INVESTMENT PATTERN ANALYSIS OF COMMERCIAL BANKS OF NEPAL

(A Comparative Study of Himalayan Bank ltd, NABIL Bank ltd , Nepal Investment Bank ltd. & Nepal SBI Bank Ltd.)

A Thesis

Submitted

By

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CERTIFICATION OF AUTHORSHIP

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by myself. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. I certify that all information sources and literature used are indicated in the reference section of the thesis

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Sunita Khadka

October, 2020

RECOMMENDATION LETTER

It is certify that the thesis submitted by Sunita Khadka entitled "Investment Pattern analysis of Commercial Banks of Nepal" has been prepared as per the format prescribed and approved by the faculty of Management, Tribhuvan University. This Research work is completed under my supervision and guidance. This thesis is the candidate's original work. I am fully satisfied with the language and substance of this research submitted to faculty of Management. To the best of my knowledge, the candidate has fulfilled all the requirement of Masters of Business Studies (MBS Semester) degree, Faculty of Management, Tribhuvan University. I therefore, recommend that this research be considered for the award of Master Degree.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **"Investment Pattern Analysis of Commercial Banks Of Nepal"** presented by Sunita Khadka, a candidate for the degree of **Master of Business Studies** (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Sunita Khadka

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ABBREVIATION

ATM	=	Automatic Teller Machine
BOKL	=	Bank Of Kathmandu Limited
CAR	=	Capital Adequacy Ratio
CDR	=	Capital Deposit Ratio
CV	=	Coefficient Of Variance
EBL	=	Everest Bank Limited
HBL	=	Himalayan Bank Limited
IOGS	=	Investment On Government Securities
JVBS	=	Joint Venture Banks
NIBL	=	Nepal Investment Bank Limited
NPL	=	Non-performing assets
NRB	=	Nepal Rastra Bank
NSBI	=	Nepal SBI Bank
PE	=	Probable Error
ROA	=	Return On Assets
ROE	=	Return On Equity
SD	=	Standard Deviation

ABSTRACTS

The study entitled Investment Pattern Analysis of commercial banks in Nepal. The study covers the investment Pattern analysis for 5 years (2014/15 to 2018/19) and trend of Investment, deposits, loan and Investment and net profit for 10 years (2014/15 to 2023/24). Four commercial banks are taken as sample out of 27 commercial banks. This study is based on the descriptive and analytical research design. Financial analysis and Statistical tools are used to data presentation and analysis. Liquidity, Assets Management efficiency and profitability ratios are analyzed to evaluate the utilization of the investment on current assets, capital risk and credit risk Pattern is also analyzed. The study further examine the relationship between investment, *deposits, loan and advances and total net profit of bank to analyze the relationship between the variable. The trend analysis of Investment, deposits, loan and advances and net profit is done for future projection.*

The study concludes that all sample bank improve the total investment in an increasing trends in order to increase the net profit. The study further suggests to formulate and implement sound and effective financial and non-financial strategies to minimize their operational expenses to meet the desired level of profitability.

CHAPTER I

INTRODUCTION

1.1 Background of the study

Investment, in its broad sense, means the sacrifice of current currencies and resources for the sake of future currencies and resources. An investment is one of the decisions of finance function that involves the decision of capital to establish commercial or industrial venture. In other words is involves commitment of funds into long-term assets that would yield benefits in coming future period. "Investment in the actual sense it means the sacrifice of current dollars for future dollars". Investment involves two attributes, time and risk. The sacrifice takes place in the present and is certain the element of time predominates (for example, call option on common stock). In yet others, both time and risk play a dominant role (for example share common stock) (Sharpe, 1998).

The classical deposit-credit strategy is no longer sufficient for commercial banks to survive in the financial market and achieve a sufficient level of profit. In addition to the loan placement strategy, it is necessary to adopt an adequate investment strategy that will contribute to the profitability, liquidity and security of the overall asset portfolio (Jamshid, 2020). The investment pattern is long term perspective and investing one's hard earned money is a serious subject that can a major impact on a investor's future wellbeing. The investment patterns of banks is therefore crucial concern of today's financial market, the sound investment policy always guides the investment pattern that ensure the desiring level of profitability and long term sustainability. An investment policy is any government regulation or law that encourages or discourages foreign investment in the local economy. An investment policy is very essential in a nation's economy as well as financial growth of a country. In order to ensure the survival, growth and development of banks in the face of fierce competition, it is necessary to strategically manage the entire business, assets and liabilities, deposit, credit and investment portfolios, manage risks in accordance with the regulations of the central Bank and the Basel Principles and ensure sufficient safety margins and capital adequacy.

Investment decision making have two aspects i.e. (i) the evaluation of the prospective profitability of new investment and (ii) the measurement of cut-off rate against the prospective return of the new investment that could the compare. Future is always uncertain, therefore future benefit of an investment cannot be assessed so easily and the amount of risk is umpire cognitive as well. Investment in its broadest sense means the sacrifice of current dollars for future dollars. Two different attribute are generally involved time and risks. The sacrifice takes place in present and is certain. The reward comes of predominates (for e.g. government bonds) (Sharpe & Alexander, 1996).

Commercial banks are major financial institutions, which occupy quite important place in the frame work of every economy because they provide capital for the development of industry, trade and business and other resources sectors by investing collected deposits. Thus, they contribute to economic growth of nation. Besides this, commercial banks render numerous services to their customers in view of facilitating their economic and social life. All the economic activities of each country are greatly influenced by the commercial banking business in that country. In this way, commercial banks have become heart of financial system (Jain, & Khan, 2011).

The investment policy should be carefully analyzed. So, commercial bank should be carefully while performing credit creation function. Investment policy should ensure minimum risk and maximum profit from lending. Commercial banks have to consider government and Nepal Rastra Bank’s instructions and uplifting of the national economy can be solved through formation of sound investment policy. Sound investment policy can be minimize interest rate of deposit and ensure maximum amount of investment to all sectors with proper utilization with effective rate of interest (Thapa, 2010).

The role of commercial banks in economy is obviously prime requisite in the formulating of banks policy. A key factor in the development in the country is the mobilization of domestic resources and their investment for productive use to the various sectors. To make it more effectively, commercial banks formulate sound investment policies, which eventually contribute to the economic growth of a country. The sound policies help commercial bank to achieve their own objective of profit maximization and social welfare (Jain, & Khan, 2011).

All Commercial Banks are plays an important role in the economic development of a nation. Without banking the development of the nations, it is regarded as the heart of financial system. People invest their earning with a hope of getting good return on their investment. Nevertheless, due to certain circumstances they lose their hard earnings. Therefore, in other to make the right decision we have to have a sound investment policy. The study focused on evaluating the deposit utilization of the banks in terms of loans and advances and investments and its contribution in the profitability of the bank. The main focus of the study to make a comparative study of Himalayan Bank Ltd, SBI banks Ltd, Nepal Investment banks Ltd and Nabil Bank Ltd regarding financial performance in term in liquidity, asset management, profitability and risk .It will also focus on fund mobilization and investment policy (Upreti , 2012).

In Nepal, Commercial banks formulated sensible investment policies to make it more effective which eventually contribute to the economic development of the country. The investment of the CBS include the investment on government securities, like treasury bills, development bonds, national saving bonds, foreign government securities, share of government owned companies and non-government companies and investment on debenture, similar the CBS used their funds as loan and advances.

1.2 Brief introduction of sample banks

Himalayan Bank Limited

Himalayan Bank has been known throughout Nepal for its innovative approaches to sale/merchandise products and costumer services such as premium savings account, HBL proprietary card and millionaire deposit scheme, ATMs and Tele-banking. ATMs and Tele-banking were the first customer services products, which were first introduced by Himalayan Bank ltd. All branches of HBL are integrated into Globus (developed and temenos), the single banking software where bank has made substantial investment this has helped the bank ‘Any Branch Banking Facility’ Internet banking and SMS banking.

HBL is providing loan/ credit facilities such as overdraft loans , demand loans, time loans , trust receipt loan, fixed term , project financing, revolving cash credit, packing credit past shipment , personal loan, loan against fixed deposit, counter guarantee letter of credit, bid bond ,performance bond advance payment guarantee, hire purchase loan, housing loan. It receives deposits as current, normal savings, all fixed term, accidental death insurance and other facilities provided by HBL are funds transfer, HBL Credit card facilities , letter of credit services SMS banking etc.(www.hblnepal.com)

Nabil Bank Limited

Nabil Bank Limited is the nation's first private sector bank, commencing its business since, July 1984.Nabil was incorporated with the objective of extending international standard modern banking services to varies sectors of the society. Pursing its objectives, Nabil provides a full range commercial banking services through its 93 points of representation. In addition to this, Nabil has presence through over 1500 Nabil Remit agents throughout the Nation.

Nabil, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with Customer satisfaction measured as focal objectives while doing business operations and risk management are managed team. Bank is fully equipped with modern technology with includes international standard banking software that support the E- channels and E- transactions.
(www.nabilbank. com)

Nepal SBI Bank Limited (NSBL)

NSBL was established in July 1993 and has emerged as one of the leading banks of Nepal, with 994 skilled and dedicated Nepalese employees working in a total of 116 outlets that include 88 full-fledged branches, 19 extension counters, 7 Province offices, 1 in touch outlet and Corporate Office. With presence in 50 districts in Nepal, the bank is providing value added services to its customers through its wide network of 118 ATMs (including 2 Mobile wallet, ATMs and 4 CRMs), internet banking, mobile wallet, SMS banking, IRCTC Ticket Online Booking, facility, etc. NSBL is one of the fastest growing Commercial Banks if Nepal with more than 8.33 lakhs satisfied deposit customers and over 6.50 lakhs ATM/Debit cardholders. The Bank enjoys leading position in the country in term of penetration of technology products, viz. Mobile Banking, Internet Banking and Card Services. The Bank is moving ahead in the Nepalese Banking Industry with significant growth in Net Profit with very nominal NPA. As of 31st Chaitra, 2074, the Bank has deposits of Rs. 83.66 billion and advances (net) of Rs. 74.05 million, besides investment portfolio of Rs. 17.93 billion.

SBI is the largest commercial Banks in India in terms of assets, deposits, profits, branches, customers and employees. The Government of India is the majority stakeholder and has controlling stake in SBI. Nepal SBI Bank has also established its wholly owned merchant banking subsidiary viz. Nepal SBI Merchant Banking Ltd. in the year 2016.(www.sbi.com)

Nepal Investment Bank Limited (NIBL)

Nepal Investment Bank Limited is one of the lending commercial banks of Nepal, Previously known as Nepal Indosuez Bank ltd; the bank was established in 1986 as a joint venture between Nepalese and credit Agricore Indosuez. The Nepalese investors bought all the shares of French company i.e. 50% in 2001 from then the Nepalese investor have raised this bank to one of the most trusted and popular banks in the country. Till date it has 66 branches, 4 extension counters, and 98 ATM outlets. (www.nibl.com)

1.3 Statement of the problems and research questions

In Nepal majority of commercial banks rely upon instruction and guideline of Nepal Rastra Bank. Most of Nepalese commercial bank do not have proper investment policy in an organized manner, they collect the adequate amount from mass however, they could not find or locate new investment sectors required to mobilize their funds on the changing context of Nepal. Few commercial banks are getting regular profits. Most of them are unable to satisfy their shareholders, Managers and customers in earning profit and ensuring their safe deposit. Some banks are incurring clients or adequate deposited but they cannot find profitable sectors or opportunities to invest the deposit collections. They have always feared with high degree of risk and uncertainty (Upreti, 2012).

There are various problems regarding resources and fund mobilizations by financial institution in Nepal. Lack of sound investment policy is main reason for a commercial bank not to properly, utilizing its deposit that is making loan and advances or lending for a profitable project. This condition may lead the commercial bank to the position of liquidation. The formulation of proper investment policy and absence of strong commitment towards the proper implementation has caused many problems to commercial banks. The study have following research questions:

i. What are the positions of liquidity, assets management, profitability and risk of commercial banks?
ii. What is the relationship between investment, deposits, loan and advances and total net profit?
iii. What are the trends of their deposits, loans, and advances, investment and net profit?

1.4 Purposes of the study

The main Objective of this study is to assess the investment policy of Himalayan Bank Ltd, SBI Bank Ltd, and NABIL Bank Ltd and Nepal Investment Bank Ltd. The specific objectives of this study are as follows.

i. To analyze the liquidity, assets management efficiency, profitability and risk position of commercial bank.
ii. To examine the relationship between investment, deposits, loan and advances and total net profit of bank.
iii. To analyze the trends of investment, deposits, loan and advances and net profit of commercial bank.

1.5 Significance of the study

In Nepal, there is less availability of research and articles in investment policy of commercial bank. As investment is the backbone of development of the country and commercial banks have great contribution in the economic growth, this study try to highlight investment policy of commercial banks. The study summarizing, sensible and precious to the people having interest in the investment policy of HBL, SBI, Nepal Investment bank and NABIL bank Ltd. This would be beneficial for bank management, shareholders and customers and furthermore, this would be useful for teacher and students related to the accountancy and finance.

The study is helpful for commercial banks and financial institutions. It provides a useful feedback to the policy maker of banks and also to the government and central bank to formulate the appropriate strategies for improves in the performance of the banks. This study is equally significant to the shareholders, depositors and other creditors to identify the productivity of their fund.

1.6 Limitation of the study

This study tries to examine the effect of investment policy of commercial banks in Nepal; still it has its own restrictions which are as below.

i. This study is based on secondary data only reliability of result is based on their reliability of data available from the annual report, articles, books, journal, unpublished as well as published thesis works.
ii. The whole study is based on the data of five years period (i.e., comparative study).
iii. The study is focused on investment aspects of banking performance only.
iv. The scope of the study is limited within the frame work of investment policy only.

1.7 Chapter plan

Considering the objectives in mind, the study is organized into five chapters.

Chapter 1: Introduction

This chapter includes background of the study, focus of the study, statement of the problems, purpose of the study, significance of the study, limitation of the study and organization of the study.

Chapter 2: Review of literature

This chapter includes the relevant previous writing and studies to find the existing gap; review of books, dissertations are included in this chapter.

Chapter 3 Research Methodology

This chapter contains research design, population and sample size, data collection procedure and tools used for analysis.

Chapter 4 Results

This chapter consists of systematic presentation and analysis of financial statement employing financial and statistical tools. It also includes major finding and discussion.

Chapter 5 Conclusion

This Chapter includes the summary, conclusion and implication of the study.

CHAPTER II
LITERATURE REVIEW

Review of literature provides the foundation for developing a comprehensive the recital framework and knowledge of the status relevant to the field of research in order to explore the relevant and true facts for the reporting purpose. Hence, in this chapter, the focus has been made on the review of literature relevant to the investment policy of commercial banks. For this study different book, journals, articles, annual this chapter is arranged in the following order.

2.1 Conceptual review

Review of supportive text provides the fundamental theoretical framework and foundation to the present study. For this various books, research papers, articles etc. dealing with theoretical aspect of investment policy analysis are taken into consideration.

2.1.1 Definition of investment

The term investment covers a wide range of activities .It is commonly known fact that an investment is only possible when there is adequate saving. If all the income and saving are consumed to solve the problem of hand to mouth and to other basis needs, then there is no existence of investment. Therefore, both investment and saving are interrelated. Different author have tried to explain the meaning of investment in their own, some of them are investment is the allocation of capital to investment proposal whose benefit are to be received in the future. Because the future benefit are not know with certainly, investment proposal necessarily involve risk. Consequently, they should be evaluated in relation to their expected return and risk. For these are the factors that affect the firm’s valuation in marketplace. Moreover investment in capital project should profit expected return in the excess of what financial market require (van Horne, 2002).

Investment as the commitment of future one or more assets that are held over some future time period. Investment is concerned with the management of an investor’s wealth which is the sum of current income and present value of all income. The investment objectives are to increase systematically the individual wealth defined as assets minutes liabilities. Higher the level of desired wealth the higher must be received. An investor seeking higher return must be willing to face the higher level of risk (Cheney & Moses, 1998).

From these definition, it is clear that, investment is simply the conversion of money into claims on money and use of found for productive and income earning assets. It is the employment of funds with the target of achieving additional income or value in the future. It involves saving of resources from current consumption in the hope that some benefits will accrue in the future.

2.1.2 Investment policy

Investment policy can be defined as the action plan by which its funds are distribute on different type of assets with good profitability on the one hand and provide maximum safety and security on other hand. Investment policy is the cornerstone of the investment process. Without it, investors have no appropriate context in which to make decision. Investment policy fixes responsibilities for the investment disposition of the bank assets in terms of allocating funds for investment and loan and establishing responsibility for day to day management of those assets.

Commercial bank should consider the nation interest followed by barrow's interest and the interest of the bank itself before investing to the borrowers. To further pursue his view, bank lending must be for such purposes of the borrowers that are in keeping with the national policy and bank's overall investment policy. A bank's overall investment should be basically of short term characters, well spread, repayable on demand profitable and well inadequate security.

2.1.3 Investment environment

The investment environment refers to all internal and external forces, which have a bearing on the functioning of investment decisions. It encompasses the kinds of marketable securities that exist and where and how they are bought and sold through the broker's network and financial intermediaries. Thus, the investment environment is a combination of securities, market and intermediaries. Any securities transaction conducted without using broker is directly illegal in accordance with rules and regulation.

Security markets are mechanisms created to facilitate the exchange of financial assets. It brings the buyers and sellers together. On the basis of securities traded, security market can be classified into primary and secondary market. On the basis of life-span of securities, it can be divided into money market and capital market. Financial intermediaries are organization that issue financial claims against themselves and use the proceeds to purchase primarily the financial assets of others. They actively participate as both suppliers and demanders of funs. They include savings and loan associations, saving banks, credit unions, life insurances companies, mutual funds; pension funds (Charles, 1990).

2.1.4 Loans and advances policy

The policy of also known as credit policy of the bank. Credit policy guides the bank's overall credit operation. The credit policy is the primary means by which senior management and the board guide lending activities. Although the policy primarily imposes standards, it also is a statement of the bank's basic credit philosophy. It provides a framework for achieving assets quality and earning objectives, set risk tolerance levels and guides the bank's lending activities in a manner consistent with the bank's strategic direction. Credit policy sets standards for portfolio composition, individual credit decision, fair lending and compliance management (Pandey, 1992).

Credit policy should provide a realistic description of where the bank wants to position itself on the risk/reward spectrum. It needs to provide sufficient latitude for a bank to respond to good business opportunities while concurrently controlling credit risk. In normal circumstances, a bank should be able to achieve portfolio objectives and respond to changing market conditions without triggering a limit. Limits should not be so conservative that significant changes breach them, nor should they be so liberal that they have no practical effect. For the policy to be an effective risk management tool, it must clearly establish the responsibilities of those involved in the lending process.

Since the largest proportion of a bank's assets portfolio is taken by loans and advances, healthy development of any bank depends heavily upon its credit policy. A sound the viable investment policy can attract both borrowers and lenders, which helps to increase the volume and quality of deposits, loans and investment. The loan provided by commercial banks is guide by several principles such as length of time, their purpose, profitability, safety, etc. These fundamental principles of commercial bank's investment are fully considered while making investment policy, investment through loans and advances to borrowers is risk inherent. For this, commercial banks have to pay due consideration for risk management while formulating investment policy. ''The investment policy should be carefully analyzed'' .Commercial bank should be careful while performing the credit creation function. Investment policy should ensure minimum risk and maximum profit from lending. Modern portfolio management of bank assets has fundamentally changed the requirements for individuals using this technique :their background with knowledge of early-warning systems, alternative structures to better set risk/ return parameters, and more (Corrado & Jordan, 2002).

Traditional training focuses on the individual loan. Traditional credit training focused on the analysis of a firm's management, operations and financial structure as the basis for determining a borrower's creditworthiness; now training programs incorporate not only these techniques, but also that elusive element called a bank's credit culture. Protection measures against portfolio losses focused on loan loss reserves based on moving- average formulas. Concentration risk was to be avoided, but there were always special customers for whom expectations could be made. If the formulas were correct, then overall expected losses in the portfolio would be covered by reserves. But those formulas and expectations were not always so extraordinary, or unexpected, losses that were charged to income in the year of their incurrence.

Portfolio management looks at the impact of loans individually collectively and comparatively modern portfolio management techniques have supplemented those unwritten rules with portfolio analysis and policies that establish limits on exposure by country, by obligor, by industry and so on. These limits are derive from a specific focus on the technical aspects of these assets class – a segmentation of the credit portfolio can now be evaluated on the basic fundamental as well as quantities portfolio analysis (Pandey, 1992).

2.1.5 Principles of sound investment

The commercial banks are the inspired with the goal of earning profit. There are many reasons for having profit as their goal. A bank is like a legal person where shareholders are the owners of the bank, the board of director is the agent of the bank that operates the bank. There are many employees who were appointed to run the banks, it needs a great amount of expenses, whether it is direct or indirect, there is continuous expenses in the bank. The main aim of any person or institution to invest the money in the bank is to earn more profit only. There is only one bank i.e. central bank which is established without the aim of gaining profits. Other banks are inspired with the objectives of earning profit and helping the economic development and finally to take the social responsibility. They should have the ability to use the policy of banking investment and to implement it much more carefully otherwise a bank may be unsuccessful in its goal (Bhandary, 2003).

Without investment, a bank cannot gain profit. The bank cannot be successful until it gains profit. Therefore, after the establishments of bank it collects much deposit; get the deposit from the current saving and fixed deposit account. In this way, the bank apart from the amount deposited from such accounts, collects the capital by selling its shares. The bank can take loans thus a great capital fund is formed in the bank from different sources. It is nor better to keep such capital fund inactive. The bank should able to clear the policy of its investment by making a deep study on the subject that which sector would be the more trust worthy and dependable to invest the amount collected in the bank .If the bank applies can be successful in its goal.

The guiding principles of sound investment are as follows:

a) Liquidity ratio

Liquidity is the ability of the firm to satisfy its short term obligations as they come due. Generally people use deposit their earning at the bank in different accounts with the confidence that the bank will repay their money when they need. To maintain such confidence of the depositors, the bank must keep this point in mind while investing its excess fund in different securities or at the time of lending so that it can meet current of short term obligations when they become due for repayment.

b) Profitability ratio

The profit of commercial bank mainly depends on the interest rate, volume of loan, its time period and nature of investment in different securities. It is a fact that a commercial bank can maximize its volume of wealth through maximization of return on their investment and lending. Some they must invest their funds where they gain maximum profit. A good bank is one, who invests most of its fund in different earning assets standing safety from the problem of liquidity i.e. keeping cash resource to meet day to say requirement of the depositors.

c) Safety and security

Safety would be the major guiding principal of a bank , so far as its advances and investment are concerned, because the very existence of a bank depends on the safety of its outstanding , which should never therefore be sacrifice to the profit earning capacity of its advances. A bank should pay special emphasis on safety. Why people are encouraging to deposit their valuable ornaments, jewelry, important document and money in the bank for the sake of safety. So, it the invested area is unsafe, it isn't good sign for the bank. So the bank should pay much emphasis on the principles of safety, to follow the investment policy. There will be no doubt of loss whether it is great or little it the bank has not invested in a safe sector. The bank should think it with much sensibility. To invest in an unsafe sector with the hope of gaining much profit is to accept the security of low quality. To invest large loan against less security by receiving commission, to invest in new places without care, observation and to flow the loan, term including these all various reasons will make unsafe of the bank investment. (Atal, 2010)

d) Diversification

''A bank should not lay all its eggs on the same baskets''. This studying is very important to the bank and it should be always careful not to grant loan in only one sector. To minimize risk, a bank must diversify its investment on different on different sectors. Diversification of loan helps to sustain loss according to the law of average, if a security of a company is deprived of; there may be an appreciation in the securities of other companies. In this way, the loss can be recovered (wolf, 2002).

e) Marketability

A bank should adopt the principle of marketability in investment policy. In certain way, the bank moves its investment of flows loan against security. To invest the money, the bank should follow the policy of taking the security of high quality as far as possible, the market if Nepal is small, in such market in order to livingness to its banking transaction, a bank should flow its loan by taking first class securities. The bank should keep in mind, the main principle of marketability while doing investment. (Dhakal, 2010)

f) Suitability

A banker should always know why a customer is in need of loan. If a borrower misuses the loan granted by the bank, he will never be able to repay the loan and bank will possess heavy bad debts. Therefore, in order to avoid such circumstances, advances should be allowed to select suitable borrowers and it should demand all the essential detailed information about the scheme of the project. Bank should also keep in mind the overall development plans of the nation and the credit policy guidelines of the central bank. (Thapa, 2012)

g) National interest

In addition to its own profitability objectives, the bank should also consider the national interest. Even through the bank cannot get maximum return from such investment; it should carry out its obligation toward the society and the country. The bank is required to invest on such sectors as per the government and Nepal Rastra Bank's instruction. Investment on government bonds, priority and derived sector lending are the example of such investments. (Pandey, 1992)

2.2 Review of previous works

2.2.1 Review of related journal and articles

In this section, attempt has been made to review some relevant articles different economic/finance journals **.**The world Bank Bulletins, dissertation papers, magazines, newspapers, websites and other related literature.

Bhattrai (2003), conducted a study a loan is very easy term for a borrower when has already taken and for a lender not availed. It is equally difficult for a borrower to avail and for lender to recover. From a banker's view, it is just like a stone to roll down from the top of the hill while sanctioning, but too difficult to roll back the same stone to the top of the hill while recovering. A loan not recovered within the given time frame either in the form of interest servicing or principal repayment is called non-performing loan (NPL). There are other parameters as well to quantify an NPL. Security not to extent of loan amount with specified safety margin, value of security not realizable, possession not as per the requirement of bank, conflict of charges are the other reason which causes difficulties while recovering the loan. According the loan for a bank is most important to generate revenue for operational expenses as well as to provide return to the shareholder.

Jha & Hul (2012), conducted a study entitled "financial performance of commercial banks in Nepal". The study finds that through financial ratios analysis compares the financial performance among commercial banks; the same bank had different ranks under the different financial ratios. The ratio of public sector banks were higher than those of joint venture and domestic public sector banks was not observed sound because other financial ratio including ROE, CDR, and CAR of most of the joint venture and domestic public banks were found superior. This study shows, high overhead costs, political intervention, poor management and low quality of collateral created continued deterioration in the financial health of the public sector banks. The values determined for the financial ratios reveal that joint venture and domestic. Public banks are also not so strong in Nepal to manage the possible large scale shock to their balance sheet. Furthermore, it can be conclude from the multiple regression analysis that the capital adequacy ratio, interest expenses to total loan and net interest margin were significant but had a negative effective on ROA while non- performing loan and credit to total deposit did not have any considerable effect on ROA. The capital adequacy ratio positively influenced the return on equity but the non-performing loan, credit to deposit ratio, interest expense to total loan and net interest margin had no significant effect on ROE.

Rimal (2013), "Nepal's Overall Banking Sector is not good". This article examines Nepal's banking sector has been passing through ups and down in the last few year. Nepalese bank face the liquidity crunch a few years ago and now the banking sector has problems of excessive liquidity. Nepal's overall banking sector is not good owing to the problems related to liquidity despite certain progress. For instance, 31 commercial banks have excessive liquidity and there is also less than 8% interest rate in inter banking transaction.

Uthayachandar (2014), In the study Financial institutions, the investment and investment problems are revolve around the concept of managing the surplus financial assets in such a way, that leads to the wealth maximization and providing a significant further of income. Thus the investment is the management of the surplus resources in such a way that it works for providing benefits to the supplier to the funds that is the banks. However investment needs to be a procedural task. It must follow a definite process, to ensure the formulation of proper investment policy. Banks are disbursing their money as investment in business and industry. Therefore, banks should be following the principle of investment for profit. An investment policy should ensure maximum profit and minimum risk. A huge collection and investment policy plays vital role for the economic development of whole economy. The main focus of this study is towards the investment practices of the banks. The study suggests the way to be the policy makers to improve the management of investment policy and recommends suggestions to raise the profit.

Mahat (2015), has published an article on the Kathmandu Post daily of 28th April, 2015 entitled "Efficient Banking", in his article he has accomplished the efficiency of banks can be measured using different parameters. The concept of productivity and profitability can be applied while evaluating efficiency of banks. The term productivity refers to the relationship between the quality of input employed and the quality of outputs produced. Interest expenses to interest income ratio shows the efficiency of banks in mobilizing resources at lower cost and investing in high yielding assets. In other word, it reflects the efficiency in use of funds. According to the Mahat, the analysis of operational efficiency of banks helps one in understanding the extent of vulnerability of banks under the changed scenario and deciding whom to banks upon. This also helps the inefficient banks to upgrade their efficiency and be winners in the situation developing due to slowdown in economy. The regulators should also be concerned on the fact that the banks with unfavorable ratio bring catastrophe in the banking industry.

Somewhwar (2015), has studied entitled "An investment pattern of scheduled commercial banks in India". The study focused on investment portfolio of scheduled commercial banks. The investment and investment problems are revolve around the concept of managing the surplus financial assets in such a way, that leads to the wealth maximization and providing significant further source of income to the banks. Thus the investment is the management of the surplus resources in such a way that it provides benefits to the supplier of the funds that is the banks. However, the investment is a procedural task. It must follow a defied process, to ensure the formulation of paper investment policy. Banks are disbursing their money as investment in trade business and industry. Therefore, banks should be following the principle of investment for profit. An investment policy should ensure maximum profit and minimum risk. A huge collection and investment policy plays vital role for the economic development of whole economy. The main focus of this study is towards the investment portfolio of the scheduled commercial banks.

Wehrle & Pohl (2016), reviews commonalities and differences of policies implements in 17 economies that have explicit policies in this area. It offers a comparative analysis of countries' investment policy approaches to address national security concerns stemming from foreign investment; classifies the different forms of restrictions to address these concerns; identifies differences between restriction on ownership and acquisition; and present now countries define the scope of application of their policies.

Jamshid (2020), had studied the investment strategy of commercial banks in the financial markets. The aim of his study is to show the importance of the investment portfolio in commercial banks and his basic investment portfolio management strategies that commercial banks can use. With increasing competition from banks and other non-banking institutions, the importance of the investment portfolio as an alternative that provides additional sources of revenue, ensures liquidity, ensures diversification of placements and reduces risk exposure. The investment pattern and quality of the investment portfolio of commercial banks is also influenced by the state, through monetary policy measure and fiscal policy measure. The author in his studies concludes that investment pattern on loan and advances brings higher incomes than investment in securities, therefore commercial banks are focusing their investment on credit.

2.2.2 Review of previous thesis studies

Maharjan (2006), conducted a study entitled "A comparative study of financial performance of commercial Banks with reference to HBL, NIBL and EBL". The study concludes that all the banks are not strong in all fields. Some of them are stronger in profit making but failed to maintain the consistency, some are weaker in mobilizing their deposits; few of them have concentrated in to very limit diversified investment etc. Today is the competition and banks should bring different attractive programs, facilities, technologies. The success rate of banking mainly depends upon the banking awareness by the general public. Regular conducted awareness programs in term of seminars or workshops from well experienced personnel such as top level executives and concerned regulating authorities should be done. On the basis of this feedback, regular changes or implementation of new rules and regulations can be easily carried out.

Selwall (2007), conducted a study entitled "Lending policy of commercial banks in Nepal" Effectiveness of lending policy is directly based upon a sound banking system. But due to geographical variation, transportation and other regional disparities, it is very difficult to expand branches in different rural areas. So, it can be said that commercial banks in Nepal are not playing an active role to utilize their sources collected from different sectors. By paying higher interest rate, the banks are increasing deposits, which in turn increase saving habits of the general people. Then the banks are able to utilize these idle funds in productive channels. This type of business of commercial bank is really a necessary one in an agricultural country like Nepal, where public investment has limited capacity.

Dhungana (2009), has done study entitled "Investment pattern analysis of commercial banks of Nepal". The study focuses on the comparative study on investment pattern of commercial bank. Dhungana suggested that, banks should increase their efficiency on collecting deposit by using several techniques, without enough deposit banks cannot run smoothly and have more investment opportunity. Investment on government securities is considered as safety option than other means of investment. Banks are not following properly the NRB directives regarding investment on priority sector, banks are suggested to invest stipulated investment on priority sector. The author further states, by allocating funds in different components of banking assets having different degree of risks and varying rate of return, banks can achieve the goal of maximum yield and minimum risk.

Basnet (2011), conducted a study entitled "liquidity position of NABIL Bank ltd". It is comparatively worse than that of that of other JVBS. It has more portions of current assets as loan and advances but less portion as investment on government securities. NABIL Bank ltd. is comparatively less successful in on-balance sheet operation as well as off- balance sheet operations than that of other JVBS. The mean ratio of return on loan and advances of NABIL Bank ltd. has found slightly lower than that of other JVBS. Similarly the mean ratio of total interest earned to total outside assets of NABIL Bank ltd. has been found slightly lower than of other JVBS. Through NABIL Bank ltd. seems to be more successful to increase its sources of funds as well as mobilization of it by increasing loan and advances and total investment, it seems to be failure to maintain its high growth rate of profit in comparison to that of other JVBS. There is significant relationship between deposit and loan and advances as well as outside assets and net profit but not between deposit and total investment in case of both NABIL Bank ltd. and other JVBS.

Upreti (2012), conducted a study on "Investment Policy of Joint Venture Banks in Nepal" (A Comparative Study of Nepal SBI Bank Ltd and NABIL Bank Ltd), main objective of the study is to evaluate the investment policy of NABIL and NSBL. The specific objectives of the study are: to study the leading policies and deposit and investment trends of the sample bank (NABIL and NSBL)**,** to study the impact of loan and advances and deposit mobilization in total investment of NABIL and NSBL and to study the investment decisions of NABIL and NSBL in the context of existing regulation. This concluded that economic liberalization policy of the government has encouraged the establishment of growth of the banks in the country with in short period of time. However, the overall performance of JVBs is not satisfactory Strengthening and the institutionalization of commercial bank are very important to have a meaningful relationship between commercial banks and national development through shift of credit to the productive industrial sectors. The commercial banks have to prove that they can really contribute to the national economy, are efficient and visible agencies for mobilization of saving and are professionally managed and competent enough to ensure adequate rate of return on investment and are strategically well planned.

Bhandary (2015), conducted a study entitled "Investment policy of joint venture bank of Nepal". The JVB of Nepal are more ethical than others in making and implementing the investment policies, they have also good investments, loans and advances with compare to total deposits and good liquidity position too. joint venture poses some advantages such as –provide company with the opportunity to gain new capacity and expertise , allow companies to enter related business or new geographic market or gain new technological knowledge, access to greater resources, institute including specialized staff and technology, sharing risk with venture partner . In the era of divestiture and consolidation, JV's offer a creative way for companies to exist from non-core business. However, JV may have some demerits like, it takes time and effort to build the right relationship and partnering with another business can be challenging. Problems are likely to arise if: The objectives of the joint venture are not 100% clear and communicated to everyone involved, there is an imbalance in level of expertise investment or assets brought into venture by the different partners.

Regmi (2016), conducted a study on "A comparatively study on Investment policy of Everest Bank and Himalayan Bank Limited". The liquidity position of EBL was comparatively better than HBL, EBL had the highest cash and bank balance to total deposit ratio, cash and bank balance to current assets ratio than that of HBL. Both EBL and HBL had almost same pattern of investment on government securities, but fluctuating ratios showed the unstable policy of investment. EBL has higher loan and advances to current assets ratio and successful in deposit collection as well .In profitability analysis, HBL had maintained high profit margin regarding profitability position, HBL was more successful to generate income through loan and advances and operating income and it has earned more total outside assets and total working funds.

Shrestha (2017), conducted a study entitled "Investment planning of commercial banks in Nepal" made remarkable efforts to examine the investment planning of commercial banks in Nepal on the basis of the study. It concludes that the bank’s portfolio (loan and Investment) of commercial banks has been influenced by the variable security rates. Investment planning of commercial banks in Nepal is directly traced to fiscal policy of government and heavy regulatory procedure of the central bank so, the investment are not made in professional manners. Investment planning and operation of commercial bank of Nepal has not been found satisfactory in term of profitability. To overcome this problem she suggested, ‘’ Commercial bank should take their investment operation efficiently with the proper analysis of the project.’’

Karki (2017), conducted a study entitled "An analysis of investment policy of commercial banks in Nepal" .The liquidity position of NIBL was highly fluctuating which showed that NIBL are higher risk than other two banks. From the analysis of assets management ratio of NIBL in comparison to Nabil and HBL was more successful regarding assets management and deposit mobilization. NIBL’s investment on shares and debentures was high in comparison to the other two banks but its performance regarding total investment has been very poor.

2.3 Research gap

After review the past articles and thesis, investment policy of commercial banks in Nepal. The research study is mainly differ than the previous research study due to this research study is mainly focus on both measuring financial performance and investment policy of banks. The ratios used liquidity ratios, Assets management ratios, Profitability ratios and Risk ratios to measures the financial performances learnable are different than the past researcher. The sample used in research study are HBL, NIBL, NABIL and SBI Bank Ltd, which are different than the past research articles and thesis.

CHAPTER III

RESEARCH METHODOLOGY

Research Methodology describes the methods and process applied in the entire aspect of the study. In other words methodology refers the various steps that are generally adopted by researcher in a way to systematic process in studying a problem with certain objective. Research methodology describes the methods and process applied in the entire aspect of the study. In this regard this chapter research design, nature and sources of data and use of statistical tools are used in the study.

3.1 Research design

Panta (2016), Quantitative research concentrates on what can be measured. It involves collecting and analyzing objective (often numerical) data that can be organized into statistics. This study depends on the secondary data. Research design used in this research is descriptive research design. It includes all process of collecting verifying and evaluating of past evidence systematically and objectively to reach conclusion. Some statistical and financial tools have been adopted to examine facts in this study.

3.2 Population and sample

Population: The population for the research is all commercial banks in Nepal i.e.27 commercial banks. According to the monetary policy 2076/77, in line with the investment decision policy of these banks. At present, there are 27 commercial banks are in operation, these commercial bank taken as the population for the study.

Sample: Out of commercial banks, four commercial banks, Himalayan Bank, SBI Bank, Nepal Investment Bank, and Nabil Bank Ltd. which have been considered as the selected sample frame. This study cover the data five years form fiscal year 2014/15 to 2018/19. Convenience sampling, the most commonly used, incredibly prompt, uncomplicated and economical sampling technique was applied for this study.

3.3 Data collection and processing

This research examine the investment pattern analysis of commercial banks. For this purpose secondary data are used, data are collected from the financial statement of the selected banks HBL, SBI NIBL and Nabil Bank limited, 5 year period.

3.4 Data analysis tools and techniques

In order to achieve the objectives of the study various financial and statistical tools are used to analyze the effectiveness of investment policy of commercial banks.

i) Statistical tools

ii) Financial tools

3.4.1 Statistical tools

i) Karl Pearson's correlation co-efficient analysis

We examine the relation between the various variables. The Correlation co-efficient is a relative measure of co- movements between variables. It is the measurement of linear relationship between two or more variables. Its values lie between -1 and =1. Mathematically,

$$\text{Correlation coefficient (r} = \frac{n\sum xy - \sum x \sum y}{\sqrt{\left(n\sum x^2 - \left(\sum x\right)^2\right)}\sqrt{\left(n\sum y^2 - \left(\sum y\right)^2\right)}}$$

ii) Standard deviation

Standard deviation is a statistical measure of the variability of a distribution of return around its mean .It is the square root of the variance and measure the unsystematic risk. A small standard deviation means a high degree of uniformity of the observation. It is denoted by Greek letter called sigma (σ).

Mathematically,

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum (x - \overline{x})^2}{N}}$$

iii) Co-efficient of variance

The co-efficient of variance is the ratio of standard deviation to the mean for a given sample used to measure of relative's risk. The larger the CV, the grater is the risk relatives to the average.

Mathematically,

$$\text{C.V} = \frac{\text{S.D.}}{\text{Mean}} \times 100$$

iv) Least square linear trend:

Among the various methods of determining trend of time series, the most popular and mathematical method is the least square method. Using this least square method. It has been estimated the future trend values of different variables. For the estimated of linear trend line following formula can be used:

$$Y = a + bx$$

Where, a = Constant

b = Beta coefficient

x = Independent variable

3.4.2 Financial tools

Financial tools basically help to analyze the strength and weakness of the firm. Financial tool uses in this study are as follows: Liquidity Ratio, Assets Management Ratio, Profitability Ratio and Risk Ratio.

a. Liquidity ratio

Liquidity ratio measures the ability of the forms to meets its current obligations. In facts, analysis of liquidity needs the preparation of cash budgets, cash and fund but liquidity ratio, by establishing a relationship between cash and other current assets to current obligation, provide guide measures of liquidity. Liquidity is measured by the speed with which a bank's assets can be converted in to cash to meet deposit withdrawal and other current obligation.

i) Current ratio

The current ratio is the ratio of total current assets and current liabilities. It shows the relationship between current assets and current liabilities.

Mathematically, it is represented as:

Current ratio = Currents assets/Currents liabilities

The widely accepted standard current ratio is 2:1 but accurate standard depends on circumstance is case of seasonal business ratio.

ii) Investment on government securities to current assets ratio

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

I.O.G.S to C.A Ratio= I.O.G.S/Current assets

b. Assets management ratio

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

i) Total investment to total deposit ratio

Investment is one of the major sources of earning income. This ratio indicates how properly firm's deposits have been invested on government securities and shares and debenture of other banks. This ratio can be calculated by dividing total amount of investment by total deposit collection, which can be shown as:

Total investment to total deposit ratio= Total Investment/Total Deposit

ii) Investment on government securities to total assets ratio

Investment on government securities to total assets ratio shows how percentage of total assets of the banks are utilize in different types of government securities. High ratio is the indicator of the high investments in government securities and vice-versa.

This ratio is expressed as,

I.O.G.S to total assets ratio = I.O.G.S/Total Assets

c. Profitability ratios

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

i. Return on total assets

Return on total assets ratio measures the profitability position of the selected banks and finance companies in comparison with total assets of those selected banks .This ratio is calculated by dividing net profit by total assets. This can be stated as:

Return on total assets ratio= Net Profit or loss / Total Assets

The numerical indicates with portion of income left to the internal equities after all costs, charges have been deducted.

ii. Return on total investment ratio

Return on total investment ratio measures the profitability position of the selected banks and finance companies in comparison with total investment of those selected firms. It is calculated dividing return on net profit (loss) by total investment and can expressed as:

Return on total investment ratio = Net profit or Loss/ Total investment

iii. Return on loan & advance ratio

Return on loan & advances ratio shows how efficiently the banks and the finance companies have utilized their resources to earn good return from provided loan & advances. This ratio is computed dividing net profit (loss) by the total amount of loan & advances cam be presented as: Mathematically,

Return on loan and advance ratio= Net Profit/Loan and Advances

d. Risk ratios

Risk taking is the prime business of bank's investment managements. It increases effectiveness and profitability of the bank. These ratios indicate the amount of risk associated with the various banking operations, when ultimately influences the bank investment policy.

The following ratios are evaluated under this topic:

i) Credit risk ratio

Credit risk ratio helps to check the profitability of loan non-repayment or the possibility of loan to go into default. Credit risk ratio is calculated in percentage dividing total loan and advances by total assets is expressed as,

Credit risk ratio = Loan and Advances/Total assets

ii) Capital risk ratio

The capital risk ratio of a bank indicates how much assets values may decline before the position of depositors and other creditors jeopardize. The capital risk is directly related to the return on equity (ROE). Higher the ratio, Lower is the capital risk.

Mathematically, it is represented as:

Capital risk ratio = Capital (paid up + Reserved)/ Risk weighted Assets

CHAPTER IV
RESULTS

4.1 Data presentation and analysis

This chapter makes systematic presentation and analysis of data. Analysis is based on the data obtained from secondary sources. Appropriate statistical as well as financial tools described in the research methodology chapter have been used to derive actual result from the analysis of data. The chapter has been divided into main section. The first section of the chapter includes presentation and analysis of data while the second section includes major finding of the study.

4.1.1 Financial analysis

Financial analysis is process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of balance sheet. Here relevant ratio is calculated and appropriate interpretations are made.

4.1.1.1 Liquidity ratio

Liquidity ratio measures the ability of the forms to meets its current obligations. In facts, analysis of liquidity needs the preparation of cash budgets, cash and fund but liquidity ratio, by establishing a relationship between cash and other current assets to current obligation, provide guide measures of liquidity. Liquidity is measured by the speed with which a bank's assets can be converted in to cash to meet deposit withdrawal and other current obligation.

i) Current ratio

Current assets indicate the ability of bank to meet its current obligation. This is the broad measure of liquidity position of financial institution. The widely accepted standard of current ratio is 2.1 but accurate standard depends on circumstances in case of banking and seasonal business ratio such as 1.1 etc.

We have,

Current ratio = Current Assets/Current Liabilities

Table 4.1.1 Current ratio (times)

SN	Fiscal year	HBL	Nabil	NIBL	SBI
1	2014/15	0.88	0.79	0.86	1.04
2	2015/16	0.89	0.78	1	1.02
3	2016/17	0.94	0.84	1.02	1.03
4	2017/18	0.97	0.94	1.03	1.04
5	2018/19	0.94	0.98	1.04	1.06
	Total	4.62	4.33	4.95	5.19
	Mean	0.92	0.87	0.99	1.04
	S.D	0.04	0.09	0.07	0.01
	C.V (%)	4.09	10.38	7.49	1.43

Sources: Annual Report of HBL, Nabil, NIBL and SBI from 2014/15 to 2018/19.

Table 4.1.1 shows the current ratio of HBL, Nabil, NIBL and SBI Bank Ltd. Total mean; Standard deviation and coefficient of variation have also calculated. Although the current ratio of Nabil, HBL, NIBL and SBI have been fluctuating, it always less other current ratio of HBL, NIBL and SBI. In fact, the current ratio of sample bank seems to be appropriate. But, the lower ratio of Nabil indicates that it may often not be in proper liquidity position. SBI liquidity position is better than that NIBL, HBL and Nabil ie.1.04>0.99>0.92>0.87. The coefficient of variation between the current ratio of HBL, Nabil, NIBL and SBI is 4.09%, 10.38%, 7.49% and 1.43% respectively . It shows that current ratio of SBI is highly consistent than other sample banks, because higher the ratio more the inconsistency and lower the ratio more the consistency.

ii) Investment of government securities to current assets ratio

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

I.O.G.S to C.A Ratio= I.O.G.S/Current assets

Table 4.1.2 Investment on government securities to current assets

SN	Fiscal year	HBL	Nabil	NIBL	SBI
1	2014/15	14.46	10.66	11.36	4.66
2	2015/16	11.77	16.81	8.72	8.14
3	2016/17	10.83	10.76	9.22	8.37
4	2017/18	11.8	11.25	10.4	13.36
5	2018/19	15.07	14.49	9.9	9.27
	Total	63.93	63.97	49.6	43.8
	Mean	12.79	12.79	9.92	8.76
	S.D	1.86	2.74	1.03	3.11
	C.V (%)	14.55	21.43	10.37	35.54

Sources: Annual Report of HBL, Nabil, NIBL and SBI from 2014/15 to 2018/19.

Table 4.1.2 shows total mean standard deviation and coefficient of variation of investment of government securities to current assets ratio of these four sample banks. Above the table shows that investment on government securities to current assets ratio of HBL bank has decreasing trend in first 3^{th} year but then after it follows increasing trend, Nabil bank has increasing trend in 2^{nd} year and decreasing in 3^{th} year after then it follows increasing trend in 4^{th} and 5^{th} year, NIBL has decreasing trend in first 2^{nd} year and increasing trend in 3^{th} and 4^{th} year after then decreasing trend. But SBI bank has increasing trend in first 4^{th} year after then decreasing in 5^{th}year. Mean of HBL and Nabil bank is equal which is higher than SBI bank i.e. 12.79%>8.76%, Coefficient of variation of SBI is higher than NIBL bank ie.35.54%>10.37%. It can be concluded that HBL, NIBL, Nabil bank have invested its current assets in government securities more than SBI bank but Investment in Government securities out of total assets is more consistent comparing with other sample banks.

4.1.1.2 Assets management ratio (Activity ratio)

Assets management ration measures the efficiency of the bank to manage its assets in profitable sector. This indicates the ability of the bank to utilize their available resources. Following ratios are discussed under this topic.

i) Total investment to total deposit ratio

Commercial bank mobilizes its deposit by investing its fund in different securities issued by government and other non- financial companies. This ratio measures the extent to which the banks are able to mobilize their deposit on investment in various securities.

We have,

Total Investment to total deposit ratio= Total Investment /Total Deposit

whereas, Total Investment includes investment on government securities, investment on debenture and bonds, shares in subsidiary companies, shares in other companies and other investment.

Table 4.1.3 Total investment to total deposit ratio

SN	Fiscal year	HBL	Nabil	NIBL	SBI
1	2014/15	22.65	29.71	23.68	7.46
2	2015/16	22.11	35.53	15.29	9.58
3	2016/17	19.46	29.48	13.06	9.82
4	2017/18	17.48	21.08	12.76	10.59
5	2018/19	20.72	15.63	11.65	9.66
	Total	102.42	131.43	76.44	47.11
	Mean	20.48	26.29	15.29	9.42
	S.D	2.09	7.87	4.87	1.17
	C.V (%)	10.2	29.96	31.88	12.39

Sources: Annual Report of HBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.1.3 shows total mean, Standard deviation and coefficient of variation of total investment to total deposit ratio of four sample banks. The above table reveals that Nabil has fluctuating trend i.e. highly in fiscal year 2015/16 i.e. 35.53% and lowest in fiscal year i.e. 2018/19 i.e. 15.63%, HBL has decreasing trend fiscal year 2014/15 to 2017/18 and after then increasing trend, NIBL has decreasing trend fiscal year 2014/15 to 2018/19. But SBI bank has increasing trend in fiscal year 2014/15 to 2017/18 and after then decreasing trend in fiscal year 2018/19.The mean and standard deviation of Nabil is higher than SBI bank i.e. 26.29%>9.42 and 7.87%>1.17%. But C.V of HBL is less than NIBL bank i.e. 10.20 % <31.88%.

From the above analysis, it is clear that Nabil has more successful to utilize its deposit than HBL, NIBL, and SBI but HBL has higher consistency to investment than sample banks.

ii) Investment on government securities to total assets ratio

Investment on government securities to total assets ratio shows how percentage of total assets of the banks are utilize in different types of government securities. High ratio is the indicator of the high investments in government securities and vice-versa. This ratio is expressed as,

I.O.G.S to total assets ratio = I.O.G.S/Total Assets

Table 4.1.4 I.O.G.S to total assets ratio (%)

SN	Fiscal year	HBL	Nabil	NIBL	SBI
1	2014/15	11.32	7.74	8.73	4.31
2	2015/16	9.3	11.61	7.54	7.43
3	2016/17	8.83	8.01	8.15	7.64
4	2017/18	9.84	9.18	9.11	12.08
5	2018/19	12.18	12.58	8.75	8.46
	Total	51.47	49.12	42.28	39.92
	Mean	10.29	9.82	8.46	7.98
	S.D	1.41	2.17	0.62	2.78
	C.V (%)	13.69	22.09	7.29	34.83

Sources: Annual Report of HBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.1.4 shows total mean, standard deviation and coefficient of variation of investment of government securities to total assets ratio of these four banks. The table shows that investment of government securities to total assets ratio of HBL has decreasing trend in fiscal year 2014/15 to 2016/17 after then it has increasing in fiscal year 2017/18 to 2018/19, Nabil bank has increasing trend in fiscal year 2014/15 to 2015/16 and decreasing trend in fiscal year 2016/17 after then also increasing trend fiscal year 2017/18 to 2018/19 , NIBL has decreasing trend in FY 2014/15 to 2015/16 and increasing trend in FY 2016/17 to 2017/18 after then decreasing trend. But SBI bank has increasing trend in FY 2014/15 to 2017/18 after then decreasing trend. Mean value of HBL bank is higher than SBI bank i.e. 10.29 % > 7.98%. Coefficient of variation (CV) of SBI is higher than NIBL i.e. 34.8% > 7.29%. It can be concluded that NIBL has more consistent investment in government securities comparing with other sample banks.

4.1.1.3 Profitability ratio

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

i) Return on total assets ratio

This ratio is calculated by dividing net profit by total assets. This can be stated as

Return on total assets ratio = Net Profit / Total Assets

Table 4.1.5 Return on total assets (%)

SN	Fiscal year	HBL	Nabil	NIBL	SBI
1	2014/15	1.31	1.81	1.88	1.64
2	2015/16	1.91	2.15	1.96	1.59
3	2016/17	2.13	2.57	2.06	1.57
4	2017/18	1.58	2.47	2.13	1.97
5	2018/19	2.04	2.11	1.79	1.94
	Total	8.97	11.11	9.82	8.71
	Mean	1.79	2.22	1.96	1.74
	S.D	0.34	0.30	0.14	0.20
	C.V (%)	19.04	13.69	6.39	11.27

Sources: Annual Report of HBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.1.5 shows the total mean, SD and CV of return on total assets ratio of HBL, Nabil, NIBL and SBI banks. The above table shows that the return on total assets ratio of HBL has increasing in FY 2014/15 to 2016/17 and decreasing in FY 2017/18 then after it has in also increasing trend, Nabil bank has increasing trend in FY 2014/15 to 2016/17 after then decreasing trend in FY 2017/18 to 2018/19,NIBL has increasing rapidly in FY 2014/15 to 2017/18 then after decreasing in FY 2018/19 Similarly, SBI has decreasing trend in FY 2014/15 to 2016/17 and increasing trend in 2017/18 then after decreasing in 2018/19.Mean value of return on total assets ratio of Nabil is higher than SBI bank ie.2.22%>1.74%, which indicates that the position of bank is good to some extent in this regard. Considering the CV,HBL is higher than NIBL i.e. 19.04% > 6.39%. This stated that consistent return on total asset in comparison to HBL, Nabil and SBI.

ii) Return on total investment ratio

Return on total investment ratio measures the profitability position of the selected banks and finance companies in comparison with total investment of those selected firms. It is calculated dividing return on net profit (loss) by total investment and can expressed as:

Return on total investment ratio = Net profit / Total investment

Table 4.1.6 Return on total investment ratio

SN	Fiscal year	HBL	Nabil	NIBL	SBI
1	2014/15	6.49	6.76	9.14	25.29
2	2015/16	10.02	7.07	15.46	20.04
3	2016/17	12.04	10.04	19.06	19.72
4	2017/18	10.76	13.89	20.99	22.67
5	2018/19	11.79	16.64	19.09	24.24
	Total	51.1	54.4	83.74	111.96
	Mean	10.22	10.88	16.75	22.39
	S.D	2.24	4.31	4.7	2.48
	C.V (%)	21.89	39.65	28.06	11.07

Sources: Annual Report of HBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.1.6 shows the total mean, standard deviation and coefficient of variation of return on investment ratio of HBL, Nabil bank and SBI banks. In the above table, return on total investment ratio of HBL has increasing trend in fiscal year 2014/15 to 2016/17 and decreasing in fiscal year 2017/18 then after increasing in FY 2018/19, Nabil bank has increasing in fiscal year 2014/15 to 2018/19, NIBL has increasing trend in fiscal year 2014/15 to 2017/18 and decreasing trend in fiscal year 2018/19. Similarly, SBI has decreasing trend in fiscal year 2014/15 to2016/17 and increasing trend in fiscal year 2017/18 to 2018/19. Mean value of SBI is higher than that of HBL ie.22.39% > 10.22%, Nabil and NIBL Whereas, C.V of SBI is lower than of Nabil bank i.e. 11.07% < 39.65%. From this analysis it found SBI is successful to maintain the higher ratio in return on investment ratio. It also shows that investment policy of SBI is consistence.

iii) Return on loan and advances ratio

When net profit is divided by loan advances the ratio is called return on loan and advances. Mathematically,

Return on loan and advance ratio = Net Profit/Loan and Advances

Table 4.1.7 Return on loan and advances ratio (%)

SN	Fiscal year	HBL	Nabil	NIBL	SBI
1	2014/15	2.08	3.20	2.96	2.44
2	2015/16	2.86	3.70	2.98	2.67
3	2016/17	2.85	4.02	2.98	2.44
4	2017/18	2.13	3.50	3.03	2.69
5	2018/19	2.78	3.17	2.61	2.59
	Total	12.70	17.59	14.56	12.83
	Mean	2.54	3.52	2.91	2.57
	S.D	0.40	0.36	0.17	0.12
	C.V (%)	15.70	10.13	5.87	4.68

Sources: Annual Report of HBL, Nabil, NIB Land SBI from 2014/15 to 2018/19.

Table 4.1.7 shows the total mean, SD and C.V of return on loan and advances ratio of HBL, Nabil, NIBL and SBI. The ratio of sample banks is fluctuating while Nabil has higher return on loan and advance ratio than HBL, NIBL and SBI. HBL has increasing trend in fiscal year 2014/15 to 2015/16, and decreasing trend in FY 2016/17 to 2017/18 then after increasing in FY 2018/19 to 2018/19, Nabil bank has increasing in fiscal year 2014/15 to 2016/17 and decreasing trend in fiscal policy 2017/18 to 2018/19, The ratio of NIBL has increasing trend in fiscal year 2014/15 to 2018/19.Similarly, SBI bank has fluctuating in every fiscal year. Mean value of Nabil bank is greater than HBL i.e. 3.52% > 2.54%. Nabil bank has maintained higher ratio than other sample banks, which indicates that it is successful to earn higher return on its loan and advances. But coefficient of variation of SBI bank is lowest comparing with other sample bank i.e. 4.68% < 5.87% < 10.13% < 15.70% which shows investment policy return of SBI bank is consistence than sample banks.

4.1.1.4 Risk ratio

Risk taking is the prime business of bank's investment managements. It increases effectiveness and profitability of the bank. These ratios indicate the amount of risk associated with the various banking operations, when ultimately influences the bank investment policy.

The following ratios are evaluated under this topic:

i. Credit risk ratio:

Credit risk ratio helps to check the profitability of loan non-repayment or the possibility of loan to go into default. Credit risk ratio is calculated in percentage dividing total loan and advances by total assets is expressed as,

Credit risk ratio = Loan and Advances/Total assets

Table 4.1.8 Credit risk ratio (%)

SN	Fiscal year	HBL	Nabil	NIBL	SBI
1	2014/15	63.09	56.47	51.02	67.25
2	2015/16	66.93	57.94	81.9	59.69
3	2016/17	70.69	62.4	56.3	64.15
4	2017/18	75.63	70.58	70.29	73.37
5	2018/19	74.75	66.4	81.83	74.92
	Total	351.09	313.79	341.34	339.38
	Mean	70.22	62.76	68.27	67.88
	S.D	5.28	5.86	14.27	6.35
	C.V (%)	7.52	9.34	20.9	9.35

Sources: Annual Report of HBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.1.8 shows total mean, SD and C.V of credit risk ratio of HBL, Nabil, NIBL and SBI bank. The above table shows that the credits risk of these four banks are fluctuating trend. HBL and Nabil bank have mentioned highest ratio in FY 2017/18 i.e. 75.63% and 70.58% and lowest in FY 2014/15 ie 63.09% and 56.47% respectively. But NIBL and SBI banks have also mentioned highest ratio in FY 2015/16 (i.e. 81.90%), 2018/19 (i.e. 74.92%) and Lowest ratio in FY 2014/15 ie 51.02%, 2015/16 i.e. 59.69% respectively. Mean value of Nabil bank is lower than that of sample banks. Mean value of HBL is more than Nabil bank i.e. 70.22%>62.76%. Coefficient of variation of NIBL is more than HBL i.e. 20.90%>7.52%, which shows HBL risk ratio is consistence than that of other sample banks.

ii) Capital risk ratio:

The capital risk ratio of a bank indicates how much assets values may decline before the position of depositors and other creditors jeopardize. The capital risk is directly related to the return on equity (ROE). Higher the ratio, Lower is the capital risk.

Mathematically, it is represented as:

Capital risk ratio = Capital (paid up + Reserved)/ Risk weighted Assets

Table 4.1.9 Capital risk ratio (%)

SN	Fiscal year	HBL	Nabil	NIBL	SBI
1	2014/15	9.64	10.85	12.93	13.51
2	2015/16	9.78	13.89	13.87	14.12
3	2016/17	11.88	14.05	11.96	14.13
4	2017/18	12.27	14.31	13.36	11.43
5	2018/19	12.69	13.64	9.93	11.2
	Total	56.26	66.74	62.05	64.39
	Mean	11.25	13.35	12.41	12.88
	S.D	1.44	1.42	1.55	1.45
	C.V (%)	12.77	10.62	12.52	11.27

Sources: Annual report of HBL, Nabil, NIBL and SBI from 2014/15 to 2018/19

Table 4.1.9 shows the total mean, SD and C.V of capital risk ratio of these sample banks. In the above table, capital risk ratio of HBL and Nabil bank are increasing trend in FY 2014/15 to 2018/19. The ratio of NIBL and SBI bank are fluctuating trend in highest FY 2015/16 i.e. 13.87%, 2016/17 i.e. 14.13%and Lowest FY 2018/19 i.e. 9.93%, 11.2% respectively. Mean value of HBL is lower than Nabil bank i.e.

13.35%>11.25%. Coefficient of variance of Nabil bank is lower than HBL i.e. 10.62% <12.77%, which indicates that Nabil risk ratio consistence that the other sample banks.

4.1.2 Statistical tools

Some important statistical tools are used to achieve the objective of this study. In this study, Statistical tools such as correlation co-efficient analysis, standard deviation, coefficient of variance, least square linear trend are used. The basis statistical analysis related to this study is given below:

4.1.2.1 Correlation analysis

Correlation analysis means the relationship between two variables where the changes in known as coordination. The degree of relationship between the variables under consideration is measured through the correlation analysis. It is the technique used in measuring the closeness of the relationship between the variables. To measure the correlation between the total deposits and total investments, co-efficient of determination is calculated in the study.

i) Correlation between total deposit and total investment

The coefficient between total deposit and total investment measures the degree of relations between the respective variables. In the correlation analysis total deposit is independent variable(X) while the total investment is dependent variables(Y).

Table 4.1.10 Correlation between total deposit and total investment of HBL, Nabil, SBI and NIBL

Banks	Correlation(r)	r^2	P.E(.r)	6 P.E	Relationship
Himalayan Bank Limited	0.76	0.58	0.13	0.78	Insignificant
Nabil Bank Limited	-0.713	0.51	0.15	0.90	Insignificant
NIBL	-0.602	0.36	0.19	1.14	Insignificant
SBI	0.977	0.954	0.014	0.084	Significant

Source: SPSS

Correlation between total deposits and total investment of HBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between total deposits and total investment of HBI, Nabil, NIBL and SBI are 0.76, -0.713, -0.602 and 0.977 respectively. So, there is positive correlation between total deposit and total investment of HBL and Highly negative correlation for Nabil, NIBL and SBI banks. In order to measure the degree of change on dependent variable (investment) due to a change on independent variable (deposit), value of co-efficient of determination is calculated. The value of co-efficient of determination of HBL is 0.58 which means 58% Investment is depend on deposit and 42% investment decision depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.51, 0.36, and 0.954 which means 51%, 36%, and 95.40% respectively investment is depend on deposit and rest investment decision depends on other variables.

Similarly, probable error (P.E.) is 0.13, 0.15, 0.19 and 0.014 of HBL, Nabil bank, NIBL and SBI respectively and 6 P.E. is 0.78, 0.90, 1.14 and 0.084 of HBL, Nabil bank, NIBL and SBI respectively. Since correlation (r) of HBL, Nabil, and NIBL are less than 6 P.E, while correlation (r) of SBI bank is less than 6P.E So the relationship between these two variables is insignificant for HBL, Nabil and NIBL banks and significant for SBI bank.

ii) Correlation between loan and advances and net profit

The coefficient of correlation between loan and advances and net profit measures the degree of relationship between these two variables. In this analysis, loan and advances is independent variable. (X) and Net profit is dependent variables (Y).

Table 4.1.11 Correlation between loan and advances and net profit Nabil, HBL, SBI, NIBL.

Banks	Correlation (r)	r^2	P.E(.r)	6 .P.E	Relationship
Himalayan Bank Limited	0.877	0.769	0.069	0.418	Significant
Nabil Banks Limited	0.936	0.876	0.037	0.222	Significant
Nepal investment bank limited	0.96	0.922	0.024	0.144	Significant
SBI Bank	0.992	0.984	0.005	0.03	Significant

Sources: SPSS

Correlation between total deposits and total investment of HBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between loan and advances and net profit of HBI, Nabil, NIBL and SBI are 0.877, 0.936, 0.96 and 0.992 respectively. So, there is highly positive correlation between loan and advances and net profit of all sample banks. In order to measure the degree of change on dependent variable (net profit) due to a change on independent variable (loan and advances), value of co-efficient of determination (r^2) is calculated. The value of co-efficient of determination of HBL is 0.769 which means 76.90% net profit is depend on loan and advances and 23.10% depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.876, 0.922, 0.984 which means 87.6%, 92.20%, 98.40% respectively net profit is depends on loan and advances and rest on other variables.

Similarly, probable error (P.E.) is 0.069, 0.037, 0.024 and 0.005 of HBL, Nabil bank, NIBL and SBI respectively and 6 P.E. is 0.418, 0.222, 0.144 and 0.03 of HBL, Nabil bank, NIBL and SBI respectively. Since r of HBL, Nabil bank, and NIBL are greater than 6 P.E, the relationship between these two variables is significant.

iii) Correlation between total deposit and net profit

The coefficient of correlation between total deposits and net profit measures the degree of relationship between these two variables. In this analysis, a total deposit is independent variables(X) and net profit is dependent variable(Y).

Table 4.1.12 Correlation between total deposit and net profit of HBL, Nabil, NIBL and SBI

Banks	Correlation(r)	r^2	P.E(r)	6 .P.E	Relationship
Himalayan Bank Limited	0.913	0.834	0.05	0.3	Significant
Nabil Banks Limited	0.892	0.796	0.062	0.372	Significant
Nepal Investment Bank Limited	0.926	0.857	0.043	0.258	Significant
Nepal SBI Bank Limited	0.968	0.937	0.019	0.114	Significant

Sources: SPSS

Correlation between total deposits and net profit of HBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between total deposit and net profit of HBI, Nabil, NIBL and SBI are 0.913, 0.892, 0.926 and 0.968 respectively. So, there is highly positive correlation between total deposit and net profit of all sample bank. In order to measure the degree of change on dependent variable (net profit) due to a change on independent variable (total deposit), value of co-efficient of determination (r^2) is calculated. The value of co-efficient of determination of HBL is 0.834 which means 83.40% of net profit is depends on total deposit and 16.60% of net profit depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.796, 0.857, 0.937 which means 79.60%, 85.70%, 93.70% respectively net profit is depends on total deposit and rest on other variables.

Similarly, probable error (P.E.) is 0.05, 0.062, 0.043 and 0.019 of HBL, Nabil, NIBL and SBI respectively and 6 P.E. is 0.3, 0.372, 0.258 and 0.114 of HBL, Nabil bank, NIBL and SBI respectively. Since correlation(r) of HBL, Nabil bank, NIBL and SBI are greater than 6 P.E, the relationship between these two variables is significant.

iv) Correlation between total investment and loan and advances

The coefficient of correlation between total investment and loan and advances measures the degree of relationship between these two variables. In this analysis, total investment is independent variable(X) and loan and advance is dependent variable (Y).

Table 4.1.13 Correlation between total investment and loan and advances of HBL, Nabil, NIBL and SBI

Banks	Correlation(r)	r^2	P.E(.r)	6. P.E	Relationship
Himalayan Bank Limited	0.679	0.461	0.163	0.978	Insignificant
Nabil Banks Limited	-0.710	0.504	0.150	0.90	Insignificant
Nepal Investment Bank Limited	-0.617	0.381	0.187	1.122	Insignificant
Nepal SBI Bank Limited	0.948	0.899	0.030	0.180	Significant

Sources: SPSS

Correlation between total investment and loan and advances of HBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between total investment and loan and advances of HBI, Nabil, NIBL and SBI are 0.679, -0.710, -0.617 and 0.948 respectively. So, there is positive correlation between total investment and loan and advances for HBL and SBI banks but there is negative correlation between total investment and loan and advances for Nabil bank and NIBL bank. In order to measure the degree of change on dependent variable (loan and advances) due to a change on independent variable (total investment), value of co-efficient of determination (r^2) is calculated. The value of co-efficient of determination of HBL is 0.461 which means 46.10% loan and advances is depends on total investment and 53.90% depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.504, 0.381, 0.899 which means 50.40%, 38.10%, 89.90% respectively loan and advances is depends on total investment and rest depends on other variables.

Similarly, probable error (P.E.) is 0.163, 0.150, 0.187 and 0.030 of HBL, Nabil bank, NIBL and SBI respectively and 6 P.E. is 0.978, 0.90, 1.122 and 0.180 of HBL, Nabil bank, NIBL and SBI respectively. Since correlation (r) of HBL, Nabil bank, NIBL are less than 6 P.E. while correlation (r) of SBI is greater than 6P.E. so the relationship between these two variables is Insignificant for HBL , Nabil and NIBL and significant for SBI bank.

v) Correlation between total deposit and loan and advances

The coefficient of correlation between total deposit and loan and advance measures the degree of relationship between these two variables. In this analysis, a total deposit is independent variable (x) and loan and advance is dependent variables(Y).

Table 4.1.14

Correlation between total deposits and loan and advances of HBL, Nabil, SBI, NIBL

Banks	Correlation(r)	r^2	P.E.(r)	6 P.E	Relationship
Himalayan Bank Limited	0.993	0.986	0.004	0.036	Significant
Nabil Banks Limited	0.985	0.970	0.009	0.072	Significant
Nepal Investment Bank Limited	0.994	0.988	0.004	0.036	Significant
SBI Bank Limited	0.981	0.962	0.011	0.069	Significant

Sources: SPSS

Correlation between total deposit and loan and advances of HBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between total deposit and loan and advances of HBI, Nabil, NIBL and SBI are 0.993, 0.985, 0.994 and 0.981 respectively. So, there highly positive correlation between total deposit and loan and advances of all sample bank. In order to measure the degree of change on dependent variable (loan and advances) due to a change on independent variable (total deposit), value of co-efficient of determination (r^2) is calculated. The value of co-efficient of determination of HBL is 0.986 which means 98.60% loan and advances is depends on total investment and 1.40% depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.970, 0.988, 0.962 which means 97%, 98.80%, 96.20% respectively loan and advances is depends on total deposits and rest on other variables.

Similarly, probable error (P.E.) is 0.004, 0.009, 0.004 and 0.011 of HBL, Nabil bank, NIBL and SBI respectively and 6 P.E. is 0.036, 0.072, 0.036 and 0.069 of HBL, Nabil bank, NIBL and SBI respectively. Since correlation(r) of HBL, Nabil bank, NIBL and SBI are greater than 6 P.E, the relationship between these two variables is significant.

vi) Correlation between total investment and net profit

The coefficient of correlation between total investments and net profit measures the degree of relationship between these two variables. In this analysis, total investment is independent variable (X) and net profit is dependent variable(Y).

Table 4.1.15 Correlation between total investment and net profit of HBL, Nabil, NIBL and SBI

Banks	Correlation (r)	r2	P.E.(r)	6 P.E	Relationship
Himalayan Bank Limited	0.827	0.684	0.095	0.570	Significant
Nabil Bank Limited	-0.481	0.231	0.232	1.392	Insignificant
Nepal Investment Bank Limited	-0.677	0.458	0.163	0.978	Insignificant
Nepal SBI Bank Limited	0.952	0.906	0.028	0.168	Significant

Sources: SPSS

Correlation between total investment and net profit of HBL, Nabil, NIBL and SBI are presented in the above table. The correlation coefficient between total investment and net profit of HBI, Nabil, NIBL and SBI are 0.827, -0.481,-0.677 and 0.952 respectively. So, correlation between total investment and net profit of all sample bank. In order to measure the degree of change on dependent variable (net profit) due to a change on independent variable (total investment), value of co-efficient of determination (r^2) is calculated. The value of co-efficient of determination of HBL is 0.684 which means 68.40% net profit is depends on total investment and 31.60% depends on other variables. Similarly, the value of co-efficient of determination of Nabil bank, NIBL, and SBI are 0.231, 0.458, 0.906 which means 23.10%, 45.80%, 90.60% respectively net profit is depends on total investment and rest on other variables.

Similarly, probable error (P.E.) is 0.095, 0.232, 0.163 and 0.028 of HBL, Nabil bank, NIBL and SBI respectively and 6 P.E. is 0.570, 1.392, 0.978 and 0.168 of HBL, Nabil bank, NIBL and SBI respectively. Since correlation(r) of HBL, Nabil bank, NIBL and SBI are less than 6 P.E, the relationship between these two variables is insignificant.

4.1.2.3 Trend analysis

In this section, an attempt has been made to analyze and interpret the trend of deposits, loans and advances, investments and net profits of HBL, Nabil bank, NIBL and SBI to forecast them for next five years period. The following trend value analysis has been used in the study.

i) Trend analysis of total deposits

Under this topic an attempt is made to analyze the trend of deposits of HBL, Nabil bank, NIBL and SBI and forecast the trend for next 5 years. The following table shows the trend values of total deposits of HBL, Nabil bank NIBL and SBI for five years from FY 2014/15 to 2018/19 and forecasted the same till FY 2023/24.

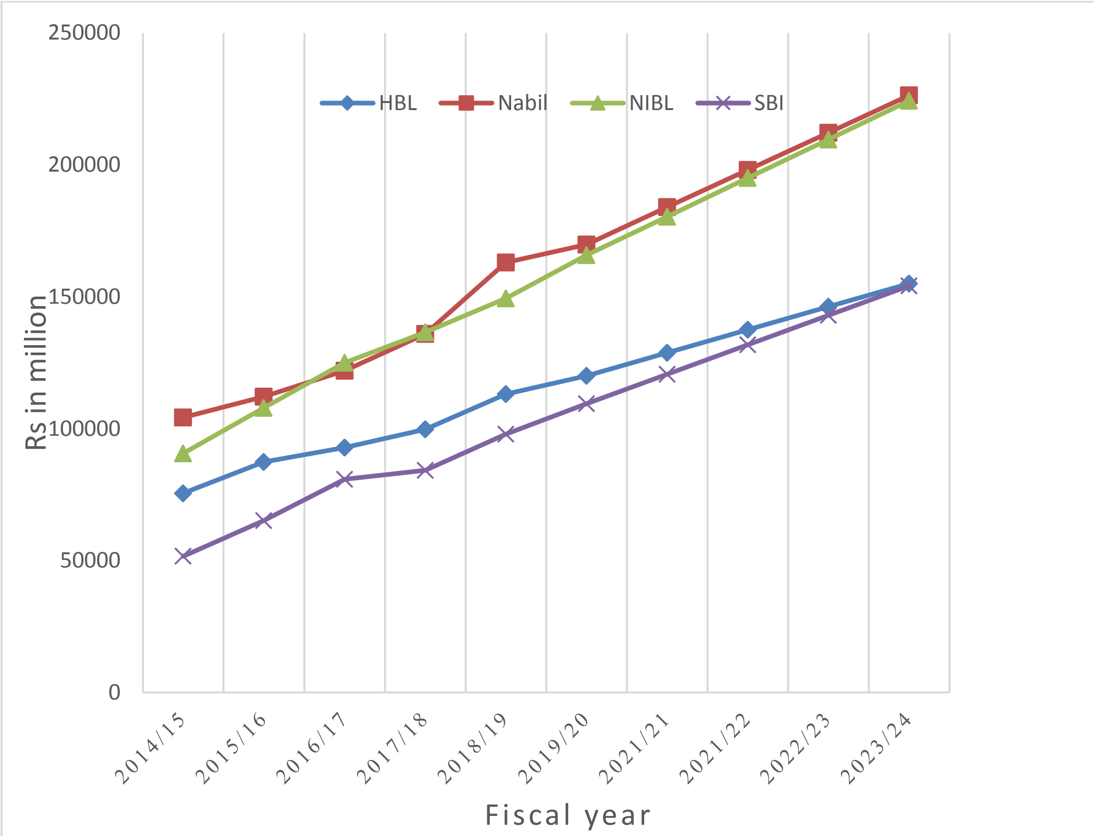
Table 4.1.16 Trend value of total deposit of HBL, Nabil , NIBL and SBI banks

(Rs.In Million)

Fiscal year	Trend values HBL	Trend values Nabil	Trend values NIBL	Trend values SBI
2014/15	75538	104238	90631	51628
2015/16	87336	112168	107867	65214
2016/17	92881	121941	124972	80818
2017/18	99743	135979	136585	84269
2018/19	113089	162953	149392	97924
2019/20	119970	169828	165761	109464
2021/21	128721	183952	180385	120629
2021/22	137472	198076	195009	131794
2022/23	146223	212200	209633	142959
2023/24	154974	226324	224257	154123

Figure 4.1.16

Trend value of total deposit of HBL, Nabil, NIBL and SBI



When analyzing the above table, it is clear that the total deposits of HBL, Nabil bank, NIBL and SBI are in increasing trend. Other things remaining constant, the total deposits of HBL, Nabil bank, and SBI in FY 2023/24 will be Rs.154974, Rs. 226324, Rs. 224257 and Rs.154123 respectively. From the above trend analysis, it is found that the deposits collection position of Nabil bank is better than HBL, NIBL and SBI bank.

ii) Trend analysis of total investments

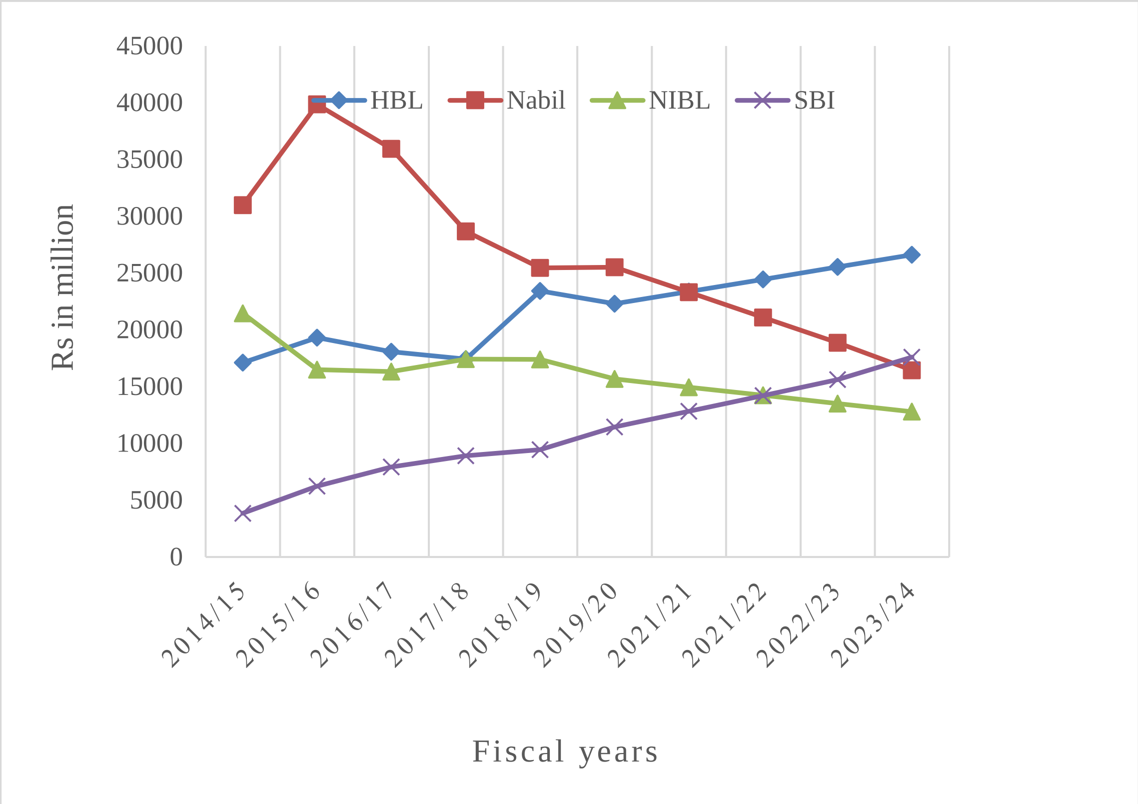
Under this topic an attempt is made to analyze the trend of investments of HBL, Nabil bank, NIBL and SBI and forecast the trend for next 5 years. The following table shows the trend values of total investments of HBL, Nabil bank, NIBL and SBI for five years from FY 2014/15 to 2018/19and forecasted the same till FY 2023/2024.

Table 4.1.17 Trend values of total investments of HBL, Nabil bank, and NIBL and SBI.

Fiscal year	Trend Value HBL	Trend values Nabil	Trend values NIBL	Trend values SBI
2014/15	17113	30972	21461	3852
2015/16	19306	39850	16500	6251
2016/17	18076	35951	16331	7937
2017/18	17439	28666	17426	8924
2018/19	23433	25469	17404	9458
2019/20	22305	25526	15668	11450
2021/21	23383	23306	14949	12838
2021/22	24460	21087	14230	14227
2022/23	25537	18868	13512	15615
2023/24	26614	16449	12793	17604

Figure 4.1.17

Trend values of total investments of HBL, Nabil bank, and NIBL and SBI.



When analyzing the above table, it is clear that the total investments of HBL, Nabil bank NIBL and SBI are in fluctuating trend. Other things remaining constant, the total investments of HBL, Nabil, NIBL and SBI in FY 2023/24 will be Rs. 26614, Rs.16449, Rs. 12793 and Rs. 17604 .respectively. From the above trend analysis, it is found that the total investments position of HBL is better than sample banks.

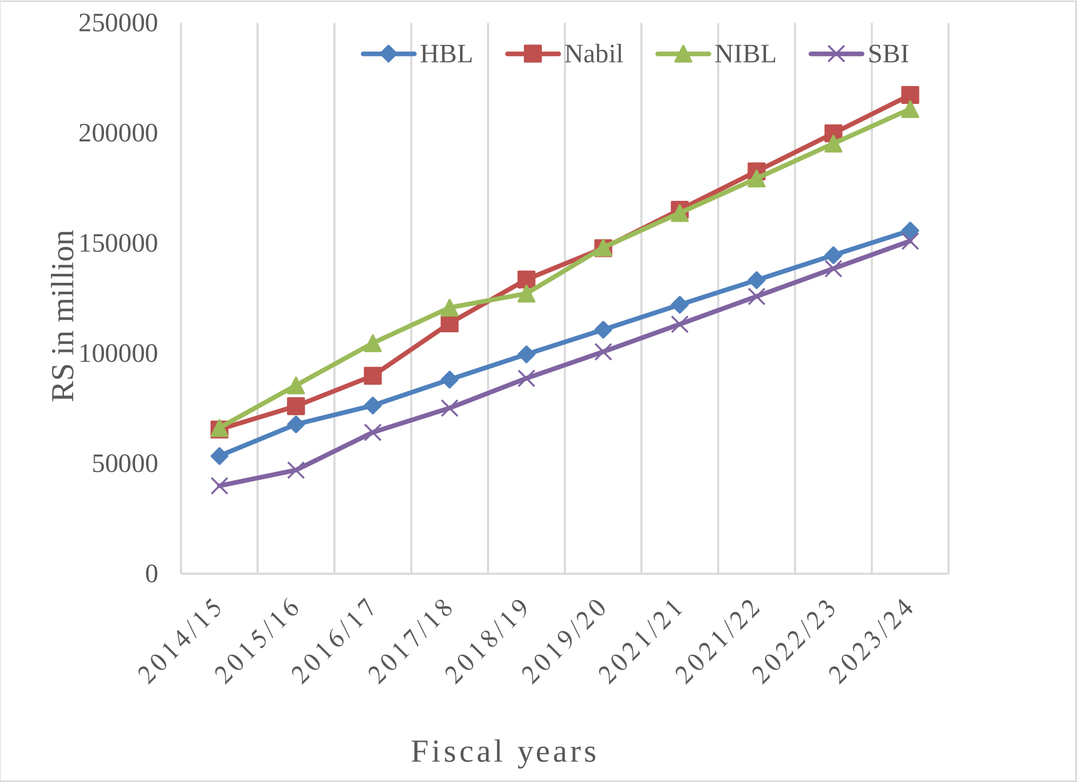
iii) Trend analysis of loan and advances

Under this topic an attempt is made to analyze the trend of loan and advances of HBL and NSBI and forecast the trend for next 5 years. The following table shows the trend values of loan and advances of HBL, Nabil, NIBL and SBI for five years from FY 2014/15 to 2018/19 and forecasted the same till FY 2023/2024.

Table 4.1.18 Trend values of loan and advances of HBL, Nabil bank, and NIBL and SBI.

Fiscal year	Trend values HBL	Trend values Nabil	Trend values NIBL	Trend values SBI
2014/15	53476	65502	66219	39880
2015/16	67746	76106	85461	46999
2016/17	76395	89877	104625	64120
2017/18	88086	113625	120826	75236
2018/19	99530	133558	127140	88645
2019/20	110781	147823	148016	100706
2021/21	122026	165186	163737	113283
2021/22	133271	182549	179457	125859
2022/23	144515	199912	195178	138436
2023/24	155760	217253	210899	151013

Figure 4.1.18 Trend values of loan and advances of HBL, Nabil bank, and NIBL and SBI



When analyzing the above table, it is clear that the loan and advances of both HBL, Nabil, NIBL and SBI are in increasing trend. Other things remaining constant, the loan and advances of HBL, Nabil, NIBL and SBI in FY 2023/24 will be Rs. 155760, Rs. 217253, Rs.210899 and Rs. 151013 respectively. From the above trend analysis, it is found of Nabil bank has mobilized loan and advances well than HBL, NIBL and SBI.

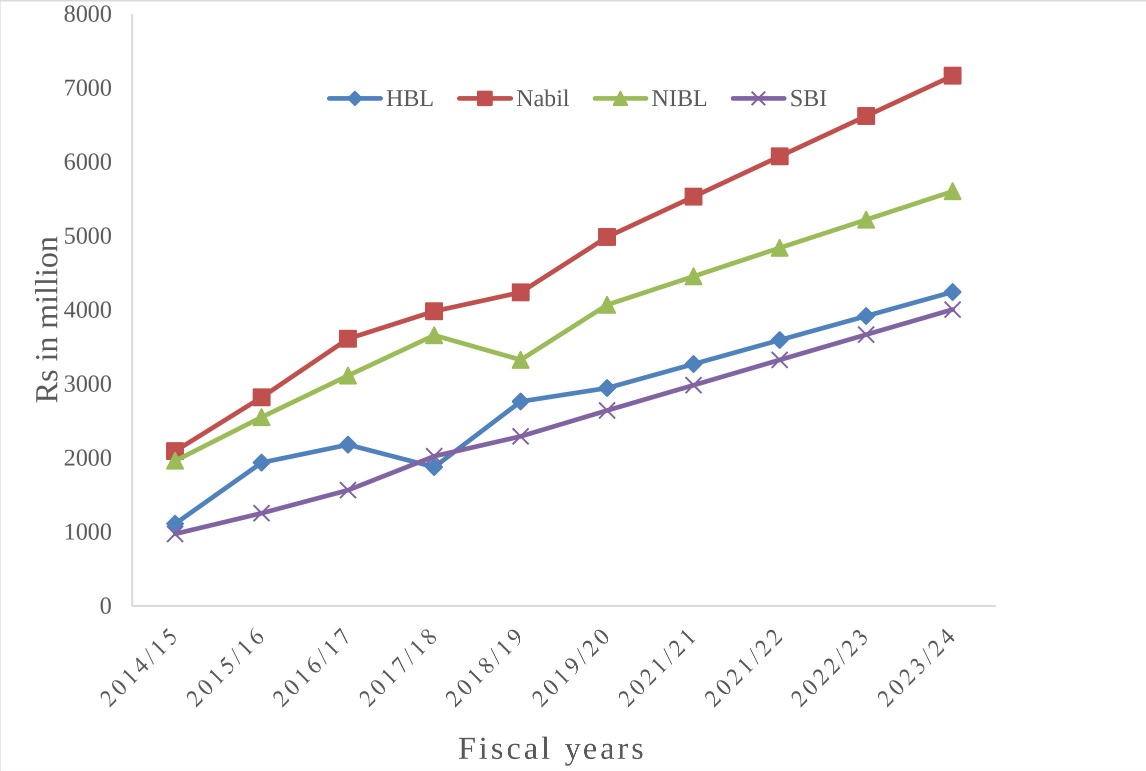
iv) Trend analysis of net profit

Under this topic an attempt is made to analyze the trend of net profit of HBL, Nabil, NIBL and SBI and forecast the trend for next 5 years. The following table shows the trend values of net profit of HBL, Nabil, NIBL and SBI for five years from FY 2014/15 to 2018/19 and forecasted the same till FY 2023/24.

Table 4.1.19 Trend values of net profit of HBL, Nabil bank, and NIBL and SBI.

Fiscal year	Trend values HBL	Trend values Nabil	Trend values NIBL	Trend values SBI
2014/15	1112	2094	1962	974
2015/16	1935	2819	2551	1253
2016/17	2178	3613	3114	1565
2017/18	1876	3982	3659	2023
2018/19	2764	4239	3324	2293
2019/20	2946	4985	4072	2644
2021/21	3271	5531	4455	2985
2021/22	3595	6076	4838	3326
2022/23	3920	6621	5221	3666
2023/24	4244	7166	5604	4007

Figure 4.1.19 Trend value of net profit of HBL, Nabil, NIBL and SBI Banks



When analyzing the above table, it is clear that the net profits of both HBL, Nabil, NIBL and SBI are in increasing trend. Other things remaining constant, the net profit of HBL, Nabil, NIBL and SBI in FY 2023/2024 will be Rs. 4244 and Rs. 7176, Rs. 5604 and Rs.4007 respectively. From the above trend analysis, it is found of Nabil is in better position in terms of net profit than HBL, NIBL and SBI.

4.2 Major finding of the study

This study is used secondary data. Analyzing the data finds the following major things.

i. The mean currents ratio of SBI bank is higher than HBL, Nabil and NIBL. It means that SBI bank has maintained higher liquidity whereas, Sample banks have maintained lower liquidity and higher risks in comparison to SBI bank.

ii. The mean ratio of investment on government securities to current assets of SBI is lower than sample banks and the CV of SBI bank is higher than HBL, Nabil and NIBL. It states the poor position of SBI bank in investment on government securities and more inconsistent in its investment comparing with other sample banks.

iii. The ratio of total investment to total deposit of Nabil bank is higher than that of HBL, NIBL and SBI bank, whereas the ratios of SBI bank are more variable than Nabil bank. This shows that Nabil bank has invested higher amount of the total deposits in securities and shares than HBL, NIBL and SBI bank.

iv. The return on total assets ratio of Nabil bank is higher than HBL, NIBL and SBI on an average, which indicates that the position of bank is better than HBL, NIBL and SBI; however, HBL, NIBL and SBI have been able to maintain a stable and consistent return on total assets in comparison to Nabil bank.

v. The return on total investment ratio of SBI bank is higher than that of HBL, NIBL and Nabil bank, this shows that SBI bank has invested higher amount of the total investment in securities and shares than other sample banks.

vi. The mean ratio of return on loan and advances ratio of Nabil is higher than HBL, NIBI and SBI bank but the consistency in the ratio is lower than that of SBI bank. It concludes that Nabil bank has strong position regarding the mobilization of return on loan and advance than other sample banks.

vii. The mean credit risk ratio of HBL bank is higher than Nabil, NIBL and SBI. The CV and S.D ratio of NIBL is higher than Sample banks. Which means that NIBL bank has higher credit risk in comparison to other sample banks as well as unstable credit policy.

viii. The average capital risk ratio of Nabil bank is slightly higher than that of HBL, NIBL and SBI. Which indicates that Nabil bank has slightly higher capital risks than HBL, NIBL, and SBI. The degree of capital risk in HBL bank is also slightly riskier than Nabil bank NIBL and SBI bank.

ix. Coefficient of correlation analysis between total deposits and total investments of HBL, Nabil bank, NIBL and SBI shows that there is positively perfect correlation between total deposit and total investment of all sample bank. When there is a change in total deposit, it brings 58% change in total investment of HBL. Similarly, 51%, 36% and 95.40% change in total investment of Nabil bank, NIBL and SBI. The relationship between these two variables of HBL, Nabil bank and NIBL are insignificant while the relationship between two variables of SBI is significant.

x. Coefficient of correlation analysis between HBL, Nabil bank, NIBL and SBI shows that there is highly positive correlation between loan and advances and net profit of sample bank. When there is a change in loan and advances, it brings

76.90% change in net profit of HBL and 87.60%, 92.20% and 98.40% change in net profit of Nabil bank, NIBL and SBI respectively. In this analysis also, r is greater than 6 P.E which shows that the relationship between these two variables is significant.

xi. Coefficient of correlation analysis between HBL, Nabil, NIBL and SBI shows that there is positive correlation between total deposits and net profit of all the sample bank. When there is a change in total deposits, it brings 83.40% change in net profit of HBL and 79.60%, 85.70% and 93.70% change in net profit of Nabil bank, NIBL and SBI. The relationship between these two variables is insignificant.

xii. Coefficient of correlation analysis between HBL, Nabil bank, NIBL and SBI shows that there is positive correlation between total investment and loan and advances of all sample bank. On the basis of co-efficient of determination, it is found that when there is a change in total investment, it brings 46.10% change in loan and advances of HBL and 50.40%, 38.10%, and 89.90% change Nabil bank , NIBL, SBI. The relationship between these two variables is insignificant.

xiii. Coefficient of correlation analysis between HBL, Nabil bank, NIBL and SBI shows that there is positive correlation between total deposits and loan and advance of all sample bank. On the basis of co-efficient of determination, it is found that when there is a change in total deposits, it brings 98.60% change in loan and advance of HBL and 97% , 98.80% and 96.20% change in loan and advance of Nabil bank, NIBL and SBI. The relationship between these two variables is significant.

xiv. Coefficient of correlation analysis between HBL and NSBI shows that there is positive correlation between total investment and net profit of all sample banks. On the basis of co-efficient of determination, it is found that when there is a change in total investment, it brings 68.40% change in net profit of HBL and 23.10%, 45.80%,and 90.60% change in net profit of Nabil bank, NIBL and SBI. The relationship between these two variables is insignificant.

xv. From the trend analysis, it is clear that the total deposits of HBL, Nabil NIBL and SBI bank are in increasing trend, however, it is found that the deposits collection position of Nabil bank is better than other sample banks.

xvi. The trend of total investments of HBL, Nabil NIBL and SBI are in fluctuating trend. From the trend analysis, it is found that the total investments position of HBL is better than Nabil, NIBL and SBI bank.

xvii. The loan and advances of HBL, Nabil NIBL and SBI banks are in increasing trend. From the trend analysis, it is found Nabil bank is mobilized loan and advances well than other sample banks.

xviii. The trend of net profits of HBL is fluctuating trend and Nabil, NIBL and SBI are increasing trend. However, it is found that Nabil bank is in better position in terms of net profit than HBL, NIBL and SBI bank.

CHAPTER-V
CONCLUSIONS

This chapter presents the summary of the study, conclusions derived from the analysis of data and their interpretation and recommendations offered for the improvement of the investment policies of the banks under study. Thus, the chapter is divided into three sections. The first section of this chapter focuses on summarizing the whole study; the second section draws conclusions from the analysis of data and interpretation of the results there of; and the third section offers recommendations for improvement of the investment policy of the concerned bank.

5.1 Discussion

A sound investment policy is very essential in a nation’s economy for economical as well as financial growth of a country. Commercial banks play an important role for the economic development of the country as they provide finance for the development of industry, trade and business by investing the saving collected as deposits from public. They render their various services to the customers facilitating their economic and their social life. They are the most important ingredients for integrated and speedy development of a country. So, nowadays-financial institutions are viewed as catalyst in the process of the economic growth and effective mobilization of domestic resources. Investment operation of commercial banks is a risky affair. It is the most important factor for the shareholders and bank management. For this, commercial banks have to pay due consideration while formulating their investment policy. A healthy development of any commercial bank depends upon its investment policy.

The word investment conceptualized the investment of income, saving or other collected fund. It is a well-known fact that an investment is only possible where there is adequate saving. If all the incomes and saving are consumed to the problem of hand and mouth and to other basic needs, then there is no existence of investment. So both saving and investment are interrelated. It is concerned with the management of an investor's wealth, which is the sum of current income and present values of all future incomes to be invested come from assets already owned borrowed money and saving or foregoes Consumption by the investors. The main objective of their investment is to secure financial benefit in future. In this way the goal of investment is the maximization of owners' economic welfare.

Although several banks have been established in the country within short period of time, stable, strong and appropriate investment policy has not been followed by the commercial banks to sufficient return. They have not been able to utilize their funds more effectively and productively. Thus, proper utilization of the resources has become more relevant and current issue for the banks. The most remarkable diversification of banking function is increasing participation in medium and-long term financial industries and other sector. Therefore, they are not only financial institutions of finance agriculture and industry and other economic activities, but are more than financial institution in the sense that they help saving create deposits and make the subsequent distribution of such accumulated funds. The primary objective of commercial banks is always to earn profit by investing or granting loan and advances to people associated with trade, business and industry, etc. that means they are required to mobilize their sources properly to acquire profit. How well a bank manages its investment has a great deal to do with the economic health of the country because the bank loans support the growth of new business and trade empowering the economic activities of the country. The income and profit of the bank depends upon its lending procedure, lending policy and investment of its fund in different securities. The greater the credit created by the bank, the higher will be the profitability. A sound lending and investment policy is not significant for the promotion of commercial savings of a backward country like Nepal.

The main concentration of the study is to diagnose the investment policy of HBL, Nabil bank, NIBL and SBI bank to suggest measures to improve the investment policy of the banks. An effort has been made to analyze investment trend, deposit trend, loan and advances and net profit and their projection of ten years Himalayan Bank, Nabil bank, Nepal investment bank and Nepal SBI Bank and also to identify investment sector of Himalayan Bank, Nabil bank, Nepal investment bank and Nepal SBI Bank .Similarly, an attempt has also been made to evaluate the liquidity, assets management efficiency, profitability and risk position of Himalayan Bank, Nabil bank, Nepal investment bank and Nepal SBI bank in comparison to that of Nepal SBI Bank as well as to study the relationship between investments, deposits, loan and advances and net profit of the banks.

Financial as well as statistical tools have been deployed in order to analyze and interpret the data and information. Under financial analysis, various financial ratios related to the investment function of commercial banks i.e. liquidity ratio, assets management ratio, profitability ratio and risk ratio have been analyzed and interpreted. Under statistical analysis, some relevant tools i.e. mean, standard deviation, coefficient of correlation, coefficient of determination, trend analysis have been used for the analysis and interpretation of data. This analysis gives clear picture of the performance of the bank with regard to its investment operation.

5.2 Conclusions

After study and analysis of given data it is concluded that SBI has invested maximum percentage in HMG securities while Nabil bank has invested its major portion in other investments such as foreign banks, local banks, etc. SBI started to invest in other sectors since fiscal year 2014//15. Investment of SBI is lower than HBL, Nabil and NIBL in shares, debentures and bonds. All sample banks have not invested in Nepal Rastra Bank Bonds over the study period. Considering liquidity ratios, the mean currents ratio of SBI bank is higher than HBL, NIBL and Nabil bank. Similarly, investment on government securities to current assets of HBL is in a better position to maintain its cash and bank balance and investing in government securities while the position of SBI is more consistent in maintaining the ratios than HBL bank.

While analyzing the assets management ratios, it was found that HBL has strong position regarding the mobilization of total investment to total deposit ratio than Nabil, NIBL and SBI bank. Investment on government securities to total current assets of HBL is in a better position to maintain its total current assets and investing in government securities while the position of SBI bank is more consistent in maintaining the ratios than HBL, Nabil and NIBL. It was also found that HBL has invested higher amount of the total deposits in securities and shares than Nabil bank while the performance of HBL in terms of recovery of loan is weaker in comparison to NIBL. The mean ratio of return on loan and advance of SBI bank is higher than that of other sample banks. The position of SBI bank is better than HBL, Nabil and NIBL in earning good return on total assets; however, Nabil bank has been able to maintain a stable and consistent return on total assets in comparison to other sample banks.

When a firm wants to bear risk, the profitability and effectiveness of the firm increase. As per the analysis of risk ratio, NIBL has higher credit risk as well as unstable credit policy in comparison to HBL, Nabil and SBI bank. The degree of capital risk in HBL is also slightly riskier than Nabil NIBL and SBI. From the trend analysis, it is concluded that clear that the trend of total deposits, loan and advances and net profit of HBL are increasing whereas the trend of total investments have been fluctuating .Similarly, the trend of total investments of SBI bank has also been fluctuating while the trend of total deposits, loan and advances and net profit are following an increasing trend. It is also found that the deposits collection position, total investments position and net profit position of HBL is better than Nabil, NIBL and SBI. HBL has also mobilized the loan and advances better than Nabil, NIBL and SBI bank.

From the statistical analysis of financial data of HBL, Nabil, NIBL and SBI bank, it is found that there is positive correlation between the total deposits and total investments for HBL and SBI but negative correlation for Nabil and NIBL .The relationship between total deposit and total investment is Insignificant for HBL , Nabil and NIBL but significant for SBI bank. The correlation between loan and advances and net profit is positive for HBL, Nabil, NIBL and SBI bank. The relationship between loan and advances and net profit is significant for all sample bank. The correlation between total deposits and net profit is positive for HBL, Nabil, NIBL and SBI bank. The relationship between total deposit and net profit is significant for all sample bank. The correlation between total investment and loan and advances for HBL and SBI is positive but negative for Nabil and NIBL bank. The relationship between total investment and loan and advances is Insignificant for HBL, Nabil and NIBL but significant for SBI bank. The correlation between total deposit and loan and advance is highly positive and relationship between these two variables is significant for all sample banks. Similarly the correlation between total investment and net profit of HBL and SBI is positive but negative for Nabil and NIBL bank the relationship between total investment and net profit for HBL and SBI is significant while insignificant for Nabil and NIBL.

5.3 Implications

On the basis of analysis, findings and conclusion, following implications can be made.

i. From the study, SBI bank is not investing much in government securities as compared to HBL, Nabil and NIBL. Government securities are the safest medium of investment and are free of risk as well as liquid which can be easily sold in the market. SBI bank is recommended to draw attention to increase investment in government securities which helps to utilize funds into income generating assets as well as minimizes risk and also helps to maintain optimal level of liquidity.

ii. Liquidity position of Nabil, NIBL and HBL are not good as compared to SBI. Hence, the bank is advised to increase its liquidity position as liquidity position is used to judge the ability of bank to meet its short-term liabilities that are likely to mature in the short period.

iii. It is recommended to Nabil bank to improve the efficiency in utilizing the deposits in loan and advances for generating the profit. SBI should try to maintain the current position.

iv. Negligence in administering the assets could be the cause of liquidity crisis in the bank and one of the major reasons for failure. Since the performance of SBI in terms of recovery of loan is weaker in comparison to HBL, Nabil and NIBL, it is suggested that the bank should pay more attention while granting loan and advance.

v. Return on total assets ratio of HBL is in fluctuating trend over the study period which is not a good financial indicator. It indicates that the bank is not properly managed and hence it should find out the reasons behind it.

vi. All sample banks should try to improve the total investments in an increasing trend in order to increase the net profit.

vii. All sample banks are recommended to formulate and implement sound and effective financial and non-financial strategies to minimize their operational expenses to meet the required level of profitability.

viii. The banks should fulfill some social obligations by extending their resources to rural areas and promoting the development of poor and disadvantaged group. They should open their branches in the remote areas with the objective of providing cheaper banking services. The minimum amount to open an account and interest rate for credits should be reduced.

ix. All sample banks should maintain a sound portfolio management to attain maximum yield with minimum risk.

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Website

www.nsbi.com

www.nibl.com

www.hbl.com

www.nbl.com

Appendix

Table 4.1 (Current Ratio)

	2014/15	2015/16	2016/17	2017/18	2018/19
HBL					
Current assets	66317	79987	89056	98725	109268
Current liabilities	75242	89438	95071	101700	115971
Ratio (Times)	0.88	0.89	0.94	0.97	0.94
Nabil bank limited					
Current assets	84201	90713	107215	131275	174572
Current liabilities	106200	116590	127018	140332	177948
Ratio(Times)	0.79	0.78	0.84	0.94	0.98
NIBL					
Current assets	80154	112177	133135	150658	164202
Current liabilities	92987	111943	130557	145769	157011
Ratio(Time)	0.86	1.00	1.02	1.03	1.05
SBI					
Current assets	54811	71842	91247	92743	107883
Current liabilities	52600	70560	88409	88735	101157
Ratio(Times)	1.04	1.02	1.03	1.05	1.07

Appendix

Table 4.2(IOGS to Current Assets Ratio)

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19
HBL					
Investment on government securities	9593	9412	9648	11654	16466
Current assets	66317	79987	89056	98725	109268
Ratio(%)	14.47	11.77	10.83	11.80	15.07
Nabil bank limited					
Investment on government securities	8977	15247	11540	14772	25303
Current assets	84201	90713	107215	131275	174572
Ratio(%)	10.66	16.81	10.76	11.25	14.49
NIBL					
Investment on government securities	9103	9784	12285	15666	16252
Current assets	80154	112177	133135	150658	164202
Ratio(%)	11.36	8.72	9.23	10.40	9.90
SBI					
Investment on government securities	2556	5849	7641	12394	10009
Current assets	54811	71842	91247	92743	107883
Ratio(%)	4.66	8.14	8.37	13.36	9.28

Appendix
Table 4.3(Total Investment to Total Deposit Ratio)

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19
HBL					
Total investment	17113	19306	18076	17439	23433
Total deposit	75538	87336	92881	99743	113089
Ratio (%)	22.65	22.11	19.46	17.48	20.72
Nabil bank limited					
total investment	30972	39850	35951	28666	25469
Total deposit	104238	112168	121941	135979	162953
Ratio (%)	29.71	35.53	29.48	21.08	15.63
NIBL					
total investment	21461	16500	16331	17426	17404
Total deposit	90631	107867	124972	136585	149392
Ratio(%)	23.68	15.30	13.07	12.76	11.65
SBI					
Total investment	3852	6251	7937	8924	9458
Total deposit	51628	65214	80818	84269	97924
Ratio %	7.46	9.59	9.82	10.59	9.66

Appendix
Table 4.4(IOGS to Total Assets ratio)

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19
HBL					
Investment on government securities	9593	9412	9648	11654	16466
Total assets	84753	101217	109309	118388	135211
Ratio(%)	11.32	9.30	8.83	9.84	12.18
Nabil bank limited					
Investment on government securities	8977	15247	11540	14772	25303
Total assets	115986	131347	144018	160978	201139
Ratio(%)	7.74	11.61	8.01	9.18	12.58
NIBL					
Investment on government securities	9103	9784	12285	15666	16252
Total assets	104345	129782	150818	171893	185841
Ratio(%)	8.72	7.54	8.15	9.11	8.75
SBI					
Investment on government securities	2556	5849	7641	12394	10009
Total assets	59304	78742	99950	102538	118314
Ratio(%)	4.31	7.43	7.64	12.09	8.46

Appendix

Table 4.5(Net Profit to Total Assets ratio)

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19
HBL					
Net Profit	1112	1935	2178	1876	2764
Total assets	84753	101218	101916	118388	135211
Ratio(%)	1.31	1.91	2.14	1.58	2.04
Nabil bank limited					
Net Profit	2094	2819	3702	3982	4239
Total assets	115986	131347	144018	160978	201139
Ratio(%)	1.81	2.15	2.57	2.47	2.11
NIBL					
Net Profit	1962	2550	3114	3659	3324
Total assets	104345	129782	150818	171893	185841
Ratio(%)	1.88	1.96	2.06	2.13	1.79
SBI					
Net Profit	974	1254	1565	2023	2292
Total assets	59304	78742	99951	102538	118314
Ratio(%)	1.64	1.59	1.57	1.97	1.94

Appendix

Table 4.6(Net Profit to Total Investment Ratio)

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19
HBL					
Net profit	1112	1935	2178	1876	2764
Total investment	17113	19306	18076	17439	23433
Ratio %	6.49	10.02	12.05	10.76	11.80
Nabil bank limited					
Net profit	2094	2819	3613	3982	4239
total investment	30972	39850	35951	28666	25469
Ratio %	6.76	7.07	10.05	13.89	16.64
NIBL					
Net profit	1962	2551	3114	3659	3324
total investment	21461	16500	16331	17426	17404
Ratio %	9.14	15.46	19.07	21.00	19.10
SBI					
Net profit	974	1253	1565	2023	2293
Total investment	3852	6251	7937	8924	9458
Ratio %	25.29	20.04	19.72	22.67	24.24

Appendix
Table 4.7 (Net Profit to Loan and Advances Ratio)

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19
HBL					
Net profit	1112	1935	2178	1876	2764
Loan and advances	53476	67746	76394	88086	99530
Ratio %	2.08	2.86	2.85	2.13	2.78
Nabil bank limited					
Net profit	2094	2819	3613	3982	4239
Loan and advances	65502	76106	89877	113625	133558
Ratio %	3.20	3.70	4.02	3.50	3.17
NIBL					
Net profit	1962	2551	3114	3659	3324
Loan and advances	66219	85461	104625	120826	127140
Ratio %	2.96	2.98	2.98	3.03	2.61
SBI					
Net profit	974	1253	1565	2023	2293
Loan and advance	39880	46999	64120	75236	88645
Ratio %	2.44	2.67	2.44	2.69	2.59

Appendix
Table 4.8 (Credit Risk Ratio)

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19
HBL					
Loan and advances	53476	67746	76394	88086	99530
Total assets	84753	101218	108063	116462	133151
Ratio %	63.10	66.93	70.69	75.63	74.75
Nabil bank limited					
Loan and advances	65502	76106	89877	113625	133558
Total assets	115986	131347	144018	160978	201139
Ratio %	56.47	57.94	62.41	70.58	66.40
NIBL					
Loan and advances	66219	85461	104625	120826	127140
Total assets	129782	104345	185842	171894	155361
Ratio %	51.02	81.90	56.30	70.29	81.84
SBI					
Loan and advances	39880	46999	64120	75236	88645
Total assets	59304	78741	99950	102538	118314
Ratio %	67.25	59.69	64.15	73.37	74.92

Appendix

Table 4.9 (Capital Risk Ratio)

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19
HBL					
capital	6958	8850	12328	14139	15994
Risk weighted assets	72184	90507	103796	115140	125984
Ratio %	9.64	9.78	11.88	12.28	12.70
Nabil bank limited					
capital	9519	14457	16699	20586	23189
Risk weighted assets	87766	104039	118827	143877	169953
Ratio %	10.85	13.90	14.05	14.31	13.64
NIBL					
capital	25579	24871	18707	16287	9806
Risk weighted assets	197924	179258	156448	121867	98746
Ratio %	12.92	13.87	11.96	13.36	9.93
SBI					
capital	14169	12801	10518	6920	5645
Risk weighted assets	104860	90638	74408	60561	50363
Ratio %	13.51	14.12	14.14	11.43	11.21