

Financial Performance
Of
Everest Bank Limited, Himalayan Bank Limited and
Nabil Bank Limited

Submitted by

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VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis presented by

SUN MAYA BASU

Entitled

**FINANCIAL PERFORMANCE OF EVEREST BANK LIMITED,
HIMALAYAN BANK LIMITED AND NABIL BANK LIMITED**

and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the Master's Degree of Business Studies(MBS).

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Recommendation

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DECLARATION

I hereby declare that the work reported in this thesis entitled “Financial Performance of Everest Bank Limited, Himalayan Bank Limited and Nabil Bank Limited” submitted to Khwopa College Bhaktapur, Faculty of Management, Tribhuvan University, is my original research work done in the form of partial fulfillment of the requirement for the Master of Business Studies (MBS) under the supervision and guidance of Prof. Dr. Shalik Ram Koirala.

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ABBREVIATION

EBL	-	Everest Bank Limited
HBL	-	Himalayan Bank Limited
NBL	-	Nabil Bank Limited
RBB	-	Rastra Banijya Bank
ADB	-	Agriculture Development Bank
JVB	-	Joint Venture Bank
HMG	-	His Majesty Government
SCBNL	-	Standard Chartered Bank Nepal Limited
CRR	-	Cash Reserve Ratio
NPR	-	Nepalese Rupee
B.S.	-	Bikram Sambat
Govt.	-	Government
F.Y	-	Fiscal Year
ROE	-	Return on Equity
ROA	-	Return on Total Assets
NPAT	-	Net Profit After Tax
EPS	-	Earning Per Share
DPS	-	Dividend Per Share
P/E	-	Price Earning
MVPS	-	Market Value Per Share
S.D.	-	Standard Deviation
C.V	-	Co-efficient of Variation
r	-	Coefficient of correlation
r^2	-	Coefficient of Determination
P.Er.	-	Probable Error
No.	-	Number
T.U.	-	Tribhuvan University

Chapter-1

Introduction

1.1 Background of the study

A bank is a financial institution, which collects scattered finance resources from the masses and invests them among those engaged in economic and commercial activities of country. Bank plays a vital role in economic situation of the developing country like Nepal. Banks act as intermediates by transforming the resources from the point of surplus to deficit. The economic activities of the country can hardly be carried forward without the assistance of financial institutions.

Bank in general means an institutions that deals with money and credits. It accepts deposits from public, makes fund available to those who need them and helps in remittance of fund from one place to another they perform several financial monetary and economic activities to accelerate the economic growth of the country. Concept of banking have developed from the ancient history with the effort of the ancient Goldsmith who practiced storing peoples gold and valuable 'Bank' was originated from French word 'Banque'. Banks play vital role for domestic resource mobilization and economic development of the country.

In Nepal, banking system came into existence only in 19 the century with the establishment of Nepal bank LTD(NBL) on 30th of Kartik 1994 BS, Which authorized capital contributed by government was 51%. The NBL dominated the financial sector of the country for almost 30 years without any competition. Having felt the need for the development of the banking sector, Nepal Rastra Bank (NRB) was established on 14th Baishak 2013 under NRB act 2012 as the central bank of Nepal to regulate and control banking management system of country. As the monetary transaction gets more and more complicated, NRB finally suggested the government to establish other commercial banks. As a result, Rastriya Banijya Bank (RBB) came into existence in 2022 BS under RBB act 2021 with 100% government ownership. For development on 7th Magh 2024 BS under ADB acts 2024.

The joint venture banks was introduced in Nepal in 2041 BS (12th July 1984) with establishment of Nepal Arab Bank Ltd.(Nabil Bank Ltd). Nepalese government kept on liberalizing the economic policies and improving the infrastructure, as a result Nepal Indosues bank Ltd and Nepal Grindlays Bank Ltd was established in 6th Magh 2042 BS and 16 the Marga 2043 respectively. Nepal Grindlays Bank Ltd is now being operated with new ownership and name, Standard Charter Bank Ltd. After the democratically elected government adopted the liberal and market oriented economic policy, joint venture commercial Banks were established one after another, at present 32 commercial banks operating their banking activities.

Commercial Bank deserve special recognition because of their capacity to create money in the form demand deposits, commercial banks were mainly established to facilitate the development of trade and commercial sector of the country. The first commercial bank was 'Bank of England'(1694), Central Bank of Britain.

Commercial Banks are the suppliers of Financers for trade and industries and play a vital role in the economic and financial life of the country. Modern commercial banks can be identified by different names such as Business banks, Retail bank, Clearing Banks, Joint Banks, and Merchant Banks etc. Commercial Banks invest the deposit in the productive areas and they help in the formation of capital. The qualitative credit policy ensures certain portion of the credit of banks invested in the productive and priority areas so that there may not be shortage of resources. In addition flexible, monetary and credit policy improve the prevailing slow down in the economic activities to alleviate sluggish credit expansion to the private sector from the banking sectors. Rural people of underdevelopment countries like Nepal need various banking facilities. Most of the countries, the banks are generally concentrated in the urban and semi urban sector and rural sectors are neglected due to risk and low return. But the main sources of national income of developing countries come from the rural sector. In fact, the development is the key to the economic development without this other sectors of the economy can't be flourished.

Commercial banks are major financial institution which occupy quite as important place in the frame work of every economy because they provide capital for the development of the industry, trade and business and other resources deficit sector by investing the saving collected as deposit. Commercial Banks play the very important role in economic development of any nation. The role of commercial banks in economy is prime requisite in the formulation of banks policy. A key factor in the development of the country is the mobilization of the domestic resources and their investment for productive use to the various sectors.

Financial performance means financial activities of the company directed towards achieving its value maximizing objectives. It can be defined as the heart of financial of financial decision. Financial performance analysis is the process of selection, relation and evaluation. It involves analyzing financial statements prepared in accordance with generally accepted accounting principles to ascertain information concerning the importance, timing and riskiness of future cash flows. The firm itself and outside suppliers of capital-creditors and investors all undertake financial performance analysis.

1.1.1 Introduction of Sampled Banks

Himalayan Bank Ltd, Everest Bank Ltd and Nabil Bank Ltd are taken as sampled of study. These banks were formerly established with the motive of commercial nature.

Himalayan Bank Ltd (HBL)

Himalayan bank Limited is a joint venture bank with Habib Bank of Pakistan, was established in 1993. This is the first joint venture bank managed by Nepalese Chief Executive. The operation of the bank started from 18th January 1993. HBL has its Head Office in Thamel, Tridevi Marg and 48 (dated on July 2012/113) its branches are all over the country. Despite the cut throat competition in the Nepalese banking sector, it has been able to maintain a lead in primary banking activities-loans and deposits. Besides commercial activities bank also offers industrial and merchant banking facilities. The capital of the bank has been Rs. 2000 millions. HBL holds of a vision to become a leading bank of the country, ensuring attractive and substantial returns to the stakeholders of the bank. The bank's mission is to become preferred provider of quality financial services in the country. There are two components in the mission of the bank, preferred quality financial services, therefore HBL believe that the mission will be accomplished only by satisfying these two important components with the customer at focus. The bank always strives positioning itself in the hearts and minds of the customers.

Everest Bank Ltd (EBL)

Everest Bank Ltd is the commercial bank establish in 2051 BS. EBL is a joint venture with Punjab National Bank (PNB), one of the largest commercial bank of India. EBL has been established with the objective of extending professionalized banking services to various sector of society in the kingdom of Nepal.

The bank has Head office and main branch at EBL House, Lazimpat. EBL has always been committed to providing a quality service to its valued customers, with a personal touch. EBL has 50 branches (dated July 2012/13) in Nepal. It was one of the first banks to introduce branch banking system in Nepal. It has introduces mobile vehicle banking system. It is the first bank that launched e- ticketing system in Nepal. EBL is fully adopting modern banking technology facilitating bank and business operations.

Nabil Bank Limited (NBL)

Nabil Bank which previously known as Nepal Arab Bank Limited is the first private commercial bank of Nepal and major joint venture bank commenced operation on July 12,1984 A.D. under the technical service agreement approved by Nepal Rastra Bank, joint venture operation in Nepal was started by Nabil Bank after Nepal encouraged foreign investment and joint venture operation with Nepalese investors or in certain circumstances as fully owned subsidiary Nabil Bank has worldwide correspondent network, which enables it to conduct International Trade Business with high level of accuracy and efficiency. Nabil Bank Ltd head office is in Kamaladi,

Kathmandu and has 48 branches in Nepal (dated on July 2012/13). Bank is fully adopting modern technology which includes ATMs , credit cards, state -of- art, world renowned software from Infosys technologies system, Bangalore, India internet banking system, tele- banking system etc. In 2004 A.D. Nabil Bank had awarded for “Bank of the Year”.

The mission Of Nabil Bank is to be the “Bank of the 1st choice”. The slogan of Nabil Bank is “Your Bank at Your Service”. The value of Nabil Bank is CRISP.

C=Customer Focus

I=Innovation

P=Professional

R=Result Oriented

S=Synergistic

1.2 Statement of the Problem

Banking business is very sensitive and risky business these days. It’s getting popular and it has earned high profit in spite of high risk too. The economic environment of the country is highly unfavorable that affect all sector of the economy. The banks too can’t remain untouched. It is so difficult to survive in such a situation and the weak enterprises would die out too. The fluctuation in economic environment affects the earning and stability of the banking business. The variation on overall financial performance also brings fluctuation on other important aspect such as return on share holder’s equity, dividend payout ratio, earning per share and market value per share which send negative impact to the share holders.

The banks deal with peoples deposits most of which are payable on demand. There is no doubt that the several of the existing commercial banks and other financial institutions depend upon how they manage their asset and liabilities to maximize their profits with the minimum exposure of asset of risk and are guided by three important conflicting criteria of solvency, liquidity and profitability. Therefore the financial management is the main indicator of the success or failure of any business firm. Financial condition of the business firm should be from the point of view of shareholders, debenture holders, financial institutions and nation as a whole.

Cut throat competition among the commercial banks, financial companies’ rural development banks and cooperative societies, in short span of time has put a question mark to the survival of the joint venture bank including Himalayan Bank Ltd (HBL) and Everest Bank Ltd (EBL). The both banks need to take it seriously and do something for the betterment in performance and improvement in their productivity and better customer orientation.

Although various Joint Venture foreign banks are operating in Nepal after the HMG adopted the liberal and market oriented economic policy, the financial sectors has not been enough from them to meet the growing resources need to the economy as

expected before. Why is so and what are the problems are the very important question. To answer the questions an analysis of their financial performance is necessary. Even banks are operating market oriented economic policy, these sectors has not been enough from them to meet the growing resources need to the economy as expected before. The present study makes a modest attempt to analyze financial performance of HBL and EBL. The main problem of the study is to find out the financial performance of these two banks specially it deals with the following issues:-

- a. Whether the financial performance of these three banks are satisfactory or not?
- b. Whether the banks have managed and utilized their assets satisfactorily or not?
- c. Whether the banks have maintaining sufficient liquidity position or not?
- d. Whether there are any differences in financial performance between these three banks?

1.3 Objectives of the study

The main objective of this study was to analyze the financial performance of these three banks, Everest Bank Ltd (EBL), Himalayan Bank Ltd (HBL) and Nabil Bank Ltd (NBL) in a comparative analysis by using different ratio. The specific objectives of this study were outlined as follows:-

- a. To evaluate the financial performance of the selected banks.
- b. To evaluate the liquidity position of the selected banks.
- c. To study the trends in growth of total deposits, loans and advance net profit of these three banks.
- d. To provide suggestion and recommendation for the improvement of the financial performance and efficiency of the banks.

1.4 Significance of the Study

The study of the analysis of financial performance plays vital role in the management decision. Every organization has to analyze its financial performance. In sense this is very useable and valuable to major parties interested in the reference to the policy making bodies. This study is important and helpful to the depositors, debtors, investors, researchers, banks. This study also gives some practical insights that can be

very useful to turn the theoretical knowledge into practical field. This study is important for the following groups and individuals.

Shareholders; The shareholders of these banks are benefited by this study as they came to know the performance of a bank i.e. how properly their funds are utilizing and to what extent they are gaining.

Management; It also creates the awareness to the management about the strength and weakness of the banks. It also given an idea to the management to counter the threats poses by the competition.

Policymaker; Policymakers refer to those authorities that formulate and determine rules, regulations and policies regarding commercial banking operation. They are officials of government, concerned ministry, central bank, Nepal Stock Exchange etc. the present study helps them in formulating the policy regarding commercial banks.

Researcher and Scholar; This study is significant for the researcher and scholar who want to study the financial performance of concern banks.

Outsiders; this study is helpful to the outsiders such as depositors, debtors, investors, competitors etc.

1.5 Limitation of the study

The study on each and every subject has their limitation at the work period. And, this report also had some limitations which were:-

- a. This research was based on the financial performance of the EBL, HBL and NBL for the periods from 2008/2009 to 2012/2013
- b. The study was based on secondary data which were derived from financial statement and other available records.
- c. Due to availability of limited information this study not covered every part of the performance aspects.
- d. Only selected statistical and financial tools were employed in this study.

1.6 Organization of the study

This research has been organized in following five chapters:

Chapter 1: Introduction:

The first chapter deals with introduction. This includes background of the study, statement of problem, objectives of the study, significance of the study, limitations of the study and organization of the study.

Chapter 2: Review of Literature:

Second chapter deals with the review of available literature. It includes conceptual framework, review of previous studies books, reports, article journal, previous thesis etc.

Chapter 3: Research Methodology:

Third chapter includes the research methodology used in the study, which includes research design, nature and sources data, population and samples, methods of data collection and analysis etc.

Chapter 4: Presentation and Analysis of Data:

The fourth chapter deals with the analysis of data collected from different sources. The collected data has been analysis using various statistical and non statistical tools. This chapter also includes major findings of the study.

Chapter 5: Summary, Conclusion and Recommendation:

The fifth chapter includes summary, conclusion and recommendations or suggestions for further improvement. Bibliography and appendixes have been included at the end of the chapter.

Chapter 2

Review of Literature

A literature review is an essential part of all studies. It is a way to discover what other researchers have covered and left in the area. A critical review of the literature helps the researcher to develop a thorough understanding and insight into previous research works that relates to the present study. It is also a way to avoid investigation problems that have already been definitely answered. Thus a literature review is the process of locating, obtaining, reading and evaluating the research literature in the area of the student's interest (Wolff and Panta, 2005: 130).

Literature is a crucial aspect of planning of the study. The main purpose of literature review is to find out what works have been done in the area of research problem under the study and what has not been done in the field of the research study being undertaken.

This chapter is related to the review of basic literature related to the research topic. The chapter includes main two sections. The first section of the chapter deals with the conceptual framework of the study while the second chapter deals with the review of previous studies. For review the researcher uses different books, reports, journals and research studies published by various institutions, unpublished dissertations submitted by master level students have been reviewed. It is divided into two headings,

- Theoretical review
- Review of previous study

2.1 Theoretical Review

2.1.1 Concept of Financial analysis

Financial performance means financial activities of the company directed towards achieving its value maximizing objectives. For better financial activities effective and efficient activities contribute to excellent financial performance which in term results to growth of the organization.

Financial performance analysis can be considered as a heart of the financial decision. The growth and development of any enterprises is directly influenced by the financial policies. Rational evaluation of the financial performance of the financial management in public enterprises is too much involved in record keeping, raising

necessary funds and maintaining relationship with the bank or other financial institutions. But financial aspect is one of the most neglected aspects of public enterprises in Nepal. However joint venture banks have analyzed in limited with in the banks themselves.

Financial performance is an analysis of better understanding of firm's positions. It is the main indicator of the success or failure of the enterprise. There are different persons of group who look for the financial analysis of the enterprises such as shareholders owners, managers, creditors, investors, employees, customers etc. They are direct concerned to the financial position of the enterprises. Management of the enterprises is concerned in all aspect of financial analysis to frame sound financial management system and to bring internal control. All the concerned groups are interested about the financial analysis of the company. In this way, financial analysis is the act of identifying the financial strength and weakness of the company.

Financial analysis involves the use of various financial statements. Financial statement analysis involves a comparison of a firm's performance with that of other firms in the same line of business, which often is identified by the firm's industry classification. Financial analysis is done to determine the firm's financial position in order to identify its current strengths and weakness and to suggest action that might enable the firm to take advantages of its strength and correct its weakness.

Financial performance can be defined as the heart of financial decision .It is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and the loss account. The growth and the development of the enterprises are fully affected by financial performance and financial performance is correct only when true fact and figure is sort out. For better financial activities, effective and efficient decisions are necessary.

The vertical and horizontal analysis could be done for the financial analysis. The vertical analysis consists of financial balance sheet, profit and loss account of a certain period of time. Likewise, the horizontal analysis consists of a series of statement relating to the number of years which are reviewed and analyzed. In this study, the horizontal analysis has been adopted to find out the financial performance of Everest Bank Ltd, Himalayan Bank Ltd and Nabil Bank Ltd.

A powerful and most widely used tool of financial analysis is ratio analysis. Ratio analysis is the systematic use of financial information of the firm's strength and weakness as its historical performance and current financial condition can be determined. Ratio analysis is used as a technique of quantity relationship between two sets of financial data taken from either profit and loss account or balance sheet. The ratio can be expressed as percentage, proportion and fraction of numbers. Ratio helps to summaries the large quantities of financial data to make qualitative judgment about the firm's financial performance.

2.1.2 Concept of Bank

Bank is an institution, which deals with money. Bank can be defined as the financial intermediately between depositors and entrepreneurs. The intermediation takes place when banks accept deposits from general public, corporate bodies and private organization and utilized those deposits in for profitable purposes in the form of loan and advances. So, Bank is the main source for the regulation and channels the saving of the community as well as makes such uses by saving by making it available to productive and priority sectors of economy which guide the nation on growth and development path.

Bank is the dealer of money which accepts deposits from public and mobilizes the fund to productive sectors. It facilitates the growth of trade and industry of the national economy. However, Bank is a resource for economic development, which maintains the self confidence of various segments of society and extends credit to people. In a common sense, Bank is a financial institute established by a specific law, for the deposit, loans exchange or issue of money and for the transmission of funds. In other words, Bank can be defines as a financial supermarket providing all kinds of monitory service, which is necessary for all the economic development of a country. Without bank it would be quite impossible for industrialists and entrepreneurs to go directly to general public for getting their saving for the investment.

A bank is an organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to other for expenditure. (Kent).

A bank collected money from those who have it to spare or who are saving it out of their incomes and it lends money to those who require it. (C.R Crowther).

Banks are in general recognized as traders in money, which takes deposits, provides loans and other banking related services. According to Random House Dictionary, 'An institution for receiving, leading, exchanging and safe guarding money and in some case issuing notes and transacting other financial busines'.

From the above discussion, it is clear that the term Bank is that financial institutions that offer the widest range of financial services-especially credits, savings, payments services and perform the widest range of financial functions of any business firm in the economy.

2.1.3 Concept of Commercial Bank

The commercial banks are those banks that pool together the saving of the community and arrange for their productive use. They accept deposit from the public who have idle money. They grant loan in the form of cash, credits and overdrafts. They provide working capital needs of trade, industry even to agriculture sectors. Commercial Banks also provide technical and administrative assistance to industries, trades and business enterprises.

A commercial bank is that bank which exchange money, accepts deposits, grants loans and performs banking function. (The Commercial Bank Act 2031 BS). Thus, their task is to provide or collecting point for saving of relatively small average amount from a large number of individual sources and invest them into a productive and needed sector of the country, so, as to develop the nation.

'Commercial Bank is a corporation, which accepts demand deposits subject to check and makes terms loans to business enterprises, regardless of the scope of its other services.' (American Institutes of Banking 1972, " Principal of Bank Operation" USA).

Nepalese Commercial Banks are established under Commercial Bank Act 2031 and may be promoted by government, semi- government, private and joint venture sectors. Nepal Rastra Bank recommends, directs and controls the establishment, operations and dissolutions of all the commercial banks in Nepal.

The commercial banks functions are: - collections of bills and cheques, safety of public money, guarantee, loans, serving as agent of client, lockers facilities, etc. Commercial banks deals with finance, trade and commerce, whose deposits are for a short period, these banks normally advance short term loans to the money necessary sectors.

Thus, Commercial banks accelerate common people in economic welfare and provide facility of loan to the agriculture, industry, commerce and to provide the banking services to the public and the state.

2.1.4 Concept of joint venture bank

Joint venture is an association of two or more persons or parties undertaken to make the operation highly effective with their collective effort. A joint venture bank refers to the investment by the foreign bank to the share of Nepalese commercial banks. It is also known as two or more independent firms mutually decided to participate in a business venture, contribute to the total equity or more or less capital and establish a new organization . In this firm with in a country may participate in a joint venture.

The words of Jauch, Lawrence and Glueck (1988) about joint venture: “When two or more independent firms mutually decide to participate in a business venture, contribute to the total equity or more or less capital and establish a new organization, it is known as Joint Venture.”Firms within a country as well as operated in different countries may participate in a venture; through instant of joint venture happen to be more common firm in different countries. As a strategy, joint venture may offer several advantages. A number of joint venture banks within the country where controlling influencing or reducing competition and or influencing suppliers.

Joint Venture is the joining of forces between two or more enterprises for the purposes of carrying out a specific operation. The first joint venture bank of Nepal, Nabil Bank Ltd (Nepal Arab Bank Ltd) was established on July 12th 1984 (2041 BS) under a technical services agreement with Dubai Bank Ltd. Joint Venture Banks of Nepal are a better position than local commercial banks in terms of profit making and services providing. These banks play vital roles in attracting foreign investment by familiarizing the foreign investors.

2.1.5 Joint Venture Banks in Nepal

The two old domestic commercial banks namely Nepal Bank Limited and Rastriya Banijya Bank were running, the business market was still facing the lack of banking

system, HMG has adopted liberalization policy and started allowing the setting of joint venture banks in FY 1984/ 1985. Government, through this policy allowed private sector both domestic and foreign to enter in the banking business in order to bring healthy competition among banks and increase foreign investment in Nepal. As a result the first JVB Nepal Arab Bank Limited was established in 2041 BS. Its joint venture partner was Emirates Bank International Limited, Deirm Dubai.

With the adoption of economic liberalization policy of HMG a substantial increase in the number and the size of the joint venture banks. Now there are 32 joint venture banks and their lots of branches are running in the country.

The existence of foreign JVBs has presented an environment of healthy competition among the existing commercial banks. The main beneficiary of this is the bank's client. The increased competition among the banks leads to increment in the quality and services of the banks.

2.2 Review of previous studies

2.2.1 Review of Journals and Articles

In addition to financial performance, there are various financial aspects which deal in the context of Nepalese commercial and joint venture banks. The major findings of the approaches in these studies are reviewed briefly.

G.B. Thapa (2050) in his article entitled "Finance System of Nepal" reveals that the commercial banks including foreign joint venture banks seem to be doing pretty well in mobilizing deposits, likewise the loans and advance of these banks are also increasing but newly emerging industries, the banks still seem to lack adequate funds, the banks are increasing their lending to non- traditional sectors along with the traditional sectors.

Mr. N.P. Poudel,(2053) in his article called "Financial statement Analysis" published in Nepal Rastra Bank Samachar on 2053 was reviewed. According to him "Balance sheet, Profit and loss A/C and the accompanying notes are the most useful aspects of the bank, we need to understand the major characteristics of bank's balance sheet and profit and loss account. The bank's balance sheet is composed of financial claims as liabilities in the form of deposits and assets in the form of loans. Fixed assets account forms a small portion of total assets. Financial innovations, which are generally contingent in nature, are considered as off balance sheet items.

The users of the financial statement of a bank need relevant, reliable and comparable information, which assists them in evaluating the financial position and performance of the bank and which is useful to them in making economic decisions. According to Paudel, the principal objectives of analyzing financial statements are to identify:

- Financial adaptability (liquidity)
- Financial performance (Profitability) and
- Financial position of the bank (solvency)

According to Mr. Poudel, the other factors, to be considered in analyzing the financial statements of banks are to assess the capital adequacy ratio and liquidity position. In the line of the norms set by bank for International Settlements (BIS), capital adequacy of a bank is assessed on the basis of risk- weighted assets; it indicated a bank's financial strength and solvency. Banks facing with capital adequacy problem may increase capital or reduce assets or reallocate the existing assets structure in order to maintain the desired level of capital base.

Liquidity is measured by the speed with which a bank's assets can be converted into cash and other current obligations. It is also important in view of survival and growth of a bank.

Mr. Bhaskar Sharma in his article "Banking the future of Competition "(Business Age, Oct, 2000) has presented that commercial banks are establishing and providing their services in urban areas only. They do not have interest to establish in rural areas. Only the branch of Nepal Bank Ltd and Rastra Bank is running in these sectors. Commercial banks are charging higher interest rate on lending and having maximum tax concession. They don't properly analyze the credit system. According to him, due to the lack of investment banks are tempted to invest without proper credit appraisal and on personal guarantee, whose negative side effect would show colors only after four or five years.

An article written by Radha Krishna Poudel focuses in the potential areas where banks should inest to tight the prevailing economic recession. Currently, growth in the profitability of JVBs has been mainly due to external factors such as in the real sector of the economy. Therefore, to sustain the current financial position in the long run, banks should enter new areas by marketing their credit in important subsections

such as hydroelectricity, tourism, irrigation etc. Mr. Poudel further writes that ‘Saving collection is another factor which is necessary for banks to balance their operation and generate sufficient surplus in their Cash- flows, in recent year growth rate of bank deposits has declined to about 16% compared against 23% of the past. Mobilization of internal resources in the country demands that banks attract more financial resources from the public.

2.2.2 Review of Thesis

Various thesis works have been done in different aspects of commercial banks such as lending policy, investment policy, financial performance analysis, resource mobilization and capital structure. The review of some previous study which is relating to the Nepalese banking sector is the most relevant sources and assistant for this research.

Mr. Bohara (1994) had conducted a research on Comparative study of “The financial performance of NABIL and NIBL”. The basic objectives of his study were to highlight the financial performance and role of JVBs in the liberalized Nepalese economy. His attempts of analyzing financial performance were concentrated in Ratio Analysis and he derived the strength and weakness of two major JVBs by calculating important ratios, such as Liquidity Ratios, Leveraged Ratios and other indicating ratios like EPS, DPR, P/E ratio etc.

After calculating the above ratios, along with income and expenditure analysis and trend analysis, Mr. Bohara had come out with some valuable suggestions to the JVBs, which are outlined below:

- JVBs need to make balance between distributing of dividend and issuing of bonus shares.
- They need to increase operational profit by concentrating in consistence earning rather than fluctuating earnings.
- They need to maintain liquidity in the form of cash reserve ratio as per the regulation of NRB. Beside these suggestions, he had emphasized in small. Entrepreneurs, development program, branch expansion and mobilization skills and enhancement of foreign investment in the country.

Mr. Regmi on his thesis entitled (2001), “A comparative study of the financial performance of Himalayan Bank Ltd and Nepal Bangladesh Bank Ltd.” It was found that the performance of NBBL is not maintaining adequate liquidity position in comparison with HBL. As capital structures of both the banks are highly levered both banks are recommended to maintain and improve mix debt by increasing equity shares. He suggests to HBL to improve the efficiency in utilizing equity the deposit in loan and advances for generating the profit. NBBL should try to maintain present position on this regards. Profitability position of HBL is comparatively better than the same NBBL. So, NBBL is recommended to utilize its resources more efficiently of generating more profits margin.

Pokhrel (2002) on his thesis entitled, “ A comparative study of financial performance of Nepal Bangladesh Bank Ltd and Everest Bank Ltd”, was concluded that the financial performance of NBBL and EBL for the study. The study finds out that the average net profit margin remains greater in NBBL. Higher CV in EBL suggests greater fluctuation e ratio over the period. EBL found to be weaker in utilizing the bank’s assets for the profit generation. EBL holds greater capacity in paying immediate obligation as revealed by the higher cash and bank to current assets ratio. Total deposits, loan and advances, total investment, net worth, net profit, PS and MVPS showed the increasing trend. Provision for possible losses to loans and advances ratio in NBBL exceeded than in EBL over the study period which indicates that loan and advance grants by the banks are inferior. In contrast to EBL, NBBL has mentioned the consistency in the EBL over the period.

Mr. Shrestha (2003) on her thesis entitled, “A comparative analysis of financial performance of selected joint venture banks”. The selected banks are NABIL, HBL and NB Banks. The basic objectives of her studies are outlined below.

- To examine the comparative financial strengths and weaknesses of the selected joint venture banks.
- To analysis different financial ratios of these banks.

Her attempts of analyzing financial performance were concentrated in ratio analysis and she derived the strengths and weaknesses of joint venture banks by calculating important ratio such as liquidity ratios, leverage ratios, profitability ratios etc. After calculating the above ratios along with income and expenditure analysis and trend analysis she has come out with some findings which are outlined below.

- Analysis of liquidity ratio indicates better liquidity position of NB bank.
- NB bank is efficiently utilizing its deposit or loans and advances however total investment of NABIL is better than that of NB Bank and HBL.

- Capital adequacy ratio of NABIL is better than the other two banks.
- NABIL is paying higher proportion of its earning as dividend and retaining least proportion of its earning.
- Operating profit of NABIL is higher than that of HBL and NB Bank. Finally she has given some valuable suggestions which are outlines below.
- NABIL and HBL must shift their investment from low income generating investment to higher income generating loans and advances and overdraft to increase its profit and to become of the leading joint venture banks of Nepal.
- The joint venture banks should not only centralize in urban areas.
- The joint venture banks are recommended to activate foreign technology and investment in productive sectors.

Mr. Gautam (2006) has conduct research on “A comparative study of financial performance of Standard Chartered Bank and Nepal Bangladesh Bank Limited”. He found that sample banks have used high percentages of total debts in raising the assets. The P/E ratio of Nepal Bangladesh Bank is higher than Bank. Nepal Bangladesh Bank has higher degree of financial risk which should reduce. Profitability position of Standard Chartered Bank is stronger than Nepal Bangladesh Bank.

Mr. Kuikel (2009) conducted a thesis on a topic “ Financial performance of leading Commercial Banks in Nepal” He attempt to analysis the financial performance with the help of financial analysis such as liquidity, leverage, profitability, solvency ratio of SCBNL, Nabil, HBL and EBL. The main objectives of his study are as follows.

- To measure liquidity, leverage, profitability ratio, ownership/ solvency ratios of SCBNL, Nabil, HBL, and EBL.
- To analyze and compare the position of NPA.
- To analyze the comparative financial position of SCBNL, Nabil, HBL, EBL.
- To examine whether theses commercial banks are following NRB directives or not.

Mr. Kuikel comes out with some valuable findings which are as follows.

- Regarding the liquidity management, all banks are in better position except EBL. EBL was unable to maintain the liquidity as per the directives of central bank.
- SCBNL successful on maintaining capital adequacy ratio as per the directives of central bank than Nabil, HBL and EBL.

- The analysis of P/E ratio indicates all banks SCBNL, Nabil, HBL and EBL had getting more competitive value. This shows they all had better P/E ratio. Among them, HBL is the highest.
- The analysis of NPA indicates that EBL, Nabil and SCBNL had comparatively lower average of such ratio. HBL had comparatively high average.

Mr. Kuikel has recommended some measures on the basic of his studies. His major recommendations were as follows.

- For strengthening the liquidity position, EBL is strongly recommended to maintain CRR as per the directives of central bank.
- He has suggested to improving the credit collection performance and maintaining an adequate bad debt provision.
- Except SCBNL and Nabil, he recommended to HBL and EBL to maintain capital adequacy ratio as per the directives of central bank. EBL is strongly recommended to generate cheaper fund by bearing favorable lower interest rate on deposits. SCBNL is suggested to keep it up.

Mr. Shakya (2010) through his thesis “Financial performance of Nepal SBI Bank Limited and Everest Bank Limited” concluded that the liquidity position of these two banks is sound. Nepal SBI Bank has better utilization of resources in income generating activity than Everest Bank Limited. Interest earned to total assets and return on net worth ratio Everest Bank is higher than Nepal SBI Bank. He concludes overall profitability position of Everest Bank better than Nepal SBI Bank.

2.3 Research Gap

The reviews of aforementioned works make it clear that an efficient financial analysis is analysis of liquidity, leverage, profitability and solvency ratio which helps to know the financial conditions for betterment in the future activities. Though, there have been a lot of studies explaining on the financial conditions with the use of financial tools of the commercial banks none of the studies covers the areas of present study. This study has been helpful to analyze the impact of financial situation of the banks with the help of the statistical tool such as arithmetic mean, standard deviation, trend analysis in Nepal. This study fulfill the gap by measuring the relation between the commercial banks financial activities overall economic growth of the economy.

Chapter-3

Research Methodology

3.1 Research Methodology

Research methodology is a way to systematically solve the research problem. It is the way of arriving to the solution of the problem through plan and systematic dealing with the collecting, analyzing and interpretation of facts and figure. Thus the main purpose of this chapter is to stress on the different research methods and conditions, which are used while conducting this study. This chapter is outline of the nature and source of data, sample selection and classification of variables, techniques and steps adopted in interpreting and analyzing the data.

‘Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view’. Kothari (1994:19). A research methodology helps to find out accuracy, validity and suitability. The research methodology used in this study is briefly mentioned below.

3.2 Research Design

Generally, research design means definite procedures and techniques which guide to study and preplanned the way for research availability. Research design is very important for scientific investigation. It gives the investigator a systematic direction to research work. Actually, research design is a plan for data collection and analysis. It presents a series of guideposts to enables the researcher to process in the right direction in order to achieve the goal.

There are various approaches of research design. For our convenience, in this thesis comparative analysis on financial performance of three joint venture banks are based on descriptive and analytical research design.

3.3 Nature and Source of data

The study is based on secondary data. Even though some primary data is also collect through personal visit to the bankers and responses from them. The data required for the analysis is directly obtained from the financial statement of concerned banks. The data of Himalayan bank, Everest bank and Nabil bank have been collected from secondary sources. The necessary information had been obtained from various

sources such as journals, magazine, published or unpublished reports and document from various sectors.

3.4 Population and Sample

The group of individuals or organization under the study is known as the population where as the part selected from the population is known as sample. In this research it is not easy to study all the data related with all joint venture banks of Nepal. At present there are thirty one commercial banks operating in Nepal under the guidance of Nepal Rastra Bank. For the purpose of convenience only three commercial banks have been taken as sample of this study and rests are considered as population. Five years data are taken to conduct the study. Following commercial banks have been selected for the study. They are:

- Himalayan Bank Limited
- Everest Bank Limited
- NBIL Bank Limited

3.5 Data Collection Techniques

To achieve the objectives of the study qualitative and quantitative analysis have been done. The collected information are in big volume, so only the basic and the most important data have been adopted and analyzed to prepare the report.

3.6 Data Processing and Analysis

Data are important tools to analyze and evaluated the actual position of any organization. Analysis of data helps to come closer to reality. The tabulated data were analyzed with the help of various fundamental financial tools and statistical tools. The following financial ratios and statistical tools have been used to analyze the data.

3.6.1 Financial Tools

Financial tools basically help to analyze the strength and weakness of a firm. In this study, ratios analysis has been used as means of financial tools to analyze the collected data.

Ratio Analysis

An arithmetical relationship between two figures is known as ratio. It is computed by dividing one item of relationship with the other. Ratio simply means one number expressed in terms of another. Ratio analysis is a technique of analysis and

interpretation of financial statement. To evaluate the performances of an organization by creating the ratios from the figure of different accounts consisting in balance sheet and income statement is known as ratio analysis. The qualitative judgment regarding financial performance of a firm can do with the help of ratio analysis.

The ratio analysis involves comparison for a useful interpretation of the financial statement. A single ratio in itself does not indicate favorable or unfavorable condition. It should compare with some standard. For this study, ratios are categorized in to the following major headings.

A. Liquidity Ratio

Liquidity ratio measure the firm's ability to meet current obligations. In analysis of liquidity needs the preparation of cash budgets and cash and fund flow statements; liquidity ratios, by establishing a relationship between cash and other current assets to current obligation provides a guide measure of liquidity (Pandey, 1989:103). Banks can experience lack of liquidity when cash outflow (due to deposit, withdraws, loans etc.) exceed cash inflows (new deposits loan repayments etc). They can resolve any cash deficiency by either creating additional liabilities or by selling assets. To analyze the ability of banks, the following selected ratios are calculated.

- Current Ratio
- Cash and Bank Balance to Current Deposit Ratio
- Cash and Bank Balance to Current and Saving Deposit Ratio
- Fixed Deposits to Total Deposit Ratio

a. Current Ratio

This ratio is commonly used ratio to measure the liquidity and short term solvency of the firm. It is the relationship of current assets and current liabilities. Current assets are those assets, which can be converted into cash within short period of time normally not exceeding one year. It includes cash and bank balance, investment in treasury bills, money at short call or placements, short term loans and advances, bills purchased and discounted, overdrafts, for collection, prepaid expenses, other receivables etc. Current liabilities are those obligation which are payable within a short period. It includes current account deposits, saving account deposits, margin deposits, call deposits, intra- bank reconciliation a/c, bills payable, bank overdrafts, accrued expenses, bills for collection, customer's acceptance liabilities etc.

The ratio is calculated using following formula.

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

b. Cash and Bank Balance to Saving Deposit Ratio

This ratio is design to measure the banks ability to meet the immediate obligations. This ratio is calculated by dividing total saving deposits to cash and bank balance. Cash and bank balance comprises cash in hand, foreign cash in hand, cheques and other cash items, balance with domestic bank and balance held in foreign banks. Symbolically,

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

c. Cash and Bank Balance to Total Deposit Ratio

This ratio is computed by dividing cash and bank balance by total deposits. This ratio shows the ability of banks immediate funds to cover their total deposits. Higher ratio shows higher liquidity position and ability to cover the deposits and vice versa.

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

B. Assets Management Ratio / Activity Ratio

An asset management ratio indicates how efficiently the selected banks have arranged and invested their limited sources at it's commend. The following ratios are used under this ratio.

- Loan and Advance to Total Deposit Ratio
- Loans and Advance to Fixed Deposit Ratio
- Loan and Advance to Saving Deposit Ratio
- Loan and Advance to Total Assets Ratio

a. Loan and Advance to Total Deposit Ratio

Loan and advance are the major resources of investment to generate income in the commercial banks. Deposits are used to grant loans and advances. Therefore, the

bank should manage its deposit efficiently. Loan and advances consist of loans, advances, cash credit, overdrafts and foreign bills purchased and discounted. This ratio is calculated to determine the utilization of deposits for profit generating purpose on the loans and advances. This ratio is calculated by using following formula.

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

b. Loans and Advance to Fixed Deposit Ratio

Fixed deposits are the long-term interest bearing obligation and loans and advances is the major sources of investment to generate the income by the commercial banks. This ratio is calculated to determine the utilization of fixed deposits in profit generating purpose on loans and advances. This ratio can be calculated as,

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

c. Loan and Advance to Saving Deposit Ratio

Saving deposit is the short- term interest bearing liabilities and loans advances are the major sources of investment to generate income in the commercial bank. The ratio is employed for the purpose of measuring utilization of saving deposit in generating revenue by loans and advances to the client, the ratio is calculated as,

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

d. Loan and Advance to Total Assets Ratio

Loans and advances is the major component in the total assets. Total assets indicate the ability of bank to analyze its deposits in the form of loans and advances to earn high return. Total assets includes current assets, loans for development banks and other fixed assets but excludes off balance sheet items like letter of credit, letter guarantee etc.

$$\text{Loan and Advance to Total Assets Ratio} = \frac{\text{Loan and Advance}}{\text{Total Assets}}$$

C. Profitability Ratio

Profit earning is the main objective of each business concern. Profitability ratios are used to indicate and measure the efficiency of operation of a firm in terms of profit. Profitability is the main base for liquidity as well as solvency. Creditors, banks and

financial institution are interested in profitability ratios since they indicate liquidity or capacity of the business to meet interest obligations. Owners are interested in profitability for they indicate the growth of and also the rates of return on their investments; the following ratios are used in such type of analysis:

- Return on Equity (ROE)
- Return on Total Assets (ROA)
- Interest Earned to Total Assets Ratio

a. Return on Equity (ROE)

The ratio calculated the percentage return, the shareholders fund has earned. Net worth or shareholders equity refers to the owner claim on the assets of the bank. The ROE measures the earned on the owner's investment. This ratio indicates how well the banks have used the resources of the owners. It is calculated by dividing net profit after tax by net worth i.e. shareholders equity.

$$\text{ROE} = \frac{\text{Earning after Tax (EAT)/ Net profit}}{\text{Shareholder's Equity}}$$

b. Return on Total Assets (ROA)

It measures a firm's net income in relation to the total assets. This ratio is a useful measurement of the profitability of all financial resources invested in the banks assets. The ROE or profit to assets ratio is calculated by dividing the amount of net profit by the amount of total assets.

$$\text{Return on Total Assets (ROE)} = \frac{\text{Earning After Tax / Net Profit}}{\text{Total Assets}}$$

c. Interest Earned to Total Assets Ratio

This ratio shows how much interest has been generated by mobilizing the assets of banks. Interest occupies significant place of income for the banks. Generally, banks earned interest through the provision of loans and advances, overdrafts and investment in securities. Higher the ratio indicated higher efficiency in the mobilization of resources and ability of interest earned and vice versa. Following formula is used to calculate the ratio.

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

D. Credit Ratio

This ratio is used to measure the credit creation capacity of the banks. In other words this indicates how for the banks are able to create credit from the deposits liabilities.

Deposit collected from the people is the major financial sources of the banks. A bank invests the collected deposits to the various incomes generating sectors. Under this ratio the following ratios are analyzed.

- Total Investment to Total Deposit Ratio
- Investment on Government Securities to Total Deposit Ratio

a. Total Investment to Total Deposit Ratio

This ratio is designed to see the investment efficiency with regard to total deposit accepted by commercial banks. Investment includes both short term investment and long term investment i.e. investment on government securities and investment on shares, debenture etc. This can be found out using the following formula.

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

b. Investment on Government Securities to Total Deposit Ratio

This ratio is designed to see the investment on government securities made by commercial banks, vice versa the total deposits accepted. It is computed by finding the investment on government securities by total deposits.

$$\begin{aligned} &\text{Investment on government Securities to Total Deposit Ratio} \\ &= \frac{\text{Investment of Government Securities}}{\text{Total Deposits}} \end{aligned}$$

E. Leverage Ratio

Leverage ratio shows the proportion of debt capital and equity capital. It shows the long term solvency of the firm. The use of finance is referred by financial leverage. “When a firm borrows money, it promises to make series of fixed payment, which create financial leverage”. (Brealy and Myers, 1991)

This ratio is the key ratio to measure the strength and weaknesses of the capital structure of the company. It indicates the relative contribution of the owner’s equity and the outsider’s fund that is debt under this ratio; the following ratios are used under this ratio.

- Debt Equity Ratio
- Debt Asset Ratio

a. Debt Equity Ratio

This ratio is used to measure the creditors claim against the owner's claims. The total debt obligation is measured as ratio of the total shareholder's equity. It also indicates the composition of debt and equity in the total capital structure.

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholders Equity}}$$

b. Debt Asset Ratio

Debt assets ratio is designed to see the contribution of outsiders fund in financing the assets. In other words, what portion of the total assets is financed for the debts by total assets?

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

F. Other Ratios

a. Earning Per Share (EPS)

This ratio tells us what profit has been earned by the common shareholders for every share. EPS refers to the income available to the common shareholders on per share basis. The EPS is calculated by using following formula.

$$\text{Earning Per Share} = \frac{\text{Net Income after Taxes}}{\text{Number of Common Stocks Outstanding}}$$

b. Dividend Per Share (DPS)

Dividend per share is calculated to know proportion of the distribution to the shareholders per share. DPS is calculated with the help of following formulas.

$$\text{Dividend per Share} = \frac{\text{Earning paid to Shareholders}}{\text{Number of Common Stocks Outstanding}}$$

c. Dividend Payout Ratio

This ratio represents the percentage of the profit distributed as dividend and the percentage retained as revenue and surplus for the growth of the bank. It is determined by dividing dividend per Share by earning per share as expressed below.

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend per Share}}{\text{Earning per Share}}$$

d. Price Earning Ratio (P/E Ratio)

P/E ratio is widely used to evaluate the bank's performance as expressed by investors. It represents the investor's expectation about growth in the banks earning. In another words it measures how the market is responding towards the earning performance of the concerned institution. High ratio indicated greater expectation of the market toward the achievement of bank. It is obtained by dividing market value per share by earning per share.

$$\text{P/E Ratio} = \frac{\text{Market Value per Share}}{\text{Earning per Share}}$$

3.6.2 Statistical Tools

“The word statistics refers either to quantitative information or to a method of dealing with quantitative information”. (Gupta S.P. 'Elementary Statistical Methods, S Chand and Sons, 1833).

3.6.2.1 Correlation Analysis

Correction analysis is the analysis, which reflects that the variables of the two different data are related or we can say that correlation the analysis of relation between more than one variable. In other words, correlation is a statistical tool measures the relationship between/ among variables. It shows the degree and direction of such relationship. In this analysis we examine that the data are mutually dependent or not. “When the relation is of quantitative nature, the appropriate statistical tools for discovering and measuring the relationship and expressing it in a belief formula is known as correlation”. (Gupta, 1997/98)

The relation between the data may be either positive or negative. It can be term by different ways such as graphical representation, formula method etc. When both variables are moving upwards or downwards in the same proportion, it is said to be the condition of positive correlation and if the condition is vice versa then the condition is said to be negative correlation. The main purpose of this study is to find out the correlation between selected ratios with each other. The correlation coefficient is denoted by the symbol 'r'. To calculate correlation between variables, we use the following formula.

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

Where,

$\pm r$ = coefficient of correlation between variable x and y

N = Number of pairs in observation

$\sum xy$ = Sum of the product of the variables x and y

$\sum x$ = sum of the x

$\sum y$ = sum of the y

$\sum x^2$ = sum of the square of x

$\sum y^2$ = sum of the square of y

The value of the coefficient of correlation as obtained by the above formula shall always lie between +1 and -1. Where $r = +1$, means there is perfect positive correlation between the variables. Where $r = -1$, means there is perfect negative correlation between the variables. Where $r = 0$, it means there is no relationship between the two variable. However in practices such values of r as +1, -1 and 0 are rare.

3.6.2.2 Time Series / Trend Analysis

“Trend analysis is an analysis of financial ratio over time used to determine the importance of deterioration of its financial situation”. (Gupta, 1995)

Trend analysis informs about the expected future return future achievement of the bank, future credit worthiness of the bank and financial capacity of the bank and may other information which would be helpful to concerned parties of the bank such as shareholders, professional bankers, depositors and borrowers. In this study, the method least square is selected as statistical tools for the analysis of selected banks. The formula of least square method for the straight line is represented by the equation.

$$Y_c = a + bx$$

Where $a = \frac{\sum y}{N}$ $b = \frac{\sum xy}{\sum x^2}$

Y_c = Trend values

a= y intercept or the computer trend figure of the y variables when x=0

b= slop of the trend line of the amount of charge in y variables that is associated with change in 1 unit in x variable.

X= variables that represent time, i.e. time variable

The value of the constant can be determined by solving the following two normal equation.

$$\sum y = Na + b\sum x \dots\dots\dots(i)$$

$$\sum xy = a\sum x + b\sum x^2 \dots\dots\dots(ii)$$

Where N = total number of years

But for simplification, if the time variable is measured as deviation from its means, i.e. mid point is taken as the origin the negative values in the first half of the series balance out the positive value in the second half so that =0, the value of constant a and b can easily determined by using following formula.

$$a = \frac{\sum x}{n}$$

$$b = \frac{\sum xy}{\sum x^2}$$

After reviewing the relevant literature and highlighting the research methodology now the analysis part of the research is going to be undertaken.

Chapter-4

Presentation and Analysis of Data

This chapter deals with the analysis and interpretation of data of respective banks (i.e. HBL, EBL, and NBL) according to the research methodology to attain the objective of the study. In course of analysis, data gathered from the various sources inserted in the tabular form according to their homogeneous nature. The various tables prepared for the analysis purpose have been shown in annexes. Using financial and statistical tools, the data have been analyzed. The result of the analysis has been interpreted keeping in mind the conventional standard with respect to ratio analysis, directives of NRB and other factors while using other tools. The main aim of this chapter is presentation and analyzing data according to research methodology to attain the objective of the study. Moreover, financial performance of the sampled banks has especially been analyzed in cross sectional manner specially; the chapter includes an interpretation of the ratio Analysis, Income and Expenditure Analysis, Correlation Analysis and Trend Analysis.

4.1 Financial Analysis

Financial analysis is a process of evaluating relationship between component parts of financial statements, i.e. balance sheet and profit and loss account to obtain a better understanding of the banks position and performance. Various financial tools are used in this research for analysis. Although there are many ratios, only some selected ratios have been used in this study.

4.1.1 Ratio Analysis

Ratio analysis is very powerful tool of financial analysis. Ratio analysis is most widely and frequently used techniques out of the various method of financial statement analysis. It is a process of finding out of financial strength and weakness of a firm. It is express in percentages or times. In this section the collected data have been presented and analyzed in the frame work of ratio analysis as mentioned in the research methodology. The following ratios are used to analyze the financial performance of HBL, EBL and NBL.

4.1.1.1 Liquidity Ratio

The liquidity of a business firm is measured by its ability to satisfy its short term obligations as they come due. Liquidity refers to the solvency of the firm's overall financial position. The following ratios are used to measure the liquidity position of HBL, EBL& NBL with the help of financial data of past five years of the bank.

- a. Current Ratio
- b. Cash and Bank Balance to Saving Deposit Ratio
- c. Cash and Bank Balance to Total Deposit Ratio

a. Current Ratio:

This ratio is one of the most commonly used financial ratio measures the firm's ability to meet its short term obligations. It indicates the availability of current assets in rupees for each one rupee of current liabilities. Current ratio measures the relationship between current assets and current liabilities. It is expressed as follows:

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

Calculation of the current ratio of EBL, NBL and HBL can be shown by the following table,

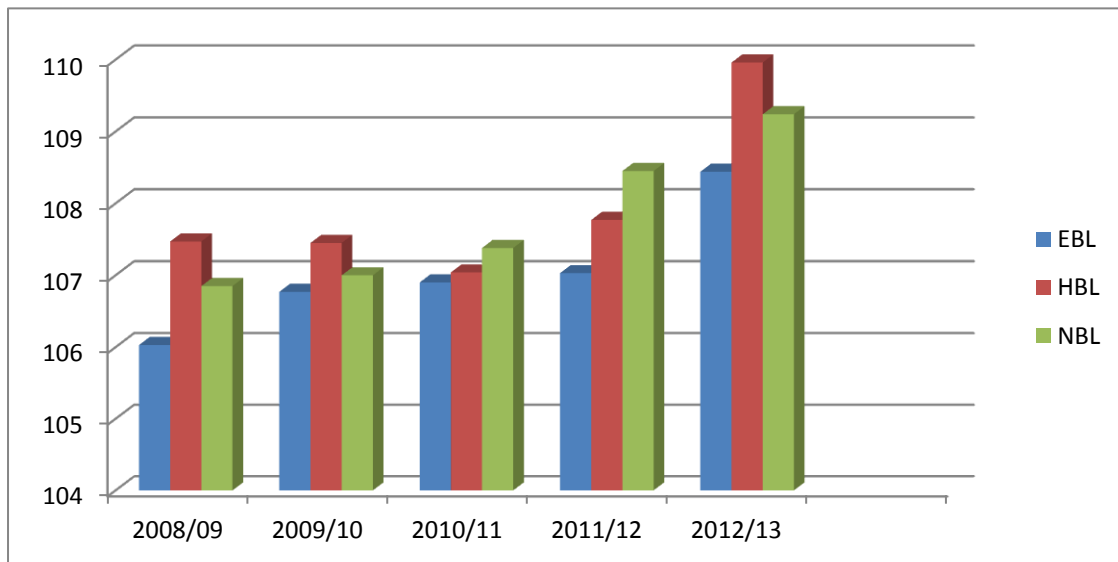
Table 4.1
Current Ratio
(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Current Assets	Current Liabilities	Ratio (%)	Current Assets	Current Liabilities	Ratio (%)	Current Assets	Current Liabilities	Ratio (%)
2008/09	36489	34413	106.03	38368	35699	107.47	43207	40435	106.8
2009/10	40919	38322	106.77	41655	38767	107.45	51372	48011	107.0
2010/11	45776	42819	106.90	45223	42248	107.04	57206	53272	107.3
2011/12	55266	51634	107.90	53059	49231	107.77	62306	57447	108.4
2012/13	65110	60040	108.44	61139	55601	109.96	72369	66249	109.2
Mean			107.09			107.94			107.7
SD			0.7856			0.9808			0.917
CV			0.73			0.91			0.85

Source: Annual Reports (2008/09-2012/13)

Chart 4.1

Current Ratio



Above table and chart shows the current ratio of three joint ventures banks from 2008/09 to 2012/13. The standard current ratio is 2:1. The average ratio of last five years of EBL, HBL and NBL are 107.09%, 107.78 % and 107.94% respectively. The table and chart indicates that all of bank current ratios are below than the normal standard over the study period. However all the banks have increased the current ratios in fifth year.

The current assets to current liabilities of EBL is 106.03% in fiscal year 2008/09 whereas 108.44% in fiscal year 2012/13. This shows increasing trend of current ratio during five year period which means that the bank obligation to pay its short term liability has increased in these years. Similarly the current ratio to current liabilities of NBL is 106.85 % in fiscal year 2008/09 whereas 109.24 % in fiscal year 2012/13. The bank's current obligation to pay short term liability has increased. Also the current asset to current liabilities of NBL is minimum of 106.85% in fiscal year 2008/09 and maximum of 109.24% in fiscal year 2012/13. Lower current ratio indicates that the banks have not maintained the sufficient liquid assets to meet their current obligations. So the current obligations of these banks seem to be increased.

The coefficient of variation of HBL is fluctuating as compared to EBL and NBL. The CV of HBL is 0.91 % which is higher than EBL and NBL which are 0.73 %, and 0.85 % respectively. It shows that HBL is more inconsistent in current assets to current liabilities ratio over the study period. However, EBL with the lowest C.V. (i.e. 0.73%) indicates that it is consistent in current assets and current liabilities ratio over the

study period. The lowest C.V. indicated that EBL has maintained a good balance in liquidity ratio than other selected banks over the study period.

The nature of assets and liabilities of the selected commercial banks ratios are below the stated standard may be accepted as satisfactory but it signifies that the banks have not sufficient liquidity position. The banks may face the problems of working capital if they need to pay the current liabilities. For the banks it is very important to maintain a good balance between liquidity and profitability. If banks keep large portion of money under its control it affects in profit because idle money earn nothing but other hand the banks should enough cash balance with it to fulfill the requirement of short term liabilities.

b. Cash and Bank balance to Saving Deposit Ratio

Cash and bank balance are the most liquid form of the current assets. The cash and bank balance ratio indicates the percentage of readily available funds within the bank. The cash and bank balance to saving deposit ratio is calculated by using following formulas:

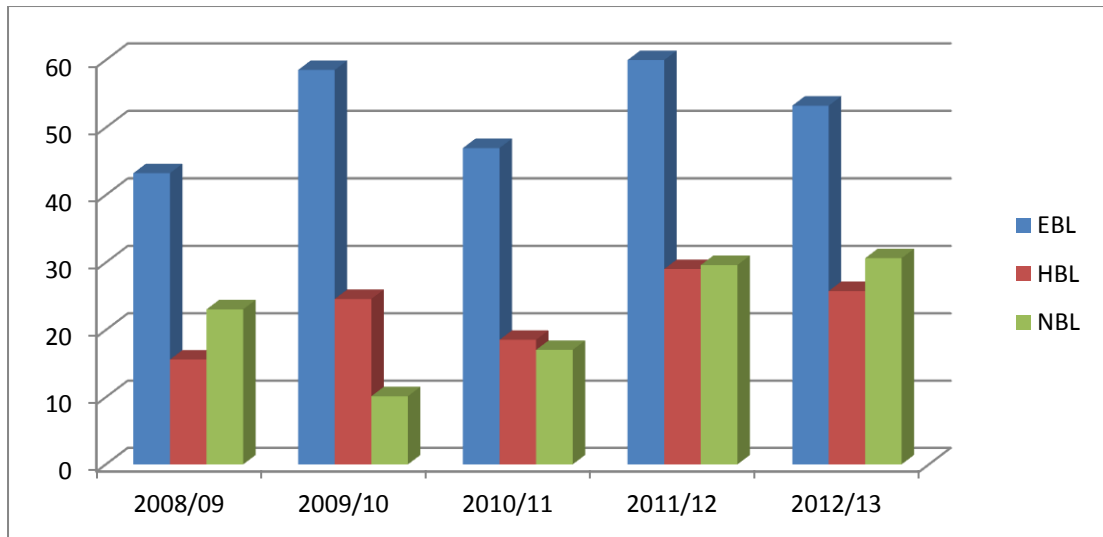
$$\text{Cash and bank Balance to Saving Deposit Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Saving Deposit Ratio}}$$

Table 4.2
Cash and Bank Balance to Saving Deposit Ratio
(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Cash & Bank Balance	Saving Deposit	Ratio (%)	Cash & Bank Balance	Saving Deposit	Ratio (%)	Cash & Bank Balance	Saving Deposit	Ratio (%)
2008/09	6164	14257	43.23	3047	19522	15.60	3371	14620	23.06
2009/10	7818	13360	58.52	3865	15719	24.59	1398	13783	10.14
2010/11	6122	13039	46.95	2964	15994	18.53	2434	14288	17.03
2011/12	10361	17269	59.99	6362	21915	29.03	4275	14432	29.62
2012/13	11215	21067	53.23	5709	22150	25.77	5883	19203	30.63
Mean			52.38			22.70			22.09
SD			6.473			4.916			7.732
CV			12.35			21.65			35.0

Source: Annual Reports (2008/09-2012/13)

Chart 4.2
Cash and Bank Balance to Saving Deposit Ratio



In above table and chart cash and bank balance to saving deposit ratio has been calculated by dividing total cash and bank balance amount by total saving deposit amount. The above ratio reveals that the ability of banks to cover its short term deposits. On an average basis, EBL Bank is more in better position with an average 52.38 % than all other sample banks. There is HBL with an average of 22.70%, which is also in comfortable position is discharging its short term liabilities.

From S.D point of view, NBL has the highest S.D. of 7.732 point. Next to it there is EBL with S.D. of 6.472 point. HBL has the lowest S.D. of 4.916 point. It indicates that there is high fluctuation in cash and bank balance to total deposit ratio of EBL and NBL over the study period .Himalayan bank with the lowest S.D. indicates that there is low fluctuation in cash and bank balance to total deposit ratio.

From C.V. point of view Nabil bank has the highest C.V. i.e. 35.0% and next to it Himalayan bank with C.V. is 21.65 % and Everest bank has 12.35 %.This implies that Nabil bank and Himalayan are more inconsistent in cash and bank balance to total deposit ratio over the study period. However, Everest bank with the lowest C.V. i.e. 36.0 % indicates that it is consistent in cash and bank balance to total deposit ratio over the entire study period.

c. Cash and bank balance to Total Deposit Ratio

Cash and bank balance are ratio represents a greater ability to cover their deposits and vice versa. This ratio is determined by dividing cash and bank balance by total deposit.

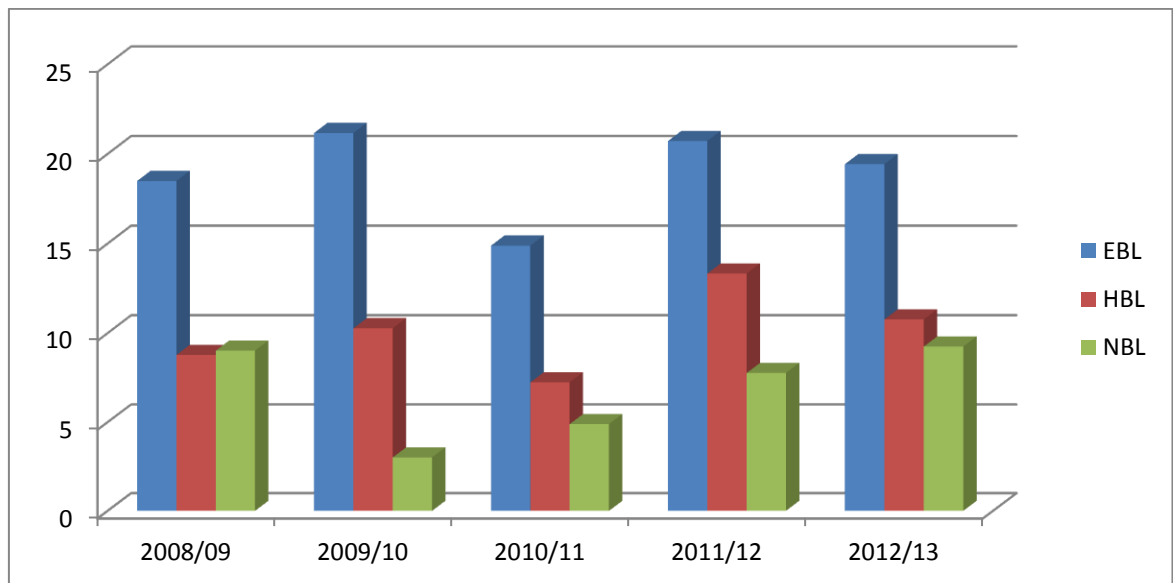
$$\text{Cash and Bank Balance to Total Deposit Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposits}}$$

Table 4.3
Cash and Bank Balance to Total Deposit Ratio
(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Cash & Bank Balance	Total Deposit	Ratio (%)	Cash & Bank Balance	Total Deposit	Ratio (%)	Cash & Bank Balance	Total Deposit	Ratio (%)
2008/09	6164	33322	18.49	3047	34681	8.785	3371	37348	9.02
2009/10	7818	36932	21.17	3865	37611	10.27	1398	46410	3.01
2010/11	6122	41127	14.88	2964	40920	7.240	2434	49696	4.89
2011/12	10361	50006	20.72	6362	47730	13.32	4275	55023	7.77
2012/13	11215	57720	19.43	5709	53072	10.76	5883	63609	9.25
Mean			18.94			10.07			6.79
SD			2.239			2.0371			2.444
CV			11.82			20.21			36.0

Source: Annual Reports (2008/09-2012/13)

Chart 4.3
Cash and Bank Balance to Total Deposit Ratio



In above table, cash and bank balance to total deposit ratio has been calculated by dividing total cash and bank balance amount by total deposit amount. The above ratio reveals that the ability of banks to cover its short term deposits. On an average basis, EBL Bank is more in better position with an average 18.94 % than all other sample banks. There is HBL with an average of 10.07 %, which is also in comfortable position is discharging its short term liabilities.

From S.D point of view, NBL has the highest S.D. of 2.444 point. Next to it there is EBL with S.D. of 2.239 point. HBL has the lowest S.D. of 2.037 point. It indicates that there is high fluctuation in cash and bank balance to total deposit ratio of EBL and NBL over the study period .Himalayan bank with the lowest S.D. indicates that there is low fluctuation in cash and bank balance to total deposit ratio.

From C.V. point of view Nabil bank has the highest C.V. i.e. 36.0% and next to it Himalayan bank with C.V. is 20.21 % and Everest bank has 11.82 %.This implies that Nabil bank and Himalayan are more inconsistent in cash and bank balance to total deposit ratio over the study period. However, Everest bank with the lowest C.V. i.e. 11.82 % indicates that it is consistent in cash and bank balance to total deposit ratio over the entire study period.

4.1.1.2 Assets Management Ratio/ Activity Ratio

A commercial bank must be able to manage it's assets very well to earn high profit, so to satisfy it's customers and for own existence. Assets management ratio indicates how efficiently selected banks have arranged and invested their limited sources at it's commend. The following ratios are analyzed under this section.

- a. Loan and Advance to Total Deposit Ratio
- b. Loan and Advance to Fixed Deposit Ratio
- c. Loan and Advance to Saving Deposit Ratio
- d. Loan and Advance to Total Assets Ratio

a. Loan and Advance to Total Deposit Ratio

Loan and advances to total deposit ratio measures the extent to which the banks are successful to utilize the outsider's fund for generating profit. It can be calculated by dividing the amount of loans and advances by the total deposits. The ratio is calculated as follows:

$$\text{Loans and Advances to Total Deposit} = \frac{\text{Loans and Advances}}{\text{Total Deposits}}$$

Loans and advances to total deposit ratio of Everest bank, Nabil bank and Himalayan bank during the period 2008/09 to 2012/13 are presented in the table below:

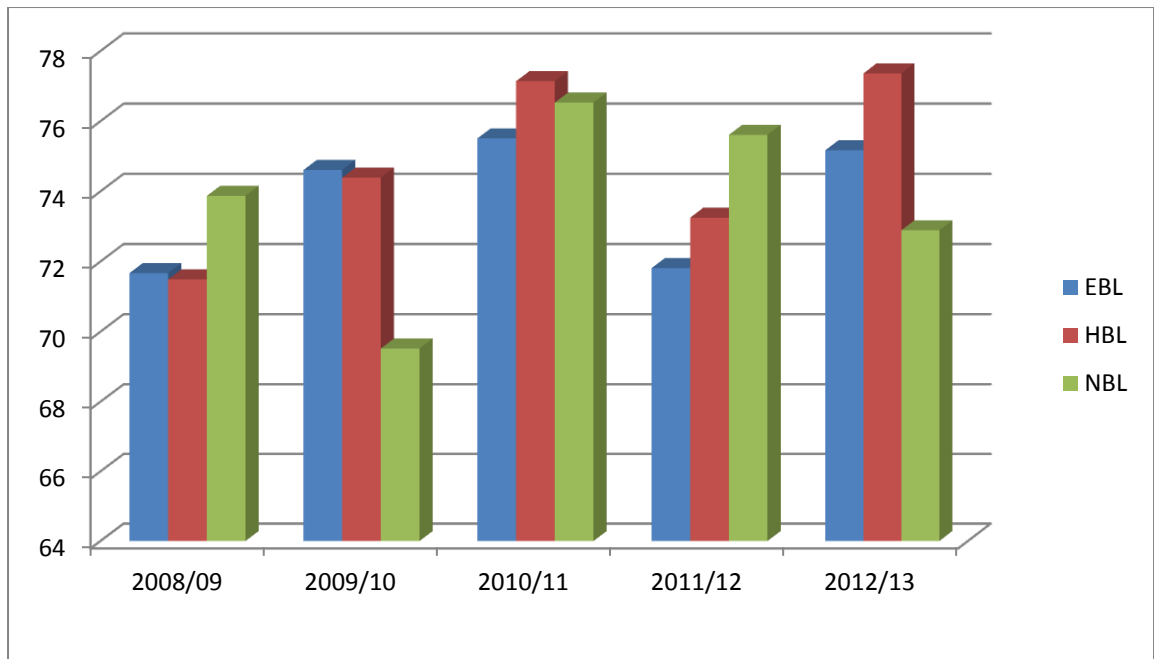
Table 4.4
Loans and Advances to Total Deposit Ratio

(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Loan & Advance	Total Deposit	Ratio (%)	Loan & Advance	Total Deposit	Ratio (%)	Loan & Advance	Total Deposit	Ratio (%)
2008/09	23884	33322	71.67	24793	34681	71.49	27589	37348	73.87
2009/10	27556	36932	74.61	27980	37611	74.39	32268	46410	69.52
2010/11	31057	41127	75.51	31566	40920	77.14	38034	49696	76.53
2011/12	35910	50006	71.81	34965	47730	73.25	41605	55023	75.61
2012/13	43393	57720	75.17	41057	53072	77.36	46369	63609	72.89
Mean			73.75			74.72			73.68
SD			1.668			2.259			2.441
CV			2.26			3.02			3.31

Source: Annual Reports (2008/09-2012/13)

Chart 4.4
Loans and Advance to Total Deposit Ratio



Above table and chart shows the loans and advances to total deposit ratio of three banks named Everest bank, Nabil bank and Himalayan bank. From the table the highest average ratio of loans and advances to total deposit of Himalayan Bank is 74.72 % whereas the lowest average ratio of Nabil bank is 73.68%. Similarly the average loan and advance to total deposit ratio of Everest bank is 73.75%. The average ratio of Himalayan bank is higher than Everest bank and Nabil bank. It shows that Himalayan Bank has better utilization of deposit than other sample banks in sampling period.

The coefficient of variation of Nabil bank is fluctuating than Everest bank and Himalayan bank. The CV of Nabil bank is 3.31 % which is higher than Everest bank and Himalayan bank which are 2.26 %, and 3.02 % respectively.

b. Loan and Advance to Fixed Deposit Ratio

Loans and advances to fixed deposit ratio means how many times the amount is used in loans and advances in comparison to fixed deposit. Fixed deposits are high interest bearing obligation whereas loans and advances are the major sources of investment to

generate income for the commercial banks. This ratio is calculated by dividing the amount of loans and advances by fixed deposit that is given below:

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

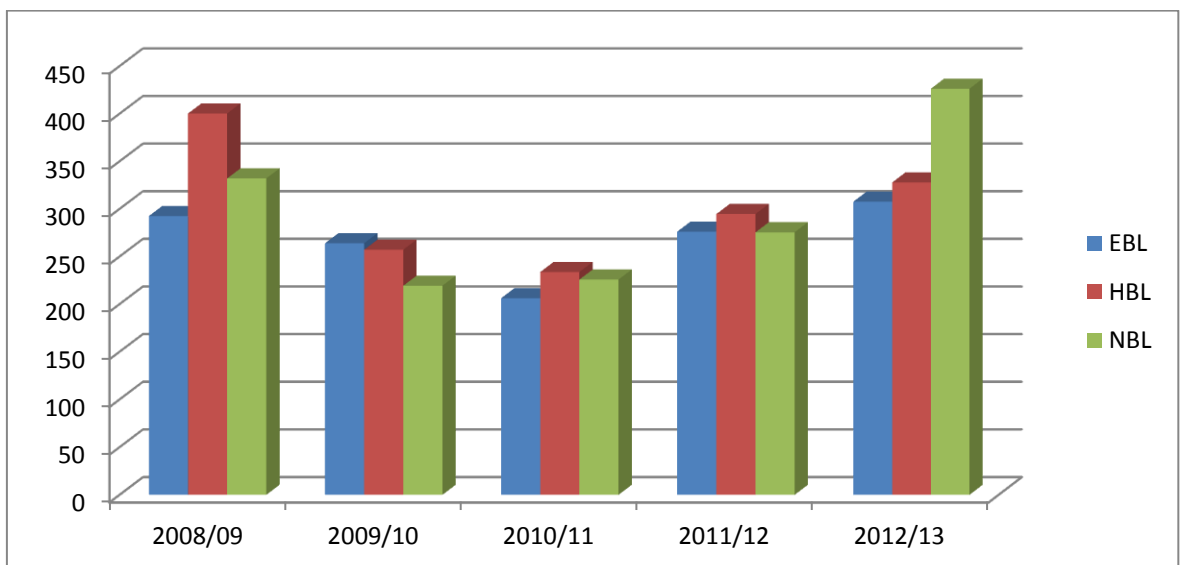
The loans and advances to fixed deposit ratio of Everest bank, Nabil bank and Himalayan bank are presented below:

Table 4.5
Loans and Advances to Fixed Deposit Ratio
(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Loan & Advance	Fixed Deposit	Ratio (%)	Loan & Advance	Fixed Deposit	Ratio (%)	Loan & Advance	Fixed Deposit	Ratio (%)
2008/09	23884	8165	292.5	24793	6195	400.2	27589	8309	332.0
2009/10	27556	10440	263.9	27980	10882	257.1	32268	14711	219.3
2010/11	31057	15061	206.2	31566	13507	233.7	38034	16840	225.8
2011/12	35910	13007	276.1	34965	11866	294.6	41605	15104	275.4
2012/13	43393	14104	307.6	41057	12525	327.8	46369	10878	426.2
Mean			269.28			302.7			295.8
SD			34.83			58.38			76.79
CV			12.93			19.28			25.96

Source: Annual Reports (2008/09-2012/13)

Table 4.5
Loans and Advance to Fixed Deposit Ratio



Above table and chart shows the loans and advances to fixed deposit ratio of Everest bank, Nabil bank and Himalayan bank during 2008 /09 to 2012/13. The lowest average ratio of Everest bank is 269.28 % and the highest average ratio of Himalayan bank is 302.68%. Similarly the average ratio of Nabil bank is 295.78 %. It indicates that Himalayan bank has proper utilization of fixed deposit than other sample banks.

According to S.D. point of view, Nabil bank has the highest S.D. of 76.79 point whereas Everest bank has the lowest S.D. of 34.83 point. It implies that Nabil bank has high fluctuation in utilizing the fixed deposit in loans and advances over the study period than other sample banks.

From C.V. point of view, Nabil bank the highest C.V. of 25.96 % where as Everest bank has 12.93 % of C.V. Similarly Himalayan bank has 19.28%. It implies that Nabil bank has not been able to utilize the outsider's fund properly in loans and advances.

c. Loan and Advance to Saving Deposit Ratio

Loans and advances to saving deposit ratio measures how many times the second high interest bearing deposit is utilized for income generating purpose. This ratio can be calculated by dividing the amount of loans and advances by the amount of Saving deposits. The ratio is calculated as follows:

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

The loans and advances to saving deposit ratio of Everest bank, Nabil bank and Himalayan bank for the period of 2008/09 to 2012/13 are presented in table below:

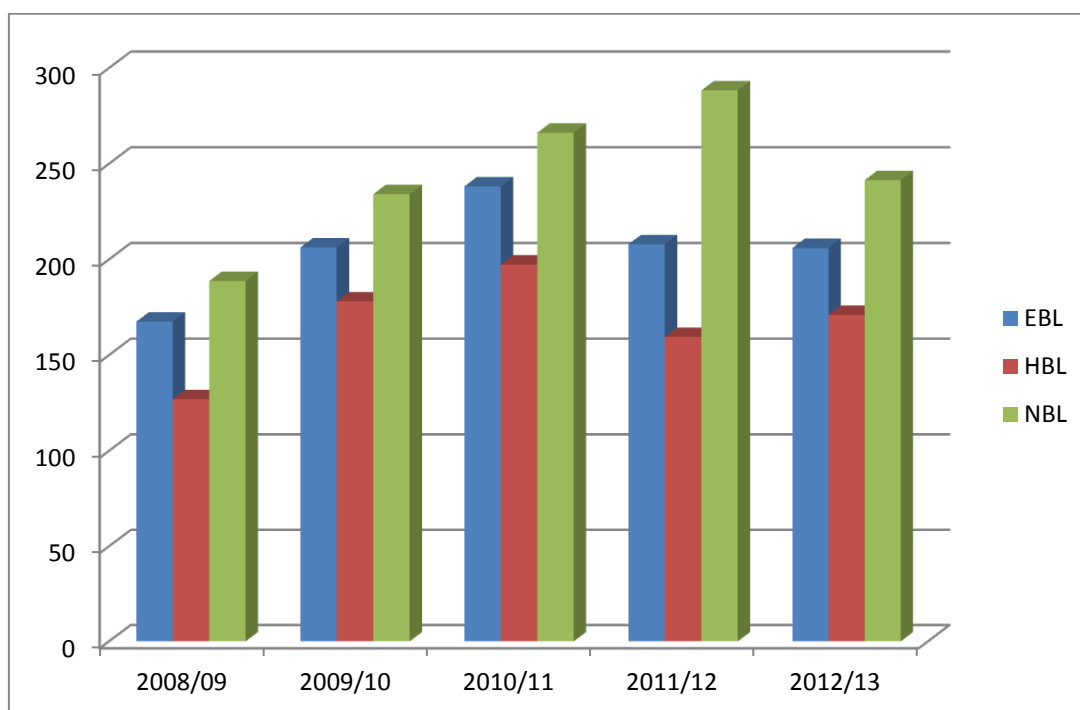
Table 4.6
Loans and Advances to Saving Deposit Ratio

(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Loan & Advance	Saving Deposit	Ratio (%)	Loan & Advance	Saving Deposit	Ratio (%)	Loan & Advance	Saving Deposit	Ratio (%)
2008/09	23884	14257	167.52	24793	19522	127.0	27589	14620	188.7
2009/10	27556	13360	206.25	27980	15719	178.0	32268	13783	234.1
2010/11	31057	13039	238.18	31566	15994	197.3	38034	14288	266.2
2011/12	35910	17269	207.94	34965	21915	159.5	41605	14432	288.3
2012/13	43393	21067	205.97	41057	24006	171.0	46369	19203	241.4
Mean			205.17			166.4			243.7
SD			22.43			23.29			33.51
CV			10.93			14.0			13.74

Source: Annual Reports (2008/09-2012/13)

Chart 4.6
Loans and Advances to Saving Deposit Ratio



Above table and chart shows the loans and advances to saving deposit ratio of Everest bank, Nabil bank and Himalayan bank during 2008/09 to 2012/13. Over the study period on an average basis, Nabil bank has the highest ratio of 243.75 % and

Himalayan bank has the lowest ratio of 166.4%. Similarly Everest bank has 205.17%. It implies that Everest bank and Nabil bank have been successful in using the depositor's saving properly than Himalayan bank over the study period.

From S.D. point of view, Nabil bank has the highest S.D. of 33.51point whereas Everest bank has the lowest S.D. of 22.43point. Similarly Himalayan bank has 23.29 point. It implies that Nabil bank has high fluctuation in utilizing the saving deposit in loans and advances where as Everest bank has low fluctuation in using outsider fund in loans and advances over the study period.

From the C.V. point of view, Himalayan bank has the highest C.V. of 14.0% where as Everest bank has the lowest C.V. of 10.93%. Similarly Nabil bank has C.V. of 13.74%. It implies that Himalayan bank has not been able to utilize the outsider's fund properly in loans and advances.

d. Loan and Advance to Total Assets Ratio

A commercial bank's working fund plays very active role in profit generation through fund mobilization. This ratio reflects, to which the banks are successful in mobilizing their total assets on loans and advances for the purpose of income generation. This ratio can be calculated by dividing the amount of loans and advances by the amount of total assets. The ratio is calculated as follows:

$$\text{Loans and Advances to Total Assets} = \frac{\text{Loans and Advances}}{\text{Total Assets}}$$

The loans and advances to total assets ratio of Everest bank, Nabil bank and Himalayan bank for the period of 2008/09 to 2012/13 are presented below:

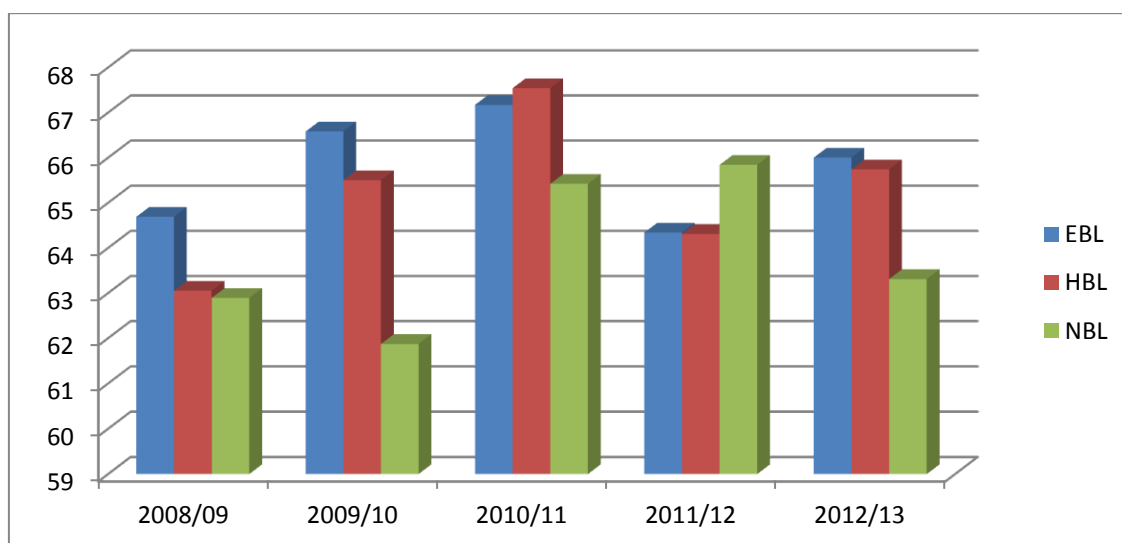
Table 4.7
Loans and Advances to Total Assets Ratio

(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Loan & Advance	Total Assets	Ratio (%)	Loan & Advance	Total Assets	Ratio (%)	Loan & Advance	Total Assets	Ratio (%)
2008/09	23884	36916	64.69	24793	39320	63.05	27589	43867	62.89
2009/10	27556	41382	66.59	27980	42717	65.50	32268	52150	61.87
2010/11	31057	46236	67.17	31566	46736	67.54	38034	58141	65.41
2011/12	35910	55813	64.34	34965	54364	64.31	41605	63193	65.84
2012/13	43393	65741	66.00	41057	62447	65.74	46369	73241	63.31
Mean			65.76			65.23			63.86
SD			1.084			1.501			1.517
CV			1.65			2.37			2.30

Source: Annual Reports (2008/09-2012/13)

Chart 4.7
Loans and Advances to Total Assets



The above table and chart shows the loans and advances to total assets ratio of Everest bank, Nabil bank and Himalayan bank during 2008/09 to 2012/13. Over the study period on an average basis, Everest bank has the highest ratio of 65.76% and

the lowest of Nabil bank is 63.86%. Similarly Himalayan bank has an average ratio of 65.23%. It indicates better mobilization of funds of Everest bank as loans and advances in comparison to other banks in study period.

From S.D. point of view, Nabil bank has the highest S.D. of 1.517 point and Everest bank has the lowest S.D. of 1.084 point. Similarly Himalayan bank has 1.501 point. It implies that Nabil bank has high fluctuation in utilizing the total assets in loans and advances over the study period.

From C.V. point of view, Nabil bank has the highest C.V. of 2.37% and Everest bank has the lowest C.V. of 1.65%. Similarly Himalayan bank has 2.30%. It implies that Nabil bank has not been able to utilize the fund properly in loans and advances than other sample banks over the study period.

4.1.1.3. Profitability Ratio

Profit is the difference between revenue and expenses over a period of time. A company should earn profit to survive and to grow over a long period. Profit is the engine that drives the business concern. Profit is an index of economic progress. Profit is the test of efficiency and a measure of control to the management. Profit ability shows the overall efficiency of the business concern. Profit is the objective of all the policies framed and decision taken by the management under the ratios the following ratios are analyzed.

- a. Return on Equity (ROA)
- b. Return on Total Assets (ROA)
- c. Interest Earned to Total Assets

a. Return on Equity (ROE)

Equity capital of any bank is its owned capital. The prime objective of any bank is wealth maximization or in other words to earn high profit and there by maximizing return on its equity capital. ROE plays the measuring role of profitability of banks. It reflects, to which the bank has been successful to mobilize or utilize its equity capital. It is calculated by dividing net profit after tax by net worth i.e. shareholder's equity.

$$\text{ROE} = \frac{\text{Earning after tax / net profit}}{\text{shareholder's equity}}$$

The Return on Equity of Everest bank, Nabil bank and Himalayan bank during five years period is presented in the following table.

Table 4.8
Return on Equity

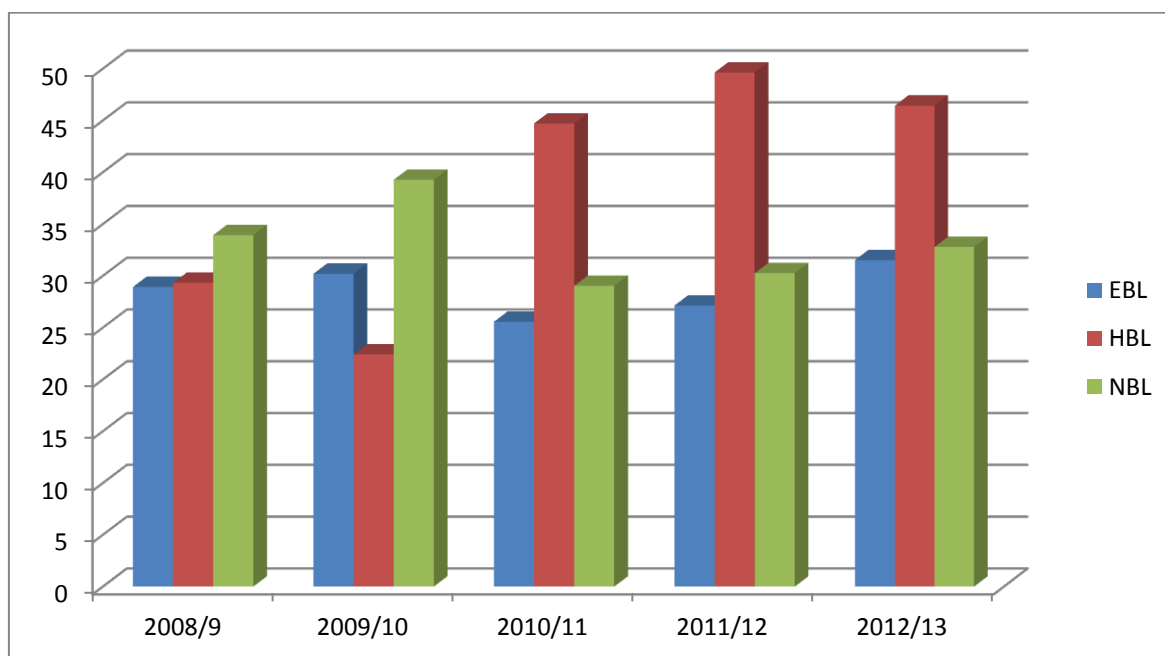
(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	NPAT	Shareholder's Equity	Ratio (%)	NPAT	Shareholder's Equity	Ratio (%)	NPAT	Shareholder's Equity	Ratio (%)
2008/09	638	2205	28.93	752	2565	29.32	1031	3038	33.93
2009/10	831	2751	30.20	508	2267	22.41	1139	3762	30.27
2010/11	931	3640	25.57	893	1997	44.71	1337	4607	29.03
2011/12	1090	4017	27.13	958	1930	49.63	1689	5583	30.25
2012/13	1471	4667	31.52	1024	2205	46.43	2218	6766	32.78
Mean			28.67			38.5			31.25
SD			2.119			10.66			1.814
CV			7.4			27.69			5.8

Source: Annual Reports (2008/09-2012/13)

Chart 4.8

Return on Equity



The above table and chart shows the ROE of Everest bank, Nabil bank and Himalayan bank. On an average basis, Himalayan bank has the highest ratio of 38.5% and Everest bank has the lowest average ratio of 28.67 %. Similarly Nabil bank has the average ratio of 31.25%. Himalayan bank has the highest average ratio, which shows Himalayan is successful to earn high profit to its shareholders in comparison to Everest bank, and Nabil bank in the study periods.

The S.D. of selected three banks i.e. Everest bank, Nabil bank and Himalayan bank are 2.119 point, 1.814 point and 10.66 point respectively. It indicates that the fluctuation of the Himalayan bank is slightly higher than other selected two banks.

The coefficient of variation of Everest bank, Nabil bank and Himalayan bank are 7.4%, 5.8 %, and 27.69% respectively. It indicates that the Nabil bank is less consistent than other selected banks in study period.

b. Return on Total Assets(ROA)

This ratio shows the relationship between net profit and total assets. The ratio measures the return on assets. The higher ratio represents better utilization of resources and vice-versa. The ROA is calculated by dividing the amount of net profit by the amount of total assets.

$$\text{Return on Total Assets (ROA)} = \frac{\text{Earning after tax/Profit}}{\text{Total Assets}}$$

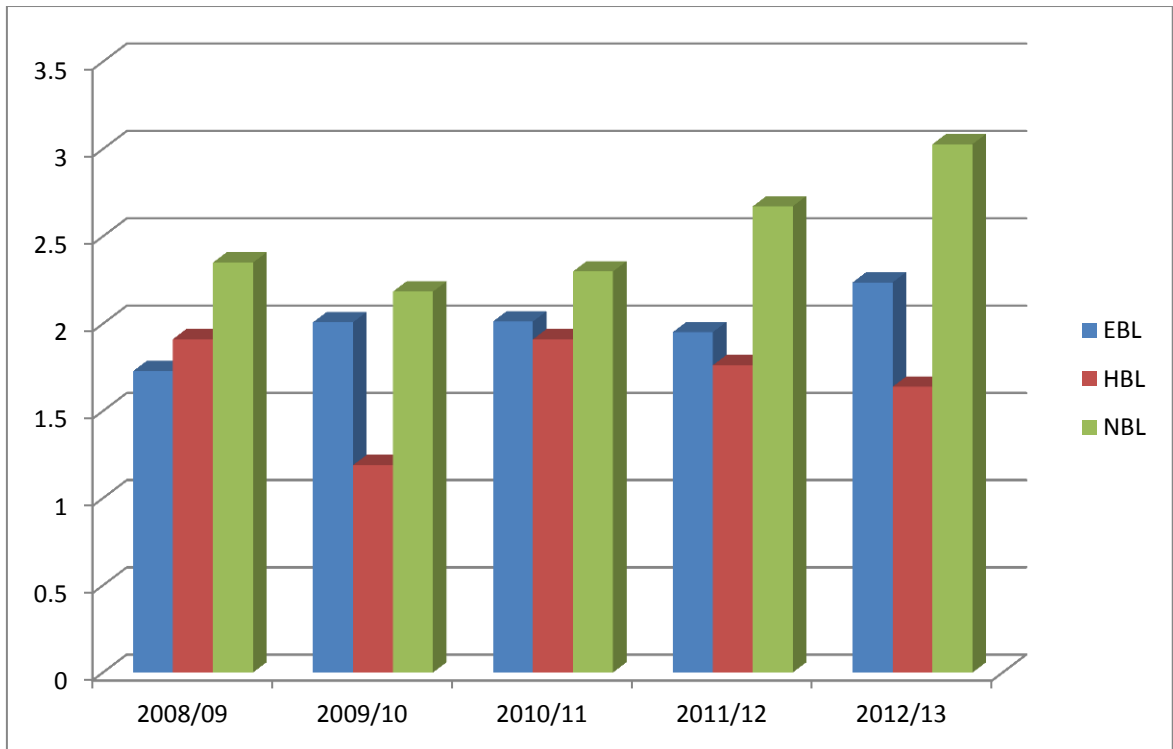
Table 4.9
Return on Total Assets

(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	NPAT	Total Assets	Ratio (%)	NPAT	Total Assets	Ratio (%)	NPAT	Total Assets	Ratio (%)
2008/09	638	36916	1.728	752	39320	1.912	1031	43867	2.350
2009/10	831	41382	2.008	508	42717	1.189	1139	52150	2.184
2010/11	931	46236	2.013	893	46736	1.911	1337	58141	2.299
2011/12	1090	55813	1.952	958	54364	1.762	1689	63193	2.672
2012/13	1471	65741	2.237	1024	62447	1.639	2218	73241	3.03
Mean			1.987			1.682			2.506
SD			0.162			0.266			0.306
CV			8.16			15.86			12.22

Source: Annual Reports (2008/09-2012/13)

Chart 4.9
Return on Total Assets



The above table shows the ratio of net profit on total assets ratio of selected banks during the study period. On the average ratio basis, Nabil bank has the highest ratio of 2.506 % and Himalayan bank has the lowest ratio of 1.682%. Similarly Everest bank has 1.987%. It implies that Nabil bank has been managing the assets efficiently. From above analysis it is concluded that Nabil bank is more success to utilize its total deposit in proper investment area to generate more profit than Everest bank and Himalayan bank.

The S.D. of selected three banks i.e. Everest bank, Nabil bank and Himalayan bank are 0.1622 point, 0.3062 point and 0.2667 point respectively. Nabil bank has highest S.D. of 0.3062 point and Everest bank has the lowest S.D. of 0.1622 point. It indicates that Nabil bank has high fluctuation than other selected banks.

From C.V. point of view, Everest bank, Nabil bank and Himalayan bank have C.V. of 8.162%, 12.22% and 15.86% respectively. Nabil bank has the highest C.V. of 12.22% which indicates that it's earnings ratio is less than other selected banks where as Everest bank has the lowest C.V. of 8.16% it indicates that it's profit earnings ratio is more than other selected banks in the study period.

c. Interest Earned to Total Assets Ratio

There are different sources of income for financial sector or commercial bank interest earning is the major source of a commercial bank. This ratio measures how much interest has been earned in different years by mobilizing assets of the banks. Generally banks generate interest income through loans and advances, investments, overdraft, hire purchase finance and loan given to priority sectors. The ratio can be calculated by using following formula:

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

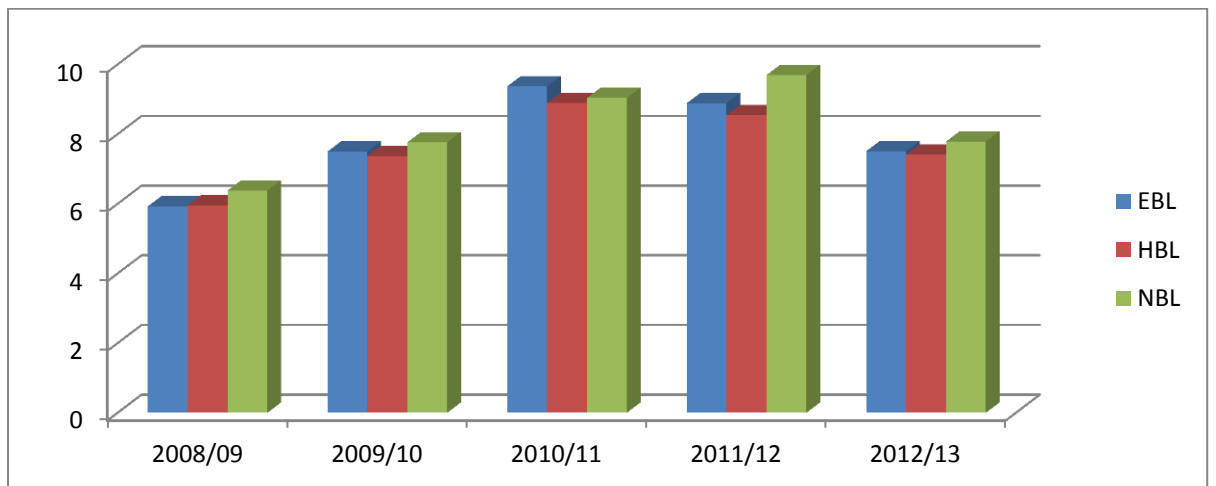
Table 4.10
Interest Earned to Total Assets Ratio
(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Interest earned	Total Assets	Ratio (%)	Interest earned	Total Assets	Ratio (%)	Interest earned	Total Assets	Ratio (%)
2008/09	2186	36916	5.921	2342	39320	5.956	2798	43867	6.378
2009/10	3102	41382	7.496	3148	42717	7.369	4047	52150	7.760
2010/11	4331	46236	9.367	4156	46736	8.892	5254	58141	9.036
2011/12	4959	55813	8.885	4643	54364	8.504	6126	63193	9.694
2012/13	4936	65741	7.508	4626	62447	7.407	5702	73241	7.785
Mean			7.835			7.633			8.130
SD			1.211			1.033			1.148
CV			15.45			13.53			14.12

Source: Annual Reports (2008/09-2012/13)

Chart 4.10

Interest Earned to Total Assets Ratio



The average interest earned to total assets ratio of Everest bank, Nabil bank and Himalayan bank are 7.835%, 8.130% and 7.633% respectively. On an average basis, Nabil bank has the highest ratio of 8.130% and Himalayan bank has lowest average ratio of 7.633%. It implies that Nabil bank has been managing the assets efficiently and earning more interest out of it and Himalayan bank has not been able to utilize the assets efficiently and earning low interest than other selected banks in study period.

From S.D. point of view, Everest bank has the highest S.D. of 1.21 point and Himalayan bank has the lowest S.D. of 1.033 point. Similarly Nabil bank has 1.148% point. It implies that there is high fluctuation in interest earning capacity of Everest bank than other selected banks in study period.

From the C.V. point of view, Everest bank has the highest C.V. of 15.45%. Next to it there are Nabil bank and Himalayan bank with C.V of 14.12% and 13.53% respectively. Himalayan bank has the lowest C.V of 13.53%. It implies that Everest bank and Nabil bank have high degree of variability or are inconsistent in earning interest by using of its assets over the study period. Whereas with the lowest C.V. of 13.53% , Himalayan bank is more consistent or has lower degree of variability in earning interest by the proper use of its total assets over the study period.

4.1.1.4 Credit Ratio

This ratio is used to measure the credit creation capacity of the banks. In other words this ratio indicates how the banks are able to create credit from the deposit liabilities. Deposits collected from the people are the major financial sources of the banks. A bank invests the collected deposits to the various incomes generating sectors. Under this ratio the following ratios are analyzed.

- a. Total Investment to Total Deposit Ratio
- b. Investment on Government Securities

a. Total Investment to Total Deposit Ratio

This ratio is designed to see the investment efficiency with regard to total deposit accepted by commercial banks. Investment indicated both short- term investment and long term investment i.e. investment on government securities and investment on shares, debenture and bond etc. this ratio is calculated to divided total investment by total deposit symbolically.

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

Table 4.11
Total Investment to Total Deposit Ratio

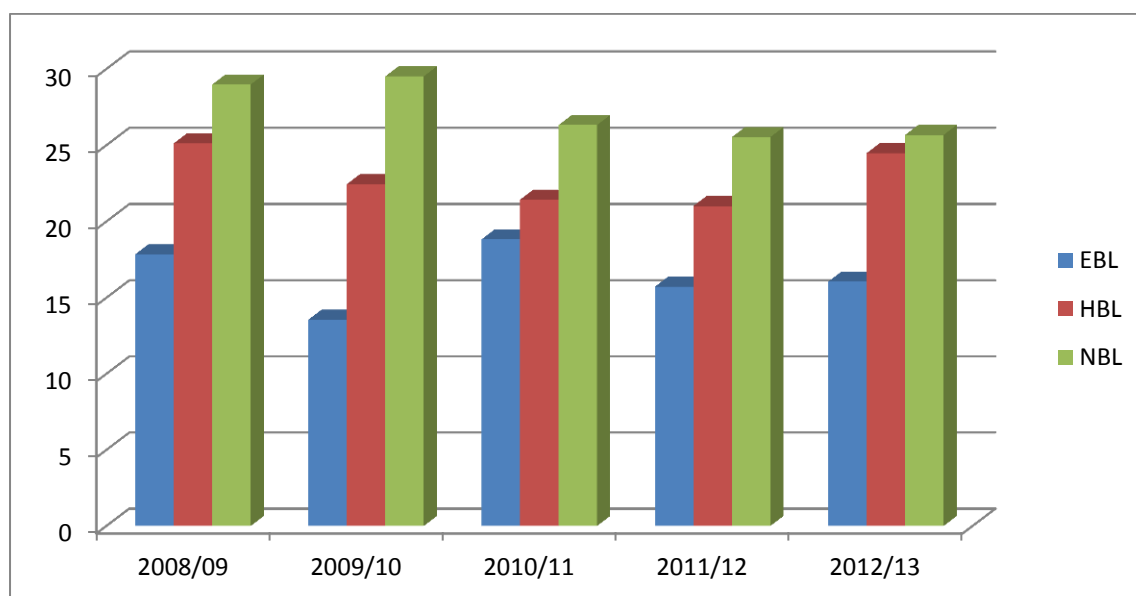
(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Total Investment	Total Deposit	Ratio (%)	Total Investment	Total Deposit	Ratio (%)	Total Investment	Total Deposit	Ratio (%)
2008/09	5948	33322	17.85	8711	34681	25.12	10826	37348	28.98
2009/10	5008	36932	13.56	8444	37611	22.45	13703	46410	29.52
2010/11	7743	41127	18.83	8769	40920	21.43	13081	49696	26.32
2011/12	7863	50006	15.72	10031	47730	21.01	14048	55023	25.53
2012/13	9263	57720	16.05	12992	53072	24.48	16332	63609	25.67
Mean			16.40			22.90			27.20
SD			1.825			1.634			1.700
CV			11.13			7.14			6.25

Source: Annual Reports (2008/09-2012/13)

Chart 4.11

Total Investment to Total Deposit Ratio



In the above table and chart total investment to total deposit ratio has been derived by dividing total investment by total deposit. On an average point of view, Nabil bank has the highest ratio of 27.20 %. There is Himalayan bank with ratio of 22.90% and Everest bank with the ratio of 16.40%. It implies that Nabil bank and Everest bank have been successful in utilizing the fund more efficiently in generating more profit in the study period than Himalayan bank.

The standard deviation of Everest bank has the highest S.D. of 1.825 point. Himalayan bank has the lowest S.D. of 1.634 point. Similarly Nabil bank has 1.700 point. It implies that Nabil bank and Everest bank have high fluctuation in investment of funds in generating high profit.

With the view of C.V. Everest bank has the highest C.V. of 11.13%. Nabil bank has the lowest C.V. of 6.25% over the study period. It implies that Himalayan bank has high degree of variability or is inconsistent ingenerating profit by investing the funds than other selected banks in the study period.

b. Investment on government Securities

This ratio is designed to see the investment efficiency with regard to total deposit accepted by commercial banks. Investment indicated both short-term investment and long term investment i.e. investment on government securities and investment on shares, debenture and bond etc. this ratio is calculated to divided total investment by total deposit, symbolically.

Investment on government securities to Total Deposit Ratio

$$\frac{\text{Investment of Government Securities}}{\text{Total Deposits}}$$

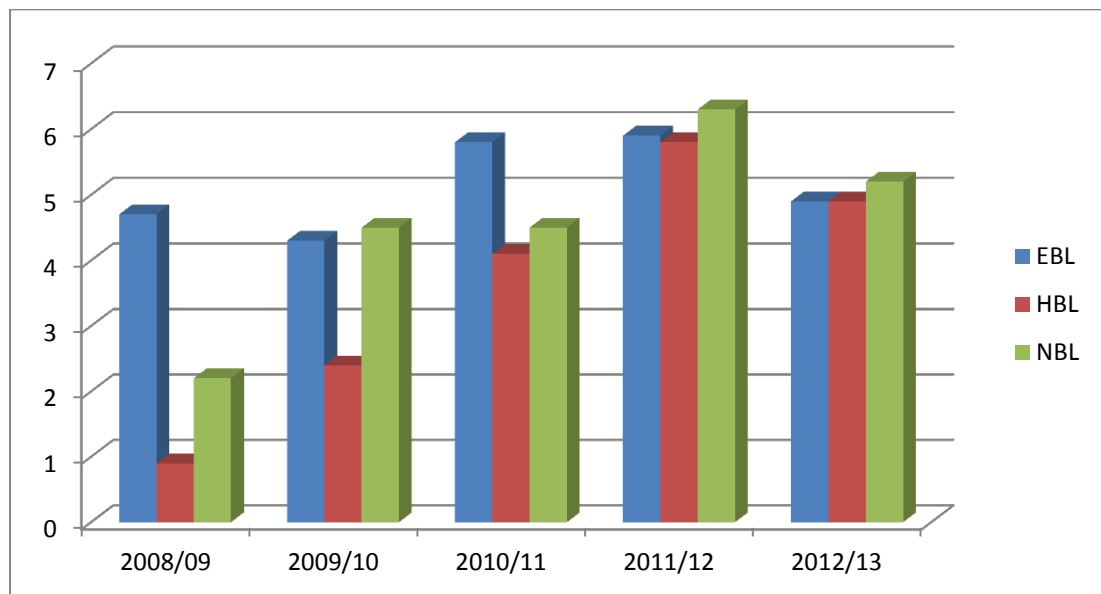
Table 4.12
Investment on Government Securities to Total Deposit Ratio

(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Investment on Govt. Securities	Total Deposit	Ratio (%)	Investment on Govt. Securities	Total Deposit	Ratio (%)	Investment on Govt. Securities	Total Deposit	Ratio (%)
2008/09	1583	33322	4.7	304	34681	0.9	858	37348	2.2
2009/10	1609	36932	4.3	1005	37611	2.4	2077	46410	4.5
2010/11	2399	41127	5.8	1681	40920	4.1	2255	49696	4.5
2011/12	2949	50006	5.9	2759	47730	5.8	3498	55023	6.3
2012/13	2861	57720	4.9	2607	53072	4.9	3310	63609	5.2
Mean			5.1			3.62			4.54
SD			0.627			1.761			1.341
CV			12.3			48.6			29.5

Source: Annual Reports (2008/09-2012/13)

Chart 4.12
Investment on Government Securities to Total Deposit Ratio



Above table and chart shows the Investment on government securities to total deposit ratio of Everest bank, Nabil bank and Himalayan bank during 2008/13. Over the study period on an average basis, Everest bank has the highest ratio of 5.1% and Himalayan bank has the lowest ratio of 3.62%. Similarly Nabil bank has 4.54%. It implies that Everest bank, Nabil bank have been successful in using the depositor's saving properly than Himalayan bank over the study period.

From S.D. point of view, Himalayan bank has the highest S.D. of 1.761 point where as Everest bank has the lowest S.D. of 0.627 point. Similarly Nabil bank has 1.341 point. It implies that Himalayan bank has high fluctuation in utilizing the saving deposit in loans and advances where as Everest bank has low fluctuation in using outsider fund in loans and advances over the study period.

From the C.V. point of view, Himalayan bank has the highest C.V. of 48.62 % where as Everest bank has the lowest C.V. of 12.3 %. Similarly Nabil bank has C.V. of 29.54 %. It implies that Himalayan bank has not been able to utilize the outsider's fund properly in loans and advances than other sample banks in study period.

4.1.1.5. Leverage Ratio

Leverage ratio measures ratio the proportion of outsider's capital in financing the firm's assets and are calculated by establishment relationships between borrowed capital and equity capital. A firm should have a strong short- term liquidity as well as long- term financial position. Higher leverage ratio indicates larger amount borrowed funds used by the firm to finance its assets and it also indicates increasing obligations and known as risky firm. A firm must have sufficient margin of equity to pay the fixed charges and refund the borrowed funds in the maturing date. The following ratios are used to measure the long term solvency position of Everest bank, Nabil bank and Himalayan bank with the help of past five year's financial data of the banks.

- a. Debt Equity Ratio
- b. Debt Assets Ratio

a. Debt Equity Ratio

Debt equity ratio indicates the relationship between the long-term funds provided by creditors and those provided by the firm's owners. The total debt refers to the total current liabilities plus the borrowing from other banks. It is commonly used to measure the degree of financial leverage of firm and is calculated as follows:

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

The debt to Shareholder's equity ratio of Everest bank, Nabil bank and Himalayan bank for the years 2008/09 to 2012/13 is presented below:

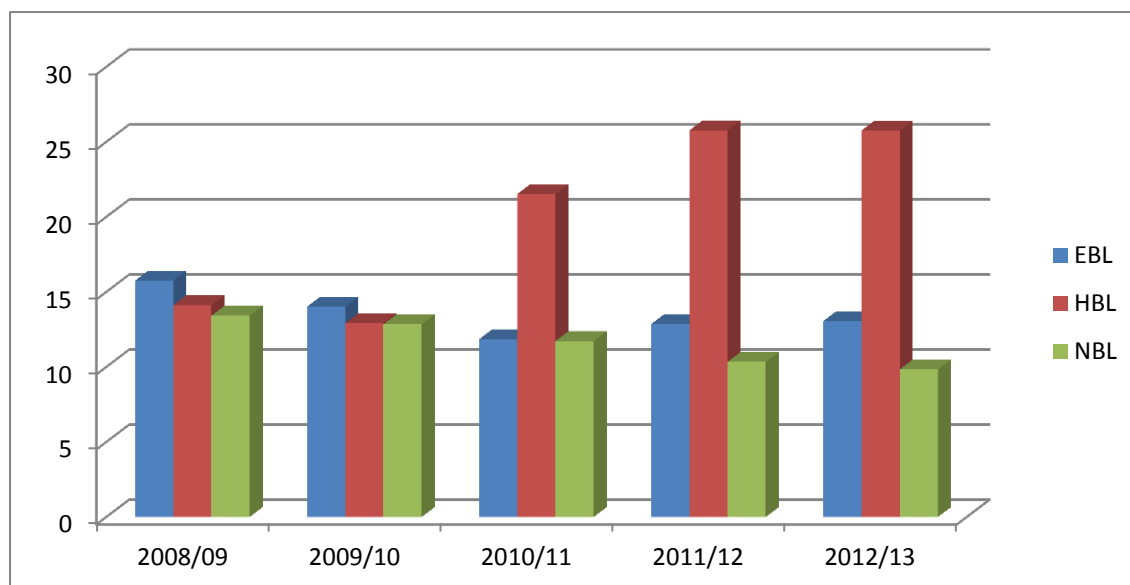
Table 4.13
Debt Equity Ratio

(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Total Debt	Shareholder's Equity	Ratio (Times)	Total Debt	Shareholder's Equity	Ratio (Times)	Total Debt	Shareholder's Equity	Ratio (Times)
2008/09	34731	2205	15.75	36201	2565	14.11	40734	3038	13.41
2009/10	38623	2757	14.01	39278	2268	12.91	48317	3762	12.84
2010/11	43122	3604	11.84	43001	1998	21.52	53983	4607	11.72
2011/12	51636	4017	12.85	49732	1930	25.76	57750	5583	10.34
2012/13	60914	4667	13.05	56791	2205	25.75	66552	6766	9.83
Mean			13.49			20.01			11.63
SD			1.316			5.541			1.381
CV			9.700			27.69			11.87

Source: Annual Reports (2008/09-2012/13)

Chart 4.13
Debt Equity Ratio



Above table and chart shows the total debt to shareholder's equity ratio of Everest bank, Nabil bank and Himalayan bank during 2008/09 to 2012/13. On an average, Himalayan bank has the highest average ratio of 20.01 %. Next to it there is Everest bank with an average ratio of 13.49 %. Nabil bank has the lowest average ratio of 11.63 %. It indicates that Himalayan bank outsider's funds in relation to owner's capital is going increasing trend than other selected banks during the study period.

Form S.D. point of view, Himalayan bank has highest S.D. of 5.541 point. Next to it there is Everest bank with S.D of 1.3157 point. Nabil bank has the lowest S.D. of 1.381 point. It implies that Everest bank and Himalayan bank have high fluctuation with respect to total debt to shareholder's equity. Similarly Nabil bank with the lowest S.D. of 1.381 point has low fluctuation (more homogeneity) with respect to total debt to total shareholder's equity over the study period.

From the C.V. point of view, Himalayan bank has the highest C.V. of 27.69 %. Similarly Everest bank and Nabil bank have 9.70 % and 11.89 % respectively. Everest bank has the lowest C.V of 9.70 %.It means Everest bank has high degree of variability or is inconsistent in maintaining total debt to total equity over the study period.

b Debt Assets Ratio

Total debt to total assets ratio shows the relationship between creditors funds and owners capital. This ratio shows the proportion of outsider's fund used in financing

total assets. This ratio is calculated by dividing the total debt of the bank by its total assets, which is presented below:

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

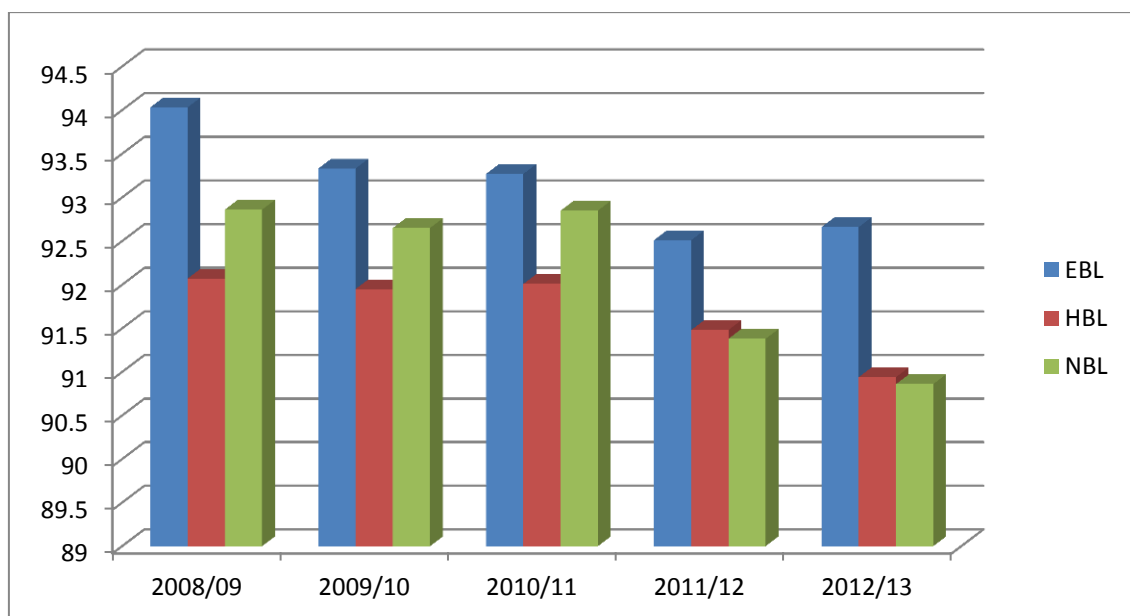
Table 4.14
Debt Asset Ratio

(Rs. In Millions)

Year	Everest Bank			Himalayan Bank			Nabil Bank		
	Total Debt	Total Assets	Ratio (%)	Total Debt	Total Assets	Ratio (%)	Total Debt	Total Assets	Ratio (%)
2008/09	34731	36916	94.03	36201	39320	92.07	40734	43867	92.86
2009/10	38623	41382	93.33	39278	42717	91.95	48317	52151	92.65
2010/11	43122	46236	93.27	43001	46736	92.01	53983	58141	92.85
2011/12	51636	55813	92.51	49732	54364	91.48	57750	63193	91.38
2012/13	60914	65741	92.66	56791	62447	90.94	66552	73241	90.86
Mean			93.16			91.69			92.12
SD			0.544			0.428			0.836
CV			0.60			0.40			0.90

Source: Annual Reports (2008/09-2012/13)

Chart 4.14
Debt Asset Ratio



From the above table and chart, the average ratio of total debt to total assets of Everest bank, Nabil bank and Himalayan bank are 93.16 %, 92.12 % and 91.69 % respectively. The highest average ratio of Everest bank is 93.16 % where as the lowest average ratio of Himalayan bank is 91.69 %. The ratio shows that these banks are aggressive and are using high proportion of their debt capital. The high ratio implies the banks are success in exploiting debt to the move profitable assets. Everest bank, Nabil bank and Himalayan bank had been extensively using their debt financing to finance their total assets.

From S.D. point of view Nabil bank has the highest S.D. of 0.836 point whereas Himalayan bank had the lowest S.D. of 0.428 point .Similarly Everest bank has 0.544 point. It means Everest and Nabil bank have high fluctuation with respect to total assets ratio of Himalayan bank.

From C.V. point of view, Nabil bank has the highest C.V. of 0.9 % and Himalayan bank has the lowest C.V. of 0.4%. Similarly Everest bank has 0.6 %. It means Nabil bank and Everest bank have high degree of variability or are inconsistent in maintaining total debt to total assets over the study period.

4.1.1.6. Others Assets

- a. Earning Per Share (EPS)
- b. Dividend Per Share (DPS)
- c. Dividend Payout Ratio
- d. Price Earning Ratio (P/E Ratio)

a. Earnings Per Share (EPS)

The firm's Earning per Share are generally of interest to present or prospective stockholders and management. The EPS represents the amount earned on behalf of each outstanding share of common stock. They are closely watched by investing public and are considered an important indicator of the firm's success. EPS is calculated as follows:

$$\text{Earnings Per Share} = \frac{\text{Net Income After Tax}}{\text{Number of Common Stocks Outstanding}}$$

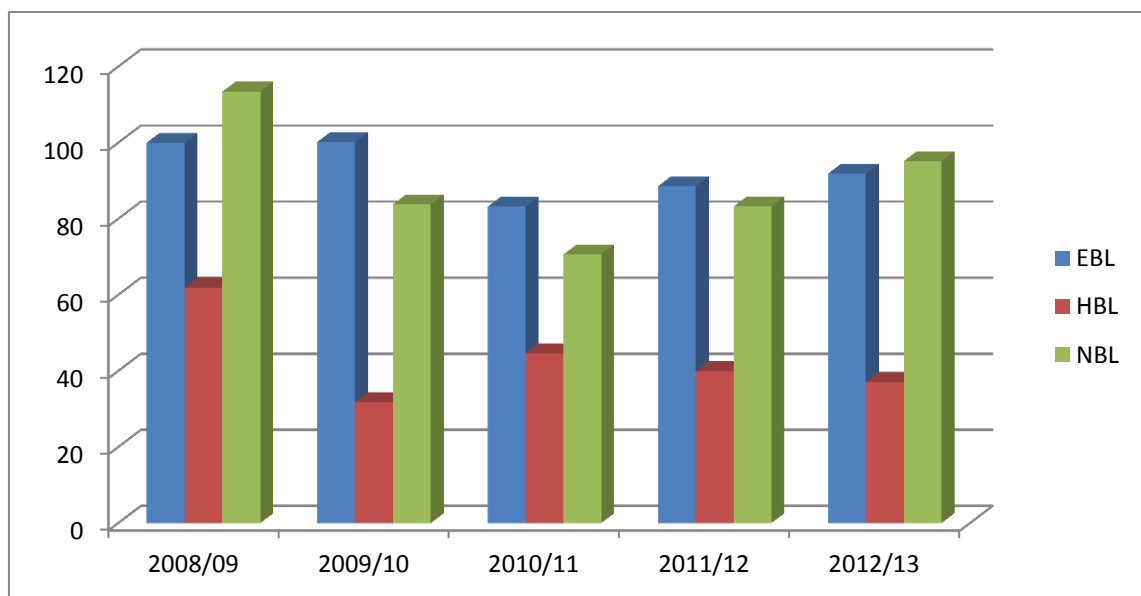
Table 4.15
Earnings Per Share

(In percentage)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Mean	S.D	C.V
EBL	99.99	100.16	83.18	88.55	91.88	92.75	6.592	7.4
HBL	61.90	31.80	44.66	39.94	37.12	43.10	10.28	23.8
NBL	113.44	83.81	70.61	83.23	95.14	89.24	14.31	15.4

Source: Annual Reports (2008/09-2012/13)

Chart 4.15
Earnings Per Share



From the above table and chart we can see that on an average, Everest bank has the highest amount of EPS Rs.92.75. Next to it, there is Nabil bank with EPS of Rs.89.24. Similarly Himalayan bank has Rs. 43.10. Himalayan bank has the lowest EPS of Rs.43.10. It means that Nabil bank and Everest bank have been able to provide maximum profit to equity holder on a per share basis.

From the S.D. point of view, Nabil bank has the highest S.D. of 14.31 and Everest bank has the lowest S.D. of 6.592. Similarly Himalayan bank has S.D. of 10.28. It

implies that Nabil bank and Himalayan bank have high fluctuated in EPS over the study period whereas Everest bank with lowest S.D. that indicates low fluctuation in EPS over the study period.

From the C.V. point of view, Himalayan bank has the highest C.V. of 23.86% where as Everest bank has the lowest C.V. of 7.38%. Similarly Nabil bank has C.V. of 15.42 %. It implies that Himalayan bank and Nabil bank have high degree of variability or is inconsistent in EPS amount over the study period.

b .Dividend Per Share (DPS)

Dividend per share is calculated to know proportion of the earnings distributed with the help of following formula:

$$\text{Dividend Per Share} = \frac{\text{Earning Paid to Shareholders}}{\text{Number of Common Shares Outstanding}}$$

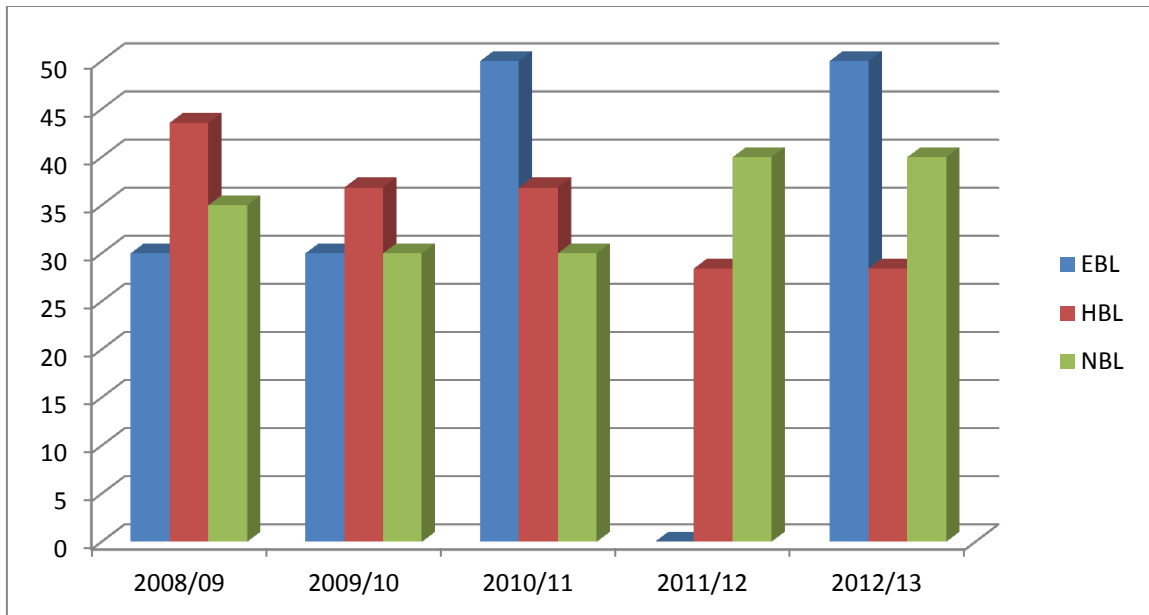
The dividend per share of Everest bank, Nabil bank and Himalayan bank is presented in the table below:

Table 4.16
Dividend Per Share
(In percentage)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Mean	S.D	C.V
EBL	30	30	50	0	50	32	18.33	57.3
HBL	43.56	36.84	36.84	28.42	28.42	34.81	5.769	16.6
NBL	35	30	30	40	40	35	4.472	12.8

Source: Annual Reports (2008/09-2012/13)

Chart 4.16
Dividend Per Share



From above the table and chart we can see that an average, Nabil bank has the highest amount DPS of Rs.35 where as Everest bank has the lowest amount DPS of Rs.32. Similarly Himalayan bank has the average DPS of Rs. 34.81. It implies that Nabil bank and Himalayan bank have high fluctuated in DPS over the study period. Whereas Everest bank indicates the low fluctuated in DPS over the study period.

From the S.D. point of view, Nabil bank and Everest bank have Rs. 4.472 and Rs. 18.33 respectively. Similarly Himalayan bank has Rs. 5.769. It implies that Everest bank has high fluctuated in DPS over the study period where as Himalayan bank with the lowest DPS indicates that low fluctuation over the study period.

From the C.V. point of view, Everest bank has the highest C.V. of 57.28% and Nabil bank has the lowest C.V of 12.77%. Similarly Himalayan bank has C.V. of 16.57%. It implies that Nabil bank has the high degree of variability or is inconsistent in DPS amount over the study period. Himalayan bank has low degree of variability or consistent in providing DPS amount to the equity holders on a share basis over the study period.

c. Dividend Payout Ratio (DPR)

The dividend payout ratio represents the percentage of Net profit after tax distributed as dividend and the percentage retained as revenue and surplus for the growth of the bank. It is determined by dividing dividend per share by earning per shares as repressed below:

$$\text{Dividend Payout Ratio (DPR)} = \frac{\text{Dividend Per Share}}{\text{Earning per Share}}$$

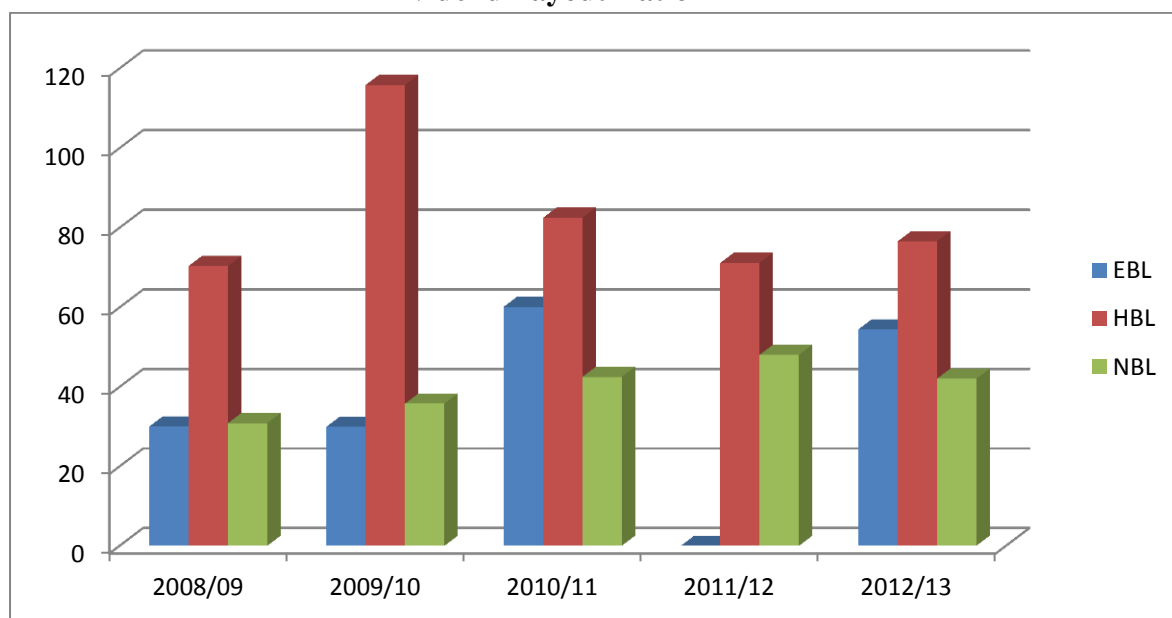
The dividend payout ratio of Everest bank, Nabil bank and Himalayan bank is presented in the following table below:

Table 4.17
Dividend Payout Ratio
(In percentage)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Mean	S.D	C.V
EBL	30	29.95	60.11	0	54.42	34.89	21.37	61.2
HBL	70.37	115.84	82.48	71.15	76.56	83.28	16.83	20.2
NBL	30.85	35.79	42.48	48.05	42.04	39.84	5.948	14.9

Source: Annual Reports (2008/09-2012/13)

Chart 4.17
Dividend Payout Ratio



Above table and chart shows dividend payout ratio of Everest bank, Nabil bank and Himalayan bank during 2008/09 to 2012/13. From the above table and figure we can see that on an average basis Himalayan bank has the highest percentage of payment ratio with 83.28 % and the Everest bank has the lowest average ratio of 34.89%. Similarly Nabil bank has 39.84%.

From S.D. point of view, Everest bank has the highest S.D. of 21.37 point and Nabil bank has the lowest S.D of 5.948point. Similarly Himalayan bank has S.D. of 16.83 point.. It implies that Everest bank has high fluctuation in providing dividend throughout the study period. Nabil bank with the lowest S.D. indicates low fluctuation in providing dividend to its shareholders throughout the study period.

From the C.V. point of view, Everest bank has the highest C.V. of 61.24% and Nabil bank has the lowest C.V. of 14.93%. Similarly Himalayan bank has C.V. of 20.21% .It indicates that Everest bank has high degree of variability and Nabil bank has low degree of variability is consistent in providing a regular amount as dividend.

d. Price Earning Ratio(P/E Ratio)

This ratio is closely related to the EPS. Price earning ratio indicates investor's judgment or expectation about the firm's performance. This ratio widely used by security analysis to value the firm's performance as accepted by investors. P/E ratio reflects investor expectation about the growth in the firm's earning. Higher ratio indicates the more value of the stock. It is obtained by dividing market value per share by earning per share.

$$\text{P/E Ratio} = \frac{\text{market value per share}}{\text{Earning per Share}}$$

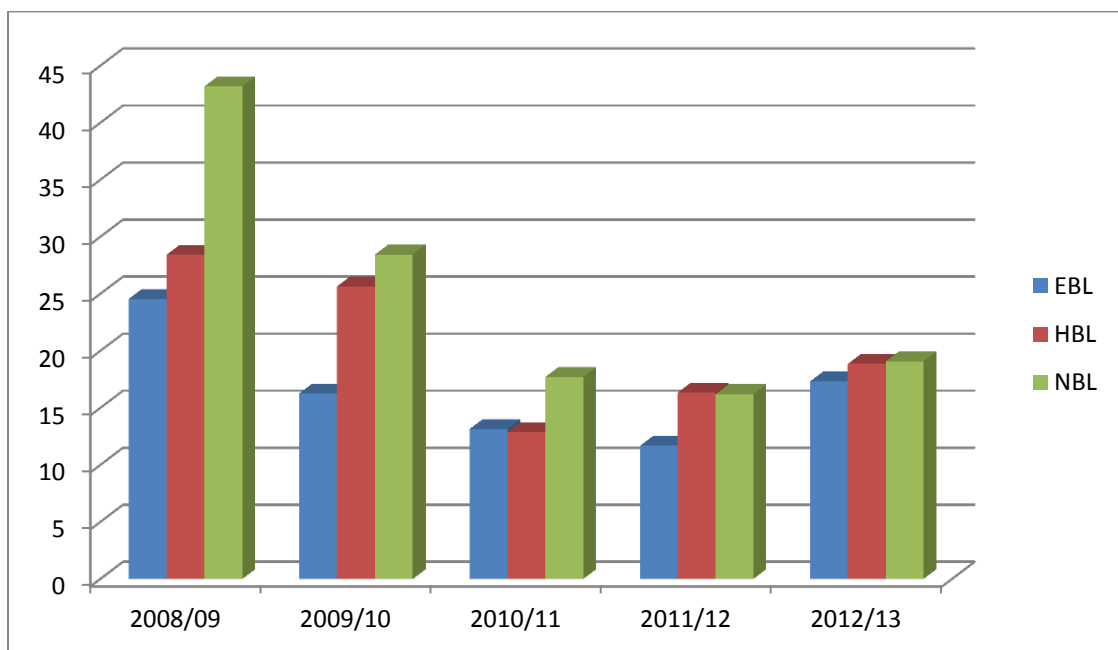
Table 4.18
Price Earning Ratio

(In percentage)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Mean	S.D	C.V
EBL	24.55	16.27	13.15	11.67	17.32	16.59	4.473	26.69
HBL	28.43	25.66	12.88	16.35	18.86	20.43	5.787	28.32
NBL	43.19	28.45	17.72	16.21	19.08	24.93	10.08	40.43

Source: Annual Reports (2008/09-2012/13)

Chart 4.18
Price Earning Ratio



Above table and chart shows price earning ratio of Everest bank, Nabil bank and Himalayan bank during 2008/09 to 2012/13. From the above table and figure we can see that on an average basis Nabil bank has the highest percentage of ratio with 24.93% and the Everest bank has the lowest average ratio of 16.59%. Similarly Himalayan bank has 20.43%.

From S.D. point of view, Nabil bank has the highest S.D. of 10.08 point and Everest bank has the lowest S.D of 4.473 point. Similarly Himalayan bank has S.D. of 5.787 point.

From the C.V. point of view, Nabil bank has the highest C.V. of 40.43% and Everest bank has the lowest C.V. of 26.96%. Similarly Himalayan bank has C.V. of 28.32%.

4.2 Statistical Tools

Statistical tools are one of the important tools to analyze the data. There are various tools for the analysis of tabulated data various statistical tools may be used for the evaluation of financial performance of the banks such as correlation analysis, trend analysis etc. Correlation analysis is used to measure the relationship among variables and to show degree and direction of such relationship. Trend analysis is used to find out the trend of different measures.

4.2.1 Correction Analysis

Correlation analysis is the analysis which reflects that the variable of the two different data and related or we can say that correlation is the analysis of relation between more than one variable. It is the statistical tools that measure the degree of relationship between two sets of figures. The correlation coefficient between two variables X and Y can be obtained by using following formula:

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

Where,

$\pm r$ = coefficient of correlation between variable x and y

N = Number of pairs in observation

$\sum xy$ = Sum of the product of the variables x and y

$\sum x$ = sum of the x

$\sum y$ = sum of the y

$\sum x^2$ = sum of the square of x

$\sum y^2$ = sum of the square of y

The value of the coefficient of correlation as obtained by the above formula shall always lie between +1 and -1. Where $r = +1$, means there is perfect positive correlation between the variables. Where $r = -1$, means there is perfect negative correlation between the variables. Where $r = 0$, it means there is no relationship between the two variable. However in practices such values of r as +1, -1 and 0 are rare.

4.2.1.1 Correlation Analysis between Total Deposit to Loans and Advances

In this Correlation analysis, total deposit is the independent variable(X) and loan and advance is dependent variable (Y). The purpose of computing the coefficient of Correlation is to justify whether the deposits are significant used in loans and advances or not and whether there is any relationship between these two variables.

Correlation Coefficient and Probable Error between Total Deposits and Loans and Advances of Everest bank, Nepal Investment bank, Nabil bank and Himalayan bank are shown in the following table.

Table 4.19
Correlation Coefficient between Total Deposit and Loans and Advance

Banks	Coefficient of Correlation(r)	Coefficient of Determination(r^2)	Probable Error(P.Er.)	6 P.Er
Everest Bank	0.9945	0.9890	0.003	0.019
Himalayan Bank	0.9902	0.9804	0.006	0.035
Nabil Bank	0.9838	0.9678	0.0097	0.058

Source: Appendix - A

Above table shows the degree of relationship between total deposit and loan & advances, the independent variable (X) (i.e. total deposit) and the dependent variable (y)(i.e. loan & advances). The purpose of computing the coefficient of correlation is to observe to what extent and in which direction the loan and advances is associated with total deposit. In other words, to what degree loan and advances (y) is affected by a unit change in total deposit (X). In case of EBL, the coefficient correlation is 0.9945 which is more than 0.5 and the coefficient of correlation is significant. In other words the total deposit is significantly correlated to the loan and advance of EBL in the study period of 2008/09 to 2012/13. In case of HBL the coefficient of correlation is 0.9905 which is more than 0.5 and the coefficient of correlation is significant. In other words the total deposit is significantly correlated to the loan and advances of HBL in the study period of 2008/09 to 2012/13. In case of NBL the correlation coefficient is 0.9838 which is more than 0.5 and the coefficient of correlation is

significant. In other words the total deposit is significantly correlated to the loan and advances in the study period 2008/09 to 20012/13.

The coefficient of determination (r^2) of EBL, HBL and NBL are 0.9890, 0.9804 and 0.9867 respectively. In the study of probable error the value of r^2 of EBL, HBL and NBL are greater than the 6 P.Er. which shows the significant relationship between deposit and loan and advances.

From the above details analysis, we can draw a conclusion from the above analysis that in the selected banks, there is positive relationship between deposit and loan and advances, the relationship is significant and the value of r^2 shows high percent in the dependent variable has been explained by the independent variable. This indicates that EBL. HBL and NBL are successful to mobilize their deposits in proper way as loan and advances.

4.2.1.2 Correlation Analysis between total Deposit and Total Investment

Table 4.20
Correlation of Total Deposit to Total Investment of EBL, HBL and NBL

Banks	Coefficient of Correlation(r)	Coefficient of Determination(r^2)	Probable Error(P.Er.)	6 P.Er
Everest Bank	0.8876	0.7878	0.064	0.384
Himalayan Bank	0.9088	0.8259	0.0525	0.3151
Nabil Bank	0.9607	0.9229	0.0232	0.1395

Source: Appendix - B

The above analysis shows the degree of relationship between total deposits % to total investment. The independent variable i.e. total deposit (X) and the dependent variable i.e. total investment (Y). The purpose of computing the coefficient of correlation is to observe to what extent and in which direction the total investment is associated with total deposit. In other words, in what degree total investment(Y) is affected by a unit change in total deposits(X). The coefficient of correlation of EBL, HBL and NBL are 0.8876, 0.9088 and 0.9607 respectively.

The coefficient of determination (r^2) of EBL is 0.7878 which indicates that the variation in the dependent variable (total investment) has been explained by the independent variable (deposit). Moreover, by considering the probable errors, the value of r^2 is greater than 6 P.Er. So it can be said that there is a significant relationship between deposits and total investment. Similarly, the coefficient of determination (r^2) of HBL is 0.8259. The value r^2 is greater than 6 times of P.Er, which indicates that there is a significant relationship between deposit and total investment of HBL. Similarly, the coefficient of determination (r^2) of NBL is 0.9229. The value r^2 is higher than 6 times of P.Er, which indicates that there is a significant relationship between deposit and total investment.

4.2.1.3 Correlation Analysis between Total Assets and Net Profit After Tax

Table 4.21

Correlation of Total Assets and Net Profit After Tax of EBL, HBL and NBL

Banks	Coefficient of Correlation(r)	Coefficient of Determination(r^2)	Probable Error(P.Er.)	6 P.Er
Everest Bank	0.9861	0.9723	0.0083	0.050
Himalayan Bank	0.7767	0.6032	0.1196	0.7181
Nabil Bank	0.966	0.9331	0.021	0.121

Source: Appendix - C

The above table analysis shows the degree of relationships between total assets and net profit after tax. The independent variable i.e. total assets (X) and the dependent variable i.e. net profit after tax (Y). The purpose of computing the coefficient of correlation is to observe to what extent and in which direction the net profit after tax is associated with total assets. In other words to what degree net profit after tax (y) is affected by a unit change in total assets (x).

The table shows the value of correlation coefficient between total assets (independent) and net profit (dependent) of EBL, HBL and NBL. It shows the positive relationship between assets and net profit. By considering coefficient of determination the value of r^2 of EBL is 0.9723. By considering probable error, the value of r^2 is greater than 6 P.Er, which shows the value of r is significant i.e. there is a significant relationship between assets and net profit. In case of HBL the value of r^2 is 0.6032. which is greater than 6 P.Er. which shows the value of r is significant.

Similarly NBL has the value of r^2 is 0.9331 which is greater than 6 P.Er which shows the value of r is significant

From the above analysis, we found that all banks have positive relationship between total assets and net profit after tax. We found these three banks have mobilizing the total assets in profitable sectors.

4.2.2 Trend Analysis

Trend analysis has been a very useful and commonly applied statistical tool to forecast the future events in quantities terms. On the basic of tendencies in the dependent variable in the past period, the future trend is predicated. This analysis takes the historical data as the basis of forecasting. This method of forecasting the future trend is based on the assumptions that the past tendencies of the variables are repeated in the future or the past event affects the future events significantly.

Trend analysis is an analysis of bank's financial figures over time in order to determine the improvement, deterioration or stability of its financial situation. This analysis is very effectively inform various, personnel, directly or indirectly, related to the bank for shareholders of the bank, it informs about the expected future returns, which helps then to decide whether to stick in the present investment or to search for the alternative investment opportunities. For professional bankers it indicates the future achievement of the bank. For depositors, it provides degree of safety in the form of financial credit worthless of the bank in the future.

The future trend is forecasted by using the following formula.

$$Y_C = a + bx \text{ Where } a = \frac{y}{N} \quad b = \frac{xy}{x^2}$$

Y_C =Trend values

a =y intercept or the computer trend figure of the Y variables, where $X=0$ or arithmetic mean.

b =slope of the trend line of the amount of the change in Y variables i.e. associated with change in one unit in X variable or rate of changes.

In this section, I have analyzed the trends of the following financial indicators.

- Total Deposits
- Total Loans and Advances
- Net Profit after Tax

4.2.2.1 Trend Analysis of Total Deposit

Here the effort has been made to calculate the trend values of deposits of EBL, HBL and NBL for five years study period and forecasted for next six years.

Table 4.22

Trend Analysis of Total Deposit of EBL, HBL and NBL

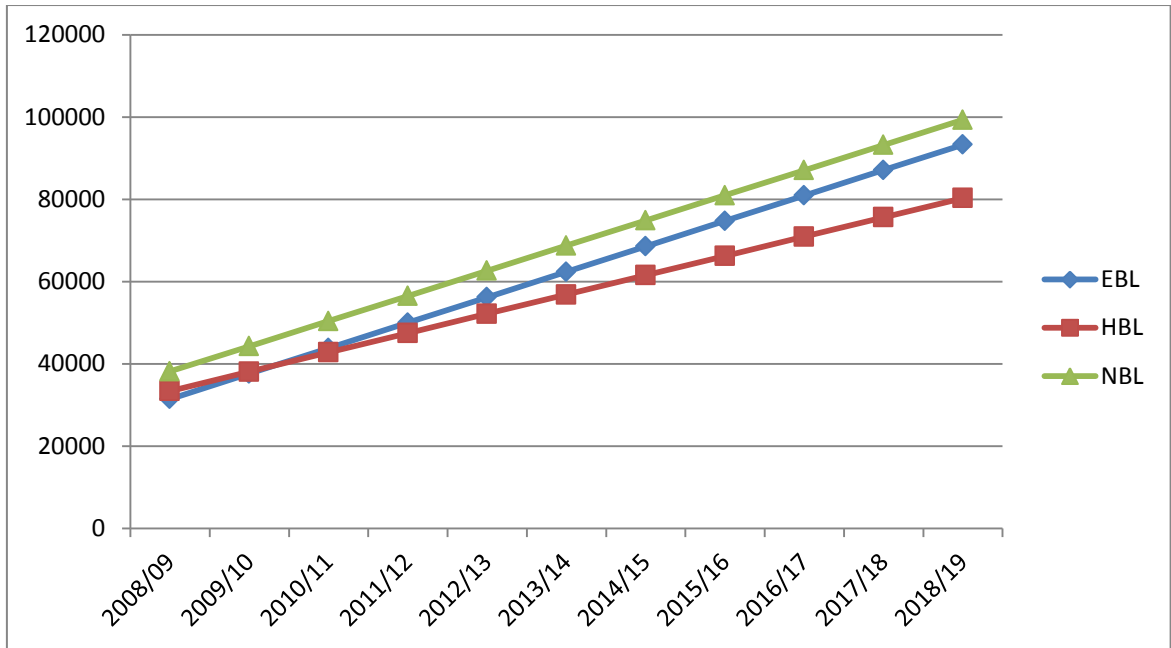
(Rs. In Millions)

Year	Everest Bank		Himalayan Bank		Nabil Bank	
	Actual value of Total Deposit(Rs.)	Trend Value(Rs.)	Actual value of Total Deposit(Rs.)	Trend Value(Rs.)	Actual value of Total Deposit (Rs.)	Trend Value(Rs.)
2008	33322	31447	34681	33422.6	37348	38190.2
2009	36932	37634.4	37611	38112.7	46410	44303.7
2010	41127	43821.4	40920	42802.8	49696	50417.2
2011	50006	50008.4	47730	47492.9	55023	56530.7
2012	57720	56195.4	53072	52183.0	63609	62644.2
2013		62382.4		56873.1		68757.7
2014		68569.4		61563.2		74871.2
2015		74756.4		66253.3		80984.7
2016		90943.4		70943.4		87098.2
2017		87130.4		75633.5		93211.7
2018		93317.4		80323.6		99325.2

Source: Appendix - D

Chart 4.19

Trend Analysis of Total Deposit of EBL, HBL and NBL



The above table and figure shows that the total deposits of EBL, HBL and NBL have been in the increasing trend. The largest amount of deposit collection will be 99,325.2 to million by NBL when all things remain constant in 2018/19.

Above table and figure gives the summary of total deposit trend of the selected banks in FY2013/14 to 2018/19. It can be said that growth rate of total deposits of EBL is greater than HBL and NBL so HBL and NBL must also put some scheme to increase its total deposit growth rate.

4.2.2.2. Trend value analysis of Total Loan and Advance

Here the trend values of loan and advances of EBL, HBL and NBL have been calculated for five years and the forecasted for next six years.

Table 4.23
Trend value analysis of Total Loan and Advance

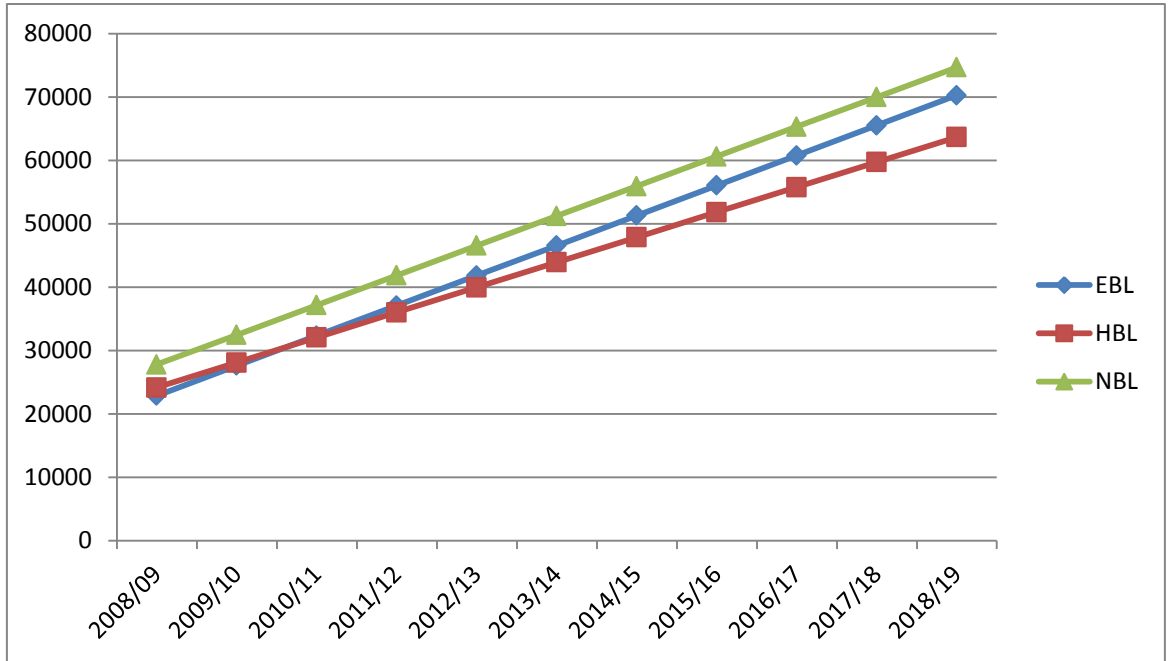
(Rs. In Millions)

Year	Everest Bank		Himalayan Bank		Nabil Bank	
	Actual Value of Total Loan and Advance (Rs.)	Trend Value (Rs.)	Actual Value of Total Loan and Advance (Rs.)	Trend Value (Rs.)	Actual Value of Total Loan and Advance (Rs.)	Trend Value (Rs.)
2008/09	23884	22885.6	24793	24169.6	27589	27793.6
2009/10	27556	27622.8	27980	28120.9	32268	32483.3
2010/11	31057	32360.0	31566	32072.2	38034	37173.0
2011/12	35910	37097.2	34965	36023.5	41605	41862.7
2012/13	43393	41834.4	41057	39974.8	46369	46552.4
2013/14		46571.6		43926.1		51242.1
2014/15		51308.8		47877.4		55931.8
2015/16		56046.0		51828.7		60621.5
2016/17		60783.2		55780.0		65311.2
2017/18		65520.4		59731.3		70000.9
2018/19		70257.6		63682.6		74690.6

Source: Appendix - E

Chart 4.20

Trend value analysis of Total Loan and Advance



Above table and figure show that the total loan and advances has been in increasing trend. The largest expected loan and advance will be Rs 74690.6 millions by NBL. When all things remaining constant in 2018/19. The above table and figure give the summary of total loan and advance trend of the selected banks in FY. 2013/14 to 2018/19. It can be seen that the growth rate of total loan and advance of EBL is greater than NBL and HBL.

4.2.2.3 Trend Analysis of Net Profit After Tax

The above table and figure sows the net profit after tax of EBL, HBL and NBL for five years study period and forecasted for next six years.

Trend analysis of Net profit after tax of EBL, HBL and NBL

Table 4.24
Trend Analysis of Net Profit After Tax

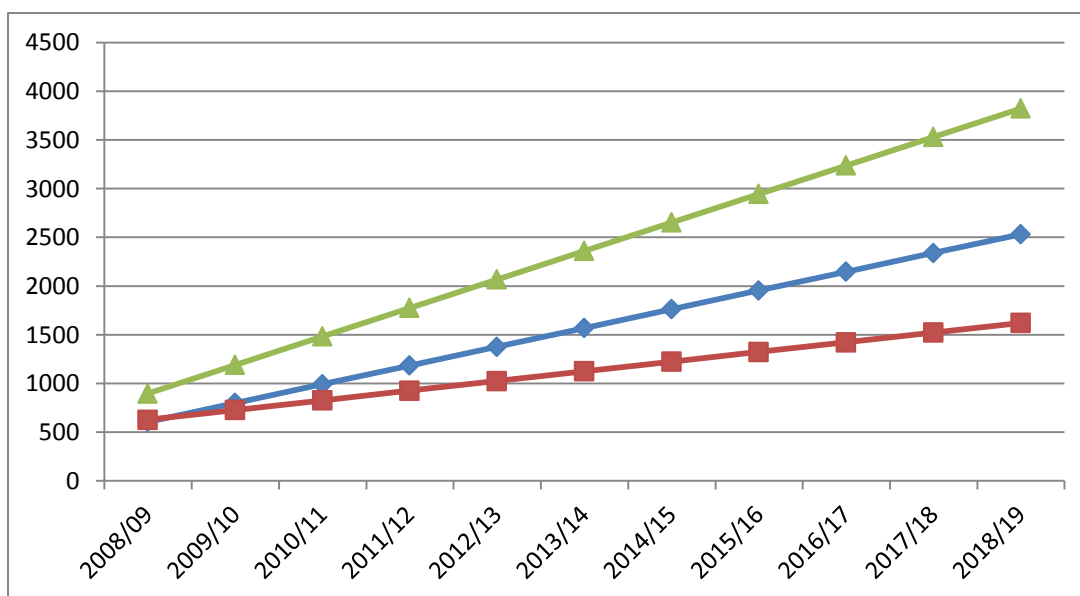
(Rs. In Millions)

Year	Everest Bank		Himalayan Bank		Nabil Bank	
	Actual Value of NPAT (Rs.)	Trend Value (Rs.)	Actual Value of NPAT(Rs.)	Trend Value (Rs.)	Actual Value of NPAT (Rs.)	Trend Value (Rs.)
2008	638	607.2	752	628.2	1031	898.0
2009	831	799.7	508	727.6	1139	1190.4
2010	931	992.2	839	827.0	1337	1482.8
2011	1090	1184.7	958	926.4	1689	1775.2
2012	1471	1377.2	1024	1025.8	2218	2067.5
2013		1569.7		1125.2		2360.0
2014		1762.2		1224.6		2652.4
2015		1954.7		1324.0		2944.8
2016		2147.2		1423.4		3237.2
2017		2339.7		1522.8		3529.6
2018		2532.2		1622.2		3822.0

Source: Appendix - F

Chart 4.21

Trend Analysis of Net Profit After Tax



The above table and figure shows that the net profit after tax is in increasing trend and it is expected to be achieved. The largest amount of net profit after tax will be 3822 million of NBL. The above table and figures\ give the summary of net profit trend of selected bank in FY 2013/14 to 2018/19. It can be seen that the growth rate of net profit of NBL is greater than EBL and HBL.

4.3 Major Findings of the study

The major findings of the study are derived on the basis analysis of selected banks which are given below:

4.3.1 Liquidity Ratio

The liquidity position of selected banks reveals that:

- The average current ratio of all sample banks i.e. Everest bank, Nabil bank and Himalayan bank were 107.09, 107.78 and 107.94 times respectively. It shows that the current ratio of all the sample banks is below the standard ratio 2:1. It is clear that Himalayan bank has slightly more liquid than other banks. But it can't be concluded that all the banks are in poor condition with low current ratio.
- The average ratio of cash and bank balance to saving deposit of Nabil bank, Everest bank and Himalayan bank were 22.09%, 52.38% and 22.70% respectively. It indicates that the ratio of Everest bank has the highest ratio among the sample banks. There is Himalayan bank next to it with the ratio of 22.70%. Nabil bank has the lowest ratio with 22.09% than other sampled banks. It implies that all the sample banks do not have enough cash balance with respect to current assets. However, Everest bank seems to be in better position than other sample banks.
- The average ratio of cash and bank balance to total deposit of Nabil bank, Everest bank and Himalayan bank were 6.79%, 18.94% and 10.07% respectively. It indicates that the ratio of Everest bank has the highest ratio among the sample banks. There is Himalayan bank next to it with the ratio of 10.07%. Nabil bank has the lowest ratio with 6.79 % than other sampled banks. It implies that all the sample banks do not have enough cash balance with respect to current assets. However, Everest bank seems to be in better position than other sample banks.

4.3.2. Assets Management Ratio / Activity Ratio

The activity ratio of selected banks reveals that:

- The average loans and advances to total deposit ratio of Nabil bank, Everest bank and Himalayan bank were 73.68%, 73.75% and 74.72% respectively. It indicates that the ratio of Himalayan bank is higher than Nabil bank and Everest bank. Similarly, Nabil bank has used lowest percentage (i.e. 73.68%) of total deposit into loan and advances over the study period.
- The average loans and advances to fixed deposit ratio of three selected banks i.e. Nabil bank, Everest bank and Himalayan bank were 295.78%, 269.28% and 302.68% respectively. It indicates that the liquidity position of Himalayan bank is better than Nabil and Everest bank.
- The average ratio of loan and advances to saving deposit of Nabil bank, Everest bank and Himalayan bank were 243.75%, 205.17 and 166.4% respectively. It indicates that Nabil bank has been successful in using the depositor's saving deposit properly in loan and advances than Everest and Himalayan bank.
- The average ratio of loan and advances to total assets of Nabil bank, Everest bank and Himalayan bank were 63.86%, 65.76% and 65.23% respectively. It indicates that Everest bank has been successful in using the total assets properly in loan and advances than Nabil and Himalayan bank.

4.3.3. Profitability Ratio

- The average ratio of return on shareholder's equity (net worth) of Everest bank, Himalayan bank and Nabil bank were 28.67%, 38.5% and 31.25% respectively. It implies that, on an average basis, Himalayan bank has provided the highest percentage (i.e. 38.5%) of return to its shareholder by utilizing the shareholder's fund among the sample banks. Among the sample banks Everest bank has the lowest ratio. It means that Everest bank has not mobilized the fund of shareholder effectively into profit generating projects.
- The average ratio of net profit to total assets of Everest bank, Himalayan bank and Nabil bank were 1.987%, 1.682% and 2.506% respectively. It implies that, on an average basis, Nabil bank has earned highest percentage (i.e. 2.506%) of net profit by utilizing its total assets among the sampled banks. Similarly, on an average basis, Everest bank has earned 1.987% of net profit against the use of total assets over the

entire study period. Likewise, Himalayan has earned 1.682% of net profit against the use of total assets over the entire study period

- The profitability ratio of net interest earned to total assets of Everest bank, Himalayan bank and Nabil bank were 7.835%, 7.633% and 8.130% respectively. It implies that, on an average basis Nabil Bank has earned the higher percentage (i.e. 8.130%) of net interest by utilizing its total assets into interest generating projects.

4.3.4.Credit Ratio

- The average ratio of investment to total deposit of Everest bank, Himalayan bank and Nabil bank were 16.40%, 22.90% and 27.20% respectively. It implies that, on an average basis, Nabil bank has earned highest percentage (i.e. 27.20%) by utilizing its total deposit in investment among the sampled banks. It shows that Nabil bank is able to utilize their funds in productive areas than other selected banks.

The average ratio of investment on Government Securities of Everest bank, Himalayan bank and Nabil bank were 5.2%, 3.62% and 4.54% respectively. It implies that, on an average basis, Everest bank has earned highest percentage (i.e. 5.2%) in investment government securities. Financing in govt. securities was superior of Everest bank in comparison to other selected banks.

4.3.5 Leverage Ratio

The leverage ratio of sampled banks reveals that:

- The average ratio of total debt to shareholder's equity of Everest bank and Himalayan bank and Nabil bank were 13.49 times, 20.01 times and 11.63 times respectively. Himalayan bank has highest ratio of 20.01 times means, debt capital financing is more than its shareholder equity over the study period where as Nabil bank has lowest ratio (i.e. 11.63 times) of total debts to shareholders equity.
- The average ratio of total debt to total assets of Everest bank, Himalayan bank and Nabil bank were 93.16%, 91.69% and 92.12% respectively. It indicates that Everest bank has highest ratio (i.e. 93.16%) of total debt into total assets over the study period and Himalayan bank has lowest ratio (i.e. 91.69%) of total debt total assets over the study period

4.3.6 Other Ratios

4.3.6.1 Earning Per Share

The average earning per share of Everest bank, Himalayan bank and Nabil bank were Rs.92.75, Rs.43.10 and Rs.89.20 respectively. On an average basis, Everest bank had the highest earning per share (i.e. Rs.92.75) than other selected banks over the study period. Similarly, Nabil bank and Himalayan bank had comparatively lower EPS.

4.3.6.2 Dividend Per Share

Similarly average dividend per share of Everest bank, Himalayan bank and Nabil bank were Rs.32, Rs.34.81 and Rs.35 respectively. On an average basis, Nabil bank had the highest earning per share (i.e. Rs.35) than other selected banks over the study period. Similarly, Everest bank and Himalayan bank had comparatively lower DPS than Nabil bank.

4.3.6.3 Dividend Payout Ratio

The average dividend payout of Everest bank, Himalayan bank and Nabil bank were 34.89, 83.28 and 39.84 respectively. On an average basis, Himalayan bank had the highest dividend payout ratio (i.e.83.28) than other selected banks over the study period. Similarly, Nabil bank and Everest bank had comparatively lower dividend payout ratio.

4.3.6.4 PE Ratio

PE ratio of Nabil bank was found to be rising which increase the confidence of investors towards the bank. However the ratios of Everest bank and Himalayan bank were 16.59 and 20.43 times respectively. Hence higher ratio indicated the better performance of Nabil bank (i.e.24 93 time)

4.3.7 Statistical Ratio Analysis

4.3.7.1 Correlation of Total Deposits of Loan and Advances of EBL, HBL & NBL

Correlation coefficient between total deposit and loan and advances of EBL, HBL & NBL shows positive relation of deposit and loans & advances. By application of the coefficient of determination, it indicates that 98.90%, 98.04 and 96.78% of the variation in the loan and advances had been explained by the deposit of EBL, HBL & NBL.

4.3.7.2 Correlation of Total Deposit and Investment EBL, HBL & NBL

Correlation coefficient between total deposit and total investment of EBL, HBL & NBL shows the positive relationship of deposit and total investment. By considering of the coefficient of determination, it indicates that 78.78%, 82.59% and 92.29% of the variation in the investment had been explained by the deposit of EBL, HBL & NBL.

4.3.7.3. Correlation of Total Assets and Net Profit After Tax of EBL, HBL & NBL

Correlation coefficient between total assets and net profit of EBL, HBL & NBL shows positive relation of total assets and net profit. By application of the coefficient of determination, it indicates that 97.23%, 60.32% and 93.31% of the variation in the net profit had been explained by the total assets of EBL, HBL & NBL

4.3.8 Trend Analysis

In trend analysis, Deposit, Loan and advance, total investment & Net profit of selected banks are in increasing trend. Trend of EBL is better than other's selected banks.

4.4 Findings

- a. The financial performances of the selected banks are satisfactory level but EBL seems to be in better position in compare to other sample banks in study period 2008/09 to 2012/ 13.

- b. The sample banks have managed and utilized their assets satisfactorily. In compare to selected bank in the study period NBL has been able to earned higher profitable ratio than other sample banks.
- c. EBL, HBL and NBL have sufficient liquidity position but EBL has more liquidity than other sample banks in the study period 2008/09 to 2012/13.
- d. There are some differences in financial performance between the selected banks. In the study period HBL shows high risk than other banks. From the liquidity position there is significant different between selected banks. But due to the lack of time and information only limited difference are identified.

Chapter-5

Summary, Conclusion and Recommendation

This chapter is dedicated to provide conclusion after comparatively analyzing the financial performance of three joint venture banks named Nabil bank, Everest bank and Himalayan bank. It also tries to provide some recommendation to the concerned banks from the conclusion derived from the study.

5.1 Summaries

The economic development of a country cannot be imagined without the development of commerce and industry. The role of commercial banks in the economic growth of nation can be estimated to be prominent. There is no doubt; banking promotes the development of commerce to its extreme as banking itself is the part of commerce. Economic activity remain that in absence of banking industries as it plays the role of catalyst for development of many sectors of the country. It helps to enhances economic activities of the country by providing capital funds for smooth operation of business activities, create employment opportunities investing agricultural and industry sectors etc. So commercial banks pool the fund in the sizable volume in order to feed the fund requirement of productive sector, promote trade and industrialization in the country.

Financial analysis is the process that determines the significant operation and financial characteristics of a firm accounting data. It shows the relationship between the various components which can be found in balance sheet and profit & loss account. The analyzed statement contains that information which is useful for management, shareholders, creditors, investors, depositors etc. As in other industries banking industries also need financial analysis. As it is crucial for evaluating and analyzed the performance of the particular company as compared to the other and also from the previous performance of some company.

At present there are altogether thirty one commercial banks operating in the country among which Nabil bank, Himalayan bank and Everest bank has occupied wide range of the business due to access to most of the corner of the country. Slowly private banks are also initiating to move towards every corner of the country but due to prevailing crisis they are not being able to meet their objects to reach to every corner of the country. Due to increasing competition banks are forced to innovate new products to their customers and they are also shifting from traditional service procedure to various sophisticated services like ATM card, debit card, credit card, housing loan, education loan, vehicle financing etc.

Under this study, the researcher has tried to cover the various aspects of selected banks named Nabil, Everest and Himalayan bank covering the period of five years from 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13. In the first introductory chapter, the study report has tried to give general background, introduction of bank, statement of problem, focus of the study, objectives of the study, significance of the study, its limitation and organization of the study. During the research work, extensive review of various literature books, past thesis, journals have been studied and consulted. And as per requirement, internet materials from relevant websites are also visited. These works are compiled in the second chapter titled “Review of Literature” of this report. For this study, the researcher has gathered the required data basically from annual reports published by the concerned joint venture banks for the last five years and also from the office of related banks. Performance of selected banks (1) financial ratios to calculate various ratios (2) statistical tools such as mean, standard deviation, coefficient of variation, Hypothesis analysis etc are followed for this research work in third chapter titled “Research Methodology”. Data relating to activities of the banks have been collected and presented in figures and tabular as far as possible are tried to be interpreted in the study report in logical ways. Data are then analyzed applying various financial and statistical tools and findings of the study have been listed in a systematic manner. All these works are compiled in the fourth chapter titled “Data presentation and Analysis” of the study. Finally, the summary, conclusion and the recommendation made by the research are presented in the current chapter titled “Summary, Conclusion and Recommendations.”

5.2 Conclusions

Establishment of commercial banks especially joint venture banks have continued to response to the economic liberalization policies of the government. So now in Nepal there are thirty one commercial banks competing with each other in their business. These banks are mainly concentrated themselves on financing foreign trade, commerce and industry. This study has been mentioned that research concentrates only on the comparative financial performance between joint venture banks i.e. Nabil, Everest and Himalayan bank. The study completely based on secondary data accumulated from websites. The study covers only three banks Nabil bank, Everest bank and Himalayan bank. Among various banks the sample banks are the leading banks among commercial banks. This study is based on the data of five fiscal year started from 2008/09 to 2012/13.

The researcher has analyzed the data by using financial tools like ration analysis as well as statistical tools like mean, SD etc.

This study reveals that the current ratio of all sample banks i.e. Nabil Bank, Everest Bank and Himalayan Bank is less than 1 but Everest bank has the highest current ratio. It means Everest bank's solvency position is better than Nabil bank and Himalayan bank. The cash and bank balance of Everest bank with respect to total deposit is more liquidity than other sample banks. It indicates that Everest bank is able to make immediate payments to its depositor. Among all the sample banks, Himalayan bank has the lowest ratio of net profit to total assets. It means Himalayan bank has not mobilized its assets into profit generating projects. Nabil bank has been successful in earning more net profit by the proper use of its available assets. Himalayan bank has not mobilized its deposit into profit generating project and Nabil bank with the highest ratio has been successful in the earning more net profit by the proper use of its available deposit than others. But in case of mobilized the funds of shareholders efficiently into profit generating projects, Himalayan bank does not mobilized and Nabil bank has been successful in providing more rate of return to its shareholders by the proper use of their available funds than others. From all the sample banks, Himalayan bank has not mobilized its assets into interest generating projects(i.e. income from loans, advances, cash credit and overdrafts, government securities, inter commercial banks other investment). Nabil bank with the highest ratio has been successful in generating more interest income by the proper use of its available assets. In term of loan and advances against total deposits, Everest bank has used more percentage of its total deposits into loan and advances than other sample banks. From leverage ratio, Himalayan bank has high debt to total assets ratio represents a greater risk to creditor and shareholders than other sample banks. Earnings per share of Nabil bank have the highest than other selected banks. Similarly, with the highest increasing bottleneck competition and worsening economic condition has attributing this area to be very sensitive and risky. Therefore, it is suggested them to investments non-risky assets to increase the level of profit.

In case of all three banks, debt financing has always almost high of the total assets over the review period, which indicates the excessively use of debt finance to total assets over the review period, which indicates the excessively use of debt finance to total assets. Nevertheless, extensive use of debts capital with the failure I advancing good loans can jeopardize the solvency position of these banks. Therefore, it is suggested to the banks to assess the risk assets portfolio cautiously before accepting higher volumes of deposits. Expenses are the vital determinations to increase or decrease the profitability of the banks. Interest expenses on deposits also affect the profitability of the banks. Thus, it is recommended that banks should try to reduce the amount of high interest bearing deposits like fixed deposits, saving deposit and others. Instead they should concentrate of non-interest bearing deposit like current deposit, margin deposit etc. At the same time, bank should try to reduce the operating expenses to increase the profitability. Shareholders are the real owners of the

organization. But they do not seem to be happy with the rate of return on equity provided by the banks to some extent, Nabil bank has been successful in providing a better return on equity than others. Thus, it is recommended that the management team should put emphasis on the maximizing the wealth of the shareholders. Low market price of share and less earning per share of commercial banks indicated the poor performance. Reviewing the study, Nabil bank and Everest bank have higher MPS, EPS and dividend payout ratio than Himalayan bank. Therefore, it is suggested to the management team of Himalayan bank to improve their performance.

From income analysis, Everest bank has highest interest income than other banks.

From the liquidity position between Nabil, Everest and Himalayan bank is significant different. In the same way profitability position in terms of net profit margin or net profit to total assets (sales) ratio and earnings per share of Nabil, Everest and Himalayan bank are significantly different at 5% level of significance. Likewise turnover position in respect of loan and advances to total deposit ratio and leverage position in terms of debt to equity ratio of Nabil, Everest and Himalayan bank are not significantly difference at 5% level of significance.

5.3 Recommendation

Base on the analysis, interpretation & conclusions, some of the major recommendations are mentioned as below:

- Based on liquidity ratio analysis it is found that selected banks do not have the standard current ratio(2:1). However, from aggressive working capital point of view it is not considered so bad. Everest bank and Himalayan bank seem to have held more cash and bank balance rather than Nabil bank. To maintain liquidity in perfect, all commercial banks have to follow the mid way i.e. they should invest the idle deposit in productive sector and on the other hand they have enough cash balance to meet current requirement.
- Based on activity ratio analysis it is found that all the selected joint venture banks except Himalayan bank have emphasized in issuing loan and advances. However, as we know that the increasing bottleneck competition and worsening economic condition has attributing this area to be very sensitive and risky. Therefore, it is suggested them to investments non-risky assets to increase the level of profit.
- In case of all three banks, debt financing has always almost exceeded 89% of the total assets over the review period, which indicates the excessively use of

debt finance to total assets. Nevertheless, extensive use of debts capital with the failure in advancing good loans can jeopardize the solvency position of these banks. Therefore, it is suggested to the banks to assess the risk assets portfolio cautiously before accepting higher volumes of deposits.

- The profitability ratio in case of Himalayan bank has lowest with the result of lower profit before tax. So, this bank should reduce operating costs to achieve the operational efficiency. Since by decreasing costs, profit of any bank can grow considerably, they must search for loopholes in their operations where unnecessary costs are being incurred and should eliminate them.
- Shareholders are the real owners of the organization. But they do not seem to be happy with the rate of return on equity provided by the banks. To some extent, Nabil bank has been successful in providing a better return on equity than others. Thus, it is recommended that the management team should put emphasis on the maximizing the wealth of the shareholders. Low market price of share and less earning per share of commercial bank indicated the poor performance in the market. Similarly low dividend payout ratio also discourages the shareholders. Reviewing the study, Nabil bank and Everest bank have higher, EPS and dividend payout ratio than Himalayan Bank, therefore, it is suggested to the management team of Himalayan bank to improve their performance.
- Expenses are the vital determinations to increase or decrease the profitability of the banks. Interest expenses on deposits also affect the profitability of the banks. Thus, it is recommended that banks should try to reduce the amount of high interest bearing deposits like fixed deposits, saving deposit and others. Instead they should concentrate of non-interest bearing deposit like current deposit, margin deposit etc. At the same time, bank should try to reduce the operating expenses to increase the profitability.
- The commercial banks have been established gradually after the commercial bank act 1974. So many commercial banks as a joint venture have been established gradually because of the liberal and marked friendly economic policy of the government. But bank should prove some social response by expanding their operations in rural areas rather than urban areas. Also banks should give response to poor and disadvantaged groups by establishing the branches in rural area, minimum amount for opening accounts and interest rates should be reduced for creditors.

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Appendix-A

Co-efficient of Correlation between Total deposit and Loan and Advance of EBL

(Rs. In millions)

Year	Total Deposit(X)	Loan and Advance(Y)	X ²	Y ²	XY
2008/09	33322	23884	1110355684	570445456	795862648
2009/10	36932	27556	1363972624	759333136	1017698192
2010/11	41127	31057	1691430129	964537249	1277281239
2011/2012	50006	35910	2500600036	1289528100	1795715460
2012/13	57720	43395	3331598400	1883126025	2504759400
	219107	161802	9997956873	5466969966	7391316939

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

$$= \frac{5 \times 7391316939 - 219107 \times 161802}{\sqrt{(5 \times 9997956873 - (219107)^2)} \sqrt{(5 \times 5466969966 - (161802)^2)}}$$

$$= \frac{1504633881}{1512953386}$$

r = 0.9945 r² = 0.9890

Calculation of Probable Error(P.Er.)

$$\text{P.Er.} = \frac{0.6745(1-r^2)}{\sqrt{N}} = \frac{0.6745(1-0.9890)}{\sqrt{5}} = 0.0033$$

6.P.Er. = 0.0198

Co-efficient of Correlation between Total deposit and Loan and Advance of NBL

(Rs. In millions)

Year	Total Deposit(X)	Loan and Advance(Y)	X ²	Y ²	XY
2008/09	37348	27589	1394873104	761152921	1030393972
2009/10	46410	32268	2153888100	1041223824	1497557880
2010/11	49696	38034	2469692416	1446585156	1890137664
2011/12	55023	41605	3027530529	1730976025	2289231915
2012/13	63609	46369	4046104881	2150084161	2949485721
	252086	185865	13092089030	7130022087	9656807152

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

$$= \frac{5 \times 9656807152 - 252086 \times 185865}{\sqrt{(5 \times 13092089030 - (252086)^2)}\sqrt{(5 \times 7130022087 - (185865)^2)}}$$

$$= \frac{1430071370}{1453496693}$$

$$r = 0.9838 \quad r^2 = 0.9678$$

Calculation of Probable Error(P.Er.)

$$\text{P.Er.} = \frac{0.6745(1-r^2)}{\sqrt{N}} = \frac{0.6745(1-0.9678)}{\sqrt{5}} = 0.0097$$

$$6.\text{P.Er.} = 0.0582$$

Co-efficient of Correlation between Total deposit and Loan and Advance of HBL

(Rs. In millions)

Year	Total Deposit(X)	Loan and Advance(Y)	X ²	Y ²	XY
2008/09	34681	24793	1202771761	614692849	859846033
2009/10	37611	27980	1414587321	782880400	1052355780
2010/11	40920	31566	1674446400	996412356	1291680720
2011/12	47730	34965	2278152900	1222551225	1668879450
2012/13	53072	41057	2816637184	1685677249	2178977104
	214014	160361	9386595566	5302214079	7051739087

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

$$= \frac{5 \times 7051739087 - 214014 \times 160361}{\sqrt{(5 \times 9386595566 - (214014)^2)}\sqrt{(5 \times 5302214079 - (160361)^2)}}$$

$$= \frac{939196381}{948476946} \quad r = 0.9902 \quad r^2 = 0.9804$$

Calculation of Probable Error(P.Er.)

$$\text{P.Er.} = \frac{0.6745(1-r^2)}{\sqrt{N}} = \frac{0.6745(1-0.9804)}{\sqrt{5}} = 0.0059$$

$$6.\text{P.Er.} = 0.035$$

Appendix-B

Co-efficient of Correlation between Total deposit and Total Investment of EBL

(Rs. In millions)

Year	Total Deposit(X)	Total Investment(Y)	X ²	Y ²	XY
2008/09	33322	5948	1110355684	35378704	198199256
2009/10	36932	5008	1363972624	25080064	184955456
2010/11	41127	7743	1691430129	59954049	318446361
2011/12	50006	7863	2500600036	61826769	393197178
2012/13	57720	9263	3331598400	85803169	534660360
	219107	35825	9997956873	268042755	1629458611

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

$$= \frac{5 \times 1629458611 - 219107 \times 35825}{\sqrt{(5 \times 9997956873 - (219107)^2)} \sqrt{(5 \times 268042755 - (35825)^2)}}$$

$$= \frac{297784780}{335468204} \quad r = 0.8876 \quad r^2 = 0.7878$$

Calculation of Probable Error(P.Er.)

$$\text{P.Er.} = \frac{0.6745(1-r^2)}{\sqrt{N}} = \frac{0.6745(1-0.7878)}{\sqrt{5}} = 0.064$$

$$6 \cdot \text{P.Er.} = 0.384$$

Co-efficient of Correlation between Total deposit and Total Investment of NBL

(Rs. In millions)

Year	Total Deposit(X)	Total Investment(Y)	X ²	Y ²	XY
2008/09	37348	10826	1394873104	117202276	404329448
2009/10	46410	13703	2153888100	187772209	635956230
2010/11	49696	13081	2469692416	171112561	650073376
2011/12	55023	14048	3027530529	197346304	772963104
2012/13	63609	16332	4046104881	266734224	1038862188
	252086	67990	13092089030	940167574	3502184346

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

$$= \frac{5 \times 3502184346 - 252086 \times 67990}{\sqrt{(5 \times 13092089030 - (252086)^2) \sqrt{(5 \times 940167574 - (67990)^2)}}}$$

$$= \frac{371594590}{386781171} \quad r = 0.9607 \quad r^2 = 0.9229$$

Calculation of Probable Error(P.Er.)

$$P.Er. = \frac{0.6745(1-r^2)}{\sqrt{N}} = \frac{0.6745(1-0.9229)}{\sqrt{5}} = 0.0232$$

$$6.P.Er. = 0.1395$$

Co-efficient of Correlation between Total deposit and Total Investment of HBL

(Rs. In millions)

Year	Total Deposit(X)	Total Investment(Y)	X ²	Y ²	XY
2008/09	34681	8711	1202771761	75881521	302106191
2009/10	37611	8444	1414587321	71301136	317587284
2010/11	40920	8769	1674446400	76895361	358827480
2011/12	47730	10031	2278152900	100620961	478779630
2012/13	53072	12992	2816637184	168792064	689511424
	214014	48947	9386595566	493491043	2146812009

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

$$= \frac{5 \times 2146812009 - 214014 \times 48947}{\sqrt{(5 \times 9386595566 - (214014)^2) \sqrt{(5 \times 493491043 - (48947)^2)}}$$

$$= \frac{258716787}{284659545} \quad r = 0.9088 \quad r^2 = 0.8259$$

Calculation of Probable Error(P.Er.)

$$P.Er. = \frac{0.6745(1-r^2)}{\sqrt{N}} = \frac{0.6745(1-0.8259)}{\sqrt{5}} = 0.0525$$

$$6.P.Er. = 0.3151$$

Appendix-C

Co-efficient of Correlation between Total Assets and Net Profit After Tax of EBL

(Rs. In millions)

Year	Total Assets(X)	NPAT(Y)	X ²	Y ²	XY
2008/09	36916	638	1362791056	407044	23552408
2009/10	41382	831	1712469924	690561	34388442
2010/11	46236	931	2137767696	866761	43045716
2011/12	55813	1090	3115090969	1188100	60836170
2012/13	65741	1471	4321879081	2163841	96705011
	246088	4961	12649998726	5316307	258527747

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

$$= \frac{5 \times 258527747 - 246088 \times 4961}{\sqrt{(5 \times 12649998726 - (246088)^2)}\sqrt{(5 \times 5316307 - (4961)^2)}}$$

$$= \frac{71796167}{72805786} \quad r = 0.9861 \quad r^2 = 0.9723$$

Calculation of Probable Error(P.Er.)

$$\text{P.Er.} = \frac{0.6745(1-r^2)}{\sqrt{N}} = \frac{0.6745(1-0.9723)}{\sqrt{5}} = 0.0083$$

6.P.Er.=0.050

Co-efficient of Correlation between Total Assets and Net Profit After Tax of NBL

(Rs. In millions)

Year	Total Assets(X)	NPAT(Y)	X ²	Y ²	XY
2008/09	43867	1031	1924313689	1062961	45226877
2009/10	52150	1139	2719622500	1297321	59398850
2010/11	58141	1337	3380375881	1787569	77734517
2011/12	63193	1689	3993355249	2852721	106732977
2012/13	73241	2218	5364244081	4919524	162448538
	290592	7414	17381911400	11920096	451541759

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

$$= \frac{5 \times 451541759 - 290592 \times 7414}{\sqrt{(5 \times 17381911400 - (290592)^2)}\sqrt{(5 \times 11920096 - (7414)^2)}}$$

$$= \frac{103259707}{106884833} \quad r = 0.966 \quad r^2 = 0.9331$$

Calculation of Probable Error(P.Er.)

$$\text{P.Er.} = \frac{0.6745(1-r^2)}{\sqrt{N}} = \frac{0.6745(1-0.9331)}{\sqrt{5}} = 0.021$$

$$6.\text{P.Er.} = 0.121$$

Appendix-D

Calculation of Trend value of Total Deposit of EBL

(Rs. In millions)

Year (t)	Total Deposit (y)	x=(t-2011)	X ²	Xy	Y _C =a+bx
2008/09	33322	-2	4	-66644	31447
2009/10	36932	-1	1	-36932	37634.4
2010/11	41127	0	0	0	43821.4
2011/12	50006	1	1	50006	50008.4
2012/13	57720	2	4	115440	56195.4
	y=219107	x=0	x ² =10	x y =61870	

$$a = \frac{y}{N} = \frac{219107}{5} = 43821.4 \quad b = \frac{xy}{x^2} = \frac{61870}{10} = 6187$$

the equation of the straight line is trend is $Y_C = a + bx$

$$Y_C = 43821.4 + 6187 x$$

Forecasted value of Total Deposit of EBL (2013/14 – 2018/19)

Year (t)	X=t-2011	y _c =a+bx
2013/14	3	62382.4
2014/15	4	68569.4
2015/16	5	74756.4
2016/17	6	80943.4
2017/18	7	87130
2018/19	8	93317.4

Calculation of Trend value of Total Deposit of NBL

(Rs. In millions)

Year (t)	Total Deposit (y)	x=(t-2011)	X ²	Xy	Y _C =a+bx
2008/09	37348	-2	4	-74696	38190.2
2009/10	46410	-1	1	-46410	44303.7
2010/11	49696	0	0	0	50417.2
2011/12	55023	1	1	55023	56530.7
2012/13	63609	2	4	127218	62644.2
	y=252086	x=0	x ² =	xy =61135	

$$a = \frac{y}{N} = \frac{252086}{5} = 50417.2$$

$$b = \frac{xy}{x^2} = \frac{61135}{10} = 6113.5$$

The equation of the straight line is trend is $y_c = a + bx$

$$y_c = 50417.2 + 6113.5 x$$

Forecasted value of Total Deposit of NBL (2013/14 – 2018/19)

Year (t)	X=t-2011	y _C =a+bx
2013/14	3	68757.7
2014/15	4	74871.2
2015/16	5	80984.7
2016/17	6	87098.2
2017/18	7	93211.7
2018/19	8	99325.2

Calculation of Trend value of Total Deposit of HBL

(Rs. In millions)

Year (t)	Total Deposit (y)	x=(t-2011)	X ²	Xy	y _c =a+bx
2008/09	34681	-2	4	-69362	33422.6
2009/10	37611	-1	1	-37611	38112.7
2010/11	40920	0	0	0	42802.8
2011/12	47730	1	1	47730	47492.9
2012/13	53072	2	4	106144	52183
	y=214014	x=0	x ² =	xy =46901	

$$a = \frac{y}{N} = \frac{214014}{5} = 42802.8$$

$$b = \frac{xy}{x^2} = \frac{61135}{10} = 4690.1$$

The equation of the straight line is trend is $y_c = a + bx$

$$y_c = 42802.8 + 4690.1 x$$

Forecasted value of Total Deposit of HBL (2013/14 – 2018/19)

Year (t)	X=t-2011	y _c =a+bx
2013/14	3	56873.1
2014/15	4	61563.2
2015/16	5	66253.3
2016/17	6	70943.3
2017/18	7	75633.5
2018/19	8	80323.6

Appendix-E

Calculation of Trend value of Total Loans and Advance of EBL

(Rs. In millions)

Year (t)	Total Deposit (y)	x=(t-2011)	X ²	Xy	y _c =a+bx
2008/09	23884	-2	4	-47768	22885.6
2009/10	27556	-1	1	-27556	27622.8
2010/11	31057	0	0	0	32360
2011/12	35910	1	1	35910	37097.2
2012/13	43393	2	4	86786	41834.4
	y=161800	x=0	x ² =	xy =47372	

$$a = \frac{y}{N} = \frac{161800}{5} = 32360$$

$$b = \frac{xy}{x^2} = \frac{47372}{10} = 4737.2$$

The equation of the straight line is trend is $y_c = a + bx$

$$y_c = 32360 + 4737.2 x$$

Forecasted value of Total Loans and Advance of EBL (2013/14 – 2018/19)

Year (t)	X=t-2011	y _c =a+bx
2013/14	3	46571.6
2014/15	4	51308.8
2015/16	5	56046
2016/17	6	60783.2
2017/18	7	65520.4
2018/19	8	70257.6

Calculation of Trend value of Total Loans and Advances of NBL

(Rs. In millions)

Year (t)	Total Deposit (y)	x=(t-2011)	X ²	Xy	y _c =a+bx
2008/09	27589	-2	4	-55178	27793.6
2009/10	32268	-1	1	-32268	32483.3
2010/11	38034	0	0	0	37173
2011/12	41605	1	1	41605	41862.7
2012/13	46369	2	4	92738	46552.4
	y=185865	x=0	x ² =	xy =46897	

$$a = \frac{y}{N} = \frac{185865}{5} = 37173$$

$$b = \frac{xy}{x^2} = \frac{46897}{10} = 4689.7$$

The equation of the straight line is trend is $y_c = a + bx$

$$y_c = 37173 + 4689.7 x$$

Forecasted value of Total Loans and Advance of NBL (2013/14 – 2018/19)

Year (t)	X=t-2011	y _c =a+bx
2013/14	3	51242.1
2014/15	4	55931.8
2015/16	5	60621.5
2016/17	6	65311.2
2017/18	7	70000.9
2018/19	8	74690.6

Calculation of Trend value of Total Loans and Advances of HBL

(Rs. In millions)

Year (t)	Total Deposit (y)	x=(t-2011)	X ²	Xy	y _c =a+bx
2008/09	24793	-2	4	-49586	24169.6
2009/10	27980	-1	1	-27980	28120.9
2010/11	31566	0	0	0	32072.2
2011/12	34965	1	1	34965	36023.5
2012/13	41057	2	4	82114	39974.8
	y=160361	x=0	x ² =	xy =39513	

$$a = \frac{y}{N} = \frac{160361}{5} = 32072.2$$

$$b = \frac{xy}{x^2} = \frac{39513}{10} = 3951.3$$

The equation of the straight line is trend is $y_c = a + bx$

$$y_c = 160361 + 3951.3 x$$

Forecasted value of Total Loans and Advance of EBL (2013/14 – 2018/19)

Year (t)	X=t-2011	y _c =a+bx
2013/14	3	43926.1
2014/15	4	47877.4
2015/16	5	51828.7
2016/17	6	55780
2017/18	7	59731.3
2018/19	8	63682.6

Appendix-F

Calculation of Trend value of Total Net profit after tax of EBL

(Rs. In millions)

Year (t)	Net Profit after tax (y)	x=(t-2011)	X ²	Xy	y _c =a+bx
2008/09	638	-2	4	-1276	607.2
2009/10	831	-1	1	-831	799.7
2010/11	931	0	0	0	992.2
2011/12	1090	1	1	1090	1184.7
2012/13	1471	2	4	2942	1377.2
y=4961		x=0	x ² =10	xy =1925	

$$a = \frac{y}{N} = \frac{4961}{5} = 992.2$$

$$b = \frac{xy}{x^2} = \frac{1925}{10} = 192.5$$

The equation of the straight line is trend is $y_c = a + bx$

$$y_c = 992.2 + 192.5 x$$

Forecasted value of Total Net profit after tax of EBL (2013/14 – 2018/19)

Year (t)	X=t-2011	y _c =a+bx
2013/14	3	1569.7
2014/15	4	1762.2
2015/16	5	1954.7
2016/17	6	2147.2
2017/18	7	2339.7
2018/19	8	2532.2

Calculation of Trend value of Total Net profit after tax of NBL

(Rs. In millions)

Year (t)	Net Profit after tax (y)	x=(t-2011)	X ²	Xy	y _c =a+bx
2008/09	1031	-2	4	-2062	898
2009/10	1139	-1	1	-1139	1190.4
2010/11	1337	0	0	0	1482.8
2011/12	1689	1	1	1689	1775.2
2012/13	2218	2	4	4436	2067.5
	y=7414	x=0	x ² =	x y =2924	

$$a = \frac{y}{N} = \frac{7414}{5} = 1482.8$$

$$b = \frac{xy}{x^2} = \frac{2924}{10} = 292.4$$

The equation of the straight line is trend is $y_c = a + bx$

$$y_c = 1482.8 + 292.4x$$

Forecasted value of Total Net profit after tax of NBL (2013/14 – 2018/19)

Year (t)	X=t-2011	y _c =a+bx
2013/14	3	2360
2014/15	4	2652.4
2015/16	5	2944.8
2016/17	6	3237.2
2017/18	7	3529.6
2018/19	8	3822

Calculation of Trend value of Total Net profit after tax of HBL

(Rs. In millions)

Year (t)	Net profit after tax (y)	x=(t-2011)	x ²	xy	y _c =a+bx
2008/09	752	-2	4	-1504	628.2
2009/10	508	-1	1	-508	727.6
2010/11	893	0	0	0	827
2011/12	958	1	1	958	926.4
2012/13	1024	2	4	2048	1025.4
	y=4135	x=0	x ² =10	xy=994	

$$a = \frac{y}{N} = \frac{4135}{5} = 827$$

$$b = \frac{xy}{x^2} = \frac{994}{10} = 99.4$$

The equation of the straight line is trend is $y_c = a + bx$

$$y_c = 827 + 99.4 x$$

Forecasted value of Total Net profit after tax of HBL (2013/14 – 2018/19)

Year (t)	X=t-2011	y _c =a+bx
2013/14	3	1125.2
2014/15	4	1224.6
2015/16	5	1324
2016/17	6	1423.4
2017/18	7	1522.8
2018/19	8	1622.2

Appendix G

Everest Bank Limited

Five Years Financial Summary

Balance Sheet

(NPR in Thousands)

Fiscal Year	2008/09	2009/10	2010/11	2011/12	2012/13
Cash Balance	944,695	1,091,500	1,048,998	1,700,991	1,723,208
Balance with NRB	4,787,163	5,625,113	4,706,320	8,159,753	8,205,090
Balance with Bank / Financial Institution	432,511	1,102,200	367,543	502,561	1,287,494
Money at call & short notice	-	-	-	-	-
Investment	5,948,480	5,008,307	7,743,928	7,863,627	9,263,858
Loans , Advance & Bills Purchased	23,884,673	27,556,356	31,057,691	35,910,974	43,393,187
Fixed assets	427,157	463,094	460,258	547,925	631,182
Non Banking Assets	-	-	-	-	-
Other Assets	492,166	536,187	851,470	1,127,295	1,237,128
Total Assets	36,916,848	41,382,760	46,236,212	55,813,129	65,741,150
Share Capital	838,821	1,279,607	1,391,570	1,761,126	1,921,239
Reserve & Surplus	1,364,804	1,479,530	1,721,975	2,416,176	2,906,605
Debenture & Bonds	300,000	300,000	300,000	-	468,845,
Borrowing	312,000	404,600	482,000	-	402,360
Deposits	33,322,946	36,932,310	41,127,914	550,006,100	57,720,464
Bills Payable	148,655	145,514	49,716	692,398	393,056
proposed & Undistributed dividend	230,524	276,252	576,897	30,646	820,190
Income Tax Liabilities	20,522	(1,136)	26,900	9,297	23,932
Other Liabilities	378,574	566,081	559,237	897,383	1,084,456
Total Liabilities	36,916,848	41,382,760	46,236,212	55,813,129	65,741,150

Appendix H

Nabil Bank Limited

Five Years Financial Summary

Balance Sheet

(NPR in Thousands)

Fiscal Year	2008/09	2009/10	2010/11	2011/12	2012/13
Cash Balance	674,395	635,987	744,592	1,050,659	1,140,212
Balance with NRB	2,648,596	549,455	1,473,986	3,681,980	4,789,295
Balance with Bank / Financial Institution	49,521	214,657	217,971	(456,817)	(46,939)
Money at call & short notice	552,888	3,118,144	2,452,512	826,436	1,634,306
Investment	10,826,379	13,703,024	13,081,206	14,048,966	16,332,043
Loans , Advance & Bills Purchased	27,589,933	32,268,873	38,034,098	41,605,683	46,369,835
Fixed assets	660,989	779,540	935,089	887,543	872,322
Non Banking Assets		-	-	-	-
Other Assets	864,696	882,005	1,201,984	1,548,964	2,150,186
Total Assets	43,867,398	52,151,684	58,141,437	63,193,414	73,241,260
Share Capital	1,448,621	2,028,774	2,029,769	2,435,723	3,046,052
Reserve & Surplus	1,681,620	1,807,933,	2,536,748	3,008,278	3,643,093
Debenture & Bonds	300,000	300,000	300,000	300,000	300,000
Borrowing	1,681,305	74,900	1,650,599	311,080	-
Deposits	37,348,256	46,410,701	49,696,113	55,023,695	63,609,808
Bills Payable	463,139	425,444	415,768	179,142	529,598
proposed & Undistributed dividend	338,011	434,737	608,931	811,908	974,737
Income Tax Liabilities	80,232	24,904	44,104	51,107	66,873
Other Liabilities	526,214	644,291	859,406	1,072,481	1,071,100
Total Liabilities	43,867,398	52,151,684	58,141,437	63,193,414	73,241,260

Appendix I
Himalayan Bank Limited
Five Years Financial Summary
Balance Sheet

(NPR in Thousands)

Fiscal Year	2008/09	2009/10	2010/11	2011/12	2012/13
Cash Balance	473,759	514,223	632,046	951,333	1,433,198
Balance with NRB	2,328,405	2,604,790	1,309,625	3,979,163	1,001,500
Balance with Bank / Financial Institution	246,361	747,476	941,979	1,431,798	213,501
Money at call & short notice	1,170,793	308,840	734,000	264,600	2,061,832
Investment	8,710,690	844,910	8,769,938	10,031,580	12,992,045
Loans , Advance & Bills Purchased	24,793,155	27,980,628	31,566,976	34,965,433	41,057,398
Fixed assets	952,196	1,061,870	1,187,493	1,305,364	1,308,795
Non Banking Assets	22,694	-	-	-	-
Other Assets	622,264	1,054,384	1,513,144	1,435,153	1,378,798
Total Assets	39,320,322	42,717,124	46,736,203	54,364,427	62,447,067
Share Capital	1,216,215	2,000,000	2,400,000	2,760,000	2,760,000
Reserve & Surplus	1,903,665	1,439,205	1,595,478	1,872,010	2,896,420
Debenture & Bonds	500,000	500,000	500,000	500,000	1,100,000
Borrowing	-	-	10,000	-	88,429
Deposits	34,681,345	37,611,202	40,920,627	47,730,993	53,072,319
Bills Payable	113,509	216,158	31,655	19,003	21,000
proposed & Undistributed dividend	162,097	189,473	336,842	322,106	129,000
Income Tax Liabilities	10,163	-	-	-	75,349
Other Liabilities	733,327	751,084	941,600	1,160,314	2,304,550
Total Liabilities	39,320,322	42,717,124	46,736,203	54,364,427	62,447,067