+FINANCIAL PERFORMANCE OF NEPALESE COMMERCIAL BANK

Submitted by:

Jarina Devi Kapali

Shanker Dev Campus

Campus Roll No: 659/071

T.U. Regd. No.: 7-2-729-24-2011

2nd Year Symbol No.: 390233

A Thesis Submitted To:

Office of the Dean

Faculty of Management

Tribhuvan University

In Partial Fulfillment of the Requirement for the Degree Of

Master of Business Studies (MBS)

Kathmandu Nepal

July, 2024

RECOMMENDATION

This is to certify that the thesis

Submitted by:

JARINA DEVI KAPALI

Entitled:

FINANCIAL PERFORMANCE OF NEPALESE COMMERCIAL BANK

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

……..…..…..…....	**...……..……..……**	**……...……..…….**
Asso. Prof. Dr. Kapil Khanal	**Asso . Prof. Dr. Sajeeb Kumar Shrestha**	**Asso. Prof. Dr. Krishna Prasad Acharya**
(Thesis Supervisor)	**(Head, Research Department)**	**(Campus Chief)**

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

By:

JARINA DEVI KAPALI

Entitled:

FINANCIAL PERFORMANCE OF NEPALESE COMMERCIAL BANK

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 the degree of

Master of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department ……

Member (Thesis Supervisor) ……

Member (External Expert) ……

DECLARATION

I hereby declare that the work reported in this thesis " **FINANCIAL PERFORMANCE OF NEPALESE COMMERCIAL BANK "** submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of Asso. Prof. Dr. Kapil Khanal of Shanker Dev Campus, T.U.

……..

Jarina Devi Kapali

Shanker Dev Campus

Campus Roll No: 659/071

T.U. Regd. No.: 7-2-729-24-2011

2nd Year Symbol No.: 390233

ACKNOWLEDGMENTS

Though management accounting is a new evolving phenomenon of accounting concept in modern business world, whatever the tools and techniques have been developed, are accepted as the inevitable management instruments for effective, efficient and rational decision-making. Realizing this fact, an attempt has been made in this thesis to shed light on the present practice of management accounting tools and techniques in commercial banks of Nepal.

Firstly I would like to offer my sincere gratitude to my respected supervisor Lecturer Ramesh Kumar Paudel of Shankar Dev Campus, Putalisadak for his constant encouragement, guidance and valuable supervision at every step of my work. This study would not have been materialized in the present form without his incisive observations and intellectual direction in the course of completion.

I am totally grateful to lecturer Asso. Prof. Dr. Kapil Khanal and Research Head Asso . Prof. Dr. Sajeeb Kumar Shrestha for their help and support while preparing the thesis. I am thankful to the managers, department chief, respective authorities and staffs of commercial banks which are taken as sample for this thesis work for providing me all the necessary data and information for my study.

Lastly but not least I would like to thank my friends and family, senior graduates who gave suggestions about this task and for their kind support for achieving the goal.

Jarina Devi Kapali

LIST OF CONTENTS

LIST OF TABLE

LIST OF FIGURE

ABBREVIATIONS

CB's	: Commercial Banks
NRB	:Nepal Rastra Bank
BFI	:Bank and Financial Institution
ROA	:Return on Assest
ROE	:Return on equity
NPL	:Non-performing loan
FD	: Fixed Deposit
TD	: Total Deposit
FY	: Fiscal Year
Ktm	: Kathmandu
i.e.	: That is
Ltd.	:Limited
NIBL	:Nepal Investment Bank
NCC	:Nepal Credit and Commerce Bank
LPP	:Loan loss provision
NSBNL	: Nepal SBI Bank Nepal Ltd
HBL	:Himalayan Bank Limited
NP	: Net Profit
NPAT	: Net Profit after Tax
NRB	: Nepal Rastra Bank
S.D.	: Standard Deviation
c.v.	:co-efficient of variation
RBBL	: Rastriya Banijya Bank Ltd.
CRR	: Cash Reserve ratio
II	:Interest Income
NPL	: Non-Performing loan
NPA	: Net Profit Assest
TLAdv	: Total Loan and Advances

CHAPTER 1

INTRODUCTION

Background of the Study

A bank is an organization that trades in cash and its equivalents as well as offers further financial services. A bank is a place where money suitable for loans is traded. To put it another way, the dealer is in debt. The job of the banker is to produce money by accepting other people's loans and offering his own in return. The word "bank" comes from an Italian phrase that refers to a seat where money that can be lent out is exchanged. Established on November 15, 1957 A.D., Nepal Bank Limited is the country's first bank. According to the World Bank, a bank is any financial entity that takes deposits that must be repaid quickly or on demand.

According to Kindey, a bank is "an establishment to which individuals entrust money or other means of payment when not required by them for use, and such advances of money or other means of payment as may be required and safety made."

Bank debt is typically referred to as "bank deposits," which are frequently accepted as full payment for other people's debt. It differs from other financial institutions in that, although taking deposits and providing advances, they are not able to extend credit. Therefore, the primary activity of banks is the purchase and sale of credit. Banks produce money that is transmitted using credit instruments, and credit instruments are retained on stock-in-trade based on their own credit. To establish credits, they must win the public's confidence and trust. It's been argued that credit flow is just as vital to human existence as blood circulation. The body will suffer permanent damage if blood circulation is not smooth. In a similar vein, an unstable and unequal credit flow is bad for the economy.
The primary goals of the bank's establishment were to gather idle capital, direct them toward profitable ventures, and promote general economic growth. The nation's economic infrastructure is developed in part by the mobilized deposits. Banks are reservoirs of resources as well as places to keep riches.

Four categories comprise the Nepalese Banking and Financial System (NBFS), which is overseen by Nepal Rastra Bank. They are as follows:

1. Commercial Banks
2. Development Banks
3. Finance Company
4. Micro Finance

The central bank of Nepal created commercial banks, which are the main financial intermediaries in the country's financial ecosystem. Their primary goal is to generate profits from deposits and investments. In comparison to other BFIs, they serve a variety of unit types and offer a comprehensive range of financial services. Commercial banks provide capital formation financing to people, businesses, and other organizations in addition to the commerce and industry. Nepal is home to twenty development banks, twenty commercial banks, twenty financing firms, eighty-five microfinance institutions, and one infrastructure development bank (NRB, 2020). In accordance with the Banks and Financial Institutions Act, Nepal Rastra Bank has categorized these banks and financial institutions into classes "A", "B", "C", and "D" according to their functioning regions and minimum paid-up capital. The Nepal Rastra Bank rates commercial banks as Class "A" banks. As of July 2022, there are 26 commercial banks. Assuming this, there is no class assigned to the Nepal Infrastructure Development Bank (NIFRA). The following is a classification of banks and other financial institutions according to their minimum paid-up capital:

The minimum paid-up capital required by Nepalese commercial banks should hold development banks with up to Rs. 1,200,000,000 to 2,500,000,000 for class "A" and up to Rs. 8,000,000,000 for class "A." In Nepal, a finance company's minimum paid-up capital is RS. 800,000,000 class "C." In Nepal, microfinance companies classified as class "D" must have a minimum paid-up capital of Rs. 100,000,000 to 10,000,000.

Brief Profile of Sample Bank

Everest Bank Limited

One of the top banks in the nation, Everest Bank Limited (EBL) was registered on November 17, 1992, and it formed or began operations on October 18, 1994 A.D. Everest Bank Limited (EBL) is the joint venture bank (partner) with Punjab National Bank (PNB). Punjab National Bank holds 20% of the ownership. The bank's goal is to become a household name, a top commercial bank with a presence throughout Nepal, and a provider of a comprehensive variety of financial services and products under one roof. Its headquarters are in Kathmandu,

Nepal's Lazimpath neighborhood. Through its Branch Network, this bank offers services that are user-friendly for customers. The "Any Branch Banking System" (ABBS), which connects all of the bank's branches, allows users to conduct operational transactions from any branch.
In an effort to assist Nepalese nationals employed overseas, the bank has partnered with banks and financing firms across the globe. This allows Nepalese nationals to quickly remit money to friends and family in the UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore, and the United Kingdom. The bank operates representative offices in New Delhi, India, to assist Nepalese citizens with money transfers and to provide advice on banking-related services. The bank received the 2019 NEWBIZ BUSINESS Award's "Best Managed Commercial Bank" designation. The Bank had 103 branches as of July 15, 2021, the conclusion of the reporting period (15 July, 2020:95 branches).

Nepal Bank Limited

The first commercial bank in Nepal, Nepal Bank Limited, was founded on November 15, 1937 A.D. This is a significant turning point in Nepal's history as it marks the nation's entry into the formal financial system following its founding. The Bank possessed Rs. 15.28 billion in authorized capital, along with Rs. 11.28 billion in issued and paid-up capital. The corporate objective of Nepal Bank Limited is "Pioneer Bank with excellence in customer service." 51% of Nepal Bank Limited is owned by the government of Nepal, while 49% is owned by the general public. Prior to the establishment of the NRB in 1957, the bank performed a number of significant functions for the central bank.

Himalayan Bank Limited

In 1993, Himalayan Bank was founded as a joint venture with Pakistan's Habib Bank Limited. Himalayan Bank Limited aspires to become a Leading Bank in the nation by offering top-notch goods and services to clients, so guaranteeing large and alluring returns for the bank's stakeholders in spite of the fierce competition in the banking industry in Nepal.

Statement of the Problem

The main financial intermediaries in the Nepalese financial system are commercial banks. They were founded with the correct direction of the central bank and exist primarily to make money from deposits and investments. The World Bank states that commercial banks are financial organizations that take deposits that must be repaid quickly or on demand. Therefore, commercial banks are those that carry out all banking operations, such as taking

deposits, extending credit, creating agencies, and so on. For commerce and industry, they offer short-, medium-, and long-term financing. The banking industry has recently adopted a strategy of branching out and opening as many locations as possible, particularly in metropolitan areas.

The banks have been taking deposits from consumers and disbursing as many loans and credits to business entities as they can in tandem with this trend. Therefore, it is imperative that banks understand the requirement of identifying, measuring, monitoring, and controlling credit in addition to making sure they have enough capital set up to cover it. In addition to examining the banks' liquidity management procedures, it is vital to examine the credit distribution, monitoring, supervision, recovery provision for loss, write-off of credit, and other related aspects. A commercial bank's ability to utilize its resources, including revenues and the equity and liabilities of its shareholders, is typically taken into account when evaluating its performance.

The performance analysis of Himalayan Bank Limited, Nepal Bank, and Everest Bank is the primary focus of the study. The bank does not have access to the detailed information needed for a more thorough investigation of loan disbursement. Thus, the balance sheet and profit and loss account have been the only tools used to assess the bank's financial performance. The following are the problem statements:

• What has been the sample bank's approach to managing its liquidity position?
• How profitable is the example bank right now?

Objectives of the Study

Analyzing Everest Bank, Nepal Bank, and Himalayan Bank Limited's financial performance is the study's primary goal. Thus, in order to achieve the aforementioned goal, the following particular goals have been established:

• To evaluate the sample bank's profitability and liquidity status.
• To determine if the sample bank follows the NRB's criteria in carrying out its operations.
• To determine if the sample bank's expansion of the financial transaction flavoring the

economy would lead to the desired levels of financial stability, inflation management, and economic growth.

• To determine if the example bank follows best practices in banking.

Significance of the Study

The financial performance of Himalayan Bank Limited, Nepal Bank, and Everest Bank is ascertained in part by this study. The majority of investors make financial and asset decisions without having the necessary expertise or information. The primary concerns to be addressed include liquidity, profitability, leverage, and other significant aspects of resource use and return's relationship to other financial factors, etc. This research is anticipated to

- To assist scholars, researchers, students, decision-makers, and other interested parties.
- To provide details on the sample bank's financial situation, which will undoubtedly boost the analytical capacity of shareholders, investors, borrowers, suppliers, and debenture holders.
- To put into effect global best practices for banking.

Limitation of the Study

This study is not prejudiced, since any research includes advantages and disadvantages as well as some limitations. Beyond the limitations of time and resources, the following are some inevitable obstacles that may arise over the course of the study:

- The research only includes pertinent data for the 10 years between 2011/2012 and 2020/2021.
- Because the study is a partial fulfillment of the MBS program, it has a restricted amount of time allotted to it, which must be finished in that time period. As a result, the study was limited in terms of both time and resources.
- The majority of the analysis and interpretation relied on secondary data and information that was readily available.
- Of Nepal's 26 largest commercial banks, Everest Bank, Nepal Bank, and Himalayan Bank Limited are used as the study's sample banks
- .The study makes use of simple statistical instruments including the mean, standard deviation, and coefficient of variance.

Organization of the Study

The following five chapters comprise the organization of this research:

Chapter – I Introduction:

The introduction is covered in the first chapter. This comprises the following: the study's history, problem description, aim, importance, limitations, and organization.

Chapter - II Conceptual Framework and Review of Literature:

The conceptual framework, or theoretical analysis and examination of connected, disparate findings, is given in this chapter. This chapter also discusses the ways in which the current research differs from earlier research.

Chapter - III Research Methodology:

The term "research methodology" describes the several approaches that researchers must take in order to explore an issue with certain goals in mind. It is the process of addressing the problem in a planned and methodical manner by gathering, analyzing, and interpreting data and facts. The data is analyzed using a variety of methods and instruments. The study technique defines statistical and financial instruments.

Chapter - IV Presentation and Data Analysis:

This chapter covers information gathered from various sources. Using statistical and financial technologies, investor preferences will be determined based on the data analysis. Major findings are also included in this chapter.

Chapter - V Summary, Conclusion and Recommendation:

The fifth chapter concludes with recommendations for future development as well as a summary. Based on the main findings, recommendations and conclusions are made. It also provides other directions for further investigation. The exhibits bibliography and appendixes are incorporated at the end of the study.

CHAPTER II
CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE

This chapter summarizes the material that is currently accessible on the issue according to my knowledge, research, and pertinent studies on this subject, as well as a review of earlier thesis work. In order to determine what has already been discussed and how this research adds the necessary dimension, this chapter describes the literature and research that are currently available that are relevant to the current study. A literature study can help someone with little expertise and education gain a better grasp of a problem area in which they are investing. It also familiarizes one with data sources, data types, and previous study findings. Numerous books, journals, papers, and pertinent past research projects have been examined. There are four sections to this chapter: conceptual review, thesis and research gap review, journal and article review. Learning is the main goal of a literature review, not accumulation. It permits the researcher to be informed. Reviewing the literature entails looking into research papers or other pertinent claims made in the field of study in order to become aware of all previous studies, their shortcomings, and their findings so that new research may be carried out.

Commercial Bank

A commercial bank is a bank, or a section of a larger bank, that specializes in handling deposits and lending services for corporations and large- to medium-sized businesses. Commercial banks are often founded with the intention of making money to support the nation's business sector. In the past, the exclusive concerns of commercial banks were loan provision and deposit acceptance; however, contemporary commercial banks also contribute to the overall growth of industry, trade, and commerce, as well as services and agriculture.

Since the functions of banking are expanding, it is impossible to declare with certainty what should be less detached from banking than they are now. However, it is reasonable to predict that banks will eventually assume full economic responsibility for humanity.

The following are the primary duties of Nepal's commercial banks:

Primary Functions:

Accepting Deposit: Accepting deposits into various accounts is the primary duty of commercial banks. The Commercial Banks accept the following primary deposit types:

I. **Current Deposit**

Demand deposits are another name for current deposits. Traders and businesspeople typically maintain it by having to make several payments each day.

II. **Fixed Deposits**

This kind of account may only be withdrawn at the end of the term it will be held in the bank. On these accounts, banks pay interest in accordance with the terms of the contract. Deposits on various kinds of accounts, which are for three, six, or more months, are accepted by commercial banks in Nepal. Commercial banks primarily obtain their loans and advances from these fixed deposits, which contribute to the nation's economic expansion. Commercial banks in Nepal provide annual interest rates as high as 11.03%.

III. **Saving Deposit**

Those with low incomes and those who don't need to withdraw money regularly typically retain this account. There are time and frequency limitations when it comes to withdrawing from this deposit.

Providing loans

By making loans out of the money deposited in them, banks make money. The bank is known as the maker of credit because it uses its deposits to create credit. Interest rates on loans are often greater than those on deposits due to the bank. The following are the primary loan types offered by commercial banks:

a. Cash Credit

This kind of loan is offered to the borrower in lieu of current assets like stocks, bonds, and shares. Additionally, loans are given based on security deposits.

b. Overdraft

Customers of commercial banks are occasionally granted overdraft privileges, enabling them to take out more money than they have deposited. Customers are assessed interest on the amount they have overdrawn.

c. Loans and Advances

Typically, the bank offers long-term loans to individuals and institutions secured by suitable assets such as gold, silver, readily traded government and non-government securities, etc.

d. Call Loans

These loans have extremely brief terms. They're administered for a few days or weeks. Higher rate of interest is charged on such loans.

Secondary function/ Agency functions

Commercial Banks collect and pay various credit instruments like cheques, bills of exchange, promissory note, etc.

1. **Remittance of money**

   A commercial bank assists its clients with money transfers between locations via drafts, checks, and other means.

2. **Purchase and sale of securities**

For the benefit of its clients, commercial banks engage in activities such as the buying and selling of different securities.

3. **Income receiving and payment**

Dividends and interest on client debentures and shares are received by commercial banks. In a similar vein, they pay income taxes, rent, and insurance premiums on a regular basis.

4. **Acting as trustee and Executor**

   Commercial banks execute their clients' wills when they pass away and preserve them.

Contingent Function

Another name for the contingent function is a generic utility function. The following are the dependent functions:

1. **Locker facility**

   Customers of the Commercial Bank can use the locker facility. Customers secure their valuables, such as gold, silver, and other items, and critical papers in the locker.

2. **Traveler's cheque**

   Customers of commercial banks may travel without worrying about running out of money thanks to traveler's checks.

3. **Letter of credit**

   The banks provide their clients with letters of credit attesting to their creditworthiness. In international trading, it is highly helpful.

4. **Dealing in foreign exchange**

   Customers' foreign currencies are exchanged by commercial banks with central bank approval beforehand.

5. **Collection of statistics**

   Commercial banks produce financial periodicals in addition to gathering data that provide crucial information on trade, industry, and commerce.

Financial Performance Analysis

A company's ability to earn money and employ assets from its principal method of operation is measured subjectively by its financial performance. The phrase is also employed as a broad indicator of the overall financial health of the company throughout a specific time frame. Financial performance is used by analysts and investors to evaluate firms that are similar within the same industry or to analyze industries or sectors collectively. Financial success can be measured in a variety of ways, but each metric should be taken as a whole. The foundation of each nation's economy is its financial sector. It facilitates the attainment of long-term economic progress by offering effective monetary intermediation. A robust financial system facilitates commerce in commodities and services, mobilizes savings, funds profitable business ventures, and allocates resources effectively, all of which encourage investment. Therefore, a bank's good financial standing is important for its shareholders, workers, and the whole economy in addition to its depositors. Progressive attempts have been made consistently in this direction to assess the performance of various banks by gauging their sound financial standing and efficient administration.

Financial statement analysis and interpretation is a crucial accounting task. It is of interest to several parties. Additionally, there are differences in the analysis's goals and purposes. The applications of financial statement analysis to various parties are as follows.

a. Financial executive

b. Top management

c. Creditors

d. Investors and others.

a. Financial Executive

The finance department is the first party interested in the financial statements analysis, which aids the financial management in making decisions going forward. It furthermore displays the outcome of the procedures.

b. Top Management

The financial statement analysis is of importance to upper management as well as it aids in their decision-making with respect to:

- Performance review of overall business operations.
- Find out what the financial situation is right now.
- Concerns about the connection between sales trend and earnings.
- Inquiries on the connection between investment and earnings, etc.

c. Creditors

The creditors might also benefit greatly from the financial analysis. Before extending a loan, they want to assess the firm's stability and creditworthiness, thus they are interested in learning about its whole financial situation.

d. Investors and Others

In addition to the parties listed above, these organizations that are interested in working on the business for various reasons will find value and benefit from the information supplied by the analysis and interpretation of different financial statements. Investors are also curious about how much money the securities may yield. Their focus has been on an organization's ability to generate cash. Funds flow analysis and cash flow analysis have shown to be highly

helpful for this goal. They work for the company and its unions, the government, the general public, and the customers.

How successfully a business creates income and manages its assets, obligations, and the financial interests of its stakeholders and stockholders is determined by its financial performance.

Concept of Liquidity

The liquidity ratio indicates a company's short-term financial strength and assesses its capacity to fulfill short-term obligations. Liquidity is defined by a dictionary as the state of having valuables that are easily convertible into currency. While conducting business, each firm employs a variety of assets, but not all of these assets are liquid. Assets such as real estate, buildings, cars, office supplies, etc. are not liquid. Assets that are easily turned into cash are known as liquid assets. Liquid assets include cash on hand, bank account balances, gold, and so on. Liquidity, then, is the capacity to quickly convert assets into cash.

Concept of Profitability

Profitability indicates the sustainability of the company. Will it continue to operate if a business is profitable, even if it isn't producing much money and shouldn't shut down? Therefore, in addition to analyzing current earnings, bank profitability is evaluated by breaking down income, expenses, impairment provisions, and taking into account how these factors have changed over time.

Liquidity vs. Profitability

Profitability and liquidity are intimately correlated; when one rises, the other falls. Goals for profitability and liquidity appear to clash in the majority of the finance manager's decisions. For instance, if greater inventories are held in expectation of a rise in raw material costs, the firm's liquidity is jeopardized but the profitability target is attained. Additionally, there is a clear correlation between increased risk and increased return. On the one hand, more risk puts the company's liquidity at risk; on the other, higher return boosts profitability. Possessing a very high debt-to-equity ratio can help a business become more profitable. However, the company's liquidity is decreased to that level when it raises money from outside sources since it is obligated to pay interest and other fixed-amount payments at certain intervals. On the other hand, the firm's capital must be employed in a way that maximizes return in order to achieve the profitability aim.

The financial manager deals with challenges relating to profitability against liquidity on a constant basis.

i. The company has enough cash on hand to cover its expenses. ii. The company has enough cash on hand to cover unforeseen big expenses and, most importantly. iii. The company always has enough cash on hand to handle crises.

Therefore, financial managers have to make decisions based on risk vs profit in every aspect of financial management. He or she has to project cash flows and examine the available funding options. The tasks of a finance manager that lead to profitability are cost control, future profit forecasting, and cash flow forecasting and internal fund management. These tasks also lead to liquidity. The optimal level of operations, where profit and risk are maximized, is achieved by a proficient financial manager.

NRB Directives

NRB publishes guidelines for managing commercial banks in a way that fosters healthy competition in order to guarantee the long-term growth of the banking industry as a whole. Nepal's financial sector reform was started in the middle of the 1980s. Since then, the NRB has taken the lead in regulating, overseeing, and keeping an eye on commercial banks through the issuance of directives. Currently, the NRB has issued twenty-one recommendations to commercial banks; a few of these are shown here.

1. The requirement that the commercial bank maintain a minimum capital fund.
2. The loan loss provisions and loan classes provided on the credit.
3. The clause pertaining to the restriction of credit exposure and facilities to a single borrower, a group of connected borrowers, or a specific industry.
4. The section that deals with the format of financial statements and accounting policies that commercial banks must adhere to.
5. Rules pertaining to reducing the risk that is present in commercial banks' operations.
6. The need that commercial banks adhere to institutional good governance.
7. The timeline for putting regulatory directives into effect that are related to commercial bank supervision and inspection.
8. The offering to provide statistics data to the NRB. divisions for banking management, supervision, and inspection.
9. Rules governing the purchase, sale, and transfer of promoters' shares.

10. Regulation pertaining to the strict blacklisting process for borrowers who miss payments.
11. The clause about the mandatory NRB deposit amount.
12. Rules governing the expansion of commercial banks' branch offices.
13. Interest rate-related clause.
14. The section about gathering funding sources.
15. The funding consortium provision.
16. Designated locations and lower socioeconomic classes should get funding
17. Advancement, contraction, broadening of the scope, and promotion.
18. Terrorist financing and the laundering of illicit riches.
19. A reference to further amenities.

Objectives of NRB Directives

The following are the goals of NRB Directives:

• Enforcing appropriate oversight and regulation of banks and other financial institutions;.
• Putting into effect global best practices in banking.
• To remedy any shortcomings in financial transactions.
• To boost public trust in financial transactions.
• To increase the financial transaction flavoring economy in order to manage inflation, attain financial stability, and achieve planned economic growth.

Review of scholars:

1. Kamal Uddin (2022) submitted an article in the European Journal of Business and Management Research titled "Effect of Leverage, Operating Efficiency, Non-Performing Loan, and Capital Adequacy Ratio on Profitability of Commercial Banks in Bangladesh." The study aims to examine the impact of capital adequacy ratio, non-performing loans, leverage, and operating efficiency on the profitability of commercial banks in Bangladesh. The study makes use of secondary data gathered from the sample bank's yearly reports for the four years 2017–2022. The capital adequacy ratio (CAR) was found to have a large and favorable impact on return on assets (ROA).

2. "Profitability in commercial banks. (A case study on Nepal)" by Anjay Kumar Mishra, published in the International Journal of Case Studies in Business, IT, and Education in 2021. The study's goal is to evaluate how size, loans and deposits, capital, inflation, and other factors relate to and affect the banks' profitability. In addition to survey data, the study uses secondary data from seven commercial banks. According to the survey, banks are becoming bigger on average. When it comes to loan, deposit, and capital ratios, ROA and ROE have a negative relationship; nevertheless, they have a positive relationship with bank size and inflation.

3. Kedarraj Gautam (2020) wrote a paper in the Janapriya Journal of Multidisciplinary Studies titled "Financial Performance Analysis of Nepalese Financial Institutions in the Framework of CAMEL." The goal of the study is to identify the overall financial health of commercial banks, development banks, and financial companies—a topic of scant studied in the Nepalese environment. The study uses secondary data from all commercial banks, development banks, and financing firms over the course of five years, from 2014–15 to 2018–19. According to the analysis, ROE significantly deviates from both ROA and asset quality, but it significantly deviates from capital sufficiency. The two main factors that optimize financial organizations' ROA and ROE are capital sufficiency and asset quality.

4. Achuyut Gnawali (2018) submitted a paper in the International Journal of Modern Research in Engineering and Management titled "Corporate Governance and its Impact on Financial Performance in Nepalese Commercial Banks." The study's goal is to examine Nepal's corporate governance framework and level, as well as how it affects the country's commercial banks' financial results. The research gathers its corporate governance data from primary as well as secondary sources. According to the report, corporate governance practices throughout Nepal's commercial banks are the same. Corporate governance has a beneficial influence on a company's financial success as measured by ROA and ROE.
5. The Amity Journal of Strategic Management published a paper by Ramji Gautam (2018) titled "Determinants of Financial Performance on Evidence from Nepalese Commercial Banks." Examining the factors that affect Nepal's commercial banks' financial performance is the goal of the project. The study examines the factors

influencing the financial performance of 10 commercial banks from fiscal year 2006/07 to 2016/17 using secondary data.The study discovered that the capital adequacy ratio, managerial effectiveness, gross domestic product, liquidity management, and asset quality all had a significant impact on the financial performance of commercial banks.

6. Ansarul Haque (2014), published in the Journal of Finance and Bank Management, "Comparison of Financial Performance of Commercial Banks: A Case Study in the Context of India (2009-2013)". Examining and assessing a select group of significant Indian banks' concurrent performance from 2009 to 2013 is the aim of this study.The study makes use of secondary data from reports on the development and trends in Indian banking, the Reserve Bank of India Bulletin, sample banks' financial reports, and other publications from the Indian government that are pertinent to the research. According to the survey, every bank showed rise in NIM from 2009 to 2013, indicating their strong financial standing, with the exception of foreign banks, which showed a strong growth of 4.33% in 2009 over the following years. In terms of ROA and NIM, the profitability positions of the several banking organizations that were selected for this study have mostly remained consistent. This suggests that, in terms of Return on Asset and Net Interest Margin, the financial performance of various banking firms has not changed. Nonetheless, a notable average variation is seen across various banking groupings about return on equity (ROE), indicating that the chosen banks' financial outcomes vary from one another concerning ROE. In view of the current global environment, the performance of the Indian banking industry has been exceptionally robust and stable despite the global financial crisis and downturn in the home economy. Therefore, the effectiveness of the Indian banking system cannot be understated; in order to demonstrate its vitality and ensure greater sustainability and growth, it must provide a more encouraging and exceptional assistance to the economic recovery process.

7. "A comparison of financial performance of commercial banks: A case study in Nepal" by Suvita Jha and Xiaofeng Hui (2012) was published in the African Journal of Business Management. The goal of the study is to determine the performance factors that the financial ratios—which were based on the CAMEL Model—exposed. Secondary data from the relevant sample banks are used in the study. According to

the study, local private banks are just as efficient as foreign-owned (joint venture) banks, while public sector banks are noticeably less efficient than their counterparts. Additionally, the estimation findings show that capital adequacy ratio had a substantial impact on return on equity, while interest expenditures to total loan and net interest margin had a large impact on return on assets. Ultimately, they came to the conclusion that, although non-performing loans and the credit to deposit ratio had no appreciable impact on ROA, multiple regression analysis showed that the capital adequacy ratio, interest expense to total loan, and net interest margin were substantial but had a negative influence on ROA. The return on equity was positively impacted by the capital adequacy ratio, but it was not significantly impacted by non-performing loans, credit to deposit ratios, interest expenditures to total loans, or net interest margin.

8. Ravi Prakesh Sharma Poudel (2012) submitted an article in the International Journal of Arts and Commerce titled "The Impact of Credit Risk Management on Financial Performance of Commercial Banks in Nepal." The goal of the study is to investigate how different credit risk management factors, such as default rate, cost per loan asset, and capital adequacy ratio, impact banks' bottom lines. The study makes use of primary and secondary data from each of the thirty-one banks for the fiscal years 2001–2011. According to the study, the default rate is the best indicator of a bank's financial success, although the cost per loan asset, capital adequacy ratio, and other factors all have an adverse effect.

9. "Determinants of financial performance of commercial banks in Kenya," by Vincent Okoth Ongore and Gemechu Berhanu Kusa (2013), was published in the International Journal of Economics and Finance. The study's goal is to investigate how macroeconomic and bank-specific factors affect Kenya's commercial banks' performance. The study makes use of secondary data from the World Bank, International Monetary Fund, Central Bank of Kenya, and Commercial Bank statements. With the exception of the liquidity variable, the analysis indicated that bank-specific characteristics had a considerable impact on Kenya's commercial banks' performance. Bank performance has a positive correlation with capital sufficiency and management effectiveness, but a negative correlation with asset quality. Conclusion:

Board and management actions mostly influence the financial performance of Kenyan commercial banks; macroeconomic factors have a minor role.

10. "A financial performance evaluation of commercial bank in Nepal using AHP model," Ashish Bhadra and Amrit Nakarmi (2016) published in the International Journal of the Analytic Hierarchy Process. The goal of the study is to evaluate the state of the sample banks' health and performance as well as the present performance of Nepal's commercial banks. Secondary data from the corresponding sample banks for the fiscal years 2008/09 through 2011/12 are used in the study. According to the research, two public sector banks—Nepal Bank Limited and Rastriya Banjya Bank—were placed last out of thirteen commercial banks. The Analytic Hierarchy process framework, which defined hierarchical criteria based on CAEL (Capital Adequacy, Asset Quality, Efficiency, and Liquidity), was the basis for the financial measures used to evaluate bank performance.

Review of Previous Studies

"Analysis of Nepalese Stock Market during COVID-19," Rubi (2021). The study's goals are to assess the state of the Nepalese stock market in COVID-19 and identify the issues and obstacles that the market has faced. The investigation discovered that the quantity of issues approved varied throughout time. The NRB's strategy of not awarding new licenses for the establishment of new banks and financial organizations resulted in a decline in the issue approved years. Most public hydropower, mutual fund, and microfinance issues have been issued in recent years. All of the listed firms' development was favorable, but the overall state of the economy was negatively impacted by issues with international commerce as a result of the earthquake that disrupted the southern border. Additionally, the rise in new company listings made up for the decline in the number of banks and financial institutions owing to the adoption of mergers and acquisitions. It might state that there are a sufficient quantity of listed businesses. Because of the dematerialization of shares, the number of trading transactions has increased dramatically. Following the complete launch of D-mat share trading, investors may sell the shares they purchased on the fourth day of purchase. It was discovered that the number of yearly share transactions was growing at a faster rate. Since listed securities have the greatest paid-up value, listing new shares of newly formed firms as

well as bonus and right shares of already established companies results in a positive growth rate for paid-up value. The stock market was closed as a result of the effects of COVID-19.

The examination of the Nepalese stock market's growth leads to the conclusion that the increase in market capitalization, the volume of IPOs and FPOs, and the quantity of share transactions are all good. The majority of respondents, however, express dissatisfaction with the quantity of issuer managers and brokers. However, respondents are unsure about the adequacy of the number of issue managers and brokers. Throughout their transaction term, the investors are dealing with a number of issues and challenges. Thus, it was determined that the primary issues facing the Nepalese stock market are the lack of professionalism on the part of brokers, the lack of information, the impact of a limited number of major investors, the lack of investor awareness, the necessity for a new stock exchange, etc. The limited capital market is the biggest obstacle to the Nepalese stock market, according to the examination of its problems.

Ujwal Ghimire (2021) conducted a comparison research on Nepal SBI Bank Ltd. and Rastriya Banijya Bank Ltd. to analyze the financial performance of Nepalese commercial banks. Examining NSBI and RBBL's liquidity and profitability positions is the study's goal. According to the study, RBBL maintains the current ratio more consistently than SBI Bank of Nepal, i.e. In terms of liquidity ratio, RBBL is in a stronger situation than NSBI, whereas NSBI appears to be in a weaker position. Nepal SBI bank performs better and is less risky than RBBL. The ratio of cash and bank balance to total assets demonstrates that RBBL is doing a better job of keeping its top cash and bank balance. Since RBBL's mean ratio is higher than NSBI's, it has a solid liquidity position. Based on a comparison of net profit margin, it can be inferred that NSBI has a higher net profit margin than RBBL because they are more successful in managing operational and other non-operating costs. The greater mean ratio of RBBL indicates that, as compared to NSBI, RBBL was able to use its total resources more effectively over the research period. It indicates that, in comparison to NSBI, RBBL has been using the owners' money more effectively. The correlation coefficient indicating a significant degree of positive relationship between the remaining sample bank and the total deposit and cash and bank balance is found in the NSBI. Between total deposit and cash and bank balance, RBBL has a somewhat positive correlation and a low degree of positive link.

"FINANCIAL PERFORMANCE OF COMMERCIAL BANK IN NEPAL," Tamang (2021).The study's goals are to examine the financial performance of domestic government, joint venture, and private banks as well as to evaluate how Nepal's commercial banks are judged in terms of their performance. To investigate the connections between sample banks' profitability, credit risk, liquidity, and bank efficiency that are measured by net profit. According to the report, government banks have a greater liquidity ratio than joint venture and private banks. Comparatively speaking, ADBL has higher capital adequacy and non-performing loan ratios than other banks. Compared to joint ventures and the government, the credit risk and bank size ratio are larger. Compared to private domestic banks and joint ventures, government banks perform better.

Research Gap

Current issue facing Nepalese commercial banks is liquidity. Liquidity is crucial to the banking sector's overall financial success of the banks. Put another, banks cannot create revenue from excess liquidity. For example, banks with larger cash reserves absorb interest expenditures rather than generating interest revenue. However, profitability shows the banks' long-term characteristics. Every commercial bank lends money on deposits to several economic sectors. In 2020 and 2021, the banks are unable to carry out their duties in an efficient manner because to the corona virus. As a result, the bank concentrates on enhancing digitization and automation of banking services and procedures.

The purpose of the case study "A Financial Performance Analysis of Nepalese Commercial Banks" is to close the knowledge gap on the relationship between various financial indicators and NRB, EBL, and HBL. In order to close the research gap, this study has examined secondary data.

CHAPTER-III

RESEARCH METHODOLOGY

The several procedures that are used by research to explore issues with specific aims are referred to as research methodology. It is a collection of guidelines and practices taken into account when performing the study. It refers to the whole combination of the study design, data collection methods, sampling strategy, statistical methods, and instruments used, among other things.

Secondary data served as the foundation for this study. For the purpose of data analysis and presentation, it is based on both statistical and financial techniques. It is illustrated in the way that follows. They are as follows:

1. Research Design

Determining the research problem is the responsibility of the research design. Given the substantial use of quantitative data, this study is quantitative. The primary concerns to be addressed are profitability position, resource utilization and liquidity, and profitability's relationship to other factors. In order to facilitate study, the investigator gathers data from relevant commercial banks, which are then tabulated and examined through the use of various statistical and financial instruments to determine the actual state of resource usage.

2. Sources of Data

The majority of the study's material comes from secondary sources. The secondary data was gathered from the annual report and financial statement that are available on the relevant banks' official websites.

3. Populations and Sample

According to an NRB source, there are currently 26 commercial banks functioning in Nepal, of which three are owned by the government and the other 23 by private entities. Therefore, taking into account the overall population of banks, of which EBL, NBL, and HBL have been used as the study's sample. Although the sample is limited, attempts are undertaken to increase its precision and accuracy.

4. Method of Data Analysis:

A variety of statistical and financial instruments have been used to analyze the data. These tools will make processing results easier and more precise.

A. Financials Tools

The usage of commercial banks' resources is examined using the following financial techniques:

1. Liquidity Ratio

The liquidity ratio indicates a company's short-term financial strength and assesses its capacity to fulfill short-term obligations.

a. Cash Reserve Ratio (CRR):

All commercial banks are required to keep a specific percentage of total deposits with NRB in their own accounts in order to maintain a good liquidity position. This section is 4% and is referred to as the Cash Reserve Ratio (CRR). The CRR demonstrates whether or not the banks have complied with the NRB regulations. It is calculated in this way:

$$\text{Cash Reserve Ratio (CRR)} = \frac{\text{Cash in Reserve}}{\text{Total Deposits}} \times 100\%$$

2. Profitability

The capacity of a business to produce revenues beyond its expenses is known as financial profitability. It may be brief or lengthy. A company's long-term goals should include maintaining the value of its invested capital and producing a profit greater than its opportunity cost of capital, or, put another way, outpacing the capital's opportunity cost of capital. NPV and IRR in particular have been used to analyze long-term profitability. Conversely, a company's capacity to turn a profit throughout its operational phase is referred to as short-term profitability. A variety of financial ratios are included in its annual analysis.

Measurement of Profitability

In brief, there are essentially two kinds of profitability ratios: those that display profitability in connection to sales and in relation to investment. The profitability ratios in the current

research are related to fixed assets and equity investments. Net profit/equity investment and net profit/fixed assets are the formulas used to compute them. The following are these ratios:

a. Return on Assets (ROA):

The ratio of return on assets compares the amount invested in the assets to the net profit after taxes. The return on assets ratio, also known as the earning capacity on total asset, is calculated by multiplying the company's asset turnover by its net profit margin. The following formula may be used to express the statement:

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

b. Return on Equity (ROE):

This ratio calculates the profitability of the company's equity fund investments. It also assesses how well owner funds have been employed to produce income for the business. A higher ratio indicates a more successful business.

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

Where,

Total shareholder equity= equity share capital and reserve and surplus.

c. Net Profit after Tax to Net Worth:

Another indicator of a bank's effectiveness in using equity capital is the operating profit to net worth ratio. One matter that has to be looked into is the amount of money that is made via using the equity fund.

$$\text{Net Profit after Tax to Net Worth} = \frac{\text{Net Profit after Tax}}{\text{Net Worth}}$$

d. Net Profit to Total Deposit:

The bank's ability to turn a profit from the entire amount of deposits it has received is measured by its net profit to total deposit ratio. This indicates that the ratio tends to be

higher if the bank is able to generate more revenue from the deposits received from the various sources.

$$\text{Net profit to total deposit} = \frac{\textit{Net}\text{ profit After Tax}}{\text{Total deposit}}$$

e. Net Profit to Total loan and advances:

The bank's ability to turn a profit is measured by its net profit to total loan and advances ratio. This is how it is computed:

$$\text{Net profit to total loan and advances} = \frac{\textit{Net}\text{ profit After Tax}}{\text{Total loan and advances}}$$

3. Credit Management Analysis

a. Total Loan to Total Deposit Ratio:

This ratio shows how well the banks are able to turn a profit on the entire amount of deposits on loans and advances. It gauges how rapidly loans and advances may be made out of the total deposits received in order to provide respectable returns. The following formula is used to compute it:

$$\text{Total loans \& advances to total deposit ratio} = \frac{\text{Total Loans and Advance}}{\text{Total Deposit}}$$

A higher ratio shows that funds are being used effectively and efficiently, whereas a lower ratio shows that banks are not doing enough to keep the money from sitting around.

b. Interest Income to Loans & Advances Ratio:

This ratio shows how well the banks are able to handle advances and loans while generating more interest revenue. It displays the percentage of interest revenue received in relation to the total amount of advances and loans made. The following formula is used to compute it:

$$\text{Interest income to Loans \& advances ratio} = \frac{\text{Total Interest Income}}{\text{Total Loans and Advances}}$$

A greater ratio is indicative of both strong success in lending operations and a higher rate of interest income earned, and vice versa.

Credit Risk Ratio:

This percentage suggests that there may be a loan default or non-repayment by the borrower, which would result in losses for the bank. The proportion of nonperforming loans to all loans, advances, and credit is used to compute it.

$$\text{Credit Risk Ratio} = \frac{\text{Total Nonperforming loans}}{\text{Total loans and advances}}$$

A higher ratio indicates that there are more riskier assets relative to the total amount of advances and loans, and vice versa.

As a result, these are the different financial instruments that were employed to meet the study's goals.

B. Statistical Tools

The financial performance of the banks may be assessed using a variety of statistical methods, including estimation, theory of dispersion, correlation analysis, and measure of central tendency. One specific language that represents the data and makes it possible to discuss the relationships and differences between the variables is statistical analysis. In social science research, an inadequate grasp of statistics can often make an investigator feel like a blind guy searching a dark closet for an absent black cat. The statistical technique is applicable to an increasing number of human endeavors in any intellectual domain where numerical data may be obtained. Statistical methods like trend analysis of significant variables and coefficient of correlation between variables have been employed under this subject. The mathematical methods used to evaluate and interpret performance are known as statistical tools. It is employed to explain how variables relate to one another and to understand the outcome.

Arithmetic Mean / Mean ($\bar{x}$)

The total values added to the number of observations in the sample yields the arithmetic mean, often known as the average. It depicts the whole set of data that is situated roughly halfway between the two extremes. This is the reason why a measure of central tendency is often used to describe an average. It is applied to data on sample banks' dividends during a ten-year period in this study. It is computed as follows:

$$\bar{x} = \frac{X1 + X2 + X3 + \cdots \ldots + Xn}{n}$$

Or, $\bar{x} = \frac{\sum X}{n}$

Where,

$\bar{x}$= Arithmetic mean

x_1, x_2, x_3….. x_n = Set of observations

n = total no. of observations

$\sum X$= Sum of given observation

Standard Deviation (σ)

The variance squared is the definition of the standard deviation. It is a statistical measure of the departure or dispersion of potential results from a mean or expected value. To put it simply, low SD indicates less risk and high SD indicates higher risk. SD provides reliable answers that are quantitative assessments of an asset's overall risk that are conceptually identical and equally acceptable.

s.d.(σ) $= \sqrt{\frac{\sum(x-\overline{x})2}{n}}$

Where,

x = number of observations in the sample

$\bar{x}$ = mean of number of observations in the sample

n = number of years

$\sum(x - \overline{x})2$= Sum of total number of observations deviation from mean in the sample.

Coefficient of Variance(c.v.)

The standardized measurement of risk per unit of return is called the coefficient of variation. The standard deviation divided by the average or expected return is how it is computed.

C.V. = $\frac{\sigma}{\bar{x}}$

Where,

$\bar{x}$ = Arithmetic mean

σ = s.d

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

The purpose of this chapter is to demonstrate and analyze data in order to meet the established goals. There are five distinct sub-sections within this section. Of these, the assessment of the banks' liquidity status is presented in the first part. The banks' long- and short-term profitability positions are shown in the second section. In a similar vein, the banks' use of resources is discussed in the third part. The main conclusions from the analysis are also presented in the fourth part.

A. Evaluation of Liquidity Position of the Sample Bank

Liquidity positions of the sample banks under credit management are highly important and are shown as follows.

Liquidity Ratio

The liquidity ratio indicates a company's short-term financial strength and assesses its capacity to fulfill short-term obligations. The following are the sample bank's liquidity ratios:

Cash Reserve Ratio (CRR)

The NRB states that commercial banks' Cash Reserve Ratios (CRR) are set at 4%. It displays the extent to which the banks have complied with the NRB's regulations. The CRR of three sample banks was calculated in this way.

Table 1Cash Reserve Ratio (%)

FY	NBL	EBL	HBL
2011/12	25.67	17.22	8.72
2012/13	25.09	15.19	6.08
2013/14	22.53	16.91	8.72
2014/15	9.60	24.27	8.32
2015/16	17.46	16.61	28.74
2016/17	18.81	16.52	26.64
2017/18	9.05	17.75	23.05
2018/19	4.06	18.56	26.25
2019/20	4.53	14.43	31.39
2020/21	4.19	18.15	26.51
Mean	14.19	17.56	19.44
S.D.	8.35	2.53	9.60
CV.	58.84%	14.41%	49.38%

Source: Annual report of sample banks.

According to the following table, the CRR for Nepal Bank Limited for the fiscal years 2011–12 through 2020–21 is 25.67%, 25.09%, 22.53%, 9.60%, 17.46%, 18.81%, 9.05%, 4.06%, 4.53%, and 4.19%, respectively. With an average CRR of 14.19%, NBL is maintained in accordance with NRB's instructions. Similarly, NBL's coefficient of variation is 58.84% and its standard deviation is 8.35%.

According to the following table, the CRR for Everest Bank Limited for the fiscal years 2011–12 through 2020–21 is 17.22%, 15.19%, 16.91%, 24.27%, 16.61%, 16.52%, 17.75%, 18.56%, 14.43%, and 18.15%, in that order. The average CRR of EBL is 17.56%, indicating that NBL is maintained in accordance with NRB's instructions. In the same way, the EBL's standard deviation is 2.53% and its coefficient of variation is 14.44%.

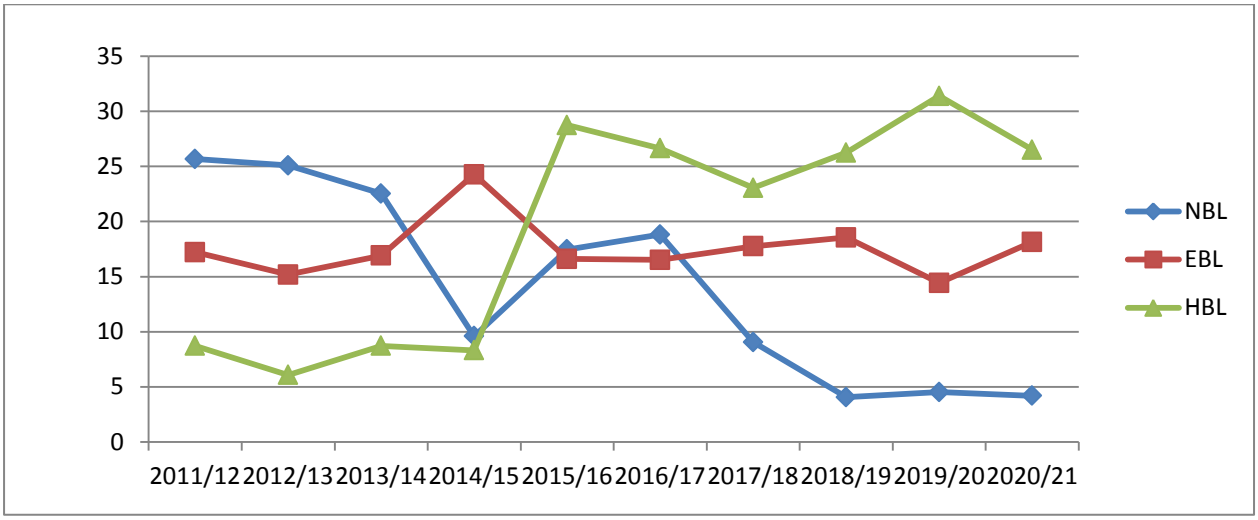
According to the following table, the Himalayan Bank Limited's CRR for the fiscal years 2011–12 through 2020–21 is 8.72%, 6.08%,8.72%,8.32%,

28.74%,26.64%,23.05%,26.25%,31.39%, and 26.51%, respectively. Its 19.44% average CRR of HBL shows that NBL is maintained in accordance with NRB's instructions. Similarly, the

HBL's coefficient of variation is 49.38% and its standard deviation is 9.60%.

Upon comparing the sample banks based on CRR, it can be inferred that EBL exhibits a lower C.V. than NBL and HBL, indicating a higher degree of consistency in managing money inside the bank. Since EBL's CV is lower than the others', NBL and HBL perform better than EBL.

Figure 1 Cash reserve ratio of sample bank (%)



The cash reserve ratio of the sample banks for the fiscal years 2011–12–2020–21 is shown in Figure 1, which demonstrates that every sample bank was able to maintain in accordance with NRB guidelines.

B. Evaluation of Profitability Position of Sample Bank

The term "profitability" describes how well a company runs. The profitability status of the banks has been measured using the following ratios. This section contains a thorough analysis and presentation of these ratios.

a. Return on Equity

The amount of money made by using the equity fund is a matter that has to be investigated because the bank's ratios are not constant. The NPAT to book net worth ratio is another name for it.

Table 2 ROE of Sample Bank ltd.(%)

FY	NBL	EBL	HBL
2011/12	29.75	27.14	21.15
2012/13	26.75	31.52	17.80
2013/14	22.86	29.02	15.76
2014/15	21.13	23.25	17.06
2015/16	9.6	20.61	24.53
2016/17	7.57	18.38	21.58
2017/18	14.61	17.60	14.17
2018/19	8.62	18.09	18.34
2019/20	7.77	13.88	15.40
2020/21	8.91	9.01	14.89
Mean	15.75	20.85	18.06
S.D.	8.15	6.625	3.31
CV.	51.75%	31.77%	18.33%

Source: Annual report of sample banks.

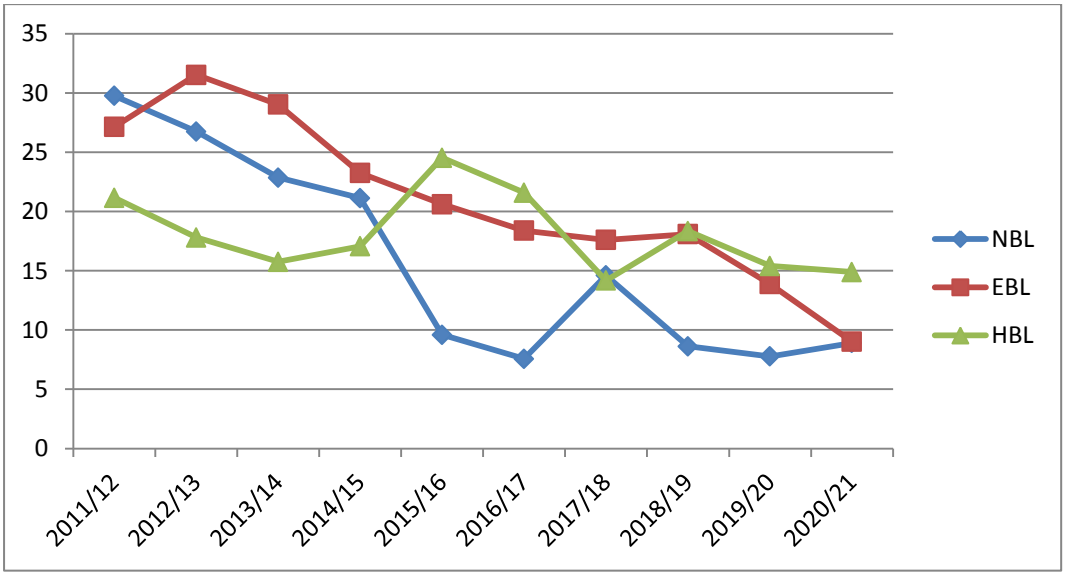
The return on equity for NBL in the fiscal years 2011–12–2020–21 is shown in Table 2 and is 29.75%, 26.75%, 22.86%, 21.13%, 9.6%, 7.57%, 14.61%, 8.62%, 7.77%, and 8.91%, in that order. NBL's ROE on average is 15.75%. The NBL's standard deviation is 8.15%. The coefficient of variation, which is 51.75% for NBL with the corresponding fiscal years 2020/21 and 2016/17, respectively, shows the varying trend or measures the uniformity of the banks.

Similarly, the table displays EBL's return on equity for each fiscal year between 2011–12 and 2020–21, which is 27.14%, 31.52%, 29.02%, 23.25%, 20.61%, 18.38%, 17.60%, 18.09%, 13.88%, and 9.01%. EBL's ROE on average is 20.85%. The EBL's standard deviation is 6.625%. The coefficient of variation, which for EBL is 31.77%, shows the varying trend or gauges the homogeneity of the banks.

For the fiscal years 2011–12–2020–21, HBL's return on equity was 21.15%, 17.80%, 15.76%, 17.06%, 24.53%, 21.58%, 14.17%, 18.34%, 15.40%, and 14.89%. HBL's ROE on average is 18.06%. The H BL's standard deviation is 3.31%. The coefficient of variation,

which is 18.33% for HBL, shows the varying trend or gauges the homogeneity of the banks. A lower CV is preferable to a greater one. Hence, HBL outperforms NBL and EBL in ROE performance while having a smaller CV. It can also be seen in the figure that follows.

Figure 2 ROE of Sample Bank.(%)



The sample banks' return on equity (ROE) is shown in Figure 2.

b. Return on Assets (ROA)

To determine the efficacy of an investment on total assets relative to net profit, ROA is computed.

Table 3ROA of Sample Bank Ltd. (%)

FY	NBL	EBL	HBL
2011/12	0.25	2.11	1.73
2012/13	0.30	2.39	1.51
2013/14	1.07	2.25	1.28
2014/15	0.92	1.85	1.34
2015/16	2.79	1.61	1.94
2016/17	2.78	1.72	2.19
2017/18	2.41	1.97	1.67
2018/19	1.51	1.94	2.21
2019/20	1.22	1.42	1.79
2020/21	1.33	1	1.68
Mean	1.53	1.83	1.73
S.D.	0.88	0.39	0.39
CV.	57.51%	21.31%	22.54%

Source: Annual report of sample banks

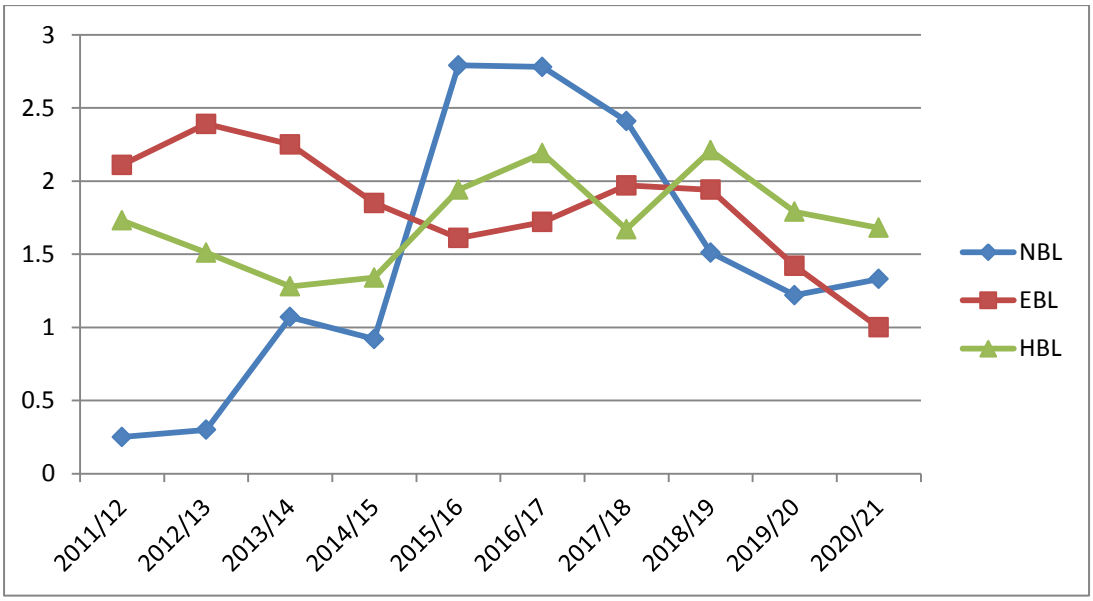
The return on assets for NBL for the fiscal years 2011–12–2020–21 is shown in Table 3 and is as follows: 0.25%, 0.30%, 1.07%, 0.92%, 2.79%, 2.78%, 2.41%, 1.51%, 1.22%, and 1.33%. NBL's ROA on average is 1.53%. The NBL's standard deviation is 0.88%. The coefficient of variation, which for NBL is 57.51%, shows the varying trend or gauges the homogeneity of the banks.

For the fiscal years 2011–12–2020–21, EBL's return on assets is 2.11%, 2.39%, 2.25%, 1.85%, 1.61%, 1.72%, 1.97%, 1.94%, 1.42%, and 1%. EBL's ROE on average is 1.83%. The EBL's standard deviation is 0.39%. The coefficient of variation, which is 21.31% for EBL, shows the varying trend or gauges the homogeneity of the banks.

Comparably, HBL's return on assets for the 2011–12–2020–21 fiscal years is 1.73%, 1.51%, 1.28%, 1.34%, 1.94%, 2.19%, 1.67%, 2.21%, 1.79%, and 1.68%. With an average return on assets (ROA) of 1.73%, HBL has a respectable return on assets. The standard deviation is 0.39% as well. It is 22.54% based on the coefficient of variation measurement.

Based on a comparison of the sample banks' ROA, it can be inferred that NBL has a greater ROA than HBL and EBL, indicating that it is the most successful in optimally mobilizing all assets to generate maximum net profit. It can also be seen in the figure that follows.

Figure 3ROA of Sample Bank(%)



The figure depicts the declining trend of ROA across the study period, from the 2018–19 fiscal year to the 2020–21 fiscal year.

c. Net Profit to Total Deposit(NP to TD)

The bank's ability to turn a profit from the entire amount of deposits it has received is measured by its net profit to total deposit ratio. That is, if the bank can turn a larger profit on the deposits it receives from various sources.

Table 4Net Profit to Total Deposit (%)

FY	NBL	EBL	HBL
2011/12	0.31	2.18	2.01
2012/13	1.19	2.55	1.77
2013/14	1.03	2.49	1.48
2014/15	0.62	1.89	1.51
2015/16	3.22	1.85	2.17
2016/17	1.86	2.10	2.45
2017/18	3.23	2.21	1.8
2018/19	2.21	2.34	2.42
2019/20	1.65	1.73	1.95
2020/21	1.81	1.10	2.01
Mean	1.71	2.04	1.95
S.D.	0.94	0.34	0.33
CV.	54.97%	16.67%	16.92%

Source: Annual report of sample banks

The bank's ability to turn a profit from the entire amount of deposits it received is measured by the net profit to total deposit ratio, which is displayed in table 4. For the fiscal years 2011–12–2020–21, NBL's net profit to deposit is 0.31%, 1.19%, 1.03%, 0.62%, 3.22%, 1.86%, 3.23%, 2.21%, 1.65%, and 1.81%. NBL's net profit to deposit ratio is 1.71% on average. The NBL's standard deviation is 0.94%. The coefficient of variation, which for NBL is 54.97%, shows the varying trend or gauges the homogeneity of the banks.

For the fiscal years 2011–12–2020–21, EBL's net profit to deposit is 2.18%, 2.55%, 2.49%, 1.89%, 1.85%, 2.10%, 2.21%, 2.34%, 1.73%, and 1.10%. EBL's net profit to deposit ratio is 2.04% on average. The EBL's standard deviation is 0.34%. The coefficient of variation, which for EBL is 16.67%, shows the trend that fluctuates or quantifies the homogeneity of the banks.

At HBL, the average ratio of net profit to total deposits is 1.95%. The standard deviation is also 0.33%. The coefficient of variation, which for HBL is 16.92%, shows the varying trend or gauges the homogeneity of the banks.

Figure 4Net Profit to Total Deposit (%)

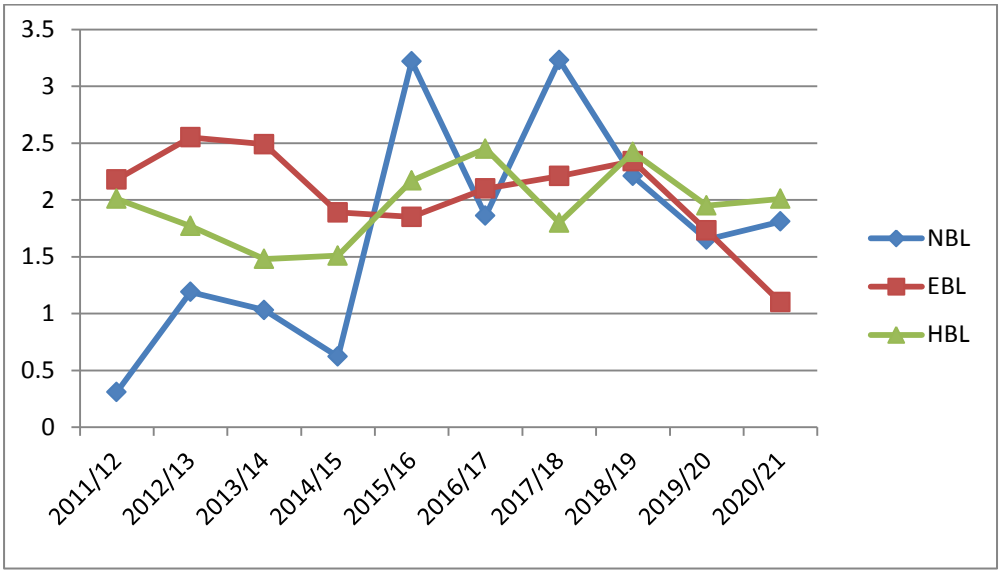


Figure 4 shows the net profit to total deposit ratio, which measures how well the bank generates net profits from the total amount of deposits it receives.

d. Net Profit to Total Loan and Advances (NP to TLA):

The bank's ability to turn a profit is measured by its net profit to total loan and advances ratio. This makes it more evident.

Table 5 Net Profit to Total Loan and Advances (%)

FY	**NBL**	**EBL**	**HBL**
2011/12	0.48	2.98	2.67
2012/13	0.59	3.33	2.30
2013/14	2.00	3.2	2.06
2014/15	1.74	2.84	2.01
2015/16	4.54	2.51	2.76
2016/17	4.19	2.56	2.89
2017/18	4.26	2.74	2.13
2018/19	2.81	2.72	2.77
2019/20	2.26	2.11	2.38
2020/21	2.19	1.31	2.23
Mean	2.50	2.63	2.42
S.D.	1.38	1.073	0.75
CV.	55.2%	40.79%	30.99%

Source: Annual report of sample banks

The net profit to total loan and advances in Table 5 illustrates how well the bank generates net profits. From the fiscal year 2011/12 to 2020/21, NBL's average net profit to total loan and advances is 2.50%, or 0.48%, 0.59%,2.0%,1.74%,4.54%,4.19%,4.26%,2.81%,2.26%, and 2.19%.It has a 1.38% standard deviation. The coefficient of variation, which for NBL is 55.2%, shows the varying trend or gauges the homogeneity of the banks. For EBL, the typical net profit to total loan and advances is 2.63%. The EBL standard deviation is 1.073%.The coefficient of variation, which for EBL is 40.79%, shows the varying trend or gauges the homogeneity of the banks.

In a similar vein, HBL's average net profit to total loan and advance is 2.42%. The coefficient of variation, which for EBL is 30.99%, shows the varying trend or gauges the homogeneity of the banks. It can also be seen in the figure that follows.

Figure 5 Net Profit to Total loan and advances (%)

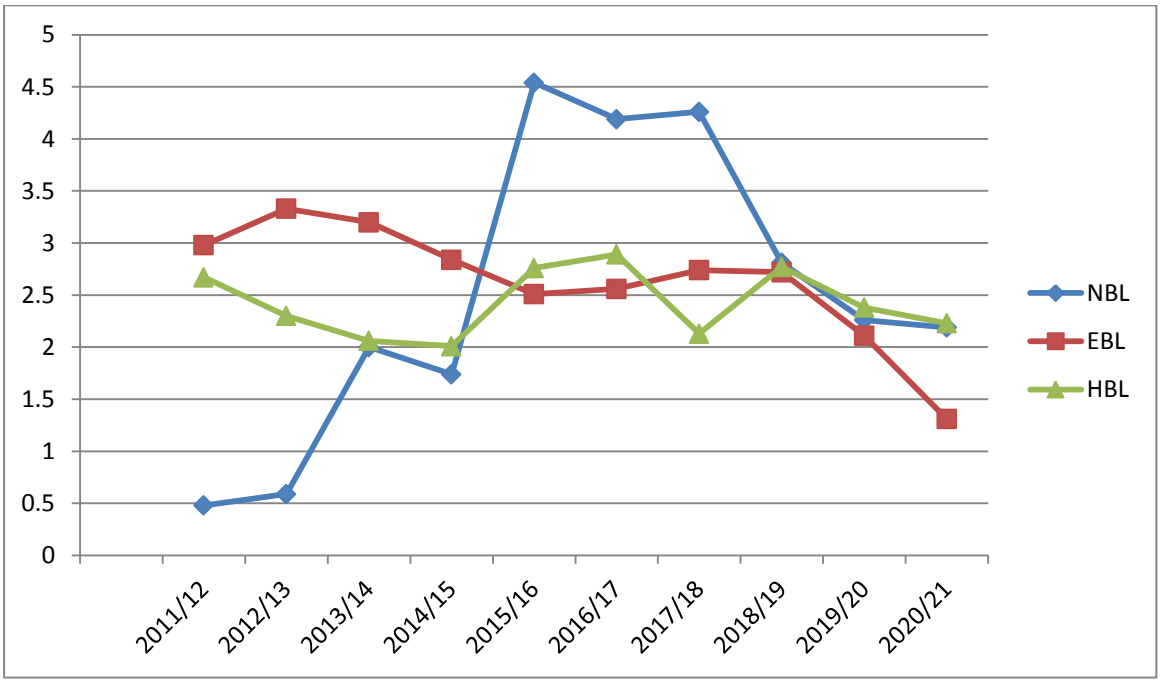


Figure 5 displays the net profit to total loan and advance for the sample banks. As of the 2018–19 fiscal year, Figure 5 indicates that this EBL ratio is somewhat dropping.

C. Credit Management Analysis

a. Total Loan/credit to Total Deposit Ratio (TL to TD):

The capacity of the banks to effectively use the total deposits on loans and advances for profit-generating objectives is shown by this ratio. It gauges how soon loans and advances totaling the gathered deposits may be made in order to generate respectable profits.

Table 6 Total Loan and advances to Total Deposit Ratio (%)

FY	NBL	EBL	HBL
2011/12	57.05	73.22	75.35
2012/13	52.98	76.57	77.36
2013/14	60.10	78.01	71.82
2014/15	59.45	66.63	75.37
2015/16	71.05	73.52	79.12
2016/17	79.17	84.03	85.10
2017/18	75.68	81.86	88.31
2018/19	78.14	87.01	87.37
2019/20	72.25	83.52	82.31
2020/21	82.76	85.30	89.87
Mean	68.86	78.97	81.19
S.D.	10.02	6.17	5.96
CV.	14.55%	7.81%	7.34%

Source: Annual report of sample banks

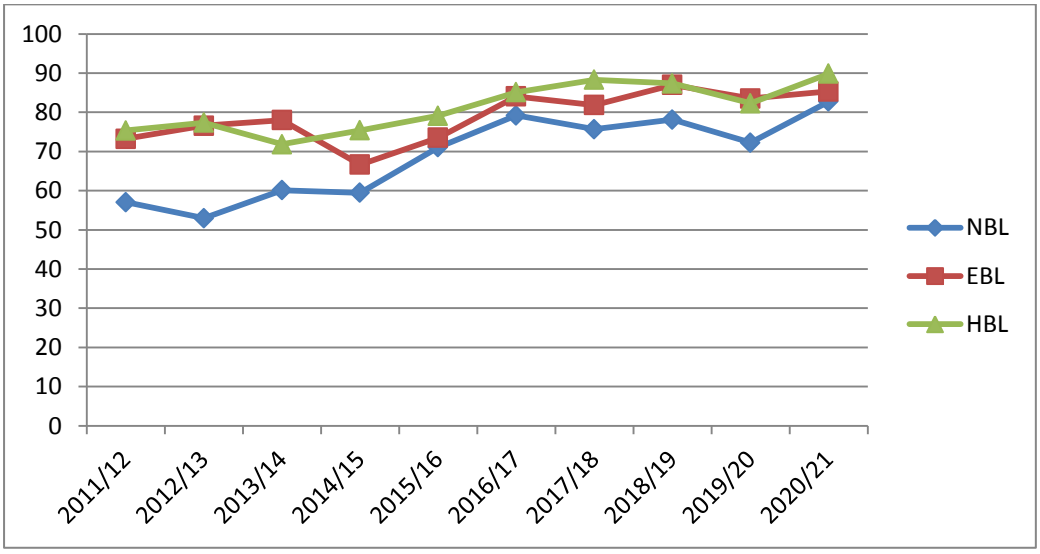
The total loan/credit to total deposit of NBL for the fiscal years 2011–12–2020–21 is shown in Table 6 as follows: 57.05%, 52.98%, 60.10%, 59.45%, 71.05%, 79.17%, 75.68%, 78.14%, 72.25%, and 82.76%, in that order. For NBL, the average ratio of total loans, advances, and credit to total deposits is 68.86%. This suggests that the NBL's competence, which the bank does not maintain, is less than 80%. Additionally, research demonstrates that NBL has less success turning a profit from the whole amount deposited on loans and advances. The coefficient of variation, which is 14.55%, shows the varying trend or gauges the banks' homogeneity.

From 2011–12 to 2020–21, the total loan/credit to total deposit of EBL was 73.22%, 76.57%, 78.01%, 66.63%, 73.52%, 84.05%, 81.86%, 87.01%, 83.5%, and 85.30%, in that order. For EBL, the average ratio of total loans, advances, and credit to total deposits is 78.97%. This suggests that the NBL's competence, which the bank does not maintain, is less than 80%. Additionally, data demonstrates that EBL has less success turning a profit on the total deposits made on loans and advances. The coefficient of variation, which stands at 7.81 percent, measures the homogeneity of the banks or their varying tendency.

In the fiscal years 2011–12–2020–21, the ratio of HBL's total loan/credit to total deposit was 75.35%, 77.36%, 71.82%, 75.37%, 79.12%, 85.10%, 88.31%, 87.37%, 82.31%, and 89.37%, in that order. For HBL, the average ratio of total loans, advances, and credit to total deposits is 81.19%. This shows that the bank maintains the HBL's capability, which is over 80%. It also demonstrates that HBL is effective in turning a profit by using the whole amount of deposits for loans and advances. The coefficient of variation, which is 7.34%, shows the varying trend or gauges the banks' homogeneity.

Therefore, a greater ratio denotes the effective and efficient use of money, whilst a lower ratio denotes the incapacity of the banks to prevent them from sitting about.It is shown in the accompanying figure as well.

Figure 6Total Loan/credit to Total Deposit Ratio (%)



The total loan/credit to total deposit ratio for EBL during the previous 10 fiscal years is shown in figure 6. Throughout the research period, there is some volatility in this EBL ratio.

b. Interest Income to Total Loans and Advances Ratio (II to TLA):

This ratio shows how well the banks are able to handle advances and loans while generating more interest revenue. It displays the percentage of interest revenue received in relation to the total amount of advances and loans made.

Table 7Interest Income to Total Loans and Advances Ratio (II to TLA)(%)

FY	NBL	EBL	HBL
2011/12	13.64	12.3	13.14
2012/13	12.52	10.49	11.27
2013/14	12.16	10.11	10.21
2014/15	9.59	8.76	8.35
2015/16	9.86	6.94	7.26
2016/17	9.73	8.13	9.52
2017/18	12.22	9.89	11.64
2018/19	11.23	10.66	11.67
2019/20	11.16	10.51	10.79
2020/21	8.78	7.37	7.71
Mean	11.08	9.52	10.15
S.D.	1.48	1.58	1.82
CV.	13.35%	16.68%	17.93%

Source: Annual report of sample banks

In the ten fiscal years from 2011/12 to 2020/21, the interest income to loans and advances ratio of NBL is shown in Table 7. These ratios are 13.64%, 12.52%, 12.16%, 9.56%, 9.86%, 9.73%, 12.22%, 11.23%, 11.16%, and 8.78%. For NBL, the average of this ratio is 11.08%. This illustrates the banks' capacity to oversee loans and advances while generating more interest revenue. The coefficient of variation, which for NBL is 13.35%, shows the varying trend or gauges the homogeneity of the banks. The interest revenue to loans and advances ratio varies during the course of the study period, according to the ten-year research.

Over the previous ten fiscal years, from 2011/12 to 2020/21, EBL's interest income to loans and advances ratio has been 12.3%, 10.49%, 10.11%, 8.76%, 6.94%, 8.13%, 9.89%, 10.66%, 10.51%, and 7.37%. For EBL, the average of this ratio is 9.52%. This demonstrates the banks' capacity to oversee loans and advances while generating more interest revenue. The coefficient of variation, which for EBL is 16.68%, shows the trend that fluctuates or quantifies the homogeneity of the banks. Based on a ten-year examination, there has been a modest decrease in the interest revenue to loans and advances ratio during the study period.

Over the previous ten fiscal years, from 2011/12 to 2020/21, HBL's interest income to loans and advances ratio was 13.14%, 11.27%, 10.21%, 8.35%, 7.26%, 9.52%, 11.64%, 11.67%, 10.79%, and 7.71%. For HBL, the average of this ratio is 10.15%. This demonstrates the banks' capacity to oversee loans and advances while generating more interest revenue. The coefficient of variation, which for HBL is 17.93%, shows the varying trend or gauges the homogeneity of the banks. Based on a ten-year examination, there has been a modest decrease in the interest revenue to loans and advances ratio during the study period. It is shown in the accompanying figure as well.

Figure 7Interest Income to Loans and Advances Ratio (%)

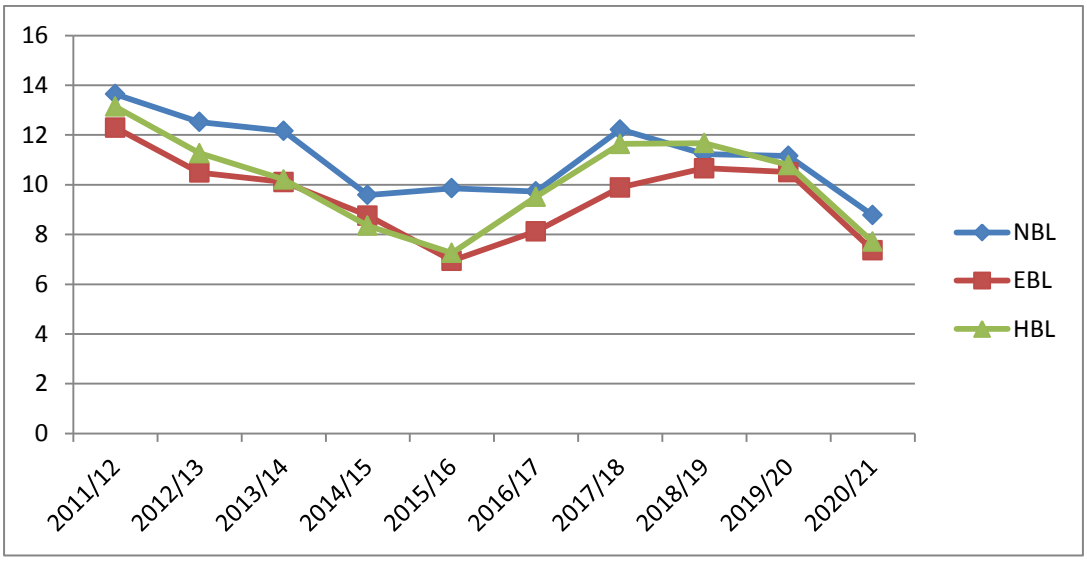


Figure 7 displays EBL bank's interest revenue to total loan and advance ratio. The graphic illustrates the declining trend of the sample bank ratio.

c. Non- performing loan:

This percentage suggests that there may be a loan default or non-repayment by the borrower, which would result in losses for the bank. The percentage of non-performing loans to all loans, advances, and credit is used to compute it. Nonperforming loans are also classified as pass, subpar, and questionable loans. A higher ratio indicates that there are more riskier assets relative to the total amount of advances and loans, and vice versa.

Non- performing loan

FY	NBL	EBL	HBL
2011/12	5.58	0.84	2.09
2012/13	5.24	0.62	2.89
2013/14	5.12	0.97	1.96
2014/15	3.98	0.66	3.22
2015/16	3.11	0.38	1.23
2016/17	3.32	0.25	0.85
2017/18	3.37	0.20	1.40
2018/19	2.64	0.16	1.12
2019/20	2.47	0.22	1.01
2020/21	2.05	0.12	0.48
Mean	3.68	0.44	1.62
S.D.	1.18	0.293	0.86
CV.	32.06%	66.59%	53.08%

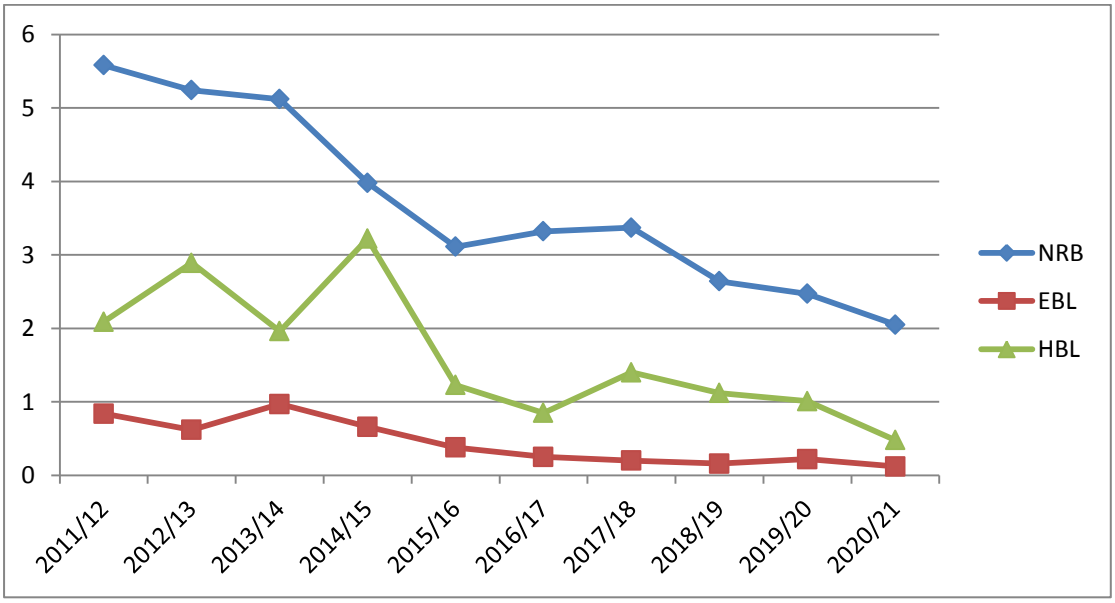
Source: Annual report of sample banks

In the 10 fiscal years from 2011/12 to 2020/21, the non-performing loans to total loans and advances/credit ratio of NBL are shown in Table 8 as follows: 5.58%, 5.24%, 5.12%, 3.98%, 3.11%, 3.32%, 3.37%, 2.64%, 2.47%, and 2.05%, respectively. The credit risk ratio is 3.68% on average. According to the ten-year research, NBL's credit risk ratio is successfully declining with each fiscal year. Nonetheless, NPL should not exceed 1% of all loans and advances for good credit performance, following NRB guidelines. Because of this, NBL can meet the NRB standard and fulfill its NPL duty at a risk of 32.06% when taking the coefficient of variation into account.

Over the previous 10 fiscal years, from 2011/12 to 2020/21, the total loans and advances/credit ratio of EBL that are non-performing loans is 0.84%, 0.62%, 0.97%, 0.66%, 0.38%, 0.25%, 0.20%, 0.16%, 0.22%, and 0.12%, respectively. The credit risk ratio is 0.44% on average. Based on a ten-year review, EBL's credit risk ratio consistently declines with each fiscal year. Similarly, EBL's credit risk ratio has been less than 1% for every fiscal year. Nonetheless, NPL should not exceed 1% of all loans and advances for good credit performance, following NRB guidelines. Therefore, taking into account the coefficient of variation, EBL is a strong NRB standard to satisfy the NPL duty with a risk of 66.59%.

Over the course of the previous 10 fiscal years, from 2011/12 to 2020/21, the non-performing loan percentage to total loans and advances/credit ratio of HBL was 2.09%, 2.89%, 1.96%, 3.22%, 1.23%, 0.85%, 1.40%, 1.12%, 1.01%, and 0.48%, respectively. The credit risk ratio is 1.62% on average. According to the ten-year research, HBL's credit risk ratio is successfully declining with each fiscal year. Similarly, HBL's credit risk ratio is able to stay below 1% throughout the 2020–2021 fiscal years. Nonetheless, NPL should not exceed 1% of all loans and advances for good credit performance, following NRB guidelines. Therefore, taking into account the coefficient of variation, HBL is a strong NRB standard to satisfy the NPL duty with a risk of 53.08%. Additionally, it is displayed in the figure that follows:

Figure 8Non- performing loan (%)



The credit risk ratio for EBL over the previous ten fiscal years is shown in figure 8. As the figure illustrates, EBL has a solid credit risk performance history, with a ratio of less than 1% for the whole fiscal year.

Major findings

The following highlights the study's principal findings:

• For NBL, EBL, and HBL, the average cash reserve ratio is 17.56%, 19.44%, and 14.19%, respectively. This suggests that the sample banks are adhering to the NRB guideline in maintaining their cash reserve ratio. i.e. to generate the liquidity. This clearly shows that the

sample bank's CRR of 14.44%, 58.84%, and 49.38% is less hazardous. For each of the fiscal years, EBL's cash reserve ratio has been higher than the required 4%.

- HBL is 18.06%, EBL is 20.85%, and NBL is 15.392% on average when it comes to ROE. This suggests that the sample banks' return on equity investment is satisfactory, meaning that even after covering all of their expenditures, the bank is able to provide a lower return for the money of its shareholders than it did the year before. The coefficient of variation, which is 31.77% of EBL, 51.75% of NBL, and 18.33% of HBL, shows the varying trend or quantifies the homogeneity of the banks.
- The sample bank's average return on assets (ROA) is 1.53% for NBL, 1.83% for EBL, and 1.73% for HBL. This suggests that the sample bank has an outstanding return on assets. Similarly, the sample bank's standard deviations are NBL 0.88%, EBL 0.39%, and HBL 0.39%. The coefficient of variation for NBL, EBL, and HBL is 57.51%, 21.31%, and 22.54%, respectively.
- The bank's ability to make net profits from the entire amount of deposits it has received is measured by its net profits to total deposit ratio. The sample bank's average net profit to total deposit ratio is 1.71%, EBL is 2.04%, and HBL is 1.95%. The standard deviation for NBL, EBL, and HBL is 0.94%, 0.33%, and 16.92%, respectively. Moreover, NBL's c. v. is 54.97%, EBL's is 16.67%, and HBL's is 16.92%.
- The sample bank's average net profit to total loan and advances ratios are 2.50% for NBL, 2.63% for EBL, and 2.42% for HBL. This suggests that the bank's net profit to total loan and advance ratio is adequate, meaning it can produce a profit. Similarly, NBL has a standard deviation of 1.38%, EBL of 1.73%, and HBL of 0.75%. Moreover, NBL's c. v. is 55.2%, EBL's is 40.79%, and HBL's is 30.99%.
- For the sample banks, the average ratio of total loans, advances, and credit to total deposits is 68.86% for NBL, 78.97% for EBL, and 81.19% for HBL. This suggests that the bank may not have adequate liquidity to cover any unanticipated funds since the NBL and EBL's capacity is below 80%. The coefficient of variation, which is 14.55% for NBL, 7.81% for EBL, and 7.34% for HBL, shows the varying trend or gauges the homogeneity of the banks.
- The sample bank's average interest income to total loan and advance ratios is 11.08% for NBL, 9.52% for EBL, and 10.15% for HBL. The interest revenue to loans and

advances ratio is marginally declining from 2019–20 over the study period, according to the ten-year research.

- The sample bank's average non-performing loan/credit risk ratios are NBL 3.68%, EBL 0.44%, and HBL 1.62%. According to the ten-year research, EBL's credit risk ratio successfully lowers with each passing fiscal year. Similarly, NBL's credit risk ratio could not consistently remain below 1% throughout all fiscal years. Furthermore, HBL will only keep its credit risk ratio for the 2020–2021 fiscal year. Therefore, taking into account the coefficient of variation, EBL is a strong NRB standard to satisfy the NPL duty with a risk of 66.59%.

CHAPTER – V

SUMARRY, CONCLUSIONS AND RECOMMENDATIONS

Summary

An significant factor in the nation's economic development is the banking industry. One of the most important components of this industry, which deals with the process of allocating the available resources to the appropriate sector, is the commercial bank. It serves as a bridge between the financial resource surplus and deficit. It is impossible for savings to be securely and effectively used inside the nation in the absence of banks. The study "A Financial Performance Analysis of Sample Bank" offers a financial mirror that illustrates the banks' strengths and weaknesses. It includes an analysis of risk, profitability position, and liquidity. Comparing and assessing the sample bank's financial performance analysis is the primary goal of my research.

The average cash reserve ratio under liquidity is 19.44% for HBL, 17.56% for EBL, and 14.19% for NBL. This suggests that the sample banks are adhering to the NRB guideline in maintaining their cash reserve ratio. It is, to provide the liquidity. This makes it clear that the sample bank's CRR, with c.v. of EBL of 14.44%, NBL of 58.84%, and HBL of 49.38%, is less dangerous. For each of the fiscal years, EBL's cash reserve ratio has been higher than 4%.

The average ROE for NBL, EBL, and HBL under profitability is 15.392%, 20.85%, and 18.06%, respectively. This suggests that the sample banks' return on equity investment is satisfactory, meaning that even after covering all of their expenditures, the bank is able to provide a lower return for the money of its shareholders than it did the year before. The coefficient of variation, which is 31.77% of EBL, 51.75% of NBL, and 18.33% of HBL, shows the varying trend or quantifies the homogeneity of the banks. The sample bank's average return on assets (ROA) is 1.53% for NBL, 1.83% for EBL, and 1.73% for HBL. This suggests that the sample bank has an outstanding return on assets. Similarly, the sample bank's standard deviations are NBL 0.88%, EBL 0.39%, and HBL 0.39%. The coefficient of variation for NBL, EBL, and HBL is 57.51%, 21.31%, and 22.54%, respectively. The bank's ability to turn a profit from the entire amount of deposits it has received is measured by its net

earnings to total deposit ratio. The sample bank's average net profit to total deposit ratio is 1.71%, EBL is 2.04%, and HBL is 1.95%. The standard deviation for NBL, EBL, and HBL is 0.94%, 0.33%, and 16.92%, respectively. The NBL's c. v. is 54.97%, the EBL's is 16.67%, and the HBL's is 16.92%. The sample bank's average net profit to total loan and advances ratios are 2.50% for NBL, 2.63% for EBL, and 2.42% for HBL. This suggests that the bank's net profit to total loan and advance ratio is adequate, meaning it can produce a profit. Similarly, NBL has a standard deviation of 1.38%, EBL of 1.73%, and HBL of 0.75%. Furthermore, the c. v. of HBL is 30.99%, EBL is 40.79%, and NBL is 55.2%. For the sample banks, the average ratio of total loans, advances, and credit to total deposits is 68.86% for NBL, 78.97% for EBL, and 81.19% for HBL. This suggests that the bank may not have adequate liquidity to cover any unanticipated funds since the NBL and EBL's capacity is below 80%. The coefficient of variation, which is 14.55% for NBL, 7.81% for EBL, and 7.34% for HBL, shows the varying trend or gauges the homogeneity of the banks. Therefore, a greater ratio denotes the effective and efficient use of money, whilst a lower ratio denotes the incapacity of the banks to prevent them from sitting about. The sample bank's average interest income to total loan and advance ratios is 11.08% for NBL, 9.52% for EBL, and 10.15% for HBL. The interest revenue to loans and advances ratio is marginally declining from 2019–20 over the study period, according to the ten-year research. The sample bank's average non-performing loan/credit risk ratios are 1.62%, 0.44% for EBL, and 3.68% for HBL. Based on a ten-year review, there has been a successful decrease in the risk of EBL in every fiscal year. Similarly, the chance that NBL won't be able to keep it below 1% for the entire fiscal year. HBL also limits their risk to the 2020–2021 fiscal year. Therefore, taking into account the coefficient of variation, EBL is a strong NRB standard to satisfy the NPL duty with a risk of 66.59%.

According to statistical study, there is a substantial correlation between EBL's net profit and total loan advances. Likewise, a noteworthy correlation exists between Everest Bank's total deposit and its total loan and advance volume.

Conclusions

NRB guidelines have been upheld by the sample bank in terms of liquidity analysis. Ineffective use of the sample banks' funds, credit management, total loans, and advances to total deposits. Furthermore, the sample's capacity to successfully use the total deposits made on loans and advances for the aim of making money is demonstrated. In a similar vein, the

sample bank's capacity to handle loans and advances is necessary to generate more interest revenue. Over the course of the research, EBL's average interest revenue to total loan and advance ratio has been somewhat declining. The modest return on equity investment for EBL under profitability is a satisfactory result. Similarly, the bank's net profit to total loan and advance ratio is met, meaning it makes a profit. In every fiscal year, EBL's credit risk ratio is less than 1%. EBL is therefore capable of meeting NRB standards under NPL obligations.

Notwithstanding the impact of COVID-19, the sample banks' performances are adequate.

Recommendations

The following suggestions are based on the study's main findings:

- Considering the acceptable risk, banks ought to put their money into assets that guarantee greater rates of return.
- Why Everest Bank need to use its deposits for long-term gains as opposed to quick gains. Himalayan Bank is well-positioned to fulfill its immediate obligations. For this, they should focus the deposit in productive sector which help to growth the national economic activities.
- In a similar vein, interest revenue relative to the bank's total loans and advances is declining. As a result, EBL should concentrate on interest-generating investments by overseeing a diverse industry portfolio.
- Banks must to make public their terms for loans, with a particular emphasis on empowering women and youth by offering unsecured loans that enable borrowers to get employment. This fosters new ideas in entrepreneurship and upholds the banks' social responsibilities, both of which contribute to the expansion of the national economy.
- The stock market closed as a result of the COVID-19 pandemic, while the sample banks' results were satisfactory.

BIBLIOGRAPHY

Kamal Uddin (2022),” *Effect of Leverage, Operating Efficiency, Non-Performing Loan and Capital Adequacy Ratio on Profitability of Commercial Banks in Bangladesh*” published on European journal of business and management research.

Anjay Kumar mishra (2021),”*Profitability in commercial banks*. (A case study on Nepal)” published on international journal of case studies in Business, IT and Education.

Kedarraj gautam(2020),”*Financial Performance Analysis of Nepalese Financial Institutions in the Framework of CAMEL”* published on Janapriya journal of interdisciplinary studies.

Achuyut gnawali (2018),”*Corporate governance and its impact on financial performance in Nepalese commercial banks*” published on International journal of modern research in engineering and management.

Ramji gautam (2018),”*Determinants of financial performance on evidence from Nepalese commercial banks*” published on Amity journal of strategic management.

Ansarul haque (2014), “*Comparison of financial performance of commercial banks: A case study in the context of India* (2009-2013)” published on journal of finance and bank management.

Suvita jha and Xiaofeng hui(2012),”*A comparison of financial performance of commercial banks : A case study in Nepal*” published on African journal of business management.

Ravi prakesh sharma poudel (2012),”*The impact of credit risk management on financial performance of commercial banks in Nepal*” published on international journal of arts and commerce.

Vincent okoth ongore and Gemechu berhanu kusa (2013),” *Determinants of financial performance of commercial banks in Kenya*” published on international journal of economics and financial.

Ashish bhandari and Amrit nakarmi (2016),”*A financial performance evaluation of commercial bank in Nepal using AHP model “*published on international journal of the analytic hierarchy process.

Unpublished thesis

Rubi(2021),”*Analysis of Nepal stock market during covid -19*”. Master’s thesis Shanker Dev Campus, Faculty of Management, Tribhuvan University.

Ghimire(2021),"*Financial Performance Analysis of Nepalese Commercial Banks'*(A comparative study on Nepal SBI Bank ltd. And Rastriya Banijya Bank Ltd.)" Master's thesis Shanker Dev Campus, Faculty of Management, Tribhuvan University.

Tamang(2021)," *FINANCIAL PERFORMANCE OF COMMERCIAL BANK IN NEPAL.*"(Among government sector, joint venture sector and private sector). Master's thesis Shanker Dev Campus, Faculty of Management, Tribhuvan University.

Website

www.everestbankltd.com

www.nepalbankltd.

www.himalayanbankltd.

www.shareshansar.com

www.googlescholar.com

Appendix-I

Summary of the Financial Transactions from FY2011/12- 2020/21 (NPR in %)

EBL

Financial highlight	FY 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
CRR(%)	17.22	15.19	16.91	24.27	16.61	16.52	17.75	18.56	14.43	18.15
ROE(%)	27.14	31.52	29.02	23.25	20.61	18.38	17.60	18.09	13.88	9.01
ROA(%)	2.11	2.39	2.25	1.85	1.61	1.72	1.97	1.94	1.42	1
NPATto TD(%)	2.18	2.55	2.49	1.89	1.85	2.10	2.21	2.34	1.73	1.10
NPATto TLand Adv.(%)	2.98	3.33	3.20	2.84	2.51	2.56	2.74	2.72	2.11	1.31
TL/credit to TD(%)	73.22	76.57	78.01	66.63	73.52	84.05	81.86	87.01	83.52	85.30
II to TL and Adv. (%)	12.3	10.49	10.11	8.76	6.94	8.13	9.89	10.66	10.51	7.37
NPL to TL and Adv. (%)	0.84	0.62	0.97	0.66	0.38	0.25	0.20	0.16	0.22	0.12

Source: Annual report of EBL

NBL

Financial highlight	FY 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
CRR(%)	25.6	25.09	22.53	9.60	17.46	18.81	9.05	4.06	4.53	4.19
ROE(%)	29.75	26.75	22.86	21.13	9.6	7.57	14.61	8.62	7.77	8.91
ROA(%)	0.25	0.30	1.07	0.92	2.79	2.78	2.41	1.51	1.22	1.33
NPATto TD(%)	0.31	1.19	1.03	0.62	3.22	1.86	3.23	2.21	1.65	1.81
NPATto TL and Adv. (%)	0.48	0.59	2.00	1.74	4.54	4.19	4.26	2.81	2.26	2.19
TL/credit to TD(%)	57.05	52.98	60.10	59.45	71.05	79.17	75.68	78.14	72.25	82.76

II to TL and Adv. (%)	13.64	12.52	12.16	9.56	9.86	9.73	12.22	11.23	11.16	8.78
NPL to TL and Adv. (%)	5.58	5.24	5.12	3.98	3.11	3.32	3.37	2.64	2.47	2.05

Source: Annual report of NBL

HBL

Financial highlight	FY 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
CRR(%)	8.72	6.08	8.72	8.32	28.74	26.64	23.05	26.25	31.30	26.51
ROE(%)	21.15	17.80	15.76	17.76	24.53	21.58	14.17	18.34	15.40	14.29
ROA(%)	1.73	1.51	1.28	1.34	1.94	2.19	1.67	2.21	1.79	1.68
NPAT to TD(%)	2.01	1.77	1.48	1.51	2.17	2.45	1.8	2.42	1.95	2.01
NPAT to TL and Adv. (%)	2.67	2.30	2.06	2.01	2.76	2.89	2.13	2.77	2.38	2.23
TL/credit to TD(%)	75.35	77.36	71.82	75.37	79.12	85.10	88.31	87.97	82.31	89.37
II to TL and Adv. (%)	13.14	11.27	10.21	8.35	7.26	9.52	11.64	11.67	10.79	7.71
NPL to TL and Adv. (%)	2.01	1.77	1.48	1.51	2.71	2.45	1.8	2.42	1.95	2.01

Source: Annual report of HBL

Appendix-II

Calculation of Mean, Standard Deviation and Coefficient of Variation ofEBL, NBL& HBL.

Cash Reserve ratio(CRR)

FY	**EBL(X)**	**(x−Mean)^2**	**NBL(Y)**	**(Y-Mean)^2**	**HBL(Z)**	**(z-Mean)^2**
2011/12	17.22	0.13	25.67	131.79	8.72	115.35
2012/13	15.19	5.62	25.09	118.81	6.08	178.49
2013/14	16.91	0.42	22.53	69.56	8.72	114.91
2014/15	24.27	45.01	9.60	20.79	8.32	123.65
2015/16	16.61	0.90	17.46	11.36	28.74	86.49
2016/17	16.52	1.08	18.81	21.34	26.64	51.84
2017/18	17.75	0.03	9.05	26.42	23.05	13.03
2018/19	18.56	0.99	4.06	102.62	26.25	46.37
2019/20	14.43	9.80	4.53	93.32	31.39	142.80
2020/21	18.15	0.35	4.19	100	26.51	49.99
Sum	175.61	64.33	140.99	696.01	194.42	922.92
Mean	17.56	64.35	14.19		19.44	
s.d(σ)	2.54		8.35		9.60	
c.v.	14.44%		58.84%		49.38%	

Let EBL=X,NRB =Y & HBL =Z

Mean= $\frac{sum}{n}$, *s.d.*(σ) = $\sqrt{\frac{\sum(x-\overline{x})2}{n}}$ & c.v.= $\frac{s.d}{mean}$ ×100%

EBL	***NBL***	***HBL***
Mean= $\frac{sum(X)}{n}$ =$\frac{175.61}{10}$= *17.56*	*Mean*= $\frac{sum(Y)}{n}$ =$\frac{140.99}{10}$= *14.19*	*Mean*= $\frac{sum(Z)}{n}$ =$\frac{194.42}{10}$= *19.44*
s.d.(σ) = $\sqrt{\frac{\sum(x-\overline{x})2}{n}}$ =$\sqrt{\frac{64.35}{10}}$=2.53	s.d.(σ) = $\sqrt{\frac{\sum(x-\overline{y})2}{n}}$ =$\sqrt{\frac{696.01}{10}}$ =8.35	s.d.(σ) = $\sqrt{\frac{\sum(x-\overline{z})2}{n}}$ =$\sqrt{\frac{922.92}{10}}$ =9.60
C.V = $\frac{\sigma}{\text{mean}}$×100 =2.53/17.56 ×100 =14.44%	C.V = $\frac{\sigma}{\text{mean}}$×100 =8.35/14.19 ×100 =58.84%	C.V = $\frac{\sigma}{\text{mean}}$×100 =9.60/19.44 ×100 =49.38%

Other values are calculated in the same manner and which results are presented as below.

Return on equity(ROE)

Fiscal year	**EBL(X)**	**(X−Mean)^2**	**NBL(Y)**	**(Y−Mean)^2**	**HBL**	**(Z−Mean)^2**
2011/12	27.14	39.56	29.75	196	21.15	9.54
2012/13	31.52	113.85	26.75	121	17.80	0.16
2013/14	29.02	66.75	22.86	50.55	15.76	5.29
2014/15	23.25	5.76	21.13	28.94	17.06	1
2015/16	20.61	0.06	9.6	37.82	24.53	41.86
2016/17	18.38	6.10	7.57	66.91	21.58	12.39
2017/18	17.60	10.56	14.61	1.38	14.17	15.13
2018/19	18.09	7.62	8.62	50.84	18.34	7.39
2019/20	13.88	48.58	7.77	63.68	15.40	7.08
2020/21	9.01	140.19	8.91	46.88	14.89	10.05
Sum	208.5	439.03	157.57	664	180.68	109.89
Mean	20.85		15.75		18.06	
s.d.(σ)	6.625		8.15		3.31	
c.v.	31.77		51.75%		18.33%	

Return on Assets(ROA)

Fiscal year	**EBL(X)**	**(X−Mean)^2**	**NBL(Y)**	**(Y−Mean)^2**	**HBL(Z)**	**(Z−Mean)^2**
2011/12	2.11	0.08	0.25	1.63	1.73	0
2012/13	2.39	0.31	0.30	1.52	1.51	0.04
2013/14	2.25	0.18	1.07	0.21	1.28	0.20
2014/15	1.85	0.0004	0.92	0.37	1.34	0.15
2015/16	1.61	0.05	2.79	1.59	1.94	0.04
2016/17	1.72	0.01	2.78	1.56	2.19	0.21
2017/18	1.97	0.02	2.41	0.77	1.67	0.01
2018/19	1.94	0.01	1.51	0.0004	2.21	0.23
2019/20	1.42	0.17	1.22	0.09	1.79	0.01
2020/21	1	0.69	1.33	0.04	1.68	0.003
Sum	18.26	1.5204	15.362	7.78	17.34	0.89
Mean	1.83		1.53		1.73	
s.d.(σ)	0.38		0.88		0.39	
c.v.	20.76%		57.51%		22.54%	

Net Profit to Total Deposit(NP to TD)

FY	**EBL(X)**	**(X−Mean)^2**	**NBL(Y)**	**(X−Mean)^2**	**HBL**	**(X−Mean)^2**
2011/12	2.18	0.029	0.31	1.96	2.01	0.01
2012/13	2.55	0.26	1.19	0.27	1.77	0.03
2013/14	2.49	0.202	1.03	0.46	1.48	0.22
2014/15	1.89	0.022	0.62	1.18	1.51	0.29
2015/16	1.85	0.036	3.22	2.28	2.17	0.04
2016/17	2.10	0.0036	1.86	0.02	2.45	0.25
2017/18	2.21	0.029	3.23	2.31	1.8	0.02
2018/19	2.34	0.152	2.21	0.25	2.42	0.22
2019/20	1.73	0.096	1.65	0.01	1.95	0
2020/21	1.10	0.884	1.81	0.01	2.01	0.01
sum	20.44	1.132	17.13	8.75	19.57	1.09

Mean	2.04		1.71		1.95
s.d.(σ)	0.34		0.94		0.33
C.V.	16.67%		54.97%		16.92%

Net Profit to Total Loan and Advances(NP to TLAdv.)

FY	**EBL(X)**	**(X−Mean)^2**	**NBL(Y)**	**(Y−Mean)^2**	**HBL(Z)**	**(Z−Mean)^2**
2011/12	2.98	0.122	0.48	4.08	2.67	0.06
2012/13	3.33	0.49	0.59	3.64	2.30	0.01
2013/14	3.2	0.325	2.00	0.25	2.06	0.13
2014/15	2.84	0.044	1.74	0.58	2.01	0.16
2015/16	2.51	0.014	4.54	4.16	2.76	0.12
2016/17	2.56	0.0049	4.19	2.85	2.89	0.22
2017/18	2.74	0.012	4.26	3.19	2.13	0.08
2018/19	2.72	0.0081	2.81	0.09	2.77	0.12
2019/20	2.11	0.27	2.26	0.15	2.38	0.002
2020/21	1.31	1.742	2.19	0.09	2.23	4.79
sum	26.3	3.032	25.06	19.08	24.2	5.692
Mean	2.63		2.50		2.42	
s.d.(σ)	1.073		1.38		0.75	
C.V.	40.79%		55.2%		30.99%	

Total Loan and advances to Total Deposit(TLAdv. To TD)

FY	**EBL(X)**	**(X−Mean)^2**	**NBL(Y)**	**(Y−Mean)^2**	**HBL(Z)**	**(Z−Mean)^2**
2011/12	73.22	33.06	57.05	139.26	75.35	34.11
2012/13	76.57	5.76	52.98	252.17	77.36	14.67
2013/14	78.01	0.92	60.10	76.74	71.82	87.89
2014/15	66.63	152.28	59.45	88.54	75.37	33.87
2015/16	73.52	29.70	71.05	4.79	79.12	4.29
2016/17	84.05	25.80	79.17	106.29	85.10	15.28
2017/18	81.86	8.35	75.68	46.51	88.31	50.69

2018/19	87.01	64.64	78.14	86.11	87.37	38.19
2019/20	83.5	20.52	72.25	11.49	82.31	1.25
2020/21	85.30	40.08	82.76	193.21	89.87	75.34
sum	789.67	381.11	688.63	1005.11	811.98	355.58
Mean	78.97		68.86		81.19	
s.d.(σ)	6.17		10.02		5.96	
C.V.	7.81%		14.55%		7.34%	

Interest Income to Total Loan and advances (II to TLAdv.)

FY	**EBL(X)**	**(X−Mean)^2**	**NBL(Y)**	**(Y−Mean)^2**	**HBL(Z)**	**(Z−Mean)^2**
2011/12	12.3	7.73	13.64	6.55	13.14	8.94
2012/13	10.49	0.94	12.52	2.07	11.27	1.25
2013/14	10.11	0.34	12.16	1.16	10.21	0.004
2014/15	8.76	0.58	9.59	2.22	8.35	3.24
2015/16	6.94	6.65	9.86	1.48	7.26	8.35
2016/17	8.13	1.93	9.73	1.82	9.52	0.49
2017/18	9.89	0.13	12.22	1.29	11.64	2.22
2018/19	10.66	1.29	11.23	0.02	11.67	2.31
2019/20	10.51	0.98	11.16	0.006	10.79	0.41
2020/21	7.37	4.62	8.78	5.29	7.71	5.95
sum	95.16	25.19	110.89	21.906	101.56	33.164
Mean	9.52		11.08		10.15	
s.d.(σ)	1.58		1.48		1.82	
C.V.	16.68%		13.35%		17.93%	

Non-Performing loan to total loan and advances(NPL to TLAdv.)

FY	**EBL(X)**	**(X−Mean)^2**	**NBL(Y)**	**(Y−Mean)^2**	**HBL(Z)**	**(Z−Mean)^2**
2011/12	0.84	0.16	5.58	3.61	2.09	0.22
2012/13	0.62	0.032	5.24	2.44	2.89	1.62
2013/14	0.97	0.285	5.12	2.08	1.96	0.12
2014/15	0.66	0.048	3.98	0.09	3.22	2.56

2015/16	0.38	0.0036	3.11	0.33	1.23	0.15
2016/17	0.25	0.036	3.32	0.13	0.85	0.59
2017/18	0.20	0.058	3.37	0.09	1.40	0.04
2018/19	0.16	0.078	2.64	1.08	1.12	0.25
2019/20	0.22	0.058	2.47	1.46	1.01	0.37
2020/21	0.12	0.102	2.05	2.66	0.48	1.39
sum	4.42	0.8606	36.88	13.97	16.25	7.31
Mean	0.44		3.68		1.62	
s.d.(σ)	0.293		1.18		0.86	
C.V.	66.59%		32.06%		53.08%	

FINANCIAL PERFORMANCE OF NEPALESE COMMERCIAL BANK

By: Jarina Devi Kapali

As of: Jul 10, 2024 3:25:14 PM
13,446 words - 12 matches - 5 sources

Similarity Index

7%

Mode: Summary Report

sources:

81 words / 4% - from 27-Feb-2024 12:00AM
elibrary.tucl.edu.np

24 words / 1% - from 16-Feb-2024 12:00AM
elibrary.tucl.edu.np

23 words / 1% - from 26-Jan-2024 12:00AM
elibrary.tucl.edu.np

13 words / 1% - from 17-Feb-2024 12:00AM
elibrary.tucl.edu.np

12 words / 1% - from 15-Jan-2024 12:00AM
www.nrb.org.np

paper text:

CHAPTER 1 INTRODUCTION Background of the Study A bank is an organization that trades in cash and its equivalents as well as offers further financial services. A bank is a place where money suitable for loans is traded. To put it another way, the dealer is in debt. The job of the banker is to produce money by accepting other people's loans and offering his own in return. The word "bank" comes from an Italian phrase that refers to a seat where money that can be lent out is exchanged. Established on November 15, 1957 A.D., Nepal Bank Limited is the country's first bank. According to the World Bank, a bank is any financial entity that takes deposits that must be repaid quickly or on demand. According to Kindey, a bank is "an establishment to which individuals entrust money or other means of payment when not required by them for use, and such advances of money or other means of payment as may be required and safety made." Bank debt is typically referred to as "bank deposits," which are frequently accepted as full payment for other people's debt. It differs from other financial institutions in that, although taking deposits and providing advances, they are not able to extend credit. Therefore, the primary activity of banks is the purchase and sale of credit. Banks produce money that is transmitted using credit instruments, and credit instruments are retained on stock-in-trade based on their own credit. To establish credits, they must win the public's confidence and trust. It's been argued that credit flow is just as vital to human existence as blood circulation. The body will suffer permanent damage if blood circulation is not smooth. In a similar vein, an unstable and unequal credit flow is bad for the economy. The primary goals of the bank's establishment were to gather idle capital, direct them toward profitable ventures, and promote general economic growth. The nation's economic infrastructure is developed in part by the mobilized deposits. Banks are reservoirs of resources as well as places to keep riches. Four categories comprise the Nepalese Banking and Financial System (NBFS), which is overseen by Nepal Rastra Bank. They are as follows: