

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

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

Investment policy is an important ingredient of overall national economic development because it ensures efficient allocation of fund to achieve the material and economic well being of the society as a whole. In this regards joint venture bank investment policy push drives to achieve priority of commercial sector in the context of Nepal's economic development. The general principle is that the investment can be retired when cash is needed. The decision to investment now is the most crucial decision as the future level of wealth is not certain. Time and risk are the two conflicting attributes involved in the investment decision. The term investment covers a wide range of activities. It is commonly known fact that an investment is only possible where there is adequate saving. Therefore both saving and investment are interrelated.

Decision of investment is very tough one for any business role. For this they have to pay a lot of consideration before taking any action. A healthy development of any bank depends heavily upon its investment policy. A good investment policy attracts borrows and lenders which helps to increase the volume and quality of deposit, loan and investment. Several principal have to be followed for providing loan in a commercial bank such as length of time, purpose of loan, profit margin, security etc. these fundamental principal of commercial banks investment are fully considered while making investment policy. Every financial institution should take full care while preparing

investment functions. Investment policy should insure minimum risk and maximum return.

1.1.1 Joint Venture Bank of Nepal

Joint venture banking scenario of Nepalese financial sector is not so long. After the establishment of democratically elected government, it introduces liberal and market oriented economic policy which facilitated the establishment of joint venture banks and pointed a new horizon to the financial sector of Nepal. Nepal Arab Bank Limited. (NABIL Bank Ltd) is the first joint venture bank of Nepal. It was established in 1984 A.D. Joint venture with United Arab Emirates Bank, under company act 1964 A.D. Then other two joint venture banks Nepal Indosuez bank Ltd. (Nepal investment Bank Ltd.) with Indosuez Bank of finance and Nepal Grindlays Bank of London were established in 1986 A.D. Himalayan Bank Limited joint venture Bank of Pakistan and Nepal SBI Bank Ltd. With state bank of India was established in 1993 A.D. Everest Bank Ltd. Joint venture with Punjab National Bank India (early it is joint venture ventured with United Bank of India Calcutta) and Nepal Bangladesh Bank Ltd. With IFIC Bank of Bangladesh are established in 1991 A.D. Bank of Kathmandu joint ventured with SIAM commercial Bank Public Co. Thailand was established in 1995 A.D. and Nepal Bank of Ceylon joint ventured with Ceylon Bank of Sri-lanka was established in 1997 A.D. All of these banks briefly follow the policies of Nepal Rastra Bank. But at present there are six joint ventures banks in Nepal which are listed in table 1.1

Joint venture banks pose a serious challenge to the existence of the inefficient native banks. But the same challenge can be taken by the domestic banks as an opportunity to modernize themselves and sharper their competitive zealous. It is undoubtedly true that the JVBs are already paying an increasingly dynamic and vital role in the economic development of the country (Sharma, 1919:30).

“At present the financial institution of the country has been effortful to mobilize resources on one hand, the major part of the few individual where as the small traders and entrepreneur is facing difficulties to receive loans on the other. The only solution of this problem is to encourage competition in the banking sector. Therefore a policy of allowing

new commercial banks under joint venture with foreign collaboration has been adopted; this will promote competition among banks whereby the clients will get unproved facilities addition, the share of these new banks will also be sold to the general public and while distributing the share, it will be ensured that the ownership is spread out to the maximum extent possible” (Sharma, 1998:37).

Table 1.1
List of Licensed Joint Venture Banks of Nepal

S.N.	Name of Banks	Est. Date (B.S.)	Operation Date	Head Office
1.	Himalayan Bank Ltd.	2049/10/05	2049/10/05	Kathmandu
2.	Everest Bank Ltd.	2051/07/01	2051/07/01	Kathmandu
3.	NABIL Bank Ltd.	2041/03/29	2041/03/29	Kathmandu
4.	Standard Chartered Bank Nepal Ltd.	2043/10/16	2043/10/16	Kathmandu
5.	Nepal Bangladesh Bank Ltd.	2050/02/23	2050/02/23	Kathmandu
6.	Nepal SBI Bank Ltd.	2050/03/23	2050/03/23	Kathmandu

Source www.nrb.org.np

In such manner, joint venture banks are successful to bring healthy competition among banks, increase in foreign investment, promoted and expand export-import trade introduce new techniques and technologies. The various roles plays by the joint venture banks in Nepal can be classified into three categories. The joint venture banks in Nepal have been largely responsible for the introduction of new banking technique such as computerization, hypothecation, consortium finance, fee based activities and syndicating under the foreign exchange transaction by importers and exporters, merchant banking, inter banking market for the money and securities, arranging foreign currency loans etc.

The introduction of joint venture banks also brings the benefit of healthy competition of which the main beneficiaries are the bank customers and the economy. The increases in competition also force the existing banks to improve their qualities of services by simplifying procedures providing training and motivation to their own staff to respond to the new challenge. When looking at the possibility of investing in Nepal, multinational companies are unfamiliar with the local rules, regulations and practices though there are

many systems actually operate during the implementation period. In this context, the joint venture banks help the multinational companies to build up their confidence for investment by providing necessary information and financial support. Hence the joint venture banks play the pivotal role for the economic development of country by providing various new financial services to modernize traditional Nepalese banking system.

1.1.2 Focus of the Study

Bank is a business organization that receives and holds deposits of fund from other, makes loan or extends credit and transfer funds by written order of depositors. Bank has played a pivotal role in the uplifting the economic growth of the country is very important. It facilitates the growth of trade and industries and other sector of the national economy. 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 from profit motive. Investment in its broadest sense means, 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 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 point of view. But it needs the terms of investment in financial point of view as related to this study” Gulsan and Gulsan, (1994).

The problem of investor is to select the funds whose objectives and degree of risk taking most closely match is own situation- the one that will accomplish for him what he would

wish to do for himself if he could diversify and manage his own holdings (Encyclopedia Britannica, 1990:488).

Investment is the use of money to earn income or profit. The terms also refer to the expenditure of funds for capital goods – such items as factories, farm, equipment, livestock and machinery. Capital goods are used to produce other goods or services. Many people invest part of their income for future financial gain. Others make investments to protect the purchasing power of their savings against rising prices.

Investment policy is an important ingredient of overall national economic development because it ensures efficient allocation of fund to achieve the materials and economic well being of the society as a whole. In this regard, Joint Venture banks investment policy pushes to drive to achieve priority of commercial sector in the field of Nepal's economic development.

The research focuses on the comparative study of fund mobilization and investment pattern of joint venture banks of Nepal. These three banks are compared as their fund mobilization procedure by taking 5 years data from 2007/08 to 2011/12.

1.1.3 Introduction of Joint Venture Banks under Study

Nabil Bank Limited (NABIL)

Nabil Bank Ltd, the first foreign joint venture bank of Nepal, started in 12th July 1984 (29th Ashad 2041). NABIL was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, NABIL provides a full range of commercial banking services through its 19 point of representation across the kingdom and over 170 reputed corresponding banks across the global.

NABIL, as pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective

while doing business. Operation of the bank including day to day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes ATM's, credit cards, state of art and world renowned software from Infosys Technology system, Bangalore, India, Internet Banking system and Tele Banking system.

Everest Bank Limited (EBL)

Everest bank was registered under the company Act 1964 in 19th November 1993 and started banking transaction in 16th October 1994. The promoter of the bank decided to join hands with an Indian bank and entered into joint venture agreement in January 1997 AD with Punjab National Bank (PNB). Now the banks have 14 branches including main branches (i.e. head office) in Nepal.

On equity holding PNB has 20% equity participation in its total shareholding and also has undertaken management responsibility under a technical service agreement and other balance is maintain by Nepalese promoter holding 50%, Punjab National Bank holding 20% and rest 30% held by Genera Public. The main purpose of EBL is to extend professional banking services to various sectors of the society in the kingdom of Nepal and thereby contributing in the economic development of the country.

Everest Bank Limited was the first bank to introduce Any Branch Banking System (ABBS) in Nepal. All the branches of the bank are connected with ABBS which enables the customers to do all their transaction from any branches other than where they have their account. Everest Bank has introduced the Mobile Vehicle Banking System to see the segment deprives of proper banking facilities through Birtamod branch, which is the first of its kind.

Standard Chartered Bank Nepal Limited (SCBNL)

Standard chartered Bank Nepal Limited (earlier known as Nepal Grindlays Bank Ltd) came into existence in 2043(1987) as a joint venture between ANZ Grindlays and Nepal Bank Ltd. After acquiring of the Grindlays operation in the region by standard chartered in July 2001, it has become a subsidiary of standard Chartered London, which holds 75%

of shareholding in the company with remaining 25% held by the public shareholders. The bank enjoys the status of the largest international bank currently operating in Nepal.

The bank places a great emphasis on being equipped with the best human resources so as to continue to be the leader of the industry. To improve the skills and knowledge of the staff, the bank continues to provide development programs, including on its customers through its nationwide networks.

The global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking in Nepal with 18 points of representation and 23 ATMs across the kingdom and with more than 400 staffs. SCBNL is in position to serve its customers through a large domestic network. The bank believes “A satisfied customer is our most valuable Award”. The bank has been the pioneer in introducing customer focused products in delivering superior services. It is the first bank in Nepal that has implemented the Anti- Money Laundering policy and applied the know Your Customer procedure on all customer accounts.

1.2 Statement of the Problem

The establishment of joint venture banks, enforcement of priority sector and productive sectors lending policies of Nepal Rastra Bank to financial institutions does not seem to have an appreciative impact.

Nepal being listed among least developed countries, joint venture banks has played a catalyst role in the economic growth. Its investment range is from small- scale cottage industries to large industries. In making investment in loans and government securities one may always wonder which investment is better. The researcher Paul S. Anderson, William Siber, Tim S. Campbell and many others have compared the contribution of loans and advances and the investment on securities on securities on the national income.

It can be therefore hypothesized that bank portfolio variables like loans, investments, cash reserve, deposit and borrowing affects the national income. And also how the government policy affects these variables, such as the effect of an interest on the bank

portfolio variables is great concern. Therefore, when monitoring money and credit conditions, the central bank has to keep an eye on the bank portfolio behavior.

Nepalese joint venture banks have not formulated their investment policies in organized manner. They mainly rely upon the instructions and guidelines of Nepal Rastra Bank. They don't have clear view towards investment policy further more. The implementation of policy is not in an effective way.

Thus the present study will make a modest attempt to analyze investment policy of Everest Bank Ltd comparing with NABIL Bank and Standard Chartered Bank Nepal Ltd. The problem specially related with investment functions of these banks, which can be presented briefly as under:

- Joint venture banks are efficient but how far are they efficient?
- State the relationship of investment and loans & advances with total deposits and total net profits.
- Whether these commercial banks able to meet obligations or not?
- Are they maintaining sufficient liquidity position?
- Effective and efficient fund mobilization and investment policy between Everest bank ltd., NABIL Bank ltd. and Standard Chartered Bank Nepal ltd.
- Is investment strategy successful to utilize its available fund or not.

1.3 Objectives of the Study

The main objective of the study is to examine and evaluate the fund mobilization and investment pattern of Everest Bank Ltd, NABIL and Standard Chartered Bank Ltd. To achieve the main objective the following objectives are considered in the study.

- To study and analyze fund mobilization and investment pattern of selected joint venture banks.
- To evaluate the liquidity, efficiency, profitability and risk position of selected joint venture banks.
- To study and analyze the relationship between total deposit and net profit.

- To study and analyze the relationship between total deposit and loan and advance.
- To provide packages of workable suggestions and possible guidelines to improve fund mobilization and investment pattern of these joint venture banks based on the major findings of the study.

1.4 Significance of the Study

Joint venture banks in developing countries like Nepal have the greatest responsibility towards the economic development of the country. “In the present day world in the developed and developing money economies, the vital process of production and consumption are significantly affected by the aggregate money supply consisting of the currency, demand and time deposit with banks” (Vanish, 1996:254) in modern times, since credit or bank money or credit rather than changes in the total supply of the high powered money issued by the reserve held by the bank against their deposit liabilities that account for changes in the aggregate money supply. Gone are the old days when commercial banks were regarded as merely purveyors of money but are also the creators or manufactures of money in the system. It is the banks that set the tempo of the aggregate economic activity in the system. The main goal of the banks as a commercial organization is to maximize the surplus by the efficient use of its funds and resources. In spite of being a commercial institution, it too has a responsibility (obligation) to provide social service oriented contribution for the socio-economic enlistment to the country by providing specially considered loans and advancement towards less privilege sectors.

The proper mobilization and utilization of domestic become indispensable for any developing country aspiring for a sustainable economic development and there is no doubt that joint venture banks have a pivotal role in the collection of dispersed small savings of the Nepalese people and transforming them into meaningful capital investment. The success and prosperity of the bank relies heavily up in the successful investment of collected resources to the imported sector of economy. Successful formulation and effective implementation of investment policy is the prime requisite for the successful performance of joint venture bank. Good investment policy has a positive

impact on economic development of the country and vice versa. So the investment policy of joint venture banks should be in accordance with the spirit of the economic upliftment of the people.

The scope of this study lies mainly in filling a research gap on the study of investment policy of joint venture banks of Nepal. This study is basically confined to reviewing the investment policy of joint venture banks in the five years period. The study is expected to provide useful feedback to the policy makers of joint venture and commercial banks of Nepal and also to the government and central bank (NRB) in formulating appropriate plans and policies for the improvement of performance of these banks. The study may also be useful to the person who is interested to do research in banking sector.

1.5 Limitations of the Study

As every study has been conducted within certain limitations, thus the present study has the following limitations.

- This study concentrates only on those factors they are related with investment and fund mobilization.
- Mostly secondary data have been analyzed. Only a period of five years trend is considered i.e. fiscal year 2007/08 to 2011/12.
- The truth of the research is based upon the available data from the bank.
- Everest bank Ltd with NABIL and Standard Chartered Bank Ltd will be taken in order to compare.
- Only limited financial tools and technique are used for analysis, so this study may not be sufficient for depth analysis.

1.6 Organization of the Study

The study is organized into five chapters as summarized below:

Chapter I- Introduction

This chapter deals with subject matters of the study consisting background of the study, focus of the study, statement of the problems, objective of the study and significance of the study.

Chapter II- Review of Literature

This chapter deals with review of the different literature of the study field. Therefore it includes conceptual framework along with the review of major books journal research work and thesis etc.

Chapter III Research Methodology

This chapter deals with research methodology and it includes research design, nature and source of data, method of data collection and method of analysis.

Chapter IV- Data Presentation and Analysis

This chapter deals with analysis and interpretation of the data using financial, mathematical and statistical tools describe in chapter three. Similarly this chapter also includes the major findings of the study.

Chapter V Summary, Findings, Conclusion and Recommendations

This chapter deals with summary of the study held, the conclusion made ultimately and the possible suggestions.

CHAPTER – II

REVIEW OF LITERATURE

This chapter is basically concerned with review of literature relevant to the topic. 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, research works, and relevant study on this topic, review of journals and articles and review of thesis work performed previously.

2.1 Conceptual Review

2.1.1 Concept of Investment

Generally investment means purchase of paper assets i.e. shares, bonds, debentures, convertibles etc by postponing present consumptions for future. “Investment is defined simple to be sacrifice of current consumption for future consumption whose main objective is to maximization of wealth. Investment decision is affected to different elements i.e. time, return and risk. The sacrifice of consumptions means investor is willingness to earn more money and ready for taking risk, but how much long taking risk and time respectively depended upon the investor’s nature. Investment generally involves real assets or financial assets. Real assets are tangible, material things and financial assets involve contract written on piece of papers such as common stocks, bonds and debentures. Financial assets are bought and sold in organized security market” (Francis, 1983:1) investment decisions are taken within the framework provided by the complex of financial institutions and intermediaries, which together comprise the capital market. “Capital market means anybody of individuals, whether incorporated or not, constituted for the purpose of regulating or controlling the business of buying, selling or dealing in securities” (Bhalla, 1983:21). It is just the market for capital funds. The word capital used in this context implies a long- term need for the part of the borrower. Both lenders and borrowers coming together in capital market to play effective financial intermediary role in primary and secondary market through the use of various long- term capital market intermediaries. It has a vital role in promoting efficiency and growth. It intermediates the

flow of funds from them who wants to save a part of their income from those who want to invest in productive assets. It is that market, which provides the mechanism for channeling current saving into investment in productive facilities that is for allocating the country's capital resources among alternative used. In effect the capital market provides an economy's link with the future, since current decisions regarding the allocation of capital resources are a major determining factor of tomorrow's output. The crucial role is played by the capital market in shaping the pattern and the growth of real output imparts a social significance to individual investment and portfolio decisions. Till about two decades ago, a large part of household saving was either invested directly in physical assets or put in the bank deposits and government small savings schemes. It is only since the restoration of democracy in 1990, that the equity market has started to play a role in this intermediation process.

“Real investment generally involves some kinds of tangible assets such as land, machinery or factories. Financial investment involves contracts written on pieces of paper such as common stock and bonds. In the primitive economic most investment is of the real variety, where as in a modern economy much investment is of financial variety” (Sharpe, Alexander and Bailey, 1998:2).

Investment and investing is a word of many meaning. There are basically three concept of investment.

- An economist definition of investment, economic investment typically includes net addition net addition of capital stock of society for example building equipment and inventory.
- Investment is more general or extended term is used by the man on the street which usually refers to money commitment of some short.
- Financial investment, which means the exchange of some financial claim- stock and bonds real estate mortgage etc.

Investment choice or decision is found to be the outcome of three different but related classes of factors. The first may be described as factual or information premise. The

factual premise of investment decision is provided by different sources of data, which provide an insight of the environmental condition and particular feature of the organization. The second class of factor entering in the investment decision may be described as expectation premise. Expectation relation to the outcomes or alternative investment is subjective and hypothetical in any case, but their foundation is necessarily provided by the environmental and financial fact available to investor. The third and final class of factor may be described as valuation premises. This comprises the structure of subjective preference for the size and regularity of the income received.

2.1.2 Investment Process

Investment process describes how an investor makes decision about what securities to invest in how extensive these investment should be and when they should be made. Following steps are procedure for making these decisions from the basic of the investment process.

- Set investment policy
- Perform security analysis
- Construct a portfolio.
- Revise a portfolio.
- Evaluate the performance of portfolio.

2.1.3 Investment Policy

Simply, the investment is defined as spending or setting aside money for future financial gain. For an individual, investment might include purchase of financial assets like bonds, mutual funds or life insurance. Investment can also include the purchase or real assets like building, machinery or its human capital that is a skilled educated labor forces.

“Investment policy fixes responsibilities for the investment disposition of the bank assets in term if allocation funds for investment and loan establishing responsibility for day to day management of those assets” (Ahuja, 1994). “In investment decision expenditure and benefit should be measured in cash. In investment analyses, cash flow is more important than accounting profit. It may also be pointed out that the investment decision affects the

firm value. The firm's value will increase if investments are profitable and add to the shareholders wealth. Thus, investments should be evaluated on the basis of criteria, which is compatible with the objectives of shareholder's wealth, if it yields in excess of the minimum benefit as per the opportunity cost of capital" (Pandey, 1999:407).

2.1.4 Features of a Sound Lending and Investment Policy

The income and profit of the bank depends upon its lending procedure, lending policy and investment of its fund in different securities. The greater the credit created by the bank the higher will be the profitability, but also crucially significant for the promotion of commercial savings of a backward country like Nepal.

Some necessities for sound lending and investment policies, which most of the banks must consider, have given by many authors as under.

1) Safety and Security

The bank should never invest in those securities, which are subject to much depreciation and fluctuations because a little difference may cause a great loss. It must not invest in funds into speculative businessman who may be bankrupt at once and who may earn millions in a minute also. The bank should accept that type of securities, which are commercial, durable, marketable and high market prices. In the cases "MAST" should be applied for the investment.

Where

M = Marketability

A = Ascertain ability

S = Stability

T = transferability

2) Profitability

A commercial bank can maximize its volume of wealth through maximization of return on their investments and lending. So, they invest their funds where they gain maximum profit of commercial bank depends on interest rate, volume of loan, its time period. The

profit of commercial bank depends on interest rate, volume of loan, its time period and nature of investment in different securities.

3) Liquidity

People deposit money at the bank in different account with confidence that the bank will repay their money when they need. To maintain such confidence of the depositors, the bank must keep this point in mind while investing as excess funds in different securities or at the same time of lending. So that it can meet current or short term obligations when they become due for payment.

4) Purpose of Loan

Why is a customer in need of loan? This is very important question for any banker. If borrower misuses the loan granted by the bank, they can never repay and bank will possess heavy bad debts. Detailed information about the scheme of the project or activities would be examined before lending.

5) Diversification

The bank should be always careful not to grant loan in only one sector. To minimize risk, a bank must diversify its investment on different sectors. Diversification of loan helps to sustain loss according to the law of average because if securities of a company deprived, there may be appreciation in the securities of other companies. In this way, the loss can be recovered.

6) Tangibility

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

7) Legality

Illegal securities will bring out many problems for the investor. A commercial; bank must follow the rules and regulation as well as different directions issued by Nepal Rastra Bank, Ministry of Finance, and Ministry of law and other while mobilizing its funds.

8) Suitability

Bank should always know that why a customer's needs loan because if the borrower misuses the loan granted by the bank, he will never be able to repay the loan. In order to avoid such circumstances, advances should be allowed to select the suitable borrowers and it should demand all the essential detailed information about the scheme of the project in which the bank is lending for. Bank must keep in mind the overall development plans of the nation and the credit policy of the concerned authority i.e. Central Bank.

2.2 Review of Previous Studies

2.2.1 Review from Journal/ Articles

In this section, effort has been made to examine and review of some related articles in different economic journals, World Bank discussion papers, magazines and other related books.

Mouris (1990) in this article, "*Latin America's Banking System*" reserve requirements, credit allocation and interest while analyzing loan portfolio quality, operating efficiency and soundness of bank investment has largely been overlooked. The huge losses now found in the bank's portfolio in many developing countries are testimony to the poor quality of this oversight investment function. He further adds that mismanagement in financial institutions has involved inadequate and overoptimistic loan appraisal, tax loan recovery, high risk diversification of handling and investments, high risk concentration, connected and insider lending, loan mismatching. This has led many banks of developing countries to the failure in 1990's.

Pradhan (1991) in this article "*Nepal ma Banijya Bank Upalabdhi Tatha Chunanti*" concluded some major issue in local banks in comparison to recently established joint ventures banks. The study deals with the whole banking system of Nepal in respect to their performance and profitability. Some of his findings relevant to this study are given as:

The deposit collection rate of local banks is very poor in comparison to JVBs. The patterns of deposits are also different between these banks. The ratio of current deposits in local

banks is 9.34% only, where the same as the joint venture bank is 52.5%. but the fixed deposit ratio is very high in local banks.

Ghimire (1999) has mentioned in his article "*Banijya Bank Haru Prathamikta Chhetrama Laganu Garna Bhandha Harja Tirna Tayar.*" Most of the banks of Nepal are ready to pay the penalty in spite of investing on rural sector, poverty stricken and deprived areas. In the directives of NRB it is clearly mentioned and directed that all the banks should invest 12% of its total investments to the priority sectors. Out of this 12%, they should invest 3% to the lower level class of countrymen. However these banks are unable to meet the requirement of NRB.

In the light of above foreign joint venture banks use to justify that they don't have any network among these areas. So if investment will be made in these areas, operational cost will be very high, which exceeds the penalty. If investment won't be made. That is why they are interested in paying penalty than investing in priority sector.

Sharma (2002) has found the same results that the all commercial banks are establishing and operating in urban areas. In this study, "*Banking the Future on Competition*" the achievements are as follows:-

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

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

According to him, "Due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal and on personal guarantee, whose negative side effect would show colors only after four or five years. "He has further included that private

commercial banks have mushroomed only in urban areas where large volume of banking transaction and banking activities are possible.

Dhakal (2005) published his article in the Himalayan Times “*On Banks go Slow on Offering Loans.*” In this article he has explained about the loans distribution from saving in pokhara which is only of their savings. He has explained that commercial banks and finance institutions are issuing only half of their saving as loans in Pokhara. According to NRB, Pokhara these institutions had a deposit of Rs 12 million and Rs 148.1 million at the end of last fiscal year but they had invested only Rs 6 million and Rs 611.826 million. The ongoing conflict and instability are being accused as behind this imbalance as businessman and financial bodies don't have gurantee of good return.

2.2.2 Review from Previous Thesis

Joshi (2003) conducted a study on "*A Comparative Study on Investment Policy of SCBNL and EBL*" with the research findings of the study were.

- Both banks have lower current ratio than one, liquidity position of EBL is better than SCBNL.
- SCBNL has invested more in government securities than EBL.
- EBL is success to mobilize its total deposits as 1 & advances and acquiring high profit in comparison to SCBNL.
- Profitability position of SCBNL is in better position than EBL.
- SCBNL has comparatively low degree of liquidity risk and credit risk than EBL.
- The growth rates of SCBNL are lower than EBL due to total deposit collection of SCBNL. While loan and advances, investment and net profit is higher since the beginning period with compare to EBL.
- Both SCBNL & EBL have significant positive relationship between total deposit and loan and advances, deposit and total investment and outside assets and net profit.
- Both banks have followed the policy of maximizing the investment.

Rana (2004) has conducted thesis research on “*An Investment Policy of Joint Venture Banks in Nepal*”. The major findings are as follows:

The mean ratio of investment of government securities to current assets of NB has been found lower than that of the other banks. Whereas SCBNL has highest mean ratio in comparison with other banks, likewise NB’s ratios are less homogenous.

The mean ratio of total investment to total deposit/ ratio of SCBNL has other on the other hand SCBNL has the highest mean ratio. Moreover Everest bank ratios are more consistent investment on government securities to total financial investment ratios of NB has lowest mean ratio and SCBNL has highest meant ratio. SBI’s ratios are homogenous and NB has less homo genous.

The mean ratio of investment on share/debentures to total investment ratios of SCBNL has quite lowest ratio and NB highest. NB less n / homogenous ratio and NABIL has more homogenous ratio. The trend value of all JVBS has an increasing trend. It means of other things remaining same, JVBS will increase their investment in future.

Pandit (2005) conducted a study on "*Investment Policy Analysis of Joint Venture Banks with Special Reference to Nepal SBI Bank Ltd, BOK and EBL*" with findings of the research study were as follows:

- Liquidity position of BOK and EBL have not found satisfactory.
- Loan and advances of SBI to total deposit ratio is lower at all.
- Profitability position of all banks is not satisfactory.
- Risk ratio of BOK and EBL has higher.
- Growth ratio of SBI total investment and net profit has failure to maintain positive ratios.
- There is a significant relationship between deposits and total investment of BOK and EBL. There is no significant relation between deposit and total investment of SBI only.
- Profit of SBI and BOK are found poorer than EBL.

Joshi (2006) has conducted thesis research on “*An Investment Policy of Commercial Banks in Nepal.*”

The major findings were as follows:

It shows that the liquidity position of EBL is comparatively better than NABIL and BOK. It has the highest cash and bank balance to total deposit, cash and bank balance to current asset ratio. EBL is comparatively average profitable in comparison to other compares bank that is NABIL and BOK the bank maintain its high profit margin for the well being in future.

EBL has moderate risk in between NABIL and BOK regarding various aspect of banking function. EBL has maintained high growth on the total deposits loan and advances a net profit but it has positions on investment. it shows that the bank is successful in increasing its source of funds and mobilization. There is significant relationship between deposits and loan and advances deposit and total investment and outside assets and net profit of EBL. The trend analysis of deposit, loan and advances, total investment and net profit of JVBs is increasing trend.

Chaudhary (2008) conducted as study on “*Investment Policy, a Comparative Study of Nepal Bangladesh Bank Ltd.*” The research findings of the study are as follows:

The liquidity position of NBBL is comparatively better than that of HBL. The assets management ratio of NBBL is comparatively better than that of HBL and HBL has the highest proportion of nonperforming loan and advances than NBBL. The profitability ratio of HBL is comparatively better than NBBL, due to higher return on loan and advances ratio, return on equity ratio but HBL failed in total interest earned total outside ratio and total interest earned to total working fund ratio in comparison to NBBL. The degree of risk is high in NBBL due to highest credit risk and interest rate risk, which shows that NBBL has greater risk in credit recovery and in interest recovery in comparison to HBL.

The trend of total deposit, total loan and advances, total investment and net profit of HBL is comparatively better than NBBL. But the main important fact is that the trend of Net Profit of NBBL shows a negative trend. Both banks are not effectively informative to their clients since the large percentage of the people doesn't know the services provided by the banks. The respondents of HBL selected "they are profit oriented only" as the first option whereas respondents of NBBL selected "they don't want to take the risk as the first choice.

Poudyal (2009) conducted a study on "*A Study on Credit (Lending) Policies of Joint Venture Commercial Bank with Reference to Himalayan Bank Limited and Nepal SBI Bank Limited.*" The major findings were as follows:

The liquidity ratio of HBL, which indicates is more stable and consistent than NSBL, which indicates stable policy of HBL. He concludes that NSBL has not enough cash and bank balance and it has made negligible amount of investment in governance securities. On the basis of assets management ratio he concluded that NSBL is able to manage its assets to complete in this competitive banking of credit portfolio both bank has made more investment in private sectors than other sector.

On the basis of analysis of lending efficiency of these two concerned banks NSBL has better efficiency ratio than that of HBL. The overall profitability position of HBL is comparatively better than that of NSBL

2.3 Research Gap

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which required to make study meaningful and purposive. There has been lots of article published related to financial performance and fund mobilization of commercial banks. There are various researches conducted on financial performance and fund mobilization of commercial banks, but there is few researches available on fund mobilization of joint venture banks. So this study will be fruitful to those interested person, parties, scholars, professor, students, businessman and government for academically as well as policy prospective.

CHAPTER – III

RESEARCH METHODOLOGY

Research methodology is a way to solve the research problem systematically. It may be understood as a science of studying how research is done scientifically. In this study, the various steps are generally adopted by a researcher in studying his/her research problem along with the logic behind them (Kothari, 1990:10). Research methodology is a path from which we can solve research dilemma systematically to accomplish the basic objective of the study. It consists of a brief explanation of research design, nature and sources of data, method of data collection and method of tools used for analyzing data.

3.1 Research Design

A research design refers to the conceptual structure within which the research is conducted. The research design is the arrangement of conditions for collection and analysis of data in a manner that aim to combine relevance of the research purpose with economy in procedure. Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to objective of this study.

It is the process which gives us an appropriate way to reach research goal. It includes definite procedures and techniques which guide in sufficient way for analyzing and evaluating the study. This study is carried out by using both quantitative and qualitative analysis. Mostly secondary data has been used for analysis but the discussion and personal interview with concerned employees of the selected banks are also used for qualitative analysis. Hence the research design of this study is based on descriptive and analytical method.

3.2 Population and Sample

The population refers to the industries of the same nature and its services and product in general. Thus total of 6 joint venture banks operating in Nepal constitute the population of the study and the joint venture banks under constitute the sample for the study. Among 6 joint venture banks three banks are selected as the sample of the study. The sample size

represents 50% of the total population. The following three joint venture banks are selected for the study on the basis of their homogenous nature in terms of market coverage, performance and popularity.

- Nabil Bank Ltd
- Standard Chartered Bank Nepal Ltd
- Everest Bank Ltd

3.3 Nature and Source of Data

Annual reports and official publications of the selected joint venture banks, published and unpublished official records of joint venture banks, Nepal Rastra Bank and Securities Board of Nepal, some previous studies in this field, magazines and newspaper are the major sources of secondary data. In addition, primary data are collected from the observation to the concerned banks, personal contact with executives and responses of the respondents on questionnaires.

3.4 Data Collection Procedure

The annual reports of EBL for the period of five years were obtained from the field visit of its head office located at Lazimpat, the annual reports of SCBNL for the period of five years were obtained from the field visit of its head office at New Baneshwor and the annual reports of Nabil Bank for the period of five years were obtained from the field visit of its head office at Kamaladi. NRB publications have been collected by the personal visit of concerned department of NRB at Baluwatar. The data regarding the profile of NABIL, SCBNL and EBL and other related documents were collected from internet websites. Unpublished master's thesis, books, research papers, articles journals have been collected mainly from Centre Library of Nepal Commerce Campus and NRB magazines and newspaper were collected from concerned authorities.

Primary data were collected through the distribution of questionnaires. Questionnaires were distributed to the investors in market by considering their investment in concerned banks. All together 50 questionnaires were distributed and 40 were returned from respondents.

After collecting data, as necessarily required, they were separated and analyzed presentation and analysis of the collected data is the main theme of the research work. Collected raw data were first presented in systematic manner in tabular forms and then, analyzed by applying different financial and statistical tools to achieve the research objectives. Besides these, some graph, charts and tables have been presented to analyze and interpret the findings of the study. Hypothesis is also made and tested. Segregation is also applied for total investment of the bank.

3.5 Data Analysis Tools

Various financial and statistical tools are used to complete the research study such as ratio analysis, standard deviation, coefficient of variance, coefficient of correlation, t-statistics etc. for presentation purpose, different types of tables, charts, figures and graphs are used as per necessary.

3.5.1 Financial Tools

Financial analysis is the process of identifying the financial strengths and weakness of the organization by properly establishing relationships between the items of the balance sheet and the profit and loss account.

Ratio analysis is a powerful tool of financial analysis. A ration is designed as the indicated quotient of two mathematical expressions and as “the relationship between two or more things.” In financial analysis ratio is used as a benchmark for evaluating the financial position and performance of a firm. Several ratios, calculated from the accounting data, can be grouped into various classes according to the financial activity and function to be evaluated.

3.5.2 Liquidity Ratios

Liquidity ratios are used to judge the ability of banks to meet its short tern liabilities those are likely to mature in the short period. With the help of liquidity ratios much insight can be obtained into present cash solvency of the banks and its ability to remain solvent in the event of adversities, it is the measurement of speed with which a bank’s assets can be

converted into cash to meet deposit withdrawal and other current obligations. The following ratios are evaluated under liquidity ratios:

a) Current Ratio

This ratio indicates the ability of the bank to meet its current obligation. This is the main important tool to measure the liquidity of the financial institution.

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

b) Cash Reserve Ratio

Cash and bank balance are the most liquid current assets. This ratio measures the percentage of most liquid fund with the bank to take immediate payment to the depositor. It is computed as follows:

$$\text{Cash Reserve Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total deposit}}$$

c) Cash and Bank Balance to Total Assets Ratio

Cash and bank balances are the most liquid assets held by a bank. This ratio reflects the proportion of cash and bank balance out of total assets. It is calculated by dividing cash and bank balance by total assets.

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

d) Investment on Govt. Securities to Current Assets Ratio

This ratio shows that how much amount has been the part of the total current assets on investment on government securities which is risk free assets. This ratio is calculated by dividing the investment on government securities by current assets which is shown as follows:

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

3.5.3 Capital Structure Ratios

Capital structure ratio shows the long- term solvency or liquidity position of a firm. It indicates whether the firm is financially sound or solvent as far its long- term obligations are concerned. These ratios measure the firm's ability to pay the interest regularly and to repay the principal on the due date. These ratios are also known as solvency ratios or capital structure ratios. Long- term solvency of a firm can be measured by the following ratio:

a) Debt to Total Asset Ratio

This ratio by relating creditorship fund with owner's fund. It reflects the proportions of long- term debt contributed by creditors and owners to finance the total assets of the firm. The debt to total assets ratio is calculated by dividing long- term debt by total assets.

$$\text{Debt to Total Asset Ratio} = \frac{\text{Long-term Debt}}{\text{Total Assets}}$$

b) Debt – Equity Ratio

Debt – equity ratio shows the relationship between debts and shareholder's fund. It is a test of long - term solvency of a firm. It measures the relative claims of creditors and owners against the assets of a firm. The objective of computing this ratio is to judge the effectiveness of the long – term financial policy of the business. This ratio is computed by dividing the long – term or total debts by the shareholder's funds.

$$\text{Debt – Equity Ratio} = \frac{\text{Long Term Debts}}{\text{Shareholders' Equity}}$$

c) Debt to Capital Employed Ratio

Debt to capital employed ratio shows the quantitative relationship between debt and capital employed of a company. This ratio helps to establish link between funded debt and total long – term funds available in the firm. This ratio is computed by dividing the total debts by the capital employed.

$$\text{Debt to Total Capital Ratio} = \frac{\text{Total Debts}}{\text{Capital Employed}}$$

d) Loan and Advanced to Current Asset Ratio

Loans and advances to current assets ratio measure the extent to which the banks are successful in utilizing the outsider's funds for the profit generating purpose. The following formula is used to determine the loans and advances to current asset ratio.

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

e) Debt – share Capital Ratio

Debt share capital ratio shows the relationship between debts and total share capital. It is a test of long term solvency of a firm. This ratio is computed by dividing the long term debt by the share capital.

$$\text{Debt Share Capital Ratio} = \frac{\text{Total Debts}}{\text{Share Capital}}$$

3.5.4 Activity Ratios

For smooth operations, a firm needs to invest in both short- term and long term assets. Activity ratios describe the relationship between the firm's level of operations and assets needed to sustain the activity. Activity ratios can also be used to forecast a firm's capital requirements. Activity ratios enable the analysis to forecast these requirements and to assess the firm's ability to acquire the assets needed to sustain the forecasted growth. The following ratios can be calculated as the activity ratios.

a) Fixed Assets Turnover Ratios

The rate of utilization of fixed assets is critical because investment in plant and equipment are both large and of long duration. Therefore, the fixed assets turnover ratio refers to how effectively and efficiently the fixed assets are used. It can be calculated as:

$$\text{Fixed Assets Turnover Ratios} = \frac{\text{Total Income}}{\text{Fixed Assets}}$$

b) Total Assets Turnover Ratios

The total assets turnover ratio reflects the efficiency of management for investments in each of the individual assets items. It shows the effective utilization of assets in the generation of income. It can be calculated as:

$$\text{Total Assets Turnover Ratio} = \frac{\text{Total Income}}{\text{Total Assets}}$$

c) Capital Employed Turnover Ratios

This ratio shows the relationship between total income and capital employed. It determines the efficiency in the utilization of total permanent capital in the revenue generation. Higher the capital employed turnover ratios, the better and efficient utilization of the capital employed. It can be calculated as:

$$\text{Capital Employed Turnover Ratios} = \frac{\text{Total Income}}{\text{Capital Employed}}$$

d) Investment Turnover Ratio

This ratio shows the relationship between total income and investment. It determines the efficiency in the utilization of total investment in the revenue generation. It can be calculated as:

$$\text{Investment Turnover Ratios} = \frac{\text{Total Income}}{\text{Investment}}$$

e) Cash & Bank Balance Turnover Ratio

This ratio shows the relationship between total income and cash & bank balances. It is the efficiency ratio of the banks in managing and utilizing its cash and bank balances. It can be calculated as:

$$\text{Cash & Bank Balance Turnover Ratios} = \frac{\text{Total Income}}{\text{Cash & Bank Balance}}$$

f) Loan and Advances to Total Deposit Ratio

Loans and advances to total deposits ratio measures the extent to which the banks are successful in utilizing the outsider's funds for the profit generating purpose. It can be calculated as:

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

g) Investment to Total Deposit Ratio

This implies the utilization of firm's deposit on investment in government securities and share debentures of other companies. Investment is one of the forms of credit created to earn income. It can be calculated as:

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

h) Income to Total Cost

The ratio of Total Income to total cost measures the cost control capacity of selected banks from its incomes. It can be calculated as:

$$\text{Total Income to Total Costs} = \frac{\text{Total Income}}{\text{Total Costs}}$$

3.5.5 Profitability Ratios

“A company should earn profit to survive and grow over a long period of time profits are essential, but it would be wrong to assume that every action initiated by management to company should be aimed at maximizing profits.”

Profitability ratios indicate the degree of success in achieving desired profit. Various profitability ratios are calculated to measure the operating efficiency of business enterprises. Through profitability ratio the lenders and investors want to decide whether to invest in a particular business or not.

a) Return on Loans & Advances

This ratio shows that return on loans and advances during the year. Higher ratio of net income to loans & advance is better. It ratio is calculated as follows:

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

b) Return on Total Weighted Risk Assets

This ratio of return on total weighted risk assets is useful in measuring the profitability of all financial resources invested in the banks risk assets. Generally higher rate of interest is charged on risk assets, so higher the investment on this risk asset higher will be return. The formula for the return of on total weighted risk assets is given in the following manner.

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

c) Return on Total Deposit

The ratio of return on total deposit measures the capacity of bank to generate profit from its investment on total deposit. In other words, return on total deposit is the contribution of total deposit to net profit after tax. So this ratio is the proportion of return from total deposit and it is calculated as follows:

$$\text{Return on total deposit} = \frac{\text{Net Profit After Tax}}{\text{Total Deposit}}$$

d) Return on Total Assets

This ratio is measured the rate of return earned by the firm as a whole for all its investors. It is calculated by dividing net profit by total assets. A higher ratio indicates the efficiency of overall financial resources to invest. So that the higher ratio, the better will be the performance. Return on total assets is in computed by using the following formula:

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

e) Return on Shareholder's Equity

This ratio is measure of profitability of the firm in respect of the utilization of total shareholders fund. It is calculated by dividing net profit by total shareholder's equity. The shareholder's equity includes paid up capital general reserves and retained earnings of surplus & general loan provision. It reflects whether the corporation has earned a satisfactory return for its equity – holders of not. So, higher ratio is favorable of the stockholders.

$$\text{Return on Total Shareholder} = \frac{\text{Net Profit After Tax}}{\text{Total Shareholder's Equity}} \times 100$$

f) Return on Investment

The ratio of return on investment is useful in measuring the profitability of all financial resources invested in the banks. The formula for the return on investment given in the following manner:

$$\text{Return in Investment} = \frac{\text{Net Profit}}{\text{Investment}}$$

g) Return on Capital Employed

This ratio establishes a relationship between the total earnings available to all the investors and permanent capital. It shows how well the firm has used the economic This resources received from all the investors to earn profit. This ratio is calculated as:

$$\text{Return on Capital Employed} = \frac{\text{NPAT}}{\text{Capital Employed}}$$

h) Earnings per Share

Earnings per share measure the profit available to equity shareholders on per share basis. This ratio expresses the earning power of the company in terms of a share held by the equity shareholders. This is computed by dividing the net profits after preference dividend by the number if equity shares outstanding. It is expressed in rupee figure.

$$\text{Earnings per Share (EPS)} = \frac{\text{Net Profit}}{\text{No.of Equity Shares}}$$

3.5.6 Statistical Tools

Mean: it is used to measure the average of the given variable. The following is used to compute the mean value:

$$\text{Mean } (\bar{X}) = \frac{\sum X}{n}$$

N = number of year

$\sum X$ = sum of X series

Standard Deviation: it is the measure of the variability of the given variable. Higher standard deviation indicates the higher variability or fluctuation on the given variable and vice versa.

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum d^2}{n} - \frac{\sum d}{n}}$$

Coefficient of Variance: C.V measures the variability on per unit basis. It is standard deviation divided by mean.

$$\text{Coefficient of Variance (CV)} = \frac{\sigma}{\bar{X}}$$

Coefficient of Correlation: correlation coefficient is used to measure the degree and nature of relationship between variables.

$$\text{Coefficient of Correlation } (r) = \sqrt{\frac{\sum xy}{\sum x^2 \cdot \sum y^2}}$$

Here, Karl Pearson's correlation coefficient is used to manage the degree of relationship between the following variables:

- Coefficient of correlation between Net Profit and Total Deposit
- Coefficient of correlation between Total investment and Total Deposit
- Coefficient of correlation between Loan & Advances and Total Deposit
- Coefficient of correlation between Current assets and Current Liabilities

Probable Error (P.E)

Probable error is measured for testing the reliability of an observed value of correlation coefficient. It is computed to find the extent to which it is dependable. If correlation coefficient is greater than 6 times P.E the observed value of r is said to be significant, otherwise nothing can be concluded with certainty. But if the calculated \textcircled{r} is less than the P.E correlation is not at all significant. It is calculated by using following formula:

$$P.E = \frac{0.6745(1-r^2)}{\sqrt{n}}$$

Where,

P.E = probable error of correlation coefficient

r = Correlation coefficient

n = Number of observation

t- Statistics

$$t = \frac{\bar{X}_1 - \bar{X}_2}{S} \times \sqrt{\frac{(n_1 n_2)}{(n_1 + n_2)}}$$

Where,

$$S = \frac{\sum d_1^2 + \sum d_2^2}{n_1 + n_2 - 2}$$

Where,

\bar{X}_1 = mean of the X_1

\bar{X}_2 = Mean of the X_2

n_2 = No of the year X_2

n_1 = No of the year X_1

S = Combined Standard Deviation

CHAPTER – IV

DATA PRESENTATION AND ANALYSIS

This chapter covers the presentation of the arguments, documentation, ideas or concepts, interpretations and findings. This includes a discussion of the issue or part of the problem investigated and the evidence used in its solution. Through tabular and graphic presentation, data are critically analyzed and interpreted in detail. This chapter is divided into six parts: Ratio Analysis, analysis of Assets structure, analysis of relationship and analysis of primary data. At last major findings are drawn on the basis of presentation and analysis of data.

4.1 Analysis of Collection and Utilization of Fund

Collection and utilization of fund of the selected joint venture banks is shown in tabular form as follows:

Table 4.1
Collection and Utilization of Fund of NABIL

(Rs. In millions)

Particular	Fiscal Year				
	2007/08	2008/09	2009/10	2010/11	2011/12
Collection of Funds					
Share capital	491.65	689.22	1448.62	2028.77	2029.77
Deposits	23342.29	31915.05	37348.26	46340.70	49608.38
Borrowings	882.57	1360.00	1681.31	74.90	1650.60
Total collection	24716.51	33964.27	40478.19	48444.37	53288.75
Utilization of Funds					
Loan & advances	15545.78	21365.05	27589.93	32268.87	38034.10
Investment	9508.84	11892.13	10826.38	13600.92	13003.21
Fixed assets	286.90	598.04	660.99	781.48	941.28
Total Utilization	25341.52	33855.22	39077.30	46651.27	51978.59
Utilization percentage	102.53	99.68	96.53	96.30	97.54

(Source: Annual Reports of NABIL)

Table 4.2
Collection and Utilization of Fund of SCBNL

(in million)

Particular	Fiscal Year				
	2007/08	2008/09	2009/10	2010/11	2011/12
Collection of Funds					
Share capital	500.00	620.78	931.97	1608.26	1610.17
Deposits	24647.02	29744.00	35871.72	35182.72	37999.24
Borrowings	400.00	0.00	300.00	-	350.00
Total collection	25547.02	30364.78	37103.69	36790.98	39959.41
Utilization of Funds					
Loan & advances	10502.64	13718.60	13679.76	15956.96	18427.27
Investment	15314.38	16100.36	22291.67	19847.51	17258.68
Fixed assets	125.59	117.27	137.29	118.54	106.07
Total Utilization	25942.61	29936.23	36108.72	35923.01	35792.02
Utilization percentage	101.55	98.59	97.32	97.64	89.57

(Source: Annual Reports of SCBNL)

Table 4.3
Collection and Utilization of Fund of EBL

(in millions)

Particular	Fiscal Year				
	2007/08	2008/09	2009/10	2010/11	2011/12
Collection of fund					
Share capital	518.00	831.40	1030.47	1279.61	1391.57
Deposits	18186.25	23976.30	33322.95	36932.31	41127.91
Borrowings	0.00	0.00	312.00	404.60	482.00
Total collection	18704.25	24807.70	34665.42	38616.52	43001.48
Utilization of funds					
Loan & advances	13664.08	18339.09	23884.67	27556.36	31057.69
Investment	4984.31	5059.56	5948.48	5008.31	7743.93
Fixed assets	170.10	360.51	427.16	463.10	460.26
Total utilization	18818.49	23759.16	30260.31	33027.77	39261.88
Utilization percentage	100.61	95.77	87.29	85.53	91.30

(Source: Annual Reports of EBL)

Tables 4.1, 4.2 and 4.3 depict the collection of fund during the study period of year 2007/08 to 2011/12. There is an increasing trend of collection of fund. Funds collection mainly included paid up capital, deposits and borrowing only. Here in the case of

NABIL, paid up capital is in increasing trend. Deposit collection is generally increasing while borrowing has also increased and reduced or repaid to the lender during the fiscal year 2010/11. Whereas for EBL paid up capital is increasing . Deposit collection is rapidly increased and borrowing is nil in the 1st two years, then increased. Similarly, SCBNL paid up capital is in increasing trend. Deposit collection is swiftly increased and borrowing is nil in the year 2008/09 and 2010/11 and increased in the year 2011/2012. Among the major sources of the funds, deposit has contributed mostly for the banks to create funds, which is a good sign for the bank.

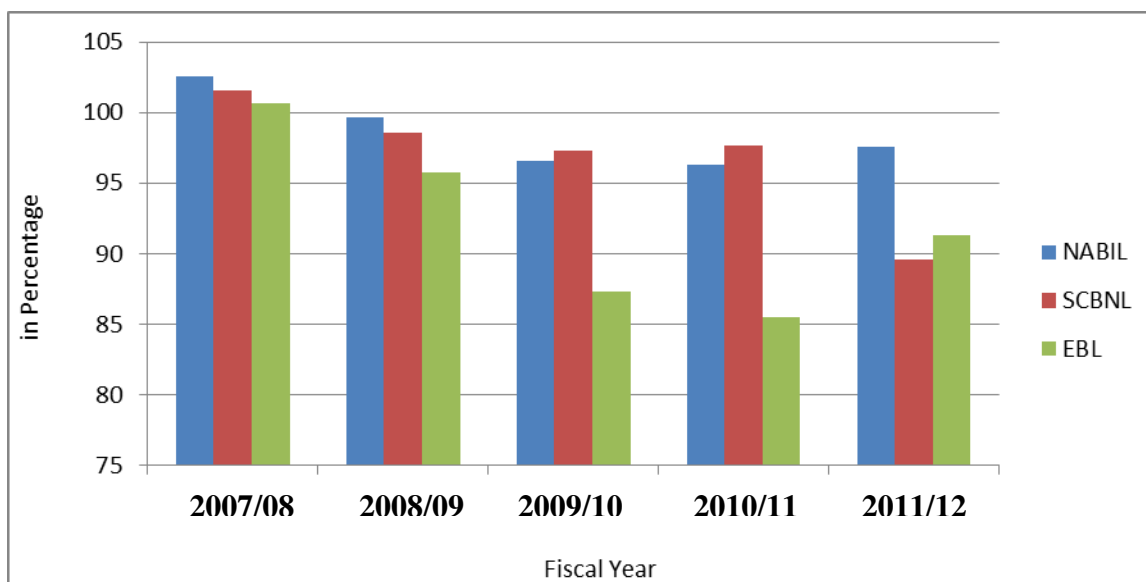
After collecting fund, banks utilize it in the proper place to earn profit. Here major portion of utilization of fund are only shown which are taken as loan & advances. Investment and fixed assets is also considered. Among them, loan & advances including bills purchased and discounted play a major part of the banks in utilizing place. From the above table it can be seen that there is an increasing rate of utilization of fund. In comparison to last years there is increased in utilization of fund. While utilizing fund there is great among invested in loan and advances each year, while investment has also been major component for the utilization of collected fund. But fixed assets have not contributed significantly.

From the table 4.1, 4.2 and 4.3 utilized percentage of collected fund of the NABIL, EBL and SCBNL were analyzed and that there is an increasing trend of utilization of collected fund. In the study period, utilization percentage of the selected banks has around 95 to 105 percentage which is used from the collected fund. In NABIL has occupied almost 96 to 102 percentage of collection fund in utilization. In EBL has occupied almost 85 to 100 percentage of collection of fund in utilization. In SCBNL has occupied almost 89 to 101 percentage of collection fund in utilization.

To clear the view of the percentage of utilization of collected fund of the selected joint venture banks, it is also presented in the graphical forms as in figure no. 4.1.

Figure 4.1

Percentage Utilization of Funds of NABIL, EBL and SCBNL



4.2 Analysis of Investment Pattern

Banks invest their collected fund in different sector which represent the financial performance of the bank. Its utilization procedure or investment policy shows the future of the bank. Here in the study NABIL, EBL and SCBNL is taken as a sample bank from the population of five years where the researcher try to find out how much have the bank invested in different sector in the heading behind investment. Banks collects and utilized the fund into risky as well as risk free securities. Investment component is the major component of the utilization of fund of a bank. Here it is shown by the table below:

In table 4.4, it has shown very clearly that how much is invested in different part of investment opportunities. For NABIL total investment have significantly increased except the fiscal year 2008/09 and 2009/10 which increased or decreased percentage are 108.83%, -2.85%, -19.39%, 113.74% in the fiscal year 2007/08 to 2010/11. For EBL total investment have significantly increased during the study period. It's increased or decreased percentages are 32.39%, 2.40%, 6.72% and in the fiscal year 2008/09 to 2010/11. Similarly SCBNL total investment has been significantly increased during the study period except the fiscal year 2007/08 and 2010/11. It's increased or decreased

percentages are -17.32%, 15.25%, 22.59%, -16.30% in the fiscal year 2007/08 to 2011/12 respectively.

Table 4.4
Investment Pattern of NABIL, EBL and SCBNL

Particulars	Fiscal Year				
	2007/08	2008/09	2009/10	2010/11	2011/12
NABIL					
Govt. Securities	2301.46	4808.35	4646.88	3706.10	7941.56
Foreign Securities	-	-	-	-	-
NRB bonds (Development)	-	-	-	-	-
Share	27.56	57.85	80.55	82.50	159.86
Others	2.36	2.31	2.55	3.04	2.84
Total	2331.38	4868.51	4729.98	3791.64	8104.26
Increased (%)	-	108.83	-2.85	-19.39	113.74
EBL					
Govt. Securities	3548.62	4704.63	4821.60	5146.05	4354.35
Foreign Securities	-	-	-	-	-
NRB bonds (Development)	-	-	-	-	-
Share	19.89	19.89	16.23	17.11	
Others	-	-	-	-	-
Total	3568.51	4724.52	4837.83	5163.16	
Increased (%)	-	32.39	2.40	6.72	
SCBNL					
Govt. Securities	8635.88	7107.94	8137.62	9998.75	8351.52
Foreign Securities	-	-	-	-	-
NRB bonds (Development)	-	-	-	-	-
Share	15.34	44.94	106.04	106.93	106.93
Others	-	-	-	-	-
Total	8651.22	7152.88	8243.66	10105.68	8458.45
Increased (%)	-	-17.32	15.25	22.59	-16.30

(Source: Annual Report of Concerned Banks)

Investment in government securities includes treasury bills, national saving certificate and government's special stocks. Foreign securities includes international Treasury bill, bonds etc. NRB bond includes development bonds, debentures shares etc. share includes different national bank's share. Others includes mutual funds, swift investment etc. For NABIL the investing in government securities has been increasing throughout the study period except the fiscal year 2008/09 and 2009/10 where slightly decrease comparing to previous fiscal year. Investment in share is significantly increased and other investment is fluctuated during the study period. For EBL the investing in government securities has

been increasing throughout the study period. Investment in shares is fluctuated during the study period and other investment is nil in the case of EBL. For SCBNL investing in government securities has been fluctuating during the study period. Investment in shares is increasing and remains almost same in the fiscal year 2008/09 to 2010/11. And other investment is not done. In overall scenario the investment is increasing and decreasing.

4.3 Ratio Analysis

Ratio analysis stands for the process of determining and presenting the relationship of items and groups of items in the financial statements. It is an important technique of financial analysis. It is a way by which financial stability and health of a concern can be judged. The following main are used to highlight the performance of selected joint venture banks

4.3.1 Liquidity Ratios

Banks must maintain satisfactory liquidity position to satisfy the credit needs of the community, meets demands for deposit withdrawal, pay maturity obligation in time and convert to cash assets into cash to satisfy immediate needs without loss to the bank and without consequent impact on long run profitability of the bank. To measure the liquidity position of the bank, the following measures of liquidity ratio has been calculated and a brief analysis of the same has been done as below. Table 4.5 depicts the all calculated liquidity ratios of the selected banks.

Current Ratios (L_1)

The mean (\bar{X}) of current ratio of NABIL is 1.07:1, EBL is 1.172:1 as well as SCBNL is 1.08:1. The current ratio of the banks is fluctuating. The mean of current ratio of EBL is highest i.e. 1.172 than that of NABIL and SCBNL. Standard deviation of current ratio of NABIL EBL and SCBNL are 0.022, 0.093 and 0.010 respectively. Coefficient of variation of NABIL is 2.04%, EBL is 7.94% and SCBNL is 0.92%. It seems that that current ratio of EBL is more homogenous than the two other banks. This ratio can be presented in the following table.

Figure 4.5

Liquidity Ratio of NABIL, EBL and SCBNL

Fiscal Year	L_1			L_2			L_3			L_4		
	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL
2007/08	1.07	1.32	1.07	5.99	13.15	8.20	5.14	11.16	7.07	17.83	22.13	24.97
2008/09	1.06	1.23	1.08	3.21	11.13	6.70	2.76	9.83	6.15	12.78	17.10	24.50
2009/10	1.07	1.08	1.08	9.03	18.50	8.76	7.69	16.70	7.73	8.58	14.10	24.72
2010/11	1.07	1.15	1.08	3.02	21.17	5.48	2.68	18.89	4.80	15.52	10.64	21.28
2011/12	1.12	1.08	1.10	4.96	14.89	7.83	4.23	13.24	6.89	15.30	15.61	22.78
Mean (\bar{X})	1.078	1.172	1.082	5.242	15.768	7.394	4.500	13.964	6.528	14.002	15.916	23.65
S.D	0.022	0.093	0.010	2.193	3.627	1.171	1.844	3.383	0.910	3.148	3.775	1.413
C.V (%)	2.04	7.94	0.92	41.84	23.00	15.84	40.98	24.23	13.94	22.48	23.72	5.97

Where,

L_1 = Current Ratio

L_2 = Cash Reserve Ratio

L_3 = Cash and Bank Balance to total asset ratio

L_4 = investment on government securities to current assets ratio

Cash Reserve Ratio (L_2)

The mean (\bar{X}) of cash reserve ratio of NABIL, EBL and SCBNL are 5.242, 15.768 and 7.394 respectively. The cash reserve ratio of the banks is fluctuating. The highest cash reserve ratio of NABIL is 9.03 and lowest is 3.02 in the fiscal year 2009/10 and 2010/11 respectively. The highest cash reserve ratio of EBL is 21.17 and lowest is 11.13 in the fiscal year 2010/11 and 2008/09 respectively. The highest cash reserve ratio of SCBNL is 8.76 and lowest ratio is 5.48 in the fiscal year 2009/10 and 2010/11 respectively.

The mean of cash reserve ratio of EBL is highest i.e. 15.768 than that of NABIL and SCBNL. Standard deviation of cash reserve ratio of NABIL, EBL and SCBNL are 2.193, 3.627 and 1.171 respectively. Coefficient of variation of NABIL is 41.84%, EBL is 23% and SCBNL is 15.84%. SCBNL is maintaining adequate liquidity position regarding cash reserve ratio than other banks. Too low ratios are also not preferable. Bank should meet its obligation any time when necessary.

Cash and Bank Balance to Total Assets Ratio (L_3)

The mean (\bar{X}) of cash and bank balance to total assets ratio of NABIL, EBL, and SCBNL are 4.5, 13.964 and 6.528 respectively. The cash and bank balance to total assets ratio of NABIL, EBL and SCBNL is fluctuating throughout the study period. The highest cash and bank balance to total assets ratio of NABIL is 7.69 and lowest ratio is 2.68 in the fiscal year 2009/10 and 2010/11 respectively. Similarly, the highest cash and bank balance to total assets ratio of EBL is 18.89 and the lowest is 9.83 in the fiscal year 2010/11 and 2008/09 respectively as well as SCBNL's highest cash and bank balance to total assets ratio is 7.73 and lowest ratio is 4.80 in the fiscal year 2009/10 and 2010/11 respectively.

The mean of cash and bank balance to total assets ratio of EBL is highest i.e. 13.964 than that of NABIL and SCBNL. Standard deviation of cash and bank balance to total assets ratio of NABIL, EBL and SCBNL are 1.844, 3.383 and 0.910 respectively. Coefficient of variation of NABIL is 40.98%, EBL is 24.23% and SCBNL is 13.94%.

Investment on Government Securities to Current Assets Ratio (L_4): The mean (\bar{X}) of investment on govt. securities to current assets ratio of NABIL, EBL and SCBNL are 14.002, 15.916 and 23.65 respectively. The investments on govt. securities to current assets ratio of the banks are fluctuating. The highest investment on govt. securities to current assets ratio of NABIL is 17.83 and lowest is 8.58. Similarly The highest investment on govt. securities to current assets ratio of EBL is 22.13 and lowest is 10.64 as well as SCBNL's highest investment on govt. securities to current assets ratio is 24.97 and lowest ratio is 21.28 in the fiscal year 2007/08 and 2008/09 respectively.

The mean of investment on govt. securities to current assets ratio of SCBNL is the highest i.e. 23.65 than that of two other banks. Standard deviation of investment on govt. securities to current assets ratio of NABIL, EBL and SCBNL are 3.148, 3.775 and 1.413 respectively. Coefficient of variation of NABIL is 22.48%, EBL is 23.72% and SCBNL is 5.97%. The banks should concentrate on the stabilization and increment of investment on govt. securities income generating sectors from the current assets available.

Figure 4.2
Liquidity Ratios of NABIL

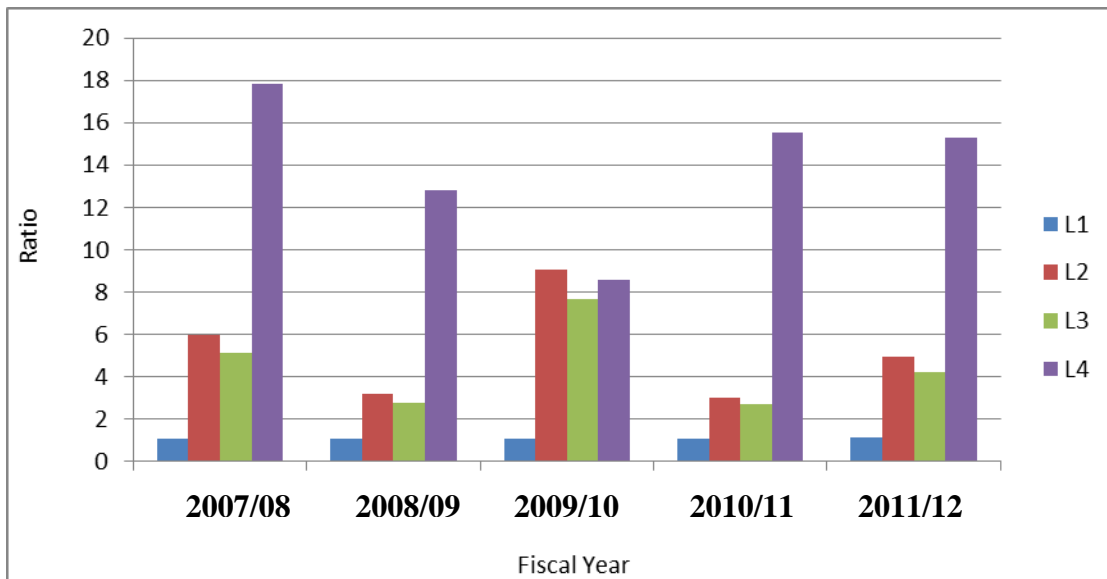


Figure 4.3
Liquidity Ratios of EBL

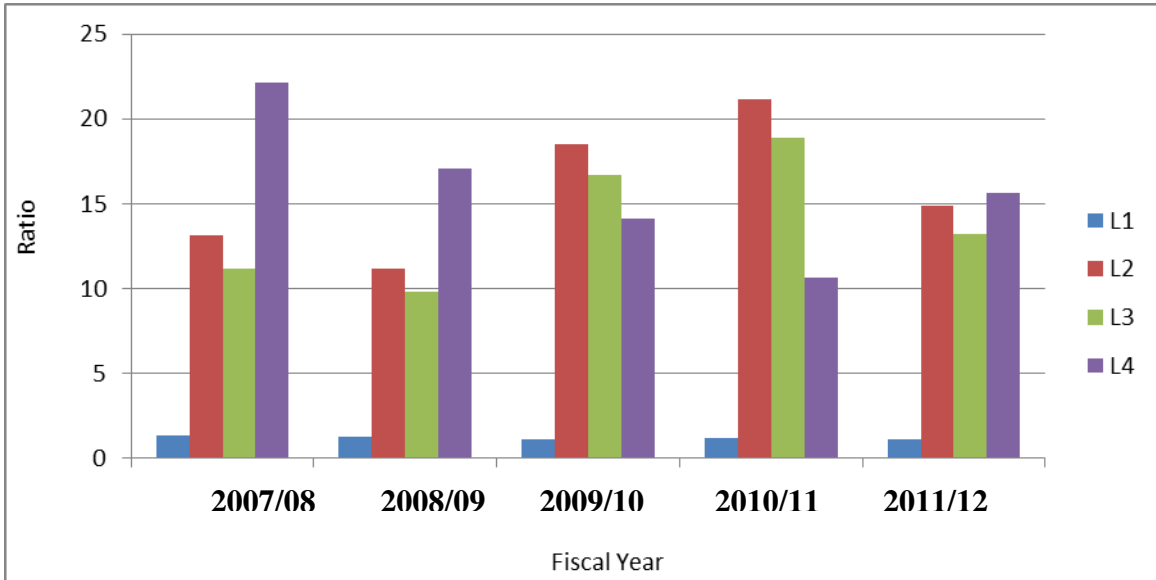
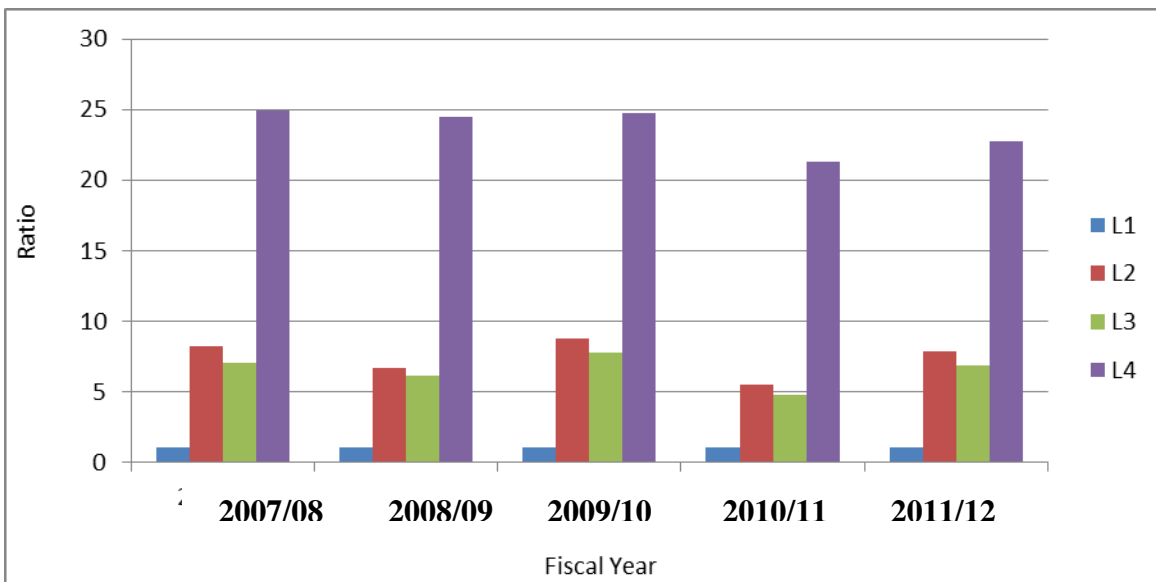


Figure 4.4
Liquidity Ratios of SCBNL



All the liquidity ratios of selected joint venture banks are presented in the graphical form as shown in figure no. 4.2, 4.3 and 4.4 respectively for NABIL, EBL and SCBNL. As

shown on the mentioned figures, it is clearly shown that current ratio is more stable for all three banks in comparison to the other liquidity ratios.

4.3.2 Capital Structure Ratio

Table 4.6 depicts the calculated capital structure ratios of selected joint venture banks.

Debt to Total Assets Ratio (C_1)

The mean (\bar{X}) of debt to total assets ratio of NABIL, EBL and SCBNL are 92.59, 94.31 and 92.17 respectively. The debt to total assets ratio of banks are fluctuating. The highest debt to total assets ratio of NABIL is 92.86 and lowest is 92.13 in the fiscal year 2009/10 and 2011/12 respectively. Similarly, the highest debt to total assets ratio of EBL is 96.54% and lowest is 93.27 in the fiscal year 2008/09 and 2011/12 respectively as well as SCBNL's highest debt to total assets ratio 92.60 and lowest is 91.61 in the fiscal year 2007/08 and 2011/12 respectively.

The mean of debt to total assets ratio of EBL is highest i.e. 94.31 than that of other two banks. Standard deviation of NABIL, EBL and SCBNL are 0.274, 1.192 and 0.452 respectively. Coefficient of variation of NABIL is 0.296%, EBL is 1.264% and SCBNL is 0.490%. Comparatively NABIL is more at riskier position of debt financing than other two banks.

Debt to Equity Ratio (C_2)

The mean (\bar{X}) of debt to equity ratio of NABIL, EBL and SCBNL are 16.34, 20.04 and 14.83 respectively. The debts to equity ratio of banks are fluctuating. The highest debt to equity ratio of NABIL is 21.93 and lowest is 12.34 in the fiscal year 2010/11 and 2007/08 respectively. Similarly, the highest debt to equity ratio of EBL is 24.09 and lowest is 17.53 in the fiscal year 2008/09 and 2010/11 respectively as well as SCBNL's highest debt to equity ratio 15.18 and lowest is 14.25 in the fiscal year 2007/08 and 2011/12 respectively.

The mean of debt to equity ratio of EBL is highest i.e. 20.04 than that of other two banks. Standard deviation of NABIL, EBL and SCBNL are 3.346, 2.359 and 0.361 respectively.

Coefficient of variation of NABIL is 20.478% EBL is 11.771% and SCBNL is 2.434%. SCBNL is more risky since its average ratio is higher than other two banks. Claims of creditors are higher than owners, which can prove risky. But NABIL is more consistent in ratio with comparatively higher C.V i.e. $20.478 > 11.771 > 2.434$.

Total Debt to Capital Employed Ratio (C_3)

The total debt to capital employed ratio is measured of the percentage of funds provided by creditors. Table 4.6 depicts the total debt to capital employed ratio of the selected banks. The mean (\bar{X}) of total debt to capital employed ratio of NABIL, EBL and SCBNL are 12.74, 14.64 and 11.80 respectively. The debt to capital employed ratio of SCBNL is decreasing but the NABIL and EBL's total debt to capital employed ratio is fluctuating. The highest total debt to capital employed ratio of NABIL is 14.15 and lowest is 11.71 in the fiscal year 2008/09 and 2011/12 respectively. Similarly EBL's highest total debt to capital employed ratio is 16.84 and lowest is 13.10 in the fiscal year 2007/08 and 2010/11 respectively as well SCBNL highest total debt to capital employed ratio is 12.37 and lowest is 10.91 respectively.

The mean of total debt to capital employed ratio of EBL is highest i.e. 14.64 than that of two other banks. Standard deviation of NABIL, EBL and SCBNL are 0.691, 1.419 and 0.725 respectively. Coefficient of variation of NABIL is 5.424%, EBL is 9.693% and SCBNL is 6.144%.

Table 4.6**Capital Structure Ratios of NABIL, EBL and SCBNL**

Fiscal Year	C ₁			C ₂			C ₃			C ₄			C ₅		
	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL
2007/08	92.45	94.39	92.60	12.34	19.49	15.18	12.25	16.84	12.51	51.25	39.06	64.08	57.65	64.26	36.89
2008/09	92.85	96.54	92.52	13.44	21.01	15.10	14.15	13.64	12.37	50.03	31.15	49.68	58.77	68.46	41.30
2009/10	92.86	94.03	92.48	16.76	24.09	14.57	13.01	15.75	12.30	42.18	41.38	40.27	63.86	65.46	33.82
2010/11	92.65	93.33	91.62	16.72	18.07	15.06	12.60	13.10	10.93	23.82	30.18	22.91	62.82	67.34	39.80
2011/12	92.13	93.27	91.61	21.93	17.53	14.25	11.71	13.85	10.91	26.37	30.99	24.92	66.54	67.85	42.16
Mean (\bar{X})	92.59	94.31	92.17	16.34	20.04	14.83	12.74	14.64	11.80	38.73	34.55	40.37	61.93	66.67	38.79
S.D	0.274	1.192	0.452	3.346	2.359	0.361	0.691	1.419	0.725	11.588	4.697	15.443	3.289	1.570	3.065
C.V (%)	0.296	1.264	0.490	20.478	11.771	2.434	5.424	9.693	6.144	29.92	13.60	38.25	5.311	2.355	7.902

Where,

C₁ = Debt to total assets ratio

C₂ = Debt to equity ratio

C₃ = Total debt to capital employed ratio

C₄ = Total debt to share capital ratio

C₅ = Loan and advance to current assets ratio

Total Debt to Share Capital Ratio (C₄)

The mean (\bar{X}) of total debt to share capital ratio of NABIL, EBL and SCBNL are 38.73, 34.55 and 40.37 respectively. The total debt to share capital ratio of SCBNL is decreasing but NABIL and EBL is fluctuating. The highest total debt to share capital ratio of NABIL is 51.25 and lowest is 23.82 in the fiscal year 2007/08 and 2010/11 respectively. Similarly EBL's highest total debt to share capital ratio is 41.38 and lowest is 30.18 in the fiscal year 2009/10 and 2010/11 respectively as well as SCBNL's highest total debt to share capital ratio is 64.08 and lowest is 22.91 respectively.

The mean of total debt to share capital ratio of SCBNL is highest i.e. 48.208 than that of two other banks. Standard deviation of total debt to share capital ratio of NABIL, EBL and SCBNL are 9.803, 5.063 and 13.377 respectively. Coefficient of variation of NABIL is 23.47%, EBL is 14.83% and SCBNL is 27.45%. SCBNL is more risky since its average ratio is higher than other two banks. Claims of creditors are higher than owners, which can prove risky.

Loans and Advance to Current Assets Ratio (C₅)

All commercial banks mobilize the collected funds as loan and advances to the customers. The banks must maintain its loan and advances in appropriate level to find out portion of current assets, which granted loan and advances. The mean (\bar{X}) of loans and advances to current assets ratio of NABIL, EBL and SCBNL are 61.93, 66.67 and 38.79 respectively.

The loans and advances to current assets ratio of the banks are fluctuated. The highest loans and advances to current assets ratio of NABIL is 66.54 and lowest ratio is 57.65 in the fiscal year 2011/12 and 2007/08 respectively. Similarly, the highest loans and advances to current assets ratio of EBL is 68.46 and lowest ratio is 64.26 in the fiscal year 2008/09 and 2007/08 respectively as well as SCBNL's highest ratio is 42.16 and lowest ratio is 33.82 in the fiscal year 2011/12 and 2009/10 respectively.

The mean of loans and advances to current assets ratio of EBL is highest I.e. 66.67 than that of two other banks. Standard deviation of loans and advances to current assets ratio of NABIL, EBL and SCBNL are 3.289, 1.570 and 3.065 respectively. Coefficient of variation of NABIL is 5.311%, EBL is 2.355% and SCBNL is 7.902%.

4.3.3 Activity Ratios

Activity ratios are intended to measure the effectiveness to employment of the resources in a business concern. Table 4.7 depicts the calculated activity ratios of selected joint venture banks.

Fixed Assets Turnover Ratio (A_1)

This ratio measures the extent to which banks are able to invest in fixed assets and how effectively and efficiently the fixed assets are used. The mean (\bar{X}) of fixed assets turnover ratio of NABIL, EBL and SCBNL are 4.56, 4.45 and 17.18 respectively. The fixed assets turnover ratio of SCBNL is increased throughout the study period but the fixed assets turnover ratio of EBL and NABIL is fluctuated. The highest fixed assets turnover ratio of NABIL is 6.00 and lowest ratio is 3.26 in the fiscal year 2007/08 and 2011/12 respectively. Correspondingly, the highest fixed assets turnover ratio of EBL is 4.95 and lowest ratio is 4.02 in the fiscal year 2007/08 and 2008/09 respectively as well as SCBNL's highest fixed assets turnover ratio is 23.21 and lowest ratio is 12.48 respectively in the fiscal year 2011/12 and 2007/08 respectively.

The mean of fixed assets turnover ratio of SCBNL is the highest i.e. 17.18 than that of two other banks. Standard deviation of fixed assets turnover ratio of NABIL, EBL and SCBNL are 1.052, 0.353 and 3.797 respectively. Coefficient of variation of NABIL is 23.07%, EBL is 7.93% and SCBNL is 22.10%.

Total Assets Turnover Ratio (A_2)

Total assets turnover ratio measured the turnover of all the firm assets. A high total assets turnover ratio indicates efficient utilization of total assets in income generation while a

low ratio indicates inefficient management utilization of total assets. The mean (\bar{X}) of total assets turnover ratio of NABIL, EBL and SCBNL are 0.516, 0.048 and 0.054 respectively. The total assets turnover ratio of NABIL is slightly decreased in the year 2007/08 and then increased and EBL and SCBNL is increased throughout the study period. The highest total assets turnover ratio of NABIL is 0.055 and lowest ratio is 0.046. Similarly, the highest total assets turnover ratio of EBL is 0.05 and lowest is 0.04 as well SCBNL's highest total assets turnover ratio is 0.06 and lowest ratio is 0.05.

The mean of total assets turnover ratio of SCBNL is highest than that of the EBL and NABIL. Standard deviation of total assets turnover ratio of NABIL, EBL and SCBNL are 0.003, 0.004, and 0.005 respectively. Coefficient of variation of NABIL is 5.81%, EBL is 8.33% and SCBNL is 9.26%.

Capital Employed Turnover Ratio (A_3)

Capital employed represent the long term sources of fund availed and used to finance fixed assets and net current assets. This ratio measures the efficiency of the banks in the utilization of permanent source of capital. Usually, greater ratio serves as an indicator of better utilization of long term funds provided by owners and creditors. The mean (\bar{X}) of capital employed turnover ratio of NABIL, EBL and SCBNL are 0.89, 0.078 and 0.70 respectively.

The capital employed ratio of NABIL is increasing throughout the study period but the ratio of SCBNL is slowly decreasing and the ratio of EBL is fluctuating. The highest capital employed ratio of NABIL is 1.11 and lowest ratio is 0.67 in the fiscal year 2010/11 and 2011/12 respectively. Similarly, the highest ratio of EBL is 0.84 and lowest ratio is 0.69 as well as SCBNL's highest ratio is 0.74 and lowest ratio is 0.67 in the fiscal year 2007/08 and 2011/12 respectively.

The mean of capital employed turnover ratio of NABIL is highest i.e. 0.89 than that of two other banks. Standard deviation of capital employed turnover ratio of NABIL, EBL

and SCBNL is 0.144, 0.662 and 0.024 respectively. Coefficient of variation of NABIL is 16.18%, EBL is 7.52% and SCBNL is 3.43%.

Investment Turnover Ratio (A_4)

This ratio measures the efficiency of the banks in the utilization of collected funds in the form of investment to generate income. Commercial banks invest in different securities issued by government and other financial and non financial companies. The mean (\bar{X}) of investment turnover ratio of NABIL, EBL and SCBNL are 0.248, 0.288 and 0.122 respectively.

The investment turnover ratio of NABIL and EBL are increasing while the SCBNL is fluctuated. The highest investment turnover ratio of NABIL is 0.31 and the lowest ratio is 0.19 in the fiscal year 2009/10 and 2006/07 respectively. In the same way, the highest turnover ratio of EBL is 0.39 and the lowest ratio is 0.17 in the fiscal year 2010/11 and 2007/08 respectively as well as SCBNL's highest investment turnover ratio is 0.14 and lowest ratio is 0.10 in the fiscal year 2011/12 and 2009/10 respectively.

The mean of investment turnover ratio of EBL highest i.e. 0.288 than that of two other banks i.e. NABIL and SCBNL. Standard deviation of investment turnover ratio of NABIL, EBL and SCBNL are 0.096, 0.071 and 0.013 respectively. Coefficient of variation of NABIL is 38.71%, EBL is 24.65% and SCBNL is 10.66%.

Table 4.7
Activities Ratios of NABIL, EBL and SCBNL

Fiscal Year	A₁			A₂			A₃			A₄		
	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL
2007/08	6.00	4.95	12.48	0.055	0.04	0.05	0.84	0.70	0.74	0.19	0.17	0.12
2008/09	3.57	4.02	15.14	0.046	0.05	0.05	0.88	0.75	0.71	0.22	0.29	0.13
2009/10	4.52	4.31	15.40	0.051	0.05	0.05	0.95	0.84	0.69	0.28	0.31	0.10
2010/11	5.45	4.19	19.69	0.053	0.05	0.06	1.11	0.70	0.69	0.31	0.39	0.12
2011/12	3.26	4.77	23.21	0.053	0.05	0.06	0.67	0.70	0.67	0.24	0.28	0.14
Mean (\bar{X})	4.56	4.45	17.18	0.0516	0.048	0.054	0.89	0.078	0.70	0.248	0.288	0.122
S.D	1.052	0.353	3.797	0.003	0.004	0.005	0.144	0.662	0.024	0.096	0.071	0.013
C.V (%)	23.07	7.93	22.10	5.81	8.33	9.26	16.18	7.52	3.43	38.71	24.65	10.66

Fiscal Year	A₅			A₆			A₇			A₈		
	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL
2007/08	1.23	0.35	0.42	66.60	75.13	42.61	38.32	27.41	54.99	57.04	63.75	36.73
2008/09	2.09	0.54	0.71	66.94	76.49	46.12	31.14	21.10	46.74	57.54	67.55	41.15
2009/10	0.89	0.30	0.59	73.87	71.68	38.14	28.99	17.85	56.41	62.89	64.70	33.70
2010/11	3.04	0.25	1.21	69.63	74.61	45.35	29.35	13.56	56.41	61.88	66.59	39.68
2011/12	1.25	0.36	0.83	76.67	75.51	48.49	26.21	18.83	45.42	65.46	67.17	42.06
Mean (\bar{X})	1.70	0.36	0.752	70.74	74.68	44.14	30.80	19.75	51.99	60.96	65.95	38.66
S.D	0.637	0.098	0.339	2.78	2.095	3.282	3.3691	6.158	3.697	2.437	2.162	2.849
C.V (%)	40.26	27.27	42.44	4.04	2.84	7.78	10.55	27.90	6.84	4.01	3.34	7.66

Where,

A₁ = Fixed assets turnover ratio,

A₂ = Total assets turnover ratio,

A₃ = Capital employed turnover ratio,

A₄ = Investment turnover ratio,

A₅ = cash and bank balance turnover ratio,

A₆ = loan & advance to total deposit ratio,

A₇ = investment to total deposit ratio,

A₈ = loan & advance to total assets ratio.

Cash and bank Balance Turnover Ratio (A_5)

Cash and bank balance are the most liquid assets. This ratio measures the efficiency of the banks in utilization of the cash and bank balance to generate income. A high cash and bank balance turnover ratio indicates efficient utilization of current of current assets in income generation while a low ratio indicates inefficient management utilization of current assets under cash and bank balance. The mean (\bar{X}) of cash and bank balance turnover ratio of NABIL, EBL and SCBNL are 1.70, 0.36 and 0.752 respectively.

The cash and bank balance turnover ratio of the banks is fluctuating over the study period. The highest cash and bank balance turnover ratio of NABIL is 3.04 and lowest ratio is 0.89 in the fiscal year 2010/11 and 2009/10 respectively. In the same way, the highest cash and bank balance of EBL is 0.54 and the lowest ratio is 0.25 in the fiscal year 2008/09 and 2010/11 respectively as well as SCBNL's highest cash and bank balance turnover ratio is 1.21 and lowest ratio is 0.42 in the fiscal year 2010/11 and 2007/08 respectively.

The mean of cash and bank balance turnover ratio of NABIL is highest i.e. 1.70 than that of two other banks. Standard deviation of cash and bank balance turnover ratio of NABIL, EBL and SCBNL are 0.637, 0.098 and 0.339 respectively. Coefficient of variation of NABIL is 40.26%, EBL is 27.27% and SCBNL is 42.44%.

Loan and Advance to Total Deposit Ratio (A_6)

A high ratio indicates the better mobilization of collection deposit and vice versa. But it is known that high ratio may not be better from the liquidity point of view. The mean (\bar{X}) of loans and advance to total deposit ratio of NABIL, EBL and are 70.74, 74.68 and 44.14 respectively.

The loan and advance to total deposit ratio of the banks is fluctuating over the study period. The highest loan and advance to total deposit ratio of NABIL is 73.87 and lowest ratio is 66.60 in the fiscal year 2009/10 and 2007/08 respectively. Correspondingly, the

highest loan and advances to total deposit ratio of EBL is 76.49 and lowest ratio is 71.68 in the fiscal year 2008/09 and 2009/10 respectively as well as SCBNL's highest loan and advance to total deposit ratio is 48.49 and lowest ratio is 38.14 in the fiscal year 2011/12 and 2009/10 respectively.

The mean of loans and advances to total deposit ratio of EBL is highest i.e. 74.68 than that of other two banks. Standard deviation of loans and advances to total deposit ratio of NABIL, EBL and SCBNL are 2.78, 2.095 and 3.282 respectively. Coefficient of variation of NABIL is 4.04%, EBL is 2.84% and SCBNL is 7.78%.

Investment to Total Deposit Ratio (A_7)

Banks mobilize its fund by investing in different securities issued by government and other financial and non-financial companies. A high ratio indicates high success in utilization of funds. The mean (\bar{X}) of investment total deposit ratio of NABIL, EBL and SCBNL are 30.80, 19.75 and 51.99 respectively.

The investment to total deposit ratio of the NABIL and SCBNL are fluctuating over the study period while the investment to total deposit ratio of EBL is decreasing. The highest investment to total deposit ratio of NABIL is 38.32 and lowest ratio is 26.21 in the fiscal year 2007/08 and 2011/12 respectively. Similarly, the highest investment to total deposit ratio of EBL is 27.41 and lowest ratio is 13.56 in the fiscal year 2007/08 and 2010/11 respectively as well as SCBNL's highest investment to total deposit ratio is 56.41 and the lowest ratio is 45.42 in the fiscal year 2010/11 and 2011/12 respectively.

The mean of investment to total deposit ratio of SCBNL is the highest i.e. 51.99 than that of other two banks. Standard deviation of investment to total deposit ratio of NABIL, EBL and SCBNL are 3.3691, 6.158 and 3.697 respectively. Coefficient of variation of NABIL is 10.55%, EBL is 27.90 % and SCBNL is 6.84%.

Loan and Advance to Total Assets Ratio (A_g)

Income from loan and advances is the one of the most profit-contributing source of bank. It is calculated by dividing loan and advances by total assets. The mean (\bar{X}) of loans and advances to total assets ratio of NABIL, EBL and SCBNL are 60.96, 65.95 and 38.66 respectively.

The loan and advances to total assets ratio of the banks is fluctuating over the study period. The highest loans and advances to total assets ratio of NABIL is 65.46 and lowest ratio is 57.04 in the fiscal year 2009/10 and 2011/12 respectively. Correspondingly, the highest loan and advances to total assets of EBL is 67.55 and lowest ratio is 63.75 in the fiscal year 2008/09 and 2007/08 respectively as well as SCBNL's highest loan and advances to total assets ratio is 42.06 and lowest ratio is 33.70 in the fiscal year 2011/12 and 2009/10 respectively.

The mean of loans and advances to total assets ratio of EBL is highest i.e. 65.95 than that of two other banks. Standard deviation of loans and advances to total assets ratio of NABIL, EBL and SCBNL are 2.437, 2.162 and 2.849 respectively. Coefficient of variation of NABIL is 4.01%, EBL is 3.34% and SCBNL is 7.66%

4.3.4 Profitability Ratios

Profitability ratios indicate the degree of success in achieving desired profit. Various profitability ratios are calculated to measure the efficiency of the bank. Success and failure of the bank depends upon its profitability showing how efficiently it is utilizing the deposit. Table 4.8 depicts all the calculated profitability ratios of the selected joint venture banks.

Return on Loans and Advances (P_1)

It measures the earning capacity of commercial banks on its deposit mobilized on loan and advances. The mean (\bar{X}) of return in loan and advances ratio of NABIL, EBL and SCBNL are 4.004, 2.548 and 6.844 respectively.

The return on loan and advances ratio of the banks is fluctuating over the study period. The highest return on loan and advances ratio of NABIL is 4.92 and lowest ratio is 3.49 in the fiscal year 2007/08 and 2009/10 respectively. Similarly highest ratio of EBL is 3.02 and lowest ratio is 2.17 in the fiscal year 2011/12 and 2008/09 respectively as well as SCBNL's highest ratio is 7.49 and lowest ratio is 5.97 in the fiscal year 2010/11 and 2009/10 respectively.

The mean return on loan and advances ratio of SCBNL is highest i.e. 6.844 than that of two other banks. Standard deviation of NABIL, EBL and SCBNL are 2.78, 0.285 and 0.552 respectively. Coefficient of variation of NABIL is 4.04% EBL is 11.19% and SCBNL is 8.07%.

Return on Total Weighted Risk Assets (P_2)

The ratio of return on total weighted risk assets is useful in measuring the profitability of all financial resource invested in the banks risky assets. In other words, return on total weighted risk assets is the contribution of weighted risk assets to net profit. The mean (\bar{X}) of return on total weighted risk assets ratio of NABIL, EBL and SCBNL are 3.14, 2.296 and 4.702 respectively.

The return on total weighted risk assets ratio of the banks is fluctuating over the study period. The highest return on total weighted risk assets ratio of NABIL is 3.74 and lowest ratio is 2.72 in the fiscal year 2007/08 and 2011/12 respectively. Similarly highest return of EBL is 2.75 and lowest ratio is 1.98 in the fiscal year 2011/12 and 2008/09 respectively as well as SCBNL's highest ratio is 5.33 and lowest ratio is 4.09 in the fiscal year 2007/08 and 2009/10 respectively.

The mean of return on total weighted risk assets ratio of SCBNL is highest i.e. 4.702 than that of two other banks. Standard deviation of return on total weighted risk assets ratio of NABIL, EBL and SCBNL are 0.414, 0.283 and 0.411 respectively. Coefficient of variation of NABIL is 13.18%. EBL is 12.32% and SCBNL is 8.74%.

Return on Total Deposit (P₃)

The prior objective of the bank is collected more deposit and utilization in various sectors i.e. to earn high profit there by maximizing return on its total deposits. This ratio reflects the extent to which the banks have been successful in mobilizing its total deposits. The mean (\bar{X}) of return on total deposit ratio of NABIL, EBL and SCBNL are 2.874, 1.880 and 2.874 respectively.

The return on total deposit ratio of the banks is fluctuating over the study period. The highest return on total deposit ratio of NABIL is 3.28 and lowest ratio is 2.46 in the fiscal year 2007/08 and 2011/12 respectively. Similarly highest ratio of EBL is 2.25 and lowest ratio is 1.63 in the fiscal year 2011/12 and 2008/09 respectively as well as highest ratio of SCBNL is 3.09 and lowest ratio is 2.75 in the fiscal year 2011/12 and 2009/10 respectively.

The mean return on total deposit ratio of NABIL and SCBNL is highest i.e. 2.874 than that of EBL. Standard deviation of return on total deposit ratio of NABIL, EBL and SCBNL are 0.333, 0.214 and 2.874 respectively. Coefficient of variation of NABIL is 12.13%. EBL is 11.38% and SCBNL is 4.04%.

Return on Total Assets (P₄)

This ratio is calculated to reveal the profitability of banks with respect to total assets. It measures the profitability of all financial resources invested in the bank's assets. The mean (\bar{X}) of return on total assets ratio of NABIL, EBL and SCBNL are 2.370, 1.654 and 2.534 respectively. The return on total assets ratio of EBL and SCBNL is decreased in the fiscal year 2007/08 and then increased but the ratio of NABIL is fluctuating. The highest return on total assets ratio of NABIL is 2.84 and lowest ratio is 2.01 in the fiscal year 2007/08 and 2009/10 respectively. Similarly the highest ratio of EBL is 2.01 and lowest ratio is 1.38 in the fiscal year 2011/12 and 2008/09 respectively as well as SCBNL highest ratio is 2.70 and lowest ratio is 2.42 in the fiscal year 2011/12 and 2008/09 respectively.

The mean of return on total assets ratio of SCBNL is highest i.e. 2.534 than that of two other banks. Standard deviation of NABIL, EBL and SCBNL are 0.282, 0.217 and 0.097 respectively. Coefficient of variation of NABIL is 11.90%, EBL is 13.12% and SCBNL is 3.83%.

Return on Shareholder's Equity (P₅)

The equity capital of the bank is its owned capital. The prior objective of the bank is wealth maximization i.e. to earn high profit by maximizing return on its equity capital. This ratio reflects the extent to which the banks have been successful in mobilizing its equity capital. The mean (\bar{X}) of return on shareholder's equity ratio of NABIL, EBL and SCBNL is 40.912, 34.818 and 40.574 respectively. The return on shareholder's equity of the banks is fluctuating over the study period. The highest return on shareholder's equity of NABIL is 51.69 and lowest ratio is 35.95 in the fiscal year 2011/12 and 2008/09 respectively. Similarly the highest return of EBL is 41.47 and lowest ratio is 30.79 in the fiscal year 2009/10 and 2008/09 respectively as well as SCBNL's highest ratio is 41.98 and lowest ratio is 38.70 in the fiscal year 2011/12 and 2009/10 respectively.

The mean return on shareholder's equity of NABIL is highest i.e. 40.912 than that of two other banks. Standard deviation of NABIL, EBL and SCBNL are 5.845, 4.182 and 1.282 respectively. Coefficient of variation of NABIL is 14.29%, EBL is 12.01% and SCBNL is 3.160. The banks should keep up with generating the profit at the same rate at which shareholder's fund are increasing.

Table 4.8
Profitability Ratios of NABIL, EBL and SCBNL

Fiscal Year	<i>P₁</i>			<i>P₂</i>			<i>P₃</i>			<i>P₄</i>		
	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL
2007/08	4.92	2.42	7.37	3.74	2.11	5.33	3.28	1.72	2.86	2.84	1.49	2.56
2008/09	4.34	2.17	6.59	3.52	1.98	4.88	2.89	1.63	2.81	2.47	1.38	2.42
2009/10	3.49	2.46	5.97	2.76	2.15	4.09	2.34	1.88	2.75	2.01	1.66	2.46
2010/11	3.74	2.67	7.49	2.96	2.49	4.72	2.76	1.92	2.86	2.35	1.73	2.53
2011/12	3.53	3.02	6.80	2.72	2.75	4.49	2.46	2.25	3.09	2.18	2.01	2.70
Mean (\bar{X})	4.004	2.548	6.844	3.14	2.296	4.702	2.874	1.880	2.874	2.370	1.654	2.534
S.D	2.78	0.285	0.552	0.414	0.283	0.411	0.333	0.214	2.874	0.282	0.217	0.097
C.V (%)	4.04	11.19	8.07	13.18	12.32	8.74	12.13	11.38	4.04	11.90	13.12	3.83

Fiscal Year	<i>P₅</i>			<i>P₆</i>			<i>P₇</i>			<i>P₈</i>		
	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL	NABIL	EBL	SCBNL
2007/08	38.32	30.83	41.63	10.28	5.65	5.13	33.88	24.65	37.55	129.21	62.78	175.84
2008/09	35.95	30.79	39.43	7.53	5.95	5.10	32.76	24.67	32.68	137.08	78.42	167.37
2009/10	36.29	41.47	38.70	7.51	8.92	5.89	30.63	23.49	32.85	108.31	91.82	131.92
2010/11	42.31	33.25	41.13	9.52	10.74	5.07	32.94	28.99	33.58	106.76	99.87	109.99
2011/12	51.69	37.75	41.98	8.37	16.61	5.47	29.69	30.15	32.22	78.57	100.16	77.65
Mean (\bar{X})	40.912	34.818	40.574	8.642	9.574	5.332	31.98	26.39	33.776	111.986	86.61	132.554
S.D	5.845	4.182	1.282	1.10	4.39	2.88	1.563	3.657	1.937	20.415	14.293	36.36
C.V (%)	14.29	12.01	3.160	12.73	45.89	54.00	4.89	10.07	5.735	18.23	16.50	27.43

P₁ = Return on loan and advance

P₂ = return on Total Weighted Risk Assets

P₃ = Return on Total Deposit

P₄ = Return on Total Assets

P₅ = Return on shareholder's equity

P₆ = Return on investment

P₇ = Return on capital employed

P₈ = Earnings per share

Return on Investment (P₆)

This ratio measures how well the banks have invested its resources to generate profit and to indicate percentage of return from it higher ratio represents higher efficiency of banks. The mean (\bar{X}) of return on investment ratio of NABIL, EBL and SCBNL are 8.642, 9.574 and 5.332 respectively. The return on investment of NABIL and SCBNL is fluctuating over the study period but ratio of EBL is increasing. The highest return on investment of NABIL is 10.28 and lowest ratio is 7.51 in the fiscal year 2007/08 and 2009/10 respectively. Similarly highest ratio of EBL is 16.61 and lowest ratio is 5.65 in the fiscal year 2011/12 and 2007/08 respectively as well as SCBNL highest ratio is 5.89 and lowest ratio is 5.07 in the fiscal year 2009/10 and 2010/11 respectively.

The mean of return on investment ratio of EBL is the highest i.e. 9.574 than that of two other banks. Standard deviation of return on investment ratio of NABIL, EBL and SCBNL are 1.10, 4.39 and 2.88 respectively. Coefficient of variation of NABIL is 12.73%, EBL is 45.89% and SCBNL is 54%. To make bank's profitability and return from investment is satisfactory, the banks should really make an effort in investing its resources efficiently to generate adequate level of return.

Return on Capital Employed (P₇)

The capital employed of the bank is its owned capital and long- term liabilities. The prior purpose of the bank is wealth maximization i.e. to earn high profit there by maximizing return on its capital. This ratio reflects the extent to which the banks have been successful in mobilizing its capital. The mean (\bar{X}) of return on capital employed ratio of NABIL, EBL and SCBNL are 31.98, 26.39 and 33.776 respectively. The return on capital employed ratio of the banks is fluctuating over the study period. The highest return on capital employed ratio of NABIL is 33.88 and lowest ratio is 29.69 in the fiscal year 2007/08 and 2011/12 respectively. Similarly highest ratio of EBL is 30.15 and lowest ratio is 23.49 in the fiscal year 2011/12 and 2009/10 respectively as well as SCBNL's highest ratio is 37.55 and lowest ratio is 32.22 in the fiscal year 2007/08 and 2011/12 respectively.

The mean of return on capital employed ratio of SCBNL is highest i.e. 33.776 than that of two other banks. Standard deviation of return on capital employed ratio of

NABIL, EBL and SCBNL are 1.563, 3.657 and 1.937 respectively. Coefficient of variation of NABIL is 4.89%, EBL is 10.07% and SCBNL is 5,735%. To make bank's profitability and return from total capital is satisfactory, the banks should really make effort in the capital efficiently to generate adequate level of return.

Earning Per Share (P_8): The judgment of profitability of the firm or company from the point of view of the ordinary shareholders is earning per share. It measures the profit available to the equity shareholders on a per share basis that is the amount that they can get on every share held. It represents what the owners are theoretically entitled to receive from the bank.

The mean (\bar{X}) of earning per share of NABIL, EBL and SCBNL are 111.986, 86.61 and 132.554 respectively. The earning per share of NABIL is increasing in the fiscal year 2007/08 and then decreased. The earning per share of EBL is increasing but the SCBNL is decreasing. The highest earning per share of NABIL, EBL and SCBNL are 137.08, 100.16 and 175.84 respectively. This is good for the bank because increment in EPS represents the increment in profit from the owner's point of view. But comparatively, EBL has the better position than NABIL and SCBNL due to higher average (mean).

The mean of earning per share of SCBNL is highest i.e. 132.554 than that of two other banks. Standard deviation of NABIL, EBL and SCBNL are 20.415, 14.293 and 36.36 respectively. Coefficient of variation of NABIL is 18.23%, EBL is 16.50% and SCBNL is 27.43%.

4.4 Analysis of Assets Structure

The total structures are the combination of various financial components. There should be a proper distribution of these components in the total assets. There are some different components that have constituted the total assets of the selected commercial banks, which are cash & bank balance, money at call and short notice, investment, loans and advances, fixed assets and other assets.

4.4.1 Analysis of Assets Structure of NABIL

The components of total assets of NABIL are cash & bank balance, money at call and short notice, investment, loans and advances, fixed assets and other assets which is shown in table 4.9 below:

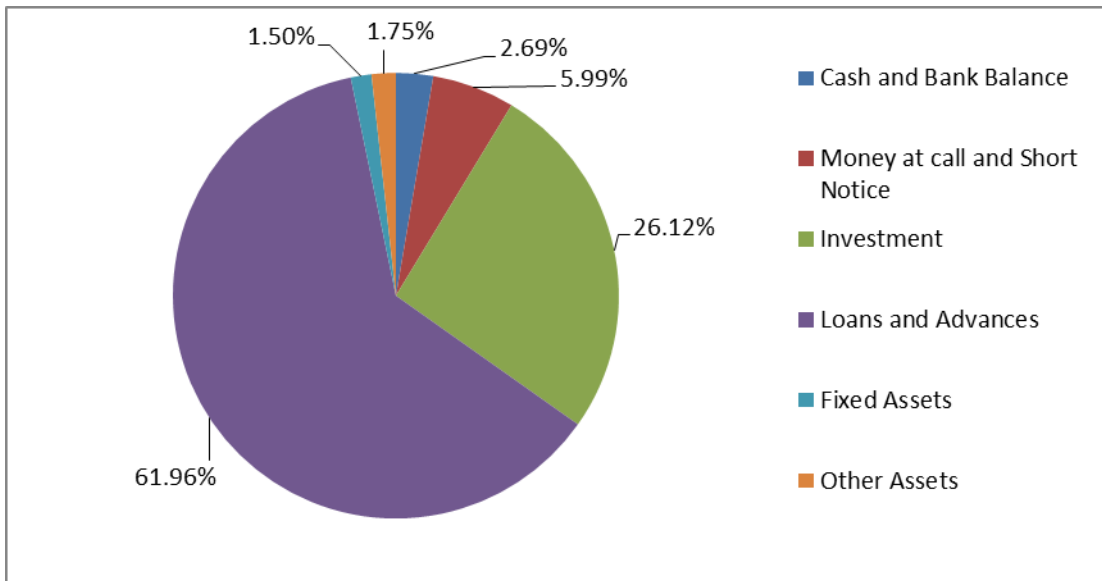
Table 4.9
Assets Structure of NABIL

Components of Assets	Percentage
Cash and Bank Balance	2.69
Money at call and Short Notice	5.99
Investment	26.12
Loans and Advances	61.96
Fixed Assets	1.50
Other Assets	1.75
Total Assets	100.00

Source: Annual Report of Nabil Bank Ltd.

The table 4.9 depicts that distribution of assets of NABIL for 2010/11. It reveals that the major portion of the total assets is occupied by loans and advances, which is 61.96% of the total assets. Investment covered 26.12% of total assets. Money at call and short notice occupied 5.99% of total assets. Similarly, cash and bank balance, other assets and fixed assets occupied 2.69%, 1.75% and 1.50% of total assets respectively. The assets structure of NABIL is presented in the following pie chart.

Figure 4.5
Assets Structure of NABIL



4.4.2 Analysis of Assets Structure of EBL

The components of total assets of EBL are cash & bank balance, investment, loans and advances, fixed assets and other assets which are shown in table 4.10 below:

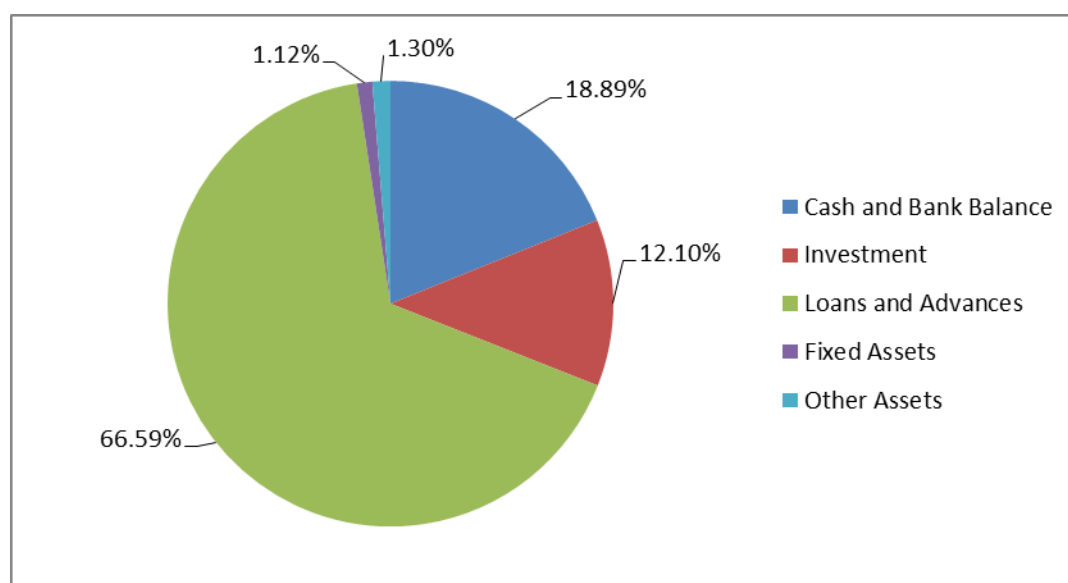
Table 4.10
Assets Structure of EBL

Components of Assets	Percentage
Cash and Bank Balance	18.89
Investment	12.10
Loans and Advances	66.59
Fixed Assets	1.12
Other Assets	1.30
Total Assets	100.00

Source: Annual Report of Everest Bank Ltd.

The table 4.10 depicts that distribution of assets of EBL for 2009/10. It reveals that the major portion of the total assets is occupied by loans and advances, which is 66.59% of the total assets. Cash and bank balance occupied 18.89% of total assets. Investment occupied 12.10% of total assets. Similarly other assets and fixed assets occupied 1.30% and 1.12% of the total assets respectively. The assets structure of EBL is presented in the following pie chart.

Figure 4.6
Assets Structure of EBL



4.4.3 Analysis of Assets Structure of SCBNL

The components of total assets of SCBNL are cash and bank balance, money at call and short notice, loans and advances, fixed assets and other assets which is shown in table 4.11:

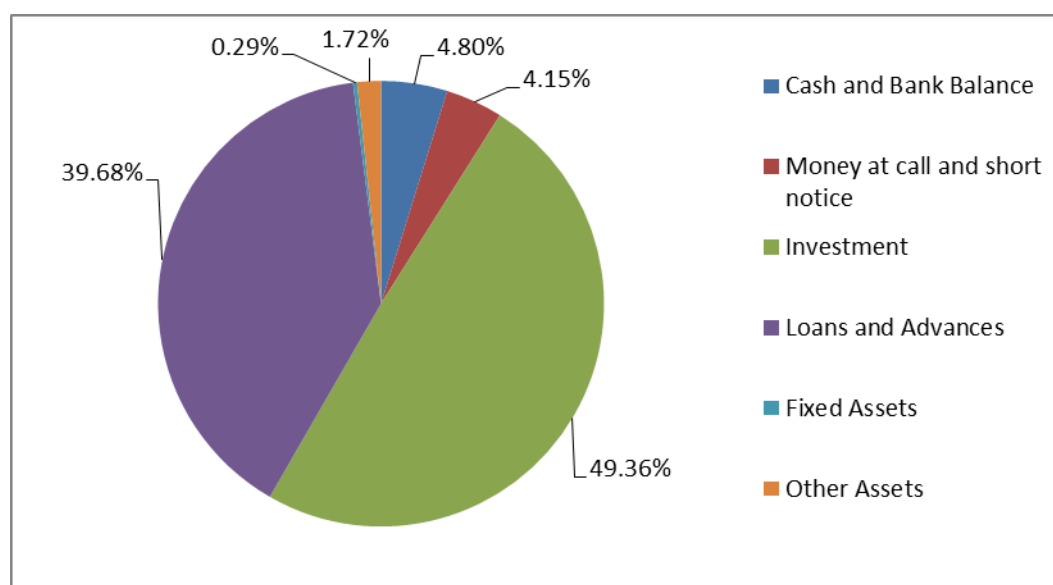
Table 4.11
Assets Structure of SCBNL

Components of Assets	Percentage
Cash and Bank Balance	4.80
Money at call and short notice	4.15
Investment	49.36
Loans and Advances	39.68
Fixed Assets	0.29
Other Assets	1.72
Total Assets	100.00

Source: Annual Report of SCBNL

The table 4.11 depicts that distribution of assets of SCBNL for 2009/10. It reveals that the major portion of the total assets is occupied by investment which is 49.36% of total assets. Loans and advances occupied 39.68% of total assets. Cash and bank balance occupied 4.80% of total assets. Similarly money at call and short notice, other assets and fixed assets occupied 4.80%, 1.72% and 0.29% respectively.

Figure 4.7
Assets Structure of SCBNL



4.5 Analysis of Relationship

This analysis interprets and identifies the relationship between two or more variables. In the case of highly correlated, the effect on none variable may have effect on the correlated variable. Under this topic, this study tries to find out relationship between the following variables:

- Coefficient of correlation between Total Deposit and Net Profit
- Coefficient of correlation between Total Deposit and Total Investment
- Coefficient of correlation between Total Deposit and Loan & Advances
- Coefficient of correlation between Current Assets and Current Liabilities

4.5.1 Relationship between Total Deposit and Net Profit

The following table describes the relationship between total deposits and net profit of NABIL, EBL and SCBNL with comparative under five years study period. In the following case, total deposit is independent variable (X_1) and net profit is dependent variables (X_2).

Table 4.12
Relationship between Total Deposit and Net Profit

	NABIL	EBL	SCBNL
Coefficient of Correlation	0.96	0.99	0.98
P.E	0.023	0.006	0.012
6 P.E	0.141	0.036	0.072
t- test	6.364	8.91	10.98

Source: Appendix

From the above table, it is found that coefficient of profit of NABIL is 0.96 i.e. high degree of positive correlation between these two variables. Therefore it reveals that relationship between total deposit and net profit is closer to perfect correlation. Similarly, probable error (P.E.) is 0.023 and 6P.E is 0.141 which shows that 'r' is greater than 6 P.E. Therefore it reveals that relationship between total deposit and net profit is significant. T- test of NABIL is 6.364, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

Likewise in case of EBL, coefficient of correlation between total deposit and net profit is 0.99 i.e. there is high degree of positive correlation between two variables. It means correlation of coefficient between total deposit and net profit of EBL is perfect correlation. Similarly, probable correlation between total deposit and net error (P.E) is 0.006 and 6 P.E is 0.036 which shows that 'r' is greater than 6P.E. therefore it reveals that relationship between total deposit and net profit is significant. T – test of EBL is 8.91, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

Similarly, it is found that coefficient of correlation between total deposit and net profit of SCBNL is 0.98 i.e. high degree of positive correlation between these two variables. It also reveals that relationship between total deposit and net profit is closer to perfect correlation. Similarly, probable error (P.E) is 0.012 and 6P.E. is 0.072 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and net profit is significant. T- test of SCBNL is 10.98, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306. So that it is significant.

Table 4.13

Relationship between Total Deposits and Investment

	NABIL	EBL	SCBNL
Coefficient of Correlation	0.967	0.698	0.941
P.E	0.02	0.154	0.035
6 P.E	0.120	0.924	0.208
t- test	4.358	4.60	4.41

Source: Appendix

From the above table, it is found that coefficient of correlation between total deposit and investment of NABIL is 0.967 i.e. high degree of positive correlation between

these two variables. Therefore it reveals that relationship between total deposit and investment is closer to perfect correlation. Similarly, probable error (P.E) is 0.02 and 6P.E is 0.120 which shows that 'r' is greater than 6P.E therefore it reveals that relationship between total deposit and investment is highly significant. T test of NABIL is 4.358, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for the variables test is 2.306 So that, it is significant.

Likewise in case of EBL, coefficient of correlation between total deposit and investment is 0.698 i.e. there is high degree of positive correlation between two variables. It means correlation of coefficient between total deposit and investment of EBL is perfect correlation. Similarly, probable error (P.E) is 0.154 and 6P.E is 0.924 which shows that 'r' is less than 6P.E. therefore it reveals that relationship between total deposit and investment is insignificant. T test of EBL is 4.60, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that it is significant.

Similarly, it is found that coefficient of correlation between total deposit and investment of SCBNL is 0.941 i.e. high degree of positive correlation between these two variables. It also reveals that relationship between total deposit and investment is perfect correlated. Similarly, probable error (P.E) is 0.035 and 6P.E is 0.208 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and investment is significant. T test of SCBNL is 4.41, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that it is significant.

4.5.2 Relationship between Total Deposit and Loans and Advances

The following table describes the relationship between total deposits and loan and advances of NABIL, EBL and SCBNL with comparatively under five years study period. In the following case, total deposit is independent variables (X_1) and loan and advances is dependent variables (X_2).

Table 4.14

Relationship between Total Deposits and Loan & Advances

	NABIL	EBL	SCBNL
Coefficient of Correlation	0.846	0.997	0.911
P.E	0.086	0.002	0.051
6 P.E	0.513	0.011	0.307
t- test	2.082	1.209	5.889

Source: Appendix

From the above table, it is found that coefficient of correlation between total deposit and loans and advances of NABIL is 0.846 i.e. high degree of positive correlation between these two variables. Therefore it reveals that relationship between total deposit and loans and advances is closer to perfect correlation. Similarly, probable error (P.E) is 0.086 and 6P.E is 0.513 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and loans and advances is significant. T test of NABIL is 2.082, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

Likewise in case of EBL, coefficient of correlation between total deposit and loans & advances is 0.997 i.e. there is high degree of positive correlation between two variables. It means correlation of coefficient between total deposit and loans & advances of EBL is perfect correlation. Similarly, probable error (P.E) is 0.002 and 6P.E is 0.011 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and loan & advances is significant. T test of EBL is 1.209, which is less than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that it is not significant.

Similarly, it is found that coefficient of correlation between total deposit and loans and advances of SCBNL is 0.911 i.e. high degree of positive correlation between these two. It also reveals that relationship between total deposit and loans & advances is closer to perfect correlation. Similarly, probable error (P.E) is 0.051 and 6P.E is 0.307 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and loans and advances is significant. T test of SCBNL is 5.89, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

4.5.3 Relationship between Current Assets and Current Liabilities

The following table describes the relationship between current assets and current liabilities of NABIL, EBL and SCBNL with comparatively under five years study period. In the following case, current assets are independent variables (X_1) and current liabilities are dependent variables (X_2).

Table 4.15

Relationship between Current Assets and Current Liabilities

	NABIL	EBL	SCBNL
Coefficient of Correlation	0.9998	0.9934	0.9998
P.E	0.0001	0.004	0.0001
6 P.E	0.0006	0.0238	0.0007
t- test	0.311	0.6173	0.605

Source: Appendix

From the above table, it is found that coefficient of correlation between current assets and current liabilities of NABIL are 0.9998 i.e. high degree of positive correlation between these two variables. Therefore it reveals that relationship between current assets and current liabilities is perfect correlated. Similarly, probable error (P.E) is 0.0001 and 6P.E is 0.0006 which shows that 'r' is greater than 6P.E. therefore it reveals that relationship between current assets and current liabilities is significant. T test of NABIL is 0.311, which is less than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that it is not significant.

Likewise in case of EBL, coefficient of correlation between current assets and current liabilities is 0.9934 i.e. there is high degree of positive correlation between two variables. It means correlation of coefficient between current assets and current liabilities of EBL is perfect correlation. Similarly, probable error (P.E) is 0.004 and 6P.E is 0.0238 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between current assets and current liabilities is significant. T test of EBL is 0.6173, which is less than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is not significant.

Similarly, it is found that coefficient of correlation between current assets and a current liability of SCBNL is 0.9998 i.e. high degree of positive correlation between these two variables. It also reveals that relationship between current assets and current liabilities is perfect correlated. Similarly, probable error (P.E) is 0.0001 and 6P.E is 0.0007 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between current assets and current liabilities is significant. T test of SCBNL is 0.605, which is less than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is not significant.

4.6 Major Findings of the Study

After analyzing the available data of NABIL, EBL and SCBNL, covering the study period of 2007/08 to 2011/12, the following major findings have been drawn from the study.

- NABIL has come out with comparatively better operating efficiency and ability to ensure adequate returns to its shareholders.
- The liquidity positions of commercial banks aren't poor though the rule of thumb the standard ratio should be 2:1. The banks are unable to maintain the current ratio in accordance with standard.
- NABIL has managed to maintain better distribution of assets during 2008/09.
- SCBNL is maintaining adequate liquidity position regarding cash reserve ratio than NABIL and EBL. Too low ratios are also not preferable bank should meet its obligations any time when necessary.
- The cash and bank balance to total assets ratio of the banks is fluctuating over the study period. The mean of cash and bank balance to total assets ratio of EBL is the highest i.e. 13.964 than that of NABIL and SCBNL.
- The investment on govt. securities to current assets ratio of the EBL and SCBNL is decreasing and increased in the year 2011/12 but investment on govt. securities to current assets ratio of NABIL is fluctuated.
- The debt to total assets ratio of the banks are fluctuating. Comparatively, EBL is more at riskier position of debt financing than other two banks because of higher average (mean)
- The debt to equity ratio of the NABIL is increasing and debt to equity ratio of EBL is increased for the first three year and then decreased but the debt to equity ratio of SCBNL is fluctuating. EBL is more of risky since its average ratio is higher than other two banks.
- The total debt to share capital ratio of the NABIL and SCBNL is decreasing throughout the study period but the total debt to share capital ratio of EBL is fluctuating SCBNL is more risky since its average ratio is higher than other two banks. Claims of creditors are higher than owners, which can prove risky.
- The loans and advances to current assets ratio of the banks are fluctuated during the study period.

- In profitability and activity ratios, NABIL has bested than EBL and SCBNL. EBL has emerged as having a large volume of banking operations, mainly its deposits and lending in the light of its greater deposits and greater credits as compared to NABIL.

- The returns on loans and advances ratio of the banks are fluctuating over the study period. To make bank's profitability and return from loans and advances is satisfactory; the banks should really make an effort in loans and advances efficiently to generate adequate level of return.
- The mean of return on total deposit ratio of NABIL is the highest i.e. 3.172 than that of two other banks i.e. EBL and SCBNL. To make bank's profitability and return from total deposit is satisfactory; the banks should really make an effort in total deposit, its collect efficiently to generate adequate level of return.
- The return on investment ratio of the NABIL and SCBNL is fluctuating over the study period. The return on investment ratio of the EBL is rapidly increased.
- The earnings per share of NABIL and SCBNL is fluctuating over the study period and the earning per share of EBL is in increasing trend. The highest earning per share of NABIL, EBL and SCBNL are 137.08, 100.16 and 175.84 respectively.
- The investment turnover ratio of the NABIL and EBL is increased till the fiscal year 2009/10 and then decreased. The investment turnover ratio of the SCBNL is fluctuating over the study period.
- The total assets turnover ratio of the banks is decreasing with fluctuated. The mean of the total assets turnover ratio of SCBNL is highest i.e. 0.054 than that of the EBL and SCBNL.
- Majority of the respondents satisfied with the dividend policy of the selected joint venture banks and they suggest and preferring government securities as the alternative of investment.
- Many of the shareholders (investors) are found unaware about the loan and advance provided by the banks and the deposit collected by the bank where they are the shareholders. Even though, majority of the shareholders prefer to invest into the joint venture banks.

CHAPTER – V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Banking sector plays a vital role for the country's economic development. Bank is a resource mobilizing institution, which accepts deposit from various sources and invest such accumulated resources in the field of agriculture, trade, commerce, industry, tourism etc. banks help to mobilize the small savings collectively to huge capital markets. Commercial banks basically help to promote the money market by providing expert managerial skills and by using advanced and often state of the art technologies to serve the customers in an efficient and effective manner.

Among other banking operations, investment and funds mobilization pattern of joint venture banks is very important one. It is the most important factor from the view point of depositors, shareholders and bank management. For this, commercial banks have to pay due consideration while formulating investment policy. A healthy development of any commercial banks depends upon its investment policy. A rational investment policy attracts both borrowers and lenders which help to increase the volume and quality of depositors, loans and investment.

The major source of income of the bank is interest income from loans and investments and fee based income. As loan and advances dominate the asset side of the balance sheet of any bank, however it is very important to be reminded that most of the bank's failures in the world are due to the shrinkage in the value of loans and advances. Hence loan is known as risky assets and investment operation of commercial banks and very risk of non repayment of loan is known as credit risk or default risk. Performing loans have multiple benefits to the society by helping for the growth of economy while non performing loans erode even existing capital. Considering the importance of lending to the individual banks and also to the society it serve, it is imperative that the bank meticulously plans its credit operations.

Now- a- days many commercial banks are rapidly opened in Nepal as commercial banks with higher technology and efficient methods in banking sector especially after the political reform of the country. At present, 32 commercial banks are operating in

Nepal. But in this study, only three commercial banks has been undertaken i.e NABIL Bank Ltd, Everest Bank Ltd. and Standard Chartered Bank Nepal Ltd. This study has been completed on the basis of secondary data.

Periodical review and analysis of financial aspects of the banks are very necessary to see the clear financial pictures, investment policy of Nepalese commercial banks in Nepal i.e NABIL, EBL and SCBNL has been carried out to fulfill this requirement.

Studied of selected banks are introduced. Problems are stated to set the objectives of the study. The objectives are to evaluate the investment policy of NABIL, EBL and SCBNL banks and to identify their strengths and weakness. Theoretical framework of ratio analysis, correlation between two variables, its importance and limitations, research methodology and limitations of the study are mentioned.

The findings of liquidity ratios, capital structure ratios, activity ratios and profitability ratios are presented on a comparative basis. Besides, statistical analysis i.e mean, standard deviation, coefficient of variance of all ratios and correlation of coefficient of the total deposit with net profit, loans and advances, investment and current assets with current liabilities and test of hypothesis made is also done of the selected banks. This analysis gives clear pictures of the performance of the banks with regards to its investment operation. All of the information and data are collected from related banks i.e websites, annual reports. The operating efficiencies of the selected banks and their abilities to ensure adequate returns to the shareholders have been measured.

5.2 Conclusion

On basis of entire research study some conclusions have been deduced. This study particularly deals about the financial positions of commercial banks in Nepal. The present study is mainly an attempt to give account of comparative study about commercial banks in different aspects such as liquidity positions, profitability positions, and market position and other related ratios and indicators of the basis of financial statement.

After conducting the investment policy of NABIL, EBL and SCBNL, covering the study the study period of 2007\2008 to 2011\ 2012, the following conclusions can be drawn from the study:

- SCBNL is maintaining adequate liquidity position regarding cash reserve ratio than NABIL and EBL. Too low ratios are also not preferable, bank should meet its obligations any time when necessary. The cash and bank balance to total assets ratio of the banks is fluctuating throughout the study period. The cash and bank balance of EBL is highest i.e. 13.964 than SCBNL and NABIL. The investment on govt. securities to current assets ratio of the NABIL and SCBNL is fluctuating but the investment on govt. securities to current assets ratio of EBL is decreased till the fiscal year 2009/10 and then increased in the fiscal year 2010/2011. The liquidity positions of commercial banks are not very poor though the rule of thumb the standard ratio should be 2:1. The banks are unable to maintain the current ratio in accordance with standard.
- NABIL has come out with comparatively better operating efficiency and ability to ensure adequate returns to its shareholders. NABIL has managed to maintain better distribution of assets during 2009\2010. The debt to total assets ratio of the banks are fluctuating. Comparatively EBL is more at riskier position of debt financing than other two banks because of higher average (mean). The debt to equity ratio of the three banks is fluctuating throughout the study period. EBL, is more risky since its average ratio is higher than other two banks. The total debt to share capital ratio of NABIL and SCBNL is decreasing and the total debt to share capital ratio of EBL is fluctuating. SCBNL is more risky since its average ratio is higher than other two banks. Claims of creditors are higher than owners, which can prove risky. The loans and advance to current assets ratio of banks are fluctuated throughout the study period study.
- In profitability and activity ratios, NABIL has bested than EBL and SCBNL. The return on loan and advances ratios of banks is fluctuating over the study period. To make bank's profitability and return from loans and advances is satisfactory; the banks should really make an effort in loans and advances efficiently to generate adequate level of return. The mean of return on total deposit ratio of NABIL and SCBNL is same i.e. 2.874 which is higher than EBL. To make bank's profitability and return from total deposit is satisfactory;

the banks should really make an effort in total deposit, to collect efficiently to generate adequate level of return.

- The earnings per share of NABIL is increasing in the fiscal year 2007/08 and then decreased and the earning per share of EBL is increasing but the earning per share of SCBNL is decreasing trend. The highest earning per share of NABIL EBL and SCBNL are 137.08, 100.16 and 175.84 respectively. The investment turnover ratio of SCBNL is fluctuating throughout the study period. The investment turnover ratio of NABIL and EBL is in increasing trend and decreased in the year 2010\2011. The total assets turnover ratio of NABIL is decreasing in the fiscal year 2007/08 and then increased and the total assets turnover ratio of EBL and SCBNL is increasing. The mean of total assets turnover ratio of SCBNL is highest i.e. 0.054 than that of NABIL and EBL.
- Majority of the respondent satisfied with the dividend policy of the selected joint venture banks and they suggest and preferring government securities as the alternative of investment. Many of the shareholders (investors) are found unaware about the loan and advance provided by the banks and the deposit collected by the bank where they are the shareholders. Even though, majority of the shareholders prefer to invest into the joint venture banks.

5.3 Recommendations

On the basis of finding of the study, some important recommendations have been forwarded. Although these banks have more than 12 years of banking experiences in Nepal, with a competent managerial team. Some weaknesses have come into light through the study. The following recommendations have been made on the basis of major findings of the study.

- SCBNL and EBL are suggested to increase cash and bank balance to total deposits ratio. EBL is suggested to improve its profitability position, and to improve its overall efficiency and returns to its shareholders.
- The debt to equity ratio of NABIL is increased till 2008/2009 and decreased in the year 2009/2010 and then again increased. The debt to equity ratio of EBL is increased till 2008/2009 and then decreased but the debt to equity ratio of SCBNL is fluctuating. The highest debt to equity ratio of NABIL is 21.93 and lowest is 12.34 in the year 2010/2011 and 2006/2007 respectively. Such fluctuation should be controlled.

- Although the loans and advances to total deposit ratio of the banks is fluctuating over the study period, the bank's performance have good, don't lose the level. NABIL has been suggested to improve its deposits and credits to increase its banking operations. The banks are suggested to improve its deposits and credits to increase its volume of banking operations.
- The banks are suggested to review their overall capital structures and investments portfolios to make better mix in capital structure as well as investment portfolio. The banks should finance superior quality of assets for greater profits, especially for SCBNL. The banks should maintain positive relationship between loans and advances and deposits in coming years also, to maximize benefits.
- The studied banks are suggested to invest in deprived sector as directed by NRB in order to contribute to the overall development of the country. Since the economy of the country has become weaker since the last decade, the studied banks are advised to concentrate more on risk free securities and low risk loans.

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