CHAPTER-ONE

Introduction

1.1 General Background of the Study

"We will have time to reach the Millennium Development Goals- worldwide and in most, or even all, individual countries- but only if we break with business as usual. We cannot win overnight. Success will require sustained action across the entire decade between now and the deadline. It akes time to train the teachers, nurses and engineers; to build the roads, schools and hospitals; to grow the small and large businesses able to create the jobs and income needed . So we must start now . 'And we must (have) more than double global development assistance over the next years. Nothing less will hel[to achieve the Goals."

*-**Kofi Annan**, United Nations Secretary**-** General*

Globally we need developments and to development of organization is the wealth maximization. Investment is defined simply to be the sacrifice of current consumption for future consumption for future consumption whose objective is to increase future wealth. The sacrifice of current consumption takes place at present with certainty and the investor expects desired level of wealth at the end of his investment horizon. The general principle is that the investment can be retired when cash is needed. The decision to investment now is a most crucial decision as the future level of wealth is not certain. Time and risk are the two conflicting attributes involved in the investment decision.

So Financial sectors or profit organizations need to **Investment** to return safely. Generally Investment policy of bank denotes that how a bank invests its amount in various. Every bank has to adopt investment policy to make safe due to various types of risk. Investment policy shows the different tools techniques, ideas and path to a bank for smooth and operation competing market competitors to survive.

The origin of bank in Nepal is not so long. within the shortest span of time, there has tremendous growth of bank in Nepal. In the process of development and economic liberalization policy of the government in the country, financial institution & commercial joint venture banks have been established.

Modern banking system started in Nepal after the establishment of Nepal Bank Ltd. in 1994 B.S. (1937) A.D.. The existence of only Nepal Bank Ltd. was functioning in the field of business, hence there assumed a great significance to establish another Bank and on this assumption Rastriya Banijya Bank act 2021 according to the government of Nepal Rastra Bank. In fact, commercial Banks are notable Bank in the eye of people. Therefore there is no doubt and dispute about the significant role and the function of this Bank .

The process of development of banking system in Nepal was not satisfactory up to B. S. 2004. The financial sector reform programmers implement in the Low Developing Countries (LDCs) entailed financial liberalization and institutional reforms to systems of prudential regulation and supervision and distressed public sector banks. The reforms began in the mid-to late-1980s in some countries, and in the early 1990s in others. In none of the countries were the reform progrmmes complete in the mid-1990s. The banking system dominates the financial sectors of these LDCs and has been the major focus of the reforms, although some of the countries have begun reforms intended to develop capital markets and encourage the growth of non bank financial institutions (NBFLs) such as leasing and finance companies. This paper concentrates on the impact of the reforms on the banking system.

The objectives of the reforms are to build more efficient, robust and deeper financial systems, which can support the growth of private sector senterprise. Efficiency entails two components: improved credit allocation *i.e., credit allocated to borrowers with higher expected returns for given levels fo risk) and more, or higher quality, ifnacial services for a given level of inputs (e.g., bank staff). Improved credit or setting interest rates so that banks would have more freedom to allocate credit according to commercial criteria. The second component of efficient, robust and deeper financial systems, which can support the growth of private sector enterprise. Efficiency entails two components: improved credit allocation (i.e., credit allocated to borrowers with higher expected returns for given levels of risk) and more, or higher quality, financial services for a given level of inputs (e.g., bank staff). Improved credit allocation could be derived from reduced government intervention in direction credit or setting interest rates so that banks would have more freedom to allocate credit according to commercial criteria. The second component of efficiency could be brought about through increased competition, with competition resulting from liberalized entry and /or removal of regulations, which restrict competition, such as interest rate controls. But this assumes that financial markets will be competitive and not oligopolistic .

More robust financial systems are those less vulnerable to financial fragility . Financial fragility can impose heavy costs on taxpayers and disrupt the real economy through reduced availability of credit and other services such as payment (Goldstein and Turner, 1996, Llemelyn, 1997). Financial sector reforms can contribute to enhancing robustness through three mechanisms, reducing one of the causes of fragility, government direction of credit to uncreditworthy borrowers, restructuring distressed banks, and strengthening prudential regulation and supervision.

The literature includes some skepticism abut the efficacy of financial liberalisation in low –income countries. Financial liberalization has np0t always brought about the expected benefits: there have been few innovations in financial markets, competition is limited by oligopoly and liberalsation may 4exacerbate urban bias (Chandavarkar, 1992) . There is doubt as to whether higher real rates encourage greater financial saving, and thus deepent the financial system.

Market failure, arising from informational imperfections, is pervasive in financial markets, and are especially severe in rural areas (Stiglitz, 1994) .Market failures may prevent liberalistion from improving the efficiency of credit allocation . In particular, potentially profitable borrowers may be denied credit because of high informational and transactions costs. the Impact of the reforms on financial depth, on competition in the banking system and on credit allocation, factors related to the efficiency of financial intermediation. The subsequent section examines the extent to which the reforms have created more robust financial systems. It analyses the the causes of financial distress and evaluates measure to rehabilitate government banks and the reforms to the prudential system. Nepal, Bangladesh, Uganda and Zambia all licensed private sector banks and financial institutions during the 1980s. before their reform programmers began, at a time when prudential regulations were weak and hence prudential requirements on new entrants were low. In these countries the revisions to the banking legislation raised entry barriers in terms of minimum capital, expertise of promoters, etc, once this legislation had been enacted in the late 1980s or early 1990s. All the LDCs have allowed entry by foreign as well as domestic banks, but in Nepal foreign investment must be in the form of joint ventures with domestic partners with foreign ownership restricted to 50 percent of the equity .

New banking legislation, comprising stronger prudential regulations, was enacted in all the LDCs, and was accompanied by institutional reforms to strengthen the supervisory capacities of the central banks. All the LDCs implemented measures to tackle the financial distress in their government – owned banks, including recapitalization and reforms to the management and operations of these banks. Bank deposits increased by around eight percentage points of GDP between 1985 and 1995.

New Entry and Competition

Financial liberalistion is intended to stimulate greater competition in banking markets through two channels: new entry by private sector banks to challenge the oligopolistic market position of the established public sector and /or foreign banks, and the removal of administrative constraints on competition such as the interest tate controls. This should in turn lead to an improvement in the quality, and lower cost, of services offered to the public, as banks compete for business. competition may also encourage banks to provide a broader range of financial products in an attempt to attract business.

The reforms facilitated new entry, mainly by the private sector, into banking markets. The number of banks and financial institutions increased, and the dominant market share of the major banks was eroded, although it remained large. Eight joint ventures bands had been set up since the mid-1980 in Nepal. Increased competition stimulated some improvements in financial services. Some of the new entrants introduced longer openings hours, cut queues in banking halls and provided more personalized services. A number of innovations occurred and new products were made available: these included credit and debit cards, automated teller machines (ATMs), interest bearing current accounts, and savings accounts with cheque books. Cheque clearing has been speeded up. Competition for deposits increased in the urban areas, with both price and non-price competition. There is more competition for corporate clients, especially from the entry of foreign banks, which focus on this sector. The government-owned banks are making efforts to improve services and to provide services oriented to customer needs. However the impact of new entrants on the cost, quality and range of financial service4s has been limited for a number of reasons.

First, although the major government and/or foreign banks lost some of their market share to the new entrants, they still retain a large enough share to exercise a degree of oligopoly. This them enabled them to maintain large interest rate spreads, needed to cover the cost of their own inefficiencies and of their non-performing loans. Second, the slows pace of reform of some of the government banks retarded improvements in the cost and quality of their services. Third, with few exceptions, the new entrants (both foreign and domestic banks) have avoided the rural areas, hence what benefits that have suffered deterioration in the availability of financial services as a result of branch closures by government banks. Fourth, competition has been impeded because banking markets, particularly credit markets, are segmented. The foreign banks remain focused on SOEs, or privatized SOEs, while the domestic private sector banks and NBFIs mainly lend to local urban-based SMEs and to the informal trade and service sector.

Impact of the Reforms on Lending

Impact rate liberalistion, together with the removal of allocative credit directives and the adoption of commercial lending policies by public sector banks, is intended to enhance the efficiency of credit allocation, by allowing the price mechanism and the commercial judgement of bankers to determine credit allocation (Fry, 1988). A crucial premise underlying liveralisation is that inefficiencies in credit allocation arising from market imperfections such as imperfect information are less important that government failures arising from directed credit policies. It is also assumed that there exists demand for loans from credit under a repressed financial system because administrative credit to less efficient borrowers, such as loss making SOEs. Hence liberalistion is expected to allow a reallocation of credit towards the users most capable of generating higher rates of return to capital. Liceralisation could also reduce the pressure on banks to accommodate less creditworthy borrowers and therefore lead to an improvement in the quality of their loan portfolios. (Gelb and Honahan, 1991: Passim).

An objective assessment of whether the financial sector reforms have actually brought about a more efficient allocation of credit is very difficult. Ideally on would need data on private and social rates of return earned by borrowers plus a counterfactual with which to make a comparison. Such date are not available. Instead, we examine the volume of bank credit to the private sector on the grounds that the private sector is assumed to use resource more efficiently than the public sector. Moreover the economic reforms being implemented aim to boost incentives for private investment, hence if the banking system responds to this change in incentives, it should extend more credit to the private sector. Other factors, however, may hate a bigger influence than financial sector on the volume of credit extended to the private sector , not least macroeconomic variables such as the government borrowing requirements and monetary policy, hence observed changes in private sector borrowing are not necessarily attributable to financial sector reforms.

Bank credit to the private sector as a share of GDP has expanded strongly.

Causes of Financial Distress

Tow distinct types of financial distresss afflicted the banking systems. The most important in terms of the scale of losses entailed endemic distress in government commercial banks. These banks were insolvent and required some form of recapitalization by the government. Non-performing loans were at the core of both types of distress, but the causes of poor loan quality were different.

Honohan's typology of bank crises distinguishes between (I) epidemics caused by macroeconomic shocks. (ii) epidemics caused by poor management and microeconomic deficiencies (iii) endemic crises in government permeated banking systems in which banks were subjected to non commercial principles which undermined their solvency (Honohan, 1997:7-2) . Using this typology the distress to the government banks that to the private sector banks.

political pressure to lend to uncreditworthy borrowers was the main reason why the government-owned banks incurred substantial levels of non-performing loans owned banks. the largest share of their bad debts were to state-owned enterprises (SOEs). Most of the SOEs were not profitable, but because of political pressure, backed up in some cases by government banks had little choice but to fund this sector. The government schemes aimed at supporting agricultural development, and to politically connected private sector borrowers. Governments pressured their banks not to foreclose on borrowers when they defaulted, and in some cases encouraged default by periodically announcing that loans to farmers would be rescheduled or written off after droughts or other disasters. Even where banks did pursue defaulters, weaknesses in the legal systems often meant that foreclosure was a very difficult and lengthy process.

The loan portfoli0s of the government-owned banks were internal controls. Furthermore, the banks were overstaffed and had overexctended their branch networks, hence operating costs were high.

The distress afflicting the private sector banks was mainly a result of poor management and fraud. Insider lending was a major contributor to their bad debts: directors took loans from their own banks and failed to replay. Loan quality was further impaired by a failure to adequately diversity loan portfolios and by the adverse selection of many of the bank's borrowers: the banks lent at high in the least creditworthy segments of the market where default rates were high. Undercapitalisation afforded them little protection against distress when problems afficted their loan portfolios. Incentives on owners for prodent management were weak because of undercapitalization, concentration of ownership in one man or family, and deficient and poorly enforced prudential legislation (Brownbridge, 1998)

With few exceptions, the foreign owned banks, including the joint ventures in Nepal, avoided financial distress in all of the countries where they were allowed to operate. They were much less subject ot politically pressured lending than were the government banks, and most had experienced management, prudent lending policies which focused on creditworthy corporate customers, and good internal controls which prevented the type of lending problems which afflicted some of the domestic private sector banks.

Financial liberalization, specifically liberal licensing criterial and the decontrol of interest rates, may contribute to financial crises if undertaken too abruptly or if poorly sequenced with reforms to prudential regulation, the real sector and macroeconomic stabilization (Alawode and Ikhide, 1997). The rest of this sub-section considers whether the financial liberalization, which was undertaken in the LDCs like Nepal contributed to the financial distress in their banking sectors.

Financial liberalization was not a significant contributor to the distress afflicting the government-owned banks. This was caused by politically pressured ledign, a characteristic of the controlled financial markets. Their the government-owned banks were already insolvent and reliant upon liquidity support from central banks for several years prior to financial liberalization. The financial liberalisatin. The financial distress in these banks was concealed by poor accounting practices for years while losses mounted, but the true scale of the losses only became apparent after the financial sector reform programmes began, when new loan classification and provisioning rules were introduced, when limits were placed on liquidity support by the Central Bank, and when external audits were carried out as a prelude to the restructuring of the banks. Further losses by government banks were undoubtedly incurred after financial markets were liberalized, but this was mainly because lending practices did not change rather than as a result of lending in liberalised markets – the banks continued to fund loss making SOEs, in a few cases, because f political pressure. Nepal started deeply studying and searching what sort of programs policies , lows s and regulation should see brought into practice. The country can't chante its status by using only its own capitals in the country without importing the now technologies from foreign country and accordingly low and policies have bin enacted by the state to encourage the oreign investment on banking sector. From this real form to the development of banking sector started in Nepal. The competitions began to grow. The banks began to offer their valuable services to the people through new technologies and thus, Nepal Arab Bank Ltd. as the first joint venture commercial bank, established in Nepal in 2041under commercial bank act 2021.

1.2. Focus of the study

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

"The sword investment brings fourth vision of profit, risk, speculation and wealth for the uninformed investing may result in disaster for the knowledgeable, the investment process for the knowledgeable, the investment process can be financially rewarding and exciting

"V. K Bhalla has given the basic concept of investment in three points they are as follows.

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

ii) Investment in a more general or extended sense which is used by " the man of the street "2 and

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

According to a layman, there is always a return if there is investment. This return may be favorable as well as unfavorable to the investor's standpoint. But in the study, the word investment conceptualized the investment of income saving or the collected fund. The term investment covers a wide range of activities; it is commonly known fact that an investment is only [ossinle where there is adequate saving. If all the incomes and savings are consumed to solve the pronlem of hand to mouth and to the other our basic needs, then there is mo existence of investment. That is why both saving and investment are interrelated each other.

The term, investment means the sacrifice of money today for the prospective money tomorrow. But investment in its broadest sense means the sacrifice of current dollars for further dollar. Two different attributes ate generally involved time and risk. The sacrifice takes place in the present and certain the reward comes later. If at all and the magnitude is generally uncertain, in some cases, the element of time predominates e.g. government bond. In other cases, risk and the dominant attribute e.g. call option common stock. Yet both time & risk important"[3]

"The problem of investment of investors is to select the funds whose objectives and degree of risk taking must closely match is own situated the one that will accomplish for him what he would wish to do for himself if he could diversify and manage he own holdings"[4]

Investment is a very well known and prestigious word in financial term. It is always true that all people want to invest their money in the best firm for good return but the return may be both favorable and unfavorable. It is conceptually the investment of the collected fund or wealth like income.

1.3. Development of commercial banks in Nepal

The evolution of banking industry had started a long time back during ancient times. Traditional forms of banking were traced the civilization of Greek, Rome and Mesopotamea. But modern banking originated in banking made its first beginning around the middle of the 12^{th} century in Italy and the Bank of Venice founded in 1157A.D.was the first pubic banking instituton following the bank of Brcelona and the Bank of Geneva were established in 1401A.D. and 1407A.D. respectively. Similarly, Bank of Amsterdam (1609 A.D.), Bank of England (1694A.D.) were other milestones in the development of the banking systems. Northern Europe there sprang up number of private banking houses is all Europe and slowly it spread through-out the world.

In Nepal, modern banking starts from the establishment of Nepal Bank Liumited. In the country,k ther development of banking is relatively recent, The record of banking systems in Nepal given detail account of mixture of slow and steady evolution in financial and global economy of Nepalesse life. Invvolvement of landlord, rice merchant, shopkeeper and other individual money lender has acted as fence to institutional credit in presence of unorganized money market. In the year, 1934A.D., Nepal Bank ltd. was established under "Nepal Bank Act, 1937" as the first commercial bank of Nepal.

Rastriya Banja Bank (RBB) is the second commercial band of Nepal was established in the year 1965A.D.RBB being the largest commercial bank gas played major role in the economy.

On the long run, commercial bank act was felt accordingly it was established in 1974 A.D. According to " Section 2 (a) of commercial Bank Act 1974" , commercial banks are the heart of the economy systems. They hold the deposit of millions of person, government ands business units. It exchanges money, accepts deposits, grant loan and operates commercial transaction. In modern time, commercial banks which are facilitated, regulated and supervised by the central bank (NRB), confined them and concentrated in their activities of fulfilling the financial needs of their customer.

With the opening of Nabil Bank in 1984 A.D., the door of the opening commercial banks was opened to private sector. Then whole lot of commercial banks opened in Nepal. Today, all the banks except Nepal Bank Limited and

Rastriya Banijiya Bank are making profit. The enefficiency of the these two public sector banks has lead to the success of other private banks.

1.4 Statement of the problem

The present situation of Nepal is economically unstable and unsteady. There is no security, peace and harmony in our country. Therefore the investors are discouraged to invest. In context of Nepal, banking sector is facing many problems such as political legal, economical as well as social. The unstable politics is the main cause to hamper for the development of banking sectors. Not only these, there is throat cut competition among mushrooming commercial banks. Most of the Nepalese people are illiterate and they are no aware about banking systems. So the lack of sound knowledge about the financial risk, business risk and other risk may lead the banks towards the liquidation and bankrupt. Due to the lack of effective human resources and trained manpower, growing brain chain is the serious problem for the existing healthy complication.

The lending policies have become a major problem for developing economic condition of the country. Commercial banks give much loan and advances, overdraft and many other kinds of facilities to encourage de3posit in bank. But the bank has utilized insufficient deposit to their customers and spent large amount of deposit as office operation expression and staff's welfare. They only depend upon the directions and guidelines of Nepal Rastra Bank (NRB) but they do not have clear view and have provided loan only on short term basis but they don not invest on long term project because of safety and not considering the profit potentiality of the project. Due to this, they may have sufficient return and most of joint venture banks may have to be collapsed dut to poor and wrong investment policy.

1. What is the liquidity position of the related banks ?

2. What is the assets management condition of the related banks ? – What is the profitability position ?
3. What is the risk position in the companies ?
4. What are the trends of deposits, loans and advances, total investment and net profit ?
5. What are the relation of deposits with investment, loan and advances ?
6 What is the effect of investment decision on profitability position of the bank ?
7. Is there a proper utilization of available fund ?

1.5 Purpose of The Study

Investment decision is one of the major decision functions of financial management. The main objective of the study is to evaluate and assess the investment policy and strategies followed by the bank. The specific objectives of this study are as follow :

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

1.6 Need/Importance of the Study

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

1.7 Limitation of the study 3

This study attempts to evaluate the investment policy of Standard Charted Bank Ltd. (SCBNL) and Nabil Bank Ltd. (Nabil). In this changing world, it is so difficult to cope with the spacer of the change. Due to these difficulties, every study or research is always accompanied by some limitations.

The following facts are the basic limitation of the study :

a. The analysis will be mainly based on secondary data.
b. The study will be carried out only the period out only the period of five years trend of commercial banks to financial aspect will be considered.
c. Out of the numerous affecting factors, only those factors related with investment policy to financial aspect will be considered.
d. The study deals with only selected commercial banks to compare each other.
e. This study deals with limited financial and statistical tools.

1.8 Research design

Research design is essential part of each research work. It is the plan, structure and strategy investigations conceived so as to obtain to research questions and to process of collecting verifying and evaluating of past evidence systematically and objectively to achieve final conclusion. Some statistical and accounting tools have been adopted to analyze factors in this research study and descriptive and analytical research design also has used.

1.9 Population and sample

There are altogether 25 commercial banks, which are fuctioning all over the country. Most of their stocks are traded actively in the stock market. In this study, investment policy of Standard Chartered Bank Nepal Ltd is compared with Nabil Bank Ltd., which is selected from population. The selected commercial banks are selecte4d on the basis of assets, share pricing and tiem when they were established.

Samples are taken from the total population which is as follows :

1. Nepal Bank Ltd (NBL)
2. Rastriya Banijiya Bank Ltd. (RBB)
3. Nabil Bank Ltd. (Nabil)
4. Standard Charted Bank Nepal Ltd. (SCBNL)
5. Nepal Investment Bank Ltd. (NIBL)
6. Himalayan Bank Ltd. (HBL)
7. Nepal State Bank of India Ltd. NBBL)
8. Nepal Bangladesh Bank Ltd. (NBBL)
9. Bank of Kathmandu Ltd. (BOKL)
10. Everest Bank Ltd. (EBL)
11. Nepal Credit and Commercial Bank Ltd. (NCCBL)
12. Nepal Industrial and Commercial Bank Ltd. (NICBL)
13. Machhapuchhre Bank Ltd. (MBL)
14. Kumari Bank Ltd (KBL)
15. Lumbini Bank Ltd. (LBL)
16. Laxmi Bank Ltd. (LBL)
17. Siddhsartha Bank Ltd (SBL)
18. Citizens Bank Ltd. (CBL)
19. Global Bank Ltd. (GBL)
20. Bank of Asia Ltd. (BAL)
21. Prime Bank Ltd. (PBL)
22. Sunrise Bank Ltd.
23. Development Credit Bank Ltd.
24. NMB Bank Ltd.
25. Agriculture Development Bank Ltd.
26. Kist Bank Ltd.
27. Janta Bank Ltd.
28. Mega Bank Ltd.
29. Commerz & Trust Bank Ltd.
30. Civil International Bank

From these populations, Standard Charted Bank Ltd. and Nebil Bank Ltd. have been selected in sample for the study.

1.10 Nabil Bank Limited

Nabil Bank Ltd. is the name of Nepal Arab Bank Ltd. from January 2002 which commenced its operation on 12 July, 1984 as the first joint venture bank in Nepal under Company Act, 1964 and Commercial Bank Ltd Dubsi was the first joint venture partner of Nabil. Currently NB (International) Limited, Ireland is the foreign partner. Nabil is the pioneer in introducing many innoivative products and marketing concept in the banking sector of Nepal. Firstly, Dubai Bank wasinitial commercial partner with 50% equity investment then Dubal Bank Ltd. Dubai after Emirates Bank International Limited Dubai sold its entire 50% equity holding to National Bank Limited Bangladesh. National Bank Ltd Bangladesh is analyzing the bank I n accordance with the technical services agreement signed between it (Nabil) the bank on June 1995.

Capital Structure of Nabil Bank Ltd. is as follows :

Capital	(Rs in million)
Authorized equity capital	1000.00
Issued equity capital	491.65
Paid up equity capital	491.65

1.11 Standard Charted Bank Nepal Limited

Standard Charted Bank Nepal Limited (SCBNL) is the new name of Nepal Grindlays Bank which wsas established in 1985 as a secpmd fpreogm kpomt vemtire baml imder the cp,[amu act pf 1964. Nepal Grindlays bank was established in Nepal among other JVBs to contribute in commercial sector of Nepalese economy. Among share of this bank, 50% of the share capital was originally owned by ANZ Grindlays Bank U.K. which managed and controlled the overall activities of the Bank. SCBNL holds 50% of total equity capital investment, general public investor holds 35% of total equity share capital by Nepal Bank Ltd. & remaining 15% share capital. The bank is being managed under joint ventures and technical services agreement that was signed between SCBNL & Nepalese promoters. The Standard Chartered Banking network of

570 officers spanning more than 55 countries means more of what you have always enjoyed.

Capital structure of standard chartered bank Nepal limited is as follows :

Capital	(Rs in million)
Authorized equity capital	100.00
Issued equity capital	491.654
Paid up equity capital	491.654

1.12 Organization of the study

The study has been organized into five chapters in order make the study easy to understand Each chapter covers some facets pertaining to the investment policy of commercial banks. The following are titles of the chapters:

Chapter One	:	Introduction
Chapter Two	:	Review of Literature
Chapter Three	:	Research Methodology
Chapter Four	:	Data Presentation and Analysis
Chapter Five	:	Summary, Conclusions and recommendation

The report is organized in this fashion to make this study in line with simple research methodology approach.

Chapter One contains the introductory part of the study. This chapter gives an account of the objectives and scope of the study, and also looks over the major issues to be investigated and explained. It includes background, focus the study, development of commercial banks in Nepal, Brief introduction of commercial banks, statement of problem, problem of the study, importance of the study, limitation of the study and organization of the study.

Chapter Three is devoted to theoretical framework that bounds the study, and brief review of relevant literatures. It includes the review of previous writing and studies relevant to the problem being explored, and within the framework of the theory structure. It consists of review of available literature which includes conceptual review, review of related studies, review of articles, and utilization of statistical tools. It includes the interpret parts research design, population and sample, data analysis tools.

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

Chapter Fifth is the chapter of the study which deals with summary, conclusion, major findings and a recommendation for improving the future, performance of sample banks. Finally bibliography and appendices are also at the end of the thesis work.

CHAPTER-TWO

Review of Literature

The investment decision has played an important role in banking sectors as well as other organizations. Effective investment decision encourages to each and every investor to invest their funds on profitable field in order to achieve high return. Actually, this unit of the study tries to describe the conceptual NRB rules regarding funds mobilization of commercial banks. Besides these, this chapter highlights the literature that is available in concerned subject as to my knowledge, research work, relevant study on this topic and review of thesis work, which was performed previously.

2.1 Conceptual Review

2.1.1 Investment

Investment is concerned with the management of an investor's wealth which are the sum of current income and the present value of all future income funds to be invested come from assets already owned borrowed money and saving or foregone consumption by foregone consumption by forgoing today and investing the saving, investors expects to enhance their future consumption possibilities i.e. they are invested to increase wealth. Some scholars have given the actual meaning of investment in their words, which are as follows:

J.K. Fancies saying "An investment is a commitment of money that is expected to generate additional money. Every investment entails some degree of risk, it requires a present certain sacrifice for a future uncertain benefits.[5]

Cheney and Moses saying, "The investment objective is to increase systematically the individual's wealth, defined as assets minus liabilities. The higher the level of desired wealth the higher the return must be received. As investor seeking higher return must be willing to take higher level of risk.[6]

James B. Baxely his views as, "Investment policy stables responsibilities for the investment disposition of the bank assets in terms of allocation funds for investment and loan and establishing responsibility for day to day management of those assets."[7]

"Investment by individual business ands government involves a present sacrifice of income to get on expected future benefit; as a result investment raises a nation's standard of living."[8]

"Investment is the employment of funds with the aim of achieving additional income or growth in value. The essential quality of san investment is that it involves waiting for a reward. It involves the commitment of resources which have been saved or put away from current consumption in the hope that some benefits will accrue in the future. [9]

"An investment may be defined as the current commitment of funds for a period of time to derive a future flow of funds that will compensate the investing unit for the funds are committed for the expected rate of inflation, and also for the funds."[10]

"The term investing can cover a wide range of activities. It often refers to invest money in certificates of deposits, bond, common in stock or mutual funds. More knowledge investor would include other financial assets such as warrants, puts and calls future contract and convertible securities. Investing encompasses very conservative position sand aggressive speculation."

Gitman and Jochnk have defined, "Investment is any vehicle into which funds can be placed with the expectation that will preserve or increase in value and generate positive return."[12]

The above review clearly indicates that investment means use of rupee of amount today by exception more income in future. The value of rupee in future is increased than current value, so the expected change in price during the period and for the uncertainty involved icon cash flow. So, it is cleared that investment is the utilization of funds today with expected change additional return in future but the return sometimes may be negative and their related factor.

2.1.2 NRB Rules Regarding Fund Mobilization of Commercial Banks

To mobilize bank's deposit in different sectors of the different parts of the nation, to pre vent them form the financial problems, central Bank may establish a legal framework by formulating various rules and regulations (prudential norms). These directives must have direct or indirect impact while making decision to discuss those rules sand regulations which are formulated by NRB in terms of investment and credit to priority sector, deprived sector, other institution, single borrower limit, CRR loan loss provision, capital adequacy ratio, interest spread, productive sector investment, etc. The main provisions established by NRB [13] in the form of prudential norms in above relevant are briefly discussed here :

A. Directives Relating to Single Borrower Credit Limit

With the objective of lowering the risk of over concentration of bank loans to a few big borrowers and also to increase and also to increase the access of small and middle sizes borrowers to the bank loans, NRB has directed commercial banks to set an upper limit for single borrower limit. According to the directive, commercial banks may extend credit to single borrower or group of related borrowers in such a way that the amount of Fund Based loans and advances is up to 25% of the Core Capital and Non Fund Based Off-Balance Sheet facilities like letters of credit, guarantees, acceptances, commitments is up to 50% of its Core Capital Fund.

B. Directives Relating to Loan Classification and Loan Loss Provisioning

Effective from F/Y 2061/62, outstanding loans and advances on the basis of aging of principle amount, loans and advances should be classified into the following four categories :

a. Pass : Loan and advances whose principle amount are not past due and past due for a period up to 3 (Three) months will be included in this category. These are classified and defined as Performing Loans.

b. Substandard : All loan and advances that are past due for a period of 3 months to 6 months will be included in this category.

c. Doubtful : All loans and advances, which are past due for a period of 6 months to 1 year, will be included in this category.

d. Loss : All loans and advances which are past due for a period of more than 1 year as well as advances which have least possibilities of recovery or considered unrecoverable and those having thin possibility of even partial recovery in future shall be included in this category.

Loans Loss Provisioning

The loan loss provisioning, on the basis of the outstanding loans and advances and bills purchased classified as above should be provided as follows :

Classification of loan	Loan loss Provision
Pass	1%
Substandard	25%
Doubtful	50%
Loss	100%

Loan loss provision set aside for performing loans is defined as General Loan Loss Provision and loan loss provision set aside for non-performing loan is defined as Specific Loan Loss Provision.

C. Directives Relating to Interest Rates

According to previous directives, the difference between the interest provided and interest charged (spread rate) should not be more than 5% This difference is calculated on the basis of the weighted interest provided and the weighted interest charged. But, according to the directives of circular issued on 16^{th}- July 2003, the requirement to maintain average interest spread at 5% has been withdrawn for the time being.

D. Directives Relating to Cash Reserve Ratio Requirements (CRR)

To ensure adequate liquidity in the commercial banks, to meet the depositors' demand for cash at any time to inject the confidence in depositors regarding the safety of their deposited funds, commercial banks are required to have maximum CRR. In this regard, Nepal Rastra Bank has directed commercial banks to deposit minimum 7% of current and saving deposits and 4.5% of fixed deposits in the Nepal Rastra Bank. The commercial banks are further required to have 3% cash of total deposits in their own bank's value. Cash reserve ratio has been reduced by 1% point effective beginning of new FY 2059/60.

E. Directives to Raise Minimum Capital Fund

Nepal Rastra Bank has directed all the commercial banks under operation and established to operate in national level and having low capital base have been directed to raise their capital fund at a minimum level of Rs.1000 by the end of the fiscal year 2002/03. The amount under the headings of the paid-up capital, general reserve, share premium, non-redeemable preference share and retained earnings would be considered for calculating minimum capital fund. It has further directed all the commercial banks to increase their paid up capital(not total capital fund) to Rs.1000 million by 2009 by increasing paid up capital at minimum of 10% annually.

F. Directives Regarding Investment in Shares and Securities by Commercial Banks.

a. Arrangement for implementation of investment policy under approval of the board of directors: Banks should prepare written policy relating to investment in the shares and securities of the other organized institution. Such policies should be implemented only under the approval of the Board of Directors. There should be no restrictions as to investment by the banks in securities of organized HMG and securities issued by Nepal Rastra Bank.

b. Arrangement relating to investment in shares and shares sand securities of organized institutions :

i. Banks may invest shares and securities of any one organized institution not exceeding 10% of the paid up capital of such organized instruction.

ii. The total amount of investment should be restricted to 30% of the paid up capital of the bank.

iii. Banks should invest in the shares and securities of organized institutions, which are already listed in the stock exchange of where arrangement exists for listing within one year. Banks should not invest in any shares, securities and hybrid capital instruments issued by any banks and financial institutions licensed by Nepal Rastra Bank.

2.2 Review of Related Studies

2.2.1 Feature of Sound Lending and Investment Policy :

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

Some of the main necessities for sound lending and investment policies are explained below :

a) Safety Aid Security : Every bank must be aware while investing funds. It should never invest its fund in those securities, which are too much depreciation and flections (volatile) because a little difference may casue a great loss. The bank should accept that type of securities, which are commercial durable and high marked prices. In this case, "MAST" should be applied for the investment

M = Marketability

A = Ascertain ability

S = Stability

T = Transferability,

b) Profitability : The commercial bank can maximize its volume of wealth through maximization of return of their investment and lending. Therefore, they must invest their funds where they gain maximum profit. The profit of commercial bank mainly depends on the interest rate, volume of loan, its tie period and quarter of investment on different securities. The ambition of loan, its time period and quarter of investment of different securities. The ambition of profit of commercial bank seem reasonable as the bank has to overhaul the expenses sand making payment in the form of capital and interest to the depositors. For that, the bank calculates the cost of fund and likely retur, if the spread is enough irrespective of the risk involved and absorbs its liquidity obligation; it will go ahead for investment. A good bank is one who invests maximum funds in different earning assets stoning safety from day to day requirement of the deposits :

C) Liquidity : The word liquidity means the position of the firm to meet current or short-term obligations. General people deposit money at the bank in different accounts with the confidence that the bank will repay their money or amount when they need. To maintain the confidence and Show a good of current position of customers, the bank must keep this point in mind while investing its exces fund in different securities or at that time of lending so that it can meet current or short-term obligations when they become due payment.

d) Purpose of loan : Why is a customer-requiring loan? This is very important question to the banks and financial institutions. So, they must examine it. If the customers do not use their borrowings & property, they can never repay and the banks will posses heavy had debts. That is why the detailed information about the scheme of project or activities should be examined before lending.

e) Legality : Illegal securities will bring many problems for the investor. So, every commercial bank must follow the rules and regulations as well as different kinds of directions issued by Nepal Rastra Bank (NRB), Ministry of financial and others while mobilizing its funds. Due to illegal securities, the reputation and goodwill of the bank may be lost.

f) Diversification : Don't put the eggs on the same basket "the saying is very an important to the bank. A bank should not lay all its eggs in the same bank. A bank should not lay all its eggs in the same basket it means, it should be always careful not to granting loan one sector To minimize the risk, a bank must diversify its investment on different sectors.

g) Tangibility : Though it may be considered that tangible property doesn't veil on income apart from direct satisfaction of possessions of property, many times, intangible securities have lost their value due to price level inflation. A commercial bank should prefer tangible security to intangible one.

2.2.2 Some Important Terms

Deposit : The word deposit means the amount in a current, saving or fixed account of a bank or financial institution, which are collected by the customers. The efficiency of the banks depends on its ability to attract deposits. Deposits are collected from the depositors or customers of general public. Therefore, the main source of funds that a bank usually uses for the generation of profit is deposit.

Loan and advances : A bank is always willing to tend as more as possible since they constitute the large part of the revenue. But the banks have to be careful while providing loans and advances since they may turn into bad debts. The commercial bank hardly lends money for a long period of time that can be collect sat a short period of time. Banks provides the loan various forms, over draft, cash credit, direct loans and discounting bills of exchange. This is the primary source of income and most profitable asset to a bank.

Liabilities : Liabilities are the amount debt payable in future by firms or the banks to their creditors. Liabilities represent the obligations to make payments through cash or bank or provide goods and services in future; e.g. creditors, bills payable, loan outstanding expenses.

2.2.3 Review of Articles/Journals

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

Sunil Chopra In this article Role of Foreign Banks in Nepal"[14] 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.

Bodhi B. Bajaracharya In his article, "Monetary policy and Mobilization in Nepal"[15] concludes that the mobilization of domestic saving is one of the prime objectives of the monetary policy in Nepal. These purpose commercial banks are the active financial intermediary for generating resources in the form of deposit of the private sector and providing credit to the investors in different sectors of the economy.

Bishowambhar Pyakurayal In his article, "Workshop on Banking and National Development"[16], the resources. How much they have gained over the years depends chiefly on how far they have been able to utilize their resources in an efficient manner. Therefore, the task utilization of resources is as much crucial as the mobilization. The under utilization of resources not only result in loss of income but also goes further to discourage the collections.

Ramesh Lal Shrestha In his articles, A study on deposit and Credit of Commercial Bank Nepal"[17] concluded that the credit deposit ratio would be 31.30% other thing remaining the I 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 few field as far as possible , otherwise they might not be able to absorb even the total expenses.

Shiba Raj Shrestha has expressed in his article, "Portfolio Management in Commercial Bank. Theory and practice"[18] he has given emphasis in the following issues, in case of investors having lower income, portfolio management may be limited to small saving incomes. But on the other hand, portfolio management means to invest funds in various schemes of mutual funds like deposits, shares and debenture for the investors with surplus income. Therefore, portfolio management becomes very important both for an individuals as well as institutional investors.

Radhe S. Pradhan, has conducted on the research "Financial Management and Practice in Nepal"[19] in 1992. The survey mainly death with financial functions, sum and types of financing, financing decisions involving debt, effect of change in takes on capital structure financial distress dealing with banks and divided policy.
The major finding of the study connected with financial management is given as follows :

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

- Banks and retained earning are the two most widely used financing sources.
- Most of enterprise find that banks are flexible in interest rates and convenience.
- Most of enterprises do not borrow from one bank only and they do switch between banks which ever offer best interest rates.
- In general, there is no definite time to borrow the issues stocks that is majorities of respondents are unable to predict when interest rate will lower or go up or unable to predict when the stock will down or up.

Sunity Shrestha has explained on her research, "Investment planning of commercial Banks in Nepal"[20] have made remarkable efforts to examine the investment planning of commercial bank in Nepal. On the basis of the bank portfolio (land and investment) of commercial banks have been influenced by the variable securities rates. Investment planning of commercial banks in Nepal is directly traced to fiscal policy of government and heavy regulatory procedure of the central bank (NRB), Therefore the investments are not made in professional manners. Investment planning and operation of commercial banks in Nepal has not been found satisfactory in term of profitability. To overcome this problem she has suggested, "Commercial banks should take their investment function with proper business attitude and should perform lending and investment operation efficiently with the proper analysis of the project."

2.2.4 Review of Thesis

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

Raja Ram Khadka has conducted on "A study on the Investment Policy of Nepal Arab Bank Ltd. in comparison to other joint venture banks of Nepal".[21]

The Main objectives of the research were as follows :

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

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

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

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

e) To evaluate the trends of deposit utilization and its projection for next five years.

The major or findings of the research were as follows :

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

b) Nabil is comparatively less successful in on-balance sheet utilization as well as off-balance sheet operation that of JVBs. Which predicted that Nabil could not mobilize as efficiently as other JVBs.

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

d) There is significant relationship between deposit sand loan and advances as well as outside assets and net profit whereas there is no significant relationship between deposit and other JVBs. too.

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

f) There is no significant different between mean ratio of loan and advances to total deposit, total investment to total deposit, government securities to current assets, loan and advances to current assets, return on loan and –advances, total interest earned to total outside assets of Nabil and other JVBs whereas, there is significant difference between total OBS operation to loan and advance of Nabil and other JVBs.

Prem Bahadur Shani in this thesis work entittied "Investment Policy of Commercial Bank in Nepal (A Comparative Study of Nepal Bank Ltd & Joint Venture Banks)" [22]

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

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

b) To discuss fund mobilization and investment policy of NBL. In respect to its off-balance sheet transition and fund based on-balance sheet transaction in comparison to the JVBs.

c) To find out the empirical relationship between important variable, i.e. deposits loan and advance, investment, net profit etc. and compare them with the JBVs.

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

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

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

His major findings of the study were as follows :

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

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

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

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

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

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

g) There is significant relationship in mean ratios of loan and advances to total deposit, mean ratios of total investment total deposit mean ratios of total interest earned to total outside assets of NBL and the JVBs.

h) There is significant difference in mean ratios at total CBS operation to loan sand advances, mean ratios of return on loan & advance of NBL and the JVB's.

Samiksha Thapa, has conducted a thesis work on "A Comparative study on Investment policy of Nepal Bangladesh Bank Limited and other joint venture banks (Nabil and NGBL)"[23]

The major objectives of the research study were as follows:

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

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

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

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

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

f) To provide suggestions for improving the investment policy of NB Bank.

The major findings of the study were given below :

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

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

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

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

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

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

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

Prabhakar Dhungana has onducted a thesis work on "A Comparative Study on Investment Policy of Nepal Bangladesh Bank and other joint Venture Banks (Himalayan Bank Ltd. and Nepal State Bank of India Bank Ltd.)[24]

The basic objectives of this study were highlighted as follows :

a) To study the fund mobilization sand investment policy with respect to fee based off-balance sheet transaction and fund based on balance sheet transaction.

b) To evaluate the liquidity, efficiency and investment policy with respect to fee based off-balance sheet transaction and fund based on balance sheet transaction.

c) To evaluate the trends of deposit utilization towards total investment and loan and advance and its projection for next five year.

d) To evaluate the growth ratios of loan and advances and total investment with respective growth rate of total deposit and net profit.

e) To study the various risks in Investment.

f) To provide suggestions and recommendation on the basis of study.

The major findings of this study are summarized below :

a) The liquidity ratio of NABBL is lower than HBL and NSBI. It means the NBBL has maintained lower liquidity and higher risk in compare to other banks. The ratio of NBBL is highly variable than BBL and SBI. It indicates the unstable liquidity policy.

b) The mean ratio of loan deposit of NBBL is higher than HBL and NSBI But the ratios are less consistent than HBL and more consistent than NSBI.

c) The mean ratio of return on total assets of NBBL is less than FIBL and NSBI, which indicates lower investment in comparison.

d) The mean ratio of return of NBBL is better in this regard. The ratio of NBBL is more stable that the position of NBBL is better in this regard. The ratio

e) The interest rate risk ratio of NBBL is higher than ML but lower than NSBI. It indicates the interest structure of NBBL is less variable than HBL but highly variable than NSBL.

f) The growth ratio of NBBL's deposit and loan and advances are higher than that of HBL and NSBL.

g) The deposits and loan and advances of all three banks, have the increasing trend.

h) There is significant difference in the mean ratios of loan and advances to the total deposit, mean ratios of total OBS operation to loan and advances, mean ratios of return on loan and advances of NBBL, FIBL and NSBI.

i) There is significant relationship between the mean ratios of total interest earned to total outside assets of NBBL, HBL and NSBL.

Rabindra Joshi, had conducted a thesis research on, "A Comparative Study on Investment Policy of Standard Chartered Nepal Ltd. Everest Bank Limited.

The main objectives of the research were as follow :

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

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

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

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

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

Major or findings of the study were given below :

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

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

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

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

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

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

Kul Chandra Pandit has conducted a thesis research on, "A study on the investment policy Analysis of Standard Chartered Bank Ltd. (In comparison to other commercial Banks of Nepal)."

The Basis objectives of this study were highlighted as follows :

a) To study the fund mobilization and investment policy with respect to off-balance sheet transaction.

b) To evaluate the liquidity efficiency of assets managed and profitability position.

c) To evaluate the growth of loan and advances and total investment with respective growth rate of total deposit and net profit.

d) To evaluate the trends of deposit utilization towards total investment and loan and advances and its projection for next five years.

e) To review the policy and procedure of collection.

f) To provide suggestion and recommendation on the basis of the study.

The major finding of the research were as follows :

a) The analysis of liquidity ratio from SCBNL has maintainded successful liquidity than Nabil and NB. Consequently the consistency is also sound than the other two banks.

b) From the analysis of asset management ratio of all three commercial banks, SCBNL had maintained comparatively average successful in tis on-balance sheet operation. But in case off balance sheet operation, SCBNL is advanced than Nabil and NB.

c) From the findings of profitability ratio, the profitability position of SCBNL is higher than Nabil and NB.

d) The growth of total deposits of SCBNL is found very lower than NTB Bank and slightly higher than Nabil Bank.

e) The growth ratio of loan and advances of SCBVNL is found very lower than NTB Bank and slightly lower than Nabil and lower than NB Bank.

f) Coefficient correlation between deposits, loan and advances and total investment of SCBNL, Nabil and NB Bank are positive.

g) In the case of Loan and advances to total deposits ratios, decreasing trends are found but in the case of total investments to total deposit, all three banks have increasing trend.

Rajesh Dhital has conducted a thesis research on "A study on Investment Policy of Standard Charted Bank Nepal Ltd."[26] and bank of Kathmandu Ltd. The basic objectives of the study were as follows :

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

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

c) To evaluate the liquidity, assets management efficiency and risk position of SCBN and BOK.

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

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

The major findings of the research were as follows :

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

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

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

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

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

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

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

Conclusion:

Previous researchers have done their research in this topic of different commercial banks and joint venture banks. Bur they have not taken these banks (i.e. Standard Chartered and Nabil) for comparative study under the topic of 'Investment Policy ' in their research. Therefore, I have taken these commercial banks (i.e. SCBNL and Nabil) in my research work to analyze the investment policy which are well established joint venture banks of Nepal . During the recent year they are earning profit rapidly.

The research is completely based on secondary data. The researcher has used current data up to F/Y-2005/06. The research will be tried to show the present investment of these banks. The rtesearcher will have tried to analyze the deposit collection position, position of the fund mobilization, etc. comparatively.

CHAPTER-THREE

Research Mythology

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

3.1 Research Design

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

3.2 Population and Sample

There are altogether 25 commercial banks, which are functioning all over the nation. Most of their stocks are traded actively in the stock market. In this study, investment policy of Standard Charted Bank Nepal Ltd is compared with another commercial bank i.e. Nabil Bank Ltd. which is selected from population. The selected commercial banks are selected on the basis of their assets, share pricing and the time when it was established.

Samples are taken from the total population, which are as follows:

1. Nepal Bank Ltd (NBL)
2. Rastriya Banijiya Bank Ltd. (RBB)
3. Agriculture Development bank (ADB)
4. Nabil Bank Ltd. (Nabil)
5. Standard Charted Bank Nepal Ltd. (SCBNL)
6. Nepal Investment Bank Ltd. (NIBL)

7. Himalayan Bank Ltd. (HBL)

8. Nepal State Bank of India Ltd. NBBL)

9. Nepal Bangladesh Bank Ltd. (NBBL)

10. Bank of Kathmandu Ltd. (BOKL)

11. Everest Bank Ltd. (EBL)

12. Nepal Credit and Commercial Bank Ltd. (NCCBL)

13. Nepal Industrial and Commercial Bank Ltd. (NICBL)

14. Machhapuchhre Bank Ltd. (MBL)
15. Kumari Bank Ltd (KBL)

16. Lummbani Bank Ltd. (LBL)

17. Laxmi Bank Ltd. (LBL)

18. Siddhsartha Bank Ltd (SBL)

19. Global Bank Ltd. (GBL)

20. Citizens Bank Ltd. (CBL)

21. Bank of Asia Ltd. (BAL)

22. Prime Bank Ltd. (PBL)

23. Sunrise Bank Ltd. (SBL)

24. Development Credit Bank Ltd.

25. NMB Bank Ltd.

26. Agriculture Development Bank

27. Janta Bank Ltd.

28. Mega Bank Ltd.

29. Commerz & Trust Bank Ltd.

30. Civil International Bank

From these populations, Standard Chartered Bank Nepal Ltd has been selected and its data related investment policy is comparatively studied with Nabil Bank Ltd. We can say that the all 30 Banks are the population for the study and the two Banks are the sample upon the study is conducted which represents $\frac{n}{N}$ =

$$\frac{2}{30} | 100 X 6.67\%$$

3.3 Data Analysis Tools

There should be used various financial, statistical and accounting tools to achieve the objectives of the study. The analysis of data will be done according to pattern of data available due to limit time and resources. Simple analytical statistical tools such as graph, percents age, Karl Pearson's coefficient of coefficient of correlation and the method least square are adopted in this study. Some strong accounting tools such as ratio analysis and trend analysis have also been used for financial analysis.

The various result with the help of financial, accounting and statistical tools, which are tabulated under different heading. Then they are compared with each other to interpret the results. Generally two kinds of tools have been used to achieve the purpose :

= > Financial Tools

= > Statistical Tools.

3.3.1 Financial Tools

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

Ratio Analysis

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

A Liquidity Ratios

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

i) Current Ratio

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

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

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

ii) Cash and bank balance to total deposit ratio

Cash and bank balance to total deposit ratio measures the percentage of the most liquid assets to pay depositors immediately. Cash and bank balances are the amount of cash and balance by the total deposits. Mathematically is computed as :

$$\frac{Cash\ \ and\ Bank\ Balance}{Total\ Deposit}$$

ii) Cash and Bank Balance to Current Assets Ratio

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

iv) Investments on Government Securities to Current Assets Ratio

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

$$\frac{Investment\ On\ Gobernment\ Securities}{Current\ \ Assets}$$

v) Loan and Advances to Current Assets Ratio

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

$$\frac{Loan\ and\ Advances}{Current\ Assets}$$

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

B. Assets Management Ratios (Activities Ratio)

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

i) Loan sand Advances to Total Deposit Ratio

This ratio is computed to find out, how successfully the banks are utilizing their total deposit on loan and advances out of total deposit. This ratio can be calculated by dividing loan and advances by total deposits. Mathematically, it can be stated be :

$$\frac{Loan\ and\ Advances}{Total\ Deposits}$$

ii) Loan and advances to total working

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

$$\frac{Loan\ and\ Advances}{Total\ Working\ Fund}$$

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

iii) Total Investment to Total Deposit Ratio

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

$$\frac{Total\ Investment}{Total\ Deposit}$$

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

iv) Investment On Government Securities to Total Working Fund Ratio

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

$$\frac{Investment\ on\ Government\ Securities}{Total\ Working\ Fund}$$

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

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

$$\frac{Investment\ On\ Share\ and\ Debenture}{Total\ Working\ Fund}$$

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

C. Profitability Ratios

Profitability ratios are used to measure the overall efficiency of the banks in terms of profit and finance, generally profitability ratios of the firms should be higher. The following ratios can be takes under this heading.

i) Return on Loan and Advances Ratio

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

$$\frac{Net\ \mathrm{Pr}\,ofit\ (Loss)}{Loan\ and\ Advances}$$

ii) Return on Total Working Fund Ratio

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

$$\frac{Net\ \mathrm{Pr}\,ofit\ (Loss)}{Total\ Working\ Fund}$$

iii) Total Interest Earning to Total Outside Assets

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

$$\frac{Total\ Interest\ Earned}{Total\ Outside\ Assets}$$

iv) Total Interest Earned to Total Working Fund Ratio

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

$$\frac{Total\ Interest\ Earned}{Total\ Working\ Fund}$$

v) Total Interest Paid to Total Working Fund Ratio

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

$$\frac{Total\ Interest\ Paid}{Total\ Working\ Fund}$$

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

vi) Total Interest Earned to Operating Income Ratio

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

$$\frac{Total\ Interest\ Earned}{Total\ Operating\ Income}$$

D. Risk Ratios

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

i) Liquidity Risk Ratio

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

$$\frac{Total\ Cash\ and\ Bank\ Balance}{Total\ Deposits}$$

ii) Credit Risk Ratio

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

$$\frac{Total\ Loan\ and\ Advances}{Total\ Loan}$$

3.3.2 Statistical Tools

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

(A) Coefficient of Correlation analysis

This statistical tool has been used to analyze and interpret the relationship between two or more variables. "Correlation is the statistical tool that we use to describe the degree to which one variable is linearly related to another"[27] among the various

method of finding at coefficient of correlation, Kart Pearson's method is applied in the study, This study tries to find out relationship between the following variables.

i) Coefficient of correlation between deposit and loan following variables.

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

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

iv) Coefficient of correlation between deposit and net profit.

v) Coefficient of correlation between deposit and interest earned.

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

vii) Coefficient of correlation between total working fund and net profit.

The Karl Pearson's Formula is,

$$r = \frac{\sum (X - \bar{X})(Y - \bar{Y})}{\sqrt{\sum (X - \bar{X})^2 \sum (Y - \bar{Y})^2}} = \frac{xy}{\sqrt{x^2}\sqrt{y^2}}$$

Where r = Kart Pearson's coefficient of correlation.

$\bar{X} = \frac{X}{N}$ (Median of X Variable)

$\bar{Y} = \frac{Y}{N}$ (Median of X Variable)

X = X - $\bar{X}$

Y = Y - $\bar{Y}$

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

(B) Trend Analysis

These analysis interpret or analyze the trend of deposits, loan and advances, investment and net profit of Standard Charted Bank Ltd., Nabil Bank Ltd. from 2001/2002 to 2005/06. And it helps to make forecasting for net five years up to 2010/11.

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

(i) Trend analysis of total deposits

(ii) Trend analysis of loan and advances

(iii) Trend analysis of total investment

(iv) Trend analysis of net profit.

The trends of related various variables could be calculated as,

$Y_{c\,=}$ a + bx

$Y_{c\,=}$ Dependent Variable

X = Independent Variable

a = Y intercept Variable

b = Slope of the Trend Line.

(C) Test of Hypothesis

The objective of this rest is to test the significant difference regarding the parameters of the population on the basis of samples drawn from the population. This test has been conducted on the various relations related with the banking business, The following steps have been followed for the test of hypothesis:

= > Formulating Hypothesis
(Null hypothesis and Alternative hypothesis)

= > Computing the test static

= > Fixing the level of significance

= > Making decision

The following test of significant can be shown in this study :

I) There is significant different on loan advances to total deposit ratios between SCBNL and Nabil.

II) There is significant difference on total investment to total deposits ratios between SCBNL and Nabil.

III) There is significant different between investment on government securities to current assets ratios between SCBNL and Nabil.

IV) There is significant difference on loan and advances to current assets ratios between SCBNL and Nabil.

V) There is significant difference on return on loan and advances ratios between SCBNL and Nabil .

VI) There is significant difference on total interest earned to total outside assets ratios between SCBNL and Nabil.

Test of significant significance for difference between two independent means can be calculated as follows

r =

Where S^2 =

(D) Standard Deviation (S.D.)

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

$$SD = \sqrt{\frac{x^2}{n} \, Z \, \frac{x}{n}^{\;2}}$$

Where, x= variable

n = no. of observation

(E) Coefficient of variation (C. V.)

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

$$CV= \frac{SD}{Mean} x100\%$$

CHAPTER –IV

DATA PRESENTATION AND ANALYSIS

The main purpose of this chapter is to analyze and evaluate the major financial and statistical items which are directly related to the investment management and fund but only those rations are very important to evaluate the fund mobilization of commercial banks.

4.1 Financial Analysis

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

Liquidity Ratio

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

i Current Ratio

Current ratio indicates the ability of the banks to meet to its current obligation . This ratio measures the liquidity position of the financial institutions. It is calculated by dividing current assets by current assets by current liabilities . The widely accepted standard of current ratio is

2:1 but accurate standard depends on circumstances in case to banking and seasonal business ratio such as 1:1 etc. The current ratio of SCBNL and Nabil is given in the following

Table No. I
Current Ratio

Fiscal year	SCBNL	Nabil
2003/04	1.080	1.063
2004/05	1.055	1.058
2005/06	1.056	0.764
2006/07	1.069	0.813
2007/08	1.063	0.813
Total	5.323	4.614
Mean	1.065	0.923
S.D.	0.01	0.12
C.V.	0.339%	13.326%

Source: Annual Report of SBCNL and Nabil

In the above table, current ratios of commercial banks are computed as per 'Appendix-A and B. Similarly mean, standard deviation and coefficient of variation of current ratios are calculates as per 'Appendix-k.

The current ratio of SCBNL over the study period has range between1.055 2004/05 to 1.080 (in 2003/04). where as ratio of nabil has range between 0.764 (in 2005/06) t6o 1.063 (in 2003/04) . The above table clearly indicates that the current ratios of the banks are always below the standard i.e. 2:1. But in the case of Nabil in 2004/04 the ratios is 0.76.4 It is mainly due to decrease money at call and short notice and increase deposits and other A/C

If the men ratio is obsirvced it is found that the SCBNL is higher of than Nabil .The S.D of SCBNL is lis than Nabil . Similarly, the C.V. of SCBNL is less tha Nabil i.e. SCBNL (0.939), Nabil (13.326). It indicates that the current ratio of

SCBNL is more consistence than Nabil. ssAnd we scan say that the SCNL has sound ability to meet its short term obligation .

i Current Ratio

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

Table No. 2
Cash and Bank Balance to Total Deposit Ratios

Fiscal year	SCBNL	Nabil
2003/04	7.3991	6.667
2004/05	8.119	8.519
2005/06	6.228	5.123
2006/07	5.221	6.783
2007/08	8.063	8.513
Total	35.02	35.614
Mean	7.004	7.123
S.D.	1.126	278
C.V.	16.077	17.9421

Source: Annual Report of SBCNL and Nabil

The above table shows the mean, standard deviation and coefficient of variance of cash and bank balance to total deposit ratio. In the table mentioned ration are calculated as per "Appendix-A, B" And mean S.D. and C.V. are calculated as per "Appendix –K" .

Above figure in the table, indicates indicates the percentage of cash and bank balance to total deposits position of ACBNL and Nabil. It also shows that the ratio (CRR) of SCBNL trend is decreasing scale for the period 2004/03 to 2006/07. It has range form 8.119 (in 2006/07) Nabil has fluctuating trend. It has increasing trend in 2004/05, decreasing trend in 2005/05 then increasing trend from 2006/07. to 2007/08.

The mean of ratios of ACBNL is less than that of Nabil. The standard deviation of SCBNL and Nabil are 1.126, 1.278 respectively. Similarly, CV of ACBNL and Nabil are 16.077 and 17.942 respectively. From the above analysis, it can be concluded that SCBNL has better maintenance of its liquidity than Nabil.

iii, Cash and Bank Balance to Current Assets Ratio.

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

Table No. 3

Cash and Bank Balance to Current Assets Ratio.

Fiscal Year	SCBNL	Nabil
2003/04	6.423	5.275
2004/05	6.129	7.362
2005/06	4.999	6.176
2006/07	4.502	7.900
2007/08	7.272	8.255
Total	29.325	34.968
Mean	5.665	6.994
S.D.	0.997	1.111
C.V.	16.999	15.885

Source : Annual Report of SCBNL and Nabil

The above table shows mean, S.D. and C.V. cash and bank balance to current assets ratio. In the table mentioned ratios are calculated as 'Appendix-A,B" and mean, S.D., and C.V are calculated as per "Appendix-k'.

The figure of table shows the ratios in percentage of cash and bank balance to current assets position of SCBNL and Nabil. It shows that cash and bank balance to current assets ratios of SCNBNL has decreasing trend from 6.423 (in 2003/04) to 4.502 (in 2006/07). Nabil has fluctuating trend.

The mean values of ratios of SCBNL and Nabil are 5.865 and 6.994 respectively. Standard deviation of SCBNL is less than of other Nabil. And C.V. of SCBNL and Nabil are 16.999 and 15.885 respectively.

Nabil has comparatively C.V. lower than SCBNL. It shows that Nabil is stable and consistent than SCBNL.

From the analysis of the above table, we can say that the cash and bank balance to current assets ratio of Nabil is better during the study period as the bank shows the ability to manage the deposit withdrawal for the customers although it has fluctuating trend. The better position of the bank does not mean that the bank has mobilized its fund in the profitable sectors.

iv. Investment on Government Securities to Current Assets Ratio

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

Table No. 4

Investment on Government Securities to Current Assets Ratio

Fiscal Year	SCBNL	Nabil
2003/04	20.758	11.7228
2004/05	20.052	18.343
2005/06	25.026	20.765
2006/07	31.557	30.948
2007/08	32.325	25.877
Total	129.718	97.661
Mean	25.944	19.53
S.D.	5.190	8.464
C.V.	20.005	43.434

Source : Annual Report of SCBNL and Nabil

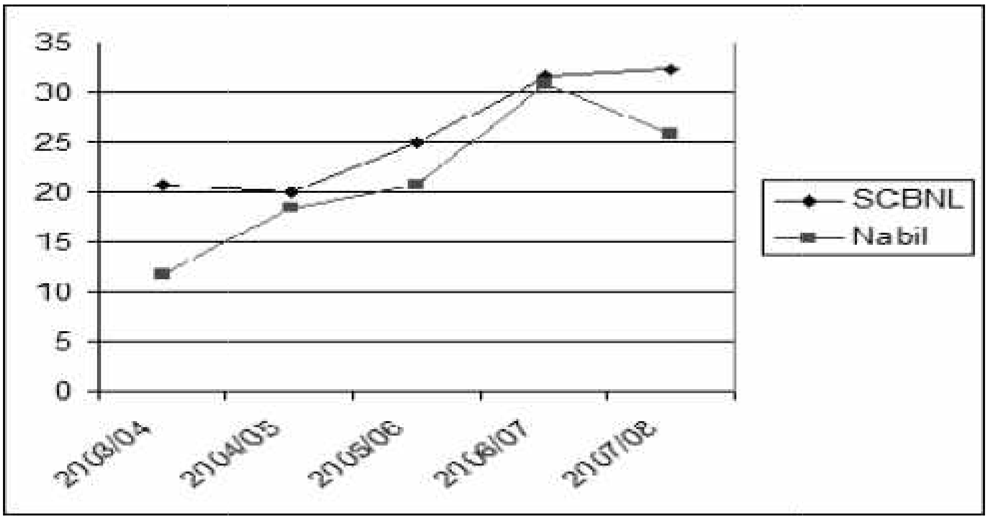
The above table shows the mean, S.D. and C.V. of investment on government securities to current assets ratios. In the table, mentioned ratios are calculated as per Appendix-A,B; and mean, S.D. and C.V. are calculated as per 'Appendix-K'

Investment on government securities to current assets ratios of SCBNL and Nabil are fluctuating trend, SCBNL has range from 32.325 (in 2007/08) to 20.052 (in 2004/05). Similarly Nabil has range form 30.940 (in 2006/07) to 8.343 (in 2004/05).

Mean values of these ratios of SCBNL and Nabil are 25.944 and 19.532 respectively. Similarly, C.V. of the banks is 20.005 and 40.434 respectively. This analysis reflects that SCBNL used to invest in government securities more than Nabil and the investment is also quite stable than that of Nabil.

Figure 1

Investment on Government Securities to Current Assets Ratio of



v. Loan and Advances to Current Ratio

Loan and advances are the current assets of commercial banks, which includes loan and advance, cash, credit, loan and foreign bills purchased, overdraft and discount. A commercial bank should not keep its all connected funds as cash and bank balance but they should be invested as loan and advances to the customers. Because they should earn high profit by mobilization and investing funds for long life banking, they must pay interest on these deposit funds even they don't generate loan and advances may lose some earning. But high loan and advances may be harmful because they need sufficient liquidity. This ratio can be competed by dividing loan and advanced to current assets.

Table No. 5

Loan and Advances to Current Ratio

Fiscal Year	SCBNL	Nabil
2003/04	31.656	48.395
2004/05	29.172	49.596
2005/06	29.979	63.248
2006/07	29.262	55.868
2007/08	27.387	55.926
Total	147.456	273.033
Mean	29.491	54.607
S.D.	1.367	5.323
C.V.	4.635	9.748

Source : Annual Report of SCBNL and Nabil

The above table shows the mean, S.D. and C.V. of loan and advances to current assets ratios. In the table mentioned, ratios are calculated as per 'Appendix-A,B' and mean. S.D. and C.V. are calculated as per 'Appendix-K'

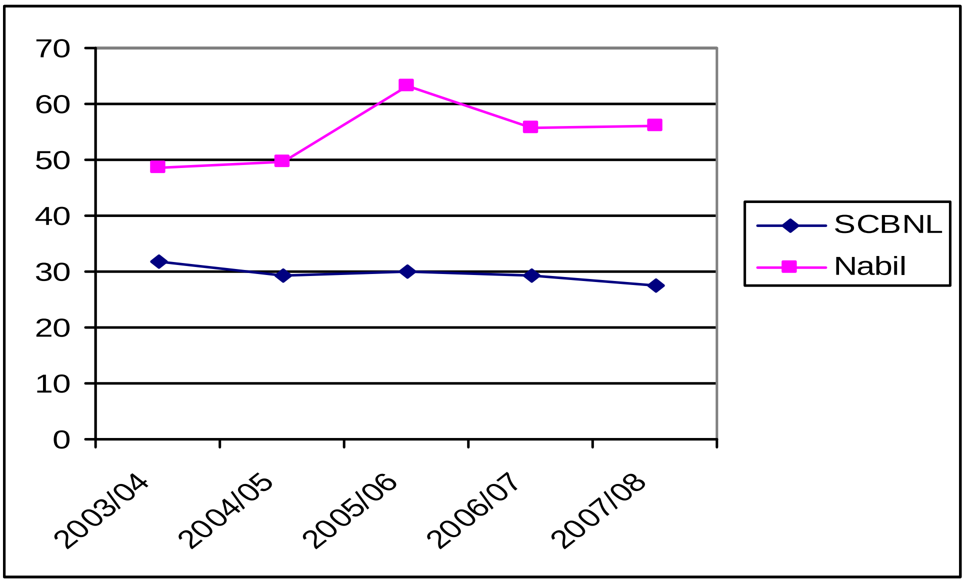
The above table shows that loan and advances to current assets ratios of SCBNL and Nabil are fluctuating trend. SCBNL has range form 31.656 (in 2004/05) to 27.387 (in 2007/08). Nabil has range form 63.248 (in 2005/06) to 48.395 (in 2003/04).

The mean value of ratios of SCBNL is 29.491 which is less than that of Nabil.

This analysis indicates that SCBNL use to provide less loan and advances in comparison of Nabil and its trend of approving loan and advances is also less consistency than that of Nabil.

Figure 2

Loan and Advances to Current Assets Ratio of SCBNL and Nabil



4.1.2 Assets Management Ratios

Assets management or activity ratios are employed to evaluate the efficiently with the firm's managers and utilize its assets. These ratios generally indicate the speed with which assets are bang concerted or turnover. That is why these ratios are used to measure or indicate the banks ability to utilize their available limited resources. The following ratios are used under the assets management ratios:

i. Loan and Advances to Total Deposit Ratio

This ratio used to find out, how successfully the banks are utilizing their total deposit on loan and advances out of total deposit It can be computed by dividing loan and advances by deposits.

Table No. 6

Loan and Advances to Total Deposit Ratio

Fiscal Year	SCBNL	Nabil
2003/04	36.467	61.166
2004/05	38.646	57.395
2005/06	37.350	52.557
2006/07	33.873	47.967
2007/08	30.369	57.675
Total	176.705	276.760
Mean	35.341	55.352
S.D.	2.936	4.598
C.V.	8.308	8.307

Source : Annual Report of SCBNL and Nabil

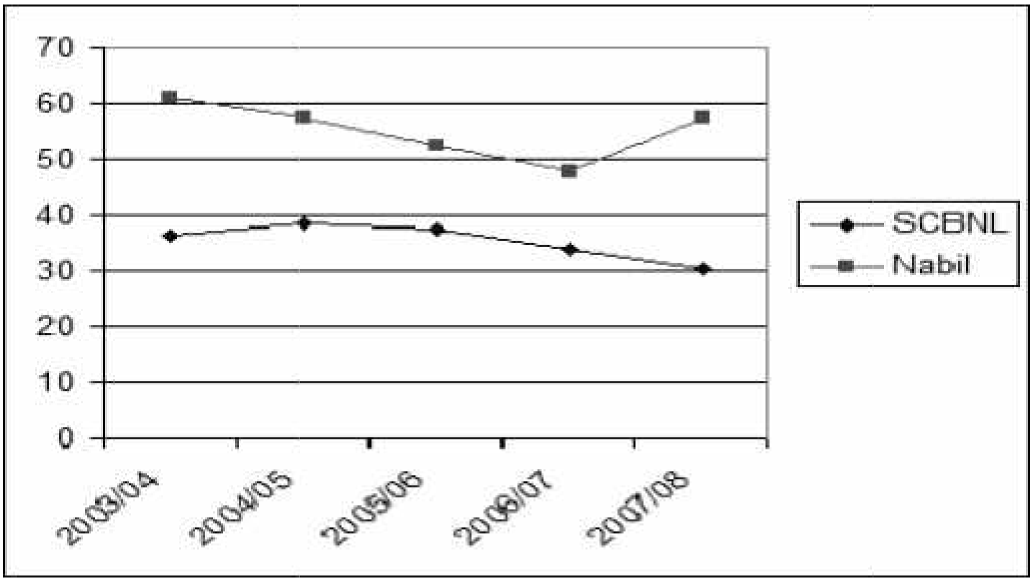
From the table, given ratios are calculated as per 'Appendix-A,B' and mean S.D. and C.V. of these ratios are calculated as per 'Appendix-k'.

The above table shows that loan and advances to total deposit ratios of SCBNL are fluctuating trend. It has range form 38.646. (in 2004/05) to 30.369 (in 2007/08). Similarly ratios of Nabil are decreasing , trend up to 2006/07. It has range form 61.166 (in 2003/04) to 47.967) (2006/07). Then, it increased in 2007/08. Here the value of meand ratios of SCNBL is the lower the an Nabil. Nabil has got success to maintain the hgihrest ratios th an SCBNL. Mean value of the ratios of SCBNL and Nabil are 35.314 and 55.352 respectively. But the C.V. OF RATIOS OF SCBNL is 8.308 which are comparatively higher than Nabil. It clears that loan and advances to total deposit ratios of the SCBNL is inconsistent in comparison to Nabil.

In conclusion, it is cleared that SCBNL is failure to mobilize its total deposits on loan and advances in comparison to Nabil. Nabil is success to mobilize its total deposits in loan and advances.

Fig.3

Loan and Advance to Total Deposit Ratio



B. Loan and Advances to Total Working Fund Ratio

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

Table No. 7

Loan and Advances to Total Working Fund Ratios

Fiscal Year	SCBNL	Nabil
2003/04	31.279	47.512
2004/05	26.856	48.820
2005/06	29.773	45.322
2006/07	29.084	42.191
2007/08	27.122	46.828
Total	146.144	230.673

Mean	29.233	46.231
S.D.	1.344	2.264
C.V.	4.999	4.907

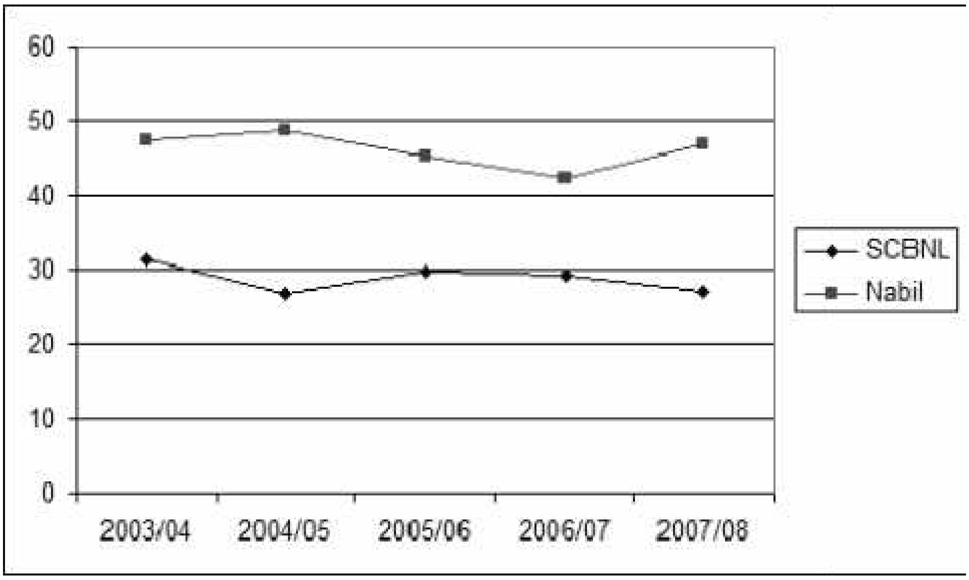
Source : Annual Report of SCBNL and Nabil

From the table, given ratios ratio of SCBNL and Nabil are fluctuating trend. SCBNL has range form 48.920 (in 2044/05) to 42.4191 (in 2006/07) . Mean value of SCBNL and Nabil are 29.223 and 46.135 respectively. Similarly C.V. of these banks is 4.599, 443.907 and 4.936 respectively.

From the above analysis, we can conclude that Nabil is better to mobilize the funds as loan and advances for the purpose of income generation. SCBNL mobilized the fewer funds than Nabil. But it has higher consistency to mobilize the funds.

Fig.4

Loan and Advances to Total Working Fund Ratios



iii. Total Investment to Total Deposit Ratio

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

Table No. 8

Total Investment to Total Deposit Ratio

Fiscal Year	SCBNL	Nabil
2003/04	24.013	15.008
2004/05	26.653	9.789
2005/06	61.952	17.380
2006/07	58.576	26.728
2007/08	55.224	26.852
Total	226.418	95.757
Mean	45.248	19.151
S.D.	16.448	6.704
C.V.	36.332	36.006

Source : Annual Report of SCBNL and Nabil

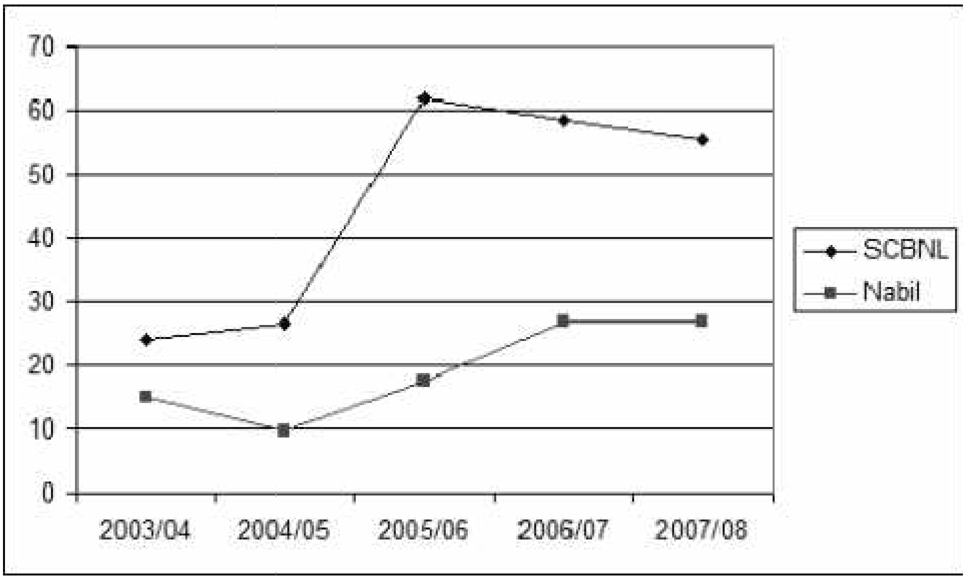
From the table, mention ratios are calculated as per 'Appendix-A, B' and mean S.D. and C.V. of these ratios are calculated as per 'Appendix-K'

The above table shows total investment to total deposit ratio of SCBNL is increasing from (in 2003/04) to 61.952 (in 2005/06) then it is creasing form 2006/07 up to 2007/08. But the ratios of Nabil has fluctuating trend. Nabil has range are 45.284 and 19.151 respectively. Similarly C.V. of SCBNL and Nabil are 36.322 and 35.006 respectively.

From the above figure, it can be concluded that SCBNL has become success to better utilization of deposit to investment than Nabil. But I t has not higher consistency to investment than Nabil. But it has not higher consistency to investment in securities or it has least investment in securities of different institution.

Fig.5

Total Investment to Total Deposit Ratio



IV. Investment on Government Securities to Total Working Fund Ratio

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

Table No. 9

Investment on Government Securities to Total Working Fund Ratio

Fiscal Year	SCBNL	Nabil
2003/04	20.511	11.514
2004/05	19.835	8.212
2005/06	24.854	14.880
2006/07	31.365	23.372
2007/08	32.013	21.668
Total	28.578	79.646
Mean	25.716	15.929
S.D.	5.176	5.805
C.V.	20.124	36.44

Source : Annual Report of SCBNL and Nabil

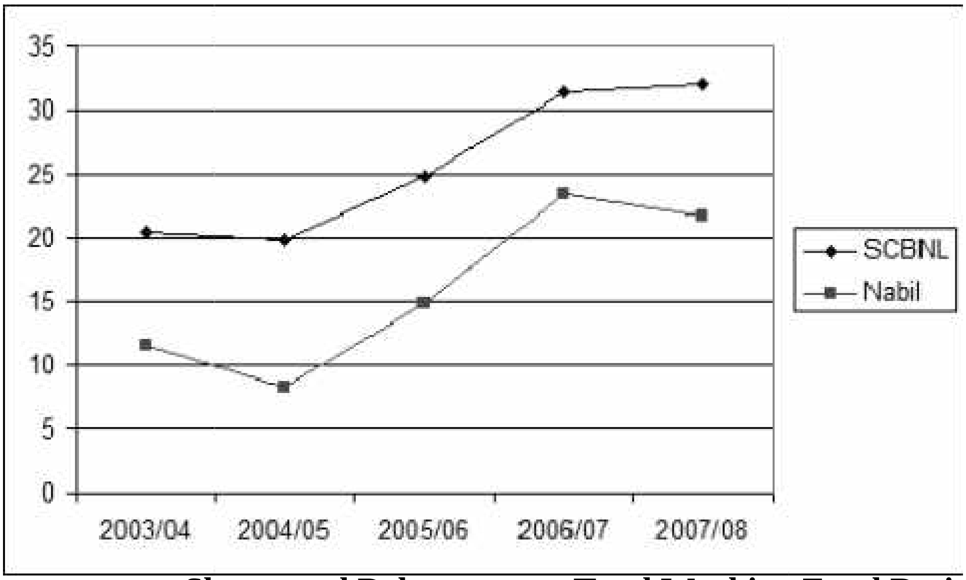
From the table, the mentioned ratios are calculated as per "Appendix-A,B' and mean, S.D. and C.V. of the these ratios are calculated as per 'Appendix-K'

The above table shows that investment on government securities to total working fund ratios of SCBNL and Nabil banks are floating trend. SCBNL has range from 19.835 (in 2004/05) to 32.013 (in 2007/08). Similarly Nabil has range form 8.212 (in 2004/05) to 23.372 (in 2006/07). Mean values of SCBNL and Nabil are 25.124 and 36.443 respectively.

From the above figure, it is cleared that SCBNL has higher mean ratios than Nabil. It shows that SCBNL has succeeded to mobilize the funds as investment on government securities. It shows that SCBNL has succeeded to mobilize the funds as investment on government securities. Its investment policy is also consistent than Nabil.

Figure -6

Investment on Government Securities to Total Working Fund Ratio of SCBNL and Nabil



v. Investment on Shares and Debentures to Total Working Fund Ratio

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

4.1.3 Profitability Ratios

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

The following ratios can be to taken to clear this heading.

i. Return on Loan and Advances Ratio

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

Table No. 10

Return on Loan and Advances Ratio

Fiscal Year	SCBNL	Nabil
2003/04	8.826	4.603
2004/05	8.83	4.487
2005/06	7.4761	3.500
2006/07	8.934	3.652
2007/08	8.900	5.367
Total	42.221	21.609
Mean	8.4441	4.322
S.D.	0.579	0.681
C.V.	6.857	15.757

Source : Annual Report of SCBNL and Nabil

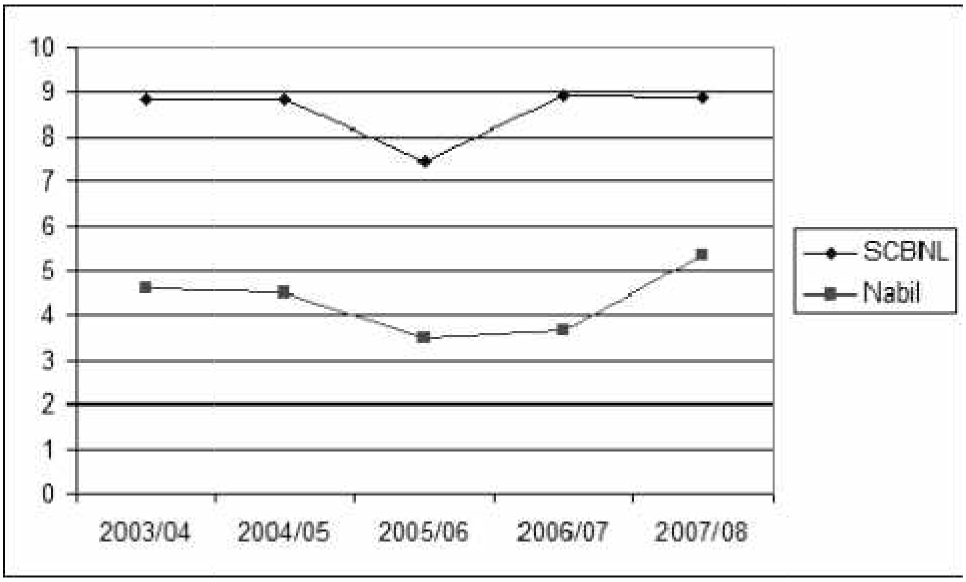
From the table, the mentioned ratios are calculated as per 'Appendix A, B' and mean, S.D. and C.V. are calculated as per 'Appendix-K'.

The above comparative table shows that the ratios of SCBNL and Nabil are seen to be in fluctuating trend. SCBNL has 8.934 highest ratios in 2006/07 and 7.083 lowest ratio in 2005/06. Nabil has 5.367 highest ratios in 2007/08 and 3.5 lowest ratio in 2005/06. Comparing the mean ratio, SCBNL has higher ratio than and the coefficient of variation of SCBNL is lower than that of Nabil.

Form the above analysis, it can be concluded that SCBNL has higher return on loan and advances in comparison to Nabil. And SCBNL has also higher consistency than that of Nabil. It is also clear that Nabil to invest in productive sector to increase return ratios.

Fig No. 7

Return on Loan and Advances Ratio



ii. Return on Total Working Fund Ratio

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

Table No. 11

Return on Total Working Fund Ratio

Fiscal Year	SCBNL	Nabil
2003/04	2.7611	2.187
2004/05	2.32	2.191
2005/06	2.26	1.586
2006/07	2.598	1.541
2007/08	2.414	2.513
Total	12.331	10.018
Mean	2.466	1004
S.D.	0.193	0.377
C.V.	7.826	18.789

Source : Annual Report of SCBNL and Nabil

From the table, the ratio is calculated as per Appendix-A,B' and mean S.D. and C.V. are calculated as per 'Appenix-K'

From the above comparative table, it reflects that the ratios of both banks are seen to be in fluctuating trend. SCBNL has 2.761 highest ratio is 2003/04 and 2.226 lowest ratio in 2005/06 where as Nabil has 2.5131 highest ratio in 2007/08 and 1.541 lowest ratio in 2006/07. Mean ratios of SCBNL and Nabil are 1.466 and 2.004 respectively. And C.V. of these banks are 7.826 to 18.789 respectively.

In conclusion, it can be said that SCBNL higher mean ratio than Nabil. It indicates SCBNL is able to earn high profit on total working fund assets in comparison to Nabil. Coefficient of variation of Nabil is higher than SCBNL and has more consistent return on its working fund. Nabil has to make efforts to earn high profit by mobilizing its working assets more efficiently.

iii. Total Interest Earned to Total Outside Assets Ratio

This ratio is used to measure the capacity of the firm of earning interest through proper utilization of outside assets. Higher the ratio higher will be the earning power of total outside assets and vice-versa. This ratio plays vital role in commercial banks as main assets. It can be calculated by dividing total interest earned by total outside assets.

Table No. 12

Total Interest Earned to Total Outside Assets Ratio

Fiscal Year	SCBNL	Nabil
2003/04	13.364	12.531
2004/05	12.823	12.196
2005/06	11.742	11.436
2006/07	9.083	9.673
2007/08	8.056	8.455
Total	55.068	54.7911
Mean	11.014	10.9581
S.D.	1.0181	1.409
C.V.	9.273	12.858

Source : Annual Report of SCBNL and Nabil

From the table, the ratios are calculated as per 'Appendix A, B' and mean, S.D. and C.V. are calculated as per 'Appendix-K'.

This comparative table states that the ratios of SCBNL and Nabil are decreasing trend during the study period. SCBNL has mainted 13.364 highest ratios in 2003/04 and 8.056 lowest ratio in 2007/08. Nabil has 12.531 highest ratios in 2003/04 and 8.955 lowest ratio in 2007/08. Mean ratios of SCBNL and Nabil are 11.014 and 10.958 respectively. C.V. of these banks is 9.273 and 12.858 respectively.

From above comparison table, it can concluded that the mean ratio of SCBNL is higher Nabil. It means SCBNL has earned higher amount of interest on its outside assets in comparison to Nabil. The coefficient of varisation of SCBNL is quite lower than Nabil. It indicates that the ratio of SCBNL is more consistent than Nabil. It can be said that if Nabil want to increase its amount of earning, it should increase its fund on total outside assets.

iv. Total Interest Earned to Total Working Fund Ratio :

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

Table No. 13

Total Interest Earned to Total Working Fund Ratio

Fiscal Year	SCBNL	Nabil
2003/04	6.933	7.41
2004/05	6.252	6.969
2005/06	6.421	6.897
2006/07	5.496	6.654
2007/08	4.768	6.146
Total	29.870	33.779
Mean	5.974	6.756
S.D.	0.758	0.451
C.V.	12.688	6.676

Source : Annual Report of SCBNL and Nabil

From the table, the ratios are calculated as per 'Appendix-A,B' and mean, S.D. and C.V. are calculated as per 'Appendix-K'.

The above table shows that the total interest earned to total working fund ratios of SCBNL are in fluctuating trend. It has the range from 6.933 (in 2003/04) in

4.768 (in 2007/08) . The ratios of Nabil are in decreasing trend. It has range from 7.413 (in 2003/04) to 6.146 (in 2007/08). The mean ratios of SCBNL and Nabil are 5.974 and 6.756 respectively. Similarly, C.V. of SCBNL and Nabil are 12.688 and 6.676 respectively.

In the case of mean ratios, Nabil has highest mean ratio than SCBNL. It clears that Nabil's interest earning power with respect to total working fund seems to be effective than that of SCBNL. In case of coefficient of variation, Nabil has lower (i.e.6.676) than SCBNL. It indicates that the earning ratio with respect to total working fund of Nabil is more stable (consistent) than SCBNL.

v. Total Interest paid to Total Working Fund Ratio

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

Table No. 14

Total Interest paid to Total Working Fund Ratio

Fiscal Year	SCBNL	Nabil
2003/04	2.957	3.319
2004/05	2.554	4.768
2005/06	2.440	3.149
2006/07	1.618	2.621
2007/08	1.215	1.916
Total	10.784	13.887
Mean	2.157	2.777
S.D.	0.640	0.494
C.V.	29.671	17.789

Source : Annual Report of SCBNL and Nabil

From the table, the ratios are calculated as per 'Appendix A, B' And mean, S.D. and C.V. are calculated as per 'Appendix A, B'. And mean, S.D. and C.V. are calculated as per 'Appendix-K'.

The above comparative table shows that the total interest paid to working fund ratios of SCBNL are in decreasing trend. It has 2.957 highest ratios in F/Y 2003/04 and 1.215 lowest ratios in F/Y 2007/08. The ratios of Nabil are in fluctuating trend. Nabil has 3.319 highest ratio in F/Y 2003/04 and 1.916 lowest ratio-in F/Y 2007/08. Mean ratios of SCBNL and Nabil are 2.157 and 2.777 respectively. And coefficient of variation of SCBN and Nabil are29.71 and 17.789 respectively.

The mean ratio of Nabil is has higher than SCBNL. It indicates that the interest paying capacity of Nabil on its working fund is higher than that of SCBNL. Nabil has lower coefficient of variation of ratios in comparison to SCBNL. Nabil has more consistency than SCBNL. In this way, it can be concluded that Nabil is in better position from interest payment point of view.

vi. Total Interest Earned to Operation Income Ratio

This ratio is used to find out the ratios of interest income with operating income of the banks or the financial institutions. It mainly indicates that how efficient is the bank in the mobilization of its resources in bearing i.e., loan and investment, investment, etc. This ratio can be calculated by dividing the total interest earned by, total operating incomes such as shares and debentures of other companies, government securities and debentures of other companies, government securities and loan and advances etc. and it has given more emphasis to the no fund activities to earn high amount of profit.

4.1.4 Risk Ratios

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

i. Liquidity Risk Ratio

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

Table No. 15

Liquidity Risk Ratio

Fiscal Year	SCBNL	Nabil
2003/04	7.399	6.667
2004/05	8.119	8.519
2005/06	6.228	5.132
2006/07	5.211	6.783
2007/08	8.063	8.513
Total	35.0210	35.614
Mean	7.004	7.123
S.D.	1.126	1.277
C.V.	16.076	17.928

Source : Annual Report of SCBNL and Nabil

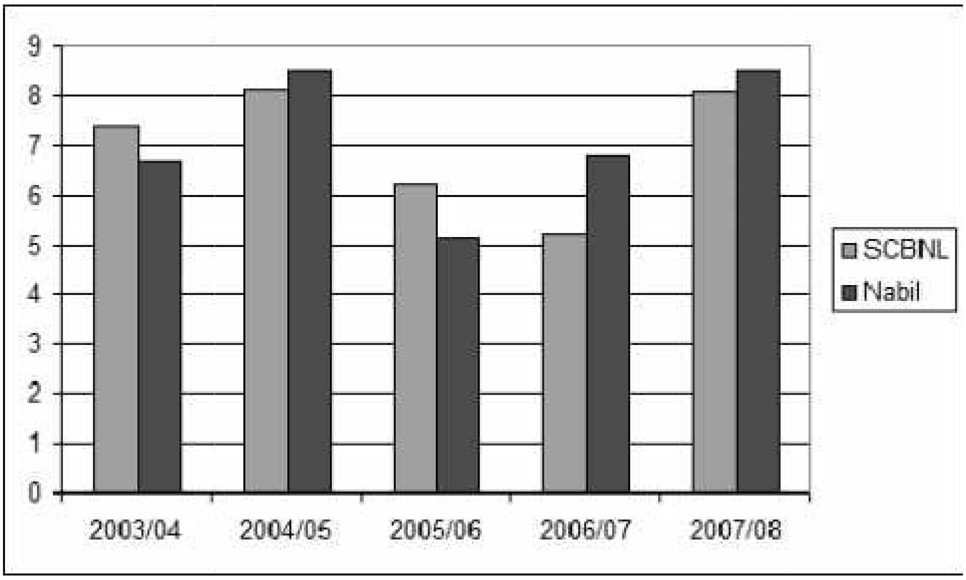
From the table, the ratios are calculated as per 'Appendix-A,B' And mean, S.D. and C.V. are computed as per 'SAppendix-K'.

According to the above table, the liquidity risk ratios of all banks have fluctuating trend. SCBNL has recorded 8.119 highest ratios in F/Y 2004/05 sand 5.211 lowest ratios in F/Y 2006/07. Nabil has the highest ratio of 8.519 in F/Y 2004/05 and 5.132 lowest ratios in F/Y 2005/06. Mean ratios f SCBNL and Nabil are 7.004 and 7.123 respectively. similarly, C.V. of these banks is 16.076 and 17.928 respectively.

The mean ratio of SCBNL is lower than Nabil. It indicates that SCBNL has maintained more consistency in comparison to Nabil. Here it is operating with higher risk, which increases profitability. But, Nabil has maintained higher liquidity which operates lower risk and decreases profitability. It has also maintained, stable liquidity policy because of lower coefficient of variation.

Fig No. 8

Liquidity Risk Ratio



ii. Credit Risk Ratio

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

Table No. 16

Credit Risk Ratio

Fiscal Year	SCBNL	Nabil
2003/04	31.279	47.512
2004/05	28.856	48.820
2005/06	29.773	45.322
2006/07	29.084	42.191
2007/08	27.122	46.828
Total	146.114	230.673
Mean	29.223	46.135
S.D.	1.345	2.264
C.V.	4.602	4.907

Source : Annual Report of SCBNL and Nabil

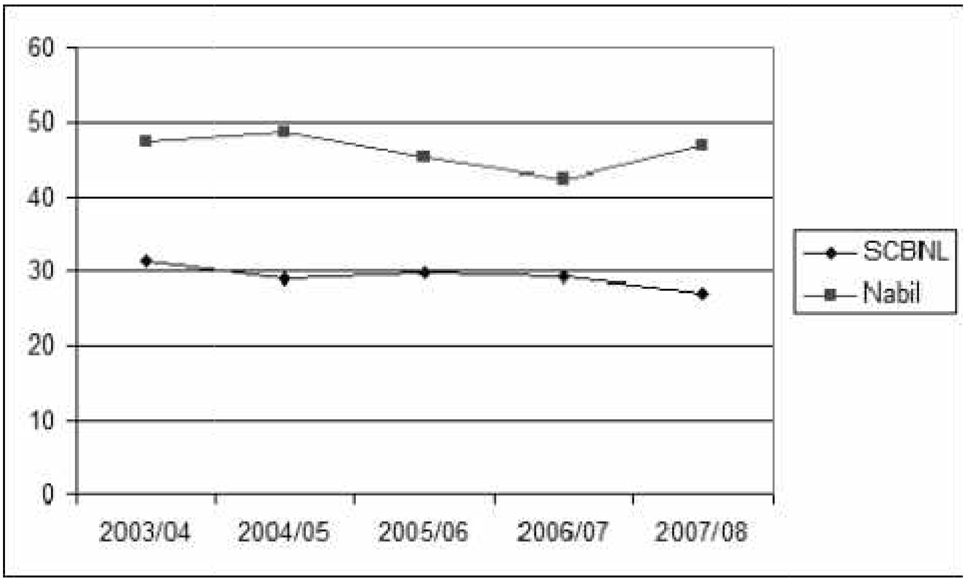
From the table, the ratios are calculated as per 'Appendix-A, B And the mean, S.D. and C.V. are calculated as per 'Appendix-K'.

The above comparative table show that the ratios of both banks are in fluctuating trend. SCBN has recorded 31.279 in F/Y 2004/04, which are the highest ratio in F/Y 2004/05 and 42.191 lowest ratios in F/Y 2006/07. The mean ratios of SCBNL and Nabil are 29.223 respectively.

From the above analysis, it can be reflected that the mean ration of SCBNL is lower than Nabin. It indicates that SCBNL has not bore risk on its total assets of loan and advances in comparison to Nebil .But the C.V. of Nebil is higher than SCBNL which indicates that Nebil's risk ratio is more variable than that of SCBNKL . Lastly, it can be concluded that SCBNL has comparatively lower degree of credit risk than Nebil.

Fig No. 9

Credit Risk Ratio



Statistical Analysis

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

Coefficient of Correlation Analysis

This statistical tool has been used to interpret and analyze the relationship between two or more variable. Under this topic, Karl Pearson's co-efficient of correlation is used to find out the relationship deposit and loan advance, total deposits and total investment total outside assets an net profit, deposit and net profit, deposit and interest earned, loan and advances and interest paid as well as total working fund and net profit.

i. Coefficient of Correlation between Deposit, Loan and Advace

The coefficient of correlation between total deposit and loan and advances used to measure the degree of relationship between thes two variables. The main purpse of calculating coefficient of correlation between deposit and loan and advances is to justify whether deposits are significantly used as loan and advanes or not. In this analysis, deposit is an independent variable (x) and loan and advances are dependent variable. (Y).

Table No. 17

Coefficient of Correlation between Deposit, Loan and Advance

Banks	r	r^2	P.E.(r)	6.P.E. (r)
SCBNL	0.981	0.775	0.068	0.406
Nabil	0.904	0.817	0.055	0.331

Source : Annual Report of SCBNL and Nabil

The above table shows that r,r^2,P.E. (r) between deposit and loan and advances of SCBNL and Nabil for the period of 2001/02 to 2005/06. In the table, mention values are calculated as per 'Appendix-C'.

From the above table, it is clear that the coefficient of correlation between deposit and loan and advances of SCBNL is 0.981. It means positive relationship between these trwo variables. In the case of SCBNL, values of coefficient determination (r^2) is 0.775, it indicates 77.50 of variation (loan and advances) has been explained by the independent variable (deposit). Similarly, considering the value of 'r' i.e. 0.981 and comparing it with six times of probable error (P.E. (r) i.e. 0.406, than 6. P.E. (r) (r >6 P.E. (r) which means that value of r is highly significant. When we observe correlation between total deposit and loan and advances of Nabil, the coefficient of correlation between them, Whereas, the value of coefficient of determination (r^2) is 0.817, which means 81.70% in the dependent variable (Loan and advances) has been explained by the independent variable (Deposit). Moreover, considering the times of probable error (P.E. (r) i.e. 0.331 which means that the value of 'r' highly significant.

From the above analysis, we can conduct there is significant relationship between deposit and loan and advances. It means both banks are successful in mobilizing their deposit as loan and advances. SCBNL has higher value or 'r' indicates the better position to mobilization the deposit as loan advances in comparison Nabil.

ii. Coefficient of Correlation between Total Deposit and Total Investment

Coefficient of correlation between deposit and total investment measures the degree of relationship between two these variable. Here, deposit is an independent variable (X) and total investment is dependent variable (Y). The main purpose of this correlation is to find out whether the deposit is significantly used in proper way or not.

Table No. 18

Coefficient of Correlation between Total Deposit and Total Investment

Banks	r	r^2	P.E.(r)	6.P.E. (r)
SCBNL	0.933	0.871	0.039	0.2344
Nabil	0.273	0.074	0.279	1.674

Source : Annual Report of SCBNL and Nabil

The above table shows that r,r^2,P.E. (r) and 6. P.E. (r) between total investment of SCBNL and Nabil are calculated respectively for the period of 2003/04 to 2007/08. The mentioned values are calculated as per 'Appendix'

The above table shows that the coefficient between total deposit and total investment of SCBNL and Nabil are 0.933 and 0.273 respectively. It shows the highly positive between these two variable. In case SCBNL, considering coefficient of determination, the value of (r^2) is 0.871, which indicates that 87.10% of the variation in the dependent variable (total investment) has been explained by the independent variable (deposit). In the case of Nabil, r^2 is 7.40% which indicates the variation in the dependent variable has been explained by the independent variable. In the case of SCBNL, the value of 'r' is higher than 6 P.E. (r) i.e. 0.933> 0.234 > 0.234. So it is significant relationship. In the case of Nabil, it is less than 6 P.E. (r) i.e. 0.273<1.674. Therefore, there is no significant relationship between these variables.

From the above analysis, it can be concluded that in the case of SCBNL, there is significant relationship between deposit and total investment. But in the case of Nabil, there is no significant relationship between deposit and total investment. Now it can be said that SCBNL has variable policy in mobilizing its deposits deposit as investment.

iii. Coefficient of Correlation between outside Assets and Net Profit

Coefficient of correlation between outside assets and net profit measures the degree of relationship between these two variable. Its main purpose is to find out whether the net profit is significantly correlated with respective total assets or not. Here outside asset is independent variable (X) and net profit is dependt variable (Y).

Table No. 19

Coefficient of Correlation between outside Assets and Net Profit

Banks	r	r^2	P.E.(r)	6.P.E. (r)
SCBNL	0.976	0.953	0.014	0.085
Nabil	0.331	0.109	0.269	1.612

Source : Annual Report of SCBNL and Nabil

From the above table, r,r^2,P.E. (r) and 6. P.E. (r) between total outside assets and net profit of SCBNL and Nabil are calculated respectively for the period of 2004/05 to 2005/06 are calculated as per 'Appendix-C'.

The above table shows that the coefficient of correlation between outside asset and net profit (r) of SCBNL and Nabil are 0.976 sand 0.31 respectively. It means that there is highly positive relationship between these two variables. In the each of SCBNL, considering coefficient of determination, the value of r^2 is 0.953 which indicates that 95.30% of the variation in the dependent variable (net profit) has been of the dependent variable has been explained by the independent variable. In the case of Nabil, is 10.90% of the dependent variable has beenxplained by the independent variable. In the case of SCBNL, the value of 'r' is higher than 6 P.E. 9 (r) i.e. 0.976>0.085. So it is significant relationship. But in the case of Nabil, the value of Y is less than 6 P.E. 9 (r) i.e. 0.331 < 1.612. Therefore, there is no significant relationship between these two variable.

From the above analysis it can be predicted that SCBNL is successful in mobilizing of fund and earn return (net profit) from such mobilized funds. SCBNL has higher value of Y which shows that the position of SCNL is better regarding the mobilizing of outside assets in profitable way.

iv. Coefficient of Correlation between deposit and Net Profit

The coefficient of correlation between deposit and net profit used to measure the degree of relationship between these two variables. The purpose of computing 'r' between two variable is to find out whether deposits are significantly used to obtain return in a proper way or not. Here deposit is independent variable (X) and net profit is dependent variable (Y).

Table No. 20

Coefficient of Correlation between outside Assets and Net Profit

Banks	r	r^2	P.E.(r)	6.P.E. (r)
SCBNL	0.969	0.939	0.018	0.111
Nabil	0.060	0.004	0.301	1.803

Source : Annual Report of SCBNL and Nabil

From the above table, r,r^2,P.E. (r) and 6. P.E. (r) between deposit and net profit of SCBNL and Nabil are mentioned for the period of 2003/04. The mentioned value are calculated as per 'Appendix-C'

The above table reflect that the coefficient of correlation between deposit and net profit of SCBNL d Nabil are 0.969 and 0.060 respectively. It means thee is highly positive relationship between these two variable in case of SCBNL. But there is positive relationship between these two variables in case of SCBNL. But there is

SCBN, considering coefficient of determination, the value of r2 is 0.939, which indicates that 93.90% of the variation in the dependent variable (net profit) has been explained by the independent variable (deposit). In the case of Nabil , it is 0.4% whose dependent variable has been explained by the independent variable. The value of 'r' of SCBNL is higher than 6 P.E. (r) i.e. 0.969>0.111. So it is significant relationship. But the value of 'r' of Nabil and less than 6 P.E. (r) i.e. 0.060<1-803. Therefore, there is no significant relationship between these two variables.

V. Coefficient of Correlation between Deposit and Interest Earned:

The correlation of coefficient between deposit and interest earned measure the degree of relationship between these two variables. here, deposit is independent variable (x) and interest earned is dependent variables (Y) . The objective of calculating Y between two variables is to find out whether deposit is significantly used to earned interest in a proper way or not .

Table No. 21

Coefficient of Correlation between outside Assets and Net Profit

Banks	r	r^2	P.E.(r)	6.P.E. (r)
SCBNL	0.283	0.080	0.0277	1.662
Nabil	0.909	0.829	0.052	-

Source : Annual Report of SCBNL and Nabil

The above table shows the values r, r^2 P.E. (r) and 6 P.E. (r) between deposit and interest earned of SCBNL and Nabil are mentioned for the period of 2001/02 to 205/06. The above mentioned values are calculated as per 'Appendix-C'.

The above listed table shows that the coefficient of correlation between deposit and interest earned of SCBNL and Nabil are 0.283 and 0.909 respectively. These indicate that there is positive relationship in the case of SCBNL. And is highly positive relation between these who variables in the case of Nabil. In the case of SCBNL, considering the coefficient of determination the value of r^2 is 0.080 which indicates that 8.0% of the variation in the dependent variable (interest earned) has been explained the independent variable (deposit). In the case of Nabil, 82.80% of the dependent variable has been explained by the independent variable.

The value of 'r' of SCBNL is lower than 6P.E. (r) i.e. 0.283<1.662 . So it is no significant relationship between deposit and interest earned. But the values of Y of Nabil is higher than 6P.E. (r) i.e. 0.909 >0.311. There is significant relationship between these two variables.

From the above analysis, it can be said that there is better position Nabil in comparison to SCBNL because it has higher y than SCBNL.

vi. Coefficient of Correlation between Loan and Advances and Interest Paid

The coefficient of correlation between loan and advances and interest paid is used to measure the degree of relationship between these two variable (X) and interest paid is dependent variable (Y). The main objective of computing Y between these variables is whether increase in loan and advances or decrease in the interest paid of the banks.

Table No. 22

Coefficient of Correlation between Loan and Advances and Interest Paid

Banks	r	r^2	P.E.(r)	6.P.E. (r)
SCBNL	-0.445	0.198	0.242	1.45
Nabil	0.398	0.159	0.254	1.522

Source : Annual Report of SCBNL and Nabil

The above table shows the values r, r^2 P.E. (r) and 6 P.E. (r) between loan and advance interest paid of SCBNL and Nabil are mentioned for the period of (2001/02 to 2005/06). The above mentioned values are calculated as per 'Appendix-C'.

The above table shows the coefficient of correlation between these two variables of SCBNL and Nabil are -0.445 and 0.398 respectively. These indicate that there is negative relationship in the case of SCBNL. And there is positive relationship in the case of Nabil. The value of coefficient of determination (r^2) of SCBNL IS 0.198. It means 19.80% of variation in dependent variable has been explained the independent variable. In case of Nabil, 15.90% of the dependent variable has been exsplained by independent variable. The value of 'r' of SCBNL is less than 6 P.E. (r) i.e. -0.445 <1.45. So there is no significant relationship between loan and advances and interest paid. The value of r of Nabil is also less than 6P.E. (r) i.e. 0.698 < 1.-51.21.

v. Coefficient of Correlation between Total Working Fund and Net Profit

The coefficient of correlation between total working fund and net profit measures the degree of relationship between these two variable. Here the working fund is independent (X) variables and net profit is dependent variables (Y). The main purpose of significant used to earn net profit in proper way or not.

Table No. 23

Coefficient of Correlation between Total Working Fund and Net Profit

Banks	r	r^2	P.E.(r)	6.P.E. (r)
SCBNL	0.890	0.792	0.063	0.376
Nabil	0.169	0.027	0.2193	1.758

Source : Annual Report of SCBNL and Nabil

The above table shows the values r, r^2 P.E. (r) and 6 P.E. (r) between total working found and net profit of SCBNL and Nabil are mentioned for the period of 2001/02 to 2005/06. The above mentioned values are calculated as per 'Appendix-C'.

The above table shows that the coefficient of correlation between these two variables of SCBNL and Nabil 0.890 and 0.169 respectively. These indicate that there is highly positive relationship in the case of SCBNL and positive relationship in the case of Nabil. In case of SCBNL, considering the coefficient of determination the value of r^2 is 0.792 which indicates that 79.20% of the variation in the dependent variable (net profit) has been explained the depended varisable (total working fund). In the case of Nabil, 2.70% of the dependent variable has been explained by the independt variable. The value of 'r' of SCBNL, is higher than 6 P.E. (r) i.e. 0.890 (r) i.e. 0.890>0.376, so there is significant relationship. But the values of 'r' of Nabil is less than 6 P.E. (r) i.e. 0.169<1.758. Therefore there is no significant relationship between these two variables.

4.2.2 Trend Analysis

The main objective of this analysis is to analyze or interpret the trend of deposits loan and advances, investment and net profit of SCBNL and Nabil for the period of 2003/02 to 2007/08. And, it also helps to make forecasting for net five years up to 2009/10. The forecastes are based on th following assumption :

- The main assumption is present position
- The banks will run in present positon
- The forecast will be true when the limitation of least square method is carried out.
- The economy will remain in the present condition
- Central Bank (NRB) will not change its guidelines to commercial banks.

i. Trend Analysis of Total Deposit

This analysis has been made to calculate the trend values of deposit of SCBNL and Nabil for five years form 203/04 to 2007/08 and forecast for five years till 2012/13.

Table No. 24

Trend Values of Total Deposit of SCBNL and Nabil

Fiscal Year	SCBNL	Nabil
2003/04	11061.338	11268.641
2004/05	12906.20	12338.01
2005/06	14751.02	13340.738
2006/07	16595.841	14476.75
2007/08	18440.66	15546.12
2008/09	20285.48	16615.49
2009/10	22130.330	17684.86
2010/11	23975.12	18754.23
2011/12	25819.94	19823.60
2012/13	27664.761	20892.97

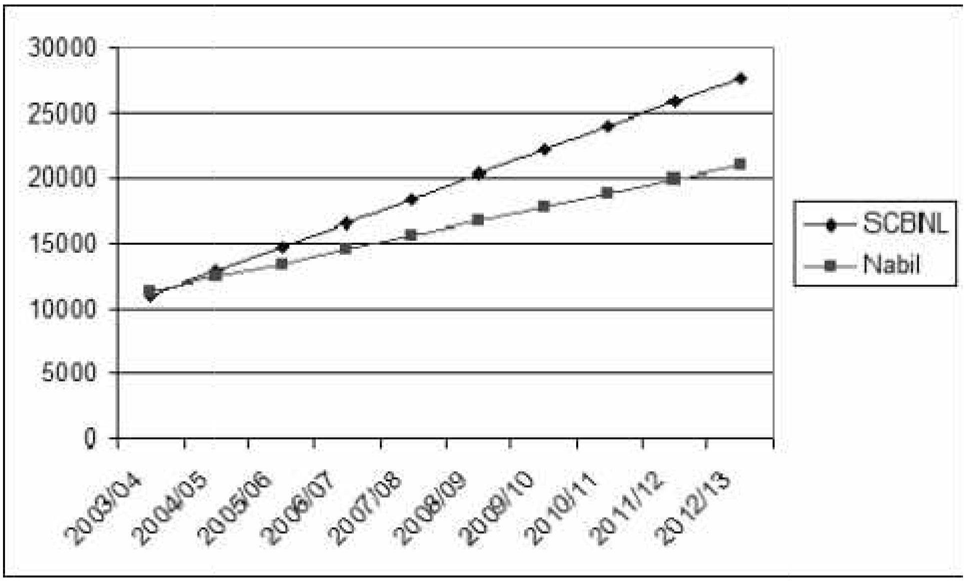
From the table, the trend values of total deposit of SCBNL and Nabil are calculated as per 'Appendix-D'.

The above table shows that total deposit of both banks (i.e. SCBNL and Nabil) is in increasing trend. Other things remaining the same, the total deposit of SCBNL and Nabil in year 2012/13 be Rs. 27664.76 and 20892.97 million respectively. It mean thar rend value of SCBNL is higher Nabil.

From the above analysis, it can be said that SCBNL 's total deposit trend will be satisfactory. The above calculated trends values of total deposit of SCBNL and Nabil are fitted in the trend lines given as follows:

Figure 10

Trend Values of Total Deposit of SCBNL and Nabil



ii. Trend Analysis of Loan and Advances

This analysis has been made to calculate the trend value of loan and advances of SCBNL and Nabil for five years from 2003/04 to 2007/08 and forecast for net five years till 2012/13.

Table No. 25

Trend Analysis of Loan and Advances

Fiscal Year	SCBNL	Nabil
2003/04	3648.45	6520.95
2004/05	4399.40	6924.67
2005/06	5150.35	7328.39
2006/07	5901.30	7732.11
2007/08	6652.25	8139.54
2008/09	7403.20	8539.54
2009/10	8154.151	8946.26
2010/11	8905.10	9346.98
2011/12	9656.05	9750.69

2012/13	10407.00	10154.421

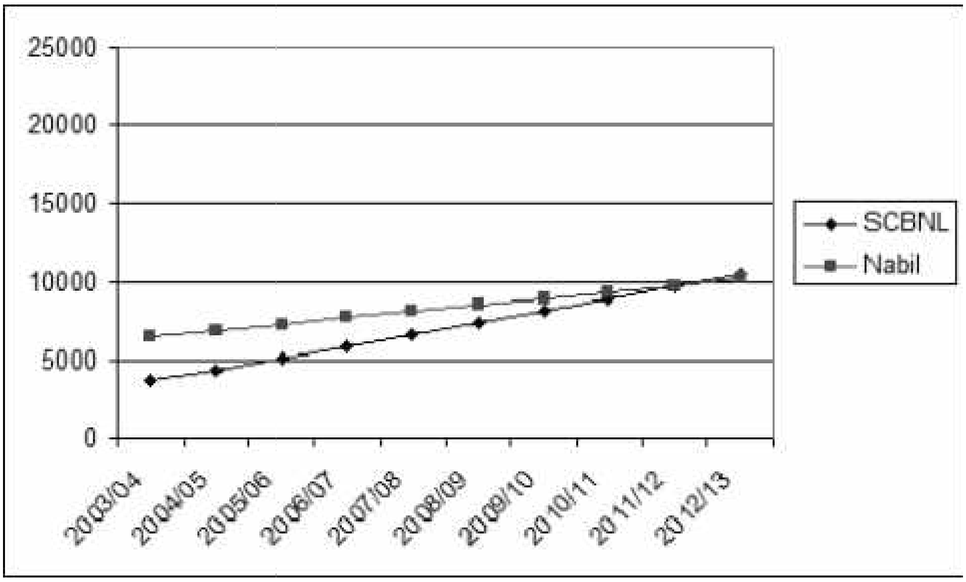
Source : Annual Report of SCBNL and Nabil

From the table, that the trend values of loan advances are in increasing. If other things remain the same, the loan and advances of SCBNL and Nabil will be Rs. 10407.00 and 10154.42 million respectively. It shows that the trend value of Nabil is higher than SCBNL during this study period.

In conclusion, it is cleared that SCBNL"s utilization of deposit in terms of loan and advances is comparatively lower Nabil. The above calculator trend values of loan and advances of SCBNL and Nabil are fitted in the trend lines given as follows.

Figure 11

Trend Analysis of Loan and Advances



iii. Trend Analysis of Total Investment of SCBNL and Nabil

This analysis has been made to calculated the trend values of total investment of SCBNL and Nabil for five years form 2003/04 to 2007/08 and forest for next years form 2003/04 to 2005/06 to 2007/08 and forest for nest five years till 2012/13.

Table No. 26

Trend Analysis of Total Investment of SCBNL and Nabil

Fiscal Year	SCBNL	Nabil
2003/04	2788.88	1180.94
2004/05	4916.80	1454.097
2005/06	7044.72	2635.91
2006/07	9172.641	3363.39
2007/08	11100.56	4090.87
2008/09	13428.48	4818.36
2009/10	15556.40	5545.84
2010/11	17684.32	6273.32
2011/12	19812.241	7000.81
2012/13	21940.161	7728.29

Source : Annual Report of SCBNL and Nabil

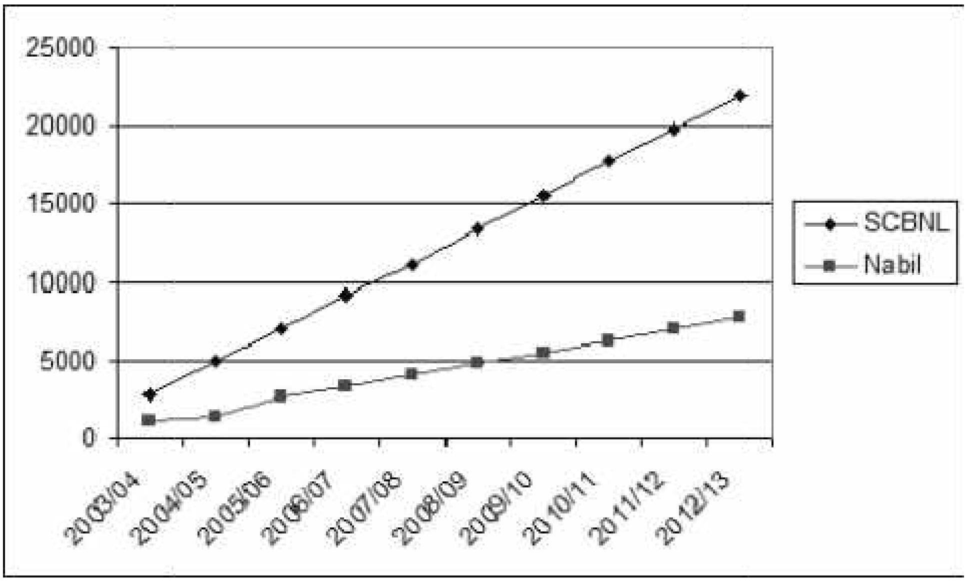
From the table, the trend values of total investment of SCBBN and Nabil are calculated as per 'Appendix-D'

The above compare table shows that the trend values of total investment are in increasing trend. If other things remain same, the total SCBNL and Nabil will be Rs. 21940.16 and 7728.29 million respectively. It reflects that the trend values of SCBNL are higher than Nabil during this study period.

In conclusion, it can be concluded that SCBNL's total investment trend is more satisfactory whereas Nabil has not maintained well investment trend during this study period. The above trend of total of these banks are fitted in the trend lines given as follows :

Figure :12

Trend Values of Total Investment of SCBNL and Nabil



iv. Trend Analysis of Net Profit

This has also been made to compute the trend values of net profit of SCBNL and Nabil for five years form 2003/04 to 2007/08 and forecast for the same for next five years till.

Table No. 27

Trend Analysis of Total Investment of SCBNL and Nabil

Fiscal Year	SCBNL	Nabil
2003/04	357.30	266.56
2004/05	395.46	290.76
2005/06	433.62	314.97
2006/07	471.78	339.17
2007/08	509.94	363.38
2008/09	548.10	387.58
2009/10	586.26	411.79
2010/11	624.42	435.99
2011/12	662.58	460.20
2012/13	700.74	484.40

Source : Annual Report of SCBNL and Nabil

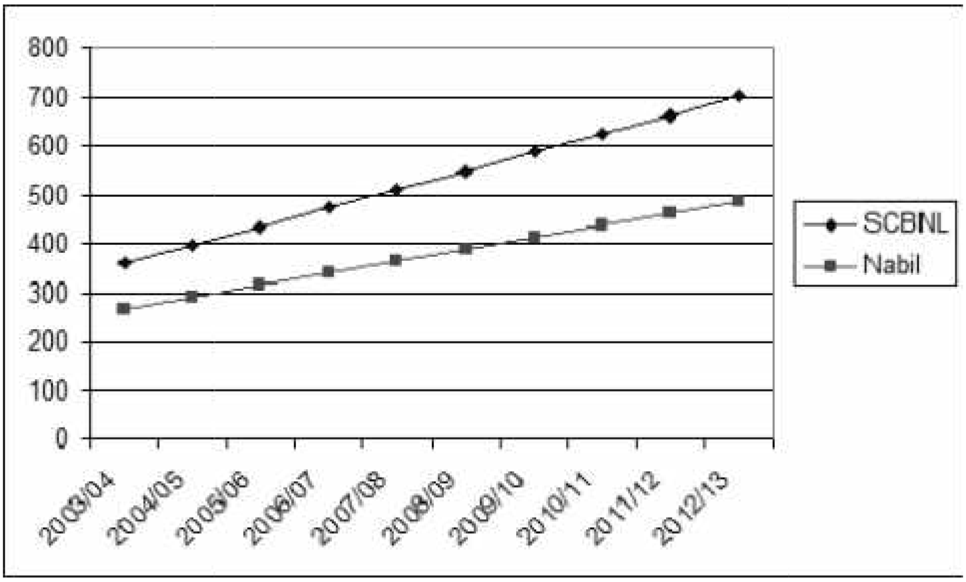
From the table, the trend values of net profit of SCBNL and Nabil are calculated as per 'Appendix-D'.

The above table reveals that the trend value of net profit of both banks. (i.e. SCBNL and Nabil) is in creasing trend. Other things remaining the same, the net profit of SCBNL in F/Y 2012/13 Will be Rs. 700.74 million, which it is higher than Nabil. Net profit of Nabil in F/Y 2007/08 will be 448.40 million.

From above analysis, it can be concluded that SCBNL seems to have utilize its funds to earn handsome amount of profit in comparison to Nabil. The above given trend values of table have been fitted in trend lines which are as follows.

Figure 13

Trend Values of Net Profit of SCBNL and Nabil



4.2.3 Test of Hypothesis

The main objective of this test is to test the significant difference regarding the parameter of the various relations related with the banking business. The following steps have been followed in the test of hypothesis.

- Formulating hypothesis. :
    - Null hypothesis
    - Alternative hypothesis

- Computing the test hypothesis
- Fixing the level of test statistics
- Finding criteria region
- Deciding two-tailed test or one-tailed test.
- Making decisions.

t-test

It there is a large number of smaller sample i.e. ($n < 30$) and compute the mean for each sample and then plot the frequency distribution of these means, the resulting, and sample and then plot the frequency distribution of these means, the resulting and sampling distribution would be t-test.

Assumptions

i. The population's form which the sample are drawn are normally distributed.

ii. The population standard deviation is not known.

iii. The given samples are drawn by random and independent to each other.

(i) t-test of significant difference on loan and advance to total deposit ratio between SCBNL and Nabil

(i.e. there is no significance difference between mean ratios of loan and advances to total deposit of SCBNL and Nabil). Alternative Hypothesis **H_1 : :«H_1 = «H_2** (Two tailed test) i.e., there is significant difference between mean ratios of loan and advances to total deposit of SCBNL and Nabil). The test statistic under H_0 is :

t = with …………….. d.f. = n_1 + n_2 **– 2**

S^2 = 10.603 (For details see Appendix)

$$\ldots t \ \mathrm{X} \frac{35.341 \ \mathrm{Z} \ 55.352}{\sqrt{18.603 \ \frac{1}{5} \ \Gamma \ \frac{1}{5}}} \ \mathrm{XZ}7.336$$

Hence $|t|$ X7.336

Tabulated value of t at 5% level of significance for (n_1 + n^2 -2) = 8 d.f. is 2.306.

Decision : Since the calculated value of $|t|$ = 7.336 is greater than the tabulated value i.e. 2.306, Nulll hypothesis (H_0) is rejected and hence, H_1 accepted which means there is significance between mean ratio of loan advances to total deposits of SCBNL and Nabil.

(ii) t-test of significant difference on total investment to total deposit ratio between SCBNL and Nabil.

Let, total investment to total deposit ratio of SCBNL and Nabil can be represented by X_1 and X_2 respectively.

(a) Test of significant of difference between SCBNL and Nabil Null Hypothesis H_0: «X_2

(i.e. there is no significant difference between mean ratios of total investment to total deposit of SCBNL and Nabil)

Alternative Hypothesis $\mathbf{H_2}$: ⇑$\mathbf{X_1}$ = ⇑$\mathbf{X_2}$ (Two-tailed)

(i.e., there is significant difference between mean ratios of total investment to total deposit SCBNL and Nabil)

The test static under H_0 is :

$$t = \frac{\overline{X}_1 \; \overline{X}_2}{\sqrt{s^2 \; \frac{1}{n_2} \Gamma \frac{1}{n_2}}} \text{ with d.f. = n1 + n2-2}$$

S^2 = 10.603 (For details see Appendix)

$$\ldots t \; X \frac{45.2841 \, Z 19.151}{\sqrt{197.192 \; \frac{1}{5} \Gamma \frac{1}{5}}} X 2.942$$

Tabulated value of t at 5% level of significance for 5+5-2 = d.f. is 2.306.

Decision : Since the calculated value of t = 2.942 is greater than tabulated value (i.e. 2.306). Null hypothesis (HO) is rejected. It means that there is significant difference between mean ratios of total investment to total deposit SCBNL and Nepal).

(iii) t-test significant difference on investment on government securities to current assets ratios between SCBNL and Nabil

Let investment on government securities to current assets ratios of SCBNL and Nabil can be represented by X_1 and X_2 respectively.

(a) Test of significant of difference between SCBNL and Nabil Null Hypothesis H_0: $\Uparrow \mathbf{X_1} = \Uparrow \mathbf{X_2}$

(i.e. there is no significant difference between mean ratios of investment on government securities to current assets of SCBNL and Nabil.

Alternative hypothesis $\mathbf{H_1}$: $\Uparrow \mathbf{X_1} = \Uparrow \mathbf{X_2}$ (two tailed)

(That is there is significant difference between mean ratios of investment on government securities to current assets of SCBNL and Nabil)

the test statistic under H_0 is -

The test statistic under H_0 is –

$$t = \frac{\overline{X_1}\ \overline{X_2}}{\sqrt{s^2 \ \frac{1}{n_2} \Gamma \frac{1}{n_2}}} \text{ with d.f.} = n1 + n_2 - 2$$

S^2 = 61.612 (For details see Appendix-G)

$$\ldots t \ \mathrm{X} \frac{25.9441 \ \mathrm{Z} 19.532}{\sqrt{61.612 \ \frac{1}{5} \Gamma \frac{1}{5}}} \mathrm{X} 1.292$$

Hence t = 1.292

Tabulated value of t at 5% level of significance for 5+5-2 = d.f. is 2.306.

Decision : Since the calculated value of t = 1.292 is less than the tabulated value (i.e. 2.306) Null hypothesis (H_0) is accepted. It means there is no significant difference between mean ratios of investment on government securities to current assets of SCBNL and Nabil.

(iv) t-test is significant difference on loan and advance to current assets ratios between SCBNL and Nabil

Let loan and advances to current assets ratios of SCBNL and Nabil be represented by X_1 and X_2 respectively.

(**a) Test of significance difference between SCBNL and Nabil Null Hypothesis H_0: «X_1 = «X_2**

(i.e. there is no significant difference between mean ratios of loan and advances to current assets of SCBNL and Nabil)

The test static under H_0 is –

$$t = \frac{\overline{X_1}\ \overline{X_2}}{\sqrt{s^2\ \frac{1}{n_2} \Gamma \frac{1}{n_2}}} \text{ with d.f.} = n1 + n_2\text{-}2$$

S^2 = 18.900 (For details see Appendix-H)

$$\ldots t\, X \frac{29.491\, Z\, 54.607}{\sqrt{18.900\ \frac{1}{5} \Gamma \frac{1}{5}}}\, X Z 9.135$$

Hence t = 9.135

Tabulated value of t at 5% level of significant for 5+5-2i = 8 d.f. is 2.036.

Decision : Since the calculated of value of $|t|$ = 9.135 greater than tabulated value (i.e. 2.036). Null hypothesis is rejected sand alternative hypothesis (HI) is accepted i.e. there is significant difference between mean ratios of loan and advances to current of SCBNL and Nabil.

(v) t-test of significant on return on loan and advances ratio between SCBNL and Nabil

Let, on loan and advances ratios of SCBNL and Nabil can be represented by X_1 and X_2 respectively.

a. Test of significant different between SCBNL an Nabil Null Hypothesis H_0 : «X_1 = «H_2

(i.e. there is no significance difference between mean ratios of return on loan and advance of SCBNL and Nabil)

Alternative Hypothesis H_2: «X_1 = «H_2 (Two-tailed test)

(i.e. there is significant difference between mean ratios of return on loan and advances of SCBNL and Nabil.

The test statistic under H_0 is

$$t = \frac{\overline{X_1}\ \overline{X_2}}{\sqrt{s^2\ \frac{1}{n_2}\Gamma\frac{1}{n_2}}} \text{ with d.f. = n1 + } n_2\text{-2}$$

S^2 = 0.498 (For details see Appendix-H)

$$\ldots t\ X\frac{8.444\ Z\,4.322}{\sqrt{0.498\ \frac{1}{5}\Gamma\frac{1}{5}}}\ X9.242$$

Hence t = 9.242

Tabulated value of t at 5% level of significant for 5+5-2 = 8 d.f. is 2.036.

Decision : Since the calculated value of value of $|t|$ = 9.242 is greater than tabulated value (i.e. -2.306), Null hypothesis is rejected i.e. there is significant difference between mean ratio of return on loan and advances of SCBNL and Nabil.

(vi) t-test of significant differencer on total interest earned to total outside assets ratios between SCBNL and Nabil. Null Hypothesis H_0 : «X_1 = «X_2

(i.e. There is no significant difference between mean ratios of total interest earned to total outside assets of SCBNL and Nabil.

Alternative Hypothesis H_1 : «X_1 = «X_2 (Two-tailed Test)

(i.e. there is significant difference mean ratios of total interest earned to total interest earned to total outside assets of SCBNL-L and Nabil)

The test statistic under H_0 **is : -**

$$t = \frac{\overline{X_1}\ \overline{X_2}}{\sqrt{s^2\ \frac{1}{n_2}\,\Gamma\,\frac{1}{n_2}}} \text{ with d.f.} = n1 + n_2\text{-}2$$

S2 = 3.962 (For details see Appendix-J)

$$\ldots t\ \mathrm{X}\frac{11.014\ \mathrm{Z}10.958}{\sqrt{3.962\ \frac{1}{5}\,\Gamma\,\frac{1}{5}}}\ \mathrm{X}0.044$$

Hence t = 0.044

Tabulated value of t at 5% level of significant for 5+5-2 = 8 d.f. is 2.036.

Decision : Since the calculated value of value of $|t|$ = 0.044 is less than the tabulated value (i.e. 2.306). Null hypothesis is accepted. It means there is no significant difference between mean ratio of total interest earned to total outside assets of SCBNL and Nabil.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary and Conclusion

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

i. To analyze the performance in terms of liquidity, assets management, profitability and risk.
ii. To evaluate the trends of total deposit, total investments, loan and advances and to compare their position in the companies.
iii. To study the relation of deposits with investments, loans and advances.
iv. To asses the effect of investment decision on profitability position of the banks.

The investment decision has played vital role in the banking sectors as well as other organizations. Effective investment decision encouraged to each and every investor to invest their funds on profitable sectors in order to get high return. The study tries to describe the conceptual reviews , investment, NRB rules regarding fund mobilization of commercial banks, relevant unpublished thesis work. Besides these, personal contact with the banks and with respected teachers has also been made.

The analysis has been divided into two categories i.e financial and statistical tools. Both tools have been made for comparative analysis and their interpretation. Under financial tools, liquidity ratio assets management ratio, profitability ratio, risk ratio and growth ratios have been analyzed and interpreted comparatively, Under statistical tools , coefficient of correlation analysis , trend analysis, test of hypothesis, S.D. and C.V. have been used.

5.2 Major Findings

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

5.2.1 Liquidity ratio

- The mean ratio of loan and advances to total deposit of SCBNL is lower than Nabil.. And its consistency is also less than Nabil. In the view of point liquidity condtiotion, SCBNL is better than Nabil.
- The mean ratio of cash and bank balance to total deposit of SCBNL is slightly less than Nabil. It means than SCBNL has better maintenance of its liquidity than Nabil because higher liquidity indicates the inability of the bank.
- The mean ratio of cash and banks balance to current assets of SCBNL is lower in comparison to Nabil. The variability of the ratio during the study period is more consistent than Nabil.
- The mean ratio of investment on government securities to current assets ratio of SCBNL is higher Nabil. But were found that SCBNL's ratios are variable than that of Nabil.
- The mean ratio of loan and advances to current assets ratio SCBNL is lower than Nabil and its ratio is also less consistent in comparison to other two banks.

5.2.2 Asset Management Ratio

- The mean ratio of loan and advances to total deposit of SCBNL is lower than Nabil. And its consistency is also less than Nabil. In this condition it can be concluded that SCBNL used to provide less loan and advances in comparison to its total deposits than Nabil.
- The mean ratio of loan and advances to total working total fund of SCBNL ratio are less variable than that of Nabil.
- The mean ratio of total investment to total deposit of SCBNL is higher in comparison to Nabil. And it has higher consistency to invest in securities.
- The mean ratio of investment on government securities to total working fund of SCBNL is higher than Nabil. And its investment policy is also higher consistent than Nabil.
- The mean ratio of investment on shares and debenture to total working fund of SCBNL is less than Nabil. And the variability of ratio is lower than Nabil.

5.2.3 Profitability Ratio

- The mean ratio of return on loan and adva87
- nces of SCBNL is higher than Nabil and SCBNL has also higher consistency than Nabil. It is also cleared that Nabil has to invest its fund in productivity sector to increase return ratios.
- The mean ratio of return on total working fund of SCBNL is slightly higher than Nabil. It has also more consistency than Nabil.
- The mean ratio of total interest earned to total outside assets on SCBNL is higher than Nabil. But SCBNL's ratio is more consistent than Nabil.
- The mean ratio of total interest earned to total outside assets of SCBNL is higher than Nabil. But SCBNL's ratio is more consistent than Nabil.
- The mean ratio of total interest paid to total working fund ratio of SCBNL is less than Nabil And it has also less consistency than other Nabil.

- The mean ratio of total interest earned to operating income of SCBNL is less than Nabil. But Nabil has less consistency than SCBNL.

5.2.4 Risk Ratio

- The mean ratio of liquidity risk of SCBNL is slightly less than Nabil. It indicates that SCBNL has maintained more consistency in comparison to Nabil.
- The mean ratio of credit risk of SCBNL is less than Nabil and it can be said that SCB NL has comparatively lower degree of credit than Nabil.

5.2.5 Coefficient of Correlation Analysis

- Coefficient of correlation between deposit and loan advances of SCBNL and Nabil are positive. In this way, it has been found that there is significant relationship between deposit loan and advances.
- Coefficient of correlation between total deposit and total investment of SCBNL and Nabil are highly positive and there is significant relationship in the case of SCBNL and no significant relationship in the case of Nabil.
- Coefficient of correlation between de4posit and interest earned of both banks are positive. In case of SCBNL, there is no significant relationship between these variables.
- Coefficient of correlation between loan and advances and interest paid of SCBNL is negative and there is positive relationship in case of Nabil. in the case of SCBNL. But here is no significant relationship in case of Nabil.

5.2.6 Trend Analysis

Trend values of deposit, loan and advances total investment and net profit and projection for next five years of SCBNL and Nabil exhibit that :

- Trend values of total deposit of both banks are found to be in increasing trend. The increasing ratios on deposit SCBNL will be higher in comparison to Nabil.
- The trend values of loan and advances of both banks have been found in increasing trend. Comparing both banks, SCBNL will be higher than Nabil.
- The trend values of total investment of both banks are in increasing trend. SCBNL's trend values and will be higher than Nabil.
- The trend values of net profit of both banks are in increasing trend. In comparison, the trend values of SCBNL will be higher under this study.

5.2.7 Test of Hypothesis

From the test of significant difference regarding the parameter of the population, has been found that :

- There is significant difference mean ratios of loan and advances to total deposit of SCBNL with Nabil.
- There is significant difference between mean ratio of total investment to total deposit SCBNL with Nabil.
- There is no significant difference between mean ratios of investment of government securities to current assets of SCBNL and Nabil.
- There is significant difference between mean ratios of loan and advances to current assets and of SCBNL with Nabil.
- There is significant difference between mean ratios of loan and advances of SCBNL with Nabil.
- There is no significant difference between mean ratios of investment on government securities to current assets of SCBNL and Nabil.

5.3 Recommendations

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

Liberal lending policy

To achieve success in this competitive banking environment, every bank must utilize their loan and advances. The loan and advances is the main item of the bank in assets side. If it is medicated, it could be the main reason of liquidity crisis and bankrupt. From the analysis, it has been found that loan and advances to total deposit ratio of SCBNL is lower than Nabil. So, SCBNL is strongly recommended to follow liberal landing policy, invest more total deposit in loan and advances and maintain more stability of investment policy.

Expand investment on government securities

From the analysis, it found that Nabil is not investing its amounts on government securities in comparison to SCBNL. Investment on those securities issued by government (i.e. treasury bills, development bonds, saving certificates, etc) are free of risk and highly liquid such as securities yields the low interest rate of particular maturity lowest risk in future and it is more better in regard to safety that other means investment. So Nabil strongly recommended to give more emphasis to invest on government securities.

Increase investment on share and debenture

A commercial bank should utilize its fund in different sectors like to purchase share and debenture of other financial and non financial companies. From analysis, it has been found that SCBNL's investment on share and debenture to total working fund ratios are lower than other Nabil. So SCBNL is strongly recommended to invest its more funds on share and debentures of different companies.

Services to rural areas and lower level people

As we know that most of commercial banks have provided their services only in Kathmandu valley. They should extend their services towards rural areas and preserve the banking and saving habits of the lower level people of nation. So both banks are suggested not to be surrounded and limited with the interest staff of big clients (i.e. multinational cos. large industry, NGOs, INGOs etc.) but extend their product and services in every nook and corner of the country.

Effective portfolio management

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

Innovative marketing system

In these competitive banking sectors, a well marketing system tremendous role in development of banks. Every commercial bank should be customer oriented. Marketing is the one of the best and effective tool to attract the customers. So it has to be sound and effective. Different marketing methods can be applied like advertisement through newspapers, magazine, audio-visual, websites, documentary, etc. Not only these but to draw the attentions of customers through new technology like E- banking internet banking service, SMS banking ATM, Debit Card, Visa and Master cards etc. SCBNL and Nabil have provide such modern and advance service.

Expansion of Branches

Economic growth of country depends upon the high growth of the commercial banks. If the product and services of commercial banks expands all over the nation, the idle money from different assets can be collected and utilized for income generation purpose. So commercial banks should expand their branches not only in urban area but also rural area of the national. But here commercial banks are centralized in the capital. Nabil has succeeded tyo expand more branch office in comparison to SCBNL. so both banks are recommended to expand their branches and provide effective banking product and services.

Suggestions to Further Researchers

Here, the researcher has used 5 fiscal years of secondary data, so further researcher are suggested to use more than 5 fiscal year and to use not only secondary data but also primary data. The researcher has used only selected commercial banks. (i.e. SCBNL and Nabil) and limited financial and statistical tools in this study. But the further researchers are recommended to study more than two banks and apply more useful financial and statistical tools.

Appendix-A

Standard Chartered Bank Nepal Ltd.

(Rs. in million)

S.N.	F/Y	2003/04	2004/05	2005/06	2006/07	2007/08
1	Current Assets	12862.22	16650.32	19224.18	18330.82	20797.60
2	Current Liabilitis	11903.72	15781.19	18196.01	17150.05	19556.38
3	Cash and Bank Balnce	826.15	1020.46	961.05	825.26	1512.30
4	Total Investment	2681.07	3349.86	9559.17	9275.88	1035.68
5	Total Deposit	11165.16	12568.49	15430.05	15835.75	18735.64
6	Loan and Advance	4017.63	4857.17	5763.13	5364.00	5695.82
7	Investment on Govt Securities	2669.88	3338.67	4611.01	5784.72	6722.93
8	Invest on Share & Debenture	11.19	11.19	11.19	11.19	11.19
9	Total Working Fund	13016.98	16832.23	19357.18	18443.07	21000.50
10	Total Interest Earned	902.45	1052.36	1242.92	1013.64	1001.36
11	Total Interest Paid	384.85	429.93	472.37	298.36	255.13
12	Net Profit	359.46	392.59	472.83	479.21	506.95
13	Operating Income	1180.43	1366.92	1640.26	1441.72	1449.21
14	Total Outside Assets	6752.30	8207.03	10585.33	11159.91	12429.84

Appendix-C

Calculation of Correlation Coefficient between Deposit and Loan amd Advances

(Rs. in million)

Fiscal Year	Deposit (X)	Loan and advances (Y)	x = X - $\overline{X}$	y = y - $\overline{y_2}$	x^2	y^2	xy
2003/04	11165.16	4071.63	-3585.858	-1078.72	12858377.60	1163636.84	3868136.74
2004/05	12568.49	4857.17	-2128.528	-293.18	4763428.47	85954.51	639873.56
2005/06	15430.05	5763.13	679.032	612.78	461084.46	375499.33	416097.23
2006/07	15835.75	5464.00	1084.732	213.65	117664.51	5446.32	231752.99
2007/08	18755.64	5695.82	4004.622	545.47	16036997.36	297537.52	2184401.16
					35296531.40	1968274.52	7340261.68

We have,

n = 5, $\overline{X} = \frac{x}{n} X \frac{73755.09}{5} X14751.018$

$\overline{X} = \frac{y}{n} X \frac{23751.75}{5} X5150.350$

Coefficient of Correlation can be calculated by using the following by the following formula :

r = $\frac{xy}{\sqrt{x^2}\sqrt{y^2}} X \frac{7340261.68}{\sqrt{35296531.40} | \sqrt{1968274.52}} X0.8806 r_2 X0.7755$

Calculation of Probable error (P.E.) of correlation coefficient

Here, n = 5, r^2 = 0.775

P.E. of Coefficient of Correlation can be calculated by the following formula:

P.E. (r) = 0.6745 x $\frac{1 Z r^2}{\sqrt{5}}$ = 0.6745 x $\frac{1 Z 0.7755}{\sqrt{5}}$ = 0.0677

Now, $6 | P.E. ƒr A = 6 | 0.667 X0.406$

…6 P.E.(r) = 0.406

Other coefficient of correlation of SCBNL and Nabil are calculated accordingly.

Appendix-D

Calculation of Trend Values of Total Deposit

Rs. in million)

Fiscal Year (X)	Total Deposit (Y)	X= X- 2000/01	X^2	Y^2	$Y_c = a + bx$ yc= 14751.02+1844.8
2003/04	11165.16	-2	4	-2330.32	11061.38
2004/05	12568.49	-1	1	-2568.49	12906.20
2005/06	15430.05	0	0	0	14751.02
2006/07	15835.75	1	1	15835.75	16595.84
2007/08	18755.64	2	4	037511.2	1844.66
	$y \text{ X}73755.09$	0	$x^2 \text{ X}10$	$xy \text{ X}18448.22$	

$$a \text{ X} \frac{y}{N} \text{ X} \frac{73755.09}{5} \text{ X}14751.02$$

$$b \text{ X} \frac{xy}{x^2} \text{ X} \frac{18448.22}{10} \text{ X}1844.82$$

Trend value of total deposit of SCBNL (2005/06-2010/11)

Fiscal Year	x = x-2000/01	Trend value yc =14751.02+1844.82x
2007/08	3	2085.48
2008/09	4	22130.30
2009/10	5	23975.12
2010/11	6	24819.94
2011/12	7	27664.76

Calculation of other trend values of Nabil is calculated accordingly.

Appendix-E

Calculation of Test of Significance of difference on Loan and advance to Total Deposit Ration between SCBNL and Nabil

(Rs. in million)

F/Y	SCBNL		Nabil	
2003/04	36.467	1.268	61.166	33.802
2004/05	38.646	10.923	57.395	4.174
2005/06	37.350	4.036	52.557	7.812
2006/07	33.873	2.155	47.967	54.538
2007/08	30.369	24.721	57.676	5.396
	176.705	43.103	276.76	105.722

$$X1 = \frac{x_1}{n_1} = \frac{176.705}{5} = 35.341$$

$$X_2 = \frac{x_2}{n_2} = \frac{276.760}{5} = 55.352$$

$$S^2 = \frac{1}{n_1 + n_2 - 2} \quad x_1 - x_1^{2} + x_2 - x_2^{2}$$

$$= \frac{1}{5 + 5 - 2}(43.103 + 105.722)$$

= 18.603

Appendix-F

Calculation of Test of Significance of difference on Loan and advance to Current Assets Ratio between SCBNL and Nabil

(Rs in Million)

F/Y	SCBNL		Nabil	
	X1	$(X_1 - \bar{X})^2$	X_2	$(X_2 - \bar{X}_2)^2$
2003/04	24.013	452.455	15.008	17.164
2004/05	26.653	347.155	9.789	87.647
2005/06	61.952	347.114	17.380	3.136
2006/07	58.224	277.677	26.728	57.411
2007/08	255.224	98.804	26.852	59.305
	226.418	1352.872	95.757	224.663

$$X1 = \frac{x_1}{n_1} \qquad X_2 = \frac{x_2}{n_2}$$

$$= \frac{226.418}{5} \qquad = \frac{95.775}{5}$$

$$= 45.285 \qquad = 19.151$$

$$S^2 = \frac{1}{n_1 + n_2 - 2}\left[(x_1 - \bar{x}_1)^2 + (x_2 - \bar{x}_2)^2\right]$$

$$= \frac{1}{5 + 5 - 2}(1352.872 + 224.6635)$$

= 197.192

Appendix-G

Calculation of Test of Significance of difference on Investment on Govt.

Sec. to current Assets Ratio between SCBNL and Nabil

(Rs. in million)

F/Y	SCBNL		Nabil	
	X1	$(X_1-\bar{X}_1)$	X_2	$(X_2-\bar{X}_2)$
2003/04	20.758	26.894	11.728	60.902
2004/05	20.052	34.716	8.342	125.216
2005/06	25.026	0.843	20.765	1.520
2006/07	31.557	31.506	30.948	130.259
2007/08	32.325	40.717	25.877	40.259
	129.718	134.667	97.661	358.222

$$X1 = \frac{x_1}{n_1} \qquad\qquad X_2 = \frac{x_2}{n_2}$$

$$= \frac{129.718}{5} \qquad\qquad = \frac{97.661}{5}$$

$$S^2 = \frac{1}{n_1 + n_2 - 2}\left[\left(X_1 - \bar{X}_1\right)^2 + \left(X_2 - \bar{x}_2\right)^2\right]$$

$$= \frac{1}{5 + 5 - 2}\left(134.676 + 358.222\right) \qquad = 61.612$$

Appendix-H

Calculation of Test of Significance of difference on Loan and Advances

To current Assets Ratio between SCBNL and Nabil

(Rs. in million)

F/Y	SCBNL		Nabil	
	X1	$(X_1-\bar{X}_1)$	X_2	$(X_2-\bar{X}_2)$
2003/04	31.656	4.687	48.395	38.340
2004/05	29.172	0.102	49.596	46.296
2005/06	29.999	0.238	63.248	51.933
2006/07	29.262	0.52	55.868	62.926
2007/08	27.387	4.427	55.926	59.248
	147.456	9.506	273.033	268.743

$$X1 = \frac{X_1}{n_1} \qquad\qquad X_2 = \frac{x_2}{n_2}$$

$$= \frac{147.456}{5} \qquad\qquad = \frac{276.760}{5}$$

=29.491 =54.607

$$S^2 = \frac{1}{n_1 + n_2 - 2} \quad X_1 + \bar{X}^{2} + X_2 - \bar{X}_2^{2}$$

$$\frac{1}{5 + 5 - 2}(9.506 + 141.696)$$ =18.900

Appendix-I

Calculation of Test of Significance of difference on Loan and Advances

Ratio between SCBNL and Nabil

(Rs. in million)

F/Y	SCBNL		Nabil	
	X1	$(X_1-\overline{X}_1)$	X_2	$(X_2-\overline{X}_2)$
2003/04	8.828	0.147	7.603	0.079
2004/05	8.083	0.130	4.487	0.027
2005/06	7.476	0.937	3.500	0.676
2006/07	8.934	0.240	3.652	0.449
2007/08	8.900	0.208	5.367	1.092
	42.221	21.609	21.609	2.232

$$X1 = \frac{x_1}{n_1} \qquad\qquad X_2 = \frac{x_2}{n_2}$$

$$= \frac{42.221}{5} \qquad\qquad = \frac{21.669}{5}$$

$$= 8.444$$

$$S^2 = \frac{1}{n_1 + n_2 - 2} \quad X_1 - \bar{X}^2 + \left(X_2 - \overline{X_2}\right)^2$$

$$= \frac{1}{5+5-2\ 1.662 + 0.670}$$

= 0.498

Appendix-J

Calculation of Test of Significance of difference Total Interest Earned to Total Outside Assets Ratio between SCBNL and Nabil

(Rs. in million)

F/Y	SCBNL		Nabil	
	X1	$(X_1-\overline{X}_1)$	X_2	$(X_2-\overline{X}_2)$
2003/04	13.364	5.522	12.531	2.474
2004/05	12.823	3.272	12.196	1.533
2005/06	11.742	0.529	11.436	0.228
2006/07	9.083	3.729	9.673	1.651
2007/08	8.063	8.750	8.955	4.012
	55.068	54.791	54.791	9.8987

$$\overline{X}_1 = \frac{\sum x_1}{n_1} \qquad \overline{X}_2 = \frac{\sum x_2}{n_2}$$

$$= \frac{55.068}{5} \qquad = \frac{54.791}{5}$$

$$= 11.014 \qquad = 10.958$$

$$S^2 = \frac{1}{n_1 + n_2 - 2}\left[\sum\left(X_1 - \overline{X}_1\right)^2 + \sum\left(X_2 - \overline{X}_2\right)^2\right]$$

$$= \frac{1}{5+5-2}\left[21.802 + 9.898\right]$$

= 3.932

Appendix-K

Calculation of Means, S.D. and C.V. of Current Ratio of SCBNL and Nabil

(Rs. in million)

F/Y	SCBNL		Nabil	
	X1	$X1^2$	X_2	$X2^2$
2003/04	1.080	1.166	1..063	1.130
2004/05	1.055	1.113	1.058	1.119
2005/06	1.056	1.115	0.764	0.584
2006/07	1.69	1.143	0.813	0.661
2007/08	1.063	1.130	0.916	0.839
	5.323	5.667	4.614	4.333

Where, X_1 = Current ratio of SCBNL
X_2 = Current ratio of Nabil

<u>For SCBNL</u>

Calculation of mean ratio of SCBNL of Current Ratio :

Mean $\frac{X_1}{n} X \frac{5.223}{5} X1.065$

Calculation of S.D. Of current Ratio

S.D. = $\sqrt{\frac{X_1^{\ 2}}{n} Z \quad \frac{X_1}{n}} \quad = \sqrt{\frac{5.667}{5} Z \quad \frac{5.223}{5}} \quad X0.010$

Calculation of C.V.

C.V. = $\frac{¢}{\overline{X}} | 100 \qquad = \frac{0.01}{1.065} | 100 = 0.939\%$

Mean = $\frac{X_1^{\ 2}}{n} X \frac{4.614}{5} X0.923$

Calculation of S.D. of Current Ratio :

S.D. = $\sqrt{\frac{X_2^{\ 2}}{n} Z \quad \frac{X_2}{n}} \quad = \sqrt{\frac{4.333}{5} Z \quad \frac{4.614}{5}} \quad X0.123$

Calculation of C.V.

C.V. = $\frac{¢}{\overline{X}} | 100 \qquad = \frac{0.123}{0.923} | 100 \qquad = 0.12\%$

BIBLIOGRAPHY

<u>Books</u>

- Bexeleg, James, B. (1987), Banking Management, New Delhi : Sijeet Publication (p) Ltd.
- Bhalla, V.K. (1983), Investment Management, Securities Analysis and *Portifolio Management, New Delhi,* S. Chand and Company Ltd.
- Cheney, J.M and Moses, L.A (1992), Fundamentals of Investment, USA : West Publishing Company.
- Francis, J. C. (1991), Investment Analysis and Management, 5^{th} Edition, Singapore: McGraw-Hill Book.
- Gitman, L.J. and Jocknk (1990), Fundamental of Investment, 4^{th} Edition, New York, Harper and Row Publisher.
- Jones, C.P. (1998), Investment Anlysis and Management, 2^{nd} Edition, USA : Jhon Wiley and Sons Inc.
- Radhaswamy M. & Vasudevan S.V. (1997), A textbook of Banking, New Delhi: S. Chand and Company Ltd.
- Relilly, F.K. (1998), Investment, Japan : The Druden Press CBS, Publishing.
- Sharpe, W.F and Alexander, G.J. (1998), Investment Analysis, 5^{th} Edition, New Delhil : Prentice Hall of India (P) Ltd.
- Singh, Preeti (1991), Investment Management, Bombay : Himalayan Publishing House.

Journals and Official Publications

- Bajrcharya, Bodhi B. (1990), Monetary Policy and Deposit Mobilization in Nepal, Rajat Jayanti Smarika, RBB, Kathamandu.
- Banking and Financial Statistic, No. 43 Nrb, Mid-July, 2004.
- Banking and Financial Statistics, No. 39, NRB, Mid-July 2003.
- Chopra, Sunil (1989), Role of Foreign Banks in Nepla, Rastra Bank Samachar, NRB, Kathamandu.

- Nabil Bank Ltd. Annual Report, Nabil Publication, F/Y 2003/04 2007/08.
- Nabil Bank Ltd. Annual Report, Nabil Publication, F/Y 2003/04 to 2007/08
- Pradhan, Radhe S. (1994), l Managmetn Practices in Nepal, Vikash Publishing House P New Delhi.
- Shrestha, Ramesh L. (1998), A study on Deposit and Credits of Commercial Banks in Nepal, Nepal Rastra Bank Samachar, NRB, Kathmandu.
- Shrestha, Shiba, R. (2055), Portfolio Management in Commercial Banks, Theory and practice, Nepal Bank Patrika, NBL, Kathmandu.
- Shrestha, Sunity (1993), Investment Planing of Commercial Banks in Nepal, Ph. D. Thesis in Economics, University of Delhi, New Delhi.
- Standard Charted Bank Nepal Ltd. Annual Report, SCBNL Publication, F/Y, 2003/04 to 2007/08.

Unpublished Master Degree Thesis

- Dhital, Rajeh (2004) , A Study on Investment Policy of Standard Chartered Bank Nepal Ltd. and Bank of Kathmandu Ltd: An Unpublished Master Degree Thesis, SDC. Kathamandu
- Dhungana, Prabhakar (2002), A Comparative study on Investment Policy of Nepal Bangladesh Bank and Other Joint Venture Banks: An Unpublished Master Degree Thesis , SDC, Kathmandu.
- Joshi, Rabindra (200'(2003) A Comparative Study on Investment Policy of Standarde Chartered Bank Nepal Ltd. and Everest Bank Ltd. an Unpublished Master Degree Thesis, SDC, Kathamandu.
- Khadka, Raja Ram (1999), A study on the Investment Policy of Nepal Arab Bank Ltd. in Comparison to Other Joint Venture Banks of Nepal: An Unoublished Maste4r Degree Thesis, SDC, Kathmandu.

- Pandit, Kul Chandra (2003) A study on the Investment Policy of Analysis ofStandard Chartered Bank Nepal Ltd. (inComparison to Other Commercial Banks of Nepal): An Unpublished Master Degree.

Thesis, SDC, Kathmandu.

- Shahi, Prem Bahadur (19``` ` tment Policy of Commercial Banks in Nepal (A Comparative Nepal Bank Ltd. and Joint Venture Banks): An Unpublished master Degree Thesis, CDM , T.U.
- Thapa , Samiksha (2001), A Comparative Study on Inv & ; Investment Policy of Nepal Bangladesh Bank Ltd. and Other Joint Venture Banks : An
- Unpublished Master Degree Thesis, SDC, Kathmandu.

Websites

www.nabilbankltd.com

www.nepalsharemarket.com

www.neplastockexchange.com

www.nrb.gov.np

www.sebonp.com

www.standardcharted.com.np.