

**A COMPARATIVE STUDY ON
FINANCIAL PERFORMANCE ANALYSIS OF
COMMERCIAL BANKS**

(With special reference to **NABIL Bank Limited & Everest Bank Limited**)

A Thesis

Submitted by:

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*Kathmandu, Nepal
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RECOMMENDATION

This is to certify that the thesis

Submitted by
Gajendra Sinkhwal

Entitled

A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF COMMERCIAL BANKS

(With special reference to **NABIL Bank Limited & Everest Bank Limited**)

has been prepared as approved by this department in the prescribed format of Faculty of Management. This thesis is forwarded for examination.

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Entitled

**A COMPARATIVE STUDY ON
FINANCIAL PERFORMANCE ANALYSIS OF COMMERCIAL
BANKS**

(With special reference to **NABIL Bank Limited, Everest Bank Limited**)

and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for

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DECLARATION

I hereby declare that the work reported in this thesis entitled **A Comparative Study on Financial Performance Analysis of Commercial Banks** with special reference to **NABIL Bank Limited & Everest Bank Limited** submitted to Nepal Commerce Campus, Faculty of Management, Tribhuvan University is my original work done in the form of In partial fulfillment of the requirement of the degree of Master in Business Studies (M.B.S) prepared under the supervision of Mr. Keshav Prashad Pandey and Mr. Madan Pokharel, Management subject committee of Nepal Commerce Campus.

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ABBREVIATIONS

ABBS	: Any Branch Banking Services
ATM	: Automatic Teller Machine
BVPS	: Book Value Per Share
C.V.	: Co-efficient of Variations
CB's	: Commercial Banks
DPS	: Dividend Per Share
EBIT	: Earning Before Interest and Tax
EBL	: Everest Bank
EPS	: Earning Per Share
F/Y	: Fiscal year
GDP	: Gross Domestic Product
Govt.	: Government
HBL	: Himilayan Bank Limited
HMG	: His Majestic Government
IMF	: International Monetary Fund
JVBs	: Joint Venture Bank
KM	: Kilometer
MVPS	: Market Value Per Share
NABIL	: Nepal Arab Bank Limited
NB Bank	: Nepal Bangladesh Bank
NBL	: Nepal Bank Limited
NEPSE	: Nepal Stock Exchange
NGBL	: Nepal Grindlays Bank Limited
NP	: Net Profit
NPBIT	: Net Profit Before Interest and Tax
NPL	: Non Performing Loan
P.Er.	: Probable Error
P/E	: Price Earning
PC	: Personal Computer
PNB	: Panjab National Bank
r	: Co-efficient of Correlations
R ²	: Co-efficient of Determinants
RBB	: Rastriya Banjiya Bank

ROA	: Return on Total Assets
NPAT	: Net Profit After Tax
ROSE	: Return on Shareholder Equity
S.D.	: Standard Deviation
SCNBL	: Standard Chartered Nepal Bank Limited
SEBO	: Security Board
SQ	: Square
TU	: Trivuvan University
WTO	: World Trade Organization

CHAPTER 1

INTRODUCTION

1.1 General Background

Nepal is a landlocked country with an agro-based economy. It is sandwiched between two most populous countries, China in the North and India in the East, West and South. Its total area is about 147,181 sq km. It is divided into mountain, hills and tarai regions with its geographical nature. The population of Nepal has reached 26.6 million, according to the preliminary result of the National Census 2011. Nepal is categorized as the least developed country having a per capita income of about US \$ 735. 44% (2013 est.) live under poverty and Nepal 39.24% derives National GDP from Agriculture and 76% of the people depend upon agriculture occupation over Nepal. Nepal is poorly developed in the entire sector due to an unstable political environment. Without developing the agriculture sector, development of our economic situation is impossible. In other words, agriculture is the backbone of the Nepalese economy. The banking industry plays an important role to make our backbone strong.

A bank means an institution that deals with money. A bank performs several financial, monetary and economic activities, which are initials for the economic development of a country. It is a monetary institutional vehicle for domestic resources mobilization of the country, which accepts deposits from various sources and invests such accumulated resources in the fields of agriculture, trade, commerce etc.

Generally, the term “bank” refers to commercial banks. Commercial banks are the foundation of the national economy. It is the transformation of monetary sources from savers to users. They involve in various functions like creation of money, facilitating credit, and facilitating foreign trade, safe keeping of the values etc. Commercial bank has its own role and contribution in the economic development. It is a source for economic development and it maintains economic confidence of various segments and

extends credit to people. Thus, the activities of commercial banking sector have contributed to eliminate poverty, reduce unemployment and economic growth.

Modern commercial banks can be identified by different names such as business banks, retail banks, clearing banks, Joint venture banks, Merchant banks etc. No matter what name we give to bank, they all perform the same basic function. They provide a link between lenders, those who have surplus money and do not wish to spend immediately with borrowers, they who do not have surplus money but wish to borrow for investment in productive purpose. By charging a rate of interest to borrowers slightly higher than they pay to lenders, the banks make their profit. This is known as financial intermediation. Commercial banks provide the following major products and services:

- i. Acceptance of deposits
- ii. Granting of Advances
- iii. Remittance collection and distribution
- iv. Cash management
- v. Insurance of letters of credit and Guarantee
- vi. Merchant banking business
- vii. Credit cards
- viii. Technology based services-Internet Banking services
- ix. Loan distribution
- x. Safe keeping services /Lockers
- xi. Handling government Business.
- xii. Automated Teller Machines (ATMs)

The growth of banking sector in Nepal is not so long ago as compared with other banks of the world. In comparison with other developing country the institutional development in banking system is far behind. Nepal had to wait for the period to enter the present banking position. The origin and growth of bank in Nepal is controversial. At present there are altogether 32 commercial banks operating in the country. Among these 30 commercial banks Nepal Bank Limited (NABIL) and

Rastriya Banjiya Bank (RBB) has occupied wide range of the business due to access to most of the corner of the country. The names, operation dates, head offices of all the 30 commercial banks are given below:

Name list of All The Commercial Licensed Banks in Nepal

S.N.	Name of Commercial Bank	Year of establishment A.D.	Head office	Links to Related bank
1	Nepal Bank Limited	1957	Kathmandu	www.nepalbank.com.np
2	Rastriya Banijya Bank Limited	1966	Kathmandu	www.rbb.com.np
3	NABIL Bank Limited	1984	Kathmandu	www.NABILbank.com
4	Nepal Investment Bank Limited(Previously Nepal Indosuez Bank)	1986	Kathmandu	www.nibl.com.np
5	Standard Chartered Bank Limited(Previously Nepal Grindlays Bank Limited)	1987	Kathmandu	www.standardchartered.com.np
6	Himalayan Bank Limited	1993	Kathmandu	www.himalayanbank.com
7	Nepal SBI Bank Limited	1993	Kathmandu	nsblco@nsbl.com.np
8	Nepal Bangladesh Bank Limited	1993	Kathmandu	www.nbbl.com.np
9	Everest Bank Limited	1994	Kathmandu	www.everestbankltd.com
10	Bank of Kathmandu Limited	1995	Kathmandu	www.bokltd.com
11	Nepal Credit and Commerce Bank Limited(Previously Nepal Bank of Ceylon Limited)	1996	Bhairawa	Nccbank.com.np
12	Lumbini Bank Limited	1998	Narayangrah	www.lumbanibank.com
13	Machhapuchre Bank Limited	2000	Phokara	Machbank.com
14	Kumari Bank Limited	2001	Kathmandu	www.kumaribank.com
15	Laxmi Bank Limited	2002	Birjung	www.laxmibank.com
16	Siddharth Bank Limited	2002	Kathmandu	www.siddharthabank.com
17	Global IME Bank Limited	2013	Birjung	Globalimebank.com
18	Citizens Bank International Limited	2007	Kathmandu	Ctznbank.com
19	Prime Commercial Bank Limited	2007	Kathmandu	Eprimebank.com
20	NIC Asia Nepal Limited	2013	Kathmandu	nicasiabank.com
21	Grand Bank Nepal limited	2008	Kathmandu	www.dcbl.com.np
22	NMB Bank Limited	2009	Kathmandu	Nmb.com.np
23	Prabhu Bank Limited	2009	Kathmandu	Kistbank.com

24	Mega Bank Limited	2009	Kathmandu	Megabanknepal.com
25	Sunrise bank limited	2009	Kathmandu	Sunrisebank.com.np
26	Janata Bank limited	2009	Kathmandu	Janatabank.com.np
27	Civil Bank limited	2010	Kathmandu	Civilbank.com.np
28	Century commercial bank limited	2011	Kathmandu	Centurybank.com.np
29	Sanima Bank limited	2011	Kathmandu	Sanimabank.com
30	Nepal Agricultural Development Bank	2013	Kathmandu	adbl.gov.np

(Source : http://bfr.nrb.org.np/List_Banks_n_Non_Banks.php#class_a)

Slowly private banks are also initiating to move toward every corner of the country but due to prevailing political crisis they are not being able to meet their objective to reach to every corner of the country. Due to increasing competition banks are forced to innovate new products to their customer and they are also shifting from traditional service procedure to various sophisticated services like Automatic Teller Machine (ATM) card, debit cards, credit cards, housing loan, education loans, vehicle financing.

People deposit their saving in trust of banks repay their deposits promptly when they demand for it. If one banks fails to repay the deposited amount to the public then their will be run in another banks and it leads to insolvency of the banks. So as the regulator, supervisor and inspector NRB always dictate the activities of the banks in the country. It changes its directives from time to time in order to have fair competition between the banks and to safeguards the deposits of the public. As number of banks in the country increase NRB has to be more active towards its regulative and supervising role.

1.2 Background of the Study

A financial institution is the lifeblood of economic development of the country. Financial institution acts as catalyst in the process of economic growth of the country. A bank is a financial institution, which can play a significant role in the upliftment of the economic situation of the developing country like Nepal. Bank plays a vital role to encourage thrift and discourage hoarding by mobilizing the resources and removing the habit of hoarding. They pursue economic growth rapidly, developing the banking

habit among the people by collecting the small-scattered resources in one bulk, using them in the further productive purposes, and rendering other valuable service to the country. Thus, this gives the individual an opportunity to borrow funds against future income, which may improve the economic well being of the borrower. Bank deals with the offer of collected deposits and provides the loan for commercial purpose.

While the specifics vary among organizations, the key finance functions are the investment, financing, and dividend decisions for an organization. Funds are raised from external financial sources and allocated for different uses. The flow of funds within the enterprise is monitored. Benefits to financing sources take the form of returns, repayments, products, and services. These functions must be performed in business firm, governments, banks, agencies, and non-profit organizations alike.

Finance, the art and science of managing money, affects the lives of every person and every organization. Finance is concerned with the process, institutions, markets, and instructions involved in the transfer of money among and between individuals, businesses, and governments. Managerial Finance (Which is concerned with the duties of the financial manager in the business firm) is important in all types of businesses including banks and other financial institutions, as well as industrial and retail firms. It is important in government operations, schools, and hospital and highway departments.

Financial Analysis as a part of finance is also one of the major parts in every type of organization, which is very useful to understand the firm's performance. As the financial services industry becomes more complex, the financial information provided to public becomes more difficult to understand. Quality governance is impossible without effective analysis and evaluation of financial information.

Traditional financial ratio analysis has focused on the numbers. The value of this approach is that quantitative relations can be used to diagnose strength and weaknesses in the firm's performance. It provides a framework for financial planning and control. Financial managers need the information provided by analysis both

evaluate the firm's past performance and to map future plans. Financial analysis concentrates on financial statement analysis, which highlights the key aspects of firm's operation.

1.3 Profile of NABIL Bank Limited and Everest Bank Limited

NABIL Bank and Everest Bank both banks are 'A' grade commercial banks and Joint venture banks.

1.3.1 Everest Bank Limited

Catering to more than 5.5 lacs customers, Everest Bank Limited (EBL) is a name you can depend on for professionalized & efficient banking services. Founded in 1994, the Bank has been one of the leading banks of the country and has been catering its services to various segments of the society. With clients from all walks of life, the Bank has helped develop the nation corporately, agriculturally & industrially.

Joint Venture Partner

Punjab National Bank (PNB), our joint venture partner (holding 20% equity) is the largest nationalized bank in India having presence virtually in all important centers. Owing to its performance during the year 2012-13, the Bank earned many laurels & accolades in recognition to its service & overall performance. Recently, PNB was awarded with "IDRBT Banking Technology Excellence Award" under Customer Management & Intelligence Initiatives. The Bank also bagged "Golden Peacock Business Excellence Award 2013" by Institute of Directors. Similarly, the Bank was recognized as 'Best Public Sector Bank' by CNBC TV 18. The bank has now more than 6,000 branches and 7000 ATMs spread all across the India. As a joint-venture partner, PNB has been providing top management support to EBL under Technical Service Agreement.

Networks

Everest Bank Limited (EBL) provides customer-friendly services through its wide Network connected through ABBS system, which enables customers for operational transactions from any branches. The bank has 50 Branches, 71 ATM Counters, 5

extension counter & 20 Revenue Collection across the country making it a very efficient and accessible bank for its customers, anytime, anywhere.

Performance

Key Financial Highlights					
	Ashadh	Ashadh	Ashadh	Ashadh	Ashadh
	End	End	End	End	End
Particular	2066	2067	2068	2069	2070
Total Business. (Rs in Ten Million)	5,720.76	6,448.87	7,278.97	8662.29	10191.82
Operating Profit. (Rs in Million)	1,066.04	1,349.10	1516.69	1790.39	2401.55
Dividend/Bonus Payments. (In %age)					
Cash Dividend	30	30	50	1.58*	50
Bonus	30	30	10	30	10

*Tax on Bonus Share

(Source : <http://www.everestbankltd.com/pages/brief>)

Awards

- i. The bank has been conferred with the "Best Managed Commercial Bank" by ASIAN PAINT NEWBIZ Award 2013
- ii. The bank adjudged as "Number 1 Bank" under CAMELS (along with Customer Base & Branch Network) rating conducted by KAROBAR national daily (a leading business media house of Nepal)
- iii. The bank was conferred with "Bank of the Year 2006, Nepal" by the Banker, a publication of financial times, London.
- iv. The bank was bestowed with the "NICCI Excellence Award" by Nepal India chamber of commerce for its spectacular performance under finance sector.

1.3.2 NABIL Bank Limited

NABIL Bank Limited is the nation's first private sector bank, commencing its business since July 1984. NABIL was incorporated with the objective of extending international standard modern banking services to various sectors of the society.

Pursuing its objective, NABIL provides a full range of commercial banking services through its 48 points of representation. In addition to this, NABIL has presence through over 1300 NABIL Remit agents throughout the nation.

NABIL, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business. Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes international standard banking software that supports the E-channels and E-transactions.

NABIL is moving forward with a Mission to be “**1st Choice Provider of Complete Financial Solutions**” for all its stakeholders; Customers, Shareholders, Regulators, Communities and Staff. NABIL is determined in delivering excellence to its stakeholders in an array of avenues, not just one parameter like profitability or market share. It is reflected in its Brand Promise “**Your Bank at your service**”. The entire NABIL Team embraces a set of Values “C.R.I.S.P”, representing the fact that NABIL consistently strives to be Customer Focused, Result Oriented, Innovative, Synergistic and Professional.

Product and Services

- i. Business Banking
- ii. Deposit Products
- iii. Banc assurance
- iv. Personal Lending
- v. SME Lending
- vi. Remittance
- vii. Trade Finance
- viii. Clean Bills
- ix. Others
- x. Standard Charge She

1.4 Statement of the Problems

On April 23, 2004, Nepal became the 147th member of the World Trade Organization (WTO). WTO covers international trade in goods and services. At the same time WTO also includes intellectual property rights within its domain. During the accession process, Nepal had made commitment in the financial services sector of the General Agreements on the Trade in Services for the allowing the operation of foreign banks branches in wholesale bank branching beginning from January 1, 2010. It will challenge to Nepalese Commercial Banks for their survival. At that phenomena competition will grow, they should have unlimited resources higher technology, modern banking system and goodwill etc. among the commercial banks of Nepal there Two CB's also should face the same problem. They have to enhance their competence, efficiency and service quality for competition and services at the market by providing better services and highly utilization of their resources.

Intense competition and lack of sufficient investment opportunities have created threat to the banks. A large number of non-bank financing institutions, which provides wide range of banking product and services, were established in the last decade itself. The difference between the services offered by the banks and non- bank financial institutions is gradually narrowing down.

Banking industry, defined as the market for the commercial bank, in Nepal has undergone many structural changes during last decades. It has emerged from a near monopoly market to a highly competitive one in recent years. At present twenty-five commercial banks are operating in the country. Threat of substitute services is high in the banking industry because new advanced technologies are emerging in the world. Substitutes exist for key products or services of a bank. Activities like lending and collecting deposits are performed by all banks and even by firms outside the banking industry. Services like ATM, tele banking, mobile banking, debit cards, credit cards, PC banking etc has been common among all banks. Substitutes for prime banking activities are also expected to increase with the growing of capital market in the

country. Increase in the substitutes has limited the ability of a bank to charge its own price for its products and services.

Poor corporate governance and risk management practices are the key reasons for high level of NPL in our banking system. Other causes are economic slowdown, legal hurdles is recovery and poor quality of credit information.

The CB's should realize that banking business , which is based in people's faith and failure to adopt corporate culture and values, ignoring rules, regulation and directives of the central bank may trigger a crisis for the bank derailing the financial sector with an adverse effect in the economy as a whole. The research is focused to seek the responses of questions such as;

- i. What are different financial ratios of the related banks?
- ii. What is the trend of deposit, lending and profit margin?
- iii. Is there any significant relationship between deposit, loan and advance, investment and net profit?

1.5 Objectives of the Study

The study has been focused on the comparison of the performance of different nature of commercial banks: Everest Bank Limited, a joint venture bank; NABIL Bank Limited, another joint venture bank. The research tries to answer weather there is a significant difference in the performance between two joint venture banks. Therefore, the specific objectives of the study are:

- i. To compare the financial ratios of selected banks in term of liquidity, capital adequacy, capital structure, activity and profitability,
- ii. To evaluate the trends of growth of in total deposit , loan and advances, Investments and net profit,
- iii. To examine the relationship between key financial variables such as total deposit and net profit, total deposit and total investment, and net worth and net profit of the selected banks, and
- iv. To recommend the government polices related to banking industry of Nepal.

1.6 Significance of the Study

The study analysis compares the financial performance of the two commercial banks, Everest Bank Limited and NABIL Bank Limited. Despite being commercial banks, which are comparing in the same geographical location of Nepal, they are differing in their management aspects. NABIL Bank has been established as first joint venture bank of Nepal with Arab Bank and operates in Nepalese environment. However, Everest Bank a joint venture bank is supported by Panjab Bank of India. Thus, the study is useful to Nepali banking industry to know both joint venture bank are compete to each other, it significance does the performance of the financial institution run by joint venture to foreign institution.

Nepal is a member of WTO. Nepal had made commitment in the financial services sector of the General Agreements in Trade in Services for allowing the operation of foreign bank branches in wholesale bank branching beginning from January 1 2010. The conclusion of the study may be milestone for Nepali Banking industry because it has analyzed and compare the performance of two joint venture bank NABIL Bank Limited and Everest Bank Limited. Through performance analysis, it has compared the skill of management and competitiveness of the selected banks. In nutshell, the study may be helpful to the researchers, academicians, student and financial entrepreneurs of Nepal to understand the growing issue of what happens to Nepali banking industry after 2010.

1.7 Limitation of the Study

Every study has its own limitations. This study is conducted for the partial fulfillment of master's degree. Other limitations are as follows.

- i. This study is mainly conducted on the basis of secondary data collected from various heterogeneous sources ; websites, books, journals, and annual reports provided by organization,
- ii. The study covers the financial performance of NABIL Bank Limited and Everest Bank Limited among 30 commercial bank thus the result may not reflect the situation of banking industry as a whole,

- iii. It only covers the data over the period of five years since 2008/09 to 2012/13 because of the paucity of the data,
- iv. There are so many financial tools to analyze the performance. But, the study is based on certain financial and statistical tools; financial ratios, correlation and trends analysis,
- v. The study has not been focused on qualitative aspects of the performance in depth only in quantitative aspect has been analyzed.

1.8 Chapter Scheme

The study will be divided into five chapters. They are as follows:

Chapter 1: Introduction

Introduction chapter covers background of the study, statement of the problem, objectives of the Study, limitations of the Study and structure of the study.

Chapter 2: Review of Literature

This chapter deals with different article, books and relevant thesis related to financial analysis.

Chapter 3: Research Methodology

This chapter is concern with research question, research design, sources of data, population and sampling, data collection procedures and data analysis procedures. In data analysis there are two parts. One is financial analysis where different ratio analysis concern with financial performance is study. Another is statistical analysis where different statistical tools like trend line analysis, correlation analysis and simple regression analysis are mention.

Chapter 4: Presentation and Analysis

In this chapter different part of ratio analysis are analyze like liquidity ratio, profitability ratio, assets management ratio and growth ratio. Statistical analysis and interpretations of data where studies analyze the trend analysis, correlation analysis

between different variable terms like total deposit, investment, net profit and loan advances.

Chapter 5: Summary, Conclusion and Recommendation

In this chapter summary of whole chapter and different results find in data analysis and recommendation to bank for nation development are included.

CHAPTER - II

REVIEW OF LITERATURE

Review of literature refers the survey of materials which means reviewing research studies others relevant propositions in the related area of the study. So that all the past studies, their conclusions and deficiencies may be known and the further research can be conducted. It is an integral and mandatory process in research work.

Review of literature is an essential part of all studies. It is a way to discover what other research in the area of our problem has uncovered. Scientific research must be based on past knowledge. The previous studies cannot be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies.

2.1 Conceptual Review

The concept derived from the review of text books have presented in this section. It gives an overview of the functions of joints venture banks. In addition, concept of financial performance analysis and its important have been described in the section.

Banks are financial institutions play significant role in the development of country. Bank is an intermediary of lender and borrower. It collects funds from surplus unit of the society and provides to deficit unit. A bank is a business organization that receives and holds deposits of funds from other makes loans or intends credit and transfer fund by written orders of deposits.

Traditionally, banks act as financial intermediaries to channel funds from surplus units to deficits units. Unlike other non banking financial companies commercial banks do not produce loans and financial innovations to facilitate trade transaction, because of special role they play in the economy concerned authorities have regulate them.

Analysis of banks financial statement is different from that of other companies due to special nature of assets and liabilities.

2.1.1 Concept of Commercial Bank

Commercial banks are those financial institutions that accept the deposit from saver and provide short term and long term loan to productive sector or different firms. They purchase and discount the bills for exchange, promissory notes, exchange foreign currency, issue bank guarantee, bills of exchange, sales and purchase of shares etc. Commercial bank obtain deposit from the customers as saving and distributes it to trade industry and agriculture a need of short term finance. Principally commercial banks accept deposits and provide loans, primary to business firms, there by facilitating the transfer of funds in the economy.

Commercial banks are a corporation, which accepts demand deposits subjects to check and make short term loan to business entreaties regardless of the scope of its other services.

Unlike the past where major activities of banks were confined to accepting deposit and providing loans banks today offers a wide range of products and services to its clients like trade finance, remittances and export credit, tele-banking, ATM debit card, Credit card etc. Banks have made significant stride in the use of modern technology to provide improved services to its clients. It also offers point of sales services and consulting services to its clients. Highly qualified, experienced and energetic management team manages banking operations including day-by-day operations and risk management.

Main function of commercial banks is accepting deposit and provides loan or formation of capital, collection of small saving. Vaidya (1999) says the functions of commercial banks are; credit creation, accepting deposits and advancing loans, promoting foreign trade, safeguarding valuables, agency services.

2.1.2 Concept of Joint Venture Banks

Joint venture means two or more than two persons or organization carried out their business or work for specific objectives. They use and do work by using each other's resource, technologies and services etc. Joint venture is a single deal, which is jointly undertaken by two or more person to fulfill their objectives such as profit or wealth maximization by optimum use of resources etc. It takes place at that time when they have exceptional profit or advantage in relation to a business deal.

Joint venture is a general model for direct foreign investment. A joint venture banks is the joining of forces between for the purpose of carrying out a specific operation. Joint venture is new organization two or more independent firms mutually decide to participate in a business by contribution their resource, capital establishes.

Their objectives is fulfilling the shortage of funds required to investment in development works and to make competence in the field is resources, they share new methods, new technology and services of management and get advantage from foreign investors.

To established a new bank requires capital, technology, experience and new market etc. For the purpose , a new banks and an established banks enters into technical services agreement in which old bank provides channel of global network disputes its experts to help the new bank in technical aspects. Sometimes old bank provides management services and investment also.

The joint venture banks are playing, increasing dynamic and vital role in the economic development of the country. That will undoubtedly increase with time.

2.1.3 Concept of Financial Performance

Financial analysis is concerned with analyzing the financial statement of an organizational in difference aspect. The term indicates the real picture of an organization by interpreting financial ratios and analysis, which enables to evaluate

and disclose the conditions of an organization. Every stakeholder such as shareholders, Trade creditors, long term investors or debtor, customers, employees, tax authorities, managements etc. wants to know about the position or condition of an organization before or after their involvement to the organization. By financial statement analysis they are able to take corrective actions to introduce new policies or to collect their old policies, to know about their strength weakness etc. By analyzing financial statements someone can predict the performance of that organization.

Financial Performance as a part of financial management is the main indicator of the success or failure of the enterprises. Financial performance analysis can be considered as a heart of the financial decision. (Clark , 1998)

Financial analysis is the process of determining financial strength and weakness of a company by establishing strategic relationship between the components of a balance sheet and other operative data. Therefore, the analysis of financial statement consists of a study of relationship and trends to determine whether or not the financial position and result operations and financial progress of the company are satisfactory.

It is the process of determine the significant operating and financial statements. The goal of such analysis is to determine the efficiency and performance of the firm's management reflected in the financial records and reports.

Financial statement analysis involves a comparison of a firm's performance with that of other firms in the same line of business which often is identified by the firm's industry classification. Generally speaking the analysis is used to determine the firm's financial position in order to indentify its current strengths and weakness and to suggest actions that might enable the firm to take advantage of the strengths and correct its weakness.

The main function of financial strength and weakness of a business undertaking by re-grouping and analysis of figures contained in financial statements by making

comparison of various components and by examining their content. This can be used to financial managers as basic to plan future financial requirements by means of forecasting and budgeting procedures.

2.1.4 Important of Financial Analysis

Important of financial statement analysis is to know the strength and weakness of an organization, which enables to management for emphasizing on strength and take corrective action rectifying weakness. They are able to enhance their competence and make strategies against competitor to compete, survive at market and achieve short term, long term goals. On the basis of objective and analyst important of financial analysis are vary.

The parties that are benefited by the result or conclusion drawn from the analysis of financial performance can enumerated. From the analysis of financial statements one can know the following position of an organization.

- i. Liquidity Position
- ii. Short term and long term debt solvency position
- iii. Profitability Position
- iv. Capital Structure Position
- v. Turnover or Activity of the Firm

By interpreting the post data position of firm at present can be known and corrective actions or appropriate decisions can be made. The managers have to utilize their resources efficiently and effectively, they have to analysis the risk and return position. From analyzing the previous data they take an appropriate decision. They can make strong strategies, can introduce new policies and correct wrong actions and can get their objectives and goals by optimum utilization of resources.

From the view of trade creditor and long term debtor, they are able to make investing or financing decision by the analysis of liquidity ratio, Solvency ratio and capital structure of the firm. They are able analyze the solvency position of the firm, which enables them to take investment decision. The shareholders are concern about the

profitability position or earning of the firm and wealth maximization. They evaluate the efficiency of management. In other hand their interest to decide whether to buy, sell or hold the shares of the firm. By analyzing the financial statements, they are able to make such type of decisions.

The government of the country also analyzes the financial performance of a business or whole industry to diagnose the prevailing states of business and economy. They need financial statement analysis for tax purpose as well.

2.2 Review of Policies Related to Commercial Banks

Nepal Rastra Bank is the apex authority responsible for financial stability of the country. NRB is authorized and also responsible for the supervision of commercial banks and similar financial institutions. For the establishment and operation of commercial banks smoothly legal provisions for commercial banks at the country should be reviewed.

2.2.1 Review of Nepal Rastra Bank Act 2058

All the financial institutions undertaking banking activities are licensed and supervised by NRB. Among the financial intermediaries, commercial banks, development banks, finance companies, micro-finance development banks and other micro-finance institutions that are licensed to perform limited banking activities are under the supervision of NRB. To ensure that the overall financial system in the country is safe and sound threats to financial stability are indentified and reduced. NRB is currently using CAMELS based approach for the supervision. Similarly, CAFELS based offsite surveillance with early warning measures are also adopted to meet the supervisory objectives. NRB is conducting risk assessment and risk reduction approaches to ensure financial stability. NRB is gradually moving towards risk-based approach for supervision. NRB has initiated the implementation of Basel II.

All the plans and programs are initiated by the NRB falls under the objectives of the Nepal Rastra Bank Act, 2002. The act has specified the objective of NRB as; to

formulate the necessary monetary and foreign exchange policies in order to maintain the stability of price and balance of payment for sustainable development of economy, and manage it ; to promote stability and liquidity required in banking and financial sector to develop a secure , healthy and efficient system of payment ; to regulate, inspect, supervise and monitor the banking and financial system and ; to promote entire banking and financial system of Nepal and to enhance its public credibility.

NRB act 2002, chapter-9 has specified the regulation, inspectors and supervisory role for the Nepal Rastra Bank. It consists that the commercial banks must obtain a license from NRB in order to conduct banking and financial transaction while issuing license the NRB may fix necessary terms and conditions. NRB's approval is required for commercial banks to accept deposits or giving credits.

In the regulatory part the NRB have full powers to regulate the functions and activities of commercial banks and financial institutions. For the purpose of the regulation the NRB may frame rules and bye-laws on the matters which the NRB deems appropriate and issue necessary order, directive and circular and it shall be the duty of the concerned commercial banks and financial institution to obey by such rules, bye-laws, order, directives and circular. The NRB can issue appropriate directives to commercial banks and required them to submit the following particulars: its balance sheet account, off balance sheet commitments, statement of income and expenditure and their ratio among accounts or items; prohibitions, restriction or conditions concerning specific type or forms of credit or investments, or of credit or investments, form of commitments of risk bearing nature which are not matching to maturity of assets and liabilities and off-balance-items, foreign currency, spot and advance, swap, option or similar instruments or access to the payments system through electronic or other means; other particulars and documents prescribed by the NRB. In addition, NRB may issue necessary directives to commercial banks on the following subjects and require to submit particulars on the following books ; books and accounts, profit and loss account, balance sheet and off-balance-sheet transaction and commitments, statements of income and expenses and their accounts ratio; prohibitions; restriction or conditions

concerning specific types or forms of credit or investments, loan and investment in excess of the ceiling prescribed by the bank, risk bearing commitment, position of foreign exchange, payment and electronic payment and other process; other statement and documents prescribed by the NRB.

Moreover, the NRB have the following powers with regard to commercial banks and financial institutions:

- i. To enforce authority and responsibility granted under that Act any other Act enacted for licensing, supervising and regulating commercial banks and financial institutions and to revoke the license of commercial banks and financial institutions and to take over or to give in trusteeship the commercial banks or financial institutions which have been declared insolvent or are on the verge of insolvency;
- ii. To investigate or inspect, or supervise or to cause to investigate, inspect or supervise by any official of the NRB or the person designated by the NRB the books and accounts, records, documents or register of commercial banks or financial institution has conducted business and transaction in accordance with the provision made under this Act or the rules, bye-laws framed there under and an order or directive issued there under;
- iii. To give order to the member of the board of directors, official or employee of a commercial bank or financial institution to provide necessary information about the bank or institution in cause where it is necessary to inspect and supervise the transaction of such bank or financial institution.

The Nepal Rastra Bank Act, 2002 has also given a power for Nepal Rastra Bank to control over commercial banks and financial institutions, when necessary. The NRB may take such commercial bank or financial under its control after suspending the board of directors of such commercial bank or financial institution where the bank is convinced that any commercial bank or financial institution has violated this Act or rules and bye-laws framed there under or orders or directives issued there under or from the Bank's inspection and Supervision report, any commercial bank or financial

institution has failed to honor its ability or there are probability of such failure or it has been properly operated or has acted prejudicial to the interest of shareholders or depositors.

In addition, the Nepal Rastra Bank has also authority to declare problematic commercial bank and financial institution. NRB can declare any commercial bank or financial institution problematic by providing written notice to it when bank is convinced that the following conditions are prevailing in any commercial bank or financial institution on the basis of information received under section 86A or from the report of inspection and supervision conducted under section 84 or from any other means:

- i. In case of any action which is against the interest of the depositors, shareholders, creditors or general public,
- ii. In case of not fulfillment of any financial liabilities or not having probability to do that or not payment of due amount,
- iii. In case of insolvency or going to fall under insolvency or facing material financial difficulties,
- iv. In case the license obtained on the basis of submitting false, fraudulent, wrong document of data,
- v. In case of unable to maintain the capital fund as per this Act, prevailing law related to bank and financial institution and directives issued by NRB at time to time,
- vi. In case of the initiation of the process of liquidation or insolvency of any commercial bank or financial institution under the prevailing law,
- vii. In case of undue delay in the process of voluntary liquidation,
- viii. For the commercial bank or financial institution established with the joint venture of the foreign commercial bank or financial institution while such foreign commercial bank or financial institution is in insolvent or liquidator is appointed for the liquidation or the license of such commercial bank or financial institution is terminated under the provision of the law of respective country or transaction is banned either full or partial or in case of operation of

banking trisection being involved with such commercial bank or financial institution, or

- ix. If NRB is convinced that commercial bank or financial institution is unable to pay it's due or can make negative effect in its liability or duties, which is the to perform.

Moreover, the NRB, can take action against problematic commercial bank or financial institution. Whatever may be mentioned in the Companies Act or other prevailing law, NRB can take any or all the actions specified in section 47 against the commercial bank or financial institution, which is declared problematic under the provision of section 86B. Furthermore, for the problematic commercial bank, the act has provided NRB or the official appointed by NRB can use the reformative measures and rights; right for NRB for corrective action authority to application for the dissolution, authority to decrease of the capital of problematic commercial bank or financial institution, authority to transfer the assets and liabilities of the problematic commercial bank or financial institutions.

NRB has also authority to application for the dissolution in case NRB in convinced that any problematic commercial bank or financial bank or financial institutions even after the action under section 86C, reformative action under section 86E or corrective action under section 86F, such commercial bank or financial institution is unable to discharge its liabilities or there is no possibility to operate in healthy way, can apply to the Appellate Court for the dissolution of such commercial bank or financial institutions have a right to appeal against the order if NRB, under the given conditions.

2.2.2 Review of NRB Directives

Among NRB directives to bank and financial institutions major directives are as follows:

The new licensing policy in place requires having paid-up capital of Rs. 2 billion to open new commercial banks (Class A finance institutions). The concept of regional

banks has been eliminated. Paid-up capital base for development banks and finance companies has also been raised. Such capital requirement for micro-finance companies to open, however, has not been changed with a view to encourage micro finance companies to expand. Minimum paid up capital required for new bank and financial institutions has been presented in Table:

Table No. 2.1 : Minimum Paid Up Capital Requirement

Grade	National Level	Regional * Level	4-10* District	1-3* District
“A”	2000		-	-
“B”	640		300 ^{a/} 200	300 ^{a/} 100
“C”	300 ^{a/} 200	- -		300 ^{a/} 100
“D” ^{a/}	100	60 [#]	20 ^{c/}	10

(Source: Nepal Bank Digdarsan ,2070)

According to the new licensing policy, providing proof of mandatory paid up capital base by June/July 2010 is a per-condition for those that have submitted proposals to open new finance institutions. In case of operating financial institutions, they are required to comply with this provision by June/July 2013. Provisions such as, individual intending to invest in these institutions requires producing proof of tax clearance, and they are not blacklisted by the Credit Information Center have also been made effective. Accordingly, the banks and finance institutions are required to maintain capital adequacy at 11.0 % starting from FY 2005/06.

The licensed banks and financial institutions deal with the financial statement. Starting from FY 2005/06, they are required to open capital adjustment fund to meet mandatory paid-up capital by allocating a minimum of 10 % of paid up capital from their profit. For financial institutions not earning profit, they are required to comply with this provision by managing resources from whatsoever source at their disposal.

To open a new branch in the Kathmandu Valley is required to add Rs. 20 million/branch and Rs. 5 million/ branch to open a branch outside the valley.

Furthermore, the directive include the provision of amount so required to be added not to be counted towards capital adjustment fund, amount so added is to be counted for branch opening purpose only after the paid-up capital reaches the minimum of Rs. 50 million, and that the inactive loan ratio to be maintained at less than 5% level.

Based on the aging of overdue loan of commercial banks, loan has been classified into four groups and according to loan classification, necessary provisions is required to maintain annually as in the following percentage.

Table No. 2.2 : Loan Classification and Provision for Doubtful Loan

Loan Classification	Basis of Classification	Provision required percent of the loan
Pass	No overdue and overdue by 3 months	1
Sub Standard	Above 3 months to 6 months overdue	25
Doubtful	Above 6 months to 1 Year overdue	50
Loss	Overdue by above 1 year	100

(Source: Nepal Bank Digdarsan ,2070)

2.2.3 Review of Bank and Financial Institutions Act 2063

Bank and financial Institution act, 2063, which is popularly known as Umbrella Act has recently been enacted. The act governs the functional aspect of banks and financial institutions. Some of the important provisions in the act regarding the banking sector have been analyzed in this chapter as follows.

Any person wishing to incorporate a bank or financial institution to carry on financial transactions should incorporate a bank or financial institution as a registered public limited company under the prevailing law of Nepal with prior approval of NRB by fulfilling the conditions prescribed in section 4 of the act. The individual desiring for the incorporation of such entity is required to submit as application to NRB for prior approval with the prescribed documents. The NRB is required to conduct necessary examination and grant permission to establish a bank or financial institution with or

without terms and conditions if all the criteria are met and information of disapproval with reason is also to be given to the concerned person in case the application is denied. Similarly, any foreign bank or financial institution wishing to establish a bank or financial institution by making joint venture investment with a corporate body incorporated in Nepal or with a Nepali citizen or as a subsidiary company with 100% share is eligible to furnish the application to establish a bank or financial institution.

However, the act is silent about the percentage of equity investment in joint venture; such foreign corporate body can invest. It has been regulated by regulation till now as 75%. The prohibits anybody to conduct financial transaction except an established bank or financial institution and no bank or financial institution can use the proposed name for the purpose of carrying financial transaction without obtaining license from NRB. The bank or financial institution desiring to conduct financial transaction must submit an application for license to the NRB in the prescribed form including the prescribed fees, documents and description. NRB will grant license if it is satisfied with the basic physical infrastructure of the bank or financial institution; if the issuance of license for operating financial transaction will promote healthy and competitive financial intermediary and protect the interest of the depositors, the applicant is competent to operate financial transaction in accordance with the provision of this and its regulation, directives, order or provisions of Memorandum and Article of Association and there are sufficient grounds to believe that entity is the competent to operate financial transaction.

The NRB will classify the institutions into “A” “B” “C” “D” group on the basis of the minimum paid-up capital and provide the suitable license to the bank or financial institution. The authorized , issued and paid up capital of a license holder institution will be as prescribed by NRB from time to time. The NRB can issue directives to the license holder entity to increase its authorized , issued and paid-up capital if it deems necessary. Similarly, the license holder entity must maintain a capital fund according to ratio prescribed by NRB based on the basis of its total asset or risk weighted assets, and other transactions. At the same time, the license holder entity must maintain a risk

fund according to ratio prescribed by NRB based in the basis of liability relating to its total asset and the other risk to be borne from off balance sheet transaction. The license holder entity must maintain general reserve fund. Regularly every year till the amount becomes double of the paid up capital of such entity. The bank or financial institution can be upgraded if the authorized capital is enough for upper class, the institution has been able to make profit for last five years and the non-performing assets is within the prescribed limit. Similarly, the bank or financial institution can be degraded if it fails to meet prescribed capital within the time period, is has been making loss for last five years, it has violated the directives of Rastra Bank time again and it fails to maintain Risk Management Fund as prescribed by it. The NRB will make necessary investigation and avail opportunity to clarify before taking such decisions.

The NRB is in full power to deny license for financial transaction is the condition stipulated in are not met and it is also authorized to impose necessary conditions taking into account the existing financial position of the bank or financial institution, the interest of depositor and healthy operation of financial transaction. Similarly, it may increase, decrease or modify the terms and conditions time to time. The NRB can suspend the license of the license holder for a specific period of time issued for the purpose of carrying financial activities or it may order the bank or financial institution to close the operation of their office partially or fully if such a license holder acts against the provisions of Nepal Rastra Bank Act, 2002, or the regulation made there under or fails to act in accordance with the order or directives issued by it or fails to act the welfare and in the interest of the depositors. The NRB may cancel the license issued under this to carry on the financial transaction of the license holder under the certain circumstances as stipulated in the act.

A foreign bank or financial institution desiring to open its office within Nepal must submit an application to NRB in the form as prescribed along with the fees and particulars as prescribed. The NRB may issued a license to foreign bank or financial institution to carry on financial transaction by allowing them to open within of Nepal

taking into account the situation of competition existing in the banking sector, the contribution that could be rendered in the Nepalese banking sector and the reputation of such foreign bank or financial institution. The NRB may specify necessary terms and conditions and conditions in the course of granting transaction license and its shall be the duty of the foreign bank or financial institution to comply with such term and conditions. The section 34(4) of the reiterate that the provisions of to be complied by such foreign bank and financial institutions. The foreign bank and financial institution, which has been issued license to operate financial transaction by opening its office within the Kingdom of Nepal, cannot open another bank or financial institution in joint venture within the Kingdom of Nepal. However, the provision for the contract or representative office of any foreign bank of financial institution will be as prescribed by NRB. Some of the important issues such as relationship with parent bank in case of liquidation and supervisory role of different institutions (Parent bank and parent's bank supervisory authority) have not been adequately addressed in this. Provisions relating to capital requirement are also silent. As per Nepal's commitments foreign bank branches are only allowed for wholesale banking functions. So all of the provisions stipulated is subsection (1) will not be relevant to the foreign bank branches. According to the, NRB has authority to make necessary regulation in this aspect.

2.2.4 Review of Company Act 2063

Commercial banks including JVBs in Nepal can be established only as a company with limited liability under the company act 2063. The provisions existed is the act regulate the commercial banks in all aspects. The section 3 of the act explains about establishment of company as follows.

- a) Any person who wants to undertaken any enterprise with the motive of earning profits may establish a company with one or more objectives as mentioned in the memorandum of association, personally or along with others.
- b) Any foreigner who has obtained permission according to current law to undertake any enterprise with the motive of earning profits by making

investment within Nepal may also establish a company as mentioned in sub section (1).

- c) There must be at least seven promoters for the establishment of public company.

The commercial banks have to register in the company's register office as per the section (4) if the act. If promoters are Nepali they have to submit citizenship, for company; certificate of registration and for foreigner; produce their proof of citizenship be acquainted with country from where they are. Application should submit to register's office enclosing proposed company's memorandum, by-laws, and agreement of promoters if they have done for public company.

2.3 Reviews from Previous Studies

2.3.1 Review of Article

Article written by Kafle (2002) "Capital Market in Nepal" in the newsletter of the Nepal Chartered Accountant has been reviewed. According to that, Nepalese capital market got a proper structure only in the year 1993. In this year securities board was established as regulator and stock trading commenced through the member brokers adopting upon outcry auction system. Stock exchange in its usual role was their expected to develop as a powerful mechanism to mobilize savings for long term investments.

Today stock exchange has gained as experience of over a decade. It is now a place where the financial products of 115 companies are traded. These listed companies make a market capitalization in the tune of 45 billion rupees 8.5% of GDP. During this period, a cumulative total of seven hundred thousand shareholders have acquired stock ownership in the listed companies. A broad based initial offer market where more than seven billion rupees were raise contributes the proliferation in the share ownership.

Stock market has grown in the past decade but not to an extent desired. It is still in an early stage and has to grow significantly to play a more meaningful role in the banking dominated financial system. There should be concerted efforts to improve market size, liquidity, concentration and volatility in order to gain the status of a credible market. It has become more relevant to focus on developing a credible market when banking sector is under its way of meaningful reform and pressure for integration to the world and regional markets are mounting. We probably do not have any other better choice than keeping in rhythm with regional prosperity through more investment and service linkages.

There are sufficient reasons to be enthusiastic for the growth of the private sector and subsequently argue in favor of vast potential of the growth of the stock market in Nepal. However, realizing such potentials is possible only when supported by requisite changes in the legal and institutional infrastructure telecom and aviation sector, new mega investment hydro and physical infrastructure projects are likely to come up and absorb huge investment resources. Furthermore, some well performing closely held companies are also showing interest to come to the capital market. These potential investment sectors can play a catalytic role to trigger further market growth.

We believe that the limited fund deployment needs in the domestic market and limited investment avenues are temporary phenomena that will get rectified as the economy becomes confident to come out from the prevailing conflict situation.

Some basic reforms in the capital markets are already taking shape in Nepal. Effective regulation of products and intermediaries, appropriate regulation with effective enforcement, market operations and transparent standards are some of the key reform agendas. Further the infrastructural developments including information dissemination and order routing mechanism, trading by stem linkages and settlement and clearing arrangement fundamental to a well functioning market have been visualized.

A book about capital market by Mahat (2000) entitled “Capital markets financial flows and Industrial finance in Nepal” was written in the early period of the development of capital market and before the establishment of stock exchange. So Dr, Mahat made the first priority to establish stock exchange for the development of stock market. He has also written that Nepalese stock market is still in infancy stage and some drawbacks to the development of stock markets are strong historical and social reasons as well as mass poverty and illiteracy in Nepalese society. He further pointed out that some conscious and educated people of urban areas are also not investing in the industrial sector instead they are investing on the real estate especially in building construction. Although the book was written in the early stage of the development of stock market, the limitations of Nepalese society regarding the investment in stock market is still reality of Nepalese capital market.

Pradhan (2005) provides very close insight for analyzing the capital market in Nepal. He advocated, “A number of studies have been conducted on the stock market behavior in developed and big capital markets but their relevance is yet to be seen in the context of smaller and underdeveloped capital markets.”

As per the book, the stock market behavior in smaller and underdeveloped capital markets is thus one of the important areas of the study in finance. Information on stock market behavior in such smaller and underdeveloped capital markets would help development of realistic theoretical models and formulation of relevant hypotheses for empirical testing in finance.

In Nepal, the listing of shares in stock exchange center (SEC) and their trading in the stock market is a recent phenomenon. Low trading volume, absence of professional brokers, early stage of growth, limited movement of share prices, and limited information available to investors characterize the Nepalese stock market. A number of researchers are available on government owned public enterprises but researches on enterprises whose stocks are listed in SEC and traded in stock market are yet to come

up in Nepal. Viewed in this way, this chapter is expected to provide at least some insights into stock price behavior in Nepal.

Poudel, (2053 B.S.) in his article "Financial Statement Analysis: An Approach to Evaluate Bank's Performance" published in NRB Samachar said that the balance sheet, profit and loss account and the accompanying notes are the most useful aspects of the bank. We need to understand the major characteristics of bank's balance sheet and profit and loss account. The bank's balance sheet is composed of financial claims as liabilities in the form of deposits and as assets in the form of loans. Fixed assets accounts form a small portion of the total assets. Financial innovations, which are generally contingent in nature, are considered as off-balance sheet items. Interest received on loans/advances and investments and paid on deposits are the major components of profit and loss account. The other sources of income are fee, commission, discount and service charges. The users of the financial statements of a bank need relevant, reliable and comparable information, which assist them in evaluating the financial position and performance of the bank and which is useful to them in making economic decisions. The disclosure requirement of the bank's financial statement has been expressly laid down in the concerned act. Commercial Bank Act 2031 B.S. requires the audited balance sheet and profit and loss account to be published in the leading newspaper for the information of general public.

K.C. (June 6, 2003), in his article "Financial Sector Reforms – Still a Long Way to Go" published in "The Rising Nepal" concluded that the financial sector has a direct impact in the national economy. It is obvious that any slight change in the financial sector triggers a significant impact in the economy. Following the implementation of the financial sector reform policy, the country's economy has experienced a sea change.

In the journal of Financial Economics, summer 1996, entitled "Commonality in the Determinants of Expected Stock Returns" by Robert A. Haugen and Nardin L. Baker, they presented with evidence that the determinants of the cross section of expected

stock return were stable in their identify and influence from period to period and from country. The determinants were related to risk, liquidity, price level, growth potential and stock price history. Out of sample predications of expected returns, using moving average values for the pay-offs to these firm characteristics were strongly and consistently accurate. Two findings, however, distinguished their paper form others in the contemporary literature. First, the stock with higher expected and realized rate of return was unambiguously of lower risk than the stocks with lower returns. Second, they found that the important determinants of expected stock returns were strikingly common to the major equity markets of the world. Given the nature of the texts, it was highly unlikely that those results may be attributed to bias or data snooping. Consequently, the result seems to reveal a major failure in the efficient market hypothesis.

Fama's study (1965) on the random walk model was one of the best definitive and comprehensive every study conducted. He observed the daily proportionate prices of 30 individual stocks of the Dow Jones Industrial Average Index (DJIAI) for the period of 1957 to 1962. He employed the statically tools such as serial correlation and runs test to draw inference about depended of the price series. He calculated auto-correlation coefficient for daily changes in log prices for lag from 1 to 30 and found that the coefficient were almost close to zero in overall. The correlation coefficient for daily changes in average was +0.03, which is near to zero. But on the daily price changes, 11 out of 30 stocks had correlation coefficient more than twice their computed standard errors. The coefficient ranged from smallest 0.06 to largest 0.123. However Fama concluded, "Dependence as such a small order of magnitude is, from a practical point of view, probably unimportant for both the statistician and the investor." Fama also calculated serial correlation for lag from 1 to 10 for no-overlapping differencing intervals of four, nine and sixteen days to examine the possibility if price change across longer interval shows dependence. All the results are again not significantly different from zero.

In 1997 International Monetary Fund (IMF), Policy Development and Review Development Division published a working paper entitled “Determinants of Stock Prices: The case of Zimbabwe”. The working paper examined the general relationship between stock price and macroeconomic variables in Zimbabwe, using the revised DDM, error-correction model, and multi factor return generating model. Despite the large fluctuation in stock prices since 1991, the analysts indicated that the Zimbabwe Stock Exchange functioned quite constitutently during the period. Whereas, sharp increases in the share prices in stock prices during 1993-94 were mainly due to the shift of the risk premium that was caused by partial capital account liberalization, the monetary.

Another article "Psychological Pressure for Willful Defaulters" published in "Business Age International" of January 2005 said that maintaining the health of the financial sector is the first priority of the government, as crisis in the sector will push the country decades back and increase poverty. It has been said that the central bank would stand strong, against willful defaulters who cite circumstantial reasons for their failure in settling loans, but does not compromise on other aspects of business and livelihood. The bad practice of top Nepali business firms for not repaying loans to the banks has created hurdles in the healthy and free growth of the financial sector. It is the responsibility of the government to strictly discourage such unhealthy practices to safeguard the entire financial sector from any mishaps.

In order to check the growing non-performing asset problems of commercial banks and financial institutions and to maintain the financial health of these institutions by preventing risky investments, RBB on September 18, 2003 issued several directives tightening its earlier blacklisting procedures. As per the new provisions: All financial institutions are required to disclose the name of the loan defaulters every six months; financial institutions have been barred from lending any amount to the blacklisted defaulter or any of his family members. Credit Information Bureau (CIB) can blacklist the firm, company, or an individual who fails to clear the debt within the stipulated period. If they fail to clear the debt amount in time, or is found misusing the loans,

among others, the creditor can be blacklisted. The proprietor along with the proprietorship firms, and partners would also be blacklisted. Furthermore, the shareholders holding 10% or more shares would also be blacklisted, if the public limited company fails to clear the dues.

During the recently held meeting of the World Bank and the International Monetary Fund, the donor community has strongly raised the issue of slow pace of loan recovery by the defaulters of the bank. Consequently, the government has vowed to take harsh measures, which includes seizing the passports of willful defaulters, if the concerned line institutions make formal request through the NRB essential to recover loans from defaulters to ensure the success of financial sector reforms. Due to the tendency of non-repayment for loans, the risk of taking the provision has increased thereby lessening the possibility of reducing the interest rate between deposit and lending. Taking into consideration these adversities, Debt Recovery Act, Debt Recovery Tribunal and the Umbrella Act related with banking have been in operation.

2.3.2 Review from Thesis

It has found that there are no more studies performed in this topic. However, there are some which is related to this conducted for the partial fulfillment of Master's Degree in Tribhuvan University.

Thapa (2060 B.S.) conducted a study on “A Comparative Analysis of Financial Performance of Standard Chartered Bank Nepal Limited and Himalayan Bank Limited” with the following objectives.

- i. to highlight various aspects of relating to comparative financial performance of Standard Chartered Nepal Bank Limited and Himalayan Bank Limited for a period of 2003/04 to 2007/08.
- ii. to analyze financial performance through the use of appropriate financial tools
- iii. to show the cause of change in cash position of the two banks

Through her research she has presented the following findings of the study:

The analysis of liquidity position of these commercial banks shows different position here, the average current ratio of HBL is great than that of SCNABIL. Therefore, the liquidity position of HBL is in normal position.

The turnover of the commercial banks is the main indication of income generating activities. These ratios are used to judge how efficiently the firm is using its resources. From the analysis of turnover of these two banks, HBL has better turnover than SCNABIL in terms of loans and advances to total deposit ratio. Thus HBL has better utilization of resources income generating activities than SCNABIL; which definitely lead the bank to increase in income and thus making an increment profit for the organization. Despite the fluctuating trend in the ratio of cash and bank balance to total deposit SCNABIL is more efficient than HBL in cash management i.e. it is more able to keep more cash balance against its various deposits.

The analysis of profitability of these two commercial banks is also different. The overall calculation seems to be better for SCNABIL. Though certain ratio like dividend per share, dividend payout ratio etc are better for SCNABIL. From the calculation, HBL seems to tackle their investors more efficiently.

Going through net profit to total deposit ratio, it can be said that HBL seems to be more successful in mobilizing its customers saving in much more productive sectors. HBL has slightly riskier debt financing position in comparison to SCNABIL.

A study conducted by Pradhan (2065 B.S.) reveals in the thesis, “A Study on Financial Performance Analysis of Nepal Bank Limited” that, the NABIL has not maintained a balanced ratio among its deposit liabilities during the period of the study. As compared the second period with the first period, the bank is seemed to be unable to utilize its high cost resources in high yielding investment portfolio. During both the periods there are negative operating profit for two years. But both the years of the first period enjoyed positive net profits due to the non-operating incomes. Hence, there is a demarcation between operational and non –operational activities of the bank and

performance and result of the first period shows that the bank is more inclined towards non-operating activities. Furthermore, the liquidity position of the bank is also not satisfactory during both periods. It is even worse during the second period. Various current ratios have fluctuated during both the periods. It shows lack of specific policy of holding various types of current assets. Thus it can be said that the financial position of the NABIL is worse during the second period due to its inefficiency in risk management .the overall financial position on the bank is unsatisfactory during the both periods

Shrestha (2003) conducted study on; “A Comparative Analysis of Financial Performance of the Selected Joint Venture Banks” had set the following objectives:

- i. To examine the comparative financial strengths and weakness of the selected JVBs.
- ii. To highlight various aspects relating to financial performance of these JVBs for last five years.

The major findings of the study were as follows:

Analysis of liquidity ratio indicates better liquidity position of the NB bank. Although liquidity position of NABIL and NABIL are lower, they are still able to meet their current obligation.

Analysis of leverage or capital structure ratio indicates that long-term debt to net worth ratio of NB bank is the highest and NABIL is the lowest. JVBs are extremely leveraged. Total debt to net worth and total asset ratio of HBL is the highest and that of NABIL has relatively lower leverage.

Return on investment, interest earned to total assets ratio and commission and discount earned to personnel expenses ratio of NB bank is higher than NABIL bank and HBL, while return on shareholder’s equity is higher in HBL and interest income to interest expense ratio is higher in NABIL bank.

The valuation ratios used for analysis showed the following results .the PE ratio and DPR of NABIL bank is the highest and HBL is the second highest, while the MVPS to BVPS ratio of HBL is the highest and NB is the lowest. Operating profit of NABIL is higher than that of HBL and NB bank. NABIL's operating profit is 42.62% of its operating income, HBL is 33.51% and NB bank is 33.86% only.

Sakya (2060 B.S.) with the thesis in a topic of "A Comparative Study On Financial Analysis Of Commercial Banks with reference to Nabil Bank Limited, Nepal Investment Bank Limited and Himalayan Bank Limited" has examined the comparative strength and weakness of three competitive Joint Venture Bank (JVBS). He has studied the operational aspects of these JVBS taking into account the products they offer. According to his study, NABIL had better results in case of the profitability except return on net worth. Similarly, it had better liquidity, credit deposit and capital adequacy position as compared to HBL, NABIL and NGBL. NGBL holds highest rank regarding performing assets ratio and other indicators like D/P ratio and EPS. All the selected JVBS are extremely levered, though NIBL and NABIL had relatively lower ratios. Trend analysis showed, NABIL's growth in terms of PBT, loans and advances and total deposits has been increasing rapidly that of remaining three selected JVBS.

CHAPTER - III

RESEARCH METHODOLOGY

Research methodology is necessary for each research work. Research methodology is the way to solve the research problems systematically. The research methodology considers the logic behind the methods used in the context of research study and explains why particular method or technique is used. It also highlights about how the research problem has been defined, what data have been collected, what particular method has been adopted.

3.1 Research Design

Research design is the organized way of research methods and techniques used to throughout the entire study. This research is based on descriptive analytical technique. As the main objective of this study is to evaluate comparative financial performance of NABIL Bank Limited and Everest Bank Limited, the researcher has collected necessary data relating to overall performance of this bank.

The study is design as to give a clear picture of the bank's financial performance. On the basis of financial statement and other available data and adopting this proposed research design attempt is made to investigate into financial performance of the bank followed by some useful suggestion and recommendations.

3.2 Population and Sample

This study has been totally confined to the institutions listed in the Nepal stock exchange. Total number of organizations listed in the NEPSE is 199 as per the Nepal Stock Exchange website (www.nepalstock.com). These listed organizations according to their nature of business are categorized into eight groups/sectors.

- i. Commercial Banks
- ii. Manufacturing & Processing
- iii. Hotels
- iv. Others
- v. Trading

- vi. Insurance
- vii. Finance
- viii. Development Bank Ltd.

This study has been limited to the commercial banking sector, which has a large impact on the total performance. Total number of financial institution listed in the stock exchange is 78. These 78 financial institutions totally form the population of study. The banks included in the study are two in number. The selection is based as stratified random sampling. A total effort has been exerted to overcome the sampling error, so that the result of the study can be representative. The banks included in the study are:

- i. NABIL Bank Limited
- ii. Everest Bank Limited

3.3 Nature and Sources of Data

This study mainly based on secondary data of the concerned banks, Nepal Rastra Bank, SEBO, and different library are the providers of the data. The review of literature of the proposed study was based on the text books, official publications, journals, unpublished thesis, web site etc. The necessary data and information at macro level have been collected from relevant institutions and authorities such as NRB Ministry of Finance, NEPSE, SEBO and their respective publications similarly the required micro level data derived from annual reports of selected banks, SEBO and NEPSE. In addition to above, supplementary data and information were collected from different library such as library of T.U. Central library, Nepal Commerce Campus, SEBO etc. The major sources of data and information are as follows;

- i. NRB Economic Report, NRB
- ii. Non-Banking Financial Statistics, NRB
- iii. Banking and Financial Statistics, NRB
- iv. Economic Survey, Ministry of Finance
- v. Annual Reports of Concern Commercial Banks (from 2065/66 to 20069/70)
- vi. Annual Report of SEBO Nepal Trading Report of NEPSE

- vii. Journal of Finance
- viii. Journal of Business
- ix. Previous Research Studies, Dissertation and Articles on the Subject
- x. Various Text Books
- xi. Different Library
- xii. Different Website Related to study

3.4 Data Analysis Methods and Tools

To achieve the objective of the study, various financial and statistical tools have been used. The analysis of data will be done according to the pattern of data available. Due to limited time and resources, simple analytical statistical tools such as percentage, graph, Karl Pearson's coefficient of correlation are used in this study. Likewise, some financial tools such as ratio analysis and trend analysis have also been used for financial analysis.

The various calculated results obtained through financial and statistical tools are tabulated under the different headings. Then they are compared with each other to interpret the results.

3.4.1 Financial Tools

Financial tools are used to examine the strength and weakness of banks. In this study financial tools like ratio analysis and financial statement analysis have been used.

Financial ratio is the mathematical relationship between two accounting figures. Ratio analysis is a part of the whole process of analysis of financial statements of any business or industrial concern especially to take output and credit decisions. Thus ratio analysis is used to compare a firm's financial performance and status to that of other firm's to it overtime. The qualitative judgment regarding financial performance of a firm can be done with the help of ratio analysis.

I. Liquidity Ratios

Liquidity ratios are used to judge the ability of banks to meet its short-term liabilities that are likely to mature in the short period. From them, much insight can be obtained into present cash solvency of the bank and its ability to remain solvent in the event of adversities. It is measurement of speed with which a bank's assets can be converted into cash to meet deposit withdrawal and other current obligations.

A. Current Ratio

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

Mathematically it is represented as:

$$\text{Current ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

Where,

Current assets include cash and bank balance, money at call or short-term notice, loans and advances, investment in government securities and other interest receivable and miscellaneous current assets where as current liabilities include deposits and other accounts of short-term loan, bills payable, tax provision, staff bonus, dividend payable and miscellaneous current liabilities.

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

B. Cash and Bank Balance to Current Assets Ratio

This ratio measures the percentages of liquid assets i.e. cash and Bank balance among the current assets of a firm. Higher ratio shows the higher capacity of firms to meet the cash demand.

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

Hence, cash and banks balance includes cash in hand, foreign cash and foreign banks.

C. Cash and Bank Balance to Current, Saving and Margin Deposit Ratio

The ratio measures the ability of the bank to meet its immediate obligations. The bank should maintain adequate cash and bank balance to meet the unexpected as well as heavy withdraw of deposits. High ratio indicates sound liquidity position of the bank. However, too high ratio is not good enough as it reveals the under utilization of fund. The ratio is computed by dividing the total amount of cash and bank balance held in the bank by total deposit (except fixed deposits) collected by the bank.

$$\text{Cash and Bank Balance to total deposit (except fixed deposits)} \\ = \frac{\text{Cash and Bank Balance}}{\text{total deposit (except fixed deposits)}}$$

Cash and bank balance comprises cash on hand, foreign cash on hand, cheque and other cash items, balance with domestic bank and balance held in foreign banks. Current and saving deposits consist of all types of deposits excluding fixed deposits.

D. Cash and Bank Balance to Total Deposit Ratio

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

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

Where, total deposits consist of deposits on current account; saving account; fixed account, money at call and other deposits.

E. NRB Balance to Current , Saving Deposit

The ratio shows the percentage of amount deposited by the bank in Nepal Rastra Bank (NRB) as compares to current and saving deposits. Commercial

banks are required to hold certain portion of current and saving deposit in NRB's account. It is to ensure the smooth functioning and sound liquidity position of the bank. As per the directive of Nepal Rastra Bank, the required ratio is 8%. Therefore, the ratio measures whether the bank is following the direction of NRB or not. The ratio is computed by dividing the balance held with Nepal Rastra Bank by saving deposits. It express as;

$$\text{NRB Balance to Current and Saving Deposit} = \frac{\text{NRB Balance}}{\text{Current and Saving Deposit}}$$

F. NRB Balance to Fixed Deposit

The ratio shows the percentage of the amount deposited by the bank in Nepal Rastra Bank as compared to fixed deposits. According to the direction of NRB, this ratio should be maintaining 6%. Hence the ratio so the calculated finds whether the bank has obeyed the direction of central bank or not. The ratio is computed by dividing the balance held with Nepal Rastra Bank by fixed deposits accepted.

$$\text{NRB Balance to Fixed Deposit} = \frac{\text{NRB Balance}}{\text{Fixed Deposit}}$$

II. Assets Management Ratios (Activity Ratios)

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

A. Loan and Advances to Total Deposit Ratio

The ratio indicates the proportion of the total deposits invested in loans and advances it is calculated to find out how the banks are successfully utilizing their total deposit for profit generating purpose on loan and advances. High ratio means the greater use of deposit for investing loans and advances. In other words, Greater the ratio implies the better utilization of outsiders funds (Total

Deposit) But very high ratio shows poor liquidity position and risks in loans. On the contrary, too low ratio may be the cause of idle cash or use of fund in less productive sector. The ratio is computed by dividing total loans and advances by total deposit liabilities.

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

Loan and advances consist of loan, advances, cash credit, overdraft and foreign bills purchased and discounted.

B. Loans and Advances to Saving Deposit Ratio

The ratio indicates how many times the short-term interest bearing deposits are utilized for generating income. Saving deposit are the short-term interest bearing liabilities. Loan and advances are the major sources of investment to generating income in commercial banks. Loan and advances to saving deposits ratio is measured to find out how many times of fund is used in loan and advances against saving deposit. High ratio indicates greater utilization of saving deposits in advancing loans. The ratio is calculated dividing the amount of loan and advances by total deposit in saving account. The following formula is used to calculate this ratio as:

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

C. Loans and Advances to Fixed Deposit Ratio

The ratio indicates what proportion of fixed deposits has been used for loans and advances. Loans and advances are major sources of investment to generate income by the commercial banks. Fixed deposits are long term interest bearing deposit obligation. It carries high rate of interest. Funds collected are needed to invest in such sectors, which yield at least sufficient return to meet the obligations. The ratio measures the extent to which the fixed deposits are utilized for the income generating purpose. High ratio means utilization of

fixed deposit in form of loans. The ratio is calculated by dividing loan and advances to fixed deposit.

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

D. Total Investment to Total Deposit Ratio

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

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

E. Performing Assets to Total Assets Ratio

The ratio measures what percentage of assets has been founded for income generation. High ratio indicates greater utilization of assets and hence sound probability position. It can calculate by dividing performing assets by total assets.

$$\text{Performing Assets to Total Assets} = \frac{\text{Performing Assets}}{\text{Total Assets}}$$

Performing assets include those assets, which are invested for income generating purpose. These consist of loans and advances, bill purchased and discounted investment and money at call or short notice..

III. Capital Adequacy Ratio

Capital adequacy ratio measures whether the firm has maintained sufficient capital or not. In others words, it helps to decide whether the existing capital is adequacy or there isn't need of reforms. The ratio is tested to ensure the safety and stability of the firm in long run. Over capitalization and under capitalization both have adverse effects on probability of the firm. If the capital is excess, it remain idle. If capital is insufficient, the firm may not able to grasp the opportunity from potential profitability sectors. Therefore, the commercial

banks have been directed to retain sufficient ratio by the central bank. Here, capital fund refers to the core capital and supplementary capital. The commercial banks can't declare and distribute dividend until they meet capital adequacy ratio. Under this group, following ratios are tested.

A. Net Worth to Total Deposit Ratio

This ratio measure the percentage of net worth and relation to the total deposits collected in the bank. This ratio is a yardstick to see whether the bank has maintained the capital fun according to the direction of Nepal Rastra Bank. The ratio is calculated by dividing net worth to total deposit.

$$\text{Net Worth to Total Deposit} = \frac{\text{Net Worth}}{\text{Total Deposit}}$$

B. Net Worth to Total Assets Ratio

The ratio measure what is the percentage of shareholder's fund is relation to the total assets owned by the bank. High ratio means greater contribution of investors' fund and strong capital adequacy position. The ratio is calculated by dividing the net worth by total assets of the bank.

$$\text{Net Worth to Total Assets} = \frac{\text{Net Worth}}{\text{Total Assets}}$$

C. Net Worth to Total Credit

it measure the relative proportion of the shareholders fund with respect to the credit. High ration shows that the firm has adequacy capital, which is the index of safety. Moreover, a bank with higher ratio is less affected by the instability of the financial market. The ratio is obtained when net worth is dividing by the total credit of the bank.

$$\text{Net Worth to Total Credit} = \frac{\text{Net Worth}}{\text{Total Credit}}$$

IV. Assets Quality Ratios

As explained earlier, turnover ratios measure the turnover of economic resource in terms of quality. Only the investment is not of great significance, but the return from them with minimum default in payment by debtors is significant. A firm may be in a state of enough profit and through unable to meet liabilities. Therefore, assets quality ratios are intended to measure the quality of assets contained by the bank. Following ratios are dealt in this group.

A. Loan Losses Coverage Ratio

Nepal Rastra Bank has directed commercial banks to maintain provision for loan loss on the basis of category of loans and risk grade. This ratio, therefore, measure whether the provision is sufficient to meet the possible loss created by defaulted in payment of loan or not. High ratio indicates that the major portion of loan risky. This ratio is calculated by dividing for loan loss by total risk assets.

$$\text{Loan Losses Coverage Ratio} = \frac{\text{Loan Losses Provision}}{\text{Total Risky Assets}}$$

For the study purpose, risk assets constitute loans and advances, bill purchased and discounted.

B. Loan Losses Provision to Total Income Ratio

This ratio shows what portion of total income has been held as safety cushion against the possible bad loan. Higher ratio indicates that the greater portion of loan and advances is secured sector. The ratio is obtained by dividing loan loss provision by total income.

$$\text{Loan Losses Provision to Total Income Ratio} = \frac{\text{Loan Losses Provision}}{\text{Total Income}}$$

C. Loan Losses Provision to Total Deposit Ratio

It shows the proportion of bank's income held as loan loss provision in relation to the total deposit collected. Higher ratio means quality of assets contained by the bank in form of loan is not much satisfactory. Low ratio is the index of

utilization of resources in healthy sector. The ratio is obtained by dividing the provision for loan loss by total deposit in the bank.

$$\text{Loan Losses Provision to Total Deposit Ratio} = \frac{\text{Loan Losses Provision}}{\text{Total deposit}}$$

D. Accrued Interest to Total Interest Income Ratio

This ratio shows the percentage of accrued interest with respect to the total income in from of interest. High ratio indicates the large portion interest remained to be collected. Lower ratio reflects the better quality of assets in the bank. The ratio is obtained by dividing accrued interest by total interest income.

$$\text{Accrued Interest to Total Interest Income Ratio} = \frac{\text{Accrued Interest}}{\text{Total Interest}}$$

Accrued Interest refers to the interest that is accrued but not collected. Total interest income includes the interest received from the investment in various sectors

V. Profitability Ratios

Profitability ratios are calculated to measure the efficiency of operation of a firm on term of profit. It is the indicator of the financial performance of any institution. This implies that higher the profitability ratio, better the financial performance of the bank and vice versa. Profitability position can be evaluated through following different way.

A. Return on Total Assets

This ratio establishes the relationship between net profit and total assets. This ratio is also called ‘profit to assets ratio’. It is calculated dividing return on net profit/loss by total working fund and can express as;

$$\text{Return on Assets} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

B. Return on Net Worth/Shareholder Equity

The ratio is tested to see the profitability of the owner’s equity investment. It reflects the extent to which the objectives of business are accomplished. All

commercial banks have its main objectives to earn the maximum profit, so that they can run smoothly and get the fame. For that they must mobilize resources and equity capital properly. Equity capital is owned capital of banks. The ratio is also or net profit to net worth ratio and net profit to shareholder's equity return on shareholders' equity or simply called ROSE. The ratio is of great interest to present as well as prospective shareholders are also of great significance to management. This has the responsibility of maximizing the owner's welfare. So, higher ratio is desirable. It is computed by dividing net profit after tax by net worth.

$$\text{Return on Net Worth} = \frac{\text{Net Profit After Tax}}{\text{Net Worth}}$$

C. Return to Total Deposit

Major financial source of a bank is deposit collection. And deposits are mobilized for loan and advances, investment etc. to earn profit. The ratio shows the relation of net profit earned by the bank with the total deposit accumulated. Higher ratio is the index of strong probability position. The ratio is computed by dividing net profit after tax by total deposit.

$$\text{Return on Total Deposit} = \frac{\text{Net Profit After Tax}}{\text{Total Deposit}}$$

D. Total Interest Expenses to Total Interest Income Ratio

The ratio shows the percentage of interest expenses incurred in relation to the interest realized. Lower ratio is favorable from profitability point of view. The ratio obtained by dividing total interest expenses by total interest income.

$$\text{Total Interest Expenses to Total Interest Income Ratio} = \frac{\text{Total Interest Expense}}{\text{Total Interest Income}}$$

Total Interest expenses consist of interest expenses incurred for the deposits, borrowing and loan taken by the banks. Total interest income includes interest income received from loans, advances, cash, credit, overdrafts, and government securities, interbank and other investment.

E. Interest Earned to Total Assets Ratio

The ratio shows percentage of interest income as compared to the assets of the bank. High ratio indicates the proper utilization of the bank's assets for income generating purpose. Low ratio represents unsatisfactory performance. The ratio is calculated by dividing interest income by total assets of the bank.

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

F. Earning Per Share

Earnings per share refer to the income available to the common shareholder on per share basis. It enables us to compare whether the earning based on per share basis has changed over past period or not. The investors favor high EPS. It reflects the sound profitability position of the bank. It is obtained by dividing earning available to common shareholder by the number of common share outstanding.

$$\text{Earning Per Share} = \frac{\text{Earning Available to Common Shareholder}}{\text{Number of Equity Share Outstanding}}$$

Earnings available to common shareholders is the amount of that profit which can be found after deducting the amount of interest to the outsiders' fund, dividend to the preferred shareholders and income tax to the government. For this purpose, it is net profit after tax.

G. Price Earning Ratio (P/E Ratio)

P/E ratio is widely used to evaluate the bank's performance as expected by investors. It represents the investors' judgment or expectation about the growth in the bank's earning. In other word. It measures how the market is responding towards the earning performance of the concerned institution. High ratio indicates greater expectation of the market towards the achievement of firms. It is obtained by dividing market value per share

$$\text{Price Earning Ratio} = \frac{\text{Market Value Per Share}}{\text{Earning Per Share}}$$

H. Market Value Per Share to Book Value Per Share (MVPS/BVPS)

The ratio measures the value that the financial market attaches to the management and organization of the bank as a growing concern. High ratio is the indication of strong management and organization. It is the ratio of market value per share to book value per share.

$$\text{Market Value Per Share to Book Value Per Share} = \frac{\text{Market Value Per Share}}{\text{Book Value Per Share}}$$

VI. Leverage/ Capital Structure/ Solvency Ratios

Short-term financial positions refer to the liquidity position of the firm. Long-term financial position refers to the capital structure or financial leverage. Long-term financial position of the firm is judged by the capital structure ratio or leverage ratio or structure ratio. The leverage ratio or structural ratio is calculated to measure the financial risk and the firm's ability of the using for the debt and the benefit for the shareholders.

Leverage refers to the ratio of the debt to equity in the equity in the capital structure of the firm. Debt & equity are long-term obligation and remaining parts in the ability side of the balance sheet are termed as short-term obligation. Both types of obligations are required in forming the capital structure of the firm. The long-term financial position of the firm is determined by leverage or capital structure.

Debt is more risky from the firm's point of view. The firm has legal obligation to pay interest to debt holders irrespective of the profit made or losses incurred by the firm. But use of debt is advantage to shareholders in two ways;

- i. They can retain control on the firm with a limited stake
- ii. Their earning is magnified when rate of return of the firm on total capital is higher than the cost of debt.

Following ratios are calculated to test the optimality of capital structure:

A. Debt-Equity Ratio

This ratio is calculated to find out the proportion of the outsider's fund to owner's fund to finance the total assets. It is also called the proportion out

outsider's claim and insider's claim on total assets of the banks. It is also called debt to net worth ratio. The ratio shows the mix of debt and equity in capital. It measure creditor's claim against owners. High ratio shows that the creditors' claims are greater than those of owners. Such a situation introduces inflexibility in the firm's operation due to increasing interference and pressures from creditors. Low ratio implies a greater the claim of owner's than creditors. In such a situation, shareholders are less benefited if economic activities are good enough. Therefore, the ratio should neither be too high nor too low. The ratio is calculated by dividing total debt by total shareholder's equity.

$$\text{Debt – Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholder's Equity}}$$

Total debt consists of all interest-bearing long term debts. These include loan and short term debts. There include loans and advances taken from other financial institutions, deposits carrying etc. Shareholder's equity includes paid-up capital, reserves and surplus and undistributed profit.

B. Debt-Assets Ratio

This ratio shows the contribution of creditors in financing the assets of the banks. It is the proportion of debt on the total capital or proportion of outsider's claim on the assets. Greater proportion of the bank's assets has been financing through outsider's funds. High ratio indicates that the greater portion of the bank's assets has been financing through outsider's fund. The ratio should neither be too high per too low. The ratio can be calculated by dividing total debt by total assets.

$$\text{Debt – Assets Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

C. Interest Coverage Ratio

This ratio is calculated to find out the bank's ability to meet interest obligation. The ratio also known as times interest-earned ratio is used to test the debt servicing capacity of the bank. It shows the number of times the interest charges are covered by fund that are ordinarily available for their payment. It indicates the extent to which the earning may fail without causing any

embarrassment to the firm regarding the payment of interest. Higher ratio is desirable. But too high a ratio indicates the firm is very conservative in using debt. A lower ratio indicates excessive use of debt or insufficient operation. The ratio calculated by dividing net profit before deduction of interest and tax by interest charges.

$$\text{Interest Coverage Ratio} = \frac{\text{Earning Before Interest and Tax}}{\text{Interest charged}}$$

EBIT or earning before interest and tax net profit before interest and tax (NPBIT) is amount of operating profit before deduction of the amount of interest and tax.

3.4.2 Statistical Tools

Various statistical tools related to this study will draw out to make the conclusion more reliable according to the available financial data. For this study following statistical tools are used.

I. Arithmetic Mean or Average

The average value is a single value within the range of the data that is used to represent all of the values in the series. Since an average is somewhere within the range of that data, it is also called a measure of central value. Since average represents the entire data, its value lies somewhere in between the two average. Among them is use the arithmetic mean which is more popular to denote particular type of average. It is obtain dividing sum of obtain observations by the number of items which is presented as follows.

$$\bar{X} = \frac{\sum x}{N}$$

Where,

\bar{X} = Arithmetic Mean

$\sum x$ = Summation for Total Values of the Variable / Observation

N = Number of Items

II. Standard Deviation

The standard deviation is the most important and widely used measure of studying dispersion. It is also known as root mean square deviation for the reason that the square root of the mean of the standard deviation from the arithmetic mean. It is also denoted by the small Greek letter σ (Sigma). The standard deviation measures the absolute dispersion or variability of a distribution. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series, a large standard deviation means just the opposite. Hence, standard deviation is extremely useful in judging the representative of the mean.

Symbolically,

$$\sigma = \sqrt{\frac{\sum d^2}{n}}$$

Where,

σ = Standard Deviation

$\sum d^2$ = Sum of Squares of the Deviation Measured from the Arithmetic Average

n = Numbers of Item

III. Co-efficient of Variation (C.V)

The co-efficient of variation is the corresponding relative measure of dispersion, comparable across distribution, which is defines as the ratio of the standard deviation to the mean expressed in percentage. It is used in such problems where we want to compare the variability of two or more than two series. The series for which the co-efficient of variation is greater is said to be more variable or conversely less consistent, less uniform, less stable or less homogeneous. On the other hand, the series for which co- efficient of variation is less is said to be less variable or more consistent, more uniform, more stable or more homogenous.

We can denotes this by following formula,

$$CV = \frac{\sigma}{\bar{x}} \times 100$$

Where,

CV = Co-efficient of Variation

σ = Standard Deviation

\bar{x} = Mean / Average

IV. Co-efficient of Correlation (r)

Correlation is the statistical tool that we can use to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the degree of relationship between two sets of figures. Among the various methods of finding out coefficient of correlation, Karl Pearson's method is applied in the study. The result of coefficient of correlation is always between +1 and -1. When $r = +1$, it means there is perfect relationship between two variables and vice-versa. When $r = 0$, it means there is no relationship between two variables. The Pearson's formula is:

$$r = \frac{N \sum xy - \sum x \times \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

Where,

r = Co-efficient of Correlation

x = Independent Variable

y = Dependent Variable

N = Number of Periods

V. Probable Error of the Co-efficient of Correlation

After the calculation of co-efficient of correlation the next thing is to find out extent to which it is dependable. For this purpose the probable error of the coefficient of correlation is calculated. If the probable error is added to and subtracted from the co-efficient of correlation it would give two such limits within which we can reasonably accept the value of co-efficient of correlation to vary. The formula for finding out the probable error of the Karl Pearson's co-efficient of correlation is:

$$P.E.r = 0.6745 \frac{1-r^2}{\sqrt{N}}$$

Where,

P.E.r = Probable Error of Co-efficient of Correlation

r = Co-efficient of Correlation

n = Number of Pairs of Observations

In order to conclude whether co-efficient of correlation is significant or not. The following points should be kept in mind.

- If the co-efficient of correlations is less than its probable error, it is not at all significant.
- If the co-efficient of correlations is more than six times of probable error, it is definitely significant.
- If the probable error is not much and if the coefficient of correlation is 0.5 or more it is generally to be significant.

VI.Co-efficient of Determination (R^2)

The Co-efficient of determination is the measure of the degree of linear association or correlation between two variables, one of which happens to be independent and other being dependent variable. In other words, co-efficient of determination measures the percentage of total variation in dependent variable explained by independent variable. The co-efficient of determination can have value ranging from zero which simply means that all the data points in the scatter diagram fall exactly on the regression line. Co- efficient of determination is the square of the co-efficient of correlation.

Symbolically,

$$R^2 = (r)^2$$

Where,

R^2 = Co-efficient of Determination

R = Co-efficient of Correlation

VII. Simple Regression Analysis

Regression is one of statistical tool, which is used to determine the statistical relationship between two or more variables and to make estimation (or prediction) of one variable on the basis of the other variable. In other word, it is that tools with the help of which unknown value of one variable can be estimated on the basis of known value of the variable

Sometimes, the correlation between two variables may be insufficient to determine a reliable estimation equation. Yet, if we add the data from more independent variables, we may be able to determine an estimating equation that describes the relationship with greater accuracy. In regression analysis, we use independent variables utilizing more of the information available to us to estimate the dependent variable. . In this study the researcher uses simple regression equation.

VIII. Test of Hypothesis

The method of statistics which help in arriving at the criterion for such decision is called test of hypothesis or statistical decision making. A hypothesis is analysis assumption that make about the population parameter. Alternatively, a hypothesis is a conjectural statement of the relationship between two or more variables. Hypothesis statement should be able to show the relationship between variables.

The Test of hypothesis is a process of testing of significance regarding the parameter of the population on the basis of the sample drawn from the population. The computed value of the statistics may differ from the hypothetical value of parameter due to sampling fluctuation. If the difference is small, it has arisen due to sampling fluctuations. Hence the difference is considered to be insignificant and the hypothesis is accepted. If the difference is large, it has not arisen due to sampling fluctuations but it is due to some other reasons. Hence the difference is considered to be significant but it is due to some other reasons. Hence the difference is considered to be significant and the hypothesis is rejected. Thus the test of hypothesis discloses whether the

difference between the computed statistic and hypothetical parameter is significant or not.

There are different types of hypothesis, among them t-test is to test the validity of our assumption, if sample size is less than 30, t-test is used. For applying t-test in the context of small sample, the 't' value is calculated first and compared with the table value of 't' at a certain level of significance for value of 't' exceeds the table value (say 0.05) we infer that the difference is significant at 5% level. But if 't' is less than the concerning table value of the 't' the difference is not treated as significant.

The t – statistic is calculated by following formula under Ho:

$$T = \frac{r}{\sqrt{1-r^2}} \sqrt{n-2}$$

IX. Trend Line Analysis

Trend line analysis describes the average relationship between series where the one series related to time and other series to the value of the variable. It is generally shows that the line of the best fit or straight line is obtained or not. The line of the best fit describes the changes in a given series accompanying a unit change in time. Another word, it gives the best possible mean values of dependent variable for a given value of independent variable.

For calculation of the “Line of the best fit “, following equation should be kept in mind.

$$Y_c = a + bx$$

Where,

Y_c = the estimated value of Y for given value of x obtained from the line of regression

of Y on X

a = “Y- intercept “/ mean of Y value

b = “slope of line “/ rate of change

x = the variable in time series analysis represent time

In order to determine the value of the constants a and b the following two normal equations are to be solved.

$$\sum Y = Na + b\sum X \quad \text{and} \quad \sum XY = a\sum X + b\sum X^2$$

Where;

N= Number of Years for with the date are given

Here X stands for the time variations and Y for the variables related to time. Naturally, if we take the middle year or the mid – point of the two years as the starting point, X will be equal to 0 and the two equations will then be

$$\sum Y = N a \quad \text{and} \quad \sum XY = b\sum x^2$$

By transformation, we; can write

$$a = \frac{\sum Y}{N} \quad \text{and} \quad b = \frac{\sum XY}{\sum X^2}$$

The term best fit is interpreted in accordance with the principle of least squares which consists in minimizing the sum of squares of the residual of the errors of estimates i.e. the deviation between the given observed value of the variable and their corresponding estimated values as given by the line of best fit.

This topic will be used to forecast the ratios of Total deposit, Total Loan and Advances, Total Investment and Net Profit of the banks for next five years on the base of past five years. The analysis is done under limited factors which are as follows:

- The economy will remain unchanged as of present the stage.
- Banks will run as of present position.
- The guidelines by NRB for Banks will remain unchanged.
- The forecast will be true only when the limitations of least square method are carried out.
- The main assumption is that other factors are constant.

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

This chapter deals with the analysis and interpretation of data following the research methodology dealt in the third chapter. In course of analysis, data gathered from various sources have been inserted in the tabular form according to their homogeneous nature. The various tables prepared for the analysis purpose have been shown in annexes. Using financial and statistical tools, the data have been analyzed. The result of the analysis has been interpreted keeping in mind the conventional standard with respect to ratio analysis, directives of NRB and other factors while using other tools. Moreover, financial performance of the sampled banks has especially been analyzed in cross sectional manner. Specially, the chapter includes and interpretation of the followings:

- i. Financial Analysis
- ii. Correlation Analysis
- iii. Trend Analysis
- iv. Major Findings

4.1 Financial Analysis

Ratio of financial analysis has been adopted to evaluate the financial health, operating result and growth of the sample banks. In order to analyze and interpret the tabled data, the following ratios have been used:

- i. Liquidity Ratio
- ii. Turnover Ratio
- iii. Capital Adequacy Ratio
- iv. Assets Quality Ratio
- v. Profitability Ratio
- vi. Capital Structure Ratio

4.1.1 Liquidity Ratio

Liquidity ratio has been employed to test the ability of the banks to pay immediate liabilities (i.e. short term liability). These include current ratio, quick ratio, cash and bank balance to current ratio, cash and bank balance to deposit (except fixed deposit) ratio, cash and bank balance to total deposit ratio, NRB balance to current and saving deposit, NRB balance to fixed deposit ratio.

4.1.1.1 Current Ratio

Current ratio is also known as working capital ratio. It is computed by dividing the current assets by current liabilities.

Table No. 4.1: Current Ratio (times)

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	0.69	0.58	0.82	0.76	0.98	0.766	17.43%
EBL	1.18	1.62	1.27	1.49	1.2	1.352	12.82%

(Sources: Annex -1)

Table no. 4.1 shows that the current ratio of NABIL Bank Limited and Everest Bank Limited. For the study period remained 0.69, .058, 0.82, .076, 0.98 times respectively for the year F/Y 2065/66, F/Y 2066/67, F/Y 2067/68, F/Y 2068/69, F/Y 2069/70 of NABIL Bank Limited and 1.18, 1.62, 1.27, 1.49, 1.2 times respectively for the year F/Y 2065/66, F/Y 2066/67, F/Y 2067/68, F/Y 2068/69, F/Y 2069/70. And 0.766 and 1.352 were the mean of current ratio of NABIL Bank Limited and Everest Bank Limited respectively. 17.43 % and 12.82% were the CV of NABIL Bank Limited and Everest Bank Limited respectively.

NABIL Bank had less current ratio in each ratio in each year with the compare with standard. But NABIL Bank had fluctuated in each year in F/Y 2065/66 its current ratio was 0.69 times and in F/Y 2066/67 its current ratio was 0.58 times. It was decrease then previous year. Again in F/Y 2067/68 it was increase to 0.82 times which was favorable to the Bank. But in next F/Y 2068/69 again it was fall to 0.76 times and in F/Y 2069/70 it was rise to 0.98 times. Therefore, we can say that there was fluctuate in nature on current ratio. Everest Bank had also less current ratio according to the standard i.e. 2:1. In F/Y 2065/66 the

current ratio was 1.12 times and in F/Y 2066/67 it was increase to 1.62 times. Again in F/Y 2067/68 it was decrease to 1.27 times. In F/Y 2068/69 it was increase to 1.49 times and again decreased to 1.2 times in F/Y 2069/70. Therefore we can say that the nature of current ratio was fluctuated in nature as NABIL Bank's Current ratio. The nature of assets and liabilities of commercial banks, the ratio below the stated standard may be accepted as satisfactory, but was signified that the banks have the poor liquidity position. These banks may face the problem if working capital if they need to pay the current liabilities at demand. Delay in payment of liabilities may lead the banks to lose their goodwill. They will have the problem in winning the confidence of current depositors and short-term lenders.

For commercial bank, is very important to maintain a good balance between liquidity and profitability. If banks keep large portion of money under its control it affects in profit because idle money earn nothing but other hand the bank should have enough cash balance with it to fulfill the requirement of short-term liabilities.

4.1.1.2 Cash and Bank Balance to Current Assets Ratio

This ratio shows the ability of banks to pay total call made on current deposits. Cash and bank balance are highly liquid assets in current assets proportion. So, the ratio utilizes higher position that current ratio.

Table No.4.2: Cash and Bank Balance to Current Assets Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	70%	26%	40%	64%	61%	52.20%	31.70%
EBL	93%	94%	88%	90%	90%	91%	2.41%

(Sources: Annex -2)

Table 4.2 shows that the ratios remained 70%, 26%, 40%, 64%, and 61% in NABIL Bank Limited in the respectively years of the review period. Mean and CV were 52.20% and 31.70% respectively. Similarly, the ratios remained 93%, 94%, 88%, 90% and 90% in Everest Bank Limited in the corresponding years of the study period. Mean of EBL were 91% and CV is 2.41%.

The ratios of NABIL Bank were in fluctuating nature. It was the highest in FY 2065/66 and the lowest in the FY 2066/67. The ratios of Everest Bank also in fluctuating nature but less fluctuate the NABIL Bank. The highest was 94% in FY 2066/67 and the lowest in FY 2067/68. The mean ratios of NABIL Bank were lower than Everest Bank, which means Everest Bank Limited had higher ability to meet the daily cash requirement of their customer's deposits. Everest Bank has more liquidity position and utilized its fund more effectively. Higher CV of ratios in NABIL Bank as compared to Everest Bank signifies greater variation in the ratios.

4.1.1.3 Cash and Bank Balance to Deposits (Except Fixed Deposit) Ratio

The ratios measure the ability of the banks to meet its immediate obligation. The bank should adequate cash and bank balance to meet the unexpected as well as the heavy withdrawal if deposits. The ratio is computed by dividing the cash and bank balance to total short-term deposits i.e. Saving Deposit, Current Deposit and Margin Deposit and Call Deposits.

Table No. 4.3: Cash and Bank Balance to Deposits (Except Fixed Deposit) Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	12%	4%	7%	11%	11%	9%	33.70%
EBL	23%	30%	23%	28%	26%	26%	10.60%

(Sources: Annex -3)

Table no. 4.3 shows that the ratios were 12%, 4%, 7%, 11%, and 11% in NABIL Bank Limited in respectively years from F/Y 2065/66 to F/Y 2069/70. Mean and CV of the ratios were 9% and 33.70% respectively. Similarly, the ratios remained 23%, 30%, 23%, 28%, and 26% n corresponding years on the study period in Everest Bank. Mean of the ratios appeared 26% and CV appeared 10.60%.

The ratios of NABIL bank showed the fluctuating trend over the period. It was highest in F/Y 2065/66 i.e. 12% and the lowest in F/Y 2066/67 i.e. 4%. In consecutive years, the ratio on Everest Bank also showed the fluctuating trend over the period, was remained highest in F/Y 2066/67 i.e. 30% and lowest in

F/Y 2056/66 and F/Y 2067/68 i.e. 23%. The mean ratios of Everest Bank also appeared the highest than the NABIL Bank, which indicates that NABIL Bank can't maintain its immediate obligation and also should not maintain its adequate cash and bank balance efficiently than Everest Bank. Higher ratio indicates the sound liquidity position of bank. But the higher ratio was not enough to reveal under utilization of its fund. Higher CV of ratios was NABIL Bank as compared to Everest Bank signifies greater variation on the ratios.

4.1.1.4 Cash and Bank Balance to Total Deposit Ratio

The ratio shows the proportion of the total deposits held at most liquid assets. The ratio computed by the dividing the cash and Bank balance by total deposits

Table No. 4.4 : Cash and Bank Balance to Total Deposit Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	9%	3%	5%	8%	9%	6.6%	35.29%
EBL	18%	21%	15%	21%	19%	18.8%	11.85%

(Sources: Annex -4)

Table no. 4.4 shows that the ratios were 9%, 3%, 5%, 8%, and 9% in NABIL Bank Limited in respectively years for the F/Y 2065/66, to F/Y 2069/70. Mean and CV of the ratios were 6.6% and 35.29% respectively. Similarly, the ratios remained 18%, 21%, 15%, 21%, and 19% in corresponding years on the study period in Everest Bank. Mean of the ratios appeared 18.8% and CV appeared 11.85%.

The ratios of both banks appeared fluctuating trend. In NABIL Bank the ratio reached highest in F/Y 2065/66 and F/Y 2069/70 i.e. 9% and lowest in F/Y 2066/67 i.e. 3%. The ratio in Everest Bank, the highest in F/Y 2066/67 and F/Y 2068/69 i.e. 21% and lowest in 2067/68 i.e. 15%. The mean ratio of NABIL Bank was lowest than the Everest Bank which mean Everest Bank had greater ability to repay the deposits. That means NABIL Bank was not more efficient to serve the customers from liquidity point of view. A high ratio represented the greater ability to meet their all types of deposit. But too high of cash and bank balance to total deposits may be unsuitable and harmful because it affects their probability position and also low ratio was unfavorable as capital will be

tied up and opportunity cost will be higher. Higher CV of ratio in Everest Bank as compared NABIL Bank signifies greater variation in the ratios.

4.1.1.5 NRB Balance to Current and Saving Deposit Ratio

The ratio shows the percentage of amount deposit by the banks in Nepal Rastra Bank (NRB) as compare to current and saving deposits. Commercial banks required holding certain position of current and saving deposits in NRB account. It is computed by dividing the NRB balance by current and saving deposits.

Table No. 4.5 NRB Balance to Current and Saving Deposit Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	13%	3%	7%	15%	16%	10.80%	46.26%
EBL	24%	32%	35%	44%	38%	34.60%	19.14%

(Sources: Annex -5)

Table no. 4.5 shows the ratio of NABIL Bank were found to be 13%, 3 %, 7%, 15%, 16% in the respective year of the study period. Mean and CV of the ratios seemed 10.80% and 46.26% respectively. Similarly, the ratios of Everest Bank remained 24%, 32%, 35%, 44%, 38% in the corresponding years. Mean of the ratio came 34.60% and CV is 19.14%.

We found in NABIL Bank limited the highest ratio in F/Y 2069/70 i.e. 16% and the lowest in F/Y 2066/67 i.e. 3%. In F/Y 2065/66 there was the high ratio i.e. 13%. After that it was fallen down in 3% in F/Y 2066/67. In the respective year the ratio was in increasing in nature. Similarly, in Everest Bank, there were increasing trend of ratios from F/Y 2065/66 to F/Y 2068/69. And in F/Y 2069/70 the ratio was fall into 38% from 44%. The highest ratio was in F/Y 2068/69 i.e. 44%, and the lowest was in F/Y 2065/66 i.e. 25%. As per directive of Nepal Rastra bank, the required ratio is 8%. The mean ratio of NABIL Bank was lower than the Everest Bank, which means that there higher ability to repay of current deposit and saving deposit, i.e. Everest Bank was more efficient to serve the customers from liquidity point of view. Everest Bank had

excess cash (expect 1st year) in Nepal Rastra Bank, which may affect the probability adversely became idle cash earns nothing. From CV analysis, it can be concluded that the ratio of NABIL Bank is higher than the Everest Bank.

4.1.1.6 NRB Balance to Fixed Deposit

The ratio shows the proportion of cash balance at Nepal Rastra Bank's current account as compare to the commercial banks' fixed deposits amount.

Table No. 4.6 : NRB Balance to Fixed Deposit

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	32%	4%	9%	26%	44%	23%	64.14%
EBL	68%	54%	41%	80%	80%	64.80%	23.53%

(Sources: Annex -6)

Table no. 4.6 shows the ratio of NABIL Bank were reached 32%, 4 %, 9%, 26%, 44% in the respective year of the study period. Mean and CV of the ratios seemed 23% and 64.14% respectively. Similarly, the ratios of Everest Bank were 68%, 54%, 41%, 80%, 80% in the corresponding years. Mean of the ratio came 64.80% and CV is 23.53%.

In F/Y 2065/66 the ratio was 32%. In F/Y 2066/67, the ratio in decrease to 4%. After following period the trend was in increasing rate like 4%, 9%, 26%, 44% in corresponding years. The highest ratio was in F/Y 2069/70 i.e. 44% and the lowest was in F/Y 2066/67 i.e. 4%. Similarly, In Everest Bank first following three year the trend was in decreasing like 68%, 54%, 41% in F/Y 2065/66, F/Y 2066/67, F/Y 2067/68 respectively. After that the ratios was increase and maintain constant of 80% in F/Y 2068/69 and F/Y 2069/70. The maximum ratio was 80% in F/Y 2068/69 and F/Y 2069/70 and the lowest was 41% in F/Y 2067/68. As per directive of Nepal Rastra bank, the required ratio is 6%. According to the ratios of NABIL Bank and Everest Bank we found higher ratio than the NRB directive expect NABIL Bank ratio in F/Y 2066/67. The mean ratio of Everest Bank was higher than the NABIL Bank i.e. 65%>23%. It revealed that Everest Bank had stronger the fixed deposits to be repaid the of NABIL Bank. Furthermore, CV analysis, it can be concluded that the ratio of

NABIL Bank was higher than the Everest Bank due to high fixed deposit of customer.

4.1.2 Efficiency / Activity / Turnover Ratio

Turnover ratios have been used to evaluate the efficiency with which the banks have managed and utilized their assets. So, it is also called Efficiency ratio. There ratios are also employed to evaluate the speed with which assets are being converted and turnover. These ratios moreover help in measuring the bank's ability to utilize their available resources. In this study these ratios include; loan and advances to total deposit ratio, loan and advances to saving deposit ratio, loan and advances to fixed deposit ratio, investment to total deposit and performing to total assets ratios.

4.1.2.1 Loan and Advances to Total Deposit Ratio

This ratio calculated to find out how the banks are successful utilizing the outsiders' fund i.e. total deposits for profit generating purpose in form of extending loans and advances.

Table No. 4.7 : Loan and Advances to Total Deposit Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	0.74	0.70	0.77	0.76	0.73	0.74	3.31%
EBL	0.72	0.75	0.76	0.72	0.75	0.74	2.26%

(Sources: Annex – 7)

Table 4.7 shows that the ratios of NABIL Bank remained 0.74, 0.70, 0.77, 0.75, 0.73 times in the respectively year of study period. Mean and CV of ratios appeared 0.74 and 3.31% respectively. The ratios on Everest Bank were 0.72, 0.75, 0.76, 0.72, 0.75 times in corresponding years. Mean and CV were 0.74 and 2.26% of Everest Bank.

The ratio in NABIL Bank and Everest Bank fluctuated throughout the study period. It ranged from minimum in 2nd year i.e. 0.70 to maximum in 3rd year i.e. 0.77 in NABIL Bank. Similarly, in Everest Bank the highest ratio was in F/Y 2067/68 i.e. 0.76 and the lowest was in F/Y 2065/66 and F/Y 2068/69 i.e. 0.72. Both bank had equal mean ratio i.e. 0.74. That means both NABIL Bank and

Everest bank equally utilized the resources in profitable sectors. The trend of ratio in NABIL bank showed that, in spite of decreased in 2nd, 4th and 5th year, their remained higher utilization capacity in each succeeding year. In 2nd year, fall in the ratio could be noticed due to the increase in the amount of deposits by large volume that the volume of loan and advances. From the CV analysis, it can be concluded that the ratio of NABIL Bank is higher than the Everest Bank.

There are not any standard turnover ratio for loan and advances to total deposits. Higher turnover ratio is considered significant as it is indicated that the bank is utilizing its assets in profitable field and vice versa. For this analysis we can say that from point of view of both amount and ratio, NABIL Bank was better than that of Everest Bank.

4.1.2.2 Loans and Advances to Saving Deposit Ratio

Saving deposits are interest bearing obligation for short – term purpose where as loan and advances are long-term investment for generating income. So the ratio indicates how money time’s short-term interest bearing deposits are utilized for income generating purpose.

Table No. 4.8 : Loans and Advances to Saving Deposit Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	1.89	2.34	2.66	2.31	1.99	2.24	12.26%
EBL	1.62	2.06	2.38	2.08	2.06	2.04	11.89%

(Sources: Annex -8)

Table 4.8 showed that the ratios of NABIL Bank remained 1.89, 2.34, 2.66, 2.31, 1.99 times in the respectively year of study period. Mean and CV of ratios appeared 2.24 and 12.26% respectively. The ratios on Everest Bank were 1.62, 2.06, 2.38, 2.08, 2.06 times in corresponding years. Mean and CV were 2.04 and 11.89% of Everest Bank.

In first three year the ratio of NABIL Bank was in increase trend. We can saw F/Y 2065/66 to F/Y 2067/68 the trend was increasing. After that the trend was falling to following remaining years. The higher ratio was in F/Y 2067/68 i.e. 2.66 times and lower was in F/Y 2065/66 i.e. 1.89 times of NABIL Bank.

Similarly Everest Bank had also same trend. Like as in NABIL Bank, in first three year the trend in increasing and after that fall. The higher ratio was in F/Y 2067/68 i.e. 2.38 times and lower was in F/Y 2056/66 i.e. 1.62 times. With respect of these ratios, both banks had not well utilized the interest bearing deposits in term of loan and advances. Since the average of ratios in NABIL Bank seemed greater that the Everest Bank, the turnover position of NABIL Bank was greater than that of Everest Bank. But in comparing the each year ratio and CV analysis, NABIL Bank had good Performance than Everest Bank.

4.1.2.3 Loan and Advances to Fixed Deposits

The ratio examines that how many the fund is used in loans and advance against fixed deposit. They are interest bearing long-term obligation where as loan and advance are the major sources of investment in generating income for commercial banks.

Table No. 4.9 : Loan and Advances to Fixed Deposits

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	3.32	2.19	2.26	2.96	4.3	3.01	25.76%
EBL	3.39	2.64	2.06	2.76	3.08	2.79	16.05%

(Sources: Annex -9)

Table 4.9 highlights that the ratios of NABIL Bank remained 3.32, 2.19, 2.26, 2.96, 4.3 times in the respective year from F/Y 2065/66 to F/Y 2069/70 of study period. Mean and CV of ratios appeared 3.01 and 25.76% respectively. Similarly, the ratios on Everest Bank were 3.39, 2.64, 2.06, 2.76, 3.08 times from F/Y 2065/66 to F/Y 2069/70. Mean and CV were 2.79 and 16.05% of Everest Bank.

In the starting year the ratio of NABIL Bank was decreasing from 3.32 times to 2.19 times. And from the second year the ratio was continuously increasing in following years. The highest ratio was 4.3 times in F/Y 2069.70 and lowest was 2.19 times in F/Y 2066/67. According to the table ratio of Everest Bank was decrease in first 2 years and after that the ratio was increasing in nature. The ratio in F/Y 2065/66 was the highest ratio i.e. 3.39 times. In following two year the ratio was decrease to 2.64 times and 2.06 times. And in next two years the

ratios were 2.76 and 3.08 respectively. The lowest ratio was 2.06 times in F/Y 2067/68. The mean turnover ratio of NABIL Bank was slightly higher than Everest Bank, it mean Everest Bank utilized the high interest bearing fixed deposits in yielding sector satisfactory return or utilized its fixed deposits more efficiently. And NABIL Bank was not utilized the high interest bearing fixed deposits in yielding sectors satisfactory return in comparing the saving turnover ratio. From the CV analysis, it could be concluded that the ratio of NABIL Bank varied to greater than that of Everest Bank. In comparing the saving deposits turnover ratio the fixed deposits turnover gave good performance in both banks.

4.1.2.4 Investment to Total Deposits Ratio

Total investment includes its HMG treasury bills, development binds, others company's share and other types on investment. The ratio shows how efficiently the major sources of banks have been mobilized.

Table No. 4.10 : Investment to Total Deposits Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	29%	29%	26%	26%	26%	27.20%	5.40%
EBL	18%	14%	19%	16%	16%	16.60%	10.50%

(Sources: Annex -10)

Table 4.10 exhibits the ratios of NABIL Bank remained 29%, 29%, 26%, 26% and 26% respective years from F/Y 2065/66 to F/Y 2069/70. Mean of the ratios appeared 27.20% and CV appeared 5.40%. In the similar way the ratios for Everest Bank were 18%, 14%, 19%, 16%, 16% in the corresponding years of the review period. Mean ratio appeared 16.60% and CV appeared 10.50% in the Bank.

The ratios of NABIL Bank were stable nature in first 2 years i.e. 29% in F/Y 2065/66 and F/Y 2066/67. From third year the ratio was decrease to 26% and stable in further 3 year i.e. 26% in from F/Y 2067/68 to F/Y 2069/70. The highest ratios were 29% and lowest ratio is 26%. The ratio of Everest Bank was less fluctuates in nature. The highest ratio was 19% in F/Y 2067/68 and the lowest ratio was 14% in F/Y 2067/67. The mean ratio of NABIL Bank was

greater than Everest Bank. Which signified that NABIL Bank had more successfully allocated its deposits in investment portfolio. High ratio indicated management efficiency regarding the utilization of deposits and low ratio result less efficiency in use of fund. Because of high investment and low deposits amount in NABIL Bank their ratios were high, which mean it utilized its fund efficiently and that of Everest Bank was reserved. At the CV Analysis, it appeared highly scattered from the mean in Everest Bank i.e. 10.50%, which indicates lesser consistency in its ratios.

4.1.2.5 Performing Assets to Total Asset

Performing assets include those assets that are invested for income generating purpose. It consists loan and advances; bill purchased and discounted investment and money at call and short notice. This ratio measures what percentage of assets has been funded for income generation or it measures how efficiently the bank uses investment and economic resources at its demand.

Table No. 4.11 : Performing Assets to Total Asset

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	89%	94%	92%	89%	88%	90.40%	2.48%
EBL	81%	79%	84%	78%	80%	80.40%	2.56%

(Sources: Annex -11)

Table 4.11 highlights that the ratios in NABIL Bank were 89%, 94%, 92%, 89%, 80% in respective years of the study period. Mean and CV of the ratios came 90.40% and 2.48% respectively. In Everest Bank the ratios were 81%, 79%, 84%, 78%, 80% in the corresponding year of the period. Mean of the ratio appeared 80.40% and CV appeared 2.56%.

The ratio of NABIL Bank was in increasing in nature in first year from 89% to 94%. From second year the ratio was continuingly decrease in nature from 94% to 88%. We found the highest ratio was 94% in F/Y 2066/67 and lowest ratio in F/Y 2069/70 was 88%. Similarly the ratio of Everest Bank was less fluctuates in nature. We found highest ratio in F/Y 2067/68 i.e. 84% and lowest ratio in F/Y 2068/69 i.e. 78%. The mean ratio of NABIL Bank was higher than the mean of Everest Bank, which means it had used more proportion of assets for

income generating purpose. Throughout the study period NABIL Bank utilized its assets in terms of loan and advances, investment and bill discounting and purchasing more effectively than Everest Bank. Everest Bank also utilized its assets in terms of loan and advances and other performing assets more effectively but less than NABIL Bank. High ratio indicated greater utilization of assets and hence sounds profitability position.

4.1.3 Capital Adequacy Ratio

Capital adequacy ratios of the banks have been tested to find whether they are successful to measure the depositors and creditors about their soundness and also to maintain general confidence in banking system. These include net worth to total deposit ratio, net worth to total assets and net worth to total credit ratio.

4.1.3.1 Net Worth to Total Deposit Ratio

The ratio measures the percentage of shareholders' fund in relation to the total deposits collected in the bank. It is the yardstick to see whether the bank has maintained the capital fund according to the direction of Nepal Rastra Bank.

Table No. 4.12 : Net Worth to Total Deposit Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	8%	8%	9%	10%	11%	9.20%	12.68%
EBL	7%	7%	8%	8%	8%	7.60%	6.45%

(Sources: Annex -12)

Table 4.12 reveals that the ratio of NABIL Bank were 8%, 8%, 9%, 10% and 11% in the respective years of the study period. Mean of the ratios appeared 9.20% and CV appeared 12.68%. Accordingly, the ratios for the Everest Bank remained 7%, 7%, 8%, 8%, 8% in the corresponding years. Mean and CV were 7.60% and 6.45% in that order.

The ratios of both banks showed increasing trend in nature in the period of review. In NABIL Bank, it was highest ratio in F/Y 2069/70 i.e. 11% and lower in F/Y 2065/66 and F/Y 2066/67 i.e. 8%. In Everest Bank, it ranged from 7% in F/Y 2065/66 and F/Y 2066/67 to 8% in F/Y 2067/68, F/Y 2068/69 and F/Y 2069/70. The mean ratio of NABIL Bank was greater than Everest Bank, which

means the former was better with respect to the capacity adequacy position. Higher CV of the ratio of NABIL Bank shows less consistency in the maintaining net worth with respect to deposits.

4.1.3.2 Net Worth to Total Assets Ratio

The ratio measures the percentage of net worth in relation to the total assets owned by the banks.

Table No. 4.13 : Net Worth to Total Assets Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	7%	7%	8%	9%	9%	8.00%	11.18%
EBL	6%	7%	7%	7%	7%	6.80%	5.88%

(Sources: Annex -13)

Table no. 4.13 reveals that the ratio of NABIL Bank were 7%, 7%, 8%, 9% and 9% in the respective years of the study period. Mean of the ratios appeared 8% and CV appeared 11.18%. Accordingly, the ratios for Everest Bank remained 6%, 7%, 7%, 7% and 7% in the corresponding years. Mean and CV of the ratio were 6.80% and 5.88% in that years.

The ratios of NABIL Bank and Everest Bank, both banks seemed slightly increasing trend over the study period. The highest ratio was 9% in F/Y 2068/69 and F/Y 2069/70. In Everest Bank, was appeared maximum ratio in 7% in F/Y 2066/67 and constant in following years and similarly the lowest ratio was 6% in F/Y 2065/66. Mean ratio of NABIL Bank was higher than Everest Bank, which indicated that net worth in it had covered comparatively greater proportion of total assets. In others words, NABIL Bank was superior to Everest Bank to check possible risk that might arise due to high leverage. CV of the ratio remained greater in NABIL Bank , which means that the ratios in the bank highly as against Everest Bank.

4.1.3.3 Net Worth to Total Credit Ratio

The ratio measures the relative portion of the shareholders fund with respect to the total credit.

Table No. 4.14 : Net Worth to Total Credit Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	11%	12%	12%	13%	14%	12.40%	8.22%
EBL	9%	10%	12%	12%	11%	10.80%	9.81%

(Sources: Annex -14)

Table no. 4.14 demonstrated that the ratio of NABIL Bank were 11%, 12%, 12%, 13% and 14% in the respective years of the study period. Mean of the ratios appeared 12.40% and CV appeared 8.22%. Similarly, the ratios for Everest Bank remained 9%, 10%, 12%, 12% and 11% in the corresponding years. Mean and CV of the ratio were 10.80% and 9.81% in that years.

The ratios of NABIL Bank seemed slightly increasing trend over the study period. The highest ratio was 14% in F/Y 2069/70 and lowest was 11% in F/Y 2065/66. In Everest Bank seemed slightly fluctuating in nature. The bank was appeared maximum ratio was 12% in F/Y 2067/68 and F/Y 2068/69 and similarly the lowest ratio was 9% in F/Y 2065/66. Mean ratio of NABIL Bank was higher than Everest Bank, which indicates that the capacity adequacy position of NABIL Bank was better than that of Everest Bank. But uniformity in maintaining the ratio of different years seems higher in NABIL Bank as per lower CV.

In totality, capital adequacy position of NABIL Bank appeared stronger than that of Everest Bank. In this sense, NABIL Bank was successful to reassure creditors and depositors about its soundness. Similarly, the banks differ significantly with respect to capital adequacy position.

4.1.4 Assets Quality Ratio

Assets quality ratios intend to measure the quality of assets owned by the banks. These include loan loss coverage ratio, loan loss provision to total income ratio, loan loss provision to total deposit ratio and accrued interest to total interest income ratio.

4.1.4.1 Loan Loss Coverage Ratio

Nepal Rastra Bank has directed commercial banks to maintain provision for loan loss on the basis of category of loan and risk grade. The ratio therefore measures whether the provision is sufficient to meet the possible loss created by defaulted in payment of loan or not. It is computed by dividing loan loss provision by total risk assets.

Table No. 4.15 : Loan Loss Coverage Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	1%	2%	2%	3%	3%	2.20%	34.02%
EBL	2%	2%	2%	2%	3%	2.20%	18.18%

(Sources: Annex -15)

Table no. 4.15 exhibits that the ratio for the different years of the review period remained 1%, 2%, 2%, 3% and 4% in NABIL Bank. Mean of the ratios came 2.20% whereas CV came 34.02%. Similarly, the ratios for Everest Bank remained 2%, 2%, 2%, 2% and 3% in the corresponding years. Mean and CV of the ratio were 2.20% and 18.18% in that years.

The ratios of NABIL Bank showed slightly increasing trend over the study period. The maximum ratio was 3% in F/Y 2068/69 and F/Y 2069/70 and minimum was 1% in F/Y 2065/66. In Everest Bank showed same in first 4 years i.e. 2% and after that it was increase by 1% to 3% in F/Y 2069/70. The bank was appeared maximum ratio in 3% in F/Y 2069/70 and similarly the lowest ratio was 1% from F/Y 2065/66 to F/Y 2068/69. Mean ratio of NABIL Bank and Everest Bank was equal, which indicates that both banks had been more successful to for see the quality of loan lent. Conversely the assets possessed by both bank had same degree of risk. That's mean both bank had maintained ratio to prevent itself from possible default in payment of borrowers. CV of NABIL Bank was higher than the CV of Everest Bank, which resulted that consistency in the ratios greater in Everest Bank.

4.1.4.2 Loan Loss Provision to Total Income Ratio

The ratio shows that portion of total income has been held as safety cushion against the possible bad loan.

Table No. 4.16 : Loan Loss Provision to Total Income Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	34%	61%	60%	58%	46%	51.80%	20.08%
EBL	64%	66%	60%	63%	42%	59.00%	14.78%

(Sources: Annex -16)

Table no. 4.16 highlights that the ratios NABIL Bank for the respective years of the analysis period were remained 34%, 61%, 60%, 58% and 46%. Mean of the ratios came 51.80% whereas CV came 20.08%. Similarly, the ratios for Everest Bank remained 64%, 66%, 60%. 63% and 42% in the corresponding years. Mean and CV of the ratio were 59% and 14.78% in that years.

The ratios of NABIL Bank showed fluctuating trend over the study period. The highest ratio was 61% in F/Y 2066/67 and lowest was 34% in F/Y 2065/66. In Everest Bank also showed fluctuating in nature. The bank was appeared maximum ratio in 66% in F/Y 2066/67 and similarly the lowest ratio is 42% in F/Y 2069/70. Mean ratio of NABIL Bank was lower the Everest Bank, which signifies that Everest Bank held comparatively greater portion of risky assets. Moreover, Everest Bank had been forced to retain greater portion of its income idle as the cushion against loans of inferior quality. CV analysis signifies that the ratio of NABIL Bank remained less uniformity as compared with NABIL Bank.

4.1.4.3 Loan Loss Provision to Total Deposit Ratio

The ratio shows the proportion of banks income held as loan loss provision in loan loss provision in relation to total deposits collected.

Table No. 4.17 : Loan Loss Provision to Total Deposit Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	1%	2%	2%	2%	2%	1.80%	22.22%
EBL	2%	2%	1%	1%	1%	1.40%	34.99%

(Sources: Annex -17)

Table no. 4.17 highlight that the ratios NABIL Bank were remained 1%, 2%, 2%, 2% and 2% in the respective years of the analysis period. Mean of the ratios appeared 1.80% whereas CV appeared 22.22%. Similarly, the ratios for

Everest Bank remained 2%, 2%, 1%, 1% and 1% in the corresponding years. Mean and CV of the ratio were 1.40% and 34.99% in that years.

The ratios of NABIL Bank showed constant trend over the study period. The highest ratio was 2% from F/Y 2066/67 to F/Y 2069/70 which indicated constant in 4 years. And lowest was 1% in F/Y 2065/66. In Everest Bank also showed decreasing in nature. The bank was appeared maximum ratio in 2% in F/Y 2065/66 and F/Y 2066/67 and similarly the lowest ratio is 1% in F/Y 2067/68, F/Y 2068/69 and F/Y 2069/70. Average ratio of NABIL Bank was slightly higher than the Everest Bank, which means assets owned by NABIL bank were superior to that of Everest Bank. In other words, NABIL Bank had lent greater portion of its loans in riskier sector. Lower CV on the ratios in NABIL Bank means that the consistency in the loan loss provision with respect to the deposits was higher in NABIL Bank.

4.1.4.4 Accrued Interest to Total Interest Income Ratio

The ratio shows the percentage of accrued interest with respect to total income in form of interest.

Table No. 4.18 : Accrued Interest to Total Interest Income Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	5%	5%	6%	6%	7%	5.80%	12.90%
EBL	4%	2%	1%	2%	3%	2.40%	42.49%

(Sources: Annex -18)

Table no. 4.18 shows that the ratios NABIL Bank were 5%, 5%, 6%, 6% and 7% in the respective years of the analysis period. Mean and CV of the ratios came 5.80%, 20.08% respectively. Similarly, the ratios for Everest Bank were 4%, 2%, 1%, 2% and 3% in the corresponding years. Mean and CV of the ratio were 2.40% and 42.49% in that years.

The ratios of NABIL Bank showed increasing trend over the study period. The maximum ratio was 7% in F/Y 2069/70 and minimum was 5% in F/Y 2065/66 and F/Y 2066/67. The ratio of Everest Bank showed first decreasing and after some year increasing. The bank was appeared maximum ratio in 4% in F/Y

2065/66 and similarly the minimum ratio is 1% in F/Y 2068/69. Mean ratio of NABIL Bank was greater than Everest Bank, which signifies that comparatively more portion of total interest income in NABIL Bank remain accrued. Moreover, the loans and advances by NABIL Bank seem less effective. Lower ratio in Everest Bank indicated better quality of assets in Everest Bank than NABIL Bank. Higher CV of the ratios in Everest indicated greater variability of the ratios in it.

4.1.5 Profitability Ratios

Profit is an important factor that determines the firm's expansion and diversification. A required level of profit is necessary for the firm's growth and survives in the comparative environment. Profitability ratios have been employed to measures the operating efficiency of the sampled banks. For the purpose, return on assets, return on net worth/share holder's equity, return on total deposit, total interest expenses to total interest income ratio, interest earned to total assets ratio, earning per share, price earnings ratio, market value per share to book value per share have been analyzed and interpreted.

4.1.5.1 Return on Assets (ROA)

The ratio is useful in measuring the profitability of all financial resources invested the firm's asset.

Table No. 4.19 : Return on Assets (ROA)

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	2%	2%	2%	3%	3%	2.40%	20.41%
EBL	2%	2%	2%	2%	3%	2.20%	18.18%

(Sources: Annex -19)

Table no. 4.19 shows that the ratios NABIL Bank were 2%, 2%, 2%, 3% and 3% in the respective years of the analysis period. Mean and CV of the ratios came 2.40% and 20.41% respectively. Similarly, the ratios of Everest Bank were 2%, 2%, 2%, 2% and 3% in the corresponding year. Mean and CV of the ratio were 2.20% and 18.18% in that years.

The ratios of NABIL Bank showed constant trend over the study period and in final two year it was increase by 1%. The highest ratio was 3% in F/Y 2068/69 and F/Y 2069/70. And lowest was 2% from F/Y 2065/66 to F/Y 2067/68. In Everest Bank also showed constant trend over the study period and in final year by 1%. The bank was appeared maximum ratio in 3% in F/Y 2069/70 and similarly the lowest ratio is 2% from F/Y 2065/66 to F/Y 2068/69. Average ratio of NABIL Bank was slightly higher that Everest Bank, which signified that the profitability position of NABIL Bank in the relation to this ratio was better than that of Everest Bank. If bank earned high profit, it will increase its goodwill in competitive market at it can gives attractive bonus and dividend to staffs and shareholders respectively. From the above analysis overall profitability of NABIL Bank was better than Everest Bank and whole credit goes to good management of banking sectors. It shows the variability of the ratios in NABIL Bank and Everest Bank were more uniform.

4.1.5.2 Return on Net Worth/ Shareholder's Equity

The ratio is tested to see the profitability of owners' investment. It reflects the extent to which the objective of business is accomplished. The ratio is of great interest to present as prospective shareholders' and also of great significance to management, which has the responsibility maximizing the owners' welfare.

Table No. 4.20 : Return on Net Worth

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	33%	30%	29%	31%	33%	31.20%	5.13%
EBL	29%	30%	30%	26%	30%	29.00%	5.34%

(Sources: Annex -20)

Table no. 4.20 depicts that the ratios NABIL Bank were 33%, 30%, 29%, 31% and 33% in the respective years of the analysis period. Mean and CV of the ratios appeared 31.20% and 5.13% respectively. Similarly, the ratios remained 29%, 30%, 30%, 26% and 30% in corresponding years of the study period in Everest Bank. Mean and CV of the ratio appeared 5.13% and 5.34% in that years.

The ratios of NABIL Bank showed slightly fluctuating trend over the study period. The highest ratio was 33% in F/Y 2065/66 and F/Y 2069/70. And lowest was 29% from F/Y 2067/68. In Everest Bank also showed slightly fluctuating trend over the study period and in final. The bank was appeared maximum ratio in 30% in F/Y 2066/67, F/Y 2067/68 and F/Y 2069/70 and similarly the lowest ratio was 26% in F/Y 2068/69. Mean ratio of NABIL Bank was higher than the Everest Bank, which indicated that Everest Bank had effectively utilized the owner's capital and able to give regular and significant return to them. Higher CV of the ratios in Everest Bank signified that the lesser uniformity in the ratio or the ratios were far from the mean ratios.

4.1.5.3 Return on Total Deposit

The ratios are shows the relations of net profits earned by bank with the total deposit accomplished.

Table No. 4.21 : Return on Total Deposit

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	3%	2%	3%	3%	3%	2.80%	14.29%
EBL	2%	2%	2%	2%	3%	2.20%	18.18%

(Sources: Annex -21)

Table no. 4.21 exhibits that the ratios NABIL Bank remained 3%, 2%, 3%, 3% and 3% in the respective years of the research period. Mean and CV of the ratios appeared 2.80% and 14.29% respectively. Similarly, the ratios remained 2%, 2%, 2%, 2% 3% in corresponding years of the study period in Everest Bank. Mean and CV of the ratio appeared 2.20% and 18.18% in that years.

The ratios of NABIL Bank showed fluctuating trend over the study period. It was ranged from minimum in F/Y 2066/67 i.e. 2% to maximum in F/Y 2065/66 and from F/Y 2067/68 to F/Y 2069/70. In Everest Bank also showed constant in first four fiscal year from F/Y 2065/66 to F/Y 2068/69 i.e. 2% and in fifth year it was increased by 1% and become 3% in F/Y 2069/70. Mean ratio of NABIL Bank was higher than Everest Bank, which means that probability of NABIL Bank was stronger than that of Everest Bank. CV of the ratios appeared greater in Everest Bank.

4.1.5.4 Total Interest Expenses to Total Interest Income Ratio

The ratio shows the percentage of interest expenses incurred in the relation to the income incurred. In other words, it indicates the how much percent of interest income is used as interest paid.

Table No. 4.22 : Total Interest Expenses to Total Interest Income Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	41%	48%	56%	51%	38%	46.80%	14.01%
EBL	46%	51%	59%	58%	44%	51.60%	11.79%

(Sources: Annex -22)

Table no. 4.22 highlights that the ratios NABIL Bank for the respective years of the study period remained 41%, 48%, 56%, 51% and 38%. Mean and CV of the ratios appeared 46.80% and 14.01% respectively. In the Similar way, the ratios of Everest Bank remained 46%, 51%, 59%, 58% and 44% in corresponding years. Mean and CV of the ratio seemed 51.60% and 11.79% in that years.

The ratios of NABIL Bank showed fluctuating trend. The highest ratio was 56% in F/Y 2067/68. And the lowest was 38% from F/Y 2069/70. In Everest Bank also showed fluctuating trend over the study period. The bank was appeared maximum ratio in 59% in F/Y 2067/68 and similarly the lowest ratio was 44% in F/Y 2069/70. Lower mean ratio in NABIL Bank indicated better probability position as compared to Everest Bank. Overall picture showed that NABIL Bank was more successful in allocating the interest bearing debt in profitable sectors. CV of the ratios appeared greater in NABIL Bank, which means that its ratios were less uniform throughout the review period. Total interest expenses to total interest income ratio was in satisfactory.

4.1.5.5 Interest Earned to Total Assets Ratio

The ratio shows percentage of interest income as compared to the asset of the banks. Is indicates how properly utilize the bank's assets for income generating purpose.

Table No. 4.23 : Interest Earned to Total Assets Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	4%	4%	4%	5%	5%	4.40%	11.13%
EBL	3%	4%	4%	4%	4%	3.80%	10.53%

(Sources: Annex -23)

Table no. 4.23 highlights that the ratios NABIL Bank for the respective years of the study period remained 4%, 4%, 4%, 5% and 5%. Mean and CV of the ratios appeared 4.40% and 11.13% respectively. In the similar way, the ratios of Everest Bank remained 3%, 4%, 4%, 4% & 4% in corresponding years. Mean and CV of the ratio seemed 3.80% and 10.53% in that years.

The ratios of NABIL Bank showed fluctuating trend. The highest ratio was 5% from F/Y 2068/69 to F/Y 2069/70 and the lowest was 4% from F/Y 2065/66 to 2067/68. In Everest Bank also showed fluctuating trend over the study period. The bank was appeared maximum ratio in 4% from F/Y 2066/67 to F/Y 2069/70 and similarly the lowest ratio was 3% in 2066/66. The mean ratio was higher in NABIL Bank, which leads us to conclusion that NABIL Bank managed the assets more effectively to earn the interest. Furthermore, interest earned to the total assets was different years of the study period remained more uniform in both banks.

4.1.5.6 Earning Per Share (EPS)

EPS refers to the income available to the common shareholder on per share basis.

Table No. 4.24 : Earning Per Share

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	107.76	78.61	65.91	83.57	91.05	85.38	15.90%
EBL	99.99	100.16	83.05	88.55	91.88	92.73	7.15%

(Sources: Annex -24)

Table no. 4.24 depicts that the EPS in NABIL Bank were 107.76, 78.61, 65.91, 83.57, 91.38 rupees in the respective years of the study period. Mean and CV of the ratios appeared 85.38 rupees and 15.90% respectively. Similarly, the EPS of Everest Bank remained 99.99, 100.16, 83.05, 88.55 & 91.88 rupees in

the same period. Mean and CV of the EPS appeared 92.73 and 7.15% in that years.

The EPS of NABIL Bank showed fluctuating trend. In NABIL Bank, EPS remained the highest in F/Y 2065/66 i.e. 107.76 rupees and the lowest in F/Y 2067/68 i.e. 65.91 rupees. But the EPS in Everest Bank also showed fluctuating trend over the study period. It was Highest in F/Y 2066/67 i.e. 100.16 rupees and the lowest EPS in F/Y 2067/68 i.e. 83.05 rupees. Mean of Everest Bank EPS seemed higher than NABIL Bank Mean, which means the probability position of the Everest Bank better than NABIL Bank. In this sense, Everest Bank seemed more successful to attract the investors. CV of NABIL Bank was higher than Everest Bank.

4.1.2.1 Price Earning Ratio (P/E Ratio)

P/E ratios widely used to evaluate the banks performance as expected by investors. It represents the investor's judgment or expectation about the growth in banks earning. In other words, it measures how the market is responding towards the earning performance of the concerned banks.

Table No. 4.25 : Price Earning Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	45.89	30.33	19.00	16.21	19.93	26.27	41.55%
EBL	16.30	10.92	12.44	17.97	20.95	15.72	23.21%

(Sources: Annex -25)

Table no. 4.25 depicts that the P/E Ratio in NABIL Bank for the respective years of the study period were 45.89, 30.33, 19, 16.21, 19.93 times. Mean of the ratio came 26.27 times and CV came 41.55%. Similarly, the P/E Ratio of Everest Bank were 16.30 10.91, 12.44, 17.97, 20.95 times in the corresponding years of the period. Mean of the ratio appeared 15.72 and CV appeared 23.21%.

The ratios of NABIL Bank showed fluctuating trend. In NABIL Bank, it remained the highest in F/Y 2065/66 i.e. 48.89 times and the lowest in F/Y 2068/69 i.e. 16.21times. In the P/E Ratio in Everest Bank also showed fluctuating trend over the study period. It was Highest in F/Y 2069/70 i.e.

20.95 times and the lowest in F/Y 2066/67 i.e. 10.92 times. Mean and CV of NABIL Bank was higher than Everest Bank.

4.1.2.2 Market Value Per Share to Book Value Per Share (MVPS/BVPS)

The ratio measures the value that the financial market attaches to the management and organization of the banks as a growing concern.

Table No. 4.26 : Market Value Per Share to Book Value Per Share

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	15.23	9.01	5.57	5.01	6.61	8.29	45.05%
EBL	4.73	3.29	3.79	4.69	6.38	4.58	23.36%

(Sources: Annex -26)

MVPS & BVPS both were in NABIL Bank and Everest Bank were in fluctuating trend over the period. Similarly the amount of MVPS and BVPS both were greater in NABIL Bank, which can be see clearly from the above table.

Table no. 4.26 exhibits that the indicators in NABIL Bank for the respective years of the study period were arrived 15.23, 9.01, 5.57, 5.01, 6.61 times. Mean and CV of the indicators appeared 8.29 times and 45.05% respectively. Same indicators of Everest Bank were 4.73, 3.29, 3.79, 4.69, 6.39 times in the corresponding years. Mean of the ratio came 4.58 and CV appeared 23.36%.

4.1.3 Capital Structure Ratio

The long- term solvency position of the bank can be measured by using this leverage ratios and also called it capital structure ratio. It defined as ability to assure the long-term creditors with regard the periodic interest payment and the principal. In this category, we examine the debt equity ratio, debt assets ratio and interest coverage ratio of the bank.

4.1.3.1 Debt to Equity Ratio

The ratio shows the mixed of debt and equity in capital. It measures creditors claim against owners.

Table No. 4.27 : Debt to Equity Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	13.02	12.59	11.73	10.61	9.95	11.58	10.01%
EBL	15.57	14.00	13.85	12.36	12.62	13.68	8.38%

(sources: Annex -27)

Table no. 4.27 depicts that the debt equity ratio in NABIL Bank were 13.02, 12.59, 11.73, 10.61, 9.95 times in the respective years of the study period. Mean and CV of the ratios appeared 11.58 and 10.01% respectively. Similarly, the ratios of Everest Bank remained 15.57, 14.00, 13.85, 12.36, 12.62 times in the corresponding years. Mean and CV appeared 13.68 and 8.38% in that years. The Debt Equity ratio of NABIL Bank showed downward trend. In NABIL Bank. The ratios ranged from F/Y 2065/66 i.e. 13.02 to F/Y 2069/70 i.e.9.95 times. And debt equity ratio in Everest Bank also showed fluctuating trend over the study period. It was Highest in F/Y 2065/66 i.e. 15.57 and the lowest in F/Y 2068/69 i.e. 12.36. Average of the ratios appeared significantly greater in Everest Bank as compared to that NABIL Bank Mean. Such situation introduces in flexibility in the bank's operation due to increasing interference and pressure from the creditors. From the above analysis we can that the total debt ratio that Everest Bank's lender had contributed more funds than owners; lenders' contribution is 15.57, 14.00, 13.85, 12.36, 12.62 times from F/Y 2065/66 to F/Y 2069/70. Total debt equity ratio on NABIL Bank is decreasing trend from F/Y 2065/66 to F/Y 2069/70. CV of the ratio remained lower in Everest Bank, which clarifies that the ratio of NABIL Bank is less consistent.

4.1.3.2Debt Assets Ratio

The ratios show the contribution of creditors in financing the assets of the bank.

Table No. 4.28 : Debt Assets Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	0.93	0.93	0.92	0.91	0.91	0.92	0.97%
EBL	0.93	0.93	0.93	0.93	0.94	0.93	0.43%

(Sources: Annex -28)

Table no. 4.28 depicts that the ratios in NABIL Bank remained 0.93, 0.93, 0.92, 0.91, 0.92 the respective years of the study period from F/Y 2065/66 to

F/Y 2069/70. Mean and CV of the ratios were 11.58 and 0.97% respectively. In the similar way, the ratios of Everest Bank remained 0.93, 0.93, 0.93, 0.93, 0.94 in the corresponding years. Mean and CV seemed 0.93 and 0.43% in that years.

The ratio in NABIL Bank showed declining trend. In NABIL Bank, it was highest in F/Y 2065/66 and F/Y 2066/67 i.e. 0.93 and lowest in F/Y 2069/70 i.e. 0.91. And debt assets ratio in Everest Bank also showed constant trend over 4 years in the study period and in 5 year it was increase by 0.01. It was lowest ratio form F/Y 2065/66 to F/Y 2068/69, i.e. 0.93 and the highest in F/Y 2069/70 i.e. 0.94. Mean of the ratios came slightly higher in Everest Bank as compared to that in NABIL Bank, which means that former followed more aggressive policy in raising the capital. On the other hand, capital structure of NABIL Bank was less risky. Higher ratios in Everest Bank indicate that the greater portion of the bank’s assets had been financed through outsider’s fund. From CV analysis, it can be noticed that the ratios of NABIL Bank were high consistent.

4.1.3.3 Interest Coverage Ratio

The ratio is known as time interest earned ratio is used to test the debt servicing capacity of the bank. It shows the number of times the interest charged are covered by fund that ordinary available for their payment. It is calculated by dividing the EBIT by interest charged.

Table No. 4.29 : Interest Coverage Ratio

F/Y	2065/66	2066/67	2067/68	2068/69	2069/70	Mean	CV
NABIL	1.36	0.87	0.70	0.84	1.59	1.07	31.89%
EBL	1.05	0.86	0.60	0.62	1.10	0.85	24.68%

(Sources: Annex -29)

Table no. 4.29 reveals that the ratios in NABIL Bank remained 1.36, 0.87, 0.70, 0.84, 1.59 times in the review period. Mean and CV of the ratios were 1.07 and 31.89% respectively. Accordingly, the ratios of Everest Bank remained 1.05, 0.86, 0.60, 0.62, 1.10 times in the corresponding years. Mean and CV seemed 0.85 and 24.68% in that years.

The ratio in NABIL Bank depicted fluctuating trend from F/Y 2065/66 to F/Y 2069/70. In NABIL Bank, it was higher in F/Y 2069/70 i.e. 1.59 times and lowest in F/Y 2067/68 i.e. 0.70 times. In Everest Bank also showed fluctuating trend. It was highest ratio in 2069/70, i.e. 1.10 times and the lowest in F/Y 2067/68 i.e. 0.94 times. Mean of the ratio of NABIL Bank was higher than that of Everest Bank, which revealed the better debt servicing capacity of NABIL Bank. By comparing the CV of the ratios, it can be concluded that CV of NABIL Bank was more than Everest Bank.

4.2 Statistical Analysis

This chapter includes some statistical analysis such as Karl Pearson's coefficient of correlation, simple regression analysis and trend line analysis, which are used to analyze the data to achieve the objective of the study.

4.2.1 Coefficient of Correlation Analysis (r)

This tool is used to predict the relationship between deposits and loans & advances, net profit and outside assets and deposits and total investment. Under this study, Karl Pearson's coefficient of correlation is being used.

4.2.1.1 Coefficient of Correlation between deposits and loans & advances

Deposit is the main tool for developing the banking performance of the banks. Likewise loans and advances are the key part to mobilize the collected deposits. The coefficient of correlation between deposits and loans & advances measures the degree of relationship between these two variables. For this study, deposit is taken as independent variable (x) and loans & advances are dependent variables (y). The purpose of computing 'r' between these two variables is to justify whether deposits are significantly used as loans and advances in proper way or not.

Table No. 4.30 :Coefficient of Correlation between Deposits and Loan & Advance

(in 000)

Fiscal Year	NABIL Bank Limited		Everest Bank Limited	
	Total Deposit (x)	Loan & Advances (y)	Total Deposit (x)	Loan & Advances (y)
2065/66	40,760,470	27,589,933	33,322,946	23,884,673
2066/67	48,315,482	32,268,873	36,932,310	27,556,356
2067/68	53,574,920	38,034,097	41,127,914	31,057,691
2068/69	57,766,511	41,605,682	50,006,100	35,910,974
2069/70	66,552,115	46,369,834	57,720,464	43,393,187
r	0.9921		0.9945	
r ²	0.9842		0.9890	
PE.r	0.0048		0.0033	
6PE.r	0.0286		0.0198	
Level of Significant	Significant		Significant	

(Sources: Annex -30)

In table no. 4.30, the coefficient of correlation (r) for NABIL Bank and Everest Bank found to be almost '1' which indicates there was proportion relationship between the deposits & loan & advance for all the banks. While testing 6P.E.r for all banks found to be significant as the r value for all the banks were greater than 6P.E.r which implied that there found to be perfect correlation between the deposits and loan & advances. It showed that the loan and advances was depends upon the deposit and all banks were successful in mobilizing the deposit to loan and advances efficiently.

4.2.1.2 Coefficient of Correlation between deposits and Investment

Investment is also a measures part of banks to mobilize the collected deposit. By investing in different profitable area like shares and debenture, government securities banks maximize the profit. Therefore it is important to study the relation between the deposit and investment. For this analysis deposit is taken as independent variable (x) and investment (y) is taken as dependent variable. This analysis measures the degree of relationship between these two variables. Besides this, it will justify whether the deposits are significantly used in proper way or not and whether there is any relationship in between these two components. The following table exhibits the coefficient of correlation (r)

between deposits and total investment, coefficient of determination (r^2), probable error P.E.r.

Table No. No. 4.31 : Coefficient of Correlation between Deposits and Investment

(in 000)

Fiscal Year	NABIL Bank Limited		Everest Bank Limited	
	Total Deposit (x)	Investment (y)	Total Deposit (x)	Investment (y)
2065/66	40,760,470	10,826,379	33,322,946	5,948,480
2066/67	48,315,482	13,670,916	36,932,310	5,008,307
2067/68	53,574,920	13,081,205	41,127,914	7,743,928
2068/69	57,766,511	14,076,850	50,006,100	7,863,627
2069/70	66,552,115	16,332,043	57,720,464	9,263,858
R	0.9443		0.8877	
r^2	0.8917		0.7879	
PE.r	0.0327		0.0640	
6PE.r	0.1960		0.3838	
Level of Significant	Significant		Significant	

(Sources : Annex – 31)

In table no. 4.31, the coefficient of correlation for NABIL Bank and Everest Bank were found to be positive which indicated that there was positive and perfect relationship between the deposits & investments. While testing 6P.E.r for both bank found to be significant as the r value for all the banks were greater than 6P.E.r which implies that there found to be perfect correlation between the deposits and Investment. It implied that the Investment was depends upon the deposit and all banks were successful in mobilizing the deposit to Investment efficiently.

4.2.1.3 Coefficient of Correlation between Investment & Net profit

Following table shows the relation between the investment and net profit. As we say in above investment is done in different profitable area to maximize the profit. Net profit is the key to survive the banks. Without profit banks cannot sustain in the market. Therefore it is necessary to measures the degree of relationship between these two variable. For this study, Investment (x) is taken as independent variable and net profit (y) is taken as dependent variable. The following table shows the coefficient of correlation between(r), coefficient of

determinants (r^2) and probable error P.E.r on investment and net profit of banks.

Table No. 4.32 : Coefficient of Correlation between Investment and Net Profit

(in 000)

Fiscal Year	NABIL Bank Limited		Everest Bank Limited	
	Investment (x)	Net Profit (y)	Investment (x)	Net Profit (y)
2065/66	10,826,379	1,031,053	5,948,480	638,732
2066/67	13,670,916	1,139,099	5,008,307	831,765
2067/68	13,081,205	1,337,745	7,743,928	931,303
2068/69	14,076,850	1,696,276	7,863,627	1,090,564
2069/70	16,332,043	2,218,761	9,263,858	1,471,117
R	0.8950		0.8584	
r^2	0.8011		0.7368	
PE.r	0.0600		0.0794	
6PE.r	0.3600		0.4763	
Level of Significant	Significant		Significant	

[Sources: Annex -32]

In table no. 4.32, the coefficient of correlation for NABIL Bank and Everest Bank found to be 0.8950 and 0.8584, which indicates that there were proportion relationship between the investment & net profit for all the banks. While testing 6P.E.r, there were found to be significant as the r value of both banks were greater than 6P.E.r which implies there was perfect correlation between the Investment and net profit. And we found that both Bank NABIL Bank and Everest Bank were successful to earn net profit by mobilizing the deposit to the investment.

4.2.1.4 Coefficient of Correlation between Loan and advances & Net profit

Loan and advances also plays a vital role in earning the profit. By mobilizing the deposit in loan & advances banks earns the profit. So, it is necessary to study the relation between these two variable loan & advances and net profit. Following table shows the coefficient of correlation(r), coefficient of determinants (r^2) and probable error PE.r of loan & advances and net profit of sample banks. For this study loan and advances (x) is taken as independent variable and net profit (y) is taken as dependent variable.

Table No. 4.33 : Coefficient of Correlation between Investment and Net Profit

(in 000)

Fiscal Year	NABIL Bank Limited		Everest Bank Limited	
	Loan & Advances (x)	Net Profit (y)	Loan & Advances (x)	Net Profit (y)
2065/66	27,589,933	1,031,053	23,884,673	638,732
2066/67	32,268,873	1,139,099	27,556,356	831,765
2067/68	38,034,097	1,337,745	31,057,691	931,303
2068/69	41,605,682	1,696,276	35,910,974	1,090,564
2069/70	46,369,834	2,218,761	43,393,187	1,471,117
r	0.9490		0.9944	
r ²	0.9007		0.9889	
PE.r	0.0300		0.0033	
6PE.r	0.1798		0.0201	
Level of Significant	Significant		Significant	

(Sources: Annex -33)

In table 4.33, the coefficient of correlation for NABIL Bank and Everest Bank found to be almost '1' which indicates there was proportion relationship between the loan & advance and net profit for all the banks. While testing 6P.E.r for all banks found to be significant as the r value for all the banks were greater than 6P.E.r which implies that there found to be perfect correlation between the Loan & advance and net profit. It shows that all sample banks were successful in earning the net profit by mobilizing the loan and advances.

4.2.2 Simple Regression Analysis

Regression Analysis is useful tool in statistical analysis which shows how the variables are related. In regression analysis one variable is considered to be unknown and other to be known variable. From the known variable we can estimate the value of unknown variable. So, Regression is said to be measures of average relationship between two or more variables in terms of the original units of the data. For the study we confined to only two variables and this kind of regression is called simple regression. "Simple" because there is only one independent variable and linear because the relationship between the independent and dependent variable is assumed to be linear.

4.2.2.1 Regression Analysis between Net Profit and Total Deposit

The main point of this analysis is to determine the relation between net profit and total deposit. Obviously, it seems that as total deposit increases the net profit of the banks need to increase. So, in this analysis net profit is considered to be dependent variable and total deposit as independent variable. The relation between net profit and total deposit can be present mathematically as below:

$$\text{N.P.} = a + b \text{ T.D.}$$

Where,

N.P. = Net Profit

T.D. = Total Deposit

Table No. 4.34 : Regression Analysis between Net Profit and Total Deposit

S. No.	Banks	Intercept (a)	Regression Coefficient (b)	R	T-stat
1	NABIL Bank Limited	1915618785	34.6751	0.9625	6.1482*
2	Everest Bank Limited	955707938	43.1816	0.9806	8.6586*

Note: * represents that results are significant at 5 percent level of significant

(Sources: Annex -34)

Table 4.34 exhibits the estimation of net profit on the basis of the total deposit. The regression coefficient of net profit and total deposit for NABIL Bank Limited and Everest Bank Limited were positive which determine that increase in the total deposit ultimately increases Net Profit for each banks. The coefficient correlation found to be almost nearby “1”. The coefficient correlation found to be highest in case of Everest Bank is almost nearby ‘1’ which indicates proportionate change in net profit as increase or decrease in Total Deposit for the bank. In case of t-test variables of all banks were significance at 5% level of significant. This shows that there was high correlation between net profit and total deposit in case of all sample banks.

4.2.2.2 Regression Analysis between Net Profit and Loan & Advances

This analysis determines the relation between net profit and loan & advances. As loan & advances increases the net profit of the banks need to increase. So,

in this analysis net profit is considered to be dependent variable and loan & Advances as independent variable. The relation between net profit and loan & deposit can be present mathematically as below:

$$N.P. = a + b LA$$

Where,

N.P. = Net Profit

L.A. = Loan & Advances

Table No. 4.35 : Regression Analysis between Net Profit and Loan & Advances

S.No.	Banks	Intercept (a)	Regression Coefficient (b)	R	T-stat
1	NABIL Bank Limited	1204208475	24.2286	0.94904	5.2157*
2	Everest Bank Limited	624286927.8	31.9698	0.96145	6.0563*

Note: * represents that results are significant at 5 percent level of significant

(Sources: Annex -35)

Table 4.35 gave a competitive result of regression analysis for NABIL Bank Limited and Everest Bank Limited. Regression coefficient of net profit and loan and advances for all banks were positive which determine that increase in the loan and advances ultimately increases net profit for each banks. The coefficient correlation found to be highest in case of Everest Bank almost nearby '1' which indicated proportionate change in net profit as increase or decrease in loan and advances for the bank. NABIL Bank had registered the lowest correlation (r) between loan and advances and net profit in respect to Everest Bank.

While testing the hypothesis on the basis of t-test the variables of all banks are got significance at 5% level. This shows that there was high correlation between net profit and loan and advances of all banks.

4.2.2.3 Regression Analysis between Net profit and Investment

This analysis determines the relation between net profit and Investment. As Investment increases the net profit of the banks need to increase. So, in this analysis net profit is considered to be dependent variable and Investment as

independent variable. The relation between net profit and Investment can be present mathematically as below:

$$N.P. = a + b I$$

Where,

N.P. = Net Profit

I. = Investment

Table No. 4.36 : Regression Analysis between Net Profit and Investment

S.No.	Banks	Intercept (a)	Regression Coefficient (b)	R	T-stat
1	NABIL Bank Limited	634269161	8.7319	0.8950	3.4760*
2	Everest Bank Limited	191278615	7.0257	0.8584	2.8981*

Note: i) * represents that results are significant at 5 percent level of significant.

(Sources: Annex -36)

Table 4.36 represented the regression analysis between the net profit and investment. The regression coefficient of net profit and investment for NABIL Bank and Everest Bank were positive which indicated that increase in the investment ultimately increases net profit for each banks. The coefficient correlation found to be highest in case of NABIL Bank near to '1' which indicates proportionate change in net profit as increase or decrease in investment for the bank. Everest Bank has registered lowest correlation (r) in respect to NABIL Bank.

Since NABIL Bank and Everest Bank had higher calculated value than t-test table value it has got significant at 5 % level while testing the Hypothesis. This represents that there is a high correlation between the net profit and Investment for NABIL Bank and low correlation for Everest Bank.

4.2.3 Trend Line Analysis

Among the various methods of determining trend of time series, the most popular and mathematical method is the least square method. Using this method of least square in the study, it has been tried to analyze the trend of prospective net profit in future by analyzing the trend of past net profit of the

banks. Banks utilized the deposit by releasing investment in loan and advances in different profitable area for maximizing the profit. A bank can invest in shares & debenture, government securities and provide the loan and advances under different scheme.

This topic will be used to forecast the ratios of Total deposit, Total Loan and Advances, Total Investment and Net Profit of the banks for next five years on the base of past five years. The analysis is done under limited factors which are as follows:

- i. The economy will remain unchanged as of present the stage.
- ii. Banks will run as of present position.
- iii. The guidelines by NRB for Banks will remain unchanged.
- iv. The forecast will be true only when the limitations of least square method are carried out.
- v. The main assumption is that other factors are constant.

4.2.3.1 Trend Line Analysis of Total Deposit

The part of this analysis will analyze Total deposit of banks for five years from F/Y 2065/66 to F/Y 2069/70 and projection for next five years i.e. F/Y 2070/71 to F/Y 2074/75. The following table exhibits the trend values of Total deposit of sample banks for 10 years.

Table No. 4.37 : Trend Line analysis of Total Deposit

(in 000)

Fiscal Year	NABIL Bank Limited	Everest Bank Limited
	Trend Value	Trend Value
2065/66	51,865,816	40,212,571
2066/67	52,629,858	42,017,259
2067/68	53,393,900	43,821,947
2068/69	54,157,941	45,626,635
2069/70	54,921,983	47,431,323
2070/71	55,686,025	49,236,011
2071/72	56,450,067	51,040,699
2072/73	57,214,109	52,845,387
2073/74	57,978,151	54,650,075
2074/75	58,742,192	56,454,763

(Sources: Annex -37)

The above table can present in following figure;

Fig. No. 4.1

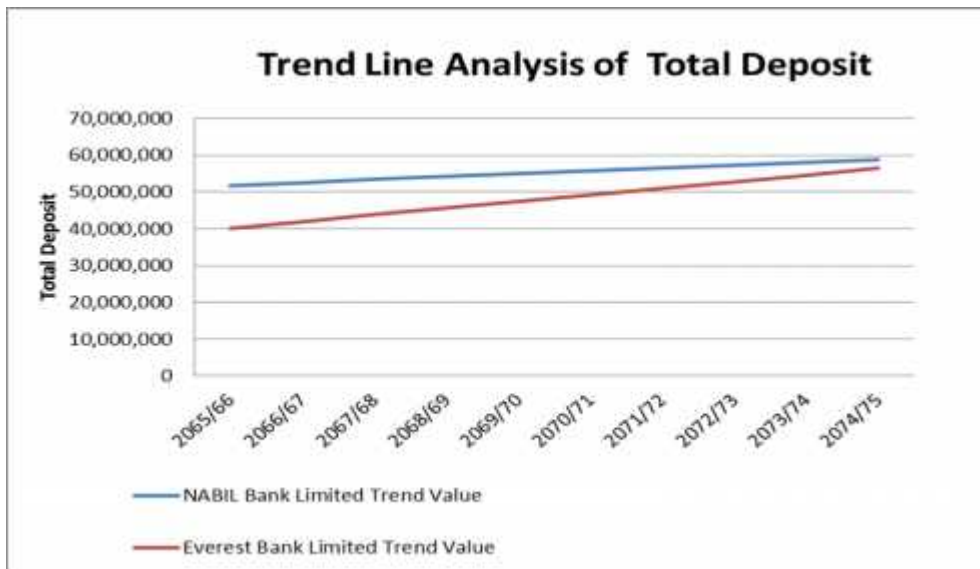


Table no. 4.37 exhibited that the trend values of all the banks were in increasing trend, which means future total deposit of NABIL Bank and Everest Bank were good. Among the banks NABIL had a highest trend of total deposit. It means NABIL was successful in mobilizing the deposit. In fiscal year F/Y 2065/66 the trend values of NABIL Bank and Everest Bank were 51,865,861 and 42,017,259 respectively. It will increase to 58,742,192 and 56,454,763 for the forecast year F/Y 2074/75 respectively.

4.2.3.2 Trend Line Analysis of Loan and Advances

The analysis will analyze Loan and Advances of banks for five years from F/Y 2065/66 to F/Y 2069/70 and forecast for following five years i.e. F/Y 2070/71 to F/Y 2074/75. The following table exhibits the trend values of Total deposit of banks for 10 years.

Table No. 4.38 : Trend Line analysis of Loan and Advance

(in 000)

	NABIL Bank Limited	Everest Bank Limited
Fiscal Year	Trend Value	Trend Value
2065/66	35,229,098	29,358,362
2066/67	36,201,391	30,859,469
2067/68	37,173,684	32,360,576
2068/69	38,145,977	33,861,683
2069/70	39,118,269	35,362,790
2070/71	40,090,562	36,863,897
2071/72	41,062,855	38,365,004
2072/73	42,035,148	39,866,111
2073/74	43,007,441	41,367,217
2074/75	43,979,733	42,868,324

(Sources: Annex -38)

The above table can present in following figure;

Fig. No. 4.2

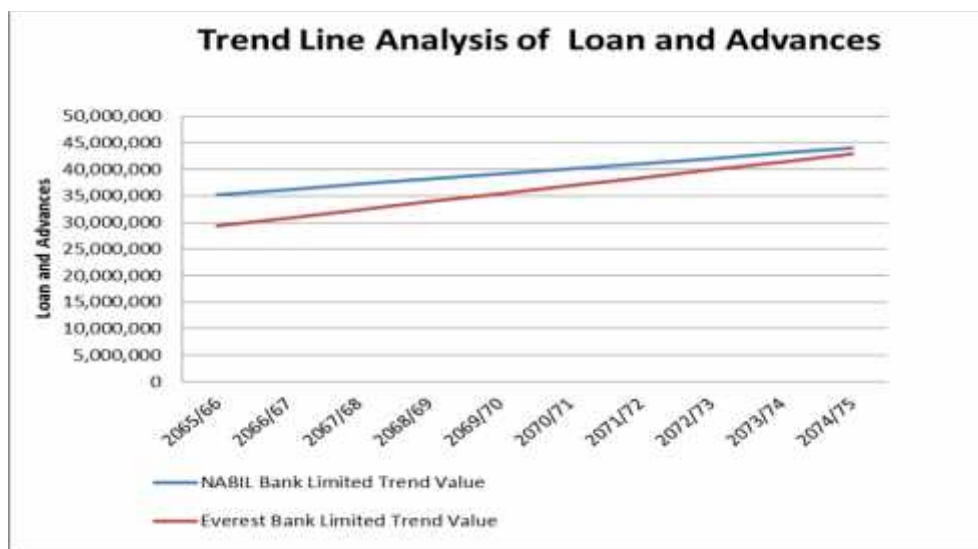


Table no. 4.38 exhibits that the trend values of NABIL Bank and Everest Bank were in increasing trend, which means futures of total Loan and Advances of banks were good. All banks were successful in mobilizing the Loan and Advances to different productive and profitable sector. In fiscal year F/Y 2065/66 the trend values of NABIL Bank and Everest Bank were 35,229,098 and 29,358,362 respectively. It will increase to 43,979,733 and 42,868,324 for the forecast year F/Y 2074/75 respectively.

4.2.3.3 Trend Line Analysis of Investment

The following table analyzes the trend values of Investment of sample banks for five year and prediction for next five years.

Table No. 4.39 : Trend Line analysis of Investment

(in 000)

Fiscal Year	NABIL Bank Limited	Everest Bank Limited
	Trend Value	Trend Value
2065/66	14,033,522	6,701,553
2066/67	13,815,500	6,933,596
2067/68	13,597,478	7,165,640
2068/69	13,379,457	7,397,683
2069/70	13,161,435	7,629,727
2070/71	12,943,413	7,861,771
2071/72	12,725,391	8,093,814
2072/73	12,507,370	8,325,858
2073/74	12,289,348	8,557,901
2074/75	12,071,326	8,789,945

(Sources: Annex -39)

The above table can present in following figure;

Fig. No. 4.3

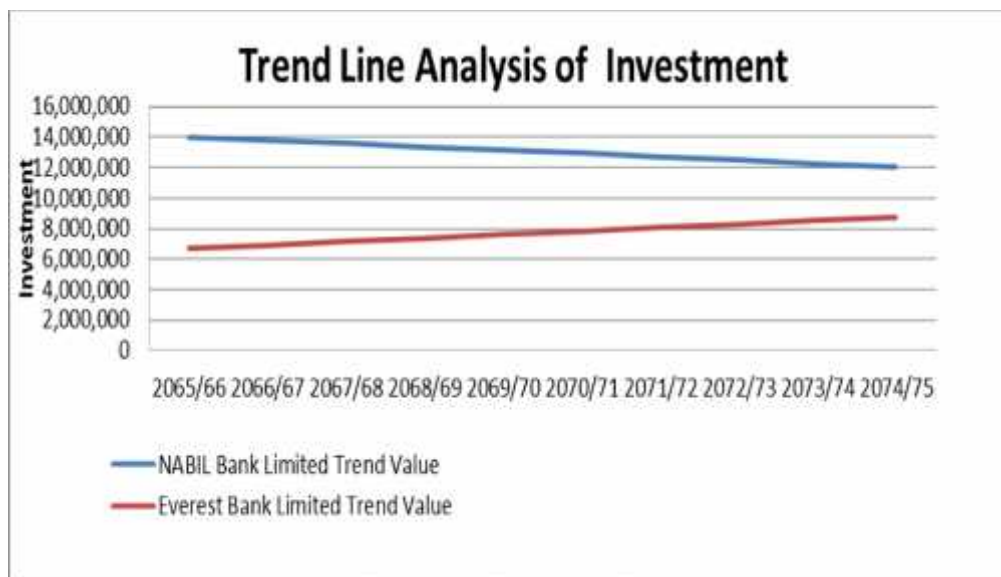


Table no. 4.39 exhibit that the trend values of NABIL Bank was in decreasing trend and Everest Bank was in increasing trend, which means futures of total deposit were good in Everest Bank and not good in NABIL Bank. Among the banks instead of decreasing trend still higher trend of investment in NABIL Bank. It means NABIL Bank was successful in mobilizing the Investment. In

fiscal year F/Y 2065/66 the trend values of NABIL Bank and Everest Bank were 14,033,522 and 6,701,553 respectively. It will decrease to 12,071,326 in NABIL Bank, and increase to 8,789,945 in Everest Bank for the forecast year F/Y 2074/75.

4.2.3.4 Trend Line Analysis of Net Profit

The following table analyzes the trend values of Net Profit of sample banks for five years and prediction for next five years.

Table No. 4.40 : Trend Line analysis of Net Profit

(in 000)

Fiscal Year	NABIL Bank Limited Trend Value	Everest Bank Limited Trend Value
2065/66	1,194,985	806,522
2066/67	1,339,786	899,609
2067/68	1,484,587	992,696
2068/69	1,629,387	1,085,783
2069/70	1,774,188	1,178,870
2070/71	1,918,989	1,271,957
2071/72	2,063,789	1,365,045
2072/73	2,208,590	1,458,132
2073/74	2,353,391	1,551,219
2074/75	2,498,192	1,644,306

(Sources: Annex -40)

The above table can present in following figure;

Fig. No. 4.4

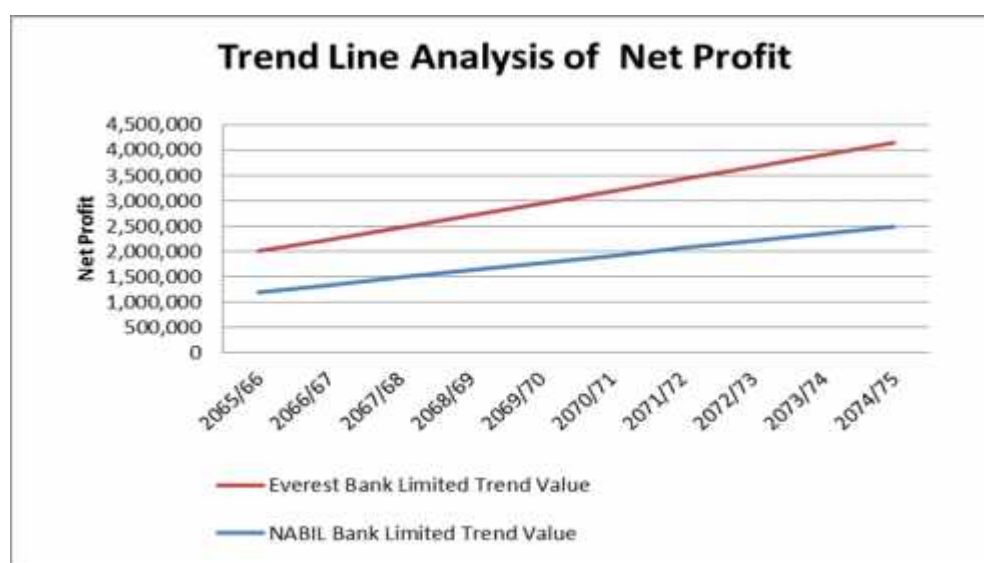


Table 4.40 exhibits that the trend values of NABIL Bank and Everest Bank were in increasing trend, which means futures of Net Profit of all banks were

good. Among the banks NABIL Bank had a highest trend of Net Profit. In fiscal year F/Y 2065/66 the trend values of NABIL Bank and Everest Bank were 1,194,985 and 806,522 respectively. It will increase to 2,498,192 and 1,644,306 for the forecast year F/Y 2074/75.

4.3 Major Finding of the Study

The main findings of the study are carried out on the basis of the analysis of financial data of banks which are as follows:

4.3.1 Liquidity Ratio

- i. During the five years study period of NABIL Bank and Everest Bank the current ratio found to be highly fluctuate. It is well known that the standard current ratio is 2:1. Among the banks the current ratios of Everest Bank dominate the respective current liabilities which indicate that Everest Bank is capable in paying the current obligation. Therefore Everest Bank has a highest liquidity ratio than NABIL Bank. NABIL has low current ratio, but it does not mean that they are failed to maintain the liquidity position. From point of view of working policy they are very much aggressive. However average of all banks shows the satisfactory level of current ratio.
- ii. Everest Bank found to be in better position to maintain the cash and bank balance ratio among the banks. But it does not mean that it has mobilized its more funds in profitable sector. It actually means that it can meet the daily cash requirement to make payments of the customer. NABIL Bank has lowest mean ratio which mean it may invest the more fund in the productive sector.

From above results it can said that the liquidity position of Everest Bank found to be comparatively better than NABIL Bank.

4.3.2 Assets Management Ratio

- i. The loan and advances to total deposit ratio of Everest Bank and NABIL Bank found to be at satisfactory level and maintain the good consistency in ratio. However Everest Bank and NABIL Bank have equal mean ratio it

shows that both bank have liquidity position with respect to this ratio is more satisfactory. Apart from that it has a more consistency in ratio than other.

- ii. The mean ratio of loan and advances to total deposit ratio all the banks are found to be at satisfactory level. Since NABIL Bank has a higher mean ratio, NABIL is able to proper utilization of loan and advance with respects to fixed deposit. Everest Bank has seemed to less effective in utilizing the loan and advances in compare to NABIL.
- iii. All banks are successful to mobilize their funds as loan and advances with respect to total assets. But in comparative study for five years for the banks NABIL Bank has a higher mean ratio, so they are found to be best investor among banks. As concern to consistency, NABIL Bank and Everest Bank have maintained the consistency in loan and advances up to some extent.

From above finding, it shows that all banks are successful in on-balance sheet utilization as well as off balance sheet operation. Among them NABIL Bank found a best in mobilizing the assets to the profitable sector.

4.3.3 Capital Adequacy Ratio

- i. The capital adequacy ratio of the NABIL Bank is higher than Everest Bank. Similarly, Everest Bank has achieved a lowest ratio. Everest Bank is failed to maintain the variability in comparison to the NABIL Bank.
- ii. NABIL Bank has achieved the highest shareholders fund to total assets ratio, which means that they have more assets out of the shareholder's fund. And also Everest Bank is able to maintain the variability. NABIL Bank has highest ratio than Everest Bank. Everest Bank is in average position.

4.3.4 Assets Quality Ratio

- i. Mean ratio of NABIL Bank and Everest Bank was equal, which indicates that both banks had been more successful to for see the quality of loan lent. Conversely the assets possessed by both bank had same degree of risk. That's mean both bank had maintained ratio to prevent itself from possible

default in payment of borrowers. CV of NABIL Bank was higher than the CV of Everest Bank, which resulted that consistency in the ratios greater in Everest Bank.

- ii. Mean ratio of NABIL Bank was lower than Everest Bank, which signifies that Everest Bank held comparatively greater portion of risky assets. Moreover, Everest Bank had been forced to retain greater portion of its income idle as the cushion against loans of inferior quality. CV analysis signifies that the ratio of NABIL Bank remained less uniformity as compared with NABIL Bank.
- iii. Average ratio of NABIL Bank was slightly higher than the Everest Bank, which means assets owned by NABIL bank were superior to that of Everest Bank. In other words, NABIL Bank had lent greater portion of its loans in riskier sector. Lower CV on the ratios in NABIL Bank means that the consistency in the loan loss provision with respect to the deposits was higher in NABIL Bank.
- iv. Mean ratio of NABIL Bank was greater than Everest Bank, which signifies that comparatively more portion of total interest income in NABIL Bank remain accrued. Moreover, the loans and advances by NABIL Bank seem less effective. Lower ratio in Everest Bank indicated better quality of assets in Everest Bank than NABIL Bank. Higher CV of the ratios in Everest indicated greater variability of the ratios in it.

4.3.5 Profitability Ratio

The following findings are derived from the profitability ratios of sample banks.

- i. All banks are able to earn the profit on total assets. Among them, NABIL Bank found to be best, since it has a higher mean ratio than average mean ratio. But as concern to consistency NABIL Bank also shows the consistency on earning the profit. In case of Everest Bank they have lowest earning on total assets and also have lowest consistency in earning the profit.
- ii. The mean ratio of net profit to net worth of NABIL Bank is higher than Everest Bank. Also NABIL Bank is found to be best as concern with consistency. It has

maintained the best consistency level. Everest Bank has lower mean ratio and but not failed to maintain the consistency.

- iii. Net profit to total deposit ratio of NABIL Bank is higher than Everest Bank. Similarly Everest Bank has more consistencies in ratio.
- iv. Even though banks seem to earn the interest on total working fund, NABIL Bank has successful in earning the higher interest as well as maintain the consistency in earning. Everest Bank has failed to maintain the consistency in earning the interest than NABIL Bank.
- v. NABIL Bank seems to be successful to collect its working fund from less expensive sources in comparison to Everest Bank. Even though NABIL Bank has a higher interest expense they are successful in maintain the stability on expenses of interest.
- vi. NABIL Bank found to be strongest in comparison to Everest Bank in case to growth of earning per share.

From above finding, we can conclude that NABIL Bank has a consistency in earning the profit and expenses on interest and NABIL Bank are successful in earning the higher profit with lower interest expenses, whereas Everest Bank is average of other comparative banks.

4.3.6 Leverage Ratio

- i. Debt-assets ratio of the Everest Bank is higher than NABIL Bank. Whereas Everest Bank has more consistence in maintaining the ratio. Similarly, NABIL has maintained the debt-assets ratio to some extent.
- ii. Even though Everest Bank is able to maintain the debt-equity ratio than other banks but failed to maintain the variability. In part of NABIL they are able to maintain the consistency but they also failed to use the equity fund to creditor.
- iii. In case of NABIL is unable to maintain the debt equity ratio but successes in maintain the variability.

4.3.7 Coefficient of Correlation

The correlation analysis has pull out the following results.

- i. The Positive correlation between the deposit and loan and advances are found in all banks. The correlation between the deposit and loan and advances are perfect as there is significant between them. It means that the all banks provided the loans and advances from its deposit. Banks are successful in mobilizing the deposit as loans and advances.
- ii. There is the perfect positive correlation between the deposit and investment in all banks. Everest Bank is unsuccessful to use the deposit in proper way .In case of NABIL Bank they have effectively mobilize its deposit on investment. In another word it can be said that Investment is depends upon the deposit.
- iii. NABIL Bank and Everest Bank are successful in earn the net profit from its investment which means that there is a positive correlation between the Investment and net profit.
- iv. All banks are successful in earning the net profit by mobilizing the loan and advances. The correlation between the loan and advances and net profit are found to be positive.

4.3.8 Simple Regression Analysis

- i. Even though all banks has a positive regression coefficient. All the banks have a high correlation and significance between the net profit and total deposit, while testing the hypothesis. That indicates proportionate change in net profit as increase or decrease in Total Deposits of the bank.
- ii. The regression coefficient of net profit and loan and advances for all banks are positive. There is a high correlation and significance between the net profit and loan and advances all banks, which indicate that if loan and advances increases net profit also increases and vice-versa.
- iii. All banks has got the positive regression coefficient between the net profit and investment but only NABIL has got the high correlation and significance which represents that if investment is change net profit also change in same ratio. But in case of Everest Bank there is only slightly changes in net profit are found, even though investment changes. This is represents by low correlation and no significance between the net profit and investment.

4.3.9 Trend Line Analysis

Trend analysis is for past five years for projecting future results. The future trend analysis is done on some basic assumption that will continue in the future. The trend analysis results are as follows:

- i. The trend line of total deposit for the banks NABIL had a highest trend of total deposit. It means NABIL was successful in mobilizing the deposit.
- ii. NABIL Bank and Everest Bank were in increasing trend, which means futures of total Loan and Advances of banks were good. All banks were successful in mobilizing the Loan and Advances to different productive and profitable sector.
- iii. NABIL Bank was in decreasing trend and Everest Bank was in increasing trend, which means futures of total deposit were good in Everest Bank and not good in NABIL Bank. Among the banks instead of decreasing trend still higher trend of investment in NABIL Bank. It means NABIL Bank was successful in mobilizing the Investment.
- iv. NABIL Bank and Everest Bank were in increasing trend, which means futures of Net Profit of all banks were good. Among the banks NABIL Bank had a highest trend of Net Profit.

CHAPTER-V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter is an accomplished specific and indicative enclosure which contains summary and conclusion of finding and recommendations. Brief introduction to all chapters of the study and genuine information of the present situation under the topic of the study is defined on summary. Conclusions are analysis of applicable data by using various financial and statistical tools, which presents strengths, weakness, opportunities and threats of the CBs. And suggestions are obtainable in recommendation, which is arranged on the basis of finding and conclusions.

5.1 Summary

The development of any country depends upon its economic development. Economic development demands transformation of savings or investible resources into the actual investment formation is the prerequisite in setting the overall pace of the development of a country. It is the financial institutions that transfer funds from surplus spending units to deficit units.

The evolution of the organized financial system in Nepal has a more recent history than in other countries of the world. In Nepalese context, the history of development of modern banks started from the establishment of Nepal bank limited in 1937 A.D. nowadays there are 32 CBs operating in Nepal financial market which is increasing due to the country moved towards economic liberalization, financial scenario has changed, and foreign banks were invited to operate in Nepal. For the better performance of CBs, successful formulation & effective implementation of investment policy is the prime requisite. Nowadays there is a very high competition in the banking industries but very less opportunity to make investment. The opportunities are hidden. Thus these CBs should take initiative action in search of the new opportunities. So that, they can easily survive in this competitive banking business world & earn profit. A bank manager its investment has a lot to do with the economic

health of the country because the bank loans support the growth of new business & trade empowering the economic activities of the country.

Banking sector plays an important role in the economic development of the country. Commercial banks are one of the vital aspects of this sector which deals in the process of channeling the available resources in the needed sector. It plays the role of agent between the deficit and surplus of financial resources. Financial institutions like banks are a necessity to collect scattered saving and put them into productive channels. In the absence of such institution it is possible that the saving will not be safely and profitable utilized within the economy. It will be diverted aboard into unproductive sectors.

The primary objectives of the study is to analyze the overall performance of NABIL Bank and Everest Bank, however other objectives are to examine the overall performance of NABIL Bank and Everest Bank in terms of liquidity, activity, profitability, assets quality, leverage and capital adequacy ratio, to study the achievement of NABIL Bank and Everest Bank, to evaluate the effectiveness of collection of deposit and their utilization to examine the causes of gap existing between deposits and loan, investment etc, to provide suggestion and recommendation for the improvement of future performance and maximum utilization of deposit.

At last but not least we can conclude that financial analysis is done to determine the banks financial position in order to identify its current strength and weaknesses and to suggestion that might enable the firm to take advantage of its strengths and correct its weaknesses. The study is about the financial performance of the NABIL Bank and Everest Bank based on its financial data of five years. By using financial and statistical tools, the overall financial performance of the bank has tried to analyze. The various ratios have revealed the financial condition of the bank over the five years.. Correlation analysis helps to establish the relationship between two variables which can be useful to know how one variable affect the another variable. Likewise trend analysis is used to find out the trend of some very important elements like total

deposit, loan and advance, net profit, net worth, NABIL Bank and Everest Bank and investment on the basis of the past data of the bank. This can be used in predicting the value of these elements.

Analyzing the credit sector and the bank guarantee, the bank is trying to avoid unnecessary risk, thus categorizing itself as risk avert bank. By mobilizing its funds more in loans and advances, the bank could have increased its profit. But from the tabulated figures, it is evident that NABIL Bank and Everest Bank had preferred to invest in secured sectors like government securities and shares and debentures than in lending. From which various finding have shown in above chapter from that finding conclusion have been drawn which are presented as below.

5.2 Conclusions

The overall performance of banks found to be satisfactory. All banks are not strong in all performance. Some are strong in liquidity position and some are strong in profit making. The analysis of liquidity position of these commercial banks shows different positions. The current ratio measures only total rupees worth of current assets and total rupees of current liabilities, i.e. it indicates the availability of current assets in rupees for everyone rupee of current liability Since mean ratios of Everest Bank found to be highest than NABIL Bank from which we can conclude that Everest Bank is successful to meet their current obligation. Even though NABIL Bank has failed to maintain the current obligation they are not failed in earning the profit. From point of view of working policy they have taken the aggressive policy.

The turnover of the all commercial banks is the main indication of income generating activity. These ratios are used to judge how efficiently the firm has been using its resources. From the analysis of turnover of banks all the banks are comparatively successful in assets management. Among banks NABIL Bank found to be comparatively best in mobilizing its assets and deposits in profitable sectors in form of loan and advances, Investment in Government securities and shares & debentures.

The main objective of a bank is to make profit providing different types of services to its customers. Profit is necessary to survive in any business field for its successful operation and further expansion. Profitability shows the overall efficiency of the business concerns. From profitability point of view, NABIL Bank found to be better than Everest Banks because they pay lower interest rate for debt fund and earn higher interest by mobilizing its deposit and assets to different productive and profitable sectors.

Leverage ratio is calculated to measure the long-term financial position of a firm. The analysis of leverage ratio shows that all the banks use a high equity fund rather than debt fund. Debt fund need to pay an interest until debt is hold by bank. Therefore debt fund is burden for the bank and it should decrease according to the necessity.

The capital adequacy ratio is used to measure the strength of the capital adequacy of the available capital. The capital bases of both banks are similar, since they have higher capital adequacy ratio. NABIL Bank and Everest Bank have more assets from its shareholder's fund which shows they are strong from point of view of shareholder's fund.

NABIL Bank and Everest Bank have fluctuating rate of net profit. All the banks have fluctuating rate in EPS and DPS. Although NABIL have highest fluctuating rate of net profit and it has highest growth rate in EPS and DPS. This defined that their EPS is higher in Everest Bank and also define that Everest Bank has distribute the much dividend than NABIL Bank.

Deposits are the main tool for developing banking performance of the banks. And investment and loan and advances are keys to mobilize the deposit. All banks have a positive relation between the Deposit and Loan & Advances, Deposit and Investment, Investment and Net Profit and also Loan and Advances and Net Profit, which shows by the correlation between these variables. All the sample banks use their deposit use in proper way as Loan and Advances and Investment. Among them NABIL Bank is

best. Whereas NABIL Bank and Everest Bank are successful to earn net profit by mobilizing the deposit to the investment. Coefficient of correlation between Loan and Advances and Net profit shows that all banks are successful in earning the net profit by mobilizing the loan and advances.

The regression analysis shows that increase in Loan and Advances, Deposit and Investment ultimately increases net profit for each banks.

Testing of Hypothesis conclude that there is significance difference Net profit and Total Deposit as well as net profit and Loan and Advances of all the sample banks are 5% level of significance. There is no significant difference between Net Profit and Investment of NABIL Bank and Everest Bank have significant difference.

The Trend Line Analysis of Deposit, Loan and Advance and Net Profit shows increasing trend which indicates futures of those variables are bright. Among them NABIL has highest increasing trend in Deposit, Loan and Advances and Net Profit, whereas Investment of NABIL Bank is downward but also higher than investment of Everest Bank. That indicates NABIL Bank is successful in mobilizing the deposit and Loan and Advances Whereas Everest Bank has successfully mobilize their Investment.

The overall banks are satisfactory however inflation in the current situation came as a major factor in narrowing the scope of operation of these banks. Therefore Nepal Rastra Bank has to play more active role to enhance the operation. The analysis of financial performance shows that all the banks have aggressive polices in investment and lending. Deposits are main tool of investing and all banks' deposit and net profit are in increasing trend.

Strengthening and the institutionalization of the banks are very important to have a meaningful relationship between financial institution and national development through shift of credit to the productive industrial sectors. At the same time the series

of reforms such as consolidation of banks, good relationship between financial institution and commercial banks, directing attention to venture capital financing, appropriate risk return trade off by linking credit to timely repayment schedules, avoiding imperfections, allowing flexibility in lending, one window service from NRB, need of a strong supervision and monitoring from NRB, diversify scope of activities to fee based services, allow funds transfer, refinancing facilities for banks, professional culture within banks, etc. All these are necessary to ensure better future performance of banks that have already been established and growing in Nepal.

Banks have to prove that they are the potential contributors to the national economy ensuring adequate rate of return on investment, efficient and viable agencies for mobilization of savings and its channels into productive sectors and strategically well planned to be competitive with competitors and other agencies and are trust worthy.

5.3 Recommendation

From above finding and analysis it is clear that all banks are not strong in all fields. Some of them are stronger in profit making but failed to maintain the consistency, some are weaker in mobilizing their deposits; few of them have concentrated into very limited diversified investments etc. Therefore the following recommendations should be brought into highlight to overcome inefficiency, weakness and to develop present fund mobilization and investment policy of the banks:

- i. Bank should maintain the liquidity ratio for daily cash transaction. Bank should not invest all the deposit as loan and advances. According to the policy of NRB some percentage should kept in the banks for fulfilling require demand of the customer. The Standard liquidity ratio is 2:1. The depositor may demand the money at time so; bank should be ready at any time. In this research none of sample bank has the standard ratio due to their aggressive working capital policy. Therefore all sample banks should modify their working capital policy to maintain the standard ratio. If sample banks cannot maintain the ratio they may failed to maintain the daily cash transaction.

- ii. The Company must apply different development scheme such as deposit, insurance scheme, workers saving scheme and women development scheme through which banks can attract more customers.
- iii. Everest Bank has less mobilization of total deposit to loan and advances among banks. The purpose of loan and advances is to generate an income for the banks. So, Everest Bank should increase a loan and advances to different productive or profitable sectors. Everest Bank should maintain the consistency.
- iv. Fixed deposits are deposited for long period and need to pay higher interest. Therefore fixed deposit can use for long time investment and generate an income for the bank. Since mobilization of fixed deposit by Everest Bank is low among banks, they should mobilize its fixed deposit to different productive sector in form of loan and advances or investment etc.
- v. Everest Bank is failed to maintain the average ratio which indicate that they are not very much successful in mobilizing the loan and advance with respect to the total assets. So Everest Bank should try to mobilize the Loan and Advance with respect to Total Assets.
- vi. Among banks, Everest Bank is less successful in mobilizing its deposit by investing in different productive sectors. Investment is the key to earn a profit. Therefore, they should invest in different productive sectors by utilizing the different types of deposit. Since there consistency level is very high they should maintain stability in total investment.
- vii. The overall investment of the Bank should be concentrated on productive sector such as business and industrial loan rather than consumer product such as hire purchase and housing loan. Because industrial and business sector will create the employment opportunity which is necessary for capital formation and economic growth.
- viii. NABIL Bank also should increase it's investment toward government securities. And decrease a variation of investment on government securities. Even though Government Securities have low interest rate, they are risk free assets because government securities have marketability and can sell any time when needed.

- ix. Profit is a key of success of any business. The bank also cannot survive without the profit. So, they should keep in the mind for profit maximization. But in long term business bank also should be concern with the shareholder's wealth maximization as they are investor of the bank.
- x. Everest Bank is not successful as NABIL Bank to earn a net profit by utilizing its assets and deposits. So, Everest Bank should invest its deposits and utilize its assets in different productive and profitable sectors on the basis of portfolio management. The portfolio management of assets basically means allocation of funds into different components of banking assets having different degrees of risk and varying rate of return in such a way that the conflicting goal of maximum yield and minimum risk. So, portfolio condition of each bank should carefully be examined from time to time and attention should be made to maintain equilibrium in the portfolio condition as far as possible keeping the statement in mind that all eggs should not be kept in the same basket. Even though NABIL Bank has higher net profit with respect to total assets and deposit, they are failed to maintain stability. Therefore they should decrease a variation level. And also fail to maintain consistency. They should try to maintain consistency level.
- xi. Everest Bank should maintain stability in earning an interest since they have greater variation in earning an interest. Since NABIL Bank has also low interest earning among banks they should increase an interest earning because it will directly effect to the net profit.
- xii. The economic liberalization has made the entire bank to determine the own interest rate. But nowadays few to unhealthy competition the spread between the deposit and lending interest has being higher than Nepal Rastra's Banks policy. If the depositor interest rate is very low then depositor may not interest to deposit their saving. Therefore the spread should be fixed according to the NRB.
- xiii. Everest Bank paid a higher interest among banks which mean that they used more creditors' funds or paid higher interest rate in investment. So, they need to use equity fund rather than debt or should pay a less interest rate. NABIL

Bank also needs to maintain stability in paying the interest because their variation in interest rate is high.

- xiv. The discrimination in lending interest should not be done by the bank because it will bring the un satisfaction to the general public. This may lead to discourage toward deposit in the bank in long term business. The rate of interest should be fixed accordance to the situation of the country. There should not be unhealthy competition regarding the interest rate to attract customer
- xv. All the sample banks have more creditors fund to acquire an assets & investment. This means they all have more debt financing in assets. Since debt financing need to pay an interest regularly, higher debt are burden to bank. Among banks highest debt is used by Everest Bank. Therefore they should decrease a debt financing and increase an equity financing, which may help in increasing profit to some extent. Equity fund is invest by shareholder and banks should pay dividend which may be very low than interest. So, more financing should do from equity fund rather than debt fund.
- xvi. Banks should evaluate its investment portfolio every year. Investment portfolio must be balanced in each sector according to the NRB rules and company's self-policy. It should calculate co-efficient of correlation and regression among deposit, investment and return of the company.
- xvii. Nepal Rastra Bank should clearly define its role and strict monitoring for the efficient operations of Banks so that they can use the facilities as much as possible. Besides that, NRB should show open to all, flexible and strong supervision rather than imposing rules and regulations only.
- xviii. The success rate of banking mainly depends upon the banking awareness by the general public. Unless they find a convincing reason about their savings as well as new approach of investment, it is almost impossible to make live for a bank. Therefore there should be the awareness program, regularly conducted in terms of seminars or workshops from well experienced personnel such as top executives from Banks and concerned regulating authorities. This will exchange the ideas and share the grass root problems. On the basis of this feedback information, regular changes or implementation of new rules and

regulations can be easily carried out. Nepal Rastra Bank should also encourage frequent trainings to new entrants to provide orientations on the conceptual dimensions and practical aspects of operation of the Banks.

- xix. Today is an age of competition. Bank should be survived within these competitions. Therefore for attraction of the deposit, they should brought different attractive programmed , facilities , technology etc. like ATM, credit cards, 365days banking service, prompt service etc.
- xx. In the present situation, it is the utmost important to provide security and the reliability. So the bank should focus on the security concern in order to make the customer feel that they more secured in investing in the bank whether it may be NABIL Bank or Everest Bank.
- xxi. It is suggested to all the sample banks that they should use well-trained manpower. Well trained manpower will provide better services to the bank and customer. They will try to increase the operating efficiency of the bank, so the banks have to conduct "Training School" for their personal.

Banks play a vital role in development of economy of the country. However all the banks have satisfactory performance, there is situation of inflation which is a cause of narrow scope operation. Therefore NRB has to come with strong supervision and monitoring with one window service in lending and investment activities. Banks have to prove that they are the potential contributors to the national economy ensuring adequate rate of return on investment, efficient and viable agencies for mobilization of savings and its channels into productive sectors and strategically well planned to be competitive with banks and other agencies and are trust worthy.

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Computing mean , standard deviation and Coefficient of Variation (CV)

ANNEX -1

Current Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	0.69	-0.076	0.005776	1.18	-0.172	0.029584
2066/67	0.58	-0.186	0.034596	1.62	0.268	0.071824
2067/68	0.82	0.054	0.002916	1.27	-0.082	0.006724
2068/69	0.76	-0.006	3.6E-05	1.49	0.138	0.019044
02069/70	0.98	0.214	0.045796	1.2	-0.152	0.023104
x	3.83		0.08912	6.76		0.15028
Mean(\bar{x})	0.766			1.352		0.030056
SD(σ^d)	0.133507			0.173367		
C.V.(%)	0.174291			0.12823		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

Where,

$$\text{Mean}(\bar{x}) = \frac{\sum x}{N} \quad \text{SD}(\sigma^d) = \sqrt{\frac{d^2}{N-1}} \quad \text{C.V.} = \frac{(\sigma^d)}{\text{Mean}(\bar{x})} \times 100\%$$

ANNEX -2

Cash and Bank Balance to Current Assets Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	0.7	0.178	0.031684	0.93	0.02	0.0004
2066/67	0.26	-0.262	0.068644	0.94	0.03	0.0009
2067/68	0.4	-0.122	0.014884	0.88	-0.03	0.0009
2068/69	0.64	0.118	0.013924	0.9	-0.01	1E-04
02069/70	0.61	0.088	0.007744	0.9	-0.01	1E-04
x	2.61		0.13688	4.55		0.0024
Mean(\bar{x})	0.522			0.91		0.00048
SD(σ^d)	0.165457			0.021909		
C.V.(%)	0.316967			0.024076		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -3

Cash and Bank Balance to Total Deposit except Fixed Deposit Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	0.12	0.030	0.0009	0.23	-0.03	0.0009
2066/67	0.04	-0.050	0.0025	0.3	0.04	0.0016
2067/68	0.07	-0.020	0.0004	0.23	-0.03	0.0009
2068/69	0.11	0.020	0.0004	0.28	0.02	0.0004
02069/70	0.11	0.020	0.0004	0.26	0	0
x	0.45		0.0046	1.3		0.0038
Mean(\bar{x})	0.09			0.26		0.00076
SD(σ^d)	0.030332			0.027568		
C.V.(%)	0.337017			0.106031		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -4

Cash and Bank Balance to Total Deposit Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	0.09	0.022	0.000484	0.18	-0.008	6.4E-05
2066/67	0.03	-0.038	0.001444	0.21	0.022	0.000484
2067/68	0.05	-0.018	0.000324	0.15	-0.038	0.001444
2068/69	0.08	0.012	0.000144	0.21	0.022	0.000484
02069/70	0.09	0.022	0.000484	0.19	0.002	4E-06
x	0.34		0.00288	0.94		0.00248
Mean()	0.068			0.188		0.000496
SD()	0.024			0.022271		
C.V.(%)	0.352941			0.118463		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -5

NRB Balance to Current and Saving Deposit Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	0.13	0.022	0.000484	0.24	-0.106	0.011236
2066/67	0.03	-0.078	0.006084	0.32	-0.026	0.000676
2067/68	0.07	-0.038	0.001444	0.35	0.004	0.000016
2068/69	0.15	0.042	0.001764	0.44	0.094	0.008836
02069/70	0.16	0.052	0.002704	0.38	0.034	0.001156
x	0.54		0.01248	1.73		0.02192
Mean()	0.108			0.346		0.004384
SD()	0.04996			0.066212		
C.V.(%)	0.462592			0.191364		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -6

NRB Balance to Fixed Deposit Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	0.32	0.090	0.0081	0.68	0.034	0.001156
2066/67	0.04	-0.190	0.0361	0.54	-0.106	0.011236
2067/68	0.09	-0.140	0.0196	0.41	-0.236	0.055696
2068/69	0.26	0.030	0.0009	0.8	0.154	0.023716
02069/70	0.44	0.210	0.0441	0.8	0.154	0.023716
x	1.15		0.1088	3.23		0.11552
Mean()	0.23			0.646		0.023104
SD()	0.147513			0.152		
C.V.(%)	0.64136			0.235294		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -7

Loan and Advance to Total Deposit Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d	d ²	x	d	d ²
2065/66	0.74	0.000	0	0.72	-0.02	0.0004
2066/67	0.7	-0.040	0.0016	0.75	0.01	0.0001
2067/68	0.77	0.030	0.0009	0.76	0.02	0.0004
2068/69	0.76	0.020	0.0004	0.72	-0.02	0.0004
02069/70	0.73	-0.010	0.0001	0.75	0.01	0.0001
x	3.7		0.003	3.7		0.0014
Mean(	0.74			0.74		0.00028
SD(	0.024495			0.016733		
C.V.(%)	0.033101			0.022612		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -8

Loan and Advance to Saving Deposit Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d	d ²	x	d	d ²
2065/66	1.89	-0.348	0.121104	1.62	-0.42	0.1764
2066/67	2.34	0.102	0.010404	2.06	0.02	0.0004
2067/68	2.66	0.422	0.178084	2.38	0.34	0.1156
2068/69	2.31	0.072	0.005184	2.08	0.04	0.0016
02069/70	1.99	-0.248	0.061504	2.06	0.02	0.0004
x	11.19		0.37628	10.2		0.2944
Mean(	2.238			2.04		0.05888
SD(	0.274328			0.242652		
C.V.(%)	0.122577			0.118947		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -9

Loan and Advance to Fixed Deposit Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d	d ²	x	d	d ²
2065/66	3.32	0.314	0.098596	3.39	0.604	0.364816
2066/67	2.19	-0.816	0.665856	2.64	-0.146	0.021316
2067/68	2.26	-0.746	0.556516	2.06	-0.726	0.527076
2068/69	2.96	-0.046	0.002116	2.76	-0.026	0.000676
02069/70	4.3	1.294	1.674436	3.08	0.294	0.086436
x	15.03		2.99752	13.93		1.00032
Mean(	3.006			2.786		0.200064
SD(	0.774276			0.447285		
C.V.(%)	0.257577			0.160547		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -10

Investment to Total Deposit Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d	d ²	x	d	d ²
2065/66	0.29	0.018	0.000324	0.18	0.014	0.000196
2066/67	0.29	0.018	0.000324	0.14	-0.026	0.000676
2067/68	0.26	-0.012	0.000144	0.19	0.024	0.000576
2068/69	0.26	-0.012	0.000144	0.16	-0.006	3.6E-05
02069/70	0.26	-0.012	0.000144	0.16	-0.006	3.6E-05
x	1.36		0.00108	0.83		0.00152
Mean(	0.272			0.166		0.000304
SD(	0.014697			0.017436		
C.V.(%)	0.054033			0.105034		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -11

Performing Assets to Total Assets Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d	d ²	x	d	d ²
2065/66	0.89	-0.014	0.000196	0.81	0.006	3.6E-05
2066/67	0.94	0.036	0.001296	0.79	-0.014	0.000196
2067/68	0.92	0.016	0.000256	0.84	0.036	0.001296
2068/69	0.89	-0.014	0.000196	0.78	-0.024	0.000576
02069/70	0.88	-0.024	0.000576	0.8	-0.004	1.6E-05
x	4.52		0.00252	4.02		0.00212
Mean(	0.904			0.804		0.000424
SD(	0.02245			0.020591		
C.V.(%)	0.024834			0.025611		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -12

Net Worth to Total Deposit Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d	d ²	x	d	d ²
2065/66	0.08	-0.012	0.000144	0.07	-0.006	3.6E-05
2066/67	0.08	-0.012	0.000144	0.07	-0.006	3.6E-05
2067/68	0.09	-0.002	4E-06	0.08	0.004	1.6E-05
2068/69	0.1	0.008	6.4E-05	0.08	0.004	1.6E-05
02069/70	0.11	0.018	0.000324	0.08	0.004	1.6E-05
x	0.46		0.00068	0.38		0.00012
Mean(	0.092			0.076		0.000024
SD(	0.011662			0.004899		
C.V.(%)	0.12676			0.06446		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -13

Net Worth to Total Assets Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d ²		x	d ²	
2065/66	0.07	-0.010	1E-04	0.06	-0.008	6.4E-05
2066/67	0.07	-0.010	1E-04	0.07	0.002	4E-06
2067/68	0.08	0.000	0	0.07	0.002	4E-06
2068/69	0.09	0.010	1E-04	0.07	0.002	4E-06
02069/70	0.09	0.010	1E-04	0.07	0.002	4E-06
x	0.4		0.0004	0.34		8E-05
Mean	0.08			0.068		0.000016
SD	0.008944			0.004		
C.V.(%)	0.111803			0.058824		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -14

Net Worth to Total Credit Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d ²		x	d ²	
2065/66	0.11	-0.014	0.000196	0.09	-0.014	0.000196
2066/67	0.12	-0.004	0.000016	0.1	-0.004	0.000016
2067/68	0.12	-0.004	0.000016	0.1	-0.004	0.000016
2068/69	0.13	0.006	3.6E-05	0.12	0.016	0.000256
02069/70	0.14	0.016	0.000256	0.11	0.006	3.6E-05
x	0.62		0.00052	0.52		0.00052
Mean	0.124			0.104		0.000104
SD	0.010198			0.010198		
C.V.(%)	0.082242			0.098058		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -15

Loan Loss Coverage Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d ²		x	d ²	
2065/66	0.01	-0.012	0.000144	0.02	-0.002	4E-06
2066/67	0.02	-0.002	4E-06	0.02	-0.002	4E-06
2067/68	0.02	-0.002	4E-06	0.02	-0.002	4E-06
2068/69	0.03	0.008	0.000064	0.02	-0.002	4E-06
02069/70	0.03	0.008	0.000064	0.03	0.008	0.000064
x	0.11		0.00028	0.11		0.00008
Mean	0.022			0.022		0.000016
SD	0.007483			0.004		
C.V.(%)	0.340151			0.181818		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -16

Loan Loss Provision to Total Income Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	0.34	-0.178	0.031684	0.64	0.05	0.0025
2066/67	0.61	0.092	0.008464	0.66	0.07	0.0049
2067/68	0.6	0.082	0.006724	0.6	0.01	0.0001
2068/69	0.58	0.062	0.003844	0.63	0.04	0.0016
02069/70	0.46	-0.058	0.003364	0.42	-0.17	0.0289
x	2.59		0.05408	2.95		0.038
Mean()	0.518			0.59		0.0076
SD()	0.104			0.087178		
C.V.(%)	0.200772			0.147759		

(Source : Balance Sheet and Profit and Loss Account of Everest Bank Limited and NABIL Bank)

ANNEX -17

Loan Loss Provision to Total Deposit Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	0.01	-0.008	0.000064	0.02	0.006	0.000036
2066/67	0.02	0.002	4E-06	0.02	0.006	0.000036
2067/68	0.02	0.002	4E-06	0.01	-0.004	0.000016
2068/69	0.02	0.002	4E-06	0.01	-0.004	0.000016
02069/70	0.02	0.002	4E-06	0.01	-0.004	0.000016
x	0.09		0.00008	0.07		0.00012
Mean()	0.018			0.014		0.000024
SD()	0.004			0.004899		
C.V.(%)	0.222222			0.349927		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -18

Accrued Interest to Total Interest Income Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	0.05	-0.008	6.4E-05	0.04	0.016	0.000256
2066/67	0.05	-0.008	6.4E-05	0.02	-0.004	0.000016
2067/68	0.06	0.002	4E-06	0.01	-0.014	0.000196
2068/69	0.06	0.002	4E-06	0.02	-0.004	0.000016
02069/70	0.07	0.012	0.000144	0.03	0.006	0.000036
x	0.29		0.00028	0.12		0.00052
Mean()	0.058			0.024		0.000104
SD()	0.007483			0.010198		
C.V.(%)	0.129023			0.424918		

(Source : Balance Sheet and Profit and Loss Account of Everest Bank Limited and NABIL Bank)

ANNEX -19

Return on Assets (ROA)						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d	d ²	x	d	d ²
2065/66	0.02	-0.004	0.000016	0.02	-0.002	4E-06
2066/67	0.02	-0.004	0.000016	0.02	-0.002	4E-06
2067/68	0.02	-0.004	0.000016	0.02	-0.002	4E-06
2068/69	0.03	0.006	0.000036	0.02	-0.002	4E-06
02069/70	0.03	0.006	0.000036	0.03	0.008	0.000064
x	0.12		0.00012	0.11		0.00008
Mean()	0.024			0.022		0.000016
SD()	0.004899			0.004		
C.V.(%)	0.204124			0.181818		

(Source : Balance Sheet and Profit and Loss Account of Everest Bank Limited and NABIL Bank)

ANNEX -20

Return on Equity (ROE)						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d	d ²	x	d	d ²
2065/66	0.33	0.018	0.000324	0.29	0	0
2066/67	0.3	-0.012	0.000144	0.3	0.01	0.0001
2067/68	0.29	-0.022	0.000484	0.3	0.01	0.0001
2068/69	0.31	-0.002	4E-06	0.26	-0.03	0.0009
02069/70	0.33	0.018	0.000324	0.3	0.01	0.0001
x	1.56		0.00128	1.45		0.0012
Mean()	0.312			0.29		0.00024
SD()	0.016			0.015492		
C.V.(%)	0.051282			0.05342		

(Source : Balance Sheet and Profit and Loss Account of Everest Bank Limited and NABIL Bank)

ANNEX -21

Return on Total Deposit						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d	d ²	x	d	d ²
2065/66	0.03	0.002	4E-06	0.02	-0.002	4E-06
2066/67	0.02	-0.008	6.4E-05	0.02	-0.002	4E-06
2067/68	0.03	0.002	4E-06	0.02	-0.002	4E-06
2068/69	0.03	0.002	4E-06	0.02	-0.002	4E-06
02069/70	0.03	0.002	4E-06	0.03	0.008	0.000064
x	0.14		0.00008	0.11		0.00008
Mean()	0.028			0.022		0.000016
SD()	0.004			0.004		
C.V.(%)	0.142857			0.181818		

(Source : Balance Sheet and Profit and Loss Account of Everest Bank Limited and NABIL Bank)

ANNEX -22

Total Interest Expenses to Total Interest Income Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	0.41	-0.058	0.003364	0.46	-0.056	0.003136
2066/67	0.48	0.012	0.000144	0.51	-0.006	3.6E-05
2067/68	0.56	0.092	0.008464	0.59	0.074	0.005476
2068/69	0.51	0.042	0.001764	0.58	0.064	0.004096
02069/70	0.38	-0.088	0.007744	0.44	-0.076	0.005776
x	2.34		0.02148	2.58		0.01852
Mean()	0.468			0.516		0.003704
SD()	0.065544			0.06086		
C.V.(%)	0.140051			0.117947		

(Source : Balance Sheet and Profit and Loss Account of Everest Bank Limited and NABIL Bank)

ANNEX -23

Total Interest Expenses to Total Assets Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	0.04	-0.004	0.000016	0.03	-0.008	6.4E-05
2066/67	0.04	-0.004	0.000016	0.04	0.002	4E-06
2067/68	0.04	-0.004	0.000016	0.04	0.002	4E-06
2068/69	0.05	0.006	3.6E-05	0.04	0.002	4E-06
02069/70	0.05	0.006	3.6E-05	0.04	0.002	4E-06
x	0.22		0.00012	0.19		0.00008
Mean()	0.044			0.038		0.000016
SD()	0.004899			0.004		
C.V.(%)	0.11134			0.105263		

(Source : Balance Sheet and Profit and Loss Account of Everest Bank Limited and NABIL Bank)

ANNEX -24

Earning Per Share (EPS)						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	106.76	21.580	465.6964	99.99	7.264	52.7657
2066/67	78.61	-6.570	43.1649	100.16	7.434	55.26436
2067/68	65.91	-19.270	371.3329	83.05	-9.676	93.62498
2068/69	83.57	-1.610	2.5921	88.55	-4.176	17.43898
02069/70	91.05	5.870	34.4569	91.88	-0.846	0.715716
x	425.9		917.2432	463.63		219.8097
Mean()	85.18			92.726		43.96194
SD()	13.54432			6.63038		
C.V.(%)	0.159008			0.071505		

(Source : Balance Sheet and Profit and Loss Account of Everest Bank Limited and NABIL Bank)

ANNEX -25

Price Earning Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	45.89	19.618	384.8659	16.3	0.584	0.341056
2066/67	30.33	4.058	16.46736	10.92	-4.796	23.00162
2067/68	19	-7.272	52.88198	12.44	-3.276	10.73218
2068/69	16.21	-10.062	101.2438	17.97	2.254	5.080516
02069/70	19.93	-6.342	40.22096	20.95	5.234	27.39476
x	131.36		595.6801	78.58		66.55012
Mean()	26.272			15.716		13.31002
SD()	10.91494			3.648291		
C.V.(%)	0.415459			0.232139		

(Source : Balance Sheet and Profit and Loss Account of Everest Bank Limited and NABIL Bank)

ANNEX -26

Market Value Per Share to Book Value Per Share						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	15.23	6.944	48.21914	4.73	0.168	0.028224
2066/67	9.01	0.724	0.524176	3.29	-1.272	1.617984
2067/68	5.57	-2.716	7.376656	3.72	-0.842	0.708964
2068/69	5.01	-3.276	10.73218	4.69	0.128	0.016384
02069/70	6.61	-1.676	2.808976	6.38	1.818	3.305124
x	41.43		69.66112	22.81		5.67668
Mean()	8.286			4.562		1.135336
SD()	3.732589			1.065521		
C.V.(%)	0.450469			0.233565		

(Source : Balance Sheet and Profit and Loss Account of Everest Bank Limited and NABIL Bank)

ANNEX -27

Debt to Equity Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x		d ²	x		d ²
2065/66	13.02	1.440	2.0736	15.57	1.89	3.5721
2066/67	12.59	1.010	1.0201	14	0.32	0.1024
2067/68	11.73	0.150	0.0225	13.85	0.17	0.0289
2068/69	10.61	-0.970	0.9409	12.36	-1.32	1.7424
02069/70	9.95	-1.630	2.6569	12.62	-1.06	1.1236
x	57.9		6.714	68.4		6.5694
Mean()	11.58			13.68		1.31388
SD()	1.158792			1.146246		
C.V.(%)	0.100068			0.08379		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -28

Debt to Assets Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d	d ²	x	d	d ²
2065/66	0.93	0.010	1E-04	0.93	-0.002	4E-06
2066/67	0.93	0.010	1E-04	0.93	-0.002	4E-06
2067/68	0.92	0.000	0	0.93	-0.002	4E-06
2068/69	0.91	-0.010	0.0001	0.93	-0.002	4E-06
02069/70	0.91	-0.010	0.0001	0.94	0.008	6.4E-05
x	4.6		0.0004	4.66		8E-05
Mean(	0.92			0.932		1.6E-05
SD(	0.008944			0.004		
C.V.(%)	0.009722			0.004292		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -29

Interest Coverage Ratio						
Fiscal Year	NABIL BANK LIMITED			EVEREST BANK LIMITED		
	x	d	d ²	x	d	d ²
2065/66	1.36	0.288	0.082944	1.05	0.204	0.041616
2066/67	0.87	-0.202	0.040804	0.86	0.014	0.000196
2067/68	0.7	-0.372	0.138384	0.6	-0.246	0.060516
2068/69	0.84	-0.232	0.053824	0.62	-0.226	0.051076
02069/70	1.59	0.518	0.268324	1.1	0.254	0.064516
x	5.36		0.58428	4.23		0.21792
Mean(	1.072			0.846		0.043584
SD(	0.341842			0.208768		
C.V.(%)	0.318883			0.24677		

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

ANNEX -30

Coefficient of Correlation between Total Deposits(x) and Loan & Advance(y) of NABIL BANK LIMITED

Fiscal Year	x	y	x×y
2065/66	40,760,470,441.00	27,589,933,041.00	1,124,578,650,186,850,000,000.00
2066/67	48,315,482,818.00	32,268,873,283.00	1,559,086,192,661,010,000,000.00
2067/68	53,574,920,380.00	38,034,097,554.00	2,037,673,748,180,700,000,000.00
2068/69	57,766,511,889.00	41,605,682,634.00	2,403,415,160,526,920,000,000.00
2069/70	66,552,115,160.00	46,369,834,571.00	3,086,010,570,319,340,000,000.00
	266,969,500,688.00	185,868,421,083.00	10,210,764,321,874,800,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
1.66142E+21	7.61204E+20
2.33439E+21	1.04128E+21
2.87027E+21	1.44659E+21
3.33697E+21	1.73103E+21
4.42918E+21	2.15016E+21
14,632,227,852,323,300,000,000.00	7,130,271,550,491,400,000,000.00

$$r = 0.944314137$$

Coefficient of Correlation between Total Deposits(x) and Loan & Advance(y) of Everest Bank

Fiscal Year	x	y	x×y
2065/66	33,322,946,246.00	23,884,673,616.00	795,907,695,009,222,000,000.00
2066/67	36,932,310,008.00	27,556,356,032.00	1,017,719,883,664,640,000,000.00
2067/68	41,127,914,339.00	31,057,691,462.00	1,277,338,074,016,230,000,000.00
2068/69	50,006,100,272.00	35,910,974,676.00	1,795,767,800,513,310,000,000.00
2069/70	57,720,464,632.00	43,393,187,065.00	2,504,674,919,255,090,000,000.00
	219,109,735,497.00	161,802,882,851.00	7,391,408,372,458,500,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
1.11042E+21	5.70478E+20
1.364E+21	7.59353E+20
1.69151E+21	9.6458E+20
2.50061E+21	1.2896E+21
3.33165E+21	1.88297E+21
9,998,181,708,664,230,000,000.00	5,466,977,376,292,370,000,000.00

$$r = 0.994508575$$

ANNEX -31

Coefficient of Correlation between Total Deposits(x) and Investment(y) of NABIL BANK LIMITED

Fiscal Year	x	y	x×y
2065/66	40,760,470,441.00	10,826,379,001.00	441,288,301,253,324,000,000.00
2066/67	48,315,482,818.00	13,670,916,613.00	660,516,936,721,712,000,000.00
2067/68	53,574,920,380.00	13,081,205,527.00	700,824,544,583,441,000,000.00
2068/69	57,766,511,889.00	14,076,850,055.00	813,170,526,061,828,000,000.00
2069/70	66,552,115,160.00	16,332,043,012.00	1,086,932,007,332,700,000,000.00
	266,969,500,688.00	67,987,394,208.00	3,702,732,315,953,000,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
1.66142E+21	1.1721E+20
2.33439E+21	1.86894E+20
2.87027E+21	1.71118E+20
3.33697E+21	1.98158E+20
4.42918E+21	2.66736E+20
14,632,227,852,323,300,000,000.00	940,115,717,769,280,000,000.00

$$r = 0.944314137$$

Coefficient of Correlation between Total Deposits(x) and Investment(y) of Everest Bank

Fiscal Year	x	y	x×y
2065/66	33,322,946,246.00	5,948,480,273.00	198,220,888,382,570,000,000.00
2066/67	36,932,310,008.00	5,008,307,589.00	184,968,368,492,367,000,000.00
2067/68	41,127,914,339.00	7,743,928,321.00	318,491,620,633,444,000,000.00
2068/69	50,006,100,272.00	7,863,627,165.00	393,229,328,514,613,000,000.00
2069/70	57,720,464,632.00	9,263,858,419.00	534,714,212,229,745,000,000.00
	219,109,735,497.00	35,828,201,767.00	1,629,624,418,252,740,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
1.11042E+21	3.53844E+19
1.364E+21	2.50831E+19
1.69151E+21	5.99684E+19
2.50061E+21	6.18366E+19
3.33165E+21	8.58191E+19
9,998,181,708,664,230,000,000.00	268,091,693,302,494,000,000.00

$$r = 0.887654408$$

ANNEX -32

Coefficient of Correlation between Investment(x) and Net Profit (y) of NABIL BANK LIMITED

Fiscal Year	x	y	x×y
2065/66	10,826,379,001.00	1,031,053,098.00	11,162,571,609,103,200,000.00
2066/67	13,670,916,613.00	1,139,099,399.00	15,572,532,897,647,400,000.00
2067/68	13,081,205,527.00	1,337,745,485.00	17,499,323,632,101,300,000.00
2068/69	14,076,850,055.00	1,696,276,110.00	23,878,224,452,348,700,000.00
2069/70	16,332,043,012.00	2,218,761,843.00	36,236,913,853,260,400,000.00
	67,987,394,208.00	7,422,935,935.00	104,349,566,444,461,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
1.1721E+20	1.06307E+18
1.86894E+20	1.29755E+18
1.71118E+20	1.78956E+18
1.98158E+20	2.87735E+18
2.66736E+20	4.9229E+18
940,115,717,769,280,000,000.00	11,950,437,671,644,900,000.00

$$r = 0.89503907$$

Coefficient of Correlation between Investment(x) and Net Profit(y) of Everest Bank

Fiscal Year	x	y	x×y
2065/66	5,948,480,273.00	638,732,757.00	3,799,489,204,733,400,000.00
2066/67	5,008,307,589.00	831,765,632.00	4,165,738,127,014,980,000.00
2067/68	7,743,928,321.00	931,303,628.00	7,211,948,540,319,250,000.00
2068/69	7,863,627,165.00	1,090,564,222.00	8,575,790,441,296,290,000.00
2069/70	9,263,858,419.00	1,471,117,291.00	13,628,222,301,566,800,000.00
	35,828,201,767.00	4,963,483,530.00	37,381,188,614,930,700,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
3.53844E+19	4.0798E+17
2.50831E+19	6.91834E+17
5.99684E+19	8.67326E+17
6.18366E+19	1.18933E+18
8.58191E+19	2.16419E+18
268,091,693,302,494,000,000.00	5,320,656,455,152,790,000.00

$$r = 0.858381199$$

ANNEX -33

Coefficient of Correlation between Loan and Advances(x) and Net Profit (y) of NABIL BANK LIMITED.

Fiscal Year	x	y	x×y
2065/66	27,589,933,041.00	1,031,053,098.00	28,446,685,935,535,600,000.00
2066/67	32,268,873,283.00	1,139,099,399.00	36,757,454,163,072,500,000.00
2067/68	38,034,097,554.00	1,337,745,485.00	50,879,942,278,913,000,000.00
2068/69	41,605,682,634.00	1,696,276,110.00	70,574,725,492,296,100,000.00
2069/70	46,369,834,571.00	2,218,761,843.00	102,883,619,612,357,000,000.00
	185,868,421,083.00	7,422,935,935.00	289,542,427,482,174,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
7.61204E+20	1.06307E+18
1.04128E+21	1.29755E+18
1.44659E+21	1.78956E+18
1.73103E+21	2.87735E+18
2.15016E+21	4.9229E+18
7,130,271,550,491,400,000,000.00	11,950,437,671,644,900,000.00

$$r = 0.949037572$$

Coefficient of Correlation between Loan and Advances(x) and Net Profit (y) of Everest Bank

Fiscal Year	x	y	x×y
2065/66	27,589,933,041.00	638,732,757.00	17,622,593,996,723,300,000.00
2066/67	32,268,873,283.00	831,765,632.00	26,840,139,780,162,400,000.00
2067/68	38,034,097,554.00	931,303,628.00	35,421,293,039,746,100,000.00
2068/69	41,605,682,634.00	1,090,564,222.00	45,373,668,912,527,100,000.00
2069/70	46,369,834,571.00	1,471,117,291.00	68,215,465,418,207,700,000.00
	185,868,421,083.00	4,963,483,530.00	193,473,161,147,367,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
7.61204E+20	4.0798E+17
1.04128E+21	6.91834E+17
1.44659E+21	8.67326E+17
1.73103E+21	1.18933E+18
2.15016E+21	2.16419E+18
7,130,271,550,491,400,000,000.00	5,320,656,455,152,790,000.00

$$r = 0.961453732$$

ANNEX - 34

Regression between Net Profit as independent variable (x) and Total Deposit as dependent variable (y) of NABIL BANK LIMITED.

$$y = a + bx$$

Fiscal Year	x	y	x×y
2065/66	1,031,053,098.00	40,760,470,441.00	4.20262E+19
2066/67	1,139,099,399.00	48,315,482,818.00	5.50361E+19
2067/68	1,337,745,485.00	53,574,920,380.00	7.16696E+19
2068/69	1,696,276,110.00	57,766,511,889.00	9.7988E+19
2069/70	2,218,761,843.00	66,552,115,160.00	1.47663E+20
	7,422,935,935.00	266,969,500,688.00	414,383,202,375,380,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
1.06307E+18	1.66142E+21
1.29755E+18	2.33439E+21
1.78956E+18	2.87027E+21
2.87735E+18	3.33697E+21
4.9229E+18	4.42918E+21
11,950,437,671,644,900,000.00	14,632,227,852,323,300,000,000.00

$$y = 1915618785 + 34.67514862 x$$

$$r = 0.962534079$$

$$t = 6.1482$$

Regression between Net Profit as independent variable (x) and Total Deposit as dependent variable (y) of Everest Bank.

Fiscal Year	x	y	x×y
2065/66	638,732,757.00	33,322,946,246.00	2.12845E+19
2066/67	831,765,632.00	36,932,310,008.00	3.0719E+19
2067/68	931,303,628.00	41,127,914,339.00	3.83026E+19
2068/69	1,090,564,222.00	50,006,100,272.00	5.45349E+19
2069/70	1,471,117,291.00	57,720,464,632.00	8.49136E+19
	4,963,483,530.00	219,109,735,497.00	229,754,496,741,155,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
4.0798E+17	1.11042E+21
6.91834E+17	1.364E+21
8.67326E+17	1.69151E+21
1.18933E+18	2.50061E+21
2.16419E+18	3.33165E+21
5,320,656,455,152,790,000.00	9,998,181,708,664,230,000,000.00

$$y = 955707937.9 + 43.18160713 x$$

$$r = 0.98057329$$

$$t = 8.6586$$

ANNEX – 35

Regression between Net Profit as independent variable (x) and Loan and Advance (y) as dependent variable (y) of NABIL BANK LIMITED.

Fiscal Year	x	y	x×y
2065/66	1,031,053,098.00	27,589,933,041.00	2.84467E+19
2066/67	1,139,099,399.00	32,268,873,283.00	3.67575E+19
2067/68	1,337,745,485.00	38,034,097,554.00	5.08799E+19
2068/69	1,696,276,110.00	41,605,682,634.00	7.05747E+19
2069/70	2,218,761,843.00	46,369,834,571.00	1.02884E+20
	7,422,935,935.00	185,868,421,083.00	289,542,427,482,174,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
1.06307E+18	7.61204E+20
1.29755E+18	1.04128E+21
1.78956E+18	1.44659E+21
2.87735E+18	1.73103E+21
4.9229E+18	2.15016E+21
11,950,437,671,644,900,000.00	7,130,271,550,491,400,000,000.00

$$y = 1204208475 + 24.22860446 x$$

$$r = 0.949037572$$

$$t = 5.2156$$

Regression between Net Profit as independent variable (x) and Loan and Advances as dependent variable (y) of Everest Bank.

Fiscal Year	x	y	$x \times y$
2065/66	638,732,757.00	23,884,673,616.00	1.52559E+19
2066/67	831,765,632.00	27,556,356,032.00	2.29204E+19
2067/68	931,303,628.00	31,057,691,462.00	2.89241E+19
2068/69	1,090,564,222.00	35,910,974,676.00	3.91632E+19
2069/70	1,471,117,291.00	43,393,187,065.00	6.38365E+19
	4,963,483,530.00	161,802,882,851.00	170,100,186,016,944,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
4.0798E+17	7.61204E+20
6.91834E+17	1.04128E+21
8.67326E+17	1.44659E+21
1.18933E+18	1.73103E+21
2.16419E+18	2.15016E+21
5,320,656,455,152,790,000.00	7,130,271,550,491,400,000,000.00

$$y = 624286927.8 + 31.9697743 x$$

$$r = 0.961453732$$

$$t = 6.0563$$

ANNEX – 36

Regression between Net Profit as independent variable (x) and Investment as dependent variable (y) of NABIL BANK LIMITED.

Fiscal Year	x	y	$x \times y$
2065/66	1,031,053,098.00	10,826,379,001.00	1.11626E+19
2066/67	1,139,099,399.00	13,670,916,613.00	1.55725E+19
2067/68	1,337,745,485.00	13,081,205,527.00	1.74993E+19
2068/69	1,696,276,110.00	14,076,850,055.00	2.38782E+19
2069/70	2,218,761,843.00	16,332,043,012.00	3.62369E+19
	7,422,935,935.00	67,987,394,208.00	104,349,566,444,461,000,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
1.06307E+18	1.1721E+20
1.29755E+18	1.86894E+20
1.78956E+18	1.71118E+20
2.87735E+18	1.98158E+20
4.9229E+18	2.66736E+20
11,950,437,671,644,900,000.00	940,115,717,769,280,000,000.00

$y = 634269161.1 + 8.731861486 x$
 $r = 0.89503907$
 $t = 3.4760$

Regression between Net Profit as independent variable (x) and Investment as dependent variable (y) of Everest Bank.

Fiscal Year	x	y	$x \times y$
2065/66	638,732,757.00	5,948,480,273.00	3.79949E+18
2066/67	831,765,632.00	5,008,307,589.00	4.16574E+18
2067/68	931,303,628.00	7,743,928,321.00	7.21195E+18
2068/69	1,090,564,222.00	7,863,627,165.00	8.57579E+18
2069/70	1,471,117,291.00	9,263,858,419.00	1.36282E+19
	4,963,483,530.00	35,828,201,767.00	37,381,188,614,930,700,000.00

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

x^2	y^2
4.0798E+17	3.53844E+19
6.91834E+17	2.50831E+19
8.67326E+17	5.99684E+19
1.18933E+18	6.18366E+19
2.16419E+18	8.58191E+19
5,320,656,455,152,790,000.00	268,091,693,302,494,000,000.00

$y = 191278615 + 7.025672289 x$
 $r = 0.858381199$
 $t = 2.8981$

ANNEX – 37

Trend Line Analysis of Total Deposit of NABIL BANK LIMITED .

$y = a + bx$

Fiscal Year	x	y	$x \times y$	x^2	$y = 53393900138 + 764041837.1x$
2065/66	-2.00	40,760,470,441.00	-81520940882	4	51,865,816,463.32
2066/67	-1.00	48,315,482,818.00	-48315482818	1	52,629,858,300.46
2067/68	0.00	53,574,920,380.00	0	0	53,393,900,137.60
2068/69	1.00	57,766,511,889.00	57766511889	1	54,157,941,974.74
2069/70	2.00	66,552,115,160.00	1.33104E+11	4	54,921,983,811.88
	0.00	266,969,500,688.00	61,034,318,509.00	10.00	

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

Future projection for next five Fiscal Year

Fiscal Year	$y=53393900138+764041837.1x$
2070/71	55,686,025,649.02
2071/72	56,450,067,486.16
2072/73	57,214,109,323.30
2073/74	57,978,151,160.44
2074/75	58,742,192,997.58

Trend Line Analysis of Total Deposit of Everest Bank.

Fiscal Year	x	y	x×y	x ²	$y=43821947099+1804687994x$
2065/66	-2.00	33,322,946,246.00	-66645892492	4	40,212,571,112.08
2066/67	-1.00	36,932,310,008.00	-36932310008	1	42,017,259,105.74
2067/68	0.00	41,127,914,339.00	0	0	43,821,947,099.40
2068/69	1.00	50,006,100,272.00	50006100272	1	45,626,635,093.06
2069/70	2.00	57,720,464,632.00	1.15441E+11	4	47,431,323,086.72
	0.00	219,109,735,497.00	61,868,827,036.00	10.00	

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

Future projection for next five Fiscal Year

Fiscal Year	$y=43821947099+1804687994x$
2070/71	49,236,011,080.38
2071/72	51,040,699,074.04
2072/73	52,845,387,067.70
2073/74	54,650,075,061.36
2074/75	56,454,763,055.02

ANNEX – 38

Trend Line Analysis of Loan and Advances of NABIL BANK LIMITED .

Fiscal Year	x	y	x×y	x ²	$y=37173684217+972292819.4x$
2065/66	-2.00	27,589,933,041.00	-55179866082	4	35,229,098,577.72
2066/67	-1.00	32,268,873,283.00	-32268873283	1	36,201,391,397.16
2067/68	0.00	38,034,097,554.00	0	0	37,173,684,216.60
2068/69	1.00	41,605,682,634.00	41605682634	1	38,145,977,036.04
2069/70	2.00	46,369,834,571.00	92739669142	4	39,118,269,855.48
	0.00	185,868,421,083.00	46,896,612,411.00	10.00	

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

Future projection for next five Fiscal Year

Fiscal Year	$y=37173684217+972292819.4x$
2070/71	40,090,562,674.92
2071/72	41,062,855,494.36
2072/73	42,035,148,313.80
2073/74	43,007,441,133.24
2074/75	43,979,733,952.68

Trend Line Analysis of Loan and Advances of Everest Bank.

Fiscal Year	x	y	x×y	x ²	y=32360576570+1501106897x
2065/66	-2.00	23,884,673,616.00	-47769347232	4	29,358,362,775.84
2066/67	-1.00	27,556,356,032.00	-27556356032	1	30,859,469,673.02
2067/68	0.00	31,057,691,462.00	0	0	32,360,576,570.20
2068/69	1.00	35,910,974,676.00	35910974676	1	33,861,683,467.38
2069/70	2.00	43,393,187,065.00	86786374130	4	35,362,790,364.56
	0.00	161,802,882,851.00	47,371,645,542.00	10.00	

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

Future projection for next five Fiscal Year

Fiscal Year	y=32360576570+1501106897x
2070/71	36,863,897,261.74
2071/72	38,365,004,158.92
2072/73	39,866,111,056.10
2073/74	41,367,217,953.28
2074/75	42,868,324,850.46

ANNEX – 39

Trend Line Analysis of Investment of NABIL BANK LIMITED.

Fiscal Year	x	y	x×y	x ²	y=13597478842-218021737.8x
2065/66	-2.00	10,826,379,001.00	-21652758002	4	14,033,522,317.12
2066/67	-1.00	13,670,916,613.00	-13670916613	1	13,815,500,579.36
2067/68	0.00	13,081,205,527.00	0	0	13,597,478,841.60
2068/69	1.00	14,076,850,055.00	14076850055	1	13,379,457,103.84
2069/70	2.00	16,332,043,012.00	32664086024	4	13,161,435,366.08
	0.00	67,987,394,208.00	11,417,261,464.00	10.00	

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

Future projection for next five Fiscal Year

Fiscal Year	y=13597478842-218021737.8x
2070/71	12,943,413,628.32
2071/72	12,725,391,890.56
2072/73	12,507,370,152.80
2073/74	12,289,348,415.04
2074/75	12,071,326,677.28

Trend Line Analysis of Investment of Everest Bank.

Fiscal Year	x	y	x×y	x ²	y=7165640353+232043551.5x
2065/66	-2.00	5,948,480,273.00	-11896960546	4	6,701,553,250.48
2066/67	-1.00	5,008,307,589.00	-5008307589	1	6,933,596,801.94
2067/68	0.00	7,743,928,321.00	0	0	7,165,640,353.40
2068/69	1.00	7,863,627,165.00	7863627165	1	7,397,683,904.86
2069/70	2.00	9,263,858,419.00	18527716838	4	7,629,727,456.32
	0.00	35,828,201,767.00	9,486,075,868.00	10.00	

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

Future projection for next five Fiscal Year

Fiscal Year	$y=7165640353+232043551.5x$
2070/71	7,861,771,007.78
2071/72	8,093,814,559.24
2072/73	8,325,858,110.70
2073/74	8,557,901,662.16
2074/75	8,789,945,213.62

ANNEX – 40

Trend Line Analysis of Net Profit of NABIL BANK LIMITED.

Fiscal Year	x	y	x×y	x²	$y=1484587187+14400701.4x$
2065/66	-2.00	1,031,053,098.00	-2062106196	4	1,194,985,784.20
2066/67	-1.00	1,139,099,399.00	-1139099399	1	1,339,786,485.60
2067/68	0.00	1,337,745,485.00	0	0	1,484,587,187.00
2068/69	1.00	1,696,276,110.00	1696276110	1	1,629,387,888.40
2069/70	2.00	2,218,761,843.00	4437523686	4	1,774,188,589.80
	0.00	7,422,935,935.00	2,932,594,201.00	10.00	

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

Future projection for next five Fiscal Year

Fiscal Year	$y=1484587187+14400701.4x$
2070/71	1,918,989,291.20
2071/72	2,063,789,992.60
2072/73	2,208,590,694.00
2073/74	2,353,391,395.40
2074/75	2,498,192,096.80

Trend Line Analysis of Net Profit of Everest Bank.

Fiscal Year	x	y	x×y	x²	$Y=992696706+93087095.2x$
2065/66	-2.00	638,732,757.00	-1277465514	4	806,522,515.60
2066/67	-1.00	831,765,632.00	-831765632	1	899,609,610.80
2067/68	0.00	931,303,628.00	0	0	992,696,706.00
2068/69	1.00	1,090,564,222.00	1090564222	1	1,085,783,801.20
2069/70	2.00	1,471,117,291.00	2942234582	4	1,178,870,896.40
	0.00	4,963,483,530.00	1,923,567,658.00	10.00	

(Source : Balance Sheet of Everest Bank Limited and NABIL Bank)

Future projection for next five Fiscal Year

Fiscal Year	$Y=992696706+93087095.2x$
2070/71	1,271,957,991.60
2071/72	1,365,045,086.80
2072/73	1,458,132,182.00
2073/74	1,551,219,277.20
2074/75	1,644,306,372.40

Everest Bank Limited (A Joint Venture with Panjab National Bank India)

Balance Sheet

as on.....

	Year				
	2069/70	2068/69	2067/68	2066/67	2065/66
Capital and Laibilities					
Share Capital	1,921,239,051.00	1,761,126,410.00	1,391,570,439.00	1,279,607,490.00	838,821,000.00
Reserve and Surplus	2,906,605,621.00	2,416,176,477.00	1,721,975,617.00	1,479,530,365.00	1,364,804,055.00
Debenture and Bonds	468,845,000.00	-	300,000,000.00	300,000,000.00	300,000,000.00
Loan and Borrowings	402,360,000.00	-	482,000,000.00	404,600,000.00	312,000,000.00
Deposit Laibilities	57,720,464,632.00	50,006,100,272.00	41,127,914,339.00	36,932,310,008.00	33,322,946,246.00
Bills Payable	393,056,902.00	692,398,816.00	49,716,572.00	145,514,679.00	148,655,592.00
Proposed and Unpaid Dividend	820,190,186.00	30,646,879.00	576,897,427.00	276,252,832.00	230,524,766.00
Income Tax Laibilities	23,932,525.00	9,297,074.00	26,900,414.00	(1,136,458.00)	20,522,280.00
Other Laibilities	1,084,456,540.00	897,383,129.00	559,237,454.00	566,081,795.00	378,574,715.00
Total	65,741,150,457.00	55,813,129,057.00	46,236,212,262.00	41,382,760,711.00	36,916,848,654.00
Assets					
Cash In Hand	1,723,208,985.00	1,700,991,770.00	1,048,998,721.00	1,091,500,407.00	944,695,793.00
Balance with NRB	8,205,090,428.00	8,159,753,523.00	4,706,320,590.00	5,625,113,849.00	4,787,163,541.00
Balance with other Banks and Financial Instiuutions	1,287,494,550.00	502,561,014.00	367,543,641.00	1,102,200,747.00	432,511,829.00
Money at Call and Short Notice	-	-	-	-	-
Invetsment	9,263,858,419.00	7,863,627,165.00	7,743,928,321.00	5,008,307,589.00	5,948,480,273.00
Loan, Advances and Bills Purchased	43,393,187,065.00	35,910,974,673.00	31,057,691,462.00	27,556,356,032.00	23,884,673,616.00
Fixed Assets	631,182,801.00	547,925,679.00	460,258,735.00	463,094,391.00	427,157,451.00
Non-Banking Assets	-	-	-	-	-
Other Assets	1,237,128,209.00	1,127,295,233.00	851,470,792.00	536,187,696.00	492,166,151.00
Total	65,741,150,457.00	55,813,129,057.00	46,236,212,262.00	41,382,760,711.00	36,916,848,654.00

NABIL Bank Limited
Balance Sheet
as on.....

	Year				
	2069/70	2068/69	2067/68	2066/67	2065/66
Capital and Laibilities					
Share Capital	3,046,051,750.00	2,435,723,280.00	2,029,769,400.00	2,028,773,600.00	965,747,000.00
Reserve and Surplus	3,643,092,761.00	3,024,800,828.00	2,536,747,621.00	1,805,980,925.00	2,164,493,637.00
Non Controlling Interest	-	30,336,486.00	-	-	-
Debenture and Bonds	300,000,000.00	300,000,000.00	300,000,000.00	300,000,000.00	300,000,000.00
Loan and Borrowings	-	311,080,000.00	1,650,599,178.00	74,900,000.00	1,681,305,000.00
Deposit Laibilities	63,609,808,199.00	54,905,676,208.00	49,696,112,934.00	46,410,700,628.00	37,348,255,840.00
Bills Payable	529,597,845.00	179,142,358.00	415,767,753.00	425,443,908.00	463,138,615.00
Proposed and Unpaid Dividend	974,736,560.00	811,907,760.00	608,930,820.00	434,737,200.00	361,325,024.00
Income Tax Laibilities	66,872,707.00	51,106,490.00	44,104,071.00	24,904,405.00	80,232,454.00
Other Laibilities	1,071,099,849.00	1,207,599,073.00	859,405,624.00	644,796,677.00	502,899,934.00
Total	73,241,259,671.00	63,257,372,483.00	58,141,437,401.00	52,150,237,343.00	43,867,397,504.00
Assets					
Cash In Hand	1,140,212,319.00	1,050,668,504.00	744,592,259.00	635,986,600.00	674,395,434.00
Balance with NRB	4,789,295,130.00	3,681,980,327.00	1,473,986,407.00	549,454,618.00	2,648,596,348.00
Balance with other Banks and Financial Instiutions	(46,938,948.00)	(438,602,825.00)	217,970,918.00	214,656,586.00	49,520,689.00
Money at Call and Short Notice	1,634,306,157.00	826,435,677.00	2,452,511,778.00	3,118,144,000.00	552,888,297.00
Invetsment	16,332,043,012.00	14,076,850,055.00	13,081,205,527.00	13,670,916,613.00	10,826,379,001.00
Loan, Advances and Bills Purchased	46,369,834,571.00	41,605,682,634.00	38,034,097,554.00	32,268,873,283.00	27,589,933,041.00
Fixed Assets	872,322,039.00	894,495,291.00	935,088,667.00	779,539,760.00	660,988,986.00
Non-Banking Assets	-	-	-	-	-
Other Assets	2,150,185,391.00	1,559,862,820.00	1,201,984,291.00	912,665,883.00	864,695,708.00
Total	73,241,259,671.00	63,257,372,483.00	58,141,437,401.00	52,150,237,343.00	43,867,397,504.00

Everest Bank Limited (A Joint Venture with Panjab National Bank India)

**Profit and Loss Account
for the year ended.....**

	Year				
	2069/70	2068/69	2067/68	2066/67	2065/66
Interest Income	4,936,924,072.00	4,959,998,415.00	4,331,026,087.00	3,102,451,484.00	2,186,814,992.00
Interest Expenses	2,179,182,368.00	2,873,334,682.00	2,535,875,552.00	1,572,790,306.00	1,012,874,353.00
Net Interest Income	2,757,741,704.00	2,086,663,733.00	1,795,150,535.00	1,529,661,178.00	1,173,940,639.00
Commission and Discount	266,820,914.00	233,569,801.00	203,468,424.00	208,123,481.00	202,094,446.00
Other Operating Income	249,385,306.00	179,822,385.00	148,061,979.00	142,311,427.00	106,403,694.00
Exchange Income	98,905,369.00	109,679,321.00	46,259,065.00	47,879,967.00	62,526,819.00
Total Operating Income	3,372,853,293.00	2,609,735,240.00	2,192,940,003.00	1,927,976,053.00	1,544,965,598.00
Staff Expenses	461,809,285.00	352,050,004.00	293,130,567.00	226,364,009.00	186,919,870.00
Other Operating Expenses	509,487,902.00	467,292,948.00	383,112,054.00	352,511,231.00	292,010,522.00
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision for possible loss	2,401,556,106.00	1,790,392,288.00	1,516,697,382.00	1,349,100,813.00	1,066,035,206.00
Provision for Possible Losses	98,807,333.00	252,054,098.00	98,299,482.00	77,010,625.00	93,084,880.00
Operaing Profit	2,302,748,773.00	1,538,338,190.00	1,418,397,900.00	1,272,090,188.00	972,950,326.00
Non-Operating Income/Loss	8,336,601.00	25,155,849.00	1,433,385.00	12,338,972.00	5,005,256.00
Write-back from Loan Loss Provision	88,312.00	150,348,539.00	56,337,478.00	83,553,461.00	8,044,170.00
Profit from Regular Activities	2,311,173,686.00	1,713,842,578.00	1,476,168,763.00	1,367,982,621.00	985,999,752.00
Profit/Loss from transection of extraordinary nature	(88,312.00)	-	(12,051,522.00)	(61,192,476.00)	(5,549,170.00)
Profit after inclusion of all transection	2,311,085,374.00	1,713,842,578.00	1,464,117,241.00	1,306,790,145.00	980,450,582.00
Provision for Staff Bonus	210,098,670.00	155,803,870.00	133,101,567.00	118,799,104.00	89,131,871.00
Provision for Income Tax		-	-	-	-
Current Tax for the year	655,436,284.00	478,355,956.00	427,531,909.00	357,020,130.00	276,864,301.00
Defferred Tax	106,774.00	-	560,247.00	-	(24,278,347.00)
For Previous Year	(25,673,645.00)	(10,881,741.00)	(28,380,110.00)	(794,721.00)	-
Net Profit/Loss	1,471,117,291.00	1,090,564,493.00	931,303,628.00	831,765,632.00	638,732,757.00

NABIL Bank Limited
Profit and Loss Account
for the year ended.....

	Year				
	2069/70	2068/69	2067/68	2066/67	2065/66
Interest Income	5,702,122,918.00	6,145,750,888.00	5,254,030,458.00	4,047,725,656.00	2,798,486,196.00
Interest Expenses	2,186,184,871.00	3,152,940,354.00	2,955,430,746.00	1,960,107,902.00	1,153,280,052.00
Net Interest Income	3,515,938,047.00	2,992,810,534.00	2,298,599,712.00	2,087,617,754.00	1,645,206,144.00
Commission and Discount	393,050,514.00	367,676,396.00	290,855,057.00	215,481,543.00	179,693,027.00
Other Operating Income	209,905,066.00	207,295,626.00	180,570,347.00	169,548,006.00	144,164,143.00
Exchange Income	489,051,079.00	447,070,485.00	276,102,798.00	291,440,756.00	251,919,712.00
Total Operating Income	4,607,944,706.00	4,014,853,041.00	3,046,127,914.00	2,764,088,059.00	2,220,983,026.00
Staff Expenses	646,759,675.00	505,008,894.00	454,041,892.00	366,940,054.00	339,897,913.00
Other Operating Expenses	468,781,187.00	432,880,991.00	401,425,357.00	334,186,212.00	265,158,033.00
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision for possible loss	3,492,403,844.00	3,076,963,156.00	2,190,660,665.00	2,062,961,793.00	1,615,927,080.00
Provision for Possible Losses	27,450,911.00	413,948,680.00	109,470,414.00	355,829,115.00	45,722,434.00
Operaing Profit	3,464,952,933.00	2,663,014,476.00	2,081,190,251.00	1,707,132,678.00	1,570,204,646.00
Non-Operating Income/Loss	13,468,572.00	9,939,751.00	6,981,078.00	6,454,724.00	2,190,102.00
Write-back from Loan Loss Provision	24,727,701.00	-	7,101,374.00	39,791,809.00	10,617,867.00
Profit from Regular Activities	3,503,149,206.00	2,672,954,227.00	2,095,272,703.00	1,753,379,211.00	1,583,012,615.00
Profit/Loss from transection of extraordinary nature	(17,454,214.00)	(3,036,749.00)	3,148,475.00	34,321,843.00	43,521,866.00
Profit after inclusion of all transection	3,485,694,992.00	2,669,917,478.00	2,098,421,178.00	1,787,701,054.00	1,626,534,481.00
Provision for Staff Bonus	316,255,521.00	243,074,316.00	190,943,019.00	162,518,278.00	147,866,771.00
Provision for Income Tax	-	-	-	-	-
Current Tax for the year	946,885,251.00	731,904,979.00	568,508,522.00	472,823,385.00	470,701,921.00
Defferred Tax	5,791,658.00	(8,206,539.00)	212,364.00	831,939.00	918,745.00
For Previous Year	(1,999,281.00)	2,769,072.00	1,011,788.00	12,428,055.00	(24,006,054.00)
Net Profit/Loss	2,218,761,843.00	1,700,375,650.00	1,337,745,485.00	1,139,099,397.00	1,031,053,098.00

Everest Bank Limited (A Joint Venture with Panjab National Bank India)

**Profit and Loss Appropriation Account
for the year ended.....**

	Year				
	2069/70	2068/69	2067/68	2066/67	2065/66
Income					
Retained Profit upto last year	437,523,859.00	36,091,697.00	72,621,421.00	82,444,532.00	83,749,704.00
profit for the year	1,471,117,291.00	1,090,564,222.00	931,303,628.00	831,765,632.00	638,732,757.00
Transfer from Premium Account	-	-	-	-	191,646,300.00
Excess Provision of Tax on Bonus share written back	(385,320.00)	-	-	-	1,734,063.00
Total	1,908,255,830.00	1,126,655,919.00	1,003,925,049.00	914,210,164.00	915,862,824.00
Appropriation					
Accmulated Loss upto last year	-	-	-	-	-
Loss for the year	-	-	-	-	-
General Reserve	294,224,000.00	218,113,000.00	186,261,000.00	166,354,000.00	127,747,000.00
Defferred Tax Reserve	25,673,645.00	10,881,471.00	28,380,110.00	794,721.00	24,278,347.00
Bank Development Fund	-	-	-	-	-
Dividend Equalization Fund	-	-	-	-	-
Staff related funds	-	-	-	-	-
Dividend on Preference Share	11,200,000.00	11,200,000.00	11,200,000.00	14,000,000.00	16,347,397.00
Proposed Dividend on Ordinary Share	808,990,186.00	19,446,879.00	565,697,427.00	262,252,832.00	201,732,948.00
Proposed Bonus Share	160,112,641.00	369,940,710.00	111,960,949.00	249,140,190.00	191,646,300.00
Capital Redemption Reserve	-	-	-	-	140,000,000.00
Exchange Equalization Fund	1,704,000.00	-	858,000.00	-	1,666,300.00
Debenture Redemption Fund	46,885,000.00	60,000,000.00	60,000,000.00	60,000,000.00	60,000,000.00
Capital Adjustment Fund	-	-	-	83,047,000.00	64,000,000.00
Investment Adjustment Reserve	-	-	3,475,866.00	-	-
Other Fee Reserve	-	-	-	6,000,000.00	6,000,000.00
Total	1,348,789,472.00	689,582,060.00	967,833,352.00	841,588,743.00	833,418,292.00
Retained Profit/Loss	559,466,358.00	437,073,859.00	36,091,697.00	72,621,421.00	82,444,532.00

NABIL Bank Limited
Profit and Loss Appropriation Account
for the year ended.....

	Year				
	2069/70	2068/69	2067/68	2066/67	2065/66
Income					
Retained Profit upto last year	552,945,653.00	498,933,103.00	4,486,856.00	104,394,171.00	161,699,989.00
profit for the year	2,218,761,843.00	1,700,375,650.00	1,337,745,485.00	1,139,099,399.00	1,031,053,098.00
Exchange Equalization Fund	-	-	-	-	-
Capital Adjustment Reserve	-	-	-	-	-
Investment Adjustment Reserve	-	-	1,011,788.00	12,428,055.00	-
Devidend Equalisation Fund	-	-	-	-	-
Contingent Reserve	400,000.00	226,430.00	100,000,000.00	-	-
Total	2,772,107,496.00	2,199,535,183.00	1,443,244,129.00	1,255,921,625.00	1,192,753,087.00
Appropriation					-
Accmulated Loss upto last year	-	-	-	-	-
Loss for the year	-	-	-	-	-
General Reserve	444,000,000.00	340,000,000.00	268,000,000.00	228,000,000.00	207,000,000.00
Contingent Reserve	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Institution Development Fund	-	-	-	-	-
Dividend Equalization Fund	-	-	-	-	-
Emplyees related Reserve	-	-	-	-	-
Proposed Cash Dividend	974,736,560.00	811,907,760.00	608,930,820.00	434,737,200.00	338,011,450.00
Proposed Stock Dividend	609,210,350.00	405,953,880.00	-	579,649,600.00	482,873,500.00
Sspecial Reserve Fund	-	-	-	-	-
Exchange Fluctuation Fund	24,000,000.00	28,800,000.00	16,100,000.00	6,000,000.00	11,300,000.00
Capital Redemption Reserve	-	-	-	-	-
Capital Adjustment Fund	-	-	-	-	-
Deffered Tax Reserve	1,999,281.00	8,193,129.00	-	-	95,373,040.00
Investment Adjustment Reserve	12,191,027.00	34,211,760.00	55,819,404.00	4,000,000.00	-
Other Fee Reserve	-	-	-	-	-
Total	2,067,137,218.00	1,630,066,529.00	949,850,224.00	1,253,386,800.00	1,135,557,990.00
Retained Profit/Loss	704,970,278.00	569,468,654.00	493,393,905.00	2,534,825.00	57,195,097.00

Other reports