CHAPTER - I
INTRODUCTION

1.1 Background of the study

The term 'Investment' has become primary function of all the financial institutions, which concerns with how an investor should proceed in determining the proper area in order to invest in, how extensive the investment should be made. According to the investor's view , they desire to maximize their wealth, but only at a level of risk consistent with their current circumstances. However so, investment is the act of proper utilization of a fund to be mobilized so that achievement of a high return could be ensured.

Investment decisions mainly have two aspects i.e.

a) the evaluation of the prospective profitability of new investments and

b) the measurements of cut-off rate against the prospective return of the new that could be compared.

Investment policy involves determining the investor's objectives and the amount of his or her invest able wealth. Because, there is a positive relationship between risk and return for sensible investment strategies, it is not appropriate for an investor to say that his /her objective is to make a lot of money. Investment policy concludes with the identification of the potential categories of financial assets for consideration in the ultimate portfolio.

A concentration of financial power in the hands of a relatively few organizations collectively known as institutional investors are simply financial intermediaries of any type. This definition sets them apart from retail investors, who are individuals owing portfolio for which they are the direct beneficiaries.

Investment policy is the proper management of any fund or wealth to maximize value or to obtain the high or favorable returns with low risk, considering the protection of the investment from the inflation and other possible harms. Commercial banks, finance companies and other financial agents e.t.c. are the agents which transfer the resources from the available(rich) places to the poor places. They collect the scattered financial resources from the mass and invest them among those who are associated in the social, commercial and economic activities of the country. Commercial banks vitally help the establishment of industries, trades in a country by providing capital. They collect the savings from public in different accounts i.e. saving account, fixed deposit account etc. and render several services and amenities to their customers beside economical benefits. Joint venture us more efficiently co joined efforts to achieve the commercial goals and they can very significantly in the course of development of trade and industries of a country because they have large

amount of capital and high technologies and abundant resources. Joint ventures banks can easily renders the problem faced by others and avoids many risks in investment by formulating and implementing good policy for proper utilization of funds. The fundamental principals of investment must be followed thoroughly for profitable investment. And investment policy should ensure maximum profits and minimum risk.

1. 2 Focus of the study

Although there are listed 27 commercial banks, 78 development banks and 79 finance companies out of that only three joint venture banks are taken for the study. Investment policy of these three joint venture banks (Standard Chartered Bank Nepal Ltd, NABIL Bank Ltd and Bank of Kathmandu Ltd.) are taken for the study. Investment policy of these three firms is analyzed through financial and statistical tools. Growth ratios, current ratios, profitability ratios, trend analysis, correlation analysis and multiple regression analysis of three firms are interpreted in this study.

1.3 Statement of Problem

Investment decision is the major tool of financial institutions, financial institutions should prepare proper investment policy so that they can reach into their target. Investment policy is an important assets for the financial institutions but they are unable to estimate the future, prepare the investment policy and evaluate them properly. They are unable to collect the funds and utilize them properly. Joint venture banks become a role model in the improvement of fund mobilization activity.

There are more than a dozen commercial banks operating their activities in Nepal but a few of them are getting regular profits. Most of them are getting regular profits. Most of them are unable to satisfy their shareholders and clients in ascertaining profitability and ensuring their safe deposition. Some banks are incurring losses in early establishment years. It is not that they cannot find profitable sectors or opportunities to invest the deposit collections. They have always feared high degree of risk and uncertainty. Due to the lack of profitable sectors for their investment or utilization of their deposit collection, commercial banks and financial institutions succumb to liquidation and finally leave an adverse effect in national economy.

Some commercial banks lack the proper knowledge about various types of risk such as management risk, liquidity risk, purchasing power risk, business risk, interest rate risk, financial risk etc. while providing loans and advances. These fallacies like taking insufficient deposits, overvaluation of goods, pledging of land and building, mortgaged, securities etc. cause them suffer losses. They also have the problem of timely loan recovery due to sheer negligence and overdue loans are usually

unrecoverable. This indicates an unsound investment policy prevalent in Nepalese investment sectors. They collected adequate amount from the mass, however they couldn't find or locate new investment sectors required to mobilize their funds on the changing context of Nepal.

Many companies and banks succumbed to liquidation although they had sustainable investment capacity. For the assessment of such adverse impact, this study has shown the contrast and analyze the investment policy of joint venture banks. The joint venture banks viz. Standard Chartered Bank Nepal Ltd, NABIL Bank Ltd, and Bank of Kathmandu Ltd.

This study basically deals with the following issues of Joint venture banks.

Research questions related to the study are as follows

a) Are the Joint venture banks utilizing their available fund to maintain the optimal liquidity and profitability position?
b) What is the relationship between the liquidity position and asset structure?
c) What is the deposit utilization trend of Joint venture banks and its future projections?
d) What are the various risks in investment of Joint venture banks?
e) What is the relationship of investment and loan and advances with total deposits and total net profit of joint venture banks?

1.4 Objective of the study

The main objective of this study is to evaluate the investment policy which was adopted by selected three joint venture banks (i.e. Standard Chartered Bank Nepal Ltd, NABIL Bank Ltd and Bank of Kathmandu Ltd).

The specific objectives of this study are as follows;

a) To find out the liquidity position and profitability position of mentioned joint venture banks.
b) To find out the relationship between profitability and asset structure.
c) To analyze the deposit utilization trend and its future projections for next five years for Joint venture banks.
d) To study the various risks in investment of joint venture banks.
e) To analyze the relationship between deposits and loan and advances, net and total assets of joint venture banks.
f) To provide the suggestions and recommendation on the basis of findings.

1.5 Need of the study

Deposit collections and their mobilization in order to achieve an optimal return in the main motto of any financial institutions. They, however, are not the game of chance or fate but are of competence, skill and wisdom. So, investment activity can create an image or goodwill if handled with sagacity (wisdom) or destroy them if mishandled. The proper mobilization of proper fund always ensures good return and helps to sustain the institutions. That also encourages the investors with financial rewards and the government will generate and increase the revenues. Investment policy, therefore, is the most important tool for the economic development of the country. The study of investment policy in banking sectors provides required information to the management of the banks which helps them
to take correct decisions and timely action when plans, policies and strategies are being made and liquidity or growth ratio e.t.c can be obtained. Similar information is required to the concerned banks for selecting the proper banking sectors for their investment and for other benefits as well.

The study of investment policy has an intermediate effect on all those involved in financial activities directly or indirectly. The government, depositors, shareholders, managers, general public and even the researcher feel the need of this study indiscriminately for the information and knowledge necessary to them.

1.6 Limitation of the study

This study tries to find out the investment policy of three Joint venture banks. Every research work needs certain boundary or the limitations to complete the work because of wide area of the study. So that this needs the following limitations.

a) This study is basically based on secondary data, which are collected from the financial statement, annual report, publications, articles, journals etc. of concerned banks. The researcher himself can collect some important information, data or statistics.

b) This study covers only five years period. Therefore, conclusion drawn will restrict only to the above period.(2004/2005 to 2008/2009)

c) Only three joint venture banks (Standard Chartered Bank Nepal Ltd, NABIL Bank Ltd and Bank of Kathmandu Ltd) are taken as sample Joint venture bank for the study.

1.7 Organization of the study

This study includes five chapters such as Introduction, Conceptual framework, Research Methodology, Data presentation and analysis and Summary, Conclusion and Recommendation.

Chapter-I: Introduction

The first chapter is Introductory chapter, which contains the following topics: general background of the study, history of Banks, statement of the study, objectives of the study, need of the study, limitation of the study and organization of the study.

Chapter-II: Review of Literature

The second chapter is Review of Literature, which deals the study of past thesis writing, journals, reports e.t.c. this chapter includes two topics: Conceptual framework and Review of journals, articles and thesis studies related to investment decision and policy.

Chapter-III: Research Methodology

The third chapter is concerned with the research methodology, which is applied to collect the data and analyze them in this study. It consists of the following topics: introduction, research design, source of data, population and sample.

Chapter-IV: Data Presentation and Analysis

The fourth chapters presentation and analysis of data, which consists of two topics to analyze the data i.e. financial tools and statistical tools. Financial tool mainly consists of ratio analysis, which involves-Liquidity ratio and growth ratio, profitability ratio and growth ratio. Statistical tool involves regression analysis, correlation analysis and trend analysis have them which are related to the investment policy and fund mobilization of selected three Joint venture banks.

Chapter-V: Summary, Conclusion and Recommendation

The final chapter is Summary, Conclusion and Recommendation, which will explain the major findings, supply some valuable suggestions to those selected joint venture banks and finance companies.

CHAPTER - II
REVIEW OF LITERATURE

2.1 Introduction

This chapter basically consists of review of literature relevant to the 'Investment Policy of Joint Venture Banks of Nepal'. Therefore, this chapter has its own importance in this study is divided into the following parts; Conceptual Framework, Features of sound lending policy, some important terms and terminology, review of books, review of research works, review of articles and review of thesis.

2. 2 History of Banking

History of money relates to the history of Banking. Civilized society needs for more efficient methods of Barter system developed organically. The term Bank is derived from the latin word " bancus" , Italian word " banca", French word ' banque ' which means ' a bench' and German word ' bank' which means ' Joint Stock Company'. Ancient bank were probably the religious temples where gold were stored. Temples were the safest places to store the gold as they were constantly attended, well built and were sacred. Temple priests used to make loans to merchants as recorded from the 18th century BC in Babylon. Morden banking is said to be originated in Medieval Italy. Bank of Venice , Italy established in 1157 AD is the first commercial bank in the world. Originally, it was not a bank in real sense being simply an office for the transfer of the public debt. Later on, Bank of Barcelona(1401) and Bank of Geneva (1407) were established. The ' Bank of England' first English bank, was established in 1694 AD. According to Geoffrey Crowther, the modern banking has three ancestors who are the merchant, the goldsmith and the money lenders. Merchant were keys in the evolution of modern banking. Merchants in those days required remittances of money from one place to another while trading which is an important function of a bank. Concept of Hundi, letter of transfer. draft, cheques etc. to remit money to different places were early stages in the evolution of modern banking. In England, Goldsmiths were the original representatives of private bank. In the 19th century, Banking witnessed the phenomenal development of modern banking paying more attention to many new important jobs in the wake of industrial progress. However, in the 20th century, world viewed Banking institution as highly specialized and sophisticated influencing the whole world business.

History of banking in Nepal started with the establishment of ' Kausi Tosi Khana ' as a banking agency during the time of Prithivi Narayan Shah and ' Tejarath Adda' established during the tenure of Prime Minister Ranodip Singh can be regarded as a initial footprint of Banking development in Nepal. Tejarath provided credit loans

to the general public at 5% interest rate on securities i.e. gold, silver and other ornaments. During Chandra Shamsher period, credit facilities of ' Tejarath ' were extended by opening its branches. Later, ' Tejarath' was replaced by the first commercial bank , Nepal Bank Limited established on 30th Kartik 1994 B.S is the first commercial bank in Nepal with authorized capital of 10 million rupees. Then Nepal Rastra Bank was established on 2013 B.S as the central bank under the Nepal Rastra Bank Act 2012B.S. After the restoration of Democracy, the government adopted liberal policy in Banking sector which created conducive environment for the development of Banking sector. Nabil is the first joint venture bank as Nepal Arab Bank in 1984 AD. According to the Nepal Commercial Bank Act of 2031B.S, " Commercial Banks are banks that deal with money exchange, accepting deposits, advancing loans and other commercial transactions except some special functions done by specified cooperative, agriculture and industrial banks." Due to liberalized economic policies and infrastructures, two foreign commercial banks Nepal Indosuez Bank Ltd (Nepal Investment Bank Ltd) and Nepal Grindlays Bank Ltd(Standard Chartered Bank Nepal Ltd) entered in Nepal in the form of joint venture and the trend is continuing till today. At present, there are twenty nine commercial banks.

Concept of Joint Venture Banks and its most recently developed services

A joint venture is an association of two or more persons or parties undertaken to make operation highly effective with their collective efforts. JVBs plays an important role in the economic developments of the country. Joint venture means the joining of forces between two or more enterprises for the purpose of carrying out a specific operation (Industries or commercial investment, production or trade).

After government adopted liberal and market oriented economic policies to create conducive environment for the development of banking sector, the first joint venture bank is NABIL (established in 1984 A.D). Similarly, second and third joint venture banks are Standard Chartered Bank Ltd and Nepal Investment Bank established in 1986 and 1987 A.D respectively. The major objectives of JVBs are

a) To provide new services
b) To create competitive investments
c) To introduce new methods and technology in banking services.
d) To provide more resources for investment
e) Offering better links with international market.

Most Recently Developed Services

Banks are financial institutions performing various roles in the improvement of people's economic welfare. Besides, accepting deposits, giving loans, investment of funds, agency function, credit creation and general utility function, the modern competitive banking sectors counts on new financial tools and technique to lure deposits and widen investment scope. Moreover, the recently developed services provided by commercial banks are

a) Granting consumer loan
b) Financial advising
c) Cash management
d) Offering Equipment Leasing
e) Making Venture Capital loans
f) Selling Insurance Services
g) Selling retirement plans
h) Offering Mutual funds and Annuities
i) Merchant Banking Services.

2.3 Features of Sound lending and Investment policy

Primary function of bank is to accept deposit and make loan. Making loan is the principal economic function of banks to fund consumption and investment spending by businesses, individuals and government. Income and profit of the financial institutions like commercial banks depends upon its lending policy, investment policy of collected fund in different securities. Banks are making different loan portfolios mix depending on the expected yield or higher profitability.

Some required features of lending and investment policy are explained below

a) **Profitability:** Rabindra Bhattaria (2006) summarizes that Banks selects those investment sector that maximizes profit against its risk calculated. Nature of investment sectors chosen by the banks defines its profitability level. Moreover, the investment return or profitability depends on rate of interest, loan duration, volume of loan, investment sectors and its vulnerability.
b) **Diversification :** Surya Rana (2008) puts his view that Diversification is key to reduce risk factor. So, all the firms must diversify their funds or make portfolio investment. They should be able to diversify unsystematic risk factor while investing in different securities of different companies.
c) **Safety and Security:** Kiran Thapa (2009) entails Banks as an institution that lend loans to secured sectors and ensure its safety. They shouldn't invest their fund in securities of those companies whose securities are too much

depreciated and fluctuated because of risk or loss factor. They should accept those securities, which are marketable, durable, profitable and high market price as well as stable.

d) **Purpose of loan:** Kiran Thapa (2009) explains that purpose of loan is key to lending and investment policy of bankers. They should know why loan is required to the customer. What is the purpose of loan either for business or for housing or for student overseas study or for other purpose. It is vital importance for banks to know whether their customers are able to repay their loans or not. However, if they are unable to do so, they may be caught by heavy bad debts. So, they should collect detail information about the nature and purpose of loan.

e) **Legality :** Kiran Thapa (2009) puts emphasis that every financial institutions must follow the rules and regulations of the company, government and various directions supplied by Nepal Rastra Bank, Ministry of Finance and so on while issuing securities and mobilizing their fund. Illegal securities will bring out any type of problems at any time to the investors. As a result, the reputation and goodwill of the firm may be lost.

a) **Liquidity:** Kiran Thapa (2009) clarifies that the primary functions of banks is to maintain adequate amount of cash for all purpose of investment and lending programs. Liquidity is determined by how efficiently a bank can generate cash from securities it withhold and reserve. Maintaining liquidity also depends upon how efficient and competitive it is in luring deposits and investing in secured profitable sectors. General public or customers deposit their savings at the banks in different accounts having full confidence of repayment by the banks whenever they require. Liquidity is the position of the firm to meet current or short term obligations.

2.4 Meaning of some important terminology

a) Interest

J. Fred Weston and Copeland(1992) expresses that Interest is that additional sure of money changed on borrowing or paid to someone who borrows from the bank or other financial institutions or moneylenders. It is an opportunity cost on sacrificing the saving from own state for certain period.

b) Securities

J. Fred Weston and Copeland(1992) defines that Securities are the main sources of long term financing which involve shares, and debentures issued by the company or government and redeemed in future with interest.

c) Income statement

J. Fred Weston and Copeland(1992) mentions that it is the statement which summarizes and provide the information about revenues and expenditure of the organization during the accounting period. It contains real income and expenditures during the fiscal year. Income statement contains all the items of revenue, gains and losses and operating expenditures incurred in carrying on the business and selling and distributing the goods for the particular accounting period, which gives the amount of net profit.

d) Retained earnings

J. Fred Weston and Copeland(1992) mentions that the certain portion of the firms earnings, which is kept for the future use or contingencies. It is an internal source of financing. This internal source of financing is retained earnings.

e) Ratio analysis

J. Fred Weston and Copeland(1992) states that the relationship between two accounting figure expressed mathematical manner is called a financial ratio. Ratio analysis is used to compare and analyze as well as interpret a firm's financial performance and status with that of other firms. Ratio analysis helps to give qualitative judgment regarding with financial performance of a firm. Only the following ratios of selected firms are calculated and analyze for this study on investment policy.

a) Liquidity Ratio

b) Asset Management Ratio

c) Profitability Ratio

d) Growth Ratio

f) Standard Deviation

Rabindra Bhattarai(2006) clarifies that Standard Deviation is the positive square root of the mean of the deviations taken from the arithmetic mean, which measures the variability of a set of observations, it can be denoted by ' σ '.

g) Coefficient of variation

Rabindra Bhattarai(2006) states that Coefficient of variation (C.V.) is the proportion of standard deviation with mean and multiplied by 100. It can be defined by C.V. $= \frac{\pm}{\bar{x}}$

h) Mean

Rabindra Bhattarai(2006) states that A mean is the average value or the sum of all the observations divided by the observations and it is denoted by X. The formula is

$$\bar{x} = \frac{\sum x}{n}$$

i) Correlation

Rabindra Bhattarai(2006) defines that Correlation is one of the statistical tools, which represents the relationship between or among the variables, which does not explain the relationship between or among the variables. It explains the causes and effects of the change of variables. It explains that two variables are correlated if the changed in one variable results in a corresponding change in the others. It can be categorized into two groups: i.e. Positive correlation and Negative correlation.

j) Bond

Surya Rana(2008) describes that bond is the source long term financing or long term promissory note issued by an organization under which borrower agrees to pay interest as well as principle on specific date to the lender. It is of two types: i.e. mortgage bond and debenture bond.

k) Deposits

Surya Rana(2008) views that Financial institutions collect deposits from the customers in various account like current account, saving account and fixed deposit account etc. Therefore, the sum of money collected by the financial institutions from the depositors in various accounts are called deposits. Deposit is the main source of the fund of the financial institutions.

l) Liquidity

Surya Rana(2008) describes that it is the state of owing things of value that can easily be changed into cash. Liquid assets determine the liquidity position of the organization and higher the liquid asset better the financial position.

m) Share

Surya Rana (2008) clarifies that the part of capital owned by a shareholder is called share. These shares are transferable in nature. Thus, any person can be the member of the company by purchasing the certificates of investment on company and could withdraw his/her membership by transferring his/her shares. In Joint stock company, total amount of capital is divided into number of shares through which company can collect capital.

n) Assets

Kiran Thapa (2009) views that Assets are the valuable and important properties of the firm and represents economic resources. All the assets should be measured in monetary term which help to earn future benefits to on organization such as building, depositors, marketable securities, goodwill, patents etc. In the firms, there may be as fixed assets and current assets to run the activities properly and for the smooth operation.

o) Advances

Kiran Thapa (2009) explains that Amount of money, which are paid or lent before data expiration is called advances. It is the sum of amount which was prepaid and treated as assets, will be returned in future and expired the date in future.

p) Balance sheet

Kiran Thapa (2009) summarizes that Balance sheet is a financial statement, which is prepared at the end of each accounting year which, contains assets liabilities, owner share capital. It shows the actual financial position of the organization, the efficiency of all assets and liabilities separately. Broadly speaking, it shows three things, viz. i) the nature and value of assets ii) the nature and value of liabilities and iii) the position of capital

q) Liability

Kiran Thapa (2009) defines that Liabilities are the amount debt payable in future by the firm to its 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 etc.

r) Loan and advances

Kiran Thapa (2009) explains that Loan and advances and overdraft are the main sources of income for a firm. Bank deposits can be crossed beyond a desired level but the level of loans and advances and overdrafts will never cross it. The facility of granting loan and advances and overdraft is one of the main services and facilities which customers can take benefit. Due to high demand of loan, commercial banks and other financial institution may take more preferential collateral while granting loan and advances. Some portion of loan and advances and overdrafts includes that amount which is given to staffs of the banks as home loan, vehicle loan, personal loan and others.

s) Risk Analysis

Kiran Thapa (2009) summarizes that Risk means uncertainty which lies in the business transaction of investment management. When a firm wants to bear risk and uncertainty, profitability and effectiveness of the firm increases. This ratio checks the degree of risk involved in the various financial operations. For this study, following risk ratios are used to analyze and interpret the financial data and investment policy.

a) Interest rate risk

b) Capital risk

2.5. Review of Books and Journals

F Morris(1980), in his discussion paper on " Latin American banking system in the 1980's" has concluded that most of the banks concentrated on compliance with central bank rules on reserve requirements, credit allocation (investment decision) and interest rates. While analyzing loan portfolio quality , operating efficiency and soundness of bank investment management has largely been overlooked

Mr. Bodi B Bajarachary (1991) in his article " Monetary Policy and Deposit Mobilization in Nepal" that the mobilization of domestic saving is one of the prime objectives of monetary policy in Nepal. For this purpose, commercial banks stood as the active and vital financial intermediary for generating resources in the form of deposit of the private sectors. So, for providing credit to the investor is a different aspect of the economy."

He has explained that commercial banks only can play an important role in mobilizing the national savings. Now a days, other financial institutions like Finance companies, co-operatives societies have been established actively to mobilization deposits in the proper sectors so that return can be ensured from the investment.

Similarly, Mr.K Pradhan(1991) , in his article , "Nepalma Banijya Bank Upalabdhi Tatha Chunauti, " has highlighted some major issue in local commercial banks in comparison of recently established joint venture banks. He has pointed out the whole Nepalese commercial banking system in terms of their performance and profit ability. He has found the following points, which are summarized below:

a) Deposit collection rate of joint venture banks is very strong and efficient in comparison to other local commercial banks.
b) The pattern of deposit collection are not similar among these banks. Current deposit ratio in local banks is 9.34%and where as 52.5% in the joint venture banks however, fixed deposit ratio of local bank is very high in comparison with JBVS.

The main function of financial institution is to collect the savings of public regularly and invest in different sectors. Because, deposit is the life blood of them either they are commercial banks, finance companies, co-operative societies, governmental or non governmental.

William J. Sharpe and Alexander J. Gordon (1995) has defined the term " Investment " as the sacrifice of money today for the prospective money tomorrow. He writes " Investment in its broadest sense means the sacrifice of current dollars for future dollars. Two different attributes are generally involved time and risk.

Mr. Shekhar Bahadur Pradhan (1996) in his articles, " Deposits mobilization its problems and prospects, " he has presented the following problems in the context of Nepal.

- People don't knowledge and proper education for saving in institutions manner. They don't know financial organization process, withdrawal system depositing system e.t.c.
- Financial institutions don't want to operate and provide their services in rural areas.
- By operating rural banking programs and units.
- Nepal Rastra Bank must organize training programs to develop the skilled human resources.
- By spreading a numbers of co-operatives societies to develop micro-banking services and improve the habits of public on deposits collection to the rural areas.

The term " Investment" is defined by Frank. K. Really(1999) in his book "Investment " an investment is the current commitment of funds for a period of time to obtain a future flow of funds. That future flow should compensate commitments. Future should be involved in Investment.

Above mentioned definition of different authors about investment classify that investment means to trade money for expected future stream of payments or benefits that will exceed the current cash out flow which is the benefit to the investor for sacrificing the time and commitment or due to the uncertainty and risk factor. Finally institutions must be able to mobilize their deposit collection funds that they can earn good return on their investment.

Charles P. Jones(1999) , emphasizing on the proper management of an investor's wealth says, "Investment is the commitment of funds to one or more assets that will be held over some future time period". Investment is concerned with the management of an investor's wealth which is the sum of current income and present value of all future income.

Shakespare Baidya (1999) has an elaborated definition on investment which beseeches of sound investment policy and covers wider aspects. He writes, " A sound investment policy of a bank is such that its funds are distributed on different types of assets with good profitability on the one hand and provides maximum safety and security to the depositors and banks on the other hand. Moreover, risk in banking sector tends to be connected in the loan portfolio. When a bank gets into serious financial trouble its problem usually springs from significant amount of loans that have become uncollected due to mismanagement, illegal manipulation of loans misguided lending policy of unexpected economic downturn. Therefore, the banks investment policy must be such that it ensures sound and prudent in order to protect public funds.

Further in details be deals with what type of loan do banks make? And how much of loan is to be invested? The banks make a variety of loans to a wider variety of customers from many different purposes , from purchasing automobiles to constructions of homes and making trade with foreign countries. There , no uniform rules can be laid down to determine the portfolio of banks. The environment in which the bank operates influences its investment policy. The nature and availability of funds and assets also differ widely from region to region within a country or country to country. For example, the scope of operating a bank in Jumla will be different from the scope of operating a bank in Kathmandu. The investment policy to be applied in Kathmandu may not be applicable to the customers of Jumla because the demand for loans is less in rural areas whereas it is higher in urban areas.

Similarly, Mr Bhasker Sharma (2000) has found same results that all the commercial banks are establishing and operating in urban area in his study" Banking the future on competition". His achievements are

- Commercial banks are establishing and providing their services in urban area only. They don't have interest to establish in rural areas. Only the branch of Nepal Bank Ltd and Rastriya Banijya Bank Ltd are running in those areas.
- Commercial banks are charging higher interest rate on lending.
- They have maximum tax concession.
- They don't properly analyze the credit system.

He further elaborates his idea as " Due to the lack of investment avenues, Banks are tempted to invest without proper credit appraisal and on personal guarantee, whose negative side effect would show colors only after four or five years." He has further included that private commercial banks have mushroomed only in urban areas where large volume of banking transactions and activities are possible.

Jack Clark Francis, William F Sharpe ,Gordon J. Alexander and Jeffery V. Bailey (2005) explained " Investment process is concerned with how an investor should proceed in making decisions about what marketable securities to invest in , how extensive the investments should be and when the investments should be made. The investment environment encompasses the kinds of marketable securities that exist and where and how they are bought and sold. Investment is restricted to real Investment of the sort that increases national output in the future.

The article published in Annual Bank supervision report NRB (2007/08), Bank supervision Department conclude that the loan and advances extended by banking industry. The loans and advances of the public banks (excluding ADB) have enhanced their portfolio by more then Rs 20.50 billion resulting in the dilution of the concentration of public banks. However, the three public banks are still the three largest individual banks in Nepal, in respect of their loans portfolio. The Nepalese banking system is riddled with a significant amount of non- performing assets is on the decline while total loans are continuously increasing thus resulting in a favorable proportion of Non- performing assets. The NPA ratio, however is still a long way from being at satisfactory level with regard to qualify of the loan portfolio of the individual banks, RBB was the worst closely followed by Nepal Bangladesh Bank, Lumbini Bank and NCC Bank Ltd. Along the private banks, it was Nepal Bangladesh Bank, Lumbini Bank and NCC who had the largest proportion of NPA in their portfolio, while the lowest and the best NPA ratio belonged to Machha Puchhre Bank Ltd. RBB has 60% of Bad debts and according to FY 2063/64 NPA of RBB has 26%. In FY 2063/064 Bad debts principle is Rs 40 million. The large volume NPA has traditionally been a problem in public banks and three private banks. After a reform program was initiated in public banks, the volume of NPA, both gross as well as net has come down , significantly. The fact is also reflected in the following chart, where a wide gap between NPA and provision can be observed.

N. Crosby , N. French and M. Oughton (2007;66-83), in their article " Banking lending valuations on commercial property" elaborates that the banking community are trying to identify the value on which they can apply a loan value ratio and thus protect their loan in the future should the borrower default. A simplistic understanding the value therefore suggest that figure provided should be the figure which has a life for the length of the loan. However, the very concept is economically impossible in any market with volatility. Values can only be snapshots in time. They do not have a shelf life.

For this reason EMLV is conceptually and practically redundant in real estate markets. It appears on the surface to be a solution to the banks requirement for the reduced risk property lending. In reality, it may indeed transfer that arise by demanding a level of protection to the bank that the valuation cannot give. But if

values agree to it, it could open the way to successful negligence claims in the aftermath of poor lending decisions. This is because the concepts appears the determinants of the virtually certain level of value below which the value will not fall for an indeterminate time into the future. Values are vulnerable to claims thaty their valuation was too high, should values fall below that level at any time during the loan . Sustainable values is predicted on having a shelf life but the application believes this fundamental requirement. Values must have a time point. The concept is redundant, the target unidentifiable and the definition ambiguous. It is little wonder that the application appears mechanistic. Market value is an obtainable and useful piece of information to the lender. Worth in the market sets this in context and gives the lender a view of whether market prices are at current sustainable levels. In obtaining worth, the value is obliged to carry out both quantitative and qualitative investigation into the future and this generates other analysis at different time point during the course of the loan.

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

Sujit Mundul, (2008:36), “Understanding of credit derivative Business Age September” emphases Credit derivative enable financial institutions and companies to transfer credit risk to a third parity and thymus reduce their exposure to the risk of an obligor’s default. Credit enhancement techniques, which helps reduce the credit risk of an obligation, play a key role in encouraging loans and investment in debts. In legal term credit derivative are privately negotiated bilateral contract to transfer credit risk from one party to another. Some credit enhancement methodologies have existed for a longtime with the support of guarantee, letter of credit or insurance product. However such mechanism works best during economic upturns. As an alternative to commercial risk mechanism, various financial mechanisms have been developed over the past few decades. Such credit risks instruments are normally refer to as credit derivatives. Credit derivatives helps to transfer credit risk away from the lender to some other party. Now credit derivative grew popular both as tool for hedging credit risk exposure as well as method of investing in certain types of credit risk.

2.6 Review of thesis

Dinesh Raj Shakya(1998), in his thesis paper, financial analysis of joint venture bank in Nepal, (with special reference to Nepal Arab Bank Ltd and Nepal Grindlays Bank Ltd." has made an attempt to calculated and analyze the financial health(during the period of 6 years from FY 1988/89 to 1993/94) of NABIL bank and NGBL. His main objectives are to find out the correlation between total deposits and loan and advances of both banks and to find the capital adequacy position. Actually, he found the following findings:

- There existed highly positive correlation between total deposits and loan and advances of both NABIL and NGBL. NGBL's Liquidity and profitability position was comparatively better than that of NABIL.
- Capital adequacy position of NABIL was more satisfactory than that of NGBL in average, but NABIL 's position was deterioration each year.

At the end of his study, he has recommended that both banks should follow all directions of Nepal Rastra Bank for the sake of national development.

Mr Upendra Tuladhar (1999), has conducted his study entitled, " A study on Investment Policy of Nepal Grindlays bank Ltd in comparison to other joint venture banks (NABIL And HBL)". The researcher main objective of study was to evaluate liquidity, assets management, efficiency, profitability, growth ratio o NGBL in comparison to NABIL and HBL and to examine the fund mobilization and investment policy of NGBL through off balance sheet and on balance sheet activities in comparison to the other two banks.

Through his research, Mr. Tuladhar (2000) has found that NGBL has been successful to maintain in the best way both liquidity position and their consistency among three banks. NGBL has successful to maintain and manages assets towards different income generating activities. Income from loan and advances and total investment is the main income sources of NGBL and it can affect the bank's net profit. Profitability position of NGBL is better than NABIL and HBL.

Similarly, Ruru Kusam Gautam (2000), in his thesis work entitled "Investment Analysis of the finance companies in context of Nepal" has tried to examine the deposits, loan and advances, repayments of the loans. His main objective was to overcome the existing problems of finance companies are:

- Analysis of transaction on the government securities
- Analysis of the capital range of the finance companies.

- Analysis of the loans and advances of finance companies.

He has found the following points from his research study

- Investment on government securities of finance companies are decreasing in 1999 due to low return on government securities.
- Capital range of the finance companies is not greater ranging from 100-500 lakhs.
- The major source of fund of finance companies is utilized in loan and advances.
- They grant their fund on hire purchase loan, lease loan, term loan but higher purchase loan in decreasing rapidly. Sabina Panta (2005) has conducted her study entitled "Investment policy of NABIL, HBL and NB bank Ltd." She has taken NABIL, HBL and NB bank as sample for comparative evaluation of the investment policy adopted. The specific objectives were to evaluate the liquidity position, efficiency of assets management, profitability and risk position of concerned commercial banks and compare each other and also a comparison on fund mobilization and investment policy of selected banks. She had chosen analytical and descriptive method of research design for her study. Method analysis included ratio analysis, trend analysis, F-test, simple and multiple regression tools. The study period was 1997/2003. The research concluded that
- The overall financial performance of NABIL is better than that of other banks but HBL and NBBL are also operating smoothly and success in becoming the pillars of economic system of the country.
- Selected commercial banks are adopting passive investment policy.
- Joint venture commercial banks are not providing investment priority to the rural sectors.

Thapa (2005) has conducted his thesis with main objectives of the study of the liquidity, profitability, activity, capital structure and invest ability position of both SCBNL and HBL, to examine the trend of deposit and loaned advances and to suggest and recommend some measures by evaluating the finding financial performance of both JVBs. The major findings he had presented were as follows: The current ratio of both the banks are always below the normal standard 2:1 which is the indication of unsatisfactory liquidity position, through SCBNL is found slightly better as compared to HBL in this regard. HBL has been found utilizing their total deposits successfully in the form of extending loan and advances for profit generating purpose as compared to SCBNL. Return on investment of SCBNL has always found higher in all fiscal years of study as compared to HBL(i.e. 4.3% > 2.11%). EPS of both the banks were found in fluctuating trend through dividend per share of HBL has found always lower

in all fiscal years. Both the banks were suggested to reduce the operating expenses to maximize the profit.

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- Selected commercial banks are adopting passive investment policy.
- Joint venture commercial banks are not providing investment priority to the rural sectors.

Ruby Gupta(2007) conducted a research study entitled, " Comparative analysis of financial performance of commercial bank in Nepal". The researcher has taken Everest Bank Ltd, SCBNL and BOK Ltd as sample. The major objectives of the study was to evaluate Liquidity ratio, Activity ratio, Profitability ratio and other market related ratios of there sample banks. The researcher had used descriptive and analytical research design in writing the research study. The research has also used F-test in testing the hypothesis.

The researcher study concluded that among three sample bank BOK maintained the highest liquidity position during the research period in comparison to other two banks. The study further added that SCBNL had the excellent assets utilization in order to achieve the goal of maximizing the shareholder's wealth. In the same way, SCBNL generated the highest net profit and paid the highest dividend per share to shareholders. The study further stated that there is no significance difference among the commercial banks in terms of net profit to total assets ratio and dividend payout ratio. The review of above relevant thesis has not doubt enhanced the fundamental understanding and foundation knowledge base, which is prerequisite to make this study meaningful and purposive.

In the study, " Investment policy of commercial banks in Nepal" Prem Bahadur Shahi (2008) has comparatively analyzed the various aspects of JVBS with their counterparts of Nepal Bank Ltd and other banks. He has basically emphasized on their investment policy. He is motivated by the ideas of comparing or contrasting

between their policies rather than good or bad finding about them. JVBS have comparatively fewer branches in the country and not operating any branches in rural sectors. On the other hand, NBL, a semi-government bank, has around 211 branches throughout the country. JVBS are the commercial banks with foreign investors but NBL is rather affected by governmental interference to the global market unlike the other commercial bank. This study period is from 2003/08. In his study, he has found that the liquidity position of JVBS is comparatively weaker than that of NBL however the on- balance sheet as well as off- balance sheet operations of JVBS are comparatively more successful. Similarly, JVBS and NBL are in the similar profitability position and JVBS growth ratio is more satisfactory than that of NBL.

Mr. Prem has come up with some recommendation for better investment policy of the JVBS. He concludes that the financial and economical development of a country largely rests on the industrialization and commercialization. Commercial banks must mobilize their funds in the sectors yielding optimal returns such as purchasing of shares and debentures of other financial and non- financial institutions. The JVBS are to venture in new sectors of investment with low level of risks. The loan default in commercial banks is the result of various factors i.e. political influence, lack of the necessary skills of project appraisal, improper collateral evaluation, irregular supervision and lack of entrepreneurial attitude. He suggested for the enactment of strong loan recovery act and its proper implementation for the recovery of loans. His study cannot explain the result after FY 2009/10. Investment policy of commercial banks cannot be defined by this study for the succeeding fiscal years. His study basically focuses the investment policy of commercial banks of Nepal. This study has been failed to compare the investment policy with other financial institutions like finance companies. It is also unable to examine the risk factors.

Aryal, K. (2008), in his thesis " A evaluation of credit investment and recovery of financial public enterprises in Nepal; A case study of ADB/N, says that high interest rate of non institutional sources, people are unable to pay their credit at fixed time. There institutions compel them to transfer their property to money lender resulting himself or herself as a land less person. ADB/N is one of the major financial institutions supporting for the people for the different purpose like agro, industries, tea, coffee, livestock farming etc. ADB/N provides the credit for individual and co-operative sector to all regions of the country. Credit outstanding amount is increasing day by day but the collection amount is not good. However, ADB/ N has increased its effort to collect its credit. It is said that those people who really need don't receive sufficient amount of credit from ADB/N. So, Mr. Aryal choose this bank to analyze the credit disbursement and recovery pattern of ADB/N.

After detail study of the previous thesis, researcher has reached to this conclusion that they have researched and analyzed the data on the topic related to financial performance and investment policy up to the FY 2007/08. Furthermore, there had not been comparative analysis of investment policy of Joint Venture Banks(SCBNL, NABIL and BOKL) for the FY2008/09. That's why, researcher has tried to show the comparative analysis of Investment policy of JVBS and has also analyzed the relationship between different variables. This work is different with previous works. Study period is also different than previous studies although there are similar topics. So this study is necessary to study.

The researcher has used more secondary data. Only few primary data are used through questionnaire and interviews related to investment policy. The risk factors of institution have been analyzed. The researcher has comparatively analyzed the deposit collection position of the financial institution and fund mobilization. Comparative growth ratios have been calculated and analyzed in this study. Other researches have not made this type of study of JVBS which is tried by the researcher in this study.

CHAPTER – III
RESEARCH METHODOLOGY

3.1 Introduction

Research methodology adopted in this chapter is the set of various instrument approaches used in achieving the predetermined objectives as stated in the extent of their reliability and validity in this research. The research methodology has primarily sought the evaluation of the investment policies of the targeted joint venture banks i.e. NABIL bank ltd , Standard chartered Bank Nepal Ltd and Bank of Kathmandu Ltd. The research methodology adopted in this chapter follows some limited but some crucial steps aimed to achieve the objectives of the research. Research methodology refers to the various sequential steps(along with a rationale, of each such step) to be adopted by a researcher in studying a problem with certain objects in view.

Though limited to some conventional boundaries, the research has something to offer all the concerned, " Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done significantly. It is necessary for the researcher to know not only the research methods/ techniques but also the methodology. Researcher not only need to know how to develop certain indices or tests, how to calculate the mean, the mode, the research techniques but they also need to know which of those methods or technique are relevant and which are not and what would they mean and indicate and why.

3.2 Research Design

This study is analytical in nature. A true research design basically concerned with various steps to collect the data for analysis and draw a relevant conclusion. Recommendation is another important aspects of design strategy. The research design allow a researcher take an appropriate measures and direction towards the predetermined goals and objectives. "A research design is the arrangement of condition for the collection and analysis of data in a manner to combine the relevance to the research purpose with economy in procedures. Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and control various things.

A research design is a plan for the collection and analysis of data. It presents a series of guide posts that enables the researcher to progress in the right direction in order to achieve progress in the right direction in order to achieve the goal. Generally, a common research design possess the five basic elements viz. i) Selection of problem ii) Methodology iii) Data gathering iv) Data analysis and v) Report writing.

The present study follows the descriptive as well as exploratory design to meet the stated objectives of the study. The crux of the research is to make comparative analysis of Investment policy of Joint venture banks (i.e. NABIL, SCBNL and BOKL).

3.3 Population and sample

There are altogether 26 listed commercial banks. The name of some listed JVBS are mentioned in appendix-F. Among them, only three JBVS viz. Standard Chartered Bank Nepal Ltd, Bank of Kathmandu Ltd and Nepal Arab Bank Ltd have been taken as samples in this research study to compare their investment policy. NABIL bank is the first joint venture bank of Nepal, established in 1984 A.D. In 1987 A.D. SCBNL was established but BOKL was established in 1993A.D. Their investment policy may be different, depend on the basis of establishment period. To examine the investment policy of those firm which are established in different years gap; they are selected. Profile of sample JVBS is mentioned in appendix. (Please see in appendix-F)

3.4 Sources of Data

Data are collected from two sources. They are primary and secondary sources.

i) Primary sources

The primary sources of data have been used to collect from concerned financial institution under this study. The questionnaire were distributed to the investment department of concerned sample firms. Three questionnares were distributed to three JVBS including sixteen questions in the each questionnaire.

ii) Secondary sources

The study is mainly based on secondary data. The secondary sources of data collection are those which have been used from published or used by someone previously. The secondary sources data are Balance Sheet, P&L A/c of the concerned financial institutions, annual report and literature publication of the concerned JVBS .The NEPSE report of the concerned financial institutions has furnished some important data to this research study. Some supplementary data and information have been collected from the authoritative sources like Nepal Rastra Bank, Central Library(T.U), ShankerDev. The data for the study are collected from records websites of the sample banks. Other secondary data collected are collected from various unpublished master's degree thesis for the past period data. Different journals and articles are also consulted to for the collection of useful data regarding the thesis.

3.4.1 Data Collection Procedure

Especially the annual report of NABIL bank, Standard Chartered Nepal Bank limited and Bank of Kathmandu Limited are taken as main source of data collection for the purpose of study. NRB publications such as economic report and bulletin, banking and financial statistics, annual reports of NRB e.t.c. Moreover, Questionnaires were prepared to collect primary data required for the analysis of the study. Other main source is website of NRB and website of Nepal Share Market. Most of the data and substance are obtain from the above sources.

3.4.2 Methods used

For the purpose of the study all collected primary as well as secondary data are arranged, tabulated under various heads and then after analyzed and statistical analysis has been carried out to enlighten the study. Mainly, financial methods are applied and appropriate statistical tools are used.

i) Financial methods

ii) Statistical Methods

3.5 Analysis and Presentation of Data

Analysis and presentation of data is the core of the research study. This study needs some financial, accounting and statistical tools to accomplish the objectives of this study. The financial and statistical tools are most reliable. To achieve the objectives of the study, various financial, statistical and accounting tools have been used in this study. The analysis of data will be done according to pattern of data & available. Simple analytical statistical tools such as graph , percentage : Karl pearson' s coefficient of correlation and the method of least square of the trend analysis are adopted in this study. Similarly, some strong accounting tools such as ratio analysis and trend analysis have also been used for financial analysis.

The various results obtained with the help of financial, accounting and statistical tools are tabulated under different headings. Then, they are compared with each other to interpret the results. Data can be presented for analysis in various forms. Under this study, data have been presented in tabular forms, several figures and diagrams. All the figures, trend line graphs and other figures. Two kinds of tools have been used to achieve the purpose, 1) Financial tools and 2) Statistical tools which are explained below:

3.5.1. Financial Tools

Financial tools basically help to analyze the strength and weakness of a firm. Ratio analysis is one of the important financial tools has been used in this study. It helps to show mathematical relationship between two accounting items or figures. Ratio analysis is the only tool that can collate the financial performance and status of a firm with the other firms. It is also inevitable for the quantitative judgment with which the financial performance of firms can be presented properly. Only four ratio have been taken which are briefly explained below.

3.5.1.1. Liquidity ratio

Liquidity ratio are applied to measure the ability of the firms to meet the short term obligations. It measures the speed of firms to convert the firms assets into cash to meet deposits withdraws and other current obligations. Various types of liquidity ratios are applied in this study which are explained below.

I. Current ratio

It refers to the relationship between current assets and current liabilities of a firm that also measures the short-term solvency of the firm. Current assets involve cash and bank balances, money at call or short notice, loans and advances, overdrafts, bill purchased and discounted , investment on government securities and other interest receivables and miscellaneous current assets. Similarly, current liabilities involve deposit and other short term loans, tax provision, dividend payable, bills payable, staffs bonus and sundry liabilities. 2:1 standard of current ratio is widely acceptable but accurate standard depends on circumstances and nature of business. Current ratio can be measured as

$$\textbf{Current Ratio} = \frac{CurrentAsset}{CurrentLiabilities}$$

II. Investment on Government Securities to Current Assets Ratio

This ratio is used to find the percentage of current assets invested on government securities, treasury bills and development bonds. This ratio can be calculated dividing the amount of investment on government securities by the total amount of current assets and can be stated as follows

Investment on Government Securities to Current Assets Ratio

$$= \frac{GovernmentSecurities}{CurrentAssets}$$

where investment on government securities involves treasury bills and development bonds etc.

III. Cash and Bank Balance to Current Assets Ratio

This ratio measures the percentage of liquid assets i.e. cash and bank balance among the current assets of a firm. Higher ratio shows the higher capacity of firms to meet the cash demand. This ratio is calculated dividing cash and bank ballance by total current assets and can be presented as

$$\textbf{Cash and Bank Balance to Current Assets Ratio} = \frac{CashandBankBalance}{CurrentRatio}$$

where, cash and bank balance includes cash in hand, foreign cash in bank, cheques and other cash items and bank balance with domestic and foreign banks.

IV. Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance ratio are the most liquid current assets of a firm. Cash and bank balance to total deposit ratio measures the percentage of most liquid assets to pay depositors immediately. This ratio is computed dividing the amount of cash and bank balance by the total deposits. It can be presented as

$$\textbf{Cash and Bank Balance to Total Deposits Ratio} = \frac{CashandBankBalance}{TotalDeposits}$$

where total deposits consists of deposits on current account, saving account, fixed account, money at call and other deposits.

3.5.1.2. Asset Management Ratio

Asset management ratio is used to indicate how efficeiently the selected banks have arranged and invested their limited resources. The following financial ratios related to investment policy are calculated under asset management ratio and interpretations are made by these calculations.

I. Loan and Advances to Total Working Fund Ratios

The main element of total working fund is loan and advances. This ratio indicates the ability of selected banks in terms of earning high profits from loan and advances. Loan and advances to working fund ratio can be obtained dividing loan and advances amount by total working fund. That is formulized as

$$\textbf{Loan and Advances to Total Working Fund Ratios} = \frac{LoanandAdvance}{TotalWorkingFund}$$

where, total working fund includes total amount of assets given in balance sheet which refers to current assets, net fixed assets, total loans for development banks and other sundry assets except off balance sheet items, i.e. letter of credit, letter of guarantee etc.

II. Loan and Advances to Total Deposits Ratio

This ratio is calculated to find out how successfully the selected banks are utilizing their total collections/ deposits on loan and advances for the purpose of earning profit. Greater ratio shows the better utilization of total deposits. This ratio can be obtained dividing loan and advances by total deposits, which can be shown as

$$\textbf{Loan and Advances to Total Deposits Ratio} = \frac{LoanandAdvance}{TotalDeposit}$$

III. Total Investment to Total Deposit Ratio

Investment is one of the major sources of earning income. This ratio indicates how properly firms deposits have been invested on government securities and shares and debentures of other companies. This ratio can be computed dividing total amount of investment by total amount deposit collection, which can be shown as

$$\textbf{Total Investment to Total Deposit Ratio} = \frac{TotalInvestment}{TotalDeposit}$$

IV. Investment on Government Securities to Total Working Fund Ratio

Investment on government securities to working fund ratio shows how much part of total investment is there on government securities in percentage. It can be obtained by

$$\textbf{Investment on Government Securities to Total Working Fund Ratio} = \frac{InvestmentonGovernmentSecurities}{TotalWorkingFund}$$

V. Loan Loss Ratio

Loan loss ratio shows the possibilities of loan of financial institution to be doubtful and how effectively the banks and finance companies have managed their loan and advances so that there is greater chances of loan and advances to be refunded. This ratio can be calculated dividing the total amount of loan provision by total amount of loan and advances. It can be presented as

$$\textbf{Loan Loss Ratio} = \frac{TotalLoan\,\mathrm{Pr}ovision}{TotalLoan\&\,Advance}$$

Where, total loan provision relates to the amount of provision possible loss on provided loan and advances by the firms.

3.5.1.3. Profitability ratios

Profitability ratios are used to indicate and measure the overall efficiency of a firm in term of profit and financial position and performance of any institutions. For better financial performance profitability ratios of firms should be higher. Profitability position of the firms can be presented through the following different ways.

I. Return on Loan and Advances Ratio

Return on loan and advances ratio shows how efficiently the banks have utilized their resources to earn good return from provided loan and advances. This ratio is computed dividing net profit (loss) by the total amount of loan and advances and can be mentioned as

$$\textbf{Return on Loan and Advances Ratio} = \frac{Net\ \Pr ofit(Loss)}{TotalLoan\ \&\ Advance}$$

II. Return on Total Assets (Total Working Fund)

Return on Total assets ratio measures the profitability position of the selected banks in comparision with total assets of those selected firms. It is calculated dividing return or net profit (loss) by total working fund and can be expressed as

$$\textbf{Return on Total Assets (Total Working Fund) =}\ \frac{Net\ \Pr ofit(Loss)}{TotalAssets}$$

III. Return on Equity (ROE) Ratio

Return on equity ratio points out how efficiency the banks have used the owner's funds. It is calculated dividing net profit by total equity capital and can be expressed as

$$\textbf{Return on Equity (ROE) Ratio} = \frac{Net\ \Pr ofit(Loss)}{TotalEquityCapital}$$

Where, total equity capital (net worth) indicates to the owner's claim or the excess amount of total assets over total of long and short- term liabilities. Net worth relates to the reserve of shareholders including P&L a/c and share capital.

IV. Total Interest Earned to Total Assets Ratio

This ratio is used to measure the capacity of the firm for earning interest through proper utilization of outside assets. This ratio can be calculated dividing total interest earned by total assets and can be stated as

$$\textbf{Total Interest Earned to Total Assets Ratio} = \frac{TotalInterestEarned}{TotalAssets}$$

Where, higher ratio indicates the proper utilization of assets for earning interest income. Total outside assets consists of loan and advances, bills purchased and discounted and all investments. Total interest earned includes the income received from loan and advances, cash credit and drafts, government securities, inter bank and other investments.

V. Total Interest Paid to Total Working Fund Ratio

Total interest paid to total working fund ratio is calculated to find the percentage of interest paid to total working fund. Lower ratio indicates the better performance of financial institutions in the form of interest earning on its working fund. This ratio is calculated dividing total interest paid from investment by total working fund and is mentioned as below

$$\textbf{Total Interest Paid to Total Working Fund Ratio} = \frac{TotalInterestPaid}{TotalWorkingFund}$$

VI. Interest Earned to Total Operating Income Ratio

Interest earned to total operating income ratio is calculated to find out the ratio of interest income with operating incomes of financial institutions. This ratio indicates how efficiently the selected banks have mobilized their resources to bear the interest on invested assets. This ratio is calculated dividing total interest earned by total operating income and can be stated as

$$\textbf{Interest Earned to Total Operating Income Ratio} = \frac{TotalInterestEarned}{TotalOperatingIncome}$$

3.5.1.4. Risk Ratio

Risk means uncertainty which lies in the business transaction of investment management. When a firm wants to bear risk and uncertainty, profitability and effectiveness of the firm increases. This ratio checks the degree of risk involved in the various financial operations. For this study, following risk ratios are used to analyze and interpret the financial data and investment policy.

I. Interest Rate Risk Ratio

Interest rate risk ratio shows the possibility of loss on net interest income due to the change in the interest rate charged by the banks on their investment deposits or loan and advances. The higher interest rate risk ratio suggests the banks to increase interest rate on their deposits. This ratio is calculated dividing interest earned assets by interest paid liabilities and is stated as

$$\textbf{Interest Rate Risk Ratio} = \frac{TotalInterestEarned}{TotalInterestPaid}$$

Where interest earned assets includes the treasury bills investment on development bonds, investment on debenture mutual fund and other investments. Similarly, interest paid liabilities consists of borrowings from Nepal Rastra Bank and other financial institutions, total deposits excluding current deposit.

II. Capital Risk Ratio

Capital risk ratio of a firm gives the information about how much the values of assets may decrease due to the position of deposits and creditors. Capital risk relates to the return on equity. The higher capital risk ratio shows the lower capital risk. This ratio is computed dividing owners capital by the risk weighted assets as calculated as

$$\textbf{Capital Risk Ratio} = \frac{OwnersCapital}{RiskWeightedCapital}$$

Where owners capital involves paid up capital and other reserves.

3.5.1.5. Growth Ratio

Here, the growth ratio represent how well the commercial banks are maintaining their economic and financial condition. The higher ratios represent the better performance of the selected firms to calculate, check and analyze the expansion and growth of the selected banks the following growth ratio are calculated. Growth ratios are directly related to the fund mobilization and investment of those firms.

I. Growth ratio of total deposits
II. Growth ratio of total investment
III. Growth ratio of loan and advances
IV. Growth ratio of net profit

3.5.2.Statistical Tools

Some important statistical tools have been used, to present and analyze the data for achieving the objective of this study. Co-efficient of variance, co-efficient correlation analysis etc, have been used for the purpose. The basic statistical analysis related to this study are discussed below.

3.5.2.1. Karl Pearson's Correlation Co-efficient Analysis

This statistical tools has been used to analyze, identify and interpret the relationship between two or more variables. It interprets whether two or more variables are correlated positively or negatively. Statistical tools analysis the relationship between those variables and helps those selected banks to make appropriate investment policy regarding to profit maximization and deposits collection, fund utilization through providing loan and advances or investment on other companies. Karl Pearson's co-efficient of correlation has been used to find the relationships between the following variables

i. Co-efficient of correlation between deposit and loan and advances
ii Co-efficient of correlation between deposit and total investment
iii Co- efficient of correlation between total assets and net profit

Simply Karl Pearson's correlation co-efficient(r) can be obtained as

$$r = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - (\sum X)^2}\sqrt{n\sum Y^2 - (\sum Y)^2}}$$

Where,

n = Number of observation in series X and Y
∑X= sum of observations in series X
∑Y= sum of observations in series Y
∑X2=sum of squared observations in series X
∑Y2= sum of squared observations in series Y
∑XY= sum of the product of observations in series X and Y

3.5.2.2. Trend Analysis

This type of statistical analysis interprets the trend of deposits, loan and advances, investments and net profits of Standard Chartered Bank Nepal Limited, NABIL bank limited and Bank of Kathmandu from 2004/05 to 2008/09. It is necessary to calculate the forecasting for next five years till 2012/2013. The following trend values analysis has been used in this study.

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.

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

4.1. Data Presentation and Analysis

This chapter is the main body part of the study. It comprises detail data of dividend records, EPS, growth position, correlation and regression, ratio of each joint venture bank which are presented and their interpretation as well as analysis are included. In this chapter IV, researcher has tried to analyze and diagnose their recent investment policy of joint venture banks. Different tables and diagrams/ figures are shown to make the analysis simple and understandable.

4.1 Secondary Data Analysis:

4.1.1. Financial Analysis

Financial analysis is the act of identifying the financial strength and weaknesses of the organization presenting the relationship between the items of balance sheet. For the purpose of this study, ratio analysis has been mainly used and with the help of it, data have been analyzed.

Various financial ratios related to the investment management and the fund mobilization are presented and discussed to evaluate and analyze the performance of three joint venture banks: SCBNL, BOKL and NABIL in comparision to each other. Financial ratios are calculated and data will be analyzed with the help of those ratios. Some important financial ratio are only calculated from the point of view of the fund mobilization and investment policy. The ratio's are designed and calculated to highlight the relationship between financial items and figures. It is a kind of mathematical relationship and procedures dividing one item by another. All these calculation are based on financial statements of concerned JVBS and the ratios are determined upto three figures after the decimal point. The importance and needed financial ratios, which are to be calculated for the purpose of this study are mentioned below

4.1.1.1. Analysis and Interpretation of Liquidity Position:

Generally, accepted Liquidity ratio is 2:1. however it is also accepted 1:1 which depends upon the nature of the firms because it is based on current liabilities. Liquidity ratio determines the capacity of the firm to meet its cash obligation. Commercial bank must maintain their satisfactory liquidity position to meet the credit need of the community, demand for the deposit withdrawals. Analysis of liquidity position needs the preparation of cash budget. But creating the relationship between

current assets to current liabilities can show liquidity position. The following ratio are analysed and interpreted under the liquidity ratio.

I. Current Ratio:

This ratio is computed dividing current assets by current liabilities which helps to indicate the ability of a firm to meet its current obligation. Standard current ratio is 2:1 but 1:1 is also considered for the banks. This ratio represents the relationship between cash and other current assets to its current obligations presented in table 1 below (Appendix no.1). We have,

Current Ratio =

Table 4.1

Table 4.1 showing the relationship of Current Asset and Current Liabilities

Current ratio (times)

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	0.69	0.80	0.79	0.72	0.78	0.75	0.104	13.86
SCBNL	0.54	0.59	0.53	0.56	0.62	0.56	0.10	17.85
BOKL	0.78	0.72	0.78	0.84	1.14	0.85	0.159	18.70

Above presented table 4.1 discloses that current assets of all selected JVBs is lower than the normal average ratio 2:1 except in the last year of this study period for BOKL. In case NABIL, it has tried to maintain the ratio of 1:1 however that of SCBNL is lower than the other JVBs. This indicates that all the selected firm are not able to maintain and fullfill the current obligation and cash demand of the customers during the study period.

Current ratio of NABIL is in fluctuating trend from the beginning of the period and that of SCBNL is in fluctuating trend. During the study period, BOKL has followed increasing trend. It has decreased to 0.72 from 0.78 from the year 2004/05 to2005/06 and started to rise up from 0.72 to 1.14 for the year 2005/06 to 2008/09.

The coefficient of variation between the current ratios of JVBS comparatively similar however NABIL has lower C.V than other two JVBS. The liquidity position of the BOKL is comparatively better than other two JVBS because current ratio of BOKL is higher than SCBNL and NABIL.

II. Cash and Bank balance to Total Deposits Ratio

This ratio measures the ability of bank to meet future withdrawals of deposits. Higher ratio shows the greater ability of the firms to meet the customers demand on their deposits. It is calculated dividing total amount of cash bank balance by total deposits, which can be mentioned as

$$\textbf{Cash and Bank Balance to Total Deposits Ratio} = \frac{CashandBankBalance}{TotalDeposits}$$

Where, cash and bank balance consists of cash in hand including cheques, foreign currencies, other cash item, and balance in domestic and foreign banks. Deposit includes the amount of deposits in current, saving and fixed deposits account, money at call or short notice and other type of deposits. Cash and bank balance to total deposit ratio of SCBNL, NABIL and BOKL from the fiscal year 2004/05 to 2008/09(Appendix no.2).

Table 4.2

Table 4.2 showing relationship Cash and bank balance to total deposit ratios

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	9.46	8.77	6.86	5.46	6.89	7.48	1.91	33.74
SCBNL	6.87	3.83	3.26	6.00	8.37	5.66	1.48	19.78
BOKL	7.19	7.56	7.64	8.02	7.57	7.59	0.4	5.27

The above table 4.2 shows that the cash and bank balance to total deposit ratio of all the selected firms are better. NABIL has decreasing trend however BOKL has consistency in the ratio from 2004/05 to2008/09. SCBNL has been following high fluctuation in ratio.

The coefficient of variance of NABIL is 33.74% which is highest among the JVBS. It indicates that cash and bank balance to deposit ratio of NABIL is less homogeneous than that of JVBS. Comparatively, NABIL and BOKL has highest ratios, they have the better position for managing the cash demand of its customers from their deposits money at any time. However, SCBNL has lower ratio donot have good position because it is running in lower risks. Higher ratio also indicates the better ability but inefficiency and it has to pay more interest on deposits.

III. Cash and Bank Balance to Current Assets Ratio

Cash and bank balances are the most liquid or quick assets. Cash and bank balance to current assets ratio represents the liquidity capacity of the firm as per cash and bank balance. Higher the ratio, better the ability of the firms to meet the daily cash requirement of their customers. Lower ratio is the worst to the banks, so a firm may not be able to pay the amount of cheques which are presented by their clients. But high ratio is not so preferred to the firms because firms have to manage the cash and bank balance to current asset ratio in such a manner that firm may not be paid more interest on deposit and may not have liquidity crisis. This ratio can be calculated as follows

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

Where cash and bank balance assists of cash in hand including foreign currency, cheques and other cash items and bank balance in foreign and domestic bank. Cash and bank balance to current assets ratio of SCBNL, NABIL and BOKL from the fiscal year 2004/05 to 2008/09 are tabulated below(Appendix-no3).

Table no. 4.3

Table 4.3 showing the relationship between Cash and Bank Balance to Current Assets Ratio

Cash and Bank Balance to Current Assets Ratio(%)

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	9.18	4.45	3.98	7.76	10.04	7.08	2.46	34.74
SCBNL	16.65	9.25	9.94	13.54	10.61	11.99	2.78	23.18
BOKL	11.28	11.24	8.29	11.69	8.92	10.28	1.42	13.81

The above table 4.3 shows that cash and bank balance to current assets ratio of all selected sample firms are better. Among the JVBS, the higher ratio of SCBNL is 16.65 for the fiscal year 2004/05 and the lowest of NABIL is 4.45 for the fiscal year 2005/06. BOKL has followed the higher ratio of 11.69 for the year 2007/08 and lower of 8.29 for the year 2006/07. Among the selected sample firms SCBNL has registered the highest mean cash and bank balance to current assets ratio of 11.99. It shows that SCBNL has the better liquidity position.

Comparatively, SCBNL has higher C.V than other JVBS. It indicates that cash and bank balance to current asset ratio is less homogeneous than that of other JVBS.

During the period, BOKL has registered lower risk in managing cash and bank balance to current assets ratio i.e. 1.42.

IV. Investment on Government Securities to Current Assets Ratio

The financial institutions want to invest their collection/ deposits on government securities which are the safest investment from the risk and uncertainty point of view. Although those securities can be sold easily in the financial market or they can be converted into cash, they are not very liquid assets of banks that are invested on various government securities.

Investment on Government Securities to Current Assets Ratio=

$$\frac{GovernmentSecurities}{CurrentAssets}$$

Calculated values of these ratios related to concerned firms in percentage are presented in the following table 4.4 below(Appendix no. 4).

Table no. 4.4

Table 4.4 showing the relationship between Investment on Government Securities to Current Assets Ratio

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	34.74	19.22	14.53	26.68	17.47	22.52	7.33	32.54
SCBNL	65.44	59.98	58.29	47.64	42.12	54.69	8.56	15.65
BOKL	34.19	32.60	30.25	20.72	13.08	34.19	8.06	30.81

The above presented table- 4.4 shows investment on government securities to current asset ratio that SCBNL and BOKL has diminishing trend. However, NABIL has fluctuating trend registering highest 34.74 for the fiscal year 2004/05 and lowest for the fiscal year 2006/07. The liquidity position of SCBNL is better in comparison to NABIL and BOKL. Most of the firms have not invested their current assets on government securities increasingly. It means that they have invested in other productive and profitable sectors. Due to more deposit collections and lack of profitable and productive sectors, SCBNL have the higher ratio and decreasing trend.

BOKL and NABIL has registered lower ratios 13.08 and 17.47 for the fiscal year 2008/09 respectively.

4.1.1.2. Analysis of Asset Management Position

Assets management ratio refers to show the efficiency of the firm to manage its available assets in proper, profitable and satisfactory sectors. So, their investment can give satisfactory result/ return / high profits. The following ratios are calculated under assets management ratio of SCBNL, NABIL and BOK in this study.

I. Loan and Advances to Total Deposit Ratio

This ratio helps to analyze how successfully selected joint venture banks are mobilizing their collected fund/ deposits of customer on loan and advances. This ratio can be calculated as

$$\textbf{Loan and Advances to Total Deposits Ratio} = \frac{LoanandAdvance}{TotalDeposit}$$

The following tables no 4.5 deals with the ratio of loan and advances to total deposit of selected firms:- SCBNL, NABIL and BOKL and detail information for the ratio calculation are presented in appendix no 5.

Table no. 4.5

Table 4.5 showing the relationship Loan and Advances to Total Deposit Ratio (%)

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	60.55	75.05	68.63	68.13	68.18	68.10	4.71	6.91
SCBNL	31.63	43.49	39.92	43.78	46.12	40.98	5.41	12.54
BOKL	77.61	68.87	71.42	78.25	80.51	75.33	4.45	5.90

The above table 4.5 shows that the ratios of JVBs have fluctuating trend. During the period NABIL and BOKL has maintained higher loan and advances to total deposit ratio which states that the fund utilization position of NABIL and BOKL is better than that of SCBNL. The coefficient of variation of SCBNL is comparatively higher than that of NABIL and BOKL, which shows that the loan and advance to total deposit ratio of SCBNL is less homogeneous than that of other JVBS.

From the above table and analysis, it can be concluded that total deposits of NABIL and BOKL have been efficiently mobilized than that of SCBNL. Loan and advances are not liquid asset than cash and bank balance. So, from the liquidity point of view, high ratio of NABIL and BOKL is not good.

II. Total Investment to Total Deposit Ratio

Commercial banks invest their collection fund in various government securities and other financial or non financial companies. This ratio in this study measures how successfully and efficiently selected banks are mobilizing their fund on investment in various securities. This ratio of selected three companies is calculated and presented below using the following formula and other supported information related to this study, which are presented in appendix no 4.6.

$$\textbf{Total Investment to Total Deposit Ratio} = \frac{TotalInvestment}{TotalDeposit}$$

Table no. 4.6

Table 4.6 showing the relationship between Total Investment to Total Deposit Ratio

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	41.33	29.25	31.93	38.32	31.14	34.39	4.64	13.49
SCBNL	53.68	50.10	55.67	54.98	46.74	52.23	3.41	6.52
BOKL	32.0	28.94	32.18	24.15	20.23	27.5	4.65	16.90

The above table 4.6 discloses that all the firms have invested their deposits in the shares and securities properly, so investment to total deposit ratio is comparatively good. In case of investment to total deposit ratio, SCBNL and NABIL has fluctuating trend however BOKL has decreasing trend. The highest mean ratio of SCBNL is 52.23 and lowest of BOKL is 27.5. Comparatively, the coefficient of variance of SCBNL is lower than that of other JVBS. So total investment to total deposit ratio of SCBNL is more stable and consistent than that of other JVBS.

From the analysis, it can be found and concluded that SCBNL have mobilized large amount of deposit into investment in comparison to other JVBS. But all the firms have not invested more successfully their deposit in securities

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III. Loan and Advances to Total Working Fund Ratios

Loan and advances is the important part of total working fund of a firm. Financial institutions should take care of investment and mobilizing its loan and advance in profitable sectors to obtain the desired return. Higher ratio shows better fund mobilization. We can calculate this ratio by dividing total amount of loan and advances of the firms by its total working fund as mentioned below (Appendix no. 7).

Loan and Advances to Total Working Fund Ratios = $\frac{LoanandAdvance}{TotalWorkingFund}$

Total working fund consists of total assets of the firm under which current assets, fixed assets, investment and other assets are existed. Loan and advances to working fund ratio of SCBNL, NABIL and BOKL.

Table no. 4.7

Table no 4.7 showing the relationship between Loan and Advances to Total Working Fund ratio (%)

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	48.90	61.60	57.87	57.04	57.53	56.68	4.27	7.54
SCBNL	27.11	37.38	34.67	36.72	41.15	35.40	4.69	13.24
BOKL	59.46	59.79	59.12	64.46	70.32	62.63	4.31	6.88

From the Table 4.7, loan and advance to working fund ratio table, shows that NABIL has fluctuating trend and SCBNL and BOKL has increasing trend. NABIL and BOKL have higher mean ratios in comparison to SCBNL. Therefore, loan and advance to total working fund ratio of SCBNL is more stable and consistent than that of other JVBS.

From the above table and analysis, it is very clear that SCBNL have mobilized their working fund into loan and advances successfully than other JVBS.

IV. Investment on Government Securities to Total Working Fund Ratio

It is not possible to apply all the collection, deposits and other resources into loan and advances for the selected banks. Therefore, they arrange their total working fund in various sectors. Among all the sectors investment in government bond is one which is very less risky. It measures how successfully selected banks have applied their total working fund on various forms of government securities in profit maximization and risk minimization point of view(Appendix no.8).

Investment on Government Securities to Total Working Fund Ratio=

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

Table no. 4.8

Table 4.8 showing the relationship between Investment on government securities to total working fund ratio(%)

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	21.93	14.04	10.30	17.64	21.74	17.13	4.48	26.15
SCBNL	33.61	33.06	29.02	24.85	24.41	28.99	3.89	13.41
BOKL	24.97	21.70	21.65	15.99	11.92	19.24	4.69	24.37

It is clearly obvious from the table 4.8 that NABIL has fluctuating trend but BOKL and SCBNL has decreasing trend. Co-efficient of variation of SCBNL is 13.41 which lower than that of NABIL and BOKL i.e. 4.48 and 4.69 respectively. The coefficient of variance of the NABIL and BOKL is comparatively higher than that of SCBNL, which states that the investment on government securities to total working fund ratios of NABIL and BOKL are less homogenous than that of SCBNL.

It can be concluded that investment on government securities by SCBNL has been unsuccessfully mobilizing its funds in comparison to other JVBS.

V. Loan Loss Ratio

Loan loss will be made if debtors fail to return their loan or due to the carelessness of investment policy. This ratio is calculated by dividing the amount of provision for loss of loan by the total amount of loan and advances. Whenever the firms show the greater loan loss provision in their income statement this is expected to be high loan loss of the firm. This ratio shows how efficiently selected banks will have managed their loan in future. We can calculate this ratio as

$$\textbf{Loan Loss Ratio} = \frac{Total Loan \text{ Pr} ovision}{Total Loan \& Advance}$$

Detail information for the calculation of this ratio are shown in appendix no 9.

Table no 4.9

Table 4.9 showing the relationship between Loan provision and Loan and Advances

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	3.35	1.32	1.38	1.12	.74	1.58	0.91	57.59
SCBNL	3.77	2.69	2.13	1.83	0.92	2.26	0.96	42.47
BOKL	6.66	4.99	2.72	2.51	1.86	3.74	1.81	48.39

The above table 4.9 shows that loan loss ratios of JVBS in decreasing trend. The average loan loss ratio of SCBNL is comparatively higher than that of NABIL and BOKL. Higher average loan loss ratio of SCBNL states the position of SCBNL is not so good. If there is no doubtful debt; loan loss provision is not necessary, which can be mobilized to generate extra income. NABIL has higher C.V among the JVBS. However, SCBNL has lower C.V than that of other two JVBS.

From the above table and analysis, it can be clearly seen and concluded that the performance of the SCBNL is good in comparison to other two JVBS.

4.1.1.3. Analysis of Profitability Position

The objectives of investment policy is to make good return. Any organization has the desire of earning high profit, which helps to survive the firm and indicate the efficient operation of the firm.

Selected banks make the profit by providing various facilities to their customers. Profit is the essential part of business activities to meet internal obligation overcome the future contingencies make a good investment policy, expand the banking transactions etc. Therefore, this ratio measures the efficiency of banks. Higher ratio indicates the higher efficiency of those firms. Under the profitability ratios, various ratios related to profit and fund mobilization are calculated and analyzed.

I. Return on Loan and Advances Ratio

Every financial institutions tries to mobilize their deposits on loan and advances properly. But they cannot get success on this point. So, this ratio helps to measure the earning capacity of selected banks. If return on loan and advances ratio of those selected firms is calculated from the FY 2004/05 to 2008/09 are presented in table below.

Detail supported information for the calculations are also presented in appendix No. 10.

$$\textbf{Return on Loan and Advances Ratio} = \frac{Net\ \Pr ofit(Loss)}{TotalLoan\ \&\ Advance}$$

Table no 4.10

Table 4.10 shows Return on loan and advances ratio(%)

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	5.33	5.32	5.24	4.62	3.96	4.89	0.571	11.67
SCBNL	8.51	6.85	7.63	6.75	5.96	7.14	0.74	10.36
BOKL	2.26	2.36	2.79	2.79	2.90	2.62	0.258	9.84

The above table 4.10 shows that the ratios of NABIL and SCBNL are decreasing trend. Return on loan and advance ratio of SCBNL is increasing from 6.85 to 7.63 for the fiscal year 2005/06 to 2006/07. The highest mean ratio of SCBNL is 7.14 and the lowest of BOKL is 2.90. Return on loan and advances ratios of JVBS is lower so it has failed to make high ratio as other JVBS. The C.V of SCBNL, NABIL and BOKL are 10.36, 11.67 and 9.84 respectively. Higher C.V of NABIL shows that the firm have less homogeneity in return than that of other JVBS.

It can be concluded that they are failed to earn high return from their invested loan and advances. There is no so good and depended relationship between return and loan and advances.

II. Return on Total Assets (Total Working Fund)

When banks as well as other institutions efficiently manage and utilize total assets there is certainly higher return of those forms. Return on total assets ratio helps to identify the profit earning capacity by utilizing available resources of the firms. Return on total assets ratio is calculated as

$$\textbf{Return on Total Assets (Total Working Fund)} = \frac{Net\ \Pr ofit(Loss)}{TotalAssets}$$

In the following table, return on total assets ratio of selected banks (i.e. SCBNL, NABIL and BOKL) are presented. Detail calculated information are presented in appendix no 11.

Table no. 4.11

Table 4.11 shows Return on Total assets ratio(%)

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	2.73	3.06	3.23	2.72	2.32	2.41	1.48	61.41
SCBNL	2.27	2.46	2.56	2.42	2.45	2.43	0.136	5.59
BOKL	1.34	1.42	1.65	1.80	2.04	1.65	0.254	15.39

The above table 4.11 shows during the study period, profitability ratio of JVBS is not consistent . NABIL has fluctuating in range between 2.32 to 3.23. SCBNL has fluctuation in range between 2.27 to 2.45. However, BOKL has increasing trend in range between 1.34 to 2.04. The average return of SCBNL is better than that of BOKL and NABIL. The highest average return of SCBNL is 2.43 and lowest of BOKL is 1.65. The C.V of NABIL is higher than that of other two JVBS. Therefore, return on total asset ratio of NABIL is less stable and in consistent than that of other JVBS.

III. Return on Equity (ROE) Ratio

Equity capital consists of paid up equity capital, P&L a/c, various reserves, general loan loss provision etc. Return on equity ratio measures how successful selected banks have mobilized their equity. If the firms mobilized their equity properly, they can earn high profit. Higher the return on equity ratio of the firm indicates that they are successful mobilizing their equity capital. Return on equity ratio of selected firms are presented in the following table and detail information for calculation if this ratio from the FY 2004/05 to 2008/09 are presented in appendix 12.

$$\textbf{Return on Equity (ROE) Ratio} = \frac{Net\ \Pr ofit(Loss)}{TotalEquityCapital}$$

Table no. 4.12

Table 4.12 shows Return on Equity ratio(%)

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	30.72	31.28	33.88	32.76	30.62	31.85	1.31	4.11
SCBNL	35.95	33.88	37.55	32.68	32.85	34.58	1.92	5.55
BOKL	19.6	19.4	24.10	26.41	26.93	23.28	3.29	14.14

The above table 4.12 shows that the return on equity ratio of SCBNL and NABIL is fluctuating but BOKL is increasing trend. NABIL has the range of ratio between 30.62 to 33.88, SCBNL has the range of ratio between 32.68 to 37.55 and BOKL has the range of ratio between 19.4 to 26.93.

The average ratios of NABIL, SCBNL and BOKL are 31.85, 34.58 and 23.28 respectively. The coeffiecient of variance of NABIL, SCBNL and BOKL are 4.11,5.55 and 14.14 respectively. Except BOKL, other two JVBS have lower C.V. So, return on equity of BOKL is less stable and inconsistent than that of other two JVBS.

It can be concluded that JVBS have not efficiently utilized their equity capital. So they have lower returns on equity capital ratio. They may lack sound investment policy for the proper mobilization of their equity capital.

IV. Earning Per Share

Every organization wants to know the total return from its transactions. Similarly, shareholders also want to know the total income (earning), earning per share. So, they determines the share price. To calculate the degree of different types of leverage, earning of the business are required. From the organization point of view, EPS is necessary to calculate target EPS and investment policy. The following table shows the EPS of sample firms for 5 years periods from the FY 2004/05 to 2008/09. Detail information and calculation are presented in appendix no 13.

Table no 4.13

Table 4.13 shows Earning per share

(in Rs.)

Firms	Fiscal Year				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
NABIL	95.61	105.49	129.21	137.08	108.31
SCBNL	143.55	143.14	175.84	167.37	131.92
BOKL	27.40	30.10	43.67	43.50	59.94

From the above table 4.13 indicates that the EPS of NABIL is fluctuating between 95.61 to 137.08 during the study period. SCBNL has EPS fluctuating between 143.14 to 175.84 and BOKL has EPS fluctuating between 27.40 to 43.67. Comparatively, SCBNL and NABIL has good EPS than that of BOKL during the period of study. However, SCBNL has highest EPS in fiscal year 2006/07 i.e. 175.84 and lowest in 2008/09 i.e.131.92.

V. Dividend Per Share

A firm wants to distribute divided to its shareholders if a firm supposes the insufficient investment opportunities and sectors. Sometimes, it does not distribute, sometime it issues bonus shares. On the other hand, shareholders want to receive dividend from their investment. They may have interest to know about the firm's activities earning, divisible profit or proposed dividend or declared dividend. So, each firm must announce the total divided and dividend per share (DPS) which shows the position of the firm.

The following table 4.14 shows the DPS of sample firms for 5 years from FY 2004/05 to 2008/09. Detail information and calculations are presented in appendix No. 14.

Table no. 4.14

Table 4.14 shows Dividend Per Share(%)

Firms	Fiscal Year				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
NABIL	65	70	85	100	60
SCBNL	110	120	130	80	80
BOKL	10	15	18	20	21.1

Above table 4.14 shows that NABIL has distributed dividend ranging from 60 to 100, SCBNL has distributed dividend ranging from 80 to 130 and BOKL has distributed dividend ranging from 10 to 21.1 during the study period. SCBNL has decreasing trend for distributing dividend however, BOKL has increasing trend and NABIL has fluctuating trend. These ratio helps to the investors for determining the investment sectors and help the companies or firms themselves to satisfy their shareholders and prepare a good investment policy.

VI. Total Interest Earned to Total Assets Ratio

Total interest earned to total assets ratio evalutes how successfully the selected banks are mobilizing their total assets to achieve high amount of interest. This ratio measures that the earning capacity of the firms through proper utilizing their total assets. Higher ratio indicates the higher interest income. Total interest earned to total assets ratio of the selected sample firms from FY 2004/05 to 2008/09 is calculated and shown in the following table. Detail information which are required to calculate these ratios presented in appendix no 15.

We know

$$\textbf{Total Interest Earned to Total Assets Ratio} = \frac{TotalInterestEarned}{TotalAssets}$$

Table no 4.15

Table 4.15 shows relationship between Total interest earned to total assets ratio(%)

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	5.98	6.21	5.86	5.82	5.32	5.83	0.42	7.20
SCBNL	4.40	4.86	4.61	4.93	4.77	4.71	0.27	5.73
BOKL	5.97	6.13	5.84	5.61	5.83	5.87	0.31	5.28

Above table 4.15 shows that the ratios of NABIL, SCBNL and BOKL is fluctuating trend. The mean ratio of NABIL and BOKL are comparatively higher than SCBNL which shows that they have better position with respect to the interest earned income from the invested assets. The coefficient of variance of NABIL is higher than other two JVBS. However, SCBNL and BOKL has relatively similar C.Vs. NABIL has more variability in ratio than that of other two JVBS. From the above analysis and table, it can be concluded that NABIL do have better position of mobilizing of total assets in comparision with other two JVBS.

VII. Total Interest Earned to Total Operating Income Ratio:

Total interest earned to total operating income ratio reveals that the portion of interest income on total operating income of the firms. This ratio measures how successfully the selected banks have been mobilization their fund in interest generating assets during last five years or study period.

These ratios of selected firms from FY 2004/05 to 2008/09 are presented to analyze in the following table. Operating income consists the interest income, commission income, foreign exchange income, dividend income, discount income etc. Necessary informations to calculate these ratios are presented in appendix no 16.

We know,

$$\textbf{Total Interest Earned to Total Operating Income Ratio} = \frac{TotalInterestEarned}{TotalOperatingIncome}$$

Table no. 4.16

Table 4.16 shows Total interest earned to total operating income ratio (%)

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	74.95	89.44	96.35	107.26	118.45	97.29	14.89	15.30
SCBNL	82.39	82.35	83.87	90.62	89.68	85.78	3.66	4.26
BOKL	79.78	118.02	124.53	120.96	119.83	112.62	16.58	14.72

The above table 16 indicates the interest earned to total operating income of NABIL is increasing trend. NABIL has fluctuation ranging from 74.95 to 118.45. SCBNL and BOKL has fluctuation between 82.35 to 90.62 and 79.78 to 124.53 respectively.

The average mean ratio of BOKL is comparatively higher than that of NABIL and BOKL. The coefficient of variance of NABIL, SCBNL and BOKL are 15.30, 4.26 and 14.72 respectively.

From the above ratio, it can be concluded that JVBS have mobilized their interest generating assets like loan and advances, investment etc in similar position. However SCBNL has lower C.V which indicates that investment in interest bearing asset is more consistent than other two JVBS.

VIII. Total Interest Paid to Total Working Fund Ratio

Total interest paid to total working fund ratio helps to show and measure the percentage of interest paid by the firms in comparision with total working fund. If interest paid to working fund ratio is higher, there will be higher interest expenditures on total working fund. Total interest paid to total working fund ratios of SCBNL, BOKL and NABIL are presented in the following table 17 from FY 2004/05 to 2008/09. Detail information and calculation are presented in appendix no 17.

We know

$$\textbf{Total Interest Paid to Total Working Fund Ratio} = \frac{TotalInterestPaid}{TotalWorkingFund}$$

Table no. 4.17

Table 4.17 shows Total interest paid to total working fund ratio(%)

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	1.68	1.41	1.59	2.03	2.04	1.75	0.24	13.71
SCBNL	1.16	1.16	1.17	1.44	1.41	1.26	0.19	15.07
BOKL	3.01	2.44	2.5	2.32	2.35	2.52	0.28	11.11

The above table 4.17 shows the interest paid by SCBNL is comparatively lower than that of other two JVBS. During the study period, the ratio of JVBS are in increasing trend for SCBNL and NABIL. However, BOKL has fluctuating trend.

The average ratios of BOKL is higher than that of the other two JVBS which states that it has higher interest expenses in comparison to SCBNL and NABIL. BOKL has been inefficient in controling interest expenses on deposit and other borrowing in comparison to other two JVBS. The C.V of SCBNL is higher than that of other two JVBS. Therefore, it can be concluded that interest paid to working fund ratio of SCBNL is less stable and inconsistent than that of other two JVBS.

It is very clear that from the above table and analysis that the position of SCBNL in terms of interest expenditure is better than that of other two JVBS. NABIL and BOKL have more deposits or borrowings of interest payable liabilities in comparison with SCBNL.

4.1.1.4. Analysis of Risk Position

Risk and uncertainty is a part of business loss. All the business activities are influenced by risk, so business organization cannot achieve a good return as per their desires. If there is a high risk, there will be high return. So risk is associated in the investment. That's why, every firms should take risk and uncertainty to earn a good return on their investment. Therefore, it is neccessary to prepare proper investment policy. The risk ratio measures the level of risk. The following two ratios are discussed for the purpose of measuring risk under this topic.

I. Interest Rate Risk Ratio

Because of the various factors of investment policy, interest rate of the financial institution changes time to time. Interest receipt of banks and other financial institutions is the chief source of income, which is charged by them on their investment/loan and advances. When they change interest rate to cover large area for the investment, they may suffer to loss. Interest rate is a very sensitive component to

survive to those firms where interest is a major source of incomes. Profitability of those firms depends on interest income charged by them. So this ratio is calculated dividing total interest sensitive assets by total interest sensitive liabilities. Interest sensitive asset consists of short- term securities and variable term loan. Interest sensitive liabilities include borrowings and deposits(except current deposits). Interest rate risk of the selected firms is presented in the following table (from the fiscal year 2004/05 to 2008/09) and detail information and calculations are presented in appendix no 18.

We know ,

$$\textbf{Interest Rate Risk Ratio} = \frac{TotalInterestEarned}{TotalInterestPaid}$$

Table no. 4.18

Table 4.18 shows Interest rate risk ratio

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	2.06	0.148	0.89	3.77	4.26	2.22	1.59	0.719
SCBNL	0.515	0.373	0	2.06	0	0.98	0.76	1.58
BOKL	11.77	0.06	5.27	5.89	0.63	4.27	4.69	1.098

The above table no 4.18 shows that the ratio of NABIL, SCBNL and BOKL are in fluctuating trend. SCBNL has the lowest mean ratio of 0.98% and BOKL has highest mean ratio of 4.27%. The C.V. of NABIL, SCBNL and BOKL are 0.719, 1.58 and 1.098 respectively. C.V. of NABIL is lowest among the other two JVBS.

From above analysis, it can be concluded that interest rate risk of SCBNL is lower than that of other two JVBS. However, BOKL has highest interest rate risk than that of other two JVBS.

II. Capital Risk Ratio

Total value of assets may change due to the deposit position and creditors and loan and advances granted. The capital risk of financial institutions indicates how much of risk weighted assets is fluctuating. The assets position of the firms is changing year to year, then capital risk ratio is also fluctuating. Therefore, financial institutions must maintain adequate capital in relation to the nature and condition of its assets, liabilities and deposit position. So capital risk ratio measures the ability and efficient operation of banks to attract for the deposit collection and inter banking funds. It also indicates level of profit, which they can earn from their annual courses of action. If there is good profit/ return or retained earnings, total amount of capital

will be increased. If a firm wants to maintain high degree of capital risk, its ROE will be also higher. If there is high amount total capital in comparision of risk weighted i.e. loan and advances, there will be high degree of capital risk and vice versa.
We know

$$\textbf{Capital Risk Ratio} = \frac{OwnersCapital}{RiskWeightedCapital}$$

where, risk weighted assets consists of loan and advances and total capital includes total paid up capital and reserves.

Table no. 4.19

Table 4.19 shows Capital Risk Ratio

Firms	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	13.56	12.44	12.31	12.04	11.10	12.29	0.78	6.34
SCBNL	15.57	16.06	14.93	15.71	14.00	15.25	0.80	5.24
BOKL	11.16	11.02	14.52	12.62	11.93	12.25	1.27	10.36

The above table 4.19 shows that the ratio of SCBNL and BOKL are in fluctuating trend and that of NABIL is in decreasing trend. SCBNL has highest ratio of 15.25 than that of NABIL and BOKL. Among the JVBS, BOKL has lowest mean capital risk ratio i.e. 12.25 and highest C.V i.e.10.36. It indicates that ratios of BOKL are most variable than that of other JVBS. However, SCBNL has higher mean capital risk ratio and lower C.V in comparison to that of other two JVBS. It indicates that it has ratios more consistent and stable than other two JVBS. This means that SCBNL has good position in maintaining adequate capital and attracting deposits in comparison to that of other two JVBS.

4.1.1.5. Analysis and Interpretation of Growth Ratios

Growth ratios are calculated to know and find out the economic and financial position or performance of the firms. Growth ratios shows how well the JVBS are maintaining their economic and financial position. If there is higher ratio, there will be better financial performance of those firms and vice versa. For this thesis study, only four different growth ratios are calculated and analysed which are directly related to fund mobilization and investment policy of the selected firms. They are

I) Growth ratio of total deposits
II) Growth ratio of loan and advances
III) Growth ratio of total investment
IV) Growth ratio of Net profit

The growth ratios of each firms is calculated dividing the figure of last years by the figure first period of the study time and referring to compound interest tables, detail calclulation in appendix - D . It can be mentioned as;

$$Dn = Do(1+ g)^{n-1}$$

where, Dn represents the last period figure and Do represents the first figure.

I. Growth Ratio of Total Deposit

This ratio measures how well and efficiently the selected firms are collecting the deposits from the customers and how efficiently they have influenced to their clients to mobilize the fund.

Table no. 4.20

Table 4.20 shows the Growth ratio(%) of Total Deposit of the selected firms for 5 years period.

(in millions)

Firms	Total Deposits					Growth rate(%)
	2004/05	2005/06	2006/07	2007/08	2008/09	
NABIL	14119	14586	19347	23342	31915	17.71
SCBNL	21161	19363	23061	24647	29743	8.88
BOKL	7742	8943	10485	12388	15833	15.38

The above table4.20 shows that the growth ratio of total deposit collection of SCBNL among JVBS is lower. It has the rate of 8.88where as other JVBS; NABIL and BOKL have 17.71 and 15.38 respectively. The performance on the greater deposit collection of NABIL is better year by year in comparison with other JVBS.

From the above table and analysis, we can conclude that NABIL is rapidly collecting deposits from the customers in comparison with other JVBS.

II. Growth Ratio of Loan and Advances

This ratio is used to measure how efficiently the firms are granting loan and advances to their deposits collection. This ratio indicates the efficiency of the firm to grant loan and advances. All the deposit collection can be granted by the firm. To identify how efficiently and successfully they are granting, this ratio is necessary.

Table no. 4.21

Table 4.21 shows the Growth ratio of Loan and Advances of the selected banks for 5 years.

(in millions)

Firms	Loan and advances					Growth rate(%)
	2004/05	2005/06	2006/07	2007/08	2008/09	
NABIL	8189	10586	12922	15545	21365	21.13
SCBNL	6410	8143	8935	10502	13718	20.95
BOKL	5646	5912	7259	9399	12462	17.15

The above table 4.21 shows that the growth ratio of loan and advance of NABIL is higher than other two JVBS. SCBNL and BOKL have lower growth ratio of loan and advances i.e. 20.95 and 17.15 respectively. NABIL performance to grant the collected deposit amount as loan and advances in secured sectors is better and it can succeed to grant the deposit in future. It has highest growth rate of loan and advances among the selected firms. So from the analysis, it is concluded that the performance of NABIL to grant loan and advances is comparatively better each year. However, BOKL and SCBNL also have growth ratios of loan and advances not so lower in comparison to NABIL.

III. Growth Ratio of Total Investment

Investment is an important and major source of interest income. So it is necessary to invest the more amount of fund in secured sectors. So, each firms and concerned parties wants to determine the investment growth rate. This ratio measures how rapidly the firms are increasing their investment so that they can earn more amount of interest income. It shows the increase rate of investment on government securities and shares and debentlures of other companies.

Table no. 4.22

The following table shows the growth ratios of total investment of selected firms from the data of 5 years period.

(in millions)

Firms	Total Investment					Growth rate(%)
	2004/05	2005/06	2006/07	2007/08	2008/09	
NABIL	5835	4267	6178	8945	9939	11.23
SCBNL	11360	9702	12838	13553	13902	5.17
BOKL	2477	2598	3374	2992	3204	5.27

The above table 4.22 shows that the growth ratio of different investment of NABIL is higher in comparison to other two selected firms. It has growth ratio of investment of 11.23 in comparison to BOKL ratios 5.27 and SCBNL ratios 5.17. So, the growth ratio of investment of NABIL is comparatively better than SCBNL and BOKL.

IV. Growth Ratio of Net Profit

Every firm is established to earn a good return from their activities. There should be certain growth rate to earn more profit each year. Everyone wants to know and determine the growth rate of net profit. It is calculated to determine the future expected profit of the business.

Table no. 4.23

The following comparative table 4.23 shows the growth ratio of profit of the sample joint venture banks.

(in millions)

Firms	Total net profit					Growth rate(%)
	2004/05	2005/06	2006/07	2007/08	2008/09	
NABIL	455	518	635	673	746	10.39
SCBNL	537	536	658	691	818	11.08
BOKL	127	139	202	262	361	0.23

The above table 4.23 entails that the growth ratio of total net profit of SCBNL is higher than that of other two JVBS. It has growth ratio of 11.08 in comparison to NABIL and BOKL ratios 10.39 and 0.23 respectively. So, It leads the topmost position of growth ratio of net profit in this study among the sample firms.

From the above table and analysis, the performance related to the collection of deposit, granting loan and advances and total investment of SCBNL is comparatively better than that of JVBS. The performance regarding growth ratio of net profit of SCBNL is comparatively better than other two JVBS.

4.1.2. Statistical Analysis

Statistical tools is one of the important tools to analyze the data. There are various tools for the analysis of tabulated data such as, mean, standard deviation, correlation analysis, trend analysis, regression analysis and various types of tests etc. Here is used the following conveinent statistical tools in this thesis study. Other tool

like test of hypothesis can be used for the analysis of the calculated data, but here is used only two following statistical tools.

i) Co-efficient of correlation analysis

ii) Trend analysis

4.1.2.1 Coefficient of Correlation Analysis

Co-efficient of correlation shows the relationship between two or more than two variables. It measures that the two variables are positively or negatively correlation has been taken and applied to find out and analyze the relationship between deposit and loan and advances; deposit and total investment; total assets and net profit. Using Karl Pearson's co-efficient of correlation, value of coefficient of determination (r2) P.Er. (probablity of error) and 6 P.Er. are also calculated and value of then are analyzed.

Coefficient of determination (r2) determines the variation of two factors and there may be other factors of variation/ for remaining portion. To find out the significant relationship between two factors, coefficient of correlation (r), probable error (P.Er.) and 6 P.Er are calculated for this study. The following Karl Pearson's co-efficient of correlation is used to find out the relationship between deposits and loan and advances deposit and total investment, total assets and net profit under this study.

a) Coefficient of Correlation in between Deposit and Loan and Advances.

Coefficient of correlation helps to identify the significant relationship between two variables. So, this ratio identifies the degree of relationship between deposits and loan and advances. Under this topic coefficient of correlation between deposit and loan and advances is used to determine the relationship between them. The main objective of the correlation is to observe if the deposits is significantly utilized or invested as loan and advances or not.

Table no. 4.24

Table 4.24 shows the Correlation Coefficient between Deposits and Loan and Advances

Evaluation Criterions				
Firms	**r**	**R2**	**P.Er**	**6 P.Er**
BOKL	0.9926	0.9852	0.00446	0.02678
NABIL	0.9894	0.9789	0.00638	0.03818
SCBNL	0.9558	0.9135	0.02609	0.1565

From the above table 4.24, coefficient of correlation (r) between deposit and loan and advances of BOKL is 0.9926 that shows highly positive relationship between deposit and loan and advances. Similarly, the value of coefficient of determination (r2), P.Er. and 6 P.Er. is 0.9852, 0.00446 and 0.02678 respectively. The value of coefficient of determination indicates that there will be the variation of 99.26% in loan and advances due the deposit factor and balance 0.74% variation is being by other factors. The value of P.Er and 6 P.Er. shows that the value of co-efficient of correlation (r) is highly greater than 6 times of probable error. So, the value of r is significant or there is significant relationship between loan and advances of BOKL. That's why, BOKL is mobilizing or utilizing its collected deposit into loan and advances successfully.

Similarly, coefficient of correlation (r) between deposit and loan and advances of NABIL is 0.9894 that shows highly positive relationship between deposit and loan and advances. Similarly, the value of coefficient of determination (r2), P.Er. and 6 P.Er. is 0.9789, 0.00638 and 0.03818 respectively. The value of coefficient of determination indicates that there will be the variation of 98.94% in loan and advances due the deposit factor and balance 1.06% variation is being by other factors. The value of P.Er and 6 P.Er. shows that the value of co-efficient of correlation (r) is highly greater than 6 times of probable error. So, the value of r is significant or there is significant relationship between loan and advances of NABIL. That's why, SCBNL is mobilizing or utilizing its collected deposit into loan and advances successfully.

The coefficient of correlation (r) between deposit and loan and advances of SCBNL is 0.9558 that shows highly positive relationship between deposit and loan and advances. Similarly, the value of coefficient of determination (r2), P.Er. and 6 P.Er. is 0.9135, 0.02609 and 0.1565 respectively. The value of coefficient of determination indicates that there will be the variation of 99.26% in loan and advances due the deposit factor and balance 0.74% variation is being by other factors. The value of P.Er and 6 P.Er. shows that the value of co-efficient of correlation (r) is highly greater than 6 times of probable error. So, the value of r is significant or there is significant relationship between loan and advances of NABIL. That's why, SCBNL is mobilizing or utilizing its collected deposit into loan and advances successfully.

In this way, the value of correlation coefficient (r) of BOKL is concluded to be better than that of other two JVBS. From the above detail analysis, the following things can be concluded that all the samples firms are effectively, efficiently and successfully mobilizing the collected deposits as loan and advances.

b) Co-efficient of correlation between Deposits and Investment

Coefficient of correlation (r) between deposit and total investment identifies the positive degree of relationship between the two variables, this ratio is used in this study to determine the relationship between them or deposit is significantly utilized as investment or not, which is chief objective and purpose of this correlation coefficient. The value of r, r2, P.Er etc. between deposit and investment of NABIL, BOKL and SCBNL. To calculate the value of r, r2, P.Er , 6 P.Er. Detail information are presented in appendix . Here deposit is independent variable (X) and total investment is dependent variable (Y).

Table no. 4.25

Table 4.25 shows the Correlation coefficient between Deposits and Total Investment

Evaluation Criterions				
Firms	**r**	**R2**	**P.Er**	**6 P.Er**
BOKL	0.6838	0.4675	0.16062	0.9637
NABIL	0.9260	0.8574	0.04301	0.25806
SCBNL	0.6510	0.4238	0.17380	1.0428

The above table 4.25 shows that the coefficient of correlation (r) in case of NABIL between deposit and total investment is 0.9260 which indicates positive relationship between these two variables. Therefore, the value of coefficient of correlation is significant. Hence, the value of coefficient of determination, probable error(P.Er) and 6 P.Er is 0.8574, 0.04301 and 0.25806 respectively. r2 is 0.8574 which shows the variation of 85.74% in the investment is the cause of change in total deposit collections and remaining variation is due to the variation of other factors. The value of 6 P.Er. shows that value of coefficient of correlation (r) is greater than 6 times probable error. That's why value of coefficient of correlation is significant. Therefore, it can be concluded that there is significant relationship between deposit and total investment of NABIL. NABIL has taken good investment policy for deposit amount.

Similarly in case of BOKL bank, the coefficient of correlation between deposit and total investment(r) is 0.6838 which indicates positive relationship between these two variables. Therefore, the value of coefficient of correlation is not significant. Hence, the value of coefficient of determination, probable error(P.Er) and 6 P.Er is 0.4675, 0.1606 and 0.9607 respectively. r2 is 0.4675 which shows the variation of 46.75% in the investment is the cause of change in total deposit collections and remaining variation is due to the variation of other factors. The value of 6 P.Er. shows

that value of coefficient of correlation (r) is lower than 6 times probable error. That's why value of coefficient of correlation is not significant. Therefore, it can be concluded that there is not significant relationship between deposit and total investment of BOKL. BOKL has not taken proper investment policy for deposit amount.

In this way, the coefficient of correlation (r) in case of SCBNL between deposit and total investment is 0.6510 which indicates positive relationship between these two variables. Therefore, the value of coefficient of correlation is significant. Hence, the value of coefficient of determination, probable error(P.Er) and 6 P.Er is 0.4238, 0.1738 and 1.0428 respectively. r2 is 0.4238 which shows the variation of 42.38% in the investment is the cause of change in total deposit collections and remaining variation is due to the variation of other factors. The value of 6 P.Er. shows that value of coefficient of correlation (r) is lower than 6 times probable error. That's why value of coefficient of correlation is not significant. Therefore, it can be concluded that there is not significant relationship between deposit and total investment of SCBNL. SCBNL has not taken good investment policy for deposit amount. It has not followed the investment policy of maximizing the use of its deposit as investment.

From the above detail analysis, it is found that the correlation coefficient of NABIL is comparatively greater than other two JVBS. Therefore, it is maximizing to use the deposit into investment and it is their main policy to mobilize their deposit as investment in comparison with other two JVBS.

c) Co-efficient of correlation between Total assets and Net Profit

Co-efficient of correlation between total assets and net profit is used to measure the degree of relationship between two variables i.e. total assets and net profit of selected samples JVBs for the study period from 2004/05 to 2008/09, where total assets is in depended variables(X) and net profit is dependent variable(Y). The main objective of calculating this ratio is to determine the degree of relationship whether there the net profit is significantly correlated or not and variation of net profit and total assets through coefficient of determination.

Detail calculation are based on appendix for the study period from 2004/05 to 2008/09 of sample firms.

Table no 4.26

Table 4.26 shows the Correlation between total asset and net profit

Evaluation Criterions				
Firms	**r**	**R2**	**P.Er**	**6 P.Er**
BOKL	0.9990	0.9980	0.00060	0.0036
NABIL	0.9313	0.8673	0.04002	0.24012
SCBNL	0.9779	0.9562	0.01321	0.07926

The above table 26 indicates the various information of sample firms about correlation coefficient (r), coefficient of determination (r2), probable error (P. Er) and 6 P.Er. BOKL has the positive correlation coefficient between total assets and net profit i.e. r= 0.9990 which shows that these factors/ variables are positively correlated to each other. The value r2 is 0.9980. Due to 99.80% of variation of total assets change the net profit of this bank and remaining 0.20% of variation of other factors fluctuates the position of net profit. The value of P.Er and 6P.Er is 0.00060 and 0.0036 respectively which indicates the value of 'r' is greater than that of P.Er and 6P.Er. Therefore, the value of r is significant and there is significant relationship between total assets and net profit of BOKL.

Similarly, the coefficeint of correlation of NABIL has the positive correlation coefficient between total assets and net profit i.e. r= 0.9313 which shows that these factors/ variables are positively correlated to each other. The value r2 is 0.8673. Due to 86.73% of variation of total assets change the net profit of this bank and remaining 13.27% of variation of other factors fluctuates the position of net profit. The value of P.Er and 6P.Er is 0.04002 and 0.24012 respectively which indicates the value of 'r' is greater than that of P.Er and 6P.Er. Therefore, the value of r is significant and there is significant relationship between total assets and net profit of NABIL.

In the case of SCBNL, it has the positive correlation coefficient between total assets and net profit i.e. r= 0.9779 which shows that these factors/ variables are positively correlated to each other. The value r2 is 0.9562. Due to 95.62% of variation of total assets change the net profit of this bank and remaining 4.38% of variation of other factors fluctuates the position of net profit. The value of P.Er and 6P.Er is 0.01321 and 0.07926 respectively which indicates the value of 'r' is greater than that of P.Er and 6P.Er. Therefore, the value of r is significant and there is significant relationship between total assets and net profit of SCBNL.

From the above results , presentations and their analysis, it can be concluded that BOKL has greater value of correlation coefficient of deposit and loan and advances and total asset and net profit than that of NABIL and SCBNL. However, NABIL has greater correlation coefficient between deposit and investment in comparison to other two JVBS.

4.1.2.2. Trend Analysis

Under this tool, trend values of sample firms are analyzed with five years projections. The data and information relation to deposit, loan and advances. investment and net profit of BOKL, NABIL and SCBNL are analyzed through trend analysis. With the help of trend analysis, future forecasting is calculated and shown for the next five years. Any forecasting analysis needs some assumptions. Few factor does not only affect to the forecasting study. So, the following assumptions are undertaken in this study.

- Other things remain constant which affect directly or indirectly to this study.
- It is assumed that the sample firms are running in existing situation.
- Government and Nepal Rastra Bank will maintain their existing rules, guidelines and directions to the financial institutions.
- The economical, political environment will be same as existing situation.
- When least square method is taken and followed to forecast the future the result will be true.

a) Trend Analysis of Total Deposit

From the FY 2004/05 to 2008/09, the trend value of 5 years have been calculated under this topic related to total deposits of BOKL, NABIL and SCBNL. Forecasting data for the coming five years from FY 2009/10 to 2013/14 has been analyzed.

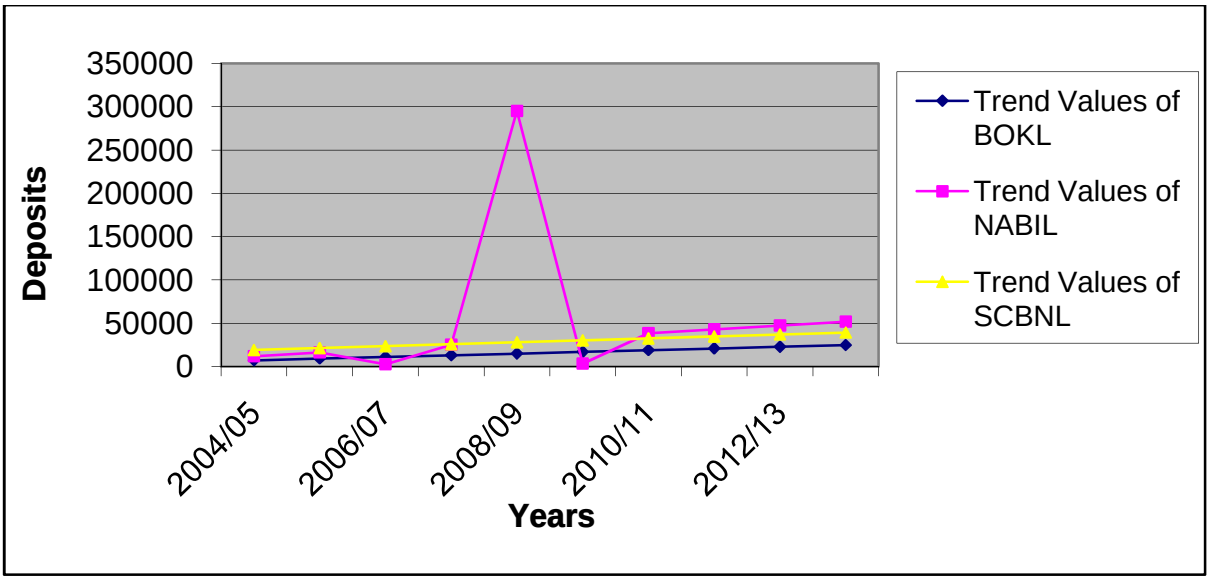
Table no. 4.27

The following table 4.27 shows the trend value of deposits for past years and future 5 years.

Years	Trend Values of		
	BOKL	**NABIL**	**SCBNL**
2004/05	7152.8	11792.2	19105.4
2005/06	9315.5	16227	21350.2
2006/07	11078.2	2661.8	23595
2007/08	13040.9	25096.6	25839.8
2008/09	15003.6	295231.4	28084.6
2009/10	16966.3	3396.2	30329.4
2010/11	18929.0	38401	32574.2
2011/12	20891.7	42835.8	34819.0
2012/13	22854.4	47270.6	37063.8
2013/14	24817.1	51705.4	39308.6

Figure no. 7-A

Trend values of Total Deposit



The above presented trend values and figure of Total deposit table 4.27 indicates that the amount of deposit of all sample firms are in increasing trend. The largest amount of deposit collection among the three firms is 51705.4 million by NABIL bank when all other things remain constant in FY 2013/14 during the study period. In this way, total deposit of BOKL and SCBNL will be 24817.1 and 39308.6 (rupees in million) respectively in FY 2013/14.

b) Trend Analysis of Loan and Advances

For trend analysis of loan and advances, the trend values of loan and advances have been calculated under this topic for 5 years from FY 2004/05 to 2008/09. Similarly, 5 years projections from FY 2009/10 to2013/14 have been calculated.

Table no. 4.28

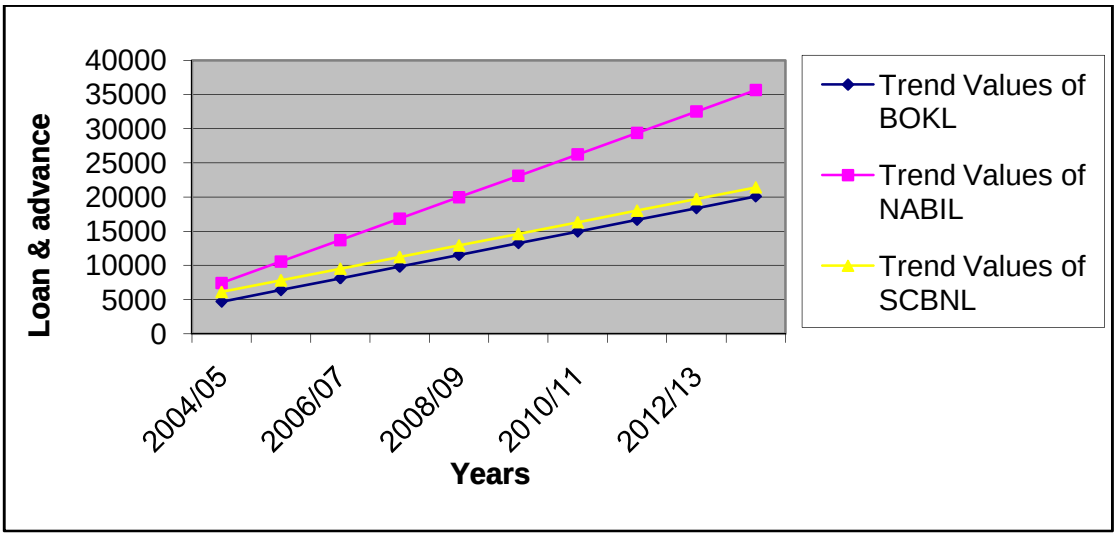
The following table 4.28 shows that the trend values of loan and advances for 10 years from FY 2004/05 to 2013/14 in case of BOKL, NABIL and SCBNL.

(Rs. in million)

Years	Trend Values of		
	BOKL	**NABIL**	**SCBNL**
2004/05	4711.8	7459.2	6146.6
2005/06	6423.7	10590.3	7844.1
2006/07	8135.6	13721.4	9541.6
2007/08	9847.5	16852.5	11239.1
2008/09	11559.5	19983.6	12936.6
2009/10	13271.3	23114.7	14634.1
2010/11	14983.2	26245.8	16331.6
2011/12	16695.1	29376.9	18029.1
2012/13	18407.0	32508	19726.6
2013/14	20118.9	35639.1	21424.1

Figure no. 7-B

Trend values of Loan and advances



The above presented trend values of Total loan and advances table and figures indicates that the amount of loan and advances of all sample firms are in increasing trend. The largest amount of loan and advances among the three firms is 35639.1 million by NABIL bank when all other things remain constant in FY 2013/14 during the study period. In this way, total deposit of BOKL and SCBNL will be 20118.9 and 21424.1 (rupees in million) respectively in FY 2013/14.

Trend line represent that loan and advances position of JVBS is good. However, SCBNL and BOKL has lowest trend values.

c) Trend Analysis of Net Profit

For the trend analysis of net profit for past 5 years from FY 2004/05 to 2008/09 and for next 5 years from FY 2009/10 to 2013/14 in case of sample JVBS. Trend values of net profit have been calculated under this topic.

Table no. 4.29

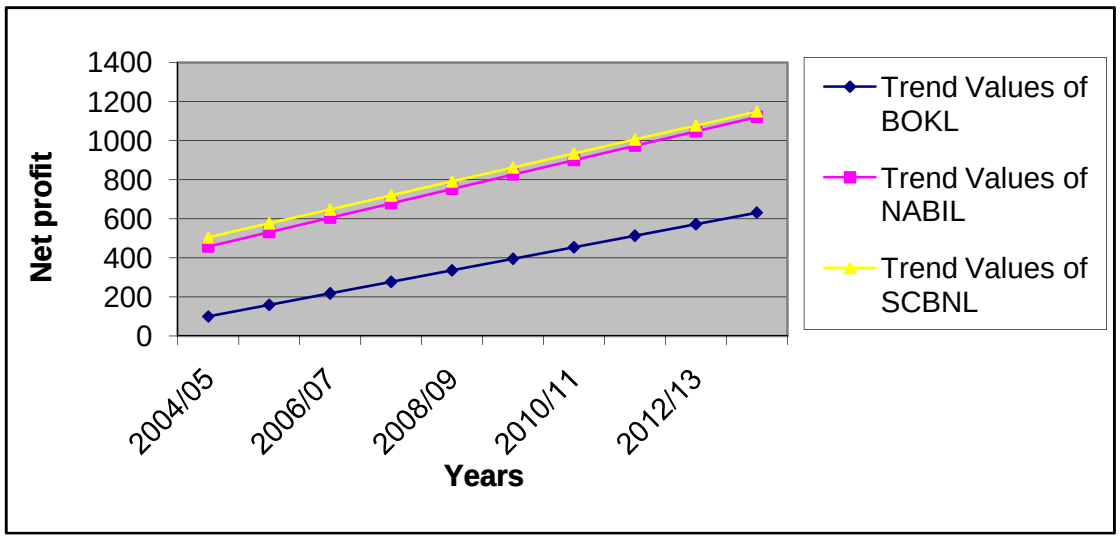
The following table- 4.29 indicate that trend values of net profit for 10 years in case SCBNL, BOKL and NABIL.

(Rs. in million)

Years	Trend Values of		
	BOKL	**NABIL**	**SCBNL**
2004/05	100	458.3	504.6
2005/06	159.1	532.0	576.3
2006/07	218.2	605.7	648
2007/08	277.3	679.4	719.7
2008/09	336.4	753.1	791.7
2009/10	395.5	826.8	863.1
2010/11	454.6	900.5	934.8
2011/12	513.7	974.5	1006.5
2012/13	572.8	1047.9	1078.2
2013/14	631.9	1121.6	1149.9

Figure no. 7-C

Trend value of Net profit



The above presented trend values of net profit table and figure indicates that the amount of net profit of all sample firms are in increasing trend. The largest amount of net profit among the three firms is 1149.9 million by SCBNL bank when all other things remain constant in FY 2013/14 during the study period. In this way, total deposit of BOKL and NABIL will be 631.9 and 1121.6 (rupees in million) respectively in FY 2013/14.

From the above trend value analysis of net profit for those sample firms, it is found that the position of SCBNL is better in case of utilization of fund to generate sufficient profit in comparison to BOKL and NABIL. BOKL has lower net profit trend line. So, it is unable to proper utilize funds to generate sufficient profit.

d) Trend analysis of Total Investment

Under this topic, trend analysis of total investment trend values of total investment have been calculated for past 5 years and for futures 5 years from FY 2004/05 to 2013/14 have been determined and tabulated.

Table no. 4.30

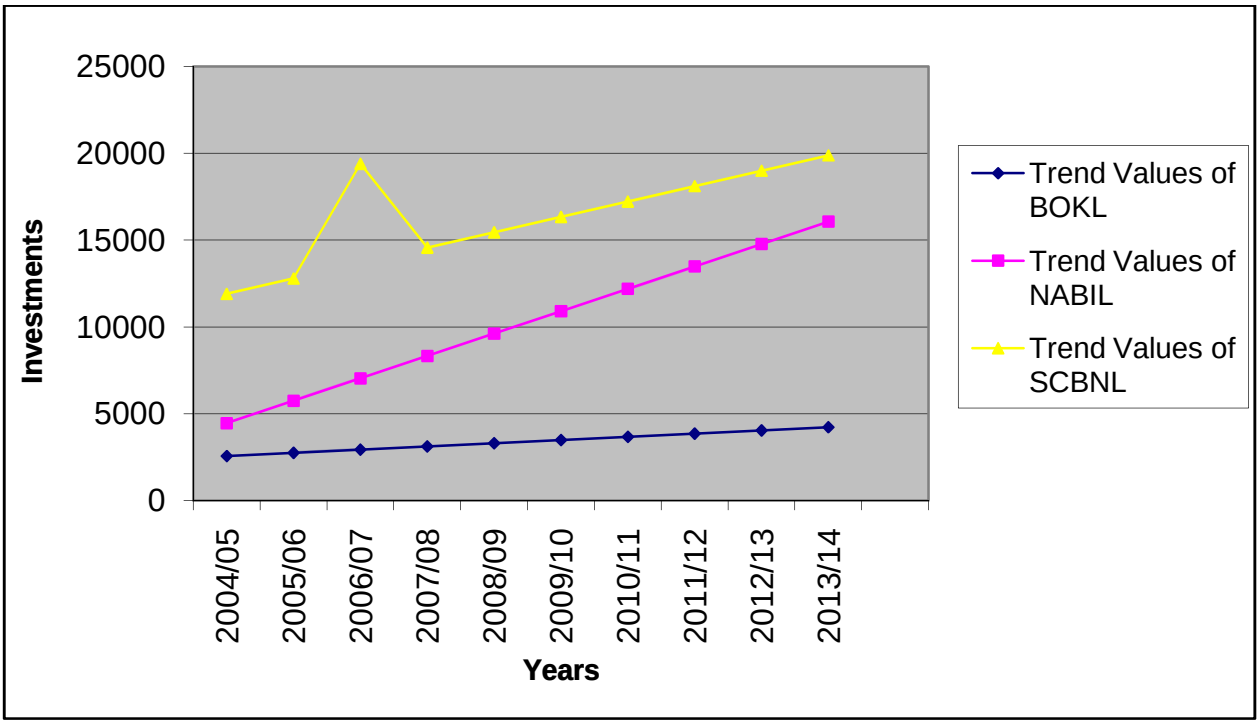
The following table of total investment for 10 years(i.e. for past 5 years from FY 2004/05 to 2008/09 and next five years from 2013/14) of BOKL, NABIL and SCBNL.

(Rs. in million)

Years	Trend Values of		
	BOKL	**NABIL**	**SCBNL**
2004/05	2559.4	4455.6	11900.0
2005/06	2744.2	5744.2	12785.5
2006/07	2929	7032.8	19838.0
2007/08	3113.8	8321.4	14556.5
2008/09	3298.8	9610.0	15442.0
2009/10	3483.4	10898.6	16327.5
2010/11	3668.2	12187.2	17213.0
2011/12	3853.0	13475.8	18098.5
2012/13	4037.8	14764.4	18984.0
2013/14	4222.6	16053.0	19869.5

Figure no. 7-D

Trend values of Investment



The above presented trend values of total investment table and figure indicates that the amount of total investment of all sample firms are in increasing trend. The largest amount of net profit among the three firms is 19869.5 million by SCBNL bank when all other things remain constant in FY 2013/14 during the study period. In this way, total deposit of BOKL and NABIL will be 4222.6 and 16053.0 (rupees in million) respectively in FY 2013/14.From the above trend value analysis of total investment for those sample firms, it is found that the position of SCBNL is better in case of utilization of fund to investment portfolios in comparison to BOKL and NABIL. BOKL has lower total investment trend line. So, it is unable to proper utilize funds to better investment portfolios. Trend value line shows that SCBNL has better investment position in comparison to other JVBS. However, NABIL has also better investment position in comparison to BOKL. But, BOKL has not good investment position than that of other two JVBS.

Analysis of Primary data

This chapter deals with presentation and analysis of primary data. For the purpose of primary data collection, questionaire and interview methods have been used. The questionaires having sixteen different questions were distributed to the chief of investment department of three samples JVBS (i.e. BOKL, NABIL and SCBNL). The personal interview was taken with chief persons of concerned joint venture banks. The research has analysed their replies according to the question provided to the sample forms. Questionnaire are presented in the appendix no.

Considering the questions of service provided by them:

Regarding the question, nature of services provided by three JVBS in comparision with government banks, which was forwarded to the concerned three firms. The research has analyzed that all the firms (100%) provide excellent and speed of services to there clients or customers. They solve the problems promptly. Out of these three JVBS, all the firms are good in reliability, courteousness, maintained confidentiallity and knowledge of good services

Table no. 4.31

Table 4.31 shows Service provided by firms

Option/ Service	**Excellent**	**Good**	**Fair**	**Poor**
Speed of services	Y			
Reliability		Y		
Courteousness		Y		
Maintained confidentiality		Y		
Knowledge of services		Y		
Resolved the problems promptly		Y		

Considering the question of their contribution sectors in country

Regarding the question, contribution sectors of those firms, 33% of total firms consider that they are providing employment services, 50 % are contributing in tax sector and remaining 17% are contributing to improve the poverty of the country. 83% are not contributing to investment towards poverty stickers.

Table no. 4.32

Table 4.32 shows Contribution sector

Sector / Option	Employment	Tax	Investment towards poverty sticker	Recognition to global perceptive
Yes	67%	50%	17%	-
No	33%	50%	83%	-

Considering the question of investment priority in rural areas

The research has anlayzed the reply of question provided to the sample firms that 100% of the firms have accepted to invest their fund in rural areas, which was obtained from the question of investment priority to rural areas. As money and finance is needed to everyone.

Table no. 4.33

Table 4.33 shows Investment priority in rural areas

Sector / Option	Rural	Urban
Yes	3(100%)	-
No	-	-

Considering the question of decreasing minimum balance on A/c and increasing in interest rate

Referring the question whatever they have filles, it is found that out of them, 70% have enough investment opportunities and 55 % have not enough deposits or collections.

Table no. 4.34

Table 4.34 shows Decreasing minimum balance and increasing interest rate

Causes	Option	Yes	No
They	have enough investment opportunities	70%	30%
They	don't have enough deposits or collections	55%	45%

Considering reason for not investing in rural areas

Out of total firms, the selected firms have the reasons of risk factors and remaining firms have the reasons of lack of communication and transportation, by referring question whatever they have filled up. The firms have to suffer from liquidity problems and they earn lower level of profits from the investment in these sectors.

Table no. 4.35

Table 4.35 shows Reason for not investing in rural areas

Option / Reasons	Yes	No
Liquidity problem	55%	45%
Lower profitability	65%	35%

Considering investment on share and debentures

As per the question filled by these selected firms, of total firms make the investment on share and debentures of other companies with purpose of dividend. Out of them, of total firms have invested on shares and debentures with the purpose of earning dividends, social status and marketability. These firms made 70% of the investment to earn dividends and 25% for the marketability.

Table no. 4.36

Table 4.36 shows Investment on shares and debentures

Option / Purpose	Yes	No
Dividend	70%	30%
Marketability	25%	75%

Considering the factors of investment decision

Referring to the questions asked to the respondents it was found that they have ranked the criteria below in the order presented in the table no. 37. They have ranked well operation of any firms (1), good future prospects (2), high growth rate of company (3), risk and return (4), reliable management(5), beneficial sectors(6), sixe of the company (7) and legal provision (8).

Table no. 4.37

Table 4.37 shows Investment Decision Factors

Ranks	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Well operation(%)	Y							
Good future prospectus (%)		Y						
Size of company(%)							Y	
Reliable management (%)					Y			
High growth rate of company(%)			Y					
Legal provision(%)								Y
Risk and return(%)				Y				
Beneficial sectors(%)						Y		

Considering the question share investment is risky venture

Regarding the question, the researcher has found that share investment is risky venture according to the reply of the question supplied them. Share investment is not a risky venture if the company are analyzed properly and effectively before making any investments.

Table no. 4.38

Table 4.38 shows Investment in Risky Venture

Firms / **Option**	**BOKL**	**NABIL**	**SCBNL**
Yes	20%	20%	15%
No	80%	80%	85%

They suggested that share investment is not a risky venture but company issuing the share should be analyzed or monitored before investment.

Considering satisfaction from the investment

Considering the questions, satisfactory return from their investment, supplied to all the sample firms, the researcher has found that of the firms filled their question as full satisfaction from this investment. SCBNL seems to be more satisfied than other JVBS however all the firms seems to be less satisfied by their returns.

Table no. 4.39

Table 4.39 shows Satisfaction from the Investment

Firms / Option	BOKL	NABIL	SCBNL
Yes	35%	55%	65%
No	65%	45%	35%

Considering timely reliable information

Regarding the question supplied to all the sample firms, the researcher has analyzed on the basis of reply filled up by them. It is found that they (all the selected firms) are obtaining the reliable information from their investment sectors. These firms have good communication channels and networks between its branches and debtors and creditors.

Table no. 4.40

Table 4.40 shows Reliable information

Firms / Option	BOKL	NABIL	SCBNL
Yes	95%	95%	100%
No	5%	5%	0%

Considering appropriate investment decision

The question, " Do you prepare plan to make investment decision? and who is responsible for that?", was distributed to the selected firms. Out of them, all the firms prepare plan for that and top management is the responsible for the plan to make investment decision according to their replies.

Table no. 4.41

Table 4.41 shows Comparison in Investment Decision Plan

Firms / Option	BOKL		NABIL		SCBNL	
	Top Mgmt	Sect. Mgmt	Top Mgmt	Sect. Mgmt	Top Mgmt	Sect. Mgmt
Yes	100%	-	100%	-	100%	-
No	-	-	-	-	-	-

Considering the cost- benefit analysis

Regarding the questions, the calculation of cost benefit analysis, the researcher has found that they replied positive answer or 100% of the firms had written 'yes'. It means that cost benefit analysis is essential for the investment policy and they have also analyzed the cost benefit.

Table no. 4.42

Table 4.42 shows Cost benefit analysis

Firms / Option	BOKL	NABIL	SCBNL
Yes	100%	100%	100%
No	-	-	-

Considering Financial indicators

As considering the question of comparative financial indicator with industry average, it was found that financial indicators of the firms are rarely compared with the industry average by that of total firms.

Table no. 4.43

Table 4.43 shows Financial indicators comparison

Firms / Option	BOKL	NABIL	SCBNL
Yes	20%	45%	45%
No	80%	55%	55%

Considering corrective action to improve

Regarding the question which was asked to those firms for taking corrective actions, the researcher has found that unexpected result of ratio of ratio are done correction by them. They have given positive answer, which indicates that they take corrective action for improvement of ratio. SCBNL have been good at taking corrective actions for improvement of ratio.

Table no. 4.44

Table 4.44 shows Corrective action taken by sample firms

Firms / Option	BOKL	NABIL	SCBNL
Yes	70%	85%	95%
No	30%	15%	5%

For the target ratio, various types of ratio are asked through questionaires but they didnot supply or they did not want to mention the target ratios. No selected firms mention the various optimal and target ratios, which are asked to them.

4.2. Major findings

In order to complete this study, data are presented in the table after calculating in appendices, which are obtained basically from the secondary sources. The fourth chapter; " Data analysis and presentation " is completed with the help of both financial and statistical tools. The various financial tools like liquidity ratio assets management ratio, profitability ratio and growth ratio, risk ratio etc. has been used. Similarly, statistical tools like correlation and trend analysis have been used. The analysis is made with comparing JVBS as well as interpretation. Major findings of the selected firms are concluded with the help of analysis and interpretation, which are mentioned below.

A. Finding of liquidity Position

After analysis and interpretation of data in chapter four, it is found in case of liquidity position of NABIL, SCBNL and BOKL.

1. **Current Ratio:**

The mean liquidity ratio of BOKL is higher than that of JVBS in some cases. It results that BOKL has managed to the higher liquidity to maintain the risk in comparison with other JVBS. So, the liquidity position of BOKL is better. However, the liquidity position of SCBNL and NABIL is also better but lower than that of BOKL in some cases. Current ratio of SCBNL, BOKL and NABIL are lower than 1:1 ratio which is not satisfactory.

2. **Cash and Bank balance to total deposits ratio**

JVBS have comparatively higher cash and bank balance to total deposit ratio than normal industry average. It proves that the liquidity position of JVBS is better than other financial institutions. But, BOKL has higher ratio than other two JVBS. It indicates that it has better liquidity position in terms of cash and bank balance to total deposit ratio than other two JVBS. However, NABIL and SCBNL also found to have better ratio but lower than that of BOKL. The coefficient of variance of NABIL is 33.74% which is highest among the JVBS. It indicates that cash and bank balance to deposit ratio of NABIL is less homogeneous than that of JVBS.

3. Investment on Government securities to current assets ratio

From the investment on government securities point of view, Joint venture banks has lower investment on government securities. SCBNL has higher ratio than that of other two JVBS. BOKL and NABIL have lower investment ratio on government securities which indicates that these JVBS are investing in other profitable investment sectors. On the other hand, SCBNL has also started decreasing its investment on government securities. NABIL has fluctuating trend registering highest 34.74 for the fiscal year 2004/05 and lowest for the fiscal year 2006/07. The liquidity position of SCBNL is better in comparison to NABIL and BOKL. Due to more deposit collections and lack of profitable and productive sectors, SCBNL have the higher ratio and decreasing trend.

4. Cash and bank balance to current assets ratio

Cash and bank balance to current assets ratio of all selected sample firms are better. Among the JVBS, the higher ratio of SCBNL is 16.65 for the fiscal year 2004/05 and the lowest of NABIL is 4.45 for the fiscal year 2005/06. BOKL has followed the higher ratio of 11.69 for the year 2007/08 and lower of 8.29 for the year 2006/07. Among the selected sample firms SCBNL has registered the highest mean cash and bank balance to current assets ratio of 11.99. It shows that SCBNL has the better liquidity position.

The above included results prove that the liquidity position of BOKL is comparatively better than that of other two JVBS. BOKL has higher cash and bank balance to total deposits than that of other two JVBS. But all the firms have not increased investment on government securities.

B. Findings based on Assets Management Position

5. Loan and Advances to Total Deposit Ratio

From the fund utilization and mobilization point of view, NABIL and SCBNL have successfully mobilized large amount of deposit in investment. Loan and advances to total deposit ratio of BOKL is higher than that of other two JVBS. The highest mean ratio of SCBNL is 52.23 and lowest of BOKL is 27.5. Comparatively, the coefficient of variance of SCBNL is lower than that of other JVBS. So total investment to total deposit ratio of SCBNL is more stable and consistent than that of other JVBS.

6. Total Investment to Total Deposit ratio

BOKL has lower ratio of total investment to total deposit ratio than that of other two JVBS. SCBNL is granting lower loan and advances to total deposit but its has higher total investment to total deposit than that of NABIL and BOKL. From the utilization and mobilization point of view, it is clear that SCBNL and NABIL are better than BOKL.

7. Loan and Advances to Total Working Fund Ratio

The mean ratio of loan and advances to total working fund of BOKL is found good in comparison to other two JVBS. The ratios of SCBNL is more consistent and stable than that of other two JVBS. It is clear that BOKL has been successful in mobilizing working fund in loan and advances than that of other two JVBS.

8. Investment on Government Securities to Total Working Fund Ratio

The mean ratio of investment on government securities to total working fund ratio of SCBNL is quit higher than NABIL and BOKL. Investment on government securities to total working fund ratios of NABIL and BOKL are less homogeneous than that of SCBNL. JVBS have not invested their total working fund on government securities well and increasingly. Co-efficient of variation of SCBNL is 13.41 which lower than that of NABIL and BOKL i.e. 4.48 and 4.69 respectively.

9. Loan loss ratio

The mean ratios of loan loss ratio of BOKL is higher than that of other two JVBS. NABIL has lowest loan loss ratio(i.e. 1.58) than that of SCBNL and BOKL. It indicates that NABIL has good position. The performance regarding loan recovery is very good in comparison with other two JVBS. However, SCBNL has lower loan loss ratio(i.e.2.26) than that of BOKL which indicates that it has been successful in loan recovery than that of BOKL.

From the above findings of asset management ratio, all the selected firms have not successfully mobilizing their deposits. However, SCBNL and NABIL have been found to better in comparison to BOKL.

C. Finding based on Profitability Ratios

Profitability ratios of selected firms i.e. NABIL, BOKL and SCBNL shows the following findings;

10. Return on loan and advances ratio

The average return on loan and advances ratio of SCBNL is comparatively higher than that of other two JVBS. The variability of ratios in case of JVBS except BOKL is comparatively lower.

11. Return on Total asset ratio

The mean ratio of return on total asset of NABIL and SCBNL is comparatively higher than that of BOKL.

12. Return on Equity (ROE) ratio

The mean ratio of return on equity ratio of SCBNL and NABIL is comparatively higher than that of BOKL. However, there is less variation in mean ratio of SCBNL and NABIL which shows that it has been successful in satisfying its owners as well as customers.

13. Total Interest Earned to Total Assets ratio

The mean ratio of total interest earned to total assets ratio of BOKL and NABIL is higher than that of SCBNL. The total interest earned to total assets ratio of NABIL is more variable in comparison with SCBNL and BOKL.

14. Total interest earned to total operating income ratio

The mean ratio of interest earned to total operating income of BOKL is higher than that of NABIL and SCBNL.

15. Total interest paid to total working fund ratio

The mean ratio of interest paid to total working fund of BOKL is higher than that of NABIL and SCBNL which indicates that BOKL has paid higher interest than that of other two JVBS.The ratios of SCBNL and NABIL are less variable SCBNL has EPS fluctuating than that of BOKL.

16. Earning Per Share

The EPS of NABIL is fluctuatin g between 95.61 to 137.08 during the study period. between 143.14 to 175.84 and BOKL has EPS fluctuating between 27.40 to

43.67. Comparatively, SCBNL and NABIL has good EPS than that of BOKL during the period of study. However, SCBNL has highest EPS in fiscal year 2006/07 i.e. 175.84 and lowest in 2008/09 i.e.131.92. Above analysis shows that the profitability position of NABIL and SCBNL is better than that of BOKL. SCBNL has strong position out of the other two JVBS.

17. Dividend Per Share

NABIL has distributed dividend ranging from 60 to 100, SCBNL has distributed dividend ranging from 80 to 130 and BOKL has distributed dividend ranging from 10 to 21.1 during the study period. SCBNL has decreasing trend for distributing dividend however, BOKL has increasing trend and NABIL has fluctuating trend. These ratio helps to the investors for determining the investment sectors and help the companies or firms themselves to satisfy their shareholders and prepare a good investment policy. Above analysis shows that SCBNL has better opportunity of investment in Profitable sectors than that of other two JVBS. However, NABIL has also good position.

D. Findings based on Risk Ratios

18. Interest rate ratio

The risk ratio of NABIL, BOKL and SCBNL discloses that: The mean interest risk ratio of BOKL is highly greater than that of other two JVBS.The ratios of BOKL is highly variable than that of JVBS. The ratio of NABIL, SCBNL and BOKL are in fluctuating trend. SCBNL has the lowest mean ratio of 0.98% and BOKL has highest mean ratio of 4.27%. The C.V. of NABIL, SCBNL and BOKL are 0.719, 1.58 and 1.098 respectively. C.V. of NABIL is lowest among the other two JVBS.

19. Capital risk ratio

The mean capital risk ratios of SCBNL comparatively higher than NABIL and BOKL. BOKL has lowest mean capital risk ratio i.e. 12.25 and highest C.V i.e.10.36. It indicates that ratios of BOKL are most variable than that of other JVBS. However, SCBNL has higher mean capital risk ratio and lower C.V in comparison to that of other two JVBS. This means that SCBNL has good position in maintaining adequate capital and attracting deposits in comparison to that of other two JVBS.

E. Findings based on Co-efficient of Correlation Analysis.

Co-efficient of correlation analysis between different variables such as deposit and loan and advances, investment and deposit , total assets and net profit in case of JVBS discloses that;

20. Coefficient of Correlation in between Deposit and Loan and Advances.

The value of correlation coefficient (r) of BOKL is better than that of other two JVBS. BOKL have the higher value of correlation between total deposits and loan and advances and all other firms are effectively, efficiently and successfully mobilizing the collected deposits as loan and advances. Coefficient of correlation (r) between deposit and loan and advances of BOKL is 0.9926 that shows highly positive relationship between deposit and loan and advances. Similarly, the value of coefficient of determination (r2), P.Er. and 6 P.Er. is 0.9852, 0.00446 and 0.02678 respectively.The value of r is significant or there is significant relationship between loan and advances of BOKL. That's why, BOKL is mobilizing or utilizing its collected deposit into loan and advances successfully.

21. Co-efficient of Correlation between Deposits and Investment

It is found that the correlation coefficient of NABIL is comparatively greater than other two JVBS. NABIL between deposit and total investment is 0.9260 which indicates positive relationship between these two variables. Therefore, the value of coefficient of correlation is significant. Hence, the value of coefficient of determination, probable error(P.Er) and 6 P.Er is 0.8574, 0.04301 and 0.25806 respectively. r2 is 0.8574 which shows the variation of 85.74% in the investment is the cause of change in total deposit collections and remaining variation is due to the variation of other factors.Therefore, it can be concluded that there is significant relationship between deposit and total investment of NABIL. NABIL has taken good investment policy for deposit amount.

Therefore, it is maximizing to use the deposit into investment and it is their main policy to mobilize their deposit as investment in comparison with other two JVBS.

22. Co-efficient of correlation between total assets and net profit

BOKL has greater value of correlation coefficient of deposit and loan and advances and total asset and net profit than that of NABIL and SCBNL. However, NABIL has greater correlation coefficient between deposit and investment in comparison to other two JVBS. Due to 99.80% of variation of total assets change the net profit of BOKL and remaining 0.20% of variation of other factors fluctuates the position of net profit. The value of P.Er and 6P.Er is 0.00060 and 0.0036 respectively which indicates the value of 'r' is greater than that of P.Er and 6P.Er. Therefore, the value of r is

significant and there is significant relationship between total assets and net profit of BOKL.

From the above results, it is found that there is significant relationship between deposit and loan and advances of BOKL . Similarly, there is significant relationship between deposit and total investment of NABIL.

F. Findings based on Growth Ratios

The growth ratios of total deposit, loan and advances, total investment and net profit in case of BOKL, NABIL and SCBNL reveal the following findings;

The growth ratio of total deposits in case of performance on the greater deposit collection of NABIL is better year by year in comparison with other JVBS. NABIL is rapidly collecting deposits from the customers in comparison with other JVBS.

NABIL performance to grant the collected deposit amount as loan and advances in secured sectors is better and it can succeed to grant the deposit in future. It has highest growth rate of loan and advances among the selected firms. So from the analysis, it is concluded that the performance of NABIL to grant loan and advances is comparatively better each year. However, BOKL and SCBNL also have growth ratios of loan and advances not so lower in comparison to NABIL.

The growth ratio of different investment of NABIL is higher in comparison to other two selected firms. So, the growth ratio of investment of NABIL is comparatively better than SCBNL and BOKL.

The growth ratio of total net profit of SCBNL is higher than that of other two JVBS. So, It leads the topmost position of growth ratio of net profit in this study among the sample firms.

The performance related to the collection of deposit, granting loan and advances and total investment of SCBNL is comparatively better than that of JVBS. The performance regarding growth ratio of net profit of SCBNL is comparatively better than other two JVBS.

G. Finding based on Trend Analysis

Trend analysis of deposits, net profit, loan and advances and investment are analyzed in previous topics. Similarly, next five years projections are also analyzed. Trend analysis and future projection for next five years of NABIL, BOKL and SCBNL discloses that;

Trend values of Total deposit indicates that the amount of deposit of all sample firms are in increasing trend. The largest amount of deposit collection among the three firms is 51705.4 million by NABIL bank when all other things remain

constant in FY 2013/14 during the study period. In this way, total deposit of BOKL and SCBNL will be 24817.1 and 39308.6 (rupees in million) respectively in FY 2013/14. The deposit collection trend of NABIL is better than other two JVBS.

Trend values of Total loan and advances indicates that the amount of loan and advances of all sample firms are in increasing trend. The largest amount of loan and advances among the three firms is 35639.1 million by NABIL bank when all other things remain constant in FY 2013/14 during the study period. In this way, total deposit of BOKL and SCBNL will be 20118.9 and 21424.1 (rupees in million) respectively in FY 2013/14.Trend line represent that loan and advances position of JVBS is good. However, SCBNL and BOKL has lowest trend values.

Trend value analysis of net profit for those sample firms, it is found that the position of SCBNL is better in case of utilization of fund to generate sufficient profit in comparison to BOKL and NABIL. BOKL has lower net profit trend line. So, it is unable to proper utilize funds to generate sufficient profit.

The position of SCBNL is better in case of utilization of fund to investment portfolios in comparison to BOKL and NABIL. BOKL has lower total investment trend line. SCBNL has mobilized its funds in optimal investment portfolios than other two JVBS. However, NABIL has also good utilization of funds in investment portfolios.

CHAPTER – V

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

The last chapter of this study is Summary, Conclusion and Recommendations, developed from the completion of analysis part on the investment policy of samples firms. Conclusion and Recommedation consists of two parts, the first one is Conclusion which is drawn from the major findings of this study and the second one is Recommedation to those firms, which are taken as sample in this study, to solve the problems found on the basis of analysis and conclusions.

5.1. Summary

The results of the study on the topic of investment policy of three firms are summarized as

From the study, it has been found that the sample firms have the lower current ratio than 1. So, the liquidity position of those firms is not so good. However, the cash and bank balance to total deposit ratios of NABIL and BOKL is higher than that of SCBNL. It shows that they can maintain the liquidity crisis. So comparatively, NABIL can easily maintain the cash demand of the customers. Cash and bank balance to current assets ratio of SCBNL is better than NAABIL and BOKL. The liquidity position of NABIL and SCBNL is better than BOKL.

The average loan and advances to total deposit ratios of NABIL and BOKL is better than that of SCBNL which indicates that they are successfully investing their deposit collections as loan and advances in comparison to SCBNL. Total investment to total deposit ratio of SCBNL is greater than that of other two JVBS. It has larger investment in government securities and other investments than that of BOKL and NABIL. Due to large area and a large amount of capital investment, their investment policy for deposits collections is comparatively better than other firms. The loan and advances to total working funds ratio shows that good position for granting loan by BOKL and NABIL in comparison to SCBNL. The SCBNL and NABIL have comparatively lower amount of provision for their loan loss, which indicate that there is a lower amount of doubtful investments. However, BOKL has greater loan loss provision than that of other two JVBS.

Profitability position of the JVBS except BOKL is better. Return on total assets and return on equity of NABIL and SCBNL are comparatively better than that of BOKL. BOKL has lower earning per share and it has also distributed lower percentage of earning as dividend. So, profitability position of NABIL and SCBNL is better than that of BOKL. With the proportion of total assets, interest income of

BOKL and NABIL is better in comparison to SCBNL. Similarly, BOKL and NABIL have also paid higher interest on their deposit collections and borrowings in the proportion to total working fund in comparison to SCBNL. However, SCBNL has paid lower interest on their deposit collections and borrowings.

JVBS have a large amount of risk weighted assets. Comparatively, interest bearing liabilities are lower in SCBNL than that of other two JVBS.

The growth ratio of deposits of the firms are in increasing trend. Growth ratio of total deposits in case of NABIL is comparatively higher than that of other two JVBS. The growth ratio of net profit of JVBS are also in increasing trend and growth ratio of investment are slightly lower for SCBNL than that of NABIL. The growth ratio of loan and advances of BOKL and SCBNL are lower in comparison to NABIL. The growth ratio of different investment of NABIL is higher in comparison to other two selected firms. BOKL has higher correlation coefficient between total deposits and loan and advances.BOKL has greater value of correlation coefficient of deposit and loan and advances and total asset and net profit than that of NABIL and SCBNL. However, NABIL has greater correlation coefficient between deposit and investment in comparison to other two JVBS.

During the study period, the trend values of loan and advances in case of NABIL is comparatively better than that of other two JVBS. All the firms have increasing trend values of loan and advances. Similarly, the trend values of net profit of all the three firms are also increasing trend. SCBNL has highest trend values than that of other two JVBS. Trend values of deposits of NABIL is higher than other two JVBS. All the firms have increasing trend of deposits during the study period.

5.2 Conclusion

With the effort of completing entire research study, one has to come to some conclusion regarding the topic selected for the research study to elite the key areas of findings and research made during the period. So, on the basis of entire research study, some conclusion has been deduced. This study particularly deals with conclusion about “Comparative study on Investment Policy Of Joint Venture Banks in Nepal”. The present study is mainly an attempt to give general account of comparative investment policy of Joint Venture Bank in Nepal in the light of their liquidity position, asset management position, profitability position, risk position, growth position and other related ratios and indicators on other statistical analysis.

Today’s, Competitive world of banking has challenged all the corporate sectors and also has given an ample opportunity to mobilize resources to contribute in uplifting the economic sector of the nation. Many Joint Venture Banks, Development Banks, Merchant banks, Finance and Insurance companies are contributing by

introducing higher and developed technology, efficient methods in the banking sectors especially after the political reform of the country. Introduction of ATM cards, debit and credit cards, electronic transfers of money, SMS banking , derivatives and internet banking have made the banking sectors an attractive and modernized as well as popular sectors for investment in shares and earn debentures for the people. But the present study has been undertaken only about three JVBs namely, NABIL , SCBNL and BOKL for examining and evaluating the Investment Policy of these JVBS. The financial statements of five years have been conducted for the purpose of the this study form the fiscal years 2004/05 to 2008/09. This study has been mainly completed on the basis of secondary data as well as some primary data and analyzed them comparatively.

The liquidity position of JVBS are seemed to following downward trend considering the study period. although the rule of thumb the standard ratios should be 2:1 that standard c ould not be followed by JVBs but it does not mean that the JVBs are not able to pay their short-term obligation. However, it seems that the JVBs could be able to meet short-term obligation although the ratios are below than normal rate. This is due to the higher deposit rate of general publics in JVBS. These banks have been serving in efficient and lucrative way to win the people's faith. On the other hand, the JVBs may have followed aggressive working capital policy. Thus, it can be said that current ratio of BOKL is more significant to meet the short-term obligation than NABIL and SCBNL, but it does not mean that both SCBNL and NABIL unsatisfactory liquidity position because they may have maintained aggressive working capital policy for generation more return by investing in more profitable sectors. They have enough deposits and investm ent opportunities than that of BOKL.

Cash and bank balance to deposits, NABIL and BOKL has very sound position for ready to serve against its customer deposits than SCBNL. It seems that SCBNL has followed conservative working capital policy and selective lending policy whereas both NABIL and BOKL have followed aggressive working capital policy and they have invested more assets for income generating purpose than SCBNL. Thus, it can be said a high ratios of cash and bank balance may be unfit which seems the bank's inability due to pay unnecessary interest charges and lose may golden opportunities upon handling over cash balance. Over cash and bank balance might be burden for the JVBS without proper area of investment sectors available.

In the case of profitability, SCBNL has earned more profit in terms of net profit to total assets, net profit on equity and return on net worth than NABIL and BOKL. Earnings per share SCBL, it has registered more amount than NABIL and BOKL to its shareholders. Thus, it can be said that from the shareholders point of view earnings per share of SCBNL is more satisfactory whereas in the case of BOKL, there is minimum amount available to shareholders.On the other hand, SCBNL also

distributed minimum amount of dividend to its shareholders than other two JVBS. This means it has invested its retained earnings in much profitable and secure investments.

The growth rates of NABIL and SCBNL are relatively high with respect to net profit, earning per share and dividend per share whereas BOKL have registered very low growth rates in comparison to other two. Moreover, NABIL and BOKL have achieved better position having highest growth rates in deposit. NABIL has higher investment in profitable sectors than that of other two banks.

Under Karl Pearson's coefficient of correlation, it has been found the degree of relatioship between deposit (independent) and debt (dependent) variable of both the banks. NABIL, SCBNL and BOKL are significant because the 'r' value of all banks are more than six times of P.E.r. whereas in the case of SCBNL, it is less significant because of the difference in values of r and 6 P.E lower than that of other two JVBS, so it can be concluded that both NABIL and BOKL have mobilized the debt funds in proper way for generating more return but SCBNL could not do that better than them. On other hand, the degree of relationship between deposits (independent variables) and investments(dependent variables) of NABIL and BOKL are significant because each JVBs' 'r' value is more than six times of P.E.r But SCBNL has in significant value. So it can be concluded that NABIL and BOKL of the banks has successfully mobilized their deposits fund in proper way of different sectors for generating more incomes. However, NABIL has better trend values in total investment than other two JVBS.

The trend value analysis of total investment for those sample firms, it is found that the position of SCBNL is better in case of utilization of fund to investment portfolios in comparison to BOKL and NABIL. BOKL has lower total investment trend line. So, it is unable to proper utilize funds to better investment portfolios. Trend value line shows that SCBNL has better investment position in comparison to other JVBS. However, NABIL has also better investment position in comparison to BOKL. But, BOKL has not good investment position than that of other two JVBS.

5.3. Recommendation

According to the analysis of data both secondary and primary data, major findings from the study and conclusions of the study on the topic of investment policy of three sample JVBS. The following suggestions or recommendation are presented below, which would help to draw some outline and make reforms in the respective firms;

a) Investment Priority in Rural Sectors

Investment policy of any firm plays a vital role in the success of the firm. It is the vital important job of the financial institutions which has to be done considering fundamental principal of investment policy like CAMEL indicators. On the other hand, various environmental factors like political, economical and government policies affect the investment policy of the firms. Most of the banking institutions are concentrated in the urban areas only. They are not interested towards the rural borrowers involving in domestic industries. They are concerned to liquidity problem that arise after their investment in rural sectors. It is one of the major problem they will face in this sector. But, it is great obstruction for the small borrowers and small domestic industries to grow and develop. Moreover, JVBS must focus on the investment in rural areas that can uplift the country's economic condition. That's why, sample firms have to analyze investment portfolios in rural areas while making investment decisions.

Mobilizing deposits in Productive sectors/projects

These JVBS are earning higher returns in their investment and also providing higher dividend to its shareholders and high salaries to its employees but they don't seem to investing in much more productive sectors. The JVBS are basically not concentrated to mobilize their deposit funds in productive sectors. So, they are suggested to come forward to meet government obligation by financing in the priority sector development programs such as poverty alleviation programs, woman entrepreneurship development programs, income generating programs, generating new services sectors, hydro powers etc.

b) Involving Foreign investors For National Development

The JVBS are suggested to involve foreign investors to make their investments the Hydro power projects and telecommunication projects e.t.c for the development of country. The foreign investors and industrialists are unfamiliar with the local rules and regulations, customers and practices. So, the JVBs should try as far as possible to lure the foreign investors for investments that creates more productive outputs, more employment opportunities and effective national resources utilization which leads to economic development of the country.

c) Better liquidity position

Generally banks have to maintain adequate liquid assets to fulfill the banking activities but the current ratio of three banks are below standard level 2:1, it shows that they have very poor liquidity position. The bank must identify the quality of current assets and current liabilities to maintain their own current ratio. Depending on the growth position of the financial market, the lending policies, management

capabilities, strategic planning and fund flow situation, bank should maintain enough liquid assets to pay short- term obligation. So, it is suggested to maintain sound liquidity position of all the selected firms.

d) Investment in Government Securities

Treasury bills, development bonds, saving certificates etc are government securities which are riskless investment alternatives. They are free of default risk as well as liquidity risk and can be easily sold in the market. From the study, it is found that the sample JVBS are investing in government securities in decreasing trend. So, it is suggested to invest more funds in government securities instead of investment in other risky assets.

e) Government Rules and Regulations regarding investment

JVBS should know the changes that takes place in economic and investment policies enacted by the government. They should follow the NRB's instruction regarding investment on projects in rural areas. Government regularly changes the investment policy, tax system and other facilities regarding to the development of banking system in rural areas. So, government also should amend the existing impractical rules and regulations, policies regarding investment as per the demand of banking sectors. Government should implement the rules, policies to banking sectors in establishment in rural sectors strictly.

f) Playing Merchant Banking role

Modern Banking world is a challenging area for the investors either they may be institutional investors or local merchants. JVBS are not playing the role of merchant banking like underwriting of securities, brokers development of capital market and supportive role to the security exchange entire which will consequently be helpful for upliftment of country. It is recommended that they should play merchant banking role for the economic development of the country.

g) Emphasis on Nepalese Degree Holders

These Joint Venture Banks are neglecting to Nepalese Degree holders on the higher post by management team of JVBS. The Nepalese degree holders should be given opportunities to compete in higher posts because they are comparatively not so inferior than other. So, management of JVBS should think seriously about this matter and emphasize to Nepalese degree holders on the higher posts by allocating more authority and responsibility.

h) Loan recovery policy

The JVBS are found to have lower loan loss provisons. These provisons are in decreasing trend. Investment sectors must optimal for these JVBS are real estates, business enterprises, infrastructures, industries e.t.c. Economic downturns and challenges is causing most of the industries to come to an end. In this situation, JVBS are suggested to make appropriate loan recovery policies to support and secure their investment in these sectors. However, it is also suggested to give different suggestions from these JVBS for the better performance and future forecasting changes to take place in investment sectors.

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APPENDIX– 1

Current ratio

Bank of Kathmandu			
FY	Current assets(Rs)	Current liabilities(Rs)	Ratio(%)
2004/05	6935	8845	0.78
2005/06	6584	9136	0.72
2006/07	8785	11139	0.78
2007/08	11253	13252	0.84
2008/09	16147	14130	1.14

NABIL			
FY	Current assets(Rs)	Current liabilities(Rs)	Ratio(%)
2004/05	10571	15263	0.69
2005/06	12557	15528	0.80
2006/07	15832	19985	0.79
2007/08	18021	24686	0.72
2008/09	26594	33979	0.78

SCBNL			
FY	Current assets(Rs)	Current liabilities(Rs)	Ratio(%)
2004/05	12145	22146	0.54
2005/06	12007	20199	0.59
2006/07	12827	24013	0.53
2007/08	14917	26480	0.56
2008/09	19315	30843	0.62

APPENDIX – 2

Cash and bank balance to total deposit ratio

BOKL			
FY	Cash and bank balance(Rs)	Total Deposit(Rs)	Ratio(%)
2004/05	782	7742	7.19
2005/06	740	8943	7.56
2006/07	728	10485	7.64
2007/08	1315	12388	8.02
2008/09	1440	15833	7.57

NABIL			
FY	Cash and bank balance(Rs)	Total Deposit(Rs)	Ratio(%)
2004/05	970	14119	6.87
2005/06	559	14586	3.83
2006/07	630	19347	3.26
2007/08	1399	23342	6.00
2008/09	2671	31915	8.37

SCBNL			
FY	Cash and bank balance(Rs)	Total Deposit(Rs)	Ratio(%)
2004/05	2023	21161	9.46
2005/06	1111	19363	8.77
2006/07	1276	23061	6.86
2007/08	2021	24647	5.46
2008/09	2050	29743	6.89

APPENDIX – 3

Cash and bank balance to Current asset ratio

BOKL			
FY	Cash and bank balance(Rs)	Current assets (Rs)	Ratio(%)
2004/05	782	6935	11.28
2005/06	740	6584	11.24
2006/07	728	8785	8.29
2007/08	1315	11253	11.69
2008/09	1440	16147	8.92

NABIL			
FY	Cash and bank balance(Rs)	Current assets (Rs)	Ratio(%)
2004/05	970	10571	9.18
2005/06	559	12557	4.45
2006/07	630	15832	3.98
2007/08	1399	18021	7.76
2008/09	2671	26594	10.04

SCBNL			
FY	Cash and bank balance(Rs)	Current assets (Rs)	Ratio(%)
2004/05	2023	12145	16.65
2005/06	1111	12007	9.25
2006/07	1276	12827	9.94
2007/08	2021	14917	13.54
2008/09	2050	19315	10.61

APPENDIX – 4

Investment on government securities to current assets ratio

(Rs. Million)

BOKL			
FY	Investment on govt. securities (Rs)	Current assets (Rs)	Ratio(%)
2004/05	2371	6935	34.19
2005/06	2146	6584	32.60
2006/07	2658	8785	30.25
2007/08	2332	11253	20.72
2008/09	2113	16147	13.08

NABIL			
FY	Investment on govt. securities (Rs)	Current assets (Rs)	Ratio(%)
2004/05	3672	10571	34.74
2005/06	2413	12557	19.22
2006/07	2301	15832	14.53
2007/08	4808	18021	26.68
2008/09	4646	26594	17.47

SCBNL			
FY	Investment on govt. securities (Rs)	Current assets (Rs)	Ratio(%)
2004/05	7946	12145	65.44
2005/06	7201	12007	59.98
2006/07	7477	12827	58.29
2007/08	7106	14917	47.64
2008/09	8137	19315	42.12

APPENDIX – 5

Loan & Advance to Total Deposit Ratio

(Rs. in million)

BOKL			
FY	Loan and advances (Rs.)	Total Deposit(Rs)	Ratio(%)
2004/05	5646	7742	77.61
2005/06	5912	8943	68.87
2006/07	7259	10485	71.42
2007/08	9399	12388	78.25
2008/09	12462	15833	80.51

NABIL			
FY	Loan and advances (Rs.)	Total Deposit(Rs)	Ratio(%)
2004/05	8189	14119	60.55
2005/06	10586	14586	75.05
2006/07	12922	19347	68.63
2007/08	15545	23342	68.13
2008/09	21365	31915	68.18

SCBNL			
FY	Loan and advances (Rs.)	Total Deposit(Rs)	Ratio(%)
2004/05	6410	21161	31.63
2005/06	8143	19363	43.49
2006/07	8935	23061	39.92
2007/08	10502	24647	43.78
2008/09	13718	29743	46.12

APPENDIX – 6

Total investment total deposit ratio

(Rs. in million)

BOKL			
FY	Total investment (Rs.)	Total Deposit(Rs)	Ratio(%)
2004/05	2477	7742	32.0
2005/06	2598	8943	28.94
2006/07	3374	10485	32.18
2007/08	2992	12388	24.15
2008/09	3204	15833	20.23

NABIL			
FY	Total investment (Rs.)	Total Deposit(Rs)	Ratio(%)
2004/05	5835	14119	41.33
2005/06	4267	14586	29.25
2006/07	6178	19347	31.93
2007/08	8945	23342	38.32
2008/09	9939	31915	31.14

SCBNL			
FY	Total investment (Rs.)	Total Deposit(Rs)	Ratio(%)
2004/05	11360	21161	53.68
2005/06	9702	19363	50.10
2006/07	12838	23061	55.67
2007/08	13553	24647	54.98
2008/09	13902	29743	46.74

APPENDIX – 7

Loan and advance to total working fund ratio

(Rs. in Million)

BOKL			
FY	Loan and advances (Rs.)	Total Working fund (Rs.)	Ratio(%)
2004/05	5646	9496	59.46
2005/06	5912	9888	59.79
2006/07	7259	12278	59.12
2007/08	9399	14581	64.46
2008/09	12462	17721	70.32

NABIL			
FY	Loan and advances (Rs.)	Total Working fund (Rs.)	Ratio(%)
2004/05	8189	16745	48.90
2005/06	10586	17186	61.60
2006/07	12922	22329	57.87
2007/08	15545	27253	57.04
2008/09	21365	37132	57.53

SCBNL			
FY	Loan and advances (Rs.)	Total Working fund (Rs.)	Ratio(%)
2004/05	6410	23642	27.11
2005/06	8143	21781	37.38
2006/07	8935	25767	34.67
2007/08	10502	28596	36.72
2008/09	13718	33335	41.15

APPENDIX – 8

Investment on government securities to total working fund ratio

(Rs in million)

BOKL			
FY	Investment on govt.securities (Rs)	Total working fund (Rs)	Ratio(%)
2004/05	2371	9496	24.97
2005/06	2146	9888	21.70
2006/07	2658	12278	21.65
2007/08	2332	14581	15.99
2008/09	2113	17721	11.92

NABIL			
FY	Investment on govt.securities (Rs)	Total working fund (Rs)	Ratio(%)
2004/05	3672	16745	21.93
2005/06	2413	17186	14.04
2006/07	2301	22329	10.30
2007/08	4808	27253	17.64
2008/09	4646	37132	21.74

SCBNL			
FY	Investment on govt.securities (Rs)	Total working fund (Rs)	Ratio(%)
2004/05	7946	23642	33.61
2005/06	7201	21781	33.06
2006/07	7477	25767	29.02
2007/08	7106	28596	24.85
2008/09	8137	33335	24.41

APPENDIX – 9

Loan loss ratio

(Rs. in million)

BOKL			
FY	Loan loss provision (Rs)	Loan and advances (Rs)	Ratio(%)
2004/05	376	5646	6.66
2005/06	295	5912	4.99
2006/07	197	7259	2.72
2007/08	236	9399	2.51
2008/09	232	12462	1.86

NABIL			
FY	Loan loss provision (Rs)	Loan and advances (Rs)	Ratio(%)
2004/05	274	8189	3.35
2005/06	140	10586	1.32
2006/07	178	12922	1.38
2007/08	174	15545	1.12
2008/09	158	21365	0.74

SCBNL			
FY	Loan loss provision (Rs)	Loan and advances (Rs)	Ratio(%)
2004/05	242	6410	3.77
2005/06	219	8143	2.69
2006/07	190	8935	2.13
2007/08	193	10502	1.83
2008/09	126	13718	0.92

APPENDIX – 10

Return on loan and advances ratio

(Rs. in million)

BOKL			
FY	Net Profit (Rs)	Loan and advances (Rs)	Ratio(%)
2004/05	127	5646	2.26
2005/06	139	5912	2.36
2006/07	202	7259	2.79
2007/08	262	9399	2.79
2008/09	361	12462	2.90

NABIL			
FY	Net profit (Rs)	Loan and advances (Rs)	Ratio(%)
2004/05	455	8189	5.33
2005/06	518	10586	5.32
2006/07	635	12922	5.24
2007/08	673	15545	4.62
2008/09	746	21365	3.96

SCBNL			
FY	Net profit (Rs)	Loan and advances (Rs)	Ratio(%)
2004/05	537	6410	8.51
2005/06	536	8143	6.85
2006/07	658	8935	7.63
2007/08	691	10502	6.75
2008/09	818	13718	5.96

APPENDIX – 11

Return on Total assets ratio

(Rs. in million)

BOKL			
FY	Net profit (Rs)	Total working fund (Rs)	Ratio(%)
2004/05	127	9496	1.34
2005/06	139	9888	1.42
2006/07	202	12278	1.65
2007/08	262	14581	1.80
2008/09	361	17721	2.04

NABIL			
FY	Net profit (Rs)	Total working fund (Rs)	Ratio(%)
2004/05	455	16745	2.73
2005/06	518	17186	3.06
2006/07	635	22329	3.23
2007/08	673	27253	2.72
2008/09	746	37132	2.32

SCBNL			
FY	Net profit (Rs)	Total working fund (Rs)	Ratio(%)
2004/05	537	23642	2.27
2005/06	536	21781	2.46
2006/07	658	25767	2.56
2007/08	691	28596	2.42
2008/09	818	33335	2.45

APPENDIX – 12

Return on Equity ratio

(Rs. in million)

BOKL			
FY	Net profit (Rs)	Equity capital (Rs)	Ratio(%)
2004/05	127	647	19.6
2005/06	139	716	19.4
2006/07	202	838	24.10
2007/08	262	992	26.41
2008/09	361	1340	26.93

NABIL			
FY	Net profit (Rs)	Equity capital (Rs)	Ratio(%)
2004/05	455	1481	30.72
2005/06	518	1656	31.28
2006/07	635	1874	33.88
2007/08	673	2054	32.76
2008/09	746	2436	30.62

SCBNL			
FY	Net profit (Rs)	Equity capital (Rs)	Ratio(%)
2004/05	537	1494	35.95
2005/06	536	1582	33.88
2006/07	658	1752	37.55
2007/08	691	2114	32.68
2008/09	818	2490	32.85

APPENDIX – 13

Earning Per Share (EPS) **(Rs)**

Firms	Fiscal Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
NABIL	95.61	105.49	129.21	137.08	108.31
SCBNL	143.55	143.14	175.84	167.37	131.92
BOKL	27.40	30.10	43.67	43.50	59.94

Dividend Per Share (DPS) **(Rs)**

Firms	Fiscal Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
NABIL	65	70	85	100	60
SCBNL	110	120	130	80	80
BOKL	10	15	18	20	21.1

(source websites of sample firms)

APPENDIX – 14

Total interest earned to total assets ratio

(Rs in million)

BOKL			
FY	Total interest earned (Rs.)	Total working fund (Rs)	Ratio(%)
2004/05	567	9496	5.97
2005/06	607	9888	6.13
2006/07	718	12278	5.84
2007/08	819	14581	5.61
2008/09	1034	17721	5.83

NABIL			
FY	Total interest earned (Rs.)	Total working fund (Rs)	Ratio(%)
2004/05	1001	16745	5.98
2005/06	1068	17186	6.21
2006/07	1309	22329	5.86
2007/08	1587	27253	5.82
2008/09	1978	37132	5.32

SCBNL			
FY	Total interest earned (Rs.)	Total working fund (Rs)	Ratio(%)
2004/05	1042	23642	4.40
2005/06	1058	21781	4.86
2006/07	1189	25767	4.61
2007/08	1411	28596	4.93
2008/09	1591	33335	

APPENDIX – 15

Total interest earned to total operating income ratio

(Rs. in million)

BOKL			
FY	Total interest earned (Rs.)	Total operating income (Rs)	Ratio(%)
2004/05	567	710	79.85
2005/06	607	514	118.09
2006/07	718	576	124.65
2007/08	819	677	120.97
2008/09	1034	862	119.95

NABIL			
FY	Total interest earned (Rs.)	Total operating income (Rs)	Ratio(%)
2004/05	1001	1336	74.92
2005/06	1068	1194	89.45
2006/07	1309	1359	96.32
2007/08	1587	1480	107.22
2008/09	1978	1670	118.44

SCBNL			
FY	Total interest earned (Rs.)	Total operating income (Rs)	Ratio(%)
2004/05	1042	1264	82.44
2005/06	1058	1285	82.33
2006/07	1189	1418	83.85
2007/08	1411	1558	90.56
2008/09	1591	1774	89.68

APPENDIX- 16

Total interest paid to total working fund ratio

(Rs. in million

BOKL			
FY	Total interest paid (Rs)	Total working fund (Rs)	Ratio(%)
2004/05	286	9496	3.01
2005/06	241	9888	2.44
2006/07	308	12278	2.50
2007/08	339	14581	2.32
2008/09	417	17721	2.35

NABIL			
FY	Total interest paid (Rs)	Total working fund (Rs)	Ratio(%)
2004/05	282	16745	1.68
2005/06	243	17186	1.41
2006/07	357	22329	1.59
2007/08	555	27253	2.03
2008/09	758	37132	2.04

SCBNL			
FY	Total interest paid (Rs)	Total working fund (Rs)	Ratio(%)
2004/05	275	23642	1.16
2005/06	254	21781	1.16
2006/07	303	25767	1.17
2007/08	413	28596	1.44
2008/09	471	33335	1.41

APPENDIX – 17

Capital risk ratio **(Rs in million)**

BOKL			
FY	Share capital (Rs)	Risk weighted assets (Rs)	Ratio(%)
2004/05	703	6306	15.57
2005/06	777	6926	16.06
2006/07	1100	7583	14.93
2007/08	1290	1022	15.71
2008/09	1635	1370	14.00

NABIL			
FY	Share capital (Rs)	Risk weighted assets (Rs)	Ratio(%)
2004/05	1609	11872	13.56
2005/06	1766	14193	12.44
2006/07	2089	16976	12.31
2007/08	2307	19166	12.04
2008/09	2998	27010	11.10

SCBNL			
FY	Share capital (Rs)	Risk weighted assets (Rs)	Ratio(%)
2004/05	1560	10023	15.57
2005/06	1664	10364	16.06
2006/07	1844	12369	14.93
2007/08	2225	14168	15.71
2008/09	2655	18969	14.0

APPENDIX – 18

Interest rate risk ratio **(Rs. in million)**

BOKL			
FY	Int. sensitive assets (Rs.)	Int. sensitive liabilities (Rs)	Ratio(%)
2004/05	912	7742	
2005/06	6	8975	0.06
2006/07	553	10485	5.27
2007/08	730	12388	5.89
2008/09	100	15833	0.63

NABIL			
FY	Int. sensitive assets (Rs.)	Int. sensitive liabilities (Rs)	Ratio(%)
2004/05	229	11106	2.06
2005/06	17	11446	0.148
2006/07	173	19347	0.89
2007/08	882	23342	3.77
2008/09	1360	31915	4.26

SCBNL			
FY	Int. sensitive assets (Rs.)	Int. sensitive liabilities (Rs)	Ratio(%)
2004/05	78	15141	0.515
2005/06	55	14742	0.373
2006/07	-	17869	0
2007/08	400	19366	2.06
2008/09	-	23095	0

APPENDIX – 19

Capital Risk Ratio

(Rs. In million)

BOKL			
FY	Share capital(Rs.)	Risk weighted assets(Rs.)	Ratio(%)
2004/05	703	6306	11.16
2005/06	777	6926	11.02
2006/07	110	7583	14.52
2007/08	1290	1022	12.62
2008/09	1635	1370	11.54

NABIL			
FY	Share capital(Rs.)	Risk weighted assets(Rs.)	Ratio(%)
2004/05	1609	11872	13.56
2005/06	1766	14193	12.44
2006/07	2089	16976	12.31
2007/08	2307	19166	12.04
2008/09	2998	27010	11.93

SCBNL			
FY	Share capital(Rs.)	Risk weighted assets(Rs.)	Ratio(%)
2004/05	1560	10023	15.57
2005/06	1664	10364	16.06
2006/07	1844	12369	14.93
2007/08	2225	14168	15.71
2008/09	2655	18969	14.00

APPENDIX - A

A sample calculation of mean x, standard deviation (σ), co-efficient of variance (C.V) for 5 years data.

Computation of X, S.D and C.V of current ratio (BOKL) and (NABIL).

BOKL			NABIL		
FY	C.R.(X_1)	X_1^2	FY	C.R.(X_2)	X_2^2
2004/05	0.78	0.6884	2004/05	0.69	0.4761
2005/06	0.72	0.5184	2005/06	0.80	0.64
2006/07	0.78	0.6884	2006/07	0.79	0.6241
2007/08	0.84	0.7056	2007/08	0.72	0.5184
2008/09	1.14	1.2996	2008/09	0.78	0.6084
	$\sum X_1$ =4.25	$\sum X_1^2$ =3.9004		$\sum X_2$ =3.78	$\sum X_2^2$ =2.867

For BOKL,

Mean (X_1) = $\frac{\sum X_1}{n}$ = 0.85

Standard Deviation (σ) = $\sqrt{\frac{\sum X_1^2}{n} - (\frac{\sum X_1}{n})^2}$ = 0.159

Coefficient of Variation = $\frac{\pm_1}{X_1}$ *100 =18.70

For NABIL

Mean (X_2) = $\frac{\sum X_2}{n}$ = 0.756

Standard Deviation (σ_2) = $\sqrt{\frac{\sum X_2^2}{n} - (\frac{\sum X_2}{n})^2}$ = 0.104

Coefficient of Variation = $\frac{\pm_2}{X_2}$ *100 = 13.86

APPENDIX – B

A sample of Karl Pearson's Coefficient of correlation between total deposit and loan and advances for BOKL for 5 years.

FY	Deposit (Rs) X	$dx = (X - \bar{X})$	dx^2	Loan(Rs) Y	dy=(Y-$\bar{Y}$)	dy^2	dxdy
2004/05	77.42	-33.36	1112.88	56.46	-24.89	619.51	830.33
2005/06	89.43	-21.35	455.82	59.12	-22.23	494.17	474.61
2006/07	104. 85	-5.93	35.16	72.59	-8.76	76.73	51.94
2007/08	123.88	13.1	171.61	93.99	12.64	159.76	165.58
2008/09	158.33	47.55	2261.00	124.62	43.27	1872.29	2057.48
	∑X=638.06		$\sum dx^2$ =4036.47	$\sum Y$ =531.4		$\sum dy^2$ =3222.46	∑dxdy= 3579.94

$\bar{X} = \frac{\sum X}{n}$ = 110.78 where, ∑X = mean deposit =638.06

$\bar{Y} = \frac{\sum Y}{n}$ = 81.356 where $\sum Y$ = mean loan =531.4

Now, Karl Pearson's Coefficient of correlation (r)

$$r = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - (\sum X)^2}\sqrt{n\sum Y^2 - (\sum Y)^2}} = 0.9926$$

Similarly, Value of coefficient of determination, $r^2 = (0.9926)^2 = 0.9852$

Then, Probable Error of correlation

P.Er.= $0.6745 \frac{1-r^2}{\sqrt{n}} = 0.6745 * \frac{1-0.9926}{\sqrt{5}} = 0.00446$

6 P.Er = 0.02678

APPENDIX – C

A Sample of calculation for trend value of total deposits of BOKL Ltd. for the 5 years

Year (t)	Total deposits (Y)	X= (t – 2006/07)	X^2	XY	Y_c = a+bX
2004/05	7742	-2	4	-15484	7152.8
2005/06	8943	-1	1	-8943	9315.5
2006/07	10485	0	0	0	11078.2
2007/08	12388	+1	1	+12388	13040.9
2008/09	15833	+2	4	+31666	15003.6
n=5	$\sum Y =$ 55391	$\sum X = 0$	$\sum X^2 = 10$	$\sum XY =$ 19627	

The equation of the straight line trend is, Y= a + b X

Where, a = $\frac{\sum Y}{n}$ =11078.2

b = $\frac{\sum XY}{\sum X^2}$ =1962.7

Now, Straight line trend of total deposits Y_c = a+bX

=11078.2+1962.7X

Trend values of total deposits of BOKL for next 5 years (i.e. 2004/05 to2008/09)

S.No	Years (t)	X= t-2006/07	Y_c =11078.2+1962.7X
01	2203/04	3	16966.3
02	2005/06	4	18929.0
03	2006/07	5	20891.7
04	2007/08	6	22854.4
05	2008/09	7	24817.1

Note: Trend value for other firms is calculated accordingly.

APPENDIX – D

A Sample Calculation of Growth ratio of Total Deposits for 5 years data of Nabil Bank Limited

Computation of Growth ratio of Total deposits

D_n = Total deposit in the n^{th} year = 2008/09
Do = Total deposit in the initial year = 2004/05
g = Growth rate
n = Total number of year

Here,
$D_{2003/04}$ =
$D_{2007/08}$ =
n =
Now, we have ,
$D_n = Do(1 + g)^{n+1}$

$D_{2007/08} = D_{2003/04}(1+ g)^{n+1}$
$29743999 = 21161442(1+g)^{5-1}$
$1.4055 = (1+g)^{5-1}$
$1.0888 = 1+g$
$g = 8.88\%$

APPENDIX – E

PROFILE OF CONCERNED JOINT VENTURE BANKS

BANK OF KATHMANDU

Introduction

Bank of Kathmandu Limited (BOKL) was established in 1993 A.D. It is the eighth joint venture bank and is promoted by Siam Commercial Bank Thailand (30%), Nepalese promoters(45%) and the general public holds (25%) of its total equity. The bank was established under the Banijya Bank Act, 2031 in order to promote and expand the Banking activities throughout the country with the approval of Nepal Rastra Bank.

Its headquarter is situated at Kamalpokhari, Kathmandu. It has extended faculities and services through two branch offices (urban centered) besides the head office. The bank is providing the facilities including normal function or general services:

i) Deposit collection
ii) Management Information System
iii) ATM (Automated Teller Machine)
iv) Credit Facilities
v) Internal trade center
vi) Foreign Trade Center
vii) Inward/ Outward Remittance Cheques
viii) Gift Cheques
ix) Business Consultancy
x) Safety deposit Lockers and others

This bank with the high priority accorded in the past periodic plans, has already made a huge investment for the development of the agricultural and commercial sectors. The main objectives of this bank is to develop the economic condition of the country by the proper mobilization of its own fund. This bank has extended overdraft loan, business loan, Pre- export loan, security loan, personal loan, Industry loan, Import loan and miscellaneous loan etc. to its clients. The company profile has shown the various perferential sectors of investment viz. i) Government

securities ii) Company shares and debentures etc. This bank's income sources are primarily from ii) interest on different headings i.e. loan, advances and overdraft government securities and debentures etc. ii) income from commision and discounting the bills iii) Dividend income iv) Exchange fluctuation income. During the fiscal year 2053/54 (1996/97 for the study), this bank collected Rs 1281.75 million as a deposit and disbursed Rs. 1222.26 million as loan and advances. It had a loss of Rs. 5.14 million from its overall transaction during the same fiscal year.

(Rs.)

Capital	Present
Authorized Equity Share Capital	1,000,000,000
Paid up Equity share capital	603,141,300
Issued Equity Share Capital	606,173,300

STANDARD CHARTERED NEPAL BANK LIMITED

Introduction

In 1987 A.D. Nepal Grindlays Bank Limited was established as another commercial bank on Nepal among other JVBs to contribute in commercial sector of Nepalese economy. The bank has made a significant contribution from its establishment in the Nepalese Banking Sectors. The 50% of the equity share capital was originally owned by ANZ Grindlays Bank, Australia, which managed and controlled the overall activities of the bank.

In August 2000. the ownership of ANZ bank Grindlays, U.K was transfered to SCB, Australia. The bank, at present is managed and controlled by SCBL, Australia with a new name SCBNL in 2001. SCBL holds 50% of total equity capital investment, 35% of total equity share capital is held by Nepal Bank Limited and remaining 15% share capital is held by general public investors. The bank is being managed under Joint Venture and technical services agreement that was signed between SCB and Nepalese promoters. The bank has been providing various banking services to its customers through 11 branches national wide. Among which four of the main branches are regulating their services in Kathmandu valley alone. The bank is launching some new programmes from this year to attract new customers to boost up its banking activities such as long term Home loan at minimum interest rate of 11%. It provides Rs. 5 lakhs to 75 lakhs as housing loan.

Standard Chartered Bank Nepal Limited has provided various modern facilities for its customers. They are well- equiped with latest technologies as well. Some of them have been listed below.

Tele- banking	-Credit Card Facilities
Money Transfer Services	- Automated Teller Machine
International Services	- Personal & corporate financial services
Foreign Currency Transaction etc.	- SWIFT

The present capital structure of SCBNL is shown below.

(Rs. in thousands)

Capital	Present
Authorized Equity Share Capital	1,000,000,000
Paid up Equity share capital	620,784,400
Issued Equity Share Capital	1,000,000,000

Source: NEPSE

NABIL BANK LIMITED

Introduction

Nepal Arab Bank was established as a commonly joint venture bank in 1984 A.D. It was the first incorporated joint venture bank in the history of Nepalese commercial banks. The fifty percent equity investment of this bank was originally, owned by Dubai Bank Limited, which managed the overall activities of the former. Later, Dubai Bank Limited was annexed into Emirates Bank International Limited, Dubai, which automatically transferred the entire shares into the latter's position. Then the entire equity shares was sold to National Bank Limited, Bangladesh, which has been managing the banking activities in accordance with the technical services agreement which was signed between Emirates Bank International Limited, Dubai and National Bank Limited , Bangladesh on June, 1995A.D. Since then, National Bank Limited has been managing with 50% of the total equity share capital and the present situation of share investment in this bank is

National Bank Limited, Bangladesh - 50%
NIDC - 0%
Rastriya Beema Sansthan - 9.66%
NEPSE - 0.34%
Nepalese Public Investors - 30%
Total configuration - 100%

This bank holds a prestigious position in the sectors of commercial joint venture bank in Nepal. It has become one of the important JVBs in Nepal and now, it is known as Nabil bank limited because the name of the bank has recently been changed effective on 1st Jan, 2002. It has ramified its branches throughout the country. Although fifteen branches have been operating in different (arts of Nepal in which four of them are in Kathmandu alone). It has three counter offices i.e. Airport counter, Thamel counter, Lakeside counter for credit card facilities.

The Table below shows the present capital structure of bank:

(Rs.)

Capital	Present
Authorized Equity Share Capital	1,600,000,000
Paid up Equity share capital	689,216,000
Issued Equity Share Capital	689,216,000

Issue: NEPSE

Nabil Bank Limited has been providing various modern facilities for its customers. It has been well- equipped with the latest technologies to meet the needs of customers as well as to keep up with time. The tele-banking, ATM, Credit Card facilities have increased the efficiency and reliability of NABIL. NABIL bank Ltd has, so far , successfully, been rendering its services with optimal satisfaction. Some of its services have been listed below:

Tele-banking	- Credit Card Facilities
Money Transfer Services	- Automated Teller Machine
International services	- Deposit lockers
International Trade and Bank	- Guarantee etc.
Foreign Currency Transaction etc.	- SWIFT