility function
- Accepting various types of deposit from customer
- Providing loan to various productive sectors

- Providing information and other services
- Providing overseas trending services
- providing short, medium and long term loans
- Acting as an agency in transfer of money, make payment on commission basis for the cheque, draft, bill of exchange etc.
- Buying and selling shares and debentures of any company and government bonds
- Collecting interest on debenture and government bonds, dividend on shares and funds from other banks.

2.3 Review of Articles / Journals/Books

In this part of the research, effort has been made to evaluate and review of relevant journals and articles, which are published in different magazines, newspapers, economic journals, bulletin of the World Bank and other related books.

Pradhan Kiran (1991) in this article, " Nepalma Banijya Bank ka Upalabdhi Tatha Chunauti" concluded some major issue in local banks in comparison to recently established joint venture banks. The study deals with whole banking system of Nepal in respect to their profitability and performance. Some of his findings to this study are given as;

The deposit collection rate of local banks is very poor in comparison to Joint Venture Banks. The patterns of deposit are also different between these banks. The ratio of current deposit in local bank is 9.34% only, where the same as the joint venture banks is 52.5%. But the fixed deposit ratio is very high in local banks.

Bajrachrya (1990); "Monetary Policy and Deposit Mobilization in Nepal". It states that the mobilization of the domestic saving is one of main objective of the monetary policy in Nepal and commercial banks are the most active

financial intermediary for generating resources in the form of deposit of private sector and providing credit to the investor in different sectors of the economy.

Rajan Bikram Thapa (2010); "Principles and Practices of Nepalese Banking". It describes the meaning and function of Nepalese commercial banks.

Murari R. Sharma; "Joint Venture Banks in Nepal: co-existing or crowding out." This article focused that "It would be operated in the country and not to take advantage to them as additional means of new area in banking. However, it will certainly be unfortunate for the country to develop the joint venture banks at the cost of the domestic banks. So, for one should admit frankly no different treatment has been extended to the domestic and joint venture bank at least from the government side, which is commendable. If his majesty's Government keeps on the on the stance of trading the domestic and joint venture banks, equally deposit the latter's bargaining strength and if the joint venture banks also show their celerity to come forward to share the trials and tribulations of this poor country, both types of bank will co-exist, complementing each other and contributing to accelerated development. If the joint venture banks use their strength against trading in to the path of development along with the domestic banks and the Government. They will eventually crowd out the domestic banks from the more profitable urban areas and lucrative urban sector unless re-made by the determination of the Government."

James C. Van Horne (2007); "Financial Management and Policy." It describes the concept of financial ratio analysis. To make rational decisions in keeping with the objectives of the firm, the financial manager must have analytical tools. The more useful tools of the financial analysis are the subject of this book.

Shrestha Ramesh Lal:(2045 B.S.) In this article, "A study on deposit and credits of commercial in Nepal" mentioned that the credit deposit ratio would be 51.3%, other thing remaining same in 2004 AD, which was the lowest situation under the period of review. So, he had strongly suggested that bank should try to give more credit entering new sector as far as possible, otherwise they might not be success to absorb even its total expenditure.

Sunil Chopra: In this article "Role of Foreign Banks in Nepal." Concluded that the joint venture banks are playing vital and dynamic role in the economic development of country that will increase with time.

Radhe S. Pradhan, had conducted on his research "Financial Management and Practices in Nepal" in 1992. The research mainly death with sum and types of financing, effect of change takes on capital structure financial distress, financial functions, financing decisions involving debt, dividend policy and dealing with banks.

The major finding of this study is given as follows;

I. Banks and retained earnings are two most widely used in financing sources.

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

III. Enterprises have a definite performance for bank loans at a lower level of debt.

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

V. There is no definite time period to borrow the issues stocks that are 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.

2.4 Review of Thesis

Khadka Raja Ram (1998); In this study on "A study on the investment policy of Nabil Bank ltd. in comparison to other Joint Venture Banks of Nepal."

The major objectives of this research study were as follows;

A. To evaluate the growth ratio of loan and advances, total investment with respective growth rate of total deposit and net profit of Nabil bank in comparison to other Joint Venture Banks.

B. To examine the trends of deposit utilization and projection for next five years in case of Nabil bank in comparison to other joint venture banks.

C. To find out the profitability and liquidity position in related fund mobilization of Nabil bank in comparison to other joint venture banks.

D. To discuss about fund mobilization and investment policy of Nabil Bank ltd. in comparison to other joint venture banks.

E. To evaluate the relationship between deposit and loan advances, deposit and total investment and net profit and outside assets of Nabil bank ltd. in comparison to other joint venture banks.

The major findings of this research were as follows;

A. There is significant relationship between deposit and loan and advances as well as outside net profit and assets where as there is no significant relationship between deposit and total investment increase of Nabil bank and other joint venture banks too.

B. Trend values of loan and advances to total deposit of Nabil and other joint venture banks are in increasing trends.

C. The profitability position of Nabil bank is better than other joint venture banks. And the liquidity position of Nabil bank is comparatively worse than other joint venture banks.

D. Nabil bank ltd. is less successful in on-balance sheet utilization as well as off-balance sheet operation than other joint venture banks. It is concluded that Nabil bank couldn't mobilize as efficiently as other joint venture banks.

Bohara Indra Bahadur (2002), has conducted a thesis work on "A Comparative study on investment policy on joint venture banks and financial Companies of Nepal."

The major objectives of this thesis were as follows;

a) To evaluate the profitability position of financial companies in comparison to joint venture banks.

b) To examine the fund mobilization of financial companies in comparison to joint venture banks.

c) To find out the liquidity position of financial companies and joint venture banks.

d) To evaluate the risk position of joint venture banks and finance companies.

The major findings of this thesis are stated below;

a) The profitability position of all finance companies is better than the joint venture banks.

b) All of the finance companies have mobilized their deposits smoothly in comparison with joint venture banks, but all the selected firms have not successfully been mobilization their deposit.

c) The liquidation position of joint venture banks is better than selected finance companies.

d) The joint venture banks have less capital risk and interest risk in comparison to other finance companies.

Indira Pokheral of TU had written a thesis on "**The Investment Pattern & Policy of RBB**" she had conducted that commercial bank plays a crucial role in accelerating the growth in a developing countries like ours. It mobilizes the people saving; divert them in productive channel through investment. The investment policy of these bank banks has to be considered with respect; otherwise the bank may not be able to accelerate the economic growth rate of

the country. But the investment policy of commercial bank is affected by central banking policy. Besides, it should be able to divert the credit from less important sector to more important sector in the economy.

She had had concluded that large part of the country had no banking facility. So in these parts bank could not make investment. Especially in the investment pattern and trend, the bank was in a state which cannot be said satisfactory. She had concluded that large part of the investment was in the unproductive sector. So, productive sector lacked investment which is also seen now days. Banks were scared of making investment due to lack of securities. People were not able to obtain loan due to defective investment policy.

She had also concluded that banking cost was relatively high while making investment. Major parts of investment were concentrated in gold and silver. She also concluded that there had been no clear and specific investment policy.

Kul Chandra Pandit : conducted as study on " A study on the investment policy analysis of Standard Chartered Bank ltd. (In comparison to other commercial banks of Nepal."

The major objectives of this research study are stated below;
1) To study the fund mobilization and investment policy.
2) To review the policy and procedure of collection.
3) To find out the trend of deposit utilization towards total investments and loan and advances.
4) To evaluate the profitability and liquidity position.
5) To examine the growth ratio.

The findings of this study are stated below;

1) The analysis of liquidity ratio from Standard Chartered Bank has maintained successful liquidity than Nabil and Nepal Bank ltd.

2) Standard Chartered Bank had maintained successful in its on-balance sheet operation. But in case of off-balance sheet operation of Standard Chartered Bank is advanced than Nabil and Nepal Bank.

3) In case of loan and advances to total deposits ratios, decreasing trends are found but in the case of total investment to total deposit ratio, all three banks have increasing trend.

4) The growth ratio of loan and advances of Standard Chartered Bank ltd. is lower than Nabil Bank and Nepal Bank ltd.

5) Coefficient of correlation between deposits, loan and advances and total investment of Standard Chartered Bank, Nabil Bank and Nepal Bank are positive.

Chaudhary Mukesh(2006); had concluded as study on "Investment Policy, a comparative study of Nepal Bangladesh Bank ltd. and Himalayan Bank ltd."

The major objectives of this research study are as follows;

I. To evaluate the liquidity position of Nepal Bangladesh Bank in comparison to Himalayan Bank ltd.

II. To find out the assets management ratio of Nepal Bangladesh Bank ltd. in comparison to Himalayan Bank ltd.

III. To evaluate the profitability ratio of selected banks.

IV. To examine the degree of risk of selected banks.

V. To evaluate the trend of total deposit, total loan and advances, total investment and net profit.

The findings of this research study are as follows;

I.   The liquidity position of Nepal Bangladesh Bank ltd. is better than Himalayan Bank ltd.

II. The assets management ratio of Nepal Bangladesh Bank ltd. is better than Himalayan Bank ltd.

III. The profitability position of Nepal Bangladesh Bank is comparatively worse than Himalayan Bank ltd. due to lower return on loan and advances ratio, return on equity ratio. But Himalayan Bank ltd. failed in total interest earned to total outside ratio and total interest earned to total working fund ratio in comparison to Nepal Bangladesh Bank ltd.

IV. The level of risk is high in Nepal Bangladesh Bank ltd. due to highest credit risk and interest rate risk, which shows Nepal Bangladesh Bank ltd., has greater risk in credit recovery and interest recovery in comparison to Himalayan Bank ltd.

V.   The trend of total deposit, total loan and advances, total investment and net profit of Nepal Bangladesh Bank ltd. is comparatively worse than Himalayan Bank ltd. and the trend of Net profit of Nepal Bangladesh Bank ltd. shows a negative trend.

Sangita Shakya (2000); in her thesis " Comparative Analysis of Financial Performance of selected Joint Venture Banks, A case study of NGBL and HBL."

The major findings of this study are as follows;

a. It has concluded that the liquidity ratio of HBL is higher than NGBL.

b. Profitability ratio of both banks revealed that among various profitability ratios like return on total assets, return on total deposits, the performance of NGBL is better than HBL.

c. HBL has higher return on net worth or share holder's fund than that of NGBL.

d. The activity ratio such as loan and advances to total deposit ratio, total income generating assets of total assets ratio of HBL is higher than NGBL.

e. Total debt to total assets ratio of both banks exceeded 90% which indicates that both banks are successful in exploiting debt to total assets, however HBL's ratio is higher as compared to NGBL.

Rabindra Joshi; in his thesis " A comparative study on Investment Policy of Standard Chartered Bank ltd. and Everest Bank ltd."

The major objectives of this thesis are as follows;
a. To find out the empirical relationship between total investment, deposit and loan and advances, the net profit and outside assets.
b. To evaluate the investment policy of selected banks and discusses about the fund mobilization of them.
c. To compare the profitability and risk position, liquidity assets management efficiency of Standard Chartered Bank ltd. and Everest Bank ltd.
d. To analyze the deposit utilization and its projection for next five years of Standard Chartered Bank ltd, and Everest Bank ltd.

The main findings of this thesis are as follows;
a. Standard Chartered Bank ltd. has been successfully maintained and managed its assets towards different income generation activities.
b. Everest Bank ltd. 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.
c. The profitability ratio of Standard Chartered Bank ltd. is better than Everest Bank ltd.
d. The growth ratio of deposit, loan and advances and total investment is lower than Everest Bank ltd.

e. The risk of Standard Chartered Bank ltd. is comparatively lower than Everest Bank ltd. regarding various aspects of banking function.

Poudyal Rabindra (2006); In this thesis on " A Study on Credit (lending) Policies of Joint Venture Commercial Bank with reference to Himalayan Bank ltd. and Nepal; SBI Bank ltd."

The major objectives of this research are as follows;

a. To find out the liquidity ratio of selected banks.
b. To evaluate the assets management ratio of selected banks.
c. To examine the lending efficiency of selected banks.
d. To evaluate the profitability position of selected banks.

The main findings of the study are as follows;

a. The liquidity ratio of Himalayan Bank ltd. is more stable and consistent than Nepal SBI Bank ltd.
b. This study concluded that Nepal; SBI bank ltd. is able to manage its assets to complete in this competitive banking of credit portfolio, both bank has made more investment in private sectors than other sectors.
c. The lending efficiency of these two banks; Nepal SBI Bank ltd. has better efficiency ratio than Himalayan Bank ltd.
d. The profitability position of Himalayan Bank ltd. is better than Nepal SBI Bank ltd.

CHAPTER-THREE
RESEARCH METHODOLOGY

3.1 Introduction

In order to achieve the objective of the study, certain method of research has to be used. This chapter is, therefore, devoted to describe the methods used for carrying out the research. The following methodology has been followed to conduct the present study.

3.2 Research Design

A research design is the plan of attack; what approach to the problem to be taken? What strategies will be most effective? The purpose of this chapter is to introduce you to the idea of research design and give you some orientation to the major types of research design.

Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research question. The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from writing the hypothesis and their operational implications to the final analysis of data.

Research design is an overall plan for the activities to be undertaken during the course of a research study, which serves as a framework for the study, guiding the collection and analysis of the data, the research instruments to be utilized, and the sampling plan to be followed.

Hence, research design is a strategy of obtaining information for the purpose of conducting a study and making generalizations about the population.

3.3 Population and Sample

This research work is going to conduct about the Investment Policy of Nepalese Commercial Banks. That's why all commercial bank's which are established and operated within the boundary span of Nepal as well as under Nepal Bank Act. Those are population size of this research. So, all 32 commercial banks of Nepal are its population size. Among those 32 commercial banks only 2 are selected as the sample of this study by using simple random sampling method. Those sample banks are;

a. Everest Bank Ltd.
b. NABIL Bank Ltd.

3.4 Nature and Source of Data

This study is basically based on secondary data. The relevant secondary data will obtained from balance sheet and profit /loss account of selected bank's annual reports published on web site of concern banks. As well as data and other information are collected from the periodical economic journals, managerial magazines and other published and unpublished reports and documents from various sources and websites.

3.5 Method of Data Collection

The sources of data used in this study are basically secondary nature. All the study analysis and evaluation have been based on different journals, newspaper and website.

The annual reports of Everest Bank Limited for the period of five years are obtained from the field visit of Human Resource Department at its head office located at Lazimpat and the annual reports of NABIL for the period of five years are obtained from the field visit of its head office at Kamaladi. The data regarding the profile of Everest and NABIL and other related documents were collected from internet website.

3.6   Research Period

This research work will contain the period of five years from the fiscal year 2063/064 to 2067/068 BS.

3.7 Data Processing Procedure:

The study is basically based on the secondary data. The data are collected in crude form in the initial stage and then properly synthesized, arranged, tabulated and calculated to serve the objective of the study.

3.8 Method of Data Analysis

In this research study financial and statistical tools are used for interpretation and analyze the data. So, the following tools and instruments of financial and statistical methods are used for this research study.

3.8.1 Financial Tools

Financial analysis is the process of analyzing relative strength and weakness of firm's financial position. Financial tools are very useful to evaluate the performance of any organization. It determines the strength and weakness of a firm as well as its historical performance and current financial conditions. These tools are used for analyze and interpretation of financial data. The financial tools employed in this study basically represent ratio analysis.

Ratio Analysis;

Ratio analysis is the quantitative relationship between two or more sets of financial data derived from income statement and balance sheet. Ratio analysis is essential to make a meaningful conclusion about what a particular figure in the firm's financial statement is stating in relation to financial performance of the firm. That's why ratio is used as a benchmark for evaluating the financial position and performance of a firm.

There are various types of ratio that can be used to analyze the financial performance of the firm.

3.8.1.1 Liquidity Ratio

This ratio is used to assess the short-term solvency position of a firm. Liquidity ratio measure the firm's ability to satisfy its short-term commitment out of current or liquidity assets. With the help of liquidity ratio much approaching can be obtained into present cash solvency of the banks and its ability to remain in the event of adversities.

The following ratios are evaluated under liquidity ratios;

a. Current Ratio

The current ratio shows the quantitative relationship between current assets and current liabilities. It is computed as follows;

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

Where,

Current Assets; Current assets are those assets which can be converted into cash and bank balance, debtors, inventories, account receivables etc.

Current Liabilities; Current liabilities refer to the short-term maturing obligation. Like as account payable, creditors, short term debt etc.

b. Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance to total deposit ratio measures the capacity of bank to meet unexpected demand made by depositors, i.e. current account holders, saving depositors, call and other depositors. It is calculated as cash and bank balance dividing by total deposit.

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

c. Investment on Government Securities to Current Assets Ratio

This ratio helps to find out the percentage of current assets invested on the Government Securities, Development Bonds, and Treasury Bills, which are issued by Government. This ratio can be computed by dividing investment on government securities by current assets.

$$\text{Investment on Government Securities to Current Assets Ratio}$$
$$= \frac{\text{Investment on Govt. Securities}}{\text{Current Assets}}$$

d. Loan and Advances to Current Assets Ratio

Loan and advances are the current assets of commercial banks. A commercial bank should not keep its all related funds as cash and bank balance but they should be invested as 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 obtained by dividing loan and advances by current assets ratio.

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

e. Cash and Bank Balance to Current Assets Ratio

Cash and bank balance to current assets ratio shows the portion of cash and bank balance in total of current assets. This ratio shows the bank's liquidity position in term of most liquid assets. Cash and bank balance are highly liquid assets than other in current assets so this ratio indicates higher liquidity position than current ratio. It can be calculated by using following formula.

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

B. Assets Management Ratio;

The funds of creditors and owners are invested in various assets to generate sales and profit. These ratios are used to evaluate the competence with which the firm manages and utilizes its assets. This ratio indicates how quickly certain current assets are converted into cash. From this ratio it can be known whether or not the business activities are efficient and effective. It is also called as the Activity or Turnover Ratio. The higher the rate of turnover or conversion, the more efficient is the management utilization of assets. These ratios moreover help in measuring the bank's ability to utilize their available resources. Following ratios are use under the Assets Management Ratio.

a. Total Investment to Total Deposit Ratio

This ratio measures the capability of the banks to mobilize their deposits in investment in various securities and other investments. Higher ratio indicates the success in mobilizing deposits in securities and vice versa. It can be computed by dividing total investment by total deposit.

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

b. Loan and Advances to Total Deposit Ratio

It measures the extent to which the banks are successful to mobilize their total deposits on loan and advances for profit generation. Higher ratio is better for an organization. It can be computed by dividing loan and advances by total deposits.

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

3.8.1.2 Profitability Ratio

Profitability ratios are calculated to measure the operating competence of the firm. With the help of profitability ratio the investors and lenders want to decide whether to invest in an exacting firm or not. The following ratios are computed under profitability ratio;

a) Return on Loan and Advances

Return on loan and advances ratio shows how proficiently the banks and the other financial institutions have utilized their resources to earn good return from providing loan and advances. This ratio is computed by dividing net profit/loss by the total amount of loan and advances.

This ratio measures the return on loans and advances during the year. This is calculated as follows;

$$\text{Return on Loan and Advances} = \frac{\text{Net Profit After Tax}}{\text{Loan and Advances}}$$

Higher ratio of net income to loan and advances is better.

b) Return on Total Assets Ratio

This ratio is analyzed and calculated to measure the profitability of financial resources invested in the banking assets. It measures the profit generating ability by utilizing available resources of the banks. High ratio is better for an

organization. This ratio measures the profitability with respect to the total assets. It is computed as follows;

$$\text{Return on Total Assets Ratio} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

A higher ratio indicates the efficiency of overall financial resources to invest. So, higher ratio will be better.

3.8.1.4 Other Ratios

a. Current Assets to Share Capital Ratio

This ratio represents the proportion of current Assets to Share Capital. The high indicates the uses of more current assets than share capital and vice versa. It is calculated as current assets dividing by share capital.

Where, share capital includes share capital and reserve and surplus.

$$\text{Current Assets to Share Capital Ratio} = \frac{\text{Current Assets}}{\text{Share Capital}}$$

b. Current Assets to Borrowing Ratio

An accounting ratio obtained by dividing current assets by borrowing is called current assets to borrowing ratio. This ratio represents the proportion of current assets to borrowing. The low ratio indicates the uses of low current assets than the borrowing and vice versa.

$$\text{Current Assets to Borrowing Ratio} = \frac{\text{Current Assets}}{\text{Borrowing}}$$

c. Current Assets to Fixed Assets Ratio

Current assets to fixed assets ratio measures the proportion of current assets to fixed assets. This can be obtained by dividing current assets by fixed assets.

$$\text{Current Assets to Fixed Assets Ratio} = \frac{\text{Current Assets}}{\text{Fixed Assets}}$$

d. Current Assets to Total Fund Ratio

Current Assets to Total Fund Ratio represent the ratio between current to total fund (total assets). This ratio is very important to know the extent to which the bank is successful in mobilizing their total fund on current assets to maximize its value. It can be obtained by dividing current assets by total fund.

$$\text{Current Assets to Total Fund Ratio} = \frac{\text{Current Assets}}{\text{Total Fund}}$$

e. Fixed Assets to Share Capital Ratio

This ratio represents the proportion of fixed assets to share capital. The high ratio indicates the uses of more fixed assets than share capital and vice versa. It can be obtained by dividing fixed assets by share capital.

$$\text{Fixed Assets to Share Capital Ratio} = \frac{\text{Fixed Assets}}{\text{Share Capital}}$$

f. Fixed Assets to Borrowing Ratio

This ratio represents the proportion of fixed assets to borrowing. An accounting ratio obtained by dividing fixed assets by borrowing. It can be calculated as under.

$$\text{Fixed Assets to Borrowing Ratio} = \frac{\text{Fixed Assets}}{\text{Borrowing}}$$

g. Fixed Assets to Total Fund Ratio

Fixed Assets to Total Fund Ratio represent the ratio between fixed assets and total fund (total assets). This ratio is very important to know the extent to which the bank is successful in mobilizing their total fund on fixed assets to maximize its value. It can be obtained by dividing fixed assets by total fund.

$$\text{Fixed Assets to Total Fund Ratio} = \frac{\text{Fixed Assets}}{\text{Total Fund}}$$

h. Fixed Assets to Current Assets Ratio

Fixed assets to current assets ratio measures the proportion of fixed assets to current assets. This can be obtained by dividing fixed assets by current assets;

$$\text{Fixed Assets to Current Assets Ratio} = \frac{\text{Fixed Assets}}{\text{Current Assets}}$$

3.8.2 Statistical Tools

The statistical tools selected for the comparative analysis of NABIL Bank Limited and EVEREST Bank Limited is as follows;

I. Mean

Mean is the typical value around which most of the data tend to customer. This is the values which lie between two extreme observation of the entire data and give us the idea about the concentration of the value in the central part of the distribution. This is calculated as follows;

$$\text{Mean} = \overline{X} = \frac{\Sigma X}{N}$$

Where,

$\overline{X}$ = Arithmetic average

$\sum x$ = Sum of values of all items, and

N = Number of terms

II. Standard Deviation (S.D.)

The standard deviation is the absolute measure of dispersion. It can be thought of as a rough measure of average amount by which observation deviations deviate on either side of the mean. Denoted by Greek letter σ (read sigma), standard deviation is extremely useful for judging the representative of the mean. It is computed as follows;

$$\sigma = \sqrt{\frac{\sum d2}{n-1}}$$

Where

σ = Standard deviation

$\sum d^2$ = Sum of the squares of the deviations measured from the arithmetic average, and

n= Number of items

III. Coefficient of Variation

The coefficient of variation is the ratio of standard deviation to the mean for a given sample used to measure spread. Mathematically,

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

Where,

C.V = Coefficient of Variation

σ= Standard deviation, and,

$\overline{X}$= Arithmetic average

IV. Coefficient of Correlation Analysis

The statistical tools, coefficient of correlation has been studied to find out whether the two variables are inter correlated or not. If the result falls within the correlated point, the two variables are inter correlated otherwise not. Now to find out the correlation coefficient between various variables of selected banks i.e. EBL and NABIL, the widely used method of Carl Pearson's coefficient of correlation has been adopted.

$$r \quad = \quad \frac{N\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{N\Sigma x^2 - (\Sigma x)^2}\sqrt{N\Sigma y^2 - (\Sigma y)^2}}$$

Here,

r=Karl Pearson's Coefficient of Correlation between X and Y.

ΣXY= Sum of product of variable X and Y.

N= No. of pairs where X and Y absorbed.

ΣX= Sum of product X.

ΣY= Sum of product Y.

V. Index

An index is an indicator or represents the changes in the values between two distinct time period; a base time period and another particular time period. Index can be calculated by using following formula;

$$\text{Index} \quad = \frac{\text{Current value}}{\text{Base value}} \times 100$$

VI. Annual Rate Percentage Change (ARPC)

ARPC can be calculated as follows;

$$\text{ARPC} = \frac{\text{Current value} - \text{previous value}}{\text{Previous value}} \times 100$$

CHAPTER – FOUR
DATA PRESENTATION AND ANALYSIS

The main purpose of this chapter is to evaluate and analyze the major financial and statistical items which are directly related to the fund mobilization and investment management of EBL in comparison to NABIL. There are many kinds of financial ratios but only those ratios are analyzed and calculated which are very important to evaluate the fund mobilization of commercial banks

4.1 Financial Tools

To evaluate the performance of any organization financial analysis is very useful to determine the strengths and weakness of a firm as well as its current financial condition and historical performance. Ratio is an important analytical tool to summarize the large quantities of data and to make quantitative judgments about organization.

Ratio Analysis;

Ratio analysis is the quantitative relationship between two or more sets of financial data resultant from income statement and balance sheet. Ratio analysis is essential to make a significant conclusion about what a particular figure in the firm's financial statement is stating in relation to financial performance of the firm. That's why ratio is used as a standard for evaluating the financial position and performance of a firm.

A. Liquidity ratio:

This ratio is used to judge the short-term solvency position of a firm. Liquidity ratio measure the firm's ability to satisfy its short-term commitment out of current or liquidity assets. With the help of liquidity ratio much approaching

can be obtained into present cash solvency of the banks and its ability to remain in the event of adversities.

4.1.1 Current Ratio

The current ratio measure the firm's short- term solvency position of the firm. It indicates the capability of current assets in rupees for every one rupee of current liability. This is the board measure of liquidity of the bank.

Where,

Current Assets consist of cash and bank balance, loan and advances, money at call and short notice, investment on Government securities, bills purchase and other current assets.

Current liabilities consist of deposits, bills payable, tax liability, dividend payable and other liabilities.

Current ratios of EBL and NABIL, and their means, standard deviations and coefficient of variations during the period of study are presented below.

Table - 4.1

Current Ratio

FY	EBL			NABIL		
	Ratio	Index	ARPC (%)	Ratio	Index	ARPC (%)
2063/064	1.45	-	-	1.34	-	-
2064/065	1.40	96.55	(3.45)	1.25	93.28	(6.72)
2065/066	1.24	85.52	(11.43)	1.28	95.50	2.4
2066/067	1.39	95.86	12.10	1.47	109.70	14.84
2067/068	1.54	106.21	10.79	1.58	118	7.48
Mean	1.40			1.38		
S.D.	0.097			0.12		
C.V. (%)	7			8.94		

Source: Annual Report of EBL and NABIL

From the table 4.1, Current ratio of EBL has adopted a decreasing trend in the first half of the study period and it has adopted an increasing trend in the second half.

Current ratio of NABIL has adopted an increasing trend except in the second year.

Current ratio of EBL has ranged between 1.24 and 1.54.

Current ratio of NABIL has ranged between 1.25 and 1.58.

The average current ratio of EBL and NABIL is almost same. Similarly, C.V. of NABIL is slightly more (i.e.8.94%) than that of EBL (i.e.7%). The lower C.V. of both banks is good because it represent that the C.V. of both the banks has less.

4.1.2 Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance to total deposit ratio measures the capacity of bank to meet unexpected demand made by depositors, i.e. current account holders, saving depositors, call and other depositors.

Table- 4.2

Cash and Bank Balance to Total Deposit Ratio

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	13.15	-	-	5,74	-	-
2064/065	11.13	84.64	(15.36)	8.37	145.82	45.82
2065/066	18.50	140	66.22	9.03	157.32	7.89
2066/067	21.17	161	14.43	3.02	52.61	(66.56)
2067/068	14.89	113.23	(29.66)	5	87.12	65.66
Mean	15.77			6.23		
S.D.	3.63			2.21		
C.V. (%)	23			35.5		

Source: Annual Report of EBL and NABIL

From the table 4.2, the S.D. of EBL and NABIL are 3.63% and 2.21%, it is apparent that ratio of cash and bank balance to total deposit ratio of both banks during the study period are fluctuating trend. The highest ratio of EBL during the period was 21.17% in the fiscal year 2066/067 by increasing 14.43% from the previous year, and the lowest was 11.13% in the fiscal year 2064/065 by decreasing 15.36% from previous year 063/064. Similarly, NABIL registered the highest ratio of 9.03% in the fiscal year 2065/066 by increasing 7.89% from previous year and the lowest ratio of 3.02% in the fiscal year 2066/2067 by decreasing 66.56% from previous year.

EBL had mean ratio of 15.77%, which is higher than that of NABIL 6.23%. It indicates EBL's more readiness to meet customer's requirement than NABIL's. A comparison of the coefficient of variation of the two banks' ratios shows EBL's ratio were relatively less instable and inconsistent than those of NABIL. Since, the NABIL had maintained lower cash reserve ratio. Therefore EBL was in a better position to meet the demand of its customers any time on their deposits.

4.1.3 Investment on Government Securities to Current Assets Ratio

This ratio helps to find out the percentage of current assets invested on the Government Securities, Development Bonds, and Treasury Bills, which are issued by Government. This ratio can be computed by dividing investment on government securities by current assets.

Table- 4.3

Investment on Government Securities to Current Assets Ratio

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	22.66	-	-	20.59	-	-
2064/065	18.67	82.39	(17.61)	13.70	66.54	(33.46)
2065/066	15.40	67.96	(17.51)	7.94	38.56	(42.04)
2066/067	11.42	50.54	(25.84)	15.56	75.57	95.97
2067/068	17.04	75.20	49.21	16.52	80.23	6.17
Mean	17.04			14.86		
S.D.	3.70			4.13		
C.V. (%)	21.73			27.79		

Source: Annual Report of EBL and NABIL

From the table 4.3, EBL and NABIL have 3.7 and 4.13 S.D. it shows that investment on Government Securities to current assets ratios of both banks during the study period were fluctuating trend. The highest of this ratio for EBL during the period was 22.66% in the FY 2063/064 and the lowest was 11.42% in the FY 2066/067 by decreasing 25.84% from the previous year 065/066. Similarly, NABIL registered the highest ratio of 20.59% in the same fiscal year 2063/064 and the lowest ratio was 7.94% in the FY 2065/066 by decreasing 42.04% from the previous year.

From the above calculation of five years period, it is evident that the average mean ratio of EBL is higher than that of NABIL i.e. 17.04%>14.86%. This shows the greater portion of current assets of EBL consists of Government Securities. A study of coefficient of variation of the two banks, EBL's ratios were more stable and consistent than those of NABIL. Therefore it is cleared that EBL has made more investment in Government Securities.

4.1.4 Loan and Advances to Current Assets Ratio

Loan and advances are the current assets of commercial banks. A commercial bank should not keep its all related funds as cash and bank balance but they should be invested as 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.

Table – 4.4

Loan and Advances to Current Assets Ratio

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	65.82	-	-	66.59	-	-
2064/065	71	107.87	7.87	63.01	94.62	(5.38)
2065/066	71.47	108.58	0.66	59.09	88.74	(6.22)
2066/067	72.29	109.83	1.15	73.22	94.94	6.82
2067/068	74.08	112.55	2.48	71.83	107.87	13.62
Mean	70.93			64.75		
S.D.	2.76			4.26		
C.V. (%)	3.90			6.59		

Source: Annual Report of EBL and NABIL

The above table 4.4 clearly shows the increasing trend of loan and advances to total current assets ratio of EBL during the study period of five years. The lowest ratio of this bank is 65.82% in the initial period of the study and increase up to 74.08% in the FY 2067/068.

Similarly, NABIL has fluctuating trend of the ratio. NABIL has decreasing trend of ratio in the first three years i.e. 66.59%, 63.01% and 59.09% in the FY 2063/064, 064/065 and 065/066 respectively then raises in the last two years i.e. 63.22% in the FY 2066/067 and 71.83% in FY 2067/068.

With considering the S.D. of selected banks, NABIL has the highest S.D. of 4.26%, which indicates the more fluctuation in ratio of NABIL than EBL.

The average ratio of EBL is higher in comparison to NABIL i.e. 70.93>64.75. Similarly, C.V. of NABIL is higher in comparison to EBL i.e. 6.59> 3.90, which indicates the NABIL is less consistent and less stable than EBL.

4.1.5 Cash and Bank Balance to Current Assets Ratio

Cash and bank balance to current assets ratio shows the portion of cash and bank balance in total of current assets. This ratio shows the bank's liquidity position in term of most liquid assets. Cash and bank balance are highly liquid assets than other in current assets so this ratio indicates higher liquidity position than current ratio.

Table – 4.5

Cash and Bank Balance to Current Assets Ratio

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	11.52	-	-	5.74	-	-
2064/065	10.33	89.87	(10.33)	7.88	137.28	37.28
2065/066	18.44	160	78.51	7.22	125.78	(8.38)
2066/067	20.51	178.04	11.23	2.74	47.74	(62.05)
2067/068	14.60	126.74	(58.07)	4.60	80.14	67.88
Mean	15.08			5.64		
S.D.	3.90			1.84		
C.V. (%)	25.89			32.73		

Source: Annual Report of EBL and NABIL

The above table 4.5, S.D. 3.90% and 1.84% clearly show the fluctuating trend of cash and bank balance to current assets ratio of both banks during the period of the study. EBL registered the highest ratio of 20.51%, in the FY 2066/067 by increasing 11.23% from previous fiscal year and lowest ratio of 10.33% in the FY 064/065 by decreasing 10.33%. While, NABIL registered the highest ratio of 7.88% in the FY 2064/065 increased by 37.28% and lowest ratio of 2.74% , in the FY 2066/067 decreased by 62.05% from the FY 065/066.

The average of the ratio in case of EBL is 15.08%, while that of NABIL is 5.64%, which indicates that liquidity position of EBL is better in this regard. The coefficient of variation of the above ratio of EBL is 25.89%, which, which is lower than 32.73% of NABIL. It shows that the ratio of EBL is more stable and consistent than NABIL during the period of the study.

B. Assets Management Ratio;

The funds of creditors and owners are invested in various assets to generate sales and profit. These ratios are used to evaluate the competence with which the firm manages and utilizes its assets. This ratio indicates how quickly certain current assets are converted into cash. From this ratio it can be known whether or not the business activities are efficient and effective. It is also called as the Activity or Turnover Ratio. The higher the rate of turnover or conversion, the more efficient is the management utilization of assets. These ratios moreover help in measuring the bank's ability to utilize their available resources. Following ratios are use under the Assets Management Ratio.

4.1.6 Total Investment to Total Deposit Ratio

This ratio measures the capability of the banks to mobilize their deposits in investment in various securities and other investments. Higher ratio indicates the success in mobilizing deposits in securities and vice versa.

Table – 4.6

Total Investment to Total Deposit Ratio

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	27.41	-	-	38.32	-	-
2064/065	21.10	76.98	(23.02)	31.15	81.29	(18.71)
2065/066	17.85	65.12	(15.40)	29	75.68	(6.90)
2066/067	13.56	49.47	(24.03)	29.46	76.88	1.58
2067/068	18.83	68.70	38.86	26.32	68.68	(10.65)
Mean	19.75			30.85		
S.D.	4.54			4.04		
C.V. (%)	23.01			13.11		

Source: Annual Report of EBL and NABIL

From the table 4.4, with considering S.D. 4.54% of EBL, it shows that the ratio of total investment to total deposit ratio of EBL is fluctuating trend, whereas NABIL has decreasing trend over the study period. EBL has highest ratio 27.41%, in the FY 2063/064 and lowest is 13.56% in the FY 2066/067 by decreasing 24.03% from the previous year. Similarly, NABIL has highest ratio 38.32 and lowest 26.32% in the FY 2063/064 and 2067/068 respectively.

From the above calculation, it is cleared that NABIL has higher mean ratio i.e. 30.85% than that of EBL 19.75%. Thus, NABIL has been more successful in mobilizing deposits on various forms of investment. The coefficient of variation of EBL is greater than that of NABIL i.e. 23.01%>13.11%, therefore NABIL has been more successful in mobilizing its resources on various forms of investment during the period of study.

4.1.7 Loan and Advances to Total Deposit Ratio

It measures the extent to which the banks are successful to mobilize their total deposits on loan and advances for profit generation. Higher ratio is better for an organization.

Table - 4.7

Loan and Advance to Total Deposit Ratio

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	75.13	-	-	66.60	-	-
2064/065	76.49	101.81	1.81	66.94	100.51	5.12
2065/066	71.68	95.41	(6.29)	73.87	110.92	10.35
2066/067	74.61	99.31	4.09	69.53	104.40	(5.88)
2067/068	75.52	100.52	1.22	76.53	114.91	10.07
Mean	74.69			70.69		
S.D.	1.62			3.91		
C.V. (%)	2.17			5.53		

Source: Annual Report of EBL and NABIL

From the table 4.7, it shows that loan and advance to total deposit ratios of both banks are not constant trend in the period of the study with evaluating S.D. In other word, all are fluctuating over the study period. In case of EBL, the highest ratio of 76.49% in the fiscal year 2064/065 increased by 1.81% from the FY 063/064 and the lowest ratio of 71.68% in the fiscal year 2065/066 decreased by 6.29% from the FY 064/065. Similarly, NABIL has highest ratio of 76.53% in the fiscal year 2067/068 increased by 10.07% and the lowest ratio of 66.6% in the fiscal year 2063/064.

On an average, NABIL has maintained lower ratio than EBL i.e. 70.69 %< 74.69%. From the above study, coefficient of variation of EBL is lower than

that of NABIL, i.e. 2.17% of EBL compared to 5.53% of NABIL. It shows that the loan and advances of EBL are more stable and consistent than those of NABIL.

C. Profitability ratio:

This ratio is also known as profit-to-asset ratio. It measures the profitability of investment. Different ratios can be developed based upon the profit under different situation. One of the main goals of the banks is to earn profit, as all stakeholders such as stockholders, management, and creditors of the banks expect the bank has to earn reasonable return. That's why it helps to measure the efficiency of the banks in term of profit and profitability.

4.1.8 Return on Loan and Advances

Return on loan and advances ratio shows how proficiently the banks and the other financial institutions have utilized their resources to earn good return from providing loan and advances. This ratio is computed by dividing net profit/loss by the total amount of loan and advances.

Table-4.8

Return on Loan and Advances

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	2.17	-	-	4.34	-	-
2064/065	2.46	113.36	13.36	3.49	80.41	(19.59)
2065/066	2.68	123.50	8.94	3.20	73.73	(8.31)
2066/067	3.02	139.17	12.69	3.53	81.34	10.31
2067/068	3	138.25	(0.66)	3.52	81.11	(0.28)
Mean	2.67			3.62		
S.D.	0.32			0.38		
C.V. (%)	12.16			10.56		

Source: Annual Report of EBL and NABIL

Table 4.8 shows the return on loan and advances of NABIL is fluctuating trend up to FY 2066/067 and then slightly decrease in FY 2067/068. EBL registered the highest ratio of 3.02% in the FY 2066/067 and the lowest ratio of 2.17% in the FY 2063/064. While, NABIL recorded the highest ratio of 4.34% in the FY 2063/064 and the lowest ratio of 3.20% in the FY 2065/066.

The mean ratio of the selected banks has 2.67% in case of EBL and 3.62% of NABIL. It indicates that the NABIL is able to earn higher return on loan and advances than EBL during the period of the study. This is also supported by the coefficient of variation of the ratio i.e. NABIL has been more successful in earning higher return on loan and advances during the period.

4.1.9 Return on Total Assets Ratio

This ratio is analyzed and calculated to measure the profitability of financial resources invested in the banking assets. It measures the profit generating ability by utilizing available resources of the banks. High ratio is better for an organization.

Table-4.9

Return on Total Assets Ratio

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	1.38	-	-	2.47	-	-
2064/065	1.66	120.29	20.29	2	80.97	(19.03)
2065/066	1.73	125.36	4.22	2.35	95.14	17.50
2066/067	2.01	145.65	16.18	2.18	88.26	(7.23)
2067/068	2.01	145.65	-	2.30	93.12	5.50
Mean	1.76			2.26		
S.D.	0.24			0.16		
C.V. (%)	13.47			7.07		

Source: Annual Report of EBL and NABIL

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The table 4.9 shows the stable trend in return on total assets ratio of selected banks, with considering standard deviation. EBL recorded the highest ratio of 2.01% in the FY 2066/067 and 2067/068, the lowest ratio of 1.38% in the FY 2063/064. Similarly, NABIL registered the highest ratio of 2.47% in the FY 2063/064 and the lowest ratio of 2% in the FY 2064/65 decreased by 19.03% from the FY 063/064.

The mean ratio of EBL has 1.76% and NABIL has 2.26%. This shows that NABIL has been able to earn higher profit on total assets than EBL. Since, the coefficient of variation of NABIL's ratio is more consistent than EBL i.e. 7.07% of NABIL compared to 13.47% of EBL.

C. Other ratio

4.1.10 Current Assets to Share Capital Ratio

This ratio represents the proportion of current Assets to Share Capital. The high indicates the uses of more current assets than share capital and vice versa. It is calculated as current assets dividing by share capital.

Where, share capital includes share capital and reserve and surplus.

Current Assets to Share Capital Ratio of EBL and NABIL and their means, standard deviation and coefficient of variations during the study period of the study are presented below.

Table 4.10

Current Assets to Share Capital Ratio

FY	EBL			NABIL		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	17.28	-	-	11.35	-	-
2064/065	23.44	77.78	(22.22)	13.91	122	22.56
2065/066	15.17	87.79	12.87	14.92	131.45	7.26
2066/067	13.82	79.98	(8.90)	13.31	117.27	(10.79)
2067/068	13.47	77.95	(2.53)	11.6	102.2	(12.85)
Mean	14.64			13.02		
S.D.	1.47			1.36		
C.V. (%)	10			10.47		

Source: Annual Report of EBL and NABIL

The table 4.10 clearly shows the currant assets to share capital ratio of EBL and NABIL from the FY 2063/064 to FY 2067/068.

The above table shows that the current assets to share capital ratio of EBL and NABIL in fluctuating trend. The ratios of EBL have been ranged from 17.28 times in FY 2063/064 to 13.47 times in FY 2067/068. The highest ratio of EBL is 17.28 times in initial FY 2063/064 and decreased by 22.22% in next FY 2064/065 from the previous year, then increased by 12.87% in FY 2065/066. Finally, the ratio of this bank again decreased in last two FY of the study period.

The ratio of NABIL is ranged between 11.35 times to 11.6 times from the FY 2063/064 to FY 2067/068. The highest ratio of NABIL is 14.92 times in FY 2065/066 by increasing 7.26% from the previous fiscal year 2064/065 and the lowest of 11.35 times in the initial FY 2063/064.

The mean ratio of EBL is 14.64 times where as mean ratio for NABIL is 13.02 times. While compared to C.V. between the ratio of these two banks, C.V. of EBL found less than the C.V. of NABIL i.e. 10 %< 10.47%, which denotes the variability of ratio of EBL is more uniform than the ratio of NABIL. From the table we can conclude that EBL has high ratio of current assets from the mean ratio.

4.1.11 Current Assets to Borrowing Ratio

An accounting ratio obtained by dividing current assets by borrowing is called current assets to borrowing ratio. This ratio represents the proportion of current assets to borrowing. The low ratio indicates the uses of low current assets than the borrowing and vice versa. It is calculated as under.

Table 4.11

Current Assets to Borrowing Ratio

FY	EBL			NABIL		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	-	-	-	26.45	-	-
2064/065	-	-	-	24.93	94.25	(5.75)
2065/066	107.12	-	-	14.92	56.41	(40.15)
2066/067	94.22	87.96	(12.04)	68.15	257.66	357
2067/068	86.98	81.20	(7.68)	32.08	121.29	(52.93)
Mean	57.66			33.30		
S.D.	47.52			18.28		
C.V. (%)	82.41			54.89		

Source: Annual Report of EBL and NABIL

From the table 4.11, it indicates the ratio of current assets to borrowing. EBL has no any borrowing in initial two year i.e. FY 2063/064 and 2064/065. It started to take borrowing in the FY 2065/066; EBL has 107.12 times greater

current assets than its borrowing and decreasing trend over the period i.e. 94.22times in FY 2066/067 and 86.38 times in FY 2067/068.

Similarly, NABIL has the highest ratio of 68.15 times in the FY 2066/067 by increasing 357% from the previous FY 2065/066, and the lowest ratio of 14.92 times in the FY 2o65/066 by decreasing 40.15% from the previous year.

The mean ratio of EBL is 57.66 times, where as NABIL has 33.30 times. It indicates that EBL uses more current assets than that NABIL.

With considering the S.D. of both banks EBL has more fluctuating trend of the ratios. While compared to C.V. between the ratios of these two banks, C.V. of EBL found more than the C.V. of NABIL i.e. 82.41%>54.89%,which indicates the variability of ratio of EBL is less uniform than the ratio of NABIL.

4.1.12 Current Assets to Fixed Assets Ratio

Current assets to fixed assets ratio measures the proportion of current assets to fixed assets. This can be obtained by dividing current assets by fixed assets.

Table 4.12

Current Assets to Fixed Assets Ratio

FY	EBL			NABIL		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	122	-	-	81.38	-	-
2064/065	71.64	58.72	(41.28)	56.70	69.67	(30.32)
2065/066	78.24	64.13	9.21	70.64	86.80	24.59
2066/067	82.32	67.48	5.21	65.48	80.46	(7.30)
2067/068	91.09	74.66	10.65	56.63	69.59	(13.52)
Mean	89.06			66.17		
S.D.	17.64			9.30		
C.V. (%)	19.80			14.06		

Source: Annual Report of EBL and NABIL

The above table 4.12 reveals that the ratio of current assets to fixed assets. EBL registered the highest ratio of 122 times in the initial FY 2063/064 over the study period of five years and it decreased to 71.64 times in the FY 2064/065 by decreasing 41.28% from initial period, and then increasing trend during the last three years.

Similarly, NABIL has the highest ratio of 81.38 times in the same initial period of FY 2063/064 and it has fluctuating trend over the study period. It has the lowest ratio of 56.63 times in the FY 2067/068 by decreasing 13.52% from the previous year.

With considering the mean ratio of EBL and NABIL, EBL has higher than NABIL i.e. 89.06>66.17, it indicates that the EBL uses more current assets to fixed assets with compared to NABIL.

The Fact is also supported by S.D. and C.V. EBL has greater S.D. than NABIL i.e. 17.64>9.30. The C.V. of NABIL's ratio is more consistent than EBL i.e.14.o6% of NABIL compared to 19.80% of EBL.

4.1.13 Current Assets to Total Fund Ratio

Current Assets to Total Fund Ratio represent the ratio between current to total fund (total assets). This ratio   is very important to know the extent to which the bank is successful in mobilizing their total fund on current assets to maximize its value. It can be obtained by dividing current assets by total fund.

Table 4.13

Current Assets to Total Fund Ratio

FY	EBL			NABIL		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	96.86	-	-	85.67	-	-
2064/065	95.14	98.22	(1.78)	91.31	106.58	6.58
2065/066	90.53	93.46	(4.85)	95.64	111.64	4.74
2066/067	92.12	95.11	1.76	97.88	114.25	2.34
2067/068	90.68	93.62	(1.56)	91.07	106.30	(6.96)
Mean	93.07			92.31		
S.D.	2.52			4.21		
C.V. (%)	2.71			4.56		

Source: Annual Report of EBL and NABIL

The table 4.13 shows the relationship between current assets and total fund. With considering the standard deviation of both EBL and NABIL, NABIL has more fluctuating trend of ratios. EBL registered the highest ratio of 96.86% in the initial FY 2064/064 over the five years study periods, and the lowest ratio of 90.53% in the FY 2065/066 by decreasing 4.85% from the previous year. Similarly, NABIL registered the highest ratio of 97.88% in the FY 2066/067 by increasing 2.34% from the previous year and the lowest ratio of 85.67% in the initial period of the study i.e. FY 2063/064.

The mean ratio of EBL and NABIL is 93.07% and 92.31% respectively. It indicates that EBL uses more current assets out of total fund with compared to NABIL.

The C.V. of EBL and NABIL is 2.71 and 4.56 respectively, which denotes the ratios of EBL are more stable and consistent than NABIL.

4.1.14 Fixed Assets to Share Capital Ratio

This ratio represents the proportion of fixed assets to share capital. The high ratio indicates the uses of more fixed assets than share capital and vice versa. It can be obtained by dividing fixed assets by share capital.

Table 4.14

Fixed Assets to Share Capital Ratio

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	14.16	-	-	13.95	-	-
2064/065	18.76	132.63	32.49	24.54	175.91	75.91
2065/066	19.38	136.86	3.30	21.12	151.40	(13.94)
2066/067	16.78	118.50	(13.42)	20.33	145.73	(3.74)
2067/068	14.78	104.38	(11.92)	20.48	146.81	0.74
Mean	16.77			20.08		
S.D.	2.08			3.43		
C.V. (%)	12.38			17.07		

Source: Annual Report of EBL and NABIL

The table 4.14 shows the fixed assets to share capital ratio of EBL and NABIL. With considering the standard deviation it can conclude that both of the bank's ratios are in fluctuating trend. The highest ratio of EBL is 19.38% in the FY 2065/066 by increasing 3.30% from the previous year and the lowest ratio of 14.16% in the initial FY of the study period. Similarly, NABIL registered the highest ratio of 24.54% in FY 2064/065 by increasing 75.91% from the previous FY 2063/064 and the lowest ratio of 13.95% in initial period of the study i.e. FY 2063/064.

The mean ratio of EBL is 16.77% and NABIL is 20.08 %. It shows the NABIL uses more fixed assets than share capital with compared to EBL.

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The C.V. of these two banks (EBL and NABIL) are 12.38% and 17.07% respectively, which denotes the ratios of EBL is more stable and consistent than NABIL.

4.1.15 Fixed Assets to Borrowing Ratio

This ratio represents the proportion of fixed assets to borrowing. An accounting ratio obtained by dividing fixed assets by borrowing. It can be calculated as under;

Table 4.15

Fixed Assets to Borrowing Ratio

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	-	-	-	32.51	-	-
2064/065	-	-	-	43.97	135.25	35.25
2065/066	136.91	-	-	39.31	120.92	(10.60)
2066/067	114.46	83.60	(16.40)	42.64	131.16	8.47
2067/068	95.49	69.75	(16.57)	56.65	174.25	32.86
Mean	69.37			43.02		
S.D.	58.14			7.89		
C.V. (%)	83.81			18.34		

Source: Annual Report of EBL and NABIL

The table 4.15 shows the relationship between fixed assets and borrowing. With considering the S.D., of both banks have fluctuating trend of the ratios, EBL has most fluctuating trend of the ratio with compared to NABIL.

EBL has not any borrowing in initial two year of the study period. It started to take borrowing from the FY 2065/066, EBL uses 136% fixed assets out of its borrowing and decreasing trend over the remaining study period. Similarly,

NABIL has highest ratio of 56.65% in the FY 2067/068 and the lowest ratio of 32.51% in the FY 2063/064.

The mean ratio of EBL is 69.37%, where as NABIL has 43.02%. It indicates that EBL uses more fixed assets out of its borrowing than NABIL. While compared to C.V. between the ratios of these two banks, C.V. of EBL found more than the C.V. of NABIL i.e. 83.81%>18.34%, which indicates the variability of ratio of NABIL is more uniform than the ratio of EBL.

4.1.16 Fixed Assets to Total Fund Ratio

Fixed Assets to Total Fund Ratio represent the ratio between fixed assets and total fund (total assets). This ratio is very important to know the extent to which the bank is successful in mobilizing their total fund on fixed assets to maximize its value. It can be obtained by dividing fixed assets by total fund.

Table 4.16

Fixed Assets to Total Fund Ratio

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	0.79	-	-	1.05	-	-
2064/065	1.33	168.35	68.35	1.61	153.33	53.33
2065/066	1.16	146.84	(15.04)	1.51	143.81	(6.21)
2066/067	1.14	144.30	(1.72)	1.49	141.90	(1.33)
2067/068	1.00	126.58	(12.28)	1.61	153.33	8.05
Mean	1.08			1.45		
S.D.	0.18			0.21		
C.V. (%)	16.65			13.31		

Source: Annual Report of EBL and NABIL

The table 4.16 shows the relationship between fixed assets and total fund. With considering the S.D., of both banks have constant trend of the ratios. Where EBL has the highest ratio of 1.33% in the FY 2064/065 by increasing 68.35% from the previous FY 2063/064 and the lowest ratio 0.79% in initial period of the study. Similarly, NABIL registered the highest ratio of 1.61 % in two FY 2064/065 and 2067/068, and the lowest ratio is 1.05% in initial FY 2063/064. The mean ratio of EBL is 1.08% and 1.45% of NABIL. It indicates that NABIL uses more fixed assets out of total fund with compared to EBL.

The C.V. of EBL and NABIL is 16.65% and 13.31% respectively, which indicates the ratio of NABIL is more stable and consistent than EBL.

4.1.17 Fixed Assets to Current Assets Ratio

Fixed assets to current assets ratio measures the proportion of fixed assets to current assets. This can be obtained by dividing fixed assets by current assets;

Table 4.17

Fixed Assets to Current Assets Ratio

FY	EBL (%)			NABIL (%)		
	Ratio	Index	ARPC	Ratio	Index	ARPC
2063/064	1.58	-	-	1.23	-	-
2064/065	1.40	88.61	(11.39)	1.76	143.09	43.09
2065/066	1.28	81.01	(8.57)	1.42	115.45	(19.31)
2066/067	1.21	76.58	(5.47)	1.53	124.39	7.75
2067/068	1.10	69.62	(9.09)	1.77	143.90	15.69
Mean	1.31			1.54		
S.D.	0.16			0.21		
C.V. (%)	12.55			13.35		

Source: Annual Report of EBL and NABIL

The above table 4.17 reveals that the ratio of fixed assets to current assets. EBL has decreasing trend of the ratio, where it registered the highest ratio of 1.58% in the initial FY 2063/064 and lowest ratio of 1.10% in the last year 2067/068. Similarly, NABIL has fluctuating trend of the ratio. It has highest ratio of 1.76% in the FY 2064/065 by increasing 43.09% from the previous year and the lowest ratio is 1.23% in the initial period of the study i.e. FY 2063/064.

With considering the mean ratio of EBL and NABIL, NABIL has higher than EBL i.e. 1.54%>1.31%, it indicates that the NABIL uses more fixed assets to current assets with compared to EBL. On the other hand the Coefficient of Variation of NABIL is higher so, it is concluded that EBL's ratio is more consistent and stable than NABIL i.e. 13.35%>12.55%.

4.2 Statistical Tools

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

4.2.1 Coefficient of Correlation Analysis

This statistical tool has been used to interpret and analyze 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"[1] among the various method of finding at coefficient of correlation, Karl Pearson's method is applied in the study. Under this topic, Karl Pearson's Co-efficient of correlation is used to find out the degree of relationship between more than two variables. Its main purpose is to find out whether these variables are significantly correlated with each other or not.

The variable method of finding out coefficient of correlation, Karl Pearson's method is applied in the study. The coefficient of correlation is always between +1 and –1. When r, the coefficient of correlation is +1, there is perfect positive relationship between two variables (i.e. one dependant variables and one independent variable), when r is –1, there is perfect negative relationship between two variables, dependant and independent variable. And when r is equals to 0 there is no relationship between variables. Therefore, this topic tries to find out relationship between the following variables and helps the bank to make appropriate policies about the investment.

$$r = \frac{N\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{N\Sigma x^2 - (\Sigma x)^2}\ \sqrt{N\Sigma y^2 - (\Sigma y)^2}}$$

Here,

r=Karl Pearson's Coefficient of Correlation between X and Y.

ΣXY= Sum of product of variable X and Y.

N= No. of pairs where X and Y absorbed.

ΣX= Sum of product X.

ΣY= Sum of product Y.

Table 4.18

Correlation coefficient between variables of EBL

Variables	CA	CL	FA	NP	TI	Borr.	SC	TF
CA	1							
CL	0.0338	1						
FA	0.0017	0.0017	1					
NP	(0.0013)	0.0008	0.0008	1				
TI	0.0001	0.0001	0.0001	0.0001	1			
Borr.	0.01	0.0009	0.0008	0.001	0.0007	1		
SC	0.0003	0.0003	0.0003	0.0003	0.0002	0.0003	1	
TF	0.0003	0.000005	0.00002	0.00002	0.00002	0.00002	0.00002	1

Source: Annual Report of EBL and NABIL

The above table shows the correlation coefficient between various variables they are; current assets, current liabilities, fixed assets, Net profit, Total Investment, Borrowing, Share Capital and Total fund.

When analyzing table 4.18, the correlation coefficient between current assets and CL, FA, NP, TI, Borr., SC, TF are 0.0338, 0.0017, (0.0013), 0.0001, 0.01, 0.0003, and 0.0003 respectively. So we can say that current asset has positive relationship between above variables except net profit.

Similarly, the variable current liabilities has correlation coefficient with CA, FA, NP, TI, Borr., SC and TF are; 0.0338, 0.0017, 0.0008, 0.0001, 0.0009, 0.0003 and 0.000005 respectively. Here, the table shows the positive relationship of current liabilities with other variables.

The correlation coefficient between FA and CA, CL, NP, TI, Borr.. SC, TF are 0.0017, 0.0017, 0.0008, 0.0001, 0.0008, 0.0003, and 0.00002 respectively. It is concluded that there is positive relationship of fixed assets to other variables. While analyzing the above table the variable NP has correlation coefficient with CA, CL, FA, TI, Borr., SC, TF are; (0.0013), 0.0008, 0.0008, 0.0001, 0.001, 0.0003, 0.00002 respectively. The table shows the net profit has positive relationship between above variables except current assets of this bank.

Similarly, with considering the same table, the variable TI has correlation coefficient with CA,CL, FA, NP, Borr, SC and TF are; 0.0001, 0.0009, 0.0008, 0.001, 0.0007, 0.0003 and 0.00002 respectively.

The variable borrowing has also the positive correlation coefficient with CA, CL, FA, NP, TI, SC and TF i.e. 0.001, 0.0009, 0.0008, 0.001, 0.0007, 0.0003 and 0.00002 respectively.

Share capital of EBL has equal positive relationship with CA, CL, FA, NP and Borr. i.e. correlation coefficient is 0.0003. But the TI and TF have correlation coefficient of 0.0002 and 0.00002 respectively.

Lastly, the variable TF of EBL has also the positive correlation coefficient with all variables. Among them correlation coefficient with CA and CL is 0.0003 and 0.000005 respectively. And other variables FA, NP, TI, Borr and SC are equally correlated with share capital i.e. correlation coefficient is equal to 0.00002 for all.

Hence, it is concluded that there are positive relationship between CA, CL, FA, NP, TI, Borr and TF each other, of EBL.

Table 4.19

Correlation coefficient between variables of NABIL

Variables	CA	CL	FA	NP	TI	Borr.	SC	TF
CA	1							
CL	0.0268	1						
FA	0.0009	0.0008	1					
NP	0.0008	(0.0124)	0.0008	1				
TI	0.0001	0.0001	0.0001	0.0001	1			
Borr.	0.0002	0.0002	0.0002	0.0002	0.00001	1		
SC	0.0002	0.0067	0.0002	0.0002	0.0002	0.0001	1	
TF	0.0135	0.0150	0.0399	0.0179	0.0167	0.0058	0.0172	1

Source: Annual Report of EBL and NABIL

The table 4.19 shows the correlation coefficient between variables of NABIL. They are; current assets, current liabilities, fixed assets, net profit, total investment, borrowing, share capital and total fund.

When analyzing table, the correlation coefficient between current assets and CL, FA, NP, TI, Borr., SC, TF are 0.0268, 0.0009, 0.0008, 0.0001, 0.0002, 0.0002 and 0.0135 respectively. So, this table shows the there is positive relationship of current assets with other selected variables.

Similarly, the variable current liabilities has correlation coefficient with CA, FA, NP, TI, Borr., SC and TF are; 0.0009, 0.0008, (0.0124), 0.0001, 0.0002, 0.0067 and 0.015 respectively. Here, the table shows the positive relationship of current liabilities with the variables except net profit of this bank.

The correlation coefficient between FA and CA, CL, NP, TI, Borr.. SC, TF are 0.0009, 0.0008, 0.0008, 0.0001, 0.0002, 0.0002 and 0.0399 respectively. It is concluded that there is positive relationship of fixed assets to other variables. The next variable NP has also the positive correlation coefficient with other variables CA, CL, FA, TI, B, SC and TF are; 0.0008,(0.0124), 0.0008, 0.0001, 0.0002, 0.0002 and 0.0179 respectively.

Similarly, with considering the same table, the variable TI has correlation coefficient with CA, CL, FA, NP is 0.0001 for each and correlation coefficient with B,SC,TF is 0.00001,0.0002 and 0.0167 respectively. Here, we can conclude that TI of NABIL has positive relationship with above selected variables.

The variable, borrowing has also the positive correlation coefficient of 0.0002 with CA, CL, FA,NP for each and 0.00001, 0.0001,0.0058 with TI,SC and TF respectively.

Share capital of NABIL has equal positive relationship with CA, FA, NP and TI i.e. correlation coefficient is 0.0002. But the CL, TI, B and TF have correlation coefficient of 0.0067, 0.0001 and 0.0172 respectively.

Finally, the variable TF of NABIL has also the positive correlation coefficient with all variables. The coefficient of correlation of 0.0135, 0.0150, 0.0399, 0.0179, 0.0167, 0.0058 and 0.0172 respectively for CA, CL, FA, NP, TI, Borr and SC.

Hence, it is concluded that there are positive relationship between CA, CL, FA, NP, TI, Borr and TF each other, of NABIL.

Table 4.20

Correlation coefficient between Ratios of EBL

Ratios	CR	CBTDR	ISCAR	TITDR	CBCAR	LACAR	RLA	RTA
CR	1							
CBTDR	0.0095	1						
ISCAR	0.0235	(0.025)	1					
TITDR	0.0258	(0.0001)	0.0387	1				
CBCAR	(0.007)	0.0471	(0.032)	(0.024)	1			
LACAR	0.0156	0.0313	(0.005)	0.0043	0.0228	1		
RLA	0.4448	0.2371	0.0235	0.0212	0.2167	0.5064	1	
RTA	0.1893	0.3430	0.2347	0.1980	0.3250	0.1778	0.3015	1

Source: Annual Report of EBL and NABIL

The table 4.20 shows the correlation coefficient between ratios of EBL. They are; CR, CBTDR, ISCAR, TITDR, CBCAR, LACAR, RLA and RTA.

When analyzing the table 4.20, the correlation coefficient between CR and CBTDR, ISCAR, TITDR, CBCAR, LACAR, RLA, RTA are; 0.0095, 0.0235, 0.0258,(0.007), 0.0156, 0.4448 and 0.1893 respectively. There is positive relationship of CR with CBTDR, ISCAR, TITDR, LACAR, RLA and RTA but negative relationship with CBCAR.

Similarly, the ratio CBTDR has correlation coefficient with CR, ISCAR, TITDR, CBCAR, RLA and RTA are; 0.0095, (0.025), (0.0001), 0.0471, 0.0313, 0.2371, 0.3430 respectively. Here, the table shows the positive correlation coefficient of CBTDR with above ratios except ISCAR and TITDR. The correlation coefficient between ISCAR and CR, CBTDR, TITDR, CBCAR, LACAR, RLA, RTA are; 0.0235, (0.025), 0.0387, (0.032), (0.005), 0.0235, 0.2347 respectively.

Similarly, with considering the same table the ratio TITDR has correlation coefficient with CR,CBTDR, ISCAR, CBCAR, LACAR, RLA and RTA are; 0.0258, (0.0001),0.0387, (0.024), 0.0043, 0.0212, 0.1980 respectively.

While, analyzing the table next ratio CBCAR has negative correlation coefficient of (0.007),(0.032), (0.024) with CR, ISCAR, TITDR respectively. And positive correlation coefficient of 0.0471, 0.0228, 0.2167 and 0.3250 with CBTDR, LACAR, RLA, RTA respectively.

A ratio LACAR has also the positive correlation coefficient of 0.0156, 0.0313, 0.0043, 0.0228, 0.5064, and 0.1778 with CR, CBTDR, TITDR, CBCAR, RLA and RTA respectively. And negative correlation coefficient of (0.005) with ISCAR.

The correlation coefficient between RLA and CR, CBTDR, ISCAR, TITDR, CBCAR, LACAR and RTA are; 0.4448, 0.2371, 0.0235, 0.0212, 0.2167, 0.5064 and 0.3015 respectively.

Finally, the ratio RTA has positive correlation coefficient of 0.1893, 0.3430, 0.2347, 0.1980, 0.3250, 0.1778 and 0.3015 with CR, CBTDR, ISCAR, TITDR, CBCAR, LACAR and RLA respectively.

Hence, it can be concluded that most of the ratios of EBL has positive relationship each other for the study period of five years.

Table 4.21

Correlation coefficient between Ratios of NABIL

Ratios	CR	CBTDR	ISCAR	TITDR	CBCAR	LACAR	RLA	RTA
CR	1							
CBTDR	(0.054)	1						
ISCAR	0.0247	(0.023)	1					
TITDR	(0.014)	0.0075	0.0285	1				
CBCAR	(0.06)	0.1035	(0.032)	0.034	1			
LACAR	0.0262	(0.005)	0.023	(0.275)	0.0001	1		
RLA	0.1455	(0.044)	0.3309	0.3636	0.0175	0.3059	1	
RTA	0.8609	0.0035	0.3001	0.5795	0.1834	0.8767	0.7144	1

Source: Annual Report of EBL and NABIL

The table 4.21 shows the correlation coefficient between ratios of NABIL. They are; CR, CBTDR, ISCAR, TITDR, CBCAR, LACAR, RLA and RTA. When analyzing the table 4.21, the correlation coefficient between CR and CBTDR, ISCAR, TITDR, CBCAR, LACAR, RLA, RTA are; (0.054), 0.0247,(0.014), (0.06), 0.0262, 0.1455and 0.8609 respectively. There is positive relationship of CR with ISCAR, LACAR, RLA and RTA but negative relationship with CBTDR, TITDR and CBCAR.

Similarly, the ratio CBTDR has correlation coefficient with CR, ISCAR, TITDR, CBCAR, LACAR, RLA and RTA are; (0.054), (0.023), 0.0075, 0.1035, (0.005), (0.044), 0.0035 respectively.

The correlation coefficient between ISCAR and CR, CBTDR, TITDR, CBCAR, LACAR, RLA, RTA are; 0.0247, (0.023), 0.0285, (0.032), 0.023, 0.3309, 0.3001 respectively.

Similarly, with considering the same table the ratio TITDR has correlation coefficient with CR,CBTDR, ISCAR, CBCAR, LACAR, RLA and RTA are; (0.014), 0.0075, 0.0285, 0.0340, (0.275), 0.3636,0.5795 respectively.

While, analyzing the table next ratio CBCAR has negative correlation coefficient of (0.06),(0.032) with CR and ISCAR respectively. But positive correlation coefficient of 0.1035, 0.0340, 0.0001, 0.0175 and 0.1834 with CBTDR, TITDR, LACAR, RLA and RTA respectively.

A ratio LACAR has also the positive correlation coefficient of 0.0262, 0.023, and 0.0001. 0.3059, 0.8767 with CR, ISCAR, CBCAR, RLA, RTA respectively. And negative correlation coefficient of (0.005),(0.275) with CBTDR and TITDR respectively.

The correlation coefficient between RLA and CR, CBTDR, ISCAR, TITDR, CBCAR, LACAR and RTA are; 0.01455, (0.044), 0.3309, 0.3636, 0.0175, 0.3059 and 0.7144 respectively.

Finally, the ratio RTA has also positive correlation coefficient of 0.8609, 0.0035, 0.3001, 0.5795, 0.1834, 0.8767 and 0.7144 with CR, CBTDR, ISCAR, TITDR, CBCAR, LACAR and RLA respectively.

Hence, we can conclude that most of the ratios of NABIL have positive relationship each other for the study period of five years.

4.3 Major Finding of the Study

The major finding of the study 0n the basis of the foregone analysis of financial data of EBL and NABIL is;

Liquidity Ratio

- From the analysis of current ratio; EBL and NABIL is in likely constant trend. The mean ratio of EBL is higher than NABIL but there is more variation in ratios of NABIL in comparison to EBL.

- The analysis of cash and bank balance to total deposit ratio shows that EBL has the higher mean ratio as well as lower C.V. ratio. It shows that the liquidity position of EBL is better than NABIL. Similarly, the ratios of EBL are consistent over the study period than NABIL.

- The investment on Govt. securities to current assets ratio, EBL has higher mean ratio in comparison to NABIL and its C.V. is also lesser than that of NABIL. It shows that the ratios of EBL are more consistent and NABIL has made lesser investment in Government securities.

- The cash and bank balance to current assets ratio, EBL has the highest mean ratio and lowest C.V. ratio than NABIL. So it shows that the EBL's ratio is more stable and consistent and able to meet the daily cash requirement of their customers.

- The analysis of loan and advances to current assets ratio. It shows that NABIL has lower mean ratio than that of EBL and higher C.V. ratio than that of EBL.

Assets Management Ratio

- The analysis reveals that the mean ratio of total investment to total deposit ratio of NABIL is higher than that of EBL and variability of NABIL is also lowest which shows the stability of the NABIL. EBL's variability of ratio is highest which indicates high instability in term of total investment. The above finding shows that NABIL's utilization of total deposit, as investment is better than EBL.

- From the above analysis, EBL has maintained higher position in loan and advances to total deposit ratio than NABIL. It means EBL is strong in term of mobilization of its total deposit as loan and advances when compared to NABIL.

Profitability Ratios

- The analysis concluded that the mean ratio of return on loan and advances of NABIL is greater than EBL as well as NABIL has lowest variation too, which indicates more uniformity on earning return from loan and advances or it has been more successful in maintaining its higher return on loan and advances.

- From the analysis the mean ratio of return on total assets ratio of NABIL is greater than that of EBL. And according to C.V., NABIL has also lowest C.V., which indicates that it is more consistent than EBL and NABIL is successful in utilization of its working fund for profit generating activities.

Other Ratios

- Current assets to share capital ratio of EBL and BANIL in fluctuating trend. It shows that EBL has higher mean ratio and lower C.V. ratio than that of NABIL.

- In case of current assets to borrowing ratio EBL has not borrowed in first two years and then remaining three years are fluctuating tend. Similarly, NABIL has also fluctuated trend of the ratios. The analysis concluded that the mean ratio and C.V. ratio of EBL is higher than that of NABIL.

- From the analysis, the current assets to fixed assets ratio of both banks are in fluctuating trend. EBL has higher mean ratio and C.V. ratio too than that of NABIL.

- Current assets to total fund ratio of EBL and NABIL are in fluctuating trend over the study period of five years. And EBL has higher mean ratio than NABIL. NABIL has higher C.V. than EBL, so EBL's ratio is more stable and consistent than NABIL during the study period.

- From the analysis of fixed assets to share capital ratio, NABIL has highest mean ratio and EBL has lowest C.V. ratio. Both bank banks have fluctuated trend of the ratios.

- The analysis fixed assets to borrowing ratio; EBL has not borrowed since 2063/064 to 2064/065 B.S. Similarly, the ratio of NABIL has fluctuated trend and EBL has higher mean ratio and C.V. ratio than that of NABIL.

- With considering the standard deviation, fixed assets to total fund ratio of both banks are in constant trend. Where, EBL has the lowest mean ratio and highest C.V. ratio during the study period of five years. So, the ratio of NABIL is more stable and consistent than EBL.

- From the analysis of fixed assets to current assets ratio, it shows that EBL has decreasing trend of the ratios and NABIL has fluctuating trend of the ratios. NABIL has the highest mean ratio than EBL and EBL has lowest C.V than that of NABIL during study period of five years.

Coefficient and Correlation Analysis

- The coefficient of variation between various selected variables of EBL, they are; current assets , current liabilities, fixed assets, net profit, total investment, borrowing, share capital and total fund has positive correlation in each other except in between current assets and net profit.

- From the analysis of correlation coefficient between variables of NABIL there is also positive relationship between current assets, current liabilities, fixed assets, net profit, total investment, borrowing, share capital and total fund. But negative relationship in between current liabilities and net profit.

- From the analysis of coefficient of correlation, most of the ratios of EBL have positive relationship each other during the study period of five years.

- With considering the coefficient of correlation between ratios of NABIL, it is concluded that most of the ratios have positive relationship each other during the study period of five years.

CHAPTER- FIVE
SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter is dedicated to the presentation of the data collected and analysis by using various statistical tools so as to summarize them and obtain results thereof. The statistical results are then interpreted to find their meaning and implications.

5.1 Summary

A commercial bank means the bank, which deals with exchange currency, accepting deposit, providing loan and investing in various to do other commercial transaction. Therefore, it is cleared that one of the major function of commercial bank is investment policy. There is not so long history of commercial bank in Nepal. Nepal Bank Ltd. is the first commercial bank of the country which was established in 1994 B.S. then after, many joint venture banks and commercial banks have been established. In research work, there has been taken two main commercial banks i.e. Everest Bank Ltd. and Nabil Bank Ltd.

Under this study, I have tried to cover the various aspects of selected joint venture banks covering the period of five years from FY 2063/064 to 2067/068. In the first introductory chapter, the study report has tried to give origin and growth of banks in Nepal, brief profile of the concern banks, general concept and function of commercial banks and the focus of the study, statement of problem, objective of the study, study area and its limitation. The basic objectives of this study are; to evaluate and analyze the comparative financial performance of EBL and NABIL, to examine the fund mobilization of EBL and NABIL and to study the relationship of variables and ratios of EBL and NABIL. During the research work, extensive review of various literature books, past thesis, journals have been studied and consulted. And as per

requirement, internet materials from relevant websites are also visited. These works are complied in the second chapter titled "Review of Literature" of this report.

In third chapter "Research Methodology" I have gathered the required data basically from annual reports published by the concerned joint venture banks for the last five years. And also internet website of Nepal Stock Exchange is used for necessary data analyze the financial performances of selected banks. Financial tools to calculate various ratios and statistical tools such as mean, standard deviation, coefficient of variation, index and ARPC.

Data relating to activities of the banks have been collected and presented in figures and tabular as far as possible are tried to be interpreted in the study statistical tools and findings of the study have been listed in a systematic manner. All these works are compiled in the fourth chapter titled "Data Presentation and Analysis" of the study.

Commercial bank in current year, present a new picture, a picture of innovation in practice of winder horizon and new enterprises. The most remarkable diversification of banking function is increasing participation in medium and-long term financial industries and other sector. Therefore, they are not only financial institutions of finance agriculture and industry and other economic activities, but are more than financial institution in the sense that they help saving create deposits and make the subsequent distribution of such accumulated funds.

The primary objective of these joint venture banks is always to earn profit by investing or granting loan and advances to people associated with trade, business and industry, etc. That means they are required to mobilize their sources properly to acquire profit. How well a bank manages its investment has a great deal to do with the economic health of the country because the bank

loans support the growth of new business and trade empowering the economic activities of the country.

5.2 Conclusion;

During the study period of last five years that is, 2063/064 to 2067/068 B.S. various ratio analysis have been performed to find out the financial performance of EBL and NABIL.

This study reveals that the current ratio of EBL and NABIL is greater than 1 but EBL has the highest mean current ratio, it means EBL's solvency position is better than NABIL. In an average, the cash and bank balance to current assets ratio of EBL is greater than NABIL; it indicates that the liquidity position of EBL is better than the NABIL. The cash sand bank balance of EBL with respect to total deposit is more liquidity than NABIL; it indicates that EBL is able to make immediate payment to its depositors. In an average investment on Government securities to current assets ratio of EBL is higher than NABIL, it indicates that EBL has made more investment on Government securities. Analysis shows that EBL has higher mean ratio of loan and advances to total current assets ratio.

The loan and advances to total deposit ratio of EBL is higher than NABIL, it indicates that EBL is strong in term of mobilization of its total deposits as loan and advances when compared to NABIL. Total investment to total deposit ratio of NABIL is higher than EBL, it indicates that NABIL's utilization of total deposit, as investment is better than EBL.

Profit is ultimate output of a commercial bank and it will have no future if it fails to make sufficient profit. When measuring various profitability ratios; i.e. return on loan and advances and return on total assets ratio, NABIL has the highest return on loan and advances ratio, it means NABIL has been more

successful in maintaining its higher return on loan and advances than EBL. Similarly, NABIL has also the higher ratio of return on total assets ratio, which indicates that NABIL is more successful in utilization of its total assets for profit generating activities.

This analysis shows that the current assets to share capital ratio of EBL is higher than NABIL on an average, it indicates EBL uses of more current assets than share capital. On an average EBL has the highest current asset to borrowing ratio, which indicates the EBL uses of low current assets than the borrowing with comparison to NABIL. Similarly current assets to fixed assets ratio of EBL is higher than NABIL, which indicates that the EBL uses more current assets to fixed assets with compared to NABIL. Current assets to total fund ratio of EBL is higher than NABIL too. On the other hand NABIL has the highest fixed assets to share capital ratio than EBL, which shows the NABIL uses of more fixed assets than share capital. EBL has highest fixed assets to borrowing ratio than NABIL. Fixed assets to total fund ratio of NABIL is higher than EBL on an average, which indicates the NABIL is successful in mobilizing their total fund on fixed assets to maximize its value. Fixed assets to current assets ratio of NABIL is higher than EBL, that indicates that the NABIL uses more fixed assets to current assets with compared to EBL.

The coefficient of variation between various selected variables of EBL, they are; current assets , current liabilities, fixed assets, net profit, total investment, borrowing, share capital and total fund has positive correlation in each other except in between current assets and net profit.

From the analysis of correlation coefficient between variables of NABIL there is also positive relationship between current assets, current liabilities, fixed assets, net profit, total investment, borrowing, share capital and total fund. But negative relationship in between current liabilities and net profit. From the analysis of coefficient of correlation, most of the ratios of EBL have positive

relationship each other during the study period of five years. With considering the coefficient of correlation between ratios of NABIL, it is concluded that most of the ratios have positive relationship each other during the study period of five years.

5.3 Recommendation

These finding may be useful for them who are concerned directly or indirectly with the investment policy of the bank. On the basis of above analysis and finding of the study, following suggestions and recommendation can be drawn;

The liquidity position of a bank can be affected by external as well as internal factor which includes overall economic scenarios. Based on liquidity ratio it is found that selected joint venture banks so not have the standard current ratio. However from aggressive working capital point of view it is not considered so bad. EBL has more cash and bank balance rather than NABIL. To maintain liquidity in perfect, all commercial banks have to follow the mid-way i.e. They should invest the idle deposit in productive sector and on the other hand they have enough cash balance to meet current requirement.

The profitability ratio in case of EBL has lowest with result of lower profit. So, this bank should reduce operating cost to achieve the operational efficiency. Since by decreasing cost, profit of any bank can grow considerably, they must search for loopholes in their operations where unnecessary costs are being incurred and should eliminate them.

The EBL should maintain positive relationship between current assets and net profit in coming years to maximize profit.

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Web Sites

www.everestbank.com.np

www.nabilbank.com.np

www.nrb.org.np

APPENDIX

Everest Bank Limited (RS. '000000')

Description	2063/064	2064/065	2065/066	2066/067	2067/068
Current Assets	20,760	25,829	33,420	38,120	41,926
Total Deposits	18,186	23,976	33,323	36,932	41,128
Loan & Advances	13,664	18,339	23,885	27,556	31,058
Current Liabilities	14,305	18,482	27,051	27,478	27,278
Net Income	296	451	639	832	931
Total assets	21,432	27,149	36,917	41,383	46,236
Cash and Bank balance	2391	2668	6164	7819	6123
Investment on Govt. Securities	4704	4821	5146	4354	7145
Total Investment	4984	5060	5948	5008	7744
Borrowing	-	-	312	404	482
Fixed Assets	170	360	427	463	460
Share Capital	1,201	1,921	2,203	2,759	3,113
Total Fund	21,432	27,149	36,916	41,382	46,236

NABIL Bank Limited (RS. '000000')

	2063/064	2064/065	2065/066	2066/067	2067/068
Current Assets	23,347	33,906	46,690	51,046	52950
Total Deposits	23,342	31,915	37,348	46,411`	49,696
Loan & Advances	15,546	21,365	27,590	32,269	38,034
Current Liabilities	17,396	27,192	36,381	34,807	33488
Net Income	674	746	1,031	1,139	1,338
Total assets	27,253	37,133	43,867	52,150	58,141
Cash and Bank balance	1,340	2,671	3,372	1,400	2,436
Investment on Govt. Securities	4,808	4,647	3,706	7,941	8,745
Total Investment	8,945	9,940	10,826	13,671	13,081
Borrowing	882	1,360	1,681	749	1,650
Fixed Assets	287	598	661	779	935
Share Capital	2,057	2,437	3,130	3,835	4,566
Total Fund	27,253	37,132	43,867	52,150	58,141