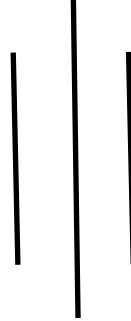


**Comparative SWOT Analysis of  
Nepalese Joint Venture Commercial Bank**  
(A study of SCBNL, NABIL, HBL, EBL,&NBBL)



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*A thesis submitted to:*  
**Office of the Dean**  
**Faculty of Management**  
**Tribhuvan University**

*In partial fulfillment of requirements for the degree of  
Master of Business Studies (M.B.S.)*

**BIRATNAGAR**  
**March 2013**

# ***RECOMMENDATION***

**This is to certify that the thesis:**

*Submitted by:*

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*Entitled*

**Comparative SWOT Analysis of  
Nepalese Joint Venture Commercial Bank  
(A study of SCBNL, NABIL, HBL, EBL,&NBBL)**

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**VIVA-VOCE SHEET**

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Nepalese Joint Venture Commercial Bank**  
(A study of SCBNL, NABIL, HBL, EBL,&NBBL)

*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 requirement for  
Master's Degree in Business Studies (M.B.S.)*

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## **DECLARATION**

I Hereby declare that the work reported in this thesis entitled “**Comparative SWOT Analysis of commercial bank SCBNL, NABIL, HBL, EBL, & NBBL**” submitted to office of the dean, faculty of management, Tribhuvan University is my authentic work done for the partial fulfillment of the requirement of the degree of master of Business studies (M.B.S.) under guidance and supervision of Hiranya Gautam lecture of Post Graduate Campus, Biratnagar, Morang, Nepal.

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## ABBREVIATION

A.D.	Anno Domine
B.S.	Bikram Sambat
BM:	Branch Manager.
C.V.	Co-efficient of variation
CB	Commercial Bank
CD	Credit-Deposit
CRR:	Cash Reserve Ratio
EBL	Everest Bank Limited
EPS	Earning per share
etc:	etcetera.
F/Y	Fiscal Year
HBL:	Himalayan Bank Limited
JVB	Joint Venture Bank
Ltd:	Limited.
MBS	Masters of Business Studies
MPS	Market Price Per Share
MPBL	Machhapuchchhre Bank Limited.
NBBL:	Nepal Bangladesh Bank Limited.
NABIL	Nepal Arab Bank Limited
NEPSE	Nepal Stock Exchange Limited
NPA	Non-Performing Assets
NPL	Non-Performing Loan
NRB	Nepal Rastra Bank
Prof	Professor.
Rs.	Rupees
S.D.	Standard Deviation
SCBNL	Standard Chartered Bank Nepal Limited
T.U.	Tribhuvan University
&:	And

## **CHAPTER- I**

### **INTRODUCTION**

#### **1.1 General Background of the study.**

A Bank is an institution, which deals with money by accepting various types of deposits, disbursing loans and rendering other financial services. Banks render a wide range of services to the people of different walks of life. The term 'Bank' derives from Latin word 'Bancus' which refers to the bench on which the Banker would keep the money and his records. Some persons trace its origin to the French word 'Banque' and the Italian word 'Banca' which means a bench for keeping, lending and exchanging of money or coins in the market place by moneylenders and moneychangers. The concept of Banking has developed from the ancient history with the effort of ancient goldsmith who developed the practice of storing people's gold and valuables. The history reveals that it was the merchant Banker who first evolved the system of Banking by trading in commodities than money. Then they issued different documents as the near substitutes of money, called drafts or hundis in modern days.

As a public enterprise, Banking made its first beginning around the middle of the twelfth century in Italy and the Bank of Venice, founded in 1157 A. D. Broadly speaking, a Bank draws surplus idle money in the hand of public in the form of deposits and supplies that money in the form of loans to those who are in a position to utilize the same for some productive uses. With the passage of time, functions of Banks have increased manifold. Since Banks are rendering a wide range of services to the people of different walks of life, they have become an essential part of modern society.

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 deal in the process of channeling the available resources in the needed sectors. It is the intermediary between the deficit and surplus of financial resources. All the economic activities are directly or indirectly channeled through these Banks. People keep their surplus money as deposits in the Banks and hence Banks can provide such funds to finance the industrial activities in the form of loans and advances.

In our country, the development of Banking is relatively recent. However, some crude Banking operations were in practice even in the ancient times. In Nepalese chronicle, it was recorded that the new era known as Nepal Sambat was introduced by Sankhadhar, a Sudra merchant of Kantipur in 879 A. D or 880 A.D. after having paid all the outstanding debts in the country. The establishment of the 'Tejarath Adda' during the year 1877 A.D. was fully subscribed by the government of Kathmandu Valley, which played a vital role in the Banking system. Hence, the establishment of 'Tejarath Adda' was running smoothly for the following decades.

A Joint Venture is an association of two or more persons or parties, having mutual advantages in a specific operation, and is undertaken to make the operation highly remunerative with their collective efforts. Joint Venture Banks are partnering having alliance Banks with more than one nation. Joint Venture Banks (JVBS) are financial intermediaries, financing deficit units with money deposited to them by surplus units. The financial system of a banking industry in precise is a complex network embracing payments mechanisms and the borrowing and lending of funds. Though they have other important functions, the key role played by these banks in the system is to act as financial intermediaries channeling funds from those with income in excess of their needs to those wishing to borrow.

To the greater extent, economic growth rate is based on the Banks and other financial institutions' performance in an economy. Many researches have revealed that Banks and economic condition are two wheels of the same chariot. Now-a-days, Banking activities are spreading all over the world.

## **Total Commerical Bank of Nepal listed by NRB limited at the End Chhaitra 2068 are shown in Appendix 1**

### **1.1.1 Joint Venture Bank**

Joint Venture Banks are partnering having alliance Banks with more than one nation. Joint Venture Bank (JVBS) are financial intermediaries, financing deficit units with money deposited with them by surplus units. The financial system of a banking industry in precise is a complex network embracing payments mechanisms and the borrowing and lending of

funds. Though they have other important functions, the key role played by these banks in the system is to act of their needs to those wishing to borrow.

One of the pre-requisite for the economic development process is the existing of a sound and healthy financial system, with high level of operating efficiency. The operating efficiency is mainly tested by their ability to mobilize savings and its deployment for production purposes. After the onset of economic liberalization process, there has been visible expansion in the financial system of Nepal. In this connection, Nepalese economy has witnessed several changes in the financial systems as a result of which several JVBs evolved in the last decade.

The overall market is relatively small and existing financial institutions are competing among themselves for their share in it. Few years back, Nepalese owned banks dominated the entire financial market of the country. However, JVBs have been making inroads, starting with Nepal Arab Bank Limited in 1985, Nepal Indosuez Bank in early 1986, Nepal Grindlays Bank in 1987 and Himalayan Bank Limited in 1992. In recent years, several new banks, viz. Nepal Bangladesh Bank, 1993 Nepal SBI Bank, 1993 Bank of Kathmandu 1994 and Everest Bank Limited 1994 have entered the market, and there are nine foreign joint venture banks operating in Nepal.

Joint Venture Banks were established to invite foreign investment and modern technologies to provide financial services to the target market in the kingdom of Nepal.

Government's policy of economic liberalization has opened its doors to private foreign investments in conjunction with Nepalese investors. This has intensified the competition, which has ultimately affected the profitability of the banks. Hence to become successful in the competition environment, all banks are moving ahead with to become the most preferred supplier of financial services to the target market and to become noted for their professionalism of its management and staff; to gain their position as the leading bank in the provision of their financial performance and to be able to provide stable and consistent return to their shareholders.

Therefore to meet the objectives of the JVBs, they are concentrating in their thrust areas, viz., Corporate Banking, Retail and Private Banking, Investment Banking, Credit Cards and Technology and at the same time they must maintain their asset quality by keeping intact the lending standards.

The role and importance of Joint Venture Banking system is extremely enhanced in the prevailing Nepalese economy due to the indispensable functions played by them, as a result of which, they have managed to perform in a significant way by gaining their position as the leading banks.

Nevertheless, Nepalese banking system is still a crossroads; rapid changes to ways of working are needed in order to improve profitability via innovation, flexibility and efficiency. These banks in terms of commitment and financial resources must pay a high price, but they have no choice if they want to remain competitive and set an example towards economic prosperity.

### **1.1.2 Brief profile of the sample Banks.**

#### **EVEREST BANK LTD.(EBL)**

Everest Bank Limited (EBL) started its operations in 1994 with a view and objective of extending professionalized and efficient banking services various segments of society. Panjab National Bank (PNB) the joint venture Partner holding 20% equity in the bank in India. With its presence virtually in all the important center in India. Panjab National Bank offers a wide variety of banking services which include corporate and personal banking, industrial finance, agriculture finance, financing of trade and international banking. As a joint venture bank in Nepal it provide customer friendly services through its Branch Network. All the branches of the bank are connected through Anywhere Branch Banking Service (ABBS) which enables customers for operational transaction any Branch. With an aim to help Nepalese citizens working abroad, the bank has entered into arrangement with bank and finance companies in different countries which enable quick remittance of fund by the Nepalese citizens in different countries.

#### **HIMALAYAN BANK LIMITED (HBL)**

Himalayan Bank Limited was established in 1992 by the distinguished business personalities of Nepal in partnership with Habib Bank Limited, one of the largest commercial banks of Pakistan. Banks operations were commenced form January 1993. It is the first commercial

bank of Nepal with maximum shareholding by Nepalese Private Sector. Besides commercial activities, the bank also offers industrial and merchant banking facilities. The bank at present has the five branches in Kathmandu valley and seven branches outside the valley. The bank is also operating a counter in the premise of the Royal Palace. The bank has a very aggressive plan of establishing more branches in different parts of the kingdom in near future. The bank's policy is to extend quality and personalized service to its customers as promptly as possible. The bank, as far as possible, offers tailor made facilities to its clients, based on the unique needs and requirements, to extend more efficient services to its customers. Himalayan Bank has been adopting innovative and latest banking technology. This has not only helped the bank to constantly improve its service level but has also kept it prepared for future adoption of new technology. HBL has listed on Nepal stock exchange in July 5, 1993. The share participation of the bank is 51% Nepalese Promoters, 14% employment provident fund, 15% general public and 20% Habib Bank of Pakistan.

#### **NABIL BANK LIMITED (NABIL)**

NABIL was established in 1984 as the first JVB in Nepal. Now it has grown large number of branches currently operating in Nepal. Initially, 50% of its share was owned by Dubai Bank Ltd., U.A.E. and 20% of the share by Nepalese Financial Institutions. Remaining Shares were undertaken by the general public of Nepal. The Shares owned by Dubai Bank Ltd. were transformed to Emirates Bank International Ltd. (EBIL), Dubai by virtue of its annexation with the latter. Later on, EBIL sold its entire 50% equity holding to National Bank Ltd., Bangladesh. National Bank Ltd. Bangladesh is managing the Bank in accordance with the technical services agreement signed between it and the Bank on June 1995. The Bank has changed its name from Nepal Arab Bank Limited to NABIL Bank Ltd. from 1<sup>st</sup> January 2002. NABIL has continued to extend its network and has given emphasis for its own office premises. It has laid its commitment for the managerial and technical skill development programs, in house training and training at different institutes in India and the entrepreneurial development program for graduates. The Bank has laid greater emphasis in technology venturing into new areas of banking activities and also for the improvement of quality of manpower.

## **STANDARD CHARTERED BANK NEPAL LIMITED (SCBNL)**

Standard Chartered Bank Nepal Ltd. is the second Joint Venture Bank established in 1985 in association with Australia and New Zealand (ANZ) banking group. Initially, 50% of its share was owned by ANZ Grindlays Bank PLC, 35% by Nepal Bank Limited and 15% by the general public. The shares owned by ANZ Grindlays Bank Ltd., Australia were transferred to Standard Chartered Bank PLC United Kingdom on August 2000. Consequently, the name of the Bank was changed from Nepal Grindlays Bank Limited to Standard Chartered Bank Nepal limited effective from July 16, 2001.

The Bank places a great emphasis on being equipped with the best human resources so as to continue to be the leader of the Banking industry. In order to improve the skills and knowledge of the staffs, the Bank continues to provide development programs, including on the job training and job rotation. In its report, the Bank has stated that it has followed latest performance management technique to measure the staff effectiveness, which involves planning for, agreeing to, achieving & reviewing results for each job position within stipulated time frames. This program links staff to the overall objectives of the Bank giving each employee a clear role to play in the strategic action plans of the organization. The Bank is also using part time employee to improve the service delivery standard especially during peak pressure periods.

The Bank has its own V-Sat international communication link which enables them to centralize data processing in Kathmandu and has greatly improved local and international communication. With the acquisition of the institution by SCB group, the Bank has spent considerable efforts to change the system platform, both software and technology infrastructure.

## **NEPAL BANGLADESH BANK LIMITED(NBBL)**

Nepal Bangladesh Bank Ltd was established in the year 1994 with IFIC Bank Ltd of Bangladesh with the goal to become “The Bank for Everyone”. Over the years bank has been successful to increase the paid up capital to Rs 2 Billion. Its Head Office is situated at New Baneswor, Bijuli Bazar, Kathmandu.

The prime objective of this bank is to render hospitality to the valued customer. With a network of 19 branches and a corporate office, bank has been providing the extensive services to the valued customer. To facilitate the valued customer bank had successfully install 25 ATMs and holiday banking for their convenience.

The bank has earned the glory of making available the services for almost all the top business houses. Top exporter and importers of the country have established banking relationship with the bank with a substantial volume of foreign business which has enhanced the bank's popularity in the international trade font.

With the continuous support of valued customers the bank has made all round progress in every sphere of its operation. This is the first bank to launch the special deposit product for women introducing "Grihini Bachat Khata". Bank ensure all valued customer to deliver the innovative products and services as per requirement which will be highly beneficial to create the value.

### 1.1.3 SWOT

## **Strengths, Weaknesses, Opportunities and Threats (SWOT).**

**SWOT** analysis is a tool for auditing an organization and its environment. It is the first stage of planning and helps marketers to focus on key issues. *SWOT* stands for **strengths, weaknesses, opportunities, and threats**. Strengths and weaknesses are **internal** factors. Opportunities and threats are **external** factors.

**In SWOT, strengths and weaknesses are internal factors. For example: strength could be:**

- Your specialist marketing expertise.
- A new, innovative product or service.
- Location of your business.
- Quality processes and procedures.
- Any other aspect of your business that adds value to your product or service.

A **weakness** could be:

- Lack of marketing expertise.
- Undifferentiated products or services (i.e. in relation to your competitors).
- Location of your business.
- Poor quality goods or services.
- Pamaged reputation.

In *SWOT*, **opportunities and threats are external** factors. For example: An **opportunity** could be:

- A developing market such as the Internet.
- Mergers, joint ventures or strategic alliances.
- Moving into new market segments that offer improved profits.
- A new international market.
- A market vacated by an ineffective competitor.

A **threat** could be:

- A new competitor in your home market.
- Price wars with competitors.
- A competitor has a new, innovative product or service.
- Competitors have superior access to channels of distribution.
- Taxation is introduced on your product or service.

A word of caution, SWOT analysis can be very subjective. Two people rarely come-up with the same final version of SWOT. It simply looks at the negative factors first in order to turn them into positive factors. So use of SWOT should be as guide and not a prescription.

**Simple rules for successful SWOT analysis.**

- Be realistic about the strengths and weaknesses of your organization when conducting **SWOT** analysis.
- SWOT analysis should distinguish between where your organization is today, and where it could be in the future.

- SWOT should always be specific. Avoid grey areas.
- Always apply SWOT in relation to your competition i.e. better than or worse than your competition.
- Keep your SWOT short and simple. Avoid complexity and over analysis
- SWOT is subjective.

Once key issues have been identified with your SWOT analysis, they feed into marketing objectives. **SWOT** can be used in conjunction with other tools for audit and analysis, such as [PEST analysis](#) and Porter's [Five-Forces analysis](#). So SWOT is a very popular tool with marketing students because it is quick and easy to learn.

Here, the focus is on the Financial SWOT which analyses basically on the financial aspects.

## **1.2 FOCUS OF THE STUDY**

This study '**Comparative SWOT Analysis of Nepalese Joint Venture Commercial Banks**' concentrates on the financial performance of Joint Venture Banks operating in Nepal. The performance of the Joint Venture Banks is evaluated along with the brief analysis of the state of the economy, which provides the opportunities as well as threats to the commercial banks. This study is basically focused on financial performance of the selected JVBs to know their impacts on the national economy as a whole. The financial performance of any bank can be evaluated on the basis of meeting of their objectives and fulfillment of the functions. Analyzing financial performance is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of a bank's position and performance.

## **1.3 STATEMENT OF THE PROBLEM**

Due to the economic recession in the nation, there has been lower investment in the agriculture, manufacturing, industrial and financial sectors which has caused lower growth of gross domestic product and hence foreign trade deficit is increasing day by day. JVBs are also facing this economic chaos and difficulties in extending their loan and advances towards the profitable sectors. Because of economic recession, only few entrepreneurs are able to survive and others, who are less competitive, are backing out from the industry. In this situation, banks invest their surplus funds in the non-risky portfolios like treasury bills, or

government securities, which yield lower rate of returns in comparison to credit to be in safer side.

Slower pace of economy with absence of profitable investment opportunities forces people to save their surplus money in form of bank deposits. This results in higher growth of deposit volumes as compared to credits, which affects C/D ratios of banks adversely.

credit supply. The elasticity of credit supply basically depends on the functioning of the central banking system. Central bank has issued directives to regulate the activities of commercial banks with the objective of safeguarding the public sector. Despite of prevailing economic recession in the country, Joint Venture Banks operating in Nepal have managed to perform well in terms of their work efficiency and profitability. However, they are also facing problems in generating an adequate return on their investment and the role of banking sector has been further increased for the upliftment of the country's economy from the present condition. They must attempt to find the potential areas of profitable investment in order to get themselves and the nation away from this economic turmoil.

This study will support in identifying weak areas and determining strategies relating to these banks. The study analyzes not only the financial information of JBVs but also the cause of their **Strength** and **Weakness**. The **Opportunities** and **Threats** facing the Banking sector would be dealt and analyzed as well. This study will be of great importance to the parties concerned and hence the topic has been identified as the problem of the study. This study will cover all the financial aspects of the JVBs and will be highly instrumental in recognizing the potential areas of investment.

In order to appraise the financial performance of these banks the financial ratios are considered as the major tools. The term ratio refers to the numerical or quantitative relationship between two variables. Crucial ratios can be calculated from the balance sheet and profit & loss account. Important ratios like Capital structure ratio, debt equity ratio, liquidity ratio, efficiency ratio, interest coverage ratio and profitable ratios can be calculated from the balance sheet and profit & loss account which will be relevant in evaluating the overall financial performance and the position of the bank.

Besides financial ratios, comparative graphical presentations will also be used for the purpose of presenting the comparative results of the JVBs in an effective way. The main goal of this

study is to identify the problems faced by these banks and to meet the objectives mentioned below.

#### **1.4 OBJECTIVES OF THE STUDY**

The main objective for the purpose of this study is to analyze the **strength ,weakness, opportunities & threats** of the selected Joint Venture Banks. The following additional objectives have been considered

- To inspect the trend in the total loan & advance of Nepalese JVBs.
- To analyze the deposit collection and utilization trend of Nepalese JVBs.
- To decide the relationship between total deposit, loan & advances and other key indicators.
- To evaluate the comparative financial strengths ,weakness, opportunities ,threats of competitive five JVBs.
- To provide package of suggestions and possible guidelines to improve the banking operation in order to maximize the values of their shareholders based on the findings of the study.

#### **1.5 SIGNIFICANCE OF THE STUDY**

Banking sector plays a vital role for the country's economic development and considered as a pre-requisite for the economy. It is source for economic development; it maintains economic confidence of various segments and extends credit to people. The banking sector has to take great responsibilities since the country is undergoing through a deteriorating economic situation.

A analytical comparative financial analysis of five JVBs namely NABIL (Nepal Arab Bank Limited), Standard Chartered Bank Nepal Limited (Nepal Grindlays Bank Limited) Himalayan Bank Limited (Habib Bank of Pakistan),Everest Bank Ltd ( Panjab National Bank) and Nepal Bangladesh Bank Ltd play a great importance for policy makers, academicians, professional bankers, shareholders, management, stock brokers, depositors,

prospective customers, investors and the general public. I believe that this study will be valuable primarily to the students of Finance and the student of account, because they can relate their theoretical knowledge of finance and account to the practical results derived from this study.

The analysis of the financial performance will stress the strength and weakness of these banks and hence this study will be able to provide suggestive improvements for their operation. Furthermore, the comparative financial position of five JVBs will help the shareholders and general public to know the best performing bank in this banking environment.

## **1.6 LIMITATIONS OF THE STUDY**

Basically, the study has been conducted as partial fulfillment of the requirement of the ‘Master of Business Studies’. So this study has the following limitations:

- Among the various JVBs, the study is focused only on five JVBs namely, NABIL, SCBNL, HBL, EBL and NBBL.
- This study covers the period of five years only.
- The study is based on secondary data and the findings will be based on the information provided by the banks.

This study is prepared in a limited period of time for the partial fulfillment of MBS and cannot be considered as masterpiece

## **1.7 ORGANIZATION OF THE STUDY**

The study has been organized in the following chapters in order to make it easy to understand.

The **first chapter** is an introductory chapter which contains background of the study, introduction of commercial banks, focus of the study, statement of the problems, objectives of the study, limitation of the study and organization of the study.

The **second chapter** is concerned with review of literature. This contains conceptual framework, review of legislative provision, review of research paper and published and unpublished master's thesis of T.U.

The **third chapter** is the most important part of the study. It deals with the research methodology, which is applied to collect the data and analyze them in this study. It contains introduction, research design, sources of data, population and sample, financial analysis and statistical analysis.

The **fourth chapter** is analyzing one, which deals with presentation and analysis of relevant data through definite courses of research methodology with financial and statistical analysis related to financial performances of JBVs. Major findings of the study have been presented at the end of this chapter.

The **fifth chapter** is the last part of the study, which provides summary and conclusion, suggestions and recommendations for improving the future performance of the sample banks. Finally, an extensive, bibliography and appendices are also presented at the end of the thesis work

## CHAPTER II

### REVIEW OF LITERATURE

A literature review is an essential part of all studies. It is a way to discover what other researchers have covered and left in the area. A critical review of the literature helps the researcher to develop a thorough understanding and insight into previous research works that relates to the present study. It is also a way to avoid investigation problems that have already been definitely answered. Thus a literature review is the process of locating, obtaining, reading and evaluating the research literature in the area of the student's interest<sup>1</sup>. The purpose of literature review is to find out what research studies have been conducted in one's chosen field of study and what remains to be done. The primary purpose of literature review is to learn not to accumulate. It enables the researcher to know<sup>2</sup>.

- What research has been done in the subject?
- What theories have been advanced?
- What are the approaches taken by the other researchers?
- What are the areas of agreement or disagreement?
- Whether there are gaps that can be filled through the proposed research?

In this chapter, the overall concept and view of 'Financial Performance' will be streamlined by making comprehensive review of relevant literature related to this study which would enable us to know the comparative strength and weakness of the chosen JBV's and the opportunities/ threats they possess in the dynamic environment. The review of literature is arranged in the following order:

#### **2.1 Conceptual review**

##### 2.1.1 Review of Books

##### 2.1.2 Review of journals/ Articles

##### 2.1.3 Concept of Financial Analysis for determining comparative SWOT

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<sup>1</sup> Wolff Howard K. and Pant P.R. (2005), 'Social Science research and Thesis writing', Buddha Academic publishing and distributors, Kathmandu, Nepal

<sup>2</sup> Ibid

## 2.2 Review of related studies

### 2.2.1 Review of Policy Documents

### 2.2.2 Review of Thesis

## 2.3 Research Gaps

## 2.1 Conceptual / Theoretical Review

### 2.1.1 Review of Books

#### Books relating to Finance

Finance is a broad field and there are various books written in this subject. The book by **M.Y. Khan and P.K. Jain**<sup>3</sup> is considered to be a useful book in the Financial Management. The modern approach of Khan and Jain views the term Financial Management in broad sense and provides a conceptual and analytical framework for financial decision making. According to them, 'the finance function covers both acquisition of funds as well as their allocation, hence, apart from the issues of acquiring external funds, the main concern of financial management is the efficient and wise allocation of funds to various uses.' The three major financial decisions, according to Khan & Jain are:

- ⇒ The investment decision
- ⇒ The financing decision and
- ⇒ The dividend policy decision

The book by **I.M. Pandey**<sup>4</sup> on 'Financial Management' defines financial management as that managerial activity which is concerned with the planning and controlling of the firm's financial resources. I.M. Pandey believes that among the most crucial decisions of the firm are those which relate to finance, and an understanding of the theory of financial management provides the conceptual and analytical insights to make the decisions skillfully. I.M. Pandey further identifies two kinds of finance functions:

- Routine and
- Managerial finance functions.

The **Routine Finance functions** do not require a great managerial ability to carry them out and they are chiefly clerical in nature. **Managerial Finance functions**, on the other hand are

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<sup>3</sup> Khan M.Y.; Jain P.K. (1980), 'Financial Management', Tata McGraw-Hill Publishing Co. Ltd., New Delhi

<sup>4</sup> Pandey I.M. (1995), 'Financial Management', Vikash Publishing House Pvt. Ltd., New Delhi.

so called because they require skillful planning, control and execution of financial activities.

According to him, there are four important managerial finance functions:

- Investment or long-term asset mix decision.
- Financing or Capital-mix decision.
- Dividend or Profit allocation decision.
- Liquidity or short-term asset-mix decision.

After reviewing these various books, Finance can be defined as the acquisition and investment of fund for the purpose of enhancing the value and wealth of an organization. The various areas under finance include investment, public finance, corporate finance and financial institutions. The basic function of finance is to manage the firm's balance sheet in the most efficient way. The balance sheet reflects how a firm acquired financing through debt and equity sources, and it reflects the disposition of acquired financing among the various asset accounts.

The major financial functions required for managing the Bank's balance sheet are summarized below:

1. Analysis and Planning;
2. Financial Structure Management; &
3. Asset Management.

The first function, **financial analysis and planning**, is to understand the Bank's current financial condition and plan for its future financial requirement in different economic scenarios.

After analyzing the financial needs, the second function is to **manage the financial structure** of the Bank, which can be done by optimizing the use of debt and equity in the capital structure. While deciding about this optimum structure, a financial manager must concentrate in minimization of cost of funds in one hand, and maximization of value of the firm in the other. Moreover, financial structure management for a Banking sector includes, a typical treasury function, which is also called 'Funds Management.' This function contributes a significant portion in profits earned by Banks.

The final function is the **management of asset structure** of the Bank. Advances of credit and investment in certain portfolios constitute the major portion of the Bank's asset. The major financial function related to Assets Management is to decide for the least risky and most

profitable alternatives of investments. This can be conducted by determining returns and risks associated with the loans and advances made by Bank.

All the above financial decisions or functions as mentioned by different writers are instrumental towards effective handling of financial management, which includes activities beginning from raising of funds to efficient and effective use of funds; no matter either it is a Banking or a non-Banking institution.

### **Books relating to Commercial Banks**

There are various books written on commercial Banks. Some of them are reviewed for our purpose.

In his book named 'Success in Elements of Banking', **David Cox** stresses in three major functions to be performed by the commercial banks:

- ⇒ To accept and safeguard deposits of money from customers;
- ⇒ To permit money to be withdrawn or transferred from one account to another;
- ⇒ To lend the surplus of deposited money to suitable customers who wish to borrow.

Cox believes that the word- **money** is common to all the basic functions of the bank. Money, according to him, can be defined as anything, which is generally acceptable in the settlement of the debt and passes freely from hand to hand.

**Don Wright & Wally Valentine** in their book 'Business of Banking' consider commercial banks as those 'financial intermediaries' having the following significance:

- ⇒ They have access to large amounts of deposits and so have funds available when required by borrowers.
- ⇒ They minimize the risk of loss if the borrower does not repay the loan. They can do this because of their large reserves.
- ⇒ Commercial Banks have large scale of operations. They operate on a very large scale and so gain economies of scale.

The book on 'Nepalese Banking System' written by **Madhav Prashad Aryal** highlights the following characteristics of the commercial banks operating in Nepal:

- ⇒ Commercial banks, having limited liability are established under the Company Act 2021 with the approval of the Nepal Rastra Bank.

- ⇒ Commercial banks are established with the objective of profit maximization and are managed by its shareholders.
- ⇒ Commercial banks, except performing primary functions of accepting deposits and lending, also deal in foreign currency exchange and trade finance activities.
- ⇒ Commercial banks in Nepal are established in government, semi-government, private and joint venture sectors.
- ⇒ Nepal Rastra Bank recommends, directs and controls the establishment, operations and dissolutions of all the commercial banks in Nepal.

The reviewing of all these above books has given us good insight knowledge about the theoretical aspects of the commercial banks. However, our economy is still facing unhealthy financial situation of the banking institution.

### **2.1.2 Review of Journals/ Articles**

After reviewing the books, certain useful journals on domestic market, banking, financial statement analysis and monetary credit situation of Nepal are studied.

When government decided to establish banks with joint ventures, two benefits were expected. First that competition would force domestic banks, such as Nepal Bank Ltd. and Rastriya Banijya Bank to improve their services and efficiency, second that introduction of new banking procedures methods and technology would occur.<sup>5</sup>

There has been substantial growth in the number of Joint Venture banks in Nepal since 1990s. The basic reason behind this is the government's deliberate policy of allowing foreign joint venture banks to operate in Nepal. Government's liberalization policy of allowing also encourages the traditionally run commercial banks to enhance their efficiency and competitiveness through modernization, mechanization, and computerization and prompt customer services by setting them to the exposure of the joint venture banks.<sup>6</sup>

The existence of foreign joint venture banks has presented an environment of healthy competition among the existing commercial banks. The main beneficiary of this is the Bank-

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<sup>5</sup> Madlin C. and Snock H., (Jan 31, 1998) 'Evaluation of banking supervision in Nepal Rastra Bank', IMF

<sup>6</sup> Shrestha Dr. Manohar K. (1990), 'Commercial Banks, Comparative Performance Evaluation', (Karmachari Sanchaya Kosh Publication), Kosh Year 16

client. The increased competition forces the existing banks to improve their quality and extend services by simplifying procedures and by training, motivating own staffs to respond to the new challenges.<sup>7</sup>

The joint venture banks are in a better position than local commercial banks in profit making. In an average, no foreign banks have suffered loss till now, but local banks owned negative profits.<sup>8</sup>

Despite the increase in number, the joint venture banks are concentrated in urban centers, especially in major cities, with all their headquarters in Kathmandu alone except that of Nepal Bank of Ceylon (*name changed to Nepal Credit and Commerce Bank Ltd.*) which is based in Rupandehi. This trend has resulted in two-way effects on the operation of the government owned commercial banks in Nepal. First, the comparatively attractive interest rates and devices promptness of these private banks have drawn the public deposit to their side thereby reducing financial liabilities of the former. Second, as a result of reduction in the financial liabilities, the government-operated commercial banks have been forced to shut down some of their branches in the remote areas of the country. Nevertheless, a look at the activities of these JVBs provides a fill up in to the tremendous aid they provide to the national economy. They have been instrumental in mobilizing capital more effectively and to a large extent. Especially, they have been more helpful in founding the private sector.<sup>9</sup>

An article written by *Radha Krishna Poudel* on 'Banking: Challenges Ahead' focuses in the potential areas where banks should invest to fight the prevailing economic recession. Currently, growth in the profitability of JVBs has been mainly due to external factors such as foreign exchange rate but not to the growth in the real sector of the economy. Therefore, to sustain the current financial position in the long run, banks should enter new areas by marketing their credit in important sub-sectors such as Hydro-electricity, tourism, irrigation etc.

Mr. Poudel further writes that "Saving collection is another factor which is necessary for banks to balance their operations and generate sufficient surplus in their cash-flows. In recent years, growth rate of bank deposits has declined comparatively. Mobilization of internal

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<sup>7</sup> Chopra S., (April 1990) 'Role of Foreign Banks in Nepal, NRB Samachar', 34<sup>th</sup> Anniversary.

<sup>8</sup> Pradhan K. (1991), 'Nepal Ma Banijya Banking- Upalabdhhi Tatha Chunauti', Kathmandu.

<sup>9</sup> Facts about Nepalese Economy (1998), 'Joint Venture Banks in Nepal', Nepal society for applied economics, July 1998

resources in the country demands that banks attract more financial resources from the public.”

For our purpose, another useful article ‘Financial Statement Analysis’ published in Nepal Rastra Bank Samachar on 2053 by Narayan Pd. Poudel<sup>10</sup> is reviewed.

According to Mr. Poudel, Balance sheet, profit & loss a/c 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 & 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 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 investment and paid on deposit liabilities are the major components of profit & loss a/c. The other sources of income are fee, commission, discount and service charges.

The major balance sheet characteristics of commercial banks are shown in the following tabular form:

**Table-4.0**  
**Characteristics of Balancesheet**

<b>Characteristics</b>	<b>Significance</b>	<b>Risk</b>	<b>Return</b>
-Few fixed assets	Low degree of operating leverage	Reduce	Reduce
-Substantial amount of short term liabilities (Deposits)	To be liquid	Increase	Increase
-Substantial amount of financial assets	High degree of operating leverage	Increase	Increase

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<sup>10</sup> Paudel Narayan Pd. (2053), ‘Financial Statement Analysis: An approach to Evaluate Banks’ Performance’, NRB Samachar (An annual Publication-2053)

A typical format of profit & loss a/c is given below:

Interest income	R
Interest expenses	C
Net-Interest income	R-C
Provision for loan loss	PLL
Net interest income after PLL	R-C-PLL
Non-interest income	F
Non-interest expenses	O
Net non-interest income	F-O
Net income before Tax	(R-C)-PLL+(F-O)
Income Tax	T
<i>Net Income after Tax</i>	(R-C)-PLL+(F-O)-T

The users of the financial statements of a bank need relevant, reliable and comparable information which assists 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 bank's financial statements has been expressly laid down in the concerned act. Commercial Banking Act 1974 requires the audited balance sheet and profit & loss a/c to be published in the leading newspaper for the information of general public.

According to Poudel, the principal objectives of analyzing financial statements are to identify:

- Financial adaptability (liquidity);
- Financial performance (profitability); and
- Financial position of the bank (solvency).

Most of the users of financial statements are interested in assessing the banks overall performance, i.e. profitability which is affected by the following factors:

1. The structure of balance sheet and profit & loss a/c.
2. Operating efficiency and internal management system.
3. Managerial decisions taken by the top management regarding interest rate, exchange rate, lending policies etc.

4. Environmental changes ( political-legal,economy,social-culture, technology, government, competition, )

Dr. Manohar K. Shrestha, in his work ‘Commercial Banks’ Comparative Performance Evaluation<sup>11</sup> stresses on a proper risk management. He believes in the appropriate classification of loans under performing and non-performing category. In this context, he writes, “Adequate provisioning is the surest way to get relief from sinking loan after careful consideration of portfolio risk. A clear-out criterion is necessary to treat interest suspense account and it is advisable that all interest unpaid for more than six months need to be treated as unearned income.” Regarding the risk management of the bank, Dr. Shrestha’s other suggestions include:

- ⇒ Any customer having overdue loan of two years or more in his account should not be given other loan facilities.
- ⇒ Strong provisioning or reservations are required in restructuring portfolio relating to overdue loans.
- ⇒ All credits including overdrafts should be given a maturity date and should be subjected to revision at that date and consequently categorized as good, substandard or doubtful loans.
- ⇒ Financial credit worthiness of the borrower must be evaluated properly before granting the loans.

### **2.1.3 Concept of Financial Analysis**

Financial Analysis involves the use of various financial statements. The first is the balance sheet, which represents a snapshot of the firms’ financial position at the movement in time and next is the income statement that depicts a summary of the firms’ profitability over time.<sup>12</sup>

Analysis and interpretation of financial statements is an attempt to determine the financial performance of any organization so that a forecast may be made of the prospects for future earning, ability to pay interest, debt maturity and probability of a sound dividend policy.

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<sup>11</sup> Shrestha Dr. Manohar K. (1990), ‘Commercial Banks, Comparative Performance Evaluation’, (Karmachari Sanchaya Kosh Publication), Kosh Year 16

<sup>12</sup> Van Horne J.C. & Wachowicz H.N. (1997), ‘Fundamentals of Financial Management’, Prentice Hall of India P. Ltd.

In the words of Myers, “Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statement and a study of trends of these factors as shown in series of statement.”<sup>13</sup>

Financial Statement Analysis involves a comparison of a firm’s performance with that of other firms in the same line of business, which is often, identified by the firm’s industry classification.<sup>14</sup>

The analysis of transaction determines the solvency of business and the major efficiency of operation as compared to similar concerns. The analysis reveals how far the dreams and ambitions of the tough management have been converted into reality during each financial year. The analysis being a technique of x-raying the financial position as well as progress of concern, it enables managers and investors to take the decisions that will affect the company’s future. Hence, much information can be attained about various aspects of a business through the analysis, which other ways would have been buried in a maze of details.

### **Objectives of Financial Analysis:**

From the concept of financial performance analysis, it has been proved that one can explore various facts related to the past performance of business and predict out the future potentials for achieving expected results. Various parties are involved in the business directly or indirectly. Therefore, objective of analysis also differs from one party to other. However, major objectives of the analysis, in broad sense, can be stated as follows.<sup>15</sup>

- ⇒ Assessment of past performance & current position
- ⇒ Assessment of potential & related risks.

### **Assessment of past performance & current position**

Past performance is often good indicator of future performance. Therefore, an investor or creditor is interested in the past sales, expenses, net income, cash flow and return on investment. In addition, an analysis of current position will tell what assets the business owns and what liabilities must be paid. Besides, it will provide the information about various facts in relation to the business such as-

- Earning capacity or the profitability of the concern.

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<sup>13</sup> Myers J.C. (1961), ‘Financial Statement Analysis’, Anglewood Cliffs, Prentice Hall of India Pvt. Ltd

<sup>14</sup> Weston J.F., Besley S. & Brigham E.F. (1996), ‘Essentials of Managerial Finance’, Dryden Press, Hart court Brace College Publishers.

<sup>15</sup> Needles B.E. (1989), Financial Accounting, Houghton Mifflin Company, Boston.

- Operational efficiency of the concern as a whole of its various departments.
- Long term and short term solvency of the business for the benefit of debenture holders and trade credit.
- Real meaning and significance of financial data.

Assessment of potential and related risk

The past and present information are useful only to the extent that has been bearing on future decisions. Investor judges the potential earning capacity of a company because that will affect the value of the investment or share and the amount of dividend the company will pay. The creditors judge the potential debt paying ability of the company. The potentials of the existing company are easier to predict than that of others. This means there is less risk associated with them. The risk of the investment or loan hinges on how easy it is to predict the future profitability and liquidity. Besides, managers of the business concern will get various information about the potentials such as-

- Possibility of development in near future through forecast & budget allocation.
- Financial stability of the business concern.
- Reforms needed in the present policies and procedures that will help reduce weaknesses and strengthen performance.

**Major steps in Financial Analysis:**

The basis for financial analysis is financial information obtained from balance sheet and profit & loss a/c. The analysis of financial statements is completed in three major steps.<sup>16</sup>

- a) The first steps involve the reorganization and rearrangement of the entire financial data as contained in the financial statements. This calls for regrouping them into few principle elements according to their resemblance and affinities. Thus, the balance sheet and income statement are completely recast and presented in the condensed form entirely different from their original shape.
- b) The next step is the establishment of the significant relationship between the individual components of balance sheet and profit & loss a/c. This is done through the application of tools of financial analysis.
- c) Ultimately, significance of result obtained by means of financial tools is evaluated. This requires establishment of standard against which actual be compared.

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<sup>16</sup> *I bid, p-56.*

### **Techniques of Financial Analysis:**

To evaluate the financial condition and performance of a company, the financial analyst needs certain yardsticks. The yardstick frequently used is a ratio or index relating two pieces of financial data to each other. Analysis and interpretation of various financial data would give experienced and skilled analyst a better understanding of the financial condition and performance of the firm, than they will obtain from analysis of the financial data alone.<sup>17</sup>

The technique of analysis are employed to ascertain or measure the relationship among the financial statement items of a single set of statement and changes that have taken place in these items as reflected in successive financial statement. The fundamental of the analytical technique is to simplify or reduce the data under review to the understandable terms.

Out of various techniques, selection of a technique or combination of the techniques can be used for the analysis depending on the purpose and availability of the materials demanded by the technique.

#### **c) Trend Analysis**

This method is immensely helpful in making comparative analysis of financial statements of several years. This method of analysis involves the computation of percentage relationship that each statement item bears to the same item in the base year. Base year for the comparison may be earliest year, the latest year or any intervening year under the study. This exhibits the direction to which the concern is preceding.

Trend analysis reveals whether the current financial position of the company has improved over the past years or not. It shows which of the items have moved in a favorable direction and which of them in unfavorable direction. Though it is the important tool of analysis, it too is bound by limitations. They are:

- Trend for a single balance sheet or income statement is seldom very informative.
- It does not give accurate result if accounting principles followed by the accountants is not consistent over the period of study.
- Price level change adversely affects the comparison.
- Selected base year for some of the items in the statements may not be typical.

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<sup>17</sup> Van Horne J.C. (1998), *Financial Management and Policy*, Prentice Hall of India Pvt. Ltd, New Delhi.

#### **d) Ratio Analysis**

Ratio analysis is carried out to develop meaningful relationship between individual items or group of items usually shown in the periodical financial statements. An accounting ratio shows the relationship between the two interrelated figures. Ratios are guides or shortcuts that are useful in evaluating the financial position and operation of a company when the relationship between two figures in the balance sheet is established. Ratio may be expressed in the form of quotient, percentage or proportion.

Ratio analysis involves two types of comparisons for the useful interpretation of the financial statement. A ratio itself doesn't indicate the favorable or unfavorable position. Most commonly used standards to evaluate the ratios are:

- ⇒ Comparison of present ratio with past or expected future ratios.
- ⇒ Comparison of the ratio of the firm with other similar firms over the period of time or with industry average at the same point of time.

With the help of ratio, one can judge financial performance of a business concern over a period of time and against the industry average. The ratio helps the analyst to form the judgment whether the performance of the firm is good, questionable or poor. Management of the firm can take strategic decisions on the basis of position revealed by ratio. Investors can decide about the future of their investment. Creditors judge whether the firm is able to meet its obligations and whether the more lending would be beneficial for them or not.

Liquidity ratio measures the ability of the firm to meet its current obligations. Leverage ratio evaluates the long-term financial position of the firm. Activity ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets. Finally, profitability ratios are calculated to measure the operating efficiency of the company. Though ratio analysis is powerful technique of financial analysis, it should be used with extreme care and considered judgment because it suffers from certain drawbacks. The drawbacks of the ratio analysis are listed below:

- It is difficult to decide the proper basis of comparison.
- It calls interpretation to certain aspects of the business, which needs detailed investigation before arriving any financial conclusion.
- Unless there is a consistency in adoption of accounting methods, ratios may not prove of greater use in case of inter-firm comparison.
- The price level changes make the interpretation of ratios invalid.

- The ratios are generally calculated from past financial statements and thus, are no indicators of future.

## **2.2 Review of related studies**

### **2.2.1 Review of policy documents**

Central Bank is an important financial institution in every sovereign independent state in modern times. It is the apex body of Banking System. Of the various banks, most or the supreme bank is the central Bank. The central bank plays an important role in the economic development of a country. This bank is established to develop banking through strategy on its own to issue the notes, to control the credit, to act as the bank of banks, in each country. Central Bank is the lender of the last resort. Having felt the need of development of banking sector and to help the government formulate monetary policies, Nepal Rastra Bank (NRB)-central Bank, was set up in 2013/1/14. Since then, it has been functioning as the government's bank and has contributed to the growth of financial sector. Commercial banks, including JVBs, established under the company Act 2021 may perform various functions aimed at ensuring the economic interests and convenience of the public, facilitating the supply of credit to agriculture, industry and commerce by making available the banking and financial services to the people as mentioned in the preamble of the 2031 Commercial Bank Act, and subject to Nepal Rastra Bank Act 2012, Foreign Exchange Regulation Act 2019 along with the current Nepalese law.

### **NRB regulatory issues for operation of JVBs**

1. Banks are required to open two 'rural' branch for every 'urban' branch opened. The definition of 'rural' includes some very small communities. Essentially, this forces banks to operate in areas with limited profit potential.
2. Banks are required to lend certain percentage of their loan to 'Priority Sector' and 'Deprived Sector'. This is supposed to encourage the development of small business and rural industries. The investment in the rural branches can be counted towards the deprived sector target. Significant penalties are charged for failure to meet these targets.
3. The Nepal Rastra Bank is committed to reduce the number of expatriates in joint venture banks in order to create opportunities for local staffs.

4. While the JVBs are free to set their own interest rates on loans/deposits, they are required to publish a schedule of rates for various types of loan/deposits. There is no prime rate or base rate in Nepal at any bank.

5. The government has been actively encouraging the development of the banks. At present, there are 32 Commercial Banks. The increased number in these banks will lead to increased pressure on interest margins and deteriorating loan quality. Ultimately, there will have to be some attrition in the financial services industry.

▪ **Establishment of Branches of Joint Venture Foreign Banks**

1. In case any foreign commercial bank desires to open a branch, representative office or liaison office in the Kingdom of Nepal, it may register such branch under the Company Act with the approval of NRB, and provisions of this Act shall apply to such foreign bank.
2. The NRB shall obtain the consent of Nepal Government before granting such approval under sub section 1.
3. While granting approval under sub section (1), the NRB may prescribe conditions according to the need, and the foreign bank shall comply with the conditions thus prescribed by the NRB.

### **2.2.2 Review of Thesis**

In the process of reviewing the important and relevant materials for this study, some of the financial studies of JVBs conducted by the students of MBA/ MBS are reviewed. References of these studies have been very useful to complete this dissertation and it is believed that these studies have contributed significantly towards identifying the **Strength** and **Weakness** of the concerned JVBs.

The study conducted by Mr. Vikram Chandra Gurung entitled “A financial Study of Joint venture bank in Nepal- with reference to Nepal Grindlays Bank limited and Nepal Indosuez Bank Ltd.” concludes that the liquidity position of NGBL is unsatisfactory which is below the standard and that can not meet the liabilities obligation. According To Mr. Gurung, Activity ratios of both the banks show that they are efficient in utilization of their total assets.

Profitability trend is increasing but yet to be satisfactory. The bank has been maintaining sound capital adequacy ratio as directed by the central bank (NRB)<sup>18</sup>

Mr. K.R. Joshi in his thesis “A study on financial performance of commercial banks” has concluded that the liquidity position of local commercial banks have been found relatively highly leveraged as compared to other joint venture banks. Loans and Advances have been the main form of the investment. Two thirds of the assets have been used for earning purpose. Profitability position of NABIL is stronger than that of other commercial banks.<sup>19</sup>

Another study entitled “A comparative financial statement analysis of HBL & NGBL” by Mr. Rajendra Lamshal has concluded that liquidity ratios of both the banks are fluctuating and are unsatisfactory. So the banks are suggested to keep the reasonable amount of liquidity in order to maintain their short-term solvency position. The capital adequacy position of HBL is not satisfactory. HBL is suggested to involve in social activities. Both the banks are advised to open their branches in the remote areas and offer cheaper banking services affordable to the general public.<sup>20</sup>

Mr. Bohora<sup>21</sup> has conducted a research on “Comparative study of the financial performance of NABIL & NIBL”. The basic objectives of his study were to highlight the financial performance and role of JVBs in the liberalized Nepalese economy. His attempts of analyzing financial performance were concentrated in ‘Ratio Analysis’ and he derived the strength and weakness of two major JVBs by calculating important ratios. He had come out with some valuable suggestions to the JVBs which are outlined below:

- ⇒ JVBs need to make balance between disbursing of cash dividend and issuing of bonus shares.
- ⇒ They need to increase their equity base to maintain the capital adequacy.
- ⇒ JVBs need to increase operational profit by concentrating in consistent earnings rather than fluctuating earnings.

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<sup>18</sup> Gurung Vikram Chandra (1995), ‘A Financial Study of Joint Venture Banks in Nepal-A comparative study of Nepal Grindlays Bank Ltd. and Nepal Indosuez Bank Ltd.’, An unpublished Masters Degree Dissertation, T.U.

<sup>19</sup> Joshi K.R. (1998), ‘A study on Financial Pattern of Nepalese Commercial Banks-An unpublished Masters Degree Thesis’, T.U.

<sup>20</sup> Lamshal Rajendra (1999), ‘A comparative financial statement analysis of Himalayan Bank Ltd. and Nepal Grindlays Bank Ltd.’ -An unpublished Masters Degree Dissertation, T.U.

<sup>21</sup> Bohora Bhoj Raj (1992), ‘A comparative study of the financial performance of NABIL and NIBL’, Unpublished Masters Degree Thesis, T.U., Kirtipur

⇒ They need to maintain liquidity in the form of Cash Reserve Ratio (CRR) as per the regulation of NRB.

Mr. Shakya<sup>22</sup>, in his study has introduced the hypothesis test in the process of evaluating the financial performance of the JVBs. He had set the null hypothesis as ‘There is no significant difference in the mean values of each selected ratio of NABIL and NGBL’. By establishing the relationships between various Balance Sheet and Profit & Loss a/c figures, and calculating the correlation between them, he was successful in deriving a true financial position of the two JVBs. After analyzing various ratios, Mr. Shakya’s main finding was that ‘There is a significant difference between mean values of the selected ratios of NABIL and NGBL except in the cases of Fixed Deposits to Total Deposits Ratio, Loans & Advances to Total Deposits Ratio and Loans & Advances to Total Assets Ratio.’”

After testing the correlation between mean values and analyzing the various ratios, Mr. Shakya has come out with various recommendations which are summarized below:

1. To get out with the pressure of deposit collection, with the increase in competition, both the JVBs are suggested to:
  - Simplify present complicated and lengthy depositing process;
  - Set a more convenient minimum balance requirement to open an account;
  - Provide incentives to attract new fixed depositors
2. In spite of decrease in interest rates on loans and advances, NABIL’s and NGBL’s average ‘Deposits Utilization Rates’ are only 50.04% and 34.01% respectively. To overcome this situation, Mr. Shakya recommends:
  - Follow liberal lending policy;
  - Develop a special investment promotion unit for seeking new profitable investment opportunities and identifying promising small entrepreneurs lacking any contact and approach;
  - Grant mid-term loans for more deposits utilization.
3. They should open the new branches in non-representing urban areas for more deposit collection and the utilization of the same.

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<sup>22</sup> *Shakya Dinesh Raj (1998), ‘Financial Analysis of JVBs in Nepal; with the Reference to NABIL and NGBL’- Unpublished Masters Degree Thesis, T.U., Kirtipur.*

4. Mr. Shakya recommends NABIL to increase its Cash and Bank Balance as well as Money at Call (or Placement) for improving its liquidity position. Whereas NGBL is recommended to provide incentives for customers for fixed deposits.
5. With NABIL and NGBL both investing considerable percentage of their total deposits on the heading Investment (which includes investment on government securities, development bonds, shares of companies etc.). So, both the banks are recommended to alter their present investment portfolios by reducing investment on these securities and increasing their lending (Risk Assets).
6. NABIL's all three capital adequacy ratios, according to Mr. Shakya, are in declining trend, hence it is recommended to increase its shareholder's fund for maintaining proper capital adequacy position. NGBL, however, with its favorable capital adequacy position, is recommended to maintain the same.
7. NABIL's profitability ratios are in fluctuating trend as compared to that of NGBL's. Hence, it is recommended to utilize its Risk Assets and Shareholders' Fund more efficiently for generating more profit margins.
8. Both the banks are recommended by Mr. Shakya to sponsor the socially motivated programs in order to maintain good public image in the country.

Finally, Mr. Shakya, in line with government's objective of permitting the JVBs to operate in Nepal, recommends both the major JVBs to increase the foreign investment to enhance the economic development in the nation.

### **2.3 Research Gaps**

Research Gap is the difference between previous works done and the present research work. Earlier works conducted by the superiors in the matching topic 'Comparative Analytical Performance of Commercial Banks' are very useful and appreciated by personnel in various related fields, including academicians, bankers, shareholders and the general public. Those dissertations, in a great extent have been successful in highlighting the **strengths** and **weaknesses** of the concerned JVBs. The suggestions and recommendations given by the preceding researchers to improve and strengthen the financial decisions have been really benefiting to the relevant banks.

However, all the previous works were basically focused in highlighting the financial performance of the related banks in the competitive environment. They have somehow,

overlooked the bank's prominent role in the economy and failed to give the specific financial decisions which directly or indirectly influence the pace of economic development of the nation. Further, this **SWOT** analysis would not just reveal the comparative **strengths** and **weaknesses** but in addition would provide insights on **opportunities** for the relevant JVBs and **threats** facing those JVBs. Besides, there has been a long gap in the continuation of the same topic which would help us to know the very recent situation.

## **CHAPTER:- III**

### **RESEARCH METHODOLOGY.**

Research methodology is a systematic way to solve the research problem. In other words, research methodology describes the methods and process applied in the entire aspect of the study. Research methodology refers to the various sequential steps (along with a rationale of each step) to be adopted by a researcher in studying a problem with certain objectives in view.<sup>23</sup> Thus the overall approach to the research is presented in this chapter. This chapter consists of research design, sample size and selection process, data collection procedure and data processing techniques and tools.

#### **3.1 RESEARCH DESIGN**

A research design is the specification of methods and procedures for acquiring the information needed. It is the overall operational pattern or framework for the project that stipulates what information is to be collected, from which sources and by what procedures. Thus a research design is a plan for the collection and analysis of data. For research there exist different types of research design like; Historical research, Descriptive research, Case study research, Field study research, Analytical research, True experimental research and so on. This study is mainly concerned with historical research. If applicable, sometimes descriptive and analytical approach may also be used. But generally, to analyze the comparative **SWOT** of the commercial JVBs, past historical data are used. The relevant and needed data have been collected from various publications of different commercial banks and Nepal Rastra Bank. The study is based on the wide range of variables and factors influencing financial decisions of the JVBs. Comparative data of JVBs are presented in such a way, so as to make the research actually informative to the readers.

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<sup>23</sup> Kothari C.R. (1994), '*Research Methodology, Methods and Techniques*', Vikash Publication House Pvt. Ltd, New Delhi.

## **3.2 POPULATION AND SAMPLE**

The term “population” or universe for research means the universe of research study in which the research is based.<sup>24</sup> Since the research topic is about Comparative SWOT Analysis of Nepalese Commercial JVBs, all the Commercial Banks in Nepal are the member of population study. The population for the study basically comprises 32 commercial banks. Out of these, five JVBs, namely NABIL, SCBNL, HBL, EBL, and NBBL are selected as sample for the purpose of this study. The coherent reason for selecting these JVBs is that they account for the significant market share of the Banking Sector. The recommendations and suggestions derived from this study will be equally useful to the other JVBs operating in Nepal.

### **3.3) SOURCES OF DATA**

The researcher used two types of data collection techniques. One is primary data collection and other is secondary data collection.

#### **i. Primary Data**

Primary data are those collected by the researcher on the concerned topic, which are original in nature. While studying about the credit management, we came across primary data from different sources like: direct in-depth interviews with staffs of different Nepalese banks.

#### **ii. Secondary Data**

Secondary data are those collected by the researcher on the concerned topic, which are not original in nature or are originally collected for some other purposes. The main sources of secondary data were: statistical publication of Nepal Rastra Bank, websites, annual reports of sample banks.

In some cases primary data are also taken as personal interview, face to face and telephone interview but the study is mainly based on secondary data. So, the major sources of secondary data for this study are as follows:

- Annual Reports of Everest Bank Limited(EBL)

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<sup>24</sup> Wolff Howard K. & Pant P.R. (2000), *'Social Science Research & Thesis Writing', second edition, Buddha Academic Enterprises Pvt. Ltd, Kathmandu.*

- Annual Reports of Himalayan Bank Limited (HBL)
- Annual Reports of Nepal Arab Bank Limited (NABIL)
- Annual Reports of Nepal Bangladesh Bank Limited(NBBL)
- Annual Reports of Standard Chartered Bank Nepal Limited (SCBNL)
- Published and unpublished bulletins, reports of the banks
- Published and unpublished bulletins, reports of the Nepal Stock Exchange
- Previous studies and reports
- Unpublished official records
- "Banking and Financial Statistics" report of Nepal Rastra Bank Magazines
- Journals and other published and unpublished related documents and reports from Library of P.G Campus and Library of Nepal Rastra Bank
- Various Internet Websites
- Other published materials etc.

### 3.4 DATA COLLECTION TECHNIQUES

The research consists of both primary and secondary data, basically the latter one. Since the nature of these two types of data is different, the data collection procedure also varies. To collect the secondary data, published materials are viewed in various spots. Books by different writers, unpublished thesis reports, journals, magazines, internet, and AGM reports of the relevant JVBs etc. are reviewed. To collect these secondary data, the researches visited different library, library of Mahendra Morang collage Biratnagar and library of Post Graduated Collage Biratnagar. On the other hand, the primary data are collected through questionnaire with the staffs of concerned JVBs.

### 3.5 DATA ANALYSIS TOOLS

In order to get the concrete results from this research, data are analyzed using different types of tools. As per topic requirements, emphasis is given on financial tools. In addition, statistical tools are also used where applicable. The methods used for the **Comparative SWOT Analysis of JVBs** are outlined below:

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➤ **FINANCIAL TOOLS:**

The considerable assistance of Financial Ratios has been taken to measure the Strengths and Weaknesses of the JVBs. Further, Return on Assets and Cost of Funds are computed to analyze the Gross Spread of each JVB selected for this study.

➤ **STATISTICAL TOOLS:**

In order to analyze the future trends of financial results of JVBs, Trend Analysis has been used as a part of statistical tools in this research.

### **3.5.1 FINANCIAL TOOLS**

This study is related to financial SWOT Analysis. So, financial tools are more useful. They help to identify the financial Strengths & Weaknesses of the firm. In spite of various financial tools available, the research has primarily stressed on Ratio Analysis assuming it to be the most suitable one.

A ratio is a number expressed in terms of other number and it expresses quantitative relation between any two variable.

Moreover, it is used as a technique to quantify the relationship between two sets of financial data taken from either profit & loss a/c or balance sheet. It provides information relating to Strengths & Weaknesses of financial data in relation to others.

Ratio can be calculated between any two items of financial statements. It means there may be as many ratios as there is the number of items. But under the ratio analysis technique, it is not practical to work out all the ratios. Hence only the required ratios have been worked out. The calculated ratios have been grouped into the following headings:

#### **3.5.1.1 PROFITABILITY RATIOS**

The primary object of the JVBs operating in Nepal is the maximization of the profit. Profit is essential for their survival and future growth. The various profitability ratios, which reflect the operating efficiency of the Bank, have been analyzed comparatively for the three JVBs.

**a) RETURN ON TOTAL ASSETS**

**(NET PROFIT TO TOTAL ASSETS)**

The Return on Total Assets Ratio is calculated by dividing Net Profit by the Total Assets.

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

Return on Total Assets Ratio measures the profitability with respect to the total assets. In the present study, this ratio is examined to measure the profitability of all the financial resources invested in the Bank's Assets.

The higher 'Return on Assets' ratio reflects the efficiency of the bank in utilizing its overall resources. A higher ratio also indicates the lower volume of non-performing assets employed by the bank. Non performing assets are very harmful for the bank, so they should try to reduce their proportion in the assets structure.

**b) RETURN ON TOTAL DEPOSITS**

**(NET PROFIT TO TOTAL DEPOSITS)**

The Return on Total Deposits Ratio is calculated by dividing Net Profit by the Total Deposits.

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

Deposits collected by the banks are one of the major sources of funds. These collected deposits have to be mobilized into loans and advances in an efficient way so as to maximize their return on deposits. The net profit to total deposit ratio enables to evaluate what extent the management has been successful to mobilize and utilize deposits in generating profit.

Higher return on deposit ratio signifies better utilization of deposits. Higher volumes of deposits employed by the bank means higher degree of leverage and hence the higher risk. Therefore, the adequate return on deposit should be earned to offset the risk borne by the bank.

**c) RETURN ON NET WORTH**

**(NET PROFIT TO TOTAL SHARE HOLDERS' FUND)**

The Return on Net worth Ratio is calculated by dividing Net Profit by the Total Shareholder's Fund.

$$\text{Return on Total Assets} = \frac{\text{Net Profit}}{\text{Total Shareholder's Fund}}$$

One of the many objectives of any firm is its shareholders' wealth maximization. Shareholders wealth can be maximized by earning an adequate return on the shareholder's fund. Return on Net worth ratio expresses the capacity of the banks to utilize its owner's fund. This ratio is important as it judges whether the firm has earned a satisfactory return for its equity-holders or not. It reveals how well the firm has deployed the resources of the owners to earn profit. So, higher the ratio, the more favorable it is for the stockholders which represents the sound management and efficient mobilization of the owners' equity.

**d) INTEREST EARNED ON TOTAL ASSETS**

The interest earned to total assets ratio is calculated by dividing interest income by the total assets.

$$\text{Interest earned on Total Assets} = \frac{\text{Interest Income}}{\text{Total Assets}}$$

Interest income forms the major portion of the JVBs' total revenue. Banks earn interest from loans, advances and investments, hence higher proportion of Risk Assets and Investments in the Assets structure of the bank lead to higher Interest Earned to Total Assets Ratio.

The ratio measures the percentage of interest earned in relation to total assets of the banks. Thus, it signifies the mobilization of its assets in interest generating purposes. The ratio plays an important role in evaluating the JVBs efficiency in earning assets.

Higher ratio reflects the better efficiency in utilizing the resources in interest generating sectors and vice-versa.

**e) RETURN ON RISK ASSETS**

**(NET PROFIT TO LOANS / ADVANCES)**

The Return on Risk Assets Ratio is calculated by dividing Net Profit by Risk Assets.

$$\text{Return on Risk Assets} = \frac{\text{Net Profit}}{\text{Risk Assets}}$$

Return on Risk Assets Ratio measures the percentage of net profit earned in relation to the volumes of loans and advances. The ratio shows the capacity of JVBs to mobilize risk assets in the income generating purposes. A higher ratio signifies that bank is able to disburse good loans in a higher proportion, whereas lower ratio indicates lower net profit resulting from advancing of downgraded loans.

**3.5.1.2 LIQUIDITY RATIOS**

It is very important for a firm to be able to meet its obligations as they become due. Liquidity ratios measure the ability of the firm to meet its current obligations. A firm should ensure that it does not suffer from the liquidity crunch, and also that it is not too much highly liquid. The failure of a company to meet its obligations, due to the lack of sufficient liquidity, will result in bad credit image and loss of creditor’s confidence. A very high degree of liquidity is also bad; idle or non performing assets earn nothing. The firm’s funds will be unnecessarily tied up in the current assets. Therefore, it is necessary to strike a proper balance between liquidity and lack of liquidity.

Adequate liquidity is a must in the banking sector in order to protect its solvency and to honor its short term obligations or liabilities. Failing to do so, banks might have to go for the liquidation, and hence to protect the creditor’s interest, NRB has directed all the banks to maintain adequate Cash Reserve Ratio (CRR). A bank must ensure that it has a sound liquidity position to face the instant claims by its creditors. In other words, current liabilities should be fully backed by its current assets to build good credit image and gain creditor’s confidence.

Liquidity ratio measures the ability to meet the short-term obligations and reflects the short-term financial strength and solvency of the bank. Since the depositors of the banks are interested in the short-term solvency or liquidity of the firm, it is regarded as one of the most important ratios. The following ratios are evaluated under liquidity ratios-

**a) CURRENT RATIO**  
**(CURRENT ASSETS TO CURRENT LIABILITIES)**

The Current Ratio is calculated by dividing Current Assets by Current Liabilities.

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

Current Assets include cash and those assets which can be converted into cash within a year, such as investments in the government securities, money at call, bills for collection, loans and advances and customer acceptances. Similarly, current liabilities include obligations maturing within a year, such as current, saving and short deposits, borrowings, accrued expenses, bills for collections and customer acceptances.

The current ratio is a measure of the bank's short term solvency. It indicates the availability of current assets (in percentage) to the current liabilities. A ratio greater than 100% means that the bank has more current assets than its current claims. As a conventional rule, a current ratio of 200% or more is considered satisfactory. The rule is based on the worst case scenario, even if the value of current assets becomes half, the bank will be able to meet its obligations. However, an arbitrary Current Ratio standard of 2:1 should not be blindly followed, because it only measures the quantity but not the quality of assets.

**b) CASH & BANK BALANCE TO DEPOSITS RATIO**  
**(Excluding FIXED DEPOSITS)**

The Cash & Bank Balance to Deposits Ratio is calculated by dividing Cash & Bank Balance by Deposits (excl. Fixed deposits)

$$\text{Cash \& Bank Balance to Deposits Ratio} = \frac{\text{Cash \& Bank Balance}}{\text{Total Deposits (excl. FDs)}}$$

A bank must ensure that it is liquid enough to face heavy deposit withdrawals, or in other words, it has to maintain adequate balances in the form of cash and bank balance in order to honor the large withdrawals by its customers.

This ratio indicates the ability of the banks to immediately fund the withdrawals of their current, savings, short and margin deposits. A high ratio represents the greater ability to cover their deposits (excluding fixed deposits) and vice versa and it is advantageous as it provides cushion or safety to the depositors. However, too high ratio is disadvantageous as funds will be tied up in unproductive assets, such as cash and bank balance.

### **3.5.1.3 ACTIVITY (UTILIZATION) RATIOS**

The funds of creditors and owners of the bank, which are reflected under Liabilities side of the Balance Sheet, form the sources of Fund, whereas the loans and advances and investments, reflected under the Assets side of Balance Sheet are the Uses of Funds. These funds are invested by the banks in various assets to generate profit margins. The better the management of assets, the larger the amount of utilization of the available funds. Activity ratios are employed to evaluate the efficiency with which the bank manages and utilizes the funds.

Activity ratios indicate the degree of efficiency in Asset management; hence they are often referred as efficiency ratios. Some of the efficiency ratios are calculated to assess the JVB's efficiency in utilizing the available resources.

#### **a) LOANS & ADVANCES TO TOTAL DEPOSIT (C/D) RATIO**

The Ratio is calculated by dividing total loans and advances by total deposits.

$$\text{Loans \& Adv. to Total Deposit Ratio} = \frac{\text{Total Loans \& Advances}}{\text{Total Deposits}}$$

The core banking function is to mobilize the funds from the depositors to the borrowers. Banks make profit by lending or utilizing the deposited funds by charging a higher rate of interest to the borrowers than they pay to the depositors. Hence they are known to be efficient in utilizing the funds if they can advance a greater proportion of the deposited funds into Risk Assets.

Loans & Advances to Total Deposit or Total Credit to Total Deposit ratio measures the extent to which the banks are successful to mobilize the outsider's fund, i.e., total deposits in loans and advances for the purpose of profit generation.

#### **b) INVESTMENTS TO TOTAL DEPOSITS RATIO**

The ratio is calculated by dividing Investments by total deposits.

$$\text{Investments to Total Deposits Ratio} = \frac{\text{Investments}}{\text{Total Deposits}}$$

Investment function or funds management is gaining a widespread importance in the banking sector. Treasury of the bank is involved in investing the surplus fund with the bank in the income generating investments. Bank cannot utilize whole of its fund, raised through deposits and borrowings, into loans and advances. In order to fill this gap between borrowing and lending, bank rather goes for investments such as treasury bills, government securities, development bonds, FCY overseas placements and interbank lendings.

These investments earn a lower rate of return in comparison of loans and advances, but they, under most of the circumstances, generate higher return than their cost of funds, hence would prove beneficial to the banks.

#### **3.5.1.4 LEVERAGE RATIOS**

The use of the fixed-charge sources of funds, such as debt along with the owner's equity in the capital structure is described as 'financial leverage' or trading on equity. The term 'leverage' is used to represent the proportionate relationship between debt and equity. The long term investment proposals of a bank can be financed either by increasing owner's claim, i.e., by issuing common shares or by retaining the earnings or by increasing creditor's claims, i.e., by accepting long term borrowings and deposits from creditors. The various means used to raise funds represent the 'Financial Structure' of the bank and whenever funds have to be raised to finance investments; a capital structure decision is involved.

Employment of debt or outsider's fund involves risk to the bank, because the rate of interest on debt is fixed irrespective of the bank's rate of return on assets. Moreover, the bank has a legal binding to pay interest on debt. Hence, the financial leverage employed by a bank is

intended to earn more on the fixed-charges funds than their costs. The surplus or deficit will increase or decrease the return on the owner's equity, i.e., the rate of return on the owner's equity is levered above or below the rate of return on total assets.

Leverage ratios are concerned with the long-term solvency of the bank and show the proportion of 'outsider's fund' and 'shareholder's fund' of the bank. The leverage ratios given below for the major JVBs has been planned to analyze the long-term financial health, debt servicing capacity and strengths and weaknesses of the concerns.

**a) LONG TERM DEBTS TO TOTAL ASSETS RATIO**

Total Long Term Debts to Total Assets ratio is calculated by dividing total fixed deposits by total assets.

$$\text{Long Term Debts to Total Assets Ratio} = \frac{\text{Total Fixed Deposits}}{\text{Total Assets}}$$

Long term debts in the form of fixed deposits cost higher rate of interest for the banks, and the bank, which relies more on long term debts and less to short term debts, is said to have adopted a conservative financing policy. Banks can utilize long term debts (fixed deposits) towards granting of term loans. Term loans generally have a maturity period of more than one year.

The long term debts to total assets ratio measures the percentage of total assets that has been financed by long-term debts.

**b) LONG TERM DEBTS TO NET WORTH (SHAREHOLDER'S FUND) RATIO**

The ratio is calculated by dividing total fixed deposits by total shareholder's fund.

$$\text{Long Term Debts to Net worth Ratio} = \frac{\text{Total Fixed Deposits}}{\text{Total Shareholder's Fund}}$$

Long term debts in the form of fixed deposits cost higher rate of interest to the banks, but at the same time, can be invested in the higher income generating term loans.

The ratio measures the relative proportion of long-term debts in relation to the shareholder's fund. This ratio is helpful in determining whether the long term debt financing is adequate to

strengthen the profitability of the bank. Higher long-term debt to net worth ratio is disadvantageous, when the bank is incurring losses, or the overall rate of earning is lower than the interest payable to the debt holders and vice versa.

### **3.5.1.5 OTHER FINANCIAL INDICATORS**

All the above ratios throw light on various aspects of the bank. Different stakeholders, management, investors and creditors can get information regarding their interest. Some other financial indicators are dealt here in order to provide more information about the effective performance of the bank. They are listed below:

#### **a) LOAN LOSS COVERAGE RATIO**

##### **(LOAN LOSS PROVISION TO TOTAL RISK ASSETS)**

The ratio is calculated by dividing loan loss provision by total risk assets.

$$\text{Loan loss coverage Ratio} = \frac{\text{Loan Loss Provision}}{\text{Total Risk Assets}}$$

Banks disburse their loans and advances into various sectors, and the possibility of their loans going bad can not be fully ruled out. In case of borrowers going bankrupt, banks have no choice, but to write off their loans. In order to maintain bank's profitability, and to protect them from the possible loan loss in future, NRB has classified all the credits into different categories, assigning each category a risk grade. Banks are required to maintain a certain percentage for each category as loan loss provision.

Loan loss provision provides a cushion for banks in case of borrower's default in payment of loans and ensures the continued solvency of the banks. Loan loss coverage ratio measures the proportion of the loan loss provision in relation to the total assets.

## **b) OTHER PERFORMANCE INDICATORS**

In the process of analyzing the financial performance of JVBs, some of the important financial indicators have been examined below:

### **i. Earning Per Share**

Earning per share is calculated by dividing profit after tax by total number of shares.

$$\text{Earning per share} = \frac{\text{Profit after Tax}}{\text{Total No. of Shares}}$$

The main concentration of shareholders lies in the bottom line of the bank, i.e., its profit after tax. It doesn't matter whether the earnings are retained or distributed; higher earning per share enhances the value of the shareholder's wealth. Higher profitability of the bank results in the higher earnings per share.

## **3.5.2 STATISTICAL TOOLS**

Quantitative or numerical information may be found almost everywhere in business, economics and many other areas. It is probably more common to refer to data in quantitative form as 'statistical data'. But not all numerical data is statistical. The large volume of numerical information gives rise to the need for systematic methods which can be used to organize, present, analyze and interpret the information effectively. Following are the statistical tools used for the analysis:

### **3.5.2.1 ARITHMETIC MEAN (X)**

An average is a single value selected from a group of values to represent them in same way, which is supposed to stand for a whole group of which is a part, as typical of all the values in the group (Waugh A.E.). Out of the various measures of the central tendency, arithmetic mean is one of the useful tools applicable here. It is easy to calculate, understand and is based on all observations.

Arithmetic mean of a given set of observations is their sum divided by the number of observations. In general,  $X_1, X_2, X_3, \dots, X_n$  are the given  $n$  observations, then their arithmetic mean, usually denoted by  $\bar{X}$ , is given by:

$$(X1 + X2 + X3 + ..... Xn)$$

$$\text{Mean } (\bar{X}) = \frac{\text{-----}}{n}$$

$$\text{or, Mean } (\bar{X}) = \frac{\sum X}{n}$$

Where  $\bar{X}$  = Mean

$\sum X$  = Sum of all the Variable X  
 n = Variables involved

### **Coefficient of Variation (C.V)**

The relative measure of dispersion based on standard deviation is called coefficient of standard deviation and 100 times coefficient of standard deviation is called coefficient of variation. It is denoted by C.V. Thus,

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

Where,

$\sigma$  = Standard deviation

$\bar{X}$  = Mean value of variables

Coefficient of variation being a pure number is independent of the units of measurement and thus is suitable for comparing the variability or uniformity of two or more distribution. The distribution having less C.V. is said to be less variable or more consistent or more stable. A distribution having greater C.V. is said to be more variable or less consistent or less stable. C.V. is used in this research for comparing the uniformity of variables of sample banks.

### **3.5.2.2 TREND ANALYSIS**

#### **(From Least Square Method)**

Trend analysis is a statistical tool, which will highlight the previous trend of the financial performance, and in a great extent becomes instrumental in forecasting the future financial results of these JVBs.

The straight-line trend implies that irrespective of the seasonal and cyclic swings and irregular fluctuations, the trend values increases or decreases by a constant absolute amount 'b' per unit of time. Hence, the linear trend values form a series in arithmetic progression, the common difference being 'b' the slope of the trend line.

The straight line trend between the dependent variable 'y' and the independent variable 'x' (i.e., time) is represented by the equation:

$$Y_c = a + bx$$

Where,  $Y_c$  = Estimated value of 'Y' for any given value of independent variable 'x'.

$a$  = Y-intercept or value of Y when  $x = 0$ .

$b$  = slope of the trend line or amount of change in 'y' per unit change in 'x'

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

$$\sum Y = Na + b\sum X \dots\dots\dots (i)$$

$$\sum XY = a\sum X + b\sum X^2 \dots\dots\dots (ii)$$

Where  $N$  represents number of years (months or any other period) for which data are given.

It should be noted that the first equation is merely the summation of the given function, the second is the summation of  $X$  multiplied by the given function.

We can measure the variable  $X$  from any point of time in origin such as the first year. But the calculations are very much simplified when the mid-point in time is taken as the origin because in that case the negative values in the first half of the series balance out the positive values in the second half so that  $\sum X = 0$ . In other words, the time variable is measured as a deviation from its mean. Since  $\sum X = 0$  the above two normal equations would take the form-

$$\sum Y = Na \dots\dots\dots (i)$$

$$\sum XY = b\sum X^2 \dots\dots\dots (ii)$$

The values of 'a' and 'b' can now be determined easily.

$$a = \sum Y / N$$

$$b = \sum XY / \sum X^2$$

The constant 'a' is simply equal to the mean of Y values and the constant 'b' gives the rate of change.

It should be noted that in case of odd number of years, when the deviations are taken from the middle year  $\sum X$  would always be zero provided that there is no gap in the data given.

However, in case of even years also  $\sum X$  will be zero if the  $X$  origin is placed midway between the two middle years.

## CHAPTER- IV

### DATA PRESENTATION AND ANALYSIS

This is the section where, the filtered data are presented and analyzed. This is one of the major chapters of this research because it includes detail analysis and interpretation of data from which concrete result of Nepalese Commercial JVBs can be obtained. In this chapter, the relevant data and information necessary for the study are presented and analyzed keeping the objectives set in mind. This chapter consists of various calculations made for the analysis of **Strengths & Weaknesses** of concerned JVBs and the probable **Opportunities & Threats** relating these JVBs. To make our study effective and precise as well as easily understandable, this chapter is categorized in three parts; presentation, analysis and interpretation. The analysis is fully based on secondary data available. In presentation section data are presented in terms of table, graph chart of figures, according to need. The presented data are then analyzed using different financial & statistical tools earlier mentioned in chapter three. At last the results of analysis are interpreted. Though there is no distinct line of demarcation for each section (like presentation section, analysis section & interpretation section) but the arrangement of writing is made by afore mentioned way. Similarly it is also noted that almost all data used for analysis are of secondary type.

For our simplicity, data are basically collected by secondary sources in order to fulfill the objective and the collected data from secondary sources have been represented in the suitable formats (i.e. on tables and charts). The financial as well as statistical tools are used for the comparison of financial indicators. The strength and weakness of those banks, to some extent, is evaluated and the significance of the different financial variables is also analyzed. The five years secondary data (2064/65, to 2068/69) of the banks are taken for the analysis. Each detail of calculation is tabulated in the respective appendix.

#### 4.1 ANALYSIS THROUGH TABULAR & GRAPHICAL PRESENTATION

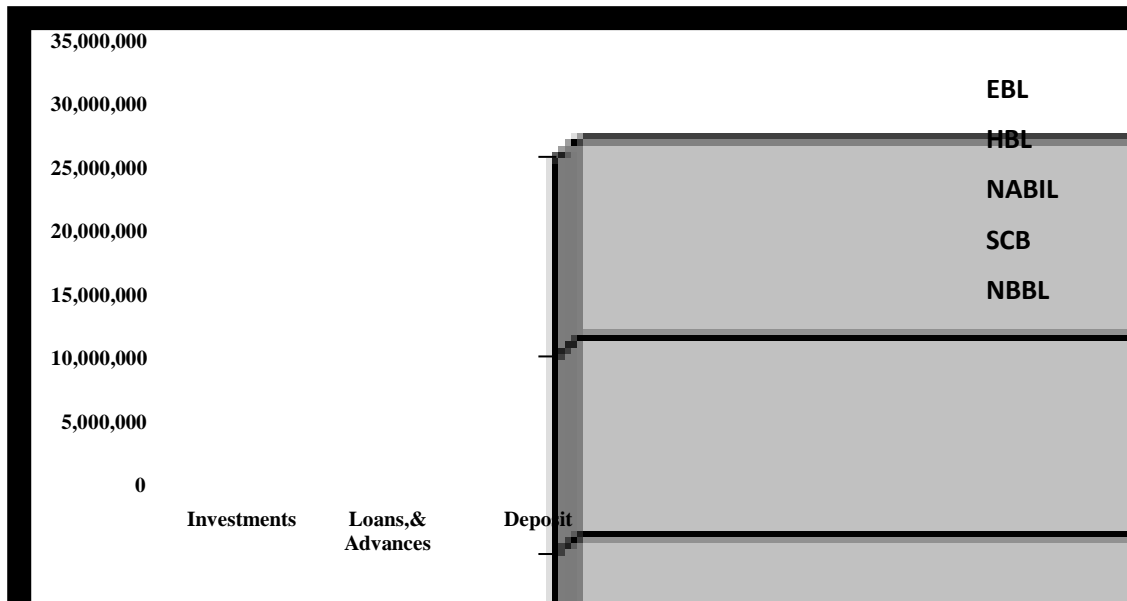
In this section, Comparative financial results of JVBs from 2064/65, 2065/66, 2066/67, 2067/68, 2068/69 are presented in the Tabular form, along with the Graphical presentations of major financial highlights.

**Table -4.1****Comparative Balance sheet of Joint Venture Banks of Nepal year 2064/65****In “000”**

<b>Assets</b>	<b>EBL</b>	<b>HBL</b>	<b>NABIL</b>	<b>SCB</b>	<b>NBBL</b>
Cash & Bank Balance	1,903,903	1,214,025	2,340,898	1,992,181	1,617,855
Balance with Banks	764,068	234,118	330,244	28,840	304,993
Money at Call	346,000	518,529	1,952,361	1,761,152	1,000
Investments	5,059,558	13,340,177	9,939,771	13,553,234	1,389,902
Loans, Advances & Bills Purchase	18,339,085	19,497,520	21,365,052	10,502,637	5,457,809
Net Fixed Assets	360,512	726,068	598,039	125,591	147,747
Non-Banking Assets	-	10,307	-	-	37,087
Other Assets	376,215	634,787	606,394	633,054	434,637
<b>Total Assets</b>	<b>27,149,341</b>	<b>36,175,531</b>	<b>37,132,759</b>	<b>28,596,689</b>	<b>9,391,027</b>
Share Capital	831,400	1,013,512	689,216	413,255	7,441,26
Reserve & Surplus	1,089,837	1,499,479	1,747,983	1,703,099	2,935,574
Debenture & Bonds	300,000	860,000	240,000	-	-
Loan & Borrowings	-	83,178	1,360,000	400,000	300,000
Deposits Liabilities	23,976,298	31,842,789	31,915,047	24,647,020	10,883,653
Non-controlling interest	-	-	-	-	-
Bills Payable	49,430	102,670	238,422	36,168	30,012
Proposed and unpaid dividend	140,790	263,076	437,373	341,744	1,301
Income Tax Liabilities	41,143	19,131	38,777	5,599	-
Other Liabilities	720,443	491,696	465,941	1,049,804	637,509
<b>Total Liabilities</b>	<b>27,149,341</b>	<b>36,175,531</b>	<b>37,132,759</b>	<b>28,596,689</b>	<b>9,391,027</b>

**Source - Appendix- ( II ,III,IV , V ,VI)**

The components of Balance sheet of investment, loan and advance, & deposits the review period 2064/065 are shown comparatively in the following graph.



Graph# 1 investment ,loan & advance and Total Deposit

Due to mobilization of highest deposit during the year 2064/65 NABIL was able collect 31,915,047 which increase its loan and advances volume to 21,365,052 matching with the profitable lending opportunities in the country. During this year, NABIL recorded its aggressive lending policy comparing to other several JVBs .This shows that increase in the deposit of the bank increase the total earning interest income which directly affect the net profit and loss.

So as a conclusion we can understand that if the bank can collect the high amount of deposit they can get opportunities to make their profit high

**Table-4.2****Comparative P/L A/C of Joint Venture Banks of Nepal year 2064/65****In “000”**

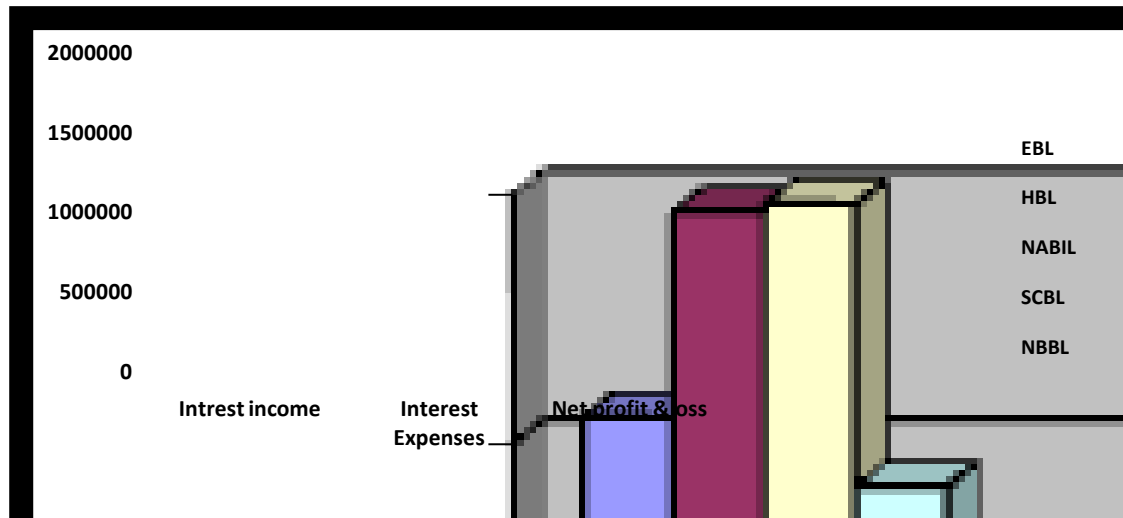
<b>Particulars</b>	<b>EBL</b>	<b>HBL</b>	<b>NABIL</b>	<b>SCB</b>	<b>NBBL</b>
Interest Income	1,548,657	1,963,647	1,978,697	1,411,981	828,276
Interest Expenses	632,609	823,745	758,436	413,055	397,997
<b>Net Interest Income</b>	<b>916,048</b>	<b>1,139,902</b>	<b>1,220,261</b>	<b>998,926</b>	<b>430,279</b>
Commission & Discount	150,264	202,888	159,319	221,207	105,300
Other Operating Income	79,134	62,103	94,359	28,785	190,767
Exchange Income	64,452	192,601	196,487	309,087	90,111
<b>Total Operating Income</b>	<b>1,209,898</b>	<b>1,597,494</b>	<b>1,670,426</b>	<b>1,558,005</b>	<b>816,457</b>
Staff Expenses	157,957	307,528	262,907	199,778	140,838
Other Operating Expenses	233,767	329,005	220,751	228,451	121,863
Exchange Loss	-	-	-	-	-
<b>Profit before provision for possible losses</b>	<b>818,174</b>	<b>960,961</b>	<b>1,186,768</b>	<b>1,129,776</b>	<b>553,756</b>
Provision for possible losses	(99,340)	-58,431	-64,055	-36,809	(397,304)
<b>Operating Profit</b>	<b>718,834</b>	<b>902,530</b>	<b>1,122,713</b>	<b>1,092,967</b>	174,452
Non-operating P/L	4,519	9,700	24,084	9,492	18,239
Write back from loan loss provision	20,201	184,107	11,100	20,160	1,343,374
<b>Profit from regular activities</b>	<b>743,554</b>	<b>1,096,337</b>	<b>1,157,897</b>	<b>1,122,619</b>	1,536,065
Profit/Loss from transaction of extraordinary nature	-18,998	-52,614	39,991	-4,915	(697,887)
<b>Profit after inclusion of all transaction</b>	<b>724,555</b>	<b>1,043,723</b>	<b>1,197,888</b>	<b>1,117,704</b>	838,178
Provision for staff bonus	65,869	94,884	108,899	101,610	76,198
<u>Provision for income tax</u>					
Current tax for year	216,913	309,155	340,625	315,427	156,594
Deferred Tax	(9,455)	(3,816)	(1,843)		(3,092)
For previous year	-	-	53	9,000	11,992
<b>Net Profit/Loss</b>	<b>451,218</b>	<b>635,868</b>	<b>746,468</b>	<b>691,667</b>	596,485

**Source - Appendix- ( II ,III,IV ,V ,VI)**

At the end of FY 2064/65, the Net Profit of NABIL was highest at NRS 746,468 T due to lower interest expense and higher exchange coupled with higher interest earning in

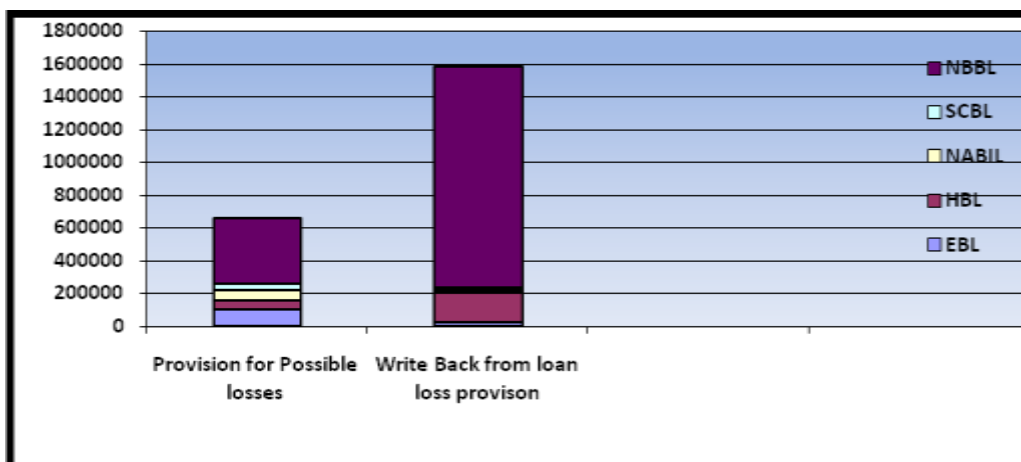
investment as compared to EBL, HBL SCBL &NBBL. The interest income on investment of NABIL was highest at NRS 1,978,697 T.

The components of Profit & loss account of, interest income, interest expenses & profit/loss the review period 2064/065 are shown comparatively in the following graph.



Graph # 3 Interest income, Interest Expenses, & Net profit/loss –2064/65

The following bar diagram shows the provision for possible losses and write back from loan loss provision which directly affect on the net profit for the year .



Graph# 4 provisions for possible losses & write back from loan loss provision

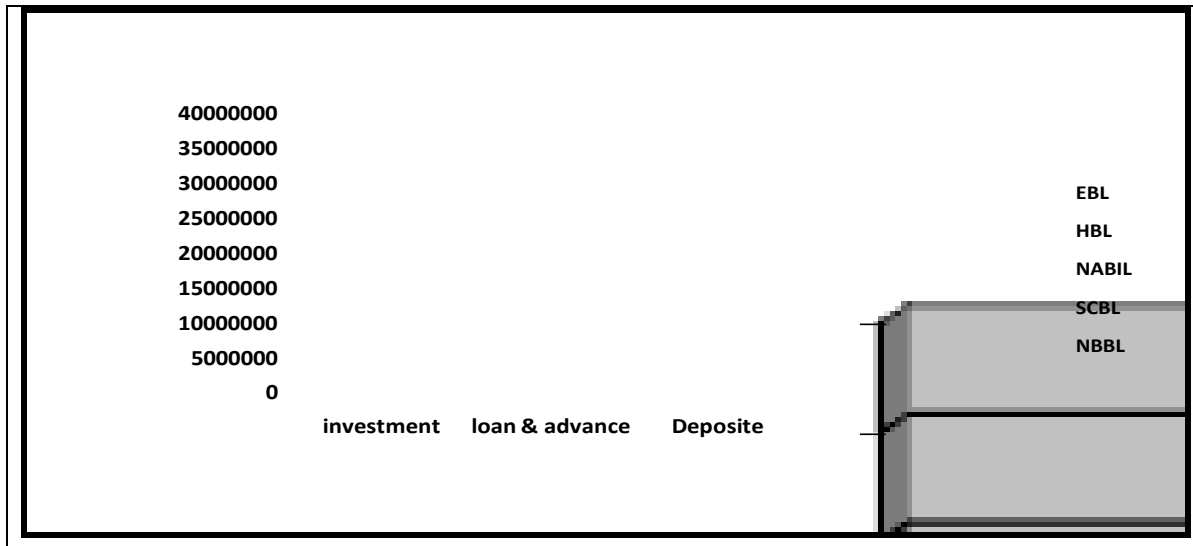
In the above diagram NBBL has its highest provision for possible losses which decrease the profit for the year which shows the weakness of the company, but in the same year it has its highest write back from loan loss provision which help to increase its profit in the same year.

**Table-4.3**  
**Comparative Balance sheet of Joint Venture Banks of Nepal year 2065/66**  
**In "000"**

ASSETS	EBL	HBL	NABIL	SCBL	NBBL
Cash & Bank Balance	5,731,859	2,802,165	3,322,991	1,681,149	2,329,217
Balance with Banks	432,512	246,361	49,521	369,094	242,200
Money at Call	-	1,170,794	552,888	2,197,537	1,000
Investments	5,948,480	8,710,691	10,826,379	13,902,819	2,222,432
Loans, Advances & Bills Purchase	23,884,674	24,793,155	27,589,933	13,718,597	6,704,943
Net Fixed Assets	427,157	952,196	660,989	117,273	139,198
Non Banking Assets	-	22,695	-		
Other Assets	492,166	632,074	864,696	1,349,319	325,562
<b>Total Assets</b>	<b>36,916,848</b>	<b>39,330,131</b>	<b>43,867,397</b>	<b>33,335,788</b>	<b>11,964,552</b>
<b>LIABILITIES</b>					
Share Capital	838,821	1,600,000	965,747	620,784	1,860,315
Reserve & Surplus	1,364,804	1,519,881	2,164,494	1,871,763	-748,073
Debenture & Bonds	300,000	500,000	300,000	-	-
Loan & Borrowings	312,000	-	1,681,305	-	-
Deposits Liabilities	33,322,946	34,682,306	37,348,255	29,743,999	9,997,697
Non controlling interest	-	-	-	-	-
Bills Payable	148,655	31,847	463,139	87,397	12,629
Proposed and unpaid dividend	230,525	162,097	361,325	506,367	1,398
Income Tax Liabilities	20,522	10,163	80,232	2,052	6,729
Other Liabilities	378,575	823,837	502,900	503,426	833,857
<b>Total Liabilities</b>	<b>36,916,848</b>	<b>39,330,131</b>	<b>43,867,397</b>	<b>33,335,788</b>	<b>11,964,552</b>

Sources - Appendix- ( II ,III,IV ,V ,VI)

The components of Balance sheet of, investment, loan and advance , & deposit the review period 2065/066 are shown comparatively in the following graph.



Graph #5 Investments ,loan,& advance, Deposit & share capital –2065/66

Due to mobilization of highest deposit during the year 2065/66 NABIL was able to collect 37,348,255 T deposit , which help to increase its loan and advances volume to NRS 27,589,933 T matching with the profitable lending opportunities in the country. During this year also NABIL recorded its aggressive lending policy comparing to others JVBs .This shows that increase in the deposit of the bank increase the total earning interest income which directly affect the net profit and loss.

.In this year still NABIL have its strength potion comparing to the other .in the year 2065/66 other bank have also increase its strength potion comparing to the year 2064/65.it may be due to the following external reason for which the bank have get opportunities .

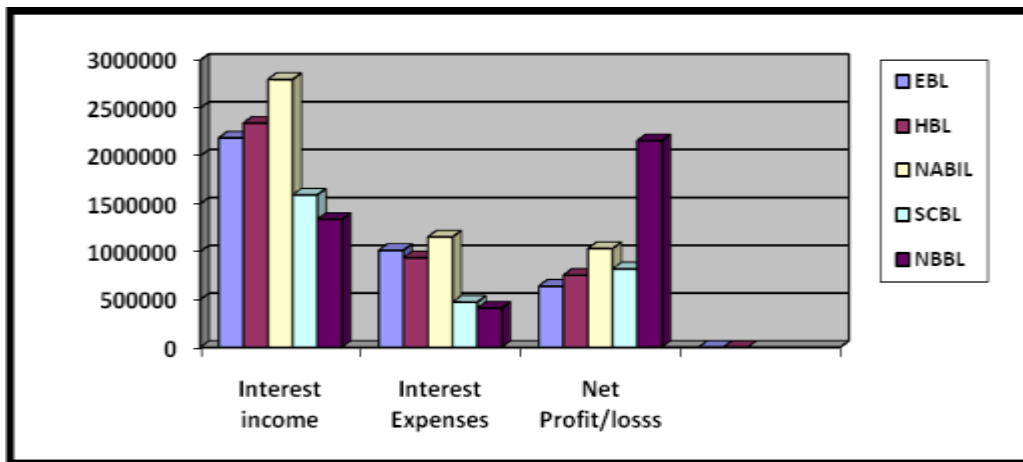
- 1) Comparing to the year 2064/65 the entire bank has its increasing share value.
- 2) In this year HBL, EBL, SCBL & NBBL increase in its deposit liability and due to the mobilization of its deposit it increase its interest income which increase its profit for the year.
- 3) Increase in the deposit may be due to the good political legal, economic, social culture.

**Table-4.4****Comparative P/L A/C of Joint Venture Banks of Nepal year 2065/66****In "000"**

Particular	EBL	HBL	NABIL	SCBL	NBBL
Interest Income	2,186,814	2,342,198	2,798,486	1,591,195	1,337,112
Interest Expenses	1,012,874	934,778	1,153,280	471,729	409,776
<b>Net Interest Income</b>	<b>1,173,940</b>	<b>1,407,420</b>	<b>1,645,206</b>	<b>1,119,466</b>	<b>927,336</b>
Commission & Discount	202,094	284,302	179,693	276,432	122,393
Other Operating Income	106,404	46,343	144,164	32,594	125,074
Exchange Income	62,527	249,983	251,919	345,653	80,548
<b>Total Operating Income</b>	<b>1,544,965</b>	<b>1,988,048</b>	<b>2,220,982</b>	<b>1,774,145</b>	<b>1,255,351</b>
Staff Expenses	186,920	360,981	339,898	225,256	138,424
Other Operating Expenses	292,010	398,317	265,158	230,571	123,307
Exchange Loss	-	-	-	-	-
<b>Profit before provision for possible losses</b>	<b>1,066,035</b>	<b>1,228,750</b>	<b>1,615,927</b>	<b>1,318,318</b>	<b>993,620</b>
Provision for possible losses	(93,085)	-199,215	-45,722	-69,885	-283,319
<b>Operating Profit</b>	<b>972,950</b>	<b>1,029,535</b>	<b>1,570,205</b>	<b>1,248,433</b>	<b>710,301</b>
Non operating profit/loss	5,005	3,810	2,190	1,683	22,934
Write back from loan loss provision	8,044	149,894	10,618	90,635	1,905,860
<b>Profit from regular activities</b>	<b>98,510,00</b>	<b>1,183,239</b>	<b>1,583,013</b>	<b>1,340,751</b>	<b>2,639,095</b>
Profit/Loss from transaction of extraordinary nature	-5,549	-9,973	43,522	-28,039	-14,990
<b>Profit after inclusion of all transaction</b>	<b>980,451</b>	<b>1,173,266</b>	<b>1,626,535</b>	<b>1,312,712</b>	<b>2,624,105</b>
Provision for staff bonus	89,132	106,661	147,867	119,337	238,555
<u>Provision for income tax</u>					
Current tax for year	276,864	340,776	470,702	381,493	235,262
Defferd tax	-24,278	-27,573	-24,006	-7,041	3,042
Previous Year tax		(568)	(919)		(10857)
<b>Net Profit/Loss</b>	<b>638,733</b>	<b>752,834</b>	<b>1,031,053</b>	<b>818,923</b>	<b>2,158,103</b>

Sources - Appendix- ( II ,III,IV , V ,VI)

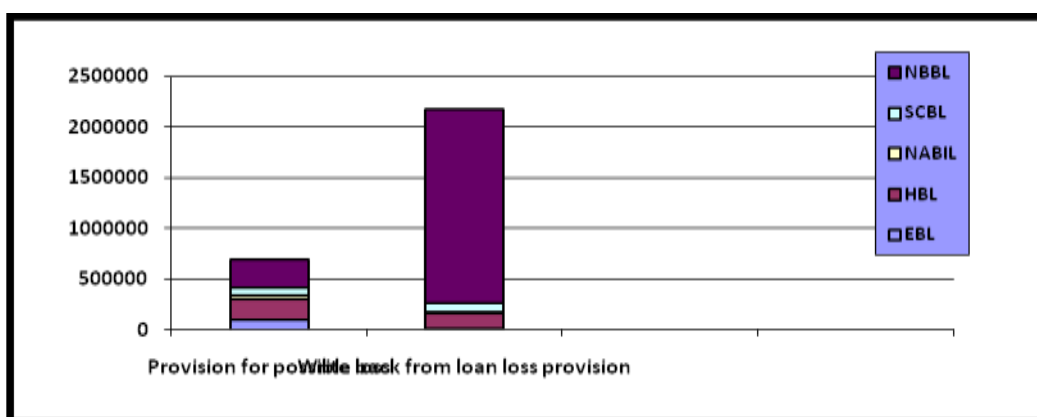
The comparative graphical presentatio of JV Banks as at 2065/66 has been shown below:



Graph # 6 Interest income, interest expenses and net profit /loss 2065/66

From the above diagram it show the interest income ,interest expenses and net profit and loss. In this year NABIL is leading its high interest income comparing to the other JVBs .But also it does not have its highest net profit comparing to NBBL.it is because the NBBL has write back its provision for the possible losses which directly increase its net profit in this year 2065/66.

The following bar diagram shows the provision for possible losses and write back from loan loss provision which directly affect on the net profit for the year



Graph#7 Provision for possible loss and write back from loan loss provision

In the above diagram NBBL has its highest provision for possible losses which decrease the profit for the year which shows the weakness of the company, but in the same year it has its highest write back from loan loss provision which help to increase its profit instead having

less deposit and less interest income. In the year having highest write back from the loan loss provision it has highest Profit for the year 2065/66 comparing NABIL.

**Table -4.5**

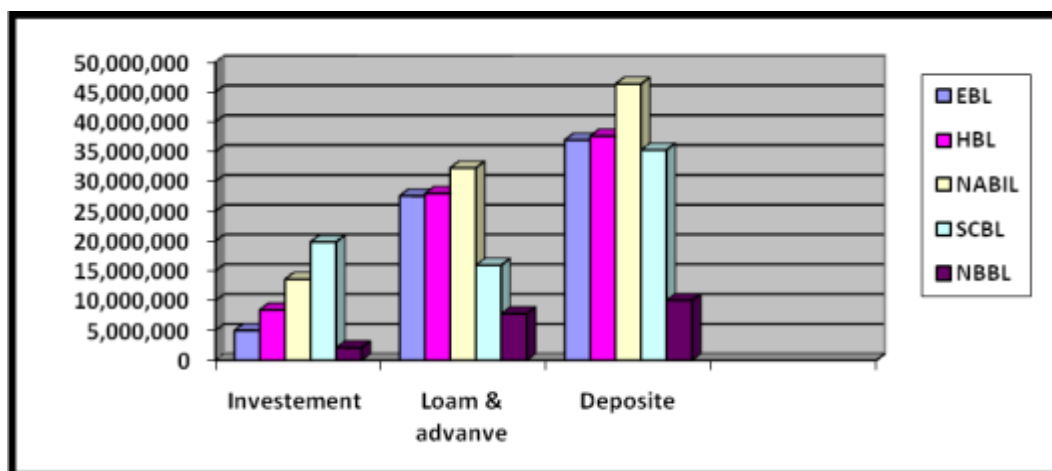
**Comparative Balance sheet of Joint Venture Banks of Nepal year 2066/67  
In "000"**

Assets	EBL	HBL	NABIL	SCBL	NBBL
Cash & Bank Balance	6,716,613	3,119,014	1,185,441	1,328,540	1,845,265
Balance with Banks	1,102,201	747,476	214,657	600,767	213,034
Money at Call	-	308,840	3,118,144	1,669,460	-
Investments	5,008,308	8,444,910	13,600,917	19,847,511	2,112,751
Loans, Advances & Bills Purchase	27,556,356	27,980,629	32,268,873	15,956,955	7,809,544
Net Fixed Assets	463,094	1,061,871	781,480	118,539	155,328
Non Banking Assets	-	-	-	-	-
Other Assets	536,188	1,054,384	910,213	691,547	395,121
<b>Total Assets</b>	<b>41,382,760</b>	<b>42,717,124</b>	<b>52,079,725</b>	<b>40,213,319</b>	<b>12,531,043</b>
Share Capital	1,279,607	2,000,000	2,028,774	1,608,256	1,860,315
Reserve & Surplus	1,479,530	1,439,205	1,805,452	1,761,453	273,275
Debenture & Bonds	300,000	500,000	300,000	-	-
Loan & Borrowings	404,600	-	74,900	-	-
Deposits Liabilities	36,932,310	37,611,202	46,340,700	35,182,721	10,052,182
Non controlling interest				89,220	-
Bills Payable	145,515	216,159	425,444	769,166	15,402
Proposed and unpaid dividend	276,253	189,473	434,737	-	-
Income Tax Liabilities	(1,136)	-	24,905	-	-
Other Liabilities	566,081	761,085	644,813	802,503	329,886
<b>Total Liabilities</b>	<b>41,382,760</b>	<b>42,717,124</b>	<b>52,079,725</b>	<b>40,213,319</b>	<b>12,531,043</b>

Source - Appendix- ( II ,III,IV , V ,VI)

For the year 2066/67, Customer's Deposit stood highest for NABIL at Rs. 46,340,700 as compared to Rs.36,932,310 of EBL, Rs. 35,182,721 for SCBNL, Rs.37,611,202 for HBL Rs. 10,052,182 for respectively. Quite obviously, NABIL had to mobilize that huge deposit. So, NABIL increased its loans & Advances by 6%. During this same year, NABIL recorded an increment of 124.27 % in Investment over previous year due to its aggressive For the year 2066/67 looking at its balance sheet it can be conclude NABIL is in at strength position.

The components of Blacnesheet of, investment, loan and advance, deposit and share capital for the review period 2066/067are shown comparatively in the following graph.



Graph #8 investmetn loan and advance, deposit and share capital 2066/67

**Table-4.6**

**Comparative P/L A/C of Joint Venture Banks of Nepal year 2066/67**

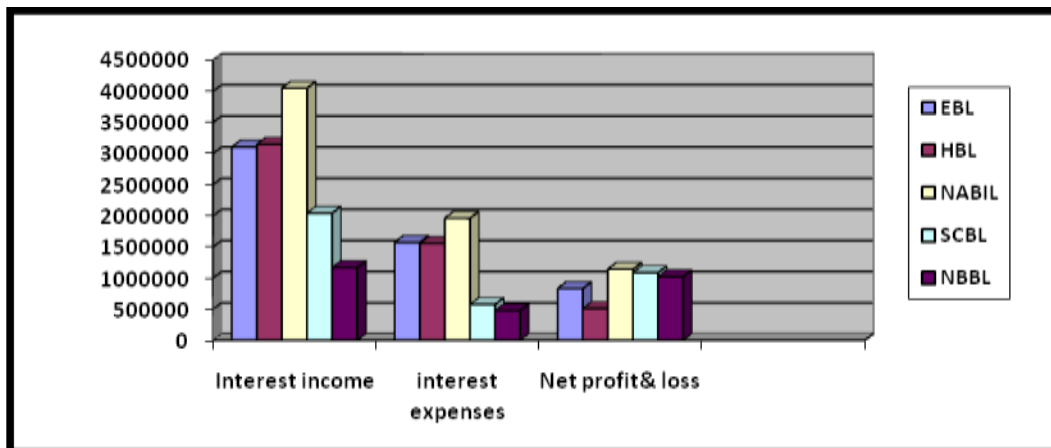
**In "000"**

Particular	EBL	HBL	NABIL	SCBL	NBBL
Interest Income	3,102,451	3,148,605	4,049,714	2,042,109	1,167,628
Interest Expenses	1,572,790	1,553,531	1,960,108	575,740	476,788
<b>Net Interest Income</b>	<b>1,529,661</b>	<b>1,595,074</b>	<b>2,089,606</b>	<b>1,466,369</b>	<b>690,840</b>
Commission & Discount	208,123	270,259	215,482	338,298	145,796
Other Operating Income	142,311	112,346	184,025	34,479	50,496
Exchange Income	47,880	180,279	276,962	458,564	49,840
<b>Total Operating Income</b>	<b>1,927,975</b>	<b>2,157,958</b>	<b>2,766,075</b>	<b>2,297,710</b>	<b>936,972</b>
Staff Expenses	226,364	414,984	367,162	312,964	146,641
Other Operating Expenses	352,511	471,103	334,669	295,305	128,766
<b>Profit before provision for possible losses</b>	<b>1,349,100</b>	<b>1,271,871</b>	<b>2,064,244</b>	<b>1,689,441</b>	<b>661,565</b>
Provision for possible losses	-77,011	-692,640	-355,829	-76,974	-148,390
<b>Operating Profit</b>	<b>1,272,091</b>	<b>579,231</b>	<b>1,708,415</b>	<b>1,612,467</b>	<b>513,175</b>
Non operating profit/loss	12,339	12,382	6,455	36,268	18,385
Write back from loan loss provision	83,553	265,542	39,755	58,293	1,318,049
<b>Profit from regular activities</b>	<b>1,367,983</b>	<b>857,155</b>	<b>1,754,625</b>	<b>1,707,028</b>	<b>1,849,609</b>
Profit/Loss from transaction of extraordinary nature	-61,192	-25,855	34,322	-17,024	-523,482

<b>Profit afte inclusion of all transaction</b>	<b>1,306,791</b>	<b>831,300</b>	<b>1,788,947</b>	<b>1,690,004</b>	<b>1,326,127</b>
Provision for staff bonus	118,799	75,573	162,518	153,637	120,557
<u>Provision for income tax</u>					
Current tax for year	357,020	246,070	472,823	465,686	167,800
Defferd tax	-795	-595	12,252	-15,213	-2,994
<b>Previous Year Tax</b>		<b>1454</b>	<b>832</b>	<b>23</b>	<b>13,396</b>
<b>Net Profit/Loss</b>	<b>831,767</b>	<b>508,798</b>	<b>1,140,522</b>	<b>1,085,871</b>	<b>1,021,380</b>

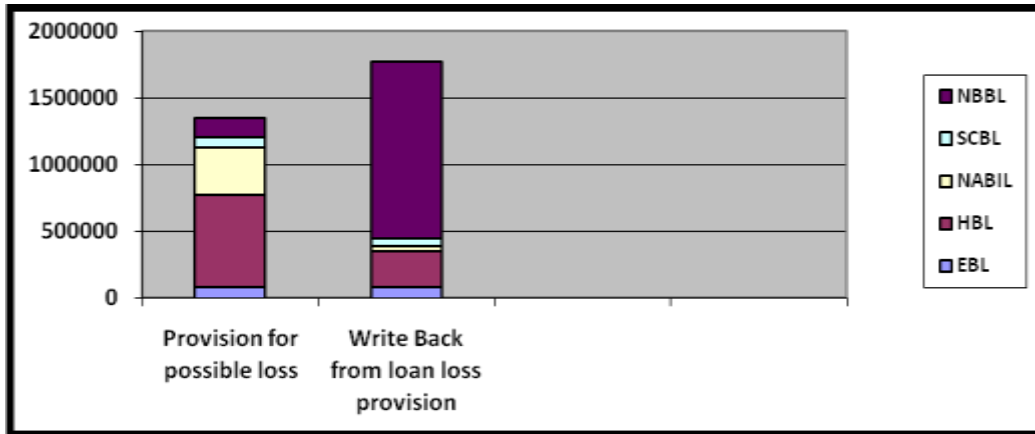
Sources - Appendix- ( II ,III,IV ,V ,VI)

The comparative graphical presentation of of JV Banks as at 2066/67has been shown below:



Graph # 9 interest income ,interest expenses, net profitless 2066/67

The following bar diagram shows the provision for possible losses and Write back from loan loss provision which directly effect on the net profit for the year .



Graph # 10 interest income ,interest expenses, net profitless 2066/67

From the above bar diagram provision for the possible loss of the HBL is highest comparing to other JVBs it is threat for the bank which directly affect to decrease the profit for the year 2066/67. instead of having more deposit and more investment it have to bear lowest profit due to the highest provision for losses and lowest write back in the year but NBBL have collect the more profit due to the highest write back from loan loss provision in the year.

Table -4.7

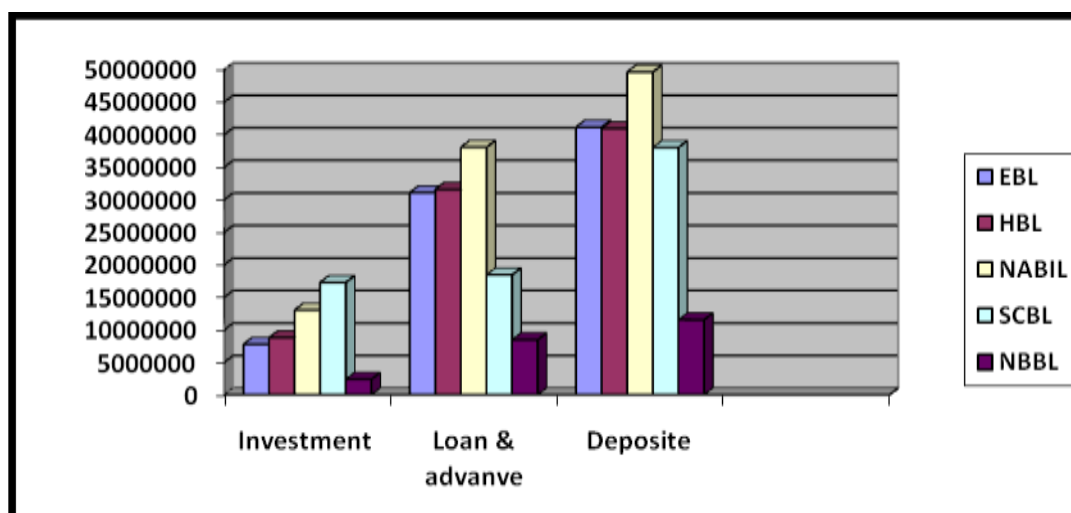
**Comparative Balance sheet of Joint Venture Banks of Nepal year 2067/68**  
In "000"

Assets	EBL	HBL	NABIL	SCBL	NBBL
Cash & Bank Balance	5,755,318	2,022,672	2,218,578	2,248,968	2,096,225
Balance with Banks	367,544	941,979	239,971	726,828	368,701
Money at Call	-	734,000	2,452,512	4,280,888	-
Investments	7,743,928	8,769,939	13,003,205	17,258,682	2,378,269
Loans, Advances & Bills Purchase	31,057,692	31,566,976	38,034,097	18,427,270	8,452,738
Net Fixed Assets	460,259	1,187,493	941,258	106,071	307,504
Non Banking Assets	-	-	-	-	-
Other Assets	851,471	1,513,144	1,209,997	761,812	401,323
<b>Total Assets</b>	<b>46,236,212</b>	<b>46,736,203</b>	<b>58,099,618</b>	<b>43,810,519</b>	<b>14,004,760</b>
Share Capital	1,391,570	2,400,000	2,029,769	1,610,168	2,009,396
Reserve & Surplus	1,721,976	1,595,478	2,542,287	2,067,609	241,779
Debenture & Bonds	300,000	500,000	300,000	-	-
Loan & Borrowings	482,000	10,000	1,650,599	350,000	-
Deposits Liabilities	41,127,914	40,920,627	49,608,376	37,999,242	11,511,677
Non controlling interest	-	-	28,917	-	-

Bills Payable	49,717	31,655	415,768	65,966	14,125
Proposed and unpaid dividend	576,897	336,842	608,930	805,084	-
Income Tax Liabilities	26,900	-	46,529	-	-
Other Liabilities	559,238	941,601	868,443	912,450	227,783
<b>Total Liabilities</b>	<b>46,236,212</b>	<b>46,736,203</b>	<b>58,099,618</b>	<b>43,810,519</b>	<b>14,004,760</b>

Sources - Appendix- ( II ,III,IV ,V ,VI)

The components of Blacnesheet of, investment, loan and advance, & deposit for the review period 2067/068are shown comparatively in the following graph.



Graph #11 Gross Income, Total Expenses & Profit before Tax –2067/68

NABIL continued to be the JVB with the highest deposit (among these four ) in the year 2067/68. Due to mobilization of highest deposit during the year 2067/68 NABIL was able to further increase its loan and advances volume to NRS 38,034,097 T During the year 2067/68, NABIL again recorded an increment of 19.13 % over previous year due to its aggressive lending policy.

**Table-4.8**

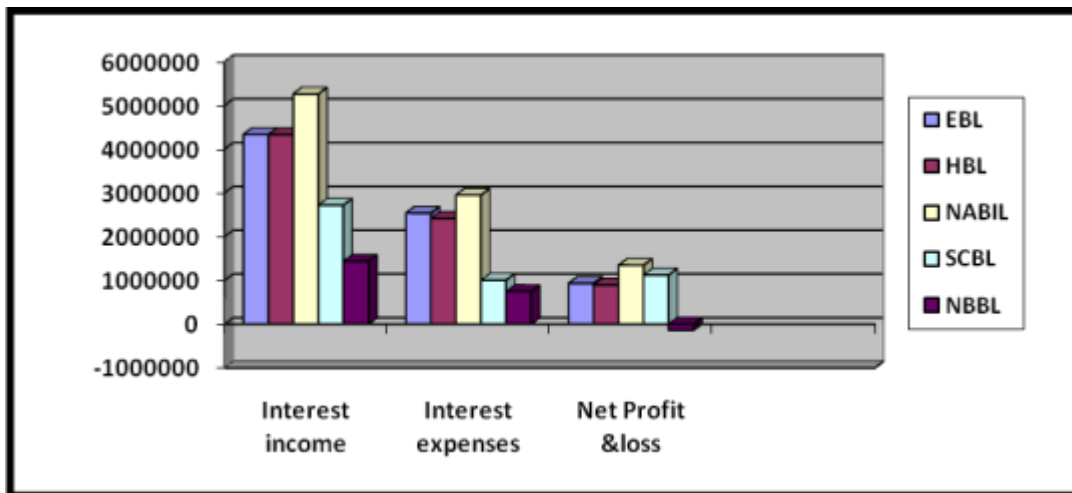
**Comparative P/L A/C of Joint Venture Banks of Nepal year 2067/68**

**In "000"**

Particular	EBL	HBL	NABIL	SCBL	NBBL
Interest Income	4,331,026	4,326,140	5,258,270	2,718,699	1,436,676
Interest Expenses	2,535,875	2,414,807	2,946,691	1,003,100	745,222
<b>Net Interest Income</b>	<b>1,795,151</b>	<b>1,911,333</b>	<b>2,311,579</b>	<b>1,715,599</b>	<b>691,454</b>
Commission & Discount	203,468	350,365	290,855	321,771	159,035
Other Operating Income	148,062	129,517	183,445	36,753	52,865
Exchange Income	46,259	195,528	276,102	387,134	59,726
<b>Total Operating Income</b>	<b>2,192,940</b>	<b>2,586,743</b>	<b>3,061,981</b>	<b>2,461,257</b>	<b>963,080</b>
Staff Expenses	293,130	517,592	455,616	365,986	181,098
Other Operating Expenses	383,112	582,209	403,993	305,215	140,402
Exchange loss	-	-	-	-	-
<b>Profit before provision for possible losses</b>	<b>1,516,698</b>	<b>1,486,942</b>	<b>2,202,372</b>	<b>1,790,056</b>	<b>641,580</b>
Provision for possible losses	(98,299)	-471,729	-109,470	-82,739	-217,768
<b>Operating Profit</b>	<b>1,418,398</b>	<b>1,015,213</b>	<b>2,092,902</b>	<b>1,707,317</b>	<b>423,812</b>
Non operating profit/loss	1,433	15,856	6,981	6,445	24,444
Write back from loan loss provision	56,337	228,145	7,101	67,159	323,614
<b>Profit from regular activities</b>	<b>1,476,169</b>	<b>1,259,214</b>	<b>2,106,984</b>	<b>1,780,921</b>	<b>771,870</b>
Profit/Loss from transaction of extraordinary nature	-12,052	102,292	3,148	-22,765	-714,889
<b>Profit after inclusion of all transaction</b>	<b>1,464,117</b>	<b>1,361,506</b>	<b>2,110,132</b>	<b>1,758,156</b>	<b>56,981</b>
Provision for staff bonus	133,102	123,773	192,008	159,832	5,180
<u>Provision for income tax</u>					
Current tax for year	427,532	338,351	570,934	485,713	198,200
Defferd tax	-28,380	5,454	1,248	-8,581	895
Share of non -controlling interest in the profit of subsidiary			1,551		
For previous year	560	813	212		<b>7,345</b>
<b>Net Profit/Loss</b>	<b>931,304</b>	<b>893,115</b>	<b>1,344,179</b>	<b>1,119,429</b>	<b>( 138,159)</b>

**Sources - Appendix- ( II ,III,IV , V ,VI)**

The comparative graphical presentation of JV Banks as at 2067/68 has been shown below:

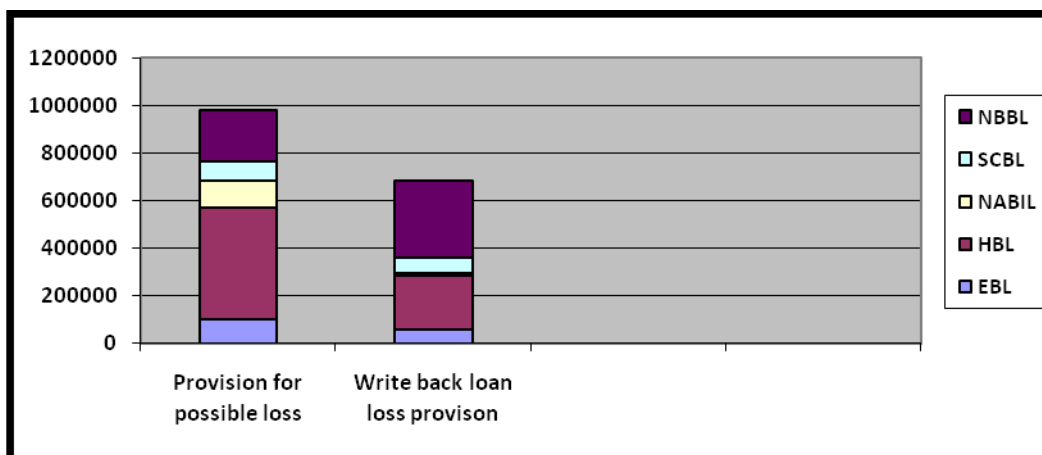


Graph #

12 interest income ,interest expenses & net profit and loss for the year 2067/68

From the above bar diagram NABIL has stood highest interest income and highest net profit for the year comparing with other several JVBs. It shows the strength position of the bank which encourage the customer to believe over the bank transaction and deposit cash in the bank. In other side the NBBL has been get loss in the year 2067/68 due to the lowest deposit lowest interest income and high loan loss provision it show the weakness of the bank.

The following bar diagram shows the provision for possible losses and write back from loan loss provision which directly affects on the net profit for the year



Graph # 13 Provision for possible loss & write back loan loss provision 2066/67

In this year HBL has highest provision for losses which decreases the profit of the year. Comparing to the other year .In the same year NBBL has highest write back of loan loss provision but still in the same year it have to bear losses. Due to the lowest deposit lowest

interest income and limited investment .Due to the many reason it have to bear losses. It may be external factor

**Table-4.9**

**Comparative Balance sheet of Joint Venture Banks of Nepal year 2068/69  
In "000"**

<b>Assets</b>					
	EBL	HBL	NABIL	SCBL	NBBL
Cash & Bank Balance	9,860,745	4,930,497	4,73,2639	5,343,598	4,663,698
Balance with Banks	502,561	1,431,798	456,817	1,022,635	346,494
Money at Call	-	264,600	826,436	2,126,035	-
Investments	7,863,627	10,031,580	14,055,850	12,938,216	3,868,950
Loans, Advances & Bills Purchase	35,910,975	34,965,433	41,605,683	19,575,968	10,330,076
Net Fixed Assets	547,926	1,305,364	887,543	89,633	227,989
Non Banking Assets	-				-
Other Assets	1,127,295	1,435,153	1,548,964	580,967	732,548
<b>Total Assets</b>	<b>55,813,129</b>	<b>54,364,427</b>	<b>63,200,298</b>	<b>41,677,052</b>	<b>20,169,756</b>
Share Capital	1,761,126	2,7860,000	2,435,723	1,851,694	2,009,395
Reserve & Surplus	2,416,177	1,872,010	3,015,162	2,270,477	944,571
Debenture & Bonds	-	500,000	300,000	-	-
Loan & Borrowings	-	-	311,080	-	-
Deposits Liabilities	50,006,100	47,730,993	55,023,695	35,965,632	16,952,703
Non controlling interest					
Bills Payable	692,399	19,003	179,142	86,379	27,929
Proposed and unpaid dividend	30,647	322,106	811,908	724,571	-
Income Tax Liabilities	9,297	-	51,107	-	-
Other Liabilities	897,383	1,160,314	1,072,481	778,299	235,157
<b>Total Liabilities</b>	<b>55,813,129</b>	<b>54,364,428</b>	<b>63,200,298</b>	<b>41,677,052</b>	<b>20,169,757</b>

Sources - Appendix- ( II ,III,IV ,V ,VI)

**Table-5.0**

**Comparative P/L A/C of Joint Venture Banks of Nepal year 2068/69**

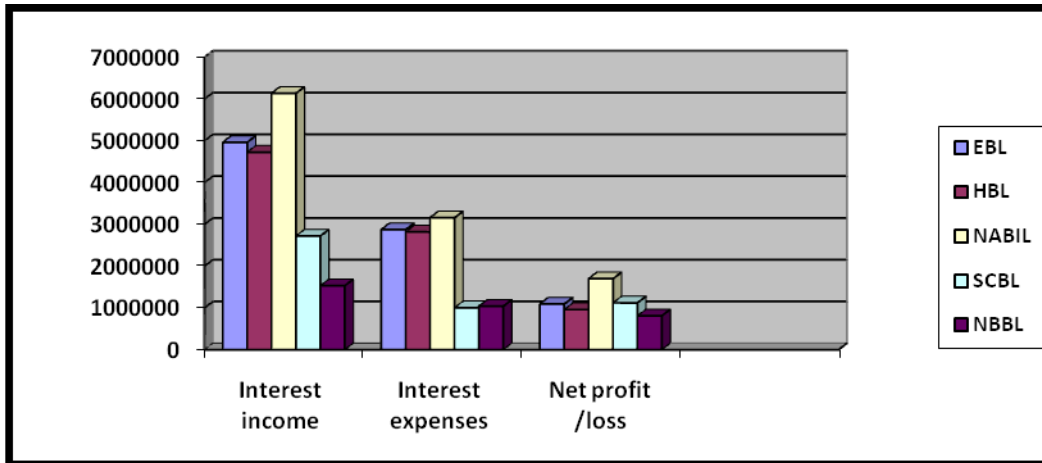
**In "000"**

	EBL	HBL	NABIL	SCBL	NBBL
Interest Income	4,959,998	4,724,887	6,133,739	2,718,699	1,529,045
Interest Expenses	2,873,335	2,816,441	3,155,490	1,003,100	1,037,814

<b>Net Interest Income</b>	<b>2,086,663</b>	1,908,446	<b>2,978,249</b>	<b>1,715,599</b>	491,230
Commission & Discount	233,570	510,840	565,160	321,771	198,340
Other Operating Income	179,822	182,028		36,753	52,562
Exchange Income	109,679	309,897	447,070	387,134	63,717
<b>Total Operating Income</b>	<b>2,609,734</b>	2,911,213	<b>3,990,479</b>	<b>2,461,257</b>	806,8511
Staff Expenses	352,050	634,228	500,713	365,986	201,429
Other Operating Expenses	467,293	714,436	428,597	305,215	165,457
Exchange Loss	-	-	-	-	-
<b>Profit before provision for possible losses</b>	<b>1,790,391</b>	1,562,547	<b>3,061,169</b>	<b>1,790,056</b>	641,580
Provision for possible losses	(252,054)	(505,491)	(213,949)	(82,739)	(70,965)
<b>Operating Profit</b>	<b>1,538,338</b>	1,057,056	<b>2,647,220</b>	<b>1,707,317</b>	368,999
Non operating profit/loss	25,156	8,006	13,839	6,445	74,580
Write back from loan loss provision	150,349	859,976	413,695	67,159	1,364,306
<b>Profit from regular activities</b>	<b>1,713,843</b>	1,925,038	<b>2,661,060</b>	<b>1,780,921</b>	1,807,887
Profit/Loss from transaction of extraordinary nature	-	(397,037)	(3,037)	-22,765	(775,178)
<b>Profit after inclusion of all transaction</b>	<b>1,713,843</b>	1,528,000	<b>2,,658,023</b>	<b>1,758,156</b>	1,032,707
Provision for staff bonus	155,803	138,909	241,638	159,832	93,882
<u>Provision for income tax</u>					
Current tax for year	478,356	450,548	728,302	485,713	150,350
Deferred tax	(10,881)	(20,472)	(8,193)	(6,560)	(1,524)
For previous year	-	377,880	-	-	19,472
<b>Net Profit/Loss</b>	<b>1,090,564</b>	958,638	<b>1,696,276</b>	<b>1,119,171</b>	809,471

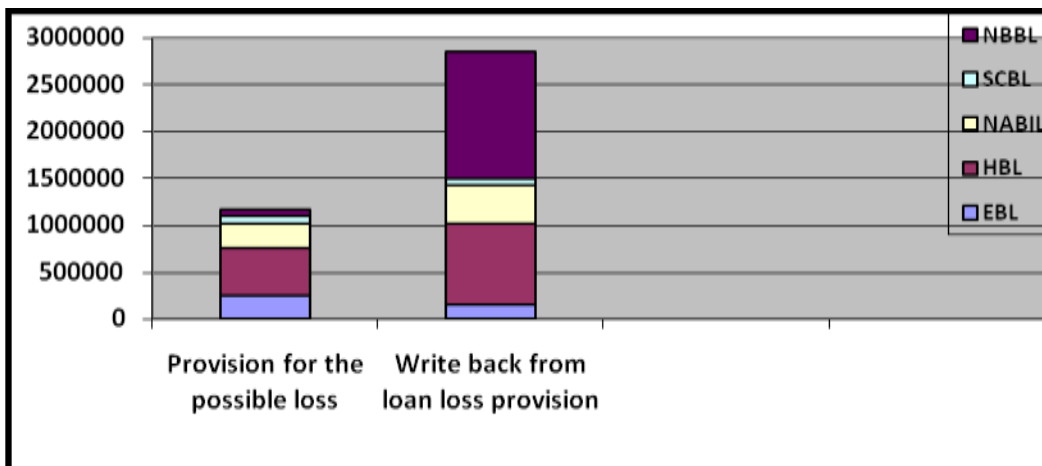
**Source - Appendix- ( II ,III,IV ,V ,VI)**

NABIL continued dominating the Banking business by generating highest Profit before Tax and after Tax as well. At the end of year 2068/69, the Profit before Tax of NABIL was highest at Rs 1,696,276 T chiefly due to higher commission , exchange earnings and higher interest income as compared EBL,HBL,SCBL,&NBBL The Profit before tax of HBL, NBBL,EBL, SCBL were Rs 958,63, 809,471, 1,090,564 ,1,119,171 correspondingly.



Graph #14 interest income, interest expenses, & net profit and loss 2068/69

From the above diagram it show the interest income interest expenses and net profit of the several JVBs of Nepal. Comparatively looking to the other JVBs the interest income of NABIL bank is highest which adverse affect to increase net profit and loss. Due to the proper mobilization of the recourses NABIL still in the top position for earning profit .



Graph# 15 provision for the possible loss & write back from loan loss provision 2068/69

From the above diagram it shows that if the bank can recover or write back its provision for losses it can increase its profit. From the analysis that NBBL is recovering its financial operation. Comparatively looking at previous year financial truncation of NBBL in the year 2068/69 it has mobilize its recourse in the productive sector and its provision for possible is also low. It shows that the bank growing up its strength position. In this year EBL, HBL, NABIL & SCBL has also mobilize their recourse effectively

## ANALYSIS OF GRAPH

The above analysis of gross income, total cost and profit before tax and loans & advances, investments and deposits of three JVBs has been able to show the comparative **Strengths** and **Weaknesses** of these banks over the period of five years.

### 4.2 ANALYSIS OF RATIOS

As earlier mentioned in the Chapter three, various ratios are calculated and analyzed to determine the comparative **Strengths & Weaknesses** of these JVBs.

#### 4.2.1 PROFITABILITY RATIOS

##### a) RETURN ON TOTAL ASSETS

The effectiveness in using the total fund supplied by the owners and creditors is judged by this ratio. It indicates the maximum utilization of available assets. Higher ratio shows the higher return on assets used in business thereby indicating effective use of the resources available and vice-versa.

**Table-5.1**

**Return on Assets for Selected Nepalese Banks**

Year	Ratio %				
	EBL	HBL	NABIL	SCBL	NBBL
2064/65	2.028	1.761	2.011	2.419	6.352
2065/66	1.961	1.913	2.354	2.457	18.037
2066/67	2.010	1.192	2.192	2.700	8.151
2067/68	2.014	1.914	2.313	2.555	(0.987)
2068/69	2.406	1.763	2.684	2.685	4.013

*Source: Appendix XVI*

The comparative ratios depicted above shows that **NBBL** Return on Assets is highest during the span of some years but in the year 2067/68 its ROA shown in the negative because of loss and other rest year its ROA is fluctuating in the highest ratio. It is not good situation for the bank. It may be due to the external/ internal factors so that the bank cannot utilize its resource's efficiently so it may have to bear losses.

Looking each and every financial condition of the bank comparatively ratios depicted above shows that **NABIL**'s Return on Assets is in good position during the span of five years. This

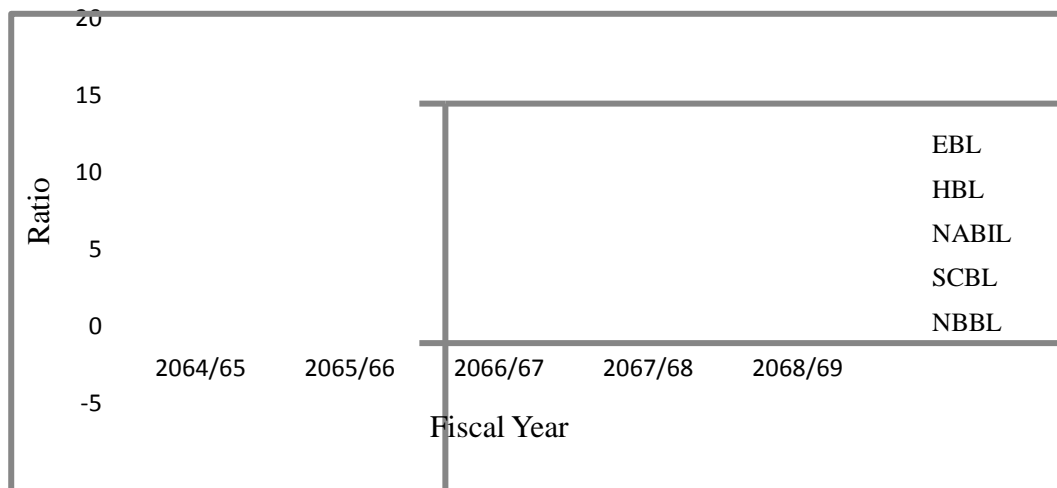
means that NABIL is relatively efficient in utilizing its overall resources without fluctuating in the highest ratio. It shows that it is in the strength position.

Return on Assets of **EBL** is also in the good position its increasing its ROA in each year it shows that the banking transaction is good and its better utilize its recourses efficiently.

From the analysis of the ROA of **SCBL** comparatively good than the EBL,HBL because its ROA is higher .It shows that the utilization of its resources efficiently.

The ROA of **HBL** is fluctuating. ROA of HBL stood at 1.761 % in the first year, i.e. 2064/65 and frequently increases in the lower ratio but at the end of the year 2068/69 1.763 % which is decrease in the comparatively looking the year 2065/66,2066/67 &2067/68.

The above analysis proves that the increase in net profit alone is not sufficient for the steady ROA; Banks must also increase their performing assets, which generate income proportionately in order to have remarkable Return on Assets Ratio.



*Graph #16 Net Profit Margin Ratio for Selected Nepalese Banks*

**b) RETURN ON TOTAL DEPOSITS  
(NET PROFIT TO TOTAL DEPOSITS)**

The net profit to total deposit ratio enables to evaluate what extent the management has been successful to mobilize and utilize deposits in generating profit. Higher return on deposit ratio

signifies better utilization of deposits. Higher volumes of deposits employed by the bank means higher degree of leverage and hence the higher risk. Therefore, the adequate return on deposit should be earned to offset the risk borne by the bank

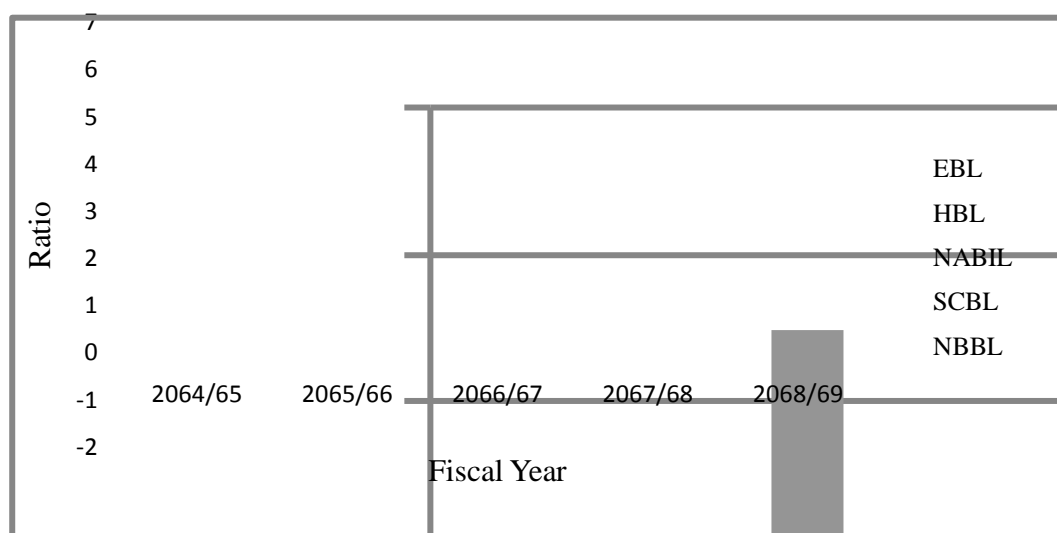
**Table-5.2**

**Return on Total Deposit of selected Nepalese Joint Venture Bank**

Year	Ratio (%)				
	EBL	HBL	NABIL	SCBL	NBBL
2064/65	1.882	1.997	2.339	2.806	5.481
2065/66	1.917	2.171	2.761	2.753	6.568
2066/67	2.252	1.353	2.461	3.086	4.161
2067/68	2.264	2.183	2.710	2.946	(1.200)
2068/69	2.685	2.008	3.083	3.112	3.755

Source – Appendix- XVII

In the year 2067/68 the Return on Total deposit of the NBBL shows in the negative due to the negative its profit for the year. It shows that the bank cannot grave the opportunities to expand its business. It shows the threats for the future Coming days .



*Graph# 17 Returns on total deposit Ratio for Selected Nepalese Banks*

Return on Deposit ratio of NBBL is relatively higher than other JVBS in the first three years under study. But in the next year 2067/68 it has negative ROD. Which seems that bank is in the weakness position because it cannot utilize its deposit in the productive sector. Due to the

higher loan loss provision the bank have to bear loss. But looking forward year 2068/69 it has trying to mention the good financial ratios.it seems that in coming future it can utilize its resources in the productive sector.

Return on Deposit of **NABIL** has also been proportionate with the increase in its deposits. Return on Deposit ratio of NABIL stood at in the range of 2.339% ,2.761%,2.461%,2.710% & 3.083% respectively from the year 2064/65 to 2068/69.It shows that the NABIL has increasing its deposit ratio frequently which measure that it has been utilizing its resources effectively.

Return on Deposit of **HBL** was found low during the review period 2064/65 to 2068/69.i.e 1.997%,2.171%,1.353%,2.183% & 2.008% respectively it shows that it cannot utilize its resources effectively.

As on Return on Deposit of SCBL is also good in position it has and increasing ratio in the frequently of the year. at the second year it has decreases its ratio from **2.806%** to **2.753%** but other year it has been increasing its ratio. which shows that bank has mobilize its recourses in the productive sectors.

Comparing to all JVBs EBL has not good position in the ratio of total deposit. Because it may be due to the bank cannot use its deposit in such a way so that it cannot collect the interest income which decrease its profit.

Return on Deposit ratio is very much affected by volume of interest free deposits employed by the banks. The higher volumes of free-costs deposits tend to lower interest cost and contributes to increase the profits, which leads to higher return on Deposit

### **c) INTEREST EARNED ON TOTAL ASSETS**

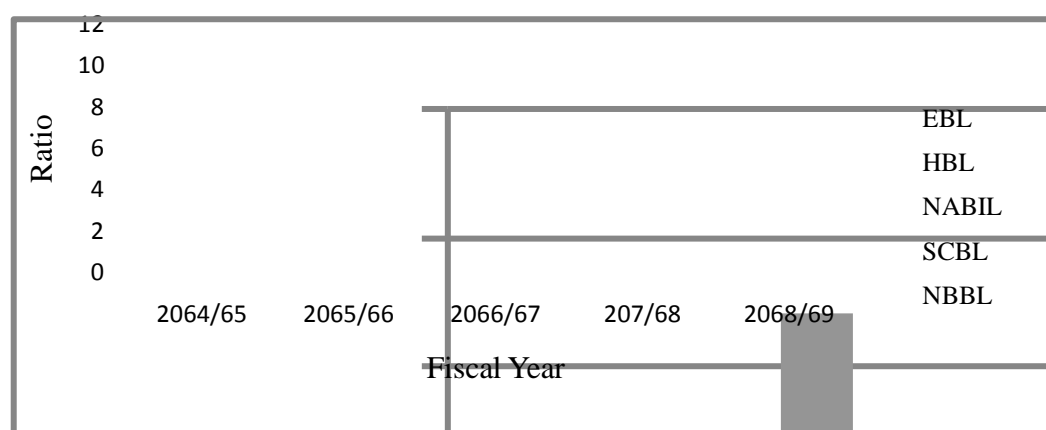
The ratio measures the percentage of interest earned in relation to total assets of the banks. Thus, it signifies the mobilization of its assets in interest generating purposes. The ratio plays an important role in evaluating the JVBs efficiency in earning assets.Higher ratio reflects the better efficiency in utilizing the resources in interest generating sectors and vice-versa.

**Table-5.3**

**Interest Income on total assets Ratio for Selected Nepalese Banks**

Year	Ratio (%)				
	EBL	HBL	NABIL	SCBL	NBBL
2064/65	5.704	5.428	5.329	4.938	8.820
2065/66	5.940	5.955	6.379	4.773	11.176
2066/67	7.497	7.371	7.776	5.078	9.318
2067/68	9.367	9.257	9.050	6.206	10.258
2068/69	8.887	8.673	9.705	6.523	7.581

Source – Appendix- XVIII



*Graph #18 Interest Income on Total Assets for Selected Nepalese Bank*

NBBL interest earned to total assets ratio increase from 8.820 % in 2064/65 to 11.176% in next year & but from the year 2066/66 it has been decreasing its interest earned ratio, at the year 2068/69 it come in the ratio of 7.581%. Similarly NABIL & SCBL ratio too have increases from 5.329 % and 4.938% % in 2064/65 to 9.705% and 6.523 % in 2068/69 respectively. However, EBL & HBL also has been increases its ratio from 5.704% & 5.329% to 8.887% & 8.673% comparing to the year 2064/65 & 2068/69 seen to have maintained the consistency.

This indicates that these JVBs have mention the good ratio to earn a consistent interest income in relation to their total assets. The reason for increasing ratio of interest can be attributed to decrease its non-performing assets in the assets structure.

## 4.2.2 LIQUIDITY RATIOS

Current Ratio, in case of Bank, is not of much significance. Thus, it has not been calculated.

### a) CASH & BANK BALANCE TO DEPOSITS RATIO

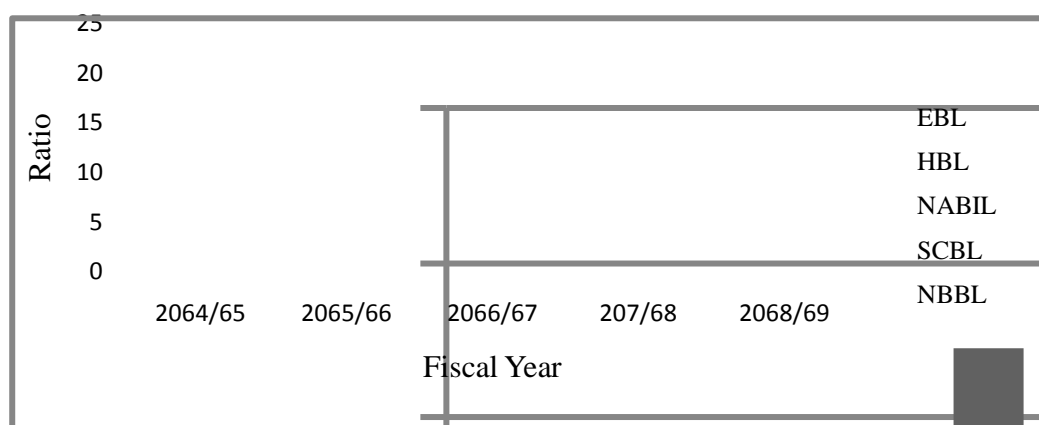
The Cash & Bank Balance is calculated by dividing Cash & Bank Balance by Total Deposit. A Bank must ensure that is liquid enough to face heavy deposit withdrawals or in other words it has to maintain adequate balance in the form of cash and bank balance in order to honor the large withdrawals by its customers. The ratio indicates the ability of the bank to immediately fund the withdrawal of their current saving, short and margin deposit. A high ratio represents the greater ability to cover their deposit and vice versa.

**Table-5.4**

#### Cash and Bank Balance to Deposit Ratio of Nepalese Joint Venture Bank

Year	Ratio (%)				
	EBL	HBL	NABIL	SCBL	NBBL
2064/65	7.941	3.813	7.335	8.083	4.865
2065/66	17.201	8.080	8.897	5.652	3.298
2066/67	18.186	8.293	2.558	3.776	4.357
2067/68	13.994	4.943	4.472	5.918	6.210
2068/69	19.719	11.501	9.711	14.858	7.510

Source - Appendix- XIX



Graph #19 Cash & Bank Balance TO Deposits Ratio

All JVBs have maintained adequate funds against the deposits, which stood at **19.719%,11.501%,9.711%,14.858% & 7.510%**respectively for EBL,HBL,, NABIL,SCBL and NBBL in the year end 2068/69. The ratio showed the CASH & BANK BALANCE DEPOSITE RATIO are increasing at same level during the review period of all JVBs which implies that JVBs have properly monitored their liquidity knowing that a very high ratio indicates the unwise investment decision.

### **4.2.3 ACTIVITY (UTILIZATION) RATIO**

#### **a) INVESTMENTS TO TOTAL DEPOSITS RATIO**

The ratio is calculated by dividing Investments by total deposits. Investment function or funds management is gaining a widespread importance in the banking sector

These investments earn a lower rate of return in comparison of loans and advances, but they, under most of the circumstances, generate higher return than their cost of funds, hence would prove beneficial to the banks.

**Table-5.5**  
**Investment To total Deposit Ratio**

Year	Ratio (%)				
	EBL	HBL	NABIL	SCBL	NBBL
2064/65	21.102	41.894	31.144	47.394	12.771
2065/66	17.851	25.116	28.988	41.705	22.229
2066/67	13.561	22.453	29.350	49.356	21.018
2067/68	18.829	21.432	26.212	39.394	20.660
2068/69	15.725	23.400	25.545	31.044	22.822

Source - Appendix- XX



Graph# 20 Investments to Total Deposit Ratio

Investment to Total Deposit Ratios of SCBNL has been highest during the review period which stood at 47.394 %, 41.705 %, 49.356 %, 39.394 % and 31.044 % respectively. The Ratios of NABIL has been average at 31.144 %, 28.988 %, 29.350 %, 26.212 % and 25.545 % during the review period. HBL’s ratios during the whole review period stood at 41.894 %, 25.116 %, 22.453 %, 21.432% and 23.400% respectively. EBLs ratio during the whole review period stood at 21.102%,17.851%,13.561%,18.829% &15.725% respectively and NBBL ratio during the whole review period stood at 12.771%,22.229%,21.018%,20.660% &22.822% respectively.

This indicates that except EBL & NBBL other three JVBs are relying significantly on the Investments to mobilize the surplus deposits volume.

#### 4.2.4 OTHER FINANCIAL INDICATORS

##### a) LOAN LOSS COVERAGE RATIO

###### Loan Loss Provision to Total Risk Assets Ratio

Loan loss provision to total risk assets describes the quality of assets that a bank holding. The amount of loan loss provision in balance sheet refers to general loan loss provision. The provision for loan loss reflects the increasing probability of nonperforming loan. The provision of loan means the profit of banks will come down by such amount. Increase in loan loss provisions, decreases in profit result to decreases in dividends but its positive impact is that strengthens financial conditions of the banks by controlling the credit risk and reduced the risks related to deposits. So it can be said that banks suffer it only for short-term while the

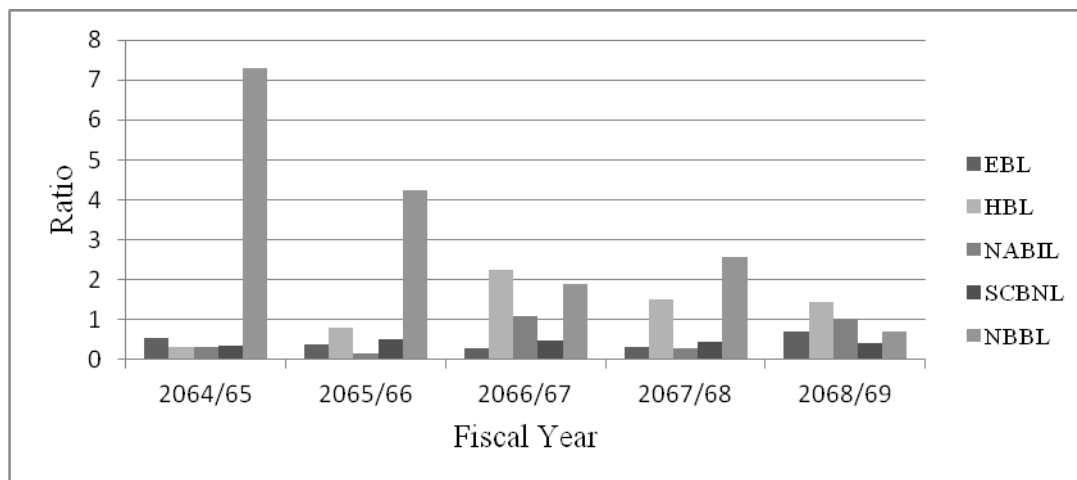
good financial conditions and safety of loans will make bank's prosperity resulting increasing profits for long-term. The low ratio indicates the good quality of assets in total volume of loan & advances. Higher ratio indicates more risky assets in total volume of loan & advances.

**Table-5.6**

**Loan loss Provision to Total Risk Assets Ratio of selected Neplase JVB s**

Year	Ratio %				
	EBL	HBL	NABIL	SCBL	NBBL
2064/65	0.542	0.300	0.300	0.350	7.280
2065/66	0.390	0.804	0.166	0.509	4.226
2066/67	0.279	2.250	1.103	0.482	1.900
2067/68	0.317	1.494	0.288	0.449	2.576
2068/69	0.702	1.446	0.995	0.423	0.687

Source - Appendix- XXI



*Graph #21 Loan Loss Provision to Total Risk Assets Ratio*

One of the most financial indicator which totally effect in the Net profit and loss of the bank is Provision for loss of the year .when the bank have highest provision of loss in the year the bank have to bear the loss or have decrease the profit in the year .So having highest ratio in Provision for loss it shows the weakness for the bank. Loan loss provision of any bank having less ratio show the strength of the bank. From the calculation following position of the bank are identify

NBBL has the highest loan loss coverage ratio this indicate that the bank is at weakness position in review year it has 7.280%,4.226%,1.900%,2.576% respectively but at the year 2068/69 it has decreases its loan loss provision at 0.867% it shows that bank is recovering its loan loss coverage ratio. loan loss coverage ratio increased in subsequent years, with the increase in non-performing risk assets.

Loan Loss Coverage Ratio of SCBNL was lowest during the first year of the study period. Its ratio was 0.350 % ,0.509 % , 0.482 % ,0.449% & 0.423% for the year 2064/65,2065/66,2066/67,2067/68 &2068/69 respectively. It shows that the bank has in strength position. NABIL has however maintained the ratio at same level besides the year 2066/67 which is one of the highest during the study period, indicating that its non-performing loan was high during that year. Overall the NABIL has mentioned the loan loss coverage ratio at a good position.

HBL loan loss coverage ratios are found to be fluctuating for the review year level which stood at 0.300 % , 0.804 % , 2.250% , 1.494% and 1.446 % respectively. EBL has mentioned the good loan loss coverage ratio among all the JVB s expect SCBL. This is because of the aggressive lending policy of the Bank during the latter years.

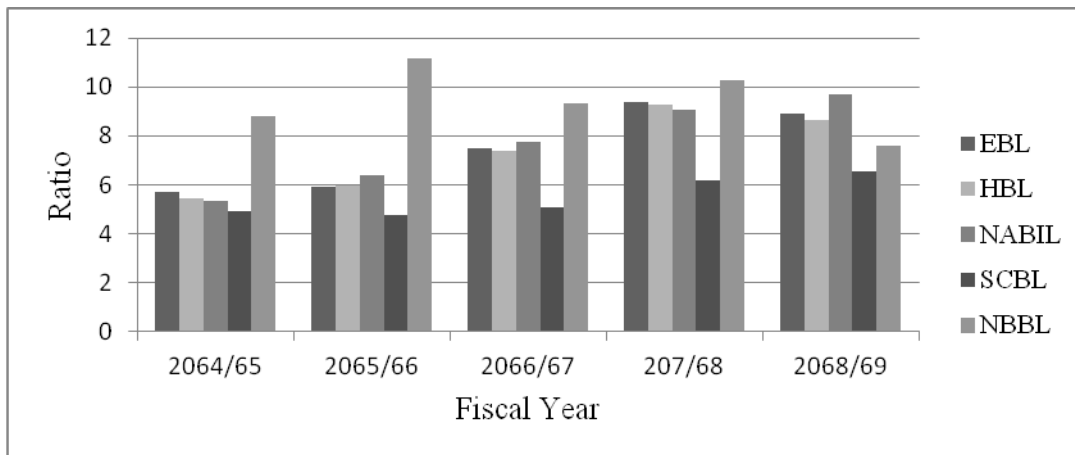
#### b) Interest Income on Loan & Advances

Interest income is the major source of income from loan and advances that comprises higher rate of interest income. It shows higher utilization of loan & advances.

**Table-5.7**  
**Interest Income on Loan & Advance of Selected Nepalese JVBs**

Year	Ratio (%)				
	EBL	HBL	NABIL	SCBL	NBBL
2064/65	8.44	10.07	9.26	13.44	13.81
2065/66	9.16	9.45	10.14	11.60	13.48
2066/67	11.26	11.25	12.55	12.80	14.74
2067/68	13.95	13.70	13.83	14.75	13.89
2068/69	13.81	13.48	14.74	13.89	12.69

*Source: Appendix XXII*



Graph #22 Interest Income on Loan and Advance Ratio

The table shows the interest income on loan and advance ratio of sample banks for fiscal year 2064/65 to 2068/69. The ratios of EBL, HBL, NABIL, SCBL, NBBL for the year 2064/65 are 8.44%, 10.07%, 9.26%, 13.44% and 15.18% respectively. Among the sample banks NBBL has higher a ratio comparing to others and EBL has lower average ratio. In the year 2068/69 the ratio of EBL, HBL, NABIL, SCBL, and NBBL are 13.81%, 13.48%, 14.74%, 13.89% and 12.69% respectively. Among the sample banks ratio of NABIL has higher ratio and the NBBL has highest fluctuation on his ratio. So it can be conclude that those bank having highest ratio is able to collect the highest interest return. The ratio of all sample banks is shown in figure

### 4.3 STATISTICAL TOOLS

In statistical tools we use mean, standard deviation, coefficient of variation and trend analysis for the evaluation of the SWOT of the several bank.

#### 4.3.1 Earning Per Share (EPS)

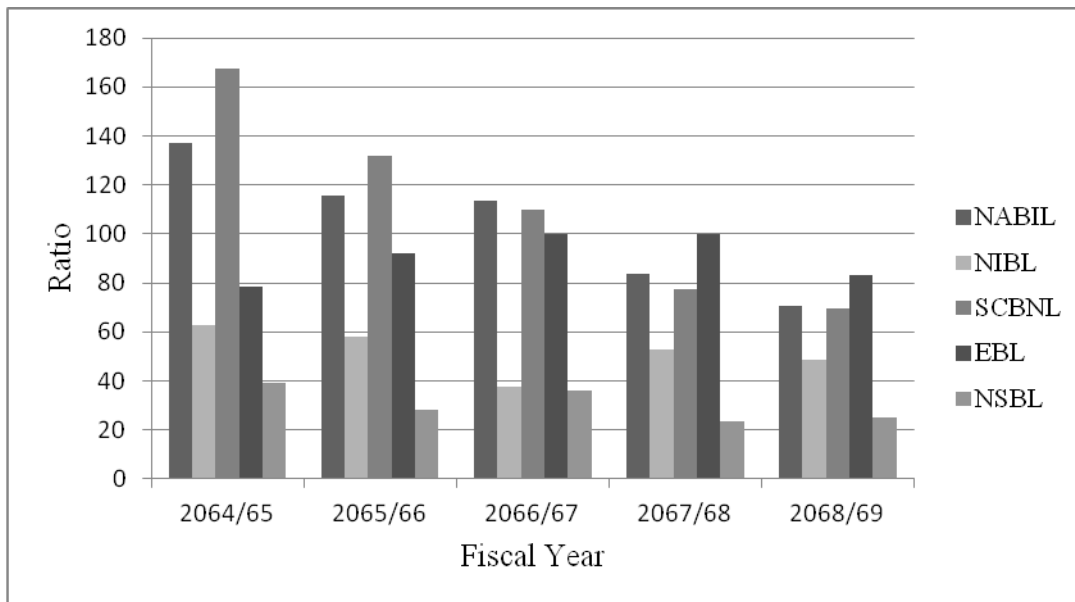
EPS shows the profitability of the banks on per share basis. It shows the earning available to each shareholder out of the total earning. It is the major stake concerning banks shareholders. The main concentration of shareholder lies in the bottom of line of the bank, i.e. its profit after tax.

**Table-5.8**  
**Earnings per Share for Selected Nepalese JVB s**

Year	Rupees				
	EBL	HBL	NABIL	SCBL	NBBL
2064/65	137.08	62.57	167.37	78.42	39.36
2065/66	115.86	57.87	131.92	91.82	28.33
2066/67	113.44	37.42	109.99	99.99	36.18
2067/68	83.81	52.55	77.65	100.16	23.69
2068/69	70.67	48.84	69.51	83.18	24.85
Mean $\bar{X}$	104.07	51.85	111.29	90.71	30.48
S.D.	23.84	8.59	35.91	8.77	6.22
C.V.	22.91	16.57	32.27	9.67	20.41

*Sources-Appendix-XXIII*

The table shows the earning per share of sample banks for fiscal year 2064/65 to 2065/66. The average earning per share of EBL, HBL, NABIL, SCBL and NBBL are Rs. 104.27, Rs. 51.85, Rs. 111.29, Rs. 90.71 and Rs. 30.48 respectively. Among the sample banks SCBNL has higher average EPS and NIBL has lower average EPS. CV of NABIL, NIBL, SCBNL, EBL and NSBL are 22.91%, 16.57%, 32.27%, 9.67% and 20.41% respectively. Among the sample banks ratio of SCBNL has higher fluctuation due to its higher CV and ratio of EBL has lower fluctuation due to its lower CV. The EPS of all sample banks for five fiscal years are shown in figure



*Graph #23 Earnings per Share*

### **B) Trend analysis (From Least Square Method)**

This method is most widely used in practice. It is a mathematical method and with its help a trend line is fitted to the data.

In this section of analysis, trends of two basic financial indicators have been analyzed:

- Loans & Advances; and
- Total Deposits.

These are very crucial financial variables with which we can relate the financial performance. So these indicators have been chosen. The trend of previous five years have been analyzed separately for each bank selected for the study, and the expected future trend for the period of next three years have been calculated for each JVB. This analysis would help to assess the better-performing-bank in the coming years.

### 4.3.2 TREND ANALYSIS OF LOANS & ADVANCES

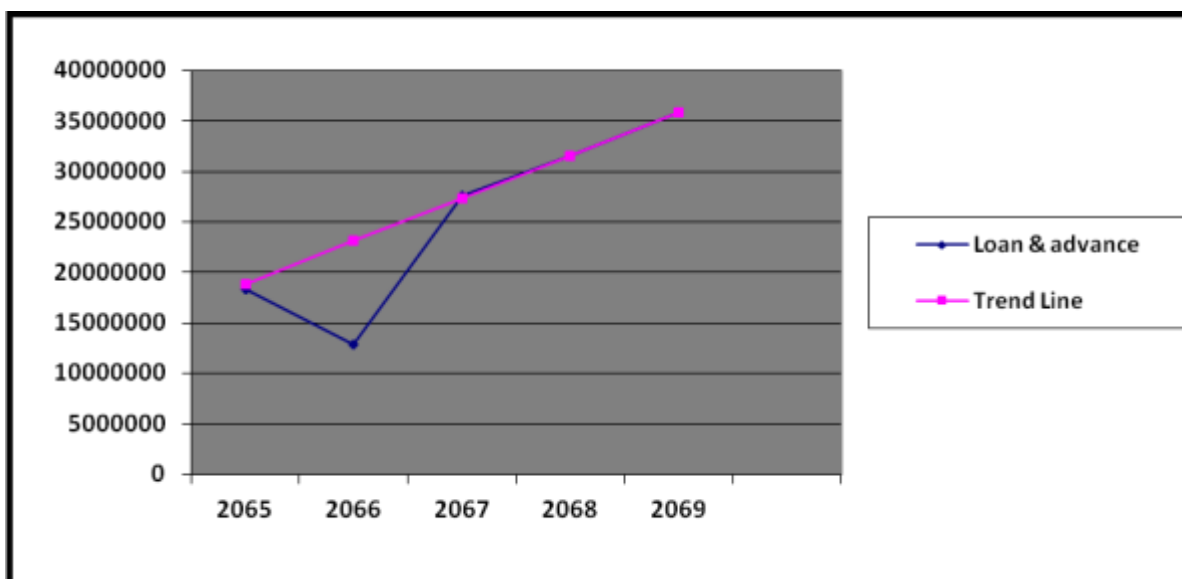
**Table-5.9**

**EVERESRT BANK NEPAL LTD.**

<i>Year</i>	<i>Loan &amp; Advance</i>	<i>Trend vaue</i>
2064/65	18,339,085	18,886,397
2065/66	12,884,674	23,118,077
2066/67	27,556,356	27,349,756
2067/68	31,566,976	31,581,436
2068/69	35,910,975	35,813,116
2069/70		40,044,796
2070/71		44,276,476
2071/72		48,508,155

*Sources-Appendix-VII*

Above trend analysis forecast the future expedition of the loan and advance of the EBL. its loan and advance is in the increasing order at the ratio of 122.41% .which shows that the bank have and opportunities to collect the interest income. The values are shown in the following graph.



Graph #24 trend analysis loan & advance

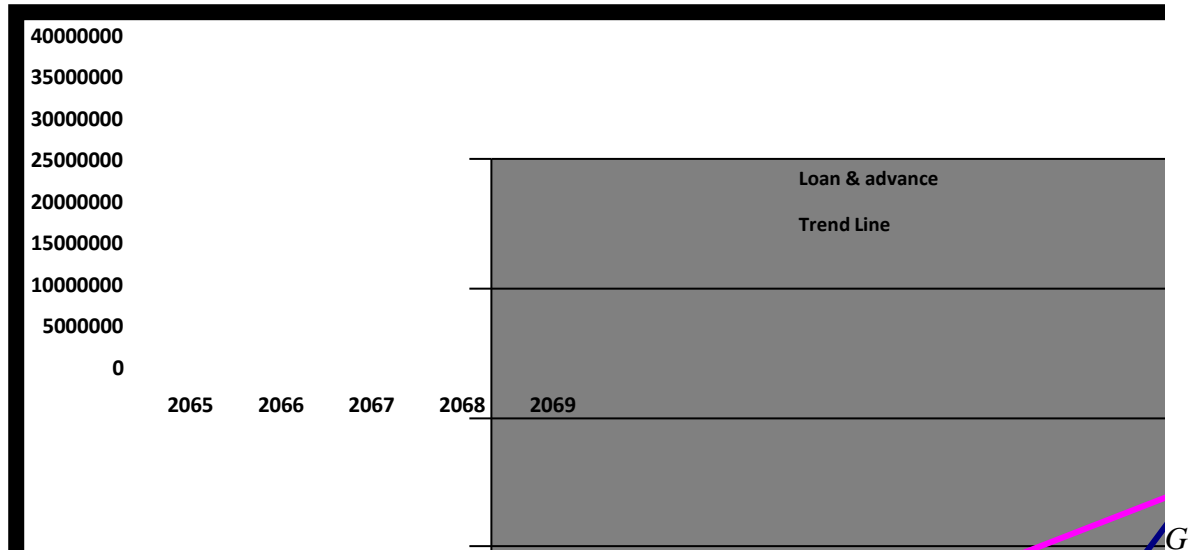
**Table-6.0**  
**Himalaya Bank limited**

Year	Loan & Advance	Trend Line
2064/65	19,497,520	19,739,049
2065/66	24,793,155	23,989,778
2066/67	27,980,629	28,240,507
2067/68	31,566,976	32,491,236
2068/69	37,364,255	36,741,965
2069/70		<b>40,992,694</b>
2070/71		<b>45,243,423</b>
2071/72		<b>49,494,153</b>

*Sources-Appendix-VIII*

The above trend line of the Himalayan Bank limited has also forecast the future value of loan and advance of the bank it has also its value at increasing order in ratio of 121.53%

Above trend analysis forecast the future expedition of the loan and advance of the EBL. its loan and advance is in the increasing order at the ratio of 122.41% .which shows that the bank have and opportunities to collect the interest income. The values are shown in the following graph



raph #24 trend analysis loan & advance

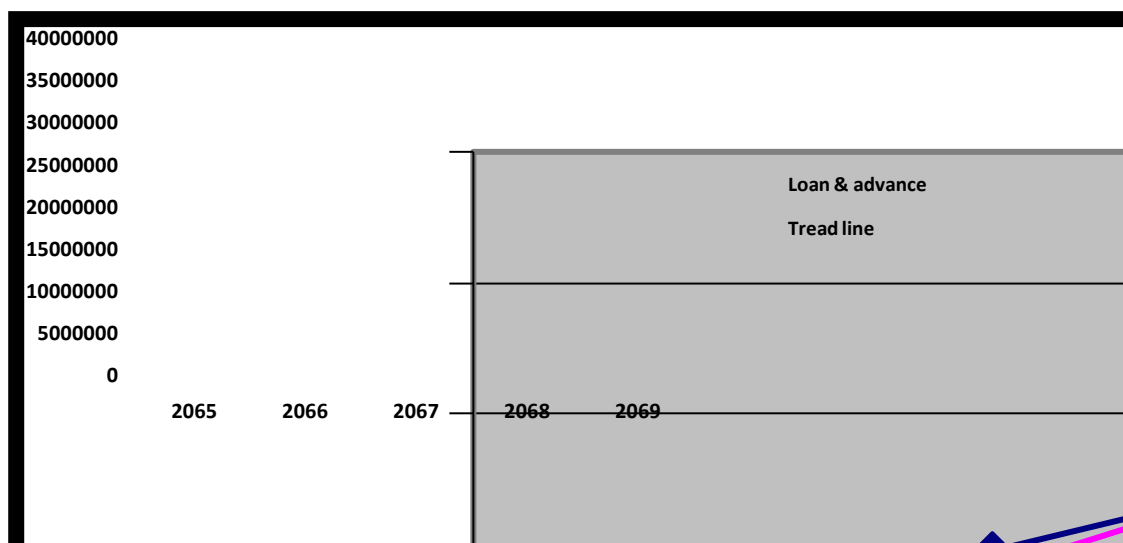
**Table-6.0**  
**Himalaya Bank limited**

Year	Loan & Advance	Trend Line
2064/65	19,497,520	19,739,049
2065/66	24,793,155	23,989,778
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2067/68	31,566,976	32,491,236
2068/69	37,364,255	36,741,965
2069/70		<b>40,992,694</b>
2070/71		<b>45,243,423</b>
2071/72		<b>49,494,153</b>

Sources-Appendix-VIII

The above trend line of the Himilayan Bank limited has also forecast the future value of loan and advance of the bank it has also its value at increasing order in ratio of 121.53%

The above values are shown in the following graph



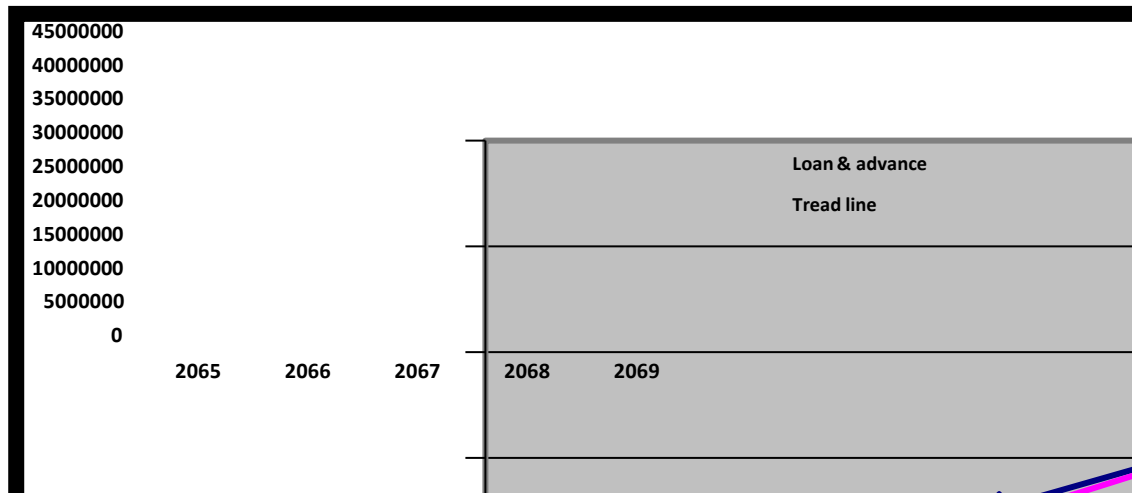
Graph # 25 Trend Line of Loans & Advances for HBL

**Table-6.1**  
**Nepal Arab Bank limited**

<i>Year</i>	<i>Loan &amp; Advance</i>	<i>Trend vaue</i>
2064/65	21,365,052	21,987,642
2065/66	27,589,933	27,080,185
2066/67	32,268,873	32,172,728
2067/68	38,034,097	37,265,271
2068/69	41,605,685	42,357,814
2069/70		<b>47,450,357</b>
2070/71		<b>52,542,900</b>
2071/72		<b>57,635,443</b>

*Sources-Appendix-IX*

Above trend analysis forecast the future expedition of the loan and advance of the NABIL. its loan and advance is in the increasing order at the ratio of 110.73 % .which shows that the bank have and opportunities to collect the interest income. The values are shown in the following graph



Graph # 26 Trend Line of Loans & Advances for NABIL

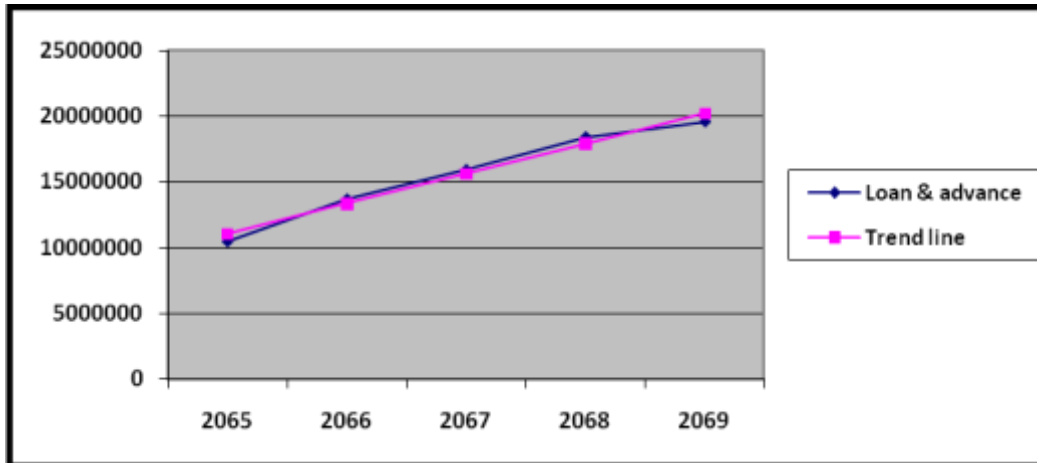
**Table-6.2**

**STANDARD CHARTERD BANK LIMITED**

<i>Year</i>	<i>Loan &amp; Advance</i>	<i>Trend vaue</i>
2064/65	10,502,637	11,065,218
2065/66	13,718,597	13,350,752
2066/67	15,956,955	15,636,285
2067/68	18,427,270	17,921,819
2068/69	19,575,968	20,207,352
2069/70		<b>22,492,886</b>
2070/71		<b>27,063,953</b>
2071/72		<b>27,063,953</b>

*Sources-Appendix-X*

Above trend analysis forecast the future expedition of the loan and advance of the NABIL. its loan and advance is in the increasing order at the ratio of 120.32 % .which shows that the bank have and opportunities to collect the interest income. The values are shown in the following graph



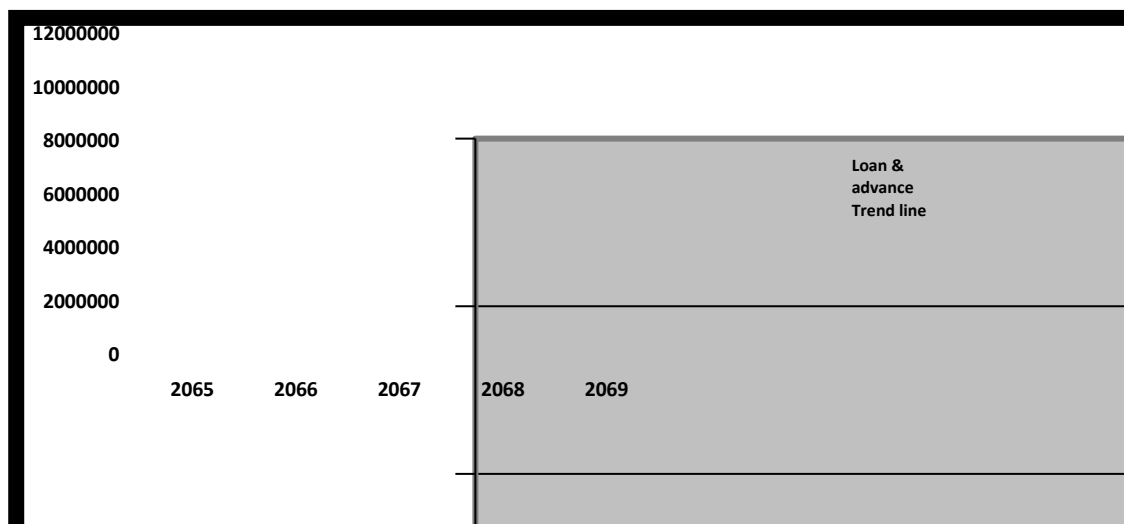
Graph # 27 Trend Line of Loans & Advances for SCBL

**Table-6.3**

**NEPAL BANGLEDASH BANK LTD**

<i>Year</i>	<i>Loan &amp; Advance</i>	<i>Trend vaue</i>
2064/65	5,457,809	5,452,556
2065/66	6,704,943	6,601,789
2066/67	7,809,544	7,751,022
2067/68	8,452,738	8,900,255
2068/69	10,330,076	10,049,488
<b>2069/70</b>		<b>11,198,721</b>
<b>2070/71</b>		<b>12,347,954</b>
<b>2071/72</b>		<b>13,497,187</b>

*Sources-Appendix-XI*



Graph # 28 Trend Line of Loans & Advances for NBBL

Above trend analysis forecast the future expedition of the loan and advance of the NABIL. its loan and advance is in the increasing order at the ratio of 110.26 % .which shows that the bank have and opportunities to collect the interest income.

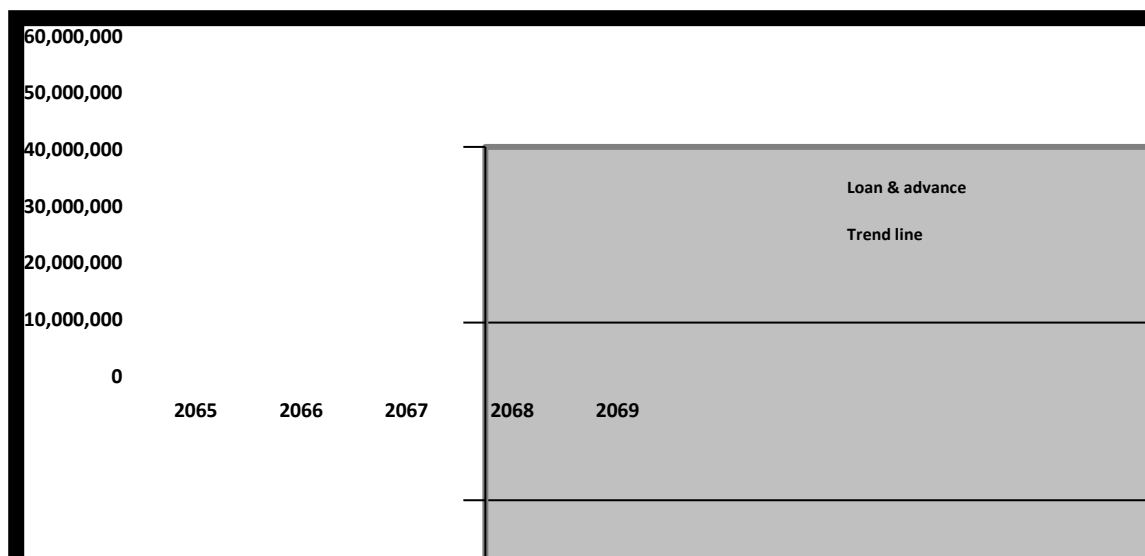
### 4.3.3 TREND ANALYSIS OF TOTAL DEPOSITS

Table-6.4

#### EVEREST BANK LIMITED

Year	Loan & Advance	Trend vaue
2064/65	23,976,298	18,435610
2065/66	33,322,946	27,754,362
2066/67	36,932,310	37,073,114
2067/68	41,127,914	46,391,865
2068/69	50,006,100	55,710,617
<b>2069/70</b>		<b>65,029,369</b>
<b>2070/71</b>		<b>74,348,121</b>
<b>2071/72</b>		<b>83,666,873</b>

Sources-Appendix-XII

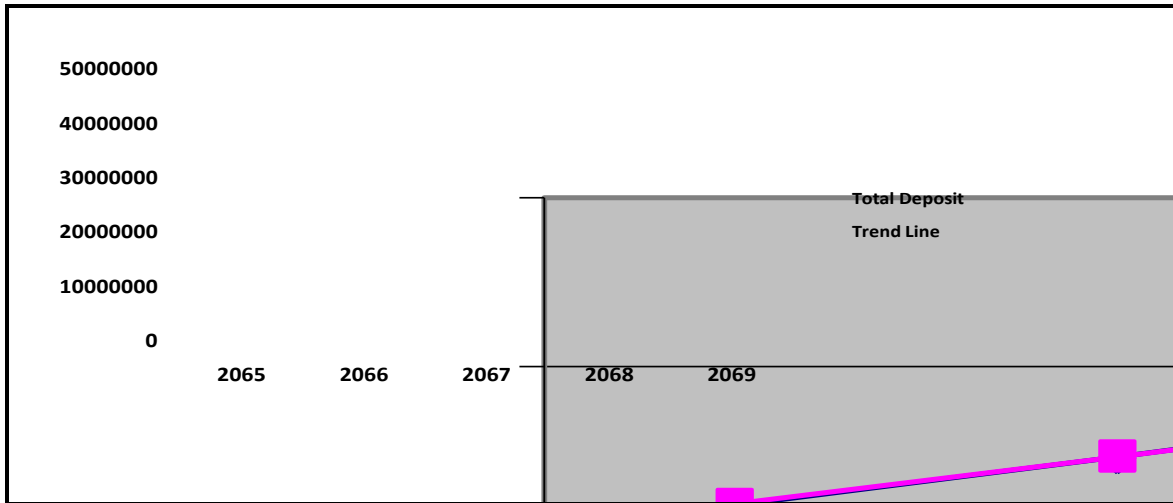


Graph # 29 Trend Line of Total Deposits for EBL

**Table-6.5**  
**HIMALAYAN BANK LIMITED.**

<i>Year</i>	<i>Loan &amp; Advance</i>	<i>Trend vaue</i>
2064/65	31,842,789	31,926,994
2065/66	34,682,306	34,756,085
2066/67	37,611,202	37,585,178
2067/68	40,920,376	40,414,268
2068/69	42,869,211	43,243,360
<b>2069/70</b>		<b>46,072,451</b>
<b>2070/71</b>		<b>48,901,542</b>
<b>2071/72</b>		<b>51,730,634</b>

*Sources-Appendix-XIII*

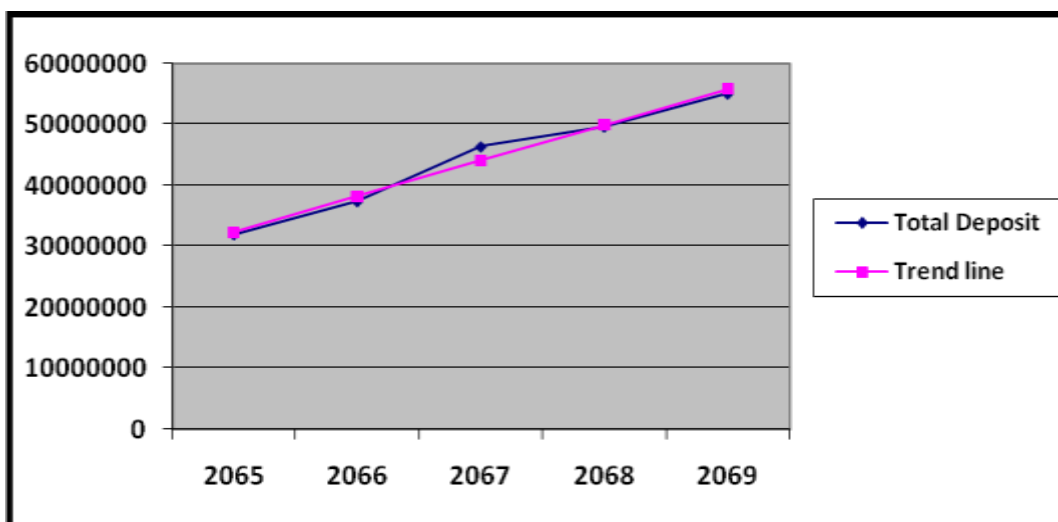


Graph # 30 Trend Line of Total Deposits for HBL

**Table-6.6**  
**NABIL BANK LTD**

<i>Year</i>	<i>Loan &amp; Advance</i>	<i>Trend vaue</i>
2064/65	31,915,047	32,351,731
2065/66	37,348,255	38,199,473
2066/67	46,340,700	44,047,215
2067/68	49,608,376	49,894,956
2068/69	55,023,695	55,742,698
<b>2069/70</b>		<b>61,590,440</b>
<b>2070/71</b>		<b>67,438,181</b>
<b>2071/72</b>		<b>73,285,923</b>

*Sources-Appendix-XIV*



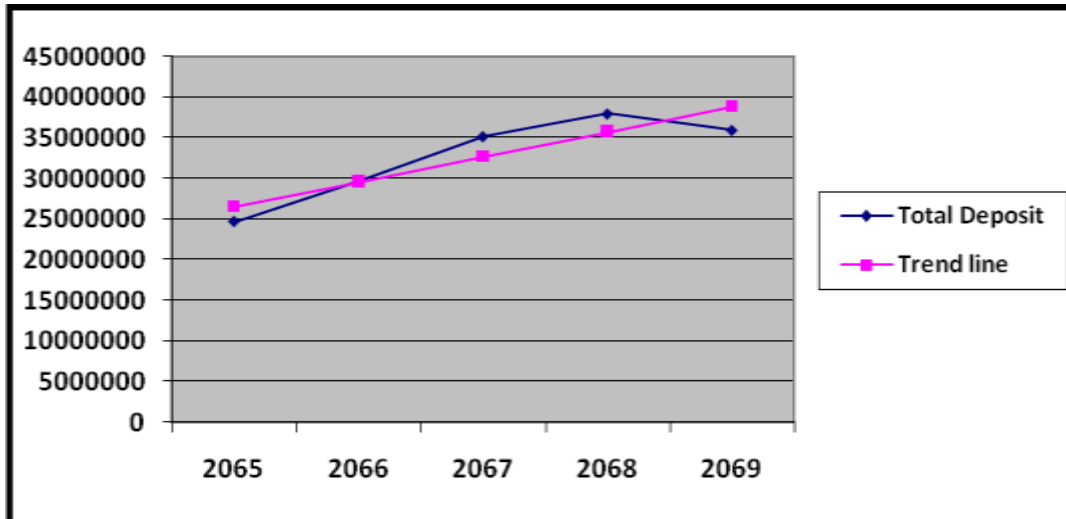
Graph # 31 Trend Line of Total Deposits for NABIL

**Table-6.7**

**STANDARD CHARTERED BANK NEPAL LTD.**

<i>Year</i>	<i>Loan &amp; Advance</i>	<i>Trend vaue</i>
2064/65	24,647,020	26,529,828
2065/66	29,743,999	29,618,476
2066/67	35,182,721	32,707,123
2067/68	37,999,242	35,795,770
2068/69	35,962,635	38,884,418
<b>2069/70</b>		<b>41,973,065</b>
<b>2070/71</b>		<b>45,061,713</b>
<b>2071/72</b>		<b>48,150,360</b>

*Sources-Appendix-XV*



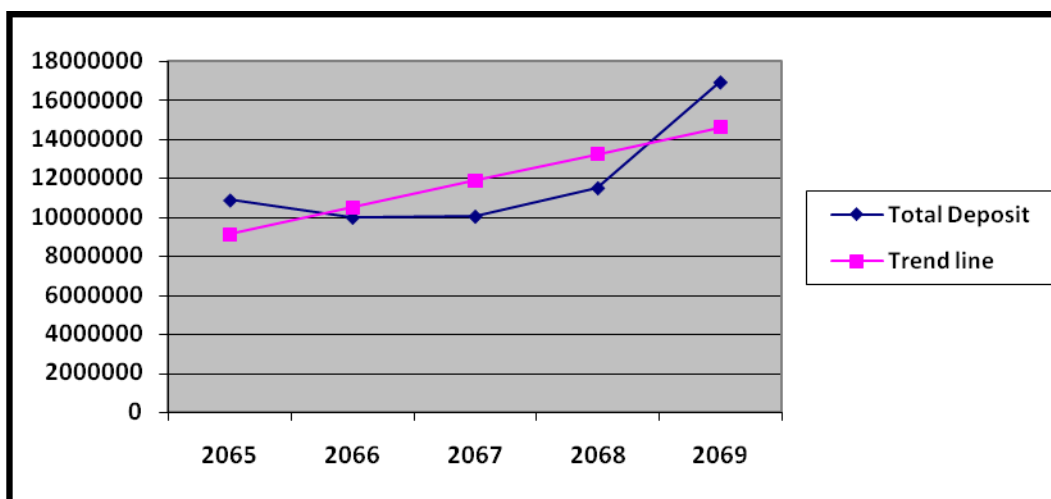
Graph # 32 Trend Line of Total Deposits for SCBL

**Table-6.8**

**NEPAL BANGLADESH BANK LIMITED**

<i>Year</i>	<i>Loan &amp; Advance</i>	<i>Trend vaue</i>
2064/65	10,883,653	9,149,166
2065/66	9,997,697	10,514,374
2066/67	10,052,182	11,879,582
2067/68	11,511,677	13,244,790
2068/69	16,952,703	14,609,998
<b>2069/70</b>		<b>15,975,206</b>
<b>2070/71</b>		<b>17,340,414</b>
<b>2071/72</b>		<b>18,705,622</b>

*Sources-Appendix-XVI*



Graph #33 Trend Line of Total Deposits for NBBL

The above trend analysis of *Loans & Advances and Total Deposits* is certainly helpful to find out the comparative *Strengths & Weaknesses* of the concerned JVBs. Further, this analysis would also help the Bankers and the concerned Banks in making strategies to improve their financial performance

#### 4.4 MAJOR FINDINGS OF THE STUDY

The major findings of this study has been summarized below-

- a) Comparative tabular presentation of Balancesheet at the end of almost each year of each JVB, NABIL has the highest Deposit Liability in the every year. This might due to the successful operation of banking transaction and being strength position of the bank customer believe their banking transaction.
- b) Comparative tabular presentation of Profit and loss account at the end of almost each year of each JVB, NABIL has the highest Profit margin comparing to other JVBs. This might due to the effective mobilization of the recourses which help to collect highest interest income.
- c) From the above tabular presentation of the profit and loss account at the end of the almost each year NBBL financial position is little bit in at weak position. From the review of the

same year it has bear losses in the bank due to the highest loan loss provision. But at the recent year 2068/69 it has been increasing its financial position at little bit good position. It may be due to the external and internal factor which adverse affect the financial transaction of the bank.

- d) Under activity utilization ratio Investment to Total Deposit ratio SCBL has been highest during the review period. But EBL & NBBL has lower investment to total deposit ratio. This indicates that except EBL & NBBL other three JVBs are relying significantly on the Investments to mobilize the surplus deposits volume.
- e) Under liquidity ratio Cash & Bank Balance Deposit Ratio all JVBs have maintained adequate funds against the deposits, NBBL has the highest ratio among comparing to other JVBs at the year end 2068/69. But at the conclusion of all JVBs at the end of the year 2068/69 they have properly monitored their liquidity knowing that a very ratio indicates the unwise investment decision.
- f) Trend analysis forecast future strength and weakness of the company. Enhance the total deposit of every JVBs have forecasted that they have increases their deposit comparing to the preview year. Among them NABIL have a great position to collect deposit from the customer.
- g) In the trend analysis section, it is seen that NABIL has been mobilizing a large portion of its Total deposits on Loans & Advances. The Loans & advances of HBL are increasing by NRs. 5,092,543 T every year as compared to NRs. 4,231,680 T, 4,250,729 T, 2,285,534 T & NRs. 1,149,233 T EBL, HBL, SCBNL & NBBL respectively. The Loans & Advances of NABIL has always been greater as compared to other JVBs during this whole period under analysis.
- h) The analysis reveals that all the JVBs have limited their Net Fixed Assets to Net worth Ratio at adequate level. Banks being the non-manufacturing enterprises have the minimal investment of owners' equity in the fixed assets in order to maximize the return on shareholders' fund.

- i) Among the sample banks EBL has higher average cash and bank balance to total deposit ratio and NABIL has lower average ratio, so we can say that EBL has higher liquidity position and NABIL has lower liquidity position among the sample banks.
- j) There is not so higher fluctuation on cash and bank balance to current deposit ratio of five mentioned banks.
- k) NABIL has higher loan and advance to total deposit mean ratio and SCBNL has lower mean ratio among sample banks. All sample banks have better mobilize their collected funds.
- l) The average ratios of Interest income on loan and advance EBL,HBL, NABIL, SCBNL and NBBL are fiscal year 2064/65 to 2068/69. The ratios of the selected JVBs for the year 2064/65 are 8.44 %, 10.07%, 9.26%, 13.44% and 15.18% respectively. Among the sample banks NBBL has higher a ratio comparing to others and EBL has lower average ratio. In the year 2068/69 the ratio of EBL,HBL,NABIL, SCBNL, and NBBL are 13.81%, 13.48%, 14.74%, 13.89% and 12.69% respectively. Among the sample banks NABIL has higher average ratio and SCBNL has lower average ratio.
- m) The average earning per share of EBL,HBL,NABIL, SCBNL, and NBBL are Rs. 104.27, Rs. 51.85, Rs. 111.29, Rs. 90.71 and Rs. 30.48 respectively. Among the sample banks SCBNL has higher average EPS and NIBL has lower average EPS  
65416.

The study also concludes that mostly all sample banks have sufficient liquidity. It shows that banks have not got investment sectors to utilize their liquid money. Now in Nepal, many banks and other financial institution are functioning to collect deposits and invest money somewhere in the investable sectors. Therefore monetarization have been increased since liberalization policy taken by the government. Remittance has also help to increase the amount of deposit in bank. On the other hand due to political crisis economic sectors have been damaged. Most of the projects have been withdrawn due to security problem. Therefore banks have maximum liquidity due to lack of safety investment sectors.

Provision for credit loss has been increasing year by year. Due to political disturbance in the country credit takers are not getting good return from their investment sectors. On that

situation credit customers do not return money of the bank in the stipulated time period therefore the non-performing credit of the bank increases. Equity portion of the bank is slightly increasing in the recent years due to issue of directives by Nepal Rastra Bank (NRB) the entire bank to increase its paid up capital. NRB has issued that direction to provide more safety to the customers. Therefore bank has issued new share in the market. That's why the bank leverage ratio is decreasing. The trend of total Deposit, Total Assets, Loan and Advance and Total Profit are fluctuating.

## CHAPTER- IV

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter is the important for the research because this chapter is the extract of all the previously discussed chapters. This chapter consists of mainly three parts: Summary, conclusion and recommendation. In summary part, revision or summary of all four chapters is made. In conclusion part, the result from the research is summed up and in recommendation part, suggestion and recommendation is made based on the result and experience of thesis. Recommendation is made for improving the present situation to the concerned parties as well as for further research.

#### 5.1 SUMMARY

A Bank is an institution, which deals with money by accepting various types of deposits, disbursing loans and rendering other financial services. To the greater extent, economic growth rate is based on the Banks and other financial institutions' performance in an economy. Many researches have revealed that Banks and economic condition are two wheels of the same chariot. Now-a-days, Banking activities are spreading all over the world. In the beginning of this thesis, there were only 32 commercial banks operating in Nepal. Besides, some other development banks are in the process of their conversion into commercial banks and few other commercial banks are emerging too. This has led to the intense competition in the banking business. Only those banks providing better services and having a greater profit margin would survive in the long run. Joint venture Banks in Nepal were established with some specific objectives. Some of them are:

- To welcome foreign investment in the country in the form of JVB's capital.
- To mobilize the idle resources for income generating purpose in a most effective way.
- To develop the Nepalese banking sector in order to make it proficient by sharing technical Foreign Service agreement with the help of expertise of the Nepalese personnel.

The primary objective of this study '*Comparative SWOT Analysis of Nepalese Joint Venture Commercial Banks*' is to highlight the hidden implications of the financial figures

portrayed in the balance sheet and other financial data of the JVBs by interpreting their cause-effect relationships with regard to their financial performance and to identify their contribution in the National Economy. This analysis also helps to provide package of suggestions and possible guidelines to improve the banking operation in order to maximize the values of their shareholders based on the findings of the study.

In second chapter, theoretical review as well as review of previous research has been made. Different views about Banks, theories about them, factors affecting the performance of the banks and so on are reviewed in that chapter. Review of different books related to finance, commercial banks and others has been done in the theoretical review section. Besides, review of some articles and journals has also been conducted in the same part. Review of various previous dissertations and some of the policy documents governing the Commercial Banks has been presented in the section of review of related studies.

Research design used is mainly analytical. Out of the total financial system, five Joint Venture commercial banks are chosen for sample purpose; mainly secondary data are used for the analysis. These are all done in the third chapter. Lastly, in the fourth chapter, collected data are presented in tabular and graphic form and analyzed using various financial and statistical tools.

## **5.2 CONCLUSION**

On the basis of the various studies and analysis conducted above, the following conclusions are reached out:

- n) Banks are primarily profit making organizations that provide a range of financial services to their customers. On the basis of the profitability, the selected JVBs are among the top five commercial Banks operating in the country, NABIL, being the top one. The profitability position of SCBNL , , EBL is better than that of HBL and NBBL.
- o) Interest incomes form the major portion of the total income in all these selected JVBs during this study period. Strength position of collecting high interest income is NABIL

comparing to other JVBs Likewise, interest expenses cover the major portion of total expenses in these banks.

- p) During the study period, NABIL is found to be the highest Deposit holding bank. In other words, Total deposits of NABIL exceeded the other four banks under study, EBL, HBL, SCBNL & NBBL, in all of the years taken for this analysis. Second highest Deposit holding bank rank goes to HBL comparing to EBL, SCBL, & NABIL. *In the trend analysis section*, all the banks the Total Deposits are in the increasing trend. The Total deposits trend of EBL shows that the trend line almost fits with the actual Total deposits which have been increasing by NRs. 9,318,752 T each year. which is the highest trend line among comparing other JVBs.
- q) NABIL has been seen to adopt the aggressive lending policy during the period of this analysis. It has been mobilizing a large portion of its Total deposits on Loans & Advances. The Loans & Advances of NABIL has always been greater as compared to EBL, HBL, SCBNL & NBBL during this whole period under analysis.
- r) The analysis reveals that all the JVBs have limited their Net Fixed Assets to Net worth Ratio at adequate level. Banks being the non-manufacturing enterprises have the minimal investment of owners' equity in the fixed assets in order to maximize the return on shareholders' fund.
- s) The investments of all these JVBs are found to be more or less volatile. In some years, they are in the increasing trend whereas in other years, they are in the decreasing trend. This might be due to the instability in the political & economic situation of the country, which created an environment of chaos in the overall economy including the banking industry.
- t) The comparative *strength* of NABIL is better as compared to others four JVBs as per data and as per the analysis done in the various sections. One the primary objective of the commercial bank is to maximize the profit. The NABIL has dominated in this regard during almost the whole period of study except for one cases where NBBL took off due to the high write back of loan and losses. Similarly SCBL, HBL, & EBL has their profit proportion ratio dissimilar. In the year 2067/68 the NBBL have bear loss due to low

interest income and high provision for loss. However, the profit before tax of all three banks is in the increasing trend.

- u) The loan loss provision of NBBL has always been in the highest position which creates *threats* to the bank and it cannot increase its profit comparing to other JVBs. The loss provision of SCBL has least (during the whole period under analysis) among the selected Joint Venture Banks signifying that it has less amount of bad loans, which is obviously good for any bank. This also proves the greater *strength* of SCBL in mobilizing its deposits in the more beneficial manner.
- v) Since all the five Banks selected for study are among the top banks operating in Nepal, but due to the different reason the NBBL cannot operate successfully comparing to other JVBs. Rest other EBL, HBL, NABIL, & SCBL are relative financial strength is better in the economy as compared to the other banks. But while comparing these selected banks alone, NABIL, SCBL, HBL, EBL & NBBL can be ranked chronologically as banks with higher *strengths and lower weaknesses*. *Opportunities & Threats* are present in the external environment. It is very probable that the bank with higher strength can grasp excellent opportunities and avoid redundant treats present in the economy.

### 5.3 RECOMMENDATIONS

Based on the analysis, interpretation & conclusions, some recommendations are made here so that the concerned authorities, future researchers, academicians, bankers can get some insights on the present conditions on above topics. It is assumed that this research will be profitable to improve the current situation as well as for the grounding of further researches. The major recommendations after this study are:

- a. NABIL & HBL are with excessive loan loss provisions as compared to SCBL. Therefore, they are suggested to evaluate the financials of their borrowers in a more proficient way thereby identifying possibilities of risks prior granting the loans. This will help to decrease the volume of downgraded loans and finally the provisions will go down.

- b. Higher costs to income ratio in case of HBL and NABIL are the primary cause for the lower PBT (Profit before Tax). So, they should reduce operating costs to achieve the operational efficiency. Since by decreasing costs, profit of any bank can grow considerably, they must search for loopholes in their operations where unnecessary costs are being incurred and should eliminate them.
- c. As Loans & Advances of EBL & NABIL are in the higher volume as compared to SCBNL, HBL & NBBL. These banks should try to increase its credit portfolio by exploring the productive sectors. This will not only increase the weight of interest income from risk assets but will also facilitate in promoting the industries to develop the overall economic situation of the nation.
- d. NBBL ,HBL & SCBL is suggested to increase its Deposits since the comparing from the trend analysis.
- e. Financial figures should show a consistency in their respective growths. The financial records observed in all these chosen JVBs are rather erratic. Therefore all these banks are suggested to predict a more accurate data in order to remain in the same position and to advance ahead.
- f. In order to generate more capital for the development of the economy, more deposit needs to be collected by the financial institutions. For this the selected JVBs are suggested to quote higher deposit interest rate as far as possible. Though this situation reduces their profit prospects in the short run, it will enhance the economic condition of the country in the long run.
- g. Any organization should be formed by the intellectual shareholders for working in favor of Nepalese investors, which should be recognized by the government. The government should this kind of organization to promote these activates and to protect the interest of investors.
- h. To being operate such a JVBs in any other host country is challenging task. Because it have to be consider *Social culture ,Economic ,Political-legal and Technical*

*environment* regarding of the country .this is only the factor which provides *opportunities and threats* to the organization .Being analyzing the above financial statement it can be recommended to the Government ( especially to *the RASTRYA BANK*)to provide protection and guideline the proper monitory policy for those banks who are operating their banking transaction and *welcome to other New JVBs* and providing healthy environment .

- i. These JVBs should try to increase their gross spread so that they can afford to reduce the interest spread and the help the economy to achieve upper trends from the present recessionary situation. Gross spread can be increased mainly by:
  - Decreasing the volumes of nonperforming assets;
  - Decreasing the volumes of down-graded loans, which results in lower volumes of loan loss provisions; and
  - Increasing the non-interest bearing external sources to compensate the interest bearing deposits, such as- current and margin deposits.
  
- j. Sample JVBs are also suggested to include their interest rate structure in their annual report. Further they are requested for the co-operation and sincere support to the research students.
  
- j. As this research work is primarily focused at the partial fulfillment of the Masters Degree program of T.U. and is prepared within the limited time frame, it can't be regarded as a masterpiece so it is suggested for further research.

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List of Licensed Commercial Banks

Appendix-I

S. No.	Commercial Banks	Operation Date (B.S.)	Paid of capital (Lakh)	Head Office
1.	<b>Nepal Bank Ltd</b>	<b>1994/07/30</b>	<b>3803.83</b>	<b>Kathmandu</b>
2.	<b>Rastriya Banijya Bank</b>	<b>2022/10/10</b>	<b>11723.00</b>	<b>Kathmandu</b>
3.	<b>Agriculture Development Bank</b>	<b>2024/10/07</b>	<b>94743.00</b>	<b>Kathmandu</b>
4.	<b>Nabil Bank Ltd.</b>	<b>2041/03/29</b>	<b>20297.69</b>	<b>Kathmandu</b>
5.	<b>Nepal Investment Bank Ltd.</b>	<b>2042/11/16</b>	<b>30129.24</b>	<b>Kathmandu</b>
6.	<b>Standard Chartered Bank Nepal Ltd.</b>	<b>2043/10/16</b>	<b>16101.68</b>	<b>Kathmandu</b>
7.	<b>Himalayan Bank Ltd.</b>	<b>2049/10/05</b>	<b>24000.00</b>	<b>Kathmandu</b>
8.	<b>Nepal Bangladesh Bank Ltd.</b>	<b>2050/02/23</b>	<b>20093.96</b>	<b>Kathmandu</b>
9.	<b>Nepal SBI Bank Ltd.</b>	<b>2050/03/23</b>	<b>20939.90</b>	<b>Kathmandu</b>
10.	<b>Everest Bank Ltd.</b>	<b>2051/07/01</b>	<b>13915.70</b>	<b>Kathmandu</b>
11.	<b>Bank of Katmandu Ltd</b>	<b>2051/11/28</b>	<b>16041.87</b>	<b>Kathmandu</b>
12.	<b>Nepal Credit and Commerce Bank Ltd.</b>	<b>2053/06/28</b>	<b>14000.00</b>	<b>Siddhartha Nagar</b>
13.	<b>Lumbini Bank Ltd.</b>	<b>2055/04/01</b>	<b>14300.00</b>	<b>Narayangarh</b>
14.	<b>Nepal Industrial and Commercial Bank Ltd.</b>	<b>2055/04/05</b>	<b>13115.52</b>	<b>Biratnagar</b>

<b>15.</b>	<b>Kumari Bank Ltd.</b>	<b>2056/08/24</b>	<b>16038.00</b>	<b>Kathmandu</b>
<b>16.</b>	<b>Machhapuchchhre Bank Ltd.</b>	<b>2057/06/01</b>	<b>24787.94</b>	<b>Pokhara</b>
<b>17.</b>	<b>Laxmi Bank Ltd.</b>	<b>2058/06/11</b>	<b>16940.87</b>	<b>Birgunj</b>
<b>18.</b>	<b>Siddhartha Bank Ltd.</b>	<b>2058/06/12</b>	<b>16192.44</b>	<b>Kathmandu</b>
<b>19.</b>	<b>Global IME Bank</b>	<b>2063/09/18</b>	<b>21845.00</b>	<b>Birgunj Parsa</b>
<b>20.</b>	<b>Citizens Bank International Ltd</b>	<b>2064/01/7</b>	<b>21018.40</b>	<b>Kathmandu</b>
<b>21.</b>	<b>Prime Commercial Bank Ltd</b>	<b>2064/06/07</b>	<b>22457.46</b>	<b>Kathmandu</b>
<b>22.</b>	<b>Sunrise Bank Ltd.</b>	<b>2064/06/25</b>	<b>20150.00</b>	<b>Kathmandu</b>
<b>23.</b>	<b>Bank Of Asia Nepal Ltd.</b>	<b>2064/06/25</b>	<b>20000.00</b>	<b>Kathmandu</b>
<b>24.</b>	<b>Grand Bank Nepal Ltd.</b>	<b>2065/02/12</b>	<b>20000.00</b>	<b>Kathmandu</b>
<b>25.</b>	<b>NMB Bank Ltd.</b>	<b>2065/02/20</b>	<b>20000.00</b>	<b>Kathmandu</b>
<b>26.</b>	<b>Kist Bank Ltd.</b>	<b>2066/01/24</b>	<b>20000.00</b>	<b>Kathmandu</b>
<b>27.</b>	<b>Janata Bank Nepal Ltd.</b>	<b>266/12/23</b>	<b>20000.00</b>	<b>Kathmandu</b>
<b>28.</b>	<b>Mega Bank Nepal Ltd.</b>	<b>2067/04/07</b>	<b>16310.00</b>	<b>Kathmandu</b>
<b>29.</b>	<b>Commerz and Trust Bank Nepal Ltd.</b>	<b>2067/06/04</b>	<b>14000.00</b>	<b>Kathmandu</b>
<b>30.</b>	<b>Civil Bank Ltd.</b>	<b>2067/08/10</b>	<b>12000.00</b>	<b>Kathmandu</b>
<b>31.</b>	<b>Century Commercial Bank Ltd.</b>	<b>2067/11/26</b>	<b>10800.00</b>	<b>Kathmandu</b>
<b>32.</b>	<b>Sanima Bank Ltd.</b>	<b>2068/11/03</b>	<b>20160.00</b>	<b>Kathmandu</b>

Source NRB report Mid 2068

## Blancesheet of EVEREST BANK LIMITED

### APPENDIX -II

<b>Assets</b>	<b>2064/65</b>	<b>2065/66</b>	<b>2066/67</b>	<b>2067/68</b>	<b>2068/69</b>
Cash & Bank Balance	1,903,903	5,731,859	6,716,613	5,755,318	9,860,745
Balance with Banks	764,068	432,512	1,102,201	367,544	502,561
Money at Call	346,000	-	-	-	-
Investments	5,059,558	5,948,480	5,008,308	7,743,928	7,863,627
Loans, Advances & Bills Purchase	18,339,085	23,884,674	27,556,356	31,057,692	35,910,975
Net Fixed Assets	360,512	427,157	463,094	460,259	547,926
Non-Banking Assets	-	-	-	-	-
Other Assets	376,215	492,166	536,188	851,471	1,127,295
<b>Total Assets</b>	<b>27,149,341</b>	<b>36,916,848</b>	<b>41,382,760</b>	<b>46,236,212</b>	<b>55,813,129</b>
Share Capital	831,400	838,821	1,279,607	1,391,570	1,761,126
Reserve & Surplus	1,089,837	1,364,804	1,479,530	1,721,976	2,416,177
Debenture & Bonds	300,000	300,000	300,000	300,000	-
Loan & Borrowings	-	312,000	404,600	482,000	-
Deposits Liabilities	23,976,298	33,322,946	36,932,310	41,127,914	50,006,100
Non-controlling interest	-	-	-	-	-
Bills Payable	49,430	148,655	145,515	49,717	692,399
Proposed and unpaid dividend	140,790	230,525	276,253	576,897	30,647
Income Tax Liabilities	41,143	20,522	(1,136)	26,900	9,297
Other Liabilities	720,443	378,575	566,081	559,238	897,383
<b>Total Liabilities</b>	<b>27,149,341</b>	<b>36,916,848</b>	<b>41,382,760</b>	<b>46,236,212</b>	<b>55,813,129</b>

### Profit and loss of EVEREST BANK LIMITED

<b>Particulars</b>	<b>2064/645</b>	<b>2065/66</b>	<b>2066/67</b>	<b>2067/68</b>	<b>2068/69</b>
Interest Income	1,548,657	2,186,814	3,102,451	4,331,026	4,959,998
Interest Expenses	632,609	1,012,874	1,572,790	2,535,875	2,873,335
<b>Net Interest Income</b>	<b>916,048</b>	<b>1,173,940</b>	<b>1,529,661</b>	<b>1,795,151</b>	<b>2,086,663</b>
Commission & Discount	150,264	202,094	208,123	203,468	233,570
Other Operating Income	79,134	106,404	142,311	148,062	179,822
Exchange Income	64,452	62,527	47,880	46,259	109,679

<b>Total Operating Income</b>	<b>1,209,898</b>	<b>1,544,965</b>	<b>1,927,975</b>	<b>2,192,940</b>	<b>2,609,734</b>
Staff Expenses	157,957	186,920	226,364	293,130	352,050
Other Operating Expenses	233,767	292,010	352,511	383,112	467,293
Exchange Loss	-	-		-	-
<b>Profit before provision for possible losses</b>	<b>818,174</b>	<b>1,066,035</b>	<b>1,349,100</b>	<b>1,516,698</b>	<b>1,790,391</b>
Provision for possible losses	(99,340)	(93,085)	-77,011	(98,299)	(252,054)
<b>Operating Profit</b>	<b>718,834</b>	<b>972,950</b>	<b>1,272,091</b>	<b>1,418,398</b>	<b>1,538,338</b>
Non-operating P/L	4,519	5,005	12,339	1,433	25,156
Write back from loan loss provision		<b>8044</b>	<b>83,553</b>	56,337	150,349
<b>Profit from regular activities</b>	<b>743,554</b>	<b>98,510,00</b>	<b>1,367,983</b>	<b>1,476,169</b>	<b>1,713,843</b>
Profit/Loss from transaction of extraordinary nature	-18,998	-5,549	-61,192	-12,052	-
<b>Profit after inclusion of all transaction</b>	<b>724,555</b>	<b>980,451</b>	<b>1,306,791</b>	<b>1,464,117</b>	<b>1,713,843</b>
Provision for staff bonus	65,869	89,132	118,799	133,102	155,803
<u>Provision for income tax</u>					
Current tax for year	216,913	276,864	357,020	427,532	478,356
Deferred Tax	(9,455)	-24,278	-795	-28,380	(10,881)
For previous year	-			560	-
<b>Net Profit/Loss</b>	<b>451,218</b>	<b>638,733</b>	<b>831,767</b>	931,304	<b>1,090,564</b>

**Blancesheet of HIMALAYAN BANK LIMITED  
APPENDIX-III**

<b>Assets</b>	<b>2064/65</b>	<b>2065/66</b>	<b>2066/67</b>	<b>2067/68</b>	<b>2068/69</b>
Cash & Bank Balance	1,214,025	2,802,165	3,119,014	2,022,672	4,930,497
Balance with Banks	234,118	246,361	747,476	941,979	1,431,798
Money at Call	518,529	1,170,794	308,840	734,000	264,600
Investments	13,340,177	8,710,691	8,444,910	8,769,939	10,031,580
Loans, Advances & Bills Purchase	19,497,520	24,793,155	27,980,629	31,566,976	34,965,433
Net Fixed Assets	726,068	952,196	1,061,871	1,187,493	1,305,364
Non-Banking Assets	10,307	22,695	-	-	
Other Assets	634,787	632,074	1,054,384	1,513,144	1,435,153
<b>Total Assets</b>	<b>36,175,531</b>	<b>39,330,131</b>	<b>42,717,124</b>	<b>46,736,203</b>	54,364,427
Share Capital	1,013,512	1,600,000	2,000,000	2,400,000	2,786,000
Reserve & Surplus	1,499,479	1,519,881	1,439,205	1,595,478	1,872,010

Debenture & Bonds	860,000	500,000	500,000	500,000	500,000
Loan & Borrowings	83,178	-	-	10,000	-
Deposits Liabilities	31,842,789	34,682,306	37,611,202	40,920,627	47,730,993
Non-controlling interest	-	-			
Bills Payable	102,670	31,847	216,159	31,655	19,003
Proposed and unpaid dividend	263,076	162,097	189,473	336,842	322,106
Income Tax Liabilities	19,131	10,163	-	-	-
Other Liabilities	491,696	823,837	761,085	941,601	1,160,314
<b>Total Liabilities</b>	<b>36,175,531</b>	<b>39,330,131</b>	<b>42,717,124</b>	<b>46,736,203</b>	<b>54,364,428</b>

### Profit and loss of HIMALAYAN BANK LIMITED

Particulars	EBL	HBL	NABIL	SCBL	NBBL
Interest Income	1,963,647	2,342,198	3,148,605	4,326,140	4,724,887
Interest Expenses	823,745	934,778	1,553,531	2,414,807	2,816,441
<b>Net Interest Income</b>	<b>1,139,902</b>	<b>1,407,420</b>	<b>1,595,074</b>	<b>1,911,333</b>	1,908,446
Commission & Discount	202,888	284,302	270,259	350,365	510,840
Other Operating Income	62,103	46,343	112,346	129,517	182,028
Exchange Income	192,601	249,983	180,279	195,528	309,897
<b>Total Operating Income</b>	<b>1,597,494</b>	<b>1,988,048</b>	<b>2,157,958</b>	<b>2,586,743</b>	2,911,213
Staff Expenses	307,528	360,981	414,984	517,592	634,228
Other Operating Expenses	329,005	398,317	471,103	582,209	714,436
Exchange Loss	-	-		-	-
<b>Profit before provision for possible losses</b>	<b>960,961</b>	<b>1,228,750</b>	<b>1,271,871</b>	<b>1,486,942</b>	1,562,547
Provision for possible losses	-58,431	-199,215	-692,640	-471,729	(505,491)
<b>Operating Profit</b>	<b>902,530</b>	<b>1,029,535</b>	<b>579,231</b>	<b>1,015,213</b>	1,057,056
Non-operating P/L	9,700	3,810	12,382	15,856	8,006
Write back from loan loss provision	184,107	149,894	265,542	228,145	859,976
<b>Profit from regular activities</b>	<b>1,096,337</b>	<b>1,183,239</b>	<b>857,155</b>	<b>1,259,214</b>	1,925,038
Profit/Loss from transaction of extraordinary nature	-52,614	-9,973	-25,855	102,292	(397,037)
<b>Profit after inclusion of all transaction</b>	<b>1,043,723</b>	<b>1,173,266</b>	<b>831,300</b>	<b>1,361,506</b>	1,528,000
Provision for staff bonus	94,884	106,661	75,573	123,773	138,909
<u>Provision for income tax</u>					
Current tax for year	309,155	340,776	246,070	338,351	450,548

Deferred Tax	(3,816)	-27,573	-595	5,454	(20,472)
For previous year	-	(568)	<b>1454</b>	813	377,880
<b>Net Profit/Loss</b>	<b>635,868</b>	<b>752,834</b>	<b>508,798</b>	<b>893,115</b>	958,638

## BLANCESHEET OF NABIL BANK LIMITED

### APPENDIX-IV

ASSETS	EBL	HBL	NABIL	SCBL	NBBL
Cash & Bank Balance	2,340,898	3,322,991	1,185,441	2,218,578	4,73,263 9
Balance with Banks	330,244	49,521	214,657	239,971	456,817
Money at Call	1,952,361	552,888	3,118,144	2,452,512	826,436
Investments	9,939,771	10,826,379	13,600,917	13,003,20 5	14,055,8 50
Loans, Advances & Bills Purchase	21,365,052	27,589,933	32,268,873	38,034,09 7	41,605,6 83
Net Fixed Assets	598,039	660,989	781,480	941,258	887,543
Non Banking Assets	-	-	-	-	
Other Assets	606,394	864,696	910,213	1,209,997	1,548,96 4
<b>Total Assets</b>	<b>37,132,759</b>	<b>43,867,397</b>	<b>52,079,725</b>	<b>58,099,61 8</b>	<b>63,200,2 98</b>
<b>LIABILITIES</b>	689,216	965,747	2,028,774	2,029,769	2,435,72 3
Share Capital	1,747,983	2,164,494	1,805,452	2,542,287	3,015,16 2
Reserve & Surplus	240,000	300,000	300,000	300,000	300,000
Debenture & Bonds	1,360,000	1,681,305	74,900	1,650,599	311,080
Loan & Borrowings	31,915,047	37,348,255	46,340,700	49,608,37 6	55,023,6 95
Deposits Liabilities	-	-		28,917	
Non controlling interest	238,422	463,139	425,444	415,768	179,142
Bills Payable	437,373	361,325	434,737	608,930	811,908
Proposed and unpaid dividend	38,777	80,232	24,905	46,529	51,107
Income Tax Liabilities	465,941	502,900	644,813	868,443	1,072,48 1
Other Liabilities	<b>37,132,759</b>	<b>43,867,397</b>	<b>52,079,725</b>	<b>58,099,61 8</b>	<b>63,200,2 98</b>
<b>Total Liabilities</b>					

**PROFIT AND LOSS ACCOUNT OF NABIL BANK**

<b>Particulars</b>	<b>EBL</b>	<b>HBL</b>	<b>NABIL</b>	<b>SCB</b>	<b>NBBL</b>
Interest Income	1,978,697	2,798,486	4,049,714	5,258,270	6,133,739
Interest Expenses	758,436	1,153,280	1,960,108	2,946,691	3,155,490
<b>Net Interest Income</b>	<b>1,220,261</b>	<b>1,645,206</b>	<b>2,089,606</b>	<b>2,311,579</b>	<b>2,978,249</b>
Commission & Discount	159,319	179,693	215,482	290,855	565,160
Other Operating Income	94,359	144,164	184,025	183,445	
Exchange Income	196,487	251,919	276,962	276,102	447,070
<b>Total Operating Income</b>	<b>1,670,426</b>	<b>2,220,982</b>	<b>2,766,075</b>	<b>3,061,981</b>	<b>3,990,479</b>
Staff Expenses	262,907	339,898	367,162	455,616	500,713
Other Operating Expenses	220,751	265,158	334,669	403,993	428,597
Exchange Loss	-	-		-	-
<b>Profit before provision for possible losses</b>	<b>1,186,768</b>	<b>1,615,927</b>	<b>2,064,244</b>	<b>2,202,372</b>	<b>3,061,169</b>
Provision for possible losses	-64,055	-45,722	-355,829	-109,470	(213,949)
<b>Operating Profit</b>	<b>1,122,713</b>	<b>1,570,205</b>	<b>1,708,415</b>	<b>2,092,902</b>	<b>2,647,220</b>
Non-operating P/L	24,084	2,190	6,455	6,981	13,839
Write back from loan loss provision	11,100	10,618	39,755	7,101	413,695
<b>Profit from regular activities</b>	<b>1,157,897</b>	<b>1,583,013</b>	<b>1,754,625</b>	<b>2,106,984</b>	<b>2,661,060</b>
Profit/Loss from transaction of extraordinary nature	39,991	43,522	34,322	3,148	(3,037)
<b>Profit after inclusion of all transaction</b>	<b>1,197,888</b>	<b>1,626,535</b>	<b>1,788,947</b>	<b>2,110,132</b>	<b>2,658,023</b>
Provision for staff bonus	108,899	147,867	162,518	192,008	241,638
<u>Provision for income tax</u>					
Current tax for year	340,625	470,702	472,823	570,934	728,302
Deferred Tax	(1,843)	-24,006	12,252	1,248	(8,193)
Share of non controlling interest in the profit of subsidiary.				1,551	
For previous year	53	(919)	832	212	-
<b>Net Profit/Loss</b>	<b>746,468</b>	<b>1,031,053</b>	<b>1,140,522</b>	<b>1,344,179</b>	<b>1,696,276</b>

**BLABCESHEET OF STANDARD CHARTARD BANK LIMITED**

**APPENDIX-V**

<b>Assets</b>	<b>EBL</b>	<b>HBL</b>	<b>NABIL</b>	<b>SCB</b>	<b>NBBL</b>
Cash & Bank Balance	1,992,181	1,681,149	1,328,540	2,248,968	5,343,598
Balance with Banks	28,840	369,094	600,767	726,828	1,022,635
Money at Call	1,761,152	2,197,537	1,669,460	4,280,888	2,126,035
Investments	13,553,234	13,902,819	19,847,511	17,258,682	12,938,216
Loans, Advances & Bills Purchase	10,502,637	13,718,597	15,956,955	18,427,270	19,575,968
Net Fixed Assets	125,591	117,273	118,539	106,071	89,633
Non-Banking Assets					
Other Assets	633,054	1,349,319	691,547	761,812	580,967
<b>Total Assets</b>	<b>28,596,689</b>	<b>33,335,788</b>	<b>40,213,319</b>	<b>43,810,519</b>	<b>41,677,052</b>
Share Capital	413,255	620,784	1,608,256	1,610,168	1,851,694
Reserve & Surplus	1,703,099	1,871,763	1,761,453	2,067,609	2,270,477
Debenture & Bonds	-	-	-	-	-
Loan & Borrowings	400,000	-	-	350,000	-
Deposits Liabilities	24,647,020	29,743,999	35,182,721	37,999,242	35,965,632
Non-controlling interest	-	-	89,220	-	-
Bills Payable	36,168	87,397	769,166	65,966	86,379
Proposed and unpaid dividend	341,744	506,367	-	805,084	724,571
Income Tax Liabilities	5,599	2,052	-	-	-
Other Liabilities	1,049,804	503,426	802,503	912,450	778,299
<b>Total Liabilities</b>	<b>28,596,689</b>	<b>33,335,788</b>	<b>40,213,319</b>	<b>43,810,519</b>	<b>41,677,052</b>

**PROFIT AND LOSS OF SCBL**

<b>Particulars</b>	<b>EBL</b>	<b>HBL</b>	<b>NABIL</b>	<b>SCB</b>	<b>NBBL</b>
Interest Income	1,411,981	1,591,195	2,042,109	2,718,699	2,718,699
Interest Expenses	413,055	471,729	575,740	1,003,100	1,003,100
<b>Net Interest Income</b>	<b>998,926</b>	<b>1,119,466</b>	<b>1,466,369</b>	<b>1,715,599</b>	<b>1,715,599</b>
Commission & Discount	221,207	276,432	338,298	321,771	321,771
Other Operating Income	28,785	32,594	34,479	36,753	36,753
Exchange Income	309,087	345,653	458,564	387,134	387,134
<b>Total Operating Income</b>	<b>1,558,005</b>	<b>1,774,145</b>	<b>2,297,710</b>	<b>2,461,257</b>	<b>2,461,257</b>
Staff Expenses	199,778	225,256	312,964	365,986	365,986
Other Operating Expenses	228,451	230,571	295,305	305,215	305,215
Exchange Loss	-	-	-	-	-
<b>Profit before provision for possible losses</b>	<b>1,129,776</b>	<b>1,318,318</b>	<b>1,689,441</b>	<b>1,790,056</b>	<b>1,790,056</b>

Provision for possible losses	-36,809	-69,885	-76,974	-82,739	(82,739)
<b>Operating Profit</b>	<b>1,092,967</b>	<b>1,248,433</b>	<b>1,612,467</b>	<b>1,707,317</b>	<b>1,707,317</b>
Non-operating P/L	9,492	1,683	36,268	6,445	6,445
Write back from loan loss provision	20,160	90,635	58,293	67,159	67,159
		<b>1,340,751</b>	<b>1,707,028</b>	<b>1,780,921</b>	<b>1,780,921</b>
<b>Profit from regular activities</b>	<b>1,122,619</b>	-28,039			-22,765
Profit/Loss from transaction of extraordinary nature	-4,915		-17,024		<b>1,758,156</b>
		<b>1,312,712</b>		-22,765	
<b>Profit after inclusion of all transaction</b>	<b>1,117,704</b>	119,337	<b>1,690,004</b>	<b>1,758,156</b>	159,832
Provision for staff bonus	101,610		153,637	159,832	
<u>Provision for income tax</u>		381,493			485,713
Current tax for year	315,427	-7,041	465,686	485,713	(6,560)
Deferred Tax			-15,213	-8,581	-
For previous year	9,000	<b>818,923</b>	<b>23</b>		<b>1,119,171</b>
<b>Net Profit/Loss</b>	<b>691,667</b>		<b>1,085,871</b>		
				<b>1,119,429</b>	

**BLANCESHEET OF NBBL  
APPENDIX-VI**

<b>Assets</b>	<b>EBL</b>	<b>HBL</b>	<b>NABIL</b>	<b>SCB</b>	<b>NBBL</b>
Cash & Bank Balance	1,617,855	2,329,217	1,845,265	2,096,225	4,663,698
Balance with Banks	304,993	242,200	213,034	368,701	346,494
Money at Call	1,000	1,000	-	-	-
Investments	1389902	2,222,432	2,112,751	2,378,269	3,868,950
Loans, Advances & Bills Purchase	5,457,809	6,704,943	7,809,544	8,452,738	10,330,076
Net Fixed Assets	147,747	139,198	155,328	307,504	227,989
Non-Banking Assets	37,087		-		-
Other Assets	434,637	325,562	395,121	401,323	732,548
<b>Total Assets</b>	<b>9,391,027</b>	<b>11,964,552</b>	<b>12,531,043</b>	<b>14,004,760</b>	<b>20,169,756</b>
Share Capital	7,441,26	1,860,315	1,860,315	2,009,396	2,009,395
Reserve & Surplus	2,935,574	-748,073	273,275	241,779	944,571
Debenture & Bonds	-	-	-	-	-
Loan & Borrowings	300,000	-	-	-	-
Deposits Liabilities	10,883,653	9,997,697	10,052,182	11,511,677	16,952,703
Non-controlling interest	-	-	-	-	
Bills Payable	30,012	12,629	15,402	14,125	27,929
Proposed and unpaid dividend	1,301	1,398	-	-	-
Income Tax Liabilities	-	6,729	-	-	-
Other Liabilities	637,509	833,857	329,886	227,783	235,157

<b>Total Liabilities</b>	<b>9,391,027</b>	<b>11,964,552</b>	<b>12,531,043</b>	<b>14,004,760</b>	<b>20,169,757</b>

## PROFIT AND LOSS ACCOUNT OF NBBL

	EBL	HBL	NABIL	SCBL	NBBL
Interest Income	828,276	1,337,112	1,167,628	1,436,676	1,529,045
Interest Expenses	397,997	409,776	476,788	745,222	1,037,814
<b>Net Interest Income</b>	<b>430,279</b>	<b>927,336</b>	<b>690,840</b>	<b>691,454</b>	491,230
Commission & Discount	105,300	122,393	145,796	159,035	198,340
Other Operating Income	190,767	125,074	50,496	52,865	52,562
Exchange Income	90,111	80,548	49,840	59,726	63,717
<b>Total Operating Income</b>	<b>816,457</b>	<b>1,255,351</b>	<b>936,972</b>	<b>963,080</b>	806,8511
Staff Expenses	140,838	138,424	146,641	181,098	201,429
Other Operating Expenses	121,863	123,307	128,766	140,402	165,457
Exchange Loss	-	-	-	-	-
<b>Profit before provision for possible losses</b>	<b>553,756</b>	<b>993,620</b>	<b>661,565</b>	<b>641,580</b>	641,580
Provision for possible losses	(397,304)	-283,319	-148,390	-217,768	(70,965)
<b>Operating Profit</b>	<b>174,452</b>	<b>710,301</b>	<b>513,175</b>	<b>423,812</b>	368,999
Non operating profit/loss	18,239	22,934	18,385	24,444	74,580
Write back from loan loss provision	1,343,374	1,905,860	1,318,049	323,614	1,364,306
<b>Profit from regular activities</b>	<b>1,536,065</b>	<b>2,639,095</b>	<b>1,849,609</b>	<b>771,870</b>	1,807,887
Profit/Loss from transaction of extraordinary nature	(697,887)	-14,990	-523,482	-714,889	(775,178)
<b>Profit after inclusion of all transaction</b>	<b>838,178</b>	<b>2,624,105</b>	<b>1,326,127</b>	<b>56,981</b>	1,032,707
Provision for staff bonus	76,198	238,555	120,557	5,180	93,882
<u>Provision for income tax</u>					
Current tax for year	156,594	235,262	167,800	198,200	150,350
Deferred tax	(3,092)	3,042	-2,994	895	(1,524)
For previous year	11,992	(10857)	13,396	<b>7,345</b>	19,472
<b>Net Profit/Loss</b>	<b>596,485</b>	<b>2,158,103</b>	<b>1,021,380</b>	<b>( 138,159)</b>	809,471

a) EVERESRT BANK NEPAL LTD.

APPENDIX-VII

<i>Year</i> <i>x</i>	<i>Loans &amp; Advances (in thousand.) Y</i>	<i>X=</i> <i>x-2067</i>	<i>X<sup>2</sup></i>	<i>XY</i>	<i>Trend Values</i> <i>Yc = a + bX</i>
2065	18,339,085	-2	4	-36,678,170	18,886,397
2066	12,884,674	-1	1	-23,884,674	23,118,077
2067	27,556,356	0	0	0	27,349,756
2068	31,566,976	1	1	31,057,692	31,581,436
2069	35,910,975	2	4	71,821,950	35,813,116
<i>N=5</i>	<b><math>\sum Y=136,748,782</math></b>	<b><math>\sum X=0</math></b>	<b><math>\sum X^2=10</math></b>	<b><math>\sum XY=42,316,798</math></b>	
<i>2070</i>		3			40,044,796
<i>2071</i>		4			44,276,476
<i>2072</i>		5			48,508,155

Now,

$$a = \sum Y / N$$

$$= 136,748,782 / 5 = 27349756.4$$

$$b = \sum XY / \sum X^2$$

$$= 42,316,798 / 10 = 4,231,679$$

On the basis of the above calculations, we can predict the future Loans & Advances of EBL.

The trend equation is  $Yc = a + bX$

When  $x = 2070$ ,  $X=3$ ,

$$\text{Thus } Yc = 27349756.4 + 4231680 * 3 = 40044796$$

When  $x = 2071$ ,  $X=4$ ,

$$\text{Thus } Yc = 27349756.4 + 4231680 * 4 = \text{Rs. } 44276476$$

When  $x = 2072$ ,  $X=5$ ,

Thus  $Y_c = 27349756.4 + 4231680 * 5 = \text{Rs. } 48508155$

**c) Himalaya Bank limited**

**APPENDIX-VIII**

<i>Year</i> <i>x</i>	<i>Loans &amp; Advances</i> <i>(in thousand) Y</i>	<i>X=</i> <i>x-2067</i>	<i>X<sup>2</sup></i>	<i>XY</i>	<i>Trend Values</i> <i>Y<sub>c</sub> = a + bX</i>
2065	19,497,520	-2	4	-38,995,040	19,739,049
2066	24,793,155	-1	1	-24,793,155	23,989,778
2067	27,980,629	0	0	0	28,240,507
2068	31,566,976	1	1	31,566,976	32,491,236
2069	37,364,255	2	4	74,728,510	36,741,965
<i>N=5</i>	$\sum Y = 141,202,535$	$\sum X = 0$	$\sum X^2 = 10$	$\sum XY = 42,507,291$	
<b>2070</b>		3			<b>40,992,694</b>
<b>2071</b>		4			<b>45,243,423</b>
<b>2072</b>		5			<b>49,494,153</b>

Now,

$$a = \sum Y / N$$

$$= 141,202,535 / 5 = 28,240,507$$

$$b = \sum XY / \sum X^2$$

$$= 42,507,291 / 10 = 4,250,729$$

On the basis of the above calculations, we can predict the future Loans & Advances of HBL

The trend equation is  $Y_c = a + bX$

When  $x = 2070$ ,  $X=3$ ,

Thus  $Y_c = 28,240,507 + 4,250,729 * 3 = \text{Rs. } 40992694$

When  $x = 2071$ ,  $X=4$ ,

Thus  $Y_c = 28,240,507 + 4,250,729 * 4 = \text{Rs. } 45243423$

When  $x = 2072$ ,  $X=5$ ,

Thus  $Y_c = 4,250,729 + 4,250,729 * 5 = Rs. 49494153$

**d) NABIL BANK LTD.**

**APPENDIX-VIII**

<i>Year</i> <i>x</i>	<i>Loans &amp; Advances</i> <i>(in thousand.) Y</i>	<i>X=</i> <i>x-2003</i>	<i>X<sup>2</sup></i>	<i>XY</i>	<i>Trend Values</i> <i>Yc = a + bX</i>
2065	21,365,052	-2	4	-42,730,104	21,987,642
2066	27,589,933	-1	1	-27,589,933	27,080,185
2067	32,268,873	0	0	0	32,172,728
2068	38,034,097	1	1	38,034,097	37,265,271
2069	41,605,685	2	4	83,211,370	42,357,814
<i>N = 5</i>	<i>∑Y = 160,863,640</i>	<i>∑X = 0</i>	<i>∑X<sup>2</sup> = 10</i>	<i>∑XY = 50,925,430</i>	
<b>2070</b>		3			47,450,357
<b>2071</b>		4			52,542,900
<b>2072</b>		5			57,635,443

Now,

$$a = \sum Y / N$$

$$= 160,863,640 / 5 = 32,172,728$$

$$b = \sum XY / \sum X^2$$

$$= 50,925,430 / 10 = 5,092,543$$

On the basis of the above calculations, we can predict the future Loans & Advances of NABIL.

The trend equation is  $Y_c = a + bX$

When  $x = 2070$ ,  $X = 3$ ,

Thus  $Y_c = 32,172,728 + 5,092,543 * 3 = Rs. 47,450,357$

When  $x = 2071$ ,  $X=4$ ,

Thus  $Y_c = 32,172,728 + 5,092,543 * 4 = Rs. 52,542,900$

When  $x = 2072$ ,  $X=5$ ,

Thus  $Y_c = 32,172,728 + 5,092,543 * 5 = Rs. 57,635,443$

**e) STANDARD CHARTERD BANK LIMITED**

**APPENDIX-IX**

<i>Year</i> <i>x</i>	<i>Loans &amp; Advances (in thousand.) Y</i>	<i>X=</i> <i>x-2003</i>	<i>X<sup>2</sup></i>	<i>XY</i>	<i>Trend Values Yc</i> <i>= a + bX</i>
2065	10,502,637	-2	4	-21,005,274	11,065,218
2066	13,718,597	-1	1	-13,718,597	13,350,752
2067	15,956,955	0	0	0	15,636,285
2068	18,427,270	1	1	18,427,270	17,921,819
2069	19,575,968	2	4	39,151,936	20,207,352
<i>N = 5</i>	$\Sigma Y = 78,181,427$	$\Sigma X = 0$	$\Sigma X^2 = 10$	$\Sigma XY = 22,855,335$	
2070		3			22,492,886
2071		4			27,063,953
2072		5			27,063,953

Now,

$$a = \Sigma Y / N$$

$$= 78,181,427 / 5 = 15636285.4$$

$$b = \Sigma XY / \Sigma X^2$$

$$= 22,855,335 / 10 = 2285533.5$$

On the basis of the above calculations, we can predict the future Loans & Advances of SCBL.

The trend equation is  $Y_c = a + bX$

When  $x = 2070$ ,  $X=3$ ,

Thus  $Y_c = 15636285.4 + 2285533.5 * 3 = \text{Rs. } 22492886$

When  $x = 2071$ ,  $X=4$ ,

Thus  $Y_c = 15636285.4 + 2285533.5 * 4 = \text{Rs. } 24778419$

When  $x = 2072$ ,  $X=5$ ,

Thus  $Y_c = 15636285.4 + 2285533.5 * 5 = \text{Rs. } 27063953$

**f) NEPAL BANGLEDASH BANK LTD.**

**APPENDIX-X**

<i>Year x</i>	<i>Loans &amp; Advances (in thousand.) Y</i>	<i>X= x-2067</i>	<i>X<sup>2</sup></i>	<i>XY</i>	<i>Trend Values Yc = a + bX</i>
2065	5,457,809	-2	4	-10,915,618	5,452,556
2066	6,704,943	-1	1	-6,704,943	6,601,789
2067	7,809,544	0	0	0	7,751,022
2068	8,452,738	1	1	8,452,738	8,900,255
2069	10,330,076	2	4	20,660,152	10,049,488
<i>N= 5</i>	<i>∑Y=38,755,110</i>	<i>∑X=0</i>	<i>∑X<sup>2</sup>=10</i>	<i>∑XY=11,492,329</i>	
<b>2070</b>		3			11,198,721

<b>2071</b>		4			12,347,954
<b>2072</b>		5			13,497,187

Now,

$$a = \sum Y / N$$

$$= 38,755,110 / 5 = 7751022$$

$$b = \sum XY / \sum X^2$$

$$= 11,492,329 / 10 = 1149232.9$$

On the basis of the above calculations, we can predict the future Loans & Advances of NBBL.

The trend equation is  $Y_c = a + bX$

When  $x = 2070$ ,  $X = 3$ ,

$$\text{Thus } Y_c = 7751022 + 1149232.9 * 3 = \text{Rs. } 11198721$$

When  $x = 2071$ ,  $X = 4$ ,

$$\text{Thus } Y_c = 7751022 + 1149232.9 * 4 = \text{Rs. } 12347954$$

When  $x = 2072$ ,  $X = 5$ ,

$$\text{Thus } Y_c = 7751022 + 1149232.9 * 5 = \text{Rs. } 13497187$$

## TREND ANALYSIS OF TOTAL DEPOSITS

### a) EVEREST BANK LIMITED

#### APPENDIX-XII

<i>Year</i> <i>x</i>	<i>Total Deposits</i> <i>(in thousand.) Y</i>	<i>X =</i> <i>x - 2067</i>	<i>X</i> <sup>2</sup>	<i>XY</i>	<i>Trend Values Yc</i> <i>= a + bX</i>
2065	23,976,298	-2	4	-47,952,596	18,435,610
2066	33,322,946	-1	1	-23,976,298	27,754,362
2067	36,932,310	0	0	0	37,073,114
2068	41,127,914	1	1	41,127,914	46,391,865

2069	50,006,100	2	4	100,012,200	55,710,617
<i>N = 5</i>	$\Sigma Y = 185,365,568$	$\Sigma X = 0$	$\Sigma X^2 = 10$	$\Sigma XY = 93,187,518$	
					<b>65,029,369</b>
<b>2070</b>		3			<b>74,348,121</b>
<b>2071</b>		4			<b>83,666,873</b>
<b>2072</b>		5			

Now,

$$a = \Sigma Y / N$$

$$= 185,365,568 / 5 = 37,073,113.6$$

$$b = \Sigma XY / \Sigma X^2$$

$$= 93,187,518 / 10 = 9,318,752$$

On the basis of the above calculations, we can predict the future Total Deposits of EBL.

The trend equation is  $Y_c = a + bX$

When  $x = 2070$ ,  $X = 3$ ,

Thus  $Y_c = 37,073,114 + 9,318,752 * 3 = Rs. 65,029,369$

When  $x = 2071$ ,  $X = 4$ ,

Thus  $Y_c = 37,073,114 + 9,318,752 * 4 = Rs. 74,348,121$

When  $x = 2072$ ,  $X = 5$ ,

Thus  $Y_c = 37,073,114 + 9,318,752 * 5 = Rs. 83,666,873$

#### b) HIMALAYAN BANK LIMITED.

##### APPENDIX-XII

<i>Year x</i>	<i>Total Deposits (in thousands.) Y</i>	<i>X = x-2067</i>	<i>X<sup>2</sup></i>	<i>XY</i>	<i>Trend Values Y<sub>c</sub> = a + bX</i>
2065	31,842,789	-2	4	-63,685,578	31,926,994
2066	34,682,306	-1	1	-34,682,306	34,756,085
2067	37,611,202	0	0	0	37,585,178
2068	40,920,376	1	1	40,920,376	40,414,268

2069	42,869,211	2	4	85,738,422	43,243,360
<i>N=5</i>	$\Sigma Y=187,925,884$	$\Sigma X=0$	$\Sigma X^2=10$	$\Sigma XY=28,290,914$	
<b>2070</b>		3			<b>46,072,451</b>
<b>2071</b>		4			<b>48,901,542</b>
<b>2072</b>		5			<b>51,730,634</b>

Now,

$$a = \Sigma Y / N$$

$$= 187,925,884 / 5 = 37,585,178$$

$$b = \Sigma XY / \Sigma X^2$$

$$= 28,290,914 / 10 = 2,829,091$$

On the basis of the above calculations, we can predict the future Total Deposits of HBL.

The trend equation is  $Y_c = a + bX$

When  $x = 2070$ ,  $X=3$ ,

Thus  $Y_c = 37,585,178 + 2,829,091 * 3 = Rs. 46072451$

When  $x = 2071$ ,  $X=4$ ,

Thus  $Y_c = 37,585,178 + 2,829,091 * 4 = Rs. 48901542$

When  $x = 2072$ ,  $X=5$ ,

Thus  $Y_c = 37,585,178 + 2,829,091 * 5 = Rs. 51730634$

### c) NABIL BANK LTD.

#### APPENDIX-XIII

<i>Year</i> <i>x</i>	<i>Total Deposits (in</i> <i>thousands.) Y</i>	<i>X=</i> <i>x-2067</i>	<i>X</i> <sup>2</sup>	<i>XY</i>	<i>Trend Values</i> <i>Yc = a + bX</i>
2065	31,915,047	-2	4	-63,830,094	32,351,731
2066	37,348,255	-1	1	-37,348,255	38,199,473
2067	46,340,700	0	0	0	44,047,215

2068	49,608,376	1	1	49,608,376	49,894,956
2069	55,023,695	2	4	110,047,390	55,742,698
<i>N=5</i>	$\Sigma Y=220,236,073$	$\Sigma X=0$	$\Sigma X^2=10$	$\Sigma XY=58,477,417$	
<b>2070</b>		3			<b>61,590,440</b>
<b>2071</b>		4			<b>67,438,181</b>
<b>2072</b>		5			<b>73,285,923</b>

Now,

$$a = \Sigma Y / N$$

$$= 220,236,073 / 5 = 44,047,215$$

$$b = \Sigma XY / \Sigma X^2$$

$$= 58,477,417 / 10 = 5,847,742$$

On the basis of the above calculations, we can predict the future Total Deposits of NABIL.

The trend equation is  $Y_c = a + bX$

When  $x = 2070$ ,  $X=3$ ,

Thus  $Y_c = 44,047,215 + 5,847,742 * 3 = Rs. 61,590,440$

When  $x = 2071$ ,  $X=4$ ,

Thus  $Y_c = 44,047,215 + 5,847,742 * 4 = Rs. 67,438,181$

When  $x = 2072$ ,  $X=5$ ,

Thus  $Y_c = 44,047,215 + 5,847,742 * 5 = Rs. 73,285,923$

#### d) STANDARD CHARTERED BANK NEPAL LTD.

##### APPENDIX-XIV

<i>Year</i> <i>x</i>	<i>Total Deposits (in</i> <i>thousands.) Y</i>	<i>X=</i> <i>x-2067</i>	<i>X</i> <sup>2</sup>	<i>XY</i>	<i>Trend Values</i> <i>Yc = a + bX</i>
2065	24,647,020	-2	4	-49,294,040	26,529,828
2066	29,743,999	-1	1	-29,743,999	29,618,476
2067	35,182,721	0	0	0	32,707,123
2068	37,999,242	1	1	37,999,242	35,795,770

2069	35,962,635	2	4	71,925,270	38,884,418
<i>N=5</i>	<i>∑Y=165,535,617</i>	<i>∑X=0</i>	<i>∑X<sup>2</sup>=10</i>	<i>∑XY=30,886,473</i>	
<b>2070</b>		3			<b>41,973,065</b>
<b>2071</b>		4			<b>45,061,713</b>
<b>2072</b>		5			<b>48,150,360</b>

Now,

$$a = \sum Y / N$$

$$= 165,535,617 / 5 = 32,707,123$$

$$b = \sum XY / \sum X^2$$

$$= 30,886,473 / 10 = 3,088,647$$

On the basis of the above calculations, we can predict the future Total Deposits of SCBL.

The trend equation is  $Y_c = a + bX$

When  $x = 2070$ ,  $X=3$ ,

Thus  $Y_c = 32,707,123 + 3,088,647 * 3 = Rs 41,973,065$ .

When  $x = 2071$ ,  $X=4$ ,

Thus  $Y_c = 32,707,123 + 3,088,647 * 4 = Rs. 45,061,713$

When  $x = 2072$ ,  $X=5$ ,

Thus  $Y_c = 32,707,123 + 3,088,647 * 5 = Rs. 48,150,360$ .

#### e) NEPAL BANGLADESH BANK LIMITED

##### APPENDIX-XV

<i>Year</i> <i>x</i>	<i>Total Deposits (in</i> <i>thousands.) Y</i>	<i>X=</i> <i>x-2067</i>	<i>X<sup>2</sup></i>	<i>XY</i>	<i>Trend Values</i> <i>Yc = a + bX</i>
2065	10,883,653	-2	4	-21,767,306	9,149,166
2066	9,997,697	-1	1	-9,997,697	10,514,374
2067	10,052,182	0	0	0	11,879,582
2068	11,511,677	1	1	11,511,677	13,244,790

2069	16,952,703	2	4	33,905,406	14,609,998
<b>N=5</b>	<b><math>\Sigma Y=59,397,912</math></b>	<b><math>\Sigma X=0</math></b>	<b><math>\Sigma X^2=10</math></b>	<b><math>\Sigma XY=13,652,082</math></b>	
<b>2070</b>		3			<b>15,975,206</b>
<b>2071</b>		4			<b>17,340,414</b>
<b>2072</b>		5			<b>18,705,622</b>

Now,

$$a = \Sigma Y / N$$

$$= 59,397,912 / 5 = 11,879,582$$

$$b = \Sigma XY / \Sigma X^2$$

$$= 13,652,080 / 10 = 1,365,208$$

On the basis of the above calculations, we can predict the future Total Deposits of NBBL

The trend equation is  $Y_c = a + bX$

When  $x = 2070$ ,  $X=3$ ,

Thus  $Y_c = 11,879,582 + 1,365,208 * 3 = Rs. 15,975,206$

When  $x = 2071$ ,  $X=4$ ,

Thus  $Y_c = 11,879,582 + 1,365,208 * 4 = Rs. 17,340,414$

When  $x = 2072$ ,  $X=5$ ,

Thus  $Y_c = 11,879,582 + 1,365,208 * 5 = Rs. 18,705,622$

### **Calculation of ROA of selected Nepalese Bank**

#### **APPENDIX-XVI**

*Net Profit*

*Return on Total Assets = -----*

*Total Assets*

*(Rs. In thousand)*

**EBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Net Profit After Tax	451,278	721,817	831,767	931,304	1,090,564
Total Assets	27,149,341	36,816,484	41,382,760	46,236,212	55,813,129
<b>ROA</b>	<b>2.028%</b>	<b>1.961%</b>	<b>2.010%</b>	<b>2.014%</b>	<b>2.406%</b>

**HBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Net Profit After Tax	635,868	752,834	508,798	893,115	958,638
Total Assets	36,175,531	39,330,131	42,717,124	46,736,203	54,364,428
<b>Return on Total Assets</b>	<b>1.761%</b>	<b>1.913%</b>	<b>1.192%</b>	<b>1.914%</b>	<b>1.763%</b>

**NABIL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Net Profit After Tax	746,468	1,031,053	1,140,522	1,344,179	1,696,276
Total Assets	37,132,759	43,867,397	52,079,725	58,099,618	63,200,298
<b>Return on Total Assets</b>	<b>2.011%</b>	<b>2.354%</b>	<b>2.192%</b>	<b>2.313%</b>	<b>2.684%</b>

**SCBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Net Profit After Tax	691667	818923	1085871	1119429	1,119,171
Total Assets	28,596,689	33,335,788	40,213,319	43,810,519	41,677,052
<b>Return on Total Assets</b>	<b>2.419%</b>	<b>2.457%</b>	<b>2.700%</b>	<b>2.555%</b>	<b>2.685%</b>

**NBBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Net Profit/loss After Tax	596,485	2,158,103	1,021,380	(138,159)	809,471
Total Assets	9,391,027	11,964,552	12,531,043	14,004,760	20,169,757
<b>Return on Total Assets</b>	<b>6.352%</b>	<b>18.037%</b>	<b>8.151%</b>	<b>(0.987%)</b>	<b>4.013%</b>

Table # 11 Return on Total Assets

**Calculation of Return on total Deposit**

**APPENDIX-XVII**

*Net Profit*

*Return on Total Deposits = -----*

*Total Deposits*

*(Rs. In thousand)*

**EBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Net Profit After Tax	451,218	638,733	831,767	931,304	<b>1,090,564</b>
Total Deposits	23,976,298	33,322,946	36,932,310	41,127,914	50,006,100
<b>Return on Total Deposits</b>	<b>1.882%</b>	<b>1.917%</b>	<b>2.252%</b>	<b>2.264%</b>	<b>2.685%</b>

**HBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Net Profit After Tax	635,868	752,834	508,798	893,115	958,638
Total Deposits	31,842,789	34,682,306	37,611,202	40,920,376	47,730,993
<b>Return on Total Deposits</b>	<b>1.997%</b>	<b>2.171%</b>	<b>1.353%</b>	<b>2.183%</b>	<b>2.008%</b>

**NABIL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Net Profit After Tax	746,468	1,031,053	1,140,522	1,344,179	1,696,276
Total Deposits	31,915,047	37,348,255	46,340,700	49,608,376	55,023,695
<b>Return on Total Deposits</b>	<b>2.339%</b>	<b>2.761%</b>	<b>2.461%</b>	<b>2.710%</b>	<b>3.083%</b>

**SCBNL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Net Profit	691,667	818,923	1,085,871	1,119,429	1,119,171

After Tax					
Total Deposits	24,647,020	29,743,999	35,182,721	37,999,242	35,965,632
<b>Return on Total Deposits</b>	<b>2.806%</b>	<b>2.753%</b>	<b>3.086%</b>	<b>2.946%</b>	<b>3.112 %</b>

#### **NBBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Net Profit After Tax	596,485	2,158,103	1,021,380	(138,159)	809,471
Total Deposits	10,883,653	9,997,697	10,052,182	11,511,677	16,952,270
<b>Return on Total Deposits</b>	<b>5.481%</b>	<b>6.586%</b>	<b>4.161%</b>	<b>(1.200)%</b>	<b>3.775%</b>

#### **INTEREST EARNED ON TOTAL ASSETS**

#### **APPENDIX-XVIII**

#### *Interest Income*

*Interest earned on Total Assets = -----*

*Total Assets*

*(Rs. In thousand)*

#### **EBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Total Interest Earning	1,548,657	2,186,814	3,102,451	4,331,026	4,959,998
Total Assets	27,149,341	36,816,484	41,382,760	46,236,212	55,813,129
<b>Interest Earned to Total Asset</b>	<b>5.704%</b>	<b>5.940%</b>	<b>7.497%</b>	<b>9.367%</b>	<b>8.887%</b>

#### **HBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Total Interest Earning	1,963,647	2,342,198	3,148,605	4,326,140	4,714,887
Total Assets	36175531	39330131	42717124	46736203	54,364,428
<b>Interest Earned to Total Asset</b>	<b>5.428%</b>	<b>5.955%</b>	<b>7.371%</b>	<b>9.257%</b>	<b>8.673%</b>

**NABIL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Total Interest Earning	1,978,697	2,798,486	4,049,714	5,258,270	6,133,739
Total Assets	37,132,759	43,867,397	52,079,725	58,099,618	63,200,298
<b>Interest Earned to Total Asset</b>	<b>5.329%</b>	<b>6.379%</b>	<b>7.776%</b>	<b>9.050%</b>	<b>9.705%</b>

**SCBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Total Interest Earning	1,411,981	1,591,195	2,042,109	2,718,699	2,718,699
Total Assets	28,596,689	33,335,788	40,213,319	43,810,519	41,677,052
<b>Interest Earned to Total Asset</b>	<b>4.938%</b>	<b>4.773%</b>	<b>5.078%</b>	<b>6.206%</b>	<b>6.523%</b>

**NBBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Total Interest Earning	828,276	1,337,112	1,167,628	1,436,676	1,529,045
Total Assets	9,391,027	11,964,552	12,531,043	14,004,760	20,169,75
<b>Interest Earned to Total Asset</b>	<b>8.820%</b>	<b>11.176%</b>	<b>9.318%</b>	<b>10.258%</b>	<b>7.581%</b>

**a) CASH & BANK BALANCE TO DEPOSITS RATIO**

**APPENDIX-XIX**

*Cash & Bank Balance*

*Cash & Bank Balance to Deposits Ratio = -----*

*Total Deposits*

*(Rs. In thousand)*

**EBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Cash & Bank Balance	1,903,903	5,731,859	6,716,613	5,755,318	9,860,745
Total Deposit	23,976,298	33,322,946	36,932,310	41,127,914	50,006,100
<b>Cash &amp; Bank Balance to Total Deposit Ratio</b>	<b>7.941%</b>	<b>17.201%</b>	<b>18.186%</b>	<b>13.994%</b>	<b>19.719%</b>

**HBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Cash & B B	1,214,025	2,802,165	3,119,014	2,022,672	4,930,497
Total Deposit	31,842,789	34,682,306	37,611,202	40,920,376	42,869,211
<b>Cash &amp; Bank Balance Total Deposit Ratio</b>	<b>3.813%</b>	<b>8.080%</b>	<b>8.293%</b>	<b>4.943%</b>	<b>11.501%</b>

**NABIL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Cash & Bank Balance	2,340,898	3,322,991	1,185,441	2,218,578	5,343,598
Total Deposit	31,915,047	37,348,255	46,340,700	49,608,376	55,023,695
<b>Cash &amp; Bank Balance to Total Deposit Ratio</b>	<b>7.335%</b>	<b>8.897%</b>	<b>2.558%</b>	<b>4.472%</b>	<b>9.711%</b>

**SCBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
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Cash & Bank Balance	1,992,181	1,681,149	1,328,540	2,248,968	5,343,598
Total Deposit	24,647,020	29,743,999	35,182,721	37,999,242	35,965,632
<b>Cash &amp; Bank Balance to Total Deposit Ratio</b>	<b>8.083%</b>	<b>5.652%</b>	<b>3.776%</b>	<b>5.918%</b>	<b>14.858%</b>

#### NBBL

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Cash & B B	1,617,855	2,329,217	1,845,265	2,096,225	4,663,698
Total Deposit	10,883,653	9,997,697	10,052,182	11,511,677	16,952,703
<b>Cash &amp; Bank Balance to Total Deposit Ratio</b>	<b>14.865%</b>	<b>23.298%</b>	<b>18.357%</b>	<b>18.210%</b>	<b>27.510%</b>

### INVESTMENTS TO TOTAL DEPOSITS RATIO

#### APPENDIX-XX

##### *Investments*

*Investments to Total Deposits Ratio= -----*

*Total Deposits*

*(Rs. In thousand)*

#### EBL

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Investments	5,059,558	5,948,480	5,008,308	7,743,928	7,863,627
Total Deposit	23,976,298	33,322,946	36,932,310	41,127,914	50,006,100
<b>Investments to Total Deposit Ratio</b>	<b>21.102%</b>	<b>17.851%</b>	<b>13.561%</b>	<b>18.829%</b>	<b>15.725%</b>

#### HBL

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Investments	13,340,177	8,710,691	8,444,910	8,769,939	10,031,580
Total Deposit	31,842,789	34,682,306	37,611,202	40,920,376	42,869,211
<b>Investments to Total Deposit Ratio</b>	<b>41.894%</b>	<b>25.116%</b>	<b>22.453%</b>	<b>21.432%</b>	<b>23.400%</b>

#### NABIL

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Investments	9,939,771	10,826,379	13,600,917	13,003,205	14,055,850
Total Deposit	31,915,047	37,348,255	46,340,700	49,608,376	55,023,695
<b>Investments to Total Deposit Ratio</b>	<b>31.144%</b>	<b>28.988%</b>	<b>29.350%</b>	<b>26.212%</b>	<b>25.545%</b>

#### SCBL

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Investments	13,553,234	13,902,819	19,847,511	17,258,682	12,938,216
Total Deposit	28,596,689	33,335,788	40,213,319	43,810,519	41,677,052
<b>Investments to Total Deposit Ratio</b>	<b>47.394%</b>	<b>41.705%</b>	<b>49.356%</b>	<b>39.394%</b>	<b>31.044%</b>

#### NBBL

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Investments	1,389,902	2,222,432	2,112,751	2,378,269	3,868,950
Total Deposit	10,883,653	9,997,697	10,052,182	11,511,677	16,952,703
<b>Investments to Total Deposit Ratio</b>	<b>12.771%</b>	<b>22.229%</b>	<b>21.018%</b>	<b>20.660%</b>	<b>22.822%</b>

**g) LOAN LOSS COVERAGE RATIO**

**APPENDIX-XXI**

**(LOAN LOSS PROVISION TO TOTAL RISK ASSETS)**

*Loan Loss Provision*

*Loan loss coverage Ratio= -----*

*Total Risk Assets*

*(Rs. In thousand)*

**EBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Loan Loss Provision	99,340	93,085	77,011	98,299	252,054
Total Risk Assets	18,339,085	23,884,674	27,556,356	31,057,692	35,910,975
<b>Loan Coverage Ratio</b>	<b>0.542%</b>	<b>0.390%</b>	<b>0.279%</b>	<b>0.317%</b>	<b>0.702%</b>

**HBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Loan Loss Provision	58,431	199,215	629,640	471,729	505,491
Total Risk Assets	19,497,520	24,793,155	27,980,629	31,566,976	34,965,433
<b>Loan Coverage Ratio</b>	<b>0.300%</b>	<b>0.804%</b>	<b>2.250%</b>	<b>1.494%</b>	<b>1.446%</b>

**NABIL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Loan Loss Provision	64,055	45,722	355,829	109,470	413,949

Total Risk Assets	21,365,052	27,589,933	32,268,873	38,034,097	41,605,683
<b>Loan Coverage Ratio</b>	<b>0.300%</b>	<b>0.166%</b>	<b>1.103%</b>	<b>0.288%</b>	<b>0.995%</b>

### SCBL

Year End	204/65	2065/66	2066/67	2067/68	2068/69
Loan Loss Provision	36,809	69,885	76,974	82,739	82,739
Total Risk Assets	10,502,637	13,718,597	15,956,955	18,427,270	19,575,968
<b>Loan Coverage Ratio</b>	<b>0.350%</b>	<b>0.509%</b>	<b>0.482%</b>	<b>0.449%</b>	<b>0.423%</b>

### NBBL

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Loan Loss Provision	397,304	283,319	148,390	217,768	70,965
Total Risk Assets	5,457,809	6,704,943	7,809,544	8,452,738	10,330,076
<b>Loan Coverage Ratio</b>	<b>7.280%</b>	<b>4.226%</b>	<b>1.900%</b>	<b>2.576%</b>	<b>0.687%</b>

## INTEREST INCOME ON LOAN & ADVANCE

### APPENDIX-XXII

#### *Interest Income*

*Interest earned on Total Assets = -----*

*Loan & advance*

*(Rs. In thousand)*

### EBL

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Total Interest Earning	1,548,657	2,186,814	3,102,451	4,331,026	4,959,998
Total loan & advance	18,339,085	23,884,674	27,556,356	31,057,692	35,910,975
<b>Interest Earned to Total loan &amp; advance</b>	<b>8.44%</b>	<b>9.16%</b>	<b>11.26%</b>	<b>13.95%</b>	<b>13.81%</b>

**HBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Total Interest Earning	1,963,647	2,342,198	3,148,605	4,326,140	4,714,887
Total loan & advance	19,497,520	24,793,155	27,980,629	31,566,976	34,965,433
<b>Interest Earned to Total loan &amp; advance</b>	<b>10.07%</b>	<b>9.45%</b>	<b>11.25%</b>	<b>13.70%</b>	<b>13.48%</b>

**NABIL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Total Interest Earning	1,978,697	2,798,486	4,049,714	5,258,270	6,133,739
Total loan & advance	21,365,052	27,589,933	32,268,873	38,034,097	41,605,683
<b>Interest Earned to Total loan &amp; advance</b>	<b>9.26%</b>	<b>10.14%</b>	<b>12.55%</b>	<b>13.83%</b>	<b>14.74%</b>

**SCBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Total Interest Earning	1,411,981	1,591,195	2,042,109	2,718,699	2,718,699
Total loan & advance	10,502,637	13,718,597	15,956,955	18,427,270	19,575,968
<b>Interest Earned to Total loan &amp; advance</b>	<b>13.44%</b>	<b>11.60%</b>	<b>12.80%</b>	<b>14.75%</b>	<b>13.89%</b>

**NBBL**

Year End	2064/65	2065/66	2066/67	2067/68	2068/69
Total Interest Earning	828,276	1,337,112	1,167,628	1,436,676	1,529,045
Total loan & advance	5,457,809	6,704,943	7,809,544	8,452,738	10,330,076

<b>Interest Earned to Total loan &amp; advance</b>	<b>15.18%</b>	<b>19.94%</b>	<b>14.95%</b>	<b>17.00%</b>	<b>14.80%</b>
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