CHAPTER - I
INTRODUCTION

1.1 Background of the Study

Nepal is a small landlocked under developing country situated 26° 22” to 30° 27” northern latitude and 80°04" to 88°12” eastern longitude between two large country India and China., Its total area is 1, 47,181 Square km.. All within average distance of 855 km form east to west and 195 km from south to north with climatic conditions ranging from subtropical to Arctic. There is world's highest peak Mt. Everest at 8848m is situated. Nepal is a most beautiful, peace loving, tiny Himalayan country. It has been inhabited by different ethnic and linguistic groups from the dawn of civilization in the amicable environment. Due to all these vivid features, it is considered as unique dreamland for unity in diversity in the world. Every one can expect for the bright future of Nepali people and economic growth of the nation. Nepal has been following policy of mixed economy. Both states controls cum private participation are being observed in the country. For the development of trade and industry within the country, it is essential to invest capital in huge level. Small-scale capital scattered throughout the country must be mobilized in order to promote investment. Nepalese people are poverty stricken as well as characterized by low saving capacity. Ergo, it is also known as the country of low capital investment.

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

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

Bank is resource for economic development that maintains economic confidence of various segments and expands credit to people. Bank means "A financial establishment for the deposit, loans exchange or issue of money and for the transmission of funds" (Bhandari, 2003: 119).

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

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

From the study of fund mobilizing policy about bank, shareholders and companies would get information related to the fund collection and mobilizing scheme of the bank and they may know how banks are mobilizing their fund and resources and it is fruitful to make investment on shares of various banks.

The study of fund mobilizing policy would provide information to the management of the bank that would be helpful to take corrective action in the bank activities. Effective fund mobilization activities are the cause to increase earnings of the banks. This study will serve to be a guide to the management of banks, financial institutions, related parties, shareholders, general public (customer, depositors and creditors).

1.2 Profile of the sample Banks

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

A. Nabil Bank Limited

Nepal Arab Bank Limited Nabil Bank, the 1st foreign joint venture Bank set up in the nation with an objective to introduce modern banking services, commenced its operations on 12th of July 1984 or 2041 Ashad 29 B.S. with Rs. 28 million capital. Dubai Bank Limited, Dubai was the foreign joint venture partner who extended Nabil a technical service agreement in the initial period. The Bank, through its quality customer service and innovative products, has today attained a distinguished recognition in the banking industry of Nepal. Highly qualified and experienced team of NABIL bank manages day-to-day operations and risk management. Bank is fully equipped with modern technology. Nepal Arab Bank Limited is providing full-fledged commercial banking services to its clients.

From its inception period in 1984 as the first joint venture bank, to commence operations in the Kingdom of Nepal, the bank have been a leader in terms of bringing the very best international standard banking practices, products and services to the kingdom. Today, mission of the bank is to be the Bank of 1st Choice to all of its stakeholders and customers. Nabil Bank would like investors to choose the Bank's share as a blue-chip stock whenever they are in search of an investment opportunity. For the customers, it want to be the first choice in meeting all of the financial requirements, for shareholders, it want to be the investment of choice, for regulators, it want to be an example of a model bank, It wants to be an example for the regulators in terms of professionalism and transparency. Nabil wants to be an actively participating 'good corporate citizen' in all the Communities that the Bank works. It want to be the first choice as an employer with whom to build a career and finally the entire Nabil Team embraces a set of Values that acronym is referred to as 'C.R.I.S.P.' representing the fact that we consistently strive to be Customer Focused, Result Oriented, Innovative, Synergistic and Professional. By living these values, individually as professionals and collectively as a Team, Nabil Bank is committed to Surge Ahead to be the Bank of 1st Choice in Nepal.

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NABIL bank is a full services bank providing an entire range of products and services, starting with deposit accounts in local and foreign currency, Visa and Master-Card denominated in rupees and dollars, Visa Electron Debit Cards, Personal Lending Products for Auto, Home and Personal loans, Trade Finance Products, Treasury Services and Corporate Financing. Main aim is to be able to meet customer's entire gamut of financial requirements that is why it prides us in being 'Your Bank at Your Service'.

Nabil Bank Limited was the first joint venture bank established in 1984 with 50% invest by Dubai Bank Limited of UAE and of remaining 50% by Nepalese financial institutions comprise 30% and 20% by general public. The shares owned by DBL were transferred to Emirates Bank International ltd (EBIL), Dubai. Later EBIL sold its entire holding to National Bank ltd, Bangladesh (NBLB). Hence 50% of equity shares of NABIL are held by NBLB and remaining, financial institutions have taken 20% and 30% were issued to general public of Nepal.

Table: 1.1

Capital Structure of Nabil Bank Limited

Capital as at 2011/12	Amount in Rs.
Authorized Capital	21,00,00,000
Issued Capital	2029769400
Paid up Capital	2029769400

B. Nepal Investment Bank Ltd. (NIBL)

Nepal Investment Bank Ltd. (NIBL), (previously known as Nepal Indosues Bank Ltd.) was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was credit Agricole Indosuez, a subsidiary of one largest banking group in the world. With the decision of credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen has acquired on April 2002 the 50% shareholding of credit Agricole Indosuez in Nepal Indosuez Bank Ltd. The name of the bank has been changed to Nepal Investment Bank Ltd. upon approval of bank's Annual General Meeting, Nepal Rastra Bank and Company Registrar's office with the following shareholding structure. Rastriya Banijya Bank holds 15%, Rastriya Beema Sansthan holds 15%, General Public holds 20%, and the Nepalese promoters hold 50%.

NIBL managed by a team of experienced bankers and professionals having proven track record, can offer you what you're looking for. Besides commercial banking services, the bank also offers industrial and merchant banking services. Bank will be aggressively opening new branches at different parts of the Nepal to serve its customers better. Investment Bank Limited has always been committed to providing a quality service to its valued customers, being truly a Nepali Bank. All customers are treated with utmost courtesy as valued clients. The bank, wherever possible, offers tailor made facilities to its clients, based on the unique needs and requirements of different clients. To further extend the reliable and efficient services to its valued customers, Investment Bank Limited has adopted the latest banking technology. This has not only helped the bank to constantly improve its service level but has also prepared the bank for future adaptation to new technology. The Bank already offers unique services such as the pre-paid mobile recharging system through its ATM, SMS Banking and Internet Banking to customers.

Table: 1.2

Capital Structure of Nepal Investment Bank Limited

Capital as at 2011/12	Amount in Rs.
Authorized Capital	4000,000,000
Issued Capital	3011,372,125
Paid up Capital	3011,372,125

1.3 Focus of the Study

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

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

This research focuses on the comparative study of fund mobilization of two commercial banks Nabil Bank Limited and Nepal Investment Bank Limited. These two banks are compared as per their fund mobilization procedure by taking 5 years data from the year 2007/08 to 2011/12.

1.4 Statement of the Problems

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

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

Commercial banks are reported to be criticized by customer due to implementation of wrong Fund mobilization is the most important factor from the shareholder and banks management point of view. Fund mobilization is the most important factor from the shareholder and banks management point of view. This study is a comparative study on fund utilization or mobilization of Nabil Bank Ltd and Nepal investment Bank Limited. The problems related to fund mobilization procedures of the joint venture banks of Nepal have been presented briefly as under:

a) What portion of fund collection and fund mobilization of NABIL and NIBL?
b) What is the deposit position of the sampled bank NABIL and NIBL?
c) What is the lending and investment position of the sampled banks?
d) Do the two bank ventures successful to utilize their available fund?
e) What is the relationship between deposit and lending, total investment and Net profit of NABIL and NIBL?
f) Are they maintaining sufficient liquidity position?
g) What is the trend of total deposit, loan and advance, total investment and net profit of NABIL and NIBL?

1.5 Objective of the Study

This study aims to examine its efficient in effectiveness, systematization and sincerity in fun collection and utilization. The main objective of the study is to evaluate fund mobilization of commercial bank in Nepal. The specific objectives to this study are presented below:

- To evaluate various financial ration of the sample Bank NABIL and NIBL.
- To analyze the sources and uses of funds of sample NABIL and NIBL banks.
- To analyze the relationship and trend between deposits, total investment, loan and advance and net profits of NABIL and NIBL.
- To offer suitable suggestions based on findings of this study of NABIL and NIBL.

1.6 Significance of the Study

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

- Optimum utilization of fund makes better impact on the economy of the nation. Fund mobilization activities must consider customer, national and government as well as its shareholders interest. Significance of the fund mobilization can be written as the following manner:
- The depositor’s general public can make decision to deposit their money in the bank after analyzing the fund mobilization of joint ventures.
- By the help of this study, general public can know the funds mobilizing activities of banks.
- It is also beneficial for the government while formulating policies and rules regarding joint venture bank.

This study is concerned with measuring and analyzing various financial indicators and its related ratios, trend analysis and various statistical tools as well and financial tools. This study comprises all the aspect of fund mobilization of commercial banks so it would be helpful to all future scholars and potential researcher.

1.7 Limitations of the Study

No study can be free from its limitations. As a partial fulfillment for the degree of Masters of Business Studies, the scope of the study is limited within the framework of ratio analysis only. The study doesn't cover aggregate fund mobilization techniques.

- Since the study is fully based on the secondary data collected from various sources.
- The study mainly concentrates on those factors related with fund mobilization viewpoint
- The study is based on data and information provided by commercial bank.
- A whole study is based on the data of five years period i.e. from fiscal year 2007/08 to 2011/12 and hence the conclusion drawn confines only to the above period.
- Only two banks are taken for the study i.e. NABIL and NIBL banks.

Only the fund mobilization aspects are analyzed. Other performance of the organizations is fully neglected, while providing suggestions.

1.8 Organization of the Study

The present study is organized in such way that the stated objectives can easily be fulfilled. The structure of the study will try to analyze the study in a systematic way. The study report has presented the systematic presentation and finding of the study. The study report is designed in five chapters which are as follows:

Chapter – I: Introduction

This chapter describes the basic concept and background of the study, profile of Bank, focus of the study, statement of the problems, objectives of the study, significance of the study and limitations of the study. It is oriented for readers for reporting giving them the perspective they need to understand the detailed information about coming chapter.

Chapter – II: Review of Literature

The second chapter of the study assures readers that they are familiar with important research that has been carried out in similar areas. This chapter includes conceptual review, review of related study, different thesis, and review of journals, articles and research studies published by various authors.

Chapter – III: Research Methodology

Research methodology refers to the various sequential steps to adopt by researcher in studying a problem with certain objectives in view. It describes various source of data related with the study and various tools techniques such as statistical and financial employed for presenting the data. This chapter includes research design, data collection, methods and analysis and research variables.

Chapter – IV: Presentation and Analysis of Data

This chapter is the main part of the research. This chapter analyses the data related with study and presents the finding of the study. Data processing, data analysis and interpretation are given in this chapter. It also includes major finding of the study.

Chapter – V: Summary, Conclusions and Recommendations

The last chapter contains summary, conclusions and recommendations of the study. It also gives important suggestions to the concerned organization for the better improvement.

Bibliography and other appendixes used in statistical results have been attached at the end of the study.

CHAPTER - II
REVIEW OF LITERATURE

This chapter is basically concerned with review of literature relevant to the topic "A comparative study on fund utilization of NABIL and NIBL" Every study is very much based on past knowledge. The previous study cannot be ignored because they provide the foundation to the present study. There must be continuity in research. This continuity in research is ensured by linking the present study with 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 performed previously. This review of literature has been classified as follow.

- Conceptual Review
- Review of related studies

2.1 Conceptual Review

Basically, theoretical framework describes the following terms which are closely related to the research work. In this section various topic are studied related to its concept.

2.1.1 Bank and Financial Institution

Simply, Bank and financial institution are known as organize corporate business house that receives and holds deposits or fund from other and makes loans or extends credit and transfer funds by written orders of depositors or customer. Generally Bank or financial institution is known as Central bank, Commercial bank, Development bank, Exchange bank, Saving bank, Cooperative bank, Merchant bank, Housing bank, Equipment bank, Infrastructure bank and Mutual fund. Banks are very important financial institution intermediaries in financial market. "Financial intermediaries not only transfer money and securities between users and savers but also they create new financial products. They gain economics of scale in analysis of credit worthiness of potential borrowers, in processing and collecting loan, and minimize costs of information and make easy flow of transaction.

The financial institution act as intermediaries by transferring the resources from the surplus to the deficits, which provide fuel to the economic development of the country. The economics activities of a country can hardly be carried forward without the assistance of the financial institution. Financial institution comprise financial intermediaries like banks, credit union, saving and loan association, money maker fund, Life insurance companies, pension funds, etc.

Banks and financial institution are the principal sources of credit to household: individual and family business: all forms and local units of government. Furthermore, they are the source of financial information, planning and controlling. "Banking institution is inevitable for resources mobilization and all - round development of the country of the country. It is resource for the economic development; it maintains economic confidence of various segments and extends credit to people." Banks deal with money by accepting various types, deposits, disbursing loan and investing in productive sector and rendering other financial services as the primary function.

Banks are channels between saving surplus and saving deficit people and thus, they are the bridge of utilized scatter fund to productive sectors. Hence, they represent a vital role in the transmission of the government economic policies (especially monitory policies) to the economy. When bank credit is expensive, the investment slows down and unemployment rises. Bank deposit represents the most significant components of the money supply used by the public. Commercial banks play an important role for economic development of the country as they provide capital for the development of industry, trade and business by investing the saving collected as deposits from public. They render various services to their customer facilitating their economic and social life.

2.1.1.1 Origin of Bank in Nepal

The words BANK was instigate form Latin words Bancus, French words Banque and Italian words Banca, which means refer that a Bench where sitting over there invest, exchange and keep record of money and cash. Banking system was started from ‘Bank of Venice, 1157 Bank of Barcelona. Actually banking system was inaugurated after established of Bank of England. The concept of the banking has been developed from the ancient history with the effort of ancient goldsmiths.

The Banking system in Nepal was developed gradually from the past. The history states that King Gunakamadev had received loans from the public in the 8th century to renovate "Kathmandu City". The foundation of banking system in Nepal was established by a businessperson named Shankhadhar Shakha in 10th century. He had paid back all the loans taken from the public and since then Nepal Sambat had stated in our country. Later on in the 14th century, King Jayasthiti Malla assign 'TANKADHARI' one is that dealt with the lending of money to the public. Ranadeep Singh established 'TEJARATH ADDA' in the 1933th B.S in order to protect people from higher interest rate. it charged its creditors with a low interest rate of 5% per annum. However 'TEJARATH ADDA' was the main financial institution that led to the development of modern banking system into the country.

The actual banking system of Nepal starts from the establishment of Nepal Bank Limited (NBL) as the first modern bank in our country Nepal in B.S. 1994 Kartik 30th according to the Nepal Bank Act 1993. After two decade Nepal Rastra Bank established in 14th Baisakh, 2013 BS as a being central bank of Nepal under “Nepal Rastra Bank Act 2012” to perform the function of the central banking in Nepal. It established to promote, control, direct, supervision and manages banking activities. Nepal Industrial Development Corporation (NIDC) was established In 2016 BS under NIDC act 2016. It established for promote industrialization in Nepal. “Rastriya Banijya Bank” was established on 10th Magh, 2022 BS under Rastriya Banijya Bank act 2021 which was the second commercial bank of Nepal. With the establishment of RBB, a noticeable progress could be seen in banking industry of Nepal. Both the banks have majority of shares owned by the government of Nepal. In 2024 magh 7th BS Agriculture Development Bank (ADB) was established under Agricultural Development Bank act 2024. ADB was established combined merge of cooperative bank and bhumisudhar Bachat Corporation.

In 2041 Ashad 29 Nepal Arab Bank limited was first joint venture bank established in Nepal which is known as NABIL Bank in today. After that investment bank (Nepal Indoswis bank), standard charter bank (Greenland bank), Himalayan bank, SBI bank etc instigate accordingly. As the time passed, a need for the more commercial banks arose. At the present time various commercial bank established and some are in process for operation. Today there are altogether 31 commercial banks, 79 Development Banks, 78 Finance Companies, 16 Micro Credit

Development Banks and various cooperative firm are functioning in the our country in Nepal. Still many other commercial banks are in the process of opening in the market.

2.1.2 Fund Collection and Mobilizing Procedure of Banks

All the banks of entire world were applied their own fund mobilizing procedure. In practice, straightforward and effective fund mobilization procedure has adopted by the bank. Effective fund mobilization is the indicator of banks prosperity and its growth. Banks have some fund mobilizing procedure they are summarized below: (Commercial Bank Act, 2063).

2.1.2.1 Sources of Fund

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

i. Equity capital and

ii. Debt capital.

i. Owned Funds/ Equity Capital of Bank

Following are the sources of owned funds:

a) Ordinary Share

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

b) Preference Share

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

c) Bonus Share

Company issue the extra share to the shareholder from the saving from profit and reserve fund by capitalizing these funds is known as bonus share. Bank issue shares to shareholders instead of banks amount. From this share, bank collects some share of funds.

d) Retained Earning

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

e) Reserve Fund

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

f) Undistributed Dividend

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

ii. Debt Capital/ Borrowed Fund of Bank

Bank collects the funds from another source except owned funds. Another source is borrowing from different sector. These types of funds collect borrow and debt capital. There are two types of debt in the market, which are as below:

A. Secured Debt

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

i. Priority to claims

Senior mortgage has period claims on assets and earnings. Senior mortgages, implying that they have the first claim on the land and assets of the corporations. A junior mortgages is a subordinate lien, such as a second or third mortgage. It is a lien or claim junior to others (Singh & Hamid; 1992: 67).

ii) Right to Issue Additional Securities mortgage bonds

This can be classified with respect to the right to issue additional obligations pledging already encumbered property. In the case of closed end mortgage, a company cannot sell additional bond (beyond those already issued) secured by property specified in the mortgage. If the bond indenture is silent on this point, it is called on open end mortgage. (Singh & Hamid; 1992: 68)

iii) Scope of the Lien Bonds

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

B. Unsecured Debt

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

i. Debentures

Debenture is an unsecured bond and as such, providers no lien on specific property as security for the obligation. Debenture holder, therefore, are creditors whose claims is protected by property not otherwise pledged. The advantage of debentures from the issuer s stand point is that the property is left unencumbered for subsequent financing. However, in practice, the use of debenture depends on the nature of the firm s assets and its general credit strength. A firm whose credit position is exceptionally strong can issue debentures, it simply does not need specific security. However, the credit position of company may be so week that it has no alternative to the use of debentures all its property may already be encumbered. Companies also issue debentures where it is not practical to provide a lien through a mortgage on fixed assets.

ii Subordinate Debentures

The term subordinate means below or inferior. Thus, subordinated debt has claims on assets after unsubordinated debt in the event of liquidation. Debentures can be subordinated to designate notes payable usually banks loans or to any or all other debt. In the event of liquidation or reorganization, the debentures cannot be paid until debt as named in the indenture has been paid. Senior debt, typically, does not include trade accounts payable. In comparison to subordinated debt, preferred stock suffers from the disadvantage that its dividends are not deductible as an expense for tax purpose. Subordinated debentures have referred to as being like a special kind of preferred stocks dividends of which are deductible as an expense for tax purposes. Subordinated debt has, therefore, become an increasingly important source of corporate capital.

iii) Income bonds

Income band provide that interest must be paid only if the earnings of the firm are sufficient to meet the interest obligations. The principal however, must be paid which due. Thus, the interest itself is not a fixed charge. Income bonds, historically, have been issued because a firm has been in financial difficulties and its history suggests that it may be unable to meet a substantial level of fixed charges in the future. More generally, however, income bond simply provide flexibility to the firm in the event that earnings do not cover the amount of interest that would otherwise have to be paid. Income bond are like preferred stock in that the firm will not be in default of current payments on the obligations are not made.

C. **Selling of Debenture**

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

D) Deposits

The bank performs two-fold functions, i.e. the receipt of the deposits and granting the loans. The bank borrows money by accepting different types of deposits. The bank attracts the deposits from the public. The bank not only undertakes to take care of the deposits but also agrees to honors the demands of the depositor for withdraw of money from the deposits. Deposits accepted by the bank are of different types. They are:

i. Current Deposit

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

ii Saving Deposit

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

iii Fixed Deposit

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

E) Loan from the Central Bank

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

F) Loan from the Financial Institutions

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

G) Loan from Commercial Banks

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

2.1.2.2. Mobilization of Funds

Banks utilize its funds in suitable area and right sector. Banks can not achieve its goals until and unless it mobilizes its funds in right sectors and by performing different activities. Many kind of activities and other thing can origin for the purpose of receiving invest from the bank. But bank should separate the useful and profitable sector for mobilization its funds. Banker being only a financial intermediary, we will not be able to make any profit unless he has to pay interest on deposits, meet establishment expenses, meet liquidity of cash balance, and yet allow him some balance from out of which he can build reserve and pay dividend to the shareholder.

As commercial bank they are expected to make profit. If there is no profit, there will be adverse criticism against public sector banking, both in and outside the parliament when these banks are asked to open new branches in areas which do not allow profits for years, or asked to grant loan to the priority sectors such as small industries and agriculture with a high incidence of bad debts, there is need for counter balancing profit from elsewhere. Therefore, these banks will have to show an ascending order of profits in order to ensure growth with stability. For this purpose the bank will have to allocate land able resources to different segments in such a manner these banks can ensure adequate profitability while at the same time responding to policies laid down in accordance with national objectives. Therefore, banks should mobilize its funds in suitable and profitable banking activities and right sector. Generally bank has mobilized its funds in the following activities.

a. Liquid Funds

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

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

b. Investment

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

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

c. Loan and Advances

Banks mobilize its funds by providing different types of loan and advances to customers, by charging fixed interest. Different types of loan and advances are

- To government enterprises
- To provide enterprises

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

d. Fixed Assets

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

e. Administrative and Miscellaneous Expenses

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

- Salary of Employee
- Allowances
- Pension
- Advertisement
- Stationery
- Provident Fund
- Rent
- Income tax
- Donation
- Insurance
- Tour expenses
- Commission

The miscellaneous expenses are

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

In this way, bank mobilizes its fund by performing different activities to achieve its desired goals i.e. earning profit. Banks are able to earn sufficient profit by mobilizing its funds in proper way into the different profitable sector. It can utilize its collected fund as well as own funds in all banking activities by performing effective fund mobilization procedure.

2.1.3 Features of Sound Lending and Fund Mobilization Policy

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

a) Safety and Security

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

Where,

M = Marketability	A = Ascertain ability
S = Stability	T = Transferability

b) Legality

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

c) Liquidity

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

d) Profitability

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

e) Tangibility

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

f) Purpose of Loan

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

g) Diversification

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

2.1.4 Meaning of Some Important Terminologies

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

a) Loan and Advances

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

b) Investment on Government Securities, Shares and Debentures

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

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

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

c) Investment on other Company's Shares and Debentures

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

d) Off- Balance Sheet Activities

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

e) Other use of Fund

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

f) Deposits

Deposit is the most important source of the liquidity for each and every commercial bank. For financial strength of banks, it is treated as a barometer. In the word of Eugene, “a bank’s deposits are the amount that it owes to its customers.” A deposit is the lifeblood of the commercial banks. Even though, they constitute the great bulk of bank liabilities, the success of a bank greatly depends upon the extent to which it may attract more and more deposits, for accounting and analyzing purpose, deposits are categorized in three headings.

They are:

- Current Deposits
- Saving Deposits
- Fixed Deposits

2.1.5 Review of Legislative Provisions

Legislative environment has significant impact on the commercial bank’s establishment, their mobilization and utilization of resources. All the commercial banks have to confirm to the legislative provisions specified in the Commercial Bank Act 2064 and the rules and regulation formulated to facilitate the smooth running of commercial banks by NRB.

i Compulsory Cash Reserve Ratio (CRR) and Refinancing

In order to improve the sluggish economy, continuity has been given to flexible monetary policy. NRB has revised the compulsory CRR effective from 22nd July 2002 with a view to reduce the cost of fund of banks which will facilitate the banks to reduce their lending rates without changing in deposit rates. As per this revision, in respect to balance with NRB requirements of commercial banks.

NRB Directive Relating to Capital Adequacy

Based on the risk weighted a licensed institution shall have to maintain the following capital adequacy ratio:

Institution	Minimum capital fund to be maintained based on the risk-weight assets (percent)	
	Core capital	Capital fund
A class	6.0	11.0
B and C class	5.5	10.0
D class	4.0	8.0

(Source: Unified directives 2068)

ii. NRB directives relating to loan classification and loan loss provision.

Having exercised the power conferred by section 79 of Nepal Rastra Bank Act, 2002, the following directives have been issued with regard to classification of credit/advances and provision to be made for its possible loss by the institutions obtaining licenses from the bank to carry out financial transactions.

A) Classification of loans and advances:

Entire loans and advances extended by a licensed institution have to be classified as follows based on expiry of the deadline of repayment of the principal and interest of such loans/advances:-

i. Pass: Loans and advances which have not overdue and which are overdue by a period up to three months.

ii. Sub-standard: Loans/advances which are overdue by a period from three months to a maximum period of six months.

iii. Doubtful: Loans and advances which are overdue by a period from six month to maximum period of one year.

iv. Loss: Loans and advances which are overdue by a period of more than one year.

Provision for loan loss

SN	Loan classification	Minimum provision for loan loss. In percentage (%)
A	Pass	1
B	Sub-standard	25
C	Doubtful	50
D	Loss	100

iii NRB directives relating to compulsory reserve ratio:

It shall be mandatory for class A institution licensed by this bank and for the B and C class institution licensed by this bank and accepting the current/call account to maintain a deposit of 5.5 percentage of total deposit liabilities at this bank. However, the amount deposited in a class A licensed institution with the condition of earning interest shall not be counted as compulsory reserve. The information of such account shall be given to this Bank's Bank and Financial Institutions Regulation Department and concerned Supervision Department.

In case the balance to be maintained as above, the fine shall be imposed:

- For the first time of above shortfall in maintaining the compulsory reserve, at the rate of percentage of the existing bank rate on such shortfall amount.
- For the second time of above shortfall in maintaining the compulsory reserve, at the rate of double of the percentage of the existing bank rate on such shortfall amount.
- For the third and successive times of shortfalls thereafter in maintaining the compulsory reserve, at the rate of triple of the percentage of the existing bank rate on such shortfall amount.

2.1.6 Policy Guidelines on the Establishment of the Commercial Banks

Receiving applications for the establishment of commercial banks has been stopped since 1995. Visualizing that such an administrative restriction is not in conformity with the liberal financial policy, the following new policy guidelines have been made public on 16th May 2007:

1) Paid up Capital

To establish a commercial bank of national level having its office in Kathmandu, joint investment with foreign bank and financial institution or a management contract at least for 3 years with such institutions is required. The paid up capital of such bank must be at Rs. 2000 million. To establish the commercial banks in all the places in the Kingdom other than in the Kathmandu Valley, the paid up capital must be Rs. 2000 million.

2) Share Capital

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

3) Legal Procedure

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

4) Banks Already in Operation

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

5) Concerning up Gradation

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

6) Promoters Share Payment Procedure

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

7) Promoters Qualification and Experience

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

8) Promoters Share

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

9) Branch Expansion

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

10) Disqualify from Becoming Director

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

2.2 Review of Related Studies

2.2.1 Review of Books and Journals

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

Pradhan (2053) in his article "*Deposit mobilization, its problem and prospects*" has presented that deposit is the life-blood of every financial institution like commercial bank, finance company, co-operative or non-government organization. He further adds consider the most of banks and finance companies that the latest figure does produce a strong feeling that serious review must be made on problems and prospects of deposit sector. Leaving few joint venture banks, other organizations rely heavily on the business deposit and credit disbursement.

The writer has highlighted following problems of Deposit Mobilization in Nepalese context:

- Most of the Nepalese do not go for saving in institutional manner, because of lack of good knowledge. However, they are very much used of saving in the form of cash or ornaments. Their reluctance to deal with institutional system is governed by the lower level of understanding about financial organization process, withdrawn system, and availability of deposing facilities and so on.

- There is unavailability of the institutional services in rural areas.
- Due to lesser office hours of banking system people prefer holding cash in the personal possession.
- There is no more mobilization and improvement of the employment of deposits and loan sectors.
- The writer has also recommended the following points for the prosperity of deposit mobilization which are as follows:
- By providing sufficient institutional services in the rural areas. By cultivating the habit of using rural banking unit and adding service hour system to bank.
- Nepal Rastra Bank should organize training program, to develop skilled manpower.
- By spreading co-operative to the rural areas development mini branch services.

Shrestha, (2004) has mention in his article " *Portfolio Management Plays the Vital Role in Individual as well as Institutional"* that due to slowdown in the world economy and deteriorating law and order situation of the country, many sectors if the economy is already sick. When any sector of economy catches cold, bank start sneezing. Form this perspective, the banking industry as a whole is not trust. Incase of investors having lower income, portfolio management may be limited to small saving income. But the other hand, portfolio management means to invest funds in various schemes of mutual funds like deposits, shares and debentures for the investors with surplus income. Therefore, portfolio management becomes very important for both an individuals as well as institutional investors. Large investors would like to select the best mix of investment assets.

Adhikari (2005) in his articles “*Nonperforming Loan and Its Management*” states in articles one of the main functions of commercial bank is to management of Non performing loan. Main function of commercial bank and financial institution is accept deposit and provide loan. In underdeveloped country like Nepal providing Loan and interest income generating through loan is the main source of bank and financial institution. If provided loan become nonperforming loan the bank and financial institution suffer from big financial scarcity. One side un-recover interest cannot make income and other side loan its self-converts in NPL that make huge effect in financial condition of bank and financial institution. So management of NPL is crucial factor any bank and financial institution.

Shrestha (2006) has analyzed in her article, "*Financial Performance of commercial banks using both descriptive and diagnostic approach*". In her studies she has concluded the following points:

a. The structural ratio of commercial banks show that banks invest on the average 75% of their total deposit on the government securities and the shares.
b. The analysis of resources position of commercial banks should quit high percentage of deposit as cash reserve.
c. Return ratio of all the banks show that most of the time foreign banks have higher return as well as higher risk than Nepalese banks.
d. The debt-equity ratios of commercial banks are more than 100% in most of the time period under study period. It led to conclude that the commercial banks are highly leveraged and highly risk. Joint venture banks had higher capital adequacy ratio but has been dealing every day.
e. In case of the analysis of the management achievement foreign banks have comparatively higher total management achievement index.

Crosby, French and Oughton (2007), in their article "*Banking lending valuations on commercial property*" elaborates that the banking community are trying to identify the value on which they can apply a loan value ratio and thus protect their loan in the future should the borrower default. A simplistic understanding the value therefore suggest that figure provided should be the figure which has a life for the length of the loan. However the very concept is economically impossible in any market with volatility. Values can only be snapshots in time. They do not have a shelf life.

For this reason property valuation is conceptually and practically redundant in real estate markets. It appears on the surface to be a solution to the banks' requirement for the reduced risk property lending. In reality, it may indeed transfer that risk by demanding a level of protection to the bank that the valuation cannot give. But if values agree to it, it could open the way to successful negligence claims in the aftermath of poor lending decisions. This is because the concepts appears the determinants of the virtually certain level of value below which the value will not fall for an indeterminate time into the future. Values are vulnerable to claims that their valuation was too high, should values fall below that level at any time during the loan. Sustainable value is predicated on having a shelf life but the application believes this fundamental requirement.

property valuations appears to be another blind alley which will divert the appraisal profession from its more important task of improving pricing estimates, and thereby influencing market prices, and providing all clients, whatever the valuation purpose, with the information in reports which puts the limitations of valuation figure into perspective.

Mieno (2006), in his article, "*Fund Mobilization and Investment Behavior in Thai Manufacturing Firms in the Early 1990s*" has examined the capital structure and investment behavior of firms in Thailand in the early 1990s. Five important results are obtained. First, there are serious information problems between manufacturing firms and financial institutions. Second, the debt ratio depends upon whether firms are listed on the securities exchange. The debt ratios of listed firms are higher than those of non-listed firms. Third, the low debt ratios of listed firms are simply a reflection of increased capital accounts generated by initial public offerings in the form of stock premiums or capital surpluses.

Fourth, in contrast to the a priori expectation, firms in the financial conglomerates groups depend more on informal finance and less on bank loans, particularly on short-term loans. They are also relatively inactive investors. Lastly, a clear relationship between capital structure and investment is found for bank loans and long-term loans, but not for the debt ratio. Bank loans, particularly long-term loans, weaken credit restrictions, and lower capital costs promote investment.

Mundul, (2008), in his articles "*Understanding of credit derivative*" emphases Credit derivative enable financial institution and companies to transfer credit risk to a third parity and thymus reduce their exposure to the risk of an obligor's default. Credit enhancement technique, which helps reduce the credit risk of an obligation, play a key role in encouraging loans and investment in debts. In legal term credit derivative are privately negotiated bilateral contract to transfer credit risk from one party to another. Some credit enhancement methodologies have existed for the in debts. Some credit enhancement methodologies have existed for a longtime with the support of guarantee, letter of credit or insurance product. However such mechanism works best during economic upturns. As an alternative to commercial risk mechanism, various financial mechanisms have been developed over the past few decades. Such credit risks instruments are normally refer to as credit derivatives. Credit derivative helps to transfer credit risk away from the lender to some other party. Now credit derivative grew popular both as tools for hedging credit risk exposure as well as method of investing in certain types of credit risk.

Credit derivative not only helps corporation and financial institution to manage to their credit risk but also enabled a new set of individual retail client to invest in bonds and stocks previously unaffordable. Through credit derivative individual investor ca invest indirectly in foreign bonds at a lower price. Credit derivative helps investor isolated credit, and transfer it to other investor who are better suited to managing it or who finds the investment opportunity more interesting. There are many credit instruments in the market they are

- Total return swap (TRS)
- Credit default swaps (CDS)
- Credit linked notes (CLN)
- Credit spread option (CSO)

According to the behavior of the asset or deal above credit instrument can be used and minimizing the risk. In this way credit derivative provide protection against credit peril and risk.

Cumming, Eddine & Schwienbacher (2009), in their article, " *Empirical Analysis of Fund Regulation and Scope of Distribution of European Investment Fund*" have stated that consistent with limitations to the UCITS III regulations that hampered international distributions as implied by the changes proposed in 2009 with UCITS IV, strong evidence that UCITS III promoted international distributions for larger funds was found. Further, the nontrivial costs of international notification under UCITS III imply that smaller countries would have disproportionately more interest in notification internationally. Promoters that are commercial banks do not seem to set up funds with a broader scope of distribution. However, non-European promoters have funds with greater scope, irrespective of the measure of scope of distribution used. Non-European promoters included in analysis originate by far from the US. Further there has been an increase in the number of fund promoters that distribute UCITS funds outside the European Union, notably in Asia.

Mundal, Sujit (2011) in articles "*Lending Policy: Human and Organizational Aspects*" It's an ongoing debate if human and organizational aspects play a role in the formulation of lending policies of banks and financial institution. It takes the human and organizational factor such as skill, attitudes, human equations and leadership. Policies are ever evolving and cannot be successfully implemented unless the issues in these areas are adequately taken care of and the right environment is set up. When change brings about development of new technical skills, there is ground for clash between experiences these skills. It is more so when both the aspects are equally important. While experience, authority and probably power arte bound to go with one generation. The newer skill involves pencil work, enthusiasm for and the time available to use them would go with the other generation.
A combination of both developing own people and hiring professionals form relevant sector would be good to enhance the internal efficiency and competitiveness. In this regard there are three gaps that are evident even today.

Skill gaps

Organizational change

Generation gaps

It is important to ensure adequate leverage to the operating executives at the industry level vis-à-vis the borrowing clientele including the prospective one. Much estimation the loan market should not become a buyer market pre dominantly, this is likely to cause distortion in the financial system, lending to unhealthy competition amongst lenders.

The country like Nepal needs sincere implementation of change particularly in financial sectors. To be more specific these are require in the process of credit evaluation, writing of credit policy and the bringing about new product. This will certainly assist the development and maturity of the financial market. This will also assists Nepal in the process of integration with global financial market and with the expanding market of the two large neighboring countries. We should take a pragmatic view of the fast developing would and adapt to the changes first for survival and then progress.

2.2.3 Review of Thesis

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

Tuladhar (2004) has conducted thesis topic on *"Fund Mobilization of Commercial Banks in Nepal"*. The study found that the development of any country largely depend upon its economic development capital formation is the prerequisite in setting the overall pace of the economic development of a country. has the main objective to analyze the fund mobilization technique adopted by the commercial banks. The specific objectives of this study are:

- To evaluate the growth ratio of loans and advances, total investments with total deposit.
- To evaluate the liquidity, efficiency and trends of variable
- to find out the ratio of investment to total deposit, ratio of loan and advances to total deposit and relationship between net profit to investment and loans and advances granted.

The major findings and conclusion of the study are the structural ratio of commercial banks show that banks invest on the average 75% of their total deposit on the government securities and the shares. Return ratio of all the banks show that most of the time foreign banks have higher return as well as higher risk than Nepalese banks. The debt equity ratios of commercial banks are more than 100% in most of the time period under studies period. It led to conclude that the commercial banks are highly leveraged and highly risk. JVBs had higher capital adequacy ratio but has been dealing everyday. In case of the analysis of the management achievement foreign banks have comparatively higher total management achievement index.

Shrestha, (2005) in his thesis "*Resources utilizations and financial performance analysis of Nepal Bangladesh Bank Ltd".* In this study, various financial research and statistical tools have been used to achieve the objective of the study. The analysis of data will be done according to the pattern of data available. Likewise, some financial tools such as ratio analysis and trend analysis have also been used for financial analysis.

The specific objectives of his research are:

- To analyze the functions, objectives procedure and activities of the NB bank
- To analyze the lending practices and resources utilizations of NB bank.
- To determine the impact of growth in deposit on liquidity and lending practices.
- To examine the lending efficiency and its contribution to profit.
- To make suitable suggestions based on the findings of this study. The financial and statistical tools are used.

The findings and conclusion of the study are summarized as the researcher found that NB bank has sufficient liquidity. It shows that bank has not got investment sectors to utilize their liquid money. Now, in Nepal many banks and other financial institution are functioning to collect deposits and invest money somewhere in the investable sectors. Therefore, miniaturization has been increased since liberalization policy taken by the government. Heavy remittance has also helps to increase the amount of deposits in bank. On the other hand, due to political crisis, economic sectors have been fully damaged.

NB bank has utilized most funds in the form of credit and advances. More than 75% of total deposits of the bank have been forwarded to customers as a credit and advances. The major part of utilizing deposits and income generating sectors. If the bank has high deposits, bank can provide money to its customers as credit and advances. Therefore, there is highly positive correlation between total deposits and credit and advances of NB bank. Bank is providing different schemes to attract good customers. After attracting deposits from the customers, bank has issued the deposits to the needy area to make profit for the bank.

Regmi (2006) has conducted research topic on "*A Comparative Study on Investment Policy of Everest Bank and Himalayan Bank Limited*". The main objective of the study is to analyze the investment practice of commercial banks. The specific objectives are given below:

- To find out the relationship between total investments, deposits, loans and advances, net profit and assets and compare them.
- To evaluate the liquidity, asset management, efficiency, profitability and risk portion of EBL and HBL.
- To analyze the deposit utilization trend and its projection for five years of HBL and EBL
- To provide package of a workable suggestions and possible guidelines to improve investment policies.

The research findings and recommendation of the study were: The liquidity position of EBL was comparatively better than HBL. EBL had the highest cash and bank balance to total deposit ratio, cash and bank balance to current assets ratio than that of HBL. Both EBL and HBL had almost same pattern of investment on government securities, but fluctuating ratios showed the unstable policy of investment. EBL has higher loan and advances to current assets ratio and successful in deposit collection as well. The assets management ratios of both banks are satisfactory. Both bank EBL and HBL had provided its most portion of deposit as loan and advances. Moreover, EBL had invested its more portions as loan and advances, in case of investment in other sectors, HBL had adopted diversified investment policy. EBL invest its working fund in government securities and other companies share and debentures than that of HBL, So HBL is less effective in comparison to EBL. In profitability analysis, HBL had maintained high profit margin regarding profitability position. HBL was more successful to generate income through loan and advances and operating income and it has earned more from total outside assets and total working fund. From the study, it was concluded that profitability of HBL was better than that of EBL. From the risk point of view, HBL had borne lower liquidity risk and credit risk in comparison to EBL regarding various aspects of banking activities. It could be said that HBL had followed a stable liquidity policy justified by lower coefficient of variation.

Adhikari (2007) has conduct thesis topic on "*Fund Mobilization and Investment Policy of Everest Bank Limited*". The main objective to evaluate the current position of fund mobilization in EBL. The other specific objectives are:

- To analyze the trends of deposit utilization towards total investment and loan and advances.
- To evaluate the growth ratio of loans and advances, total investments with total deposit.
- To evaluate the liquidity, efficiency and trends of variable.
- To discuss deposit mobilization and investment policy of Everest Bank Ltd.

The major findings and conclusion of the study are mean value of total deposit, Loan & Advances and Total Investment is 113690, 86528 and 31010 lakh respectively. Simultaneously Coefficient of Variation is 7.32%, 7.43% and 8.2185% respectively. In analyzing of Fund Mobilization, Loan, Advances & Bills has contributed more than 70% and Investment covered not more than 29%. In classification of Deposit Saving A/C and Fixed A/C covered a huge space in Total Deposit. Total Deposit is in increasing trend. The average growth ratio is 28.38%. Loan and Advances is also in increasing trend. The average growth ratio is 29.23%. In analysis of classification of loan, Non- performing loan is less than 2.2%. And it is in decreasing rate in following year of study period. Average growth ratio of Total Investment is 31.76%. In classification of investment sector, share of Govt. Treasury Bills is up to 94%.

Subedi (2008) has conducted thesis topic on "*Fund Collection and Mobilization of Joint Venture Banks of Nepal.*" The main objective on reviewing the fund collection and its mobilization in the joint venture banks, especially in NABIL, SCBNL, HBL and EBL. Some of the main objectives of the study are as follows:

- To find out the effectiveness of the selected joint venture banks in fund mobilization.
- To analyze the ability of the selected joint venture banks in mobilizing the total collected funds.
- To identify the factors affecting the fund mobilization.
- To provide suggestions and recommendations on the basis of analysis.

The major finding and conclusion of the study are the average ratio of cash and bank balance to total deposit reveals that EBL had higher the ratio and NABIL had lower the ratio in comparison to other banks which shows that the liquidity position of EBL is quit well than other banks. The average ratio of credit and advances to total deposit of EBL is higher than other three joint venture commercial banks and SCBNL has the lower ratio which means EBL has mobilized its collected deposit in credit and advance more than other banks but SCBNL seems weak to mobilize its collected deposit in credit and advances. But EBL seems more stable in providing credit and advances. The average debt to equity ratio shows that HBL has the highest average ratio than other banks that means the financial risk of this bank is also high. All the JVBs have used excessive amount of debt.

The average ratio of return on assets of NABIL is higher than other banks. That means NABIL is more successful to earn profit on total working fund than other banks. On the other hand, NABIL seems more stable in earning profit. The average ratio of total interest income to total credit and advances of SCBNL is higher than other banks. SCBNL is more successful to earn interest than other banks. The average ratio of EPS of SCBNL is greater than other banks. It reveals that shareholders funds are mobilized very well. EBL has lowest ratio as compared to other banks. The C.V. of SCBNL is lower than other banks. This seems more uniform in earning per share. The average borrowing of HBL is lower in comparison to other banks and EBL has higher funds from borrowing. It can be said that the internal fund management of HBL in better than other banks.

Rai (2009), in his thesis, *Comparative Study on Fund Mobilization of Himalayan Bank Limited and Everest Bank Limited"* has the main objectives of examining, interpreting and analyzing the fund mobilization procedures adopted by two joint ventures; Himalayan Bank Ltd. and Everest Bank Ltd. The other specific objectives related to this study are presented below:

- To evaluate the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of HBL and EBL.
- To evaluate comparatively operating, financial and investment efficiency of two joint venture banks.

- To analyze the relationship between deposits and total investment, deposits and loan and advance and net profits of HBL and EBL.
- To analyze the sources and uses of funds and analysis of cash flow of these two joint venture banks.

The major findings of the study are The mean ratio of cash and bank balance to total deposit of EBL is higher than HBL. It states that the Liquidity position of EBL is better in this regard. The ratio of EBL is less consistent and HBL has more consistent ratio. It shows HBL has taken more risk to meet the daily cash requirements. The mean ratio of loan advances to total deposit of EBL is greater than HBL. The variability ratio of EBL is lower than HBL. It seems more consistent than HBL. The average ratio of total investment to total deposit ratio of HBL is higher than that of EBL. The variability ratio of EBL lowers than HBL. The mean ratio of return of on total working fund of EBL is greater than HBL. Whereas the variability ratio of EBL is lower than HBL. It indicates that the return on total working fund of EBL is stable. In case of mean ratio of total interest earned to total working fund of EBL is higher ratio than HBL. The variability ratio of HBL is lower than E BL. It reveals that EBL is mobilizing its working fund successfully so that is has high earning capacity. In case of credit risk ratio. HBL has the lower risk than EBL. The variability ratio of EBL is lower than HBL. It indicates that the credit risk ratio is consistent. HBL has maintained the lower Liquidity risk and lower credit risk. And lower Liquidity risk means higher risk for higher profit.

Karki (2009) has conducted entitle thesis "*The Comparative study on liquidity mobilization of Nabil Bank Ltd. and Standard Chartered Bank Ltd*." The main objective of the study is to find out the ways of utilizing the surplus deposit funds and the right reinvestments for the economic development of a country. The specific objectives of the study are as follows:

- To analyze the liquidity position of NABIL and SCBNL Banks
- To analyze the ratio between two banks.
- To analyze the gap between deposits and loan and advances.
- To provide suggestions for the improvement on the basis of findings.

The main finding and conclusion of the study are the overall aspect of liquidity position, liquidity position of SCBNL is comparatively better than NABIL. This indicates that the bank has higher liquidity of SCBNL as compare to NABIL. Cash and bank balance to total assets ratio of SCBNL is higher than NABIL. Investment on government securities to current assets ratio of SCBNL is higher than NABIL. This indicates that SCBNL has invested more portions of current assets on government securities.

An asset management aspect of NABIL is better than SCBNL. The loan & advances to total deposit ratio of NABIL is higher than SCBNL. So, NABIL is more efficiently utilizing the outsiders' funds in extending credit for profit generating sectors. The total investment to total deposit of SCBNL is higher than NABIL. It shows the SCBNL is mobilizing its funds on investment in various securities efficiently. The loan & advances to total assets ratio of NABIL is greater than SCBNL. It refers NABIL has utilized its total assets more efficiently in the form of loan & advances with more risk because it has greater variability in the ratio. SCBNL has earned higher profit in relation to every aspects of the bank than NABIL. Following findings are drawn on the basis of profitability position of NABIL and SCBNL. Return on loan & advances ratio of SCBNL is higher than that of NABIL i.e. 6.98%>4.64%. It refers that SCBNL seems to be success to earn high profit on loan & advances. Return on fixed assets of SCBNL is higher than NABIL. This shows that SCBNL is more successful to earn high profit through the efficient utilization of its fixed assets. NABIL has higher total interest earned to total outside assets to earn higher interest income than that of SCBNL.

Khanal (2010) has done thesis in "*Comparative Study on Fund and Liquidity Management of Everest Bank Limited And Himalayan Bank Limited*". The basic objective of the study is to have true insight into the liquidity management of Everest Bank and Nepal Himalayan Bank. This aims to examine its efficiency and effectiveness in disbursing and recovery of loans as well following the directives of NRB Acts and its own policies.

- To analyzed the liquidity management of sample banks
- To analyze the deposit and investment position of the banks.
- To find out the relationship between deposit, investment, loans and advances and net profit.
- To find out the trend analysis of deposit, investment, loans and advances and net profit.

The main conclusion and finding of the study are overall aspect of liquidity position of EBL is comparatively better than HBL. Cash and bank balance to total deposit ratio of EBL has higher HBL which indicates that the bank has higher liquidity of EBL as compare to HBL. Cash and bank balance to current assets ratio of EBL is little higher than HBL. Investment on government securities to current assets of HBL is higher than EBL. It shows HBL has invested more fund in government securities. EBL has invested little portion of their funds in purchasing of government securities. Assets management aspect of EBL is better than HBL. The total investment to total deposit of HBL is higher than EBL. It shows the HBL is mobilizing its funds on investment in various securities efficiently. It can be said that HBL is more successful in utilizing its total deposit by investing in marketable securities.

Profitability ratios, return on loan and advances ratio of HBL is higher than that of EBL. It refers that HBL seems to be success to earn high profit on loan and advances. Return on total assets ratio of EBL is slightly higher than HBL. EBL seems successful in managing and utilizing the available assets. Total interest earned to total operating income ratio of HBL is lower than EBL. Total interest paid to total assets ratio of EBL is higher than HBL. Average Earning per share, dividend per share and average market price per share of EBL higher in comparison to HBL. This considered as better in security analyzing in order to make investment decision. In comparison to both bank trend of deposit and loan and advance of EBL high and trend of investment and profit of HBL is high. So both banks are equal in their liquidity management.

Silwal (2011) has conducted thesis on "*Investment Policy of Commercial Banks (With Reference To Standard Chartered Bank Nepal Ltd. & Nabil Bank Ltd.)*" Investment decision is one of the major decision functions of financial management. The main purpose of this study is to assess the investment policy and strategies followed by NABIL and SCBNL.

The specific objectives are as follow:

- To evaluate the liquidity, asset management, profitability, risk position and growth ratios of the banks under study.
- To find out relationship between total deposits and investment, loans & advances, interest earned, and net profit, net profit to outsides assets and total working fund, loan and advances to interest paid & compare them.

- To analyze the trend of deposits, investment, net profit and loan and advances, for next five years of SCBNL and NABIL.
- To provide suggestions and recommendation on the basis of the study.

The major finding and conclusion of the study are as follows:
The current ratio of both the banks should be considered satisfactory. The liquidity position of SCBNL is better than NABIL. The cash and bank balance of SCBNL deposits is greater than NABIL. This puts, SCBNL in a better position. The cash and bank balance of SCBNL is higher than NABIL. This shows greater capacity of SCBNL to meet its customer's cash requirement but that does not mean NABIL can not meet its daily customer cash requirement. SCBNL needs to invest its funds in more productive sectors. SCBNL has invested more portions of its current assets and total working fund in government securities than NABIL. NABIL has been more successful in mobilization of its total deposits and working fund as loan and advances and achieving higher profits in comparison to SCBNL. NABIL has invested more of its funds in purchasing shares and debentures of other companies than SCBNL.

From the point of view of profitability, SCBNL seems to be more successful than NABIL. The liquidity risk and credit risk of SCBNL is comparatively lower than NABIL. SCBNL has been successful in maintaining a growth rate on deposits and loan and advances year after year. The average growth rate of total investment and net profit of NABIL is higher than SCBNL. There exists a positive relationship between deposits and net profit in case of SCBNL and also between deposits and interest earned in case of NABIL. Both the banks show significant relationship between deposits and interest earned, loan and advances and interest paid total assets and net profit, outside assets and net profit. The trend value of deposits, loan and advances, investment and net profits of NABIL and SCBNL are in an increasing trend. The trend values of deposits and loan & advance of NABIL are proportionately higher than SCBNL in all the years. The trend value of investment and net profit of SCBNL is proportionately better than NABIL in all the years.
Lumfungwa (2012) has conducted thesis topic on "*A Comparative Study on Fund Collection and Mobilization of Himalayan Bank Limited and Nabil Bank Limited*" In research first of all the objectives should be determined. the main objectives of this research work is to examine,

interpret and analysis the fund collection and mobilization procedures adopted by two joint ventures; Himalayan Bank Ltd. and Nabil Bank Ltd. The main objectives related to this study are presented below:

- To evaluate various financial ration of the HBL and Nabil Bank.
- To evaluate the ratio of loan and advances and total investment with respective to of total deposit and net profit of HBL and NABIL.
- To analyze the relationship between deposits, total investment, loan and advance and net profits of HBL and NABIL.
- To analyze the sources and uses of funds and analysis of these two joint venture banks.
- To offer suitable suggestions based on findings of this study of HBL and NABIL.

The overall aspect of liquidity position of NABIL is comparatively better than HBL. However, cash and bank balance to total deposit of HBL is higher in the preceding years. current assets to current liability, cash and bank balance to total deposit in the succeeding years, cash and bank balance to total current assets, investment on government securities to total current assets of NABIL is in better position than that of HBL. An asset management aspect of NABIL is better than HBL in the cases of loan and advances to total deposit and loan and advances to total assets. Overall profitability ratios show that NABIL has earned higher profit in relation to every aspects of the bank than HBL. Credit risk, liquidity risk and assets risk ratio of NABIL is lower than that of HBL.

Earning per share, dividend per share and market price per share of is higher for NABIL in comparison to HBL. It gives good signal of financial performance of the bank in the market. Price- earning of NABIL is higher than HBL which is considered better in security analyzing in order to make investment decision. Both commercial banks NABIL and HBL have positive correlation between deposit and loan & advances, deposit and total investment, total assets and net profit total investment and net profit. Comparatively both banks have strong relationship between these variables. It is also found that there is positive correlation between total deposit of NABIL and HBL, between loan & advances of both banks and between net profits of both banks. Total Investment, loan & advances, net profit of NABIL and HBL are in increasing trend.

2.3 Research Gap

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make this study meaningful and purposeful. There are various researchers conduct on various topic fund collection and mobilization of various commercial banks. In order to perform those analysis researchers have used various ratio analysis. In the past research topic on mobilization the researcher has focused on the limit ratios which are incapable of solving the problems. Actually fund mobilization is determined by various factors. In this research various ratio are systematically analyzed and generalized. Past Researchers are not properly analyzed about investment aspect mobilization of fund and its impact on the profitability. The ratios are not categorized according to nature. Here in this research all ratios are categorized according to their area and nature.

This research comparative study of fund mobilization of Nabil Bank Ltd and Nepal Investment Bank Ltd. done by measuring various ratios, trend analysis and various statistical tools as well and financial tools. Since the researcher have used data only five fiscal year but all the data are current and fact. To fulfill the research gap, the present study describe the each source of fund of the selected banks and the mobilization of fund in each investment sector. This study tries to show fund utilization by applying and analyzing various financial tools like liquidity ratio, asset management ratio, debt to equity ratio, profitability ratio and other ratio as well as different statistical tools like average mean, coefficient of correlation and trend analysis. Probably this will be the appropriate research in the area of fund mobilization of Bank and financial institutions. So this research is helpful and beneficial to all concern research worker, student, banker, investor and stakeholder.

CHAPTER-III
RESEARCH METHODOLOGY

3.1 Introduction

The topic of the study has been selected as “A comparative study on fund mobilization of Nabil Bank Limited and Nepal Investment Bank Limited.” In order to reach and accomplish the objectives of the study, different activities will be carried out. For this purpose, the chapter aims to present and reflect the methods and techniques that are carried out and followed during the study period. Generally, Research methodology refers to the numerous processes adopted by the researchers during the research period. It is the technique to solve the research problem in systematic manner. This includes many techniques and is crucial for every research work. The main objective of this research work is to evaluate the fund mobilizing procedure adopted by the two commercial banks i.e. NABIL and NIBL.

Research in common parlance refers to a search for knowledge. The Webster international Dictionary gives a very inclusive definition of research as "a careful critical inquiry or examination in seeking facts and principles diligent investigation in order to ascertain something. Research is a systematic inquiry for seeking facts and methodology means the analysis of specific topic by using proper method. In other words research methodology is the way to solve systematically the research problem (Kothari, 1999: 61).

This study will seek the conclusion to the point that what kind of position NABIL and NIBL have got and suggested the precious and meaningful points so that all concerned can fruitful from this research work.

3.2 Research Design

Research is a theory building activity. Research design is the plan, structure and strategy of investigations conceived so as to obtain answer to research questions and to control variances.
A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combined relevance to the research purpose with economic in procedure (Kothari, 1999:59).

Since the main objectives of this study is to analysis fund mobilization of the banks, all the indicators that shows the fund utilization of the banks were calculated using data obtained from the five year end internally generated accounting records maintained by sampled Banks. The study depends on the primary and secondary data. Various financial parameters and effective research techniques are employed to evaluate the financial performance of the banks. Furthermore, various descriptive as well as analytical techniques are used. The study is designed as to give a clear picture of the Bank's financial circumstances with the help of available data with useful suggestions and recommendation.

A research design is a plan for the collection and analysis of data. If presents a series of guide posts of enable the researcher to progress in the right direction in order to achieve the goal. The design may be a specific presentation of the various steps in the problems, formulation of hypothesis, conceptual clarity, methodology, survey of literature and documentation, bibliography, data collection, testing of the hypothesis, interpretation, presentation and report writing. Generally, a common research design possesses the five basic elements viz. (i) selection of problem (ii) methodology (iii) data gathering (iv) Data analysis and (v) report writing. The Present study follows the descriptive as well as exploratory design to meet the stated objectives of the study. The crux of the research is to analyze NABIL and NIBL in relation to fund collection and mobilization as well as overall management.

3.3 Population and Sample

At present thirty one Commercial banks are operating in Nepal. All the commercial banks that are operating in Nepal are considered as the population. It is not possible the study all the data related with all 31 commercial banks because of the limited time period and showed also taken in to consideration of the partial fulfillment of the Master's Degree. Currently aggregate 31 commercial banks are running in Nepal. They all 31 Commercial bank are taken as population. Thus two commercial banks i.e. NABIL and NIBL have been selected as sample for the present study.

3.4 Nature and Sources of data

The research is based on secondary source of data. All the adequate data are collected from primary as well as secondary sources. The secondary source of data that are already used and gathered by others. Secondary data are mostly used for this research purpose. Therefore, the major sources of secondary data are Annual Report of concern Bank, Internet and E-mails, NRB directives, Newspaper, journals, articles and various magazines and thesis of Central Library of T. U. and Library of Shanker Dev Campus.

3.5 Data Collecting Procedures

The annual reports of the concerned banks were obtained from their head office and their websites. The main sources of data are annual report of concern financial institute. NRB publication, such as Banking and Financial Statistics Economic Reports, Annual Reports of NRB etc .has been collected from the personal visit of concerned department of NRB at Baluwatar. Besides, a details review materials are collected from the library of Shanker Dev campus and central library of T.U.

3.6 Tools and Techniques used

In this study, various financial and statistical tools have been used to achieve the objective of the study. According to the pattern of data available, the analysis of data will be done. The various tools applied in this study have been briefly presented as under:

- Financial tools
- Statistical tools

3.6.1 Financial Tools

Financial performance is analyzed through the use of two important tools. The financial tool is one of the most important tool, which includes ratio analysis and the other one financial statement analysis have been used in this study. Financial tools are used to examine the financial strength and weakness of bank. Although there are many financial ratios, only selected ratios are used in this study.

3.6.2 Analysis of Financial Rations

The techniques of ratio analysis in of considerable significance in studying the financial stability, liquidity, profitability and the quality of management of the business and industrial concerns, the important ratios that are studied for this purpose are given below.

3.6.3 Ratio Analysis

Ratio analysis is a technique of analysis and interpretation of financial statement. To evaluate the performances of an organization by creating the ratios from the figure of different accounts consisting in balance sheet and income statement is known as ratio analysis. Five types of ratios have been analyzed in this study, which are related to fund mobilization of the banks. They are presented below.

A. Liquidity Ratio

Liquidity ratio measures the ability of the firm to meet its current obligations. A commercial bank must maintain its satisfactory liquidity position to meet the credit need of the community. Liquidity provides honor strength health and prosperity to an organization. It is extremely essential for an organization to meet its obligations as they become due. A firm should ensure that it has not lack of liquidity and also that it is not too much highly liquid.

i) Current Ratio: This ratio shows the bank's short-term solvency. It shows the ratio of current assets over the current liabilities. This ratio can be computed by dividing the total current assets by total current liabilities which can be presented as:

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

Higher ratio indicates the strong short-term solvency position and vice-versa.

ii) Cash and Bank Balance to Total Deposits Ratio: - Cash and bank balance is said to be first line defense of every bank. The ratio between the cash and bank balance and total deposit measures the ability of a bank to meet the unanticipated call on all types of deposit. Higher the ratio greater will be the ability to meet the sudden demand of deposit. But every ratio is not desirable since bank has to pay interest on deposit. This also maximizes the cost of fund to the bank.

Cash and bank balance to total deposit ratio = $\frac{\text{Cash \& bank balance}}{\text{Total deposits}}$

Where,

Cash and bank balance is composed up of cash on hand including foreign cheques and other cash item; balance with domestic banks and aboard. Deposits include current, saving, fixed money at short call notice and other types of deposits.

iii) Cash and Bank Balance to Current Assets Ratio: - This ratio shows the bank's liquidity capacity on the basis of cash and bank balance that is the most liquid assets. High the ratio indicates the bank's ability to meet the daily cash requirements of their customer deposits and vice versa. But the high ratio is not preferred as the bank has to pay more interest on deposit and will increase the cost of fund. Low ratio is also very dangerous, as the bank may not be able to make the payment against the cheques presented by the customers. We have,

Cash and bank balance to current assets ratio = $\frac{\text{Cash \& bank balance}}{\text{Current assets}}$

iv) Investment on Government Securities to Current Assets Ratio: - This ratio is used to find out the percentage of current assets invested on government securities, treasury bills and development bonds. We can find out as:

Investment on Govt. securities to total current assets ratio =

$$\frac{\text{Investment on Govt. Securities}}{\text{Current assets}}$$

Where**,**

Investment on Government Securities involves treasury bills and development bonds etc.

B. Assets Management Ratio:

A set of ratio which measure how efficiently a firm is managing its assets and whether or not the level of those assets is properly related to the level of operation. In this study this ratio is used to indicate how effectively the selected banks have arranged and invest their limited resources. The assets management ratios measure how effectively the firm is managing its assets. These ratios are designed to answer this question; does the total amount of each type of assets as reported on the balance sheet seem reasonable or not. If a firm has excessive investments in assets, then its capital cost will be unduly high and its stock price will be suffer.

i) Loan and Advances to Total Deposits Ratio: - This ratio is calculated to find out how successfully the selected banks are utilizing their collections or deposits on loan and advances for the purpose of earning profit. We have,

$$\textit{Loan and Advances to Total Deposits Ratio}\ \mathrm{X}\frac{\textit{Loan and Advances}}{\textit{Total Deposits}}$$

ii) Total Investment to Total Deposits Ratio: - Investment is one of the major sources of earning profit. It shows how properly firm's deposit has been invested on government securities and shares and debentures of other companies.

$$\textit{Total Investment to Total Deposits Ratio}\ \mathrm{X}\frac{\textit{Total Investment}}{\textit{Total Deposits}}$$

iii) Loan and Advances to Total Working Fund Ratio: - This ratio shows the ability of selected banks in terms of earning high profit from loan and advances. Loan and advances to working fund ratio can be calculated by dividing loan and advances amount by total working fund.

$$\textit{Loan and Advances to Total Working Fund Ratio}\ \mathrm{X}\frac{\textit{Loan and Advance}}{\textit{Total Working Fund}}$$

iv) Investment on Government Securities to Total Working Fund Ratio: - Investment on government securities to working fund ratio shows how much part of total investment is there on government securities in percentage, it is calculated for this purpose by following formula:

$$\textit{Investment on Govt. Securities to TWF Ratio}\ \mathrm{X}\frac{\textit{Investmenton Govt. Securities}}{\textit{Total Working Fund}}$$

v) Investment on Shares and Debentures to Total working Fund Ratio:

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

Investment on Shares and debn. to TWF Ratio $X \frac{Investment\,on\,Share\,and\,Debenture}{Total\,Working\,Fund}$

C. Leverage Ratio

These ratios are also called capital structure ratio or solvency ratio. These ratios indicate mix of funds provided by owners and lenders. As a general rule, there should be an appropriate mix of debt and owner's equity in financing the firm's assets. To judge the long-term financial position of the firm, leverage ratios are calculated. This ratio highlights the long-term financial health, debt servicing capacity and strength and weaknesses of the firm. Following ratios are included under these leverage ratios.

i) Total Debt to Equity Ratio

Total debt is the liability of the firm and it is payable toward its creditors. Debt includes the value of deposits from customers, loan & advances payable, Bills payable and other liabilities. Equity is the share capital and reserves of the firm. This ratio shows the comparison in between total debt and equity.

Total debt = Debentures & Bonds + Borrowings + Deposits + Bills Payable + Proposed & Undistributed Dividends + Income Tax Liabilities

Total Equity = share capital + Reserve and surplus

Total debt to equity $= \frac{\text{Total Debt}}{\text{Equity}}$

ii) Total Debt to Total Assets

A metric used to measure a company's financial risk by determining how much of the company's assets have been financed by debt. Calculated by adding short term and long term debt and then dividing by the company's total assets. In general creditors prefer a low debt ratio & owner prefer a high debt ratio in order to magnify their earning on one hand and to maintain their concerned control over the firm on the other hand.

Total debt to Total Asset = $\frac{\text{Total Debt}}{\text{Total Asset}}$

iii. Equity multiplier or Total Assets to Total Equity Ratio

It's also called as equity multiplayer. The ratio is calculated to find out the proportion of owner's fund to finance for the total assets. Total Assets comprises of the total value of the assets side of balance sheet where as net worth is the sum of the paid-up capital plus reverses and retained of the bank. Shareholders' equity is consisted of share capital, share premium, reserves and retained earnings. It is calculated to see the amount of assets financed by net worth. It's also known as the leverage factor.

$$\text{Equity multiplier} = \frac{\text{Total Asset}}{\text{Total Equity}}$$

D. Profitability Ratio:

This ratio is related to profit of the banks is essential for the survival of the bank, so it is regarded as the engine that drives the banks and indicates economics progress. It calculated to measure the overall efficiency of the banks.

i) Return on Loan and Advances Ratio: - Return on loan and advances ratio shows how efficiently the banks have utilized their resources to earn good return from provided loan and advances. This ratio is computed as,

$$\textit{Return on Loan and Advances Ratio}\ \mathrm{X}\frac{Net\ \mathrm{Pr}\,ofit\,/\,Loss}{Loan\ and\ Advances}$$

ii) Return on Total Working Fund Ratio: - Return on total working fund ratio measures the profit earning capacity by utilizing available resources i.e. total assets. Return will be higher if the bank's working fund is well managed and efficiently utilized. Maximizing taxes, this in the legal options available will also improve the return. We have,

$$\textit{Return on Total Working Fund Ratio}\ \mathrm{X}\frac{Net\ \mathrm{Pr}\,ofit}{Total\ Working\ Fund}$$

iii) Total Interest Earned to Total Working Fund Ratio: - This ratio reflects the extent to which the banks are successful in mobilizing these total assets to acquire income as interest. This ratio actually reveals the earning capacity of commercial banks by mobilizing its working fund. Higher the ratio higher will be the income as interest. We have,

$$Total\ Interest\ Earned\ to\ TWF\ Ratio\ \mathrm{X}\frac{Total\ Interest\ Earned}{Total\ Working\ Fund}$$

iv) Total Interest paid to Total working Fund Ratio: - This ratio measures the percentage of total interest expenses on total working fund and vice-versa. This ratio is calculated as,

$$\text{Total Interest paid to Total Working Fund Ratio}\ \mathrm{X}\frac{Total\ Interest\ Paid}{Total\ Working\ Fund}$$

E. Other Ratios

a) Earning per Share (EPS): EPS refers to net profit divided by total numbers of share outstanding. EPS measure the efficiency of a firm in relative terms. It is a widely used ratio, which measures the profit available to the ordinary shareholders on per share basis. The amount of EPS measures the efficiency of a firm in relative terms. This ratio is calculated as;

$$\text{Earnings per Share (EPS)} = \frac{\text{Net profit (loss)}}{\text{Total number of shares outstanding}}$$

b) Market Price per Share

Market price per share is the price at which shares are traded in the stock market. The secondary markets provide liquidity for securities purchased in primary market. Generally MPS is determined through supply and demand factors.

c) Price Earning Ratio

This ratio is closely related to the earning per share. It is calculated by dividing the market value per share by EPS. Price earning ratio indicates investor's judgments or expectation about the firm's performance. This ratio widely used by the security analysis to value the firm's performance. This ratio widely used by the security analysis to value the firm's performance as accepted by investors. Price earning ratio reflects investor expectations about the growth in the firm's earning. Higher ratio indicates the more value of the stock that is being ascribed to future earning as opposed to present earning.

Here, total equity capital includes shareholders' reserve including profit and loss account, general loan loss provision and share capital i.e. ordinary share preference share capital.

$$\text{Price Earning ratio} = \frac{\text{Market price per Share}}{\text{Earining per Share}}$$

3.7 Statistical Tools

Under this heading some statistical tool such as coefficient of correlation analysis between different variables, trend analysis of deposit, loan and advances, total investment and net profit are used to achieve the objective of the study.

3.7.1 Average Mean

An average is a single value related from a group of values to represent them in someway, a value, which is supposed to stand for whole group of which it is a part, as typical of all the values in the group. There are various types of averages. Arithmetic mean (AM, Simple & Weighted), median, mode, geometric mean, harmonic mean are the major types of averages.

Mathematically:

Arithmetic Mean (AM) is given by,

$$\bar{X}\ \mathrm{X} \frac{X}{n}$$

Where, $\bar{X}$ = Arithmetic mean

∑x = Sum of all the values of the variable X

n = Number of observations

3.7.2 Standard deviation:

The standard deviation measures the absolute dispersion. It is said that higher value of standard deviation the higher the variability and vice versa. Karl Pearson introduced the concept of standard deviation in 1823 A. D. and this is denoted by the small Greek letter (pronounced sigma) the formula to calculate the standard deviation is given below:

$$\pm\ \mathrm{X}\sqrt{\frac{x^2}{N}}$$

Where, x = $\int X\ \mathrm{Z}\,\bar{X}$

3.7.3 Coefficient of variation

The coefficient of variation reflects the relation between standard deviation and mean. The relative measure of dispersion based on the standard deviations known as coefficient of variation. The coefficient of dispersion based on standard deviation multiplied by 100 is known as the CV. It is used for comparing variability of two distributions; the CV is defined as,

$$CV = \frac{\pm}{\bar{X}} \varepsilon \ 100$$

Greater the CV, the more variable or conversely less consistent, less uniform, less stainable and homogenous than the consistent more uniform, more stable and homogenous. This nature of CV uses that actual size of working capital.

3.7.4 Coefficient of correlation (r)

Correlation analysis is the statistical tools that we can use to describe the degree to which one variable is liner related to another. Coefficient of correlation is the measurement of the degree of relationship between two casually related sets of figure whether positive or negative. Its values lie somewhere ranging between - 1 to +1. If the both variables are constantly changing in the similar direction, the value of coefficient will be –1, two variables take place in opposite defection. The correlation is said to be perfect negative. In this study, simple correlation is use to examine the relationship of different factors with working capital and other variable.

$$\text{Coefficient of correlation (r)} = \frac{\text{CoVariance of X \& Y}}{\pm_X \ \pm_Y}$$

Deposit have played a very important role in performance of commercial banks and similarly loan & advances are important to mobile the collected deposits. Coefficient of Correlation between deposit and loan & advances measures the degree of relationship between the two variables. In this analysis, deposit is independent variable (X) and loan & advances is dependent variables(Y). The main objectives of computing 'r' between these two variables are to justify whether deposits are significantly used on loan & advances in a proper way or not.

3.7.5 Trend Analysis

The least square method to trend analysis has been used in measuring the trend analysis. This method is widely used in practice. The straight line trend of a series of data is represented by the following formula.

$Y = a + bx$

Here,

Y is the dependent variable, a is y intercept or value of y when x=0, b is the slope of the trend line or amount of change that comes in y for a unit change in x.

Where,

Y = Dependent variable

x = Independent variable

a = Y – intercept

b = Slope of the trend line

CHAPTER - IV
PRESENTATION AND ANALYSIS OF DATA

Presentation and analysis of data is the main body of the study. In this chapter data collected are analyzed and interpreted as per the stated methodology in the previous chapter. The main source of data is secondary basis. Here researcher has analyzed and diagnosed the fund mobilization of Nabil Bank Limited and Nepal Investment Bank Limited is shown in different tables and diagrams. All the financial position of both the banks is analyzed by calculating various ratios.

4.1 Financial Analysis

The financials ratios related to the fund collection and mobilization are analyzed for the study of NABIL and NIBL. Various financial ratios are calculated in the point of view of financial analysis. The ratios are designed and calculated to highlight the relationship between financial items and figure. It is a mathematical process to shows the relationship where one item is divided by another these all ratio indicates how banks are performing. Equity capital and debt capital is main source of fund. Here financial ratio are calculate regarding to this variables.

4.1.1 Ratio Analysis

Ratio analysis shows the mathematical relationship between two accounting figures. It helps to analyze the financial strengths and weaknesses of the banks. It is also inevitable for the quantitative judgment with which the resource mobilization of banks can be presented properly relating to resource mobilizations.

4.1.1.1 Liquidity Ratio

Commercial bank must maintain its satisfactory liquidity position to meet demands for deposit. Liquidity ratio is mainly used to analyze the short-term strength of banks.

A. Analysis of Current Ratio

This ratio measures the liquidity position of the commercial banks. It indicates the ability of Banks to meet the current liquidity.

Table 4.1

Current assets to Current liability (in times)

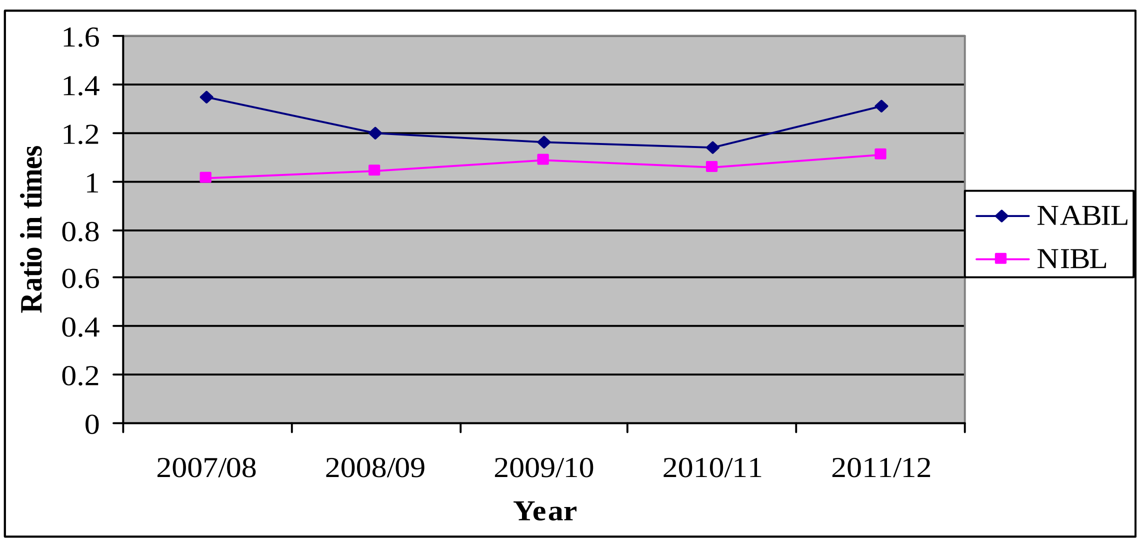
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Current Assets	Current Liabilities	Ratio in Times	Current Assets	Current Liabilities	Ratio in Times
2007/08	20122.1	14923.6	1.35	31869.6	31430.7	1.01
2008/09	17337	14469	1.20	44095.57	42449.15	1.04
2009/10	29576	25527	1.16	46211.87	42053.17	1.09
2010/11	35980.68	31621.87	1.14	46260.2	43870.43	1.06
2011/12	41395.55	31610.55	1.31	53835.13	48658.87	1.11
Mean			1.232			1.062
S.d.			0.0931			0.0396
C.V.			0.0756			0.0373

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.1

Current Ratio



The table and figure 4.1 show the current ratio of NABIL and NIBL banks during the study period. The current ratio of NABIL has decreasing form beside last year and NIBL has increasing form bedside second last year. The highest current ratio of NABIL is 1.35 in F/Y

2007/08 and lower ratio is 1.14 times in F/Y 2010/11. Similarly highest current ratio of NIBL is 1.11 in F/Y 2011/12 and lowest ratio is 1.01 in 2007/08. The average current ratio of NABIL and NIBL are 1.232 and 1.062. The average ratio indicates liquidity position of NABIL is higher than NIBL. So, NABIL is sound in meeting short-term obligation than NIBL. The S. D. and C.V. of NABIL is also less than NIBL, which indicates consistency in ratio. It can be also said that current ratio of NIBL is inconsistent than that of NABIL. Lastly, from the above analysis it is known that NABIL has good liquidity position than NIBL. The ratio of 1:1.5 is called good current ratio. Generally, banks require more liquid assets to meet current liabilities in order to provide better banking service but these two banks have lower liquidity ratio than standard ratio.

B) Cash and Bank Balance to Total Deposit Ratio

Cash and Bank Balance to Total Deposit Ratio indicates the bank ability to meet their daily requirement of depositors. Higher ratio shows the greater ability of the firms to meet customer demands on their deposits. Following table shows cash and bank balance to total deposit of NABIL and NIBL during the study period.

Table 4.2

Cash and Bank Balance to Total Deposit Ratio

Rs in Millions

Fiscal Year	NABIL			NIBL		
	Cash and Bank Balance	Total Deposit	Ratio in Percent	Cash and Bank Balance	Total Deposit	Ratio in Percent
2007/08	2671	31304.82	8.37	3754.94	34452	10.90
2008/09	3372.51	37348.26	9.03	7918	46698	16.95
2009/10	1400.09	46340.7	3.02	6815.89	50094.73	13.61
2010/11	2436.55	49696.11	4.9	8140.37	50138.12	16.24
2011/12	3787.05	54905.68	6.89	11803.75	57010.6	20.70
Mean			6.442			15.68
S.d.			2.4851			3.6831
C.V.			0.3858			0.2349

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.2

Cash and Bank Balance to Total Deposit Ratio

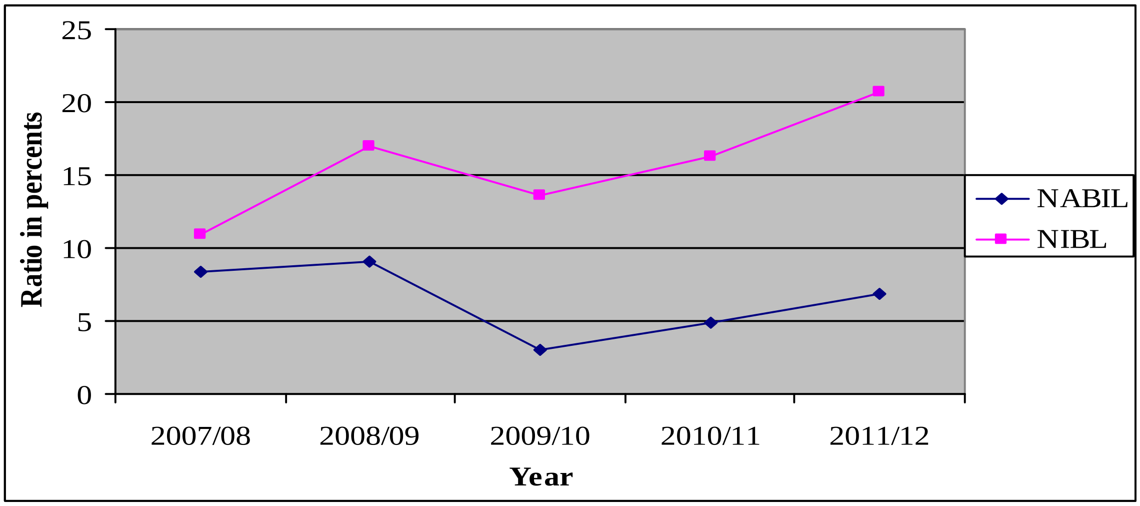


Table and figure 4.2 revel that the cash and bank balance to total deposit ratio of NABIL and NIBL. Both banks have fluctuating ratio. The highest ratio of NABIL is 9.03 percent in FY 2008/9 and lowest ratio is 4.90 percent in F/Y 2010/11. Similarly, the highest ratio of NIBL is 20.70 percent in FY 2011/12 and lowest ratio is 10.90 percent in 2007/08. The average mean ratio of NABIL and NIBL are 6.442 percent and 15.68 percent respectively. The average ratio of NIBL has higher ratio than the NABIL, which shows its greater ability to pay depositors money as they want. The NIBL has more deposit as cash and bank balance. Similarly, the coefficient of variation of NABIL has 0.3858 times and NIBL has 0.2349 times. So C.V. of NIBL is lower than the NABIL which indicate more consistency in its ratio. The analysis concludes that the cash and bank balance position of NIBL is better in order to serve its customer's deposits. It implies better cash position of NIBL from the viewpoint of depositor demand. In contrast a high ratio of cash and bank balance may be undesirable which indicates the bank's inability to invest its funds in income generating areas.

C) Cash and Bank Balance to Current Assets Ratio

Cash and Bank Balance are the most liquid or quick assets. Cash and bank balance to current assets ratio represents the liquidity capacity of the banks as per cash and bank balance. Higher the ratios, better the ability of the banks to meet the daily cash requirement of their customers.

Table 4.3

Cash and Bank Balance to Current Asset Ratio

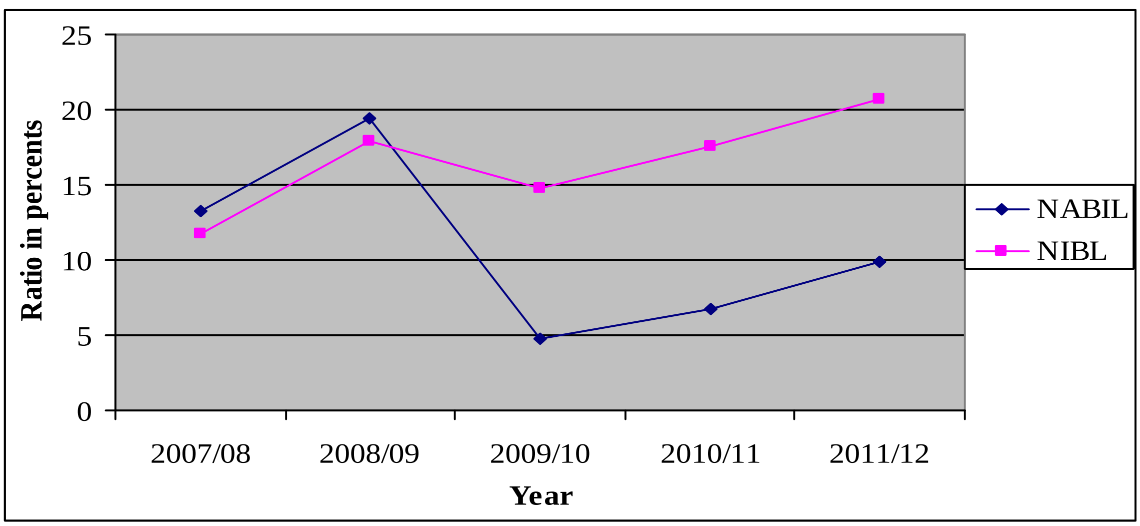
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Cash and Bank Balance	Current Asset	Ratio	Cash and Bank Balance	Current Asset	Ratio
2007/08	2671	20122.1	13.27	3754.94	31869.6	11.78
2008/09	3373	17337	19.46	7918	44095.57	17.95
2009/10	1400.1	29576	4.73	6816	46211.87	14.75
2010/11	2436.55	35980.68	6.77	8140.37	46260.2	17.59
2011/12	3787.05	41395.55	9.91	11803.75	53835.13	21.92
Mean			10.828			16.798
S.d.			5.8088			3.7935
C.V.			0.5365			0.2258

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.3

Cash and Bank Balance to Current Asset Ratio



The table and figure 4.3 reveal cash and bank balance to current ratio of NABIL and NIBL. The cash and bank balance to current assets ratio of NABIL is in fluctuating trend over the study period. The highest ratio of NABIL is 19.46 percent in F/Y 2008/09 and lowest ratio is 4.73 in F/Y 2009/10. Similarly the highest ratio of NIBL is 21.92 percent in F/Y 2011/12 and lowest ratio is 11.78% in F/Y 2007/08. The mean ratio of NABIL and NIBL are 10.828 percent and 16.798 percent respectively. The average ratio of NIBL is higher than NABIL. The higher mean ratio shows that NIBL liquidity position is little better. Moreover, the lower C.V. of NIBL indicates that it has more consistency in the ratios compared to NABIL. Regarding the above analysis, it can be said that NIBL has a better ability to meet daily cash requirements of their customers. In aggregate both banks have good liquidity position but NIBL has little high.

D) Investment on Government Securities to Current Assets Ratio

This ratio examines that portion of a commercial bank's current assets, which is invested on different government securities. Although those securities can be sold easily in the financial market and they can be converted into cash, they are liquid assets like cash and bank balance. These securities are also called risk less investment but return generated is lesser than others risky assets.

Table 4.4

Investment on Government Securities to Current Assets Ratio

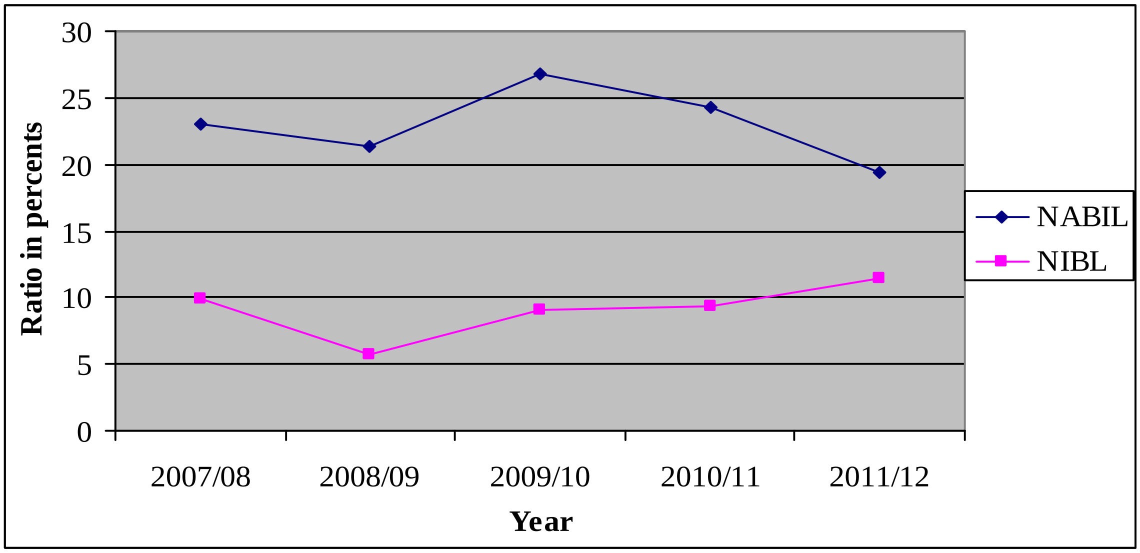
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Investment on Govt. Securities	Current Assets	Ratio	Investment on Govt. Securities	Current Assets	Ratio
2007/08	4646.19	20122.1	23.09	3155	31869.6	9.89
2008/09	3706	17337	21.38	2531.3	44095.57	5.74
2009/10	7942	29576	26.85	4201.85	46211.87	9.09
2010/11	8745.23	35980.68	24.3	4294.6	46260.2	9.28
2011/12	7999.98	41395.55	19.33	6169.49	53835.13	11.46
Mean			22.99			9.092
S.d.			2.8554			2.0926
C.V.			0.1242			0.2302

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.4

Investment on Government Securities to Current Assets Ratio



Above table and figure show investment on government securities to current assets ratio of NABIL and NIBL. Both Banks have fluctuating ratios. The table show the highest ratio of NABIL is 26.85 percent in FY 2009/10 and lowest is 19.33 percent in FY 2011/12. In the same way, the highest ratio of NIBL is 11.46 percent in FY 2011/12 and lowest is 5.74 percent in FY 2008/09. The mean ratio of NABIL and NIBL are 22.99 and 9.092 percent. The average ratio of NABIL is higher than the mean ratio of NIBL. It means NABIL has invested more money in risk free assets than NIBL do. In another words NIBL has emphasized more on loan and advances and other risky short term investment than investment in govt. securities. For minimization of investment risk, NABIL should divert its investment in govt. securities than NIBL. Similarly, C.V. of NABIL is 0.1242 and NIBL has 0.2302 times respectively. The higher C.V. of NIBL shows the more inconsistency in the ratios with compare to NABIL. Which indicates investment of NABIL is more safety than NIBL.

4.1.1.2 Assets Management Ratio

A commercial bank must be able to manage its assets very well to earn higher profit, so to satisfy its customers and also for its own existence. Assets management ratio measures how efficiently the bank manages the resources at its command. Through following ratios, assets management ability of banks has been measured.

A) Loan and Advance to Total Deposit Ratio

This ratio actually measures the extent to which the banks are successful to mobilize the total deposit on loan and advances for the purpose of profit generation. A higher ratio of loan and advances indicates better mobilization of collection deposit and vice-versa.

Table 4.5

Loan and Advance to Total Deposit Ratio

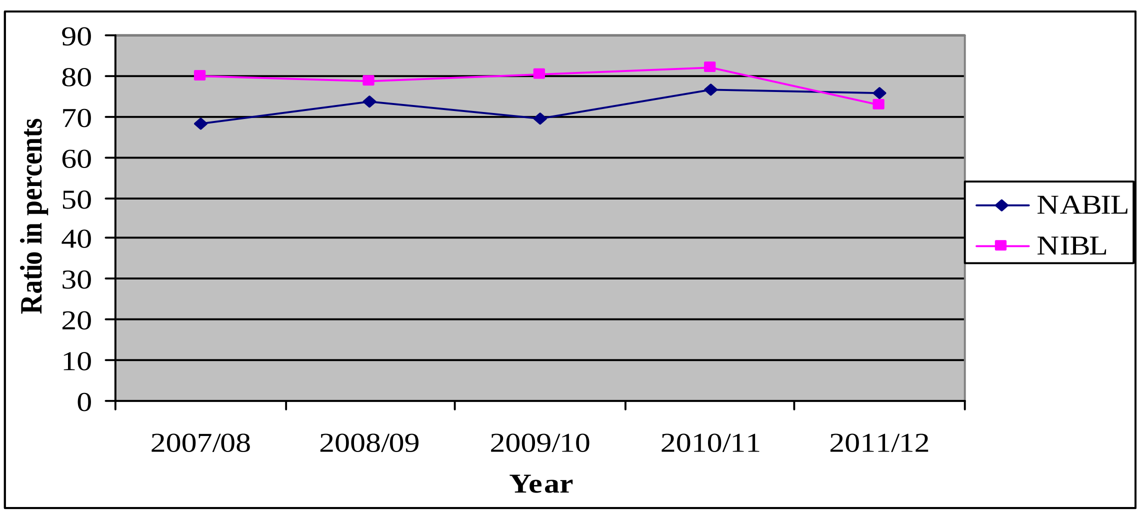
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Loan and Advance	Total Deposit	Ratio in Percent	Loan and Advance	Total Deposit	Ratio in Percent
2007/08	21365.05	31304.82	68.18	27529	34452	79.91
2008/09	27589.93	37348.26	73.85	36827.16	46698	78.86
2009/10	32268.87	46410.7	69.53	40318.31	50094.73	80.48
2010/11	38034.09	49696.11	76.53	41095.51	50138.12	81.96
2011/12	41605.68	54905.68	75.78	41636.99	57010.6	73.03
Mean			72.774			78.848
S.d.			3.7393			3.4397
C.V.			0.0514			0.0436

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.5

Loan and Advance to Total Deposit Ratio



The table and figure 4.5 show the loan and advances to total deposit ratio of NABIL and NIBL. The ratio of NABIL and NIBL has fluctuating form. The highest ratio of NABIL is 76.53% in F/Y 2010/11 and lowest ratio is 68.18% in F/Y 2007/08. Similarly highest ratio of NIBL is 81.96% in F/Y 2010/11 and lowest ratio is 73.03% in F/Y 2011/12. The mean ratio of NABIL and NIBL are 72.774% and 78.848% respectively. Here NIBL has higher ratio than that of NABIL. It indicates the better mobilization of deposit by NIBL as loan and advance. It reveals that the deposit of NIBL is quickly converted in to loan and advances to earn income. According to NRB directives less than 80% of loan and advances to total deposit ratio is required to enable better mobilization of collected deposit. Both banks have lower than that ratio. The S.D. and C.V of NABIL has higher than NIBL which indicates more inconsistency in ratios than NIBL.

B) Total Investment to Total Deposit Ratio

Banks invest their collected funds in various government securities and other financial or non-financial companies. This ratio measures how successfully and efficiently the banks are mobilizing their funds at investment in various securities.

Table 4.6

Total Investment to Total Deposit Ratio

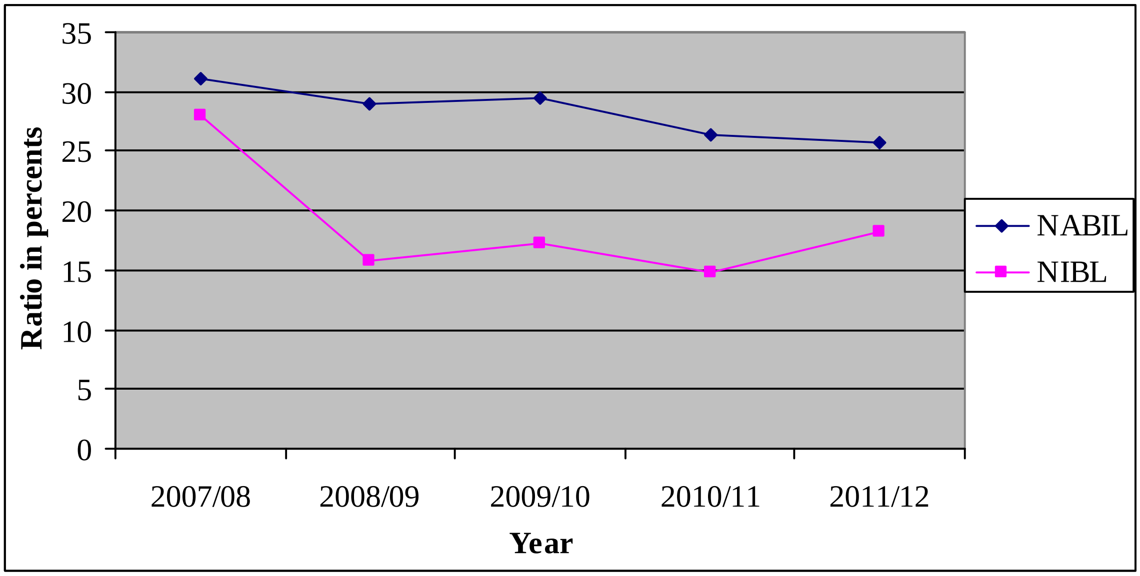
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Investment	Total Deposit	Ratio	Investment	Total Deposit	Ratio
2007/08	9939.77	31304.82	31.14	6874.02	34452	28.07
2008/09	10826.38	37348.26	28.99	8635.53	50094.73	15.85
2009/10	13670.92	46410.7	29.45	7423.11	50138.12	17.24
2010/11	13081.21	49696.11	26.32	7423.11	50138.12	14.81
2011/12	14076.85	54905.68	25.64	10438.49	57010.6	18.31
Mean			28.308			18.856
S.d.			2.2836			5.3201
C.V.			0.0807			0.2821

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.6

Total Investment to Total Deposit Ratio



Above table and figure show that total investment to total deposit ratio of NABIL and NIBL. Both the banks have fluctuating decreasing trend in total investment to total deposit ratio. The highest ratio of NABIL is 31.14 percent in FY 2007/08 and lowest ratio is 25.64 percent in F/Y 2011/12. In the same way the highest ratio of NIBL 28.07% percent in FY 2007/08 and lowest ratio is 14.81 percent in FY 2010/11. The ratio of both banks has decreasing. The mean ratio of the NABIL and NIBL are 28.308% and 18.856% respectively, which shows that NABIL has a higher ratio. It signifies that NABIL has successfully allocated its deposit in investment portfolio. The C.V. of NIBL has higher than NABIL which indicate more inconsistent its ratio. The investment of NABL is more than NIBL from its deposit.

C) Loan and Advances to Total Assets Ratio

A commercial bank's working fund plays very active role in profit generation through fund mobilization. This ratio reflects the extent to which the banks are successful in mobilizing their total assets on loan and advances for the purpose of income generation. A high ratio indicates better mobilization of funds as loan and advance and vice-versa. The following table shows loan and advances to total assets of NABIL and NIBL as follows.

Table 4.7

Loan and Advances to Total Assets Ratio

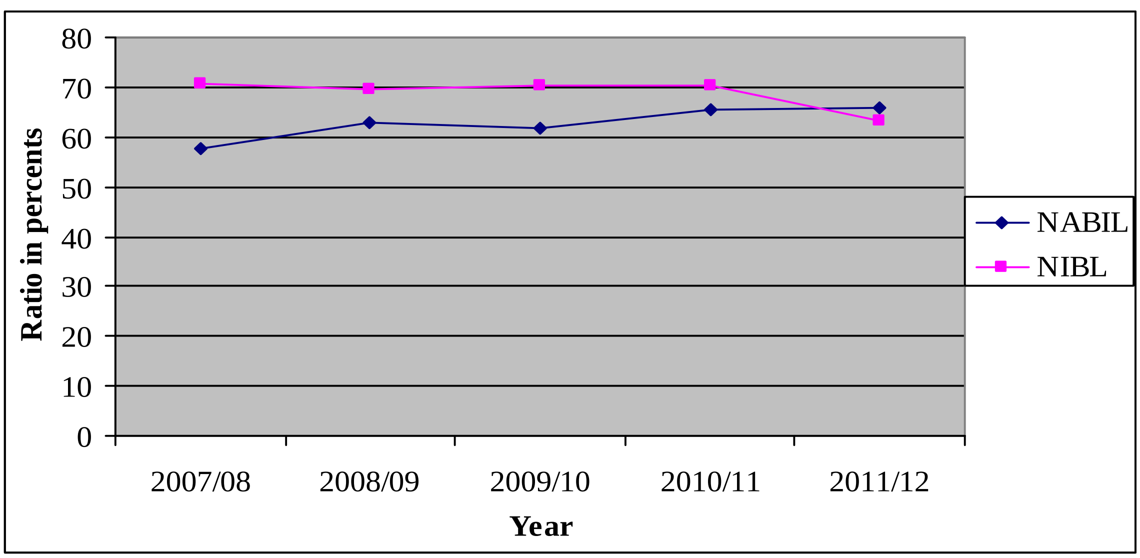
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Loan and Advances	Total Assets	Ratio in %	Loan and Advances	Total Assets	Ratio in %
2007/08	21365.05	37132.76	57.54	27529	38873	70.82
2008/09	27589.93	43867.4	62.89	36827.16	53010	69.47
2009/10	32268.87	52150.24	61.88	40318.31	57305.41	70.35
2010/11	38034.09	58141.44	65.42	41095.51	58356.83	70.42
2011/12	41605.68	63257.37	65.77	41636.99	65756.23	63.32
Mean			62.70			68.88
S.d.			3.323			3.145
C.V.			0.0529			0.0456

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.7

Loan and Advances to Total Assets Ratio



The table and figure 4.7 show the loan and advances to total assets ratio of NABIL and NIBL during the study period. Loan and advances to total assets of both NABIL and NIBL has fluctuating trend. The highest ratio of NABIL is 65.77% in F/Y 2011/12 and lowest is 57.54 in F/Y 2007/08. Similarly the highest ratio of NIBL is 70.82% in F/Y 2007/08 and lowest is 63.32% in F/Y 2011/12. The mean ratio of NABIL and NIBL are 62.70% and 68.88% respectively. Here average ratio of NIBL has higher ratio than NABIL. It reveals that in total assets of NIBL has high proportion as loan and advances. NIBL has utilized its total assets more efficiently in the form of investments. The lower S.D and C.V. of NIBL also states that it has more uniformity in these ratios throughout the study period than NABIL. in conclusion the lending through total asset of NIBL is more than NABIL

D) Investment on Government Securities to Total Assets ratio

Investment on government securities is a less risky investment than other. Investment on government securities to total assets ratio measures how successfully selected banks have applied their total assets on various forms of government securities for profit maximization and risk minimization. Higher the ratio, better the position and vice versa.

Table 4.8

Investment on Government Securities to Total Assets ratio

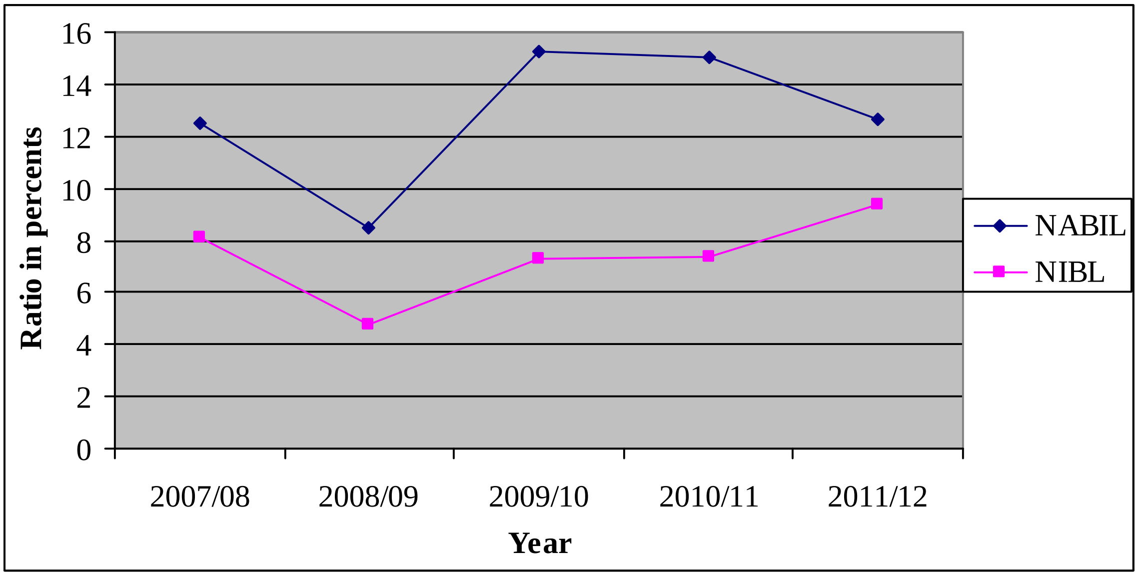
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Investment on Government Securities	Total Assets	Ratio in Percent	Investment on Government Securities	Total Assets	Ratio in Percent
2007/08	4646.19	37132.76	12.51	3155	38873	8.12
2008/09	3706	43867.4	8.45	2531.3	53010	4.77
2009/10	7942	52150.24	15.23	4201.85	57305.41	7.33
2010/11	8745.23	58141.44	15.04	4294.6	58356.83	7.36
2011/12	7999.98	63257.37	12.65	6169.49	65756.23	9.38
Mean			12.776			7.392
S.d.			2.736			1.685
C.V.			0.2142			0.2279

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.8

Investment on Government Securities to Total Assets ratio



Above table and figure show that the investment on government treasury bills to Total assets of NABIL and NIBL. The both banks have fluctuating trend. The highest ratio of NABIL has 15.23% in 2009/10 and NIBL has 9.38% in 2011/12. The lowest ratio of NABIL is 8.45% in F/Y 2008/09 and NIBL has 4.77% in 2008/09 respectively. The mean ratio of NABIL and NIBL are 12.776% and 7.392% respectively. The mean ratio of NABIL has higher than NIBL. It means NABIL has invested more assets in risk free assets than NIBL. In another words NIBL has emphasized more on loan and advances and other short-term investment than investment in govt. securities. There is more variability in the ratio of NABIL. The higher C.V. of NIBL shows inconsistency in its investment in Govt. securities ratio. Anyway NABIL has good investment in Govt. securities and NIBL has little low.

4.1.1.3. Leverage Ratio

These ratios are also called capital structure ratio or solvency ratio. These ratios indicate mix of funds provided by owners and lenders. As a general rule, there should be an appropriate mix of debt and owner's equity in financing the firm's assets. To judge the long-term financial position of the firm, leverage ratios are calculated. This ratio highlights the long-term financial health, debt servicing capacity and strength and weaknesses of the firm. Following ratios are included under these leverage ratios.

i) Total Debt to Equity Ratio

Total debt is the liability of the firm and it is payable toward its creditors. Debt includes the value of deposits from customers, loan & advances payable, Bills payable and other liabilities. Equity is the share capital and reserves of the firm. This ratio shows the comparison in between total debt and equity.

Total debt = Debentures & Bonds + Borrowings + Deposits + Bills Payable + Proposed & Undistributed Dividends + Income Tax Liabilities

Total Equity = share capital + Reserve and surplus

$$\text{Total debt to equity} = \frac{\text{Total Debt}}{\text{Equity}}$$

Table 4.9

Total Debt to Equity Ratio

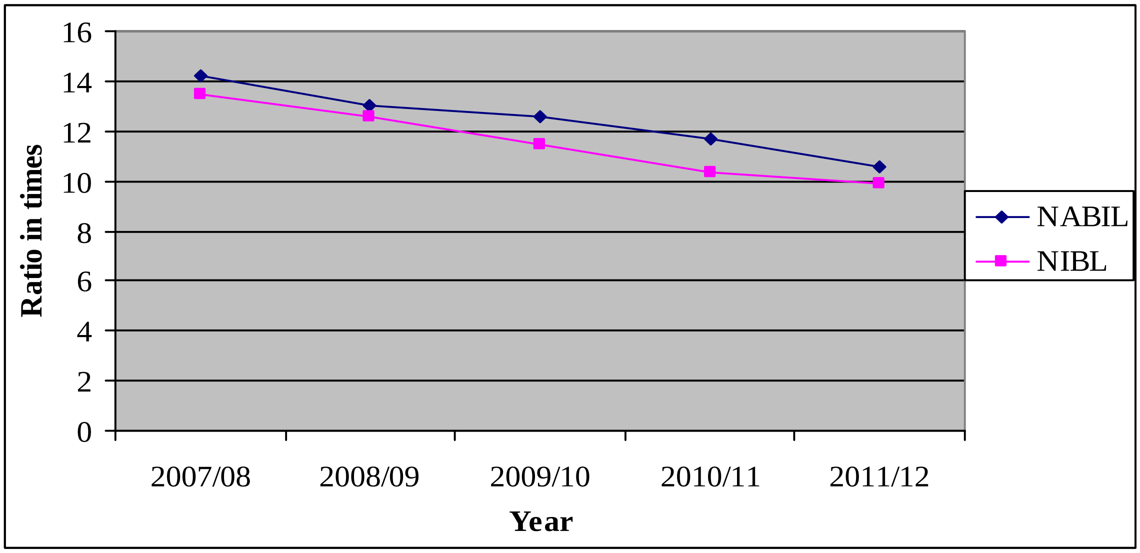
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Total Debt	Total Equity	Ratio (Times)	Total Debt	Total Equity	Ratio (Times)
2007/08	34692.9	2439.82	14.22	36186.52	2686.79	13.47
2008/09	40737.2	3130.24	13.01	49102.96	3907.84	12.56
2009/10	48315.5	3834.75	12.59	52720.02	4585.39	11.49
2010/11	53525.14	4572.06	11.71	53197.07	5159.76	10.31
2011/12	57796.85	5460.52	10.58	59706.29	6049.94	9.87
Mean			12.422			11.54
S.d.			1.3699			1.5058
C.V.			0.1103			0.1305

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.9

Total Debt to Equity Ratio



Above table and figure show Debt to total equity ratio of NABIL and NIBL. The debt to total equity ratio of NABIL and NIBL are continuously decreasing from. The highest ratio of NABIL is 14.22 times in the first year 2007/08 and lowest ratio is 10.58 times in the last year 2011/12. Similarly highest ratio of NIBL is 13.47 times in F/Y 2007/08 and lowest ratio is 9.87 times in F/Y 2011/12. The average mean ratio of NABIL and NIBL are 12.422 and 11.54 times respectively. The average debt to equity ratio of NABIL is little higher than NIBL. Excess amount of debt capital structure results heavy burden in payment of interest. Risk of liquidation increase if the debt cannot be repay in the time. High gearing ratio may provide high return to the equity shareholders if the bank makes profit. Lower S.D and C.V of NABIL indicates more consistency its ratio during the study period.

ii) Total Debt to Total Assets

A metric used to measure a company's financial risk by determining how much of the company's assets have been financed by debt. Calculated by adding short term and long term debt and then dividing by the company's total assets. In general creditors prefer a low debt ratio & owner prefer a high debt ratio in order to magnify their earning on one hand and to maintain their concerned control over the firm on the other hand.

$$\text{Total debt to Total Asset} = \frac{\textit{TotalDebt}}{\text{Total Asset}}$$

Table 4.10

Total Debt to Total Assets

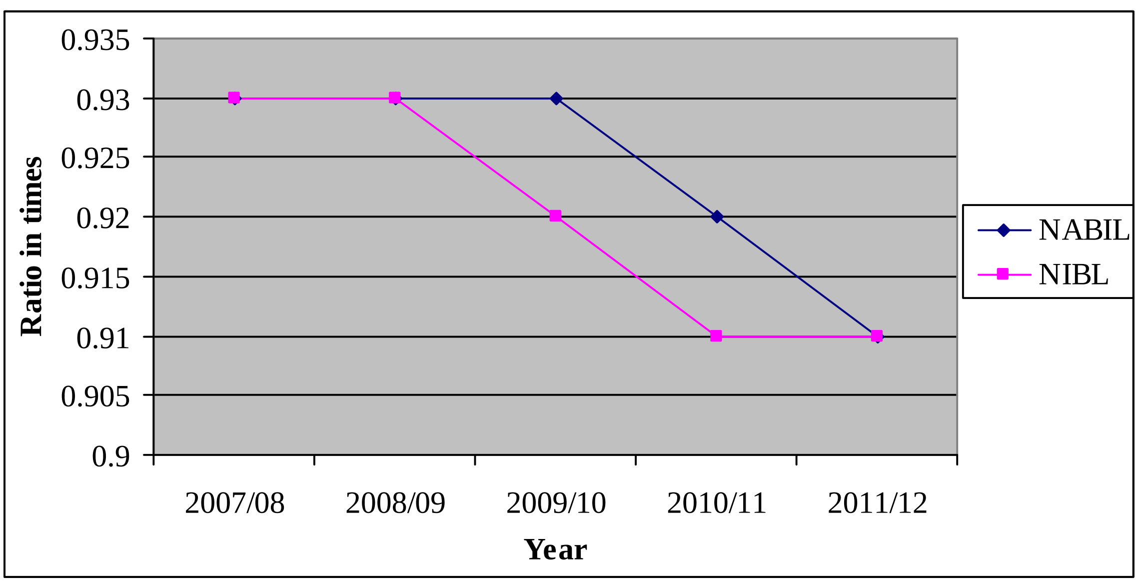
(Rs in Millions)

Fiscal Year	NABIL			NIBL		
	Total Debt	Total Assets	Ratio in times	Total Debt	Total Assets	Ratio in times
2007/08	34692.9	37132.76	0.93	36186.52	38873	0.93
2008/09	40737.2	43867.4	0.93	49102.96	53010	0.93
2009/10	48315.5	52150.24	0.93	52720.02	57305.41	0.92
2010/11	53525.14	58141.44	0.92	53197.07	58356.83	0.91
2011/12	57796.85	63257.37	0.91	59706.29	65756.23	0.91
Mean			0.924			0.92
S.d.			0.0089			0.010
C.V.			0.0097			0.0109

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.10

Total Debt to Total Asset Ratio



Above table show the total debt to total asset ratio of NABIL and NIBL. The ratio of both bank have constant and decreasing form. The highest ratio of NABIL is 0.92 times in F/Y 2007/8 to

09/010 and lowest ratio is 0.91 times in F/Y 2011/12. Similarly highest ratio of NIBL is 0.93 times in F/Y 2007/08 and 2008/09 and lowest ratio is 0.91 in F/Y 2010/11 and 2011/12. The average mean ratio of NABIL and NIBL are 0.924 and 0.920 times respectively. The average ratio of NABIL is little higher than NIBL. It means in total assets 92.4% of NABIL and 92 percent of NIBL are financed by the outsider's' funds. It is seen that there is not much deviation in the ratio for the five years study period of both banks. But both bank have little decreasing trend during the study period. The S.D. and C.V. of NABIL are lower than NIBL which indicates more consistency in ratio of NABIL rather than NIBL.

iii. Equity multiplier or Total Assets to Total Equity Ratio

It's also called as equity multiplayer. The ratio is calculated to find out the proportion of owner's fund to finance for the total assets. Total Assets comprises of the total value of the assets side of balance sheet where as net worth is the sum of the paid-up capital plus reverses and retained of the bank. Shareholders' equity is consisted of share capital, share premium, reserves and retained earnings. It is calculated to see the amount of assets financed by net worth. It's also known as the leverage factor.

Table 4.11

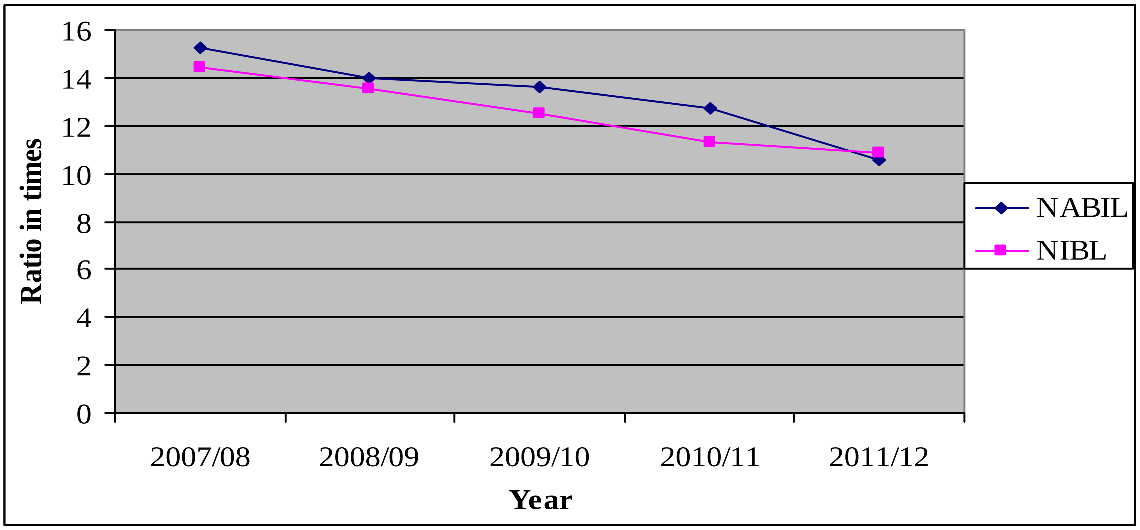
Total Asset to Total Equity

Fiscal Year	NABIL			NIBL		
	Total Assets	Total Equity	Ratio in times	Total Assets	Total Equity	Ratio in Percent
2007/08	37132.76	2439.82	15.22	38873	2686.79	14.47
2008/09	43867.4	3130.24	14.01	53010	3907.84	13.57
2009/10	52150.24	3834.75	13.60	57305.41	4585.39	12.50
2010/11	58141.44	4572.06	12.72	58356.83	5159.76	11.31
2011/12	63257.37	5460.52	11.58	65756.23	6049.94	10.87
Mean			13.426			12.544
S.d.			1.3689			1.5074
C.V.			0.1020			0.1202

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.11

Total Assets to Total equity



Above table and figure show Total assets to total equity of NABIL and NIBL. The ratio of NABIL and NIBL are decreasing form during the study period. The highest ratio of NABIL is 15.22 times in F/Y 2007/08 and lowest ratio is 11.58 times. Similarly highest ratio of NIBL is 14.47 times in F/Y 2007/08 and lowest ratio is 10.87 times in F/Y 2011/12. In over all the study period the average ratio of NABIL and NIBL are 13.426 and 12.554 times. It represents good condition of Total assets to total equity ratio. The average ratio of NABIL is little higher than NIBL. Which indicate in total asset of NABIL and NIBL have13.426 and 12.554 times of total equity. Its means equity multiplier of NABIL and NIBL are 13.426 and 12.554 times. The S.D and C.V of NABIL is lower than NIBL which indicate more consistency in ratio of NABIL rather than NIBL.

4.1.1.4 Profitability Ratio

The major performance indicator of any firm is its profit. The objective of investment policy is to earn good return. Profit is the essential part of business activities that helps to meet internal obligation, overcome the future contingencies, make a good investment policy, expand the banking transaction etc. Profitability ratios are the best indicators of overall efficiently. Here, these ratios presented and analyzed which are related with profit as well as fund mobilization. Through the following ratios, effort has been made to measure the profit earning capacity of NABIL and NIBL.

A) Return on Loan and advances

Every financial institution tries to mobilize their deposits on loan and advances properly. So this ratio helps to measure the earning capacity of selected banks. Returns on loan and advances ratio of selected banks are presented as follows.

Table 4.12

Return on Loan and advances

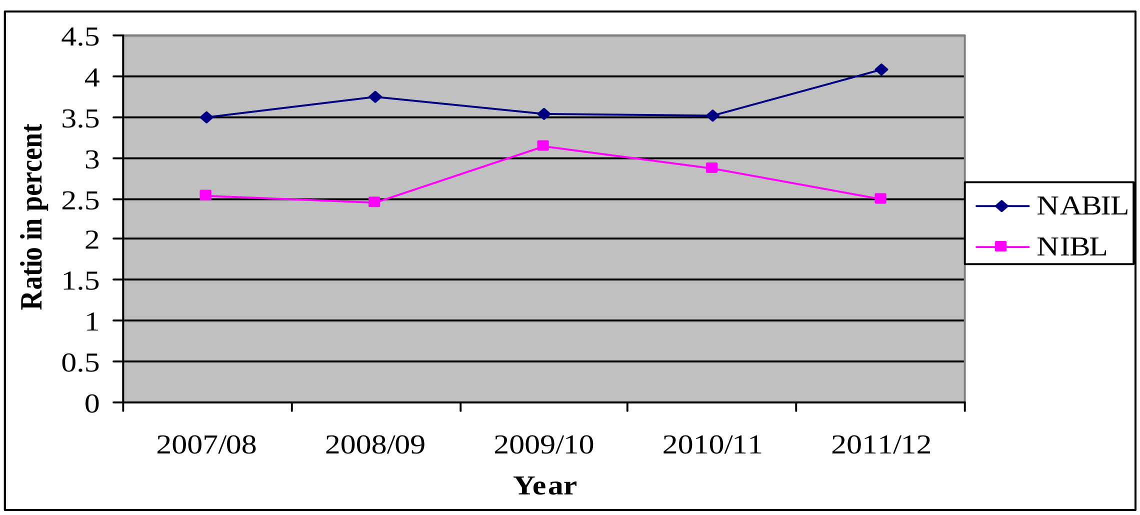
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Net Profit	Loan and Advances	Ratio	Net Profit	Loan and Advances	Ratio
2007/08	746.47	21365.05	3.49	697	27529	2.53
2008/09	1031.05	27589.93	3.74	900.62	36827.16	2.44
2009/10	1139.1	32268.87	3.53	1265.95	40318.31	3.14
2010/11	1337.75	38034.09	3.52	1176.64	41095.51	2.86
2011/12	1700.38	41605.68	4.09	1039.28	41636.99	2.49
Mean			3.674			2.692
S.d.			0.2528			0.2998
C.V.			0.0688			0.1114

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.12

Return on Loan and advances



The table and figure 4.12 show that return on loan and advances ratio of NABIL and NIBL. The ratio of NABIL and NIBL have fluctuating trend. The highest ratio of NABIL is 4.09% in the year 2011/12 and lowest ratio is 3.49% in year 2007/08. The mean ratio is 3.674%. Whereas highest ratio of NIBL is 3.14% in year 2009/10 and lowest ratio is 2.44% in 2008/09. The mean ratio of NIBL is 2.692%. This both banks show the normal earning capacity in loan and advances and same earning capacity in form of loan and advances. The average ratio of NABIL is higher than NIBL. Which indicate that return from loan and advance of NABIL is higher than NIBL. It can be said that NABIL has utilized the loan and advance for the profit generation in earning capacity. However both banks seem to have poor performance in order to have returns from loan and advances because return on loan and advances is less than 5 percent. 5 % is benchmarking ratio in this case. Lower C.V. of NABIL indicates more consistency in its ratio than NIBL.

B) Return on Total Assets

This ratio measures the overall profitability of all working fund i.e. Total assets. A firm has to earn satisfactory return on working funds for its survival. The following table shows return on total assets ratio of selected banks.

Table 4.13

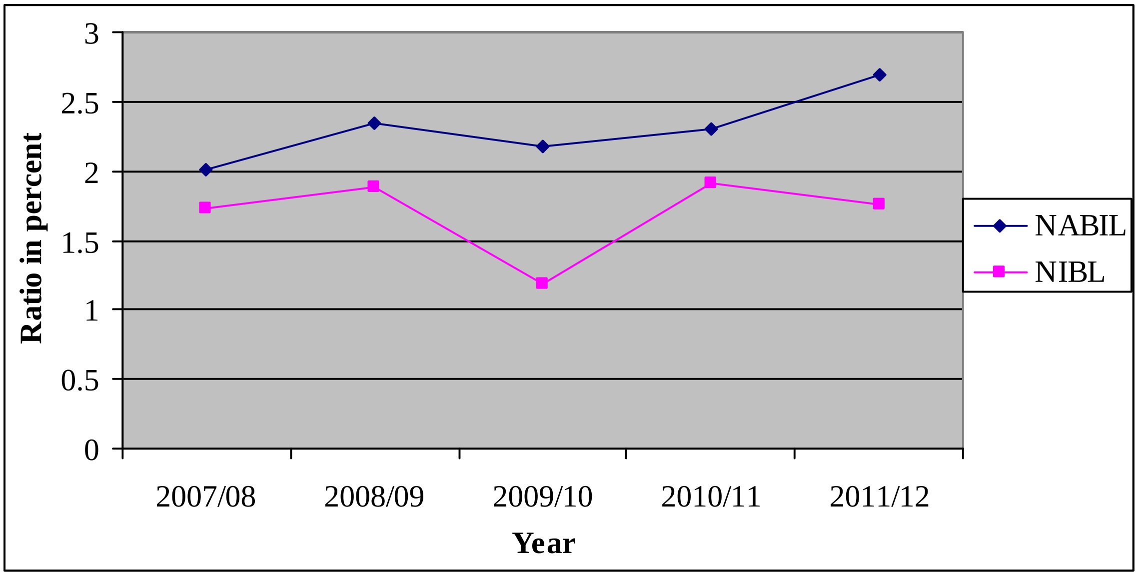
Return on Total Assets Ratio

Fiscal Year	NABIL			NIBL		
	Net Profit	Total Asset	Ratio	Net Profit	Total Asset	Ratio
2007/08	746.47	37132.76	2.01	635.87	36857.62	1.73
2008/09	1031.05	43867.4	2.35	752.83	40046.69	1.88
2009/10	1139.1	52150.24	2.18	508.8	42717.12	1.19
2010/11	1337.75	58141.44	2.3	893.12	46736.2	1.91
2011/12	1700.38	63257.37	2.69	958.64	54364.43	1.76
Mean			2.306			1.694
S.d.			0.2514			0.2919
C.V.			0.1090			0.1723

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.13

Return on Total Assets Ratio



Above table and figure show the return on total assets of NABIL and NIBL. The ratio of NABIL is increasing trend where as NIBL has fluctuating form during the study period. The highest ratio of NABIL has 2.69 percent and lowest ratio is 2.01. Similarly highest ratio of NIBL is 1.91 and lowest ratio is 1.19 percent. NABIL seems successful in managing and utilizing the available assets in order to generate revenue since its average ROA is 2.306% of total assets in an average which is higher than that of NIBL of 1.694 percent. So NABIL has utilized more assets in return earning. Where as S.D. and C.V. of NIBL has relatively higher than NABIL it indicate less uniformity in the ratios. So return from total asset of NABIL is relatively better than NIBL so far.

C) Return on Equity

Equity capital of any bank is its owned capital. The prime objective of any bank is wealth maximization or in other words to earn higher profit and there by, maximizing return on its equity capital. Return on equity measures the profitability of a bank. It reflects the extend to which the bank has been successful to mobilize or utilize its equity capital. A higher ratio indicates higher success in mobilizing its owned capital and vice-versa. Following table shows the return on equity of NABIL and NIBL during the study period.

Table 4.14

Return on Equity Ratio

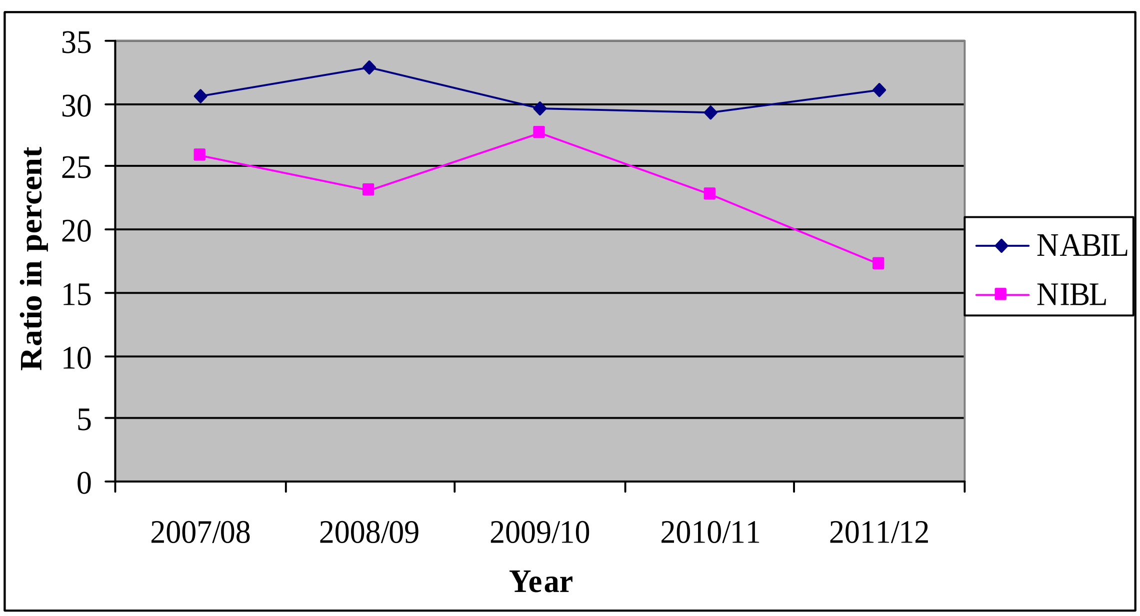
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Net Profit	Total Equity	Ratio	Net Profit	Total Equity	Ratio
2007/08	746.47	2439.82	30.6	697	2686.78	25.94
2008/09	1031.05	3130.24	32.94	900.62	3907.84	23.05
2009/10	1139.1	3834.75	29.70	1265.95	4585.39	27.61
2010/11	1337.75	4566.52	29.29	1176.64	5159.76	22.8
2011/12	1700.38	5460.52	31.14	1039.28	6049.94	17.18
Mean			30.734			23.316
S.d.			1.4321			3.9784
C.V.			0.0466			0.17063

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.14

Return on Equity Ratio



Above table and figure show return on equity ratio of NABIL and NIBL. Above data indicates that NABIL and NIBL both banks have fluctuating trend of return on equity ratio. The highest ratio of NABIL is 32.94% in F/Y 2008/09 and lowest ratio is 29.29% in F/Y 2010/11. Similarly highest ratio of NIBL is 27.61% in F/Y 2009/10 and lowest ratio is 17.18% in F/Y 2011/12. The average mean ratio of NABIL is 30.734 and NIBL is 23.316 percent. According to mean ratio NABIL is generating higher ROE in comparison with NIBL. In brief, it signifies that the shareholders of NABIL are getting higher return but in case of NIBL, they are getting lesser. It can be concluded that NABIL has better utilized the equity for the profit generation. It proves to be the strength for NABIL in attracting future investment also while NIBL shows its weakness regarding efficient utilization of its owner's equity in comparison to NABIL. Ratio of NABIL is relatively more consistent throughout the study period due to being its lower C.V than NIBL.

D) Interest Earned to Total Assets Ratio

Interest earned to total assets ratio evaluates how successful the selected banks are at mobilizing their total assets to achieve higher amount of interest. Higher ratio indicates higher interest income of the selected banks. The total interest earned to total assets ratio of NABIL and NIBL.

Table 4.15

Interest Earned to Total Assets Ratio

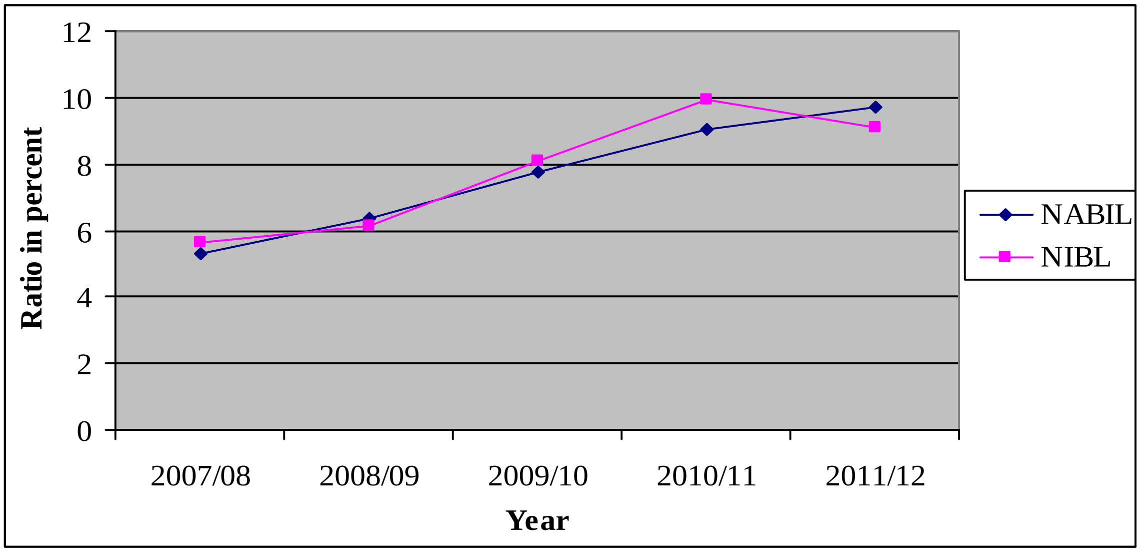
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Interest Earned	Total Assets	Ratio in Percent	Interest Earned	Total Assets	Ratio in Percent
2007/08	1978.7	37132.76	5.33	2194.27	38873	5.64
2008/09	2798.49	43867.4	6.38	3267.94	53010	6.16
2009/10	4047.73	52150.24	7.76	4653.52	57305.41	8.12
2010/11	5254.03	58141.44	9.04	5803.44	58356.83	9.94
2011/12	6145.75	63257.37	9.72	5982.64	65756.23	9.09
Mean			7.646			7.79
S.d.			1.8183			1.851
C.V.			0.2378			0.2376

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.15

Interest Earned to Total Assets Ratio



The table and figure 4.15 show the total interest earned to total asset ratio of NABIL and NIBL. Both the banks have increasing total interest earned to total asset ratio during studied period but NIBL has decreases at last study period. Which indicate both banks doing well in interest earning. The highest ratio of NABIL is 9.72 percent and the lowest ratio is 5.33 percent. Similarly highest ratio of NIBL is 9.94 percent and lowest ratio is 5.64 percent. The average mean ratio of NABIL and NIBL are 7.646 and 7.79 percent respectively. The mean ratio of NIBL is little more than that of NABIL. In comparison, NIBL seems effective in interest earning ratio than NABIL. C.V. of both bank have almost equal. Moreover, NIBL has uniformity in the ratios during the study period due to having lower C.V. anyway It can be concluded that both NABIL and NIBL has successfully mobilized their fund in interest generating assets.

E) Total Interest Earned To Total outside Assets Ratio

The main assets of commercial banks are their outside asset, which includes loan and advances, investment on government securities, investment on shares and debentures and other investment. Thus, this ratio reflects the extent to which the banks are successful to earn interest as major income on all the outside assets. A higher ratio indicates higher earning on such total assets and vice-versa. The following table exhibits the ratio of total interest earned to total outside assets of NABIL and NIBL during the study period.

Table 4.16

Total Interest Earned To Total outside Assets Ratio

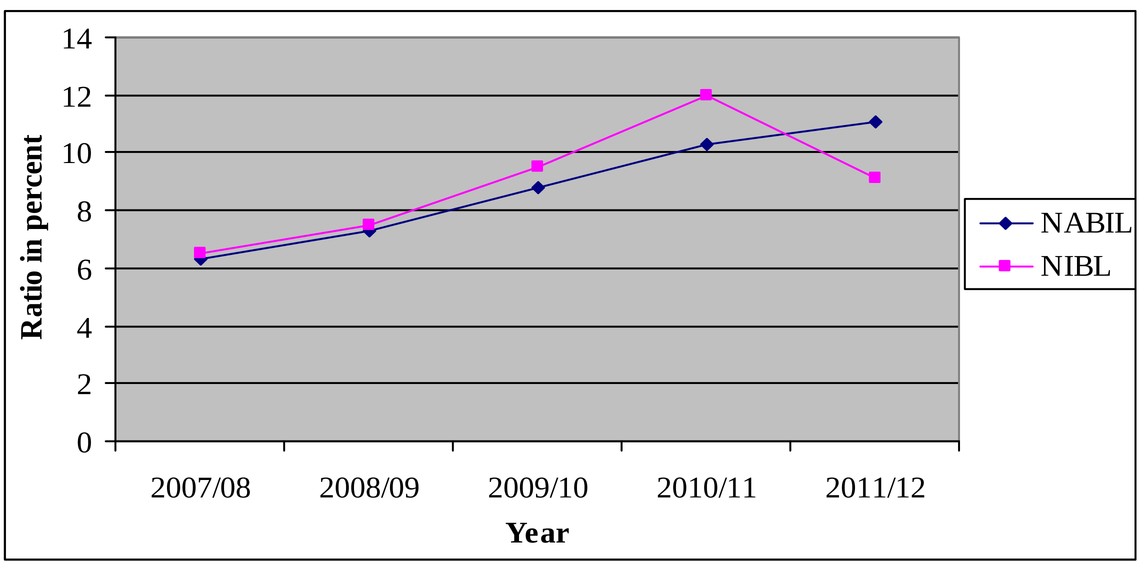
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Interest Earned	Total outside Assets	Ratio in Percent	Interest Earned	Total outside Assets	Ratio in Percent
2007/08	1978.7	31304.82	6.32	2194.27	33870.67	6.48
2008/09	2798.49	38416.31	7.28	3267.94	43641.02	7.49
2009/10	4047.73	45939.79	8.81	4653.52	48953.84	9.51
2010/11	5254.03	51115.3	10.28	5803.44	48518.62	11.96
2011/12	6145.75	55682.53	11.04	5982.64	52075.48	11.49
Mean			8.746			9.386
S.d.			1.9783			2.4035
C.V.			0.2262			0.2561

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.16

Total Interest Earned To Total outside Assets Ratio



Above table and figure show the total interest earned to total outside assets ratio of NABIL and NIBL. The total interest earned to total outside assets ratio of NABIL is in increasing and NIBL also increasing beside last year of the study period. NABIL has highest ratio in the year 2010/11 with 11.04% and lowest in the years 2007/08 with 6.32%. Similarly, NIBL has the highest ratio in the year 2010/11 with 11.96% and the lowest in the F/Y 2007/08 with 6.48%. The mean ratio of NABIL and NIBL are 8.746% and 9.386% respectively. The average ratio of NIBL is higher than NABIL. Here NIBL seems to have more efficiency in generating total interest through well utilizations of outside assets. The ratios of NABIL are consistency due to having lower C.V. than NIBL.

F) Total interest earned to Total operating income Ratio

Total interest earned to total operating income ratio reveals that portion of interest income from total operating income of the bank. The major sources of income for the bank are interest income so the banks should mobilize their funds in more interest generating sectors. This ratio measures how successfully banks have been mobilizing their fund to interest generating assets. Commercial the banks should mobilize their funds in more interest generating sectors considering the risk and return.

Table 4.17

Interest Earned to Operating Income Ratio

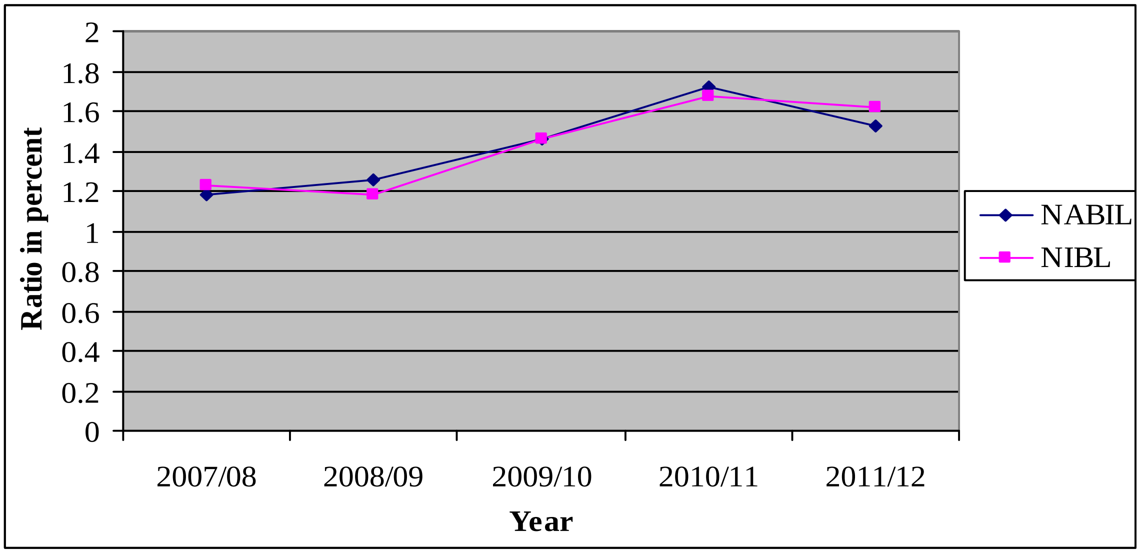
Rs in Millions

Fiscal Year	NABIL			NIBL		
	Interest Earned	Operating Income	Ratio	Interest Earned	Operating Income	Ratio
2007/08	1978.7	1670.43	1.18	1963.65	1597.5	1.23
2008/09	2798.49	2220.98	1.26	2342.2	1988.05	1.18
2009/10	4047.73	2764.09	1.46	3148.6	2157.96	1.46
2010/11	5254.03	3046.13	1.72	4326.14	2586.74	1.67
2011/12	6145.75	4014.85	1.53	4724.89	2911.21	1.62
Mean			1.430			1.432
S.d.			0.2159			0.2219
C.V.			0.1509			0.1550

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.17

Interest Earned to Operating Income Ratio



The table and figure 4.17 show interest earned to operating income ratio of NABIL and NIBL. Both banks have increasing trend of ratio beside last year during the study period. The highest ratio of NABIL is 1.72 and lowest ratio is 1.18 percent. Similarly highest ratio of NIBL has 1.67 and lowest ratio is 1.23 percent. The average mean ratio of NABIL and NIBL are 1.43 times and 1.432 times respectively. The average ratio of both bank have almost equal. The average ratio of NIBL has little higher than NABIL. The higher ratio indicates the high contribution in operating income made by lending and investing activities (core banking activity). NABIL has relatively lower ratio, it indicates that high contribution in operating income is not made by lending and investing activities (core banking activity). The condition of both bank have same. In overall, both banks have managed sound interest earned to operating income ratio. The S.D. and C.V of NABIL is lower than NIBL. So the ratio of NABIL is more consistency than NIBL.

4.1.1.5 Other Ratios

A) Earning Per Share

EPS measure the efficiency of a firm in relative terms. It is a widely used ratio, which measures the profit available to the ordinary shareholders on per share basis. EPS shows whether the bank's earning power on per share basis has changed over that period or not but it doesn't reflect how much is paid as dividend and how much is retained in the business. Following table shows the EPS of related banks during the study period.

Table 4.18

Earning Per Share

Rs in Millions

Fiscal Year	NABIL			NIBL		
	Net profit	Total equity	Ratio	Net profit	Total equity	Ratio
2007/08	746.47	6892160	108.31	697	12039154	57.89
2008/09	1031.05	9657470	106.8	900.62	24070689	37.42
2009/10	1139.1	14491240	78.61	1265.95	24090977	52.55
2010/11	1337.75	20297694	65.9	1176.64	30113721.25	48.84
2011/12	1700.38	24357233	69.8	1039.28	3766155250	27.6
Mean			85.884			44.86
S.d.			20.32			12.227
C.V.			0.2366			0.2726

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.18

Earning Per Share

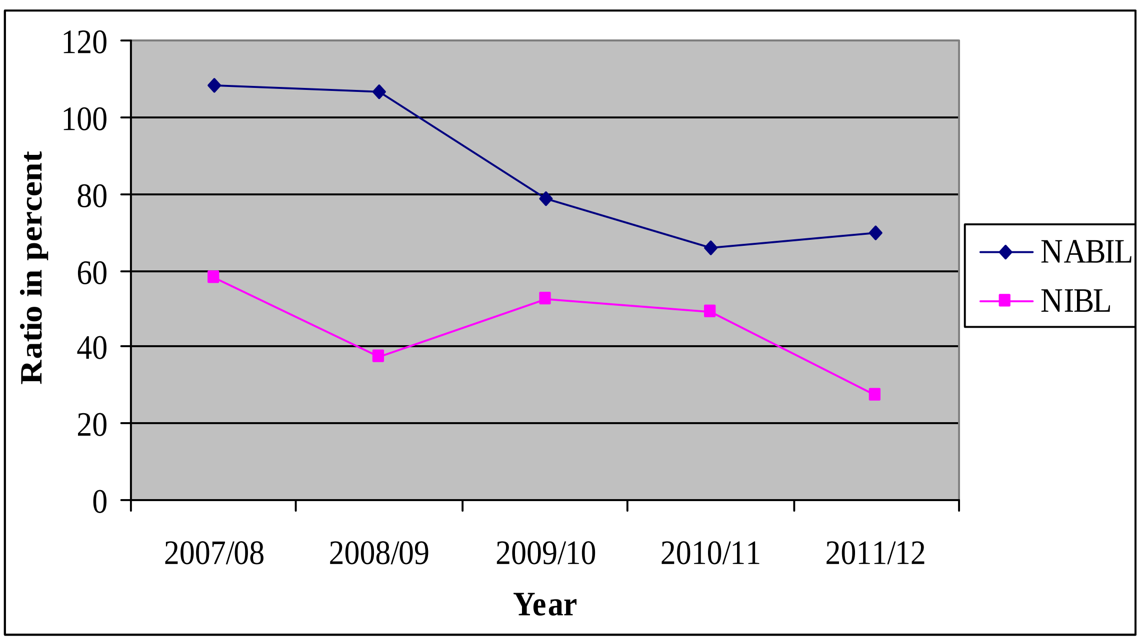


Table and figure 4.18 show earning price per share of NABIL and NIBL. Both NABIL and NIBL have fluctuating form of its EPS. The average EPS of NABIL is higher than NIBL. While observing their ratios NABIL is better mobilizing it resources to get more earning per share (EPS) although both banks have fluctuating its EPS. The highest EPS of NABIL is 108.31 and lowest is 65.9 percent. Similarly highest EPS of NIBL is 57.89 and lowest is 27.60 percent. The average EPS of NABIL and NIBL are 85.884 and 44.86. So higher ratio of NABIL indicate more dividends. The higher mean indicate successful to generating higher EPS of NABIL. The C.V. of NIBL is higher than NABIL which indicate inconsistency in its EPS. The NABIL is better than NIBL in generating earning per share.

B) Market Price per Share

Market price per share is the price at which shares are traded in the stock market. The secondary markets provide liquidity for securities purchased in primary market. Generally MPS is determined through supply and demand factors.

Table 4.19

Market Price per Share (MPS)

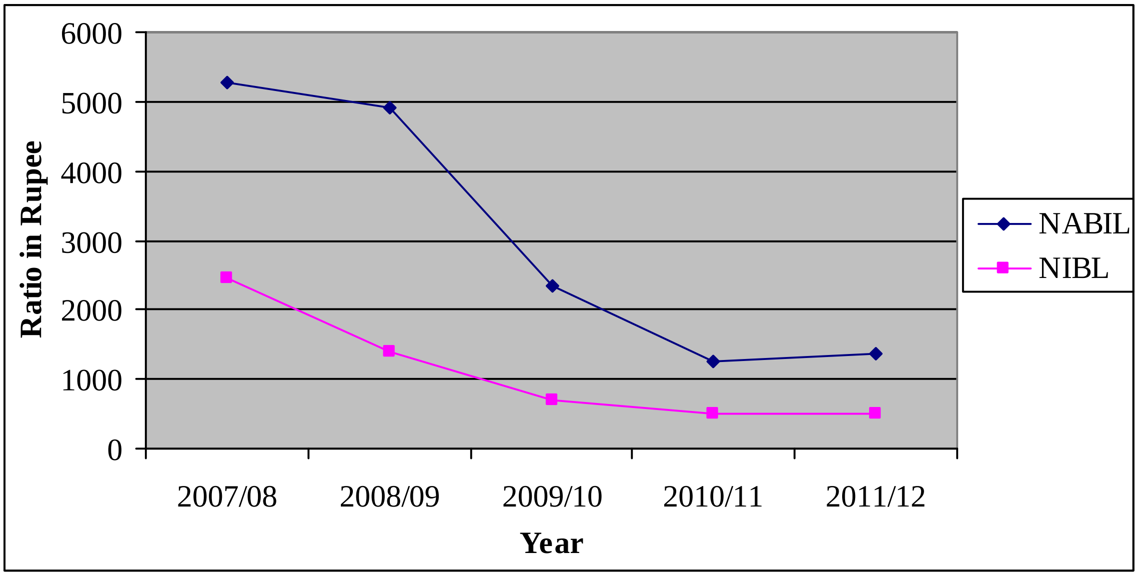
Amount in Rupees

Fiscal Year	NABIL	NIBL
	MPS	MPS
2007/08	5275	2450
2008/09	4899	1388
2009/10	2348	705
2010/11	1252	515
2011/12	1355	511
Mean	3025.8	1113.8
S.d.	1934.24	829.105
C.V.	0.6392	0.7444

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.19

Market price per share



Above table and figure show market price of the share of NABIL and NIBL. The statistic shows that both banks NABIL and NIBL have decreasing its share price during the study period. It indicates that recession and low expectation of investor in share market. This tends low performance of company and low expectation from company. The highest MPS of NABIL is Rs 5275 and the lowest is 1252 similarly highest MPS of NIBL is 2450 and lowest is 511. Average mean price of NABIL and NIBL are 3025.8 and 1113.8 Rupee. The average price of NABIL is higher than of NIBL. It indicates that shareholder of NABIL are getting higher price. The C.V. of NIBL has higher which indicate high fluctuation in its share price than NABIL.

C) Price Earning Ratio

Price earning ratio is closely related to the earning per share. It is calculated by dividing the market value per share by EPS. Price earning ratio indicates investor’s judgments or expectation about the firm’s performance. This ratio widely used by the security analysis to value the firm’s performance. This ratio widely used by the security analysis to value the firm’s performance as accepted by investors. Price earning ratio reflects investor expectations about the growth in the firm’s earning. Higher ratio indicates the more value of the stock that is being ascribed to future earning as opposed to present earning.

Table 4.20

Price Earning Ratio

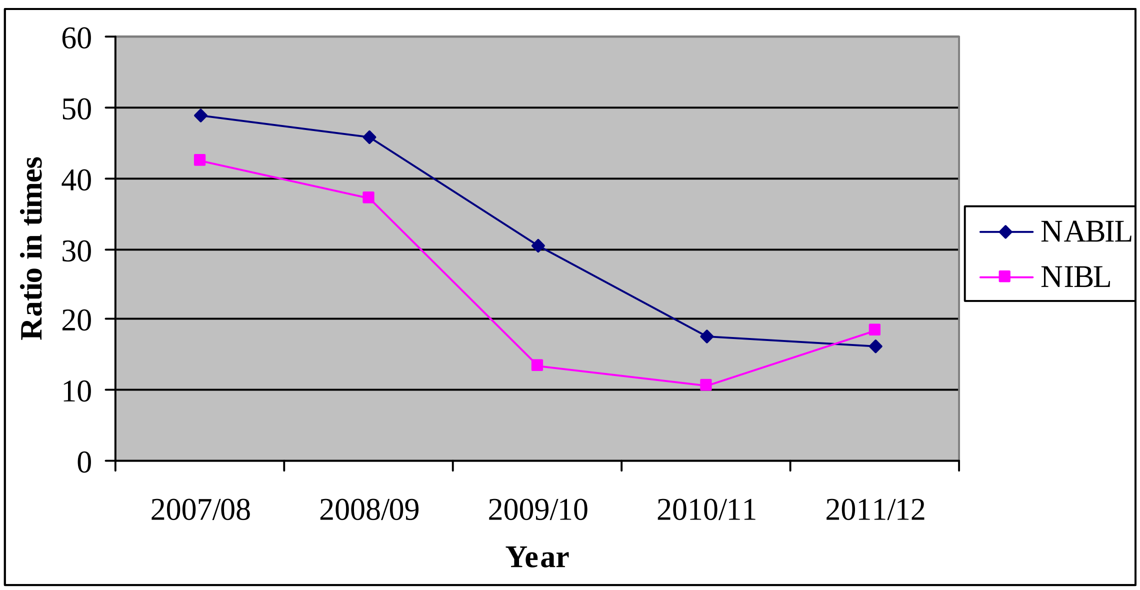
Amount in Rupees

Fiscal Year	NABIL			NIBL		
	MPS(Rs)	EPS (in Rs)	PE/Ratio	MPS Rs)	EPS (in Rs)	PE/Ratio
2007/08	5275	108.31	48.7	2450	57.89	42.33
2008/09	4899	106.76	45.89	1388	37.42	37.1
2009/10	2384	78.61	30.33	705	52.55	13.42
2010/11	1252	70.76	17.69	515	48.84	10.55
2011/12	1355	83.57	16.21	511	27.6	18.5
Mean			31.764			24.38
S.d.			15.235			14.404
C.V.			0.4796			0.5908

Source: Annual Report of Concern Banks (F/Y 2007/08 to 2011/12)

Figure 4.20

Price Earning Ratio



Above table and figure show that price earning ratio earning of NABIL and NIBL. The P/E ratio NABIL and NIBL are decreasing beside last year of NIBL. The highest ratio of NABIL is 48.70

and lowest ratio is 16.21, similarly highest ratio of NIBL is 42.33 and lowest ratio is 10.55 times. From the mean point of view, mean ratio of the NABIL and NIBL are 31.764 and 24.38 times respectively. It indicates that for getting Rs 1 as earning, one should invest Rs 31.764 of NABIL and Rs 24.38 of NIBL. Looking the mean ratio we conclude that in short run, investor of NABIL are getting better profitability because they are trading their shares in high price. But from the long term view and sustainable fair price, investor of NIBL will get better profitability and they will be in safe side a little bit in comparison with NABIL. The C.V of NIBL is higher than the NIBL it indicate its contradiction to invest in NABIL rather than the NIBL due to high fluctuation. Anyway both banks are measure equal in long term.

4.2 Statistical Analysis

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

4.2.1 Coefficient of Correlation Analysis

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

A) Correlation Coefficient between Deposit and Loan and Advances

Deposit have played vary important role in performance of a commercial banks and similarly loan and advances are very important to mobilize the collected deposits. Co-efficient of correlation between deposit and loan and advances measures the degree of relationship between these two variables. In this analysis, deposit is independent variable (X) and loan and advances are dependent variable (Y). The main objectives of computing ‘r’ between these two variables is to justify whether deposit are significantly used as loan and advances in proper way or not.

Table 4.21

Correlation between Deposit and Loan and Advances

Name of Banks	Evaluation Criterions				
	r	r^2	P.Er.	6 P.Er.	Remarks
NABIL	0.988	0.9761	0.0072	0.0432	Significant
NIBL	0.959	0.9197	0.02423	0.1454	Significant

Source: Through SPSS Data Editor

In above table 4.21, it is found that coefficient of correlation between deposits and loan and advances of NABIL and NIBL are 0.988 and 0.959. It is shows that both have the highly positive relationship between these two variables. It refers that deposit and loan and advances of NABIL and NIBL moves together very closely. Moreover, the coefficient of determination of NABIL is 0.9761. It means 97.61 percent of variation in loan and advances has been explained by deposit. Similarly, value of coefficient of determination of NIBL is 0.9197. It refers that 91.97 percent variance in loan and advances are affected by total deposit. The correlation coefficient of both banks is significant because the correlation coefficient is greater than the relative value of 6 P. Err. In other words, there is significant relationship between deposits and loan and advances of NABIL and NIBL.

B) Coefficient of Correlation between Total Deposits and Total Investment

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

Table 4.22

Correlation between Deposit and Total Investment

Name of Banks	Evaluation Criterions				
	r	r^2	P.Er.	6 P. Er.	Remarks
NABIL	0.960	0.9216	0.0236	0.1419	Significant
NIBL	0.752	0.5655	0.1311	0.7864	insignificant

Source: Through SPSS Data Editor

The Table 4.22 shows the coefficient of correlation between total deposit and total investment of NABIL and NIBL. The correlation of NABIL is 0.960. It shows the high positive correlation between two variables. In addition, coefficient of determination of NABIL is 0.9216, It means 92.16 percent of total investment is explained by total deposit. The correlation coefficient is significant because the correlation coefficient is higher than 6 P. Er. It refers that there is significant relationship between total deposit and total investment of NABIL. Similarly, correlation coefficient between total deposit and total investment of NIBL is positive by 0.752, which refer moderate relation between these two variables. The value of coefficient of determination is 0.5655 this refers that 56.55 percent of the variation in total investment is explained by total deposit least are determined by other factor. The correlation coefficient is insignificant because the correlation coefficient is lower than 6 P. Er. It refers that there is insignificant relationship between total deposit and total investment of NIBL From the above analysis, the conclusion can be drawn in the case of NABIL and NIBL that NABIL has high degree positive correlation where as NIBL has moderate positive correlation. This indicates that NABIL is successful to mobilize its deposit in proper way in comparison to NIBL.

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

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

Table 4.23

Correlation between Loan and advance and Net profit

Name of Banks	Evaluation Criterions				
	R	r^2	P.Er.	6 P.Er.	Remarks
NABIL	0.973	0.9467	0.0161	0.0964	Significant
NIBL	0.875	0.7656	0.0707	0.4242	Significant

Source: Through SPSS Data Editor

Above table shows correlation between lending and profit of NABIL and NIBL. The correlation coefficient between loan & advance and net profit is 0.973 of NABIL. It refers that there is positive correlation between these two variables. Here, 94.67 percent of net profit is contributed by loan and advance as its coefficient of determination is 0.9467 shows. Moreover, this relationship is significant because the coefficient of correlation is more than 6 P. Err. Likewise NIBL also has positive correlation between loan & advance and net profit by 0.875. The coefficient of determination r^2 is 0.7656 which indicates that only 76.56 percent variability in net profit is explained by loan and advance. The correlation coefficient is more than 6 P. Err. So relationship between loan and advance and net profit is significant for NIBL. It refers that there is significant relationship between total deposit and total investment of NIBL. In calculation, NABIL has more significant relationship between loan and advance and net profit than that of NIBL.

D) Coefficient of correlation between Total Deposit and Net Profit

Coefficient of correlation between total deposit and net profit measures the degree of relationship between these two variables. In this analysis, deposit is independent variables (X) and net profit is dependent variable(Y). The main objective of computing “r” between these two variables is to justify whether deposits are significantly used to get proper net profit or not. The table shows the value of r, r^2, probable Error (P. Err) and 6 P.Er. between total deposit and net profit of NABIL and NIBL.

Table 4.24

Correlation between Total Deposit and Net Profit

Name of Banks	Evaluation Criterions				
	r	r^2	P.Er.	6 P.Er.	Remarks
NABIL	0.957	0.9158	0.0254	0.1523	Significant
NIBL	0.687	0.4720	0.1593	0.9557	Insignificant

Source: Through SPSS Data Editor

The table shows the correlation coefficient between total deposit and net profit of NABIL and NIBL. Both banks have positive correlation between these variables. The correlation coefficient between total deposit and net profit of NABIL is 0.957, which implies there is positive correlation between total deposit and net profit. In addition, coefficient of determination of NABIL is 0.9158. It means 91.58 percent of profit is contributed by total deposit. The correlation is significant because coefficient of correlation is higher than 6 P Err. On the other hand NIBL has also positive correlation between total deposit and net profit by 0.687. The coefficient of determination of NIBL is 0.4720, It means only 47.20 percent of profit is contribute by total deposit. This relationship is insignificant as its correlation coefficient is lower than 0.9557. The NABIL has significant and NIBL has insignificant relationship between total deposit and net profit. Anyway it can be concluded that the degree of relationship between total deposit and net profit of NABIL and NIBL are positive.

4.2.2 Time Series Analysis (Trend Analysis)

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

A) Trend Analysis of Total Deposit:

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

Where,

Y= dependent variable, a = Y-intercept, b = slope of trend line or annual growth rate

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Where x = X - Middle year

Where as

Yc = 43919.11+5954.96*X of NABIL

Yc = 48366.71+4516.06*X of NIBL

Table 4.25

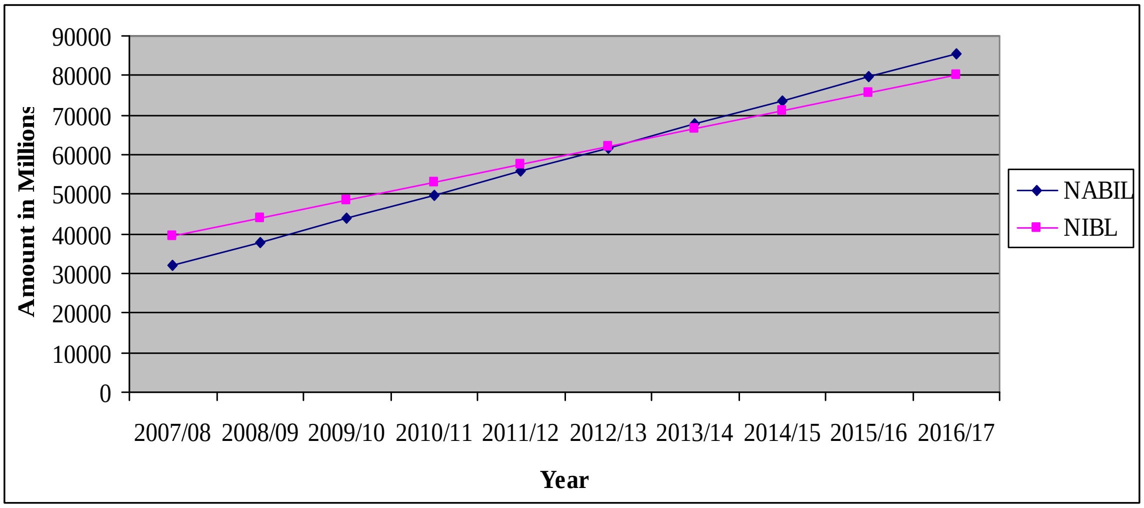
Trend analysis of Total Deposit of NABIL and NIBL		
Year(x)	**NABIL**	**NIBL**
2007/08	32009.2	39334.6
2008/09	37964.2	43850.7
2009/10	43919.1	48366.7
2010/11	49874.1	52882.8
2011/12	55829	57398.8
2012/13	61784	61914.9
2013/14	67739	66431
2014/15	73693.9	70947
2015/16	79648.9	75463.1
2016/17	85603.8	79979.1

Source: Trend value of Concern Bank

Appendix -1

Figure 4.21

Trend Line of Total Deposit of NABIL and NIBL



Above table and figure shows that trend of total deposit of NABIL and NIBL. Both Banks is in increasing trend. The rate of increment of total deposit for NABIL seems to be aggressive than that of NIBL. The increment rate NANIL lowers at beginning and exceed at end. The trend analysis has projected deposit amount in fiscal year FY 2012/13 to FY 2016/17. From the above trend analysis it is clear that NABIL has doing better in collecting deposit than the NIBL.

B) Trend Analysis of Loan and advances

Here, the trend values of loan and advances Between NABIL and NIBL have been calculated for further five year. The following Table shows the actual and trend values of NABIL and NIBL.

Y= a + bx

Where,

Y= dependent variable, a=Y-intercept, b=slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Yc = 32172.72+5092.54*X of NABIL

Yc = 37481.39+3248.43*X of NIBL

Table 4.26

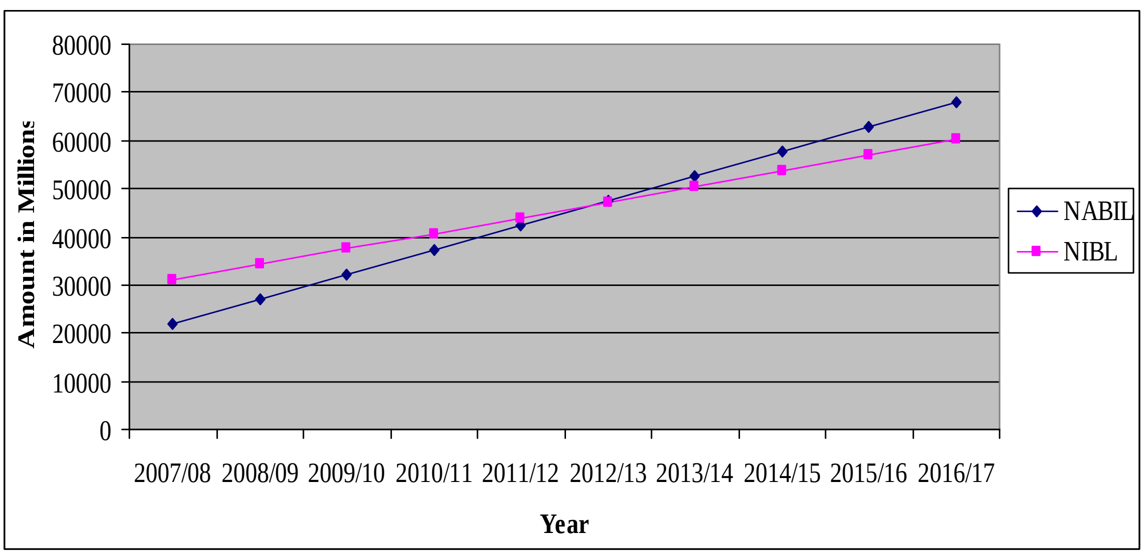
Trend analysis of Total Loan and Advance of NABIL and NIBL		
Year(x)	**NABIL**	**NIBL**
2007/08	21987.6	30984.5
2008/09	27080.2	34233
2009/10	32172.7	37481.4
2010/11	37265.3	40729.8
2011/12	42357.8	43978.3
2012/13	47450.3	47226.7
2013/14	52542.9	50475.1
2014/15	57635.4	53723.5
2015/16	62728	56972
2016/17	67820.5	60220.4

Source: Trend value of Concern Bank

Appendix - 2

Figure 4.22

Trend line of Total Loan and Advance of NABIL and NIBL



Above table and figure depicts that trend of loan and advances of NABIL and NIBL. Both Banks has in increasing trend. The increasing trend of NABIL is little higher than NIBL. It indicates NABIL has aggressive lending policy than NIBL. The increment trend of NABIL is lower at beginning and higher at last. Which indicate aggressive lending police applied by NABIL. The trend projected for father five year FY 2012/13 to FY 2016/17. From the above analysis, it is clear that both NABIL and NIBL is mobilizing its collected deposits and other funds in the form of loan and advances. But above table and figure shows NABIL has aggressive mobilizing loan and advances than the NIBL.

C) Trend Analysis of Total Investment

Under this topic has been made to analyze trend analysis total investment of NABIL and NIBL. Where,

Y= dependent variable, a=Y-intercept, b=slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Where x = X - Middle year

Yc = 12319.03 + 1052.90*X of NABIL

Yc = 8158.85 + 591.65*X of NIBL

Table 4.27

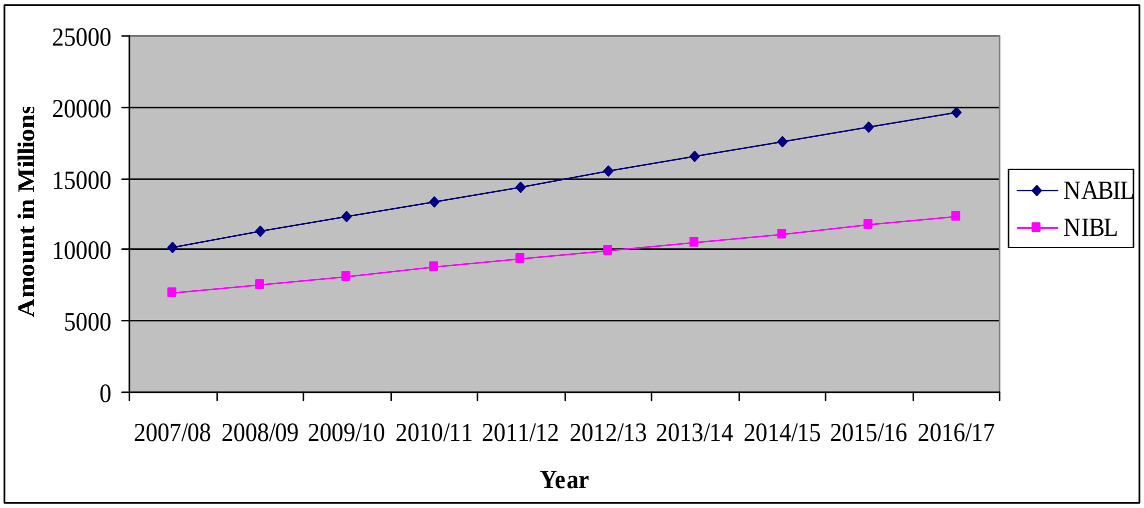
Trend analysis of Total Investment Between NABIL and NIBL		
Year(x)	**NABIL**	**NIBL**
2007/08	10213.2	6975.55
2008/09	11266.1	7567.2
2009/10	12319	8158.85
2010/11	13371.9	8750.5
2011/12	14424.8	9342.15
2012/13	15477.7	9933.8
2013/14	16530.6	10525.5
2014/15	17583.5	11117.1
2015/16	18636.4	11708.8
2016/17	19689.3	12300.4

Source: Trend value of Concern Bank

Appendix -3

Figure 4.23

Trend Line of Total Investment between NABIL and NIBL



Above table and figure shows the trend of total investment between NABIL and NIBL. The NABIL and NIBL both banks have increasing trend in making investment. The trend shows that increment rate of NABIL has more than NIBL. The trend of total investment projected to further five year. The forecasted trend projected that the NABIL has higher increment rate in total investment than NIBL. So investment of NABIL is better than NIBL. The figure indicates that NABIL has highly mobilized the total investment rather and NIBL do.

D) Trend Analysis of Net Profit

Net profit is the final income of bank after deducting all expenses. Here, the trend values of net profit of NABIL and NIBL have been calculated for five years FY 2007/08 to FY 2011/12 and forecasting further next five year till FY 2016/17.

Where,

Y= dependent variable, a=Y-intercept, b=slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Where x = X - Middle year

Yc = 1190.95 +221.45*X of NABIL

Yc = 1015.90 + 96.06* X of NIBL

Table 4.28

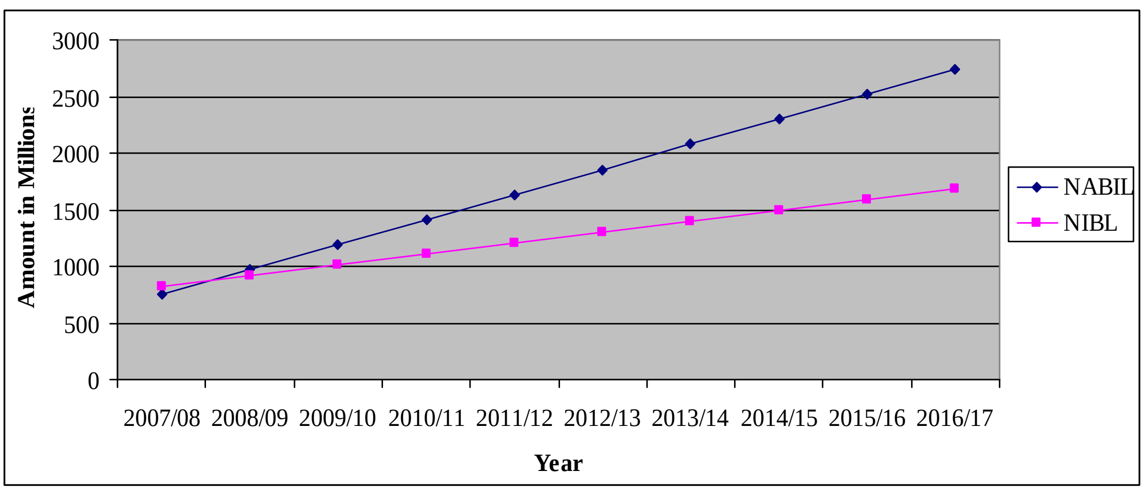
Trend Analysis of Net Profit Between NABIL and NIBL		
Year(x)	**NABIL**	**NIBL**
2007/08	748.05	823.78
2008/09	969.5	919.84
2009/10	1190.95	1015.9
2010/11	1412.4	1111.96
2011/12	1633.85	1208.02
2012/13	1855.3	1304.08
2013/14	2076.75	1400.14
2014/15	2298.2	1496.2
2015/16	2519.65	1592.26
2016/17	2741.1	1688.32

Source: Trend value of Concern Bank

Appendix - 4

Figure 4.24

Trend Line of Net Profit between NABIL and NIBL



The above table and figure reveals the trend of Net profit of NABIL and NIBL. Net profit of both banks NABIL and NIBL forecasted in increasing trend. The trend of increasing value of net profit of NABIL is higher and aggressive than NIBL. The net profit of NABIL and NIBL has been increasing every year by Rs. 221.45 million and Rs. 96.06 million respectively. The increment rate of net profit of NABIL is higher than NIBL. The trend of Net profit projected to FY 2016/17 i.e. further five year. In conclusion, NABIL is doing better in order to generate net profit during the projected study period although both NABIL and NIBL have increasing trend so far.

4.3 Major Findings of the Study

From the above research, the researcher has enlisted the major findings in a summarized manner so that a complete picture of the data presentation and analysis can be presented following findings are drawn on the investment policy of the selected commercial banks.

1. Every commercial bank has to maintain standard current assets. The current ratios of NABIL and NIBL have fluctuating form. The average current ratio of NABIL and NIBL are 1.232 and 1.062. The liquidity position of NABIL is greater than NIBL as it has a higher mean ratio. So, NABIL is sound in meeting short-term obligation than NIBL. The NABIL has moderate liquidity position but NIBL has little lower, anyway both banks have lower ratio than standard ratio.
2. The cash and bank balance to total deposit ratio of NABIL and NIBL is fluctuating. The average ratio of NABIL and NIBL are 6.422 and 15.68 percent. NIBL has higher ratio than the NABIL, which shows its greater ability to pay depositors money as prompt demand. The liquidity position of NIBL is better than NABIL.
3. The cash and bank balance to current assets ratio of NABIL and NIBL is fluctuating. The average ratio of NIBL is higher than NABIL. The higher mean ratio shows that better liquidity position of NIBL. Average ratio of both banks has almost equal ratio. NIBL has a better ability to meet daily cash requirements.
4. The investments on government securities to current assets ratio of NABIL and NIBL have been fluctuating. The mean ratio of NABIL is higher than NIBL. It means NABIL has invested more money in risk free assets i.e government securities than NIBL. So investment of NABIL is safer than NIBL. NIBL has lower investment in risk free asset.
5. The loan and advances to total deposit ratio of both bank NABIL and NIBL is fluctuating. NIBL has higher ratio than that of NABIL. It indicates the better mobilization

of deposit by NIBL as loan and advance. It reveals that the deposit of NIBL is quickly converted in to loan and advance to earn income than NABIL.

6. The total investment to total deposit ratio NABIL and NIBL both the banks is decreasing. It indicates investment from deposit is decreasing. The mean ratio of the NABIL and NIBL are 28.308% and 18.856% respectively, which shows that NABIL has a higher ratio. It signifies that NABIL has successfully allocated its total deposit in investment portfolio.
7. The loan and advances to total assets ratio NABIL and NIBL are constant not so much fluctuating. Average ratio of NIBL has higher ratio than NABIL. It reveals that in total assets of NIBL has more proportion as loan and advances. NIBL has utilized its total assets more efficiently in the form of investments.
8. The investment on government treasury bills to total assets NABIL and NIBL has been fluctuating. The mean ratio of NABIL has higher than NIBL. It means NABIL has invested more assets in risk free assets than NIBL. In another words NIBL has emphasized more on lending and other risky investment than investment in govt. securities.
9. The debt to total equity ratio of NABIL and NIBL are continuously decreasing from. The average debt to equity ratio of NABIL is little higher than NIBL. Its mean NABIL has utilized higher debt capital. Excess amount of debt capital structure results heavy burden in payment of interest.
10. The total debt to total asset ratio of both NABIL and NIBL bank have constant and decreasing form. The average ratio of NABIL is little higher than NIBL. The higher ratio of NABIL indicates more portion of debt capital than NIBL. But average ratio of both banks has almost equal.
11. The total assets to total equity ratio of NABIL and NIBL are also decreasing form. The average ratio of NABIL and NIBL are 13.426 and 12.554 times. The average ratio of NABIL is little higher than NIBL. Equity multiplier of NABIL is little more than NIBL. the proportion of owner's fund to finance for the total assets of NABIL is little higher.
12. The return on loan and advances ratio of NABIL and NIBL has been fluctuating. This both banks show the normal earning capacity in loan and advances and same earning capacity in form of loan and advances. The average ratio of NABIL is higher than NIBL.

Which indicate that return from loan and advance of NABIL is higher than NIBL. NABIL has utilized the loan and advance for the profit generation in earning capacity.

13. The return on its total assets of NABIL has increasing form and NIBL has fluctuating. The average ratio of NABIL is higher than NIBL. So, NABIL seems successful in managing and utilizing the available assets in order to generate revenue.
14. Return on equity ratio of NABIL and NIBL is fluctuating. The average mean ratio of NABIL has higher mean ratio than that of NIBL. So NABIL is generating higher ROE in comparison with NIBL. NABIL has better utilized the equity for the profit generation. The shareholders of NABIL are getting higher return than NIBL.
15. Both NABIL and NIBL banks have increasing total interest earned to total asset ratio, which indicate both banks doing well in interest earning. The mean ratio of NIBL is little more than that of NABIL. NIBL seems effective in interest earning ratio despite having lower asset and interest earning. However both banks performing best in this regards. The average ratio of both banks has almost equal.
16. The interest earned to total outside assets ratio of both bank NABIL and NIBL is increasing beside last year of NIBL during the study period. The mean ratio of NIBL has little higher than NABIL. Here NIBL seems to have more efficiency in generating total interest through well utilizations of outside assets than NABIL.
17. Interest earned to operating income ratio of NABIL and NIBL banks has been increasing beside last year of study period. The NIBL has little higher of total interest earn in its total operating income. Average ratios of both banks have almost equal. The higher ratio of NIBL indicates the high contribution in operating income made by lending and investing activities (core banking activity). The ratio of NABIL is consistency than NIBL. The average ratio of both banks has almost equal.
18. The earning per share of both NABIL and NIBL is fluctuating. NABIL is better in mobilizing resources to get more earning per share (EPS). The average EPS of NABIL and NIBL are 85.884 and 44.86. The EPS of NABIL is higher than NIBL. Higher EPS of NABIL signify higher return to shareholders. Anyway both banks are performing well. NABIL has more consistency in its EPS.
19. Market price of the share of both bank NABIL and NIBL has decreasing trend in its share price besides last year of NABIL. This indicates low performance and expectation from

company. The average market price per share of NABIL and NIBL are Rs 3025 and 1113 Rupee. Average mean price of NABIL is higher than that of NIBL. It indicates that shareholder of NABIL are getting higher price due to having higher EPS. The investor expecting higher return from the company.

20. The price earning ratio of NABIL and NIBL is decreasing. The average ratio of the NABIL and NIBL are 31.764 and 24.38 times. It indicates that for getting Rs 1 as earning, it should invest Rs 31.764 in NABIL and Rs 24.38 in NIBL. The shareholders of NABIL are getting better profitability because they are selling their shares in high price. In short run its better to sale share of NABIL and purchase of NIBL. But from the long term view and sustainable fair price, both banks have equal in opportunity to investment.
21. The coefficient of correlation between deposits and loan and advances of NABIL and NIBL are 0.988 and 0.959. It is shows that both banks have positive relationship between these two variables. The relationship between deposits and lending of NABIL and NIBL are significant.
22. The correlation between total deposit and total investment of NABIL is 0.960 and NIBL is 0.752. The correlation of NABIL has higher than NIBL. This indicates that deposit and investment of both banks moves same direction but not proportionately. The relationship between total deposit and total investment of NABIL is significant whereas insignificant relationship of NIBL.
23. The correlation between loan & advance and net profit of NABIL and NIBL are 0.973 and 0.875. It is positive correlation between these two variables. The NABIL and NIBL both banks have significant relationship between loan & advance and net profit.
24. The correlation between total deposit and net profit of NABIL and NIBL are 0.957 and 0.687. Both banks have positive correlation. The NABIL has significant relationship but NIBL has insignificant. Thus it can be concluded that the degree of relationship between total deposit and net profit of NIBL is lower than NABIL.
25. The trend of total deposit of NABIL and NIBL banks is in an increasing trend. The rate of increment of total deposit for NABIL seems to be aggressive than that of NIBL. NABIL has higher position in collecting deposit than NIBL. Similarly the trend of loan and advances between NABIL and NIBL also increasing trend. The increasing trend of NABIL is higher and aggressive than NIBL. It is clear that both NABIL and NIBL is

mobilizing its collected deposits and other funds in the form of loan and advances. The trend projected to further five year F/Y 2016/17.

26. The trend of total investment of NABIL and NIBL is increasing trend. The trend indicates the investment of NABIL is higher than NIBL. So total investment of NABIL is better than NIBL. The forecasted trend projected that the NABIL has aggressive and higher than NIBL.
27. The trend of Net profit of NABIL and NIBL is increasing. The trend of increasing value of net profit of NABIL is higher and aggressive than NIBL. The net profit of NABIL and NIBL has been increasing every year by Rs. 221.45 million and Rs. 96.02 million respectively. The increment rate of net profit of NABIL is higher than NIBL. NABIL is doing better in order to generate net profit during the projected study period although both NABIL and NIBL have increasing trend.

CHAPTER – V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This research has been carrying out to evaluate and diagnosis of fund utilization of commercial banks. The research is about the comparative study on fund mobilization of NABIL and NIBL. In this chapter, summary conclusion and recommendation are included. All the summary and conclusion are made according to obtained data from analysis. Reference of this research would be beneficial for the management of the bank and other stakeholder.

5.1 Summary

This research has been analyzed the fund utilization of commercial banks. Here two banks have been selected as sample of the study and five year financial statements of respective banks have been used for the study. The study has been divided into five chapters which include introduction, review of literature, research methodology, data presentation and analysis and summary, conclusion and recommendation. This study based in primary and secondary data, with include published annual report and other publication of banks. Other related information was collected from the concerned banks, NRB, NEPSE, Securities Board of Nepal and different websites. The data have been analyzed by using financial and statistical tools.

The research is about comparative study on fund Mobilization of NABIL and NIBL banks. The researcher has identified that research problem and set objectives to solve research problems about fund utilization of sample banks as described in introduction chapter. The main objective of the study is to analyze the fund utilization of sample banks. The specific objectives of the study are: to evaluate various financial ration of NABIL and NIBL, to analyze the sources and uses of funds, to analyze the relationship and trend between deposits, total investment, loan and advance and net profits of NABIL and NIBL and offer suitable suggestions based on findings of this study of NABIL and NIBL. The research is based on secondary source of data. There related literatures have been reviewed for more effective. This section includes conceptual review and review of related studies. In conceptual review includes origin of bank in Nepal, fund collection and mobilization, source of fund, mobilization of fund, feature of sound fund mobilization and importance terminology and review of legislative. In the review of related studies includes review of books, journal and articles and review of previous thesis as well.

Research methodology has been described in third chapter, which is a way to solve the research problems with the help of various tools and techniques. This chapter includes the various financial as well as statistical tools to analyze the data. This chapter includes the research design, population and sample data collection procedure, data period covered and methods of analysis. These studies is mainly conducted on the basis of secondary data collected from annual reports of concern bank, official report, economic journal, financial statement etc.

The presentation and analysis of data has been made comparative analytical and their interpretation has done in chapter four by applying the wide varieties of methodology as stated in chapter three. It includes the various financial and statistical tools. In financial tools various ratio analysis are done which consists current ratio, liquidity ratio, assets management ratio, debt equity ratio, profitability ratio and other ratios. Other ratio includes EPS, MPS and P.E. ratio. Various statistical tools such as arithmetic mean, standard deviation, coefficient of correlation, regression analysis and trend analysis, have been applied to fulfill the objective of this study. The analysis has been done mainly through secondary. The major findings of the study are also included in the final section of the presentation and analysis chapter.

Fund mobilization activities of commercial banks greatly effects the growth and earning of banks. Effective, stable, appropriate fund mobilizing policy may cause the earning of sufficient return to the banks. Most of the commercial banks have been successful to earn profit from effective fund mobilization. Fund mobilizing policy may differ from one bank to another but there is no optimum utilization of shareholders fund to have sufficient return in any bank. Optimum utilization of fund makes better impact on the economy of the nation. Fund mobilization activities must consider customer, national and government as well as its shareholders interest. Thus, this study will be mainly significant to the management of the sampled banks to review their fund mobilization

Fund mobilization means cash flow in the different sectors at profit motive. In the broadest sense, it means the sacrifice of certain current value for future value or possible uncertain value. Fund mobilizing is always related with risks and returns. It is appropriate to state that the objective of fund mobilization is to make a lot of money by recognizing the possible losses. Fund mobilizing policy also involves the identification of the potential categories of financial assets for consideration in the ultimate portfolio.

Main function of commercial banks is collection and mobilization of funds. The success in operation of CBs lies in the extent to which the funds are mobilized banks act as the intermediary of short term, medium term and long term funds. The CBs have to face in several problems from fund collection process to its effective mobilization. As far as possible, wider range of data and information were tried to include in analysis sector. However, there were certain limitations regarding occupying of information and analysis as stated in the objective. In this study two commercial banks namely Nepal Arab Bank Limited and Nepal Investment Bank Limited are chosen for their fund collection and mobilization activities by taking five fiscal year from 2007/08 to 2011/12.

5.2 Conclusions

This research is done with the major objective of fund collection and mobilization of NABIL and NIBL. Here make analyze the utilization of fund in terms of liquidity, asset management, debt equity ratio, profitability and other various ratio of sample banks as well as relevant financial and statistical ratios. Following conclusion has been drawn from the study.

Main source of und is equity and debt capital of banks. For the analysis of liquidity position, the current ratio of NABIL and NIBL have fluctuating trend. The liquidity position of NABIL is higher than NIBL. The average cash and bank balance to total deposit ratio of NIBL has higher than the NABIL. The cash and bank balance to current assets ratio of NIBL is also higher than NABIL. The investments on government securities to current assets ratio of NABIL and NIBL have been fluctuating. The mean ratio of NABIL is higher than NIBL. It means NABIL has invested more money government securities than NIBL. The average loan and advances to total deposit ratio of NIBL has higher ratio than that of NABIL. It indicates the better mobilization of deposit by NIBL as loan and advance. The total investment to total deposit ratio NABIL and NIBL have decreasing. The higher mean ratio of the NABIL signify successfully allocated its total deposit in investment portfolio. The loan and advances to total assets ratio NABIL and NIBL are constant. Average ratio of NIBL has higher ratio than NABIL. The investment on government treasury bills to total assets NABIL and NIBL has been fluctuating. NABIL has invested more assets in risk free assets than NIBL due to having higher ratio.

The debt to total equity ratio of NABIL and NIBL are decreasing from. The average debt to equity ratio of NABIL is little higher than NIBL. Its mean NABIL has utilized higher debt capital. The total debt to total asset ratio of both NABIL and NIBL bank have constant. The higher ratio of NABIL indicates more portion of debt capital than NIBL. But average ratio of both banks has almost equal. The total assets to total equity ratio of NABIL and NIBL are also decreasing form. The average ratio of NABIL is little higher than NIBL. Which indicates equity multiplier of NABIL is little more than NIBL.

In the aspect of profitability ratio the return on loan and advances ratio of NABIL and NIBL has been fluctuating. The average ratio of NABIL is higher than NIBL. The average return on its total assets ratio of NABIL is higher than NIBL. So, NABIL seems successful in managing and utilizing the available assets in order to generate revenue. Return on equity ratio of NABIL and NIBL is fluctuating. The average mean ratio of NABIL has higher so NABIL is generating higher ROE in comparison with NIBL. Both NABIL and NIBL banks have increasing total interest earned to total asset ratio. The average ratio of both banks has almost equal. The interest earned to total outside assets ratio of both bank NABIL and NIBL is increasing beside last year of NIBL. The mean ratio of NIBL has little higher than NABIL. Interest earned to operating income ratio of NABIL and NIBL banks has been increasing beside last year. Average ratios of both banks have almost equal. The higher ratio of NIBL indicates the high contribution in operating income made by lending and investing activities (core banking activity). The earning per share of both NABIL and NIBL is fluctuating. NABIL is better in mobilizing resources to get more earning per share (EPS). The EPS of NABIL is higher than NIBL. Market price of the share of both bank NABIL and NIBL has decreasing trend in its share price. This indicates low performance and expectation from company. The mean price of NABIL is higher than that of NIBL. It indicates that shareholder of NABIL are getting higher price due to having higher EPS. The price earning ratio of NABIL and NIBL is decreasing. The average ratio of the NABIL and NIBL are 31.764 and 24.38 times. It indicates that for getting Rs 1 as earning, it should invest Rs 31.764 in NABIL and Rs 24.38 in NIBL. The shareholders of NABIL are getting better profitability because they are selling their shares in high price. In short run its better to sale share of NABIL and purchase of NIBL.

In the aspect of statistical analysis the correlation between deposits and loan and advances of NABIL and NIBL are positive by 0.988 and 0.959. The relationship between deposits and lending of NABIL and NIBL are significant. The correlation between total deposit and total investment of NABIL is positive. The correlation of NABIL has higher than NIBL. This indicates that deposit and investment of both banks moves same direction but not proportionately. The relationship between total deposit and total investment of NABIL is significant whereas insignificant relationship of NIBL. It is positive correlation between loan & advance and net profit of NABIL and NIBL. The NABIL and NIBL both banks have significant relationship between loan & advance and net profit. The correlation between total deposit and net profit of NABIL and NIBL are 0.957 and 0.687. Both banks have positive correlation. The NABIL has significant relationship but NIBL has insignificant. The trend of total deposit of NABIL and NIBL banks is in an increasing trend. The rate of increment of total deposit for NABIL seems to be aggressive than that of NIBL. Similarly the trend of loan and advances between NABIL and NIBL also increasing trend. The increasing trend of NABIL is aggressive than NIBL. The trend of total investment of NABIL and NIBL is increasing trend. The trend indicates the investment of NABIL is higher than NIBL. So total investment of NABIL is better than NIBL. The forecasted trend projected that the NABIL has aggressive and higher than NIBL. The trend of Net profit of NABIL and NIBL is increasing. The trend of increasing value of net profit of NABIL is higher and aggressive than NIBL. The net profit of NABIL and NIBL has been increasing every year by Rs. 221.45 million and Rs. 96.02 million respectively. The increment rate of net profit of NABIL is higher than NIBL.

5.3 Recommendation

Based on the analysis and finding of the study, the following recommendations can be made as suggestions to make the fund mobilization NABIL and NIBL effective and efficient. This would help to draw some outline and make reform in the respective banks.

- Generally, banks have to maintained liquid assets. The current ratio of NABIL is considerable where NIBL has little low. The liquidity position affects external and internal factors such as prevalent investment situations, central bank requirements and so on. So, it is recommended to maintain sound liquidity position to NABIL and NIBL.

- Government securities such as Treasury bills, Development bonds, saving certificates etc. are risk less investment alternatives because they are free of default risk as well as liquidity risk and can be easily sold in the market. In this research study, it has found that both banks NIBL and NABIL have made some amount of fund in Government securities. But NIBL has found little lower. So it's recommended to NIBL invests more funds in Government securities instead risky lending.

- Both the banks, NABIL and NIBL, had followed the conservative policy of fund collection, which meant that the internal financing was comparatively very lower than debt financing, so it would be better if both the banks adopt moderate policy.

- Considering the growth position of financial market, the lending policy management capabilities, strategic planning and fund flow situation, bank should maintain enough liquid assets to pay short-term obligations. So, it is recommended to maintain sound liquidity position to NABIL and NIBL.

- To get success in competitive banking environment, deposit must be utilized as loan and advances. The largest item of bank assets side is loan and advances. So both bank NABIL and NIBL recommended to follow liberal lending policy and to invest appropriately.

- EPS and DPS play a vital role to determine the market price of the share and also indicate the financial performance of banks. Higher EPS and DPS indicate the banks' sound financial position that would help them satisfy their stakeholders. NABIL is better than NIBL. Anyway both bank recommended to increase in this regards.

- Political instability directly affected the economic sector such as hotel and tourism, manufacturing and trading sector. Bank loan and advances are decreasing in this sector. So banks should give priority to these sectors as well as create new investing sector to mobilize its fund.

- In long term debt, NABIL collected fund through debenture capital mostly and NIBL collected fund through long term borrowing mostly. It would be better if both the banks implement portfolio while collecting fund through long term debt

- There is no credit rating agency in Nepal. Banks have to rely heavily on information given by central bank for analyzing credit worthiness. So in order to separate good loans from bad loans and to ultimately reduce the level of non performing assets, NABIL and NIBL should take some initiative by themselves to use some kind of internal credit scoring system that would evaluate the loan applications.

- Growth of the commercial banks helps to develop the economic growth of the country. So the service of the commercial banks should be expanded in the country through collection of idle saving from each nook and should be utilized for income generation purpose. Government should encourage the commercial banks to expand banking service in rural areas and communities without making unfavorable impact in their profit.

- Banks should develop an innovative approach to marketing and formulate new strategies of serving customers in a more convenient and satisfactory way by optimally utilizing the modern technology and offering new facilities to the customers at competitive prices. Banks are also required to explore new market areas. For this purpose, it is recommended to form a strong market department in central level, which deals with the banking products, places, price and promotion.

- In conclusion, NABIL has better performance than NIBL. But both banks are doing well. So both banks should keep up with its growth trend to give strong competition to other banks. In the light of growing competition in the banking sector, both bank NABIL and NIBL should be customer oriented. It should strengthen and activate its marketing function as it is an effective tool to attract and retain the purposive customers.

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Appendix - 1

A) Trend Analysis of Nabil Bank Limited

Year(x)	**Total Deposit (Y)**	**X = x-2009/10**	**X^2**	**XY**
2007/08	31304.82	-2.00	4.00	-62609.64
2008/09	37348.26	-1.00	1.00	-37348.26
2009/10	46340.7	0.00	0.00	0.00
2010/11	49696.11	1.00	1.00	49696.11
2011/12	54905.68	2.00	4.00	109811.36
Tot n= 5	$\sum Y = 219595.57$	$\sum X = 0$	$\sum X^2 = 10$	$\sum XY = 59549.57$

Source: Annul Report of Nabil Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Where x = X - Middle year

$$a = \frac{SY}{N}$$

$$b = \frac{SXY}{SX^2}$$

NABIL

a = 43919.11

b = 5954.96

Where as

Yc = 43919.11+5954.96*X of NABIL

B) Trend Analysis of Nepal Investment Bank Limited

Year(x)	**Total Deposit (Y)**	**X = x-2009/10**	**X^2**	**XY**
2007/08	34452	-2.00	4.00	-68904.00
2008/09	50094.73	-1.00	1.00	-50094.73
2009/10	50138.12	0.00	0.00	0.00
2010/11	50138.12	1.00	1.00	50138.12
2011/12	57010.6	2.00	4.00	114021.20
Tot n= 5	∑Y = 241833.57	∑X = 0	$\sum X^2 = 10$	∑XY = 45160.59

Source: Annul Report of Nepal Investment Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Where x = X - Middle year

$$a = \frac{SY}{N}$$

$$b = \frac{SXY}{SX^2}$$

NIBL

a = 48366.71

b = 4516.06

Where as

Yc = 48366.71+4516.06*X of NIBL

Appendix - 2

A) Trend Analysis of Nabil Bank Limited

Year(x)	**Loan and advances (Y)**	**X = x-2009/10**	X^2	**XY**
2007/08	21365.05	-2.00	4.00	-42730.10
2008/09	27589.93	-1.00	1.00	-27589.93
2009/10	32268.87	0.00	0.00	0.00
2010/11	38034.09	1.00	1.00	38034.09
2011/12	41605.68	2.00	4.00	83211.36
Tot n= 5	$\sum Y = 160863.62$	$\sum X = 0$	$\sum X^2 = 10$	$\sum XY = 50925.42$

Source: Annul Report of Nabil Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Where x = X - Middle year

$$a = \frac{SY}{N}$$

$$b = \frac{SXY}{SX^2}$$

NABIL

a = 32172.72

b = 5092.54

Where as

Yc = 32172.72+5092.54*X of NABIL

B) Trend Analysis of Nepal Investment Bank Limited

Year(x)	Loan and advances (Y)	X = x-2009/10	X^2	XY
2007/08	27529	-2.00	4.00	-55058.00
2008/09	36827.16	-1.00	1.00	-36827.16
2009/10	40318.31	0.00	0.00	0.00
2010/11	41095.51	1.00	1.00	41095.51
2011/12	41636.99	2.00	4.00	83273.98
Tot n= 5	$\sum Y =$ 187406.97	$\sum X = 0$	$\sum X^2 = 10$	$\sum XY =$ 32484.33

Source: Annul Report of Nepal Investment Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Where x = X - Middle year

$$a = \frac{SY}{N}$$

$$b = \frac{SXY}{SX^2}$$

NIBL

a = 37481.39

b = 3248.43

Where as

Yc = 37481.39+3248.43*X of NIBL

Appendix -3

A) Trend Analysis of Nabil Bank Limited

Year(x)	Total Investment(Y)	X = x-2009/10	X^2	XY
2007/08	9939.77	-2.00	4.00	-19879.54
2008/09	10826.38	-1.00	1.00	-10826.38
2009/10	13670.92	0.00	0.00	0.00
2010/11	13081.21	1.00	1.00	13081.21
2011/12	14076.85	2.00	4.00	28153.70
Tot n= 5	∑Y= 61595.13	∑X=0	$\sum X^2 = 10$	∑xy = 10528.99

Source: Annul Report of Nabil Bank Limited

Y= a + bx

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Where x = X - Middle year

Here,

$a = \frac{SY}{N}$

$b = \frac{SXY}{SX^2}$

NABIL

a = 12319.03

b = 1052.90

Where as

Yc = 12319.03 + 1052.90*X of NABIL

B.) Trend Analysis of Nepal Investment Bank Limited

Year(x)	Total Investment(Y)	X = x-2009/10	X^2	XY
2007/08	6874.02	-2.00	4.00	-13748.04
2008/09	8635.53	-1.00	1.00	-8635.53
2009/10	7423.11	0.00	0.00	0.00
2010/11	7423.11	1.00	1.00	7423.11
2011/12	10438.49	2.00	4.00	20876.98
Tot n= 5	∑Y= 40794.26	∑X=0	$\sum X^2 = 10$	∑xy = 5916.52

Source: Annul Report of Nepal Investment Bank Limited

Y= a + bx

Where,

Y Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Where x = X - Middle year

Here,

$$a = \frac{SY}{N}$$

$$b = \frac{SXY}{SX^2}$$

NIBL

a = 8158.85

b = 591.65

Where as

Yc = 8158.85 + 591.65*X of NIBIL

Appendix - 4

A) Trend Analysis of Nabil Bank Limited

Year(x)	**Net Profit (Y)**	**X = x-2009/10**	**X^2**	**XY**
2007/08	746.47	-2.00	4.00	-1492.94
2008/09	1031.05	-1.00	1.00	-1031.05
2009/10	1139.1	0.00	0.00	0.00
2010/11	1337.75	1.00	1.00	1337.75
2011/12	1700.38	2.00	4.00	3400.76
Tot n= 5	$\sum Y = 5954.75$	$\sum X = 0$	$\sum X^2 = 10$	$\sum XY = 2214.52$

Source: Annul Report of Nabil Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Where x = X - Middle year

$$a = \frac{SY}{N}$$

$$b = \frac{SXY}{SX^2}$$

NABIL

a = 1190.95

b = 221.45

Where as

Yc = 1190.95 +221.45* X of NABIL

B.) Trend Analysis of Nepal Investment Bank Limited

Year(x)	Net Profit (Y)	X = x-2009/10	X^2	XY
2007/08	697	-2.00	4.00	-1394.00
2008/09	900.62	-1.00	1.00	-900.62
2009/10	1265.95	0.00	0.00	0.00
2010/11	1176.64	1.00	1.00	1176.64
2011/12	1039.28	2.00	4.00	2078.56
Tot n= 5	$\sum Y = 5079.49$	$\sum X = 0$	$\sum X^2 = 10$	$\sum XY = 960.58$

Source: Annul Report of Nepal Investment Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……………………. (I)

Where x = X - Middle year

$$a = \frac{SY}{N}$$

$$b = \frac{SXY}{SX^2}$$

NIBL

a = 1015.90

b = 96.06

Where as

Yc = 1015.90 + 96.06* X of NIBL