

**A STUDY ON FINANCIAL PERFORMANCE OF NEPALESE
JOINT VENTURE BANKS**

(with reference to Nabil Bank, Standard Bank of India And Everest Bank)

A Thesis Submitted by

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DECLARATION

I hereby declare that the work reported in this thesis entitled “ A STUDY ON FINANCIAL PERFORMANCE OF NEPALESE JOINT VENTURE BANKS with reference to Nabil Bank, SBI Bank and Everest Bank” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Degree of Master of Business Studies (MBS) under the supervision of prof. Dr. Dilli Raj Sharma of Central Department Management.

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ABBREVIATIONS

A.D	Anne Domino
Amt.	Amount
B.S.	Bikram Sambat
CAR	Capital Adequacy Ratio
C/D Ratio	Credit/Deposit Ratio
Co.	Company
CRR	Cash Receive Ratio
C.V.	Covariance
EBL	Everest Bank Limited
etc	etcetra
FY	Fiscal Year
GDP	Gross Domestic Product
i.e.	That is
IT	Information Technology
Ktm.	Kathmandu
Ltd.	Limited
NBL	Nabil Bank Limited
NRB	Nepal Rastra Bank
P.E.	Probable Error
Rs.	Rupees
SBI	Standard Bank of India
S.D.	Standard Deviation
TU	Tribhuvan University

CHAPTER I

INTRODUCTION

1.1 General Background

The word 'Investment' refers to the sacrifice of the current rupees and resources for the sake of future rupees and resources. In other word, it is a commitment of money and other resources that is expected to generate additional money and resources in the future. Such commitment takes places in the present and is certain to occur but the reward comes in the future. Therefore, every investment entails some degree of risk. But, in manufacturing and trading sector, it is the long term expenditures that aim is increasing return of efficiency or goodwill thereby producing and increasing return over as period. Investment also seek to manage their wealth effectively obtaining the most from it, while protecting it from inflation, taxes and other risks.

So, it is one of the major functions of any financial as well as other related organizations. Generally investments are made in assets which can be categorized as following.

- Real Assets
- Financial Assets

Real Assets are the tangible assets. They are the land, buildings, machines, automobiles, textbooks etc. that are used to produced goods and services. The economy and the development of the nation is the function of the real assets.

Financial Assets are pieces of paper represent debt or equity commitments in the form of stock certificates. They are in the form of intangible and also known as paper assets. So, they don't contribute to the production capacity of the economy.

An investment simply means commitment of savings into any alternative that is expected to generate positive income .For, example if you advance money to other; you may consider it as an investment because you except to get back the money in some future date along with interest.

The sacrifice of certain present value for possibly uncertain future value. An investment has defined many ways. Therefore, it is relevant to cite some of the popular definitions .They are following manner.

Sharpe, Alexander and Bailey (1986:9) defines, “Investment in its broad sense means the sacrifice of current dollars for future dollars. Two different attributes are generally involved: time and risk. The sacrifice takes place in the present and is certain .The reward comes later if at all and the magnitude is generally uncertain.”

Investment is any vehicle into which funds can be placed with the expectation that will preserve or increase in value and generate positive return. (Gitman and Jochnk, 1990:52).

An investment is the current commitment of money or other resources in the expectation of reaping future benefits. (Bodie Z., Kane A., Marcus A.J., Mohanty P. 2009:1, Eight Edition)

Jack C. Francis, (1983:5) defines, "Investing involves making a current commitment of funds in order to obtain an uncertain future return. It is a risky business that demands information. To process information effectively and select the best investment requires goals that are clear cut and realistic. In simple term investment is making a current commitment of funds that is expected to generate additional money in future.

Nevertheless, in the broadest sense it means the sacrifice of current rupees for future rupees that take place at present and certain time.

An analysis of above definitions makes it clear that investment has the following attributes.

1. Anticipation of Return
2. Involvement
3. Time Dimension

Anticipation of Return: An investor is ready to sacrifice his present consumption and put to employ the money only in anticipation of future return or reward. An

investor expects from his/her investment that its value is preserved and some additional income can be generated in future.

Involvement of Risk: The timing and the magnitude of return from majority of investments cannot be predicted exactly. The investment is made at present and it is obviously certain. However, the return is expected in some future date which is uncertain. The uncertainty brings the risk. Therefore, every investment involves some risk.

Time Dimension: Another important attribute of investment is the time dimension. There is time lapse between the investment of money and generation of return. The expectation of return also depends on the length of time horizon until the investment is tied up.

The history of banking system in Nepal in the form of money lending can be traced back in the reigning period of Gunkamadev, the King of Kathmandu. Accordingly Nepal Bank Limited was established under the banking act 1993. The government provided 51% equity of the bank and the promoters shared the rest. Nepal Rasta Bank the central bank emerged in 2013 B.S under Rasta Bank act 2012. Rastriya Banijya Bank comes into existence in 2022 B.S with 100% government equity. Liberalization policy of the government formulated in 2038 B.S. allowed private sector to open Joint Venture Bank. Again the participation of private sector begin for consolidate in this field. As the result of this, many joint venture banks from private sector evolved. Nepal Arab Bank Ltd. is the first joint venture bank from the private sector. Accordingly, Nepal Bangladesh Bank Ltd (NB Bank) came as the joint venture bank from private sector in 2051B.S. Although we can find similarity in objectives and purposes of these entire joint venture Banks.

Joint venture banks financial system as they hold the deposits of millions of people, government and business units, and make fund available through their lending and investing activities to individuals, business firms and government. So, the commercial banks are the most important institution for capital formation. The major problem in almost all undeveloped countries like Nepal is lack of capital formation and their proper mobilization. The importance of bank in economic life is greater. The banks accumulate scattered savings in term of deposit grant long term as well as short term

loan in the several sectors. Because of these industries can be run better way and reduces import of foreign goods and increase exports. It helps to increase the foreign currency. Thus, bank can be rightly interpreted as the king of business world and promoter of economic development.

1.2 Statement of the Problem

The present situation of Nepal is economically unstable. There is no peace and security in the country, so the investors are discouraged to invest. Banking industries are facing the problem from the component of external environment such as political, legal, economics and social. The unstable politics is the main cause, which is hampering for the growth of banking sector. The corruptions make by the top- level management negligence, over staffing are the some reasons that are facing by the banks. The other common problems of both joint venture banks and state owned commercial bank is the cut through completion. Most people of Nepal are illiterate and people are unaware about the banking system. Due to the lack of effective human resources and trained manpower, growing brain is the serious problem for the existing healthy complication.

The joint venture banks are not interested in granting loan to primary and deprived sector of the economy. Banks are active only in urban sector because they see great opportunities for the minimization of profit. Rural areas are being neglected. There are only few rural development banks active in Nepal while Nepal is full of rural areas.

Although joint venture banks have managed to perform better than commercial banks within short span of time, they have been facing a neck-to-neck competition against one another. Since the joint venture banks have been established gradually because of the liberal and market-oriented economic policy of NG, they have been facing through competition from other commercial banks and of course each other. Various joint venture banks operating in Nepal after NG/N adopted the open liberal and market oriented economic policy, the financial sectors have not been enough to meet the growing resource need to the economy as expected before. Joint venture banks are of almost importance as they have contributed significantly to the overall economic development of the country.

Thus, the study focuses with the following issues;

1. How aggressively are the banks lending policies?
2. What is the proportion of Non-performing assets on total loans and advances of the sample?
3. What is the relationship of total deposit with total investment, loan and advances and net profit?
4. Does the investment decision affect the total earnings of bank?
5. Is the bank maintaining sufficient liquidity position?

1.3 Objectives of the Study

The primary objective of this study is to make comparative analysis of the financial performance of the joint venture banks of Nepal. Hence, some specific objectives are presented as follows:

The specific objectives of this study are:

1. To access the impact of investment on profitability.
2. To make comparative evaluation on operating, financial and investment efficiency of Nabil, SBI and Everest.
3. To find out the relationships between deposit, loan and advances, deposit, net profit.
4. To find out the investment priority sectors of sampled Banks.
5. To recommend and suggest on the basis of major findings.

1.4 Significance of the Study

Although joint venture banks have managed investment than other local commercial banks within short span of time, they have been facing a neck-to-neck competition against one another.

Effective and efficient fund mobilization and investment policy is two major factors for any developing country aspiring for a sustainable economic development, Investment activity is the one of the major activity of any financial institution because only deposits collection carries no meaning. Investment policy of collected fund is the most important theme from the point of both management and shareholders and good investment policy has a positive impact on economic development of the country and

vice versa. So, the investment policy of joint venture banks should be accordance with the sprit of the economic advancement of the people.

As the financial services industry becomes more complex, the financial information is more difficult to understand. Quality governance is impossible without effective analysis and evaluation of financial information. In the context of Nepal, there are less availability of research work, articles and journals in investment policy of joint venture banks and other commercial and financial institution

This study has multidimensional importance in the particular areas of the concern banks. Financial executives as well as those other policy making bodies which are concern with banking would also find this study as a useful reference. This study will provide to benefits to the different segments of joint venture banks like the management, shareholders, policymaking and public Shareholders are true owner of the company. This study will be useful to them for acquiring the answer to the following questions:

1. How funds are utilized as loans and advances?
2. To what extent they are gaining?
3. Is the productivity of their limited satisfactory?

1.5 Limitations of the Study

This study is conducted for the partial fulfillment of the requirement for the degree of masters in business studies (MBS).The lack of sufficient resources and the time is a major limitation of the study. Even though to make the research more specific the study has been conducted with certain limitations:

1. Difficult to collect all required data due to business secreacy.
2. The study is fully based on the limited financial resources within a limited period.
3. The study analyzes investment practices of a particular banks.
4. The whole study is based on secondary data.
5. The study is not a final study of the subject.

1.6 Organization of the Study

This study has been divided into five chapters and is organized as follows:

Chapter I: Introduction

The first chapter is the introduction chapter, which consists of general background of the study, a brief introduction of joint venture bank, statement of the problem, objectives of the study, significance of the study, limitation of the study and organization of the study.

Chapter II: Review of Literature

The second chapter deals the review of literature with the concept of principles of good lending. The second part of this chapter consists of review of books, journals, previous study, research papers and review of unpublished of various research studies.

Chapter III: Research Methodology

The third chapter deals with the research methodology used in this study. It consists of introduction, research design, and sources of data, population and sample, data gathering procedure and analysis of data.

Chapter IV: Presentation and Analysis of Data

Fourth chapter is the analytical presentation of the study. This chapter consists of analysis, interpretation and major findings of the study. This is a most important part of the study.

Chapter V: Summary, Conclusions and Recommendations

Fifth chapter deals with the summary, conclusion and recommendations of the study. The bibliography and appendix is also included in this chapter.

CHAPTER – II

REVIEW OF LITERATURE

2.1 Introduction

This study has been provided into three parts. Part one presents theoretical framework, part two include the empirical works on credit management as well as review of Nepalese study on the topic, part three provides the conclusion and remarks.

Before entering into any research, it is necessary to be clear about its theoretical aspects. This chapter includes a discussion on the theoretical framework and major empirical works. The theoretical analysis and review of literature conducted in this chapter provides the framework, with the help of which this study has been accomplished. This chapter also includes the conceptual framework of the study to make the basic knowledge for the study, which is also, be the foundation of the study.

2.2 Conceptual Framework

2.2.1 Meaning and Nature of bank

A bank is an institution, which deals with money and credit. It accepts deposits from the public and mobilizes the fund to productive sectors. Generally, bank accepts deposits from business institutions and individuals which are mobilized into productive sectors mainly business and consumer lending. Therefore, Bank is known as a dealer of money .A bank may be engaged in different types of functions such as remittance, exchange currency, joint venture guarantee, discounting bills etc. Banks are essential financial Institution in an economy.

The banks generate their income in a different way. They collect money from savers and lend it to borrower's .Banks also generate income by providing other services for which they charge fees and commissions. Such services include trust administration, safety deposit, account services and others. Therefore, banks play a vital role in developing the economy of any country. The level of overall development of a country is the level of economic growth characterizes it social, cultural, political or economical and the crux of the economic growth lies in the development of well-

managed banking system. Hence, Banks can be considered as extremely necessary aspect for the healthy and perennial progress of our country.

Generally the term bank refers commercial banks. Commercial banks are the dominant institutions in the financial sector and are the foundation of the national economy. They transfer monetary sources from savers to users.

The main object of joint venture bank is to mobilize ideal resources for productive use after collecting those scattered resources. Its role in economic development is so immense; it brings about greater mobility of resources to meet the emerging necessity of the economy. The essence of the commercial bank is the financial intermediate between the ultimate saver and borrowers. In other words, a bank's main function is to act as middle-man between the surplus and deficit units in the economy and as a bank like any firm is in business to make profit for its shareholders. Joint venture banks have become the heart of financial system as they hold the deposits of millions of people, government and business units, and make fund available through their lending and investing activities to individuals, business firms and government. So, the commercial banks are the most important institution for capital formation. The major problem in almost all undeveloped countries like Nepal is lack of capital formation and their proper mobilization. The importance of bank in economic life is greater.

2.2.2 Definition of Bank:

Bank is a financial intermediary accepting deposits and granting loans but a modern bank performs such a variety of functions that it is difficult to give a precise and general definition of a bank. Some definitions are as follows:

“A bank collects money from those who have it to spare or who are saving it out of their incomes and it lends this money to those who require it.”

“A banker or bank is a person or company carrying on the business of receiving money and collecting drafts, for customers subject to the obligation of honoring cheques drawn upon them from time to time to time by the customers to the extent of the amount available on their customer”

Bank is a financial institution, which plays a significant role in the development of the country. It facilitates the growth of trade and industry and other sector of the national economy. It is a resource for economic development, which maintains the self-confidence of segments of society and extends to the people.

“A bank is a business organization that services and holds deposits of funds from orders makes loans as extends credits and transfers funds by written orders of deposits.”

“The business in banking is one of the collecting funds from the community and extending credit to people for useful purpose. Banks have played a pivotal role in moving money from lenders to borrowers. Banking is a profit seeking business not a community charity. As a profit seeker, it is expected to pay dividends and other wise add to the wealth it's of shareholders”.

In this way we can say that bank is an institution which accepts deposits from the public and in turn advance loan to business and personal customers. Therefore, a bank may be called the financial supermarket providing all kinds of monetary service which is necessary for the industrialization and economic development of the country. In this present situation, banks play a vital role in developing the economy of any country. The level of overall development of a country is the level of economic growth characterizes it social, cultural, political or economical and the crux of the economic growth lies in the development of well- managed banking system. Hence banks can be considered are extremely necessary for the healthy and perennial – progress of our country. By creating and mobilizing the capital and rendering various financial service banks are contributing to the establishment and development of so many small and large- scale industries and domestic as well as international trade and commerce. Through bank refers to transaction of money, modern banks are established with which facilitates the channeling of fund from the surplus units (savers) to the deficit spending units (investor) in the economy. Moreover banks also encourage industrial innovations and business expansion through the funds provided by them to the entrepreneur. Beside this they discharge, various function on behalf of their customer and in turn they are paid for their services. Commercial banks undertake the payment of subscriptions, insurance premium, rent etc, in addition they purchase and discount bill of exchange, promissory note and exchange foreign currency. Furthermore

commercial banks also arrange to remit money from one place to another at very low price by means of cheques, draft, swift etc. They buy and sell share and securities on behalf of customer. Banks are very important to individually business and for country. In fact the economic development of a country is not possible without a sound banking system although commercial banks are the dominant institutions in the financial sectors and are the foundation of the national economy. They transfer monetary sources from savers to users.

Commercial Bank Act, 2031 has defined commercial bank as “An organization which exchanges money, accepts deposits, grants loans and performs commercial banking functions and which is not a bank meant for co-operative agriculture, industries or for such specific purpose.”

2.2.3 A Brief Introduction of Joint Venture Banks

“A joint venture is the joining of forces between two or more enterprise for the purpose of carrying out specific operations (industrial or commercial investment, production and trade).” (*Gupta,D.P., The Banking Sytem and it's role in export development, International Trade Center UNCTAD\GATT, Geneva,1984*)

“The joint venture banks are in a better position than local commercial banks in profit making. In an average, no fright banks have suffered loss till now, but local banks owned negative profits.” (*Pradhan ,K,Nepal Ma Banjaya Banking Upalabdhi Tatha Chunnauti, Kathmandu,1991*)

A joint venture is an association of two or more persons or partner having exceptional advantage in specific operations is under taken to make the operations highly remunerative with their collective efforts. The established commercial banks were not only providing poor service and facilities to their customers but also lack of proper investment policies in different sectors and unnecessary rules and regulation harassed the customer. As a result in fiscal year 2039/40 new banking policy introduced for the establishment of new banks by the joint investment of foreign nations, which gave a new horizon to the Nepalese banking sectors. Result of which, several joint venture banks involved in the last decade. These joint venture banks were established to invite foreign investment and modern technology to provide financial services to the target market. In this short span of time these joint venture banks have merge to perform in a

significant way by going their position as a leading banks. Its objectives were to create healthy competitive banking system and sound banking system and to provide sound banking facilities to the people. They have been able to perform satisfactory through service excellence and customer satisfaction and they can earn stable consistent return to their share holders considering the two private banks which had opened as joint venture banks but converted into privates. The main objective of joint venture bank is to mobilize ideal resources for productive use after collecting them from different sources. Its role in economic development is so immense it brings about greater mobility of resources to meet the emerging necessity of the economy. The essence of joint venture bank is the financial intermediate between the ultimate savers and borrowers. In other words, we can say that the main aim of banks is to act as middle man between the surplus and deficit units in the shareholders. There are altogether six joint venture banks named as:

- a. Nabil Bank Ltd.
- b. Himalayan Bank Ltd.
- c. Everest Bank Ltd.
- d. Nepal Bangladesh Bank Ltd.
- e. Nepal SBI Bank Ltd.
- f. Standard Chartered Bank Ltd.

“In Nepal, to encourage joint venture in banking sector three major reforms were carried out in 1980 AD. The reforms include allowing the foreign banks to operate as joint venture, lifting of control on interest rate and introduction of the auctioning of government securities. The government policy of allowing foreign JVB to operate in Nepal is basically targeted to encourage local traditionally run commercial banks to enhance their banking capacity through competition, efficiency, modernization mechanization, computerization and prompt customer services.”

Joint venture banks are registered in Nepal under the Company Act 2071 BS. and operated under the Commercial Bank Act 2031. They have joint venture between Nepalese investors and their parent banks .The domestic portion of investment has been shared by financial and non- financial institutions as well as private investors.

All the Nepalese joint venture banks established and operated under the rules, regulation and guidance of Nepal Rastra Bank.

Table 1: *List of Joint Venture Banks under Study*

Joint Venture Banks	Operation Date(A.D)	Head Office	Telephone No.	Fax No.
Nabil Bank Ltd.	1984/07/16	Kantipath, Kathmandu	4429546	4429548
Standard Chartered Bank Ltd	1987/01/30	Naya Baneshwar, Kathmandu	4781469	4780762
Himalayan Bank Ltd.	1993/01/18	Thamel, Kathmandu		
Nepal Bangladesh Bank Ltd.	1993/06/05	Naya Baneshwar, Kathmandu	4738972, 4783975	4780106, 4490824
Nepal SBI Bank Ltd.	1993/07/07	Hattisar, Kathmandu	4435516	4435612
Everest Bank Ltd..	1994/10/18	Lazimpat, Kathmandu	4443377	4443160

Source: www.nrb.org.np.

2.2.4 Principles of Good Investment policy

Needless to say, investment is the major income generating activity of any joint venture bank and it is also one of the main functionalities of the joint venture banks. Even though, joint venture banks just goes on giving out loan to just anyone and any institution. Income generating it is but if loans are not distributed properly and cautiously then it may be the main cause of the failure of the banks. In case loans were advanced carelessly and the borrowers fail to pay out their debts, banks and these like of bad loans interrupt the flow. Thus, it should be well analyzed before hand to give out any loans. Below given are the factors where upon any prospect loan should be analyzed.

The joint venture bank should insure that the money lent by them goes to the right type of borrower and is utilized in such a way that it will not only be safe at the time of lending but will remain so throughout, and after serving a useful purpose in the trade of industry where it is employed, is repaid with interest.

Besides safety factor it is also necessary that the money lent out must be repaid in accordance with agreed terms of repayment. In order to achieve this borrower must have reliable sources of sufficient income.

Joint venture banks should generate sufficient income to cover the expenses. Such expenses are interest expenses on deposits, staff expenses, office operating expenses, provision for depreciation on their fixed assets, provision of bad or doubtful debts, to pay bonus for staff, income tax to government and of course ,dividend to its shareholders and plough back return to expand its business volume. Considering these costs, joint venture should decide upon lending rates.

The purpose of lending should be productive so that money not only remains safe but also provides a definite source of repayment.

The primary objective of joint venture bank is not to lend against security. It should lend on the basis of character, capacity and capital of the borrowers. However, security is considered as insurance or a cushion to ball upon in case of failure to repay the loan and interest dues.

Diversification of lending is another important principle of good lending. An element of risk is always present in every advance however secure it might appear to be.

Thus, company should diversify ties lending program in various sectors of economy, business and industry and geographical areas.

Mobilization of funds collected from deposits is very important. Inability of doing so is a total loss to the banks. Giving out loans and advances is one of the main and very crucial segments, where the collected funds are invested. Being more practical, the position and status of joint venture are read via Loans and Advances it has mobilized. The more crucial part is the recovery of such invested funds.

The money mobilized in Loans and Advances is borrowed from public via deposits, which are liability of the company. Besides, interest from Loans and Advances is one of the main sources of income of joint venture banks. If the failure of the bank is not able to recover its Loans and Advances, it's a failure of the bank. Thus, joint venture banks pay special attention in the recovery part.

The joint venture bank should regularly watch the repayment of each and every loan it has mobilized. It should be best tried that none of the borrowers miss their single scheduled repayment.

In case the borrowers, defying the company's schedules, do not pay due installment, the bank can use the least weapons of recovering its investment via liquidity of the security against which, the loan was mobilized. Thus, bank should collect quality security while giving out Loans and Advances to be in safe side The bank must not supply loans without taking any collateral or other necessary securities and guarantees acceptable to it.

2.2.5 Review of Relevant Studies

Reviews of different relevant section are made in the chapter. For this study, previous thesis report subject matter, related books and published articles were made. Some of the relevant studies and other literature to the topic have been reviewed below.

M. Radhaswami and S.V. Vasudevan in his book "A Textbook of Banking" (Law Practice and Theory of Banking) has deserve various aspects of leading. He has outline principle of leading, what constitutes good advance? And a credit appraisal. Banks follows a cautious policy in the matter of leasing and is generally governed by the well know general principle of sound leading of below:

a) Safety

The man business of banking consists of borrowing various type of depot such as current, saving and fixed and discount of bills. The softy of such found should be ensured. If the bankers have to ensure safe leading then the three Cs the browner namely are character, capacity and capital. Character of the borrower is important because that determines his willingness to repay the loan and his capital and capacity to run the loan depends on both his capacity to repay and willingness to repay.

b) Liquidity

As the bankers deposits are subject to the large obligation of begin repayable on demand at short notice, he must ensure liquidity also while loading , so in times in

need , he will be able to convert the assets into cash quickly and can sold it without any lost .

c) Profitability

Commercial banks have obtained funds from shareholder and naturally if divided is to paid on such share earning profits can only pay it. However, the banker will not give undue importance to his accepts because a particular customer may offer a higher rate of interest but and advance made to him result in a bad debt. Therefore, for the sake of profitability, the other two principles, liquidity and safety cannot be scarified.

d) The Purpose of Loan

Banker should enquire the purpose for which the loans are taken if advance given for productive purpose, in all profitability, it will be repaid. Thus, safety is ensured. If an advance is made for speculative purpose, the banker may come to grief.

e) Diversification of Loans

The popular saying is “Do not all the eggs in the same basket.” Banker should try to diversify loans as far as possible, so that he may minimize the risk in lending. If the banker lends only industry or only too few big firms or concentrates in a certain geographical area, the risk is greater. He should diversify lending, so that the failure of one industry or the few big borrowers may not affect him. Where lending is done only in one area, it may be affected by political upheaval or natural calamities.

2.3 REVIEW OF PREVIOUS STUDIES

2.3.1 REVIEW OF BOOKS

“Financial investment is a form of this general or extended sense of the term. It means an exchange of financial claims, stick and bonds (collectively termed securities), real state mortgages etc. The term financial investment is often used by investor to differentiate between the pseudo-investment concept of the real investment of the businessman. Semantics aside, there is still a difference between an investment in a ticket on a horse and the construction of the new plant: between the pawning of a field of corn. Some investments are simple transactions among people, other involve

nature. The later are “real” investment, The former is “financial” investment, We now turn to a closer examination of finance and investment decisions themselves (Bhalla,1983:2).

The term investing can cover a wide range of activities. It often refers to investing money in certificates of deposits, bonds, common stock or mutual funds. More knowledgeable investors will include other financial assets such as warrants, puts and calls future contracts and convertible securities. Investing encompasses very conservative position and aggressive speculation (Jones, 1988:5).

“Investment in its broadest sense, means the sacrifice of certain present value (possible uncertain) future value” (Sharpe and Gordon, 1998:2).

“A banker seeks optimum combination of earning, liquidity and safety, while formulating investment policy” (Chandler, 1973:5).

“An investment may be defined as the current commitment of funds for a period of time to derive a future flows of funds that will compensate the investing unit for the time the funds are committed, for the expected rate of inflation and also for the uncertainty involved in the future flow of the funds (Reilly,edition:4).

Investment policy fixes responsibilities for the investment deposition of the bank assets in terms of allocation funds for investment and loan establishing responsibility for day-to-day management of those assets (Baxley, 1987:6).

2.3.2 REVIEW OF ARTICLE AND JOURNELS

F. Morris, in his discussion paper on “Latin American Banking System in the 1980’s” has concluded that most of the bank concentrated on compliance with central bank rules on reserve requirement credit allocation (investment decision) and interest rates. While analyzing loan portfolio quality, operating efficiency and soundness of bank investment management on financial institutions has involved inadequate and over optimistic loan appraisal high risk diversification of loan portfolio and investment high risk concentration related parties lending etc are major cause of investment and loan that has gone bad (Morris, 1990;pp81)

Sharma (1998), In article, joint venture banks in Nepal: Co-existing or growing out, would be definite unwise for Nepal not to let the CBS operate on the company I the country and not to late advantage of them as additional means if resources mobilization as well as harbinger of new era in banking. But it will certainly be unfortunate for the country to develop CBS and the cost of domestic banks. So far one should admit frankly no different treatment has been extended to the domestic and CBS at least from the government side, which is commendable. If his Majesty's Government keeps on the stance of treating the domestic and CBS equally deposit lather bargaining strengths and if this poor country, both type of banks will coalesce and co-exist complementing each other and contributing to the nation's accelerated development on the country, if the CBS use their strength against trading into the number, some path of development along with domestic banks and the government these will eventually grow out the domestic bank from the never profitable urban areas and lucrative urban sectors, unless remedying by the determination of the government.

THAPA (1994) has expressed his view that the commercial banks including foreign joint venture banks seem to be doing pretty well in mobilizing deposits. Likewise, loans and advances of these banks are also increasing. But compared to the high credit needs particularly by the newly emerging industries, the banks still seem to lack adequate funds. The banks increasing there's lending to non-traditional sectors along with the traditional sectors.

On the other hand the foreign venture banks have been functioning in an extremely efficient way. They are making huge profit year after year and have been distributing large amount of loans and dividends to its employees and shareholders, Because of their effective persuasion for loans recovery, overdue and defaulting loans have been limited resulting in high margins between interest income and interest expenses. Similarly, concentration of these banks to modern off-balance sheet activities and efficient personnel management has added to the maximization of their profits.

Bajracharya (1991) has mentioned in his articles, "**Monetary Policy and Deposit Mobilization in Nepal**" has concluded that the mobilization of domestic saving is one of the monetary policies in Nepal. For this purpose commercial banks stood as the vital and active financial intermediary for generating resources in the from of deposit

of the private sector so far providing credit to the investors in different aspect of the economy.

2.4 REVIEW OF THESIS

Thapa (2007) in his thesis paper, “Investment Policy of the Joint Venture Banks in Nepal” had analyzed between investment policy and different variables like deposits, commission and discount, net profit, interest on loan and investment. He applied correlation, ratio analysis, t-test, and standard deviations.

He concluded that there is significant relationship between deposit and loan and advances as well as outside assets and net profit but not deposits and total investment on case of NABIL and other joint venture banks. Most of the joint venture banks have focused their banking services especially to big clients such as to purchase shares and debentures of other financial and non-financial companies.

Bhattarai (2008) in his thesis paper “Liquidity and Investment Position of Joint Venture Bank in Nepal” had made an attempt to evaluate liquidity and investment of joint venture Banks special reference to Everest Bank limited and NABIL’s, Growth rate of investment is higher in EBL than NABIL. He further found the banks do not have constant and consistent liquidity and investment policy. There is no standard and uniform rate or ratio for maintaining liquid assets by the commercial banks.

Shrestha (2011) regarding the investment practices if joint venture banks in Nepal with special reference to Nabil Bank Limited, Standard Chartered Bank Nepal limited and Nepal SBI Bank limited has figured out the problem conclusion as follows.

“Commercial Banks are more emphasized to be making loans on short term basis against movable merchandise. Commercial Banks have a lots of deposit but very little investment opportunity, they are even discouraging people by offering very low interest rate and minimum threshold balances”.

He has concluded that the liquidity position of Nabil and SCBNL have found satisfactory, it is therefore, suggested them to improve cash and bank balance to meet current obligations. It is suggested to enhance off balance sheet transactions, diversifying their investments, own new branches, play merchant banking role and

invest their risky assets and shareholders fund to gain higher risky assets and shareholder fund to gain higher profit margin.

This above study shows that Mr. Shrestha has concluded some conflicting statements, which are obviously not matching with his statement of problem.

Lila Prasad Ojha in his thesis, "Investment Practices" study on Nabil Bank Limited, Standard Chartered and Himalayan Bank Limited" has found out that the measurement of lending strength in relative term has revealed that the total liability to total assets of Nabil has the highest ratio. However, the performance of other two banks has not deviated far from the mean ratio of Nabil and the combined average. Nabil tendency to invest in government securities have resulted with the lowest ratio loans and advances to total assets ratio. The steady and high volume of loans and advances throughout the year. The ratio of loans and advances and investment to deposits ratio has measured the portion of total deposits that is used to increase the income of the banks irrespective of the portfolios of its application. Nabil has deployed the highest proportion of its total deposits in earning activities and this ratio is significantly above the ratio of other two banks. The combined ration is highly deviated from the mean ratio of Nabil and Himalayan. This is the indicative of that in fund mobilizing activities Nabil is significantly better than Himalayan.

Similarly the absolute measures of lending strength have revealed that the mean volume of net assets and deposit is highest in SCBL with moderate variation. The volume of net assets of HBL is the least due to the low share capital, reserves and surplus in its capital mix. But the volume contributed by HBL in case of loans and advances is highly appreciable as compared to its net assets. The volume of loans and advances contributed by Nabil is the greatest in the study period. Nabil has the best contribution in productive as well as industrial sector of economy.

He has further concluded that the overall liquidity strength of Nabil can be considered the best among the banks. However the liquidity risk arising from interest rate in Nabil is the most likely. Since the market is highly sensitive towards the interest rate and Nabil has generally been offering low interest rate as compare to other banks. The analysis of lending strength of HBL in loans and advances is the best. However loans and advances, investments to deposits ratio have upgraded the performance of Nabil.

If HBL succeeded in collecting the less cheaper sources of fund in future, the lending strength of HBL would push the performance of Nabil and SCBL far behind in the coming future. Also the contribution made by HBL in the productive sector of economy is highly appreciable and the best among these three commercial banks.

He has used different statistical tools like standard deviation, correlation, trend analysis and financial tools for the data analysis and presentation. Only secondary data has been used for the study, the overview of the theoretical aspect of the lending practice of the banks has not been analyzed. He has taken five years data from 1997 to 2004 for study of lending practices of NBL, SCBL and HBL.

Kishor Poudel, in his thesis paper “Liquidity and investment position of Joint Venture Commercial Banks in Nepal” has made an attempt to evaluate liquidity and investment of joint venture banks special reference to Everest Bank Ltd and Nabil Bank Ltd. He has concluded that liquidity position of EBL is better than that of Nabil's. Growth rate of investment is higher in EBL than Nabil. He further found that the banks do not have constant liquidity and investment policy. There is no standard and uniform rate or ratio for maintaining liquid assets by the commercial banks. He has recommended exploring such investment and to increase its investment on shares and debenture and the bank should have laid down policy for timely review of portfolio and to maintain risk and return.(Poudel,2002)

2.4 Research Gap

Research gap is the difference between previous work done and the present work. Earlier works conducted by the previous researchers are very useful and appreciated by personnel in various related fields. Although there is a long gap in the continuation of the same topic, that help us to know the very recent situation.

My aim in this thesis is centralized to highlight the investment policy of joint venture banks. I have presented up-to-date data as far as possible to make good comparisons among three joint venture banks i.e NBL, EBL and SBI. But mostly previous researchers have given detail information about three banks and title of my thesis itself is more significant and specific.

CHAPTER –THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter relates to the overall approach to the research process. Research Methodology is the way to solve the research problem in a systematic manner. It describes the methods and process followed in the entire research process. Hence this chapter deals with the method and process applied for this research study. This study covers quantitative methodology in a greater extent and also uses descriptive methods based on both technical and logical aspects. On the basis of historical data, different financial and statistical tools are used for the analysis of different variables. Component of research methodology are described as follows.

3.2 Research Design

Research design is an over plan or framework for the collection and analysis of data. In other words, research design is a logical and systematic plan prepared for directing a research study. To achieve the objective of the study, descriptive and analytical research design has been used. Some financial and statistical tools have been adopted to evaluate the investment policy of Joint venture banks. This research work is done on recent available historical data from various sources covering a period of 5 years, i.e. from 2011/2012 to 2015/2016.

3.3 Nature and source of Data

Generally this study is based on secondary data with negligible information and data collected from primary sources. The data required for the analysis are directly obtained from the balance sheet and P/L account of concerned banks annual reports. Supplementary data and information are collected from number of institution and regulating authorities like NRB, SEBON, NEPSE, ministry of Finance and budget speech of different fiscal years and economic survey.

All the secondary data are compiled and tabulated in the time series as per the need and objective of the study, Like wise various data and information are collected from

the economic journals, periodical, magazine, books, document, published and unpublished reports and from various sources.

3.4 Population and Sample

The large group about which the generalization is made is called population and small portion on which the study is made is called the sample of the study. So, in this study all six Joint Venture Banks is population and Everest Bank Ltd, Nabil Bank Ltd, SBI Bank Ltd. is sample.

This study on Investment Practices of Everest Bank, Nabil Bank and SBI Bank are bases on the Financial statement of the concerned bank from fiscal year 2011/2012 to 2015/2016 A.D. In this study the mentioned five-year period are taken as sample period.

3.5 Data Collection

Almost secondary data has been taken in this study. The data needed are collected from Balance Sheet, Profit & Loss Account, other related books of account of the concerned bank, stock exchange board and Nepal Rastra Bank.

3.6 Method of Data Analysis

The collected data has been analyzed by using various Financial and Statistical tools to make the analysis more effective, convenience, reliable and authentic. The analysis of data will be done according to the pattern of data available because of limited time and resources. Simple analytical statistical tools such as percentage, Karl person's coefficient of correlation, regression, the method of least square and test of hypothesis are used in this study.

The various tools applied in this study have been briefly presented as under.

3.6.1 Financial Tools

Financial tools are used to examine the financial strength and weaknesses of bank in this study.

Ratio Analysis

Ratio analysis is the relationship between two accounting figure expressed mathematically. It is computed by dividing one item of relationship with the other. Management itself can use their parameters to improve the organization performance. The knowledge regarding strength and weakness is necessary for exploiting maximum benefits and to repair the weaknesses to meet the challenges. The financial ratio, shih are calculated and analyzed in this study, are as follow.

A) Liquidity Ratios

Ratios that show the relationship of a firm's cash and other current assets to its current liabilities are known as liquidity ratios. Liquidity ratios help to test the short term position of company. Solvency position or liquidity denotes the ability for payment of short term liabilities. The following ratios are evaluated under the liquidity ratio:

a) Current Ratio

Current ratio is the ratio between current assets and current liabilities. Current ratio is calculated to measure the ability of the firm to meet obligations due within one year. It shows the banks short term solvency. This ratio is calculated by dividing current assets by current liabilities.

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

Higher the current ratio better is the liquidity position. The widely accepted standard of current ratio is 2:1 but accurate standard depends on circumstances in case of seasonal business ratio.

b) Cash and Bank Balance to Total Deposit Ratio:

Cash and Bank balances are the most liquid assets. This ratio measures the percentage of most liquid of fund with the bank to make immediate payment to the depositor. This ratio is calculated by dividing cash and bank balance by total deposit which can be presented as,

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

Hence, cash and bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balances with domestic banks and balance held in foreign banks. The total deposit encompasses current deposits, saving deposit, fixed deposits, money at call and short notice and other deposits.

c) Cash and Bank Balance to Current Asset Ratio

This ratio measures the proportion of most liquid assets i.e. cash and balance among the total current assets of bank. Higher ratio shows the bank ability to meet demand for cash. This ratio is calculated as;

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

d) Loans and Advances to Current Asset Ratio

Loans and advances are the current assets which generates income for the particular firms. Loans and advances to current asset ratio show the percentage of loans and advances in the total current assets. This ratio can be computed by dividing loans and advances by current assets which can be;

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

The numerator consists of loans, advances, cash credit, local and foreign bills purchased and discounted.

B) Asset Management Ratios

A set of ratios that measure how effectively a firm is managing its assets are known as assets management ratios. This ratios help to test how the assets are effectively managed. These ratios are also known as activity ratios or effectively ratios or turnover ratios or performance ratios because they indicate the speed with which assets are being converted turnover into sales. Assets management ratios are used to test how for the company is using its investment in different assets productivity.

The following ratios are used under this asset management ratio.

a) Loan and Advances to Total Deposit Ratio

This ratio is calculated to find out how efficiently the firms are using their total deposits on loans and advances for profit generating purpose. Greater the ratio implies better utilization of total deposits. This ratio is computed as;

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

b) Total Investment to Total Deposit Ratio

Investment is one of the major credit created task to earn income of the particular firms. This implies the utilization of firm's deposit on investment in government securities and shares, debentures of other companies and banks. This ratio can be calculated by dividing total investment by deposit which can be;

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

The numerator consists of investment on government securities, investment on debenture and bonds, shares in subsidiary companies, shares in other companies and other investment.

c) Loan and Advances to Total Working Fund Ratio

Loans and Advances is the major components in the total working fund which indicates the ability of bank to channelize its deposits in the form of loans and advances to earn high return. This ratio can be computed as;

$$\text{Loan and Advances to Total Working Fund Ratio} = \frac{\text{Loan \& Advances}}{\text{Total Working Fund}}$$

Here, the total working fund includes all assets as on balance sheet items. In other words, this includes current assets, loans for development banks and other miscellaneous assets but excludes off balances sheet items like letter of credit, letter of guarantee etc.

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

This ratio shows the banks investment in shares and debentures of subsidiary and other companies. This ratio can be computed as;

$$\text{ISDTWF Ratio} = \frac{\text{Investment on Shares \& Debentures}}{\text{Total Working Fund}}$$

Where, ISDTWF = Investment on Shares and Debentures to Total Working Fund

C) Profitability Ratios

Profit is the difference between revenues and expenses over a period of time. A company should earn profit to survive and grow over a long period of time, and it will have no future if it fails to make sufficient profits. Therefore, the financial manager should continuously evaluate the efficiency of its company in terms of profits. The profitability ratios are calculated to measure the operating efficiency of a company. It is the indicator of a company. It is the indicator of the financial performance of any institution. This implies that higher the profitability ratio, better the financial performance of the bank and vice versa.

Profitability position can be evaluated through following different ways:

a) Return on Total Working Fund Ratio

This ratio measures the overall profitability of all working funds i.e. total assets. A firm has to earn satisfactory return on assets or working fund for its survival. This can be expressed as;

$$\text{Return on Total Working Fund Ratio} = \frac{\text{Net Profit}}{\text{Total Working Fund}}$$

b) Return on Loan and Advances Ratio

This ratio indicates how efficiently the bank has employed its resources in the form of loan and advances. This ratio is computed by dividing net profit by loan and advances. This can be expressed as,

$$\text{Return on Loan and Advances Ratio} = \frac{\text{Net Profit}}{\text{Loan and Advances}}$$

c) Total Interest paid to Total Working Fund Ratio

This ratio is calculated to find out the percentage of interest paid on liabilities with respect to total working fund. This ratio is calculated by dividing total interest paid by total working fund. This can be expressed as,

$$\text{Total Interest Paid to Total Working Fund Ratio} = \frac{\text{Total Interest Paid}}{\text{Total Working fund}}$$

d) Total Interest Earned to Total Working Fund Ratio

This ratio measures the interest earning capacity of the bank through the efficient utilization of outside assets. Higher ratio implies efficient use of outside assets to earn interest. This ratio is calculated by dividing total interest earned by total outside assets and can be expressed as;

$$\text{Total Interest Earned to Total Working Fund Ratio} = \frac{\text{Total Interest Earned}}{\text{Total Working Fund}}$$

D) Risk Ratios

Risk taking is the prime business of bank's investment management. It increases effectiveness and profitability of the bank. These ratios indicate the amount of risk associated with the various banking operations, which ultimately influences the banks investment policy. The following ratios are evaluated under this topic:

a) Credit Risk Ratio

Credit risk ratio measure the possibility that loan will not be repaid or that investment will deteriorate in quality or go into default with consequent loss to the bank. By definition, credit risk ratio is expressed as the percentage of non- advances by total assets derive this ratio which can be express as;

$$\text{Credit Risk Ratio} = \frac{\text{Total Loan \& Advances}}{\text{Total Assets}}$$

b) Liquidity Risk Ratio

The liquidity risk ratio measures the level of risk associated with the liquid assets i.e. cash, bank balance that are kept in the bank for the purpose of satisfying the depositor's demand for cash. Higher the ratio, lower is the liquid risk. Dividing cash and bank balance calculate this ratio by total deposits.

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

E) Growth Ratios

Growth ratios measure how well the firm is maintaining its economic position in its industry. It is directly related to the fund mobilization and investment management of a bank. To examine and analyze the expansion and growth of the bank's business, following growth ratios are calculated in this study:

- Growth ratio of total deposits
- Growth ratio of loan and advances
- Growth ratio of total investments
- Growth ratio of net profit

3.6.2 Statistical Tools

To achieve the objective of this study, some statistical tools are used such as simple mean, standard deviation, coefficient of correlation between different variables, trend analysis which are as follows:

Mean

A mean is the average value or the sum of all the observations divided by the number of observations.

b) Standard Deviation

The Standard deviation measures the absolute dispersion. It is said that higher the value of standard deviation the higher the variability and vice versa. A small standard deviation means a high degree of uniformity of the observation as well as homogeneous of a series. A large standard deviation means the opposite. In this study, the standard deviations of different ratio are calculated. Karl Pearson introduced the concept of standard deviation.

C) Co-efficient of Correlation Analysis

This analysis identifies and interprets the relationship between the two or more variables. In the case of highly correlation variables, the effect on one variable may have effect on other correlated variable.

Under, this topic, Karl Pearson's Co-efficient of correlation has been used to find out the relationship between the following variables:

- a) Co-efficient of correlation between deposit and loan and advances
- b) Co-efficient of correlation between deposit and total investment
- c) Co-efficient of correlation between outside assets and net profit.

This tools analyze the relationship between these variables and help the bank to make appropriate policy regarding deposit collection, fund utilization and maximization profit.

CHAPTER –FOUR

DATA PRESENTATION AND ANALYSIS

This chapter is the backbone of the research. In this chapter, the secondary data are presented in systematic manner. This chapter deals with the presentation and analysis of data collected from various sources by using various financial as well as statistical tools. This chapter mainly includes two parts namely: data presentation and data analysis. The first part includes the presentation of secondary data collected from the concerned banks. Similarly the second part includes major findings of the study after the presenting related secondary data. The data are presented in tables and figures as per requirement. The various ratio analysis tools applied in this study are presented below.

4.1 Financial Analysis

We have tried to analyzed and evaluate those major financial items, which are mainly related to the investment management and fund mobilization of NABIL, SBI and EVEREST bank. The important financial ratios, which are to be calculated for this study, are as follows:

4.1.1 Asset Management Ratio

Asset management ratio measures the efficiency of the bank to manage its asset in profitable and satisfactory sector. This indicated the ability if the bank to utilize their available resources. Following ratio are discussed under this topic.

a) Loan and advances to Total Deposit Ratio

It shows the relationship between loan and advances to total deposit. This ratio measures the extent to which the banks are successful to mobilize their total deposit on loan and advances. where, loan and advances include loans, advances, cash credit, local and foreign bill purchased and discount. Total Deposit include saving, fixed current call at short deposit and others.

We have,

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

Table 4.1
Loan and Advances to Total Deposit Ratio (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	77.90	49.61	72.22
2012/2013	74.90	49.37	76.57
2013/2014	86.48	65.53	58.00
2014/2015	64.43	78.39	66.62
2015/2016	70.49	72.90	73.51
Total	374.2	315.8	347.92
Mean	74.84	63.16	69.58
S.D	7.377	11.89	6.64
C.V	9.85	18.81	9.54

Source: Appendix I '1'

Table no. 5 shows the total mean, standard-deviation and coefficient of variation of loan and advances to total deposit ratio of these three banks. The ratio of Nabil and Everest have in fluctuating trend where as SBI is in increasing trend. Nabil has maintained higher loan and advances to total deposit i.e. 86.48% in a year 2013/14, likewise SBI has maintained higher ratio 78.39% in a year 2014/15 and Everest is 76.57% in 2012/13. The mean value of Nabil i.e. 74.84 is higher than SBI 63.16 Everest 69.58. The CV of Nabil as lower than that of the other banks which indicate that loan and advances of it is stable and consistent.

Lastly it can be concluded that Nabil is in better position or in netter position regarding the mobilization of total deposits on loan and advances and acquiring higher profit in comparison with other banks. But higher ratio is no better from the point of view of liquidity as the loan and advances are not as liquid as cash and bank balance. On the other hand, Nabil has average which indicates that loan and advances of Nabil is stable and consistent than that of other bank.

b) Total Investment to Total Deposit Ratio

A bank mobilizes its deposits by investing its fund in different securities issued by government or other financial or non-financial companies. This ratio measures the extent to which the banks are able to mobilize their deposit on investment in various securities. Where total investment includes investment on government securities, investment on debenture and bonds, shares in subsidiary company and other investment.

We have,

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

Table 4.2
Total Investment to Total Deposit Ratio (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	25.58	45.86	15.72
2012/2013	25.70	43.81	16.05
2013/2014	24.24	32.25	10.47
2014/2015	29.71	18.06	18.17
2015/2016	32.73	29.58	19.41
Total	137.96	169.96	79.82
Mean	27.59	33.91	15.96
S.D	3.15	10.13	3.06
C.V	11.43	29.88	19.20

(Source: Appendix I '2')

From the table 4.6, it is found that, total investment to total deposit ratio all three banks are in fluctuating trend during period 2011/12 to 2015/16. The total investment to total deposit ratio of Nabil has highest ratio of Nabil has highest ratio of 32.73% in FY 2015/16 and lowest ratio in 24.24% in FY 2013/14. Similarly SBI has highest and lowest ratio of 45.86% and 18.06% in FY 2011/12 and 2014/15. Everest has highest and lowest ratio of 19.41% and 10.47% in FY 2015/16 and 2013/14.

In comparison with mean value, Nabil has lesser than SBI mean value and higher than Everest i.e. $27.59 < 33.91 > 15.96$. Likewise the value of coefficient of variation on Nabil is lower than that of both banks. After analysis it is clear that the investment policy of Nabil is in better position in comparisons to both banks. /the total investment to total deposits ratio of Nabil is more homogeneous because it has low coefficient of variation.

c) Loan and Advances to Total Working Fund Ratio

Bank must be careful in mobilizing its total assets as loan and advances in appropriate level to generate profit. This ratio reflects the extent to which the commercial and joint venture bank are success in mobilizing their assets on loan and advances for the purpose of income generating. A high ratio indicates better mobilization of as loan and advances and vice-versa. Where, total working fund consist current assets, net fixed assets, loan for development banks and other miscellaneous assets.

We have,

$$\text{Loan and Advances to Total Working Fund} = \frac{\text{Loan and Advances}}{\text{Total working Fund}}$$

Table 4.3
Loan and Advances to Total Working Fund (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	70.54	45.58	65.60
2012/2013	72.19	45.05	67.22
2013/2014	83.79	58.46	68.77
2014/2015	64.86	68.27	55.82
2015/2016	69.26	60.55	60.50
Total	360.64	277.91	317.91
Mean	72.13	55.58	63.58
S.D	6.32	8.99	4.77
C.V	8.76	16.19	7.50

(Source: Appendix I ‘3’)

The table no. 4.7 shows the loan and advances to working fund ratio of Nabil and Everest is in fluctuating trend. SBI is in increasing trend during the study period. Nabil has highest ratio 83.79% in the FY 2013/14, SBI and Everest has highest ratio i.e. 68.27% and 68.77% in FY 2014/15 and FY 2013/14.

The mean value of Nabil has maintained high loan and advances to total working fund ratio than that of SBI and Everest. This regards, Nabil is in better position among other banks. The coefficient of variation of Nabil is lower than SBI and higher than Everest i.e. $16.19% > 8.76% > 7.50$, which clear that loan and advances to total working fund ratio is less variable than other banks.

d) Investment on Share and Debenture to Total Working Fund

There are two type of investment i.e. investment on government investment on share and debentures. Investment on share and debentures to total working fund ratio reflects the extent on which the banks are successful to mobilize their total assets on purchase of share and debentures of other companies to generate income and utilize their excess fund. Where investment on shares and debentures includes investment on debentures, bonds and share of other companies.

We have,

Investment on Shares and Debenture to Total Working Fund

$$= \frac{\text{Investment on Shares and Debentures}}{\text{Total working Fund}}$$

Table 4.4

Investment on Shares and Debenture to Total Working Fund

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	0.64	0.05	0.19
2012/2013	0.65	0.04	0.04
2013/2014	0.62	0.04	0.09
2014/2015	0.48	0.07	0.06
2015/2016	0.46	0.18	0.07
Total	2.85	0.38	0.45
Mean	0.57	0.076	0.09
S.D	0.082	0.053	0.05
C.V	14.46	69.73	58.37

(Source: Appendix I '4')

Table no 4.8 shows the total mean, S.D and C.V. of investment on shares and debenture to total working fund of Nabil, SBI and Everest bank.

The above table shows that the investment on shares and denentures to total working fund ratio of all banks are fluctuating. Nabil bank has ranges 0.64% to 0.46% from FY 2011/12 to FY 2015/16. SBI bank has ranges 0.05% to 0.18% from FY 2011/12 to FY 2015/16 where as Everest bank ratio ranges .019% to 0.07% from FY 2011/12 to FY 2015/16.

The mean value of Nabil, SBI and Everest are 0.57, 0.076 and 0.09 respectively. And C.V. of Nabil, SBI and Everest are 14.46%, 69.73% and 58.37% respectively.

The above analysis shows that Nabil has invested its fund in share and debentures more than other bank. As the C.V. of Nabil bank is less than other banks, we can say that Nabil's investment in shares and debentures is more more consistence than other banks.

4.1.2 Liquidity ratio

This ratio measured the ability if the firm to meet its current obligations. A joint venture bank must maintain its satisfactory liquidity position to meet the credit need of the community, to meet demand for deposits, withdraws, pay maturity obligation in time and convert non-cash assets into cash to satisfy immediate needs without loss to bank and consequent impact in long run profit. In fact, it analyzes liquidity needs, which is helpful for the preparation of cash budget and fund flow statement.

The following ratios are evaluated and interpreted under liquidity ratio:

a) Current Ratio

It is the relationship of current assets and current liabilities. Current assets can be converted into cash with in short period of time normally not exceeding one year. Current liabilities are those obligation which are payable within short period. Current assets consist of cash and bank balance, money at call or short notice, loan and advances, investment in government securities and other interest receivable and other miscellaneous current assets. Current liabilities consist of deposits, loan and advances,

bills payable. Tax provision, staff bonus, dividend payable and miscellaneous current liabilities.

We have,

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

Table 4.5
Current Ratio (times)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	1.07	1.06	1.05
2012/2013	1.09	1.07	1.07
2013/2014	1.10	1.09	1.06
2014/2015	1.10	1.11	1.10
2015/2016	1.12	1.17	1.12
Total	5.48	5.125	5.40
Mean	1.096	1.025	1.080
S.D	0.016	0.401	0.026
C.V %	1.47	3.912	2.40

(Source: Appendix II '1')

The above table no. 1 shows that the current ratio of Nabil, SBI and Everest bank. Total mean standard deviation and coefficient of variation have also calculated. Although the current ratio of all three banks always remained at 1:1. In fact, the ratio of all three banks seems to be appropriate. The current ratio of all banks are in increasing trend. In general, the current ratio analysis of banks over the five years period indicates that it has been able to meet its short-term obligations and has satisfactory liquidity position.

The coefficient of variation between the current ratio of Nabil is 1.47%, that of SBI is 3.91% and Everest is 2.40%. It shows that current ratio of Nabil is less consistent than SBI and Everest.

b) Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance are the most liquid assets. This ratio measures the ability of the bank to meet the anticipated cash and all types of deposits. Where, Cash and bank balance include cash on hand, foreign cash on hand, cheques and other cash items, balance with domestic and abroad banks whereas the total deposits include current deposits, money at call and short-term notice and other deposits.

We have,

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

Table 4.6

Cash and Bank Balance to Total Deposit Ratio (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	8.60	8.35	19.72
2012/2013	9.32	9.70	17.20
2013/2014	11.32	11.39	18.51
2014/2015	14.14	12.47	23.92
2015/2016	6.77	12.77	16.92
Total	50.15	54.68	95.44
Mean	10.03	10.94	19.09
S.D	2.517	1.68	2.24
C.V	25.10	15.38	11.71

(Source: Appendix II '2')

The table no. 2 shows the total mean, standard deviation and coefficient of variation of cash and bank balance to total deposit ratio of Nabil, SBI and Everest.

From the above table it reflects that Nabil and Everest has fluctuating trend where SBI has increasing trend. It has maintained highest ratio of 14.14% in FY 2014/15 and lowest ratio of 6.77% in FY 2015/16. Similarly SBI has highest ratio of 12.77% in FY 2015/16 and lowest ratio of 8.35% of FY 2011/12. Whereas Everest maintained highest ratio of 23.92% in FY year 2014/15 and lowest ratio of 16.92% in FY 2015/16. The mean standard deviation and coefficient of variation of cash and bank balance to total

deposit of all banks are better. The mean of Nabil is less in compared to SBI and Everest. It indicates that Nabil is maintaining appropriate CRR ratio.

C) Cash and Bank Balance to Current Asset Ratio

This ratio shows the Bank’s liquidity capacity on the basis of cash and bank balance that is the most liquidity asset. So, this ratio visualizes higher liquidity position than current ratio. Where, cash and bank bank balance represent total of local currency, foreign currency, various bank balance in local as well as foreign banks where as current asset consist of cash and bank balance, money at call, short-term notice, loan and advance, investment securities and other interest receivable and other miscellaneous current assets.

We have,

$$\text{Cash and Bank Balance to Current Asset Ratio} = \frac{\text{cash and Bank Balance}}{\text{Current Asset}}$$

Table 4.7

Cash and Bank Balance to Current Assets Ratio (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	7.90	7.77	14.44
2012/2013	8.34	8.94	12.54
2013/2014	10.09	10.27	13.12
2014/2015	12.97	10.97	17.30
2015/2016	6.01	10.69	13.82
Total	45.31	48.64	71.22
Mean	9.062	9.728	14.21
S.D	2.345	1.201	1.657
C.V	25.88	12.34	11.63

(Source: Appendix II '3')

The above table shows that the cash and bank balance to current assets ratio of Nabil bank is fluctuating trend. It has ranged from 7.90 (in FY2011/12) to 12.97 (in FY 2014/15). SBI has increasing trend. It has ranged from 7.77 (in FY 2011/12) to 10.69 (in FY 2015/16). Everest bank has fluctuating trend. It has ranged from 14.44 (in FY

2011/12) to 13.82 (in FY 2015/16). From the above analysis we conclude that liquidity position (only cash and bank balance) of Nabil bank is less than SBI and Everest. The table reveals that Nabil has utilized its funds more effectively.

d) Loan and Advances to Current Assets Ratio

To make an appropriate profit, a bank should not keep its all collected fund as cash and bank balance but they should be invested as loan and advanced to the customers. In the present study, loan and advances represent local and foreign bill s discounted and purchased loans, cash credit and overdraft in local currency as well as inconvertible foreign currency.

We have,

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

Table 4.8

Loan and Advances to Current Assets Ratio (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	71.60	46.14	53.64
2012/2013	67.02	45.51	55.84
2013/2014	77.20	59.05	55.30
2014/2015	59.11	69.00	49.91
2015/2016	62.64	61.04	60.01
Total	337.49	280.74	274.7
Mean	67.498	56.148	54.94
S.D	6.381	9.065	3.275
C.V	9.45	16.14	5.96

(Source: Appendix II ‘4’)

The table shows the percentage of loan and advances ratio to current assets ratio position of Nabil, SBI and Everest. The loan and advances to current assets ratio of all banks are in fluctuating trend. The mean ratio of Nabil is slightly higher than SBI and Everest. It reflects that loan and advances to current asset ratios of the Nabil has maintained a highest ratio of 77% in FY 2013/14. Similarly SBI and Everest have 69% and 60% in FY 2014/15 and FY 2015/16 respectively.

The coefficient of variation among ratio is average in case of Nabil, which indicates uniformity of Nabil in comparison to other banks. So it can conclude that it is better to mobilize its funds as loan and advances. On the other hand satisfactory than that of other banks from the view point of mean ratio.

4.1.3 Profitability Ratio

Profitability ratios are very help full to measure the overall efficiency of operation of financial institutions. Here, profitability ratios are calculated and evaluated in terms of the relationship between net profit and assets. Higher ratio shows the higher efficiency of the bank.

The following profitability ratios are taken into account under these headings.

a) Return on Loan and Advances Ratio

It measures the earning capacity of a bank on its deposits mobilized on loan and advances. Higher the ratio greater will be the return and vice-versa. Where, loan and advances includes loan cash credit, overdraft bills purchased and discounted. We have,

$$\text{Return on Loan and Advances Ratio} = \frac{\text{Net Profit}}{\text{Loan and advances}}$$

Table 4.9
Return on Loan and Advances Ratio (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	3.94	2.03	2.97
2012/2013	4.65	2.64	3.32
2013/2014	3.55	2.58	3.19
2014/2015	3.11	2.63	2.84
2015/2016	3.62	2.80	2.51
Total	18.87	12.68	14.83
Mean	3.77	2.54	2.96
S.D	0.51	0.26	0.28
C.V	13.57	10.34	9.54

(Source: Appendix III '1')

Table no. 4.9 shows that Nabil and Everest return and advances ratio has decreasing trend and SBI has increasing trend. Nabil has ratio of 3.94% in FY 2011/12 to 3.62% in FY 2015/16. SBI has ratio of 2.03% in FY 2011/12 to 2.80% in FY 2015/16 where as Everest has ratio of 2.97% in FY2011/12 to 2.51% in 2015/16.

Mean ratio of Nabil is greater than other two banks i.e. $3.77 > 2.54 > 2.96$ whereas, C.V. of Nabil is also high i.e. $13.57\% > 10.34\% > 9.54\%$. From the analysis, it is found that Nabil bank has maintained higher ratio than other bank, which indicate that it is successful to earn high return on its loan and advances. It indicate that investment policy of Nabil bank is more effective than other bank. Mare over, Nabil has consistency investment policy return than other bank.

b) Return on Total Working Fund

This ratio measures the profit earning capacity of the bank by utilizing its available resources i.e. total asset. Return will be higher if the banks working fund is well managed and if efficiency is utilized. Maximizing taxes within the legal options available will also improve the return. We have,

$$\text{Return on Total Working Fund} = \frac{\text{Net Profit}}{\text{Total Working Fund}}$$

Table 4.10
Return on Total Working Fund (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	2.78	0.92	1.95
2012/2013	3.36	1.19	2.23
2013/2014	2.98	1.51	2.19
2014/2015	2.02	1.79	1.58
2015/2016	2.51	1.69	1.51
Total	13.65	7.10	9.46
Mean	2.73	1.42	1.89
S.D	0.45	0.32	0.30
C.V	16.49	22.72	15.92

(Source: Appendix III '2')

Table no. 4.10 shows the total mean, S.D. and C.V. of return on total working fund ratio of Nabil, SBI and Everest bank. In the above table, return on total working fund ratio of Nabil has increasing trend from FY 2011/12 to FY 2014/15 i.e. 2.78 to 2.02 and has increase in FY 2015/2016 i.e. 2.51. The ratio of SBI has increasing trend from FY 2011/12 to FY 2.15/16 i.e. 0.92 to 1.69. where as Everest has fluctuating ratio from FY 2011/12 (1.95) to FY 2015/16 (1.51).

Mean ratio of Nabil is higher i.e. 2.73 than SBI i.e. 1.42 and Everest i.e. 1.89. From the mean analysis it is found that Nabil bank is successful to maintain the higher ratio in return to working fund. The C.V. of Nabil is lower than SBI and less higher than Everest which indicate that return on total working fund ratio of Nabil is stable and consistence. It also reveals that investment policy of Nabil bank is efficient and effortable.

c) Total Interest Earned to Total Working Fund Ratio

It reflects the extent to which the bands are successful in mobilizing their total assets to generate high income as interest. This ratio actually reveals the earning capacity of a bank by mobilizing its working fund. A high ratio is the indicator of high earning power of the bank on its working fund and vice-versa.

We have,

$$\text{Total Interest Earned to Total Working fund Ratio} = \frac{\text{Total Interest Earned}}{\text{Total Working Fund}}$$

Table 4.11

Total Interest earned to Total Working Fund Ratio (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	10.08	6.49	8.88
2012/2013	8.64	6.34	7.50
2013/2014	7.24	6.51	7.34
2014/2015	5.56	6.44	5.03
2015/2016	5.48	5.07	4.44
Total	37	30.85	33.19
Mean	7.4	6.17	6.64
S.D	1.77	0.307	2.74
C.V	24.00	4.97	41.12

(Source: Appendix III '3')

The above table 4.11 reveals the ratio of total interest earned to total working fund ratio of three banks. The ratio of three banks are in decreasing trend. The Nabil has maximum ratio in FY 2011/12 i.e. 10.08% and minimum in FY 2015/16 i.e.5.48%.The mean value of Nabil has higher mean value then other two banks. It has the mean value of 7.4 which is higher than SBI i.e. 6.17 and Everest i.e. 6.64. The coefficient of variation of Nabil is 24% which is more than SBI and less than Everest.

After analysis it can be concluded that total interest earned to total working fund of Nabil bank is satisfactory in compared to other bank.

d) Total Interest Paid to Total Working Fund

This ratio measure the percentage of total interest paid against the total working fund. A high ratio indicates the higher interest expenses on total working fund and vice-versa. Where, total interest paid includes total expenses on deposit liabilities, loan and advances and other deposits.

We have,

$$\text{Total Interest Paid to Total Working Fund} = \frac{\text{Total Interest Paid}}{\text{Total Working Fund}}$$

Table 4.12

Total Interest Paid to Total Working Fund Ratio (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	5.19	4.77	5.14
2012/2013	3.31	3.83	3.31
2013/2014	2.49	3.65	3.20
2014/2015	2.15	3.99	2.13
2015/2016	1.63	1.99	1.60
Total	14.77	18.23	15.38
Mean	2.95	3.64	3.08
S.D	1.544	0.911	1.21
C.V	52.33	25.04	39.51

(Source: Appendix III '4')

We have,

$$\text{Total Interest Paid to Total Working Fund} = \frac{\text{Total Interest Paid}}{\text{Total Working Fund}}$$

In the listed table 4.12, total interest paid to working fund ratio of the all banks are in decreasing trends during the study period. Nebil has variable trend from 5.19% to 1.63% in the FY 2011/12 to 2015/16. SBI and Everest have also variable trend from 4.77% to 1.99% and 5.14% to 1.60% respectively.

When these ratio are observed it is found that Nabil bank has the lowest ratio in comparison to SBI and Everest. The mean ratio of Nabil, SBI and Everest are 2.95, 3.64 and 3.08 respectively. It means that Nabil has paid lower interest than other bank. But the C.V of Nabil is higher than SBI and Everest ie 52.33% > 25.04% > 39.51%, which indicate that total interest paid to total working fund of Nabil is less consistence than other bank. We can say that Nabil bank is paying less interest against its working fund.

4.1.4 Risk Ratio

The possibility of risk makes banks investment a challenging task. Bank has to take risk to get return on investment. It increases effectiveness and profitability of the

bank. If a bank expects high return in its investment, it has to accept the risk and manage it efficiently.

Through following ratios, effort has been made to measure the level of risk.

a) Liquidity Risk Ratio

This liquidity ratio measures the level of risk associated with the liquid assets i.e. cash, bank balance, etc that are kept in the bank for the purpose of satisfying the depositor's demand for cash. Higher the ratio, lower the liquidity risks. We have,

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

Table 4.13
Liquidity Risk Ratio (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	8.60	8.35	19.72
2012/2013	9.32	9.70	17.20
2013/2014	11.32	11.40	18.51
2014/2015	14.14	12.47	23.09
2015/2016	6.77	12.77	16.92
Total	50.15	54.69	95.44
Mean	10.03	10.93	19.08
S.D	2.51	1.68	2.23
C.V	25.10	15.38	11.71

(Sources: Appendix IV '1')

The above table shows the percentage of liquidity risk of Nabil SBI and Everest bank. The liquidity ratio of three banks are in fluctuating trend. The mean ratio of Nabil is lower than that of SBI and Everest i.e. 10.03% <10.93% <19.08% which indicate that Nabil bank's liquidity risk lower than that of other two banks.

b) Credit Risk Ratio

Credit risk ratio measures the possibility that the loan will not be repaid or that investment will deteriorate in quality or go into default with consequent loss to the

bank, actually, credit risk ratio shows the proportion of non- performing assets in total loan and advances of the bank. We have,

$$\text{Credit Risk Ratio} = \frac{\text{Total Loan and Advances}}{\text{Total Assets}}$$

Table 4.14
Credit Risk Ratio (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	71.60	46.14	53.64
2012/2013	67.02	45.51	55.84
2013/2014	77.12	59.05	55.30
2014/2015	59.11	69.00	49.91
2015/2016	53.64	49.04	57.01
Total	328.49	268.74	271.7
Mean	65.69	53.74	54.34
S.D	8.43	9.04	2.46
C.V	12.84	16.82	4.53

(Source: Appendix IV '2')

From the table 4.14, it is clearly seen that the percentage of capital risk ratio of Nabil is decreasing from 77.12% to 53.64% in the FY 2013/14 to 2015/16. Similarly SBI and Everest have followed fluctuating trend. However the mean value of Nabil is higher than other two banks. The coefficient of variance of Nabil is 12.84% that is higher than Everest and lesser than SBI i.e. 16.82% <12.84% >4.53%.

Thus it can be concluded that Nabil is stable and heterogeneous than SBI but less stable and less heterogeneous than Everest.

4.1.5 Growth ratio

Growth ratios are directly related to the fund mobilization and investment management of the joint venture bank. It represents how well the joint venture banks are maintaining the economic and financial position. Higher ratio indicates, better the performance of bank and vice-versa.

Mathematically it is calculated as,

$$\text{Factor} = \frac{\text{Last Year Figure}}{\text{First Year Figure}}$$

$$\text{Factor} = (1+g)^{n-1}$$

g = growth rate

n = number of period

Again, growth ratio is measured in percentage

Under this section, growth ratio of total deposit, loan and advances, total investment and net profit are calculated.

a) Growth Ratio of Total Deposit

Total 4.15

Growth Ratio to Total Deposit (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	55023.7	53337.3	50006.1
2012/2013	63609.8	59125.7	57720.4
2013/2014	75388.8	54492.9	62108.1
2014/2015	104237.9	51628.2	83093.7
2015/2016	110267.3	65213.5	93765.4
Growth Ratio	18.98	5.15	17.00

(Source: Appendix v '1')

The comparative table 4.15 shows that the growth ratio of Nabil deposit is higher than that of SBI and Everest. Nabil has maintained ratio of 18.98% where as SBI and Everest 5.15% and 17.00% respectively. The above table clearly has shown that Nabil in comparison to other bank is better year by year.

b) Growth Ratio of Loan and Advances

Table 4.16
Growth Rate of Loan and Advances

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	42867.8	26463.7	36616.8
2012/2013	47645.5	29193.9	44197.7
2013/2014	65203.1	35714.3	48450.3
2014/2015	67161.7	40471.9	55363.5
2015/2016	77730.4	47542.9	68911.5
Total	16.04	15.77	17.12

(Source: Appendix V '2')

The comparative table 4.16 shows that the growth rate of Everest loan and advances is higher than of other two banks. Everest has able to maintain of 17.12%, where as Nabil has able to maintain 16.04% and SBI has maintain 15.77%. Nabil has able to maintain average position.

c) Growth Rate of Total Investment

Table 4.17
Growth Rate of Total Investment

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	14076.8	24463.4	7865.2
2012/2013	16348.3	25906.1	9265.4
2013/2014	18276.7	17722.4	6504.2
2014/2015	30972.5	9325.82	15102.7
2015/2016	36098.5	19291.3	18198.7
Growth Rate	26.54	5.76	23.33

(Sources: Appendix V '3')

The comparative table 4.17 shows that the growth ratio of Nabil total investment is higher than SBI and Everest bank i.e. 26.54% >5.76% >23.33%. So it is clear that Nabil has high growth rate in comparison to other bank.

d) Growth Rate of Net Profit

Table 4.18
Growth Rate of Net Profit (%)

Fiscal Year	NABIL	SBI	EVEREST
2011/2012	1689.4	537.3	1090.6
2012/2013	2218.7	771.5	1471.1
2013/2014	2319.5	922.9	1549.7
2014/2015	2093.8	1065.4	1574.3
2015/2016	2819.3	1331.9	1730.2
Growth Rate	13.65	25.47	12.22

(Source: Appendix V '4')

The comparative table 4.18 shows that the growth rate of net profit of SBI is higher than two banks (Nabil and Everest). Net profit of Everest is poor on comparison with Nabil and SBI. Nabil has able to maintain the growth ratio on average position. So it is clear than SBI has high growth rate in comparison to other bank.

4.1.6 Co-efficient of Correlation analysis

Under this, Karl Pearson's co-efficient of correlation (Direct Method) is used to find out the relationship between deposit and loan and advances, deposit and total investment, deposit and net profit.

a) Coefficient of Correlation between deposit and loan and advances

Coefficient of correlation between deposit and loan and advances measures the degree of relationship between these two variables. The purpose of correlation analysis between deposit and loan and advances is to find out whether the deposit is significantly used or not. In this analysis, deposit is considered as independent variables, (x) and loan and advances as dependent variables (y).

Table 4.19

Coefficient of correlation between deposit and loan and advances

Evaluation Criteria	NABIL	SBI	EVEREST
R	0.94	0.49	0.97
r^2	0.89	0.24	0.94
P.Er	0.04	0.22	0.01
6P.Er	0.27	1.37	0.10

(Sources: Appendix VI '1')

The above table no.4.19 shows the value of r , r^2 , P.E.r and 6 E.r between deposit and loan and advances of Nabil, SBI, and Everest bank for the period of time 2011/12 to 2015/16.

From the above table, it is found that the coefficient of correlation (r) between deposit and loan and advances of Nabil, SBI and Everest bank are 0.94, 0.49 and 0.97 respectively. It shows the highly positive relationship between these variables. However, coefficient of determination i.e. r^2 of Nabil is 0.89, which means that the 89% of dependent variable i.e. loan and advances has been explained by the independent variable i.e. deposit.

Coefficient of determination i.e. r^2 of SBI bank is 0.24, which means that the 24% of dependent variable i.e. loan and advances has been explained by the independent variable i.e. deposit.

Coefficient of determination i.e. r^2 of Everest bank is 0.97, which means that the 97% of dependent variable i.e. loan and advances has been explained by the independent variable i.e. deposit.

Moreover, while considering the probable error, in case of Nabil bank $r^2 > 6P.E.r$ i.e. $0.89 > 0.27$. In case of SBI bank $r^2 < 6P.E. r$ i.e. $0.24 < 1.37$ and in case of Everest $r^2 > 6P.E.r$ i.e. $0.94 > 0.10$.

On the basis of comparison between the value of ' r ' and 6P.Er, the Nabil and Everest bank have significant correlation between two variables because the value of ' r ' i.e. 0.94 and 0.97 is greater than that of value 6P.Er i.e. 0.27 and 0.10. But SBI bank has

no significant correlation between two variables because the value of 'r' i.e. 0.49 is lesser than that of value 6P.Er i.e. 1.37.

From above analysis, the value of 'r' of Everest bank is higher than other bank, it indicates that Everest bank has better position in mobilizing deposit as loan and advances in comparison to other bank.

b) Coefficient of Correlation between deposit and total investment

Coefficient of correlation between deposit and total investment measures the degree of relationship between these two variables. The purpose of correlation analysis between deposit and total investment is to find out whether the deposit is significantly used as investment or not. In this analysis, deposit is considered as independent variables, (x) and total investment as dependent variables (y).

Table 4.20
Coefficient of correlation between deposit and total investment

Evaluation Criteria	NABIL	SBI	EVEREST
R	0.98	0.36	0.93
r ²	0.96	0.13	0.87
P.Er	0.009	0.26	0.03
6P.Er	0.055	1.56	0.21

(Source: Appendix VI '2')

The above table no.4.20 shows the value of r, r², P.Er and 6P.Er between deposit and total investment of Nabil, SBI and Everest bank for the period of 2011/2012 to 2015/16.

From the above table, it is found that the coefficient of correlation I between deposit and total investment of Nabil, SBI and Everest bank are 0.98, 0.36 and 0.93 respectively. It shows the highly positive relationship between these variables. However, coefficient of determination i.e. r² of Nabil is 0.96, which means that the 96% of dependent variable i.e. total investment has been explained by the independent variable i.e. deposit.

Coefficient of determination i.e. r^2 of SBI bank is 0.13, which means that the 13% of dependent variable i.e. total investment has been explained by the independent variable i.e. deposit.

Coefficient of determination i.e. r^2 of Everest bank is 0.87, which means that the 87% of dependent variable i.e. total investment has been explained by the independent variable i.e. deposit.

Moreover, while considering the probable error, in case of Nabil bank $r^2 > 6P.E.r$ i.e. $0.96 > 0.055$ In case of SBI bank $r^2 < 6P.E.r$ i.e. $0.13 < 1.56$ and in case of Everest $r^2 > 6P.E.r$ i.e. $0.87 > 0.21$

On the basis of comparison between the value of 'r' and $6P.E.r$, the Nabil and Everest bank have significant correlation between two variables because the value of 'r' i.e. 0.98 and 0.93 is greater than that of value $6P.E.r$ i.e. 0.055 and 0.21. But SBI bank has no significant correlation between two variables because the value of 'r' i.e. 0.36 is lesser than that of value $6P.E.r$ i.e. 1.56.

From above analysis, the value of 'r' of Nabil bank is higher than other bank, it indicates that Nabil bank is successful in maximizing the investment of their deposit in comparison to other bank.

c) Coefficient of Correlation between deposit and net profit

Coefficient of correlation between deposit and net profit measures the degree of relationship between these two variables. The purpose of correlation analysis between deposit and net profit is to find out whether net profit is significantly correlated or not. In this analysis, deposit is considered as independent variables, (x) and net profit as dependent variables (y).

Table 4.21
Coefficient of Correlation between deposit and net profit

Evaluation Criteria	NABIL	SBI	EVEREST
R	0.69	0.32	0.82
r^2	0.48	0.10	0.68
P.Er	0.15	0.26	0.09
$6P.Er$	0.93	1.61	0.05

(Source: Appendix VI '3')

The above table no. 4.21 shows the value of r , r^2 , P.E.r and 6 E.r between deposit and net profit of Nabil, SBI, and Everest bank for the period of 2011/12 to 2015/16.

From the above table, it is found that the coefficient of correlation (r) between deposit and net profit of Nabil, SBI and Everest bank are 0.69, 0.32 and 0.82 respectively. It shows the highly positive relationship between these variables. However, coefficient of determination i.e. r^2 of Nabil is 0.48, which means that the 48% of dependent variable i.e. net profit has been explained by the independent variable i.e. deposit.

Coefficient of determination i.e. r^2 of SBI bank is 0.10, which means that the 10% of dependent variable i.e. net profit has been explained by the independent variable i.e. deposit.

Coefficient of determination i.e. r^2 of Everest bank is 0.68, which means that the 68% of dependent variable i.e. net profit has been explained by the independent variable i.e. deposit.

Moreover, while considering the probable error, in case of Nabil bank $r^2 < 6P.E.r$ i.e. $0.48 > 0.93$. In case of SBI bank $r^2 < 6P.E.r$ i.e. $0.10 < 1.61$ and in case of Everest $r^2 > 6P.E.r$ i.e. $0.68 > 0.05$.

On the basis of comparison between the value of ' r ' and $6P.E.r$, the Nabil and SBI bank have no significant correlation between two variables because the value of ' r ' i.e. 0.69 and 0.32 is lesser than that of value $6P.E.r$ i.e. 0.93 and 1.61. But Everest bank has significant correlation between two variables because the value of ' r ' i.e. 0.82 is lesser than that of value $6P.E.r$ i.e. 0.05.

From above analysis, the value of ' r ' of Everest bank is higher than other bank, it indicates that Everest bank is capable to earn net profit by mobilizing of its deposits in comparison to other bank.

4.3 Major Findings of Study:

The main findings of the study are derived with the help of analysis of financial data of Nabil, SBI and Everest bank.

1. Liquidity Ratio

The liquidity position of Nabil, SBI and Everest bank reveals that:

- From the analysis of current ratio, it is found that Nabil bank has maintained fluctuating trend during study period. The mean ratio of Nabil is higher than SBI and Everest bank. In general, the current ratio analysis of banks over the five years period indicates that it has been able to meet its short-term obligations and has better liquidity position.
- The mean ratio of cash and bank balance to deposit of Nabil bank is less than SBI and Everest bank. It states that liquidity position of Everest bank is better than that of Nabil and SBI bank to serve its customers deposits withdrawal demands. The C.V. of Nabil is found to be 25.10%, which is more than other bank which indicate that the ratios of Nabil are consistent.
- The ratio of cash and bank balance to current assets ratio of Nabil is less than that of SBI and Everest bank. But, Nabil has higher consistency than other two banks, which indicates that Nabil has utilized its funds more efficiently.
- The mean ratio of loan and advances to current assets of Nabil bank is higher than other banks. It reveals that Nabil provides more loan and advances in comparison to the SBI and Everest bank.

The above result shows that the liquidity position of Nabil is comparatively better than that of SBI and Everest bank.

2. Asset Management Ratio

The asset management of Nabil, SBI and Everest bank shows that:

- The mean ratio of loan and advances to total deposit of Nabil is higher than that of SBI and Everest bank, which indicates that Nabil bank is stable and consistent.
- The mean ratio of loan and advances to total working fund ratio of Nabil is higher than SBI and Everest bank, which indicates that it is utilizing its fund better or higher than SBI and Everest bank.

- The mean ratio of total investment to total deposit ratio of Nabil is higher than SBI and Everest bank which indicate that Nabil is successfully utilizing its deposit in better way.
- The mean ratio of investment on share and debenture to total working fund ratio of Nabil is higher than SBI and Everest bank. It indicates that Nabil is in better position.

3. Profitability Ratio

The analysis of profitability ratio of Nabil, SBI and Everest bank shows that:

- The mean ratio of return on loan and advances of Nabil is higher than that of SBI and Everest bank. There is consistency in return of Nabil than that of SBI and Everest.
- The mean ratio of return on total working fund ratio of Nabil is higher than that of SBI and Everest bank. It reflects that there is consistency in return of Nabil than other bank. Nabil bank has successful to maintain higher ratio investment return on total working fund.
- The mean ratio of total interest earned to total working fund of Nabil is higher than SBI and Everest bank. It indicates that Nabil is successful in earning interest income because high ratio is an indicator of higher earning power of the bank in its working fund.
- The mean ratio of total interest paid to total working fund of Nabil is lower than SBI and Everest bank. It indicate that Nabil has paid low interest than the SBI and Everest bank.

4. Risk Ratio

The risk ratios of Nabil, SBI and Everest banks reveal that:

- The mean ratio of liquidity risk of Nabil is lower than SBI and Everest bank. This ratio of Nabil bank is less variable than other bank.
- Nabil has maintained higher ratio of credit risk than other bank. The ratio of Nabil bank is more consistent than the other.

From the above findings, we can conclude that Nabil has average risk ratio.

5. Growth Ratio

The growth ratio of Nabil, SBI and Everest bank reveals that:

- The growth ratio of total deposit of Nabil is higher than the SBI and Everest bank, which indicates that the performance of SBI bank to collect deposit is better than that SBI and Everest.
- The growth ratio of loan and advances of Nabil is higher than SBI and lower than Everest bank. It indicates that the performance of Nabil to grant loan and advances is in average position.
- The growth ratio of total investment of Nabil is higher than SBI and Everest bank. It indicates that the performance of Nabil bank to total investment is in better position than other bank.
- The growth ratio of net profit of Nabil is higher than Everest and lower than SBI bank. It indicates that Nabil is in average position to earn profit than other bank.

From above findings, it can be concluded that Nabil bank has maintained higher growth ratios in total deposit, total investment and has maintained average growth ratios in loan and advances and net profit.

5. Coefficient of correlation

Coefficient of correlation analysis between different variables of Nabil, SBI and Everest shows that:

- Coefficient of correlation between deposit and loan and advances of these three banks have positive relationship between the variables. Everest bank has highest coefficient of correlation between deposit and loan and advances than other bank. This indicates that Everest bank's position is better than Nabil and SBI bank in mobilizing the deposit as loan and advances.
- Coefficient of correlation between deposit and total investment of these three banks have positive relationship between the variables. Nabil has higher value than SBI and Everest bank. It shows that Nabil bank's position is better than other bank in maximizing the investment of their deposit in comparison to other bank.

- Coefficient of correlation between deposit and net profit of these three bank have positive relationship between the variables. Everest bank has higher value than other bank. It indicates that Everest bank is capable to earn profit by mobilizing its total deposit.

From the above findings, we can observe that there is significant relationship between deposit and loan and advances, deposit and total investment and deposit and net profit.

CHAPTER – FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This is the concluding chapter of this study. This chapter is divided into three sections: Summary, Conclusions and Recommendations. In this chapter summary of the study is provided in brief. It has been a concern from the first chapter to the end. Findings of calculations, which have been drawn using different tools and technique based on the data provided by the concerned companies, are concerned here in conclusions section. In the last section of this chapter some recommendations have been given, which are useful to stakeholders and to concerned companies as well. They can use these recommendations to take some corrective actions to draw decisions.

5.1 Summary

Basically the entire research work focuses on the comparative study on Investment Policy of three joint venture banks: Nabil Bank Ltd., Standard Bank of India and Everest Bank Ltd. These three joint venture banks are composed as per their fund mobilization activities by taking five years data from the year 2011/12 to 2015/16.

This study is mainly based on secondary sources. All data are taken from concerned banks annual report, literature publication, balance sheet, profit and loss account, previous thesis report, different website, related books and booklets, journals and articles. After collecting data from different sources, it is analyzed by using financial and statistical tools. Findings are drawn by applying various financial tools viz. liquidity ratio, assets management ratio, profitability ratio, growth ratio, risk ratio, sources and uses of funds and cash flow analysis. Similarly, statistical tools have been used viz. mean, standard deviation, coefficient of variation, coefficient of correlation and least square trend.

This study suffers from different limitations; it considers three banks only and time and resource are the constraints of the study. Therefore the study may not be generalized in all cases and accuracy depends upon the data collected and provided by the organization. The evaluation of the organized financial system in Nepal has more recent history than in other countries of the world. In context, the history of banking is not more than six decades. After the announcement of liberal and free market economic

based policy Nepalese banks and financial sectors having greater network and access to national and international markets.

In the study, the word investment covers a wide range of activities i.e. the investment of income, savings or other collected fund. If there is no saving, there is no existence of investment therefore, savings and investment are interrelated. Investment policy is a one fact of the overall spectrum of policies that guide banks investment operations and it ensures efficient allocation of funds to achieve the well being economic development of the nation. A sound and viable investment policy attracts both borrowers and lenders, which help to increase the volumes and quality of deposits, loan and investment. Therefore, the investment policy should be carefully analyzed.

Some sources of funds for the investment of the bank are capital, general reserves, accumulated profit, deposits and external & internal borrowings. Similarly, some important banking terms, which are frequently used in this study, are loan and advances, investment on government securities, shares and debentures, deposits and other use of funds.

For the analysis and interpretation of the data of this study, differential financial & statistical tools are used. In financial tools liquidity ratios, asset management ratios, profitability ratio, risk ratios and growth ratios have been used. The statistical tools such as mean, standard deviation, coefficient of variation, mainly: the secondary data are used for the analysis in this study. The data are obtained annual report of concerned banks; likewise, the financial statement of five years i.e. 2011/2012 to 2015/2016 was selected for the purpose of evaluation.

5.2 Conclusion

The above-mentioned major findings led this study to the following conclusion:

- From the analysis of asset management ratio, it is found that Nabil is in better position as compared to that of SBI and EBL. The loan & advances to total deposit ratio, loan and advances to total working fund ratio is higher than those of SBI and EBL. Investment on shares and debentures to total working fund ratio is also higher in Nabil bank than other bank and the Nabil has average ratio in total investment to total deposit.

- The liquidity position of Nabil is comparatively better than that of SBI and EBL. Nabil bank has maintained the cash and bank balance to meet customers demand. All the three banks have met the normal current assets ratio to meet the short term obligation of its customers. Nabil has mobilized lots of fund in order to gain the high profit.
- Analyzing the profitability of these three banks, it is found the return on total working fund and loan and advances of Nabil is higher than SBI and EBL. It reveals that Nabil bank has efficient investment policy and is successful to earn high return in its loan and advances. Nabil's interest paid is less than the interest earned to total working fund ratio. So, it is profitable position as it is getting higher return than interest cost.
- From the view point of the risk ratio, Liquidity risk of Nabil is lower than SBI and EBL. While credit risk of Nabil is higher than other bank.
- From the analysis of growth ratio, it is found that Nabil has higher growth rate in total deposit, loan and advances and total investment but it has average growth rate in net profit. Everest bank has higher growth rate on net profit.

Through the analysis and findings we can summarize that liquidity position, investment policy of Nabil bank is better on every sector and profitability ratio is also good. However, growth rate in net profit is slightly not satisfactory and it has average risk ratio.

5.3 Recommendation

On the basis of above analysis and conclusion, following recommendation are made:

- Besides giving priority on government securities, Nabil bank is recommended to invest its fund investment in total deposit and SBI and Everest is recommended to invest its fund investment in shares and debentures of other financial companies. Government securities offer lower interest rate than others. So investment in shares and debentures helps to maintain the sound portfolio of the bank.
- A bank must maintain its satisfactory liquidity position to meet the credit need of its customer; however, internal as external factors affect the liquidity position of the banks. As Nabil has maintained proper current assets but lower ratio of cash and bank balance to total deposit than SBI and Everest bank.

Nabil is recommended to increase its cash and bank balance to meet the requirement of cash and various purposes.

- Profitability is the main indicator of the financial performance of financial institutions. In this study, we can see that profitability ratio of Nabil is good from the angle of return and also able to earn high interest through total working fund. So, SBI and Everest bank are recommended to use its funds in more portfolio sector to get proper profitability and recommended to increase its interest earning capacity by investing more and more fund in loan and advances and different type of securities.
- If a bank expects high return on its investment, it has to accept risk. From the angle of risk, Nabil's liquidity risk is lower and credit risk is higher than SBI and Everest. Its consistency is highly volatile which may result in higher loss. The bank should not take high risk. Banks should carefully analyze the above risk to achieve higher returns.
- The growth ratio represent how well the banks are maintaining their economic and financial position; it is directly related to the fund mobilization and investment. Nabil's bank growth ratio is better into deposits, loan and advances and investment. But SBI growth ratio is better into net profit. So, Nabil is recommended to increase its growth ratio into net profit while SBI and Everest are recommended to increase their growth ratio into deposits, loan and advances and investment.
- Coefficient of correlation analysis interprets the relationship between two or more variables. All three banks have positive relationship between the variables. However, Everest has higher ratio between deposits and loan and advances and deposits and net profit than SBI and Nabil bank. It reveals that Nabil and SBI are not able to earn net profit by mobilizing its total deposits. So Nabil and Everest should innovate new strategy to improve its present condition.
- In the light of growing competition in banking sector, the business of the bank should be customer oriented. The bank is recommended to adopt new technology and services. All most all commercial and joint venture banks in Nepal are providing various facilities such as financial switch system (SWIFT), automatic taller machine (ATM) cards, visa electron debit card, international credit card, locker services, lending against, gold and silver

services, parking services, 24-hour services etc. Besides these facilities bank should be involved in different kind of social and community development activities. The bank should be able to provide more personalized services and a better environment for its customers.

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APPENDIX-I

Appendix:-1

Loan and Advances to Total Deposit Ratio

NABIL

(Rs. In million)

Fiscal Year	2007/08	2008/09	2009/10	2010/11	2011/12
Loan & Advances	42867.8	47645.5	65203.1	67161.7	77730.4
Total Deposits	55023.7	63609.8	75388.8	104237.9	110267.3
Ratio	0.7790	0.7490	0.6443	0.6443	0.7049

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Loan & Advances	26463.7	29193.9	35714.3	40471.9	47542.9
Total Deposits	53337.3	59125.7	54492.9	51628.2	65213.5
Ratio	0.4961	0.4937	0.6553	0.7839	0.7290

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Loan & Advances	36616.8	44197.7	48450.3	55363.5	68911.5
Total Deposits	50006.1	57720.4	62108.1	83093.7	93735.4
Ratio	0.7322	0.7657	0.7800	0.6662	0.7351

Appendix:-2**Total Investment to Total Deposit Ratio****NABIL**

(Rs.in million)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Total Investment	14076.8	16348.3	18276.7	30972.5	36098.5
Total Deposits	55023.7	63609.8	75388.8	104237.5	110267.3
Ratio	0.2558	0.2570	0.2424	0.2971	0.3273

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Total Investment	24463.4	25906.1	17722.4	9325.82	19291.3
Total Deposits	53337.2	59125.7	54492.9	51628.2	65213.5
Ratio	0.4586	0.4381	0.3225	0.1806	0.2958

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Total Investment	7865.2	9265.4	6504.2	15102.7	18198.7
Total Deposits	50006.1	57720.4	62108.1	83093.7	93735.4
Ratio	0.1572	0.1605	0.1047	0.1817	0.1941

Appendix:-3**Loan and Advances to Total Working Fund****NABIL**

(Rs. In million)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Loan and Advances	42867.8	47645.5	65203.1	67161.7	77730 .4
Total working Fund	60762.5	65993.4	77817.1	103543.4	112218.4
Ratio	0.7054	0.7219	0.8379	0.6486	0.6926

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Loan and Advances	26463.7	29193.9	35714.2	40471.9	47542.4
Total Working Fund	58059.7	64796.1	61082.9	59277.3	78515.3
Ratio	0.4558	0.4505	0.5846	0.6827	0.6055

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Loan and Advances	36616.8	44197.7	48450.3	55363.5	68911.5
Total Working Fund	55813.1	65741.1	70445.1	99167.3	113885.6
Ratio	0.6560	0.6722	0.6877	0.5582	0.6050

Appendix:-4**Loan and Advances to Total Working Fund****NABIL**

(Rs in million)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Investment on Shares and Debenture	393.7	433.4	485.6	501.9	523.8
Total Working Fund	60762.5	65993.4	77817.1	10543.4	112218.4
Ratio	0.64	0.65	0.62	0.48	0.46

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Investment on Shares and Debenture	30.7	30.7	29.9	42.1	148.2
Total Working Fund	58059.7	64796.1	61082.9	59277.3	78515.3
Ratio	0.050	0.047	0.049	0.07	0.18

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Investment on Shares and Debentures	109.18	24.24	63.34	63.34	75.85
Total Working Fund	55813.1	65741.1	70445.1	99167.3	113885.1
Ratio	0.19	0.04	0.09	0.06	0.07

APPENDIX- II

Appendix:-1 Current Ratio

NABIL

(Rs. In million)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Current Assets	59868	71091	84543	113614	124071
Current Liabilities	56015	65115	76974	102731	111434
Ratio	1.07	1.09	1.10	1.10	1.12

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Current Assets	57343.8	64134.6	60475.5	58647.3	77885.4
Current Liabilities	54262.4	60197.2	55537.5	52631.4	66410.2
Ratio	1.06	1.07	1.09	1.11	1.17

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Current Assets	68251.6	79147.6	87604.5	110917.4	114826.6
Current Liabilities	64815.2	73854.4	82749.8	99926.8	128749.7
Ratio	1.05	1.07	1.06	1.10	1.1

Appendix:-2**Cash and Bank Balance to Total Deposit Ratio****NABIL**

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Cash and Bank Balance	4732.6	5929.5	8536.2	14744.8	7466.64
Total Deposit	55023.7	63609.8	75388.8	104237.9	110267.3
Ratio	8.60	9.32	11.32	14.14	6.77

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Cash and Bank Balance	4456.4	5736.6	6211.9	6438.8	8330.7
Total Deposit	53337.3	59125.7	54492.9	51628.2	65213.5
Ratio	8.35	9.70	11.39	12.47	12.77

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Cash and Bank Balance	15870.9	19191.8	11496.9	9928.3	9860.74
Total Deposit	50006.1	57720.4	62108.1	83093.7	93765.9
Ratio	19.72	17.20	18.51	23.09	16.92

Appendix:-3**Cash and Bank Balance to Total Current Asset Ratio****NABIL**

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Cash and Bank Balance	4732.6	5929.5	8536.2	14744.8	7466.64
Current Assets	5986	71091	84543	113614	124071
Ratio	7.905	8.34	10.09	12.97	6.01

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Cash and Bank Balance	4456.4	5736.6	6211.9	6438.8	8330.7
Current Assets	57343.8	64134.6	60475.5	58647.3	77885.4
Ratio	7.77	8.94	10.27	10.97	10.69

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Cash and Bank Balance	9860.7	9928.3	11496.9	19191.8	15870.9
Current Assets	68251.6	79147.6	87604.5	110917.4	114826.6
Ratio	14.44	12.54	13.12	17.30	13.82

Appendix:-4**Investment on Loan and Advances to Current Assets Ratio****NABIL**

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Investment on Loan and Advances	42867.8	47645.5	65203.1	67161.7	77730.4
Current Assets	59868	71091	84543	113614	124071
Ratio	71.60	67.02	77.12	59.11	62.64

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Investment on Loan and Advances	26463.7	29193.9	35714.3	40471.9	47542.9
Current Assets	57343.8	64134.5	60475.5	58647.3	77885.4
Ratio	46.14	45.51	59.05	69.00	61.04

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Investment on Loan and Advances	36616.8	44197.7	48450.3	55363.5	68911.5
Current Assets	68251.6	79147.6	87604.5	110917.4	114826.6
Ratio	53.64	55.84	55.30	49.91	60.01

APPENDIX- III

Appendix:-1

Return on Total Working Fund Ratio

NABIL

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Net Profit	1689.4	2218.7	2319.5	2093.8	2819.3
Working Fund	60762.5	65993.4	77817.1	103543.4	112218.4
Ratio	2.78	3.36	2.98	2.02	2.51

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Net Profit	537.3	771.51	922.9	1065.4	1331.9
Working Fund	58059.7	64796.1	61082.9	59277.3	78515.3
Ratio	0.92	1.19	1.51	1.79	1.69

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Net Profit	1090.6	1471.1	1549.7	1574.3	1730.2
Working Fund	55813.1	65741.1	70445.1	99167.3	113885.1
Ratio	1.95	2.23	2.19	1.58	1.51

Appendix:-2**Return on Loan and Advances Ratio****NABIL**

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Net Profit	1689.4	2218.7	2319.5	2093.8	2819.3
Loan and Advances	42867.8	47645.5	65203.1	67161.7	77730.4
Ratio	3.94	4.65	3.55	3.11	3.62

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Net Profit	537.3	771.5	922.9	1065.4	1331.9
Loan and Advances	26463.7	29193.9	35714.2	40471.9	47542.9
Ratio	2.03	2.64	2.58	2.63	2.80

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Net Profit	1090.6	1471.1	1549.7	1574.3	1730.2
Loan and Advances	36616.8	44197.7	48450.3	55363.5	68911.5
Ratio	2.97	3.32	3.19	2.84	2.51

Appendix:-3**Total Interest earned to Total Working Fund****NABIL**

(Rs. in million)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Interest Earned	6126.8	5702.1	5636.2	5762.3	6155.6
Working Fund	60762.5	65993.4	77817.1	103543.4	112218.4
Ratio	10.08	8.64	7.24	5.56	5.48

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Interest Earned	3769.5	4110.5	3976.6	3821.3	3981.3
Working Fund	58059.7	64796.2	61082.9	59277.3	78515.3
Ratio	6.49	6.34	6.51	6.44	5.07

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Interest Earned	4959.9	4936.9	5177.5	4996.4	5057.08
Working Fund	55813.1	65741.1	70445.1	99167.3	113885.1
Ratio	8.88	7.50	7.34	5.03	4.44

Appendix:-4**Total Interest paid to Total Working Fund****NABIL**

(Rs. in million)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Interest Paid	3155.5	2186.2	1939.7	2236.1	1829.7
Working Fund	60762.5	65993.5	77817.1	103543.4	112218.4
Ratio	5.19	3.31	2.49	2.15	1.63

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Interest Paid	2770.8	2486.9	2231.6	1773.8	1565.2
Working Fund	58059.7	64796.2	61082.9	59277.3	78515.3
Ratio	4.77	3.83	3.65	3.99	1.99

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Interest Paid	2873.3	2179.18	2258.7	2116.99	1828.49
Working Fund	55813.1	65741.1	70445.1	99167.3	113885.1
Ratio	5.14	3.31	3.20	2.13	1.60

APPENDIX- IV

Appendix-1 Liquidity Risk Ratio

NABIL

(Rs. in million)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Cash & Bank Balance	4732.6	5929.5	8536.2	14744.8	7466.6
Total Deposit	55023.7	63609.80	75388.8	104237.9	110267.3
Ratio	8.60	9.32	11.32	14.14	6.77

SBI

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Cash & Bank Balance	4456	5736.57	6211.90	6438.78	8330.74
Total Deposit	53337.26	59125.72	54492.99	51628.22	65213.52
Ratio	8.35	9.70	11.40	12.47	12.77

EVEREST

(Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Cash & Bank Balance	9860.7	9928.3	11496.9	19191.8	15870.91
Total Deposit	50006.1	57720.4	62108.1	83093.7	93765.4
Ratio	19.72	17.20	18.51	23.09	16.92

Appendix-2
Credit Risk Ratio

NABIL (Rs. in million)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Loan & Advances	42867.8	47645.5	65203.1	67161.7	77730.4
Total Assets	59868	71091	84543	113614	124071
Ratio	71.60	67.02	77.12	59.11	62.64

SBI (Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Loan & Advances	26463.7	29193.9	35714.3	40471.9	47542.9
Total Assets	57343.8	64134.6	60475.5	58647.3	77885.4
Ratio	46.14	45.51	59.05	69.00	61.04

EVEREST (Rs. in millions)

Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Loan & Advances	36616.8	44197.7	48450.3	55363.5	68911.5
Total Assets	68251.6	79147.6	87604.5	110917.4	114826.6
Ratio	53.64	55.84	55.30	49.91	60.01

APPENDIX-V

Let,

D_n = Variable in the n year

D_o = Variable in the initial year

n = no. of period study

g = Growth rate

Appendix:-1 Total Deposit Growth Rate

NABIL

$$D_n = D_o(1+g)^{n-1}$$

$$(110267.3) = (55023.7) (1+g)^{5-1}$$

$$g = 1.1898 - 1$$

$$1+g = (110267.3/55023.7)^{1/4}$$

$$g = 18.98\%$$

SBI

$$D_n = D_o(1+g)^{n-1}$$

$$(65213.5) = (53337.3) (1+g)^{5-1}$$

$$1+g = (65213.5/53337.3)^{1/4}$$

$$g = 1.05154 - 1$$

$$g = 5.15\%$$

EVEREST

$$D_n = D_o(1+g)^{n-1}$$

$$(93735.4) = (50006.1) (1+g)^{5-1}$$

$$1+g = (93735.4/50006.1)^{1/4}$$

$$g = 1.170090 - 1$$

$$g = 17\%$$

Appendix:- 2

Total Loans and Advances Growth Rate

NABIL

$$D_n = D_o(1+g)^{n-1}$$

$$(77730.4) = (42867.8) (1+g)^{5-1}$$

$$1+g = (77730.4/42867.8)^{1/4}$$

$$g = 16.04\%$$

SBI

$$D_n = D_o(1+g)^{n-1}$$

$$(47542.9) = (26463.7) (1+g)^{5-1}$$

$$1+g = (47542.9/26463.7)^{1/4}$$

$$g = 15.77\%$$

EVEREST

$$D_n = D_o(1+g)^{n-1}$$

$$(68911.5) = (36616.8) (1+g)^{5-1}$$

$$1+g = (68911.5/36616.8)^{1/4}$$

$$g = 17.12\%$$

Appendix:- 3
Total Investment Growth Rate

NABIL

$$D_n = D_o(1+g)^{n-1}$$

$$(36098.5) = (14076.8) (1+g)^{5-1}$$

$$1+g = (36098.5/14076.8)^{1/4}$$

$$g = 26.54\%$$

SBI

$$D_n = D_o(1+g)^{n-1}$$

$$(19291.3) = (24463.4) (1+g)^{5-1}$$

$$1+g = (19291.3/24463.4)^{1/4}$$

$$g = 5.76\%$$

EVEREST

$$D_n = D_o(1+g)^{n-1}$$

$$(18198.7) = (7865.2) (1+g)^{5-1}$$

$$1+g = (18198.7/7865.2)^{1/4}$$

$$g = 23.33\%$$

Appendix:- 4
Total Net Profit Growth Rate

NABIL

$$D_n = D_o (1+g)^{n-1}$$

$$(2819.3) = (1689.4) (1+g)^{5-1}$$

$$1+g = (2819.3/1689.4)^{1/4}$$

$$g = 13.65\%$$

SBI

$$D_n = D_o (1+g)^{n-1}$$

$$(1331.9) = (537.3) (1+g)^{5-1}$$

$$1+g = (1331.9/537.3)^{1/4}$$

$$g = 25.47\%$$

EVEREST

$$D_n = D_o (1+g)^{n-1}$$

$$(1730.2) = (1090.6) (1+g)^{5-1}$$

$$1+g = (1730.2/1090.6)^{1/4}$$

$$g = 12.22\%$$

APPENDIX- VI

Coefficient of correlation between Total Deposit and Loan & Advances of NABIL (Rs. in million)

FY	Deposit (X)	Loan & advances(Y)	x = (X- \bar{X})	y = (Y- \bar{Y})	x y	x ²	y ²
2011/12	55023.7	42867.8	-26681.8	-17253.9	460365109	711918451.2	297697065.2
2012/13	63609.8	47645.5	-18095.7	-12476.2	225765572.3	327454358.5	155655566.4
2013/14	75388.8	65203.1	-6316.7	5081.4	-32097679.4	39900698.9	25820625.9
2014/15	104237.9	67161.7	22532.4	7040	158628096	507709049.8	49561600
2015/16	110267.3	77730.4	28561.8	17608.7	502936167.7	815776419.2	31066315.7
N= 5	$\sum X =$ 408527.5	$\sum Y =$ 3000608.5			$\sum x y =$ 1315597266	$\sum x^2 =$ 2402758978	$\sum y^2 =$ 838801173.3

$$\text{Mean: } \frac{\sum x}{N} = \frac{408527.5}{5} = 81705.5 \quad \frac{\sum y}{N} = \frac{300608.5}{5} = 60121.7$$

$$\begin{aligned} \text{Coefficient of Correlation (r)} &:= \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x^2 - (\sum x)^2} \sqrt{n\sum y^2 - (\sum y)^2}} \\ &= \frac{(5 \times 1315597266) - (81705.5 \times 60121.7)}{\sqrt{(5 \times 2402758978) - (81705.5)^2} \sqrt{(5 \times 838801173.3) - (60121.7)^2}} = 0.9472 \end{aligned}$$

$$\text{Coefficient of Determination (r}^2\text{): } 0.9472 \times 0.9472 = 0.8919$$

$$\text{Probable (p.Er)} = 0.6745 \times \frac{1-r^2}{\sqrt{n}} = 0.6745 \times \frac{1-0.89719}{\sqrt{5}} = 0.045978$$

$$6(\text{p.Er}) = 6 \times 0.045978 = 0.275868$$

Coefficient of correlation between Total Deposit and Loan & Advances of SBI

(Rs. in million)

FY	Deposit (X)	Loan & advances(Y)	x = (X - \bar{X})	y = (Y - \bar{Y})	x y	x ²	y ²
2011/12	53337.3	26463.7	-3422.2	-9413.6	32215221.9	11711452.8	88615864.9
2012/13	59125.7	29193.9	2366.2	-6683.4	-15814261.1	5598902.4	44667835.5
2013/14	54492.9	35714.3	-2266.7	-163	369472.1	5137475.6	26569
2014/15	51628.2	40471.9	-5131.3	4594.6	-23576270.98	26330239.7	21110349.2
2015/16	65213.5	47542.9	8454	11665.6	98620982.4	71470116	136086223.4
N= 5	$\sum X =$ 283797.6	$\sum Y =$ 179386.7			$\sum x y =$ 91815143.5	$\sum x^2 =$ 120248186.5	$\sum y^2 =$ 290506842

$$\text{Mean: } \frac{\sum x}{N} = \frac{283797.6}{5} = 56759.5 \quad \frac{\sum y}{N} = \frac{179386.7}{5} = 35877.3$$

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

$$= \frac{(5 \times 91815143.5) - (0 \times 0)}{\sqrt{5 \times 120248186.5 - 0} \sqrt{5 \times 290506842 - 0}} = 0.491243$$

$$\text{Coefficient of Determination (r}^2\text{): } 0.491243 \times 0.491243 = 0.2412$$

$$\text{Probable (p.Er)} = 0.6745 \times \frac{1-r^2}{\sqrt{n}} = 0.6745 \times \frac{1-0.2412}{\sqrt{5}} = 0.22888$$

$$6(\text{p.Er}) = 6 \times 0.22888 = 1.3732$$

Coefficient of correlation between Total Deposit and Loan & Advances of EVEREST

(Rs. in million)

FY	Deposit (X)	Loan & advances(Y)	x = (X- \bar{X})	y = (Y- \bar{Y})	x y	x ²	y ²
2011/12	50006.1	36616.8	-19326.6	-14091.1	272333053.3	373517467.6	198559099.2
2012/13	57720.4	44197.7	-11612.3	-6510.2	75598395.4	134845511.3	42382704.4
2013/14	62108.1	48450.3	-7224.6	-2257.6	16310256.9	52194845.11	5096757.7
2014/15	83093.7	55363.5	13761	4655.6	64065711.6	189365121	21674611.3
2015/16	93735.4	68911.5	24402.7	18203.6	444216989.7	595491767.3	331371053
N= 5	$\sum X =$ 346663.7	$\sum Y =$ 253539.8			$\sum x y =$ 872524406.9	$\sum x^2 =$ 1345414712	$\sum y^2 =$ 59908425.6

$$\text{Mean: } \frac{\sum x}{N} = \frac{346663.7}{5} = 69332.7 \quad \frac{\sum y}{N} = \frac{253539.8}{5} = 50707.9$$

$$\begin{aligned} \text{Coefficient of Correlation (r)} &:= \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x^2 - (\sum x)^2} \sqrt{n\sum y^2 - (\sum y)^2}} \\ &= \frac{(5 \times 872524406.9) - (0 \times 0)}{\sqrt{5 \times 1345414712 - (0)^2} \sqrt{5 \times 599084225.6 - (0)^2}} = 0.97186 \end{aligned}$$

$$\text{Coefficient of Determination (r}^2\text{): } 0.97186 \times 0.97186 = 0.94451$$

$$\text{Probable (p.Er)} = 0.6745 \times \frac{1-r^2}{\sqrt{n}} = 0.6745 \times \frac{1-0.94451}{\sqrt{5}} = 0.016738$$

$$6(\text{p.Er}) = 6 \times 0.016738 = 0.0100428$$