Chapter – I

INTRODUCTION

1.1 General Background:

Nepal is located in the southern part of the Asian continent. Nepal is a landlocked country situated between two large countries China and India. It is a beautiful but one of the poorest country in the world. Her social and economic indicators, though improving over time, are comparative to those of poorer African countries. Much of this backwardness is attributed to centuries of political and economic isolation, a landlocked mountainous terrain and a late start in development process. Nepal started economic development very late, only form early fifties of the 19^{th} century. The agricultural geography, political instabilities, landlocked situation and poor resource mobilization which have slowed down the pace of development.

There is always lack of finance in underdeveloped economies because natural resources are either underutilized or utilized in unproductive sectors or even other purposes i.e. social welfare and so on. Likewise, underdeveloped countries are not deficient in land, water, mineral, forest or power resources, though they may be untapped; constituting only potential resources and in the underdeveloped countries like Nepal there is always lack of financial resources not only because of its real absence but not properly mobilized and are not fully utilized for the productive purpose. The reason behind Nepal underdeveloped economy is not due to lack of resource but due to not proper utilization of the available resources. Nepal being listed among least developed country which is trying to embark upon the path of economic development by economic growth developing all sectors of economy, (Dewett., 1995:454).

Bank plays a vital role in developing the economy of any country. Before 1792 the goldsmiths used store people's gold and other valuable goods and charge nominal charges against the deposit. That time people deposited their gold and valuable goods

for the sake security rather than earning interest. The term bank emerged in U.S.A in 1792.

The bank means an institution which deals with money. A bank performs several financial, monetary and economic activities, which are very essential for economic development of any country. Broadly speaking bank draws surplus money from the people who are not using it at present and are hoarding for future and supplies loan to those who are in a position to use it for productive purposes. Modern banks can be considered as the involved of ancient goldsmiths.

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

Ordinary banking business consists of changing cash for bank deposits and bank deposits for cash; transferring bank deposits from one person or corporation to another; giving bank exchange, government bonds, the secured or unsecured promises of business man to repay etc.

Hence, a bank is an institution which accepts deposits from public and in turn advances loans by creating credits. Bank should be differentiated from other financial institutions, as they cannot create credit though they accept deposits. Therefore, a bank must be identified by its function, services and roles towards public, industrialists and other sector in the economy.

Today different types of financial institution are established with different purposes. These banks give different types of services to people. Basically banks performs various types of services i.e. collection deposit from the public, grant loans to those Investor who want to invest in business, Industry and other sectors, overdraft, guarantee against any disable of payment (guarantee services), letter of credit, discounting bills, promissory notes, selling of other share to general public, agency function task, limit of the storage commodities etc.

Fund collection and mobilization is the major activity of a commercial bank. Fund management determines the effectiveness of a commercial bank. A bank is essentially an intermediary of short term, middle term and long term funds. He can carry out extensive lending operations only when he can effectively channelize the savings of community (Weston and Brigham, 11th edition). A good banker is only who effectively mobilizes the savings of the commodity as well as makes such use of saving by making it available to productive and prior sectors of economy, thereby fostering the growth and development of Nation's economy.

Traditionally, the banker used to accept three types of deposits. i.e current, saving and fixed deposit. But because of the intense competition for resources, there are a variety of other innovations introduced by the bankers in recent times, which is the major source of fund collection and other source of fund collection is common stock financing, preferred stock financing as well as bond or debenture financing. Similarly, there are various instruments for fund mobilization, i.e. utilization or investment. Such as government security, share/bond/debenture of other company, gold/silver, credit/overdraft etc. the brief introduction is placed in review of literature.

The investment policy of the bank deposits on the nature of its funds. If it can acquire funds of more or less permanent nature, it can acquire more profitable assets. If the funds are subject to wide fluctuations, it has to keep a large part of the funds in liquid form. It is said that the soundless of bank is reflected in the distribution of its funds on different types of assets. A good banker is one who follows a wise investment polity which brings maximum profits to shareholders and provides maximum security to the depositors. A bank is fundamentally governed by three important principles in formulating its investment polity. The guiding principles of the investment policy of a commercial bank are liquidity, profitability and security. These three attributes are inter-related. The bank cannot afford to sacrifice one in favor of the others.

1.2 Statement of the problem:

The main objective of any commercial bank is collection of fund and its proper mobilization in productive areas. Now a day the banking institutions are facing the problems from the external factors, such as political, legal, economic, social, infrastructure, quality of work life etc. The unstable politics is the main cause, collection and its mobilization procedure: The other common problems are the lack of general awareness in the public mass, lack of proper information about share market, limited user of money and capital market, disqualified management team, low activity of NEPSE, day to day increasing security problem etc. In this regard, 4 joint venture banks (Nabil Bank Limited, Standard Chartered Bank Nepal Limited, Himalayan Bank Limited and Everest Bank Limited) are able to meet their fund requirement from collection and mobilization view is the main research problem of our study.

In this research paper, whether the commercial banks collect and utilize their fund effectively or not will be enquired in these joint venture banks. The other research problems related to fund collection and its mobilization in the commercial banks are:

- Weather the joint venture banks (NABIL, SCBNL, HBL and EBL) have collected and mobilized their funds effectively or not?
- What are the performance indicators of the joint venture banks (NABIL, SCBNL, HBL and EBL) in relation to fund collection and its mobilization?
- Is there correlation between the fund collection and fund mobilization of the 4 joint venture banks (NABIL, SCBNL, HBL and EBL)?

1.3 Objectives of the study:

The objective of the study will concentrate on reviewing the fund collection and its mobilization in the joint venture banks, especially in NABIL, SCBNL, HBL and EBL. The research study has expected to provide a useful feedback to the commercial banks. Some of the main objectives of the study are as follows:

- To find out the effectiveness of the selected joint venture banks in fund mobilization.

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

1.4 Significance of the study:

Banking institution plays a major role in accelerating the process of development of a country. For achieving the economic growth, the funds need to be collected and to be utilized properly in the productive areas. According to NRB research report, banking and financial institution are contributing around 10% to its nation GDP. It shows that banking and financial institution affect the economic growth of the country. Therefore, the banking and financial institution should collect their fund and accordingly, they should utilize them in the productive area.

The fund collection and its proper mobilization is a crucial part of any industry. The present situation shows that Nepal is facing the economic crisis due to improper fund collection and its mobilization policy.

The key success of any commercial bank lies in the proper collection and mobilization of deposit and other source of fund. Because over and under collection and mobilization of fund have negative impact on the performance of the banks and its may vanish the bottom line of the banks which is the sole criterion for the long-term sustainability. Therefore, the study attempts to find out whether the commercial banks have collected the funds and mobilized their fund properly or not.

This study measure the impact of fund collection and mobilization on total performance, which will enable to the industrialists and traders for making appropriate decision and strategies in the field of investing. From which the researcher believed that the findings of the study would be useful and valuable to the business organization and as well as to the concerned companies, debtors, creditors, customers, management students, share brokers and finally all persons and

organizations associated with banking, directly or indirectly, would be benefited from this study.

This study adds new ideas and findings about the fund collection and its mobilization procedure of concerned banks. There is no doubt that it is important to various groups but in particular is directed to a certain groups of people/organizations, which are"

a. Importance to shareholders.
b. Importance to management bodies of the bank
c. Importance to "outsiders" which are mainly the customers, financing agencies etc
d. Importance to the government bodies or the policy makers
e. Interested outside parties such as investors, customers, competitors personnel of the company, stockholders and market planners.

So this study helps to identify its hidden weakness regarding financial cum administration.

1.5 Limitations of the study:

The research study has some limitations. The main limitation of the study is the time constraints. The other limitations are:

- Though, there has been in operation of 25 commercial banks in Nepal, only 4 joint venture banks are taken for the proposed study.
- The study concentrates only on fund collection and its mobilization in selected joint venture banks.
- The secondary data will be used for presentation and interpretation of the data. Only 6 years trend will be considered.
- There cannot be found the concerned Study on this topic. Thus, we cannot get the prompt idea and guideline to complete this research. We follow the different books, journals, articles and dissertations. Thus. Reliability of the study is based on those things.

1.6 Organization of the study:

The present study has been divided into five chapters as follows:

- INTRODUCTION
- REVIEW OF LITERATURE
- RESEARCH METHADOLOGY
- DATA PRESENTATION AND ANALYSIS
- SUMMARY, CONCLUSION AND RECOMMENDATIONS

The ***first chapter*** deals with various aspects of the present study, like background of the study, which includes brief introduction of fund collection and its mobilization techniques adopted by NABIL, SCBNL, HBL and EBL. It also deals with the statement of the problems, objectives of the study, limitations of the study and scheme of the study.

The ***second chapter*** deals with the review of literature. In the chapter, the review from books, journals, thesis and independent studies are taken into account.

The ***third chapter*** deals with research methodology, which includes introduction, research design, nature and sources of data, data processing procedures and tools used for analysis.

The ***fourth chapter***, which is the main aspect of the study deals with the data presentation and analysis on the basis of the document received from the related organization. This study used the statistical as well as financial tools in order to fulfill the objectives and problems of the study.

The last of the ***fifth chapter*** presents the major summary on the findings, issues and conclusions followed by the recommendations.

Chapter- II

REVIEW OF LITERATURE

Literature review is a "stock taking" of available literature in one's field of research. Review of literature is an important part of any research work. It provides the boundary line for any research. Previous studies provide the foundation for present study. So, previous studies cannot be ignored. There must be continuity in research. This continuity in research is insured by linking the present study with past research studies. From this, it is clear that the purpose of literature review is to find out what research studies have been conducted in one's chosen field of study and what remains to be done.

The review of literature is a crucial aspect because it denotes planning of the study. The main purpose of literature review is to find out what works have been done in thee area of the research problem under study and what has been done in the field of the research study being undertaken. For review study, the researcher uses different books, reports, journals and research studies published by various institutions, unpublished dissertations submitted by master level students have been reviewed. It is divided into three headlines:

*** Conceptual review**

*** Review of past studies**

*** Research gap**

2.1. Conceptual Review

2.1.1. Historical Background of Bank:

History shows the requirements of economic development of any country heavily realize upon the banking system of the country (scott; D., 1992). During its industrial development period, U.K used bank credit to fulfill its working capital need. In 19th century, during the industrialization process of France and Germany, banks played an important role in industrial finance and growth of the nation. In general meaning, bank is an institution that deals with money. A bank performs several financial, monetary and economic activities, which are vital for economy development of a

country. It is a monetary institutional vehicle for domestic resource mobilization of the country that accepts deposits from various sources and invests such accumulated resources in the fields of agriculture, trade, commerce etc. Generally, the term “Bank” refers commercial Banks. Commercial banks are the foundation of the national economy. They transfer monetary sources from savers to users. They involve in various functions like money creation, creation, credit facilitating, foreign trade facilitating safe keeping of the various etc. Commercial banks have its own role and contribution in the economic development. It is a source of economic development and it maintains economic confidence of various segments and extends credits to the people. Thus activities of commercial banks are to eliminate poverty, reduce unemployment problems and increase economic growth.

Modern commercial banks can be identify by different names, such as business banks, retail banks, clearing banks, joint venture banks and merchant banks etc. Regardless of the name we give to banks, they all perform the same basic function i.e. they provide a link between lenders those who have surplus money and do not wish to spend immediately with borrowers, there who do not have surplus money but wish to borrow for investment in productive purpose. Basically, by charging a rate of interest to borrowers slightly higher than they pay to lenders, the bank makes their profit. This is known as financial intermediaries. Commercial banks provide the following major products and services:

* Acceptance of deposits
* Granting of advances
* Remittance collection and distribution
* Cash management
* Issuance of letters of credit and guarantee
* Merchant banking business
* Credit cards
* Technology based services-internet banking services
* Loan distribution
* Authorize teller machines (ATM)
* Handling government business
* Safe keeping services/lockers

The first public bank "The Bank of Venice" was established in Italy in 1157 A.D. Different countries in the world followed the foot steps of this bank to incorporate banking institutions in their countries. The evolution of "The Bank of England" in the Kingdom of England in 1694 A.D. brought remarkable changes in the process of establishing banking institution in the world. The establishment of this bank was a big milestone in the history of banking development. It is believed that the idea of commercial banks rapidly spread all over the world only after the inception of this bank.

In Nepal, development of banking is relatively recent. The history of banking system in Nepal in the form of money lending can traced back in the reigning period of Gunakamdev; The King of Kathmandu" (NBL, 2037).

Tankadhari 'a special class of people' was established to deal with the lending activities of money towards the end of fourteen century at the ruling period of King Jayasthiti Malla (NBL, 2011).

During the Prime Ministerial period of Rannodip Singh' one financial institution we established to give loan facilities to the government staff and loan facilities to the public in general in the term of 5% interest but 'Tejarath' did not accept money from public (NBL, 2040).

On the 30th Kartik, 1994, Nepal Bank Limited was established for the first time to provide modern and organized banking facilities. Up to B.S. 2012, only NBL provided services to the public as an organized bank. Later, NRB act 2012 was made to establish NRB as a central bank to manage, control and develop monetary system in Nepal. NRB was formally established on 14th Baisakh, 2013 and its capital at the starting time was 1 Crore. Similarly, Rastriya Banijya Bank was set up in B.S. 2022 to fulfill the growing needs of the country. The birth of this bank brought a new landmark in the history of banking facility in Nepal. Like other developed countries, Nepal also took the policy to open economy and liberal, to develop good competition in the banking field. Hence, the joint venture banking policy is taken. Today 25 commercial banks are operating to provide modern banking services and facilities to boost the economic condition of country.

The financial sector reform was initiated in mid-1980 under the liberal economic policy of HMG/N under this policy; HMG/N first opened the banking sectors to foreign investors. In July 1985, commercial banks were allowed, for the first time to accept current and fixed deposits on foreign currency (U.S dollar and sterling pound). On May 26, 1986, NRB deregulated the commercial banks to fix interest rate at any level above its minimum prescribed levels.

2.1.2 Concept of Commercial Bank:

Commercial banks are those banks, which perform all kinds of banking functions as accepting deposits, advancing credits, credits creation and agency functions etc. They provide short-term credit, medium-term credit and long term credit for trade and industry. They also operate off-balance sheet functions such as issuing guarantee, bonds, letter of credit etc.

In every country, outset of economic development is quite different but there is no debate about the significant role of banking sector for the economic development of the countries as they are considered as the main source of finance.

Without the development of sound commercial banking, under developed countries cannot hope to join the ranks of advanced countries. If industrial development requires the use of capital, the use of capital equipment will not be possible without the necessary capital. Industrial development will be impossible without the existence of markets of the goods produced. On the other hand, the services of the commercial banks will help to extend the market. The commercial banks play an important role as follows:

a. Help in business expansion
b. Encouragement for the right type of industries.
c. Necessary for trade and industry.
d. Transfer of surplus funds to needy
e. Promotion of capital formation.

Commerce is the financial transactions related to selling and buying activities of goods and services. Therefore, commercial banks are those banks, which work form commercial viewpoint. They perform all kinds of banking functions as accepting deposits, agency function. They provide short-term credit, medium term credit and long term credit to trade and industry. They also operate off balance sheet functions such as issuing guarantee bonds, letter of credit etc.

Commercial bank acts as an intermediately; accepting deposits and providing credits to the needy area. The main source of the commercial bank is current deposit, so they give more importance to the liquidity of investment and as such they specialize in satisfying the short-term credit needs of business other than the long-term commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short-term needs of trade and industry such as working capital financing. They cannot finance in fixed assets. They grant credits in the form of cash credits and overdrafts. Apart from financing, they also render services like collection of bills and cheques, safe keeping of valuables, financial advising etc to their customers.

This chapter highlights the literature that is available In concerned subject; fund collection and mobilization of four joint venture banks (Nabil Bank Limited, Himalayan Bank Limited, Standard Chartered Bank Limited, Everest Bank Limited).

Joint venture banks are the commercial banks firmed by joining the two or more enterprises. They are the mode of trading to achieve mutual exchange of good and services for sharing comparative advantage by performing joint investment scheme between Nepalese investors, financial no financial institute as well as private investors their parent banks, which have been experiencing highly mechanized and efficient modern banking management skill and international of banking institutions. Joint venture banks are established by joining two difference forces and with ability to achieve common goal with each of the partners. They are more efficient and effective monetary institution in modern banking fields then other old types of bank in Nepalese context. The primary objective of the joint venture banks is always to earn profit by investing or granting the loans and advances to the people associate with

trade, business, industry etc. That means they are required to mobilize their resources properly to acquired profit.

Joint venture is a joining of force between two or more enterprises for the purpose of carrying out a specific operation (Industrial and commercial investment production or trade (Gupta, 1994).

All the Nepalese JVBs are established and operated under the rules regulation and guidance of Nepal Rastra Bank. Nepal Bank had issued a certain directive to those banks, regarding the mandatory credit accusation to the priority sector, the Nepal Rastra Bank has directed to the government owned banks to invest 3% and the JVBs to invest 0.05% of the total outstanding credit to the priority sector (Economic Report: 1997/98:4).

“HMG’s deliberate policy of allowing foreign JVBs to operate in Nepal in basically targeted to enhance, encourage local traditionally run commercial bank to enhance their bankable capacity through competition efficiency modernization and mechanization via computerization and prompt customer service" (Shrestha, 2047:45).

Now a day there is very much competition in banking market but less opportunity to make investment. In this condition joint venture bank can take initiation in search of new opportunities, so that they can survive in the competitive market and earn profit. But investment is very risking job for a purposeful, safe and profitable investment bank must follow sound investment and fund mobilizing policy.

Currently there are nine joint venture banks functioning their operations in Nepal under Banijya Bank act 2032B.S (www.nepalstock.com.np)

2.1.3. Joint Venture Banks in Nepal

Joint venture banking scenario of Nepalese financial sector is not so long. After the establishment of democratically elected government it introduced liberal and

marketing oriented economic policy which facilitated the establishment of joint venture banks and pointed a new horizon to the financial sector of Nepal.

“A joint venture is forming of two forces between two or more enterprises for the purpose of carrying out of specific operation (industrial or commercial investment, production trade)”. D.P.Gupta, banking system: its role in export development Delhi: Tata Megraw Hill, 1984, P-15-25. Joint venture banks are the commercial banks formed by joining a two or more enterprises, for the purpose of carrying out of specific operation such as investment in trade, business and industry as well as in the form of negotiation between various group of industries or traders to achieve mutual exchange of goods and services.

Nepalese JVBs should take initiation in search of new opportunities to survive in the competitive market and earn profit. There is high liquidity in the market but these seems no profitable place to invest. At the same time, the bank and financial institutions are offering very low deposit interest rate. In this situation Nepalese JVBs are required to explore new opportunities to make investment if they want to survive in the competitive market. Since commercial banks can inspire entrepreneurship, the banks should also consider national interest and government emphasis for the economic growth of the country by the development of industry trade and business and to fulfill the objective of profit making.

Nepal Arab Bank Limited (NABIL Bank Limited) is the first joint venture bank of Nepal. It was established in 1984 A.D. Joint venture which United Arab Emirates Bank, under company act 1964. than other two joint venture banks Nepal Indosuez Bank Limited (Nepal Investment Bank Limited) 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 Limited with state bank of India was established in 1993 A.D. Everest Bank Limited joint venture with Punjab National Bank India (early it is joint venture ventured with United Bank of India Calcutta) and Nepal Bangladesh Bank Limited 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 Srilanka was established in 1997 A.D. All of

these banks briefly follow the policies of Nepal Rastra Bank. But at present these are only four joint venture banks in Nepal.

2.1.4. Profile of Sample Banks

Table no. 1

Lists of licensed joint venture banks:

S.N	Name of Banks	Estd. Date (B.S)	Operation Date (B.S)	Head Office
1.	HBL	2049/10/05	2049/10/05	Kathmandu
2.	EBL	2051/07/01	2051/07/01	Kathmandu
3.	NABIL	2041/03/29	2041/03/29	Kathmandu
4.	SCBNL	2043/10/16	2043/10/16	Kathmandu

Source: Gorkhapatra 2062/01/31 and banking and financial statistics-45 NRB.

In this study, fund mobilizing and collecting procedures of joint venture commercial banks are compared. Here short glimpse of these banks are given as:

2.1.4.1. Profile of Himalayan Bank Limited:

Himalayan Bank Limited is the fourth joint venture bank of Nepal was established in 1992 with the objective of carryout modern banking facilities and granting loan to agriculture, commerce and industry. The banks joint venture partner is Habib Bank of Pakistan Limited. Its ownership is composed of founder shareholders 51%, Habib Bank of Pakistan 20%, Karmachari Sanchaya Kosh 14% and general public 15%.

Present capital structure of the bank is:

Authorized equity capital	Rs. 1000 Millions
Issued equity capital	Rs. 810.81 Millions
Paid up capital	Rs. 810.81 Millions

2.1.4.2 Profile of Standard Chartered Bank Nepal Ltd.:

Nepal Grindlays Bank was established in 1985 as a second foreign joint venture bank under the company act 1964. ANZ Grind lays Bank Limited is the foreign joint venture partner with 50% equity investment. ANZ Grindlays Bank PLC is managing the bank under the joint venture and technical service signed between Grindlays Bank Limited and Nepal promoters. Now the ownership of 50% share of ANZ has been transferred from august 2001 to standard chartered bank. Remaining 35% share capital belongs to Nepal bank limited and general public holds 15% share capital. The name of the Nepal Grindlays Bank Limited has been changed to Standard Chartered Bank Nepal effective from July 16, 2001.

Present capital structure of SCBNL:

Authorized equity capital	Rs. 1000 Millions
Issued equity capital	Rs. 500 Millions
Paid up capital	Rs. 413.26 Millions

2.1.4.3 Profile of NABIL Bank Limited:

This bank is the pioneer foreign joint venture financial institution in Nepal. It was established in 1984 A.D. under the company act 1964. The initial foreign partner handed its share to Emirates Bank Limited and now its shares transferred to National Bank Limited in January1, 2002, the bank was renamed as NABIL Bank Limited previously; it was named Nepal Arab Bank limited. Out of total share National Bank Limited (Bangladesh) holds 50% share and remaining 30% by general public and 20% by financial institution.

Present capital structure of the bank:

Authorized capital	Rs. 500 Millions
Issued capital	Rs. 491.65 Millions
Paid up capital	Rs. 491.65 Millions

2.1.4.4. Profile of Everest Bank Limited:

The commencement of liberal economic policy paves out the way to carryout the banking transactions in abroad way. As a result of government encouragement for joint venture bank operation, Everest Bank Limited was establishment on 1st Kartik 2051 B.S (18th October 1994). The bank was established under the company act 1964 and a new commercial bank act 1974. Initially, the collaboration was not finalized and later on it was collaborated with Punjab National Bank, India in 1995, which holds 20% share of Everest Bank Limited. General public holds 30% and 50% by Nepalese promoters.

Present capital structure of Everest bank limited:

Authorized capital	Rs. 1000 Millions
Issued capital	Rs. 729.80 Millions
Paid up capital	Rs. 518 Millions

2.1.5. Role of the Joint Venture Banks in Nepal

'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).

The HMG/N budget for the F/Y 1984/85 provided the following justification for allowing the setting up of joint venture banks in the following words.

"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 entrepreneurs are 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

where by the clients will get improved 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).

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

a. Introducing advanced banking techniques:

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 transactions by importers and exports, merchant banking, inter banking market for the money and securities, arranging foreign currency loans etc.

b. Bringing health competition:

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 increase in competition also force the existing banks to improve their qualities of services by simplifying procedures providing training and motivation to their own staff to respond to the new challenge.

c. Introducing foreign investment in Nepal:

When looking at the possibility of investing in Nepal, multinational companies are unfamiliar with the local rules, regulations and practices though there are many systems actually operate during the implementation period. In this context, the joint venture banks help the multinational companies to buildup 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.

2.1.6. Fund Collection Techniques

2.1.6.1. Common Stock Financing:

Common equity in a corporation or partnership or proprietorship interests in unincorporated firm constitutes the first source of funds to a new business and the base of support for borrowing by existing firms. The nature of equity ownership depends on the form of the business of organization. The central problem of such ownership revolves around an apportionment of certain rights and responsibilities among those who have provided the funds necessary for the operation of the business.

The rights and responsibilities attached to equity consist of positive considerations (income potential and control of the firm) and negative consideration (loss potential, legal responsibility and person liability), Weston and Brigham, 11th edition.

Two important positive constitutions are involved in equity ownership; income and control. The right to income carries the risk of loss. Control also involves responsibility and liability. In an individual proprietorship that uses funds supplied only by the owner, the owner has a 100% right to income and control and loss and responsibility. As soon as the proprietor incurs debt, however, he or she has entered into contracts that limit the freedom to control the firm and to apportion the firms income. In a partnership, these rights are apportioned among the partners in on agreed-upon manner. In the absence of a formal agreement, state law makes division. In a corporation, more significant issues arise concerning the rights to the owners.

Through the right to vote, holders of common stock have legal control upon the corporation. Another consideration involved in equity ownership is risk. On liquidation, holders of common stock are last in the priority of claims. Therefore, the portion of capital they contribute provides a cushion for creditors, if losses occur on dissolution certain collective rights are usually given to the holders of common stock.

(1) The right to amend the charter with the approval of the appropriate officials in the state of incorporation, (2) The right to adopt and amend by laws, (3) The right to elect the directors of the corporation, (4) The right to authorize the sale of fixed assets, (5) the right to enter into merges, (6) The right to change the amount of authorized common stock and (7) the right to issue preferred stock, debentures, bonds and other securities holders of common stock also have specific rights as individual owners:

(1) The right to vote in the manner prescribed by the corporate charter, (2) The right to sell their stock certificates (their evidence of ownership) and, in this way, to transfer their ownership interest to other person, (3) the right to inspect the corporate books and (4) the right to share residual assets of the corporation on dissolution. However, the holders of common stock are last among the claimants to the assets of the corporation.

A. From the view point of issuer:

The advantages of common stock financing from the view point of issuer include:

1. Common stock does not entail fixed charges if the company generates the earnings, it can pay common stock dividends. In contrast to bond interest, there is no legal obligation to pay dividends.
2. Common stock carries no fixed maturity date.
3. Since common stock provides a cushion against losses of creditors, the sale of common stock increases the credit worthiness of the firm.
4. Common stock can, at times, be sold more easily than debt. It appeals to certain investor group because (a) It typically carries a higher expected return than does preferred stock or debt; and (b) Since it represents the ownership of the firm, it provides the investor with a better hedge against inflection than does straight preferred stock or bonds. Ordinarily, common stock increases in value when the value of real assets rises during an inflationary period.
5. Return from common stock in the form of capital gains may be subject to a lower personal income tax rates rate on capital gains. Hence, the effective personal income tax rates on returns from common stock may be lower than

affective tax rates on the interest on debt. Recent tax law changes have reduced this advantage.

The disadvantages of common stock financing from the view point of issuer include the following:

1. The sale of common stock may extend voting rights or control to the additional stockowners that are brought into the company. For this reason, among others, small and new firms, whose owner-managers may be unwilling to share control of their companies with outsiders, often avoid additional equity financing.
2. The use of debt may enable the firm to utilize funds at a fixed low cost, whereas common stock gives equal rights to new stockholders to share in the future net profits of the firm.
3. The costs of underwriting and distributing common stock are usually higher than those for underwriting and distributing preferred stock or debt. Flotation costs for selling common stock are characteristically higher because (a) cost of investigation an equity security are higher than those of investigating the feasibility of a comparable debt security and (b) stocks are more risky which means equity holdings must be diversifies, which in turn means that a given amount of new stock must be sold to a greater number of purchasers than the same amount of debt.
4. If the firm has more equity or less debt than is called for in the optimum capital structure, the average cost of capital will be higher than necessary.
5. Common stock dividends are not deductible as an expense for calculating the corporations income subjects to the federal income tax, but bond interest is deductible. The impact of this factor is reflected in the relative cost of equity capital viz. debt capital.

B. From view point of social:

From a social view point, common stock is a desirable form of financing because it renders business firms (a major segment of the company) less vulnerable to the consequences of declines in sales and earning, common stock financing involves no

fixed charges, the payment of which might force a faltering firm into reorganization of bankruptcy.

2.1.6.2 Debt Financing:

Bonds are not only long duration but also, usually, of substantial size before the rise of large aggregation of saving through insurance companies or pension funds, no single buyer was able to buy an issue of such size. Bonds therefore, were issued in denomination of $1000 each and were sold to a large number of purchasers. To facilitate communication between the issuer and the numerous bond holders, a trustee was appointed to represent to bold holders. The trustee is still presumed to act at all times for the protection of the bond holders and on their behalf. Any legal person, including a corporation, is considered competent to act as trustee. Typically, however, a department of commercial bank handles the duties of trustee. Trustees have three main responsibilities.

1. They certify the issue of bonds. This duty involves making certain that all the legal requirements for drawing up the bond control and the indenture have been carried out.
2. They police the behaviors of the corporation in its performance of the responsibilities set fourth in the indenture provisions.
3. They are responsible for taking appropriate action on behalf of the bondholders if the corporation defaults on payment of interest of principal.

If interest rates have risen and the price of the bonds has fallen, the firm will choose the open market alternative. If interest rates have fallen and bond prices have risen, it will elect the option of calling bond. There are two types of debt in the market, which are as bellows:

- **Secured Debt:**

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

1. Priority to claims:

A senior mortgage has period claims on assets and earnings. Senior mortgages, implying that they have the first claim on the land and assets of the corporations. A junior mortgages is a subordinate lien, such as a second or third mortgage. It is a lien or claim junior to others.

2. Right to issue additional securities:-

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

3. Scope of the lien:-

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

➢ Unsecured Debt:

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

1. Debentures:-

A debenture is an unsecured bond and as such, providers no lien on specific property as security for the obligation. Debenture holder, therefore, are creditors whose claims is protected by property not otherwise pledged. The advantage of debentures from the issuer's stand point is that the property is left unencumbered for subsequent financing.

However, in practice, the use of debenture depends on the nature of the firm's assets and its general credit strength. A firm whose credit position is exceptionally strong can issue debentures; it simply does not need specific security. However, the credit position of company may be so week that it has no alternative to the use of debentures; all its property may already be encumbered. Companies also issue debentures where it is not practical to provide a lien through a mortgage on fixed assets.

2. Subordinate debentures:

The term subordinate means below or inferior. Thus, subordinated debt has claims on assets after unsubordinated debt in the event of liquidation. Debentures can be subordinated to designate notes payable usually banks loans or to any or all other debt. In the event of liquidation or reorganization, the debentures cannot be paid until debt as named in the indenture has been paid. Senior debt, typically, does not include trade accounts payable.

In comparison to subordinated debt, preferred stock suffers from the disadvantage that its dividends are not deductible as an expense for tax purpose. Subordinated debentures have referred to as being like a special kind of preferred stocks dividends of which are deductible as an expense for tax purposes. Subordinated debt has, therefore, become an increasingly important source of corporate capital.

3. Income bonds:

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

preferred stock in that the interest is a deductible expense for corporate income tax computations, while the dividends on preferred stock are not. The main characteristics and distinct advantage of the income bond is that interest is payable only if the company achieves earnings. Since earnings calculation is subject to differing interpretations, the indenture of the income of the income bond carefully defines income and expenses. If it did not litigation might result. Some income bonds are cumulative indefinitely (if interest is not paid, it accumulates and it must be paid at some future date); others are cumulative for the three to five years, after which they become no cumulative. Income bonds usually contain sinking fund provision to provide for their retirement. The sinking fund payment requirements are typically contingent on earnings; a fixed cash drain on the company is avoided. Typically, income bond holders do not have voting rights when the bonds are issued. Sometimes, bondholders are given the right to elect some specified numbers of directors if interest is not paid for a certain number of years. Sometimes, income bonds are convertibility; there are sound reasons for convertibility if the bonds arise out reorganization. Creditors who receive income bonds in exchange for defaulted obligations have a less desirable position than they had previously.

A. From the viewpoint of debt holders:

From the view point of long-term debt holders debt is less risky than preferred or common stock. It has limited advantages in regard to income and is weak in regard to control. The advantages are:

1. In the area of risk, debt is favorable (creative to preferred or common stock) because it gives the holder priority both in earnings and in liquidation. Debt also has a definite maturity and is protected by the covenants of the indenture.
2. In the area of income, the bondholder has a fixed return except in the case of income bonds or floating rate notes. Interest payments are not contingent on the company's level of earnings or current market rates of interest. However debt does not participate in any superior earning of the company and gains are limited in magnitude bond holders actually suffer during inflationary periods.

If bonds are called the investor receives funds that must be reinvested to be kept active.

3. In the area of control the bold holder usually does not have the right to vote. However, if the bonds go into default then bondholders in effect take control of the company.

B. From the view point of debt issuer:

From the viewpoint of debt issuer the advantages of debt financing are:

1. The cash cost of debt is definitely limited. Bondholders do not participate in superior profit (if earned)
2. No only is the debt is the cost limited but typically the required returns is lower than that of common stock.
3. The owners of the corporation do not share their control when debt financing is used.
4. The interest payment on debt is deductible as a tax expenses.
5. Flexibility in the financial structure of the corporation can be achieved by inserting a call provision in the bond indenture.

From the view point of debt issuer the disadvantages of debt financing are:

1. Debt has committed charge whose nonpayment is a default
2. Higher financial leverage brings higher required rates of return on equity earning. Thus even though leverage may be favourable and may raise earnings per share the higher required rates attributable to leverage may drive the common stock value down. An indirect cost of using more debt is possibly a higher cost of equity.
3. Debts usually have a fixed maturity date and the financial officer must make provision for repayment of the debt.
4. Since long term debt is commitment for a long period it involves risk. The expectations and plan on which the debt was issued may change and the debt may prove to be a burden for example in income employment, the price level and interest rates all fall greatly, the prior assumption of a large amount of long term debt may have been an unwise financial policy.

5. In a long term contractual relationship the indenture provisions are likely to be much more stringent than they are in a short credit agreement hence the firm may be subject to much more disturbing and crippling restrictions than if it had borrowed on a short term basis or had issued common stock.
6. There is a limit on the extent to which funds can be raised through long term debt generally accepted standards of financial policy indicate that the debt ratio shall not exceed certain limits when debt goes beyond these limits, its cost rises rapidly.

2.1.6.3 Preferred Stock Financing:

Preferred stock has claims and rights ahead of common stock but behind of all bond and debt. The preference share may be a prior claim on earning, a prior claim on assets in the event of liquidations and/or a preferential position with regard a both earning and assets. The hybrid nature of preferred stock becomes apparent when we try to classify it in relation to bonds and common stock. The priority features and the fixed dividend indicate that preferred stock is similar to bonds. Payments to preferred stockholders are limited in amount, so that common stockholders receive the advantages (or disadvantages) of leverage. However, if the preferred dividends are not earned, the company can forego paying then without danger if bankrupted. In this characteristic, preferred stock is similar to common stock. Moreover failure to pay the stipulated dividend does not cause default of the obligation, as does failure to pay bond interest. In some types of analysis, preferred stock is treated as debt. Preferred stock therefore, can be treated as either debt or equity, depending on the nature of the problem under consideration. The dividend stream on preferred stock, which is not convertible into common stock or callable, represents perpetuity. Preferred stock with maturity would be valued as a bond to maturity but its cost would not be a tax deduction.

A. From the viewpoint of issuer:

From the viewpoint of issuer, the advantages of preferred stock financing are:

1. In contrast to bonds, the obligation to make committed interest payment is avoided.

2. A firm wishing to expand because its earning power is high can obtain higher earnings for the original owners by selling preferred stock with a limited retain rather than by selling common stock.
3. By selling preferred stock, the financial manager avoids the provision of equal participation in earnings that the sale of additional common stock would require.
4. Preferred stock also permits a company to avoid sharing control through participation in voting.
5. In contract to bonds it enables the from to conserve mortgageable assets.
6. Since preferred stock typically has no maturity and no sinking fund it is more flexible than bonds.

From the view point of issuer, the disadvantages of preferred stock financing are:

1. Characteristically preferred stock must be sold on a higher yield basis than that for bonds.
2. Preferred stock dividends are not deductible as a tax expanse a characteristic that makes their cost differential very great in comparison with that of bonds.
3. The after tax cost of debt is approximately half the stated coupon rate for profitable firms. The after tax cost of preferred however, is frequently the fall percentage amount of the preferred dividend.

B. From the view point of investor:

It is asserted that preferred stocks have so many disadvantages to both the issuer and the investor that they should never be issued nevertheless preferred stock is issued in substantial amounts preferred stock financing provides the following advantages to the investor:

1. It provides reasonably steady income.
2. Preferred stockholders have a preference than common stockholders in liquidation numerous examples can be cited where the preference position of holders of preferred stock saved them from lasses incurred by holder of common stock.

3. Many corporations like to hold preferred stock as investments because to be so percent of the dividends received on these shares are not taxable.

Preferred stock financing provides the following disadvantages to the investors:

1. Although the holders of preferred stock bear a substantial portion of ownership risk, their returns are limited.
2. Price fluctuations in preferred stock may be greater than those in bonds. Yields on bonds are sometimes higher than those on preferred stocks.
3. The stock holders have no legally enforceable right to dividends.
4. Accrued dividend arrearages are seldom settled in cash comparable to the amount of the obligation that has been incurred.

2.1.6.4. Current Accounts:

A current account is a running account with amount being paid into and drawn out from the account continuously. These accounts are also called demand deposits or demand liabilities. Since the banker is under an obligation to pay the money in such deposits on demand. The account never becomes time barred, because the limitation does not run until the customer on the bank for the payment of deposit makes a demand. These accounts are generally opened by business houses, public institutions, corporate bodies and other organizations whose banking transactions are numerous and frequent.

2.1.6.5 Saving Accounts:

Saving accounts are mainly meant for non trading customers who have some potential for saving and who do not have numerous transactions entering their account. Salaried class of the lower and middle- income group, small traders and farmers mainly open such accounts.

Some of the features of saving accounts are as below:

1. Interest is allowed at 4% per annum on minimum monthly balance. Interest is compounded at quarterly or longer rests.
2. Account could be opened with a minimum of five thousand rupees. The smallest amount that may be deposited or with drawn at any time.

A minimum balance maintained in the accounts and the account may be closed if for a continuous period of six months or over account shows a balance below the minimum.

3. Every depositor is permitted a minimum withdrawals by cheques or otherwise. If the number of withdrawals exceeds, banks will be heavy suitable incidental or service charge.
4. on the death of a depositor, the amount standing to his/her credit will be paid to such persons as are legally entitled there to upon satisfactory proof such as succession certificates, probable will or letters of administration granted by a competent court.

2.1.6.6 Fixed Deposit Account:

Fixed deposits constitute a very important resource for banks, as banks need not keep greater reserves of such deposits. Reserve bank is regulating the interest rates by giving directives from time to time. Reserve bank is following a differential interest rate policy having regard to size of deposits held by the banks. Slightly, higher rates of interest are permitted in the case of smaller banks. Even before reserve bank felt the need to regulate, lending banks themselves regulated the interest rates on voluntary basis, familiarly referred to as “Inter Bank Agreement on Deposit rates.”

2.1.6.7 Miscellaneous Accounts:

There is a vigorous drive for mobilization of deposits and different banks have introduced novel type of accounts. Punjab national bank has created a new deposits division to address itself exclusively techniques (Kulkarni, P.V 1994).

Some of the novel schemes are discussed below, as it is not possible to give a complete list.

I. Non- resident (external) Account:

This account either in the form of a current account or saving account or fixed account can be opened by Indian nationals or persons of Indian origin residing outside India. This account is maintained in Indian rupees. To open the account, the applicant has to fill the specified forms and send the remittance in the form of

draft, mail or cable transfer drawn on any bank in India. Remittances in foreign currencies are converted into Indian rupees at the appropriate rate of the bank and the proceeds created to the account. If joint holders open the account, both of them should be non-residents (Kulkarni, P.V. 1994).

The advantages are:

1. Amount from this account can be transfers to any part of India as per standing instruments.
2. Amounts remitted through banking channels are free of charge.
3. The account can be used for disbursements within or outside India.
4. No income tax on the interest earned. Also no wealth –tax on these deposits.
5. The entire capital plus the interest can be repatriated in foreign exchange at any time. The repatriation does not involve exchange control formalities.

II. Foreign Currency (Non-resident) Account:

This account can also be opening by Indian nationals or person of Indian origin and residing outside India. This account can however be opened either as a term deposit under reinvestment plan. The minimum period of deposit should be 91 days and the minimum period is 61 months (Kulkarni, P.V. 1994).

The advantages are:

1. The account is insulated from exchange fluctuations. The account holder gets his/her amount back together with interest in the same currency and one unit of currency for every one unit due to him. Thus, he/she is totally insured against fluctuations in exchange rates.
2. Priority allotment of cars/scooters/tractors/cement is available to your resident relatives against foreign exchange remitted by the account-holder.
3. No income tax on the interest and no wealth tax on the deposits.

2.1.7. Mobilization of Funds

Bank utilizes its funds in suitable area and right sector. Banks cannot achieve its goals until and unless it mobilizes its funds in right sectors and by performing different activities, many kinds of activities and other thing can origin for the purpose of receiving invest from the bank. But bank should separate the useful and profitable

sector for mobilization its funds. Bankers being only a financial intermediary, we will not be able to make any profit meet establishment expenses, meet liquidity of cash balance, and yet allow him some balance from out of which he can build reserve and pay dividend to the shareholders.

As commercial bank they are expected to make profit. It there is not profit, there will be adverse criticism against public sector banking both in and outside the parliament when these banks are asked to open new branches in areas which do not allow profit for years or asked to grant loan to priority sector. Such as small industries and agriculture with a high incidence of bad debts, there is need for customer balancing profit from else where. Therefore, these banks will have to show an ascending order of profits in order to ensure growth with stability for this purpose the bank will have to allocate land able resource to different segments in such a manor these banks can ensure adequate profitability while at the same time responding to policies laid down in accordance with national objectives.

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

I. Liquid funds

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

. Cash in hand

. Balance with NRB

. Balance with domestic bank

. Call money

II. Investment

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

. Share and debenture

. Government securities

. NRB bond

. Joint venture

III. Loan and advances

Bank mobilizes its funds by providing different types of loan and advances to customers by charging fixed interest. Different types of loan and advances are:

. To government enterprises

. To private enterprises

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

IV. Fixed assets:

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

V. Administrative and miscellaneous expenses:

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

. Salary to employee

. Pensions

. Allowances

. Advertisement

. Stationary

. Provident fund

. Rent

. Income tax

. Donation

. Insurance

. Tour expenses

. Commission

The miscellaneous expenses are:

. To distribute the dividend to shareholders

. To bear the loss on sale and purchase of banking assets

. Maintenance expenses

. To pay the interest on borrowed amount

. Reserve fund

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

2.2 Review of Concerned Studies

At the time of this thesis writing following article, newspaper and previous study are studied for fulfillment of prescribed objectives.

Many researches have analyzed their fund mobilizing view and finding in their research paper in this subject through investment policy of commercial banks.

Under this, related articles published in different economic journals, bulletin of World Bank, dissertation papers, newspaper, researchers view and findings towards fund examined and reviewed.

"An investment is a commitment of money that is expected to generate additional money. Every investment entails sacrifice for a future uncertain benefit" (Francis, 1991: 2).

Mr. Sunil Chopra (1989) in his article, “Role of foreign banks in Nepal” had conducted that the joint venture banks playing an increasingly dynamic and vital role in the economic development of the country that will undoubtedly increase with time.

Fry (1997), in his article, “Resource mobilization and financial development in Nepal” says that the interest rate fixing authorities causes adverse effect on income distribution. Interest rate affects the saving and its mobilization. A high interest rate diverts the resources from unproductive tangible assets into financial claim. For Nepalese people and Nepalese underdeveloped money and capital market, interest can be taken as an important weapon in mobilizing the internal resources. Higher interest rate pushed people to some money and it allows people to invest into best opportunities.”

Mr. Shekher Bahadur Pradhan (2053) in his articles, “Deposit mobilization, its problem and prospects” has presented that following problems in the context of Nepal:-

- People do not have knowledge and proper education for institutional manner they so now know financial organizational process, withdraw system, depositing system etc.
- Financial institutions do not want to operate and provide their service in rural areas.
- He has also recommended about how to mobilize the deposit collection by the financial institutions by rendering their services in rural areas, by adding various services.
- By operating rural banking programs and unit mobilize the deposit collection by the financial institutions by rendering their service in rural areas, by adding various services.
- Nepal Rastra Bank must organize training programs to develop the skill human resources.
- By spreading a numbers of co-operative societies to develop mini banking services and improves the habits of public in deposit collection to the rural areas.

Mr. Ramesh Lal Shrestha (1998) in his article, “A study on deposit and credit of commercial banks in Nepal” concluded that the credit deposit ratio would be 51.30%, other things remaining same in Nepal, which was the lowest under the period of review. Therefore he had strongly recommended that the joint venture banks should try to give more credit entering new field as far as possible, otherwise, they might not be able absorb even the total expenses.

2.2.2. Review of Previous Thesis

Under this section, various masters level dissertation were reviewed. Though the same research topic wasn't available in TU library, some research papers, which are slightly related to this study, have been reviewed. These are as follows:

Mr. Mahendra N. Karmacharya (1998) has studied on "A study on deposit mobilization of Nepal Bank Limited.". The main objective of his report is to examine the role of the NBL in the deposit mobilization and to see how far the bank is able to utilize the collected deposits. He found that the more attention was been given for the expansion of bank branches for more collection of scattered savings. With the expansion of bank branches, NBL has been providing more and more banking facility to the general people of the country. So the bank with more branches able to mobilize more financial resources. He further concluded that the bank should not only consider the security against which the loans are be granted, it should much more alternative pay due concern to the genuineness of the party so that the resources could be properly utilized.

Sunity Shrestha has analyzed in her article, "financial performance of commercial banks using both descriptive and diagnostic approach." (Shrestha: 1997)

In her studies she has concluded the following points:

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

According to Mr. Bodi B. Bajracharya in his article "Monetary Policy and deposit mobilization in Nepal" that "the mobilization of domestic saving is one of the prime objectives of Monetary Policy in Nepal. For this purpose, commercial banks stood as the active and vital financial intermediary for generating resources in form of deposit of the investors in different aspects of the economy" (Bajracharya, 2047).

Kafle (1990) in the topic," Monetary and financial reports in Nepal" states that consolidation and liberalization of interest rate reform measure are initiated with a view to provide more option to commercial banks in the mobilization of saving and portfolio management throw market determined interest and lending rates (Kafle,1990:15).

Khadka (1998), conducted a study on "A study on the investment policy of NABIL Bank limited in comparison to other Joint Venture Banks of Nepal" with the objective of:

- To evaluate the liquidity, asset management efficiency and profitability position in relation to fund mobilization of NABIL Bank limited in comparison to other JVBs.
- To discuss fund mobilization and investment policy of NABIL Bank limited in respect to its fee – based off- balance sheet transaction in comparison to other JVBs.
- To evaluate the growth ratio of loan an advances and total investment with respective growth rate of total deposits and net profit of NABIL Bank limited in comparison to other JVBs.
- To find out the relationship between deposits and other investment deposit and loan and advances, and net profit and outsides assets of NABIL Bank limited in comparison to other JVBs.

The study was conducted through secondary data.

- The liquidity position of NABIL Bank Ltd is comparatively worse than that of other JVBs. NABIL Bank has more portions of current assets as loans and advances but less portion as investment on government securities.

- NABIL Bank Limited is comparatively less successful in on – balance sheet operation as well as off- balance sheet operations then that of other JVBs.
- Profitability of position of NABIL Bank is comparatively not better then that of other JVBs. The main ratio of return on loan and advances of NABIL bank has been found slightly lower than that of other JVBs and the return has been found less homogeneous than that of other JVBs. Similarly the main ratio of total interest earned to total outside assets of NABIL Bank limited has been found slightly lower than that of other JVBs.
- Though NABIL Bank seems to be more successful to increase its sources of funds as well as mobilization of it by increasing loan and advances and total investment. It seems to be failure to maintain its high growth rate of profit in comparison to that of other JVBs.
- There is significant relationship between deposit and loan and advances as well as outside assets and net profit but not between deposit and total investment incase of both NABIL Bank limited and other JVBs.

2.3. Research Gap

The purpose of this research is to develop some expertise in one's area, to see what new contribution can be made and to receive some ideas, knowledge and suggestions in relations to fund collection and mobilization process of sample joint venture banks. Thus, the previous studies can't be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies. Hence, it is clear that the new research cannot be found on that exact topic i.e. fund collection and its mobilization, A study on joint venture banks. Therefore, to fulfill this gap, this research is selected. To complete this research work, many books, journals, articles and various published and unpublished dissertations are followed as guideline to make the research easier and smooth. In this regard, here we are going to analyze the different procedure of fund collection and its mobilization techniques of joint venture banks.

Our main research problem is to analyze weather the joint venture banks are able to collect and mobilize its fund effectively or not. To achieve this main objective, various financial and statistical tools are used.

Similarly trend analysis of common stock financing, debt financing, preferred stock financing, current account, saving account, fixed deposit account and miscellaneous account are reviewed to make this research complete. Therefore this study is useful to concern bank as well as different persons, such as shareholders, investors, policy makers, stockholders, state of government etc.

Chapter -III

RESEARCH METHODOLOGY

3.1. Introduction

Research methodology is composed of two words: ‘Research’ and ‘methodology’. Research is the systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought out activities of gathering, recording, analyzing, and interpreting the data with the propose of finding answer to problem. Thus, the entire process by which we attempt to solve problem is called research, while ‘methodology’ is the research method used to test different statistical tools in order to make conclusion. A sound and systematic methodology is required to carry out any study, if it is to be worthwhile.

Research refers to the search for knowledge. The Webster international dictionary gives a very inclusive definition of research as “A careful critical inquiry or examination is seeking facts and principle; diligent investigation in order to ascertain something”(Saravanavel, P., 1990).

Research Methodology is a way to systematically solve the research problem (Kothari, C.R., 1990). It may be understood as a science of studying how research is done scientifically. In research methodology, we study the various steps that are generally adopted by a researcher, studying his/her research problem among with the logic behind them.

A research methodology helps to find out accuracy, validity and suitability. The justification on the present study cannot be obtained without help of proper research methodology. For the propose of achieving the objective of study, the applied methodology will be used. The research methodology used in the present study is briefly mentioned below.

This topic presents the short outline of the methods applied in the process of analyzing the fund collection and it's mobilizing of the joint venture banks. Research is a systematic method of finding out the solution to a problem whereas research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objective in view. This research work draws the conclusion to the point that what kinds of position joint ventures have got and suggested the precious and meaningful point so that all concerned can achieve something from this study.

3.2. Data Collection Procedures

The study is mainly based on secondary data. So, the major sources of secondary data for this study are as follows:

a) Annual reports of the bank
b) Published and unpublished bulletins, reports of bank
c) Published and unpublished bulletins, reports of Nepal Stock Exchange
d) Previous studies and reports
e) Unpublished official records
f) Journals and other publish and unpublished related documents and reports for Central Library of T.U., Library of Shankar Dev Campus, Library of Nepal Commerce Campus and Library of Nepal Rastra Bank.
g) "Banking and Financial Statistics" report of Nepal Rastra Bank Magazines
h) Various internet websites
i) Other published materials

3.3. Population and Sample

Population covers the whole or total of observation that have selected for the study sample is the part of population which represents population with regards to the study.

There are 25 commercial banks functioning all over the country and most of their stocks are actively traded in stock market. Among them four are the joint venture banks. In this study all four joint venture banks are to be taken for research work. These banks are compared as per fund collecting and mobilizing activities. It is not

possible to research all the data related with concerned joint venture. Thus, data from fiscal year 2002 to 2007 are analyzed for the fulfillment of the objective.

3.4. Methods of Data Analysis

Analysis and presentation of the data is the main part of every research work. Mainly financial methods are applied for the purpose of this study. Appropriate statistical tools are also used. Among them, correlation analysis is regarded as major tools used for the research.

To make the study more specific and reliable, the researcher uses two types of tools for analysis.

a) Financial tools
b) Statistical tools

3.4.1. Financial Tools

Financial tools measure, the financial strengths and weakness of the firm by establishing relationship between the items of the balance sheet and the profit and loss account. The basic tools used are ratio analysis. Besides it, total deposit, total investment and total income analysis have been used.

3.4.1.1. Ratio Analysis

Ratio analysis is a powerful and the most widely used tool of financial management. A ratio defined as “The indicated quotient of two mathematical expression” and as the “Relationship between two or more things (Webster, 1975). A ratio is a figure or a percentage representing the comparison of one- dollar amount with some other dollar amount as a base (Roy, A.F., 1974). Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratio to interpret the financial statements so that the strength and weakness of firm as well as its historical performance and current financial condition can be determined. In financial analysis a ratio is used as an index or yardstick for evaluating the financial position and performance of a firm. Ratio helps to summarize the large quantities of financial data and to make qualitative judgment about the firm’s financial performance (Pandey, L.M., 1979).

A large number of ratios can be generated from the components of profit and loss account and balance sheet. They are sound reasons for selecting different kinds of ratio for different types of situations. For this study, ratios are categorized into the following major headings:

(a) Liquidity Ratio

Liquidity refers to the ability of a firm to meet its short- term or current obligations. So liquidity ratios are used to measure the ability of a firm to meet its short- term obligations and from them the present cash solvency as well as ability to remain solvent in the event of adversities of the same can be examined (Van Horne, J.C., 1999).

Inadequate liquidity can lead to unexpected can short falls that must be covered at inordinate costs, thus reducing profitability. In the worst case, inadequate liquidity can lead to the liquidity insolvency of the institution. On the other hand, excessive liquidity can lead to low asset yields and contribute to poor earnings performance (Scott, D., 1992).

To find out the ability of bank to meet their short- term obligations, which are likely to mature in the short period, these ratios are calculated. The following ratios are developed under the liquidity ratios to identify the liquidity position.

I. Cash and Bank Balance to Total Deposit Ratio:

This ratio shows the ability of banks immediate funds to cover their deposit. Higher the ratio shows higher liquidity position and ability to cover the deposits and vice versa. It can be calculated by dividing 'cash and bank balance' by total deposits. This ratio can be calculated using the following formula:

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

II. Cash and Bank Balance to Current Deposit Ratio:

This ratio is computed to disclose the soundness of the company to pay total calls made of current deposits. It can be expressed as:

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

(B) Activity/Efficiency Ratio:

It is known as turnover or efficiency ratio or assets management ratio; measures how efficiently the firm employs the assets. Turnover means; how many numbers of times the assets flow through a firm's operations and into sales (Kulkarni, P.V., 1994). Greater rate of turnover or conversion indicates more efficiency of a firm in managing and utilizing its assets, being other things equals. Various ratios are examined under this heading.

I. Credits and Advances to total deposit Ratio:

Commercial banks mobilize the outsider's fund for profit generation purpose. Credits and advances to total deposit ratio shows whether the banks are successful to mobilize the outsider's funds (i.e. total deposits) for the profit generating purpose on the credit and advances or not. Generally, a high ratio reflects higher efficiency to mobilize outsider's fund and vice- versa. The ratio can be calculated by using following formula.

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

II. Credits and Advances to Fixed Deposit Ratio:

Fixed deposits are the long- term interest bearing obligations and credits and advances is the major source of investment to generating purpose. The ratio is slightly differ with the former one, because it only includes the fixed deposits, where as the former includes all the deposits. The following formula is used to obtain this ratio.

$$\text{Credits and Advances to Fixed Deposit Ratio} = \frac{\text{Credits and Advances}}{\text{Fixed Deposits}}$$

III. Credit and Advances to Total Assets Ratio:

It measures the ability in mobilizing total assets into credits and advances for profit generating income. A higher ratio is considered as an adequate symbol for effective mobilization of total assets to bank into credits and advances which creates opportunity to earn more and more. It is calculated as:

$$\text{Credit and Advance to Total Assets Ratio} = \frac{\text{Credits and Advances}}{\text{Total Assets}}$$

(C) Leverage Ratio:

The use of finance is refers by financial leverage. When a firm borrows money, it promise to make series of fixed payments, which create financial leverage" (Brealy, R. Mayers, S., 1991). These ratios are also called solvency ratio or capital structure ratio. These ratios indicate mix of funds provided by owners and lenders. As a general rule, there should be an appropriate mix of debt and owner's equity in financing the firm's assets. To judge the long term financial position of the firm, leverage ratios are calculated. This ratio highlights the long- term financial health, debt servicing capacity and strength and weakness of the firm. Following ratios are included under leverage ratios.

I. Total Debt to Net Worth Ratio:

The ratio is calculated to find out the proportion of the outsider's fund and owner's fund to finance for the total assets. It also called the proportion of outsider's claim and insider's claim on total assets of the bank. Generally, very high ratio is unfavorable to the business because the debt gives third parties legal claims on the company. These claims are for interest payments at regular intervals plus repayment of the principal by the agreed time. On the other hand, very low ratio is also unfavorable from the shareholders point of view. They want this ratio to be high so that they can have better returns with smaller capital. It is calculated as follow:

$$\text{Total Debt to Net worth Ratio} = \frac{\text{Total Debt}}{\text{Net Worth}}$$

II. Total Debt to Total Ratio:

It examines the relationship between borrowed funds (i.e. total debt) and total assets. It shows the relative extent to which the firm is using borrowed money. A lower ratio is preferable since it reduces the distress of the creditors by using more amount of equity on total assets. It is computed as:

$$\text{Total Debt to Total Assets Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

(D) Profitability Ratio:

Profit is the difference between revenues and expenses over a period of time. A company should earn profit to survive and to grow over a long period of time. So profits are essential, but profit earning is not the ultimate aim of company and it should never be earned at the cost of employees, customer and society.

"Profitability ratios are the indicators of degree of managerial success in achieving firm's overall goals," (Pradhan, S., 1996). It shows the overall efficiency of the business concern. The following ratios are calculated under the profitability ratios:

I. Net profit/Loss to Total Assets Ratio:

The ratio is useful to measure how well management uses all the assets in the business to generate an operating surplus higher the ratio indicate the higher efficiency in the mobilization of total assets and vice- versa. The ratio is low due to low profit. In other words, it is low utilization of bank assets and over use of higher interest bearing amount of debt and vice- versa.

In this study, net profit/loss to total assets ratio is examined to measure the profitability of all the financial resource in bank –assets and is calculated by applying the following formula:

$$\text{Net Profit/Loss to Total Assets Ratio} = \frac{\text{Net Profit/Loss}}{\text{Total Assets}}$$

II. Interest income to total credit and advances:

It tells the income as interest from total credit and advances. It is useful to know the fact that whether the credit has given or not. We can increase interest income by taking good issuing and recovery credit policy. High return shows the soundness of credit policy. It is calculated by using the following formula:

$$\text{Interest Income to Total Credit and Advances} = \frac{\text{Interest Income}}{\text{Total credit and Advances}}$$

(E) Other Ratios:

I. Earning Per Share (EPS):

EPS is one of the most widely quoted statistics when there is a discussion of a company's performance or share value. It is the profit after tax figure that is divided by the number of common shares to calculate the value of earnings per share. This figure tells us what profit the common shareholders for every share held have earned. A company can decide whether to increase or reduce the number of shares on issue. This decision will automatically affect the earnings per share. The profits available to the ordinary shareholders are represented by net profit after taxes and performance dividend. Symbolic expression of EPS is given below.

$$\text{EPS} = \frac{\text{Net Income after Taxes}}{\text{Number of Common Stocks Outstanding}}$$

II. Market Value Per Share (MVPS):

Market value per share is the trading price of each share of common stock in the market. Higher market price reflects better image of the organization in public mind and vice versa.

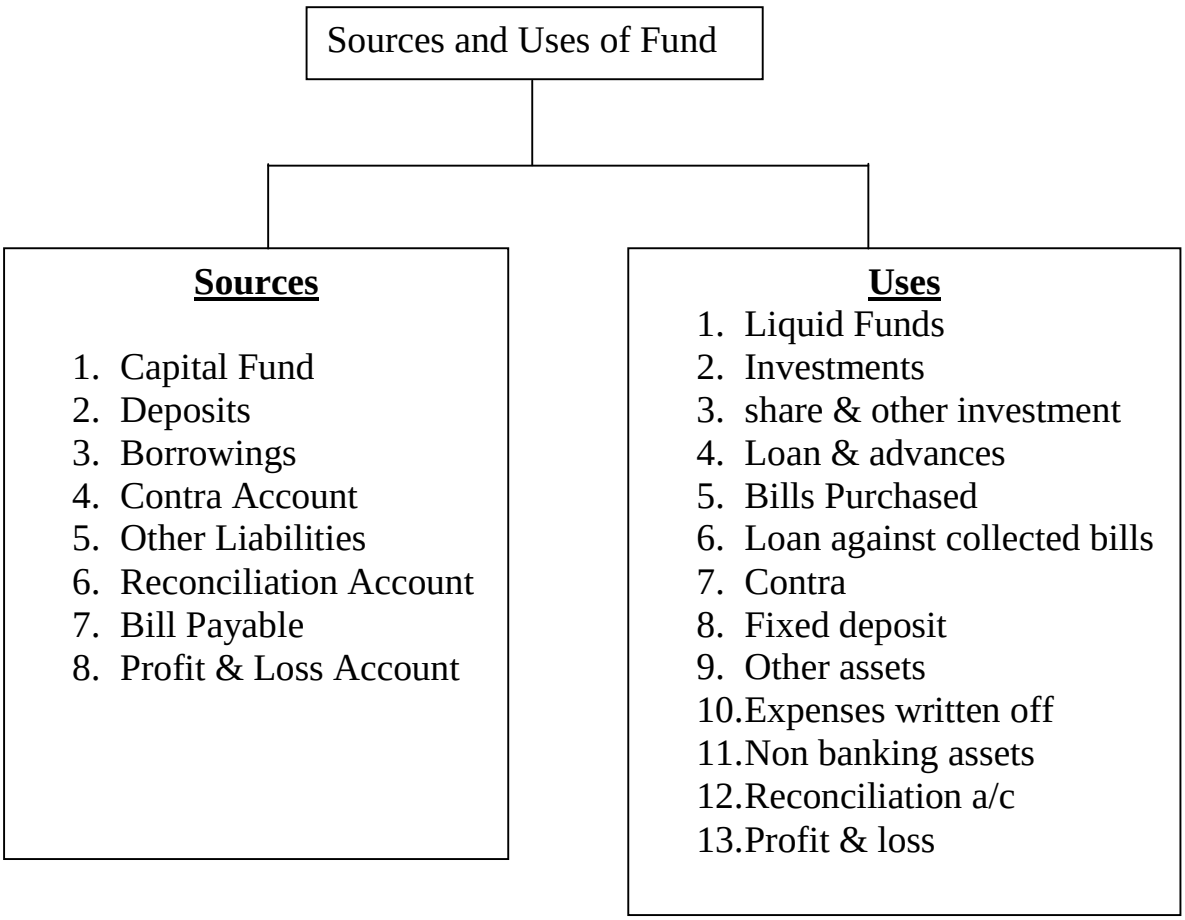
III. Price Earning Ratio (P/E Ratio):

The P/E ratio is widely used by the security analysis to evaluate the firm's performance as expected by investors. It shows the price currently paid by the market for each rupee of currently reported earning per share. It is also called multiplier. Here, the expansion takes place as follows:

$$\text{P/E Ratio} = \frac{\text{Market Price per Share}}{\text{Earning Per Share}}$$

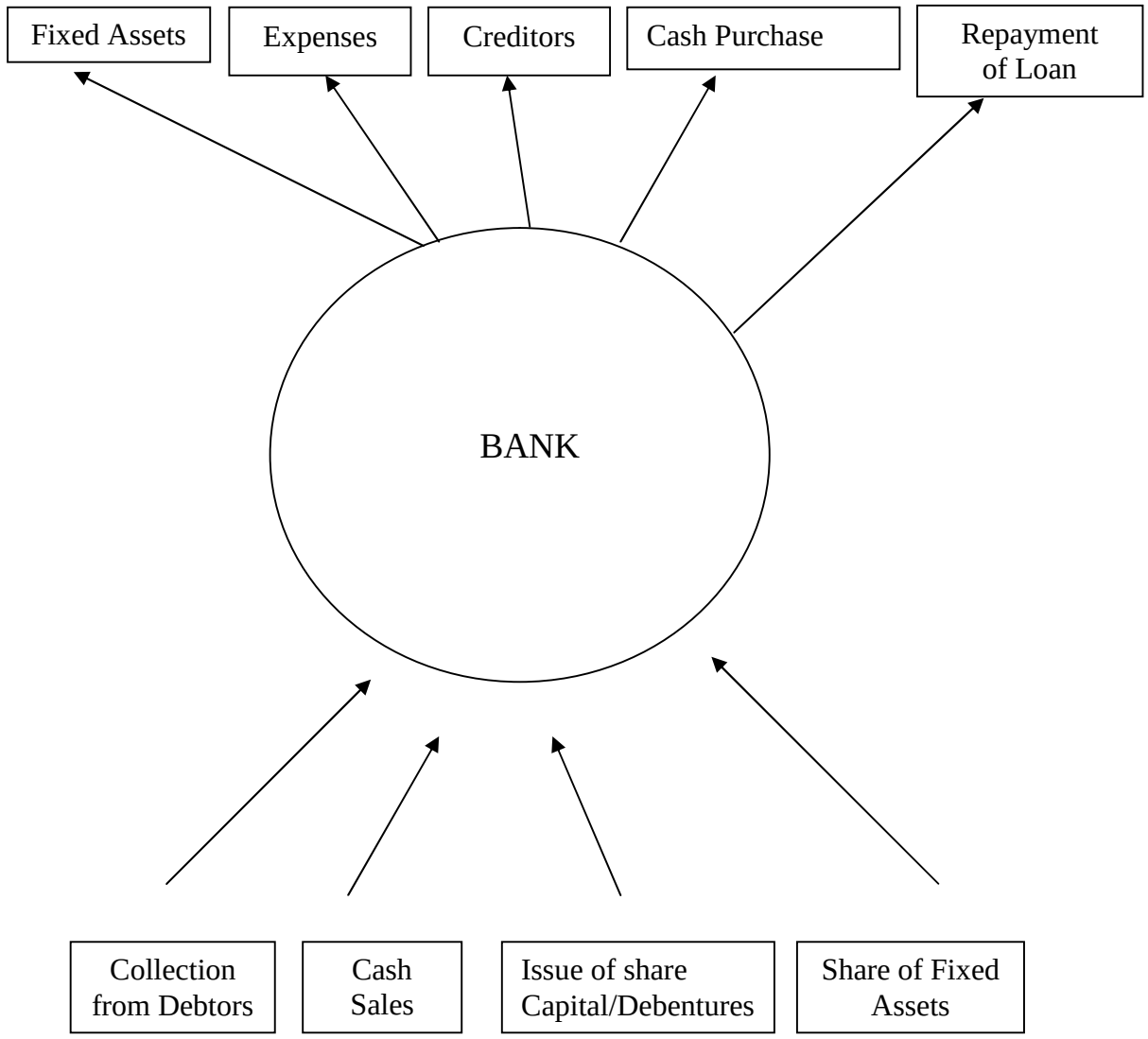
Source and Users of Funds

Management of funds is the important part of the banking business. The problem of managing funds is great for banks than it is for almost any other enterprise. The source and uses of analysis took out proportion of each source and each use to the total funds of bank and it was expressed in percentage. And the percentage was compared with the standard percentage of a typical bank. This analysis also concerned behaviors of the source of fund. The uses were analyzed in terms of their supporting ability to the sources of funds make study easier, the sources and uses of funds of banks are categorized and presented below:


Sources and Uses of Fund
Sources
1. Capital Fund
2. Deposits
3. Borrowings
4. Contra Account
5. Other Liabilities
6. Reconciliation Account
7. Bill Payable
8. Profit & Loss Account
Uses
1. Liquid Funds
2. Investments
3. share & other investment
4. Loan & advances
5. Bills Purchased
6. Loan against collected bills
7. Contra
8. Fixed deposit
9. Other assets
10. Expenses written off
11. Non banking assets
12. Reconciliation a/c
13. Profit & loss

Flow of Cash in Business

OUTFLOWS



INFLOW

3.4.2Statistical Tools

For supporting the study, statistical tools such as Mean, Standard Deviation, Coefficient of Variation, Correlation, Trend Analysis and diagrammatic cum pictorial tools have been used under it.

I. Arithmetic Mean (Average):

"Average are statistical constraints which enables us to comprehend in a single effort of the whole" (Gupta, S.C., 2000). It represents the entire data by a single value. It provides the gist and gives the bird's eye view of the huge mass of un widely numerical data. It is calculated as:

$$\overline{X} = \frac{X}{N}$$

Where,

$\overline{X}$ = Arithmetic Mean

N = Number of observations

X = Sum of Observations

II. Standard Deviation (S.D):

"The standard Deviation is the square root of mean square deviations from the arithmetic mean and is denoted by S.D. or σ," (Shrestha, K.N. 1991)

* It is used as absolute measure of dispersion or variability. It is calculated as:

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

Where,

σ = Standard Deviation

X^2 = Sum of squares of observations

$\frac{x}{N}^2$ = Square of Mean

III. Coefficient of Variation (C.V):

"The co-efficient of variation (C.V) is the relative measure based on the standard deviation and is defined as the ratio of the standard deviation to the mean expressed in

percentage" (Shrestha, K.N., 1991). It is independent of units. Hence, it is a suitable measure for comparing variability of two series with same or different units. A series with smaller C.V is said to be less variable or more consistent or more homogeneous or more uniform or more stable than the others and vice versa. It is calculated as:

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

Where,

$\bar{X}$ = Mean

σ = Standard Deviation

C.V = Coefficient of Variation

IV. Correlation coefficient (r) :

Correlation may be defined as the degree of linear relationship existing between two or more variables. These variable are said to be correlated when the change in the value of one results change in another variable. Correlation is of three types. They are simple, partial and multiple correlations. Correlation may be positive, negative or zero. Correlation can be classified as linear or non-linear. Here, we study simple correlation only". In simple correlation the effect of others is not included rather these are taken as constant considering them to have no serious effect on the dependent variables (Shrestha, K.N., 1994).

The popular method of statistical tool, Karl Pearson's co-efficient of correlation has been adopted to measure the significance of the relation between the deposit and the investment, loan and advance of the four Joint Venture Banks. The formula for computing the correlation coefficient(r) using direct method is as follows:

Karl Pearson's Co-efficient of correlation(r) =

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

Here,

N = Number of pairs of X and Y observed

X = Values of Investment, Loan and Advance

Y = Values of Total Deposit

r = Karl Pearson's co-efficient of correlation

V. Probable Error:

The probable Error of the coefficient of correlation helps in interpreting its value. With the help of probable error, it is possible to determine the reliability of the value of correlation coefficient. The probable error of the coefficient of correlation is obtained as follows:

P.E. = 0.6745

$$\frac{1 Z r^2}{\sqrt{N}}$$

Here, r = Correlation Coefficient

N = Number of pairs of observations

If the value of 'r' is less than the probable error, there is no evidence of correlation. i.e., the value of 'r' is not at all significant. Then, if the value of 'r' is more than sex times of the probable error, the relationship between the variable is practically certain, i.e. the value of 'r' is significant.

VI. Coefficient of Determination(r)^2 :

It explains the variation percent derived in dependent variable due to the unit change in any one specified variables; it denotes the fact that the independent variable is good predictor of the behaviors of dependent variable. It is square of correlation coefficient.

3.4.3Trend Analysis:

Trend analysis is the tool that is used to show grandly increase and decrease of variable in a period of time, is known as trend analysis. With the help of trend analysis; the tendency of variables over the period can be seen clearly. Here, trend analysis of deposit and credit and advance has been conducted.

Chapter-IV

Presentation and Analysis of Data

The previous chapter was mainly emphasized on research methodology that is about to be adopted to carry out the steady. Under this part, the collected data through primary as well as secondary sources have been represented in the suitable formats (i.e. on tables and charts), analyzed using various statistical and financial tools. Certain inferences and interpretation have also been made finally.

Ratio Analysis:

4.1 Liquidity Ratios

4.1.1 Cash and Bank balance to total deposit:

This is the most important ratio for measuring the extent of the liquidity of the commercial banks. The sound ratio indicates the strong liquid position of the banks to meet its customers' demand of immediate cash. This ratio is obtained by dividing the total cash with the bank itself and the cash reserve (CRR) maintained in the NRB as:

$$\text{Cash and Bank balance to total deposit} = \frac{\text{Cash and Bank balance}}{\text{Total deposit}}$$

Table No. 1

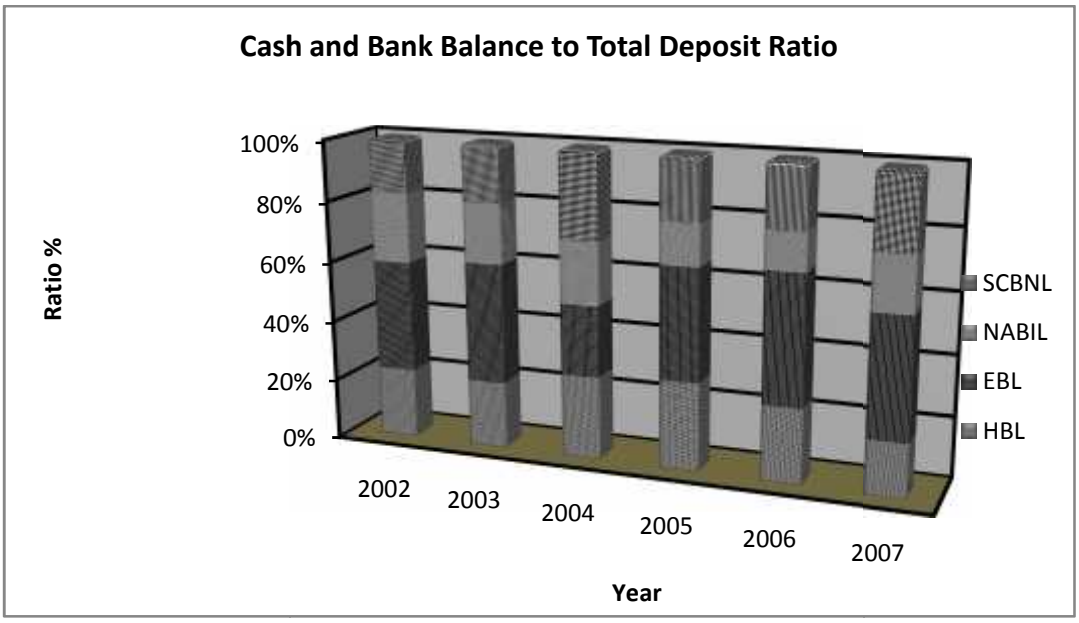
Comparative cash and bank balance to total deposit

Year	Ratio %			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	6.79	10.84	6.78	5.21
2003	9.42	17.02	8.51	8.06
2004	9.09	7.84	6.87	9.56
2005	8.12	10.39	3.83	5.76
2006	6.48	11.25	3.26	5.53
2007	5.85	13.15	5.997	8.20
Mean $\overline{X}$	**7.63**	**11.75**	**5.87**	**8.46**
S.D.	**1.34**	**2.83**	**1.815**	**2.155**
C.V.	**17.56**	**24.06**	**30.92**	**25.47**

Sources: Appendix I

Cash and Bank balance to total deposit ratio can be presented in the following figure:

Figure No. 1



Above table states that cash and bank balance to total deposit ratio of four joint venture banks are in fluctuating trend. EBL has highest average ratio than other banks i.e. 11.30 which indicates that EBL has high capacity to meet the unanticipated call on all types of deposit. On other hand, HBL has lower C.V. It states that cash and bank balance to total deposit ratio of HBL is more uniform than that of other five banks.

4.1.2 Cash and Bank balance to current Deposit ratio:

Another good indicator of the liquidity of the commercial banks is cash and bank balance to current deposit. Current deposit is that types of immediate non-interest bearing liability that needs to be assigned to the bearer of it all the time of demand. So provision of enough cash should be made so as to provide to the account holders instantly. It is measured by the following ratio.

$$\text{Cash and bank balance to current deposit} = \frac{\text{Cash and Bank Balance}}{\text{Current deposit}}$$

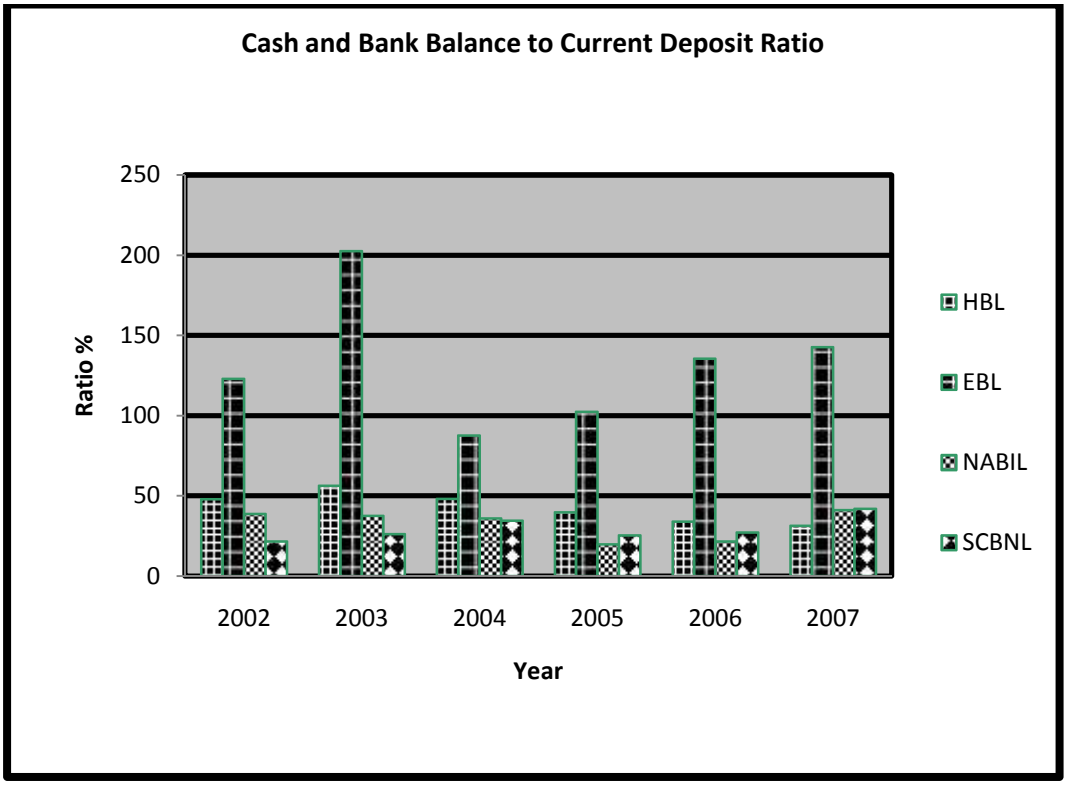
Table No. 2

Comparative cash and bank balance to current deposit ratio

Year	Ratio %			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	48.01	122.99	38.9	21.67
2003	56.5	202.63	37.73	26.22
2004	48.27	87.78	36.09	34.78
2005	39.93	102.43	19.98	25.51
2006	34.15	135.54	21.65	27.26
2007	31.44	142.86	41.23	42.15
Mean $\overline{X}$	**43.05**	**132.37**	**32.60**	**29.60**
S.D.	**8.72**	**36.58**	**8.48**	**6.84**
C.V.	**20.26**	**27.64**	**26.01**	**23.11**

The ratio can be presented by the help of following graph.

Figure No. 2



The table depicted above portrays the ratio of cash to current deposit for HBL, EBL, NABIL, SCBNL. The average ratios of HBL, EBL, NABIL, SCBNL are 43.05,

132.37, 32.60, 29.60 over six tears, HBL has the highest ratio of 56.5% in year 2003 and lowest ratio of 31.44% in year 2007. Similarly, EBL has the highest ratio of 142.86 in year 2007 and lowest ratio of 87.78% in 2004 respectively.

Likewise, NABIL and SCBNL have the highest ratio in year 2007 i.e. 41.23% and 42.15% respectively and lowest ratio are 19.98% in year 2005 and 21.67% in year 2002. Among four banks EBL has maintained the highest ratio i.e. 142.86% in year 2007 than other banks.

The average ratio of EBL is higher than other banks. But the coefficient of variation of HBL is lower than other banks i.e. 20.26% which means ratio of HBL is more consistent than that of other banks.

4.2 Turnover Ratio:

The turnover ratio indicates the efficiency in utilizing the funds or assets of the company. In terms of bank, deposit in the prime source of funds. So the fraction of ratio of money distributed in the form of loans and advances (credit and advances) is a major determining factor over the total funds collected in the banks in the form of deposits.

4.2.1 Credit and advances to total deposit ratio:

Deposits are the main sources of funds for commercial bank. More than 50% of total assets have been found to be financed through deposits. Total deposit includes saving, fixed, call, current and fixed deposits. On the contrary, credit and advances also called as loans and advances are the sales figures of banks. So utilized in CBs higher ratio is desirable.

$$\text{Credit and advances to total deposit} = \frac{\text{Credit and advances}}{\text{Total deposit}}$$

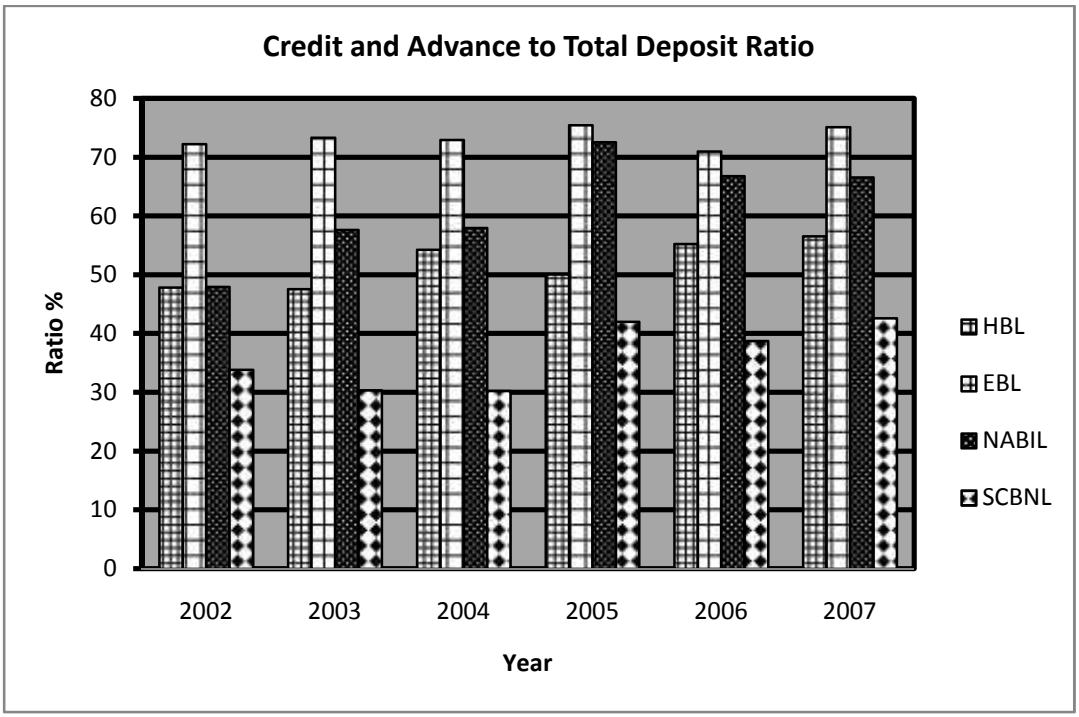
Table No. 3

Comparative credit and advance to total deposit ratio

Year	Ratio %			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	47.87	72.23	47.97	33.87
2003	47.61	73.32	57.68	30.37
2004	54.30	72.97	58.01	30.29
2005	50.07	75.45	72.57	42.05
2006	55.27	71.01	66.79	38.75
2007	56.57	75.13	66.60	42.61
Mean $\overline{X}$	**51.95**	**73.35**	**61.60**	**36.32**

The ratio can be presented by the help of following graph:

Figure No. 3



Above table shows that, the fluctuation in the ratios of credit and advances to total deposit of our JVBs through the review period. The average ratio of credit and advance to total deposit ratio of HBL, EBL, NABIL, SCBNL were 51.95%, 73.35%,

61.60%, 36.32% respectively. This indicates that EBL has successfully mobilized of total deposit on these study period i.e. 73.35% SCBNL had mobilized only 36.32% on the average; it is unable to mobilize the entire available fund on this study period.

4.2.2 Credit and advances to fixed deposit ratio:

As fixed deposit is an interest bearing deposit, the extent of the utilization of it determines the efficiency of the bank. It should not be remained idle. Otherwise, the performance of the bank will get decline. Therefore, the study of the ratio of fixed deposit turnover ratio is quit rationale.

$$\text{Credit and advance to fixed deposit} = \frac{\text{Credit and advance}}{\text{Fixed deposit}}$$

Table No. 4

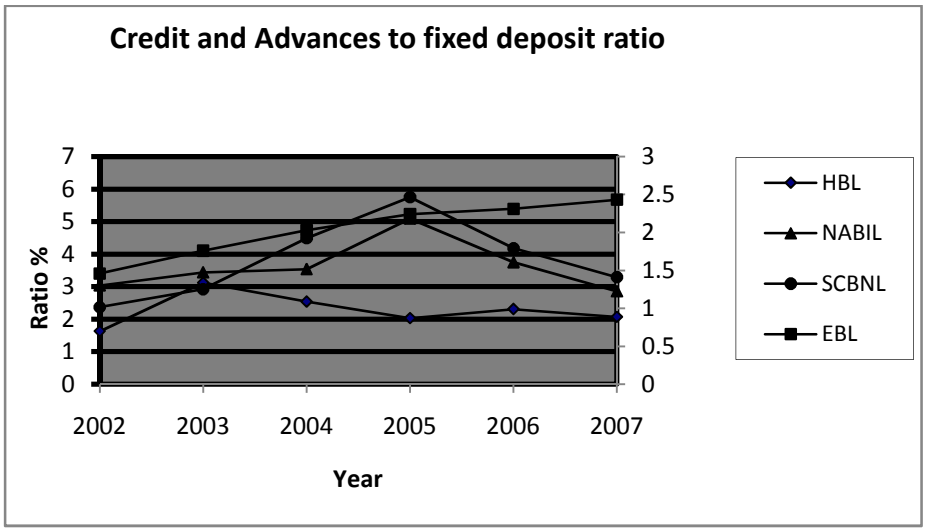
Credit and Advances to fixed deposit ratio

Year	Ratio %			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	1.63	1.46	3.04	2.37
2003	3.12	1.76	3.44	2.92
2004	2.54	2.03	3.54	4.49
2005	2.03	2.24	5.09	5.75
2006	2.31	2.31	3.75	4.18
2007	2.07	2.43	2.86	3.29
Mean $\overline{X}$	**2.28**	**2.04**	**3.62**	**3.83**

Sources: Appendix I

The ratio can be shown by the help of following diagram.

Figure No. 4



The table depicted above shows the fixed deposit turnover ratios of four Joint Venture banks over the six year period. The average fixed deposit turnover ratios of HBL, EBL, NABIL, SCBNL were 2.28, 2.04, 3.62, 3.83 times respectively. The highest ratio is 3.83 of SCBNL, it can be regarded that SCBNL had mobilized the funds obtained from fixed deposits in a better way than other banks. SCBL is more efficient in lending than other banks. The lowest ratio is 2.04 of EBL. However, the fixed deposit turnover ratios of all banks were good on an aggregate.

4.2.3 Credit and advances to total assets ratio:

The entire of the funds are invested in the bank in the form of various assets. In other words, these are the sectors where the funds collected using various sources are employed or mobilized so as to get respective returns. The ratio desirable for this sector is cent percent. However, a ratio of over 50% is considered average.

$$\text{Credit and Advances to total assets} = \frac{\text{Credit and Advance}}{\text{Total Assets}}$$

Table No. 5

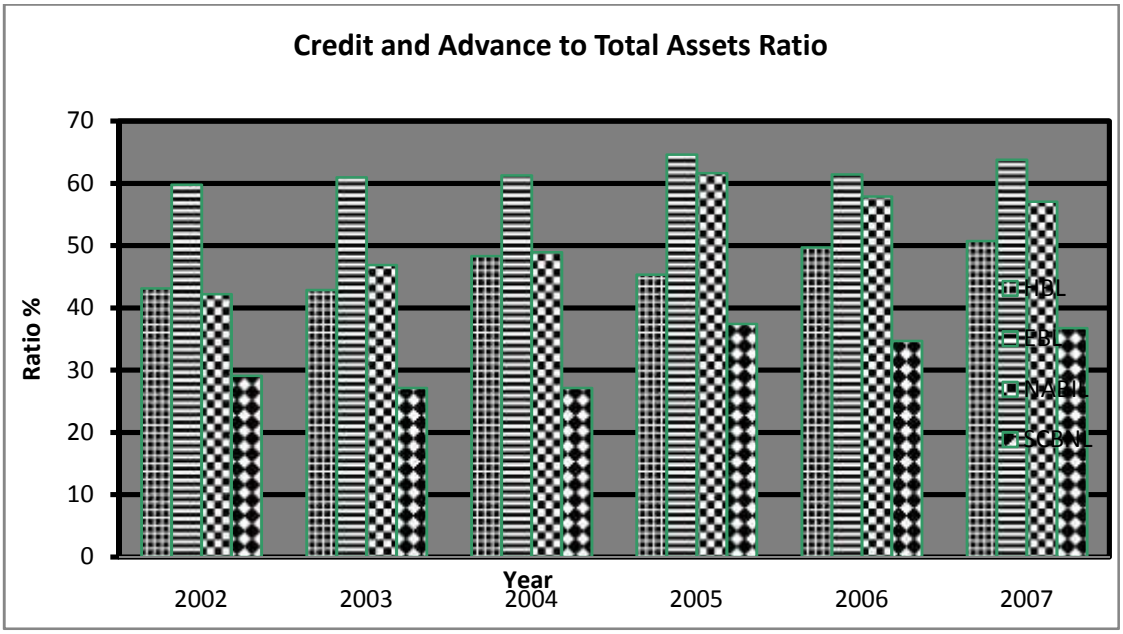
Comparative credit and Advance to total assets ratio.

Year	Ratio %			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	43.12	59.76	42.19	29.08
2003	42.82	60.96	46.83	27.12
2004	48.27	61.24	48.91	27.11
2005	45.31	64.61	61.6	37.39
2006	49.70	61.41	57.87	34.68
2007	50.71	63.75	57.04	36.73
Mean $\overline{X}$	**46.66**	**61.96**	**52.41**	**32.02**

Sources: Appendix I

The ratio can be shown by the help of following diagram.

Figure No. 5



From the above table, it can be conclude that all the four banks have the ratio of fluctuating trend during the study period. In an average ratio EBL maintains highest ratio of 61.96%. This indicated that EBL had more mobilized in total working fund than that of other banks. But SCBNL has lower ratio of 32.02%

4.3 Leverage Ratio

The leverage ratio of the commercial banks is measured by the extent that they have maintained ownership capital, borrowed capital or both in relation to build capital structure position of their firm. Therefore, this ratio measures the risk and long term return of the firm. Those can be measured as:

4.3.1 Debt to equity ratio:

It is measured of the financial risk. The more debt to equity ratio, more will be levered the firm and hence degree of financial risk will be high. It can be calculated as:

$$\text{Total debt to net worth} = \frac{\text{Total debt}}{\text{Net worth}}$$

Table No. 6

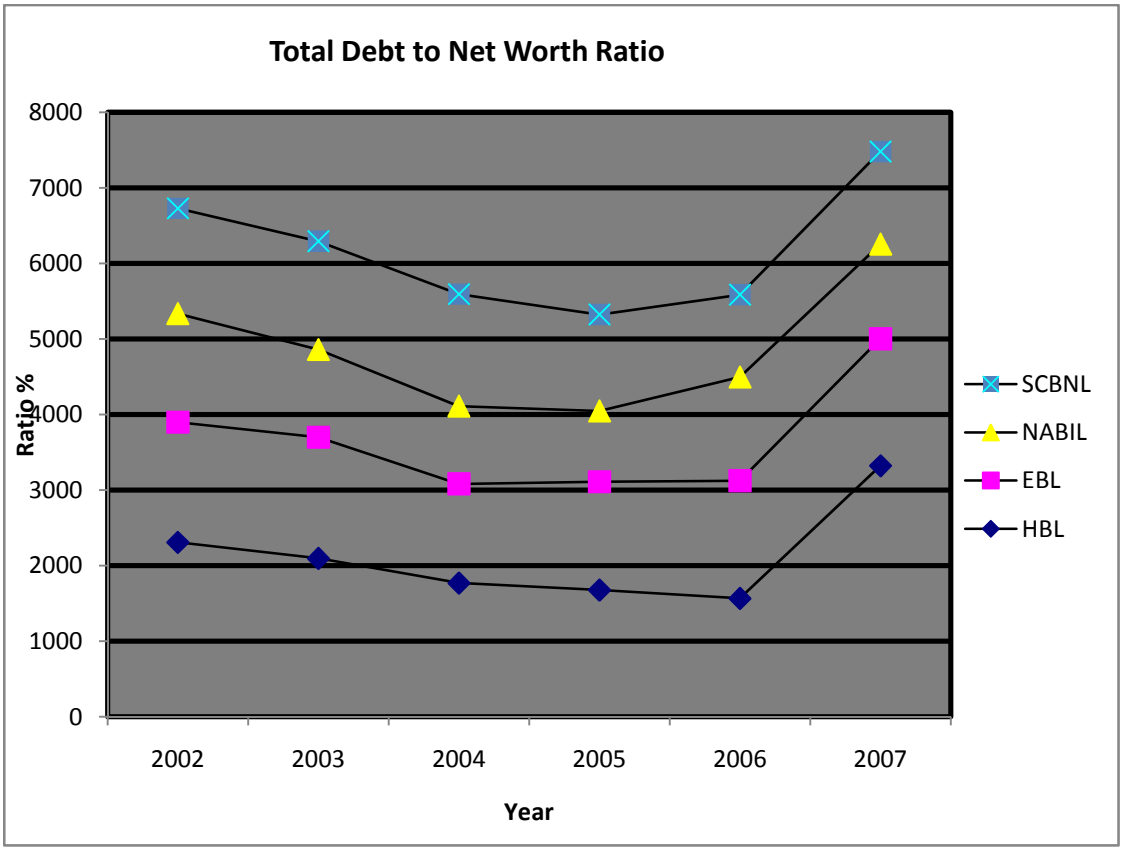
Comparative total debt to net worth ratio

Year	Ratio %			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	2309.07	1590.20	1437.77	1392.77
2003	2096.84	1602.98	1160.30	1434.1
2004	1770	1312.36	1030.17	1480.63
2005	1678.38	1432.20	936.80	1276.48
2006	1568.03	1558	1368.95	1090.94
2007	3322.04	1683.80	1251.22	1224.88
Mean $\overline{X}$	**2124.06**	**1529.92**	**1197.54**	**1316.63**

Sources: Appendix I

The ratio can be presented by the following graph.

Figure No. 6



The table depicted just above shows the debt to equity ratio for the four joint venture banks over the six years. The highest ratios of HBL, EBL, NABIL, SCBNL are in year 2007, i.e. 3322.04, in year2007, i.e. 1683.80, in year 2002 i.e. 1437.77, in year 2004, i.e. 1480.63 respectively.

The average ratios of HBL, EBL, NABIL, SCBNL are 2124.06, 1529.90, 1197.54, 1316.63 respectively. The highest average ratio is 2124.06 of HBL and the lowest average ratio is 1197.54 of NABIL.

On the basis of above table, all the joint venture banks have used excessive amount of debt. However, it was clear from the above other analysis that there was no use of long term debt except HBL. Therefore these banks used excessive amount of short term debt to finance various current assets. We can conclude that HBL is riskier than other banks on its average ratio was higher than other banks over the study period. The ownership capital of these banks is too far than the debt capital.

4.3.2 Total debt to total assets Ratio:

This ratio is wider known as debt ratio. And it indicates how much proportion of the total assets has been financed with the debt capital and how much with the equity part. Total debt includes both short term and long term debt. In these banks there is absence of long term debt except HBL.

$$\text{Total debt to total assets} = \frac{\text{Total debt}}{\text{Total Assets}}$$

Table No. 7

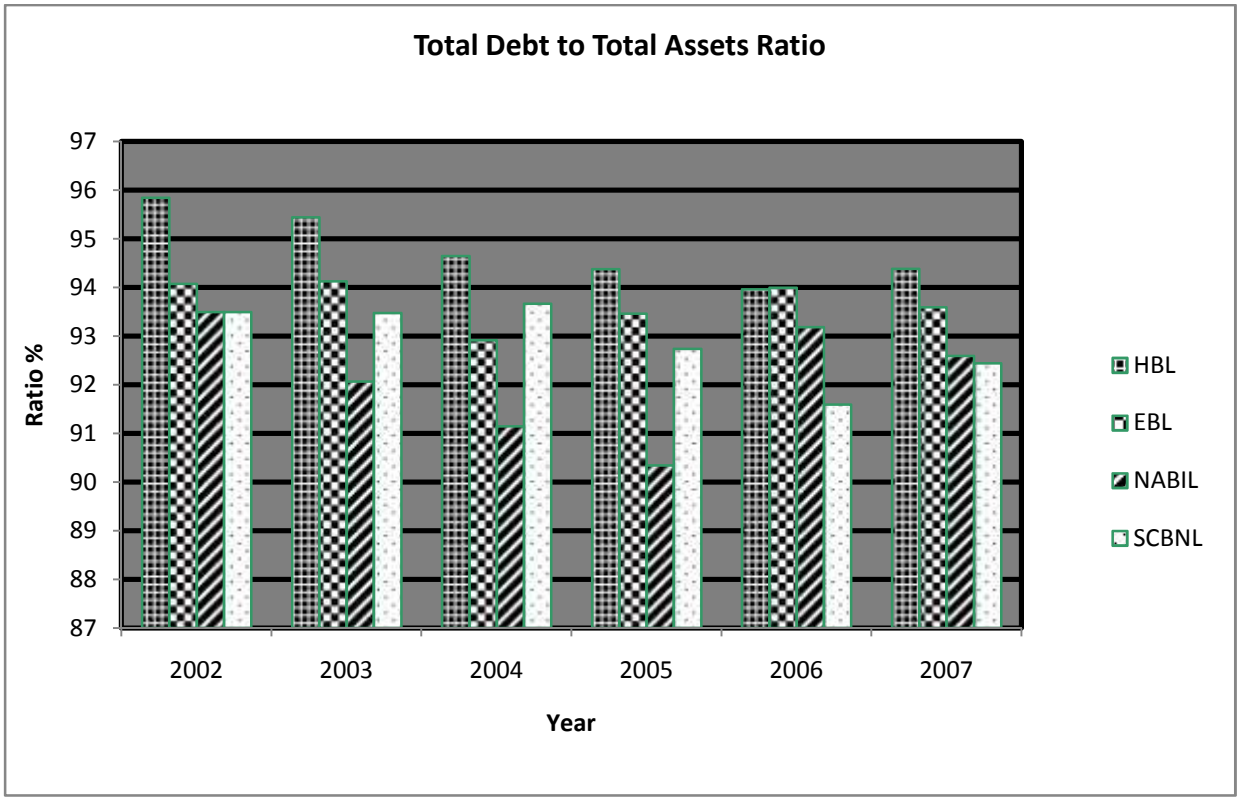
Comparative total debt to total assets ratio.

Year	Ratio %			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	95.85	94.08	93.5	93.50
2003	95.45	94.13	92.07	93.48
2004	94.65	92.92	91.15	93.67
2005	94.38	93.47	90.35	92.74
2006	93.97	94.00	93.19	91.60
2007	94.39	93.60	92.60	92.45
Mean $\overline{X}$	**94.78**	**93.70**	**92.14**	**92.91**

Sources: Appendix I

This ratio can be presented by the help of following graph.

Figure No. 7



The table depicted just above shows the total debt to total assets ratio for the four joint venture banks over six years. The average ratios of HBL, EBL, NABIL, SCBNL are 94.78, 93.70 ,92.14, 92.91 respectively.

HBL, EBL, NABIL, SCBNL have a highest ratio in year 2002 i.e. 95.85, in year 2003 i.e. 94.13, in year 2002 i.e. 93.50, in year 2004 i.e. 93.67 respectively. The highest average ratio is 94.78% of HBL and lowest average ratio is 92.4% of NABIL. It shows that the 94.78% of the total assets of HBL were financed wit debt capital on an average. The ratio implies that the banks are highly leveraged. In addition, they were found to be adopting the aggressive working capital policy.

4.4 Profitability Ratio:

We also need the indicators of profitability position in order to identify the overall utilization of the funds collected and used in the banks. The major ratios that we consider under this sector are:

4.4.1 Return on Assets ratio:

The total net assets of the banks are the sectors where the total funds collected through various sources are invested to earn sufficient profits. This ratio is given by:

$$\text{Net profit to total assets} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Table No. 8

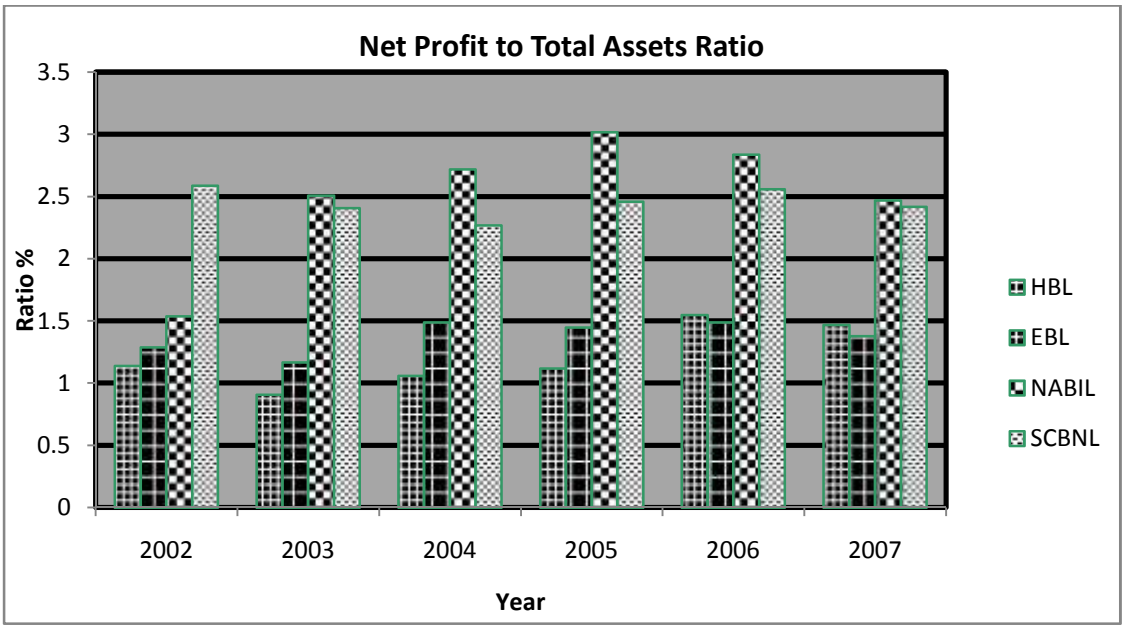
Comparative net profit to total assets ratio.

Year	Ratio %			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	1.14	1.29	1.54	2.59
2003	0.91	1.17	2.51	2.41
2004	1.06	1.49	2.72	2.27
2005	1.12	1.45	3.02	2.46
2006	1.55	1.49	2.84	2.56
2007	1.47	1.38	2.47	2.42
Mean $\overline{X}$	**1.20**	**1.33**	**2.52**	**2.45**

Sources: Appendix I

Return on assets of above four bank can be presented by the help of following graph.

Figure No. 8



From the above table, it is found that the return on total assets ratio of HBL, EBL, NABIL, SCBNL have the ratio in fluctuating trend. HBL, EBL, NABIL, SCBNL have highest ratio in year 2006 i.e. 1.55%, in year 2006 i.e. 1.49, in year 2005 i.e. 3.02% and in year 2002 i.e. 2.59% respectively. Likewise, lowest ratio of four banks have 0.91%, 1.17%, 1.54%, 2.27% in year 2003, 2003, 2002 and 2004 respectively.

Mean ratio of NABIL is highest than that of other banks i.e. 2.52% and HBL has a lowest ratio in the study period, which indicates that NABIL has more utilization of total assets. NABIL is more stable than other banks. NABIL is considered better and efficient than other banks as regards to usage of funds collected from various sources.

4.2.2 Interest Income to total Credit and Advances:

On of the major sources of the operating funds and the profit is the income received from the total credit and lending. The more the leading more will be the income from interest unless there is occurrence of any sort of bad debts. This ratio acts as the major indicator of the mobilization of the funds in JVBs is interest income to loans and advances. Thus, higher ratio is desirable for commercial banks.

$$\text{Interest income to total credit and advances} = \frac{\text{Interest (income)}}{\text{Total credit and advances}}$$

Table No. 9

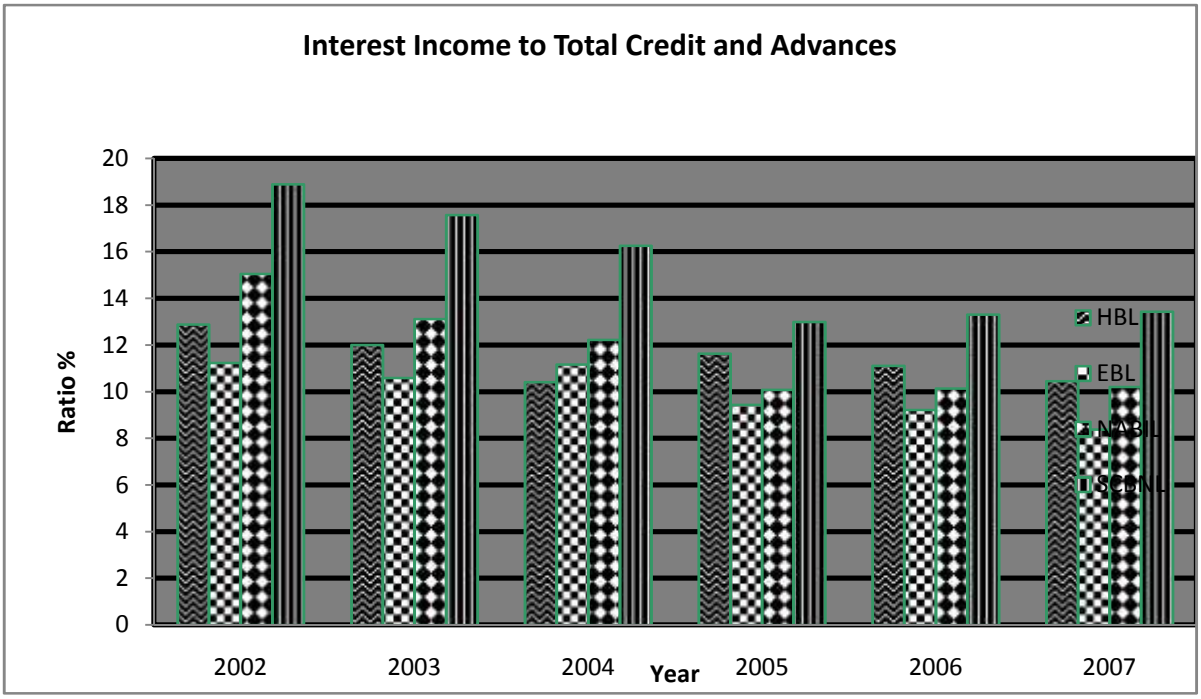
Comparative interest income to total credit and advances.

Year	Ratio %			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	12.89	11.24	15.06	18.9
2003	12.01	10.6	13.12	17.58
2004	10.42	11.17	12.23	16.26
2005	11.64	9.44	10.09	13
2006	11.11	9.22	10.14	13.31
2007	10.45	8.38	10.21	13.44
Mean $\overline{X}$	**11.42**	**10.01**	**11.81**	**15.42**

Source: Appendix I

The ratios can be presented by following graphs:

Figure.No.9



On the basis of above table, the lowest ratios of HBL, EBL, NABIL, SCBNL were 10.42%, 8.38%, 10.09%, 13% in year 2004, 20007, 2005, 2005 respectively. The average ratios of HBL, EBL, NABIL, SCBNL have 11.42%, 10.01%, 11.81%, 15.42% respectively. The highest average ratio is 15.42% of SCBNL and lowest ratio is 10.01% of EBL. The credit lending of SCBNL can be regarded on more efficient than of other banks. However, the ratios of all banks as a whole can be regarded as satisfactory as we cannot put the standard limit to the ratios, and higher ratio is desirable.

4.5 Other Ratios:

4.5.1 Earning Per Share (EPS):

The ratio of EPS shows the earnings earned by each common share of banks at the end of the year. There is no limit for it. Higher and higher EPS is desirable for every firm. It shows how efficiently the firm has managed and utilized the funds collected from shareholders. It shows the true picture of the company growth or death. It is calculated by dividing the profit left over to the common shareholder by number of common stocks outstanding in the market.

$$\text{Earning Per Share (EPS)} = \frac{\text{Net Profit Available to equally shareholders}}{\text{No of common shares outstanding}}$$

Table No. 10

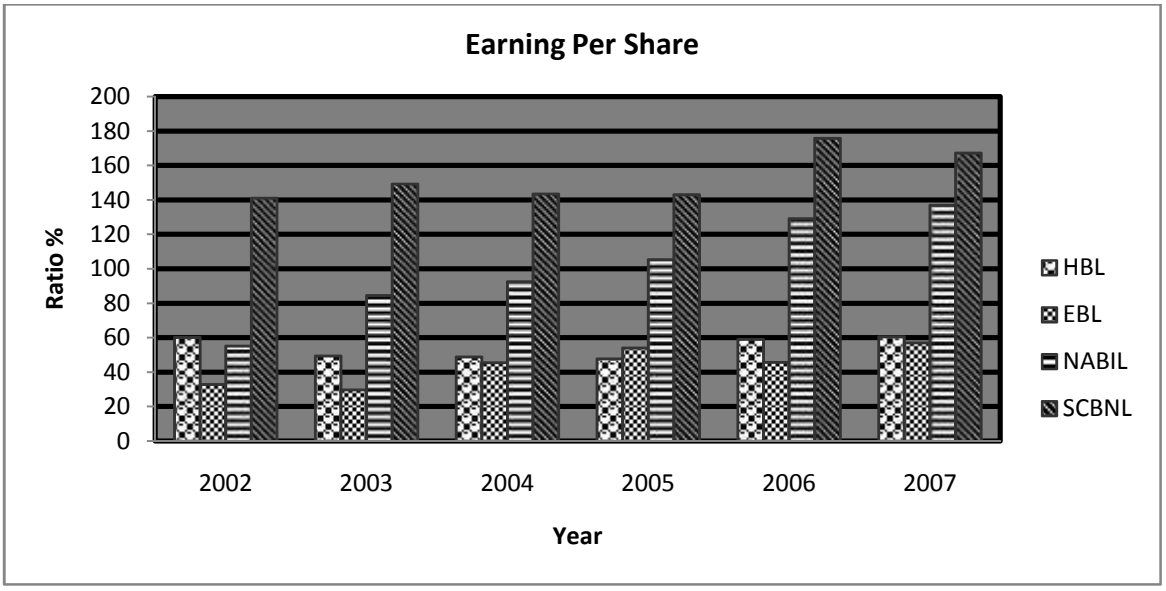
Comparative Earning Per Share

Year	Ratio %			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	60.26	32.91	55.25	141.13
2003	49.45	29.90	84.66	149.3
2004	49.05	45.58	92.61	143.55
2005	47.91	54.22	105.49	143.14
2006	59.24	45.81	129.21	175.84
2007	60.66	57.22	137.08	167.37
Mean $\overline{X}$	**54.43**	**44.27**	**100.72**	**153.39**
S.D.	**5.66**	**10.07**	**27.53**	**13.34**
C.V.	**10.40**	**22.49**	**27.33**	**8.70**

Source: Annual Report of Banks

Earning per share can be shown by the help of following graph:

Figure No. 10



The table no. 10 shows the warning per share (EPS) of four joint venture banks over the six year starting from 2002 to 2007. The highest ratios of HBL, EBL, NABIL and SCBNL were 60.66, 57.22, 137.08, 175.84 in year 2007, 2007, 2007 and 2006 respectively and lowest ratio of these banks were 47.91, 29.90, 55.25, 141.13 in year 2005, 2003, 2002 and 2002 respectively. The average ratios of HBL, EBL, NABIL and SCBNL are 54.43, 44.27, 100.72, 153.39 . The highest average ratio is 153.39 of SCBNL . The CV of SCBNL is also lesser than that of other banks. It can be regarded that shareholders funds were mobilized very well.

4.5.2 **Market value per share**

Market value per share in the trading price of each share of common stock in the market. The entire result of the performance, management, efficiency, funds mobilization and all other environmental factors (both inside and outside the organization) are reflected in the market price per share. Higher market price reflects better image of the organization in public mind and vice versa. It determines the survival of death of the organization. It is also known as shareholders wealth.

Table No. 11

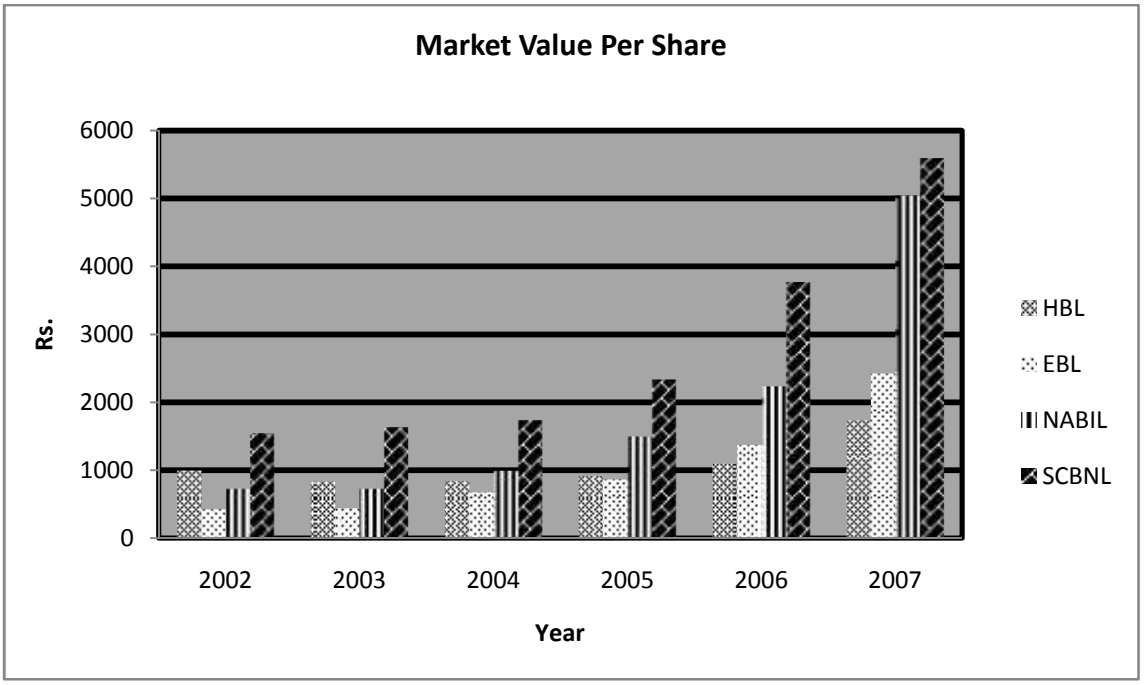
Comparative market value per share.

Year	Rs.			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	1000	430	735	1550
2003	836	445	735	1640
2004	840	680	1000	1745
2005	920	870	1505	2345
2006	1100	1379	2240	3775
2007	1740	2430	5050	5600
Mean $\overline{X}$	**1072.67**	**1039**	**1877.50**	**2825.83**

Source: Annual Report of Banks

Market value per share can be presented by the following graph:

Figure No. 11



The table depicted just above types the market value per share (Trading Price) of four joint venture banks for six years. The average market value per share of HBL, EBL, NABIL, SCBNL are Rs 1072.67, 1039, 1877.50, 2825.83 respectively for six year period. The highest MVPS is Rs. 2825.83 of SCBNL. The MVPS of JVB are in fluctuating trend. We can thus regard that the perception of SCBNL is performance and management was better in the public mind than that of other banks.

4.5.3 Price Earning Ratio (P/E Ratio):

It is also one of the good indicators of performance (efficient mobilization of funds collected) of the joint venture banks. It indicates the number of times the earnings are turnover with respect to price in the market. Higher ratio is desirable since increase in earnings is associated with the increase (growth) in stock price.

$$\text{Price Earning Ratio} = \frac{\text{Market Price Per Share}}{\text{Earning Per Share}}$$

Table No. 12

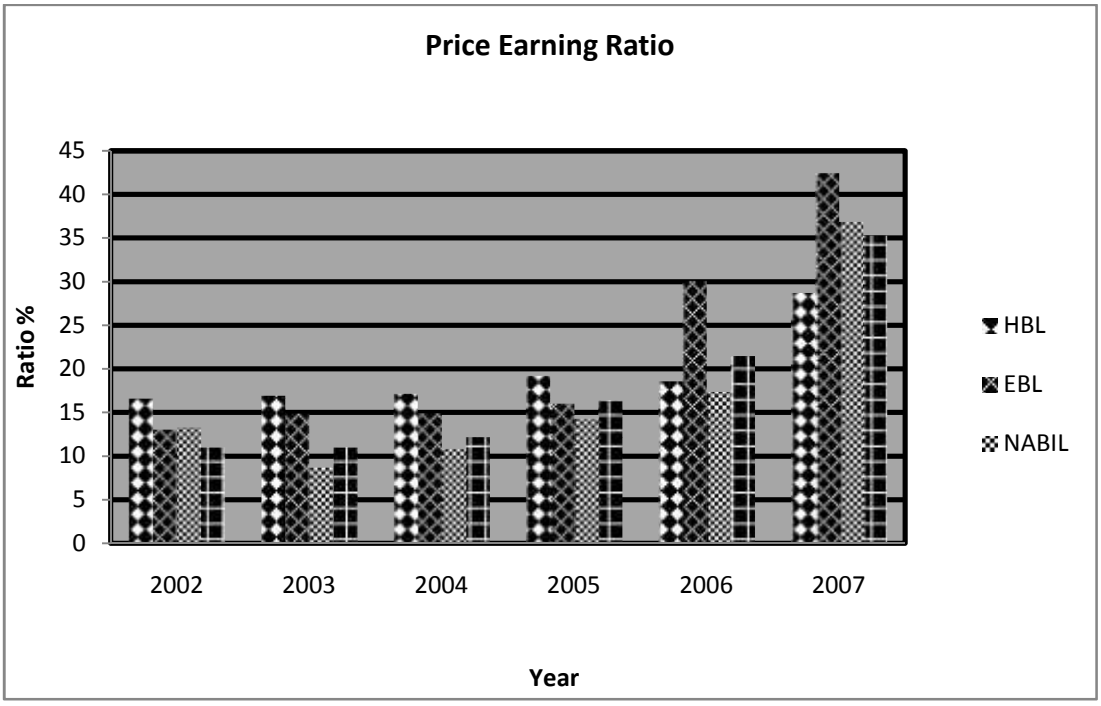
Comparative Price Earning Ratio

Year	Ratio			
	HBL	**EBL**	**NABIL**	**SCBNL**
2002	16.59	13.07	13.3	10.98
2003	16.91	14.89	8.68	10.98
2004	17.12	14.93	10.8	12.16
2005	19.2	16.04	14.27	16.38
2006	18.57	30.10	17.34	21.47
2007	28.68	42.47	36.84	35.25
Mean $\overline{X}$	**19.51**	**21.92**	**16.87**	**17.87**

Source: Annual Report of Banks

Following Figures represent the ratio of concerned banks:

Figure No. 12



The table no. 12 shows the price earning ratio of four joint venture banks over the six year period. The highest price earning ratio of HBL, EBL, NABIL, SCBNL were 28.68, 42.47, 36.84 and 35.25 respectively. The average price earning ratios are 19.51, 21.92, 16.87, 17.87 over six years period of HBL, EBL, NABIL and SCBNL respectively. The highest price earning ratio is 21.92 of EBL and lowest ratio is 16.87 of NABIL.

Though the average ratio of EBL is higher than other banks, it cannot be said that performance of EBL stronger than other banks because the growth rate of price and stock of other banks are higher than that of EBL. The EPS of EBL in 2002 is low. In general, we can conclude that the performance of these banks are however good over the years.

4.6 Analysis of Sources and Use of Fund

4.6.1 Analysis of Sources and Uses of HBL

Table No. 13

Percentage of various sources and uses of funds from total sources and uses of HBL

Particulars	Years							
Sources of Fund	2002	2003	2004	2005	2006	2007	Total	Average
1. Capital Fund	3.05	3	5.37	4.56	4.963	5.10	26.043	4.341
2. Deposit	86.97	84.96	85.08	85.32	85.164	86.32	513.81	85.64
3. Borrowing	0.23	2.18	0.25	1.67	1.233	1.04	6.603	1.10
4. Other	9.76	9.87	9.3	5.86	6.986	5.15	46.93	7.82
5. P/L. A/C	0	0	0	2.59	1.654	2.39	6.634	1.106
Total	**100**	**100**	**100**	**100**	**100**	**100**	**600**	**100**
Use of Fund								
1. Liquid Fund	35.82	33.5	32.2	28.08	8.62	9.41	147.63	24.61
2. Investment	12.11	16.1	10.4	18.79	16.56	18.63	92.59	15.43
3. Share & Other Investment	0.1604	0.1387	0.3611	0.1371	18.50	15.491	34.79	5.80
4. Loan & Advance	45.24	44.80	48.9	45.51	49.95	51.0	285.40	47.57
5. Bills Purchase	0	0	0	1.19	0.81	0.49	2.49	0.415
6. Fixed Assets	0	0	0	1.65	1.741	1.66	5.051	0.842
7. Other Assets	6.67	5.47	8.14	3.56	3.77	3.26	30.87	5.145
8. Non Banking Assets	0	0	0	0.20	0.05	0.06	0.31	0.052
9. Reconciliation	0	0	0	0.87	0	0	0	0
Total	**100**	**100**	**100**	**100**	**100**	**100**	**600**	**100**

Source: Banking and financial statistic no. 47

From above analysis, total sources of fund of HBL composed of capital fund, Borrowing, deposit, other liabilities and profit and loss account. Average percentages covered by these components are 4.341, 85.64, 1.10, 7.82, 1.106 respectively. Out of

total sources of funds, deposit contributed more fund i.e. 85.64%. These above sources of funds are used for different purpose. HBL has maintained liquid fund 24.61% out of total sources. It makes average investment advance of 15.43%.Summarily, it provides loans and advances of 47.57% for its customers to fulfill their daily cars requirements. A remarkable increase in uses of funds of share and other investments i.e. in year 2005 only 0.13% covers but in 2006 and 2007 share and other investments covers 18.50%, 15.49% respectively. Likewise other assets, fixed assets, share and other investment, bills purchased, non-banking assets and reconciliation A/C covers 5.145%, 0.842%, 5.82%, 0.415%, 0.052% respectively.

Analysis of sources and uses of funds from total sources and uses of EBL

Table no. 14

Percentage of various sources and uses of funds from total sources and uses of EBL

Particulars	Years							
Sources of Fund	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**	**Average**
1. Capital Fund	7.35	7.11	6.68	6.48	4.98	4.13	36.73	6.122
2. Borrowings	4.58	0.01	4.35	0	1.795	1.286	12.021	2.00
3. Deposit	80.62	81.05	80.91	66.78	82.58	81.84	473.78	78.96
4. Bills Payable	0	0	0	0.12	0.066	0.115	0.301	0.0502
5. Other Liabilities	7.45	10.84	8.07	5.17	7.039	5.99	44.559	7.43
6. Reconciliation	0	0	0	19.28	1.26	5.35	25.89	4.315
7. P/L A/C	0	0	0	1.82	2.28	1.29	5.39	0.898
Total	**100**	**100**	**100**	**100**	**100**	**100**	**600**	**100**
Use of Fund								
1. Liquid Fund	11.97	14	8.73	10.74	9.7	14.27	69.41	12
2. Investment	22.72	19.36	24.75	13.89	21.23	20.16	122.11	20.35
3. Share & Other Investment	1.32	0.21	0.17	0.13	3.90	1.20	6.93	1.16
4. Loan & Advance	58.79	61.13	61.51	52.34	60.57	60.25	354.59	59.1
5. Bills Purchase	0	0	0	0.20	0.184	0.20	0.584	0.097
6. Fixed Assets	0	0	0	0.88	0.91	0.73	2.52	0.42
7. Other Assets	5.22	5.3	4.84	2.96	3.45	3.21	24.98	4.16
8. Reconciliation	0	0	0	18.18	0	0	18.18	3.03
9. Non Banking Assets	0	0	0	0.32	0.06	0	0.38	0.063
Total	**100**	**100**	**100**	**100**	**100**	**100**	**600**	**100**

Sources: Banking and Financial Statistics no. 50

From above analysis, contribution of capital fund in total source is 6.122%. Likewise deposit contributes more funds out of total sources of funds i.e. 78.96%. Similarly, borrowings, other liabilities and reconciliation A/C are 2%, 7.43%,4.315% respectively. Out of total sources bills payable, profit and loss A/C contributes less than 1% deposit is the only one reliable source of funds of EBL.

The above sources of funds are used for different purpose. EBL maintained liquid fund of 12%. It had maintained sufficient liquid funds in the starting period of the study. It makes average investment of 20.35%. Similarly, it makes average investment on share and other is 1.16%. Likewise, it provides loan and advances of 59.1% for its customer to fulfill their daily cash requirements. Other assets, reconciliation A/C, non banking assets, bills purchased and fixed assets covers 4.16%, 3.03%, 0.063%, 0.097%, 0.42% respectively. EBL used more funds for providing loan and advances.

Analysis of Sources and Uses of Fund of NABIL

Table no. 15

Percentage of Various Sources and Uses of fund from total Sources and Uses of NABIL.

Particulars	Years							
Sources of Fund	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**	**Average**
1. Capital Fund	5.41	6.27	9.89	7.96	6.87	6.32	42.72	7.12
2. Borrowings	1.43	5.26	1.26	0.092	0.72	2.98	11.74	1.96
3. Deposit	78.24	73.53	77.32	77.36	80.17	78.7	465.32	77.55
4. Bills Payable	0	0	0	0.38	0.47	0.32	1.17	0.195
5. Other Liabilities	14.93	14.94	11.53	8.81	7.72	9.38	67.31	11.22
6. P/L A/C	0	0	0	4.39	4.06	2.31	10.76	1.79
Total	**100**	**100**	**100**	**100**	**100**	**100**	**600**	**100**
Use of Fund								
1. Liquid Fund	25.45	22.77	21.48	7.23	9.80	6.62	93.35	15.56
2. Investment	20.97	20.05	20.14	15.19	9.83	18.07	104.25	17.38
3. Share & Other Investment	5.51	0.13	0.13	8.20	15.76	12.11	41.84	6.97
4. Loan & Advance	37.3	45.24	48.09	59.51	53.95	52.79	296.88	49.48
5. Bills Purchase	0	0	0	0.78	0.90	0.75	2.43	0.41
6. Loan against C. Bills	0	0	0	0.74	0.16	0.083	0.983	0.164
7. Fixed Assets	0	0	0	1.94	1.32	0.97	4.23	0.71
8. Other Assets	10.77	11.81	10.15	6.42	8.27	8.61	56.03	9.34
Total	**100**	**100**	**100**	**100**	**100**	**100**	**600**	**100**

Sources: Banking and Financial Statistics no 50

From above comparative table, a source of fund of NABIL is composed of capital fund, borrowing, deposit, bills payable, other liabilities and P/L account. In which contribution of fund is 7.12% out of total sources of funds. Deposits contribute 77.55%, similarly borrowing and other liabilities contribute 1.96% and 11.22% respectively for the total sources of fund and remaining funds are from bills payable, P/L A/C, these sources covers very low percentage. NABIL uses its total funds for different purpose. It maintains liquid fund of 15.56% in average for the fulfillment of daily cash requirement of the banks. Similarly, it uses funds to make averages investment of 17.38% out of total uses of funds. It provides loan and advances for public and other enterprises in average of 49.48%. Likewise, average percentage covered by share and other investment and other assets are 6.97% and 9.34% respectively. And remaining funds are used for bills purchased loan against collected bills and fixed assets.

Analysis of sources and uses of fund of SCBNL

Table no. 16

Percentage of Various Sources and Uses of Funds from Total Sources and Uses of SCBNL

Particulars	Years							
Sources of Fund	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**	**Average**
1. Capital Fund	5.14	5.02	6.25	5.62	5.882	5.86	33.772	5.63
2. Borrowings	3.41	0.35	0.32	0.19	0.0381	3.98	8.288	1.38
3. Deposit	80.48	84.07	86.52	84.99	86.02	82.31	504.39	84.07
4. Bills Payable	0	0	0	0.24	0.21	0.121	0.571	0.095
5. Other Liabilities	10.96	10.56	6.92	5.62	5.38	5.42	44.86	7.48
6. P/L A/C	0	0	0	3.33	2.47	2.31	8.11	1.35
Total	**100**	**100**	**100**	**100**	**100**	**100**	**600**	**100**
Uses of Fund								
1. Liquid Fund	14.69	14.21	17.34	14.81	12.14	13.35	86.54	14.42
2. Investment	29.4	30.13	32.50	31.66	32.26	23.77	179.72	29.95
3. Share & Other Investment	17.74	16.29	13.95	10.98	15.69	21.54	96.19	16.03
4. Loan & Advance	29.42	27.26	27.51	39.09	33.23	35.20	191.71	31.95
5. Bills Purchase	0	0	0	1.38	1.24	0.84	3.46	0.577
6. Fixed Assets	0	0	0	1.73	1.46	1.43	4.62	0.77
7. Other Assets	8.75	12.11	8.7	3.31	4.09	3.87	40.83	6.81
8. Expenses written off.	0	0	0	0.04	0.005	0.005	0.05	0.008
Total	**100**	**100**	**100**	**100**	**100**	**100**	**600**	**100**

Sources: Banking and Financial Statistics No. 50

From above analysis average contribution of capital fund in total sources of funds of SCBNL is 5.63%. Similarly, borrowing occupies 1.38% of the total sources. Likewise, deposit contributes more funds in total sources of funds i.e. 84.07% other liabilities contributed 7.48% and remaining funds contributed by bills payable and P/L A/C. It can be said that deposit is the main sources of funds. There above sources of funds are used for different purpose. SCBNL has maintained average liquid fund of 14.42% out of total uses of fund it makes average investment of 29.95%. It provides average 31.95% funds as loan and advances to its customer. Similarly, it uses its fund to invest share and other investment of 16.03% out of total uses of funds average percentage covered by other assets is 6.81%. And remaining funds are used for bills purchase, fixed assets and expenses written off. SCBNL uses more fund for providing loan and advances.

4.7 Comparative analysis of sources of fund

Following table describe the average sources of funds of four joint venture banks.

Table No. 17

Comparative average sources of funds of HBL, EBL, NABIL, SCBNL

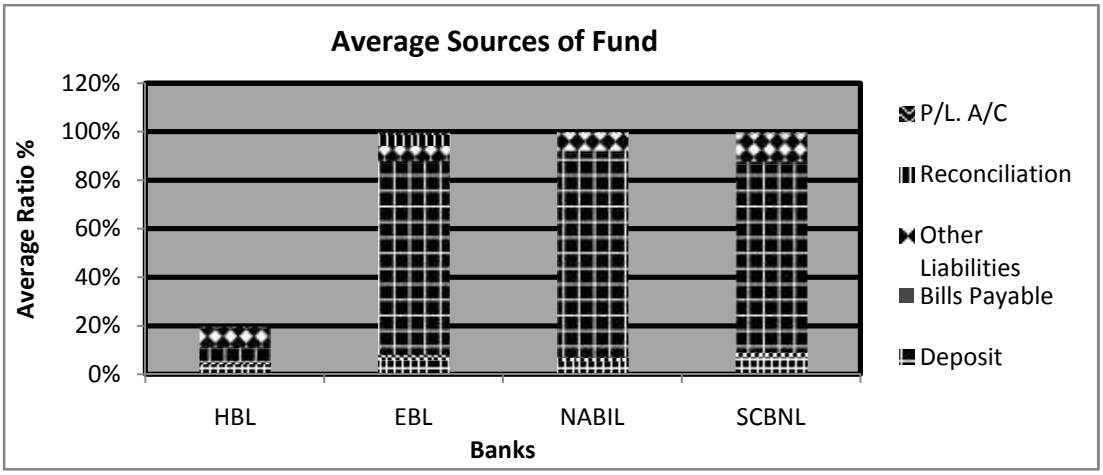
Particulars	Average %			
	HBL	**EBL**	**SCBNL**	**NABIL**
1. Capital Fund	4.341	6.122	5.63	7.12
2. Borrowings	1.10	2	1.38	1.96
3. Deposit	85.64	78.96	84.07	77.55
4. Bills Payable	0	0.0502	0.095	0.195
5. Other Liabilities	7.82	7.43	7.48	11.22
6. Reconciliation	0	4.315	0	0
7. P/L A/C	1.106	0.898	1.35	1.79
Total	**100**	**100**	**100**	**100**

Sources: Banking and Financial Statistics no. 50

The ratios can be presented by the following sub bar diagram.

Sub Bar Diagram showing Average Sources of Funds of HBL, EBL, NABIL, SCBNL.

Figure No. 17



Above comparative table showed that the average capital fund of NABIL is higher than other banks i.e. 7.12% during the study period. HBL has lowest contribution of capital fund for total sources among four banks. Contribution of borrowing to total sources of funds of EBL is higher than other banks i.e. 2% where as HBL, SCBNL and NABIL have similar proportion of borrowings.

Deposit proportion of HBL seems to be higher than other banks. Average contribution of bills payable to total sources of funds of EBL, NABIL, SCBNL are nominal. But HBL has no contribution of bills payable to total sources of funds. Average contribution of other liabilities to total sources of funds of NABIL has highest one among four joint venture banks. Only EBL has 4.315% average contribution towards total sources of fund of reconciliation account. Similarly average proportions made by profit and loss account of EBL are less than one.

4.8 Comparative Analysis of Uses of Fund

Average uses of funds of concerned banks are shown in the following comparative table.

Table No. 18

Comparative average uses of funds of HBL, EBL, NABIL, SCBNL

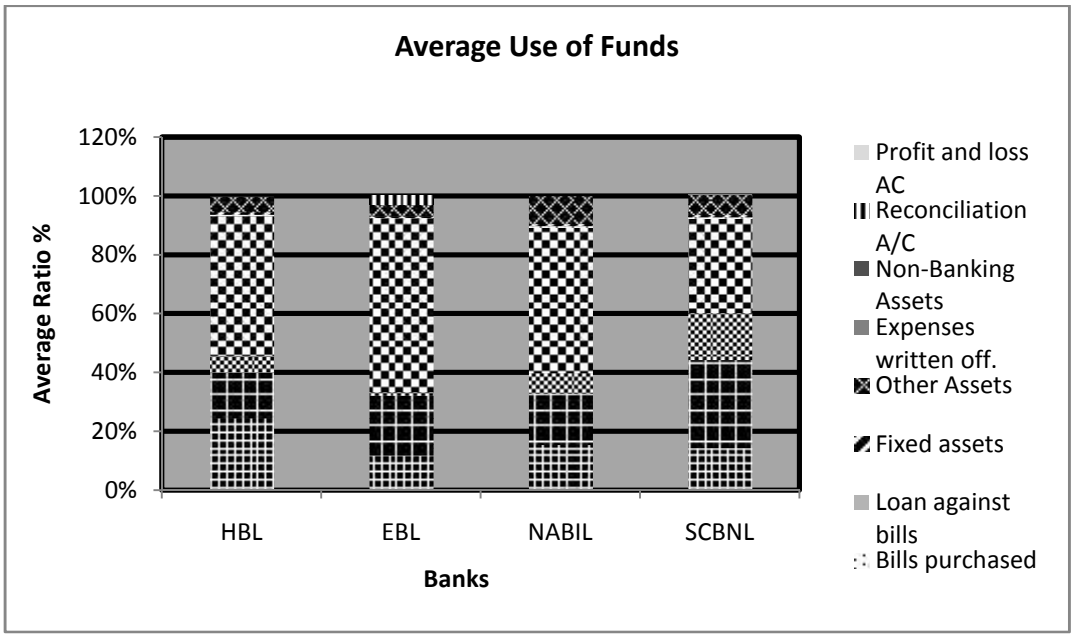
Particulars	Average %			
	HBL	**EBL**	**NABIL**	**SCBNL**
1. Liquid funds	24.61	12	15.56	14.42
2. Investment	15.43	20.35	17.38	29.95
3. Share and other Inv.	5.80	1.16	6.97	16.03
4. Loan and Advance	47.57	59.10	49.48	31.95
5. Bills purchased	0.415	0.097	0.41	0.577
6. Loan against C. bills	0	0	0.164	0
7. Fixed assets	0.842	0.42	0.71	0.77
8. Other Assets	5.145	4.16	9.34	6.81
9. Expenses written off.	0	0	0	0.008
10. Non-Banking Assets	0.052	0.063	0	0
11. Reconciliation A/C	0	3.03	0	0
12. Profit and loss AC	0	0	0	0
Total	**100**	**100**	**100**	**100**

Sources: Banking and Financial Statistics no. 50

The ratios can be presented by the following sub bar diagram:

Sub bar diagram showing average uses of funds of HBL, EBL, NABIL, and SCBNL

Figure No. 14



From above analysis, it can be said that HBL has maintained high liquid funds than other Banks i.e. 24.61%. Among four banks SCBNL has a good investment in different sector in comparison to other banks. Similarly investment on share and other sector of SCBNL seems to be higher than other banks. Average loan and advance provided by EBL is higher than other banks ie. 59.10%, which has a higher risk of insolvency. An average use of fund for bills purchased of SCBNL is higher than other banks.

EBL uses lowest sources of funds under other assets i.e. 4.16% comparison to other banks. Allocation under loan against collected bills of NABIL is 0.164%. EBL has lowest allocation of funds under fixed assets in comparison of other banks. But it covered highest percentage i.e. 3.03% under reconciliation account. Only SCBNL has expenses written off in nominal percentage.

4.9 Correlation Analysis

4.9.1. Analysis of correlation coefficient between total deposit and loan and advances.

The relationship between deposit, loan and advances of four joint venture banks are presented in the following table. Here deposit is independent variables (X), loan and advance is dependent variables (Y).

Table No.19

Correlation Coefficient between deposits, loan and advance

Banks	Base of Evaluation			
	r	**r^2**	**P.E.**	**6×P.E.**
HBL	0.98313	0.9665	0.00922716	0.055363
EBL	0.95606	0.914051	0.02367	0.14202
NABIL	0.9247	0.8551	0.0399	0.2394
SCBNL	0.86565	0.74935	0.06902	0.41412

Sources: Appendix II

Above analysis shows that the coefficient of correlation between deposit, loan and advances of HBL, EBL, NABIL, SCBNL are 0.98313, 0.95606, 0.9247 and 0.86565 respectively. That means in case of HBL 98.31% of loan and advances decision is depend upon deposit and 1.69% loan and advances depend upon other variables. Similarly 95.61%, 92.47%, 86.57% of EBL, NABIL and SCBNL loan and advances decision are depend upon deposit and 4.39%, 7.53% and 13.43% decision are explained by other variables. In case of HBL, EBL, NABIL and SCBNL 'r' is greater than 6 times P.E. which means there is significant relationship between deposits and loan and advances.

4.10 Trend Analysis

4.10.1 Trend Analysis of loan and advances to total deposit ratio.

The following table represents the trend values of loan and advances to total deposit of HBL, EBL, NABIL, SCBNL with comparatively six years study period and projected next five years.

Table No.20

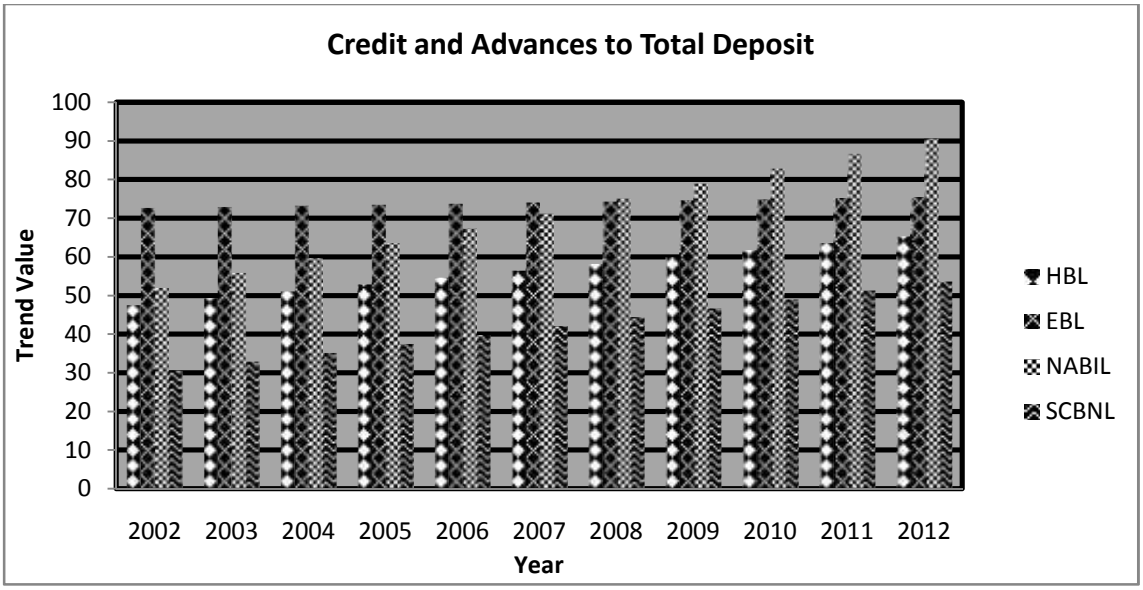
Trend value of credit and advances to total deposit ratio (2002-2012)

Years	Banks (Trend Value)			
	HBL	EBL	NABIL	SCBNL
2002	47.50	72.63	51.95	30.57
2003	49.28	72.92	55.81	32.87
2004	51.06	73.21	59.67	35.17
2005	52.84	73.49	63.53	37.47
2006	54.62	73.78	67.39	39.77
2007	56.40	74.07	71.25	42.07
2008	58.18	74.35	75.11	44.37
2009	59.96	74.64	78.97	46.67
2010	61.74	74.93	82.83	48.97
2011	63.52	75.22	86.69	51.27
2012	65.30	75.50	90.55	53.57

Sources: Appendix III

Trend line of loan and advance to total deposit ratio of HBL, EBL, NABIL and SCBNL is shown below;

Figure No. 15



Above table shown that the loan and advances to total deposit ratio of HBL, EBL, NABIL, SCBNL are in fluctuating trend. Other things remaining the same, the loan and advances to total deposit ratio of HBL, EBL, NABIL, SCBNL will be 65.30, 75.50, 90.55, 53.57 respectively in year 2012.

4.11 Major findings of the study

This topic focuses on the major findings of the study, which are derived from the analysis of fund collection and mobilization of HBL, EBL, NABIL, SCBNL with comparatively applying the six years date from 2002 to 2007. Finding from above analysis are presented serially in below.

a) Major Finding from Liquidity Ratios.

- Following are the major finding from liquidity ratio:
- Average ratio of cash and bank balance to total deposit reveals that EBL had higher the ratio and NABIL had lower the ratio in comparison to other banks which shows that the liquidity position of EBL is quit well than other banks.

But C.V. of HBL is lower than other banks which mean HBL has more consistent ratio compare to other banks.

- Average ratio of cash and bank balance to current deposit ratio reveals that EBL has the higher ratio and SCBNL had the lower ratio than other five banks. It shows that the liquidity position on current deposit EBL is better in comparison to other banks. On the other hand C.V. of HBL is lower than other banks which mean HBL's liquidity position on current deposit is more consistent compare to other banks.

b) Findings from assets management ratio

Following are the major finding from assets management ratio:

- The average ratio of credit and advances to total deposit of EBL is higher than other three joint venture commercial banks and SCBNL has the lower ratio which means EBL has mobilized its collected deposit in credit and advance more than other banks but SCBNL seems weak to mobilize its collected deposit in credit and advances. But EBL seems more stable in providing credit and advances.

- The average ratio of credit and advances to fixed deposit ratio of SCBNL in higher than other three JVBS. EBL has lower ratio than other banks. It can be regarded that SCBNL has utilized the funds collected from fixed deposits in better way than other three banks.

- Average credit and advance to total assets ratio shows that EBL seems successful to mobilize its total working fund as credit and advance in comparison to other banks. But HBL is more consistent ratio than other banks.

c) Finding from leverage ratio

Following are the major findings from leverage ratio:

- The average debt to equity ratio shows that HBL has the highest average ratio than other banks that means the financial risk of this bank is also high. All the JVBs have used excessive amount of debt.

- ❖ The average ratio of total debt to total assets ratio of HBL is higher than other banks. HBL has used long term debt also. The ratio shows that the banks are highly levered. We found that they are adopting the aggressive working capital policy.

d) Finding from profitability ratio

Following are the major finding from profitability ratio:

- ❖ The average ratio of return on assets of NABIL is higher than other banks. That means NABIL is more successful to earn profit on total working fund than other banks. On the other hand, NABIL seems more stable in earning profit.
- ❖ The average ratio of total interest income to total credit and advances of SCBNL is higher than other banks. SCBNL is more successful to earn interest than other banks.

e) Finding from other ratios:

- ❖ The average ratio of EPS of SCBNL is greater than other banks. It reveals that shareholders funds are mobilized very well. EBL has lowest ratio as compared to other banks. The C.V. of SCBNL is lower than other banks. Which seems more uniform in earning per share.
- ❖ The average MVPS of SCBNL is greater than other banks. EBL has lower MVPS with compared wit other banks. It reveals that SCBNL is performance is better in the public mind than other banks.
- ❖ The average PLE ratio of EBL is greater than other banks and NABIL has lowest average ratio as compared to other banks. Higher ratio is desirable.

f) Finding from analysis of sources and uses of funds

Following are finding from the analysis of sources and uses of funds.

- ❖ Among four banks NABIL has highest capital bank and HBL has lowest capital fund. From this, it can be said that HBL has low volume of profit from operation than that of other banks.

- The average borrowing of HBL is lower in comparison to other banks. And EBL has higher funds from borrowing. It can be said that the internal fund management of HBL in better than other banks.
- During the study period, it has been found that HBL's deposit collection and mobilization is better than that of other five banks. HBL is considered on high liquidity sensitive banks. Where as NABIL's deposit collection condition is lower in comparison to other three banks.
- From the view point of bills payable HBL failed to generate fund. But other remaining three banks are successful to generate funds from bills payable.

- The average fund from other liabilities of NABIL is higher than other banks during the study period and EBL has the lowest fund from other liabilities. It can be said that NABIL is successful to generate funds from other sources in comparison to other banks.
- EBL has the provision of reconciliation A/C for generation funds. But other bank does not have such provisions.
- In case of profit and loss A/C, EBL has the average contribution less than one percentage. But other remaining banks have the average contribution more than one percentage.
- Among four banks NABIL has maintained high liquid funds. And EBL has low liquid fund. Considering liquidity, high liquidity is not favorable for income generation.
- By seeing the average investment, it can be said that SCBNL investment policy is better than other banks. But HBL has the lowest average investment during the study period.
- EBL has mobilized more funds as a loan and advances than other three banks. And SCBNL mobilizes low amount in loan and advances.
- Among four bank only NABIL has mobilized its fund against collected bills.
- NABIL allocates more proportion of funds to other assets where as EBL has the lower allocation of funds under fixed assets.

- ❖ Among four banks, only HBL and EBL have allocated for the non-banking assets and only HBL has allocated for reconciliation A/C than other banks.
- ❖ SCBNL has the allocation for expenses written off among four banks.

g) Finding from coefficient of correlation analysis:

- ❖ Correlation of coefficient between deposit, loan and advance of all four banks are found positive. Among them HBL has better mobilization of deposit as loan and advance in comparison to other three banks. There is highly significant relationship between deposit and loan and advance of HBL.

h) Finding from Trend Analysis

- ❖ The loan and advance to total deposit ratio of HBL, EBL, NABIL and SCBNL are in increasing trend. NABIL remained the largest banks in term of volume of credit outflow, the trend volume of loan and advance to total deposit ratio will be 90.55% in 2012 it indicates that NABIL has more successful to mobilize its deposit as loan and advances.

Chapter -V

Summary, Conclusion and Recommendation

5.1 Summary

Nepal is one of the least developed and poorest countries in the world. The contribution of agricultural sector in GDP is still higher than of any other sector. It is because almost 80% of the people still derived their earning from agriculture for their substance. The development of a nation can only be imagined with the development sector. Commercial banks play a vital role in development of business activities of a nation both with in and outside the nation. Thus, development of commercial banks plays a major role in development of a nation. They are the prime source of capital and trusteeship for business concerns.

Banks, especially commercial banks, stand for collection and mobilization of funds. The success in operation of CBs lies in the extent to which the funds are mobilized banks act as the intermediary of short term, medium term and long term funds. The CBs have to face in several problems from fund collection process to its effective mobilization. As far as possible, wider range of data and information were tried to include in analysis sector. However, there were certain limitations regarding occupying of information and analysis as stated in the objective. We took only four joint venture banks.

In this study four joint venture banks namely Himalayan Bank Ltd. Everest Bank Ltd, NABIL Bank Ltd, standard Chartered Bank Ltd. Are chosen for their fund collection and mobilization activities by taking six year date from 2002-2007.

The term fund refers to finance or money. In general, these are two kinds of funds viz. working capital (operating) funds and capital (long term) funds. The funds collected through various sources such as share capital, long term debt capital, income and other short term sources. The funds collected though various sources are used in the banks for further income generating process in the form of loans and advances.

The data obtained through primary and secondary sources were represented in suitable table and graphs, analyzed through using financing as well as stabilized tools, interpreted and finally deduced to conclusions. Moreover, certain recommendations were also put forwarded on behalf of the studied organizations as regard to inferences drawn from analysis.

This study also bounded by many limitations, such as secondary data, unreliability of time and resources are the constraints of the study. In this study the focus is given to the quantities aspect of four JVBs. Qualitative factors are not studies. Therefore the study may not be generated in all cases and accuracy depends upon the data collected and provided by the concerned organization.

5.2 Conclusion

Following conclusion have been drawn from this research work:

First of all the liquidity ratios are calculated to identify the situation of immediate cash and equipments to repay the customers and to meet other immediate liabilities at the time of demand. So the foremost liquidity ratios calculated for four JVBs are cash and bank balance to current deposit ratio and cash and bank balance to total deposit ratio. From the liquidity point of view EBL is comparatively better than HBL, NABIL, SCBNL has the highest cash and bank balance to total deposit ratio. Liquidity position of NABIL is comparatively lower than the other banks.

During the six year study period EBL is more successful in invest in productive sector and has mobilized its collected deposits to provide loan and advances for the purpose of earning profit. SCBNL has weak condition in mobilizing collected deposit. HBL and NABIL are comparable in this sector. In comparison to another banks SCBNL is more string in investing.

The average fixed deposit turnover ratio of SCBNL is higher than that of other banks. The average total assets turnover ratio of EBL is greater than other banks. It means EBL had been able to mobilize more than half its total working funds (represented by total assets) in various lending sectors. It means that EBL utilized its assets more efficiently in lending than other banks.

The total debt to net worth ratio of HBL is 2124.06% on as average over the study period. HBL used more amount of debt (i.e. Short term debt only) than other banks. It seems that the net worth of six banks are far below to cover the total debt. All the banks used short term debt. The average total debt to total assets ratio of HBL is greater than that of other banks. The average debt ratio of HBL is 94.78% over the six year period. It means that 94.78% of the total assets of HBL are financed with total debt capital comprising of total deposits, short term loans, payable etc on an average.

Considering the profitability aspect of six JVBs, NABIL in relatively more successful to earn profit on total assets than other three banks. It has a highest average return on total assets ratio and also the coefficient of variation of return on assets is also less than other three banks. It can be regarded that the return on assets of NABIL is better than other banks. It indicates that NABIL's assets are utilized in a better way than of other three banks. All the banks are generating profits. The ratio of profit over the total assets employed could only be regarded as satisfactory.

The average interest income to credit and advances ratios of SCBNL is greater than other five banks. The ratios of these banks are at increasing trend. The credit lending of SCBNL can be regarded as more efficient than other three banks.

The average earning per share of SCBNL is greater than other three bank over six year period. The Co. efficient of variation of this bank is also less than other banks. The highest coefficient of variation is 27.33 of NABIL. It can be studied that share holders funds are mobilized and managed efficiently in SCBNL than other three banks: The earning to shareholders are more consistent in SCBNL than other five banks.

The market value per share of SCBNL is greater than other three banks over six years. It can be clearly stated that the people's perception of SCBNL's management and performance is quit better than that of other three banks.

All banks are considered deposit as a main source of fund. From the view point of deposit collection, HBL seems successful in compared to other banks. Capital fund and other liabilities also have the good contribution in sources of funds. But other sources cover fewer portions in total sources of funds, loan and advances cover maximum portion of uses of funds .EBL has invested higher amount loan and

advances in comparison to another bank. Similarly, liquid fund investment and other liabilities are given second priority for uses of funds.

Correlation coefficients of all four JVBS are positive between total deposit and loan and advances. Among them HBL has the highest correlation coefficient between total deposit and loan and advances. Most of the loan and advances providing decision of HBL, EBL, NABIL and SCBNL are depended upon deposit and only few decisions are explained by other variables.

By evaluating the trend analysis NABIL is more successful to mobilize its total deposit as loan and advances than other compared banks.

5.3. Recommendation

On the basis of fact finding in above analysis, following suggestion are recommended to the joint venture banks which help to overcome weakness inefficiency and take corrective action in future.

1. Deposit is the main sources of fund of commercial joint venture banks. During the study period, it has been found that all four banks have the satisfactory deposit collection. However NABIL and EBL have the poor deposit collection in comparison to another bank. So it is recommended to collect more as deposit through large variety of deposit schemes and facilities.

2. The banks should try to maintain only the adequate liquidity with them. Excess liquidity or idle funds should be tried to mobilize in profitable sectors.

3. The lending schemes should modernized as per the needs of the business society and expectation of people.

4. All JBS are suggested to implement should credit collection policy. The policy should ensure rapid identification of delinquent loans immediate contact with borrower and continual flow up until a loan is recovered. The recovery of loan is most challenging job to a bank. There fore the bank must be very careful in formulating credit policy. The policy is also associated with some legal procedure.

5. All JVBS are suggested to increase their investment and lending. They should try to mobilize their funds efficiently and optimally than that of existing, which is just satisfactory.

6. All the JVBS most try to help the down going business and manufacturing sector of the nation. Subsequent decision of NRB to phase out the priority sector credit, under the micro credit program the commercial banks have to

provide minimum of 3% of their outstanding credit to the deprived sector from the current fiscal year 2007/08. Therefore, they should provide funds to the needy parties without hassle, safely and at moderate rates of interest in order to overcome the nation from going towards more difficult position.

7. JVBS have not sufficient branches to cover the banking business. Coverage of limited areas by bank will not boost up its campaign of deposit mobilization and credit disbursement as desired. NRB and government have also encouraged the JVBS to expand their banking services in rural areas and communities without making unfavorable in their profit. Therefore, all JVBs are recommended to expand their branch in rural areas and communities.

8. In the context of globalization and liberalization, a bank must be careful on formulating making strategy to serve its customers. Effective marketing strategy would attract the customer. So all the JVBs are suggested to develop and inactive to bank marketing for its well being as sustainability in the market.

9. The study has been found that all banks are behind the profit while serving their service. So it is recommended that not to forget the responsibility of social welfare.

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APPENDIX-1

Table No. 1

Cash and Bank Balance to total deposit

Rs. (In Million)

S.N.	Name of Banks	Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
1.	**HBL**						
	Cash and Bank Balance	1264.67	1979.21	2001.19	2014.47	1717.35	1757.34
	Total deposit	18619.37	21007.37	22010.33	24814.01	26490.85	30048.42
	Ratio %	6.79	9.42	9.09	8.12	6.48	5.85
2.	**EBL**						
	Cash and Bank Balance	592.76	1139.57	631.81	1049.98	1552.97	2391.42
	Total deposit	5466.61	6694.95	8063.90	10097.69	13802.44	18186.28
	Ratio %	10.84	17.02	7.84	10.39	11.25	13.15
3.	**NABIL**						
	Cash and Bank Balance	1051.82	1144.77	970.49	559.38	630.24	1399.83
	Total deposit	15506.44	13447.65	14119.03	14586.61	19347.40	23342.29
	Ratio %	6.78	8.51	6.87	3.83	3.26	5.997
4.	**SCBNL**						
	Cash and Bank Balance	825.26	1512.30	2023.16	1111.12	1276.24	2021.02
	Total deposit	15835.75	18755.64	21161.44	19363.47	23061.03	24647.02
	Ratio %	5.21	8.06	9.56	5.75	5.53	8.20

Sources: Annual Report of Banks

Calculation of Expected Return ($\overline{X}$), Standard Deviation (±) & Coefficient of Variation (CV) of HBL is presented below:

$$\overline{X} = \frac{x}{N}$$

$$\text{Expected Return} = \frac{\text{Total Return}}{\text{No. of Observation}}$$

Total Return = 6.79+9.42+9.09+8.12+6.48+5.85

= 45.75

Now, ($\overline{X}$) = $\frac{45.75}{6}$

= 7.63

Where

($\overline{X}$) = Expected Return of the historical data

x = Total Return of the historical data

N = Number of observation

Return (X)	**Expected Return ($\overline{X}$)**	**(X- $\overline{X}$)**	**(X- $\overline{X}$)²**
6.79	7.63	-0.84	0.7056
9.42	7.63	1.79	3.2041
9.09	7.63	1.46	2.1316
8.12	7.63	0.49	0.2401
6.48	7.63	-1.15	1.3225
5.85	7.63	-1.78	3.1684
			$(X\ \mathrm{Z}\overline{X})^2$ X10.7723

$$S.D.(\pm)\ \mathrm{X}\sqrt{\frac{1}{N}\quad (X\ \mathrm{Z}\ \overline{X})^2}$$

$$= \sqrt{\frac{1}{6}\ |10.7723}$$

$$= \sqrt{1.7954}$$

$$= 1.34$$

Now,

$$\text{C.V.} = \frac{S\tan dardDeviation}{Expected\ \mathrm{Re}turn(\overline{\overline{X}})}$$

$$= \frac{1.34}{7.63}$$

$$= 17.56\%$$

Similar process has been applied in case of other banks.

Table No. 2

Cash and Bank Balance to current deposit

Rs. (In million)

S.N.	Name of Banks	Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
1.	**HBL**						
	Cash and Bank Balance	1264.67	1979.21	2001.19	2014.47	1717.35	1757.34
	Current deposit	2634.37	3503.14	4145.45	5045.16	5028.15	5589.58
	Ratio %	48.01	56.50	48.27	39.93	34.15	31.44
2.	**EBL**						
	Cash and Bank Balance	592.76	1139.57	631.81	1049.98	1552.97	2391.42
	Current deposit	481.92	562.39	719.76	1025.03	1145.79	1673.98
	Ratio %	122.99	202.63	87.78	102.43	135.54	142.86
3.	**NABIL**						
	Cash and Bank Balance	1051.82	1144.77	970.49	559.38	630.23	1399.83
	Current deposit	2703.82	3034	2688.97	2799.18	2910.59	3395.24
	Ratio %	38.90	37.73	36.09	19.98	21.65	41.23
4.	**SCBNL**						
	Cash and Bank Balance	825.26	1512.31	2023.16	1111.12	1276.24	2021.02
	Current deposit	3808.39	5768.62	5816.94	4356.34	4681.94	4794.53
	Ratio %	21.67	26.22	34.78	25.51	27.26	42.15

Sources: Annual Report of Banks.

Table No. 3

Credit and Advances to total deposit ratio

Rs. (In Million)

S.N.	Name of Banks	Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
1.	**HBL**						
	Credit and Advance	8913.73	10001.85	11951.87	12424.52	14642.56	16998
	Total deposit	18619.37	21007.37	22010.33	2481401	26490.85	30048.42
	Ratio %	47.87	47.61	54.30	50.07	55.27	56.57
2.	**EBL**						
	Credit and Advance	3948.48	4908.46	5884.12	7618.67	9801.31	13664.08
	Total deposit	5466.61	6694.95	8063.90	10097.69	13802.44	18186.25
	Ratio %	72.23	73.32	72.97	75.45	71.01	75.13
3.	**NABIL**						
	Credit and Advance	7437.90	7755.95	8189.99	10586.17	12922.54	15545.78
	Total deposit	15506.44	13447.65	14119.03	14586.61	19347.40	23342.29
	Ratio %	47.97	57.68	58.01	72.57	66.79	66.60
4.	**SCBNL**						
	Credit and Advance	5364	5695.82	6410.24	8143.21	8935.42	10502.64
	Total deposit	15835.75	18755.64	21161.44	19363.47	23061.03	24647.02
	Ratio %	33.87	30.37	30.29	42.05	38.75	42.61

Sources: Annual Report of Banks

Table No. 4

Credit and Advance to Fixed deposit ratio

(Rs. In Million)

S.N.	Name of Banks	Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
1.	**HBL**						
	Credit and Advance	8913.73	10001.85	11951.87	12424.52	14642.56	16998
	Fixed deposit	5480.84	3205.37	4710.18	6107.43	6350.20	8201.13
	Ratio	1.63	3.12	2.54	2.03	2.31	2.07
2.	**EBL**						
	Credit and Advance	3948.48	4908.46	5884.12	7618.67	9801.31	13664.08
	Fixed deposit	2711.58	2794.74	2897.96	3403.96	4242.35	5626.66
	Ratio	1.46	1.76	2.03	2.24	2.31	2.43
3.	**NABIL**						
	Credit and Advance	7437.90	7755.95	8189.99	10586.17	12922.54	15545.78
	Fixed deposit	2446.85	2252.54	2310.57	2078.54	3449.09	5435.19
	Ratio	3.04	3.44	3.54	5.09	3.75	2.86
4.	**SCBNL**						
	Credit and Advance	5364	5695.82	6410.24	8143.21	8935.42	10502.64
	Fixed deposit	2264.77	1948.60	1428.50	1416.38	2136.30	3196.49
	Ratio	2.37	2.92	4.49	5.75	4.18	3.29

Sources: Annual Report of Banks

Table No. 5

Credit and Advance to total assets ratio.

Rs. (In Million)

S.N.	Name of Banks	Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
1.	**HBL**						
	Credit and Advance	8913.73	10001.85	11951.87	12424.52	14642.56	16998
	Total assets	20672.45	23355.23	24762.02	27418.16	29460.39	33519.14
	Ratio %	43.12	42.82	48.27	45.31	49.70	50.71
2.	**EBL**						
	Credit and Advance	3948.48	4908.46	5884.12	7618.67	9801.30	13664.08
	Total assets	6607.18	8052.20	9608.57	11792.13	15959.28	21432.57
	Ratio %	59.76	60.96	61.24	64.61	61.41	63.75
3.	**NABIL**						
	Credit and Advance	7437.90	7755.95	8189.99	10586.17	12922.54	15545.78
	Total assets	17629.25	16562.61	16745.49	17186.33	22330	27253.39
	Ratio %	42.19	46.83	48.91	61.60	57.87	57.04
4.	**SCBNL**						
	Credit and Advance	5364	5695.82	6410.24	8143.21	8935.42	10502.64
	Total assets	18443.07	21000.50	23642.06	21781.68	25767.35	28596.69
	Ratio %	29.08	27.12	27.11	37.39	34.68	36.73

Sources: Annual Report of Banks

Table No. 6

Total debt to net worth ratio

Rs. (In Million)

S.N.	Name of Banks	Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
1.	**HBL**						
	Total debt	19814.34	22292.10	23437.85	25876.41	27694.21	31372.64
	Net worth	858.11	1063.13	1324.17	1541.75	1766.18	944.38
	Ratio %	2309.07	2096.84	1770	1678.38	1568.03	3322.04
2.	**EBL**						
	Total debt	6216.27	7579.37	8928.25	11022.51	14996.48	20231.06
	Net worth	390.91	472.83	680.32	769.62	962.81	1201.51
	Ratio %	1590.20	1602.98	1312.36	1432.20	1558	1683.80
3.	**NABIL**						
	Total debt	16482.83	15248.43	15263.80	15528.70	20454.98	25196.34
	Net worth	1146.42	1314.18	1481.68	1657.63	1874.99	2057.05
	Ratio %	1437.77	1160.30	1030.17	936.80	1090.94	1224.88
4.	**SCBNL**						
	Total debt	17207.58	19631.59	22146.32	20199.37	24013.21	26480.34
	Net worth	1235.49	1368.91	1495.74	1582.42	1754.14	2116.35
	Ratio %	1392.77	1434.10	1480.63	1276.48	1368.95	1251.22

Sources: Annual Report of Banks

Table No. 7

Total debt to total assets

Rs. (In Million)

S.N.	Name of Banks	Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
1.	**HBL**						
	Total debt	19814.34	22292.10	23437.85	25876.41	27694.21	31372.64
	Total assets	20672.45	23355.33	24762.02	27418.16	29460.39	33519.14
	Ratio %	95.85	95.45	94.65	94.38	94	93.60
2.	**EBL**						
	Total debt	6216.27	7579.37	8928.25	11022.51	14996.48	20231.05
	Total assets	6607.18	8052.20	9608.57	11792.13	15959.28	214312.57
	Ratio %	94.08	94.13	92.92	93.47	93.97	94.39
3.	**NABIL**						
	Total debt	16482.83	15248.43	15263.81	15528.70	20454.98	25196.34
	Total assets	17629.25	16562.61	16745.49	17186.33	22329.97	27253.39
	Ratio %	93.50	92.07	91.15	90.35	91.60	92.45
4.	**SCBNL**						
	Total debt	17207.58	19631.59	22146.32	20199.37	24013.21	26480.33
	Total assets	18443.07	21000.50	23642.06	21781.68	25767.35	28596.68
	Ratio %	93.30	93.48	93.67	92.74	93.19	92.60

Sources: Annual Report of Banks

Table No. 8

Return on assets

Rs. (In Million)

S.N.	Name of Banks	Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
1.	**HBL**						
	Net profit	235.02	212.12	263.05	308.28	457.46	491.82
	Total assets	20672.45	23355.23	24762.02	27418.16	29460.39	33519.14
	Ratio %	1.14	0.91	1.06	1.12	1.55	1.47
2.	**EBL**						
	Net profit	85.33	94.17	143.57	170.81	237.29	296.41
	Total assets	6607.18	8052.20	9608.57	11792.13	15959.28	21432.57
	Ratio %	1.29	1.17	1.49	1.45	1.49	1.38
3.	**NABIL**						
	Net profit	271.63	416.25	455.31	518.64	635.26	673.96
	Total assets	17629.25	16562.61	16745.49	17186.33	22329.97	27253.39
	Ratio %	1.54	2.51	2.72	3.02	2.84	2.47
4.	**SCBNL**						
	Net profit	479.21	506.95	537.80	536.24	658.76	691.67
	Total assets	18443.07	21000.50	23642.06	21781.68	25767.35	28596.68
	Ratio %	2.59	2.41	2.27	2.46	2.56	2.42

Sources: Annual Report of Banks

Table No. 9

Interest income to total credit and advance ratio

Rs. (In Million)

S.N.	Name of Banks	Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
1.	**HBL**						
	Interest income	1149	1201.23	1245.90	1446.47	1626.47	1775.58
	Loan and advance	8913.73	10001.85	11951.87	12424.52	14642.56	16998
	Ratio %	12.89	12.01	10.42	11.64	11.11	10.45
2.	**EBL**						
	Interest income	443.82	520.17	657.25	719.30	903.41	1144.41
	Loan and advance	3948.48	4908.46	5884.12	7618.67	9801.31	13664.08
	Ratio %	11.24	10.60	11.17	9.44	9.22	8.38
3.	**NABIL**						
	Interest income	1120.18	1017.87	1001.62	1068.75	1310	1587.76
	Loan and advance	7437.90	7755.95	8189.99	10586.17	12922.54	15545.78
	Ratio %	15.06	13.12	12.23	10.09	10.14	10.21
4.	**SCBNL**						
	Interest income	1013.64	1001.36	1042.18	1058.68	1189.60	1411.98
	Loan and advance	5364	5695.82	6410.24	8143.21	8935.42	10502.64
	Ratio %	18.90	17.58	16.26	13	13.13	13.44

Sources: Annual report of Banks

Appendix: II

Table No. 10

Sample calculation of correlation coefficient between credit and Advance to total deposit of HBL

Year	Total Deposit (X)	Credit and Advance (Y)	x = X- $\overline{X}$	y = Y- $\overline{Y}$	x^2	y^2	xy
2002	18619.37	8913.73	-5212.36	-3575.03	27168696.77	12780839.50	18634343.37
2003	21007.37	10001.85	-2824.36	-2486.91	7977009.41	6184721.35	7023929.13
2004	22010.33	11951.87	-1821.40	-536.89	3317497.96	288250.87	977891.45
2005	24814.01	12424.52	982.28	-64.24	964873.998	4126.78	-63101.67
2006	26490.85	14642.56	2659.12	2153.8	7070919.174	4638854.44	5727212.66
2007	30048.42	16998	6216.69	4509.24	38647234.56	20333245.38	28032547.22
Total	**142990.35**	**74932.53**					
Mean ($\overline{X}$)	**23831.73**	**12488.76**					xy X60332822.16

We have,

$$\text{Correlation of Co-efficient (r)} = \frac{xy}{\sqrt{x^2 \quad y^2}}$$

$$= \frac{60332822.16}{\sqrt{85146231.87 \mid 44230038.32}}$$

$$= \frac{60332822.16}{61367935.16}$$

$$= 0.98313$$

Coefficient of Determinate (r^2) X$r \mid r$

$$= 0.98313 \times 0.98313$$

$$= 0.9665$$

$$\text{Probable error (P.E)} = 0.6745 \mid \frac{1 Z r^2}{\sqrt{n}}$$

$$= 0.6745 \mid \frac{1 Z 0.9665}{\sqrt{6}}$$

$$= 0.6745 \mid \frac{0.0335}{2.4495}$$

$$= 0.6745 \times 0.01368$$

$$= 0.00922716$$

$$6 \times (\text{P.E.}) = 6 \times 0.00922716$$

$$= 0.055363$$

Remaining correlation coefficient can be calculated by following similar process:

Appendix-III

Table No. 11

Simple calculation of Trend value of loan and advances to total deposit ratio of HBL

Year	Ratio (Y)	x = t - 3.5	x^2	xy	y_c Xa Γbx
2002 (1)	47.87	-2.50	6.25	-119.68	y_c X51.95 Γ1.78 | Z2.50 X47.50
2003 (2)	47.61	-1.50	2.25	-71.42	y_c X51.95 Γ1.78 | Z1.5 X49.28
2004 (3)	54.30	-0.50	0.25	-27.15	y_c X51.95 Γ1.78 | Z0.5 X51.06
2005 (4)	50.07	0.50	0.25	25.04	y_c X51.95 Γ1.78 | 0.5 X52.84
2006 (5)	55.27	1.50	2.25	82.91	y_c X51.95 Γ1.78 | 1.5 X54.62
2007 (6)	56.57	2.50	6.25	141.43	y_c X51.95 Γ1.78 | 2.5 X56.40
	311.69		x^2 X17.50	xy X31.13	

We have,

The equation of the straight line,

$$y_c \text{ X} a \text{ Γ} bx$$

Where a X$\frac{y}{n}$

$$= \frac{311.69}{6}$$

$$= 51.95$$

$$b = \frac{xy}{x^2}$$

$$= \frac{31.13}{17.50}$$

$$= 1.78$$

Now,

Trend line of straight line equation

$$y_c \text{ X}51.95 \text{ Γ}1.78 \mid x$$

Trend value of loan and advance to total deposit ratio for next 5 years.

Year	**x = t - 3.5**	y_c Xa Γbx
2008 (7)	3.50	y_c X51.95 Γ1.78 | 3.50 X58.18
2009 (8)	4.50	y_c X51.95 Γ1.78 | 4.50 X59.96
2010 (9)	5.50	y_c X51.95 Γ1.78 | 5.5 X61.74
2011 (10)	6.50	y_c X51.95 Γ1.78 | 6.5 X63.52
2012 (11)	7.50	y_c X51.95 Γ1.78 | 7.50 X65.30

Remaining calculation has been calculated using similar method.

Appendix IV

Table No. 1

Comparative Balance sheet of HBL for F/Y (2002-2007)

Rs. (In Million)

S.N.	Particulars	Fiscal Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
	Capital and Liabilities						
1.	Share capital	390	429	536.25	643.50	772.20	810.81
2.	Reserves and funds	468.11	634.13	787.92	898.25	993.98	1335.68
3.	Debentures and bonds	0	0	0	360	360	360
4.	Borrowings	174.1	285.84	659.01	146.05	144.62	235.97
5.	Deposits	18619.37	21007.37	22010.33	24814.01	26490.85	30048.42
6.	Bills payable	55.58	46.73	64.38	68.40	73.58	91.30
7.	Proposed & Dividend payable	6.44	7.86	6.32	80.12	238.41	130.94
8.	Income tax liabilities	0	0	0	3.25	0	11.91
9.	Other liabilities	958.92	944.29	697.82	404.58	386.75	494.10
	Total liabilities	**20672.43**	**23355.222**	**24762.02**	**27418.16**	**29460.39**	**33519.14**
	Assets						
1.	Cash balance and bank balance	1264.67	1979.21	2001.19	2014.47	1717.35	1757.34
4.	Money at call and short notice	352.35	150.10	368.90	441.08	1005.28	1710.02
5.	Investments	9157.11	10175.44	9292.11	11692.34	10889.03	11822.98
6.	Loan advances and bills purchase	8913.73	10001.85	11951.87	12424.52	14642.56	16998.0
7.	Fixed assets	318.85	229.87	299.64	295.82	540.82	574.06
8.	Non-banking assets				31.93	21.73	12.77
9.	Other Assets	665.74	818.76	848.33	518.0	643.61	643.97
	Total Assets	**20672.43**	**23355.22**	**24762.02**	**27418.16**	**29460.39**	**33519.14**

Table No. 2
Comparative Balance sheet of SCBNL for F/Y (2002-2007)
Rs. (In Million)

S.N.	Particulars	Fiscal Years					
		2002	2003	2004	2005	2006	2007
	Capital and Liabilities						
1.	Share capital	339.55	339.55	374.64	374.64	374.64	413.25
2.	Reserves and funds	895.94	1029.36	1121.10	1207.78	1379.50	1703.10
3.	Debentures and bond	0	0	0	0	0	0
4.	Loan and Borrowing	684.72	79.16	78.28	27.55	0	400.00
5.	Deposits liability	15835.75	18755.64	21161.44	19363.47	23061.03	24647.02
6.	Bills payable	51.40	54.84	59.02	56.29	55.75	36.17
7.	Proposed & Unpaid Dividend	8.11	9.47	10.73	461.34	341.74	499.98
8.	Income tax liabilities	0	0	0	0	0	5.60
9.	Other liabilities	627.65	732.48	836.84	290.61	396.45	1049.80
	Total liabilities	**18443.07**	**21000.50**	**23642.06**	**21781.79**	**25767.35**	**28596.69**
	Assets						
1.	Cash & Bank Balance	825.26	1512.30	2023.16	1111.12	1276.24	2021.02
2.	Balance at call & short notice	2061.96	1657.91	2218.60	2259.69	1977.27	1761.15
3.	Investment	5795.91	6734.02	11360.34	9702.56	12838.56	13553.23
4.	Loans, Advance and Bills purchased	5364	5695.82	6410.24	8143.21	8935.42	10502.64
5.	Fixed assets	101.06	191.71	136.23	71.41	101.30	125.59
6.	Non-banking assets	0	0	0	0	0	0
7.	Other Assets	814.92	1585.08	1493.49	493.70	638.56	633.06
	Total Assets	**18443.07**	**21000.50**	**23642.06**	**21781.79**	**25767.35**	**28596.69**

Table No. 3

Comparative Balance sheet of NABIL for F/Y (2002-2007)

Rs. (In Million)

S.N.	Particulars	Fiscal Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
	Capital and Liabilities						
1.	Share capital	491.65	491.65	491.65	491.65	491.65	491.65
2.	Reserves and funds	654.77	822.53	990.03	1165.98	1383.34	1565.40
3.	Debentures and bond	0	0	0	0	0	0
4.	Loan and Borrowing	417.30	961.46	229.66	17.06	173.20	882.57
5.	Deposits liability	15506.44	13447.65	14119.03	14586.61	19347.40	23342.29
6.	Bills payable	67.75	108.94	173.50	119.75	92.54	83.51
7.	Proposed & Unpaid Dividend	11.80	94.14	36.88	17.06	435.08	509.42
8.	Income tax liabilities	0	0	0	15.35	34.60	0
9.	Other liabilities	479.54	636.24	704.73	772.86	372.15	378.55
	Total liabilities	**17629.25**	**16562.61**	**16745.40**	**17186.33**	**22329.97**	**27253.39**
	Assets						
1.	Cash & Bank Balance	1051.82	1144.77	970.49	559.38	630.24	1399.83
2.	Balance at call & short notice	31.37	670.20	918.73	868.43	1734.90	563.53
3.	Investment	8198.51	6031.17	5836.07	4269.66	6178.53	8945.31
4.	Loans, Advance and Bills purchased	7437.90	7755.95	8189.99	10586.17	12922.54	15545.78
5.	Fixed assets	237.63	251.91	338.13	361.24	319.09	286.90
6.	Non-banking assets	0	0	0	0	0	0
7.	Other Assets	671.02	708.61	492.2	543.88	544.67	512.05
	Total Assets	**17629.25**	**16562.61**	**16745.49**	**17186.33**	**22329.97**	**27253.39**

Table No. 4
Comparative Balance sheet of EBL for F/Y (2002-2007)

Rs. (In Million)

S.N.	Particulars	Fiscal Years					
		2002	2003	2004	2005	2006	2007
	Capital and Liabilities						
1.	Share capital	259.32	315	455	455	518	518
2.	Reserves and funds	131.59	157.83	225.32	314.62	444.81	683.52
3.	Debentures and bond	0	0	0	0	300	300
4.	Loan and Borrowing	81.77	0	0	300	0	0
5.	Deposits liability	5466.61	6694.95	8063.90	10097.69	13802.44	18186.25
6.	Bills payable	2.31	22.10	22.03	17.78	15.81	26.78
7.	Proposed & Unpaid Dividend	1.34	1.29	7.36	10.93	114.67	68.15
8.	Income tax liabilities	0	0.33	11.25	3.31	0	15.28
9.	Other liabilities	664.42	860.70	823.72	592.80	763.56	1634.60
	Total liabilities	**6607.18**	**8052.20**	**9608.57**	**11792.13**	**15959.28**	**21432.57**
	Assets						
1.	Cash & Bank Balance	592.76	1139.57	631.81	1049.98	1552.96	2391.42
2.	Balance at call & short notice	86.13	0	187.45	570	66.96	0
3.	Investment	1657.87	1653.97	2535.66	2128.94	4200.52	4984.31
4.	Loans, Advance and Bills purchased	3948.48	4908.46	5884.12	7618.67	9801.31	13664.08
5.	Fixed assets	93.39	109.59	118.37	134.07	152.09	170.10
6.	Non-banking assets	0	0	0	0	7.44	0
7.	Other Assets	228.55	240.61	251.17	290.47	178.01	222.66
	Total Assets	**6607.18**	**8052.20**	**9608.57**	**11792.13**	**15959.28**	**21432.57**

Table No. 5

Comparative Profit and Loss A/C of HBL (2002-2007)

Rs. (In Million)

S.N.	Particulars	Fiscal Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
	Income						
1.	Interest Income	1149	1201.23	1245.90	1446.47	1626.47	1775.58
2.	Interest Expenses	578	554.13	491.54	561.96	648.84	767.41
	Net Interest Income	570.86	647.11	754.35	884.50	977.63	1008.17
1	Commission and Discount	101.70	102.56	123.93	132.82	165.45	193.22
2	Other operating Income	32.04	30.15	34.08	41.30	52.33	40.33
3	Exchange Fluctuation Income	104.60	109.60	112.42	137.30	198.13	151.64
4	Non-operating income	2.45	10.76	3.30	2.80	1.88	100.26
	Total Income	**811.66**	**900.18**	**1028.08**	**1198.72**	**1395.42**	**1493.62**
	Expenses						
1.	Staff Expenses	101.54	120.15	152.51	178.59	234.59	272.23
2.	Operating Expenses	155.79	177.13	211.05	277.38	329.70	341.56
3.	Provision for possible loss	166.51	202.87	186.23	147.14	88.59	90.69
4.	Staff bonus	38.78	40	46.73	58.06	67.24	71.74
5.	Non-operating expenses			10.99	15.01	2.90	
	Total Expenses	**462.61**	**540.15**	**607.50**	**676.18**	**723.02**	**776.22**
1.	Profit Before Tax	349.05	360.03	420.57	522.54	672.40	717.40
2.	Provision for Income tax	114.02	147.90	157.52	214.27	214.94	225.58
	Net Profit/Loss	**235.02**	**212.13**	**263.05**	**308.28**	**457.46**	**491.82**

Sources: Annual Report of HBL.

Table No. 6
Comparative Profit and Loss A/C of EBL (2002-2007)
Rs. (In Million)

S.N.	Particulars	Fiscal Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
	Income						
1.	Interest Income	443.82	520.17	657.25	719.30	903.41	1144.41
2.	Interest Expenses	257.05	306.41	316.37	299.57	401.40	517.17
.	Net Interest Income	186.77	213.76	340.88	419.73	502.01	627.24
3.	Commission and Discount	36.77	61.50	74.33	78.13	88.16	117.72
4	Other operating Income	13.78	20.20	23.82	31.48	48.90	67.97
5	Exchange Fluctuation Income	45.41	32.21	27.79	27.08	23.07	28.40
6	Non-operating income	1.14	1.25	1.87	2.97	2.96	13
	Total Income	**283.87**	**328.92**	**468.69**	**559.39**	**665.10**	**854.33**
	Expenses						
1.	Staff Expenses	3.09	1.44	48.53	60.60	70.92	86.12
2.	Operating Expenses	100.01	121.07	165.85	196.88	143.56	177.54
3.	Provision for possible loss	29.1	35.93	00.00	00.00	70.47	89.70
4.	Staff bonus	14.15	15.10	23.46	28.08	34.56	45.47
5.	Non-operating expenses	10.06	19.50	19.74	21.12	00.00	0.80
	Total Expenses	**127.31**	**193.04**	**257.58**	**306.68**	**319.51**	**399.63**
1.	Profit Before Tax	127.46	135.88	211.11	252.71	345.59	454.70
2.	Provision for Income tax	42.04	41.71	67.55	81.91	108.31	158.30
	Net Profit/Loss	**85.33**	**94.17**	**143.56**	**170.81**	**237.28**	**296.40**

Sources: Annual Report of EBL.

Table No. 7

Comparative Profit and Loss A/C of NABIL (2002-2007)

Rs. (In Million)

S.N.	Particulars	Fiscal Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
	Income						
1.	Interest Income	1120.18	1017.87	1001.62	1068.75	1310	1587.76
2.	Interest Expenses	462.08	317.35	282.95	243.54	357.16	555.71
	Net Interest Income	658.10	700.52	718.67	825.21	952.84	1032.05
3.	Commission and Discount	114.34	144.41	138.57	128.88	138.29	150.61
4	Other operating Income	250.37	34.15	38.75	55.93	82.90	87.57
5	Exchange Fluctuation Income	154.22	144.08	157.32	184.88	185.48	209.93
6.	Non-operating income	00.00	86.95	92.32	71.76	34.54	56.95
	Total Income	**1177.03**	**1110.11**	**1145.63**	**1266.66**	**1394.05**	**1537.11**
	Expenses						
1.	Staff Expenses	144.88	210.58	180.84	199.52	219.78	240.16
2.	Operating Expenses	538.70	182.73	189.97	166.93	182.70	188.18
3.	Provision for possible loss	00.00	00.00	00.00	00.00	3.77	14.21
4.	Staff bonus	44.12	66.36	71.94	84.20	89.80	99.50
5.	Non-operating expenses	39.75	35.04	46.27	58.71	00.00	00.00
	Total Expenses	**767.45**	**494.71**	**489.02**	**509.36**	**496.05**	**542.05**
1.	Profit Before Tax	409.58	615.40	656.60	757.30	898	995.06
2.	Provision for Income tax	137.95	199.15	201.76	239.15	262.74	321.09
	Net Profit/Loss	**271.63**	**416.25**	**454.84**	**518.15**	**635.26**	**673.97**

Sources: Annual Report of NABIL.

Table No. 8

Comparative Profit and Loss A/C of SCBNL (2002-2007)

Rs. (In Million)

S.N.	Particulars	Fiscal Years					
		2002	**2003**	**2004**	**2005**	**2006**	**2007**
	Income						
1.	Interest Income	1013.64	1001.36	1042.18	1058.68	1189.60	1411.98
2.	Interest Expenses	298.36	255.13	275.81	254.13	303.20	413.06
	Net Interest Income	715.28	746.23	766.37	804.55	886.40	998.93
3	Commission and Discount	163.46	215.20	198.95	178.65	222.93	221.21
4.	Other operating Income	36.52	50.13	67.83	29.29	25.44	28.78
5.	Exchange Fluctuation Income	228.10	228.10	273.05	273.04	283.47	309.09
6.	Non-operating income	5.10	4.39	5.66	36.60	54.52	29.65
	Total Income	**1148.46**	**1244.06**	**1311.86**	**1322.13**	**1472.76**	**1587.66**
	Expenses						
1.	Staff Expenses	126.51	128.33	134.68	148.59	168.23	199.78
2.	Operating Expenses	258.96	261.27	251.34	220.82	221.09	228.45
3.	Provision for possible loss	00.00	00.00	00.00	00.00	47.73	36.81
4.	Staff bonus	72.15	76.09	85.95	88.68	93.94	101.61
5.	Non-operating expenses	27.40	67.61	66.20	65.95	2.41	4.91
	Total Expenses	**485.02**	**533.30**	**538.17**	**524.04**	**533.40**	**571.56**
1.	Profit Before Tax	663.4	710.75	773.69	798.09	939.36	1016.1
2.	Provision for Income tax	184.23	208.22	235.79	261.90	280.62	324.43
	Net Profit/Loss	**479.21**	**502.53**	**537.90**	**536.19**	**658.74**	**691.67**

Sources: Annual Report of SCBNL