A RESEARCH REPORT ON SOURCES OF FUND AND ITS MOBILIZATION IN COMMERCIAL BANK (A COMPARATIVE STUDY OF STANDARD CHARTERED BANK LTD AND NABIL BANK LTD)

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Abstract

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 underdeveloped countries and Nepal is a formation and proper utilization of capital. Banking institutions are inevitable for the resource mobilization. Bank collects fund as a saving from public of country and invest in highly return yielding firm. This study is concerned with whether SCBNL and NABIL are adopting efficient fund mobilizing policy or not. It is seen from the study that comparatively joint venture banks are mobilizing funds effectively. By effectively mobilizing the funds they are succeed to earn high rate of return. But because of lack of sufficient knowledge towards saving with people banks are unable to raise adequate fund which is hampering country’s growth.

Key words: Joint Venture Bank, Fund, Capital, Ratios, Growth, Commercial Banks, Mobilization

Introduction of the Study

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.

Banking institutions are inevitable for mobilizing resources, for finance and social economic development of any country and which is important to all parties i.e. generally public, business, organization, government and other small financial institution. The development of a country is always measured by its economic development through economic indices. That’s why every country has given emphasis on boost up its economy.

**Focus of the Study**

Banking institutions are inevitable for the resource mobilization. Bank collects fund as a saving from public of country and invest in highly return yielding firm. The role of commercial banks in uplifting the economic growth of the country is very important. The uplifting of the development of a nation largely depends upon the development of its economic growth. Bank provides internal resources own branches. The development of the economy is greatly influenced due to the internal management of the bank. So commercial bank is the heart of trade, industry and business in modern age commercial banks earn optimal profit by mobilizing their internal resources properly.

This research focuses on the comparative study of fund mobilization of two commercial banks; Standard Chartered Bank Nepal Ltd and Nabil Bank Ltd. These two banks are compared as per their fund mobilization procedure by taking 6 years data from the year 2005/06 to 2010/11.

**Statement of Problems**

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:

- What is the relationship between deposits with total capital raised, deposits with total investment and also deposits with loan and advances?
- Which banks have more effective investment policy: SCBNL or NABIL?
- Does the investment decision affect the total earning of the bank or not?
- Do these two commercial banks have been successful to utilize their available fund?
- Are they maintaining sufficient liquidity position?
- Is there any stability in fund mobilization between SCBNL and NABIL?

**Objective of the study**

This study is concerned with whether SCBNL and NABIL are adopting efficient fund mobilizing policy or not. The specific objectives related to this study are presented below:

- To assess the growth ratio of loan and advances and total investment with respective to growth ratio of total deposit and net profit of Sample Banks.
- To examine liquidity, assets management, efficiency and profitability portions in related to fund mobilization of two joint venture banks.
- To identify the relationship between deposits and total investment, deposits and loan and also advance and net profits of sample banks.
- To evaluate trend of deposits utilization and its projection for the next four years.

**Significance of the study**
Fund mobilization activities of joint venture banks greatly effect 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:

- 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.
- 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).

**Limitations of the study**

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

- This study has only focused on the fund mobilization aspects of the banks.
- 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.
- This study has been only of two commercial banks as sample i.e. SCBNL and NABIL.
- Because of limited time research cannot be extended fully with all aspects of fund mobilization procedure.

**Fund Mobilizing Procedure of Commercial Banks**

Commercial banks are those banks, which perform all kinds of banking function such as grant loan, deposits of money from the public, discounting bills, repayable on demand and withdraw by cheques, draft and other functions on behalf of customers. Moreover, commercial banks also provide technical and administration assistance to the industries trade and business entrepreneurs sectors.
Establishment of commercial banks contributes significant role in the formation and mobilization of internal capital & development efforts. They furnish necessary capital needed for trade and commerce for mobilizing the dispersed saving of the individuals and institution.

**Sources of Fund**

A. Owned Funds/ Equity Capital of Bank
   a) Ordinary Share  
   b) Preference Share  
   c) Bonus Share  
   d) Retained Earning  
   e) Reserve Fund  
   f) Undistributed Dividend

B. Borrowed Fund of Bank
   a) Selling of Debenture  
   b) Deposits  
   c) Loans from the Central Bank  
   d) Loan from the Financial Institutions  
   e) Loan from Commercial Banks

**Mobilization of Funds**

a) Liquid Funds  
   b) Investment  
   c) Loan and Advances  
   d) Fixed Assets  
   e) Administrative and Miscellaneous Expenses

**Review of Related Studies**

According to F. J. Clark, “An investment is a commitment of money that is expected to generate additional money. Every investment entails sacrifice for a future uncertain benefit.” Clark, F.J.,(1991.). 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 returns.”(Gittman and Jochnk, L.J(1990, P-18).

According to William J. Sharpe and Alexander J. Gorden has defined the term “investment” as the sacrifice of money today for the prospective money tomorrow. V.K. Bhalla has derived a three-pointer basic concept of investment. His view on investment cover:

- Economic investment that is an economics definition of investment.
- Investment in a more general or extended sense which is used by the man of street or ordinary people
- The sense in which we are going to be very much interested namely financial investment. Bhalla, V. K., (1997)

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(World Bank Report; 1996:232) for the development of any country first, it is required to have enough capital. It is the backbone for the development of the nation. Nepal lacks the adequate capital for its development planning. Due to this reason so many development planning are in pending. If there is enough capital available, it can invest into the profitable project and contributes to a nation’s wealth. When people deposit money in a saving account in a bank for e.g., the bank must invest by lending the funds for carious business companies. These firms in return, may invest the money in new factories and equipments to increase their production. In addition borrowing from the bank, bank must issue 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 capital incentive project, as the construction of dams, road and schools. All such investments by individuals, business and government involves a presto sacrifice of income to get an expected future benefits. As a result, investment raises a nation’s standard of living. Shrestha, Sunity has analyzed in her article, “Financial performance of commercial banks using both descriptive and diagnostic approach.” Shrestha, S.,(2011). 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...

In the view of Pradhan Shekhar Bahadur, in his articles, “Deposit mobilization, its problem and prospects” Pradhan, S. B.,(2010; Page-9). 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.

**Research Gap**

There are various researchers conduct 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.

**Research Methodology**

This study is more analytical and empirical. It covers quantitative methodology using financial and statistical tools. The study is based on analytical and exploratory research design. The study is mainly based on secondary data gathering from respective annual reports of concerned banks especially from profit and loss account, balance sheet and other publication.

They are derived with the help of some financial and statistical tools were adapted to evaluate the fund mobilization of commercial banks viz. SCBL and NBL in consideration not only to research about them but also to facilitate among them.

The study is mainly based on secondary data. In order to fulfill the objectives of this research work, all the secondary data are compiled, processed and tabulated in time series form and Processed by using SPSS facilities of computer for statistical analysis as well as formula.

There are altogether 32 commercial banks are operating in Nepal. In this study two commercial banks are to be taken for research work. They are:

1. Standard Chartered Bank Nepal Ltd.
2. Nabil Bank Ltd.

These two banks are compared as per fund mobilization procedure, that they are adopting to mobilize their collected funds as well as own funds.
The financial and statistical tools are most reliable. In this study various financial, statistical and accounting tools have been used. These tools make the analysis more effective, convenience and reliable.

**Financial Tools**

Financial tools basically help to identify the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and the profit and loss account. Financial tools are categorized into two parts. They are:

1) Ratio Analysis  
2) Sources and Uses of Funds

**Statistical Tools**

Some statistical tools are used for analysis in this study. Statistical tools which are presented for the study are given below:

1) Karl Pearson’s of Coefficient of Correlation Analysis (R)  
2) Trend Analysis  
3) Coefficient of Determination (R^2)  
4) Probable Error (P.E.)  
5) Coefficient of Variation (C.V)  
6) Standard Deviation (S.D)

**Presentation and Analysis of Data**

In this study effort has been made to analyze the filtered data by using financial and statistical tools.

**Ratio Analysis**

**Liquidity Ratios**

**Cash and Bank Balance to Total Deposit**

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

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

**Table No. 4.1**

**Comparative Cash and Bank Balance to Total Deposit Ratios**

<table>
<thead>
<tr>
<th>Ratio (%)</th>
</tr>
</thead>
</table>

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From the above comparative table, cash and bank balance to total deposit ratio of the two banks followed a fluctuating trend. On an average SCBNL has maintained the higher ratio of cash and bank balance to total deposit. The variability of the ratio is lower in SCBNL than in NABIL. It states that SCBNL is more consistent than NABIL.

**Cash and Bank Balance to Current Assets**

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

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

**Table No. 4.2**

<table>
<thead>
<tr>
<th>Ratio (%)</th>
<th>SCBNL</th>
<th>NABIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEAN</td>
<td>5.96</td>
<td>4.59</td>
</tr>
<tr>
<td>SD</td>
<td>1.24</td>
<td>2.01</td>
</tr>
<tr>
<td>CV</td>
<td>20.77</td>
<td>43.88</td>
</tr>
</tbody>
</table>

From the above comparative table, it reveals that cash and bank balance to current assets ratios of SCBNL has less fluctuating trend. The highest ratio of SCBNL is 7.61% in the year 2009/10 and lowest ratio is 4.70 % in the year 2010/11. Similarly, NABIL has highest ratio of7.44 and lowest ratio of 2.59.

**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:

$$ \text{Investment On Govt. Sector to Current Assets} = \frac{\text{Investment on Govt. Securities}}{\text{Current Assets}} $$

**Table No. 4.3**
Comparative Investment on Government Securities to Current Assets Ratios

<table>
<thead>
<tr>
<th></th>
<th>SCBNL</th>
<th>NABIL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MEAN</strong></td>
<td>26.36</td>
<td>12.38</td>
</tr>
<tr>
<td><strong>SD</strong></td>
<td>4.49</td>
<td>2.80</td>
</tr>
<tr>
<td><strong>CV</strong></td>
<td>17.03</td>
<td>22.64</td>
</tr>
</tbody>
</table>

The above comparative table shows that SCBNL has invested their fund in government securities in less fluctuating trend in comparison to NABIL. On an average SCBNL has invested 26.36% on government securities whereas NABIL has only 12.38%.

**Assets Management Ratios**

**Loan and Advances to Total Deposit**

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

\[
\text{Loan and Advances to Total Deposit Ratio} = \frac{\text{Total Loan And Advances}}{\text{Total Deposit}}
\]

**Table No. 4.4**

Comparative Loan and Advances to Total Deposit Ratios

<table>
<thead>
<tr>
<th></th>
<th>SCBNL</th>
<th>NABIL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MEAN</strong></td>
<td>41.77</td>
<td>70.54</td>
</tr>
<tr>
<td><strong>SD</strong></td>
<td>3.18</td>
<td>3.59</td>
</tr>
<tr>
<td><strong>CV</strong></td>
<td>7.60</td>
<td>5.09</td>
</tr>
</tbody>
</table>

The above comparative table shows that these two banks have mobilized their collected deposits in fluctuating trend as compare to loan and advances during the study period.

SCBNL has mobilized 41.77% of its collected deposit in loan and advances on average which is less than that of NABIL.

**Total Investment to Total Deposit**

This ratio is computed by using following formula:
Total Investment to Total Deposit = \frac{\text{Total Investment}}{\text{Total Deposit}}

Table No. 4.5

Comparative Total Investment to Total Deposit Ratios

<table>
<thead>
<tr>
<th>Ratio (%)</th>
<th>SCBNL</th>
<th>NABIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEAN</td>
<td>52.14</td>
<td>33.28</td>
</tr>
<tr>
<td>SD</td>
<td>3.04</td>
<td>4.01</td>
</tr>
<tr>
<td>CV</td>
<td>5.84</td>
<td>12.05</td>
</tr>
</tbody>
</table>

From the above comparative table, it can be concluded that in average SCBNL has invested more amount of its total deposit in comparison to NABIL i.e. 52.14%. The coefficient of variation of SCBNL is 5.84%. It indicates that SCBNL is more consistent to make investment of total deposits than NABIL.

Loan and Advances to Total Working Fund

Loan and advances to working fund ratio can be obtained dividing loan and advances amount by total working fund. That is formulized as,

\[ \frac{\text{Loans and Advances}}{\text{Total Working Fund}} = \frac{\text{Total Loan and Advances}}{\text{Total Working Fund}} \]

Table No. 4.6

Comparative Loan and Advances to Total Working Fund Ratios

<table>
<thead>
<tr>
<th>Ratio (%)</th>
<th>SCBNL</th>
<th>NABIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEAN</td>
<td>35.55</td>
<td>57.09</td>
</tr>
<tr>
<td>SD</td>
<td>2.64</td>
<td>3.04</td>
</tr>
<tr>
<td>CV</td>
<td>7.42</td>
<td>5.33</td>
</tr>
</tbody>
</table>

Above table describes the loan and advances to total working fund ratio of SCBNL and NABIL is in fluctuating trend. During the study period, SCBNL and NABIL have highest ratio of 38.92% and 60.55% respectively. On average, the coefficient of variation of NABIL is more consistent than SCBNL because it has the ratio of low variation i.e.5.33%.

Investment on Government Securities to Total Working Fund
Investment on government securities to working fund ratio shows how much part of total investment is there on government securities. It can be obtained by:

\[
Investment \ on \ Govt. \ Securities \ to \ working \ fund = \frac{\text{Invt. on govt. Securities}}{\text{Total Working Fund}}
\]

Table No. 4.7
Comparative Investment on Government Securities to Total Working Fund Ratios

<table>
<thead>
<tr>
<th></th>
<th>SCBNL</th>
<th>NABIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEAN</td>
<td>25.99</td>
<td>12.21</td>
</tr>
<tr>
<td>SD</td>
<td>4.38</td>
<td>2.78</td>
</tr>
<tr>
<td>CV</td>
<td>16.86</td>
<td>22.73</td>
</tr>
</tbody>
</table>

Above comparative table shows the investment on government securities to total working fund of SCBNL and NABIL is in fluctuating trend. SCBNL and NABIL have the highest ratio of 31.66% and 16.20% respectively. Likewise, they have the lowest ratio of 20.55% in the year 2010/11, 8.07% in the year 2009/10 respectively. On an average SCBNL has highest mean ratio than NABIL i.e. 25.99%. The coefficient of variation indicates of SCBNL (i.e. 16.86%) has more stable ratio than that of NABIL.

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:

\[
Investment \ on \ Share \ and \ Debn. \ to \ working \ fund = \frac{\text{Invt. on Shares and Debn.}}{\text{Total Working Fund}}
\]

Table No. 4.8
Comparative Investment on Shares and Debentures to Total Working Fund Ratios

<table>
<thead>
<tr>
<th></th>
<th>SCBNL</th>
<th>NABIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEAN</td>
<td>18.82</td>
<td>12.38</td>
</tr>
<tr>
<td>SD</td>
<td>5.12</td>
<td>2.66</td>
</tr>
</tbody>
</table>
From the above analysis, investment on shares and debentures to total working fund ratio of both banks are in fluctuating trend during the six years study period. On an average, SCBNL has invested more amounts in shares and debentures i.e. 18.82% than NABIL. The Coefficient of variation shows than NABIL has more stable ratio than SCBNL.

Profitability Ratios

Return on Loan and Advances

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

\[
\text{Return on Loan and Advances Ratio} = \frac{\text{Net Profit (Loss)}}{\text{Loan And Advances}}
\]

Table No. 4.9

Comparative Return on Loan and Advances Ratios

<table>
<thead>
<tr>
<th>Ratio (%)</th>
<th>SCBNL</th>
<th>NABIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEAN</td>
<td>7.33</td>
<td>5.68</td>
</tr>
<tr>
<td>SD</td>
<td>1.02</td>
<td>1.46</td>
</tr>
<tr>
<td>CV</td>
<td>13.90</td>
<td>25.77</td>
</tr>
</tbody>
</table>

In the above analysis the return on loan and advances of SCBNL and NABIL have the ratio of fluctuating trend. During the study period SCBNL has the higher ratio of 9.23% than that of NABIL i.e. 7.52%. In average, SCBNL has the higher mean ratio of 7.33% where as NABIL has the mean ratio of 5.68%. Coefficient of variation indicates that SCBNL has less variance between six years of study period than NABIL.

Return on Total Working Fund

Return on total working fund ratio is computed as:

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

Table No. 4.10

Comparative Return on Total Working Fund Ratios
During the study period, NABIL has the highest ratio of 4.36% than that of SCBNL. In case of coefficient of variation, SCBNL has the lowest C.V. of 13.18% than that of NABIL.

**Risk Ratios**

**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>
<thead>
<tr>
<th></th>
<th>Ratio (%)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCBNL</td>
<td>NABIL</td>
</tr>
<tr>
<td>MEAN</td>
<td>2.60</td>
<td>3.25</td>
</tr>
<tr>
<td>SD</td>
<td>0.34</td>
<td>0.87</td>
</tr>
<tr>
<td>CV</td>
<td>13.18</td>
<td>26.75</td>
</tr>
</tbody>
</table>

The mean ratio of NABIL is lower than that of SCBNL. It means that NABIL has maintained the lower liquidity risk ratio which means it operates with higher risk for higher profit. The coefficient of variation of NABIL i.e. 43.19% is higher than that of NABIL. It shows that the ratio of NABIL is more variable than of SCBNL.

**Credit Risk Ratio**

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

\[
\text{Credit Risk Ratio} = \frac{\text{Total Investment} + \text{Total Loan and Advances}}{\text{Total Assets}}
\]

<table>
<thead>
<tr>
<th></th>
<th>Ratio (%)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCBNL</td>
<td>NABIL</td>
</tr>
<tr>
<td>MEAN</td>
<td>6.91</td>
<td>5.58</td>
</tr>
<tr>
<td>SD</td>
<td>1.49</td>
<td>2.41</td>
</tr>
<tr>
<td>CV</td>
<td>21.55</td>
<td>43.19</td>
</tr>
</tbody>
</table>
The below comparative table shows that SCBNL and NABIL have the credit risk ratio in fluctuating trend. SCBNL and NABIL have the highest ratio of 86.16%, 85.18%, in the year 2010/11 and 2010/11 respectively whereas they have lowest ratio of 76.20% and 79.54% in year 2009/10 and 2006/07 respectively.

On the basis of mean ratio, it can be said that the credit risk of SCBNL is lower than that of NABIL. But SCBNL has the higher coefficient of variation than that of NABIL.

**Growth Ratios**

**Growth Ratio of Total Deposits**

**Table No. 4.15**

**Growth Ratio of Total Deposits (Rs. in Millions)**

<table>
<thead>
<tr>
<th>Banks</th>
<th>Total Deposits</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCBNL</td>
<td>19344.0</td>
<td>23050.5</td>
</tr>
<tr>
<td>NABIL</td>
<td>14586.63</td>
<td>19348.41</td>
</tr>
</tbody>
</table>

The table presented above shows that the deposits both banks are in increasing trend except SCBNL in 2010/11, during six years of study period. The growth ratio of SCBNL and NABIL are 12.71%, 26.01% respectively. The growth ratio of total deposits of NABIL is higher than that SCBNL.

**Growth Ratio of Total Investment**

**Table No. 4.16**

**Growth Ratio of Total Investment (Rs. in Millions)**

<table>
<thead>
<tr>
<th>Banks</th>
<th>Total Investment</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCBNL</td>
<td>9704.1</td>
<td>12850.6</td>
</tr>
</tbody>
</table>

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The above table shows that SCBNL and NABIL have increasing trend in its investment from the year 2005/06 to 2010/11. Between them NABIL has the higher growth rate.

### Growth Ratio of Loan and Advances

#### Table No. 4.17

**Growth Ratio of Loan and Advances (Rs. in Millions)**

<table>
<thead>
<tr>
<th>Banks</th>
<th>Loan and Advances</th>
<th>2005/6</th>
<th>2006/7</th>
<th>2007/8</th>
<th>2008/9</th>
<th>2009/10</th>
<th>2010/11</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCBNL</td>
<td></td>
<td>8213.5</td>
<td>8905.1</td>
<td>10538.1</td>
<td>13355.0</td>
<td>13118.6</td>
<td>15932.2</td>
<td>18.01</td>
</tr>
<tr>
<td>NABIL</td>
<td></td>
<td>11078.0</td>
<td>13021.2</td>
<td>15657.0</td>
<td>21514.6</td>
<td>27816.5</td>
<td>32902.8</td>
<td>31.28</td>
</tr>
</tbody>
</table>

The above table describes the growth ratio of loan and advances of SCBNL and NABIL of six years study period. The table shows the high growth ratio of NABIL i.e. 31.28% than SCBNL i.e. 18.01%.

### Growth Ratio of Net Profit

#### Table No. 4.18

**Growth Ratio of Net Profit (Rs. in Millions)**

<table>
<thead>
<tr>
<th>Banks</th>
<th>Net Profit</th>
<th>2005/6</th>
<th>2006/7</th>
<th>2007/8</th>
<th>2008/9</th>
<th>2009/10</th>
<th>2010/11</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCBNL</td>
<td></td>
<td>757.9</td>
<td>662.5</td>
<td>692.1</td>
<td>814.4</td>
<td>1028.3</td>
<td>1086.8</td>
<td>9.43</td>
</tr>
<tr>
<td>NABIL</td>
<td></td>
<td>817.88</td>
<td>979.05</td>
<td>685.58</td>
<td>750.35</td>
<td>1624.86</td>
<td>1798.70</td>
<td>21.78</td>
</tr>
</tbody>
</table>

The above table represents the growth ratio of net profit of SCBNL and NABIL during six years study period. It shows that NABIL has the higher ratio growth than SCBNL.

### Analysis of Sources and Uses of Funds

#### Analysis of Sources and Uses of Funds of SCBNL

#### Table No. 4.19

**Percentage of Various Sources of Funds from Total Sources of SCBNL**

A.B Management Consulting
<table>
<thead>
<tr>
<th>Particulars</th>
<th>Years</th>
<th>2005/6</th>
<th>2006/7</th>
<th>2007/8</th>
<th>2008/9</th>
<th>2009/10</th>
<th>Total</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Fund</td>
<td>2005/6</td>
<td>5.62</td>
<td>5.88</td>
<td>5.86</td>
<td>6.17</td>
<td>5.98</td>
<td>7.35</td>
<td>36.87</td>
</tr>
<tr>
<td>Deposits</td>
<td>2005/6</td>
<td>85.00</td>
<td>86.02</td>
<td>82.31</td>
<td>86.68</td>
<td>86.07</td>
<td>84.73</td>
<td>510.8</td>
</tr>
<tr>
<td>Borrowings</td>
<td>2005/6</td>
<td>0.19</td>
<td>0.04</td>
<td>3.98</td>
<td>0.00</td>
<td>0.72</td>
<td>0.00</td>
<td>4.93</td>
</tr>
<tr>
<td>Others</td>
<td>2005/6</td>
<td>9.20</td>
<td>8.06</td>
<td>7.85</td>
<td>7.15</td>
<td>7.23</td>
<td>7.92</td>
<td>47.41</td>
</tr>
<tr>
<td>Total</td>
<td>2005/6</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>600</td>
</tr>
</tbody>
</table>

From the above analysis, contribution of capital fund in total sources is 6.14%. Likewise, deposits contribute more funds out of total sources of funds i.e. 85.13%.

Considering the contribution of borrowings to total sources, it is approximately 1% which is lowest as compare to other sources of funds. Other source of funds is 7.90%. Deposit is the only one reliable source of funds of SCBNL.

**Table No. 4.20**

**Percentage of Various Uses of Funds from Total Uses of SCBNL**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Years</th>
<th>2005/6</th>
<th>2006/7</th>
<th>2007/8</th>
<th>2008/9</th>
<th>2009/10</th>
<th>Total</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid Funds</td>
<td>2005/6</td>
<td>14.81</td>
<td>12.14</td>
<td>13.35</td>
<td>12.38</td>
<td>16.29</td>
<td>8.67</td>
<td>77.63</td>
</tr>
<tr>
<td>Investments</td>
<td>2005/6</td>
<td>31.66</td>
<td>32.26</td>
<td>23.77</td>
<td>23.74</td>
<td>24.01</td>
<td>20.57</td>
<td>156.0</td>
</tr>
<tr>
<td>Loans &amp; Advances</td>
<td>2005/6</td>
<td>36.09</td>
<td>33.23</td>
<td>35.20</td>
<td>38.92</td>
<td>31.48</td>
<td>38.37</td>
<td>213.2</td>
</tr>
<tr>
<td>Share &amp; Other Inv</td>
<td>2005/6</td>
<td>10.98</td>
<td>15.69</td>
<td>21.54</td>
<td>16.78</td>
<td>20.71</td>
<td>27.23</td>
<td>112.9</td>
</tr>
<tr>
<td>Others</td>
<td>2005/6</td>
<td>6.46</td>
<td>6.67</td>
<td>6.14</td>
<td>8.18</td>
<td>7.51</td>
<td>5.17</td>
<td>40.14</td>
</tr>
<tr>
<td>Total</td>
<td>2005/6</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>600</td>
</tr>
</tbody>
</table>
These above sources of funds are used for different purposes. SCBNL maintained liquid funds of 12.94% on an average. It has maintained sufficient liquid funds in the starting period of the study. It makes average investment of 26.00%. Similarly, it has provided loan and advances of 35.55% for its customers. Share & Investment and Other uses cover 18.82% and 6.89% respectively.

**Analysis of Sources and Uses of Funds of NABIL**

**Table No.4.21**

**Percentage of Various Sources of Funds from Total Sources of NABIL**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2005/6</th>
<th>2006/7</th>
<th>2007/8</th>
<th>2008/9</th>
<th>2009/10</th>
<th>2010/11</th>
<th>Total</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Capital Fund</td>
<td>7.96</td>
<td>6.87</td>
<td>6.32</td>
<td>5.35</td>
<td>5.30</td>
<td>5.73</td>
<td>37.53</td>
<td>6.26</td>
</tr>
<tr>
<td>2 Deposits</td>
<td>78.36</td>
<td>80.17</td>
<td>78.70</td>
<td>82.94</td>
<td>81.29</td>
<td>84.85</td>
<td>486.31</td>
<td>81.05</td>
</tr>
<tr>
<td>3 Borrowings</td>
<td>0.09</td>
<td>0.72</td>
<td>2.98</td>
<td>4.16</td>
<td>4.31</td>
<td>0.69</td>
<td>12.94</td>
<td>2.16</td>
</tr>
<tr>
<td>4 Others</td>
<td>13.58</td>
<td>12.25</td>
<td>12.00</td>
<td>7.55</td>
<td>9.09</td>
<td>8.74</td>
<td>63.21</td>
<td>10.54</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>600</td>
<td>100</td>
</tr>
</tbody>
</table>

From the above analysis, contribution of Capital Fund in total sources of funds of NABIL is 6.26%. Similarly, Deposits contribute more funds in total sources of funds i.e. 81.05%. Borrowings occupied only 2.16% of the total sources. And Other Sources has contribution of 10.54%. It can be said that deposits is the main sources of funds.

**Correlation Analysis**

**Analysis of Correlation Coefficient between Deposits and Total Investment**

The following table describes the relationship between deposits and total investment of SCBNL and NABIL of six years study period. In this case, deposit is independent variables (X) and total investment is dependent variable (Y).

**Table No.4.23**

**Correlation Coefficient between Deposits and Total Investment**

| Banks       | Base of Evaluation |
From the above table, it is found that coefficient of correlation between deposits and total investment of SCBNL is 0.74. And the value of coefficient of determination \( R^2 \) is 0.55 which means 55% of investment decision is depend upon deposit and only 45% investment is depend upon other variables. Similarly probable error (P.E.) is 0.19 and 6P.E. is 1.11 which shows that ‘r’ is lower than 6P.E. Therefore it reveals that relationship between deposit and investment is not significant.

Likewise in case of NABIL, coefficient of correlation between investment and deposit is 0.82. Coefficient of determination \( R^2 \) is 0.67, which means 67% of investment decision is depend upon deposit and 33% investment is depend on other variables. And its P.E. is 0.14 and similarly 6P.E. is 0.81 which is lower than ‘r’. It means correlation of coefficient between deposit and Investment of NABIL is significant.

**Analysis of Correlation Coefficient between Deposits and Loan and Advances**

In this case, deposit is independent variables (X) and Loan and Advances is dependent variable (Y).

<table>
<thead>
<tr>
<th>Banks</th>
<th>Base of Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
</tr>
<tr>
<td>SCBNL</td>
<td>0.74</td>
</tr>
<tr>
<td>NABIL</td>
<td>0.82</td>
</tr>
</tbody>
</table>

From the above table, it is found that coefficient of correlation between deposits and Loan and Advances of SCBNL is 0.92. And the value of coefficient of determination \( R^2 \) is 0.85 which means 85% of Loan and Advances decision is depends upon deposit and only 15% Loan and Advances is depends upon other variables. Similarly probable error (P.E.) is 0.06 and 6P.E. is 0.36 which shows that ‘r’ is highly greater than 6P.E. Therefore it reveals that relationship between deposit and Loan and Advances is significant.
Likewise in case of NABIL, coefficient of correlation between deposit and Loan and Advances is 0.99. Coefficient of determination ($R^2$) is 0.99 which means 99% of Loan and Advances is depends upon deposit and only 1% Loan and Advances is depends on other variables. And its P.E. is 0.01 and similarly 6P.E. is 0.03 which is lower than ‘r’ i.e. 0.99. It means correlation of coefficient between deposit and Loan and Advances of NABIL is significant.

**Conclusion and Recommendations**

**Conclusion**

From the analysis of liquidity ratio, the liquidity position of SCBNL is comparatively better than NABIL. SCBNL has made enough investment on government securities. NABIL has invested less part of current assets in government securities.

Considering asset management aspect of two banks, NABIL is relatively providing more loan and advances for the purpose of earning profit while SCBNL is providing less. But SCBNL is investing more of its collected deposits in comparison to NABIL. In comparison to NABIL, SCBNL seems more successful in mobilizing total fund on different types of government securities to maximize its earning capacity. While NABIL has not invested its fund efficiently. Again, SCBNL has successfully invested more working funds in debentures and shares of other company whereas NABIL is in weak position to make investment on shares and debentures.

SCBNL appears to be more successful to earn profit on loan and advances than NABIL. The average ratio of return on total working fund indicates that working fund of NABIL is well managed and efficiently utilized. Whereas, total working fund of SCBNL has not well managed.

The liquidity risk ratio of SCBNL is higher than that NABIL which specified that NABIL has kept idle funds in the form of cash and bank balance but this reduces profitability. SCBNL has the lower credit risk ratio. Credit risk involved in loan and advances and total investment of NABIL is more than SCBNL. It may arise due to default risk or non-repayment of loan.
Growth ratio of total deposits, total investment and net profit of SCBNL seems weak in comparison to NABIL. Therefore, we must say that NABIL is successful to increasing its sources of funds and its mobilization.

Deposit is the strongest sources of fund whereas borrowings cover fewer portions of sources of fund. SCBNL has higher amounts in deposits contribution than NABIL in terms of total sources of fund of the bank. Among the uses of funds, loan and advances covers maximum portion and interest accrued covers less portion.

Correlation coefficient between deposit and total investment of SCBNL and NABIL elucidates the positive relationship or there is high degree of positive correlation. Most of the investment decision of SCBNL and NABIL depends upon deposits and only few decisions are depend upon other variables. Moreover by considering the probable error, the value of coefficient of determination of SCBNL is less than 6 P.E. so it is insignificant i.e. there is no significant relationship between deposits and total investment though there is positive relation between them. On the other hand there is significant relationship between deposits and total investment of NABIL.

Correlation coefficient between deposits and loan and advances indicates the positive relationship between the variables of both banks. In almost all cases it has been found that loan and advance decision depends upon the deposits and only few decisions depend upon other variables. a considering the probable error, the value of coefficient of determination of all banks is greater than that of 6 P.E. so it can be concluded that the value of correlation coefficient is significant i.e. there is significant relationship between total deposits and loan and advances.

**Recommendations**

Suggestion is the output of the whole study. It helps to take corrective action in their activities in future. Different analysis were done till arrive this step. On the basis of above analysis and findings of the study, following suggestions may be referred to overcome weakness, inefficiency and to fund mobilization of SCBNL and NABIL.

- **To increase deposit collection**
- **To make more investment in government securities**
To make more investment on share and debentures
➢ To make profitable return
➢ To invest deprive and priority sector
➢ To make effective portfolio management
➢ Liberal lending policy and sound credit collection policy
➢ To adopt innovative approach to bank marketing
➢ To extend branches all over the country

For Future Scope
Being a under developed country, economic environment of Nepal is not in a good condition. The strong economic structure is needed for the rapid overall development. Commercial banks play vital role in the developing country like Nepal. Commercial banks are facing several problems related to fund mobilization. They have to rush with modern banking technology so that, they would be a professional institutions. If commercial banks follow above-mentioned suggestions, they would be successful in reaching to the modern innovative and competitive banking market.

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