

CHAPTER 1

INTRODUCTION

1.1 Background of the study

Commercial banks are major financial institutions, which occupy quite an important place in the Commercial banks are major financial institutions, which occupy quite an important place in the framework of every economy because they provide capital for the development of industry, trade, business and other resource deficit sectors by investing the saving , collected from deposits. Bank collects fund as a saving from the community and invest it into most desirable and highly yielding sectors as a full to a process of economic development. Additionally, it develops saving habits of people. Bank draws surplus money from the public, who cannot use the money at the time and lends to those who give attention to use for productive purposes.

Banking institutions collect scattered financial resources from the mass and invest it among those who are associated with the economic, commercial and social activities of the country. Beside those, commercial banks render a numerous services to their customer in view of facilitating their economic and social life. Every economic activity of each country is greatly influenced by the commercial banking business of that country. Thus, commercial banks have become the heart of financial system. According to classical economist, one of the main factors which helped the capital formation was the accumulation of capital. Profit made by the business community constituted the major part of savings of the community and the saved funds are assumed to be invested. They thought capital formation indeed plays a role in determining the level of growth of national income and economic development. Banking system is the integral part of investment system productive sector. It involves the Sacrifice Of current value of rupees for future value of rupees. It is concerned with the collection of present fund for later reward, which is uncertain. When people deposit money in banks for example; it must invest the money in new ventures that increase their production.

Banks play a key role in improving economic efficiency by channeling funds from resource surplus unit to those with better productive investment opportunities. Banks also play key role in trade and payment system by significantly reducing transaction costs and increasing convenience (NCA, 2006). In less monetized countries, like Ethiopia, whilst financial sector is dominated by banking industry, effective and efficient functioning of the latter has significant role in accelerating economic growth. To enhance the role of banks in an economy, competition is an important driving force; without competition, it is improbable to bring about efficiency and foster financial sector development. In other words, insufficient banking services may result in substantial social losses on account of higher price, higher transaction cost, lower credit supply, lack of innovation and poor service quality.

According to Mohammad and Mahdi (2010), financial resources are naturally provided from people's deposit. Therefore, we can say that deposits are the most important resource of commercial banks. Thus the amount of deposit a commercial bank should have at hand should be enough to make the bank involve in the market and to satisfy the financial needs of its customers. Given this general facts, therefore, the bank is expected to mobilize its deposit. Managing deposits is not possible without knowing and controlling the factors affecting it. There are several factors that are claimed to be determinants of deposits. As done by N. Desinga (1975), we can classify the variables which are claimed to have effect on commercial banks' deposit into two, namely exogenous and endogenous factors. Exogenous factors can further be divided into country specific factors and bank specific factors for clarification purpose. Endogenous (Internal) factors can be controlled by the banking system. However, the Exogenous factors (The bank specific factors and the country specific factors) cannot be controlled by the banking system. The bank specific factors are factors that are specific to the banking system and the country specific factors are factors that are beyond the banking system.

Everest Bank Limited (EBL started its operation in 1994 with a view and objectives of extending professionalized and efficient banking services to various segments of the society. It was managed by United Bank India Limited (UBIL. Later on , UBIL handed over the management to the Panjab National Bank (PNB India. PNB has been

providing services and banking expertise to EBL. At present, EBL has twenty – seven branches that spread out around the nation with the objective of providing services to both business community and the common people. The main branch is located at Baneshwor and other branches are at different parts of Nepal. It also has one representative office at New Delhi, India.

Everest Bank corporate vision is to evolve and position the bank as a progressive, cost effective and customer friendly institution providing comprehensive financial and related services, integrating frontiers of technology and servicing various segments of society , Committed to excellence in serving the public and also excellence in corporate values. The bank's mission is to provide excellent professional services, Build and maintain a team motivated and committed and workforce with high work ethos, Use latest technology aided at customer satisfaction and act as an effective catalyst for socio- economic developments.

Himalayan Bank limited is a joint venture bank with HBL Bank Ltd of Pakistan which was established in 1992 under the company act, 1964. The operation of the bank was started from 1993 February. It is the first commercial bank of Nepal with maximum shareholding by the Nepalese private sector. The idea was to set an example that Nepali managed and operated bank can be a trendsetter in modernizing banking in Nepal.

HBL bank is the first private commercial bank to record profit in the first 6 months of operations and since then there has been no looking back. HBL's approach is two pronged one hand, it believes in providing easy financial solutions to its customers and on the other hand it believes in providing sustainable returns to its stakeholders. HBL Bank is the largest and oldest bank in Pakistan having over 1700 domestic and 65 overseas branches covering all continents and over 1800 correspondent worldwide.

1.2 Statement of the problems

Financial development is crucial to economic growth and banks are the most important elements of the financial system. Banks as financial intermediaries are expected to provide a venue for people to save incomes not expended on

consumption. It is from the savings they accumulate that they are expected to extend credit facilities to entrepreneurs and other industrialists. This function enables banks mobilize deposits which otherwise would have remained idle and unproductive in the hands of the surplus economic unit. The fund mobilized is then made available to the deficit unit for economically and socially desirable purposes. Deposit mobilization is an integral part of banking activity. Mobilization of savings through intensive deposit collection has been regarded as the major task of banking in Nepal today. However, bankers say that they are now seeing an improvement in the situation as demands for loans have started picking up in recent months. "Many things had stopped after the earthquake. Businesses and industries had come to a grinding halt due to Tarai turmoil and economic blockade.

Now the situation has improved," Upendra Poudyal, president of NBA, "Factories have resumed operation, cross border trading has normalized, companies are back to their businesses, and so has the banks' investment. Lending is on an increasing trend while deposit is comparatively going down due to slow growth in remittance flow." The number of commercial banks and financial institutions are establishing speedily. These institutions have been established to assist the process of economic development of the country. The major problem in almost all under developed countries and Nepal is formation and proper utilization of capital. Due to the high competition between the financial institutions, the collected huge amount from public is comparatively lower than fund mobilization and investment practice of collected funds. Therefore, it raised the problems of investment and proper mobilization of collected funds.

The major problems related to fund mobilization procedures of the commercial banks of Nepal have been presented briefly as under:

1. What is the level of deposit growth of EBL and HBL bank?
2. What is the condition of the investment volume EBL and HBL?
3. What is the trend of deposit mobilization of commercial banks?
4. What is the overall financial performance of EBL and HBL ?

1.3 Purpose of the Study

The main objective of the study is concerned with whether NABIL and HBL are adopting efficient fund mobilization policy or not. The specific objectives related to this study are presented below:

1. To analyze the deposit growth of EBL and HBL.
2. To examine the investment growth of EBL and HBL.
3. To analyze the trend of deposit mobilization of EBL and HBL.
4. To analyze the overall financial performance of EBL and HBL.

1.4 Significance of the Study

Fund mobilization activities of joint venture banks greatly effects the growth and earning of banks. Optimum utilization of fund makes better impact on the economy of the nation. Fund mobilization activities must consider customer, national and government as well as its shareholders interest. Significance of the fund mobilization can be written as the following manner: The study will help commercial banks to manage their deposit by letting them know what affects it and which variable is the most important. It serves for further study in the sector and will help as additional input for concerned policy makers and future researchers. The study will add knowledge on the field of banking and financial resource studies.

1. From the study of fund mobilizing policy about bank, shareholders and companies would get information related to the fund mobilizing scheme of the bank and they may know how banks are mobilizing their fund and resources.
2. The study of fund mobilizing policy would provide information to the management of the bank that would be helpful to take corrective action. This study will serve to be a guide to the management of banks, financial institutions, related parties, shareholders, general public (customer, depositors and creditors).
3. This study could be very much helpful for all the people interested to know about the deposit mobilization in EBL and HBL.

1.5 Limitations of the Study

The study has been carried out subject to the following limitations.

1. This study has only focused on the fund mobilization aspects of the banks.
2. This study will base on only secondary data and accuracy depends upon the data and provided by the organization. Primary data could not be used because of study topic's characteristics as well as lack of time of bank's staff and researcher's time and money constraint.
3. This study has been only of two commercial banks as sample i.e. HBL and EBL.

1.6 Chapter Plan

This report prepared by dividing study into five different chapters

Chapter I: Introduction

This chapter includes introduction, Statement of the problem, objective of the study, Significance of the study and limitation of the study.

Chapter II: Literature Review

It includes review of literature of the relevant studies. It contains the conceptual review of related book, research papers and published and unpublished thesis studies and related articles.

Chapter III: Research Methodology

This chapter deals with descriptions of tools and techniques for data collection, presentation and analysis.

Chapter IV: Results

In this chapter, data were tabulated and analyzed in the form of tables, graphs, chart and figures.

Chapter V: Summary, Conclusion and Implication

This chapter deals with summary, Conclusions and Implications.

CHAPTER 2

REVIEW OF LITERATURE

In this chapter relevant has study has been made to know the option of the researchers and authors related to deposit mobilization of commercial banks in Nepal. Only the relevant literatures have been reviewed. Every possible effort has been to grasp knowledge and information that is available from libraries and the documents available from relevant literatures and concerned commercial banks have been reviewed. This chapter helps to take adequate feedback to broaden the information base and inputs to my study. In this chapter inputs are reviewed as follows.

2.1 Concept of review

2.2 Review of previous work

2.3 Research gap

2.1 Conceptual Review

Under this heading the concept of the bank and banking transactions are described after reading thoroughly the available books

2.1.1 Deposit Mobilization

Capital formation is one of the important factors leads to increase in the size of national output income and employment, solving the problem of inflation and balance of payment and foreign debts. Domestic capital formation helps in making a country self-sustainable. According to classical economist, one of the main factors which helped capital formation was the accumulation of capital. Profit made by the business community constituted the major part of savings the community and the saved has assumed to be invested. They thought capital formation indeed plays a deceive role in determining the level and growth of national income and economic development. In the view of many economists, capital occupies the central and strategies position in the process of economic development in an underdeveloped economy lies in a rapid expansion of the rate of its capital investment so that it attains rate of growth of output which exceeds the rate of growth of population by the significant margin. Only with such rate of capital investment will the living standard begin to improve in developing

country. In developing countries, the rate of saving is quite low and existing institutions are half successful in mobilizing such savings as most people have incomes so low that vertically all current income must be spent in maintain a subsistence level of consumption. Investment is an essence of the national economy. Banking system is the integral part of investment system in productive sector. It involves the sacrifice of current rupees for future rupees. It is concerned with the allocation of present fund for later reward, which is uncertain. When people deposit money in a saving account in bank for example; the bank must invest the money in new factories and equipment to increase their production. In addition borrowing from the banks most issues stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issues bonds to obtain funds to invest in such project such as the construction of dams, roads and schools. All such investments by individuals business and government involves a present sacrifice of income to get an expected future benefits. As a result, investment raises a nation's standard of living.

For the development of any country, the financial sector of that country is responsible and must be strong. The financial sector is vast field, which comprises of banks cooperatives, insurance companies, financial companies, stock exchange, foreign exchange markets, mutual funds etc. These institutions collect idle and scattered money from the general public and finally invest in different enterprises of national economy that consequently help in reducing poverty, increase in life style of people, increase employment opportunities and thereby developing the society and country as a whole. Thus, today's concept, the financial institutions and commercial banks has become one of the bases for the measuring level of economic development of nation.

Commercial banks are the main source which motivates people to save their earnings. Bank deals in accepting the saving of people in the form of deposit collection and invest it in the productive area. They give the loan to the people against real and financial assets. They transfer monetary sources from savers to users. In other words, they are intermediate between lender and receiver of fund they mobilize the deposit or fund. After the liberalization of the financial sector, financial sector has made a hall

mark progress both in terms of the number of financial institutions and beneficiaries of financial services.

2.1.2 Requirement for Deposit Mobilization

The following are some reasons why deposit mobilization is needed in a developing country like Nepal.

- i. Capital is needed for the development of any sector of the country. The objective of deposit mobilization is to collect the scattered capital in different forms within the country.
- ii. The need of deposit mobilization is felt to control unnecessary expenditure, if there is no saving, the extra money that the people have, can flow forwards buying unnecessary and luxury goods, so, the government also should help to collect the more deposit, steeping legal procedure to control unnecessary expenditures.
- iii. Commercial banks are playing a vital role for national development. Deposit mobilization is necessary to increase their activities. Commercial banks are granting loan not only in productive sectors but also in other sectors like food, grains, gold and silver etc.
- iv. It is much more important to analyze the collected deposit in one priority sectors of a country. In our developing country's we have to promote our business and other sectors by investing the accumulated capital towards productive sectors.

Deposit mobilization plays a vital role for the economic development of an underdeveloped and developing country rather than developed one. It is because a developed country does not feel need of deposit mobilization for capital formation. Due to developed capital markets in every sector. But in an under developed country and developing country, deposit mobilization plays a great role in such countries. Low National income, low per capital income, lack technical knowledge, vicious cycle of poverty, lack of irrigation and fertilizer, pressure of over population, geographical conditions etc. are the main problems of economic development of an under developed country like Nepal. So far the developments of sectors concerned, there is

needs of more capital. Again, instead of the developments of a particular sector, the development of every section should go side by side. So, the development process of these sectors on one side and to accumulate the scattered and unproductive sectors deposit on the other is the felt need of an under developed country, we can take this in our country's (NRB, Banker's prakashan, 1984)

2.1.3 Need for Deposit Mobilization

The following are some reasons for why Deposit Mobilization is needed in a developing country like Nepal. Workshop report, "Deposit Mobilization why and how" (NRB Bankers Prakashan, 1984 No. 24) Group "A" states the following points as the need for deposit mobilization.

1. The need of deposit mobilization is felt to control unnecessary expenditure. if there is no saving, the extra money that the people have, can flow forwards buying unnecessary and luxury goods. So , the government also should help to collect more deposit, steeping legal procedures to control unnecessary expenditures.
2. Capital is needed for the development of any sector of the country. The objective of deposit mobilization is to collect the scattered capital in different forms within the country.
3. To increase saving is to mobilize deposit. It is because if the production of agricultural and industrial products increases, it gives additional income, which helps to save more, and ultimately it plays a good role in deposit mobilization.
4. It is much more important to canalize the collected deposit in the priority sectors of a country. In our developing country, we have to promote our business and other sectors by investing the accumulated capital towards productive sectors.
5. Commercial banks are playing a vital role for National Development. Deposit mobilization is necessary to increase their activities. Commercial banks are granting loan not only in productive sectors but also in other sector like food grains, gold and silver etc. Though these loans are traditional in nature and are

not helpful to increase productively, but it helps to some extent, to mobilize the bank deposit.

2.1.4 Advantage of Deposit Mobilization

In that report, Group B states following points as the advantages of Deposit Mobilization.

1. To Support Fiscal and Monetary Policy

Fiscal policy of the government and monetary policy of the central bank for economic development of a country can be supported by Deposit Mobilization. Deposit Mobilization helps to canalize idle money in productive sectors. Again, it helps in money supply, which saves the country from deflation and helps central banks objective of monetary policy.

2. Capital Formation

Capital plays a vital role for the development of the industries. But in an under developed country, there is always lack of capital to support such industries. Capital formation and industrialization is possible through Deposit Mobilization.

3. Circulation of Idle Money

Deposit Mobilization helps to circulate idle money. The meaning of deposit mobilization is to convert idle saving into active saving. Deposit Mobilization helps the depositor's habit of saving on one side and helps to circulate the ideal saving in productive sector and other. This helps to create incentives to the depositors. Again, investment in productive sector helps directly in country's economic development and also increases in investor income.

4. Co-ordination Between Different Sectors

Deposit Mobilization helps to collect capital from surplus and capital hoarding sectors. The fund can be invested for the needy sectors. Thus, it helps to fulfill the gap between these two different sectors. Earning interest in their deposit and the needy

sectors by receiving loans and advances benefits the surplus and hoarding sectors, thus deposit mobilization helps to keep good co-ordination between different sectors.

5. Development of Banking Habit

One important side of economic development of a country is to increase banking habit in the people. Deposit Mobilization helps in these aspects. If there is proper deposit mobilization, people behave on the bank and banking habit develops on the people.

6. To Promote Cottage Industries

Deposit Mobilization is needed to facilitate cottage industries located in rural and urban areas. If the bank utilizes the collected deposit in the same rural or urban sector for the development of cottage industries. It is helpful not only to promote cottage industries in the area, but also support in the development of the locality as a whole increasing employment and income of the local people.

7. To Support Government Development Projects

Every underdeveloped country's government needs a huge amount of money for development projects. The deposit collected by the commercial banks can fulfill to some extent the need of money to the government.

8. To Check up miss Utilization of Money

Mostly our customs and habits are supported by social and religious believes. There is also tendency of copying others and to show their superiority buying unnecessary and luxury items in our society. In such society, deposit mobilization proves a tool to check up miss utilization of money.

9. Others

Deposit Mobilization supports small savers by earning interests, helps to the development of rural economy, protects villagers from being exploitation of indigenous bankers, increases investment incentives, provides facilities to the small farmers to purchase tools and fertilizers etc.

Economic progress is the function among other things of the rate of new capital formation. Capital is needed for the economic development for a country. External sources are not dependable sources of capital. So, mobilizations of internal sources have a great significance. This is the only way of receiving capital continuously for a long time. Capital formation is the low process, which involves putting to production use that part of the current incomes, which is not use for current consumption. The process of capital formation may be divided into three stages. Firstly the creation of savings by individuals, business houses or public authorities, secondly mobilization and canalization of saving, i.e. conversion of savings into funds. Which are available for investment in Agriculture, Industry and Trade, finally reacquisition of capital goods out of such funds. The essence of the process of the diversion of a part of society's current available resources for increasing the stock of capital goods to make possible an expansion of consumable output in the future. Therefore, the drive for capital formation requires actions to increase, mobilize and appropriately channel the domestic resources available for economic development. It is complex problem with wide dimensions, but the present survey is contained to banking sector alone, which is perhaps the most important agency for this purpose (Ghosal and Sharma, 1965:63).

2.2 Review of Previous Works

In this segment it has tried to write the major findings of the various related articles issued by various magazines on different time period and the major findings and analysis of the various thesis that are found to be related to the study

2.2.1 Review of Articles in the Journals

Banking is one of the oldest professions in human history, it also flourished with civilizations. Since humans started, using money bank services were in use throughout history. Modern banking as we know it today was established in Italy and Greece in the 15th century. Today, banks are one of the most important institutions for a modern economy to work in any country (Gedey, 1990). Under this heading the concept of the bank and banking transactions are described after reading thoroughly the available books.

A bank or financial institution has to be liquid to meet payment obligations to depositors and creditors. This calls for a sound Asset Liability Management by the bank. Liquidity analysis considers the bank's ability to meet its obligations and is very critical for a bank to remain a going concern. The absence of liquidity can lead to failure of a bank. It also considers the proportion of liquid assets to total assets along with their deposit renewal rate (brickwork rating 2010). AbdusSamad (2001) and Pak and Huh (1995) used loan to deposit ratio to calculate the level of liquidity in their study.

Liquidity allows banks to meet depositors' and creditors' demand and so to maintain public confidence. There needs to be an effective asset and liability management system to minimize maturity mismatches between assets and liabilities and to optimize returns. As liquidity has inverse relationship with profitability, and banks must strike a balance between liquidity and profitability (Financial Management and Analysis of Projects (2006). According to Molyneux and Thornton (1992), and Guru (1999), there is a negative and significant relationship between the level of liquidity and profitability. In contrast, Bourke (1989) reports an opposite result, while the effect of credit risk on profitability of banks appears clearly negative.

Pan, 1983 Nepal, through the developing economy has shortage has shortage of financial resources, at least in the short run. There is lack of coordination among various policy measures and programs. Attention must, therefore, be directed to use the available resources productivity”

Gilbert (1984) Market structure in the banking industry measured by means of the bank concentration variable according to the structure conduct profitability of banks in highly concentrated markets earn monopoly rents, as they tend to collude.

Pyakuryal, (1987) the present changing context of the national economy calls for a substantial revitalization of commercial bank's activities regarding the utilization of the resources. How much they have gained over the years depends chiefly on how far they have been able to utilize their resources in an efficient manner. Therefore, the task of utilization of resources is as much crucial as the mobilization is. The

underutilization of resources not only results in loss of income, but also goes further to discourage the collection of deposit.

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

Morris (1990) in his discussion paper “Latin America’s banking system in 1980’s A.D.” has concluded that most of the banks concentrated on compliance with central bank rules on resources requirement, credit collection and interest rates. While analyzing loan portfolio quality, operating efficiency and soundness of bank investment management has largely been overlooked. The huge losses now find in the bank’s portfolio in many developing countries and testimony to the poor quality of this ever sight investment function. The writer adds that mismanagement in financial institution has involved inadequate and over optimistic loan appraisal, tax loan recovery, high risk diversification mismatching.

Clark (1991), an investment is a commitment of money that is expected to generate additional money. Every investment entails sacrifice for a future uncertain benefit. According to Gittman and Jochnk, “Investment is any vehicle into which funds can be placed with the expectation that will preserve or increase in value and generate positive return.

Shrestha (1997) in her article has presented the objective to make analysis of contribution of CBs leading to the gross domestic product of Nepal. She has set hypothesis that there has been positive impact of lending of CBs to the GDP, in research methodology, she has considered GDP as the dependent variable and various sectors of lending viz, agriculture, commercial, service and general and social sectors as independent variables. A multiple regression techniques have been applied to analyze the contribution. The multiple analyzes show that the entire variable except service sector lending has positive impact on GDP. Thus in conclusion she has

accepted the hypothesis i.e, there has been positive impact on GDP by the lending of CBs in various sectors of economy except service sector investment.

Bajracharya (1999) in his article “Monetary policy and deposit and mobilization in Nepal” has mentioned the mobilization of domestic savings is one of the prime objectives of the monetary policy in Nepal. For this purpose CBs stood as the active and vital financial intermediary for generating resource in from of deposit of the private sector. So far providing credit to the investors is a different aspect of the money.

Pyakural (1999)in his article writes, “the present changing context calls for a substantial revitalization of the resource. How much they have gained over the years depends chiefly on how far they have been able to utilize their resources in an efficient manner. Therefore, the task of utilization of resources is as much crucial as the mobilization. The underutilization of resources not only results in loss of income but also goes further to discourage the collection of deposit.” Thus in his paper he has emphasized on proper utilization of resources and profitability increment.

Sharma (2000) in his article “Banking the future competitions” has said due to the lack of investment avenues, bank are tempted to invest without proper credit appraisal and one personal guarantee, whose negative side effects would show colors only after 4 of 5 years. Again he said that “private CBs have mushroomed only in urban areas where banking transaction in large volume is possible, The rural and sub urban areas mostly remain unattended to, This is likely to prevail till competition tasks its full reign in the urban areas.

Brickwork ratings (2008) The analysis of the management also factors in their integrity and the overall corporate governance standards in the bank. The risk appetite in terms of the bank’s exposure to various categories of asset, adoption of technology and responsiveness to competition and growth strategy impacts the bank’s profitability thus is considered during the analysis of bank profitability .

Brickwork ratings (2008). The people in a bank are the most valuable resources and the major driving force for successes and failures. The quality of human resources

employed by a bank greatly affects its profitability i.e, the recruitment process and training standard of the financial institution reflects the quality of the people in the organization, compensation package as per the industry norms and attrition rate in the financial institution which reflect the satisfaction among the employees towards their work and organization.

Indranarain (2009) Total assets of the bank measure bank size. In most of the finance literature, the total assets of the banks are used as a proxy for bank size. Size is used to capture the fact that larger banks are better placed than smaller banks in harnessing economies of scale in transactions to the plain effect that they will tend to enjoy a higher level of profits. Consequently, a positive relationship is expected between size and profit.

Pradhan (2010) in his articles, "Deposit mobilization, its problem and prospects". He has presented the following problems in the context of Nepal. People do not have knowledge and proper education for saving in institutional manner. They so now know financial organizational process, withdrawal system, depositing system etc. Financial institutions do not want to operate and provide their services in rural areas.

Thomas (2010), technological development removed repetitive and time consuming tasks, reduced human error and extended access to banking related facilities. Technology also provides customer information that it would be much more expensive to provide on a person-to-person basis. The dilemma still remains, however, as to how to maintain a satisfactory number of face-to-face interactions with the customers.

Shrestha (2011) has analyzed in her article, "Financial performance of commercial banks using both descriptive and diagnostic approach." In her studies she has concluded the following points: The structural ratio of commercial banks show that banks invest on the average 75% of their total deposit on the government securities and the shares. The analysis of resources position of commercial banks should quit high percentage of deposit as cash reserve.

Return ratio of all the banks show that most of the time foreign banks have higher return as well as higher risk than Nepalese banks, etc.

Collecting scattered small amount of capital through different medias and investing the deposited fund in productive sectors with a view to increase the income of the depositors is meant deposit mobilization. In other words, investing the collecting fund in the productive sectors and increasing the income of the depositors, it also supports to increase the saving through the investment of increased extra amount (NRB, bankers, No. 24:12)

Deposit mobilization is concerned with increasing the income of the low income group of people and to make them able to save more and more to invest again the collected amount activities.

Saving refers to that part of the total income which is more than the expenditure of the individual. In words, saving equals to total income minus total expenditure. Basically saving can be divided into two parts: voluntary saving and compulsory savings. Amount deposited in different accounts of commercial bank, investment in government securities are some example of voluntary saving. A commercial bank collects deposit through different accounts like fixed, saving and current.

In developing countries there is always shortage of the capital for the development activities there is need of development in all sectors. It is not possible to handle and develop all the sectors by the government alone at a time, private people also can not under take large business because the per capital income of the people is very low while their propensity to consume is very high. Due to the low income, their saving is very low and capital formation is very low. So their saving is not sufficient for carrying on development works.

To achieve the higher rate of growth and per capital income, economic development should be accelerated. "Economic development may be defined in a very board sense as a process of raising income per head through the accumulation of capital (Johnson 1956:11)." But how capital can be accumulated in the developing countries? There are two ways of capital accumulation in the developing country one from the external

sources and other from the internal sources. In the first group foreign aid, loan and grants is the main. While in the later financial institution operating with the country play a dominant role. In the context of Nepal, commercial bank are the main financial institution which can play important role in the resource mobilization for the economic development in the country. Trade industry, agriculture and commerce should be developed for the economic development.

Capital formation is possible through collecting scattered unproductive and small savings from the people. This collected fund can be utilized in productive sector to increase employment and national productivity. Deposit mobilization is the most dependable and important source of formulation (RBB, Upahar, 2055:No, 4:14)

Deposit, such as current, saving and fixed deposits are the main part of the working capital. It is due to this reason that banks keep their deposit mobilization campaign always in full swing resort to every possible means laying at their disposal.

Commercial banks are set up with a view to mobilize national resources. The fast conditional of national economic development is to be able to collect and more deposit. in these context, the early increasing rate of commercial banks deposit clearly shows the satisfactory progress of deposit mobilization .

Finance alone is not sufficient for economic growth unless accompanied by investment i.e. conversion of available funds into productive equipment (B.M.L Nigam, 1967:29). In fact, finance is merely a means to productive investment. It can come to the economic growth only when it is put productive uses. “the provision of finance alone will not guarantee development, unless realistic painstaking preparations have been made to execute useful projects, and unless these individual projects from an interrelated whole of a type likely to generate its own further finance, no process of financial mobilization however efficiently and smoothly organized, can take place of such preparation.

Ramala Bhattraai, in her study on the lending policy of commercial banks, has concluded that an Important aspects of commercial bank is lending its fund effectively than the collection of deposits. If a bank cannot lend its resources properly, the

success in collecting deposits will also be unless. Instead of developing the country's economy, it creates a greater disparity in the economic life of the people. Low capital formation means lesser rate of development. When all the resources will be locked up capital formation will not be possible. As result, only an increase in the interest rate of interest motivates both small savers and big savers.

It becomes obvious that the success of commercial banks is mainly guided by the optimum utilization of the resources they have mobilized. How far our commercial banks have utilized their resources is a matter of further investigation which can be observed and checked in the light of loans and advances and investment they have made in different productive activities ensuring higher and constant returns both to the banks and the community as a whole. “ the proper utilization of resources collected by the banks is essential not only for the banks, also equally essential from the national view point” (Bishwambhar Pyakuryal,). At the same time , the commercial banks, being very sensitive entities of the society subject to the possible loss of public confidence, are required to maintain sufficient level of liquidity all the time up the confidence of the people which is, of course, a major determinant of their survival and growth. “we have to keep in mind that the banks are not lending their own money, but furnish advances from the deposits the deposits they receive from the customers” (L.C. Mathur,). And the deposit are subject to withdrawal at any time expect time deposits.

Modern commercial banks have two fold responsibilities. On one hand, they have the liability to pay interest on deposit according to the terms conditions issued by them, and on the other hand, they are also expected to pay dividends to their shareholders alone with their prosperity and development. Both these responsibilities can be fulfilled only through successful mobilization of their resources. As has been put by

Bajracharya (2015) in an article “A study of Banking and Monetary situation in Nepal”. In the present day economy, banks have not only become the nerve centers of economic activities, but also the determinants of the volume, direction and pattern of lending and investment”. Thus, commercial banks have to work within a framework of critical situations in the mobilization of resources. Their existence is possible only

through the successful application of their funds from which they can earn profit. Therefore, “some potential matching between security and productivity, risk and profit. Therefore, “some potential matching between security and productivity, risk and return, liquidity and profitability, etc, need to be chalked out to make best use of credit”.

Commercial banks are basically confined to short – term financing. “As most private saving and deposits, commercial banks are not basically adapted requirements of industrial development financing, which is always a medium – term or long term or long –term matter.

Commercial banks find it rather difficult to finance industrial projects which require a lot of investigation whereby potential industrial clients can be identified. Therefore, suggested that in the case of entirely new projects which involve problems of investigation they should collaborate with one or more of the special institutions, such as development banks, but in other cases the commercial banks may well take the lead themselves.

2.2.2 Review of Previous Theses

Under this segment it has tried to find out the major conclusion and recommendations of the previous study made by the T.U. students. Some of the related studies are reviewed here.

K.R Joshi (1989) in his thesis work, “A study of financial performance of CBs” concluded that liquidity position of CBs is satisfactory, local CBs have higher deposit equity ratio than joint venture banks. Loan and advances has been the main form of the investment. Assets utilization for earning purpose is two third of total assets.

The thesis also compares all CBs i.e. local CBs joint venture banks. Local CBs are operating under government regulation and limitation, so they cannot operate freely and are not able to provide different facilities and services like other joint venture banks which are operating independently with the help of foreign investors who provide them good management as well as business support.

Uttam Raj Pant (1999) in his thesis paper tried to highlight the discrepancy between resources collections and resources utilization. At the end of the thesis he concluded that CBs failure in resource utilization is due to their lending confined to short terms only. So, he recommended the commercial banks to give emphasis on long and medium term lending for better utilization of the deposits.

Rit Bahadur Joshi (2002) in his thesis paper concluded that the CBs have collected many resources from people but they are just behind in their utilizations. Nepalese CBs are lazy to play an active role to utilize their resources collected from different sectors in accordance with the need of the economy.

Rajan Khadka (2012) in his research paper has recommended that to be success in the comparative banking environment, a bank should consider the depositors money and it should be utilized as loans and advances because loans and advances is that asset which covers large portion of asset. He also suggests that negligence of this assets would bring the liquidity crisis for the bank, which is the main failure of the bank and banking.

The review of above relevant thesis has no doubt enhanced the fundamental understanding and foundation knowledge base which is prerequisite to make this study meaningful and positive. Although numbers of article have not been published and various research work have not been concluded in commercial bank deposit mobilization so far, so here effort is made to do.

Damber Bahadur Phudyal (2013) on research “Funds utilization of commercial banks in Nepal” MR. Damber Bahadur Paudyal has tried to examine the funds mobilization of the commercial banks and he had concluded that the efficient mobilization of fund is more important than collection of one deposit. Also he said lower in the investment lower will be the capital formation. If there is high ratio of investment of the available fund there will create huge capital formation for which is important to the economic growth of the nation and development of the nation there to. At last, he recommended that the commercial banks should concern their behaviors in the efficient mobilization of the resources to get the profit.

Study on the Deposits and Loans and Advances of NBL” has tried to examine relationship between deposits and interest rates and to find out the causes of decrease in the loans and advances of the bank. Data were used for five years from the year 2028 B.S to 2033 B.S only secondary data are used. Coefficient of correlation has been applied in order to calculate the loans and advances and deposits

Kishor Kumar Rayamajhi (2013) in his thesis work, “A study on deposit mobilization of six commercial banks” has concluded that commercial banks play a crucial role in accelerating the growth in the country. The bank mobilizes the savings of the people and diverts them into productive channels, the expansion of branches as more as possible to encourage the savings i.e. to increase the savings habit of people and thereby to mobilize available financial resources efficiently and effectively in a productive way and concluded that the branch expansion helps to collect more deposits and utilize the available resources. The conclusion is derived from this analysis.

2.3 Research Gap

There are various researchers conducted on lending practice, credit policy, financial performance and credit management of various commercial banks. Some of the researchers have done the financial performance between two or three different commercial bank. In order to perform those analysis researchers have used various ratio analysis. The past researches in measuring financial performance of bank have been focused on the limited ratios, which are incapable of solving the problems. In this research various ratio are systematically analyzed and generalized. Past Researchers are not properly analyzed about fund mobilization on bank and its impact on the profitability. The ratios are not categorized according to nature.

CHAPTER 3

RESEARCH METHODOLOGY

In this chapter, efforts have been made to present and explain specific research design for the sake of attaining the research objective. It describes the methods and process applied in the entire subject of the study. A sound and systematic methodology is required to carry out any study, if it is to be worthwhile. This chapter, therefore, is designed to throw light on the methodology used to undertake this study which aims at analyzing the overall performance of Everest bank limited and Himalayan bank limited and drawing some pertinent conclusions from this. It is the plan, structure and strategy of investigation, conceived to answer the research questions. The secondary data is mainly used to measure performance and trading activities related to selected companies. Hence, this chapter has been divided into five sections which are as follows:

1. Research design
2. Natures and sources of data
3. Selection of enterprises
4. Data processing procedure
5. Tools and technique of analysis

3.1 Research Design

To achieve of the objectives of the study, descriptive research design have been used. This study is based on secondary data. Some sample statistical methods such as mean, C.V., trend line and correlation analysis have been applied to examine the facts of data. Not only data but also recommendations and suggestions are also derived from the study by taking the EBL and SBI, as a sample. So that all concerned can achieve something from the study.

3.2 Nature and Sources of Data

The study is conducted on the basis of secondary data. The data relating to the investment, deposit, loan and advances, assets and profit are directly obtained from the balance sheet and profit and loss a/c of the concerned bank's annual reports.

Supplementary data and information are also collected from number of institution and authoritative sources like NRB, NEPSE, SEB, web sites, etc.

3.3 Population and Sample

There are nine joint venture banks out of 28 commercial banks all over Nepal. In this study deposit mobilization procedure of Everest Bank Ltd and Himalayan Bank Ltd are studied 28 commercial banks are taken as the population and EBL and HBL banks are chosen as the sample to find out the condition of deposit mobilization.

3.4 Method of Analysis

Analysis is the systematic and careful examination of available facts so that certain conclusion can be drawn from it.

3.4.1 Ratio analysis

1. Liquidity Ratio

The ability of the bank to meet its short term obligation is known as liquidity. It reflects the short term financial strength of the bank. These ratios are used to know capacity of the concerned to repay its short term liability.

i) Cash and Bank Balance to Total Deposits Ratio

Cash and bank balance is said to be first line defense of every bank. The ratio between the cash and bank balance and total deposit measures the ability of a bank to meet the unanticipated call on all types of deposit. Higher the ratio greater will be the ability to meet the sudden demand of deposit. But every ratio is not desirable since bank has to pay interest on deposit. This also maximizes the cost of fund to the bank.

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

Cash and bank balance is composed up of cash on hand including foreign cheques and other cash item; balance with domestic banks and abroad. Deposits include current, saving, fixed money at short call notice and other types of deposits.

ii) Cash and Bank Balance to Current Assets Ratio

This ratio shows the bank's liquidity capacity on the basis of cash and bank balance that is the most liquid assets. High the ratio indicates the bank's ability to meet the daily cash requirements of their customer deposits and vice versa. But the high ratio is not preferred as the bank has to pay more interest on deposit and will increase the cost of fund. Low ratio is also very dangerous, as the bank may not be able to make the payment against the cheques presented by the customers.

We have,

$$\text{Cash and Bank Balance to Current Assets Ratio} = \frac{\text{CasH and Bank Balance}}{\text{Curren Asset}}$$

iii) Investment on Government Securities to Current Assets Ratio

This ratio is used to find out the percentage of current assets invested on government securities, treasury bills and development bonds.

We can find out as:

$$\text{Inv. on Govt. Sects. to Current Assets Ratio} = \frac{\text{Inv. on Govt. Securities}}{\text{Current Asset}}$$

Where,

Investment on Government Securities involves treasury bills and development bonds.

b) Assets Management Ratio

A set of ratio which measure how efficiently a firm is managing its assets and whether or not the level of those assets is properly related to the level of operation. In this study this ratio is used to indicate how effectively the selected banks have arranged and invest their limited resources. The assets management ratios measure how effectively the firm is managing its assets. These ratios are designed to answer this question; does the total amount of each type of assets as reported on the balance sheet seem reasonable or not? If a firm has excessive investments in assets, then its capital cost will be unduly high and its stock price will be suffer" (Brigham , 1989).

i) Loan and Advances to Total Deposits Ratio

This ratio is calculated to find out how successfully the selected banks are utilizing their collections or deposits on loan and advances for the purpose of earning profit.

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

ii) Total Investment to Total Deposits Ratio

Investment is one of the major sources of earning profit. It shows how properly firm's deposit has been invested on government securities and shares and debentures of other companies.

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

iii) Investment on Government Securities to Total Working Fund Ratio

Investment on government securities to working fund ratio shows how much part of total investment is there on government securities in percentage, it is calculated for this purpose by following formula:

$$\text{Investment on Govt. Securities to TWF Ratio} = \frac{\text{Investment on Govt. Securities}}{\text{Total Working Fund}}$$

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

Investment on shares and debentures to total working fund ratio shows the investment of banks on the shares and debentures of other companies in terms of total working fund. This ratio can be obtained dividing on shares and debentures by total working fund. It is calculated as:

$$\text{Investment on Shares and debn.to TWF Ratio} = \frac{\text{Investment on Share and Debenture}}{\text{Total Working Fund}}$$

c) Profitability Ratio

This ratio is related to profit of the banks is essential for the survival of the bank, so it is regarded as the engine that drives the banks and indicates economics progress. It calculated to measure the overall efficiency of the banks.

i) Return on loan and Advances Ratio: - Return on loan and advances ratio shows how efficiently the banks have utilized their resources to earn good return from provided loan and advances. This ratio is computed as,

$$\text{Return on Loan and Advances Ratio} = \frac{\text{Net Profit(Loss)}}{\text{Loan and Advance}}$$

ii) Return on Total Working Fund Ratio

Return on total working fund ratio measures the profit earning capacity by utilizing available resources i.e. total assets. Return will be higher if the bank's working fund is well managed and efficiently utilized. Maximizing taxes, this in the legal options available will also improve the return.

We have,

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

iii) Total Interest Earned to Total Working Fund Ratio

This ratio reflects the extent to which the banks are successful in mobilizing these total assets to acquire income as interest. This ratio actually reveals the earning capacity of commercial banks by mobilizing its working fund. Higher the ratio higher will be the income as interest.

We have,

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

iv) Total Interest Paid to Total Working Fund Ratio

This ratio measures the percentage of total interest expenses on total working fund and vice-versa. This ratio is calculated as,

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

d) Risk Ratios

Commonly, risk means chance or possibility of loss, uncertainty which lies in the business transaction of investment management. When a firm wants to bear risk and

uncertainty, profitability and effectiveness of the firm is increased. This ratio checks the degree of risk involved in the various financial operations. For this study following risk ratios are used to analyze and interprets the financial data and investment policy.

i) Liquidity Risk Ratio

The liquidity risk of the bank defines its liquidity need for deposit. The cash and bank balance are the most liquid assets and they are considered as banks liquidity sources and deposit as the liquidity needs. The ratio of cash and bank balance to total deposit is an indicator of bank's liquidity of need. This ratio is low if funds are kept idle as cash balance but this reduces profitability, when the banks makes loan, its profitability increase and also the risk. Thus, higher liquidity ratio indicates less profitable return and vice-versa. This ratio is calculated as below:

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

ii) Credit Risk Ratio

Bank utilizes its collected funds in providing credit to different sectors. There is risk of default or non-repayment of loan. While making investment, bank examines the credit risk involved in the project. Generally credit risk ratio shows proportion of non-performing assets in the total investment plus loan and advances of a bank it is computed as:

$$\text{Credit Risk Ratio} = \frac{\text{Total Investment} + \text{Loan And Advance}}{\text{Total Asset}}$$

e) Growth Rate

The growth rate represents how well the commercial banks are maintaining their economics and financial position. Higher the ratio batter performance of the bank and vice-versa. Under this topic four types of growth ratio are studied, that are directly related to the fund mobilization of commercial banks.

The following ratios are calculated by using the formula of growth rate:

$$\text{i) Growth Rate of Total Deposits} = \frac{\text{Present Deposit} - \text{Past Deposit}}{\text{Past Deposit}}$$

$$\text{ii) Growth Rate of Total Investment} = \frac{\text{Present Investment} - \text{Past Investment}}{\text{Past Investment}}$$

iii) Growth Rate of Loans and Advances

$$= \frac{\text{Present Loans and Advances} - \text{Past Loans and Advances}}{\text{Past Loans and Advances}}$$

$$\text{iv) Growth Rate of Net Profit} = \frac{\text{Present Net Profit} - \text{Past Net Profit}}{\text{Past Net Profit}}$$

II) Sources and Uses of Funds

Management of funds is the important part of the banking business. The problem of managing funds is great for banks than it is for almost any other enterprise. The sources and uses analysis took out proportion of each source and each use to the total funds of the bank and it were expressed in percentage. The percentage was compared with the standard percentage of a typical bank. This analysis also concerned behaviors of the sources of funds. The uses were analyzed in terms of their supporting ability to the sources of funds to which they represent.

3.4.2 Statistical Tools

Some important statistical tools have been used to present and analyze the data for achieving the objectives such as coefficient of correlation between different variable.

Arithmetic Mean

An arithmetic mean is the value, which represents the group of values and gives an idea about the central part of the distribution. An average gives us a point which is most representative of the data. It is sum of all the observations divided by the number of observations.

Mathematically,

$$\text{Mean}(\bar{X}) = \frac{\sum X}{N}$$

Where, \bar{X} = Mean, $\sum X$ = Sum of all observations, N = Number of observations

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,

$$\text{Standard deviation}(\sigma) = \sqrt{\frac{\sum(X-\bar{X})^2}{N-1}}$$

Where $\sigma = \text{Standard deviation}$, $\bar{X} = \text{Mean}$

Correlation Coefficient

Correlation coefficient 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 to +1.

Mathematically,

$$\text{Correlation coefficient} (r) = \frac{N \sum XY - (\sum X)(\sum Y)}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Assumptions

- If $r = 1$, there is positively perfect correlation between the two variables.
- If $r = -1$, there is negatively perfect correlation between the two variables.
- If $r = 0$, the variables are uncorrelated.

CHAPTER 4

RESULTS

In presenting discussion and findings of the data, this chapter is organized in the way to answer the research questions. First of all, data are presented on the form of ratio, then, Pearson correlation analysis is presented to show the nature of relationship between dependent and independent variables.

4.1 Ratio Analysis

Ratio analysis is a technique of analysis and interpretation of financial statement. There are five types of ratios analyzed in this study, which is presented below:

4.1.1 Liquidity Ratios

Liquidity ratio measures the short-run solvency. Following ratios are calculated under this topic:

4.1.1.1 Cash and Bank Balance to Total Deposit

Cash and Bank balance to total deposit ratio is computed by using following formula:

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

Table 4.1 Cash and Bank Balance to Total Deposit Ratio

Bank/year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V
EBL	14.89	20.72	19.43	21.21	30.23	24.66	19.77	35%
HBL	7.25	13.33	6.87	8.57	11.40	9.02	8.13	15%

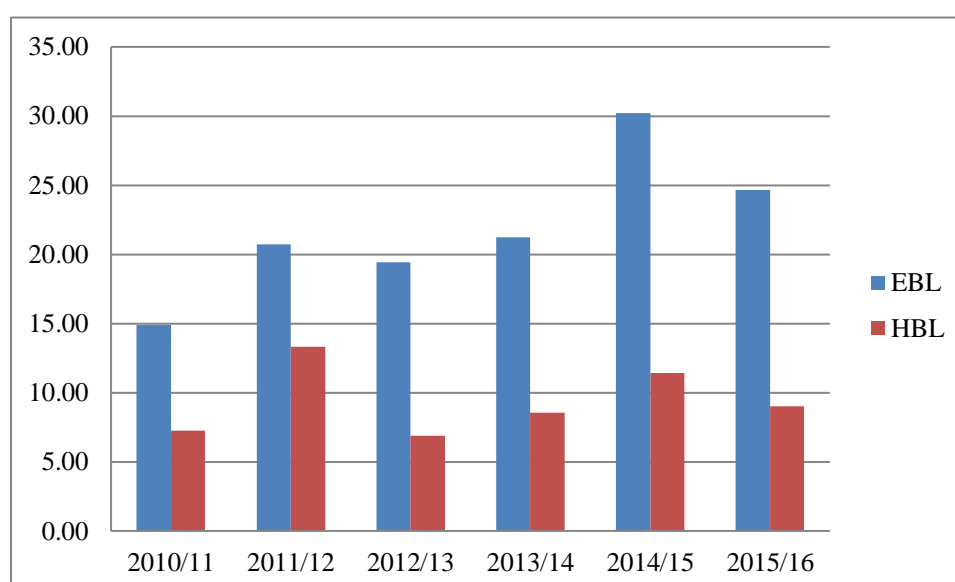
Source: Appendix-II

Table 4.1 clearly indicates that cash and bank balance to total deposit ratio of EBL has followed a fluctuating trend. This is clearly exhibited in figure 4.1. The ratio in EBL has ranged between 15% and 30%. Its mean is 20%. Its CV, i.e. 35% clearly indicates that the ratio in the study period has widely fluctuated. This is not sound.

The ratio of HBL has fluctuating trend. It has ranged between 7% and 13%. Its mean is 8% and its CV is 15%. The CV is slightly higher.

Comparatively, the ratio of EBL is much higher (i.e. more than double) that of HBL. This means EBL has more liquid asset but it is less competent in managing its fund in productive resources. Comparatively, the ratio of HB is better in terms of maintaining consistency in the study period, i.e. 15% as against 35% CV.

Figure 4.1 Cash and Bank Balance to Total Deposit Ratio



4.1.1.2 Cash and Bank Balance to Current Assets

This ratio is calculated dividing cash and balance by current assets and can be calculated as,

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

Table 4.2 Cash & Bank Balance to Current Assets Ratio

Bank/year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V
EBL	16.10	21.86	20.08	20.81	30.11	24.33	20.22	0.29
HBL	8.06	14.79	7.79	10.57	13.03	10.01	9.04	0.15

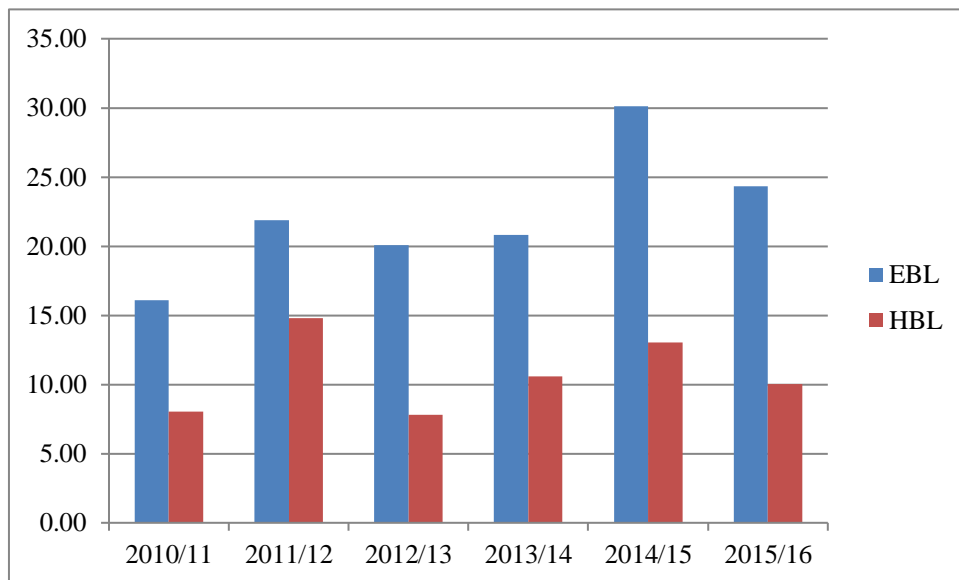
Source: Appendix-II

Table 4.2 reveals that cash and bank balance to current assets ratio of EBL is in fluctuating trend. This is clearly exhibited in figure 4.2. The ratio in EBL has ranged between 16% and 30%. Its mean is 20%. Its CV, i.e. 29% clearly indicates that the ratio in the study period has widely fluctuated. This is not sound.

The ratio of HBL has fluctuating trend. It has ranged between 8% and 15%. Its mean is 9% and its CV is 15%. The CV is slightly higher.

Comparatively, the mean ratio of EBL is much higher (i.e. more than double) that of HBL. This means EBL has more liquid asset but it is less competent in managing its fund in productive resources. Comparatively, the ratio of HB is better in terms of maintaining consistency in the study period, i.e. 15% as against 29% CV.

Figure 4.2 Cash and Bank Balance to Current Assets Ratio



4.1.1.3 Investment on Government Securities to Current Assets

This ratio is used to find the percentage of current assets invested on government securities treasury bills and development bonds. It can be mentioned as:

$$\text{Inv. on Govt. Sects. to Current Assets Ratio} = \frac{\text{Inv. on Govt. Securities}}{\text{Current Asset}}$$

Table 4.3 Investment on Government Securities to Current Assets Ratio

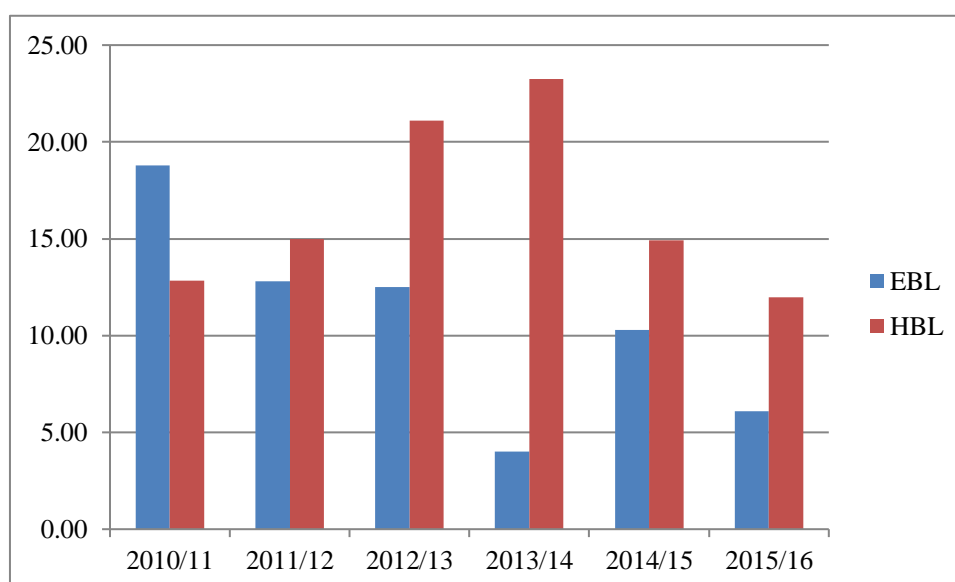
Bank/year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V
EBL	18.79	12.80	12.51	4.02	10.29	6.10	12.44	0.72
HBL	12.85	14.97	21.10	23.24	14.90	11.97	12.41	0.05

Source: Appendix-II

Table 4.3 clearly indicates that cash and bank balance to total deposit ratio of EBL and HBL has followed a fluctuating trend. This is clearly exhibited in figure 4.3. The ratio in EBL has ranged between 4% and 19%. Its mean is 12.44%. Its CV, i.e. 72% clearly indicates that the ratio in the study period has widely fluctuated. This is not sound.

The ratio of HBL has fluctuating trend. It has ranged between 11% and 24%. Its mean is 121.41% and its CV is 5%. The CV is very low.

Comparatively, the ratio of EBL and HBL is same. This means EBL and HBL has more liquid assets. Comparatively, the ratio of HBL is highly better in terms of maintaining consistency in the study period, i.e. 5% as against 72% CV.

Figure 4.3 Investments on Government Securities to Current Assets Ratio

4.1.2 Assets Management Ratio

The following financial ratios related to fund mobilization and calculated under assets management ratio and interpretation is made by these calculations.

4.1.2.1 Loan and Advances to Total Deposit

This ratio can be obtained by dividing loan and advances to total deposit, which can be shown as:

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

Table 4.4 Loan and Advances to Total Deposit Ratio

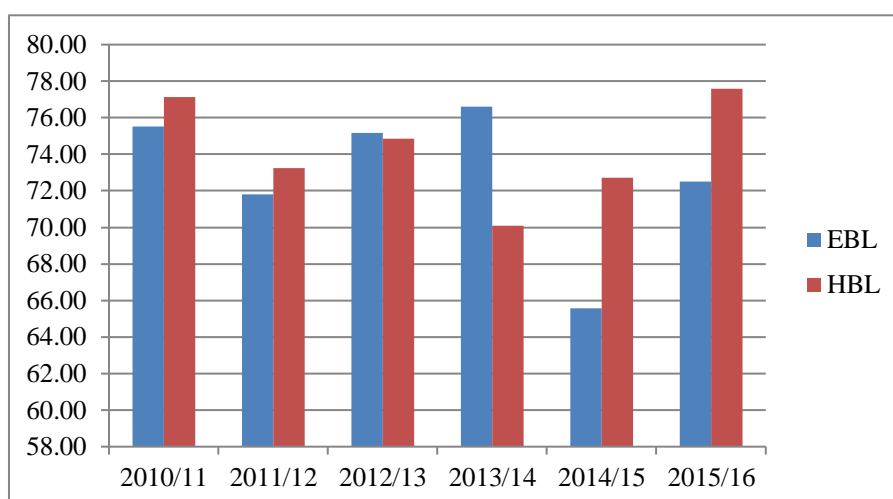
Bank/year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V
EBL	75.52	71.81	75.18	76.60	65.57	72.50	74.01	0.03
HBL	77.14	73.25	74.85	70.07	72.72	77.57	77.36	0

Source: Appendix-II

Table 4.4 reveals that loan and advance to current assets ratio of EBL is in less fluctuating trend. This is clearly exhibited in figure 4.4. The ratio in EBL has ranged between 65% and 76%. Its mean is 74%. Its CV, i.e. 3% clearly indicates that the ratio in the study period has little fluctuated.

The ratio of HBL has also less fluctuating trend. It has ranged between 70% and 78%. Its mean is 77.36% and its CV is 0%.

Comparatively, the mean ratio of HBL is slightly higher than of EBL. This means HBL has slightly higher ability to assets utilization. Comparatively, the ratio of HBL is better in terms of maintaining consistency in the study period, i.e. 0% as against 3% CV.

Figure 4.4 Loan and Advances to Total Deposit Ratio

4.1.2.2 Total Investment to Total Deposit

This ratio is computed by using following formula.

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

Table 4.5 Total Investment to Total Deposit Ratio

Bank/year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V
EBL	18.83	15.73	16.05	10.47	18.18	19.42	19.12	0.02
HBL	21.43	21.02	24.48	30.68	23.27	22.11	21.77	0.02

Source: Appendix-II

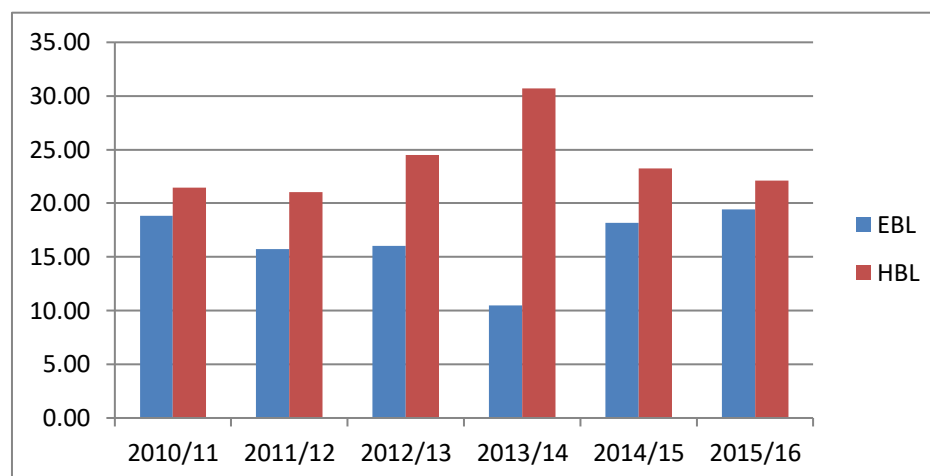
Table 4.5 reveals that total investment to total deposit ratio of EBL is in less fluctuating trend. This is clearly exhibited in figure 4.5. The ratio in EBL has ranged between 10% and 20%. Its mean is 19.12%. Its CV, i.e. 2% clearly indicates that the ratio in the study period has less fluctuated.

The ratio of HBL has fluctuating trend. It has ranged between 21% and 31%. Its mean is 21.11% and its CV is 2%.

Comparatively, the mean ratio of HBL is slightly higher than of EBL. This means HBL has slightly higher ability to assets utilization. Comparatively, the ratio of HBL

and EBL is exactly same better in terms of maintaining consistency in the study period, i.e. 2% CV.

Figure 4.5 Total Investments to Total Deposit Ratio



4.1.2.3 Investment on Government Securities to Total Working Fund

Investment on government securities to working fund ratio show how much part of investment is there on government securities. It can be obtained by:

$$\text{Investment on Govt. Securities to TWF Ratio} = \frac{\text{Investment on Govt. Securities}}{\text{Total Working Fund}}$$

Table 4.6 Investment on Government Securities to Total Working Fund Ratio

Bank/year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V
EBL	66.45	60.01	70.52	5.49	89.94	7.66	37.05	1.12
HBL	50.46	89.93	127.67	909.86	845.21	116.75	83.60	0.56

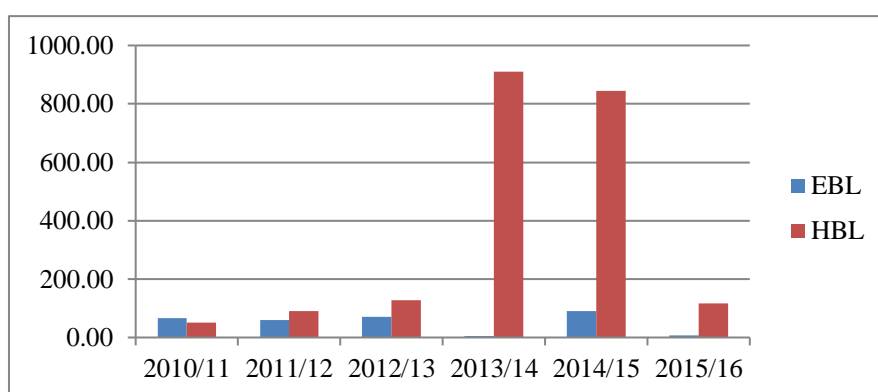
Source: Appendix- II

Table 4.6 reveals that investment on government securities to working fund ratio of EBL is in fluctuating trend. This is clearly exhibited in figure 4.6. The ratio in EBL has ranged between 5% and 90%. Its mean is 37%. Its CV, i.e. 112% clearly indicates that the ratio in the study period has widely fluctuated. This is not sound.

The ratio of HBL has fluctuating trend. It has ranged between 50% and 910%. Its mean is 84% and its CV is 56%.

Comparatively, the mean ratio of HBL is higher than of EBL. This means HBL has slightly higher ability to assets utilization. Comparatively, the ratio of HBL is highly better in terms of maintaining consistency in the study period, i.e. 56% as against 112% CV.

Figure 4.6 Investment on Government Securities to Total Working Fund Ratios



4.1.2.4 Investment on Shares and Debentures to Total Working Fund

This ratio can be obtained dividing shares and debentures by total working fund. It is calculated as:

$$\text{Investment on Shares and debt. to TWF Ratio} = \frac{\text{Investment on Share and Debenture}}{\text{Total Working Fund}}$$

Table 4.7 Investment on Shares and Debentures to Total Working Fund Ratio

Bank/year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V
EBL	15.74	17.41	24.12	5.62	39.92	7.51	11.62	0.5
HBL	30.97	45.52	51.63	331.07	449.25	79.99	55.48	0.62

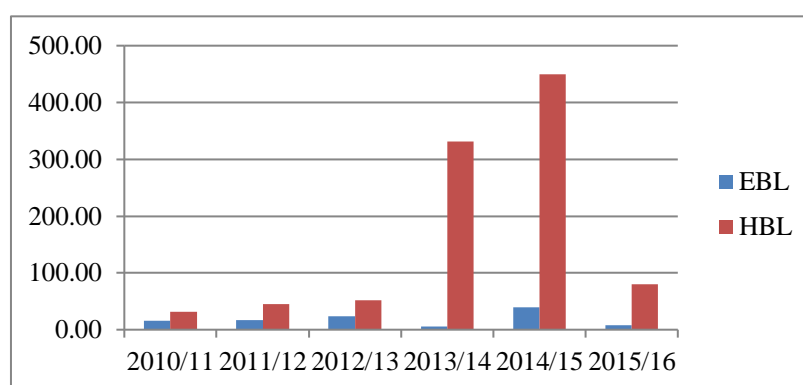
Source: Appendix-II

Table 4.7 reveals that investment on shares and debenture to working fund ratio of EBL is in fluctuating trend. This is clearly exhibited in figure 4.7. The ratio in EBL has ranged between 5% and 18%. Its mean is 11.62%. Its CV, i.e. 50% clearly indicates that the ratio in the study period has fluctuating trend.

The ratio of HBL has fluctuating trend. It has ranged between 30% and 450%. Its mean is 56% and its CV is 62%.

Comparatively, the mean ratio of HBL is higher than of EBL. This means HBL has higher ability to assets utilization. Comparatively, the ratio of EBL is highly better in terms of maintaining consistency in the study period, i.e. 50% as against 62% CV.

Figure 4.7 Investments on Shares and Debentures to Total Working Fund Ratio



4.1.3 Profitability Ratio

Here profitability ratios are calculated and evaluated in terms of the relationship between net profit and assets. Profitability of the firms can be presented through the following different ways.

4.1.3.1 Return on loan and Advances

This ratio computed dividing net profit (loss) by the total amount of loan and advances and can be mentioned as:

$$\text{Return on Loan and Advances Ratio} = \frac{\text{Net Profit(Loss)}}{\text{Loan and Advance}}$$

Table 4.8: Comparative Return on Loan and Advances

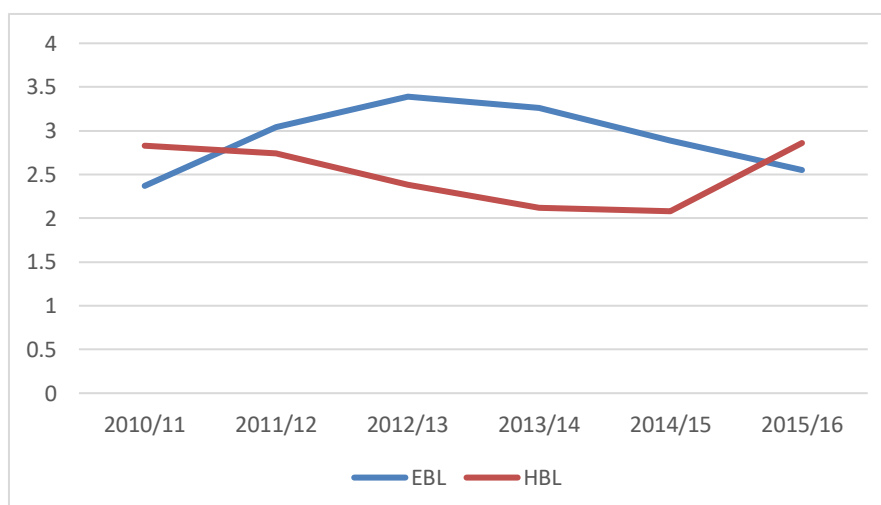
Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V.
EBL	2.37	3.04	3.39	3.26	2.89	2.55	2.91	0.13
HBL	2.83	2.74	2.38	2.12	2.08	2.86	2.50	0.14

Source: Appendix-II

Table 4.8 shows the trend of return on loan and advances of both EBL and HBL are in fluctuating trend. This is also clearly shown in figure 4.8. The ratio of EBL has ranged in between 2.35% and 3.40% whereas the ratio of HBL lies between 2.10% and 2.90%. Similarly during the study period the mean of EBL and HBL are 2.91% and 2.50% and CV being 13% and 14% respectively.

Comparatively the ratio and CV of both the banks are about very close to each other and that reflects both the banks in terms of return on loan and advances are giving tough competition to each other.

Figure 4.8 Return on Loan and Advance Ratios



4.1.3.2 Return on Total Working Fund

Return on Total Working fund Ratio is computed as:

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

Table 4.9 Comparative Return on Total Working fund Ratio

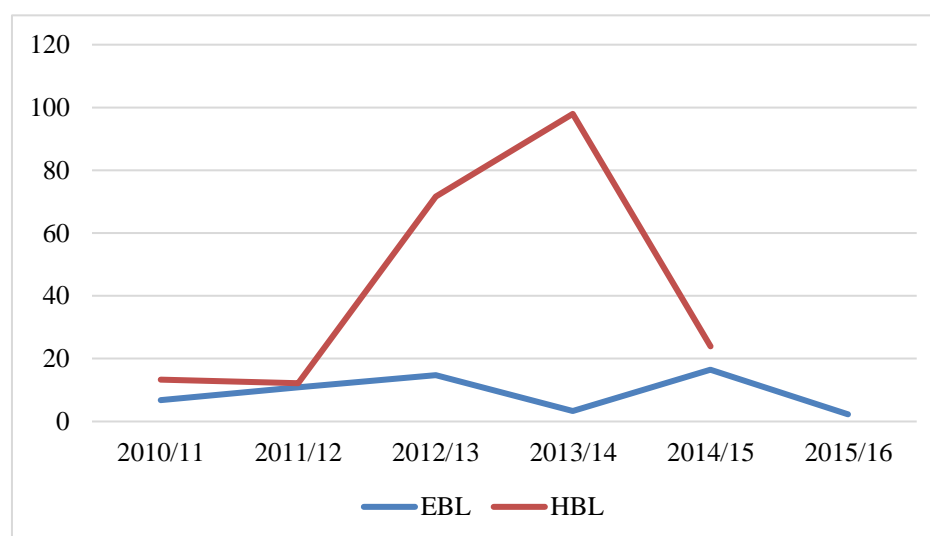
Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V.
EBL	6.84	10.79	14.84	3.34	16.49	2.29	9.10	0.65
HBL	9.54	13.39	12.19	71.62	97.97	24.00	38.11	0.98

Source: Appendix-II

As per table 4.9 the return on total working fund of EBL and HBL are not in stable trend. Figure 4.9 exhibits the same. During the study period the ratio of EBL has ranged in between 3% and 17% whereas the ratio of HBL lies between 9% and 98%. Similarly during the study period the mean of EBL and HBL are 9.10% and 38.11% and CV being 65% and 98% respectively which does not reflect the sound health of the organizations as the CVs are very high.

Comparatively the mean ratio of HBL is higher than the EBL which reflects better ability of generating revenue from total working fund. But despite that both the banks are poor in maintaining consistency, HBL being poorer comparatively.

Figure 4.9 Return on Total Working fund Ratio



4.1.3.3 Total Interest Earned to Total Working Fund

The ratio actually reveals the earning capacity of commercial banks by mobilizing its total interest earned to total working fund ratio.

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

Table 4.10 Comparative Total Interest Earned to Total Working Fund Ratio

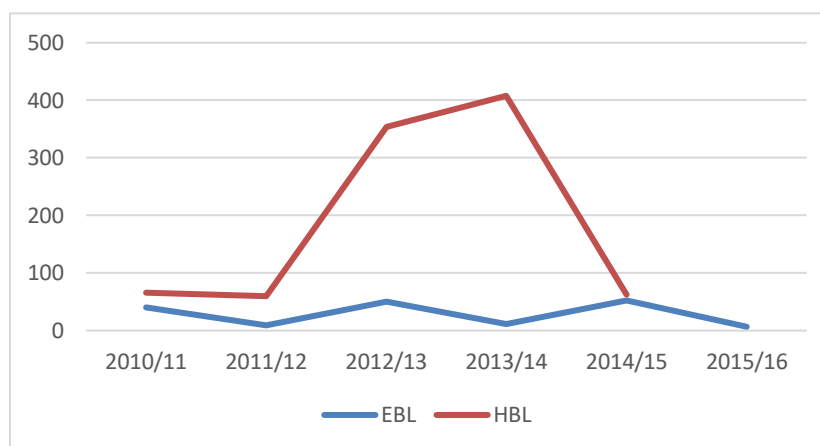
Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V.
EBL	40.28	49.05	49.82	11.17	52.33	6.69	34.89	0.58
HBL	46.19	65.97	59.75	354.22	407.75	62.22	166.02	1.00

Source: Appendix-II

Table 4.10 shows that EBL has highest interest earned to total working fund ratio of 52.33% in the year 2014/15 and the lowest ratio 6.69% in the year 2015/16. Likewise HBL has highest ratio 407.75% and lowest ratio 46.19% in the year 2014/15 and 2010/11 with the mean ratio of both the banks being 34.89% and 166.02% respectively. And the CV of EBL and HBL are 58% 100% which does not show the better consistency of both the banks and the condition of HBL getting even worse.

Comparatively the study shows that HBL is more capable of earning interest on its working fund capital but due to the optimum inconsistency it cannot be termed as good as it will be very difficult for the management to forecast the future and which is not good for financial health of the organizations.

Figure 4.10 Total Interest Earned to Total Working Fund Ratio



4.1.3.4 Total Interest Paid to Total Working Fund

Total Interest Paid to Total Working Fund ratio is calculated as:

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

Table 4.11 Comparative Total Interest Paid to Total Working Fund Ratios

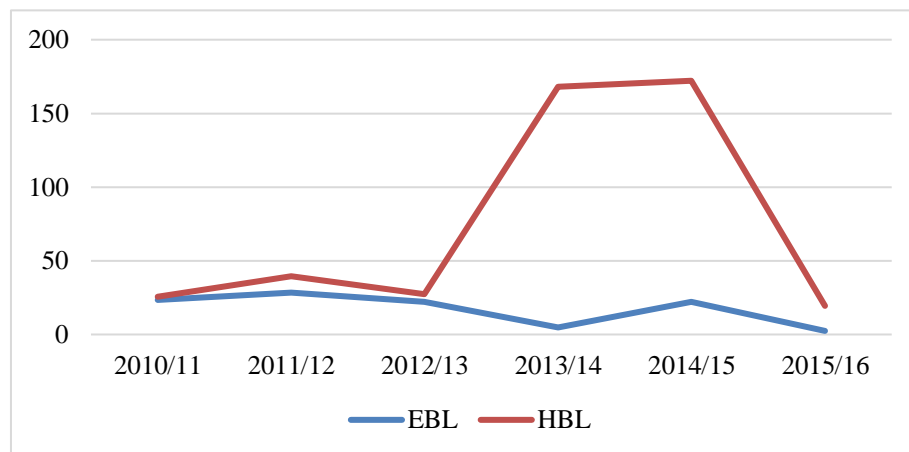
Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V.
EBL	23.58	28.41	21.99	4.87	22.17	2.42	17.24	0.63
HBL	25.79	39.32	27.36	167.96	172.16	19.42	75.34	0.98

Source: Appendix-II

Table 4.11 shows the fluctuating trend of both the banks. This is clearly exhibited in figure 4.11. The ratio of EBL has ranged in between 2% and 29% whereas the ratio of HBL is ranged between 19% and 173%. The mean value of both the banks EBL and HBL are 17.24% and 75.34% and CV are 63% and 98% respectively which signifies inconsistency of the banks.

Comparatively, HBL is paying more interest to total working fund than EBL. But it not a concern as it is also able to generate higher revenue from working fund. But the concern is the CV of both the banks which is very high and shows greater inconsistency and the case is more vulnerable for HBL as it is approximately about 100%.

Figure 4.11 Total Interest Paid to Total Working Fund Ratios



4.1.4 Risks Ratio

For this study, following risk ratios has used to analyze and interpret the financial investment policy.

4.1.4.1 Liquidity Risk Ratio

This ratio is calculated by dividing Cash and Bank Balance to Total Deposit.

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

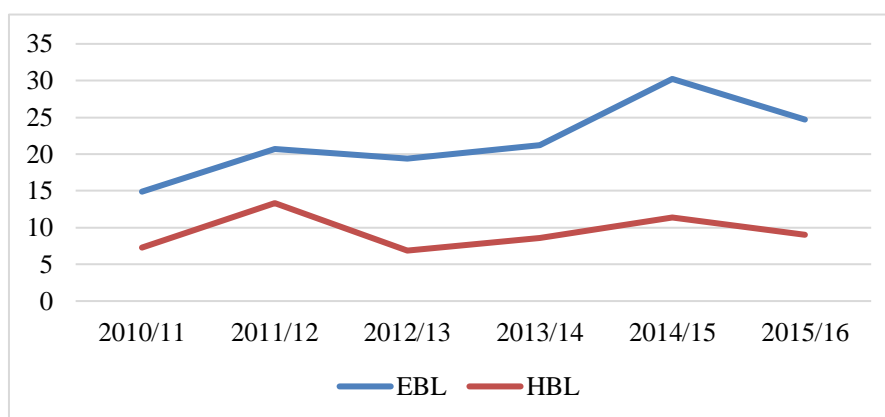
Table 4.12 Comparative Liquidity Risk Ratio

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V.
EBL	14.89	20.72	19.43	21.21	30.23	24.66	21.86	0.24
HBL	7.25	13.33	6.87	8.57	11.40	9.02	9.41	0.26

Source: Appendix- II

Table 4.12 shows that EBL has highest cash and bank balance to total deposit ratio of 30.23% in the year 2014/15 and lowest ratio of 14.89% in the year 2010/11 whereas, HBL have the highest ratio of 13.33% in the year 2011/12 and lowest ratio 6.87 % in the year 2012/13. The mean ratio and CV of EBL are 5.18% and 24%. During the same period the mean ratio and CV of HBL are 2.50% and 26%. The CV of both the banks is quite high and thus shows higher inconsistency during the study period. These are clearly exhibited in figure 4.12.

Comparatively it shows that EBL can meet its liquid liability very easily than HBL. But at the same time it also means that EBL is low risk taker in comparison to HBL.

Figure 4.12 Comparative Liquidity Risk Ratio

4.1.4 Risks Ratio

In general credit risk ratio shows proportion of non-performing assets in the investment plus loan and advances of a bank. It is computed as:

$$\text{Credit Risk Ratio} = \frac{\text{Total Investment} + \text{Loan And Advance}}{\text{Total Asset}}$$

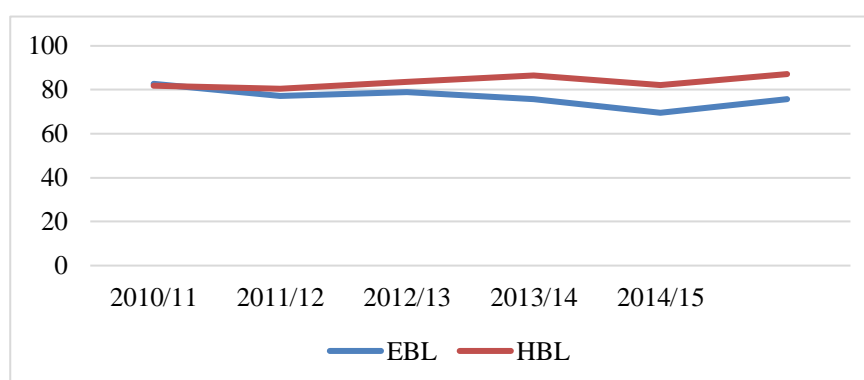
Table 4.13 Comparative Credit Risk Ratio

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V.
EBL	82.74	77.33	78.97	75.68	69.56	75.65	76.66	0.06
HBL	81.82	80.50	83.55	86.43	82.22	87.17	83.61	0.03

Source: Appendix-II

Table 4.13 shows both banks have credit risk ratio in fluctuating trend. The table 4.13 also shows the same. EBL and HBL have the highest ratio 82.74% and 87.17 % in the year 2010/11 and 2015/16 respectively. Similarly these banks have the lowest ratio of 69.56% and 80.50% in the year 2014/15 and 2011/12 respectively.

Comparatively, on the basis of mean ratio it can be said that the credit risk of EBL is lower than of HBL i.e. 76.66% and 83.61% respectively which implies that EBL is more sound in terms of credit security than HBL. Similarly, despite the consistency of both the banks being very good, comparatively EBL is more consistent than HBL as the CV of HBL is higher than that of EBL i.e. 6% in comparison to 3%.

Figure 4.13 Comparative Credit Risk Ratio

4.1.5 Growth Rate

The growth ratios represent how well the commercial banks are maintaining their economic and financial position. To calculate, check and analyze the expansion and growth of the selected banks, the following growth rate are calculated.

4.1.5.1 Growth Rate of Total Deposits

This rate is calculate by dividing Present Value subtracted Past Value to Past Value

$$\text{Growth Rate of Total Deposits} = \frac{\text{Present Deposit} - \text{Past Deposit}}{\text{Past Deposit}}$$

Table 4.14 Growth Ratio of Total Deposits

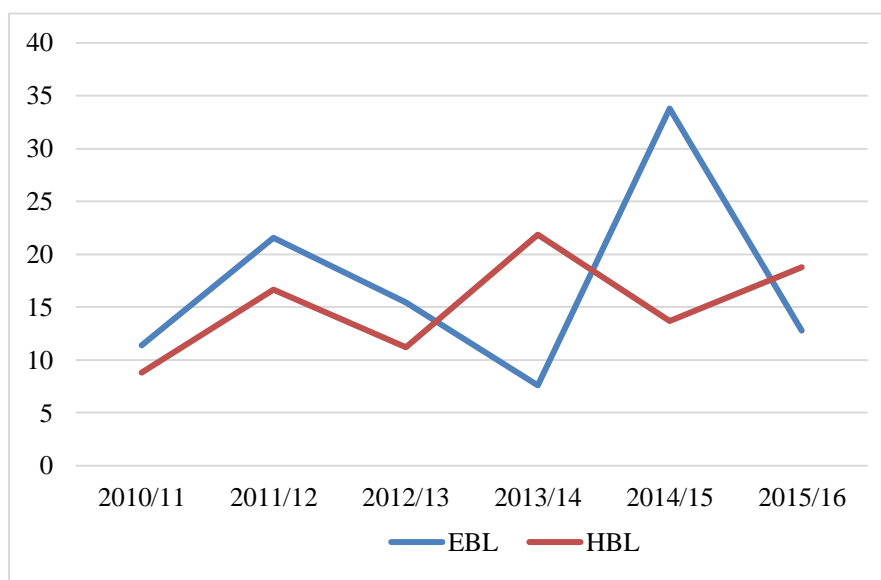
Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V.
EBL	11.36	21.59	15.43	7.60	33.79	12.81	17.10	0.55
HBL	8.81	16.64	11.19	21.86	13.70	18.76	15.16	0.32

Source: Appendix -II

The table 4.15 shows that both EBL and HBL have positive growth ratio in terms of total deposit but are unable to maintain the consistency through the study period. Figure 4.14 also clearly indicates it. This can be verified by the higher CV of both the banks which are 55% and 32%. During the study period the ratio of EBL ranged between 7% and 34% and that of HBL lies between 8% and 22% respectively.

Comparatively the growth of EBL is better than HBL as its mean ratio is higher i.e. 17.10% in comparison to 15.16% of HBL but EBL is also more inconsistent.

Figure 4.14 Growth Ratio of Total Deposit



4.1.5.2 Growth Rate of Total Investment

$$\text{Growth Rate of Total Investment} = \frac{\text{Present Investment} - \text{Past Investment}}{\text{Past Investment}}$$

Table 4.15 Growth Ratio of Total Investment

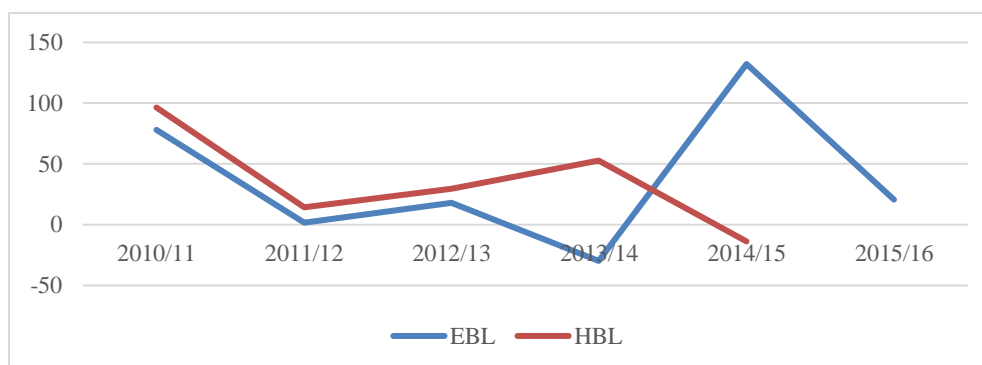
Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V.
EBL	77.86	1.55	17.80	-29.79	132.21	20.50	36.69	1.59
HBL	96.42	14.39	29.51	52.72	-13.75	12.81	32.62	1.20

Source: Appendix -II

The table 4.15 shows that other than the year 2013/14 of EBL and 2014/15 of HBL the growth rate of total investment is positive throughout the study period. Among them, EBL has the highest growth rate of 132.21% and lowest growth rate of -29.71% in the year 2014/15 and 2013/14 respectively. Similarly, HBL has the highest and lowest growth ratio of 96.42% and -13.75% in the year 2014/15 and 2010/11 respectively.

Comparatively, considering the mean value EBL has the higher growth ratio of total investment than HBL which are 58.47 and 38.36 respectively. But during the study period EBL has a higher variation in terms of maintaining stability than HBL as shown by CV i.e. 1.59 and 1.20. The growth ratio of total investment during the study period also shows the high inconsistency as shown in table.

Figure 4.15 Growth Rate of Total Investment



4.1.5.3 Growth Ratio of Loan and Advances

Growth Rate of Loans and Advances

$$= \frac{\text{Present Loans and Advances} - \text{Past Loans and Advances}}{\text{Past Loans and Advances}}$$

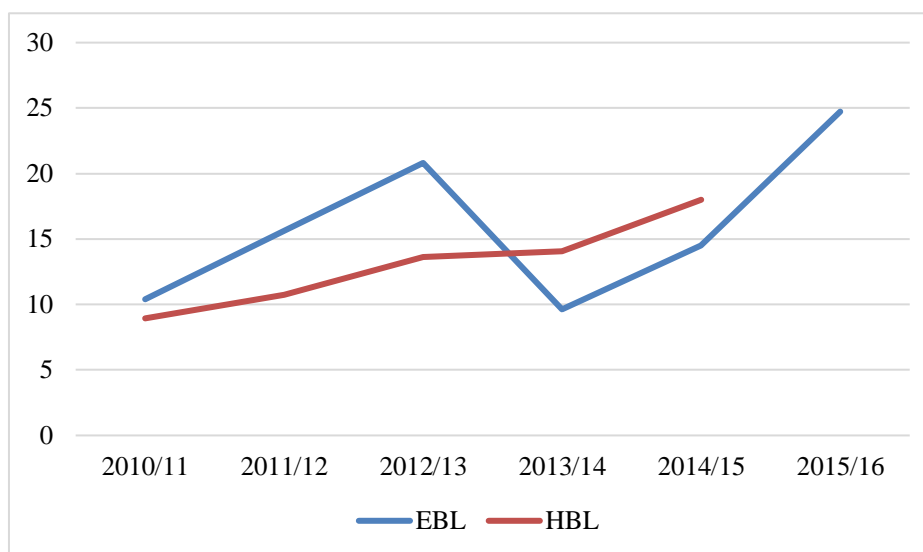
Table 4.16 Growth Ratio of Loan and Advances

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V.
EBL	10.41	15.63	20.83	9.63	14.53	24.73	15.96	0.37
HBL	8.94	10.76	13.61	14.09	18.00	26.68	15.35	0.41

Source: Appendix -II

The table 4.16 describes the growth ratio of EBL is in fluctuating trend but during the same period HBL has maintained its growth in an increasing trend. EBL has highest growth ratio of loan and advances of 24.73% in the year 2014/15 and lowest ratio of 9.63% in the year 2013/14 whereas, HBL have the highest ratio of 26.68% in the year 2015/16 and lowest ratio 8.64 % in the year 2012/13. The mean ratio of HBL is slightly lower than that of EBL i.e. 15.35% and 15.96%. Also the CV of EBL is lower than that of HBL i.e. 0.37 and 0.41 respectively.

Comparatively EBL is slightly better than HBL in terms of growth of loan and advances. This is because the mean value of EBL is slightly higher than that of HBL and also its CV is little lower, both of these explains better position of EBL in comparison to HBL.

Figure 4.16 Growth Ratio of Loan and Advances**4.1.5.4 Growth Ratio of Net Profit**

$$\text{Growth Rate of Net Profit} = \frac{\text{Present Net Profit} - \text{Past Net Profit}}{\text{Past Net Profit}}$$

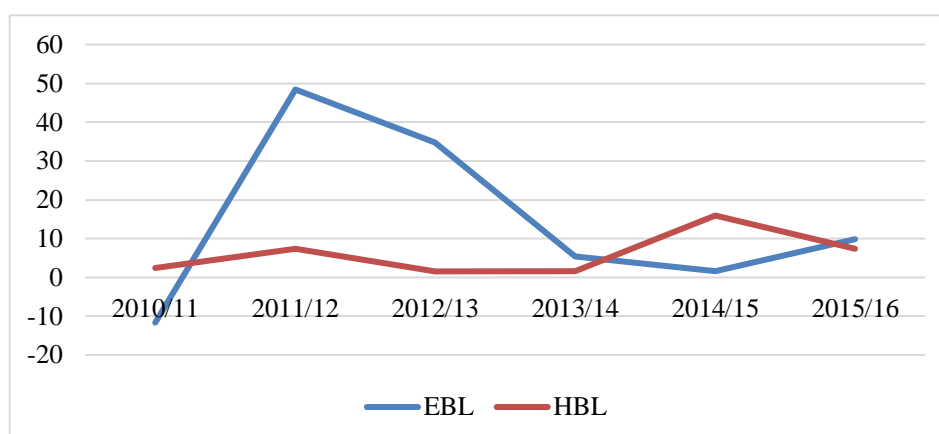
Table 4.17 Growth Ratio of Net Profit

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean	C.V.
EBL	-11.64	48.44	34.83	5.37	1.54	9.91	14.74	1.52
HBL	2.41	7.39	1.56	1.59	-15.95	74.00	16.63	1.73

Source: Appendix II

The table 4.17 represents the positive net profit growth rate of both the banks throughout the study period other than the year 2010/11 of EBL and 2014/15 of HBL whose growth rate is in negative and implies that the bank's profit has declined in comparison to last year. During the study period the ratio of EBL has ranged in between 48.44% and -11.64% whereas the range of is between 74.00% and -15.95%.

But comparatively, considering the mean value, HBL has a better growth rate of net profit during this period as the mean value of EBL and HBL are 14.74% and 16.63% respectively. But for both the organizations the higher CV seems to be a concern as it is very high. Growth ratio of Net Profit of EBL and HBL are also shown in the figure 4.18.

Figure 4.17 Growth Ratio of Net Profit

4.2 Analysis of Sources and Uses of Funds

The following table presents the list of sources and uses of funds of EBL and it represents the proportionate contribution to the total funds EBL.

4.2.1 Comparative analysis of sources of EBL and HBL

Table 4.19 Percentage of Various Sources of Funds of EBL

Particulars	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Total	Mean
1.Capital Funds	5.88	5.5	6.25	6.75	5.45	7.48	37.31	6.22
2.Deposits	87.7	88.34	86.57	86.92	83.07	82.31	514.91	85.82
3.Borrowings	1.67	0	1.31	0.66	1.07	0.94	5.65	0.94
4.Others	4.75	6.16	5.87	5.67	10.41	9.27	42.13	7.02
Total	100	100	100	100	100	100	600	100

Source: Appedix II

Table 4.20 Percentage of various sources of Funds of HBL

Particulars	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Total	Average
1.Capital Funds	6.98	7.15	7.34	7.03	7.08	8.23	43.81	7.30
2.Deposits	83	85.39	84.11	85.78	87.94	87.37	513.59	85.60
3.Borrowings	1.03	0.9	1.88	1.46	0.7	1.6	7.57	1.26
4.Others	8.99	6.56	6.67	5.73	4.28	2.8	35.03	5.84
Total	100	100	100	100	100	100	600	100

Source: Appendix II

Table 4.19 and 4.20 shows that overall both the banks have accumulated the funds through the same sources and in about same proportion. The result confirms that the major source on which the banks depend for the accumulation of the funds is deposit from its customers. In an average more than 85% of the funds are collected through deposits and it is the case for both the banks. Secondly the major source of fund is capital funds collected through the issue of shares. This shares 6.22% and 7.30% parts of funds collected. During the same period others occupy 7.02% and 5.84% for EBL and HBL as a source of funds collection. Lastly borrowings have the least among all occupying 0.94% and 1.26% for the accumulation of funds.

Table 4.21 Percentage of Various Uses of Funds Form Total Uses of EBL

Particulars	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Total	Average
1. Liquid Funds	13.06	18.31	16.82	18.44	25.11	20.3	112.04	18.67
2. Investments	15.24	10.72	10.48	3.56	8.56	15.98	64.54	10.76
3.Loan&Advances	67.24	64.26	66	67.11	54.87	59.67	379.15	63.19
4.Others	4.46	6.71	6.7	10.89	11.46	4.05	44.27	7.38
Total	100	100	100	100	100	100	600	100

Source: Appendix II

Table 4.22 Percentage of Various Uses of Funds of HBL

Particulars	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Total	Average
1. Liquid Funds	8.77	11.86	9.05	7.61	11	7.88	56.17	9.33
2. Investments	13	16.46	13.15	16.16	11.17	19.31	89.25	14.83
3. Loan & Advances	64.21	61.33	62.84	58.89	61.86	67.77	376.9	62.77
4. Others	14.02	10.35	14.96	17.34	15.97	6.04	78.68	13.07
Total	100	100	100	100	100	100	600	100

Source: Appendix II

Table 4.21 and 4.22 shows that among the total fund collected banks are using it mostly in the loan and advances. In an average 63.19% and 62.77% of collected funds are spent in providing loans to the customers by EBL and HBL. Similarly EBL and HBL have maintained 18.67% and 9.33% of liquid funds of. From this we can say that HBL is a high risk taker in terms of maintaining liquid funds. Further banks also have shown the interest towards the investment making 10.76% and 14.83% in an average during the study period. Likewise, items like interest accrued are shown under others covering 7.38% and 13.07% respectively.

4.2.2 Cash Flow Analysis of EBL

The cash flow of EBL from different activities is shown in the following table.

Table 4.25 Cash flow from different Banking Activities of EBL

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean
CFOA	1107.8	7056.5	665.4	3272.27	14869.44	3189.22	2149
CFIA	399.2	-1434.2	-244.2	-491.85	2577.95	-5002.3	-2302
CFFA	192.3	-1375	424.48	-828.37	340.09	-194.06	-0.88

Source: Appendix II

Table 4.25 shows the cash inflow and out flow of EBL during six years studies period. Operating activities of EBL is in fluctuating trend operating efficiency of this bank is lowest in 2012/13 i.e. 665.4 million and highest in 2014/15 i.e. 14869.44 million.

Investing efficiency of this bank is widely fluctuate, highest investment of EBL is in 2015/16 i.e. 5002.3 million and lowest in 2010/11 i.e.399.2. Similarly Cash flow from financing activities of EBL is highest in 2012/13 by amount 424.48 million and lowest in 2011/12 by amount -1375 million .

Figure 4.23 Cash Flow From Different Banking Activities of EBL

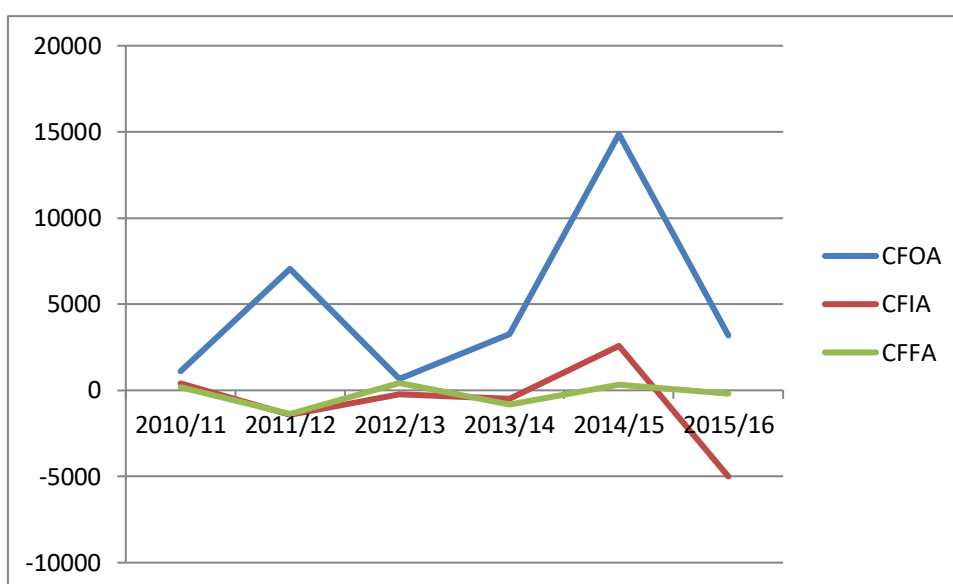


Table 4.26 Cash Flow of Different Banking Activities of HBL

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Mean
CFOA	1229.72	1195.1	1489.62	1355.85	1674.4	3420.62	2325
CFIA	-138.74	-1729.3	-1765.4	-6713.8	2347.5	-3521.2	-1830
CFFA	-225.05	-379.22	333.99	-426.98	-613.5	-411.84	-318

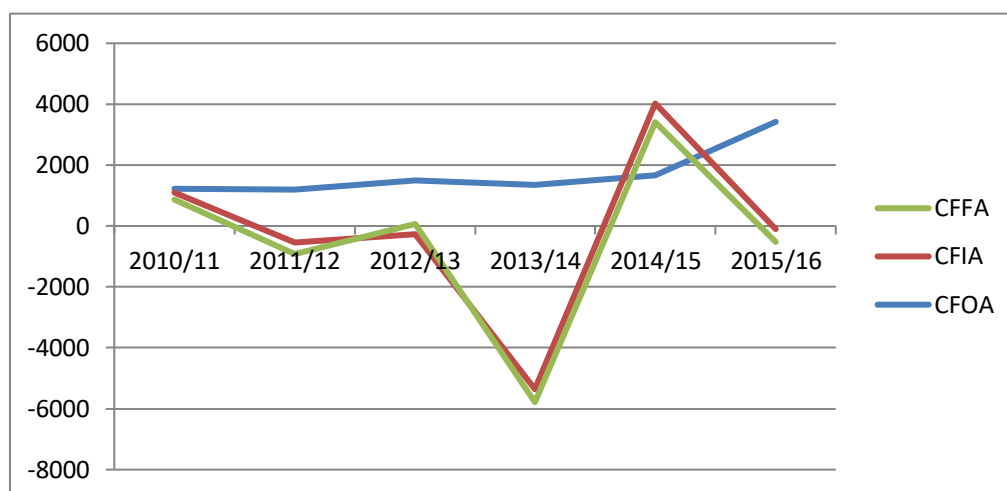
Source: Appendix II

Table shows the cash inflow and out flow of HBL during six years studies period. Operating activities of HBL is in fluctuating trend. Operating efficiency of this bank is highest in 2015/16 by amount 3420.62 million and lowest in 2011/12 i.e. 1195.10 million.

Investing efficiency of this bank is widely fluctuate, highest investment of HBL is in 2013/14 i.e. 6713.8 million and lowest in 2014/15 i.e. 2347.5. Similarly Cash flow

from financing activities of HBL is highest 2012/13 by amount 333.99 million and lowest in 2014/15 by amount -613.5 million.

Figure 4.24 Cash Flow of Different Banking Activities of HBL



4.3 Correlation Analysis

Correlation analysis describes the relationship between variables with positive or negative. This analysis is analyzed under this heading.

4.3.1 Analysis of Correlation Coefficient Between Deposits and Total Investment

The following table describes the relationship between deposits and total investment of EBL and HBL under 5 years study period. In this case deposit is independent variable (X) and total investment is dependent variables (Y).

Table 4.30 Correlation Coefficient Between Deposits and Total Investment

Variables	Total Deposit	Total Investment
Total Deposit	1	
Total Investment	.771**	1

** Correlation is significant at the 0.01 level (2-tailed).

Source : Appendix III

Pearson coefficient of correlation has been computed and the results are presented in table 4.30. The correlation between total deposits and total investment is 0.771 i.e. high degree of significant positive correlation between these two variables. The significant positive correlation of total deposit with total investment indicates that higher the total deposit high would be the total investment.

4.3.2 Correlation Coefficient Between Deposits and Loan and Advances

The following table describes the relation between deposits and loan and advances of EBL and HBL with comparatively under five years study period. In the following case deposit is independent variables (X) and loan and advances is dependent variables (Y).

Table 4.31 Correlation Coefficient Between Deposits and Loan and Advances

Variables	Total Deposit	Loan and Advance
Total Deposit	1	
Loan and Advance	0.982**	1

** Correlation is significant at the 0.01 level (2-tailed).

Source : Appendix III

Pearson coefficient of correlation has been computed and the results are presented in table 4.31. The correlation between total deposits and total loan and advance is 0.982 i.e. very high degree of significant positive correlation between these two variables. The significant positive correlation of total deposit with total loan and advance indicates that higher the total deposit higher would be the total loan and advance

4.4 Major Findings

Basically in this research work, all the data has been obtained from secondary sources. Data has been analyzed by using financial as well as statistical tools. This topic focuses on the major findings of the study, which are derived from the analysis of fund mobilization of EBL and HBL with comparatively applying five years data from 2010/11 to 2015/16.

The major findings of the study derived from the analysis of financial tools of EBL and HBL given below:

1. Liquidity Ratio

- i. The study found that the Liquidity position of EBL is comparatively better than HBL. As all the sub ratios of liquidity ratio shows better position of EBL in comparison to HBL.
- ii. This can be verified through the mean value of those ratios of the study period which are Cash and bank balance to total deposit ratio, cash and bank balance to current assets ratio and investment of government securities to current ratio of EBL are 19.77%, 20.22% and 12.44% in comparison to 8.13%, 9.04% and 12.41% of HBL respectively.

2. Assets Management Ratio

- i. The study shows the better position of HBL in comparison to EBL in all aspects of assets management ratio. This can be verified through the mean value of those ratios during the study period.
- ii. The ratio of loan and advance to total deposit ratio, total investment to total deposit ratio, investment on government securities to total working capital ratio and investment on shares and debenture to total working fund ratio of HBL are 77.36%, 21.77%, 83.60% and 55.48% in comparison to 74.01%, 19.12%, 37.05% and 11.62% of EBL respectively which verifies the better position of HBL in terms of asset management ratio.

3. Profitability Ratio

- i. The study reveals that the average return on working fund ratio of HBL is higher than EBL (i.e 38.11% and 9.10%) and it was able to earn more profit than HBL. The CV of EBL was lower than HBL i.e. 65.04% < 98.19% which shows greater consistency of EBL in generating profit through working fund.
- ii. Return on loan and advance reveals higher ability of EBL in generating profit through loan and advances than EBL (i.e. 2.91% compared to 2.50%). The CV of EBL was lower than HBL i.e. 13.69% < 14.24% which shows that the

earning on loan and advances by EBL is more consistent compared to the HBL.

4. Risk Ratio

- i. The study in its findings also revealed that EBL has maintained higher cash and bank balance than HBL i.e mean value of liquidity risk ratio is 21.86 compared to 9.41 which means EBL is operating at less risk and with a lesser CV (i.e. 23.69 and 26.61 for EBL and HBL) which shows higher consistency during study period by EBL.
- ii. The study reveals that EBL has higher credit risk ratio than HBL (i.e.83.61% and 73.66%) and it was able to avoid default of non-payment of loan. The CV of EBL was lower than HBL bank i.e. 3.58% < 4.51% which shows that the non-performing assets in total loan and advance levels by EBL was more consistent compare to the HBL bank.

5. Growth Ratio

- i. In an average growth ratio of total deposit of EBL is higher than HBL i.e. 9.41% compared to 4.87%. Hence, the deposit collection criteria of EBL is better in comparison to HBL. The deposit collections of both the banks are in increasing trend throughout the study period.
- ii. Growth ratio of loan and advances of EBL is slightly more than HBL i.e. 15.96% in comparison to 15.35%. It shows that the performance of EBL in utilizing the deposit collected is better than that of HBL.
- iii. Growth ratio of total investment of EBL (36.69%) is comparatively higher than HBL (32.62%). It also shows the better ability of EBL in terms of utilizing collected funds.
- iv. Growth ratio of net profit of HBL is greater than the EBL i.e. 16.63% > 14.74%. It shows that HBL better able in generating more profits through its lending and investment in comparison to EBL.

6. Sources and Uses of Funds

The study revealed that the major sources and uses of funds of EBL and HBL are deposits and loan and advances. This means banks mainly focus on accumulating deposits and lending it as a loan in order to increase the profit. The study shows that EBL and HBL in an average during the study period depend 85.82% and 85.60% respectively as a source of funds. And during the same period the lending in loans and advances counts as 63.19% and 62.77% respectively.

Secondly, the major source of funds of EBL and HBL are from capital funds counting 6.22% and 7.30% respectively. Whereas the remaining sources of funds are others and borrowings counting 7.02%, 5.84% and 0.94%, 1.26% for EBL and HBL respectively.

Similarly, the other major uses of funds of EBL are liquid funds, investment and others with value of 18.67%, 10.76% and 7.38% respectively. But for HBL investment carries the second highest uses with others and liquid funds being third and fourth counting 14.83%, 13.07% and 9.33% respectively.

7. Cash Flow Analysis

The study shows that, cash flow after operating activities of HBL is higher than EBL in amount i.e. Rs. 2325 in comparison to Rs. 2149 (Rs. in million) which means HBL is better and more capable in generating cash from operating activities than EBL.

- i. Further the study reveals that cash flow from investment activities of EBL is higher than HBL i.e. Rs.-2302 Rs.-1830 (both in million). This implies that EBL is highly motivated towards investing activities and this is good for the health of organizations in long term perspective.
- ii. Finally cash flow from financial activities of HBL is higher than EBL i.e. Rs.-318 and Rs. -0.88 (in million). This means CFFFA shows better position of EBL as the CFFFA of HBL is highly negative and that may not be good for sound health of the organization in a future perspective.

8. Correlation Analysis

- i. The analysis shows that the correlation between deposit and total investment is 0.77 which signifies that total investment is highly positive related with deposit which indicate that increase in the total deposit, total investment also increases.
- ii. Similarly Correlation between deposit and total loan and advance is 0.98 which means that total loan and advance is strongly positive related with deposit which indicates that increase one will result in the increase in other too.

CHAPTER V

SUMMARY, CONCLUSION AND IMPLICATION

This chapter includes summary and conclusion for our research study and provides recommendation. This begins with the summary of this research and, and then presents the quality assessment of the study with the conclusion of research. The further research's recommendations will be provided in the end of this chapter.

5.1 Summary

Collecting small scattered amount of capital through different media and investing the deposited fund in productive sector with a view to increase the income of the depositors is meant deposit mobilization. In other words, investing the collecting fund in the productive sectors and increasing the income of the depositors, also supports increase in the saving through the investment of increased extra amount (NRB, Bankers Rakashan)

Basically the entire research work focus on the comparative study on deposit mobilization of two Joint Venture Banks Everest Bank Ltd and Himalayan Bank Ltd. These two joint venture banks are composed as per their deposit mobilization activities by taking six years data from the year 2010/11 to 2015/16.

The main objective of this study is analyzed whether EBL and HBL are adopting efficient fund mobilization policy or not and specific objective are to analyzed the deposit method and saving system of EBL and HBL.

The study is based on secondary sources. All data are taken from concerned banks annual report, literature publication, balance sheet, profit and loss account, previous theses report, different website, related books and booklets, journals and articles, After collecting data from different sources, it is analyzed by using financial and statistical tools .Findings are drawn by applying various financial tools viz. Ratio analysis (including liquidity ratio, assets management ratio, profitability ratio, risk ratio, growth ratio), sources and uses of fund. In an attempt to fulfill the objectives of the research work, all secondary data are compiled, processed and tabulated as per

necessity and figures, diagrams and different types of chart are also used. Similarly, statistical tools have been used viz. mean standard deviation, coefficient of variation, coefficient of correlation.

The results of liquidity ratio reveals that EBL has a better solvency position in comparison to HBL. Further the result also shows the better position of EBL in terms of growth other than the growth of net profit. Similarly the position of profitability ratio of both the banks are neutral to each other as one is better in return on working fund then other is better at return on loan and advances. Finally the result also shows the same pattern of sources and uses of funds of both the banks.

So overall we can say that the condition of EBL is better than HBL in terms of deposit mobilization. But despite being better there is a lot of drawbacks in EBL as well. So the banks should consider its weaknesses and work on it in order to be more competitive in the industry as well as it should also work more on its strength so as to be keep developing and be sounder.

5.2 Conclusion

The main objective of this study was to comparatively analyze the deposit mobilization of Everest bank limited and Himalayan bank limited. It is hoped that this study will provide a reference to management of these organization about its strength and weakness and factors to be considered for the further improvement of the examined organizations. Also it can lay down the idea to other financial organizations about the impact of deposit mobilization and factors to be considered before mobilizing fund.

Also, as deposit are the major sources of funds for commercial bank to sustain in the industry, CBs should have optimum policy to collect the deposits in various accounts. Higher the deposit higher will be the chance of generating profit through its mobilization. But at the same time organizations should mobilize its funds with due care as it can some time become two edged sword. This means if invested with proper analysis it can generate greater amount of profit but otherwise can result in chance of high default risk and hence can lead to bankruptcy.

Accordingly to satisfy the objective of this study various factors were investigated and discussed so as to assess the impact of deposit mobilization in these sampled banks and analyze them comparatively. Going through this study an evidence has been provided that deposit mobilization has a strong on the organizational performance. The conclusions that can be drawn out from this study are:

- i. The study concluded that the liquidity position of EBL is comparatively better than HBL as all the sub ratios of liquidity ratio shows better position of EBL.
- ii. The study further shows enough evidence that HBL in comparison to EBL is better able to utilize its assets. This is verified through the mean value of various ratios of assets management ratio during the study period.
- iii. Profitability ratio concludes the better ability of EBL in terms of generating profit. All the ratios under profitability ratio shows better position of EBL.
- iv. The study concludes that HBL maintains less cash and bank balance in respect to EBL. This means HBL is high risk taker in terms of liquidity risk ratio. Credit risk ratio also shows the same.
- v. The study also concludes that growth of EBL in terms of total deposit, loan and advances and total investment is better than HBL but so is not the case with net profit.
- vi. The cash flow statement shows better position of HBL in terms of CFFOA. But comparing CFFFA the condition of EBL is better and CFFIA shows about neutral for both the organizations.
- vii. Finally correlation analysis shows that increase in deposit results in increase in both loan and advances and total investment.

5.3 Implications

5.3.1 Implications for Everest Bank Ltd.

1. EBL despite making sufficient amount of profit has not been able to utilize its assets efficiently. So it should consider its management in utilizing its assets to an optimum level should focus on growth of net profit.
2. The growth of net profit is low compared to the HBL. So it is suggested to EBL that the management.

3. Despite comparatively being better in most of the part than, EBL do have higher CV which arises the question on its consistency. So EBL is suggested to improve its variation so as to analyze the future trend successfully.

5.3.2 Implications for Himalayan Bank

1. HBL is interested only in investing private sector. It is better for the bank to increase its profit by lending in highly profitable projects but there is high risk too. So HBL should diversify its investment in various securities.
2. Growth ratio of total deposit and loan and advance of HBL is lower than EBL. Hence, it is recommended to HBL. The bank should increase the ratio of deposit and loan and advances.
3. HBL should also consider the growth ratio of total deposit, total investment and loan and advances as these are the inevitable factors behind the success of banking organizations and the growth of these are comparatively less than EBL.
4. There is high variation in most part of the study for HBL as shown by CV (i.e.). This should be look after by the management as the higher CV shows inconsistency in organizational performance.

Further all the commercial banks including the examined one are suggested that it must be providing their services in the remote area and deprived. CB's are also not willing to deal in small loans so that there is gap, which needs to be fulfilled. At last but not the least "Fund from urban areas and credit to rural poor's" should be the motto of CBs if they foresee the market potential.

5.3.3 Implications to Interesting Avenues for Future Research

1. Firstly the present study is based on only two commercial banks of Nepal provide which only provide limited and comparative knowledge the subject matter. For the future researchers it is recommended that the sample should be collected from in large numbers and other groups of financial organizations like development banks, co-operative societies etc. so as to generalize broadly.

2. Secondly, the future researchers could carry their research in the field of deposit mobilized by the commercial banks in productive sectors and their impact on the economic growth of the nation.
3. Similarly, it would be interesting to know the influence of employee on efficiency and productivity of deposit mobilization and its impact on organizational performance. So future researchers can look after this for the study.

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